OVERVIEW

The West and North European service station networks consolidated further in 2012. Growth was reported in Central and Eastern Europe.

Fuel volumes followed a similar trend. Volumes in Western Europe were down by 3.0% on average in 2012 against increasing volumes of 6.6% on average across Central and Eastern Europe. Fuel sales turnover, however, was not greatly affected by the decline in volumes by virtue of the rising cost of fuel. As a result total fuel sales in some countries at the end of 2012 were either on a par with, or in a few cases even higher than, their level of a year ago. Belgium and Denmark were prime examples of rising sales levels, in spite of lower volumes of fuel sold across both markets.

Market Share

Major and international oil companies hold approximately 50% of Europe’s service stations network according to Verdict Retail. Their share has fallen by 5% since 2009. National and Independent networks are expanding their coverage at a faster pace and have grown by approximately 10% within the same period.

Supermarkets claimed a major share in the UK and France, however, they are not dominant across the continent as a whole. See Chart 3.

Fuel volume shares are still dominated by the major oil companies virtue of licencing and branding agreements struck between international and independent companies on a local level.

The share of unmanned stations is increasing across the continent. It is most noticeable in weakened and growing economies. Italy’s unmanned stations count increased by 20% in 2012. Poland’s unmanned sites grew by 57% in the last four years.

The growth of alternative fuel networks is also imminent, by virtue of EU and local legislation. Air Liquide, Daimler, Linde, OMV, Shell, and Total are reviewing implementation of a business model to build a joint nationwide hydrogen refuelling station network in Germany.

OK, one of Denmark’s leading fuel distributors, also announced plans to build a number of methanol filling stations in line with plans announced by the Danish government to phase out fossil fuels by 2050.
Carmaker Tesla is developing the concept of a “Supercharger” network of fast-charge stations, which the company says would take 20 minutes to fill a battery with enough power to drive for 200 miles.

The future of alternative fuel networks is still hard to forecast. Leveraging existing fuel networks is a direction prospect operators may consider.

*Chart 2: Total number of sites in Europe, 2013*

Source: Verdict Retail 2012

### 2012/2013 Highlights

A number of international oil companies announced plans for exiting certain European downstream markets. Delek Petroleum announced in March 2013 that it is considering selling its holdings in Delek Europe. Calcalist financial reported that parties interested in Delek’s European portfolio include Russian crude oil producer Rosneft and private equity firms Texas Pacific Group, Apax and Permira. It has been suggested that the fact that the Delek Group does not own an oil refinery in Western Europe prompted the decision to dispose of their downstream portfolio in the region.

In Dec 2012 Shell acquired Neste Oil’s portfolio of 150 service stations in Poland. Just a few months later, in April 2013 Shell announced that it is considering the divestment of its Italian service station portfolio.

Russian owned LUKOIL Group on the other hand is growing its market presence across Europe with recent acquisition activity reported in the Benelux region. The acquisitions increased the Group’s site count in the region to 228. The fuel supply for these stations is sourced from the Zeeland Refinery (former TRN) where LUKOIL acquired a 45% stake in 2009.

Esso sold 45 sites in the north of England and North Wales to Euro Garages in a consolidated portfolio deal in early 2013. Esso also sold its Scottish sites to independent forecourt operator MRH in March 2013.

### Retail

North and West European operators continued improving their convenience retail offer. Central and Eastern European markets still feature a more basic convenience offer, comprising of a smaller shop only. Local customers perceive service station convenience as expensive and therefore to be avoided at all costs. Attitudes are changing slowly and smaller fuel distributors are beginning to look at enhancing their non-fuel offer to raise their profits. Some smaller fuel distributors in the region are enhancing their non-fuel services to increase profits. Polish based Grupa Lotos recently announced plans to develop its non-fuel business due to decreasing fuel margins.

Shell is taking the concept of leveraging its network to a higher level and is currently road testing a new venture in Berlin in conjunction with Regus. Seventy service stations are being equipped with small office and conference facilities. Regus is creating a global network of business services at non-traditional locations such as transport and retail hubs across Europe. The two companies already have a partnership in France.

UK supermarket chain turned fuel operator ASDA rolled out the Click and Collect shopping concept across its portfolio of service stations. 24/7 trading at an easily-accessible geographically-widespread network of outlets is a logical platform for the concept.

Another UK supermarket fuel operator, Sainsbury’s, made a pioneering acquisition of six standalone service stations in 2013. The first Sainsbury’s Local service station, not attached to a supermarket, is in operation in Horley, UK.

All of the major fuel retailers have developed a premium fuel offering. Germany, Italy, France, Poland, Spain and the UK are listed as markets with potential for premium fuel sale growth by Verdict.

### Chart 3: Market Share per Fuel Retailer Type

Source: Verdict Retail 2012
Overview

Austria’s stable economic performance combined with the need for modernization and consolidation of the existing service station network was reflected in rising demand for primary locations to allow operators to grow fuel volumes.

