FASTER HIGHER STRONGER

A SERIES OF STUDIES DEDICATED TO SPORT AND RETAIL PROPERTY

RETAIL INSIDE OUT

JANUARY 2023

Knight Frank



SPORT, SOCIETAL PHENOMENON REAL ESTATE PHENOMENON

SPORT & RETAIL PROPERTY | PART ONE


INTRODUCTION

In the first installment of a series of studies dedicated to sports and sportswear, Knight Frank presents the current market situation and analyses the distribution strategies of the main brands and retailers in the sector.

A KEY PLAYER IN THE RETAIL MARKET

Sport occupies a central role in our society. This has become even more true since the outbreak of the health crisis which, by placing wellness at the centre of attention and ushering in the era of remote working, has freed up more time for physical exercise and generalised the wearing of loungewear. Sport is also a major sector of the global economy and its success has led to soaring revenues for leading brands. Between 2019 and 2021, Nike, for example, has seen its revenue grow by almost 20%, while Lululemon aims to double its revenue by 2025. Finally, **sport is a key sector for the retail real estate market,** as although major brands and retailers are increasingly present on the web, their physical stores are also being maintained.

The boom in sports retail, a globalised sector par excellence, **is particularly visible on the world's busiest shopping streets,** from Fifth Avenue in New York to Regent Street in London, not to mention Passeig de Gracia in Barcelona or Orchard Road in Singapore. The Champs-Élysées has also seen a succession of flagships opening (FOOT LOCKER, PSG, LULULEMON, etc.). Paris is benefiting from its status as a streetwear stronghold and from favourable conditions linked to the rise in spending on sports and the return en masse of international tourists.

The upcoming 2024 Summer Olympics are also contributing to the current momentum, even though the flagships recently inaugurated by major sports brands would have opened anyway had Paris not been chosen to host the event. **The importance of the Paris market is also illustrated by the arrival of new major players**. The year 2022 saw the opening of the first NBA store in France on Boulevard Saint-Michel in Paris and several LIDS stores in Paris shopping centers.

PRIORITISING DIRECT DISTRIBUTION

Sport contributes to the buoyancy of the retail real estate market not only because the sector is booming, but also because many brands desire greater control over the distribution of their products. They are therefore opening their own stores, which enables them to strengthen relationships with their customers and better develop their image. In this strategy, adopted by NIKE, ADIDAS, PUMA and UNDER ARMOUR, great care is taken with the brands' stores. **The goal is not necessarily to increase the number of stores, but rather to optimise the network in favour of the best-situated, biggest and most aesthetic locations.** Large retailers are doing the same, like the American giant FOOT LOCKER (see interview with Pierre Combet, VP Real Estate EMEA of the company on p. 23).

FLAGSHIPS: DESTINATIONS IN THEIR OWN RIGHT

In an increasingly competitive market context, the physical retail store is an essential tool for building loyalty and differentiating the brand from its rivals, showcasing the brand and its history, tailoring the collections to a variety of tastes and consumer profiles, and providing an experience that goes far beyond a mere transaction. **The new flagships have become destinations in their own right.** Customers no longer come just to buy equipment and clothing, but also to dine out, have worn-out shoes repaired, trial equipment before purchasing, meet brand ambassadors, discover limited edition collabs, receive advice on training and nutrition, play with friends and family, admire contemporary art and share the best moments of their visit on social media.

ONE OF THE MOST DIGITALISED SECTORS OF RETAIL

Sport is indeed one of the most digitalised sectors of retail and undoubtedly the one whose essence is the most easily harnessed by interactive technologies. In this respect, **sports flagships are at the cutting edge of new shopping experiences,** providing an essential platform for storytelling and interaction between the brand and a younger and more connected customer base than the average client.

INTRODUCTION

The major sportswear brands are not the only ones developing new "phygital" and more leisure-oriented concepts. In some countries, such as the United States and the United Kingdom, where retail vacancy rates are occasionally high, **formats that combine sports activities with the sale of sporting goods and restaurants are on the rise.** These new social spaces are used to breathe new life into an existing store and in some cases fill the void left behind by the departure of major retailers.

In France, this type of concept is less commonplace for the moment, but **sports and leisure activities** (trampolines, climbing walls, escape games, bowling alleys, go-kart tracks, etc.) **are undoubtedly more present in new projects:** they represent 14% of the number of retailers that have opened in shopping centres delivered over the last three years and as much as 18% of the projects inaugurated in 2022.

MULTIPLE FORMATS

An analysis of the tenant mix in new retail projects also makes it possible to measure which brands are the most dynamic. BASIC-FIT stands out in the fitness sector: having arrived in France in 2014, the Dutch brand now has more than 630 gyms. In the field of sportswear and equipment sales, INTERSPORT is undergoing the most sustained development. Mainly present in the suburbs, the group is increasing its influence there by opening larger premises, new creations or transfers-extensions of existing stores. The aim is to offer an ever-expanding range of services across all sports. Large stores, be they city-center flagships or suburban megastores, are not the only formats with the wind in their sails. **The concepts developed by sporting goods distributors are ever-increasing and varied**, such as the running and cycling concepts of the GO SPORT (ENDURANCE SHOP) or DECATHLON (ALLTRICKS) groups, the combined SPORT 2000 and MONDOVELO outlets or the numerous streetwear stores opened under the BLACKSTORE banner by INTERSPORT, which has also just launched an "outlet" offer. In addition, DECATHLON has been multiplying smaller formats for several years to get closer to its city-based customers (DECATHLON CITY, stand-alone corners opened within FRANPRIX supermarkets).

The expanding range of formats is a response to the growing success of certain sports or product categories and to the diversification of consumer profiles. The breakthrough of digital technology is also crucial: it pushes brands to refine their multi-channel strategy, by spreading their network as widely as possible in order to be closer to their e-customers, or by contributing to the development of large flagships that enhance the shopping experience. In tandem with its growing economic impact, **sport is at the cutting edge of the latest innovations in retail and distribution.**

Antoine Salmon,
Head of Retail Leasing

Vianney d'Ersu,
Deputy Head of Retail Leasing

GLOBAL FOCUS

A GLOBAL EXPANSION

After the 2020 crash, the sports sector returned to growth in 2021 and is expected to exceed its pre-Covid activity level in 2022. But that's not all. By 2025, global sporting goods sales could reach nearly €400 billion, up 30% from 2019.

