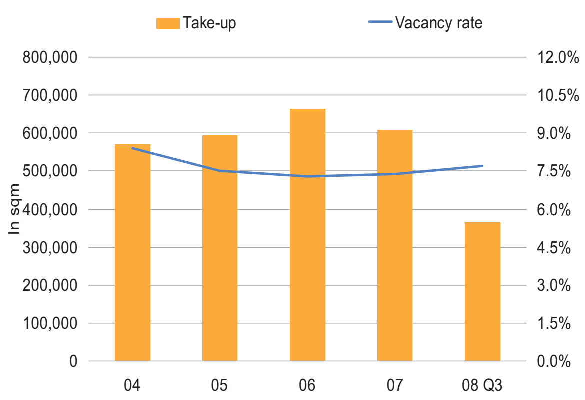
The Netherlands Retail Market

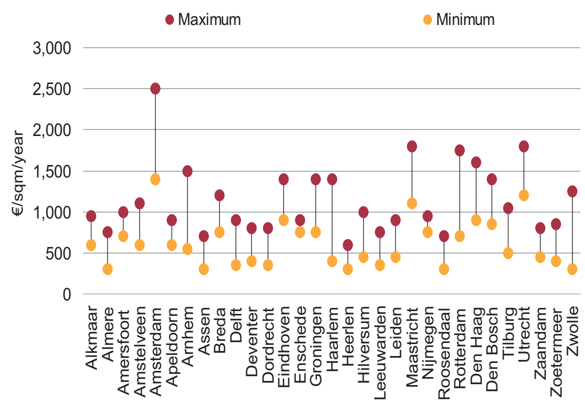
Autumn 2008

Take-up and vacancy rate



Source: Savills Research / Locatus

High-street rental level in large cities



Source: Savills Research / Locatus

"Overall activity on both the investment and the leasing markets has weakened considerably over the year. On non-prime locations both rent and yield levels are therefore under considerable pressure. On high-street locations rent levels remain stable, due to strong national and international demand. We expect prime retail to keep on outperforming the property market."

Jan Peter Hebly (Managing Director - retail department)

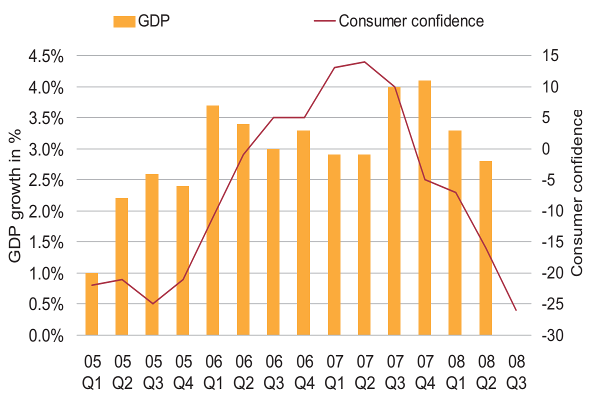
- The Dutch economy is under a serious strain due to the global financial crisis and the less favourable economic outlook.
- In the past year over 340.000 sqm shopping area has been added to the stock and 2008 will show roughly the same figure. Total planned retail developments are over 3 million sqm.
- Take-up volumes in 2008 will remain below that of the previous years. Under the current market circumstances a year-end rally is not to be expected.
- 2008 investment figure is strongly influenced by three large deals that occured during Q1, but the underlying impetus has weakened considerably.
- Currently the yields are being readjusted to the market situation. On A1-locations the demand is still larger than the supply and prices remain stable.
- Leasing transactions are affected by the economic downturn. They will be limited in the near future and an increase in transaction level is not expected before 2011.
- The volume of retail investments in the coming two years will be below market average and we expect a rise in investments not before the end of 2010.

