



EUROPEAN RETAIL MARKET 2016-2017

Includes the Savills
Shopping Centre Benchmark
2016-2017



An introduction to Savills

Savills European Commercial Offices

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Source: Savills

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company, established in 1855, has a rich heritage with unrivalled growth. The company now has over 700 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East.

In continental Europe, Savills has 57 offices covering Belgium, France, Germany, Greece, Italy, the Netherlands, Poland, Spain and Sweden. We also have associate offices in Austria, Denmark, Finland, Norway and Portugal.

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A unique combination of sector knowledge and entrepreneurial flair gives clients access to real estate expertise of the highest calibre.

We are regarded as an innovative-thinking organisation supported by excellent negotiating skills. Savills chooses to focus on a defined set of clients, offering a premium service to organisations and individuals with whom we share a common goal. Savills is synonymous with a high-quality service offering and a premium brand, taking a long-term view of real estate and investing in strategic relationships.

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European overview



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Retail trends

Despite the strong growth of online sales across Europe (12% yoy in 2016), the majority of retail sales still takes place in physical stores (e-commerce accounts for less than 10% of all retail sales). Shops located in the busiest high streets and best shopping centres are the target of several international brands, which are expanding particularly in markets with good economics and demographics (Germany, Nordics) and strong tourist flows (London, Paris, Vienna, Milan, Madrid). Additionally, pure play retailers are also seeking physical presence through temporary or permanent stores in order to maximise the synergies between online and offline retailing.

Demand for the best units is reflected in the higher rents (yoy) commanded in a number of prime high street (HS) and shopping centre (SC) locations, particularly in cities where international retailers are expanding, such as Brussels (8% HS), Copenhagen (11% SC, 5% HS), Amsterdam (2% HS), Stockholm (2% SC) and second tier cities where retail rents have not yet fully recovered such as Athens (12% HS) and Dublin (3% HS). Higher rents compared to last year were also charged in good quality retail warehouses in Madrid (13%) and Dublin (35%).

The polarisation between prime and secondary locations remains a market characteristic, with lower demand and stable or negative rental growth trends.

Retail investment

The total investment into the retail sector over the period Q1-Q3 2016 was about €33.3bn in the 15 markets that we monitor. This is a significant decrease of 28% compared to last year. However, 2015 was a record year in terms of retail investment, which was underpinned by numerous mega deals and large portfolios. Lower supply of similar large-scale assets and the strategic decision of several investors to hold on to prime assets has restricted transaction activity, despite strong investor

demand. It was notable the steady increase of acquisitions of prime high street assets.

In the first three quarters of 2016, retail investment accounted for about a quarter (24.4%) of the total investment activity in our survey area, slightly down from its share last year (26.7%). It remains however above the long-term average of 23.4%. Similarly, Q1-Q3 2016 retail volume was still 40% above the 10-year average, as retail remains investor' favourite asset class after offices. Despite the overall drop of total turnover in the two largest markets of the UK (-18%) and Germany (-46%), some investors have shifted their attention to non-core markets, which in contrast experienced a significant rise in retail investment, such as Ireland (223% to €1.46bn), Poland (126% to €1.4bn) and Italy (119% to €1.8bn). End year volume is predicted to be about 20% below 2015.

Yields

Prime SC yields have stabilised in most locations (68%) across our markets, however there are still some locations where notable inward yield shifts were noted over the past year: in Vienna prime SC yields moved in by 125 bps yoy, in Milan by 100bps, in Madrid by 75bps and in Stockholm by 50bps. Prime yields compressed by 25 bps yoy in Amsterdam,

Helsinki and Warsaw.

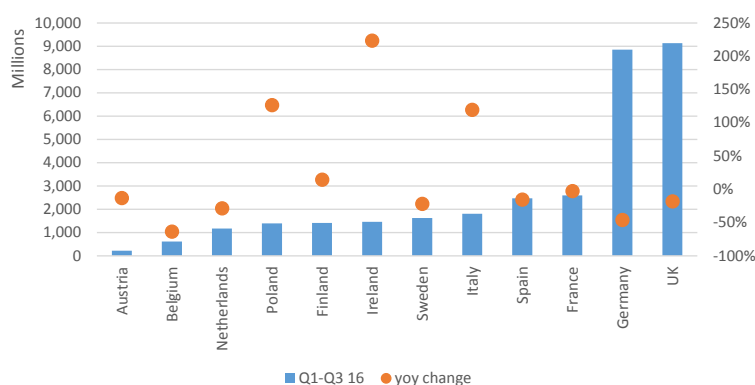
A notable rise of investment into prime high street units is reflected into the continuous yield compression trend noted in the prime segment of this sector. The average prime high street yield in our survey area has reached the record low of 4.0% in Q3 16, 16bps lower than Q3 15. The lowest yields were noted in London (2.9%) and Paris (2.75%). The highest annual yield compression was recorded in Milan (-75bps) and Cologne (-50bps), while in almost all markets prime yields are at record low levels.

The average RW yield dropped below 6.0% and was 27bps below Q3 15 level. In 62% of our markets, prime RW yields have continued to squeeze by -30bps yoy or above. Notable inward yield shifts were noted in Amsterdam (-100bps), Milan (-175 bps) and Berlin (-60bps).

It is interesting to note that in 60% of the markets yields were at the same level as their previous peak, while in four markets (Helsinki, Madrid, Vienna and Warsaw), prime SC yields were at least 25bps below their previous 15-year record low. Further yield compression potential is noted in Athens and Dublin where prime SC yields were 190 bps and 150 bps above their previous peak respectively. ■

GRAPH 1

European retail investment Q1-Q3 16



Source: Savills

Shopping centre investment benchmark

Introduction to the benchmark

For years, London was leading all European cities in terms of shopping centre investment volume. Back in 2011, shopping centre investment in London accounted for 26% of the total accumulated in the 23 European cities covered in this report. Since the beginning of the year, the London share decreased to approximately 9%. Meanwhile, Krakow and Helsinki took the lead representing 22% and 13% of the total respectively.

While it is true that the surge for prime assets in core countries in the aftermath of the Global Financial Crisis, and the consequent dry up of such products is an explanation of the recent shift in the market, changes in demographics, urbanisation trend, new consumers' habits and behaviours are all reshaping the European retail sales landscape.

The European shopping centre benchmark highlights how European cities should perform against each other in the next five years and assess expected performances against risk premiums. By examining a wide range of criteria, Savills hope to identify the shopping centre hot spots for investors.

This research report covers 23 European cities including Amsterdam, Athens, Berlin, Brussels, Copenhagen, Dusseldorf, Edinburgh, Helsinki, Krakow, Lodz, Lyon, Madrid, Manchester, Marseille, Milan, Munich, Oslo, Paris, Poznan, Stockholm, Vienna, Warsaw and Wrocław.

The analysis used to benchmark shopping centre investment opportunities draws on various indicators including retail sales, shopping centre sales per sq m, estimated stock per inhabitants, rental growth, yield, total return, GDP stability and unemployment with the aim to assess for each city four types of market fundamentals, namely the

market size, the market stability, retail prospects and potential returns.

Depending on the indicators in question, the data used was collected at metropolitan and national level. These indicators use the latest data available, (2015 for annual data and Q3 2016 for quarterly data) and five-year forecasts to ensure the benchmark incorporates a forward-looking view.

The various indicators have been ranked and weighted across the 23 cities included in this report. The results do not determine the exclusive attractiveness of a given city, it purely provides a macro guide for investors.

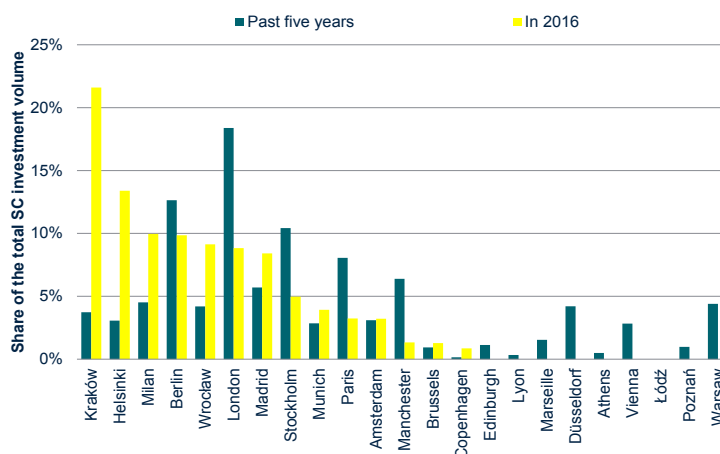
Benchmark results

Full results of the 2016 European Investment benchmark reveals that Stockholm is ahead of all the cities covered in this benchmark with 68.9 points, closely followed by Warsaw with 68.2 points, then by London (60.8), Amsterdam (60.1) and Paris (59.8). The average grade is 50.1.

Benchmark results
1 st Stockholm
2 nd Warsaw
3 rd London
4 th Amsterdam
5 th Paris
6 th Dusseldorf
7 th Lyon
8 th Copenhagen
9 th Poznan
10 th Brussels
11 th Milan
12 th Vienna
13 th Marseille
14 th Krakow
15 th Helsinki
16 th Manchester
17 th Berlin
18 th Wrocław
19 th Munich
20 th Lodz
20 th Edinburgh
22 nd Madrid
23 rd Athens

GRAPH 1

Share of investment volume Changing investment destinations



Source: RCA

Stockholm tops the league

Stockholm not only has the highest grade but also shows evenly high potentials in the four types of fundamentals selected in this research analysis. It is the best well-balanced market in terms of size, stability, prospect and returns which make it a safe-haven and a target for the widest type of investors seeking to invest in shopping centres. A solid economic base is the obvious result that came to the fore. GDP in the metropolitan area of Stockholm grew 4.8% last year, the strongest growth amongst the 23 cities and far above the EU average which was 2.1%. During the year, the Swedish economy slowed down. GDP growth is expected to end at 4% for the full year, this remains well above all other city forecast. If the population of Stockholm is relatively small, it is wealthy. GDP per capita is €59,000 and most importantly retail sales per inhabitant in Stockholm is €10,080, the top four following Dusseldorf, London and Paris. Additionally, retail sales are expected to grow fast, by 2.6% pa on average until 2021; the highest growth forecast after the five Polish cities. Both total shopping centre stock (1.4m sq m) and stock per inhabitant (635 sq m per 1,000 inhabitants) are large. The stock is expected to grow by 2.3% until 2018 which will provide investors with more investment opportunities.

