



At a glance H1 2018

EUROPEAN RETAIL MARKET

RETAIL INVESTMENT REMAINS STABLE IN H1 18

Economic growth within the Eurozone will remain above potential: +2.2% in 2018 followed by +1.7% in 2019. **Private consumption** is forecast to increase by 1.3% in 2018 (+1.5% in 2019). **Unemployment rates** in all European countries are expected to be stable or to decrease. An accommodative monetary policy should also continue to **drive domestic demand**.

In the Eurozone, **retail trade** will stand at +1.7% in 2018 and should reach +2.1% in 2019. In the **major markets**, compared to 2017 weaker growth is expected for this year: Germany +1.2% (vs 3.0%), France +2.8% (vs +3.7%) and the UK +1.7% (vs +2.1%). As observed over the last few years, thanks to dynamic economy, retail sales growth in **CEE countries** remain strong in 2018: Poland (+6.0%), Czech Republic (+5.3%).

Retail is facing structural changes. Physical stores really need to continue to adapt their strategy to the changes of consumer preferences. **European online sales** are still increasing (+13.6% in 2017, *source: E-commerce Foundation*), but at a lower pace compared to 2016 (+15.4%) and previous years. There are now particularly driven by growing Internet penetration from Southern and Eastern countries.

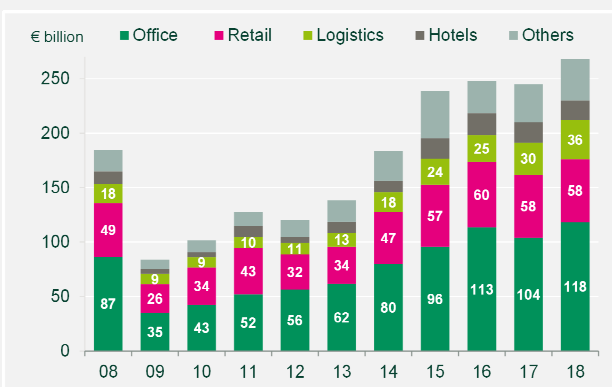
On a rolling year basis, at €268 bn, the **commercial real estate investment** volume rose by 9% vs 17 driven by office (+13%) and logistics (+20%).

Retail investment, the **2nd largest sector** (€58 bn) remained stable over the last 12 months. **On half-year**, even though its share of total investment is decreasing (22% vs 23% in H1 17), retail property volumes remain higher than the 10-year average. Among the major markets, in **H1 18**, lower investment in **Germany** (-16%) can be linked to an inadequate supply of larger portfolios. Decreasing volume was also recorded in the **UK** (-10%), but especially in Q1 18. Several large transactions have occurred in Q2 18. Retail property in **France** (+57%) was up thanks mainly to the sale of the Apple Store on the Champs Élysées. Portfolio retail deals boosted the **Polish** market. In **Italy**, big deals brought H1 2018 in line with results registered in 2017, a record year. In **Spain**, retail assets still represent the major part of total investment (42%).

Retail prime yields are still under pressure in most European markets. In Paris, the prime high street yield fell to 2.50%. Prime shopping centre yields were stable in major countries except in the UK where they have been increasing over the last few quarters.

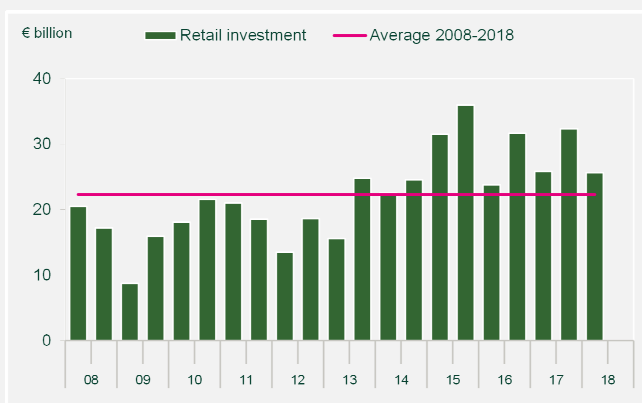
Commercial real estate investment volume