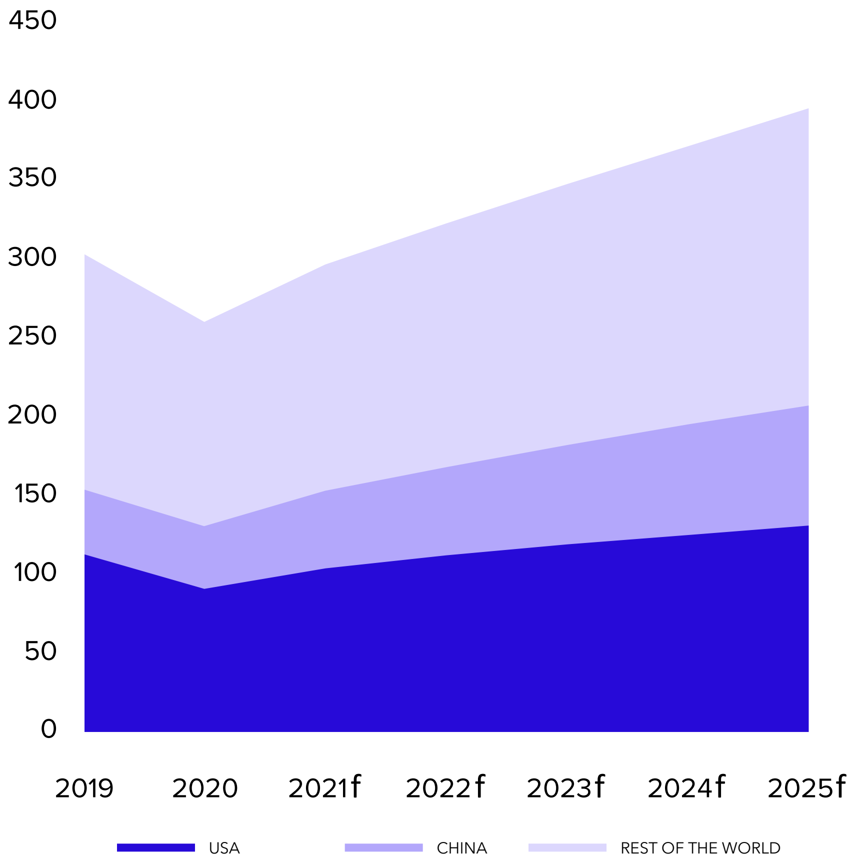
This boom would likely have occurred without the Covid-19 epidemic, but the health crisis has undeniably amplified it by putting wellness and health at the centre of everyone's attention. The dawn of remote working has also contributed to the phenomenon, freeing up time to practice sports and facilitating the switch to more comfortable clothing, both at home and in the workplace. The athleisure trend, which derives its name from the combination of the words athlete and leisure, and consists of wearing clothes originally designed for sports, is gaining new traction. According to Euromonitor, sales of athleisure items increased by 42% worldwide between 2016 and 2021.

The success of sports and the revolution in fashionable clothing is mainly, but not exclusively, benefiting the world's leading brands. NIKE, the undisputed leader in the sector, has seen its revenues increase by almost 40% in five years. LULULEMON, which has seen its revenues increase sixfold since 2010, aims to double them by 2025. This will be achieved through international expansion, notably in Paris, where in December 2022 the brand opened a flagship store of more than 500 square meters on the Champs-Élysées, presenting, for the first time in France, their entire range.

Markets other than the US and Europe are also surfing the sportswear wave. In China, where sales of sportswear items could grow by 55% between 2021 and 2025 according to iiMedia Research, new national leaders have emerged, adapting their products to the tastes and body types of local customers, such as ANTA, 361°, LI NING and MAIA ACTIVE.

The growth of multi-brand retailers also continues, including JD SPORTS, whose network has more than 3,400 stores worldwide, and FOOT LOCKER, which operates just under 3,000 stores.

GLOBAL SALES OF SPORTING GOODS
IN BILLIONS OF EURO



Source: McKinsey, according to Euromonitor

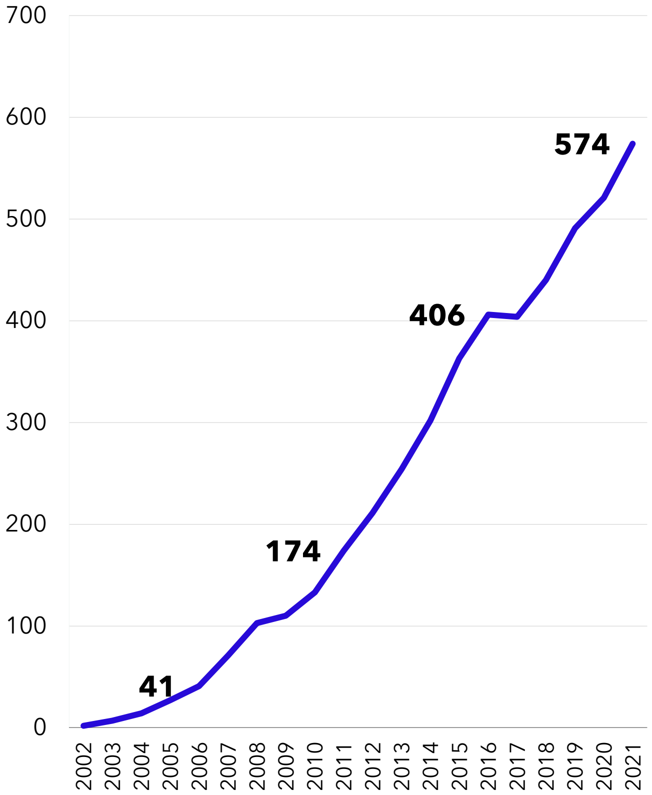
GLOBAL MARKET LEADERS

LEADING GLOBAL BRANDS
TURNOVER AND NUMBER OF SHOPS WORLDWIDE IN 2021

NIKE	45,4 Bn $	1 096
adidas	24,3 Bn $	2 184
PUMA	6,8 Bn $	832*
	6,5 Bn $	574
UNDER ARMOUR	5,7 Bn $	199

Sources: Annual reports and statistics for each brand / *At year-end 2020

LULULEMON: A STEADILY PROGRESSING DEVELOPMENT
EVOLUTION OF THE NUMBER OF STORES WORLDWIDE



Source: Lululemon

PRIORITISING DIRECT DISTRIBUTION

INCREASED RISKS

While the sports sector is benefiting from positive momentum, the coast is not entirely clear. In the short term, the pressures currently weighing on households (rising inflation, etc.) could force consumers to cut their spending in favour of essential items such as food and energy.

As in other sectors, the sports industry is also facing supply difficulties. These are particularly problematic for sportswear brands, whose success depends on their reactivity and the constant renewal of their collections.

The efficiency of the supply chain and the choice of production sites goes beyond the mere issue of supply times. The social and environmental impact of sports brands is also a crucial issue, as illustrated by the efforts made by the giants of the sector and smaller brands to limit their emissions and avoid using forced labour at a time when the echo chamber provided by social media increases the risk of "bad buzz".

MITIGATING RISKS AND MAXIMISING OPPORTUNITIES

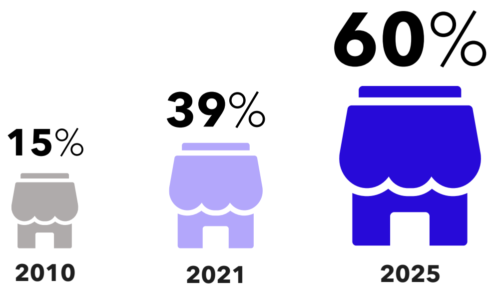
Faced with the growing number of risks, several major sports brands are prioritising the direct distribution of their products more than ever before, in order to better control their supply and image, and to benefit sustainably from the growth of the sport. While ADIDAS' own distribution will represent 38% of its revenues in 2021, the brand aims to increase this share to 50% by 2025. For NIKE, the goal is to go from 39% to 60% over the same period, with a focus on online sales, a limited number of third-party distributors (such as DICKS SPORTING GOODS in the US) and its own stores.

