

# P R E S S   R E L E A S E

CB Richard Ellis Pty Ltd  
ABN 57 057 373 574

Level 26, 363 George Street  
Sydney NSW 2000  
DX 10262

T 61 2 9333 3333  
F 61 2 9333 3330

[www.cbre.com.au](http://www.cbre.com.au)

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For further information:

Laura Ackland

Communications Advisor

61 2 9333 3377

61 409 823 535

Joshua Loudoun

Regional Director, Retail Services

61 2 9333 3382

61 439 034 017

European retailers eye opportunities in Australia and New Zealand

Sydney, NSW (8 April 2008)

Many of the world's leading retailers are yet to establish a presence in Australia and New Zealand according to a new global retail study by CB Richard Ellis.

The report, entitled *How Global is the Business of Retail?*, is the first of its kind to analyse the international retail market. To be formally launched this week at the World Retail conference in Barcelona, the report maps the footprint of 250 of the world's top retailers and explores the globalisation of the retail industry.

CB Richard Ellis Regional Director, Retail Services, Joshua Loudoun said the study highlighted significant opportunities in the Australian and New Zealand markets, particularly for the luxury European retailers – a growing number of whom were presently scouting for opportunities in this region.

Of the 250 retailers surveyed, Mr Loudoun said only 25% had a presence in Australia and even fewer retailers - 15% - had put up their shingle in New Zealand.

Significantly, the presence of US retailers in this region significantly outweighed that of retailers originating from the EMEA (Europe the Middle East and Africa).

However, changes are afoot according to Mr Loudoun, who said a growing number of European retailers were examining opportunities in this region.

"Typically a global brand entering Australia had only a limited choice of opening a store in the Melbourne or Sydney CBD, with few options after that, making it difficult to justify the investment," Mr Loudoun said.

"However, increases in personal wealth have opened up new markets in Brisbane and more recently Perth. This is currently attracting considerable attention, particularly from the luxury brands, with the likes

of Tiffany & Co, Louis Vuitton and Chanel all committing to new stores in this region," Mr Loudoun continued.

"Looking forward, Australia and New Zealand are very much of the radar, with a number of big name fashion labels making preliminary investigations over the past few months."

Upmarket fashion label Zara, luxury luggage brand Tummi and global fashion chain H&M are all understood to be examining opportunities in Australia.

Other global retailers to have recently opened concept stores in Australia include Jimmy Choo, Omega, Coach, Lululemon Athletica, Lacoste and Adidas.

Mr Loudoun said there were two main barriers for retailers entering the Australian and New Zealand markets.

A key obstacle was the alternate seasons and this had been reflected in the CBRE study, which showed that of the 61 countries surveyed, only 10% were in the Southern Hemisphere.

The size of the Australian/New Zealand market was also often cited as a barrier to entry. However, Mr Loudoun said it was not so much market size (Australia ranks 13<sup>th</sup> in the CBRE study in regard to GDP) but the lack of suitable store locations to provide the critical mass retailers needed to justify their operational costs.

"With a requirement for high profile, large format concept stores, the planned developments of Centrepoin in Sydney and Myer Melbourne will provide the ideal entry point for many of international labels," Mr Loudoun said.

"Many of the regional shopping centres are also now looking at the potential to add on luxury malls, which was seen recently with Chadstone in Melbourne announcing it has secured Louis Vuitton."

#### International Trends

Looking outside this region, the CBRE report highlights a number of key trends in the global retail market.

The study ranks the UK as the current global leader in relation to international retailer presence, with 55% of the retailers surveyed having a presence in that market.

However, the UK's title as the most international retail market in the world is under threat from an unlikely candidate - Spain - which was a close runner-up at 51%.

Spain is a relatively new destination for international retailers, who have been attracted by the recent strong performance of the Spanish economy.

France and Germany also performed strongly in the global ranking, achieving third and fourth positions respectively. Emerging markets included the United Arab Emirates, China and Russia – countries which all featured in the top 10 list.

Australia ranked 32<sup>nd</sup> out of the 62 countries surveyed, with New Zealand coming in at 47<sup>th</sup>.

Mr Loudoun said one of the most exciting things to watch in the global retail landscape was the growth and influence of the BRIC emerging markets (Brazil, Russia, India and China).

“India and Brazil still have some domestic barriers to growth, but are quickly evolving and likely to present huge opportunities to retailers in the near future,” Mr Loudoun said.

The report also analysed which categories of retailers had the strongest international penetration.

Luxury retailers, many of which originate in France or Italy, were the most ‘international’ of those surveyed. Nearly 90% had a presence in more than 10 markets, and almost 40% were present in 30 or more countries.

This was markedly higher than grocery, food and drink retailers, with just 60% present in 10 or more markets, and the clothing, footwear and accessories retailers, of which 54% were in more than 10 markets.

“This is the first time that the globalisation of retail has been examined in this way, capturing real data about the expansion of international retailing,” Mr Loudoun said.

“It gives retailers unique insight into international opportunities, trends and challenges, and raises questions about why markets behave in particular ways and attract particular retailers.”

#### About CB Richard Ellis

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