

Shopping Centres in Portugal

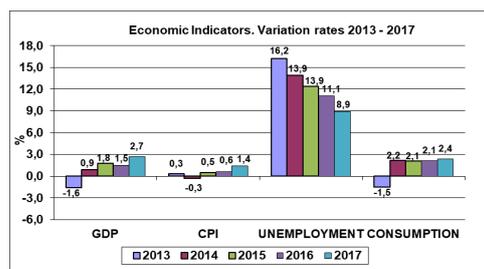
Semi-annual Activity Report

May 2018

Economy:

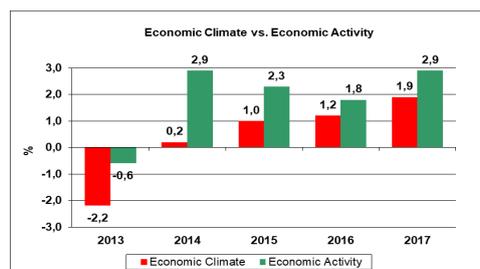
1. **Portuguese year-on-year GDP** grew 2.7% in 2017, according to the National Statistics Institute (INE), which was 1.2% above the rate registered in the previous year (1.5%) and the largest growth since 2000. This was a result of an increase in domestic demand, particularly a boost in investment. (see Graph no. 1)
2. **CPI** increased 1.4% in 2017, above the rate for 2016 (0.6%), according to the INE. (see Graph no. 1)
3. **Unemployment** continues to decrease and was 8.9% in 2017, also according to the INE, which is the lowest rate of the last seven years. (see Graph no. 1)
4. **Private Consumption** grew 2.4% in 2017 (provisional data), which translates to a slight acceleration with respect to the previous year (2.1%), according to the INE. (see Graph no.1)
5. The **Retail Index** continues to grow, with a year-on-year variation (deflated) of 4.0% in 2017, above the one registered in 2016 (2.7%), also according to the INE.
6. The **Economic Activity** indicator grew 2.9% in 2017, according to the INE, quite above the level of 2016 (1.8%). The Economic Climate indicator is still growing: it varied 1.9% in 2017, above the rate registered in 2016 (1.2%). (see Graph no. 2)

Graph no. 1: Economic Indicators



Source: LaSBA

Graph no. 2: Economic Climate and Economic Activity



Source: LaSBA

Shopping Centre Development Market:

7. During 2017 two new shopping centres opened in Portugal, accounting for **98,400 sqm** of **Gross Leasable Area (GLA)**. This amount is slightly below the one from the previous year (109,000 sqm of GLA). No extensions of existing shopping centres were registered. (see Table no. 1)

Table no. 1: Extensions 2017 until September

| Shopping Centre | Location | Developer | GLA (sqm) | Opening |
|-----------------------|----------|------------------|---------------|----------|
| Mar Shopping Algarve | Loulé | Inter Ikea Group | 82.000 | October |
| Évora Plaza | Évora | Ares Capital | 16.400 | November |
| Total Openings | 2 | | 98.400 | |

