GLOBAL

# HIGHLIGHTS

## TOP 10 GLOBAL RETAIL STREETS*
(USD PER SQUARE FOOT PER YEAR)

| STREET/PRECINCT | RENT (USD)** | ANNUAL CHANGE (%) |
|---|---|---|
| New York – Fifth Avenue | $2,633 | 22.5 |
| Hong Kong – Queen's Road Central, Central (tie) | $1,831 | 34.7 |
| Hong Kong – Canton Road (tie) | $1,831 | 30.2 |
| London – Old Bond St.*** | $1,601 | 11.1 |
| Paris – Avenue des*** Champs-Élysées | $1,239 | flat |
| Hong Kong - Causeway Bay | $1,024 | 34.5 |
| New York – Madison Avenue | $989 | 39.7 |
| Zurich – Bahnhofstrasse | $975 | flat |
| Milan – Via Monte Napoleone | $885 | (0.8) |
| Sydney – Pitt Street Mall | $865 | (10.0) |

Source: Colliers International
* selected cities
** exchange rate as of March 31, 2012
*** Zone A rents

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# Record Rents for Top Retail Corridors; Global Slowdown Impacts Momentum Elsewhere

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- Colliers' 2012 Global Retail Streets survey found that of 129 locations tracked, 51 posted higher year over year average rental rates, 49 were flat, and 24 were down (5 lacked comparable data).
- Retailers entering new markets—both developed and developing—continue to hedge risk by targeting the same one or two premier locations, generating heated competition and outsized rental rate growth in a handful of space-constrained corridors.
- Companies with the most ambitious long-term expansion plans remain focused on emerging markets with rapidly growing middle-class populations, but recently institutional capital has pulled back somewhat to favor core markets and investments.
- While economic and political turmoil did affect rental rates in headline-generating markets (such as Cairo and Athens), high streets with strong fundamentals remained remarkably resilient, suggesting, at least for now, some separation between macroeconomic issues and underlying real estate fundamentals.
- Since we conducted our survey, however, weakening consumer sentiment among affluent shoppers has already begun to impact retailers' revenues and could hinder landlords' near-term ability to raise rents, suggesting flattening growth rates for the coming year.

This spring proved to be a tricky time to conduct global benchmarking, as market sentiment has deteriorated markedly since April. During the past year, virtually every entity making a forecast—including Colliers in our 2012 U.S. Retail Outlook—included a caveat related to not-yet-quantifiable global fallout from Europe's fiscal issues. As the past few months have illustrated, the time to face Eurozone issues has finally arrived, spawning a new wave of financial uncertainty.

More than two years post-recession, though, results from our annual survey of High Street rents illustrate that the world's priciest retail corridors continue to attract the most sought-after tenants at lofty rental rates. Eight of Colliers' top ten Global Retail Streets in 2011 made the list again this year. The big story, however, lies with the explosive year over year rental growth achieved in a handful of markets. Six of our Top 10 grew at double-digit levels year over year in local currency units, five of them by more than 20%.

At a regional level, streets in areas that entered 2007-08 better-positioned economically—Australia, Canada, parts of Eastern Europe—had a higher percentage of this year's flat-to-higher rents than those slower to emerge from the recession. We will be watching these areas closely. Even as they represent some of the most attractive destinations for expansion-minded companies and yield-seeking investors, they too are vulnerable to softening consumer demand and, for those with reliable data, encroachment of e-commerce.

This report contains two parts. The first summarizes the results of our annual Global Retail Streets survey, conducted in April 2012. The second incorporates content from Colliers' brokerage and research teams worldwide who contributed market operational metrics, nuanced commentary on retail conditions, and forward-looking opinions on what the next year will hold for consumers, landlords, and investors.

## GLOBAL RETAIL SURVEY

| CITY | COUNTRY | STREET | MEASURE QUOTED CURRENCY | MEASURE TIME PERIOD | MEASURE UNIT | EXCHANGE RATE (USD) MAR. 31, 2012 | QUOTED RENT (LOCAL) | USD RENT SF/YEAR | ANNUAL CHANGE (LOCAL, %) |
|---|---|---|---|---|---|---|---|---|---|
| **UNITED STATES** | | | | | | | | | |
| Atlanta, GA | United States | Peachtree | USD | Year | SF | 1.00 | 55.00 | 55.00 | 10.0 |
| Boston, MA | United States | Newbury Street | USD | Year | SF | 1.00 | 200.00 | 200.00 | 0.0 |
| Chicago, IL | United States | North Michigan Avenue | USD | Year | SF | 1.00 | 300.00 | 300.00 | 20.0 |
| Cincinnati, OH | United States | Kenwood | USD | Year | SF | 1.00 | 37.00 | 37.00 | 0.0 |
| Columbus, OH | United States | Easton Town Center | USD | Year | SF | 1.00 | 35.00 | 35.00 | 0.0 |
| Dallas/Ft. Worth, TX | United States | Mockingbird Lane / Preston | USD | Year | SF | 1.00 | 70.00 | 70.00 | 0.0 |
| Denver, CO | United States | 2nd Avenue (Cherry Creek North) | USD | Year | SF | 1.00 | 25.96 | 25.96 | (1.9) |
| Detroit, MI | United States | Maple Avenue (Birmingham) | USD | Year | SF | 1.00 | 35.00 | 35.00 | 0.0 |
| Ft. Lauderdale/ Broward County, FL | United States | Las Olas Boulevard | USD | Year | SF | 1.00 | 36.40 | 36.40 | (9.0) |
| Greenwich, CT | United States | Greenwich Avenue | USD | Year | SF | 1.00 | 100.00 | 100.00 | (4.8) |
| Hartford, CT | United States | Glastonbury Boulevard | USD | Year | SF | 1.00 | 28.00 | 28.00 | 0.0 |
| Houston, TX | United States | Highland Village | USD | Year | SF | 1.00 | 70.00 | 70.00 | 0.0 |
| Houston, TX | United States | CityCentre | USD | Year | SF | 1.00 | 40.00 | 40.00 | 0.0 |
| Indianapolis, IN | United States | Keystone Crossing | USD | Year | SF | 1.00 | 65.00 | 65.00 | 8.3 |
| Jacksonville, FL | United States | San Marco Boulevard | USD | Year | SF | 1.00 | 16.00 | 16.00 | (11.1) |
| Las Vegas, NV | United States | Las Vegas Boulevard | USD | Year | SF | 1.00 | 160.00 | 160.00 | 0.0 |
| Los Angeles, CA | United States | Rodeo Drive | USD | Year | SF | 1.00 | 435.00 | 435.00 | 2.4 |
| Miami, FL | United States | Lincoln Road | USD | Year | SF | 1.00 | 180.00 | 180.00 | 33.3 |
| New York, NY | United States | Madison Avenue | USD | Year | SF | 1.00 | 989.00 | 989.00 | 39.7 |
| New York, NY | United States | Fifth Avenue | USD | Year | SF | 1.00 | 2,633.00 | 2,633.00 | 22.5 |
| Orlando, FL | United States | Park Avenue | USD | Year | SF | 1.00 | 35.00 | 35.00 | 0.0 |
| Philadelphia, PA | United States | Walnut Street | USD | Year | SF | 1.00 | 80.00 | 80.00 | 0.0 |
| Phoenix, AZ | United States | Scottsdale Road (Kierland) | USD | Year | SF | 1.00 | 34.00 | 34.00 | (10.5) |
| Portland, OR | United States | SW Morrison Street | USD | Year | SF | 1.00 | 20.79 | 20.79 | 3.0 |
| Sacramento, CA | United States | The Fountains | USD | Month | SF | 1.00 | 3.00 | 36.00 | 0.0 |
| Sacramento, CA | United States | The Palladio at Broadstone | USD | Month | SF | 1.00 | 2.50 | 30.00 | 0.0 |
| San Diego, CA | United States | Prospect Street | USD | Year | SF | 1.00 | 36.72 | 36.72 | 10.9 |
| San Francisco, CA | United States | Post Street (Union Square) | USD | Year | SF | 1.00 | 350.00 | 350.00 | 2.9 |
| San Jose/Silicon Valley, CA | United States | Santana Row | USD | Year | SF | 1.00 | 48.00 | 48.00 | 0.0 |
| Seattle, WA | United States | Pine Street | USD | Year | SF | 1.00 | 43.04 | 43.04 | 0.0 |
| Stockton, CA | United States | Pacific Avenue | USD | Year | SF | 1.00 | 24.00 | 24.00 | (20.0) |
| Tampa, FL | United States | Hyde Park | USD | Year | SF | 1.00 | 30.00 | 30.00 | (4.8) |
| Washington, D.C. | United States | M Street, NW (Georgetown) | USD | Year | SF | 1.00 | 125.00 | 125.00 | 0.0 |
| West Palm Beach, FL | United States | Worth Avenue | USD | Year | SF | 1.00 | 60.00 | 60.00 | (7.7) |

SM = square meters    SF = square feet

## GLOBAL RETAIL SURVEY

| CITY | COUNTRY | STREET | MEASURE QUOTED CURRENCY | MEASURE TIME PERIOD | MEASURE UNIT | EXCHANGE RATE (USD) MAR. 31, 2012 | QUOTED RENT | USD RENT SF/YEAR | ANNUAL CHANGE (LOCAL, %) |
|---|---|---|---|---|---|---|---|---|---|
| **CANADA** | | | | | | | | | |
| Calgary, AB | Canada | Uptown 17th Avenue | CAD | Year | SF | 1.00 | 55.00 | 55.07 | 0.0 |
| Halifax, NS | Canada | Spring Garden Road | CAD | Year | SF | 1.00 | 70.00 | 70.09 | 27.3 |
| Montreal, QC | Canada | Rue de la Montagne | CAD | Year | SF | 1.00 | 80.00 | 80.10 | 0.0 |
| Montreal, QC | Canada | Greene Avenue (Westmount) | CAD | Year | SF | 1.00 | 60.00 | 60.08 | 0.0 |
| Ottawa, ON | Canada | Byward Market (Sussex, York, Clarence Streets) | CAD | Year | SF | 1.00 | 45.00 | 45.06 | 12.5 |
| Toronto, ON | Canada | Bloor Street | CAD | Year | SF | 1.00 | 310.00 | 310.39 | 3.3 |
| Vancouver, BC | Canada | Robson Street | CAD | Year | SF | 1.00 | 150.00 | 150.19 | (25.0) |
| Vancouver, BC | Canada | Alberni Street | CAD | Year | SF | 1.00 | 105.00 | 105.13 | 10.5 |
| Vancouver, BC | Canada | West Fourth Avenue | CAD | Year | SF | 1.00 | 47.50 | 47.56 | 0.0 |
| Victoria, BC | Canada | Government Street | CAD | Year | SF | 1.00 | 60.00 | 60.08 | 9.1 |
| **MEXICO, CENTRAL & SOUTH AMERICA** | | | | | | | | | |
| Bogotá | Colombia | Andino | USD | Month | SM | 1.00 | 230.00 | 256.32 | 21.1 |
| Bogotá | Colombia | Retiro | USD | Month | SM | 1.00 | 100.00 | 111.45 | 11.1 |
| Buenos Aires | Argentina | Peatonal Florida | USD | Month | SM | 1.00 | 102.00 | 113.67 | 13.3 |
| Lima | Peru | Jirón de La Unión | USD | Month | SM | 1.00 | 60.00 | 66.87 | 0.0 |
| Mexico City | Mexico | Presidente Masaryk | USD | Month | SM | 1.00 | 55.00 | 61.29 | 0.0 |
| Panama City | Panama | Calle 50 | USD | Month | SM | 1.00 | 26.00 | 28.98 | 4.0 |
| Rio de Janeiro | Brazil | Zona Sul | BRL | Month | SM | 1.83 | 300.00 | 182.99 | n/a |
| Santiago | Chile | Alonso de Córdova | USD | Month | SM | 1.00 | 56.12 | 62.54 | 8.7 |
| São Paulo | Brazil | Oscar Freire | BRL | Month | SM | 1.83 | 200.00 | 121.99 | 19.2 |
| **EUROPE** | | | | | | | | | |
| Amsterdam | Netherlands | Kalverstraat | EUR | Month | SM | 0.75 | 200.00 | 297.43 | 3.6 |
| Antwerp | Belgium | Meir | EUR | Month | SM | 0.75 | 140.00 | 208.20 | 3.7 |
| Athens | Greece | Ermou | EUR | Month | SM | 0.75 | 150.00 | 223.07 | (14.3) |
| Belgrade | Serbia | Kneza Mihaila | EUR | Month | SM | 0.75 | 110.00 | 163.58 | 0.0 |
| Berlin | Germany | Tauentzien | EUR | Month | SM | 0.75 | 220.00 | 327.17 | 0.0 |
| Birmingham* | UK | High Street / New Street | GBP | Year | SF | 0.62 | 210.00 | 336.26 | 0.0 |
| Bratislava | Slovakia | Obchodna | EUR | Month | SM | 0.75 | 40.00 | 59.49 | 0.0 |
| Bristol* | UK | Broadmead | GBP | Year | SF | 0.62 | 120.00 | 192.15 | (4.0) |
| Bucharest | Romania | Magheru | EUR | Month | SM | 0.75 | 75.00 | 111.53 | 0.0 |
| Budapest | Hungary | Váci utca | EUR | Month | SM | 0.75 | 110.00 | 163.58 | 0.0 |
| Copenhagen | Denmark | Østergade | DKK | Year | SM | 5.58 | 18,000.00 | 299.75 | 0.0 |
| Dublin* | Ireland | Grafton Street | EUR | Year | SF | 0.75 | 450.00 | 600.48 | 0.0 |

