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TREND ANALYSIS

The Q-Park corporate social responsibility (CSR) strategy is drawn up to respond to the trends we observe in the world in which we operate. We have endeavoured to indicate which parts of the IIRC Six Capitals framework these trends influence. Central to this is that we remain clearly focused on our stakeholders' needs. Here, we discuss both the opportunities arising from and threats to our market position.

Market trends

Economy

The economy in Europe is recovering and most countries are now above their pre-crisis/2008 levels of output. Recent data suggest that the Eurozone economy ended 2016 on a bright note, despite it being a rollercoaster of a year in terms of political developments. GDP growth picked up to 0.5 percent in the fourth quarter, after coming in at 0.3 percent in the previous two quarters. Rising populism, Brexit and terrorist attacks, on top of other political events, have been unable to dent the economy's momentum and economic sentiment in the common-currency bloc remains at a multi-year high[1]. An upturn in the economy means an increase in mobility and that is an opportunity for Q-Park.

Political developments

From a broader perspective we note that the political arena in 2016 was turbulent. The Brexit vote in June 2016 brought Europe into a phase of uncertainty which will continue for the foreseeable future. Following the election of Donald Trump as US president in November, there has been much commotion about the future of international trade. The outcome of elections to be held in France, Germany, and the Netherlands in 2017 will partly determine stability in the European countries where Q-Park has a presence. As this could be seen as a future opportunity or threat depending on the outcome, we will keep monitoring it.

1 Economic Snapshot for the Euro Area, http://www.focus-economics.com/regions/euro-area, 2017

Turning motorists into pedestrians

The city of Brussels has set ambitious targets to reduce motorised traffic by 20 percent in 2018 (base year 2001) and for 40 percent of all mobility in the city to be on foot in 2040. The underlying philosophy is that to improve the quality of life, mobility and the environment, the city must adapt to reflect the human scale and find alternatives for the need to move around by car.

The starting point of the Brussels plan is the assumption that everyone is a pedestrian and that responding to pedestrian needs should become the reflex for all actors in mobility and city planning.

On-street parking replaced by car parks

To create more pedestrian space, on-street parking is to be replaced by underground parking facilities and by relocating and building up to 20,000 parking spaces at the edges of the pedestrian zone.

Great opportunity for Q-Park

With eight parking facilities in and around Brussels city centre to date, Q-Park is in an excellent position to work with the city of Brussels on mobility and city planning. Facilitating its residents, commuters and visitors with purpose built parking facilities at convenient locations.

Socio-economic trends

Urbanisation

By 2050 it is expected that 70 percent of the world's population will live in urban areas and cities, compared to 50 percent today[2], increasing the population and the demand for parking in large cities. More than two-thirds of all Europeans live in urban areas. This is also where approximately 85 percent of GDP is generated. This increasing economic activity also has consequences for the quality of life. Cities have to contend with congestion, traffic cruising for a place to park, reduced accessibility, air pollution, and unattractive and unsafe streets and squares, full of parked cars.

To prevent economic activity coming to a standstill, municipalities are increasingly realising that it is essential to develop and pursue an integral mobility policy which includes:

- Urban mobility
- Smart parking tariff structures
- Attractive parking facilities
- Good use of limited space
- Accessibility to urban amenities

Q-Park already works closely with municipalities to analyse changing mobility patterns and come up with innovative responses. We have parking capacity management systems in place for construction and operational use.

Demographics

Young people will continue to move from rural areas and smaller towns to bigger cities and the number of older people (60+) living in cities will rise as a result of general ageing and the fact that this age group is also moving to city apartments when their children are grown, taking advantage of the leisure, culture, and health amenities on offer. This represents a growth

2 http://www.prb.org/Publications/Lesson-Plans/HumanPopulation/Urbanization.aspx, 2016

opportunity for Q-Park as car ownership is high in this age group[3].

Influence of demographics

The demand for parking is linked to many factors including population size, the intensity of visits to a destination, economic trends, people's mobility choices, and levels of car ownership, as well as the supply and price of parking facilities.

Demographics and car ownership
The number of cars is closely linked to the size and composition of the population and the type of households they form. Population growth leads to more cars. Trends towards smaller households reinforce this as their level of car ownership per capita is higher.

Car ownership among older people is also increasing as people remain vital and active for longer and more of them have a driving licence than previous older generations. In contrast, average car ownership in urban environments is lower than elsewhere.

Urbanisation and car ownership
Population forecasts for 2030 show the strongest population growth is in the cities. This is mainly attributable to the natural drift of relatively young population groups to these cities and their relative attraction for migrants.

Regional demographic trends play a relatively important role in the future scale of car ownership, which in turn is a driving force behind future demand for parking. Various scenarios can be considered in which population growth is no longer a given. The number of cars owned will probably continue to grow since it is influenced not only by demographics but by economic and other factors.

Source: Demografische verandering en verstedelijking, experts of the Dutch Environmental Assessment Agency (PBL), Vexpansie, 2016

3 Boston Consulting Group

Developments in real estate

The European real estate industry is experiencing a seismic shift in its centre of gravity – from real estate as a financial asset, to real estate as a product and more significantly, to real estate as a service[4]. This is an advantage for us with our hybrid mix of investment property and operational income, as our business model already matches this trend perfectly.

