



OUR SHOPPING CENTERS



In January last year we increased our share in City-Point Kassel from 50% to 90%. We were also able to lay the foundations for our expansions of the Altmarkt-Galerie in Dresden and the Main-Taunus-Zentrum in Sulzbach near Frankfurt. The A10 Center in Wildau near Berlin became the 17th shopping center in our portfolio in January 2010.

Taking into account the expansions, which will open in 2011, our 13 shopping centers in Germany, two in Poland and one each in Austria and Hungary offer a total of around 2,075 shops in a leasable space of more than 804,000 m². With 83% the focus of our investments clearly lies in Germany. Even in times such as these, which are certainly not always easy for the retail sector, our occupancy rate – at over 99% – remains at the consistently high level of previous years.

INDIVIDUAL PERSONALITIES

There is one particular criterion that links all our 17 shopping centers to a certain extent: the prime location. We concentrate on city centres – the majority of our centers are situated directly adjacent to pedestrian zones – as well as on established out-of-town locations. These are properties which, over many years, have acquired a reputation of offering an attractive alternative to shopping in the surrounding urban centres.

Perfect transport connections are one of the success factors here: our inner-city centers are mostly located in close proximity to local public-transport hubs, such as central bus stations.

Affordable parking spaces also ensure good accessibility by car. Our out-of-town locations are situated directly next to major motorways and offer visitors completely free parking. ►



	Germany	Abroad	Total
Leasable space in m ² *	660,800	143,400	804,200
No. of shops*	1,485	550	2,035
Occupancy rate**	99%	99%	99%
Inhabitants in catchment area in millions	10.95	3.2	14.15
No. of centers	13	4	17

* including new development (Wildau) and expansions (Sulzbach and Dresden)

** including office space

Each of our 17 centers is, however, unique. At each shopping center the tenant structure has been hand-picked and specifically complements the offering of the city centre in question. This also clearly illustrates that our properties do not in any way see themselves as being in competition with local retailers. Each center therefore participates actively in the marketing of its respective city with the aim of promoting and strengthening the retail location as a whole.

We pay particular attention to the architecture of our centers and they are all specifically designed to meet the demands of the location in question. This means tailoring the architecture individually and, in so doing, fully satisfying all the requirements relating to functionality. We have worked together in the past with well-known architecture firms on the development of our new properties.

The high demands we place on quality – which goes for every one of our centers – also apply to the interior: our aim is to achieve an impression of quality and a simple, timeless architecture that makes use of fine materials to make our visitors' shopping experience a pleasant one. Combine this with innovative lighting as well as strategically placed accents, such as sophisticated water features, and a flawless climate control system and our shopping centers become places where visitors feel good and to which they are always happy to return.

Visitors of all ages should feel that they are in good hands here. Wide malls, escalators and lifts ensure that every shop in the center can be reached without much effort, even with children's pushchairs or wheelchairs. For our youngest visitors play areas have been installed in some centers, offering a welcome diversion during a shopping trip. Massage chairs are available for customers to use in the mall for a small fee and invite visitors to relax.

ACTIVE ENVIRONMENTAL AWARENESS

A particular matter of concern for us is environmental protection. Almost all our German shopping centers are supplied with certified green energy and our aim for the future is for all the properties in our portfolio, in Germany and abroad, to be supplied with this renewable energy. The plan is not only for CO₂ emissions, but energy consumption as a whole, to be steadily reduced, with heat exchangers making a significant contribution to this as well as ultramodern and efficient lighting systems. In order to achieve this objective, we are conducting a dialogue with our tenants, together with whom we aim to reduce the energy consumed in the individual shops.

FLEXIBILITY AS A DRIVING FORCE FOR THE FUTURE

We are observing a growing demand in the retail sector for larger retail spaces. These bigger areas allow shops to offer their customers a greater diversity of products. The way that perfumeries and bookshops have developed over the past few years can be taken as an example. Besides the product itself, the experience around making a purchase is coming increasingly to the fore: offers, for example, where the customer can have make-up applied professionally in the shop or small cafés that are integrated into bookshops in which customers can take a look at the books on offer at their leisure.

Particularly in comparison with individual business premises in city centres, our shopping centers offer the advantage that they can provide traders with precisely the spaces that they need. By shifting the internal walls, it is, in principle, possible to adapt the retail space to the new requirements of our tenants over the course of time without much additional expense. Reducing the space is also a possibility and this can simultaneously create the opportunity for an additional new shop to be integrated into the center, for example.

This flexibility is very much in demand amongst our tenants. For many of them, this is the decisive factor for entering the market in a city that otherwise, due to its property structure in the premier locations, e.g. in a pedestrian zone characterised by mediaeval architecture, is unable to offer any suitable spaces at all. The whole of the retail sector in the city centre can therefore benefit through this addition to the city's offering.

VALUABLE LOCATIONS

Altogether, almost 14 million people live in the catchment areas around our centers. Just under 11 million of these people live in the vicinity of our German shopping centers alone.

These individual catchment areas are a key criterion for us when it comes to selecting our locations. They are ascertained individually for each property and illustrate the number of potential visitors to the location in question. One of the considerations taken into account here is what journey times customers would be willing to accept and whether this appears realistic in view of the competitive situation.

In rural regions, our customers will accept a journey of up to 45 minutes or more in order to enjoy the wide selection of goods that the center has to offer. Customer surveys, which are conducted regularly in all our shopping centers, emphasise our particular expertise in the area of fashion time and again. Experience shows that customers are prepared to travel a long distance for this range of products.

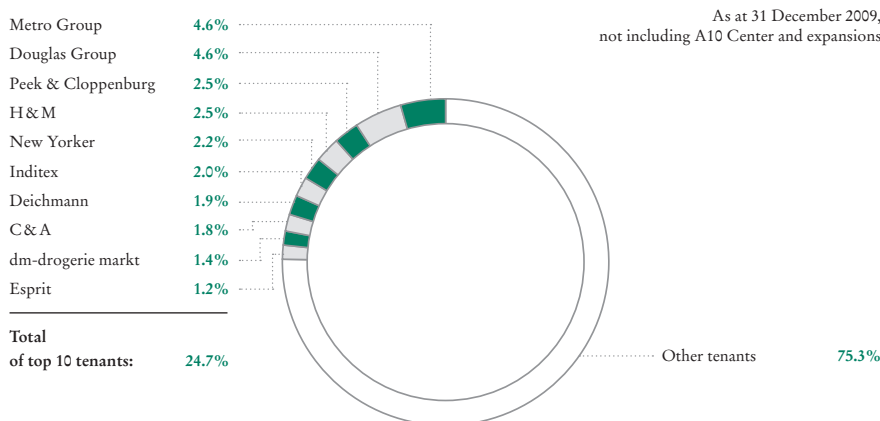
OUR TOP 10 TENANTS

With a share of 4.6% each in our overall rental volume, the Metro Group and the Douglas Group are our biggest tenants. The Metro Group is one of the most important international retailers and is represented in a large number of our centers by its selling brands Media Markt and Saturn (consumer electronics), Real-SB-Warenhaus and Kaufhof-Warenhaus. The Douglas Group, a decentralised retail organisation with a strong family tradition, is a tenant of our centers with its divisions Douglas perfumeries, Thalia bookshops, Christ jewellery shops, AppelrathCüpper fashion stores and Hussel confectioners.

In total our top 10 tenants are responsible for less than a quarter of our rental income. This clearly demonstrates that there are absolutely no dependencies on individual tenants and also shows the broad diversification of our rental agreement portfolio.

THE TEN LARGEST TENANTS

share of rental income in %



LONG-TERM RENTAL AGREEMENTS

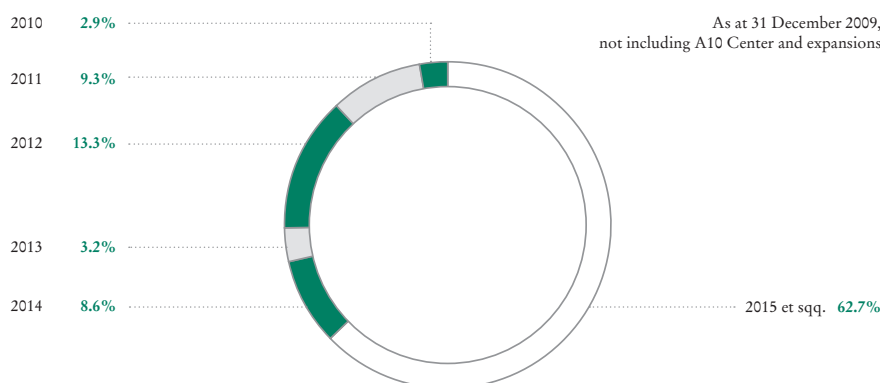
The rental agreements that we sign with our tenants usually have a standard term of ten years. As at 31 December 2009 the weighted residual term of the rental agreements in our portfolio was 6.7 years, with 62.7% of our rental agreements being secured until at least 2015.

