Global Retail Rents

	Change from Q3 08	Change from Q2 09
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

- Asia Pacific leads global economic recovery
- Some retailers continue with expansion plans using current situation as time of opportunity
- Discount retail performing well due to price conscious consumers
- Retail rents beginning to stabilise
- Landlords continue to face difficult conditions especially in secondary locations

Key

HS – High Street

SC – Shopping Centre

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OVERVIEW

• Economic downturn begins to slow

Economic and retail indicators around the globe appear to be showing signs of greater stability. Some countries are now emerging from recession, with the Asia Pacific region leading the way; North America and Europe are lagging. However, the recovery is still fragile at present, and looks set to be a long and slow process in many parts of the world.

• Consumers feel the pinch

Record low interest rates and better economic news are helping improve consumer confidence – but from a low base. The rate of increase in unemployment has moderated, but consumers remain cautious and focused on value for money so this improvement not necessarily translated into an increase in retail sales. Retailers still face tough trading conditions in the run-up to the crucial holiday season.

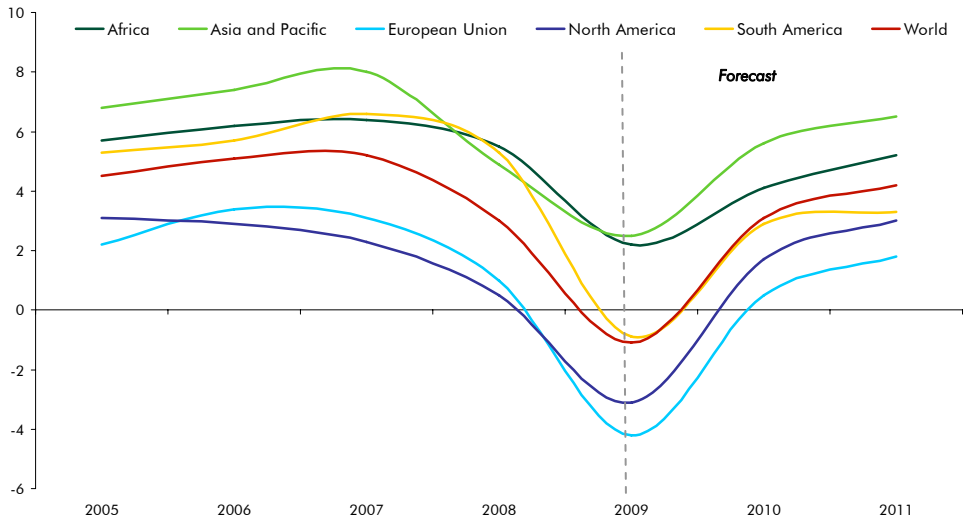
• Some retailers continue to expand

Retailer confidence has also picked up over the course of 2009. While many retailers are not in a position to take new units, others are still looking to expand albeit usually on a smaller scale than previously envisaged. Generally they are focused on more mature markets and prime locations. In some cases retailers are using the current situation as a time of opportunity to acquire units which would not have been available previously when competition was more intense.

• Prime holds up better then secondary

Prime locations are finding it easier to attract new tenants where vacancies do occur, and rents are holding up better then in secondary areas where vacancies are higher and retailers are able to negotiate lower rents and larger incentive packages.

GLOBAL GDP GROWTH (% PER ANNUM)



Source: IMF

GLOBAL RETAIL OVERVIEW

2009 has seen most global economies witness turbulent and challenging times. There are some positive signs starting to appear, and overall the global economy appears to be turning the corner from a period of decline. Typically for this stage in the cycle, however, the signals remain mixed and it could take some time to transition into a period of genuine and sustained recovery. Whilst a number of economies across Asia Pacific are rebounding well, including Australia, China and India, other more mature markets including the UK, Eurozone, and the US have been slower in their response with Europe seeing some of the deepest declines.

