

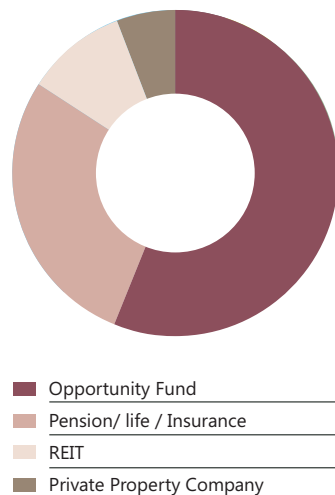
Q3 2013 SHOPPING CENTRE

Investment quarterly

Outlook

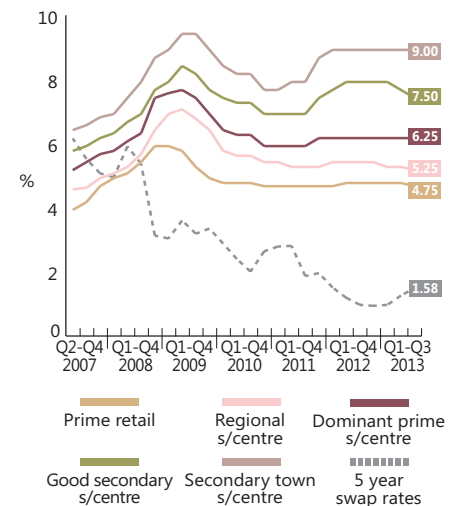
- Tentative signs of improved occupational conditions will continue to drive investor demand and attractive income returns for prime and good secondary shopping centres.
- We expect the margin between prime and good secondary yields to narrow as investors see best value in better quality secondary shopping centres.
- With a growing and diverse range of both buyers and sellers in the market, we expect current momentum to continue for the rest of the year and total investment volumes for this year should achieve £4bn.
- While high inflation and limited growth in real disposable income will be acting as a drag on retail sales, the mood in the economy is more upbeat with the latest official data pointing to broader-based recovery.

Figure 1
Who's buying?
Q3 2013



Source: Knight Frank LLP

Figure 2
Retail & shopping centre equivalent yields
Q1 2007 - Q3 2013



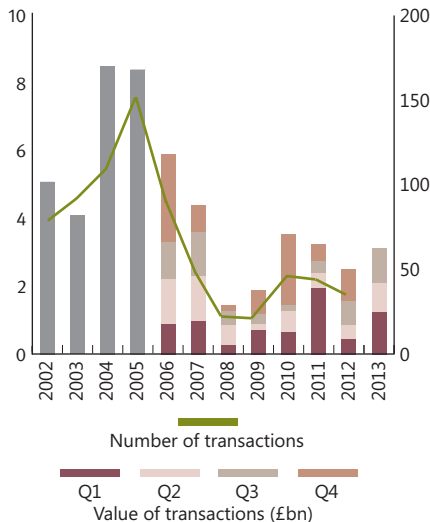
Source: Knight Frank LLP

Q3 shopping centres sold

| Shopping centre | Status | Purchaser | Vendor | Price (£m) | NIY % |
|---|--------|-------------------------------|---------------------------------|------------|-------|
| St Enoch Centre, Glasgow | Sold | Blackstone and Sovereign Land | Ivanhoe Cambridge | 186.0 | 7.25 |
| Southgate Centre, Bath (50%) | Sold | British Land | Multi BV Corporation/Blackstone | 101.0 | 5.50 |
| The Mall, Sutton Coldfield | Sold | M&G | The Mall Fund | 87.0 | 7.80 |
| The Pavilions Shopping Centre, Uxbridge | Sold | LaSalle Management | The Mall Fund | 64.5 | 7.80 |
| Livingston Designer Outlet | Sold | LaSalle Management | Land Securities/Aviva JV | 51.5 | 8.75 |
| Mell Sqaure, Solihull | Sold | IM Properties | Aviva | 44.0 | 7.25 |
| Fishergate Centre, Preston | Sold | Benson Elliot | LBG Bank | 40.0 | 7.75 |
| Kingdom Centre, Glenrothes | Sold | LaSalle Management | AXA | 34.3 | 9.70 |
| Northfield Shopping Centre, Birmingham | Sold | LaSalle Management | Propinvest Limited | 25.0 | 9.50 |

