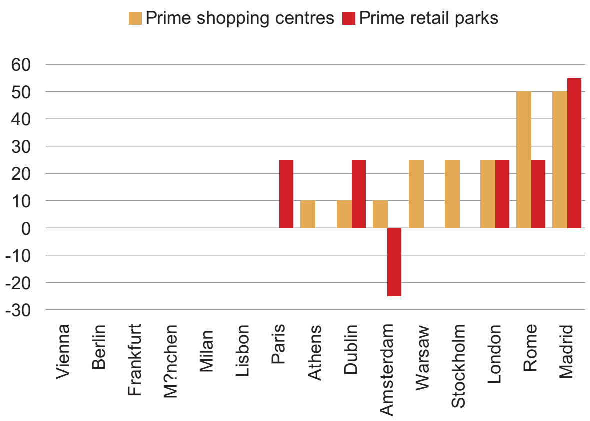
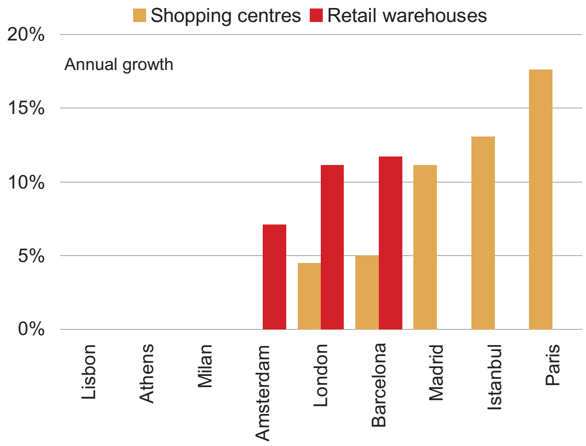
European Out-of-town Retail Markets

Spring 2008

Q4 2007 - Q1 2008 prime yield shift



Q1 2008 prime annual rental growth



"Consumer confidence and expenditure has been negatively affected by the global credit crisis and rising costs. However, retailers and developers are materialising their plans of expansion in undersupplied and developing regions."

Eri Mitsostergiou - European Research

- Lower consumer confidence, the contraction of debt driven spending due to tighter credit conditions and rising cost of living is affecting retail sales across Europe.
- Despite the fact that retailer confidence for the future is worsening and margins are under pressure, international chains continue their expansion plans especially in the developing markets of Eastern and Southern Europe.
- Due to worsening factors of demand we expect rental growth to slow down, especially in Shopping Centres.
- Retail Parks are expanding and rising demand from non-bulky goods retailers for space in these retail formats may cause some further positive rental growth.
- The development pipeline remains substantial in most markets covered in the report including out-of-town retail parks, but also in-town developments that are often part of regeneration initiatives.
- Prime yields moved out in the first quarter of 2008 compared to the last quarter of 2007 by 14 basis points for shopping centres and 9 basis points for retail warehouses. However, investor interest in the sector remains high.

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Pan European comparisons

Factors of demand

Consumer confidence

According to the latest European Commission Business and Consumer Survey results consumer confidence remained stable In March. The indicator has been declining since its peak in May 2007 and currently stands below its long-term average. At the individual country level, the picture is mixed. Among the large Member States, consumer confidence increased in Spain (+2) and Germany (+1), while decreasing in Italy (-2), France (-1) and the UK (-1). Consumer confidence was stable in the Netherlands and Poland.

Retail confidence

Following an upturn in the previous month, the retail confidence indicator remained stable in March. The indicator stands above its long-term average. Although retailers' views on the present business situation improved in the EU their view on the expected business situation worsened. At the country level, the results are once again divergent. Among the large Member States, confidence increased in Poland (+2), Germany (+1) and the UK (+1), while deteriorating in Spain (-3) and France (-2). Retail confidence was unchanged in Italy.

Rents and yields

Rents

The average annual rental growth of prime shopping centre rents across the regions of the survey was 5.1% in 2007. The highest growth rates were noted in Istanbul (17.9%), Madrid (11.1%), and Athens (7.1%). In the first quarter of 2008 prime shopping centre rents remained stable on average.

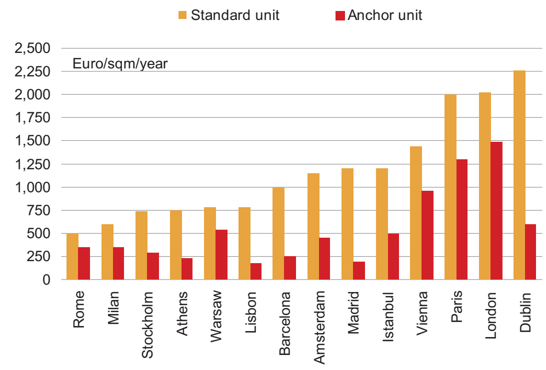
In the final quarter of 2007 retail warehousing rents were also 7.9% on average higher than 12 months before, while in the first quarter of this year they did not move significantly.

Yields

Prime shopping centre yields in Q1 2008 ranged between 4.0% (Paris) and 7.0% (Istanbul), while on average they were 14 basis points higher compared to the final quarter of 2007. The locations with the most significant quarterly softening of yields were Madrid and Rome (50 bp).

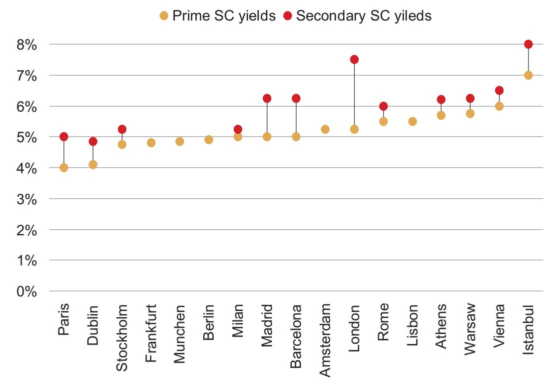
With regards to prime retail warehousing yields they ranged between 4.5% (Dublin) and 7.2% (Berlin) and on average they moved out by 9 basis points compared to Q4 07. The highest yield movement was noticed in Madrid (55 bp).

Prime shopping centre rents



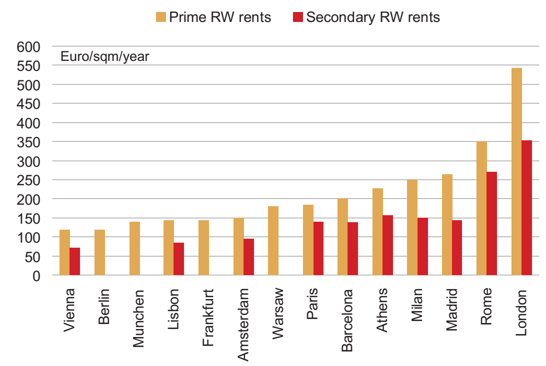
Source: Savills

Shopping centre yields



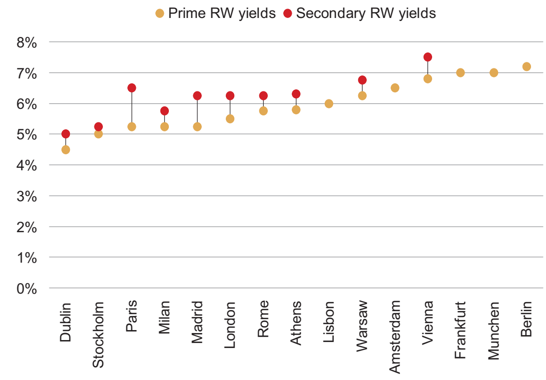
Source: Savills

Retail warehousing rents



Source: Savills

Retail warehousing yields



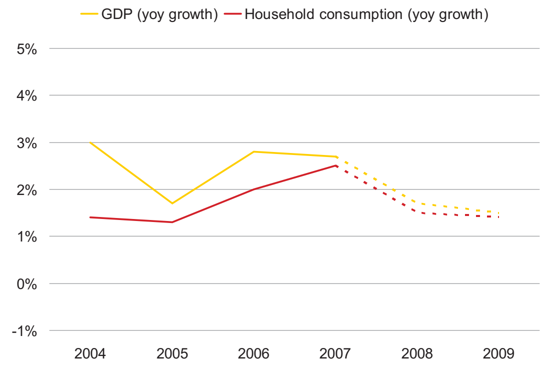
Source: Savills

Belgium

Economy

GDP growth over 2008 is forecast to slow down to 1.8% compared to 2.7% in 2007. The government hopes to strengthen the country's purchasing power through higher labour costs in a bid to increase its competitiveness and boost employment. Private consumption growth, however, will ease slightly in 2008 and 2009 due to modest employment growth and lower consumer confidence in line with Europe.

