

Quick Stats

	Change from	
	Q1 10	Q2 09
Rent	↓	↓
Yield	↓	↓

Rents - Quarterly Change

EU27 Index

EU - 27 Index	↑	-0.4%
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Number of markets

Risers	↑	4
Stable	↔	38
Fallers	↓	7

Yields - Quarterly Change

EU 27 Index

EU -27 Index	↑	-9 bps
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Number of markets

Risers	↑	1
Stable	↔	31
Fallers	↓	17

OVERVIEW

• Prime rents stable in majority of markets

Occupier demand for prime space remains strong in most markets, and in general, vacancy levels are low. As a consequence, rents in the prime areas have remained stable, although there were significant rental falls in Ireland and Greece contributing to the marginal EU-27 quarterly rental decline. Demand for secondary locations is much weaker, with rents still falling in many markets.

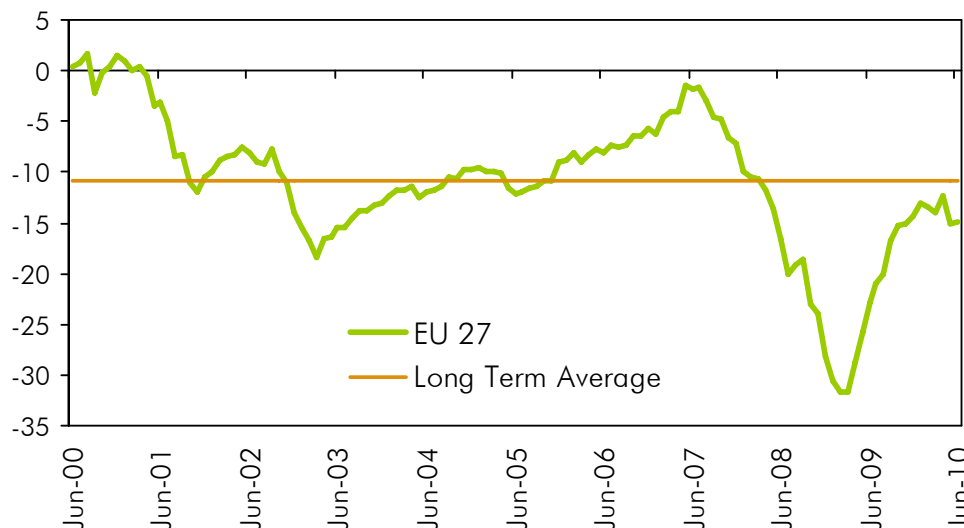
• Retail confidence indicators improving but still volatile

Consumer and retailer confidence indicators have been somewhat volatile over the last few months due to concerns about employment prospects. The austerity measures proposed by European governments have created further uncertainty for consumers and as such confidence indicators are likely to remain volatile in the short term. The extent to which the planned austerity measures affect consumer spending will become evident in coming months.

• Retail sales remain flat in most markets in Q2 2010

World Cup fever may have led to a rise in sales in some markets but in general, retail sales growth has been subdued. Most economies reported either flat or only a slight uptick in growth in the second quarter. Although some markets such as the UK and Spain did see a marked improvement.

European Consumer Confidence Index, June 2010



Source: Ecwin
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RETAIL ECONOMICS

The global economic recovery has been very uneven, with Europe lagging behind its Asian and American counterparts. The recovery within Europe has also been patchy. Although GDP growth in western European has been stronger than expected, there were notable exceptions in Ireland and Spain. In contrast, UK GDP rose by 1.1% in the second quarter (ONS), a significant improvement on the modest 0.3% growth in the first three months of the year.

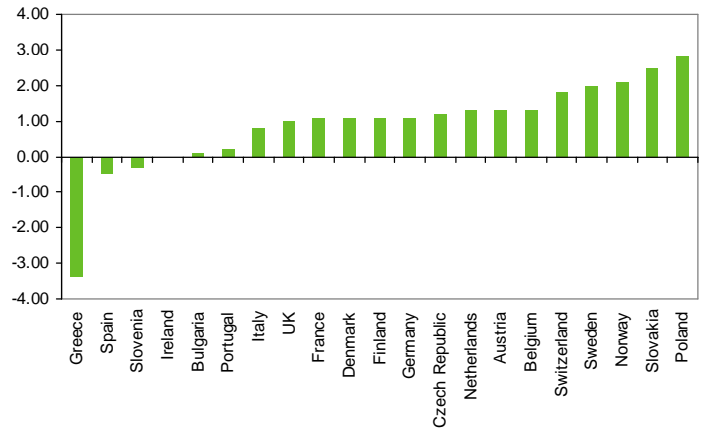
The ONS also recorded a fall in UK unemployment in Q2, which now stands at 7.8% - the lowest level for a year. Many other European markets are showing similar signs of improvement or at least a slow down in the rate at which unemployment is rising. Although relatively stable for most markets in recent months, unemployment in Spain has risen by 0.9% since January.