SM = square meters SF = square feet

* = Zone A rents

## GLOBAL RETAIL SURVEY

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|---|---|---|---|---|---|---|---|---|---|
| Düsseldorf | Germany | Königsallee | EUR | Month | SM | 0.75 | 240.00 | 356.91 | 0.0 |
| Edinburgh* | UK | George Street | GBP | Year | SF | 0.62 | 180.00 | 288.23 | 11.1 |
| Eindhoven | Netherlands | Demer | EUR | Month | SM | 0.75 | 113.00 | 168.05 | 0.4 |
| Frankfurt | Germany | Zeil | EUR | Month | SM | 0.75 | 290.00 | 431.27 | 7.4 |
| Geneva | Switzerland | Rue du Rhône | CHF | Year | SM | 0.90 | 7,400.00 | 761.75 | (1.3) |
| Glasgow* | UK | Buchanan Street | GBP | Year | SF | 0.62 | 250.00 | 400.31 | 4.2 |
| Hamburg | Germany | Spitaler Straße | EUR | Month | SM | 0.75 | 280.00 | 416.40 | 16.7 |
| Helsinki | Finland | Aleksanterinkatu | EUR | Month | SM | 0.75 | 170.00 | 252.81 | 0.0 |
| Istanbul | Turkey | Abdi Ipekçi, Nişantaşı | USD | Month | SM | 1.00 | 300.00 | 334.34 | n/a |
| Kyiv | Ukraine | Kreshchatyk | USD | Month | SM | 1.00 | 300.00 | 334.34 | 0.0 |
| Leeds* | UK | Briggate Street | GBP | Year | SF | 0.62 | 185.00 | 296.23 | (2.6) |
| Lisbon | Portugal | Chiado / Av. Liberdade | EUR | Month | SM | 0.75 | 72.50 | 107.82 | (3.3) |
| London* | UK | Old Bond Street | GBP | Year | SF | 0.62 | 1,000.00 | 1,601.25 | 11.1 |
| Madrid | Spain | Preciados | EUR | Month | SM | 0.75 | 200.00 | 297.43 | 0.0 |
| Manchester* | UK | Market Street | GBP | Year | SF | 0.62 | 250.00 | 400.31 | 11.1 |
| Milan | Italy | Via Monte Napoleone | EUR | Month | SM | 0.75 | 595.00 | 884.84 | (0.8) |
| Minsk | Belarus | Nezavisimosti | EUR | Month | SM | 0.75 | 42.00 | 62.46 | (6.7) |
| Moscow | Russia | Tverskaya | USD | Month | SM | 1.00 | 608.00 | 677.79 | 1.3 |
| Munich | Germany | Kaufingerstraße | EUR | Month | SM | 0.75 | 330.00 | 490.75 | 0.0 |
| Oslo | Norway | Karl Johan | NOK | Year | SM | 5.69 | 14,000.00 | 228.39 | 0.0 |
| Paris* | France | Avenue des Champs-Élysées | EUR | Month | SM | 0.75 | 833.00 | 1,238.78 | 0.0 |
| Prague | Czech Republic | Na Prikope | EUR | Month | SM | 0.75 | 200.00 | 297.43 | 0.0 |
| Riga | Latvia | Barona | EUR | Month | SM | 0.75 | 27.00 | 40.15 | 35.0 |
| Rome | Italy | Via Condotti | EUR | Month | SM | 0.75 | 440.00 | 654.34 | (2.2) |
| Rotterdam | Netherlands | Lijnbaan | EUR | Month | SM | 0.75 | 145.00 | 215.63 | 2.2 |
| Saint Petersburg | Russia | Nevsky Prospekt | USD | Month | SM | 1.00 | 286.00 | 318.73 | 4.4 |
| Sofia | Bulgaria | Vitosha Boulevard | EUR | Month | SM | 0.75 | 40.00 | 59.49 | (38.5) |
| Stockholm | Sweden | Biblioteksgatan | SEK | Year | SM | 6.61 | 16,000.00 | 224.66 | 0.0 |
| Stuttgart | Germany | Königstraße | EUR | Month | SM | 0.75 | 320.00 | 475.88 | 0.0 |
| Tallinn | Estonia | Viru | EUR | Month | SM | 0.75 | 29.00 | 43.13 | 16.0 |
| The Hague | Netherlands | Spuistraat | EUR | Month | SM | 0.75 | 120.00 | 178.46 | 1.8 |
| Tirana | Albania | Myslym Shyri | EUR | Month | SM | 0.75 | 45.00 | 66.92 | (10.0) |
| Utrecht | Netherlands | Oude Gracht | EUR | Month | SM | 0.75 | 108.00 | 160.61 | 3.8 |
| Vienna | Austria | Graben, Kohlmarkt, Kärntner Straße, Tuchlauben | EUR | Month | SM | 0.75 | 400.00 | 594.85 | 14.3 |
| Vilnius | Lithuania | Didzioji | EUR | Month | SM | 0.75 | 32.00 | 47.59 | 0.0 |
| Warsaw | Poland | Nowy Swiat | EUR | Month | SM | 0.75 | 90.00 | 133.84 | 4.7 |
| Zagreb | Croatia | Ilica | EUR | Month | SM | 0.75 | 75.00 | 111.53 | 0.0 |
| Zurich | Switzerland | Bahnhofstrasse | CHF | Year | SM | 0.90 | 9,475.00 | 975.34 | 0.0 |

SM = square meters SF = square feet

* = Zone A rents

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|---|---|---|---|---|---|---|---|---|---|
| **MIDDLE EAST & NORTH AFRICA** | | | | | | | | | |
| Abu Dhabi | UAE | Khalifa Street | USD | Month | SM | 1.00 | 45.00 | 50.15 | 12.5 |
| Cairo | Egypt | El Kourba St. (Heliopolis), Lebanon St. (Mohandiseen), Mazhar (Zamalek), Shooting Club St. (Doqi) | USD | Month | SM | 1.00 | 49.00 | 54.61 | (9.3) |
| Dubai | UAE | Sheikh Zayed Road | USD | Month | SM | 1.00 | 35.00 | 39.01 | n/a |
| Riyadh | Saudi Arabia | King Fahad Road and Olaya Roads | SAR | Year | SM | 3.75 | 3,000.00 | 74.29 | 0.0 |
| **ASIA** | | | | | | | | | |
| Bangalore | India | Brigade Road | INR | Month | SF | 50.87 | 375.00 | 88.46 | 18.1 |
| Bangkok | Thailand | Rama I Road | THB | Month | SM | 30.80 | 2,800.00 | 101.31 | 5.7 |
| Beijing | China | Wangfujing | CNY | Month | SM | 6.30 | 1,683.28 | 297.91 | 35.8 |
| Beijing | China | CBD | CNY | Month | SM | 6.30 | 765.96 | 135.56 | 22.8 |
| Delhi | India | Khan Market | INR | Month | SF | 50.87 | 1,100.00 | 259.48 | 4.8 |
| Delhi | India | Connaught Place | INR | Month | SF | 50.87 | 650.00 | 153.33 | 0.0 |
| Guangzhou | China | Tianhe District | CNY | Month | SM | 6.30 | 1,065.00 | 188.49 | (1.9) |
| Hanoi | Vietnam | Hoan Kiem | USD | Month | SM | 1.00 | 113.00 | 125.93 | n/a |
| Ho Chi Minh City | Vietnam | Dong Khoi | USD | Month | SM | 1.00 | 110.00 | 122.59 | n/a |
| Hong Kong | China | Canton Road, Tsim Sha Tsui | HKD | Month | SF | 7.77 | 1,185.00 | 1,831.09 | 30.2 |
| Hong Kong | China | Queen's Road Central, Central | HKD | Month | SF | 7.77 | 1,185.00 | 1,831.09 | 34.7 |
| Hong Kong | China | Causeway Bay | HKD | Month | SF | 7.77 | 663.00 | 1,024.49 | 34.5 |
| Makati | Philippines | Ayala Center | PHP | Month | SM | 42.90 | 1,220.00 | 31.69 | 3.4 |
| Seoul | South Korea | Central District | KRW | Month | SM | 1,132.15 | 253,277.50 | 249.32 | 2.5 |
| Shanghai | China | Nanjing Road West | CNY | Month | SM | 6.30 | 1,875.00 | 331.84 | 2.7 |
| Singapore | Singapore | Orchard Road | SGD | Month | SF | 1.26 | 38.30 | 364.76 | (0.5) |
| Tokyo | Japan | Chuo Street (Ginza) | JPY | Month | SM | 82.87 | 45,375.00 | 610.21 | 0.0 |
| **AUSTRALIA & NEW ZEALAND** | | | | | | | | | |
| Auckland | New Zealand | Queen Street | NZD | Year | SM | 1.22 | 2,350.00 | 178.64 | 0.0 |
| Brisbane | Australia | Queen Street Mall | AUD | Year | SM | 0.97 | 4,250.00 | 408.50 | 0.0 |
| Perth | Australia | Hay Street and Murray Street Malls | AUD | Year | SM | 0.97 | 2,875.00 | 276.34 | 0.0 |
| Sydney | Australia | Pitt Street Mall | AUD | Year | SM | 0.97 | 9,000.00 | 865.05 | (10.0) |
| Wellington | New Zealand | Lambton Quay | NZD | Year | SM | 1.22 | 2,078.00 | 157.96 | (1.0) |

SM = square meters   SF = square feet

* = Zone A rents

## 2011-2012 RENTAL RATE CHANGE FOR RETAIL STREETS, UNITED STATES

## > UNITED STATES

Eerily similar to 2011, the U.S. began 2012 with a flood of economic optimism—only to see its fragile recovery slow yet again in late spring. Downward revisions to GDP growth projections, weaker-than-expected employment numbers, and a stumble in manufacturing combined with increased Eurozone intensity to spook investors and consumers. Retail spending benefitted from a mild winter, which pulled sales of many product categories forward. In the absence of real wage growth, though, and in anticipation of significant tax increases set to occur in early 2013, it appears increasingly likely that consumer spending growth will slow in the coming months.

