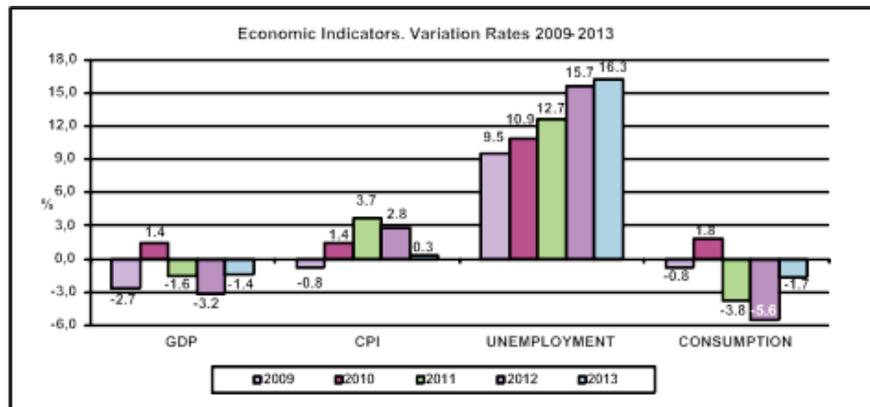


Shopping Centres in Portugal: Activity Report May 2014

Economy:

1. **Portuguese GDP** has contracted during the year 2013, with a variation rate of -1.4%, according to the National Statistics Institute (INE). Even so, in the fourth Quarter of 2013 Portugal had a year-on-year growth of 1.6%, above the European average (0.3%), after eleven consecutive quarters decreasing. (see Graph no.1)
2. The **inflation rate** in Portugal was the third lowest of the European Union in 2013 (0.3%), according to Eurostat. For the last 11 months the Euro Zone's **inflation rate** has been below the European Central Bank's limit of 2%. (see Graph no.1)
3. The **unemployment rate** was 16.3% in 2013, below what was estimated. **Unemployment** went down during many consecutive months and stabilised at 15.3% in January 2014, the same rate as in December 2013. (see Graph no.1)
4. **Private consumption** varied -1.7% in 2013, according to the INE. In January 2014 it increased 0.9%, an additional 0.3% when compared to the previous month. **Private consumption** has been growing for three consecutive months, after ten straight months of negative variations. (see Graph no.1)
5. **Retail turnover** continues progressing very favourably, having improved in the last seven months until January 2014 (last available data). In the last Quarter of 2013 it had already increased 1.5% and in January 2014 it grew 2.2%. (see Graph no.2)
6. The **economic activity** indicator has also been improving consistently, every month with a larger growth than the previous one, since August 2013. In January 2014 it grew 2.5%. (see Graph no.2)

Graph no. 1: Economic Indicators last 5 years



Graph no. 2: Retail Turnover and Economic Activity Evolution



no. 35 May 2014

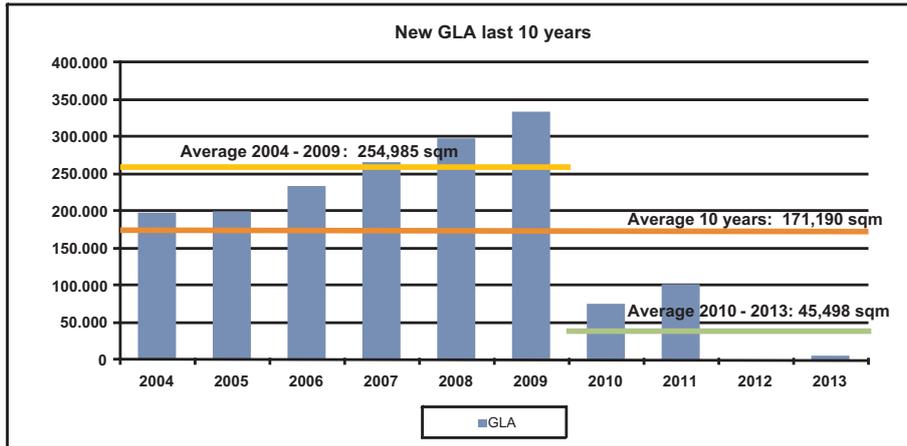
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Shopping Centre Development:

