MARKETBEAT
SHOPPING CENTRE DEVELOPMENT REPORT
EUROPE

A Cushman & Wakefield Research Publication

CUSHMAN & WAKEFIELD®

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OVERVIEW

Shopping centre provision increased by nearly 3.6 million sq.m in the second half, bringing the European completion total for 2011 to 5.9 million sq.m - nearly identical to the previous year's figure. With delays reported in a number of markets, the 2011 total fell short of projections made earlier in the year. Central and Eastern Europe accounted for around two-thirds of new space added, with Russia, Turkey and Poland dominating the ranking. The pipeline for 2012/13 is estimated at 10.9 million sq.m, with 6.4 million sq.m of GLA scheduled for completion this year, although further delays are possible.

MARKET SIZE

Russia accounts for 21% of the European pipeline, with 2.3 million sq.m of new space likely to be delivered in 2012/13. Major projects are under construction in cities including St. Petersburg, Krasnodar, Nizhny Novgorod and Ufa. In Moscow, activity has shifted towards the outskirts due to restrictions on construction within the Third Transport Ring. Several projects have recently been delayed, notably OZ Mall in Krasnodar, and there is some uncertainty surrounding completion dates for many projects.

In Turkey, several delays have also been reported in recent months. Istanbul remains the centre of activity, with more than 700,000 sq.m of new space under construction. Development is focused on large schemes: shopping centres with GLA of 40,000 sq.m and up account for circa 80% of the pipeline.

In France, extensions of existing schemes make up more than 40% of the pipeline. In total, more than 50 centres are being extended or refurbished. Nearly 40 new schemes are also under construction, including major projects in Paris and Lyon.

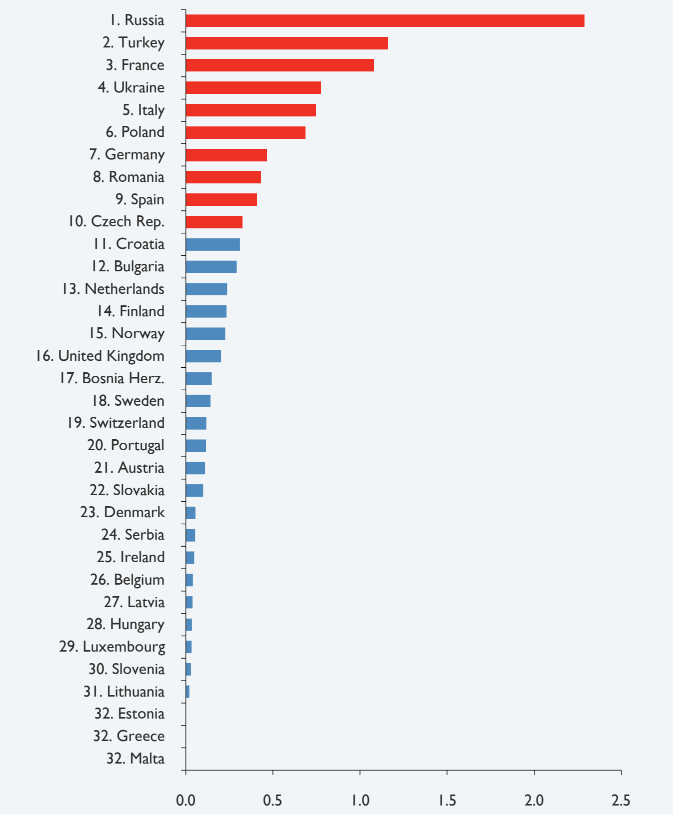
In Ukraine, total floorspace could potentially increase by more than 25% before the end of 2013. Kiev accounts for around half of the pipeline, with major projects also being built in Kharkov, Odessa and Kherson.

The Italian pipeline is estimated at 750,000 sq.m, with major schemes under construction in Villesse, Palermo, Monopoli and Parma. However, several delays have been reported in recent months, including the largest scheme in the pipeline, Inter Ikea Centre Group's Villesse Shopping, which has been pushed back to 2013.

The Spanish pipeline is also relatively healthy, with several large schemes scheduled for completion this year, including Puerto Venecia in Zaragoza and As Cancelas in Santiago de Compostela. However, no new starts have been reported in recent months, and the possibility of delays cannot be ruled out for some projects.

