CB RICHARD ELLIS

Global MarketView
Retail

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Q1 2009

Global Retail Rents

	Change from Q1 08	Change from Q4 08
Asia	↓	↓
The Americas	↓	↓
EMEA	↓	↓
Pacific	↓	↓

Note: Rents quoted in this publication are prime rents not average rents. Please refer to the definition on Page 8

Hot Topics

- Unemployment rises as global economic downturn gathers pace
- Consumer sentiment and spending weakens
- Retailer property requirements generally down, but with pockets of strength
- Budget retailers performing well, whilst others take opportunities to "trade up"
- Retail rents and capital values trending downwards
- Tenants taking advantage of market conditions to negotiate more favourable lease terms

OVERVIEW

- **Economic downturn is a global phenomenon**

Whilst regions and countries are being affected differently, the globally synchronised downturn in economic activity is impacting retail markets across the world. Regionally, the sharpest economic declines have been seen in Europe and North America, but parts of Asia and the Pacific have also seen steep falls in GDP. Emerging markets are proving vulnerable to the slowdown, as most are dependent on global trade to sustain export-driven growth.

- **Consumer confidence low as unemployment continues to rise**

Retail is driven by consumers, and consumers are driven by sentiment. In most regions, the economic slowdown is now being reflected in rising unemployment, weakening income growth prospects and, in many countries, falling house prices. Whatever measures governments try to boost spending, consumers are battening down the hatches. Levels of personal debt have risen sharply in recent years, particularly in developed countries with liberal financial services regimes. Faced with the prospect of harder times ahead, consumers are choosing to save, or pay down debt, rather than to spend.

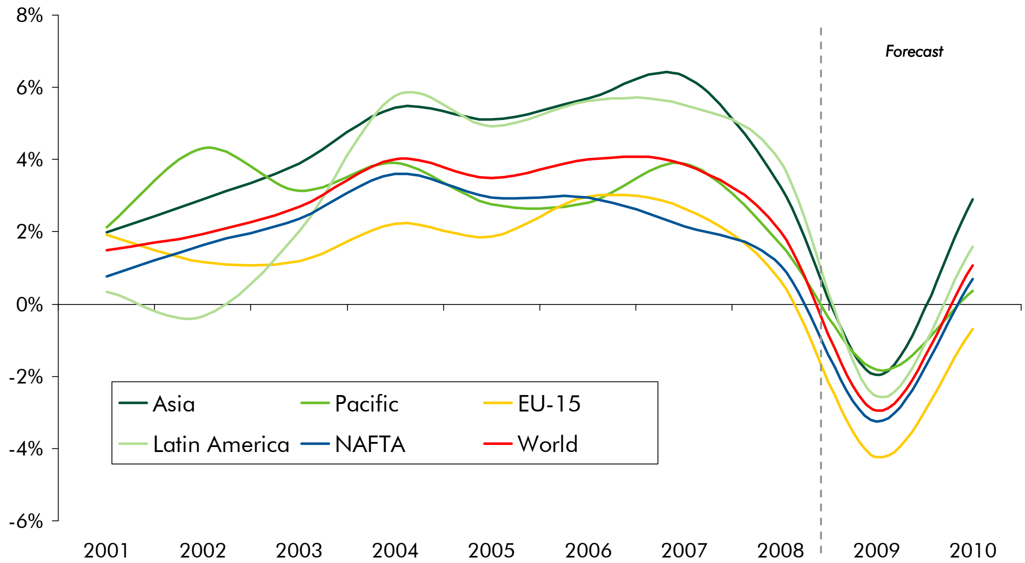
- **Retailer demand is generally weaker, but there are exceptions**

Unsurprisingly levels of retailer demand are reduced in most markets. However, there are exceptions. Many discount and food retailers continue to perform well, attracting newly price-conscious shoppers, and some have announced major expansion plans. Other retailers are selectively taking advantage of rare opportunities to move into prime units as vacancies emerge in top high streets and shopping centres. In general, however, expansion plans are being put on hold.