This strategy does not necessarily involve continued expansion of directly-operated stores, but almost systematically involves optimising their distribution network in favour of the best-located, often larger and more impressive stores. This is the case for ADIDAS, for example, whose total number of stores has decreased by 22% in five years and whose emphasis is on a few key cities. NIKE has also opened very large stores, such as its "houses of innovation" in Paris and New York, covering 4,500 and 6,300 sq.m. respectively, but is also developing smaller stores ("Nike Live"), whose offer is aimed at local consumers or specific collections (such as the 360 sq.m. JORDAN "World of Flight" store opened in December in Milan).

A KEY TARGET: THE MULTI-CHANNEL CUSTOMER

Multi-channel customers are at the heart of these different formats. According to McKinsey, the amount of money spent by this clientele is 34% higher than that of customers who buy exclusively in-store and 7% higher than consumers purchasing only online, hence the importance of building and maintaining a closer relationship with this customer base, notably through loyalty programs including exclusive offers, workshops or invitations to events.

SHARE OF NIKE'S SALES GENERATED BY DIRECT DISTRIBUTION



ADIDAS, A STRATEGY FOCUSING ON « KEY CITIES »

We are building on our "Key Cities" portfolio of Tokyo, Shanghai, Paris, London, New York and Los Angeles by adding Mexico City, Berlin, Moscow, Dubai, Beijing and Seoul. ***These cities represent the beating heart of our global consumer experience and exert influence on the rest of the world****, while at the same time offering commercial opportunities as urbanization continues.*

Adidas, annual report 2021

PRIORITISING DIRECT DISTRIBUTION

A HYPER-COMPETITIVE SECTOR

Particularly favoured by NIKE and ADIDAS, this strategy of direct distribution affords other brands the opportunity to be more visible in large retail networks, such as PUMA, which recently extended its partnership with FOOT LOCKER to offer more exclusivity to the brand's customers.

The trend is also expected to accelerate the emergence of newer, lesser-known brands, some of which were created online, have just opened their first stores or are planning to do so in the near future. These brands are particularly attuned to the current consumer trends through their vertical model or through concepts that are more environmentally friendly.

Of course, the competition also comes from the big web pure-players, such as AMAZON, ZALANDO and VINTED, whose share of total sales of sports articles and sportswear has been growing steadily in recent years.

All this reveals an increasingly diverse and competitive sports brand distribution sector.

SPORT IS STRENGHTENING ITS MULTI-CHANNEL STRATEGY

SHARE OF ONLINE SALES IN TOTAL TURNOVER
EXAMPLES OF GROUPS

Source: annual reports of each brand

SPORT: A MASSIVE PRESENCE ON SOCIAL MEDIA
EXAMPLE OF THE MOST FOLLOWED INSTAGRAM ACCOUNTS IN THE WORLD, IN MILLIONS OF FOLLOWERS*.

Account	Followers (millions)
CRISTIANO RONALDO	527
LIONEL MESSI	413
NEYMAR JÚNIOR	200
NIKE	260
ADIDAS	97
JORDAN	25
REAL MADRID	130
F.C. BARCELONE	115
PSG	66

Source: Instagram / *As of January 2nd, 2023

Online sales have exploded since the outbreak of the health crisis. At DÉCATHLON, they represented 21% of total sales in 2021 compared to less than 8% in 2019. By 2026, e-commerce could account for 30% of sporting goods sales worldwide according to Signa Sports United and BCG.

Digital communication is also at the heart of sports brands' strategies. Leaving aside the metaverse, which they were among the first to invest in, brands have greatly increased their presence on social media to promote their products and unite their community of customers around common values. This explains the proliferation of collaborations, with stars and sports clubs being regarded as influencers who reinforce the brand's credibility.

However, physical stores have not been overlooked. Along with brand websites and social media, they form one of the foundations of the direct distribution strategy. Used in particular to distinguish themselves from online pure-players, the store is in fact the ultimate point of interaction with the consumer, where the latter can trial the latest innovations developed by the brand, allowing the former to constantly adapt its offer as a result.

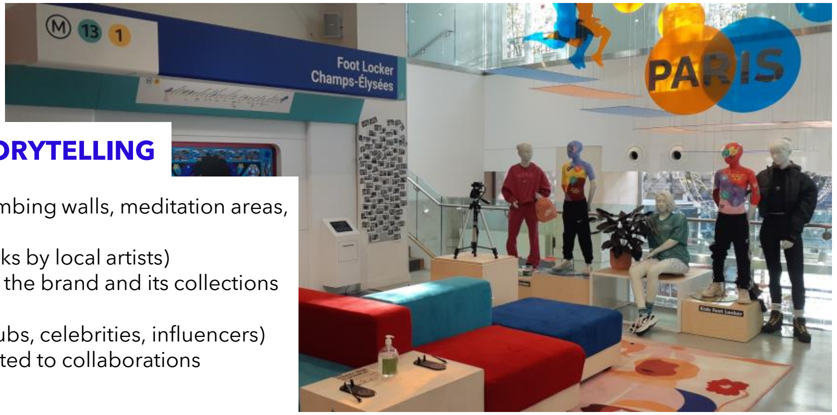
*Divorcing the brand from retail doesn't make sense, because for us at Nike, **retail is where most consumers experience the brand**. This is where brands get a human touch.*

Caitlin Morris, VP of Social & Community Impact, Nike

THE FLAGSHIP: AT THE HEART OF BRAND IMAGE AND CUSTOMER RELATIONS

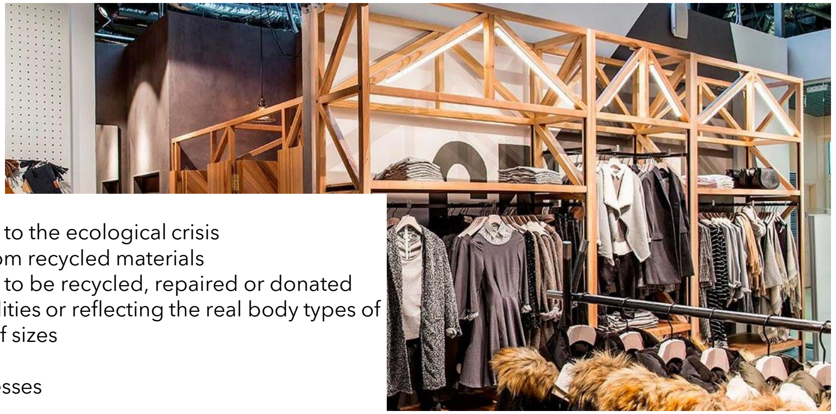
THE 4 PILLARS OF SPORTS FLAGSHIPS

CHARACTERISTICS OBSERVED IN SOME RECENT FLAGSHIPS AROUND THE WORLD



SHOPPING EXPERIENCE/STORYTELLING

Sports (basketball courts, ice rinks, climbing walls, meditation areas, yoga sessions, etc.)
Cultural events (cinema, concerts, works by local artists)
Exhibitions dedicated to the history of the brand and its collections and signature designs
Meetings with brand ambassadors (clubs, celebrities, influencers)
Exclusive products and spaces dedicated to collaborations



ESG

Educational spaces dedicated to the ecological crisis
Fittings and furniture made from recycled materials
Drop-off points for used items to be recycled, repaired or donated
"Inclusive" models with disabilities or reflecting the real body types of customers, very wide choice of sizes
Gender-neutral fitting rooms
Shop-in-shops for local businesses

INNOVATION

Simulators (golf practice, virtual fitness mirrors, etc.)
Virtual fitting rooms
Interactive screens (product presentation, games)
Content creation studios for social media

SERVICES

Repair of used items
Custom-made items (flocking of jerseys, etc.)
F&B and nutritional guidance
Rental of equipment
Click & collect and ship-from-store orders

THE FLAGSHIP: AT THE HEART OF BRAND IMAGE AND CUSTOMER RELATIONS

EXAMPLES OF RECENT AND/OR INNOVATIVE FLAGSHIPS AROUND THE WORLD

FOCUS FRANCE

WHAT IS THE ECONOMIC **WEIGHT** OF THE SPORTS MARKET IN FRANCE?