EXTERNAL CENTER MANAGEMENT

Our partner ECE Projektmanagement has been commissioned to manage our 17 shopping centers. In addition, ECE will implement the expansions of the Main-Taunus-Zentrum and the Altmarkt-Galerie, as well as the development of the Triangle at the A10 Center on our behalf. ▶

LONG-TERM RENTAL AGREEMENTS

term of agreements, share in %



ECE has been developing, planning, implementing, renting out and managing shopping centers since 1965. With 114 facilities currently under its management, the company is Europe's leader for shopping centers.

www.ece.com

Deutsche EuroShop benefits from this experience both inside Germany and abroad. Thanks to our streamlined structure, we are therefore able to focus on our core business and competence, portfolio management.

OPTIMUM MIX OF TENANTS

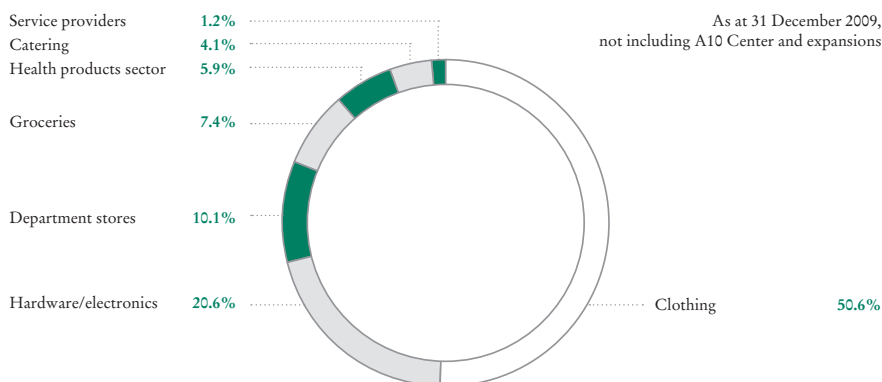
A fundamental success factor for a shopping center is finding the right combination of shops. This is therefore also one of the core tasks of center management. The specific mix of tenants and sectors is tailored perfectly in each case to the location in question and is the result of a precise analysis of the local retail offerings.

The particular wishes and needs of customers are also taken into account here. This means that retailers from sectors which, on account of the constantly rising rents in prime locations, can scarcely be found any more in pedestrian zones are also actively introduced into our centers. Examples of this include specialist shops for glass, porcelain and ceramics, as well as toy shops.

For us as long-term investors, the first commandment when it comes to renting retail space is permanent rent optimisation rather than short-term maximisation. It is a question here of offering the visitors to the shopping center an attractive mix of retailers. Each shop space is rented out on a long-term basis in accordance with a special system. When calculating the rents it is not about maximising earnings for us as the landlord, but instead about ensuring that each shop owner pays a rent per m² that is appropriate for the sales potential of the relevant sector and the position of the shop within the center.

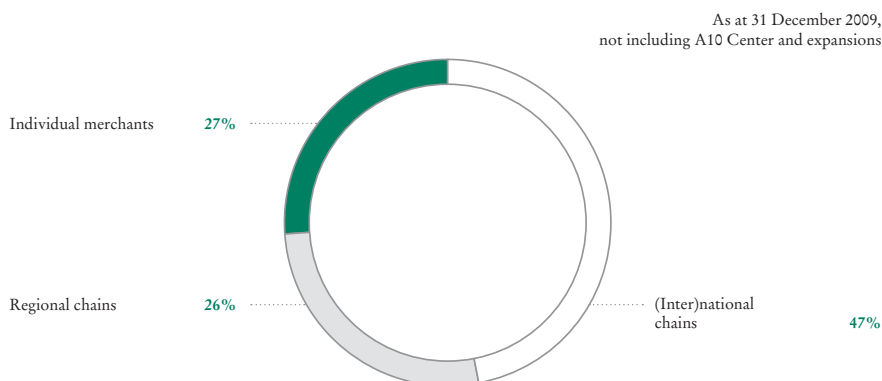
RETAIL MIX

in % of space



REGIONAL TENANT MIX

in % of space



The intention is that all sides will benefit from this system: us as the landlord, by building a future-oriented and trusting relationship with our tenants; our tenants, all of whom will benefit from the high volume of visitors achieved; and finally, of course, the customers, who can expect a very wide range of retailers in our centers, from young fashion and pharmacies through to health and beauty retailers and services such as post office branches and dry cleaner's. Nourishment and refreshment whilst shopping are also provided for, with cafés, fast-food restaurants and ice-cream parlours inviting visitors to stop and take a break.

RETAIL MIX

The individual retail mix provides each of our shopping centers with a character all of its own. While chain stores dominate the main shopping streets in Germany, occupying over 90% of the retail space in some cases according to studies, in our centers we make sure that there is a healthy mixture of regional and local traders, as well as national and international chain stores.

PRESTIGIOUS TENANTS

Our tenants are a decisive success factor. They include: Aldi, Bench, Bijou Brigitte, Breuninger, Burger King, C&A, Commerzbank, dm-drogerie markt, Deutsche Post, Deutsche Telekom, Douglas, Esprit, Fielmann, Gerry Weber, Görtz, H&M, Jack&Jones, Media Markt, Marc O'Polo, New Yorker, Nordsee, Peek & Cloppenburg, REWE, Saturn, s.Oliver, Subway, Thalia, Timberland, Tom Tailor, Tommy Hilfiger, Vero Moda, WMF and Zara.

