Quick Stats

	Change from Q2 11	Change from Q3 10
Rent	←	↑
Yield	↓	↓

Hot Topics

- Consumer Confidence falls below long-term average and is trending downwards.
- Demand for prime retail space is robust but availability is limited.

Rents – Quarterly Change

EU27 Index

EU – 27 Index	↑	0.6%

Number of markets

Risers	↑	8
Stable	←	36
Fallers	↓	3

Yields – Quarterly Change

EU27 Index

EU 27 Index	↓	-1 bps

Number of markets

Risers	↑	2
Stable	←	36
Fallers	↓	9

OVERVIEW

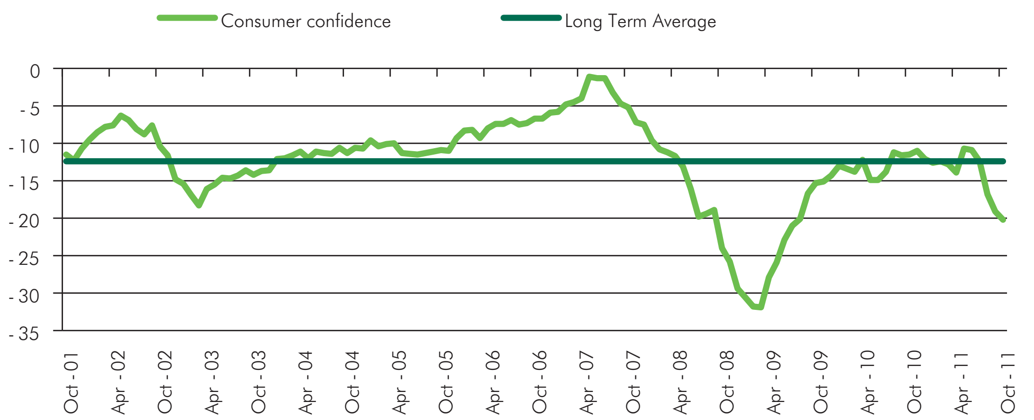
- **Prime Rents were flat in Q3**
  There was no growth in prime rents across the vast majority of markets in the third quarter. The exceptions include Milan, London and The Hague which all saw increases. Only Athens and Zagreb have seen a fall in rents.

- **Consumer confidence falls further**
  Sentiment among Europe's consumers fell in Q3. Having remained at long term average levels for over a year, consumer confidence has now fallen for two successive quarters. A squeeze on disposable incomes, the ongoing eurozone crisis and talk of a possible return to recession are weighing on consumers' minds and are likely to put a lid in on any short term recovery in consumer spending. A notable exception to this trend is Germany where confidence levels are quite strong.

- **Retailers target prime space only**
  Occupier demand is increasingly focused on the best pitches in Europe's major cities. For most of these locations there is very limited vacancy, and with little new development coming on stream, the main challenge for retailers is to access the space they want. Most occupiers are adopting a strategic approach to expanding their store networks and are not compromising on location. Consequently, demand for secondary space remains weak across Europe, and the time it takes to complete deals is taking longer.

- **Retail spending growth has stalled**
  The slowdown in retail spending continues with most markets witnessing no growth in Q3. Whilst there are marked differences by country – retail sales grew by 0.4% in Germany in September but Spain saw a significant decline – the overall picture is one of cautious consumer spending, with a strong likelihood that retail sales will remain flat for the remainder of 2011.