National GDP and consumer spending



Source: European Commission

Demand

Consumer demand

According to the latest survey, consumer confidence fell back sharply in May 2008 due to concerns over economic stability, rising oil and food prices as well as unemployment. However, households revised their savings capacity upwards and expectations, according to the latest survey by the Belgian National Bank, remains stable.

Retailer demand

The retail market in 2007 performed exceedingly well, with expansion on the rise in Belgium for some major retailers. Nike, New Look, Burberry, Puma and Tiffany's were just some global brands looking to expand in the region.

Supply

The density of shopping centre space remains amongst the lowest in Western Europe, as a tight planning regime has not allowed a significant increase in supply. Retail warehousing supply is higher, although mostly concentrated in stand alone units. However, supply should increase as the development pipeline for 2008 and 2009 includes more than 380,000sqm of new shopping centre and retail park space.

Rents

The growth in the retail market in terms of rents is all too apparent. Demand in prime locations has increased substantially, representing upward pressure of around 20%. Today, there still remains an upward pressure in key, prime locations, most notably in Meir in Antwerp and the Rue Neuve & Avenue Louise in Brussels. Occupiers are prepared to continue paying high rents due to a shortage of unit shops and we expect the exceptional growth to continue into 2008.

Major developments in the pipeline

Developer	Project	Size (sqm)	Region	Date
Banimmo (PPP)	The Loop	50,000	Gent	2009
ING Real Estate	Galeries de la Toison d'Or	15,000	Brussels	2009
Foruminvest	K in Kortrijk	34,000	Courtrai	2009
Wilhelm & Co	Mediacite	58,000	Liege	2009
Foruminvest	Expo Charleroi	58,000	Charleroi	2009

Source: Savills

Investment market

In 2007, the retail investment market increased considerably, accounting for 17% which represents a 30% increase when compared to 2006. In total, €820m was invested in retail throughout Belgium during 2007. Some major shopping centre purchases took place and included Redevco, which bought City Square from ING in Genk. ING subsequently bought Galeries de la Toison D'Or, a prime shopping centre in the upmarket Louise District from the Gillion Family in Brussels. Due to the shortage and heightened appetite for shopping centres, prime yields compressed almost 350bp over the last ten years and today, stand at 4.5% with retail warehouses quoted at around 5.5% and high street retail now at around 4.85%.

Outlook

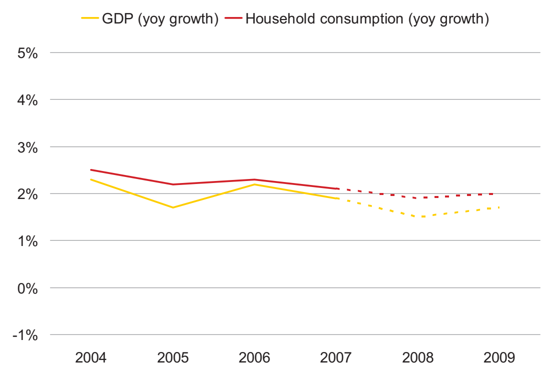
According to the European Commission private consumption growth is forecast to weaken in 2008 and 2009. The transformation of part of the health insurance system for self employed from a voluntary private scheme to an obligatory state-run system is one of the factors that will negatively affect consumption growth this year. On the other hand, households are likely to smooth consumption to a certain extent; their saving rate is set to decline in 2008 and stabilise in 2009. Despite this, retailer demand for the region remains strong as consumers are keen on quality, concept and global brands. We expect sustained investor interest for prime product, however, no further yield compression is expected in the short term.

France

Economy

In 2007 the French economy grew by a mere 1.9%, affected by the slowdown in the global economy and further deteriorated by the industrial actions that took place at the end of the year. While exports have started to show weakness signs in the middle of last year, growth has then relied on the high level of business investment. Once again private demand has been a key driver of the economy supported by a sharp increase in disposable income and fast improving labour market.

National GDP and consumer spending



Source: Consensus Economics

Demand

Consumer demand

For the second consecutive year, disposable income increased in 2007 by 3.2% thus leading to a revival of private consumption. However, with the saving rate increasing at the same time, consumer spending growth ended up to 2.1% at the end of 2007, slightly below the previous year performances. Retail trade turnover index increased by 3.3% over 2007.

Retailer demand

Demand remained flourishing as a result of limited supply allowing good turnover prospects, notably in secondary locations, Additionally retailer “migration” to out of town locations has further fuelled the occupier market. Seeking to increase their profit by lowering their rental costs while expanding their catchment area, a large number of retailers have adopted the increasingly popular retail warehouse format. Many retailers such as Fnac, Celio, Camaieu, Bata, Mim, Etam, Xanaka, have already made this shift. Thus, retail parks are gradually changing from a very much house-ware oriented scheme to a much more diversified format.

Supply

Shopping centre development remained limited due to tight planning restrictions. Although the number of projects is still in high demand, most of the permits granted relates to extensions or refurbishments of existing centres. In 2007, only three new centres were built, all located in-town, bringing the total stock of shopping centre to some 14m sqm, of which 79% is non-urban. At the same time, the number of retail parks submitted to the CDEC (local authorities) increased by 48%. New concepts integrating better standards and accessibility are making retail parks slightly more popular to local authorities. All together the out-of-town retail stock rose by nearly 3.4% last year to reach around 33m sqm.

Rents

Prime rental values for shopping centres are on the rise, driven by retailer demand and limited supply. They stand now at €2,000/qm/year for the best centres. Prime rents for retail warehouses have remained stable over the past year; €180/sqm/year for the best parks, whereas downward pressure has been noticed for secondary units.

Investment market

In an overall buoyant investment market, the retail sector has performed particularly well. Investment volume for retail assets reached 5.18bn in 2007, up by 70% compared to the previous year. Such a booming interest from investors is related to the strong activity from occupiers and developers together with an improved transparency in the market. Last year, domestic investors - led by AEW Immocommercial , Klepierre and Fonciere des Murs - remained dominant, followed by Dutch (VastNed Offices/Industrial NV) and British (Rynda Property Investors LLP) market players.

Outlook

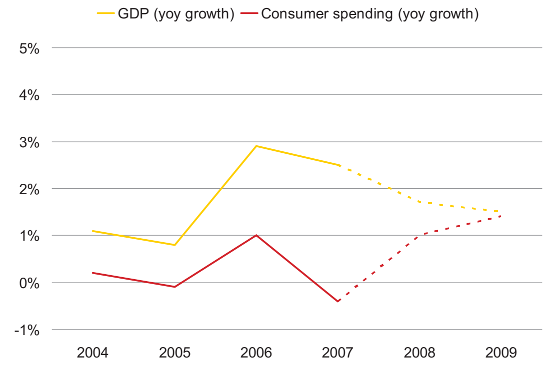
In an overall slowing economy we expect French growth to range between 1.5% and 1.9% at the end of the year. Private demand may prove more resilient than expected depending on consumers’ will to tap their accumulated saving. However consumption growth should remain under 1.9%, weakening the occupier market. Recent changes in the planning consent are planned, which should slightly release the level of restriction while better embracing the European legislation. Although we do not expect a special development boom following this new law, we believe it could impact on the level of supply in the next few years. At the same time we expect the quality, the design and the environmental aspects of the parks to gain from the changes. With demand slackening and supply increasing we anticipate further downward pressure on rents for secondary locations. In an increasingly competing retail panorama, location and innovation will be the key drivers for success. Strong development activity will bring more investment opportunities but finance restrictions related to the credit crunch may abort some deals, notably large portfolios. Thus yields are expected to increase.