Unemployment levels have continued to climb in most regions, with further job losses anticipated before employment levels begin to rise. Encouragingly, consumer confidence indicators have generally started to improve across most markets, albeit from historic low levels in many cases. Whilst consumer pessimism may be abating somewhat, a combination of increasing unemployment and uncertain future wage prospects are causing consumers to take a cautious approach to spending. As shoppers become increasingly price conscious the purchase of big ticket items is being delayed. The burdens of personal debt and mortgage payments are being moderated by the historic low level of interest rates, but this will not last forever. Economic recovery, itself likely to be slow and erratic in many countries, could be even slower to translate into improving retail sales if it is accompanied by rising interest rates and increased taxation.

As a result of tougher trading conditions gaps are appearing in some high streets and shopping centres, as retailers consolidate networks or cease trading altogether. Some retailers see this as a time of opportunity, taking advantage of reduced competition to "trade up" to better space or to target new markets. Value retailers and grocery chains are reporting healthy and often improving profits, and in many cases are looking to acquire new units in prominent locations.

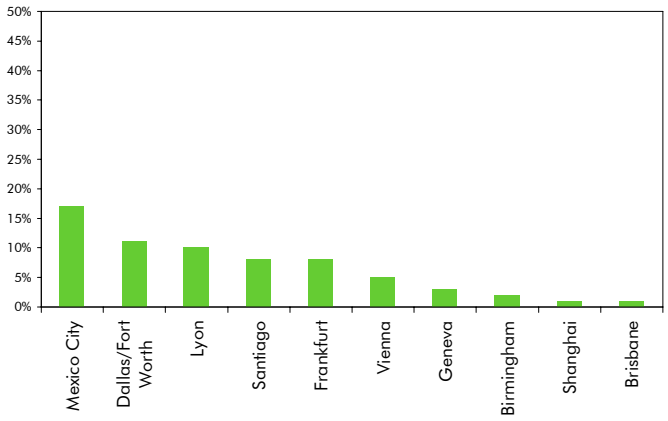
As a result, there is increasing differentiation between "the best and the rest". The best units in the best locations are still able to attract a range of alternative retailers should they fall vacant. Landlords are generally able to hold firm in their demands and, whilst leasing incentives may be increasing, this is evident in the general stability of prime rents in the premier locations. However, negotiations between landlords and tenants are taking longer to conclude as retailers seek the most favourable terms. Smaller markets and secondary locations are seeing far greater impacts. Rising vacancy and reduced retailer demand are translating into falling headline rents, with net effective rents usually falling even faster as incentive packages increase.

GLOBAL RETAIL RENTS

Rank	City	Rent Q3 2009 US$ Sq Ft p.a	Rent Q3 2009 € Sq M p.a	Rank Q2 2009
1	New York	1,640	12,062	1
2	Hong Kong	976	7,177	2
3	Paris	857	6,300	3
4	Sydney	796	5,859	7
5	Tokyo	774	5,694	5
6	London	756	5,561	4
7	Moscow	735	5,407	6
8	Zurich	673	4,947	8
9	Brisbane	644	4,738	9
10	Dublin	543	3,995	11
11	Los Angeles	540	3,972	10
12	Melbourne	505	3,714	16
13	Milan	503	3,700	14
14	Guangzhou	502	3,691	12
15	Chicago	500	3,677	13
16	Munich	489	3,600	15
17	Rome	476	3,500	17
18	Singapore	448	3,296	19
19	Frankfurt	441	3,240	18
20	Berlin	383	2,820	20

Source: CB Richard Ellis

FASTEST GROWING MARKETS (ANNUAL RENTAL CHANGE)