The marked recovery in retail confidence indicators in 2009 faltered in the first half of 2010 as consumers faced up to the prospect of austerity measures right across Europe. EU consumer confidence has fallen by 1.8% so far this year. Even though consumers remain significantly more confident than the same time last year, it is clear that sentiment has shifted in recent months. The highest levels of consumer confidence are currently to be found in the Nordic markets. Retailer confidence is trending along a similar path: better than it was, but still weak. Having picked up at the start of the year confidence weakened in the second quarter. Retailers are rightly concerned by the affect that the austerity measures will have on consumer spending.

Amongst these measures Spain has announced plans to reduce its budget deficit by cutting public sector pay by 5% and freezing salaries from 2011. France has announced it will cut spending by €45bn by closing tax loopholes as well as withdrawing temporary economic stimulus packages and increasing income tax on higher earners by 1%. The UK has announced it will increase VAT to 20% in 2011. These measures will clearly affect disposable income and consumer confidence levels.

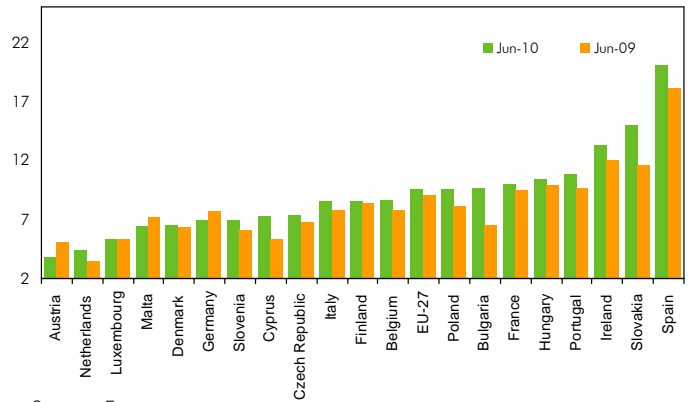
The uncertain consumer environment has led to weak retail sales growth in many markets, even though footfall has held up relatively well. With austerity measures starting to kick in, consumers are likely to remain cautious spenders for some time to come.

GDP Growth 2010 (Forecast)



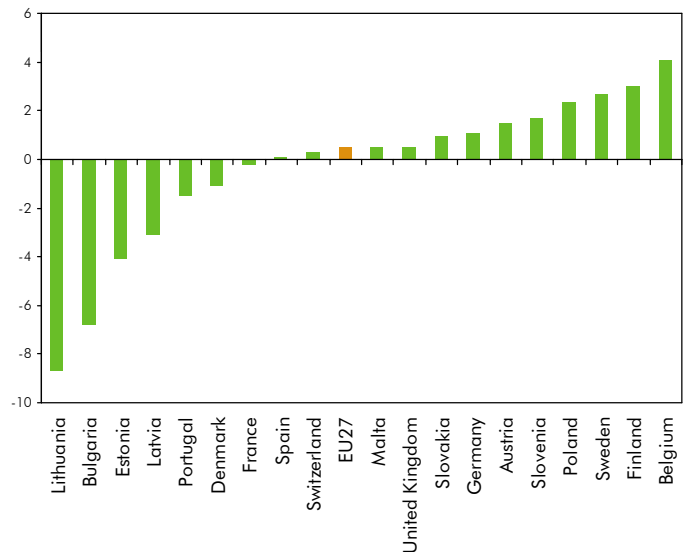
Source: Experian

European Unemployment Rates (%)



