

Quick Stats

	Change from	
	Q4 10	Q1 10
Rent	↑	↑
Yield	↓	↓

Rents - Quarterly Change

EU27 Index

EU - 27 Index	↑	0.7%
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Number of markets

Risers	↑	14
Stable	↔	34
Fallers	↓	2

Yields - Quarterly Change

EU 27 Index

EU -27 Index	↓	-6 bps
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Number of markets

Risers	↑	1
Stable	↔	37
Fallers	↓	12

OVERVIEW

• Prime rents are rising again

Rental levels rose slightly in Q1, with almost a third of cities registering an increase on the previous quarter. The strongest growth was seen in Warsaw, Brussels, Geneva and Edinburgh. As in previous quarters, there was no change in the majority of locations. Significantly, the CBRE EU-27 Rent Index showed positive annual growth for the first time since late 2008.

• Retail sales continue to disappoint

With disposable income under severe pressure across Europe it was no surprise that retail sales growth was flat in Q1. This was the situation across most of the region, with weak sales evident in both emerging and mature markets. Consumer spending is likely to remain subdued throughout 2011 as austerity measures take affect and as such retail sales are likely to grow only slowly in coming months.

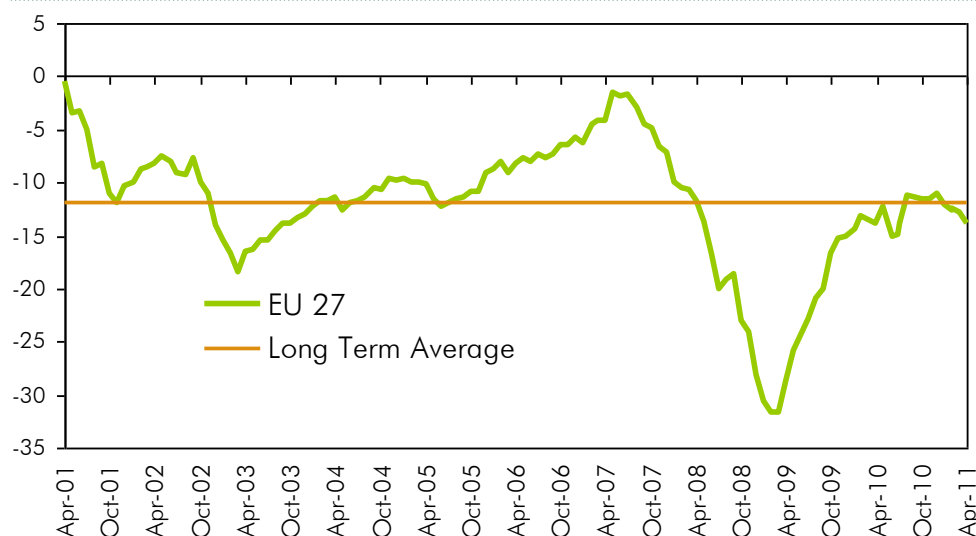
• Retailers are still confident

In spite of testing trading conditions retailer confidence remains just above long term average levels. Sentiment is highest in Germany and the Nordics and is also relatively strong in Italy, France, Belgium and Hungary. Retailer confidence is considerably lower in the UK, Portugal, Spain and especially Greece.

• Secondary space gaining popularity

Retailers continue to target prime locations but the level of demand is such that it is becoming increasingly difficult to access units there. This has led to an upward pressure on rents in the most sought after locations and is forcing retailers in some markets to extend their search criteria to include a wider range of cities and more secondary locations.

European Consumer Confidence Index, April 2011



Source: Macrobond

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RETAIL ECONOMICS

Europe's economy grew by 0.8% in Q1, according to initial estimates from Eurostat. This was a marked improvement on the previous quarter and was driven by strong economic activity in France (1.0% q-o-q) and Germany (1.5% q-o-q). The Netherlands, Belgium, Slovakia and the Baltics also recorded strong growth, and the UK saw a turnaround from the previous quarter with the economy growing by 0.5% in Q1.