Warsaw shows bright prospects

The typical profile of investors looking into the Warsaw shopping centre market is more opportunistic since most of the strength of the market rely on retail prospect and potential returns. The annual retail sale volume in Warsaw is relatively small compared to other cities. Yet citizens of Warsaw spend a lot in retail, especially if you take into consideration their GDP per capita (€31,730), which is relatively modest compared to most other European cities benchmarked in this report. Last year, retail spend per inhabitant was on average €9,740 which is the top fifth result of all 23 cities. Since retail sales are expected to increase fast in the next five years, by 5.6% pa on average, the second highest growth expected after Kraków (5.6%), Warsaw will become the biggest retail spending city per inhabitant (€11,650) by 2021. The existing stock is high (1.3m sq m), one of the highest per inhabitant, which can be explained by limited offer in high street format. It is also growing fast, +19% planned until 2018 which may be the main concern about the market. Nonetheless, so far, the vacancy rate is low and international brands are actively looking into the market. Low unemployment, strong GDP growth ahead and a large population suggest the market size of Warsaw could compete with core markets in the short to medium terms.

London still high in the battle field

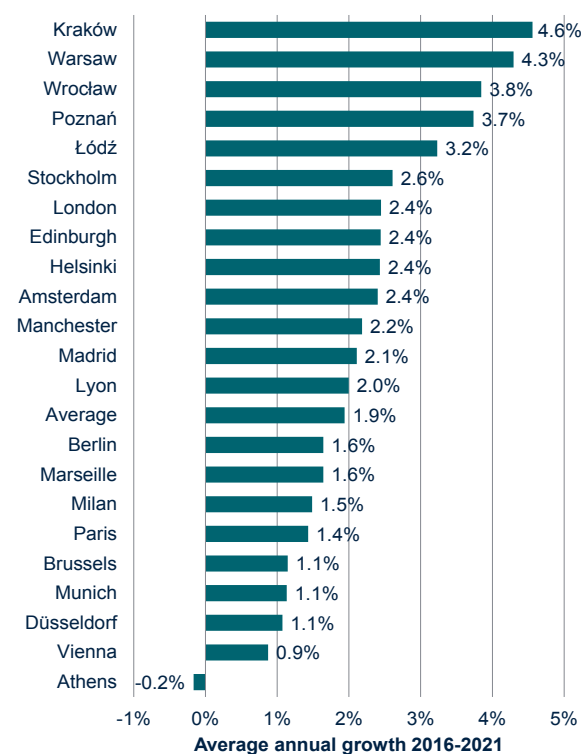
Like Stockholm, London has both a large market size and strong prospects. It is however, more volatile than Stockholm. But volatility is not just bad news, it brings opportunities to short term investors seeking to catch the cycle. London is amongst the top five cities of our benchmark due to its large market size. GDP per capita (€89,400) is the highest in all 23 cities, volume of retail sales in London is the second highest after Paris and retail sale per inhabitant is also in second position after Dusseldorf (€10,400). Additionally, retail sales should grow annually by 2.4% on average in the next five years. The stock of shopping centre per inhabitant (363 sq m/1,000 inhabitants) is relatively in line with average and the level of construction is low. Prime assets on the market are scarce and competition is fierce. Due to strong level of activity between 2010 and 2011 when prime yields were 175-150 bps higher than it is today, we believe some investors may consider selling.

GRAPH 2
Profile of the top five cities



Source: Savills

GRAPH 3
Retail sale prospects



Source: Oxford Economics

Amsterdam position lies on its population growth Like

Like Stockholm, grades obtained for Amsterdam are also very balanced between the market size, stability, prospects and returns. The Dutch capital does not markedly stand out in any of the features retained for this benchmark, but shows some solid results, notably high GDP per capita (€68,360) and good level of retail sales per inhabitant (€9,140). What is really making the difference for this benchmark and more generally for the retail perspective in Amsterdam, is the fast growing population, equivalent to that of Munich (1.5% pa on average expected over the course of the next five years). The density of shopping centre stock in Amsterdam is low compared to the other four leading cities, (244 sq m per 1,000 sq m inhabitants) and development activity remains limited. This can restrain investment activity, but at the same time low levels of stock also means less competition between centres and low vacancy.

Paris complete the list of top five cities

Paris ranks fifth in our benchmark thanks to its overall market size, which is clearly the biggest of all benchmarked cities. However, data related to future prospect and potential returns show weaker results than the top four cities. The volume of retail sales in Paris is the largest in terms of retail sales per inhabitant, which is €10,350. Finally, French shoppers tend to spend more in shopping centres than in other European countries, which is notably due to the very large stock of shopping centres in France. Hence our estimation of the average shopping centre sales per sq m in Paris is the highest of all cities covered in this analysis. Yet, in Paris, the stock of shopping centres per inhabitant is slightly below the benchmark average (350 sq m / 1,000 inhabitants) and also well below the national average. Development activity has been particularly strong over the past few years. Based on the planning pipeline, we expect the stock to grow by 9% until 2018. We believe this activity is notably due to the Grand Paris project.

Hot Spots for 2017-2021

Behind these raw scores, the data analysis yields interesting insights into motivation for investors to invest in some cities rather than others. To highlight market specificities we compared our benchmark results, as showed in the graph 2 below with two parameters, pricing (y axis) and market liquidity simply measured by the average investment volume over the past five years (size of the bubbles). We divided the graph in four parts, in the x axis by the average grade of our benchmark and in the y axis by the average of prime yields.

Safe heaven

In the right bottom corner we find cities, which according to our benchmark results, are likely to perform well and where yields are the lowest. We called cities that falls in this rectangle "Safe heaven". Stockholm appears to be not only the strongest performer but the Swedish city also offers higher yields (4.5%) than London (4.25%) and Paris respectively. Dusseldorf, which came out to the sixth position in our benchmark, turns out to be a city that investors should definitely consider as it shows relatively similar results to that of Paris.

Value for money

Cities at the right top end of the graph have smaller market size but have solid market fundamentals and offer competitive pricing. This is where investors should find "value for money". Warsaw and Amsterdam outperform in this category with Warsaw clearly ahead.

Risk embracing

In the left top corner we find cities with still small market size and potentially volatile but where prospects are good so as potential returns. These are the cities that investors "embracing risks" should target. Krakow stands out with the highest result. Indeed, according to Oxford Economics, retail sales are expected to grow by 4.56% pa on average over the next five years, compared to 1.95% on average. The strong potential of the city has already catch investors interest as witnessed by two large deals signed recently, the acquisition of the Krokus shopping centre in Kraków by Mayland Real Estate and the acquisition of Bonarka City Center by Rockcastle Global Real Estate for €361 million.

GRAPH 2
Hot Spots



Source: Savills

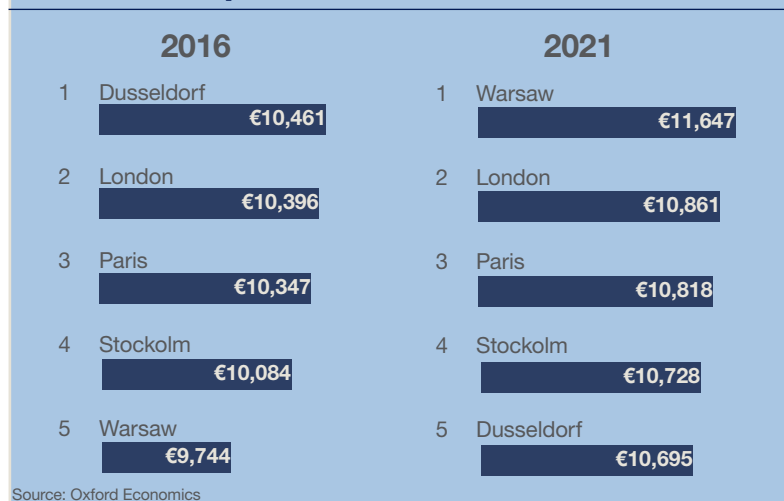
Conclusion

Beyond the core and traditional markets most investors generally focus on, our benchmark highlighted three markets to be considered. Stockholm, a safe haven which shows strong results in nearly all aspects taken into account in the analysis. Stockholm can attract investors with different profiles and strategies at competitive price compared to London and Paris. Warsaw, where the spending per inhabitant is high and fast growing. Amsterdam, thanks to its fast growing population. Dusseldorf, Poznan and Krakow are also some investment destinations to look at. Dusseldorf, for being an alternative to Paris, Poznan and Krakow for their competitive pricing while showing strong retail prospects.

Obviously, London and Paris will remain high on investors' radar, especially London for the weak pound, whereas the Parisian retail market as not yet fully recovered since last year's terror attacks, notably the luxury segment of the market.

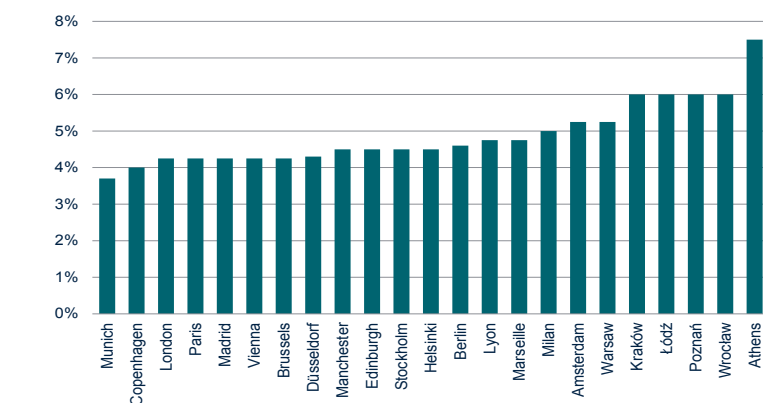
The average prime yield in these cities is 4.9%; 35bps lower than before the Global Financial crisis. Yet we still expect some yield hardening over the 12 months due to solid investor interest for prime assets. Furthermore, in some cities, notably Vienna or Paris, the prime yield has not yet reached its pre-crisis level. ■

Retail sales per inhabitant



GRAPH 6

Prime yields Q3 2016



OUTLOOK

Focus on prime locations

■ Consumer spending is predicted to grow by 1.8% yoy on average this year across the markets we analyse, therefore we expect retailers to continue to look for prime space in cities with large populations, rising tourist numbers and healthy disposable incomes.

■ We expect to see retailers experimenting with different concepts (eg big-bulk retailers opening small in-town stores, retail parks incorporating more F&B and leisure) in an effort to meet different consumer needs, which will be divided between convenience and experience and the strong competition from the rising share of e-commerce.

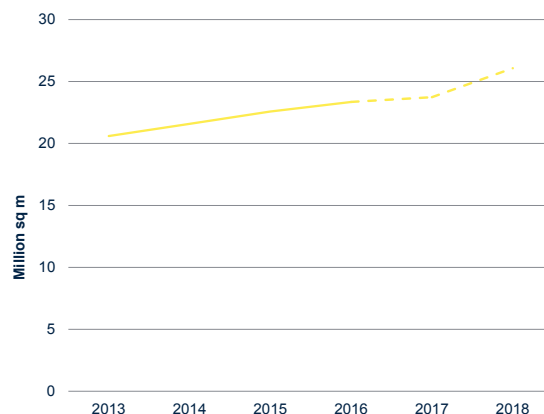
■ At the same time, omni-channel strategies will continue to be applied not only by traditional retailers, who are improving their online platforms but also by pure online players who acknowledge the importance of physical stores in their sales potential.