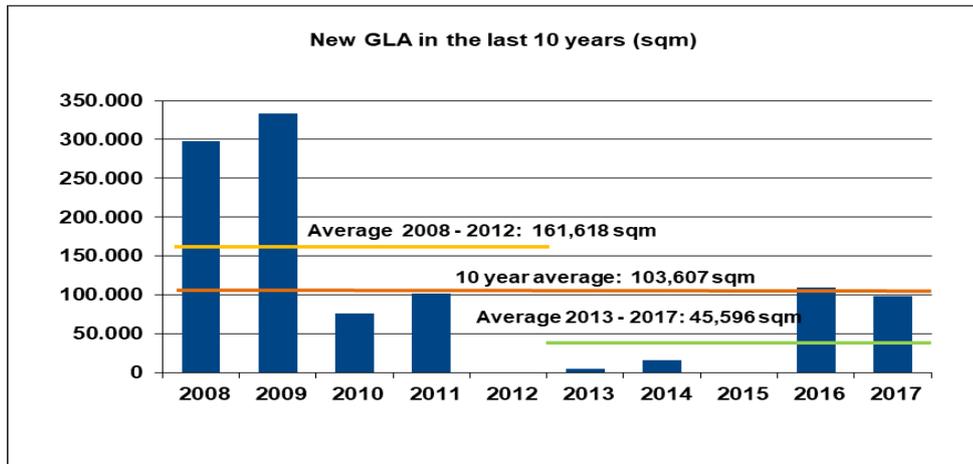
Source: LaSBA

8. On October 26th of 2017 **Mar Shopping Algarve** was inaugurated in Loulé. Developed by **Inter Ikea Group**, this new retail complex integrates a shopping centre, an outlet centre and a leisure area with 8,000 sqm, with a total of 3,500 parking spaces and 82,000 sqm of GLA. Among its 110 stores, there is **Primark, cinemas NOS, h3, OVS, Tiffosi, Zippy, Zara Home, C&A, Bershka, Misako, Pandora, Pingo Doce**, among many others.
9. On November 21st of 2017 **Évora Plaza**, previously named **Évora Shopping**, was inaugurated. Developed by **Ares Capital**, with 16,400 sqm of GLA and 70 stores and 5 cinema screens, it is the first shopping centre in the Alentejo region.
10. With these **two openings**, the year 2017 has reached similar levels of new GLA when compared to the previous year and close to the average of the last ten years. (see Graph no. 3)

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Graph no. 3: New GLA in the last 10 years



Source: LaSBA

- For this year of 2018 no new shopping centre openings are expected in Portugal. The country has a very mature shopping centre market, and **new projects** will tend to be carefully studied in the future before being set into motion.
- As for extensions of existing shopping centres, several are planned, but opening dates are somewhat unpredictable. For the next few years **four shopping centres** have planned extensions. (see Table no. 2)

Table no. 2: Planned Extensions upcoming years

| Shopping Centre | Location | Developer | GLA (sqm) | | |
|---------------------------------|------------|--------------|----------------|---------------|----------------|
| | | | Initial | Extended | Total |
| Centro Colombo | Lisboa | Sonae Sierra | 114.000 | 17/jul | 131000 |
| Glicínias Plaza | Aveiro | Vougainvest | 28.000 | 13.000 | 41.000 |
| Norte Shopping | Matosinhos | Sonae Sierra | 73.275 | 17/jul | 90275 |
| Oeiras Parque | Oeiras | Mundicenter | 34.500 | 3.000 | 37.500 |
| Total Planned Extensions | 4 | | 249.775 | 50.000 | 299.775 |

Source: LaSBA

Shopping Centres in Operation:

- According to the Footfall Index, year-on-year affluence to Portuguese shopping centres finished 2017 growing significantly. In December 2017 affluences varied **4.2%** year-on-year. In January 2018 year-on-year growth was even higher, **6.4%**, having then stabilised in the following months of February and March (0.5% e -0.3%, respectively).
- The repositioning of **Dolce Vita Tejo** is ongoing. It is planned to turn into a Shopping Resort, in a two-stage investment and it should be finished in 2019. The central plaza of this centre located in Amadora will become a theme park and the heart of this retail establishment.
- CascaíShopping** has a new Playground dedicated to children with a ball swimming pool, a virtual tunnel and slides. The new area is for kids from 2 to 10 years old and is located at the ground floor.
- Freeport Lisboa Fashion Outlet** has been refurbished. Thirty five new stores were made, ten of which restaurants, increasing the number of units to 130. Among the new retailers there are **Furla, Elisabetta Franchi, Tous, Timberland, Calvin Klein Jeans e Underwear** or **Tumi**.
- Saldanha Residence**, in Lisbon, is undergoing a refurbishment process. The shopping centre is renovating its units, the supply and also image.
- After recently having inaugurated a new food court, **Alma Shopping**, in Coimbra, has strengthened its retail supply with three new stores, namely **Cex We Buy, Hebe Hyros** and **Celeiro**.
- Alameda Shop & Spot**, in Porto, has also recently inaugurated a new food court. This area was entirely refurbished, now presenting a new concept with more modern spaces.
- Mira Maia Shopping** has been reformulating its supply, with the opening of four new stores and an analysis clinic, as well as the reopening of the cinema unit. This shopping centre located in the Greater Oporto area has recently celebrated its eighth anniversary.