European Consumer Confidence



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RETAIL ECONOMICS

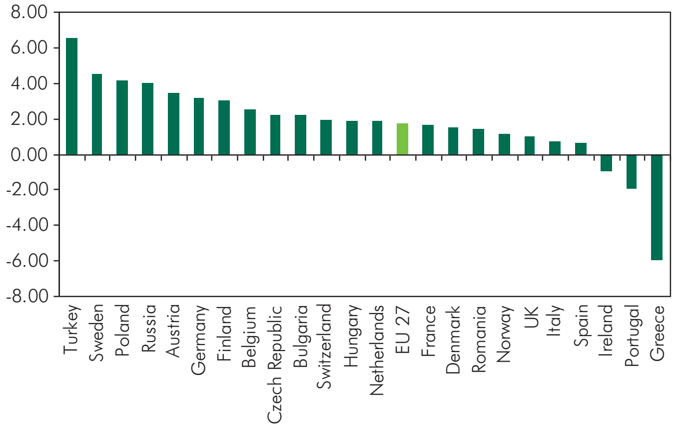
Europe's economy lost momentum in Q2 with growth of just 0.2%. Whilst figures for the region as a whole are not yet available for Q3, country level data suggests that Europe's economy is continuing to slow. Q3 GDP growth was flat in Spain and Belgium. Germany saw an increase of 0.4% in line with expectations, but this represents much slower growth compared with the early part of the year. In the UK, GDP grew by 0.5%, slightly higher than expected, but this rebound reflects the low level of growth in Q2 caused by an additional days holiday around the royal wedding. As austerity measures continue to bite, there is a strong possibility that Europe's economy will slip back into recession in 2012.

The level of unemployment level in EU27 has remained relatively stable, with 9.7% of the workforce out of work in September 2011. Wide variations by country persist, ranging from 3.8% in Austria to 22.6% in Spain, and generally reflect the broader economic situation in each market. Recent figures from the International Labour Organization (ILO) suggest that it will take up to five years for employment levels in the global advanced economies to return to pre-crisis levels. Whilst the level of unemployment is relatively stable, the threat of unemployment remains in many countries and is equally damaging to a potential recovery in consumer spending.

Eurostat estimate that there will be no growth in the volume of retail sales in EU27 for September. However the picture is far from even across Europe. In Germany, falling retail sales in August rebounded in September with a growth of 0.4% m-on-m, on the back of improving employment prospects and increasing salaries. The UK saw an increase of 1.0% in September, also reversing a fall from the previous month. In Poland retail sales grew by 0.5% in August and 2.4% in September, reflecting the strength of the consumer economy. In contrast, retail sales fell back by 0.4% in Sweden and 0.6% in France, with Spain still witnessing a significant deterioration in its retail economy with sales down by 5.8% in September y-on-y.

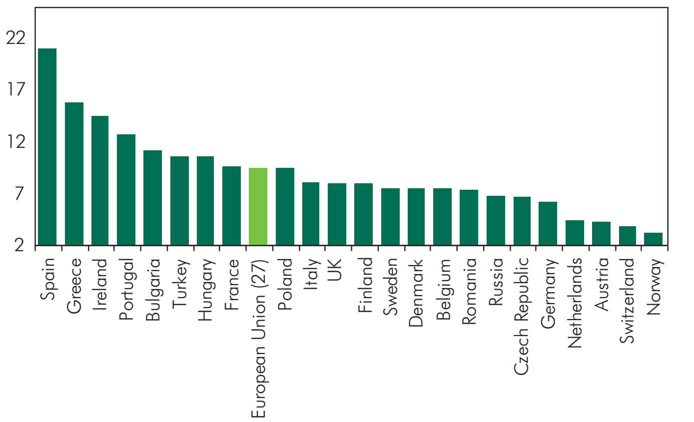
Consumer confidence has been falling in recent months. Not only do consumers have less money in their pockets, they are subjected to constant media coverage of the eurozone debt crisis. The majority of markets have witnessed weakening confidence levels, with the Netherlands, Austria and Sweden seeing some of the largest falls over the last quarter. The EU consumer confidence indicator was back up to its long-term average through most of 2010 and the first half of 2011, but is now in negative territory again. Retailer confidence has been trending along a similar path and is also now below the long-term average.

