

ISSUE 01

[CHANGE]

The Magazine of **BNP Paribas Real Estate Germany**



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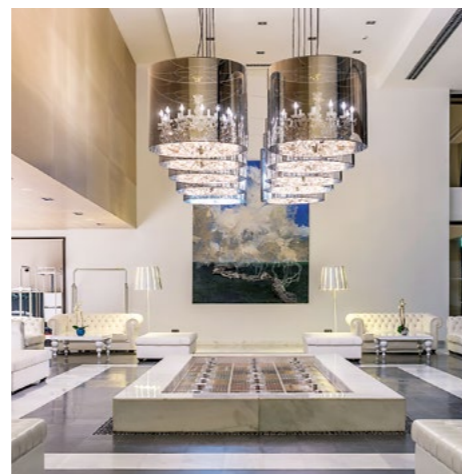
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// INTERVIEW //

STABLE IN A WORLD OF CHANGE!

To mark the launch of the “Change” magazine, the Management Board members of BNP Paribas Real Estate, Piotr Bienkowski (CEO), Marcus Zorn (Deputy CEO) and Andreas Völker (MD), have gathered some thoughts about the real estate world of tomorrow.

Your new magazine is called “Change”. Why?

[Piotr Bienkowski: “Real estate for a changing world” is not only our company’s slogan, but it also reflects an attitude that our employees actively live every day. The economy and the industry are subject to constant change, and in addition to the continually evolving general conditions affecting all market players, this also means new demands on us as a service provider. The drivers of change are digitalisation, increasing internationalisation and

the professionalisation of our services. We need to anticipate future developments and consider what properties will have to look like over the next ten years and how they can be marketed. Another important question is what demands are made – for example, an investor is only in a position to make sustainable investments if we take into account the influencing factors relevant to their strategies.]

How do you deal with the topic of digitalisation in your company?

[Marcus Zorn: The issue of digitalisation is not new. The influences and possibilities are just becoming more comprehensive and complex, and the associated changes are affecting all areas. Let’s take the issue of information management: thanks to our many years of market activities, we have extensive expertise that is backed up by an immense volume of data. Our goal must therefore be to advance the evaluation and meaningful linking of this data so that it can be made available to our customers in an appropriately prepared form. This pooled information provides a good basis for making better and more informed real estate decisions. A real added value!]

Does increasing digitalisation mean the end of “people business” in the real estate industry?

[Marcus Zorn: Not at all. Even if processes are becoming increasingly digital, the professional real estate business will always remain a people-focused business. Personal contact and individual support are essential. The specific requirements for us increase depending on the complexity of the product or the

[PIOTR BIENKOWSKI]



// Stable in a world of change! //

[ANDREAS VÖLKER]



[MARCUS ZORN]

investment volume. This is where our specialists from the various asset classes come in. Only through intensive dialogue between customer and consultant can the future project be planned with foresight while taking all of the parameters into account.]

How is your expertise reflected in consulting?

[Piotr Bienkowski: We cannot see into the future, but thanks to our market knowledge, we know the important influencing factors. Thanks to our 60 years of experience, we can simply better evaluate the changes in the general conditions and the dependence on various parameters. Our many long-standing employees also play an important role here: they have already experienced several real estate cycles and remain calm, even when things get stormy. And they usually know how to react in the different phases. This creates trust.]

Even without a crystal ball – give us a glimpse of what’s to come. What will working environments look like in the future? Will digital become normal?

[Andreas Völker: In my opinion, the office as a physical space remains indispensable for most companies, even if it will look different in the future – for example as an open-plan office. People are social beings and they need places where they can meet. It is primarily through face-to-face interaction within the team that creativity is nurtured, communication promoted and one benefits from the experience of colleagues. The much-praised home office is also an

option and is part of the increasing flexibility, but a purely virtual exchange is simply not enough.]

Is the virtual world development of “holoportation” not a contradiction of that?

[Andreas Völker: No, it is just another possibility that we can use and that can offer advantages. However, it will not replace face-to-face conversation and exchange. At least not for the foreseeable future.]

What do customers value most about working with you?

[Marcus Zorn: We have diversified over the years, and now we offer our customers a broad and comprehensive range of services and solve more than just one problem. We act as a sparring partner for our customers in all phases of the value chain. We therefore also need larger and more interdisciplinary teams in order to deal with increasingly complex and diverse issues. Our special company spirit – characterised by teamwork, cohesion and a respectful and friendly manner towards one another – is also important. This helps us in an environment that is strongly characterised by growth and change.]

Piotr Bienkowski sums up: “Even if change is visible everywhere, is a part of us and is important, BNP Paribas Real Estate also stands for consistency, reliability and stability. And this consistency is the key to our success.”

There is a shortage of space in the office market! Development sites in the best locations of major cities are however rare. The focus therefore is also on existing buildings that can be repositioned or even completely redeveloped for the market. The example of the Correo Quarter shows how a large service company was able to successfully implement its new job and location strategy and at the same time, with the help of BNP Paribas Real Estate, bring an attractive property into a new future.

// OFFICE INVESTMENT //

VISIONS FOR MUNICH

[L] Located between Bayer-, Paul-Heyse- and Schwanthalerstrasse, the 50,000 m² office and commercial building complex was built specifically for Postbank in 1992. Currently, the company still uses most of the space itself, but will give up the premises as part of a new nationwide location strategy and move within Munich in 2019. The building complex was therefore no longer needed and was supposed to be sold. Postbank commissioned BNP Paribas Real Estate to do this. The real estate consultant then carried out a

structured sales process, which generated vibrant interest, because: As the leaseback period was short, investors saw interesting opportunities to redevelop the location in the foreseeable future and to create a modern space in a very dynamic market environment. CREDIT SUISSE ASSET MANAGEMENT Global Real Estate won the competition and acquired the Correo Quarter in February 2018. Possible alternatives for the future use of the property are currently being examined and coordinated with the city.



