

Hammerson

# Creating desirable destinations

Westquay,  
Southampton

9 November 2017



# Our well-positioned European portfolio

## Equity markets seem to be over playing anxiety about structural changes in retail

Little differentiation between global retail REITs – geographically or by asset quality and management skill

Exacerbated by cyclical weakness in UK consumer spending

## Latest quarter shows solid operational metrics

Retail sales more encouraging in Q3 – UK flat; France +6%

Total Group leasing volumes up 17% on last year in Q3; signed 4% above previous passing and 11% above ERV

## We are positioned to benefit from structural trends

Winning retail assets offering experience and differentiation, despite variability of consumer environment

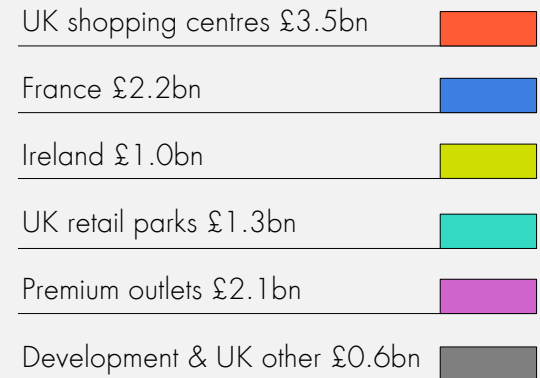
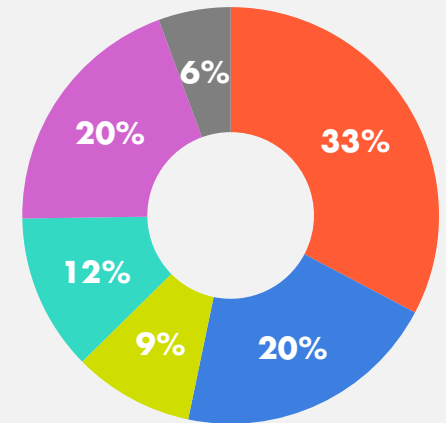
Convenient retail parks complement experience of shopping centres

## Outperformance from higher-growth markets

Dublin economy buoyant (Q3 retail sales +4%), driven by economic fundamentals

European premium outlets sales driven by structural trends of tourism and more high quality brands (Q3 Value Retail sales +8%)

## Hammerson portfolio split (1)



**£10.7 billion portfolio**  
**UK 56% Non-UK 44%**

(1) As at 30 June 2017, pro-forma for acquisition of Norwegian Outlet, Oslo; ownership of Pavilions, Swords; and disposal of Westwood and Westwood Gateway retail parks, Thanet

# Our prime pan-European shopping centre portfolio

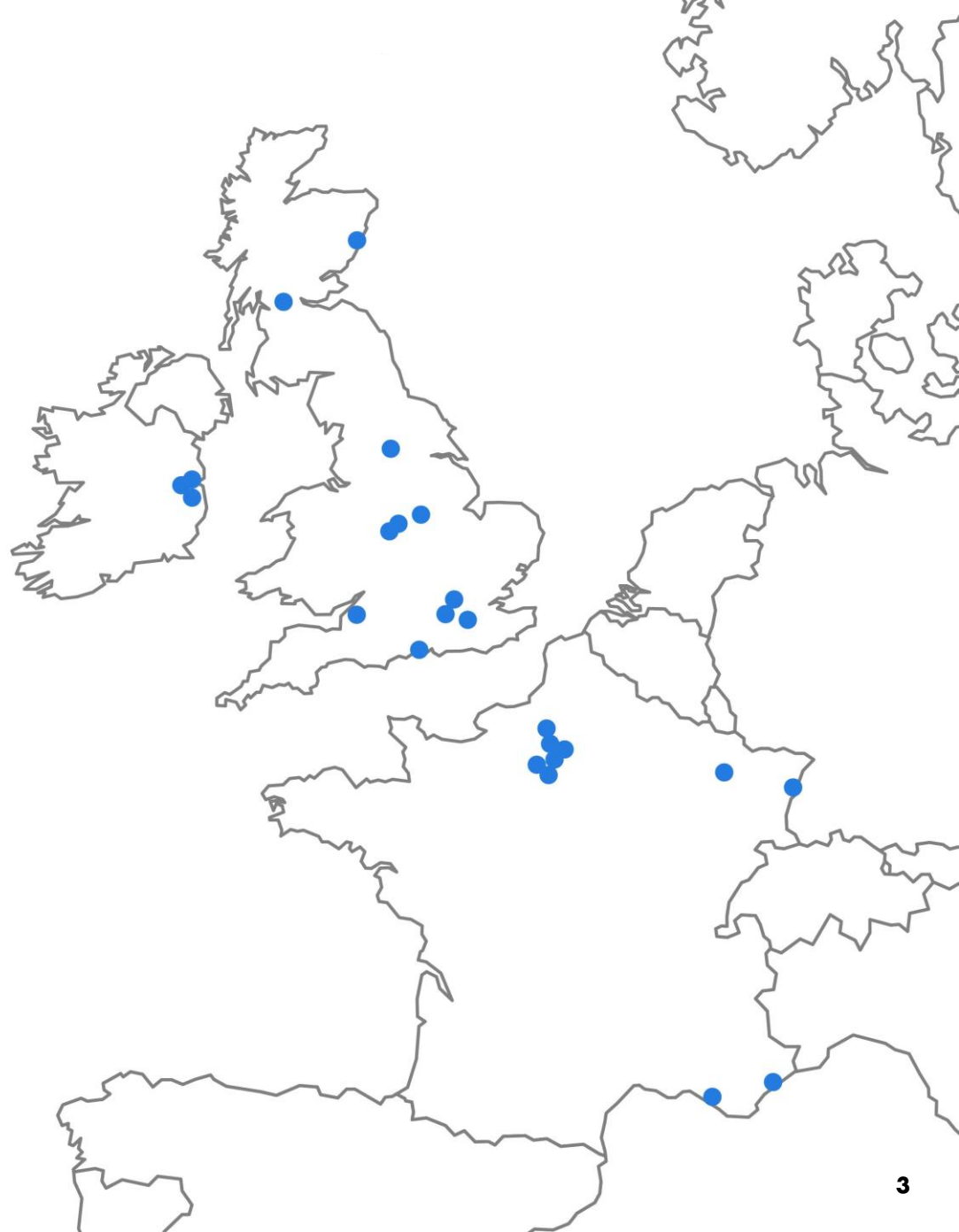
Selected portfolio of prime shopping centres

48% in Europe

Growing markets - top 15 cities

86% of portfolio ranked as top 30 national schemes <sup>(1)</sup>

Contemporary schemes, on average under 20 years old, well designed and well invested



(1) % of portfolio by value in PMA-ranked top 30 schemes in UK, France and Ireland

# Today's agenda

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01

## Our markets and strategy

**Mark Bourgeois** - MD UK and Ireland

11:00

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02

## Leasing trends and the evolution of the store

**Iain Mitchell** - UK Commercial Director  
**Alex Evered** - Group Head of Insight

11:30

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03

## Creating desirability

**Sophie Ross** - Group Head of Multichannel

12:00

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04

## Westquay: Asset and development

**Peter Cooper** - Director, UK Shopping Centres

12:30

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05

## Lunch

L'Osteria restaurant

13:00

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06

## Tour of Westquay

**Peter Cooper** - Director, UK Shopping Centres  
**Iain Mitchell** - UK Commercial Director  
**Kate Orwin** - Head of portfolio leasing

14:00

Inc. cinema  
experience

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# O1

## Our markets and strategy

**Mark Bourgeois** – MD UK and Ireland

# What's happening on the ground?

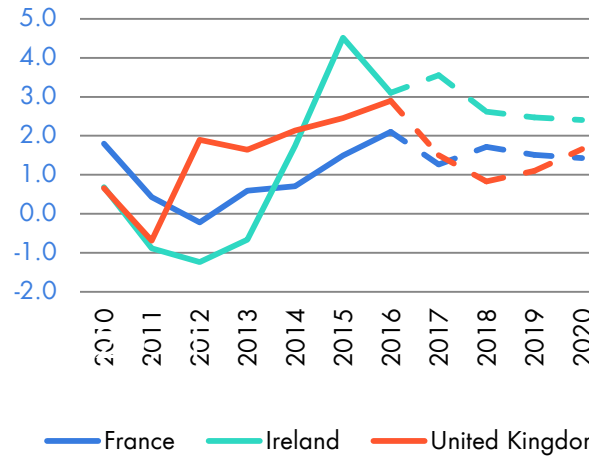
Cyclical consumer spending squeeze

Retailers facing increased headwinds, but not as bad as media implies

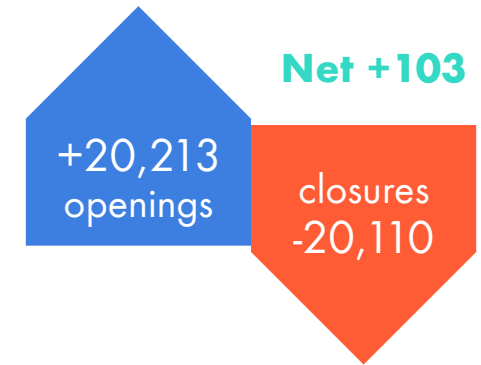
Fashion sales a swing factor; winners and losers

