



Shopping Centre Pipeline

14 October 2014

Mark Disney

Executive Director

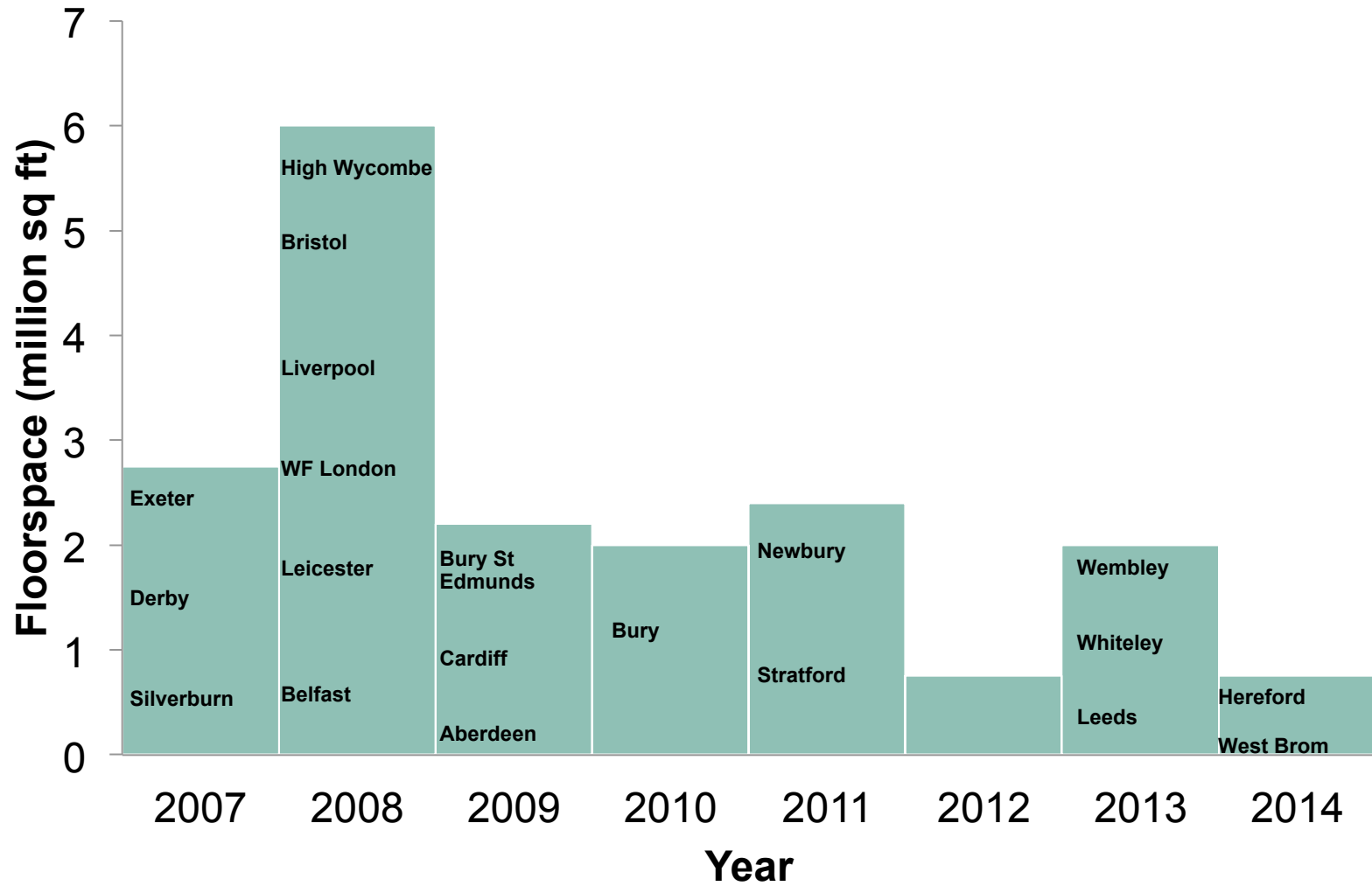
Shopping Centres, Retail Parks, Factory Outlets

CBRE

Shopping Centre Pipeline

- The recent supply of new space
- Recession or structural change?
- Living with the internet
- The retailers' view
- The developers' response
- The pipeline
- Summary