GDP Growth 2011 – Q3 Forecasts 2011



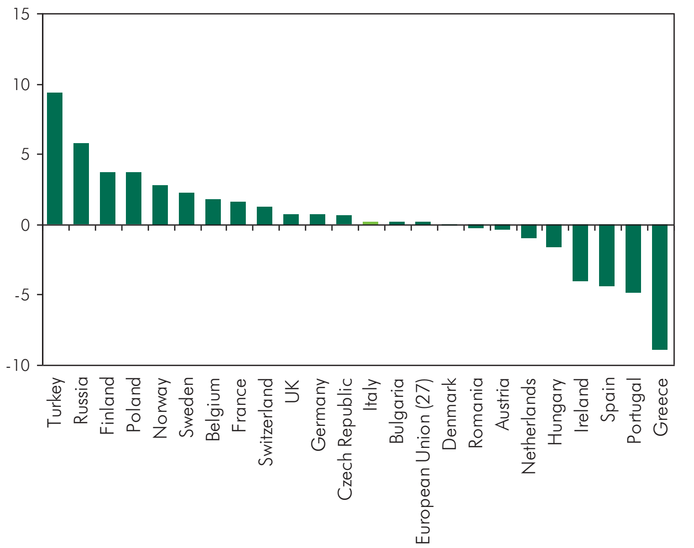
Source: Oxford Economics

European Unemployment Rates – Q3 2011 (%)



Source: Oxford Economics

Retail Sales Growth Q3 2011(%) y-o-y



Source: Oxford Economics

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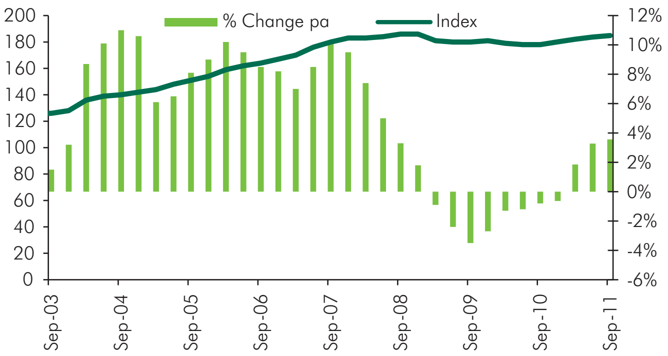
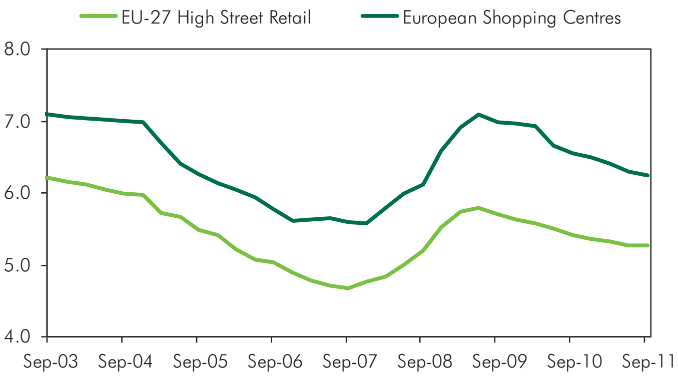
EU-27 Retail Rent Index, Q3 2011



EU-27 Retail Rent Index

	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Index (Q1 2000 = 100)	180	182	184	185
Quarter-on-Quarter (% Change)	0.9%	1.1%	0.9%	0.6%
Year-on-Year (% Change)	-0.6%	1.9%	3.3%	3.6%

Average Prime Yield (%) Q3 2011



Average Prime Yield Indices

	Q4 2010	Q1 2011	Q2 2011	Q3 2011
EU-27 Average Prime High Street Yield (%)	5.35	5.31	5.27	5.26
Quarter-on-quarter Shift (bp)	-5	-5	-4	-1
Year-on-Year Shift (bp)	-26	-25	-22	-15
European S/C Average Prime Yield (%)	6.49	6.39	6.29	6.24
Quarter-on-quarter Shift (bp)	-5	-10	-10	-6
Year-on-Year Shift (bp)	-47	-52	-35	-30

RETAILER ACTIVITY

Prime locations in major cities across Europe continue to see strong occupier demand. But vacancy rates in these locations are near to zero, so accessing the type of space they want, remains a challenge for many retailers.

CBRE's recent survey of retailer expansion plans for 2012 shows that retailers' current expansion strategies are similar to the approach they adopted last year. In general, retailers remain cautious and are sticking to markets in which they already have a presence, although almost a third of retailers intend to enter new markets – a similar proportion to last year.

The market is polarised between those retailers that are seeking only a handful of stores in 2012 and those that are looking to expand on a major scale. One in five retailers surveyed are looking to open more than 40 stores in 2012.

RENTS

The CBRE EU-27 Retail Rent Index was flat for Q3 2011 with only a 0.6% growth seen q-on-q. For the majority of markets, rental levels were the same as the previous quarter. Only a handful of markets saw positive growth in Q3, including Milan, Vienna and London. In contrast, Athens and Zagreb have seen a fall in rents.