Consumers prioritising spending on leisure, outdoor and health & beauty

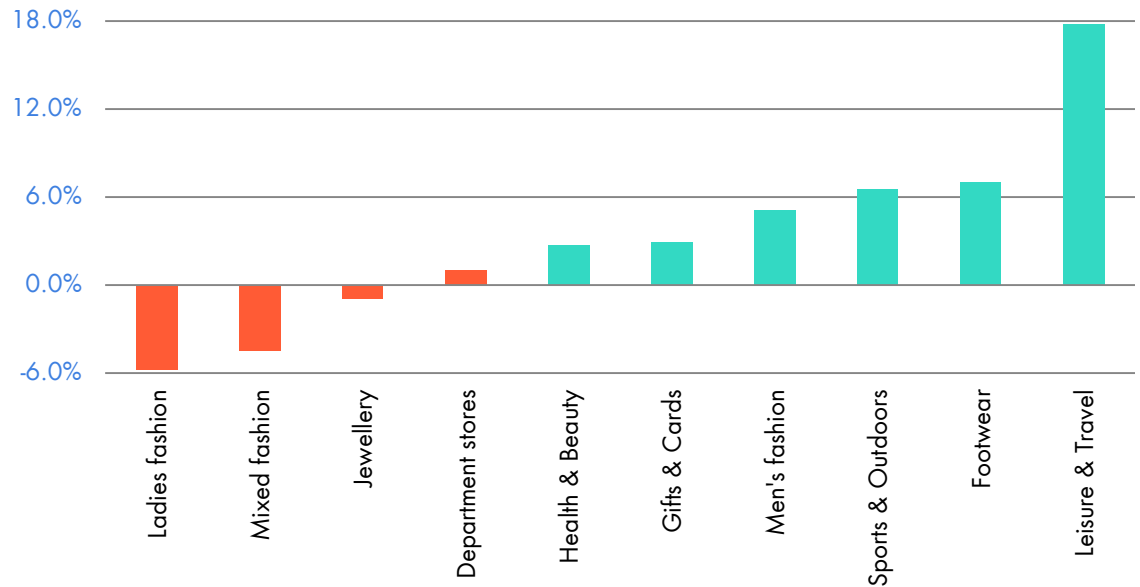
## Consumption growth (%) (1)



## H1 2017 Opening/closures of retail units (2)



## Hammerson UK retail sales in-store (year to date, %) (3)



(1) Oxford Economics (Real private consumption growth, local currency)  
 (2) Local Data Company (Retail and Leisure Trends Report, H1 2017)  
 (3) Hammerson UK in-store LFL (same store) sales

# Shopping centre market polarisation: retail and leisure will continue to merge and polarisation will increase market share of large prime malls

## Evolution of retail space

Pure retail

Shopping and dining

Destination leisure

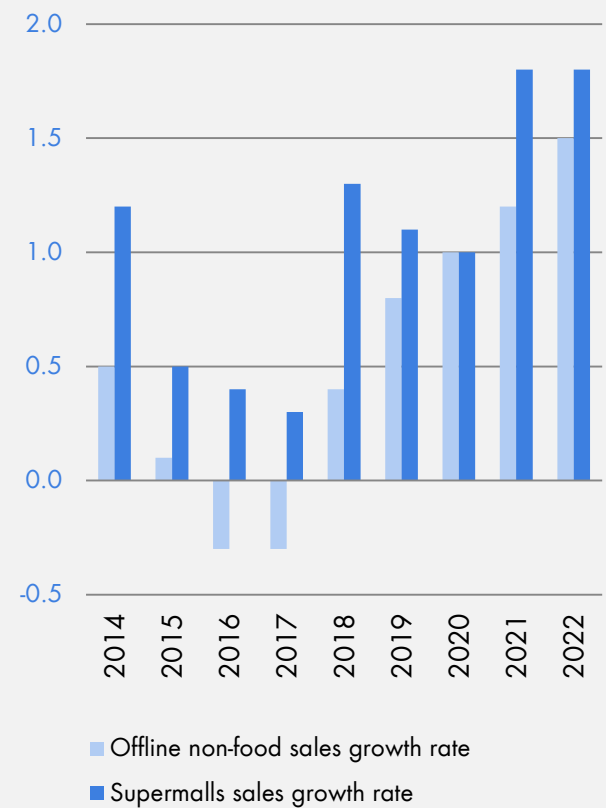
Seamless multichannel

Constantly adapting



Lifestyle destination  
Distribution hub  
Brand experience

Supermalls: UK sales growth outperformance (1)



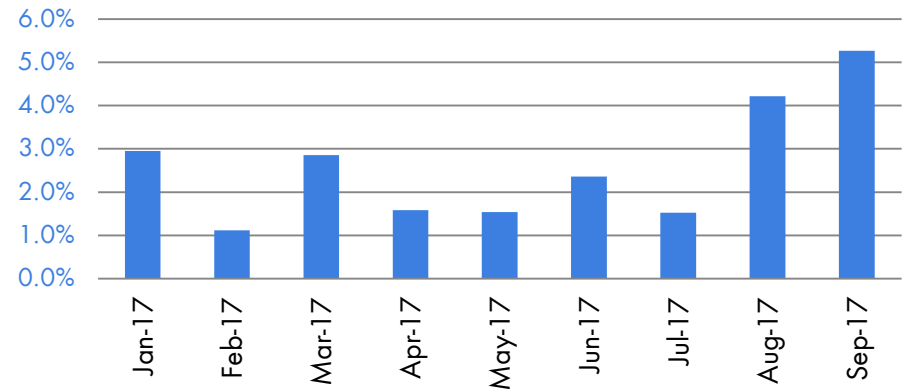
(1) Global Data, Supermalls Report

# Our winning shopping centre strategy



1. Leasing momentum
2. Focus on desirability
3. An enviable skillset

## Footfall outperformance 2017 <sup>(1)</sup>



(1) Hammerson UK shopping centre footfall versus Tyco (ShopperTrak) national benchmark

# Our product experience framework

We create desirability



## Iconic destinations

- Built environment
- Communal spaces
- Community & transport integration
- Placemaking
- Flexible construction
- Seamless technology



## Differentiated retail

- Optimal retail mix including new concepts
- Flexible stores
- Shared resource
- Operational efficiency
- Logistics support
- Inspiration



## Experience led

- Food & beverage
- Leisure as anchor
- Events programme
- Arts & culture
- Fresh ideas
- Surprise & delight



## Customer first

- Insight driven customer engagement
- Frictionless experience
- Enhanced services
- Sensory experience



Positive places:

Sustainability | Community | Positivity

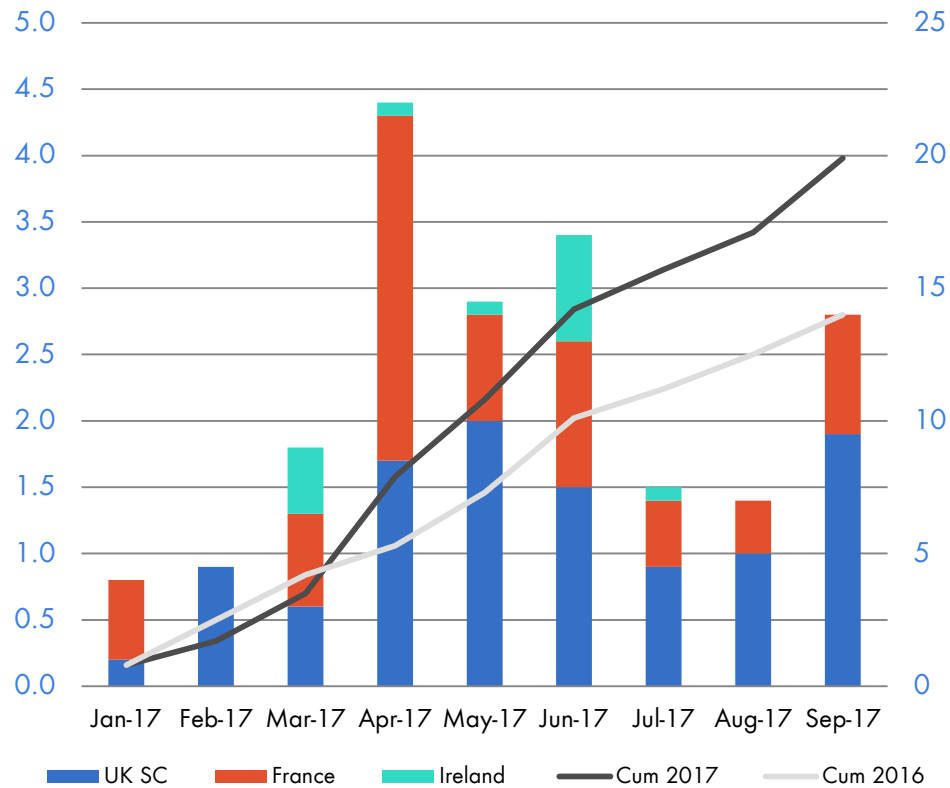
# 02

## Leasing trends and the evolution of the store

**Iain Mitchell** – UK Commercial Director  
**Alex Evered** – Group Head of Insight

# A record volume of leasing across our shopping centres

2017 shopping centre leasing (£m/%), as at September (1)