In contrast, there are significant concerns about the PIIGS (Portugal, Ireland, Italy, Greece, Spain) economies. Portugal is the latest market to fall foul of the debt crisis and require financial assistance from the EU-IMF, and follows previous bailouts in Greece and Ireland. More worryingly, Greece may need further financial assistance, even though the economy grew by 0.8% in Q1. Spain has high levels of debt but so far has avoided the need for financial support. Nevertheless, the economy remains weak and unemployment remains stubbornly high - at twice its 2007 rate. Although unemployment has largely stabilized in Europe it continues to be a major drag on consumer expenditure growth.

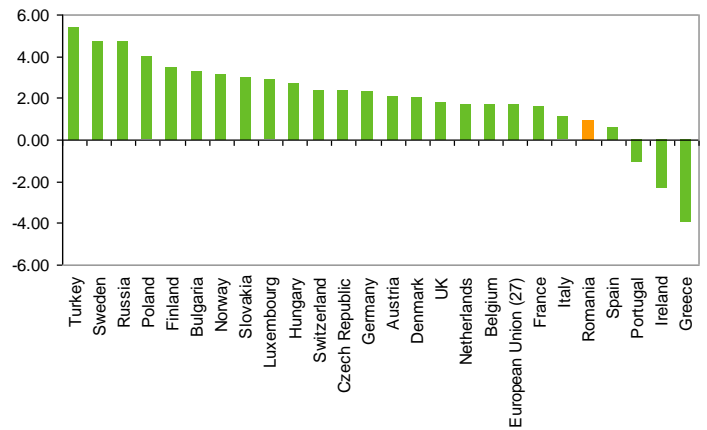
Perversely, the relatively strong performance of the European economy could further hinder growth in spending as interest rates are more likely to rise earlier. There is already considerable pressure on central banks to increase the cost of borrowing with rising commodity prices likely to lead to wage inflation. At the same time, rising prices are also reducing disposable income and this is clearly impacting on consumer spending.

The volume of retail sales in the EU27 fell slightly (0.8%) in March compared with the previous month and was flat for the first quarter. Europe's retail sector is therefore performing less well than the overall economy. And with disposable incomes likely to remain under pressure for sometime, retail sales are forecast to grow only slowly for the remainder of the year.

Consumer confidence in Europe fell slightly in Q1 and remains just below the long-term average. However, there are significant differences by country, reflecting the economic situation in each market.

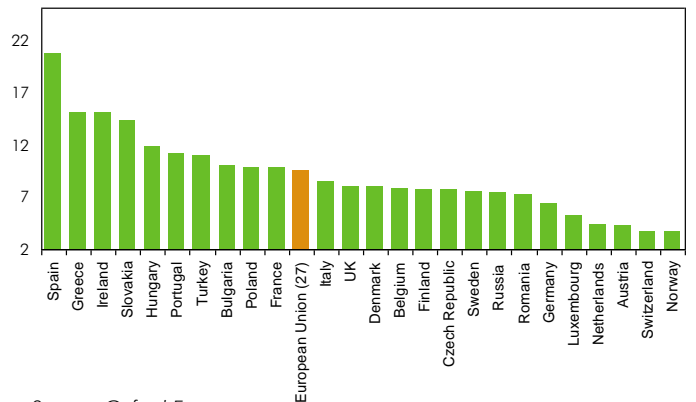
Retailer confidence also fell in Q1 but remains just above its long term average level. Sentiment is strongest in Germany and the Nordics and is also relatively high in Italy, France, Belgium and Hungary. Retailer confidence is at long term average levels for Poland and the Czech Republic and is most negative in the UK, Portugal, Spain and Greece.

