CB RICHARD ELLIS

MarketView
European Retail Investment

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Q1 2011

Q1 Retail Investment Turnover

Compared to:

Q4 2010	↑
Q1 2010	↑

• Retail investment surges ahead

European retail investment grew to €12.2 billion this quarter, the highest quarterly total since Q1 2008 and 20% above the five-year average. Having displayed a 4% quarterly rise in activity, retail continues to move ahead of the rest of the commercial real estate market, and is the only market segment to report an increase over Q4 2010. Retail claimed 46% of the €26.7 billion total commercial real estate transacted in Q1 2011, largely at the expense of the office sector.

The strength of institutional capital, which until recently was mainly focused on offices, is starting to influence the European retail investment landscape. Pension and sovereign wealth funds are actively looking to increase their allocations to the sector, predominantly in core assets and markets, and in the shopping centre sector in particular.

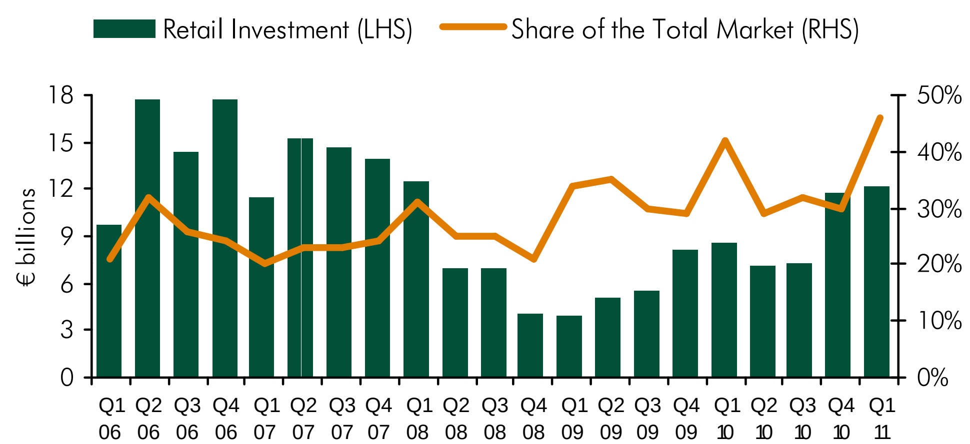
• Spotlight on Germany

The latest quarterly results are well above trend, however, activity is heavily focused on the UK and Germany, which accounted for almost 70% of the Q1 total. Germany in particular can be highlighted as the new hotspot of activity – with Q1 2011 retail investment alone matching the 2009 annual total. Robust economic and occupier fundamentals, combined with strong retailer expansion, are translating into faster and more broadly based growth in investor demand, well ahead of most of the rest of Europe.

Large transactions also influenced a number of markets, such as the €472 million purchase of trophy asset La Rinascente Duomo in Milan, which accounted for around 50% of Italian retail investment this quarter. A similar share of the UK activity was claimed by the Trafford Centre (circa €1.9 billion) and another Tesco sale-and-leaseback (circa €800 million).

• Spread in 'value-add' activity

Strong investor focus at the core end of the market is prompting some investors, and specialists in particular, to target more 'value-add' opportunities. This shift along the risk spectrum is already more evident in the retail sector – on an asset specific basis. Lack of capital investment and new developments over the last few years present attractive asset repositioning opportunities in the shopping centres segment. While geographically, the expectations are that Germany, Sweden, Spain and CEE markets are set to benefit the most from this drift in sentiment towards 'value add'.



Contacts

Iryna Pylypchuk
Iryna.Pylypchuk@cbre.com
Tel. +44 207 182 3184

John Welham
John.Welham@cbre.com
Tel. +44 207 182 2755

CBRE
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