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Real value in a changing world

MAPIC *2011*
Wrap up

Adapting to Change

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Setting the Scene

Crisis in the Eurozone: volatility and uncertainty….

Scenario 1: 20%

Upside: strong bounce back.

Scenario 2: 50%

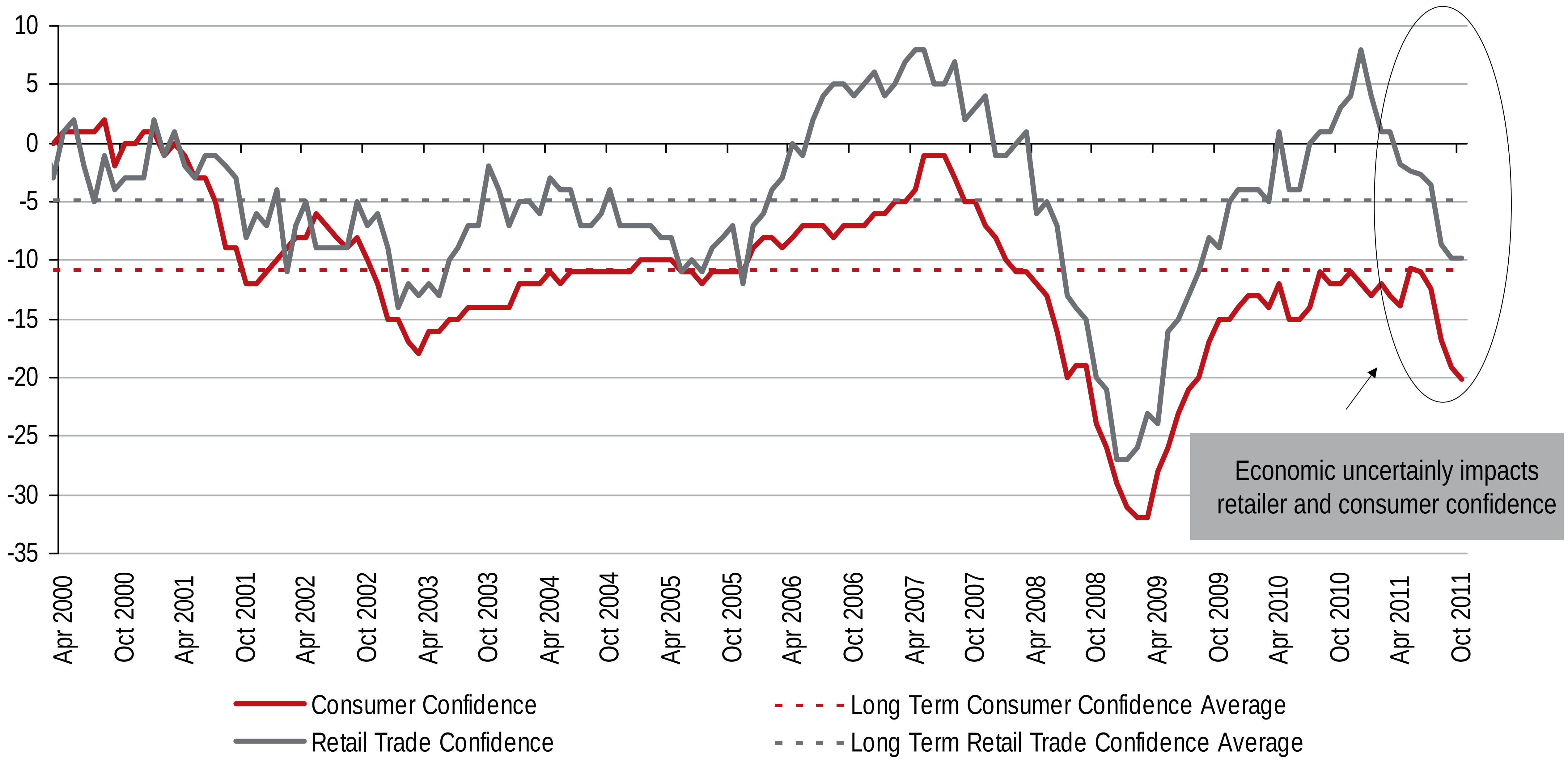
Central scenario: muddle through.

Scenario 3: 30%

Downside: disorderly breakdown of Eurozone.

Consumer and Retail Trade Confidence Europe

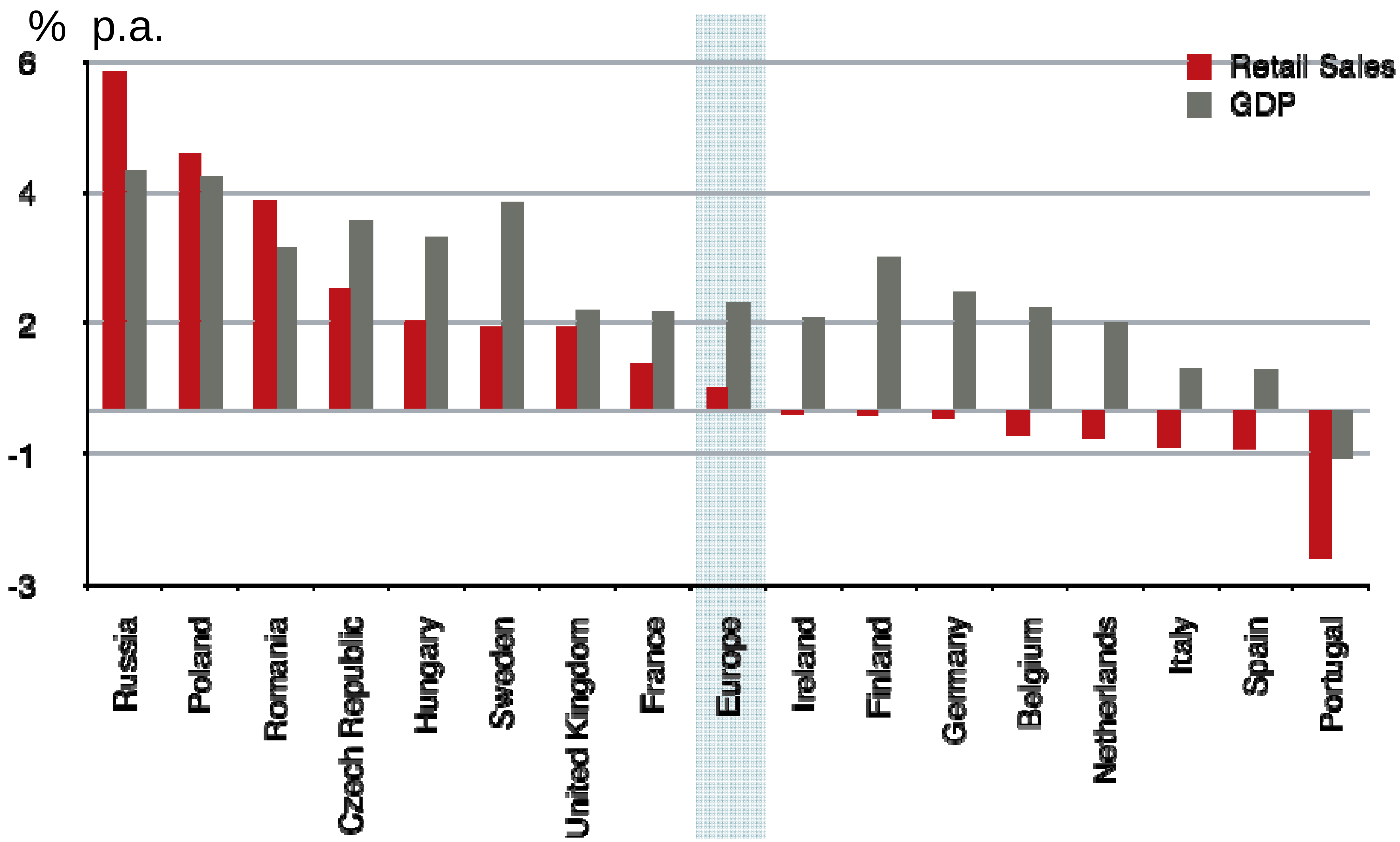
Confidence amongst European consumers and retailers is volatile/ falling…



