

Open mind
Greater value



CASE STUDY

How a full-service development partner drives project success



Case Study | Executive Summary

HOW A FULL-SERVICE DEVELOPMENT PARTNER DRIVES PROJECT SUCCESS

Highlights

- The complex demands of the development process require multi-disciplinary competences to plan and execute a new scheme, in order to minimise risks and maximise opportunities
- Extensive international experience means that Sonae Sierra is able to provide a full suite of services for development based on world class methodologies and standards
- Sonae's Sierra's experienced teams design and execute concepts with the business plan in mind, while securing the project's future

Solution

Sonae Sierra's multidisciplinary teams combine the right experience at every stage of the development process to deliver superior results:

- Applying Market Intelligence to identify a project's risks and opportunities, while building a business plan to maximize the asset's performance
- Architectural and engineering experts and development specialists lead from concept and plan through to design, support and oversight of the construction phase
- Bespoke leasing strategies serve to drive the project forward, developing occupier relationships for an economically sustainable future

Key Numbers

+50	1.35M	+55
assets developed from scratch	m ² GLA managed and/or leased	assets where we provide leasing services



Several schemes across Sonae Sierra's portfolio and for third parties.



Architecture, Engineering and Development



Market Intelligence



Sustainability Services



Leasing Services

Abstract

Developing projects remains one of the most rewarding business areas of the real estate industry. In a global environment of sluggish growth and low interest rates, yields on real estate are under sustained pressure. **Property players with a higher appetite for risk, including development risk, can target greater profitability in a stagnant market.**

Yet many investors remain loath to enter the development fray, with the fear of risk and unknown costs dominating their decision. Many also lack the internal teams to consider developing a property, missing the multidisciplinary competences, from research to design and architecture specialists, as well as project managers, leasing and sustainability experts, which remain necessary for development success.

One solution is to partner with a development specialist which offers a turnkey service, taking care of every detail in the development process. This covers areas such as:

Research

Architecture

Project/development
management services

Design

Engineering

Sonae Sierra has become the partner of choice for development projects around the globe, thanks to our world-class analysts, architects, engineers, development managers and leasing specialists. Our extensive experience has seen us construct projects on four continents, both for our own portfolio and for our clients.

**For every line we draw, for every brick we lay down,
we do know the exact impact on future operations.**



Introduction

Even for international players in the investment, development and property management world, development is a complex business. Creating schemes which innovate, serve and delight their end-users requires not only a detailed knowledge of the location and catchment, but also an understanding of rapidly evolving contemporary trends.

Cookie-cutter projects have no place in a world where the customer is king and human-centric real estate strategies differentiate success from failure. New schemes today have to account for tastes and cultural shifts, income and aspiration, as well as an understanding of the brave new world being driven by Millennial and Generation Z actors.

On top of this, tackling development requires vast and granular know-how across several disciplines ranging from market intelligence, to architecture and engineering, project management, sustainability expertise, and leasing services.

Our international experience lends a unique approach to every scheme based on world class methodologies and standards.



Background

As an experienced real estate developer, owner, manager and service provider Sonae Sierra is in a unique position to be able provide full-cycle development services for a complete range of property projects. Knowledge of the key variants of geography, demand patterns and social framing is vital to determining the right project path, while experts in design and project monitoring take a scheme towards pre-opening with the support of experienced leasing teams.

Working with a partner that offers complete A + EPCM* development, market intelligence, sustainability and leasing competences reduces an investor's exposure to risk. Sonae Sierra's integrated approach unites the abilities of several diverse, expert divisions to maximise the quality of the project, and enable the client to maintain lean and focused teams.

*A+EPCM are Architecture + Engineering, Procurement and Construction Management.

What we do?



We create the concept...



...develop the design...



...licence the project...



...take care of procuring contractors, managing them until the very end of the development stage.



Challenge

Development projects face considerable challenges:



Costs



Time taken



Environmental, social and corporate governance (ESG) risks

It is the unforeseen element of these areas which weigh heaviest on project budgets. Without clarity, organisation, and the right, integrated competences, unexpected expenses can quickly add up.

A key goal for successful project development is to have structured governance in place, so that responsibilities are well defined, and the client has a say on the main project items and milestones.

All stages of the project must be designed to keep business objectives top of mind, in order to build a profitable asset. For this reason, all designs need to be born from an integrated approach, which successfully coalesces the expert research, insight and talents of a range of diverse teams.

Only by successfully coordinating multidisciplinary teams in a clearly defined way will a project be able to aspire towards its maximum potential.



Solution

The Insight Stage

While every project is unique, and every suite of services conceived in a bespoke way, Sonae Sierra has designed an effective methodology for taking forward any scheme in any geography.