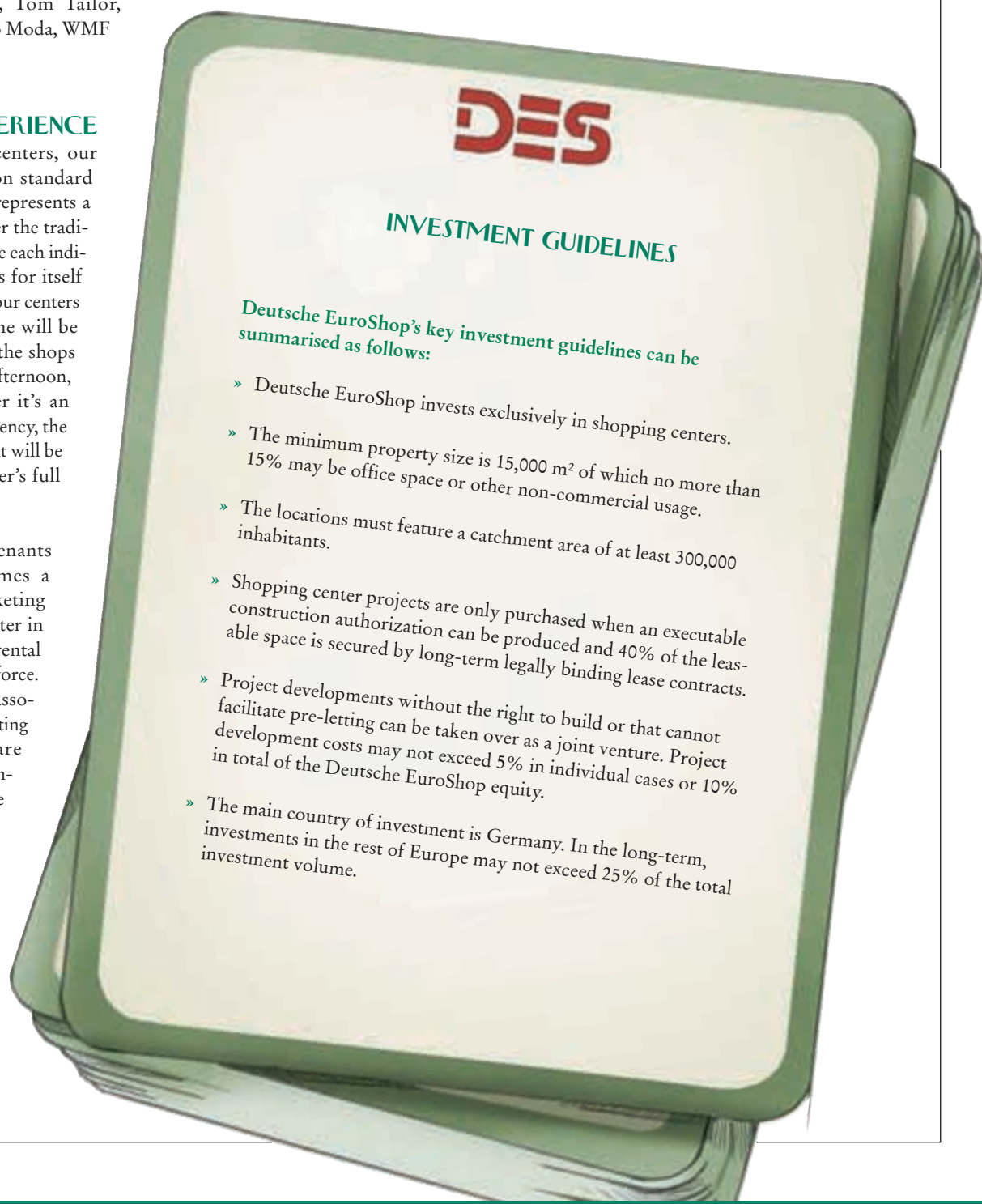
SHOPPING EXPERIENCE

When visiting our centers, our customers can rely on standard opening hours. This represents a distinct advantage over the traditional city centre where each individual retailer decides for itself when it will open. At our centers this means that no one will be disappointed to find the shops closed on a Saturday afternoon, for example: whether it's an optician's or a travel agency, the offering of every tenant will be available for the center's full opening hours.

Every one of our tenants automatically becomes a member of the marketing association of the center in question when their rental agreement comes into force. In a committee, this association develops marketing campaigns which are coordinated and organized together with the center management. These take the form of exhibitions and events on different themes. Examples

may include anniversary events for the center, job fairs for Germany's employment agency, scientific exhibitions or fashion shows at which the tenants of the center present the trends for the coming season, not to mention the lavish decorations for the Easter and Christmas period, which represent a highlight for visitors each year.

The main tasks of the marketing association include coordinating a coherent advertising presence for the center as a whole and editing a center newsletter, which is distributed on a regular basis as an insert in regional daily newspapers in the catchment area, as well as placing radio ads and illuminated advertising posters. The marketing associations are given professional support in these tasks by advertising agencies. ■



A10 CENTER

THE TRIANGLE OFFERS EVEN GREATER VARIETY



The A10 Center in Wildau, near Berlin, was added to Deutsche EuroShop's portfolio in January 2010. This center is situated directly next to the southern section of the Berliner Ring, close to the city's new airport Berlin Brandenburg International (BBI), which is planned to start operating in the autumn of 2011 and will create up to 60,000 additional jobs in the region. Around 1.2 million people live in the catchment area (45 minutes) around the center, which offers excellent accessibility thanks to its direct motorway links.

The total investment for Deutsche EuroShop, including the investments in the portfolio property and the new construction of the A10 Triangle, will amount to €265 million. Work started in March 2010 on a complete modernisation and restructuring programme for the entire center, which continues to operate as normal, and the diversity of its offering is also being expanded. More parking spaces are being created too. The Triangle is planned to open in the spring of 2011 and the aim is for all the restructuring to be completed in the autumn of that year. Then, the center will offer approximately

66,000 m² of retail space, around 180 specialist retail units, cafés, restaurants and service providers, as well as in the region of 4,000 car parking places. Around 1,000 people will work in the new A10 Center, roughly 400 more than work there now.

The new A10 Triangle, an elegant mall design, bright atriums and many additional offerings, particularly in the area of young fashion, will make the modernised A10 Center even more attractive. As one of the biggest and most well-known shopping centers in Germany, the A10 Center, with its variety of shopping and leisure facilities, is already an exciting meeting place for the people of south-east Berlin and the surrounding area.

In addition to retailers, the center also has its own world of leisure where visitors can find a cinema, various restaurants, a bowling alley and a children's indoor play area, amongst other things.

Deutsche EuroShop has handed over responsibility for the renting and management of the center to ECE, Europe's market leader in the area of shopping centers. In future, visitors to the A10 Center can therefore expect the level of maintenance and service that the other shopping centers in Deutsche EuroShop's portfolio already offer. Alongside the organisation of diverse events and exhibitions, a center newsletter will also be introduced, which will keep the customers in the catchment area regularly informed about offers, events, the progress of the building work and all that's new at the center. ■



 ALTMARKT-GALERIE

EXPANSION FOR DRESDEN'S BEST LOCATION

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Over the past few years, the Altmarkt-Galerie in Dresden has firmly established itself as a temple for shopping amongst the people of Dresden and is also extremely popular amongst the tourists who visit this metropolis on the river Elbe. Measured in terms of the revenues per m² that our tenants achieve here, the Altmarkt-Galerie counts as one of the most successful centers in the whole of Deutsche EuroShop's portfolio.

The opening of a new inner-city shopping center in the autumn of 2009 has changed the competitive situation in Dresden. In addition, for several years we have been faced with demand for additional retail spaces in the Altmarkt-Galerie, both from existing tenants who want to increase the space they have available and from retailers who want to relocate to the center. As a response to this the center is now undergoing a programme of expansion: by the spring of 2011, the shopping center, which is located in the immediate vicinity of Dresden's world-famous cultural monuments, such as the Zwinger Palace and the Semper Opera House, will acquire additional retail space of around 18,000 m² for roughly 90 new small and medium-sized shops. The expansion, which – like the existing center – will span three floors, will feature an area of over 800 m² dedicated to fine foods as a particular attraction.

The complex work, which began in the summer of 2009, includes the comprehensive renovation of the historic Intecta building, which is being integrated into the Altmarkt-Galerie. Entrances located at Dresden's public-transport hub Postplatz, at Altmarkt and at Wilsdruffer Straße will link the center even more effectively to the historic heart of Dresden's old town in the future and, at the same time, will create attractive new pedestrian walkways.

Furthermore, the upper levels of the new building will house around 2,900 m² of office space and 5,300 m² for a hotel, which will accommodate its guests in 200 rooms and which has already been rented out on a long-term basis to a prestigious international chain.

Deutsche EuroShop's share in the investment will amount to approximately €82.5 million. Around 800 new jobs will be created in the center upon its completion. ■



 MAIN-TAUNUS-ZENTRUM

A SECOND MALL



November 2009 saw the start of the building work for the long-planned expansion of the Main-Taunus-Zentrum in Sulzbach near Frankfurt, following a number of postponements due to a legal dispute between the district and city. This means that the MTZ, which last year celebrated its 45th anniversary, will be expanded by around 12,000 m² of retail space.

