EU car parking market

September 2014

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Q-Park estimation of car parking market in EU-28

- Approximately 440 million parking spaces, split between the functions residential, work, shopping, airports, railway, hospitals and leisure. The parking market can be consolidated by **five headline** types;
  - **Residential & work private property**: 155 million parking spaces
    - Intended for private use only. In cases where unintended occupation could reduce available capacity below demand, accessibility is by permission only (i.e. permits or barriers).
  - **On-street public space**: 130 million parking spaces
    - Used by various visitor categories over time. In case of conflicts between prioritised categories (i.e. residents) and non-prioritised visitors, usage can be regulated (i.e. permits and Pay & Display). In most countries prerogative for public authorities (as is tracing of number plate owners). In some countries on-street enforcement can be outsourced to private operators.
  - **Open-air public space**: 115 million parking spaces
    - Used by various visitor categories over time. In case of conflicts between prioritised categories (i.e. residents) and non-prioritised visitors, usage can be regulated (i.e. permits, Pay & Display, or barriers). Operations can be done by private operators or by public authorities.
  - **Floors of shops and offices**: 30 million parking spaces
    - Usually intended for related use only (shop visitors, office workers & visitors). In cases where unintended occupation could reduce available capacity for intended users, accessibility can be regulated (i.e. permits, Pay & Display, or limited time use). Operations can be outsourced to private operators.
  - **Purpose built car parks**: 10 million parking spaces
    - Usually intended for paid public parking (i.e. Pay & Display, or barriers). Operations by public authorities or private operators.

Q-Park estimation – distributed between different categories

Parking (EU-28)	Residential & work private property	Non regulated public access	On- & off-street open-air P&D regulated	Off-street open-air barrier regulated	Off-street purpose built regulated	Total
Residential & work	155 million					**155 million**
On-street public space		113 million	17 million			**130 million**
Off-street open-air		100 million	8 million	7 million		**115 million**
Off-street floors		25 million			5 million	**30 million**
Off-street purpose built					10 million	**10 million**
Total	**155 million**	**238 million**	**25 million**	**7 million**	**15 million**	**440 million**

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EPA data collection – from 'Scope of parking in Europe'

- According to EPA's 'Scope of parking in Europe', regulated parking spaces in EU-28 (use this extrapolated data with caution);
  - On-street: 17 million parking spaces
  - Off-street: 15 million parking spaces open-air*
  - Off-street: 15 million parking spaces purpose built*

- With more certainty, there are 33,760,146 regulated parking spaces in EPA municipalities populations >20,000
  - Off-street: 21,756,041
  - On-street: 12,004,105

- Carefully estimated, there are 40,887,697 regulated parking spaces in all EPA municipalities
  - Off-street: 26,175,123
  - On-street: 14,712,574

* Note from Q-Park; Over the past years and in the near future the areas of regulated parking extend, due to additional parking pressure from increasing urbanisation, economic development and car fleet growth. We estimate that the potential off-street regulated parking market will develop over the coming years from 30 million to 40 million parking spaces.

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EPA data collection – distributed between different categories

	Municipalities > 20.000			Avg revenue per space	All municipalities	
Off-street	**21,756,041**			**€ 780**	**26,175,123**	
In structure		7,324,109	33.66%	€ 1,100		8,811,780
Surface level		3,137,530	14.42%	€ 900		3,774,824
Park + Ride (dissuasion)		922,759	4.24%	€ 200		1,110,190
Sport, cultural and leisure facilities		2,171,436	9.98%	€ 10		2,612,497
Shopping centres and markets		5,326,328	24.48%	€ 700		6,408,210
Hospitals, universities		1,993,466	9.16%	€ 550		2,398,378
Airports		880,414	4.05%	€ 1,200		1,059,243
On-street	**12,004,105**			**€ 496**	**14,712,574**	
Regulated for general public use		7,069,879	58.90%	€ 800		8,665,046
Residents only		2,975,493	24.79%	€ 100		3,646,849
Loading and unloading		482,528	4.02%	0		591,400
Motorbike spaces		779,464	6.49%	0		955,334
Other (handicapped, police, etc.)		696,741	5.80%	0		853,946
Total	**33,760,146**				**40,887,697**	

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EPA data collection – mapped with Q-Park parking spaces

	EPA Off-street	EPA On-street	EPA Total	Q-Park (2013) Total	Q-Park Market share
Netherlands	1,085,257	431,773	1,517,030	96,974	8.94%
Germany	4,935,623	2,638,385	7,574,008	88,214	1.79%
Belgium	664,331	343,480	1,007,811	45,928	6.91%
Great Britain	2,700,000	1,600,000	4,300,000	52,237	1.93%
France	1,676,318	1,028,250	2,704,568	105,690	6.30%
Ireland	268,897	84,259	353,156	23,474	8.73%
Denmark	292,693	123,911	416,604	57,158	19.53%
Sweden	933,211	227,577	1,160,788	248,518	26.63%
Norway	382,185	103,571	485,756	58,499	15.31%
Finland	445,276	129,222	574,498	28,628	6.43%
Total	**13,383,791**	**6,710,428**	**20,094,219**	**805,320**	**6.02%**

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EPA data collection – additional information

Unregulated parking spaces

The predictions obtained make reference solely to regulated parking spaces, but... how many that are still unregulated could exist in Europe?

