

# PRESS RELEASE

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## **RETAIL PROPERTY INVESTMENT DRAWN TO EUROPE'S FASTER GROWING ECONOMIES**

**- Retail Investment Declines in the UK as German Market Closes Gap -  
- CEE Retail Investment Markets in Demand -**

**London, 9 August 2011** – Retail property investment activity is increasingly following Europe's stronger and faster performing economies such as the Nordics, Germany, Poland, and Russia, according to the latest data from leading global real estate adviser CB Richard Ellis (CBRE).

Retail property investment in Europe reached €20.1 billion in the first half of 2011, accounting for 37% of commercial real estate investment, well above the long-term average of 28%. The retail sector has attracted a wide range of buyer types, including many retail specialists such as listed property companies, as well as more general institutional investors. Strong demand from non-specialist investors, especially those from the Middle and Far East, has also provided a significant boost to retail investment activity.

The growing divide in economic performance across Europe and the re-emergence of sovereign debt issues is becoming a greater concern for retail property investors. Even more so than in the recent past, retail investment and pricing has closely followed economic performance, with investors focusing on the faster growing economies such as those in the Nordic region, Germany, Poland, and Russia.

This contrasts with decreased activity in the United Kingdom (UK), with its overall share of European retail investment falling to 36% in H1 2011, well below the historic average of 45%. Weak economic growth and falling consumer confidence have fed through into negligible growth in the retail investment market, with activity falling to under €2 billion in Q2 2011 - half the long-term quarterly average and a level only slightly above the quarterly activity seen at the bottom of the market in late 2008.

In contrast, Germany, underpinned by strong economic and occupier market fundamentals, grew to 31% of the retail investment market at €6.2 billion, with investor interest spreading into second-tier markets, and in some cases towards more 'value-add' assets.

In Central and Eastern Europe (CEE) retail investment in H1 2011 reached €2.4 billion, driven by growth in Poland and Russia. Poland became the third most active retail investment market in Europe in H1 2011, with €1.2 billion transacted. Strong investor demand in the Nordics led to

some interesting changes in that more cross-border buyers from outside the region were active, particularly in Sweden.

John Welham, Head of European Retail Investment, CBRE, commented:

“Growing differences in the way European retail markets are behaving have emerged in the last 12-18 months, even within the same currency zone such as the Euro. Investors recognise this and are demanding very different return criteria from market-to-market – a stark contrast to 2006-2007 when most core assets were similarly priced, almost regardless of the market. Equity investors today are eager to obtain assets in the more economically and fiscally sound countries.

Iryna Pylypchuk, Associate Director EMEA Research, CBRE, added:

“The respective fortunes of the German and UK markets is particularly interesting. These two heavyweights typically account for close to 70% of total European retail investment, but are entering very different phases. The sharp decline in retail investment witnessed in the UK is in stark contrast to the robust activity levels seen in Germany. Germany saw only €900 million less activity than the UK in H1 2011 – the closest the retail investment turnover between the two countries since the first half of 2006.”

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