

no. 31 January 2014

Document issued by
LaSBA's Research
Department

Shopping Centres in Brazil: Activity Report 2013

Economy:

1. Some economic indicators have deteriorated in the first semester of 2013, such as the increase in inflation, the deceleration of the industrial activity or the trade balance deficit.
2. The job market is showing signs of losing strength, even though unemployment remains low.
3. On the other hand, the late period was noted due to demonstrations against the Government. This uncertainty affects consumer confidence about Brazil's economic situation, and these negative changes in the Brazilians' expectations have already turned into a lower level of consumption, which contributed to this year's global trade deceleration.
4. The Central Bank (CB) has risen its projections in June for the country's inflation, but has kept its commitment to a lower inflation in 2013 and in the next year. Therefore, market perspectives suggest that there will be a bigger increase of the basic interest rate (Selic), according to the CB's statement.
5. Those projections indicate that inflation should be between 5.8% and 6% this year and between 5.2% and 5.4% the following year. The higher interest prospects have increased the projection from 9.25% to 9.5%.

Table no. 1: Macroeconomic Estimations

Table of Macroeconomic Estimations	2011	2012	2013	2014
Gross Domestic Product (%)	2.7	0.9	2.6	3.5
Private Consumption (%)	4.1	3.1	3.4	3.4
Investment (%)	4.7	-4.0	4.4	6.0
Exports (%)	4.5	-2.0	3.3	5.2
Imports (%)	10.0	3.5	5.8	8.0
Industrial Production (%)	0.4	-2.7	2.8	3.5
Inflation (% end of period)	6.5	5.8	5.7	5.6
Trade Balance (Billion \$ USA)	29.8	19.4	8.0	6.1
Balance Current Account (% GDP)	-2.4	-3.0	-2.8	-3.1
Type of Exchange Real/\$ (year end)	1.9	2.0	2.1	2.1
Total External Debt (% GDP)	54.2	58.8	47.1	46.6

Main Juncture Indicators 2013	jan	fev	mar	abr	mai	jun
Consumption Prices (IPCA 12 months)	6.2	6.3	6.6	6.5	6.7	6.3
Trade Balance (Billion \$) (1)	-4.1	-1.2	0.2	-0.9	0.7	---
Reserves (Billion \$)	377.8	376.5	376.9	378.6	374.4	372.0
Unemployment Rate	5.4	5.6	5.7	5.8	5.8	6.0
GDP (% Quarterly Growth)	0.8	0.5	0.9	1.4	1.9	1.5

Financial Data	Last Data	Growth in:		
		1 month	3 months	1 year
Stock Market (BOVESPA)	27 Jun. 13	47.134	-15.3	-15.8
Official (SELIC)	26 Jun. 13	7.9	7.4	7.2
EMBI (Risk Rate comp. USA) (2)	26 Jun. 13	254	198	169
Type of Exchange Real/\$	28 Jun. 13	2.2	7.5%	12.5%
				11.2%

Sources: Brazilian Institute of Geography and Statistics (IBGE) and Centre of Latin-American Studies (CESLA)

6. Sales in the first semester of 2013 grew 3.0% with respect to the same period of the previous year, an inferior result than that of the second semester of 2012, which was 7.9%. This difference could be explained by the rise of the interest rate and, mainly, by price variations, although the Government maintains measures of consumption incentives (Graph no. 1). Throughout 2013 the aggregate 12 month increase has diminished (Graph no. 2).

Graph no. 1: Volume in Retail Sales (Semester-Based Variation: Same as Semester of previous year)



Source: IBGE / DPE / COSEC.

Graph no. 2: Volume in Retail Sales (Aggregate 12 Month Variation - Percentage)



Source: IBGE e IPEA.

Shopping Centre Development Market:

- During the first Semester of 2013, a total of 6 openings took place, which add up a Gross Leaseable Area (GLA) of 177,269 sq m (Table no. 1), which in turn corresponds to only 20.4% of the planned GLA for this period. Therefore there were 28 openings delayed, which represent 690,001 sq m of GLA.
- Also, it decreases by comparison, facing 234,396 sq m of GLA and 9 Shopping Centres for the same period of 2012.

