



How Global is the Business of Retail?



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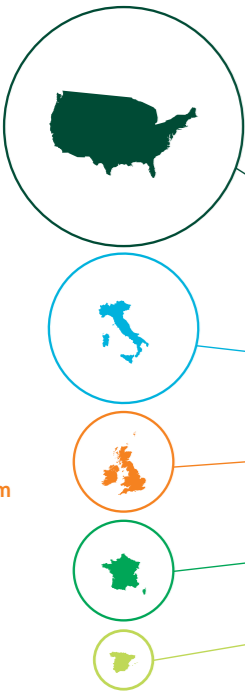
Introduction

In its eighth year CBRE's **How Global is the Business of Retail?** will once again focus on the target markets for new brands in 2014. We examined **50** countries and **164** cities across the world to provide a comprehensive view of the markets international brands have been targeting. By analysing the brand sectors that have been expanding and the flow of cross-border expansion we are able to interrogate what this means and what impact this is likely to have.

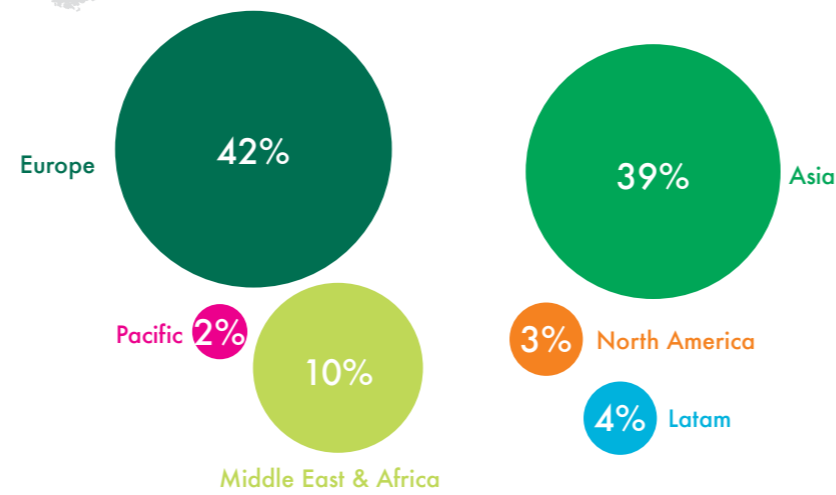
Key Findings

% OF RETAILERS EXPANDING FROM AN INDIVIDUAL COUNTRY
U.S. RETAILERS MOST ACTIVE IN 2014

- 26% United States
- 14% Italy
- 11% United Kingdom
- 10% France
- 6% Spain

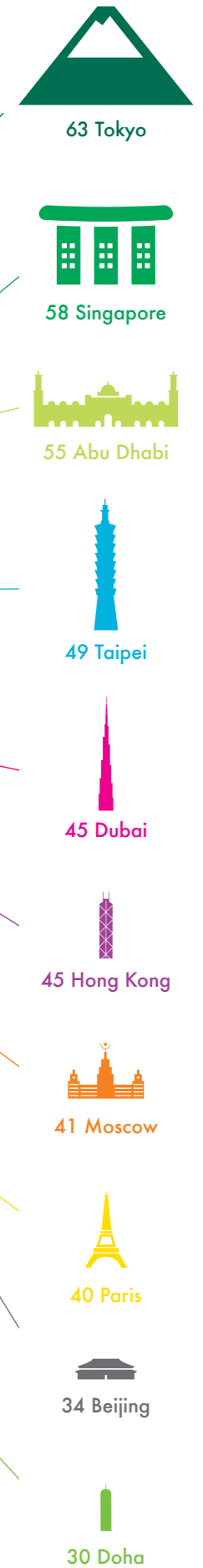


OVERALL EXPANSION BY SECTOR
MID-RANGE FASHION RETAILERS ARE THE MOST ACTIVE GLOBALLY



RETAILERS REGIONAL EXPANSION
RETAILERS FROM EMEA AND ASIA PACIFIC STILL SEE SIGNIFICANT GROWTH OPPORTUNITY WITHIN THEIR OWN REGIONS WHILST AMERICAN RETAILERS FOCUS ON EXPANSION IN ASIA AND EUROPE

TOP TARGET MARKETS BY NEW ENTRANTS



Source: CBRE Research

Hot Markets

At least half of the 164 cities surveyed saw more than five new openings in 2014. The number of retail brands looking to enter new markets increased by 14% (based on a like-for-like comparison, in terms of cities reviewed). As might be expected, Asia features heavily on the list of target cities with six out of the top 15 cities from the region. Doha, Toronto, Manila, Stuttgart and Istanbul are all new entrants this year in terms of target markets, suggesting that retailers are looking for new markets of opportunity.

FIGURE 1: TOP TARGET CITIES

Tokyo	63
Singapore	58
Abu Dhabi	55
Taipei	49
Dubai	45
Hong Kong	45
Moscow	41
Paris	40
Beijing	34
Doha	30
Berlin	29
Toronto	25
Manila	24
Stuttgart	21
Istanbul	21

Source: CBRE Research



Source: CBRE Research

Tokyo topped the list of target markets in 2014 with 63 new entrants. Leasing momentum in core areas remained strong, despite the mixed signals in the economy and an increase in the sales tax to 8% from April 2014. Within Japan, Tokyo continues to be the main focus, particularly for high-end retailers. Notable new openings in 2014 include luxury Swiss watchmaker Vacheron Constantin and Delvaux, a Belgian luxury house who opened a 2,476 sq ft flagship store in Omotesando.