Source: CB Richard Ellis

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EMEA RETAIL RENTS

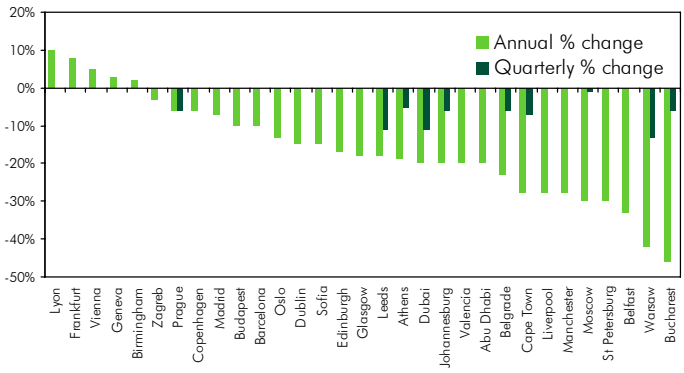
Global Rank	City	Local Currency	US$ per sq ft p.a	Type*
3	Paris	€ 10,000 ITZA pa	857	HS
6	London	£ 750 ITZA pa	756	HS
7	Moscow	€ 7,914 sqm.pa	735	HS
8	Zurich	CHF 7,500 sqm.pa	673	HS
10	Dublin	€ 8,500 ITZA pa	543	HS
13	Milan	€ 3,700 sqm.pa	503	HS
16	Munich	€ 300 sqm.pm	489	HS
17	Rome	€ 3,500 sqm.pa	476	HS
19	Frankfurt	€ 270 sqm.pm	441	HS
20	Berlin	€ 235 sqm.pm	383	HS
21	Madrid	€ 2,796 sqm.pa	380	HS
22	Amsterdam	€ 2,700 sqm.pa	367	HS
23=	Vienna	€ 220 sqm.pm	359	HS
23=	Dusseldorf	€ 220 sqm.pm	359	HS
23=	Hamburg	€ 220 sqm.pm	359	HS

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

* HS – High Street SC – Shopping Centre

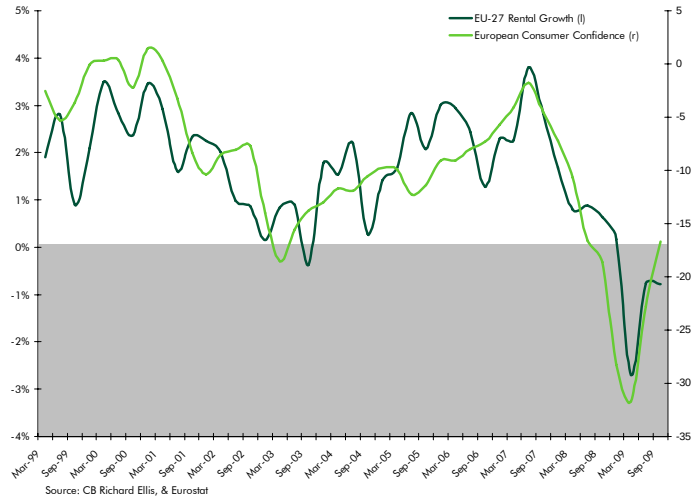
Source: CB Richard Ellis

EMEA QUARTERLY & ANNUAL RENTAL CHANGE



Source: CB Richard Ellis

EU-27 QUARTERLY RETAIL RENTAL CHANGE vs. CONSUMER CONFIDENCE



Source: CB Richard Ellis, & Eurostat

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RETAIL MARKET OVERVIEW - EMEA

Over the course of 2009 most European economies have faced increasing unemployment levels and falling output levels. Better news began to emerge in the second quarter, with both Germany and France showed positive economic growth – albeit off dramatically reduced levels in the previous six months. The European Union as a whole is still flirting with recession and is expected to see a GDP contraction of approximately 4% in the year as a whole. Unemployment levels have been fairly stable over the last quarter falling only marginally in most countries. Consumer confidence has been slowly recovering throughout 2009, and is in positive territory in parts of the continent, but in general retailers still face difficult trading conditions dominated by nervous, cost conscious consumers.

Occupier demand in prime locations has held up recently well through 2009. Vacancy levels are generally low in top locations, although definition of the area that constitutes "prime" has tightened in many markets. Levels of key money (the premium paid by retailers when taking on a new unit) have dropped off in many markets across Europe and retailers continue to demand incentives including turnover based rents where they feel they are in a good negotiating position. Secondary and tertiary locations have not fared as well, with most markets having seen rental levels drop and vacancy increase - even with landlords offering rental discounts and longer rent free periods.

The majority of markets have seen a degree of stabilisation in prime rents over the summer. The CBRE EU-27 Retail Rent Index fell -0.8% in Q3, and has declined just -4% over the last year – a far smaller decline than in the office and industrial sectors.