Even as the recovery falters, data collected for U.S. high streets illustrate a consolidation of explosive year over year rental rate growth in a handful of markets: 10 of 34 surveyed were higher, six of them by double digits. New York's Fifth Avenue retained our top spot globally as average rental rates rose 22.5% to $2,633/SF. New York's Madison Avenue's 39% YoY growth allowed it to leap-frog high streets in Zurich, Milan, and Geneva to land in this year's Top 10. Other high-growth corridors included Miami's Lincoln Road (+33%), Chicago's North Michigan Avenue (+20%), San Diego's Prospect Street (+11%), and Peachtree in Atlanta (+10%). New York, Chicago, and Miami receive large numbers of affluent international tourists, and recent changes to U.S. visa processing policy in Brazil and China are expected to benefit high-end retailers and hotels as sought-after shopping destinations. The regulation changes couldn't have come at a better time, for high-end landlords and retailers in New York have already acknowledged weaker European tourist traffic and revenues year-to-date.

New York's SoHo continues to be a destination for brand launches and new-to-market retailers: PiperLime, the online Gap shoe/accessories concept, will open its first brick-and-mortar location there this fall. Farther north, Express is said to be nearing a big deal in Times Square to take 30,000 SF in a space currently occupied by TGI Friday's. In San Francisco's Union Square, Uniqlo kicks off its West Coast expansion with a 20,000 SF store opening this fall.

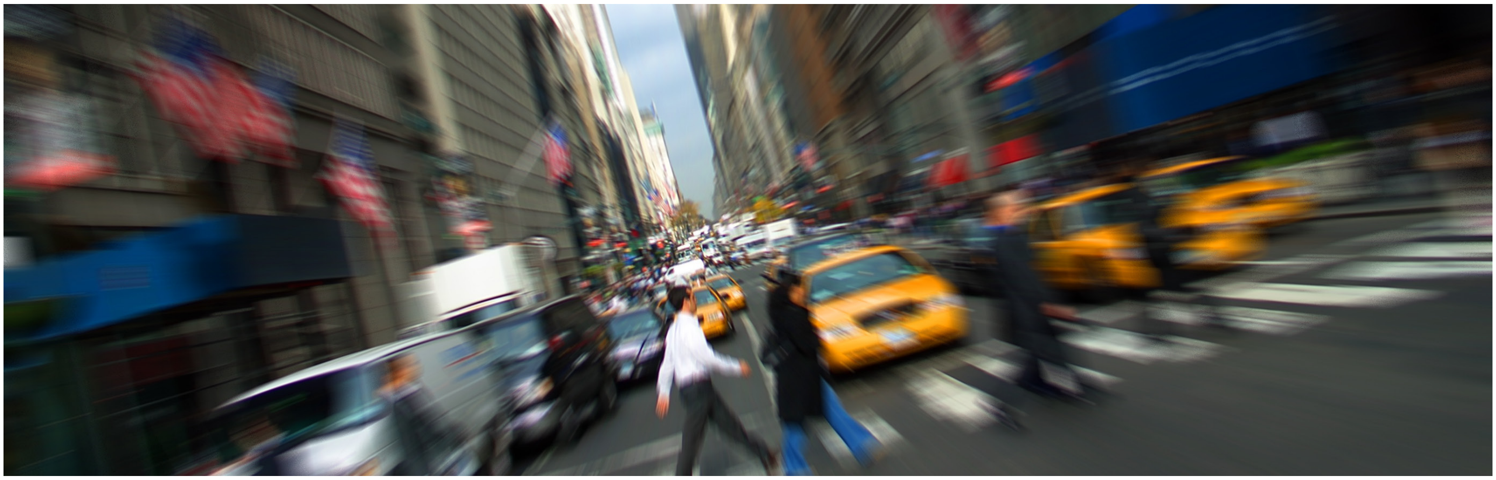
Beyond the Top 10 U.S. retail corridors, the story is more subdued: rents on 16 of the remaining 24 high streets were flat and eight were down. The eight "down" markets, among them Stockton (CA), Jacksonville (FL), Denver (CO), Fort Lauderdale, and Tampa (FL) reflect the uneven nature of the housing market recovery. Some of the country's highest-profile retail corridors, such as Las Vegas Boulevard (Las Vegas), Rodeo Drive (Los Angeles), and M Street (Washington D.C.) did achieve astronomical rents in excellent locations, but other buildings in secondary spots languished, keeping average rental rate growth flat or just slightly higher. Even for expansion-minded retailers and well-located properties, an even finer level of bifurcation is occurring: new-to-market retailers only want to locate in the best locations on the best streets, and appear willing to wait for the right space to come available rather than rush their expansion plans.

Retailers may have become more risk-averse in site selection, yet they are also more comfortable with capital outlays. After spending the post-recession years rebuilding balance sheets, companies began to loosen their purse strings in 2012, both for capital expenditures (CapEx) and opportunistic investments. Colliers' proprietary research from earlier this year found that nearly three-quarters (74%) of the retailers in our 105-company sample increased their CapEx budgets, with nine companies estimating that they will spend more than $1 billion. Technology upgrades, including spending on e-commerce and logistics/distribution infrastructure, topped many companies' stated CapEx priorities, although the quick-serve restaurant, dollar store, and auto parts segments continue their blistering pace of new store openings. Among firms choosing to make strategic acquisitions, headlines in the past two months include Walgreens' $6.7 billion investment in global drug retailer Alliance Boots (to expand its global reach), Bed Bath & Beyond's $495 million offer for Cost Plus (to merge with a strong competitor), and Starbucks' acquisition of San Francisco-based La Boulange Café & Bakery (to build a premium bakery brand).

From an investment perspective, while the U.S. faces some daunting fiscal challenges, its economy remains relatively stable compared to other parts of the world. Asian, South American, and Australian investors, reacting to debt woes and higher risk pricing in the Eurozone, have begun shifting capital here from Europe and other developing markets. Earlier this month, the National Association of Realtors (NAR) estimated that cross-border capital investment increased to around 10% of commercial sales this year, up from an historical average of 6%. Institutional investors have traditionally favored core assets in coastal "gateway" cities, but recent conversations with Colliers' clients suggest more appetite for risk to secure higher yields. While well-located, grocery-anchored retail remains the most sought-after asset class, investors have expressed more interest in regional malls and mixed-use properties, but not ground-up development.

## > CANADA

Despite being closely linked to the U.S. economy, Canada in the aftermath of 2008 emerged more quickly and with higher GDP growth rates than its southern neighbor. Canada's conservative banking oligarchy and strong resource sector lifted the economy by creating thousands of jobs and bolstered the value of the Canadian dollar (which has been within four cents of parity with the U.S. Dollar since 2010).



Source: Thinkstock.com

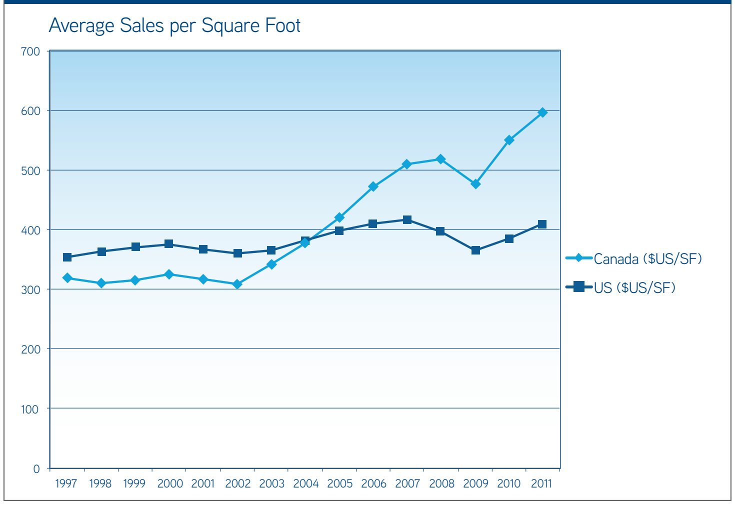
The Canada-U.S. border is the world's busiest for international trade, and Canada, with its significantly lower retail supply per capita and higher sales per square foot (see chart below), represents the easiest international move for U.S. retailers and landlords. The most high-profile entrant, discount chain Target, acquired about 220 Zellers leases and will open its first block of stores in 2013. While U.S.-based retailers eagerly take over existing Canadian floor space and build more, Canadian developers and pension funds often provide and manage the space. This trend is changing: U.S.-based Tanger Outlets, Simon Property Group, and Kimco, as well as London-based outlet developer McArthurGlen, are all looking to establish or increase their Canadian presence.

Canada's luxury retail sector has never been stronger, and incumbent powerhouses such as Holt Renfrew have expanded their stores in the last five years to preempt U.S. competitors looking to satisfy an underserved market. Despite their efforts, rumors abound that high-end U.S. department store chains are considering taking over Sears spaces at three flagship Cadillac Fairview properties: Pacific Centre Mall in Vancouver, Chinook Centre in Calgary, and Rideau Mall in Ottawa. Nordstrom, Bloomingdale's, and luxury developers' plans suggest that they feel consumers in some Canadian markets can support much more retail. Yorkdale, the country's most productive shopping center, usually offers the best point-of-entry for U.S. mall-based retailers—such as women's retailer Ann Taylor, opening its first non-U.S. stores this fall—seeking to establish a stable foothold in Canada.

In our survey, Toronto's Bloor Street notched Canada's highest average rate: U.S. $310/SF, up 3.3% year over year. New leases there include an expanded Louis Vuitton, Dolce & Gabbana, and Tiffany & Co. (which will open summer 2013). After Bloor Street, Vancouver's Alberni Street (+10% to U.S. $105/SF) rose as Tiffany & Co. and Brooks Brothers joined its emerging fashion mix while Robson Street (-25% to U.S. $150/SF) slipped as it undergoes a transition to larger tenancies along some of its more prominent blocks that affected leases signed this year. Calgary's Uptown 17th Avenue ($55.07) rents were flat year over year, as were Greene Avenue and Rue de Montagne (Montreal). Halifax's 5-block Spring Garden Road commercial zone saw rents spike a whopping +27.6% to $70/SF: one of the largest year over year gains globally. Growth there is attributable to not enough real estate supply in a prime corridor and a mark-to-market adjustment of previously undervalued space as deals for new retailers such as lululemon reflect true market rates. Not included in our survey, Edmonton's Jasper Avenue retains its popular appeal for dining and entertainment venues rather than boutique fashion and international banners.

Even as they slowly Americanize the Canadian retail landscape, U.S. firms entering the country face significant operational challenges. Retailers risk losing sales as they build the national Goods & Services Tax (GST) and, in some areas, provincial sales taxes (PSTs) into their prices; J. Crew is still smarting from consumer outrage when it launched its Canadian pricing program at Yorkdale last summer. For developers, approval processes resemble a more European model: very strict and far more controlled than in the U.S. Yet the same programs that prevented retail projects from being built too close to one another protected Canada from being overbuilt during the boom years in the mid-2000s. There are very few dead or dying malls in Canada, and there is more willingness to shift to alternative land

**CANADIAN VS. US MALL PERFORMANCE, 1997-2011**




Source: ICSC

**2011-2012 RENTAL RATE CHANGE FOR RETAIL STREETS, EASTERN CANADA**

uses or demolish them to provide opportunities for future growth. Outlet malls—Canada currently has only about a dozen compared to 200+ in the U.S.—will get more attention.