The increased presence of luxury brands has spurred rental growth and compressed the availability on the main streets in core areas, particularly Ginza and Omotesando. The former have seen prime rents grow by 21% in 2014 and thus, Aoyama and Jingumae, until recently thought of as secondary streets or areas, are now attracting retailers and being seen as increasingly attractive.

Tokyo topped the list of target markets with 63 new entrants in 2014

Coffee and Restaurants remained the most active sector, accounting for a third of new entrants. People's willingness to try new dining experiences has encouraged the expansion of confectionary, cafe or fast food, especially American brands. This trend is expected to continue as food and beverage retailers are driving leasing activity across Asia Pacific.

Domestic demand is expected to strengthen, supported by the rapidly growing number of tourists that the Government have pledged to attract, increasing from 10 to 20 million visitors by 2020. We expect overseas brands to continue expansion activities in Tokyo to further raise their profile and exploit the growing consumption in this market. Premium brands like Burberry, Tiffany & Co. and Moschino have announced plans for new store openings while Versace will re-enter the market in 2015.

Taipei rose seven places from last year's new entrants rankings, with 49 new brands this year compared to 29 in 2013

Singapore follows Tokyo in the list of target markets with 58 new entrants, double the number seen in 2013. Food and beverage operators were most active, followed by mid-market apparel and accessories like ladies fashion, footwear, handbags and sports goods. The Orchard Road area continues to be the most popular shopping location and new completions such as Orchard Gateway and Shaw Centre provided more expansion opportunities. Most luxury brands picked The Shoppes at Marina Bay Sands as their first home since the retail complex is proactive in upgrading tenant mix and offers affluent-shopper traffic from the enclosed gaming resort.

Although many new brands entered the market in 2014, consolidation of networks also occurred during the second half of the year as a result of declining numbers of visitors from mainland China, weak retail sales growth and labour shortages. New brand entry will decelerate, likely and entry into the market may take longer.

Abu Dhabi saw the arrival of 55 new brands in 2014. The retail market is constantly evolving and improving with

new malls and innovative retail spaces which have been delivered in the past few years. New developments create the ability to offer more extensive retail offerings and leisure facilities. This has led to a widespread increase of popularity for retail schemes and created destinations for social interaction and leisure. The growing young population, high per capita income, an expansion of the tourism sector and the cosmopolitan mix of expatriates and residents are some of the major factors to which we can attribute the sustained growth of the retail sector. With a high proportion of the population in well-paid employment the retail operators believe the outlook is positive.

Taipei rose seven places from last year's new entrants rankings, with 49 new brands establishing themselves in 2014 compared to 29 in 2013. Though many of them are already well-established in other Asian gateway cities, Taipei has become a hotspot for Japanese and Korean fashion and cosmetics brands looking for overseas expansion. Strong leasing momentum from mid-range and fast fashion retailers sustained in 2014 with existing brands introducing new product lines such as GU, a Fast Retailing brand.

New arrivals include Alice + Olivia and GAP amongst others.

High profile units in core streets were in strong demand in 2014 however the lack of flagship prospects prompted retailers to seek out opportunities in department stores, the major retail format in Taiwan. The number of new entrants located in shopping centres was relatively limited, however well-managed centres such as Breeze Centre, Taipei 101 and ATT 4 FUN are gaining more attention.

Dubai's retail sector has remained resilient over the past few years, with major retail centres recording occupancies of over 95% and rising footfall figures. Sustained consumer demand from both the local population and visitors from across the Middle East, Europe, Asia and beyond has been instrumental in the growth of the retail sector. 2014 saw 45 new brands entered the market. Dubai's success has been driven in part by the overall quality of its developed infrastructure, and a combination of factors ranging from the ease of travel, visa availability, air flight connections and hotel quality.

The growth of Dubai's tourism sector over the past decade has been nothing short of phenomenal as visitor numbers have increased exponentially from around 5.4 million in 2004 to over 11.6 million in 2014. The role of the retail market has been pivotal in this success with the Emirates becoming synonymous

with high-end retailing, offering unrivalled exposure to luxury products and placed second only to London in overall brand coverage globally. The rise in tourist numbers along with the planned festive activities for 2015 will see another strong year for the retail sector. With strong fundamentals, the sector is expected to see further growth with the addition of new retail brands waiting to enter the market.

Despite **Hong Kong** ranking seventh for international retailer presence it continues to attract new international brands, with marginal growth in new retail arrivals compared to 2013. Hong Kong remains one of the most important retail markets in the region, with J Crew and Monica Vinader among the retailers who have located their first store in Asia in the city.

Building on the craze for new dining concepts, Asian food and beverage operators like Ya Kun and Dazzling Cafe expanded to Hong Kong whilst we also see the arrival of restaurants headed by celebrity chefs like Jamie's Italian and Bread Street Kitchen & Bar.

Similar to the rest of the region, top tier shopping centres attracted more retailer interest since they offer guaranteed foot traffic and a balanced and relevant retail mix. Despite the longer waiting period IFC Mall and Harbour City are amongst the most popular locations for new entrants.

Demand for high street locations, particularly secondary locations will remain relatively subdued in 2015 as retailers remain cautious in view of the prevailing headwinds of high occupancy cost and a weaker appetite for high-end products among mainland Chinese shoppers.

Beijing is the only mainland Chinese city to feature in the top 20 most targeted markets globally in 2014. Mid-market and affordable luxury brands are the most prominent sectors expanding in 2014, following the growing sophistication of mainland Chinese shoppers and their demand for more fashionable and differentiated accessories and apparel. New entrants include HACKETT, Scotch & Soda, Sandro, maje and Pleats Please Issey Miyake.

