

Global Retail Rents

	Change from	
	Q1 10	Q4 10
Asia Pacific	↑	↑
The Americas	↑	↑
EMEA	↑	↑

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

Hot Topics

- Emerging markets continue to outperform mature economies in growth.
- Consumers' spending power is under pressure as inflation increases
- Occupier demand is strong for prime locations
- Prime retail rents are rising slowly

Key

HS – High Street

SC – Shopping Centre

OVERVIEW

• Rents are rising again

Increased demand for the limited amount of prime space has led to a small increase in prime rents on a global basis. In Asia, rents are rising steadily, underpinned by the ongoing expansion by international luxury and fast fashion brands. Rental growth in the Americas is slowing but remains positive with EMEA seeing a marginal increase over the last quarter. In general, there is still downward pressure on rents in secondary locations.

• Retailers continue to expand into new markets

Global retailers continued to grow their store networks in 2010 but at a slower pace than the previous year. Occupier demand is still focused on prime areas although a lack of new development in mature markets is forcing some retailers to extend their search criteria. In contrast, a wave of new development in China and India is attracting more international retailers to the region.

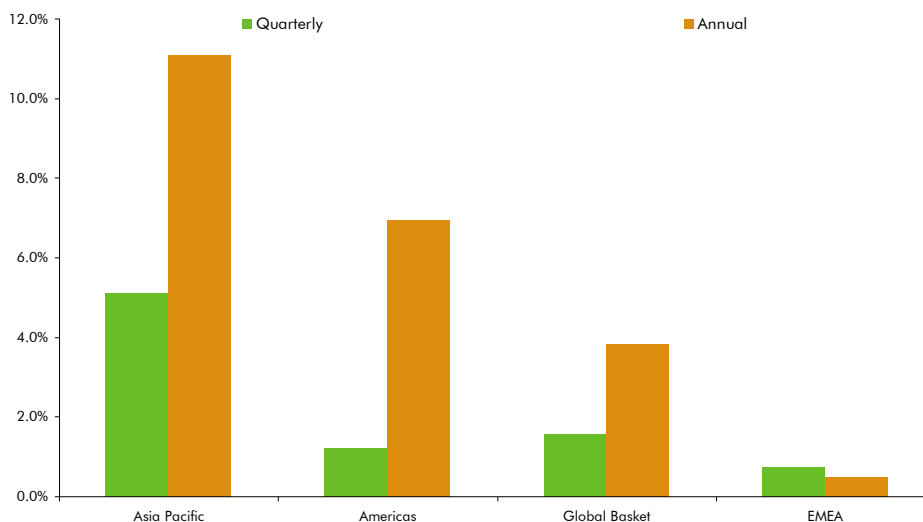
• Consumers are cautious

Inflation is reducing disposable income and making consumers more cautious in their spending habits. This is most evident in the more mature markets, where high unemployment and the need to reduce government debt through higher taxes is putting further pressure on consumers. Nevertheless, large emerging markets such as China, Russia, Brazil and Turkey are still seeing strong growth in consumer spending.

• Economic recovery is proceeding with challenges

The recovery in the global economy is proceeding albeit with some challenges and the prospect of a double dip recession in the more mature markets appears to be receding. Economic growth continues to be strong in South America and Asia Pacific but is much weaker in Europe and North America.

ANNUAL AND QUARTERLY RENTAL CHANGE



Source: CB Richard Ellis

GLOBAL RETAIL OVERVIEW

The global basket of rents collected by CB Richard Ellis grew by 1.9% on the quarter and by 3.8% year on year. Rental levels grew by 6.9% in the Americas and 11.1% in Asia Pacific year on year. In contrast, rents in EMEA grew by just 0.5%, although some markets have seen rental growth of over 10.0%, whilst in others rents continue to fall.

There was little change in the global rankings from the previous quarter with the notable exception of Hong Kong which moved up to second place following a massive rental hike in Q1. Rents are expected to rise still further but at a much slower rate.

The recovery in the global economy is strengthening and the prospect of a double dip recession appears to be receding but significant challenges still lie ahead. In the more advanced economies, the ability to maintain interest rates at a level that will encourage sustainable economic growth whilst also keeping a lid on inflation will be the key challenge. Increasing commodity prices are a major concern. Not only is this putting pressure on wage inflation, it has also reduced consumers' disposable income. Consumer spending power is already under pressure due to consistently high unemployment levels in many advanced economies, and the need to reduce government debt through higher taxes. Rising prices is also a key issue in the emerging markets, where economic growth is generally robust and the major concern is preventing overheating.

