



# HOW GLOBAL IS THE BUSINESS OF RETAIL?

GLOBAL RESEARCH AND CONSULTING

2013 EDITION | FULL REPORT

**CBRE**



# CONTENTS



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# INTRODUCTION

A new approach has been adopted for the 2013 edition of *'How Global is the Business of Retail'* which provides a different perspective on understanding cross-border retailer activity. For comparison purposes, our traditional global ranking of retailer representation has been included in Appendix 2, which shows that London has retained its number one spot with Dubai just behind in second place. The focus of this edition, however, is a comprehensive view of new retailer entries across 60 countries and 208 cities across the world.

In response to the growing range of retailers that are crossing borders we have measured all the international retailers entering each market in 2012, providing a more complete view of the cities and countries that retailers are targeting. This, together with an analysis of the country of origin and sector of these retailers, provides the basis of the report, and is covered in the section: **Hot Markets in 2012**.

For the first time, we have also examined the extent to which retailers have developed their store portfolios within cities to provide a better understanding of potential growth markets for retailers. For example, in some markets the presence of different international brands is

high, suggesting a relatively mature market, but retailer penetration rates are low which may indicate a significant potential for further store expansion. To fully grasp these dynamics we have measured the total footprint of 20 global fashion retailers in 208 cities across the world. This is covered in the section **Retailer Representation - Depth of Coverage at City Level**.

**In some markets the presence of different international brands is high, suggesting a relatively mature market, but retailer penetration rates are low which may indicate a significant potential for further store expansion**



# HOT MARKETS IN 2012

## HOT MARKETS SUMMARY

- The globalisation of the retail sector continues, with retailers expanding into a wide range of markets in 2012 - 81% of the cities saw at least one new retailer enter the market.
- Europe was the most targeted region at country level, attracting 49% of new entries, followed by Asia with 24%, and the Middle East and North Africa (MENA) with 11%. Latin America (LATAM), North America, and the Pacific region attracted 9%, 7% and less than 1% respectively.
- Hong Kong was by far the most sought after city last year with 51 new entries, attracting retailers from all sectors – not just Luxury & Business Fashion.

An emerging middle class population and the large number of Chinese tourists are a major attraction for incoming retailers which also use the city as a launch pad for entering the wider region. New entrants were principally from UK and France, but also from the U.S., Japan and South Korea.

- Mature markets dominated retailers' expansion plans last year although six emerging markets made the top 20: Kiev was in second place with 39 new entrants, with São Paulo (25 new entrants), Iasi (19), Muscat (17), Ho Chi Minh City (15) and New Delhi (14) also important targets for retailers.

- American retailers are by far the most global. They have traditionally focused on Asian and Western European markets but increasingly they are targeting MENA (accounting for 18% of all new entrants by U.S. retailers last year), Central & Eastern Europe (CEE) (17%) and LATAM (10%). The most active retailers, in terms of new city openings outside the U.S. were Hollister, Michael Kors, Forever 21, Guess and Apple.
- Italian, British and French retailers are also highly active, focusing mainly on their own region, although Asia is also a key target for French and British retailers. H&M entered more new cities than any other retailer in 2012, with COS, G-Star Raw, Scotch & Soda and Zara Home also in the Top 10 most active retailers globally.

- At a sector level, Mid-Range Fashion retailers entered more new markets than any other sector last year, accounting for 22% of all new openings, followed by Luxury & Business Fashion retailers (20%). Coffee & Restaurants (13%) is another growth area, as international retailers expand to meet consumer demand for entertainment-based retail.

## HOT MARKETS

Retailers targeted a wide range of locations in 2012 in both mature and emerging markets. Of the 208 cities surveyed, 81% saw at least one new retailer entrant last year. The majority of the top target markets were cities that already have a high number of cross-border retailers (those cities where 25% or more of the 320 retailers in CBRE's 2012 How Global Retailer Representation ranking have a presence - defined as mature markets in this section). The top emerging city targets were Kiev, São Paulo, Iasi, Muscat, Ho Chi Minh City, and New Delhi.

## Of the 208 cities surveyed, 81% saw at least one new retailer entrant last year

▼ FIGURE 1: TOP CITIES BY NUMBER OF NEW RETAILERS IN 2012



**Footnote:** For the purpose of this analysis, a mature market in Figure 1 has been defined as a city where 25% or more of the 320 retailers in CBRE's How Global Retailer Representation Ranking have a presence.