Table no. 1: Openings 1st Semester 2013

Name	Opening	GLA (sqm)	City	State	Owner
Pátio Mix Linhares	21-Mar-13	19,737	Linhares	Espírito Santo	Patiomix
Serra Sul Shopping	16-Apr-13	23,325	Pouso Alegre	Minas Gerais	Prosperitas Investimentos
Shopping Metrô Tucuruvi	18-Apr-13	36,000	São Paulo	São Paulo	JHSF
Boulevard Londrina Shopping	03-May-13	47,800	Londrina	Paraná	Sonae Sierra
North Shopping Sobral	03-May-13	17,869	Sobral	Ceará	Construtora Cameron / Technic / Imalls
Shopping Pátio Marabá	07-May-13	32,538	Marabá	Pará	Grupo Leolar/Dan-Hebert Participações /AD Shopping
Totals		177,269	6	Average	29,545

Source: ABRASCE and LaSBA's Data Base.

Table no. 2: Planned Openings 2nd Semester 2013

Name	Planned Date	GLA (sqm)	City	State	Owner
Metropolitan Shopping Betim	10-Jul-13	53,368	Betim	Minas Gerais	Tenco
Shopping Pátio Guarulhos	16-Jul-13	15,900	Guarulhos	São Paulo	Grupo Sonda
Amapá Garden Shopping	16-Jul-13	30,000	Macapá	Amapá	Guarulhos
Shopping Ponta Negra	08-Aug-13	37,000	Manaus	Amazonas	JHSF
Shopping Bosque dos Ipês	15-Aug-13	37,700	Campo Grande	Mato Grosso do Sul	Jereissati
Pátio Batel	10-Sep-13	29,700	Curitiba	Paraná	Grupo Soifer
Shopping Nações Limeira	12-Sep-13	26,026	Limeira	São Paulo	Vertico
Outlet Premium Salvador	17-Sep-13	27,000	Salvador	Bahia	General Shopping
Shopping Pelotas	18-Sep-13	23,169	Pelotas	Rio Grande do Sul	LGR Empreendimentos / Grupo Josapar Real Empreendimentos
Platinum Outlet	24-Sep-13	20,087	Novo Hamburgo	Rio Grande do Sul	Construtora São José / CSHG / Iguatemi
Pátio Arapiraca Garden Shopping	25-Sep-13	24,950	Arapiraca	Alagoas	Tenco
Shopping Cidade Sorocaba	26-Sep-13	35,700	Sorocaba	São Paulo	AD Shopping
S. C. Iguatemi Ribeirão Preto	Sep/2013	44,100	Ribeirão Preto	São Paulo	Iguatemi
Parque Shopping Maceió	10-Oct-13	37,532	Maceió	Alagoas	Aliance/Multiplan
Shopping Metropolitan Barra	15-Oct-13	44,000	Rio de Janeiro	Rio de Janeiro	CCP/Carvalho Hosken
Shopping Parangaba	22-Oct-13	31,907	Fortaleza	Ceará	CEI Shopping Centers/Marquise
Golden Square Shopping Center	22-Oct-13	31,000	S. Bernardo Campo	São Paulo	Ancar Ivanhoe
Pátio Alcântara	22-Oct-13	7,616	São Gonçalo	Rio de Janeiro	ABL Shopping
Shopping Iguatemi Esplanada	29-Oct-13	43,853	Votorantim	São Paulo	Iguatemi
North Shopping Jóquei	30-Oct-13	33,000	Fortaleza	Ceará	Ancar Ivanhoe
Catarina Fashion Outlet Shopping	Oct/2013	24,084	São Roque	São Paulo	JHSF
Shopping Gravataí	Oct/2013	23,500	Gravataí	Rio Grande do Sul	Mgrupo
Vitória Park Shopping	Oct/2013	18,900	Vitória de Santo Antão	Pernambuco	Plus Investimentos/ Class Empreendimentos
Tietê Plaza Shopping	Oct/2013	36,000	São Paulo	São Paulo	CCP
Shopping Porto Miller Boulevard	Oct/2013	8,750	Porto Feliz	São Paulo	
Parque Shopping Sulacap	Oct/2013	29,932	Rio de Janeiro	Rio de Janeiro	General Shopping/SGGC
Pátio Cianê Shopping	05-Nov-13	27,000	Sorocaba	São Paulo	Saphyr
Shopping Pátio Pinda	14-Nov-13	23,000	Pindamonhangaba	São Paulo	Kallas Incorporações
Shopping Contagem	26-Nov-13	33,702	Contagem	Minas Gerais	BRMalls
Park Lagos	Nov-13	27,500	Cabo Frio	Rio de Janeiro	Shopinvest
Parnaíba Shopping	Nov-13	9,050	Parnaíba	Piauí	Imalls
Monte Carmo Shopping	Nov-13	40,000	Betim	Minas Gerais	Prosperitas
Outlet Premium Rio de Janeiro	Nov-13	32,000	Rio de Janeiro	Rio de Janeiro	General Shopping
Shopping Juazeiro	Q4 2013	13,389	Juazeiro do Norte	Ceará	Imalls
Passaio das Águas Shopping	31-Dec-13	78,100	Goiânia	Goiás	Sonae Sierra
Totals 2nd Semester 2013		1,058,515	35	Average	30,243
Totals 2013		1,235,784	41	Average	30,141

