



**CUSHMAN &  
WAKEFIELD**

A Cushman & Wakefield Research Publication

# European Shopping Centre Development Report

November 2016



# Turkey & Russia

Turkey and Russia were, once again, the most active countries in terms of development, accounting for more than 40% of all completions across Europe in H1 2016.

# INTRODUCTION

Approximately 1.3 million sq.m of new shopping centre space was delivered across Europe in the first half of 2016, which was 7% less than in H1 2015. This took existing shopping centre floorspace to 156.3 million sq.m as of 1st July 2016. Turkey and Russia were, once again, the most active countries in terms of development, accounting for more than 40% of all completions across Europe in H1 2016.



## 1.3 million sq. m

OF NEW SHOPPING CENTRE SPACE WAS DELIVERED ACROSS EUROPE IN THE FIRST HALF OF 2016

Key openings included the 100,000 sq.m Riviera scheme in Moscow, the 92,000 sq.m Arese shopping centre in Milan and the 69,000 sq.m Avion Söderslätts Handelsområde in Umeå, Sweden. Development activity is forecast to accelerate in H2 2016 and in 2017, with 8.1 million sq.m currently under construction and expected to be completed in this period.

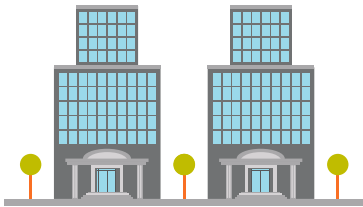
Property owners are working harder than ever before at understanding changing consumer shopping trends and the needs of modern retailing. They are also responding to the evolving role of shopping centres in communities and this is being reflected in the planning of development projects throughout Europe. Both new construction and re-development projects at the larger end of the scale, as well as mixed use schemes, are seeing food & beverage (F&B) operators and leisure facilities featuring highly, as landlords look to raise footfall, extend dwell time and increase turnover. Incorporating new technologies is also becoming an increasingly important factor in the development of any successful scheme.

London, Bristol, Edinburgh, Barcelona, Munich, Ankara, Istanbul, Sofia and Bucharest are among the top locations in terms of future shopping centre development potential. This is due to a combination of strong macroeconomic fundamentals and low market saturation. In some Western European markets, there is a preference for high streets over shopping centres, which could limit future development potential, while in Central and Eastern Europe (CEE), regional geopolitical uncertainty remains the biggest downside risk.

European shopping centre investment volumes reached €8.5 billion in H1 2016 – a fall of almost 50% on H1 2015 and a significant drop when compared with H1 volumes in the last three years. There has been a significant dip in trading volumes in Western Europe, which is primarily due to the shortage of prime stock, with investor demand still robust. Investors are increasingly looking to CEE markets for opportunities, with the CEE region recording a 17% year-on-year increase in investment in H1 2016. The best performing markets in this region were Poland, the Czech Republic, Slovakia, Romania and Hungary.

# KEY HIGHLIGHTS

Over **1.3 million sq. m** of new shopping centre space was **delivered in H1 2016**.  
7% less than in H1 2015



New Schemes vs. Extension Projects delivered in H1 2016



Increase of new space over next 18 months - **3.8 million sq. m** (H2 2016) and **4.3 million sq. m** (2017)

Total shopping centre floorspace in Europe was



**156.3 million sq.m**  
as of 1st July 2016

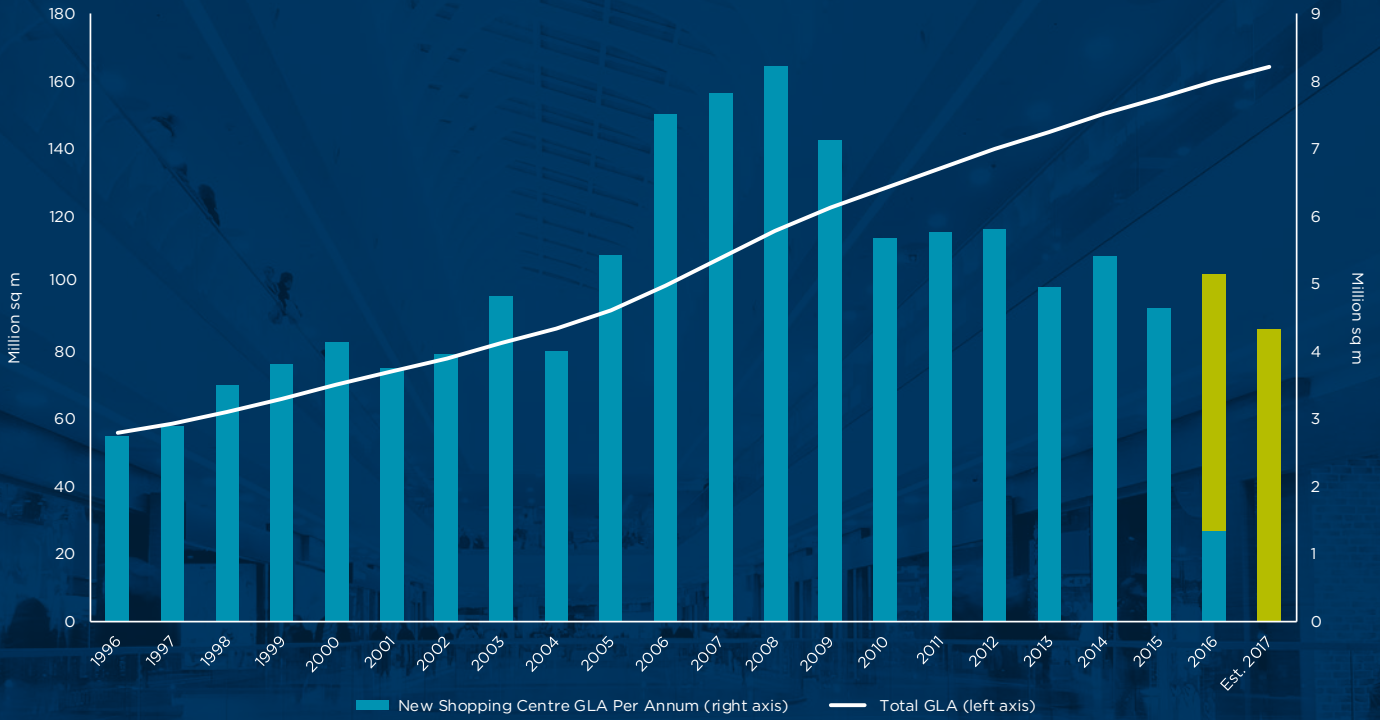
## EUROPEAN SHOPPING CENTRE TOTALS

Western Europe	CEE	Total
<b>STOCK OF SHOPPING CENTRE SPACE IN EUROPE</b>		
107.5 million sq. m	48.8 million sq. m	156.3 million sq. m
<b>SPACE ADDED TO MARKET IN H1 2016</b>		
0.5 million sq. m	0.8 million sq. m	1.3 million sq. m
<b>SPACE ADDED IN H2 2016-2017</b>		
3.065 million sq. m	5.057 million sq. m	8.122 million sq. m

