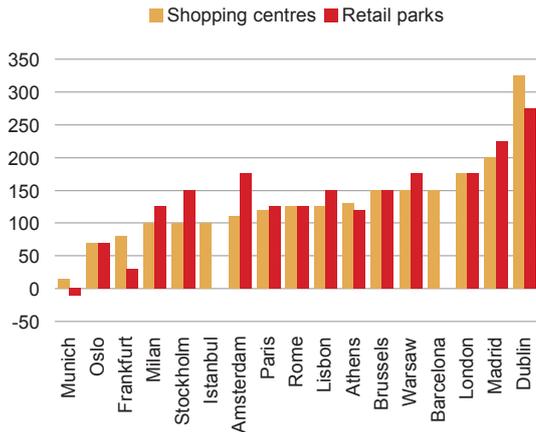


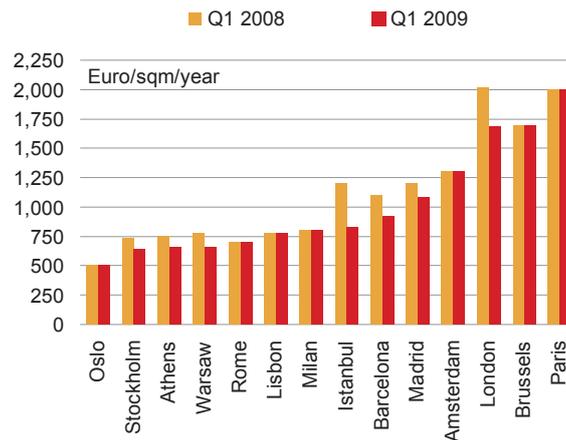
European Retail Markets

Summer 2009

Q1 2008 - Q1 2009 prime yield shift



Prime shopping centre rents (standard unit)



“The market is adapting to changing consumer behaviour, with retailers reviewing their business strategies, developers delaying new construction and investors attaching higher risk premium to retail investments. We believe that negative rental and capital value growth will ease in most markets until the end of the year for the prime segment of the market.”

Eri Mitsostergiou - European Research



- Consumers are becoming more pessimistic across Europe, which has translated to lower retail sales, especially in the non-food sector. Overall the volume of retail trade in the European Union (EU) grew in April marginally by 0.1% and dropped by 1.4% compared to April 2008.
- Despite the expectation that the crisis is easing, Consumer and Business sentiment indicators in the EU remain low. The majority of retailers are cautious and only value and discount retailers are taking the opportunity to expand.
- Based on the available information regarding the development activity in our survey area, shopping centre completions in 2009, are expected to drop by between 20% and 60%, due to the limited availability of finance, as well as developer reluctance to commence new schemes.
- Both shopping centre and retail warehousing rents have started falling since the end of last year, mainly in the markets that experienced strong growth in recent years. Prime rents are on average about 6% lower compared to 12 months ago.
- Retail investment turnover in our survey area in the first half of the year dropped by more than 55% compared to the same period in 2008. Limited liquidity but also the mismatch between buyer and seller expectations on pricing are the main reasons.
- Over the last three quarters prime retail yields have been experiencing significant correction and they are now on average around 130 basis points (bp) higher than a year ago, at 6.5% for shopping centres and 7.1% for retail warehouses.

Austria

Economy

Strong export volume growth has supported output in recent years, but the bearish forecast for exports will put significant strain on the economy, which is forecast to contract by 3.9% this year and by 0.2% in 2010. Although the banking sector has fared better than in other western economies there are concerns over the exposure to Central and Eastern European economies.

Demand

Consumer demand

Consumer spending remained stable in the beginning of the year despite rising concerns on the economy. According to the latest data retail sales in February dropped by 0.6% on a monthly basis and by 1.1% compared to the previous year, while the European average was at -4.0% (annual change).

Retailer demand

Austria has experienced a strong expansion of international chains in recent years. Giants like H&M or the Inditex Group have aggressively expanded in high street locations and shopping centres. Top locations are dominated by flagship stores of global brands. Although market sentiment became more pessimistic, the big players have not reduced their presence but rather optimise their branch network by replacing less profitable branches by new outlets in better locations.

Supply

The current stock of shopping centres in Austria has reached a total of approx. 1.5 million sqm with a density of 180sqm/1.000 inhabitants. The size of the ten largest centres ranges from 173,000 sqm (SCS, south of Vienna) to 49,000 sqm. However, in the past three years, only few major centres were delivered and also expansions of existing shopping centres were moderate. This has enabled professionally managed centres to sustain occupancy rates close to 100%.

In the next years several outstanding projects will be delivered, namely large inner-city shopping centres at

Vienna's major railway stations (Hauptbahnhof, Westbahnhof, Bahnhof Wien-Mitte) with an overall retail space of 65,000sqm. As there is a strong consumer trend in favour of centrally located shopping centres, it is expected that these centres can capture a significant market share.

Retail parks on the other hand have expanded strongly since the 90' and currently there are 56 retail park reflecting a total area of 700,000sqm. However a good share of them is small and in rather weak locations.

Rents

Prime rents in Vienna's "Golden U" (Kärntner Straße, Graben, Kohlmarkt) in the very centre of the city have risen to €390/sqm and are in line with other major European capital cities. However, average high street rents are ranging below the European average. Rents in prime shopping centres remain stable from €40 to €160/sqm, for medium-sized units in good retail parks prime rents of 14/sqm can be achieved.

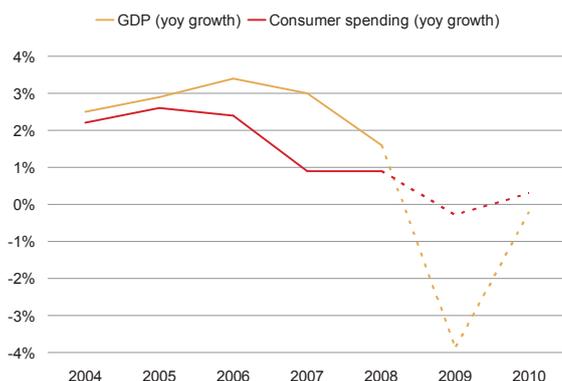
Investment market

Since Q3 2008 the real estate investment market slowed down considerably. The only sizeable deal in 2009 has been the purchase of a supermarket portfolio by a leading Austrian insurance group. Due to the lack of transactions, there is little evidence regarding yield decompression. Nevertheless, compared to 12 months ago, there are clear indications that retail yields are softening. However in relation to other European markets the rise has been relatively small reflecting the low volatility of the Austrian retail investment market.

Outlook

Similarly to Germany, Austria has a high savings rate that prevents consumers from having to reduce dramatically their spending during an economic crisis. Therefore, domestic consumption is expected to remain stable despite the negative effects of the crisis especially in Vienna and in the regional centres Linz, Graz and Salzburg. According to Oxford Economics retail sales in 2009 and 2010 will fall by an annual average of -0.6%.

National GDP and consumer spending



Source: Oxford Economics

Retail sales and disposable income



Source: Oxford Economics

Belgium

Economy

The Belgian economy started losing momentum in the course of 2007 and in the first quarter of 2009 GDP dropped by -1.7%. Export growth gradually slowed down in line with the weakening of external demand. It is expected to fall by around -9.7% by the end of 2009. The unemployment rate is set to rise from 7.1% at the end of 2008 to 7.7% at the end of 2009.

Demand

Consumer demand

Although consumer confidence has started to drop, consumers are still cash rich and have considerable purchasing power. According to the latest data the index of the volume of retail trade was higher compared to last year but almost 2.5% lower compared to the previous month. Fewer impulse purchases are taking place today with a focus on discount shopping and value for money.

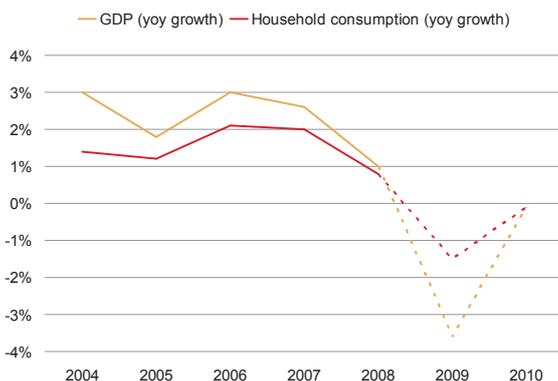
Retailer demand

The retail market in Belgium remains fragmented with the strong presence of smaller, independent retailers. The current economic conditions have affected the profitability of many stores leading to some insolvencies and downsizing. Clothing and footwear have been mostly affected but cheaper fashion retailers such as H&M and Zara have continued to do well. On the other hand high-end retailers are suffering.