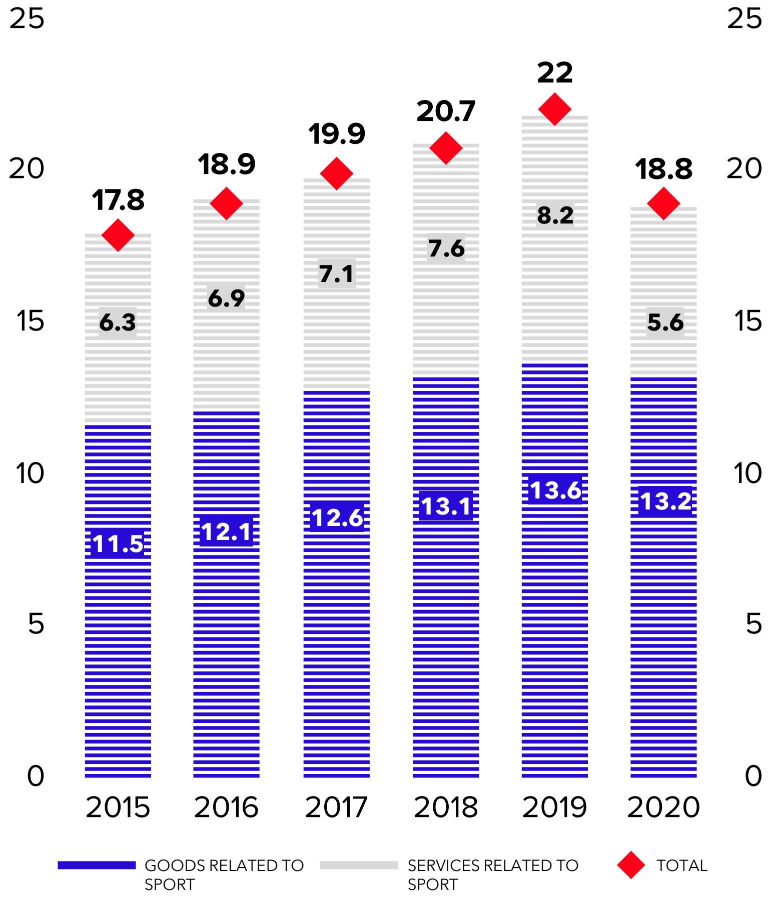
The sports market in France represents some twenty billion euro of expenditure and is dominated by the sale of sportswear (around 60% of sales of sports-related goods). This growth is not a recent development. In a study published about ten years ago*, INSEE had already noted that the turnover of the sports and leisure goods trade had doubled between 1996 and 2006.

This market continued to expand until 2020, when activity declined, reflecting the impact on consumption of the health crisis and the lockdowns. Since then, sales have bounced back. According to PROCOS, in 2022 (over the January to September period), sport was one of the rare sectors of specialised retail, along with food and household equipment, to do better than in 2019 for the same period (+7 points). Courir also indicates that the number of visits to its shops in September 2022 was 15% higher than in the same period of the previous year.

Kantar gives a more mixed assessment. In the third quarter of 2022, sales of sports and sportswear were down by 10% compared to the same period a year earlier. However, it is consumption as a whole that has stalled since the summer due to rising prices. While not necessarily indicating a downturn, SAD Marketing also noted a slowdown in sales of sporting goods, up 23.6% over the 12 months to the end of October 2022 but up "only" 7.5% during the period from October 2021 to October 2022.

*« *The sports and leisure goods trade: before the crisis, a rapidly expanding sector* », INSEE Première, 2011.

HOUSEHOLD EXPENDITURE ON SPORT IN FRANCE
IN BILLIONS OF EURO



Source: INSEE, Fédération des industries nautiques, Institut français de la mode, cabinet NPD; INJEP-MEDES calculations.

60%

PROPORTION OF SNEAKERS IN THE OVERALL FOOTWEAR MARKET IN FRANCE

Source: Fédération française de la chaussure

21%

SHARE OF ONLINE SALES IN OVERALL SPORTS SALES IN FRANCE (BETWEEN MAY AND JULY 2022)
Source: Kantar

+23,6%

YEAR-ON-YEAR INCREASE, AT END OF OCT 2022, OF SALES OF SPORTING GOODS (IN VALUE TERMS)

Source: SAD Marketing

SPORT MARKET LEADERS IN FRANCE

In France, the specialised sports retail market is dominated by two major distributors, DÉCATHLON and INTERSPORT, who are also the largest textile retailers in France.
The SPORT 2000 and GO SPORT groups also play a significant role, along with retailers whose offer is more lifestyle-based than sports-related, such as COURIR, which has a network of almost 280 shops, and FOOT LOCKER, which has just under 150 stores. Big brand names have a more modest network, such as the thirty or so NIKE shops, mainly located in regional shopping centres or in the suburbs, in addition to a few large high street flagships , such as the 4,500 m² store which opened in 2020 on the Champs-Élysées. ADIDAS has more than 80 stores, also located on city centre high streets, in regional shopping centres and in the suburbs. Finally, France has a small number of PUMA (10), NEW BALANCE (9), LULULEMON (5) and UNDER ARMOUR (2) stores, which is not proportionate to the importance of these brands on a global scale.

TOP 4 MULTISPORT RETAIL DISTRIBUTORS*

IN 2021, IN FRANCE

	TURNOVER (IN M€)	NUMBER OF STORES	TOTAL SURFACE AREA (IN THOUSANDS OF M²)	MAIN FORMATS
DECATHLON	**4,200**	324	**1,166**	**SURFACE AREA:** 1,000 – 5,000 m² Suburbs Population density > 250,000 inhab.
INTERSPORT	2,760	**707**	624	**SURFACE AREA:** 1,000 – 4,000 m² Suburbs Population density < 50,000 inhab.
SPORT 2000	720	465	425	**SURFACE AREA:** 800 – 1,500 m² Suburbs Population density < 25,000 inhab.
GO SPORT	475	125	188	**SURFACE AREA:** 800 – 3,000 m² Suburbs / Shopping centres Population density > 250,000 inhab.

Sources: LSA / Knight Frank / *Sportswear and equipment

SPORT MARKET LEADERS IN FRANCE

WHAT ARE THEIR DISTRIBUTION STRATEGIES ?