BERND OLETZKY
Head of CREM,
Postbank

"Our Munich location is an important and very large part in our sensitive service chain and therefore enjoys great attention. At the same time however, it represents an outstanding success for change, because here we can implement our location and workplace strategy in a suitable new location in Munich. This is not a matter of course given the continuing shortage of space. To successfully make the sale and the new rental exactly at the same time and at very short notice was a huge success for us."



OUTSTANDING AND CENTRAL:
the Correo Quarter directly at Munich Central Station

GROUND-BREAKING:
The redesign of the 50,000 m² complex can change the entire district.



Photos: CREDIT SUISSE ASSET MANAGEMENT Immobilien Kapitalanlagegesellschaft mbH

"For us, the Munich project is currently one of the largest ones in Germany. The market development in Germany is positive, especially in the city centre of Munich. The combination of the location of the Correo area, found directly at the main station and the dimensions of the property therefore offers enormous potential for our investors."



KARL-JOSEF SCHNEIDERS
Head EMEA, CREDIT SUISSE
ASSET MANAGEMENT Global Real Estate

// LOGISTICS //

FROM BROWNFIELDS TO FLOURISHING LOGISTICS MEADOWS

Interview with Christopher Raabe, Managing Director & Head of Industrial Services & Investment at BNP Paribas Real Estate, about the great potential of revitalising brownfield and former industrial sites for the tight logistics property market.

Mr Raabe, the competition among important logistics companies for the best locations in the metropolitan regions demands modern solutions. Where are we right now?

[Christopher Raabe: The logistics real estate sector is actually in a tense situation. Online trade, in particular, is pushing the shortage of space. In conurbations, where the demand of logistics giants such as Amazon is particularly high, logistics space is extremely scarce. Urban logistics plays an important role here. In Munich, Hamburg, Düsseldorf, Frankfurt and Berlin, in particular, the air is getting thin. There are hardly any available free plots. That's why we have to look for alternatives for investors and logistics specialists.]

How are you going to make room where there is no longer any?

[Christopher Raabe: We focus on the so-called brownfields. These are fallow areas that were previously used for industrial or commercial purposes. The soil may be contaminated by historical use, but has the potential to be reused once it's been professionally treated and cleaned. In this way, space is actually created where there used to be none. Old, existing properties in excellent locations in conurbations help BNP Paribas Real Estate to at least partially meet the currently enormous demand of tenants and owner-occupiers in logistically attractive locations.]



"E-commerce should double the volume of parcels to 5 billion shipments by 2025."

TENSE SITUATION IN THE LOGISTICS MARKET: online trade is pushing the shortage of space.

“Logistics customers want to have moved into their property yesterday.”



DELIVERIES OF THE FUTURE:
soon drones and robots could replace these trucks.

► **What criteria do you take into account when selecting the areas?**

[Christopher Raabe: The location is still a decisive factor. The logistics market is no different than other asset classes. A successful example of revitalisation is the former Colgate/Palmolive site in Hamburg. The site and the plant's buildings were heavily contaminated with soap and lye residues after the closure, and the necessary soil remediation was quite cost-intensive. But the location's advantage and the size of the property were very good and justified the costs. The forklift truck manufacturer STILL has made a long-term commitment to the site and has had its central warehouse built there.]

A complex process! What role does your company play in this?

[Christopher Raabe: We see ourselves first and foremost as service providers, and advise sellers and buyers or landlords and tenants. The subject is complex, and we focus on the needs of our customers. For example, if the customer is planning a 100,000 m² site, it is not easy to set up a building of the appropriate size. This requires 180,000-200,000 m² of land area. Not every customer is equally aware of that. Direct dialogue is therefore extremely important, and our extensive national and international network helps us to advise our customers in the best possible way and to find the right solution.]

What is the time aspect of the requirements?

[Christopher Raabe: A particular feature of the logistics market is its speed. The logistics customer sees the current demand, calls up and wants to move into their property yesterday. This is why we are increasingly finding speculative construction, or to put it a bit more casually, 'spec-con', in this area. Nowadays, speculative buildings are often rented before completion.]

How long does such a project take?

[Christopher Raabe: You can't really make a blanket statement on that. Sometimes it depends on the building permit, and then again on certain conditions that may change shortly before the deadline. This means that large projects can drag on over a longer period of time. In the case of the former Knepper power plant (see page 11; editor's note), we are making relatively rapid progress despite its complexity. We received the mandate at the end of 2017 and can expect the first tenants by 2020.]

What about the costs?

[Christopher Raabe: The costs vary from project to project, and soil remediation can increase them significantly. Nevertheless, the price that can currently be achieved for logistics space in top locations is so attractive that many refurbishment measures pay off. Limiting factors are more likely to be found among service providers from the construction industry. The market is essentially dominated by four large companies whose capacities are limited. In addition, specialists are often required for the remediation of brownfield sites. Unfortunately, an explosive ordnance clearance service cannot be found as quickly as the locksmith around the corner.]

How consistent is the market?

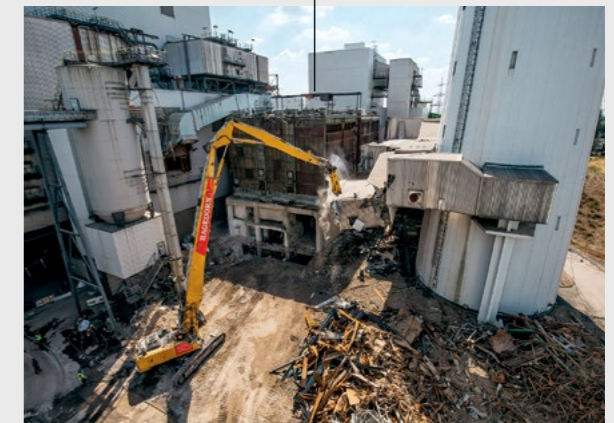
[Christopher Raabe: The market is tight, but offers more opportunities if alternatives such as the revitalisation of brownfields are also considered in the future. This applies equally to entrepreneurs and investors. Our multifaceted consulting approach helps to identify new potentials and synergies.]