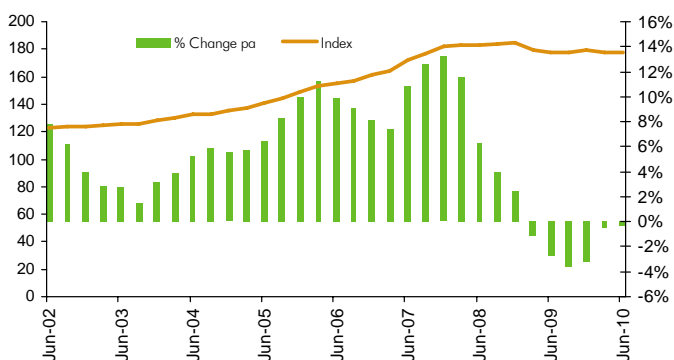
Source: Eurostat

Retail Trade Growth Y-o-Y - June 2010 (%)



Source: Eurostat

EU-27 Retail Rent Index, Q2 2010

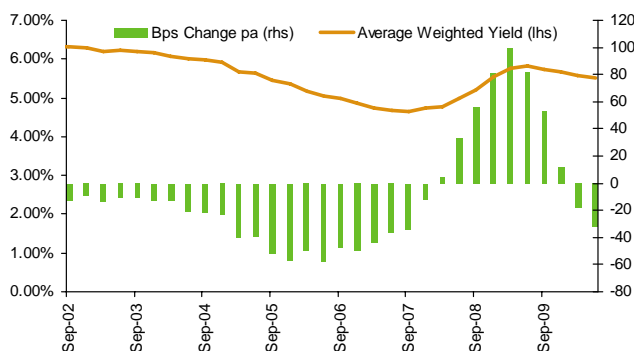


Source: CB Richard Ellis

EU-27 Retail Rent Index

	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Index (Q1 2000 = 100)	178	179	178	178
Quarter-on-Quarter (% Change)	-0.3%	0.6%	-0.2%	-0.5%
Year-on-Year (% Change)	-3.6%	-3.2%	-0.5%	-0.4%

EU-27 Retail Yield Index, Q2 2010



Source: CB Richard Ellis

EU-27 Retail Yield Index

	Q3 2009	Q4 2009	Q1 2010	Q2 2010
Average Weighted Yield	5.72%	5.66%	5.59%	5.50%
Quarter-on-Quarter (bp Change)	-9	-7	-7	-9
Year-on-Year (bp Change)	53	12	-18	-32

RETAILER ACTIVITY

Occupier demand from international retailers has been stable, with a number of retailers still looking to expand their operational networks. However demand is largely focused around 100% prime locations. Although retailer expansion activity slowed in 2009 compared with previous years, retailers' global footprint still grew by approximately 4% according to CBRE's *How Global is the Business of Retail?* survey. The survey also showed that 11 of the top 20 global retail destinations were within EMEA. Brand development and global expansion remain a key theme for many retailers, and with increased availability of prime space and favourable lease terms there is a rare opportunity for retailers to seize market share. Europe remains a key target for this growth.

RENTS

The CBRE EU-27 Retail Rent Index fell by 0.5% during the second quarter of 2010, a decline of 0.4% year-on-year. Prime rents have generally been stable across most markets, although significant falls in Athens, Dublin, Rotterdam and Sofia have all contributed to the q-on-q decline. In Q1 rents rose across a few markets but there was less evidence of rental increases in Q2 with only The Hague, Manchester, Tel Aviv and Vienna seeing marginal increases.

Across Europe, secondary and tertiary locations have not fared as well and in most cases they have seen rental levels drop and vacancy increase. Landlords continue to offer incentives to attract retailers but this is not enough to stop vacancy levels rising in some markets.

The outlook for occupier demand in most markets was stable and for rental levels to remain firm, however the limited availability of good quality space coupled with growing demand could push rents up in some locations before the end of the year.

YIELDS

In the investment market, the CB Richard Ellis EU-27 Retail Yield Index fell for a fourth consecutive quarter, albeit by only a few basis points. The EU-27 retail yield index currently stands at 5.50%. The most significant yield falls over the last quarter were in Edinburgh, Stockholm, Bucharest and Budapest. On an annual basis, this quarter saw the most significant fall in yields since mid 2007 – coming in by 32 basis points.

Shopping centre yields also came in for the fourth consecutive quarter, albeit marginally. The European Shopping Centre average yield decreased by 18 bps to 6.73%. This quarter also saw the first reduction on an annual basis with the average yield falling by 36 bps.

COUNTRY OVERVIEWS

Demand for new retail space in **Belgium** is weaker than last quarter. While a number of notable retailers have performed remarkably well through the current downturn, many operators have become far more cautious with their expansion plans. Demand for high street retail locations in the first half of 2010 appears to be relatively stable compared with the same period last year. Nevertheless, Belgium's better quality high street locations continue to perform extremely well, with no major declines in footfall nor noticeable increases in vacancy. Occupier demand for top locations remains robust with little evidence of downward pressure on rents.