Supply

Strong demand for retail space over the past two years has sustained development activity. There are around 560,000sqm of shopping centre space and another 554,000sqm of retail warehousing space in the development pipeline for 2009 and 2010. Wallony region accounts for the larger part of the new supply as the local authorities are more supportive to the development of new retail space compared to the Flanders region. Prime centres and locations enjoy high occupancy levels and supply remains tight.

National GDP and consumer spending



Sources: Oxford Economics

Rents

Prime rental growth has started to stagnate during the first quarter of 2009, while demand for secondary locations is deteriorating. Currently, prime high-street rents in Brussels on Rue Neuve stand at €1,600/sqm/year 10% lower compared to the same period last year. Prime shopping centre rents are at €1,700/sqm/year, while prime retail warehousing rents currently stand at €150-165/sqm/year, both stable compared to a year ago.

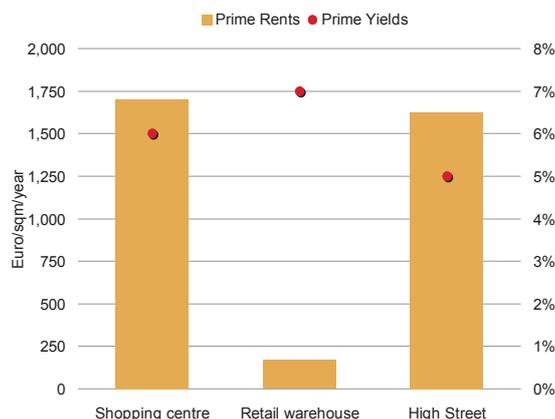
Investment market

Despite the weaker investor interest and slower decision making caused by the credit crunch the retail investment market performed well in 2008. The investment activity remained largely dominated by Belgian investors (40%) followed by the UK ones (20%). Retail warehousing accounted for more than half of the total retail investment turnover last year followed by shopping centres at 25% and high street units at 22%. Regarding the types of investors third party fund managers accounted for 42% of the investments; institutional investors for 31%; property companies for 21% and Belgian Reit's for 6%. In Q1 2009, investment turnover reached just €24 million, representing a 80% decrease compared to Q1 2008. On average, prime retail yields have shifted by more than 100bp compared to Q1 2008. Shopping centres have experienced the strongest correction and now trade at around 6.0% compared to 4.5% at the top of the market. Retail warehouses trade at around 7.0% and high street units at about 5.0% only 50bp higher than the same period last year.

Outlook

Rents are expected to stagnate over 2009 as demand dwindles in secondary locations and expansionary plans come to a halt following the credit crisis. The investment market is not expected to perform as well as in recent years with fewer deals taking place, most notably in the shopping centre category.

Prime rents and yields



Source: Savills

France

Economy

Very low inflation, substantial increases in benefits and the measures in the stimulus plan should enable a slight progression in purchasing power, despite the fall in employment and in earned income. Therefore albeit declining, household consumption is expected to remain slightly positive in 2009 (0.4%) and slowly pick up in 2010 (0.6%).

Demand

Consumer demand

According to the French Council of Shopping Centres (CNCC) the shopping centre activity index, which is based on footfall recorded a sharp negative annual growth since January. Unsurprisingly retail sales decreased by 2.4% on average during the first four months of the year. However, the slight retail sales' rise in April (0.9%) and the increase of the activity index in June (1.9%) herald more optimistic prospects.

Retailer demand

Most retailers are suffering from declining turnover. Some opt to sell with the aim of raising capital. In a context of crisis and restraints on the purchasing power, the food industry and the hard discount sector meet a relatively good success. To adapt to consumer demand, some chains are introducing low cost concepts. However, these new concepts are generally generating very limited demand as they often replace the existing brand without requiring additional space. In spite of the economic turbulence, top location units remain in strong demand.

Supply

Compared to other European countries, the level of retail projects in France remained high and has even increased by 18% (in number) between 2008 and 2009. Out-of-town projects are increasingly popular representing 82% of all projects (excluding non-high street units). On the other hand, retail parks magnet nearly half of the total demand for new projects (46%) against 39% three years before. The authorisation rate

from the planning consent remains unchanged to around 30%. However, given the economic uncertainty, the rising number of second hand properties available on the market and the difficulty to get access to financing, a limited number of these projects will come to light.

Rents

Due to still high demand for top locations and limited supply, prime rental values remained stable. The rent for prime retail parks is €180/sqm/year and the rent for prime shopping centres is €2,000/sqm/year. However, secondary locations are under pressure. Secondary retail parks units went from €140 to €120/sqm/year for retail parks and from €1,300 to €1,150/sqm/year for shopping centres since the end of last year.

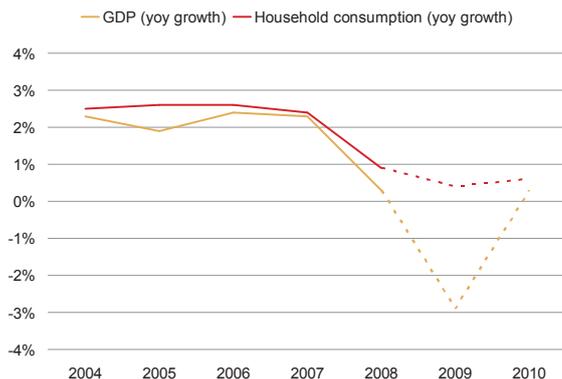
Investment market

At the end of the first quarter of 2009, the retail investment volume was €68 million representing 9% of the total commercial investments against 12.5% at the end of 2008. However since April, we have recorded a growing interest from retail investors, with some large transactions such as Les 3 Quartiers in Paris by MGPA and Le 31 in Lille by Pramerica. According to our first estimations the retail turnover is currently at €400 million. Over the course of the past 12 months, prime yields moved out by 125 basis points for retail parks from 5.75% to 7.0% and by 175 basis point for shopping centres from 4.25% to 6.0%.

Outlook

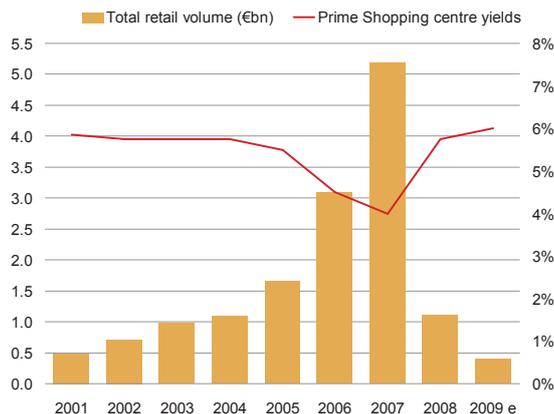
In spite of a negative growth expected between -2.2% and -3.5% at year-end 09, consumer spending should remain slightly positive. However, consumers will watch carefully their wallets at least until the end of the year, leaving the retail sector in a deteriorated environment. Slowing down demand and growing availabilities will further adjust the rental level for secondary locations, whereas rents for prime locations could resist to the pressure. Distressed sales may provide the market with some good investment opportunities.

National GDP and consumer spending



Source: Consensus Economics

Retail investment France



Source: Savills

Germany

Economy

The German economy contracted 3.8% in Q1 2009, the sharpest fall since quarterly national accounts began in 1970. This was a much worse outcome than expected. Exports and investment accounted for the drop, while private consumption increased slightly. GDP this year is projected to decline by 6.5%, and according to our economists there are still downside risks.

Demand

Consumer demand

Low inflation, lower energy prices and higher pensions, along with the expectation that the economy will stabilise by the end of the year, have maintained consumer climate stable in April. However, declining propensity to buy has translated to a 5.3% annual drop in retail sales (February data).

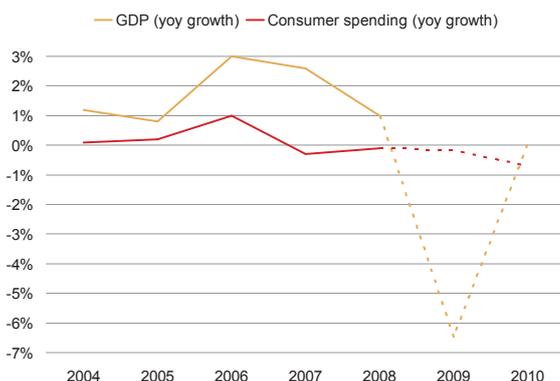
Retailer demand

Retailer expansion is focused mainly on high street locations in city centre areas. Fashion and textile retailers are leading this trend, such as Jeans Fritz, Mustang Jeans, Quicksilver and Claire's. Value retailers such as Avanti (C&A) and TKMAXX have entered the market recently and are looking for high street or large retail format units to expand.