As the anti-corruption crackdown gains momentum, leasing demand may be relatively sluggish in 2015, especially in the luxury sector where gifting is one of the demand drivers. The biggest hurdle for retailers entering the Beijing retail market will be the lack of prime shopping centre space in core locations; however the upcoming pipeline, with schemes like China World Mall 3B1 and WF Central, may help the situation.

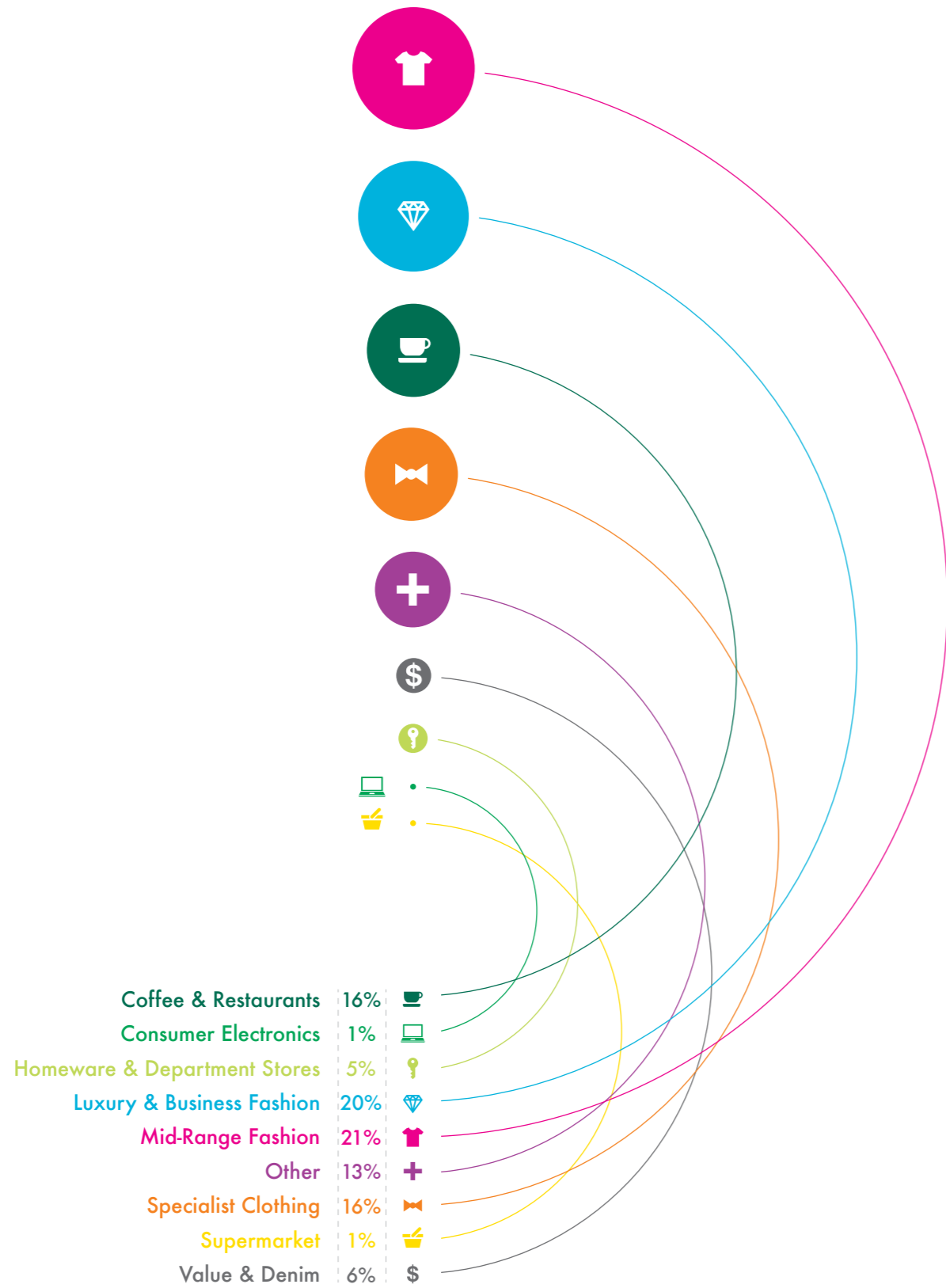
Within Germany, **Berlin** continues to attract a significant number of new brands. Due to nearby Friedrichstraße and Potsdamer Platz Arkaden centre

which are already important locations for international brands, the Mall of Berlin needed to, and has been successful in, attracting a new mix of tenants to create an edge over the competition. **Stuttgart**, which has very low vacancy levels in the prime areas saw two new centres opening in 2014, Milaneo and Das Gerber. Stuttgart is a strong retail market with traditionally wealthy customers and limited availability, therefore these schemes created the opportunity for many new brands such as Pull and Bear, Longchamp and Bershka to enter the market.

As one of the largest cities in Canada, **Toronto** is considered a gateway city; in 2014 it attracted 25 new international brands. With a diverse population with a good level of disposable income, it's unsurprising that interest in Toronto is high. Many of the foreign brands that have come to Canada, and more specifically Toronto, over the past few years have been very profitable. Other brands are seeing and recognising this positive reception of their competitors as an opportunity for their own success in the Canadian marketplace.

