



HOW **GLOBAL** IS THE BUSINESS OF **RETAIL**?

GLOBAL RESEARCH AND CONSULTING

2012 EDITION | EXECUTIVE SUMMARY

CBRE



KEY FINDINGS

Our annual global examination of retailer presence and expansion surveys 326 major international retailers across 73 countries and records the evolution of the global retail market. The survey identifies the most active international retailers and their top target markets at country and city level in 2011. For the first time, we identify the global hotspots for shopping centre development and explore the importance of new centres in attracting cross-border retailers. Last year's ground-breaking research on the online capability of retailers has also been updated, revealing retailers' online target markets and how multi-channel retailing is developing in different countries.

WHO ARE THE MOST GLOBAL RETAILERS?

- ▶ The globalisation of the retail sector continues, with almost half (47%) of the retailers in the survey now present in The Americas, Europe Middle East and Africa (EMEA) and Asia Pacific.
- ▶ American retailers are by far the most global, with 73% being present in all three regions, compared with 44% of EMEA-based retailers and 23% of retailers from Asia Pacific. The number one target for American retailers outside of their home region is London – 64.2% have at least one store there, closely followed by Dubai (61.2%). Kuwait City (49.3%) is in third place and was a key target for American retailers last year along with Riyadh, Milan, Paris and Sydney.
- ▶ Retailers from the Americas expanded their global coverage the most, growing their footprint by 3.6%. The likes of Hollister, Apple and Forever 21 have all been actively expanding their networks into new markets. Asia Pacific retailers were also active, increasing their global footprint by 2.7%. Retailers from EMEA however were more cautious, only growing their networks by 1.5%.
- ▶ European retailers favour the Middle East when moving outside their home region, accounting for four of their top five target markets. Dubai is the most popular destination with 60.1% having a presence there, followed by Istanbul (48.6%), Kuwait City (44.3%), Riyadh (44.3%) and Jeddah (42.1%). Asia is also a significant target, with Singapore, Beijing, Shanghai and Hong Kong all top 10 target destinations. European retailers such as H&M and the Inditex Group have been growing their networks in both these regions.
- ▶ Asian retailers are less well travelled than their European and American counterparts, due primarily to the unexploited opportunities in their own region. However their footprint is increasing slowly – 26% of them now have a presence in two regions compared with 22% in the previous year. When they do expand into a new region, Dubai, Melbourne and Sydney are the top targets, with 22% having a presence in each of these markets.
- ▶ At a sector level, Luxury & Business Fashion retailers are the most global – 80% have a presence in all three regions. Retailers in this sector grew their footprint by 2.1% last year, anticipating correctly that the luxury goods sector would hold up well on the back of growing demand among Asian consumers, and in spite of some key markets suffering a downturn in consumer spending.

73% of American retailers have a presence in all three global regions

▼ 2012 GLOBAL RANKINGS - TOP 20 COUNTRIES



RANK 2012 #1
UNITED KINGDOM

56.7% OF RETAILERS PRESENT

RANK 2011 #1 56.7% OF RETAILERS PRESENT



RANK 2012 #2
UNITED ARAB EMIRATES

53.1% OF RETAILERS PRESENT

RANK 2011 #2 54.3% OF RETAILERS PRESENT



RANK 2012 #3
UNITED STATES

50.3% OF RETAILERS PRESENT

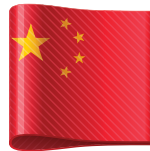
RANK 2011 #3 49.7% OF RETAILERS PRESENT



RANK 2012 #4
SPAIN

47.5% OF RETAILERS PRESENT

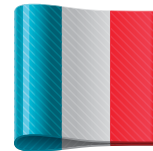
RANK 2011 #6= 46.3% OF RETAILERS PRESENT



RANK 2012 #5
CHINA

47.2% OF RETAILERS PRESENT

RANK 2011 #4 47.2% OF RETAILERS PRESENT



RANK 2012 #6=
FRANCE

46.9% OF RETAILERS PRESENT

RANK 2011 #6= 46.3% OF RETAILERS PRESENT



RANK 2012 #6=
GERMANY

46.9% OF RETAILERS PRESENT

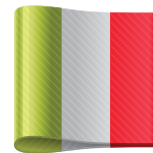
RANK 2011 #5 46.9% OF RETAILERS PRESENT



RANK 2012 #8
RUSSIA

44.5% OF RETAILERS PRESENT

RANK 2011 #9 41.4% OF RETAILERS PRESENT



RANK 2012 #9
ITALY

42.9% OF RETAILERS PRESENT

RANK 2011 #8 41.7% OF RETAILERS PRESENT



RANK 2012 #10
SAUDI ARABIA

41.1% OF RETAILERS PRESENT

RANK 2011 #11 39.9% OF RETAILERS PRESENT



RANK 2012 #11
HONG KONG

40.8% OF RETAILERS PRESENT

RANK 2011 #10 40.8% OF RETAILERS PRESENT



RANK 2012 #12
KUWAIT

40.2% OF RETAILERS PRESENT

RANK 2011 #13 39.0% OF RETAILERS PRESENT



RANK 2012 #13
SINGAPORE

39.9% OF RETAILERS PRESENT

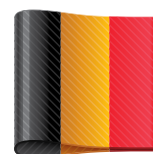
RANK 2011 #12 39.3% OF RETAILERS PRESENT