Source: European Commission, October 2011

Retail Sales and GDP Growth Forecasts 2011-2013

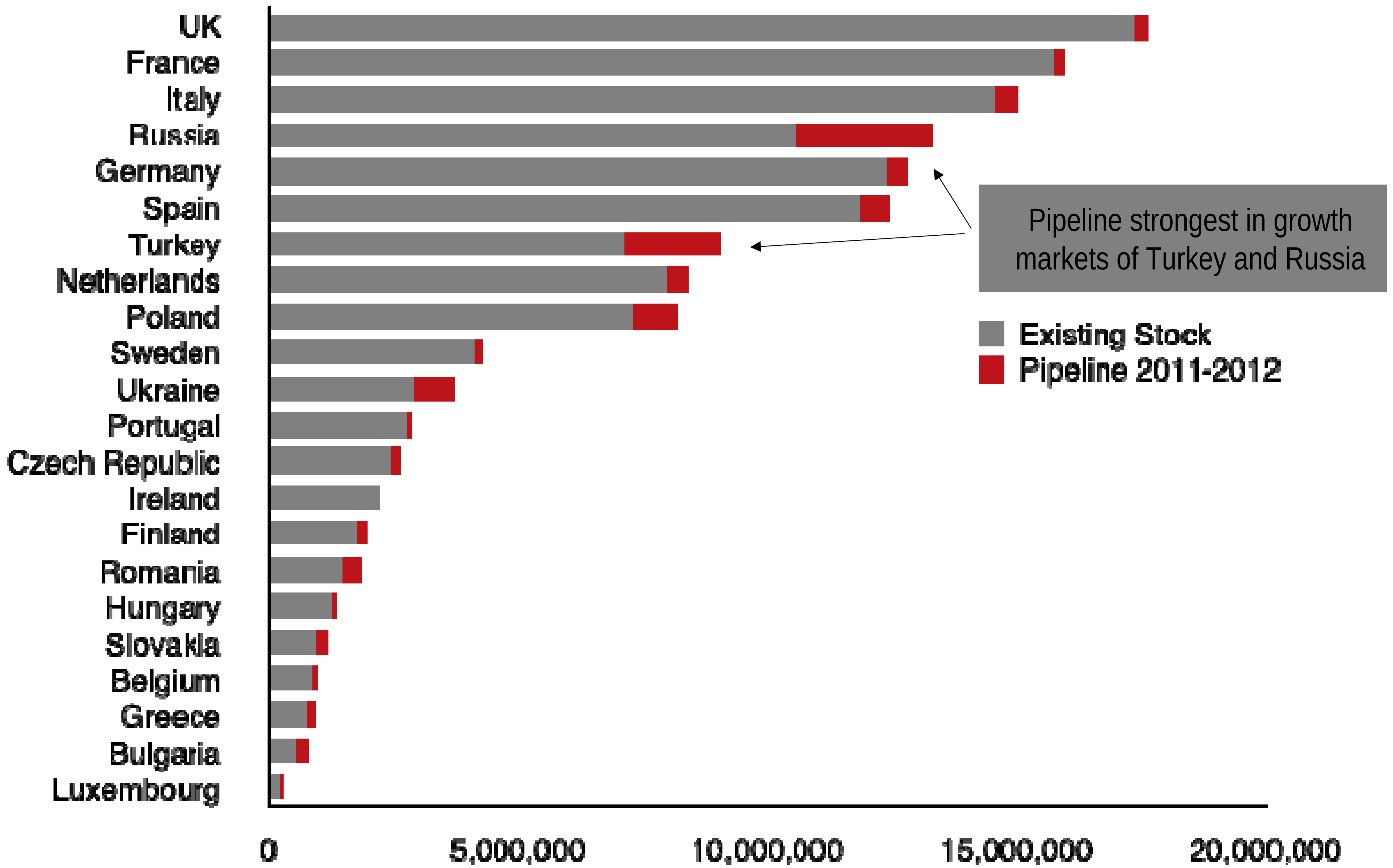
GDP growth forecast across Europe; retail sales growth remains patchy…



