

# *Destination Retail 2016*

Retailers expanding in leading cities around the world



# Foreword

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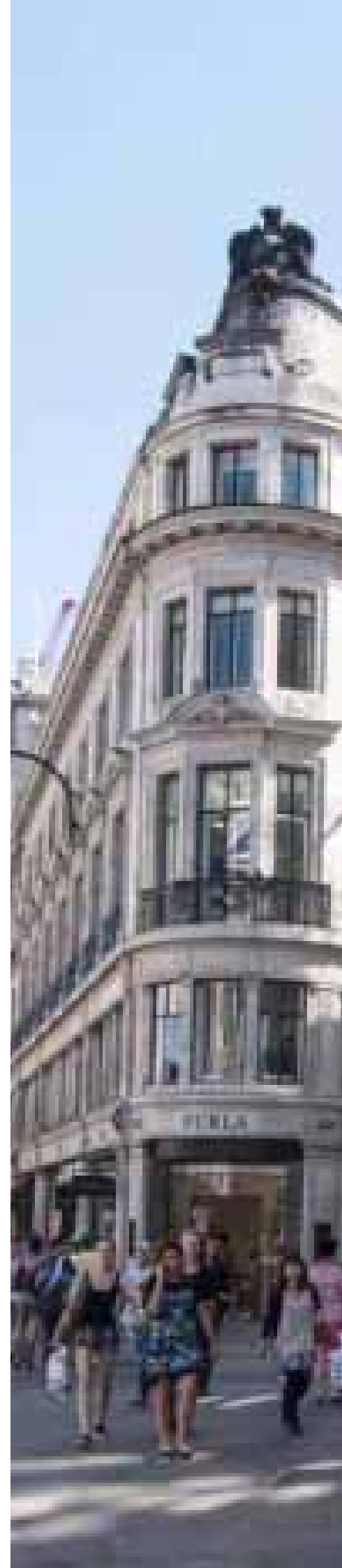
## *Growth and expansion, but not as we knew it...*

Population growth, rapid urbanisation and wealth creation are fuelling international retailer expansion, but robust or stellar growth is not always guaranteed. A recent slowdown in emerging markets has reined in some retailers' plans for expansion. That's not saying emerging markets are not targets, as they absolutely are, but thorough due diligence and managing risk is key to success, as much in growth markets as in any mature established market.

After a few years of expansion strategies focused on targeting Asia, we are seeing signs of a more balanced pattern of international retailer expansion globally, across established and emerging retail markets. Demand for the right physical space in the right location is stronger than ever.

## *Strengthening gateway cities...*

It appears that success breeds success, and the world's top retail locations are cementing their positions as global retail gateways, supporting online, wholesale, franchise and company owned retail distribution for the world's top brands. They are also incubating the next wave of retail and food and beverage innovation.





### *The new norm...*

Online retailing is here to stay and moderate global economic growth is the new global norm, for now. While retailers are adapting to and embracing online, exceptionally strong economic growth is unlikely to return; but growth exists and so does latent market opportunity. For most retailers the world is untapped; for retail businesses with a strong underlying proposition, considered expansion at the right time, in the right space, will provide huge opportunities for successful, profitable growth.

This report looks at the city magnets for retail globally, drivers of expansion, opportunities and barriers. We have examined the presence of 240 international retail brands across 140 key retail cities; these cities combined account for 36% of the world's GDP and over US\$15 trillion of consumer spend.

International brand presence is an effective indicator when assessing the market opportunity against a wider range of aspects, such as strength of the domestic retail market, quality of retail space or overall market size. The figures and rankings in this report are influenced by a number of factors, including the strength of domestic or regional-only operators in some markets, which provide stiff competition for expanding international brands, and the proliferation of franchise operators in others.

In addition to ranking and profiling the cities in terms of overall international retailer presence, the report examines the impact of technology on our changing retail spaces, analyses rents within each market, and how rental levels are influenced by the differing role of the store. The report also identifies which are the major exporter countries of international retailer brands and the most expansive retailers, and examines their varying routes to market. Additionally, the report delves in depth into the dynamics of the global luxury retail market, and finally highlights the growing importance of dining to retail places worldwide.

We appreciate the challenges of successful international expansion, but also the rewards reaped by those who get it right. The destination is clear, but many are still on a journey. To our clients, we are grateful and proud to be able to accompany you on your journey. For the rest, we hope you enjoy this report, whether you are a shopper, a retailer or an investor.



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# 1 Fast Facts



**Redefining retail places:** Technological advancement has breathed new life into retail spaces; appropriate retail, often located in busy urban locations, remains extremely resilient.



**Destinations:** London has the highest presence of international retailers compared to its global peers. Hong Kong, Paris, Dubai and New York join London at the forefront of international retailing.



**Rental analysis mainstream retail:** Avenue des Champs-Élysées in Paris and Sai Yeung Choi Street in Hong Kong's resilient Mong Kok area are the most expensive locations among sites typically sought after by mainstream retail brands globally.



**Rental analysis luxury retail:** Upper Fifth Avenue in New York commands the highest retail rents globally, paid by luxury brands, followed by Hong Kong's Canton Road and Avenue Montaigne in Paris.



**Retailer country of origin:** The US, driven by expanding mainstream and premium retail brands, is the largest exporter of cross border retail fascias across the world's key retail cities, followed by Italian and then UK brands.



**Extensive and expansive retailers:** Tommy Hilfiger, Levi's and Nike have the greatest coverage across the world's key retail cities.



**Luxury:** London edges out Hong Kong in terms of luxury brand presence; Paris, Tokyo and New York are next in the rankings behind these two luxury hotspots. Louis Vuitton, Mont Blanc and Burberry lead the luxury retailer league.



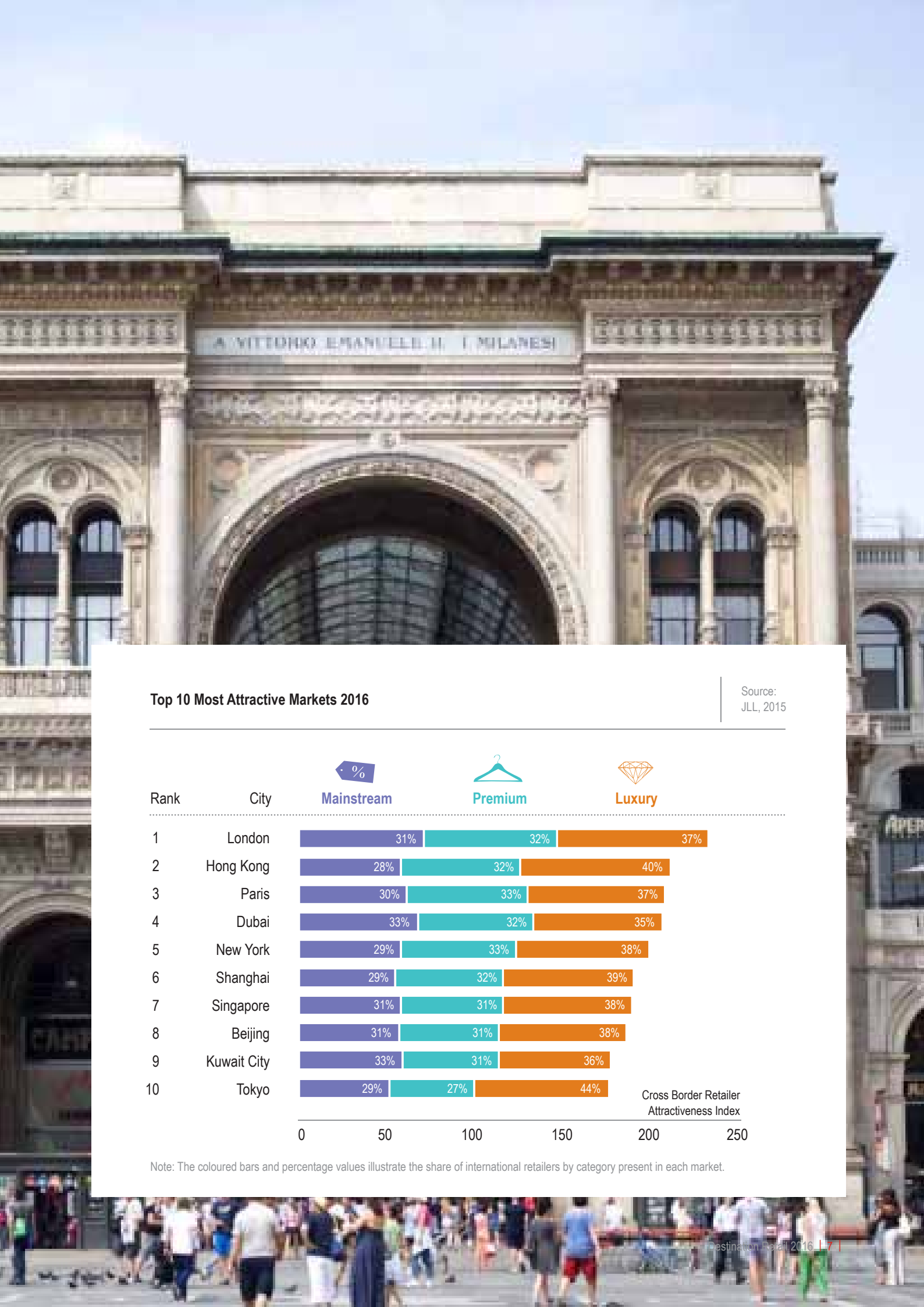
**Dining:** A growing aspirational middle class in emerging markets has increased the pace of internationalisation in the food and beverage market.



**Conclusion:** The globalisation of the retail market has resulted in a significant shift in its landscape in recent years; major global cities remain the epitome of resilience, while Asia Pacific's and the Middle East's major cities have seen the biggest influx of international retailers.



International retailers are increasingly focussing on measured and balanced growth across global, mature and growth markets; the search for growth will accelerate international brand presence across the world's best retail locations in the years to come.



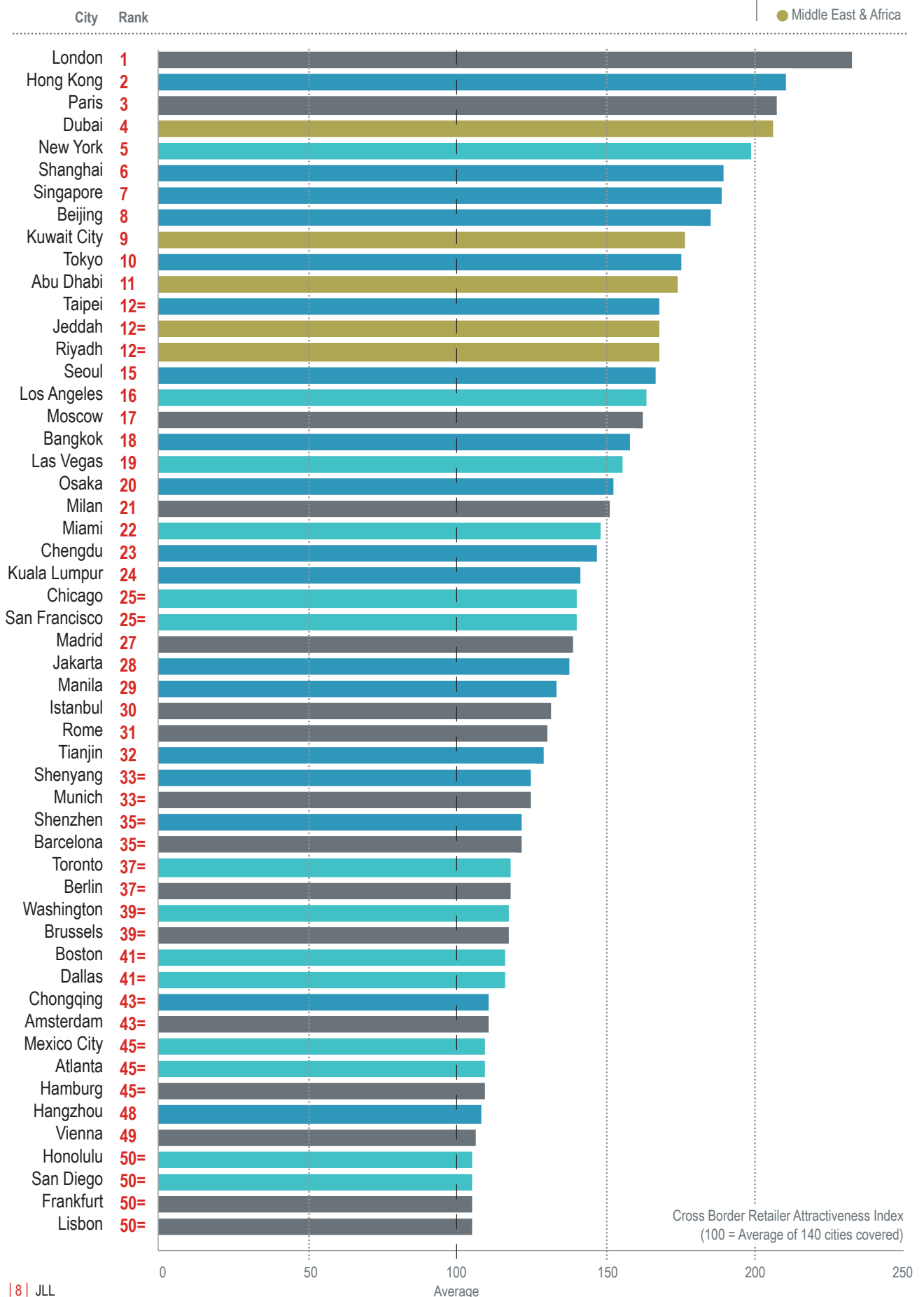
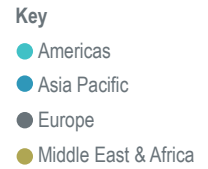
### Top 10 Most Attractive Markets 2016

Source:  
JLL, 2015



Note: The coloured bars and percentage values illustrate the share of international retailers by category present in each market.

# JLL Global Cross Border Retailer Attractiveness Index 2016 Top 50 Cities





## 2 Redefining Retail Places: Technology



Retailing has always been one of the most dynamic, competitive industries. But as technological advancements and digital innovation have become ever more ubiquitous, the very fabric of the retail industry has been transformed. The traditional physical world of retail has not just collided with the virtual world; the two have fundamentally and irreversibly united.

We are now in the midst of a revolution, one that is ushering in a whole new phase of retail. This brave new world will be shaped by an entirely new set of factors. Both retailers and retail spaces now have to contend with a growing urbanising population, and one that is increasingly knowledgeable and demanding. These shoppers will generate more information and more data than ever before, which, provided it can be captured, could form the next competitive differentiator.

## *Technology: dynamic and unstoppable...*

But broadly speaking, it is technology and the power that it hands consumers that is arguably having the greatest impact on retailers and retail spaces. The increased dynamism is already changing how we shop, and the concept of 'everywhere commerce' is now becoming a reality. Below are some of the technological trends shaping the future of retail:

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### *Just browsing*



The days of consumers primarily browsing high street stores for their next purchase are long gone. Today, the decision-making process takes in multiple channels and many numerous sources, often simultaneously. But that does not mean that walking around retail spaces browsing products is over; it means it forms only a part of a much wider consumer experience.

*US etailer, Warby Parker, now has 20 plus stores and a higher revenue/sqft than Best Buy, Ralph Lauren and Tiffany & Co.*

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### *Smart shopping*



Mobile is no longer a simple trend, it is a cultural and sociological phenomenon. There are now estimated to be some 7 billion mobile subscriptions, one for almost every single person on the planet. Mobile technology has already revolutionised retail, and is set to transform it even further in the years to come.

*Over 50% of google searches are now done on mobile.*

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### *Making it personal*



3D printing has received its fair share of hype in recent years, but unlike previous trends, this one appears set to fulfil or even exceed its promise. Although in its infancy, the technology could herald a new era of precision retailing, one framed by ever greater levels of personalisation.

*Blade, the world's first 3D printed supercar, is capable of going from 0-60 MPH in a mere 2.2 seconds.*

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### *Social sales*



Social media networks have quickly become one of the defining elements of the connected generation. Reputations, sales and success can all be decided on the strength of a single tweet or post.

*The top 500 US retailers earned US\$3.3 billion from social shopping in 2014, up 26% from 2013.*

Sources in respective order: NYU Stern (2015); Google (2015); Divergent Microfactories (2015); Internet Retailer's Social Media 500 (2015)

## *Stores: more important than ever...*

Far from signalling the death of bricks and mortar, technology has arguably breathed new life into retail spaces, making appropriate retail as important as ever for landlords and retailers alike. But now that transactions can take place anytime, anywhere, consumers need more of a reason to visit a store.

