

# GLOBAL RETAIL NEWSLETTER

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## SUMMARY

AUGUST/SEPTEMBER 2009

### *INTERNATIONAL*

. Foreign Direct Investments in emerging markets between 2009 and 2011  
. French Monoprix and Mabrouk from Tunisia signed a partnership agreement  
. In short : Gap will enter Thailand in spring 2010... Savola has announced the acquisition of 11 Géant hypermarkets from Fawaz Alhokair for US\$ 117.3 million excluding stocks... Carrefour has confirmed it is planning expansion in Turkey via its joint venture with Sabanci Holding... The Real hypermarket division of Metro Group expects to invest US\$ 139.5 million in Russia, in the Rostov over-the-Don region, to open 3 stores... Inditex will open stores in the Mall of Russia (Moscow)... H&M : continuous sales drop those past months... Starbucks comparable sales improvement in Q3...

### *EUROPE*

. Drastic retail sales drop in Eastern Europe

### **BELGIUM**

. Delhaize Group is successful in America helped by its low price policy and the promotion of its private-home brands

### **FRANCE**

. The law authorizing the Sunday opening effective since August 16  
. Centres Leclerc : sales up in France and market share growth in H1  
. Casino hypermarkets cut their loss in the 2<sup>nd</sup> quarter. Group posted a “resilient” first-half performance  
. Carrefour maintains its forecast of annual profit growth  
. Pinault-Printemps-Redoute, resilient in 1<sup>st</sup> half, excludes any acquisition or sale in the current context  
Go Sport to invent a new Courir concept

### **GERMANY**

. Arcandor on the way of a breakup  
. Metro rebound but sales drop in the 2<sup>nd</sup> quarter

## **NETHERLANDS**

- . Ahold : net profit fell 34.7% in H1

## **RUSSIAN FEDERATION**

- . New regulations
- . Retail sales dropped significantly in July for the 1<sup>st</sup> time in almost a decade
- . Kingfisher will test a small Castorama in the Federation

## **SPAIN**

- . Zara is expanding Lefties off-price stores

## **SWEDEN**

- . Ikea, facing the first sales decline of its history, is reacting and will renew with success

## **UNITED KINGDOM**

- . Grocery stores posted market shares up during the quarter to August 9
- . Tesco is pushing bank services and decided to continue expanding in Asia despite the slowdown

## ***NORTH AMERICA***

### **UNITED STATES**

- . Unexpected retail sales drop in July
- . Wal-Mart reported nearly flat earnings in the 2<sup>nd</sup> quarter. The giant just unveiled an ambitious project to its suppliers : the creation of a data source to evaluate the impact on the environment of the products sold at its stores worldwide
- . Home Depot : transaction improvement in the 2<sup>nd</sup> quarter

## ***ASIA/PACIFIC ZONE***

### **CHINA**

- . New regulations towards street peddlers

### **INDIA**

- . The country will not modify FDI norms in the retail trade market
- . A light improvement of the economy and a low inflation helped the retail sector to recover in the second quarter
- . McDonald's, lightly impacted by the economic downturn, speeds its expansion up in the Indian subcontinent

### **JAPAN**

- . Retail sales in the 1<sup>st</sup> half of department stores and convenience stores

### **VIETNAM**

- . The country is unaffected by the global crisis

## **AUSTRALIA**

. Lowe's is venturing into Australia

**You can also read the following studies :**

- ✓ **Commercial retail estate : international investors are back to Europe. Americans are still missing. German funds could relaunch the market in Eastern Europe**
- ✓ **Ukraine is struggling from high rents and currency fluctuations, which led to collapse and IMF help**
- ✓ **Wal-Mart or to think locally to act globally**

## **A few lines from our articles in GLOBAL RETAIL NEWSLETTER AUGUST/SEPTEMBER 2009**

### **■ RUSSIAN FEDERATION**

#### **New regulations.**

The government is planning to submit draft proposals of a bill to limit expansion of large grocery retailers. In fact, those with annual sales superior to \$ 31.21 million or with a market share of almost 25% in Moscow, Saint Petersburg or other urban district will not be authorized to buy or lease any new surface.

This project will take also measures to reinforce regulations between retailers and their suppliers, is considering the time it takes for retailers to pay their suppliers..., "banishes" totally "unfair" practices of the commercial networks and the "unacceptable" actions such as "bonus" payment from suppliers... The draft law approved by the government will then be studied by the Duma.

### **■ INDIA**

#### **The country will not modify FDI norms in the retail trade market.**

The government decided to protect small retailers, as they are the country's second largest employer after agriculture while admitting that expansion of the organized retail market by large players has no negative impact on them. It refers to a study from the Indian Council for Research on International Economic Relations and precises that sales are expected to grow by 10% annually from \$ 10 billion in 2006/ 7 to 496 billion in 2011/ 12. If, for the time being, the sector does not account for more than 4%, it grows much faster at the pace of 45-50% to reach 16% in 2011-12.

The study indicates also that farmers take high advantages from the development of the retail trade as they sell their productions directly to it and make profit 60% higher than from selling them to wholesalers.

**■ Commercial real estate : international investors are back to Europe. Americans are still missing. German funds could relaunch the market in Eastern Europe.**

International purchasers are back. They have invested volumes in the 32 European countries totaling € 11.97 billion in the second quarter, an increase of 2.5% from the 1<sup>st</sup> quarter according to Cushman & Wakefield. This growth has been highly fed by a 16%-rise of investments by foreign buyers in the Western key markets. Globally, this invested volume during the three-month period corresponds just to 41% of the average invested volume in 2008 and to the peak of 19% in 2007.

More foreigners want to buy commercial real estate and concentrate on prime assets, occupied by established retailers with long-term leases, according to Aberdeen Property Investors. They are not interested in products tied to risks.

Yields of all prime assets grew by just 0.07 point compared with 0.28 point in the 1<sup>st</sup> quarter, which was the lowest growth rate since the end of 2007. Now, as weaker rates involve higher investment returns, these smaller increases are expected to stimulate buyers. But, it will not be the case for secondary assets, with short leases and occupied by less financially stable retailers.

In such a context, the London real estate fund, Europa Capital, purchased in **Germany** the Forum Steglitz shopping center located in Berlin, totally leased, from the British property investment trust, Hammerson for € 70 million. British investor Arab Investments bought mixed-use complexes in Berlin also for € 70 million and is to close other acquisitions of shopping centers in Germany for € 350 million over the next six months. These operations are in compliance with the Shariah. In Germany, it must be noted that foreign investors accounted for 15% only of the € 1.9 billion invested in the 2<sup>nd</sup> quarter.

In **France**, the foreign share accounted for 46% of the total invested of € 1.37 billion in the second quarter compared with 7.2% in the 1<sup>st</sup> quarter. Among transactions, TWA Pramerica bought “Le 31” shopping center in Lille, north of France, for two of its funds at a cost of € 160 million and a yield of 6%.

In **Spain**, foreign investors accounted for 48% of the total invested amounting to € 404 million compared with 18% in the 1<sup>st</sup> quarter.

In the **Netherlands**, Dutch investor-developer Corio acquired the lease of the Principe Pio shopping center in Madrid from Grupo Riofisa for € 126 million, an operation which reflects a net initial yield of 7.8%.

Now, purchasers who want to come back on the markets find difficult to obtain financing as banks are cautious concerning loans in commercial property investments.

**In Central and Eastern Europe, investments in commercial real estate might be boosted by German funds...**

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