Supply

There are currently approximately 580 shopping centres in Germany, corresponding to around 14.1m sqm of lettable area and a density of 171sqm/000 inhabitants. A large share of this stock has been developed over the past 20 years, especially in the eastern part of Germany. Planning restrictions in some federal states, coupled with limited financing opportunities has put a halt to development activity of large schemes. Developers currently focus in medium sized inner city shopping centre developments in cities such as Frankfurt, Leipzig and Dortmund in order to respond to the changing consumer shopping habits

National GDP and consumer spending



Source: Oxford Economics

offering wide brand mix. This shift is generally on the expense of the typical German department stores that could be found in most cities with more than 50,000 inhabitants, which were offering middle range products at middle range prices. Some of these retailers such as Hertie, Wehmeyer and Woolworth have been seriously hit by the economic crisis leading them to bankruptcy.

Rents

Rental values have remained broadly stable during the first quarter of 2009. However, retailer focus on prime high street locations and prime shopping centres is expected to create a two tier market. Prime rents should be more resilient to downward pressure during the course of the year, while secondary rents are expected to drop.

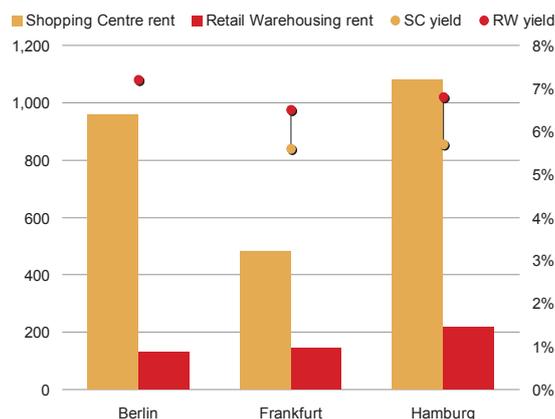
Investment market

The total investment volume in the first quarter of 2009 was about five times lower compared to the same quarter last year at about €1.75bn, with the share of retail assets at about 30%. Although there is still investor interest for retail warehouses and shopping centres, there were only two shopping centre transactions since the beginning of the year due to the lack of availability of financing for large lot sizes (above 50m). Overall prime shopping centre yields have remained stable ranging between 5.6% and 6.3%. Retail warehousing yields have moved out by 10 to 30bp and they range between 6.5% and 7.4%.

Outlook

The unemployment rate is forecast to rise from 7.3% to 8.1% in 2009, therefore consumer confidence is expected to fall in the second half of the year leading to lower retail sales volume. We expect properties in secondary locations and of secondary quality to suffer more from the crisis and to experience decreasing rental values. Although retail investment volume will be considerably lower compared to last year, we believe that it will remain one of the preferred sectors for investors.

Prime rents and yields



Source: Savills

Greece

Economy

Q1 GDP figures were 1.2% lower compared to the previous quarter and the annual growth rate is expected to be -1.5%, a sharp slowdown from the growth rates seen in recent years. Against a background of rising unemployment and negative wealth effects, consumer spending is falling and is expected to contract by 0.9% in 2009.

Demand

Consumer demand

The volume of retail sales dropped by 15.0% yoy in April reflecting the impact of higher unemployment risk and tighter credit conditions on consumer expenditure. The biggest drops were noted in the Electrical and Household goods sector, where the volume of sales was down by 20.6% yoy, while the volume of retail sales in the fashion sector dropped by 2.3%.

Retailer demand

As most retailers see their turnover falling they slowdown their expansion plans, and some are consolidating their sale points in the most central locations and best shopping centres. Several small to medium size high street retailers have failed to survive the crisis, leading to higher vacancies in the high streets. Some retailers, especially value oriented could take the opportunity to expand in a less competitive environment.

Supply

2008 was an active year in terms of retail development with Athens and the region of Thessalia accounting for the majority of new supply. The total stock of large-scale retail formats increased by 24% on an annual basis and reached in total around 810,000sqm. This includes shopping and leisure centres, retail warehouses, hypermarket anchored schemes and outlet centres above 2,000sqm. At the end of 2008 the density of large-scale retail formats was about 72sqm/1,000 inhabitants. If we take into account only shopping centres the national average falls below

50sqm/1,000 inhabitants. Since the beginning of 2009, there were added at least another 30,000sqm on the total stock, but we do not expect the remaining of the year to be active. There is about 170,000sqm retail space in the pipeline for next year, but we expect to see some delays in these schemes, as retailers have become more conservative regarding new openings and banks quite strict with their lending policies.

Rents

Although recently completed retail schemes achieved high occupancy levels, some retailers are requesting rental discounts due to lower turnover levels. Prime shopping centre rents have dropped since the middle of last year to €660/sqm/year and they have now stabilised at this level. Retail warehousing rents have demonstrated a sharper correction and they are now on average around 23% lower compared to the same period last year.

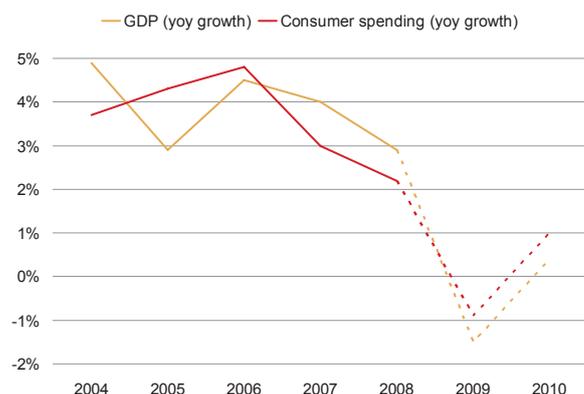
Investment market

Due to the limited availability of high quality product on the market and the small stock of modern centres, the main route for investors to get exposure in the sector has been getting involved in the development process. Last year, the completions of some new schemes across the country, have created new opportunities for new standing investments. Nevertheless, under the current trading and economic conditions, potential buyers are applying higher risk premiums, which do not match sellers' expectations and deals cannot be completed. Prime achievable shopping centre and retail warehousing yields have move out to around 7.0% compared to sub-6.0% levels in 2007.

Outlook

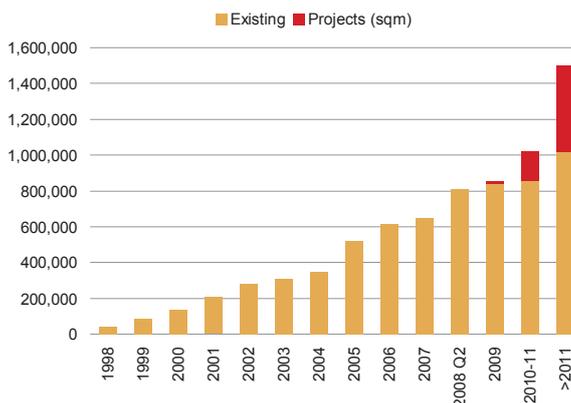
The uncertainty about the future of the economy is creating a negative environment for the retail market. Smaller retailers will continue to suffer, while larger chains will have to compete to capture a higher share of the declining consumption. Developers and investors are less eager to enter the market at this stage; however we believe that high quality schemes can still be successful due to low competition.

National GDP and consumer spending



Source: Oxford Economics

Stock and pipeline of large-scale retail formats



Source: Savills

Italy

Economy

GDP fell by 2.4% in Q1, confirming the flow of bad news on production seen throughout the quarter. Assuming that the scale of declines moderates in the next quarters GDP could contract by 5.1% in 2009. In April consumer confidence recovered, probably due to the sharp reduction in inflation and the positive impact on disposable income. However, given the gloomy outlook for employment it is unlikely that this will translate into rising consumption.

Demand

Consumer demand

The value of retail sales dropped by 2.3% over the period January-April 2009 compared to the same period last year. The highest drops were noted in the Fashion and Accessories sector (-3.2%) and Household and Hardware sector (-3.5%). Small surface outlets demonstrated the highest fall in both categories (-3.9%), while sales in large-scale retail formats remained almost stagnant.

