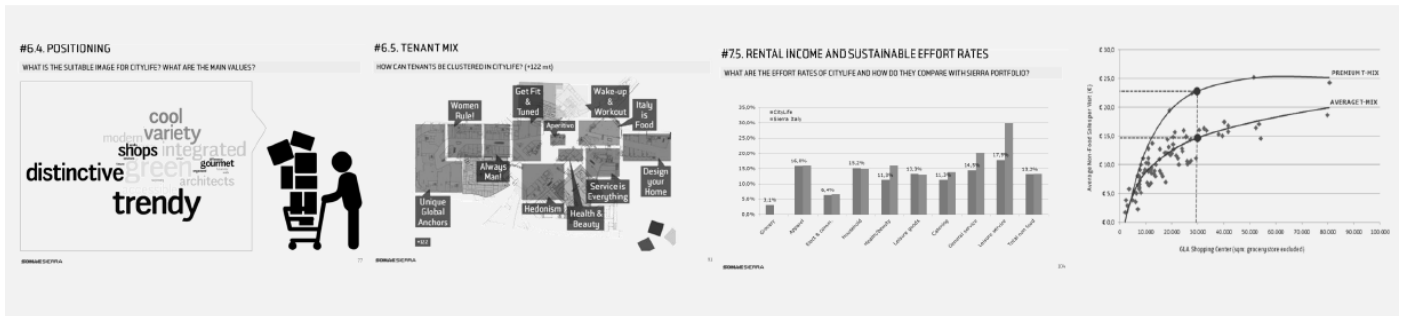


Market Intelligence: Turning market insights into competitive advantage



Market Intelligence



Market Intelligence Services



More than 30 countries



Market Intelligence; Market Research

KEY HIGHLIGHTS

- The Market Intelligence team has developed a robust model to help investors make informed investment decisions and to support clients navigate the challenges facing retail real estate.
- With a strong service offer Sonae Sierra Market Intelligence team is able to provide actionable knowledge that will allow clients to adapt and create profitable assets that meet the consumer's expectations and needs.

SOLUTION

- Sonae Sierra unique position as a retail real estate developer, owner, manager and service provider means the Market Intelligence team can provide a 360-degree perspective on all elements of the shopping centre lifecycle – from development to the management phase.
- The studies developed by the team looks into several market aspects that will condition the success of the shopping centre, such as mix, location, layout, competition and consumer profiling. By doing so, it will give insights on the most adequate positioning for the centre, and recommend on brands, size of stores, GLA breakdown per category, specifics of Food & Beverage, among other key aspects that will influence the success of the assets.

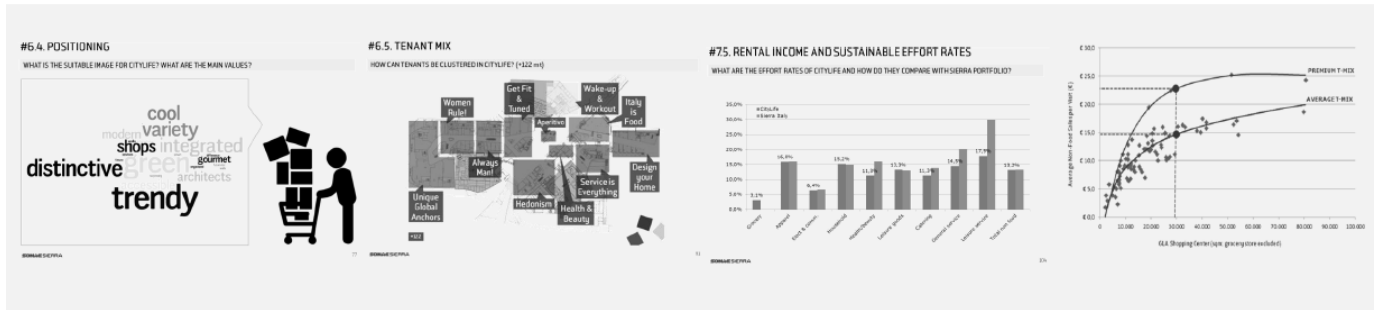
KEY NUMBERS

+21000
consumers
interviewed/year

+5000
tenants
interviewed/year

+700
locations analysed

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Abstract

In today's challenging retail environment, asset owners and developers are having to grapple with an ultra-competitive market set against the back drop of a revolution in digitally-enabled consumption.

This heralds both exciting opportunities and complex challenges for retail real estate investors. To prosper, shopping centres have to become destinations of experience; places to be, not just to purchase. And they are under greater pressure to attract and retain customers, offer a diverse and dynamic tenant mix and provide novel experiences. Competitive advantage therefore lies in being able to anticipate, understand and adapt to meet these challenges and the ever evolving consumer needs.