- **Rents now trending down, with retailers negotiating lease terms**

As the economic decline reduces retailer demand and increases the level of vacant units, retail rents are starting to fall in many markets. In some markets, retailers are taking advantage of market conditions to extend their leases in exchange for rent discounts or more favourable lease terms – in some cases well before the end of their current lease.

GLOBAL GDP GROWTH (% PER ANNUM)



Source: Economist Intelligence Unit, (May 2009)

GLOBAL RETAIL OVERVIEW

The data being released relating to economic performance during the first quarter of 2009 reveals that serious economic declines are now being seen in most countries around the globe. Since the end of last year, most major economies, save China and India, have seen significant negative growth.

The pace of the decline is now decelerating for many key variables, but "getting worse more slowly" does not constitute a recovery, and many of the impacts of previous declines have yet to become fully apparent in the retail property market. The International Monetary Fund estimated that global GDP contracted 7.5% in Q4 2008, and an equally dismal performance occurred in Q1 of this year.

Few markets will be immune to the effects of such a slowdown, but the full impact is taking time to work through the system. However, consumer sentiment is now being hit sharply in most parts of the world. Varying combinations of rising unemployment, subdued wage growth prospects, falling house prices, falls in the value of personal savings portfolios and a high personal debt burden are putting consumers very much on the defensive. Major purchases are being delayed or deferred indefinitely, and shoppers are becoming increasingly price-conscious in their purchasing decisions. As a result, budget and discount retailers are benefitting, as are some foodstores as people substitute home entertaining for dining out. Most retailers, however, face tough trading conditions in the face of falling prices and weaker demand.

As might be expected, this is now clearly affecting the major retail property markets across the globe. Rents are generally static at best, or in decline. Whilst some are still showing y-on-y increases, in the majority of cases this is a function of growth during 2008 and masks more recent quarterly declines. Some retailers are downsizing, whilst others are collapsing entirely. This opens up opportunities for some, with unprecedented vacancies being seen in some of the world's dominant high streets and shopping centres.

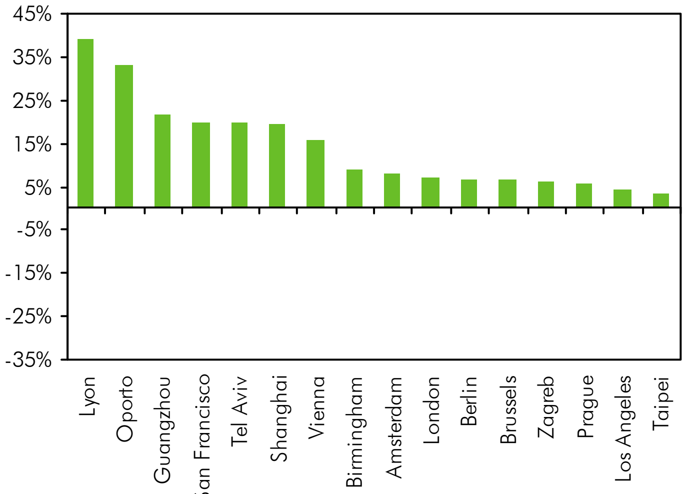
Stronger retailers are looking to take advantage of these situations to "trade up" to better space, but many more are seeking to capitalise on their negotiating position with nervous landlords. The weakest operators are asking for concessions simply to enable them to stay in business; stronger ones are agreeing lease extensions in exchange for reduced rents and/or more favourable lease terms.

In the optimum situations, these negotiations can represent a genuine "win, win" that benefits both landlord and tenant. With both the real estate market and the retail sector facing more tough times before recovery takes hold, such co-operation could be increasingly common in the months ahead.

GLOBAL RETAIL RENTS

Rank	City	Rent Q1 2009 US$ Sq Ft p.a	Rent Q1 2009 € Sq M p.a	Rank Q4 2008
1	New York	1,800	14,623	1
2	Hong Kong	975	7,903	2
3	Moscow	790	6,415	4
4	Paris	776	6,300	5
5	Tokyo	771	6,267	3
6	London	677	5,501	6
7	Sydney	624	5,068	8
8	Zurich	612	4,968	7
9	Los Angeles	600	4,874	9
10	San Francisco	540	4,387	11
11	Dublin	521	4,230	10
12	Brisbane	504	4,099	12
13	Chicago	500	4,062	13
14	Guangzhou	489	3,971	14
15	Milan	455	3,700	15
16	Munich	443	3,600	16
17	Rome	431	3,500	17
18	Singapore	408	3,315	19
19	Melbourne	395	3,213	20
20	Frankfurt	369	3,000	21