- As predicted in the last Observatorio LaSBA, there were no new shopping centre openings during 2013 in Portugal.
- The opening of **Évora Shopping** (16,400 sq m of GLA), initially planned for 2013, was postponed and construction stopped after a change in ownership. There is still no planned opening date for this shopping centre in the Alentejo Region.
- In 2013 there was only the inauguration of a new commercial area of 2,000 sq m and 20 new stores at the **Lisbon Airport** and the extension of **AlgarveShopping**, developed by **Sonae Sierra**, with 3,000 sq m of new GLA (adding up to a total of 45,500 sq m GLA). (see Graph no.3)

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



- For the next few years, there are 7 planned projects, some of which with construction already underway, corresponding to 4 new openings and 3 extensions of existing shopping centres. The dates in which they will finally be inaugurated are more or less unpredictable at this time. (see Tables no.1 and no.2)

Table no. 1: Planned Openings for the next few years

Shopping Centre	Location	Developer	GLA (sqm)	Planned Opening
Algarve The Style Outlets	Faro	Neinver	23,500	2016
Dolce Vita Braga (provisional name)	Braga	Caixa Geral de Depósitos	50,000	n.d.
Évora Shopping	Évora	BES	16,400	n.d.
Inter Ikea Algarve	Loulé	Inter Ikea Group	90,000	2016
Total Openings		4	179,900	

Table no. 2: Planned Extensions for the next few years

Shopping Centre	Location	Developer	Planned Opening	GLA (sqm)		
				Extended	Initial	Total
Alegro Setúbal	Setúbal	Immochan	2014	15,580	25,620	41,200
Forum Algarve	Faro	Multi Development	n.d.	15,000	40,000	55,000
Oeiras Parque	Oeiras	Mundicenter	2015	3,000	34,500	37,500
Total Extensions		3		33,580	100,120	133,700

- The most dynamic region for the next few years will be Algarve, which will have two new openings (Faro and Loulé) and one extension (Faro).
- The highlight, regarding its size, is **Inter Ikea Algarve**, in Loulé, which will have an Ikea store, a shopping centre and a retail park, in a total of approximately 90,000 sq m of GLA.

Shopping Centres in operation:

- Last year may have been a turning point for shopping centres in Portugal. Sales have stabilised, ending their downward trend (Eurelia barometer), and affluences (Footfall) have given very positive signs of growth.
- According to the Footfall Index, in the last six months the average year-on-year variations was above 3%. There was a positive year-on-year variation in five out of the last six months (October 2013 to March 2014). Nearly the entire year of 2013 experienced a year-on-year growth.



Commercial Area Airport Lisbon



Algarve The Style Outlets (project) Faro



Dolce Vita Braga (construction) Braga



Alegro Alfragide Amadora



Mar Shopping Matosinhos



Fancy Av. Liberdade, Lisboa



Calçado Guimarães Arrábida Shopping



Bricomax Portimão Retail Center



A Padaria Portuguesa



Ermenegildo Zegna Av. Liberdade, Lisbon

15. Pop-up stores, which are short-term shops, are appearing more frequently during this stage of unfavourable economic juncture. Shopping centres use mall spaces or even units that are temporarily vacant to open stores on short leases, purposely built to last a short time.
16. **Alegro Alfragide**, shopping centre in Lisbon developed by **Immochan**, is one of the finalists of the International Council of Shopping Centres (ICSC) Solal Awards 2014, in the category of “Public Relations”. The initiative “Would you like to go to Optimus Alive?” is responsible for the nomination.
17. **Mar Shopping**, shopping centre developed by **Inter Ikea Group** in Matosinhos, has refurbished its commercial mix with 9 new stores, including two new retailers in Portugal, **Royal Kids** (children’s clothing) and **Axel** (accessories).
18. The small shopping centre **Lagos Shopping**, in Algarve, was forced to close down due to a fire. The source of the fire may have been a short-circuit. The future for the building’s retail activity, as well as the cinemas’, is still under uncertainty.
19. **Torreshopping**, shopping centre in Torres Novas, is now managed by CB Richard Ellis. This retail establishment has a GLA of 12,100 sq m and over 700 parking spaces.