Market Share

Service station site count declined by 3.0% to 2,515 in 2012. The decline in service stations is set to continue in 2013.

The top five oil companies in Austria accounted for over 60% of the national network, with OMV still in the lead accounting for 18% of all service stations.

JET was the only operator in the top five companies that increased its network in 2012.

2012/2013 Transactional Highlights

Shell transferred approximately 30 sites to Julius Stiglechner GmbH (IQ), a medium-sized Austrian company. Under the new agreement the transferred sites will operate under the Shell brand for the foreseeable future. Shell’s disposal activity in Austria is likely to continue.

Retail

Service station retail is still developing in Austria.

Merkur, Austria’s top supermarket chain and part of the Rewe-Group, formally entered into an agreement with BP in 2012. The new venture is named “Merkur inside”. The Rewe-Group is already represented at about 125 Jet petrol stations in the country. They plan to open roughly 80 new establishments between now and the end of 2014 as part of the “Merkur inside” partnership.

SPAR is continuing the implementation of the “SPAR Express” operation in partnership with Shell Austria. Shell plans to open 50 “Spar-Express” sites.

Shell is expanding its convenience retail service further by offering “Integrated Cash Management” services across its network. Shell teamed up with Easybank as the banking partner and Wincor Nixdorf as the technology partner to equip their stations with ATM POS terminals. The new facility will allow customers not only to withdraw cash but to profit from automated deposits on site. An estimated total of 125 Shell stations in Austria will be equipped with the new terminals by the end of 2013.

The Hofer Supermarket chain, controlled by Aldi Sud, and Free Energy Trading GmbH (FE) added 20 self-service stations at Hofer sites bringing the total number of FE locations to 47.

Austria’s unmanned service station network has increased by 68% over the last year bringing the total count of unmanned stations to 412.
Overview
Despite economic uncertainty, service station rents and land values both increased in 2012. Belgium is expected to remain static in 2013, before seeing growth of around 0.8% in 2014, marginally below the Eurozone average.

Market Share
Despite a decline in fuel consumption, total fuel sales values grew by 16.1% by virtue of increased fuel pricing. Verdict predicts that total fuel volume sales will grow by the end of 2013 which is expected to result in increased fuel related profits.

54% of the service stations in Belgium were owned by the top five companies in 2012.

2012/2013 Transactional Highlights
In 2012 ExxonMobil divested 44 sites acquired by G&V, one of Belgium’s largest independent petrol operators. G&V will be ExxonMobil branded and will continue to sell ExxonMobil products.

ExxonMobil announced that in Q4 of 2013 the rest of their network will be sold to multiple operators. G&V will acquire an additional package of 24 sites in the Flanders area. Maes Oil, a Belgian independent operator, will expand their existing network with 30 Esso branded sites in the Antwerp area. Belgian Carpark and Carwash Operator Uhoda will acquire the remaining 16 sites in the east of Belgium.

At the start of 2013 Delek Group announced they are examining the possibility of selling all or part of the company holdings in their subsidiary Delek Europe BV. Delek Benelux, which acquired Texaco’s Benelux portfolio in 2008, owns 276 service stations in Belgium. Interest in Delek’s downstream portfolio has been reported by Rosneft and private equity groups Apax, Texas Pacific Group and Permira. It is worth noting that Delek negotiated lower rents in the first five years of acquiring Texaco’s stations. The increase in rent levels is expected to result in increase in rent upon rent review at their leasehold interests.

Russian owned LUKOIL Group is growing its market presence in Belgium. Recent acquisition activity increased the Group’s site count in the region to 228 (180 Belgium, 46 The Netherlands, 2 Luxembourg). The fuel supply for these filling stations is sourced from the Zeeland Refinery (former TRN) where LUKOIL owns a 45% stake.

Historic site count
Source: Verdict Retail 2013

Retail
International supermarket operators are entering the petroleum retail market. British Tesco and French Carrefour are prime examples. Belgian Colruyt (DATS), Cora and Makro (Metro Group) also run their own fuel pumps at some of their sites. Although they own a relatively small share of the Belgian service station market, it should be noted that these retailers could be potential candidate buyers for service-stations divested by large international petroleum groups.

The total number of service stations in Belgium declined by 1.1% in 2012 to 3,175 sites. The number of sites is expected to decrease further in 2013. The trend is expected to continue until 2015.

19.1% of all sites in Belgium are unmanned, up by 5% on 2011/2012 site count levels.
Overview

The last 12 months have been turbulent for the Bulgarian economy. The overturning of the Bulgarian government in May 2013 was followed by continuous public unrest on the streets of the country’s capital. It is no surprise that there is less transparency into the market than there has been in previous years and developments within the industry are difficult to forecast.

Market Share

27% of service stations in Bulgaria are operated by the top five fuel retailers.

The total number of service stations in Bulgaria declined by 1.1% to 3,106.