GDP Growth 2011 Forecast - Mar 2011



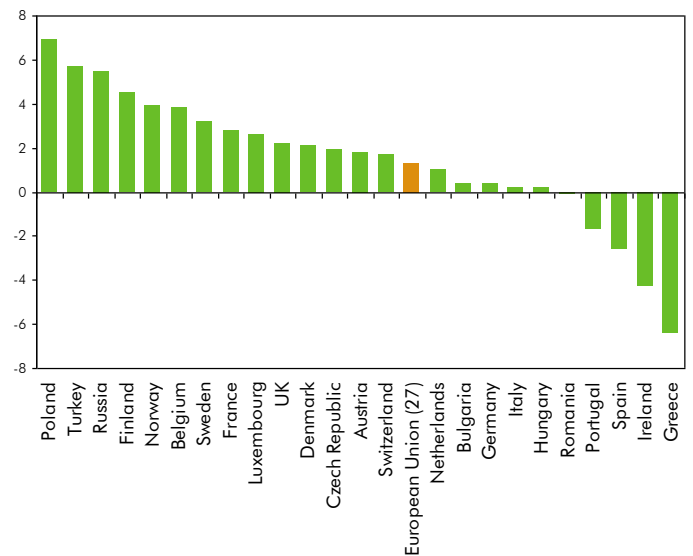
Source: Oxford Economics

European Unemployment Rates - Mar 2011 (%)



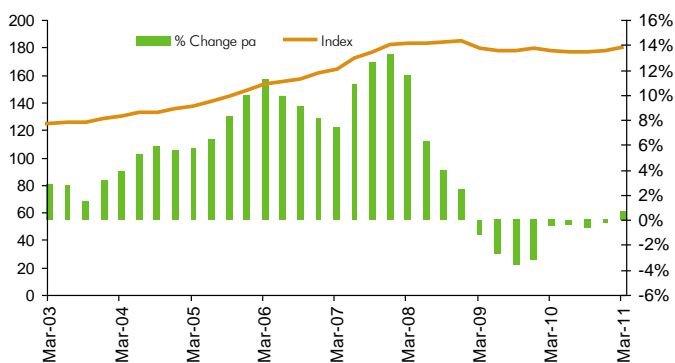
Source: Oxford Economics

Retail Sales Growth Mar 2010 (%) y-o-y



Source: Oxford Economics

EU-27 Retail Rent Index, Q1 2011

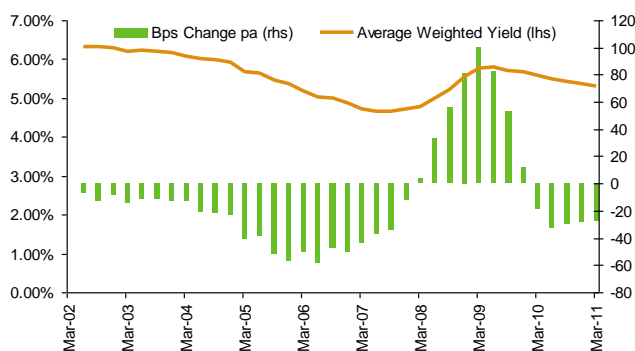


Source: CB Richard Ellis

EU-27 Retail Rent Index

	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Index (Q1 2000 = 100)	177	177	178	180
Quarter-on-Quarter (% Change)	-0.5%	-0.5%	0.9%	0.7%
Year-on-Year (% Change)	-0.4%	-0.7%	-0.3%	0.7%

EU-27 Retail Yield Index, Q1 2011



Source: CB Richard Ellis

EU-27 Retail Yield Index

	Q2 2010	Q3 2010	Q4 2010	Q1 2011
Average Weighted Yield	5.49%	5.43%	5.37%	5.31%
Quarter-on-Quarter (bp Change)	-9	-7	-5	-6
Year-on-Year (bp Change)	-32	-30	-28	-27

RETAILER ACTIVITY

Occupier demand for prime space in key European cities is still strong, in spite of testing trading conditions. This includes markets facing some of the most challenging economic conditions such as Ireland and Spain. It is arguably an ideal time for retailers to access prime space in these markets as rents are low and little or no key money is expected.

In fact, retailers are targeting a wide range of markets in Europe, with demand particularly high in Germany and Poland. The lack of available prime space in Germany is resulting in upward pressure on rents, forcing some retailers to target a wider range of cities than previously, whilst others are increasingly looking at non prime locations. A lack of prime space in Poland has also encouraged some retailers to consider more secondary locations, although turnover leases are a pre-condition of such expansion. In general, occupier demand in Europe remains heavily focused on prime locations.