Information regarding Retailers:

20. **Kingfisher** is going to open its first DIY store in Portugal, **Brico Dépôt**, in Loures (Lisbon) and has plans to expand in the Portuguese market. The British company is the largest in Europe in this segment and the third largest in the world, with 1080 stores in nine countries.
21. **Conforama**, French Furniture and Decoration chain, plans to open six more stores in Portugal until 2017. This retailer’s strategy is to first refurbish its existing four stores and then opening new ones at the Greater Lisbon and Greater Oporto areas, as well as Faro (Algarve) and Madeira Island.
22. **Akí** stores are being refurbished. After the units of Santa Maria da Feira, Parque das Nações and Alverca, the store in Oporto next to ‘Estrada da Circunvalação’ was also refurbished and the new concept, based on client proximity, was established.
23. **Bricomax**, DIY chain, opened its second store in Portugal and the Algarve, at **Portimão Retail Center**, in Portimão.
24. **Calçado Guimarães**, the Portuguese Shoes chain, has reached 40 units in Portugal. They opened new stores at the **Forum Castelo Branco S.C.** and at **Arrábida Shopping**, in Vila Nova de Gaia.
25. **Jerónimo Martins** should open a total of 10 **Pingo Doce** supermarkets this year in Portugal, eight of which should be franchised stores.
26. The Spanish **Covirán** opened three more supermarkets in the Algarve, specifically in Benafim, Loulé and Paderne.
27. **Fancy**, the Portuguese Jewelry brand, has opened its first store in Portugal, at Avenida Liberdade, in Lisbon. It is another luxury brand that opens at Av. Liberdade, joining other prestigious retailers with units at that street, like **Louis Vuitton**, **Gucci**, **Cartier**, **Prada**, **Michael Kors**, **Hugo Boss** or **Carolina Herrera**.
28. **FNAC** opened its 19th store in Portugal, at **Amoreiras Shopping Center**, in Lisbon. The unit has 2 floors and an area of 450 sq m, quite less than usual and based on a new proximity store concept.
29. **Women’s Secret**, brand by **Grupo Cortefiel**, opened at **Atrium Saldanha** its 42nd store in Portugal, inaugurating a new store concept, which will also be implanted in some existing and future stores.
30. **MO**, Clothing brand by **Sonae** which renewed the former **Modalfa**, has opened 8 new stores in Beja, Tomar, Portalegre, Vila Real, Évora, Chaves, Torres Vedras and Amarante.
31. **Benetton** opened a new 500 sq m store in Almada, at the **Almada Forum S.C.**, after recently having opened a store at **Amoreiras Shopping**, in Lisbon.
32. **Melissa**, Brazilian Shoes brand, opened its first store in Portugal, at **Centro Colombo**, in Lisbon.

33. **Samsung** also opened its first store in Portugal at **Centro Colombo**. It is the first of the brand's new stores in Europe operated by The Phone House. Besides smartphones, tablets, photographic cameras and wearable devices, the stores supplies brand accessories.
34. Also at the same shopping centre in Lisbon, a new leisure unit opened: **Bowling City** has an area of 2,000 sq m divided into 2 floors and 12 lanes.
35. **A Padaria Portuguesa**, Portuguese chain with over 20 stores in the country, intends to reach 40 bakeries in Portugal by 2016.
36. The first **@Cinemas** opened in Portugal, specifically at the **Saldanha Residence S.C.**, in Lisbon. In the beginning, two cinema screens will operate with the most recent sound and image technologies at a unique price of 4 Euros per ticket for 2D or 3D movies at any day of the week.

Investment Market:

37. The retail investment market has given good signs during the year 2013. There were transactions above 150 million Euros, quite above the two previous years.
38. The operation that most contributed to this amount was the acquisition of the remaining 50% of **CascaShopping** by **Sonae Sierra**. The selling company was the British **Rockspring**. **CascaShopping** was inaugurated in 1991 and it is considered the first of the new era of shopping centres in Portugal.
39. Three units occupied by **Pingo Doce** supermarkets were sold by a total amount of 11,5 million Euros. They were sold by **Santander AM** and purchased by an unidentified Portuguese investor. The stores are located in Póvoa de Santo Adrião (7.65 million Euros), Alverca (2.15 million Euros) and Oporto (1.7 million Euros).
40. Already during this year of 2014, **Sierra Portugal Fund** reached an agreement with the **GREP II Fund**, managed by **Grosvenor Fund Management**, for the acquisition of its 50% equity in **AlbufeiraShopping** and **Continente de Portimão S.C.**, thus now owning the totality of both assets.
41. Also during this year, **BPI Gestão de Ativos** sold the unit occupied by the luxury brand **Ermenegildo Zegna**, at Av. Liberdade, in Lisbon, for 6.6 million Euros. The buyer was a Spanish unidentified family office.

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Research Program

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