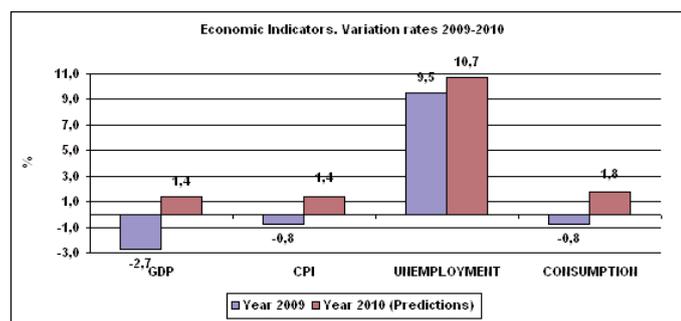


# Shopping Centres in Portugal: Activity Report October 2010

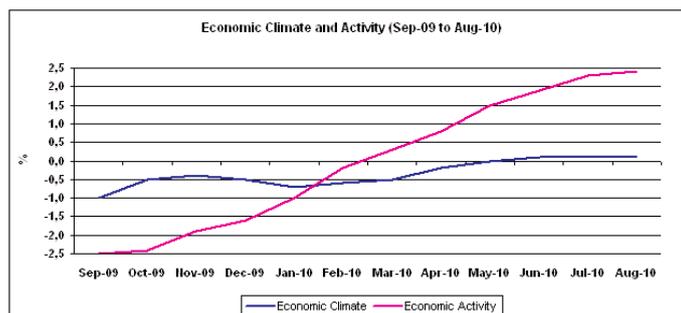
## Economy:

1. In the second quarter of 2010, according to the INE (National Statistics Institute), Portuguese fixed-base-year GDP grew 1.5%, slightly below the first quarter growth of 1.8%. Even so, it is above the previously forecasted figures.
2. According to predictions by NECEP (Nucleus of University Católica's Studies), the GDP growth in 2010 will be 1.4%, which is a higher rate than the one estimated before, in July.
3. According to the INE, the economic climate indicator increased from February to June of 2010, even reaching positive figures. Afterwards it was 0.1% until September. As for the economic activity indicator, it is proceeding with the recovery initiated in August 2009, reaching 2.3% in August 2010.
4. Inflation in Portugal has been increasing consistently since the beginning of 2010; in September it was 1.9%. This increase relates almost exclusively to prices of goods, whereas for services rates have remained stable. According to the Bank of Portugal, the inflation rate in 2010 will be 1.4%.
5. The unemployment rate reached 10.6% in the second quarter of 2010, according to the INE. The highest unemployment numbers regard mostly young people: 15-24 year olds (20.3%) and 25-34 year olds (12.6%). The IMF estimates that by the end of the year the rate will be 10.7%.
6. Private consumption, according to the INE, is still growing. After a 2.7% growth in the first quarter, a fixed-base-year increase of 2.9% occurred in the second quarter. According to the Bank of Portugal's predictions, at the end of 2010 private consumption growth will be 1.8%. (see graphs no. 1 and no. 2)
7. Portugal continues to issue Government Debt and interests have now reached a new high point since the Euro Adhesion (6.798%). Doubts about the approval of the Government Budget were viewed as the main reason for the climb, but despite the Budget's approval, interests continued to rise and there is fear that they might reach 7%. The common recurrence to this sort of financing by the State has caused Portugal to rise to 7th place on the list of world countries with the highest probability of Sovereign Debt non-compliance, above 29%.

Graph no. 1: Economic Indicators



Graph no. 2: Economic Climate and Activity Evolution



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## Shopping Centre Development Market:

8. In 2010 the economic crisis finally took its toll on Shopping Centres' openings. Up until 2009 several retail establishments had continued to open, because of their development having begun before the crisis, but this is the year in which the volume of new retail area considerably decreases.
9. Up to date, in 2010 two retail establishments opened: in March LeiriaShopping, extension of the Continente de Leiria Shopping Centre, developed by Sonae Sierra, which extended its Gross Leaseable Area (GLA) by 23,800 sq m to a total of 43,200 sq m; and In Ermesinde Retail Park, developed by Grande Solar and Banif, with 6,000 sq m of GLA, although some of its units have not opened yet.
10. As the development of new projects is put off, some developers are focusing on the refurbishment of operating Shopping Centres. With the competition growth in certain cities caused by the many openings of the last decade, some Shopping Centres are at the risk of becoming obsolete, for which investment on their refurbishment emerges as a good alternative to the development of new projects.
11. The Ordinance which allows schedule expansion for Large Retail Establishments (over 2,000 sq m of GLA) on Sundays has entered into effect. These establishments are now able to operate everyday from 06:00 to 24:00. City Councils, in duly justified cases, may still expand or restrict the fixed schedules' limits.
12. Until the end of 2010, the new GLA is expected to reach 75,000 sq m, which, if confirmed, will be the lowest amount of annual new GLA in Portugal since 2000.
13. Even so, the development market is expected to recover as of 2011, although it is difficult to determine possible delays on developments. For 2011, the estimated new GLA is around 190,000 sq m and in 2012 it should be around 160,000 sq m.
14. The retail park format continues to be dynamic and several of these establishments are planned for the next few years.
15. The regions with the most expected activity during the next two years are Greater Lisbon, the Setúbal Peninsula and the South, with the first openings of Shopping Centres in Alentejo standing out, in the cities of Évora and Beja.
16. The most significant planned openings are Dolce Vita Braga, a Retail Establishment with 70,000 sq m of GLA, comprised of shopping centre and retail park, developed by Chamartín and due to open in 2011; and Summerville Shopping Park, the Shopping and Leisure Centre in Albufeira (Algarve) developed by Imorendimento, with 57,500 sq m of GLA, due to open in 2012.
17. As for extensions, Forum Sintra, developed by Multi Development, will open in 2011. This Shopping Centre, extension of the Feira Nova hypermarket, will have 55,900 sq m. (See tables no.1 to 3)