RANK 2012 #14
TURKEY

39.0% OF RETAILERS PRESENT

RANK 2011 #14 38.0% OF RETAILERS PRESENT



RANK 2012 #15
BELGIUM

37.4% OF RETAILERS PRESENT

RANK 2011 #15 36.5% OF RETAILERS PRESENT



RANK 2012 #16
JAPAN

36.2% OF RETAILERS PRESENT

RANK 2011 #16 36.2% OF RETAILERS PRESENT



RANK 2012 #17
AUSTRIA

35.3% OF RETAILERS PRESENT

RANK 2011 #17 34.4% OF RETAILERS PRESENT



RANK 2012 #18
SWITZERLAND

34.4% OF RETAILERS PRESENT

RANK 2011 #18= 33.7% OF RETAILERS PRESENT



RANK 2012 #19
POLAND

34.0% OF RETAILERS PRESENT

RANK 2011 #22 32.5% OF RETAILERS PRESENT



RANK 2012 #20=
CANADA

33.7% OF RETAILERS PRESENT

RANK 2011 #18= 33.7% OF RETAILERS PRESENT



RANK 2012 #20=
CZECH REPUBLIC

33.7% OF RETAILERS PRESENT

RANK 2011 #20 33.4% OF RETAILERS PRESENT

- ▶ Value & Denim retailers entered more new markets than any other sector last year, growing their footprint by 4.1%, as they took advantage of consumers' desire to trade down and seek out more affordable brands. Some two thirds of Value & Denim retailers are now present in all three regions.

WHERE ARE RETAILERS TARGETING?

- ▶ Retailers expanded into a wide range of markets last year with 74% of the countries in the survey seeing at least one new retailer enter the market. The overall footprint grew 2.1%, similar to the previous year, and shows that retailers continued to grow their cross-border businesses in spite of a challenging consumer environment.

74% of markets saw at least one new retail entrant

- ▶ Europe was the most targeted region at city level accounting for 48% of new entries, followed by the Middle East and Africa (MEA) with 22%, and Asia with 14%. North America, the Pacific region and Latin America attracted 8%, 6% and 1% of new entries respectively.
- ▶ Almaty (Kazakhstan) was by far the most sought after city last year with 18 new retailer entries. This was largely down to major infrastructure improvements, the delivery of new shopping centre space and the arrival of the Inditex brands in 2010 which encouraged other new entrants to the market.
- ▶ Other eastern European markets, including Moscow, with 11 new entrants, Kiev (9) and Warsaw (6) were also key targets in 2011, as retailers focused their expansion plans on those markets with the most robust economies and best growth prospects. Ho Chi Minh City (7 new entrants) was also a target followed by Kuwait City (5) and Seoul (4).

48% of retailers targeted a city in Europe

7.8 million sq m of new space came onto the market last year

- ▶ Emerging markets dominated retailers' expansion plans last year, but there was also significant interest in some mature markets, most notably Australia, which saw six new entries last year.

WHERE ARE DEVELOPERS BUILDING NEW SHOPPING CENTRES?

- ▶ New shopping centre development plays a key role in attracting international retailers to emerging markets, with last year's top five cities in terms of new retailer market entries all benefiting from new centres.
- ▶ At least one new shopping centre (over 20,000 sq m) was completed in 62 of the 178 cities analysed. Altogether, 7.8 million sq m of new space came onto the market last year in 142 centres, indicating that global development activity remains very high, even though the focus has shifted decisively in favour of the emerging markets.
- ▶ China was the most active market, with four cities in the top five for completions. Shenyang (over one million sq m in six centres) and Wuhan (0.75 million sq m in seven centres) were the runaway leaders. In spite of the huge scale of new development in many Chinese cities, occupier demand for prime stock typically outweighs supply. Much of the new space has been developed in up-and-coming areas of a city and not in the prime areas where international retailers want to locate.
- ▶ Development activity was also high in Brazil, Russia and India (the other BRIC countries), and in a range of global cities including Kuala Lumpur (Klang Valley), Mexico City, Hanoi, Istanbul and Ankara. In the more mature markets of Western Europe and North America new development was limited, with the focus on redevelopment and extensions to existing centres.
- ▶ Chinese cities will continue to dominate development activity over the next few years. Eight out of the top ten most active markets globally are in China. Tianjin heads the list with 2.4 million sq m currently under construction, followed by Shenyang and Chengdu. Outside of China the most active development markets are Abu Dhabi, Hanoi, St Petersburg, New Delhi and Kuala Lumpur (Klang Valley).

▼ 2012 GLOBAL RANKINGS - TOP 10 CITIES



Footnote: City level information was not available for every market therefore the analysis conducted at city level is for a slightly smaller proportion of the retailers. Rankings based on actual number of retailers present.