Shopping Centre Openings

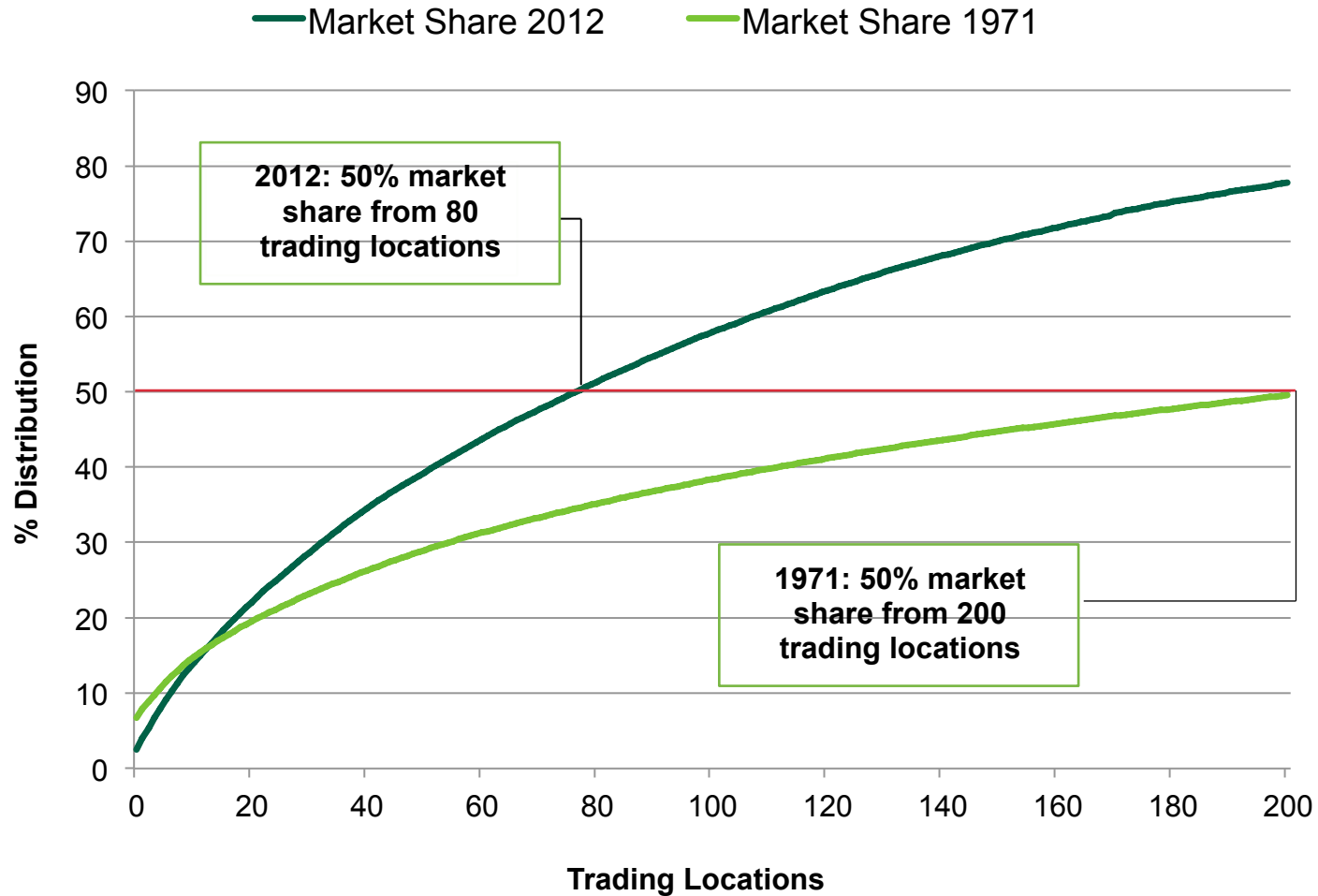


Source CBRE

Recession or Structural Change?

- Internet
- Supermarkets
- Category Killers – ‘Black holes’
 - Primark, JLP, Apple, Topshop, H&M, Zara, Sports Direct, Next
- Lost Fascias – (competition and consolidation)
 - La Senza, JJB, Phones 4 U, Principles, Allsports, Virgin Megastores, Birthdays, Barratts, Republic, Comet, Ottakars, Henleys, Canterbury, Full Circle, Schoon, Adams, Suits You, Blooming Marvellous, Gamestation, Lombok, Ravel, First Sport, Active Venture, Internazionale.

