

GLOBAL RETAIL NEWSLETTER

5, rue de Châteaudun, 75009 Paris, France
Tel/fax +331 48 74 64 70 (direct line)/+336 70 86 64 20

e-mail : bguillot@chabot-associates.com
Internet sites : www.globalretailnews.com

SUMMARY

JANUARY 2012

INTERNATIONAL

. Many U.S. brands may review their expansion in Europe due to the weak economic growth prospects

. *In short*: Deutsche Bank sells the PEP shopping center in Munich for € 400 million... X5, Russia's largest grocery retailer by sales, posted a net loss of \$ 2.1 million in the 3rd quarter... Shanghai Lianhua Supermarket Holdings (Lianhua) acquires Hualian GMS (20 stores) from the Bailian Group... Carrefour, most recent openings in Argentina, Colombia, China, Albania... Pixmania expands its offering to furniture... Le Bon Marché department store of Paris will start renovating in 2012. Works will extend on 5 years and include an expansion of 4,300 sq.m of which 3.400 sq.m for food... Lille Métropole: French Immochan will build the home improvement part of this commercial complex... Gap has opened a first Banana Republic in Paris, on the Champs-Élysées, Dec.8... Camaïeu opened its 1,000th store in Casablanca in Morocco Mall Dec.2...

EUROPE

BELGIUM

. Delhaize Group plans to add 450 outlets between 2012 and 2014

FRANCE

. Carrefour to launch a cash tender offer for the shares of its franchisee Guyenne et Gascogne with a secondary option in shares. Both operations would amount to € 530 million

. Auchan: the 117th French Auchan hypermarket was opened by the Group Nov.9 and inaugurated Dec.7 in Sarcelles, Paris area

. Franchise: situation in France in 2011 and development in foreign countries

. Leclerc, leader in France of the Drive concept, is pushing it

. The toy market: 8.4 toys per child are offered at Christmas

GERMANY

. Metro AG launched a warning on 2011 sales and profits

RUSSIAN FEDERATION

- . Russia to join formally the World Trade Organization

SPAIN

- . Sonae Sierra is reinforcing its commitment on the Spanish market

UNITED KINGDOM

- . Tesco is the only one of the Big Four grocery retailers to lose market shares in U.K
- . Kingfisher: the U.K sales decline slowed down in the 3rd quarter helped by exceptional weather conditions
- . Kesa suffered from a first-half loss
- . In London, most of the City is no longer owned by British investors

AMERICAS

- . Black Friday solidly started the season with sales rising 6.6% that day
- . Season's trends
- . About the gadget use in the retail market
- . McDonald's: its wide menu boosts sales upwards
- . Home improvement market: little known statistics
- . CBD: 2012 target to focus on organic growth
- . Colombia registered investment records in 2011

ASIA

CHINA

- . Inditex posted a net profit up 10% in Q3
- . H&M aims small Chinese cities

INDIA

- . Suspension of the decision to open the door to global retailers

MIDDLE EAST/AFRICA

- . Casino expands its presence to Qatar and the sultanate of Oman via the franchise formula
- . Abu Dhabi plans the modernization of its retail market while India fears it
- . Dubai and Abu Dhabi are Mena's best destinations for quality of life of white collars

You can also read the following studies:

- ✓ **The Russian retail market is expected to exceed \$ 800 billion in sales by 2013. New concepts and new projects in the regional cities**
- ✓ **Will the Dubai retail market be soon saturated?**

**A few lines from our articles in
GLOBAL RETAIL NEWSLETTER
JANUARY 2012**

■ **RUSSIA FEDERATION**

The Russian retail market is expected to exceed \$ 800 billion by 2013. New concepts and new projects in the regional cities.

Russia suffered from a sharp drop of its economic growth from 28.1% to 4.7%, as the market was impacted by the global crisis. Then, recovery signs started to emerge and, according to the recent report by PMR "Retail in Russia in 2011", the retail market grew by 12.9% to \$ 543.5 billion in 2010.

