

ASR Dutch Prime Retail Fund

annual report 2015



α.s.r. reim insources management for six Dutch malls

Shopping Centre Management: A Personal Touch

On April 1, 2015, α.s.r. reim began insourcing mall management for six major shopping centres across the Netherlands. The malls currently under the Fund's management are: Hoge Vucht in Breda, Floriande in Hoofddorp, Terwijde and Vleuterweide in Utrecht, De Passage in the Hague and Luifelbaan in Leiden.

While the ASR DPRF monitors external managers for technical aspects such as waste collection, it is now personally involved in other aspects. These include commercial and administrative management, and the support and supervision of management and promotion through activities such as online and offline promotion strategies, and associations such as the Keurmerk Veilig Ondernemen (KVO) and Retailers Associations. They also play a relationship management role for other organizations such as schools and governmental legislators.

Respond quickly to opportunities and threats

The Fund uses a proactive management style to respond quickly to both opportunities and threats. Essential information about property management is transmitted rapidly and efficiently to asset management, fund management and back. And, of course, increased communication flow between ASR DPRF, individual shopping centre tenants, the

tenant association, and other important stakeholders such as the government, police, fire brigade, and is paramount.

"This approach is definitely increasing quality and effectiveness," explains Senior Account Manager Retail Boudewijn Vermeer. "We anticipate trends and developments quickly,

we manage risks better, and we have increased cooperation and commitment between the tenants and other stakeholders."

Entrepreneurs appreciate the hands-on approach

Hester Vos is the owner of the fashion boutique Sterk Store in Vleuterweide in Utrecht: The most important aspect for me is the increased sense of cooperation and active involvement. There is a real sense of partnership and a commitment to innovation as we move into the future. It makes a world of difference."



Boudewijn Vermeer and Klaas Boekschoten

“For us, keeping clients means continuous investment,” says Jerry Lion, Director at Hans Geveling B.V, a company responsible for running ten Albert Heijn supermarket franchises. ASR DPRF is working with us to make sure this happens. I shared some ideas with Boudewijn during our last New Year’s reception, and the next day he was on the phone.”

Working with the wider community

But how does this commitment actually translate into concrete action? “We work with external organisations to help ensure a top quality shopping experience for visitors,” says Asset Manager Klaas Boekschoten. “We speak with police and fire brigade agencies to create a safe environment. We work with cultural organisations to bring in a sense of community. And we actively engage the schools in the area to promote cultural events and let students know the behaviour we expect from young people in our shopping centre.”

Maintaining a competitive edge

ASR DPRF is aware that when it comes to remaining competitive, they can’t fall behind in terms of customer expectations. The approach therefore includes a clear focus on developments, innovations and trends that affect the shopping experience. In fact, the Fund recently brought in a ‘trend watcher’ to make sure the shopping centre meets today’s requirements while also anticipating future customer expectations.

“We’re definitely working with store owners and external parties to stay on top of shopping trends,” says Boudewijn. “This means acquiring and delivering information. Some of



Hester Vos

our top priorities at the moment are improving our information database, optimizing our hardware and software and investing further in our online websites.”

Even though the successful Vleuten shopping centre is 100% rented, this doesn’t mean the Fund is resting on its laurels. “We continue to examine all facets of the shopping centre’s activities,” explains Boudewijn. “This includes promotion and marketing, commercial aspects, and the atmosphere and shopping experience. We’re determined to stay ahead of the competition.”

Strategic store segmentation

Managing a mall also means keeping a close eye on the store mix. For instance,

when a store becomes vacant, the shopping centre has a choice. They can bring in the first bidder, even if the type of store doesn’t reflect the desired retail image or make-up. Or they can strategically place a more desirable store in the vacant location, balancing issues such as income and future operability.

“This type of store segmentation is vital from a tenant perspective,” emphasizes Hester from Sterk Store. “And ASR DPRF works closely with us to make sure all sides are heard from in a transparent way.”

