

Shopping Centres in Portugal

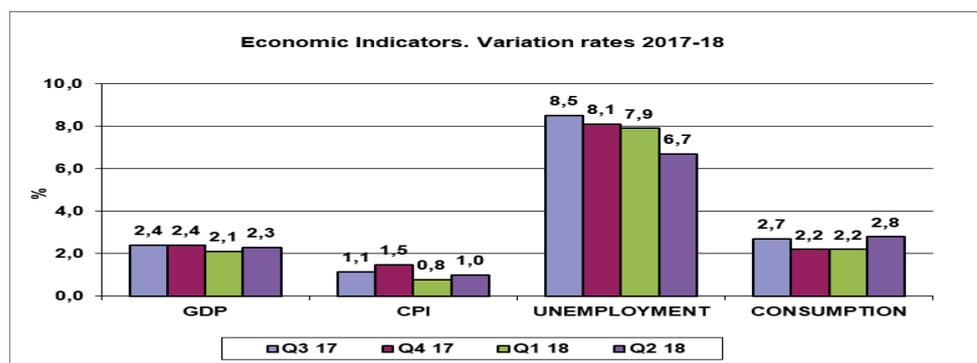
Semi-annual Activity Report

October 2018

Economy:

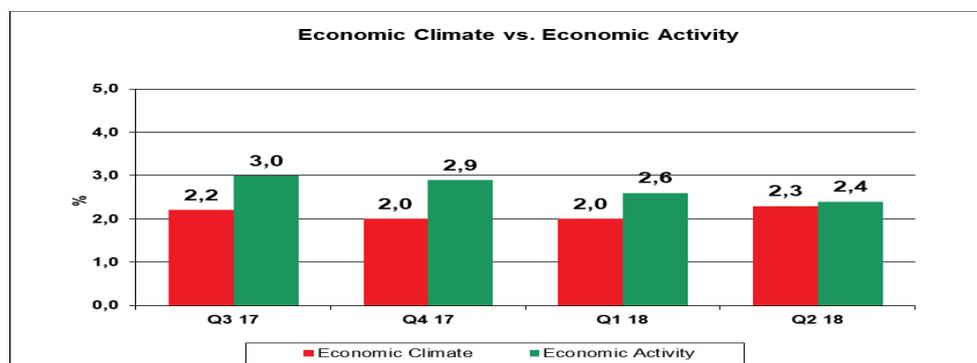
1. Portuguese **GDP** has grown in line with the European Union's average during the first two Quarters of 2018. It grew 2.1% year-on-year during the first Quarter and 2.3% during the second Quarter, according to the National Statistics Institute (INE). (see Graph no. 1)
2. The **inflation rate** was around 1% during the first two Quarters of this year. **CPI** increased 0.8% during the first Quarter and 1.0% in the second Quarter, according to the INE. (see Graph no. 1)
3. The **unemployment rate** continues to decrease significantly. In the second Quarter of 2018 it reached 6.7%, also according to the INE. It had been a long time since such a low unemployment rate was witnessed. (see Graph no. 1)
4. **Private consumption** continues to grow above 2%, according to the INE. In the second Quarter of 2018 it grew 2.8% year-on-year. (see Graph no. 1)
5. The **Retail Index** is still growing nicely, with a year-on-year variation of 5.2% during the first Quarter of 2018, and 4.2% in the second Quarter, according to the INE.
6. The **Economic Climate indicator** grew during the first two Quarters of 2018. It varied 2.0% during the first Quarter of 2017 and 2.1% during the second Quarter, according to the INE. Inversely, the **Economic Activity indicator** has been showing decreasing growth rates: it varied 2.6% during the first Quarter of 2018 and 2.4% during the second Quarter. (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:

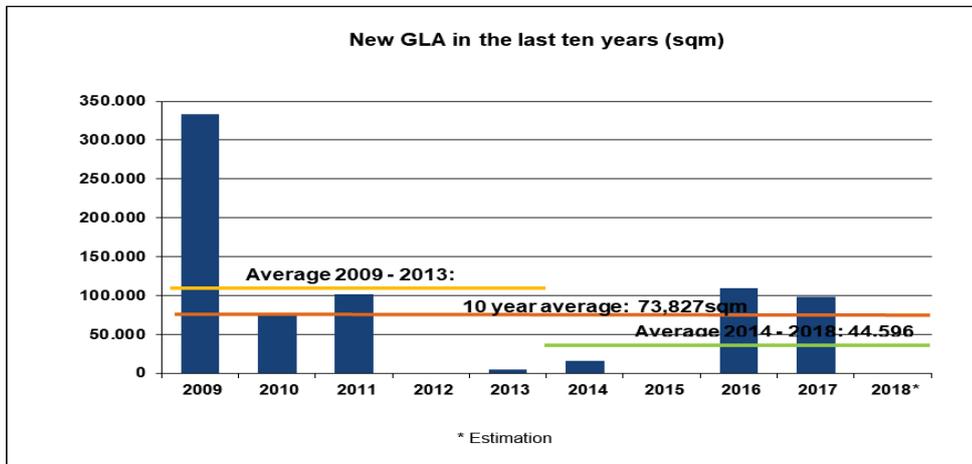
7. In the current year of 2018, until September, there were **no new shopping centre openings** in Portugal. There were also **no extensions** of existing shopping centres registered.
8. According to our estimations, by the end of the year no new openings will have