RENTS

The CBRE EU-27 Retail Rent Index showed further growth of 0.7% in the first quarter of 2011. There has also been positive growth of 0.7% y-on-y for the first time since late 2008. Growth was driven predominantly by rental increases in a handful of markets. Warsaw saw the largest increase of 12.5% on the quarter, with Geneva, Brussels and The Netherlands also seeing increases. Rental levels in the majority of markets remained stable, with only two markets - Athens and Dublin - seeing a minor fall in rents.

The upward pressure on rents is due, in a large part, to limited availability of good quality prime units. With little new space coming on stream this situation is unlikely to change soon and is likely to lead to further rental growth in the most sought after locations.

YIELDS

The CB Richard Ellis EU-27 Retail Yield Index fell a further 6 basis points this quarter, reflecting the continuing strength of investor sentiment towards the sector. The index stood at 5.31% at the end of Q1 2011, significantly below all other sectors and 45 bps lower than the EU-27 Prime All Property Yield Index.

Retail yields were stable in most markets in Q1, with 13 out of the total 50 locations covered reporting a quarterly change. The decreases were noted across a wide selection of markets, with the largest shifts of 25 bps reported in Barcelona, Madrid, Milan, Oslo and Prague. In contrast, and reflecting the on-going recession and deteriorating market fundamentals, Athens saw a 25 bps upward movement in yields in Q1 2011.

COUNTRY OVERVIEWS

In **Belgium** the better quality high street locations have fared quite well in recent months, with no major declines in footfall and prime rents rising in some high street locations. With very little new space coming through, prime retail units remain in short supply. The limited supply of high-quality stock has pushed prime investment yields below 5%. For the best high street retail, yields stand at 4.50%.

Retail Sales in **France** have been subdued in the first quarter of 2011 and footfall levels have slowed in the major centres. Negotiation periods on deals have become more drawn out and are taking longer to conclude than last year. As a result activity levels have been lower in Paris in Q1.

Early feedback suggests that retail sales in **Germany** were strong in Q1 2011, but were less robust on an annual basis due to Easter falling in Q2 this year. Retailers continue to express a keen interest in Germany and this is enhancing the retail mix in the major German cities. However, a lack of available space is still affecting retailers' ability to expand into the locations they desire, resulting in a slight upward pressure on rents. Some retailers are also broadening their search criteria to include more secondary locations in different cities, which has led to some increase in rental levels in these areas. There are only a handful of new schemes in the pipeline and only one major one, as bank lending is still an issue.

Consumer sentiment and retail sales were negatively impacted in **Ireland** last month due to the coming into force of the Universal Social Charge (new taxation model) thus putting further pressure on many retailers in Ireland. Despite this, activity in the retail sector has been brisk during Q1 2011 where new operators are emerging to occupy vacated units, particularly in the Dublin market. However a proposal by the new Government to retrospectively review rent clauses in business leases could change this. The lobby behind this proposal is largely emanating from retailers who signed very high rental deals during the 'Celtic Tiger' years and who are now fighting with landlords to secure rent reductions and other concessions. In many cases the landlords are granting rent reductions but many of the larger institutional landlords on the high street are reluctant to engage with tenants.

Demand for high street retail in **Italy** has continued to grow over the Q1 2011, with strong interest from local and international retailers. Due to the historically low vacancy levels, there is an increasing trend towards the refurbishment of existing buildings in top retail locations in Milan and Rome to create the type of space that retailers require. Rents in both markets remain stable. There has also been a slight uplift in interest in Rome's secondary streets, where rents are somewhat lower.

Sentiment in the retail sector in **Poland** points to a first quarter rise in retail sales. However, footfall levels have fallen, suggesting that consumers are spending more per head. Retail sales were 13.6% higher than the same period last year. Accessing prime space is an issue for some major retailers that already have an established network. They are now looking at smaller cities to open new stores. In many cases, these retailers have negotiated turnover leases, thereby reducing the risk associated with expanding to such cities. Poland is also seeing keen interest from American retailers and high end luxury brands, which will improve the retail mix in Poland and potentially encourage further growth in consumer spending.

