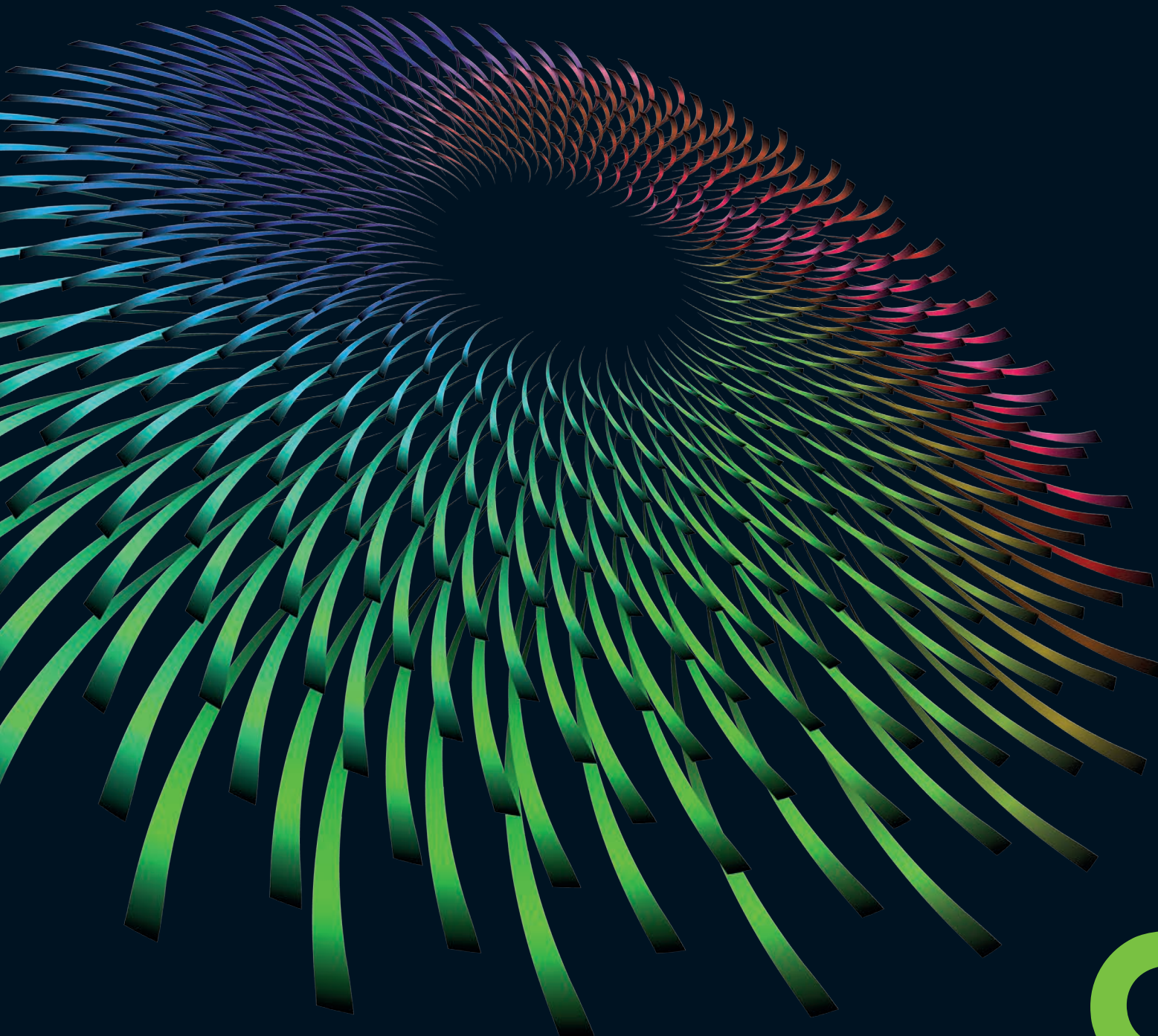


HOW ACTIVE ARE RETAILERS IN EMEA?