Vacancy rates are low in most prime locations and little new stock is coming to market. Consequently, prime rents have remained stable in most of these locations and are likely to remain so in the short term. In many secondary locations, however, where there is next to no demand from occupiers, vacancy is increasing and rents are falling.

YIELDS

Prime, good quality retail continues to attract strong investor interest, with demand tightly focussed on core markets and those with a more stable economic outlook.

At the end of Q3 2011, the CBRE EU-27 High Street Retail Yield Index stood at 5.26% (1 bps fall q-on-q) and the broader European Shopping Centre Yield Index was 6.24%. As investors target the countries with the strongest economies, it is not surprising that the most significant yield compression took place in the CEE in Q3: Russia – 75 bps fall in both high street and shopping centre yields, Czech Republic – 25 bps fall in shopping centre yields. Reflective of weakening fundamentals and looming sovereign debt concerns - Spain, Greece and Portugal all reported outward shopping centre movements in Q3 2011.

Looking ahead, we expect good quality retail to continue to perform well. Further downward yield shifts, albeit small, are likely to take place, particularly in markets which deliver stronger economic growth. The non-core, secondary segment of the market, is expected to see further weakening.

The polarisation between prime and secondary locations continues in **Belgium** as retailers target the best locations in the top four cities. The shopping centre development pipeline is very limited, with no scheme bigger than 8,000 sq m expected to open between now and the end of 2013. However, several new projects are in the pipeline including UPlace in Machelen, just outside the Brussels Capital Region. This scheme has a total floor area of 165,000 sq m, including 55,000 sq m of retail. Construction is due to start in 2014.

In **France** occupier demand is still concentrated in prime locations. Secondary cities and pitches are only attracting start-up retailers. In Paris, real estate agents have recently revised upwards their rental value estimates in several major shopping streets, such as rue Saint-Honore, rue de Rennes and rue des Francs Bourgeois, due to strong occupier demand. The most sought-after premises are between 200 and 400 sq m, but opportunities rarely come to the market. Demand for prime units in the main cities of France outweighs availability. There is demand for shopping centre space among major retailers but it is mainly concentrated in regional centres (>40,000 sq m) which are the most strategic and identifiable. Ile-de-France is considered to be the region with the highest potential, in this regard. In Northern Paris, a spate of large new shopping centres will be completed in coming years.

Demand from retailers continued to grow in **Italy** in Q3. Vacancy in prime high streets like San Babila and Vittorio Emanuele in Milan remains low, and has caused many retailers to search for space in nearby streets such as Sant' Andrea and Corso Matteoti. The Italian development pipeline for new space slowed due to a lack of financing but there are still 20 shopping centres (with a GLA over 20,000 sqm) under construction and due to complete between 2011-2013. This will add a much needed 760,000 sq m of new space to a market which is still undersupplied in terms of modern retail space.

Occupier demand in **Germany** is arguably stronger than it was last year, with many retailers set to open their first store in this market over the next 12-18 months. Germany's relative lack of international occupiers combined with a strong economy and steadily rising retail sales continues to attract a wide range of retailers to the market. Whilst the main focus remains on the top five cities, many retailers are now widening their search to the top 20 cities and beyond. Fashion and footwear is the most active sector with occupier demand strongest among the mid-market retailers, where, unlike most mature European markets, there is still a significant opportunity for retailers to grow their store networks. The relative strength in occupier demand and lack of space available in the prime locations is exerting some upward pressure on prime rents and modest increases are expected in Q4 in the most sought after locations.

In the **Netherlands**, falling consumer confidence, rising inflation and declining consumer confidence over the Summer all pointed to a struggling retail sector. Preliminary figures from retailers confirm that recent months have been tough for a range of retailers and the general picture is one of declining turnover and sales volumes. Nevertheless, the best high streets and those which have developed an attractive niche are generating good footfall. At the same time, prime locations continue to attract the retailers away from secondary locations where demand is now minimal. Meanwhile competition from e-retailers continues to grow.