■ Prime rents are most likely going to stabilise in the 'flagship' gateways such as London, Paris, Milan and Munich, while cities which are considered as 'opportunity' gateways such as Amsterdam, Madrid and Barcelona rents may continue to rise. (Also refer to our report 'Expand into Europe: Retail destination index 2016).

■ Prime yields have moved in significantly is most locations and we expect them to stabilise next year, with few markets showing further inward yield shift potential, such as Brussels, Copenhagen, Belgrade and Milan. Investment volumes will continue to be restricted by the lack of supply of prime product. We believe that prime high streets will attract further more investor interest.

GRAPH 7

Shopping centre stock and pipeline



Austria



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Retail Trends

Economic growth increased by 1.7% in 2016 after four consecutive years of comparatively low growth. Due to a positive influence of the introduced tax reform at the beginning of 2016, the ongoing public spending for asylum seekers as well as the upcoming effects of the housing initiative, the outlook for the market is positive and retail sales, both online and in brick-and-mortar locations increased during the first half of 2016 by more than 1%. Online sales growth – with an approximate 3% increase – is still outnumbering the improvement of “touch & feel retail sales”, although growth has slowed down over the past 18 months. The strong development of tourism, with more than 14.3m overnight stays in Vienna in 2015, combined with stable economy sustain Vienna’s position among the top destinations for retail expansion within Europe. Retailers continue to focus on prime locations, where – following the emphasis only on “GOOD-BETTER-BEST” space – demand still exceeds supply.

Investment and Development

The Austrian investment market as a whole has remained strong in 2016 with a new record transaction volume of €3.6bn likely (1st half year €1.3bn) driven by strong demand especially from new capital sources from North America and Asia. The limiting factor throughout 2016 was the shortage of investment grade product, pushing yields even further down. Due to this lack of available property, only about €50m were transacted during the first half 2016, whereas a volume of more than €830m of retail properties changed hands during 2015. Furthermore, the consolidation of online and brick-and-mortar retail has led to space reductions and secondary and especially tertiary location owners have to look for alternate usage solutions.

Development is quite subdued, as refurbishment and modernisation are the key trends for the market.

Rents and Yields

Top yields for shopping centres are now at 4.25%, retail warehouse parks transact at yields around 5.75%. High-street location yields are – especially in the inner districts of Vienna – substantially below this level. Rents in prime high street locations remain stable, whereas still rising in the top shopping centre destinations.

With top rents exceeding €400 per sq m/month (in some cases up to €600 per sq m for small locations) the luxury locations around Kohlmarkt, Tuchlauben, Graben and Bognergasse mark the prime high street retail segment within Austria and continue to attract international retailers. On secondary and tertiary locations the beforementioned focus on the best locations only, leads to a downward trend for rental levels. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 4.25%

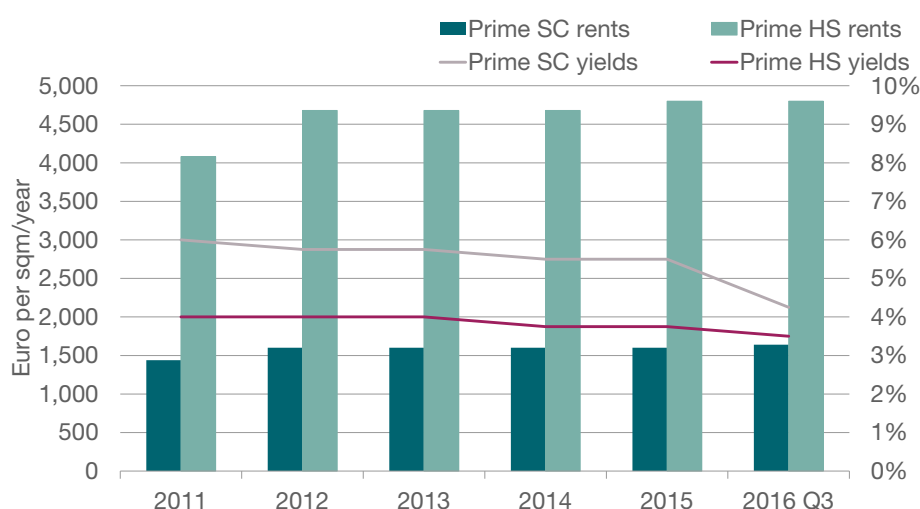


HS Q4 16 3.5%



GRAPH 1

Vienna retail rents and yields



Source: EHL

TABLE 1

Major shopping centre developments

Property	Location	Type	Size	Opening
Plus City	Linz/Leonding	Shopping centre	70 shops extension	2016
Hatric	Hartberg	Retail park	25 shops extension	2016
Seestadt Bregenz	Bregenz	Shopping Centre	21,000 sq m	2017

Source: EHL

Belgium



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Retail Trends

After a weak start partly linked to security threats, private consumption strengthened, rising by 0.3%. The consumer confidence index has also risen in November, partially wiping out the setbacks of the two previous months. Occupier and investor demand for core retail products is forecast to remain stable in 2017.

Investment and Development

Pure investment volume in 2016 year-to-date stood approximately at €2bn, which is ca. 35% lower than last year at the same period in term of volume but ca. 15% more deals were recorded. The Belgian investment market in 2016 is mainly dominated by the office market, accounting for 45% of the total investment turnover (25% for the retail sector). The retail market in Belgium remains dominated by domestic players and private investors in retail high-streets. The most important deal in 2016 year-to-date is the sale by Prowinko of the Toison d'Or, a high street complex of 4 units let to Apple, Zara, Marks & Spencer and Bodum. It was bought by GH Group for ca. €180m. The second largest transaction is the Hydriom retail warehousing park in Arlon for ca. €60m (bought by Redevco). For the end of the year, CBRE Global Investors is expected to close the deal of the Médiacité, a 45,000 sq m shopping center in Liège developed by Wilhelm & Co. The transaction is estimated around €260m. Several new development projects and expansions of existing shopping centers are in the pipeline for the coming years. Although it is unlikely that all projects will be developed as the necessary permits are increasingly difficult to obtain, we estimate the current pipeline to ca. 500,000 sq m (half of the current stock). The two most notable projects are to be found in the North of Brussels periphery: Uplace (81,000 sq m) and Neo (80,000 sq m). There is also Rive Gauche in Charleroi

(36,000 sq m), The Mint in Brussels (15,000 sq m), etc. The completion volume of new retail areas was boosted this year with the delivery of Docks Bruxsel at the end of Q3.

Rent and Yields

Prime rents for high streets in Brussels (Rue Neuve, Goulot Louise) and Antwerp (Meir, Schuttershofstraat) remained stable in 2016, at €1,850 per sq m/year. For shopping centres, prime rents are recorded in the Wijnegem Shopping Center (AEW) with €1,600 per sq m/year. Finally

for retail parks, prime rents remain recorded in the Drogenbos Park which was fully refurbished and stands at €175 per sq m/year. As risk averse behaviour continues to characterise the market, investors' appetite has remained focused on prime and well-located assets. Due to the scarcity of these assets and the competition between investors, prime yields experienced pressure. In 2016 year-to-date, yields currently stand at 3.75% for high-street assets, 4.25% for shopping centres and 5.75% for the best located retail warehouse units. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 4.25%

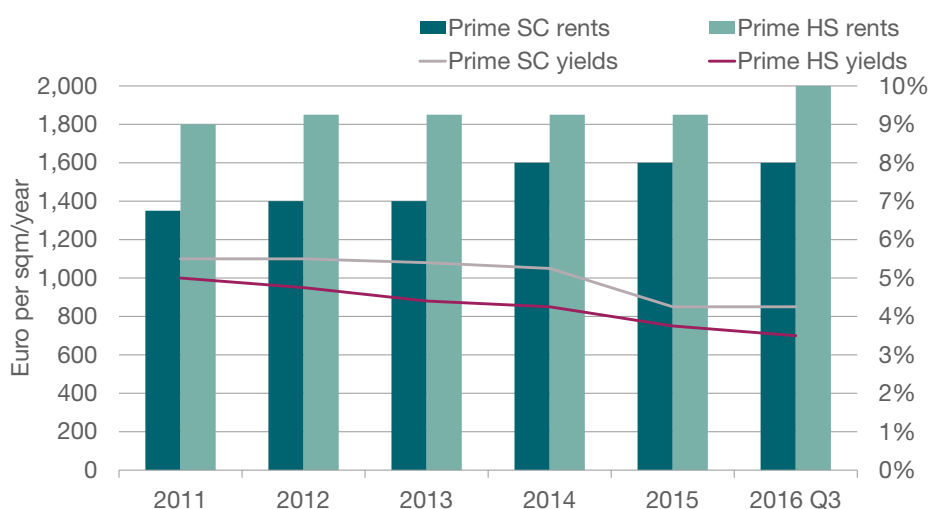


HS Q4 16 3.5%



GRAPH 2

Brussels retail rents and yields



Source: Savills

TABLE 2

Major shopping centre developments

Property	Location	Type	Size	Opening
Rive Gauche	Charleroi	Shopping centre	36,000 sq m	2017
The Mint	Brussels	Shopping centre	15,000 sq m	2017
Les Bastions	Tournai	Shopping centre	14,500 sq m extension	2017

Source: Savills

Denmark



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Retail Trends

The market for retail leases in Denmark's largest cities is characterised by renewed optimism among the retailers. Growing populations and better personal finances seem to have counterbalanced the reluctant consumer spending and the increased share of e-commerce, which has characterised the retail market for a long period of time. This positive development first and foremost benefits prime locations where activity is increasing, while prosperity on more secondary locations remains rare. Retail rental activity in the capital area is excellent. Over the last 24 months, the store composition on the main high streets Strøget and Købmagergade has changed due to a large influx of international brands. This is a sign that Copenhagen has manifested its position as an internationally recognised metropolis.