Source: ABRASCE and LaSBA's Data Base.

- Geographical distribution, with 6 openings in 6 different states, has reflected a growing distribution among these.
- The decrease and, mostly, the delay in openings occurred due to, among other causes, the difficulty by the Retailers in responding with their expansion capabilities to the requirements of a market with such high demand for new developments.
- The planned GLA for the second semester of 2013 is around 1.1 million sq m, consisting of 32 projects (Table no. 2), with which the year total could surpass 1.2 million sq m, correspondent to 41 Shopping Centres.
- The estimated numbers for 2013 are pointing to, facing 2012, plus 14 shopping centres and 0.9 million sq m of additional GLA, which supposes 33% of additional GLA.



Boulevard Londrina Shopping Londrina



North Shopping Sobral Sobral



Pátio Mix Linhares Linhares



Shopping Pátio Marabá Marabá

page 2

no. 31 January 2014

OBSERVATÓRIO LaSBA





S. Bosque dos Ipês Campo Grande



Metropolitan Shopping Betim Betim



Shopping Contagem Contagem



Passeio das Águas Shopping Goiânia

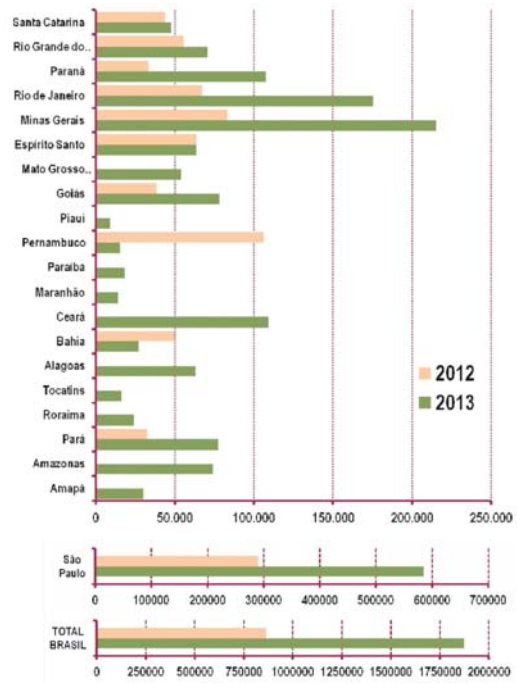
- Opposite the 11 states where shopping centres have opened in 2012, in 2013 there are planned openings for 16 states.
- It is estimated that 16 cities will welcome their first shopping centre throughout 2013.

