

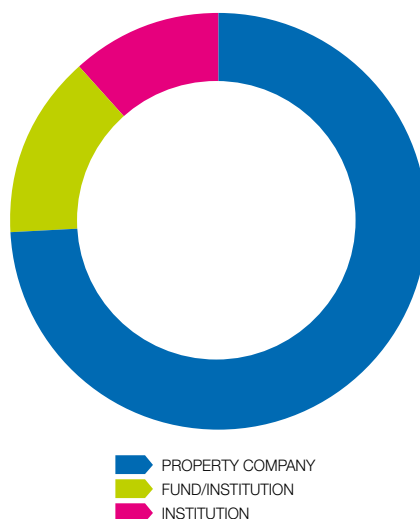
SHOPPING CENTRES

INVESTMENT QUARTERLY Q4 2014

Outlook

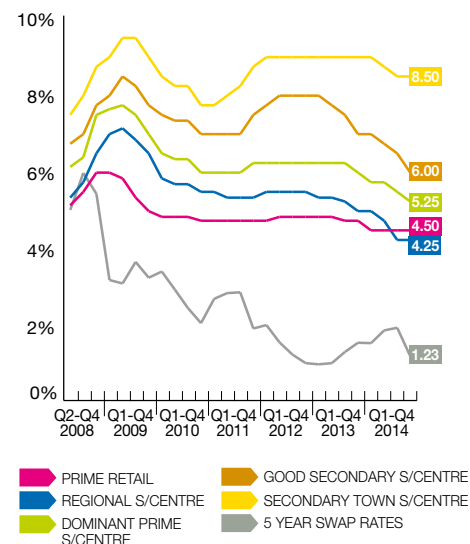
- 2015 will be another robust year for the UK shopping centre investment market.
- While the strongest investor demand is for the prime and super prime assets, good secondary shopping centres will also perform well.
- Shopping centres continue to offer attractive income returns compared to other property sectors and we expect this to lead to further yield compression during 2015.
- The first half of 2015 is likely to be dominated by uncertainty surrounding the general election. However, retail sales will receive a boost from a buoyant labour market, lower inflation and lower fuel costs on the back of falling oil prices.

FIGURE 1
Who's buying?
Q4 2014



Source: Knight Frank LLP

FIGURE 2
Retail & shopping centre equivalent yields Q2 2008 - Q4 2014



Source: Knight Frank LLP

Q4 shopping centres transactions

Shopping centre	Status	Purchaser	Vendor	Price (£m)	NIY %
Tiger Portfolio (7 shopping centres)	Sold	LoneStar / Ellandi	Rockspring	261.0	7.10
The Centre, Livingston	Sold	Hines / Scoop	Land Securities	224.1	6.30
Highcross, Leicester	Sold	Hammerson	LIM / Hammerson	180.0	5.50
Buchanan Galleries, Glasgow	Sold	Land Securities	TIAA Henderson (swap)	137.5	5.20
Princesshay, Exeter	Sold	TIAA Henderson	Land Securities (swap)	127.9	5.60
Brunswick Square, London	Sold	Lazari Investment	LIM	135.5	3.50
Fremlin Walk, Maidstone	Sold	M&G	Legal & General	110.0	6.00
Green Lanes, Barnstaple	Sold	Rockspring	British Land	35.4	6.60

Source: Knight Frank LLP

MARKET COMMENTARY

- A total of £5.41 billion shopping centres were transacted in 2014, which is a 26% increase on the £4.29 billion traded in 2013.
- 2014 saw the highest volume of trading since 2006 and the year was the third consecutive year of rising volumes.
- Q4 was another robust quarter seeing a total of £1.51bn of assets transacted across 18 individual assets and 2 portfolio deals, representing an increase of 13% on the same period last year.
- Notable deals in Q4 included Hammerson's acquisition of the 40% share in Highcross Leicester for £180m and 5.5%, Lazari Investments acquisition of Brunswick Centre, Bloomsbury for £135.5m and 3.5% NIY and M&G's acquisition of Fremlin Walk, Maidstone for £110m and 5.75% NIY.
- The shopping centre investment market has maintained strong investor interest over the last 12 months, particularly among the prime and good secondary centres.
- Portfolio sales are a popular approach of selling secondary centres, creating

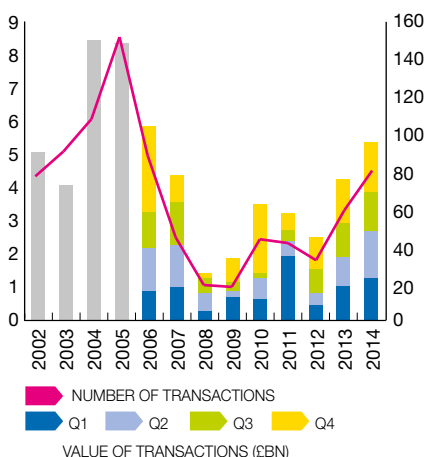
sufficient interest and scale to attract the larger opportunity funds.

- There are currently 17 individual shopping centres and one portfolio under offer, with a combined value of £1.14bn, which is significantly up on Q3's £768m.
- Availability of openly marketed shopping centres is very low although this is largely a function of seasonal marketing and we expect availability to increase markedly in the coming weeks.
- Steady supply and strong demand across all sub sectors of the market has resulted in yield compression throughout the year most noticeably within the 'good secondary' sub sector where yields have hardened by 100 basis points throughout the year.
- Indeed, significant interest in strong town dominant shopping centres witnessed yields decreasing by 50 to 75bps over the 12 months to December 2014. Prime regional shopping centre yields were unchanged over the quarter at 4.25% while good secondary shopping centre yields came in by 50bps to 6.00%.

FIGURE 3

Shopping centre transactions

(LHS – Value of transactions, £bn)
(RHS – Number of transactions)

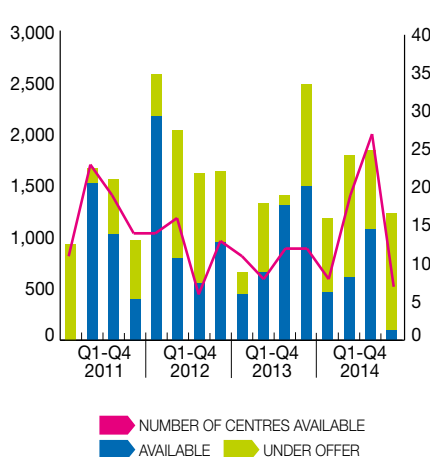


Source: Knight Frank LLP

FIGURE 4

Shopping centre availability

(LHS – Value of availability, £m)
(RHS – Number of centres available)



Source: Knight Frank LLP

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