Retail sales in **France** were subdued in Q2 2010 as consumers took a more cautious approach to spending. Retailers are also taking a cautious approach to expansion and are not in the market for units that may increase their risk profile, even slightly, and are therefore sticking to 100% prime locations. Landlord/tenant negotiations are still tough as retailers are seeking incentives while landlords typically have a higher expectation of the rents that can be achieved, often leading to lengthy negotiation periods. There is also downward pressure on key money, and some cases of retailers paying landlords to exit their lease obligations.

Occupier demand in **Germany** has been solid, and has been led by the fashion and food retailers. Available prime space remains limited and therefore rents have been stable, although Berlin did see a slight uplift at the beginning of the year, the only German city to see an increase. Key money is very rare in the German market and the only real evidence of it is in Munich. Retail sales have been relatively stable with only the DIY sector seeing a decrease. The outlook for the occupier market is also stable.

While the **Irish** retail sector did not benefit from World Cup mania in the same way as the UK retail market did in recent months, there has been a modest improvement in underlying consumer spending trends, fuelled by the emergence of more positive economic forecasts and the recent spate of good weather. However, a number of retailers remain under pressure and there continue to be casualties. From a property perspective, there are a number of deals progressing, primarily because the terms and conditions on offer in the current climate are leading to an increase in the number of rollout and expansion plans being announced.

The prime areas of the **Italian** retail market have held up well in both high street and shopping centre locations. Milan and Rome remain important targets for major international retailers. In contrast with a number of other markets, Rome has seen an increasing trend towards smaller units with many occupiers taking space.

Prime locations in Italy are expected to see a steady level of demand from both international and domestic retailers. However, most retailers will remain focused on the best units in prime locations and dominant shopping centres.

Retailer activity has increased in the major high streets and the prime shopping centres of the largest cities in The **Netherlands**. Demand is principally generated by fashion chains both high end and value retailers. Outside the prime locations, demand for space is substantially lower and declining retail expenditure is increasingly affecting the trading performance of shops in these locations, and vacancy is on the rise. Consumer confidence is higher than last year, but still very low. Consequently retail expenditure is not expected to increase in the short term. The difference between prime and secondary retail locations within the main shopping areas will become more profound in the remainder of 2010.

The prime retail areas of **Poland** continue to perform well. Occupier demand has been strong but has been most notably among supermarkets, discount retailers, department stores and high end boutiques. With an extremely limited development pipeline, there is now a considerable demand for new retail space in Warsaw. The lack of available space is expected to result in rental rises in the near future.

Fashion brands have been reasonably active in **Spain** with demand generated largely by value retailers. Retail sales were positive for the most part in the second quarter but it remains to be seen how recently announced spending cuts and the VAT rise in July will impact sales. Rents have been more or less stable in the prime areas, although tenants are increasingly pushing landlords to the limits to achieve the best incentives including, in some cases, shorter lease periods.

UK retail sales for the second quarter were quite promising with growth of 1.3% y-on-y. Good weather and the World Cup fever is likely to have contributed to this upturn but it is not expected to last in the second half of 2010. Recent budgetary announcements and anticipation of the VAT rise to 20% in 2011 has weakened confidence levels and will most likely affect consumers future spending habits. Prime rents in both shopping centre and high street locations have been stable due to a consistent level of demand however this is very much focussed on the prime end of the market where vacancy levels are relatively low. Secondary/tertiary locations are still experiencing increasing vacancy rates and falling rents.