BEST PRACTICE

Christopher Raabe speaking from experience: “The sale of the former Knepper power plant near Dortmund is an interesting example of the opportunities in the logistics sector – a complex project in which we were and are active with consulting and marketing. We accompanied the former owner Uniper during the sale and have recently been entrusted with the marketing of the site by the new owner. A very large commercial area of more than half a million square metres will be created by 2021. But it is not only the sheer size of the project that makes Knepper special. The particular building structure of a former power plant as well as the soil conditions with the old coal shafts also present great challenges for the project management of the buyer, Hagedorn – an absolute specialist in the field of remediation.

DEMOLITION,
the first step
in the process chain
of revitalisation



59 hectares

of power plant wasteland
with 750,000 cubic metres
of converted space



**THE 210 M HIGH
CHIMNEY**
with the green top will
probably be demolished.



SECURING MARKET OPPORTUNITIES WITH FORWARD DEALS!

The market for hotel properties is more competitive than almost any other. As a result of the competition for real estate and returns, investors are more willing to take risks and venture into alternative transaction structures to optimise their portfolios.



ALEXANDER TROBITZ, Head of Hotel Services, knows that only the trio of location, concept and operator provides the perfect strategic fit.

[B] “Bought as seen” – this sentence no longer applies! At least not in the highly competitive hotel industry. Instead, investors are increasingly opting to acquire properties that are still in the project phase. In these so-called forward deals, the investor acquires the property during the construction phase or even before construction begins. The demand is enormous!

RAPID GROWTH RATES

“In 2014, the share of forward deals was only 5%, and it has risen rapidly over the last three years. In 2017, 26% of hotel transactions were realised using forward deals,” says Alexander Trobitz, Head of Hotel Services, analysing the market. The reason for the increase of over one billion euros is the high number of hotel projects in the pipeline and the scarcity of existing properties.

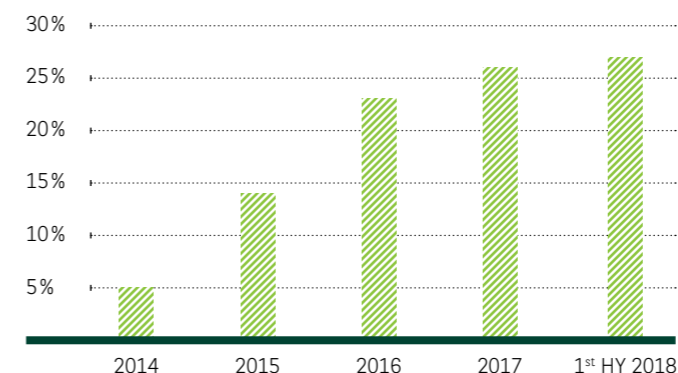
RISKS AND SIDE EFFECTS

Investors have two options for financing: Firstly, with the help of the forward purchase. The investor commits today to buy the property after completion, i.e. on time, at a price agreed today. The second option is by forward funding: the investor finances the construction, but pays in instalments depending on the progress of construction.

In the event of an early acquisition, the investor is exposed to the risk of an interest rate increase, meaning that the purchase may no longer be considered the best investment at the respective point in time.

DEVELOPMENT OF HOTEL FORWARD DEALS

The rapid growth in the last three years has pushed the market for forward deals to more than one billion euros in 2017, with the trend still favourable!



© BNP Paribas Real Estate GmbH, 30 June 2018

“Given the persistently low interest rates of recent years, forward purchases may still seem sensible. But even small interest rate changes can cancel out the price advantage of the forward deal,” explains Trobitz. To cushion the risks, professional expertise is required: construction delays, problems with the project developer, even insolvency or difficulties with rental agreements make forward deals a complex investment decision. “Moreover, with a horizon of more than a year, it becomes difficult to make forecasts for the respective market and the profitability of the hotel,” adds Trobitz, who is an industry expert and member of the renowned Royal Institution of Chartered Surveyors (RICS).

YIELD OPPORTUNITIES AT THE UPPER END OF THE SCALE

Why can the acquisition of a project development still make sense? First of all, higher returns can be achieved here than with the purchase of existing properties. “In this particular area, we are talking about a yield premium of around 25–50 basis points on top of the approximately 5% that can be earned in the market with hotel properties. The niche of this asset class generates returns at the upper end of the scale,” calculates Trobitz.



But it is not only the return on investment that is decisive. Rather, the blatant shortage of supply is increasing the willingness of many investors to take risks.

WHO IS INVOLVED?

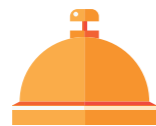
Project developers in this sector appreciate the financing through forward funding, whereby end investors such as Patrizia or Real I.S. pay the purchase price depending on the progress of construction. “Hotel chains with top credit ratings such as Motel One or Deutsche Hospitality (formerly Steigenberger Hotel Group) are popular tenants. In return, having a large institutional investor on board is always a distinction for the hotelier,” says Trobitz, pointing out the interplay of supply and demand. But newcomers are also in a strong position at the moment. The Ruby hotel chain started five years ago and is expanding continuously. Renowned family offices gave the operator an advance of trust and made early investments.

Alexander Trobitz is certain: “It is important to be well advised in a forward deal – both internally and externally.” At the end of the day, everything has to fit. Only the trio of location, concept and operator provides the perfect strategic combination.

