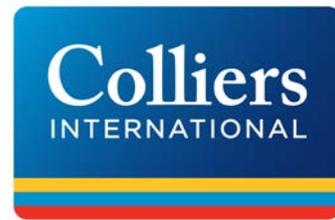


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## U.S. Highlights: 2012 Retail Outlook

-- Colliers annual retail report reveals nine trends to watch in 2012 --

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Retail is evolving at a dizzying pace. It's a new universe out there, with retailers exploring new ways to reach customers, seeking out new life in their brands, and boldly charting new worlds of real estate properties where no retailer has gone before.

This new retail adventure is outlined in Colliers International's annual ***U.S. Retail Highlights: 2012 Outlook***, an in-depth, 13-page report that chronicles current retail conditions along with the trends that will shape the 2012 retail landscape. The report, which was released today, also contains a summary of metro-area operating metrics and a two-page quarterly Retailer Report Card assessing the dominant brands in every category.

The Colliers' report also reveals a potential game-changer on the retail horizon: A new type of consumer...one who researches every purchase online and compares multiple stores' inventory on their smartphone while simultaneously shopping in the store. *What do these shoppers want?* They are looking for that special buying experience or product, the one that's just right for them; they are always concerned about the lowest price.

According to Ann Natunewicz, National Manager of U.S. Retail Research for Colliers International's Retail Services Group, the 2012 year is shaping up to be a pivotal year for the industry. *"2012 is a huge year for retail, and for real estate in general. How landlords and retailers respond to mobile commerce, their ability to partner and innovate, will determine how well they monetize shoppers who are already in their physical space—a huge advantage over earlier e-commerce, which was all transacted somewhere else."*

Colliers retail report introduces nine themes and trends to watch in 2012, including opportunities for strategic acquisitions, the marriage of brick-and-mortar with mobile e-commerce, and the likelihood of more big-box stores moving into previously underserved urban areas.

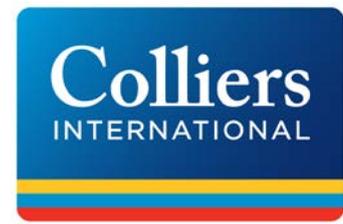
### Nine trends in retail real estate to watch in 2012

**1) A wild ride for equities in retail real estate investments:** U.S. equities markets will continue to react to news on any and all economic indicators, including ongoing news of store closings. The angle of these reports will vacillate between opinions of "smart consolidation of poor-performing assets" to a possible harbinger of corporate economic trouble.

**2) U.S. manufacturing improvement accelerates:** Look for sales of big-ticket items to improve as consumer optimism (and beat-up cars and fridges) releases pent-up demand for durables. In this environment of low interest rates, businesses and households may be more comfortable with—or more capable of—taking on new debt.

**3) "Customer experience" will trump "price" in the value equation:** Retailers increase value by either lowering their prices or increasing the quality of their "customer experience," which means removing every potential barrier that stands between converting a customer's *interest* to purchase, into the *intent* to purchase. Innovation in improving the customer shopping experience whether online, or in the store, will be the key.

**4) Retailers will roll out more limited editions, exclusives and mobile-device specials:** 2011 retail sales piqued shopper interest through exclusives and limited editions (Missoni label at Target) or with "limited-time offers" (LTOs) that drove traffic. LTOs generate urgency in a shopper who must be "sold" before parting with her money, especially for a full-price item. Merchandise and deals only available online or via a mobile device are expected to increase this year.



**5) More strategic acquisitions across brands, assets, property sectors, and technology platforms:**

Retailers are investing in smaller companies to enhance their multichannel integration. Strategic acquisitions allow the acquirer to extend their brand outside its core competency, such as Starbucks picking up juice bar concept Evolution Fresh.

**6) Distressed retail property asset pipeline begins to move:**

Data shows that more than \$350 billion in commercial real estate loans will mature both this year and in 2013. The opportunity for retail investment lies between the trophy assets still trading at low cap rates, and the large pool of marginal, low- or no-cash flow assets that can't be refinanced, which will either default on maturing debt or be transacted in a "fire sale." Also, more institutional players will be scouting around for retail portfolios (public REITs are sitting on huge capital reserves).

**7) Foreign investors turn to retail in U.S:**

Yield-seeking investors need places to park their money, and the stability of U.S. property markets still make them attractive destinations for "flight capital." Recent data confirms that the U.S. is still a leading destination for global capital flows. Among property types, foreign capital may now look to shopping centers or broken land deals in space-constrained or high-growth markets.

**8) Expanded capacity, but still stringent underwriting:**

Non-performing real estate loans remain highly problematic for all banks, but stronger regional banks have slowly resumed commercial lending. As mortgage production ramps up, investors will see banks being more competitive, but with far more stringent underwriting standards. Properties need to demonstrate solid cash flow and real net operating income (NOI), assume conservative rent increases, and any loans approved will be recourse, except for the best customers.

**9) Urban site-seeking retailers, including big boxes, are back in force:**

The economic crisis hit suburban communities much harder than their urban counterparts, so as retailers seek out lower-risk growth opportunities, underserved urban areas fall firmly within the crosshairs. Blocked out of urban areas in the past because their stores were too big, big-box retailers now have two options: 1) They can go in with their large-format stores, as renewed interest in urban locations coincides with municipalities' worsening fiscal problems...or, 2) Retailers can test small-format store options, take infill space, and co-opt share from smaller local operators.

Mark Keschl, national director of retail for [Colliers International](#), is optimistic about the overall state of retail:

*"The economy is showing improvement on multiple fronts including traditional industries such as manufacturing. Retailers have spent the last few years right-sizing their stores and creating leaner, more efficient operations. Many have large surpluses of cash, which they can deploy to be even more competitive. Even if economic indicators remain inconclusive for the next few quarters, the retail space is poised to generate a lot of headlines as the competition to win shoppers' hearts and wallets grows ever more fierce. 2012 should be a promising year."*

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**NOTE TO EDITORS:** For more details on the insights of the 2012 retail real estate landscape, a complete PDF version of the 13-page report, **U.S. Highlights: 2012 Retail Outlook**, is available at [http://www.colliers.com/Country/UnitedStates/content/Colliers\\_International\\_Highlights\\_Retail\\_NA\\_2011Q4.pdf](http://www.colliers.com/Country/UnitedStates/content/Colliers_International_Highlights_Retail_NA_2011Q4.pdf)

**About Colliers International**

[Colliers International](#) is the third-largest commercial real estate services company in the world with 12,500 professionals operating out of more than 500 offices in 61 countries. A subsidiary of FirstService Corporation (NASDAQ: FSRV; TSX: FSV and FSV.PR.U), Colliers focuses on accelerating success for its clients by seamlessly providing a full range of services to real estate users, owners, and investors worldwide, including global corporate solutions, brokerage, property and asset management, hotel investment sales and consulting, valuation, consulting and appraisal services, mortgage banking and research. *Commercial Property Executive* and *Multi-Housing News* magazines ranked Colliers International as the top U.S. real estate company and the latest annual survey by the Lipsey Company ranked [Colliers International](#) as the second most recognized commercial real estate brand in the world.