Hong Kong attracted significantly more cross-border retailers than any other city in 2012. It is often used as a launch pad for brands entering the region, although less so than previously, as more retailers bypass expensive markets such as Hong Kong and enter Chinese cities directly. Hong Kong also provides an opportunity for retailers to capitalise on the emerging middle class population and tourists from mainland China. Whilst luxury brands led the way, retailers from across the spectrum opened their first store in the city last year, including Pierre Cardin, Forever 21 and COS.

Kiev was the second most sought after location in 2012 and the most targeted emerging market, attracting a wide range of retailers including Prada, Camper and S. Oliver. This is the second year that Kiev has been ranked in the top three globally. A combination of strong growth in real incomes and consumption and a serious under supply of quality retail space is driving shopping centre development which in turn has attracted a record 39 new retailers last year. Most of the new entrants took space in the 72,000 sq m Ocean Plaza which opened in December.

## Kiev was the second most sought after location in 2012 and the most targeted emerging market

Berlin was in third place with Frankfurt, Hamburg and Munich also featuring in the top 20. Low unemployment, rising wages and employment levels at record highs have created strong fundamentals for consumption in Germany and are encouraging retailers to target a wide range of cities. Notable new entries in Berlin included Mulberry, Hollister, Pull & Bear, and Zara Home (which also entered Munich).

Singapore has quickly established itself as a regional hub, and is used as a gateway by international retailers looking to expand in South East Asia. The city has benefitted from an influx of regional tourists, to attractions such as the "Gardens by the Bay" and the "River Safari" whilst new shopping centre development continues to create opportunities for international retailers to enter the market.

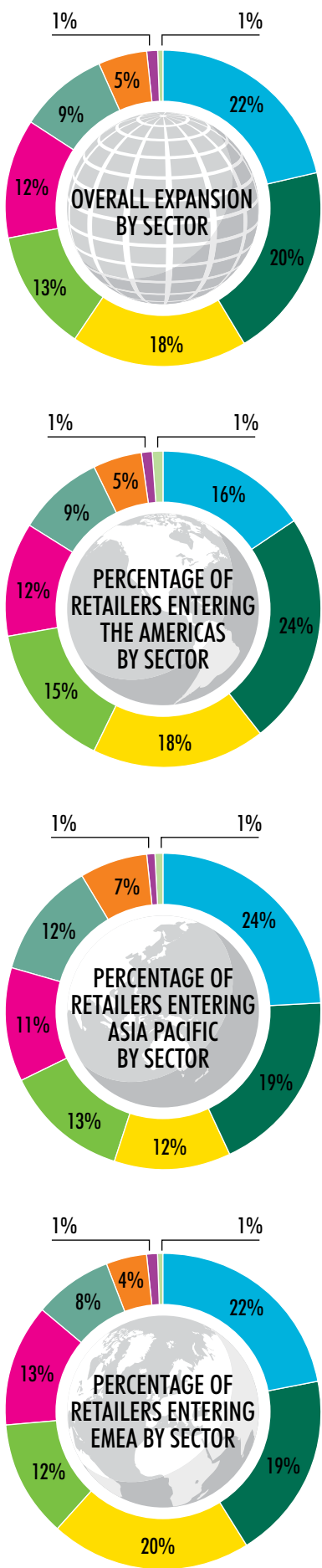
## São Paulo is experiencing huge growth in its retail sector, and saw 25 new market entrants in 2012

Dubai is in fourth place, closely followed by Paris, London and New York. These are the most mature markets in the world in terms of the number of international retailers that already have a presence there. However, the survey shows that these cities continue to attract new retailers - and more than almost all other cities. Successful retail locations remain a magnet for new retailers regardless of market maturity and the level of competition. Other mature markets that made the top 20 in 2012 were: Tokyo, Moscow and Toronto.

São Paulo is experiencing huge growth in its retail sector, and saw 25 new market entrants in 2012, including Miu Miu, Dolce & Gabbana, Tod's and Topshop. Whilst there is a wide range of multiple retailers in Brazil, a prohibitive tax regime has restricted the entry of cross-border retailers. However, the size of the market and growing consumer wealth are encouraging new retailers to enter. Inditex recently opened up a manufacturing plant in Brazil (one of very few outside of Spain) to overcome import restrictions and take full advantage of the market opportunity.

Whilst Kiev was the biggest target in the CEE, Warsaw, Iasi and Moscow all feature in the top 20. New shopping centres played a key role in attracting cross-border retailers to these markets, particularly in Iasi, where all 19 new entrants took space in the recently completed Palas Iasi (55,000 sq m). C&A, New Yorker and H&M were among the retailers that opened their first stores in the city.

