CUSHMAN & WAKEFIELD

A Cushman & Wakefield Research Publication

European Shopping Centre **Development Report**

April 2016

€15.5 billion

€15.5 billion was invested in shopping centres in H2 2015, representing a 16.6% year-on-year growth.

INTRODUCTION

The second half of 2015 saw 3.3 million sq.m of new shopping centre space open its doors, bringing the European total stock to 156 million sq.m by the end of 2015. Overall, 4.6 million sq.m of shopping centre space was opened in 2015, which is 15.8% below 2014 and is the lowest annual volume in this decade. However, development is expected to accelerate over the next two years, with 9.1 million sq.m currently in the pipeline and due to be delivered over 2016 - 2017.

4.6 million sq.m

OF SHOPPING CENTRE SPACE WAS OPENED IN 2015

France retains its dominant position in the European hierarchy as the largest shopping centre market. Russia follows in a close second with overall stock only 4% lower than France; however, with the average scheme size larger, Russia only has half the number of shopping centre schemes. Development activity was the highest in Russia over H2 2015 and, in addition, the country has the largest 2016-2017 development pipeline in Europe – although there is some speculation that not all schemes will complete as the faltering economy impacts consumer spending and the ability of retailers to pay top rents.

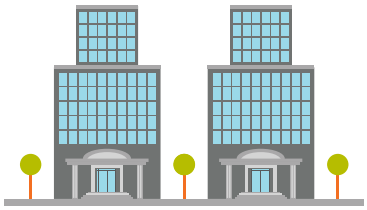
In H2 2015, there was a trend in Central and Eastern Europe (CEE) to focus on building new sizeable projects, such as the 110,000 sq.m Zelenopark in Russia, the 61,500 sq.m Podium Ankara in Turkey and the 51,000 sq.m Zielone Arkady in Poland. On the other hand, extension projects represented only 12% of total new space, and this trend is expected to continue, accounting for an estimated 9% share of the total amount of new space in 2017. Conversely, shopping centre extensions play an important role in development activity in Western Europe, where sizeable land parcels are scarce and often complicated to assemble. As a result, extensions accounted for 24% of total new space in H2 2015. Going forward, this activity pattern is expected to grow, with extensions representing 36% of total new space in 2017 as landlords look to upgrade and improve their offering in what is an increasingly competitive retail scene. Indeed, mixed-use schemes are becoming more common, with the addition of office space, residential as well as entertainment and leisure units with the aim of increasing footfall and drawing in consumers for longer periods of time.

In terms of future shopping centre development activity, the core British cities – London, Edinburgh, Cardiff and Bristol – as well as Barcelona in Spain represent locations with good development potential; on the other hand, high street retail provision in most West European cities is strong. In CEE, solid growth prospects are seen in Ankara, Istanbul, Sofia, Prague and Riga. These cities represent the locations with low market saturation and strong economic fundamentals; however, while consumer demand may be evident, geo-political risk factors need to be carefully considered alongside any future development.

Turning to the investment market, across Europe €15.5 billion was invested in shopping centres in H2 2015, representing a 16.6% year-on-year growth. The UK and Germany remain the most sought after markets, accounting for over 45% of total trading volumes. However, significant growth in invested capital was seen in the Nordics, Benelux, Portugal, Poland, Turkey and Germany. In contrast, France, Italy, Spain, Romania, Slovakia and the Czech Republic registered noteworthy declines in comparison to H2 2014.

KEY HIGHLIGHTS

Over **double** the amount of new shopping centre space was **delivered in H2 2015** compared with H1 2015



New Schemes vs. Extension Projects delivered in H2 2015

Overall,

4.6 million sq.m

of shopping centre space was opened in 2015, **15.8%** below 2014

EUROPEAN SHOPPING CENTRE TOTALS

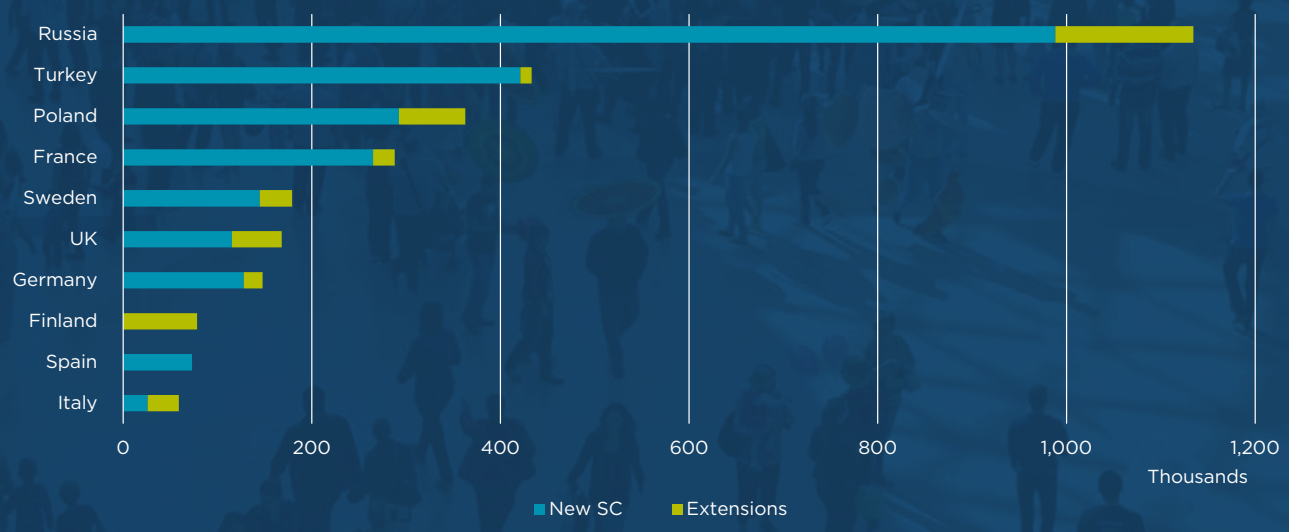
Western Europe	CEE	Total
CURRENT STOCK – AS OF 1 JANUARY 2016		
107 million sq.m	49 million sq.m	156 million sq.m
STOCK ADDED TO MARKET, H2 2015		
1.2 million sq.m	2.1 million sq.m	3.3 million sq.m
DEVELOPMENT PIPELINE, 2016-2017		
3.86 million sq.m	5.26 million sq.m	9.12 million sq.m