Centro Colombo Lisboa



Glicínias Plaza Aveiro



Norte Shopping Matosinhos



Oeiras Parque Oeiras



Alma Shopping Coimbra





Spry

CC Amoreiras



Nicks

ArrábidaShopping



Zillian Liberdade St Fashion, Braga



Leroy Merlin

Loulé



Starbucks

CC La Vie

Information regarding Retailers:

21. **Jerónimo Martins**, owner of the brand **Pingo Doce**, are going to invest around 130 million Euros in Portugal during 2018. This year, the plan to open 10 new supermarkets in the country.
22. Spanish Supermarket chain **Mercadona** plans to open nine units in Portugal. Porto, Braga, Penafiel, Barcelos and Vila Nova de Gaia are going to welcome supermarkets that had not yet been announced by the company. They had already confirmed four openings – Gaia, Maia, Matosinhos and Gondomar – for the first semester of 2019.
23. The third **My Auchan** store, by **Auchan Retail**, opened at **Avenida Duque D'Ávila**, in Lisbon. The unit has 300 sqm and three different areas: market, snacking and consumer products.
24. **Sonae MC** plans to open a total of 143 stores by the end of 2018. These stores include the following brands: **Continente**, **Continente Modelo** and **Continente Bom Dia**, **Meu Super**, **Bom Bocado**, **Bagga**, **Go Natural**, **Make Notes**, **Note!**, **ZU**, **Well's** and **Dr. Well's**.
25. Spanish **Bimba y Lola** is going to open its first high street stores in Portugal, with units in Lisbon and Porto, while at the same they continue to open in shopping centres. The Fashion Accessories brand will also refurbish their shopping centre units in order to adapt them to the brand's new global image.
26. **Spry** has recently inaugurated its first physical unit at the **Amoreiras Shopping Centre**, in Lisbon. It's a 100% Portuguese project reaching the market to prove that the clothes one uses to workout can also be used at work.
27. Shoes retailer **Seaside** has opened three new stores in Portugal, at the shopping centres **8ª Avenida**, in S. João da Madeira, **Mar Shopping Algarve**, in Loulé, and **Évora Plaza**. With these stores, the brand reaches 96 units in Portugal.
28. Portuguese brand specialising in trainers **Kicks** has opened its 11th store in Portugal, specifically at **Arrábida Shopping**, in Vila Nova de Gaia. The store has an area of 100 sqm.
29. Portuguese Shoes brand **Zillian** has inaugurated in December 2017 its first store outside of Lisbon. After a decade in operation, the brand opened their third store at **Liberdade Street Fashion**, in the centre of Braga.
30. **Sonae** and **JD Group** have announced the merger of **Sport Zone** and **JD Sprinter**, the Spanish branch of the British group. This alliance results in the emergence of the **Iberian Sports Retail Group (ISRG)**, which becomes the second largest Sportswear retailer in the Iberian Peninsula.
31. **Leroy Merlin** has opened in Loulé the 12th store in Portugal, at **Mar Shopping Algarve**, besides having inaugurated its first showroom in the country, on the top floor of the unit located in Alfragide, Lisbon. With 10,000 sqm, the new store in the Algarve is the largest by the brand in the south of Portugal.
32. **Akí** wants to double the number of stores in Portugal, going from 35 to 64 units in 2020. The plan is to open stores in locations with catchment areas of around 20,000 inhabitants.
33. In November of 2017 a **Flying Tiger** store opened – Danish brand specialising in Decoration and Homeware – at **Centro Colombo**, in Lisbon, but after the holiday season the unit closed for refurbishment and has reopened in March of the current year.
34. **Asari** is the new Gift shop at downtown Lisbon, which opened at no. 54 of **Rua de São Julião**. The unit has 84 sqm, and has been operating since the beginning of this year, adding to the stores that the brand possesses around the world.
35. **Centroxogo** opened a new store at **RioSul Shopping**, located in Seixal, Setúbal. The international Toys brand now has 24 units in Portugal. The new store has 340 sqm.
36. **Starbucks** opened its first unit in the city of Porto. The new store is at the shopping centre **La Vie**. It has 120 sqm and a team of 12. Outside there are 130 additional sqm and a capacity for 30 people.