Oxford Economics forecasts that retail sales will grow strongly in Asia in 2011, but at a slower pace than the previous year. In spite of this, growth in the retail sector continues to outpace general economic growth in markets such as China, Hong Kong and Indonesia. In Europe, retail sales are forecast to grow only marginally and at a similar rate to last year. Notable exceptions are the large emerging markets of Russia, Turkey and Poland where the retail sales are growing much more rapidly. US retail sales have grown moderately in 2011 and are unlikely to pick up significantly until unemployment levels fall.

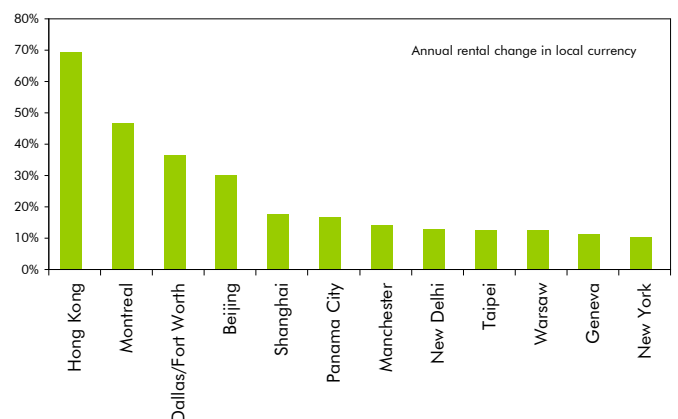
Our recent survey of international retailer presence showed global retailers continued to grow their store networks in 2010, but the pace of growth slowed to 2.0%, compared with 4.0% in 2009. It remains a testing time for retailers, particularly in more mature markets, where fewer new shopping centres are making it more difficult for retailers to access the prime space they require. Not only is this putting upward pressure on rents in the most sought after locations, it is also forcing retailers to extend their search criteria and consider taking space in non-prime locations. It may also encourage more retailers to grow their business via online platforms rather than expanding their physical store network.

CB RICHARD ELLIS PRIME GLOBAL RETAIL RENTS

Rank	City	Rent Q1 2011 US\$ Sq Ft pa.	Rent Q1 2011 € Sq M pa.	Rank Q4 2010
1	New York	1,900	14,438	1
2	Hong Kong	1,697	12,896	3
3	Sydney	1,301	9,888	2
4	London	909	6,908	4
5	Zurich	829	6,302	6
6	Tokyo	807	6,134	5
7	Paris	783	6,300	7
8	Brisbane	753	5,720	8
9	Moscow	721	5,475	9
10	Melbourne	691	5,250	10
11	Guangzhou	575	4,372	11
12	Los Angeles	520	3,951	12
13	Milan	500	3,800	14
14	Munich	490	3,720	16
15	Chicago	480	3,647	13
16	Singapore	470	3,576	15
17	Rome	461	3,500	17
18	Beijing	449	3,410	18
19	Frankfurt	442	3,360	19
20	Shanghai	414	3,148	23

Source: CB Richard Ellis

FASTEST GROWING MARKETS (Q1 2011)



Source: CB Richard Ellis

EMEA RETAIL RENTS

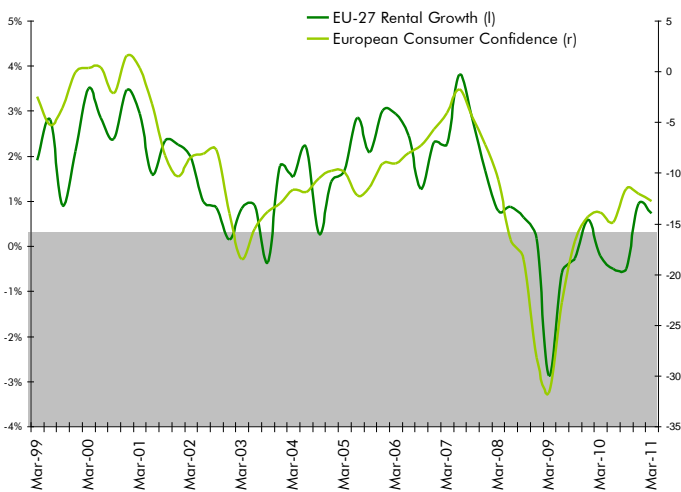
Global Rank	City	Local Currency	US\$ Sq Ft pa.	Type*
4	London	£900 ITZA pa	909	HS
5	Zurich	CHF 8,200 sqm.pa	829	HS
7	Paris	€10,000 ITZA pa	783	HS
9	Moscow	\$7,756 sqm.pa	721	HS
13	Milan	€3,800 sqm.pa	500	HS
14	Munich	€310 sqm.pm	490	HS
17	Rome	€3,500 sqm.pa	461	HS
19	Frankfurt	€280 sqm.pm	442	HS
21	Geneva	CHF 4,000 sqm.pa	405	HS
22	Berlin	€250 sqm.pm	395	HS
24	Amsterdam	€2,800 sqm.pa	368	HS
25	Vienna	€225 sqm.pm	355	HS
26=	Dusseldorf	€220 sqm.pm	347	HS
26=	Hamburg	€220 sqm.pm	347	HS
29	St Petersburg	\$3,450 sqm.pa	321	HS