// KNOWLEDGE //

FACTS & FIGURES

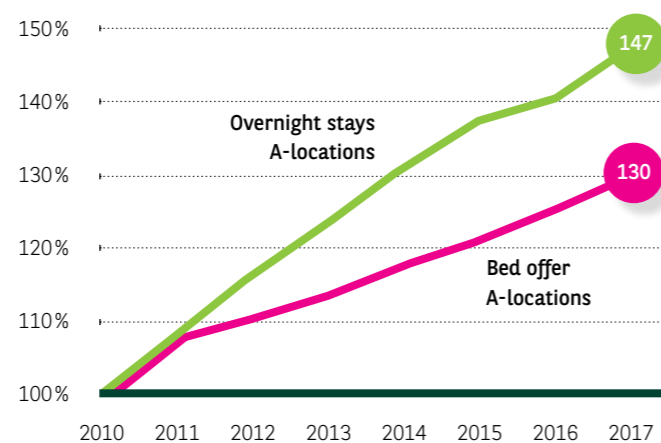
HOTEL



Tourism boom in Germany

In order to meet the increasing demand for accommodation supported by urban tourism, bed capacities at some of Germany's most important hotel locations have been significantly expanded. Numerous new hotel concepts with high design standards have brought a breath of fresh air to the German hotel landscape. As a result, hotel occupancy and room rates also increased noticeably on average between 2010 and 2017.

Development of bed capacity and overnight stays
2010 = 100

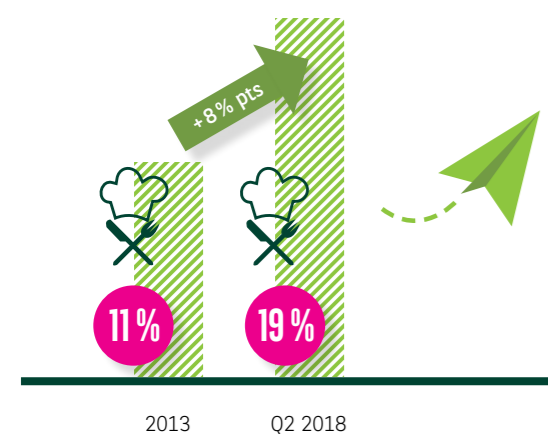


RETAIL

From L'Osteria to Coffee Fellows: system caterers on a course of growth

Expanding food concepts not only fill vacancies in the A-locations, but also increase the number of passers-by.

Registered rentals / openings in city locations



OFFICE

Coworking expands into the Big Six*

The world of working and offices is changing. Coworking meets the need for flexibility, exchange, networking and collaboration with others. In addition, the modern coworking areas are often located in first-class districts and are more popular than ever before.



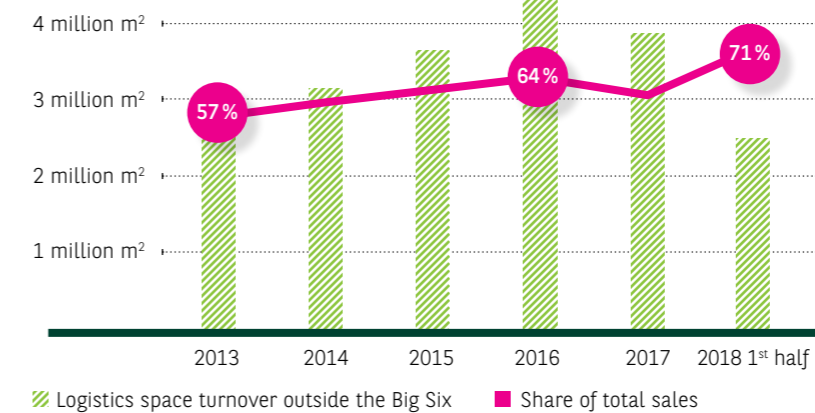
186,000 m²

of office space were rented by providers of coworking space in 2017.

6%

of take-up accounted for by this sector in the first half of 2018.

*Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich



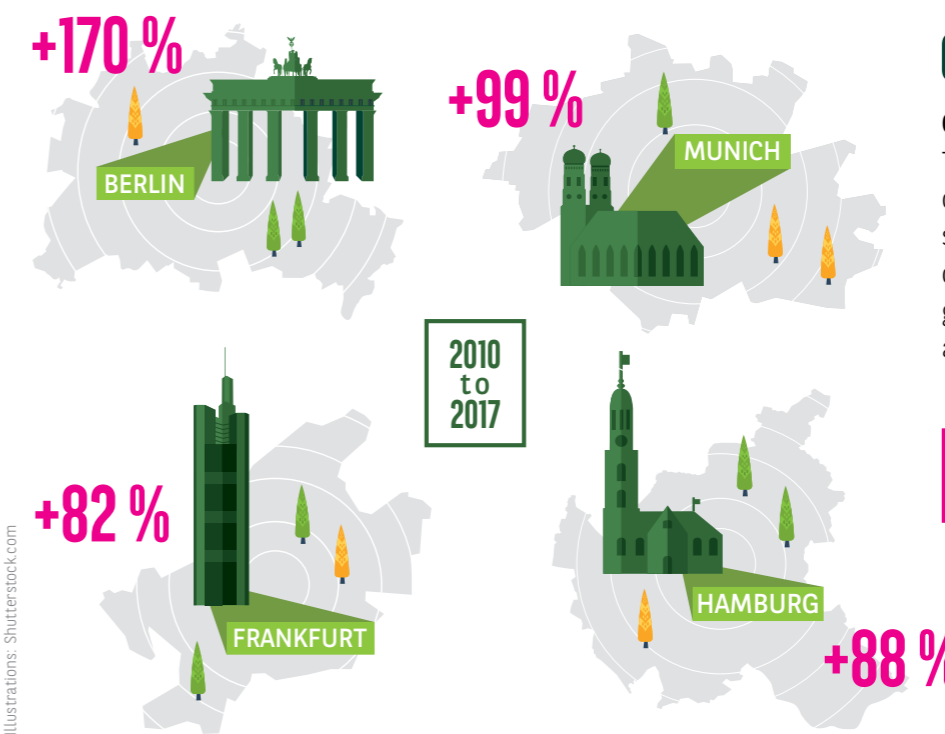
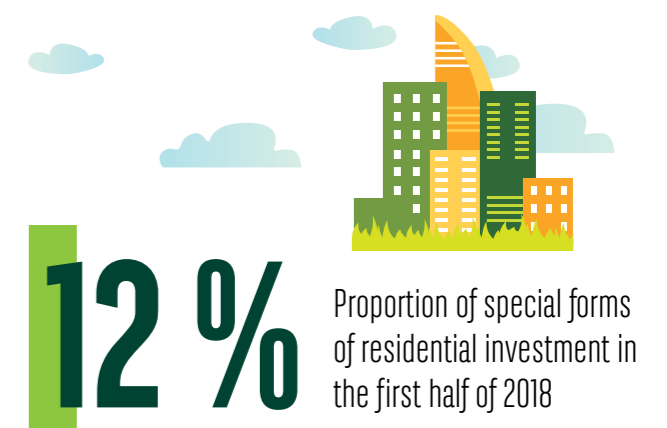
LOGISTICS