Petrol Bulgaria has the largest service station network, with 354 sites, which makes up 11.4% of all service stations in Bulgaria. The majority of service stations (over 60%) in Bulgaria are operated by smaller independent retailers.

Market share per number of sites

2012/2013 Transactional Highlights

Romanian oil company Rompetrol opened ten new petrol stations in Bulgaria in 2012, bringing Rompetrol’s outlets in the country to 70.

According to Rompetrol management, there is increased interest from owners of smaller, independent fuel stations in Bulgaria to join the Romanian business as franchise partners, meaning its network in the country could expand even further.

Rompetrol’s appeal to the independents is governed by recent Bulgarian legislation which is driving the smaller fuel merchants out of the market. One way for them to survive in the current climate is by striking a partnership with large fuel retailers.

Greek-owned fuel retailer EKO Bulgaria plans to expand its filling station network through franchising and announced that it is currently in advanced discussions with several local companies. EKO Bulgaria is also seeking anti-trust clearance for plans to acquire its Dobrich-based peer Vista Oil. EKO Bulgaria, part of the Hellenic Petroleum group, currently has a share of approximately 9% on the local fuel retailing market and plans to raise it to 13% by 2015.

After entering the market in 2011 NIS Petrol, owned by Serbia’s Naftna Industrija Srbije (NIS), acquired 14 filling stations in 2012. NIS Petrol plans to acquire the fuel retailing assets of Varna-based Rekar and Varna Petrol Group, Plovdiv-based Emko-M, Silistra-based Silgrans and Pazardzhik-based Neftotrans 2000. NIS is planning to become an important stakeholder in the regional fuel retailing market by the end of 2013.

Retail

Bulgaria’s convenience retail offer is basic and as such ripe with potential to develop. Supermarkets have not yet entered the service station market widely and therefore an opportunity exists to develop the concept.

LUKOIL remained the only company operating unmanned stations in 2012.
Overview

The Czech Parliament recently approved an amendment to the law on fuel distribution. This amendment has the potential to reduce the number of fuel distribution firms in the country by as much as 50% of the current 1,850 firms, according to Cepro (Czech state-owned fuel retailer and oil storage company). The amendment proposes an obligation on all new fuel distribution firms to pay CZK 20 million (approximately EUR 769,539 or USD 1 million) as a deposit in order to operate in the country. Providing the Czech President signs the amendment, it would be effective as of 1 October 2013.

Market Share

The five leading fuel retailers by fuel sales account for 29% of the Czech service station network, with the largest group operating under the Benzina (PKN Orlen) brand and accounting for 9.1% of all sites.

The number of fuel retail sites increased by 0.6% in 2012.

Total fuel consumption in the Czech Republic continued to fall by 0.7% in 2012 to 4,496.6 million litres, compared with 4,528 in the previous year. The trend is observed as a result of increasing fuel prices.

Verdict predicts that fuel consumption will decline further in 2013. However, they are also forecasting a recovery in fuel volumes sold in 2014.

Historic site count

2012/2013 Transactional Highlights

Hungarian oil company MOL purchased Czech fuel retailers Bohemia Realty and Pap Oil expanding its network of petrol stations in the Czech Republic by 124 to a total of 149, including 25 units controlled by MOL’s subsidiary Slovnaft Ceska. This transaction has made MOL the fifth largest company by site count in the country. Reportedly MOL is seeking to expand further to a 10% share of the market in the near future. Anton Molnar, a spokesman for MOL’s Slovnaft unit announced interest in the Czech state-owned fuel retailer and oil storage company Cepro.

OMV, Agip and Robin Oil are each considering reducing their presence in the Czech Republic, whilst Russia’s LUKOIL, is considering expansion.

Reuters reported in 2013 that Czech downstream oil group Unipetrol has held talks with OMV about buying the Austrian group’s Czech service station network. Neither Unipetrol, nor OMV have formally commented on these plans.

Johannes Vetter, an OMV spokesman, announced in an interview to Reuters that OMV do not intend to leave the Czech market as they consider it one of their most integrated markets.

Retail

The Czech Republic is seeing an increasing emphasis on improving the convenience store offer at service stations.

LUKOIL invited international designers Minale Tattersfield to design their Prague network upgrade. The new look was implemented at LUKOIL’s Barrandov service station in Prague. The new design will create a state-of-the-art offer with a strong focus on own-brand and partner-branded food-to-go and self-serve coffee.

Supermarket chain SPAR announced plans to grow its franchise network in the Czech Republic.
Overview

Despite pressured volumes and an increasing number of discount supermarkets, applying pressure on service station shop operators, the market is still saturated and has seen less activity over the last 12 months than any of its neighbours.

Oil companies are focused on primary areas around the larger cities and are still operating a company owned platform. A shift to dealer owned platforms is noticeable in secondary and tertiary areas.

Rents and land values are reported as stable.

Market Share

The number of service stations in Denmark declined by only 0.25% in 2012 to 1,998 sites. 90% of all service stations in Denmark are operated by the top five fuel retailers.