TOP 5 COUNTRIES FOR SC SPACE ADDED IN H2 2015

Space added H2 2015 (sq.m)

HISTORIC EUROPEAN SHOPPING CENTRE DEVELOPMENT

TOP 10 COUNTRIES - H2 2015 OPENINGS



SHOPPING CENTRE DENSITY

(GLA/1,000 POPULATION) 5 HIGHEST AND LOWEST

Western Europe

1. **NORWAY** 926.3
2. **LUXEMBOURG** 531.4
3. **SWEDEN** 434.1
4. **FINLAND** 413.0
5. **NETHERLANDS** 362.0

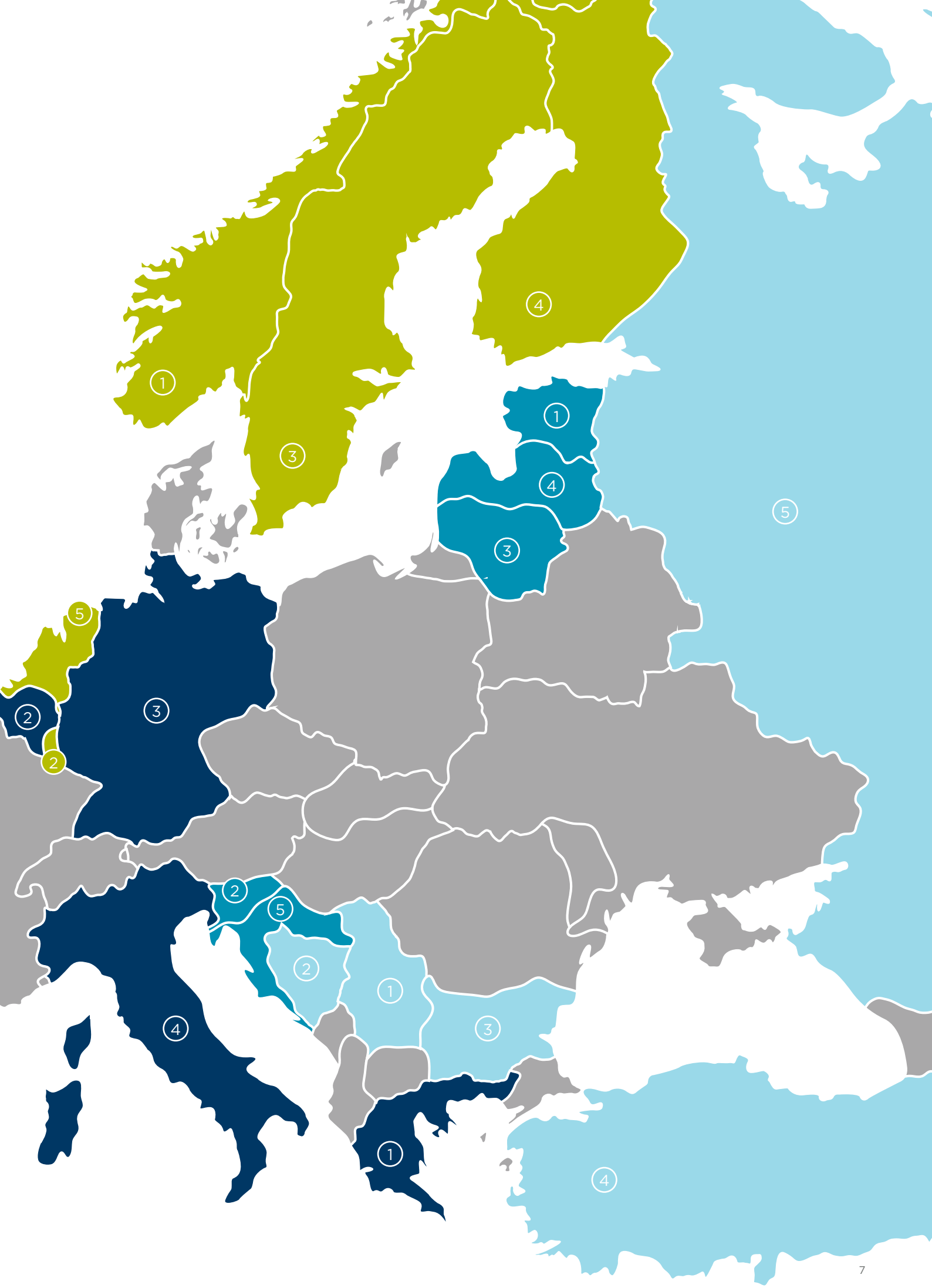
1. **GREECE** 57.1
2. **BELGIUM** 117.9
3. **GERMANY** 180.7
4. **ITALY** 228.3
5. **SPAIN** 245.1

Central and Eastern Europe

1. **ESTONIA** 608.4
2. **SLOVENIA** 380.1
3. **LITHUANIA** 319.1
4. **LATVIA** 315.8
5. **CROATIA** 301.2

1. **SERBIA** 71.0
2. **BOSNIA-HERZEGOVINA** 74.0
3. **BULGARIA** 99.7
4. **TURKEY** 113.4
5. **RUSSIA** 121.2

Highest density (in Western Europe/CEE)
Lowest density (in Western Europe/CEE)
(GLA/1,000 population)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WESTERN EUROPE

Shopping centre floorspace totalled 107.0 million sq.m as of 1st Jan 2016

In H2 2015, 1.2 million sq.m of new shopping centre space was delivered onto the market, almost quadruple the amount that was delivered in H1 2015

New schemes represent 76% of new shopping centre space (39 schemes), while extension projects represent a 24% share of the total space delivered in H2 2015 (24 schemes)

Overall, 1.5 million sq.m of shopping centre space was opened in 2015: a 20% drop on 2014 to reach their lowest level since 1987

Development activity is expected to accelerate in the future, with 2.1 million sq.m and 1.7 million sq.m of new shopping centre space added to the market in 2016 and 2017, respectively