▼ FIGURE 2: NEW MARKET ENTRANTS BY RETAIL SECTOR



Mid-Range Fashion accounts for the highest proportion (22%) of new market entrants globally. In Asia, many of the Luxury & Business Fashion brands are already well represented in the region with the result that Mid-Range Fashion retailers are now starting to expand at a faster rate. They are also the fastest growing sector in EMEA, but in the Americas the sector with the most new entrants in 2012 was Luxury & Business Fashion. An emerging middle class in LATAM has attracted new high end retailers to the region, particularly to São Paulo. New York also saw an influx of luxury retailers last year. U.S. households have successfully deleveraged since the recession, driven partly by the recovery in housing values, which has improved the outlook for U.S. consumption, including that on discretionary and luxury goods. The U.S. was also a target for Mid-Range Fashion retailers in 2012. However, as very few opened in LATAM, the overall proportion of new mid-market entrants in the Americas was considerably less than in the other two regions. Coffee & Restaurants (13%) is a growth area in markets around the world, as international and regional retailers expand to meet consumer demand for entertainment-based retail.



▼ TARGET MARKETS IN THE FASHION SECTOR

Hong Kong attracted retailers from across the fashion spectrum in 2012, but other markets were favoured by particular types of retailer. Luxury & Business Fashion retailers such as Canali, Tom Ford and Cartier, were the only new entrants to Abu Dhabi in 2012, but in sufficient numbers (8 new entrants) to place it joint fourth in the luxury rankings. This can be attributed to the most active

shopping centre development market in the Middle East and strong consumer demand from a wealthy customer base. In Ploiesti, Romania's ninth largest city, the new Ploiesti Shopping City attracted a range of new entrants but Value & Denim retailers dominated, as they do in provincial cities throughout the country. Toronto was ranked fourth for Mid-Range Fashion but attracted few retailers from other sectors.

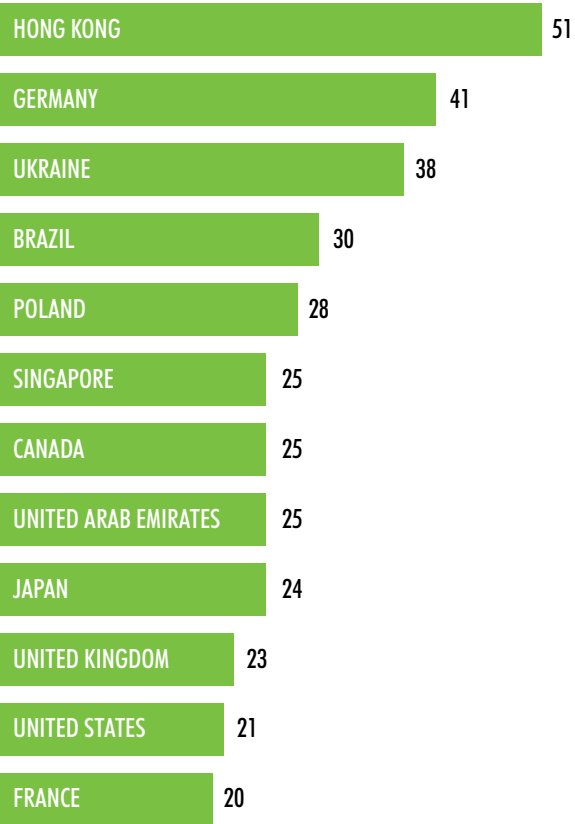
▼ FIGURE 3: NEW MARKET ENTRANTS IN THE FASHION SECTOR BY CITY

LUXURY & BUSINESS FASHION			MID-RANGE FASHION			VALUE & DENIM		
RANK	CITY	% OF NEW ENTRANTS	RANK	CITY	% OF NEW ENTRANTS	RANK	CITY	% OF NEW ENTRANTS
1	NEW YORK	5%	1	HONG KONG	6%	1 =	BERLIN	5%
2	SHENYANG	4%	2	KIEV	5%	1 =	HONG KONG	5%
3	HONG KONG	4%	3	LONDON	5%	3	KIEV	4%
4 =	BERLIN	4%	4	TORONTO	4%	4 =	IASI	3%
4 =	SÃO PAULO	4%	5	SINGAPORE	3%	4 =	OSAKA	3%
4 =	ABU DHABI	4%	6 =	NANJING	3%	4 =	MANILA	3%
4 =	SINGAPORE	4%	6 =	BERLIN	3%	7 =	SINGAPORE	2%
4 =	KIEV	4%	6 =	DUBAI	3%	7 =	PLOIESTI	2%
4 =	LONDON	4%	6 =	NEW YORK	3%	7 =	MUNICH	2%
10	WUHAN	3%	6 =	IASI	3%	7 =	HAMBURG	2%

