THE SECTOR

2017 shopping centre transaction volumes: down to £2bn (includes £445m of FOC's) from £2.9bn.

Number of centres traded: down to 32 from 38.

Shopping centre prime yield: up to 2.9% from 2.5%.

Average price of shopping centre sales: £64m from £78m.

Unemployment rate: 4.3% (ONS).

THE SHOPPERS

Consumer spending: up 1.4% (BRC - Total non-food sales growth in Q4 YOY).

Inflation: up 3.0% (ONS - Q2 2017).

Real Wage Inflation: down -0.5% (ONS - 12 months 2017).

Unemployment rate: 4.3% (ONS).

Source: Colliers International/MSCI/Oxford Economics/ONS.

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Market Overview

It is clear that investor attitudes towards shopping centres have turned profoundly negative. Some believe that in the face of online spending growth, physical retail is staring into an abyss.

In the first weeks of the year, House of Fraser, New Look, Wilko, Byron Burger and Jamie’s Italian are but a few of the occupiers that have sought to renegotiate rents and rationalise store portfolios in a challenging trading environment.

The mega mergers between publicly listed retail REITs – trading at huge discounts to NAV – are emblematic of the structural changes affecting the retail world.

Collectively, we have pointed towards the exponential growth in digital trade as the cause for shifting occupier dynamics. But inconsistencies in the taxation of physical versus digital retail, as well as a rigid and laboured planning framework, also impede the necessary regeneration required to refresh and revitalise our city centres.

As we focus on market prospects for 2018, the forest fire that has so ravaged segments of the retail market may still be burning, but behind it lies fertile ground for retail re-imagination.

- Macroeconomic and political uncertainty continues to impact investment decisions with investor demand reduced across all shopping centre risk categories.
- Dominant, core shopping centres remain highly liquid with a diverse global investor audience.
- There is general nervousness around the resilience of retail occupancy leading to polarisation between demand for core assets and value add assets.
- 32 shopping centres traded over the 12 months to end-December 2017 representing £2.06bn (-29% YOY).
- A record number of shopping centre assets have failed to sell (18) during 2017 – worryingly, many of these have successfully secured refinancing at marketing valuations.
- For non-core assets there remains a trading stand-off between vendor’s aspirations and buyer’s expectations resulting in reduced trading volumes.
- Our conviction is that valuations are failing to adequately reflect a reduced buyer pool and capitalisation yields need to soften.
- The slow-down in demand for shopping centres has spread from “secondary” assets, with even core and core plus assets taking longer to sell.
- Prime benchmark shopping centre yields have softened to 4.5% from 4.25%.
- The benign debt market is giving prospective vendors re-financing options resulting in investment decisions being deferred.
- Loan maturities over the next three years are vast – estimated at in excess of £2bn - necessitating asset sales or refinancing.
- The quantum of non-core stock scheduled for sale is proving dilutive to pricing due to supply outweighing demand.
- Councils able to secure funds through the Public Works Loan Board have been targeting shopping centres for a combination of income return and regeneration.
- An increasing number of failing shopping centres are undergoing master-planning for alternative uses, notably in the south where underlying residential values support change of use.
- There are rich pickings from the market for those brave enough to embark in long term asset enhancement.

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Market Dynamics

In the shopping centre investment market, cyclical and structural rental decline has manifested itself in the lowest transaction volumes for a decade. Just 32 centres changed hands last year with a combined value of £2.06bn – well below the rolling 20-year average of £4.25bn. Transaction volume was also boosted by £445m of factory outlet centre transactions.

Investors have become polarised in their investment outlook, choosing in the main, to focus on top-flight assets in dominant towns and cities where critical mass, variety and breadth of product mean physical retailing and complimentary dining and entertainment can thrive when matched with a scalable demographic.