No BREEAM standard for parking facilities

Some years ago the Dutch Green Building Council (DGBC) and a number of representatives from different sectors in the parking industry started to develop guidelines for the evaluation of new and existing parking facilities based on BREEAM-NL New Construction and BREEAM-NL In-Use.

The Building Research Establishment Environmental Assessment Method (BREEAM) is used internationally as a sustainability standard when developing buildings. This international scope is one of its main strengths. In order to enhance this international applicability the Building Research Establishment (BRE), which owns the BREEAM system, wants to align a number of standards.

It is therefore no longer appropriate to develop BREEAM standards specifically for the Netherlands, such as standards for parking facilities. In the BRE philosophy, parking facilities should be included in the Infra certification scheme because these buildings are generally not heated. In addition, in late 2015 BRE adopted the Civil Engineering Environmental Quality Assessment and Award Scheme (CEEQUAL) certification scheme, which also deals with infrastructure buildings. Parking facilities are already certified under CEEQUAL [5].

Mobility trends

Changing customer behaviour

With the rise in online shopping, the traditional shopping experience in town and city centres is evolving. Consumers make fewer physical visits to shop in town and city centres and when they do decide to 'go shopping' they turn it into a full-day 'experience' often followed by an evening out[6].

This is shifting the pattern of physical shopping from smaller town locations to larger urban centres. This will create more demand for parking capacity management to improve access to the larger cities, with a corresponding fall in demand for locations in areas that are contracting. To reduce our dependency on any one type of parking purpose, we are already increasingly focusing on providing our parking services at multifunctional inner-city locations that serve a range of amenities, such as offices, shops and leisure attractions, at public transport interchanges, and at hospitals.

Sustainable developments in inner-cities

Larger cities are increasingly focusing on improving liveability and on sustainable mobility policies, both of which influence car usage and parking. Local authorities around Europe are constantly searching for ways to make their communities more liveable. Major cities like Brussels are expanding their pedestrian areas and nudging car traffic away from city centres[7]. Cars will be excluded from the urban environment, polluting cars refused access or taxed more heavily. In December 2016, the mayors of Paris, Madrid, Athens and Mexico City announced plans to take diesel cars and vans off their roads by 2025[7]. There will be an increase in pedestrian zones and facilities for cyclists which will increase the need for underground parking facilities or

4 http://www.pwc.com/gx/en/industries/financial-services/asset-management/emerging-trends-real-estate/europe-2017.html

5 https://www.parkeer24.nl/nieuws/211116/breeam-nl-voor-parkeergarages--gestopt

6 https://www.raconteur.net/business/perfecting-the-shopping-experience

7 https://arstechnica.com/cars/2016/12/paris-madrid-athens-and-mexico-city-will-ban-diesel-vehicles-by-2025/

facilities outside the centre. Q-Park has recognised this trend for years and has adopted a CSR strategy in a way that we measures our progress on these developments.

Parking facilities are more expensive to build and maintain but are more sustainable than on-street and off-street parking. In return for the higher cost of construction, operation, and maintenance, multi-storey and underground car parks contribute to pedestrian-friendly and high-quality public spaces.

Sharing economy

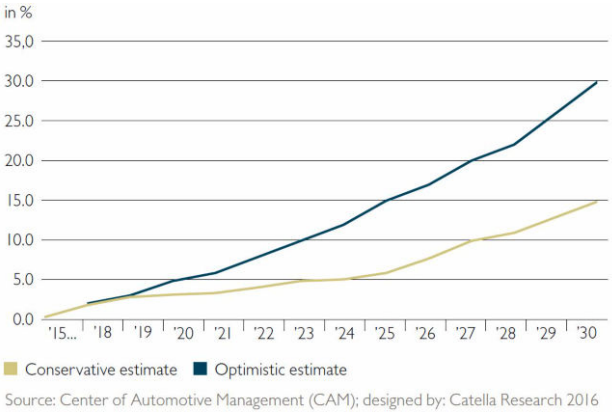
As municipalities increasingly impose measures to nudge people towards lower car use in city centres, it is logical that young people in particular are embracing car sharing as part of the wider trend towards the sharing economy. Young people who live in large cities have less need for a car, particularly when there are sufficient alternatives such as good public transport or cycling routes. The actual number of shared cars is still low compared to the total number of cars on the road and the associated growth outlook[8].

In our stakeholder dialogues, we hear many questions on the trend towards the sharing economy and more specifically car sharing. As a strong supporter of initiatives to support sustainable mobility, Q-Park already focuses on providing parking spaces to car sharing service providers and their customers.

Electric cars

While the number of electric cars is rising in some countries, especially in Norway, the Netherlands and France[9], there are a number of constraints to sharp growth: battery technology, market acceptance, and concerns about the environmental impact of the electricity needed to charge them. Despite fiscal incentive policies in some countries, consumers have not yet embraced the electric car on a large scale. Governments are now withdrawing fiscal advantages, so acceptance is likely to decrease even more.