Source: IHS Global Insight, October 2011

Existing Shopping Centre Stock and Pipeline H1 2011

Constrained supply, with the exception of Russia and Turkey…

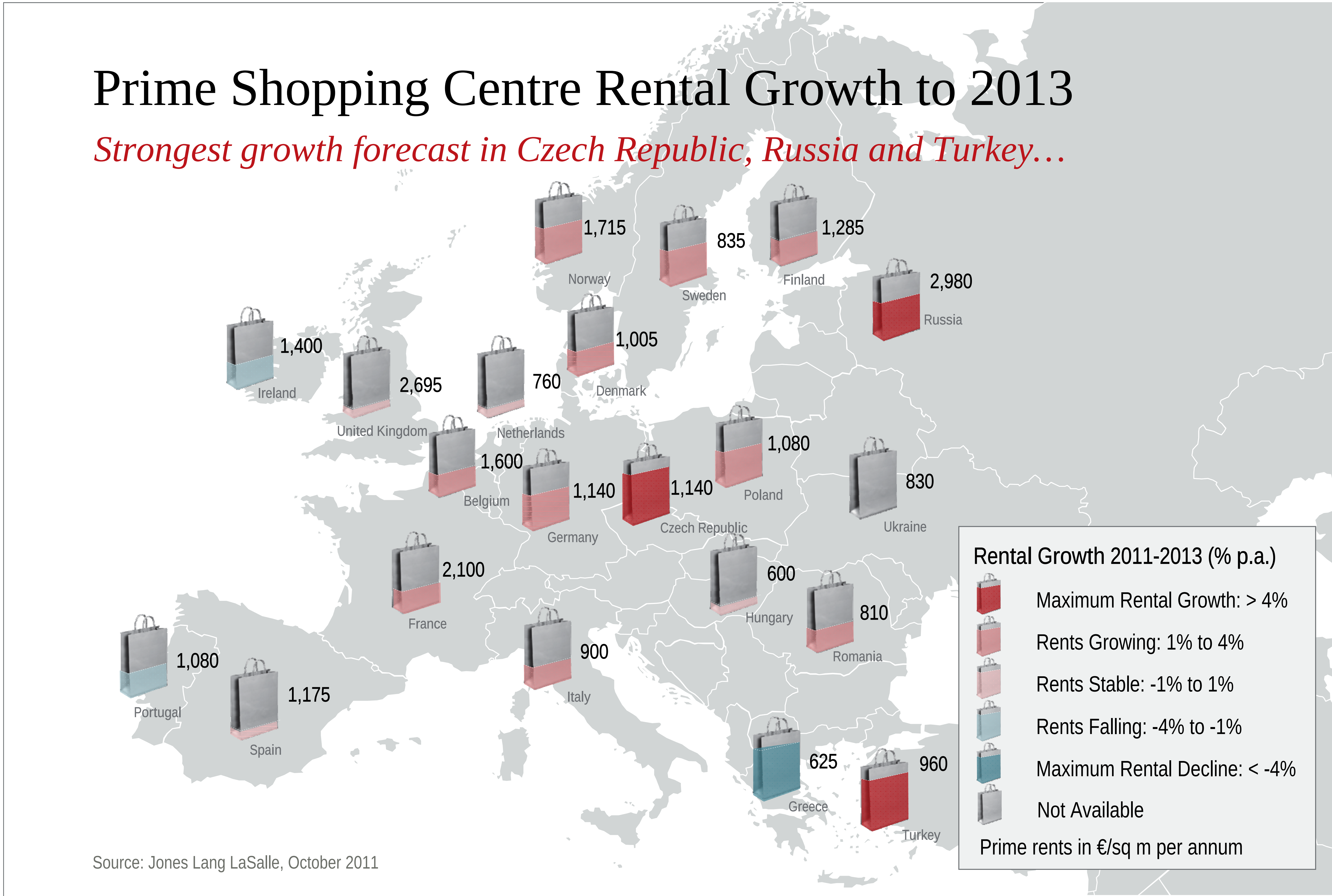


Source: Jones Lang LaSalle, October 2011

Note: Includes schemes >5,000m² GLA only; excludes Retail Warehousing and Factory Outlet Centre. Pipeline figures should be treated with caution. Jones Lang LaSalle experience shows that a significant proportion of the pipeline in 2010 & 2011 are unlikely to be completed within the advertised time frame.

Prime Shopping Centre Rental Growth to 2013

Strongest growth forecast in Czech Republic, Russia and Turkey…



Source: Jones Lang LaSalle, October 2011

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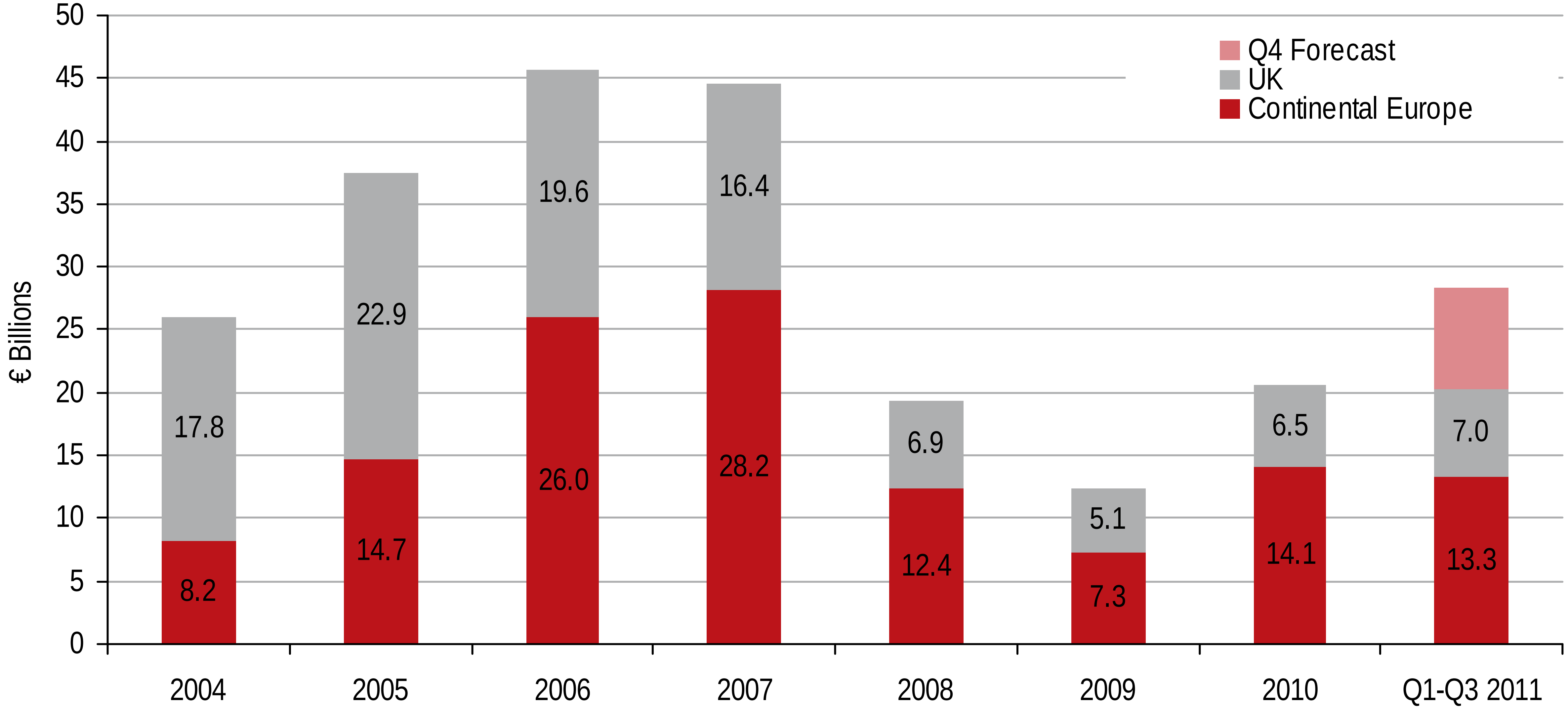
European Retail Investment Volumes 2004-Q3 2011

