

Quick Stats

| | Change from | |
|-------|-------------|-------|
| | Q4 10 | Q1 10 |
| Rent | ↑ | ↑ |
| Yield | ↓ | ↓ |

Rents - Quarterly Change

EU27 Index

| | | |
|---------------|---|------|
| EU - 27 Index | ↑ | 1.5% |
|---------------|---|------|

Number of markets

| | | |
|---------|---|----|
| Risers | ↑ | 13 |
| Stable | ↔ | 37 |
| Fallers | ↓ | 0 |

Yields - Quarterly Change

EU 27 Index

| | | |
|--------------|---|--------|
| EU -27 Index | ↓ | -4 bps |
|--------------|---|--------|

Number of markets

| | | |
|---------|---|----|
| Risers | ↑ | 2 |
| Stable | ↔ | 39 |
| Fallers | ↓ | 9 |

OVERVIEW

• Prime rents rose again in Q2

Prime rents rose marginally in Q2 – the second consecutive quarter that they have done so. This growth was due primarily to rental increases in a number of French and German markets. For the vast majority of cities there was no growth, although significantly no markets witnessed a decline in rents on the quarter.

• Retail spending is subdued

Retail sales in EU27 were flat in Q2, continuing the trend from earlier in the year, as consumers reign back spending on non essential items. Continued pressure on disposable incomes suggests that retail sales are likely to remain subdued for the remainder of the year.

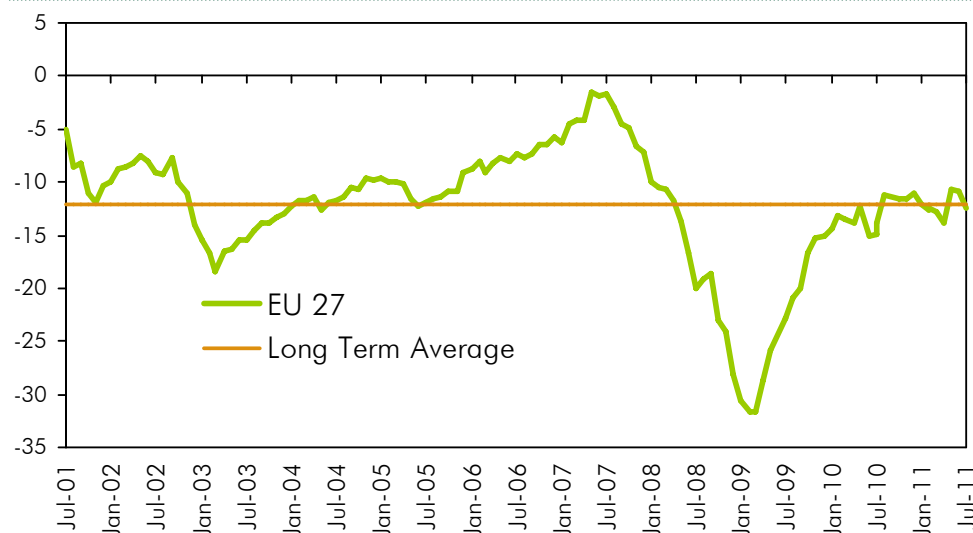
• Consumer sentiment turns down

At the end of Q2, consumer confidence was still near its long term average, with major differences at country level still evident, but more consumers across Europe have become less confident over the Summer. Most notably, sentiment is now falling in Sweden and Germany, which have been two of Europe’s most resilient retail economies over the previous year. In contrast, confidence levels in CEE are stable.

• Retailers are focused on prime space

Occupier demand for prime space remains stable throughout Europe, with a lack of available space driving modest rental growth in the most sought after locations. In Germany, where demand for prime space is outstripping supply, some retailers are taking space in good quality secondary locations but this is a rare exception within Europe.