Looking ahead, Canada is clearly developing a Western economic power base, with resource-driven economic gains and job growth drawing both domestic and international migrants. The population of the country's Western provinces—British Columbia, Alberta, Saskatchewan, and Manitoba—has, for the first time in 2011, exceeded that of Quebec and the Atlantic provinces (30.7% versus 30.6% of the total country population, respectively). As retail properties in these growth regions benefit from consumers' higher incomes, their higher sales productivities will translate to higher lease rates, which in turn translates to higher property values. Without consideration of regional differences in Canadian economies, cap rates will likely stay fairly low if domestic pension funds and REITs continue to snap up revenue-producing properties and are willing to exchange capital for long-term income.

## › MEXICO and LATIN AMERICA

As much of the global economy flounders, Latin America presents a far rosier scenario for retail real estate. LATAM countries' GDP grew by an average of 4.4% in 2011; the 2012 regional forecast, 3.7%, is one of the world's most robust. Mexico, Brazil, Chile, Peru, and Colombia have become attractive destinations for expansion-minded foreign brands, developers, and investors. They boast a combination of attractive demographics (a burgeoning middle class), low import tariffs, and open economies that allow for easier repatriation of foreign capital. Inflation remains under control for most of the region's major economies except Argentina. Recent projections from some groups do project some economic slowdown in the coming months, but the region as a whole appears well-positioned to benefit from troubles elsewhere.

Mexico and Brazil lead the region as targets for retail expansion, with fast-growing casual brands exploding onto the scene. H&M enters the region this fall with its first store in Mexico City's Centro Santa Fè.

Latin America has surged as an attractive destination for foreign investment capital. Mexico and Brazil alone received a combined $4.5 billion USD in 2011; it was Mexico's best year for foreign investment in nearly a decade. In the past couple of years, foreign capital sought investments in the office sector, but 2011 saw significant growth interest in retail and industrial assets because of the countries' stable markets and strength of their institutions.

### MEXICO

Mexico's GDP growth was a very healthy 4.6% in Q1 2012. About 65% of the wage earners in Mexico are considered middle class, earning $5,000 to $15,000 annually.

At year-end 2011, Mexico had 593 malls occupying approximately 16.4 million SM. Despite negative headlines in border towns notorious for drug violence, centers that are well-lighted and heavily secured are performing well. The country currently has an estimated 53 malls under construction, more than half (57%) being built in metropolitan areas. Two-thirds of new projects are either power centers (38%) or fashion malls (28%). Due to population growth in the major cities, land availability constraints persist and hinder the development of large shopping complexes. As a result, companies' focus remains with smaller projects or vertical developments.

Walmart continues its aggressive expansion, although it has scaled back its 2012 plans from 410-430 stores to 325-335 stores to incorporate new steps in its predevelopment processes. Mass merchandiser Grupo Elektra and department store chain Falabella are also growing vigorously across Latin America, in part by offering extensive consumer credit. They join more established U.S. brands such as Home Depot, which now has 100 stores in Mexico.

### BRAZIL

Brazilians' wealth is growing, both among the ranks of a swelling middle-class and newly minted millionaires, fostering huge consumer demand for luxury products. MCF Consultancy estimated the country's luxury market at approximately R$18.8 billion, with more than half (53%) of luxury consumers living in São Paulo. Rents on São Paulo's Oscar Freire rose nearly 20% year over year, the most rapid rate of growth on the continent, to US $122/

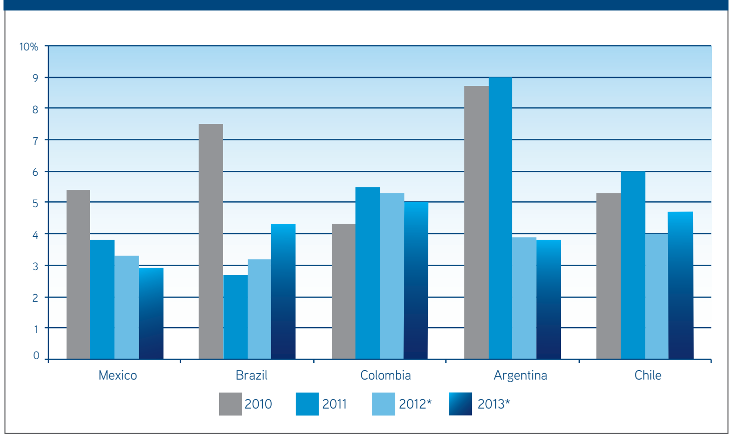
2011-2012 RENTAL RATE CHANGE FOR RETAIL STREETS, WESTERN CANADA

SM. Two weeks ago, Iguatemi Group's JK Iguatemi mall opened to record crowds; international brands make up one-third of its tenant mix and 30 retailers, many of them luxury, are new to Brazil.

Although São Paulo and Rio de Janeiro continue to dominate the market in terms of quality, international brands have begun to consider expansions into other parts of the country including Recife, Salvador, and Belo Horizonte, Brasília, and Porto Alegre—all locations for 2014 World Cup matches. Low vacancy rates are also common in the Midwestern part of the country, which includes the states of Mato Grosso, Mato Grosso do Sul, and Goiás. Lower unemployment and higher incomes have increased demand for retail space, as has wider availability of consumer credit.

Brazil has attracted the attention of three of the world's largest regional mall developers. General Growth Properties, which has invested in Brazil for the better part of a decade, partnered with Nacional Iguatemi and Gávea Investimentos to form Aliansce Shopping Centers and holds a non-ownership interest in 16 retail properties. In August 2011, Australia-based Westfield acquired a 50% stake of the Almeida Junior Shopping Centers, which operates four centers with a fifth opening later this year. Then, in April 2012, Simon Property Group formed a venture with Rio-based BR Malls Participacoes SA to develop outlet centers in Brazil; the first will open next year in Sao Paulo, with a goal of building 12 new projects by 2019.

ANNUAL GDP GROWTH RATES




* projected

## COLOMBIA

Colombia remains one of Latin America's best-kept secrets; in 2012 its economy is projected to grow at a 5.4% rate. Like Brazil, it has a growing number of affluent residents: five cities—Bogotá, Medellín, Calí, Barranquilla, and Cartagena—have populations greater than one million. Because approximately 95% of retail is developed under condominium rules, with spaces in new construction projects purchased directly by retailers or individual investors, real estate can be very expensive. Rents in Bogotá have risen rapidly in recent years: land availability is scarce in the main north corridor submarket, which includes Andino. Developers have begun to build malls in the south and lower-income zones where existing retail supply is limited. In addition to expansion plans from Colombia-based retail developers, other Latin American companies such as El Salvador's Grupo Roble and Chile's Parque Arauco and Mall Plaza have arrived with plans to invest in building approximately 14 new malls nationwide.

## CHILE

Chile currently has Latin America's highest level of retail penetration: 61% of its total supply market falls into the "organized" category, versus an average of 85% in developed countries but less than 50% in much of the developing world. Its growing levels of consumer consumption, improving transportation and distribution infrastructure, and an enabling policy environment are expected to benefit retail sales: Euromonitor estimates that by 2015, retail sales will increase 14.7% to USD $60.7 billion.

Retailers, property owners, and holding companies of all sizes are looking both within and outside Chile, with smaller entities considering launches in other countries and established retailers, including Cencosud SA, Falabella, and Parque Arauco SA, expanding existing operations and investments across the continent. These expanding mega-operators are adding to the already high concentration of retail as new developments compete more with convenience stores and outlets. Colliers projects that Santiago's strip-center convenience store inventory, currently 103,520 SM with an average vacancy rate of 3.08%, will expand by 10% during 2012. Outlet malls, with their explosive appearance in 2010, have a currently total area of 30,380 SM and a vacancy rate below 8%.

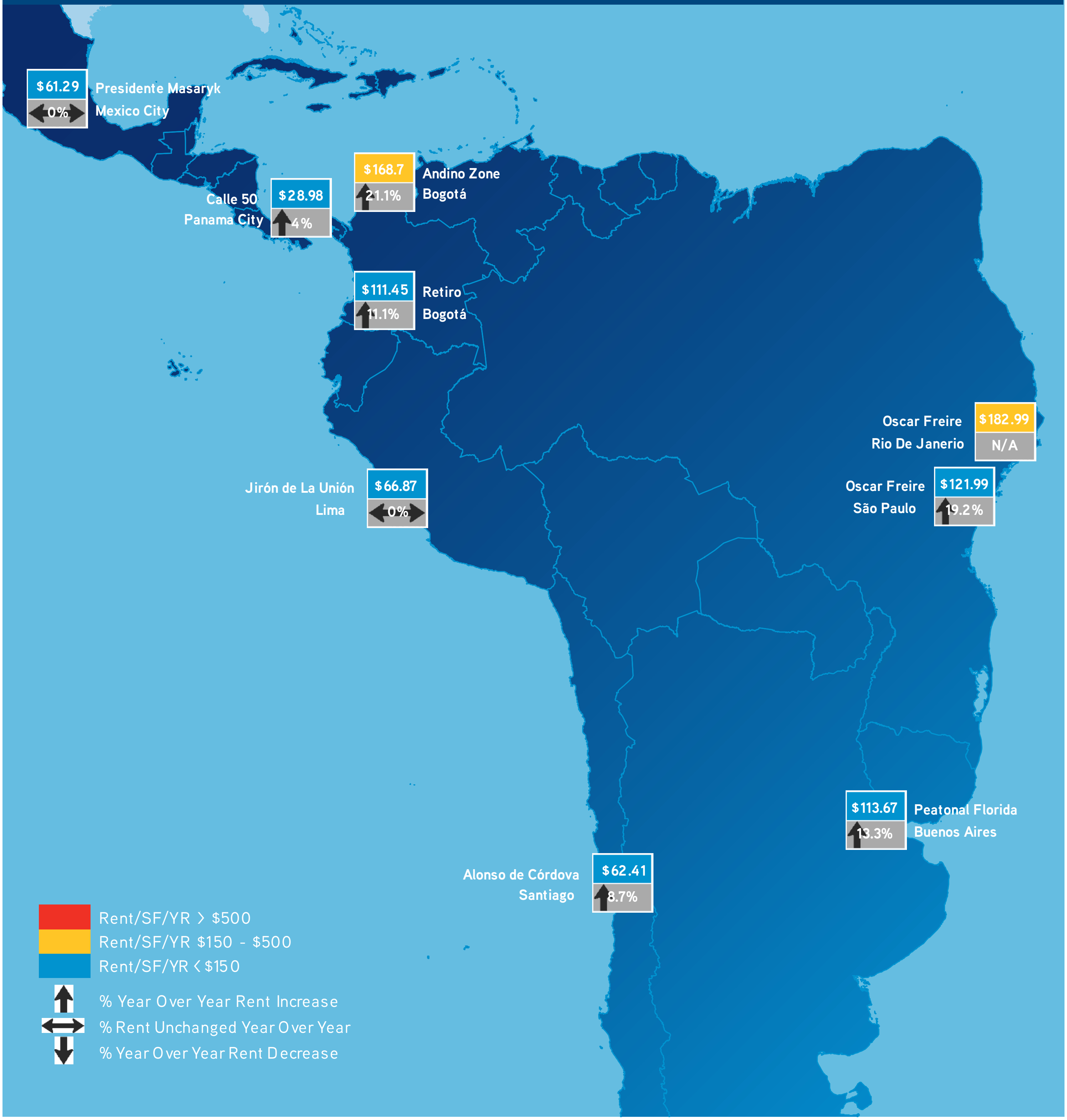
## PERU

During the past decade, Peru averaged an annual GDP growth rate of 7% on a population of nearly 30 million people. Last year, the retail real estate industry invested $326 million in new malls and expansions. For this year, when Peru's economic growth is projected to slow down to between 5.5% and 6%, the industry will spend a still enviable $260 million on development, according to Asociación de Centros Comerciales y Entretenimiento de Perú, the country's retail trade group. Eleven new malls are scheduled to open in 2012, bringing the country's total to 55.