Retailer demand

Decreasing retail sales have had an impact on both local and international retailers who had to adapt to the changing consumer behaviour, focusing more on value products and discounts. Smaller high-street retailers are suffering more from the crisis, while large-scale retail formats seem to demonstrate smaller losses. However, within this segment hypermarkets seem to be losing market share, retail sales in the first four months of the year decreased by -1.3% compared to the same period in 2008, while in the other categories, such as supermarkets and discount stores, sales in the same period increased by 0.5% pa.

Supply

At the end of 2008 the total stock of shopping centres in Italy was in the region of 11.8m sqm, an increase of around 6% compared to the previous year. This stock reflects a national density of about 199 sqm/1,000 inhabitants. Currently we estimate that there are more

than 2.9m sqm retail schemes in the pipeline for 2009-2011, including shopping centres, retail parks, outlet centres and leisure centres. Slightly less than 40% of the number of schemes regards extensions and renovations of older centres. Around 65% of the new supply will be shopping centres and about 22% represents retail parks, which continue to expand across the country. In terms of regional breakdown about 46% is still concentrated in the North of the country, while a significant 28% of the new schemes will be located in the developing South and Islands. However, it is not certain what will be the volume of completions until the end of the year and in 2010 as developers are not keen to commence new schemes at this time and we may see some delays.

Rents

Market evidence shows that prime rental values are currently stable at their 2008 values. The effect of weaker consumption tends to be most applicable to secondary locations and centres. Prime rents in prime shopping centres, for a small unit, are around €700-800/sqm/year, while prime retail warehousing rents are about €220-250/sqm/year.

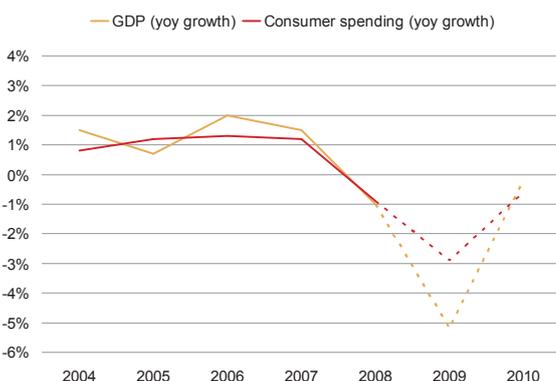
Investment market

The growing interest from international investors over the past few years brought down prime yields significantly, reaching a record-low level in 2007, around 5.0%. The current economic situation, as described in the previous paragraphs, has led to a new rise in yields, around 6.0%-6.5% in 2008. Investors are being cautious focusing now mainly on high quality products (prime regional shopping centres).

Outlook

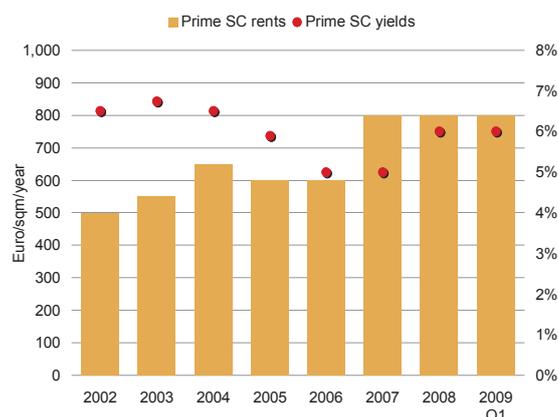
Consumer spending is expected to drop by 2.9% in 2009 and by 0.6% in 2010, while retail sales are forecast to fall by 3.7% and 1.1% respectively. As consumers become more cost conscious, we may see a faster expansion of value oriented and discount retailers in the market compared to the previous years. With regards to the investment market the outlook is uncertain, and prime yields could soften further.

National GDP and consumer spending



Source: Oxford Economics

Milan prime shopping centre rents and yields



Source: Savills

The Netherlands

Economy

Falling manufacturing output and exports in the beginning of the year are expected to lead to a significant contraction of GDP growth, which is forecast to drop by 4.75% in 2009 by the Netherlands Bureau of Economic Policy Analysis. Unemployment is rising and house prices are falling leading to a drop in consumer spending.

Demand

Consumer demand

Household spending in April was 3.6% lower than the same month last year. Spending on daily consumer goods was down 6.0%, although supermarkets remained relatively strong. Spending on durable goods, like cars, clothing and furniture, showed a drop of 7.0%.

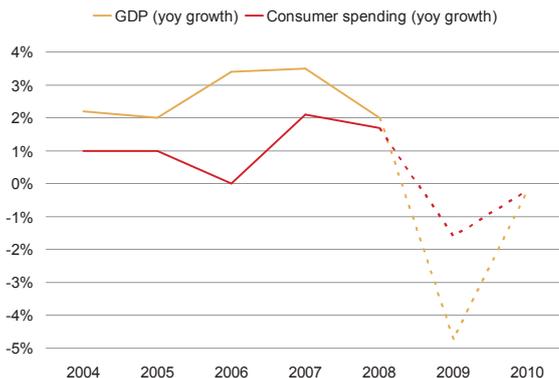
Retailer demand

Retailer demand has slowed down, with only a few retailers expanding, such as Hema, Rituals, Bestseller, Jamin and Next. The majority of retailers is putting their development plans on hold. Total take-up in Q1 2009 was around 85,000sqm, 10% lower compared to the first quarter of 2008. This has resulted in rising vacancy, especially in secondary locations.

Supply

The structure of the Dutch retail market is characterised by strong high street provision and in-town shopping centres. This has been the result of tight planning control on out-of-town retail development, which is mainly reserved for the sale of bulky goods such as furniture, DIY, garden centres and recently electrical goods and toys as well. The total amount of shopping centre space is over 3.9m sqm, of which 56% represents prime city centre schemes. Retail warehouse agglomerations amount to about 1.9m sqm. Due to the increasing demand for large-scale formats developers are considering the development of more out-of-town shopping and leisure

National GDP and consumer spending



Sources: Oxford Economics, NL Bureau of Economic Policy Analysis

centres. However, the opposition against these schemes remains substantial as reflected by the recent public debate about the plans for the 100,000sqm Aventure Brabant mega-mall close to Tilburg.

Rents

In-town rental values have been growing by a steady 3-4% per annum for a number of years up to 2008. Since then prime rents have stabilised and rents in some secondary locations even decreased. Downward pressure is also evident on the premiums paid for taking-over existing stores. Out-of-town retail warehousing rents have remained stable for a number of years and vary between 75/sqm/year and 140/sqm/year.

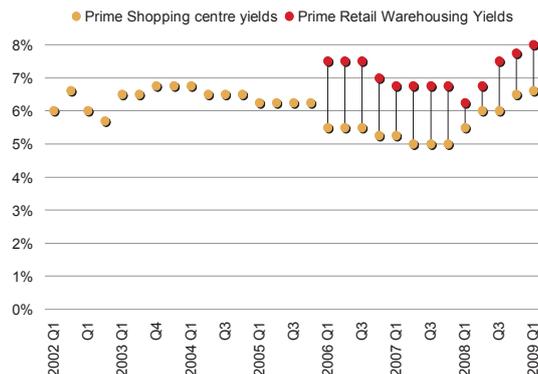
Investment market

Although in the past decade we have seen a solid increase of foreign investors' activity in the Dutch property market, their share in the retail sector was only around 20% of the retail investment volume last year. The main reasons for this are the limited supply of new, large-scale schemes and the small size of the retail warehousing sector. In Q1 2009 the retail investment volume reached 145m of which 60% represents two transactions in the city of Lelystad. Prime yields have moved out by more than 100 basis points compared to last year to 6.6% for shopping centres and 8.0% for retail warehouses.

Outlook

Based on the experience of previous economic cycles we expect a significant slowdown in property investment activity for the next two to three years. Take-up levels in the retail sector for 2009 and 2010 will remain subdued, with a potential recovery expected in 2011. Investor interest is also expected to revive no earlier than the second half of 2010. Until then yields should continue to soften and rents are expected to decrease especially for secondary assets.

Prime yields



Source: Savills

Norway

Economy

The Norwegian economy was hit by the recession in Q1 this year and for the first time in 20 years GDP for 2009 is expected to decline by 1.6%. The decline is however less than most other European economies. The stagnation in private consumption has been lower than predicted, thanks to historically low interest rates and increased real disposable income. Private consumption is expected to decline by 1.2% this year.