In **Spain** retailer activity was quiet in the first few months of 2011. Footfall levels, spend per head and retail sales have all declined on the same period last year. The economic situation in Spain continues to be a challenging one and is a major contributing factor to these declines. Sentiment levels have also fallen due to the current situation. Retailers continue to seek out new space in Spain although not many transactions have been concluded, as retailers remain very particular with their requirements, sticking to prime pitches and demanding large incentives. The polarisation between prime and secondary continues with rents falling dramatically in secondary areas.

Consumers in **Sweden** are feeling confident as the threat of unemployment is much less of an issue. Retailer activity is high and has returned to pre-recession levels, with new franchisees popping up to accommodate the growing interest from international retailers. Many retailers are repositioning their portfolio following over expansion before the recession and are now taking a more considered approach to opening new stores and focusing on prime locations only. This has led to an increase in key money in the most sought after locations.

Retail sales in the **UK** are slowing but arguably not as much as expected. Most retailers found trading conditions difficult in the first three months of the year but benefited from an unseasonably warm Spring resulting in a significant increase in sales. But with consumer confidence remaining weak, the expectation is for low levels of growth for the remainder of the year. Retailers' margins remain under pressure due primarily to higher raw material prices. Some retailers are struggling with Focus DIY and Oddbins both entering administration in Q1. These are unlikely to be the last casualties this year. CBRE's monthly index shows that rents continued to decline across all retail formats by about 2% in the first quarter, reflecting the softening in demand.