Table no. 1: Planned Openings rest of 2010 / 2011

Shopping Centre	Location	Developer	GLA (sqm)	Opening
Aqua Portimão	Portimão	Bouygues	35.500	2011
Barreiro Retail Planet	Barreiro	Eiffage / Milligan	35.000	2010
Dolce Vita Braga	Braga	Chamartín	70.000	2011
Évora Retail Park	Évora	Imorendimento	6.000	2011
Liberdade Street Fashion	Braga	Grupo Regojo	12.000	2010
P.C. Montijo (1ª fase)	Montijo	Bogaris	3.000	2010
P.C. Montijo (2ª fase)	Montijo	Bogaris	17.000	2011
Vivaci Beja	Beja	FDO Imobiliária	20.500	2011
<b>Subtotal Openings</b>	<b>7</b>		<b>199.000</b>	

Table no. 2: Planned Extensions rest of 2010 / 2011

Shopping Centre	Location	Developer	GLA (sq m)		
			Extended	Former	Total
Forum Sintra	Sintra	Multi Development	40.150	15.750	55.900
<b>Subtotal Extensions</b>	<b>1</b>		<b>40.150</b>	<b>15.750</b>	<b>55.900</b>
<b>TOTAL (Openings / Extensions)</b>	<b>8</b>		<b>239.150</b>		

Table no. 3: Main Openings Planned 2012

Shopping Centre	Location	Developer	GLA (sqm)	Opening
Évora Shopping	Évora	Imorendimento	16.500	2012
IKEA Loures Retail Park	Loures	Inter IKEA	19.000	2012
Parque Ribatejo	Alverca	Eiffage	49.400	2012
P.C. Setúbal	Setúbal	Bogaris	20.000	2012
Summerville Shopping Parque	Albufeira	Imorendimento	57.500	2012
<b>Total Openings</b>	<b>5</b>		<b>162.400</b>	



LeiriaShopping

Leiria



Dolce Vita Tejo

Amadora



Vivaci Guarda

Guarda



IKEA

Loures



Prada

Lisboa

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Barreiro Retail Planet Barreiro



Summerville Shopping Parque Albufeira



Tavira Gran Plaza Tavira



Primark Gondomar



BCBGMAXAZRIA Porto

## Shopping Centres in Operation:

18. Dolce Vita Tejo, Shopping Centre developed by Chamartín and ING, won several awards throughout the year: at the "Global RLI Awards 2010" for "Most Innovative Retail & Leisure Concept of the Year"; at the "Óscares do Imobiliário" for "Best Establishment of the Year" and "Best Retail Establishment" and also at the "ICSC Solal Marketing Awards" on the "Grand Opening, Anniversary, Refurbishment or Extension" category, for the "Dolce Vita é a tua cara" campaign.
19. A few of Sonae Sierra's campaigns were also awarded at the ICSC Solal Marketing Awards 2010. CascaiShopping, ArrábidaShopping and Centro Colombo were the shopping centres responsible for these marketing initiatives.
20. Vivaci Guarda, shopping centre developed by FDO Imobiliária, was nominated at the World Architecture Festival, where it will compete for best building on the "Shopping" category. The event will take place from the 3 to 5 November in Barcelona.
21. Forum Barreiro and Forum Castelo Branco, both owned by Rockspring, have new management teams (Cushman & Wakefield). Forum Barreiro is a Shopping Centre located on Barreiro's city centre, with 17,500 sq m of GLA, and Forum Castelo Branco is a Shopping Centre with 18,300 sq m of GLA.
22. The Retail Park in Évora owned by BPN Imofundos, which has at this time an Akí store in operation, will have a new store with 2,200 sq m of GLA. This Retail Park also has a planned extension of 10,000 sq m of GLA.
23. According to the Footfall Index, during the first five months of 2010 there have been positive signs regarding shopping centres' visitor numbers. Despite a fixed-base-year variation of -3.5% in April, there was an increasing tendency, and in May the fixed-base-year variation was 1.4%.