Market Consolidation



Source: NSLSP 2012

Living with the internet

Convenience:

- Compared to the 'final mile'
- Click and collect
- Easy access/ good car parking
- Instantly available!

Experience:

- "You can't get this online"
- Quality and variety of F&B
- Public Places
- Retail Theatre
- A day out – a leisure activity

The Retailers' View

Comparison, mainly fashion, international, 'brands'

- Omni - channel strategy
 - Brand showcases
 - Click and collect
 - Returns
- Need 'brand positive' locations.
- International Context
 - Hurdle rates
 - Lease Terms
 - Alternative markets
- 25 – 75 Stores



The Retailers' View

Convenience – value, family, services, health + beauty, value fashion

- More frequent purchases
- Focus on service/added value
- 200+ stores
- Experience within store - Smiggle



The developers' response – New Space/Better space

Where?

- Biggest Cities – oldest stock. (Glasgow, Bradford, Nottingham)
- Historic Cities – the 'magic key' (Oxford, Edinburgh, Chester, Guildford)
- Greatest Affluence – London, Bracknell, Beverley.
- Extensions to major centres – Westfield London, Brent Cross, Lakeside.
- Stations/Transport Hubs – Birmingham, Waterloo, St Pancras.

The developers' response – New Space/Better space

What?

- Retail with Leisure – Glasgow/Oxford/Newport
- Repositioning Mix and refurbishment – Meadowhall, Park Lane
- Retail Park Upgrades – Broughton Park



The developers' response – New Space/Better space

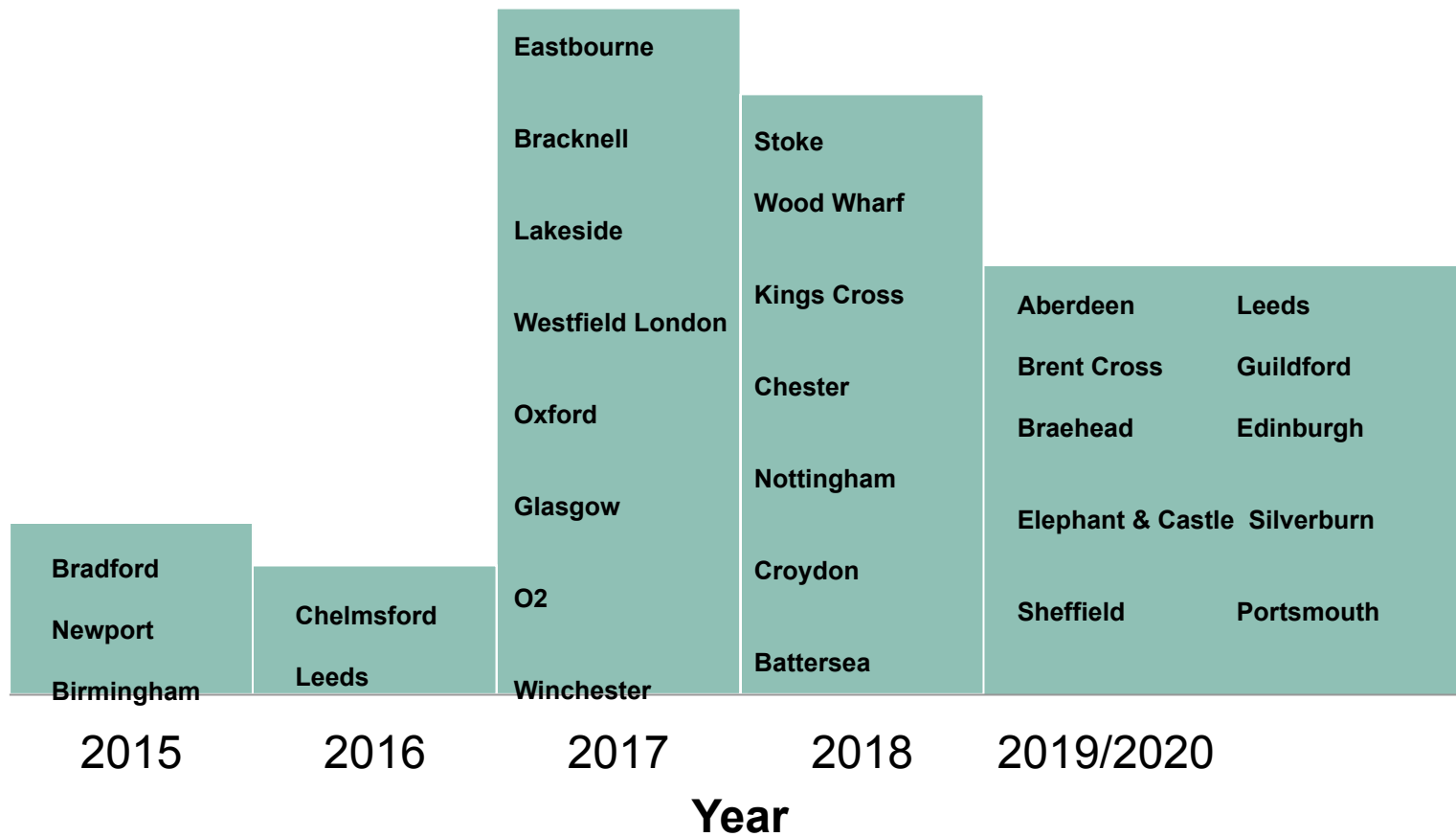
How?