Interestingly, one result of the economic downturn has been concern amongst retailers about the future supply of space. This is particularly true in the emerging markets, where new shopping centres are often the only opportunity for major retailers to find good quality units to enter the market. As the development pipeline of new centres has been dramatically curtailed, some retailers are seeing a shortage of expansion opportunities over the coming years as a potential problem. This will clearly help support values and occupancy levels in those centres which have already opened and are trading relatively successfully.

The outlook for the retail sector remains uncertain. With various government initiatives and tax reductions set to expire in the coming months, many consumers will remain under pressure even as economic recovery starts to take hold. Some retailers will be well placed to take advantage, but mid-market fashion and other sectors including household goods could continue to struggle to rebuild sales.

RETAIL MARKET OVERVIEW - ASIA

The Asian retail market fundamentals were surprisingly more resilient in the third quarter. Recently released data indicates that the retail sector is recovering faster and better than expected, having seen a downturn which was less severe than in the office and industrial markets.

Rising housing prices and the revival of the equity markets have played a vital role in restoring consumer confidence in the region at large, while major policy interventions implemented by Asian governments appear to have been largely successful in supporting consumer spending after what was a relatively pessimistic start to the year.

The period was generally more favourable for markets where an emerging middle class is stimulating rising levels of affluence, notably in larger urban areas of China, and India. Other developed economies including Japan, Hong Kong and Singapore saw the rate of decline in retail sales diminish substantially in the third quarter. Elsewhere, the retail sector in Taiwan and South Korea displayed a faster rate of recovery with retail trade activity continuing to out-perform other markets in the region.

Despite the better-than-expected retail sales growth, the performance of prime retail rents continued to diverge across the various Asian markets. This quarter saw prime retail rents in most cities either decline at a slower rate, stabilise or even show a minor up-tick. However, rents for some well-located prime locations dominated by major international brands were less affected by the downturn, largely benefiting from the tight availability, competitiveness and landlord's firmness in leasing negotiations.

The overall level of retail leasing activity picked up slightly as some mid-tier retailers viewed the situation as an opportunities to take advantage of the weakened market conditions to negotiate more favourable lease terms for ideal locations. Youth fashion retailers and mass-oriented F&B outlets remained fairly active in searching for new locations with less expensive occupancy costs, particularly in Hong Kong and China. Although existing retailers were not as pessimistic as they had been in the first half of the year, they remained conservative and cost conscious and demand for less well-located retail space generally remained fragile.

Looking ahead, the Asian retail market is expected to recover gradually with an increase in retail trade activity as the festive season approaches. However, the threat of supply-side risk remains significant in certain cities in Mainland China, Singapore and India, all of which are still expecting a large quantum of shopping mall construction to come on stream over the coming years.

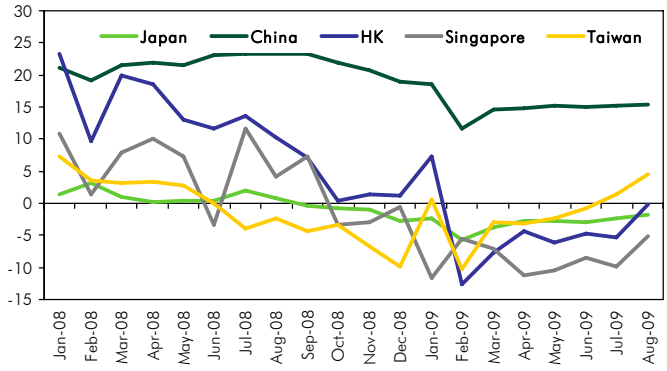
ASIAN RETAIL RENTS

Global Rank	City	Local Currency	US$ per sq ft p.a	Type*
2	Hong Kong	HK$ 630 sqft.pm	976	HS
5	Tokyo	JPY 5,790 sqft.pm	774	HS
14	Guangzhou	RMB 285 sqft.pm	502	SC
18	Singapore	S$ 53 sqft.pm	448	SC
31	Shanghai	RMB 175 sqft.pm	308	SC
38	Beijing	RMB 139 sqft.pm	245	SC
50	Taipei	NT $ 527 sqft.pm	198	HS
65	New Delhi	INR 493 sqft.pm	123	HS
73	Bangkok	THB 279 sqft.pm	100	SC