Economy and letting market

Economy

In recent years the Dutch economy has been showing strong figures. However, the effects of the credit crunch slowly started to show during 2007 and in the course of the first half of 2008, economic activity weakened considerably. Due to the exceptional momentum generated in 2007 annual GDP in 2008 should still be above 2,0%. In spite of the economic situation the labour market remains quite resilient but recent figures are headlining a slowdown in employment growth. Purchasing power has been affected by rising consumer prices and increases in taxes and social premiums, while the saving rate is still decreasing. In view of the financial crisis, consumer confidence dropped sharply, from +14 to -27 in just over one year, and is likely to impact future private consumption.

GDP growth and consumer confidence



Source: CBS

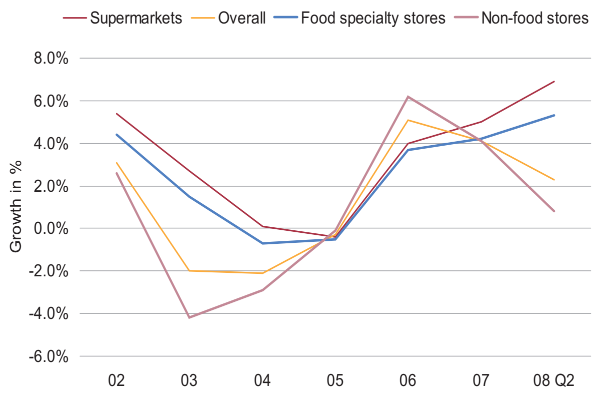
Letting Market

Consumer demand

In spite of the overall lacklustre situation private consumption has shown still relatively strong performances since the beginning of the year. This is mainly due to higher natural gas consumption and a reform in the health care system shifting public to private consumption. Services have been the main spending target of households, reflecting a growth in volume of 3.2% and 2.8% during the first and the second quarters of the year respectively. Over the same period, consumption of drinks, food and durable goods have decreased significantly.

In line with private demand, overall retail sales have remained quite healthy although showing significant decelerating pace of activity. Food-related stores including supermarkets have benefited from the rise in raw food prices.

Retail sales development



Source: CBS

Retailer demand

Consequently to the downswing signs in consumption, retailer demand has weakened. In 2008 take-up decreased gradually over the months and total volume of transactions at year-end is foreseen to be below that of previous year. However, vacancy rate has remained relatively stable. Of the current 27.2 million sqm sales area 7.5% is vacant against 7% last year. The vacancy rate varies from 6% for large schemes to almost 9% for city centre premises, including units in B-locations.

Interest from international retailers is growing in all retail sub-sectors. Recent noted entrances to the Dutch retail market includes brands such as Starbucks, Triumph, Desigual and Apple. Formats like H&M, C&A, Esprit, Score and Bestseller are seeking opportunities to expand their European network. As a consequence, the number of flagship stores is on the rise. Amongst the bigger brands, Nike, Adidas and Apple recently opened stores and smaller brands such as G-Star and Scotch & Soda are now also opening brand stores. Overall, demand from large retail chains has become predominant; currently around 59% of all stores belong to a retail group which can be up to 90% in high-streets.

Existing retail park

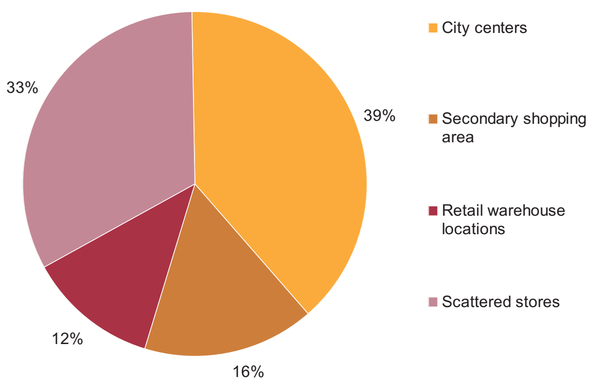
In the past ten years the total amount of sales area in the country increased by 25% to reach 27.2 million sqm in 2008. With 1.6 sqm sales area per inhabitant, The Netherlands ranks among the top countries in the Europe. The retailing landscape in The Netherlands could be described as traditional, with, in general, strong city centre presence, supported by large and small in-town shopping centres. Although based in town, these large shopping centres have regional catchments, offering up to 150 outlets for the largest centres and very good parking facilities. The older centres are generally open-air, while the newer ones are partly covered. With

Investment and outlook

only one exception, out-of-town shopping centres are non-existent, making the in-town retail floor space up to more than 55% of the total retail space.