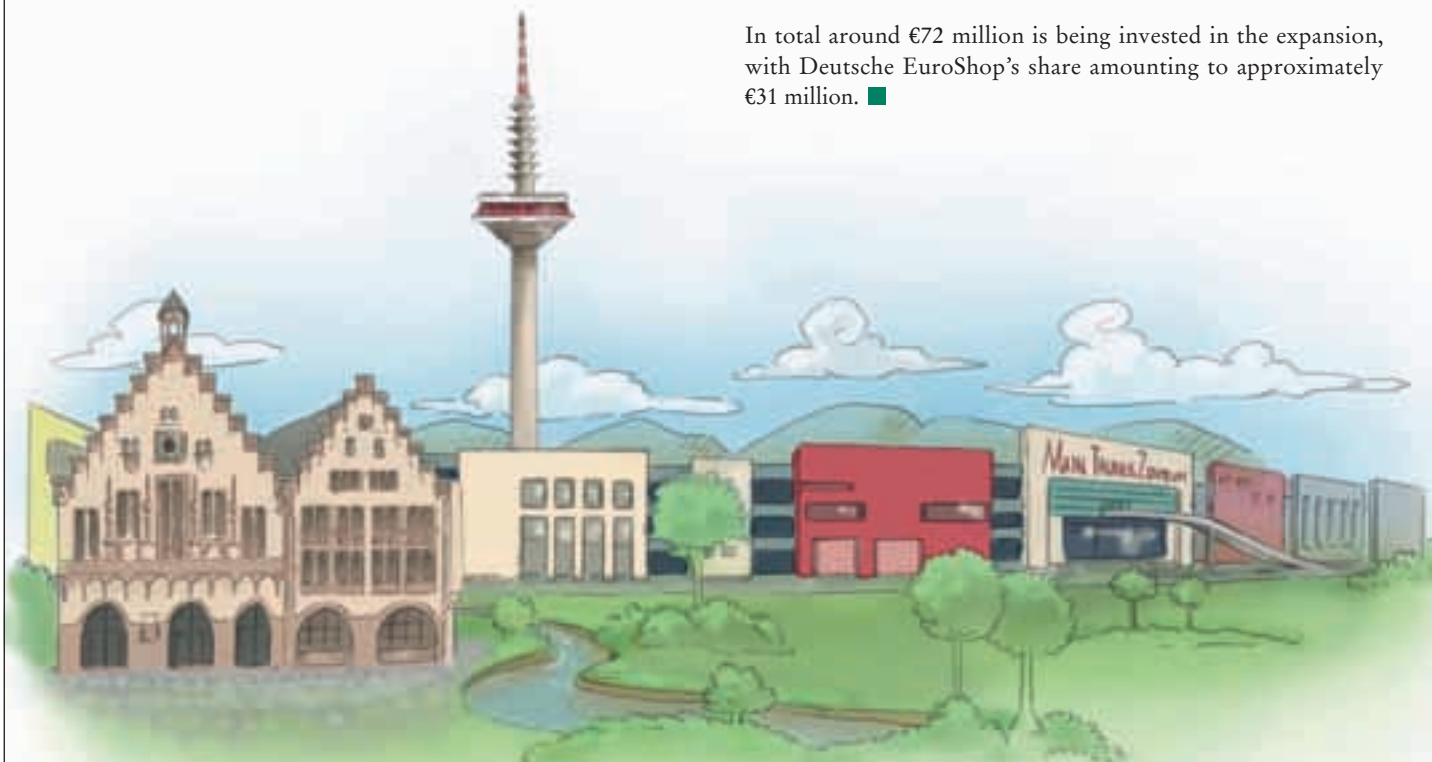
Following completion in the autumn of 2011, the traditional shopping center will offer around 91,000 m² of leasable space and roughly 180 shops, service providers and catering outlets in total. In order to achieve this, it will be necessary to build over the north car park between Bundesstraße 8, the existing car park and the center. A mall will be created on the ground floor which will transform the existing

row of shops into a circular route. The two floors above will be used as parking levels. Prior to this a new four-storey car park will be built on the southern side of the center. In future, visitors will therefore have a total of 4,500 free parking spaces at their disposal.

With the 70 or so new shops the emphasis will be placed mainly on the area of fashion. In response to many customers' wishes, the catering facilities in particular will also be expanded. Overall, the idea is for retailers from the region to be approached more intensively to become tenants for the new, somewhat smaller spaces.

The expansion of the Main-Taunus-Zentrum will allow it to further develop its strong position in the region. It is already one of the most highly frequented retail locations in Germany.

In total around €72 million is being invested in the expansion, with Deutsche EuroShop's share amounting to approximately €31 million. ■



 BY MARIANA THEILING

HOW MUCH LIGHT DO PEOPLE NEED TO SHOP?

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The use of energy in a center is varied. Electricity is mainly needed for ventilation and cooling, to operate conveyors and for lighting. Lighting itself accounts for around 60% of the total energy requirement, making this not only one of the most visible consumers of energy, but the largest one as well.

The goal is therefore to keep the energy requirement in this particular area as low as possible, while still creating optimum lighting conditions for customers and tenants. A team of ECE experts made up of architects and lighting designers has taken up this challenge. Given that individual measures, such as use of the latest lamp technology, are not enough to resolve this complex issue, the team is working on the development of comprehensive new lighting concepts that take into account all relevant aspects, from daylight through to architecture.

THE ECE LIGHTING CONCEPT: LESS IS MORE – CONSCIOUS USE OF LIGHT

One of the main features of lighting concepts is daylight, which is a must in every shopping center. Since individual centers differ

from one another in many ways, such as the direction a building faces, every project is examined on its own merits to determine how the use of daylight can be optimised. The question “How much daylight saves energy?” has to be answered afresh every time. Too much natural sunlight increases the need for cooling. The ideal situation is to have diffused light coming in from a northerly direction, since this contributes brightness without heating up the building particularly. A further crucial factor is the design of roof openings. A symmetrical roof made entirely of glass allows a lot of heat from the sun into a center. This can be avoided by having roof sections that are partially closed, for example.

Even in the earliest phase in the planning of each project, an intensive exchange between lighting designers and architects takes place in order to consider the individual energy-related challenges posed by each building. This is where the course is set for the sustainability of the property.

Artificial lighting is “administered in doses” depending on the amount of natural lighting available. Contrary to a popular assumption, the more a building benefits from natural light, the greater the amount of artificial light needed because daylight cannot reach into every corner of the building. If this is not balanced out by artificial lighting, high contrasts are created that visitors find very unpleasant. What is more, the human eye adapts to areas that are brightest, which means that it is then unable to recognise features quite as well in dark zones. That is why it is important to pay special attention,



when planning lighting, to the entrance zones where visitors first adjust to the brightness inside a center, to those areas where no daylight penetrates for architectural reasons, as well as to the display windows which should be the brightest zones in a mall.

THE RIGHT MIX OF DAYLIGHT AND ARTIFICIAL LIGHT

Artificial light ensures that all areas are properly illuminated. To minimise the energy needed to achieve this result, our centers use illuminants that generate very little heat. These mainly consist of fluorescent lamps, which are used in illuminated ceilings and arches, and halogen metal vapour lamps, which are particularly suitable for downlights – small lights usually mounted in the ceiling.

FROM FLUORESCENT LAMPS TO LEDS

LEDs, however, are not bright enough for general lighting, and the quality of their colour reproduction is inadequate. They are though used in some of our centers, e.g. in Dresden, Passau and Hameln, for façade lighting, coloured accents and places that are difficult to reach. A further development in the near future will be illuminated ceilings with LED technology. They can be used here to supplement existing arches and downlights, thereby halving the power consumption compared to a traditional fluorescent illuminated ceiling. In addition, lights are switched off where they are not needed during the day. During evening hours, an energy saving of around 50% can be achieved by dimming the illuminated ceilings and arches and turning the ambient lighting down by half. It is with optimisation measures such as these that, within the last eight years, ECE has managed to save 20% of the energy used to illuminate malls while at the same time improving the quality of the lighting.

LESS IS MORE – CONSCIOUS USE OF LIGHT

Brightness levels need to be higher during the day than in the evening. People perceive white light as pleasant during the day, but prefer warm light in the evening. ■

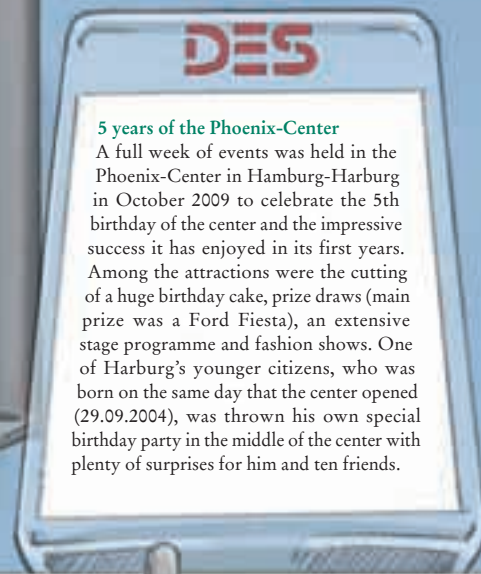
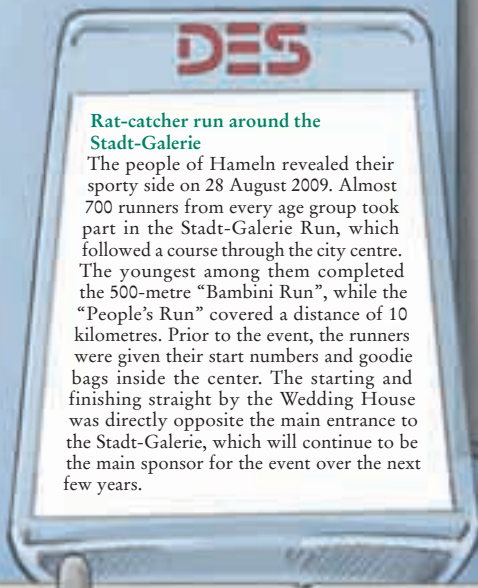




== ★★ ★ ==

ACTIVITIES

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★★★

IN THE CENTERS



DES

Very special and unique Christmas trees in Wetzlar

The “Children Decorate Christmas Trees” activity in the Forum Wetzlar in December 2009 brought a wide smile to the faces of children and parents alike. Around 800 children from 34 nurseries within the center’s catchment area showed great attention to detail as they adorned Christmas trees on the ground floor with decorations they had made themselves. As a reward, all the children were invited to the cookies and cocoa table, and each one was also given a little Christmas present and a photo of their unique and personal masterpiece as a keepsake.