- The challenge of pre – let thresholds (40%). 2-3 year builds...
- “You want it... help us to deliver it...”
- Mixed use drives viability– especially residential in London
- The role of Local Authorities.

The Role of Local Authorities

- Increasingly Important Role
- Different Perspective
 - No longer a ‘windfall’
 - Now a catalyst for regeneration
- Assisting Viability
 - TIF’s
 - Deferred infrastructure commitments
 - Upgraded transport links
 - Reviewing development agreements
 - Promoting whole city rebrands
- Glasgow, Edinburgh, Stoke, Bracknell, Newport, Leeds.

Pipeline – Anticipated Developments > 150,000sq ft



Summary

- Embrace the new normal
- Add value through experience
- Add convenience through mix, amenity, click and collect, parking.
- Or.....
- Consider alternative use value!



UK Shopping Centre Investment

Market Overview

14 October 2014

Stewart Colderick

Executive Director

Head of Retail Capital Markets

CBRE

UK Shopping Centre Investment Market Overview

TRANSACTION LEVELS ARE UP

- 2013 - UK shopping centre transactional levels at their highest since 2006 with £4.2 billion transacted versus £2.3 billion in 2012.

- 2014 – will exceed 2013 total, CBRE estimate of £5 billion +.

- The headline deals:-
 - Kent, Bluewater: Land Securities acquired a 30% stake with management rights for £696 million, a NIY of 4.10%. Underbidders - British Land, Hammerson, Australian Super, Ginko Tree and M&G.
 - Uxbridge, Intu/The Chimes: KWAP acquired 80% for £175 million, NIY 5.85% with Intu retaining 20%.
 - Wakefield, Trinity Walk: Orion acquired this Debenhams anchored scheme for £150 million, NIY 6.20%, vendor was ARES and Sovereign Land.
 - Warrington, Golden Square: LIM acquired this Debenhams anchored scheme for £141 million, NIY 6.75% from vendors Lend Lease and L&G.
 - Swallowtail (part thereof): New River Retail/Pimco acquired 3 schemes in Hastings, Newtonabbey and Glasgow from RBS for £140 million, reflecting a NIY of 8.00%.

UK Shopping Centre Investment Market Overview

STRONG DEMAND, WHY?

- Increased availability of debt.
- Improved economic outlook and Eurozone prognosis (cautionary note).
- Stabilisation of income, the worst of tenant failures is over.
- Secondary and Best Secondary is viewed as offering 'good value'.
- Investment demand from a variety of sources:
 - REITs – British Land, Intu, F&C, New River Retail and Hammerson.
 - Global/ Sovereign Wealth Funds, principally focused on prime regionally dominant assets.
 - Private Equity – Blackstone, Oaktree, KKR – very active in the Best Secondary sector.
 - Institutions – M&G, LaSalle IM, Legal & General.
- With the weight of equity seeking placement alongside large quantities of relatively cheap debt, we believe the market will continue to be buoyant in 2014 with yields trending stronger.
- Limited rental growth in short to medium term (stock selection key).