FIGURE 3: OVERALL EXPANSION BY SECTOR

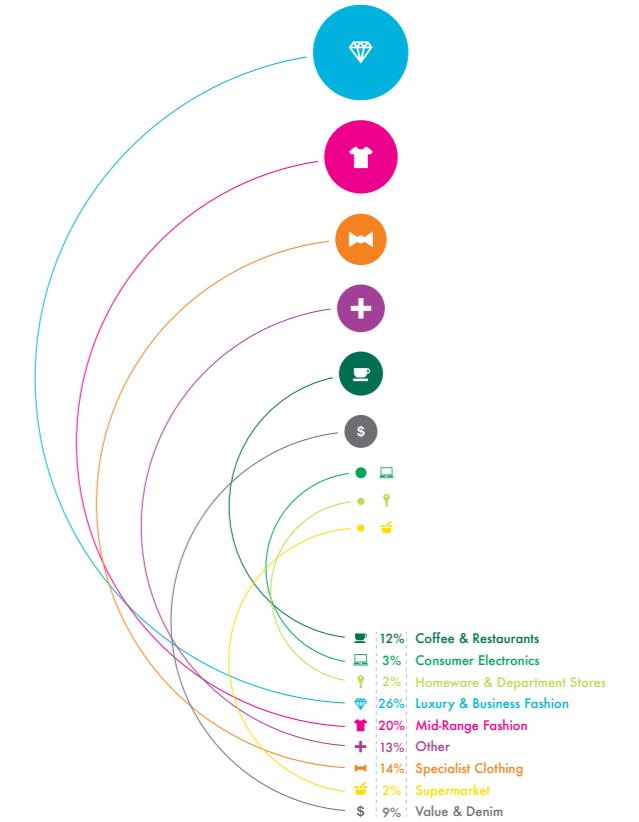
MID-RANGE FASHION RETAILERS ARE THE MOST ACTIVE GLOBALLY



Source: CBRE Research

FIGURE 4: EXPANSION BY SECTOR INTO AMERICAS

LUXURY RETAILERS TARGET THE AMERICAS AND