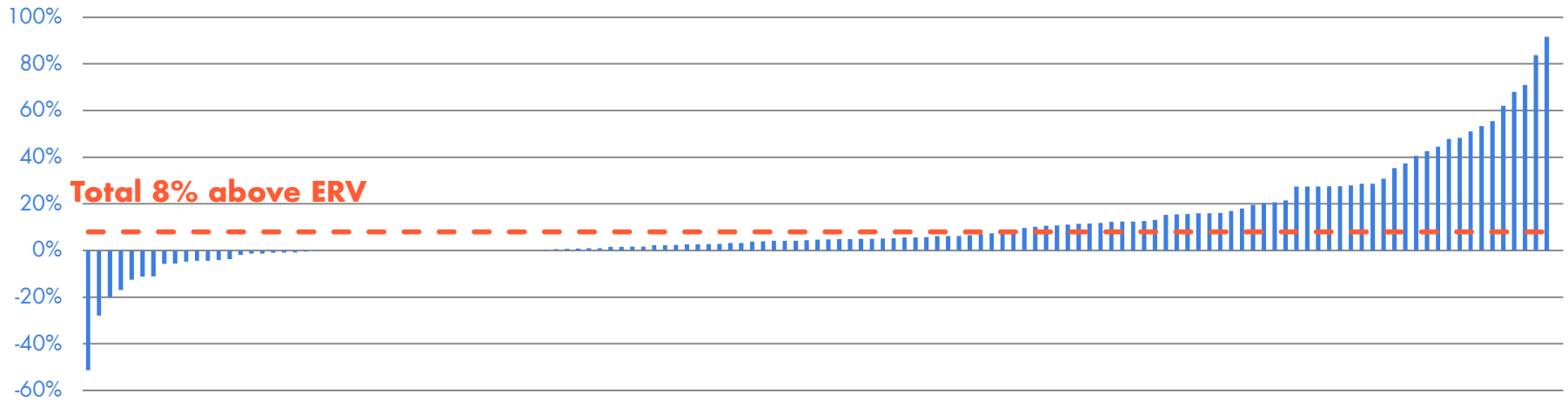
**Leasing volume +42% YoY**



(1) Shopping centre leasing only (UK, France, Ireland). Excludes retail parks. Left hand axis £m, right hand axis % cumulative

# Pricing tension for the right space

Shopping centre leases signed above/(below) ERV (%) (as at end September 2017)



**Rent reviews secured +7% positive rental uplift (1)**

(1) Rent reviews settled in 2017, UK and Ireland only

# Current trends in leasing

## Athleisure and well-being



## Well curated fashion



## Exceptional dining experiences



## Cars presented stylishly



## Convenient services



## International (non-US)



## Personal luxuries



## Brands communicating direct to consumers



# Rigorous approach to leasing and close retailer relationships



**Focus on consistent LfL NRI growth**

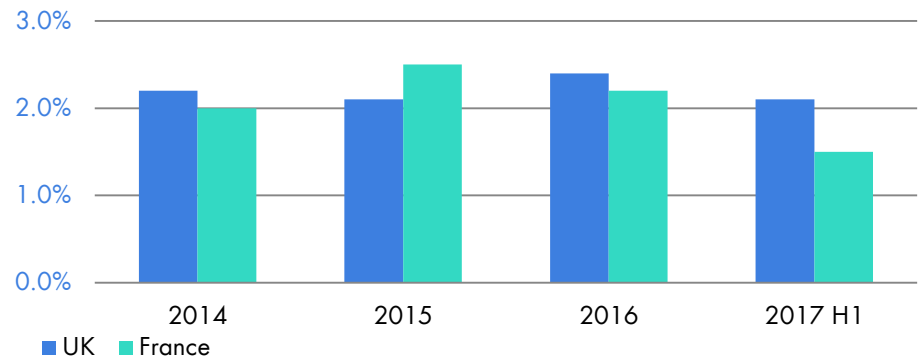
**Granular unit-by-unit approach**

**Numerous drivers to contribute to income and phasing**

**Good visibility**

**Close to our tenants and future brands**

**Hammerson shopping centre LfL NRI growth (%)**

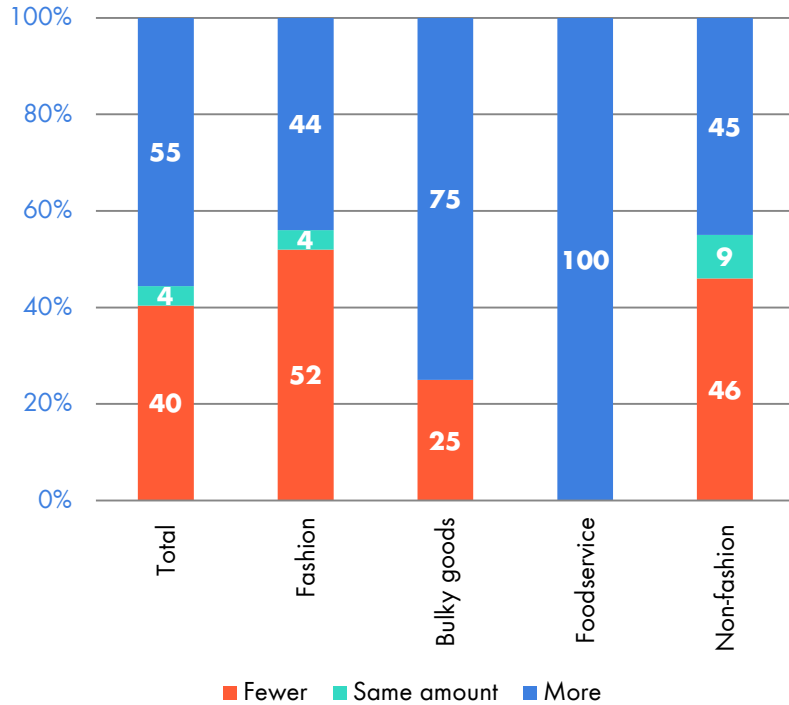


# Retailers know that stores and online are complementary



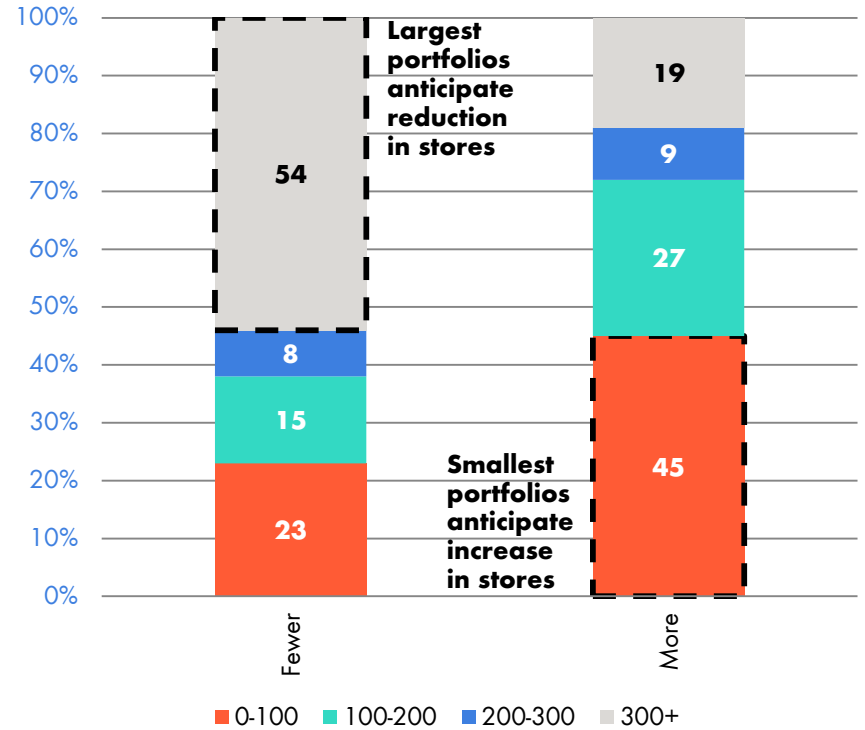
# Retailers are optimising their store estates

Over the next 5 years, do you expect to have more or fewer retail stores? (% of respondents)



**Over half of retailers expect to grow their portfolio over the next 5 years**

Over the next 5 years, do you expect to have more or fewer stores? (% of fashion respondents)



**Optimal portfolio for national coverage (fashion) 200-300 stores. Hammerson is only in top 20 cities**

# Each retailer's proposition will dictate its space requirements and the focus of its investment

## Consumer products

Total focus on customer experience. Includes brands speaking direct to consumers



**Investment:** flagship stores; brand immersion

**Returns:** High gross margin driven by brand value

## Curator

Carefully selected products, customer support, make it easy to find what you are looking for