However, over the next following years, this market will unlikely follow the same rate as before the crisis despite the improvement of the country's economic conditions and the relatively positive forecasts for the future.

Retail sales growth in the 2005-13 period

| | growth (%) | sales (\$ billion) |
|---------------|-------------------|---------------------------|
| 2005 | - | 231 |
| 2006 | 23.7 | 287 |
| 2007 | 24.8 | 360 |
| 2008 | 28.1 | 458 |
| 2009 | 4.7 | 481 |
| 2010 | 12.9 | 543.5 |
| 2011 estim. | 15.4 | 627 |
| 2012 forecast | 10.9 | 696 |
| 2013 forecast | 11.8 | 800 |

Source : PMR Publications

X5 Retail Group, which operates grocery stores under the Pyaterochka, Perekryostok and Karusel banners remains the leader by sales of the retail market. Beyond the annual two-digit growth of its total sales, it registered LFL sales up 7% in 2010.

Among the other top retailers, Tander Group sits in the 2nd position and the French Auchan in the 3rd. A major change emerged when some major players such as Tsifograd and Dixis, both specialized in mobile telephones, went bankrupted, Mir and Domo (electronics) and Alpi (food).

In the past 12 months, several big transactions were registered: Kopeyka was bought by X5 Retail at the end of 2010 and early 2011, Dixy Group announced the project to acquire Victoria Group, operating the Victoria, Kvartal, Dyoshevo, Cash and Semeinaya Kopilka chains.

In 2010, the Top 20 retailers accounted for approximately 11% of the total retail sales and the Top 3 controlled almost 5% of this market.

Largest changes that appeared in 2010 include Eldorado who was overtaken by M.Video as the new leader. On its side, Media Markt overtook Technosila and in the DIY sector the French Leroy Merlin became the leader with \$ 1.2 billion sales.

Largest Russian retailers by sales in 2010

| Retail firm | Sector | Chains | sales (US\$ million) | % annual change | Store number |
|--------------------|---------------------|------------------------|---------------------------------|----------------------------|-------------------------|
| 1. X5 Retail Group | food | Karusel, Kopeyka... | 11,280 | 24 | 2,469 |
| 2. Tander | food | Magnit | 7,777 | 39 | 4,055 |
| 3. Auchan Group | Food, DIY | Auchan, Raduga, Atak | 5,944 | 13 | 97 |
| 4. Metro Group | food electronics | Metro C&C, Media Markt | 4,678 | 13 | 104 |
| 5. M.Video | electronics | M.Video | 2,800 | 23 | 219 |

Source : PMR

Emergence of the retail market.

Demand.

Demand from consumers, retailers and investors is boosting this explosion. Commercial real estate investors are growing as well as total retail sales after the contraction in 2009.

The Russian market is far from being saturated by shopping centers especially in the regions. In fact, it built Europe's largest stock amounting to 404,000 sq.m in the first half 2011 or the fifth of the total according to Cushman & Wakefield. In 2012, 2,900,000 new sq.m are expected to be added.

According to Rosstat, real revenues rose lightly in August 2011 by 1.1% on a year-on-year basis, and this was a slower growth than in June. However, retail sales have accelerated their rate with 7.8% in August compared with 5.6% in July.

Supply.

Due to uncertainties tied to building permits in Moscow, the main part of the new supply is planned in the capital city and its region: 52% of the new stock is built there up from more than 20% in 2010.

7 majors projects were delivered in the 3rd quarter: Mega in Ufa (110,000 sq.m GLA) and in Samara (103,000 sq.m), Yuzhny in Kazan (46,000 sq.m), Rio in Yaroslavl (53,000 sq.m) and in Vologda (35,000 sq.m), Rodnik in Chelyabinsk (58,000 sq.m) and Grenada in Lyubertsy (15,000 sq.m).

New concepts.

Two new concepts are developing in Russia such as the retail parks and the outlet centers : Outlet Village Belaya, built over 38,000 sq.m in Kotelniki by American developing firm Hines with the local agricultural firm Belaya Dacha, is expected to open in April 2012. Together they invest a total of \$ 160 million in this project already leased at 90% and over. Among its tenants, TsUM, Burberry, Puma, Adidas, Reebok, CK Jeans, Trussardi, Ferragamo...

