

Quick Stats

	Change from	
	Q1 09	Q4 09
Rent	↓	↓
Yield	↓	↓

Rents - Quarterly Change

EU27 Index

EU - 27 Index	↑	-0.2%
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Number of markets

Risers	↑	3
Stable	↔	34
Fallers	↓	12

Yields - Quarterly Change

EU 27 Index

EU -27 Index	↑	-6 bps
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Number of markets

Risers	↑	1
Stable	↔	31
Fallers	↓	17

OVERVIEW

• Unemployment continues to rise although at a much slower pace

Employment levels started to stabilise in 2009 and have continued to do so in the first quarter of 2010. However further job losses are still expected in 2010 and leading to moderate increases in unemployment rates.

• Retail confidence indicators improving but still volatile

Consumer Confidence indicators continued to rise in the early part of the year, and the EU retailer confidence indicator entered positive territory for the first time since March 2008. However, uncertainties in the economy and concerns over government finances and proposed austerity packages mean that confidence is still fragile and showing short term volatility.

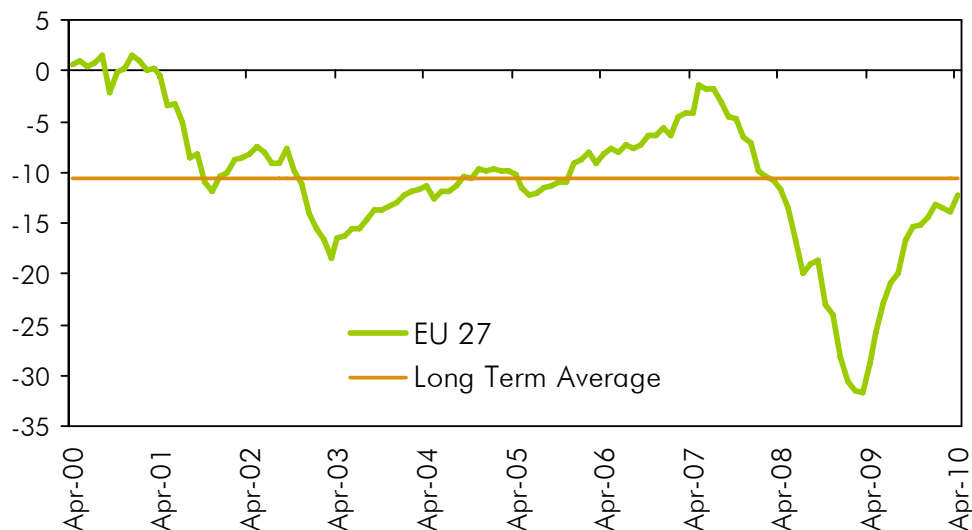
• Retail sales are fairly subdued in Q1 2010

Improving confidence is not yet translating into significant increases retail sales. In addition to the seasonal reduction in purchasing during the Q1 post-Christmas period, impending tax increases and residual unemployment risk means that consumers remain cautious in the spending. Retailers therefore continue to face difficult trading conditions.

• Prime rents stabilise in majority of markets

Demand for prime space has generally remained strong in most markets, and vacancy is typically low. Prime rents have stabilised in the majority of markets, although there were significant rental falls in Ireland and Greece. Demand for secondary locations remains weak and rents in this sector are still falling in many markets.

European Consumer Confidence Index, April 2009



Source: Ecwin  
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**RETAIL ECONOMICS**

The economic signals remain mixed, and the short term outlook is still very uncertain. On the upside, it is true that most major economies saw positive GDP growth in the fourth quarter of 2009, and this appears to have been sustained into the start of this year. That said, growth rates remain weak and it is too early to say that a return to healthy rates of expansion is underway.