** Paris, London and Dublin rents are based on a zoning approach – see Definitions section for further explanation

* HS – High Street SC – Shopping Centre

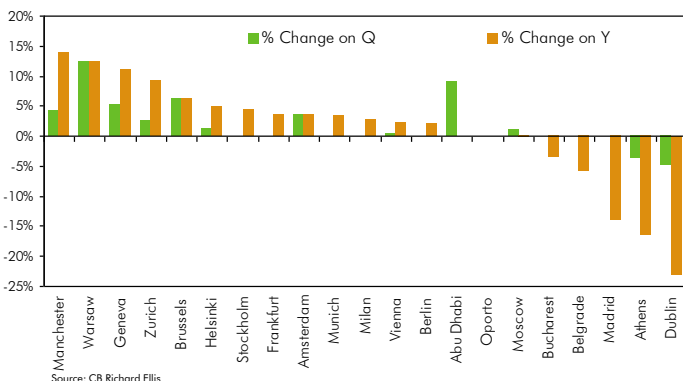
Source: CB Richard Ellis

EU-27 QUARTERLY RETAIL RENTAL CHANGE vs. CONSUMER CONFIDENCE



Source: CB Richard Ellis & Eurostat

EMEA QUARTERLY & ANNUAL RENTAL CHANGE



Source: CB Richard Ellis

RETAIL MARKET OVERVIEW – EMEA

Europe's economic recovery continues but the overall rate of growth is still low. Germany led the pack of the major western European economies in 2010 recording GDP growth of 3.5%, followed by France at 1.9%. Central and Eastern Europe and the Nordics have seen stronger growth with Turkey, Poland and Sweden seeing the highest levels of economic growth last year.

In contrast, there is increasing concern 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. 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. Retail sales were flat in Q1 2011 across Europe, with low levels of growth forecast for the year as a whole.

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

In spite of still testing trading conditions, occupier demand for prime pitches in key European cities is still strong, including 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 (premium) 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.

Overall, rental growth year on year was flat, although a number of locations did see significant increases, including Brussels, Warsaw, Geneva and The Hague. In contrast, a handful of locations such as Dublin, Athens and Madrid all witnessed a reduction in rents year on year. The shopping centre sector has also seen a significant upward pressure on rents in the last quarter.

RETAIL MARKET OVERVIEW – ASIA PACIFIC

The region endured a series of natural disasters during the first quarter. The earthquake in Christchurch, floods in Queensland and most significantly, the March 11 Japan earthquake and tsunami, and subsequent radiation leak have first and foremost been human tragedies. There has of course been an economic impact as well but so far this has been confined to the affected markets, with robust export growth and solid domestic demand continuing to spur economic growth elsewhere in the region. Soaring food and commodity prices continued to fuel inflation, prompting a number of countries to raise interest rates and implement other policies to reign in spending.

Retail sales grew strongly, most notably in Greater China and some Southeast Asian markets, underpinned by strong employment growth and higher levels of tourist spending. Tourism is becoming an increasingly important contributor to retail sales. The Japan quake saw a kneejerk dip in consumer confidence in many markets, but it is too early to say what the ultimate impact will be. In the Pacific, retail spending has been subdued with consumers remaining cautious and opting to save more or shop more frugally.

Based on our basket of rents, premium rents in Asia Pacific grew by 11.1% year on year. Rising rents in Hong Kong were a major contributor to this growth with a hefty 46% quarter on quarter as a number of high profile leasing deals were completed at key locations on Pedder Street in Central, which has a limited amount of space available for lease. Expansion by international luxury and fast fashion brands ensured steady rental growth in Beijing, Shanghai and Taipei. Southeast Asia continues to accommodate a large quantity of new supply. In Tokyo, it was too early to ascertain the impact of the quake on retail rents, coming as it did just two weeks before the end of the quarter. Average prime rents in Beijing, Guangzhou and as well as some Southeast Asian cities will come under pressure as a large volume of new supply comes on stream, whereas rental levels in Singapore are still adjusting to recent additions of new stock.