Retail parks are studied by a certain number of developers and there is a demand from big box firms as Russians are becoming increasingly fond of new retail concepts according to Cushman & Wakefield.

Fashion House Moscow and Vnukovo Outlet Village are due to open also in 2012. Vnukovo Outlet Village will house 150 stores and will be built by 3 private investors for \$ 55 million spread over 5 to 7 years. The 3rd Fashion House Moscow will have 192 stores among which Puma, Nike, Lacoste and TsUM... and restaurants and will be an enclosed center. Liebrecht & Wood Investment Fund spends \$ 97 million in its construction and 75% of the space is already leased.

Fashion House firm opened other outlet centers in Oriental Europe and offers franchise agreements to investors and developers.

Climatic conditions of Russia might pose problems as these centers are generally opened-malls contributing this way to cut the heating charges and consequently the costs. Hence lower rental leases. But, the Russian partners are convinced that the climate will not stop consumers. Once these 3 new outlet centers opened, a new one might be opened in Moscow. The next step will happen in Saint Petersburg where Fashion House owns a piece of land.

When the huge Vegas Mall was opened on 386,000 sq.m of space, the Waymart shopping center of 30,000 sq.m, located near by and at 26 kilometers from the highway around Moscow, became outsized with its anchors such as Auchan and M.Video. Consequently, facing such a competition, its owner Way-M decided to recapitalize it under the form of the BrandCity Outlet Center. It was opened in September by the developer Rosital. It is officially Russia's first outlet center in which traditional stores can also be found and it is an opened center. Among the 7 banners to be found there are All Seasons, Samsonite, soon M.Video... It is 65%-leased from \$ 500 to 850 per sq.m.

In the longer term, analysts announce a new format, the urban convenience or neighborhood center covering 3,000 to 10,000 sq.m and several levels anchored by a supermarket and a few other stores and restaurants. They also announce a specialized shopping center gathering retailers from the same sector such as electronic, sporting goods or furniture. Now, in Moscow, some centers are similar to this concept such as Sport-Hit (sporting goods) and Gorbushka (electronics). Specialized centers and retail parks can also be built in the city as they have adapted quite well in the environment of industrial buildings.

Beyond the capital, developers continue delivering new shopping centers and announce projects in other cities so that at the end of 2013, the stock share in the smaller regional cities is expected to grow from 24% to 27%.

Globally, according to Jones Lang LaSalle, between the end of 2011 and 2013, shopping centers will grow to approximately 3.5 million sq.m including 25% in Moscow and its region.

Q3 supply

| | Moscow | Moscow region | St. Petersburg | Millioniki | Other cities | Russia |
|----------------------------------------------|--------|---------------|----------------|------------|--------------|--------|
| Shopping center stock (000 sq.m) | 3.152 | 386 | 1.552 | 3.628 | 2.695 | 11.413 |
| Existing shopping center number | 80 | 24 | 44 | 106 | 105 | 359 |
| Stock for 1,000 inhabitants | 274 | | 320 | 263 | | |
| Completions Q3 2011 (000 sq.m) | 0 | 0 | 44 | 323 | 103 | 470 |
| Completions Q1/Q3 2011 (000 sq.m) | 126 | 33 | 173 | 415 | 103 | 850 |
| Pipeline through 2013 (000 sq.m) | 426 | 455 | 386 | 841 | 1.409 | 3.517 |
| Number of shopping center number in pipeline | 10 | 20 | 12 | 26 | 43 | 111 |

Source Jones Lang LaSalle

To read the complete article, please contact :

bguillot@chabot-associates.com or tel/fax.+331 48 74 64 70/mobile +336 70 86 64 20

■ UNITED ARAB EMIRATES

Will the Dubai retail market be soon saturated?

