

Positive sentiment among consumers

2015 promises to be a good year for the retail market, with the improving economic fundamentals, growing consumer confidence and spending, and continued investor appetite for retail properties throughout EMEA.

Consumer confidence in Europe has climbed to the highest level since 2007, reaching in March this year -1.8 in the EU area and -3.7 in the eurozone. Consumers seem to have forgotten about the recent risk of a triple-dip recession in the euro area, as falling oil prices, low inflation and record low interest rates have driven a more positive mood.

The retail trade volume increased by 1.9% in the EU and 1.3% in the eurozone in 2014 after a few years of decline. The beginning of the year looked relatively strong; while in monthly terms the retail trade volume in March recorded a slight decline (-0.6% in EU28 and -0.8% in euro area), the annual comparison shows a growth of 2.5% in the EU and 1.6% in euro area. Internet retail sales continue to grow steadily. According to the Eurostat figures, as many as 50% of individuals in the EU made an online purchase in 2014 – a significant change since 2007 when only 30% of European customers were shopping online. Unsurprisingly, retailers continue their online expansion. In March, H&M launched its online store in eight new markets: Poland, Czech Republic, Romania, Portugal, Slovakia, Bulgaria, Belgium and Hungary. It has also become clear that luxury brands can no longer ignore the stunning growth of e-commerce; Chanel has recently announced that they will launch an online platform in 2016.

Middle Eastern retail market on the rise

Dubai has been a leader of retail rental growth in the EMEA region in the last 12 months. Limited supply and high demand have significantly driven up both prime high street (38.8%) and shopping centre rents (22.7%)¹. Among top MENA markets, Jeddah and Cairo have also experienced steady rental growth. Jeddah is characterized by a significant shortage of high quality

retail centres. New projects coming to the market will only have marginal impact on occupancy levels, as demand is growing faster than supply. Rental rates are expected to maintain upward trend.

In Europe, London high streets lead the field. The prime Zone A rent at London's Bond Street has reached a record £1,500 per sq ft per year, reflecting a 25% annual increase. Rental pressure is being witnessed not only in the West End's key streets but also in the other key shopping streets such as Dover Street, Mount Street and Sloane Street. Limited space is being filled up quickly by retailers continuing their expansion as well as by new market entrants; in 2014 we witnessed the sharpest fall in vacant units in Central London since 2007. New entries include Japanese fashion brand The Real McCoy's, Argentinian La Martina and French luxury brand Balmain. Prime high streets in London as well as in Glasgow and Edinburgh are expected to see further growth. In Birmingham, the opening of Grand Central in October will have a further effect on New Street, as it has already created some vacant units which may take some time to fill.

After a significant increase in 2013 and in the first half of 2014, the prime rents in Oslo have stabilised in recent months and are expected to remain at the current level. Prime rental rates remain unchanged in Copenhagen and Stockholm, but demand from domestic and international brands is expected to lead to high street rental growth in Copenhagen. Secondary locations are also in demand in Copenhagen, in particular from Food and Beverage sector.

In Southern Europe, Spain and Portugal are definitely back on track. The retail sector is leading real estate growth in Portugal and we have seen a further inflow of international retailers to Lisbon; Guess, Hackett London and Lacoste have recently opened stores on the city's top high street, Avenida da Liberdade. The Spanish high street retail market is experiencing the impact of a new law which stipulates that the old leases with very low rents have to be terminated or renegotiated to adapt the rent to the current market levels. A significant boost in shopping centre investment activity may drive rental growth through active asset management by new owners.

¹ Prime headline rents focus on the leading high street and shopping centre for each market.

In Central and Eastern Europe (CEE), with the exception of Moscow, St Petersburg, Kyiv and Zagreb, prime shopping centre rents stabilised during 2014. Central European markets of Warsaw and Bratislava, as well as Baltic cities Tallinn and Vilnius, have begun to register small increases in prime rents, particularly in Q4 2014 and Q1 2015. A similar growth trend can be seen across the high street markets in Vilnius, Bratislava and Sofia. Some growth is also starting to filter through in Prague off the back of new entrants, including Michael Kors and Swarovski. In the next 12 months, continued growth of both prime rents for high street and shopping centres is likely for Warsaw, Bratislava and the Baltic capitals. The decline in rental rates recorded in Kyiv, St Petersburg and Moscow was driven by factors such as fiscal imbalance, exchange rate fluctuations and economic sanctions.