In the past 15 years, the retail warehouse format has become increasingly important but still reflects only 12% of the total retail space. Factory outlet centre is a more recent concept; three are currently operating and the first one, namely Batavia Stad located in Lelystad opened in 2001.

Retail floor space per type of shopping area



Source: Savills Research / Locatus

Development trends and new concepts

The Dutch planning system has always been very strict towards retail consents and only few dedicated areas have obtained the necessary permits to develop retail premises. Traditionally, the establishment of out-of-town (OOT) retail has been reserved for large-scale retailers such as DIY, garden centers and furniture strips. However, due to the increasing demand for large-scale formats, developers are considering more and more the development of large-scale OOT shopping centres and retail-leisure parks at the city fringes. The public debate about the recent plans for a large out-of-town shopping center close to Tilburg shows that opposition against these schemes remains substantial.

Rental values

High-street prime rents range from €1,000/sqm/year for medium-sized cities up to €2,500/sqm/year in Amsterdam. Average rent levels have increased by 3-4% in the past few years but came to a halt since the beginning of 2008, even on A1-locations. On secondary locations there is strong pressure on the rents and significant incentives are granted. Prime rental values for Amsterdam shopping centers are comprised between €1.300/sqm/year for standard unit and €850/sqm/year for anchor premises. Rental values for retail parks remained stable for a number of years, rents vary between €75/sqm/year in small regional locations up to €140/sqm/year near large cities.

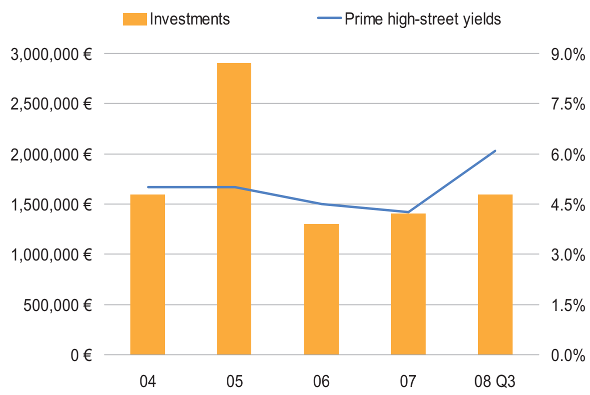
Investment

In spite of the correction in the Dutch investment market in the first part of the year, investment levels in retail property performed well and will actually exceed the turnover achieved in 2007. However, this is mainly due to three large deals, all closed at the start of this year. The major one is the sale of a large Unibail-Rodamco portfolio of around 350.000 sqm to IEF Capital for €775 million. Looking beyond these exceptional transactions, underlying investment impetus has weakened considerably. The financial crisis, combined with a less favorable economic outlook are key elements to this downswing.

Yields

Under the joint effects of toughening financial conditions and rising interest rates, prime yields have risen strongly this year. On high streets yields have uplifted with 150bps to 6,5%, while in shopping centers the increase was 130bps to 6,8% currently. Prime rental warehouse yields have moved up to 7,5%, an increase of 125bps.

Investment and yields



Source: Savills Research

Outlook

Short term outlook is under strong influence of the current financial crisis. In 2009, GDP growth is projected to fall between 0.4% and 0.8%. Private consumption is expected to slow down to 0.6% in 2009 due to falling employment growth and rising inflation. As a consequence, we anticipate a deceleration of retail sales over 2009 and 2010.

Overall retail take-up will continue to decrease over the considered period with a much severe effect on secondary locations. We believe demand for A1-locations to remain strong as the scarcity of prime retail outlets is set to remain.