## TOP 5 COUNTRIES FOR SC SPACE ADDED IN H1 2016 (SQ.M)

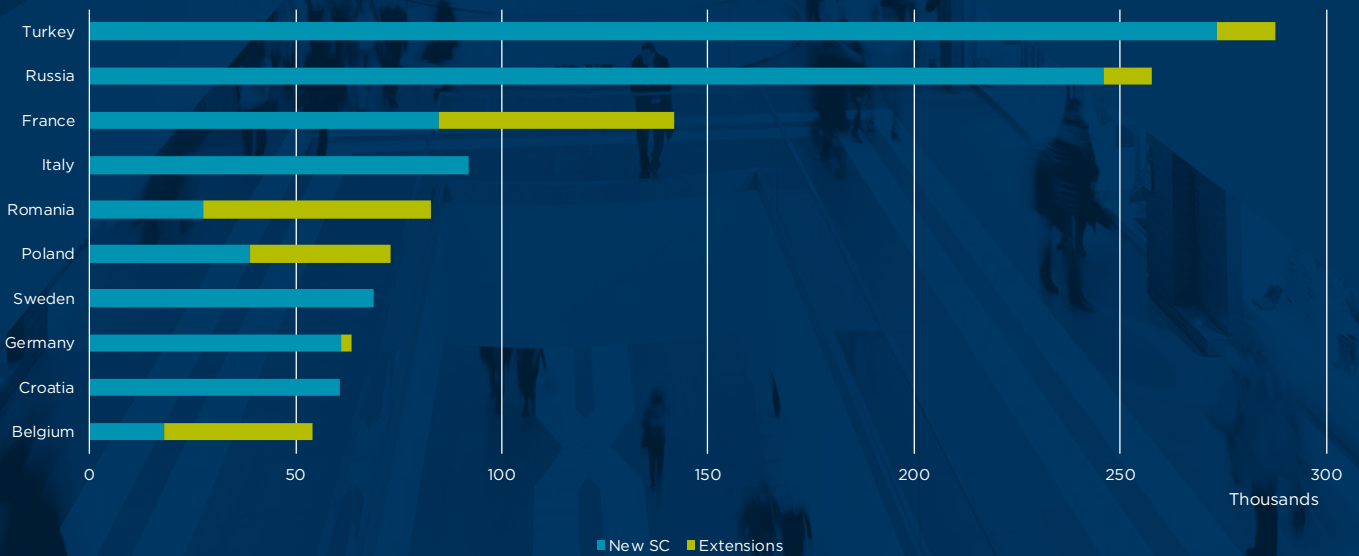


## EUROPEAN SHOPPING CENTRE DEVELOPMENT



Source: Cushman & Wakefield.

## TOP 10 COUNTRIES - DEVELOPMENT ACTIVITY IN H1 2016 (SQ. M)



Source: Cushman & Wakefield.

# SHOPPING CENTRE DENSITY

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

## Western Europe

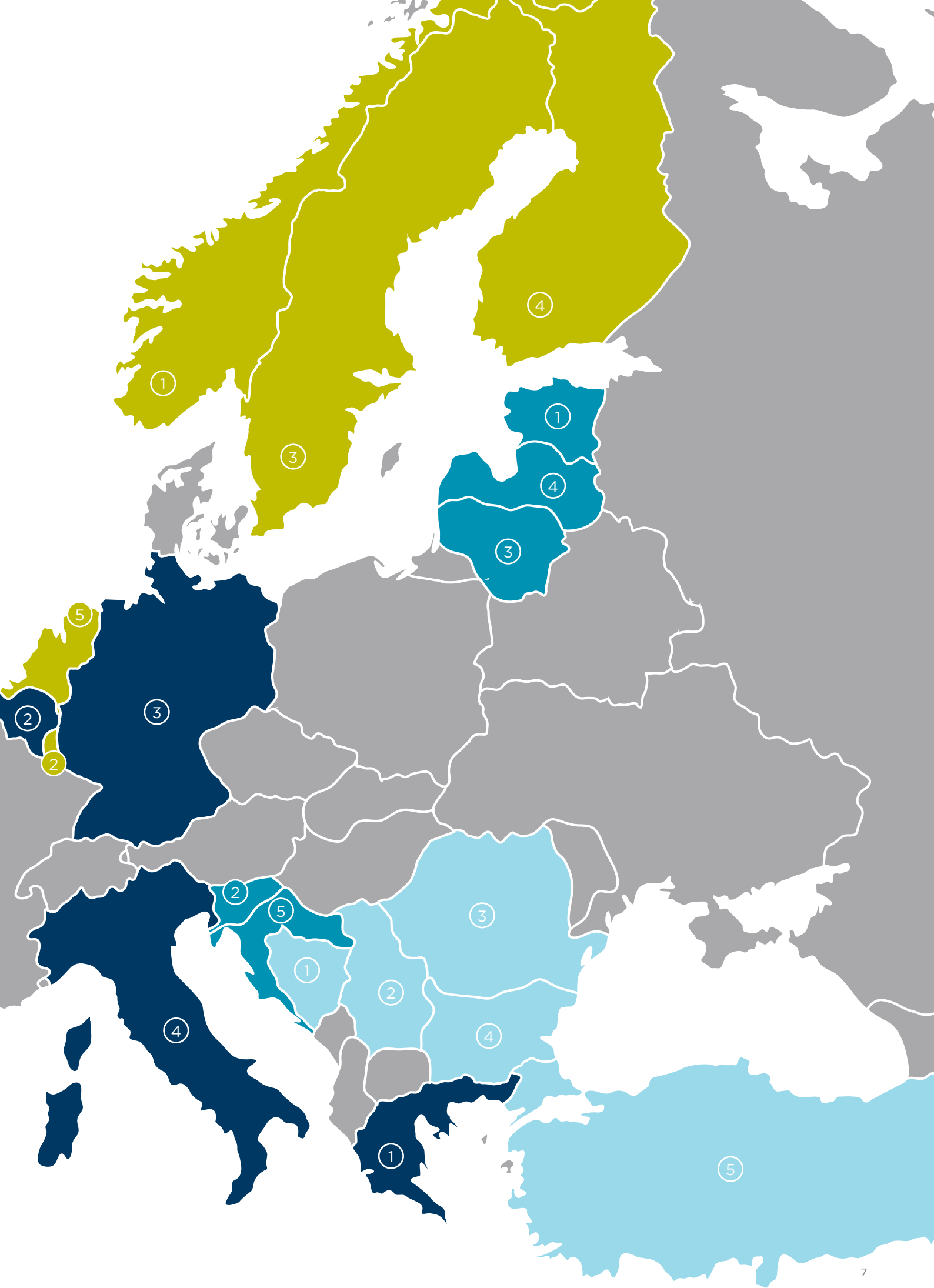
- |                               |                           |
|-------------------------------|---------------------------|
| ① <b>NORWAY</b><br>913.7      | ① <b>GREECE</b><br>57.4   |
| ② <b>LUXEMBOURG</b><br>519.0  | ② <b>BELGIUM</b><br>120.2 |
| ③ <b>SWEDEN</b><br>436.1      | ③ <b>GERMANY</b><br>179.6 |
| ④ <b>FINLAND</b><br>417.9     | ④ <b>ITALY</b><br>228.6   |
| ⑤ <b>NETHERLANDS</b><br>361.4 | ⑤ <b>SPAIN</b><br>245.8   |