Commercial space grew by 60% in Dubai since 2005 and the space per capita is almost the Abu Dhabi double, Middle East' second largest market. While the quick development of the retail market contributed to rank the city as a major world's destination for shopping and tourism, its fast expansion also put older projects aside. If Dubai Mall and the Mall of the Emirates are successful, many less important players will have to adapt quickly to differentiate.

Al Ghazal Mall in Satwa, a few kilometers from Dubai Mall, was impacted by a lower traffic and has been forced those past few years to offer much less expensive leases. It houses services including a dentist, a medical urgency cabinet and an ophthalmologist, a Lebanese restaurant... A Carrefour Market settled there 18 months ago. This center, which wondered how it could fight against major regional shopping centers, found the way to transform itself into a community center offering services. But other centers do not follow the same approach to differentiate. On the contrary, some among the oldest are expanding rather than repositioning or cutting their GLA space. Thus, Al Ghurair Mall, built in 1981 and Dubai's oldest mall, is investing US\$ 544 million to almost double its own space and add a hotel. Meanwhile, Burjuman Mall is growing its own by 25%.

Political and social events in the Mena region during the 2011 Arab Spring comforted Dubai as a safe place. Concerns about the debt in the euro zone and the U.S.A impacted the positive side of the emirate real estate market in Q3 this year. The experience of the financial crisis 2008/9 shows that the emirate remains tightly tied to the trends of the global economy and the possibility of a recession in the mature markets pushed players to a more cautious approach, who postponed their expansion projects until the situation improvement.

Stability signs and the consumer's confidence comeback are visible especially in the retail market. Actors looking for real estate investment in this emirate were increasingly interested in 2011, especially those from elsewhere in the Gulf Cooperation Council. But, this remains concentrated on a few income producing completed assets and demand for completed projects or less interesting is not high. The persistent lack of major transactions reflects the absence of quality products at attractive prices in the market, a situation, which is not expected to change soon.

Key indicators

| | 2010 | 2011 estimation |
|-----------------------------|--------|-----------------|
| Emirates: | | |
| Population (millions) | 7.5 | 7.9 |
| Population growth | 8.3% | 5.0% |
| Nominal GDP per capita (\$) | 39,624 | 47,748 |
| Real GDP growth | 1.4% | 5.2% |
| Annual inflation | 0.9% | 4.0% |
| Exchange rate (\$/AED) | 3.67 | 3.67 |
| Dubai: | | |
| Population (millions) | 1,905 | 1.953 |
| Population growth | 7.8% | 2.5% |
| GDP per capita (\$) | 29,350 | 34,500 |

Source : Global Insight/Dubai Statistics Center

Rents in the retail market have stabilized in the prime malls. In Mall of the Emirates, Dubai Mall and Deira City Centre, they are as high as \$ 1,170 per sq.m (AED 400/sq.ft). In older malls, landlords try to reposition the choice of their retailers or to be more flexible in their rental negotiations in order to maintain stable occupation and rental rates. One of the eminent trends is the growing will to fix rents as a function on sales for the profit both parties.

The vacancy rate remained stable at approximately 20%. Some owners chose to use their disposable space for temporary or seasonal retailers.

Supply in Q3.

Dubai retail mall stock accounts approximately 2.6 million sq.mm. 160,000 were completed during this quarter. While a certain number of new projects of community centers are planned in the short term, no new major shopping center is in view, Mirdif City Centre, being the last one of the current cycle.

Dubai retail supply (2010-2013)

| Completed stock (sq.m GLA) | | | |
|----------------------------|-----------|-----------|-----------|
| 2010 | 2011 | 2012 | 2013 |
| 2,417,000 | 2,560,000 | 2,580,000 | 2,583,000 |
| Future supply | | | |
| - | 2,800 | 3,000 | 353,000 |

Source: Jones Lang LaSalle, Q3 2011

To read the complete article, please contact :

bguillot@chabot-associates.com or tel/fax. +331 48 74 64 70/mobile +336 70 86 64 20

■ INDIA

Suspension of the decision to open the door to global retailers.

December 7, the Indian government answered to the opposition and suspended the decision to authorize Foreign Direct Investments in multi brand retail. This decision, which aims to protect small retailers, is provisory and the Parliament adopted the resolution until a consensus is found without giving any date.