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Investment Market:

37. The Retail Investment market was quite dynamic during 2017, above the amounts of 2016. The amount of transactions was around **700 million Euros**.
38. **International investors** continue to be the main players. Out of the transactions concluded during 2017, the highlights are:
39. **Forum Coimbra** and **Forum Viseu** were sold by **CBRE GI** to the international property groups **Greenbay** and **Resilient** for around 220 million Euros. The two companies, with headquarters in Mauritania and South Africa respectively, got together in a joint-venture and acquired both assets.
40. **Via Outlets** has acquired the **Vila do Conde The Style Outlets** from **IRUS** for 130 million Euros. This transaction had begun in late 2016, and was concluded during the

- year 2017. **Vila do Conde The Style Outlets** has a GLA of 28,500 sqm.
41. **Sonae Sierra** sold **Maia Shopping** and **Guimarães Shopping** to **Ocidental Seguros** for about 80 million Euros. **Maia Shopping**, in operation since November of 1997, has 92 stores and over 28,000 sqm. **Guimarães Shopping**, in turn, in operation since February of 1995, has 101 stores and almost 29,000 sqm.
 42. Continuing with its European expansion, **Mitiska REIM** from Belgium enters the Portuguese market with the acquisition of **Parque Mondego**, in Coimbra, from **CBRE Global Investors**, and **Focus Park Canidelo**, in the Greater Oporto area, from **Temprano Capital Partners**.
 43. **Iberia Coop**, strategic alliance formed by **CBRE GI** and **Sonae Sierra**, has acquired **Albufeira Retail Park** and the **Continente** hypermarket located at **AlgarveShopping**. The sellers were an unidentified **Trust** and **Sonae RP**, respectively.
 44. In the beginning of 2018, **Immochan** acquired three of the four shopping centres that the American Fund **Blackstone** had put on the market. **Immochan** will therefore have exclusive control over **Sintra Retail Park**, **Forum Sintra** and **Forum Montijo**. The operation was closed for 441 million Euros.
 45. Also in the beginning of the current year, **Dolce Vita Tejo**, located in Amadora, was acquired for 230 million Euros by **Axa Investment Managers (AIM)**, who claims to have acted on behalf of clients. Despite the amount being inferior to the 300 million that had been rumored, **Baupost** and **Eurofund** have likely made a profit, since in January of 2015 they had invested 170 million Euros.
 46. **Sonae Sierra** has sold **Albufeira Shopping** and **Continente de Portimão S.C.** for 35 million Euros. The assets have been handed over to the fund **CA Património Crescente**, managed by **Square Asset Management**. **Sonae Sierra** will continue to manage the shopping centres.
 47. **Sonae Sierra** and **Armórica** have created a new partnership for the acquisition of the shopping centre **SerraShopping**, located in Covilhã, from **Sierra Portugal Fund**, owner of a portion of the asset. **Armórica** will have most of the equity and **Sonae Sierra** will have a minority position. The operation was closed at around 70 million Euros.
 48. By the end of 2017 **yields** were 4.75% for prime shopping centres and 6.5% for retail parks.

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