Investment and Development

The market for Danish shopping centres is also developing positively; especially shopping centres in the capital area are experiencing prosperity. Several of the largest shopping centres in the capital area are currently renovating and expanding, and others have plans to do the same in the near future. Among the exceedingly interesting projects are the expansion of Copenhagen Mall, which according to current plans will include an expansion of 13,000 sqm retail area and 68,000 sqm office - and hotel facilities. These plans are, however, still at the project stage. Additionally, IKEA, Bjarke Ingells Group, Dorte Mandrup Architects, and the hotel chain Cabinn are cooperating on a district plan proposal for the neighbouring property on which a new IKEA store will be established along with 500 youth housing units and 21,000 sqm hotel facilities. The

IKEA store is scheduled to open in 2019 and will feature three storeys of IKEA products.

expected to remain at the current level. ■

Rents and Yields

Rent levels on high street locations are generally on the rise, however, the tendency is more pronounced in the three largest cities: Copenhagen, Aarhus, and Odense. In Copenhagen, prime rent levels on Strøget are in the level of 22,000 DKK per sqm/year. Over the next 6-12 months, we expect moderately increasing rent levels in Copenhagen and Aarhus, whereas the rent level in Odense is

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 4.0%

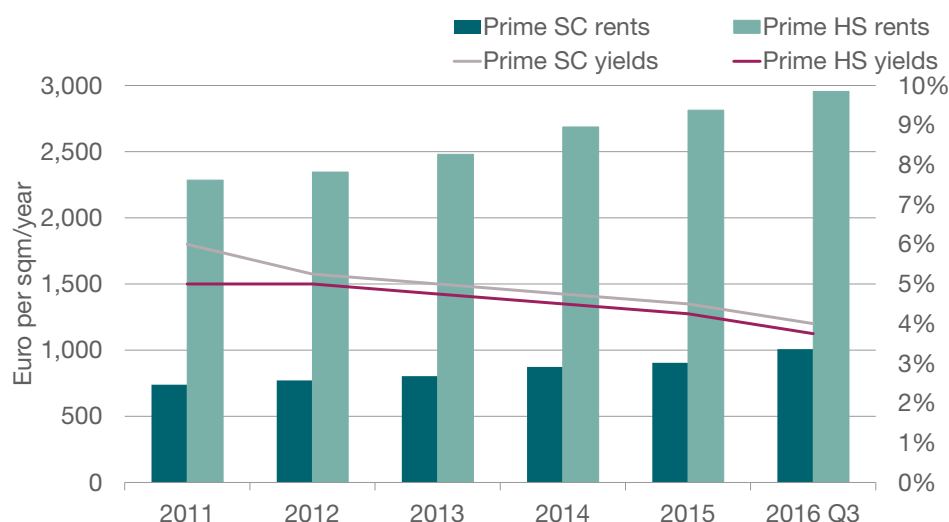


HS Q4 16 3.75%



GRAPH 3

Copenhagen retail rents and yields



Source: Nybolig Erhverv

TABLE 3

Major shopping centre developments

Property	Location	Type	Size	Opening
Copenhagen Mall	Copenhagen	Shopping centre / Mixed use	13,000 sq m extension	2020
IKEA	Copenhagen	Retail Park/Mixed use	45,000 sq m	2019
Rødovre Centrum	Copenhagen	Shopping centre	6,000 sq m extension	2018

Source: Nybolig Erhverv

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Retail Trends

The overall economic situation has improved thanks to recovery in domestic demand and private investment. Consumer confidence is now well above the long-term average and reflects improved consumption growth.

The volume of retail sales grew by 3.3% yoy in September 2016 nationwide. In H1, retail sales increased by 0.7%. The total volume of shopping centre retail sales increased by 3.6% in the capital region, while in the rest of Finland the increase was 4.4% in Q2 2016. In the same period the number of visitors increased by 6.1% in the capital region and by 3.7% in the rest of Finland.

New extended shopping hours were completed in January 2016. Almost half of consumers have taken advantage of longer opening hours, translating in higher sales for large stores, but lower sales for small stores. Previously, only small stores were entitled to set their own opening hours.

Investment and Development

Retail investment demand remains strong. The share of retail investments has accounted for 45% this year to date (excluding residential). Lack of investable product, especially large scale deals, is limiting the higher volumes of retail investments. After high trading volumes of major retail portfolios, supply for desired product has decreased. Good retail assets attract both domestic and international investors.

Investments in retail construction have strongly increased recently after a couple of year sluggish period. There are numerous new shopping center developments both under construction and in the pipeline. By the end of 2018 the leasable shopping centre area is estimated to increase by some

450,000 sq m. Market-type retail construction is strong as well. Apart from dynamic new construction, changes in consumer behaviour and restructuring of trade challenge both property investors and retailers.

Rents and Yields

Prime rents across all retail sectors have remained stable in 2016. Prime yields for HS and SC have stabilised, while supermarkets and retail warehouses have edged slightly downwards. The overall retail occupancy rate has remained quite high at 95%. Take-up for retail space has increased markedly

over the past few years, however, tenants' challenges will be, among others, decline in the rental levels of new leases. Following the economic downturn and increasing e-commerce sales, small street-level stores (grocery stores excluded), have suffered most from increase in vacancy. Shopping centres have performed better than other retail sectors supported by increasing number of visitors and sales. Prime SC rents have shown a moderate upward trend in autumn 2016. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 4.5%

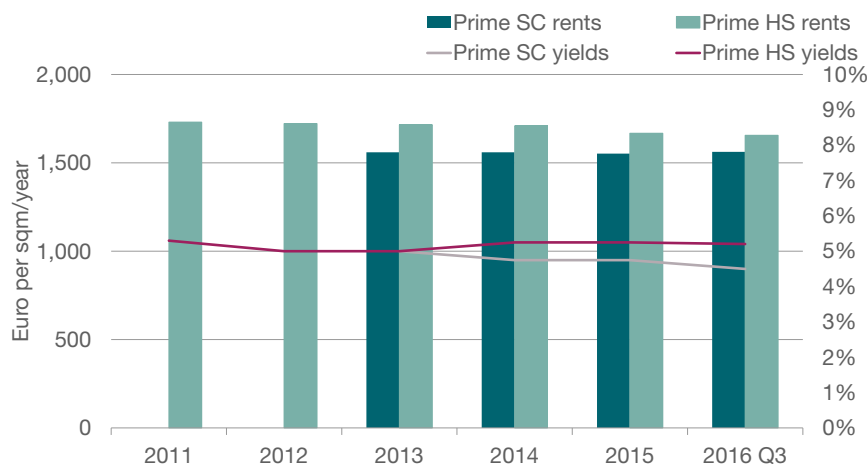


HS Q4 16 5.0%



GRAPH 4

Helsinki retail rents and yields



Source: Realia/Savills

TABLE 4

Major shopping centre developments

Property	Location	Type	Size	Opening
Iso Omena, phase I and II	Espoo, Matinkylä	Shopping centre	40,000 sq m (extension)	2016 - 2017
Ainoa, phase II	Espoo, Tapiola	Shopping centre	20,000 sqm (extension)	2017
Kesko Itäkeskus project, phase I and II	Helsinki, Itäkeskus	Shopping centre	60,000 sq m	2017 - 2019
Mall of Tripla (part of Tripla Centre)	Helsinki, Central Pasila	Shopping centre	85,000 sq m	2019

Source: Realia

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Retail Trends

2016 has been, in various aspects, a challenging year for the French retail market, with last year's terrorist attacks and frequent strikes having a negative impact on shopping centre footfall. Despite the uncertain environment, activity has returned to normal levels and consumer sentiment remains high, with the household confidence index at 97 in September 2016.

The increase in private consumption (up 1.5% in 2015 and 1.9% growth predicted for this year) is based on energy consumption and an increase in household appliance purchases.

This will contribute towards retail sales, which are expected to grow by 2.8% in 2016 (against 3.8% in 2015). The multichannel strategies highlight the synergy between trading online and in stores. Geographical proximity and direct customer interaction now appeal to large online retailers (Amazon, Cdiscount, LDLC, Feelunique, Birchbox, etc) who are developing a network of stores (pop-up stores, flagship stores, etc). Since the beginning of the year, many new and international retail concepts have entered the market, principally in 'chic' or 'hyped' neighbourhoods. Three key markets can be highlighted: Fashion/clothing, Food and Beauty/Healthcare.

Investment and Development

In France, nearly, €2.5bn has been invested in retail real estate since the beginning of the year. After two exceptional years, boosted by investments in commercial shopping centres, the market remains at a good level, despite an annual decline by 3% of the volume invested. The market remains constrained by an ever decreasing supply of quality product and by rising prices. There is a rising number of deals between €100m and €500m, which characterise the market (at 67% of the amount invested).

The period 2016-2017 could result in a historic peak in terms of projects. 49 shopping centre projects will be finished by the end of 2017, including 17 planned for the end of 2016. 55% of these projects are extensions/renovations. 26 retail parks projects will also be completed by the end of 2017, including 4 before December 2016. The share of new developments is dominant, at 88%. The significant number of new projects combined with a high share of restructuring/extension, is an indicator of the momentum, innovation and renewal of the retail

park sector.

Rents and Yields

Paris remains dynamic thanks to its internationally-renowned shopping streets. The Avenue des Champs Elysées still benefits from its luxury reputation and prime rents remain at €21,000 per sq m/year.

Prime yields continue to compress and they stand at 4.25% for shopping centres and 5.0% for retail parks. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 4.0%

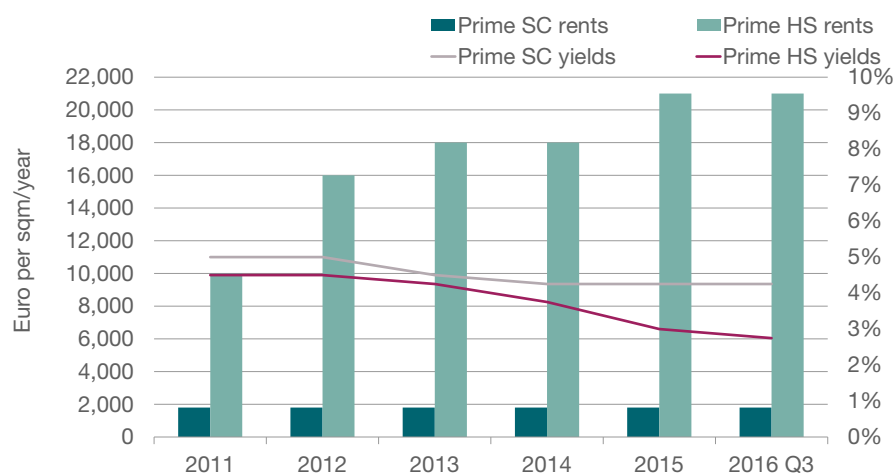


HS Q4 16 2.5%



GRAPH 5

Paris retail rents and yields



Source: Savills

TABLE 5

Major shopping centre developments

Property	Location	Type	Size	Opening
Gare du Nord	Paris	Shopping centre	82,000 sq m	2017
Court'In	Vaucluse	Shopping centre	22,700 sq m	2016
Open Sky	Plaisir	Shopping centre	37,000 sq m	2018
Cap 3000	Alpes-Maritimes	Shopping centre	90,000 sq m	2018
Bleu Capelette	Marseille	Shopping centre	42,500 sq m	2018

Source: Savills

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Retail Trends

Germany's economic outlook is fairly stable and resilient. Growth is expected to continue, at 1.7% this year and 1.4% for 2017. The unemployment rate is one of the lowest in Europe at 5.9% and consumer sentiment is robust. International retail chains, attracted by the dense, high purchasing power in Germany, are looking for prime high street locations in order to expand. Suburban areas as well as secondary retail locations have remained fairly stable over time.