High sales also outside the Big Six*
With their dynamic market activities, locations outside the Big Six make a significant contribution to the high turnover of logistics space in Germany. One reason for this is the improved availability of land, with lower prices than at the top locations.

RESIDENTIAL

Changing lifestyles and housing needs

The demand for modern residential properties is high, and investors are increasingly relying on project developments. Special types of housing, such as micro-apartments, student or senior apartments are available to meet changing housing needs. They are becoming more and more popular, meaning that building projects in the area of special housing recently accounted for 28 % of investments in project developments.



OFFICE INVESTMENT

Capital values rise

The capital values for premium office properties have risen significantly in the major German cities in the past due to rental growth and price increases – above all in Berlin!

FURTHER INFORMATION CAN BE FOUND AT
WWW.REALSTATE.BNPPARIBAS.DE/RESEARCH





40%

greater employee satisfaction through modern, openly designed office environments*

// OFFICE //

OPEN FOR OPEN SPACES

The phones are constantly ringing. Petra Storek's office is always busy. Sometimes it is the site manager who still has technical questions, other times the Italian design studio who will be delivering late because of the summer holidays. Nevertheless, the Head of the Project Solutions division manages to stay calm and keep to all the deadlines.

[P] Petra Storek is good at complex tasks, because her job is to provide clients with comprehensive support in office planning and implementation. This ranges from needs assessment, service planning and project organisation to relocation management.

A project for a subsidiary of the group is currently being finished. BNP Paribas Factor is moving to new premises in Düsseldorf, and the BNP Paribas Real Estate office advisory team had been commissioned to look for a suitable property. Project Solutions was involved in the process at an early stage in order to develop the office concept together with Factor, which also formed the basis for the location search.

Instead of small office cells, open workstations were to be planned. This trend has intensified over the last three to five years, with the open-plan office experiencing a comeback in the form of an open-space of-

*Source: Studies by IREBS Regensburg and Towers Watson

fice. This is not just a different name, but also a completely different concept. 'Open space' means that the new open space is better thought-out and more pleasant to spend time in than the old, grey wasteland of as many desks as possible in a small space. "Mostly it is not the 'Google office' that's on everyone's lips, but a combination or group office. The new space situation must fit the company," explains Petra Storek.

OFFICE OF THE FUTURE

The advantages of the new working environments are obvious: communication has improved, synergies can be exploited more quickly and everything has become more transparent. Another aspect is also increasingly taken into account: companies looking for young talent need to score in many different ways. Salary is only one factor, and today there is also a modern workplace. "In order to offer young talents an attractive workplace, a Fatboy sofa must sometimes be available as a place of retreat," Storek says, summing up the office of the future.

At the new BNP Paribas Factor office, a concept based on the four corporate values runs through all of the areas. "Due to their strong colour concept, the areas all differ in terms of the furniture, but what they all have in common is that they reflect the company and its culture", says the expert, explaining the creative performance of the team.

Two factors are extremely important for open-room concepts: acoustics and visibility. Complete acoustic shielding is not desired: a basic acoustic noise, the professionals agree, is ideal. "Ten voices make for good background noise, but a single voice drives you crazy," says Storek. The topic of frequencies becomes interesting: not the shrill tones, but above all the deep male voices must be faded out in order to create a pleasant acoustic room climate. The factor of visibility is subject to the consideration of creating a transparent workplace and a partial retreat. "Companies should therefore allow visibility, accept personal boundaries and create opportunities to withdraw," she explains. These are becoming increasingly important in the world of "open space".



PETRA STOREK
Head of Project Solutions



GOOD OFFICE SOLUTIONS OFFER BOTH:
a transparent workplace and a partial retreat

"The classic meeting room – especially for internal communication – is dead," sums up Petra Storek. There are many alternatives: from the solid wooden table in the middle of the office, which can be screened off with a curtain, to the chic high-back sofas familiar from hotel lobbies.

EXPERTISE DOWN TO THE LAST DETAIL

Customers appreciate an expert not only for their expertise, but also for its detailed knowledge, cost awareness and negotiating skills. They act as an intermediary between the owner and the future

tenant and can answer a good 70% of the owner's questions during the planning and construction phase without needing to turn to the tenant. This is mainly due to their many years of experience and constructive cooperation with all parties involved in the project, such as planners and building contractors.

What is the ideal customer for Petra Storek? "It is always a pleasure to work with customers who are open to innovation. Like me, they should love beautiful materials and be decisive, courageous and ultimately not resistant to advice."

RETAIL REAL ESTATE IN TRANSITION: SHOPPING WITH WOW EFFECT!



Photo: Shutterstock.com/Jeefish Ping

The retail experts from BNP Paribas Real Estate, Christoph Scharf, Jonathan A. Calverley, Jens Wehmhöner and Christoph Scheuermann, met with their clients Manuel Behr from Aachener Grundvermögen and Heiko Gentner from Levi Strauss & Co.

Mr Scharf, please give us a picture of the current situation in the retail property market.

