



PRESS RELEASE

VASTNED RETAIL: HIGH STREET, THE WAY TO GO

Sharpened strategy for increased quality, stability and predictability

Significantly increasing its high street portfolio. This is the core element in the sharpened strategy of VastNed Retail, which was presented today by Taco de Groot, the new CEO of the retail property company. VastNed Retail is setting a target of 65% high street in its future European portfolio, coming from a current 48%.

With the introduction of a three pillar strategy VastNed Retail anticipates on the changing market circumstances. To realize its strategy VastNed Retail sets a clear quality focus in portfolio, organisation and finance. “We are building on a quality portfolio of high street shops at premium venues in the larger cities”, says De Groot. “In order to meet the more selective demand of tenants in an even more competitive environment we will change the management, structure and culture of the organisation. Thirdly, we will further optimise our financing through extending the duration of the loan portfolio and increasing the number of funding sources.”

This sharpened strategy enables VastNed Retail to increase the stability and predictability. “Investors expect a solid and sustainable value development. Focus on premium venues at high street locations is key in achieving this”, says De Groot. “In addition, investors require a sound financing strategy, which we will address by optimising our current conservative financing strategy”.

Changing market

The three pillar strategy of VastNed Retail is a response to a changing retail market, with an ageing population and limited population growth. In addition to a continuous growth of e-commerce, there is a clear shift in consumer behavior where shopping is increasingly a quality time activity. Consumers are demanding a unique and authentic shopping experience and retailers are anticipating on this trend. Tenants therefore opt for high street locations and dominant shopping centers given that these are places where high footfall and consumer spending come together. De Groot: “Given our heritage and current portfolio a stronger focus on high street is a logical choice.”

High street more resilient

These more selective consumers and retailers require VastNed Retail to apply a stricter definition of high street to its portfolio, where secondary streets and newly build shopping areas/malls are no longer part of the 'high street' definition. Based on this more qualitative definition of high street, VastNed Retail's portfolio currently consists of 48% high street, compared to a 55% based on the old definition. Analysis shows that with higher rental growth and a higher occupancy, high street asset values are more resilient.



From 2008 to June 2011, the total annual return of high street assets within VastNed Retail's portfolio was 7.6%, compared to 4.9% of non-high street assets. This confirms VastNed Retail's strategy of building a strong combination of a high street retail property portfolio and a tenant-oriented organisation. VastNed Retail expresses the ambition to use a range of € 100 - 200 million yearly for selective acquisitions in core countries, which will be executed in a realistic and pragmatic manner. A review of its portfolio has further earmarked € 90 million for disposals in the next two years.

Tenant relationship

The execution of the renewed strategy requires changes in management, structure and culture. The new management team has extensive retail real estate experience in all core countries, with a clear focus on retail at corporate level following the completion of the VastNed O/I – NSI merger. Increased ownership, proactivity and entrepreneurship amongst employees are important elements of the revised corporate culture, but more importantly developing an optimum tenant focus throughout the organization is essential. "Tenant relationships should be treasured and never taken for granted", says De Groot.

Stability and predictability

The third pillar of the renewed strategy is a further optimisation of the conservative financing strategy. VastNed Retail will diversify its funding base, by increasing access to additional financing banks and alternative funding sources, with a new target of 25% of the total debt. Next to this the company will extend the duration of its loan and interest rate portfolios. The target long term LTV will be between 40% to 45%, with exceptional deviations in case of attractive investment opportunities.

Taco de Groot: "The sharpened strategy will enable VastNed Retail to increase stability of its cash flows and to lower the risk profile. We have a clear ambition with a sound perspective and intend to move ahead with a practical and realistic approach."

Rotterdam, 14 September 2011

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