In Germany, completions are expected to pick up in 2012 after reaching a historic low last year. Meanwhile, in Poland, a more cautious mood has taken hold and activity has slowed, although the pipeline remains healthy, particularly in the large regional cities.

EUROPEAN SHOPPING CENTRE PIPELINE 2012-2013 (MILLION SQ.M)



MAJOR SCHEMES IN THE PIPELINE

COUNTRY	CITY	SCHEME NAME	GLA	YEAR
Russia	Krasnodar	OZ Mall	169,000	2012
Turkey	Istanbul	Mall of Istanbul	135,000	2013
Spain	Zaragoza	Puerto Venecia	123,475	2012
Russia	Ufa	Planeta	110,000	2013
Turkey	Istanbul	Marmara Park SC	100,000	2012
Turkey	Istanbul	Emaar Shopping Centre	95,000	2013
Bosnia Herzegovina	Mostar	Brodomerkur Mepas	90,000	2012
Italy	Villesse	Villesse Shopping	90,000	2013

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 5,000 sq.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 2011

Just under 5.9 million sq.m of new space added to the market in 2011 – an increase of less than 1% compared to the previous year. Russia and Turkey accounted for 42% of the new space added. In total, 197 new shopping centres were completed, 117 of them in the second half, with extensions accounting for 13% of the new space added. On 1 January 2012, total GLA in Europe stood at 139.9 million sq.m across more than 6,600 schemes.

The largest shopping centre completed in 2011was Westfield Stratford City in London (176,500 sq.m), followed by Marmara Forum in Istanbul (156,000 sq.m) and Marineda City in A Coruña, Spain (146,000 sq.m).

KEY TRENDS ACROSS EUROPE

Of the 34 markets surveyed, 19 saw annual completions decline relative to 2010, with particularly steep drops in the Czech Republic, Austria, Slovakia and Croatia. In Bulgaria, following a record completion total in 2010, no new space was added. In Germany, the 2011 figure was the lowest level on record since 1989. On the other hand, Turkey, Poland, France and Finland saw a rebound in activity after the previous year's slowdown.

In Russia, nearly 1.4 million sq.m of new space was added to the market, compared with 1.6 million sq.m in both 2009 and 2010. The focus of activity has shifted towards the regions in recent years; indeed, in 2011 Moscow accounted for only 13% of new space added, in line with St. Petersburg. In contrast, Moscow accounted for 36% of new space in 2009 and 25% in 2010. Major openings include MEGA Ufa (114,700 sq.m), MEGA Samara (102,000 sq.m), AFImall City in Moscow (102,000 sq.m) and Leto in St. Petersburg (80,000 sq.m).

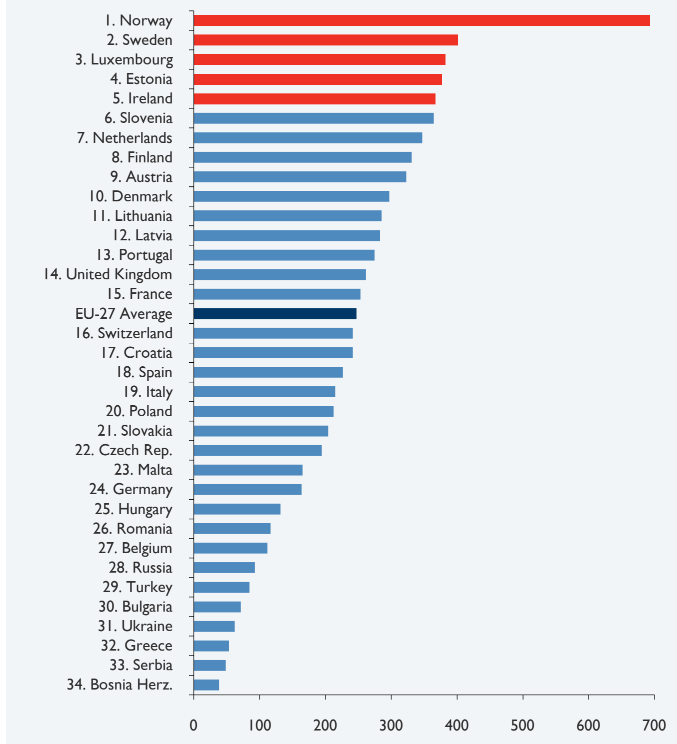
In Turkey, almost 1.1 million sq.m of shopping centre space was completed, the highest annual figure on record. Turkey tops the chart in terms of percentage growth in floorspace, with a 20% boost in provision. More than 400,000 sq.m of new space was completed in Istanbul, while Ankara saw provision boosted by 260,000 sq.m. Large shopping centres also opened in Kayseri, Denizli and Antalya.