## PANAMA

Panama's retail is bolstered by a vigorous local economy—GDP rose 8% in 2011—and strong demand for shopping by tourists. The country currently has more than one million square meters of retail inventory and an overall vacancy rate of only 6%, with approximately 85,000 SM of retail under construction. Grupo Los Pueblos' 90,000-SM Westland Mall, which opened last November in Arraiján, is the largest in Central America.

2011-2012 RENTAL RATE CHANGE FOR RETAIL STREETS, LATIN AMERICA



## > EUROPE, MIDDLE EAST, AND AFRICA

Sitting in Europe today, one could be forgiven for thinking that the golden sky at the end of the economic storm looks a distant prospect at this point. Retail sales are stagnant in the vast majority of countries, however, top high street markets such as London, Paris, Vienna, and Moscow have remained strong. Our results uncover strength in some secondary markets as unique national circumstances such as fiscal position, economic growth engines, relative liquidity, and inflation levels leave consumers better-positioned to spend and investors more confident in strategic risk-taking for well-positioned (and well-priced) assets.

### UNITED KINGDOM

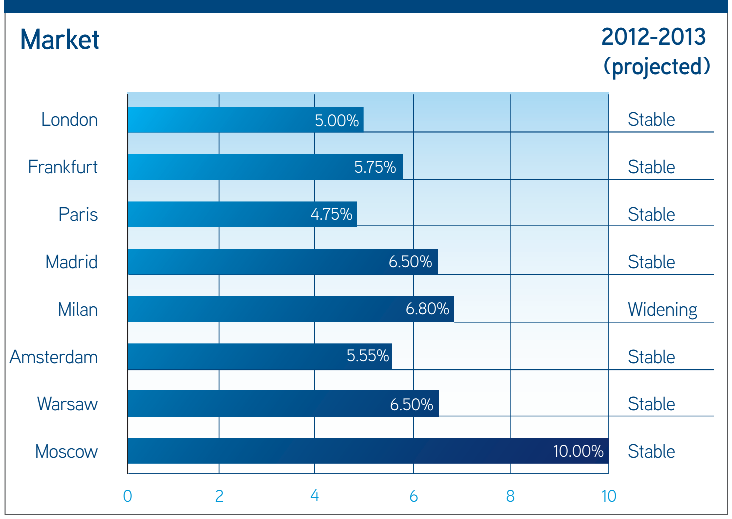
Asking Zone A rents on Bond Street, the priciest European location in our survey, rose 11% year over year to $1,601 SF on escalating interest from international luxury retail brands to operate a brick-and-mortar presence there. Current conditions reflect a gap between shop rents in the swankiest and humblest locations that is wider than ever. Wealthy international shoppers have turned a national north-south divide into a chasm between the choicest parts of central London and everywhere else, an accelerating trend over the last two years. Elsewhere, the worst-hit towns are charging rents as low as 2.5% of those levels as government budget cuts hit consumers' spending power. Worryingly, there are signs that small towns' high street pain may be spreading to larger cities as the U.K. entered recession in Q4 2011.

Luxury brands' insatiable appetite to locate on Bond Street kicks off a chain reaction with several effects. Higher rental rates and ensuing competitive frenzy have created a huge incentive to own real estate, motivated by a desire to hold "safe" assets during the current economic crisis and also to hedge against rising rents. Retailers that own their spaces safeguard against rivals and can later maneuver to become landlords, waiting until competitors' leases expire to take control of their space (as one recent example, the parent company of Max Mara bought stores owned by Etro and Bottega Veneta). High rents and long-term space constraints are also forcing London's luxury retail map to expand beyond its top dozen or so streets. Formerly run-down areas with edgy images such as Shoreditch (in east London) are rising as alternative shopping areas with new boutiques, cafes, and top fashion houses such as Ralph Lauren and Vivienne Westwood are expected to move in.

### GERMANY

Demand for retail space in the high streets of the largest German cities remains very high, far exceeding available supply. International clothing retailers (TKMaxx, Primark) and the food service tenants are the largest demand drivers, intensifying competition for good spaces in strong submarkets. This leads to at least stable, but more often increasing, prime rents in the high streets. In medium-sized cities, new shopping center development activity is increasing, but not quickly enough to meet supply needs with a large amount of existing inventory that is old and risking obsolescence. Looking ahead, developers and owners must make renovation and revitalization a priority in the next 3-5 years.

CURRENT PRIME SHOPPING CENTER INVESTMENT YIELDS




### FRANCE

Like the U.K., France remains a bipolar market. Its prime streets and centers, most notably in Paris, have seen some stability or rental rate increases; Avenue des Champs-Élysées, the most expensive retail location in France, has welcomed such new tenants as Abercrombie & Fitch, Marks & Spencer, and Banana Republic. France's high debt levels and recent change in leadership suggest a postponement of austerity measures on a population whose consumer spending has risen a paltry 2% since 2007.

### OTHER COUNTRIES

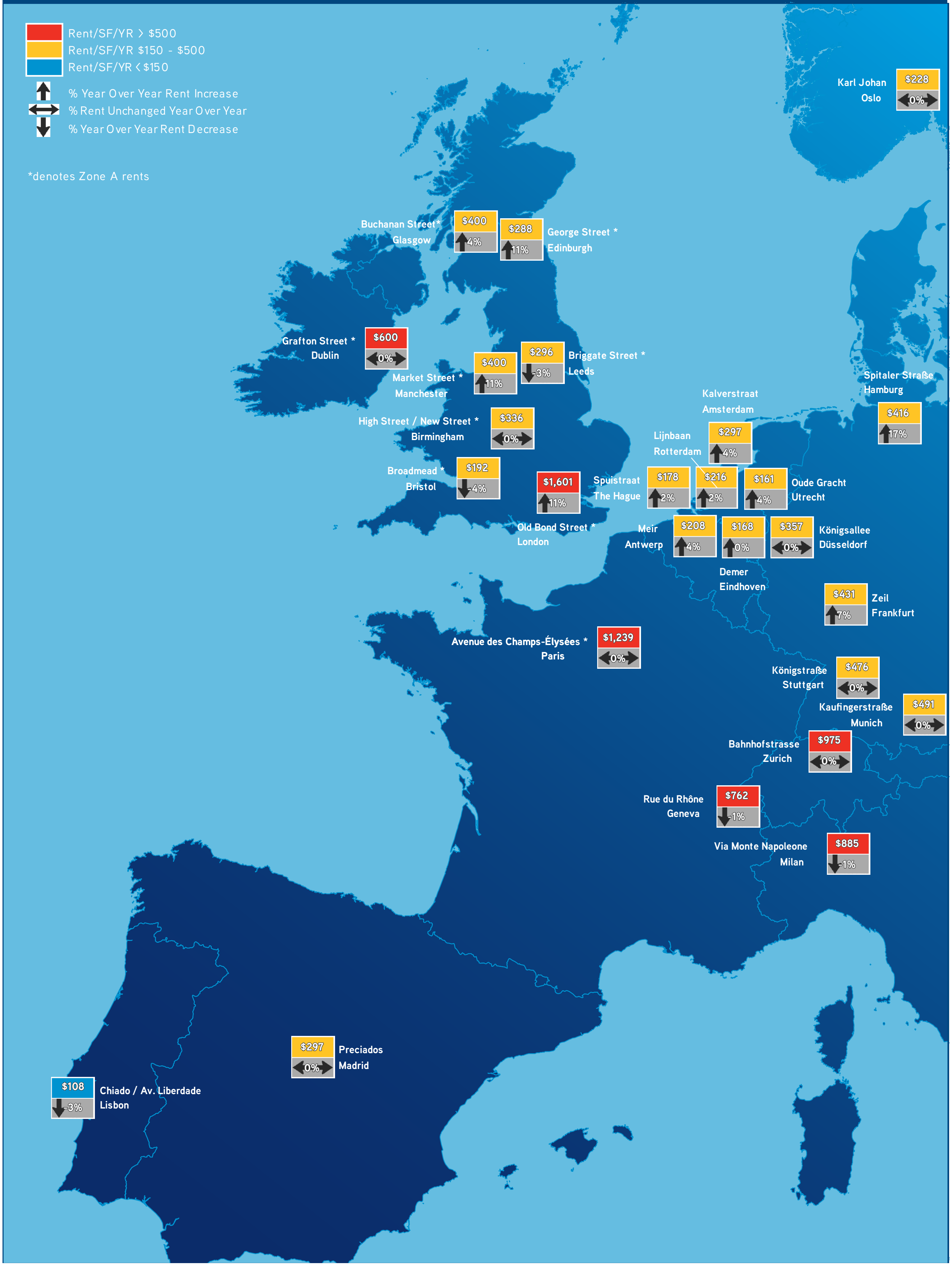
As expected, our survey results reflected recent national economic and political chaos, with high street rents falling year over year in headline-grabbers Athens and Cairo. Despite imminent predictions of doom, though, rent levels and yields suggest some opportunities for cautious investment elsewhere in the region. Key retail locations such as Via Monte Napoleone in Milan and Preciados in Madrid saw prime rents hold steady, with footfall and revenues somewhat insulated from the wider malaise. Poland's 4.4% GDP growth in 2011 is expected to slow to around 3% this year, but investors seeking risk yields inside Europe will look increasingly to Warsaw and also to Prague (Czech Republic)—outside the Euro Area—where fundamentals are good and income returns slightly higher even though consumers there are beginning to feel the effects of the Eurozone crisis. High streets in the Baltic countries, Latvia (Riga) and Estonia (Tallinn), where high retail sales and more tourists helped to push some our survey's highest year over year rental increases. However, the rents in these locations still remain among the lowest in the EMEA region.

Our opinion remains that Spain, Italy, Portugal, and Greece will not see substantial CRE recovery until their financial markets stabilize enough to open debt markets and better facilitate capital inflows. Ireland stands somewhat apart from this group, though: Although its domestic economy remains fragile, its export sector has recovered sufficiently to drive some growth. The country benefits from significant levels of foreign direct investment (FDI) by multinational companies: U.S. firms alone have $190 billion in FDI, more than the total they've invested in the BRIC economies (Brazil, Russia, India, China). It is also slowly working through excess inventory of homes and commercial projects that, as in the U.S., were built in fringe locations with population growth that never materialized.

Looking east, Istanbul benefits from Turkey's strong economic growth—8.5% in 2011—but despite well-capitalized banks and generally sound public finances, rising inflation is a serious concern. Turkey also remains highly dependent on external financing, most of which comes in the form of stock/bond purchases or bank inflows, not FDI. The country has added more than 2.85 million SM of new retail in the past three years, however, and is a target for international investment.

In Dubai, ground-up development stalled virtually overnight in 2008 as the residential market collapsed, but the growth story is back. UAE developers and investors are optimistic about real estate market prospects in 2012 given the high number of visitors and the rapid expansion of international retailers, especially luxury brands, into the region.