## Central and Eastern Europe

- |                             |                                     |
|-----------------------------|-------------------------------------|
| ① <b>ESTONIA</b><br>636.1   | ① <b>BOSNIA-HERZEGOVINA</b><br>74.3 |
| ② <b>SLOVENIA</b><br>379.9  | ② <b>SERBIA</b><br>74.6             |
| ③ <b>LITHUANIA</b><br>328.0 | ③ <b>ROMANIA</b><br>97.1            |
| ④ <b>LATVIA</b><br>318.4    | ④ <b>BULGARIA</b><br>100.4          |
| ⑤ <b>CROATIA</b><br>311.5   | ⑤ <b>TURKEY</b><br>116.8            |

■ Highest density (in Western Europe/CEE)  
■ Lowest density (in Western Europe/CEE)  
(GLA SQ.M/1,000 population)





# WESTERN EUROPE



Total shopping centre floorspace was 107.5 million sq.m in Western Europe as of 1st July 2016. France, the UK and Germany remain the largest markets in the region, accounting for nearly 50% of total shopping centre space.



There was 523,000 sq.m of new space completed in H1 2016, which was a 66% uplift on H1 2015.



Development activity is accelerating, with 1.4 million sq.m of new space due to be delivered in H2 2016. This would take the full year total for 2016 to 1.9 million sq.m, a 25% increase on 2015.



A further 1.7 million sq.m of new space is expected to be completed in 2017.





## MARKET SIZE

### France dominates the market, both in terms of development activity in H1 2016 and the construction pipeline for H2 2016-2017

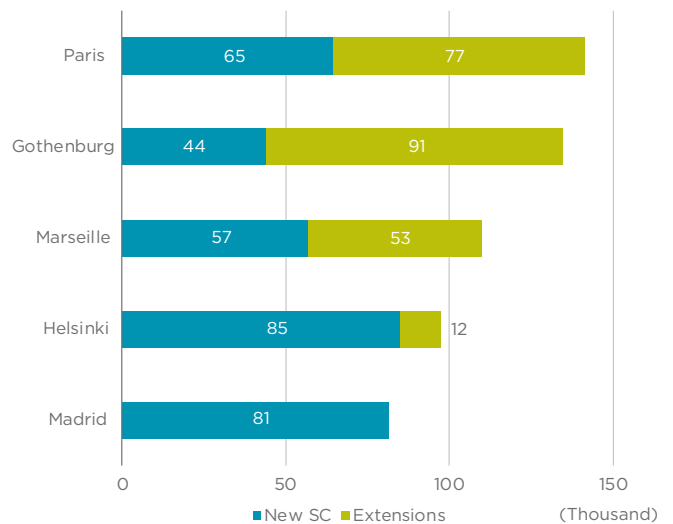
Approximately 142,000 sq.m of new shopping centre space was opened across France in H1 2016. Key projects included Avenue 83 (51,000 sq.m) in La Valette-du-Var and the 11,400 sq.m extension of the 87,000 sq.m Forum des Halles in Paris. The French market has benefitted from the expansion of well-known fashion retailers opening flagship stores. These include H&M and Zara and expanding young retailers such as Søstre Grene, Paprika, Punt Roma and Steak n' Shake. Some retailers are testing new store concepts as they look to broaden their customer offering, including Orange Smart Store, Flunch Café and Zing Pop Culture, while other retailers, such as OVS and As Adventure, have resumed their expansion activity.

France has the largest construction pipeline in H2 2016-2017, with more than 800,000 sq.m of shopping centre space expected to be delivered during this period. Approximately 35% of the new space will be located in the main cities of Paris, Marseille, Lille and Lyon.

### Sizeable projects in Southern Europe and Nordic region

Other notable shopping centre projects that were delivered in H1 2016 include the 92,000 sq.m Il Centro in Arese, near Milan, Italy, the 69,000 sq.m Avion Söderslätts Handelsområde regional mall in Umeå, Sweden and the 68,500 sq.m Nova Arcada in Braga, Portugal.

### TOP 5 WESTERN EUROPEAN CITIES FOR DEVELOPMENT PIPELINE H2 2016 - 2017 (SQ.M)



Source: Cushman & Wakefield.

### Limited development activity in the UK and Germany

For the majority of Western European countries, total completions in H1 2016 were on a par with H1 2015. One exception was Germany, however, which saw completions drop 50% year-on-year in H1 2016. Much of the development activity in H1 was on refurbishing existing schemes and developing smaller projects in secondary markets, with only 63,600 sq.m of new space added.

Activity in the UK was also muted over the first half of 2016, with no new openings recorded. This is forecast to improve, however, with a total of 133,000 sq.m expected to be delivered in H2 2016, while 245,000 sq.m is due to be completed in 2017. The increased uncertainty and potential regulation changes following the UK vote to leave the European Union may lead to a reduction in new schemes being put forward for planning permission, as developers reassess the viability of proposals. No schemes currently under construction have been cancelled or put on hold since the Brexit vote.

# 245,000 sq. m

is due to be completed in 2017

### Improving development in Belgium and the Netherlands

Development activity in the Benelux region was muted in 2015, with just 63,000 sq.m of shopping centre space completed. Activity has been notably stronger in Belgium in 2016, however, with 54,000 sq.m of new space delivered in H1. The recovery is expected to continue with 125,000 sq.m of new space currently under construction and due for delivery in H2 2016-2017. In the Netherlands, only 11,000 sq.m was added in H1 2016, but the development pipeline is improving strongly and a total of 210,000 sq.m is expected to be delivered in H2 2016-2017.

## TRENDS

**Extensions** – extensions to existing shopping centres are becoming an increasingly popular route to new supply in many Western European markets. This is mainly due to the long planning process and difficulties such as the long lead in time and large up front capital exposure associated with newly built shopping centre projects. Extensions are expected to account for 40% of the total added space in 2017, compared with 24% in H1 2016. The completion of one of Europe's largest extension projects – the 69,000 sq.m extension of Westfield London – will see this scheme overtaking the 230,000 sq.m Aviapark in Moscow as Europe's largest shopping centre.

**Technology** – rapid advances in technology have forced the bricks and mortar retail and e-tailing segments to merge closer together. Embracing digital technology with convenience features such as apps, click & collect and free Wi-Fi and entertainment features including photo boxes and multi-sensual shopping, all increase visitor dwell time and attract higher footfall levels. Technology with mobility features (car sharing, car finder) or orientation-supporting features (3D way finder, information walls) can also improve the consumer experience. Good examples are the launch of the click-and-collect luxurious 'CollectPlus' lounge in Westfield London and the numerous retail concepts and digital tools (e.g. Meet My Friends) developed by innovation incubator UR Lab and established by Unibail-Rodamco in Paris.