Retail investment volumes for the year to end Q3 on a par with 2010…

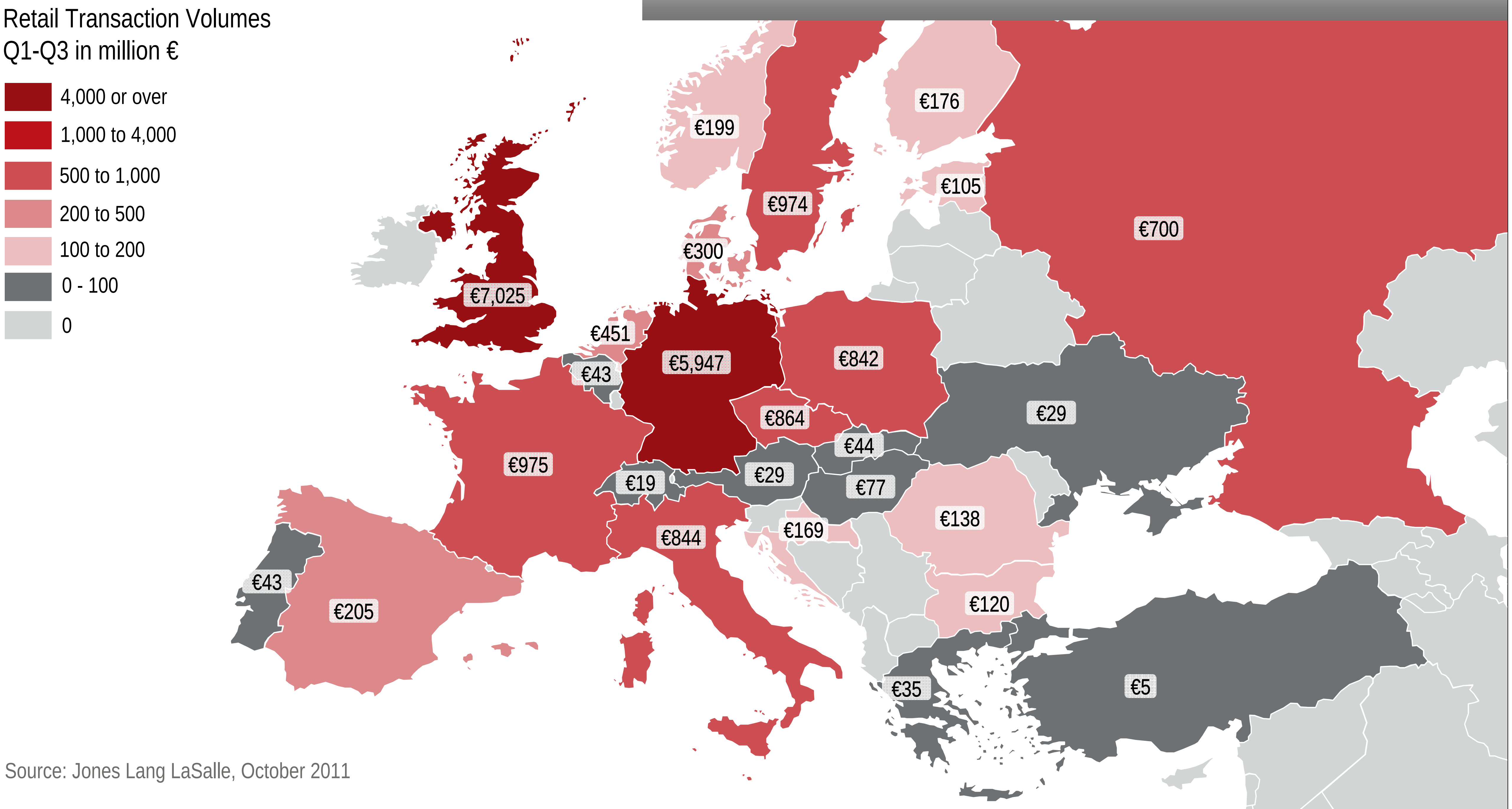


Source: Jones Lang LaSalle, October 2011

Note: This review considers all investment sales of shopping centers, retail warehouses, factory outlet centers and supermarkets in Europe. The analysis excludes the high street and any investment deal less than € 5 million in value.

European Retail Investment Volumes Q1-Q3 2011

Focus on Germany, UK and more recently Poland and Russia….