Market research studies support the developer in the decision-making process, by helping them better understand the complexities of the location.

This stage also includes comprehensive **environmental due diligence**, which further assists with negotiation, planning and projecting the future performance of an asset. That way, the costs of removing, minimising or managing associated problems and liabilities can be evaluated.

The research stage is also where our leasing experts start to define the asset's appropriate **leasing mix** to maximise future Net Operating Income (NOI). In the case of retail assets, this is the balance that best avoids category cannibalisation while accounting for the highest potential consumer disposable income.

With this data at hand, architects will then be able to better design the scheme, leasing staff can set better objectives, economists can more effectively evaluate a scheme's feasibility and marketers can maximize the area's potential.

The Goal

To have a **full feasibility study** that will define the guidelines for a sustainable scheme over the short and long term. This also includes forecasts for a project's market potential, traffic, market shares, sales and maximum achievable base rents for a sustainable affordability rate and respective adaptation to real market conditions.

Track Record



ParkLake (Romania)

Solution

The Insight Stage

The development of the strategy stage is based on the market study and market feedback to create sustainable differentiations from the existing competition and the corresponding positioning.

A **preliminary layout design** follows, based on the dimension and activity mix defined by the market study. This is based on functionality, comfort, commercial attractiveness and rationality.

Sonae Sierra's experience shows that the quality of the layout in a project is fundamental for their success.