European Consumer Confidence Index, July 2011



Source: Macrobond

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RETAIL ECONOMICS

Europe's economy slowed significantly in Q2, with GDP growth of just 0.2% in the Eurozone, according to Eurostat. This is partly a reaction to relatively strong growth of 0.8% in Q1 but is also due to very weak growth in Germany in the last quarter, suggesting that economic growth across the region is losing momentum.

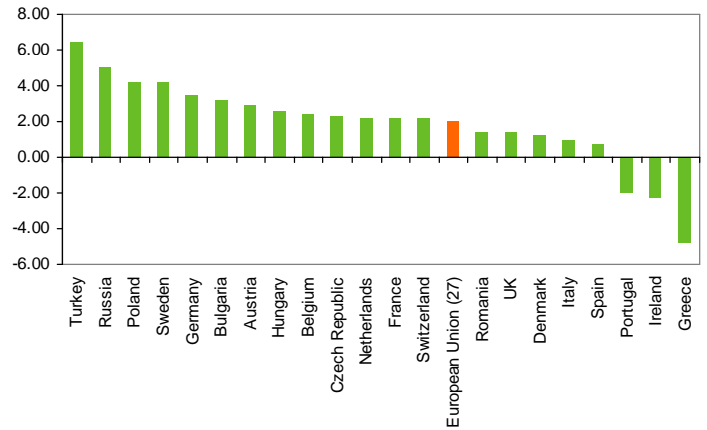
The unemployment level in EU27 is stable with 9.5% of the workforce out of work in July. Wide variations exist by country and reflect, in most cases, the broader economic situation at country level. Unemployment remains a particular problem in Spain, Ireland and Greece with the high number of young unemployed people being an issue throughout Europe. Creating private sector jobs will be key to sustaining the economic recovery in Europe, but there is unlikely to be any significant improvement in employment levels in the short term, as continued volatility in the financial markets is stopping many companies from investing in new resources.

The volume of retail sales in EU27 rose by 0.5% in June compared with the previous month and was flat over the quarter. Early indications for July suggest a similar trend, with retail sales rising by just 0.2%. But this masks considerable volatility in monthly data in some markets. In Germany, for example, retail sales declined by 1.7% in May, then grew strongly by 4.5% in June, with provisional figures for July suggesting no growth. High inflation, particularly for household utilities, is reducing disposable income, which together with fears over employment is making consumers more cautious in their spending habits. This situation is likely to persist for the remainder of the year.

Consumer confidence remained at its long term average in Q2, but more recently sentiment has turned down in a number of markets, including in Sweden and Germany. This is due in part to the recent turmoil in the financial markets but it may also signal the beginning of a downward trend in sentiment among consumers in two of Europe's best performing retail markets over the last 18-24 months. Sentiment also turned down in Italy but remained stable in CEE markets.

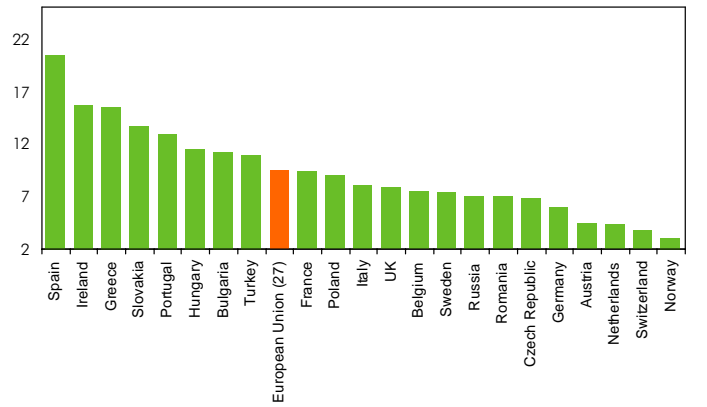
Retailer confidence shows a similar trend, with occupiers in Italy, The Netherlands and Germany and Sweden in particular feeling less confident than previously. In general, retailers are expecting tough trading conditions for the rest of the year as consumers reign back their spending on non essential items.