**Investment:** Stores in all regional centres; enhance store experience; customer collection network

**Returns:** Lower operating margin, top-line growth through increased market share

## Deliverer

Fast and flexible fulfilment with a highly efficient supply chain



**Investment:** technology; supply chain

**Returns:** Minimal or zero profitability, rapid growth top-line

## Discounter

Greatest value, simple streamlined business



**Investment:** national store coverage; production efficiencies

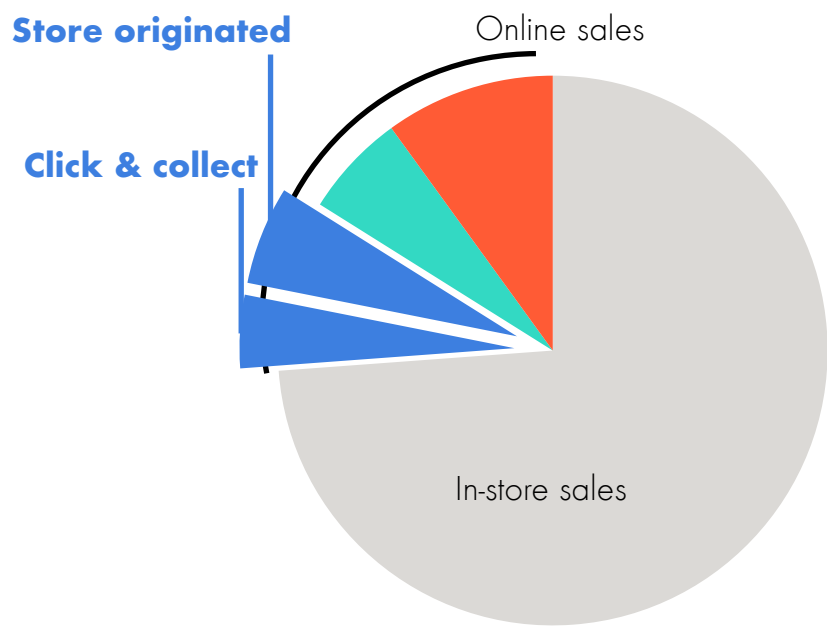
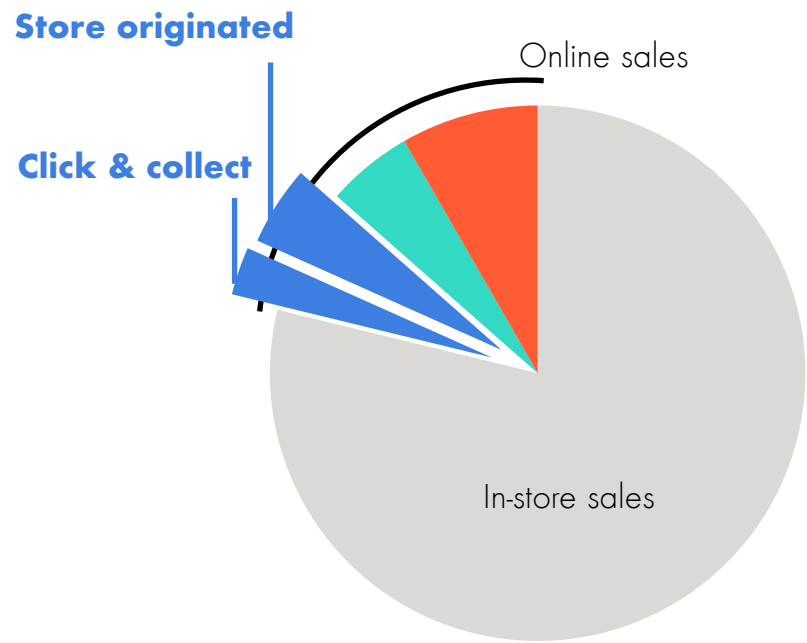
**Returns:** Low gross margin, high volume

# Click & collect and online transactions originated in-store account for a third of all online sales, growing rapidly

2017: Online sales generated by a store, add 10% to in-store sales <sup>(1)</sup>



2020: Online sales generated by a store, add 14% to in-store sales <sup>(1)</sup>



■ Online transactions originated in-store    
 ■ Online, non-store originated    
 ■ Pureplay online sales

Source: GlobalData, True Value of Stores analysis, 2017  
 (1) 'Click & collect' and 'store originated' sales as a portion of in-store sales

# Store productivity is more than just in-store sales

## Representation of a retailers' store productivity



**Retailers are focused on *total* sales  
(c.60% of retailers allocate all or a portion of  
online sales to stores)**

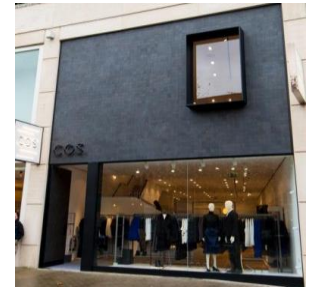
## 1. Click & collect and online transactions originated in-store <sup>(1)</sup>

**+10-14%**



## 2. Retail 'halo' effect <sup>(2)</sup>

**+5-7%**



## 3. Retail logistics support (Collect+) <sup>(3)</sup>

**+1-2%**



(1) GlobalData, True Value of Stores analysis, 2017  
(2) See Appendix page 45 for more detail on 'Retail Halo'  
(3) See Appendix page 46 for data on our Collect+ in-centre services

# 03

## Creating desirability

**Sophie Ross** – Group Head of Multichannel

# We create desirability

We want our centres to be irresistible to retailers and consumers

Net Promoter score (%):

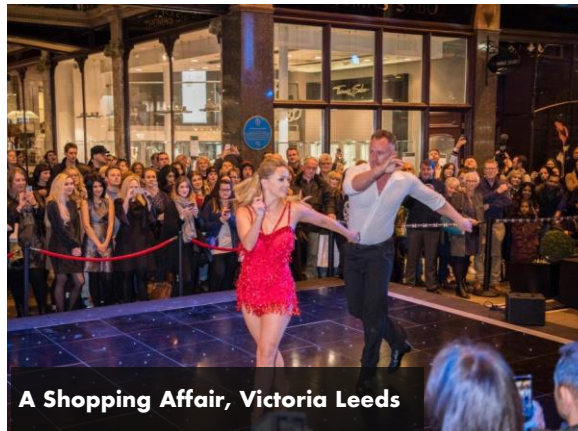
**62** Apple

**61** Westquay

**52** Our shopping centres <sup>(1)</sup>

**26** Alton Towers

**10** sky



A Shopping Affair, Victoria Leeds



Light show, Westquay



Beach Bar pop-up, Oracle

(1) Includes UK shopping centre portfolio, Ireland portfolio (Dundrum and Ilac Centre) and France



## **A customer- centric culture**

### **People**

Young team from variety of backgrounds bring new skills

### **Insight**

Data from our own centres; customer surveys; partnerships

### **Connected teams**

Best practice informs delivery across all centres

# Consistency through a framework approach

## Product Experience Framework - 2015

	Toilets upgrade	Wayfinding	Seating	Handsfree shopping	Click & Collect	Play 9	Interactive hoardings	Style Seeker	Chatbot
Brent Cross	Not yet in place	Not yet in place	Completed	Not yet in place	Completed	Not yet in place	Not yet in place	Not yet in place	Not yet in place
Bullring	In progress	Not yet in place	Not yet in place	Not yet in place	In progress	Not yet in place	Not yet in place	Not yet in place	Not yet in place
Cabot Circus	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place
Centrale	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place
Highcross	Not yet in place	Not yet in place	Completed	Not yet in place	Completed	Completed	Not yet in place	Not yet in place	Not yet in place
Oracle	Not yet in place	Not yet in place	Completed	Not yet in place	Completed	Not yet in place	Completed	Not yet in place	Not yet in place
Silverburn	Not yet in place	Not yet in place	Completed	Not yet in place	Completed	Not yet in place	Not yet in place	Not yet in place	Not yet in place
Union Square	Not yet in place	Not yet in place	In progress	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place
Victoria Leeds	In progress	In progress	In progress	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place
Westquay	Not yet in place	In progress	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place	Not yet in place



# Consistency through a framework approach

## Product Experience Framework - 2017

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Cabot Circus	Not yet in place	In progress	Completed	In progress	Completed	Completed	Completed	Completed	Not yet in place
Centrale	In progress	Not yet in place	Completed	In progress	Completed	Not yet in place	Completed	Completed	Not yet in place
Highcross	Completed	In progress	Completed	Completed	Completed	Completed	Completed	Completed	Not yet in place
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Westquay	Completed	Completed	Completed	In progress	Completed	Completed	Completed	Completed	Not yet in place

Completed
  In progress
  Not yet in place

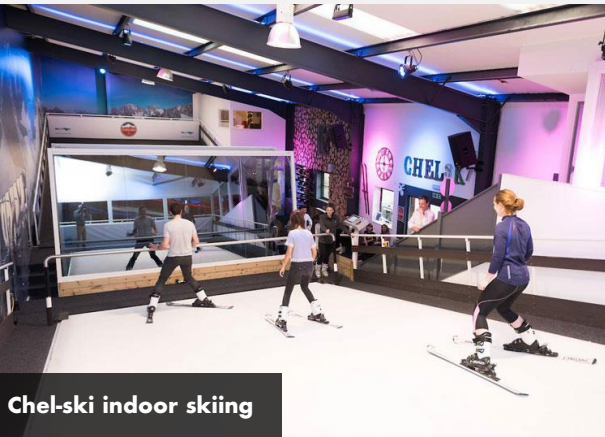
A grayscale photograph of three women walking together in a shopping district. They are all smiling and looking at a smartphone held by the woman in the center. They are carrying shopping bags and coffee cups. The background is a blurred city street.