Germany

Economy

The economic revival that began in mid-2005 on the back of strong export demand and a recovery in investment continued into 2007 when GDP growth reached 2.6%. Despite the international economic uncertainty strong industrial production growth in the first quarter of 2008 supports the economy. However conditions could weaken under the pressure of strong Euro and global credit crisis.

National GDP and consumer spending



Source: Consensus Economics

Demand

Consumer demand

Households spent less in 2007 due to the increase in VAT in the beginning of the year. In the first months of 2008 consumer spending continued to decline due to higher prices. In February retail sales dropped by 1.5% compared to the previous month.

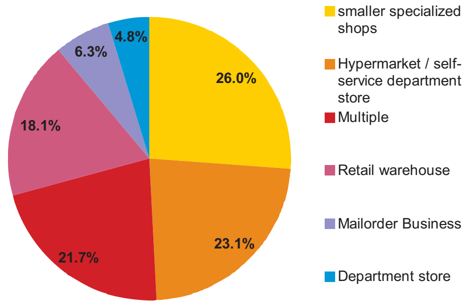
Retailer demand

Strong retailer demand is demonstrated for retail park units, as establishing stores in city centres is quite costly. Domestic groups dominate the sector and it is difficult for international retailers to penetrate. In recent years retailers such as Zara, H&M, Bestseller and Mango have penetrated the market successfully and continue to expand.

Supply

The current stock of shopping centres in Germany has reached 11.75m sqm, with almost 76% of space delivered onto the market after 1990. Currently the density of shopping centres is at 142sqm/'000 inhabitants. Retail warehouse stock currently stands at 19m sqm. Retail parks, represent around 15% of the total retail warehouse space. Although this is below the European average some areas are oversupplied compared to the local purchasing power. Due to the German reunification the New Federal States experienced the highest growth in supply. Since the end of the 90s however there has been a shift to the Old Federal States, where most centres currently in the pipeline will be located. Planning restrictions to build on greenfield land combined with the initiatives to revitalise the German city centres has caused a focus in in-town developments.

Market share of retail types



Source: Savills, Ifo-Institute

Rents

Shopping centre rents are linked in most cases to turnover, and their rate depends on the product category. Achievable prime rents for retail warehouses currently range from €10 to €12/sqm/month. Significantly higher rents cannot be achieved.

Investment market

Germany accounted for about one quarter of the total retail investment volume in Europe in 2007. A significant number of deals comprised portfolios of retail properties such as supermarkets and retail warehouses. This was driven by the increasing market shares gained by this type of stores. Moreover planning restrictions protect the sector from oversupply. Despite lower demand for portfolios, yields remained stable over the first quarter of 2008 ranging from 4.8% for prime shopping centres to 7.0%-7.2% for prime retail warehouses.

Outlook

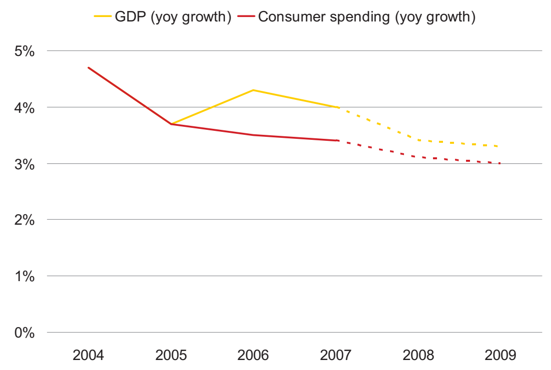
With employment and income increasing, willingness to spend is now expected to rise. However rising inflation and international credit crisis may cause uncertainty to households and have a negative impact on expenditure. Consensus Forecasts for consumer spending are at 1.0% pa in 2008, and GDP expansion at 1.7% pa. We anticipate demand to be led by large retail groups and chains. Discount and big box retailers in particular are expected to raise their market share further over the coming years. The Southern German States have the highest development potential due to higher disposable income. Within the context of cautious consumer confidence, and the potential pressure that this may put on retailer margins, we believe that rental levels will remain relatively stable, or show modest increase in the stronger markets such as Frankfurt and Munich.

Greece

Economy

GDP growth in 2007 at 4.0% maintained Greece's position among the top performers in the Eurozone. Economic activity was healthily balanced, with strong contributions from domestic demand and exports. The economy is projected to grow at a healthy 3.4% a year in 2008 and 3.3% in 2009 with private and public consumption growth easing at more sustainable levels.

National GDP and consumer spending



Source: European Commission

Demand

Consumer demand

Consumer spending continues to grow albeit at a lower rate compared to the previous year. However, recent inflationary pressures have had a negative impact on expenditure. The volume of retail sales in February 2008 dropped by 4.3% on an annual basis, compared to 4.0% pa increase the same month in 2007.

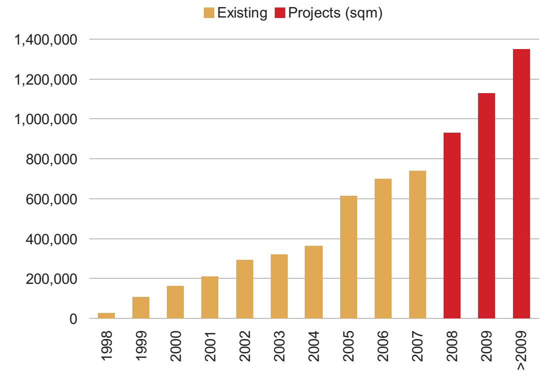
Retailer demand

Large national and international retailers and fashion chains are expanding dynamically, on the expense of small retailers who continue to loose market share. In the fashion sector H&M opened their first stores last year in Athens and are looking to expand. In the big box sector, Leroy Merlin, IKEA and Media Markt are only a few examples of retailers with plans of new openings across the country, while OBI and Saturn will soon open their first stores.

Supply

2007 was not a very active year in terms of development completions and the total stock of large-scale retail formats across the country increased only by 5% reaching around 740,000sqm. However a significant number of new developments are under construction or proposed and most of them will be delivered onto the market over the next couple of years, causing almost 50% increase of total stock. The redevelopment of three major Olympic Facilities in Athens, the completion of three new schemes around Larissa, and the introduction of designer outlets in the market are some representative examples of the coming supply. Current density of out-of-town and shopping centre space per 1,000 population is still in the region of 63sqm, while it is expected to exceed 82sqm by 2009. Density in Athens and Salonica is higher, especially in Salonica, which has seen the completion of a number of large-scale developments over the past few years, due to good catchment profile and availability of land.

Modern retail stock stock and pipeline



Source: Savills

Rents

Prime rental values are on the rise, driven by retailer demand and limited supply of modern space. Prime retail warehousing rents have risen by 18% over the past year and they now stand at €228/sqm/year in the region of Athens. Shopping centre rents have risen more modestly at 6% on average.

Investment market

The investment market remains small with limited opportunities, as most of the schemes are held by the developers. Some established national and international players that acquired retail assets last year set new lows for yields, which now range from 5.7% to 6.2% for prime product. One of the most active foreign investors in the market is Rockspring, which acquired last year the Praktiker portfolio from IXIS and has also committed to a new shopping centre development in Larissa.

