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## Store Rents Fall in World's Most-Expensive Shopping Streets

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By Dan Levy and Chris Bourke



June 30 (Bloomberg) -- Store rents tumbled in the world's most expensive locations in the first quarter and will continue to decline through the middle of 2010 as the global recession curbs spending, according to **CB Richard Ellis Group Inc.**

New York City kept its top rank from a year earlier as the most expensive retail market even as asking rents on Manhattan's Fifth Avenue fell 10 percent to \$1,800 a square foot per year, the Los Angeles-based commercial broker said in a report today. Rents in Hong Kong's most desirable shopping area ranked second at \$975 a square foot and Moscow was third at \$790.

Paris and Tokyo followed at \$776 and \$771, respectively.

"Everything cratered in the fourth quarter and that carried over into the first," **Ray Torto**, global chief economist for CB Richard Ellis, said in an interview. "This is not a landlord market."

Retail rents are falling around the globe as household **wealth** contracts, consumer confidence weakens and the jobless rate climbs. Sales of brands that cater to the wealthy may drop 10 percent this year after holding steady at \$240 billion in 2008, according to estimates from luxury adviser Bain & Co.

"Most retail property markets are experiencing reduced demand from retailers and an increase in the number of vacant units, which is in turn affecting rents," **Nick Axford**, head of research in Europe for CB Richard Ellis, said in the report.

### Seeking Discounts

London ranked sixth in the survey at \$677 a square foot per year, followed by Sydney at \$624 and Zurich at \$612. Los Angeles was ninth at \$600 and San Francisco was 10th at \$540.

In the U.S., retail rents will eventually decline 25 percent from the market peak in mid-2008, Torto said. Retailers with existing leases in desirable shopping districts and malls are negotiating for extended terms or reduced rent, he said.

Some non-U.S. retailers are taking advantage of lower demand for space to enter the New York City market, said **Faith Hope Consolo**, chairman of Prudential Douglas Elliman's retail and leasing division. Jewelers **Richard Mille** of Paris and **Tous** of Madrid are seeking space on Madison Avenue between 60th and 80th streets at a rate of about \$800 a square foot, she said.

On Rodeo Drive in Beverly Hills, California, part of the Los Angeles market, the recession forced retailer Rock & Republic to reverse plans to occupy a 3,100-square-foot (288 square-meter) store after signing a lease last year, said Jay Luchs, a listing broker with CB Richard Ellis. The company, paying \$675 a square foot on a 10-year term, wants to sublease to another tenant instead, he said.

"It isn't chic anymore to go out and blow money," Luchs said. "There's a guilt factor even if you're

wealthy.”

Buenos Aires rents had the biggest decline of the global markets surveyed, dropping 37 percent. Warsaw followed with a 33 percent decrease and Washington dropped 26 percent. Mexico City fell 14 percent and there were declines of at least 10 percent in Dubai, Barcelona, Athens and Dublin, CB Richard Ellis said.

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