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 *
EU27 Rent and Yield Indices					0.7	0.7		5.31	-6	-27	
Austria	Vienna	€per sq m pm	225.00	2,700.00	0.45	2.27	2.27	4.50	-5	-15	50
Belgium	Brussels	€per sq m pa	1,700.00	1,700.00	6.25	6.25	6.25	4.50	0	-50	25
Bulgaria	Sofia	€per sq m pm	40.00	480.00	0.00	-11.11	-38.46	8.00	0	0	100
Croatia	Zagreb	€per sq m pm	75.00	900.00	0.00	-6.25	-11.76	7.50	-10	-20	155
Czech Republic	Prague	€per sq m pm	170.00	2,040.00	0.00	0.00	-5.56	6.50	-25	-25	150
Denmark	Copenhagen	DKK per sq m pa	14,500.00	1,944.85	0.00	0.00	-9.38	5.00	0	0	100
Finland	Helsinki	€per sq m pa	1,440.00	1,440.00	1.27	4.80	3.97	5.30	-10	-50	50
France	Lille	€per ITZA pa	1,800.00	1,134.00	0.00	0.00	-18.18	5.25	0	-25	100
France	Lyon	€per ITZA pa	2,300.00	1,449.00	0.00	0.00	-8.00	5.25	0	-25	100
France	Marseille	€per ITZA pa	1,700.00	1,071.00	0.00	0.00	0.00	5.25	0	-25	100
France	Paris Ile-de-France	€per ITZA pa	10,000.00	6,300.00	0.00	0.00	0.00	4.50	0	-50	50
Germany	Berlin	€per sq m pm	250.00	3,000.00	0.00	2.04	6.38	4.75	0	-15	25
Germany	Dusseldorf	€per sq m pm	220.00	2,640.00	0.00	0.00	0.00	4.50	-10	-10	0
Germany	Frankfurt	€per sq m pm	280.00	3,360.00	0.00	3.70	3.70	4.50	-10	-10	25
Germany	Hamburg	€per sq m pm	220.00	2,640.00	0.00	0.00	0.00	4.40	-10	-10	-10
Germany	Munich	€per sq m pm	310.00	3,720.00	0.00	3.33	3.33	4.40	-10	-10	40
Greece	Athens	€per ITZA pm	250.00	1,410.00	-3.85	-16.67	-40.48	7.00	25	100	200
Hungary	Budapest	€per sq m pm	90.00	1,080.00	0.00	0.00	-10.00	7.00	0	-75	125
Ireland	Dublin	€per ITZA pa	5,000.00	2,350.00	-4.76	-23.08	-50.00	6.25	0	-25	375
Israel	Tel Aviv	\$ per sq m pm	100.00	897.06	0.00	0.00	0.00	8.50	0	0	150
Italy	Milan	€per sq m pa	3,800.00	3,800.00	0.00	2.70	2.70	5.25	-25	-25	75
Italy	Rome	€per sq m pa	3,500.00	3,500.00	0.00	0.00	0.00	5.75	0	0	50
Netherlands	Amsterdam	€per sq m pa	2,800.00	2,800.00	3.70	3.70	3.70	4.05	0	-40	50
Netherlands	Rotterdam	€per sq m pa	1,800.00	1,800.00	2.86	0.00	0.00	4.15	0	-35	-10
Netherlands	The Hague	€per sq m pa	1,300.00	1,300.00	4.00	4.00	4.00	4.15	0	-35	-10
Netherlands	Utrecht	€per sq m pa	1,800.00	1,800.00	2.86	0.00	0.00	4.05	0	-40	-20
Norway	Oslo	NOK per sq m pa	14,000.00	1,798.58	0.00	0.00	-12.50	5.25	-25	-75	0
Poland	Warsaw	€per sq m pm	90.00	1,080.00	12.50	12.50	-25.00	6.50	0	-4	80
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	0.00	0.00	-12.50	8.50	0	0	50
Romania	Bucharest	€per sq m pm	70.00	840.00	0.00	-3.45	-50.00	10.25	-25	-125	425
Russian Federation	Moscow	\$ per sq m pa	7,756.00	5,475.47	0.99	-0.17	-38.65	12.00	0	0	350
Russian Federation	St Petersburg	\$ per sq m pa	3,450.00	2,435.58	1.47	2.68	-28.13	13.00	0	-300	250
Serbia	Belgrade	€per sq m pm	80.00	960.00	0.00	-5.88	-33.33	8.00	0	0	0
Slovak Republic	Bratislava	€per sq m pm	54.00	648.00	0.00	0.00	-10.00	8.50	0	0	200
South Africa	Cape Town	ZAR per sq m pm	250.00	339.51	0.00	-1.96	-33.33	9.50	0	0	250
South Africa	Durban	ZAR per sq m pm	280.00	380.25	0.00	0.00	-30.00	10.00	0	0	150
South Africa	Johannesburg	ZAR per sq m pm	200.00	271.61	0.00	8.11	-33.33	11.00	0	0	100
Spain	Barcelona	€per sq m pa	2,040.00	2,040.00	0.00	0.00	-23.42	5.50	-25	-50	100
Spain	Madrid	€per sq m pa	2,400.00	2,400.00	0.00	-14.16	-23.66	5.50	-25	-50	125
Sweden	Stockholm	SEK per sq m pa	12,000.00	1,339.96	0.00	4.35	4.35	5.00	0	-75	75
Switzerland	Geneva	CHF per sq m pa	4,000.00	3,074.09	5.26	11.11	11.11	5.00	0	0	25
Switzerland	Zurich	CHF per sq m pa	8,200.00	6,301.88	2.50	9.33	9.33	4.40	-10	-20	-10
United Arab Emirates	Dubai	AED per sq ft pa	220.00	455.27	0.00	0.00	-56.00	9.75	25	75	175
United Kingdom	Birmingham	£ per ITZA pa	300.00	1,717.84	0.00	7.14	0.00	5.15	0	-10	115
United Kingdom	Edinburgh	£ per ITZA pa	218.50	1,677.09	5.30	5.30	4.05	5.25	0	-25	100
United Kingdom	Glasgow	£ per ITZA pa	260.00	1,995.62	0.00	0.00	0.00	4.85	10	-25	60
United Kingdom	London - City	£ per ITZA pa	175.00	1,343.20	0.00	0.00	-36.36	5.50	0	-40	100
United Kingdom	London - West End	£ per ITZA pa	900.00	6,907.90	0.00	0.00	20.00	3.75	0	-12	25
United Kingdom	Manchester	£ per ITZA pa	245.00	1,880.48	4.26	13.95	-18.33	5.15	0	-10	115

Data is for Retail High Street, except Poland 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

Page 5

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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