ASIA PACIFIC WHILST MID-RANGE RETAILERS FOCUS ON EMEA



Source: CBRE Research

FIGURE 5: EXPANSION BY SECTOR INTO EMEA

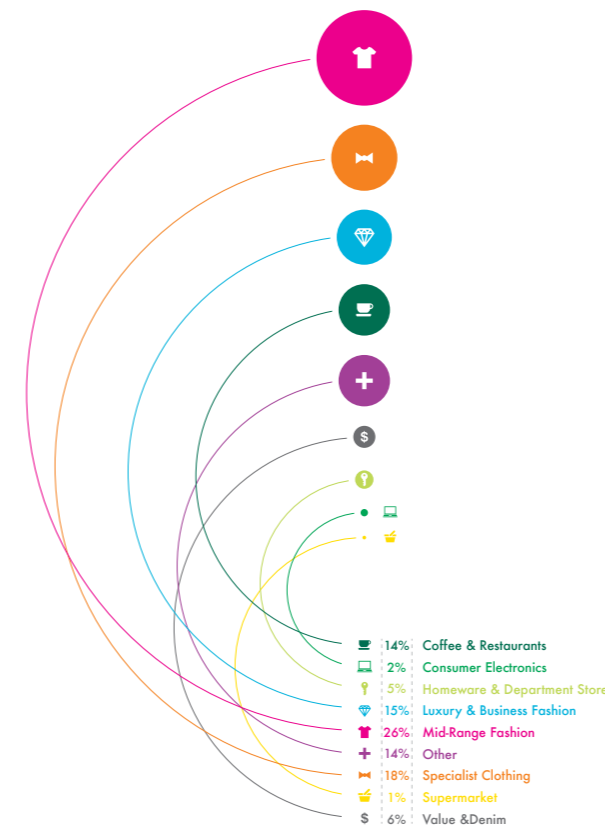
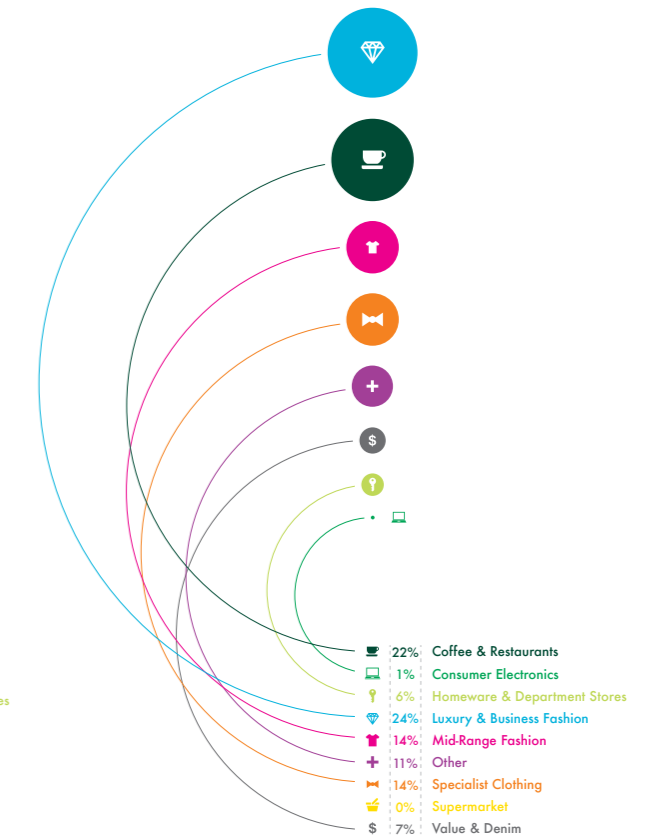
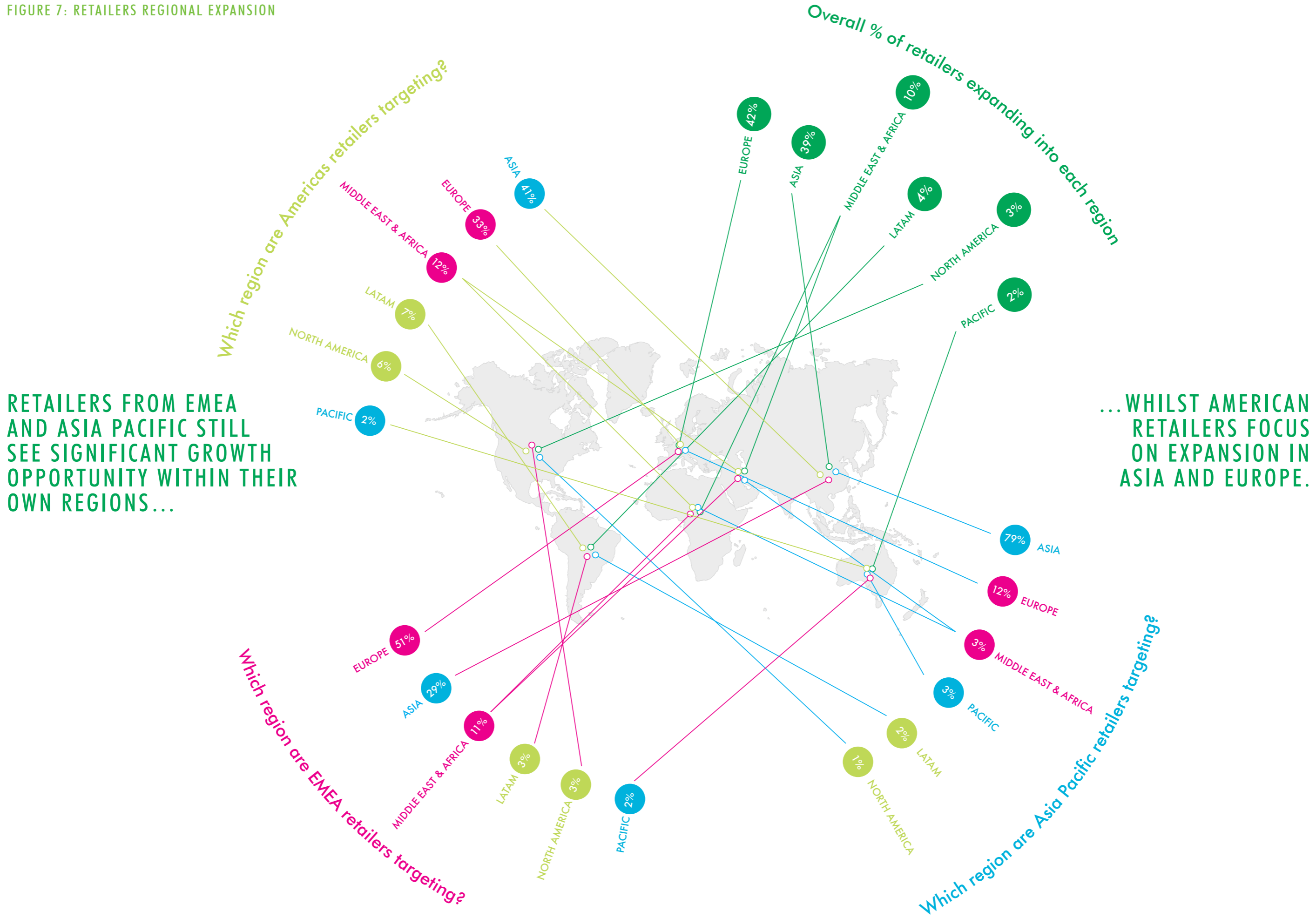


