MARKETBEAT
SHOPPING CENTRE DEVELOPMENT REPORT

EUROPE

A Cushman & Wakefield Research Publication

CUSHMAN & WAKEFIELD®

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OVERVIEW

Shopping centre provision across Europe increased by 2.4 mn sq.m in the first six months of 2012, with Central and Eastern Europe accounting for nearly 75% of new space added. An additional 4.5 mn sq.m of GLA is scheduled for completion before the end of the year, bringing the projected 2012 development total to 6.9 mn sq.m. Although this represents an increase on the revised 2011 figure of 6.5 mn sq.m, delays have been reported in several markets, and some of the shopping centres scheduled for completion in the second half may not be delivered on time. The pipeline for 2013, meanwhile, currently stands at 5.5 mn sq.m.

MARKET SIZE

Russia accounts for more than a fifth of the European pipeline. While there is uncertainty surrounding completion dates for many schemes, it is expected that 2.1 mn sq.m of new space will be delivered in H2 2012/13, which will boost total floorspace by more than 13%. Major projects are under construction in cities including St. Petersburg, Nizhniy Novgorod, Tyumen, Tula, Yekaterinburg, and the outskirts of Moscow.

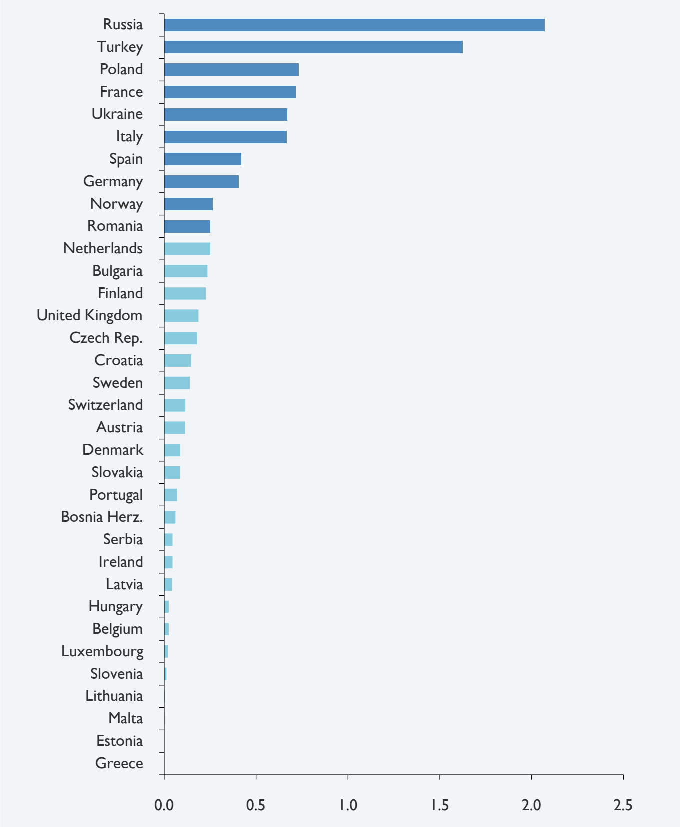
Turkey, with 1.6 mn sq.m of GLA under construction, accounts for 16% of the European pipeline. More than 800,000 sq.m of GLA is due to be delivered in Istanbul, including some of the largest schemes being built in Europe. If all of the projects under construction are completed on schedule, provision will increase by nearly a quarter between 1 July 2012 and 31 December 2013.

Bulgaria, Bosnia and Herzegovina, Ukraine, Serbia, Croatia, Finland and Luxembourg are also expected to see double-digit growth in shopping centre provision (although delays cannot be ruled out, and completions could potentially fall short of projections in some markets). In Bulgaria, floorspace is expected to increase by 41%, with more than 235,000 sq.m of GLA under construction; this includes several schemes which had previously been on hold and were resumed in late 2011. In Bosnia and Herzegovina and Ukraine, if all of the projects in the pipeline are completed on schedule, supply will increase by 31% and 22%, respectively.

In Poland, more than 730,000 sq.m of new space is in the pipeline for H2 2012/13, amounting to an increase in provision of almost 9%. Major shopping centres are currently being built in Gliwice, Kraków, Poznań, Katowice, Rzeszów and Gdynia.

In Western Europe, France and Italy continue to top the pipeline ranking. However, further delays have been reported in Italy, including several schemes which have been pushed back to next year. As a result, the projected 2012 completion total has been revised from over 400,000 sq.m to the current figure of 284,000 sq.m. In Spain, Puerto Venecia in Zaragoza accounts for nearly 30% of the pipeline, while in the UK, completions will reach an historic low this year before moderately picking up again in 2013.