Source: Jones Lang LaSalle, October 2011

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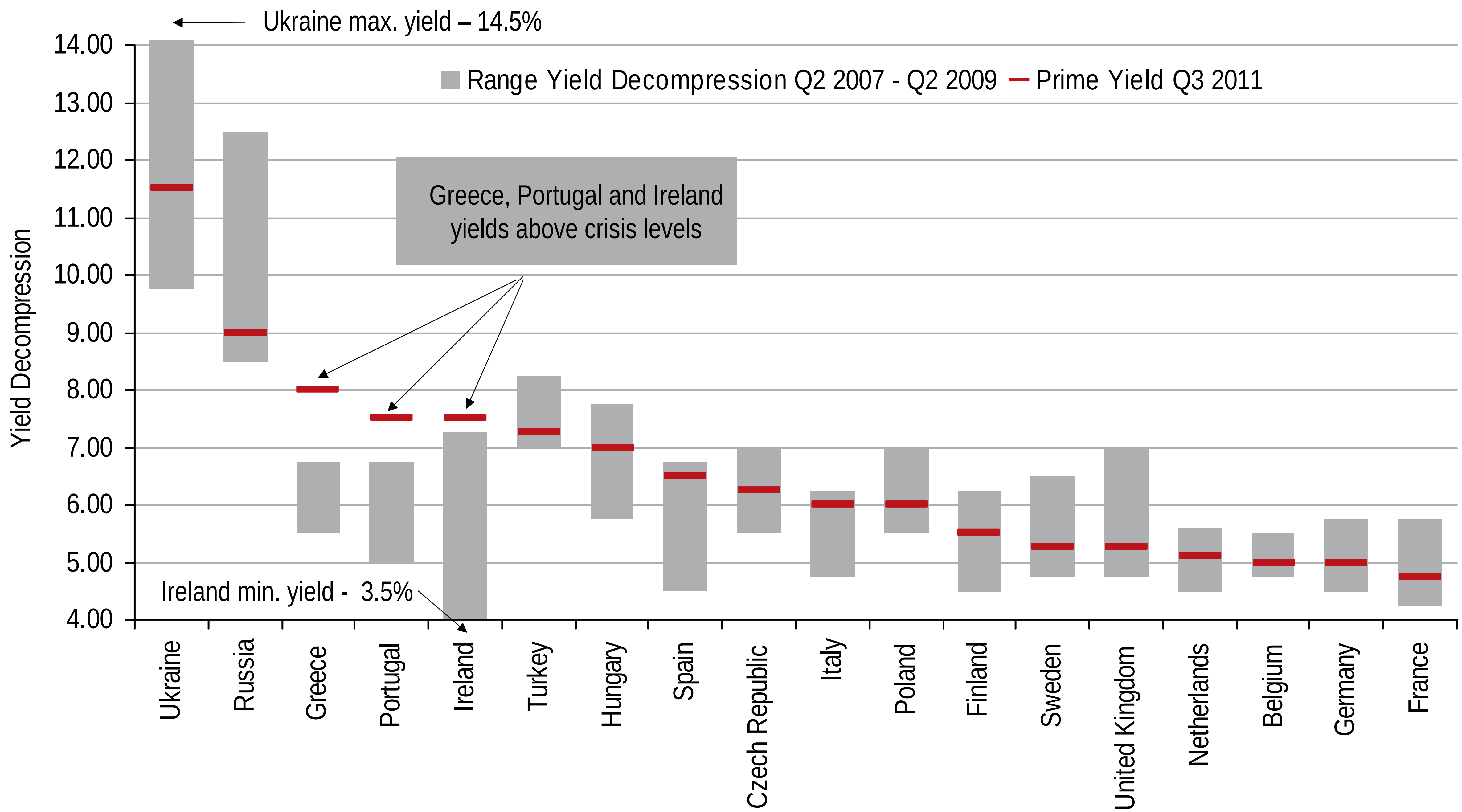
Note: This review considers all investment sales of shopping centres, retail warehouses, factory outlet centres and supermarkets in Europe. The analysis excludes the high street and any investment deal less than € 5 million in value.

Prime Shopping Centre Yield Q3 2011

Yields stabilising/ moving inwards, but with exceptions…



Source: Jones Lang LaSalle, October 2011

Note: Prime yield = Net Initial Yield = Triple Net Income/Gross Purchase Price

Setting the Scene

So where are we now?

Headwinds persist....

- Economic uncertainty
- Consumers and retailers both under pressure
- Retail sales outlook is weak across Europe
- Access to debt remains challenging

But it is not all bad...

- Growth hotspots exist all across Europe
- Retailers are still expanding
- Developments are underway (although pipeline is thin)
- Investment activity continues – (although focussed on prime)
- There is a healthy depth of equity
- We are aware of the challenges…

What Next?

When do we get back to normal, what will normal look like?

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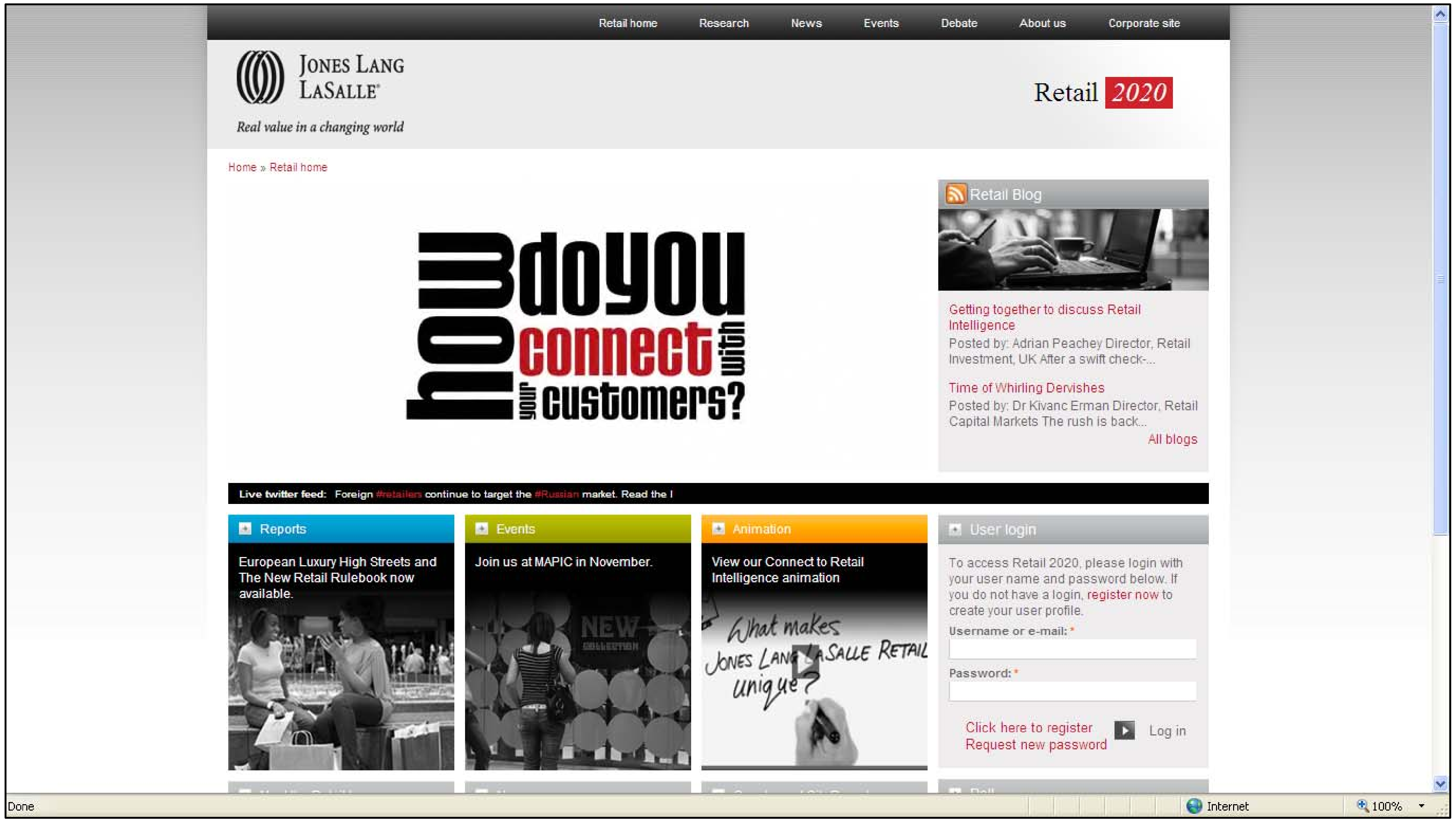
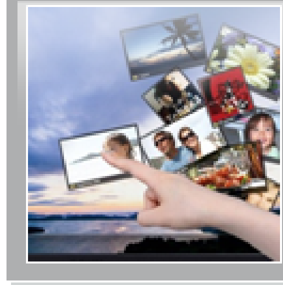


