

PORTUGAL

Retail Market Snapshot

Second Quarter | 2017



MARKET INDICATORS

Market Outlook

- Prime Rents: Prime rents should continue to rise, particularly in the high street retail format, owing to the still, as yet, very large difference with other European cities. ▶
- Prime Yields: Prime yields, at all-time lows, are unlikely to sink any further by year end. ▶
- Supply: Supply is likely to be up by year end owing to the forecast opening of two retail spaces. ▶
- Demand: Demand in the various retail formats is likely to continue to rise. ▶

Prime Retail Rents - June 2017

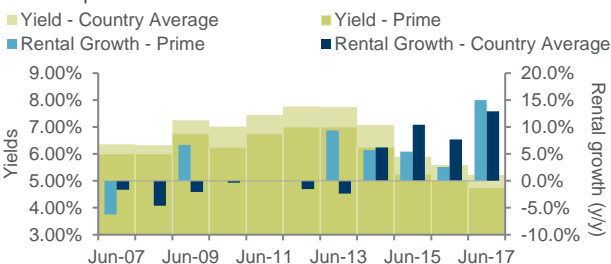
	€	€	US\$	GROWTH %	
	SQ.M	SQ.M	SQ.FT	1YR	5YR
	MTH	YR	YR	CAGR	
HIGH STREET SHOPS					
Lisbon (Chiado)	115.00	1,380	143	15.0	7.5
Lisbon (Avenida Liberdade)	95.00	1,140	118	5.6	5.6
OUT OF TOWN RETAIL (RETAIL PARKS)					
Country prime	10.00	120	12.4	5.3	2.1
SHOPPING CENTRES					
Country prime	97.50	1,170	121.3	14.7	5.4

Prime Retail Yields - June 2017

	CURRENT	LAST	LAST	10 YEAR	
(FIGURES ARE GROSS, %)	Q	Q	Y	HIGH	LOW
Lisbon (Chiado)	4.75	4.75	5.00	7.00	4.75
Lisbon (Avenida Liberdade)	4.75	4.75	5.00	7.25	4.75
OUT OF TOWN RETAIL (RETAIL PARKS) (FIGURES ARE NET, %)					
Country prime	7.00	7.00	7.25	10.50	5.75
SHOPPING CENTRES (FIGURES ARE NET, %)					
Country prime	4.90	5.00	5.50	7.75	4.90

With respect to the yield data provided, in light of 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.

Recent performance



Overview

The retail market in Portugal continues to improve. As in past years, retail sales index continues to point to recovery, with 105.2 points in May. According to the Portuguese Association of Shopping Centres, the evolution of the industry is following the same pattern, with a 2.6% increase in sales although footfall was down 3.6%.

Occupier focus

Based on a survey that Cushman & Wakefield has been conducting since 2014, increasing demand for retail spaces endures in Portugal. Although the shopping centres format was responsible for 50% of a total number of 160 retail operations, high street retail is increasingly coming to the fore with 44% of total demand this quarter, albeit mainly concentrated in Lisbon and Porto, and largely motivated by highly dynamic tourism sector. Major operators are currently gearing their expansion plans to high street retail, keeping pace with market trends and consumers' preferences.

The restaurants sector, particularly concentrating on high street retail formats, was responsible for the largest number of new ventures in second quarter 2017. The second most representative sector was fashion, mainly shopping centres.

The exponential evolution of high street retail operations in Lisbon and Porto has fuelled demand for commercial spaces in these cities and has accounted for almost 80% of the total number of operations identified in the sample.

Investment focus

The retail sector has historically enjoyed the accolade of champion in terms of commercial investment and this quarter has been no exception, having brought in around €250 million. This interest is expected to continue up until the year end given the large number of deals in the pipeline.

Outlook

The evolution of retail space supply will mainly involve expansions and the remodelling of existing shopping centres, moulding them to new retail trends. Owing to the increasing difficulty of finding high street retail space in Lisbon and Porto, new high street retail areas are mushrooming, with growth of demand expected to entice new operators to Portugal.

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