Europe – by type of assets – from 2008 to 2018 – rolling year Q2 18



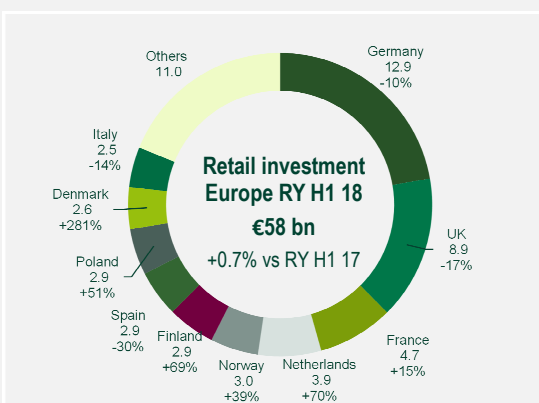
Retail investment volume

Europe – by half-year – from H1 08 to H1 18



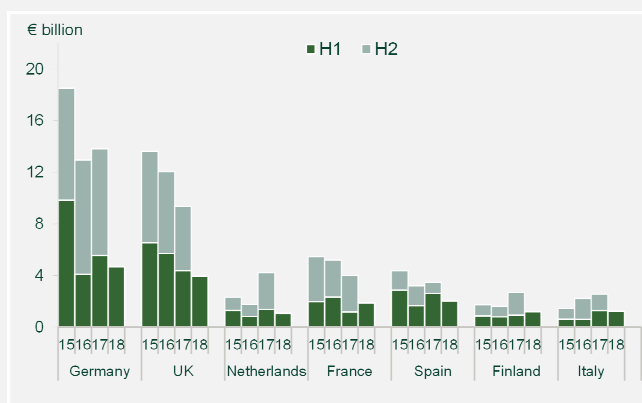
Retail investment volume

Europe – by country – rolling year Q2 18

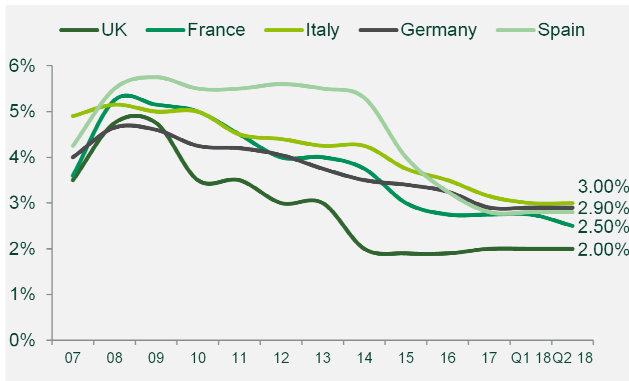


Retail investment volume

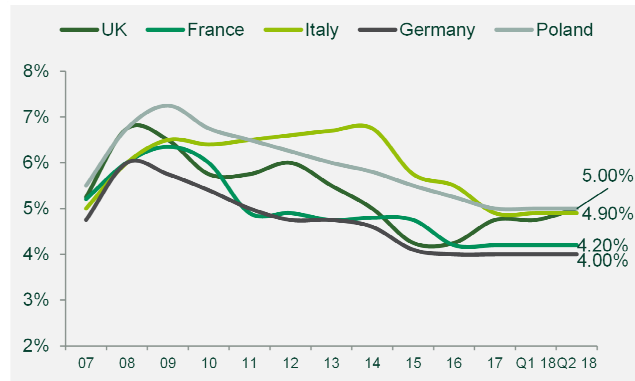
Top 7 countries (ranked by volume 2017)



Retail prime yields—High Streets



Retail prime yields—Shopping Centres



OCCUPIER MARKET—RENTS—NEW ENTRIES

In H1 2018, **London's Old Bond Street** followed by **Paris's Avenue des Champs Élysées** are the two most expensive store locations.

