

PRESS RELEASE

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RETAIL RENTS GROW IN GLOBAL STRATEGIC DESTINATIONS

CB Richard Ellis' latest Global Retail Rents Survey points to polarisation between primary and secondary retail locations during the economic downturn

London, 18 November 2008 – Retailers are focusing on some of the major global fashion capitals, pushing rents in the world's most expensive retail locations even higher, according to CB Richard Ellis' (CBRE) latest Global Retail Rents Survey.* Some smaller and secondary retail cities continue to see strong levels of growth, however global fashion capitals such as Hong Kong, London and Los Angeles now sit alongside these markets in the company's top 25 fastest growing retail rents index, whilst simultaneously claiming some of the most expensive retail rents in the world.

Despite deteriorating economic conditions, the retail sector has to date continued to perform relatively well. Half of the markets surveyed saw retail rental growth in the past year (ending Q3 2008), with 65% of those seeing increases over the last six months. New York's 5th Avenue remains the world's most expensive retail destination, with rental values reaching €16,817/sqm/annum, more than 75% higher than Hong Kong, the second most expensive location. Also making the top five most expensive retail destinations globally are Moscow, London and Tokyo.

Demand is coming from retailers that are performing well in the current market – such as luxury brands – but also from retailers who are reining in wider expansion plans in response to weakening consumer spending and focusing on longer-term strategic locations as opposed to new destinations.

Although rents have risen in many key cities, the slowdown in consumer demand has inevitably struck some retail markets around the world resulting in falling rents. In cities such as Tokyo and Madrid, where rents fell by 5% in the past six months, retailers are now beginning to take advantage of their covenant strength and landlords are becoming more open to rental negotiations. Despite growing downward pressure, retail rents in these cities remain some of the highest in the world (Tokyo #5, Madrid #21).

Ray Torto, Chief Global Economist, CBRE, said: "It is easy to assume that falling consumer confidence and financial market turmoil across the globe are striking all retail stores, but the CBRE survey together with sale figures from retailers is showing that we have a barbell market. Our analysis indicates that the upper end is holding up well and the same is true for lower-end, non-discretionary retailers."

* CBRE's research ranks 88 global retail markets across EMEA (Europe, Middle East and Africa), Asia Pacific and the Americas in terms of rental values for stores in prime retail destinations, identifying the most expensive and fastest growing markets.

EMEA continues to dominate the most expensive retail hot spots, containing 33 of the top 50 premier destinations. Cities in the EMEA region also dominate the fastest-growing retail rents. Fifteen of the top 25 fastest-growing retail destinations sit in EMEA, with Tel Aviv, Oporto, Abu Dhabi, Valencia and Lyon topping the global list.

Peter Gold, Head of Cross-Border Retail in the EMEA region for CBRE, said: “Although growth rates are slowing in response to deteriorating economic conditions, demand for retail space at the prime end of the market, particularly in fashion hot spots like New York and London, continues to propel rental growth in many cities. Many retailers are opting for ‘prime pitch’ space in major retail cities in an attempt to secure the best long-term prospects for their business in an uncertain market.

“Changing economic conditions are also impacting the types of retailers driving demand. Many private retailers still have cash to fuel their expansion plans; luxury and value-led brands have announced positive sales growth and are maintaining strategic expansion; and many retailers are jumping on opportunities to fill new gaps in the shifting marketplace. It will therefore be those retailers who have a particular point of differentiation within their market – either based on product or price – which are likely to succeed despite the tougher conditions. And it is these who will consequently grow market share and ultimately help to sustain rents in key cities.”

North American cities continue to dominate the most expensive rents in the Americas region. Los Angeles at tenth position in the global ranking follows New York as the next most expensive destination, with San Francisco, Toronto and Vancouver being the other cities to make the top 50. Miami, Montreal, Philadelphia and Washington join Los Angeles and New York in the fastest growing index, although demand continues to be restricted to prime pitches.

Asia Pacific’s presence in the top rankings continues to be prominent, holding seven of the top 20 most expensive destinations. The scarcity of prime units continued to push rental increases in many markets, with Guangzhou, Shanghai, Hong Kong and Singapore all registering growth over the past six months. Guangzhou continues to be the most expensive Chinese city, having jumped significantly in the ranking from 22nd in Q1 2008 to 13th in the current ranking.