Transparent cooperation for optimal mall performance

The Fund’s approach is transparent and tailored to each unique shopping centre. That can only be done with tenant input. ASR DPRF therefore holds



Jerry Lion,

regular meetings with the KVO and store owners to receive and provide the input needed to run a well-performing shopping centre. "Albert Heijn is dedicated to quality," says Jerry. "This goes for our stores, but also our larger surroundings. And clearly, a.s.r. reim is just as committed to this aspect." Bouwdewijn agrees. "We are absolutely in this for the long term, and we want to keep changing for the better."

Meeting tenant growth ambitions

95% of Vleuterweide's clients currently come from the immediate surrounding area. However, one of the shopping centre's goals is to become a regional destination, and of course marketing is a start. However, the Fund is also working with the municipality to improve accessibility through better roads and access from the nearby A12 motorway, as well as increased visibility through optimized signage. "At Albert Heijn, our concern from day one has been better parking," says Jerry. ASR DPRF is helping us achieve this."

The difference between external and internal management

Tenants see a big difference with the new management approach. "As a stand-alone entrepreneur, cooperation with ASR DPRF and the other store owners is extremely important to me," says Hester. "I trust a.s.r. reim, so I feel I can ask any question I want, even if it is 'out-of-the-box'. And I experience fast, direct answers that help me stay competitive."

Albert Heijn representative Jerry agrees: "The Fund takes a future-oriented approach, and they answer technical questions quickly. We have a real feeling that we are working toward the future together."

Long term, stable and strong commitment

a.s.r. reim's mall management approach is proving to be very successful from all sides. "So far, all of our malls are nearly 100% leased," says Klaas. "And

our satisfaction scores demonstrate the value of better cooperation, commitment, innovation and entrepreneurship."

To ensure a strong future for its shopping centres, ASR DPRF will maintain a clear focus, continuing to build its strengths. The Fund will continue to react quickly to trends and developments, further increase cooperation and involvement with tenants and other stakeholders, maintain its short communication lines, and conduct pro-active management that takes advantage of insights and opportunities.

This hands-on approach to shopping centre management creates happy shoppers and satisfied tenants. This in turn translates into steady returns that deliver stability to this type of property investment, as well as value for ASR DPRF's shareholders.

"It's our approach," says Bouwdewijn. "It works. And we'll make sure it stays that way."

The changing supermarket landscape

An expert perspective

Today's supermarket landscape is a rat race – many of the independent stores are gone, leaving the larger chains to battle it out. These days, it's not uncommon to see two or even three large chains in the same shopping centre as they all compete for customers at the best locations. At the same time, customer preferences are changing when it comes to selection, store experience and even online shopping. We spoke to Jumbo Supermarketen and a supermarket real estate expert to delve into these

changes and examine just what smart investors need to do in this fascinating area.

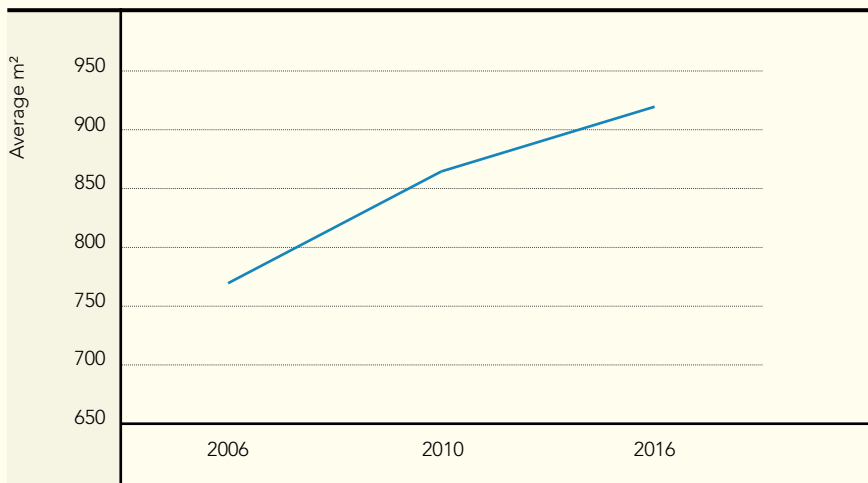
Online, pick-up and home delivery – hype or the future?