With fuel prices increasing, despite falling volumes, the value of total fuel sold increased by 10.8% from 2011 levels. Verdict predicts that fuel volumes will decline further by 1.6% until 2014.

2012/2013 Transactional Highlights

OK, the owner of Denmark’s largest service station network, has expressed its eagerness to support the government’s initiative to phase out fossil fuels by 2050. OK has suggested that their existing network can be utilized for the purpose of selling a cleaner fuelling solution.

The company has announced plans to build a methanol filling station, based on a conventional station operating model. OK will partner with HAMAG, a station manufacturer, and Serenergy, manufacturer of the fuel cells used inside Ecomove’s QBEAK vehicles. OK has not announced the total number of stations they are planning to build. It is also unclear whether they will utilize their existing network or acquire new sites for the purpose.

Retail

As of 1st of October 2012 the Act on Closing Hours was relaxed further allowing supermarkets and other shops to extend their hours of operation. Operators have expressed mixed sentiments towards the impact this will have on operations. Manned sites with shops will have the opportunity to develop their convenience offer further. The operational expenditure associated with the Act may see more conversions from manned platforms to unmanned for operators whose primary focus is not on convenience retail.

Unmanned sites in Denmark make up more than two-thirds of the entire network.

In line with the new Act, Denmark is already recording improved service station convenience retail offers, stronger focus on quality foods (to-go) and improvement of the “coffee-to-go” offer. Each petrol company is seeking to establish its own branded offer on the market both with regards to convenience retail and quality fuel supply.
Overview
Continuous market consolidation has had a positive impact over the remaining operators, allowing them to increase fuel volume.
France boasts one of the most developed service station retail offers across the continent on a par with Germany and the UK.

Market Share
The top three fuel brands accounted for 56% of the French service station network, with Total-branded sites comprising 34.3% of the national network.
The total number of service stations in France declined by 2.1% to 11,798 sites in 2012. Verdict predicts the number of sites in France will fall by further 2.5%.
Supermarkets dominate the service station market in France, with Intermarché, Système U, Carrefour, and Leclerc combined commanding a total fuel sales share of 47.2%.

2012/2013 Transactional Highlights
Delek France announced the sale of its BP branded network in 2012. The transaction is expected to complete in early 2014. This activity is aligned with the Delek Group announcement in 2012 that the Group intends to focus on its exploration activity.
At the same time Delek acquired ExxonMobil’s West Atlantic network of 44 sites in May 2013.

Retail
In order to compete with the supermarkets’ petroleum retail dominance, major oil companies have had to rethink their service offer.
At the end of 2011 Total came up with the total access concept, combining low prices and premium Total-branded fuels and services. The total access network is expected to comprise of:
- around 300 Total-branded outlets, selected for their ability to handle high traffic volume
- all Elf-branded service stations, which already deploy a low-cost strategy, but thanks to the total access concept will now be able to offer products and services, such as Excellium fuels and GR cards, previously only available at Total service stations.

US-based Burger King has partnered with the Italian catering company Autogrill to open two locations in France. The units will open in 2013. The first site is expected to open at the Marseilles’ Provence Airport with the other at a motorway service station near Reims in the Champagne region.
The partnership with Autogrill will also see the opening of Burger King outlets in Switzerland and Poland. The arrangement will see more stores open in airports, service stations and train stations.

Delek are implementing the “Go The Fresh Way” concept, incorporating fresh sandwich shops and car wash across their network. Three sites were launched in May 2013, 22 more are expected by 2014.
Overview

Service stations were among the few real estate asset classes that were barely impacted by the economic downturn. Their rents remained stable throughout the year. A great majority of the German service station network is privately owned. Leased sites are considered a long-term investment which explains why the sector generally witnesses less activity and/or noticeable fluctuation in rents typical for office or retail investments in a failing market.

Fuel prices increased in Germany along with the rest of Europe, however, consumption of fuel also increased. Verdict predicts that fuel consumption will continue to grow in 2014.

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Site count vs. average fuel volume

Germany is expanding its hydrogen filling stations network from 15 to 50 by 2015. Air Liquide, Daimler, Linde, OMV, Shell, and Total are working on implementing a business model to build nationwide hydrogen refuelling station network in Germany. The objective of this initiative is to prepare for the planned launch of fuel cell electric vehicles and build up the country’s hydrogen refuelling station network infrastructure.

2012/2013 Transactional Highlights

No major merger or acquisition activity was reported in Germany in 2012.

PKN Orlen, Poland’s largest retailer and refiner, is aiming to buy petrol stations in Germany and expand its Star brand in Europe. They are looking for takeover candidates in Bavaria to complement its existing network in Germany. At present PKN has a market share of approximately 4% in the country.

Market Share

The big three petroleum companies Aral, Shell and Esso continued their consolidation strategy. They are focusing on high volume stations and improving the non-fuel related offer at their stations.