Demand

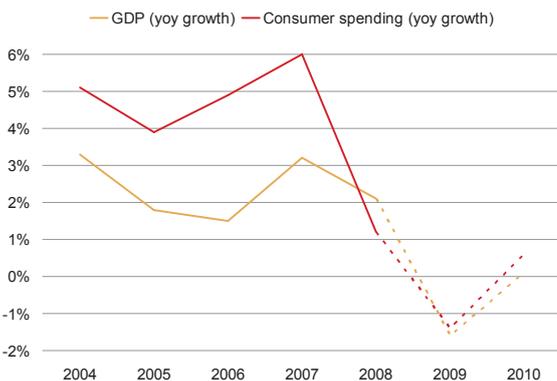
Consumer demand

Seasonally-adjusted figures show that the index of household consumption of goods increased by 1.5% in April compared to March. There was an increase of 2.2% in purchases of cars, while the category of 'Other goods' went up by 2.1% with Clothes and shoes as well as Books and leisure goods making the greatest contribution to this growth. However, compared to last year the households consumed 7.1% less in April 2009 compared to the same month in the previous year. The only group of goods that was stable was Food and beverages.

Retailer demand

Local retailers are dominating the market but at the same time several international chains, especially from Sweden, are increasing their presence. In spite of the downturn in the economy, shopping centres are still experiencing increasing sales albeit at a slower rate. During May, sales at the 60 largest shopping centres in Norway amounted to NOK 8,6 bn (€0.96 bn), which is an increase of 2.6% compared to May 2008. On the other hand retail sales are under pressure for Electronic and DIY goods. Large shopping centres in all major cities are getting an even stronger market share, whereas small retail stores in the city centre are losing sales. Sales are also rising in the largest shopping centres on the Swedish border. These are located one hour drive from Oslo and groceries are priced at a discount of 30-40% compared to Norwegian goods.

National GDP and consumer spending



Source: Oxford Economics

Supply

Most of the development activity in the shopping centre sector took place in the 80's and 90's. Currently there are around 400 shopping centres across the country. Over the past few years new supply peaked in 2007 with around 750,000sqm of new development completions. This year, the supply of new retail space will decrease by approximately 20% compared to 2008 and a similar drop is expected in 2010, due to tight financing conditions. Retail parks have also experienced rising developer interest over the past few years but their expansion is controlled by tight planning regulations.

Rents

Rents in the large shopping centres and retail parks are stable. Top rents for a standard unit in a prime shopping centre around Oslo are at NOK 4,000/sqm/year (€448), while a prime retail warehousing unit can achieve rents up to NOK 2,000/sqm/year (€224). Rents for high street fashion stores are under pressure due decreasing profit margins that many retailers are experiencing.

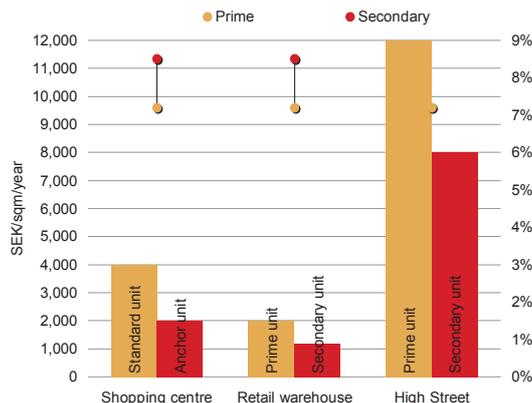
Investment market

Total transaction volume as in May 2009 amounted NOK 2.7 bn (€ 0.3 bn) with around one third of this relating to retail investment deals. Compared to last year, this represents a drop of around 75%. Prime retail yields have increased over the past 12 months to approx. 7.0%-7.2% for all types of retail properties.

Outlook

As the economy is weathering the downturn better than much of Europe we expect the retail market to remain relatively balanced with lower consumer spending levels, but also decreasing amount of new supply. Smaller, independent retailers should suffer most. Investment activity is expected to be low as the banks remain highly restrictive in their lending policies, but we anticipate a stabilisation of yields due to the current historically low interest level.

Oslo prime rents and yields



Source: Savills

Poland

Economy

The momentum of the domestic economy helped to offset the trade and credit shocks that affected the CEE region during Q4 2008, however there are now signs of a slowdown in consumer spending. Rising unemployment, slowing wage growth and the increased debt burden have had a negative impact on consumer confidence and thus GDP is likely to contract by over 1% this year.

Demand

Consumer demand

Since the end of 2008, retailers have started experiencing the first signs of declining consumer spending. March 2009 saw a significant monthly decline in the volume of retail sales at 3.3%. April, under the positive Easter effect showed a milder drop of 0.7% at constant prices. There was a reduction in demand for cars, furniture and electrical goods, with the latter category reporting the first decline in four years. However sales in supermarkets/hypermarkets continue to grow.

Retailer demand

Recently the modernisation of the retail markets in the smaller cities has fuelled the growth of international retailers across the country. Currently, as a result of falling retail sales, the majority of retailers hold back their expansion plans. The ones who continue to grow are mainly value oriented retailers such as C&A, H&M, the Inditex Group, Tesco's, McDonald's and in the DIY sector, Castorama, Obi and Leroy Merlin.

Supply

The total supply of modern retail space, including shopping centres, hypermarket anchored retail centres and retail warehouses/parks, is in the region of 7.7m sqm, which translates into an average national density of 183sqm/1,000 inhabitants. More than half of the stock is concentrated around the major conurbations of the country, where densities can be higher than 500sqm/1,000 inhabitants. Saturation of supply in

these locations has shifted both developer and retailer interest towards smaller cities of 30,000 to 100,000 inhabitants. Development activity remains high with around 200 projects under construction and planned, although we expect some projects to be delayed due to more difficult access to financing.

Rents

Prime shopping centre rents in Warsaw have softened by more than 15% over the past 12 months due to weaker demand. Shopping centre rents range between €360 and €600/sqm/year for a standard unit (100-250sqm) and they are on average around 40% higher compared to the regional cities. Prime retail warehousing rents around Warsaw are in the region of €144/sqm/year, 20% lower compared to a year ago.

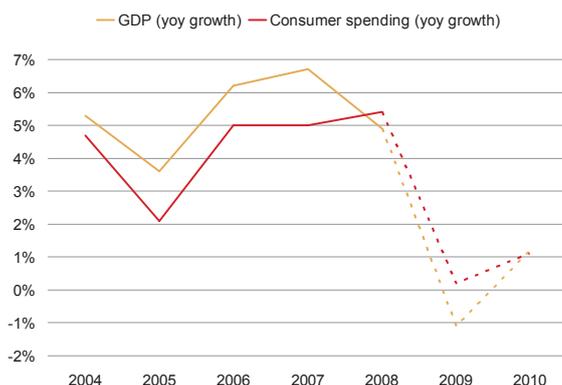
Investment market

Retail investment turnover in 2008 did not reach €500m, and it was almost 60% lower compared to the year before, accounting for about one quarter of the total investment volume. The slowdown continues in 2009, which has seen only two major retail transactions in the first quarter of a total of €27m. The disparity between asking prices and offered prices is one of the burdens in the deal making process. Prime retail yields are now at 7.25%, 175 basis points higher compared to their 2007 peak and secondary yields have risen to 8.0-8.5%.

Outlook

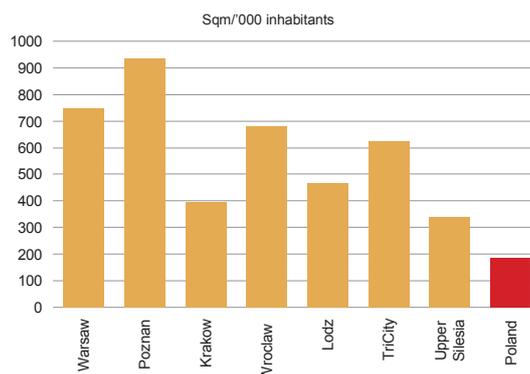
Consumer spending growth is expected to decelerate significantly but remain positive both in 2009 and 2010. However, retailers could remain cautious until the market conditions improve. Similarly we believe that developers will also adopt a 'wait and see' approach and not commence new projects until demand recovers. Rents are projected to remain stable until the end of the year and yields are expected to ease further, depending on bank strategies on lending and major investor group attitude to pricing. It is possible to see investment opportunities due to distressed sellers and sale and leaseback transactions as a way to defreeze invested capital.