For retailers, the key to keeping the consumer entertained is to integrate physical and digital experiences to provide an interactive and all inclusive in-store experience that is combined with excellent service. Innovative retailers are responding, and adapting store formats to provide the interactive element that many consumers now desire.

### **Tommy Hilfiger**

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The fashion brand recently launched a digital showroom at its Amsterdam headquarters. Buyers can digitally view, via an interactive touchscreen table linked up to huge screen wall, every single item in the collection to create custom orders. The concept aims to eliminate the need for samples, order forms and eventually physical showrooms.

### **Bloomingdales**

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The department store is testing wall-mounted iPads in fitting rooms, which allow customers and staff to scan products and check for available sizes, colours, and client reviews as well as alternative style and product suggestions. A direct link to the company inventory-management systems allows for checking and locating the desired items throughout its multimillion-item inventory.

### **Waitrose**

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The UK grocery chain has been trialling a device among its employees, called Hiku, which enables them to scan barcodes at home on products and have them automatically added to their online shopping baskets. They can also talk to the device through voice recognition software as an alternative way of adding products.

### **Amazon**

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The US internet-based retailer has opened its first brick-and-mortar retail store in its 20-year life, in November 2015. The store is called Amazon Books and is located in the University Village shopping centre in Seattle, Amazon's hometown. Whilst the fit-out is similar to traditional book stores, including wooden shelves, Amazon uses a wealth of data, such as product searches and customer ratings from its online platform, to select book titles and stock up its book store. This standalone store follows the opening of various pop-up shows, shopping centre kiosks and pick-up points in universities across the US.

## *Major cities: the epitome of resilience...*

Established World Cities<sup>1</sup>, such as London, New York, Hong Kong or Tokyo, will continue to demonstrate impressive resilience to the technology driven structural change sweeping through retail. In Destination Europe 2015 we identified that, despite economic headwinds, international retailers selectively continued their expansion across Europe's key retail cities; as a general rule, for every two stores opened, one store has closed down.

The continued expansion is partly due to the high levels of young, technologically advanced consumers living in our major cities, but also a result of the attributes that large conurbations possess in abundance, and that are critical to the success of retail places. These attributes include positive market fundamentals (i.e. sheer market scale), great connectivity, unparalleled diversity and vitality, and world-class culture and heritage.

At a broader level, physical retail will grow and evolve to complement the urban spaces around them. As the shape of cities evolves, retail spaces will become less about simply shopping and more about a holistic entertainment, educational and leisure offering. Responsibility and diversity will be built into the DNA of these new entities as consumers are drawn to places offering more than just retail.

As we develop more clarity as to what the future of retail might look like, we firmly believe that we can be more optimistic today about the role and future function of the physical space, than we have been for some time, particularly in busy urban environments.

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<sup>1</sup> Globalisation and Competition: The New World of Cities: This study seeks to reset our thinking on the future world of cities and uses detailed analysis of the very wide range of metrics and indices to guide us into a fresh understanding of city success and its implications for urban form and real estate dynamics. Go to [jll.com/research](http://jll.com/research) to download the report.



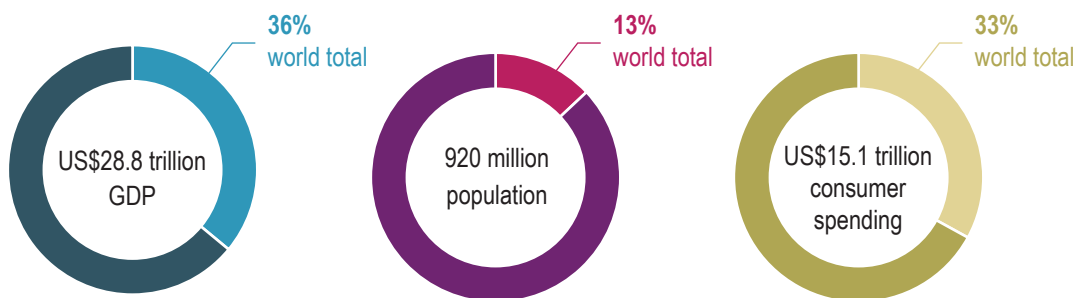
# 3 Retailer Expansion



This report explores the drivers, opportunities and barriers for international retailer expansion across the world. Whilst a multitude of factors come in to play when assessing overseas market opportunities, such as strength of the domestic retail market, market size, market maturity or the quality of retail space, the overall number of international retailers present in a market is an effective indicator when quantifying opportunities or potential barriers to enter a market.

We have examined the presence of 240 international retail brands across 140 key retail cities. Each brand has a significant portfolio of standalone stores in at least two regions, those being the Americas, Asia Pacific, Europe or the Middle East and Africa region. To illustrate the global footprint of this study, 36% of the world's GDP is generated by the 140 key retail cities analysed. The results and city rankings of our findings are presented in our Global Cross Border Retailer Attractiveness Index on page 8 and throughout the report.

## Global Footprint of the 140 Key Retail Cities



Source: Oxford Economics (October 2015)



### *London attracts the most international retailers...*

London stands at the forefront of international retailing and is a true global retail powerhouse, attracting visitors and retailers from across the world. The UK's capital features more international brands than any other city in the world. Many international retailers and luxury brands have built up a long history of success in London, thanks to a diverse and fashionable consumer base, and a continued rise of tourism. Market maturity, a high degree of transparency and a retail friendly climate adds to London's appeal. London is the first port of call for international retailers expanding into Europe, including recent entrants Arc'teryx, Our Legacy and Kit and Ace, whilst brands such as Anthropologie, Bimba & Lola, El Ganzo, Brandy Melville and Superga continue to open new stores across the city.

Other key cities that fulfil a leading role in the global retail market are Hong Kong, Paris, Dubai and New York. Whilst each of these cities are at a different stage of market maturity and benefit from unique features that appeal to international brands, they are all successfully attracting retail spend and securing new exciting brands to the market. Understanding the local opportunities and defining the role of a physical store when establishing affordability of retail space is key and perhaps best illustrated by the spread in prime rents commanded among the world's top retail destinations. Considering locations that are sought after by mainstream international retail brands as well as locations that are targeted by luxury brands, retail space in New York is the most expensive in the world, with top rents reaching up to US\$37,700 per sqm a year. By contrast, Dubai's prime rents stand at circa US\$2,700 per sqm a year. Many retailers use Hong Kong, New York and Dubai as springboards for expansion into the respective regions, underlining the leading role these cities play.

The global retail landscape is shifting fast as borders are becoming less of an issue for international retailers pursuing opportunities overseas. We are observing the simultaneous success of Asia Pacific's leading cities. Sheer market size, in terms of population and economic might, is one of the most compelling drivers for international retailer expansion into the Asia Pacific region. Shanghai and Beijing have both undergone an impressive transformation and are catching up fast on Hong Kong, which has suffered from a slowdown in sales, to compete for top position on the global stage.

Large quantities of affordable retail space, actively supported by policies to attract tourism spend, are driving the success of the Middle Eastern cities. Many Middle Eastern countries, such as UAE, stipulate that international retailers need to work with a local partner, who takes a 51% share of the business and holds the franchise rights to the brand in the region. Whilst a franchise structure may limit control over the brand, and prevent some brands from entering the market, it can be an attractive and viable option for other international retailers looking to expand into the Middle Eastern region, and also reduces operational risk. Overall, with five cities (Dubai, Kuwait City, Abu Dhabi, Jeddah and Riyadh) in the top 20 of our Global Cross Border Retailer Attractiveness Index, the Middle East is clearly a target of global brands.



### *Domestic retail brands remain dominant...*

Strength of competition from leading domestic retail brands and low retail stock growth, particularly in mature retail markets, is a key factor to take into consideration when interpreting global market opportunities. The US, Australia and Canada are regarded as some of the most advanced retail markets globally; however many key retail cities in these markets remain relatively untapped in terms of international retailer presence, despite the significant amount of retail spend and the opportunities they offer. To illustrate the opportunity, New York's retail sales exceed the national retail sales of most countries in the world. Value creation is a key investment driver for many retail schemes in these markets, presenting opportunities in prime pitches and dominant shopping centres to internationally expanding retailers with a strong and translatable proposition.

Further down the rankings we find promising cities which are gaining significant forward momentum, such as Mexico City, Rio de Janeiro, Sao Paulo, Bogota and Lima, all located in Latin America, as well as cities in the Asia Pacific region such as Jakarta, Bangkok, Delhi, Mumbai, Manila, Ho Chi Minh City and China's Tier 1.5 cities<sup>2</sup> such as Chengdu and Tianjin. The broader European market also remains firmly on the radar of international retailers. We have seen a significant uplift in retailer demand in recovering economies, including Dublin, Madrid and Milan, whilst major Nordic cities such as Stockholm, Oslo and Copenhagen have become popular retail destinations, fuelled by robust market fundamentals.

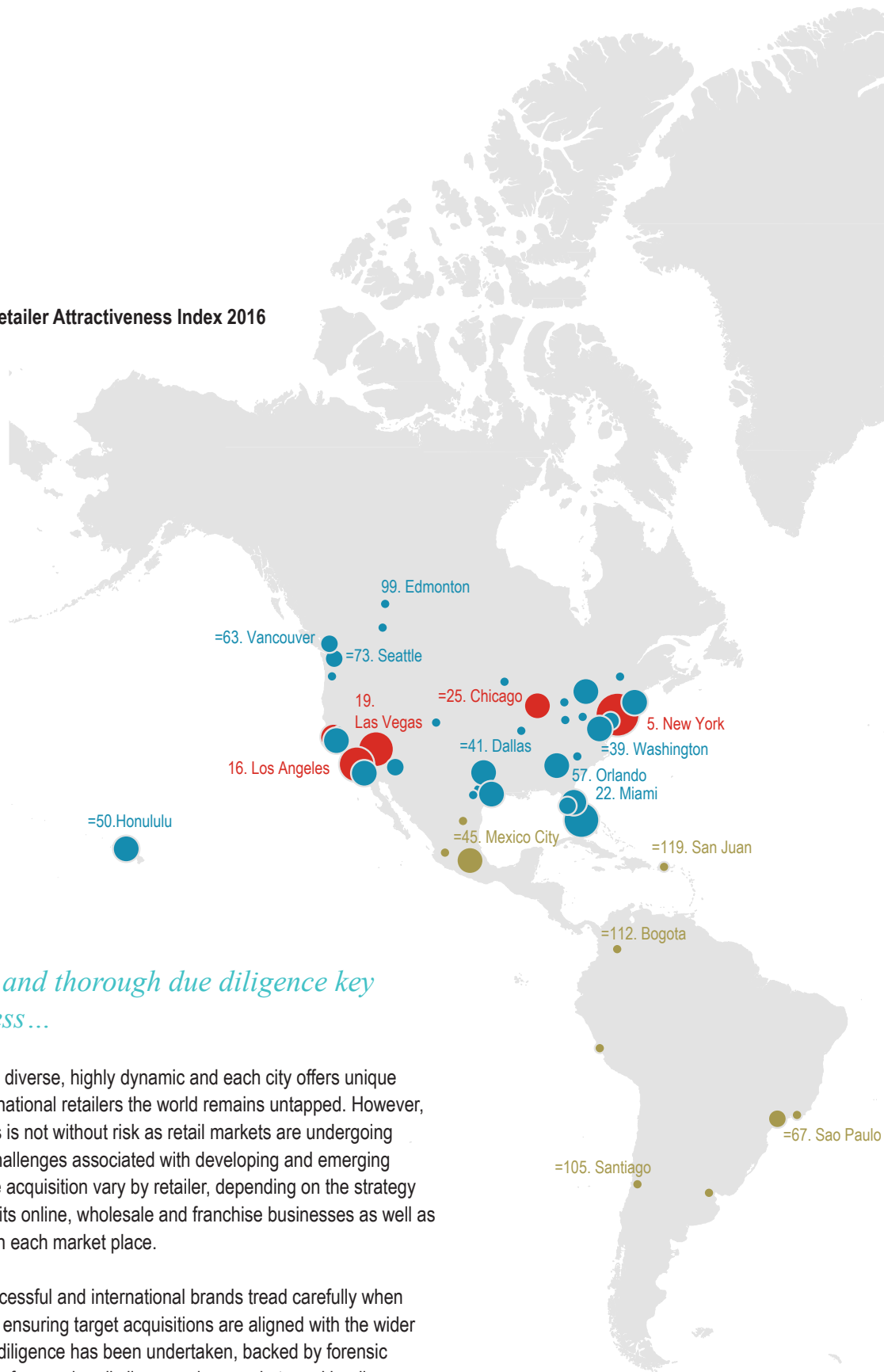
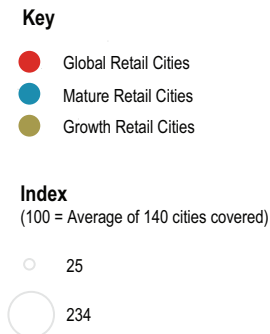
### *Expansion is not without risk...*

A highly dynamic retail landscape can help retailers to achieve phenomenal growth, but expansion is not without risk. Careful planning and thorough due diligence are crucial for long-term success.

Over the next ten years, we expect a significant change in the global retail landscape. Fast growing middle classes, new economic powerhouses, rising tourism and maturing markets will attract new ambitious retail brands into emerging cities. The search for growth is accelerating the penetration of international brands across the world. Retailers who succeed in acquiring the right space in the right place and at the right time will benefit from successful, profitable growth.

<sup>2</sup> Go to [www.jll.com/china60](http://www.jll.com/china60) to find out more about how China's new economic, business and policy landscape is impacting on the dynamics of real estate markets across 60 of China's most important secondary and tertiary cities.

## JLL Global Cross Border Retailer Attractiveness Index 2016 by Market Category

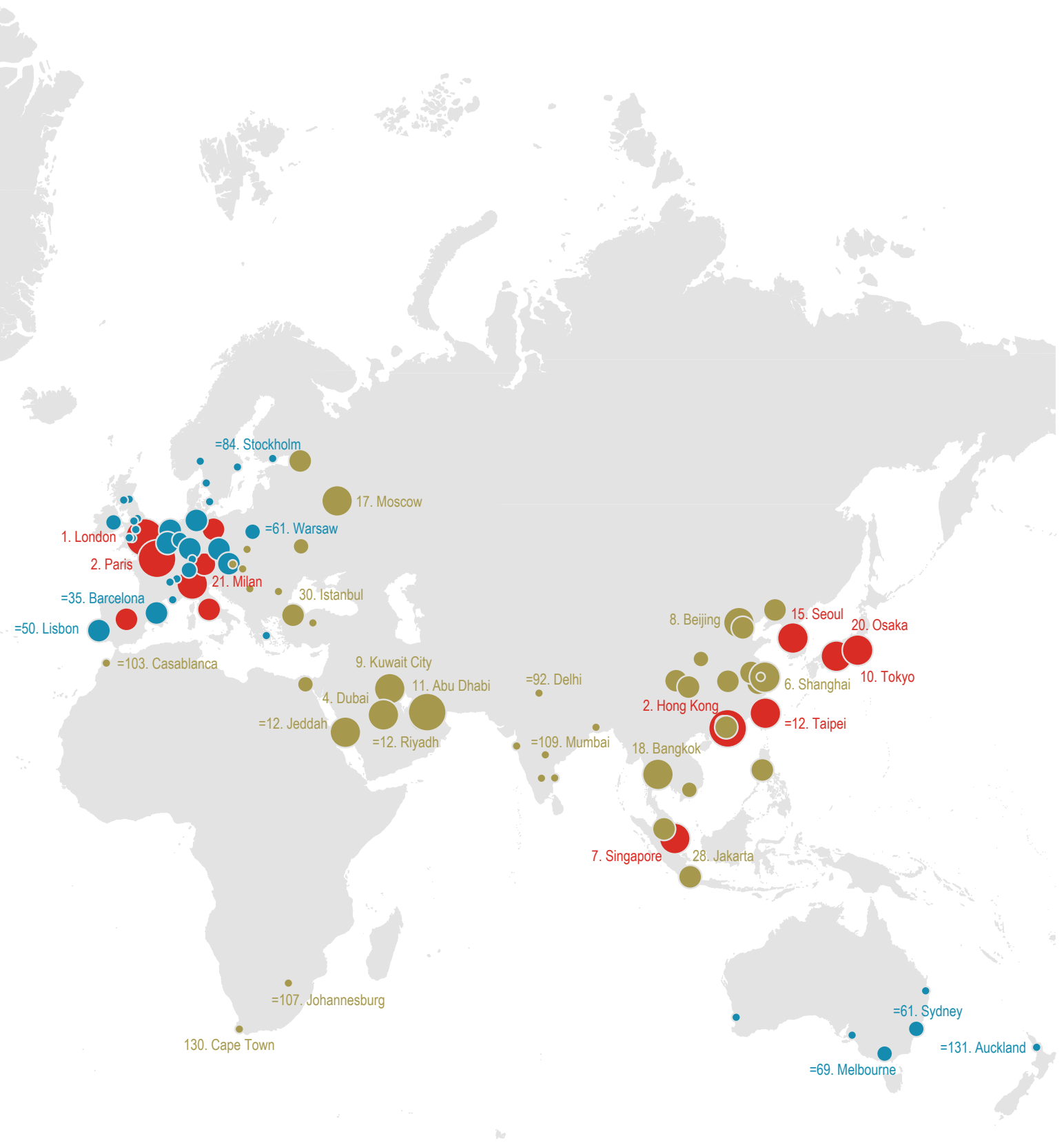


### *Strategic planning and thorough due diligence key for sustained success...*

The global retail landscape is diverse, highly dynamic and each city offers unique opportunities. For many international retailers the world remains untapped. However, expanding into new territories is not without risk as retail markets are undergoing structural change and face challenges associated with developing and emerging markets. The drivers for store acquisition vary by retailer, depending on the strategy and desired support towards its online, wholesale and franchise businesses as well as company owned operations in each market place.