Brands	EXPANSION Openings 2021-2022 in France	REAL ESTATE STRATEGY	POSITIONING / RECENT DEVELOPMENTS
Alltricks / DECATHLON	**10** (incl. 4 ALLTRICKS)	Multiple formats: opening of smaller urban shops (DÉCATHLON CONTACT) and corners (FRANPRIX) Occasional closures (Lyon Confluence)	Acquisition of a specialised pure-player (ALLTRICKS) Expansion of the range and phygitalisation (THUNDERSTONE corners) Second-hand (Décathlon Seconde Vie, Troc-Velo)
INTERSPORT / BLACK STORE	**59** (incl. 20 BLACKSTORE)	Opening of larger shops in the suburbs by new creation or transfer-extension	Launch of an outlet range Continued development of its streetwear offering (BLACKSTORE)
SPORT 2000 / ESPACE MONTAGNE / mondovélo	**24**	Opening of larger shops in the suburbs by new creation or transfer-extension Synergies between the group's brands (SPORT 2000/MONDOVÉLO)	Increase in specialised concepts (cycling with MONDOVÉLO, footwear with S2, outerwear with ESPACE MONTAGNE, fashion with WE ARE SELECT)
GO SPORT / ENDURANCE SHOP by GO SPORT	**16** (incl. 15 ENDURANCE SHOP)	Increasing smaller specialised formats following the acquisition of ENDURANCE SHOP in 2018	Go Sport placed in receivership on Wed. February 1 Takeover by the FIB Group in 2021 New premium concept (Italy 2) and modernisation of existing shops Hybrid format combining a store and a gym (12 bd de la Madeleine)

Sources: Site corporate / LSA / Figures do not take into account transfers and extensions.

THE SPORT RETAIL MARKET IN FRANCE

AN INCREASINGLY DIVERSE LANDSCAPE

Although the French sports market is dominated by a few historical players (DÉCATHLON, INTERSPORT, ADIDAS, etc.), the retail offer has been radically transformed in recent years. Some long-standing brands have been relaunched (NIVOSE), while new international retailers have gradually invested in France and in some cases have a significant number of outlets, such as JD SPORTS, which arrived in France in 2010 and whose network now includes nearly 130 shops, almost as many as FOOT LOCKER. Other new entrants have recently appeared, such as LIDS in 2022 with the opening of three shops in the Paris region. Finally, the renewal of the retail offer is also striking in the field of streetwear, of which several emblematic names have set up shop in France since 2021 (KITH, STÜSSY, ARIGATO, P448 and soon PALM ANGELS and NAKED COPENHAGEN).

KEY PLAYERS

MULTIBRAND DISTRIBUTORS / MULTISPORTS

DECATHLON, JD, INTERSPORT, Foot Locker, SPORT 2000, GO SPORT, ENDURANCE SHOP by GO SPORT, DEICHMANN, LEPAPE, COURIR, SPORTS DIRECT

DIGITAL / DNVB
SPECIALISED & MULTISPORTS

amazon, zalando, PRIVATE SPORT SHOP, VEJA, everide, Vinted

SPORT BRANDS

PUMA, fusalp, adidas, LACOSTE, Reebok, le coq sportif, macron, PARIS, asics, Onitsuka Tiger, new balance

STREETWEAR

Superdry, size?, SKECHERS, BLACK STORE, CITADIUM, VANS, Supreme, S·2, snipes, DOVER STREET MARKET

OUTDOOR
BRANDS & DISTRIBUTORS

ForestLand, Quiksilver, Au Vieux Campeur, salomon, NIVOSE, K-WAY, AIGLE DEPUIS 1853, MILLET, sunset, Timberland, icebreaker, THE NORTH FACE, Columbia, ROSSIGNOL

NEW ENTRANTS

Lids

i-run, HARDLOOP

Champion, NBA, saucony, ALLROUNDER

Palm Angels, Stüssy, KITH, Off-White™, Arnese, P448, AXEL ARIGATO, NAKED COPENHAGEN

Source: Knight Frank

THE SPORT RETAIL MARKET IN FRANCE

FROM WELLNESS TO LEISURE: FITNESS, CYCLING AND CLIMBING WALLS ALSO BOOST THE MARKET

Despite the lockdowns, the climbing and fitness sectors have weathered the health crisis and have rapidly resumed their expansion. The dynamic is particularly positive for fitness, despite the increase in the number of apps allowing people to work out at home. BASIC-FIT, which arrived in France in 2014, already has 633 gyms; EASYGYM aims to open a hundred or so and other overseas concepts have recently set up shop in France (JOHN REED, ORANGETHEORY, ZONE REVOLUTION, etc.). The bike market is also booming: bicycle sales have jumped by 6% between 2019 and 2021, but by a whopping 70% for electric bikes alone, which explains the expansion of new specialised brands such as EN SELLE MARCEL (15 shops opened in 5 years in France), which have found their place alongside established leaders like DÉCATHLON.

ESCALADE

3 million climbers (indoor & outdoor)

10 million admissions per year in French climbing gyms

170 gyms in France, + 22 openings in 2022

MAIN RETAILERS:

arkose, Vertical'Art, HAPiK, Climb Up, Block'Out

Source: Union des salles d'escalade / *Estimation

FITNESS

More than 6 million members and almost 5,000 gyms in France

Basic-Fit, a meteoric rise (633 openings since 2014)

A sector undergoing further consolidation (acqisition of NEONESS by KEEPCOOL, of FITLANE by FITNESS PARK)

MAIN RETAILERS:

Basic-Fit, l'Orange bleue, keepcool, GIGAFIT, easyGym, FITNESS PARK

Sources: Deloitte, Basic Fit

CYCLES

2.8 million bikes sold in France in 2021 of which 908,000 were electric (+ 70 % compared to 2019)

Multi-sport retailers (Décathlon, Go Sport, etc.) represent 65% of new bike sales

3,000 outlets in France in 2021

MAIN RETAILERS:

DECATHLON, GO SPORT, mondovélo, Culture Vélo, INTERSPORT, EN SELLE MARCEL, ecox.fr

Sources: Union Sport & Cycle, Knight Frank

STRONG & SUSTAINED DEVELOPMENT

INCREASING NUMBER OF OPENINGS AND DEVELOPMENT PROJECTS

With its numerous store openings, sport is one of the most dynamic sectors of the retail real estate market. It is, for example, increasingly represented in the tenant mix of new projects. This trend can be observed in most markets around the world, such as in London, where Battersea Power Station, a shopping centre with a large number of sports and fitness stores (LULULEMON, NIKE, ADIDAS, CASTORE, THRID SPACE, etc.), has just been inaugurated.

Together with leisure activities, of which it is often an integral part (trampolines, climbing walls, escape games, bowling alleys, go-kart tracks, etc.), sport accounts for 14% of the number of brands that have opened in the last three years in France. The sport and leisure share of new store openings is in fact the one that has shown the most growth in 2022, reaching 18%, still well behind food and catering, with a share of 29%.

The development of the sports sector does not seem to be running out of steam any time soon. In France, the potential for openings remains very high, particularly due to the large number of sports and sportswear brands who are still not present in the country or do not yet have their own stores.

OPENINGS OF SPORTS RETAILERS IN SHOPPING CENTRES OPENED SINCE 2019 IN FRANCE
NUMBER OF SHOPS OPENED IN THESE CENTRES*

Source: Knight Frank

EXAMPLES OF SPORTS AND SPORTSWEAR BRANDS THAT ARE NOT PRESENT IN FRANCE OR BRANDS THAT DO NOT HAVE THEIR OWN STORE IN FRANCE*

HOKA, ARC'TERYX, ALTRA, 66° NORTH, Mo Ea, alo, ANTA, ellesse, diadora, Sweaty Betty, FILA, GYMSHARK, NEW ERA, vuori, allbirds, PELOTON, Wilson, UYN UNLEASH YOUR NATURE, saucony, CASTORE, MIZUNO, LI-NING, 361°, Goldwin, MAIA ACTIVE, FABLETICS, ATHLETA, On Run on clouds.