Total continued to expand in Germany. They increased their portfolio in 2012 from 969 up to 1,007 stations (+ 3.9%).

Tamoil Owned HEM announced plans to expand its network across Northern Germany by 100-150 sites over the next ten years.

Market share per number of sites

Network owners in Germany are leveraging their strategic location to add income. Shell is currently road testing a new concept in Berlin in conjunction with Regus. 70 service stations are being equipped with small office and conference facilities. Regus is creating a global network of business services at non-traditional locations such as transport and retail hubs across Europe.

Germany’s Service Station network features a highly developed convenience offer. As reported previously, most fuel retailers have either partnered with local grocers and supermarket chains or have their own shop brand. However, German station operators have come up with the following pioneering enterprise aimed at indulge motorists even further.

Ralf Mehlmann opened his first “Tank & Cut” in Konstanz at the start of the year. The concept allows customers to fill up their tank, get their car washed, grab something to eat – and also get a haircut. Ten additional locations should open this year and 100 more planned for in 2014. Watch this space.
Overview

Rental levels and sale prices seemed to stabilize in 2012 after a significant drop was reported in previous years. Rental interest remained focused on prime urban locations whilst sales occurred in regional and motorway locations.

The market is forecast to stabilize further in 2013 according to a statement by MOL Hungary.

Market Share

The top five fuel retailers by fuel volume sales accounted for 61% of the Hungarian service station network in 2012. MOL accounted for 22% of the national network.

All big oil companies have been downsizing and optimising their retail networks. Verdict predicts that the number of service stations in Hungary will decline by 1.2% in the foreseeable future.

Agip announced that they will be evaluating the performance of their portfolio in 2013 with a view to optimising performance.

Market share per number of sites

2012/2013 Transactional Highlights

Shell closed 17 sites in 2012 and 14 in 2013. Announcements were made earlier this year that more sites will either close or sell in the near future. OMV closed ten sites in 2012 with 170 remaining.

MOL closed four sites in 2012.

‘White stations’ (stations free of supply tie, which can negotiate the price at which they buy fuel) like Oil! and Dallas have been expanding, taking over stations divested by the major operators.

Retail

Service operators reported decreasing shop turnover in 2012, attributed to higher fuel prices. According to the Hungarian Office of Statistics convenience store turnover declined by 2% in 2012. It is expected that the recently introduced tobacco concession regulation will affect service station turnover negatively. The government’s decision for tobacco products to be sold only at authorized shops has meant that many stations would lose a chunk of their turnover. For instance, out of MOL’s 360 stations in Hungary, only 25 won a concession to sell tobacco under the new legislation. MOL has announced that it is looking for tobacco concession winner partners to set shop at 200 of their locations.

Hypermarket chain Auchan, which operates service stations under its own brand, announced plans to build more stations at its existing hypermarkets, including the seven Cora stores they acquired in 2012.
Overview

Investor confidence improved in the first half of 2013 as investment in Italian real estate exceeded €2 billion, an increase of 16% compared to the same period in 2012.

The industrial & logistics sectors accounted for 7% of the total investment volume in the first six months of 2013. Despite improving investor interest, rents in Italy followed a downward trend in the last 12 months.

2012/2013 Transactional Highlights

Major oil companies disposed of marginal sites to smaller operators at regional level. ExxonMobil sold 63 sites in the north-east of Italy to privately owned independent company Retelitalia. The service stations will remain ExxonMobil branded.

White pumps (stations free of supply tie, which can negotiate the price at which they buy fuel) numbers are steadily increasing. At a count of approximately 2,700 sites at the beginning of 2013, they represent 12% of the entire market.

In April 2013 Shell announced that it was considering the sale of its Retail, Aviation, Supply and Distribution Downstream businesses in Italy. Although several major parties have indicated interest in the portfolio no offers have been confirmed.

Retail

Carrefour opened its first urban Carrefour Express store inside a Shell service station in the centre of Milan. A Carrefour Express motorway site is also in service on a site near Bologna.

The successful launch of their recent initiative is reportedly considered the start of a fruitful partnership by both companies.

Smaller fuel distributors in Italy are beginning to look at improving their non-fuel offer in order to grow their profits. The high cost of absorbing fuel discounts has made fuel retailing unprofitable and almost impossible for small distributors to sustain on its own. Focussing on non-fuel retail has proven successful in other markets, such as Poland for example, where Grupa Lotos recently announced plans to develop the non-fuel aspect of its business due to falling fuel margins.

Italy's independent service station operators are expected to mirror the trend set by their counterparts in markets such as the UK and Germany, and partner with well-known food and convenience retail operators, in order to attract customers.
Overview

The Dutch service station network decreased by 6% in line with falling fuel volumes. Verdict expects the number of service stations to consolidate further by approximately 6%. Verdict forecasts that fuel consumption in the Netherlands is also expected to decline.