## Extensions are expected to account for 40% of the total added space in 2017, compared with 24% in H1 2016

**Leisure and entertainment** – the share of online shopping is increasing and often at the expense of physical retail. Therefore, the physical shop experience is more important now than it has been in the past. There has been a shift away from building 'retail only centres' to creating leisure and entertainment centres – a destination for consumers. Landlords of dominant centres in the majority of Western European markets are investigating and implementing value-add opportunities, including accommodating food & beverage operators and creating leisure and entertainment areas, which are becoming increasingly important in attracting footfall.

**Social hub of the community** – there has been a notable increase in the number of mixed-use properties, which incorporate residential and office units, hotels or health centres, where they serve as a social hub for the urban community. A good example of this is Steen & Strøm, Norway's oldest department store, where the developer has created an urban and future oriented site comprising 163,000 sq.m - including the 45,000 sq.m Økern Senter shopping mall - which is expected to play an important role in the social life of the surrounding community.

TOP NEW SC OPENINGS - H2 2016/2017



ITALY - RONCADELLE  
BRESCIA

88,000 sq.m  
Elnòs Shopping

H2 2016



UNITED KINGDOM  
BERKSHIRE

53,900 sq.m  
Bracknell Town Centre

2017



SPAIN - GRANADA

85,000 sq. m  
Parque Nevada

H2 2016



SWITZERLAND - LUZERN

46,000 Mall of Switzerland

2017



FRANCE - PYRÉNÉES  
ATLANTIQUES  
(BAYONNE)

76,000 sq.m Ametzondo

H2 2016



BELGIUM - BRUSSELS  
CAPITAL

45,000 Docks Brussel

H2 2016



PORTUGAL - ALGARVE

66,000 sq.m  
Mar Shopping Algarve

2017



GERMANY - BERLIN

30,000 sq. m  
Schultheiss Quartier

2017



FINLAND - HELSINKI  
UUSIMAA

60,000 sq.m Redi

2017



NETHERLANDS -  
UTRECHT

28,000 sq.m  
Leidsche Rijn Centrum

2017

## FOCUS ON THE FUTURE CITY HOTSPOTS



Securing planning permission for the development of new shopping centres is often an extensive process, with a number of restrictions in many Western European countries. Local authorities are now beginning to take a more proactive and engaged approach, however. This is evident in the UK with London, Bristol and Edinburgh three key cities in terms of future development. Average annual consumer spend is forecast to be strong in these three cities over the next five years (2.88%, 2.39% and 2.16% respectively), while shopping centre density (227.3, 320.3 and 316.5 sq.m/1,000 pop respectively) is below the Western European average (355.2 sq.m/1,000 pop).

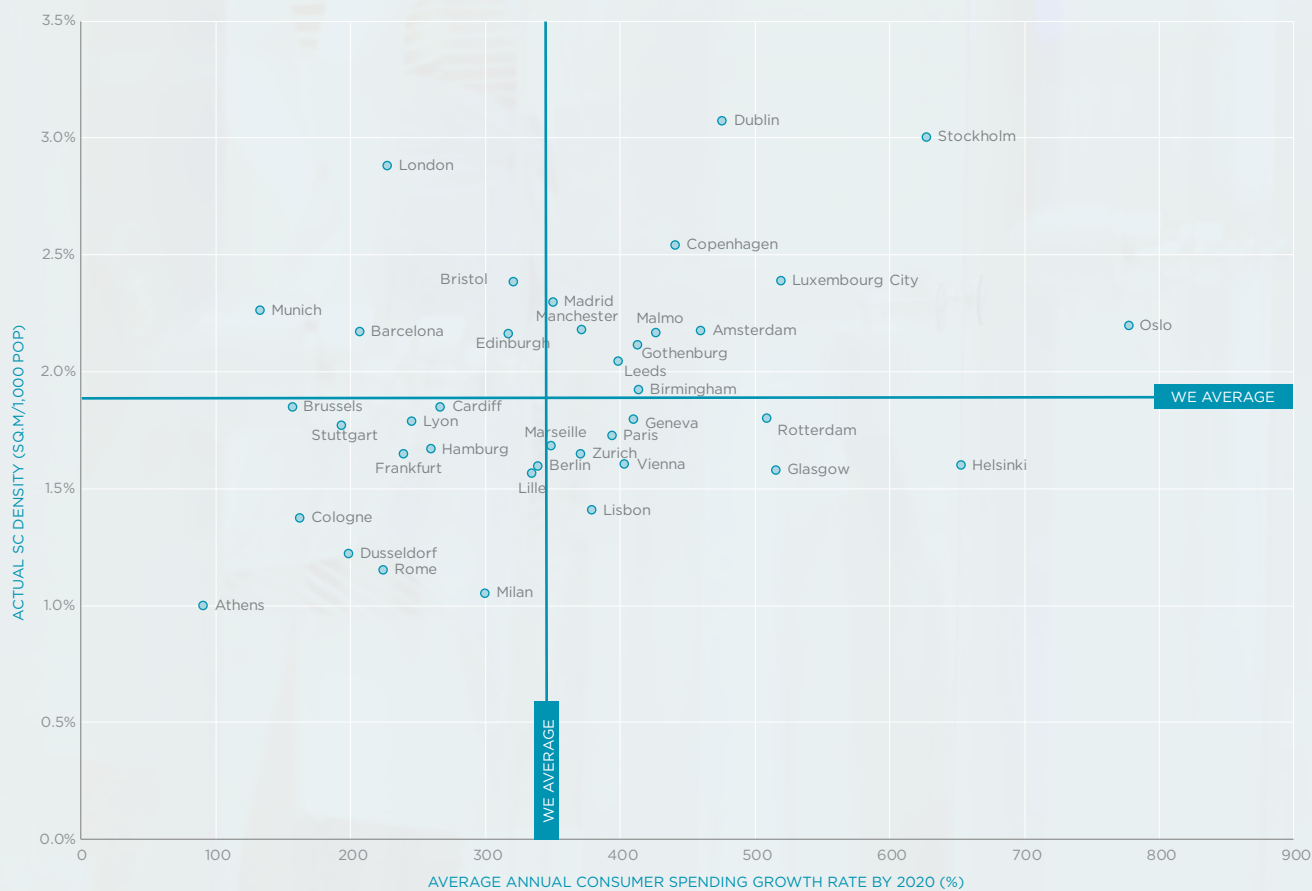
Low shopping centre density in Barcelona (206.4 sq.m/1,000 pop) and Munich (132.3 sq.m/1,000 pop) along with high consumer spending growth (2.17% and 2.26% respectively) point to strong development potential in these locations. Nevertheless, the popularity of high street shopping in Spain and difficulties in securing building permits in Germany are key constraints limiting future development activity. This is reflected in the fact that no new shopping centre space was completed in these locations in H1 2016 and there is a limited development pipeline until the end of 2017.