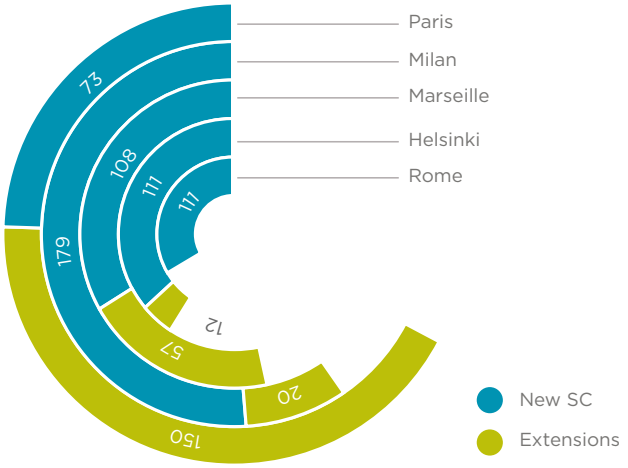
8

MARKET SIZE

France – the largest shopping centre market in Europe – was also the most active country in Western Europe for construction in H2 2015, with 287,800 sq.m of new shopping centre space. The market benefits from the expansion of numerous international retailers whom target the largest and/or best-performing sites, as well as new opportunities often delivered through creation of new regional shopping centres or extension projects. A couple of examples of this include Primark and Forever 21 in Polygone Riviera as well as Lego, Nike and Rituals in Les Halles. The greater diversity of retailers in shopping centers also reflects an unquestionably upmarket trend. Indeed the arrival of retailers whom were previously found only along high streets in new, high-quality facilities are now seeking to expand their clientele and greater exposure. Some medium and smaller sized schemes are also performing well, illustrating the importance of building retail networks in smaller cities. However, competition from the largest existing shopping centers and the most iconic projects creates a very unfavorable environment for numerous sites. In addition, shopping centres are also hurt by direct competition from retail parks, as the typical ease of accessibility, relatively low cost and flexible floorplates attract retailers to expand in the more peripheral areas of key cities.

In France shopping centre development activity is expected to rise further in the future with 1.1 million sq.m of new space added to the market by 2017: the strongest development pipeline in Western Europe. More than one third of this future development will be located in the greater Paris and Marseille regions. The French development pipeline also includes several extension and refurbishment projects, which account for more than 40% of total new space. Paris is not only the leading French city but also has the strongest development pipeline and the highest proportion (67%) of extension projects in Western Europe, with

TOP CITIES FOR DEVELOPMENT PIPELINE 2016-2017 (WESTERN EUROPE; '000 SQ.M)



Source: Cushman & Wakefield

the scheduled expansion of some of the best-known regional shopping centers in France (e.g. Forum des Halles, Carré Sénart, Parly 2 and Val d'Europe).

The UK also recorded a strong performance in H2 2015 with nearly 167,900 sq.m of new space added including the 51,500 sq.m Westfield Bradford which opened more than a decade after construction first started on the site, the 27,900 sq.m Friars Walk in Newport and the 26,400 sq.m Grand Central redevelopment in Birmingham. Approximately 31% of new space added was via extension projects reflecting the focus by developers to re-position existing centres through extensions and redevelopment rather than opening new schemes. In addition, with urban centres more constrained in terms of expansion there has been a rise of mixed-use properties particularly focused on increasing the amount of leisure space in a scheme. Development activity will remain relatively stable over the next 18-24 months with 329,500 sq.m of new space expected to be delivered by the end of 2017 – this is the third strongest development pipeline in Western Europe.

In **Germany**, H2 2015 saw 147,900 sq.m of new shopping centre space complete – resulting in more than 30% lower value of annual completions in comparison to 2014. Development activity is focused on new medium sized schemes such as the 31,200 sq.m Aquis Plaza in Aachen. There was only one extension project namely the 20,000 sq.m addition to the Ruhrpark Shopping Centre in Bochum, increasing the scheme's size to 115,500 sq.m. Muted levels of development are anticipated with only 271,600 sq.m of shopping centre space with delivery dates between now and the end of 2017 across the country. New schemes tend to be built in city centre locations due to the existing restrictions on peripheral retail construction. This is reflected in the low levels of activity in the largest German cities such as Berlin, Munich, Stuttgart, Cologne, Dusseldorf, Hamburg or Frankfurt with only 57,500 sq.m of shopping centre space expected to be completed by 2017 – across two new shopping centre schemes in Berlin and one extension project in Hamburg. Linked to the stringent planning regime, redevelopments and refurbishments and to some extensions make up 40% of new space in development pipeline for next two years. New schemes, similar to the trend in France and the UK, show an increase in the allocation of floorspace to leisure and entertainment facilities.

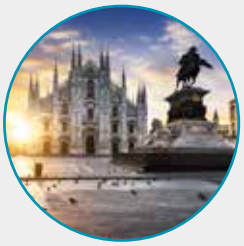
The colder climate of the Nordic region makes shopping centres, as opposed to high streets, the preferred retail destination and this is reflected in the floorspace densities, which are the highest in Europe (**Norway** 926.3, **Finland** 413.0 and **Sweden** 434.1 sq.m/1,000 pop). In Finland and Norway no new shopping centre openings were seen in H2 2015 and development activity was focused on extension and refurbishment of existing schemes. Three new schemes opened in Sweden including one of the most highly anticipated openings - the 101,000 sq.m Mall of Scandinavia developed by Unibail-Rodamco. The scheme with ideal location, just seven minutes from the city centre of Stockholm and with wide catchment is now the largest shopping centre in Sweden, surpassing the 70,000 sq.m Emporia in Malmõ. In 2015, 298,000 sq.m of new space was delivered across the Nordics and a similar trend will continue with 550,000 sq.m of new space added to the market by 2017. There are some concerns that the markets are close to saturation levels and so developers need to undertake careful due diligence before breaking ground on any new schemes and will be working hard to ensure that a number, if not all, units have been leased protecting their future income streams.

Italy and **Spain** both occupy a top five position in Western Europe (versus CEE) in terms of market size. However, the economic downturn in Italy over the recent past is reflected in the subdued amount of shopping centre development activity in 2015, when only 79,000 sq.m of new space was completed across two new and three extensions projects. Comparably in Spain, only 103,500 sq.m of was added to the market with four new schemes completed.

Development in both countries is anticipated to pick-up once again in 2016 – 2017 as economic conditions improve. Italy will welcome 786,100 sq.m of shopping centre space and Spain will add 267,800 sq.m to the existing stock. In Italy, nearly 40% of the new space is located in the main cities of Rome and Milan – both of which are among the top five cities with the strongest development pipeline in Western Europe. Similarly, in Spain, development in Madrid and Barcelona will account for 40% of total added space in a country in 2016 – 2017.