Outside the top 50 dominant shopping centres, growth in online spending is impacting the viability of once robust town centres. In essence, retailers are seeking to reduce operational and supply costs by consolidating their physical footprint and matching it with a growing online presence. Next characterised this evolution in their Christmas trading statement with a 6% year-on-year decline in in-store sales surpassed by 13.6% growth in their online trade. Whilst this made them one of the standout retail performers during the festive season, it points towards the necessity for further rationalisation of their national store portfolio and a bolstering of their supply chain.

This pattern is causing polarisation, with the best centres performing strongly, whilst mid-tier assets become marginalised as retailers seek cheaper accommodation - and larger stores - in edge of town retail parks.

That’s not to say that non-core assets don’t have a place – there are some compelling income yields to be had at present – but purchasers are seeking hugely inflated purchase yields in order to compensate for the prospect of declining income returns throughout the hold period as rental values and occupancy rates come under fire.

Safe Havens

Over the coming decade we see the pattern of retailer consolidation accelerating. Here we reiterate our long standing position that: for centres focussed on a high degree of discretionary comparison spend, only best-in-class assets in large diverse catchments will thrive, and only then if they are not subject to in-town and out of town retail over-supply.

There are safe havens in which investors can seek shelter. For example, town centre dominant comparison centres in affluent towns can thrive, provided they are not competing with a retail park. Then there are the convenience-led assets, whose raison d’être is to supply everyday essentials to a resident population or workforce. Where these assets are anchored by a supermarket and a car park, they have proven themselves to be extremely resilient traders with an attractive income yield.
Prognosis for Non-Core Assets

So if both the occupier market and the investment market have polarised around core comparison centres or smaller convenience assets, are we supposed to simply write off everything in-between?

The short answer is no. The process of store rationalisation is creeping across the country but in the interim there are very compelling income yields to be had. Ultimately though, for these assets we are pricing a diminishing income yield (as rents and occupancy continue to fall), with a reversion to consolidated retail offer with complimentary alternative uses.

Shopping centre footprints can make way for sizeable residential developments, hotels or student housing where planning teams are suitably far sighted. But herein lies the problem; the non-core shopping centre market - once the domain of institutions and REITs - is now swelled with short-term investor capital, unwilling (or unable) to target development that will carry on long after fund maturity.

The issue of retail oversupply is borne out in IPD data that shows upper quartile assets (lowest quality segment) as having stubbornly high, double digit vacancy rates - currently in the order of 12-13%. When it is considered that the IPD data series generally includes better quality assets under the stewardship of institutional investors, it begs the question as to how badly the statistics would read if we were privy to all the data under private equity ownership as well.

Where vacancy rates sit higher than 10%, we argue that it is impossible to establish the rental tension required to protect rental income and rental decline is therefore inevitable.

Source: MSCI IPD
Local Heroes?

Throughout 2016 and 2017, the unlikely heroes of the shopping centre market have been local authorities who have made significant strides into the investment market by utilising cheap debt finance from the Public Works Loan Board.

This highly preferential funding structure opens a path for councils to derive a handsome yield arbitrage whilst redevelopment plans are brought forward. Where redevelopment is the end game, this strategy stands to benefit towns immensely and councils offer exactly the type of long term altruistic capital required to regenerate ailing centres.

If however, as some fear, these “pru-bo” purchases are fuelled simply by the appeal of cheap money to bolster local budgets then we stand to witness a messy fallout when the realisation dawns that it is incredibly difficult to maintain income without obsessively proactive management.

Only time will tell. What’s certain is those parties managing to sell to a local authority have quietly completed their sale with a fist pump and deep intake of breath - for councils have turned out to be the last port of exit. To date, councils have been too willing to pay key money for impaired assets whilst bidding only against themselves.

Total Returns

Shopping centre IPD Total Returns for 2017 were 2.9%, comprising income return of 4.7% less a -1.5% devaluation as a result of sliding equivalent yields and a -0.3% decline in gross passing rents.

Whilst total returns may look anaemic, income returns remain attractive at 5.8% annualised over 10 years and this should be the focus for long term investors. The lack of forward rental growth has been the precursor to yield dilution but rolled up income returns can deliver outperformance, provided the investor does not have to time their exit to coincide with a fixed fund maturity.