▼ FIGURE 4: NEW MARKET ENTRANTS BY COUNTRY

COUNTRY ANALYSIS

The country ranking of new entrants, unsurprisingly, mirrors the ranking of major cities in Figure 1. Hong Kong was the most sought after market, followed by Germany, Ukraine and Brazil. Poland, in fifth place, attracted 28 new entrants in eight cities, although Warsaw was by far the most important target. These retailers originated from a wide range of countries including Russia, Czech Republic, U.S. and Western Europe - only Hong Kong and Germany attracted a more diverse range of new retailers in terms of country of origin. Canada was in joint sixth place, with all but four of the new entrants originating from the U.S. which has been an ongoing trend since the start of the recession. U.S. retailers have been targeting Canada because of its relatively stronger retail sales growth and its close proximity to their home market. Notable by its absence from the Top 10 was China which attracted only four new retailers, including Ted Baker and Forever 21, even though there were around 100 new entries in the 16 Chinese cities surveyed.





RETAILER MOVEMENTS BY REGION

Some 26% of cross-border movements by retailers based in the Americas were to other countries in the region; 21% were to countries in Asia Pacific. However, half (53%) were to countries in EMEA. The majority of these cross-border movements were by U.S. retailers, reflecting the maturity of their home market and their need to cross-borders into new regions to grow their business.

In contrast, retailers from Asia Pacific still favour expansion within their own region, where there are still substantial opportunities to grow market share. Retailers from EMEA also strongly favour their own region - 68% doing so.

Retailers from Asia Pacific still favour expansion within their own region, where there are still substantial opportunities to grow market share