FASTEST GROWING MARKETS (ANNUAL RENTAL CHANGE)



Source: CB Richard Ellis

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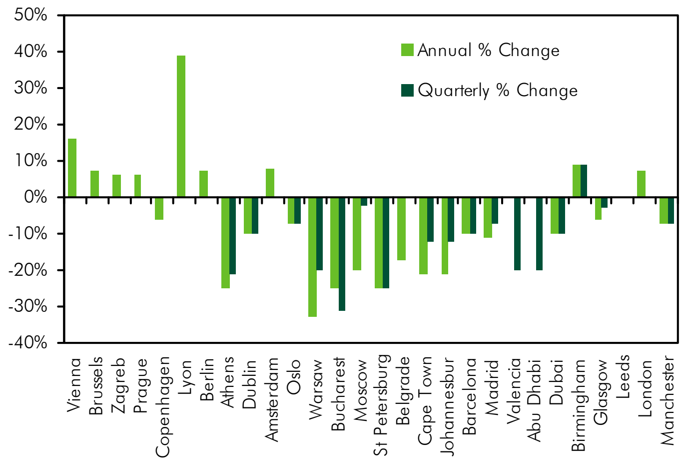
EMEA RETAIL RENTS

Rank	City	Local Currency	US$ per sq ft p.a	Type*
3	Moscow	€6,415 sq.m. pa	790	HS
4	Paris	€10,000 ITZA** pa	776	HS
6	London	£750 ITZA** pa	677	HS
8	Zurich	CHF 7,500 sq.m.pa	612	HS
11	Dublin	€9,000 ITZA** pa	521	HS
15	Milan	€ 3,700 sq.m.pa	455	HS
16	Munich	€ 300 sq.m.pm	443	HS
17	Rome	€ 3,500 sq.m.pa	431	HS
20	Frankfurt	€ 250 sq.m.pm	369	HS
21	Berlin	€ 235 sq.m.pm	347	HS
22	Madrid	€ 2,800 sq.m.pa	345	HS
23	St Petersburg	$ 3,600 sq.m.pa	334	HS
24	Amsterdam	€ 2,700 sq.m.pa	332	HS
25=	Vienna	€ 220 sq.m.pm	325	HS
25=	Dusseldorf	€ 220 sq.m.pm	325	HS

** Paris, London and Dublin rents are based on zoning which is a valuation principle

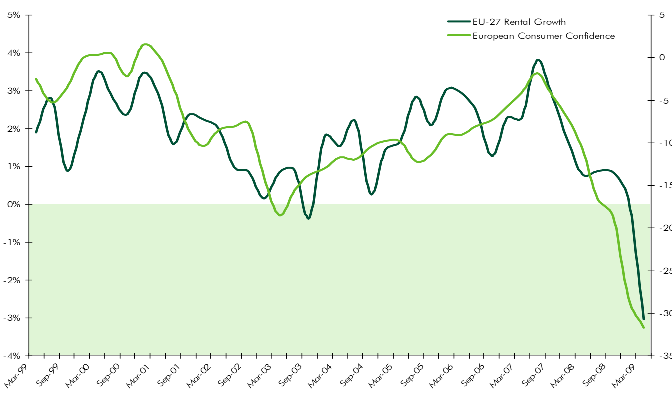
* HS – High Street SC – Shopping Centre

EMEA QUARTERLY & ANNUAL RENTAL CHANGE



Source: CB Richard Ellis

EU-27 QUARTERLY RETAIL RENTAL CHANGE vs. CONSUMER CONFIDENCE



Source: CB Richard Ellis, & Eurostat

RETAIL MARKET OVERVIEW - EMEA

The impacts of the credit crunch and subsequent economic downturn are now clearly feeding through into the retail sector in Europe. Consumer and retailer confidence is weak and retail rents are now also generally in decline.