The answer to this question is very difficult to obtain. The estimation presented must be considered as only an initial approximation as the available ratio on unregulated parking spaces per inhabitant comes from three countries only: Germany, Norway and Portugal.

- The mean ratio resulting from all available information is 0.28 spaces per inhabitant.
- If we apply this ratio to the EU-28 population, it would be ≈190 million *(Q-Park estimates 238 million)* unregulated parking spaces.
- Consequently, we could calculate that there are up to four unregulated parking spaces for each regulated space.

Revenue

- For EPA municipalities populations > 20,000, a total of € 23 million revenue per year, of which;
  - € 17 million off-street, at an average of € 780/space per year
  - € 6 million on-street, at an average of € 496/space per year
- For all EPA countries, a total of € 26.4 million revenue per year was estimated, of which:
  - € 19.6 million off-street, at an average of € 749/space per year
  - € 6.8 million on-street, at an average of € 460/space per year
- Total revenue for EU-28 was estimated at € 29.3 million per year, of which:
  - € 21.9 million off-street, at an average of € 725/space per year
  - € 7.4 million on-street, at an average of € 439/space per year

Segmentation by function

The car parking market can be segmented by the function that the parking facility serves. Across the functional axis we distinguish between:

- City centre multifunctional parking facilities serving various urban needs (shops, offices, residents) over time, leading to the highest occupation rates and relatively limited changes in usage over the years. Due to concentrated activities, those facilities tend to combine higher occupation with higher parking tariffs.
- Off city centre multifunctional parking facilities with medium level of concentration of activities and parking tariffs. Due to the various functions served, relatively limited changes in usage over the years may be expected.
- Monofunctional parking facilities at shopping centres or office areas depend on the commercial success of the shopping centre or letting ratio of the offices.
- Train stations as a hub in the mobility chain facilitating parking services to public transport users (regular commuters and casual train travellers). In major cities railway stations attract additional businesses (office, retail) with substantial spin-off to parking business. Due to the long-term perspective of railways and stations, continuation of usage over the years might be expected.
- Hospitals where parking is connected to long-term health care activities with potential growth due to the ageing population. Hospitals usually provide regional service with locations outside dense urban areas; hence push towards low parking rates. In case of hospitals inside urban areas accessibility for hospital staff and visitors needs to be protected against other users of hospital car parks.
- Airports as a hub in the long-distance mobility chain facilitating parking services to travellers by plane. Airport parking can be a volatile business when an airport is engaged with low-cost carriers. Airports with a major important economic role, near large urbanisations, show a less volatile performance over years.

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Segmentation by urbanisation

The car parking market can be segmented by the urbanisation that the parking facility serves. Across the city axis we distinguish between:

- A-cities: clear major cities with an important economic role which serves multiple functions including shopping, business, tourism, etcetera, They have dense urban activities and high parking demand in a wide urban area.
- B-cities: have a regional role for shopping and business. These cities may have a less attractive outlook because they tend to offer less fun shopping. They may also experience competition from nearby A cities or from online retailing.
- C-cities: no major business concentration and shopping is primarily functional. Parking tariffs are typically low but there is often still a requirement for paid or regulated parking.

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Trends & developments

- Six megatrends which have impact on the future parking market:
  - Digitisation – integration of services impacts parking value chain (not parking demand)
  - Urbanisation – shifts parking demand from smaller and regional cities to larger cities
  - Experience shopping – shifts parking demand to larger cities because online shopping decreases shopping frequency and makes shopping experience more important
  - Local government debt, two scenarios to decrease debts:
    - Increased parking tariffs, which will increase prices overall
    - Increased on-street parking spaces, which will decrease demand for off-street parking
  - Green government initiatives – shifts parking demand, especially in larger cities:
    - Pedestrianisation, decreases on-street parking and shifts demand to off-street
    - Congestion charges, shifts demand from inner-city to outer-city parking
  - Car developments (sharing / driverless / e-cars) – limited impact, especially in short term (could be disruptive beyond 2025)