DES

Sea of flowers in the City-Arkaden

Between 19 and 21 March 2009, visitors to the City-Arkaden in Klagenfurt were treated to a spectacle of vibrant colours and rich smells as the center’s mall played host to the Corinthian Apprenticeship Contest for Florists. Fifteen apprentices demonstrated their skills to a jury of experts under the critical gaze of visitors to the center and each had to complete five tasks, which included creating a table decoration and making up a bouquet.

 BY STEFFEN ERIC FRIEDLEIN

LEASING IN CHALLENGING TIMES

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Financial crisis, bank collapses, credit crunch, insolvencies, falling demands, slumps in retail sales and rising unemployment, etc. – these gloomy headlines of recent months paint a bleak picture of the economic climate. While some sectors of the economy are already beginning to detect the first glimmers of hope again, others are convinced that they are only just starting to feel the full force of the crisis. This could also be the case with the retail trade.

Investors, developers, lessors and operators of shopping centers inevitably have no way of completely avoiding these constraints – and neither do tenants. What does this mean in relation to the rental situation for shopping centers in Germany and Europe?

MOOD OF CRISIS

It may provoke one or two to spontaneously express their sympathy for a suffering member of the leasing fraternity. And, true enough, there are certainly lessors of shopping centers, retail parks, shopping arcades and similar retail agglomerations who are hoping and praying for an end to the general mood of crisis so that they can finally fill the vacant properties that have sprung up all over the place and which it has been impossible to lease on a long-term basis in recent times despite the offer of all manner

of special terms, such as rent-free periods, extremely low rent or contributions to construction costs. Though, after the official end to the crisis, some may still be surprised to find that there is no improvement in the demand for their real estate.

Other lessors, on the other hand, are finding that, with the right product and a sustainable leasing strategy, it is still possible for them to lease all their properties on reasonable terms even under present market conditions.

TENANTS LOOKING TO EXPAND

Let us consider the market from the point of view of tenants who are looking to expand. Anyone who has managed his business successfully and is therefore in a position to expand using his own resources or with solid funding has access to a whole range of rental options thanks to the increased level of fluctuation. These include good city center locations as well as spaces inside shopping centers. A contributing factor are the numerous insolvencies recently, particularly with huge department stores such as Karstadt, Hertie, Woolworths, Wehmeyer, Sinn Leffers, Pohland and Kenvelo, to name but a few.

Admittedly, the number of insolvencies has also risen in centers managed by ECE, but at 1.2% this is still very low compared to the total number. ►



The limited expansion activity of many chain stores – whether as a precautionary measure or due to the reluctance of many banks to grant credit to fund new retail space – also plays a part.

Operators who are keen and able to expand are therefore spoilt for choice when it comes to locations and are usually in a very powerful negotiating position with lessors who cannot counter their requirements with a strong offer.

SUSTAINABLE LEASING CONCEPT

From the lessor's point of view, the major challenge lies in making the space for rent as appealing as possible to the potential tenant without overlooking the importance of cost efficiency. This calls for space flexibility – the space must be largely adaptable to tenants' requirements in terms of size and shape. There must be the option of merging or dividing spaces as required and of combining this with corresponding investments on the part of the lessor. These investments, which must take into account future market requirements, also need to be a good prospect for refinancing.

Only those who can provide a sustainable leasing concept can hold out any hope of obtaining the necessary resources for their activities in the capital market. A leasing concept of this nature is naturally easier to develop and realise in a shopping center than in a free-standing property where there is a very high level of dependency on individual tenants. Successful centers have a varied sector mix, a balanced ratio of large, medium and small spaces, as well as an operator structure that combines a blend of national and international chain stores, regional operators and so-called "lone fighters".

The maintenance of an effective tenant base, the sensible further development of successful concepts and the constant search for new and unique suppliers make the difference.

REDUCED SUSCEPTIBILITY TO CRISES

This level of complexity reduces the susceptibility to crises right from the outset given that the dependency on individual operators or sectors is less pronounced. It is very rare for every retailer inside a center to be affected by declining sales to the same extent and at the same time.

The loss of individual operators can often be compensated for quickly and easily by relocations or space expansions by other tenants. An interim rental within the framework of a short-term tenancy agreement does not have to be inconsistent with a sustainable leasing strategy but can even be a part of it as a way of avoiding a new long-term lease at a lower rent. A new ten-year tenancy agreement – at the original rent at least if possible – can often be concluded again once the positive trend has been restored in the market environment.

EARLY WARNING SYSTEM

If the lessor is a professional center operator he usually has early knowledge of which concepts are "struggling" thanks to monthly or quarterly revenue reports from rental partners which provide an indication of trends inside a center. Collating these figures at regional, national or even international level allows relatively quick and reliable predictions to be made about the sustainability of certain retail concepts.

Ongoing communication with rental partners at local and trans-regional level supports these activities. On this basis, measures can be devised that must be appropriate and effective.

SOLUTIONS

These definitely do not include the blanket and simplistic rent reduction wishes that have been voiced by some tenants under the cover of the financial crisis without any economic justification for them. Every bit as unhelpful is the pressure exercised by some rental partners for the early closure of unprofitable stores without any regard for the interests of center operators and owners.

Rather, a leasing strategy in times of crisis must be geared towards a precise analysis first of all of the situation of retailers suffering from falling turnover and rising rental percentages – in relation to each individual location in the case of chain stores. In addition to conceivable turnover-boosting measures, which professional center management can offer, there is sometimes a need for very specific economic support measures that are fair, responsible to investors, measured, situational and of a short-, medium- or long-term nature.

A constant and consistent attitude must be adopted by the lessor as standard here; there is no point in short-term hasty decisions. This way the lessor also remains dependable in the tenant's eyes. This approach is based not only on revenue reports from the tenant but also on other business data that the tenant supplies via his tax consultant which must provide an overview of his actual economic situation. In addition, the concept in question must be sustainable, with development only hampered temporarily.

In the event of any necessary subsequent changes, balanced arrangements are developed that are fair to both parties in terms of opportunities and risks.

OPPORTUNITIES

Even if, in individual cases, some measures may be grim for one retailer, they represent, at the same time, a chance for new market participants, enabling them to take up spaces in existing properties that would otherwise have been occupied for years. One man's misfortune is another man's opportunity.

Thanks to increasing verticalisation and internationalisation, these days there are undreamt-of possibilities for innovative concepts to penetrate new markets outside their respective domestic markets on adequate terms – and particularly with large spaces.

The following could be considered current examples: low- or off-price concepts such as Primark and TK Maxx, trendy fashion stores such as Hollister, the center-compatible subsidiary of cult US label Abercrombie & Fitch, popular suppliers with a growing global fan base such as Apple, or even the quality-driven supermarkets of Migros from Switzerland. These are all unfazed by the current market data and are instead looking to conquer new markets right now.

MARKET ENTRY PLATFORM

For a lessor who can offer an extensive portfolio of superior locations, as is the case with the seventeen locations of Deutsche EuroShop, the potential for strategic partnerships here is very exciting. What could be more beneficial to the market entry of a new concept than a trusting relationship with a center operator focussed on sustainable and long-term success, who helps the tenant choose the most suitable locations? A location platform of such quality offers important economies of scale for professional tenants.

This is particularly valid since Deutsche EuroShop's locations are well-established properties, which with their overall concept comprising innovative architecture, outstanding functionality, high-quality sector mix, a balanced tenant structure and professional center management offer precisely the type of added value that really sets them apart from other offers in the rental market in times of crisis.