Many of the world's most successful and international brands tread carefully when assessing new opportunities, ensuring target acquisitions are aligned with the wider strategy and a thorough due diligence has been undertaken, backed by forensic local market knowledge. Their focus primarily lies on prime markets and leading cities globally. We are also seeing signs of balanced growth for international retailers globally, across **1. Global**, **2. Mature** and **3. Growth Retail Cities**.





Each global retail market contains a unique mix of features that drives retail sales and ultimately attracts international brands. Despite the differences, we have classified cities in three broad categories, each with their own complexities, opportunities and constantly changing dynamics.



## *Global Retail Cities*

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Global Retail Cities, such as Hong Kong, New York and London, are mature, established markets with the greatest appeal to international retailers, and are generally the first port of call for retailers seeking international expansion into their respective regions. They stand out as being top tier and renowned retail cities globally. The real estate market is generally characterised by high levels of market transparency, and the premier retail areas attract significant levels of retail spend from a diverse and strong international customer base.

Global Retail Cities are the preferred markets for retailers to open iconic flagship stores, allowing them to strategically showcase and raise awareness of their brand. Many retailers build up a larger store portfolio within a Global Retail City before expanding into the wider region. Due to market maturity and demand, available supply of quality retail space in this type of market is generally very limited. Successful market entry into these Global Retail Cities can add great value to a retailer's online, wholesale or store distribution, but will require careful planning around aspects such as location, affordability, distribution, timing and marketing.

Of the 140 key retail cities analysed, we have identified 18 Global Retail Cities. We provide a brief description of the Global Retail Cities present in our top 20 ranking: London, Hong Kong, Paris, New York, Singapore, Tokyo, Taipei, Seoul, Los Angeles, Las Vegas and Osaka.



Rank 1

## *London*



London ranks as the most attractive location for international retailers globally and continues to be a magnet for new brands thanks to its unique blend of market size, maturity and high degree of transparency. Many retailers regard London as the entry point to Europe, including recent entrants J.Crew, Arc'teryx, Club Monaco, Kit and Ace and John Varvatos. The West End retail area comprises Oxford Street, Regent Street, Bond Street and Covent Garden, forming the largest concentration of retail in Europe. International retailers are increasingly spreading out from the city's core streets, due to limited supply and high rents, and targeting other successful areas such as Mount Street, Albermarle Street and Dover Street as well as new areas such as Shoreditch. Retailers are attracted because of the strength of consumer demand, and the eclectic and dynamic nature of these places, putting a strong upward pressure on rents but also creating attractive retail destinations. Westfield London and Westfield Stratford City have both become established premier shopping destinations. Two notable retail pipeline developments include the transformation of the iconic Battersea Power Station into an attractive mixed use destination and the £1 billion regeneration of Croydon's retail centre by Westfield and Hammerson.



Rank 2

## *Hong Kong*



Hong Kong is Asia's leading shopping destination and ranks as the second most attractive city for international retailers globally. Top brands compete for the prime locations that attract many high-spending locals and visitors, particularly from Mainland China who contribute up to one third of the city's total retail sales. Despite a recent change in profile and spending patterns of Mainland Chinese tourism which has led to a slowdown in sales, retailers continue to benefit from the city's top notch infrastructure network, superior business conditions and strong economic climate. Hong Kong boasts some of the best shopping centres in the region, including the impressive Harbour City, Elements, ifc mall and Festival Walk, as well as the coveted street-front stores along Queen's Road Central and Canton Road in Tsimshatsui. Many brands view Hong Kong as a stepping stone to enter China or a platform to go international. Recent entrants into Hong Kong include J.Crew, Agent Provocateur, Kiko Milano and Lululemon. Hong Kong also features many of Asia's top eateries, including restaurants from celebrity chefs such as Joel Robuchon, Gordon Ramsay, Jamie Oliver and Jason Atherton.



Rank 3

## *Paris*



Renowned for its style, iconic fashion and haute couture, Paris ranks third, after London and Hong Kong, in terms of international retailer presence. Popular among tourists and one of Europe's most affluent cities, Paris continues to attract the most outstanding retail brands that inevitably look to the city to open flagship stores. High streets and shopping centres are equally attractive to the city shoppers, with centrally-located Parisians preferring areas such as the Avenue des Champs-Élysées, Opera and Boulevard Haussmann. Europe's highest retail rents are paid on Avenue des Champs-Élysées as demand far outstrips supply. The luxury sector in Paris continues to perform well, supported by sharply rising numbers of overseas visitors. The Golden Triangle in Paris, including Avenue Montaigne, along with Rue du Faubourg Saint-Honoré and Rue Saint-Honoré remains the top destination for luxury retailers. The city's most successful shopping centres include the recently revamped Beaugrenelle shopping centre, located near the Eiffel Tower, as well as the suburban schemes Les Quatre Temps and Velizy 2. Coach, Tory Burch and Alexander McQueen are among the latest entrants to the market.



Rank 5  
*New York*



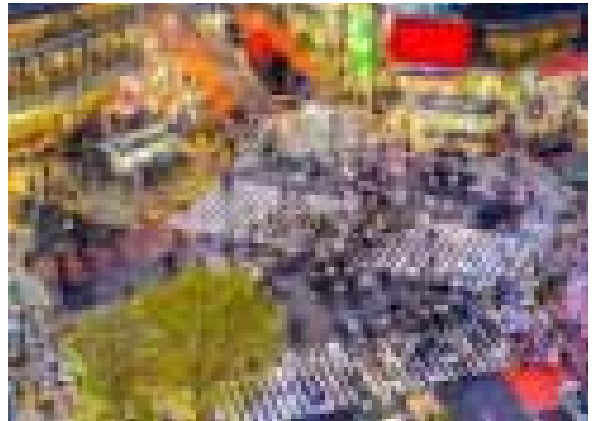
New York is arguably the world's most iconic shopping capital and ranks fifth globally in terms of international retailer presence. With more than 52 million visitors each year, a population over 8 million and 10 million daily commuters, New York generates over US\$70 billion in retail sales a year, exceeding the total retail sales of many countries. The city features a strong domestic retail market with leading department stores, like Saks Fifth Avenue, Nordstrom, Bloomingdale's and Macy's, as well as popular retail brands. Karl Lagerfeld and Flying Tiger recently opened their first store, whilst Microsoft has started trading on Fifth Avenue and Primark plans to open in 2016. Many international retailers start in New York before expanding across the wider region. The core retail market comprises Fifth Avenue, Time Square, Union Square, 34th Street and SoHo, where retail space is among the most expensive in the world. Retailers are increasingly targeting upcoming areas such as Downtown market, Williamsburg, Meatpacking District, South SoHo, World Financial Center and the Hudson Yards redevelopment project, to open new stores. American Dream Meadowlands is one of New York's notable developments; completion of the 450,000 sqm scheme is scheduled for 2017.

Rank 7

## *Singapore*



Thanks to its strategic location and attractive business climate, Singapore is one of the preferred destinations for international retailers to establish a presence in the region. The city has a comparatively mature retail market and ranks seventh, just behind Shanghai in the index. International retailer demand is boosted by strong domestic purchasing power, a large contingent of expatriates and an increasing influx of Asian shopping tourists. Orchard Road is Singapore's prime retail hotspot, attracting both Singaporeans and tourists. It features cutting-edge shopping centres such as Ion Orchard, Paragon, Mandarin Gallery, Orchard Gateway and the recently extended Plaza Singapura, all hosting top international retail brands. Beyond downtown, the redevelopment of Marina Bay has delivered The Shoppes at Marina Bay Sands, an upscale shopping centre offering deluxe boutiques, emerging labels and high end restaurants, while Suntec City Mall in the Marina Centre has recently been revamped. Jack Wills, Lululemon, Vacheron Constantin, Villeroy & Boch, Carmina Shoes and Marimekko are some of the latest notable brands to have entered the Singapore retail market.



Rank 10

## *Tokyo*



Tokyo ranks as the tenth most attractive location for international retailers globally. The city stands out as the largest metropolitan area globally and its vast size means its retail landscape offers distinctive districts, each featuring a compelling blend of shopping centres, department stores and trendy boutiques created by top-name designers. Ginza commands Tokyo's highest retail rents, where upmarket stores reside alongside art galleries, high-society cafes and top high end restaurants. The area benefits from an influx of Chinese tourists. Roppongi Hills and Tokyo Midtown are two of Tokyo's outstanding shopping centres. Young consumers make for the trendy schemes in Omotesando, Shibuya and Shinjuku, while Tokyo Bay's large centres appeal to families. An improving economic climate and rising tourism numbers, following the relaxation of travel visas and depreciation of the yen, is reviving retailer demand for high quality space. Burberry, Miu Miu and Rimowa are some of the retailers that have opened flagship stores recently and have also been joined by Damiani, Ermenegildo Zegna, Vacheron Constantin as well as Versace, who re-entered the market. The 2020 Olympics and Paralympics are expected to provide an additional boost to Tokyo's economy.

Rank =12

## Taipei



Taipei is Taiwan's capital city and the country's economic, cultural and political heart. The city ranks twelfth globally in terms international retailer presence. Local shoppers benefit from a broad retail offer encompassing department stores, including Shin Kong Mitsukoshi, Far Eastern and Pacific Sogo, as well as several shopping centres. In addition, Taipei's retail landscape has some unique features, including underground malls that also serve as connections between metro stations, as well as the popular night markets that operate well past midnight. The Xinyi District is the city's prime retail area with a well-developed high street retail offer and a wide variety of restaurants, as well as shopping centres, including the upmarket Taipei 101 Mall. This scheme is located in the base of Taipei 101, one of the tallest buildings in the world, and benefits from a large number of visitors. It features luxury brands such as Dior, Prada, Louis Vuitton, Burberry and Ermenegildo Zegna. Healthy retail sales growth and rising tourism numbers, including visitors from Mainland China, are driving retailer demand and enticing brands to open flagship stores, including Gap and H&M.



Rank 15

## Seoul



Seoul's retail market is vibrant, dynamic and renowned for its sophisticated and image-conscious consumers. The capital city has an affluent consumer base thanks to the rise of companies such as Samsung, LG and Hyundai. Growing visitor numbers from Mainland China are providing an additional boost to overall retail spend. Myeongdong is Seoul's most expensive high street shopping location. Centrally located, it features many fashion boutiques as well as international retail brands. Gangnam Station is the city's busiest area, packed with offices, restaurants, boutiques, mainstream fashion stores and cinemas. Luxury retailers such as Gucci, Louis Vuitton and Cartier can be found in Cheongdam-dong, whilst young and trendy shoppers prefer the exciting retail offer in Hongdae and Garuso-gil. Shopping centre retail is relatively new in South Korea, but becoming increasingly popular. Seoul IFC, Times Square, COEX Mall and Lotte World Mall are some of the city's best performing schemes. In recent years, international brands have increasingly broken away from department stores to establish standalone shops. Recent market additions include Burberry and Dior, both of whom opened flagship stores.

Rank 16

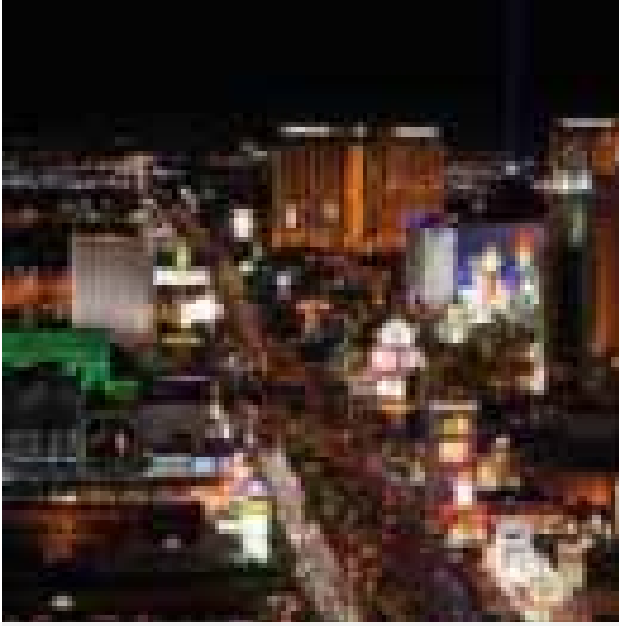
## *Los Angeles*



Entertainment capital Los Angeles has a well-established retail market and ranks sixteenth globally in terms of international retailer presence. The city houses one of the country's most productive shopping centres in terms of turnover, The Grove, as well as many upmarket retail brands. Retailers benefit from a highly attractive catchment area; the city is among the most highly populated areas in the US, and retail sales are on the rise thanks to a thriving technology sector. Beverly Hills is home to The Golden Triangle, which famously includes the renowned luxury street Rodeo Drive. Over the past few years, Los Angeles has seen the emergence of vibrant and exciting shopping areas, attracting new retailers and food & beverage operators, including Gant Rugger, Fabletics and Murad. Santa Monica, Malibu, and the Silver Lake markets all serve the beach and bohemian markets, which help keep Los Angeles on the cutting edge of trends. Downtown L.A. and the Arts District have emerged as technology hubs, attracting retailers, restaurants and galleries. Westfield Century City, the city's most anticipated expansion project, will include a new Nordstrom in 2017, as well as the first Eataly on the West Coast.







Rank 19

## Las Vegas



Famed for its buzzing energy, endless entertainment options and 24-hour casinos, Las Vegas ranks as the nineteenth most attractive location for international retailers. Whilst the city is renowned for its mega-resorts, casinos and conventions, Las Vegas has become a popular shopping destination, generating more income from stores than from casinos. Las Vegas Boulevard, also known as “The Strip”, is only two miles long, but international and luxury retailers consider this pitch to be capable of sustaining up to three stores, due to the fact that the city attracts almost as many annual visitors as New York. Tory Burch and St. John are amongst the latest notable brands to have entered the retail market. The Forum Shops at Caesars is one of the top retail destinations for luxury brands, and commands the highest rent. The Fashion Show Mall is an upscale shopping destination offering over 175,000 sqm of retail space, and features over 250 stores. Other popular destinations include the recently opened scheme, The Grand Bazaar, an outdoor retail project at the busiest intersection along the Strip, and the Crystals project, which debuted in 2009.

Rank 20

## Osaka



Often overshadowed by Tokyo, Osaka is a major economic hub and among the largest metropolitan areas in the world. A large affluent consumer base and rising tourism spend makes the city highly attractive for international retailers; Osaka ranks twentieth in our index. Much of the city's bustling street life and unique retail landscape is organised around its energetic shopping districts, arcades and markets. Shinsaibashi is the premier shopping area; at its centre is Shinsaibashi-Suji, a covered shopping arcade with over 180 stores. It features top brands such as H&M, Uniqlo, Fossil and Longchamp as well as Daimaru department store. Luxury brands such as Chanel, Dior and Louis Vuitton can be found on the nearby Mido-Suji high street. Osaka's youth gather in Amerikamura, an American themed shopping area further west. Burberry, Rimowa and Saturdays NYC all recently opened their flagship stores in Shinsaibashi. Other unique shopping areas include Tenjimbashi-Suji, Japan's longest shopping arcade at 2.6 km (1.6 miles); Umeda, a commercial district home to the city's largest department stores; Nipponbashi Denden Town, an electronics shopping district and Namba Park, a shopping centre with an impressive green rooftop park.