Lower fuel volume sales in 2012 resulted in pressured rents. 2012 rent reviews witnessed rent reductions which is great news for occupiers able to take advantage of the market conditions, but not so good for landlords basing their expectations of return on investment on market growth. Rents are, however, reported to be stabilising gradually.

Site count vs. average fuel volume

Market share

Shell had the largest network of service stations, capturing 15% of the entire Dutch service station network. This was followed by Texaco, with 11.8% of the service station market, and total, with 11.6%.

Shell also retained its position as the largest fuel retailer by fuel volume share, accounting for 27% of all fuel volume sales, followed by BP, with a 13% share, and Texaco, with 10.8%.

LUKOIL, the latest market entrant, completed the rebranding of all 46 service stations they acquired from Verolma Group in 2011.

2012/2013 Transactional Highlights

At the start of 2013 Delek Group announced they were examining the possibility of selling all or part of the company holdings in the subsidiary Delek Europe BV. Delek Europe initiated its “footprint” through its wholly owned subsidiary, Delek Benelux, through the purchase of 870 Texaco gas stations and 410 convenience stores in the Benelux area.

Third parties have been invited to submit bids to buy Delek Europe BV. Delek own approximately 429 stations in the Netherlands. An article in the Calcalist Financial reported that the company was in talks with select bidders to sell its European operations for €800 million ($1.06 billion). Calcalist said those interested included Russian crude producer Rosneft and private equity firms Texas Pacific Group, Apax and Permira.

Historic site count

Service stations are improving their convenience retail offer as a means of attracting clients and growing fuel volumes. Income generation initiatives such as Shell’s “2theloo” partnership are adding opportunities to grow service stations profits. “2theloo” offers refreshing restroom facilities, with a range of toiletries, gifts and gadgets for sale. Family restrooms for parents with kids are available at some outlets.
Overview

The residential real estate market in Norway is growing, creating opportunities for alternative use site divestments of service stations in densely populated areas.

Continued service station network consolidation therefore provides developers and property investors a choice of prime location sites to bid for and convert.

Market Share

In 2012 the number of service stations in Norway was 1,750, down by 27 sites or 1.5% compared to 2011.

The top five fuel operators accounted for 91% of all service stations in the country.

Three of the top five each divested sites in 2012. Shell’s network reduced most significantly by 9.2% equating to a net loss of 42 outlets between 2011 and 2012. Verdict forecasts service station numbers will decline further to approximately 1,690 sites.

Retail

There is an increasing trend for improving the “grab and go” food offer as well as growing preference for healthy food options served across Norwegian forecourt shops.

Service station shop sales are under pressure due to strong competition from grocery chain stores such as Kiwi, Bunnpris, Rimi etc. which benefit from longer opening hours.

Historic site count

Source: Verdict Retail 2013

Site count vs. average fuel volume

Source: Verdict Retail 2013

Market share per number of sites

Source: Verdict Retail 2013

Total fuel volume sales in Norway declined by 2.4% compared to 2011 levels.

2012/2013 Transactional Highlights

2012 was defined by the takeover of Statoil Fuel and Retail (SFR), the former retail arm of Norwegian oil giant Statoil ASA, by Canadian based retail giant Alimentation Couche-Tard Inc.

With SFR, Couche-Tard took control of 2,300 service stations in Scandinavia, the Baltic states and Poland, as well as a dozen fuel storage terminals, located along key spots on the European coastline. SFR’s real estate assets alone are estimated to be worth at least 10 billion kroner ($1.7 billion).
**Overview**

The Polish service station network continued to grow throughout 2012. Poland is one of the most active fuel retail markets across the continent, attracting a lot of attention from international oil companies and supermarket chains.

**Market share**

Despite rising fuel prices, growing fuel demand in Poland led to a 3.2% increase in fuel volume sales in 2012. Verdict Retail predicts that fuel volumes will continue to grow.

The top five operators accounted for 50% of service station numbers in 2012. PKN Orlen still dominates the market owning approximately a quarter of the entire network. According to Verdict the total number of service stations in Poland is expected to grow further by 2.4% by 2015.

**2012/2013 Transactional Highlights**

Grupa Lotos, Poland’s fourth biggest fuel retailer announced intentions of growing their portfolio to 400 sites. Their particular interest is acquiring family owned companies with several stations, creating an opportunity for smaller enterprises to grow as part of the Lotos Group.

Shell took over the entire Neste Oil filling station network in Poland for a reported €80 million. The transaction, expected to complete in 2013, will add 105 unmanned stations to Shell’s portfolio. Petrol Plaza (15-12-2012) reports that Neste Polska generated €250 million in sales in 2011. PKN Orlen and Grupa Lotos both bid for the portfolio.

Automated station operator Momo announced plans for growing its network and branching out into manned service stations. They plan to expand within West Europe in 2014.