The EU-27 unemployment rate rose 1.6% in the year to March 2009. Employment prospects are a key driver of consumer confidence, which consequently remains weak and well below its long-term average. On the positive side, the very latest sentiment indicators suggest a recent slight improvement in confidence, suggesting that government initiatives may be starting to have some impact.

Levels of retailer demand are down in most markets but there are some bright spots. Many discount and food retailers have announced major expansion plans after benefiting from increasingly price conscious customers. Primark, Best Buy, Tesco and Sainsbury's have all announced plans to expand their operational networks. In general, however, expansion plans are likely to be at best delayed somewhat. In some markets, retailers are also known to be negotiating with landlords to secure rent discounts or more favourable lease terms in exchange for agreeing to extend their leases.

As a result of weaker demand and the rising threat of vacancies, retail rents are starting to decline. The CBRE EU-27 Retail Rent Index saw a decrease of -3.0% during the first quarter of 2009, a decline of -1.2% year-on year. Having peaked at around 5% q-on-q, the rate of European rental growth has been steadily declining since mid-2007. Whilst modest quarterly declines were recorded in the latter part of last year, this is the first time that the Index has fallen on a year-on-year basis. Prime rents fell by over 10% in several markets over the quarter, including Athens, Dubai, Barcelona and Dublin. There was clear evidence that impacts are starting to be seen across Central and Eastern Europe, with sharp falls in Warsaw and Bucharest.

Whilst prime rents are clearly declining in some markets, in others they have held up relatively well. This is generally because, as vacancy levels start to rise, secondary locations are bearing the brunt of the fall in retailer demand. If a unit becomes vacant in a prime location, retailers from an inferior pitch will "trade up" thereby limiting the impact on prime values. As a result, the gap between prime and secondary rents is beginning to increase.

Many of the core Western European markets have seen no movement in yields this quarter with the exception of France, Italy, Portugal and The Netherlands . Yields have risen by up to 200 basis points in individual markets and the CB Richard Ellis EU-27 Yield index now stands at 5.77% which is 112 basis points higher than it's lowest point in Q3 2007.

RETAIL MARKET OVERVIEW - ASIA

Weak consumer spending continued to negatively impact the Asian retail property market throughout most of the first quarter. Hong Kong, Japan and Singapore all suffered negative growth in retail sales during February, although China maintained a relatively robust retail sales growth of 15% y-o-y.

Inflation slowed further in March as the regional economy cooled and commodity prices continued to fall. A number of Asian countries were increasingly vulnerable to deflation, led by China where CPI was down 1.2% y-o-y, followed by Japan, Thailand and Taiwan. The impact of the economic downturn on the Asian labour market continued to unfold with official government figures recording a rise in the unemployment rate in Hong Kong, Singapore, South Korea, Taiwan and Japan.

This stuttering economic growth led several Asian governments to announce a series of major policy initiatives designed indirectly to provide a much stronger platform of support for domestic consumption in their respective countries. These measures cover sectors such as basic shopping goods and commodities and also extend to include education and healthcare. However, these efforts have yet to provide a huge uplift to retail sales and most retailers generally remained reluctant to open new stores, leading to a fall in rentals in most cities.

Leasing activity in major Asian retail centers remained mostly weak as retail brands continued to delay plans to expand, while others opted to restructure or close down underperforming outlets altogether. Rentals for retail properties performed variably across the region. Further declines in prime retail rents were recorded in Beijing, Shanghai, Guangzhou, Tokyo and Singapore, but retail rents in a number of other markets held up relatively well after having corrected significantly in the fourth quarter of 2008. New supply is set to come on stream over the next few quarters in cities including Singapore, Beijing, Jakarta and Kuala Lumpur, which will push up vacancy rates in those locations even further.