GDP Growth 2011 Forecast - Jul 2011



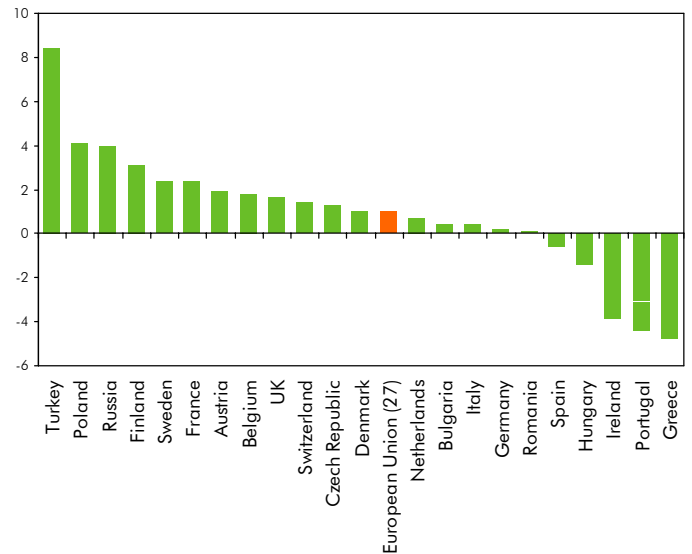
Source: Oxford Economics

European Unemployment Rates - Jul 2011 (%)



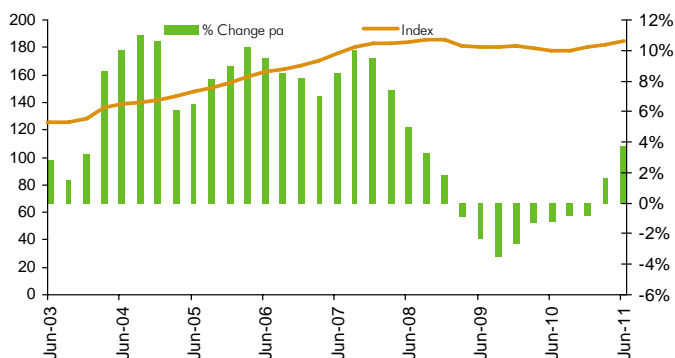
Source: Oxford Economics

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



Source: Oxford Economics

EU-27 Retail Rent Index, Q1 2011

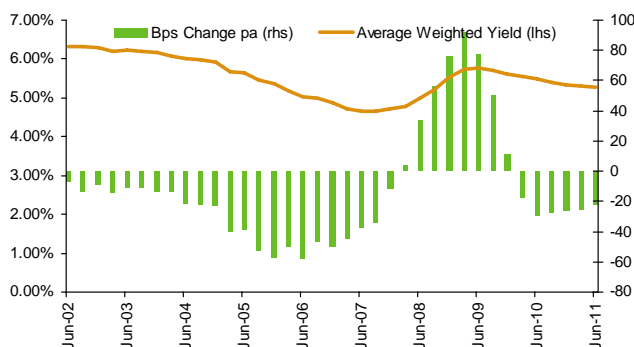


Source: CB Richard Ellis

EU-27 Retail Rent Index

| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 |
|----------------------------------|------------|------------|------------|------------|
| Index (Q1 2000 = 100) | 178 | 180 | 182 | 185 |
| Quarter-on-Quarter (% Change) | 0.1% | 0.9% | 1.1% | 1.6% |
| Year-on-Year (% Change) | -0.8% | -0.8% | 1.7% | 3.8% |

EU-27 Retail Yield Index, Q2 2011



Source: CB Richard Ellis

EU-27 Retail Yield Index

| | Q3 2010 | Q4 2010 | Q1 2011 | Q2 2011 |
|-----------------------------------|------------|------------|------------|------------|
| Average Weighted Yield | 5.41% | 5.35% | 5.31% | 5.27% |
| Quarter-on-Quarter (bp Change) | -8 | -5 | -5 | -4 |
| Year-on-Year (bp Change) | -28 | -26 | -25 | -22 |

