Q4 volume

£1.05M TRANSACTION VALUE IN Q4 2016. THE LARGEST QUARTERLY VOLUME IN 2016 AND 1% UP ON Q4 2015, A FURTHER £187.5M WAS UNDER OFFER AND £528.9M AVAILABLE.

2016 volume


Retail sales

4.9% VOLUME OF RETAIL SALES GROWTH IN DECEMBER 2016 ON DECEMBER 2015. 44 MONTHS OF CONSECUTIVE MONTHLY Y-Y GROWTH.

- Similar to the shopping centre market, despite a stronger end to the year, retail warehouse investment volumes were significantly down on last year.
- The EU referendum had a major impact, causing uncertainty in the second and third quarters of the year.
- The events of 2016 affected the pricing of shopping parks and open consent schemes the greatest as yields moved out 75 bps over 2016, compared to 50 bps for bulky traditional parks while food stores remained stable at 4.50% for RPI indexed stores and 5.25% for open market rent review stores.
- Retail sales recorded strong growth throughout the year although consumer confidence fell following the EU referendum result and fears of rising inflation in 2017.
- There is real potential to see yield compression in Q1 2017 as the market calms after the initial impact of the EU referendum result.

ONS Retail Sales Volume and Consumer Confidence

Source: ONS, GfK

<table>
<thead>
<tr>
<th>Source: Cushman &amp; Wakefield</th>
<th>Shopping Parks</th>
<th>Open A1 Parks</th>
<th>Bulky (Traditional) Parks</th>
<th>Solus Bulky (OMRR)</th>
<th>Prime Supermarkets (Indexed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q4 2010</td>
<td>6.50</td>
<td>6.00</td>
<td>5.75</td>
<td>6.00</td>
<td>5.25</td>
</tr>
<tr>
<td>Q4 2011</td>
<td>6.00</td>
<td>5.75</td>
<td>6.00</td>
<td>5.75</td>
<td>5.25</td>
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<tr>
<td>Q4 2012</td>
<td>5.75</td>
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<td>5.75</td>
<td>5.25</td>
<td>5.25</td>
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<tr>
<td>Q4 2013</td>
<td>5.25</td>
<td>4.50</td>
<td>5.00</td>
<td>4.50</td>
<td>5.25</td>
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<tr>
<td>Q4 2014</td>
<td>4.50</td>
<td>4.50</td>
<td>4.50</td>
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<td>5.25</td>
</tr>
<tr>
<td>Q4 2015</td>
<td>4.50</td>
<td>4.50</td>
<td>4.50</td>
<td>4.50</td>
<td>5.25</td>
</tr>
<tr>
<td>Q4 2016</td>
<td>4.50</td>
<td>4.50</td>
<td>4.50</td>
<td>4.50</td>
<td>5.25</td>
</tr>
</tbody>
</table>

Source: ONS, GfK

Volume growth excl fuel (LHS) 
Consumer confidence (RHS)

Ave. month retail sales volume growth (Jan 00-current, LHS) 
Ave. consumer confidence (Jan 00-current, RHS)
Investment volumes recovered markedly in the final quarter and this positive momentum has carried over into 2017 for the better quality assets. Secondary assets could still potentially see prices soften, but for the majority of the market we foresee a good depth of investor demand and yields remaining constant if not firming slightly after last year’s short term softening. 

Despite the EU referendum causing uncertainty in the investment market, UK retail sales growth remained extremely strong throughout 2016. However, consumer confidence has fallen and retailers will need to navigate a number of headwinds facing UK retail in 2017 - rising inflation, limited wage growth and high household debt dampening retail sales volume growth. If retailers choose not to pass cost increases on to the consumer it will add to the pressures of the National Living Wage and Business Rates on margins.

Patrick Knapman, Head of UK Retail Capital Markets

"Investment volumes recovered markedly in the final quarter and this positive momentum has carried over into 2017 for the better quality assets. Secondary assets could still potentially see prices soften, but for the majority of the market we foresee a good depth of investor demand and yields remaining constant if not firming slightly after last year’s short term softening."

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**Retail Warehouse Rental Growth, Monthly Y-Y %**

Source: IPD December 2016 Monthly Digest

**Retail Footfall, 3month average Y-Y %**

Source: BRC / Springboard

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**Retail Warehouse Yield Premium Analysis**

Source: Cushman & Wakefield

- **Shopping Parks**: 187 bps premium over 10 yr bonds
- **Open A1 Parks**: 174 bps premium over 10 yr bonds
- **Bulky (Traditional) Parks**: 140 bps premium over 10 yr bonds
- **Prime Supermarkets ( Indexed)**: 171 bps premium over 10 yr bonds

The 75 bps softening in the shopping park and open A1 park sub-sectors means the yield premium over 10 yr bonds are 187 bps and 174 bps respectively above the 10yr average.

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**UK Retail Warehouse Investment Market – Top 4 Investment Transactions 2016**

<table>
<thead>
<tr>
<th>Town</th>
<th>Vendor</th>
<th>Purchaser</th>
<th>Price (£M)</th>
<th>Yield (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Land Portfolio</td>
<td>Various</td>
<td>British Land</td>
<td>191.0</td>
<td>6.25</td>
</tr>
<tr>
<td>Thurrock Shopping Park</td>
<td>Thurrock</td>
<td>Hammerson</td>
<td>93.0</td>
<td>5.30</td>
</tr>
<tr>
<td>Kingsgate Shopping Park</td>
<td>East Kilbride</td>
<td>Aviva Investors</td>
<td>89.9</td>
<td>7.00</td>
</tr>
<tr>
<td>Willow Brook Centre</td>
<td>Bristol</td>
<td>Tesco Properties</td>
<td>88.8</td>
<td>6.14</td>
</tr>
</tbody>
</table>

Source: Cushman & Wakefield
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