At the same time Poland’s fifth biggest petrol station network owner, Couche-Tard Inc owned Statoil, announced it is considering putting their portfolio in the country up for sale. According to Polish daily Dziennik Gazeta Prawna the most likely buyer is Russia’s LUKOIL. Neither company has made an official statement.

**Retail**

The French independent retailer Intermarché announced plans to open 30 new stores in Poland. It will expand its petrol station offer across its existing network of supermarkets in the country. The retailer will be piloting the Intermarché Express format in Warsaw and other large cities on sites with sale areas of 500 square metres and more.

Burger King is also expanding its presence in the country in conjunction with its partnership with Italian catering company Autogrill.
Overview

Total fuel consumption in Romania declined by 5% in 2012. Verdict Retail estimates that fuel consumption in Romania will decline by a further 1.5% by the end of 2014.

The total number of service stations in Romania also declined by 2.7%. Verdict Retail suggests the network will contract by additional 1.8% to approximately 1,962 sites.

Market share

The top five fuel retailers in Romania account for approximately 60% of the entire network. Petrom has the largest coverage, accounting for 20% of the national network.

2012/2013 Transactional Highlights

LUKOIL is the only operator displaying signs of consolidation. The oil company divested 27 sites in 2011/2012. The majority of their sites are positioned on motorways.

GAZPROM entered the market in 2012. It is expected that they will add 50 new sites to the network by the end of 2013. At present there are 12 GAZPROM sites.

Retail

73% of all stations feature a convenience retail offer, however, the public perception is that these shops are generally more expensive and they are used out of necessity rather than convenience.

Supermarkets have not yet entered the service station market widely and therefore an opportunity exists to develop the concept.
Overview
The number of service stations in Slovakia has been growing continuously since 2009. Verdict forecasts the network will increase by 2.9% in the foreseeable future.

Market share
Slovakia is one of Europe’s smallest markets, yet it features stable fuel volumes, compared to some of the bigger and more developed markets. After increasing by 11.6% at the start of 2011, total fuel volumes increased further in 2012 by 1.6%. Verdict estimates that total fuel volume sales will continue to grow off the back of the expanding network.

Two-thirds of all service stations in Slovakia are operated by the top five fuel retailers. Slovnaft have the largest service station network, equating to 30% of the entire market.

LUKOIL and Shell are both expanding their portfolios, following in Slovnaft’s footsteps. OMV is consolidating its network and have suggested that they may be exiting Slovakia altogether in the near future.

2012/2013 Transactional Highlights
As a smaller market Slovakia has not had any major activity. Only single site transactions took place in the last 12 months.

Retail
Tesco continued expanding its smaller format sites in 2012. It also remained the only unmanned sites operator in Slovakia with 17 sites, run exclusively by Tesco.

681 sites feature a convenience shop, which is approximately 94% of the entire network. However, growth of retailers expanding their share on the market has not been significant in the last 12 months.
Overview

The economic downturn, increasing unemployment and strict austerity measures led to general lack of market confidence in 2012. Rents and freehold values weakened in all property sectors. Spanish borrowing costs, however, stabilized in the second half of 2012 leading to a more positive outlook in 2013 and forecasts of economic improvement.

2012 austerity measures impacted the petroleum industry with the introduction of a new sales tax on Determined Hydrocarbons (or the ‘Centimo for Health’ tax), allowing regional authorities to introduce their own tax on petrol sales. Biofuels, which previously enjoyed tax exemption, were also taxed in the new budget announced in June 2012.

Market share

The top five companies in Spain make up 68% of all service stations. The total number of service stations in Spain continued to grow by 0.7% to 10,309 sites in 2012. Despite the difficult economic conditions the service station network is expected to increase further.

Fuel consumption in Spain followed a downward trend which started in 2010. Volumes declined by 5.8% to 25,760 million litres in 2012.

2012/2013 Transactional Highlights

The last major investment deal was reported in 2011 when Eroski sold 28 petrol stations on a sale and leaseback basis to AXA for €55,000,000.

Following the 2011 sale, Eroski are reportedly considering the sale and leaseback of a further 20-30 petrol stations in order to obtain more liquidity. It is unlikely that Repsol and Cepsa, will undertake a similar exercise. Their low debt levels enable them to obtain cheaper financing and the volumes associated with such transactions have minimal effect on their balance sheets. Major activity in the sector is therefore expected to be focused on supermarket or independent operators facilities in the foreseeable future.

In 2012 only one private investor purchase was reported of an individual petrol station in Madrid for €2,000,000.

The main merger in 2012 was Cepsa’s purchase of 100% of Chevron España shares. Cepsa took over Chevron’s fuel business, including 64 Texaco petrol stations in the Canary Islands, where Cepsa is now a major operator.

Retail

In July 2013 Repsol announced that it was planning to introduce Campsa Express, their new low cost petrol station brand, to the market. The Campsa Express concept will be completely unmanned and will not feature a convenience store. Repsol has piloted the new project across ten service stations and are assessing their performance before implementing the new model widely.
Overview

Despite a favourable economic forecast declining fuel volumes and increasing pressure on pricing were reported in 2012. In addition to that, an estimated 2,200 inhabitants per service station compared to Germany’s 5,670 customers per service station indicate that consolidation activity will continue. BP Switzerland estimates that a quarter of the stations in the country are unprofitable.