Outlook

Consumer spending slowed down in 2007, but according to Experian it is expected to pick up again and reach 3.2% and 3.4% in 2008 and 2009. Large-scale retail formats and particularly out-of-town schemes are expected to keep increasing their market share and to offer the platform for foreign retailers to enter and expand in the market. Based on the number of projects announced for 2009 and beyond density of modern retailing offer will rise significantly in some areas ,although there will still be undersupplied regions.

Hungary

Economy

Economic activity remained weak in 2007 and GDP grew by 1.3%. Consumer spending declined only moderately as households reduced their savings. Economic activity is projected to recover only slowly. As the impact of fiscal consolidation is fading out, domestic demand should gather pace pushing GDP growth to around potential in 2009.

National GDP and consumer spending

Source: European Commission

Demand

Consumer demand

Consumer confidence has been negative over the past 12 months and deteriorating, impacting the level of retail sales which, is also falling. According to the latest data retail trade turnover by 2.5% in February, and by 2.7% in the first two months of 2008 compared to the level measured one year before.

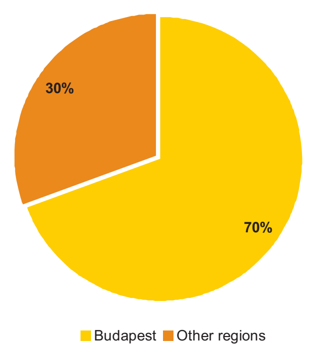
Retailer demand

Due to the tight supply of good quality high street retail units international retail chains are looking for space in the prime shopping centres that are coming onto the market. On the other hand, big box retailers, continue to expand across the country, not only through stand alone units but also taking space in the expanding retail park concepts.

Supply

The total stock of large scale retail formats has exceeded 1.7m sqm, including shopping centres, retail warehouses and parks, department stores and strip malls. This corresponds to an average density of 174sqm/'000 inhabitants for the whole country. The average density for Budapest is more than double due to the high supply of new shopping centre space over the period 1996-2002. After the restrictions imposed over the past four years in order to protect the market from saturation a small number of development completions took place in 2007 in the capital, with the most important being the opening of Arena Plaza. This is now Hungary's largest shopping and entertainment centre, which opened in November last year at 100% occupancy. The centre comprises approximately 66,000sqm of lettable area. Amongst the international anchor tenants of the Centre are Tesco, the Inditex Group and Peek & Cloppenburg, together with other major retailers such as H&M, Electro World, Hervis and C&A. Additionally, Arena Plaza has a 23-screen Cinema City complex, which includes Hungary's first IMAX theatre. There is at least 288,000sqm of new retail space in the pipeline for 2008-2010 in Budapest, and includes new shopping centres and retail parks, but also regeneration, refurbishment and mixed use projects in the city.

Shopping centres (GLA) per region



Source: Savills

Rents

Prime shopping centre rents in Budapest are in the region of €800-1,200/sqm/year, comparable to prime high street rents. Prime retail warehousing rents are in the region of €108/sqm/year.

Investment market

2007 was a year of strong investment turnover and almost half of the total volume involved retail transactions. The largest retail transaction was the sale of Arena Plaza to the UK company AIM for around €400m. Prime yields dropped to 5.25%-5.5% during 2007, however, the general repricing of risk in the European markets is currently putting an upward pressure on retail yields as well.

Outlook

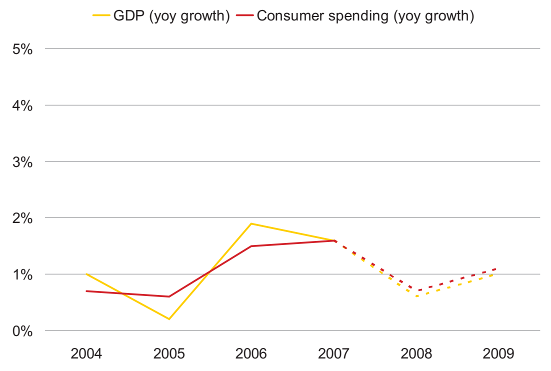
The economy will experience better growth in 2008 as it gradually overcomes its fiscal problems. The main driver of economic growth during the year will continue to be the export sector. Consumer demand will see positive growth and investment will recover, supporting GDP growth at 1.9%. Within this context the attractiveness of the retail sector also improves, especially regarding the undersupplied regions of Hungary.

Italy

Economy

Annual real GDP growth in 2007 was 1.6%, with a significant contraction of industrial production in the fourth quarter of the year. The main driver of growth was domestic demand, particularly private consumption. Since the beginning of 2008 business confidence has dropped and consumer price inflation is on the rise.

National GDP and consumer spending



Source: Consensus Economics

Demand

Consumer demand

Consumer confidence is falling under the pressure of high inflation. According to the latest data the value of retail sales has increased by a mere 1.0% pa and this was mainly supported by food sales in large retail centres.

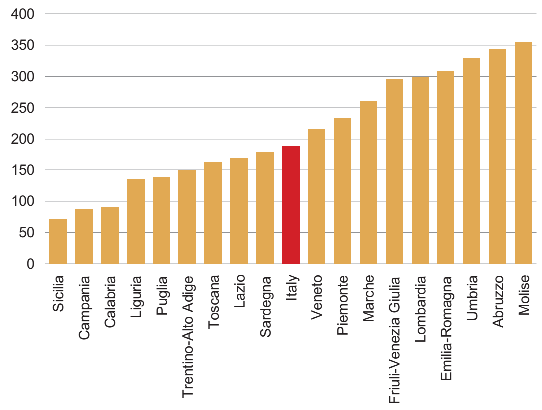
Retailer demand

Despite weak consumer spending growth, international retailer interest for Italy remains high. As high street penetration has proven difficult, most major retail chains commit to space in the new shopping centres in the pipeline. There is also a growing number of international DIY, household and electrical retailers that are undergoing an expansion phase in the country, including: Brico OK, Castorama, Ikea, Conforama, Media World, Darty. More recently, some Italian fashion retailers have been attracted from larger sales areas and lower rents and have expanded their operations in retail warehouses, comprising new key anchors in a number of schemes (Pittarello, Bernardi, Bata, Conbipel).

Supply

In the first quarter of 2008 the total stock of shopping centres had reached approx. 11m sqm of GLA corresponding to approximately 765 centres. The regions with the main increase over the past two years were Lombardy, Emilia Romagna and Friuli in the north, while several regions in the south, such as Campania, Lazio, Abruzzo, Molise and Calabria showed a significant growth, although still remaining below European average. In terms of distribution by territory, it is still not homogeneous: 61.5% of the existing schemes are located in Northern Italy; 26.7% in Central Italy, and 11.8% in Southern Italy and the major islands. The predominant format is the hypermarket/supermarket-anchored shopping centre, with an integrated mall comprising 20 to 70 small retail units and, in some cases, also 2 to 5 large-sized stores (secondary anchors).

Shopping centre density per region



Source: Savills

Rents

Prime shopping centre rents for 100-150sqm units remained quite stable last year at around €600/sqm/year. Rents on prime retail warehouse schemes increased significantly in 2007, reflecting strong letting activity. Top achievable prime rents for units in the region of 1,500-3,000sqm are around €250/sqm/year.

Investment market

Italy is one of the largest European markets with below average supply of modern retail space. This makes it an attractive destination for international investors. Prime shopping centre yields have stabilised since the end of 2007 at around 5.0% and prime retail warehousing yields at around 5.25%.

Outlook

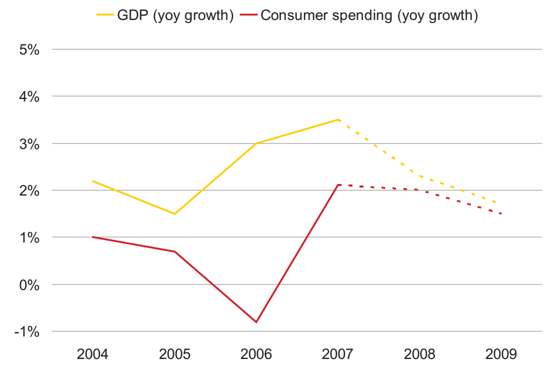
The momentum of the Italian economy is forecast to diminish further in 2008-09. The expected slowdown largely reflects the impact of tight monetary and fiscal policy on domestic demand and in particular on household spending. However, Italy's limited availability of retail space, combined with an increasingly restrictive national planning policy, should lead to another year of positive rental growth, albeit at a slower pace due to the amount of new shopping centre and retail warehousing space in the pipeline. Prime yields should remain stable, while in some cases secondary yields have already softened slightly.