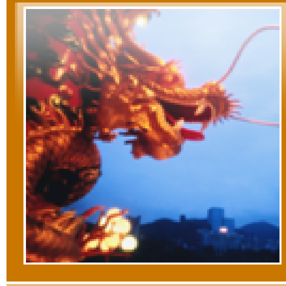
Retail 2020: Key Drivers of Change

Identifying key trends shaping our retail landscape…

Going Slow
Pace of Economic Growth

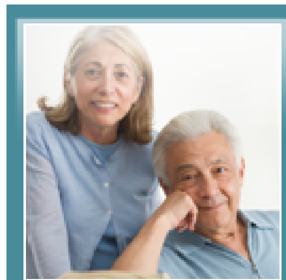


Going Digital
Evolution of Technology

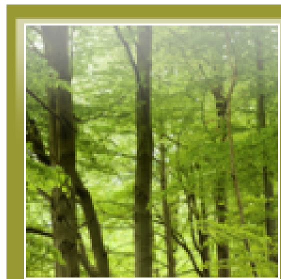


Going East
Shifting Balance of Economic / Financial Growth

Going Beyond Retail
More than Shopping

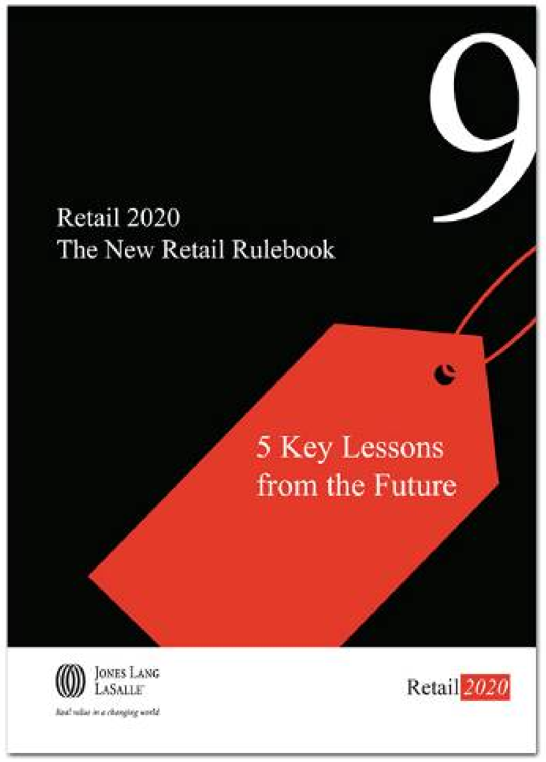


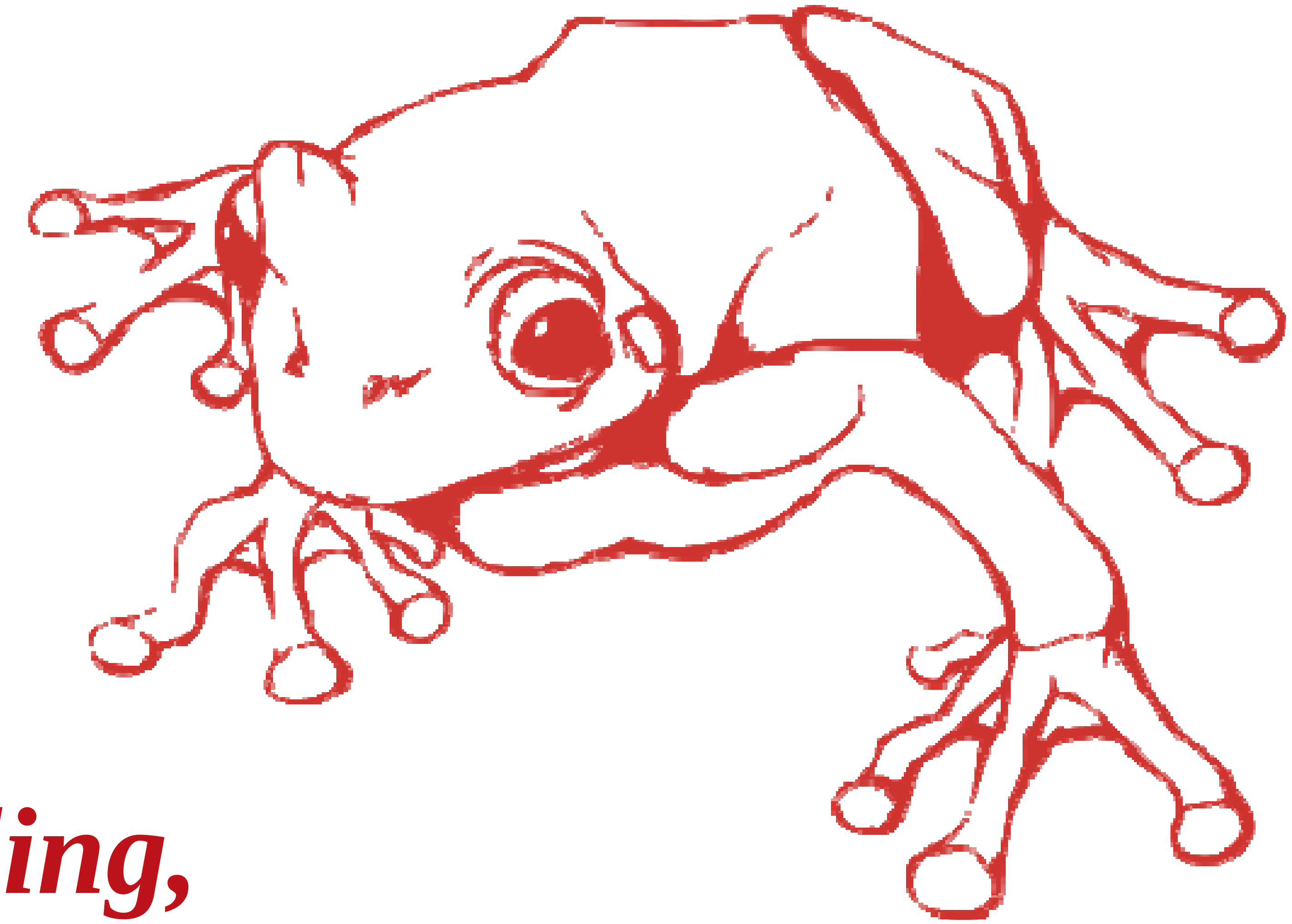
Going Old
Demographic Change



Going Green
Environmental Sustainability

Time for a New Retail Rulebook





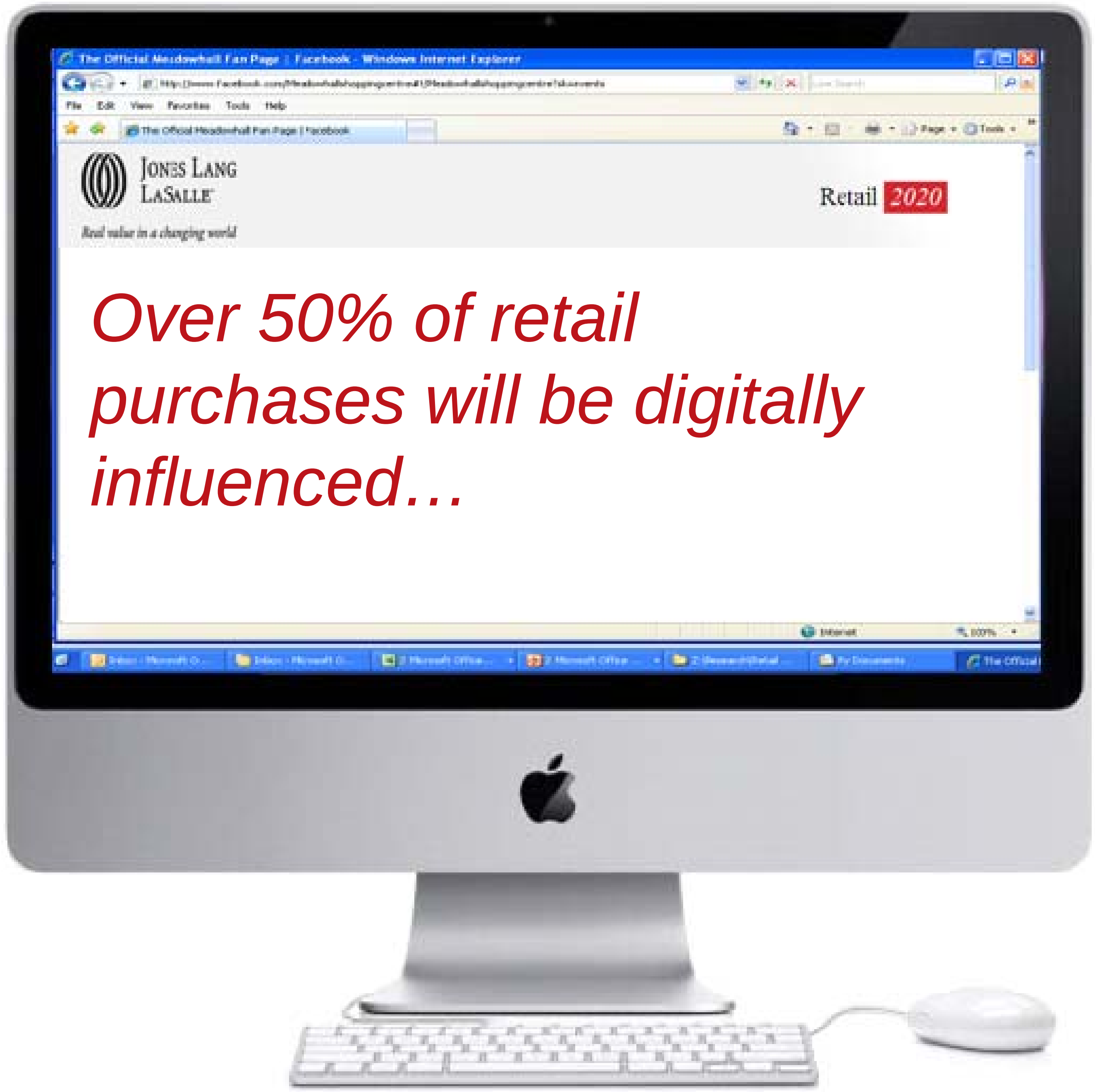
Change is here,
the water is bubbling,
are you ready to jump?

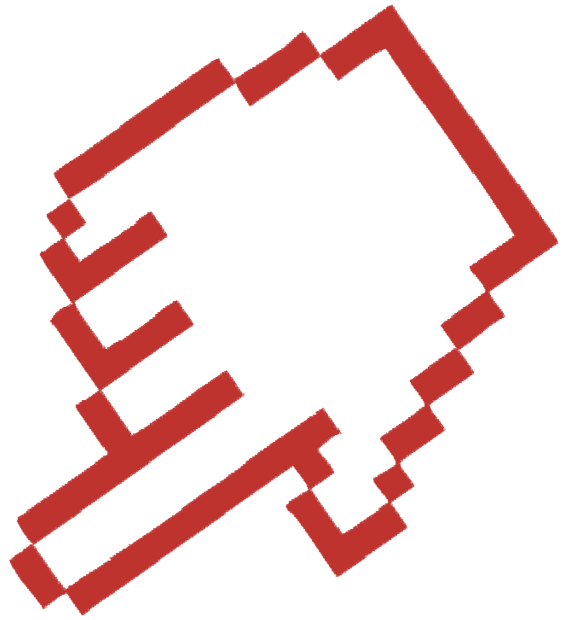
Going Digital - the Game Changer

Information, transparency, accessibility, flexibility....