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occurred, meaning that the circumstances of 2012 and 2015, when no new shopping centres or retail parks with more than **5,000 sqm of GLA** were inaugurated, should occur once again. (see Graph no. 3)

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



Source: LaSBA

- The shopping centre development market in Portugal is stagnant. There are **no new projects under development** at the moment, and for the upcoming years only extensions of existing centres are expected. The maturity of the Portuguese market is the determining factor. There seems to be no “room” for new centres. Other factors such as the growth of e-commerce or the stagnant population also contribute to this.
- Nevertheless, it is possible that new shopping centres might be built in the medium term. For instance, **Immochan** have announced their intention to build two new shopping centres in the Greater Lisbon area, though there are no planned dates yet.
- For the next two to three years there are thus only extensions planned, and they should add up a total of 50,000 sqm of Gross Leasable Area (GLA). The first one to inaugurate should be **Norte Shopping**, in Matosinhos, developed by Sonae Sierra. The shopping centre will have 17,000 sqm of new GLA, reaching a total of 90,275 sqm of GLA. (see Table no. 1)

Table no. 1: Planned Extensions Upcoming Years

Shopping Centre	Location	Developer	GLA (sqm)		
			Initial	Extended	Total
Centro Colombo	Lisboa	Sonae Sierra	114.000	17.000	131.000
Glicinias Plaza	Aveiro	Vougainvest	28.000	13.000	41.000
Norte Shopping	Matosinhos	Sonae Sierra	73.275	17.000	90.275
Oeiras Parque	Oeiras	Mundicenter	34.500	3.000	37.500
Total Extensions Upcoming Years	4		249.775	50.000	299.775

Source: LaSBA

Shopping Centres in Operation:

- According to the **Footfall Index**, during the first two Quarters of 2018 year-on-year affluence to Portuguese shopping centres grew 0.5% year-on-year, dampened by a -3.2% variation in July.
- Portugal was the guest country at the **AECC (Spanish Association of Shopping Centres and Retail Parks)** Congress. The event took place at the Spanish city of Granada and Portugal’s shopping centre sector, its situation and the development opportunities common to both countries were the main subjects at the “Why Portugal” session.
- The meal ordering project by the shopping centre **Alegro Alfragide** gave **Ceetrus Portugal** a Solal Marketing Award, awarded by the International Council of Shopping Centres (ICSC). This centre was the only Portuguese establishment to be recognised this year by the organisation, which involves shopping centres from roughly ninety countries.
- Mar Shopping Algarve** was distinguished as Best Property Development by the SIL Property Awards 2018, under the category “Retail, Services and Logistics”. The acknowledgment happened on October 3rd, during the ceremony which took place at FIL – International Lisbon Fair.



Centro Colombo Lisboa



Glicinias Plaza Aveiro



Norte Shopping Matosinhos



Oeiras Parque Oeiras



Alma Shopping Coimbra





Go Natural

Porto



CascaisShopping

Cascais



Centro Vasco da Gama

Lisboa



Forum Madeira

Madeira



Zippy

Norte Shopping

16. **Forum Aveiro** was given the “Portugal Five Stars” award, under the category “Shopping Centres in Portugal”. In total, the shopping centre obtained a final score of 84.2% in “Global Satisfaction”. The categories “Amount and variety of stores and brands”; “Existence of anchor stores”; “Location”; “Parking”; and “Accessibility and transportation” are the most relevant ones according to the surveyed people.
17. **TorreShopping** has an on-going refurbishment project to modernise its restoration and leisure areas. The food court will have new brands and a decoration which will bring out wooden materials and light colours. The façade, outdoors, entrance, terraces and bathrooms will also undergo refurbishments.
18. **CascaisShopping** has concluded its refurbishment, which was carried out to “give it a more contemporary image, in line with the lifestyle of the catchment area’s residents (Cascais, Estoril and Sintra), whilst preserving its original identity, connected to fashion and glamour”, as stated by the developer Sonae Sierra.
19. The refurbishment of **Centro Vasco da Gama**, in Lisbon, was also concluded. The shopping centre’s refurbishment, also developed by **Sonae Sierra**, was inspired by the voyages of large luxury cruise ships, which maintains the establishment’s original theme – the oceans. The highlight is the creation of new exterior areas with a view towards the river.
20. **Forum Madeira**, located in Funchal, was subjected to several improvements. The first **Lefties** store in Madeira has opened at this shopping centre and seven other stores were relocated so that the unit by **Inditex** could be incorporated into the retail establishment.

