

Quick Stats

	Change from	
	Q4 08	Q3 09
Rent	↓	↑
Yield	↑	↓

Rents - Quarterly Change

EU27 Index

EU - 27 Index	↑	0.2%
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Number of markets

Risers	↑	2
Stable	↔	30
Fallers	↓	7

Yields - Quarterly Change

EU 27 Index

EU -27 Index	↑	-7 bps
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Number of markets

Risers	↑	0
Stable	↔	28
Fallers	↓	11

OVERVIEW

• Unemployment continues to rise although at a much slower pace

From a retail perspective, 2009 ended on a fairly positive note with some modest signs of economic recovery. Unemployment levels continue to climb albeit at a much slower rate, and are expected to rise into 2010.

• Consumers and retailers continue to gain optimism

Whilst consumer and retailer confidence remain in negative territory and below the long term average for most countries, the overall EU indicator has risen through 2009. Retailer confidence is 18 percentage points higher than at the same point last year and consumer confidence 15 pps higher, showing signs of increasing optimism despite the caution around the economic outlook.

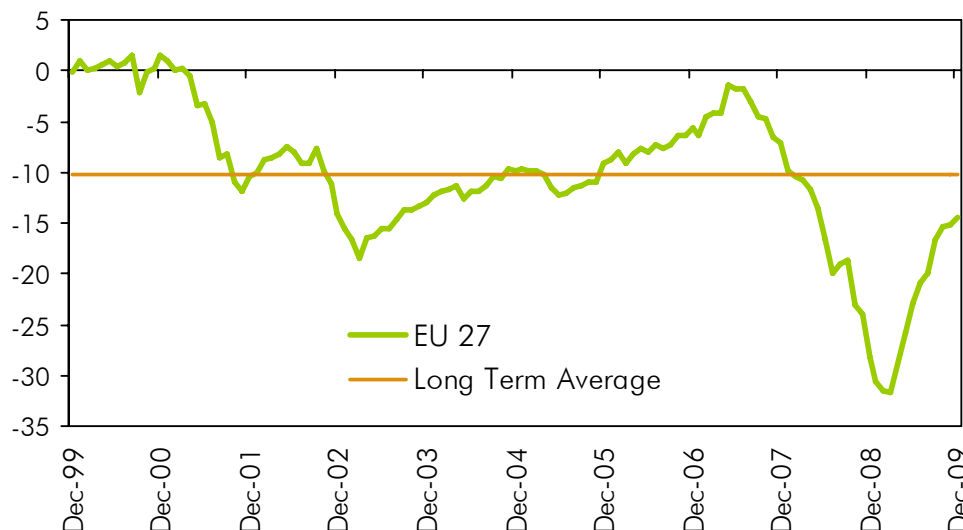
• Caution around spending is likely to continue

Consumers continue to be cautious with their spending although the Christmas period proved to be better than expected. Even so, news continues to emerge of weaker retailers going into insolvency, and this is likely to continue during 2010.

• Prime rents stabilize while secondary locations continue to suffer

Prime retail rental levels have largely stabilised in Q4 2009 with prime London locations actually showing a slight rise in rents. The CBRE EU-27 Retail Rent Index has risen by a marginal 0.2% on last quarter. Secondary locations in most cities have suffered falling rents due to increased vacancy and weak demand.

European Consumer Confidence Index, December 2009



Source: Ecwin  
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**RETAIL ECONOMICS**

The third quarter of 2009 saw modest economic growth across most of Europe, indicating that most countries are beginning to emerge from recession. The notable exceptions were the UK and Spain, where the economy continued to contract. Preliminary figures for the fourth quarter indicate that the UK saw 0.3% growth – positive, but much weaker than expected. Spain is not expected to see signs of recovery until the latter half of 2010.