## *Mature Retail Cities*

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International retailers aiming to expand their retail footprint beyond Global Retail Cities often target Mature Retail Cities as the next port of call, in order to achieve sustainable growth. These are established markets, with strong domestic sales and domestic brands, stable growth outlooks and an affluent consumer base. The real estate market is transparent and legislation is often favourable towards international retail brands. Miami, the highest ranked in 22nd position, Boston, Toronto and Honolulu in North America, Sydney and Melbourne in the Asia Pacific region and Barcelona, Amsterdam, Hamburg and Frankfurt in Europe are among the numerous Mature Retail Cities across the world that have been successful in attracting international retailers.

Mature Retail Cities are well developed and often have a strong appeal towards shoppers in their respective wider surroundings, but are generally able to sustain fewer stores than Global Retail Cities due to their smaller market size. With the changing retail landscape, and the evolving role of physical stores, an increasing number of retailers and popular fashion brands in particular, are aiming to open flagship stores in these markets. As with Global Retail Cities, new stock growth of quality retail space is generally limited, resulting in strong competition between retail brands for available space in prime locations.

Whilst there are no Mature Retail Cities in the top 20 of the rankings, we have provided a brief description of the highest ranked Mature Retail City in each region, namely Miami, Barcelona and Sydney.

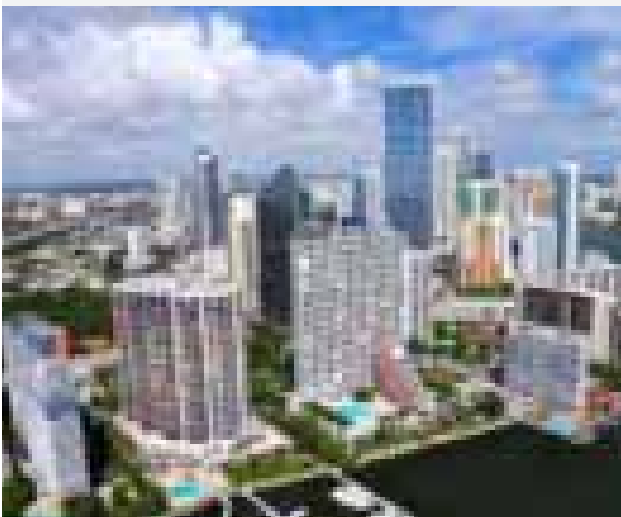


Rank 22

## Miami



Often referred to as the “Capital of Latin America”, Miami is a cosmopolitan city and among the most affluent cities in the US. The city welcomes 14.6 million overnight visitors a year and houses the country’s second largest Spanish-speaking community. International retailer demand is strong, particularly from brands keen to operate across the wider Latin America region; as a result Miami ranks 22nd in the Cross Border Index. Combined with a lack of retail space (Miami has only half the amount of retail space per person compared to the national average) rents across the city are seeing upward pressure. The pedestrianised Lincoln Road, located on South Beach, features cafés, bars, galleries, and fine dining as well as attractive brands such as Apple, Banana Republic, Desigual, Havaianas, H&M, J.Crew and Superdry. Luxury retailers such as Louis Vuitton, Prada and Christian Louboutin are located in Miami’s upscale Design District. Strong economic recovery from the financial crisis has fuelled development activity, and various multi-use development projects are underway. Brickell City Centre is scheduled to open in fall 2016 and will feature various upscale brands such as Ted Baker, Agent Provocateur, Vilbrequin, Lululemon and Harmont & Blaine, as well as a Saks Fifth Avenue department store.



Rank 35

## Barcelona



Ranked 35th in our index, Barcelona is a cosmopolitan seaside city with a well-established retail market, providing some of Spain’s best and most attractive retail locations. Many tourists are attracted by its rich culture, fabulous architecture, and a world-class drinking and dining scene. Foreign shoppers contribute up to 80% of the total retail sales in the city centre. Retailer demand across the wider city continues to strengthen, fuelled by rising retail sales and improving economic conditions, pushing up prime rent levels in the main retail areas. Barcelona’s main shopping area is located in the Eixample neighbourhood, centred on the prestigious Paseo de Gracia, which features many of the city’s upscale retail brands such as Michael Kors, Tiffany & Co., Louis Vuitton and Dolce & Gabbana. Rambla Catalunya, Diagonal and the pedestrianised Portal de l’Angel complement the city centre retail offer. Christian Dior, Primark and Athena are some of the latest international entrants to the market. Notable developments include the refurbishment and 9,000 sqm extension of Les Glories shopping centre, with at its heart the successful ‘El Mercat’ food market, and the proposed upgrade of La Maquinista shopping centre.



Rank =61

*Sydney*

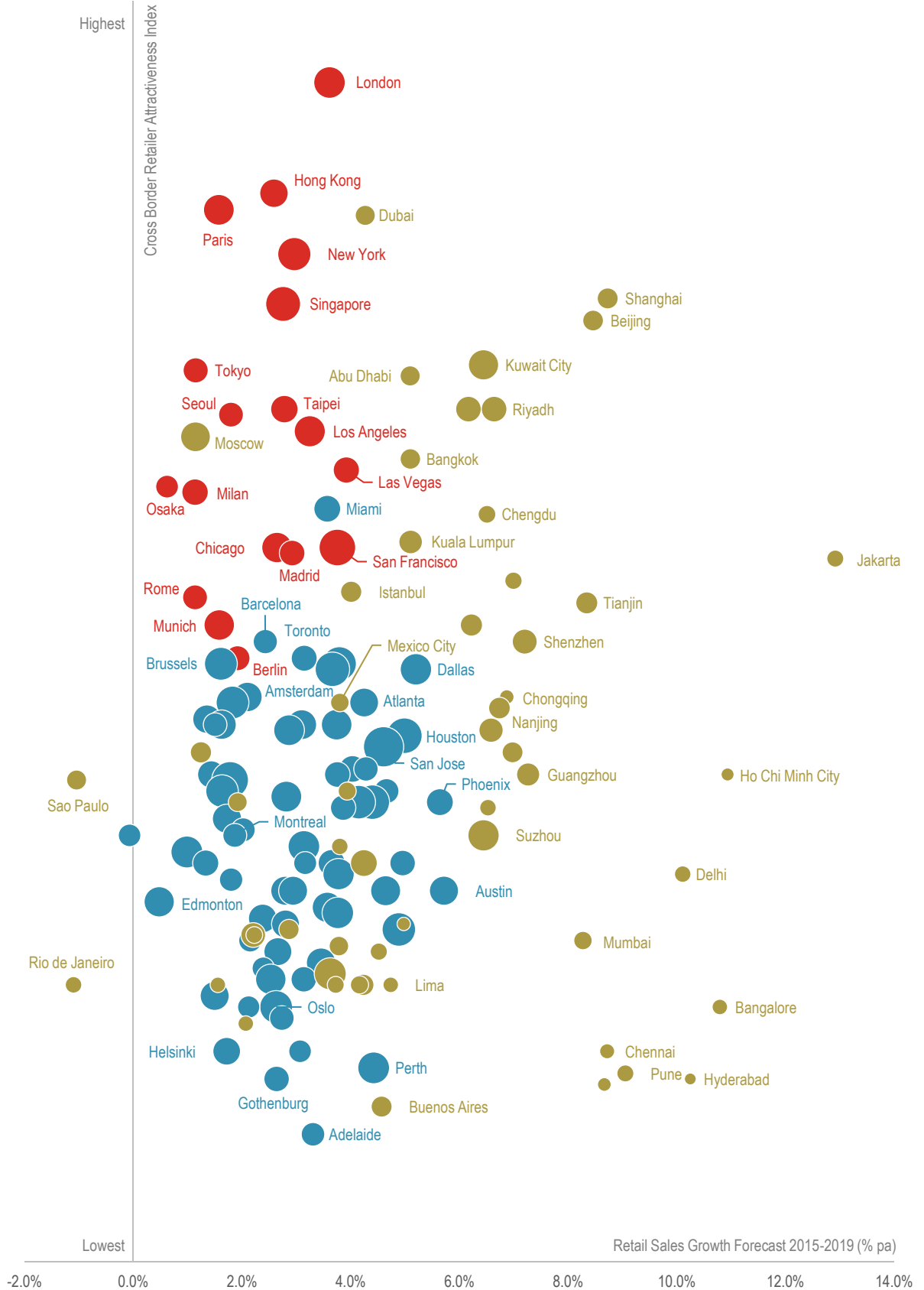


Globally renowned for its iconic Opera House, Sydney is Australia's most populated city. Residents enjoy high standards of living and possess high levels of purchasing power. Sydney is a high-profile international city thanks to the presence of many regional headquarters of global companies, and a large international student population. The CBD retail market is mainly organised around high street retail, department stores and revamped heritage shopping centres. Pitt Street Mall is Sydney's most expensive retail location and forms the heart of the CBD retail market. Pitt Street Mall caters to local workers and residents, as well as interstate and international tourists. Many upmarket retailers are present in Martin Place, on Castlereagh Street and King Street, as well as the recently redeveloped Westfield Sydney. Sydney ranks 61th globally, but its international brand penetration is on the rise, supported by an increase in available high quality retail space. A number of major suburban shopping centres around Sydney have recently completed or are currently undergoing refurbishment, or have redevelopment plans in the short term. Macquarie Centre, Westfield Miranda and Westfield Chatswood have recently completed major upgrades, securing new retailers such as H&M, Uniqlo and Forever 21. Other recent entrants to the market include Sephora, Givenchy, Microsoft and Rimowa.

# JLL Global Cross Border Retailer Attractiveness Index vs Retail Sales Growth Forecast

- Key**
- Global Retail Markets
  - Mature Retail Markets
  - Growth Retail Markets

The size of circles in the graph below represents the GDP per Capita (US\$ PPP Adjusted). Circle size therefore provides an overall indication of the affluence of the local consumer base.  
 Source: JLL, Oxford Economics (October 2015)





## *Growth Retail Cities*

The Growth Retail Cities are perhaps the most dynamic group of cities within our sample and benefit from significant positive momentum. Shanghai, Beijing and Istanbul are among the successful cities that have attracted international brands for many years, and are gaining ground on the Global Retail Cities. Other Growth Retail Cities are demonstrating strong potential, such as Delhi, Mumbai, Mexico City and São Paulo, but will need more time to become true global retail destinations in their own right.

Significant growth of the retail sector is the foremost attribute that these markets have in common. Strong retail sales growth is driven by an expanding population, rapidly rising middle classes and fast track urbanisation. Levels of shopping centre development are generally high. Whilst these cities are well-established shopping destinations in their own right, they are not yet as developed in terms of market transparency, and exhibit higher relative levels of economic and geo-political risk than their Global and Mature Retail Market counterparts. China's anti-corruption campaign and Russia's rouble devaluation are two recent examples of the relatively enhanced risks inherent in some Growth Retail Markets.

Out of our global top 20 retail cities, nine have been classified as Growth Retail Cities. These are Dubai, Kuwait City, Riyadh, Jeddah and Abu Dhabi in the Middle East; Shanghai, Beijing and Bangkok in Asia; and Moscow in Europe. A brief description of each of these cities has been provided on the following pages.





Rank 4  
*Dubai*



Dubai is the leading retail destination in the Middle East and ranks fourth globally in terms of international retailer presence. Since the 1960s, Dubai has emerged as an important business hub and holiday destination. Tourism plays an important part of the government's strategy to increase the inflow of foreign money, a key driver for retail spend. This is underlined by Dubai Holding's announcement of the Mall of the World development and Dubai's win to host the World Expo in 2020. Large quantities of affordable retail space enabled international retailers, supported by franchise operators, to open up stores and tap into a highly attractive market of wealthy locals, tourists and expatriates. Shopping centres dominate the retail market, with The Dubai Mall and Mall of the Emirates being Dubai's most popular schemes. While there have been relatively few major completions since 2012, MAF opened the first phase of their new city centre project (City Centre Me'aisem) and Nakheel opened Phase 2 of Dragon Mart in late 2015. There remains a significant number of major new projects scheduled to complete over the next two years. Recent entrants to the market include Apple and Charming Charlie.

Rank 6  
*Shanghai*



China's premier shopping destination, Shanghai, ranks as the world's sixth most attractive location for international retailers. The city's retail landscape has undergone a remarkable transformation over the last two decades and is catching up fast on Hong Kong to become one of Asia's leading retail destinations. Thanks to a diverse economy and wealthy consumer base, Shanghai has become a favourite place for international brands to test the Chinese market and gain brand exposure, sometimes bypassing Hong Kong in the process. Fashion conscious shoppers enjoy a highly dynamic retail mix, varying from luxury brands such as Prada, Gucci, Chanel and Burberry, to pop-up boutiques, bustling markets and designer outlets. Sophisticated shopping resides on both banks of the Huangpu River with West Nanjing Road being the prime area, thanks to the presence of Plaza 66, Citic Square, and the Jing An Kerry Centre. Shanghai ifc mall and the Superbrand Mall are located on the river's east side and offer upscale shopping and dining. New submarkets catering to the needs of local residents have appeared along metro lines leading out of the city. Recent notable entrants include Old Navy, Tory Burch and Breitling.



Rank 8  
*Beijing*



The cultural and political heart of the nation, China's capital today is a bold mix of old and new. Once famed for its buzzing open-air markets, historic Beijing now boasts one of the most sophisticated modern retail markets in the country, and ranks eight in our index. Years after hosting the 2008 Olympics, Beijing continues to urbanise and draw international brands to the city, with Cath Kidston and Tous among the latest entrants. The swelling middle class and strong concentration of high-net-worth individuals in Beijing have further enabled the capital to develop as Mainland China's number one retail market in terms of sales. High-end properties SKP and China World Mall are located in Beijing, while landmark project Taikoo Li, formerly known as Sanlitun Village, continues to draw fashion-forward shoppers to its sprawling property. And while Beijing APM and Oriental Plaza dominate tourist-friendly shopping strip Wangfujing, the CBD and Third Embassy Area remain popular shopping districts thanks to the large number of multinational companies and expatriate populations in the area, that have helped to transform these locations into more upscale fashion destinations. Meanwhile, growth in the rapidly expanding suburban market is set to explode from 2016.



Rank 9  
*Kuwait City*



Strong purchasing power and robust economic growth since 2000, combined with a strong franchise culture, has made Kuwait City an attractive market for international retailers. The city follows Dubai in terms of international retailer presence in the Middle East region and ranks ninth globally in our index. Although Kuwait's strong reliance on oil exports has slowed down recent retail sales growth, the long term prospects are positive. Annual sales are forecast to rise almost 5% a year until 2020, driven by ongoing urbanisation and a growing expatriate workforce. Comparatively relaxed dress codes and a young population are expected to boost spending on upscale fashion products. High-end shopping centres, featuring luxury brands, are popular with Kuwaitis. The Avenues Mall is Kuwait's most successful shopping centre; with over 800 stores it is also one of the world's largest schemes. Chanel, Burberry, Louis Vuitton and Prada are among the luxury brands that have opened upon completion of the third phase. The Gate Mall near the American University of Kuwait is the latest scheme to open and features brands such as H&M, Mac Cosmetics and Bimba & Lola, as well as a Debenhams department store.



Rank 11

## Abu Dhabi



Abu Dhabi is transforming into a global retail hotspot. The government's policy to support retail driven tourism has boosted the inflow of wealthy foreign visitors as well as the development of new retail space. High purchasing power and rising levels of retail sales from locals, tourists and expatriates has caught the attention of international retailers. New developments such as the Yas Mall and The Galleria have helped to attract new brands. IKEA opened in Yas Mall, whilst The Galleria welcomed luxury brands Etoile La Boutique, David Morris and Chaumet. Abu Dhabi currently ranks eleventh globally in terms of international retailer presence, but new supply of retail space is expected to push the city up in the rankings. Reem Mall, The District, Al Maryah Central and Marina Mall Extension are some of the large notable retail developments planned for Abu Dhabi. US department stores Macy's and Bloomingdale's both announced plans to open in Al Maryah Central, an extension of the existing The Galleria scheme. The District, located near the planned Zayed National Museum, Louvre Abu Dhabi and Guggenheim Abu Dhabi on Saadiyat Island is another example of Abu Dhabi's tourism strategy in action.