UK Shopping Centre Investment Market Overview

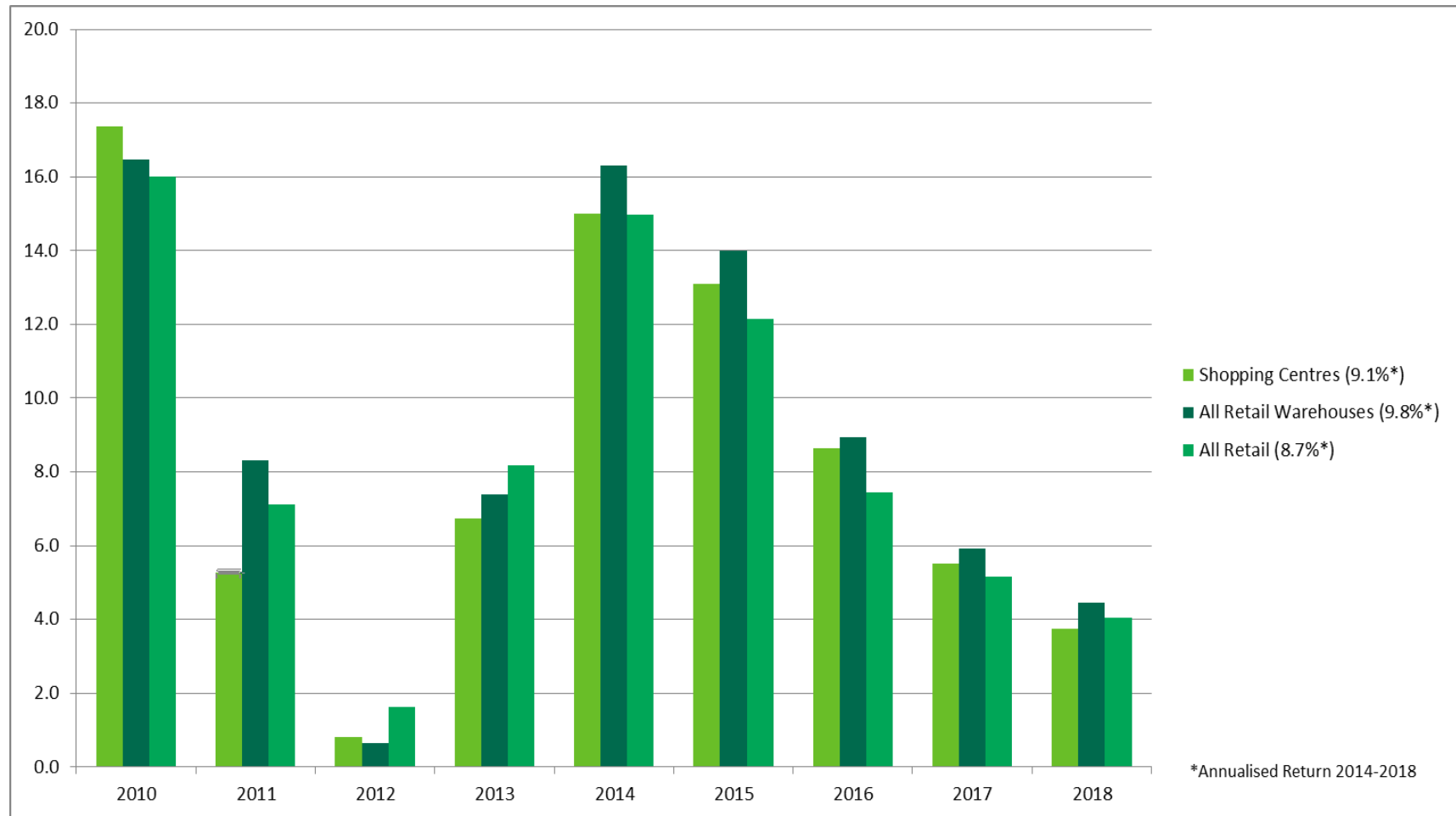
SHOPPING CENTRE YIELDS AND RENTAL GROWTH

| Summary (Oct-14) | Yield Long Term Average | |
|------------------|-------------------------|-------|
| Prime | 4.75% | 5.69% |
| Best Secondary | 6.25% | 7.05% |
| Secondary | 7.50% | 7.58% |



UK Shopping Centre Investment Market Overview

SHOPPING CENTRE/RETAIL WAREHOUSE/ALL RETAIL FORECAST RETURNS 2014 - 2018



UK Shopping Centre Investment Market Overview

CONCLUSIONS/TRENDS

- Polarisation continues – top 100 towns.
- Demand continues for 100 – 200.
- Tertiary/poor secondary struggles.
- Development funding more common place.
- Capital appreciation to slow in 2015.