In **Poland**, Warsaw's prime retail zone is finally developing. Nowy Swiat is becoming a popular fashion and leisure destination, with number of 'retail pockets' emerging, such as Foksal street. Plac Trzech Krzyzy on the other hand, is reinforcing its status as a destination for upmarket brands, and Bracka street is developing as Warsaw's most upmarket location with boutiques such as Carolina Hererra present, among other top fashion retailers. In general, occupier demand for prime retail locations remains strong, but there is a lack of this type of space available. Some small scale developments have been completed in prime locations but these are insufficient to cater for the high level of demand. In the same vein, international retailers are targeting shopping centres with established track records, but some have been frustrated by the lack of large units available.

Consumer spending is still declining in **Spain**. In spite of this, international retailers are looking for new opportunities to grow their market share, and are targeting the prime areas of the most populated cities. Demand for units in the 80 to 300 sqm range is high in the prime streets of Madrid, including Serrano, Ortega y Gasset, Barrio de Salamanca and Gran Via. A lack of new premises, particularly large unit shops, in the main shopping districts has forced some retailers to consider old and traditional shops. Demand is reasonably solid for the best centres, but key money is not common in the current market. In general, the better quality centres have sufficient occupier demand to fill the vacant space, and rents are expected to hold up well.

Consumers in the **UK** are currently under severe pressure, with a squeeze on disposable income over he last quarter, resulting in flat retail sales. As elsewhere in Europe, occupier demand is quite strong in the prime locations of the major cities and is weak in secondary locations. In the UK, the market is also polarised between London (and parts of the South East) and elsewhere. London, supported by the tourist industry, is witnessing a mini boom, with very strong demand and record premiums being paid in locations such as Regent Street. Outside of London and the South East, demand for new space is more or less limited to prime locations in the main regional centres. With availability in these locations now near zero, there is some upward pressure on 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 trough**	Prime Yield	Basis point change on quarter	Basis point change on year	Basis point change from trough**
EU27 Rent and Yield Indices					**0.6**	**3.6**		**5.26**	**-1**	**-15**	
Austria	Vienna	€ per sq m pm	228.00	2736.00	0.88	2.24	3.64	4.45	-5	-10	-25
Belgium	Brussels	€ per sq m pa	1700.00	1700.00	0.00	6.25	6.25	4.50	0	-25	-75
Bulgaria	Sofia	€ per sq m pm	40.00	480.00	0.00	-10.71	0.00	8.00	0	0	0
Croatia	Zagreb	€ per sq m pm	75.00	900.00	-3.23	0.00	0.00	7.50	0	-20	-20
Czech Republic	Prague*	€ per sq m pm	170.00	2040.00	0.00	0.00	0.00	6.50	0	-25	-25
Denmark	Copenhagen	DKK per sq m pa	14500.00	1948.63	0.00	0.00	0.00	5.00	0	0	0
Finland	Helsinki	€ per sq m pa	1730.00	1730.00	0.12	18.49	25.91	5.30	0	-20	-50
France	Lille	€ per ITZA pa	1800.00	1134.00	0.00	0.00	0.00	5.25	0	0	-75
France	Lyon	€ per ITZA pa	2600.00	1638.00	0.00	13.04	13.04	5.25	0	0	-75