National GDP and consumer spending



Source: Oxford Economics

Modern retail supply in major urban centres



Source: Savills

Portugal

Economy

Preliminary data show that GDP contracted 1.5% on the quarter in Q1 2009, leading annual growth to fall to -3%. Despite improving in April consumer confidence is expected to remain subdued due to high unemployment expectations. GDP is projected to contract 3.5% in 2009 as a whole and that it will stagnate in 2010.

Demand

Consumer demand

Since October last year footfall levels have been lower than the previous year. According to the latest data on retail trade, turnover annual growth rate in April slowed down to -2.2% compared to -5.2% drop in March, reflecting falling consumer spending levels.

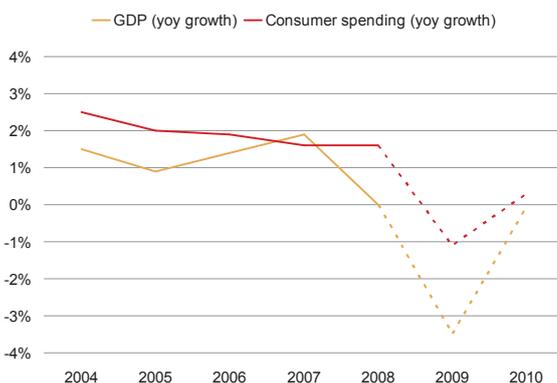
Retailer demand

The success of modern retail formats over the past years has derived from the lack of suitable high street retail areas, normally due to a poor variety of shops and little or no car parking. However, the expansion of shopping centres has been quite strong causing saturation in certain catchment areas and lower sales/sqm. In the current economic context retailers are holding back on expansion and choose projects much more carefully than before.

Supply

In 2008 around 370,000sqm GLA of retail space was completed, with the total stock now standing at around 3.1m sqm and a density of 299sqm/1,000 people. Up until 2002 shopping centres accounted for 94% of all retail space. This has now decreased to around 84% as a significant part of recent development comprised retail parks. We have identified more than 1.5m sqm of retail development in the pipeline for 2009-2011, although the economic downturn and especially the lack of financing will force many developers to postpone or cancel their projects. We estimate that no more than 50% of this pipeline will be developed during this period of time.

National GDP and unemployment



Source: OxfordEconomics

Rents

Prime shopping centre rents for a standard unit (100sqm) in the region of Lisbon remain stable at €65/sqm/year, although prime rents for anchor units have come down significantly compared to last year (up to -20%). Retail warehousing rents do not vary significantly between different cities and in general terms prime rents vary between €6.5 and €8/sqm/month for large units (>2,000sqm) and they increase for smaller units depending on size.

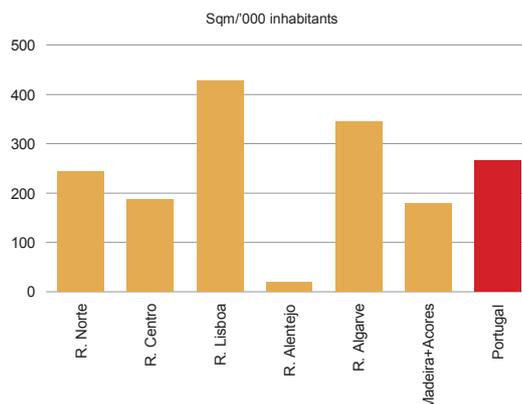
Investment market

Retail investment transactions reached € 585m in 2007, but only € 240m in 2008, despite an active year regarding product coming on to market. During the last quarter of 2008 and the first quarter of 2009 a significant number of foreign investors have put a temporary hold on their investment plans. In 2007, prime gross yields for shopping centres / retail parks were in the region of 5.5% / 6.0% while prime net yields were generally established in the region of 5.25% - 5.5%. Many Portuguese retail developments are of a high quality and well let, but the de-leveraging that will necessarily take place in the market over the next year or so will inevitably force yields out further. In the first quarter of 2009 net yields for shopping centres stood at 6.75%; retail parks at 7.5% and high street retail at 7.25%.

Outlook

Consumer confidence and spending are weak, and rental values will be under pressure in all sectors of the retail market during 2009, but as lower interest rates begin to take effect, sales growth should return in 2010-11. Despite stricter planning control on development activity the number of proposed retail schemes remains significant. We believe that tighter development financing can put a limit to new supply. The investment market remains on partial standby as investors assess the worsening economic climate, hoping to take advantage of a market where they can acquire high quality assets at more attractive prices than in the past few years.

Shopping centre supply



Source: Abacus - Savills

Spain

Economy

GDP fell more than expected in Q1 2009, by about 1.8% on the quarter. But recent indicators appear to confirm that the pace of contraction is slowing. Consumer confidence rose in April, nevertheless rising unemployment is holding back consumption, which is forecast to drop by close to 4% in 2009.

Demand

Consumer demand

Despite the fact that footfall figures have held up fairly well in the beginning of 2009 sales figures have dropped significantly. Retail trade in April decreased by 8.4% compared to the same month in 2008, showing a 3.2% drop in Food and 9.4% drop in the Non-food sector. The sector with the deepest drop was Household goods at -22.6%.

Retailer demand

Retailers are suffering from falling turnover and most of them have postponed any expansion plans, while some are downsizing by closing stores. The only types of retailers that are taking advantage of the situation in order to grow are value oriented chains (eg. Primark) and discount supermarkets. Additionally, some chains are introducing low cost concepts in order to adapt to consumer requirements (eg Decathlon, C&A).

Supply

2008 was a record year for new retail schemes openings. 28 new centres and five extensions accounted for over 1m sqm of additional retail space, pushing the total stock of large-scale retail formats to over 13m sqm. Retail density is at 282sqm/1,000 people and Madrid tops the regional ranking with 466sqm. Catalunya, Balearics and Extremadura are the only regions with densities below 200sqm. In the middle of last year the forecast for new retail developments in 2009 was above 1m sqm, however, currently given the difficult financing and letting conditions this forecast has almost halved to around

635,500sqm. Developers continue to focus on large-scale schemes hoping to capture a large market share. In 2009 35% of the new space will comprise schemes with GLA over 40,000sqm. Retail warehousing also remains an expanding concept accounting for 22% of the space in the pipeline.

Rents

Larger schemes that opened last year have struggled to reach 100% occupancy levels, while retailers are requesting rental discounts to combat lower turnover levels. This has led to a 10% drop in prime shopping centre rents to around €90/sqm/month. Prime retail park rents have shown a highest drop to €16/sqm/month.

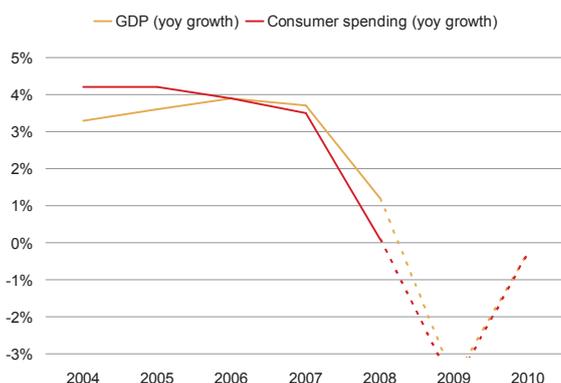
Investment market

No major deals have closed in the first quarter of 2009, leading to a significant decrease of the investment volume compared to Q1 2008. Overall 2008 was still a strong year in terms of retail investment activity benefiting from deals that spilled over from the final quarter of 2007 as well as from larger average lot sizes. International investors are looking for trophy assets and private investors for smaller high street prime assets up to €30m. Several opportunistic funds are investigating the market, but with the expected level of distressed sales yet to materialise activity remains subdued. There is more interest from private investors for well located and well let high street units. Given the lack of transactions sentiment places shopping centre gross yields in the region of 7% and retail parks at 7.25%-7.5%, more than 250 basis points higher compared to 2007 peak levels.

Outlook

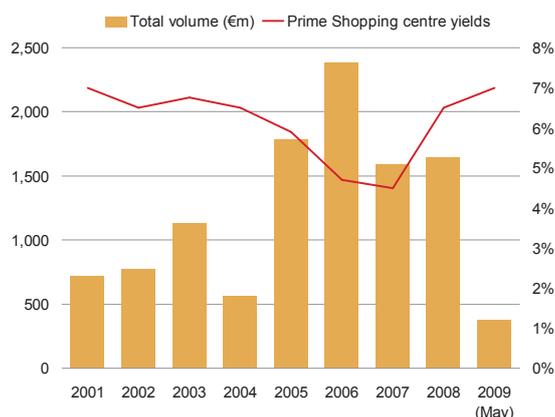
Rising unemployment and falling consumer spending are creating a negative environment for the retail market. We believe that more projects could be delayed leading to further adjustment of the number of new openings in 2009. Within this context investors continue to remain hesitant. We expect prices to level out in the next few months, leading to more transaction activity in the second half of the year.