Source: Knight Frank / French and international brands, excluding pop-ups.

STRONG & SUSTAINED DEVELOPMENT

IS SPORT THE NEW FAST-FASHION ?

Sports retailers, particularly in sportswear, are following a similar trend to that of fast fashion in the early 2000s. They are expanding the number of large formats in the main shopping districts of Paris and in the major regional shopping centres to accommodate a wider range of products (women's, clothing, etc.). They often take the place of former flagship fashion stores (JD SPORTS in the former H&M at 66 rue de Rivoli, FOOT LOCKER in the former GAP at 36 avenue des Champs-Élysées, PSG in the former MORGAN at 92 avenue des Champs-Élysées, ADIDAS in the former ZARA at 39-41 boulevard Haussmann, etc.). At the same time, smaller formats are opening, dedicated to a particular sport or a type of product (Basket4Ballers, Unisport, Lids, Décathlon City, I-Run, etc.), illustrating the growing specialisation of the offer and the opportunities presented by the enthusiasm for certain niche markets (American sports, running, etc.).

EXAMPLES OF OPENINGS AND TRANSACTIONS
IN PARIS AND THE GREATER PARIS REGION

OPENING	RETAILER	ADDRESS	SURFACE AREA (M²)
2020	NIKE	79 avenue des Champs-Élysées, Paris 8e	4,500
2022	LACOSTE	50 avenue des Champs-Élysées, Paris 8e	2,700
2022	SPORTS DIRECT	CC Aéroville, Tremblay-en-France (93)	2,200
2022	FOOT LOCKER	36 avenue des Champs-Élysées, Paris 8e	2,130
2020	JD SPORTS	118-120 rue de Rivoli, Paris 1er	1,920
2018	DECATHLON	My Cardinet, Paris 17e	1,500
2018	ADIDAS	CC Westfield Les 4 Temps, Puteaux (92)	1,200
2019	ADIDAS	39-41 boulevard Haussmann, Paris 9e	940
2019	FOOT LOCKER	66 rue de Rivoli, Paris 4e	830
2022	PSG	92 avenue des Champs-Élysées, Paris 8e	790
2020	SKECHERS	102 rue de Rivoli, Paris 1er	640
2022	LULULEMON	38 avenue des Champs-Élysées, Paris 8e	520
2019	UNISPORT	4 rue Berger, Paris 1er	500
2022	FOOT LOCKER	133 rue de Rennes, Paris 6e	470
2022	NBA	20 boulevard Saint-Michel, Paris 5e	390
2023	NAKED COPENHAGEN	38 rue Sainte-Croix de la Bretonnerie, Paris 4e	330
2019	SNIPES	82 rue du Faubourg Saint-Antoine, Paris 12e	300
2021	BASKET4BALLERS	31 rue de Rivoli, Paris 4e	290
2020	SALOMON	12 boulevard de la Madeleine, Paris 9e	220
2021	I-RUN	10 rue du Plâtre, Paris 4e	210
2022	LIDS	CC Belle Épine, Thiais (94)	130

Source: Knight Frank

MAPPING OF THE SPORTS RETAIL OFFER

MAJOR PARISIAN HUBS

As a regional transport hub and the original streetwear scene, the centre of Paris and more specifically the Halles area have the highest density of sportswear on offer in the capital. The biggest brands are located in the Forum des Halles, the largest shopping centre in Paris.

Some of the main shopping zones on the right bank (Champs-Elysées, rue de Rivoli, boulevard Haussmann, etc.) also feature flagships, which are much rarer on the left bank (FOOT LOCKER rue de Rennes, NBA boulevard Saint-Michel, etc.).

MAPPING OF SPORTSWEAR STORES IN PARIS

NATIONAL AND INTERNATIONAL BRANDS (EXCLUDING STREETWEAR, BIKE SHOPS AND FITNESS CLUBS)

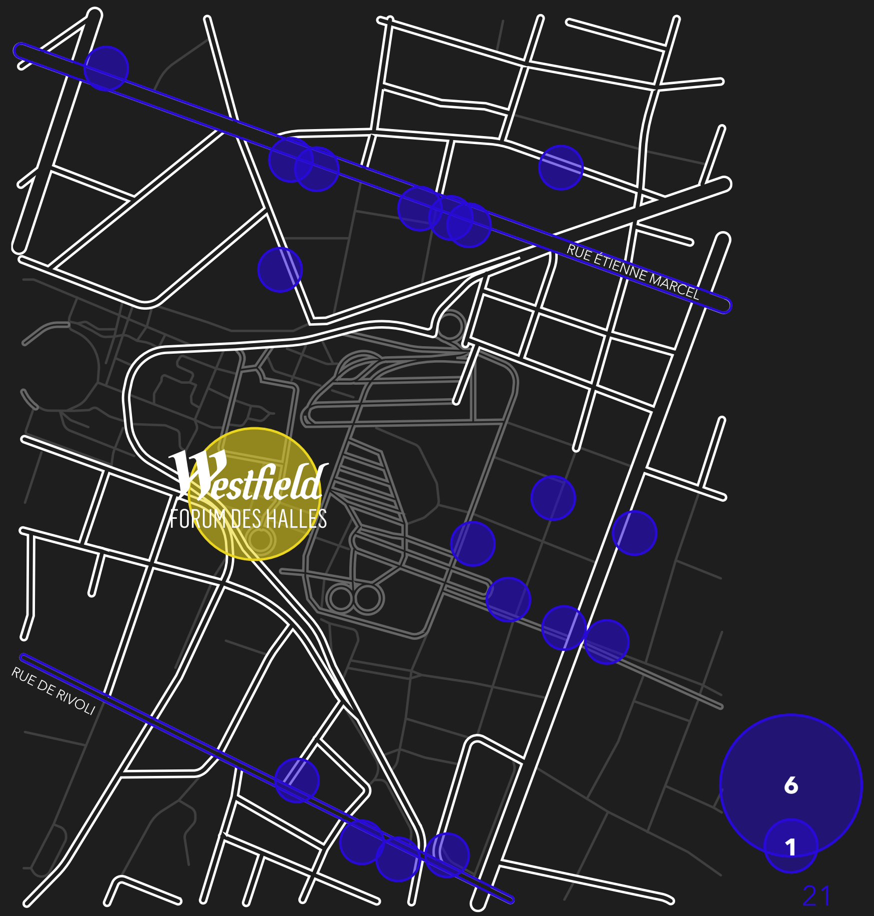
High street **Shopping centre** **Logos represent: stores > 1,000 m²**