The Netherlands

Economy

Economic growth reached 3.5% in 2007 and consumer spending turned around its decline on the back of higher real wages and falling unemployment. Growth is forecast to slow but remain above trend. Consumer prospects are less spectacular, though growth remains well above the average of the decade.

National GDP and consumer spending



Source: Consensus Economics

Demand

Consumer demand

Dutch households spent 3.1% more on goods and services in February 2008 than the year before driven by higher disposable household income. Private consumption is driven by a higher consumption of luxury and durable consumer goods.

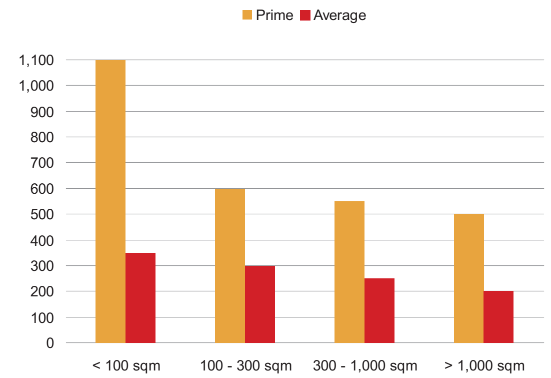
Retailer demand

The retail market was relatively unaffected by the economic recession between 2002 and 2005. Vacancy rates remained low, especially in the prime segment. In the secondary segment demand fell back. In 2007 with the recovery of consumer spending, the retail markets have gained momentum. Take-up has been increasing and overall vacancy rate for retail space is around 7% but falls to around 1-2% in inner city retail areas.

Supply

The Netherlands counts approximately 107,000 shops with a total floor area of more than 25m sqm. A substantial part of the total retail floor space is located in the central shopping areas, however this does not alter the fact that this part is now slightly decreasing due to out-of-town shopping. Traditionally, within the spatial planning policy, the establishment of out-of-town retail has been reserved for large-scale retailers such as DIY, garden centres and furniture strips. However, developers and authorities are considering more and more the development of large-scale shopping centres and retail-leisure parks at the city fringes. A significant increase in large scale retail formulas is not anticipated before 2010.

Shopping centre rents



Source: Savills

Rents

Average rents in the retail market amount to approximately €250/sqm/year. Average rents decreased at an average 4.0% pa in the period 2002-2004. After 2004 rents increased again, at 3-4% pa. In the out-of-town retail locations average rents vary between €80/sqm/year in the smaller regional locations up to €130-150/sqm/year for the locations near to the large cities.

Investment market

The retail investment volume amounted to a record high of €3.0bn in 2005, even exceeding office investments, while in 2006 normalised reaching €1.25bn. In 2007 total retail investment turnover was in the region of €0.75bn. Yields have been steadily decreasing since the early nineties. For good quality, well located retail product prime gross yields decreased to 5.0% percent in 2007 and have moved out to 5.25% in the first quarter of 2008.

Outlook

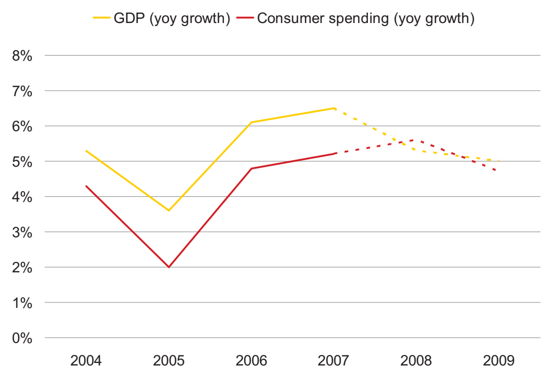
The leasing market fundamentals are healthy. Despite the fact that consumer confidence has declined in the beginning of 2008, it remains positive and retail spending is growing. The latest indicators show a 5.7% rise in the consumption of durable goods. Increasing demand is reflected in the number of new entrants in the market such as foreign store chains, who are looking to expand further across the country. Average rents are expected to continue to rise at a modest rate of around 2.5% pa, which is in line with the expected inflation rate. Although the fundamentals in the letting market are strong and investor demand is still high, the downward trend in investment yields has come to an end mainly due to the recent financial crisis and the uncertainty about the international economic outlook.

Poland

Economy

Economic growth accelerated to 6.5% in 2007 continuing the strong progress registered in most years since the early 1990s. Both domestic demand and exports were exceptionally strong, and consumer spending rose by 5.2%. In 2008 GDP growth is expected to ease to 5.3% still among the strongest in Europe. Growth will be underpinned by domestic demand, through strong household consumption and business investment.

National GDP and consumer spending



Source: European Commission

Demand

Consumer demand

Consumer demand for modern retail formats is strong supported by the growing spending power of the population. Retail sales have been increasing by an average of almost 16% pa over the past two years. The majority of this expenditure is captured by large scale retail formats that prevail over the high street supply.

Retailer demand

The growing consumerism of the country is attracting the major international chains, which seek to locate in the best shopping centres as the availability of space on the high streets is restricted. Body Shop, Guess, Clair's, MAC, Mothercare are among some of the recent entrants on the market, while a number of other well known retailers are also looking for the right opportunity to enter. International big box retailers such as major hypermarket and DIY chains are also present, anchoring in most cases large out-of-town schemes.

Supply

Modern shopping centre supply in Poland is still lagging behind the European average. Almost all of the newly developed stock came onto the market over the last decade. Around one quarter of the country's stock is concentrated in the Warsaw region, while the second most important region in terms of shopping centre density is Poznan. Poland has one of the highest development pipelines in Europe for 2008 with almost 1.5m sqm of planned shopping centre space. Most developers now focus on secondary cities with smaller population of 50,000 to 100,000 inhabitants and many of the proposed schemes are smaller scale 'neighbourhood' centres that aim to fill the gap of convenience shopping close to the residential areas. Some major developers active in the market are Parkridge, Trigranit, Plaza Centres, Neinver and others.

Major developments in the pipeline

Developer	Project	Size (sqm)	Region	Date
Neinver	Galeria Malta	60,000	Poznan	2009
Parkridge	Focus Park	64,000	Gliwice	2010
Trigranit	Bonarka	87,000	Krakow	2009
AIG	Galeria Sloneczna	41,000	Radom	2009
Plaza Centres	Torun Plaza	45,000	Torun	2011

Source: Savills

Rents

Top prime shopping centre rents in Warsaw have reached €840/sqm/year. Anchor units achieve top rents of €300/sqm/year, while prime retail warehousing rents are at €180/sqm/year.

Investment market

The retail sector comprises the largest share in investment turnover in Poland. Strong investor interest and the tight supply of product have pushed yields down to 5.5% for the best product. Demand is focused not only in Warsaw but also in the regional cities. Some investors also get involved in the development stage of the projects in order to achieve better returns.