Source: CB Richard Ellis

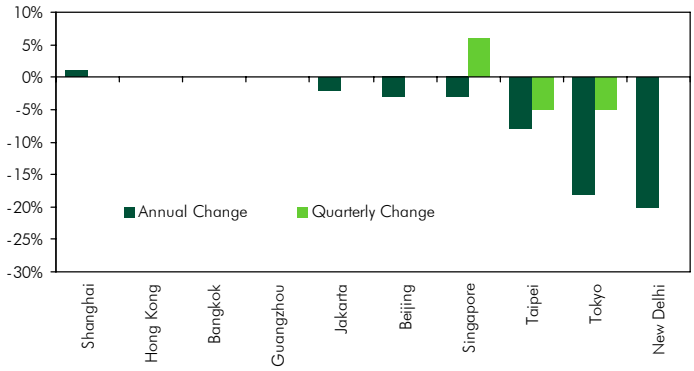
* HS – High Street SC – Shopping Centre

ASIAN RETAIL SALES (Y-on-Y % change)



Source: Corresponding Statistics Bureaus

ASIAN QUARTERLY & ANNUAL RENTAL CHANGE (%)



Source: CB Richard Ellis

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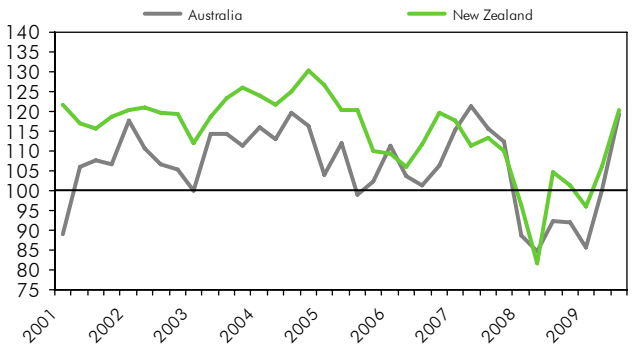
PACIFIC RETAIL RENTS

Global Rank	City	Local Currency	US$ per sq ft p.a	Type*
4	Sydney	AU$ 9,700 sqm.pa	796	HS
9	Brisbane	AU$ 7,845 sqm.pa	644	HS
12	Melbourne	AU$ 6,150 sqm.pa	505	HS
49	Auckland	NZ$ 3,000 sqm.pa	202	HS

Source: CB Richard Ellis

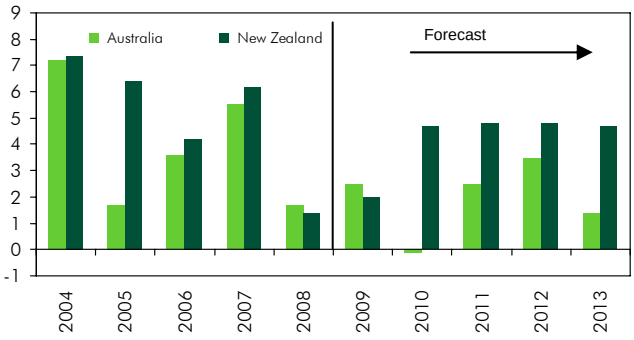
* HS – High Street SC – Shopping Centre

CONSUMER CONFIDENCE (Index)



Source: Westpac-Melbourne Institute (Sep 2009) & Westpac McDermott Miller (Sep 2009)

RETAIL TURNOVER (%)



Source: Access Economics (October 2009), Statistics New Zealand (June 2009), NZIER (July 2009)

POPULATION GROWTH (% pa)

Source: Australian Bureau of Statistics & Statistics New Zealand

RETAIL MARKET OVERVIEW – PACIFIC

The drivers of the Pacific Region retail market staged a remarkable turnaround in the 2nd and 3rd quarters of 2009.

It all started with the official announcement that, against expectations, Australia had avoided a technical recession by posting positive economic growth in the 1st quarter. This gave a boost to consumer confidence which is now in positive territory in both Australia and New Zealand for the first time in almost two years. This was further reinforced by even stronger economic growth in Australia in the 2nd quarter.