In the forthcoming year, income will remain relatively stable, with modest declines for non-core centres matched by stability and even pockets of growth in super regional centres.

Meanwhile, total returns from shopping centres are likely to remain under pressure as yields for mid-tier comparison centres continue to dilute sector performance.
Return of Capital

As we head into 2018, it is evident that there is a greater momentum for shopping centre churn – notably through the growing urgency of private equity investors to recycle capital from underperforming assets. There is estimated to be more than £2bn of private equity invested in non-core shopping centres that would like to sell.

Here, the lack of willing to realise lower capital receipts than initial capital outlay has been at the discretion of nervy investment managers. But increasingly, underlying investors want the return of their investment and are less concerned with the return on their investment.

Following a year in which the FTSE 100 delivered stellar total returns of 10.95% (Source: FTSE International Limited), the opportunity cost of capital is brought into sharp focus.

This renewed urgency to realise stock rotation – paired with a number of very large regional centres – is expected to promote higher transactional activity over the forthcoming year which we forecast to recover towards £3bn.

Relative Return

Investors are looking at retail investment opportunities again on a relative return basis; over the course of 2017, shopping centre returns of just 2.9% meant the sector was the performance laggard within the IPD universe. But a repeat of 2017 industrial returns which hit a whopping 19.6% surely can’t be repeated and those parties debating whether industrial rental growth can justify continued record capitalisation rates have started to glance at the attractive income returns from retail.

With the retail sector remaining out of favour and the number of sellers vastly outnumbering buyers, there is expected to be limited scope for capital growth in the year ahead.

Meanwhile income returns are looking compelling, subject to very careful stock selection. For long term active investors, this backdrop is presenting opportunities to buy assets that are undervalued in relation to their future cash generating potential.
Occupier Dynamics

Income Sustainability

Investors' negativity towards shopping centres is not for want of money - income yields are currently compelling. The question mark is next to income sustainability.

The problems hitting the sector are structural – changes to consumer spending patterns that can’t readily be contested even by the most pro-active of landlords. Oversupply is proving to be wildly dilutive to rents.

Consumer spending as a whole has continued to grow year on year – Consumer Expenditure Growth up 1.7% y/y to December 2017 (Oxford Economics, ONS) - but the proportion retained in physical retail is declining; the most recent in-store figures from the BRC – KPMG Retail Sales Monitor suggest total non-food sales growth of -1.4% in Q4 2017.

The acceleration in the rate of decline can largely be attributed to negative real wage inflation matched with goods price inflation. 2017 saw real wage growth turn negative once again and in the decade since the financial crisis, real wages in the UK have fallen by -5.1% (Oxford Economics, ONS, Haver Analytics). As a result, consumers have significantly less money for discretionary purchases.

More particularly, as reported by BRC Springboard, shopping centres saw a -3.8% fall in footfall. Only retail parks have shown their resilience to the trend in reduced shopper numbers with flat year-on-year footfall of -0.6%.

Tight Margins

Inflation is feeding current market dynamics and retailers are looking to landlords to reduce occupancy costs rather than push prices onto consumers. There is only so far retailers can go in absorbing rising input costs.

To combat the drop in both shopper footfall and consumer spend, retailers have taken a hit on margin in order to compete. Non-food price inflation during Q4 hit -1.6% with clothing and footwear most severely impacted at -6.5% (BRC/ Nielsen Shop Price Index). This is a material erosion of retailer trading margins and goes a long way to explaining recent retail headlines.

Meanwhile online spending growth remains robust. The rate of online spending growth may be gradually slowing, but at more than 8% y/y, it greatly outstrips in-store trade. More importantly, the rate at which online spending growth is slowing, still vastly exceeds the rate at which physical retail is being taken out of supply. The read across here is that over-supply will remain dilutive to rents except in geographies where regeneration takes shops out of supply.