CBRE | EMEA RESEARCH & CONSULTING



2011 EDITION | EXECUTIVE SUMMARY

CBRE



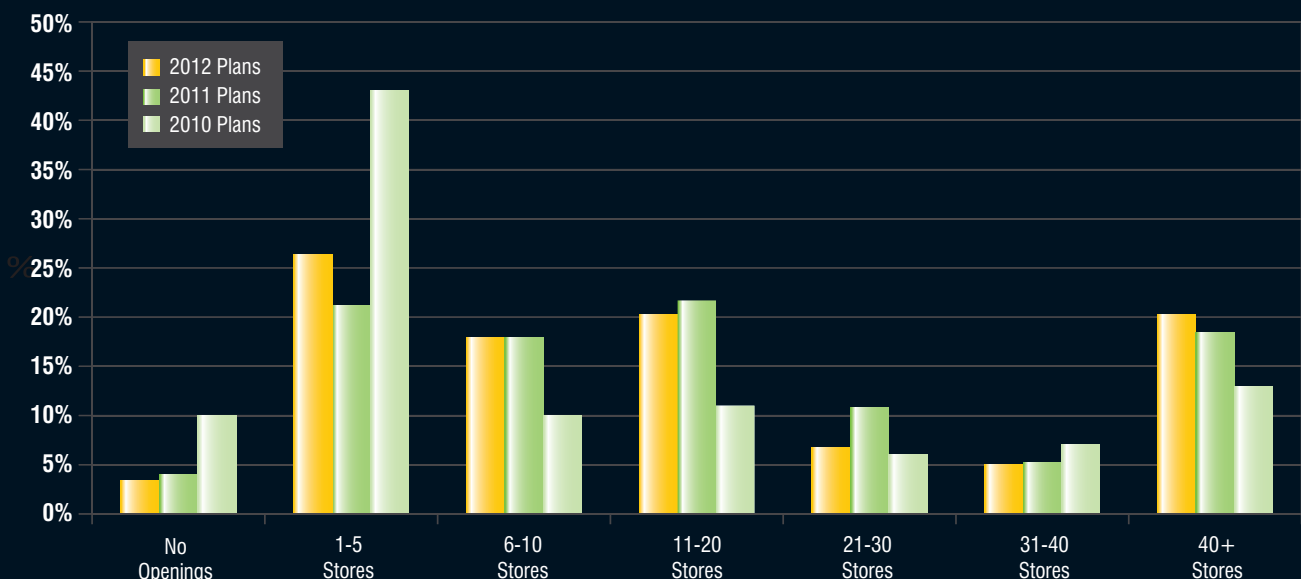
KEY FINDINGS

CBRE has once again examined the current attitudes and expansion plans of the leading retailers across the region. This third survey was carried out in the summer of 2011, against the backdrop of the unfolding eurozone crisis, so it is no surprise that retailers are still taking a cautious approach to expansion, with some waiting for stability to return to the financial markets before committing to new stores. However, this has not stopped retailers seeking new opportunities in 2012 - far from it.

CONFIDENCE IS SUSTAINED

- Retailers continue to expand their store networks, in many cases aggressively, in spite of the challenging consumer environment and an increasing share of spending online.
- Last year, CBRE's survey of retailers' expansion plans showed that confidence had returned with 75% of retailers looking to open more than five stores (compared to 48% previously). This renewed confidence has been sustained. The results from this year's survey show that a similarly high proportion of retailers (71%) are planning to open more than five stores by the end of 2012.
- In the current economic climate, all retailers are thinking strategically about which markets to target and how many shops to open. This has led to very different expansion strategies that are even more polarised than last year. Slightly more retailers (26% compared with 21% last year) are taking a cautious approach and opting to open relatively few stores, between one and five. At the same time there has been a slight increase in the number of retailers looking at large scale expansion. One in five retailers plan to open 40 stores or more in 2012.
- The overall expansion index, which shows the average number of new stores planned, has remained stable. Retailers were planning to open an average of 28.2 stores last year – this year they are looking to open an average of 27.5 stores.

Retailers' Expansion Ambitions



Expansion Index – Number of Stores by Sector



36.0
Value & Denim



32.2
Homeware &
Department Stores



28.8
Specialist Clothing



27.5
Overall Average



26.8
Supermarkets



26.5
Mid-range Fashion



23.2
Coffee & Restaurants



15.1
Luxury &
Business Fashion



9.7
Consumer Electronics

EXPANSION BY SECTORS

- Value & Denim is the most active sector, even more so than last year. Faced with falling disposable incomes, many consumers are choosing to trade down and value retailers are taking advantage of this situation to grow market share. The luxury sector is also doing well in the downturn, with Luxury & Business Fashion retailers planning to open slightly more stores than last year.
- In contrast, Consumer Electronics retailers were the least expansive, and are looking to open only half the number of stores compared to last year. This is no surprise as consumers are cutting back purchases on large ticket items, and when they do buy electrical goods, increasingly it is online. The two most active sectors last year, Supermarket and Coffee & Restaurant retailers, both have more modest expansion targets this year.