Supermarket shoppers now have a variety of ways to get food off of the shelves and into their homes: regular shopping in different varieties, and online ordering combined with pick-up points or home delivery. Stores that adapt to all of these options are identified as providing an Omni-channel offering.

"200 of our 580 Jumbo locations currently offer pick-up points," explains Bjorn Bertrand, Manager Real Estate Strategy Jumbo. "And we plan on adding another 80 this year. These pick-up points include in-store, drive-through, and stand-alone high-traffic highway locations. We will also start home delivery soon."

Online ordering is a significant change, but investors shouldn't be afraid of stores closing. Currently, less than 1% shop online as their sole method. "This will rise, but people still like to come into a brick and mortar store, especially for their fruits and vegetables and other fresh foods," says Peter Blaauw Senior Acquisition & Project Development Manager at Jumbo.

Figure 1 Average m2 of supermarket floor space between 2006-2016
(Source: Locatus data arranged by SuperVastgoed).



Supermarkets are getting larger

According to Tjerk van Leusden, Director at SuperVastgoed Real Estate, supermarkets are also getting larger (see Figure 1). Average floor size has grown 20% in the last ten years, and smaller supermarkets taking up less than 800 metres of floor space are likely to disappear almost entirely.

Therefore, there is a lot of investment in growth. And with this increased space comes the ability to innovate. Supermarkets in high traffic locations

are increasingly offering a 'fresh market experience', with lots of fresh food, cooks on display, and more attractive décor to enhance and differentiate the various sections of the store.

Supermarkets need to differentiate

While branding and a common experience across stores are important, the power of having exactly the same stores everywhere is gone. These days, supermarkets need to differentiate the offering per market. "Each area will have its own demographics, providing a huge opportunity to target specific segments," says Tjerk. In the north and the south of the Netherlands, there are fewer people, and the populations there are greying. Knowing whether

a particular area is predominantly defined by a young, urban population or an aging baby boomer population can help supermarket owners invest in the right kind of store experience and even a tailored marketing campaign through local advertisements and flyers. Good demographic research can also help to decide the specific mix of food and retail mix per supermarket, while maintaining the all-important quality at a good price.

Investors and stores must stay on top of demographics and trends

"Investors now must to acquire analysis to access the information they need to differentiate," explains Peter. "They need to know about trends such as

online shopping and delivery, store size, market experiences and product assortment if they are to succeed. The ones who will truly prosper won't be following trends. They will be anticipating new developments proactively, and making sure they are ready to adapt when the time is right."

Tjerk agrees: "A good concept can fail in the wrong location. Let's say you have an omni-channel offering with a fresh market experience – an eat it, make it or take it approach. If you try this in an area with an aging demographic, it might not do as well as the same approach in a young, urban area. You need to understand what you are offering, and to whom. You also need to analyse whether a current store location will be optimal in the future."



Bjorn Bertrand and Peter Blaauw from Jumbo



Fotobijlschrift



Tjerk van Leusden from Supervastgoed

Investors need to work with supermarkets and governments

“Investors also need to work together with the supermarkets as they change,” says Bjorn. Once a supermarket creates a vision for a particular store in a particular area, then it’s also up to the investors to make sure they work with the supermarket to ensure success. Investors need to make sure they are investing in the right way when it comes to the areas around the supermarkets as well. This includes working with governmental bodies. “For instance, a small city centre location will have specific parking needs that are different than a decentralised, much larger

store,” says Peter. “And supermarkets will have more need for larger, higher quality parking spaces that add value by accommodating, for example, the space needs of parents with children. And should the parking be above ground, in a covered parking lot, or both?”

A proactive approach to investment

ASR DPRF brings a proactive, professional approach,” says Peter. “They keep track of changes in our field, they work with us to make sure our locations are optimised, and they communicate openly and freely with us. I can see them moving with the

market and working with municipalities, retailers such as Jumbo and architects to co-design new stores and refurbish existing locations.”