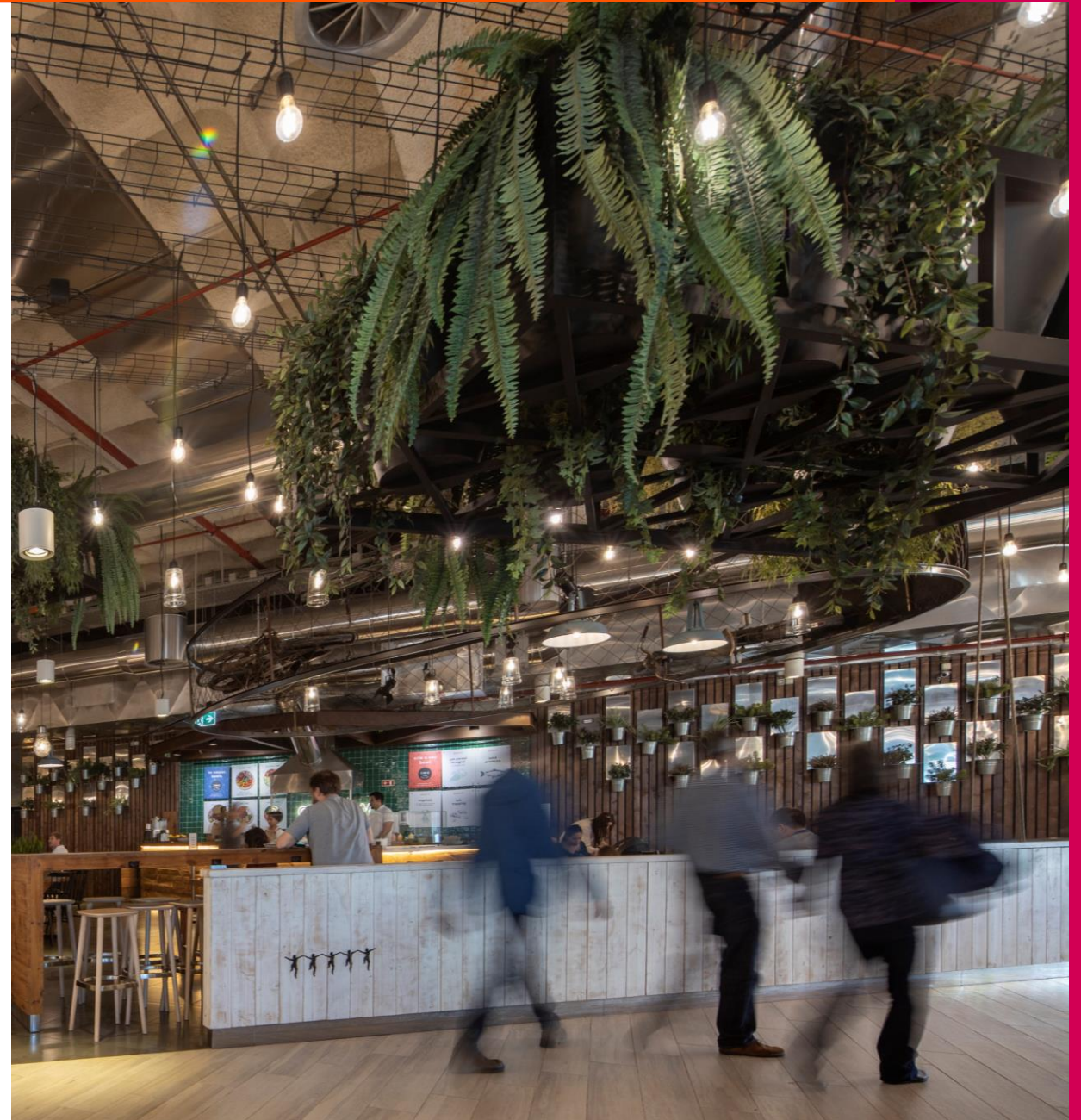
Solution

The Design Stage

Moving onto the **architectural concept design**, Sonae Sierra's experts elaborate the concept package with plans, elevations, sections and graphics. These aim to develop one overall direction, in response to the client's requirements; produce a project image and key architectural ideas that will serve as the basis for the schematic and detail design; and provide the necessary information to the local architect to prepare the building permit drawings.

Further, detailed plans include everything from electrical installations to technical assistance, safety and security to HVAC – heating, ventilation and air conditioning, plus smoke control. Lifts and infrastructure, gas water and sewage networks, building management systems and acoustic behaviour are all taken into consideration.

Fine-tuning the design, to create a friendly, comfortable and natural ambiance, dives into unit exteriors and interiors, signage and illumination.



Solution

The All Hands On Deck Stage

Before designs are finalised, an **investment estimation** aims to approximate the cost of the project. This is a critical task where know-how and real live experience is vital to achieve the cost and planning targets set by the owner of the asset.

Project monitoring services in the design phase assess the evolution of the project development during this stage, evaluating what work has been completed for the project, including costs, risks and other relevant issues.

Meanwhile, project monitoring service in the construction phase follows the evolution of the project development and log what work has been done to keep on top of costs, risks and other relevant issues.

Sonae Sierra also offers support when a **green building certification** is required. In today's competitive world, a BREEAM New-Construction certification benefits investors, owners, landlords, facilities managers and occupiers, by enhancing asset value and increasing market demand, improving benchmarking scores like GRESB*, and helping to attract tenants and occupiers.

Our **bespoke leasing services** begin with a comprehensive analysis of the asset or district, produced through market intelligence. After defining the catchment area, this study considers the social stratification of population in the area, its income and its types of consumption to propose a certain weighting of different types of commercial offer.

After this stage, the leasing team starts to identify which principal anchors are most suitable for the scheme, before defining the remaining offer.



*GRESB is the environmental, social and governance (ESG) benchmark for real estate assets

Solution

Non European Markets

Sonae Sierra's competences in development are designed to provide investors with solutions to the modern challenges of creating new projects.



Marina Shopping (Morocco)

We were hired to oversee the development of **Marina Shopping** in **Morocco**, an exciting new scheme for this emerging North African market.

Leading on from other successful partnerships with Marjane (ONA Group), the largest hypermarket and supermarket chain operating in the country, Sonae Sierra is worked with the owners Marjane and Foncière Chellah (part of the CDG Group - Caisse de Dépôt et de Gestion) to create a new shopping destination in dynamic Casablanca.

The new centre has a Gross Lettable Area of 43,792 m2 and 164 stores.



Parque Dom Pedro (Brazil)

Parque Dom Pedro, the first shopping and leisure centre fully developed by Sonae Sierra in Brazil, introduced a number of firsts to the country. Launching in 2002 with 13 anchors – a record for Brazil – this super-regional mall attracted several foreign brands making their Brazilian debut.

Track Record

 **+55 ASSETS**
PROVIDING LEASING
SERVICES ON 4
2019 CONTINENTS

Success stories have included the **Arribat Center (Morocco)**, which Sonae Sierra also helped to develop, and **ParkLake (Romania)**, developed in partnership with Caelum Development. In **Germany**, the iconic **Alexa**, pioneered new standards for the country's shopping centre industry.

Conclusion

Sonae Sierra's experience at taking a project from the concept stage, through architectural & engineering design, to development, sustainability, leasing and pre-opening preparations, has created a recipe for success.

Effectively coordinating multi-disciplinary teams is our secret ingredient, driving higher revenues for asset owners and minimising risks in the short and long-term.

While each asset is different, requiring a bespoke evaluation and action plan, the right development strategy can deliver outstanding results no matter the geography, asset size or type.

This helps us build vibrant assets of different types, dimensions and style, while also attracting high quality clients for office, residential and mixed-use schemes.

By selecting the right partner for A + EPCM development services, you can navigate today's projects challenges for long-term success.



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