Rank =12

## Jeddah



Jeddah is a major commercial hub in the Middle East and the principal gateway to Mecca and Medina, attracting many pilgrims every year. The city ranks twelfth, alongside with Taipei and Riyadh, in terms of international retailer presence. Local shoppers are a key driver for retail sales, achieving higher sales per capita than in Riyadh. Supported by major urban regeneration projects and investments in the transport system, the government is keen to increase tourism spend from pilgrims as well as business travellers. Various retail brands, such as Mac Cosmetics, Gucci and UK department store chain Debenhams continue to expand their store network, as ongoing refurbishments of some of the older shopping centres offer attractive opportunities. Prada entered the market with a standalone boutique in the recently opened and prestigious Boulevard shopping centre. The scheduled opening of Yasmin Mall in 2016, offering circa 58,000 sqm of high quality retail space in the North East of Jeddah, is expected to divert footfall from shopping centres in the Western parts of the city that have traditionally served the previously under provided eastern suburbs.



**Rank =12**  
*Riyadh*

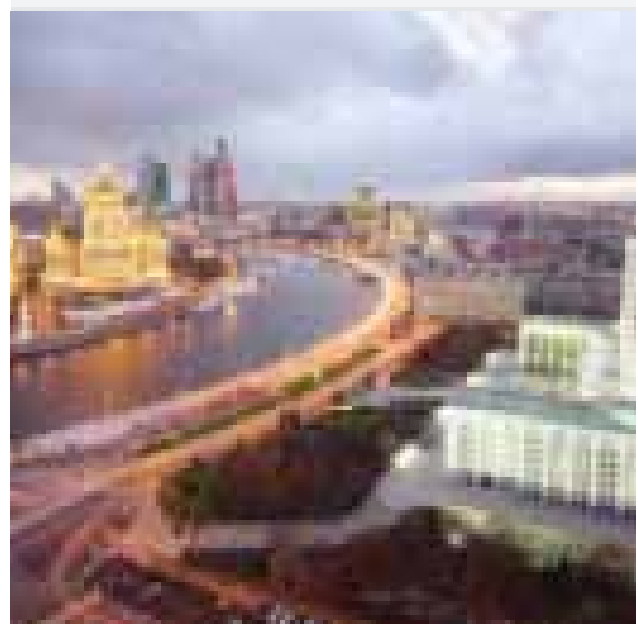


Saudi Arabia's capital city, Riyadh, is the country's political, financial and administrative heart, and ranks twelfth globally alongside with Taipei and Jeddah. Whilst the city's retail sales per capita is lower than regional peers such as Dubai, Abu Dhabi and Jeddah, Riyadh's retail sales are projected to grow over 7% annually until 2020. The city will also benefit from the recent announcement of major new retail developments. The government's decision to allow 100% foreign ownership of retail businesses is expected to boost international retailer demand for quality retail space, and is likely to push rent levels upwards. Kingdom Centre, Al Faisaliah Mall and the newly developed Al Nakheel Mall are among the major shopping centres featuring international brands. Robeen Plaza and The Boulevard are some of the most recent schemes that opened up. A significant amount of new retail space will be brought to the market over the next three years. The retail components of the mixed used KAFD and ITCC projects are scheduled to complete in 2016-2017. Mall of Arabia, Diriyah Festival City and Alshaya's Avenue Mall are the other major planned regional or super regional malls in Riyadh. Calvin Klein, Virgin Megastore and Bose are among the city's latest entrants.

**Rank 17**  
*Moscow*



The impact of the rouble devaluation in 2014 continues to feed through into the economy. Many international retailers are reviewing their plans and a few brands have even left the market. Despite the ongoing churn, Moscow remains an attractive market for international retailers. The city ranks seventeenth in our global index and has the largest presence of international brands in Europe after London and Paris. Encouragingly, foreign and domestic retailers still continue to announce expansion plans, with international brands Hamleys and Seiko having recently opened their first stores in Moscow, and KidZania set to follow. Retail space in shopping centres remains the most sought after by retailers, but rental rates across Moscow are under pressure, impacting even the most successful schemes. Moscow's prime high street retail offer continues to mature. Stoleshnikov Lane, Tretyakovskiy Passage and the areas around the city's leading department store, TsUM, are home to numerous luxury brands. Mass market brands can be found on Tverskaya Street, Novy Arbat Street, Nikolskaya Street, Kuznetskiy Most Street. Restaurants and cafes dominate on Pyatnitskaya Street, Arbat Street, Myasnitskaya Street and Kamergerskiy Lane.





Rank 18

## *Bangkok*



Bangkok's reputation as a shopping hotspot for fashion-conscious consumers is rising fast. Boosted by rising income levels and growing tourism numbers from across the world, Thailand's capital city has attracted many international brands, such as H&M, Zara Home, Pull & Bear and Victoria's Secret. Recently, retailers such as Dior Homme, Pierre Hermé, A Bathing Ape and Tiffany & Co. have started trading in the city. Bangkok now ranks eighteenth in terms of international retailer attractiveness, just ahead of Las Vegas. The Ratchaprasong "Golden Mile" is the heart of Bangkok's retail market and attracts many local shoppers as well as tourists, thanks to its central location and adjacent Skytrain. The area houses eleven shopping centres, including popular schemes such as Siam Paragon, Central World and Siam Square One. The recently completed EmQuartier, Central Westgate and Central Festival East Ville, all outside the city centre, are providing new attractive opportunities to international retailers. Bangkok's retail landscape continues to diversify, with renovations at Siam Discovery and several suburban Central Plaza retail schemes, the opening of HaHa Market and the continued success of Asiatique The Riverfront, a combined shopping centre and night bazaar.

# 4 Most Expensive Retail Locations



Retailer appetite for the best space across the key retail markets globally remains strong. Particularly in the leading markets that attract top international retail brands, retailers are looking for opportunities to open flagship stores in iconic locations. This is maintaining or, in some instances, putting upward pressure on rents in super-prime locations.

## *Rents tell only half the story...*

To understand market rents and how sustainable rent levels are measured is becoming increasingly complex. Local market rents are set against a wider assessment of the market opportunity and risk, costs of operations and profitability as well as the role of a physical store. As the global retail landscape is changing, so is the role of the physical store and subsequently retailers' perceptions towards affordability of physical retail space. The chapter 'Extensive and Expansive Retailers' on page 43 will provide more insight into the role of the physical store and how it can support a retailer's route to market.

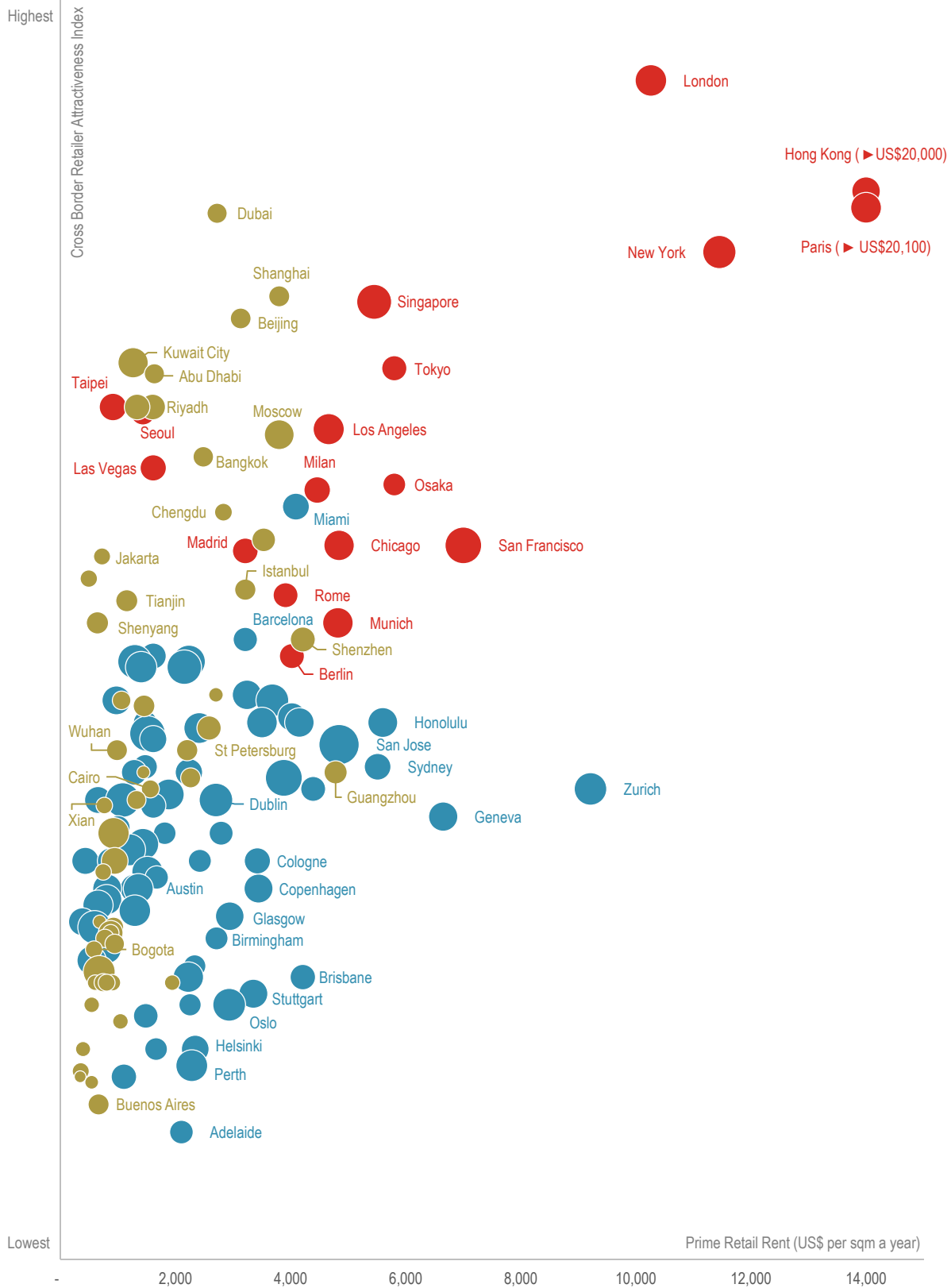
The graph opposite illustrates a correlation between the number of international retailers present in a market, and the prime rents paid for retail locations typically most sought after by international retailers (luxury rents are explored later in the report).

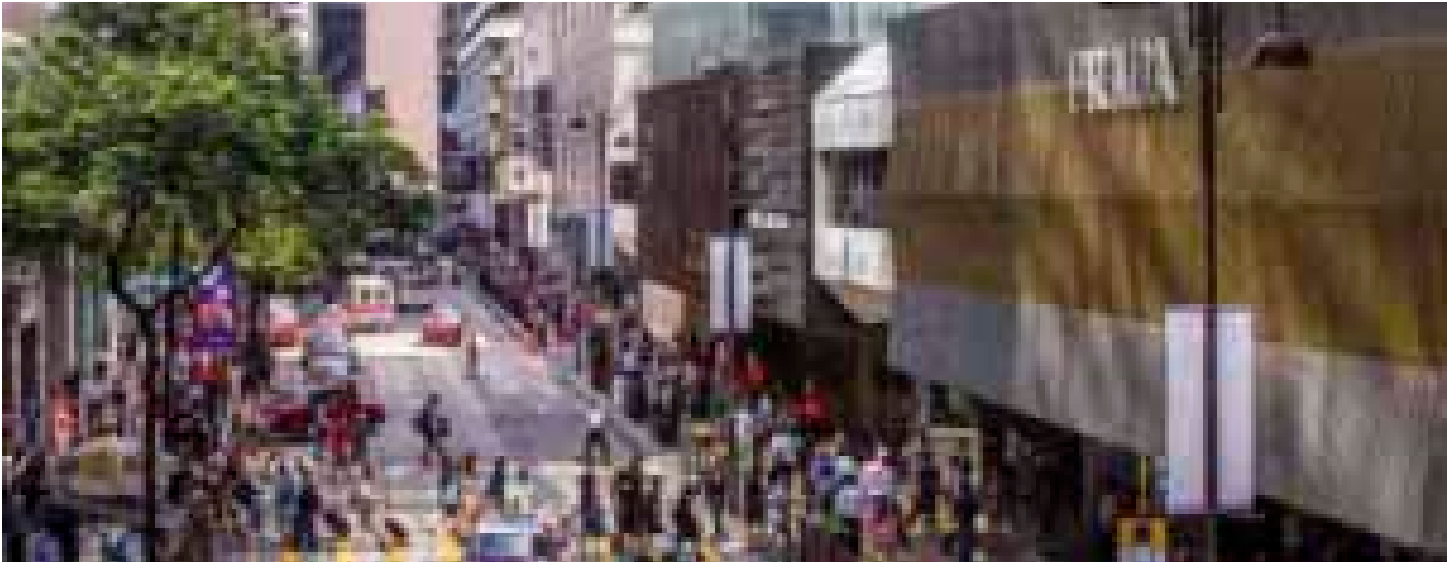
It is only when examining specific clusters in more detail that the complexity around market rent levels, and successful retailers' strategies become more evident. There are significant differences between rental levels in the Global Retail Cities and the Growth Retail Markets. Local aspects such as legislation, market transparency and maturity as well as growth of the retail market have a major impact on a retailer's assessment of the market opportunity and therefore the amount of rent paid, balancing risk and opportunity. Whether a retailer needs to achieve ambitious sales targets to cover high rents in leading retail markets or to mitigate the risks inherent to emerging markets, creative solutions, such as new store concepts or innovative branding, are becoming increasingly crucial to success.

# JLL Global Cross Border Retailer Attractiveness Index vs International Prime Rent

- Key**
- Global Retail Markets
  - Mature Retail Markets
  - Growth Retail Markets

The size of circles in the graph below represents the GDP per Capita (US\$ PPP Adjusted). Circle size therefore provides an overall indication of the affluence of the local consumer base.  
 Source: JLL, Oxford Economics (October 2015)





### *Paris and Hong Kong command top international retailer rents...*

As the role of a physical store for international retail brands and luxury retailers varies significantly by city, so does their preferred retail pitch in each market and rent levels paid. Analysing retail locations most sought after by key international mainstream retail brands, The Avenue des Champs-Élysées in Paris and Sai Yeung Choi Street in Hong Kong's resilient Mong Kok area command the highest rental levels. As demand has far outstripped supply, rent levels have soared in recent years to circa US\$20,000 sqm a year in both markets. New York's SoHo and London's Oxford Street are also highly sought after by international retailers, and command some of the world's highest rents among mainstream and premium brands. Luxury retailers are generally able to afford higher rents than many mainstream retailers. Upper Fifth Avenue in New York is the most sought after retail location globally by top luxury brands, with headline rents reaching up to US\$37,700 sqm a year. More insight into the top luxury retail rents globally will be provided in the chapter 'Luxury'.

The maturity of retail markets clearly influences prime rent levels. Dubai, Shanghai, Beijing and Kuwait City have all witnessed impressive transformation of their retail markets and have attracted many new brands. However, these cities command relatively low prime rent levels, relative to their international retailer presence. These markets are forecast to see continued strong retail sales growth, and benefit from an active retail development pipeline. As markets mature and stock growth slows, competition among international retailers for the best locations is likely to push rent levels upwards.

Tourism and e-commerce are key drivers that will influence prime rent levels in the best retail locations in well-established markets. Retailers are increasingly competing for stores in prime locations in order to tap into the rising tourism spend and increase their international brand awareness. An increasing number of retailers are successfully embedding e-commerce into their wider retail strategies. As these strategies become more refined, new opportunities will open up, such as expansion into less densely populated but nonetheless attractive retail markets.