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<table>
<thead>
<tr>
<th>CHANGE IN REAL EARNINGS YEAR-ON-YEAR (CPI BASE)</th>
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<tbody>
<tr>
<td>Source: Oxford Economics, ONS, Haver Analytics</td>
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</table>
Retail Oversupply

The strongest centres are still thriving because of their scale and the diversity of their product.

Meanwhile mid-market comparison shopping centres are expensive places to operate. It is becoming increasingly difficult for retailers - in particular department stores - to generate the necessary margin through an expensive national store portfolio. Rising employment costs and the heavy burden of national non-domestic rates put physical retail at a major disadvantage to online.

With an increasingly cash constrained consumer market, retailers are driving tougher deals in shopping centres or are moving onto the High Street where they can avert hefty service charges.

Even prime assets are not immune to the re-appropriation of retailer focus away from physical stores with the take up of prime space slower and rents stabilising.

This all points to substantial retail oversupply. We estimate there is now 30% too much retail floorspace across the UK - and vastly more than that in some geographies.

Oversupply propagates vacancy and vacancy is dilutive to rents. It is not too strong to say that as a result, some shopping centres are in terminal decline.
2017 UK Shopping Centre Transaction Review

2017 was a challenging year from a transaction perspective. By H1 end, only one deal had been originated and sold during 2017 with the remainder being hangover deals from the previous year. Notable transactions in Q1 included Frogmore’s purchase of Stratford Centre for £141.50m, and the acquisition of a 50% stake in Wandsworth Southside for £150m.

By the year-end, total shopping centre volume hit £2bn, lagging the 20-year rolling average by 45% and marking the lowest volume since 2009. Adding lustre to the year-end volumes was £445m of factory outlet schemes which when excluded reduces the pure play shopping centre statistics to just £1.6bn, placing it on a par with financial crisis era of 2008. Excluding Factory Outlet deals, the combined value of Stratford Centre, Southside Wandsworth, Arndale Eastbourne, Friary Walk Newport, Castle Court Belfast, Chapelfield Norwich and Bluewater account for half the total annual transaction volume.

32 shopping centres were transacted throughout 2017, compared to 39 transactions and a total volume of £2.9bn during 2016. Polarisation and consolidation were key themes with corporate M&As, rationalisation of retailers’ portfolios and further widening of the yield gap between core and non-core assets. A distinct shortage of willing buyers characterised 2017, as investors remained cautious of the occupational market and focussed instead on other property sectors. A ‘wait and see’ approach in anticipation of prices softening is yet to materialise.

TOTAL VOLUME OF SHOPPING CENTRE ASSET TRANSACTIONS

Source: Colliers International
Key 2017 Transactions

A number of passive stakes were offered to the market in 2017, most notably a 7.5% stake in Bluewater that was first offered to the market in 2011 but withdrawn after failing to find a buyer. It was quietly marketed again during H1 2017 at £167m with a 4.10% initial yield. As the UK’s pre-eminent shopping destination demand was widespread but the appeal of a partial interest tempered demand and only Royal London, already a significant investor in the Lendlease Retail LP, stepped up to acquire the stake for £155m representing an initial yield of 4.44% and a sizeable discount to NAV, see Figure 1.

The marketing of Chapelfield, Norwich demonstrated that better depth of demand exists for quantum stakes offering greater control. Intu’s 50% stake generated institutional and overseas interest with LaSalle purchasing for their Greater Manchester Pension Fund mandate for £148m, a 5% initial yield.

Asset valuations remain under pressure having not made up sufficient ground on real market movements. This has resulted in 18 schemes comprising over £1bn of stock failing to sell or being re-financed as the bid offer spread was too wide to bridge and expectations fell short of vendors’ lofty aspirations. These included Brunswick Centre, Scarborough; Liberty Centre, Rimbird; Richmond Centre, Londonderry; Ladysmith Centre, Ashton-Under-Lyme; Idawells Centre, Sutton-In-Ashfield; Market Gates, Great Yarmouth; Rhodes, Loughborough; Kingsgate Centre, Darlington; Vancouver Centre, Kings Lynn; and Queues Arcade, Cardiff.