Trends & developments – digitisation

- Parking service providers: casual customers are targeted with payment and guidance services, and discounts. Based on personal and number plate information, travel and shopping behaviour is captured to sell promotion channels to third parties. For Q-Park, this is a potential thread for revenues and margins as about 75% of our parking revenue is generated by casual customers.
- Electronic payment: cash payment is more and more replaced by electronic payments, using bankcards or mobile phones. Electronic payment schemes are mostly locally driven or based on national schemes with many initiatives, implying risk of noncompliance. And, many of those early-innovative schemes disappeared after a few years. Payment analysts expect the market to be captured by a few big players, benefitting from the gathered payment data (big companies, big data). Standardisation along the lines of the Single European Payment Area (SEPA) guidelines is crucial to prevent monopolist market positions in the long run. For Q-Park, this mid-term development will provide better freedom of choice in processing millions of payment transactions.
- Digitised enforcement: larger cities are digitising on-street parking processes which is check-in based on number plate. It allows a shift from pre-payment to post-payment on-street, and has sliced payment to smaller units. This improved process reduces the number of on-street control fees and its ease of use challenges the off-street parking benefits. Q-Park has anticipated on these trends by introducing smaller payment units (from hourly to Euro rates) and implementing electronic payment upon exit for ease-of-use of our car parks.
- Real-time information: more and more information is available to assist car drivers (traffic jams, P+R facilities, availability, tariffs). Local initiatives will be integrated to nationwide schemes over the next coming years. In the near future those schemes will be limited to off-street parking (estimating on-street availability is more complex), putting the off-street parking facilities in a better competitive position for visitors of central urban areas. Q-Park is at the forefront of these developments. It is recognised as crucial to take stakes in these business networks, to assure future parking revenues at prime locations and prevent roaming by service providers.

Trends & developments – digitisation

- Online services for parking customers: booking a parking space and payment, season ticket sales, invoice delivery and payment, self-service and maintaining one's own information, targeted promotions, as well as third party partnerships for cross-selling opportunities are all crucial for further market development. Q-Park has progressed on these developments by developing a digital platform which integrates with our back-office and PMS systems, our websites and CRM functionalities, and enables third party interaction. Our surveillance business provides digital permit options to stakeholders and has equipped parking attendants with handhelds. And the appeal process is digital too.
- Online services for other stakeholders: people today search the internet to find the information they need as it is quick, actual, in many cases comparable and/or verifiable, in various formats retrievable (copy, film, photo) and perceived to more environmentally friendly than printed materials or going places (tradeshows for example). Organisations have to be transparent and accurate on their performances, and social and environmental impacts. They have to engage and interact with their stakeholders in a quick, secure and appropriate way. For this reason, Q-Park has adopted the 'online first' reasoning and provides its corporate, financial and non-financial information online. Employees and potential candidates, students and journalists, investors and banks – they can find relevant information online and interaction is quick and easy.

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Trends & developments – car developments

- Electric vehicles have shown strong development over the last few years however, limited battery capacity and range, constrained market acceptance. Despite temporary strong fiscal support in some countries, consumer acceptance did not really take off and government budget constraints reduced these fiscal supports. In the Netherlands e-vehicles (incl. plugin) represent 0.4% of the total vehicles in use. Future development is uncertain, in volume and in (charging) technology. High capacity charging points (i.e. 15 minutes) come with high costs in network and security. Charging while parking (i.e. for two hours) require low cost charging points, using the current network. Q-Park has anticipated on these developments by installing low cost and low capacity charging point in 394 of its car parks, facilitating the potential growing market segment at low investment costs.
- Driverless cars. In the very long-term, driverless cars could become a potentially disruptive trend. The path of development could be from a first commercial driverless car in a self-drive traffic eco system in 2018 to a first autonomous highway in 2025. We do not expect a full network of autonomous highways before 2030 and a fully autonomous eco-system is not expected before 2040. Although potential impact is uncertain, it is an important development that we will continue monitoring as its technology matures.

Competition – fragmented market

- The European parking market is very fragmented. Typically the largest share is for combined municipalities with 20-30% market share. Belgium and Ireland are somewhat below the range while Germany is substantially above the range. This dominance of municipalities is typically lower in A cities than in B or C cities. This results from higher tariffs and more visitors in strong cities which drive a better business case for private operators. For B and C cities it is more difficult to charge the true cost of parking and municipalities are therefore still subsidising their local parking by operating internally.
- Typically the largest private operator per country is an incumbent player with at least twice the size of the next player. This goes for Q-Park in the Netherlands, Sweden and Ireland; APCOA in Germany, Denmark and Norway; NCP in Great Britain, Vinci in France; Interparking in Belgium and Europark in Finland.
- After those private market leaders many smaller local private operators control less than 1% of the market and have a combined market share between 40-45%. This high degree of fragmentation results mainly from a historical lack of significant scale effects. Significant central investments or brand awareness were not required. The minimum required scale was limited. Car parks could be operated per facility with a small local staff and few needs for ICT investments because of limited second line/online services and customers paid cash.
- Today, there are various market dynamics impacting parking operators:
  - Landlords are aware of the economic potential, driving up lease prices.
  - Customers have an increased positive attitude towards quality of parking and improved brand recognition.
  - Technological solutions enable a higher degree of centralisation through operating via a central control room.
- These developments have pushed down the industry profitability as a whole, but also introduced the utilisation of scale benefits. As a result some degree of consolidation has already materialised with a few dominant operators emerging at the European stage, but – largely driven by its historical background – the parking market remains fragmented.