EUROPEAN SHOPPING CENTRE PIPELINE H2 2012-2013 (MILLION SQ.M)



SHOPPING CENTRE DEFINITION

Cushman & Wakefield defines 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 graphs and tables are based on information from Cushman & Wakefield's in-house European Shopping Centre Database.

MAJOR SCHEMES IN THE PIPELINE

COUNTRY	CITY	SCHEME NAME	GLA (SQ.M)	YEAR
Turkey	Istanbul	Vialand AVM	140,000	2013
Turkey	Istanbul	Mall of Istanbul	135,000	2013
Spain	Zaragoza	Puerto Venecia	123,500	2012
Russia	Ufa	Planeta	110,000	2013
Turkey	Istanbul	Marmara Park SC	100,000	2012
Turkey	Istanbul	Emaar Shopping Centre	95,000	2013

OVERVIEW OF DEVELOPMENT IN H1 2012

Nearly 2.4 mn sq.m of new space was added to the market in the first six months of 2012. Russia, Turkey and Poland accounted for 51% of the total. Across Europe, 71 new shopping centres were opened; 53 in Central and Eastern Europe and 18 in Western Europe. On 1 July 2012, total GLA across Europe stood at 145.1 mn sq.m. Average shopping centre provision per 1,000 inhabitants in the EU-27 was 250.1 sq.m.

The largest shopping centre completed in the first half was Oz Mall in Krasnodar, Russia (169,000 sq.m). The rest of the new centres added to the market range in size from 5,000 sq.m to 70,000sq.m. The largest schemes to open in Western Europe were Boulevard Berlin in Berlin (64,000 sq.m), Gran Plaza 2 in Madrid (60,000 sq.m), Conca d'Oro in Palermo, Italy (55,000 sq.m), and Confluence in Lyon, France (52,000 sq.m).

KEY TRENDS ACROSS EUROPE

In Russia, nearly 725,000 sq.m of GLA was completed in H1, bringing total floorspace to 15.4 mn sq.m. In Krasnodar, shopping centre provision increased by 45% with the opening of Oz Mall (169,000 sq.m) and Krasnaya Ploschad (50,000 sq.m); no further retail schemes are under construction in the city at the time of writing. Three centres were delivered in St. Petersburg, adding 95,500 sq.m of retail space; large new centres also opened in Volgograd, Ryazan and Rostov-on-Don. In Moscow, activity has slowed due to restrictions on construction within the Third Transport Ring. Indeed, the largest shopping centre delivered in the capital was the retail gallery in the Moskva Hotel near Red Square (21,000 sq.m).

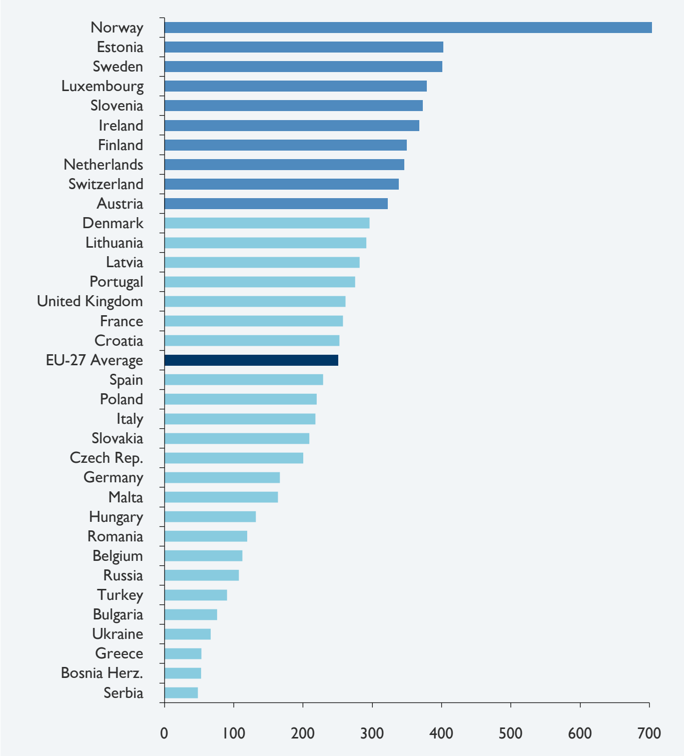
In Turkey, more than 250,000 sq.m of shopping centre space was completed (if factory outlets are included, the figure increases to an estimated 350,000 sq.m). Provision in Istanbul increased by nearly 75,000 sq.m following the delivery of two major new shopping centres; openings were also recorded in Izmir, Bodrum, Mersin, Samsun, Manisa and Mardin.