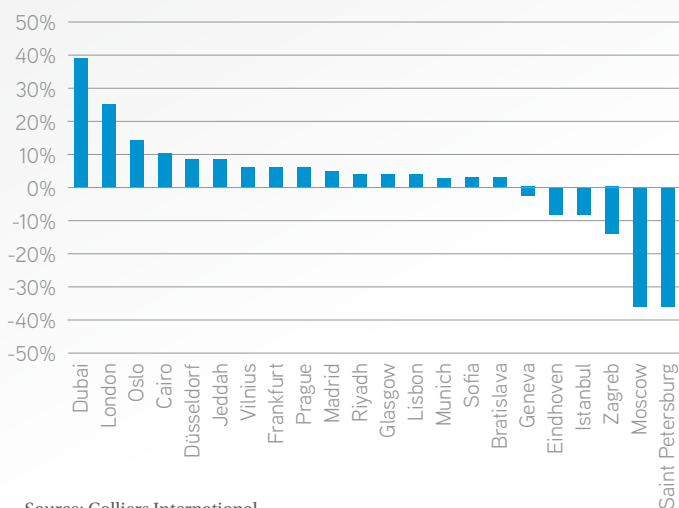
Relentless appetite for retail properties

An increase of 17% in retail investment volume was recorded in EMEA in 2014. In total, the region saw €51.8 billion* invested in retail properties, the highest post-crisis volume. Over 30% of the capital was poured into the UK, driving up retail investment volumes (€16.9 billion) to just 2% below 2007 levels. Germany, France, Spain and the Nordics were the following top markets. 2014 was a buoyant year for retail investment in France, which recorded the highest ever investment volume (€5.8 billion) in this sector.

The overall Q1 2015 retail investment volume is 94% higher than the volume recorded in the similar period of 2014, and the highest Q1 volume since 2007. It is expected that total retail investment volumes this year will surpass the 2014 results. While core Western European markets will remain top target countries for investors, we expect to see increased investment volumes in peripheral markets.

As increased access to capital, shortage of investment opportunities and steady investor demand put further pressure on prime yields, we have seen compression of prime shopping centre and high street yields in nearly half of the EMEA markets. Some hardening of yields took place throughout the UK, as well as in Dublin, Madrid, Frankfurt, Stuttgart, Stockholm, Bratislava, Tallinn and Vilnius, just to name a few. Going forward, we expect to see further tightening of prime yields in the majority of these locations.