EXAMPLES

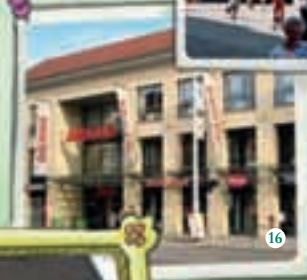
The current expansion work at the Altmarkt-Galerie Dresden, the Main-Taunus-Zentrum or the recently added A10 Center is proof of this, given that these centers are enjoying very brisk demand from potential tenants. You will find some of the above innovative new concepts in these properties. It is all very exciting.

If we take the example of the Altmarkt-Galerie Dresden, the development of a successfully managed center is very much in evidence: from the "backyard location" viewed rather reticently in the boardrooms of some potential tenants for a first-time rental to the absolute "top performer" where it is proving virtually impossible to create enough space to satisfy demand despite the expansion work underway. Here too it makes good sense to have a sustainable leasing strategy because it may be possible, through the expansion, to further develop strengths, such as an individual and high-quality fashion offering, as well as to eliminate weaknesses, such as a fresh produce zone that is bursting at the seams.

100% POSSIBLE

So what is the difference between leasing in "challenging" times and leasing when times are "easy", if that has ever really been the case? Strictly speaking, not much. It has certainly become more time-consuming to find the right rental partner for a particular space at the right time and with an adequate rent. Where previously all it took for the conclusion of a tenancy agreement was a few telephone calls and the exchange of detailed information by e-mail, these days four or more rounds of negotiations are often needed. However, with the right product, a good dose of flexibility (from all concerned, namely tenants, lessors and owners) and hard work, it is still possible for every lessor to realise his dream objective: a 100% occupancy rate! ■

THE CENTERS







A10 CENTER WILDAU/BERLIN

Investments:	100%
Purchased by DES:	January 2010
Leasable space:	around 120,000 m ² *
of which retail space:	around 66,000 m ² *
No. of shops:	around 180*
Occupancy rate:	100%
Catchment area:	around 1.2 m. inhabitants
Parking:	around 3,800*
Grand opening:	1996, renovation/modernisation 2010-2011
Anchor tenants:	Real, Karstadt Sports, C & A, H & M, Peek & Cloppenburg

*incl. development (A10 Triangle, opening planned for spring 2011)

Web: www.A10center.de





**MAIN-TAUNUS-ZENTRUM
SULZBACH/FRANKFURT**

Investments:	43.1%
Purchased by DES:	September 2000
Leasable space:	around 117,000 m ^{2*}
of which retail space:	around 91,000 m ²
No. of shops:	around 180*
Occupancy rate:	100%
Catchment area:	around 2.2 m. inhabitants
Parking:	around 4,500*
Grand opening:	1964, renovation/modernisation 2004, expansion 2011
Anchor tenants:	Breuninger, Galeria Kaufhof, Karstadt, Media Markt

*incl. expansion (opening planned for autumn 2011)

Web: www.main-taunus-zentrum.de



**ALTMARKT-GALERIE
DRESDEN**

Investments:	50.0%
Purchased by DES:	September 2000
Leasable space:	around 76,500 m ^{2*}
of which retail space:	around 44,000 m ²
No. of shops:	around 200*
Occupancy rate:	100%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 520
Grand opening:	2002, expansion 2011
Anchor tenants:	Saturn, SinnLeffers, Zara

*incl. expansion (opening planned for spring 2011)

Web: www.altmarkt-galerie.de





RHEIN-NECKAR-ZENTRUM VIERNHEIM

Investments:	99.9%
Purchased by DES:	September 2000
Leasable space:	around 69,000 m ²
of which retail space:	around 60,000 m ²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 1.4 m. inhabitants
Parking:	around 3,800
Grand opening:	1972, renovation/expansion 2003
Anchor tenants:	Engelhorn Active Town, Peek & Cloppenburg, H&M, Zara, C&A

Web: www.rhein-neckar-zentrum-viernheim.de



PHOENIX-CENTER HAMBURG

Investments:	50.0%
Purchased by DES:	August 2003
Leasable space:	around 38,700 m ²
of which retail space:	around 26,500 m ²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 0.6 m. inhabitants
Parking:	around 1,600
Grand opening:	2004
Anchor tenants:	Media Markt, Karstadt Sports, New Yorker, H&M, C&A, REWE, SinnLeffers

Web: www.phoenix-center-harburg.de

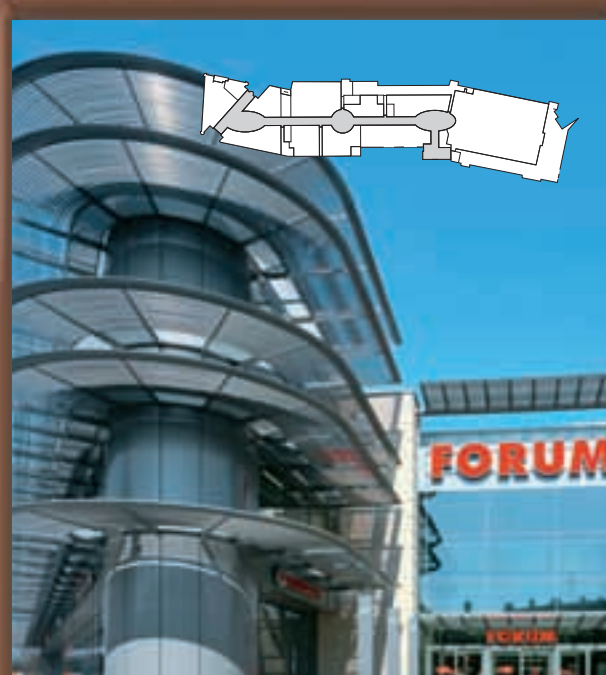




ALLEE-CENTER HAMM

Investments:	88.9%
Purchased by DES:	April 2002
Leasable space:	around 34,000 m ²
of which retail space:	around 21,000 m ²
No. of shops:	around 85
Occupancy rate:	100%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 1,300
Grand opening:	1992, renovation/modernisation 2003, 2009
Anchor tenants:	H&M, Peek & Cloppenburg, Saturn, C&A

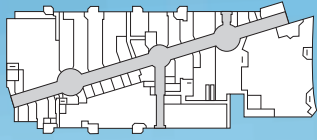
Web: www.allee-center-hamm.de



FORUM WETZLAR

Investments:	65.0%
Purchased by DES:	October 2003
Leasable space:	around 34,300 m ²
of which retail space:	around 23,500 m ²
No. of shops:	around 110
Occupancy rate:	100%
Catchment area:	around 0.5 m. inhabitants
Parking:	around 1,700
Grand opening:	2005
Anchor tenants:	Kaufland, Media Markt, Thalia

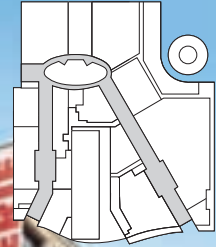
Web: www.forum-wetzlar.de



RATHAUS-CENTER DESSAU

Investments:	94.9%
Purchased by DES:	November 2005
Leasable space:	around 30,400 m ²
of which retail space:	around 20,000 m ² (ohne Karstadt)
No. of shops:	around 80
Occupancy rate:	97%
Catchment area:	around 0.5 m. inhabitants
Parking:	around 840
Grand opening:	1995
Anchor tenants:	H&M, Peek & Cloppenburg, Thalia

Web: www.rathaus-center-dessau.de



CITY-GALERIE WOLFSBURG

Investments:	89.0%
Purchased by DES:	September 2000
Leasable space:	around 30,800 m ²
of which retail space:	around 20,000 m ²
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.3 m. inhabitants
Parking:	around 800
Grand opening:	2001
Anchor tenants:	Extra, Saturn, Sport-Scheck, New Yorker

Web: www.city-galerie-wolfsburg.de





CITY-POINT KASSEL

Investments:	90.0%
Purchased by DES:	September 2000/Dezember 2008
Leasable space:	around 28,200 m ²
of which retail space:	around 20,000 m ²
No. of shops:	around 70
Occupancy rate:	100%
Catchment area:	around 0.8 m. inhabitants
Parking:	around 200
Grand opening:	2002, renovation/modernisation 2009
Anchor tenants:	Hugendubel, Saturn. H&M, New Yorker