Prime rents in luxury high streets remain high. Because of a lack of available products, rents in **Milan are increasing especially in via Montenapoleone** (€600/sqm/month, +20% vs H1 17). Other places such as **Prague's Pařížská** (€210/sqm/month, stable vs H1 17) continue to attract prestigious brands (*Furla, Elisabetta Franchi*) as first stores in the Czech Republic. End of 2018, *Cartier* is due to enter the Nordics market through a store located in Stockholm's

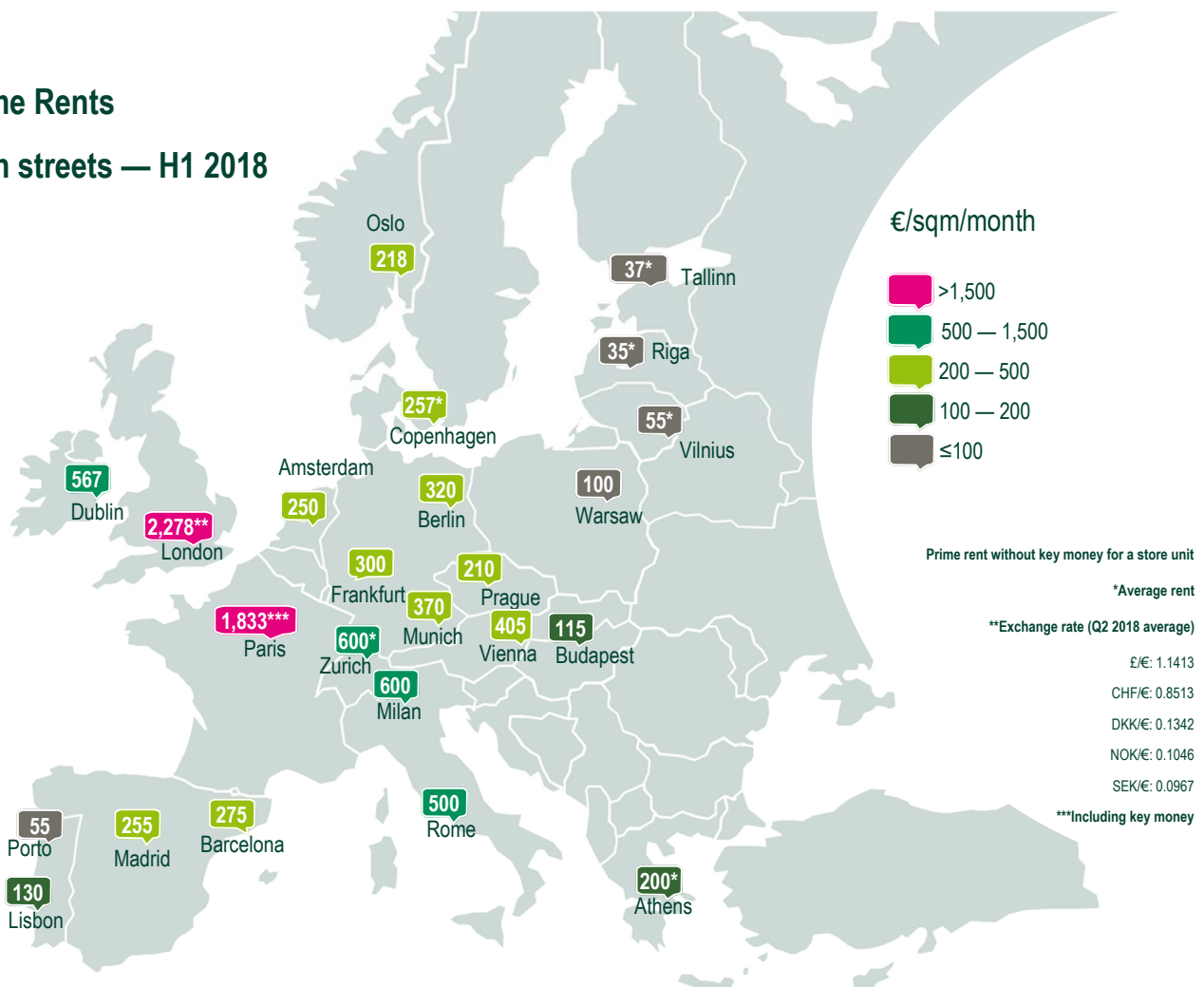
Smålandsgatan.