Supermarkets aren’t the same now as they were 20 years ago. And in 20 years, they will be different than they are now. What we do know is that supermarkets represent a solid investment choice and a great opportunity for growth.

The Future of City Centre Retail

Retail is shifting

Retail shopping in the Netherlands' city centres is in flux. John Terra is Research Director Retail at Q&A Research & Consultancy, and provides ASR DPRF with city centre retail expertise. To address this issue, we asked him to give us with his outlook on the situation.

"In the large city centres, the Netherlands is going to see more international retailers and 'Mono Brand' stores such as Nike and Adidas," explains John. Value retailers such as Decathlon, Zara and H&M (good quality at a low price) will grow. Upscale, premium brands such as Bever – which now has a 'touch and feel' store environment combined with employee expertise – as well as companies that have chosen to rebrand themselves as premium (such as Bijenkorf) will also do well. Local independent companies will survive, but they face a challenging period ahead. Middle of the road retailers who haven't reacted to the changing market situation will also face challenges, as exemplified most recently by the demise of V&D.

Stores in the middle – retailers who sell brands that you can buy everywhere – now need to decide where they can and will add value for the customer. "Are they a specialist or a generalist?" asks John. "Yes, perhaps they sell important brands. But these brands have their

Influential purchasing factors Millennials vs Boomers

Millennials		Boomers
1	Instant Satisfaction	3
2	24/7	10
3	Price Cheking	4
4	Touch & Feel	5
5	Search & Select	7
6	Exchange & Return	1
7	Product Availability	2
8	Shopping is not time consuming	9
9	Reviews & Ratings	11
10	Endless Assortment	8
11	Store Experience	12
12	Fun shopping	13
13	Good & Professional Advice	6
14	Unique Products	14
15	Ideas & Inspiration	15

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own sales strategies as well, including online. They will need to choose which direction they want to go. Do they want to provide excellent service, or provide an excellent experience, or both?"

The Netherlands will also see the rise of what are called 'fusion concepts', combining hospitality and retail – such as Space Ninety 8 of Urban Outfitters in Williamsburg, New York. As this starts to become more common in the Netherlands, local governments need to be more flexible, adapting regulations to make this happen.

Millennials vs Boomers

There are some interesting differences between Millennials and Boomers. These target groups want different things from their shopping experience. Clearly, Boomers place much more emphasis on factors such as price and product comparisons, reviews and recommendations. They prefer local independent stores. They want the expertise that shop assistants can provide, and they are happy to stay within traditional opening hours.

The next five to ten years will continue to see spending power among baby boomers. However, the people who represent the largest shopping demographic in ten years will be the millennials, especially in the city centres. The Millennials make strategic decisions about where to shop. They prefer the big names and brands, and want a 'touch and feel playground' experience. They often consider themselves experts already, and want shop service based on this idea. Even more importantly, they increasingly want this experience on Sundays and evenings, when it is convenient for them.

Retailers should see the unstoppable momentum towards Sunday and evening shopping not as simply an increase in the number of hours they need to be open. It can also represent an opportunity for increased opening hour flexibility, in which they simply operate during different hours, such as opening at 11:00 instead of 09:00.

Millennials will bring demographic turnover, buying new products and starting to buy necessities for their first apartments and homes. Retailers ignore this group at their peril. "When boomers buy something, they are usually replacing something that has broken," explains John. "Millennials buy because they want something new."

"It is important that retailers decide which group they are going for," says John. "Then they must make sure to provide the appropriate experience. However, these experiences don't have to be mutually exclusive. Apple provides a touch and feel playground approach while retaining the expertise required by the older generation. It's a great example of a company that can do both."