About CB Richard Ellis

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Top 25 Fastest Growing Destinations for Retail Rents

Rank	City	Region	6-month growth (local)
1	Tel Aviv	EMEA	33.3%
2	Oporto	EMEA	33.3%
3	Abu Dhabi	EMEA	25.3%
4	Valencia	EMEA	25.3%
5	Lyon	EMEA	16.7%
6	Bucharest	EMEA	16.7%
7	Guangzhou	ASIA PACIFIC	16.3%
8	Miami	AMERICAS	13.8%
9	Shanghai	ASIA PACIFIC	12.9%
10	Hong Kong	ASIA PACIFIC	11.1%
11	New York	AMERICAS	10.0%
12	Montreal	AMERICAS	9.4%
13	Philadelphia	AMERICAS	8.3%
14	Amsterdam	EMEA	8.0%
15	London	EMEA	7.1%
16	Berlin	EMEA	6.8%
17	Brussels	EMEA	6.7%
18	Oslo	EMEA	6.7%
19	Zagreb	EMEA	6.3%
20	Prague	EMEA	5.8%
21	Athens	EMEA	5.5%
22	Singapore	ASIA PACIFIC	5.2%
23	Los Angeles	AMERICAS	4.4%
24	Washington, DC	AMERICAS	3.7%
25	Utrecht	EMEA	2.9%

Top 50 Most Expensive Global Retail Destinations

Rank	City	Region	\$/sqft/annum	€/sq m/annum	Q1 2008 Ranking
1	New York	AMERICAS	2,200	16,817	1
2	Hong Kong	ASIA PACIFIC	1,236	9,448	3
3	Moscow	EMEA	1,047	8,000	2
4	London	EMEA	834	6,378	6
5	Tokyo	ASIA PACIFIC	829	6,334	4
6	Paris	EMEA	818	6,250	5
7	Sydney	ASIA PACIFIC	712	5,445	7
8	Zurich	EMEA	623	4,759	8
9	Dublin	EMEA	613	4,688	9
10	Los Angeles	AMERICAS	600	4,586	11
11	Brisbane	ASIA PACIFIC	573	4,378	10
12	Chicago	AMERICAS	500	3,822	16
13	Guangzhou	ASIA PACIFIC	493	3,772	22
14	Milan	EMEA	484	3,700	12
15	Munich	EMEA	471	3,600	13
16	Rome	EMEA	458	3,500	15
17	Singapore	ASIA PACIFIC	455	3,481	19
18	Melbourne	ASIA PACIFIC	452	3,452	14
19	San Francisco	AMERICAS	450	3,440	18
20	St Petersburg	EMEA	446	3,409	20
21	Madrid	EMEA	392	3,000	17
22	Frankfurt	EMEA	392	3,000	21
23	Berlin	EMEA	369	2,820	24
24	Amsterdam	EMEA	353	2,700	28
24	Barcelona	EMEA	349	2,664	23
24	Dusseldorf	EMEA	345	2,640	24
27	Hamburg	EMEA	345	2,640	24
28	Shanghai	ASIA PACIFIC	337	2,573	37
29	Athens	EMEA	309	2,363	30
30	Vienna	EMEA	306	2,340	29
31	New Delhi	ASIA PACIFIC	297	2,270	27
32	Beijing	ASIA PACIFIC	296	2,264	38
33	Taipei	ASIA PACIFIC	293	2,241	34
34	Geneva	EMEA	291	2,221	31
35	Lille	EMEA	288	2,200	32
36	Toronto	AMERICAS	283	2,164	36
37	Prague	EMEA	283	2,160	35
38	Copenhagen	EMEA	281	2,145	33
39	Lyon	EMEA	275	2,100	43
40	Leeds	EMEA	255	1,946	39
41	Oslo	EMEA	252	1,929	42
42	Liverpool	EMEA	250	1,914	40
42	Manchester	EMEA	250	1,914	40
44	Valencia	EMEA	246	1,880	52
45	Rotterdam	EMEA	235	1,800	43
45	Utrecht	EMEA	235	1,800	46
47	Edinburgh	EMEA	234	1,786	45
48	Birmingham	EMEA	229	1,754	47
49	Belfast	EMEA	229	1,754	47
50	Vancouver	AMERICAS	226	1,731	51