BROADENING YOUR CITY SCOPE TO DYNAMIC RETAIL LOCATIONS

With investment dynamics changing in the last year, retail investment has become a stronger driver in this phase of the property cycle.

Spain and Portugal are the markets that have seen substantial growth, just as the Netherlands, where large groups of investors are concentrating on the retail sector in particular. Meanwhile, London, the most active markets in terms of investment volumes, has recently seen a drop in investment.

We believe that the commercial property market will continue to be attractive with interest rates at historic lows and central banks unlikely to increase interest rates significantly as to inhibit economic growth. However, as the availability of the right products in prime locations decreases, retail investors have become more comfortable with increasing their real estate risk and looking to a wider range of markets for opportunities.

To reflect this shift, CBRE Global Investors and CBRE have worked together to build a comprehensive tool to support retailers and investors in understanding the dynamics of investible retail cities across Europe.

The tool analyses 126 cities all with over 250,000 inhabitants across European markets. It looks at factors including demographic and spending prospects, the existing retail offer, connectivity, tourism and liquidity. All this combines to provide a sophisticated approach to ensure that investors and retailers are able not only to analyse and select locations based on their own requirements, but also to understand the full potential of a wider variety of cities across Europe.

We think there are still many opportunities, especially beyond the big cities. We want our clients – many of which are non-European and therefore less familiar with the different cities – to understand the different dynamics in the European cities. For example, if you want to invest outside the most liquid markets of London and Paris you might value demographics as important and therefore it is worth considering Düsseldorf which ranks highly in this respect. Or, as an international retailer, you might find it interesting that demographics and tourism in Gdansk, Poland, come out very positively in our tool.

We can use the tool to weight the characteristics according to a client's requirements. For example, tourism might in some cases be more important than growth of catchment population or could even compensate for a less affluent city. If all weights are set we can than apply additional filters to the cities. Here a key question might be how important is liquidity or the catchment retail expenditure for you? We found that working with these filters the tool can provide clients with new insights and the ability to evaluate cities on your own set of investment targets. In addition, you can better understand the different market dynamics of a wider range of prospective cities.

HOW DOES THE TOOL WORK?

CITY CHARACTERISTICS

FILTER

AFFLUENCE
- Purchasing power
- Unemployment rate
- Disposable income per capita

DEMOGRAPHICS
- Population growth
- Working age
- Population
- Catchment population

OFFER
- International brand representation
- Transport links

Retail investment volumes EUR million

TOURISM
- Tourism expenditure
- Tourism growth forecast

RETAIL SUPPLY
- Stock per catchment population
- Stock/catchment spend
- Pipeline

Weighted expenditure in catchment area EUR million

WHICH CITY TO INVEST IN NEXT?

Rankings of each of the characteristics offer a good variety of interesting cities. So for a retailer, if being close to your competitors is important, you should definitely target southern European cities but also consider those that rank in our top 20.

By applying the liquidity filter, our top 10 would include the cities set out below. In this overall ranking different cities than expected appear, with a special focus on German cities.

TOP CITIES BASED ON DEMOGRAPHICS	TOP CITIES BASED ON TOURISM	TOP CITIES BASED ON OFFER	TOP CITIES BY APPLYING THE LIQUIDITY FILTER
London	London	Barcelona	London
Paris	Palma	Madrid	Paris
Dusseldorf	Paris	London	Amsterdam
Munich	Amsterdam	Paris	Milan
Cologne	Stockholm	Milan	Berlin
Amsterdam	Barcelona	Valencia	Munich
Copenhagen	Berlin	Lisbon	Cologne
Oslo	Lisbon	Malaga	Madrid
Brussels	Helsinki	Lyon	Manchester
Manchester	Gdansk	Berlin	Hamburg

What we have presented here is just a limited selection out of the 126 cities [1] CBRE Global Investors and CBRE analysed. The tool provides a valuable overview of different rankings of cities beyond the top 10 by using combinations of characteristics and additional filters. This insight adds another layer to our analysis of prospective retail locations to help you successfully review new investment opportunities across the European cities.

1) Countries included in this research: UK, France, Germany, Spain, Italy, Portugal, the Netherlands, Belgium, Ireland, Sweden, Norway, Finland, Denmark, Poland, Hungary, Czech Rep, Austria and Romania.

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