



MARKETBEAT

SHOPPING CENTRE DEVELOPMENT REPORT EUROPE

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION



September 2011

OVERVIEW

Shopping centre provision in Europe increased by more than 2.1 million sq.m in the first half of 2011. The completion figure is more than 30% lower than the previous six months' total, although very similar to the total for the corresponding period of 2010. 71 new shopping centres were opened, accounting for 90% of the space added; extensions of existing schemes make up the remaining 10%. On 1 July 2011, total shopping centre GLA in Europe stood at 135.1 million sq.m.

As in 2010, completions are expected to increase in the second half, with more than 4.6 million sq.m in the pipeline. The projected 2011 development total of nearly 6.8 million sq.m exceeds last year's figure by 26%. However, delays are possible in some markets, and the 2011 total may fall short of projections. The 2012 pipeline has expanded in recent months due to a combination of new starts and delays, and currently stands at 5.8 million sq.m. This figure is subject to change and will depend on occupier demand and the pace of economic recovery. Some countries may see their pipelines boosted by further new starts, while others may see more projects delayed or put on hold.

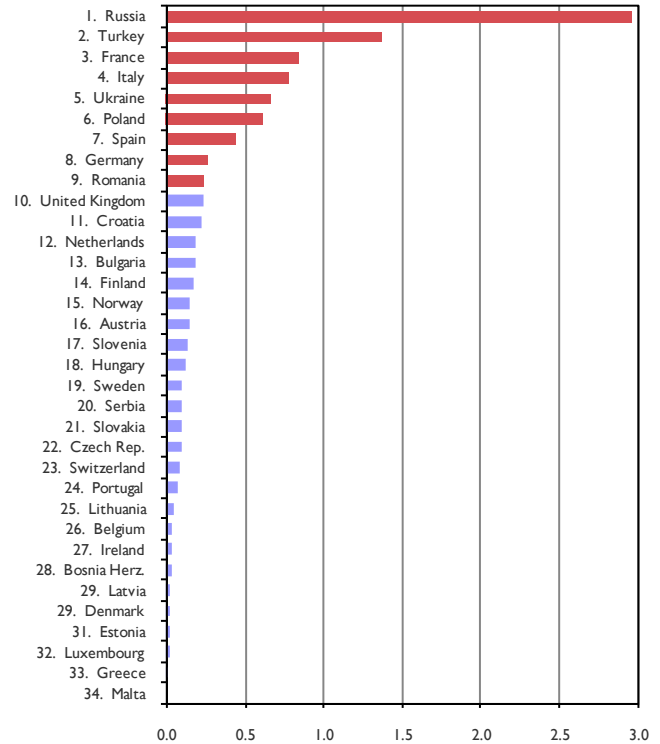
MARKET SIZE

Russia and Turkey account for 41% of the European pipeline for 2012 and the second half 2011. In Russia alone, floorspace is expected to increase by nearly 3 million sq.m. The pipeline has recently been boosted by a number of new starts, including major projects in Tumen, Moscow and Smolensk. More than 400,000sq.m is under construction in Moscow, with the remainder of the pipeline focused on major cities such as Nizhny Novgorod, Krasnodar, Ufa and St. Petersburg. If all the projects scheduled for the second half are completed on time, the 2011 development figure will be the highest on record. However, a few schemes have recently been postponed from 2011 to 2012, and further delays cannot be ruled out. In Turkey, nearly 1.4 million sq.m of space is due to open in H2 2011/12. Istanbul accounts for 60% of this figure, with more than 800,000sq.m under construction, including nine schemes where GLA exceeds 40,000sq.m. Provision in Ankara is also expected to increase considerably, with nearly 140,000sq.m in the pipeline. In addition, large shopping centres are being built in other major cities including Kayseri, Diyarbakir and Manisa.