Poland saw provision increase by more than 7% with the completion of nearly 600,000 sq.m of GLA, including large centres in Rzeszów, Radom, Szczecin and Kielce. No new schemes were completed in the capital; indeed, the last major shopping centre to open in Warsaw was Zlote Tarasy in 2007, although provision should improve in the coming years with a few schemes in the pipeline.

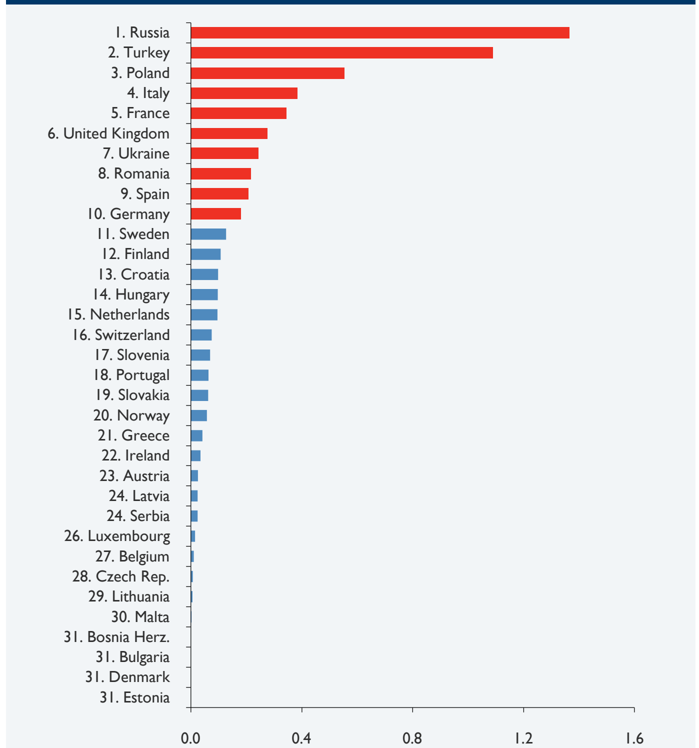
In Western Europe, the focus of development has shifted towards the extension and refurbishment of existing schemes in recent years. Notably, in France and the Netherlands, extensions make up more than 30% of all new space completed in the past ten years; in Sweden and the UK the figure is closer to 50%. Across Western Europe, extensions accounted for 20% of new space added in 2011 and 30% of the pipeline for 2012/13.

In the UK, the 2011 completion total is skewed by Westfield Stratford City, which accounts for around two-thirds of new space added. Similarly, in Spain, Marineda City makes up more than 70% of the 2011 figure.

SHOPPING CENTRE GLA (SQ.M) PER 1,000 POPULATION



NEW SHOPPING CENTRE GLA 2011 (MILLION SQ.M)



EUROPEAN SHOPPING CENTRE GROWTH

The European pipeline for 2012 is estimated at just under 6.4 million sq.m, with nearly 4.6 million sq.m scheduled for completion in 2013. Of the 34 markets surveyed, 19 are expected to see an increase in completions in 2012. Central and Eastern Europe account for 60% of the pipeline.

Against a backdrop of fiscal austerity, low wage growth and high unemployment, consumer confidence has eroded in many countries. Occupiers have become increasingly cautious and selective across much of Europe in recent months, with many secondary schemes struggling to attract quality tenants. Therefore, the 2012 pipeline could potentially contract as projects are delayed or put on hold, and due to uncertain market conditions, it is difficult to make accurate forecasts for 2013 and beyond.

SHOPPING CENTRE INVESTMENT

Retail investment volume totaled nearly €40 bn in 2011, a 3.5% increase on 2010. Retail's share of total commercial property was 32%, compared with 33% in the previous year. The UK and Germany continued to dominate activity, accounting for 57% of the European total. Despite a 15% decline in volume relative to 2010, the UK remains in the number one spot, with nearly €12 bn of retail assets transacted.

