Q3 volume
£559 MILLION WAS TRANSACTED IN Q3 2017, UP 11% ON Q2 2017 AND DOWN 5% ON Q3 2016, WHICH TOOK THE TOTAL VOLUMES FOR THE YEAR TO DATE TO £1.691 BN.

Q3 Stock
£465 MILLION OF NEW STOCK ACROSS 31 ASSETS WAS LAUNCHED IN Q3, A DECREASE OF 42% ON Q2.

Q3 Active Buyers

Comments
- Councils were extremely active in Q3 2017, accounting for 29% (£166 m) of total volume, buying assets in Malvern, Dover and Horsham.
- Surrey County Council's purchase of Malvern Shopping Park for £74 m is the largest acquisition out of town by a council to date.
- UK Funds continue to be the dominant player in the sector – responsible for 65% of sales and 45% of acquisitions.

Completed Transactions: Purchasers & Vendors
Q3 2017 Retailers Trading Results

**DFS**: at the end of Q3, DFS reported a 22.3% drop in full-year profits. A challenging market combined with consumer uncertainty and weakness of the pound meant pre-tax earnings for the year to the end of July fell to £50.1m from £64.5m a year earlier. The retailer highlighted that BREXIT has had a significant impact on trading but despite this they forecast improvements for the end of 2017.

**Toys R Us**: Toys R Us voluntarily filed for Chapter 11 in the US and the Company’s Canadian subsidiary has commenced parallel proceedings under the Companies Creditors Arrangement Act (CCAA) in Canada. Importantly, operations outside the U.S. and Canada, which include Asia, Australia and Europe are not part of the Company’s financial restructuring. It appears this was a deliberate decision with the expectation of refinancing the $5 billion of long-term debt on the U.S balance sheet and freeing up resources to reinvest into the business.

**Retail Sales**: ONS reported a 0.8% fall in retail sales in September. The fall has caused Q3 retail growth to slow to the lowest year-on-year rate since Q2 2013; 1.5%. Additionally, retail prices have continued to rise, up 3.3% from the previous year; the highest since March 2012. In spite of the overall lack of growth and price hikes, September figures highlighted that online sales values have increased year-on-year by 14%, now accounting for 17% of total spending.

Q3 2017 Key Events & Outlook

- Council buying activity reached its highest levels in terms of total transaction volumes and individual lot sizes during Q3 – Malvern (Surrey County Council) at £74m and Bournemouth (Hampshire Council) at £47.64m – though the Budget in November could curb future property investment by the Councils. Institutional investment appetite remains, with income security an absolute focus and a clear preference for south east locations.

- Whilst negative sentiment apparently contradicts underlying retail sales, there is no question that physical fashion sales remain under increasing pressure from online shopping.

UK Retail Warehouse Investment Market – Top 5 Investment Transactions Q3 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Retail Park</th>
<th>Town</th>
<th>Vendor</th>
<th>Purchaser</th>
<th>Price (£M)</th>
<th>Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sept 17</td>
<td>Pips Hill Retail Park</td>
<td>Basildon</td>
<td>Hermes Real Estate</td>
<td>Royal London</td>
<td>£86.6m</td>
<td>5.65%</td>
</tr>
<tr>
<td>Sept 17</td>
<td>Malvern Shopping Park</td>
<td>Malvern</td>
<td>Consolidated Property</td>
<td>Surrey County Council</td>
<td>£74m</td>
<td>5.25%</td>
</tr>
<tr>
<td>Aug 17</td>
<td>Burlington Retail Park</td>
<td>New Malden</td>
<td>Aviva Investors</td>
<td>LondonMetric</td>
<td>£28.3m</td>
<td>3.55%</td>
</tr>
<tr>
<td>Aug 17</td>
<td>Riverside Retail Park</td>
<td>Chelmsford</td>
<td>British Airways Pension</td>
<td>M&amp;G Real Estate</td>
<td>£53m</td>
<td>5.50%</td>
</tr>
<tr>
<td>Jul 17</td>
<td>Exebridges Retail Park</td>
<td>Exeter</td>
<td>LaSalle Investment</td>
<td>Legal &amp; General</td>
<td>£30.65m</td>
<td>6.24%</td>
</tr>
</tbody>
</table>

Patrick Knapman, Head of UK Retail Capital Markets

Investment activity levels in Q3 2017 surpassed those many had expected for what is often a quiet quarter. Certainly Council acquisitions are a factor but the underlying fundamentals of the out of town sector continue to attract strong Institutional demand for the right product and we expect that to persist.

Darren Yates, Head of UK Retail Research & Insight

As the broader retail sector comes under increasing pressure from the growth in online sales and the more uncertain economic outlook, retail warehousing has been resilient. The sector turned in a very creditable performance over the year to September, with MSCI data showing healthy total returns of 8.1% - a fraction below the 8.2% for standard retail but easily above the 4.4% for shopping centres.
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