In **mixed streets** such as **Madrid's Calle Serrano** (€248/sqm/month, +3% vs H1 17), *Bottega Veneta*, *Yves Saint Laurent* and *Maisons du Monde* opened stores last spring.

In the **mass-market** segment, **Kalverstraat's Amsterdam** (€250/sqm/month, stable vs H1 17) is a sought-after high street location for international retailers. After *Under Armour* opened at the end of 2017, *Uniqlo* is set to enter the Dutch market in Autumn.

Prime Rents

High streets — H1 2018



GLOSSARY

BNP Paribas Real Estate is working on producing indicators which are as comparable as possible. This is a complex issue, due to cultural differences from market to market. Nevertheless, as we aim to actively contribute to the transparency of the markets, we have highlighted those definitions and indicators which are strictly comparable, so that our readers can understand what the indicators mean.

Furthermore we have decided to adopt the PEPCIG¹ definitions, on which most of the following indicators published by BNP Paribas Real Estate are based. Other indicators are from INREV² and from BNP Paribas Real Estate.

Asset categories:

High-street retail: The high street denotes where 'core' retail activity resides. In this definition, 'High street' includes prime, as well as secondary retail locations. It includes street-level stores and mixed-use buildings, but excludes stores located in shopping centres.

Shopping centre: A shopping centre is a purpose-built complex of shops, restaurants, etc, which can be located in either in-town or out of town locations.

Supermarkets, Hypermarkets and Discount stores (SHD):

- **Supermarkets:** are stores which predominately sell grocery. Supermarkets can be located either in-town or out-of-town. Supermarkets are retail establishments which generate over two thirds of its sales from food and measuring 400-2,500 m².
- **Hypermarkets:** are large retail stores which sell a variety of products such as appliances, clothing and groceries.
- **Discount stores:** tend to offer a wide array of products, but they compete mainly on price and offer merchandise at affordable and cut-rate prices. Discount retailers normally sell less fashion-oriented brands.

Retail parks: This includes Retail Warehouses, Fashion Parks, Designer Outlet Centres and Factory Outlet Centres. They tend to be located in out-of-town locations.

- **Retail warehouses:** are big sheds that offer retailers space to adapt (occasionally with a mezzanine level where permitted) and generally are usually found these days as part of larger agglomerations located in Retail Parks.
- **Fashion parks** tend to be outdoor centres offering a distinct retail mix dominated by fashion brands. Fashion Parks predominately sell clothing and footwear merchandise.
- **Designer Outlet Centres:** tend to be outdoor centres which predominately sell designer and luxury goods at discount prices.
- **Factory Outlet Centres:** offer a distinct retail mix, focused on providing branded goods at discounted prices.

Department store: is a retail establishment which sells a diverse range of goods from a number of different brands. Department stores tend to offer a range of concession brands under one roof, as well as 'own brand' goods.

Retailer definitions

Flagship store: A "flagship" store is often considered to be a retailers 'showcase' store. It is usually in a primary and prominent location. It tends to be a chain's largest store and generally the store that holds or sells the highest volume of merchandise.

Property definitions

Prime Pitch: Prime Pitch is the best and most sought after retail location. Generally prime pitch is the location with the greatest footfall, the best quality of retail brands, and the highest rental values.

Prime rental value: Prime rental value is the highest meaningful rental value for a top trading location.

GLA: Gross Letting Area: total area let to merchants, including all sales and additional space.

Selling area: The selling area is divided into three subcategories: sales area, storage and staff areas. Deduction is then made of pillars, outside walls and vertical circulation.

Leasing rights: The tenant owns the renewal rights to the lease, expressed as a commercial ownership. It may sell its rights to another merchant. The payment for this sale is made to the selling tenant.