[Christoph Scharf: The market among retailers and owners is characterized by uncertainty. On the one hand, frequencies and sales are declining. On the other hand, owners were spoiled in the past. They now have to deal with shorter contract terms, reduced rents and even site closures, i.e. terminations. But it would be too much to talk about a crisis. Rather, flexible lease terms also offer opportunities for new creative concepts, such as pop-up stores, which were initially represented online and are now daring to go offline. These can temporarily absorb a vacancy and create an incentive to buy either through their short presence or a great presentation. Nevertheless, we have to adjust to vacancies – also in the A-locations. Finding tenants at the same rent level is a challenge. New concepts for lease agreements are required here to enable tenants and owners to continue to come together in the future. A recent model, for example, provides for a lower fixed rent to be paid. However, the landlord receives a top-up if the tenant has reached certain turnover or profitability limits. This also shifts operational responsibility somewhat more in the direction of the owner.]

Keyword “new concepts”, which trends do you see?

[Jonathan Calverley: Gastronomy has caught up tremendously. An important factor in revitalizing city centres. High-quality restaurants not only fill vacancies in prime locations, operators are also able to pay relatively high rents. Expanding food concepts that everyone in the big city knows, such as Five Guys or L'Osteria, increase the frequency on the main street. Dealers are also breaking new ground.]

[Heiko Gentner: For example Tommy Hilfiger, who now runs a coffee bar in their store in Düsseldorf, or Arket, the high-end subsidiary of the H&M Group. Levi Strauss & Co. as a tenant is also looking for this same high frequency. The customer wants to shop in prime locations, and we have to create the experience surrounding it. Among other things, gastronomy can be a means to this end.]

Catering hasn't so far been a pillar of retail real estate, right?

[Christoph Scheuermann: When I look at this in terms of investment, owners and investors still have a hard time with the catering sector. A larger share of gastronomy is usually at the expense of textile tenants, which is always viewed rather critically by investors. This is because leading textile companies often promise a higher credit rating and longer contracts, which are also important aspects for banks. Gastro tenants, on the other hand, usually have no long history and generally shorter contract terms. Similarly, the development of combining lower fixed rents with sales-based rent shares – a model that my colleague Christoph Scharf already mentioned at the beginning – is not yet so well accepted by investors.]

How do you see this situation as an investor, Mr Behr?

[Manuel Behr: Structural change is changing purchasing behaviour. And the good old sell-out has given way to a permanent sale that no longer offers any sales incentives. Except for the price. Which cannot be considered alone. And it doesn't help either side. Other incentives, real wow experiences for the customer, must be created. What is wrong is the permanent and rigorous farewell of the stationary retail trade. It is true that many business models



CHRISTOPH SCHARF
Head of Retail Services



JONATHAN A. CALVERLEY
Director National Retail Advisory

“New gastronomic concepts will bring life to city centres.”

Jonathan A. Calverley



HEIKO GENTNER
Franchise & Expansion Director
Central Europe at Levi Strauss & Co.
(Tenant)



CHRISTOPH SCHEUERMANN MRICS
Director National Retail
Investment

"The farewell of the stationary trade is wrong."

Manuel Behr



MANUEL BEHR
Head of Leasing, Aachener Grund-
vermögen (Owner representative)



JENS WEHMHÖNER MRICS
Senior Director
Pan-European Retail

and brands have to reinvent themselves. But many of them are already there.]

[Heiko Gentner: Brands also have to reinvent themselves if they want to be successful in the future. And ask yourself the question: For example, what goes beyond the integrated coffee bar and shopping? The experiences in a store must be brought to the fore. Shopping experiences, attraction and feel are incredibly important. Because the things that I can experience and touch remain in my memory.

A personal example: In stores in key cities with over 250 m², customization areas with tailored shops, print bars or embroidery machines are located, in which you can change jackets and trousers individually or have them embroidered or T-shirts designed and printed. Personalized products, for example with your own initials, are becoming increasingly important. According to the motto "Stay & Play" we try to extend the length of a stay and let the customer feel the brand. Nevertheless, the brand must remain authentic. We want to show our roots. For example, by separating part of the sales area, fitting it with sewing machines and making it visible to the customer as a "denim studio" that can be used as a creative workshop.]

And this measure really brings the customers to the tills of stationary trade?

[Heiko Gentner: It is a strategic question, how a brand wants to position itself. Personally, I believe in the Omni Channel idea. There is no online without offline. We create an experience in the store on the

basis of which the customer then buys on the Internet. In total, the company generates a turnover. The end consumer should have access to the products he is interested in and wants to buy everywhere.]

Then how do you deal with it? Can you then also assign these online returns offline?

[Heiko Gentner: Unfortunately, this is currently still difficult to measure, but it is certainly a topic of the future and highly interesting from a commercial point of view. But I emphasize it again: the bottom line is to generate sales – whether in the store or on the Internet.]

Are these declining frequencies and rents a purely German topic?

[Jens Wehmhoner: No, it is not a purely German topic. We are also seeing vacancies and falling frequencies in other countries. In London you will find vacancies on Bond Street as well as on Düsseldorf's Königsallee. The question is how to deal with it: One answer is the letting to exciting pop-up stores, successful gastronomic concepts or alternative uses through brand stores.

In the food segment, cities like London are way ahead of us. The chain store quota in the catering trade there is many times higher than in Germany. Tenants in this segment are now firmly established. This necessary development towards professionalisation is now also taking place in Germany.

We see an increase in image stores in the major cities, such as Samsung on the Champs Élysées or IKEA in various cities,



STATIONARY SHOPPING EXPERIENCES
are shared online.



THE FUTURE OF THE SHOP WINDOW
is interactive – with touch elements or
gesture control.



SIMONE SCHELSKY FRICS
Head of Retail Valuation, Director International Valuation
BNP Paribas Real Estate Consult GmbH

RENTAL PRICE STRUCTURE DECISIVE!

