

# European Retail Investment MarketView

Q3 2014

CBRE Global Research and Consulting

▲ Q3 14 TURNOVER ON Q3 13  
+23%

▼ Q3 14 TURNOVER ON Q2 14  
-9.7%

▼ HIGH STREET & SHOPPING CENTRE PRIME YIELD INDEX Q/Q  
-11 BPS & -13 BPS RESPECTIVELY

## Q3 2014 SEES A TEMPORARY BLIP IN GERMAN ACTIVITY, WHILE THE UK AND IBERIA POWER AHEAD

### Q1-Q3 retail investment at €33 billion – highest total since 2007

European retail investment reached €11.1 billion in Q3 2014 – a 10% decrease on previous quarter. This slight quarter-on-quarter decline was mainly due to the unusually low retail investment activity in Germany and weak French results.

Despite this, the overall Q1-Q3 2014 results reached an impressive €33 billion - the highest Q1-Q3 investment turnover since 2007.

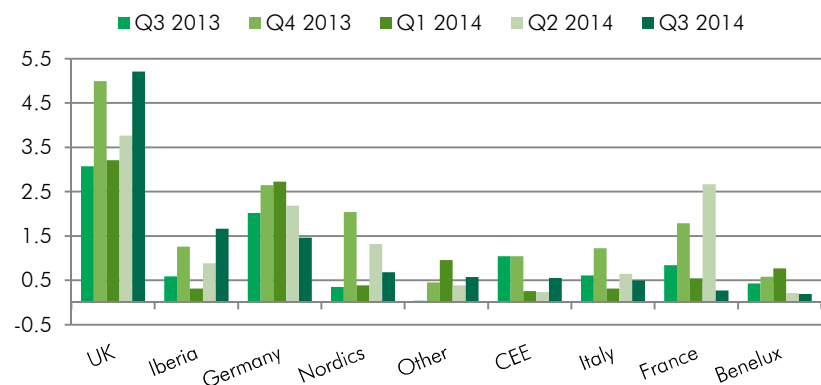
The quarter-on-quarter decline should be seen as a temporary blip as investor demand for German retail remains very strong and it is lack of quality product that caused weaker than average Q3 results. CBRE forecasts German retail investment to bounce back in the last three months of the year, with as much as €10 billion of retail investment expected for 2014 as a whole – a 15% increase on the 2013 results.

### UK and Iberia showed exceptional growth

The UK and the Iberia region have seen the strongest increase in activity this year so far. Retail investment in the UK hit new Q1-Q3 high since 2007, with €12.2 billion transacted in the first nine months of 2014. This includes the €438 million purchase of Fosse Park in Leicester by Crown Estate and Ginko Tree Investment.

The increase in total commercial real estate investment in Iberia was particularly strong, most notably in Spain. With €3.5 billion transacted, Spain became the third largest commercial real estate investment market in Europe this quarter, overtaking France with €3.1 billion.

Chart 1: European Retail Investment Turnover (€ billion)



Source: CBRE Research

Investment in Spanish retail was equally strong, with €1.7 billion transacted in Q3 2014 – this is the highest total since Q4 2007. It has to be said, however, that the latest retail results were heavily influenced by the Merlin Properties Socimi's acquisition of BBVA Bank Branch portfolio for circa €740 million.

As for France, after a record-high level of investment in Q2 2014, influenced by Klépierre's large portfolio disposal, the latest quarterly results were particularly weak, with less than €300 million transacted.

### CEE market steadily improving

Despite the current political situation and after a couple of quarters of relatively muted activity, retail investment sentiment for the CEE region is now improving.

Romania saw one of the region's largest retail deals in Q3, with Immochan buying a portfolio of Auchan hypermarkets and shopping galleries for €261 million. Russia also saw an uptick in retail investment in Q3, albeit from a very low base.

### Strong investor sentiment drives further price increases

Medium term economic sentiment has improved further in most markets, certainly compared to what was the case a year or so ago, and with it the confidence in further recovery, even if not on a spectacular scale.

Investor interest in retail sector also continues to strengthen with a notable increase in type and nationality of investors active, generating further growth in competition.

As a result, the CBRE EU-28 High Street and Shopping Centre Yield Indices reported significant quarterly compressions, at 11bps and 13 bps respectively. These falls meant that the average weighted prime yields now stand at 4.42% for high street and 5.28% for shopping centres, their lowest since Q3 2007 at 4.41% and Q2 2008 at 5.13% respectively.

Overall, CBRE expects investor competition for retail to continue into Q4, with significant prospects of further yield compression and possibly a record high in terms of European retail investment market activity.

Table 2: European Retail Investment by Market/Region, € million

Market	Q3 2014	Q2 2014	Q1 2014	Q3 2013	3-year quarterly average	Change Q3 2014 over 3-year quarterly average
UK	5,211	3,768	3,208	3,074	3,223	62%
Germany	1,462	2,187	2,722	2,018	2,180	-33%
France	272	2,666	546	838	1,015	-73%
CEE*	553	235	254	1,046	720	-23%
Italy	498	646	313	611	464	7%
Iberia	1,661	885	312	586	522	218%
Nordics	681	1,319	389	352	1,035	-34%
Benelux	192	210	766	427	423	-55%
Other**	576	387	957	43	325	77%
Europe	11,108	12,302	9,468	8,994	9,907	12%

Source: CBRE Research, Property Data

\* Includes Bulgaria, Czech Republic, Croatia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Serbia, Slovakia and the Ukraine.

\*\* Also includes Austria, Ireland and Switzerland.

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