## 2011-2012 RENTAL RATE CHANGE FOR RETAIL STREETS, WESTERN EUROPE



## 2011-2012 RENTAL RATE CHANGE FOR RETAIL STREETS, EASTERN EUROPE

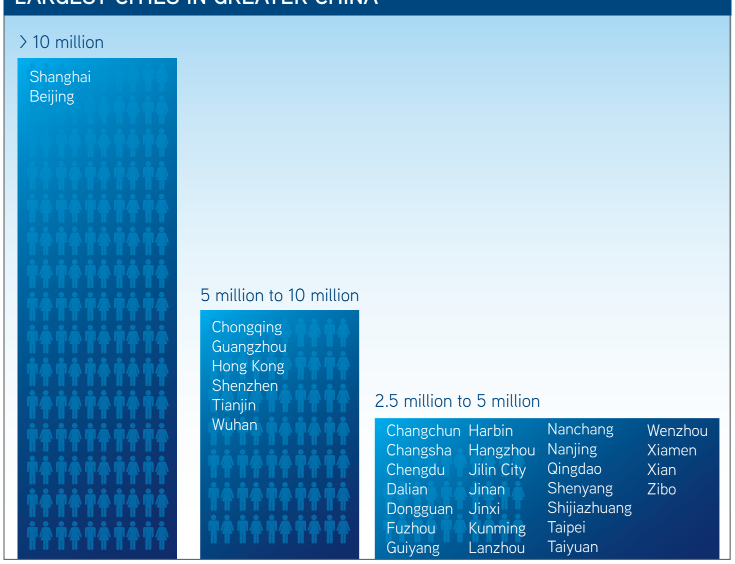
## › CHINA

Despite its rapid growth, China has not been immune from the global slowdown. Following a low point in November 2011, China's purchasing managers index (PMI) started to improve only to tumble in May 2012. This signal of contraction in the manufacturing sector has spillover effects to the rest of this export-driven economy. Even as the pace of retail sales slows, consumer sentiment remains positive; consumption has been underpinned by double-digit wage growth and bolstered by tax subsidies available on individual retail items. In the first four months of 2012, retail sales in China rose 14.7% to RMB 6.49 trillion.

China continues to attract a flood of international retail brands. Hong Kong and Shanghai have the densest concentrations, but these two markets differ so markedly as to require a different expansion mindset by entering companies. Hong Kong's strong tourist traffic is largely responsible for its outsized retail sales, and rental rates have skyrocketed accordingly. In contrast, Shanghai's market is its burgeoning, sophisticated middle-class residents eager to purchase luxury products. With rental rates on Shanghai's Nanjing Road West a relative bargain compared to those in Hong Kong, some European retailers are not only choosing Shanghai for their Chinese launch, but may also be delaying expansions in pricier markets on the U.S. West Coast. Beijing is also a popular entry point; Apple and Alexander Wang opted to open there first. To accelerate acceptance, some brands create unique product for the Chinese market to cater to local tastes. As one example, in the food and beverage sector, KFC offers a substantially different menu, launching at least one new product a month. Quality assurance also drives successful retail expansion. In the hypermarket sector, Walmart's and Carrefour's large, more standardized operation and distribution networks have reassured the Chinese marketplace about product authenticity and food safety, but neither has succeeded in eradicating issues relating to product sourcing.

The quantity and quality of retail construction is increasing as restrictions on the residential sector force developers, especially those holding undeveloped land banks, to seek returns in other property types. Chinese developers such as Dalian Wanda (which purchased AMC Entertainment last month), Poly Group Corporation, and Balian Group have overcome a huge knowledge gap in development and construction, which has led to more judicious project planning and an increased focus on conducting feasibility studies to combat slimmer project margins.

LARGEST CITIES IN GREATER CHINA




Source: United Nations, Department of Social and Economic Affairs, Population Division

After Hong Kong, Macau, Shanghai, Beijing, and Guangzhou, the growth story is very good in many third-tier and fourth-tier Chinese cities. Many of them, not yet on Western radar, have more than one million people (see accompanying table) and represent the next frontiers of commercial activity as planned infrastructure drives retail development.

With increased new investment in retail, there will be differing effects on rental rates. In markets such as Guangzhou and Beijing, a large amount of retail supply is projected to be delivered in 2012; this is expected to weigh on rental rates. Competition is fierce as a large number of retailers compete for few prime retail spaces. Exorbitant rental rates drive smaller retailers from prime to second-tier locations, which subsequently sets off rental rate escalations there too. As our survey results showed, Hong Kong's upscale retail districts—Central, Canton Road, and Causeway Bay—ranked No. 2 (tied) and No. 6 with the world's highest average rents.

Retail investors prefer Hong Kong for its Mainland tourists and Shanghai and Chengdu for their fast-expanding, middle-class consumer base. Transactional volume in 2012 is expected to be limited by a cautious lending attitude toward commercial real estate financing, with investment yields largely flat.

### HONG KONG

Year to date, Hong Kong's retail market has made a solid run despite an increasingly challenging external environment. Retail sales rose 15.8% in Q1, led by sales of jewelry, watches/clocks, and luxury items. The inflow of international fashion and luxury brands shows no sign of abating as it continues to push rents higher. It remains a landlord's market: newcomers outbid one another and existing tenants agree to soaring rental rate increases to secure the best venues in Central, Causeway Bay, Tsim Sha Tsim, and Mongkok. As one example, U.S. retailer Coach paid HK$7.5 million per month, triple its previous rental rate, to renew its 13,000-SF location in Central. Prime retail rentals are predicted to rise 12% over the next 12 months.

Visitors from Mainland China—28 million in 2011—remain the major pillar supporting Hong Kong's tourism growth. Hong Kong may stock similar brands as Shanghai, but visitors shop in Hong Kong more as a lifestyle choice, snapping up product. Indeed, they can benefit at the expense of locals: some establishments restrict the amount of merchandise a single customer can buy unless s/he can produce a valid passport.

Looking ahead, negative shocks from the global economic slowdown and sustained cost inflation, especially for food and labor, pose challenges for Hong Kong retail. In view of the latest macroeconomic challenges, prospective sales growth is expected to slow down to 8-10% for the full year of 2012 as just-released May retail sales data reflect more caution among Mainland consumers.

### SHANGHAI

Retail sales of consumer goods grew 12.3% year over year in 2011 to RMB 677.71 billion. The Pudong and Huangpu districts ranked first in terms of total retail sales and retail sales per capita, respectively. Retail leasing remained stable in Q1. The overall vacancy rate rose from Q4 2011's 9.9% to 10.6% as three new projects (total gross floor area: 176,359 SM) came online; more than 920,000 SM of new supply is expected by year-end. Despite the increased supply, rental rates for shopping centers continue to show a steady upward trend. During the quarter, average rental rates for ground floor space in prime areas reached RMB 52.7 per SM per day, up 2.9% from Q4 2011. Shanghai remains an excellent test market for brands seeking to get their merchandising and execution "right" before expanding into the second-, third-, and fourth-tier cities, and this strong interest from both domestic and international retailers will keep rents and occupancy at relatively high levels.

## BEIJING

Beijing's vacancy rate inched up 0.25% Q1 quarter on quarter, to 10.1%. Rents rose by 3.97% QoQ to RMB 795.76 per month, up for the seventh consecutive quarter. The grand opening of CapitaMall Crystal added 72,000 SM to the mid- to high-end shopping center market; total stock stands at 4.69 million square meters. Overseas and domestic retailers, including Chloe, Fendi, Dunhill, and Loewe, continue either to open or expand in prime spaces. Average ground floor fixed rent rose by 3.97% QoQ, with established regional centers trading well while newly opened and poorly-positioned centers have flat to declining rents.

The outlook for Beijing's retail property market is expected to remain strong given the increasing disposable income of local residents and the further internationalization of Beijing among its peers in China. New development will add an estimated 312,000 SM to Beijing's retail stock, but a high level of space pre-commitments in most shopping centers suggests that the impact of this new supply will be limited. We expect the investment market to remain stable, with limited trading opportunities in retail property especially in the en bloc sales market. Meanwhile, yield hardening should persist over the short-to medium-term.

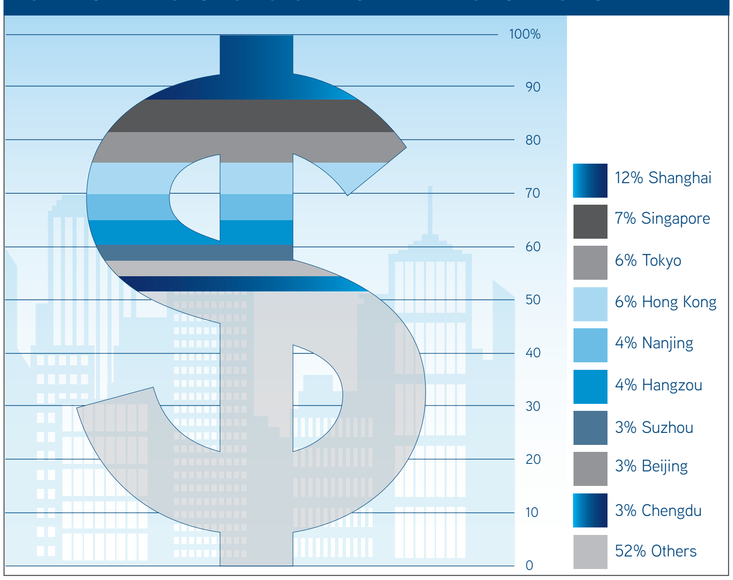
## GUANGZHOU

Prada and Bally were among the best-known retail brands to launch here in 2011, a retail market with annual sales above RMB 522 billion. Others included Origins, Uniqlo, and Enoteca Wine Center as well as both foreign and domestic supermarkets. Average ground floor rents remained stable at RMB 757.7 per SM per month, in a market with roughly 2.6 million SM of shopping center space. In 2012, 629,000 SM in new supply, including several previously postponed large projects, will be delivered and are expected to elevate vacancy rates.

## › JAPAN

Despite a long period of slow growth dating back to the 1990s, Japan has fared better than many of its peers during the recent economic crisis. Japan's retail market continues to recover from the March 2011 earthquake, dubbed 3/11. For much of 2011, shoppers avoided conspicuous consumption out of respect for their less fortunate neighbors, but high-end retail sales have since recovered. Outside of the luxury sector, though, Japan's consumer market continues to grapple with an aging population that is focused on saving more and trying to pay down its debt.

TOP DESTINATIONS FOR GLOBAL CAPITAL FLOWS INTO ASIA




Rents in prime retail corridors—which dropped steadily in 2010—stabilized in 2011 and have begun to improve in 2012. In Tokyo, rents on Chuo Street in Ginza are projected to increase 10% through 2012. Casual fashion tenants such as Zara, H&M, and Forever 21 are enjoying increasing popularity with consumers and have began to compete far more aggressively for space in prime retail corridors. These "fast fashion" retailers are also driving the tenant mix at new developments. The newest, DiverCity—Mitsui Fudosan's new 50,000-SM shopping center in Odaiba—opened in April 2012 and is expected to become one of Japan's best-performing shopping centers. Other large retailers, including Isetan-Mitsukoshi, Japan's largest department store chain, are experimenting with smaller stores in airports, railway, and metro stations.

Elsewhere, retail development remains highly sensitive to location and price. Properties in prime locations are few and far between and always in demand for redevelopment. Non-prime urban locations are price-sensitive. Suburban retail is acknowledged to be the weakest property development sector given that many areas were overbuilt during the previous development cycle that ended in 2008. As a consequence of 3/11, tenants, landlords, and investors are far more sensitive to whether buildings meet seismic resistance standards, which requires changes to project design.