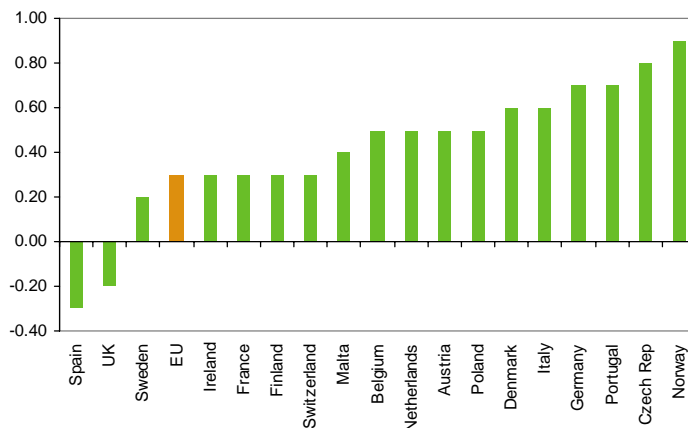
Employment levels generally fell during 2009, with many companies having to make serious cut backs or failing altogether. Although the rate of job losses has moderated, previous recessions have shown that unemployment and business failures can continue to rise for anything up to two years after economic growth turns positive. Unemployment levels are therefore expected to increase further in many countries. The worry that this could be a jobless recovery may well prove to be true, at least in the short term.

Retailer confidence has been strengthening throughout 2009, and is now more positive than at the same point last year. Although still in negative territory the European indicator has risen 18 percentage points, from its low point of -25% in January 2009 to -6% by the end of the year. Consumer confidence has also been rising and the overall EU indicator also ended the year 18 percentage points above its low point in March 2009. However, the improvement remains patchy, reflecting the somewhat hesitant nature of the economic recovery to date.

It was always expected that the recovery would be bumpy, and given that the outlook for incomes remains uncertain it is no surprise that both retailers and consumers remain cautious. Household savings rates were rising through most of 2009, suggesting that consumers were exercising restraint in their spending. The crucial Christmas trading period was better than expected for most retailers, although sales were still lower than in 2008; preliminary December retail sales data show like-for-like figures down 1% across the EU-27. However, even where there was improvement, as yet there is little evidence of any sustained improvement. In the UK, the temporary cut in VAT from 17.5% to 15% was reversed in January, and coupled with a period of bad weather this appears to have resulted in a sharp fall in retail sales in the early part of this year.

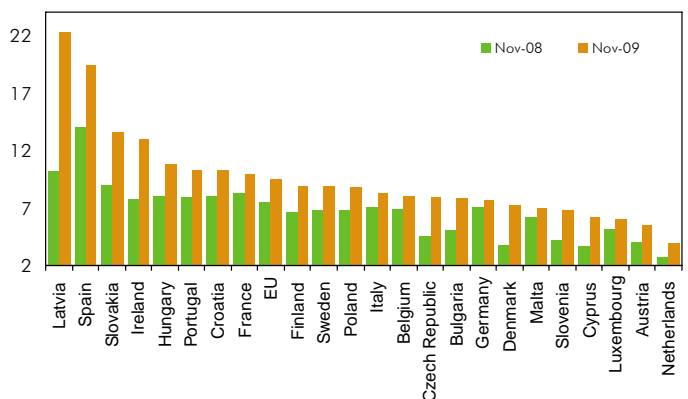
During 2009 governments across Europe put many initiatives in place to stimulate growth and encourage spending. Many of these have already been withdrawn or will come to an end during the first half of 2010. It remains to be seen how this will impact growth and consumer spending. However, given the uncertainties which remain around the overall economic outlook, employment prospects and the fiscal environment, we expect trading conditions to remain difficult for many retailers during the year ahead. This is likely to weigh particularly heavily on secondary locations which have a higher proportion of weaker retailers.