In Poland, 235,000 sq.m of GLA opened in the first half, comprising nine new centres and five extensions. With the exception of Galeria Brwinów on the southeastern outskirts of the capital (6,100 sq.m), no new shopping centres were opened in Warsaw. However, the Warsaw metropolitan area should see a boost in provision in 2012/13, with projects under construction in Łomianki and at Plac Unii Lubelskiej in the city centre.

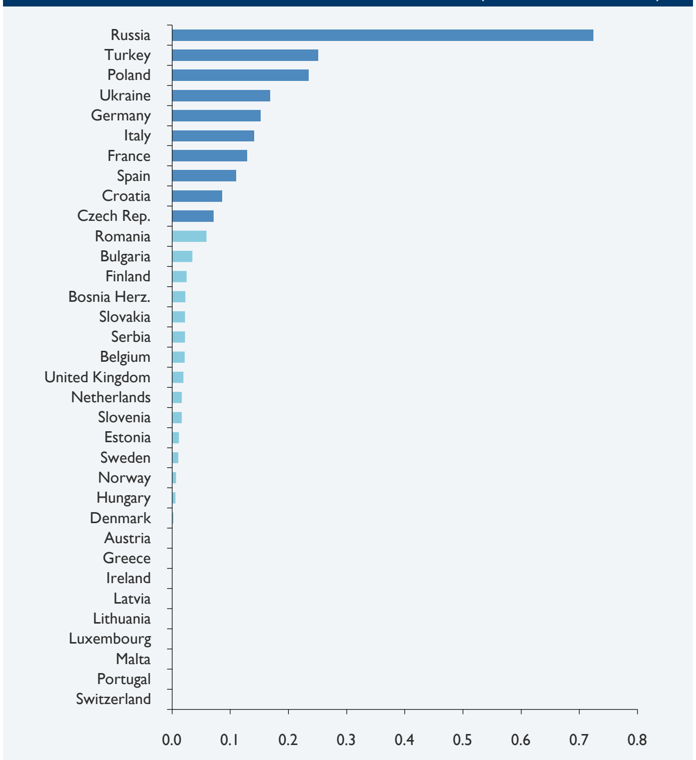
In Ukraine, provision increased by 168,600 sq.m, or nearly 6%, with the opening of five new shopping centres and one extension. In Germany, provision increased by 151,700 sq.m. Boulevard Berlin accounts for 42% of the total and extensions account for a further 30%. Similarly, in France, extensions and redevelopments account for approximately a third of the 128,900 sq.m of new space added.

No new centres or extensions were completed in Greece, Ireland, Portugal, Austria, Latvia, Lithuania, Luxembourg, Malta or Switzerland in the first half. However, there is a healthy pipeline in Austria, Latvia and Switzerland, with provision expected to increase by 4-7% over 2012-13, while in Luxembourg, total GLA will increase by 20,000 sq.m, or an estimated 10%. In Portugal, while no new shopping centres are expected to be completed during the current year, GLA should increase by nearly 70,000 sq.m before the end of next year.

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



NEW SHOPPING CENTRE GLA H1 2012 (MILLION SQ.M)



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EUROPEAN SHOPPING CENTRE GROWTH

The European shopping centre pipeline for the second half of 2012 stands at 4.5 mn sq.m, bringing this year's projected completion total to 6.9 mn sq.m, while the pipeline for next year is estimated at 5.5 mn sq.m. A total of 274 new shopping centres are scheduled for completion across Europe in H2 2012/2013, 164 of them in Central and Eastern Europe.

Extensions to existing schemes make up 32% of the pipeline in Western Europe, and 12% of the pipeline in Central and Eastern Europe.

A more cautious mood has taken hold among occupiers and developers in the wake of the euro-zone debt crisis. Delays have recently been reported in markets including Italy, France, Portugal, the Czech Republic, and Romania, and further delays cannot be ruled out across Europe. Therefore, the 2012 completion figure could potentially fall short of projections, and due to uncertain market conditions, it is difficult to make accurate forecasts for 2013 and beyond.

SHOPPING CENTRE INVESTMENT

Nearly €12 bn of retail assets were transacted across Europe in the first half of 2012, compared with €19 bn in the previous six months and €21 bn in the first half of 2011. Retail accounted for 21% of commercial property investment, a decline on both the previous six months (28%) and the corresponding period of 2011 (36%).