Outlook

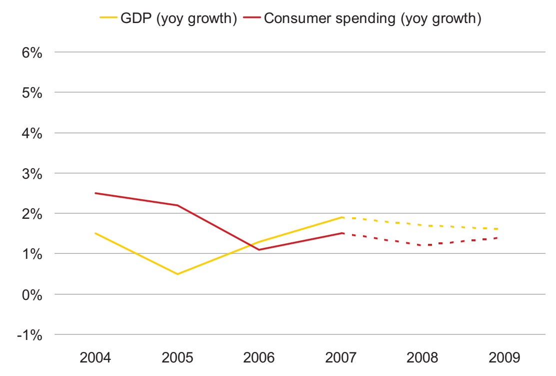
Although consumer and retailer demand remain strong drivers for the expansion of the sector, we may see some slowdown in new development activity due to stricter and more complex regulations introduced by the recent new Act on the development of large format retail outlets. Moreover, the supply of land is becoming more scarce and we expect developers to focus on redevelopment opportunities. Rising consumer spending and economic growth should lead to further rental growth. However, we expect prime yields to remain stable and capital value growth to follow the pace of rising rents.

Portugal

Economy

Portugal's economy has slowed abruptly since the beginning of this decade, and the country has been among the slowest growing in the European Union. In 2007 consumer spending growth picked up somewhat to 1.5% and imports increased only modestly, allowing GDP to grow by 1.9%.

National GDP and consumer spending



Source: European Commission

Demand

Consumer demand

According to the latest data consumer confidence indicator maintained the downward trend due to the negative contribution of the prospects of the country's economic situation and the household's financial situation. However, the index of retail trade turnover registered an annual rate of 2.9%.

Retailer demand

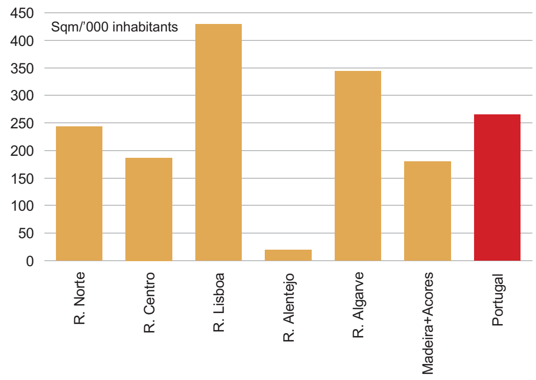
The retail market is still dominated by the growth of shopping centres and more recently by retail parks. The new schemes are developing towards secondary cities. Major international retailers, mainly from Spain and France are driving this expansion acquiring units in the most competitive schemes. However, the expansion of retail parks is held back by the lack of national big box retailers.

Supply

At the end of 2007 we estimate that the total modern retail stock in the country reached 2.8m sqm (GLA) ie. 265sqm per 1,000 inhabitants. Circa 80% of the stock is shopping centres. Approximately 185,000sqm of new shopping centres were completed last year including Alegro Shopping Alfragide, Dolce Vita Funchal, Dolce Vita Ovar and Forum Castelo Branco. In terms of future supply we forecast a total of 700,000 of new shopping centres to come onto the market in 2008-2009. Some of the schemes in the pipeline are Espaço Guimarães (Guimarães), Forum Barreiro (Barreiro), Matosinhos Plaza (Matosinhos), Vivaci Caldas da Rainha (Caldas da Rainha), and Ria Shopping (Olhão).

In terms of Retail Parks, the concept in Portugal emerged in the mid 1980's and the beginning of the 1990's, primarily focused on owner-occupiers in clusters near existing hypermarkets around Lisbon and Porto. At the end of 2007 this format reached approximately 300,000 sqm of GLA. For 2008-2009 we forecast a total of 150,000sqm of new schemes, although there is an additional number of other projects at early stages of the planning process.

Shopping centre density per region



Source: Abacus Savills

Rents

Average rents for a prime shopping centre unit (approx. 30-100sqm) are around €45-60sqm/month. Retail warehousing rents have stabilised at around €10-12/sqm/month for units approx. 1,000sqm.

Investment market

The investment market has been very active driven by foreign investor interest for the best properties in the country. High competition has led to a hardening of yields, which have now stabilised at 5.75% for prime shopping centres and 6.25% for prime retail parks.

Outlook

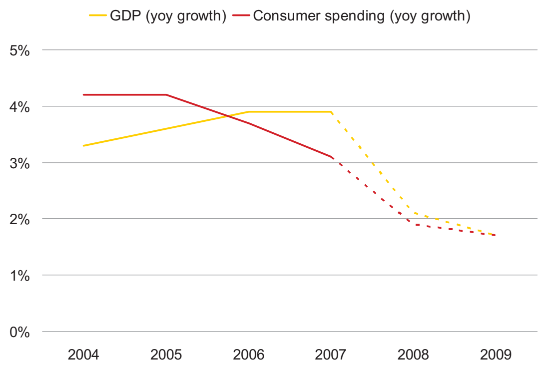
Over the next two years, GDP growth is expected to accelerate mildly, and bring the pace of expansion closer to, but still below, the eurozone average. The upturn will be broadly-based, while consumer spending will expand at around 1.2%. Although the density of shopping centres has already exceeded the European average, with Lisbon market reaching the point of saturation, the country's development pipeline is one of the highest amongst the mature European markets. Competition is higher and opportunities are fewer in the market. Developers are focusing on new concepts, such as retail parks and factory outlets as well as alternative locations, such as in-town areas and secondary cities.

Spain

Economy

In 2007 GDP grew by 3.9% for the second year in a row. Growth at this pace was achieved despite a moderation in consumer spending due to a less robust labour market and higher interest rates. The economic outlook has deteriorated over the recent months and a significant ease of activity is expected for 2008 as a whole.

National GDP and consumer spending



Source: Consensus Economics

Demand

Consumer demand

Although consumer confidence has been falling over the past twelve months the value of retail trade continues to rise above inflation. According to the latest data retail trade grew by 5.2% pa driven mainly by the rise in food expenditure. On the other hand spending for household goods has been dropping slightly over the past few months.

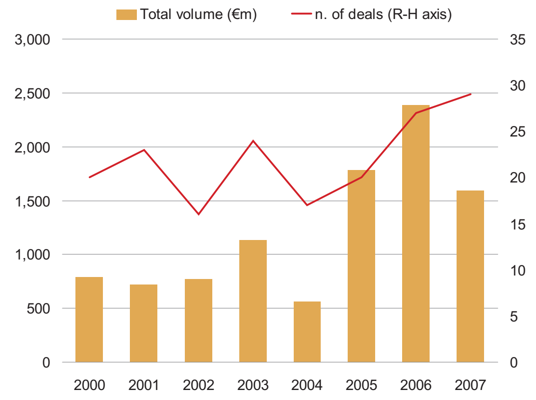
Retailer demand

Demand for retail premises in well located shopping centres is steady. This has been confirmed by the high occupancy levels of the recently commercialised shopping centres in prime locations. As far as retail warehouse parks are concerned, reaching a 100% occupation rate is not uncommon.

Supply

The total stock of shopping centre space in the country reached 12m sqm at the end of 2007, representing an increase of 6% compared to 2006. Last year nearly 700,000sqm of gross lettable area (GLA) entered the market and was distributed over 25 shopping centres . Just over 27% of the new retail space was concentrated in the Community of Madrid, which has the highest density of commercial space with 452sqm per 1,000 inhabitants while the national average is 267 sqm. On the contrary Catalonia has a density of 159sqm due to the new restrictions regarding the development of new commercial land imposed by the autonomous government. On the other hand, it is worth mentioning the significant increase in commercial density seen in Murcia and the Canary Islands. 2008 will register a historic high as far as the development of new commercial space is concerned since more than 1m sqm of GLA is expected to enter the market, increasing the current total accumulated surface areas by nearly 9%.

Retail investment volume



Source: Savills

Rents

According to the rent analysis carried out by Savills on a sample of commercial space in almost 100 centres, the average rent for a 100-150sqm unit is around €30/sqm/month. Rents in prime shopping centres in Madrid and Barcelona reach €100/sqm/month. Rents for retail warehousing units of around 2,500sqm are approximately €22/sqm/month.

Investment market

Despite the financial turbulence which affected the international economy after the summer of last year, investment activity in the retail sector remained quite strong in the first months of 2008. However demand and supply have become more balanced as there is less availability of finance and more properties on the market that would help some companies to service their debt. Under these circumstances there has been a repricing of risk, especially for secondary product, where yields have moved out between 50 and 75 basis points. Prime shopping centre yields are now around 5.25%.

