

UK SHOPPING CENTRES

Q1 2017



Q1 volume

£358.3 MN TRANSACTION VALUE IN Q1 2017. DOWN 36% ON Q1 2016, A FURTHER £393.7M WAS UNDER OFFER AND £726.3 MN AVAILABLE.



Retail sales

2.6% VOLUME OF RETAIL SALES GROWTH IN MAR 2017 ON MAR 2016. 47 MONTHS OF CONSECUTIVE ANNUAL GROWTH.



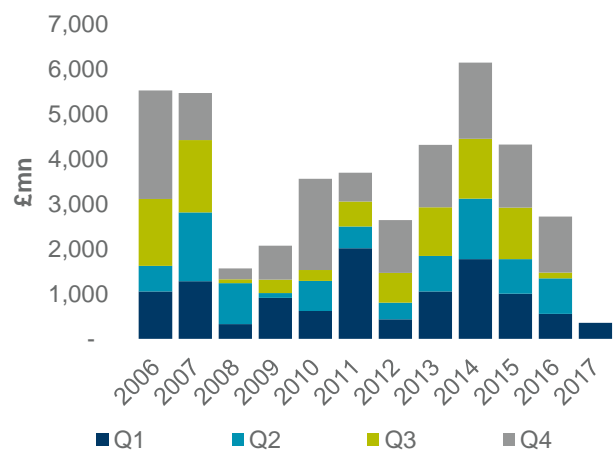
Wall of Money

£32BN NEW CAPITAL TARGETING UK REAL ESTATE IN 2017. THIS IS 4% DOWN ON THE NEW CAPITAL TARGETING UK REAL ESTATE IN 2016.



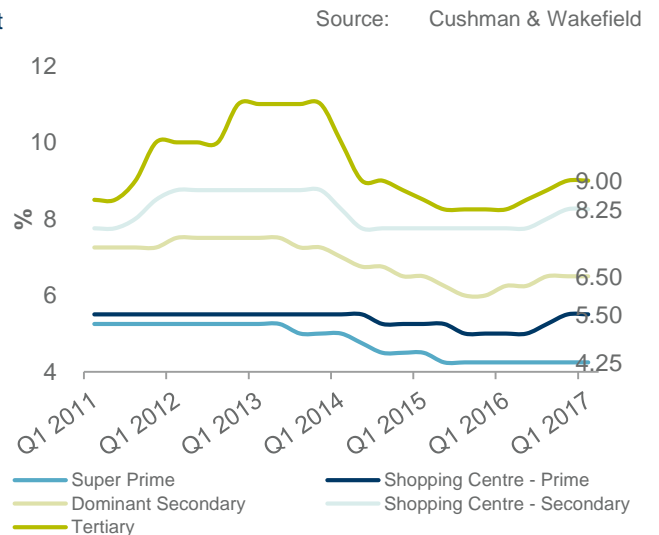
- The shopping centre investment market has made a slow start to the year with seven assets transacting, totalling £358.3m and 36% down on Q1 2016.
- The sale of the Stratford Centre to Frogmore / Galliard for £141.5m represented almost 40% of the quarterly total.
- Despite retail sales picking up in February, the three months to March 2017 was the first quarterly decline since 2013. Retail inflation has been positive for four months following 29 months of deflation.
- All shopping centre sub-sector yields remained stable in Q1 2017. Over a 12 month period, super prime yields have remained stable while all other sectors have seen an outward shift, most notably tertiary moving out 75bps.

Quarterly Shopping Centre Transactions, £mn



Source: Cushman & Wakefield

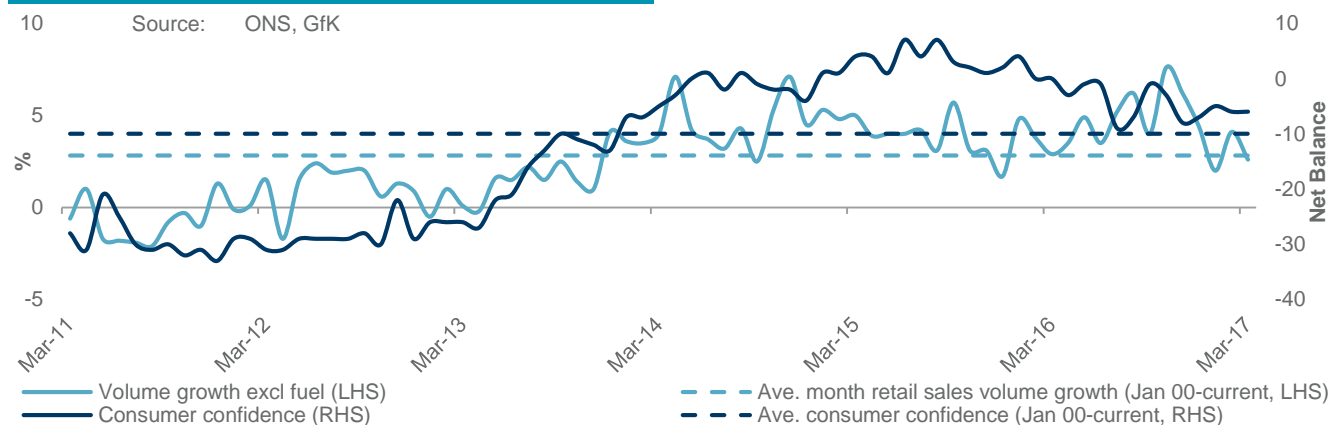
Shopping Centre Yields (%)