Right of entry: The right of entry or premium for goodwill is the sum paid by the tenant to the owner on signing the lease for a vacant unit. It is considered as a supplement to rent for the owner.

Investment definitions

Initial prime net yield: Net income over purchase price plus all other costs of acquisition.

Investment volume: All retail properties BNP Paribas Real Estate is aware of, whose owner has changed during the analysed period, whatever the purchasing price is.

BNP Paribas Real Estate Disclaimer clause

BNP Paribas Real Estate cannot be held responsible if, despite its best efforts, the information contained in the present report turns out to be inaccurate or incomplete. This report is released by BNP Paribas Real Estate and the information in it is dedicated to the exclusive use of its clients. The report and the information contained in it may not be copied or reproduced without prior permission from BNP Paribas Real Estate.

Should you no longer wish to receive this report, or wish to modify the conditions of reception of this report, please send an e-mail to: unsubscribe.mail@bnpparibas.com

6 BUSINESS LINES in Europe

A 360° vision

Main Locations

EUROPE

FRANCE

Headquarters
167, Quai de la Bataille de
Stalingrad
92867 Issy-les-Moulineaux
Tel.: +33 1 55 65 20 04

BELGIUM

Avenue Louise 235
1000 Brussels
Tel.: +32 2 290 59 59

CZECH REPUBLIC

Ovocny trh 8
110 00 Prague 1
Tel.: +420 224 835 000

GERMANY

Goetheplatz 4
60311 Frankfurt
Tel.: +49 69 2 98 99 0

HUNGARY

117- 199 Vaci ut.
A Building
1123 Budapest
Tel.: +36 1 487 5501

IRELAND

20 Merrion Road,
Ballsbridge, Dublin 4
Tel.: +353 1 66 11 233

ITALY

Piazza Lina Bo Bardi, 3
20124 Milan
Tel.: +39 02 58 33 141

LUXEMBOURG

Axento Building
Avenue J.F. Kennedy 44
1855 Luxembourg
Tel.: +352 34 94 84
Investment Management
Tel.: +352 26 26 06 06

NETHERLANDS

Antonio Vivaldistraat 54
1083 HP Amsterdam
Tel.: +31 20 305 97 20

POLAND

Al. Jana Pawla II 25
Atrium Tower
00-854 Warsaw
Tel.: +48 22 653 44 00

ROMANIA

Banul Antonache
Street n°40-44
Bucharest 011665
Tel.: +40 21 312 7000

SPAIN

C/ Emilio Vargas, 4
28043 Madrid
Tel.: +34 91 454 96 00

UNITED KINGDOM

5 Aldermanbury Square
London EC2V 7BP
Tel.: +44 20 7338 4000

MIDDLE EAST / ASIA

DUBAI

Emaar Square
Building n° 1, 7th Floor
P.O. Box 7233, Dubai
Tel.: +971 44 248 277

HONG KONG

63rd/F, Two International
Finance Centre,
8 Finance Street, Central,
Hong Kong
Tel.: +852 2909 8888

Alliances*

ALGERIA

AUSTRIA

CYPRUS

DENMARK

ESTONIA

FINLAND

GREECE

HUNGARY **

IVORY COAST

JERSEY

LATVIA

LITHUANIA

MOROCCO

NORTHERN IRELAND

NORWAY

PORTUGAL

SERBIA

SWEDEN

SWITZERLAND

TUNISIA

USA

* June 2018

** Coverage In Transaction, Valuation & Consulting

Contacts

Alliances

Lou Cellier
Tel.: +33 (0)1 47 59 18 03
lou.cellier@bnpparibas.com

Research

Bénédicte TEISSIER
Tel.: +33 (0)1 55 65 21 74
benedicte.teissier@bnpparibas.com



www.realestate.bnpparibas.com



PROPERTY DEVELOPMENT | TRANSACTION | CONSULTING | VALUATION | PROPERTY MANAGEMENT | INVESTMENT MANAGEMENT



**BNP PARIBAS
REAL ESTATE**

Real Estate
for a changing
world