Investment and Development

With 123.1m sq m of retail space, Germany has the fourth largest per capita retail space in Europe. As some regions particularly in Eastern Germany are oversupplied, planning authorities have become more protective of the local retail sectors and try to enforce sustainable development in their communities. Therefore, the stock of retail space has increased more moderately over the last decade, at an average rate of approx. 1m sq m per annum. New development concentrates on relatively undersupplied but well performing retail segments, such as factory outlet centres in peripheral and easily accessible areas. Also, inner-city retailing has regained popularity over the past few years. Investment in the German retail property sector has proven to be a safe and sound choice, even during the years post the global financial crisis. In light of this potentially stabilising effect on investor portfolios, retail property remains extremely sought-after among investors. However, with a transaction volume of €9.0bn the retail investment market has witnessed a significant decline of 45% yoy during the first nine months of the year. Still, it represents the second largest segment behind office properties with a share of

27%. This is the result of limited supply of investment opportunities in terms of shopping centres and prime high street buildings, which has also caused a shift towards alternative segments like retail parks, supermarkets, discounters and DIYs throughout the last years. However, with high-value product remaining scarce, the overall transaction volume will fall significantly short of last year's total.

Rents and Yields

Prime net initial yields for retail properties range between 3.6% for prime high street properties and

6.3% for retail warehouses. As there is an extremely strong competition among bidders for attractive retail parks and shopping centres in secondary locations, further marked yield compression in such locations is expected.

Overall retailer demand is stagnating and this will likely result in rising vacancies apart from top retail locations. Rental growth, if at all, can only be expected in absolute top locations. Secondary/tertiary locations, particularly those where fashion retail dominates, might suffer from rental decreases. ■

PRIME YIELDS * 2016 and 2017 OUTLOOK

SC Q4 16 4.1%



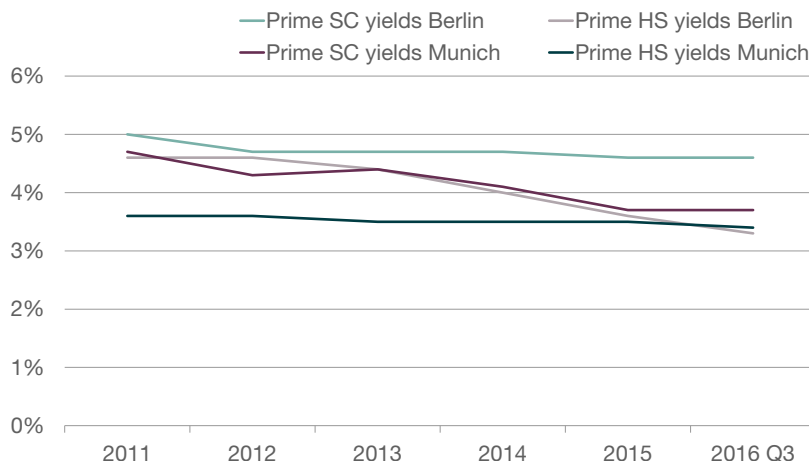
HS Q4 16 3.5%



*Average for top seven markets

GRAPH 6

Berlin and Munich retail yields



Source: Savills

TABLE 6

Major shopping centre developments

Property	Location	Type	Size (GLA)	Opening
Mall of KuDamm	Berlin	Multifunctional centre	65,000 sq m	2020
Überseequartier	Hamburg	Multifunctional centre	80,000 sq m	2021
Stadtquartier Viktoriast.	Bochum	Multifunctional centre	30,000 sq m	2019

Source: Savills

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Retail Trends

The contraction of the Greek economy in conjunction with the overall burdensome economic and political environment have had an immediate impact on private consumption, which has been decreasing from 2007 to 2013. In 2014 private consumption increased for the first time since the beginning of the economic crisis by 0.5% yoy, and further increased by 0.3% in 2015 yoy. However, this trend appears to be short lived as in 2016 private consumption is expected to contract by 1.1% yoy despite the efforts of retailers to attract consumers with sales and special offers. Decreasing retail sales volumes have led to a number of retailer insolvencies over the past five years, especially in the small-medium size market segment but also in the large scale segment while few international retailers have exited the market. Most retailers are adopting a cautious approach, primarily rationalising their operations and concentrating on the best performing areas. At the same time we have also noticed the entrance of firms such as Forever 21 and the willingness of firms like Dekathlon to enter the market. Leroy Merlin has also continued its expansion with a new store. Another new entry in the market is that of Jysk, the Danish household goods retailer that opened four big boxes in H2 of 2015. The decline in sales has been steeper on high streets, while established shopping centres saw a drop between 7-8% per annum. There is evidence of an ongoing trend, which is moving away from the smaller scale unit format, destined to serve the local population, to the modern and larger scale format. This conversion is also induced by international retailers who primarily seek for larger scale, modern, newly developed or refurbished retail units, including shopping centers and big boxes.

Investment and Development

During the last couple of years most transactions, have been carried out by the two largest domestic REITs, Grivalia Properties and NBG Pangaea. Combinedly they have invested a total of €230m.

Rents and Yields

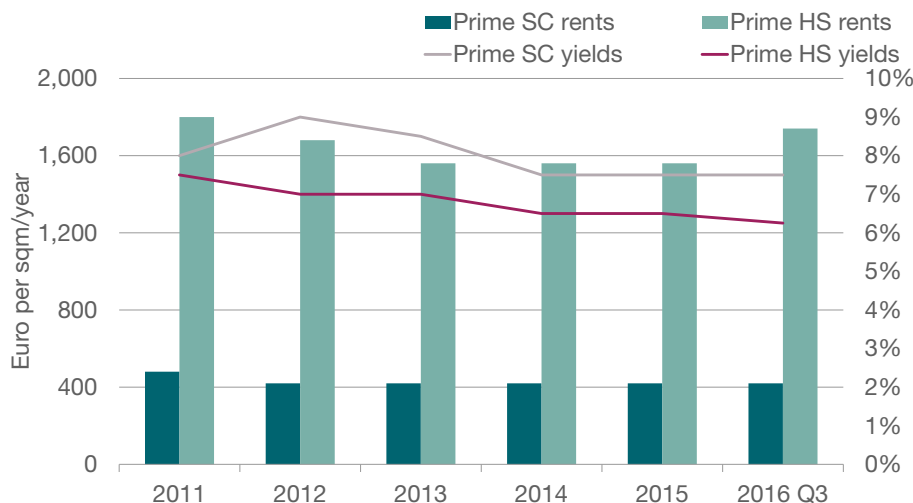
Currently, rental levels for units of 101-250 sq m in the Northern Precinct's shopping centers are in the order of 50-70€ per sq m/month, while rents for prime retail units on Ermou Street, Athens' most prestigious high street, range

from €100 per sq m/month to €150 per sq m/month. In Athens, the achievable yields for well-located and successfully run shopping centre schemes range between 7.25%-7.75%. although this range may be higher, between 8.00%-8.75%, for retail schemes in out-of-town locations. In the case of smaller, high street retail properties for which there are limited investment opportunities and higher demand, yields may decrease to 6.0%-6.5%. Prime achievable yields for units in the best high streets, such as Voukousestiou and Ermou streets, can be as low as 5.0%. ■

PRIME YIELDS 2016 and 2017 OUTLOOK	
SC Q4 16	7.5%
➔	
HS Q4 16	6.25%
➔	

GRAPH 7

Athens retail rents and yields



Source: Savills

TABLE 7

Major shopping centre developments

Property	Location	Type	Size	Opening
Academy Gardens	Attica / Kantza	Shopping centre	55,000 sq m	2020
Votakinos Mall	Athens	Shopping centre	48,000 sq m	2019
Golden Hall	Athens	Shopping centre	13,000 sqm extension	2018

Source: Savills

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Retail Trends

Jobs creation, increased household disposable incomes and resurgent consumer credit are helping to sustain a broadly based improvement in the retail economy. Although increased political uncertainty looks to have dampened consumer sentiment, the continuing strength of the underlying macro-economy and the favourable macro-economic forecasts suggest that any headwind from this source is likely to be temporary. While sales volumes are rising, prices in most sectors continue to fall. However, this does not imply that retailers' viability is being squeezed – lower commodity prices, reduced overheads and efficiency gains have made it possible for shopkeepers to cut prices at the till. But the fact that they are being forced to pass these gains on to price-conscious consumers confirms just how competitive the sector remains.

Investment and Development

Retail's share of investment turnover has risen sharply over the past year, from 24% in the opening three quarters of 2015 to 46% over the same period in 2016. With the economic recovery continuing to percolate from the corporate sector to the consumer economy, vendors have brought a greater number of retail assets to the market, some of which have achieved strong prices. These include Blanchardstown Centre in west Dublin which sold for €950m in Q2 of this year. However, while investors are now clearly buying into the retail recovery story, it is difficult to ascertain if the investment upsurge in 2016 is a distinct trend or simply a reflection of the opportunities that have arisen.

Rents and Yields

With vacancy falling, and development only starting to re-emerge, prime high street rents

have risen by 3.5% in the past twelve months and currently stand at approximately €3,000 per sq m. Prime shopping centre rents have increased by close to 6% and are now in the region of €2,750 per sq m. Due to a general shortage of space, particularly of larger units, prime inner-city locations are projected to remain landlords' markets.

The sharp rise in investor demand for retail assets has translated into rising prices and significant yield compression. Prime achievable

shopping centre yields have halved over the past five years and are currently at 4.5%, stable for the last five quarters. Prime high street yields have also stabilised at 3.5%. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 4.5%

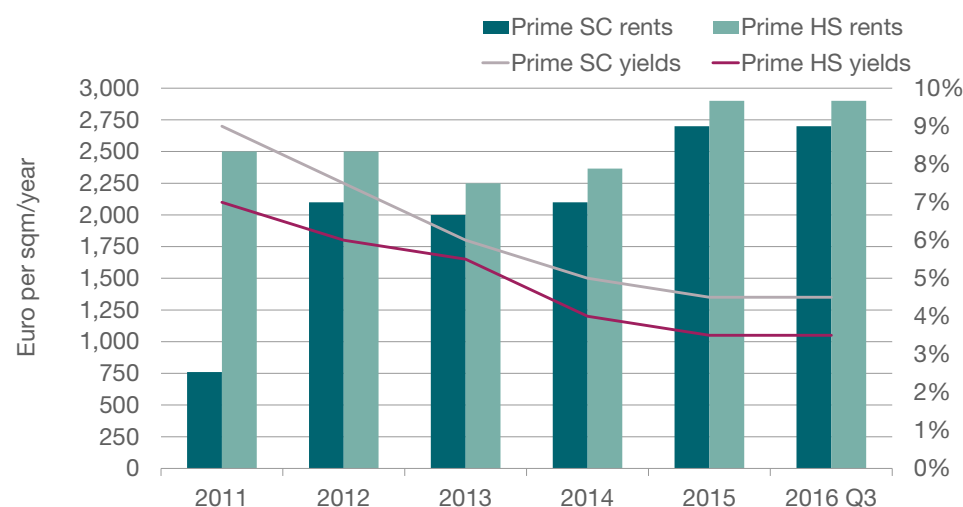


HS Q4 16 3.5%



GRAPH 8

Dublin retail rents and yields



Source: Savills

TABLE 8

Major shopping centre developments

Property	Location	Type	Size	Opening
Liffey Valley Plaza	Dublin	Shopping centre	22,000 sq m	Spring 2019
The Capitol	Cork	Shopping centre	3,700 sq m	Mid 2017
Florentine S/C	Wicklow	Shopping centre	11,000 sq m	End 2018

Source: Savills

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Retail Trends

The positive trend of economic recovery has been confirmed in 2016, even if moderate. Analysts expect the economy to grow by 0.8% yoy both in 2016 and 2017. Although consumer confidence is still cautious, the recent opening of two regional shopping centres in northern Italy, highlights the positive climate for Italian retail market, particularly in densely populated and affluent regions. In addition, top international brands have entered into the Italian market, such as Primark, in Arese and Johnny Rockets, an American restaurant franchise, in Brescia.