Positive employment growth in September actually pushed the Australian unemployment rate down to 5.7%, while the latest numbers for New Zealand see the rate there at a similar 6.0%. Forecast unemployment peaks for this cycle were originally as high as 8.5%, but have now been reduced to around 6.5 – 7.0%.

The housing sector is also picking up momentum, with prices in both Australia and New Zealand moving up again in the 3rd quarter. In addition, population growth in both countries remains at a high level, driven by both natural increase and immigration.

Such is the confidence about future economic growth, the Reserve Bank of Australia increased interest rates by 25 basis points in October and November; the first central bank of the advanced western economies to do so in this cycle.

While this move reinforces the strong economic outlook, the rise of interest rates is likely to continue into the new year and this means monthly household mortgage repayments will also increase. Households are very sensitive to these increases and this is expected to keep retail turnover in Australia largely flat in 2010, while New Zealand picks up strongly following the prolonged recession there.

Overall, vacancy in the retail sector remains low. In the CBD submarkets, the highest vacancy rate currently recorded is just 5.0% (Brisbane CBD retail). The sector has been surprisingly resilient in this cycle, with stronger retailers looking to expand or relocate into better locations, keeping occupancy demand high and rents broadly stable.

Construction continues on some very large and exciting retail projects in the Sydney and Melbourne CBD's. When completed, these projects are expected to give a significant lift to the shopper perceptions and experience of CBD retailing in these cities and may also drive rents to a new level.

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RETAIL MARKET OVERVIEW - AMERICAS

The global recession continues to affect the retail market in the Americas, but there is also increasing consumer and business optimism. Housing foreclosures continue in the United States but at a slower pace compared to a few months ago. In Canada, retail sales continue to fluctuate despite the revival in the housing sector. The Canadian consumer remains cautious and future sales are expected to increase slowly as the economic recovery takes hold.

Although unemployment and vacancy rates continue to rise and rents continue to fall the rate at which they are doing so has slowed. This coupled with the reduction in negative press about the economy has given a boost to consumer optimism. It is expected that the economic recovery will start in earnest in the beginning of 2010, with Canada and the Latin America Region leading the way. Lower interest rates, government infrastructure spending, and government incentives have kept consumer spending relatively stable. This was evident in the U.S. with the increase in retail spending based on the cash for clunkers program over the summer. When the program ended in August retail sales fell accordingly. Basic necessity spending remains stable but luxury purchases are largely non-existent.

Retail market fundamentals overall have weakened but not to the same extent as the office and industrial sectors. The respective government stimulus measures have taken hold, especially with billions of dollars invested in infrastructure projects. Retail sales will continue to waver over the next few months but will likely continue to be positive, especially if employment levels continue to stabilize. In September, retail sales dropped slightly to -1.5% but excluding automotives, retail spending increased by 0.5%. While retail sales volumes continue to fluctuate in Canada, retail market fundamentals remain relatively strong.

Most of the preconceived projects and those under construction in 2009 are nearing completion and the 2010 outlook remains cautious. Latin American countries are indicating a quicker economic recovery due to lower interest rates, government infrastructure spending, and basically no reduction in government social programs. In July, Mexico (-4.8%) retail sales continued to decrease as the government stimulus failed to take hold. In contrast Chile (.2%), Brazil (6.0%), and Argentina (1.9%) saw material increases basically due to the increase in consumer expenditures. The region's retail vacancy rates are up marginally, but for the most part there have 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.