RETAILER ACTIVITY

Q2 2011 has seen a sustained level of demand for prime retail space across most of Europe. Although spending is under pressure as consumers remain cautious about what the future holds for them, many retailers are seeking to gain market share and continue to expand their store networks. A range of retailers have recently made further in-roads into Europe including American brands Forever 21 and Abercrombie & Fitch. At the same time, Primark recently announced that there was scope for 300 of its value formats in Europe. It currently operates from just 20 stores overseas.

In Germany demand continues to trickle into secondary locations due to the lack of quality prime space that is available. Also, in Paris, some food retailers are looking at secondary locations, as long as other occupational factors stack up. However these are the exceptions with most retailers that are seeking new stores refocusing their efforts on securing units in prime locations.

RENTS

The CBRE EU-27 Retail Rent Index showed further growth of 1.6% in the second quarter of 2011. There has been positive growth for the second consecutive quarter, with year on year growth of 3.8% in Q2. Rental levels remained flat compared with the previous quarter for the majority of markets. The growth seen in the index was mainly down to rental increases in a number of German and French markets. No markets witnessed a decline in rents over the quarter.

The upward pressure on rents is due, in a large part, to limited availability of good quality prime units. With little new space coming on stream this situation is unlikely to change soon but rental levels, in general, are expected to remain stable for the remainder of the year.

YIELDS

Weaker economic growth in much of Europe has resulted in investors focusing their efforts on core assets and markets. Stiff competition for these products has led to further downward movement in the average prime retail yield. The CB Richard Ellis EU-27 Retail Yield Index fell a further 4 basis points this quarter, reflecting a 22 basis point fall on the year. The index stood at 5.27% at the end of Q2 2011.

Prime yields were stable in Q2 for the majority of markets. In Dublin, weak occupier demand and limited investor interest has led to average prime yields moving out by 25bps. Rome, Stockholm, London, Warsaw and Oslo, Moscow, Zurich and Geneva on the other hand, saw further yield compression as investor appetite for prime quality products remains strong, combined with a scarcity of product. In most markets, however, we believe that prime yield falls have already been crystallized.

COUNTRY OVERVIEWS

In **Belgium** occupier demand is still heavily polarised between primary and secondary, with retailers focusing their search for space on the best high street locations. A similar situation is evident in shopping centres with the recently opened K in Kortrijk performing well and L'Esplanade in Louvain La Neuve continuing to grow its turnover on the back of strong demand from retailers. The shopping centre development pipeline is very limited, with no significant increase in space expected until 2013. If current levels of occupier demand persist this could lead to an upward pressure on rents in prime locations.

Preliminary figures in **Denmark** show that retail sales fell in Q2 2011. Spending remains subdued as consumers exercise caution with the higher price of food being a key factor in putting pressure on overall spending levels. Occupier demand remains stable and is unlikely to pick up until there is increased stability in the economy.

Consumer confidence in **France** is still fragile and remains below the long terms average. Retail sales were more or less flat over Q2 but the summer sale period was poor with early estimates suggesting that the clothing sector saw a 6% decline in turnover. Occupier demand is focused on the best pitches in town centres with no demand for secondary locations. A similar situation is evident for shopping centres with retailers targeting only the large, prime schemes that are of strategic importance to their store networks. With little new supply coming on stream in town centres, rents are expected to remain stable in the short term.

The level of occupier demand in **Germany** remained the same in Q2. Retailers are becoming increasingly sensitive to level of rents in some locations, due to the weakening economic situation, although retail sales rebounded very strongly in June as a result of falling unemployment which boosted household purchasing power. In the first half of 2011 a good number of deals were completed with many major cities recording increased activity over the same period last year. Unlike most of the rest of Europe, a significant amount of new shopping centre stock is due, with 10 schemes (over 20,000 sqm) under construction. But, in general, these are not positioned in the best locations so many retailers will still find it difficult to access the prime space that they require.