Sonae Sierra's Market Intelligence team is delivering value for owners, investors and other clients by helping them to identify trends and respond to current and emerging challenges to create profitable assets that add value. The team brings together Sonae Sierra's 29 years of knowledge, market information and expertise to provide actionable insights that guide the investment decision making process across the development, ownership and management of retail real estate assets.



Market Intelligence



More than 30 countries



Market Intelligence Services

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Introduction

Knowing your market and consumer trends is key to seizing the opportunities and create profitable assets. Understanding the interplay between the different forces can help investors target investments where they can deliver the most effective outcome at each stage of the project, from architecture and design to leasing strategies that curate the ideal tenant mix to maximize footfall and sales.

Sonae Sierra's Market Intelligence department is composed by a multidisciplinary team that provides market leading insights to clients across more than 30 countries. With a mission to provide innovative and independent consultancy expertise focused on delivering value through actionable results, the department has developed a suite of competitive market research tools. The team is able to provide advised quality studies and recommendations, becoming your partner of choice, while guaranteeing absolute confidentiality on the projects, the outcomes and its recommendations.

Background

The traditional 'bricks and mortar' retail model is in a state of flux, and a convergence of trends are working in tandem to have a transformative effect on retail real estate. On the one hand, the widespread use of mobile technology has already disrupted the retail sector, and is set to transform it further still; at the same time, the growth of e-commerce is redefining physical retail space for asset owners and tenants alike. On the other hand, consumers demand is ever changing, ever evolving and the sector needs to keep up with this (r)evolution. With an overflow of information, knowledge and data is crucial to analyze the information, the market and its consumers in order to create and manage valuable assets.

Challenge

In order to create assets that can generate value and be able to adapt to this (r)evolution it's mandatory to understand the market, the involved entities as well as its complex interactions and to have knowledge on how to act upon it. However, the great amount of information, aligned with the availability of reliable local data, time constrains, and sample size typically pose challenges associated with collection and processing of robust data sets.

Solution

Sonae Sierra unique position as a retail real estate developer, owner, manager and service provider means the Company can provide a 360-degree perspective on all elements of the asset lifecycle. The robust market intelligence team is able to provide immensely powerful insights into the risks and opportunities that will condition the success of a shopping centre development and management.

Quality data on catchment areas, competition and consumer profiling can drive effective decision making across a range of factors such as the overall positioning of the centre, location, brands, store size, tenant mix and visitor facilities. This will allow to adapt and create assets that meet the consumer's expectations and needs; to strongly reduce the business risk; and will support the decision making on the investment, providing orientation and guidelines for critical areas, such as architecture / design, leasing and marketing, in such a way that adds significant value to the final product, at the smallest fraction of the investment required to develop a centre.

Market Intelligence: Turning market insights into competitive advantage

The research techniques adopted by the team provide a deep insight in each project: desktop assessments, preliminary analysis, site visits, consumer research, and scenario modelling are supplemented with inputs from external sources, and a network of specialised service providers who supply on-the-ground support. The growth and presence of online communities has also created an impact on the way the team collects data – Sonae Sierra employs online research techniques such as netnography (ethnography applied to understanding social interaction in digital contexts); online focus groups, online in-depth interviews and market research online communities.

As a result, the Market Intelligence department is able to offer a competitive range of service solutions¹ that focuses on identifying outcomes with a practical application, always searching not for insights but for actionable knowledge that the clients can use to leverage their projects and assets.

The actionable knowledge created by Sonae Sierra team have resulted in the introduction of several innovative retail experiences. As an example, research by the Market Intelligence department regarding food and beverage resulted in the 'MyCourt' Study - a blueprint to bring the traditional food court up to date with changing dining habits. The blueprint has already been put into practice with the launch of multiple projects such as Cascais Kitchen at CascaiShopping in Portugal.



Figure 1 - Cascais Kitchen at CascaiShopping

Instead of the ubiquitous and uniform seating arrangements typical of traditional food courts, Cascais Kitchen features a mix of bench-style seating, bar tables and rustic dining tables which add a touch of individuality and a casual atmosphere. The remodelled and reconfigured area allows for an exciting and dynamic mix of much smaller artisanal stalls, counters and eateries who can road test new taste sensations, trends and even cooking demonstrations on real customers. In line with customers' needs and desires it is much more than a place to eat, it's a multifunctional area that combines a place to stay, to gather, to socialize and even study and work. Although it had a decrease on the overall GLA area, it was able to increase rents and overall profitability– the **visitor traffic was up by 3%, average ticket grew 19%** and the **dwelt time achieve an impressive growth of 100%**.