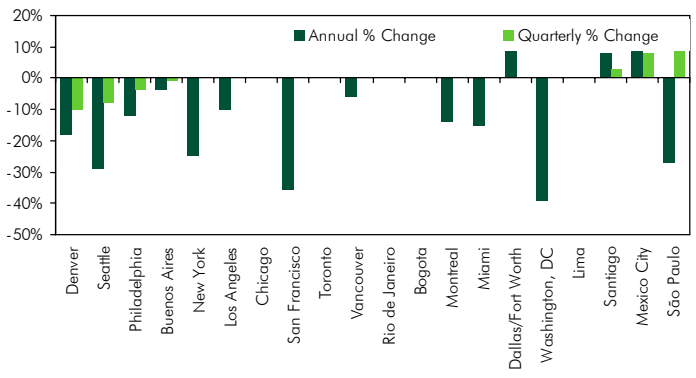
AMERICAS RETAIL RENTS

Global Rank	City	Local Currency	US$ per sq ft p.a	Type*
1	New York	US$ 1,640 sqft.pa	1,640	HS
11	Los Angeles	US$ 540 sqft.pa	540	HS
15	Chicago	US$ 500 sqft.pa	500	HS
28	San Francisco	US$ 320 sqft.pa	320	HS
33	Toronto	C$ 300 sqft.pa	281	HS
47	Vancouver	C$ 225 sqft.pa	210	HS
51	Rio de Janeiro	BRL 300 sqm.pm	189	HS
54	Bogota	COP 300,000 sqm.pm	173	SC
58	Montreal	C$ 150 sqft.pa	140	HS
59	Miami	US$ 140 sqft.pa	140	HS
62	São Paulo	BRL 220 sqm.pm	138	HS
67	Buenos Aires	US$ 109 sq.pm	122	HS
68	Philadelphia	US$ 115 sqft.pa	115	HS
74	Dallas/Fort Worth	US$ 100 sqft.pa	100	SC
77	Washington, DC	US$ 85 sqft.pa	85	HS
78	Mexico City	US$ 70 sqm.pm	78	HS
80	Lima	US$ 60 sqm.pm	67	SC
80	Panama City	US$ 60 sqm.pm	67	SC
83	Seattle	US$ 60 sqft.pa	60	HS
85	Santiago	UF 1.3 sqm.pm	55	SC
87	Denver	US$ 45 sqft.pa	45	SC

Source: CB Richard Ellis

* HS – High Street SC – Shopping Centre

AMERICAS QUARTERLY & ANNUAL RENTAL CHANGE



Source: CB Richard Ellis

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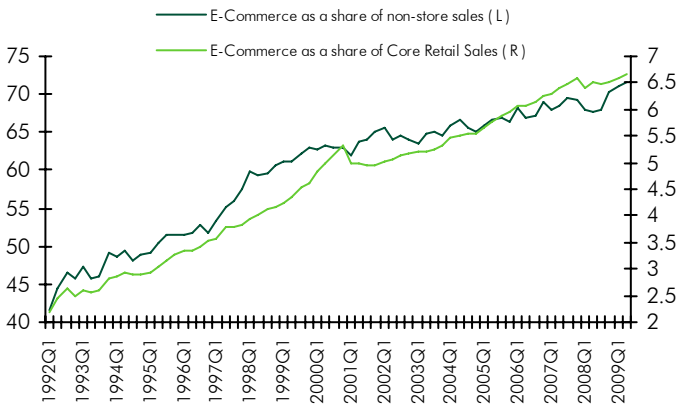
FOCUS ON E-COMMERCE: BUCKING THE TREND

The state of the U.S. consumer was revealed recently with the release of the latest retail sales numbers. (July 2009). In the majority of retail center tenant sectors, retail sales declined on a year-over-year basis. Core retail sales, an indicator of retail center sales, set a new record low for year-over-year declines, proving that consumers are not yet ready to come out of their shells. Or are they? E-commerce (internet) sales growth has been faring better than core retail sales growth over the past couple of months. This may mean that due to low inventories at brick and mortar stores and impressive deals online, consumers are choosing to substitute online consumption for in-store purchases.

According to the US Census Bureau, e-commerce is "the sale of goods and services where the buyer places an order, or the price and terms of the sale are negotiated over an Electronic Data Interchange, the Internet, or any other online system (extranet, e-mail, instant messaging). Payment may or may not be made online." E-commerce sales are reported in the Census Bureau's monthly sales figures under the category of non-store sales. With the rise of internet sales over the past several years and especially with the emergence of "Cyber Mondays" (for example, the Monday following Thanksgiving, when many people return to work and shop online for deals), online shopping has been profitable for many retailers.