In Western Europe, France and Italy continue to top the pipeline "league table". France is expected to see a dramatic rebound in completions in 2011/12 after last year's slowdown. Indeed, the projected 2011 development total of 416,000sq.m is more than double the 207,000sq.m added to the market in 2010. However, activity remains firmly focused on small schemes and extensions. Completions in Italy are also expected to increase: the projected 2011 development total is 22% higher than last year's figure, although there was a spate of delays in recent months. Similarly, while Spain's 2012 pipeline remains healthy, several projects have recently been postponed or put on hold, and there is some uncertainty about completion dates.

Several countries, including Finland, Poland, Slovenia and Ukraine, are expected to see completion levels increase considerably in 2011/12. On the other hand, activity remains subdued in many other parts of Europe. In Germany, the 2011 and 2012 development totals will be the lowest on record since 1989/90. Similarly, UK completions will reach a historic low in 2012. The pipeline figure is skewed by the 176,500sq.m Westfield Stratford City, which opened on 13 September; otherwise, only a handful of schemes will be built before the end of next year.

European Shopping Centre Pipeline H2 2011/12 (million sq.m)



Major Schemes in the Pipeline

Country	City	Scheme name	GLA	Year
UK	London	Stratford City	176,500	2011*
Russia	Krasnodar	OZ Mall	163,000	2011
Spain	Zaragoza	Puerto Venecia	123,475	2012
Russia	Ufa	MEGA Ufa	114,700	2011
Russia	Samara	MEGA Samara	102,000	2011
Turkey	Istanbul	Marmara Park	100,000	2012
Slovenia	Ljubljana	Sportni Park Stožice	96,319	2012
Italy	Villesse	Villesse Shopping	90,000	2012
Turkey	Istanbul	IspartaKule	85,000	2012
Croatia	Zagreb	Supernova Zagreb	80,000	2012
Russia	St. Petersburg	Leto	77,695	2011
Russia	Nizhny Novgorod	Nebo	75,000	2012
Russia	Perm	SC on Speshilova	75,000	2012
Russia	Tumen	Tumen	75,000	2012

*Opened 13 September 2011.

Shopping Centre Definition

Cushman & Wakefield define a shopping centre as a centrally managed, purpose-built retail facility, comprising units and communal areas, with a Gross Lettable Area of over 5,000sq.m. Factory Outlets and Retail Parks are excluded. All tables are based on information from Cushman & Wakefield's in-house European Shopping Centre Database.

OVERVIEW OF DEVELOPMENT IN H1 2011

More than 2.1 million sq.m of new shopping centre space opened in Europe in the first half, increasing floorspace by 1.6%. The completion total is 32% lower than the figure recorded in the previous six months, but only 5% lower than the corresponding period of 2010, when just over 2.2 million sq.m of new space was added to the market. On 1 July 2011, average shopping centre provision per 1,000 inhabitants in the EU-27 stood at 240.3sq.m. In line with the trend observed in previous years, Central and Eastern Europe account for 58% of the new space opened in the first half. This is mainly due to strong development levels in Russia, Turkey and Poland.

The largest scheme completed in the first six months of 2011 was Marmara Forum in Istanbul (156,000sq.m). Developed by Multi Development Turkey, it opened on 31 March and is now the second-largest shopping centre in the country. Two other centres with GLA above 100,000sq.m were completed in the first half: the Marineda City mixed retail scheme in A Coruña, comprising 116,500sq.m of shopping centre space, and the 114,000sq.m AFIMALL City in Moscow.

KEY TRENDS ACROSS EUROPE

Russia recorded the highest development total of all the markets covered and accounts for nearly a fifth of the new space opened in Europe in the first half. Just over 400,000sq.m of shopping space was completed, increasing floorspace by 3.6%. With the opening of AFIMALL City and two other, smaller shopping centres, Moscow accounts for 36% of the new GLA added to the market. Major projects were also completed in Novosibirsk, Yaroslavl, Kazan and St. Petersburg.