Heavily skewed by Lend Lease Retail Partnerships 25% stake in Bluewater, at the year end there was £1.01bn under offer which will bolster Q1 2018 transaction volumes levels, see Figure 2.

<table>
<thead>
<tr>
<th>Centre</th>
<th>Price</th>
<th>Yield</th>
<th>Purchaser</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stratford Centre, London</td>
<td>£141.5m</td>
<td>5.10%</td>
<td>Frogmore</td>
</tr>
<tr>
<td>Southside, Wandsworth (50% Interest)</td>
<td>£150m</td>
<td>4.50%</td>
<td>Invesco</td>
</tr>
<tr>
<td>Bluewater, Dartford (7.5% Interest)</td>
<td>£155</td>
<td>4.44%</td>
<td>Royal London</td>
</tr>
<tr>
<td>Friars Walk, Newport</td>
<td>£13.5m</td>
<td>5.66%</td>
<td>Talaker</td>
</tr>
<tr>
<td>Castle Court, Belfast</td>
<td>£12.5m</td>
<td>6.50%</td>
<td>Wirefox</td>
</tr>
<tr>
<td>Chapelfield, Norwich (50% Interest)</td>
<td>£148m</td>
<td>5.00%</td>
<td>LaSalle (Greater Manchester Pension Fund)</td>
</tr>
<tr>
<td>The Treaty Centre, Hounslow</td>
<td>£57.5m</td>
<td>6.30%</td>
<td>LaSalle (BAE Pension Fund)</td>
</tr>
<tr>
<td>Palace Exchange, Enfield</td>
<td>£52m</td>
<td>6.80%</td>
<td>Deutsche Asset Management</td>
</tr>
</tbody>
</table>

Source: Colliers International

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<th>Price</th>
<th>Yield</th>
<th>Purchaser</th>
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</thead>
<tbody>
<tr>
<td>Royal Victoria Place, Tunbridge Wells</td>
<td>£150m</td>
<td>5.25%</td>
<td>British Land</td>
</tr>
<tr>
<td>Bluewater, Dartford</td>
<td>£600m</td>
<td>4.75%</td>
<td>AXA</td>
</tr>
<tr>
<td>Riverside, Stafford</td>
<td>£35.9m</td>
<td>6.75%</td>
<td>Legal &amp; General</td>
</tr>
</tbody>
</table>

Source: Colliers International
Private equity investors remained largely absent from the market again during 2017, instead focused on trying to exit legacy portfolios as several funds reached maturity. US retail market concerns and uncertainty related to Brexit negotiations also kept Sovereign wealth funds out of the market. The institutions were net sellers accounting for 50% of the total sales volume. Although institutional requirements were thin, the statistics suggested more buoyant activity than sentiment would suggest, with institutions accounting for nearly a third of total acquisitions. Good quality assets with a London or South East focus continued to secure institutional interest.

LaSalle were particular active, acquiring £260m of stock. Further institutional acquisitions included Deutsche Asset Management acquiring Palace Exchange, Enfield from Standard Aberdeen for £52m, consolidating their existing ownership of Palace Gardens to dominate the town centre. Overseas investors accounted for nearly a quarter of acquisitions, leveraging off sterling devaluation which attracted new entrants to the market including Wirefox and Talisker. The Prudential Borrowing or ‘PruBo’ effect we highlighted in 2016 continues as UK local government authorities seek to be self-sufficient by 2020 with the withdrawal of government grants. Attractive debt costs secured through Public Works Loan Board has driven the momentum with a further five shopping centres acquired in 2017.

Total Market Share (Purchases and Sales)

![Graph showing the total market share of purchases and sales by investor type.]

Who bought what in 2017?

