

# MARKETBEAT SHOPPING CENTRE DEVELOPMENT REPORT

## UNITED KINGDOM

A Cushman & Wakefield Research Publication

APRIL 2014



### OVERVIEW

Following a strong start to 2013, development activity in the country slowed slightly towards the year end. Nevertheless, a total of 289,200 sq.m of shopping centre GLA were delivered across the country, the highest figure since 2009 and eclipsing 2012's meagre total. The bulk of the development – approximately 250,100 sq.m or 88% of the total space – was completed in the form of eleven new shopping centres, whilst the remainder (39,100 sq.m) consisted of 13 new extensions to existing schemes.

Although development did slow in the second half of the year, with just three new schemes opening, there was a rise in the number of extension (9) – ranging in size from 500 sq.m to 5,100 sq.m. The largest new project delivered in H2 2013 was New Square (43,900 sq.m) in West Bromwich, whilst the redevelopment of Longbridge town centre provided an additional 15,800 sq.m of retail space.

Looking ahead, the development pipeline is somewhat subdued over the next two years, with 107,200 sq.m expected to be completed in 2014 and 79,100 sq.m in 2015. The most significant addition is likely to be the British Land development of the Old Market in Hereford, which is anticipated to be completed in Q3 2014 and will add 28,600 sq.m of shopping centre GLA.

Meanwhile, 2015 is likely to see the arrival of Bond Street in Chelmsford (27,900 sq.m) and the extension of Grand Central (26,400 sq.m) in Birmingham. The former scheme will be anchored by an 11,150 sq.m John Lewis and will house a number of restaurants, a cinema and contain 21 retail units. Despite the slow pace of activity over the next 18 months, 2016 is expected to rebound strongly with three major projects, led by the largest addition since Westfield Stratford City, Victoria Gate (117,100 sq.m) in Leeds, as well as Westfield Bradford (51,500 sq.m) and the regeneration of Bracknell Town Centre (53,900 sq.m).

### MARKET SIZE

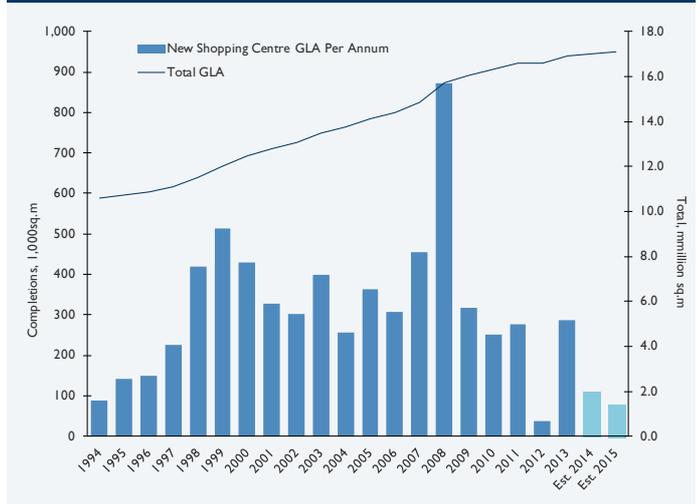
Total shopping centre floorspace in the UK now stands at over 16.9 million sq.m spread across 713 schemes. This is equivalent to 264 sq.m (GLA) per 1,000 inhabitants, slightly below the EU-27 (excluding Cyprus) average. There were no movements regionally, with provision density still highest in the North East with 380 sq.m of shopping centre GLA per 1,000 inhabitants. Northern Ireland and Scotland follow closely with 335 sq.m and 325 sq.m of GLA per 1,000 people, respectively. East Midlands is the region with the lowest density per capita, while the South West and Wales are close behind, all averaging under 200 sq.m per 1,000 people. Despite languishing in the bottom half of the table with 237 sq.m of GLA per 1,000 inhabitants; London is the region which saw the most space completed over the last 10 years, with 546,883 sq.m of new GLA delivered onto the market.

### RETAIL MARKET INDICATORS, EU-28 AVERAGE

	UK	EU-28 AV.
GDP Per Head (€) 2013	29,749	25,767
Private Consumption Per Head (€) 2013	19,093	15,021
Private consumption, % of GDP	64.18%	58.29%
Private Consumption 2013 (% real change pa)	2.36%	0.11%
Average Consumer Prices (% change pa)	2.55%	1.51%

Source: Oxford Economics

### SHOPPING CENTRE GROWTH IN THE UK



### SHOPPING CENTRE GLA (SQ.M) PER 1,000 POPULATION



## LEADING DEVELOPERS

UK developers such as Land Securities, Hammerson and intu with predominantly domestic portfolios dominate the market, along with international players such as Westfield. Land Securities have opened Trinity Leeds which was the largest new shopping centre addition in 2013, supplying 75,900 sq.m (GLA) of new shopping centre space.

## LARGEST CENTRES

The MetroCentre in Gateshead remains the UK's largest shopping centre – the scheme is anchored by House of Fraser, Debenhams and Marks & Spencer. The MetrOasis catering development opened in September 2012 and provides a direct link between the MetroCentre and the adjacent Metro Retail Park. Lend Lease was granted outline planning consent for its 35,300 sq.m West Village extension to Bluewater, Dartford, in May last year. Although no date has yet been set, should the extension be completed the scheme would become the third largest in the UK by GLA.

