

PRESS RELEASE**Outlook Retail Real Estate 2021****Boom in Grocery Retailing Coincides with Growing Transformation Pressure on High-Street Retail Real Estate**

- Conversion and alternative use are key issues for large-scale high-street properties
- REWE Group keeps pursuing its expansion trajectory, eyeing various unit sizes
- Demand for grocery retailers and mixed-use venues set to increase
- Open-ended special AIF of Warburg-HIH enters investment period
- General decline in investor interest and few retail property transactions
- Prime high-street pitches remain an attractive investment destination

Berlin, 3 December 2020 – Germany’s retail real estate sector is under growing pressure to transform and modernise. For the years ahead, experts anticipate a wave of transformations, restructuring efforts and conversions, notably involving large-scale high-street retail properties such as shopping centres and department stores. Demand for grocery retail assets and mixed-use real estate with a food focus will continue to grow. These are the insights gained during the online press conference hosted by Martin Mörl, Managing Director at Girlan Immobilien, Stefan Koof, Head of Expansion and Real Estate at REWE Handel Deutschland, Jens Nagelsmeier, Head of Transaction Management Retail at Warburg-HIH Invest, and Karsten Jungk, Managing Director and Partner at Wüest Partner Deutschland.

Waning Interest among Investors

Karsten Jungk, Managing Director and Partner at Wüest Partner Deutschland, summarised the situation on the retail market: “The onset of the coronavirus pandemic has necessitated a radically differentiated assessment, more so than for any other asset class. On the one hand, retail revenues registered a one-year growth by 8.2 percent in October, according to the Federal Statistics Office, with sales of furnishings, household appliances and building materials growing by 14.2 percent. On the other hand, the apparel industry alone suffered revenue losses of 29 percent during the first six months 2020 compared to the second half-

year of 2019.” Jungk went on to say: “Interest among investors is very rapidly drying up. As a result, there is scant market evidence of transactions. What we are seeing as appraisers is that operators and investors are pulling pre-prepared concepts for reusing or restructuring their assets out of the drawer. Off-high-street locations tend to be at a disadvantage. Conversely, properties in performing locations with well-functioning concepts will survive the coronavirus crisis and the structural change. Prime high-street pitches remain an attractive investment.”

Potential Floor Space Availability for Small-Scale and New Use Types now in Demand

Martin Mörl, Managing Director at Girlan Immobilien, is bracing himself for growing pressure to act: “We assume that a large number of larger-scale high-street retail properties in Germany are under enormous transformation and conversion pressure. In the years to come, we will therefore see numerous retail venues now obsolete switch to alternative or new uses – a process that holds a promise of huge opportunities, too. The floor space potentially vacated, for instance in department stores and commercial buildings or shopping centres could give new, small-scale and popular use types and product ranges a chance to return to inner cities. Formats that come to mind include housing, micro-logistics, healthcare, services, offices and public uses, but also innovative retail and gastronomic concepts. Retailing will remain a fundamental component of inner cities.” Mörl went on to say: “On the whole, retail real estate as asset class will become more demanding and complex, a fact that is reflected in the considerably increased requirements that investors, owners, tenants and municipalities bring to the table when discussing property and use concepts.”

Rapid Growth in Food Retail Sales

By contrast, retail warehouse parks and food retailing have benefited from the new market situation. Grocery sales registered a year-on-year growth by 12 percent between January and September 2020. Stephan Koof, Head of Expansion and Real Estate at REWE Handel Deutschland, commented: “Sales during the first nine months of the ongoing year were driven by above-average growth in our REWE and Penny supermarkets. Unlike other players, we will therefore push forward with our expansion strategy exactly as planned. We have a high degree of flexibility when it comes to architectural and use-based peculiarities, and are very much open to the idea of mixed-use properties. The same is true for the footprints we require: From the intra-urban REWE convenience stores of 500 square metres to the Penny

discounters, and from the larger REWE supermarkets all the way to the REWE Center markets of more than 5,000 square metres, we will work with any floor-space requirements a given site might have.”