**GDP Quarterly Percentage Change Q3 2009**



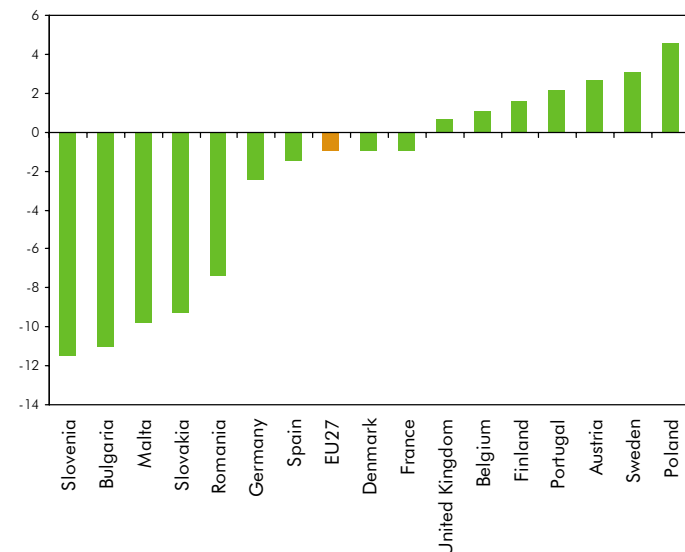
Source: Eurostat

**European Unemployment Rates (%)**



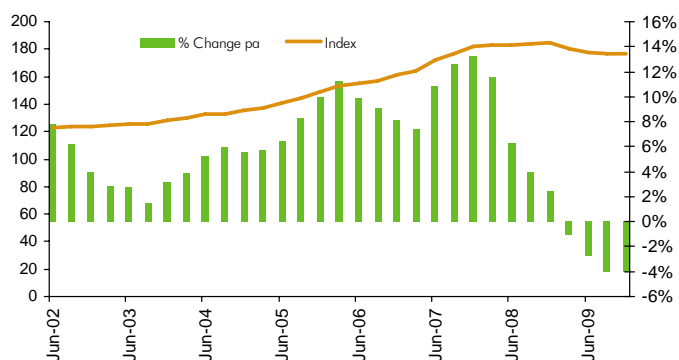
Source: Eurostat

**Retail Trade Growth Y-o-Y – December 2009 (%)**



Source: Eurostat

### EU-27 Retail Rent Index, Q4 2009

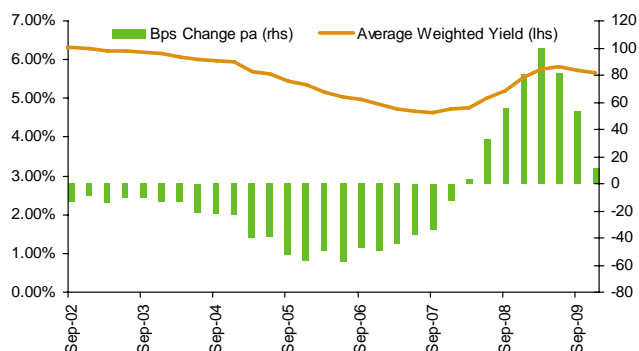


Source: CB Richard Ellis

### EU-27 Retail Rent Index

	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Index (Q1 2000 = 100)	180	178	177	177
Quarter-on-Quarter (% Change)	-2.7%	-0.8%	-0.8%	0.2%
Year-on-Year (% Change)	-1.1%	-2.7%	-4.0%	-4.0%

### EU-27 Retail Yield Index, Q4 2009



Source: CB Richard Ellis

### EU-27 Retail Yield Index

	Q1 2009	Q2 2009	Q3 2009	Q4 2009
Average Weighted Yield	5.77%	5.81%	5.72%	5.66%
Quarter-on-Quarter (bp Change)	23	4	-9	-7
Year-on-Year (bp Change)	100	82	53	12

### RETAILER ACTIVITY

Many retailers have recently announced their full year results and the message is very mixed. Some have seen a strong Christmas trading period and equally good full year results. Supermarkets and value retailers are particularly prominent amongst these, with the likes of Swedish grocer ICA, Tesco, Sainsburys, Primark and H&M all posting good 2009 results. Periods of recession and their immediate aftermath are typically times when stronger players seek to take advantage of weaker competitors to grow market share, either by organic growth or acquisitions. Some retailers such as TJX Europe and Home Bargain are therefore actively looking to expand their networks to take advantage of gaps in the market left by insolvent retailers. However, others continue to consolidate networks in order to remain profitable in the current climate.