Annual Prime High Street Rental Changes



Source: Colliers International

Source: RCA



Prime Retail Rents and Yields																		
COUNTRY	CITY	MEASUREMENTS	PRIME HS RENT	6M CHANGE (%)	12M CHANGE (%)	12M OUTLOOK	PRIME SC RENT	6M CHANGE (%)	12M CHANGE (%)	12M OUTLOOK	PRIME SC YIELD	6M CHANGE (BPS)	12M CHANGE (BPS)	12M OUTLOOK	PRIME SC YIELD	6M CHANGE (BPS)	12M CHANGE (BPS)	12M OUTLOOK
Austria	Vienna	EUR/sqm/month	400.0	0.0	0.0	◀▶	80.0	0.0	0.0	▼	4.25	0	0	▲	6.00	0	0	▲
Bulgaria	Sofia	EUR/sqm/month	38.0	0.0	2.7	◀▶	31.0	0.0	3.3	◀▶	9.00	0	0	◀▶	9.00	-50	-50	◀▶
Croatia	Zagreb	EUR/sq m/month	65.0	-13.3	-13.3	◀▶	20.0	-4.8	-4.8	▼	8.00	0	0	◀▶	8.50	0	0	◀▶
Czech Republic	Prague	EUR/sqm/month	180.0	5.9	5.9	◀▶	90.0	0.0	0.0	◀▶	5.25	0	0	▼	6.00	0	-25	▼
Demark	Copenhagen	DKK/sqm/year	22,000	0.0	0.0	▲	6,500	8.3	8.3	◀▶	4.00	-25	-50	▼	5.50	0	0	◀▶
Egypt	Cairo	USD/sq m/month	44.0	4.8	10.0	n/a	85.0	3.7	6.3	n/a	8.00	n/a	n/a	n/a	12.00	n/a	n/a	n/a
Estonia	Tallinn	EUR/sq m/month	32.0	0.0	0.0	◀▶	46.0	2.2	2.2	◀▶	7.25	-95	-95	◀▶	7.00	-25	-50	◀▶
Georgia	Tbilisi	USD/sq m/month	60.0	0.0	0.0	▼	35.0	0.0	-12.5	▼	12.00	0	0	n/a	13.00	0	0	n/a
Germany	Berlin	EUR/sqm/month	330.0	0.0	0.0	◀▶	180.0	0.0	0.0	◀▶	5.00	0	0	◀▶	6.50	0	0	◀▶
Germany	Dusseldorf	EUR/sqm/month	270.0	3.8	8.0	▲	200.0	0.0	2.6	◀▶	4.25	0	0	◀▶	6.00	0	0	◀▶
Germany	Frankfurt	EUR/sqm/month	340.0	6.3	6.3	◀▶	320.0	3.2	3.2	◀▶	4.20	0	-40	◀▶	5.45	0	0	◀▶
Germany	Hamburg	EUR/sqm/month	280.0	0.0	0.0	◀▶	180.0	0.0	0.0	◀▶	4.60	0	-10	◀▶	6.00	0	20	◀▶
Germany	Munich	EUR/sqm/month	360.0	2.9	2.9	▲	100.0	0.0	0.0	◀▶	3.50	-25	-25	◀▶	5.00	0	0	◀▶
Germany	Stuttgart	EUR/sqm/month	330.0	0.0	0.0	◀▶	100.0	0.0	0.0	◀▶	4.00	-20	-30	▼	5.10	-10	-10	▼
Hungary	Budapest	EUR/sqm/month	110.0	0.0	0.0	◀▶	63.0	0.0	0.0	◀▶	7.25	0	0	◀▶	7.25	0	0	◀▶
Ireland	Dublin	EUR/sq ft/year	225.0	0.0	0.0	▲	185.0	0.0	0.0	▲	4.50	-25	-75	◀▶	7.75	-100	-150	◀▶
Italy	Milan	EUR/sqm/month	580.0	0.0	0.0	◀▶	45.0	0.0	0.0	◀▶	5.50	0	0	◀▶	7.70	0	-10	◀▶
Italy	Rome	EUR/sqm/month	445.0	0.0	0.0	◀▶	59.0	0.0	0.0	◀▶	5.70	0	-10	◀▶	7.40	0	0	◀▶
Latvia	Riga	EUR/sqm/month	35.0	0.0	0.0	◀▶	42.0	0.0	0.0	◀▶	7.50	-100	-100	◀▶	7.50	0	-25	◀▶
Lithuania	Vilnius	EUR/sqm/month	40.5	5.2	6.6	▲	38.0	2.7	5.6	▲	7.50	-25	-25	▼	7.50	-25	-25	▼
Netherlands	Amsterdam	EUR/sqm/year	2,600	0.0	4.0	◀▶	1,600	0.0	0.0	▼	4.00	-20	-20	▼	5.25	0	+10	▼
Netherlands	Eindhoven	EUR/sqm/year	1,650	-8.3	-8.3	▼	850	0.0	0.0	◀▶	5.00	0	0	◀▶	5.85	-15	-40	◀▶
Netherlands	Maastricht	EUR/sq m/year	1,850	2.8	2.8	◀▶	1,000	0.0	-4.8	◀▶	4.60	-25	-25	▼	6.00	0	0	◀▶
Netherlands	Rotterdam	EUR/sqm/year	2,000	0.0	0.0	◀▶	1,800	-10	-10	▼	5.00	-25	-10	◀▶	5.10	+10	+10	▲
Netherlands	The Hague	EUR/sqm/year	1,450	0.0	0.0	◀▶	1,100	10.0	10.0	▲	5.25	-25	-25	◀▶	5.50	-25	-25	◀▶
Netherlands	Utrecht	EUR/sqm/year	1,800	0.0	0.0	◀▶	1,250	0.0	0.0	▼	4.60	-25	-25	▼	5.50	0	0	◀▶
Norway	Oslo	NOK/sq m/year	25,000	0.0	13.6	◀▶	12,000	0.0	9.1	◀▶	5.00	-25	-25	◀▶	5.00	-25	-25	◀▶
Poland	Krakow	EUR/sqm/month	n/a	n/a	n/a	n/a	45.0	-4.3	-6.3	◀▶	n/a	n/a	n/a	n/a	6.00	0	0	◀▶
Poland	Poznan	EUR/sqm/month	n/a	n/a	n/a	n/a	45.0	-4.3	-10.0	◀▶	n/a	n/a	n/a	n/a	6.00	0	0	◀▶