Activity increased in around half of the markets surveyed. Notably, in Russia, volume increased by more than 700% year-on-year despite a slowdown in the second half; the 2011 total is the highest figure on record since 2007. The Czech Republic, Slovakia, Switzerland and Bulgaria also saw retail investment volume increase more than two-fold compared with 2010. Sweden, Italy, Germany, Belgium, Denmark and Poland also saw an upturn in activity.

On the other hand, several European countries recorded significant declines in retail investment. In Spain, volume declined by 61% year-on-year, with only €733 mn of retail assets transacted – the lowest annual figure since 2004. In Portugal, volume declined by 80%; the 2011 total of €72 mn is the lowest figure in more than a decade. France, Norway, Finland, the Netherlands, Greece and Ireland also saw volume decline year-on-year.

The average prime European shopping centre yield ended the year at 6.96%, compared with 7.06% in Q4 2010 and 5.74% at the peak of the market in September 2007. On an annual basis, prime yields moved in by 50-80 bps in Turkey, 75 bps in Russia, 50 bps in Poland and Norway, up to 75 bps in Hungary, up to 55 bps in Germany, and 25-50 bps in France, the Czech Republic, Switzerland and Sweden. Values came under upward pressure elsewhere, moving out by 25 bps in Greece, 50 bps in Ireland, 25-50 bps across Italy (with the exception of Rome and Milan, where yields held firm) and 125 bps in Portugal.

The outlook for 2012 is mixed: while demand for prime retail assets remains strong, a shortage of affordable finance and declining occupier demand likely to impact on investor confidence in selected markets.

RETAIL MARKET INDICATORS, EU-27 AVERAGE

	2010	2011
GDP Per Head (€)	25,095	24,385
Private Consumption Per Head (€)	10,444	10,684
Private Consumption (% real change pa)	0.2%	1.0%
Average Consumer Prices (% change pa)	3.1%	2.1%

Source: Oxford Economics

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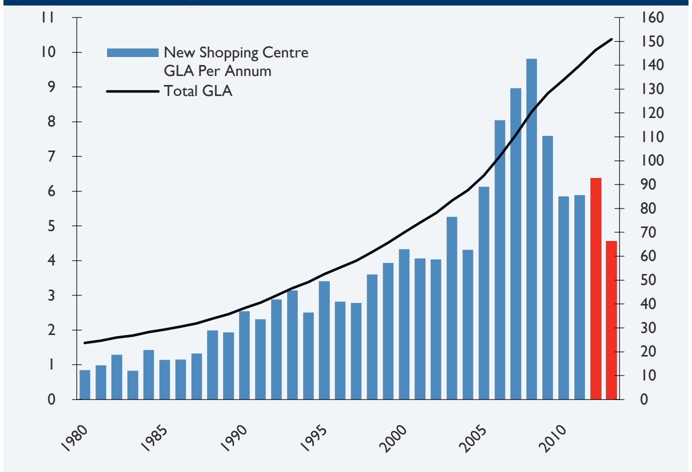

SHOPPING CENTRE RENTS & YIELDS

COUNTRY	RENT (€/SQ.M/YEAR)	PRIME YIELD (%)	SHORT-TERM YIELD OUTLOOK
Austria	700 - 1,200	6.00 - 6.75	
Belgium	800 - 1,400	5.50 - 6.00	
Czech Republic	800 - 1,200	5.75 - 6.75	
Denmark	500 - 1,150	5.75 - 6.25	
Finland	850 - 1,550	5.00 - 6.25	
France	1,400 - 2,000	4.75 - 5.50	
Germany	1,250 - 1,680	4.80 - 5.80	
Hungary	600 - 1,080	6.75 - 7.75	
Ireland	1,100 - 1,800	7.75 - 8.25	
Italy	600 - 800	6.25 - 7.50	
Netherlands	650 - 900	6.25 - 7.00	
Norway	800 - 1,050	5.50 - 6.00	
Poland	500 - 950	6.00 - 7.00	
Portugal	750 - 900	7.75 - 9.50	
Romania	300 - 650	9.00 - 10.00	
Russia	850 - 2,450	9.25 - 10.25	
Slovakia	650 - 800	7.25 - 8.00	
Spain	700 - 1,080	6.00 - 6.75	
Sweden	580 - 870	5.25 - 5.75	
Turkey	600 - 1,000	7.75 - 9.00	
United Kingdom	1,440 - 2,000	5.50 - 6.50	

Rents and yields relate to a range for the best shopping centres in each country and are indicative only. 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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