### RENTS

Throughout 2009 retail rental levels have fallen across Europe. This decline began to stabilise in the latter half of the year, with only a few locations such as Lille, Copenhagen, Dublin and Barcelona seeing rents fall in the final quarter. In contrast London has seen a marginal increase in rents for the first time since Q3 2008, suggesting that competition for prime units remains healthy. The CB Richard Ellis EU-27 Retail Rent Index saw a marginal increase of 0.2% this quarter although the annual change is still showing a fall of 4%.

Retailers have been trying to re-negotiate rents during 2009, offering to extend leases in exchange for lower rents. On new lettings, tenants are expecting more incentives and longer rent free periods. This is continuing across many markets, although landlord sentiment appears to be hardening in markets (and in prime locations) where demand has held up more strongly, becoming less willing than previously to offer such terms. As a result negotiations on new leases are lengthy and do not always result in deals being done. Whether landlords accede to tenant demands or retailers are forced to moderate their expectations will depend on the particular circumstances of the parties, the market and even the specific unit concerned. This is likely to continue through 2010 as landlords try to achieve the best possible rents and retailers continue to seek out bargains.

### YIELDS

In the investment market, the CB Richard Ellis EU-27 Retail Yield Index saw a second consecutive quarter of contraction, albeit falling by only a few basis points. The EU-27 retail yield index currently stands at 5.66%. Shopping Centre Yields also saw a contraction for the second consecutive quarter with the European Shopping Centre average yield decreasing by 3 bps to 6.95%. Overall, yields were generally stable in the final quarter, with slight hardening in the prime, liquid markets which are seeing a general improvement in investor sentiment. However, as in other sectors, it is important to stress that this improvement is largely confined to the genuinely prime part of the market.

## COUNTRY OVERVIEWS

Levels of demand and supply have been relatively stable in **Austria** in Q4 and this has been reflected in the prime rent and yield values. Due to the high density of existing shopping centres in Austria, the number of new projects is small. Developers are still facing difficulty financing projects as banks are still asking for strict terms. Retail sales remain surprisingly buoyant although as the economic outlook remains uncertain this may impact retail sales in 2010.

**Belgium's** prime high street locations have fared quite well in recent times, with no major declines in footfall. Shopping centres however have reported decreases in consumer footfall of between 10% and 15%. As a result, landlords are finding it tough to preserve their target rents in what has become very much a tenants market. In High Street locations there is very little availability therefore prime high street retail units remain in high demand. Units that do come to the market are usually snapped up quite quickly, keeping vacancy rates down.

**France** has finished the year as it started. There is still significant appetite from international retailers to enter or expand in France and equally many of the prime locations in cities such as Paris are now seeing considerable interest from national retailers too. New store openings continue at a steady pace. Retailers are still seeking rental discounts of around 10%-20% although landlords are very reluctant to give them and have high expectations in the rents they can achieve resulting in lengthy negotiation periods. Economic declines have been more modest than in many countries and the Christmas trading period was satisfactory which is helping to support the level of retailer interest.

The **German** retail market has been fairly stable in Q4. The cosmetics and beauty sector saw a slight increase in like for like sales in December, although total retail sales for the same period have seen a 2% fall, in part due to consumers deferring the purchase of big ticket items, affecting sectors such as furniture. Germany is attracting steady interest from international retailers. Interestingly, this interest extends beyond prime pitches where units are hard to secure, and into secondary locations. Lettings are taking time to complete as both retailers and landlords negotiate hard. Munich is a particularly attractive market, and is the only major German city where Key Money is still paid to secure good units.