In the rest of the Western Europe development activity in H2 2015 on the whole was muted. **Belgium** is still one of the least saturated shopping centre markets with 1.3 million sq.m of shopping centre space serving 11.3 million people. In H2 2015 only 39,600 sq.m was added to the market but there are signs of this gathering speed over the next two years with 136,800 sq.m of space currently under construction. One of the most eagerly awaited openings is the 45,000 sq.m Docks Bruxsel – the scheme is being built in a renewed neighborhood with an original concept combining essential businesses, leisure and cultural facilities. **The Netherlands**, on the other hand, is one of the most dense shopping centre markets with 362.0 sq.m/1,000 people. Although development activity was very limited in H2 2015 with only 5,700 sq.m of shopping centre space delivered, the recovery will accelerate in the next two years as retail sales growth showed robust improvement in 2014 and 2015 and is expected to continue.

TOP ANTICIPATED NEW SC OPENINGS



ITALY - MILAN

92,000 sq.m Arese shopping centre

2016

UNITED KINGDOM - BERKSHIRE

53,900 sq.m Bracknell Town Centre

2017

SPAIN – GRANADA

85,000 sq.m Parque Nevada

2016

BELGIUM - BRUSSELS-CAPITAL

45,000 Docks Bruxsel

2016

FRANCE - PYRÉNÉES-ATLANTIQUES (BAYONNE)

76,000 sq.m Ametzondo

2016

GERMANY - RECKLINGHAUSEN

43,300 Mercaden Dorsten

2016

PORTUGAL – BRAGA

68,500 sq.m Nova Arcada

2016

SWEDEN - VÄSTERBOTTENS IÄN

35,000 IKANO-Huset Umea

2016

FINLAND - HELSINKI-UUSIMAA

60,000 sq.m Redi

2017

SWITZERLAND - BERN

21,000 PostParc

2016

Source: Cushman & Wakefield

FOCUS ON FUTURE HOTSPOTS

London retains the top position as a destination for shopping centre development. Low shopping centre density (231.2 sq.m / 1,000 pop), strong retail sales growth forecast (15.8% by 2020) and an encouraging regulatory environment for business operations support the city as a key market for future shopping centre development. Elsewhere in the UK market, core cities such as Edinburgh, Manchester, Birmingham, Cardiff, Leeds, Glasgow and Bristol are also forecast to see strong retail sales growth over the next five years, and they offer an encouraging environment for new business as well. While shopping centre density in Cardiff, Bristol and Edinburgh is still below the average of shopping centre density in the primary Western European cities (354.3 sq.m/1,000 pop), density in Manchester, Leeds, Birmingham and Glasgow is slightly higher. However, development activity in these main cities will stay relatively low in 2016-2017 with only 20% of the total new space allocated to these regions.

Madrid and Barcelona are expected to see a combined retail sales growth of 12% by 2020, which is a key factor in supporting future development. Barcelona is undersupplied in terms of shopping centre provision, with a density of 204.9 sq.m/1,000 pop (compared with the Western European average 354.3 sq.m/1,000 pop) as high streets remain a popular retail destination. Shopping centre density in Madrid (350.6 sq.m/1,000pop) is higher than in Barcelona, standing at the level of the Western European average.

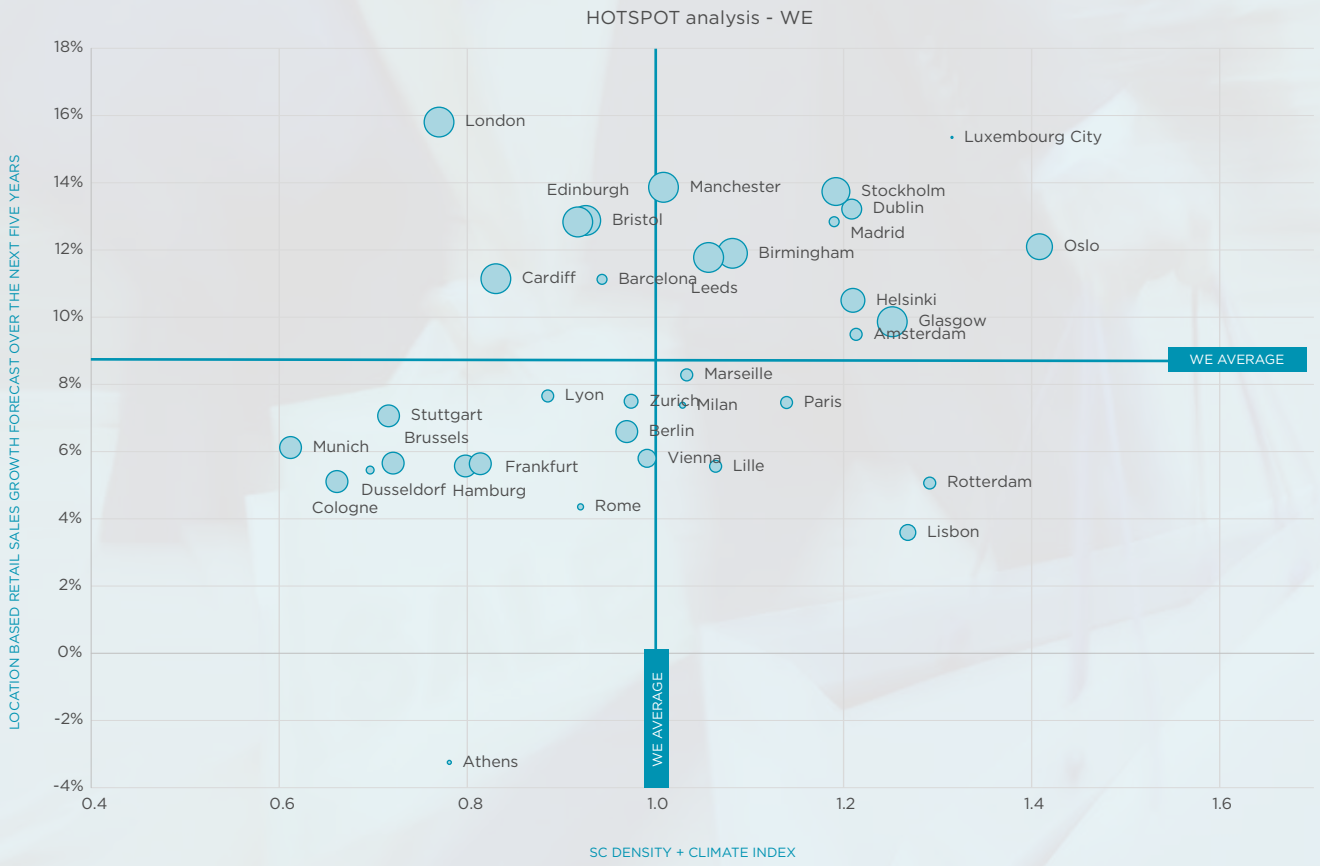
However, this is not reflected in the development pipeline, as Barcelona will add only 11,100 sq.m of new space through extension of the Ampliación Glories expected to open in 2017, while Madrid will welcome 97,200 sq.m of new space with the opening of the 42,100 sq.m Sambil outlet in 2016.