Nearly 340,000sq.m of new space opened in Turkey, increasing floorspace by 6.4%. Istanbul accounts for 62% of this total following the completion of Marmara Forum and two smaller schemes. Shopping centres with GLA ranging from 30,000sq.m to 50,000sq.m were also opened in Antalya, Denizli and Gayantep. However, provision per capita in the major cities, including Istanbul and Ankara, is still well below the European average.

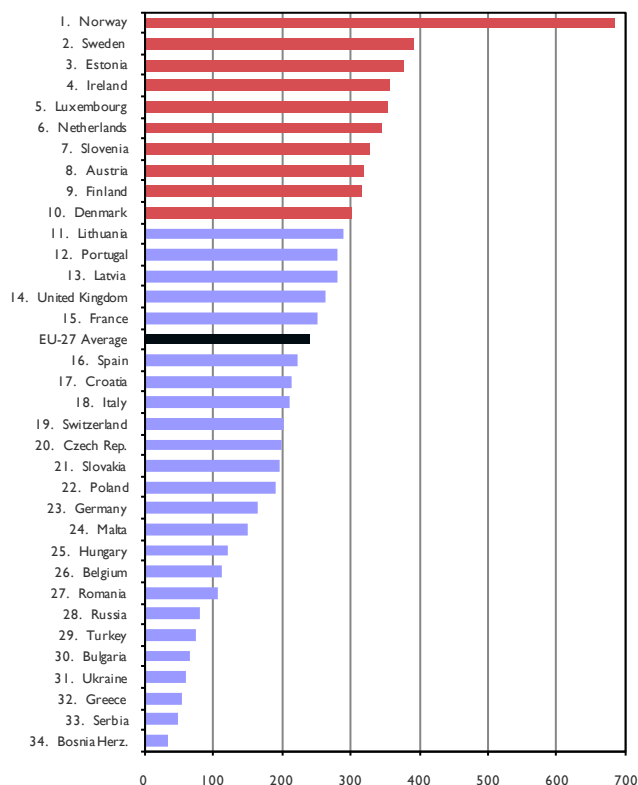
Poland saw nearly 250,000sq.m of space added to the market across twelve new schemes and two extensions (compared with Russia's eight new centres and Turkey's six), increasing floorspace by 3.5%. The largest increase in provision was recorded in Radom with the opening of the 42,000sq.m Galeria Sloneczna in April. In recent years, the focus of development activity has shifted away from the capital and towards other major urban centres.

Greece, Serbia and Croatia all saw significant increases in floorspace in the first half, with provision increasing by 6-9%. The 6% increase in Greece can largely be attributed to the completion of River Mall in Athens (20,000sq.m); otherwise, development activity has come to a virtual standstill, with only one other small scheme opened in the first half and only one minor project in the pipeline for H2 2011/12.

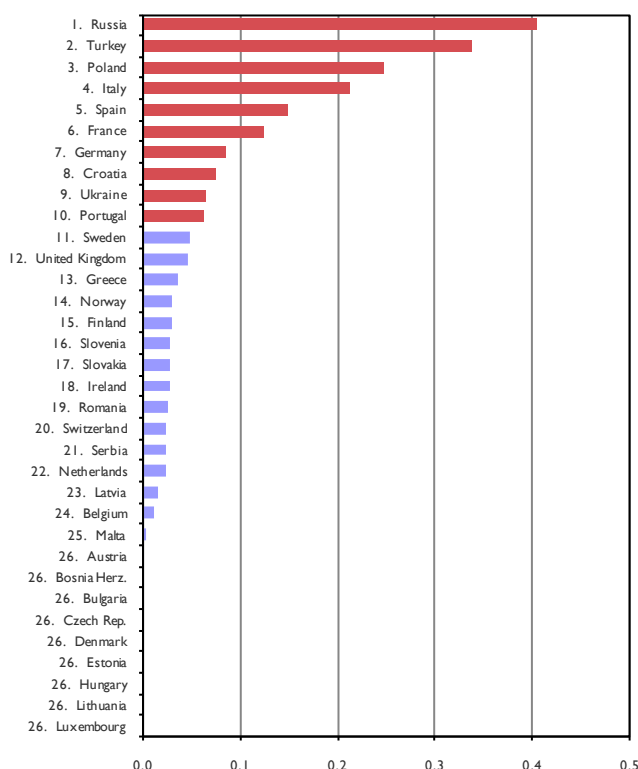
Nine countries – Austria, Bosnia and Herzegovina, Bulgaria, the Czech Republic, Denmark, Estonia, Hungary, Lithuania and Luxembourg – saw no completions. After ranking fifth in Europe in terms of new space added last year, Bulgaria is experiencing a slowdown in activity as past increases in supply are gradually absorbed.