National GDP and consumer spending



Source: Oxford Economics

Retail investment and yields



Source: Savills

Sweden

Economy

The economic downturn has had the worst impact on industrial production so far, which contracted by 22.9% in March. This has led to higher unemployment levels, with the rate reaching 8.3% in the same month. As a result household spending has fallen for four successive quarters. GDP growth is expected to contract by around 3.5% for the year.

Demand

Consumer demand

The disposable income of Swedish households is expected to continue increasing during 2009 despite the sluggish economy. The reason is a combination of tax cuts, increasing transfer payments, decreasing interest rates and the low rate of inflation. However, private consumption is expected to contract due to low confidence and increasing savings ratio. Latest retail trade turnover figures show a 2.0% annual decrease.

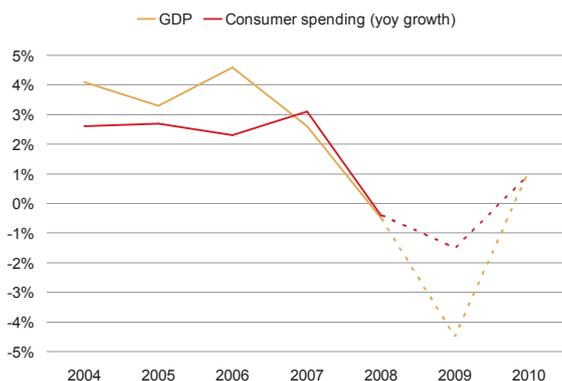
Retailer demand

Some international big-box retailers have been expanding lately with new stores across the country, however many have postponed their plans for new openings and others have started to close-down non-profitable units. Smaller private retailers are also suffering from the economic crisis and there is a rising number of insolvencies in the sector.

Supply

The total retail stock in Sweden amounts to approximately 18m sqm, including high street units, city galleries, shopping centres and retail parks. Stockholm concentrates around a quarter of the total stock. In recent years there have been several large-scale reconstruction and extension projects in the shopping centre segment across the country as owners are trying to improve their market shares. During the last year however, development activity has slowed down significantly. Due to low levels of preletting, falling consumption and financial difficulties projects are being postponed and delayed.

National GDP and consumer spending



Source: Oxford Economics

Nevertheless approximately 500,000sqm of new retail space is expected to be completed in the Stockholm region by 2015. In Gothenburg and Malmö the corresponding figures are approximately 300,000sqm and 200,000sqm.

Rents

Rents have so far remained stable both for shopping centres and retail parks. Prime shopping centre rents are at SEK6,900/sqm/year (€643) and prime retail warehousing units at SEK2,200/sqm/year (€205).

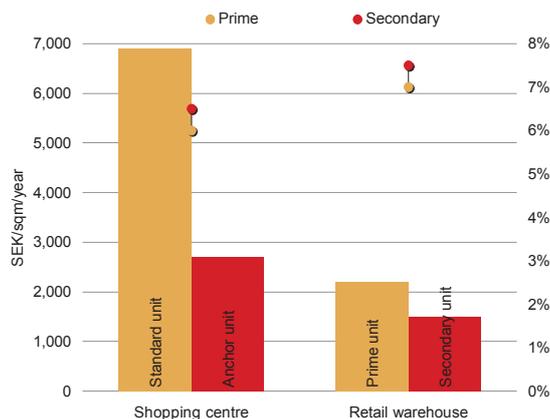
Investment market

Demand for retail investment is currently weak and total retail turnover for Q1 2009 was SEK 500m (€46.6). Since the beginning of the year a number of single assets and portfolios have been up for sale, but no transactions were completed. Investor demand is generally for modern accommodation, stable tenants (such as the major food retailers) and long leases. Shopping centres are harder to sell due to large lot sizes that are harder to finance at the moment. Yields for shopping centres are still softening, but actual transaction evidence is missing. Although there is product on the market and active investor interest, buyer and seller price expectations do not match yet. Investor demand for retail warehousing has weakened a lot and yields have softened. Prime shopping centre yields have moved from 5.0% last year to around 5.0%. Prime retail warehousing yields have softened by 150 basis points compared to 12 months ago to around 7.0%.

Outlook

Retail rents have historically proved to be resilient to economic downturns and we expect prime rents to remain fairly static. Low consumer confidence and spending is expected to cause problems to smaller retailers leading to more bankruptcies during the course of the year. This might incur some increase in rental losses, rent-free periods and discounts for the vacated premises on the high street or in shopping centres. On the other hand retail warehouse rents might drop if significant vacancies occur.

Stockholm retail rents and yields



Source: Savills

Turkey

Economy

Quarterly economic data demonstrate the depth of the economic crisis with decreasing consumer spending, suffering industrial production and increasing unemployment levels. GDP is expected to contract by -2.9% pa this year as well as consumer spending.

Demand

Consumer demand

Currently weakening economic conditions are causing a slowdown on consumer spending. However, according to the latest available data consumer confidence index in April 2009 was 5.9% higher compared to the same period in 2008.

Retailer demand

The modernisation of the retail market, has attracted numerous international brands, which opened stores especially in regional shopping centres around metropolitan cities. Big box retailers such as Media Markt and IKEA are also expanding, while electronic goods retailer Best Buy and French DIY retailer Leroy Merlin are preparing to enter the market in Bursa. Due to the unfavourable economic conditions most retailers are facing falling turnover levels, and some have difficulties paying their rent. However, they generally try to avoid downsizing and instead they try to renegotiate rents with the landlords.

Supply

During 2008, nearly 950,000sqm gross leasable area (GLA) came onto the market. As of the first quarter of 2009, total GLA in the country was 4,922,600sqm representing an increase of 29% compared to 2007. The national average density is 68sqm/1,000 inhabitants. The highest retail space densities are in Istanbul, Ankara, Eskisehir and Denizli. In the past two years, shopping centre development has shifted towards middle-size cities with a population between 500,000 and 1 million inhabitants where no demand for shopping centres has been recorded previously. Due to the international financial crisis, some of the projects

under construction or in the pipeline have been delayed and are not expected to open before late 2009 or 2010. However, the volume of new shopping centre completions in 2009 is still expected to reach about 562,250sqm.

Rents

Prime market rents are at 1,080 USD/sqm/year for units with a GLA of 150sqm, and at 480 USD/sqm/year for units with a GLA of between 1,000 and 1,500sqm. Due to the crisis, changes of dollar and euro cross rates brought about periodical rent and service charge concessions, temporary marketing contributions and in some cases currency Exchange rate is capped for rental payment. We assume that these concessions will continue during 2009 depending on economic conditions.

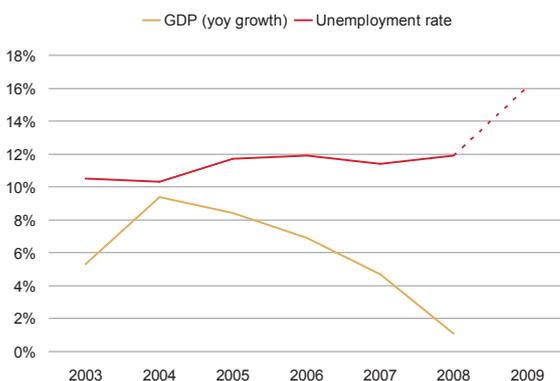
Investment market

The total retail investment volume recorded in 2008 was 360.6 million USD. The size of the investment market is small as the Turkish players that are leading the shopping centre development activity, operate and hold the schemes in most cases. Therefore access to product is limited and international players that are interested in entering the markets need to set up joint ventures with successful and experienced local developers. After five years of strong yield decompression, we have noticed a softening of yields due to the slowdown in investment interest. Prime retail yields are at 8.0% and up to 9.0% for secondary products.