MANY
CONSUMERS
ARE CHOOSING
TO TRADE DOWN
AND VALUE
RETAILERS
ARE TAKING
ADVANTAGE OF
THIS SITUATION

EXPANSION HOTSPOTS

- The top five targets for expansion are Italy, Germany, Russia, Spain and France. Italy has moved from eighth place last year to top the rankings. Although the prospect for consumer spending growth is modest, there is a clear opportunity for retailers to expand into a market that is under represented in terms of international brands and where a considerable amount of new development is taking place. Germany's relatively strong economy continues to attract new retailers, while Russia has moved up from sixth position to third on the back of a strong economy and the prospect of further growth in consumer spending.
- Poland has dropped down the rankings from second to tenth position, with some retailers deterred by the lack of suitable stock in the major cities. Nevertheless, it remains a target for more than a quarter of the retailers in the survey.
- Switzerland has climbed the rankings, benefitting from geographic proximity and cultural similarities to Germany where occupier demand is strong.
- The Middle Eastern markets of Saudi Arabia, Kuwait and Qatar have seen a significant increase in retailer interest with 15% or more of the surveyed retailers targeting these countries in 2012. High levels of wealth, more robust economies than in Europe, and a relative lack of international brands is proving an attractive combination for retailers looking to grow their businesses. Furthermore, new shopping centre development is allowing them to realise their expansion ambitions.

43% OF
RETAILERS
PLAN TO
SIGNIFICANTLY
INCREASE
THEIR ONLINE
PRODUCT
COVERAGE

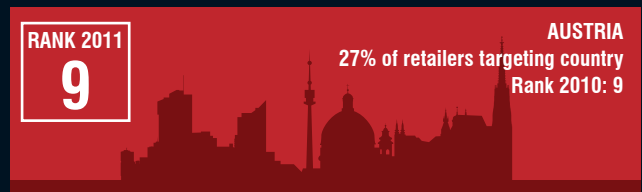
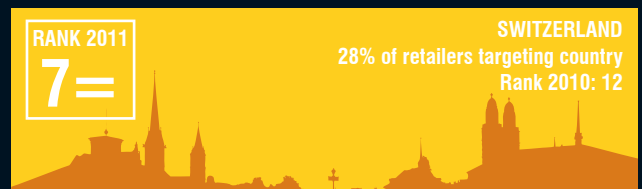
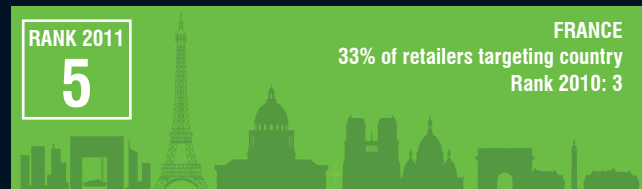
E-COMMERCE

E-commerce remains high on the agenda for retailers. While acknowledging that the multi-channel approach is the best way to maximise sales potential and satisfy a multitude of lifestyles, it is the online retail platform that will grow most quickly in coming years. The survey reveals that 43% of retailers plan to significantly increase their online product coverage and 28% plan to significantly increase the geographical coverage of their transactional capability. Some retailers are setting up online platforms in new countries first to test the market before committing to a physical store, but in other instances an online presence will be sufficient in itself.

FRANCHISING IS LESS POPULAR

The preference for retailers to operate their own stores in CEE is higher than it was last year. In fact, there is now little difference between CEE and western Europe in terms of their preferred operating model. The weak performance of some franchise operators over the last two years has forced retailers to reconsider the risks involved when partnering a franchisee, and it is clear that more retailers now have a preference for operating their own stores than previously.

COUNTRY RANKINGS



For the complete list of country rankings please request a copy of the *How Active are Retailers in EMEA?* full report at www.cbre.eu/retail

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