The intrinsic value proposition and leisure focussed attributes of factory outlet schemes has driven investor demand, making up nearly 25% of the shopping centre market by volume during 2017 with £445m of transactions.

Investors are attracted by the flexibility of lease structures for landlord and tenant, transparency on turnover rents and performance data enabling landlords to actively manage assets. Cautionary discretionary spend by consumers and market uncertainty will continue to play to the strengths of the sector but stock is limited to 30 assets across the UK and 2018 is unlikely to see the same volume traded.

Notable deals included Land Securities acquisition of Hermes interests in Clarks Village, Street, Freeport Braintree and Junction 32 Castleford for £332.50m. This was bolstered by Blackstone’s £100m purchase of Livingston Designer Outlet and Global Mutual’s £13m purchase of Atlantic Village, Bideford.
The 2018 market outlook

Shopping centre pricing vs Gilts

In the decade since the global financial crisis, global liquidity has sustained unprecedented expansion as world banks rushed to restore confidence in both financial and real economies. In total, over $14 trillion has been created which has fuelled the growth in fixed income products.

UK 10-year Gilt yields closed 2017 at 1.29%, lower than at the same time 12 months earlier when they stood at 1.38%. Inflationary pressures that have built up in the world’s leading economies have not yet destabilised the world’s largest investment medium.

Now, as the world economies unite in a period of sustained growth, the tables are turning and inflation rates have broken out, leading world banks to begin the process of withdrawing stimulus and raising interest rates.

In this new era of financial repression, significant question marks are looming over the pricing of fixed income securities and their relativity to other risk assets.

Much like 12 months ago, the yield spread between shopping centre capitalisation rates and Gilt yields continues to look compelling. With prime UK shopping centre yields now at 4.50%, they offer a risk premium of more than 300 basis points suggesting Gilts can rise more than 100bps before property prices need to soften to maintain long term equilibrium.

As a result, we remain positive on the prospects for core shopping centre capitalisation rates but we reiterate our advice on the challenging signals facing the protection and growth of income.

Underlying Income Erosion

The UK’s economic outlook has witnessed a noticeable impact from the decision to leave the European Union. Consumer price inflation has overshot throughout 2017 reaching a peak of 3.1% in December. Forecasts point towards inflation receding back to 2% target range as Brexit related currency devaluation filters out of the system. Nevertheless, we anticipate continued pressure on goods prices through 2018.

Goods price rises have been difficult for the consumer to digest, with household consumption growth at its slowest annual rate for half a decade and stagnant wage growth. Shopper habits are now very focussed on seasonal sales periods, with many consumers delaying purchases until discount events such as Black Friday.

This has impacted Christmas consumer spend, traditionally the most profitable time of the year for retailers. Pressure is mounting on retailers, with some losing the capacity to absorb the effects of inflation without passing it onto the consumer. The resilience of retail is being tested and the lower cost base of online channels are reaping the rewards. However, savvy retailers such as Next who have integrated online and physical retailing are profitably evolving and it should be remembered that 80% of retail spend still happens in physical bricks and mortar environments.
Capex required

As we commented in our 2016 report, leveraged private equity investors were the dominant post financial crisis investor group during the period 2011 – 2015, enticed by the prospect of attractive income returns and hardening of yields. Better quality value-add assets with deliverable asset management angles have been sold on, but there is a wealth of non-core stock remaining.

2017 was a year of stagnation for short term investor capital as they watched non-core shopping centre values slide. Determined not to crystallise losses, these parties have delayed financially punitive decisions and sought instead to re-finance assets. Faced with the prospect declining capital values, many investors have turned off the capital expenditure tap. But without capital expenditure, income and capital yields remain in decline and the fall in value becomes a self-fulfilling prophecy.

A glut of these unwanted and under-invested assets hitting the market at the same time is now something of a concern. The gap between buyer and seller pricing expectations has widened further resulting in over £1bn of stock being withdrawn from the market.

During 2018, we expect valuations will start to reduce in order to align with the market and with a tightening of financing arrangements will see shopping centre owners look to realise an exit at ‘market pricing’.