WHICH RETAIL SECTORS AND COUNTRIES HAVE THE GREATEST ONLINE CAPABILITY?

- ▶ The majority (80%) of retailers in the survey have an online catalogue that can be browsed. Promoting their brands and products as well as directing consumers to their stores via their online platforms is now regarded as standard practice for the majority of international retailers. There is little difference by sector with Luxury & Business Fashion (92%) and Value & Denim (87%) retailers most likely to have an online browsing catalogue. The likes of Miu Miu, Ermenegildo Zegna and Balenciaga to name a few, launched transactional sites in 2011.
- ▶ Consumers can purchase and take delivery of goods from just over a quarter (28%) of retailers in the survey, ranging from 7% of Supermarkets to almost half (45%) of Value & Denim retailers. Mid-range Fashion (29%) and Luxury & Business Fashion (36%) retailers are also quite likely to operate a delivery website, with both these sectors seeing a 4% increase since last year. The steady increase in the number of fashion retailers that can deliver goods bought online is likely to be sustained in coming years, as the scope for further growth is substantial.
- ▶ The Consumer Electronics sector saw the largest increase in the number of retailers operating a delivery website, rising by 6% last year to 35%. The sectors with lowest take up of an online delivery platform are Homeware & Department Stores (20%), Coffee & Restaurants (11%) and Supermarkets (7%).

80% of retailers in the survey have an online catalogue that can be browsed

- ▶ France saw one of the largest increases in the number of retailers that can deliver goods bought online, propelling it to the top of online transactional rankings, with almost half (49%) of retailers in the survey now able to deliver goods there. Following close behind are Canada (46%), United Kingdom and United States (both 44%) and Ireland (43%). Below the English speaking nations come the Netherlands (43%), Spain (42%), Germany (41%) and Italy (38%).

35% of Consumer Electronics retailers operate a delivery website

- ▶ In China the proportion of retailers that have a delivery website rose from 8% to 17% last year, and in Russia the figure rose from 9% to 16%, suggesting that online retailing is quickly becoming a global phenomenon, but the potential for growth is much bigger still. For example, only 2% of the surveyed retailers have a delivery website in Brazil and Mexico.
- ▶ Retailers with a physical store presence in a country are more likely to have a transactional capability. Just 28% of all retailers in the survey are able to deliver goods bought online but this rises to 47% among retailers with a physical store presence.
- ▶ Multi-channel retailing, not surprisingly, is more prevalent in mature markets, and is most advanced in the United States where 83% of retailers that operate an online delivery service in the country also had a physical store presence there. Multi-channel retailing was equally advanced in the United Kingdom (81%) with Spain (72%) slightly further behind in third place.

OUTLOOK

- ▶ The potential for retailers to cross borders into new markets is still substantial. In London for example, the most international retail city, over 40% of the survey retailers do not yet have a physical store there. Whilst not every retailer wants representation in each market this does imply that there is huge scope for further cross-border expansion among the surveyed retailers. At the same time, the number of brands that operate internationally continues to grow as maturing home markets force retailers to consider opportunities in new and less mature markets.
- ▶ The biggest driver in the globalisation of the retail sector is the growth of e-commerce and this is set to play an even more important role in shaping the demand for retail real estate in future. Whilst it will be many years before e-commerce finds its ultimate place within the business of retail, the high incidence of multi-channel retailing in the world's most advanced retail markets suggests that a physical store presence will remain an essential part of the equation for the most successful global retailers.

CONTACTS

For more information regarding this report please contact:

EMEA RESEARCH AND CONSULTING

Neville Moss

Head of Retail Research, EMEA

t: +44 20 7182 3183

e: neville.moss@cbre.com

Natasha Patel

Senior Retail Analyst, EMEA

t: +44 20 7182 3166

e: natasha.patel@cbre.com

For more information about CBRE activities in the retail sector please contact:

GLOBAL RETAIL CONTACTS

Anthony Buono

The Americas

t: +1 619 696 8302

e: anthony.buono@cbre.com

Peter Gold

Europe, Middle East and Africa (EMEA)

t: +44 20 7182 2969

e: peter.gold@cbre.com

Joshua Loudoun

Pacific

t: +61 2 9333 3382

e: joshua.loudoun@cbre.com.au

Sebastian Skiff

Asia

t: +8610 8588 0678

e: sebastian.skiff@cbre.com.cn

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GLOBAL RESEARCH AND CONSULTING EXECUTIVE COMMITTEE

Raymond Torto, Ph.D, CRE®, Chair

Global Chief Economist and

Executive Managing Director, Global Research

t: +1 617 912 5225

e: ray.torto@cbre.com

Nick Axford, Ph.D

Head of Research, Asia Pacific and

Senior Managing Director, Global Research

t: +852 2820 8198

e: nick.axford@cbre.com.hk

Peter Damesick, Ph.D

EMEA Chief Economist and

Senior Managing Director, Global Research

t: +44 20 7182 3163

e: peter.damesick@cbre.com

Asieh Mansour, Ph.D

Head of Research, Americas and

Senior Managing Director, Global Research

t: +415 772 0258

e: asieh.mansour@cbre.com

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