International retailers continued to be active in key Pacific markets during the period. The cautious consumer story has not impacted on rents in the Pacific, as most key retail areas either weathered the storm of subdued spending and cautious retailer demand, or witnessed rental growth due to tight supply constraints. Recent and new supply in Pacific CBD markets is likely to put pressure on rental levels until the demand from international and national retailers absorbs new accommodation. This will be particularly evident in prime core or secondary retail areas, which will experience downward rental pressure as a result of the new supply in super prime properties.

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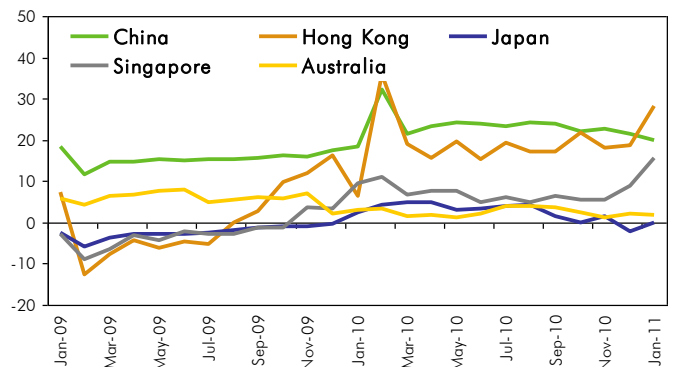
ASIA PACIFIC RETAIL RENTS

Global Rank	City	Local Currency	US\$ Sq Ft pa.	Type*
2	Hong Kong	HK\$ 1,100 sqft.pm	1,697	HS
3	Sydney	AUS\$ 13,560 sqm.pa	1,301	HS
6	Tokyo	JPY 5,593 sqft.pm	807	HS
8	Brisbane	AUS\$ 7,845 sqm.pa	753	HS
10	Melbourne	AUS\$ 7,200 sqm.pa	691	HS
11	Guangzhou	RMB 314 sqft.pm	575	SC
16	Singapore	S\$ 49 sqft.pm	470	SC
18	Beijing	RMB 245 sqft.pm	449	SC
20	Shanghai	RMB 226 sqft.pm	414	SC
32	Taipei	NT\$ 731 sqft.pm	299	HS
42	Auckland	NZ\$ 3,250 sqm.pa	230	HS
60	New Delhi	INR 539 sqft.pm	145	HS
71	Bangkok	THB 279 sqft.pm	111	SC
87	Manila	PHP 99 sqft.pm	27	SC

Source: CB Richard Ellis

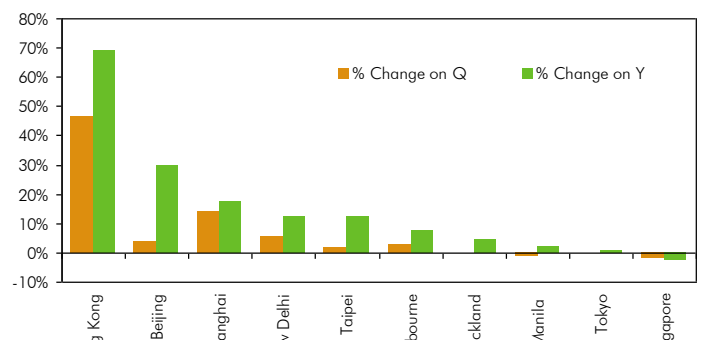
* HS – High Street SC – Shopping Centre

ASIA PACIFIC RETAIL SALES (Year on Year % change)



Source: IMA Asia

ASIA PACIFIC RENTAL CHANGE



Source: CB Richard Ellis

AMERICAS RETAIL RENTS

Global Rank	City	Local Currency	US\$ Sq Ft pa.	Type*
1	New York	\$1,900 sqft.pa	1,900	HS
12	Los Angeles	\$520 sqft.pa	520	HS
15	Chicago	\$480 sqft.pa	480	HS
23	San Francisco	\$375 sqft.pa	375	HS
28	Toronto	C\$ 325 sqft.pa	335	HS
36	Rio de Janeiro	BRL 380 sqm.pm	260	HS
44	Montreal	C\$ 220 sqft.pa	227	HS
49	Vancouver	C\$ 200 sqft.pa	206	HS
50	Sao Paulo	BRL 290 sqm.pm	198	HS
55	Bogota	COP 300,000 sqm.pm	179	SC
57	Miami	\$165 sqft.pa	165	HS
58	Dallas/Fort Worth	\$150 sqft.pa	150	SC
67	Philadelphia	\$125 sqft.pa	125	HS
67	Washington, DC	\$125 sqft.pa	125	HS
69	Buenos Aires	\$110 sqm.pm	123	HS
73	Boston	\$110 sqm.pa	110	HS
76	Mexico City	\$72 sqm.pm	80	HS
77	Panama City	\$70 sqm.pm	78	SC
79	Santiago	UF 1.35 sqm.pm	68	SC
80	Lima	\$60 sqm.pm	67	SC
81	Seattle	\$65 sqft.pa	65	HS
86	Denver	\$43 sqft.pa	43	SC