In Western Europe, Italy and Spain recorded the largest volume of new space added. Eight new shopping centres opened in Italy, adding just over 210,000sq.m of new space to the market. This includes one of the largest recent completions in Europe and the largest scheme to open in the country since 2007, the 90,000sq.m Centro Sicilia in Misterbianco; there are several other large schemes in the pipeline. In Spain, provision increased by nearly 150,000sq.m. The figure is, however, skewed by Marineda City; indeed, only one other new scheme opened in the first half, and completions are expected to slow dramatically in the second half before increasing again in 2012 (possible delays notwithstanding).

Shopping Centre GLA (sq.m) per 1,000 Population



New Shopping Centre GLA H1 2011 (million sq.m)



EUROPEAN SHOPPING CENTRE GROWTH

Based on current estimates, completions are expected to increase in the second half of the year. Projected completion totals for 2011 exceed last year's levels in half of the markets surveyed for this report. Factors contributing to the expected upturn include improving retailer demand and concerns over potential shortages of prime space.

On the other hand, market conditions remain uncertain in some countries, notably surrounding the potential impact of fiscal tightening measures on consumer confidence and occupier demand. A number of major projects have recently been delayed, and the 2011 pipeline may contract in some countries as more projects are postponed to 2012 and beyond. Due to this uncertainty, it is difficult to make accurate forecasts for 2012 and beyond. The 2012 pipeline currently stands at 5.8 million sq.m, but is subject to change: indeed, it may expand as projects either begin construction or are pushed back from 2011, or contract as schemes are delayed.

SHOPPING CENTRE INVESTMENT

European retail investment volume totalled nearly €19.8 billion in the first half, 4% lower than the previous six months' level and 9% up on the corresponding period of 2010. Retail's share of total commercial property investment edged up to approximately 35%, up from 33% in 2010.

Germany, Sweden, Russia, Turkey, and a number of smaller CEE markets all saw retail investment volumes increase considerably relative to both the previous six months and the corresponding period of last year. In Germany, retail investment volume increased by 37% year-on-year in H1, while Sweden saw annual growth of nearly 91%. In Russia, Turkey and Italy, Q1 2011 saw the highest quarterly retail transaction totals since 2007/08. On the other hand, several European countries recorded significant declines in activity. In absolute terms, Spain saw the largest year-on-year contraction in Europe: retail volume in the first half was nearly €1.2bn lower than H1 2010 levels, which amounts to an annual fall of 79%. Norway, France and the Netherlands also saw large declines in investment volume relative to both the previous six months and the corresponding period of 2010. In Norway, retail volume declined by 73% year-on-year; in France, by 36%, and in the Netherlands, by 50%.

The average European prime yield ended the first half at 7.01%, moving in from 7.08% in December 2010. In the Czech Republic, Finland, France, Germany, Hungary, Norway, Poland, Russia and Turkey, prime shopping centre yields hardened over the first six months of 2011, typically moving in by 25 to 50bps. Elsewhere in Europe, values were largely unchanged, with the notable exceptions of Portugal, Ireland and Greece, where they came under upward pressure.

