## **Shopping Centre Dashboard**



Q2 2023 | A concise quarterly synopsis of activity in the UK shopping centre market

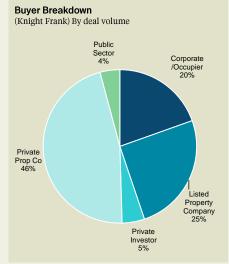
#### **Research Commentary**

It was another quarter of quiet activity, but growing stability for the Shopping Centre sector. Consumer and occupier markets proved resilient, despite low expectations. Retail sales were buoyant, and with easing energy costs, most mainstream operators posted better-than-forecast performance. But gloomy sentiment across wider capital markets lingered, casting a dark cloud which may prove stubborn to shift.

Shoppers were more eager to spend in Q2 as sentiment rose for a fifth consecutive month in June. Retail sales grew by a healthy +7.4% (values) year-on-year, with substantial improvements in volume declines (-1.9%), indicating shoppers increasingly spent and bought more. Spending and sentiment upticks can be attributed to a) +7.8% growth in householders' pay between April to June, and b) easing utility prices, freeing up spend for more 'feel-good', discretionary, purchases. Solid trading statements from mainstream retailers also saw many hold or raise profit guidance expectations.

Low sentiment in capital markets proved much stickier. Although not unique to the sector, nervousness amongst CRE investors has been contagious, holding back activity. Deal-making, particularly for assets above £10m+, was particularly subdued, with debt costs prohibitively high. The winding down of liquidator sales also contributed to a slower quarter, as attention turned towards distressed sectors (e.g. offices). Assets coming to market below £30m are reportedly garnering a 'reasonable depth' of interest, with the sub-sector now perceived to be more stable following years of rebasing. Select developers also still see potential in repurposing projects (e.g. Marlands Centre, Southampton, and Riverside SC, Hemel Hempstead). But it's undoubted most, particularly those targeting prime stock, will await the outcome of a majority stake sale of Liverpool One, to gauge how well market pricing has stabilised.

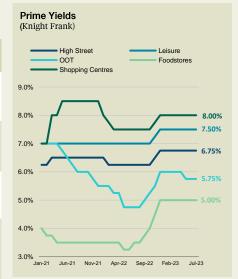


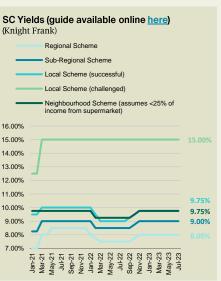


#### **Key Deals**

+ indicates a Knight Frank deal

Asset	Price (£m)	Yield (%)	Vendor	Purchaser
The Pyramids & Grange Precinct (Birkenhead)	£10m	10.50%	+ Mars Pension Trustees Limited / LaSalle IM	Wirral Metropolitan Borough Council
Waterside Shopping Centre (Lincoln)	£9m	12.75%	Tesco Pension Fund	Wykeland Group Ltd / Lincolnshire Co-op Ltd
Riverside Shopping Centre (Hemel Hempstead)	£6m	-	Aberdeen Standard / Abu Dhabi Investment Authority (ADIA)	DS Real Estate
Marlands Centre (Southampton)	£9.3m	-	Bawag PSK	10 Ant Group





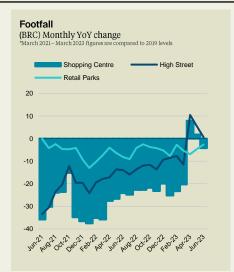
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#### **Key Takeaways**

- Consumer markets were resilient. Retail sales grew +7.4% YoY (values) with volume declines improving substantially (-1.9% vs. -4.5% in Q1). Many discretionary categories witnessed strong double-digit value & volume growth (e.g. Cosmetics: +28.2% / +16.7%) despite the 'cost of living' crisis narrative.
- Several mainstream operators revealed betterthan-anticipated sales performance, alongside easing energy and shipping costs, boosting profitability. Occupier fallout was limited: vacancy rates held at 17.8% vs. a +10bp increase across the wider UK Retail market.
- Capital markets remained subdued with investment activity underwhelming, registering ca. £47m - substantially below the rolling 5quarter average (£493m). However, negative capital growth declines eased considerably (-1.0% vs. -7.3% O4 2022), with total returns of 0.7% higher than other sectors (Offices -3.1%).







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