Groceries and Mixed-Use Real Estate Increasingly in Focus

Jens Nagelsmeier, Head of Transaction Management Retail at Warburg-HIH Invest, added: “Demand for grocery retailers will keep growing because they offer a high covenant strength and stable long-term cash flows. Selling prices will also keep going up, even if their growth won’t be able to match the dynamic of other asset classes. But since the supply in available real estate remains limited, mixed-use properties are increasingly moving into focus. All types of use that complement groceries qualify as sensible additions, including doctors’ offices or apartments, for instance. Moreover, the subject of sustainability will further gain in significance next year. Operators with EV charging stations, photovoltaics, etc. are already well-positioned in this context. In the medium term, carbon-neutral green buildings will become standard.”

Warburg-HIH is Invest currently going through the investment period with its open-ended special AIF “Warburg-HIH Perspektive Einzelhandel: Fokus Nahversorgung.” The investment fund has 17 properties in its portfolio. It focuses on retail warehouse parks and neighbourhood retail centres, anchored by food retailers in economically stable locations in Germany and with ten to 40 million euros in terms of total sum invested. The minimum subscription amount is five million euros. The annual dividend yield will be somewhere between 4.5 and 5.5 percent.

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About REWE

With 24.5 billion euros in revenues (2019), more than 148,000 employees and over 3,600 REWE markets, REWE Markt GmbH counts among the leading companies in German food retailing. REWE markets are operated either as directly owned branches or as franchises by independent merchants. The cooperative REWE Group is one of the leading retail and tourism conglomerates in Germany and elsewhere in Europe. In 2019, the company reported a total external turnover of more than 62 billion euros. Established in 1927, the REWE Group employs more than 363,000 staff and is on the ground in 24 countries in Europe.

Girlan Immobilien GmbH

Girlan Immobilien (formerly Prelios Immobilien Management) with head office in Hamburg is a leading non-bank specialist for retail and commercial real estate. Girlan Immobilien develops, manages and repositions shopping centres, office schemes, hotels, commercial buildings, multi-story car parks and department stores as well as mixed-use properties, retail warehouse parks and urban quarters. With activities across Germany, Girlan Immobilien offers owners and investors integrated services as a one-stop shop along with location-specific solutions and custom concepts. Girlan Immobilien has more than 1 million square metres of lettable area and c. 2 billion euros worth of real estate assets under management.

About Warburg-HIH Invest

Warburg-HIH Invest Real Estate (Warburg-HIH Invest) is one of the leading investment managers for real estate in Germany and elsewhere in Europe. We find, develop and control real estate and investments under a forward-looking approach in the best interest of our clients. Decades of experience, close proximity to real estate markets and tight networking enable us to identify real estate opportunities and to act on them quickly in the right market cycle. Around 150 institutional clients entrust their investments to Warburg-HIH Invest. They benefit from the structuring, product development, property management and market development specialists we make available for the purpose of developing just the right investment solutions for them. Warburg-HIH Invest maintains a presence in ten different locations across Europe. As part of the HIH-Group, we cover the entire real estate investment value chain with in-house capacities. The early recognition of market changes, the implementation of regulatory requirements and forward-looking digital management are part of our corporate philosophy. At the moment, we have 12.1 billion euros worth of assets under administration in 74 investment funds. For more details, go to the company's homepage at: www.warburg-hih.com/en

Wüest Partner Deutschland

Wüest Partner Deutschland was formed as subsidiary of the Swiss company Wüest Partner AG in 2007, and maintains branch offices in Frankfurt am Main, Berlin, Hamburg, Munich and Düsseldorf. The business activities of Wüest Partner in Germany focus on the appraisal of real estate portfolios and single properties. This includes pre-acquisition and periodic valuations in the form of market-value, mortgage-lending-value and fair-value appraisals using German and international methods. On top of that, Wüest Partner focuses on independent investor consultancy on a variety of issues, incl. sustainability and strategy, on real estate market analysis and on the development of innovative applications for the analysis of markets, sites and portfolios as well as for valuation purposes. Wüest Partner employs more than 200 professionals in Germany and Switzerland, and has been known for superior quality since it was formed in 1985, not least because of its autonomy. The company's focus on advisory services ensures delivery of professional and neutral results. For more details, go to: www.wuestpartner.com/