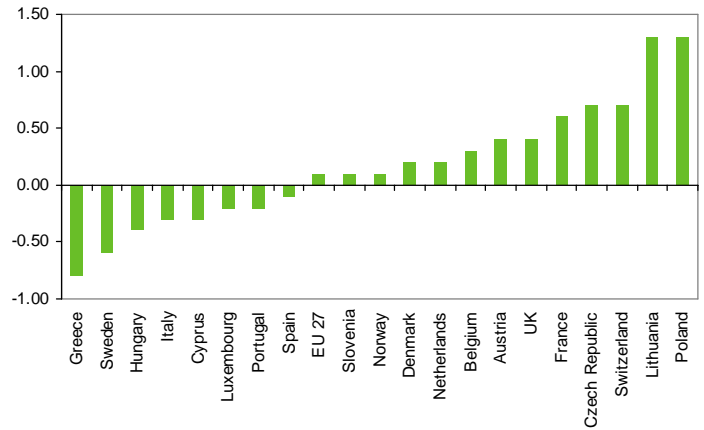
Latest forecasts suggest the European Union economy will grow by around 1.1% in 2010, with Germany, France and the UK all expected to see marginally stronger recovery but still below trend growth. The EU is lagging behind North America and Asia Pacific, which are likely to see growth of 3.2% and 5.7% respectively. More importantly, growing concerns over the state of government finances and the austerity measures that will need to be imposed are increasing the uncertainty around the outlook for the EU economy.

Encouragingly, employment levels are starting to stabilise across most of Europe. Further job losses are still expected, which will put upward pressure on unemployment rates, but future increases are expected to be more moderate than those seen last year. Germany announced it has extended its short term work program for another year in order to tackle the effects of rising unemployment. Spain which has one of the highest unemployment rates in Europe but has recently announced major public spending cuts and is less well placed to implement any such measures – and they are not alone.

The general improvement in the economic outlook – at least compared with the lows of a year ago – has had a positive effect on confidence levels amongst consumers and retailers. The EU Retailer confidence indicator has entered positive territory for the first time in since March 2008, suggesting sentiment is returning to the market. Consumers are also beginning to feel more positive, although the latest “flash” report from the European Commission suggests that sentiment weakened from April to May.

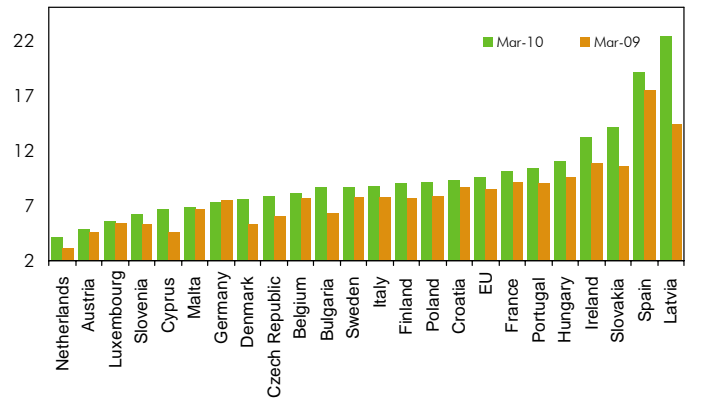
Given all this uncertainty it is unsurprising that retail sales remained relatively subdued in the early months of 2010. Consumer confidence may be up, but they are still very cautious about increasing expenditure – almost certainly aware that there are tough times ahead. Despite difficult trading conditions, some retailers – notably in the food and “value” sectors – have posted healthy sales figures and in some cases are showing an appetite for expansion. This is a period when stronger players will look to drive market share growth, in some cases by taking up units in good locations being vacated by weaker operators.