Retailers adapt their strategy

The days in which any store could open anywhere in a city centre and do well are behind us. Retailers now need to be strategic. They need to decide which targets are the most attractive for them and they need to know their target group characteristics. Then they can decide where best to place their stores. For instance, an area with a predominantly aging population will not be ideal for a 'fun' store. In fact, the ideal location for that particular store might be just outside the main shopping streets, in a location that makes it trendy or special – a 'destination' store.

"Every retailer in the city centre therefore needs to have a clear focus for their concept," explains John. "They need to create a reason for being and a reason for people to come in to their stores. National retailers need to decide which cities to stay in. Once they have done that, they need to adapt their store formats to fit the characteristics of those particular cities." For instance Groningen would represent a less multicultural setting than the city centre in Amsterdam or Rotterdam. The Hague would represent an entirely different demographic base. And other cities with large student populations would be ideal for fun destination stores.

The influence of online shopping

Online shopping clearly represents a major shift away from 'brick and mortar' stores. In some major Dutch cities, for example, pedestrian traffic in the city (shoppers walking around) has decreased by 20% in last five years. So what can retailers do?

"Some of what we are seeing is called ROPO," says John. "Research Online,

Purchase Offline. Yes, retailers will continue to experience an increasing decline in the number of shoppers entering their stores. However, these shoppers will have done their research online, so they will be much more likely to make a purchase. In other words, ROPO translates into a huge opportunity to make a conversion."

This has clear implications for stock management. Once a retailer has a person in their store willing to make a purchase, that person is going to want the product immediately. The store must therefore have the right stock on hand, or a back-up system involving in-store online ordering for immediate home delivery. "This is where technology can actually enhance the experience on the shop floor," says John. "The store then becomes more of a service location. This is doubly important when the number of employees can't meet the immediate demand of the number of shoppers." This approach is called investing in the 'long tail' and will be an increasingly important strategy in the foreseeable future. The deal will need to be made on the shop floor.

Another interesting development is the phenomenon of online players who open physical locations, such as the widely anticipated Amazon brick and mortar stores.

Government cooperation for clear retail vision

Of course, when it comes to city centres, the government should play an active role in keeping the inner cities attractive. Any organisation involved in retail therefore needs to cooperate with governmental bodies at the national, provincial and community level to stimulate clear retail vision. It is the governments who decide many development issues – they can

increase the number of square metres for growth, or they can concentrate planning to within a few city blocks.

Local governments can use a 'destination plan (bestemmingsplan)' to regulate the size of city centre retail areas. This can be done proactively. In many cases, however, it is implemented in a reactive way to deal with a city centre that contains a lot of 'high street' vacancies. Regulations in this area can therefore protect inner cities, or they can move shopping locations outside city centres. For example, regulations allowing a store such as Blokker to move to cheaper, less central locations would be disastrous for city centres.

And outlet centres, currently a popular way to attract shoppers outside of city centres, should be kept less central. City councils need to communicate with each other to maximize the opportunities for ideal outlet locations while retaining city centres as hubs of shopping activity. Each development in this area should be based on careful research and demographic analysis.

ASR DPRF will therefore maintain open dialogue between retailers and the applicable governmental agencies. Flexibility is key, especially when it comes to zoning for fusion retailing. Local municipalities must make sure these innovations are possible, through knowledge-based decisions that are open to change.

Data-based, hands-on investing

When it comes to city centres, investors need to move beyond the idea of simply investing in property. The use of Area Managers can help to ensure on-the-ground expertise. What shops are they investing in? Do these shops align to who they are as a company? Are they investing in areas that demonstrate

potential for retail growth? Are they achieving an optimal mix of retailers with clear profiles?

ASR DPRF considers these factors and more when investing in city centre real estate. For instance, big data helps provide crucial information such as how many people walk down specific streets and how many people enter each store. This helps the Fund see which retailers work, and which don't. Then they can focus on the retailers that create the most traffic, and move away from retailers who aren't pulling their weight. Flexible contracts (three to five years) also gives the Fund flexibility to help fine-tune the retail mix.

This approach, combined with building great relationships with retailers and governmental agencies, helps to ensure solid investments in city centres, both now and in the years to come.