# **Our strategy: technology is evolving quickly, we focus on human habit and our own core competencies**

- 1. Individuals are social and sensory, they want inspiration and entertainment**
- 2. Consumers want certainty and convenience**
- 3. We are not smarter than Silicon Valley! Partners for technology**

# 1. Individuals are social and sensory, they want inspiration and entertainment

Destination leisure: An immersive and genuinely differentiated leisure experience



Chel-ski indoor skiing



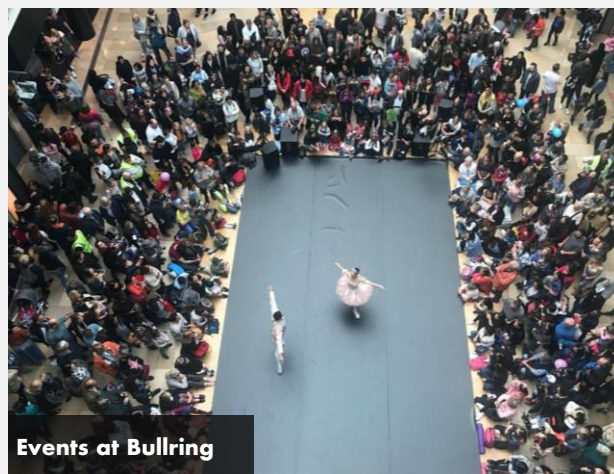
Winter Gardens, New York



4D cinema, Pulton's Park, Hampshire



Box Park, Croydon



Events at Bullring



The Escape Game, Mall of America

# 2. Consumers want certainty and convenience

## 5-star service: End to end concierge style service to support our shoppers on a frictionless journey



**highways england** **Dart Charge**

**Dart Charge – All the ways to pay**  
Drivers using the Dartford Crossing now have two extra ways they can pay Dart Charge - giving drivers even more flexibility in how they pay the crossing charge.

Prepay account	<ul style="list-style-type: none"> <li>Credit or debit card, direct debit, cheque</li> <li>Online, by phone or by post</li> </ul>
	<ul style="list-style-type: none"> <li>Credit or debit card</li> <li>Online</li> </ul>
Pay as you go	<ul style="list-style-type: none"> <li>Credit or debit card, cash</li> <li>Cheque, or postal order (advance payments only)</li> <li>Online, by phone, insurance by post or at one of over 18,000 Payzone retail outlets nationwide</li> <li><b>NEW!</b> Pingit, pay by app using Pingit</li> </ul>
	<ul style="list-style-type: none"> <li>Credit or debit card, cash</li> <li>Cheque, or postal order (advance payments only)</li> <li>Online, by phone, insurance by post or at one of over 18,000 Payzone retail outlets nationwide</li> <li><b>NEW!</b> Pingit, pay by app using Pingit</li> </ul>

**Dart charge** [www.gov.uk/dart-charge](http://www.gov.uk/dart-charge) 0300 000 0100 [www.payzone.co.uk](http://www.payzone.co.uk) [www.pingit.com](http://www.pingit.com)

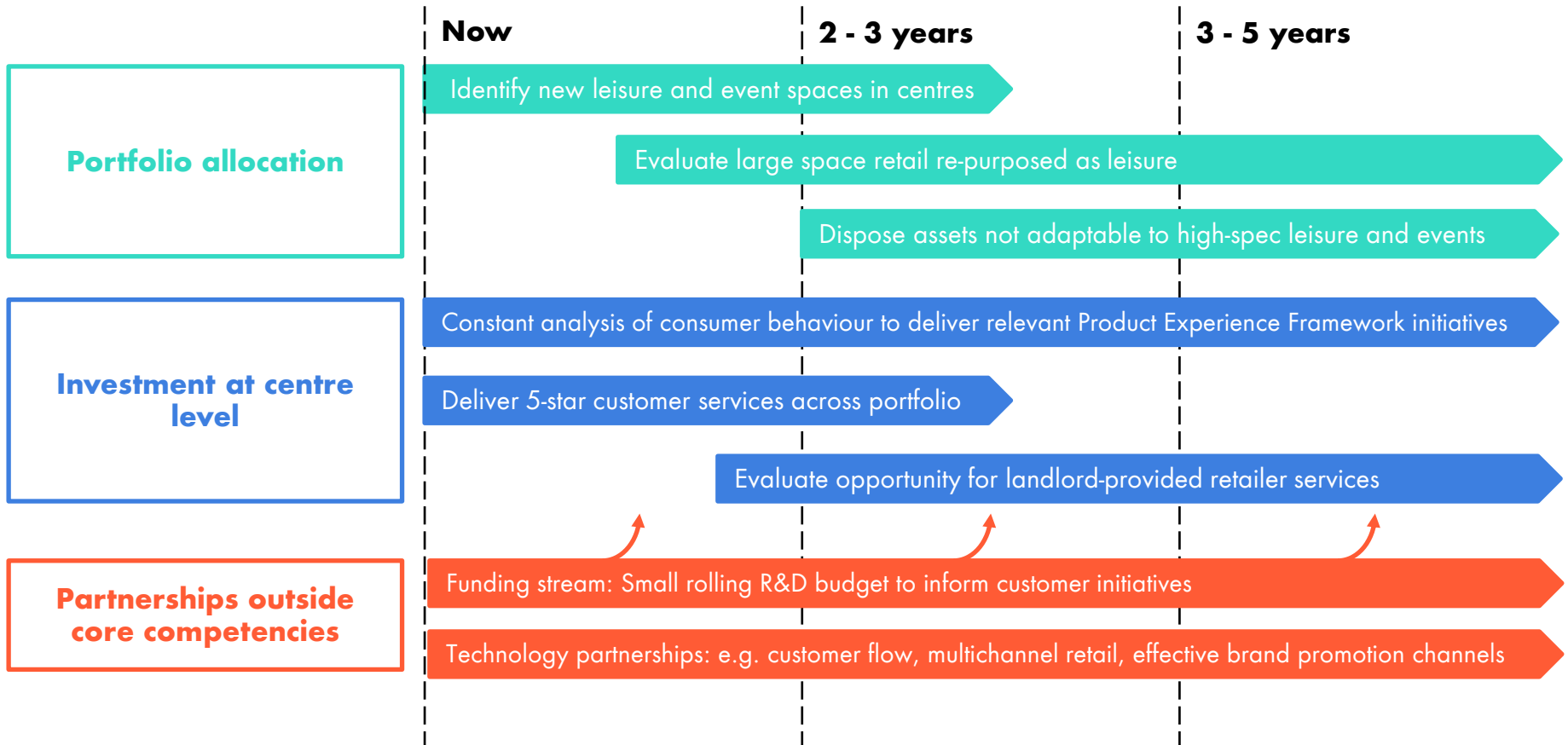


# We are not smarter than Silicon Valley! Partners for technology

## Partners for technology: test/learn/roll out



# Roadmap for delivery



**Investment criteria: Everything is a reason to visit and stay longer**  
**KPIs: Footfall and dwell time**



# 04

## **Westquay: asset management and development**

**Peter Cooper** – Director UK Shopping  
Centres

# Westquay: delivering regional excellence

Hammerson built 2000; extended 2016

1 million sq ft retail, leisure & dining

18 million footfall p.a.

