

PORTUGAL

Retail Market Snapshot

Second Quarter | 2018



MARKET INDICATORS

Market Outlook

- Prime Rents:** Prime rents continue to increase, both in High street and shopping centres. ▼
- Prime Yields:** Retail prime yields remained stable over the quarter and should maintain this trend by year end. ►
- Supply:** Supply will growth further in 2018, but limited to High Street and fueled by urban rehabilitation. ▼
- Demand:** Demand will continue to grow across all formats. ▼

Prime Retail Rents – June 2018

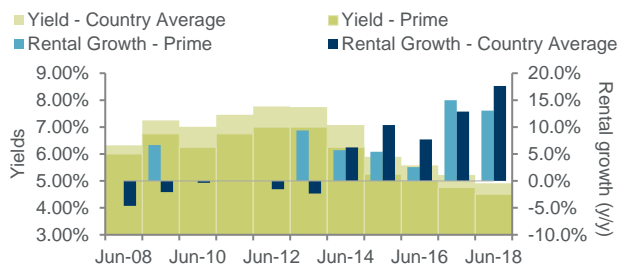
HIGH STREET SHOPS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Lisbon (Chiado)	130.00	1,560	170	13.0	8.2
Lisbon (Avenida Liberdade)	95.00	1,140	124	0.0	4.2
RETAIL PARKS	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Country prime	10.00	120	13.1	0.0	3.3
SHOPPING CENTRES	€	€	US\$	GROWTH %	
	SQ.M MTH	SQ.M YR	SQ.FT YR	1YR	5YR CAGR
Country prime	100.00	1,200	130.5	2.6	7.4

Prime Retail Yields – June 2018

HIGH STREET SHOPS (FIGURES ARE GROSS, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH LOW	
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 Q	LAST Q	LAST Y	10 YEAR HIGH LOW	
Country prime	6.50	6.50	7.00	10.50	6.25
SHOPPING CENTRES (FIGURES ARE NET, %)	CURRENT Q	LAST Q	LAST Y	10 YEAR HIGH LOW	
Country prime	4.75	4.75	4.90	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



Overview

The retail sector continues to perform well in Portugal, fueled by a growing economy and a positive trend in consumption. In the first months of 2018 the retail industry revealed a rising trend, with a sales index of 112 points in March, growing 3 points since the start of the year.

Occupier focus

Demand for retail space remained dynamic in the second quarter, although slightly below the first quarter. Over 100 deals were identified, involving 20,000 sq. m. of take up. High street retail led demand with more than 70 openings. Shopping centres accounted for 16% of known operations.

In line with previous years and fueled by growing tourism, the Food & Beverage sector was the most active with 44% of the deals. The fashion sector, while losing ground in comparison to past years, continued to be the runner-up with 22% of known demand.

Independent operators, mainly in the F&B sector, have been the most active, but some food chains like 100 Montaditos or Subway kept growing their network. Food units continue to expand their convenience concepts, respectively My Auchan and Meu Super.

Investment focus

Retail investment activity had an impressive start of the year, with €790 million transacted in retail assets on Q1, mainly shopping centers. The second quarter reflected some decrease in activity, with 3 investment deals registered and €29 million transacted. The purchase of two stand-alone food units in Lisbon metropolitan area by Corum and the sale of Alto do Parque, a High street retail gallery in central Lisbon, were the most relevant deals in the quarter. Retail investment activity should recover in Q3, Merlin has just announced in July the purchase of Almada Forum shopping center for €406 million.

Outlook

Demand is likely to continue active in 2018, although at a slower pace than in the last quarters. High street will continue to be the most attractive format, with shopping centers also attracting demand, although limited by a scarce supply.