FIGURE 5: TARGET MARKETS BY RETAILERS' COUNTRY OF ORIGIN



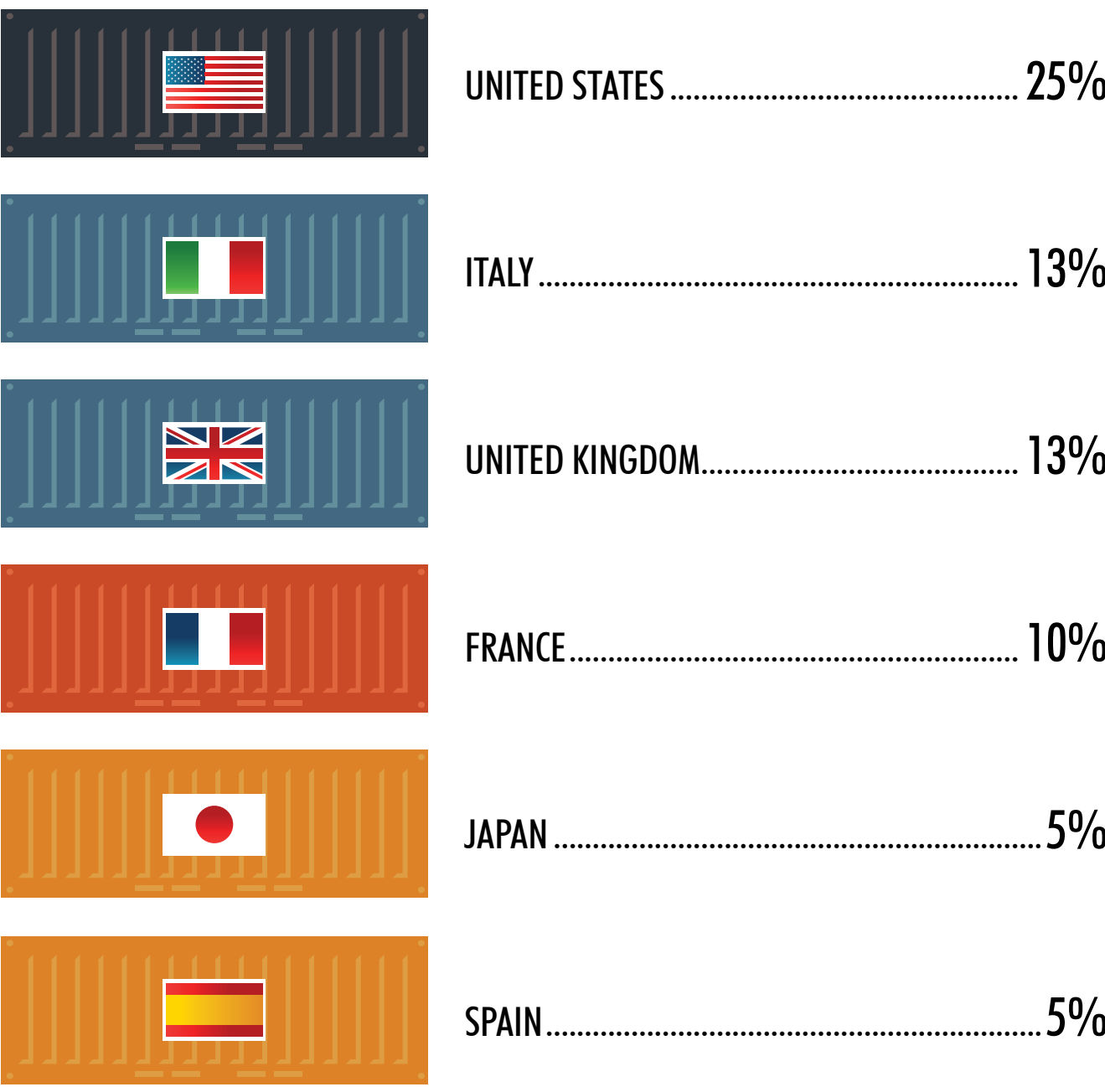
RETAILERS' COUNTRY OF ORIGIN

Retailers from the U.S. still dominate cross-border retailer expansion, with Italy, the U.K and France making up the second tier of major exporters.

U.S. retailers have traditionally focused on Asian and Western European markets but increasingly they are targeting MENA (which represented 18% of all new entrants by U.S. retailers in 2012), CEE (17%) and LATAM (10%). Retailers from Italy, the U.K. and France are focused mainly on expansion into other European countries, although Asia is also a key target for French and British retailers.

U.S. retailers have traditionally focused on Asian and Western European markets but increasingly they are targeting the MENA and CEE regions

FIGURE 6: TOP EXPORTING COUNTRIES - EXPANSION BY RETAILERS FROM EACH COUNTRY



# RETAILER REPRESENTATION

## DEPTH OF COVERAGE AT CITY LEVEL

**This section establishes the level of retailer penetration at city level and identifies potential growth markets. The analysis is based on the total footprint of a representative sample of 20 major international fashion retailers in 208 cities across the world. The retailers included in this analysis are set out in Appendix 3.**

### SUMMARY

- Global fashion retailers have been quick to take advantage of the opportunities in fast growing, major maturing markets. The largest store portfolios have been built up in Beijing and Shanghai, with Moscow, Istanbul and New Delhi not far behind.
- Among mature markets, only Tokyo and London feature in the top 10. Fewer retailers have built up large store portfolios in mature markets due to substantial competition from domestic and other international retailers. This is most notable in large U.S. cities, including New York and Los Angeles which are ranked in 26th and 55th place respectively.
- In general, emerging markets present the best opportunities for retailers to increase their store coverage at city level. The highest potential for growth is arguably in China's Tier 2 cities, where a high proportion of retailers already have a presence but penetration levels are low.

**Global fashion retailers have been quick to take advantage of the opportunities in fast growing, major maturing markets**



▼ FIGURE 7: FOOTPRINT OF SELECTED FASHION RETAILERS

RANK	CITY	TOTAL NUMBER OF FASHION RETAILER STORES
1	BEIJING	376
2	SHANGHAI	339
3	TOKYO	205
4	MOSCOW	169
5	LONDON	166
6	ISTANBUL	161
7	NEW DELHI	144
8	MUMBAI	137
9	ATHENS	136
10	CHENGDU	132
11	SEOUL	123
12	PARIS	118
13	BERLIN	115
14	MADRID	112
15	OSAKA	109
16	SHENYANG	107
17	HONG KONG	100
18=	TAIPEI	99
18=	DUBAI	99
20	MEXICO CITY	97
21	BANGALORE	95
22	ST PETERSBURG	90
23=	GUANGZHOU	88
23=	YOKOHAMA	88
25	CHONGQING	87

Beijing and Shanghai top the ranking of retailer penetration at city level. Both of these mega cities offer huge scope for retailers to establish substantial store portfolios with early entrants Vera Moda, Jack & Jones and Levi’s all achieving good market coverage. Tokyo is ranked third, although this is due in part to the high number of Uniqlo branches in the city. London, in fifth place, is one of only two cities in which all 20 retailers are present. Given that London also tops CBRE’s City Retailer Representation Ranking (See Appendix 2), its position as the pre-eminent global retailing city is assured.