**GDP Quarterly Percentage Change Q4 2009**



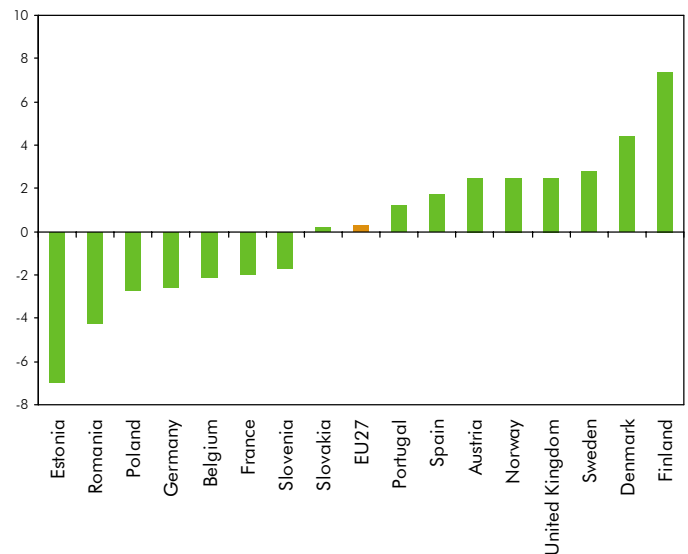
Source: Eurostat

**European Unemployment Rates (%)**



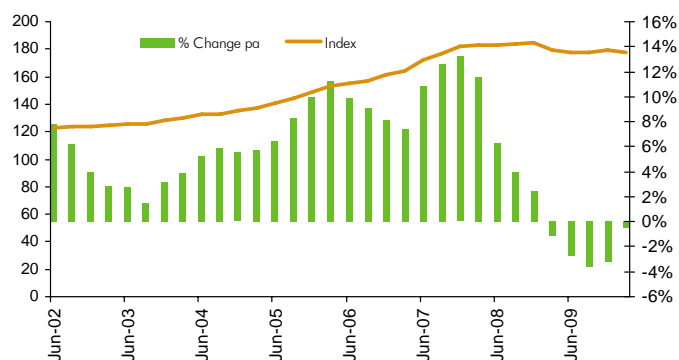
Source: Eurostat

**Retail Trade Growth Y-o-Y – March 2010 (%)**



Source: Eurostat

## EU-27 Retail Rent Index, Q1 2010

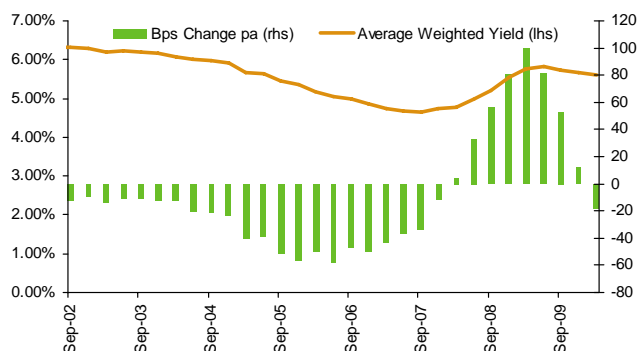


Source: CB Richard Ellis

## EU-27 Retail Rent Index

	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Index (Q1 2000 = 100)	178	178	179	178
Quarter-on-Quarter (% Change)	-0.6%	-0.3%	0.6%	-0.2%
Year-on-Year (% Change)	-2.7%	-3.6%	-3.2%	-0.5%

## EU-27 Retail Yield Index, Q1 2010



Source: CB Richard Ellis

## EU-27 Retail Yield Index

	Q2 2009	Q3 2009	Q4 2009	Q1 2010
Average Weighted Yield	5.81%	5.72%	5.66%	5.60%
Quarter-on-Quarter (bp Change)	4	-9	-7	-6
Year-on-Year (bp Change)	82	53	12	-18

## RETAILER ACTIVITY

Whilst retailers are inevitably being more cautious than was the case a few years ago, there is evidence that retailers from many different sectors are still selectively pursuing an expansion strategy. Prime locations in most major European cities are seeing significant levels of demand from international as well as stronger domestic brands. Retailers are continuing to target not only the more mature markets but emerging markets as well. The inherent medium-term growth potential of the emerging markets remains a key strategic driver in attracting retailers, helped by the fact that in many cases they have still only been penetrated by relatively few international brands. However, most remain focussed on the best units in prime locations and dominant shopping centres.

## RENTS

Despite the generally unfavourable economic climate, vacancy remains low – or non-existent - in many of the major high streets and best shopping centres in the main European markets. The fact that demand for premier retail locations has held up relatively well meant that the first quarter saw a stabilisation of prime rents across most of Europe. Overall, the EU-27 retail rent index fell by a marginal -0.2% this quarter. Some markets have seen significant rental movement – both London and Berlin saw a 4% increase in rents this quarter, again due to continued strong demand and a lack of availability. Others such as Athens, Dublin, Oporto and Sofia saw falls of over 10%.

Retailers are generally negotiating hard to secure the best terms on any new letting. In addition to the level of rent, tenants are requesting other incentives such as fit-out contributions, longer rent free periods and turnover based rents. Their demands are not always being met, but negotiation periods are becoming increasingly drawn out. Tenants are able to drive a harder bargain outside the prime locations, and thus the gap between prime and secondary rents is increasing.