The retail sector in **Ireland** remains fragile, with the traditional Summer sales season providing little comfort to retailers. According to the Central Statistics Office Irish retail sales continue to struggle on both a value and volume basis. A number of retailers have recently reported year-on-year declines in turnover, and there have been more high-profile retailer failures in recent months.

In spite of this, many retailers are beginning to report a more stable trading environment and some retailers are taking advantage of current market conditions to enter the market and expand existing store networks. Activity is mainly focussed around prime high streets and shopping centres.

Good quality space in **Italy** continues to attract a high level of demand from retailers. Although 172,000 sqm of new space was delivered to the Italian market in Q2 2011 (mostly in the form of shopping centres) access to the right type of space continues to be a problem and thus there is a trend towards refurbishing existing buildings in top retail locations in Milan and Rome in a effort to increase the amount of high street supply. Rents in both markets remain stable.

Occupier demand in **Poland** is focused on the major cities, with fashion retailers already present in the country being the most active. A lack of available prime space in these cities means that landlords currently have the upper hand on rental negotiations. Conversely, retailers are better placed in the smaller cities, where occupier demand is less strong, and landlords are seeking to close deals quickly. Retailers looking to enter the Polish market are increasingly selective with their location criteria so deals are taking longer to complete than previously. In some cities, landlords continue to renovate older space to try and attract new retailers.

Footfall in **Spain** remains stable but consumer spending declined over the last quarter and retail sales have also been negative. In spite of this, there has been a steady level of leasing activity, particularly for smaller units below 300 sq m, with fast fashion retailers leading the way. Landlords are exercising some flexibility in order to close deals. For example, rent free periods, rental reductions on the first year's rent and capital contributions are becoming more common, which in some instances is resulting in nominal rents being lower than market levels. Rental levels are expected to remain stable in the medium term.

The **UK's** economic weakness, in parallel with the continuing nervousness over Eurozone problems, is having a knock-on impact on consumer markets. The gradual improvement in the health of the retail sector health, that began in Q3 2009 is now faltering. Retail sales growth has slowed and both consumer and trade confidence have weakened. Clothing sales growth in particular has suffered. As more retailers enter administration, the major players in the market look set to benefit, in terms of gaining market share. This is also true for the grocery sector with some supermarkets continuing to develop new stores, a process that began in 2007.