## TENURE & LEASE STRUCTURES

The average retail lease length in the UK has shortened over the last decade from the traditional 15 years to a more generally applicable 10 years, sometimes with a 5 year break clause. In addition, since the downturn in 2009, many landlords have been more flexible with rental payment terms, offering monthly rather than quarterly rent payments. UK leases have typically been five-yearly, upward only reviews to market level, although there is no legislation which prevents indexation or turnover rents.

## INVESTMENT MARKET

Activity in the shopping centre investment market continued to surge ahead in the second half of last year, increasing further on the already improved figures of the first half, with strong domestic and foreign demand and a spreading of interest from prime to good secondary as competition intensified. A total of £2.5 billion worth of assets were traded in the six months to December, up on the revised figure of £1.8 billion recorded in H1 2013. Shopping centre transactions in 2013 accounted for approximately £4.3 billion, the highest annual figure seen since 2007. The largest deal in the second half was the acquisition of a 50% share in Centre:MK shopping centre by AustralianSuper from Hermes for £270 million – which was the fund's first real estate purchase in the UK. Elsewhere, CBRE Real Estate's Britannica shopping centre fund, consisting of eight shopping centres across the country, was sold by the administrator to Kennedy Wilson for £250 million. The top three was completed by the acquisition of Queensgate Centre by Invesco from the joint venture between Aviva and Hammerson.

## OUTLOOK

The subdued pipeline does partly reflect the depressed economic and finance conditions present in the country since the crisis began in 2007. In this sense, it does mask the improvement in market sentiment, retail spending, finance availability and economic growth currently underway. Indeed, a considerable acceleration in development is expected from 2016, with large schemes already in the pipeline but also new projects being created by more eager developers. At the same time, extensions and refurbishments to existing schemes will remain a common thread, with owners keen to add modern space and renew older stock in order to address leisure demand and the need for centres to offer a memorable experience.

## TOP 5 CENTRES IN THE UK BY SIZE

LOCATION	SCHEME NAME	GLA (SQ.M)	YEAR OPENED
Gateshead	MetroCentre	189,400*	1986
Manchester	Trafford Centre	182,700	1998
London	Westfield Stratford City	175,000	2011
London	Westfield London	161,500	2008
Liverpool	Liverpool ONE	151,400	2008

\*Total retail GLA including Metro Retail Park.

## PRIME RENTS & YIELDS – HIGH QUALITY CENTRES

	AVERAGE PRIME RENTS (€/SQ.M/YEAR)	PRIME YIELDS
United Kingdom	1,555	5.00%
Europe	1,053	6.29%

\* Best unit in 100-200sq.m range, typically a fashion retailer. Rents and yields range is for a typical prime shopping centre. The yields provided are intended as a guideline only to indicate the approximate trend and direction of prime initial yield levels. In light of the changing nature of the market and the costs implicit in any transaction, the yields provided should not be used as a comparable for any particular property or transaction without regard to the specifics of the property.

## MAJOR INVESTMENT TRANSACTIONS H2 2013

VENDOR	PURCHASER	SCHEME	VALUE (£ MN)	INITIAL YIELD
Hermes	AustralianSuper	Centre:MK (50%)	270	5.34
Receiver	Kennedy Wilson	Britannica Portfolio	250	9.00
Aviva & Hammerson	Invesco	Queensgate Centre	202	6.25
Ivanhoe Cambridge	Blackstone and Sovereign Land	St Enoch	189	7.50
Land Securities & British Land	F&C Reit	Bon Accord	189	n/a
Private Investor	Meyer Bergman	Whiteleys	115	n/a
Standard Life	Private Investor	Whiteleys	107	n/a
London & Associated Properties	SWIP	King Edward Court	105	5.60
Multi	British Land	Southgate Centre (50%)	101	5.50
Mall Fund	M&G Real Estate	The Mall (Gracechurch Centre)	88	7.75

## MAJOR SCHEMES IN THE PIPELINE 2014-2015

LOCATION	SCHEME NAME	GLA (SQ.M)	YEAR DUE
Hereford	Old Market	28,600	2014
Chelmsford	Bond Street	27,900	2015
Birmingham	Grand Central (extension)	26,400	2015
Solihull	Parkgate Shirley	15,900	2014

Cushman & Wakefield defines a shopping centre as a centrally managed, purpose-built retail facility, comprising units and communal areas, with a Gross Leasable Area of over 5,000 sq.m. Factory Outlets and Retail Parks are excluded. All graphs and tables are based on information from Cushman & Wakefield's in-house European Shopping Centre Database.

For further information, please contact our Research Department:  
Cushman & Wakefield LLP  
43-45 Portman Square  
London W1A 3BG  
www.cushmanwakefield.com

This report has been produced by Cushman & Wakefield LLP for use by those with an interest in commercial property solely for information purposes. It is not intended to be a complete description of the markets or developments to which it refers. The report uses information obtained from public sources which Cushman & Wakefield LLP believe to be reliable, but we have not verified such information and cannot guarantee that it is accurate and complete. No warranty or representation, express or implied, is made as to the accuracy or completeness of any of the information contained herein and Cushman & Wakefield LLP shall not be liable to any reader of this report or any third party in any way whatsoever. All expressions of opinion are subject to change. Our prior written consent is required before this report can be reproduced in whole or in part. Should you not wish to receive information from Cushman & Wakefield LLP or any related company, please email unsubscribe@eur.cushmanwake.com with your details in the body of your email as they appear on this communication and head it "Unsubscribe". ©2014 Cushman & Wakefield LLP All rights reserved.

