

# PORTUGAL Retail Market Snapshot

First Quarter | 2018



## Overview

The retail sector continues to perform well in Portugal, fueled by a growing economy and a positive trend in consumption. In 2017 private consumption grew 2.2%, ten basis points ahead of 2016. The shopping centre industry led the growth, witnessing in 2017 8.4% increase in sales, against only 1.4% in 2016, per the Portuguese Association of Shopping Centres.

## Occupier focus

Demand for retail space remained highly dynamic in all formats. After circa 800 deals closed in 2017; the first quarter of the year witnessed 45,000 sq.m. of take up, spread among 150 deals. High street retail led demand with more than 90 openings. Shopping centres accounted for 21% of known operations.

Greater Lisbon captured 48% of the transacted area and 66% of the deals, Porto came in second with 26 openings in nearly 12,000 sq.m. of take up. In line with previous years and fueled by growing tourism, the Food & Beverage sector was the most active with 75 deals. The fashion sector, while losing ground in comparison to past years, continued to be the runner-up with 16% of known demand.

Food operators, namely Auchan and Continente, were particularly active through the expansion of their recently launched convenience concepts, respectively My Auchan and Meu Super. Lidl was also active, with the opening of three new units.

## Investment focus

Retail property captured the largest slice of the real estate investment volume in the quarter. The first three months of the year saw retail asset deals for an impressive €790 million or 94% of total investment. The purchase by Immochan of a portfolio of three retail schemes in Greater Lisbon (Forum Sintra, Forum Montijo and Sintra Retail Park) from Blackstone was the largest deal in the quarter.

## Outlook

Demand is likely to continue to grow across 2018, owing to the expansion of high street retail to emerging zones of Lisbon and Porto as well as to several of Portugal's secondary cities. Other formats, led by shopping centers, will also attract demand, although limited by a scarce supply.

## MARKET INDICATORS

### Market Outlook

<b>Prime Rents:</b>	Prime rents featured new increases on first quarter and are likely to rise further.	▼
<b>Prime Yields:</b>	Lisbon High street prime yields remained stable, but shopping centres and retail parks recorded new tightening. Further compression is expected by year end.	▼
<b>Supply:</b>	Supply will grow further in 2018, mainly in High Street and fueled by urban rehabilitation.	▼
<b>Demand:</b>	Demand will continue to grow across all formats.	▼

### Prime Retail Rents – March 2018

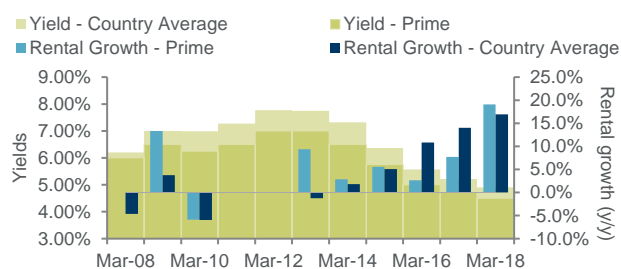
	€		US\$		GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR		1YR	5YR CAGR
HIGH STREET SHOPS						
Lisbon (Chiado)	125.00	1,500	174		19.0	7.4
Lisbon (Avenida Liberdade)	95.00	1,140	132		0.0	4.2
RETAIL PARKS						
	SQ.M MTH	SQ.M YR	SQ.FT YR		1YR	5YR CAGR
Country prime	10.00	120	13.9		0.0	3.3
SHOPPING CENTRES						
	SQ.M MTH	SQ.M YR	SQ.FT YR		1YR	5YR CAGR
Country prime	100.00	1,200	139.3		2.6	5.9

### Prime Retail Yields – March 2018

	CURRENT			10 YEAR	
	Q	Q	Y	HIGH	LOW
HIGH STREET SHOPS (FIGURES ARE GROSS, %)					
Lisbon (Chiado)	4.50	4.50	4.75	7.00	4.50
Lisbon (Avenida Liberdade)	4.50	4.50	4.75	7.25	4.50
RETAIL PARKS (FIGURES ARE NET, %)					
	CURRENT	LAST	LAST	10 YEAR	
Country prime	6.50	7.00	7.00	10.50	6.00
SHOPPING CENTRES (FIGURES ARE NET, %)					
	CURRENT	LAST	LAST	10 YEAR	
Country prime	4.75	4.90	5.00	7.75	4.75

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



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