Source: Codata, sites des enseignes, Knight Frank

LES HALLES, A MAJOR SPORTSWEAR HUB IN PARIS

20% of the Paris sportswear offer concentrated in the Les Halles area

Of which **33%** Is in the Forum des Halles



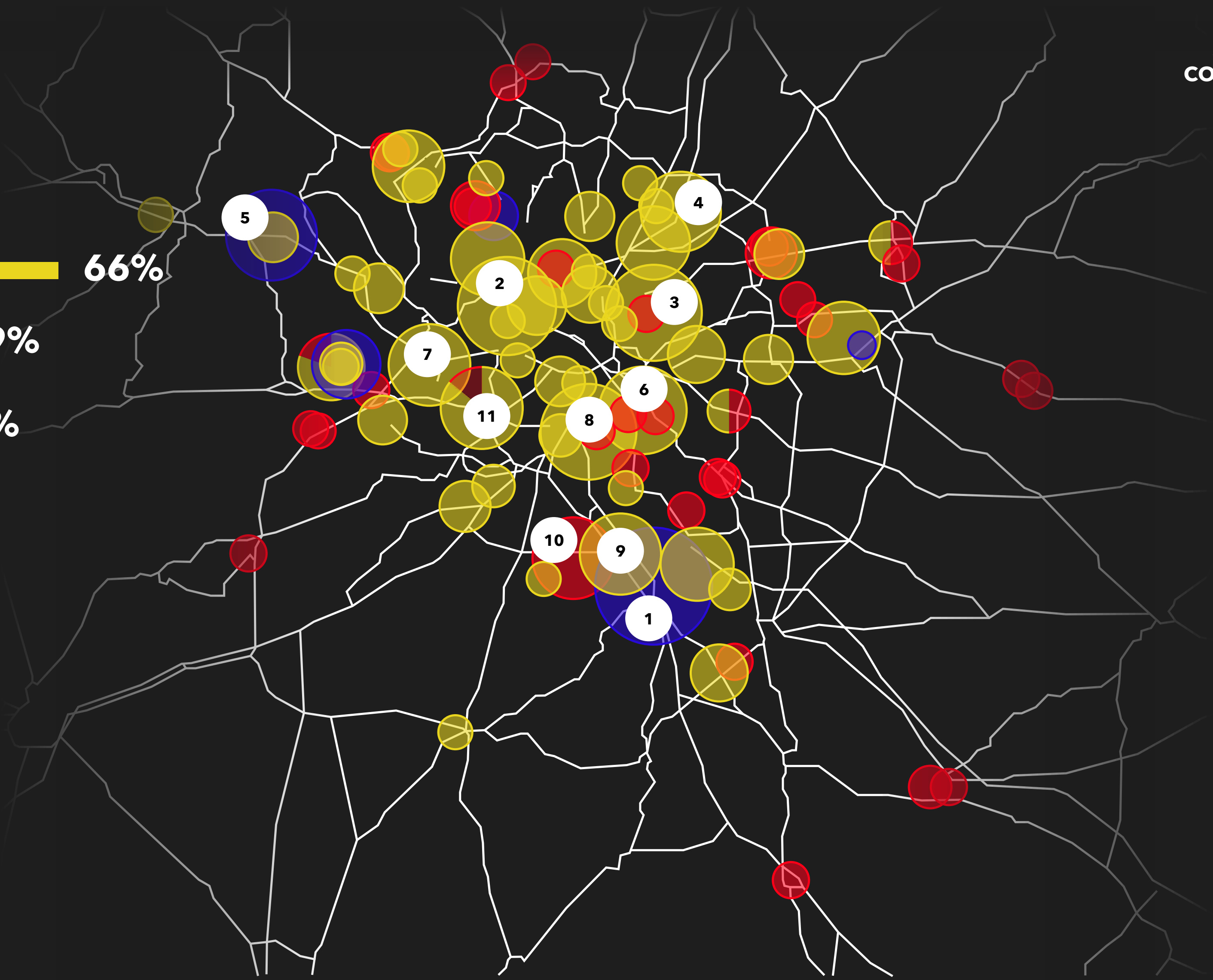
MAPPING OF THE SPORTS RETAIL OFFER

MAJOR PARIS REGION HUBS

PREFERRED FORMAT IN ÎLE-DE FRANCE
(EXCL. PARIS & HIGH STREETS)

SHOPPING CENTRES	**66%**
RETAIL PARKS	**19%**
OUTLETS	**15%**

- Shopping centres
- Retail Parks
- Outlets



SHOPPING CENTRES WITH THE HIGHEST CONCENTRATION OF SPORTSWEAR BRANDS*
(EXCL. PARIS & HIGH STREETS)

1. MARQUES AVENUE CORBEIL ESSONNES
2. LES 4 TEMPS
3. ROSNY 2
4. AEROVILLE
5. MARQUES AVENUE AUBERGENVILLE
6. CRÉTEIL SOLEIL
7. PARLY 2
8. BELLE EPINE
9. ÉVRY 2
10. PAC CROIX BLANCHE
11. VÉLIZY 2

Source: Knight Frank, site des enseignes, Codata

INTERVIEW

Pierre Combet
Vice President of Real Estate EMEA of FOOT LOCKER

HOW HAS THE SPORTSWEAR MARKET EVOLVED IN RECENT YEARS AND HOW HAS FOOT LOCKER ADAPTED TO THIS NEW CONTEXT?

Traditionally, the clientele of sportswear brands was very masculine and very young. At FOOT LOCKER, for example, young men aged 16 to 26 used to make up 80% of the customer base. In recent years, however, our target audience has broadened considerably, to include children and especially women, who in several countries represent around 40% of our business. The client base has also expanded to include older consumers, who are increasingly fond of sneakers.

The imperative for FOOT LOCKER to offer a wider and more varied retail offering is also due to its relationship with certain brands, and in particular with NIKE, who have clearly stated their intention to prioritise direct distribution. We must therefore be less dependent on their products. This requires a tighter relationship with footwear brands other than NIKE, such as PUMA, ADIDAS and NEW BALANCE. But our strategy of diversifying and broadening our offer is not only limited to footwear; we must also offer more clothing, as some of our competitors are already doing.

With this context in mind, we have had to change the format of our shops, opening larger premises that can accommodate a much wider range of products and set up different universes capable of satisfying all customer profiles and the whole family. This strategy of expanding our stores is also a response to increasing competitive pressure: our main competitors, such as JD SPORTS, are multiplying their number of flagships, and we must also follow suit.

However, it is not just a question of going bigger. The new shops we open definitely need to offer a wider range of products, but also improve the shopping experience by emphasising services (workshops, cashiering, etc.), by making the store more digital (increasing the number of screens) and by highlighting the "sneaker culture" through a diverse and more carefully designed interior decoration. Some of our sales outlet concepts are also intended to be more firmly-rooted in the areas in which they are located, with the aim of getting closer to customers and building loyalty. For example, in Saint-Denis or Brixton, a district of London, we recently opened "community" shops inspired by the local culture through their interior decoration and dedicated events.

Foot Locker, 54 rue de la République, Saint-Denis

Foot Locker, 36 avenue des Champs-Élysées, Paris

INTERVIEW

Foot Locker, 36 avenue des Champs-Élysées, Paris

HAS THE BREAKTHROUGH OF E-COMMERCE ALSO HAD AN IMPACT ON YOUR STORE FORMATS?

Online sales have not exploded as much as expected, which is positive for FOOT LOCKER, whose model is historically "brick & mortar". In fact, since the end of the first lockdown, customers have returned to our shops in droves, which is also why we are looking to expand. The aim is to capitalise on this increase in footfall, which would otherwise result in a negative shopping experience and lower conversion rates.