We provide 591 charging points at Q-Park facilities, which enables us to meet the slow growth in our customers' charging requirements.



Expected e-car sales growth 2015-2030

Autonomous vehicles

The development of full autonomous vehicles (AVs) for private and shared use requires a huge technological leap and investment from car manufacturers, and poses major infrastructure challenges to spatial planners. AVs have the potential to be a true disrupter in the automotive industry and in the public transport and infrastructure domains. This development has far-reaching implications which are currently being debated by manufacturers, consumer groups, insurers, lawyers, and politicians[4].

In the medium to longer term, full AVs may form an influential trend. We anticipate the first commercial applications by as early as 2020, while the first autonomous motorway is expected in 2030[10]. This will really take off somewhere around 2040, and will

8 https://www.fastcoexist.com/3027876/millennials-dont-care-about-owning-cars-and-car-makers-cant-figure-out-why

9 https://en.wikipedia.org/wiki/Electric_car_use_by_country, 2017

10 http://www.driverless-future.com/?page_id=384

culminate in a completely self-driving ecosystem by 2050. We are keeping close track of these developments, as we anticipate that our parking facilities can form an essential and practical part of sustainable autonomous mobility.

Technology trends

Payment systems

Customers are becoming increasingly 'digitised': They expect to pre-book a parking space online, receive an e-invoice, and be able to pay online. They are happy to identify themselves through automatic number plate recognition if that makes entering and exiting a parking facility quicker and safer. And they are happy to pay for parking by means of an app or a bankcard instead of cash. In response to digital and payment trends, changes in customer needs and behaviour, and the evolution of smart cities, we are constantly developing our parking management systems and our operational processes. We already offer various electronic payment options.

Up-to-date information

Motorists expect to see the nearest available parking spaces through their in-car GPS. More and more information is becoming available to them to direct them to an available parking space while they are driving. The expectation is that local initiatives will be integrated into nationwide information systems in the near future, although this will apply only to purpose-built parking facilities and off-street car parking. Q-Park is at the forefront of these developments and already provides information via such systems.

Online services

Online services are essential for the future of the parking market. Think of pre-booking and paying for a parking space online, buying a parking season ticket, electronic invoices and payment options, a customer and partner portal, and targeted promotions in cooperation with partners (hotels, events, shopping centres). Q-Park is developing a digital platform to offer all these services, and to gain greater knowledge about our customers and partners.

Digital enforcement

Larger cities are introducing systems to deal with parking enforcement digitally[11]. This results in a shift from pre-payment to post-payment, meaning that local authorities generate more income as willingness to pay for parking increases and the enforcement costs go down. Q-Park's response to this is to integrate on-street and off-street parking services to service local needs.

11 http://www.parking-net.com/parking-news/safer-place/parking-enforcement-2016

The future of paid parking

At the stakeholder symposium entitled 'The future of paid parking' held in June, a lively discussion followed the presentations given by thought leaders from various parts of the automotive and mobility sectors. The following is a summary of the points of view aired:

- As the population continues to grow, along with mobility, demand for parking will also grow. Smart cities will have smart parking solutions. Smart parking is an excellent mobility regulation tool and an integral part of a smart city.
- Smart cities will also be digital cities with smart mobility. This is where traffic management and parking management are linked. With smart cars and autonomous vehicles it is foreseen that there will be less congestion and thus more reliable journey times. Autonomous vehicles will be the norm on motorways and on the city outskirts as motorists get closer to the city centre they will have to drive themselves again. Changes to city infrastructure will be needed to enable driverless travel from door to door.
- Cities of the future will seek the right balance between locations and functions. Urban densities will be higher, amenities will be concentrated in a small part of the inner-city.
  - On-street parking will be reduced in favour of pedestrian zones and cycle lanes.
  - There will be three types of car parks: inner-city, Park & Walk (P+W), and Park & Ride (P+R).
  - Functional differences will be introduced to car parks: for example, simple storage of cars, bicycle parking and hire, easy access to public transport.
  - New contactless payment methods will also help integrate these services.
  - The multifunctional car park of the future will offer a range of services such as shopping pick-up points, and short stay facilities serving differing needs of a range of motorists.
  - It will be important to get the mix right and to have the right parking tariffs according to how far away the car park is from the actual destination.
- Customers will expect a seamless parking experience – from easily finding a convenient place to park to easy digital payment. Paid parking will be deployed as a tool to regulate traffic in city centres. Motorists will no longer gamble on getting away with not paying as new applications technology, such as CCTV combined with the Internet of Things, will enable almost one hundred percent control of parking. This technology already works for toll roads, congestion charging and petrol stations.
- As public and private modes of transport blur and the distinction between on-street and off-street parking also becomes more blurred, it will be important to focus on getting the parking facility typology mix right to meet demand.
- To serve informed and connected customers it will be essential to connect car parks to digital platforms, and those digital platforms to customers and to businesses. There should be some differentiation between destination channels and those of intermediaries or parking service providers. These digital-age customers will demand hassle-free mobile digital payments. A communication layer connecting the customer and third-party sales channels with parking facilities will be an essential development.

Source: Q-Park Stakeholder Symposium, Eindhoven University of Technology, 2016