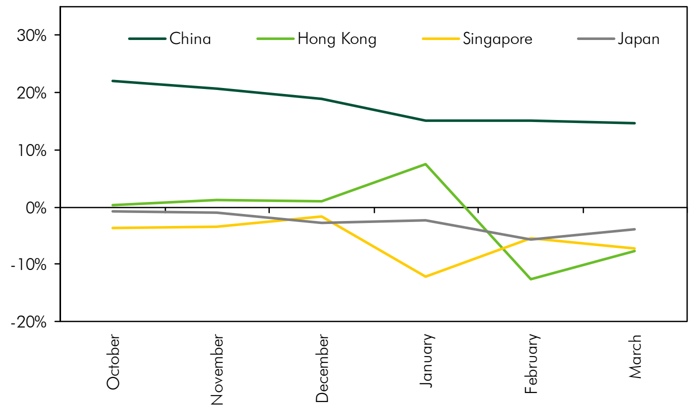
The end of the quarter witnessed a mild improvement in consumer sentiment as shoppers were lured by sales promotions offering big discounts. Mass market chains in the fashion and food and beverage sectors remained fairly active in searching for new locations to expand as the economic climate continued to encourage budget spending.

ASIAN RETAIL RENTS

Rank	City	Local Currency	US$ per sq ft p.a	Type*
2	Hong Kong	HK$ 630 sq.ft.pm	975	HS
5	Tokyo	JPY 6,352 sq.ft.pm	771	HS
14	Guangzhou	RMB 278 sq.ft.pm	489	SC
18	Singapore	S$ 52 sq.ft.pm	408	SC
29	Shanghai	RMB 175 sq.ft.pm	308	SC
35	Beijing	RMB 141 sq.ft.pm	247	SC
42	Taipei	NT$ 573 sq.ft.pm	203	HS
69	New Delhi	INR 464 sq.ft.pm	109	SC
80	Jakarta	IDR 56,850 sq.ft.pm	59	SC

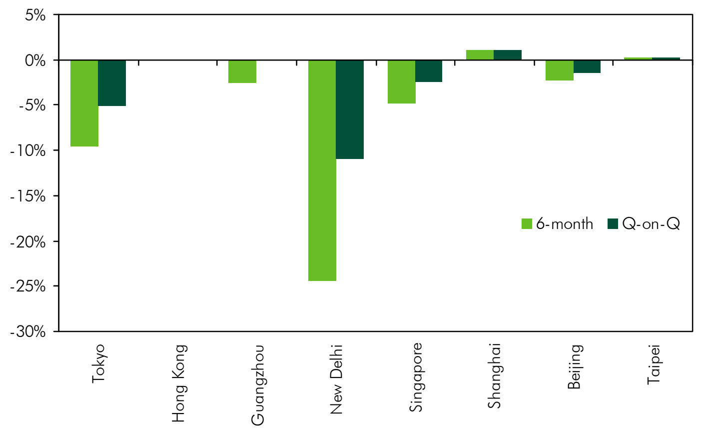
* HS – High Street SC – Shopping Centre

ASIAN RETAIL SALES OCT 08 – MAR 09 (Y-on-Y % change)



Source: Corresponding statistics bureaus

ASIAN QUARTERLY & 6-MONTH RENTAL CHANGE (%)



Source: CB Richard Ellis

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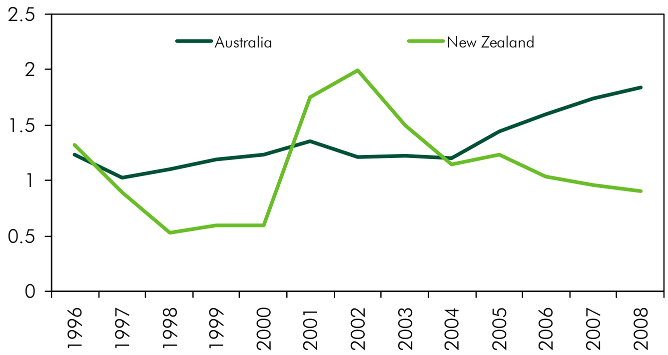
PACIFIC RETAIL RENTS

Rank	City	Local Currency	US$ per sq ft p.a	Type*
7	Sydney	AU$ 9,700 sq.m p.a	624	HS
12	Brisbane	AU$ 7,845 sq.m p.a	504	HS
19	Melbourne	AU$ 6,150 sq.m p.a	395	HS
53	Auckland	NZ$ 3,000 sq.m p.a	157	HS