Most sectors of the **Irish** retail market remain extremely fragile. According to the latest data from the Central Statistics Office, annual retail sales fell by 9% in the year to August 2009. The government, having increased taxes and cut benefits, has now embarked on public sector pay reductions. Whilst this is bolstering international confidence in the Republic of Ireland, there is not yet enough certainty regarding the future for consumers to start spending to any significant degree. The government is therefore looking at ways to support indebted households in a bid to revive consumption.

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However, despite the difficult economic conditions, some new and existing retailers continue to expand and take advantage of the attractive deals on offer.

Despite the weak economic situation, rents in prime **Italian** high streets remained relatively stable. Vacancy levels have been low because of steady demand but little availability. Prime rental growth is expected in Rome over the next 18-24 months. Development activity in retail parks and shopping centres has been especially strong, including in the larger regional cities. The pipeline of new developments and expansion projects will increase the supply of retail stock. This is also expected to attract a number of new investors into the market, which will increase investment liquidity and provide support for yields.

Economic uncertainty continues to impact on the retail sector in **Spain**. Consumer spending is weak and most retailers are concentrating on cost reductions rather than expansion. Many are looking to renegotiate better letting terms. However, there are good levels of activity in prime areas of Madrid where some luxury brands are opening stores. Retailers have been taking advantage of more readily available space in prime areas to trade-up, which was almost impossible to do previously when competition was intense and vacancy levels were low. In prime Shopping Centre locations landlords are even using the opportunity to exercise break clauses to enable them to attract those retailers with the strongest covenants to take the space.

Retail sales have improved over the course of 2009 in **Sweden** and are forecast to continue growing into 2010. There is very little vacant space in prime high streets. Although Key Money levels have decreased due to the unstable economic situation, there is potential for them to rise again during 2010. As is the case across many European markets it is the secondary locations that have suffered the most. In Sweden retail parks as well as secondary locations are facing increased vacancy and downward pressure on rents.

Many retailers in the **UK** posted good Christmas trading results, particularly in food sales. Good results from Homebase and DFS also added to a slight improvement in sentiment, as the DIY and furniture sector generally performed poorly in 2009. However, the situation remains mixed and volatile. Sales data for January were poor, due to a combination of VAT rises and bad weather. In contrast, retail sales volumes showed unexpectedly strong growth in early February with 46% of retailers reporting higher sales volumes than a year ago – although a higher proportion of retailers report facing serious financial issues. The CBRE UK Retail Rent Index saw shopping centre rents remaining flat with a 0.4% increase q-on-q for high street shops. Again, the picture remains mixed, with Central London retail rents rising by 4.9% in the fourth quarter.