Source: CB Richard Ellis

* HS – High Street SC – Shopping Centre

RETAIL MARKET OVERVIEW – AMERICAS

Retail spending in the Americas continues to grow as consumer confidence and employment levels improve. Higher energy prices may curtail retail spending activity in the second half of 2011, but it is expected to remain positive in 2011. Retailers are taking a considered approach to store expansion, with a heavy emphasis on leveraging social networking and the internet.

U.S.

U.S. consumer spending continued to improve in the first part of 2011 despite higher energy costs and high unemployment levels. The retail availability rate is likely to stay flat with a slight decline in 2011. Retailers are expanding but remain cautious and are replacing some locations with new concept stores, and in some cases, with smaller floor plates. According to CBRE Econometric Advisors, retail availability rates, especially for neighborhood and community centers, will stabilize in 2011. Growth in consumer spending will stabilize over coming months as consumers continue to increase their spending on necessities. The US market has also seen an increase in luxury purchases and the arrival of a few foreign retailers including All Saints, Desigual, Jack Wills, and Top Shop.

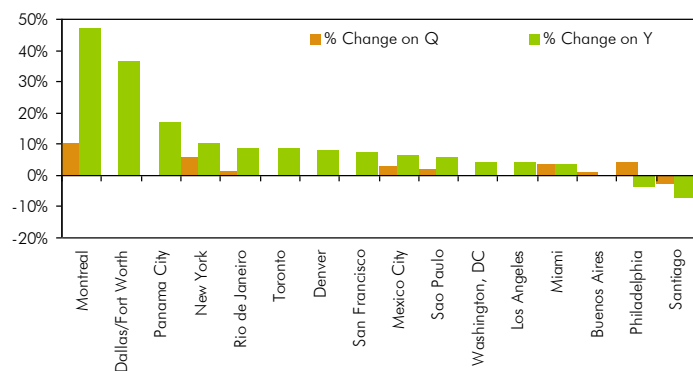
Canada

Canadian retail sales fell 0.3% (month on month) in January and have declined for two consecutive months following a solid performance since the spring of 2010. A recent survey reported that many Canadian consumers are changing their shopping habits in response to rising food and gas prices as well as a slowdown in job growth. This has caused many to delay major purchases, which is reflected in the decreased demand for automobiles. Rising interest rates were expected to put pressure on consumers later in the year so it is somewhat troubling that consumers are already cutting back in response to other factors. One trend that bodes well for the Canadian retail market is the continued influx of foreign retailers. This should keep retail vacancy rates in check and boost flagging retail sales. While overall sales have been struggling, the luxury market continues to perform well.

Latin America

After a very optimistic 2010, retail rents remain stable for the region as a whole, with a 0.4% average growth rate in the last quarter. Rents in Argentina and Brazil increased during the quarter due to the scarce availability of suitable stock. The only rent decrease in the region was in Santiago, Chile, where values returned to 2009 levels in the main luxury retail street Alonso de Córdoba. In the rest of the region, vacancy remains low in most high-end street locations which is likely to put upward pressure on rent levels for the remainder of the year.

AMERICAS QUARTERLY & ANNUAL RENTAL CHANGE



Source: CB Richard Ellis

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).

Local currency rents for certain markets are expressed in terms of Zone A (ITZA), an approach which places a higher value on certain parts of a shop more than others. The number reported is the value placed on the most expensive part of the shop and will therefore be much higher than the average per sq m value for the entire unit.

CB RICHARD ELLIS GLOBAL RESEARCH AND CONSULTING

The CB Richard Ellis Global Research and Consulting Team would like to acknowledge the contributions of Jonathan Hills, Natasha Patel and Andrea Walker for their contributions to this report.

Global Research and Consulting is a CB Richard Ellis network of pre-eminent researchers and consultants who collaborate to provide real estate market research, econometric forecasting and consulting solutions to real estate investors and occupiers around the globe.

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