The increasing market dynamics are also relevant for the rental price structure and thus for the valuation of retail properties. While sales are easier to allocate with classic space use, it is becoming more complex with the now ubiquitous multi-channel concepts. The point-of-sale can no longer be clearly defined today and should be defined as broadly as possible in the lease design in order to sufficiently record the online turnover to be allocated to a retail space for the calculation of the sales-based rent. Alternative models, such as a flexible lease, a frequency rent instead of the turnover rent or the combination of low fixed rent with price shares in the online sale of a brand, optimise the landlord's cash flow and are advantageous for financing and possible exit scenarios.

but also in showrooms for car brands that use the positive advertising impact and appeal of the locations. This is a European trend.]

So the country needs new concepts. But who feels responsible to develop them? The owners, the retailers?

[Jonathan A. Calverley: From a retail perspective: Digitisation does not serve the end in itself but takes account of the customer's needs. So if customers want to experience offline and buy online, you have to look into it. The "first movers" who adequately serve this customer need will establish themselves.

From the rental perspective: new concepts can only be developed with a joint effort of dealers and owners. You have to keep communication open. Good negotiation results are the result of reflected changes of perspective and contemporary adaptation to market requirements, here I speak explicitly from both sides.]

// RESIDENTIAL //

A HOUSE ON GLASS – THE NEW GLASMACHERVIERTEL

The industrial history of modern glass production began 150 years ago in the Düsseldorf district of Gerresheim. Now, the area is undergoing a change towards modern urbanity.

In the area where the largest bottling plant in the world – which gave the district its name – once stood, there is now the largest development area for residential real estate in Düsseldorf, at a huge 20 hectares. This represents an enormous responsibility for all of the companies involved. “The developer and future seller, PATRIZIA Immobilien AG, didn’t take a ‘crowbar’ approach to the development. Instead of a retort-city district, modern living space should be created within structures that are grown right

from the start. This requires prudence, farsightedness and a pronounced instinct,” says Udo Cordts-Sanzenbacher, Co-Head Residential Investment at BNP Paribas Real Estate, explaining the project, which is being presented under the name ‘Glasmacherviertel’ (glass-makers’ district).

MOBILE AND GREEN

Mobility is a must and is a matter of course for Düsseldorf’s largest residential project: the S-Bahn suburban railway connection, for which you normally have to wait for years to be approved and constructed in such greenfield development areas, already exists. From here, you can reach Düsseldorf central station in only six minutes. Central and green – two terms that have a special appeal for future residents in terms of quality of life. The ‘Glasmacherviertel’ offers both, and the district is interspersed with parks and green spaces. According to the plans of the urban developers, there are even more green spaces to come. The uncovering of the Düssel River is part of the project plan, as is the creation of Düsseldorf Park as an identity-forming element.

THE SPARK THAT IGNITES THE GLOW

“The old working-class district around the ‘Gerrix’ landmark, a striking glass tower that is now a listed building, only lacked the initial spark. And PATRIZIA had the right

“The old working-class district just lacked the initial spark.”

vision,” says Christoph Meszelinsky, Co-Head Residential Investment at BNP Paribas Real Estate, analysing the situation in which the district found itself. “Using technical jargon, this is probably what we call the ‘urban planning correction’ that is now happening.” The district, in which the density of pensioners is high, is to be

rejuvenated, offering urban life with day-care centres and primary schools, and be upgraded with retail and gastronomy. 1,400 apartments are planned, but this only appears to be an enormous volume at first glance, since the demand for living space in Düsseldorf is much higher.

LARGE PROJECTS REQUIRE LARGE DESIGN PLANS

Investment manager PATRIZIA, who is active across Europe, correctly assessed this demand due to their many years of expertise. The acquisition of the site was followed by six years of soil remediation and preparation for construction. Then came the planning: “Due to the sheer size of the area, we saw enormous design potential for the future owner,” explains Tim Schmidt, Regional Director at BNP Paribas Real Estate Consult GmbH. “What made this special was the trusting cooperation between us as the client and our colleagues at BNP Paribas Real Estate,” says Fabian Roth, of PATRIZIA Immobilien, about the six months of project work. The well-rehearsed



MORE QUALITY OF LIFE: parks, green areas and the exposed Düssel River enrich the district.



DÜSSELDORF’S BIGGEST RESIDENTIAL PROJECT: the 20 hectare site on the way to modern urbanity



Residential Investment and Investment Consulting teams worked in an interdisciplinary manner during the complex sales process and thereby created real added value for their clients.

When the site came onto the market after intensive preparation, demand was – as expected – extremely high, and several bidders entered the process. In addition to the purchase price, the reputation and the track record of the bidders were also taken into account. “The fear of real estate dealers on the housing market is not to be underestimated,” says Tim Schmidt,

summing it up. “Neither the city nor the current seller would approve of such an investor.”

THE NEW STAKEHOLDERS IN THE GLASMACHERVIERTEL

The contract was finally awarded to a company that is now known as Adler Real Estate and is based in Berlin. Ulrich Tappe, who is now in charge of the Glasmacherviertel and who is no stranger to Düsseldorf’s construction industry, only had words of praise for the sellers. “We wouldn’t have bought the property if PATRIZIA hadn’t done

such excellent preparatory work. And we can build on a stable master plan that only needs to be improved in small areas.”

The district represents a beautiful development in which not only the customers of BNP Paribas Real Estate, but also the city of Düsseldorf, emerge as winners. “And in the end, there will be a better quality of life for all in the new district. This is what a perfect project looks like,” Udo Cordts-Sanzenbacher says in summing up the ‘vitreous’ project, which nevertheless stands on solid foundations.

// PROPERTY MANAGEMENT //

THE MAYOR OF ÜBERSEEQUARTIER*

HafenCity is a model for all of Europe. And it boasts some impressive facts: the once unsightly harbour fringe expands Hamburg's city centre by 40 per cent and sparkles with the Elbphilharmonie concert hall.