Elsewhere in Western Europe, core cities are seeing their saturation levels rise, with shopping centre densities higher than the regional average and/or low consumer spending growth over the next five years. Consumer spending growth is still above the Western European average in some cities, but this will be reflected in rising turnover volumes in existing malls, rather than higher levels of development for new schemes.

# 2.17%/2.26%

High consumer spending growth  
Barcelona and Munich

## WE - AVERAGE ANNUAL CONSUMER SPENDING GROWTH RATE BY 2020 (%) VS. ACTUAL SC DENSITY (SQ.M/1,000 POP)



Source: Cushman & Wakefield, Oxford Economics.

# INVESTMENT IN WESTERN EUROPE

Shopping centre investment volumes in Western Europe reached €6.6 billion in H1 2016; a 55% drop on H1 2015. Volumes were hit by lower levels of activity in the core shopping centre markets of France, Germany and the UK. This is primarily due to the lack of large dominant schemes and portfolios coming to the market, despite the significant weight of capital targeting this sector across Europe.

The UK is the largest shopping centre investment market in Europe, having overtaken Germany at the end of 2015. The first half of 2016 saw €2.1 billion invested into the UK market, but this was the weakest H1 level since 2012 and a 38% drop when compared with €3.3 billion invested in H1 2015. The sale of Brierley Hill in Dudley and Grand Central in Birmingham were the main deals, accounting for nearly 50% of total shopping centre investment volumes in the UK in H1 2016.

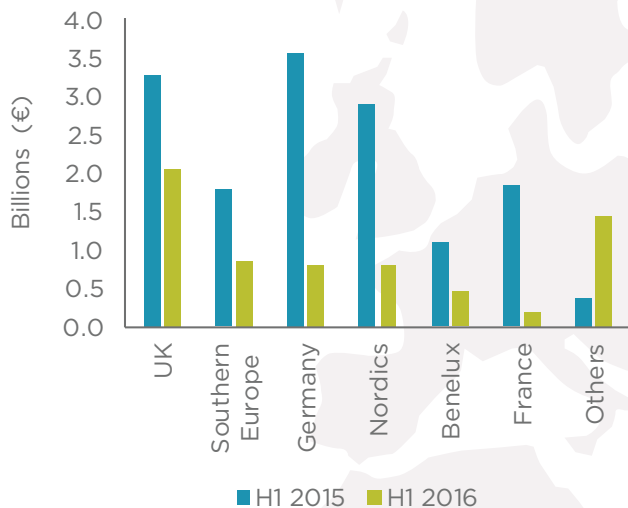
## €6.6 billion

Shopping centre investment in Western Europe over first six months of 2016

The limited number of suitable opportunities is also impacting on trading volumes in France. The first half of 2016 saw less than €200 million invested into the shopping centre sector - one tenth of the H1 2015 volumes. A better performance is expected in H2 2016 and in 2017, with Grosvenor putting several assets on the market, while Orion is selling the Domus shopping mall in Rosny-sous-Bois.

In Germany, a total of €800 million was transacted in H1 2016 - a fall of 69% on H1 2015 - with this weaker performance also linked to the lack of portfolio deals and large single transactions.

**WE - SC INVESTMENT VOLUME (H1 2015 VS. H1 2016)**



Investment activity in the Nordics is mixed, with some improvement being seen in Denmark, but the lack of quality shopping centre assets in Norway and rising interest in city galleries and retail parks in Sweden has led to significantly lower shopping centre investment volumes in the region. A total of €797 million was transacted in H1 2016, compared with €2.9 billion in H1 2015.

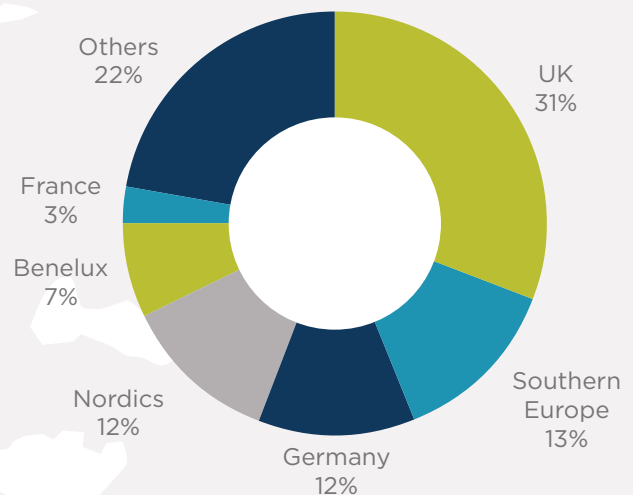
In Southern Europe, while only four shopping centres were transacted in H1 2016 in Italy, the overall investment volume was around €250 million, with the purchase of the Collestrada SC in Perugia by Eurocommercial representing the largest transaction. Spain and Portugal are seeing increased interest from both domestic and foreign investors, but activity is being hampered by the limited number of assets being put on the market for sale. A sharper compression in yields may be required to encourage more owners to put schemes on the market.

## €1.2 billion

achieved in Ireland.

Impressive volumes of €1.2 billion was achieved in Ireland in H1 2016, with the shopping centre sector attracting substantial interest from a broad range of investors, both domestic and international. A good example is the purchase of the Blanchardstown Centre in Dublin for €950 million by Blackstone.

**WE - SC INVESTMENT VOLUME H1 2016**



Source: Cushman & Wakefield.



# CENTRAL & EASTERN EUROPE



Regional shopping centre floorspace totalled 48.8 million sq.m as of 1st July 2016.



In H1 2016, 800,000 sq.m of new shopping centre space was delivered - a 28% drop on H1 2015 - with 70% of the development activity concentrated in Turkey and Russia.



Development activity is forecast to accelerate, with 2.4 million sq.m of new shopping centre space due for delivery in H2 2016, while a further 2.6 million sq.m is expected in 2017.



Overall, a total of 3.2 million sq.m of shopping centre space is expected to be delivered in 2016, which is a similar level to 2015.





## MARKET SIZE

### Steady development activity in Russia, while activity in Turkey is strengthening

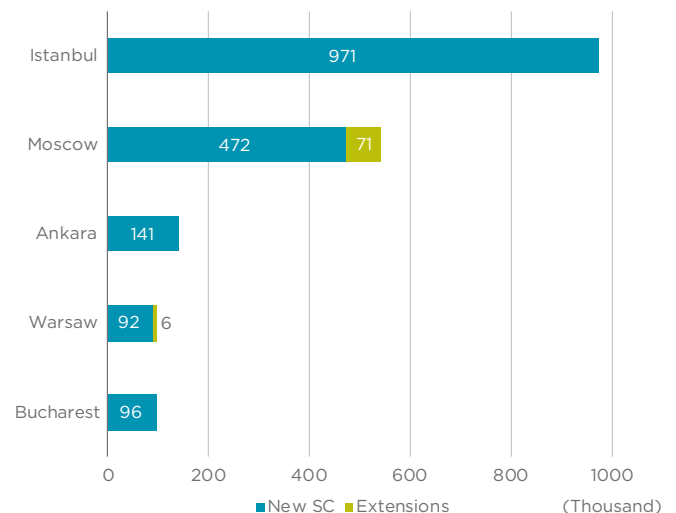
Russia, with 17.7 million sq.m of shopping centre space, is the largest market in Central and Eastern Europe (CEE). Despite the economic downturn, impacts of sanctions and decreasing volume of annual completions, Russia retains the number one spot for the strongest development pipeline in Europe, with 2.3 million sq.m of new space expected to be delivered between July 2016 and the end of 2017. Macroeconomic fundamentals have been steadily improving in 2016 and there are signs that the recession is bottoming out, which is underpinning developer sentiment.