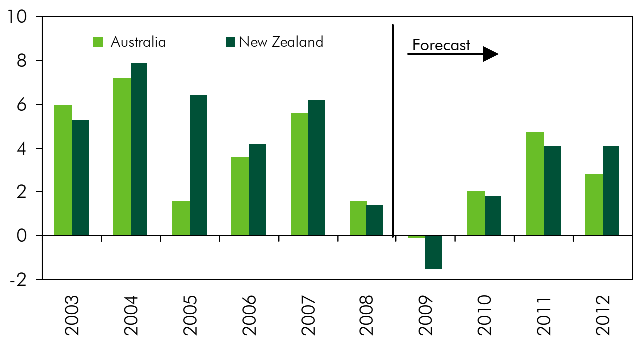
* HS – High Street SC – Shopping Centre

POPULATION GROWTH (%)



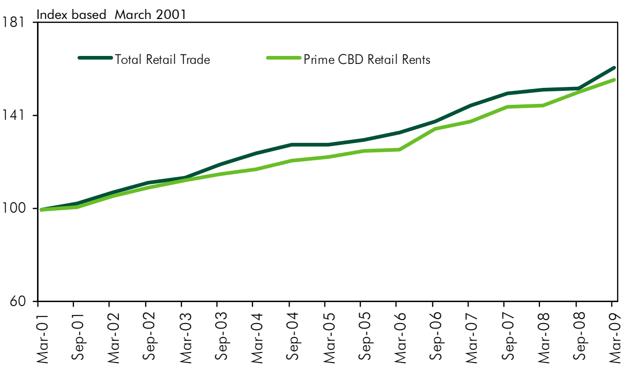
Source: Australia Bureau of statistics & statistics New Zealand (September 2008)

RETAIL TURNOVER (%)



Source: CB Richard Ellis

AUSTRALIA RETAIL TRADE VS CBD PRIME RENTAL CHANGE



Source: CB Richard Ellis

RETAIL MARKET OVERVIEW - PACIFIC

The drivers of the Pacific retail market are currently weak and volatile. Consumer confidence remains low in both Australia and New Zealand. Although still relatively low, unemployment is now starting to rise as the economies of both countries either remain in (New Zealand) or slide rapidly into (Australia) recession. Regular forecasts of further rises in unemployment broadcast through the media are affecting consumer sentiment; as a result, retail expenditure remains low and in areas of discretionary spending, negative.

Ironically, many household budgets are in better shape than they have been for some years, with the price of oil low and interest rates still falling and allowing much reduced mortgage payments. For the first time in many years, the household savings ratio is now trending up as disposable income is saved or used to pay down debt, rather than spent in retail outlets. This does suggest that, when households are ready to spend again, they will be in a strong fiscal position to do so.

In Australia, a component of the Federal Government's Economic Stimulus Package is a direct cash grant (payable in two tranches) to eligible persons and households. This is aimed at stimulating spending in retail outlets and on services. However, the grant has caused havoc with trends in retail spending; consumers have held back their spending whilst waiting for the grant, causing trade to fall. Sales rose dramatically after the first round of grants, followed by a correspondingly large reduction the following month. By the time of the second grant, households had become so worried about the future that most saved the money or used it to pay down debt. It appears that retail sales will now return to the low and flat trend experienced through much of 2008, before being forecast to pick up again in 2010.

Meanwhile, the better retail property markets have so far proved remarkably resilient to the turmoil in the underlying drivers of the sector, especially in the CBDs. Vacancy is still very low, although it is now starting to rise in the CBDs of Brisbane, Sydney and Melbourne. Stronger retailers are using this time to relocate to better, more highly-exposed locations. Rents in most markets are largely stable.

Interestingly, the rise in vacancy is being caused by tenants closing or relocating, rather than new supply. There have always been high barriers to entry into the CBD retail markets and the present time is no exception. There are some very large retail projects underway in both Sydney and Melbourne, although they are not scheduled for completion until 2011.

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RETAIL MARKET OVERVIEW - AMERICAS

In the United States, property market fundamentals continue to weaken, with increased vacancy levels and declining rents. In Canada, companies continue to retrench and are cutting costs and outputs to cope with the global recession. Vacancy rates for all property types continue to increase, and the first signs of rental falls are appearing. Meanwhile, Latin America is still experiencing low vacancy rates and has benefited from continued stable local demand for real estate. There have been some reductions among certain multi-national firms, but overall there does not appear to have been any material loss of confidence in the region.

