

# GLOBAL RETAIL NEWSLETTER

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## SUMMARY

JANUARY 2010

### *INTERNATIONAL*

- . China and Latin America attract investors by higher returns
- . In short : Hennes & Mauritz posted a new sales decline in November. December seems better.... French Altarea Cogedim and Orion will develop together a shopping center in Paris area... Galeries Lafayette department stores in Paris, Haussmann boulevard, have expanded their women's luxury and fashion department... French Simon Ivanhoe, owned by Ivanhoe Cambridge and Simon Property Group, seeks to sell 5 French assets... Comptoir des Cotonniers opened a flagship in Paris December 11... Metro Cash & Carry might launch a new concept in Russia early 2010... EBRD will invest \$ 1.9 million to establish a retail chain in Turkmenistan... Ikea will open 2 super regional centers in China... Bharti seeks to expand across India... Ahold : Giant-Carlisle to acquire Ukrop supermarkets... Wal-Mart is planning to invest \$ 1.12 billion in Brazil...

### *EUROPE*

#### **BELGIUM**

- . Colruyt : half-year performance
- . Delhaize Group has unveiled a new strategic plan

#### **FRANCE**

- . Casino signed a distribution agreement with Sherpa
- . PPR is reconfiguring its activities to focus on luxury brands and has sold CFAO successfully
- . Immochan : evolution of the expansion policy
- . Leroy Merlin opened "The store of tomorrow", its 1<sup>st</sup> positive energy-store in Valence
- . Redevco France : renovation of the "Quartier des Bruyères" in Bois-Colombes, Paris area
- . Leclerc Espaces Culturels aim 200 units and € 1 billion sales by end of 2010. 230 units and 1.1 billion sales are also aimed by 2012

#### **GERMANY**

- . Praktiker will have opened more stores in Germany in 2009 than in foreign markets

#### **ITALY**

- . Gruppo Coin is set to buy Upim to give birth to Italy's largest apparel retailer with sales of more than €1 billion

## **RUSSIAN FEDERATION**

- . A bill might change relationships between retailers and their suppliers as it would oblige them to publish prices and markups
- . X5 plans to increase by one third its investments in new stores in 2010
- . Online retail trends : decline of payment by credit card

## **SPAIN**

- . Frey : ParlaNatura, south of Madrid, is the 1<sup>st</sup> Spanish environmental retail park with a photovoltaic central on its roof

## **UNITED KINGDOM**

- . The grocery sector was in a good position in Q3
- . Kingfisher posted better performance than expected in Q3
- . Tesco : third-quarter sales were up 7.7% thanks to new financial services and international expansion
- . Kesa Electricals back to profits in first half to October 31

## ***NORTH AMERICA***

### **UNITED STATES**

- . Simon Property acquires Prime Outlets, owner of outlet shopping centers
- . Best Buy, America's largest seller of consumer electronics, believes that future stores will focus on service and connectivity and not only on gadgets

### ***LATIN AMERICA***

- . Casino is reinforcing its position in Brazil and Columbia

### ***ASIA***

- . Inditex is planning a major expansion program in Asia

### **CHINA**

- . China accelerates retail growth
- . e-commerce is very successful in the country

### **INDIA**

- . Retailers are focusing on large formats

### **SINGAPORE**

- . The retail market is recovering faster and better than expected

### ***NEAR/MIDDLE EAST***

- . International investors and retailers are back in Turkey
- . U.S.Barney's fate is uncertain in Dubai (UAE)

You can also read the following studies :

- ✓ Report on the European retail market. Key factors for 2010 according to Cushman & Wakefield
- ✓ Asia is out of recession. Consumers back into stores spend again

**A few lines from our articles in  
GLOBAL RETAIL NEWSLETTER  
JANUARY 2010**

■ **RUSSIAN FEDERATION**

**X5 plans to increase by one third its investment in new stores in 2010.**

Russia's food leader (Perekryostok supermarkets and Pyaterochka discounts) announced that it wants to spend \$ 615.8 million to open 275 stores in 2010 up from 150 in 2009, including at least 10 hypermarkets, 15 supermarkets and 250 discount stores. These plans will be possible thanks to an agreement with State-controlled Sberbank on a credit line for refinancing a syndicated loan of \$ 1.1 billion.

Capital expenditures, including the Paterson supermarket chain acquisition for \$ 189.5 million plus its debt of \$ 85 million, will grow from 14 billion rubles to 18 billion (\$ 623.5 million) this year. But X5 saved cash while changing strategy renting stores rather than buying them.

In the first nine months of 2009, X5 invested \$ 149 million down from 874 million one year earlier and exceeded its surface growth aim. In the 3<sup>rd</sup> quarter, net profit was \$ 72.9 million as the ruble reinforced against the dollar. EBITDA fell 15% to 162 million impacted by 26 million tied to the employee stock option program. Operating profit was off 16% to \$ 107.5 million and gross margin slid 160 basis points as the retailer cut prices in its stores. A weak ruble weighed on sales that slid 4% to \$ 2.1 billion. In ruble terms, sales were up 24%.