In Turkey, strong demographics and high private consumption are helping to support the development of new shopping centre schemes. Completions in H1 2016 reached 287,500 sq.m and based on the current pipeline, Turkey is on course to overtake Poland as the second largest shopping centre market in the CEE region by the end of 2017. Nevertheless, the recent terrorist activity and heightened geopolitical tensions in the wider region have resulted in some retailers curbing expansion plans, while others have exited the market. This will maintain the downward pressure on rents and will feed into the risk return assumptions of both developers and lenders.

### Positive sentiment in the Baltic region

Despite a falling population and a high shopping centre density, the forecast for consumer spending in the Baltic region over the next five years is positive and this is boosting investor and developer sentiment. Estonia, with 35,000 sq.m of new space delivered in H1 2016, remains the most active country in the region. Development is expected to rise further with 85,000 sq.m in the pipeline, 55,000 sq.m of which will come from the delivery of the T1 shopping centre in Tallinn in 2017.

### TOP 5 CEE CITIES FOR DEVELOPMENT PIPELINE H2 2016 - 2017 (SQ.M)



### Strong development in key regional cities in H1 2016

In H1 2016, Romania and Poland were the only countries in Central Europe to record new shopping centre openings, with 83,000 sq.m and 73,000 sq.m completed respectively. Regional cities are seeing much higher levels of activity than capital cities where, historically, development has been much stronger. Key openings in H1 2016 included the 41,400 sq.m extension of the Timisoara Shopping City in Romania and the 21,000 sq.m Galeria Glogovia in Poland. While the development pipeline is expected to remain limited in some CEE countries, the ongoing economic recovery is having a positive impact on consumer spending and this will provide support for the development of new schemes in the future. A total of 796,000 sq.m is expected to be delivered across the Central European region by the end of 2017.

### The retail market in Bosnia and Herzegovina is expected to remain resilient

The shopping centre market was quiet over the first half of 2016 and no projects are currently under construction in this market. However, some projects have now been granted planning permission and construction is expected to start in the near future. One of these is the 93,000 sq.m Zayed Mall in Buroj Ozone (20km south of Sarajevo), which will be the largest 'integrated tourist city' in southeastern Europe. It will be developed by Buroj Property Development, which is one of the leading international property development companies in the United Arab Emirates. Other planned shopping malls include a 12,000 sq.m scheme in Jajce being developed by Bosnian retailer Bingo, and a 60,000 sq.m scheme in Banja Luka being developed by Delta Holding, a Serbian real-estate investor/developer. Political risks remain elevated, however, with tensions between ethnic communities heightened further by the result of a recent referendum held at the end of September.

## TRENDS

**Extensions** – extensions accounted for just 16% of total new space delivered in H1 2016 and this trend is expected to continue, with extensions forecast to account for 11% of new space in H2 2016-2017. Main projects include the 42,000 sq.m extension of Greenwich in Yekaterinburg (Russia), the 35,000 sq.m extension of Centrum Chodov in Prague (Czech Republic), the 30,000 sq.m extension of Mega in Kaunas (Lithuania) and the 17,000 sq.m extension of Galaxy shopping centre in Szczecin (Poland).

**Refurbishments and active management** – shopping centre development in the majority of CEE countries started in the '90's and many of these well-established centres are increasingly in need of renovation and/or refurbishment. This is essential for maintaining the attractiveness and competitiveness of the scheme and therefore protecting income streams. An example of this is the Bucuresti Mall (opened in 1999) and Plaza Romania (opened in 2004), the first two shopping centers in Romania. Anchor Grup - the owner of these

schemes - has invested €26 million in a full refurbishment programme covering new installations, new facades and new finishings. The company has also made a significant change in the tenant mix, adding around 20-30 new brands in each scheme.

**Improving tenant mix** – to achieve 'brand synergy', changes in tenant mix are ongoing and increasingly common in a number of schemes across the region, with the notable rise in food & beverage operators. Older schemes - so called first generation, hypermarket driven malls - are being remodeled, whereby the hypermarket proportion is being squeezed and a larger area dedicated to a range of additional tenants.

**Leisure and entertainment.** – comparable to Western Europe, the importance of the consumer experience is also growing in Central and Eastern Europe and shopping centre owners are continuously adding more leisure and entertainment elements. In Romania, developers have focused on increasing green areas. After the opening in 2012 of the 57,000 sq.m Palas Iasi mixed use scheme with an additional 50,000 sq.m park, the trend was continued in the 40,400 sq.m Promenada Mall in Bucharest, which has a 7,000 sq.m roof terrace. New shopping centres opening in H2 2016 in Romania, including the 69,000 sq.m ParkLake Plaza and the 27,000 sq.m Veranda Mall, will also incorporate this "green space" model. In terms of entertainment, the 82,000 sq.m AFI Palace Cotroceni has a roller coaster inside the scheme, while the World Class fitness centre in the 75,500 sq.m Mega Mall provides a semi-Olympic swimming pool. At the same time, Cinema City, the largest operator in the market, brought their new 4Dx technology to a number of centres, including the 75,500 sq.m Mega Mall and the 56,800 sq.m Shopping City Timisoara. Owner NEPI has also announced the opening of an indoor ski slope for Shopping City Timisoara.

**Integrating Omni Channel** – there is a growing number of e-commerce retailers who are trying to penetrate the bricks and mortar retail market, in a bid to increase market share in an increasingly competitive environment. In the Czech Republic, Parfums.cz has opened its third physical unit in the Florentinum shopping centre, Prague, after it opened units in Europark Štěrboholý and Brno OC Letno. Another example is AlzaBox – a new delivery service concept, which has already been installed in some shopping malls.