**SHOPPING CENTRE CAPITAL AND DEVELOPMENT EXPENDITURE (EXISTING CENTRES)**

![Graph showing development expenditure and capital expenditure over time.](image)

Source: MSCI IPD
Suspended Animation

Where did all the buyers go? Domestic institutions and REITs have been net sellers of shopping centres for more than a decade.

The surge in investor capital post credit crisis was led by private equity investors. Such was the volume and velocity of private equity capital 5 years ago that the term ‘forced buyers’ was coined. Private equity investors couldn’t deploy money fast enough for fear the cash drag of un-invested capital would hamper returns. So in the rush to invest, mistakes were made and capital values surged on yield shift.

Many of these investors have now reached fund maturity and are seeking to withdraw from the sector simultaneously, many with the same urgency with which they arrived. The hurry to sell is producing a glut of supply that is diluting yields.

But there is a bigger problem. Income return from investment stock has been in decline.

For many owners, income from weaker assets hasn’t just stagnated, it’s fallen. And the combination of falling rents and rising yields is toxic for valuations. Some owners have grasped the nettle and cashed out below business plan. But for the remaining holders of this stock, the prognosis does not make for good reading.

Of course, this negativity does not apply to all shopping centres. But when a sector is out of favour to this extent, the blurring of the line between success and failure tarnishes perceptions and fear drags the sector as a whole lower.

Mispriced Opportunities

Retail may very well be out of favour. But that is not to say that the sector as a whole is out for the count. The ‘one size fits all’ rhetoric of so many market bystanders is that bricks and mortar retailing is dead. This is wildly misplaced. 17% of non-food retail is now online – or looked at another way, 83% of non-food retail remains in store!

The fact that all retail is being lambasted with doom saying presents an opportunity – when a sector is this hated it is a buy signal.

Correctly priced assets present a compelling story when, for the first time ever, prime logistics yields have trended below those of prime retail assets. Non-core schemes with department store anchors and high reliance on discretionary fashion weightings may well remain challenging and pricing will continue to drift. But mispriced opportunities are presenting themselves in core markets and in food anchored convenience shopping centres where a heavy reliance on non-discretionary spend is insulating assets from the squeeze in consumer spending.

Backing winners

For those that are prepared to run against the herd, there are now some fantastic buying opportunities in the shopping centre market.

The formula for success is ultimately simple. Total available consumer spend is measurable and finite – every pound spent online or out of town is a pound unavailable for spend in town centres. It stands to reason then all we really need to grasp is total retail provision in the context of total available consumer spend.

In areas that are over-supplied and where the ratio is low, generally consumers will favour the convenience of out of town retail parks and in these locations, in town retail will underperform.

Conversely, in geographies that have a tight supply of retail especially retail parks, town centres are thriving and there are compelling opportunities to get ahead of the competition.

Contacts:

James Findlater
Head of Shopping Centre Investment
+44 20 7344 6833
james.findlater@colliers.com

Giles Roberts
Director | Retail Capital Markets
+44 20 7487 1834
giles.roberts@colliers.com

Andrew Marshall
Director | Retail Capital Markets
+44 20 7344 6854
andrew.marshall@colliers.com

Becky Hance
Director | Retail Capital Markets
+44 20 7344 6841
becky.hance@colliers.com

Dan Simms
Head of Retail Agency - South
+44 20 7487 1720
dan.simms@colliers.com

Mark Charlton
Head of Research and Forecasting
+44 20 7487 1720
mark.charlton@colliers.com
Colliers International

- 500+ offices
- $2.6bn revenue
- 15,000 professionals
- 6 continents

Colliers UK Retail

- 70 specialist retail fee earners
- £1bn+ of retail investment transactions in the past year
- 1000+ retail property transactions each year
- 1m+ sq ft of retail rent reviews each year
- 9 offices
- 22m sq ft of retail property under management

£1bn+ of retail investment transactions in the past year