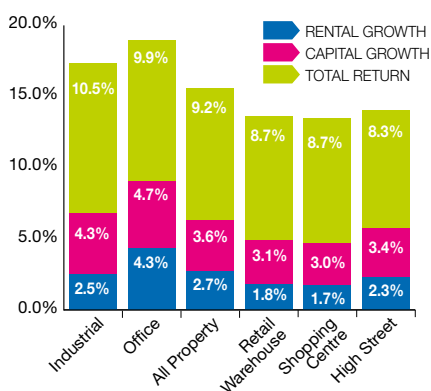


UK RETAIL

PROPERTY MARKET OUTLOOK 2015



Forecast growth per annum 2014-2018



Source: IPF Consensus Forecasts Nov 2014

OVERVIEW

2015 will be a better year for retail as the economic recovery continues, although the first half of the year is likely to be dominated by the general election. However, retail sales will receive a boost from a buoyant labour market, lower inflation and cheaper fuel on the back of falling oil prices. Positive house price growth will also continue to support strong consumer confidence.

However, the retail market continues to be driven by structural change due to the growth of online shopping and profit margins for bricks-and-mortar retailers will continue to be squeezed by non-store sales and an increasingly internet savvy population.



SHOPPING CENTRES

1. Continued investor appetite for all sub-sectors of UK shopping centres. Further yield compression is expected during 2015, particularly for secondary stock.
2. Overseas money will continue to focus upon the UK's shopping centres, rather than Continental European schemes.
3. In-town rental growth is expected to re-emerge, although it will be location and town specific.
4. Larger, more dominant locations and schemes will continue to outperform the wider market.
5. Transactions involving larger schemes are expected to decline in 2015. More consolidation and trading of less prime stock for portfolio re-balancing and profit taking is also expected.



HIGH STREETS

1. Continued investor demand and capital growth are expected in the Greater London suburbs (e.g. Fulham and Islington) due to the rent and yield discount compared with core West End.
2. Limited capital growth is expected in prime South East towns as yields have reached their previous peak (4.25% NIY), whilst regional city centres should see 10% growth in capital values.
3. Strong appetite is expected for good units in major regional city centres (Leeds, Liverpool and Edinburgh) which appear to offer good value compared to other sectors.
4. Omni channel retailing will become the dominant norm in 2015. Occupiers will need to implement the very latest in-store technology.



OUT-OF-TOWN & LEISURE

1. The best regional out-of-town schemes will continue to generate strong footfall, often at the expense of weaker town centre offers.
2. 'Big Box' retailers, especially in the DIY sector, will seek to actively downsize larger stores. The more 'powerful' landlords are expected to achieve the best results.
3. Out-of-town retail yields will soften, other than for the very best schemes, especially if perceived to be over-rented.
4. A prime, cinema-anchored leisure scheme will trade for 5.25% in 2015, setting a new benchmark.
5. With obsolescence becoming increasingly common, more investors will need to allocate significant CAPEX to improve the quality of their schemes.



FOOD STORES

1. The continuing fight between the mainstream supermarkets and the discount chains will further escalate the 'price war'.
2. The number of large store openings will decrease as a result of the growth of click-and-collect, fierce competition and growth in smaller convenience formats.
3. Indeed, convenience store formats will remain popular and successful, particularly in the South East.
4. However, rental growth will be limited to prime convenience sites in the South East. For the limited number of stores that get progressed over 30,000 sq ft, rentals will be lower than previously seen.
5. The 'one size fits all' strategy has gone and foodstores' strategies will be determined by regional trends.

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