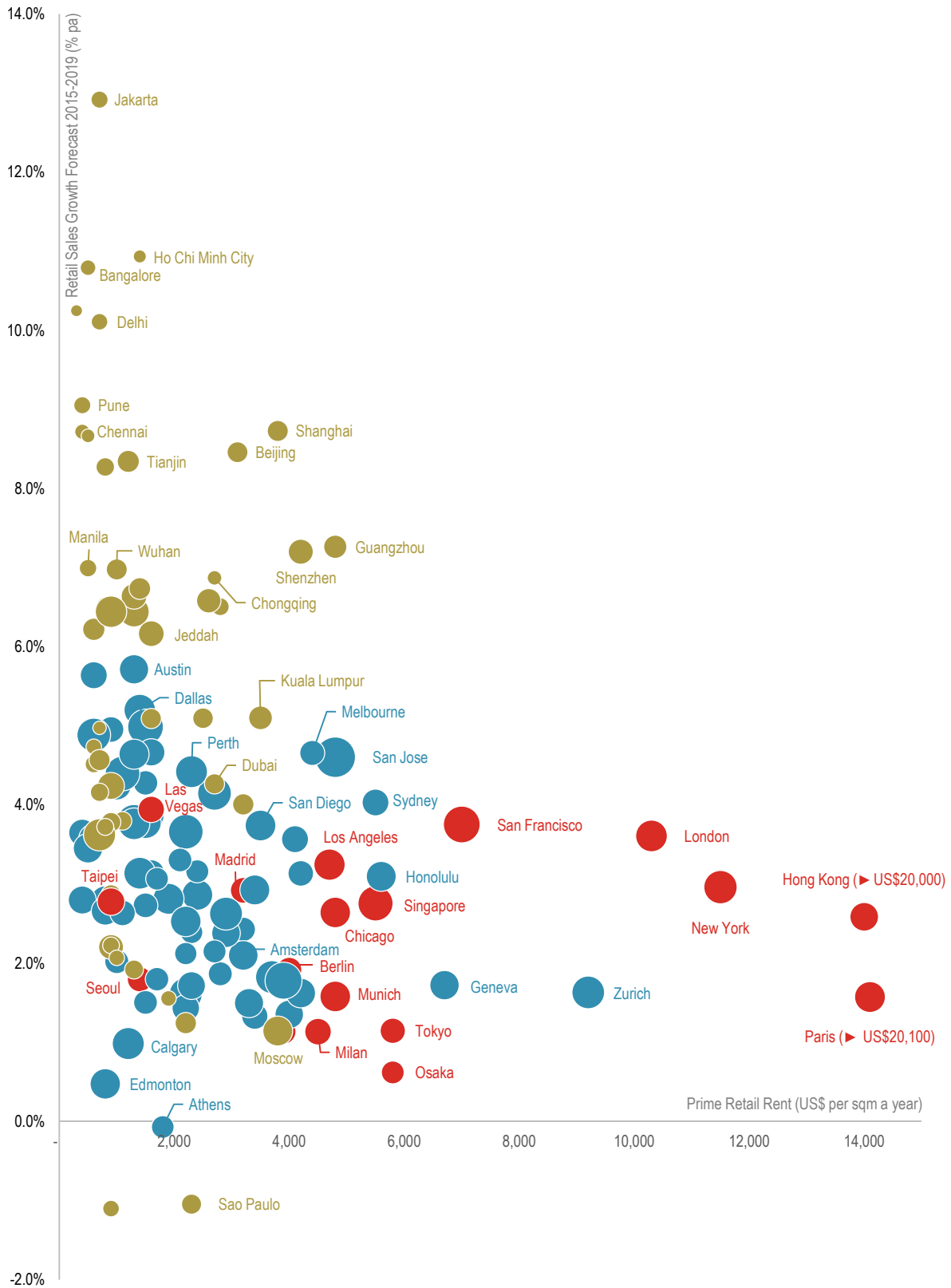


## Retail Sales Growth Forecast vs International Prime Rent

### Key

- Global Retail Markets
- Mature Retail Markets
- Growth Retail Markets

The size of circles in the graph below represents the GDP per Capita (US\$ PPP Adjusted). Circle size therefore provides an overall indication of the affluence of the local consumer base.  
 Source: JLL, Oxford Economics (October 2015)



## 5 Retailer Country of Origin



### *US is the number one exporter of international brands...*

Looking at the country of origin of international retailers operating across the key global retail cities, the US is the number one exporter to the leading global retail destinations. Despite the fact that a relatively small proportion of US retailers have so far ventured abroad, they account for just under 30% of total international retailer presence in the 140 international markets covered in this report. This is perhaps inevitable given the fact that the US retail market is the largest in the world.

The weight of US retailers within the sample is one reason why the US is placed at the top of the table. The top three retail brands in our retailer presence ranking all originate from the US, namely Tommy Hilfiger, Levi's and Nike. In addition, there are 25 US retailer brands in our sample with a presence in at least 50% of the top 140 global retail city markets. With a strong domestic retail market, the US will continue to feed the world with new brands looking for diversification away from the mature, low growth US market.

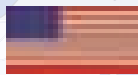
Italy accounts for circa 17% of all total international retailer presence. Italy's luxury sector remains the country's strength, and is responsible for Italy's position near the top of the rankings. Emporio Armani, Gucci, Max Mara, Ermenegildo Zegna and Giorgio Armani are all in the top ten ranked luxury retailers in our analysis, all with presence in over two-thirds of the markets covered.

The UK ranks third in our list, with circa 13% of total international retailer presence. While London is the largest importer of international retailers, the UK is also successfully exporting brands to the world's leading retail cities. The Body Shop, Lush, Karen Millen, Superdry, Burberry, Topshop and Primark have all expanded successfully across Europe and other parts of the world in the last few years.

These top three exporter countries are followed closely by France, Spain and Germany. France is in fourth place on the list and accounts for just over 10% of the market, driven in particular by its strength in premium and luxury retailing, through the likes of Louis Vuitton, Cartier and Hermès. Spain is in fifth position, in part due to the strength of the Inditex brands, including Zara, Zara Home, Massimo Dutti and Bershka. Germany is ranked sixth, with Hugo Boss leading the pack, and sports brands Adidas and Puma also performing well; Adidas achieved 100% coverage in the Asia Pacific cities covered in this report.



## 1 | USA



Retailer	Rank
Tommy Hilfiger	1
Levi's	2
Nike	3
Guess	12
Michael Kors	13

## 3 | UK



Retailer	Rank
The Body Shop	8
Burberry	14 =
Rolex	32 =
Lush	35
Reebok	48 =

## 6 | GERMANY



Retailer	Rank
Hugo Boss	4
Adidas	10
Mont Blanc	14 =
Paula's Choice	17 =
Triumph	68 =

## 4 | FRANCE



Retailer	Rank
Louis Vuitton	7
Cartier	45 =
Hermès	48 =
Sephora	54 =
Escada	57 =

## 5 | SPAIN



Retailer	Rank
Zara	5
Mango	29
Zara Home	54 =
Massimo Dutti	59 =
Desigual	71 =

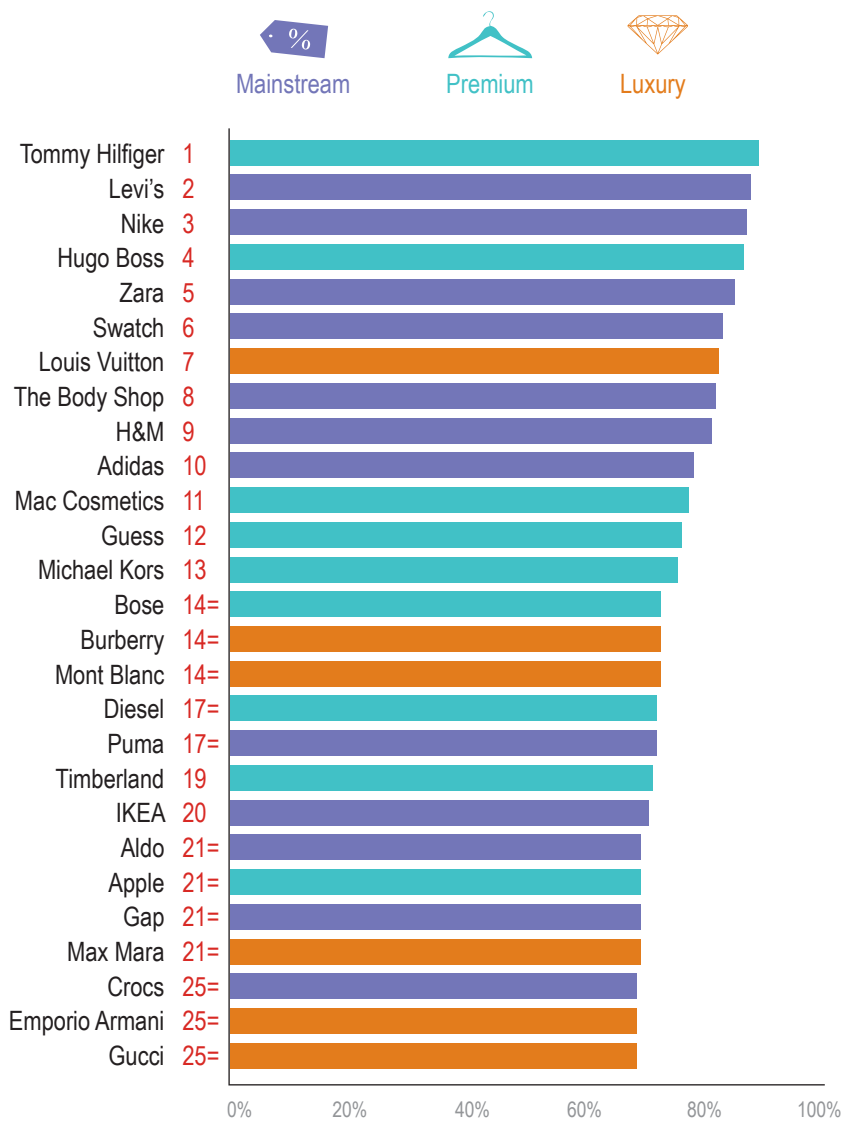
## 2 | ITALY



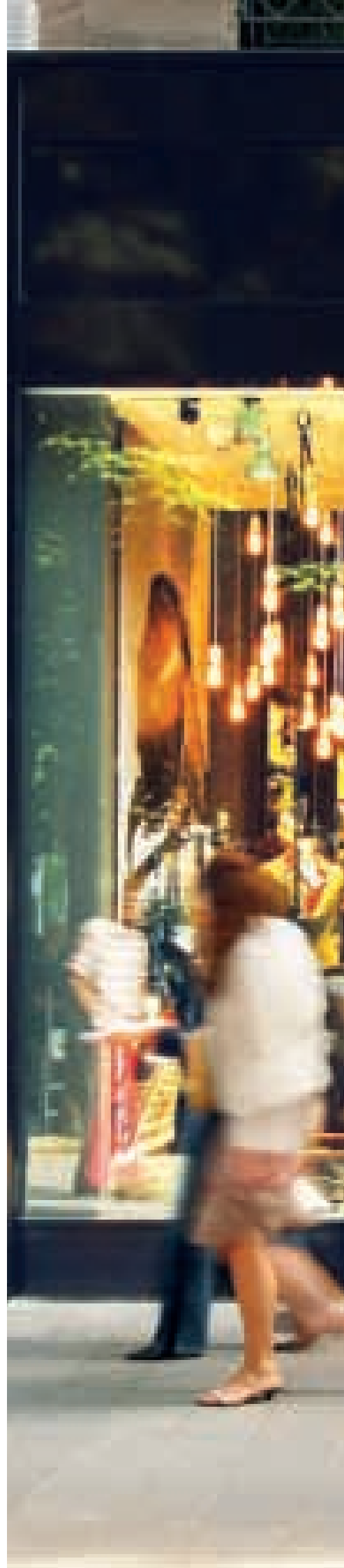
Retailer	Rank
Diesel	17 =
Max Mara	21 =
Emporio Armani	25 =
Gucci	25 =
Ermenegildo Zegna	30 =

## Top 25 Retailers

% coverage of the 140 key global retail markets



Source: JLL, 2015



## 6 Extensive and Expansive Retailers



### *Tommy Hilfiger is at the top of the coverage league...*

US retailer, Tommy Hilfiger, tops the coverage league, with 94% presence across the 140 markets covered globally and 100% coverage in the Americas region, based on the metropolitan cities analysed. Tommy Hilfiger is owned by PVH Corp., which has an extensive distribution network in over 90 countries, operating over 2,700 stores. The premium fashion brand Calvin Klein is also owned by PVH Corp. and ranks 36th in our index.

Second in the ranking is Levi's, another US brand, which has 92% coverage across the key retail cities covered. The premium clothing retailer operates around 2,800 stores globally, and is continuing its global expansion. Levi.com has recently started shipping from a second fulfilment centre on the US West Coast; the brand now can reach almost all households in the US in two days or less, using its extensive store network to distribute.

US sports brand Nike ranks third, operating two distinct store concepts. Niketown, Nike's showroom stores, are found in prime locations around the world. The main purpose of these flagship stores is to showcase Nike's latest fashion line and to provide a unique experience for the consumer. Complementing this, Nike's factory stores are significantly more expansive and offer a slightly more mass market proposition, broadening their customer base. These two fascia are supplemented by a strong wholesale business and an online business that accounts for 15% of Nike's sales.

Overall, the top 25 table is predominantly made up of mainstream brands, which account for 12 of the top 25 retailers by total coverage. Premium retailers account for the second largest group, with nine brands; after Tommy Hilfiger, German designer Hugo Boss is second on the premium list and fourth overall. Mac Cosmetics (11th), Guess (12th) and Michael Kors (13th) follow in this sub-category.

Zara completes the top five in our index, with 90% coverage globally; as we identified in Destination Europe 2015, it has 100% presence across the key European markets. Zara is owned by the Spanish retail group Inditex, which runs over 6,600 stores globally.

## *Route to market varies by retailer and geography...*

In an environment where elements of retailing are migrating online, and where the role and function of the physical space is changing in response to both this and other structural challenges, the 'route to market' varies for many retailers across different geographies. For the most part, a retailer will want to see a return from the outlay on any given retail outlet, from the act of selling physical goods or services. For some however, the retail sales generated alone from a unit is no longer the sole objective. A store may support a wider wholesale, franchise or online business, it may be defensive to safeguard market share, or perhaps may just support the wider brand awareness, but this will differ by retailer and by retail location.

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### *Flagship stores*



Larger and more established retailers may have a strategy in place whereby several of their retail stores are positioned as showrooms or brand pavilions, located in prime locations with high occupancy costs. Turnover is perhaps of equal or less importance to customer experience or to increasing brand awareness for these stores. Stores located in these prime retail areas within the major retail city locations, are often occupied by large, established retailers where the focus may be on promoting regional brand awareness; the ultimate goal is to create a springboard to the wider national or regional market penetration. The global status of some of these markets is also beneficial for exposing a brand to tourist traffic, which in turn can also help in raising brand awareness across a wider geographical area.

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### *Traditional route: company owned store*



Opportunity exists in every market, albeit the size of the opportunity varies by market size, competitiveness and market evolution. Despite the rise of online retailing, physical branded retail stores remain at the centre of the majority of international retailers' strategy. For some retailers, the risk of simply ceding market share to a competitor is a key driver for taking a physical presence, whereas for others it will be more simply about the size of the financial return from sales in the physical store, or the wider contribution a particular store makes to wider business objectives.

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### *Strong mature domestic markets: department stores*



When entering markets which have very strong domestic retailing, many brands choose to take space in department stores initially. In recent times, some department stores have been forced to merge, or completely re-invent themselves, as shoppers are presented with more choice than ever before. However a number of global leaders, which house a mix of globally recognized brands, have emerged, including Galeries Lafayette, Harvey Nichols and Saks Fifth Avenue. E-commerce sales will initially supplement sales, before brands take retail stores independently. We have witnessed this trend across the world in many mature markets, including the Nordics, the US and also Japan.



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### *Growing emerging markets: franchise*

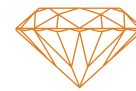


Geo-political and economic risk, market transparency and reputational risk are all characteristics that are factored in to a retailer's expansion strategy. In higher risk markets, established and connected, larger franchise operators, effectively bear real estate risk in place of the parent company. This partial de-risking reduces the correlation between retailer's costs and the market transparency and risk. We have witnessed a number of retailers using franchise stores to expand globally, including Debenhams in countries such as Bulgaria, Russia, Turkey, Philippines, Indonesia and Malaysia, H&M in Indonesia and Gap in various Middle East and Asian markets. The franchise route to market can help reduce market risk, but can also expose a retailer to risks around brand control and aligned interests. Finding the right franchise partner with aligned business objectives and strategies, and ensuring franchise agreements that are watertight, is paramount. Adidas, the German sportswear brand, announced that it aims to open its first fully owned store in India in the second half of 2016; the company already operates 760 franchise retail stores under the Adidas, Adidas Originals and Reebok brands.

### *Role of the store changing, but remains core to retailing...*

As we have explored, stores can act as primary distribution channels or can act as broader brand or operational 'vehicles' which support a wider wholesale, franchise or online business. In particular, retailers which migrate sales online by opening click and collect stores (a huge growth area), may be prepared to tolerate higher costs due to the combined online and offline turnover for the business. In this instance, the contribution to the business may not be reflected through till takings alone, as click and collect is often classified as an online transaction. One thing is for sure, the role of the store is changing, but it remains core to retailing. In response to the changing role of the store, the way in which retailers will value physical space is evolving, and new multi-channel models will undoubtedly emerge.