12%

Madrid and Barcelona are expected to see a combined retail sales growth of 12% by 2020

German and French cities are forecast to display weaker future retail sales growth at 6.0% by 2020 in core German cities and 7.5% in core French cities. Combined shopping centre density (236.2 sq.m/1,000 pop) in the main German cities is below the Western European average, while saturation in the core French cities is 354.5 sq.m/1,000 pop and is slightly above the Western European average. Despite the difficulties in securing building permits in peripheral locations, Germany is ranked as the sixth most supportive country for doing business in Western Europe. On the other hand France holds the 11th position, although some conditions such as extended retail opening hours, have been improving.

The figure below gives an indication of how developed European cities are in terms of shopping centre development (horizontal axis), economic dynamics (vertical axis) and ease of doing business (size of the circle).



Source: Cushman & Wakefield, Oxford Economics, The World Bank

6.0% / 7.5%

German and French cities are forecast to display weaker future retail sales growth at 6.0% by 2020 in core German cities and 7.5% in core French cities

INVESTMENT IN WESTERN EUROPE

Following on from the robust performance of the shopping centre investment market with €13.5 billion in the first half of 2015 (16.2% y-o-y growth compared with H1 2014), H2 trading volumes reached €13 billion representing 10.4% y-o-y growth compared with H2 2014. The UK was the most active market retaining its dominant position with €3.8 billion invested in H2 2015, the highest volume of invested capital in Europe despite the 8.2% y-o-y drop, compared with €4.1 billion invested in H2 2014.

€3.8 billion

The UK was the most active market retaining its dominant position with €3.8 billion invested in H2 2015

The UK and Germany are by far the largest shopping centre markets for investors, accounting for 57% of capital invested in Western Europe. The surge in activity benefitted to a wide range of the European countries. Noteworthy growth was seen in the Nordics, Benelux and Portugal. On the other hand, the shopping centre markets in France, Italy and Spain registered significant declines in investment volumes in H2 2015, which is the outcome of growing high street investment volumes. However, Spain did experience an impressive period of shopping centre investment in Q2 2014, reaching € 1.6 billion. Luxury high streets in France, Italy and Spain experienced some of the highest rental growth rates in Europe. This resulted in investors' refocus on high street locations in an attempt to reap the benefit of booming tourism. Moreover, lack of quality shopping centre supply in France has also contributed to decrease of invested capital on shopping centre market in H2 2015.

Trading volumes in Germany in H2 2015 reached €3.6 billion - more than double that of H2 2014. The nature of deals has changed as well with H1 2015 dominated by portfolio deals, single assets transactions were the main driver of the shopping centre investment market in H2 2015. At a city level, Berlin was the most active with four shopping centres exchanging hands, followed by Dusseldorf with two deals. All other transactions took place outside of the top five markets of Berlin, Dusseldorf, Frankfurt, Hamburg and Munich.

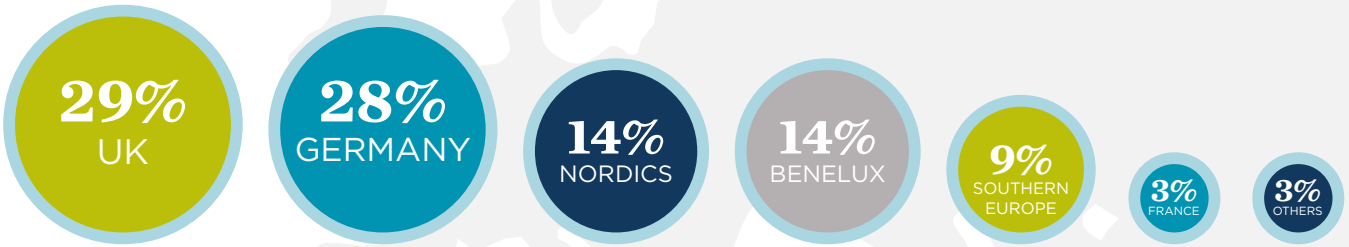
Portugal saw a marked improvement over the course of 2015. The second half of the year recorded €200 million worth of shopping centre transactions, bringing the year's total to €700 million and significantly up on the 2014 volume of €74 million. Major deals included the sale of the Dolce Vita three asset portfolio by Lone Star to REEF and the purchase of the 42,500 sq.m Alegro Setúbal (50%) by American Alaska Permanent Fund Corporation from French Immochan.

Benelux also recorded impressive volumes in H2 2015, with 194% y-o-y growth resulting in €1.8 billion (compared with €611 million in H2 2014), with Belgium accounting for 64% of the total. One of the most notable transactions was the sale of the 40,000 sq.m Galeries Saint-Lambert in Liege bought by domestic investor AG Real Estate from CBRE Global Investors.