# 93,000 sq. m

Zayed Mall in Buroj Ozone (20km south of Sarajevo), which will be the largest 'integrated tourist city' in southeastern Europe

## TOP NEW SC OPENINGS - H2 2016/2017



### TURKEY - ISTANBUL PROVINCE

150,000 sq.m Emaar Square shopping centre

2017



### SERBIA - BELGRADE

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

2017



### RUSSIA - MOSCOW

119,467 sq.m Vegas III

2017



### CZECH REPUBLIC - KRÁLOVÉHRADECKÝ REGION

23,000 sq.m Aupark Hradec Králové

H2 2016



### POLAND - POZNAŃ

100,000 sq.m Posnania

H2 2016



### BULGARIA - PLOVDIV

16,090 sq.m Markovo Tepe Mall

H2 2016



### ROMANIA - BUCHAREST

69,000 sq.m ParkLake Plaza

H2 2016



### CROATIA - PULA

13,000 sq.m TC PULA

H2 2016



### ESTONIA - PÕHJA-EESTI (TALLINN)

55,000 sq.m T1 shopping centre

2017

## FOCUS ON FUTURE CITY HOTSPOTS



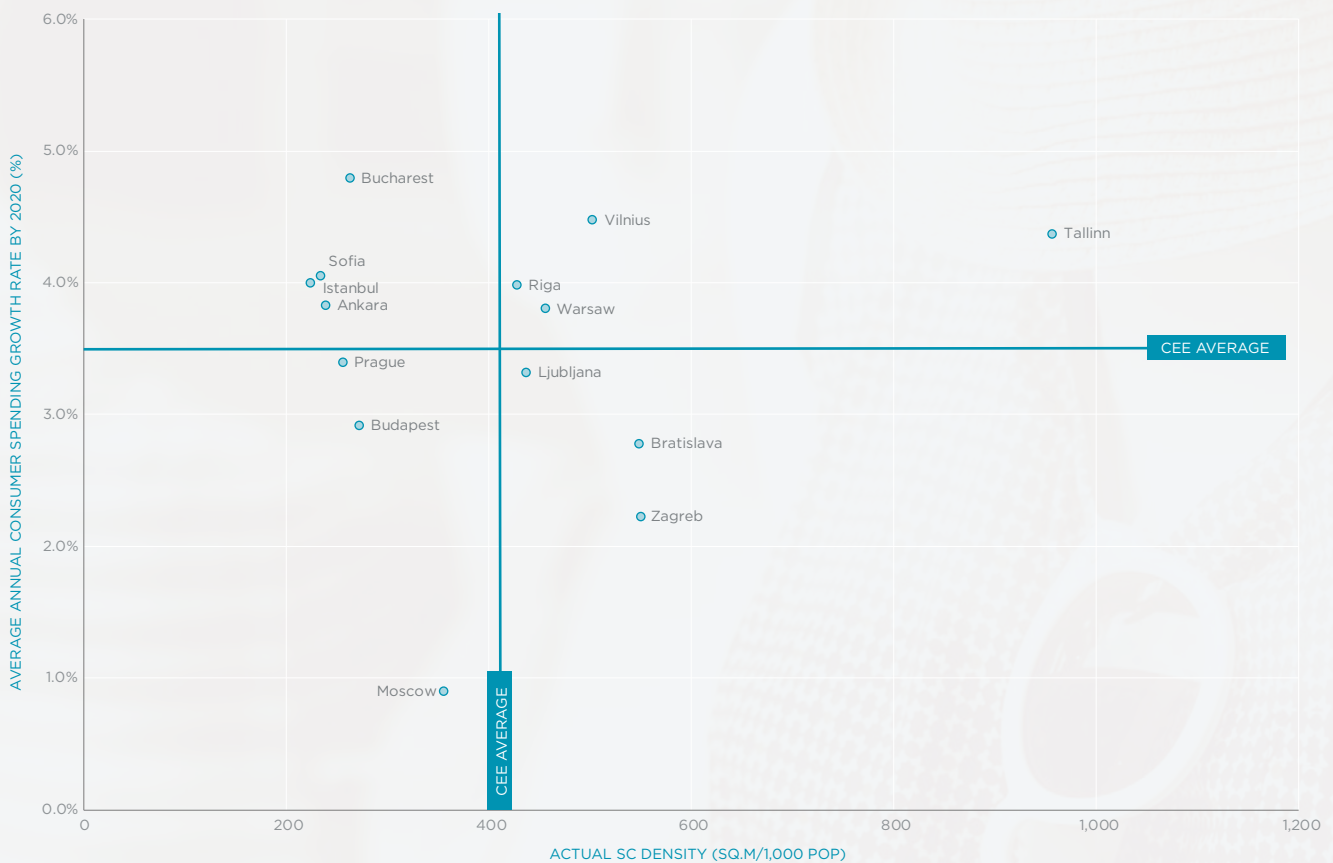
A total of 127,500 sq.m of new shopping centre space was delivered in Istanbul in H1 2016, maintaining its position as the top city for development activity in Europe. Despite these high levels of development, shopping centre density in Turkey is low and is well below the CEE average of 408.7 sq.m/1,000 pop. Shopping centre density in Istanbul is 224.5 sq.m/1,000 pop., while Ankara is 239.0 sq.m/1,000 pop. Another important factor driving future development is the strong growth in consumer spending that is forecast over the next five years. Istanbul, with average annual growth of 4.0% and Ankara at 3.8% are just behind key cities in the Baltic region, Bucharest and Sofia, but above the CEE average of 3.5%. This indicates that these cities are potential future hotspots for development and this is reflected in the development pipeline for H2 2016-2017. Istanbul (971,000 sq.m) and Ankara (141,000 sq.m) are among the top five cities in the CEE region for new shopping centre construction during this period. The uncertain political environment in Turkey is a key downside risk, however, and international retailers, in particular, are carefully assessing their footprints in the market.

Bucharest is another city offering good potential for development. Shopping centre density is low at 263.1 sq.m/1,000 pop, while it has the strongest average annual growth in consumer spending - forecast at 4.8% - for next five years. No new shopping centre space was delivered in this market in H1 2016, although activity is expected to improve significantly with 96,000 sq.m of new space currently under construction and expected to open between H2 2016 and 2017. The main scheduled openings include the 69,000 sq.m ParkLake Plaza (opened in September 2016) and the 27,000 sq.m Veranda Mall.

The situation in Sofia is similar, with shopping centre density low at 234.6 sq.m/1,000 pop and this, combined with the 4.1% annual growth in consumer spending forecast over the next five years, should generate good opportunities in this market going forward. There were no new shopping centre openings in H1 2016 and there are no projects currently under construction, but indications are that retailers are still actively looking to expand their network of branches and shopping centre rents are beginning to see some upward pressure.

A total of 127,500 sq.m of new shopping centre space was delivered in Istanbul in H1 2016, maintaining its position as the top city for development activity in Europe

CEE - AVERAGE ANNUAL CONSUMER SPENDING GROWTH RATE BY 2020 (%) VS. ACTUAL SC DENSITY (SQ.M/1,000 POP)



# INVESTMENT IN CENTRAL & EASTERN EUROPE

Shopping centre investment volumes in CEE reached €1.9 billion in H1 2016; a 17% increase on H1 2015.