Investment and Development

Since the beginning of the year circa €1.8bn of retail deals were registered, already exceeding last year's total and confirming the strong investor appetite for this sector. Retail investment increased by circa 15% yoy over this period and represented 35% of total investment activity. Investors continue to show preference in prime retail assets located in primary and secondary cities such as Milan, Rome, Bologna and Turin. European investors are the most active group with increasing interest from national players, especially for high street products. The high street sector had a particularly dynamic year with circa €585m invested in Q3 2016, almost reaching the same investment level of full year 2015. The resilient characteristics of high street assets, with stable and lately rising rents, low vacancy rates and constant demand from retailers make it an attractive asset class. Tier 1 touristic destinations such as Venice and Florence are highly sought after and investment appetite for such destinations, especially from European Institutional Investors, is in line with Milan and Rome. High street product in secondary cities such as Bologna and Turin also experience growing interest. Lower competition

compared to primary cities, is attracting international investors.

Rents and Yields

The high street market is dominating the retail scene driving deal volumes and yield compression over the past few quarters. This compression is mainly driven by a scarcity of product and huge demand from property investors. We believe that prime yields in the sector will settle for 2016 in the region of 3.25% in Milan and Rome. Further material yield

compression may be experienced in secondary cities. Prime net yield for shopping centres in northern Italy, especially Milan, are experiencing further compression reaching circa 5% in Q3 2016. Net yields for secondary shopping centres remained stable at 5.50%. Prime rents in the best shopping centres in Milan region have been rising over the past two years reaching circa €850 per sq m/year. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 5.0%

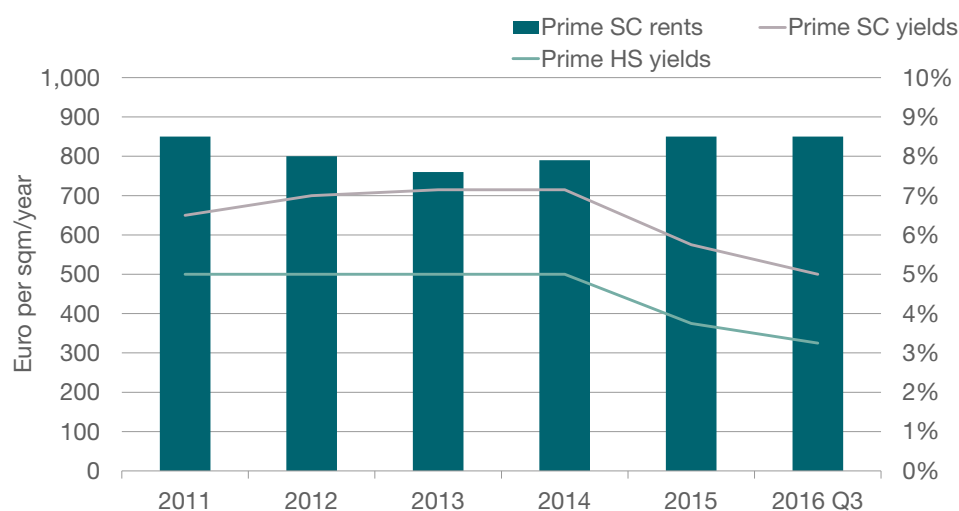


HS Q4 16 3.25%



GRAPH 9

Milan retail rents and yields



Source: Savills

TABLE 9

Major shopping centre developments

Property	Location	Type	Size	Opening
Adigeo Shopping Centre	Verona	Shopping Centre	42,000	2017
Orio Centre	Bergamo	Shopping Centre Extension	35,000	2017
Westfield Milan	Segrate (Mi)	Shopping Centre	70,000	2020

Source: Savills

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Retail Trends

The Dutch economy has been growing steadily over the past three years and forecasts are positive as well. As a result, consumer confidence is positive (+8, highest post-recession figure) and retail spending increases (+1.5% yoy in August 2016). It has to be noted that some sectors profited more (clothing, DIY, home furnishing) than others, notably consumer electronics with a decrease of 6.8% yoy. This very much has to do with the fierce online competition within this segment. Online sales as such continued to grow by double digits (+17% yoy in August). Pure players showed larger growth (22%) than the online sale of multi-channel retailers (+11%).

The effects of lower retail spending in past years combined with a shift towards online retail, still leads to insolvencies, however, a year-end forecast by ABN Amro suggests the lowest rate since the start of the recession. The insolvencies also opened up new opportunities. Expanding retailers like Hudson's Bay, Topshelf, Primark and Decathlon, opened at vacated V&D department store locations. This will overall lead to increased gross take-up figures by the end of this year. The recent introduction of same day delivery by online retailer Bol.com will further increase the competitive power of this brand and e-commerce in general. Within the shopping streets this is countered by retailers investing in their store formats (e.g. Blokker, Hema, Bristol) in order to remain competitive.

Investment and Development

New retail developments are limited and generally concern redevelopments and/or extensions of existing schemes. Among them Hoog Catherijne in the centre of Utrecht, Stadshart Amstelveen and shopping centre Leidsenhage. The latter will be rebranded Mall of the

Netherlands and extended by 25,000 sq m to a total of around 100,000 sq m. Also worth mentioning is the 2017 extension of the Batavia Stad factory outlet centre by another 45 outlets. Investment activity in the retail sector was just below €1.25bn in the first three quarters of the year corresponding to 21% of the total activity, and was down about 28% yoy due to the scarcity of prime assets and portfolios.

Rents and Yields

While retail sales improve, the vacancy rate (7.3% mid 2016, source Locatus) combined with the general shake-up of the retail market in the Netherlands, keeps a downward pressure on rents except for a limited set of prime retail destinations. Yields on the contrary remain low and stand at 3.75% gross for prime high street yields, 5.25% for prime shopping centres and 6.75% for retail warehouse centres. ■

PRIME YIELDS * 2016 and 2017 OUTLOOK

SC Q4 16 5.25%

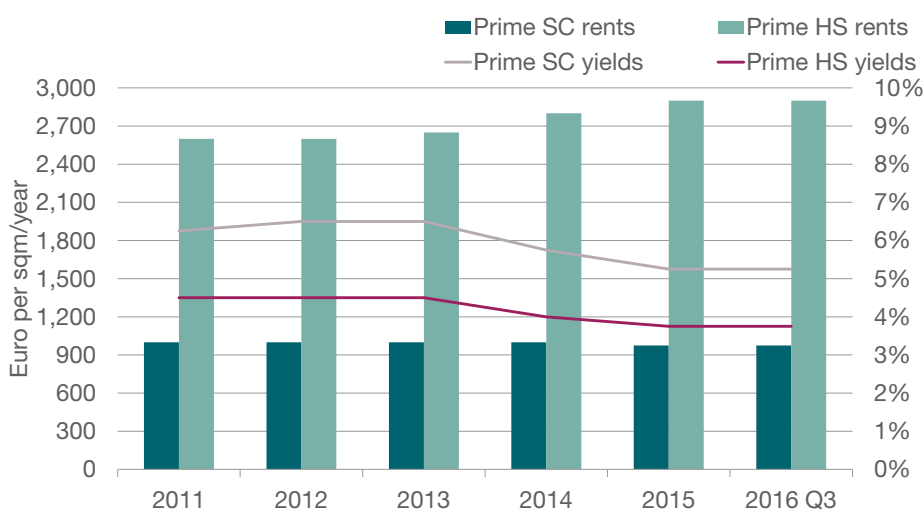


HS Q4 16 3.75%



GRAPH 10

Amsterdam retail rents and yields



Source: Savills

TABLE 10

Major shopping centre developments

Property	Location	Type	Size	Opening
Hoog Catherijne	Utrecht	Shopping centre	35,000 sqm extension (total 102,000 sq m)	2017
Leidsche Rijn Centrum	Utrecht	Shopping centre	22,400	2018
Mall of the Netherlands)	Leidschendam-Voorburg	Shopping centre	40,000 sq m extension (total 116,000 sq m)	2019
Batavia Stad	Leleystad	Factory outlet	5,500 sq m extension (total 31,000 sq m)	2017

Source: Savills

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Retail Trends

Retail sales in Poland have grown from €69.7m in 2005 to €107.6m in 2015, which represents a growth of 54.4% and an annual growth of 4.4%. The Oxford Economics outlook for the period between 2016 and 2025 is still positive but with a lower growth of 40.4%, however this is still one of the highest when compared with all major European economies. The long-term average for the EU-15 is 16.5% and for the EU-28 is 18.8%.

Investment and Development

Retail stock in Poland has now exceeded 10.77m sq m and approximately 812,400 sq m of modern retail space with delivery dates by 2020 is currently being constructed in Poland. Development activity is concentrated in major agglomerations with ca. 46% of constructed space is located in cities of above 300,000 inhabitants including the biggest new developments: Posnania by Apsys planned for Q4 2016 (opening data: 20th October 2016; 98,000 sq m); Galeria Północna by GTC in Warsaw (64,500 sq m) to be opened in 2017; Wroclavia by Unibail-Rodamco in Wrocław (64,000 sq m) which will be ready in 2017 and Forum Gdansk by Multi Development (62,000 sq m) due in 2017.

Strong demand for retail space is proven not only by a low vacancy rate but also by a number of new brands and new concepts that entered the market in 2016. New brands usually choose the best and most popular retail schemes to open first store. For example Steve Maden and Skechers opened their stores in Galeria Mokotów (Warsaw), Scoppio in Magnolia Park (Wrocław), Up8 in Riviera (Tricity, Gdynia) and U.S Polo Assn. in Manufaktura (Łódź).