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 peak * | |
| EU27 Rent and Yield Indices | | | | | | | | 1.5 | 3.9 | 5.27 | -4 | -22 |
| Austria | Vienna | € per sq m pm | 226.00 | 2712.00 | 0.44 | 1.80 | 2.73 | 4.50 | 0 | -10 | -20 | |
| Belgium | Brussels | € per sq m pa | 1700.00 | 1700.00 | 0.00 | 6.25 | 6.25 | 4.50 | 0 | -50 | -75 | |
| Bulgaria | Sofia | € per sq m pm | 40.00 | 480.00 | 0.00 | 0.00 | 0.00 | 8.00 | 0 | 0 | 0 | |
| Croatia | Zagreb | € per sq m pm | 77.50 | 930.00 | 3.33 | 0.00 | 3.33 | 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 | 1943.96 | 0.00 | 0.00 | 0.00 | 5.00 | 0 | 0 | 0 | |
| Finland | Helsinki | € per sq m pa | 1728.00 | 1728.00 | 10.77 | 24.14 | 25.76 | 5.30 | 0 | -50 | -50 | |
| France | Lille | € per ITZA pa | 1800.00 | 1134.00 | 0.00 | 0.00 | 0.00 | 5.25 | 0 | -15 | -75 | |
| France | Lyon | € per ITZA pa | 2600.00 | 1638.00 | 13.04 | 13.04 | 13.04 | 5.25 | 0 | -15 | -75 | |
| France | Marseille | € per ITZA pa | 1800.00 | 1134.00 | 5.88 | 5.88 | 5.88 | 5.25 | 0 | -15 | -75 | |
| France | Paris | € per ITZA pa | 10000.00 | 6300.00 | 0.00 | 0.00 | 0.00 | 4.50 | 0 | -40 | -125 | |
| 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 | 4.55 | 4.55 | 4.55 | 4.50 | 0 | -10 | -10 | |
| Germany | Frankfurt | € per sq m pm | 300.00 | 3600.00 | 7.14 | 11.11 | 20.00 | 4.50 | 0 | -10 | -10 | |
| Germany | Hamburg | € per sq m pm | 250.00 | 3000.00 | 13.64 | 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 | 250.00 | 1410.00 | 0.00 | -16.67 | 0.00 | 7.00 | 0 | 100 | 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 | 25 | 25 | 0 | |
| Italy | Milan | € per sq m pa | 3800.00 | 3800.00 | 0.00 | 2.70 | 2.70 | 5.25 | 0 | -25 | -25 | |
| Italy | Rome | € per sq m pa | 3500.00 | 3500.00 | 0.00 | 0.00 | 0.00 | 5.50 | -25 | -25 | -40 | |
| Netherlands | Amsterdam | € per sq m pa | 2800.00 | 2800.00 | 0.00 | 3.70 | 3.70 | 4.05 | 0 | -20 | -60 | |
| Netherlands | Rotterdam | € per sq m pa | 1800.00 | 1800.00 | 0.00 | 2.86 | 2.86 | 4.15 | 0 | -35 | -60 | |
| Netherlands | The Hague | € per sq m pa | 1300.00 | 1300.00 | 0.00 | 4.00 | 4.00 | 4.15 | 0 | -35 | -60 | |
| Netherlands | Utrecht | € per sq m pa | 1800.00 | 1800.00 | 0.00 | 2.86 | 2.86 | 4.05 | 0 | -20 | -65 | |
| Norway | Oslo | NOK per sq m pa | 15000.00 | 1927.80 | 7.14 | 7.14 | 7.14 | 5.00 | -25 | -100 | -175 | |
| Poland | Warsaw | € per sq m pm | 90.00 | 1080.00 | 0.00 | 12.50 | 12.50 | 6.35 | -15 | -15 | -65 | |
| 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 | 35.00 | 420.00 | 0.00 | 0.00 | 0.00 | 8.50 | 0 | 0 | 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 | 7795.00 | 3708.02 | 0.50 | 0.33 | 1.50 | 10.50 | -150 | -150 | -150 | |
| Russian Federation | St Petersburg | \$ per sq m pa | 3450.00 | 1641.14 | 0.00 | 1.47 | 2.68 | 13.00 | 0 | -100 | -300 | |
| 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 | 54.00 | 648.00 | 0.00 | 0.00 | 0.00 | 8.50 | 0 | 0 | 0 | |
| South Africa | Cape Town | ZAR per sq m pm | 250.00 | 312.87 | 0.00 | 2.04 | 2.04 | 9.50 | 0 | 0 | 0 | |
| South Africa | Durban | ZAR per sq m pm | 280.00 | 350.42 | 0.00 | 3.70 | 3.70 | 10.00 | 0 | 0 | 0 | |
| South Africa | Johannesburg | ZAR per sq m pm | 200.00 | 250.30 | 0.00 | 14.29 | 14.29 | 11.00 | 0 | 0 | 0 | |
| Spain | Barcelona | € per sq m pa | 2200.00 | 2200.00 | 0.00 | 4.76 | 0.00 | 5.75 | -25 | 0 | -25 | |
| Spain | Madrid | € per sq m pa | 2500.00 | 2500.00 | 0.00 | 4.17 | 0.00 | 5.50 | 0 | -25 | -50 | |
| Sweden | Stockholm | SEK per sq m pa | 12500.00 | 1366.33 | 4.17 | 8.70 | 8.70 | 4.75 | -25 | -50 | -125 | |
| Switzerland | Geneva | CHF per sq m pa | 4200.00 | 3440.37 | 5.00 | 16.67 | 20.00 | 4.75 | -25 | -25 | -25 | |
| Switzerland | Zurich | CHF per sq m pa | 8200.00 | 6301.88 | 0.00 | 9.33 | 9.33 | 4.40 | 0 | -20 | -30 | |
| United Arab Emirates | Dubai | AED per sq ft pa | 220.00 | 444.66 | 0.00 | 0.00 | 0.00 | 9.75 | 0 | 75 | 0 | |
| United Kingdom | London City | £ per ITZA pa | 175.00 | 1314.20 | 0.00 | 0.00 | 0.00 | 5.25 | -25 | -50 | -75 | |
| United Kingdom | London West End | £ per ITZA pa | 900.00 | 6758.73 | 0.00 | 0.00 | 20.00 | 3.50 | -25 | -50 | -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 | 218.50 | 1640.87 | 0.00 | 5.30 | 24.86 | 5.25 | 0 | 0 | -175 | |
| United Kingdom | Glasgow | £ per ITZA pa | 260.00 | 1952.52 | 0.00 | 0.00 | 8.33 | 5.00 | 15 | 0 | -150 | |
| United Kingdom | Manchester | £ per ITZA pa | 245.00 | 1839.88 | 0.00 | 8.89 | 13.95 | 5.15 | 0 | -10 | -160 | |
| Austria | Vienna | € per sq m pm | 226.00 | 2712.00 | 0.44 | 1.80 | 2.73 | 4.50 | 0 | -10 | -20 | |