Leading regional destination southern England

Joint venture with GIC

## Selection of tenants

John Lewis ZARA H&M

SHOWCASE

VICTORIA'S SECRET

FRANCO MANCA  
PIZZERIA

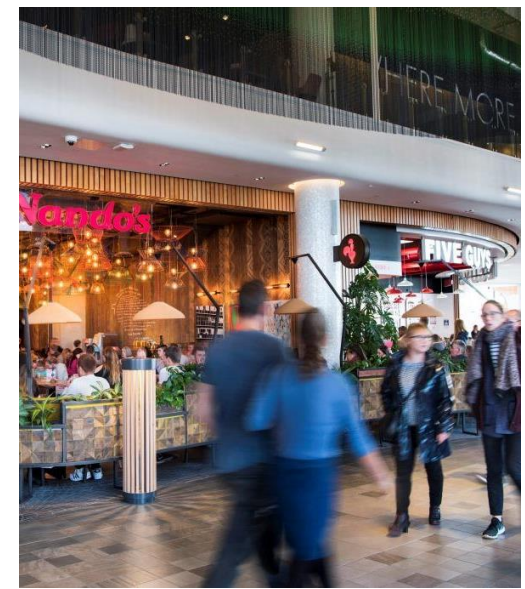
LOSTERIA  
PIZZA E PASTA

NEW LOOK

next

cosmo

MARKS & SPENCER



# Strategic journey to create a modern and relevant scheme and position for next phase of growth

2012: Reposition grab'n'go dining Level 4  
Dwell time +7%

2014/15: Lease expiry provided opportunity to re-profile tenant mix

New flagship brands; lifted rental tone



2015: Investment in customer offer  
Value-add projects and positioning capex <sup>(1)</sup>

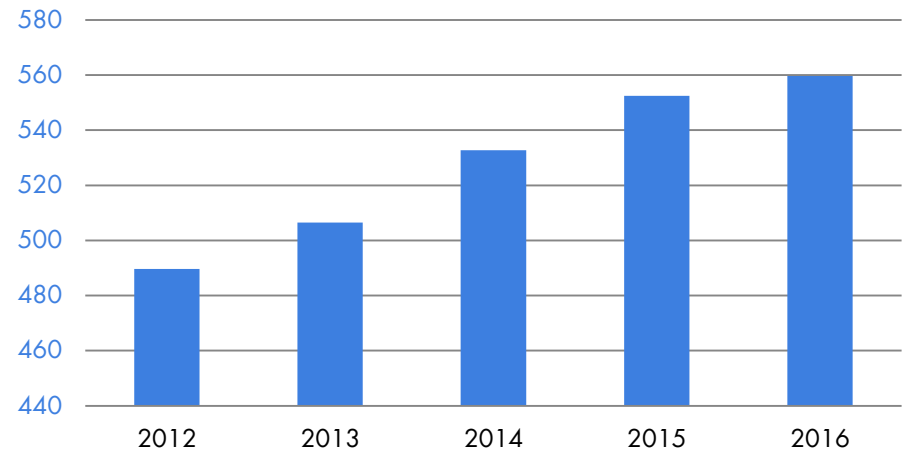
2016: Extended leisure and dining offer  
£6m new income; YoC 6%

**Positioned for next phase of growth...**

(1) See Appendix page 44 for more details



**Westquay valuation (£m)**



# We have created a dining and leisure destination in its own right

17,000m<sup>2</sup> extension

20+ restaurant brands

Gateway for new entrants to city

Hollywood Bowl

Showcase Cinema de Lux

Public Esplanade with dedicated programme of events

Revives profile of historic city walls

GIC investment underpins valuation and strategy

**12% footfall increase across centre since opening**



# A skilfully curated dining mix with wide-reaching appeal



## 1. Leisure / experiential dining






## 2. Mid market quality casual







## 3. Aspirational casual dining

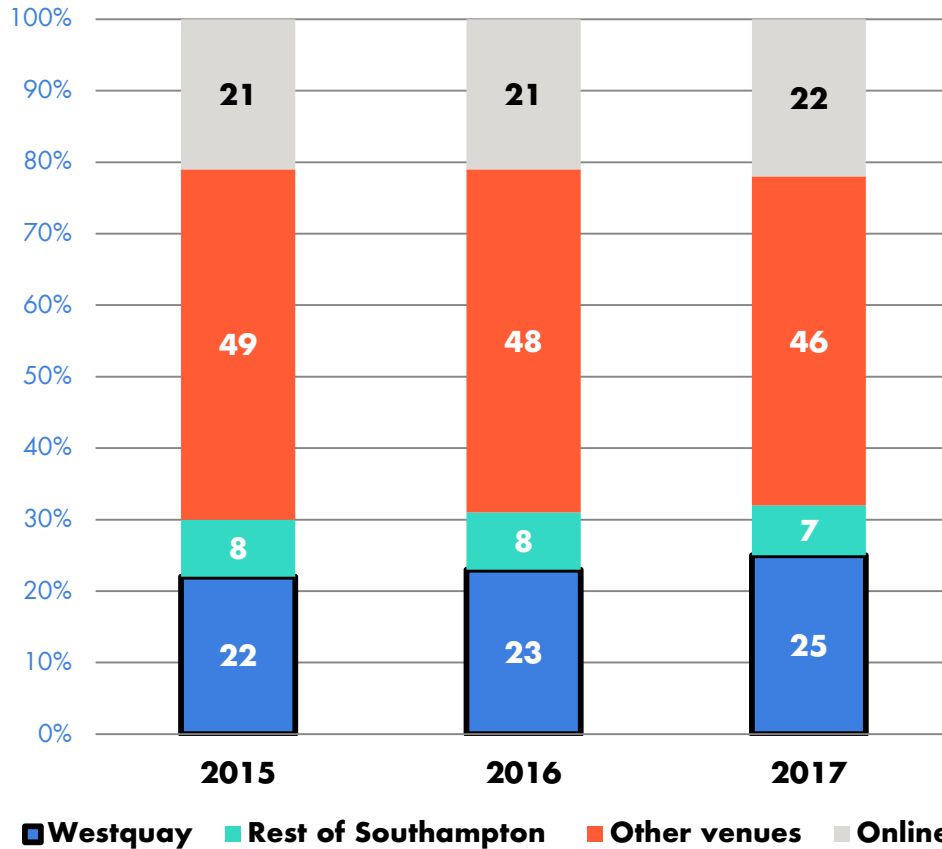




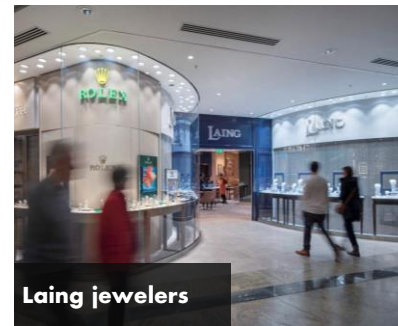


# Capturing a greater share of the market spend

Distribution of Southampton catchment shopper spend (%) (1)



**YTD: 13 leases signed , £3.2m  
ERV growth +2.1%**



(1) MasterCard data

# Future plans and Westquay phase two



Residential

Hotel

Residential

Phase 1

Retail,  
catering and  
leisure



# Thank you





# Appendices



# Westquay

SOUTHAMPTON

Developed in 2000 and owned in a joint venture between Hammerson and GIC, Westquay has transformed Southampton's city centre. Extended in 2016 to provide a 62k sq ft cinema, additional catering accommodation of 100k sq ft, leisure of 12k sq ft and a new plaza adjoining the 12<sup>th</sup> Century city walls.

Westquay has a footfall of 17 million per year and a large resident catchment population of 1.3 million. The strength of the centre within the catchment is highlighted by it capturing 62% of Southampton's total sales.

**ANCHORS** John Lewis, Marks & Spencer, Showcase Cinemas, Hollywood Bowl

**MAJOR STORES** H&M, Victoria's Secret, Next, River Island, Zara, Hollister, Apple, New Look.

**RESTAURANTS** Wagamama, Pizza Express, Handmade Burger, Pizza Hut, Nando's, Five Guys, Byron.

## John Lewis



## KEY FACTS

Opened

**2000 / 2016**

Size (sq ft)