In 2013 the Swiss Parliament announced plans for a fuel tax increase. If allowed, this legislation will press margins further and potentially put an end to “fuel tourism” across stations in close border proximity.

2012/2013 Transactional Highlights

Following the acquisition of Esso Switzerland, reported in 2012, SOCAR, the State Oil Company of Azerbaijan, took over a retail network consisting of 170 filling stations, including a division specializing in fuel marketing for industry and wholesale clients.

SOCAR also took over the Wangen-Olten gas filling stations, a number of filling stations and joint ventures specializing in aircraft fuelling at Geneva and Zurich airports and the Swiss Provision and Supply Company that controls joint ventures managing terminals and pipelines. The above activity has meant that SOCAR now has a 7% fuel volume share and approximately 5% site count of service stations they operate and own.

No other major portfolio activities have been reported.

Market Share

The top five operators by fuel volume share accounted for 63% of the Swiss service station network. BP has the largest volume share at 14%, but only the third largest network in site count.

The Avia-branded network is the largest in terms of sites in Switzerland, accounting for 20% of sites nationwide.

Historic site count

Source: Verdict Retail 2013

Retail

In December 2012 the Swiss Parliament passed an amendment to the Employment Law Act 1964, extending the hours of operation of convenience shops at stations located on motorways or main roads with high-volume traffic. The previously mandatory opening hours system meant that staff on petrol stations were only allowed to sell items covering immediate travellers’ needs (e.g. newspapers, coffee, soft drinks, sandwiches), while the sale of all other items (beer and chips among others) was prohibited between the hours of 1:00am and 5:00am and on Sundays. The recent regulatory amendment will enable shops at motorway stations to remain open at night and on Sundays, offering the full range of convenience store products. A public vote set for the autumn of 2013 will decide whether late opening hours can be extended across shops on the entire network.

If allowed this move would pave the way for operators growing their fuel sales through an improved convenience offer. Convenience retail is reportedly one of the few retail sectors in Switzerland reporting growth in 2012, with retailers such as Migrolino, Co-op Pronto, Ave, Volg and Agrola leading the growth trend.
UNITED KINGDOM
PETROLEUM RETAIL MARKET VIEW 2013

Overview
2012 fuel volumes were stable. A decline of only 1.1% was reported against 2011 levels and 6% against 2002. Average fuel prices grew in 2012.

One significant difference to the previous year was the number of sites changing their operational model from Company Owned to Dealer Owned. 166 conversions were reported in 2012 in contrast to only 19 in 2011. More than 70 Esso and Rontec sites converted to the DOCO (Dealer Owned Company Operated) model. 13 Shell and six BP sites also moved into the dealer sector.

Petrol station planning rules may be eased to encourage growth on UK motorways. Government has announced plans to make service station opening “easier and quicker” on England’s motorways and major roads. It is yet to be seen whether these plans will materialize and what difference, if any, this will make to the service station network.

Market Share
The oil company owned sector now has less than 35% of the total sites and is also down to less than 27.5% market share by fuel volume sold.

Market share per number of sites
The Supermarkets’ share of the sector climbed from 39% to 46.6% of fuel volume sold in a year in the UK, with greater concentration on the market of fewer, bigger sites owned by the supermarkets. This trend is set to continue.

2012/2013 Transactional Highlights
The majority available sites are low quality stock as a result of the major operators continuing to rationalise their portfolios such that they only retain the most profitable sites.

Esso sold 45 sites in the north of England, Yorkshire and North Wales to Euro Garages in early 2013. Fuel will continue to be supplied by Esso, while the shops will be re-branded to SPAR.

In March 2013 Esso sold its Scottish sites to indie forecourt operator MRH.

Irish operator Petrogas, has plans to acquire 17 new properties in 2013 and expand further beyond 2014/2015.

23 BP sites, mainly in the south, came to the market in 2013. The sale of the sites will mark the final stage of the disposal of BP’s downstream network in UK. The BP brand will remain visible through a network of dealer operated and franchised properties.

Retail
Sainsbury’s acquired leases for six standalone stations. The first Sainsbury’s Local, not attached to a supermarket, is in operation in Horley. Offers have been invited for the sale of the investment in the remaining five sites.

SPAR UK and Harvest Energy teamed up to launch a SPAR-branded forecourt concept, designed to offer convenience retailers a competitive fuel supply deal with an advanced shop offer.

Supermarket chain NISA also plans to convert ten of its 130 stores to offer a service station facility.

Morrisons continued growing their re-branded convenience chain, Morrisons M Local. The acquisition of six former HMV and 49 Blockbuster stores, makes them a prime candidate for potential joint ventures.
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