## YIELDS

The CB Richard Ellis EU-27 Retail Yield Index saw a third consecutive quarter of contraction, although once again the decline amounted to only by a few basis points. Greece was the only market where, perhaps unsurprisingly, yields continued to rise. Most markets remained broadly stable, although a number of major markets including Paris, Brussels and a number of UK and Dutch cities saw yields falling by between 25 and 50 bps. Shopping Centre Yields also saw similar patterns of movement, with the average prime yield decreasing by 4 bps to 6.91%, driven by a hardening of yields in the UK and The Netherlands. Investor sentiment has clearly improved, with investment volumes rising, but attention is very much concentrated towards the prime end of the market where stock remains scarce.

## COUNTRY OVERVIEWS

Levels of demand in the prime locations of **Austria** have been stable therefore rents in these locations have held up this quarter. Secondary high street and shopping centre locations have suffered decreasing levels of demand and fallen to levels similar to those being paid for retail warehouses. New developments are relatively few and small due to the high density of shopping centre stock already existent in Vienna.

**Belgium's** better quality high street locations continue to perform extremely well, with no major declines in footfall or noticeable increases in vacancy. Shopping centres are suffering a bit more under the current economic circumstances with a decline in footfall. Prime high streets will continue to benefit from the lack of availability and sustained customer flows. If anything, deteriorating market circumstances in these locations are only evident through a decrease in key money. Retailers are becoming increasingly more favourable to turnover rents.

Retail sales remain low in **Denmark** and retailers are struggling with consumers unwillingness to spend. Aggregate household disposable income is expected to increase substantially this year, which will hopefully translate in to improved retail sales when consumers feel more confident about the overall economy. Despite this rents remain fairly stable in prime locations and the outlook is similar. Turnover rents are fairly common in new shopping centres and high street retailers are demanding similar terms.

Prime locations in **France** continue to see steady demand from both domestic and international retailers, with slightly "off pitch" locations seeing a slight increase in interest. This has been mainly from new or domestic retailers who are not as concerned about accessing the levels of footfall seen on prime pitches and are thus less willing to pay the premium for being in the very best locations. Consumption levels in France have been fairly flat and growth is not expected until late 2010 or early 2011. This does not seem to have hindered retailers appetite for growth, although food retailers have not been as expansive as last year. There is also some pressure on key money levels in France, although rental levels are generally being maintained.

The **German** retail market has been fairly stable. Retail sales have been steady, although there was a slight decrease in January due to bad weather conditions. Demand from both international and domestic retailers has been fairly constant, although there have not been many new retailers entering the market. Demand has been generated by retailers expanding their networks. Retailers continue to try and seek out favourable terms leading to lengthy negotiation periods. Key Money transactions are only really expected in Munich and have tailed off in most other German cities.

The improvement in **Italy's** GDP growth outlook since the middle of last year was due almost entirely to a pick up in world trade, while prospects for domestic demand remain weak. Rents in the best locations have remained well-supported given the relative supply-demand imbalance. Milan still remains a target location for major international retailers. There is still strong development activity in retail parks and shopping centres and this is mirrored in the larger regional cities. Rome has seen an increasing trend towards smaller units with many occupiers taking space. Although the retail offer remains weaker than in Milan, prime rentals are expected to remain stable due to the level of demand from domestic and international operators.

Occupier demand in the **Netherlands** increased compared to a fairly subdued 2009, in particular driven by international fashion retail chains. In contrast secondary locations continue to suffer with lower demand and increasing vacancy. Although Key Money payments have completely disappeared, the rents for prime high street retail remained stable. Modern shopping centres with a large catchment area and attractive anchor stores are still performing well. Demand increased in these prime centres.

The **Spanish** market seems to be performing better in the first quarter of 2010 compared to 2009. Retail sales are up in fast food, leisure and homewear and stable in most other areas including fashion. This is a positive sign for the Spanish market which has not performed as well as its European counterparts recently. It is believed that consumption should pick up by the end of the year, although the Spanish government has not done much to counteract rising unemployment, so consumers are still cautious in their spending habits. They are likely to remain so, given that the Spanish government has now announced major public spending cuts.

It is anticipated that economic growth in the **United Kingdom** in 2010 will be muted, and as a result the outlook for the retail market remains challenging. The new coalition government appears set to embark on significant spending reductions to address the public sector deficit. Higher taxation over the coming years looks inevitable and will undoubtedly eat into consumers disposable income. Additional pressure on consumer spending will be felt as pay remains frozen for many. Retailers will therefore have to continue to work hard to win a share of consumer spending. The occupier market in the high street remain subdued with the CB Richard Ellis UK Rent and Yield monitor showing -0.5% rental growth in Q1. Small pockets of prime high street locations such as London West End performed better, showing positive growth of 2.1%. The Shopping Centre sub sector also performed slightly better showing 0.3% growth.