Poland	Warsaw	EUR/sqm/month	90.0	0.0	0.0	◀▶	98.0	3.2	8.9	▲	7.00	0	0	◀▶	5.75	0	0	◀▶
Poland	Wroclaw	EUR/sqm/month	n/a	n/a	n/a	n/a	43.0	-4.4	-10.4	◀▶	n/a	n/a	n/a	n/a	6.00	0	0	◀▶
Portugal	Lisbon	EUR/sq m/month	75.0	3.4	3.4	▲	52.5	0.0	0.0	▲	7.00	-20	-25	◀▶	7.75	-25	-25	▼
Romania	Bucharest	EUR/sqm/month	75.0	0.0	0.0	◀▶	65.0	0.0	0.0	◀▶	9.00	0	0	▼	7.75	-25	-25	▼
Russia	Moscow	USD/sqm/month	450.0	-36.2	-36.2	▼	248.0	-33.3	-33.3	▼	13.50	+150	+150	◀▶	10.00	+100	+100	◀▶
Russia	St Petersburg	USD/sqm/month	190.0	-36.7	-36.7	▼	110.0	-31.3	-31.3	▼	12.00	0	-100	▲	9.50	+50	+50	◀▶
Saudi Arabia	Jeddah	SAR/sq m/year	3,240	2.9	8.0	▲	3,775	0.7	3.4	▲	8.50	0	-20	◀▶	10.50	0	-50	◀▶
Saudi Arabia	Riyadh	SAR/sq m/year	2,500	n/a	4.2	◀▶	3,100	n/a	-3.7	◀▶	9.50	n/a	0	◀▶	10.00	n/a	0	◀▶
Serbia	Belgrade	EUR/sq m/month	110.0	0.0	-8.3	◀▶	80.0	0.0	0.0	◀▶	8.25	0	0	◀▶	9.00	0	-50	◀▶
Slovakia	Bratislava	EUR/sqm/month	41.0	2.5	2.5	▲	32.5	1.6	1.6	◀▶	7.00	-100	-100	▼	7.00	-25	-25	▼
Spain	Madrid	EUR/sqm/month	220.0	0.0	4.8	▲	38.0	0.0	-5.0	▲	5.00	-50	-75	▼	5.75	-75	-100	▼
Sweden	Stockholm	SEK/sqm/year	14,000	0.0	0.0	◀▶	15,000	0.0	0.0	◀▶	4.50	-25	-25	▼	4.75	-25	-25	▼
Switzerland	Geneva	CHF/sqm/year	5,900	-1.7	-1.7	◀▶	1,000	0.0	0.0	◀▶	4.75	0	0	◀▶	5.75	0	0	◀▶
Switzerland	Zurich	CHF/sqm/year	9,550	0.0	0.5	◀▶	800.0	0.0	0.0	◀▶	3.40	0	0	◀▶	4.50	0	0	◀▶
Turkey	Istanbul	USD/sqm/month	200.0	-9.1	-9.1	▼	150.0	-6.3	-6.3	▼	6.25	0	-25	◀▶	7.25	0	-25	◀▶
UAE	Abu Dhabi	USD/sqm/month	52.0	0.0	0.0	▼	85.0	6.3	6.3	▼	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UAE	Dubai	USD/sqm/month	68.0	11.5	38.8	▲	135.0	8.0	22.7	▲	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
UK	Birmingham	GBP/sq ft/year	134.0	0.0	0.0	▼	191.0	0.0	0.0	◀▶	5.00	-25	-25	▲	4.75	-25	-25	▼
UK	Bristol	GBP/sq ft/year	77.0	0.0	0.0	▲	107.0	0.0	-6.1	▲	5.50	-25	-50	▼	5.50	-25	-50	▼
UK	Edinburgh	GBP/sq ft/year	121.0	0.0	0.0	▲	80.0	0.0	0.0	◀▶	5.00	-25	-25	▼	5.00	-50	-75	▼
UK	Glasgow	GBP/sq ft/year	174.0	0.0	3.6	▲	168.0	0.0	0.0	◀▶	4.75	-25	-25	▼	4.75	-50	-50	▼
UK	Leeds	GBP/sq ft/year	141.0	0.0	0.0	◀▶	168.0	0.0	0.0	◀▶	5.00	-25	-50	▼	4.75	-25	-50	▼
UK	London	GBP/sq ft/year	1,005	25.0	25.0	▲	302.0	6.0	6.0	◀▶	2.50	-25	-50	▼	4.00	-25	-50	▼
UK	Manchester	GBP/sq ft/year	168.0	0.0	0.0	◀▶	168.0	0.0	0.0	◀▶	4.75	-25	-25	▼	5.00	-25	-25	▼
Ukraine	Kiev	USD/sqm/month	n/a	n/a	n/a	▼	55.0	-21.4	-31.3	▼	12.50	0	+100	▲	13.00	0	+100	▼

HS - HIGH STREET
SC - SHOPPING CENTRE

*Data as at 31st March 2015



485 offices in 63 countries on 6 continents

United States: **146**

Canada: **44**

Latin America: **25**

Asia Pacific: **186**

EMEA: **84**

\$2.1

billion in
annual revenue

1.46

billion square feet
under management

15,800

professionals
and staff

Contacts:

Paul Souber
Head of Retail Agency - Central London
TEL +44 20 7344 6870
paul.souber@colliers.com

Zuzanna Baranowska
EMEA Research Analyst
TEL +44 20 7487 1628
zuzanna.baranowska@colliers.com

Colliers International

50 George Street
London W1U 7GA
United Kingdom
TEL +44 20 7487 1645
emea.research@colliers.com



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