## Information regarding Retailers:

24. Prada, the Italian luxury brand, opened in June its first store in Portugal on Avenida da Liberdade in Lisbon, close to other prestige brands such as Armani and Louis Vuitton. The store has an area of 650 sq m distributed by two floors.
25. Primark is going to open its first store in the Algarve, and third in the country, at the Aqua Portimão Shopping Centre. The store will have 4,200 sq m of GLA and is due to open on the spring of 2011. This is one of the two openings planned by the Irish fashion chain for the region of Algarve.
26. BCBGMAXAZRIA opened its first store on the city of Oporto, at the Península Shopping Centre. It is the third store in Portugal, after two openings in Lisbon.
27. The third IKEA unit in Portugal opened in Loures, on the freguesia of Frielas. With 38,500 sq m of GLA, it is the largest IKEA store on the Iberian Peninsula to date.
28. The Virgin Active group already began the construction of its first health club on the Lisbon area, in the city of Oeiras, due to open in the final quarter of 2011. In 2012 another health club will open, this time within the city of Lisbon, on the Palace Sottomayor's galleries; this will be Virgin Active's largest space in Europe, with 7,000 sq m of total area.
29. C&A estimates an investment of about 60 million euros until 2012 on new stores and refurbishments in Portugal and Spain. Between March 2011 and February 2012, this fashion chain intends to open 3 new stores in Portugal.
30. The Sonae Group opened the first two units of Continente Ice, firstly in Lisbon and then in Porto. This concept, with 200 sq m of sales area, markets frozen products. With the same activity, the Spanish chain La Sirena is planning to expand to other countries and Portugal will be its first destination.
31. Decathlon will open a stand alone unit in Viana do Castelo, with 3,650 sq m of GLA and the possibility for a future expansion of an additional 1,500 sq m. This stand alone unit will be developed by Imorendimento, together with the company Normaster.
32. Akí intends to open 15 more units until 2015, adding to the 25 already in operation throughout the country.

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33. The first store in Portugal of the Japanese chain Muji will open next November at Rua do Carmo, in Chiado, Lisbon. Muji has about 400 stores all over the world and it markets home, work and leisure items.
34. Petit Bateau, a French children's fashion brand, has opened its first store in Portugal, in Lisbon, at Saldanha, with 100 sq m of GLA.
35. Zara began selling all of its items online for six European countries in September of this year. These countries are Portugal, Spain, France, Germany, United Kingdom and Italy.
36. Sonae SR opened its first four stores in Saudi Arabia and intends to reach 70 units in the Middle East until 2014. These first four stores belong to the Zippy brand and are located in the cities of Riad, Jeddah and Dhahran.
37. Also by Sonae, the new retail brand Well's was presented and will replace "Área Saúde". This brand, dedicated to health, optics and welfare, has an expansion plan which predicts increasing the number of stores from the current 112 to 150 until 2013.

### Investment Market:

38. The Portuguese investment market recovered some of its activity in the first semester of 2010. The investment volume was around 197 million euros, with some operations larger in size when compared to the bulk of the transactions occurred in 2009, mostly of stand alone units and street shops. (see table no. 4)
39. However, prudence is required when analyzing these numbers. The transactions of two shopping centres, Espaço Guimarães and Tavira Gran Plaza, sum up almost 150 million euros, but in the end they are not very representative as operations of Portugal's retail investment: one of them was part of a large European shopping centres portfolio acquisition and the other transaction was between two of the shopping centre's shareholders.
40. In June of 2010 the new legislation which creates Property Investment Societies (SIIMO) in Portugal was approved, bringing closer the national legal regimen with the rest of Europe. SIIMO, unlike Property Investment Funds (FIL), allow waiving the intervention of management companies, enabling the direct management of property assets.
41. The tendency during 2010 has been for the stabilization of yields. At the end of the first semester of 2010 yields for prime Shopping Centres were around 7% and yields for conventional Shopping Centres were around 8.5%.

Table no. 4: Main Investment Transactions 1st Semester 2010

Shopping Centre	Location	Seller	Purchaser	GLA (sq m)	Price (M€)
Continente Tavira	Tavira	Martifer	Imosonae II Fund	5.580	6,6
Espaço Guimarães	Guimarães	Multi Development	Corio	47.800	91,0
Portfolio 5 Retail Parks	Famalicão, Grijó, Setúbal, Tondela and Viseu	Rockspring	Sertorius Fund	57.800	45,0
Tavira Gran Plaza	Tavira	Martifer	Estia	27.000	44,3
Two Modelo Supermarkets *	n.d.	Sonae Distribuição	Aprirose Real Estate Investment	n.d.	10,0
<b>Total 1<sup>st</sup> Semester 2010</b>					<b>196,9</b>

\* Sale & Leaseback operation together with the sale of a logistics platform in Azambuja

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