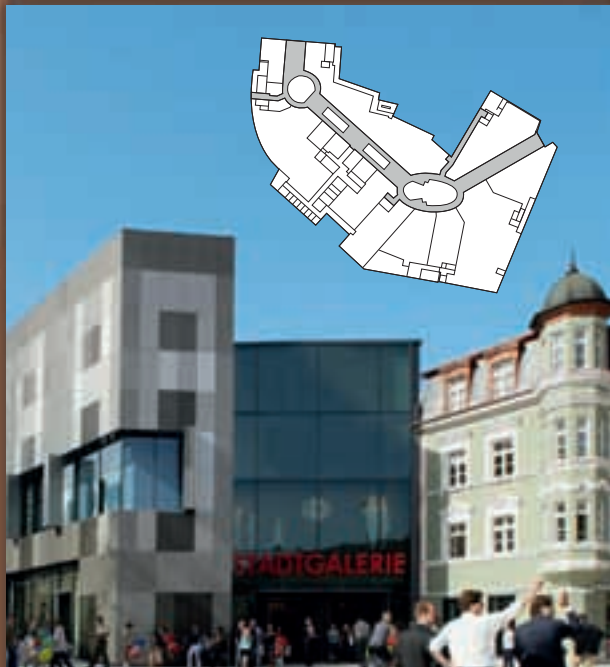
Web: www.city-point-kassel.de



CITY-ARKADEN WUPPERTAL

Investments:	72.0%
Purchased by DES:	September 2000
Leasable space:	around 28,700 m ²
of which retail space:	around 20,000 m ²
No. of shops:	around 80
Occupancy rate:	100%
Catchment area:	around 0.7 m. inhabitants
Parking:	around 650
Grand opening:	2001, renovation/modernisation 2004
Anchor tenants:	Akzenta, MediMax, Zara, H&M, Thalia

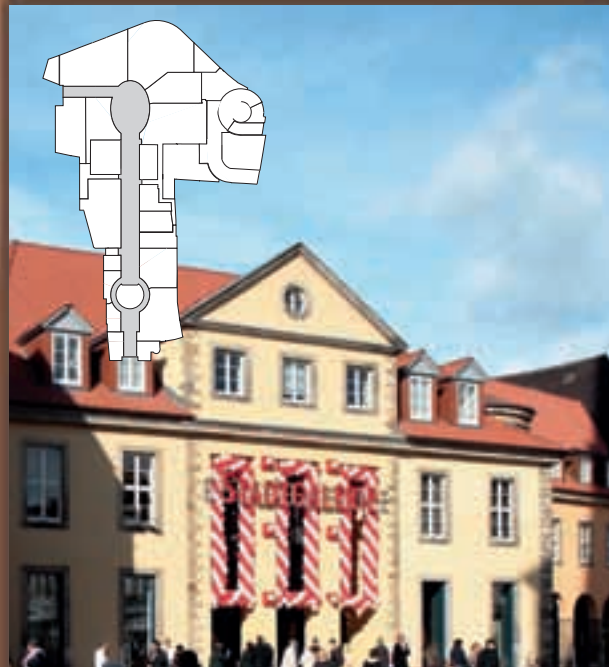
Web: www.city-arkaden-wuppertal.de



STADT-GALERIE PASSAU

Investments:	75.0%
Purchased by DES:	Dezember 2006
Leasable space:	around 27,300 m ²
of which retail space:	around 21,000 m ²
No. of shops:	around 90
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 500
Grand opening:	2008
Anchor tenants:	Saturn, C & A, Esprit

Web: www.stadtgalerie-passau.de



STADT-GALERIE HAMELN

Investments:	94.9%
Purchased by DES:	November 2005
Leasable space:	around 25,900 m ²
of which retail space:	around 19,000 m ²
No. of shops:	around 100
Occupancy rate:	97%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 510
Grand opening:	2008
Anchor tenants:	Müller Drogerie, New Yorker, Real

Web: www.stadt-galerie-hameln.de



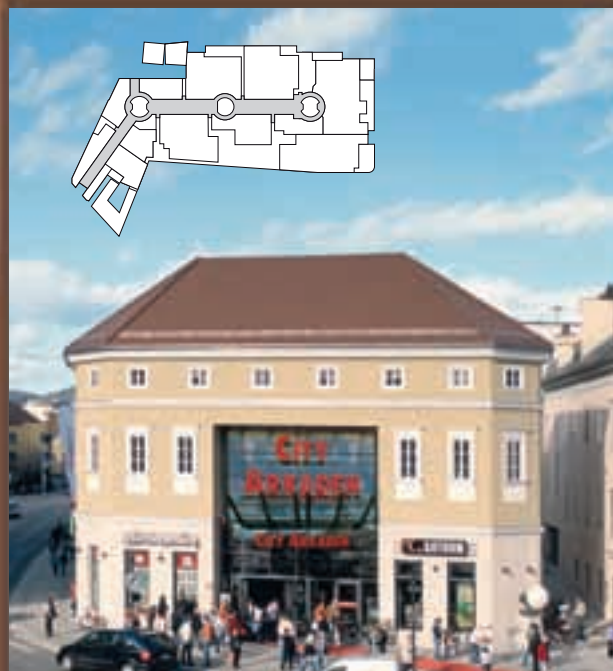




**GALERIA BAŁTYCKA
GDANSK, POLAND**

Investments:	74.0%
Purchased by DES:	August 2006
Leasable space:	around 39,500 m ²
of which retail space:	around 39,500 m ²
No. of shops:	around 200
Occupancy rate:	100%
Catchment area:	around 1.1 m. inhabitants
Parking:	around 1,000
Grand opening:	2007
Anchor tenants:	Saturn, Peek & Cloppenburg, Zara

Web: www.galeriabaltycka.pl



**CITY ARKADEN
KLAGENFURT, AUSTRIA**

Investments:	50.0%
Purchased by DES:	August 2004
Leasable space:	around 36,900 m ²
of which retail space:	around 27,000 m ²
No. of shops:	around 120
Occupancy rate:	100%
Catchment area:	around 0.4 m. inhabitants
Parking:	around 880
Grand opening:	2006
Anchor tenants:	C & A, Peek & Cloppenburg, Saturn, Zara, H&M

Web: www.city-arkaden.at





**ÁRKÁD
PÉCS, HUNGARY**

Investments:	50.0%
Purchased by DES:	November 2002
Leasable space:	around 35,000 m ²
of which retail space:	around 35,000 m ²
No. of shops:	around 130
Occupancy rate:	98%
Catchment area:	around 0.7 m. inhabitants
Parking:	around 800
Grand opening:	2004
Anchor tenants:	C & A, Interspar, Media Markt