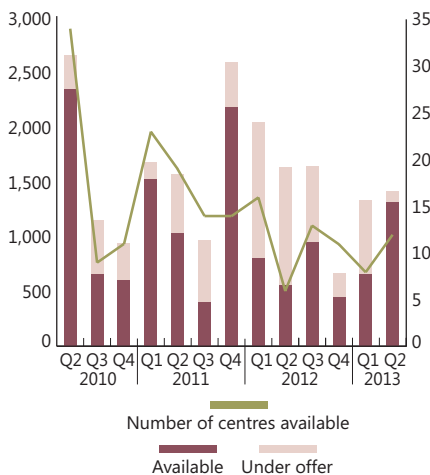
Source: Knight Frank LLP

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

Market commentary

- The UK shopping centre market is experiencing a solid level of investor interest, with an encouragingly robust number of deals. Q3 saw a total of £1.03bn of assets transacted across 12 individual assets and 2 portfolio deals, representing an increase of 45% on the same period last year. Investment volumes for 2013 so far reached £2.93bn exceeding the 2012 total of £2.74bn.
- Disposals from partnership/joint venture vehicles continued to dominate the investment market in Q3. In terms of the purchaser profile, opportunity funds accounted for 56% of Q3's total value. Pension/life/insurance companies also played an active role, accounting for 28% of purchasers in Q3, followed by REITs.
- The largest single transaction in Q3 was Blackstone and Sovereign Land's £186m acquisition of St Enoch Centre in Glasgow reflecting a net initial yield of 7.25%. There were at least 6 other serious bidders. Other key transactions included the sale of Southgate Shopping Centre in Bath and The Mall in Sutton Coldfield; the lot sizes were £101m and £87m and had net initial yields of 5.50% and 7.80% respectively.
- In addition, Knight Frank advised LaSalle Investment in the purchase of The Pavilions shopping centre in Uxbridge, which completed in September 2013, at a price of £64.5m and reflected a net initial yield of 7.80%
- At the end of Q3, 12 shopping centres were being openly marketed, with a combined quoted sales value of £819m, compared with 11 assets with £662m worth of stock at the end of Q2. There are a number of prime opportunities which will provide a good indicator of appetite for prime shopping centres.
- The prime shopping centre yield moved inwards in September to stand at 5.25%-25bp down on a year earlier. Good secondary shopping centre yields also moved in 50bp to stand at 7.50%, compared to 8.00% a year ago, reflecting the pricing achieved in recent transactions.
- Overall retail sales growth has been improving, with August retail sales volumes up 2.1% year-on-year, with the main driver being growth in online sales which rose by 22.5%. Sales at food stores meanwhile slipped by 0.6% and sales of household goods remain weak, falling by 2.1% over the year.

Knight Frank advised the purchaser of The Pavilions Shopping Centre, Uxbridge



- September 2013
- Long Leasehold (peppercorn)
- Price: £64.5m
- Size – 360,000 sq ft
- Tenants – Iceland, Marks & Spencer, Tesco
- Vendor – The Mall Fund
- NIY – 7.80%
- Purchaser – LIM

Commercial Research

Anthea To, Associate
+44 20 7861 1236
anthea.to@knightfrank.com

Investment

Bruce Nutman, Partner
+44 20 7861 1107
bruce.nutman@knightfrank.com

Investment

David Willis, Associate
+44 20 7861 1208
david.willis@knightfrank.com

Valuations

Graham Spoor, Partner
+44 20 7861 1539
graham.spoor@knightfrank.com

Investment

Geoff Ford, Partner
+44 20 7861 1233
geoff.ford@knightfrank.com

Investment

Mark Smith, Associate
+44 20 7861 1533
mark.smith@knightfrank.com

Leasing

Ian Barbour, Partner
+44 20 7861 1223
ian.barbour@knightfrank.com