Source: Cushman & Wakefield

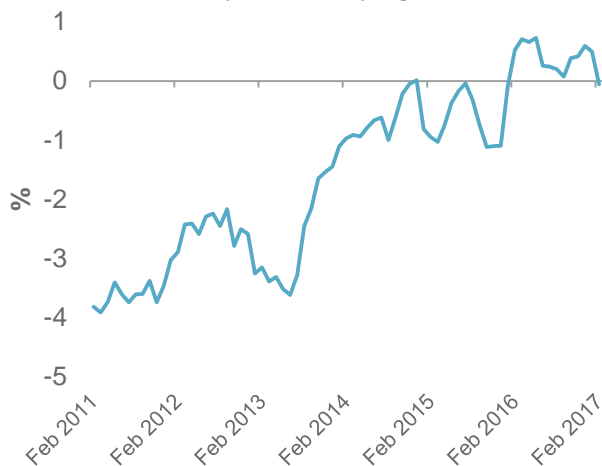
ONS Retail Sales Volume and Consumer Confidence

Source: ONS, GfK



Shopping Centre Rental Growth, Y-Y %

Source: IPD February 2017 Monthly Digest



Y-Y shopping centre rents were down -0.1% in February following a 0.1% monthly fall.

Retail Footfall, 3month average Y-Y %

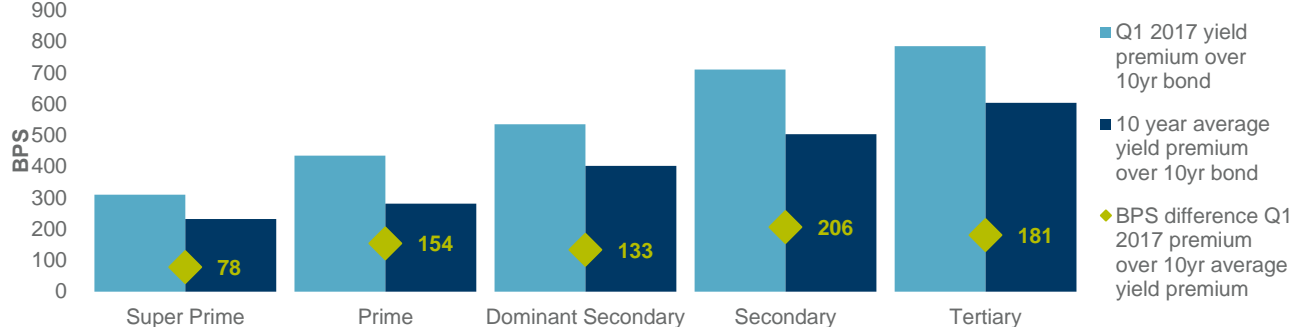
Source: BRC / Springboard



Footfall increased to all destinations in March, the fastest annual growth for three years – partly due to the exclusion of Easter Sunday from the period.

Shopping Centre Yield Premium Analysis

Source: Cushman & Wakefield



All shopping centre sub-sector yields exhibit positive yield premiums compared to the average yield premium over government 10 year bonds. Super prime yields are 78bps above the average yield premium while secondary are 206bps above.

UK Shopping Centre Investment Market – Top 5 Investment Transactions Q1 2017

	Town	Vendor	Purchaser	Price (£M)	Yield (%)
Stratford Centre	Stratford	Catalyst Capital / Blackstone	Frogmore / Galliard	141.5	4.95
The Exchange Shopping Centre	Ilford	Meyer Bergman	Capital & Regional	78.0	6.88
The Buttermarket Centre	Ipswich	Capital & Regional / Drum Properties	DTZ IM	54.7	5.75
The Belfry	Redhill	Milestone Trust / BOI / KBC	Milestone Trust	41.9	8.13
Waverley Mall	Edinburgh	Catalyst Capital / Starwood	Moorgarth	23.3	7.73

Source: Cushman & Wakefield



Barry O'Donnell, International Partner, Shopping Centre Investment

“The retail sector is facing some headwinds due to a variety of factors. As a consequence, pricing of shopping centre investments has come under increasing scrutiny during 2017 as investors grapple with the changing environment. We believe that the risk arbitrage between sub-sectors looks over done which could throw up good buy side opportunities in 2017.”



Jonathan Rumsey, Head of UK Retail Research & Insight

“The economy continues to perform better than expected post EU referendum with growth figures exceeding previous forecasts. Consumers have been remarkably resilient but confidence is starting to falter. Consumer concerns about rising inflation are starting to materialise causing a slow down in retail sales volume growth. However, footfall has started to recover with March showing the fastest annual growth for three years – predominantly driven by an increase in footfall post 5pm as a strong leisure/hospitality offer is proving critical to retail success.”

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