# 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>-4.0</b>			<b>-7</b>	<b>12</b>	
Austria	Vienna	€ per sq m pm	220.00	2,640.00	0.00	4.76	0.00	4.70	0	70	70
Belgium	Brussels	€ per sq m pa	1,600.00	1,600.00	0.00	0.00	0.00	5.25	0	50	100
Croatia	Zagreb	€ per sq m pm	82.50	990.00	0.00	-2.94	-2.94	7.40	0	65	145
Czech Republic	Prague	€ per sq m pm	170.00	2,040.00	-5.56	-5.56	-5.56	6.75	0	125	175
Denmark	Copenhagen	DKK per sq m pa	15,000.00	2,015.13	0.00	-6.25	-6.25	5.00	0	75	100
Finland	Helsinki	€ per sq m pa	1,374.00	1,374.00	-0.43	-0.43	-0.79	5.80	5	50	100
France	Lille	€ per sq m pa	2,200.00	2,200.00	0.00	0.00	0.00	5.75	-25	50	150
France	Lyon	€ per sq m pa	2,300.00	2,300.00	0.00	9.52	-8.00	5.75	-25	50	150
France	Marseille	€ per sq m pa	1,700.00	1,700.00	0.00	0.00	0.00	5.75	-25	50	150
France	Paris Ile-de-France	€ per ITZA pa	10,000.00	6,300.00	0.00	0.00	0.00	5.50	-25	75	150
Germany	Berlin	€ per sq m pm	235.00	2,820.00	0.00	0.00	0.00	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	25	50
Greece	Athens	€ per ITZA pm	342.00	4,104.00	-5.00	-18.57	-18.57	5.75	0	75	75
Hungary	Budapest	€ per sq m pm	90.00	1,080.00	0.00	-10.00	-10.00	7.75	0	150	200
Ireland	Dublin	€ per ITZA pa	8,500.00	3,995.00	0.00	-15.00	-15.00	6.50	0	200	400
Israel	Tel Aviv	\$ per sq m pm	100.00	819.95	0.00	0.00	0.00	8.50	0	150	150
Italy	Milan	€ per sq m pa	3,700.00	3,700.00	0.00	0.00	0.00	5.50	0	50	100
Italy	Rome	€ per sq m pa	3,500.00	3,500.00	0.00	0.00	0.00	5.90	0	15	65
Netherlands	Amsterdam	€ per sq m pa	2,700.00	2,700.00	0.00	0.00	0.00	4.65	15	80	110
Norway	Oslo	NOK per sq m pa	14,000.00	1,659.16	0.00	-12.50	-12.50	6.75	0	50	150
Poland	Warsaw	€ per sq m pm	70.00	840.00	-12.50	-41.67	-41.67	7.00	0	125	130
Portugal	Lisbon	€ per sq m pm	80.00	960.00	0.00	0.00	0.00	7.50	0	75	100
Portugal	Oporto	€ per sq m pm	40.00	480.00	14.29	0.00	0.00	8.50	0	50	50
Romania	Bucharest	€ per sq m pm	75.00	900.00	-6.25	-46.43	-46.43	12.00	0	400	600
Russian Federation	Moscow	\$ per sq m pa	7,913.50	5,407.24	-1.08	-29.75	-37.41	12.00	0	300	350
Serbia	Belgrade	€ per sq m pm	85.00	1,020.00	-5.56	-22.73	-29.17	8.00	0	0	0
Slovak Republic	Bratislava	€ per sq m pm	60.00	720.00	0.00	0.00	0.00	8.50	0	175	200
Spain	Barcelona	€ per sq m pa	2,397.00	2,397.00	0.00	-10.02	-10.02	6.00	0	75	150
Spain	Madrid	€ per sq m pa	2,796.00	2,796.00	-0.14	-6.80	-11.07	6.00	0	50	175
Sweden	Stockholm	SEK per sq m pa	11,500.00	1,128.00	0.00	0.00	0.00	5.80	-20	80	155
Switzerland	Geneva	CHF per sq m pa	3,600.00	2,374.51	0.00	2.86	2.86	5.00	0	25	25
Switzerland	Zurich	CHF per sq m pa	7,500.00	4,946.90	0.00	0.00	0.00	4.70	0	0	20
United Arab Emirates	Dubai	AED per sq ft pa	400.00	818.89	0.00	-20.00	-20.00	8.50	-25	150	50
United Kingdom	London – City	£ per ITZA pa	200.00	1,482.89	0.00	-27.27	-27.27	6.00	0	50	150
United Kingdom	London – West End	£ per ITZA pa	750.00	5,560.84	0.00	0.00	0.00	4.25	-25	0	75
United Kingdom	Birmingham	£ per ITZA pa	280.00	1,548.80	0.00	1.82	0.00	6.25	-50	50	225
United Kingdom	Edinburgh	£ per ITZA pa	175.00	1,297.53	0.00	-16.67	-16.67	6.75	-25	100	250
United Kingdom	Glasgow	£ per ITZA pa	140.00	1,038.02	0.00	-17.65	-17.65	7.00	-25	125	275
United Kingdom	Manchester	£ per ITZA pa	215.00	1,594.11	0.00	-28.33	-28.33	6.25	-50	60	225

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, and current level

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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