FIGURE 6: EXPANSION BY SECTOR INTO ASIA PACIFIC



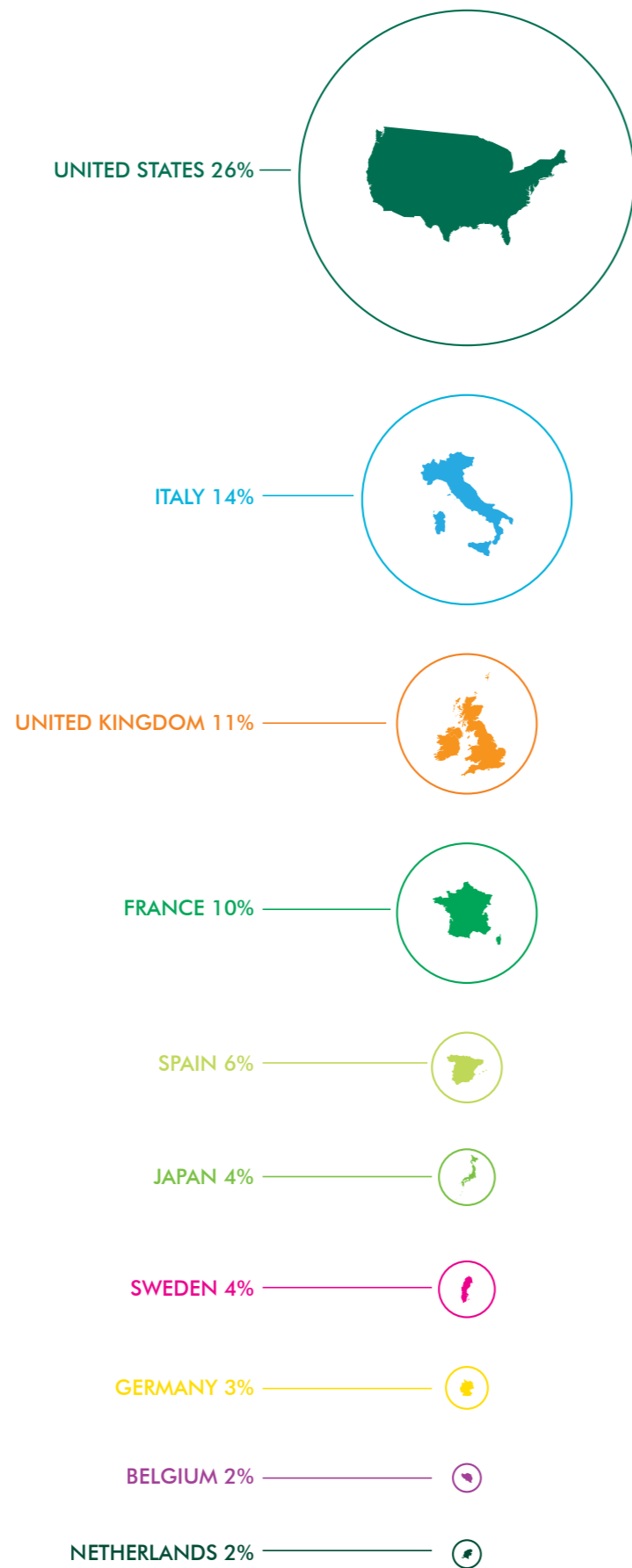
Source: CBRE Research

FIGURE 7: RETAILERS REGIONAL EXPANSION



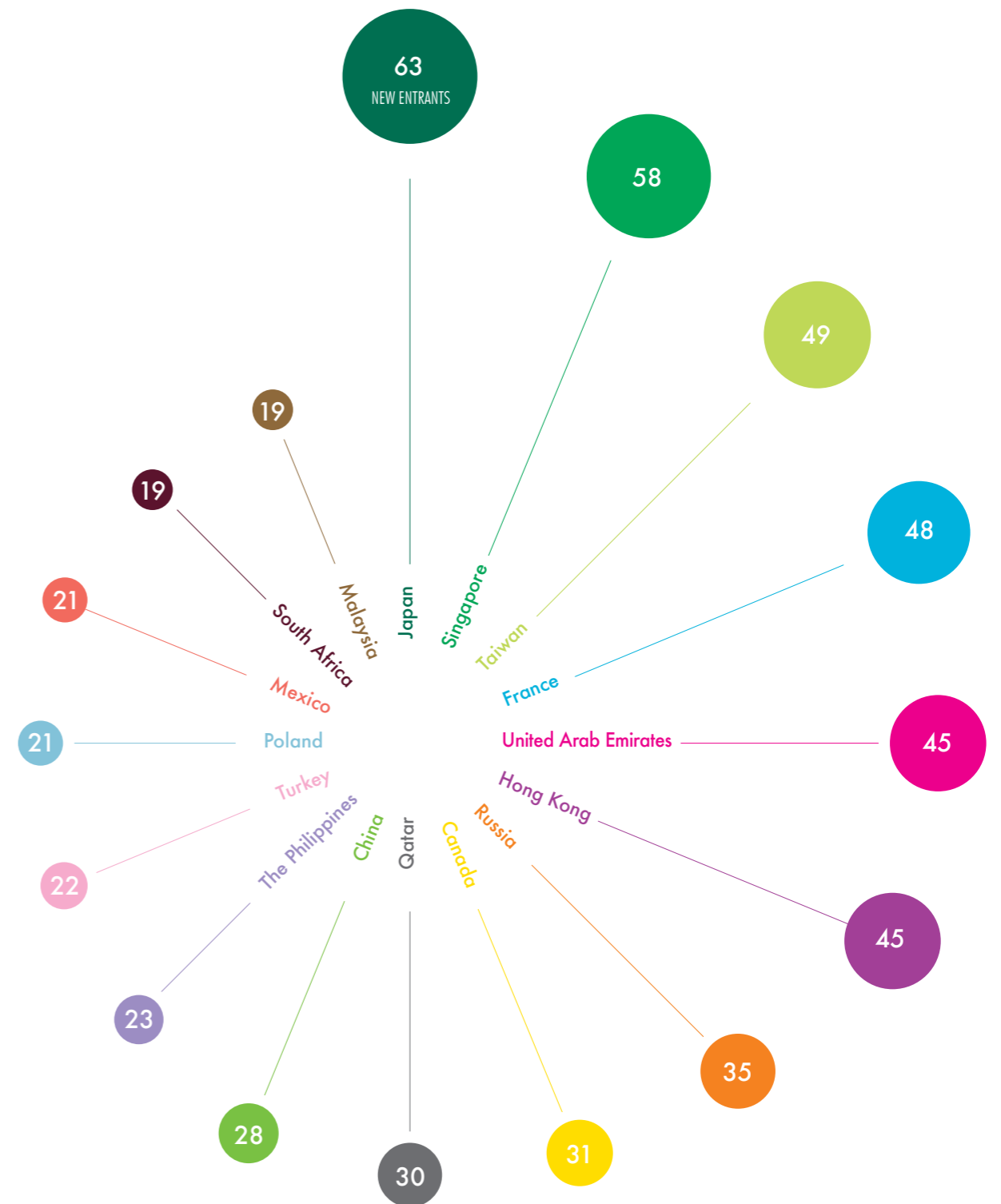
Source: CBRE Research

FIGURE 8: % OF RETAILERS EXPANDING FROM AN INDIVIDUAL COUNTRY
U.S. RETAILERS MOST ACTIVE IN 2014



Source: CBRE Research

FIGURE 9: NEW MARKET ENTRANTS BY COUNTRY
JAPAN TOP TARGET MARKET FOR NEW BRANDS



Source: CBRE Research

Spotlight on South Africa

In 2014, 19 new brands entered South Africa, ranking the market 15th in the most targeted countries globally. International retailers have continued to show interest in the South African retail market since the arrival of major brands such as Cotton On, Forever New, Zara, Mango and Gap a few years ago. In recent years brands such as Burger King, Domino's, Pizza Hut, Topshop, Dune, Mimco, River Island, Victoria's Secret, Forever 21 and H&M have all followed increasing the penetration of international retailers in the market.