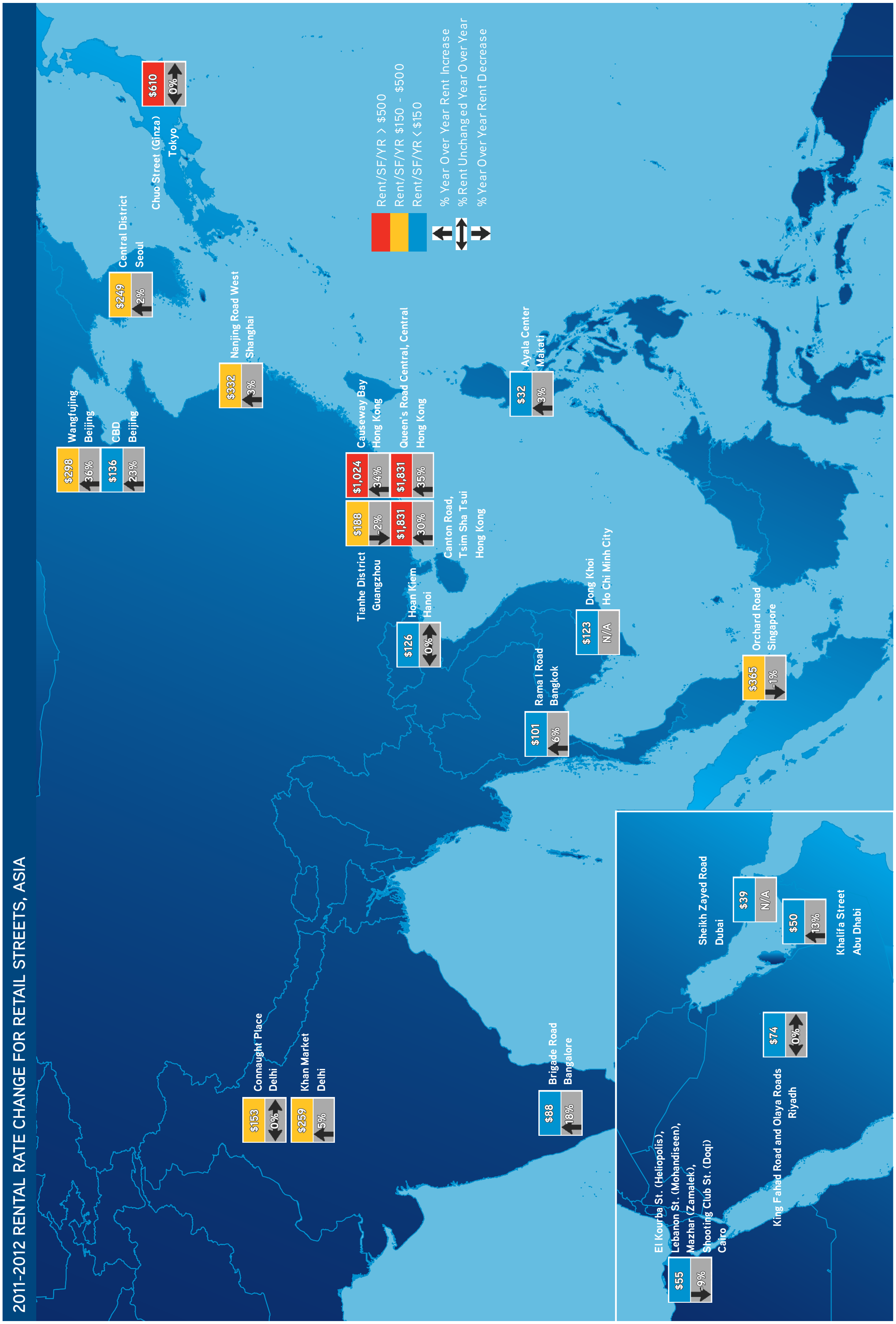
On the investment side, lending activity has resumed with the non-recourse financing environment improving considerably at both the senior and mezzanine levels. Banks continue to take a cautious view toward value in refinancing and underwriting. After Shanghai and Singapore, Tokyo is the third largest destination for investment capital coming into Asia (see accompanying chart).

## › KOREA

Inflation remains a major issue for Korea and its consumers. At the beginning of 2012, the Bank of Korea (BOK) forecast growth of 3.7% for 2012, only to revise its expectations down to 3.5% in an April update. In its downgrade, the BOK cited heightened concerns about rising inflation and effects of a slowdown in European demand on the Korean export economy.

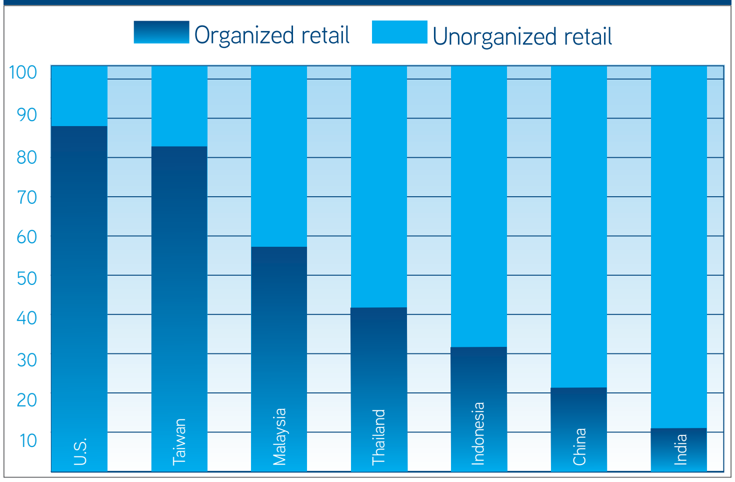
In the past several years, the concept of the "one-stop" shopping destination in Korea has expanded from large urban markets (such as Seoul's Dongdaemun and Namdaemun) into large-scale, Western-style complexes. D'Cube City, the most recent, opened in Q3 2011 with a department store, a hotel, and office space, and more projects are coming. In Q4 2011 the Lotte Group broke ground on a mega shopping complex in the Songdo International Business District (IBD). Touted as the first regional mall in Korea with an international tenant mix, Lotte Mall Songdo is expected to contain approximately 422,000 SM of retail including its flagship namesake department store, Samsung Tesco, and a nine-screen Megabox theater. Rents in Seoul's Central District rose 2.5% year-over-year to approximately U.S. $250/SF.

As is the case elsewhere, fast fashion global brands are leading the retail expansion, but in Korea this trend is especially pronounced. H&M, Zara, Uniqlo, and Forever 21 now operate shows in Myeong-dong and Garosu-gil, two of Seoul's most popular shopping districts. According to the Samsung Fashion Institute, the size of the SPA (Specialty Retailer of Private Label Apparel) market, which includes these retailers, is expected to reach SKW 20 trillion by 2015.



2011-2012 RENTAL RATE CHANGE FOR RETAIL STREETS, ASIA
Rent/SF/YR > $500
Rent/SF/YR $150 - $500
Rent/SF/YR < $150
% Year Over Year Rent Increase
% Rent Unchanged Year Over Year
% Year Over Year Rent Decrease
Chuo Street (Ginza) Tokyo $610 0%
Central District Seoul $249 2%
Wangfujing Beijing $298 36%
CBD Beijing $136 23%
Nanjing Road West Shanghai $332 3%
Causeway Bay Hong Kong $1,024 34%
Queen's Road Central, Central Hong Kong $1,831 35%
Tianhe District Guangzhou $188 2%
Canton Road, Tsim Sha Tsui Hong Kong $1,831 30%
Ayala Center Makati $32 3%
Hoan Kiem Hanoi $126 0%
Dong Khoi Ho Chi Minh City $123 N/A
Rama I Road Bangkok $101 6%
Orchard Road Singapore $365 1%
Connaught Place Delhi $153 0%
Khan Market Delhi $259 5%
Brigade Road Bangalore $88 18%
Sheikh Zayed Road Dubai $39 N/A
Khalifa Street Abu Dhabi $50 13%
King Fahad Road and Olaya Roads Riyadh $74 0%
El Kourba St. (Heliopolis), Lebanon St. (Mohandiseen), Mazhar (Zamalek), Shooting Club St. (Doqi) Cairo $55 -9%

COMPARATIVE PENETRATION OF ORGANIZED RETAIL




Source: Ernst & Young

## › SINGAPORE

With only 5.2 million residents, Singapore has long depended on tourists, both business and leisure, to generate its outsized retail sales. Fortunately for the retail industry and consumer confidence, the country's Singapore Tourism Board (STB) projects that 2012 visitor counts will strengthen even further from last year's blistering pace, growing to an estimated 13.5 to 14.5 million arrivals and SGD$23-SGD$24 billion in tourism receipts.

Food and beverage (F&B) operators across all segments—from bubble tea operators to mid-range restaurants to fine dining establishments—remain particularly active in sourcing space. In January, F&B sales registered 14.8% year over year sales growth, a pace not seen since May 2005 and following a strong 4.2% year over year expansion in 2011. Heightened competition among shopping malls is pressuring owners and retailers either to expand their F&B offerings as a differentiating factor. For instance, Suntec City Mall's refurbishment and tenant mix reprogramming will feature a larger F&B component of 35%. New projects also have larger percentages of F&B square footage (CapitaMall's Star Vista will house more than 50%).

Orchard Road remains the premier retail venue; its prime ground floor gross rental rates have held steady around SGD$38.50/SF/month for two years before slipping to SGD$38.30/SF/month in Q4 2011 due to the latent effects of the influx of space completed in 2009/2010. Rents on the main shopping street remained unchanged in Q1 2012, 13.3% higher than the average rate of SGD$33.80/SF/month for prime ground floor retail spaces in regional centers.

Within the past year, Michael Kors (November 2011), Abercrombie & Fitch (December 2011) and Anne Fontaine (April 2012) opened their first locations on Singapore's Orchard Road. Elsewhere, other retailers, including fast-fashion chains, are increasingly represented in well-positioned suburban malls. Jem, a new suburban mall proximate to the Jurong East transit station, is scheduled to open Q2 2013 with H&M, Uniqlo, Robinson's, and Singapore's first 24-hour cinema.

Recent major projects include Jcube, CapitaMall Trust's redevelopment of the former Jurong Entertainment Center, which opened 90% leased in April 2012 with a flagship Franc Franc, a standalone Laneige concept store, an Olympic-size ice skating rink, and a multi-screen movie and IMAX cinema.

Looking ahead, we project that approximately 700,000 SF of new retail space will deliver between Q2 2012 and the end of 2012; 6.1 million SF has been completed since 2009. Retail rents are forecast to stay fairly resilient, with any downward corrections keeping within 3%. Given the immediate shopper catchment and the continued trend of retailers seeking a presence in well-positioned suburban malls in regional centers, we project that rents there will hold up better than those on Orchard Road.

## › INDIA

Indian retail, with one of the world's largest numbers of retail outlets, remains highly fragmented, making it difficult to quantify operational metrics. Organized retail is projected to account for 9% of total retail revenues by 2015 and 20% by 2020.

India's 2012-13 Union Budget projected a GDP growth rate of 7.6% but did not address the contentious Foreign Direct Investment (FDI) in retail issue. Seven months after its government backtracked on plans to allow 51% FDI in multi-brand retailing, India remains nowhere near a decision and is unlikely to move much before 2014's elections. Domestic supermarkets (which make up just over two-thirds of the country's organized retail) are eagerly seeking opportunities to partner with foreign brands for assistance with investment in infrastructure (to combat high rates of food spoilage) and to address food inflation. In the interim, supermarkets have turned to foreign private equity markets, which are interested in businesses that are less capital-intensive.