Outlook

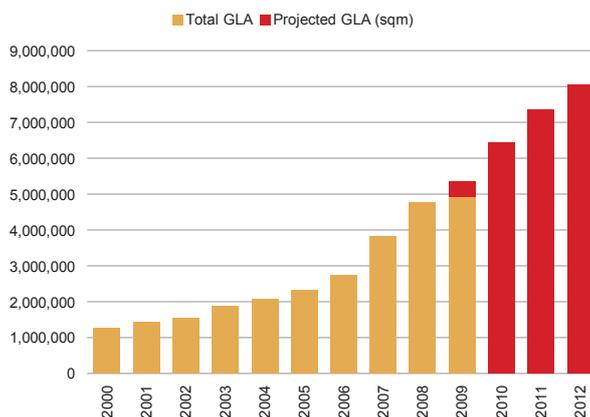
We expect the economic slowdown to continue to have a negative impact on consumer demand, maintaining the rental downturn noticed in the first quarter of the year, at least for another quarter. In this environment, distinction between high and low quality projects will become more apparent. Yields are expected to stabilise at their current levels. With the first signs of economic recovery, we should see renewed investor and developer interest.

National GDP and unemployment



Source: Turkstat

Existing and new supply



Source: Kuzey Bati - Savills

Economy

The UK economy has rapidly moved into recession, with GDP growth in the first quarter of 2009 falling by 1.9% qoq and 4.9% yoy making this a deeper recession than that of the early 1990's. On the positive side, inflation and base rates remain very low creating a better base for recovery than in previous recessions.

Demand

Consumer demand

Consumers remain highly pessimistic, however consumer confidence has improved slightly over the last six months. Retail sales growth remains broadly flat, with London proving the most resilient regional market due in part to tourist spending. However, overall household spending fell by 1.2% in Q1 2009 as households began to save more.

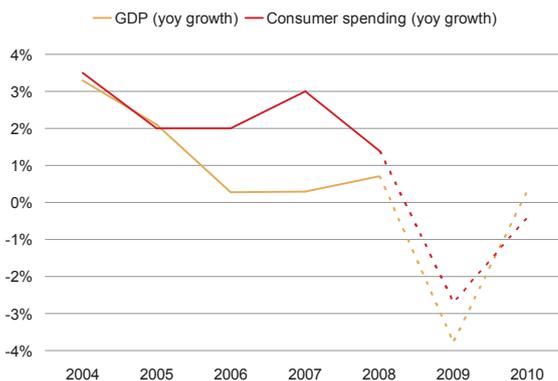
Retailer demand

The performance of retailers remains highly polarised. Value and food retailers continue to trade well. At the top end of the market luxury also appear to be weathering the downturn reasonably well, though this may be coming to an end. The biggest impact on trading appears to be amongst the mid-market retailers who are having problems differentiating their offer either by quality or price. On average we estimate that retailer's sales are around 2% down on last year. Some retailers remain acquisitive, focusing on new store openings on strong towns and shopping centres.

Supply

While the boom in the delivery of new shopping centres to the UK is now over, there is a rising supply of empty shop units that have been released onto the market either by retailer failures, or by retailers rationalising their portfolios. Again there is a big polarisation between the supply side in the prime and secondary locations. We estimate that the vacancy rate on prime pitches in the UK has remained fairly stable at around 4%, however in secondary locations this has risen from around 8% to around 15% over the

National GDP and Household consumption



Source: Consensus Economics

course of last year. We expect that the vacancy rate will continue to increase throughout the remainder of 2009 and the first half of 2010, before settling as the economic recovery gathers pace.

Rents

Where vacancies exist retailers are realising that they can demand low rents and very attractive packages of inducements to take or even remain in space. Rent free periods and capital contributions have been rising steadily, against a background of falls in headline rents of between 5% and 10% over the last year.

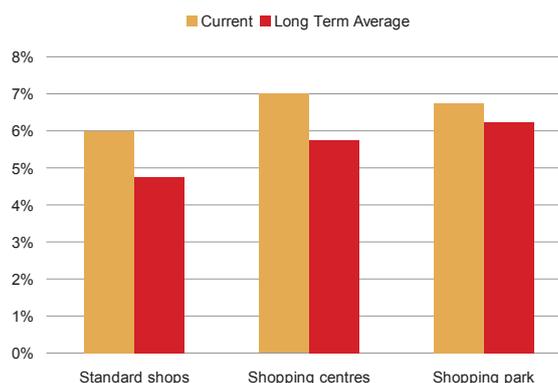
Investment market

Investor demand, particularly for shopping centres, remains severely restrained by the lack of availability of debt. However, the first six months of 2009 have seen an increasing interest in UK retail investments from both domestic and international investors. Retail, particularly multi-let elements of the market, is increasingly seen as a good cyclical play and in good locations relatively unexposed to tenant risk. As a result we have seen prime retail yields stabilise over the last five months, with yields on the best high street shops actually moving in by 50bp over that period. As at the end of June 2009 we put prime yields on standard shops at 6.0%, on retail warehouse at 6.5% to 8.00%, and on shopping centres at 7.0%.

Outlook

While there are patches of retailer demand across the UK, it is likely to remain highly selective and restrained until the economy begins to recover. More major retailer failures are looking unlikely, but we expect retailers to be closing poor-performing stores, and driving hard bargains when they are acquiring new units. Investor demand will remain highly focused on limiting their exposure to vacancies and poor performing tenants. Schemes with low voids and a diverse tenant base are likely to rise in attractiveness, and we believe that yields on these types of assets have stabilised and may continue to gently harden over the remainder of the downturn. Upward rental growth is unlikely to return to late 2010/early 2011.

Prime yields - Current vs Long-term average



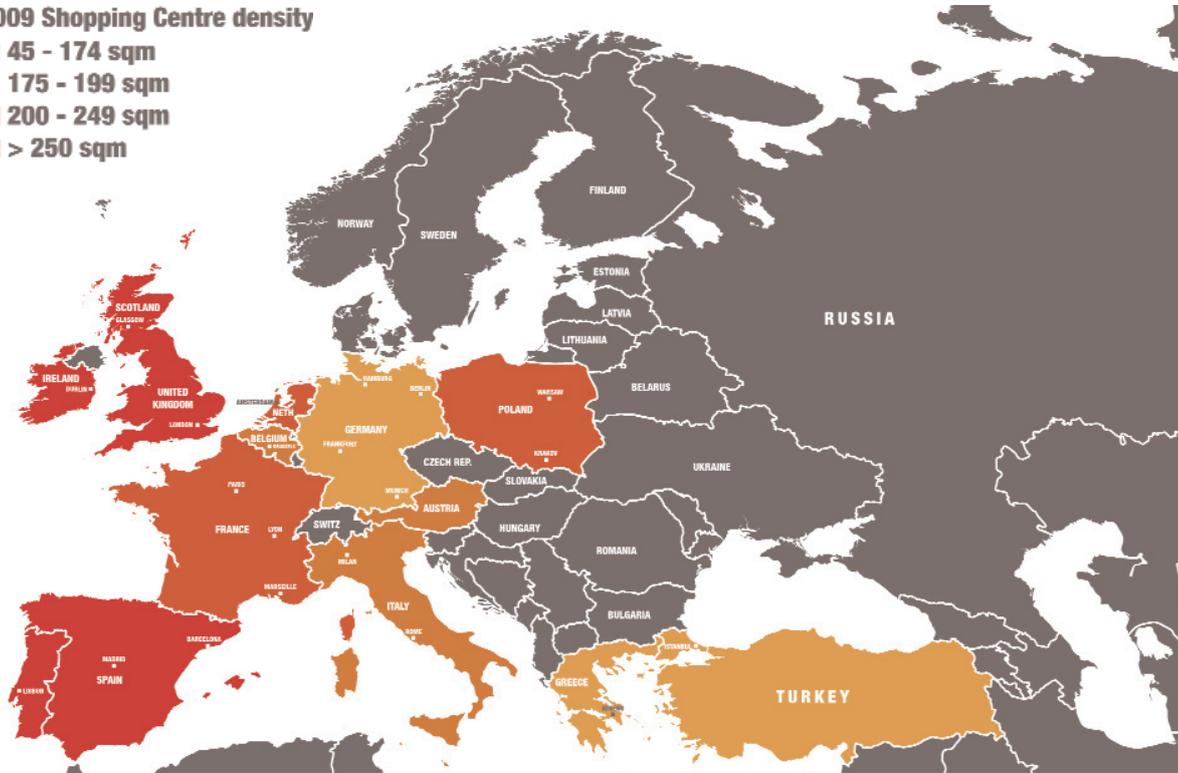
Source: Savills

Map and contacts

Shopping centre density map

2009 Shopping Centre density

- 45 - 174 sqm
- 175 - 199 sqm
- 200 - 249 sqm
- > 250 sqm



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