# 7 Luxury



## *Stable growth for resilient sector...*

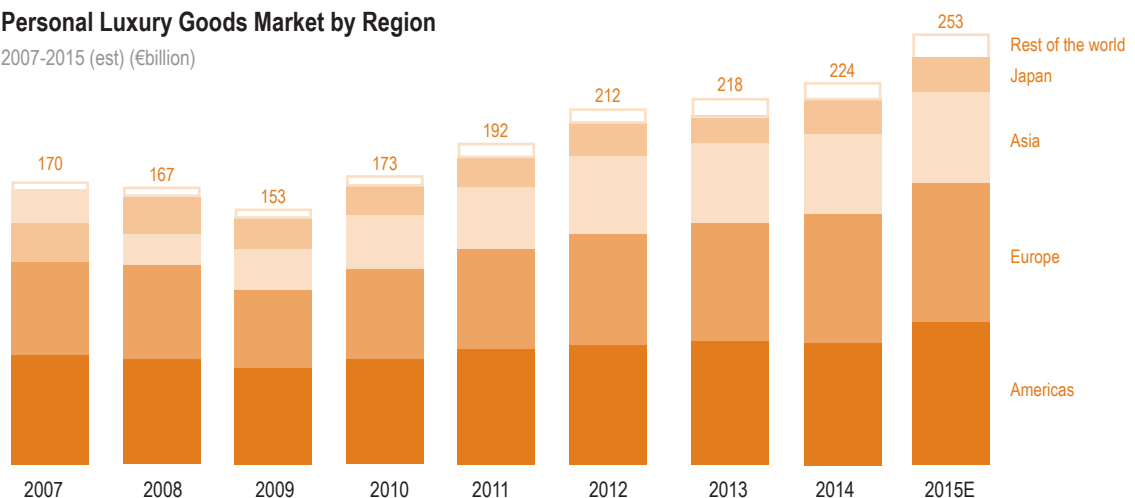
The global luxury goods market is slowly maturing, stabilising and consolidating. It has been relatively resilient to economic crises, more responsive to the demanding, increasingly affluent and highly mobile global consumer, and less reliant on market booms for sustained growth.

The global luxury market exceeded US\$1,139 (€1,044bn) in 2015, showing healthy growth of 5% on 2014 (at constant exchange rates), according to Bain & Company in its 'Luxury Goods Worldwide Market Study' report. The personal luxury goods market continues to be the largest sub-sector, exceeding US\$276bn (€253bn) globally in 2015, triple the market size of 20 years ago. The global personal luxury goods market grew 13% year on year at current exchange rates; real growth (at constant exchange rates) however was less than 2%. This highlights a shift to more moderate growth in luxury spending, in line with a steady growth outlook for the global economy.

Demand from China, both locally and internationally, as well as mature consumers in the US and Japan have all contributed significantly to the growth in luxury. Despite the economic slowdown and the government's anti-corruption crackdown, Chinese consumers now account for the largest portion of global luxury purchases (31%), according to Bain & Company. They are very active globally, spending around four times as much abroad as at home.

### **Personal Luxury Goods Market by Region**

2007-2015 (est) (€billion)



Source: Bain & Company (2015)

Note: Growth rates in current exchange rates.



### *Americas*

The Americas has become the largest global region for personal luxury goods, driven by a strong increase of the US dollar currency value. The US alone accounts for over 90% of all luxury spend within the Americas.



### *Europe*

Growth across the continent was up 9% in 2015, primarily driven by Chinese and US tourists attracted by a weak euro.



### *Japan*

Luxury sales were up significantly in 2015, both real and nominal terms, driven by a growing inflow of Chinese tourists and rising interest from local consumers.



### *Mainland China*

China's local spending continued to contract slightly during 2015, due to greater controls on luxury spending and slowing consumption growth.



### *Rest of Asia*

South Korea continues to excel with 4% real growth year on year. Sales in Hong Kong and Macau remain under downward pressure due to the ongoing anti-corruption campaign.

Source: Bain & Company (2015)



Looking forward, slower, but steady and sustainable growth looks to be the order of the day for the global luxury market. Overall performance of the luxury sector will depend not only on economic growth, but on factors such as volume of travel and growth in high income households. As such, the strong growth in high income households forecast in Asian cities in the next 15 years, in addition to the cultural significance of luxury to Asian consumers, should mean that Asia remains at the forefront of luxury spend growth, both domestically and abroad.

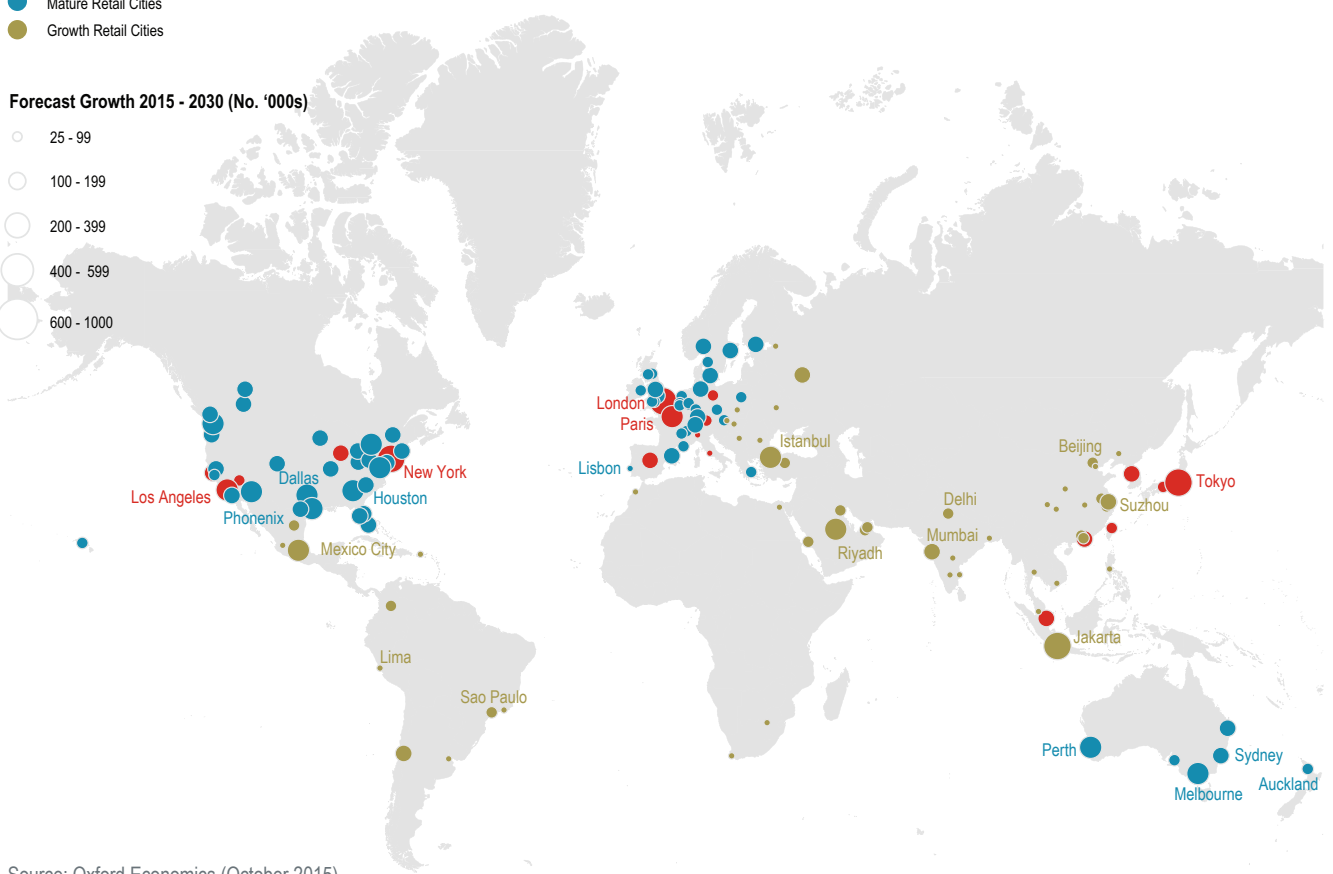
### Change in High Income Households 2015 - 2030

#### Key

- Global Retail Cities
- Mature Retail Cities
- Growth Retail Cities

#### Forecast Growth 2015 - 2030 (No. '000s)

- 25 - 99
- 100 - 199
- 200 - 399
- 400 - 599
- 600 - 1000



Source: Oxford Economics (October 2015)





## *Trends in global luxury market...*

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### *China*



Despite sales slowing in China recently, which has led to some over-extended luxury brands being saddled with some unwanted, unprofitable stores, this slowdown has not dented Chinese travellers' luxury spending. Chinese consumers now account for 31% of global luxury purchases, spending around four times as much abroad as at home. And recent moves from the Chinese government to take a greater role in global affairs should further boost Chinese spend in the global luxury market.

Global Blue, a tax-refund service often used by visitors, has reported a 75% spike in spending by Chinese tourists during the first six months of 2015. Governments recognise the opportunities Chinese tourists offer to a city's retail sector and have put strategies in place to attract and drive tourism spend. Strategies vary widely from tax breaks in Hong Kong (shoppers from Mainland China have contributed up to one third of the Hong Kong's total retail sales), to the relaxation of tourism visas in cities such as Paris, London and Tokyo.

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### *Digital*



Today, e-commerce accounts for around 6% of global luxury brand turnover; by 2020 this is predicted to grow to 18%, according to Exane BNP Paribas. Up to 50% of the total sales volume will be influenced digitally, thanks to the growing use of technology and wealth of consumer data and reviews. While the physical space will remain fundamental to luxury brands, spaces and places around the world need to ensure they remain relevant in the new world, by supporting brands' digital initiatives. We expect luxury retail to be less impacted by pricing pressure as a result of the increased use of online than commodity retail, where in some sectors, online is fuelling a fast-paced price race to the bottom.

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### *Tourism*



Tourism is driving a large proportion of retail sales in many markets, and luxury sales in particular, and has become a key indicator for international retailers assessing expansion opportunities. According to the World Tourism Organization UNWTO, international tourist arrivals across the world have increased from 527 million in 1995 to 1.1 billion in 2014, and are expected to hit 1.8 billion by 2030.

Japanese citizens for example currently make most of their luxury purchases at home, particularly as the Yen has devalued by nearly 30% since 2012; this devaluation has however also made Japan a magnet for retail tourism from across the region. Tourists are also increasingly influencing the luxury market in the Americas, while tourists' behaviour in Europe is changing. Global Blue analysis reveals an overall slowdown of purchases by non-EU tourists, and a change in purchasing behaviours across nationalities, partly a response to the slowing growth in a number of global economies.

## *London and Hong Kong head luxury index...*

As in the full retailer attractiveness index, London heads the luxury rankings, in terms of luxury brand presence, marginally ahead of Hong Kong in second position. These two cities stand apart from third placed Paris, with Tokyo and New York close behind, completing the top 5 city markets. London's edge may be due, amongst other things, to its heritage and strong tourism flows as well as the strength of locations such as the 'London Luxury Quarter', which is a distinct luxury destination in the heart of London; unique in international terms.

The remainder of the top 10 luxury city markets demonstrates the power of the 'new world markets' in Asia and the Middle East. Shanghai, Singapore, Dubai, Beijing, Osaka and Taipei highlight the attractiveness to retailers of Asian markets, with burgeoning middle classes and strong and growing levels of affluence. In fact, of the top 16 markets in the luxury index, ten are located in Asia. Luxury retailers have had a long presence in mature markets in Asia Pacific. They expanded their networks further following the global economic crisis in 2008, as consumers in Europe and the US reduced spending following a decline in net worth and an appetite for luxury goods in Asia Pacific continued to grow.

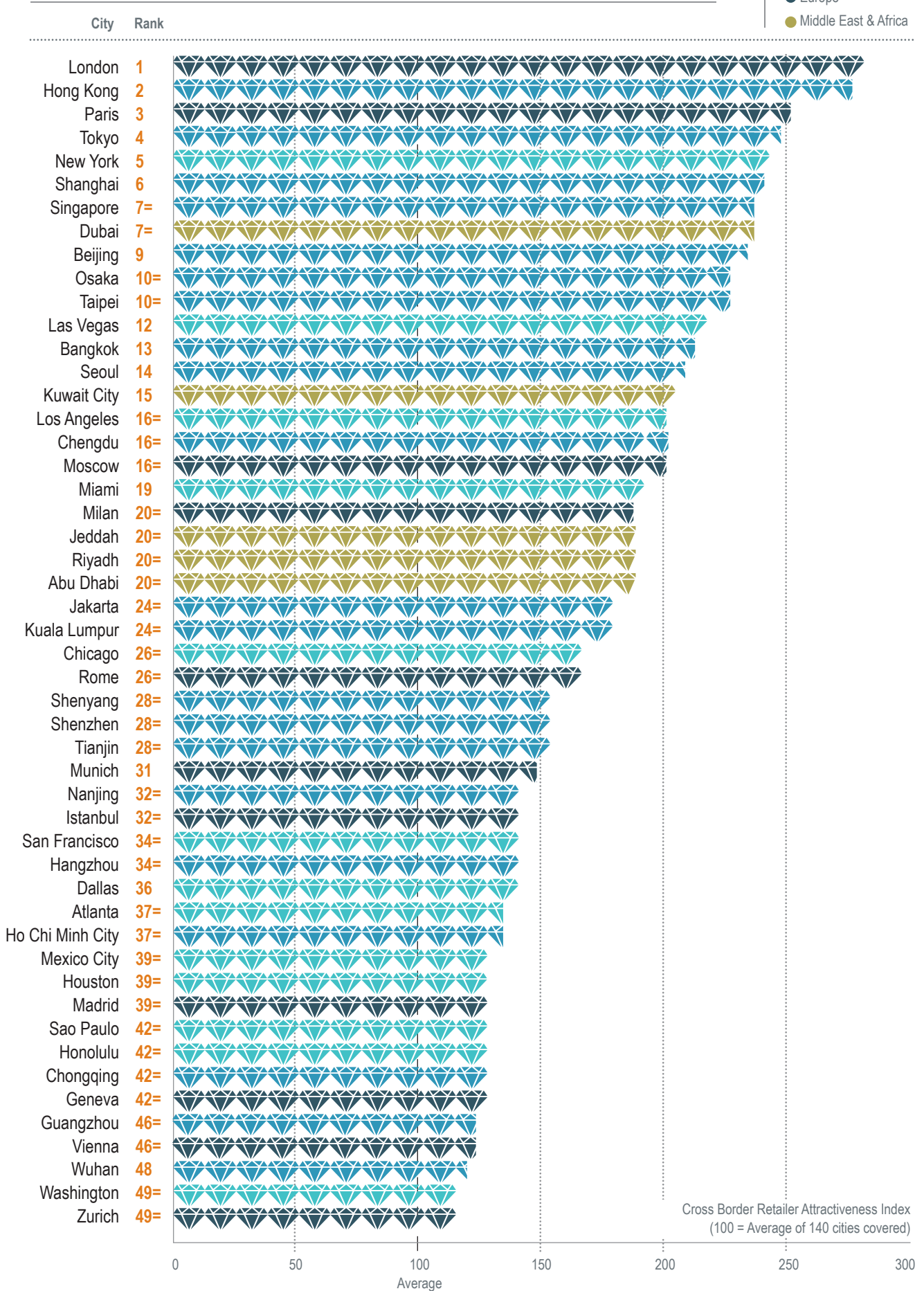
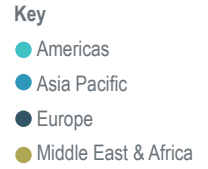
Tokyo and Osaka are the two markets with the largest differential between the regular index and luxury index, with luxury rankings six and ten places higher respectively. Traditionally, Japan has been the key market within the luxury segment in Asia Pacific. The country also stands out as a culinary destination. No other city in the world features as many Michelin starred restaurants as Tokyo, whilst Osaka ranks third globally (page 61). Looking forward, Japan is expected to be a global leader in the growth of luxury goods sales and fine dining, as the positive effects of Abenomics flow through to improved domestic consumption, despite some economic headwinds in 2015.

New York benefits from the highest spend in luxury of all city markets, but ranks fifth on our luxury ranking, which is on par with the overall index. This is potentially due to the fact that the ranking is a measure of brand presence, and does not take into account the quantum of luxury brand space in each market. In addition, the amount of domestic luxury retailers present in the New York market could partially explain New York's relatively low ranking. Department stores also attract a significant amount of retail spend in some of the major retail markets globally such as New York, Tokyo, Osaka and Seoul.