In the U.S. retail sales fell 1.1% in March due to weak levels of demand caused by increased unemployment levels and declines in household wealth. As long as the economic situation remains so uncertain, it is likely that consumers will continue their conservative approach to discretionary expenditures. Given the Federal government's various stimulus measures it is possible that confidence may increase in the coming months. Even so, retail sales will almost certainly continue to waver over the next few months, especially if unemployment levels continue to rise. Most consumers will focus on necessity items and defer big-ticket purchases, and retailers will struggle for the remainder of 2009, leading to more anxious moments for retail property owners and lenders.

In March, retail sales edged up 0.3% in Canada, following a 0.2% increase in February. The increase was fuelled largely by an increase in sales at new car dealerships; excluding the automotive sector, retail sales decreased by 0.2%. Few new projects will be announced in 2009, but most preconceived projects and those under construction are proceeding. The further the recession deepens, the more challenges retailers will face to survive. Retail vacancy levels are expected to increase moderately, due to new supply and the release of space by some retail tenants.

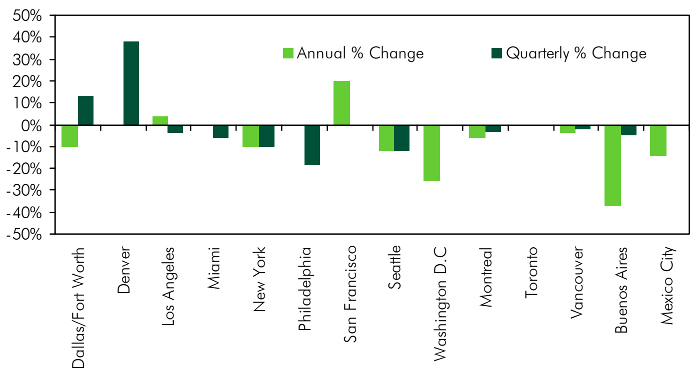
Latin American countries are generally better placed to withstand an economic downturn than in the past, due to sounder economic policies pursued over the last few years. Retail spending has been fluctuating in the region, but countries have been affected to varying degrees. In February, Mexico (-8.6%) and Chile (-3.1%) saw material declines whilst retail sales rose 3.8% in Brazil. In March, retail sales in Argentina rose 5.2%. The reduction in tourism has impacted certain regions more than others. The regions retail vacancy rates are up marginally, but for the most part there has not been any drastic changes in the retail landscape. Retailers are adjusting to lower consumer activity with delayed new openings and strategic downsizing where necessary.

AMERICAS RETAIL RENTS

Rank	City	Local Currency	US$ per sq ft p.a	Type*
1	New York	$ 1,800 sq.ft.pa	1,800	HS
9	Los Angeles	$ 600 sq.ft.pa	600	HS
10	San Francisco	$ 540 sq.ft.pa	540	HS
13	Chicago	$ 500 sq.ft.pa	500	HS
36	Toronto	C$ 300 sq.ft.pa	238	HS
51	Vancouver	C$ 225 sq.ft.pa	179	HS
56	Miami	$ 145 sq.ft.pa	145	HS
58=	Rio de Janeiro	BRL 300 sq.m.pm	144	HS
58=	São Paulo	BRL 300 sq.m.pm	144	HS
61	Bogota	COP 300,000 sq.m.pm	131	SC
65	Philadelphia	$ 120 sq.ft.pa	120	HS
66	Montreal	C$ 150 sq.ft.pa	119	HS
72	Washington D.C.	$ 100 sq.ft.pa	100	SC
74	Dallas/Fort Worth	$ 90 sq.ft.pa	90	SC
76	Buenos Aires	$ 76 sq.m.pm	85	SC
77	Seattle	$ 75 sq.ft.pa	75	HS
78=	Mexico City	$ 60 sq.m.pm	67	HS
78=	Lima	$ 60 sq.m.pm	67	SC
82	Denver	$ 55 sq.ft.pa	55	SC
83	Santiago	$ 42 sq.m.pm	47	SC
84	Panama City	$ 40 sq.m.pm	45	SC