**990,500**

Tenants

**120+**

Footfall per year

**17 million**

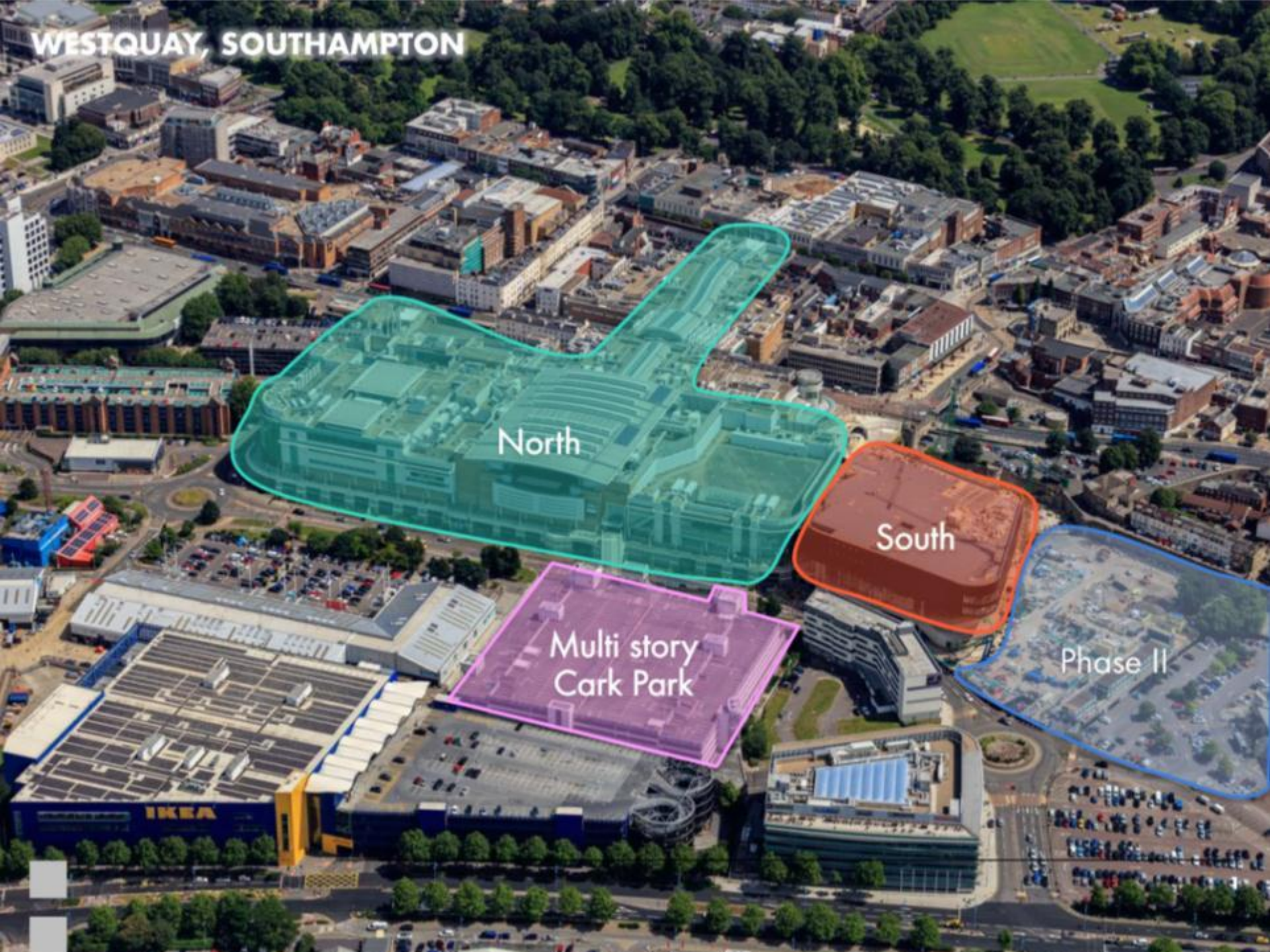
Prime Zone A Rate per sq ft

**£320**

Parking Spaces

**4,000**

# WESTQUAY, SOUTHAMPTON



North

South

Multi story  
Car Park

Phase II

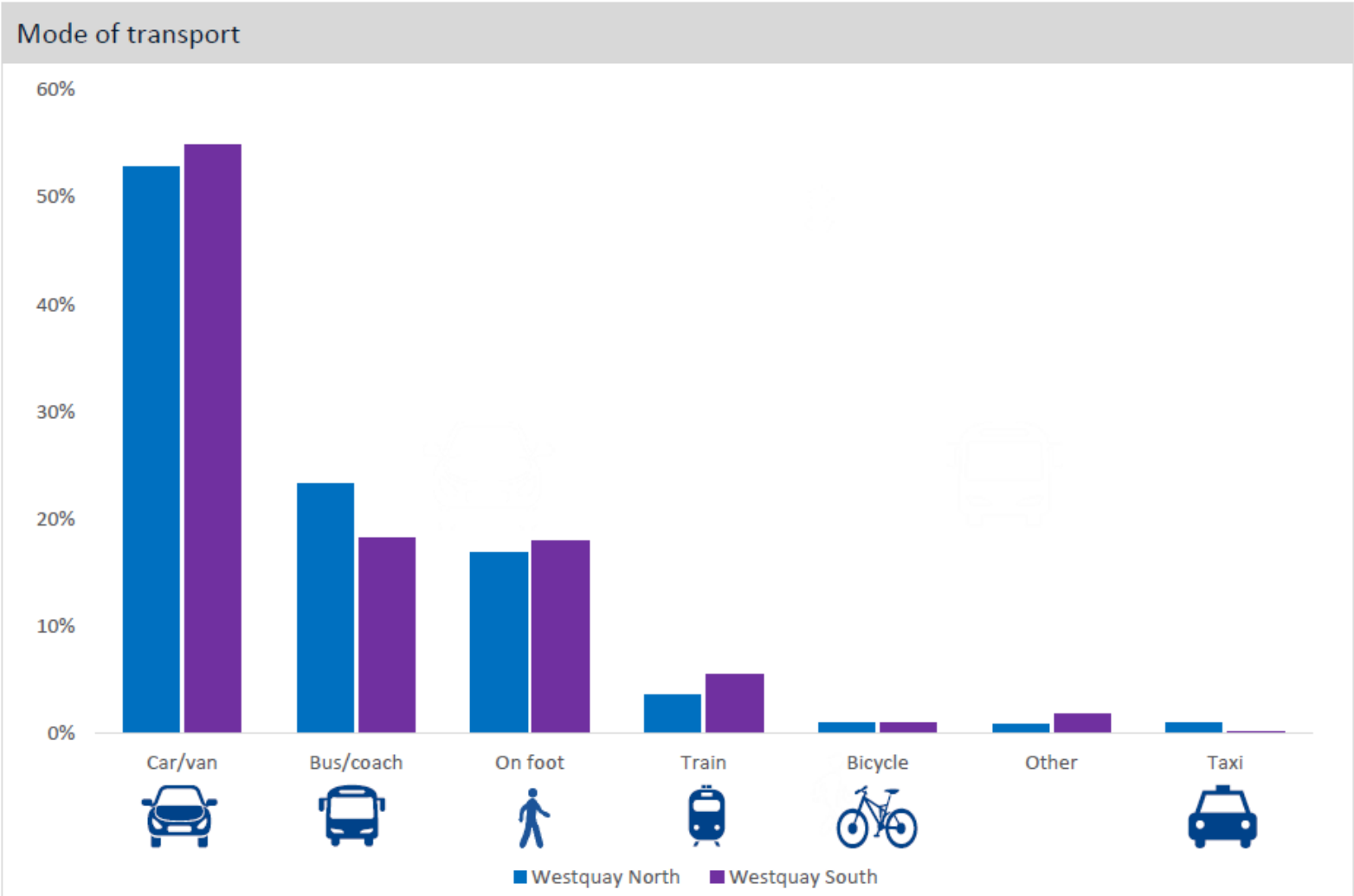


# Westquay catchment



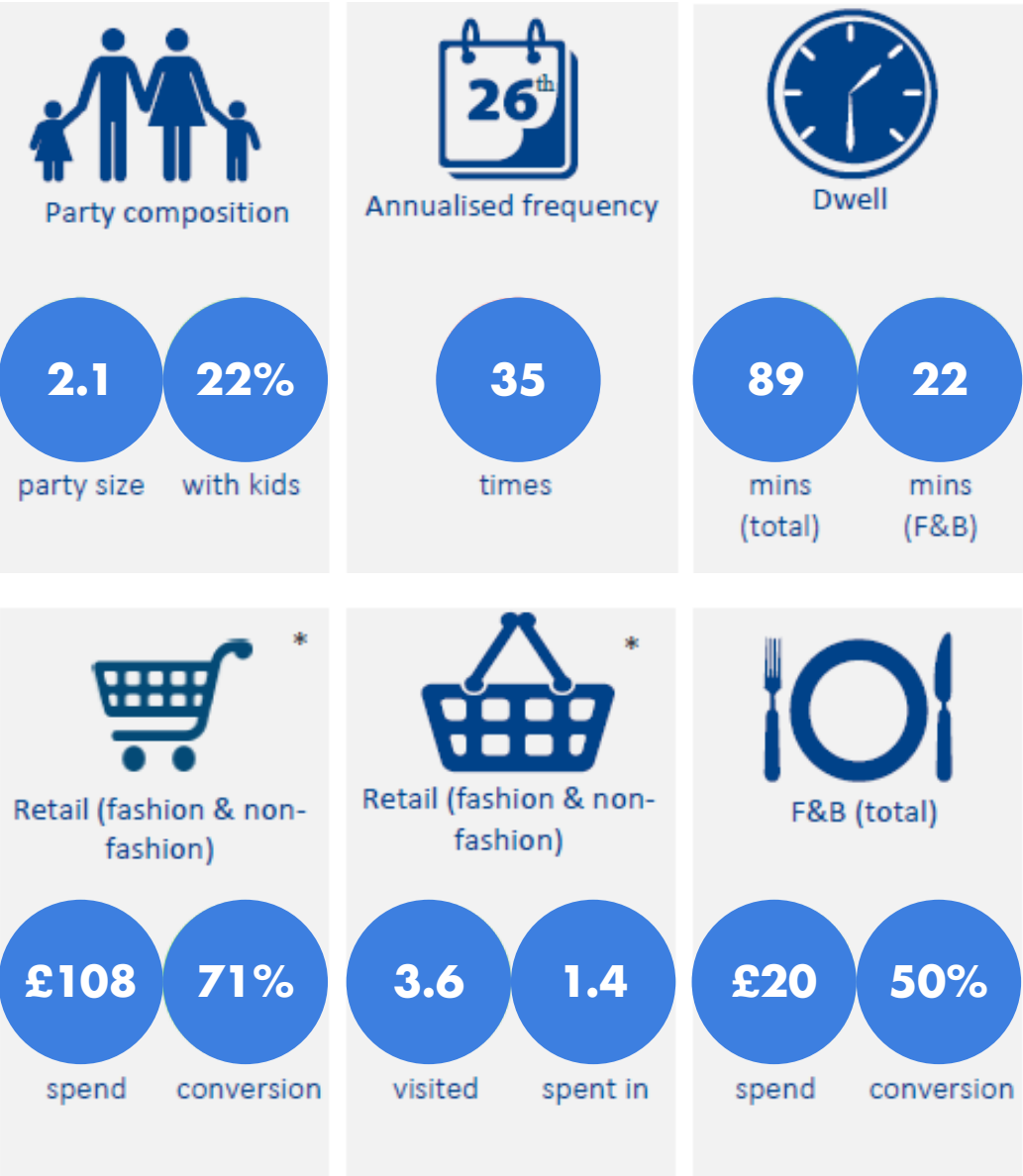
Source: Javelin (Westquay North and South)

