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## NEW YORK STILL WORLD'S MOST EXPENSIVE RETAIL MARKET DESPITE RENTAL FALLS

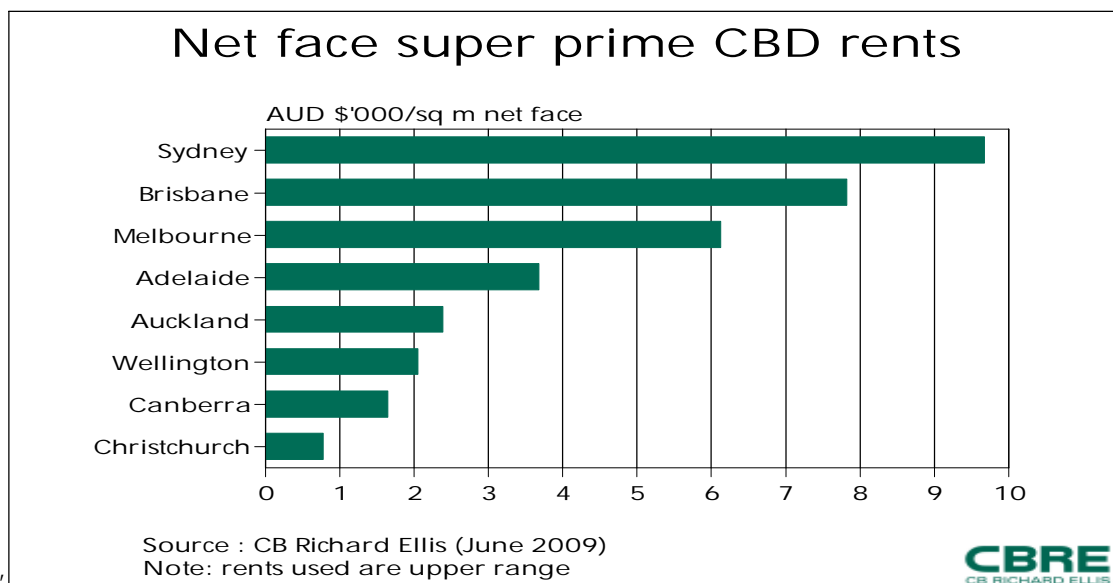
### CB Richard Ellis' New Global Retail Report Highlights Changing Retail Landscapes

**London, 30 June 2009** – While Prime CBD retail rents have fallen in almost every region across the world as the global recession impacts consumer sentiment and retail sales, the Pacific Region has largely bucked the trend according to new retail research from CB Richard Ellis (CBRE).

Pacific rents remained stable in all capital cities with the exception of Auckland - a vastly different result to other markets around the world, where retail rents have fallen as much as 37% according to CBRE's new Global Retail MarketView, which tracks the most expensive retail rents in each city.

"This is a remarkable result; it shows how well the CBD retail markets are holding up around this region," said CBRE Executive Director, Global Research and Consulting, Kevin Stanley.

"Our CBD retail markets have enjoyed a revitalisation over the last five to 10 years, with major redevelopments improving the quality of stock and new office and residential towers boosting trade catchments. These results show CBD retail markets should be able to withstand the severe cyclical downturn being witnessed around the world."



The CBRE MarketView highlights that demand for retail space has declined in most markets across the world as consumers cut back on spending and unemployment continues to rise in many countries. Emerging and less established markets have been most significantly affected. Buenos Aires saw the largest annual decline in retail rents year-on-year with a drop of 37%, followed by Warsaw with a 33% decline and Washington DC with a 26% decline. Whilst some markets have continued to experience year-on-year increases in retail rents, in many cases the current pressure is downward.

Despite a 10% rental decline, New York remains the world's most expensive retail destination, with rental values totalling US\$1,800 sq ft per annum. New York's retail rents stand at nearly double those of Hong Kong, which still ranks in second place globally with rents of US\$975 sq ft per annum. In an interesting switch, Moscow has superseded Tokyo in the ranking, moving into third place from fourth, followed by Paris and Tokyo respectively, making up the top five most expensive retail locations.

In the Pacific, the most expensive retail location is Sydney with rents of US\$624 sq ft per annum.

Prime retail rent represents a typical open-market headline rent that an international retail chain can expect to pay for a ground floor retail unit (either high street or shopping centre depending on the market) of the highest quality space in the best location in a given market.

Nick Axford, Head of EMEA Research and Consulting, CB Richard Ellis, commented: "With unemployment rising and consumer confidence and spending weakening across most parts of the world, most retail property markets are experiencing reduced demand from retailers and an increase in the number of vacant units, which is in turn affecting rents.

"Some retailers are using this as an opportunity to take advantage of the weakening market conditions to negotiate more favorable lease terms. Landlords are keen to avoid vacancies, and in some circumstances this makes them more willing to compromise with tenants who are in a position to leave. However, landlords are tending to hold firm on the best space in the belief that any empty shops will be quickly taken up. More profitable retailers are actually jumping on rare opportunities to move into prime units whenever vacancies emerge in top high street locations," Mr Axford added.

In the Pacific Region, Mr Stanley said significant economic stimulus in the form of cash bonuses, low interest rates and low, although rising, unemployment appeared to have helped maintain the overall strength of CBD retail markets.

CBRE Regional Director, Retail Services, Joshua Loudoun said vacancy rates were still very low, although vacancies had begun to rise in Melbourne and Brisbane. Mr Loudoun said the key impact of the current economic downturn had been on retail lease structures, with the return of market incentives and percentage rent only leases.

"This has been driven by two factors; firstly the cost of capital for the development of new stores has remained exceptionally high, despite a 4.25% decrease in the official interest rate and secondly growth in retail sales is being delivered at the expense of profit margins," Mr Loudoun said.

“We anticipate that incentive levels for prime tenancies have moved from 0 to 5% up to 10 to 15%. The incentive is typically being provided as a contribution to the store fitout or combined with a percentage rent clause that places a maximum cap on the total occupancy cost a retailer will pay as a percentage of turnover.”

Mr Loudoun said CBRE’s analysis had also shown that the current economic climate had impacted on retailers in significantly different ways.

Discount and food retailers were continuing to perform well, attracting newly price conscious shoppers. The mainstream fashion market had meanwhile seen a significant decline in sales growth and falling profit margins, however CBRE was still receiving significant enquiry for new store locations particularly where landlords could provide fitout contribution.

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