# JLL Global Cross Border Luxury Retailer Attractiveness Index 2016

## Top 50 Cities





### *Hong Kong and New York dominate luxury rental picture...*

We have also analysed rents commanded by luxury retailers in the most prestigious retail locations across the 140 markets covered. Upper Fifth Avenue in New York tops the rental league with headline rents reaching up to US\$37,700 per sqm a year following a strong increase in retailer demand. Exclusive Canton Road in Hong Kong follows with rents of US\$25,000 per sqm a year. Upper Fifth Avenue has overtaken Canton Road as the most expensive retail location in the world, following a recent correction in Hong Kong's top rents due to a change in spending patterns of Mainland Chinese tourists.

There is 'clear water' between rental levels in these two globally renowned retail locations and the rest of the world, with rents in Europe's powerhouse markets of London and Paris the closest, at US\$16,100 per sqm a year and US\$13,400 respectively, followed by Los Angeles, Zurich, Milan, Tokyo and Rome. The super-premium rental levels signify the value to luxury retailers from having a presence in iconic retailing locations. This, and the scarcity of supply in the prime luxury retailing locations worldwide, will likely maintain these super premium rental levels.

However, while rents and occupancy costs are important, in the context of operating a global luxury retail business, they are not always the ultimate driving force behind retailers deciding where to take space. Rent sensitivity diminishes for global luxury brands, as they use their physical presence for functions beyond traditional transactional retail.

The analysis also highlights that rental levels in some of the emerging retail locations, in particular in some Middle East and Asian cities, such as Beijing, Dubai and Osaka, could be viewed as 'fair value' in comparison with some of the more traditional luxury retail locations.

## JLL Global Cross Border Luxury Retailer Index vs Prime Rent (Luxury District)

- Key**
- Global Retail Markets
  - Mature Retail Markets
  - Growth Retail Markets

The size of circles in the graph below represents the GDP per Capita (US\$ PPP Adjusted). Circle size therefore provides an overall indication of the affluence of the local consumer base.  
 Source: JLL, Oxford Economics (October 2015)



## Louis Vuitton heads the luxury retailer rankings...

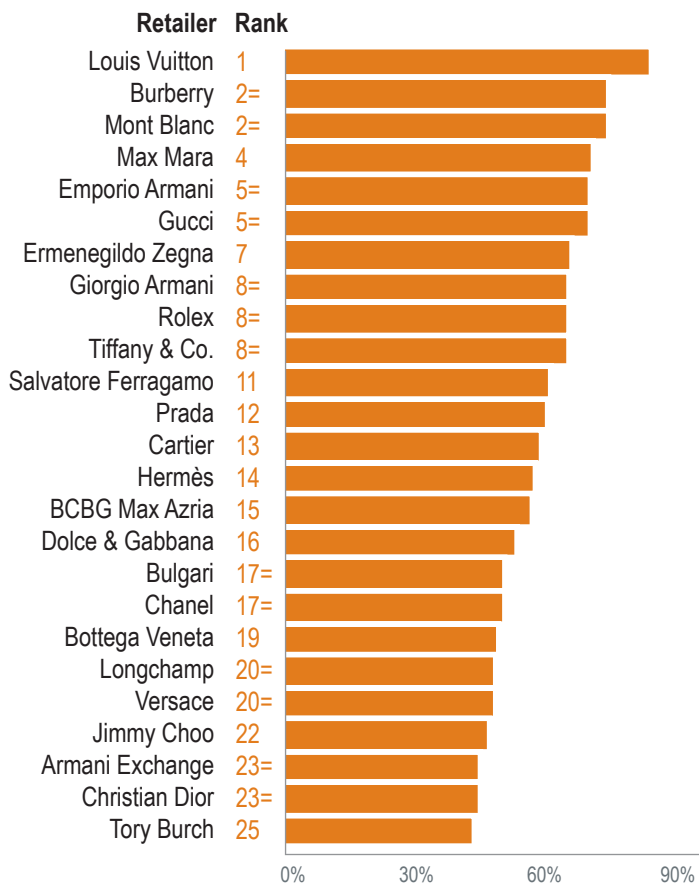
Due to the relatively mature and stable nature of the market, luxury brands tend to focus on building growth organically, and generally through careful company-owned expansion strategies, that protects and enhances the brand. French brand Louis Vuitton is clearly number one in the rankings, the retailer with the highest presence in our city sample, with 86% coverage in the 140 cities monitored.

Despite a strategic decision to reduce its presence across certain European markets, and instead focusing on creating iconic flagship retail destinations, Burberry, together with Mont Blanc, has the second largest coverage, followed by Max Mara. Italian luxury brands Emporio Armani and Gucci complete the top five luxury retailer list.

Expansive luxury retailers include up and coming brands such as Tory Burch and Alexander McQueen, while established brands Longchamp and Prada have been in expansive mode in the last few years.

### Top 25 Luxury Retailers

% coverage of the 140 key global retail markets





### *Opportunities and Challenges...*

While mainstream retailers regularly penetrate beyond the core markets, luxury retailers tend to prefer the larger conurbations benefiting from high tourism flows, and often congregate within defined luxury areas or streets. Their reach beyond these markets often relies on wholesale business, or online. The fact that luxury retailers are increasingly focussing on city-level strategies, or at least on strategies that target a cluster of cities with similar market and consumer characteristics, rather than the traditional regional-level strategies, provides opportunities for further growth of city luxury markets.

There are challenges to further growth in the luxury industry, however. While the global luxury market weathered the recession well, it is certainly not immune to global economic conditions. The recent slowdown in the global economic recovery, with China's more muted growth and political unrest in some geographies at the forefront, could impact international tourism flows and global luxury sales, and luxury retailing locations as a result. In addition, whilst sometimes welcomed, currency fluctuations are becoming a real challenge for the luxury industry globally as they create volatility and uncertainty.

# 8 Dining



For some consumers, time is a more precious commodity than money. Places need to be destinations in their own right and offer an experience beyond pure retailing to compete for our precious time. One impact of this new found consumer expectation on the physical environment is the growth, both in quantity and importance, of the food and beverage sector.

The amount of space dedicated to the food and beverage sector across the global retail landscape is certainly increasing each year, as the growth in online sales continues apace. The amount of space typically dedicated to gastronomy has grown from 5% ten years ago, to 10-15% now in Europe, with up to 30% in some Asian shopping centres. Well configured and complementary dining and drinking provision can add real diversity and vitality to major city markets worldwide, and can often boost consumers' shopping experience and dwell time, as well as giving consumers a reason to keep coming back. However, an increased quantity of restaurants and bars does not necessarily equate to success.

The food and beverage industry is going through a period of rapid change, and an evolving offer, understanding drivers of performance and embedding flexibility are crucial to the long term resilience and success of places. Some of the major trends impacting the food and beverage industry are outlined on the next two pages.



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## *The world is a stage*



Eating out today is more than just a way to refuel; at its best, it is now an experience to be savoured and enjoyed. The experience is enjoyed in two distinct ways, physically, in person and then often just as importantly, digitally 'shared' with the world online.

There are some great examples from across the foodservice spectrum of how to generate real experience. Sixty is a restaurant in Moscow where, every two hours the windows are opened and a popular piece of classical music played, while guests enjoy uninterrupted views of the City from 60 floors up. This unique experience creates excitement across the whole restaurant, with diners taking videos and photographs that are instantly uploaded to the internet, providing valuable consumer endorsement and free advertising.

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## *Digitalised dining*



This trend does highlight the need for both restaurants and retail places to have the right level of technology in place that is easily accessible to their guests. Enabling diners to share the location, the food and the theatre is just as important as the experience itself.

In addition to the in-restaurant experience, the digital age has also fundamentally changed the way in which people recommend restaurants, how they behave in them and how they write about them. It is now a 'live' experience to walk up and down a street and decide which restaurant to go in, based on TripAdvisor or Bookings.com, or any one of the multitude of review and listing sites.

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## *Exclusively random*



The trend for pop-ups or 'restaurants without tenants' (RWTs) is another burgeoning trend in the foodservice industry. Pop-up restaurants can range from the simple to the ultra-high end, but one thing they all have in common is the element of exclusivity. Due to their temporary nature, pop-ups intrinsically create a 'moment in time' which cannot be replicated; this also ties in neatly with the experience trend and our craving for new and exciting concepts.

One of the best examples of a foodservice pop up was at B.I.G., a mile long street food festival and community experience held in a transport tunnel in Nice, France, which was hosted for the city as part of the World Cuisine Summit. At the opposite end of the exclusivity spectrum, the ultra-exclusive 'Cube' travelled around Europe, with different Michelin Star chefs using it for a week or a month at a time, cooking and serving exclusively for a dozen guests each night.

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## Local and artisan food



Food halls, indoor markets dedicated to local food sellers and artisans, are on the rise with a surge of projects that have opened over the last few years and plenty more on the way. Many new developments offer a stylish way to both shop and eat-in by combining a multitude of restaurants, artisan products, and shared dining spaces under one roof. Food halls capitalise on a number of trends, such as local sourcing and social dining, and have proven to act as a successful anchor for shopping centres or to breathe new life into derelict but architecturally exciting space, such as former factories, warehouses, office buildings and market places.

Europe is known to have a long tradition in food halls and has welcomed some outstanding trendy, modern and stylish indoor market places across the continent, including 'El Mercat' food market in Barcelona's Les Glories shopping centre, Markthal in Rotterdam and Östermalms Saluhall in Stockholm. The US also has some popular food halls, such as Gotham West Market in New York, Grand Central Market in Los Angeles and the St. Roch Market in New Orleans and many more that just have opened up or are about to open.

A new and notable market entrant is Time Out magazine which owns and operates Mercado di Ribiero in Lisbon, and features some of the best food and drinks the city has to offer. Whilst being more commercial than a traditional food hall, Time Out is seeking to expand its concept across Europe.

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## Dining Diversity



More people are eating out more frequently, and foodservice spaces need to cope with an ever increasing range of diverse guests, with differing dining requirements, from fine dining to fast food. The difficulty comes when these different user groups want to use the same spaces and places, often at the same time of day, and often for different meals, as the distinction between breakfast, lunch and dinner becomes ever more blurred. Consumers' expectation is now to eat what they want, when they want, regardless of the time of day or traditional meal times. This trend is amplified in high tourist locations.

The business traveller, the group of students and the young family all want to eat fast fresh food in the same spaces, but creating an inclusive area that meets their different needs is critical. One of the key differentiators that will define successful dining spaces is the ability to deliver flexibility in the physical space.





## *Increasing globalisation of food service industry...*

Whilst the overall retail market is becoming more international, the food and beverage market is still significantly less 'internationalised' than the fashion market, for instance. However, the growing aspirational middle class in developing markets, coupled with low growth in domestic markets in the US and western Europe, and fuelled by globalisation and tourism, has increased the pace of internationalisation in the food and beverage industry. This not only applies to the likes of McDonald's, Subway, Starbucks, Burger King, Pizza Hut, KFC and Domino's, but also to a host of smaller and relatively young brands, such as PizzaExpress, Vapiano, Wagamama, Chipotle and Eataly, as well as upscale restaurants from celebrity chefs including Gordon Ramsay and Jamie Oliver.

### **World's largest F&B Operators by No. of Outlets**



**36,258 outlets**  
in 119 countries



**41,546 outlets**  
in 125 countries



**44,350 outlets**  
in 110 countries



**22,766 outlets**  
in 66 countries



**19,043 outlets**  
in 100 countries

Source: Annual reports and public statements 2014. \* Yum! Brands includes: KFC, Pizza Hut and Taco Bell; Restaurant Brands International includes: Burger King and Tim Hortons.



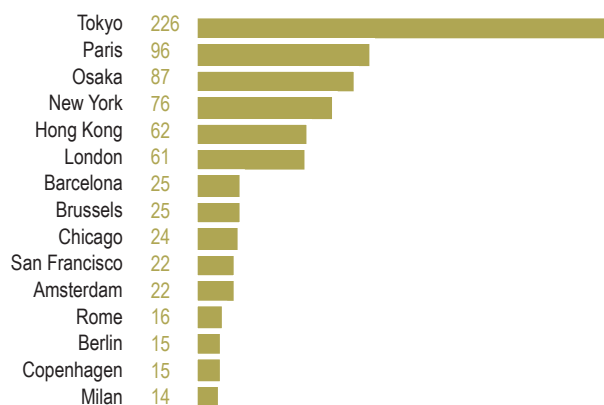


Markets such as the Middle East, China, Southeast Asia and India are seeing a growing number of international restaurant brands, particularly from the US and the UK, to meet the demand for ever more diverse food experiences, as highlighted above. However, most of these restaurant brands lack the capital and experience to tackle these geographically disparate markets on their own. In order to overcome these handicaps and to benefit from the market expertise of local operators, thereby helping to increase their chances of global success, franchising, in various forms, is generally the preferred catalyst for such cross border growth.

PizzaExpress is targeting the Asian market in particular, while Jamie's Italian and Wagamama are all looking for partners to grow their portfolios across Western Europe and CEE. And Eataly, which now has over 20 sites worldwide, and which has opened in Milan and Istanbul recently, is reported to be opening in London and Moscow in 2016. In addition, the leading coffee chains generally remain acquisitive, and are eyeing new markets for growth, namely The Coffee Bean & Tea Leaf (Asia), Pacific Coffee Company (Asia), Costa (Spain, France and Asia), Starbucks (India) and Caffé Nero (US).

The increasing internationalisation of the food and beverage market is well illustrated by the 'Burger Wars' that are currently raging in the UK. Home-grown players such as Gourmet Burger Kitchen, Byron, Ed's Easy Diner and Meat Liquor are competing head to head with US based gourmet burger concepts such as Five Guys, Steak 'n Shake, Caliburger and Smashburger. Other niche offerings on the rise include crepes, burritos and juices. Expect more niche 'battles' to appear as the restaurant businesses continue to target international growth, particularly in the Middle East and Asia.

#### Top 15 Cities by Michelin Star Restaurant Count



Source: ViaMichelin (October 2015); Cities shown on the graph are covered in this report and available at ViaMichelin

## Conclusion

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The globalisation of the retail market has resulted in a significant shift of its landscape in recent years. We have witnessed the success of Asia Pacific's leading cities, including Shanghai and Beijing, as well as the rise of Middle Eastern cities such as Dubai and Kuwait City, in terms of international retailer presence. Strengthening of existing and new retail markets and rising tourism have been a core driver for international retail expansion. Major cities, such as London, Paris and New York, continue to demonstrate impressive resilience to cyclical and structural change facing the retail landscape and continue to act as magnets for international brands looking for growth.

International retailers are increasingly focussing on measured and balanced growth of their store portfolios across Global, Mature and Growth Retail Markets. Recent events have shown that risks inherent to emerging retail markets remain. More importantly, technological advancements and digital innovation have arguably breathed new life into retail spaces, making them more important than ever for landlords and retailers alike. As transactions can take place anytime anywhere in an increasingly virtual world, consumers increasingly need a reason to visit a store. The role of the store is changing and the in-store experience is becoming more enriched.

Demand for the right physical space in the right place is strong. The global retail landscape is diverse, highly dynamic and each city offers unique opportunities for international retailers. However, a multitude of aspects come in to play when assessing overseas market opportunities, such as the translation of the proposition, strength of the retail market, quality of retail space, market transparency, legislation, ownership of the business, logistics, labour force and geopolitical backdrop. Careful planning and thorough due diligence are crucial for long-term success; like any business, failure to undertake the appropriate due diligence increases the chance of failure, but for those who get it right opportunities are plentiful.

For many international retailers the world still remains untapped. We expect that the search for growth, in what has become an increasingly international retail market place, will accelerate international brand presence across the world's best retail locations. Retailers who succeed in acquiring the right space in the right place and at the right time will benefit from successful, profitable growth. For now, London features the largest presence of international brands, Hong Kong follows in second place, with Paris, New York and Dubai all on its tail. We expect the global landscape to change dramatically over the next five to ten years as retailers tap into the global opportunity for growth across a broad range of global cities.





## Methodology

The analysis looks at the presence of brands in the specific cities covered, as well as retailers that are opening imminently. It focuses solely on retailers' own shop networks, including franchises. Retailer concessions are excluded as are second-line brands, multi-label stores and branded shops within department stores, due to the lack of transparency. The study sample consists of 240 international retail brands; each brand has a significant presence in at least two global regions, those being the Americas, Asia Pacific, Europe and the Middle East and Africa region.

Geographically the study looks at the downtown area of each individual city, concentrating on its well-known shopping areas, supplemented by surrounding areas and out of town malls in prime locations.

Prime rents represent the top open-market rent that could be expected to be paid by international and/ or luxury retailers, excluding incentives, for a notional unit of the highest quality and specification, in the most prime location in a market. The rent values analysed and used date from 2015.



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