So far, FDI in the multi brand retail market were forbidden, 51% was allowed in single brand retail since 2006, enabling more than 50 global retailers to enter India in partnership with local retailers.

Without this suspension, foreign multi brands would have been allowed to own 51% of their Indian joint ventures and open big boxes with local partners in this country of 1.2 billion consumers. More widely, the opening decision gave also the sign that the country was seeking to attract foreign retailers. Two decades ago, it renovated its economy to open it in opposition with the previous period of centralized planning. But last year, the government was highly criticized by the opposition, as it did not boost FDI down 28% to \$ 29.4 billion in the 2010/11 exercise to March 31, as the economic forecasts were becoming obscure. GDP growth is now estimated at 7.5% for 2011 versus 9% previously announced early 2011 and the Indian currency recently fell against the U.S dollar.

FDI in the retail market met a severe political opposition in the fear that traditional shops and convenience stores would disappear in case of a battle against big global retailers. However, the idea was supported by many in corporate India hat consumers, suppliers, farmers and some small local retailers could profit from more important FDI in cold storage, warehouse technology and logistics, contributing this way to cut food price inflation. It could also help to cut intermediates between farmers and consumers and **contribute to a modern retail market.**

To open India to foreign retailers meant also that Wal-Mart (9 cash & carry with Bharti for 3 years), Metro (8), Carrefour (1 opened, a second announced) and Tesco, which had tied franchise links with the Star Bazaar hypermarkets of Tata, could have also opened retail stores, where they are already present with these cash & carry, the

only authorized presence so far and had announced projects for 2012 before the final suspension decision.

Sales of the local retail market, dominated by traditional retailers, is estimated at \$ 450/470 billion, up by more than 20% annually, including 27 billion only from the organized market. It is expected that over the next five years, it would reach \$ 675 billion including 85 billion by the organized market.

SUBSCRIBE

| | | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|--------------------------|--------------------------|------------------------------------|
| Subscription form : GLOBAL RETAIL NEWSLETTER (11 issues per year) | | | | |
| First Name | Last Name..... | | | |
| Position..... | Company..... | | | |
| Address | | | | |
| | | | | |
| Zip code | City | Country..... | | |
| Tel | Fax | Mobile..... | | |
| e-mail | | @..... | Sector of activity..... | |
| I want to receive 1 complimentary issue of GRN in English by e-mail during 2 months <input type="checkbox"/> | | | | |
| I want to receive 1 complimentary issue of GRN in French by e-mail during 2 months <input type="checkbox"/> | | | | |
| I subscribe to GRN : | | | | |
| ◆ in French by e-mail | <input type="checkbox"/> | or by regular mail | <input type="checkbox"/> | € 530 TTC (VAT 5.5%) France tariff |
| ◆ in English by e-mail | <input type="checkbox"/> | or by regular mail | <input type="checkbox"/> | € 540 (excl.VAT) |
| ◆ Licence in French or English for a firm (e-mail only) | € 1,200 (excl.VAT) | <input type="checkbox"/> | | |
| ◆ Licence two languages for a firm (e-mail only) | € 1,500 (excl.VAT) | <input type="checkbox"/> | | |
| ◆ Licence one language for a Group (e-mail only) | € 2,000 (excl.VAT) | <input type="checkbox"/> | | |
| ◆ Licence two languages for a Group (e-mail only) | € 2,500 (excl.VAT) | <input type="checkbox"/> | | |
| payment by cheque to Chabot & Associates/LLDI, or by international bank transfer | | | | |
| * Licence of Global Retail Newsletter gives you an internal copyright and authorizes you to send LLDI/GRN by e-mail to all company members without limitation and to share information legally, thus being respectful of our intellectual property rights. | | | | |

Send this form and your payment to Mrs. B.GUILLOT,

bguillot@chabot-associates.com

Chabot & Associates/LLDI, 5, rue de Châteaudun, 75009 PARIS- France :

Tel/Fax : +331 48 74 64 70/+336 70 86 64 20