

Q4 2012

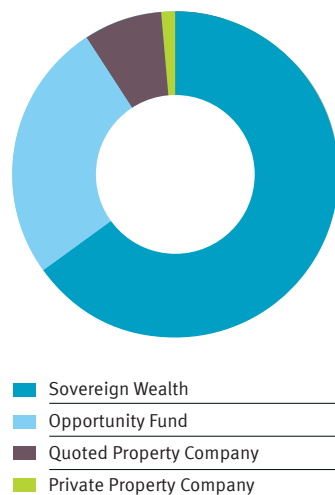
SHOPPING CENTRE

Investment quarterly

Outlook

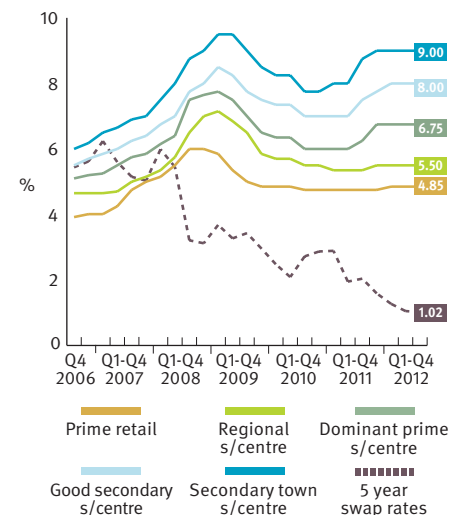
- We expect 2013 to be a year of gradual recovery, with the occupational market showing tentative signs of increased demand for better quality units towards the latter half of the year.
- Investor appetite will remain robust for prime stock whilst improving sentiment is expected for good secondary stock with asset management opportunities.
- Prime yields are expected to harden during the year, with sentiment deteriorating for weaker secondary and tertiary product.
- Short term, trading conditions will remain tough, although the recent upturn in consumer confidence and falling unemployment provide some cause for optimism over the coming months.

Figure 1
Who's buying?
Q4 2012



Source: Knight Frank LLP

Figure 2
Retail & shopping centre equivalent yields
Q4 2006 - Q4 2012



Source: Knight Frank LLP

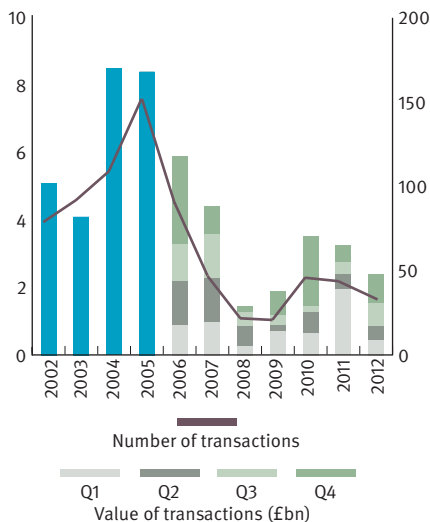
Q4 shopping centres sold and under offer

Shopping centre	Status	Purchaser	Vendor	Price (£m)	NIY %
Meadowhall, Sheffield	Sold	Norges Bank	London & Stamford	762.5	5.09
Old Market Project, Hereford	Sold	British Land	Stanhope	90.0	6.50
The Lanes Shopping Centre, Carlisle	Sold	F&C REIT	Aviva Investors	64.0	7.60
Grosvenor Portfolio (Inverness, Burton & Grimsby)	Under Offer	F&C REIT	Grosvenor	250.0	8.00
Friary Centre, Guildford	Under Offer	PRUPIM	Hermes	150.0	4.75
Lion Walk, Colchester	Under Offer	Sovereign Land	LaSalle UK Ventures	56.9	7.35
Orchard Centre, Taunton	Under Offer	West Register	RBS	22.5	9.00

Source: Knight Frank LLP

Figure 3

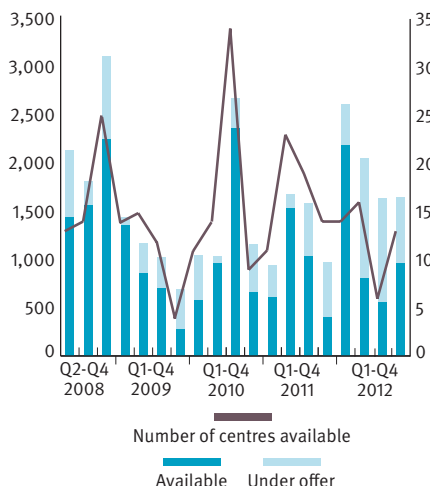
Shopping centre transactions
(LHS – Value of transactions, £bn)
(RHS – Number of transactions)



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

- Following a healthy Q3, the UK shopping centre investment market had an exceptional final quarter, with provisional quarterly transactional volumes significantly up on the previous one, totalling approximately £1.18bn. This estimated Q4 figure exceeds Q4 2011, although this is largely due to one significant transaction – the sale of Meadowhall shopping centre. Nonetheless, with transaction volumes for the full year projected at £2.63bn, the annual total for 2012 is set to fall behind last year's result of £3.26bn.
- Similar to the last few years, the estimated 2012 total is characterised by a number of high-value deals, with the overall number of transactions decreased by 20% to 35 (compared with 44 deals in 2011).
- Norges Bank's £762.5m purchase of Meadowhall in Sheffield from London & Stamford was the headline deal of the quarter. Reflecting a net initial yield of 5.09%, the deal alone accounted for 65% of the total transaction values in Q4. Another key transaction included the sale of The Lanes Shopping Centre in Carlisle to F&C REIT for £64m, with a net initial yield of circa 7.60%.
- Of those deals completed in Q4, British Land signed a £90m forward funding agreement to enable the development of the Old Market project in Hereford city centre. Also in Q4, Meyer Bergman committed to the funding of Westfield Broadway in Bradford.
- Currently, there are 14 shopping centres being openly marketed, with a combined quoted sales value of £954m, compared with £554m worth of stock comprising six assets at the end of Q3. One noticeable trend is that a number of prime and quality assets have come to the market recently, such as Midsummer Place in Milton Keynes (£220m) and Ealing Broadway in Ealing (£145m).
- Of the eight assets under offer, Hermes' Friary Centre in Guildford and Southgate Shopping Centre in Bath indicate the consistent appetite for prime shopping centres. The Friary Centre is believed to be under offer to PRUPIM for around £150m, reflecting a net initial yield of sub-5.00%.
- Prime yields have shown signs of stabilizing. Yields for both prime shopping centres and good secondary assets were unchanged on Q3 and currently stand at 5.50% and 8.00% respectively.
- There remain concerns surrounding the strength of the occupational market and many expect that Comet is only the first in a fresh round of retailer failures and restructuring. Whilst retail sales volumes slowed to 0.6% on an annual basis in October, consumer confidence has dipped again, providing evidence that the recovery is fragile.

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