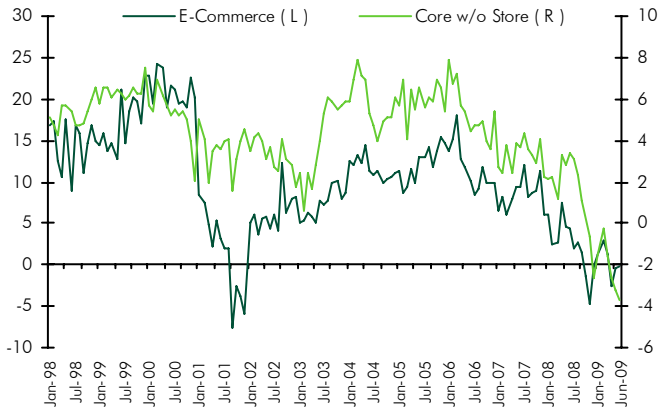
ESTIMATED MONTHLY RETAIL SALES ($M, SA)



Source: US Census Bureau

E-commerce sales as a share of core retail sales has been increasing ever since the data was first recorded back in 1992. The share has dipped twice (2001, and the recent recession) but not for long - the share has been increasing the past three quarters, despite both e-commerce and overall core retail sales having been hit by the historically low holiday shopping season. As a share of non-store sales, a category that also includes fuel dealers, e-commerce sales have accelerated substantially in recent quarters. Over the past decade, e-commerce sales as a share of core retail sales has increased by 200 bps, which if sustained would mean within ten years it could have a share of almost 10%! This is giving brick and mortar retailers cause for concern and forcing them to consider incorporating e-commerce sales in their stores. Whether this means giving consumers in-store internet access to check competitors' prices, or enabling consumers via the retailer website to peruse online inventory right in the store, retailers are recognizing that the internet needs to be integral to their sales strategy.

ESTIMATED MONTHLY RETAIL SALES ($M, SA)



Source: US Census Bureau

During the latter part of the 1990s, internet sales were recording double-digit growth, well above core retail sales growth. With the 2001 recession came the tech bust and e-commerce sales were hit particularly hard. Since that time, online sales have regained some of the ground they lost in the early part of the decade, and they are once again performing better than core retail sales. After the weak holiday shopping season at the end of 2008, which affected both internet and in-store retailing, core retail sales growth exhibited some strength at the beginning of 2009. More recently, whilst core retail sales declines have been accelerating, internet sales declines have lessened, even turning positive in June. This could be a sign that e-commerce sales are bucking the trend and are signaling a retail recovery before retail center sales do.

While two positive months does not make a definitive trend, internet sales are showing signs of strength when brick and mortar sales are struggling. Pure brick and mortar retailers are going to have to think of ways to capture part of this e-commerce sales surge, either by developing an online presence or by bringing the internet "in-store" in some other way. If they don't, they are likely to lose market share to more technology-minded competitors.

For further information please contact:
Abigail Marks, CB Richard Ellis Econometric Advisors
Abigail.Marks@cbre.com

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).

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Ray Torto, CRE, Ph,D.
Global Chief Economist
Global Research and Consulting
t: +617 912 5225
e: raymond.torto@cbre.com

Andrew Ness
Head of Research
Asia
t: +852 2820 2845
e: andrew.ness@cbre.com.hk

Nick Axford, Ph.D
Head of Research and Consulting
EMEA
t: +44 20 7182 3039
e: nick.axford@cbre.com

Kevin Stanley
Executive Director, Global Research and Consulting
Pacific Region
t: +61 2 9333 3490
e: kevin.stanley@cbre.com.au

Laura Stone
Senior Economist
Global Research and Consulting
t: +617 912 5237
e: laura.stone@cbre.com

Raymond Wong
Director of Research Operations
Americas
t: +416 815 2353
e: raymond.wong@cbre.com

For more information regarding CB Richard Ellis activities in the retail sector, please contact

Anthony Buono
The Americas
t: +1 619 696 8302
e: anthony.buono@cbre.com

Josh Loudoun
Pacific
t:+61 2 9333 3382
e: josh.loudoun@cbre.com.au

Peter Gold
EMEA
t: +44 20 7182 2969
e: peter.gold@cbre.com

Dominic Stead
Asia
t: +852 2820 2904
e: dominic.stead@cbre.com.hk

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