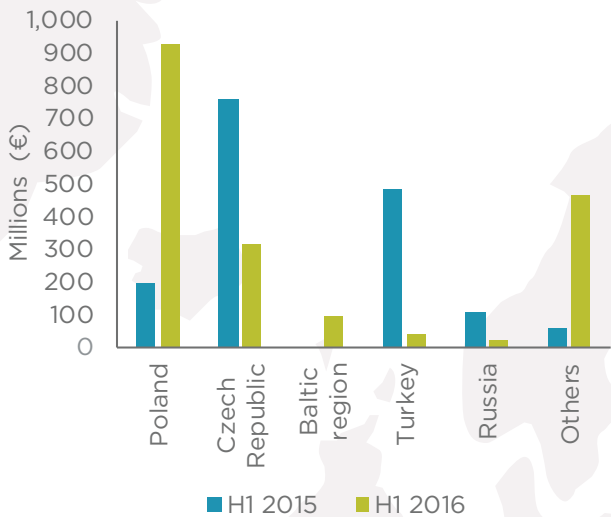
Poland was the top target for investors in the region, with volumes reaching €928 million, accounting for almost half of the total invested capital in H1 2016. Redefine and CBRE Global Investors were two of the most active investors during this period, re-emphasising the appetite from overseas investors for Polish shopping centres. The sale of Pasaż Grunwaldzki in Wrocław, Galeria Echo in Kielce and Galaxy in Szczecin were key deals that completed over the first six months of 2016.

Shopping centre investment volumes fell 58% year-on-year in the Czech Republic in H1 2016, although the sale of the Palladium shopping centre in Prague for €570 million in H1 2015 does skew the result. Demand for Czech shopping centre assets remains healthy and it is still the second largest regional shopping centre investment market, with €314 million transacted in H1 2016. The purchase of Forum Usti by a commercial property investor and developer NEPI for €83 million and Forum Liberec by South African investor, Rockcastle, for €80 million were the main transactions. Slovakia also saw a €175 million deal whereby Central Shopping Centre in Bratislava exchanged hands.

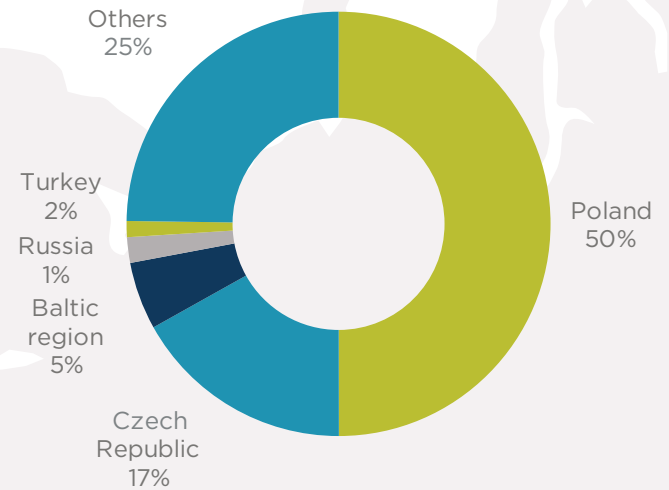
Investment activity in the largest shopping centre markets in Russia and Turkey has been patchy. The occupational market is fragile, with a number of retailers either exiting the market or consolidating and causing vacancy rates to rise. Volumes were down 79% year-on-year in Russia in the first half of 2016. In Turkey, investor sentiment is muted and several deals have seen protracted negotiations or have been put on hold. This has impacted on volumes, which decreased by 93% year-on-year in H1 2016.

**Shopping centre investment in CEE reached €1.9 billion in H1 2016; a 17% growth on H1 2015**

CEE - SC INVESTMENT VOLUME (H1 2015 VS. H1 2016)



CEE - SC INVESTMENT VOLUME H1 2016



Source: Cushman & Wakefield.

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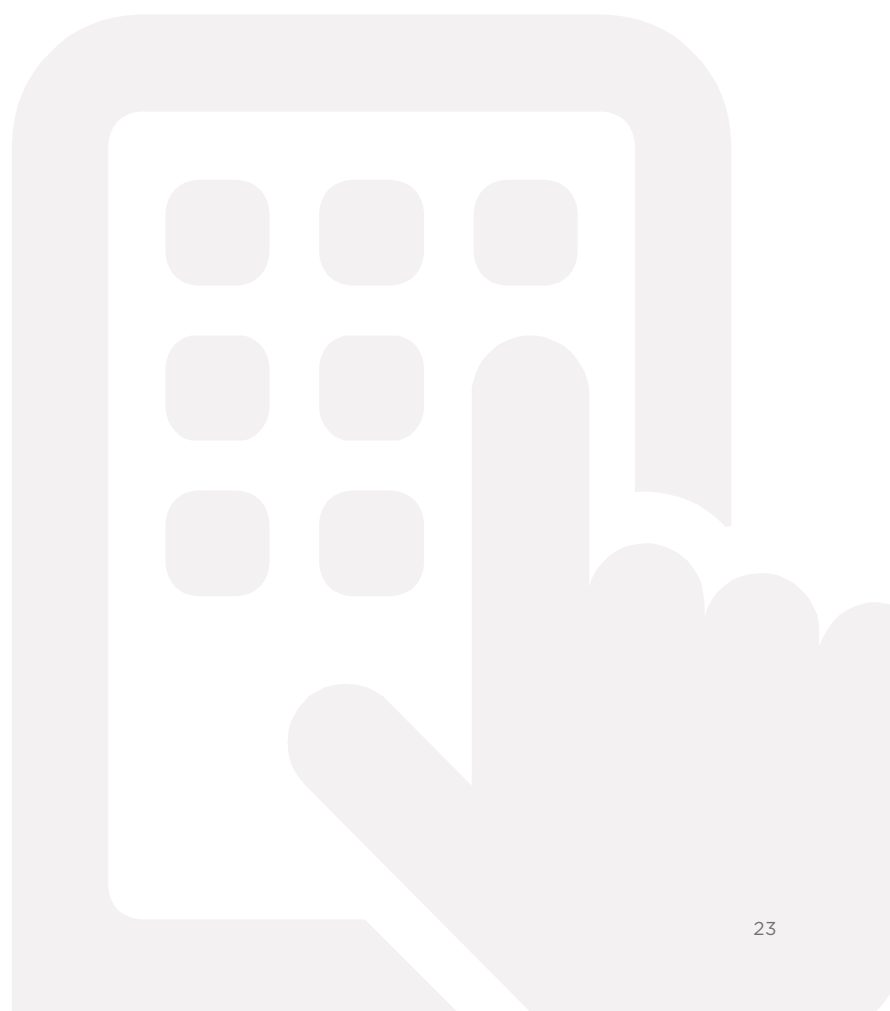
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# CAVEATS

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 July 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
- 'Consumer spending growth forecast' figures represent the average of annual consumer spending growth rates – 2015 and 2020
- City market boundaries: the figures in this report refer to the larger areas around the core city that gives the market its name; that is, each market consists of a bundle of NUTS III areas
- 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 Cushman & Wakefield
- Population and location based consumer spending growth forecast data is provided by Oxford Economics.







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