Table no. 3: Planned Openings 2013 per Regions

Region	State	Shoppings	GLA (sqm)
North	Amapá	1	30,000
North	Amazonas	1	37,000
North	Pará	1	32,538
North	Roraima	delayed	
North	Tocantins	delayed	
Total NORTH		3	99,538
Northeast	Alagoas	2	62,482
Northeast	Bahia	1	27,000
Northeast	Ceará	4	96,165
Northeast	Maranhão	delayed	
Northeast	Paraíba	delayed	
Northeast	Pernambuco	1	18,900
Northeast	Piauí	1	9,050
Total NORTHEAST		9	213,597
Centre-West	Goiás	1	78,100
Centre-West	Mato Grosso do Sul	1	37,700
Total CENTRE-WEST		2	115,800
Southeast	Espírito Santo	1	19,737
Southeast	Minas Gerais	4	150,395
Southeast	Rio de Janeiro	5	141,048
Southeast	São Paulo	12	351,413
Total SOUTHEAST		22	662,593
South	Paraná	2	77,500
South	Rio Grande do Sul	3	66,756
South	Santa Catarina	delayed	
Total SOUTH		5	144,256
Totals		16	1,235,784

Source: LaSBA's Data Base.

Graph no. 3: Comparison 2012 / 2013



Source: LaSBA's Data Base.

Information regarding Retailers:

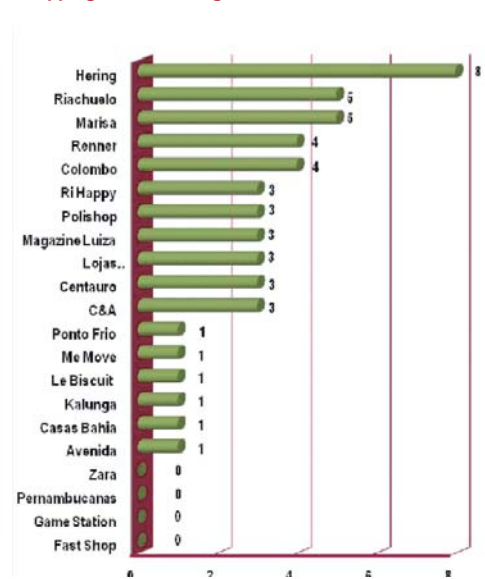
- The main retail chains have maintained high rates of growth and have reinforced their position in the shopping centres that opened in the first quarter of 2013.
- In this way, the presence of the mentioned chains in the most significant shopping centres is very common.
- In graphs no. 4 and no. 5, we can observe the presence of 21 large retail chains that launched new units in the shopping centres that opened in the analysed period.

Graph no. 4: No. stores from analyzed Chains in each inaugurated Shopping Centre in 1st Semester



Source: LaSBA's Data Base.

Graph no. 5: No. stores from analysed Chains in Shopping Centres inaugurated in 1st Semester 2013



Source: LaSBA's Data Base.



18. As we can see in graph no. 4, Shopping Pátio Marabá and Boulevard Londrina Shopping have reached a dozen openings from the list, overall demonstrating a lower level than in 2012.
19. Similarly, graph no. 5 shows that Heiring, with 8 openings in 6 shopping centres (in some cases also with the Children's store) is the highlight in new shopping centres, together with Riachuelo and Marisa, that have reached 5 openings in 6 shopping centres.
20. International fashion and other specialist brands are continuing with their positionings for entry in the Brazilian market. They continue to demonstrate high interest for the Brazilian Shopping Centre Sector, despite the strong dissuasion caused by the damaging tariffs.

Investment Market:

21. The four largest shopping centre companies with open capital in the country - BRMalls, Multiplan, Iguatemi and Aliansce, have announced record fundraisings for 2013.
22. In the 1st semester, these companies have accumulated transactions, primary stock supplies and bond emissions of around R\$ 3 billion, which should be compared to the more or less R\$ 2 billion corresponding to the entire year of 2012, which was high as it was.
23. Despite the mentioned fundraising capacity demonstrated by the large companies, the stock market behaviour of the Shopping Centre sector closed the first semester with substantial losses which should be attributed to, besides the social instability of the end of the semester, the expectations for high interest rates in 2013 and the rise in inflation, which are undoubtedly the reasons behind the retailers' smaller results.
24. Throughout the first semester of 2013, four investment operations were made public in the Shopping Centre sector. In April, Aliansce made public the acquisition of 40% of Shopping Parangaba, which will open in this year's fourth quarter in the capital of Ceará, for R\$ 180 million, which includes a debt of R\$ 37.6 million. The retail establishment will have a GLA of 31,873 sq m and over 200 units.