Fully Integrated Multi Channel

Complementing not competing with traditional retail…

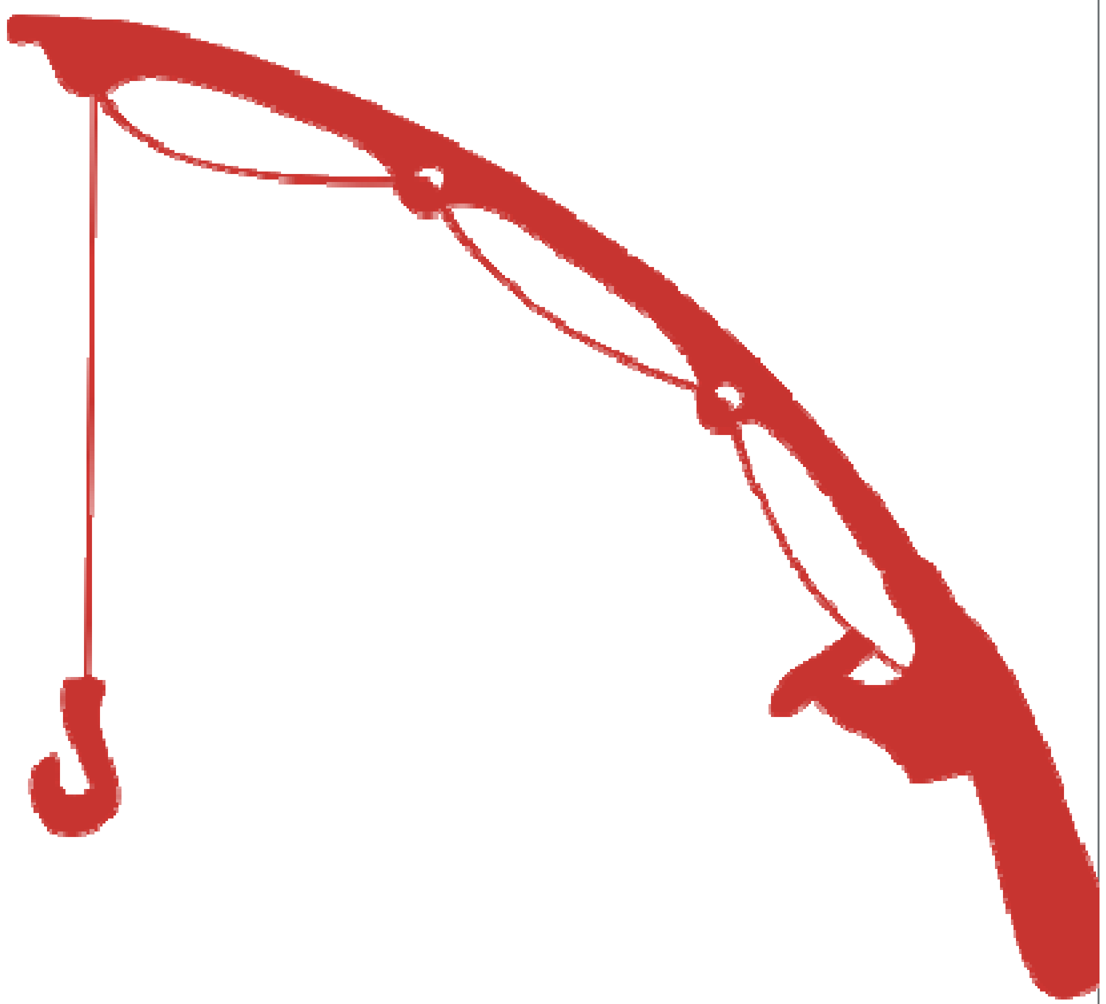




Marketing Comes of Age

Get them and keep them….

Achieving customer magnetism in these straightened times means marketing has to come of age.



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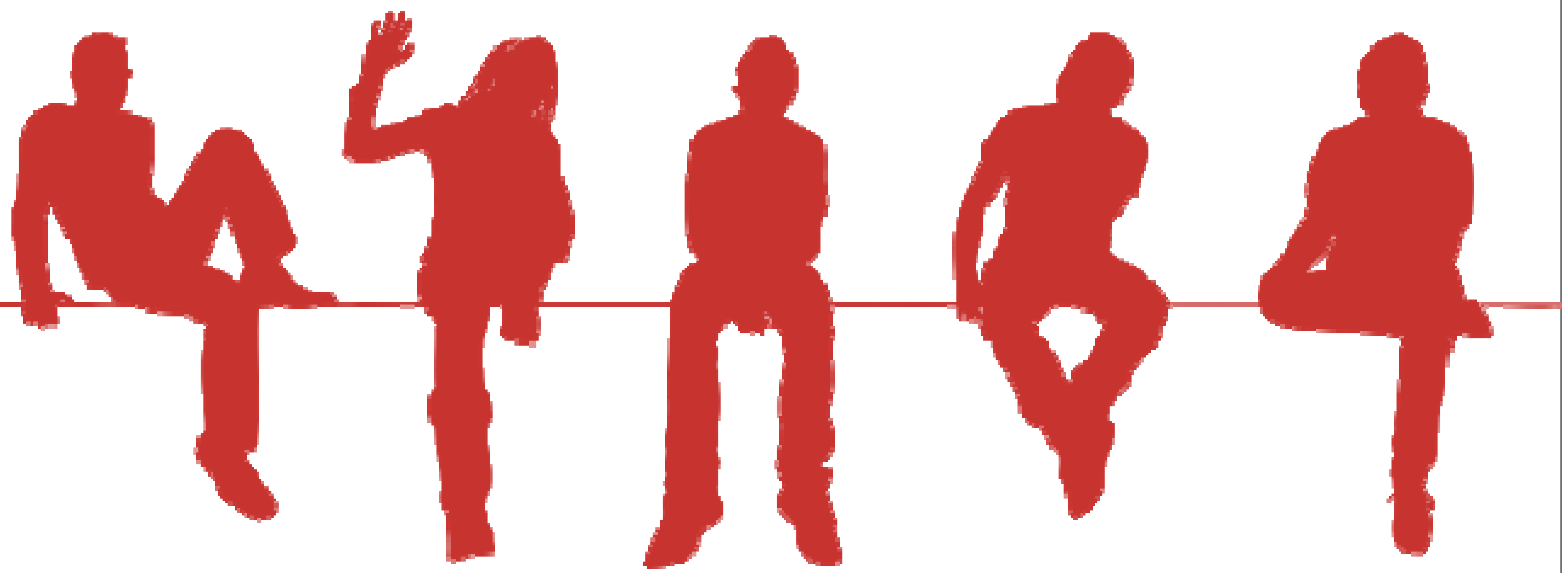
Mindset and Skills

Do we have the mindset or skills to adapt?

The key to survival is not just assets, funds, systems, and processes but people and their attitudes.



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Going Beyond Retail

The last 10 years was about more, the next 10 will be about better…

Experience

(or convenience)

Changing Occupier Requirements

A new model for the next 10 years….

- Customer at the heart of everything!
- New formats and strategies, a fully integrated multi channel model
- Retailers need fewer stores in more dominant locations
- Portfolio rationalisation in mature markets
- Expansion in growth markets
- Increasingly global - cross border activity

Retail Investor Focus

Where would you invest?

Growth:

Nordics, Poland, Russia, Turkey

Value:

Italy and Spain

Stability:

UK, France, Germany

But for now a continued focus on prime by equity rich investors…

Wrap up

Structural change and risk but plenty of opportunity

- Weak and patchy retail outlook although hotspots do exist!
- City focus, not country
- Technology is the game changer - multi channel is a must!
- Retailers focus on portfolio rationalisation and growth
- Limited supply of new space to remain
- Strong locations to get stronger, weak to get weaker
- Investor focus to remain on prime but on a wider geography

Wrap up

Are you ready to adapt to change?