Rents and Yields

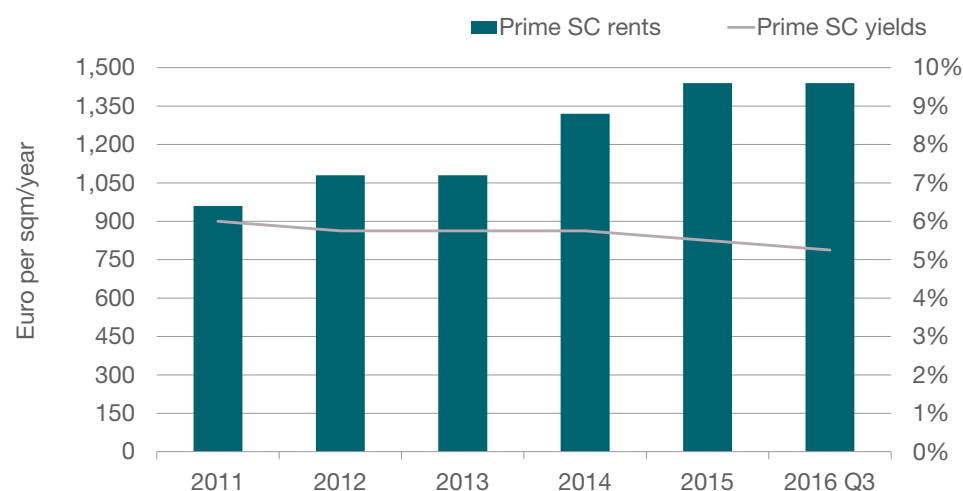
Prime retail rents for units of ca. 100 sq m dedicated to fashion are the highest in Warsaw. In the best shopping centres, tenants can expect headline rents at €80–120 per sq m/month whereas in other cities there are approximately half of those in the best shopping centres in Warsaw. Retail transactions in Q1–Q3 2016 accounted for 53% of the total investment volume. Investment activity was dominated by five transactions accounting for more than 90% total volume in the retail

sector. Prime shopping centre yields are at ca. 5.25% for the best shopping centres in Warsaw, as well as for dominant shopping centres in major regional cities, and at circa. 6.0% for leading shopping centres in secondary cities. ■

PRIME YIELDS
2016 and 2017
OUTLOOK
SC Q4 16 5.25%
➔

GRAPH 11

Warsaw retail rents and yields



Source: Savills

TABLE 11

Major shopping centre developments

Property	Location	Type	Size	Opening
Galeria Młociny	Warsaw	Shopping Centre	70,000 sq m	2018
Galeria Północna	Warsaw	Shopping Centre	64,500 sq m	2017
Wroclavia	Wrocław	Shopping Centre	64,000 sq m	2017
Forum Gdansk	Gdansk	Shopping Centre	62,000 sq m	2018

Source: Savills

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Retail Trends

The Serbian economy performed robustly in the first half of the year. Disposable income is benefiting from low borrowing costs and relatively subdued oil prices, which likely supported private consumption in Q3. Economic prospects are relatively bright as growth is expected to be supported by domestic demand.

The retail market in Serbia is still underdeveloped when compared to other countries in the region. The capital Belgrade has only 165 sq m of retail stock per 1,000 inhabitants, while regional (SE Europe) average is approximately 475 sq m per 1,000 inhabitants. Lack of modern shopping centres and retail parks should slightly reduce in the next period with the completion of announced projects. Still, there will remain more than enough space for further investments and development of this segment of real estate market.

Investment and Development

Serbian company MPC Properties developed retail park Shoppi in Borca settlement, which was opened in this October. The most important retail developments in Belgrade are Rajiceva Shopping Center in the city centre pedestrian zone, shopping centre Visnjica Plaza in Palilula municipality and retail park Capitol Park Rakovica. Upon completion of these projects in H2 2017, total retail stock will increase by 79,000 sq m of GLA. The construction of three big shopping centre projects, Ada Mall, Delta Planet and Skadarlija Shopping centre, has also been announced; these projects will deliver approximately 137,000 sq m of retail space. Preparation work started at the site of GTC project Ada Mall, while other two projects are currently on hold. Well-known international companies such as IKEA and Lidl were active in retail warehouse sector. Swedish company IKEA will

open its first store in Serbia, near Bubanj potok in autumn 2017. The predicted construction is 35,000 sq m of retail space, worth €65m. Lidl also started developing stores all around Serbia and a distribution centre near highway E75 which will compromise approximately 50,000 sq m.

Rents and Yields

High street and shopping centre rents have been stable for last two

years. Rents in prime shopping centres stood at €850 per sq m/year, while high street prime rents were around €1,000 per sq m/year. Due to the limited supply of retail space in Belgrade's central pedestrian street (Knez Mihailova), prime yields range between 6.0-8.0% depending on the location, area and visibility. Estimated yields for secondary zones and shopping malls stand around 8.5%, while yields for retail warehouses are between 10.0-11.0%. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 8.25%

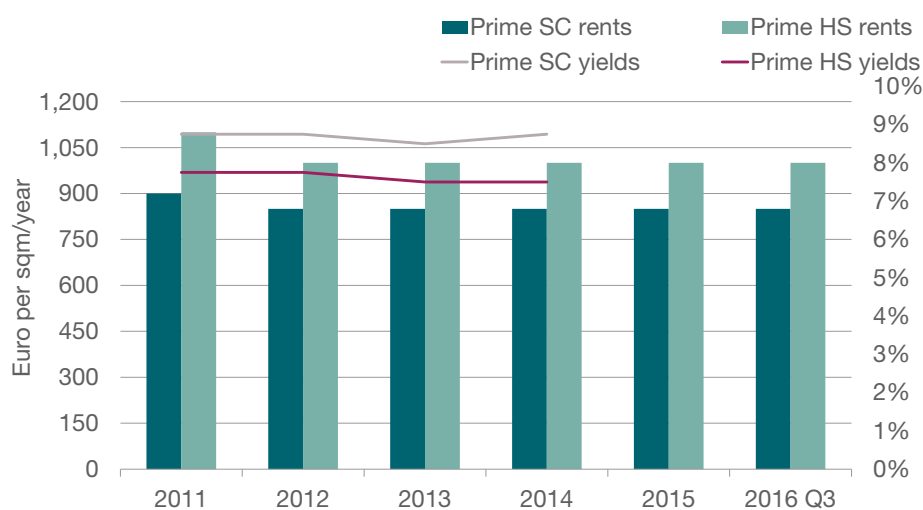


HS Q4 16 7.25%



GRAPH 12

Belgrade retail rents and yields



Source: Coreside

TABLE 12

Major shopping centre developments

Property	Location	Type	Size	Opening
Ada Mall	Belgrade	Shopping centre	32,000 sq m	2018
Rajiceva Shopping Center	Belgrade	Shopping centre	15,000 sq m	2017
Belgrade Plaza	Belgrade	Shopping centre	32,335	2017
Capitol Park	Belgrade	Retail park	21,200 sq m	2017

Source: Coreside

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Retail Trends

Retail operators are expanding with a focus on creating and improving online sales platforms, as well as being present in several retail formats. It is becoming more and more common for large-scale retailers, traditionally located in shopping centres (SC) and retail parks (RP), to take units in the key commercial axis of the main cities. For example, Media Markt, Worten and Decathlon already have urban stores, while Leroy Merlin has just announced that its expansion policy until 2020 includes opening urban stores. In addition Ikea has opened pop-up stores in the centres of both Madrid and Barcelona.

The limitations of the urban environment favour a reduction in average store size, which itself is also reducing in OOT formats due to the impact of ecommerce on sales volume. Rather than creating a threat for the owner of the centre, it offers an opportunity to expand the tenant mix of the centre, which in turn provides differentiation in such a competitive sector.

Investment and Development

The accumulated investment volume in the retail segment until Sept reached c. €2.5bn, which represents a 5% yoy decrease of activity. It is important to note that, although the traditional retail product still leads the investment market, accounting for close to 77% of total, the high street (HS) segment is gaining relevance. Until a couple of years ago, the HS market was typically a product for domestic private investors. However, international institutional players are now acquiring single assets or portfolios.

The annual volume is expected to close around €3.3bn, which will set a new record in the historic series, representing 8% over the 2015 level and 38% over the previous peak of the market registered in 2006.

Traditional product would account for 70% of the potential volume and remaining 30% for HS units and commercial buildings. The improvements in the main economic and consumer indicators have given confidence to the retail market, resulting in an increase in development activity. The access to finance and the marketing of the GLA will be the main filters to start a new project.

Rents and Yields

Prime achievable rental values in SC remain stable at €1.080 per sq m/month, while prime rents in RP have increased 13%, reaching €216 per sq m/month. The imbalance between demand and supply has had an impact on yields, compressing them by an average of 70 bps yoy, down to 4.25% for SC and HS and 4.75% for RP. ■

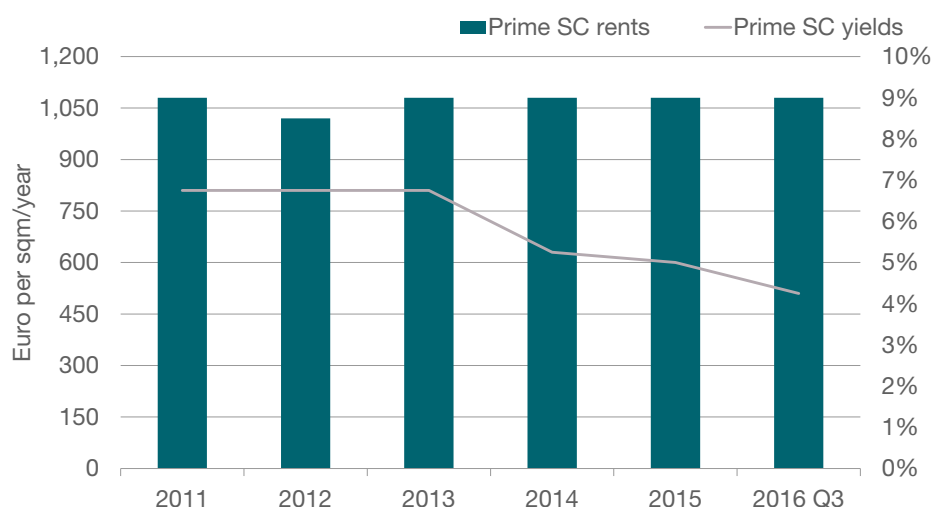
PRIME YIELDS
2016 and 2017
OUTLOOK

SC Q4 16 4.25%

➔

GRAPH 13

Madrid retail rents and yields



Source: Savills

TABLE 13

Major shopping centre developments

Property	Location	Type	Size	Opening
Sambil Outlet Madrid	Madrid / Leganés	Factory Outlet	42,000 sq m	2017
Plaze Rio 2	Madrid / Torrejón de ardoz	Shopping centre	39,000 sq m	2017
Open Sky & The Villange	Madrid	Shopping centre	90,000 sq m	2018
Palmas Altas	Sevilla	Shopping centre	100,000 sq m	2019

Source: Savills

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Retail Trends

Domestic consumption has been a key driver of GDP growth since the 2008 financial crisis. The consumption has been driven by lower interest rates, low inflation and tax cuts for households. Looking forward, the domestic consumption should be strengthened by wage increases, strong population growth and increasing employment. Savings ratios have remained on historically high levels since the financial crisis, so there is room for households to increase their spending. In spite of the relatively stable retail market, a number of new retailers have entered Sweden, primarily within the prime segment. Retailers tend to target prime locations, whether it is shopping centres, high street or retail warehousing. Online retail has had a profound effect on the market. Omni-channel retail is increasing as physical retailers are starting to offer more purchase solutions other than the traditional physical purchase. Online retailers have started establishing physical stores, and within the retail park segment a number of tenants have started downsizing their stores – primarily hypermarkets and electronics retailers.