Other food courts, such as GranCasa, where recently adapted to this new emerging trend. At GranCasa the changes implemented allowed to register an **increase of 16% in traffic** when comparing with previous year.

At CityLife Shopping District, a project of Generali Group, to be able to create an outstanding shopping experience in Milan the team developed a deep location analyses which allowed to feed the strategy of this new project in terms of design, leasing, marketing and management. As a result, the centre is with an impressive performance, having registered 100,000 visitors on the first Saturday after its opening.

¹ For a full scope of the services provided consult the appendix available at the end.

Market Intelligence: Turning market insights into competitive advantage

On Varlibas, Sonae Sierra Market Intelligence Department developed a study for the refurbishment and repositioning of an underperforming project located in Trabzon downtown. Coordinated by MID it was an integrated project that counted with the collaboration of the architecture and the leasing department in order to achieve the best possible solution.

The initial diagnosis identified a few constrains such as: limited accessibility; poor store layout design; lack of concept; unbalanced tenant by floor; and no positioning guidelines for project communication and marketing strategy. As a result of the actionable knowledge generated by the team, the project resulted in a combined framework solution with integrated guidelines and recommendations on all pain points of the centre, such as **positioning recommendation** taking in consideration the projects competitive advantages and consumer profile; recommendation for a sustainable and balanced **tenant mix** program; **three year leasing strategy** aiming for the potential increase of the scheme's NOI and taking in consideration vacancy, contractual limitations and potential tenant relocations and closures; **recommendations and guidelines on store layout**, focusing on the floor attractivity and layout efficiency, and **recommendation on exterior and interior design and concept** and an **overall performance** indicators forecast taking into account all these impacts.

Closure

The Market Intelligence department has developed a robust model to help investors make informed investment decisions and to support clients navigate the challenges facing retail real estate. With experts in data collection and analysis, the department is able to create value from the simplest of research projects to complex development and asset management strategies by converting information into actionable knowledge.

Since its launch, the department has conducted market intelligence studies spanning more than 30 countries and over 700 locations. Its prodigious output, researching the views of more than 21,000 consumers and 5,000 tenants a year, means it has built up a unique insight into today's competitive retail market, and a deep understanding of consumer trends to support clients' decision-making, reduce risk and increase operating incomes.

**Market Intelligence: Knowing,
Listening and Understanding
Your Consumers and Clients;
supporting your strategy;
assessing impacts;
characterizing your catchment.**

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Appendix

The Market Intelligence robust service offer allows our clients to have actionable knowledge to create and manage profitable retail real estate assets. Below there's a brief description of the main services by each phase. For more information contact the team through our website contact form at sonaesierra.com.

- **Development Phase** With a diversified tool-box comprising qualitative, quantitative and mixed research techniques to understand the feasibility of the development project. The services in the development phase includes:
 - **Site Look-up** where, among other things, is identified the strengths and weakness of the location;
 - **Preliminary Feasibility Study** to support the investment decision;
 - **Market Feasibility Study** to access potential development risks and opportunities;
 - **Project Re-assessment** for cases when the projects need to be reviewed
 - **Positioning Studies** to support the positioning of the centre and its design
- **Asset and Property Management phase** Sonae Sierra uses state of the art quantitative and qualitative tools and knowledge to evaluate the feasibility of developments and standing assets. The services offer includes:
 - **5 year Plan** long-term forecast analysis of performance indicators for a given shopping centre;
 - **Leasing Strategy** 3 year plan regarding the tenant mix and expected outcome;
 - **Impact Study** measurement of impacts of certain actions such as new anchor stores;
 - **Expansion Study** providing analytics on the impacts of new GLA;
 - **Re-Positioning Study** aimed at Centres that are believed to be underperforming, it is a 360° consultancy project;
 - **Operation Tenant Survey** tenant auscultation;
 - **Geo Tracking** aiming to provide a comprehensive analysis of the consumers residing in the catchment area;
 - **Mall Tracking** a survey that allows to define the visitors' profile as well as analyse their perspective towards shopping, leisure and the centre under study;
 - **Tourist survey** especially relevant for countries and cities where tourism is a major asset. It enables us to understand how can a centre attract and serve tourists;
 - **Competition scouters** competitors monitoring and assessment within the shopping centre catchment area;
 - **Digital dashboard** collection of digital KPIS from several sources for several Centres;
 - **Digital Footprint Report** to analyse consumer's digital behaviour and benchmark digital information.