The Q4 2011 BMI India Retail report forecast that total retail sales will nearly double between now and 2015, reaching an estimated USD $804 billion. A rising middle class with higher incomes is changing its consumption patterns. Greater access to credit facilitates purchase of more expensive foreign luxury brands, and more widespread access to automobiles allows people to shop in new, larger retail projects built away from the city centers.

Retail development is taking place not just in the major cities but second- and third-tier cities as well; besides Mumbai and Delhi, 43 other cities have populations greater than one million. The popularity of online retailing has surged with consumer incentives and product discounts, but it faces some short-term limitations as India's challenged infrastructure hinders efficient transport and delivery of merchandise.

On our survey, year over year rents on Bangalore's popular Brigade Road rose 18% on extremely low vacancy rates; the broader market achieved more than 14 million SF in commercial absorption. Khan Market in Delhi is up slightly (4.8%) even as retail rents are projected to remain stable in the next year. Rents at Connaught Place have also remained stable. Neither location has much scope for further retail development due to limited availability of land and strict environmental regulation.

Source: Thinkstock.com

## › AUSTRALIA

Australia is well-positioned to outperform its peers, buoyed by a stable economy, a solid fiscal position, and growth in the business tourism and mining/natural resources sectors. Retail spending, despite falling unexpectedly in April, remains solid; sales of luxury goods continue to benefit from Asian tourists. During 2011 Australia attracted 5.9 million international arrivals, with nights spent and expenditures all moving higher.

Clothing and accessory chains dominate the tenant mix in CBDs, reinforced by international retailers occupying large flagship stores. Luxury brands such as Miu Miu, Diane von Furstenberg, and Christian Louboutin arrived within the past 18 months. Global fast-fashion retailers such as Zara, Gap, and Topshop already operate stores, while H&M, Uniqlo, Forever 21, and Abercrombie & Fitch are reported to be scouting locations. International brands favor Australia because they can compete aggressively with local stores on price, fashion, and quality.

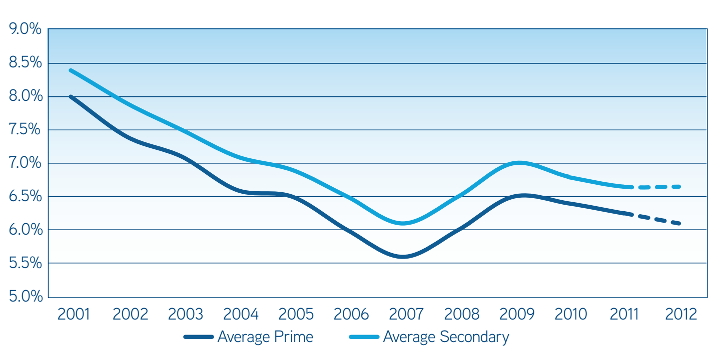
Sydney's Pitt Street Mall landed tenth (USD $865/SF) in our survey even as average rents declined 10%; rents had moved higher in recent years driven by the lack of space and subsequent reshuffling that occurred with Mid City Centre's redevelopment and the completion of Westfield Sydney. Rents are stabilising on renewals and some higher incentives returning to the market. Queen Street Mall in Brisbane and Bourke Street Mall in Melbourne also rank among the world's priciest retail corridors.

CBD specialty rents nationwide increased around 5% year over year with growth concentrated on the main pedestrian mall locations. Some secondary CBDs have suffered as retailers close stores and focus on more profitable locations. At the beginning of 2012, Australian consulting firm Urbis estimated that CBD centers averaged a 3.4% vacancy rate, down slightly from the previous year. Greater CBD development activity has led to a corresponding increase in sublease vacancies as tenants relocate to new centers or exit unprofitable locations.

Yet premier corridors still lack sufficient freestanding space to accommodate the larger footprints sought by many international brands. New-to-market retailers must now consider options outside of the CBDs, where they would traditionally choose to locate their first (or flagship) stores. Space is tight in suburban centers, too, but the demise of Borders (which occupied large stores by Australian standards) provided opportunities: Zara is opening in the old Borders space at Westfield Bondi Junction. Higher demand for space has caused occupancy cost ratios within both CBDs and better-quality malls to rise steadily in recent years.

During 2011, Australia's CBDs gained approximately 65,500 SM of retail space, well above both the amount supplied in 2010 and the 5-year average. The most publicized project to open was the final stage of Westfield Sydney, now 78,260 SM. Also completed were the renovation of the Myer flagship on Bourke Street in Melbourne and the first stage of the Wintergarden redevelopment on Brisbane's Queen Street.

AVERAGE NATIONAL SHOPPING CENTER YIELDS




Source: Colliers International

Prime CBD retail assets are generally tightly held and transactions remain rare. During 2011 sales activity was higher than average, though, with six CBD centers traded. They included Broadway on the Mall (Brisbane) and Australia on Collins and the Target Centre (both in Melbourne). Year-to-date, CFS Retail's sale of a half-stake ($366 million) in the Brisbane Myer Centre to ISPT has been one of the largest retail transactions. Should additional CBD assets become available this year, we anticipate strong demand from both domestic and overseas investors.

After a period of softening during the past two to three years, national CBD investment yields have stabilized with decreases starting to occur at the prime end. This trend reflects the impact of new supply and new retailers entering select CBD markets. Prime yields for CBD assets currently range between 6.0% and 6.5%, with secondary assets yielding between 6.5% and 7.0% (see graph below).

Australia's CBD asset owners remain focused on staying competitive through renewal and repositioning of centers. The recent and continuing refurbishment and expansion of Australia's major city center retail destinations, coupled with the introduction of new international brands, has reinvigorated CBD retailing. With a steady outlook for retail sales growth and relatively stable vacancy rates, rental growth is expected to return to average levels in the near term. Limited supply and strong competition are expected to push prime asset yields for CBD retail somewhat lower the next six to 12 months; while secondary asset yields are expected to remain stable.

## › NEW ZEALAND

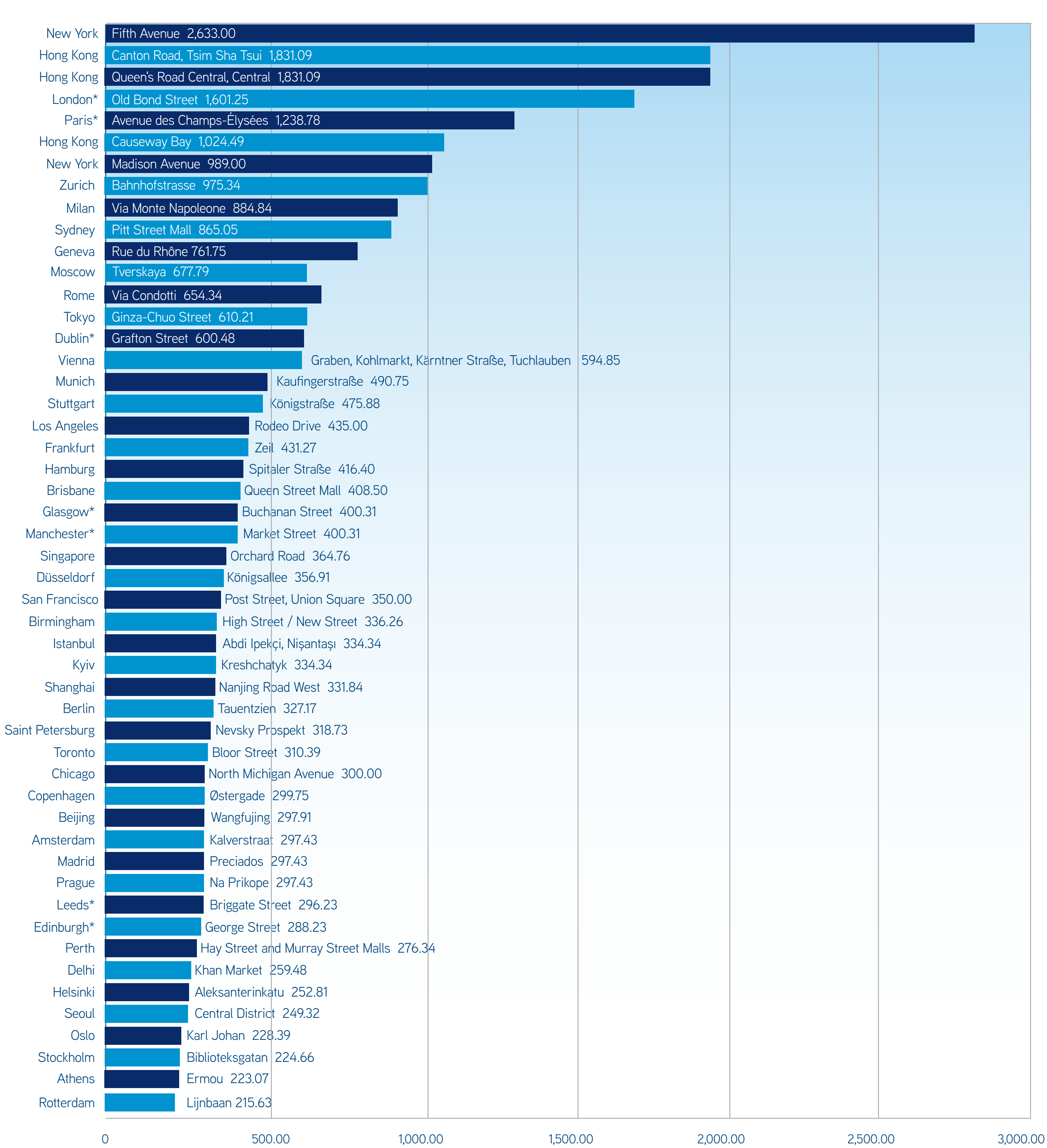
New Zealand is expected to achieve 2.4% GDP growth in 2012, slightly higher than 2011's 1.2%. Of the three major property sectors, retail has shown the greatest recent improvement. Broad-based revenues are up with the exception of supermarket sales, which fell in Q1 2012 after successive quarters of big gains in 2011.

In the last year, Colliers recorded an overall zero change in prime shop rentals in Auckland. Retail in its high-profile precincts—the CBD, Newmarket, and Parnell—recorded lower vacancy levels year over year. Over the next year, we forecast a 3% increase for rents in Auckland as it remains the fastest-growing urban center. Wellington rents are projected to stay flat. As the national government curbs spending, Wellington's employment base is vulnerable: 48% of office workers are with the public sector, either government or Council. So far, the city's Lambton Quay continues to perform well with the low vacancy rates. The rest of Wellington's CBD is weak, however, with increasing vacancy in secondary areas such as Willis Street and Manners Mall.

Australian retail groups continue to monitor opportunities in Auckland but expansion plans are generally on hold, as their performance at home is weaker than in recent years. The exception is the bulky goods sector, where a housing recovery is boosting sales of appliances and furniture. This momentum is encouraging some Australian retailers to look for more stores in and around Auckland.

With respect to capital value, we forecast a 3% increase for Auckland, implying no movement in capitalization rates. Wellington improves from a 4.3% drop in 2011 to a zero movement in capital value. Private investors are active, syndicated investments are being promoted with some success, but institutions are generally remaining on the sidelines. In all categories, sentiment remains fragile and investors are cautious in their selections.

## AVERAGE RENTAL RATES ON TOP 50 GLOBAL FASHION RETAIL DISTRICTS/CORRIDORS (USD SF/YEAR)

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