Investment and Development

The development pipeline has been smaller following the 2008 financial crisis, but development activity has picked up in the last few years. However, developers remain much more cautious and tend to hold off development until a majority of the premises has been pre-let before starting construction. One notable project is the 100,000 sq m Mall of Scandinavia, which opened in late 2015 and has been a success and is trading above the estimated figures. The investment turnover regarding retail assets amounts to SEK 16bn so far in 2016, representing 11% of the total volume. In 2015, 15% of the volume was retail assets amounting

to just under SEK 27bn. For retail parks, the turnover amounts to SEK 8.5bn, which is only SEK 600m short of the highest figure noted and it is therefore highly likely that a record will be set for turnover of retail parks. The retail segment is also one of the segments where foreign buyers have been able to compete with domestic buyers.

Rents and Yields

Retail rents have historically been resilient to economic downturns and

the effects from both the financial crisis and the following euro-uncertainty have been very slight, and market rents have remained firm in spite of the economic downturns. Prime yields have continued to harden across all retail segments during the year and are expected to remain so in the near future. The yield gap between prime and the best secondary assets could shrink further due to the shortage of prime properties on the market. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

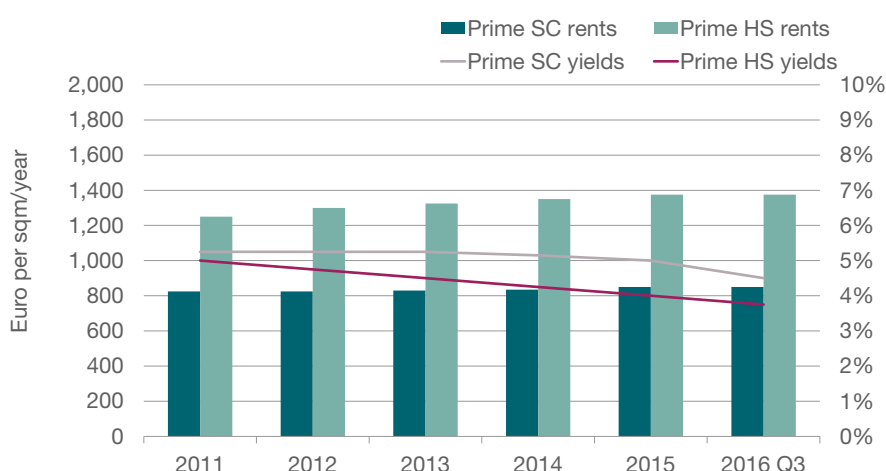
SC Q4 16 4.25%



HS Q4 16 3.75%



GRAPH 14
Stockholm retail rents and yields



Source: Savills

TABLE 14
Major shopping centre developments

Property	Location	Type	Size (GLA)	Opening
C4 Shopping	Skåne	Retail Park / Shopping Centre	60,000 sq m	2018
Brunna Park	Stockholm	Retail Park	30,000 sq m	2017
Mölndal Galleria	Gothenburg	Shopping Centre	24,000 sq m	2018
Partille Port	Gothenburg	Retail Park	30,000 sq m	2020

Source: Savills

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Retail Trends

The UK consumer has clearly got over the initial shock of the Brexit vote, with the GfK consumer confidence measure recovering to its pre-referendum level in September. This, combined with the fact that there has been no sign of the savings ratio rising, should give retailers a boost of confidence about trading over the crucial Christmas period. Nevertheless, there are challenges ahead. First is the weakness of the pound, which is currently at a 31 year low against the US dollar. While this is good news for exporters it is bad news for importers and shoppers. While most retailers have forward hedges on currencies these will soon come to an end, and the price of imported goods for UK retailers will undoubtedly rise. Retailers will be facing more challenges than just rising import costs in 2017, with the minimum wage and rating revaluation both squeezing margins over the next few years in an environment of potentially volatile consumer confidence and behaviour. However, early indications for 2017 are that retailers, particularly those at the value-end of the spectrum, are still broadly expansionary. This makes sense, with the value and aspirational segments of the market having been the strongest performers during the global financial crisis.

Investment and Development

Q3 2016 has been a mixed period for shopping centre investment, with the first two weeks post the Brexit vote saw a number of deals pulled or renegotiated. We have however since seen investor confidence return through the quarter and although transaction volumes have been low, investors on both the buy and sell sides go into Q4 with greater confidence. On the contrary, high street investment activity in 2016 has been higher than in 2015. £1.5bn of transactions have taken place outside London in the first nine months of this year, a 24% increase

on the same period last year. One clue as to why the activity has been so strong is the average lot size, which at £1.5m points to a very strong demand from private investors for small secure income deals in the face of low cash returns.

Rents and Yields

Retail rental growth is broadly flat or mildly negative outside London, with only central London retail still showing strong upward movements in rents. Limited institutional demand in 2017 may also present an opportunity for retailers to buy their

best stores. The combination of the low cost of debt and the looming change in how leases are accounted for their balance sheets may well be enough to stimulate a few tactical approaches to landlords whether the unit is on the market or not. 2017 will see yields on small prime lots remaining stable at 4.25%, while the lower levels of demand for larger lots is likely to drive a further 25bps softening in their yield. We expect that the strongest demand next year will be for the most secure income streams. ■

PRIME YIELDS 2016 and 2017 OUTLOOK

SC Q4 16 4.25%

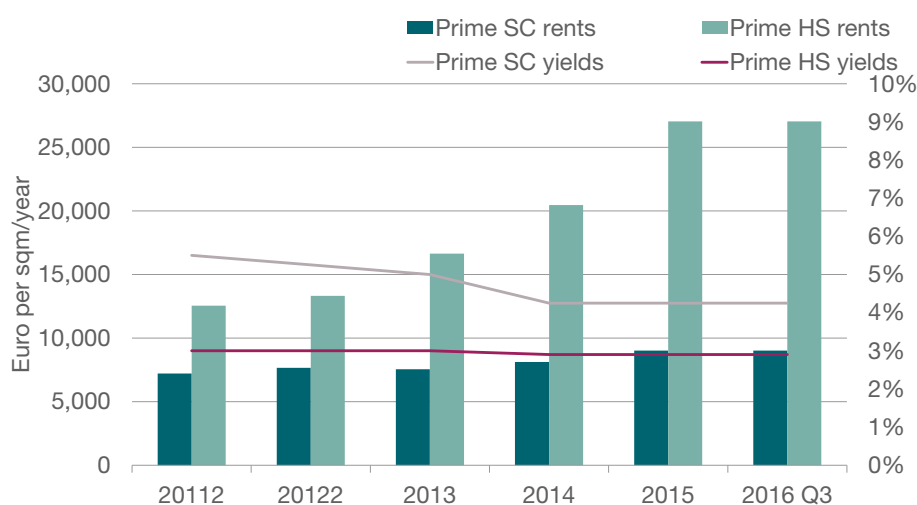


HS Q4 16 2.9%



GRAPH 15

London retail rents and yields



Source: Savills

TABLE 15

Major shopping centre developments

Property	Location	Type	Size	Opening
Bond Street	Chelmsford	Shopping centre	27,900 sq m	2016
Westgate	Oxford	Shopping centre	45,400 sq m (redevelopment & extension)	2017
The Lexicon	Bracknell	Shopping centre	53,900 sq m	2017
Westfield	London	Shopping centre	68,800 sq m (extension)	2017

Source: Savills

Key retail indicators

GDP growth, prime rental growth¹, prime yields and yield shift² in Q3 2016

City	GDP 2016 (f) ⁴	Consumer spending 2016 (f)	Prime SC ⁵ rent	Prime SC yield	Prime SC yield shift	Prime HS rent	Prime HS yield	Prime RW rent	Prime RW yield
Amsterdam	1.6%	1.5%	975	5.25%	-25	2,950	3.75%	120	7.0%
Athens	-0.5%	-1.2%	420	7.5%	0	1,740	6.25%	132	8.25%
Belgrade**	2.4%	1.5%	850	8.0%	-50	1,000	7.0%	120	9.0%
Berlin	1.8%	1.8%	n/a	4.6%	0	n/a	3.3%	n/a	5.0%
Brussels	1.4%	0.9%	1,600	4.25%	0	2,000	3.5%	175	5.75%
Copenhagen*	1.2%	2.0%	1,008	4.0%	0	2,956	3.75%	242	n/a
Dublin	3.9%	3.7%	2,750	4.5%	0	3,000	3.5%	435	5.0%
Frankfurt	1.8%	1.8%	n/a	4.2%	0	n/a	3.5%	n/a	5.1%
Helsinki***	0.9%	1.4%	1,562	4.5%	-25	1,656	5.25%	213	6.0%
London ⁶	1.8%	2.4%	8,270	4.25%	0	27,343	2.5%	431	5.0%
Madrid	3.0%	3.3%	1,080	4.25%	-75	n/a	n/a	216	5.75%
Milan	0.8%	1.2%	850	5.0%	-100	12,000	3.25%	n/a	6.25%
Munich	1.8%	1.8%	n/a	3.7%	0	n/a	3.4%	n/a	5.1%
Paris	1.3%	1.9%	1,800	4.25%	0	21,000	2.75%	180	5.0%
Stockholm	3.5%	2.9%	904	4.5%	-50	1,460	3.75%	205	5.25%
Vienna****	1.4%	1.0%	1,640	4.25%	-125	4,800	3.5%	144	5.75%
Warsaw	2.9%	3.4%	1,440	5.25%	-25	n/a	n/a	144	n/a

Note 1: Rental growth is annual and calculated in local currencies

Note 2: Prime yield shift is annual - in basis points

Note 4: GDP is national, growth is annual and it is the Oxford Economics forecast for the year 2016

Note 5: SC=Regional Shopping Centre. Rental growth refers to prime standard unit of approx 100sqm

Note 6: HS=Prime high street unit

Note 7: RW=Prime retail warehousing unit in prime retail park

Note 8: Yields are quoted as reported locally

Source: Savills / *Nybolig Erhverv / **Coreside/ ***Realia / ****EHL

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