Typically entry into the market is via a franchise partner, although finding a suitable partner is often a challenge. Edcon, The Surtee Group and Busby are some of the local partners which international brands have partnered with. These local partners have in many cases negotiated licenses for various brands allowing them to operate exclusively in South Africa. Partnering with a franchise operator is often the preferred route for international retailers as the local partner will have a better understanding of the retail landscape and therefore the associated risk for the retailer is reduced. However, not all international brands see the need to partner; Zara and Cotton On, amongst others, have entered the South African retail market directly and have opened a number of stores throughout the country over the last few years. Other brands which have followed suit include the likes of Forever 21 and H&M.

The South African retail market is continuously evolving with new tenants and new centres opening all the time. The Mall of Africa, due to open in April 2016, is an example that has secured a number of compelling international retail brands, sure to attract a strong level of consumer interest. Popular centres such as Sandton City, Canal Walk and the V&A are attracting international players all the time due to their high footfall and strong trading densities. New developments such as the Mall of the South are also attracting international brands and many of the brands are represented by Busby and The Surtee Group.

The Mall of Africa, due to open in April 2016, is an example that has secured a number of compelling international retail brands

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Chinese shoppers turned to aspirational fashion brands which offer branded goods at more affordable prices

Luxury in China

The luxury and business fashion sector has contributed more than one-fifth of the new retail entrants to Asia Pacific last year. However, the profile of retailers in this category diversified last year as most mainstream luxury groups are already well-established in the region, meaning that the bulk of new entries were second tier luxury brands.

The rate of expansion slowed among the top-end retailers in this segment, who are turning more cautious, particularly in China and Hong Kong. The consumption appetite for hard luxury, like watches, has been dampened by the anti-corruption campaign in mainland China. Because of the falling Euro during 2014, mainland Chinese retailers have increased their share of overseas shopping to capture the price discrepancies between Asia and Europe. According to Global Blue, Chinese tourists' spending on luxury goods in Europe has increased by 18% y-o-y in 2014 and the figure surged to 67% y-o-y in Q1 2015. To retain the sales within Asia Pacific, a few luxury brands such as Chanel, Patek Philippe and Cartier have adjusted or have plans to adjust their pricing policy, effectively cutting prices in Asia.

At the same time, Chinese shoppers are savvier now. They look for more individualism and differentiation while they felt some traditional big names are too 'logo-fied' or too 'common'. The trend has supported the emergence of aspirational fashion brands which offer branded goods at more affordable prices. As such, many luxury groups in Greater China are undergoing store network rationalisation, operation efficiency improvement and in-store experience upgrade.

In contrast, more luxury brands regained their confidence in Japan and Australia, while some planned to move out from department stores to open their first stand-alone stores. Key cities such as Tokyo, Sydney and Melbourne are most popular where projects in Central Business District are renovated or redeveloped to accommodate their demand. Indeed, the strong appetite for high-profile street shops in core shopping districts have fuelled the growth of prime rents there and gradually spilled over to peripheral locations.

CBRE's latest report, *How Active are Retailers Globally?*, indicated that 85% of luxury and business fashion retailers are looking at Asia Pacific, however, luxury retailers will continue to adopt a cautious attitude towards expansion, due partly to escalating operating costs. The main focus will be on due diligence, benchmarking and long-term strategic planning in proven markets and locations, as the retailing environment remains very competitive.

Outlook

The core elements of globalisation, technology and demographic change continue to have a dramatic impact on the business of retail. As retailers look to drive market share and raise their brand profile through increased awareness they will continue to expand beyond their home territory. We are seeing further expansion into diverse locations as the stores that have opened prove popular with the local consumers. The continued development and refurbishment of shopping centres and city centre high streets creates the perfect environment for retailers looking to further export their brand proposition around the world.

We are continuing to see consumers viewing the physical store as their preferred mode of purchase and perhaps more importantly as a point of social interaction. We see that consumers view shopping as a leisure activity and the continued expansion of brands and development and improvement of shopping locations gives them the opportunity to embrace this.

As can be seen in this years' results, there is still a great deal of expansion into Asia, with particular focus on Tokyo, Singapore and Taipei, whilst the appetite to move into the Middle East shows no signs of abating with focus on Abu Dhabi and Dubai. With some of the biggest shopping malls on the planet, the environment for expansion in the Middle East remains attractive with well-established franchise partners and templates for how to proceed being in place.

The traditional retail triumvirate of London, Paris and New York continue to be challenged and in some cases overtaken by cities from Asia Pacific and the Middle East. This trend is likely to continue and there will be a day when we see a new number one atop the overall retail penetration rankings.

The continued focus on the growing consumer appetite in Asia again shows no signs of abating and whilst there is a slowdown to some extent in demand to expand in China this comes off the back of a number of years of exponential growth. The growth of consumer spending power in this market means it would be foolish to resist entry for much longer. The continued desire for expansion into hot markets across Europe obviously remains, but many brands are already present so aren't recognised as new brands to market but nonetheless the demand remains high. Demand in the Nordics is growing as people come to recognise the spending power and the market stability offered, the new Mall of Scandinavia should be a showcase of all that is good and great about retail.

2015/16 could be the time that international retailers make more of a concerted effort to further explore the consumer appetite in some of the African markets. South Africa is now well-established but still with room to grow further; Nigeria, Kenya, Ethiopia all offer opportunities for retailers that can find the right partners and create a relevant offer for the target shopper in each market.