Data is for Retail High Street, except Poland which relates to Shopping Centre

* Figures indicate degree of change from the highest rent or lowest yield recorded in the previous three years, to the current level
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CB Richard Ellis employs over 300 retail consultants in 36 countries across the EMEA (Europe, Middle East and Africa) region. The team provides expert, practical advice on all types of retail environment – from high street, to shopping centres, to out of town. Working with our network of research analysts, we are able to provide insight into retail market trends and consumer behaviour, as well as more conventional property market analysis.

Many retailers are pursuing strategies that are global, rather than focused on EMEA. Our worldwide retail team of 950 property professionals has significant experience in delivering projects spanning all continents. These global capabilities, combined with our local market presence, enable us to offer comprehensive tactical and strategic support to retailers and investors as they expand into new markets.

At local, regional and global levels our retail specialists are supported by the CBRE Global Research and Consulting team. With over 400 research analysts around the world, and liaising closely with transaction and other professionals, the team is able to provide reports, analysis, publications and consultancy advice on markets and property types across the globe.

For more information regarding this MarketView, please contact:

Neville Moss

Head of EMEA Retail Research,
EMEA Research & Consulting
CB Richard Ellis
St Martin's Court,
10 Paternoster Row
London EC4M 7HP
t: +44 20 7182 3183
e: neville.moss@cbre.com

Peter Gold

Head of Cross-Border Retail
EMEA Retail
CB Richard Ellis
Kingsley House
1a Wimpole Street
London W1G 0RE
t: +44 20 7182 2969
e: peter.gold@cbre.com

Natasha Patel

Senior Retail Analyst
EMEA Research & Consulting
CB Richard Ellis
St Martin's Court
10 Paternoster Row
London EC4M 7HP
t: +44 20 7182 3166
e: natasha.patel@cbre.com

John Welham

Executive Director
EMEA Capital Markets
CB Richard Ellis
Kingsley House
1a Wimpole Street
London W1G 0RE
t: +44 20 7182 2755
e: john.welham@cbre.com

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