However, the importance of e-commerce varies greatly from country to country. In France, Italy and other southern countries, online sales generally don't account for more than 10% of sneaker sales. In Germany and the United Kingdom, on the other hand, this share can climb as high as 40 or even 50%, with increasingly powerful pure-players such as ZALANDO. In these countries more than elsewhere, the physical store is not only approached from the point of view of profitability. It is increasingly seen as a service point that supports online sales, allowing us to make savings on delivery or returns, but also to generate additional expenditure of around 10 or 15% when the customer comes to collect or return the product purchased online.

WHAT ROLE DOES FRANCE PLAY IN FOOT LOCKER'S BUSINESS?

A very important role as it's our main market in Europe along with Italy. France represents 20% of our activity in Europe; we have been established there for a long time, we are recognised as a major reference by sneaker buyers and are very successful there. France is also a market of connoisseurs, whose consumers are very aware of the sneaker culture, particularly in Paris and its surrounding areas or in Marseille. These two cities account for a significant proportion of our 140 shops in France.

The Paris region, for example, has more than 40 FOOT LOCKER outlets, a very dense network that we are always looking to strengthen by improving our shops in key areas of the region. Recently, in Paris, we opened a flagship store of over 2,000 m² at 36 avenue des Champs-Elysées and inaugurated a new shop of almost 500 m² on rue de Rennes.

We are also optimising our presence in the largest shopping centres, such as our new shop in "Rosny 2", our new store in "Val d'Europe", which is the result of a merger of two shops and will be three times larger than FOOT LOCKER's previous store, or our new 1,200 m² store in "Belle Epine", which will be our largest shopping centre location in Europe!

INTERVIEW

SO FRANCE IS A FAST-GROWING MARKET FOR YOU?

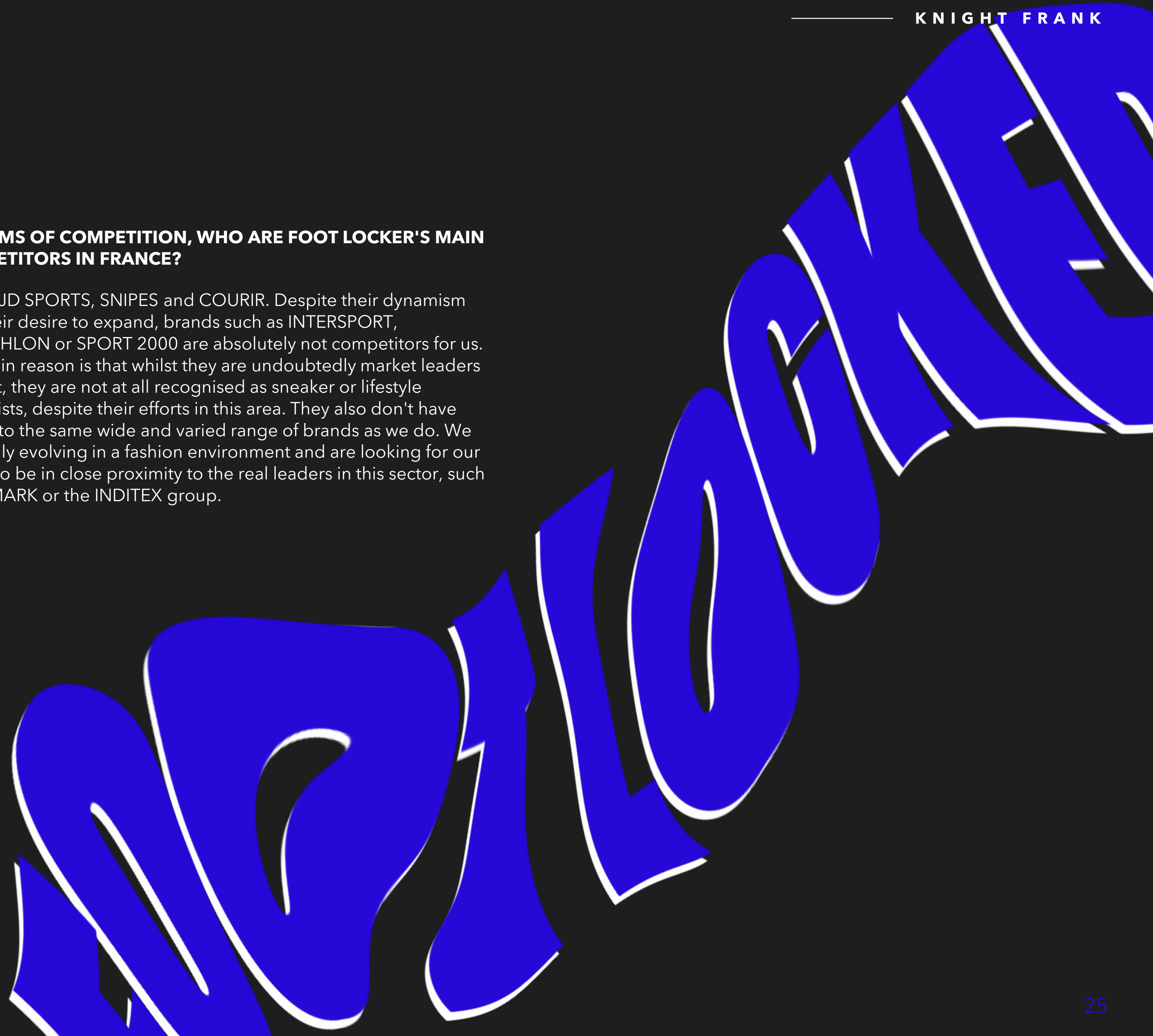
FOOT LOCKER is very successful in France, but our priority today is to optimise and expand our existing shops rather than increase their number. In France, as in most of our major global markets, we are streamlining our network and limiting the number of new creations, which we only allow ourselves when we are not present in a market with high potential, such as the Rue de Rennes opening in Paris recently, or the city centre of Lille.

In fact, the aim is not to have more shops but to have better shops, in the right locations and for which we pay the right price. Our new flagship store on the Champs-Elysées is a perfect example of this: this opening has allowed us to benefit from a larger and better designed space on an extremely busy street, while adjusting our rent. We apply the same logic to shopping centres, where our strategy is to have bigger, better and cheaper stores, as part of a win-win relationship with the landlords, who benefit from a more attractive store for their centre. Finally, we also promote flexibility, with commitments that we do not want to be too long-term.

In addition to upgrading our flagships, we also don't shy away from closing stores. In fact, the number of stores worldwide has fallen by almost 20% in the last five years. These closures are done on a case-by-case basis. It is primarily a question of closing our smallest outlets and those located in medium-sized cities, although we are keeping those that enjoy a dominant position and can therefore be very lucrative. On the other hand, we are letting go of stores that are not performing well because of too much competitive pressure.

IN TERMS OF COMPETITION, WHO ARE FOOT LOCKER'S MAIN COMPETITORS IN FRANCE?

Mainly JD SPORTS, SNIPES and COURIR. Despite their dynamism and their desire to expand, brands such as INTERSPORT, DECATHLON or SPORT 2000 are absolutely not competitors for us. The main reason is that whilst they are undoubtedly market leaders in sport, they are not at all recognised as sneaker or lifestyle specialists, despite their efforts in this area. They also don't have access to the same wide and varied range of brands as we do. We are really evolving in a fashion environment and are looking for our stores to be in close proximity to the real leaders in this sector, such as PRIMARK or the INDITEX group.



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