Perhaps surprisingly, New York is in 26th place whilst Los Angeles is much lower still, in 55th place. Although a large number of international retailers have representation in the U.S. two major cities, in general, few have built a commanding presence there. New York and Los Angeles are of course mature and highly competitive markets and have been for some time. Whilst many international retailers have a presence in these cities, the majority have entered quite recently and have a limited opportunity to develop extensive store portfolios. Equally, since the recession, international retailers have tended to focus on opening flagship stores in the core submarkets of New York and L.A., with few seeking to expand into secondary submarkets.

Hong Kong (17th) and Dubai (18th) are also further down the fashion ranking than might be expected, given they rank 6th and 2nd respectively in the Retailer Representation Ranking (see Appendix 2). However, in the Luxury & Business Fashion sector they are placed much higher, Hong Kong 4th and Dubai 8th. Heading the ranking for Luxury & Business Fashion is Shanghai and Beijing, with London in 3rd place.

The highest depth of coverage among fashion retailers tends to be in markets that are emerging. Seven of the top 10 fall into this category, including Beijing, Shanghai, Moscow and Istanbul. The global retailers in our survey have been quick to take advantage of these growth markets – not just by entering new cities but also by developing their store networks within these cities. Nevertheless, further down the ranking penetration levels fall quite quickly and suggest that significant opportunities remain for retailers to develop their store coverage. In locations such as Casablanca and Karachi (where our sample retailers have fewer than 10 outlets) this might take some time, but in the fast growing Chinese markets the opportunities are more obvious.

All the retailers in this analysis have a presence in Shanghai, and 18 out of 20 are represented in Beijing, indicating the huge appeal of these cities to cross-border retailers. Perhaps more surprising is the fact that over two thirds of these retailers are also present in all the Tier 1 and Tier 2 cities (see Figure 8), with the exception of Xi’an and Ningbo – where over half the retailers are present. But the number of outlets that retailers have in each city varies significantly. Beijing (376 stores) has the largest number of outlets with Shanghai (339) not far behind. Penetration levels are lower elsewhere – Chengdu has only 132 stores and Shenyang has 107 stores. In other words, Chengdu has just 35% of fashion outlets that are present in Beijing.

Penetration levels are much less in cities such as Dalian (14%), Suzhou (13%) and Qingdao, Xi’an and Ningbo

(all 10%). These markets are smaller and have less consumer spending potential than Tier 1 cities, but lower penetration rates in these Tier 2 cities can also be attributed to: the relatively low availability of quality space in core locations; strong competition from local brands; consumer loyalty to local brands (more notable in some of the North Chinese cities); and less important geographical status of some Tier 2 cities (so they are not priority targets for some international retailers).

In spite of these factors, the high level of retailer penetration achieved by fashion retailers in Beijing and Shanghai, the large size of most Tier 2 cities and the fact that many of these retailers already have a presence there, suggests that the potential for retailers to increase their market penetration is substantial.

▼ FIGURE 8: MARKET PENETRATION OF FASHION RETAILERS IN CHINA

CITY	PROPORTION OF 20 RETAILERS PRESENT IN THE CITY	NUMBER OF RETAILER STORES	RETAILER STORES AS A % OF BEIJING
SHANGHAI	100%	339	90%
BEIJING	90%	376	100%
CHONGQING	80%	87	23%
HANGZHOU	80%	57	15%
SHENYANG	80%	107	28%
NANJING	75%	50	13%
SHENZHEN	75%	69	18%
SUZHOU	75%	50	13%
CHENGDU	70%	132	35%
DALIAN	70%	53	14%
TIANJIN	70%	78	21%
WUHAN	70%	83	22%
GUANGZHOU	65%	88	23%
NINGBO	65%	37	10%
QINGDAO	60%	37	10%
XI'AN	55%	37	10%





# OUTLOOK

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The rate of cross-border retail expansion amongst the world's largest retailers is expected to slow as many of them have now built up a presence in the markets they want to be in. On the other hand, an increasing number of retailers are seeking to expand into new markets, so overall a steady growth in new retailer openings is expected in 2013.