194%

Benelux also recorded impressive volumes in H2 2015, with 194% y-o-y growth resulting in €1.8 billion

WE - SC INVESTMENT VOLUME (€ MILLION) H2 2015



Source: Cushman & Wakefield


SALE

CENTRAL & EASTERN EUROPE

Shopping centre floorspace totalled 49.0 million sq.m as of 1st Jan 2016

In H2 2015, 2.1 million sq.m of new shopping centre space was delivered - almost double the amount that was completed in H1 2015

New schemes represent 88% of new shopping centre space (59 schemes) and extensions account for a 12% share of total space delivered in H2 2015 (18 schemes)

Overall, 3.1 million sq.m of shopping centre space was opened in 2015, 13.5% below 2014 and the lowest volume since 2005

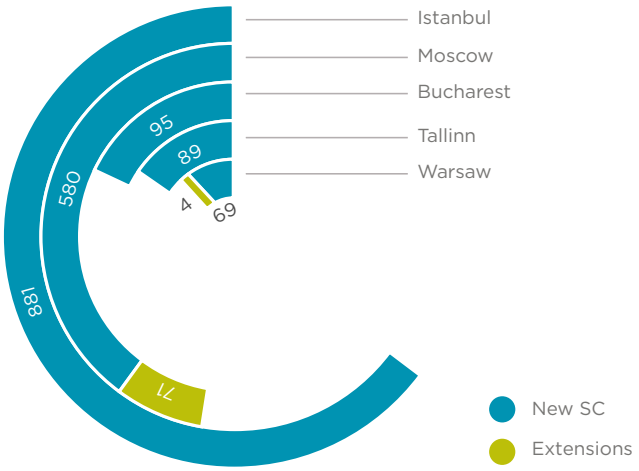
Development activity is expected to accelerate over the next 18-24 months with 3.7 million sq.m and 1.6 million sq.m of new shopping centre space anticipated in 2016 and 2017 respectively

MARKET SIZE

Russia retains its dominant position as the largest shopping centre market in Central and Eastern Europe with 17.4 million sq.m of quality shopping centre space, of which 30% can be considered to be 'very large' schemes with the area above 80,000 sq.m. In H2 2015 in excess of 1.1 million sq.m was added to the Russian shopping centre market and when supplementing this with the H1 2015 volume, completions were still 21% below new space added in 2014. Development activity was spread across the country with Moscow only welcoming 10% of new shopping centre space across three new schemes. Main openings included the 110,000 sq.m Zelenopark in Zelenograd – a multifunctional scheme with 230 units and a number of leisure and entertainment facilities; the 85,000 sq.m Almaz shopping mall in Chelyabinsk; and the 85,000 sq.m Maxi shopping centre in Tula. The 2016/2017 development horizon is expected to deliver 2.5 million sq.m of new quality space and while it is the strongest development pipeline in Europe, there is some speculation as to whether all the schemes will complete on time with developers potentially pushing back some of the opening dates linked to the political and economic instability. In addition, consumer spending and footfall numbers are both decreasing, putting pressure on landlords to offer incentives to tenants to try and limit the rising vacancy. Moreover, the inclusion of entertainment and leisure operators is progressing in a bid to increase footfall and fill vacant units in existing schemes.

High and rising inflation in **Turkey** has not had a significant impact on consumption levels yet – moreover, according to the latest economic data, consumer demand is one of the major components of GDP growth. The strong demographics and rising proportion of young and affluent people are the main drivers of the Turkish shopping centre market, which

TOP CITIES FOR DEVELOPMENT PIPELINE 2016-2017 (CEE; '000 SQ.M)



Source: Cushman & Wakefield

is the third largest in CEE. In H2 2015, 433,100 sq.m of new space was opened with Ankara and Istanbul accounting for almost 40%. The implementation of open-air design and large entertainment components has proven to be key to the success of schemes. Turkey has the second largest development pipeline in Europe, with 1.1 million sq.m and 0.5 million sq.m expected to open in 2016 and 2017 respectively. While existing developments are concentrated in Istanbul, new centres are opening in large metropolitan cities, particularly in the Erzurum, Kocaeli, Izmir and Bursa provinces, which are attractive locations for new centres as well. Despite the existing geopolitical risks in the country – as well as the downside risks due to a possible extension of increasing inflation and the depreciation in TRY – the outlook for the retail market is positive. The 30% increase in the minimum wage that came in effect in January is expected to boost consumption and growth.

40%

In H2 2015, 433,100 sq.m of new space was opened with Ankara and Istanbul accounting for almost 40%

Poland is the second largest shopping centre market in CEE and was the third most active in H2 2015 for development, with 362,600 sq.m of new space added across 15 new schemes and 7 extensions. One of the significant drivers of new retail space is growing demand from expanding retailers. Consumer shopping expectations are also changing as they look for an attractive retail range, interesting leisure and entertainment options alongside the rising importance of e-commerce and click-and-collect, all of which have resulted in the rising number of the redevelopment and extension projects to satisfy changing consumer patterns. The largest opening was ECE's 51,000 sq.m Zielone Arkady in Bydgoszcz. Development activity will remain stable in the future, with a higher proportion of sites expected in urban agglomeration markets, represented by eight major cities including their satellites, with populations above 400,000. Extensions will continue to complete albeit at a smaller scale than the actual 19% proportion of extension on total new space in H2 2015. They will count for less than 10% of new shopping centre supply with 565,600 sq.m expected to be delivered in 2016-2017.

Across the rest of Central & Eastern Europe, development activity was very limited in H2 2015. **The Czech Republic** did not see any new openings, with developers refocusing their interests on factory outlets, and while demand is low for this type of retail format, it is expected to increase. Shopping centre development activity is expected to improve slightly in 2016–2017 with approximately 92,300 sq.m of mall space currently under construction.

In **Slovakia**, three new shopping centres totalling 58,800 sq.m of mall area opened in H2 2015, and with no projects currently planned over the next two years overall stock will stabilise. In **Hungary**, shopping centre development activity has been muted for a couple of years and this is not expected to change in 2016 – 2017. Four new shopping centres are planned but the timing of all is uncertain.

Romania is the fourth largest shopping centre market in Central & Eastern Europe, and while only 31,300 sq.m was delivered in H2 2015 annual completions reached 148,300 sq.m - nearly triple the amount that was opened in 2014. Overall stock will continue to increase if all the 179,900 sq.m of new space scheduled for completion in 2016-2017 is delivered. Main projects include the 70,000 sq.m ParkLake Plaza in Bucharest and the 40,700 sq.m extension to the Timisoara Shopping Centre. In **Bulgaria**, while more than 110,000 sq.m of shopping centre place was opened in 2014, there were no completions in 2015. The development pipeline includes 87,100 sq.m of new space including the reopening of the 45,000 sq.m Galeria Plovdiv, which was temporarily closed for refurbishment.