■ **UNITED STATES OF AMERICA**

**Best Buy, America's largest seller of consumer electronics, believes that future stores will focus on service and connectivity and not only on gadgets.**

To distinguish from its major competitors such as Wal-Mart and Amazon, Best Buy seeks to offer more consumer electronics products. It seeks to help customers to better use technology whether they buy, install or dispose of their hardware.

It is the reason why in 2002 the firm acquired Geek Squad, a small computer firm. Its teams work on home leisure equipments, car audio and GPS, mobile phones and computers and might propose one-day solar panels or electric cars.

In 2001, Best Buy ventured into recycling, presenting itself as the place where customers can come when they need to dispose of their electronics, an operation, which often goes with the acquisition of a new service. To start, kiosks were installed in stores where customers leave their cellular phones, batteries and ink-jet cartridges. Telephones in good state are repaired and sent to resellers such as eBay or shipped to developing countries to be re sold; others are put into pieces to take platinum off and reused. Epson

and HP buy old ink-jet cartridges and other metals, as it is less expensive to fill them than make new ones. Batteries are also re sold to manufacturers to get zinc and other metal back. In the end, Best Buy shares the recycling revenues with the firms it hires to manage this activity.

Since March 2009, Best Buy has offered to take back almost every electronic item but at specific conditions. Households can bring up to 2 per day. But, all appliances and 32-inch TV and larger are not to be free recycled. Customers who have a replacement product to be delivered at home will not pay for the removal. For the others, Best Buy will send a truck to take goods off for \$ 100. More, customers pay \$ 10 to recycle a TV of 32 inches and less and get in exchange a gift-card of \$ 10. While tracking the use of these cards, Best Buy can check whether this process attracts new purchasers.

Old TV picture tubes cannot be resold. They have to be brought and taken off before the material is melted to be reused. Recycled plastics might be transformed into new gadgets or garden furniture, Glass and ordinary metals have no great value...

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### ■ Report on the European retail market. Key factors for 2010 according to Cushman & Wakefield.

Consumer's confidence improvement, the de-stocking easing and a light recovery of global retail helped to drive most of the markets out of the downturn towards mid 2009. However, facing an uneven demand, the increasing spending by governments and a continuous lack of financing or refinancing slowing down investments, those markets will need consumers to generate a better growth, which is unlikely to happen in most of these regions for the main part of the year 2010.

In fact, the performance prospects from the domestic and external demands differ highly in whole Europe by the expected growth rate and the relative improvement from 2009. In West Europe, Norway, Sweden and Germany can show the way, but the growth sustainability beyond 2010 will vary from one region to the other.

Emerging countries of Europe may exceed West Europe led by Turkey, Poland and the Czech and Slovak republics. However, there are some uncertainties in many emerging markets such as the impact of the end of the premium for cars, which has boosted production over the past months, the stability of the bank systems and loans as foreign banks are restructuring, the necessity of a tightening fiscal policy, the continuous threat to the currency level and especially of the Baltic States...

**Consumers' confidence** regained ground but still remained weak in the Baltics and some other countries of the EEC while the Nordic Countries, United Kingdom, Italy and Portugal are all registering a very healthy rebound. While Eastern Europe is highly depending on external demand for its recovery, some regions of West Europe will know a better growth from domestic demand.

#### **Affordable space.**

Affordability is essential to attract retailers and investors. With rents down and incentives up, affordability in most areas is at levels not seen for some years and even though rents are yet to bottom out, at least for prime space, more retailers are sensing that we are near the bottom in terms of the deals they will be able to negotiate. Indeed, increasingly as we move through 2010, rental falls will be concentrate on secondary stock and weaker locations.

For investors, falling rents mean a new cut in capital values adding to the yield appreciation since 2007 and this has been a new reason for investors to postpone their coming back to the market. However, the softening in yields seen in most areas is in part a reflection of an expectation that rents will fall –and as those rental falls are borne out in reality, yields will harden based on new and more sustainable rental rates. As soon as investors believe those rates to be affordable, they will also have increased faith that future growth can be achieved. A stabilisation in prime rental values in 2010 should therefore signal a further increase in investor appetite for retail space over an above that already being witnessed in the final months of 2009.

### **Retail demand and supply.**

Demand has become more cautious over the past 12-18 months. The leasing business has been maintained in the best locations, some retailers have been in the wait and see attitude and most of them have tried to get rid of their non performing stores.

Cross-border demand remained fair. Rents of primary sites did not fall highly, but the important segment of upscale retailers being able to pay collapsed. Hence the proposition of many incentives. In shopping centers and retail warehouses, polarization has become increasingly clear between the best and the worst projects and, in some markets, it is now much more easier for retailers to find the sites they need.

However in 2010, the fight for locations will likely grow slowly as more retailers have decided that it is time to be active and many among them will seek to grow their market share. Global retailers can be dominating again, food retailers and discount-oriented retailers continue trying to expand while benefiting from a very favorable market for them. However, they remain very cost-conscious and very selective in the locations in which they choose to invest.

Supply has been growing in most markets and varies highly between primary and secondary sites. The crisis will still generate shake-ups among weaker and less important shopping center projects, which suffer from a reinforced competition led by the best and largest ones...

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