Asia Pacific has driven global retail growth in recent years and will continue to do so. The main activity is expected to come from Value & Denim retailers targeting emerging markets and also from Japanese and Korean groups. However, as economic growth slows in the region, there will be fewer easy wins than previously. Regulatory hurdles and, in some sectors, increased competition from local

brands pose additional obstacles for retailers planning to expand in the region. In Europe, retailers still face a challenging economic environment, and as a result retailers' expansion ambitions for 2013 are similar to last year, with Germany expected to remain the main target, reflecting its relatively strong economy within the eurozone area.

Emerging markets in South America, Eastern Europe and the Middle East will continue to attract new market entrants, particularly where well located new shopping centres provide an opportunity for incoming retailers. In general, there is a lack of new prime retail space globally which is limiting the ability of some retailers to meet their expansion plans. This is most notable in

mature markets but also affects many emerging markets where much of the new development is in the peripheral areas of large cities, appealing only to domestic brands. Retailers are more selective than ever – both in terms of the countries they choose and the type of space they take, with the focus firmly on the best space in the biggest cities.

The growth of online retailing has further increased the rigour with which retailers are analysing their portfolios. Whilst some will downsize their store presence, the vast majority are embracing the multichannel approach - they are developing their online presence, but they are also investing in new store openings and their existing stores. For many retailers, opening stores in new markets is also

a priority, underpinning our view that cross-border activity will continue at a steady pace in 2013.



# APPENDICES

## ▼ APPENDIX 1: SECTOR DEFINITIONS

- **Coffee & Restaurants:** includes fast food, restaurants, confectionary retailers and coffee shops.
- **Consumer Electronics:** includes computing, phones, other electronics and electrical retailers.
- **Homeware & Department Stores:** includes DIY, department stores and furniture retailers.
- **Luxury & Business Fashion:** 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:** includes men’s and women’s mid-market and casual fashion retailers.
- **Other:** includes all other types of retailers including chemists, pet stores, books, music and DVD retailers.
- **Value & Denim:** includes value and discount clothing, and denim retailers.
- **Specialist Clothing:** includes general (as opposed to luxury) footwear, underwear, sportswear, childrenswear and accessories retailers.
- **Supermarkets:** includes multiple grocery/convenience stores, supermarkets and hypermarkets.

## ▼ APPENDIX 2: CITY RETAILER REPRESENTATION RANKING\*

2013 RANK	CITY	COUNTRY	2013 - % OF RETAILERS PRESENT	2012 - % OF RETAILERS PRESENT	2012 RANK
1	LONDON	UNITED KINGDOM	55.5%	55.5%	1
2	DUBAI	UNITED ARAB EMIRATES	53.8%	53.8%	2
3	PARIS	FRANCE	44.2%	43.2%	4=
4=	MOSCOW	RUSSIA	43.9%	43.2%	4=
4=	NEW YORK	UNITED STATES	43.9%	43.9%	3
6	HONG KONG	HONG KONG	42.5%	40.9%	6
7	MADRID	SPAIN	41.5%	40.5%	7
8=	BEIJING	CHINA	40.5%	38.2%	12=
8=	KUWAIT CITY	KUWAIT	40.5%	39.5%	8
10	SHANGHAI	CHINA	40.2%	38.5%	10
11	SINGAPORE	SINGAPORE	39.9%	39.2%	9
12	BARCELONA	SPAIN	38.9%	38.2%	12=
13	LOS ANGELES	UNITED STATES	38.5%	38.5%	10
14	MILAN	ITALY	37.9%	36.9%	15=
15=	RIYADH	SAUDI ARABIA	37.2%	36.9%	15=
15=	ISTANBUL	TURKEY	37.2%	37.2%	14
17	BERLIN	GERMANY	36.9%	36.5%	17
18	MUNICH	GERMANY	36.2%	35.5%	18
19	TOKYO	JAPAN	35.2%	34.9%	19=
20=	LAS VEGAS	UNITED STATES	34.9%	34.9%	19=
20=	HAMBURG	GERMANY	34.9%	34.6%	22

## ▼ APPENDIX 3: INTERNATIONAL FASHION RETAILERS

Adidas  
Benetton  
Burberry  
ESPRIT  
Forever 21  
Gap  
Gucci  
H&M  
Hollister and Co  
Hugo Boss  
Jack & Jones  
Levi’s  
Louis Vuitton  
Mango  
Monsoon/Accessorize  
Ralph Lauren  
Tommy Hilfiger  
Uniqlo  
Vero Moda  
ZARA

\*The figures in this table do not directly correspond with Figure 1 of the report as this table has been put together on the basis of original 323 retailers usually surveyed. For reasons explained throughout the report this edition of How Global is the Business of Retail now looks at all cross-border new entries.