High levels of market saturation and the current declining population in the Baltic region is having a significant impact on shopping centre development. While **Latvia** and **Lithuania** did not report any new openings, **Estonia** added 29,400 sq.m across three schemes in H2 2015. Some improvement is expected in 2016–2017 whereby a further 153,600 sq.m will open across the region, 78% of this will be in Estonia and 22% in Lithuania with no openings in Latvia. Development activity in the latter is focused on redevelopment and refurbishment of small local schemes sub 3,000 sq.m and which were typically built in the 1990's. However, the positive economic environment and rising household disposable income, consumer spending and retail sales might create favourable conditions for the retail market development in the future.

78%

153,600 sq.m will open across the Baltic region, 78% of this is in Estonia and 22% in Lithuania with no openings in Latvia.

In southeast Europe, there were no new shopping centre openings in **Slovenia** and **Bosnia Herzegovina**. However, **Croatia** hosted the grand opening of the 60,700 sq.m Mall of Split - the largest scheme in the region, opened in March 2016. It has become home to four new retailers to the Croatian market (Koton, Buzz, Chic and Koko Kids). Serbia will see the opening of two new schemes; the 32,500 sq.m Plaza Belgrade and 15,300 sq.m Rajiceva Shopping Centre, both located in the capital.

TOP ANTICIPATED NEW SC OPENINGS

TURKEY – ISTANBUL PROVINCE

150,000 sq.m Emaar Square shopping centre

2016

ESTONIA - PÕHJA-EESTI (TALLINN)

55,000 sq.m T1 shopping centre

2017

RUSSIA - SAMARA

115,000 sq.m Good'OK

2017

SERBIA - BELGRADE

32,500 sq.m Plaza Belgrade (Plaza Visnjicka)

2016

POLAND - POZNAŃ

100,000 Posnania

2016

CZECH REPUBLIC - KRÁLOVÉHRADECKÝ REGION

23,000 sq.m Aupark Hradec Králové

2016

ROMANIA - BUCHAREST

70,000 ParkLake Plaza

2016

BULGARIA – SOFIA CITY

26,050 sq.m Plaza West

2016

CROATIA - SPLIT-DALMATIA

60,700 sq.m Mall of Split

2016

Source: Cushman & Wakefield

FUTURE CITY HOTSPOTS

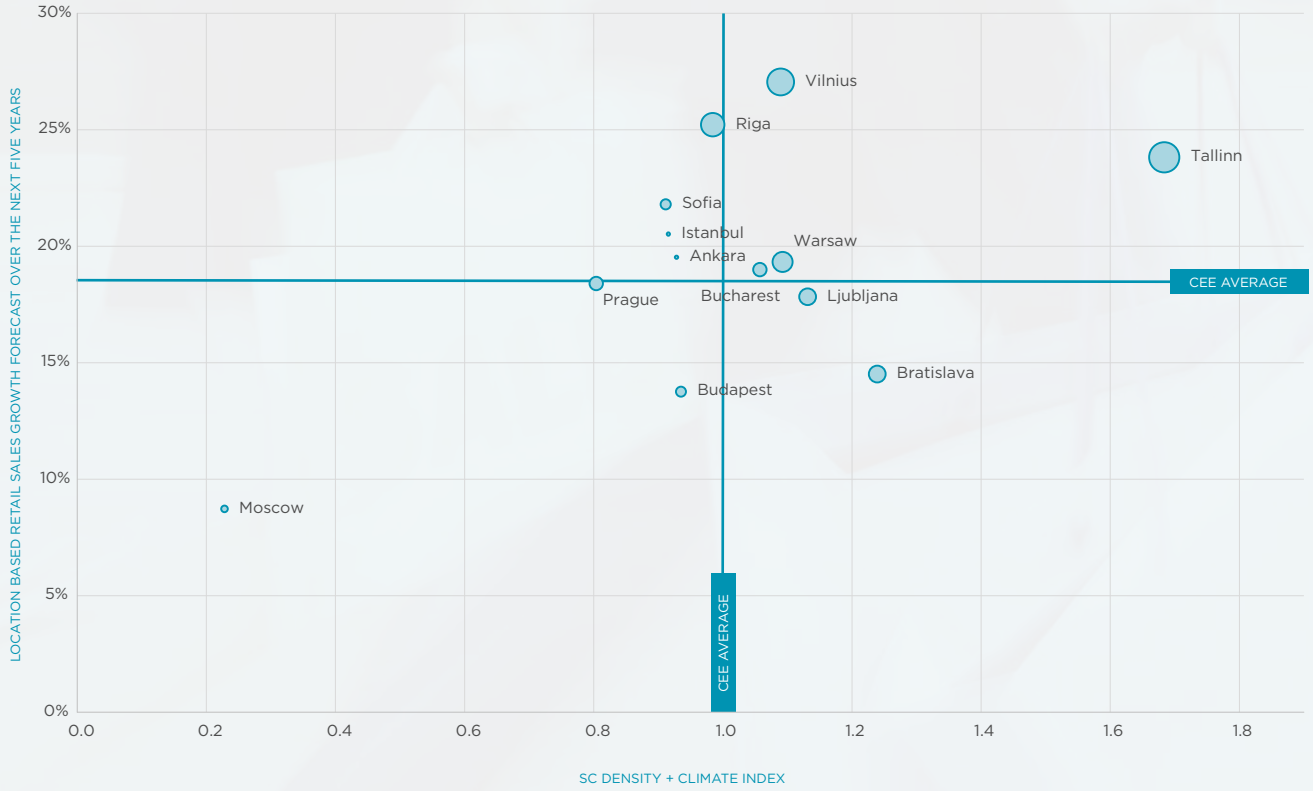
In the Baltic region, expanding economies, declining unemployment and rising real wages have resulted in the highest retail sales growth forecast for the next five years in Europe (Tallinn 23.8%, Vilnius 27.1%, and Riga 25.2%). However, falling population numbers are leading to strong market saturation, especially in Tallinn (929.8 sq.m/1,000 pop) and in Vilnius (495.5 sq.m/1,000 pop), which will limit the capacity of the markets to absorb new developments. Indeed, Tallinn, which has the largest development pipeline in the Baltic region, may be facing oversupply issues. On the other hand, retail sales growth forecast and actual shopping centre density in Riga (441.1 sq.m/1,000 pop) show that there is a good scope for future shopping centre development.