# EMEA RETAIL RENTS AND YIELDS

		RENTS						YIELDS			
Country	City	Local rent currency and measurement	Prime Rent (Local currency and measurement)	Prime Rent (€ per sq m pa)	Percentage change on quarter	Percentage change on year	Percentage change from peak *	Prime Yield	Basis point change on quarter	Basis point change on year	Basis point change from peak *
<b>EU27 Rent and Yield Indices</b>					<b>-0.2</b>	<b>-0.5</b>		<b>5.60</b>	<b>-6</b>	<b>-18</b>	
Austria	Vienna	€ per sq m pm	220.00	2,640.00	0.00	0.00	0.00	4.65	0	15	65
Belgium	Brussels	€ per sq m pa	1,600.00	1,600.00	0.00	0.00	0.00	5.00	-25	-25	75
Bulgaria	Sofia	€ per sq m pm	45.00	540.00	-10.00	-18.18	-30.77	8.00	0	100	100
Croatia	Zagreb	€ per sq m pm	80.00	960.00	-3.03	-5.88	-5.88	7.70	0	30	175
Czech Republic	Prague	€ per sq m pm	170.00	2,040.00	0.00	-5.56	-5.56	6.75	0	25	175
Denmark	Copenhagen	DKK per sq m pa	14,500.00	1,947.83	0.00	-3.33	-9.38	5.00	0	0	100
Finland	Helsinki	€ per sq m pa	1,374.00	1,374.00	0.00	-0.43	-0.79	5.80	0	30	100
France	Lille	€ per ITZA pa	1,800.00	1,134.00	0.00	-18.18	-18.18	5.50	0	-50	125
France	Lyon	€ per ITZA pa	2,300.00	1,449.00	0.00	-8.00	-8.00	5.50	0	-50	125
France	Marseille	€ per ITZA pa	1,700.00	1,071.00	0.00	0.00	0.00	5.50	0	-50	125
France	Paris Ile-de-France	€ per ITZA pa	10,000.00	6,300.00	0.00	0.00	0.00	5.00	-25	-75	100
Germany	Berlin	€ per sq m pm	245.00	2,940.00	4.26	4.26	4.26	4.90	0	0	40
Germany	Dusseldorf	€ per sq m pm	220.00	2,640.00	0.00	0.00	0.00	4.60	0	0	10
Germany	Frankfurt	€ per sq m pm	270.00	3,240.00	0.00	8.00	0.00	4.60	0	0	35
Germany	Hamburg	€ per sq m pm	220.00	2,640.00	0.00	0.00	0.00	4.50	0	0	0
Germany	Munich	€ per sq m pm	300.00	3,600.00	0.00	0.00	0.00	4.50	0	0	50
Greece	Athens	€ per ITZA pm	300.00	1,692.00	-12.28	-21.05	-28.57	6.00	25	25	100
Hungary	Budapest	€ per sq m pm	90.00	1,080.00	0.00	-10.00	-10.00	7.75	0	100	200
Ireland	Dublin	€ per ITZA pa	6,500.00	3,055.00	-13.33	-27.78	-35.00	6.50	0	0	400
Israel	Tel Aviv	\$ per sq m pm	90.00	799.41	-10.00	0.00	-10.00	n/a			
Italy	Milan	€ per sq m pa	3,700.00	3,700.00	0.00	0.00	0.00	5.50	0	0	100
Italy	Rome	€ per sq m pa	3,500.00	3,500.00	0.00	0.00	0.00	5.75	-5	-15	50
Netherlands	Amsterdam	€ per sq m pa	2,700.00	2,700.00	0.00	0.00	0.00	4.45	-20	-5	90
Netherlands	Rotterdam	€ per sq m pa	1,800.00	1,800.00	0.00	0.00	0.00	4.50	-25	-20	25
Netherlands	The Hague	€ per sq m pa	1,250.00	1,250.00	0.00	0.00	0.00	4.50	-25	-20	25
Netherlands	Utrecht	€ per sq m pa	1,800.00	1,800.00	0.00	0.00	0.00	4.45	-20	-5	20
Norway	Oslo	NOK per sq m pa	14,000.00	1,744.77	0.00	0.00	-12.50	6.00	-25	-75	75
Poland	Warsaw	€ per sq m pm	80.00	960.00	0.00	0.00	-33.33	6.75	-25	-10	105
Portugal	Lisbon	€ per sq m pm	80.00	960.00	0.00	0.00	0.00	7.50	0	0	100
Portugal	Oporto	€ per sq m pm	35.00	420.00	-12.50	-12.50	-12.50	8.50	0	0	50
Romania	Bucharest	€ per sq m pm	72.50	870.00	-3.33	-19.44	-48.21	11.50	-50	0	550
Russian Federation	Moscow	\$ per sq m pa	7,769.00	5,750.56	0.18	-8.60	-38.55	12.00	0	50	350