[T] The exemplary Überseequartier is a waterside district of several hundred thousand square metres in HafenCity. In the northern part of Überseequartier, a woman calls the shots: Dr Claudia Weise, often referred to as the 'mayoress' of one of Germany's most ambitious and largest development projects. For more than twelve years and through all of the project phases, Dr Weise, as district manager, has been responsible for the entire neighbourhood built to date. The northern part was completed in 2010 and contains a

mixture of living, working, trade, gastronomy and hotels. In the heart of HafenCity, residents, neighbours and tourists meet in an area of more than 110,000 m² to enjoy the varied events. The southern part, which will attract many international retail chains, is scheduled for completion in 2021.

Überseequartier is a privately owned area that is open to the public. There is a central marketplace where – unlike comparable projects on the drawing board – urban life takes place in all its facets. The classic weekly market, food truck and

comedy festivals, open art on the boulevard including unique photo exhibitions, or flea and Christmas markets with skating rinks can all be found here. The district is well and truly alive!

And the boss makes sure that everything runs smoothly! Comparable to a mayor, she manages public spaces, exterior design, security and order, location marketing, all events and, last but not least, technology. "This can become quite a concrete task. The extinguishing system for our 1,160 or so garage spaces and all of the dis-



LIVING WITH CHARACTER:
new residential units paired
with old harbour architecture

*North

THE DISTRICT IS ALIVE!
Festivals and events
ensure high visitor frequency.



DR CLAUDIA WEISE
Head of Centre &
Quarter Management,
BNP Paribas Real Estate
Property Management GmbH

With
110,000 m²
the heart of HafenCity

trict's retail areas fitted with sprinklers are served from a single tank, which needs to work if the worst comes to the worst," Weise points out. The expert from BNP Paribas Real Estate Property Management was a constant factor in every single project phase of Überseequartier, from development and construction to letting and property management. "Tasks change. Today, I am often also a mediator between retailers and restaurateurs, for example, who need a high frequency of passers-by, and the local residents, who need to be picked up again, especially with regard to events. Our Christmas market is great, but rather distracting for the office tenants because of the music," Weise reports with a wink.

URBAN LIFE IN THE NEIGHBOURHOOD

In the meantime, Überseequartier North has developed its own character. The pioneers of HafenCity have shown how, with a lot of commitment, strength and a lust for life, a new, still growing district has become a place with village character that welcomes everyone and lets them participate. The event and district qualities play

a particular role here, where young and old can meet for example in the bar around the corner or in the market square. Weise can also imagine living here in old age. However, she admits that the journey to her beloved horses in the west of Hamburg is still too far.

The area benefits from being part of HafenCity and vice versa. "Without the buzzwords HafenCity and Elbphilharmonie, it would be much more difficult for us to market the district," says the district manager, explaining her task of positioning the neighbourhood well in the media. Owners, the advertising association of commercial tenants and district management work hand in hand with experts from the marketing and PR sectors to optimally position the quarter.

UNUSED POTENTIAL

"Our task must be to strengthen the north of the district until the south is completed." The retail trade holds a lot of potential and Weise knows their needs only too well. "For example, for a hairdresser's shop to operate at full capacity, they need about 6,000 residents. Currently, only half

of them live here – and we have three hairdressers in HafenCity," notes Weise. But all of the office and apartment space is almost fully occupied, the hotels are fully booked and the varied gastronomy is well received.

The future developments until completion of the entire Überseequartier and HafenCity are eagerly awaited, and all of the project participants are working on a successful further development. Despite all of the challenges that Claudia Weise faces, the charm of Überseequartier, however, lies in the diversity of committed people who shape this new district and invite people to feel at ease. "Working with a sense of perspective, visible results, an exciting environment and, above all, special people around me – what more do you want? One could easily stay here ...," says Claudia Weise.

FURTHER INFORMATION CAN BE FOUND AT
WWW.UEBERSEEQUARTIER.DE



A REAL ESTATE EXPERIENCE OF THE SPECIAL KIND: consultant and client "visit" a new property in London together by holoportation.

"BEAM ME UP, SCOTTY!"

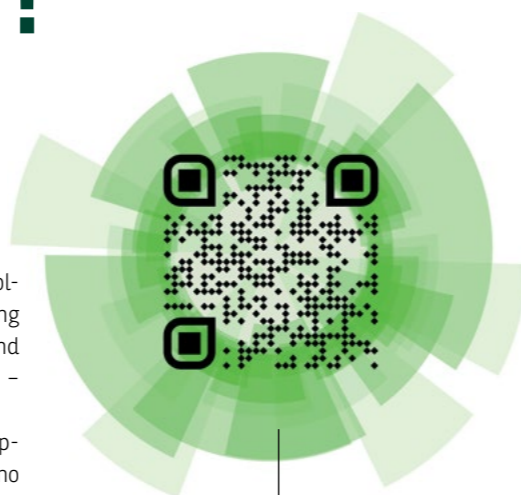
Holoportation: at the speed of light into the new age of consulting

[T] The latest coup from BNP Paribas Real Estate is just a few steps away from the "beaming" with which Scotty, the chief engineer in the TV series Raumschiff Enterprise, once fascinated his audience: holoportation. The stylish virtual-reality equipment, which is usually more associated with games conventions, is suddenly finding its way into the support of busy and globally operating customers.

Using holoportation, an investor in Singapore, for example, can virtually view real estate throughout Europe together with a consultant in Frankfurt. It sounds like science fiction, but it's already a reality. Due to the realistic resolution, the customer bene-

fits from the modern holographic technology in several ways. The digital "viewing appointments" are authentic, save time and allow immediate decisions to be taken – without having to be on site.

And it represents a pioneering development for the real estate sector: users can no longer only see each other, but also interact with each other. Need to edit architectural plans together? No problem with a real-time application. The level of interaction surpasses anything known from remote meetings. The innovative technology is the result of a cooperation with the start-up company Mimesys and the world's leading premium virtual-reality platform HTC VIVE™. This is how the future looks!



[HOLOPORTATION LIVE!]

Simply scan the QR code and experience the Holoportation Experience!

Photos: MikeChevreuil

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