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					-0.5	-0.4		5.50	-9	-32	
Austria	Vienna	€ per sq m pm	222.00	2,664.00	0.91	0.91	0.91	4.60	-5	-10	60
Belgium	Brussels	€ per sq m pa	1,600.00	1,600.00	0.00	0.00	0.00	5.00	0	-25	75
Bulgaria	Sofia	€ per sq m pm	40.00	480.00	-11.11	-27.27	-38.46	8.00	0	0	100
Croatia	Zagreb	€ per sq m pm	77.50	930.00	-3.13	-6.06	-8.82	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	0	175
Denmark	Copenhagen	DKK per sq m pa	14,500.00	1,946.60	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	5	100
France	Lille	€ per ITZA pa	1,800.00	1,134.00	0.00	-18.18	-18.18	5.40	-10	-60	115
France	Lyon	€ per ITZA pa	2,300.00	1,449.00	0.00	0.00	-8.00	5.40	-10	-60	115
France	Marseille	€ per ITZA pa	1,700.00	1,071.00	0.00	0.00	0.00	5.40	-10	-60	115
France	Paris Ile-de-France	€ per ITZA pa	10,000.00	6,300.00	0.00	0.00	0.00	4.90	-10	-85	90
Germany	Berlin	€ per sq m pm	245.00	2,940.00	0.00	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	0.00	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	270.00	1,522.80	-10.00	-25.00	-35.71	6.50	50	75	150
Hungary	Budapest	€ per sq m pm	90.00	1,080.00	0.00	0.00	-10.00	7.25	-50	-50	150
Ireland	Dublin	€ per ITZA pa	5,250.00	2,467.50	-19.23	-38.24	-47.50	6.25	-25	-25	375
Israel	Tel Aviv	\$ per sq m pm	100.00	980.87	11.11	0.00	0.00	8.50	0	0	150
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	0	-15	50
Netherlands	Amsterdam	€ per sq m pa	2,700.00	2,700.00	0.00	0.00	0.00	4.25	-20	-25	70
Netherlands	Rotterdam	€ per sq m pa	1,750.00	1,750.00	-2.78	-2.78	-2.78	4.50	0	-20	25
Netherlands	The Hague	€ per sq m pa	1,450.00	1,450.00	16.00	16.00	16.00	4.50	0	-20	25
Netherlands	Utrecht	€ per sq m pa	1,800.00	1,800.00	0.00	0.00	0.00	4.25	-20	-45	0
Norway	Oslo	NOK per sq m pa	14,000.00	1,758.97	0.00	0.00	-12.50	6.00	0	-75	75
Poland	Warsaw	€ per sq m pm	80.00	960.00	0.00	0.00	-33.33		0	0	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	-3.45	-12.50	-50.00	11.00	-50	-100	500
Russian Federation	Moscow	\$ per sq m pa	7,769.00	6,350.34	0.00	-2.89	-38.55	12.00	0	0	350
Serbia	Belgrade	€ per sq m pm	80.00	960.00	-5.88	-11.11	-33.33	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	0	200
South Africa	Cape Town	ZAR per sq m pm	245.00	313.47	0.00	-24.62	-34.67	9.50	0	0	250
South Africa	Durban	ZAR per sq m pm	270.00	345.46	0.00	-16.92	-32.50	10.00	0	0	150
South Africa	Johannesburg	ZAR per sq m pm	175.00	223.91	0.00	-25.53	-41.67	11.00	0	0	100
Spain	Barcelona	€ per sq m pa	2,040.00	2,040.00	0.00	-14.89	-23.42	5.75	-25	-25	125
Spain	Madrid	€ per sq m pa	2,796.00	2,796.00	0.00	-0.14	-11.07	5.75	-25	-25	150
Sweden	Stockholm	SEK per sq m pa	11,500.00	1,208.49	0.00	0.00	0.00	5.25	-50	-75	100
Switzerland	Geneva	CHF per sq m pa	3,600.00	2,730.79	0.00	0.00	0.00	5.00	0	0	25
Switzerland	Zurich	CHF per sq m pa	7,500.00	5,689.15	0.00	0.00	0.00	4.60	0	-10	10
United Arab Emirates	Dubai	AED per sq ft pa	400.00	958.24	0.00	-11.11	-25.00	8.25	-25	-50	125
United Kingdom	London – City	£ per ITZA pa	175.00	1,450.05	0.00	-12.50	-36.36	5.75	0	-25	125
United Kingdom	London – West End	£ per ITZA pa	900.00	7,457.39	0.00	20.00	20.00	4.00	-25	-50	100
United Kingdom	Birmingham	£ per ITZA pa	280.00	1,730.85	0.00	0.00	-6.67	5.25	0	-150	75
United Kingdom	Edinburgh	£ per ITZA pa	207.50	1,719.34	0.00	18.57	-1.19	5.25	-50	-175	125
United Kingdom	Glasgow	£ per ITZA pa	260.00	2,154.36	0.00	8.33	0.00	5.00	-25	-150	50
United Kingdom	Manchester	£ per ITZA pa	225.00	1,864.35	4.65	4.65	-25.00	5.25	0	-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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