Competition – scale

- We expect that scale will become increasingly more important in the current market, both on a national as well as on a local level. Customers are demanding a higher degree of technology oriented services such as new payment methods, online booking and expanding the coverage of a central control room. These services can be introduced more economically by larger organisations that can spread the investment costs over more locations. Typical reasons for improving scale:
  - Efficiency benefits
  - Pressure on margins
  - High R&D investments
  - Integrated customer journey management
- Also, having a larger local market share (on a city level) allows for better pricing optimisation within the city as well as more economic use of employees through introducing mobile teams instead of a fixed team per parking facility. And, the negotiation position against service providers that aim to take control of the parking customer such as Yellowbrick or Park-line improves greatly by having control over a significant proportion of important local markets. We expect that on the short run the competitive pressure is likely to continue.

Competition – key players

Among the largest players in the fragmented European market are APCOA, Vinci Park, Interparking, NCP, Empark and Saba.

- APCOA: active in 12 countries in Northeast-Europe and has a number one position in its home country Germany. APCOA's business model is to act fully as operator but not as owner. Contract portfolio mainly consists of short-term leases or management contracts with limited investment making them low risk contracts with low margin. They are however highly dependent on the renewal of short to medium term contracts. APCOA is focused on the operation of airport parking locations, which are by nature much more cyclical. The operational results are under pressure to cover for the high financial costs of APCOA's significant debt burden. In the first half of 2014 hedge fund Centerbridge has taken control of APCOA through acquiring a majority of APCOA's debt position and implementing a debt-for-equity swap during the required debt restructuring.
- Vinci Park: part of the Vinci Group, a publicly quoted construction and concession company in France. Parking facilities are located in 10 European countries and North America. A large part of their portfolio consists of concessions with high capital requirements. In 2012 they strengthened their position in Belgium, Switzerland, Luxembourg, UK and Spain. Like-for-like growth of the existing portfolio was 1.5%.
- Interparking: active in cities, at airports, hospitals and train stations in nine countries. In Germany, Interparking has entered into a joint venture with Deutsche Bahn for car parking at 5,000 train stations. The German and Austrian activities are conducted through the subsidiary Contipark. In 2011 Interparking established a position in the Polish market after acquiring the number two Polish operator. In Romania the first car park is in use at the university square of Bucharest. Their goal is to reinforce presence in existing countries while providing in all parking functionalities.

Competition – key players

- National Car Parks: since March 2007 owned by Macquarie European Infrastructure Fund II. NCP is focused on off-street parking facilities in Great Britain and is market leader in this country. The company operates mainly via lease contracts. NCP offers management services for parking facilities, mainly at airports and train stations. The focus lies on the increase of partnerships with local authorities, rail operators and airports. NCP has undergone a major debt restructuring in 2012 but is still struggling.
- Empark: established in 2009 following the merger of the Spanish Cintra Aparcamientos and the Portuguese Emparque. Besides being active in Spain and Portugal, this company is also present in the UK, Turkey and Andorra. However, Spain and Portugal account for 95% of the company's activities. Strengthening the internationalisation of their activities by entering more countries in Europe and the Americas is an important strategic goal for this organisation.
- Saba: formerly part of the Spanish Abertis Group, but in June 2011 the company was spun off into Saba Infraestructuras with two activities: parking (77% of EBITDA) and logistics (23% of EBITDA). To meet short-term growth with greater financial capacity Saba sold a logistics park in Chili for EUR 56 million. Strategic intentions are the development and consolidation of leadership in Southern Europe and boosting growth in strategic markets such as Latin America.

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Growth factors

Q-Park expects that the paid off-street demand for parking will continue to grow, with shifting demand to major cities or regional hubs.

Real GDP growth is expected to be the main driver for parking demand. However, this growth will be slightly tempered by declining inflation.

Supply seems less predictable due to high dependence on policies of local authorities and limited real estate developments.

Limited growth impacts;

- Urbanisation and Experience shopping drive continuous shift towards A and B cities and further attractiveness of functional segments.
- Local government debts drive focus on revenue generation and that will influence parking tariff levels (positive and negative).
- Green government initiatives continue to require close local relationships to seize (or protect) growth opportunities per city.

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