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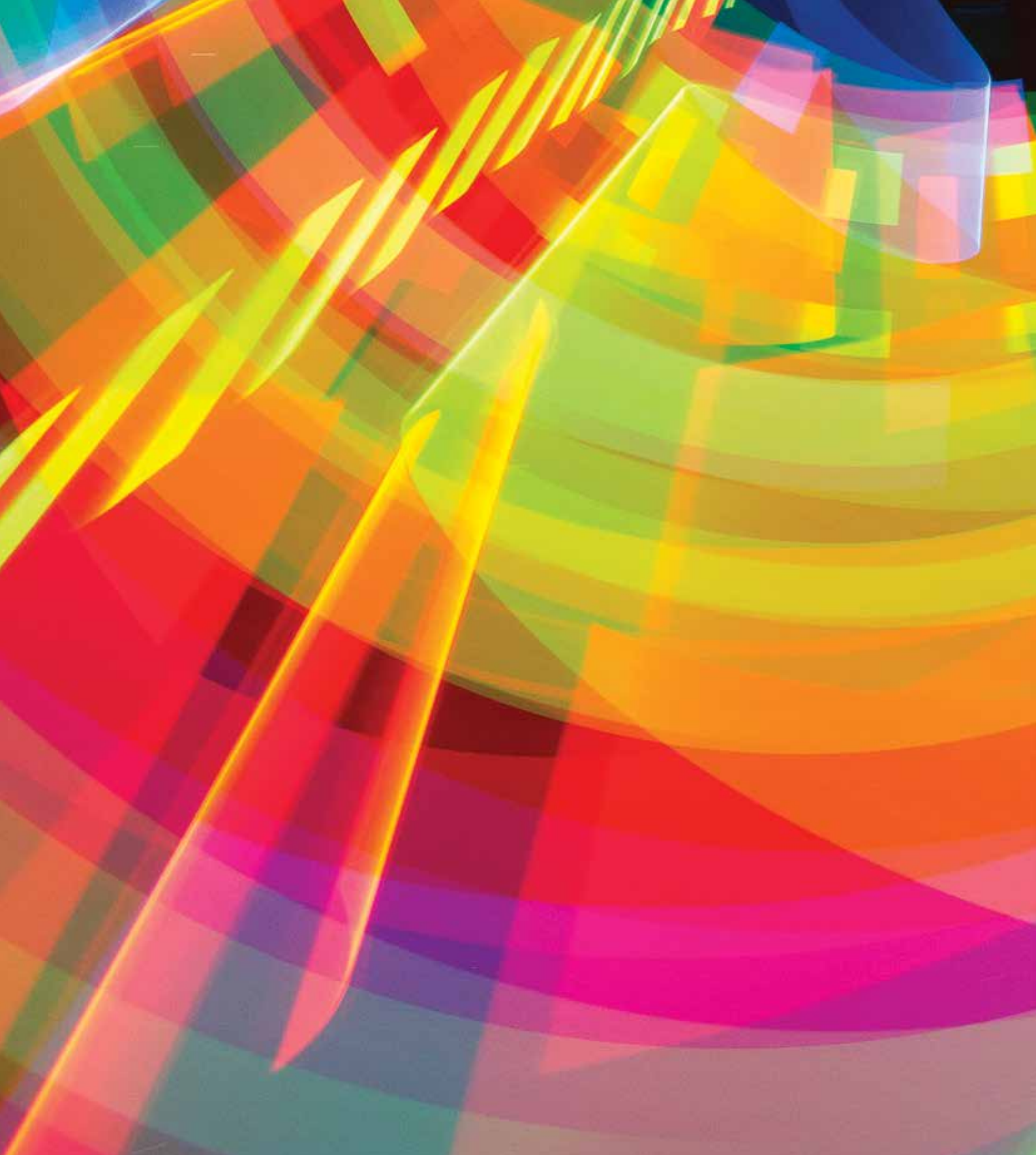
**ACKNOWLEDGEMENTS**  
This report has been produced using input from many dozens of professionals within the CBRE Global Research and Consulting and Global Retail teams. In addition to recognising their considerable effort and expertise, CBRE would like to gratefully acknowledge the help and support of Emma Berger, Helen Ghirmay and Caroline Pehrsson of Danderyds Institute in Sweden for their assistance with the research on which this report is based.

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