* HS – High Street SC – Shopping Centre

AMERICAS QUARTERLY & ANNUAL RENTAL CHANGE



Source: CB Richard Ellis

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TOP 15 GLOBAL RETAIL COUNTRIES 2008

Rank	Country	% of international retailers present
1	United Kingdom	58%
2	Spain	48%
3	France	46%
4	United Arab Emirates	45%
5	Germany	45%
6	China	42%
7	Russia	41%
8	Italy	41%
9	Switzerland	40%
10	United States	39%
11	Belgium	38%
12	Austria	38%
13	Canada	37%
14	Japan	37%
15	Saudi Arabia	37%

TOP 15 GLOBAL RETAIL CITIES 2008

Rank	City	% of leading global retailers present
1	London	59%
2	Paris	50%
3	New York	47%
4	Dubai	46%
5	Madrid	44%
6	Moscow	42%
7	Berlin	40%
8	Munich	40%
9	Barcelona	39%
10	Tokyo	39%
11	Singapore	38%
12	Hamburg	38%
13	Hong Kong	38%
14	Milan	37%
15	Beijing	36%

Source: CB Richard Ellis "How Global is the Business of Retail? 2009"

HOW GLOBAL IS THE BUSINESS OF RETAIL?

The latest Retail Sector Special Report from CBRE Global Research & Consulting, "*How Global is the Business of Retail – 2009*", sets out to examine the operational network of 280 leading global retailers across 67 countries and 161 cities covering the vast majority of the world's economy.

While almost half of all retailers in the survey (46%) had some presence in each of the three main global regions, however the globalisation of retail is still in relatively early stages. Luxury retailers and those from the clothing/footwear sector are significantly more international then retailers from other sectors. Luxury retailers are typically present in over 27 countries, compared with an average of just over 14 countries for the other sectors in the sample.

Retailers from all sectors continued to expand their global footprint during 2008 despite a rapid weakening in in business sentiment and increased risk aversion in response to the global economic downturn. Retailers in the survey were on average present in 16.5 international countries at the end of 2008 compared with 14.7 countries in late 2007 – an average increase of 1.8 countries per retailer or 12%.

Retailers have continued not just to internationalise but to globalise. Over 40% of all new openings during 2008 were outside the home region of the retailer concerned. Geographically the primary beneficiaries of this global expansion process were the emerging markets, with the Middle Eastern, Asian and Eastern European countries dominating the list of new openings. The presence of significant franchising opportunities particularly in Asia and the Middle East, has helped some retailers establish a presence in these markets at a reduced cost, and with lower risk than would have been possible by establishing a directly managed outlet.

The pattern of new openings is due to a combination of factors which have attracted retailers to the emerging markets. A common strategic driver has been increasing consumer affluence (linked to rising commodity prices and/or inward investment). Finding suitable real estate is also a common barrier to entry. The openings of a major new shopping centre is therefore often the trigger for international retailers to open their first store in the country.

Tactically, retail expansion needs to viewed in the context of a very difficult trading environment. Many retailers are likely to delay their international expansion plans, at least temporarily, until the economic and financial outlook is less uncertain.

To obtain a copy of the full report, please contact any of the individuals listed on the back page of this publication, or your usual contact at CB Richard Ellis.

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DEFINITIONS

The prime retail rents quoted in this publication represent the typical "achievable" open market headline rent which an international retail chain would be expected to pay for a ground floor retail unit (either high street or shopping centre depending on the market) of up to 200 sqm of the highest quality and specification and in the best location in a given market.

The quoted rents reflect the level at which relevant transactions are being completed in the market at the time but need not be exactly identical to any of them, particularly if deal flow is very limited or made up of unusual one-off deals. In these circumstances, the quoted figure will be more hypothetical, based on expert opinion of market conditions, but the same criteria on building size and specification apply.

The figures exclude any leasing incentives or "key money" (premium, or initial payment, to secure the right to occupy the unit).

CB RICHARD ELLIS GLOBAL RESEARCH AND CONSULTING

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