With the uncertainty of the financial crisis still looming over the market, investors will continue acting cautiously. Therefore, we expect the investment activity to be limited in 2009 and during the first half of 2010.

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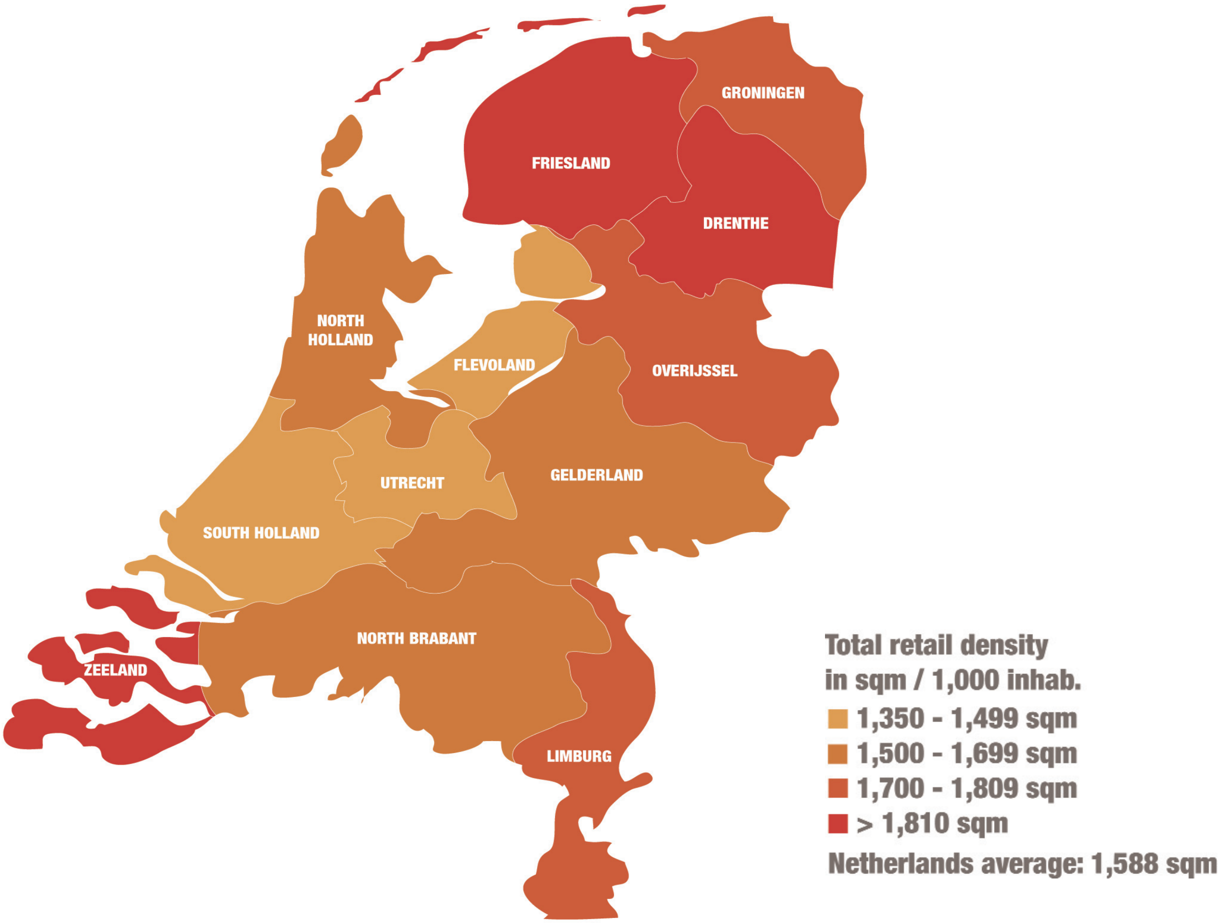
Retail density map



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