Information regarding Retailers:

21. The brands **Jumbo** and **Pão de Açúcar** in Portugal will be replaced by the brand **Auchan**, in a rebranding process which is included in the ninety million Euro investment that **Auchan Retail Portugal** has planned for the next two years.
22. **Minipreço** has launched a new concept of proximity store. In order to develop this “Express” format, already established in 15 supermarkets at the Greater Lisbon and Greater Oporto areas, the Groceries chain **Grupo Dia** made a search around Europe for inspiration from the best international retail models.
23. **Continente Bom Dia** has inaugurated its 100th store in Portugal, specifically in Lisbon. The store has an area larger than 1,000 sqm. **Sonae** plans to open 70 stores by 2020.
24. **Aldi**’s expansion is intensifying in the North of Portugal. This discount supermarket chain has opened its first four stores in the Greater Oporto area, in Gaia, Matosinhos and Maia.
25. **Go Natural** have opened their first supermarket in Oporto. About 80% of the items are organic. The store has 275 sqm and over four thousand items. **Go Natural** now has 22 restaurants, seven supermarkets and six Grab & Go corners in supermarkets.
26. **Massimo Dutti** opened its first flagship store in Portugal. The unit opened at **Norte Shopping**, in Matosinhos, Oporto, with an area of 1,500 sqm.
27. **Lion of Porches** has opened a new store at **Alma Shopping**, in Coimbra. The Clothing brand based on British style culture, and founded in Portugal in 2001, has 40 own brand stores and has its presence in around 150 multibrand stores within the country.
28. A new store by the Italian Luxury brand **Elisabetta Franchiu** has opened at **Freeport Lisboa Fashion Outlet**. It is the third unit by the brand in Portugal, after having opened a store in Oporto and another one in Lisbon, at **Avenida da Liberdade**, with its supply of clothes, accessories and shoes, this time with outlet discounts.
29. **Salsa** has opened a flagship store in one of the main retail arteries of the city of Oporto, **Rua de Santa Catarina**. The unit has a total area of 270 sqm and a GLA of 180 sqm.
30. Children’s Clothing brand **Zippy** has reopened its store at **Norte Shopping** in a new location, now in the children’s area. The unit with 210 sqm represents a new step in their plan to refurbish their stores in Portugal.
31. **Grupo Cortefiel** has changed its name. **Tendam** is the new corporate brand that encompasses the brands **Cortefiel**, **Pedro del Hierro**, **Women’ssecret**, **Springfield** and **Fifty**.
32. **Outlaw - Surf & Skate**, Sports fashion brand, has opened a new store at **Tavira Gran-Plaza**. The unit supplies items by several brands in the styles of both of these sports.
33. **Vans** has opened a new store at **LeiriaShopping**, thus strengthening the shopping centre’s Fashion and Shoes supply with the first unit by the brand in the area. The store is located on the first floor, following the “Off the Wall” concept, like the rest of the Portuguese stores.
34. Sports brand **Spry** has opened a new store at **Centro Colombo**, in Lisbon. The unit has an area of 80 sqm, and is located on the second floor of the shopping centre.
35. Portuguese chain **DeBorla** opens a new store at **GuimarãesShopping**, their 33rd unit

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in Portugal. The store has 1,700 sqm and will be located on the ground floor of this shopping centre.

36. **JOM** have opened a new store in Vila Real. This opening is part of the group's decentralising strategy. They now have 20 stores in the country.
37. Ice-cream brand **Häagen-Dazs** has opened, for the first time, a street shop in the city of Oporto. Located at **Rua das Flores**, the new unit is the fifth by the brand in the North of Portugal. The other four units are located in shopping centres: **Norte Shopping, Mar Shopping Matosinhos, Arrábida Shopping** and **El Corte Inglés Gaia**.
38. **Nespresso** has opened a boutique in Funchal, located at **MadeiraShopping**. The opening is part of the brand's expansion plan, and they now have 22 units in Portugal.



Investment Market:

39. The **Retail Investment market** was very dynamic during the first half of the year. During the first two Quarters of 2018 there were transactions by an amount of more than **800 million Euros**, roughly double the amount of the same period from the previous year.
40. **International investors** continue to be the main players. The large majority of buyers have foreign capitals, with plenty of liquidity.
41. The **main retail transactions** which occurred during the first two Quarters of 2018 were the following:
42. **Immochan** has 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.
43. 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.
44. **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.
45. **Yields** have gone down slightly, and are now at 4.75% for prime shopping centres and at 6.25% for retail parks.

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