The UK and Germany continued to dominate, together accounting for more than 50% of the European total. However, in line with the rest of Europe, activity has slowed considerably in both markets. In the UK, retail volumes totaled €3 bn in the first six months of 2012 – compared with €4.7 bn in the previous six months, and €7.2 bn in the first half of 2011. In Germany, retail volumes totaled €3 bn in the first half – compared with €4.9 bn in the previous six months and nearly €6.0 bn in the first half of 2011.

Only Austria, Belgium, Luxembourg, Russia and Switzerland saw retail investment volumes increase relative to both H1 2012 and H2 2011. Elsewhere, activity has slowed. On an annual basis, Bulgaria, Romania, Italy, Hungary, Estonia and Spain recorded the sharpest falls in trading activity, with investment volumes declining by upwards of 70%. In Portugal, Turkey, Croatia, Latvia, Lithuania, Serbia, Slovakia, Slovenia and Ukraine, no retail transactions were recorded.

The average prime European shopping centre yield moved in from 6.92% at the end of 2011, to 6.88% in Q1 2012, before moving out by 2 bps to end the first half at 6.90%. Yields came under upward pressure in France, Greece and Spain, as well as selected locations in the Czech Republic, Italy, the Netherlands, and the United Kingdom. On the other hand, yields in Romania, the Polish regions, Ukraine, Turkey, and selected locations in Belgium and Norway moved in by 15-50 bps in the first half.

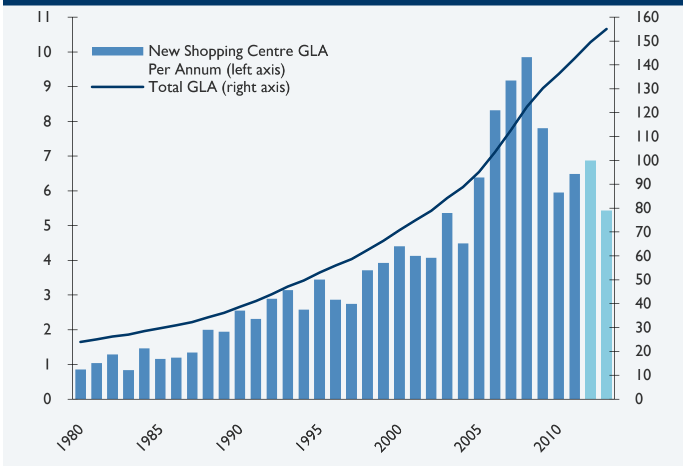
The outlook for the rest of 2012 is mixed. While demand for prime assets remains strong overall, a shortage of affordable finance, coupled with increasingly cautious and selective occupier demand, are impacting, at the very least, on investors' tolerance for risk across many parts of Europe, and further polarization between prime and secondary locations is expected.

RETAIL MARKET INDICATORS, EU-27 AVERAGE

	2010	2011
GDP Per Head (€)	24,335	25,141
Private Consumption Per Head (€)	14,178	14,551
Private Consumption (% real change pa)	1.03%	0.13%
Average Consumer Prices (% change pa)	2.08%	3.11%

Source: Oxford Economics

EUROPEAN SHOPPING CENTRE GROWTH (MILLION SQ.M)



SHOPPING CENTRE RENTS & YIELDS

COUNTRY	RENT (€/SQ.M/YEAR)	PRIME YIELD (%)	SHORT-TERM YIELD OUTLOOK
Austria	800 - 1,350	6.00 - 6.50	►
Belgium	800 - 1,400	5.35 - 6.00	►
Czech Republic	800 - 1,200	6.00 - 6.75	►
Denmark	500 - 1,150	5.00 - 5.50	►
Finland	850 - 1,550	5.00 - 6.25	►
France	1,400 - 2,000	5.00 - 5.75	►
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	500 - 800	6.25 - 7.50	►
Netherlands	650 - 900	6.25 - 7.15	►
Norway	835 - 1,130	5.25 - 5.75	►
Poland	550 - 1,000	6.00 - 6.75	◢
Portugal	750 - 900	7.75 - 9.50	◥
Romania	280 - 660	8.50 - 9.75	◢
Russia	870 - 2,500	9.25 - 10.25	►
Slovakia	585 - 720	7.25 - 8.00	►
Spain	700 - 1,080	6.25 - 6.75	►
Sweden	590 - 880	5.00 - 5.75	►
Turkey	615 - 1,135	7.25 - 9.00	►
United Kingdom	1,465 - 2,100	5.50 - 6.50	◥

Note: Yields marked in red are calculated on a net basis to include transfer costs, tax and legal fees. 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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