France	Marseille	€ per ITZA pa	1800.00	1134.00	0.00	5.88	5.88	5.25	0	0	-75
France	Paris	€ per ITZA pa	10000.00	6300.00	0.00	0.00	0.00	4.35	-15	-40	-140
Germany	Berlin	€ per sq m pm	250.00	3000.00	0.00	2.04	6.38	4.75	0	-15	-15
Germany	Dusseldorf	€ per sq m pm	230.00	2760.00	0.00	4.55	4.55	4.50	0	-10	-10
Germany	Frankfurt	€ per sq m pm	300.00	3600.00	0.00	11.11	20.00	4.50	0	-10	-10
Germany	Hamburg	€ per sq m pm	250.00	3000.00	0.00	13.64	13.64	4.40	0	-10	-10
Germany	Munich	€ per sq m pm	310.00	3720.00	0.00	3.33	3.33	4.40	0	-10	-10
Greece	Athens	€ per ITZA pm	200.00	1128.00	-9.09	-25.93	-20.00	7.00	0	50	0
Hungary	Budapest	€ per sq m pm	90.00	1080.00	0.00	0.00	0.00	7.00	0	-25	-75
Ireland	Dublin	€ per ITZA pa	5000.00	2350.00	0.00	-4.76	0.00	6.50	0	25	0
Israel	Tel Aviv	$ per sq m pm	110.00	983.90	0.00	10.00	22.22	8.00	50	-50	-50
Italy	Milan	€ per sq m pa	4000.00	4000.00	5.26	8.11	8.11	5.25	0	-25	-25
Italy	Rome	€ per sq m pa	3500.00	3500.00	0.00	0.00	0.00	5.50	0	-25	-40
Netherlands	Amsterdam	€ per sq m pa	2800.00	2800.00	0.00	3.70	3.70	4.05	0	-10	-60
Netherlands	Rotterdam	€ per sq m pa	1800.00	1800.00	0.00	2.86	2.86	4.10	-5	-15	-65
Netherlands	The Hague	€ per sq m pa	1400.00	1400.00	7.69	12.00	12.00	4.10	-5	-15	-65
Netherlands	Utrecht	€per sq m pa	1800.00	1800.00	0.00	2.86	2.86	4.05	0	-10	-65
Norway	Oslo	NOK per sq m pa	15000.00	1904.18	0.00	7.14	7.14	5.00	0	-100	-175
Poland	Warsaw*	€ per sq m pm	90.00	1080.00	0.00	12.50	12.50	6.25	-10	-25	-75
Portugal	Lisbon	€ per sq m pm	80.00	960.00	0.00	0.00	0.00	7.50	0	0	0
Portugal	Oporto	€ per sq m pm	30.00	360.00	0.00	-14.29	0.00	8.75	25	25	0
Romania	Bucharest	€ per sq m pm	70.00	840.00	0.00	0.00	0.00	10.25	0	-75	-175
Russian Federation	Moscow	$ per sq m pa	7950.00	5925.76	1.99	3.37	3.52	9.75	-75	-225	-225
Russian Federation	St Petersburg	$ per sq m pa	3500.00	2608.82	1.45	2.94	4.17	12.00	-100	-100	-400
Serbia	Belgrade	€ per sq m pm	80.00	960.00	0.00	0.00	0.00	8.00	0	0	0
Slovak Republic	Bratislava	€ per sq m pm	45.00	540.00	-6.25	-16.67	0.00	8.50	0	0	0
Spain	Barcelona	€ per sq m pa	2200.00	2200.00	0.00	4.76	4.76	5.50	0	-25	-25
Spain	Madrid	€ per sq m pa	2500.00	2500.00	0.00	4.17	4.17	5.50	0	0	-25
Sweden	Stockholm	SEK per sq m pa	13000.00	1410.69	4.00	13.04	13.04	4.75	0	-25	-125
Switzerland	Geneva	CHF per sq m pa	4200.00	3446.74	0.00	16.67	20.00	4.75	0	-25	-25
Switzerland	Zurich	CHF per sq m pa	8300.00	6811.42	0.00	3.75	10.67	4.20	-10	-40	-50
United Arab Emirates	Dubai*	AED per sq ft pa	400.00	873.72	0.00	0.00	0.00	8.25	-25	-25	-50
United Kingdom	London – City	£ per ITZA pa	175.00	1314.20	0.00	0.00	0.00	5.25	0	-50	-75
United Kingdom	London – West End	£ per ITZA pa	950.00	7134.21	5.56	5.56	26.67	3.50	0	-25	-100
United Kingdom	Birmingham	£ per ITZA pa	300.00	1680.74	0.00	7.14	7.14	5.15	0	-10	-160
United Kingdom	Edinburgh	£ per ITZA pa	200.00	1501.94	0.00	-8.47	14.29	5.25	0	0	-175
United Kingdom	Glasgow	£ per ITZA pa	260.00	1952.52	0.00	0.00	8.33	5.00	0	15	-150
United Kingdom	Manchester	£ per ITZA pa	230.00	1727.23	0.00	0.00	6.98	5.15	0	-10	-160

*Data is for Shopping Centres

* *Figures indicate degree of change from the lowest rent or highest yield recorded in the previous three years, to the current level

CBRE 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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