The three mega-trends of globalisation, technology and demographic change create an encouraging climate for retail expansion. The demographic shifts in many countries see spending power and propensity changing. Technology enables entry to market and evaluation of performance to be addressed more swiftly and the over-arching element of globalisation fits perfectly with the desires of retailers to expand into new locations. Retail brands from overseas are often well known before they enter a market and the pent up demand for the chance to purchase locally creates a ready-made opportunity.

We've already seen in our 2015 *How Active are Retailers Globally?* report that we anticipate retailers continuing their expansion plans with more stores being opened in new cities and continued growth in terms of the number of stores seen in each market. Retail is truly global and 2015/16 will only see this develop even more.

We are continuing to see consumers viewing the physical store as their preferred mode of purchase

Appendices

The methodology in Appendix 1 and the number of retailers in Appendix 2 relate solely to the table on page 25.

▼ APPENDIX 1: SAMPLE, BASIC DATA AND METHODOLOGY

The retailers were selected based on a variety of sources including surveys of retailers' turnover and brand presence, global and national retail directories and the views of the local CBRE professionals on the dominant retailers in their markets. From these sources, 334 leading international brand retailers were identified as representative of the global retail community. For each of the retailers in the sample, research was undertaken to identify whether they had a presence in each of the 61 countries and 189 cities included in the study.

When determining whether a retailer was "present" in a market, the survey required a retailer to be operating a stand-alone store within the country or city concerned. "Concession" operations within a department store and units within airports were generally discounted for the purposes of the study.

Given that the vast majority of the significant countries in the global economy were included, at national level the results therefore provide an accurate picture of "how global" each of the retailers are. However, it is clearly possible for retailers to be present in many more cities than were included in this research: for example, the project only examines 17 cities in the United States and only one or two cities in many other countries.

While some retailers may indeed only be present in these "dominant" cities, others will have a much more extensive network which provides greater penetration of the national market. Equally, the study only looks at presence in a city on a "yes-no" basis – it takes no regard of how many outlets a retailer may have in each city. It is therefore important to bear this in mind when interpreting comments about how "international" markets, sectors or retailers may be; such comments should be viewed in the context of the methodology of this research.

▼ APPENDIX 2: SECTOR DEFINITIONS

- **Coffee & Restaurants (19 retailers):** includes fast food, restaurants, confectionary retailers and coffee shops.
- **Consumer Electronics (16):** includes computing, phones, other electronics and electrical retailers.
- **Homeware & Department Stores (48):** includes DIY, department stores and furniture retailers.
- **Luxury & Business Fashion (54):** includes any luxury retailer from all areas of retailing, including men's and women's luxury clothing/footwear, jewellery and business clothing retailers.
- **Mid-Range Fashion (70):** includes men's and women's mid-market and casual fashion retailers.
- **Other (33):** includes all other types of retailers including chemists, pet stores, books, music and DVD retailers.
- **Specialist Clothing (49):** includes general (as opposed to luxury) footwear, underwear, sportswear, childrens wear and accessories retailers.
- **Supermarket (21):** includes multiple grocery/convenience stores, supermarkets and hypermarkets.
- **Value & Denim (24):** includes value and discount clothing, and denim retailers.

RANK 2015	REGION	COUNTRY	CITY	% OF RETAILERS PRESENT - 2015	RANK 2014	% OF RETAILERS PRESENT - 2014
1	EMEA	United Kingdom	London	57.9%	1	57.3%
2	EMEA	United Arab Emirates	Dubai	55.7%	2	55.0%
3	ASIA PACIFIC	China	Shanghai	53.4%	3	51.8%
4	AMERICAS	United States	New York	46.3%	4	46.0%
5=	ASIA PACIFIC	Singapore	Singapore	46.0%	6	44.3%
5=	EMEA	Russia	Moscow	46.0%	5	45.0%
7	ASIA PACIFIC	Hong Kong	Hong Kong	44.7%	8	43.0%
8	EMEA	France	Paris	44.0%	7	43.4%
9	ASIA PACIFIC	Japan	Tokyo	43.4%	9	42.4%
10	ASIA PACIFIC	China	Beijing	41.7%	12	40.5%
11	EMEA	Spain	Madrid	41.4%	10	41.1%
12	EMEA	Kuwait	Kuwait City	40.8%	11	40.8%
13	ASIA PACIFIC	Malaysia	Kuala Lumpur	39.8%	13	39.2%
14	ASIA PACIFIC	Japan	Osaka	39.5%	14	38.8%
15	EMEA	Spain	Barcelona	39.2%	16	38.5%
16	EMEA	Germany	Berlin	38.8%	14	38.8%
17=	EMEA	Italy	Milan	38.5%	17	38.2%
17=	EMEA	Turkey	Istanbul	38.5%	19=	37.2%
19	ASIA PACIFIC	South Korea	Seoul	38.2%	19=	37.2%
20=	AMERICAS	United States	Los Angeles	37.5%	19=	37.2%
20=	AMERICAS	United States	Washington DC	37.5%	22=	36.9%
20=	ASIA PACIFIC	Taiwan	Taipei	37.5%	22=	36.9%
20=	EMEA	Germany	Munich	37.5%	18	37.5%

Source: CBRE Research

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At the heart of the retail environment, lies the intersection of data and the consumer experience.

Where information and analytics come together to reveal market trends.

Where a deep understanding of consumer behaviour informs the physical experience.

Where ideas become actions that directly impact business success.

At CBRE, we are passionate retail experts.

We know how to leverage this powerful combination of data and consumer insight, unifying and mobilising them into outcomes that build true business advantage.

We call this **Retail Science**.