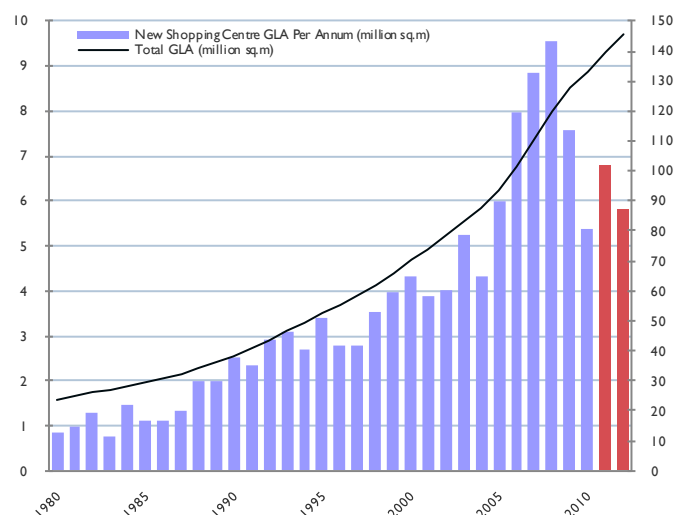
The outlook for the remainder of 2011 is mixed, with increased activity in some markets likely to be offset by falls elsewhere. The health of many occupational markets has continued to improve on the back of economic growth and better retail sales; indeed, prime shopping centre rents have increased in around a third of the countries surveyed. However, retail sales have been stagnant or declining in some parts of Europe, and occupier demand remains subdued and highly selective in a number of countries. In addition, undersupply of investment-grade product and scarce availability of debt finance remain barriers to investment in selected markets.

Prime yields are generally expected to remain stable in the short term, with some further compression possible. However, yields may come under further upward pressure in Greece, Ireland and Portugal.

Retail Market Indicators EU-27 Average

	2010	2009
GDP Per Head (€)	20,876	20,566
Private Consumption Per Head (€)	12,344	12,274
Private Consumption (% real change pa)	0.8%	-1.7%
Average Consumer Prices (% change pa)	2.0%	1.0%

European Shopping Centre Growth



Shopping Centre Rents & Yields

Country	Prime Rent (€/sq.m/year)	Prime Yield (%)	Short Term Yield Outlook
Austria	700 - 1,020	6.10 - 6.75	→
Belgium	800 - 1,400	5.50 - 6.00	→
Czech Rep.	800 - 1,100	6.00 - 7.00	↘
Denmark	500 - 1,150	5.75 - 6.25	→
Finland	900 - 1,600	5.00 - 6.25	→
France	1,400 - 2,000	4.75 - 5.75	→
Germany	1,200 - 1,560	4.95 - 5.80	↘
Hungary	600 - 1,080	6.75 - 7.75	→
Ireland	1,100 - 1,800	7.50 - 8.00	↗
Italy	600 - 800	6.25 - 7.25	→
Netherlands	650 - 900	6.25 - 7.00	→
Norway	800 - 1,050	6.00 - 6.75	↘
Poland	500 - 950	6.25 - 7.25	↘
Portugal	700 - 900	7.25 - 8.50	↗
Romania	300 - 650	9.00 - 10.00	→
Russia	750 - 2,200	9.50 - 10.50	↘
Slovakia	650 - 800	7.25 - 8.00	→
Spain	700 - 950	6.00 - 6.50	→
Sweden	550 - 800	5.50 - 6.00	↘
Turkey	600 - 950	8.00 - 9.00	↘
United Kingdom	1,330 - 1,850	5.50 - 6.50	→

Rents and yields relate to a range for the best shopping centres in each country and are indicative only. With respect to yields, given the changing nature of the market and the costs implicit in any transaction, such as financing, these are very much a guide only to indicate the approximate trend and direction of prime initial yield levels and should not be used as a comparable for any particular property or transaction without regard to the specifics of the property. It should also be noted that the shopping centre format varies by country and a direct comparison between schemes in different markets should take account of this.

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