# Westquay visitors' mode of transport



Source: Javelin

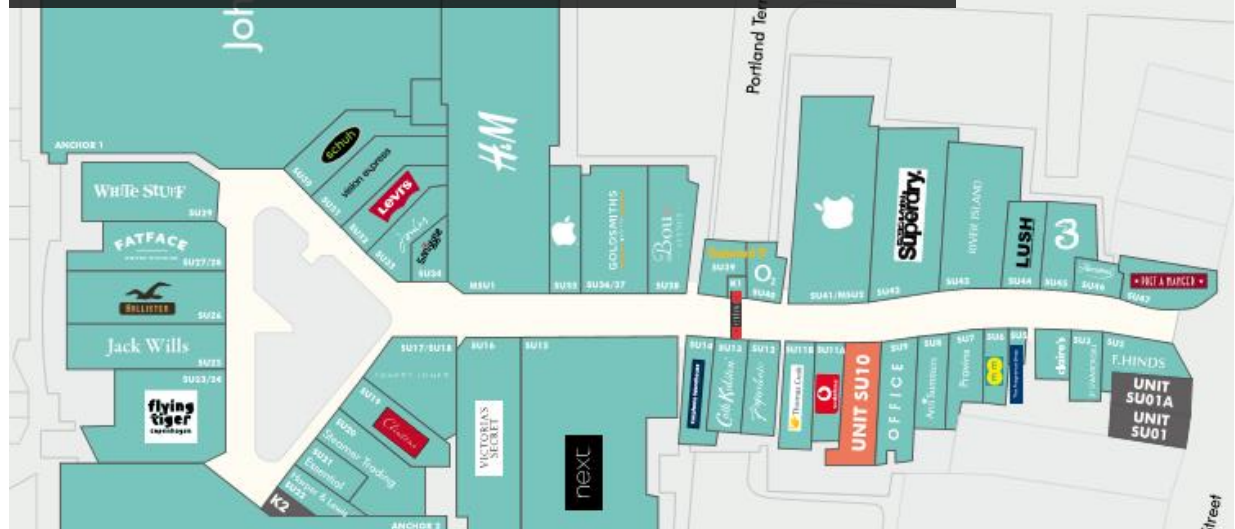
# Westquay customer profile and behaviour



Source: Javelin (Westquay North and South)

# Optimising the tenant mix at Westquay North

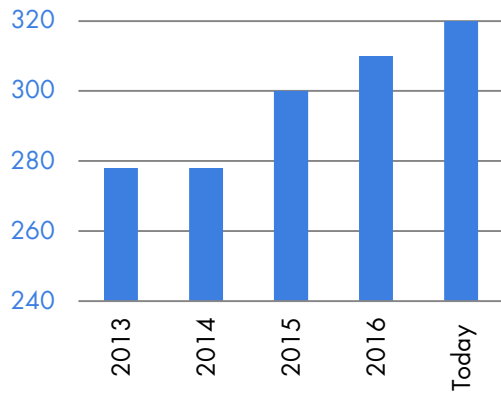
## Secured 'powerhouse brands' on Upper Mall



## Repositioned Lower Mall with aspirational offer



Westquay rental tone (Zone A rent. £/sq ft)



# High-quality build, adaptable space and continuous asset investment

## Investment in centre

### Service charge (tenant)

Maintaining. Replacing like with like. E.g. flooring upkeep, running footfall counters, CCTV, wifi upgrade

### Positioning capex

Wayfinding projects, WC upgrades, LED lighting, public seating upgrades

### Value-add projects

Costa pod, car parks upgrades, photovoltaic panels, IKEA bridge link and commercialisation screens



**Net Positive**  
Ensuring the sustainability of the asset and also increasing its efficiency  
PV panel income is around £40k p.a.

# Retail 'halo' effect

## Retail halo: online sales that do not interact with a store

*"If you've got a great product or marketing angle, DTC [direct to consumer] is suddenly letting you get it to market, experiment, iterate and build a following in completely new ways."*

Anthony Fletcher, chief executive, Graze

*"Brands are increasingly seeing stores as an opportunity to present their brand in exactly the way they want it to be seen by the consumer."*

Richard Pennycook, chairman-elect, British Retail Consortium

*"Having a physical store is a way of cutting through the noise on the internet, cutting through the noise on supermarket shelves and letting the consumer know that the brand is there to stay."*

Jonathan De Mello, Harper Dennis Hobbs

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### Consumer brands going direct to consumer



Volkswagen



Microsoft Store

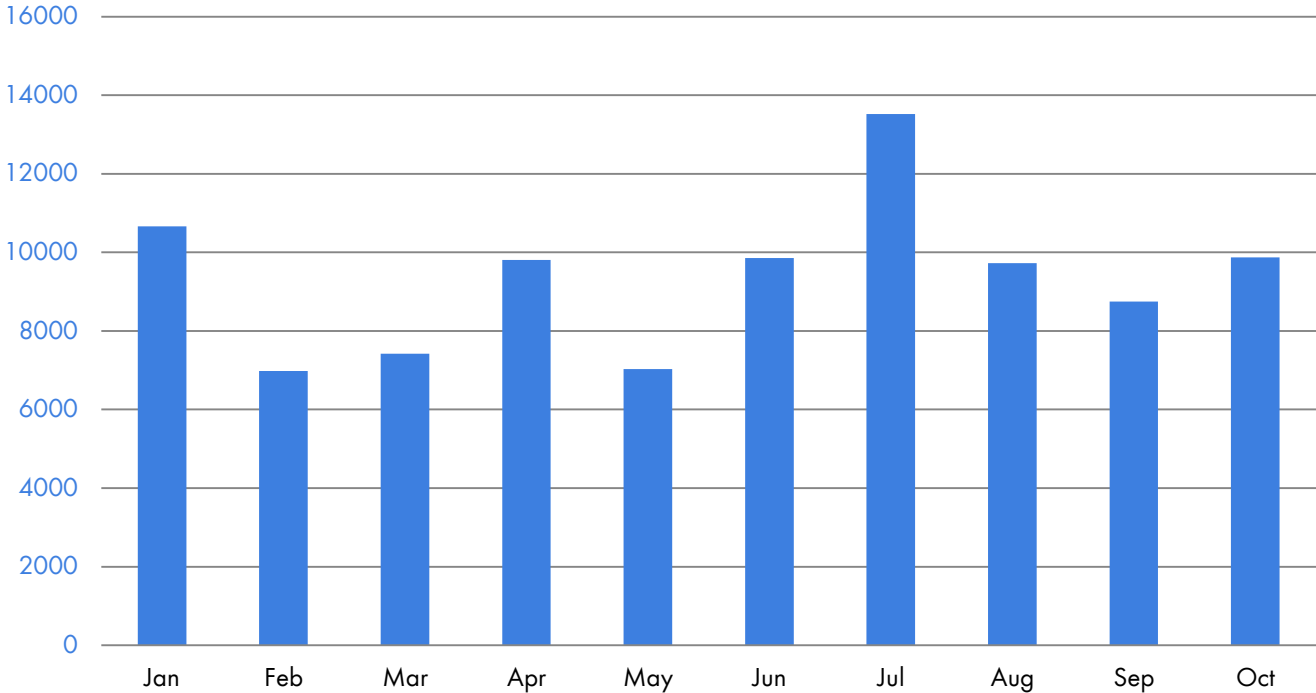
BURBERRY



# Retail logistics support (Collect+)

We partner with Collect+ in all our UK centres:

Parcels passing through our centres monthly



**94,000 parcels have been collected, returned or sent so far this year**

# Leading retail destinations sit at the heart of their communities

**82%**

Of retail jobs to local people <sup>(1)</sup>

**40,000**

Full-time equivalent jobs created

**£40m**

Invested by retailers in training

**£2.4bn**

Estimated attributable inward investment

(1) People who live within 20 miles of scheme



Teenage Markets, Leeds



Teenage Markets, Leeds



Yoga at Victoria, Leeds



Your 5 at Bullring



Job creation at Westquay