Sector Company News:

Aliansce

25. In January they announced the acquisition of 22.36% of the Nacigat Condomínio, which is part of Shopping Iguatemi Salvador. With the approval of this transaction, the company now keeps 72.75% equity.
26. With the acquisition of 40% of Shopping Parangaba, mentioned above, the company will add 12,749 sq m of GLA to its portfolio, comprising a total of 450,781 sq m, which include three greenfields projects.

Iguatemi

27. In January they announced their entry in the outlet segment, after signing a deal for acquiring 41% of the area where the Shopping Platinum Outlet is being built, in Novo Hamburgo (RS), for R\$ 46.2 million.
28. The shopping centre management company has signed with the construction company São José and the investment fund CSHG Brasil Shopping, managed by Credit Suisse Hedging-Griffo, an "irrevocable and ir retrievable acquisition proposal" for equity on the enterprise.
29. Shopping Platinum Outlet, part of the Outlet Premium segment - which gathers prestigious discounted items -, will have 20,087 sq m of GLA, with a further expansion potential of 10.000 sq m.
30. The opening is planned for this year's second semester and, according to Iguatemi, brands like Nike, Calvin Klein, among others, have already signed.
31. The company projects that the Outlet Centre will have a Net Operating Income of R\$ 11.4 and R\$ 22.2 million in the first and fifth years of operation, respectively.
32. "The Outlet Premium segment will be one of the highest growth contributors for Iguatemi in the next few years, maintaining the link with our final consumer market", the company claims in their announcement.



Riachuelo



Polishop



Centauro



Colombo



Jereissati

33. In April it was made public that the three shopping centres belonging to Calila Participações now have new partners. They are Investment Funds controlled by Gávea Investimentos and powered by resources coming from abroad. The size of each fund's equity is kept by a confidentiality agreement, as well as the numbers involved. The three centres are Iguatemi Fortaleza, Bosque dos Ipês (Campo Grande -MS) and Grão Pará (Belém-PA).

Almeida Junior

34. The Westfield Almeida Junior group, owner of five shopping centres in Santa Catarina, has announced that they closed the joint venture signed in August of 2011.
35. Jaimes Almeida Junior, who owns 50% of the Group, has reacquired the other half of the Australian giant shopping centre company Westfield. With this deal he now owns once again 100% of control of the company, which is again called Almeida Junior. The negotiations began late last year and the reason behind them is differences in strategy. Almeida Junior focuses on large and medium cities, whereas the multinational group has decided to invest solely in giant shopping centres, in the global market of Iconic Malls.

Document issued by
LaSBA's Research
Department

Paseo Castellana, 143 6ºC
E-28046 Madrid
Espanha
Tel. +34 914 178 100

Praça de Alvalade nº9, 5º
1700-037 Lisboa
Portugal
Tel. +351 213 136 060

Alameda Lorena, 1160
01424-000 São Paulo, SP
Brasil
Tel: +55 11 974 040 727

www.lasba.com

Disclaimer LaSBA 2013

The information contained in this document is for the sole use of LaSBA clients. Any information contained in the document does not represent the current performance of the market, not that of its future performance. This includes projections, estimates and opinions. LaSBA does not take any responsibility for the information contained in this document and cannot provide representation, warranty or guarantee for its accuracy. Although the sources used for the information contained in this document are believed by the authors to be reliable, independent verification is necessary for confirmation of its correctness and comprehensiveness. Reproduction of the document is strictly forbidden without written permission from LaSBA itself.

Part of  **European Retail Consulting Alliance**

London, Paris, Milano, Madrid, Lisboa

LaSBA
CONSULTORIA NACIONAL DE COMÉRCIO