Despite the most intense development activity in Europe in H2 2015, Moscow, Ankara and Istanbul are the most undersupplied markets in terms of floor space density. The Turkish cities of Ankara and Istanbul are expected to see strong retails sales growth in the medium term (Ankara, 19.5%, Istanbul 20.5% retail sales growth by 2020) creating some opportunity for new and future development. This is already reflected in Istanbul's development pipeline, which will see 881,200 sq.m of new space complete over the next two years. On the other hand, Ankara will see only two new schemes totalling 67,000 sq.m by the end of 2017. However, there is a rising amount of caution in the retail market in Turkey linked to the geopolitical uncertainty in the region and in addition, new regulations were also introduced protecting domestic retailers and these are expected to affect some international retailers and their expansion strategies.

Sofia is another city with potential opportunity and a low (235.5 sq.m/1,000 pop) shopping centre density alongside high (21.8%) retail sales growth forecast. However, recent development activity and the amount of space in the pipeline for 2016- 2017 do not support the city's potential. There were no new openings in H2 2015 and there is only one scheme - the 26,100 sq.m Plaza West Shopping Centre - expected to open. Similarly, in Prague, there were no recent openings and there is only the 35,000 sq.m extension of Central Kladno scheduled for 2017 in the development pipeline. However, the low shopping centre density of 259.5 sq.m/1,000 pop and 18.4% retail sales growth forecast support the construction of additional space.

Despite the most intense development activity in Europe in H2 2015, Moscow, Ankara and Istanbul are the most undersupplied markets in terms of floor space density.

HOTSPOT analysis - CEE



Source: Cushman & Wakefield, Oxford Economics, The World Bank

INVESTMENT IN CENTRAL & EASTERN EUROPE

Shopping centre investment in CEE reached €2.5 billion in H2 2015; 65% y-o-y growth in H2 2015.

Poland was the leading country in the region accounting for nearly 61% of the total invested capital and equating to €1.5 billion. While interest from domestic investors was limited, demand from continental and global investors was increasing significantly. As interest in prime retail properties gained momentum at the end of 2015, several deals completed in Q4. Main deals included the 75,000 sq.m Bonarka shopping centre in Krakow which was acquired by American TPG for €285 million, the 59,000 sq.m Stary Browar in Poznan was sold to Deutsche Asset & Wealth Management for €285 million and the 70,500 sq.m Riviera shopping centre in Gdynia which was bought by German Union Investment for €291 million.

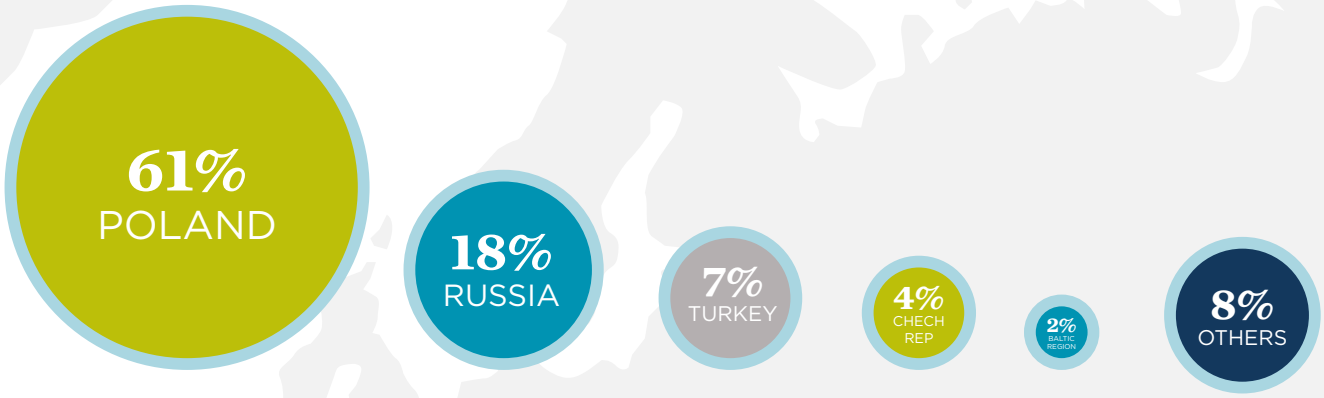
After the 79% y-o-y drop in shopping centre investment volumes in Russia in 2014, levels grew by 35% y-o-y in 2015 with €439 million transacting in H2 2015. This was supported by two sizeable deals: the 28,500 sq.m Modny Sezon (Galereya Moskva) in Moscow that was purchased by local Kompleksnye Investicii for €224 million and the 157,000 sq.m Riga Mall in Krasnogorsk, which was bought by Russian investor Vladimir Melnichenko for €115 million. However, potential investors remained prudent due to Russia's economic uncertainty, and there has been a notable decline in foreign investor appetite in the Russian market.

The Czech Republic saw the value of invested capital decreased by 54% in in H2 2015 year-on-year (compared with €213 million transacted in H2 2014), with only three deals concluding with a value of €98 million.

65%

Shopping centre investment in CEE reached €2.5 billion in H2 2015; 65% y-o-y growth in H2 2015.

CEE - SC INVESTMENT VOLUME (€ MILLION) H2 2015



Source: Cushman & Wakefield

CAVEATS

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 (GLA) 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. All figures are as of 1 January 2016.

OTHER CAVEATS TO NOTE:

- All figures represent retail GLA as far as possible – some might include total GLA if retail GLA is not available
- Retail sales growth forecast figures represent the rate of change between the estimated retail sales of the years 2015 and 2020
- City level boundaries have been identified using NUTS III codes
- Shopping centre figures for Russia include only quality schemes
- Figures for Sweden include also Factory Outlets and Retail Parks
- All stock and pipeline figures are sourced from Cushman & Wakefield
- All investment volume data is provided by legacy DTZ and legacy Cushman & Wakefield
  (Legacy DTZ – Estonia, Finland, Germany, Latvia, Lithuania, The UK)
  (Legacy C&W – Austria, Belgium, Bulgaria, Czech Republic, France, Greece, Hungary, Ireland, Italy, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Slovakia, Spain, Sweden, Turkey)
- Population and location based retail sales growth forecast data is provided by Oxford Economics
- Ease of doing business and climate data are sourced from The World Bank.

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