Outlook

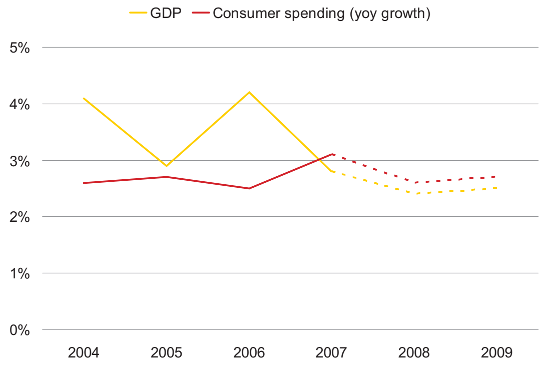
Experian forecasts indicate that economic activity will slowdown although it will remain above the Euro zone average, with GDP expected to grow by less than 3.0% in 2008. The key factor is the reduction in private consumption along with the increased debt level in Spanish households and less accessible credit. We expect the investment and development activity to be driven by specialists in the sector with higher liquidity that will try to benefit from the more attractively priced properties that are coming onto the market.

Sweden

Economy

The Swedish economy grew by 2.8% in 2007, down on a year ago, but still above trend. Growth has been supported by an increase in disposable incomes, higher wages and employment growth. Investments have also been booming led by strong profit growth, strong construction activity and high levels of capacity utilisation.

National GDP and consumer spending



Source: Consensus Economics

Demand

Consumer demand

Total retail sales increased by 6.5% over 2007, the second strongest year since 1990. Food sales increased by 5.2% and non-food sales increased by 7.4%. The projection for 2008 is that the growth will continue and end up at approximately 5.0% measured at current prices.

Retailer demand

There is a strong demand for all types of premises from high street shopping locations to out of town shopping centres and retail park units. As in most of the Nordic retail market, the exposure to foreign retailers has been quite limited in Sweden but the pattern is changing. In recent year's international retailers as Zara, Media Markt, Topshop, New Yorker, Hornbach and Diechmann have entered the market and will continue to expand.

Supply

The current stock of shopping centres stands at approximately 3.6m sqm. This corresponds to approximately 392sqm per 1,000 inhabitants and makes Sweden one of the countries with the highest shopping centre density in Europe. Currently the amount of new construction is modest in relation to the rest of Europe. The retail park stock currently stands at approximately 1.85m sqm. Sweden has very few restrictions with relation to new construction of external retail parks. These relaxed planning regulations, in conjunction with strong demand for modern and accessible retail parks have led to one of the highest pipeline figures in Europe. During the coming five years the potential new construction pipeline amounts to approximately 600,000sqm.

Key investment transactions

Property	Buyer	Price (€m)	Region
2 Retail Warehouses	Warburg-Henderson	40	Norrköping
Birsta Retail Warehouse	Warburg-Henderson	19.2	Sundsvall
Parkeringsljuset 1	Redevco	10.8	Malmö
Sicklaön 117:1	Lathe Investment	6.5	Nacka
Vinkeln 1,2 & 10	Ejendomsinvest	28.1	Huddinge

Source: Savills

Rents

The strong development of retail sales in recent years have pushed the rent levels upwards, even with the stock growing at a high pace.. Prime rents for premises in the best out-of-town locations around Stockholm (Kungens Kurva and Barkarby) amounts to 2,200 SEK/sqm/year. In secondary locations the market rents amount to approx. 1,500 SEK/sqm/year. Prime retail warehouse rents in larger cities in Sweden vary between 1,200 – 1,400 SEK/sqm/year.

Investment market

The turnover of the property investment market during 2007 remained high at approx. SEK 143bn, which was slightly lower than the record year 2006. The turnover for retail properties amounted to approx. SEK 29bn slightly higher than the previous year, of which some SEK 22bn was shopping centre transactions. In spite of the slowdown in transaction intensity during the last half of 2007, interest in retail properties remained high. So far we have seen no indication of increasing yields for prime properties in the Shopping Centre and Retail Warehouse segments. Prime yields for modern Retail Warehouse properties with solid tenants vary between 5.0% and 6.0% depending on location.

Outlook

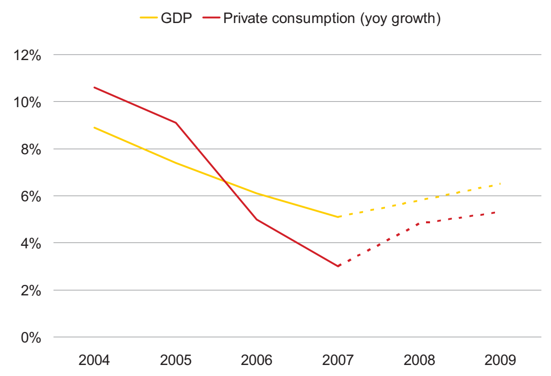
GDP is expected to ease further in 2008-09, and it is likely to fall below 2.5% pa according to the latest estimates. Higher interest rates and global concerns dampen investment as well as consumer and business confidence. Following the credit crisis international banks have been acting a lot more carefully, which has led to an increase in lending by the Swedish banks. In the short term we estimate that rents will continue to rise, although at a slower rate, at least during the first two quarters of 2008. We expect that yields will rise as a result of increased financing costs.

Turkey

Economy

GDP growth fell from 6.1% in 2006 to an estimated 5.1% in 2007, mainly due to weaker private consumption, driven by tighter monetary policy, higher interest rates and lower lending. Outlook is positive and economic activity is expected to rise gradually to 6.5% in 2009. As inflation declines, growth in disposable income will accelerate.

National GDP and consumer spending



Source: European Commission

Demand

Consumer demand

Although the majority of sales still come from small retailers, modern retail formats begin to dominate. Consumer confidence has dropped since the middle of 2006, and consumer spending growth has weakened over the past two years, but is expected to pick up in 2008 (4.8%) and 2009 (5.3%) in line with stronger employment growth.

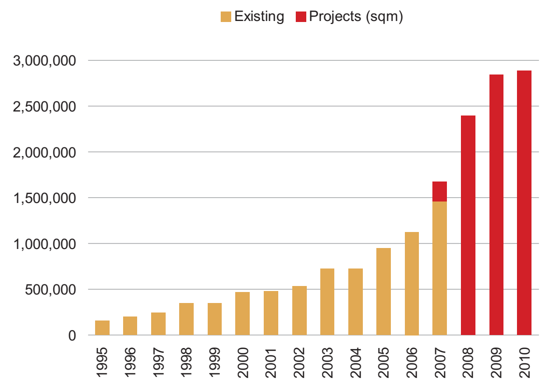
Retailer demand

The development of new shopping centres has attracted international retailer interest. The market is modernising and offers a consumer base, which comprises young population with rising disposable income and growing desire for western-style products. Turkey has been a pole of attraction for international fashion chains such as Mango, Zara, Marks & Spencer as well as big box and supermarket retailers such as IKEA, Carrefour and Real.

Supply

There is a growing number of large scale shopping centres in the pipeline, reflecting the modernisation of the retail market. This transformation has so far occurred only in the major cities. Istanbul is the main location for development as it provides, good transportation links and access to a demographically prosperous population. Shopping centre development is fragmented. Turkish players mostly aim to develop a single shopping centre, operate it and hold it. Many foreign companies prefer to set up joint ventures with successful and experienced local developers. Over the past decade the total GLA of the shopping centres in Istanbul has increased from 200,000sqm to 1.4m sqm. Currently the average shopping centre density across the country in terms of GLA/'000 population is still below 50 and around 121 in Istanbul region.