Web: www.arkadpecs.hu

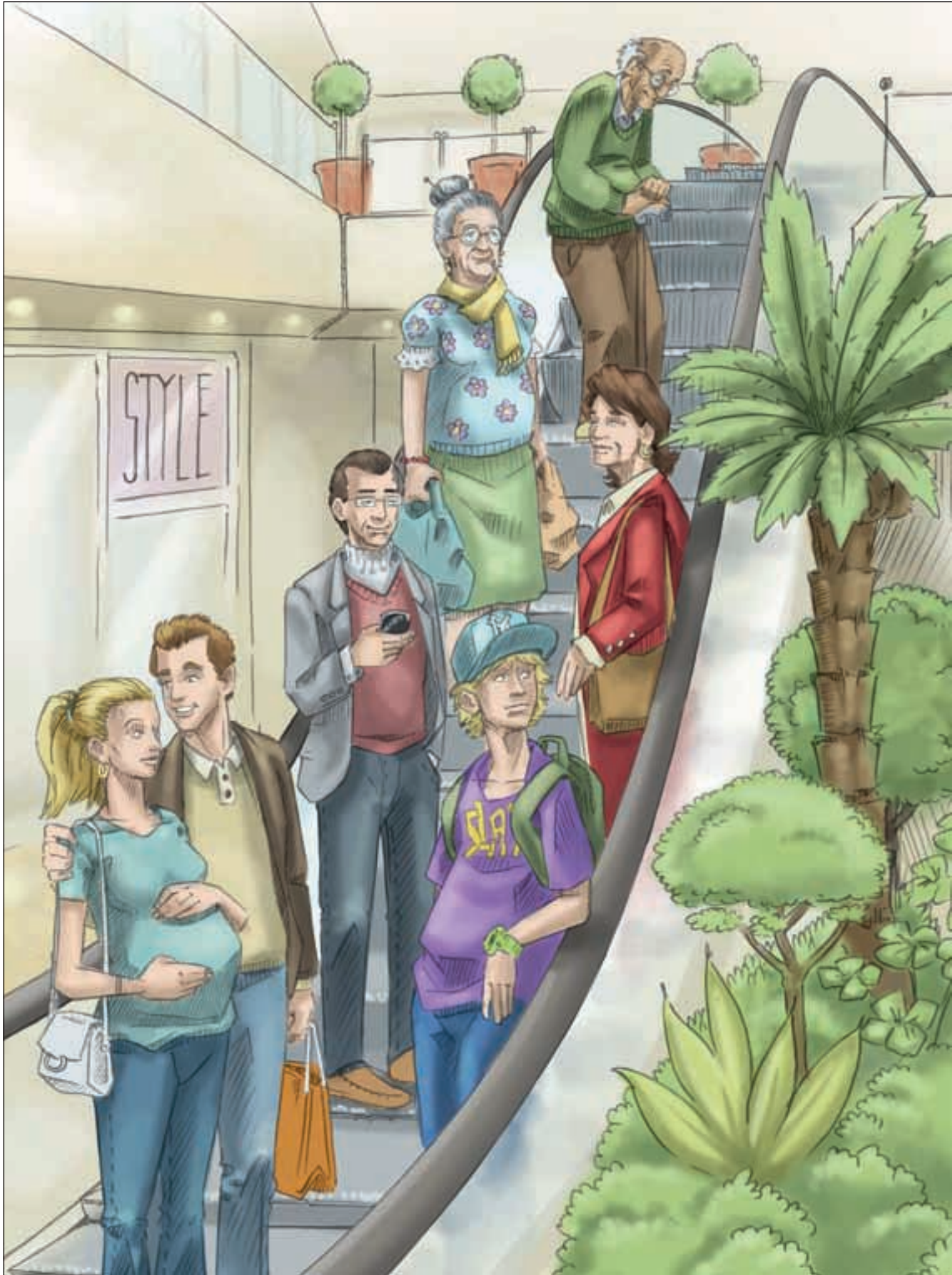


**GALERIA DOMINIKANSKA
WROCLAW, POLAND**

Investments:	33.3%
Purchased by DES:	Dezember 2003
Leasable space:	around 32,000 m ²
of which retail space:	around 30,500 m ²
No. of shops:	around 100
Occupancy rate:	100%
Catchment area:	around 1.0 m. inhabitants
Parking:	around 900
Grand opening:	2001
Anchor tenants:	C & A, Media Markt, van Graaf, Varner, Carrefour

Web: www.galeria-dominikanska.pl





GERMAN COUNCIL OF SHOPPING CENTERS E.V.
GOTTLIEB DUTTWEILER INSTITUTE

SHOPPING CENTERS: THE 7TH GENERATION



In the midst of the economic crisis that the retail trade is having to contend with, it is plain that the gap between additional retail space and productivity per square metre is widening to an increasingly unsustainable extent. What is more, demographic and sustainability trends and economic and technological developments are also set to have a huge influence on the psyche of the consumer of tomorrow. So what will this mean for the construction and planning of new shopping centers, for the revitalisation of older retail properties, and for the development of new sites?

The signs are not easy to read, and often contradict one another as well. How can a high petrol price and greenfield development be mutually compatible? Is the e-commerce boom reducing the need for new points of sale in the “real” world or, on the contrary, is it creating a desire for more of a human touch? Should planning in an ageing Germany devote more space to the needs of senior citizens, or will this stigmatise and alienate a section of the population that is already a hard to pin down as a target group? What if consumers have a desire for greater sustainability, but this clashes with more limited budgets? Where might

retail run the risk of backing a short-lived trend? What are the really relevant developments, both online and offline?

All these questions are examined in the study “Shopping centers: the 7th generation”. Its key findings are summarised below. They reveal a need to rethink and look ahead in retailing and in the retail property business. But even if the retail sector is heading for a watershed, all those qualities that have distinguished enthusiastic retailers, success-oriented center planners and smart retail property strategists in the past will remain pivotal for decades to come. These include knowledge of relevant social trends, a passion for business and a love of experimenting. It is important for retailers to understand consumers’ future value sets and to adapt themselves and their business models to social and economic circumstances.

The Gottlieb Duttweiler Institute (GDI) has imagined the world of 2020, interviewing selected experts from the retail and real estate industry, along with architects, designers and consumer researchers, asking them about their views and visions of retailing and the effects these might have on the future development and design of retail property. The GDI has condensed the main findings and trends into seven strands:

1. POSITIONING:

The “average” mall will disappear along with the “average” customer

An overview of the 1a locations in Germany reveals a similar picture in most cities today: large retail clothing chains dominate the offering, and the percentage of chain outlets will soon exceed 70%. The situation is often much the same in shopping centers. There is a growing danger that an offering of “more and more of the same” will leave little room to carve a distinctive profile, let alone individuality. For this reason, center planners need to position themselves more clearly and highlight themes. Without USPs, retail properties will become the victims of an enormous “overstoring” machine. ►

2. NEW URBANISM:

Shopping centers to breathe the city air

In future, developers and retailers will take a greater interest in cities, as higher energy prices, a growing desire among consumers for proximity and a new sense of community shift the focus onto urban locations. But in order to restock the city with retail spaces, it is essential to be able to read it. The city landscape is currently undergoing change, with new approaches in the service society mixing up different areas of life and producing new open, integrated concepts as an alternative to closed-off mega-complexes on greenfield sites.

3. SUSTAINABILITY:

Allowing buildings to flourish, inside and out

“Save energy; lavish empathy” could be the motto for applying the sustainability trend to the construction and management of new retail properties. The energy efficiency bestowed on the construction shell should be replicated in the retail area, with points of sale that can react to consumers’ needs and have business models that make sustainability a realistic proposition. Bringing nature into the city will be particularly challenging. If retail properties succeed in fusing city and nature – two contradictory themes at first glance – coherently and credibly, this should activate two important “docking points” for the consumer of tomorrow.

4. VALUE SHIFT

Creating new locations

Despite the boom in e-commerce, now more than ever consumers want to experience authenticity. This means seeing, hearing, smelling and tasting “the real thing”. Diminishing trust in the big names of retail and growing moral demands on consumption pose opportunities for individualists, especially if they can join forces to create added-value concepts. Any company that

does this right can actively counter the bleak “more of the same” message with their own view of things – the beginning of a new age of diversity as opposed to the current mainstream. Learning from pioneers and professionals can also mean being able to create new, unique locations using sound knowledge of the neighbourhood and traffic volumes instead of bowing to the dictates and price demands of 1a locations.

5. DEMOGRAPHICS:

A home from home for “Generation Gold”

The ongoing demographic shift, i.e. Germany’s ageing population, in particular will bring about a change in the focus of consumer experience. The way to the souls and wallets of “Generation Gold”, an attractive group for retailers, is through greater warmth, community and emotion, and less strident and fast-paced output. Based on the philosophy of the “third place”, the aim is therefore to offer the growing number of older people new retail spaces that represent a welcome change from their own homes.

6. PROXIMITY:

Location is important, service even more so

Not all consumers have the freedom to choose where to shop, and even fewer do during times of recession. To reach the consumers of the future, the retail trade will have to be more flexible and accessible. Retailers will have to focus more and more on expanding their offerings with pre-sales and after-sales services that genuinely appeal to customers and packaging them into formats that are more precisely suited to the target group addressed, their locations, mobility and everyday travel routes. Product sales are no longer the be-all and end-all, but part of a comprehensive service package.

7. “UNSTORING”:

Retailing leaves the shop

Cyberspace, which was once a world apart, has become a new dimension of reality, constituting an additional layer of our perception. This is increasingly influencing our behaviour in the real world. Our relationships with one another and with properties will change radically. Thanks to mobile devices, communication and consumption in the future will be something that can take place anywhere we happen to be. Extrapolating, this may mean that retailing will cease to use actual shops (solely) for selling, but increasingly for other functions as well. The retail space will become a platform for experimentation, a meeting place or a test centre in the “real” world.

In the past, retail property was a place where trading took place. In future, it will be somewhere where anything is possible. Precisely what will take place there will depend on consumers’ desires, which will need to be identified or stimulated at any early stage. Retailers’ intuition and imagination will be instrumental in establishing how this can be achieved in retail formats. How all this can be presented in an income statement will depend on retail property developers’ ability to anticipate. It will be good if all concerned hold the key to the future: knowledge of social and economic trends for consumers. After all, customer focus will still be at the top of every retail agenda in 2020. ■

The complete study “Shopping centers: the 7th generation” can be purchased from the German Council of Shopping Centers for €135.00 + VAT. Simply e-mail office@gcsc.de