Serbia	Belgrade	€ per sq m pm	85.00	1,020.00	0.00	-15.00	-29.17	8.00	0	0	0
Slovak Republic	Bratislava	€ per sq m pm	54.00	648.00	0.00	-10.00	-10.00	8.50	0	50	200
South Africa	Cape Town	ZAR per sq m pm	245.00	301.61	-3.92	-24.62	-34.67	9.50	0	50	250
South Africa	Durban	ZAR per sq m pm	270.00	332.39	-3.57	-22.86	-32.50	10.00	0	0	150
South Africa	Johannesburg	ZAR per sq m pm	175.00	215.44	-5.41	-32.69	-41.67	11.00	0	50	100
Spain	Barcelona	€ per sq m pa	2,040.00	2,040.00	0.00	-14.89	-23.42	6.00	0	0	150
Spain	Madrid	€ per sq m pa	2,796.00	2,796.00	0.00	-0.14	-11.07	6.00	0	0	175
Sweden	Stockholm	SEK per sq m pa	11,500.00	1,179.78	0.00	0.00	0.00	5.75	-5	-25	150
Switzerland	Geneva	CHF per sq m pa	3,600.00	2,528.80	0.00	2.86	0.00	5.00	0	0	25
Switzerland	Zurich	CHF per sq m pa	7,500.00	5,268.33	0.00	0.00	0.00	4.60	-10	-10	10
United Arab Emirates	Dubai	AED per sq ft pa	220.00	477.34	-12.00	-45.00	-56.00	9.00	0	25	100
United Kingdom	London – City	£ per ITZA pa	175.00	1,333.69	-12.50	-30.00	-36.36	5.75	-25	-25	125
United Kingdom	London – West End	£ per ITZA pa	900.00	6,858.99	0.00	20.00	20.00	4.25	0	-25	75
United Kingdom	Birmingham	£ per ITZA pa	280.00	1,591.96	0.00	-6.67	-6.67	5.25	-25	-150	125
United Kingdom	Edinburgh	£ per ITZA pa	207.50	1,581.38	0.00	12.16	-1.19	5.75	-50	-100	150
United Kingdom	Glasgow	£ per ITZA pa	260.00	1,981.49	4.00	4.00	0.00	5.25	-25	-125	100
United Kingdom	Manchester	£ per ITZA pa	215.00	1,638.54	0.00	-14.00	-28.33	5.25	-25	-150	125

Data is for Retail High Street, except Dubai, United Arab Emirates which relates to Shopping Centre

\* Figures indicate degree of change from the highest rent or lowest yield recorded in the previous three years, to the current level

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CB Richard Ellis employs over 300 retail consultants in 36 countries across the EMEA (Europe, Middle East and Africa) region. The team provides expert, practical advice on all types of retail environment – from high street, to shopping centres, to out of town. Working with our network of research analysts, we are able to provide insight into retail market trends and consumer behaviour, as well as more conventional property market analysis.

Many retailers are pursuing strategies that are global, rather than focused on EMEA. Our worldwide retail team of 950 property professionals has significant experience in delivering projects spanning all continents. These global capabilities, combined with our local market presence, enable us to offer comprehensive tactical and strategic support to retailers and investors as they expand into new markets.

At local, regional and global levels our retail specialists are supported by the CBRE Global Research and Consulting team. With over 400 research analysts around the world, and liaising closely with transaction and other professionals, the team is able to provide reports, analysis, publications and consultancy advice on markets and property types across the globe.

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