Istanbul shopping centre stock and pipeline



Source: Kuzey Bati, Savills

Rents

Top prime shopping centre rents in Istanbul have reached €1,200/sqm/year 18% higher compared to 2006. Anchor units achieve top rents of €490/sqm/year.

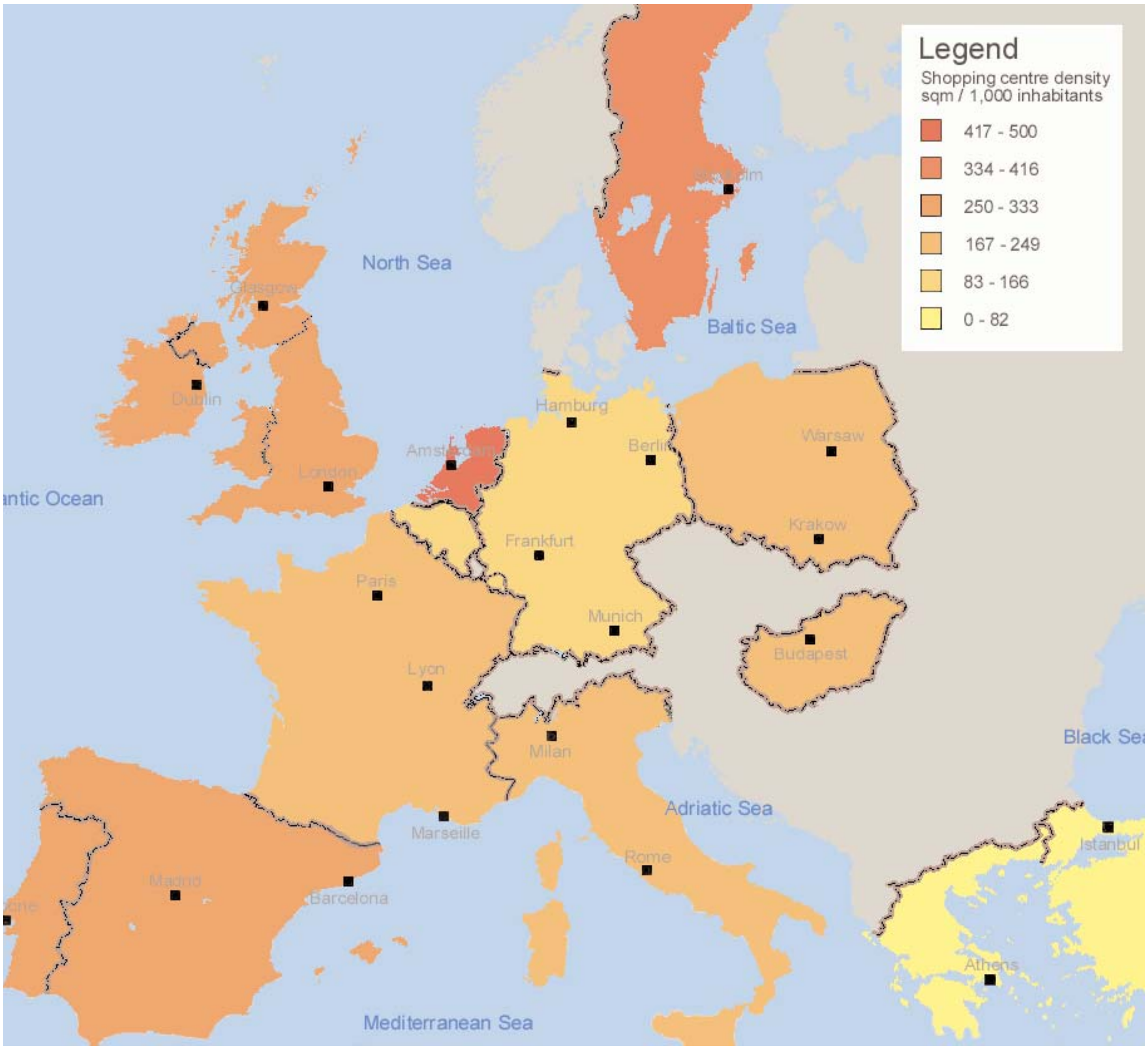
Investment market

Foreign investors support the development activity and the expansion of the sector. Last year Corio was the most active investor in the sector with seven transactions of standing investments and projects in the pipeline. Multi Turkmall, acquired a stake in one more development in 2007, Carrefour Merter, in a joint venture with Apollo Real Estate. Moreover other German, English and Dutch funds are also interested to invest in high yield expected developments.

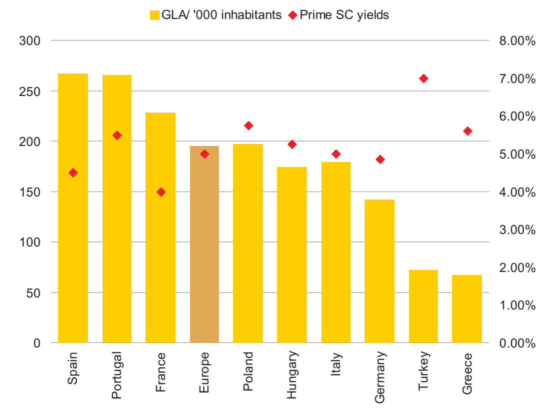
Outlook

The increasing importance of modern retail formats and the positive economic outlook are the main drivers of the sector. We believe that in the future, shopping centres with a major leisure element will be more successful. Professional management will also have a vital importance for success. According to the projections between 2007 and 2010 total GLA in the country will grow by about 100%, and it is expected that the number of schemes will increase to 103 from 59 in Istanbul. Yield compression is expected to turn towards stabilisation in 2008. Second tier cities are gaining more importance compared to Istanbul.

Map of European retail supply

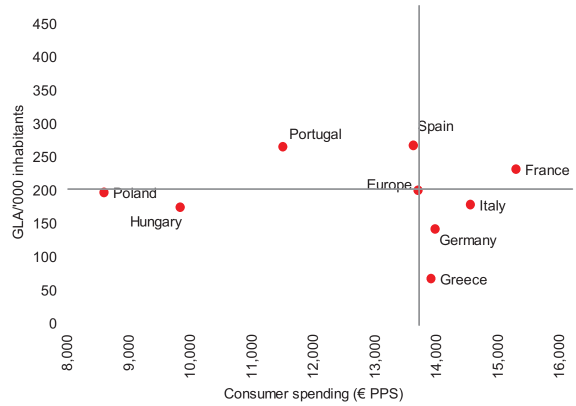


Shopping centre density vs Shopping centre yields



Source: Savills

Shopping centre density vs Consumer spending



Sources: Savills, Experian

Contacts

For further information please contact

Eri Mitsostergiou
European Research
+30 210 6996311
emitso@savills.com

Lydia Brissy
European Research
+44 20 7016 3776
lbrissy@savills.com

Belgium	John Defauw	jdefauw@savills.be	+32 2 542 40 55
France	Christophe Gouny	cgouny@fpdsavills.fr	+33 (0) 1 44 51 73 91
Germany	Roy Frydling	rfrydling@savills.de	+49 (0) 30 726 165 165
Greece	Dimitris Manoussakis	dman@savills.gr	+30 210 699 6311
Hungary	Peter Chatfield	pchatfield@savills.com	+36 (0) 1 235 7720
Italy	Lionello Rosina	lrosina@savills.it	+39 (02) 36 56 9300
Netherlands	Jan Peter Hebly	J.Hebly@savills.nl	+31 (0) 20 301 2016
Poland	Kinga Sistermann	ksistermann@savills.pl	+48 22 330 06 37
Portugal [1]	Jerry Harris	jharris@abacusproperty.pt	+351 (21) 3170577
Spain	Luis Espadas	lespadas@savills.es	+34 (91) 310 1016
Sweden	Peter Wiman	pwiman@savills.se	+46 (8) 545 85 890
Turkey [2]	Nesil Akman	nesil.akman@kuzeybati.com.tr	+(90) 212 325 28 00

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