RETAIL PARKS FIND FAVOUR AS RETAIL SEES TOTAL INVESTMENT TOP £3BN IN Q4 2015

Investor appetite for retail parks increased in 2015, accounting for £1.05bn of the £3.01bn of investment in the retail sector in the last quarter of the year, BNP Paribas Real Estate said today.

The global adviser’s UK Retail Focus found retail parks were the most attractive sub-sector, accounting for 35% of total investment, compared with 23% in the same period in 2014, in line with their resilience in the face of the rise of online retailing.

Footfall at retail parks increased by 2.1% in December, while high streets and shopping centres saw footfall drop 4% and 2% respectively, according to the BRC/Springboard Index.

BNP Paribas Real Estate research found that the quarter saw yields for shopping centres and high street units harden by 25bps to 4.25% and 4.15% respectively, while supermarkets saw yields soften to 4.5%.

The volume of investment deals in Q4 represented an increase of 1.7% on the same period in 2014.

The largest retail transaction of Q4 was the purchase of the 1m sq ft Festival Place in Basingstoke, bought by AEW Europe for £290m, at an initial yield of 6.5%.

The purchase of the Elmo Portfolio, which includes retail parks in Gateshead, Dundee and Derby, by Ares Management LLC for £273.6m (a 6.4% initial yield) represented the largest out-
of-town deal. Another notable transaction was the £104m sale of Borehamwood Shopping Park by LaSalle Investment Management and Canada Pension Plan Investment Board (a 5.03% initial yield).

The year saw online sales continue to increase, totalling £114bn according to the IMRG Capgemini e-Retail Sales Index, an increase of 11% on 2014. Sales from mobile devices rose by 117%.

UK retail vacancy rate fell to 12.7%, finishing 0.5% lower than 2014, according to figures from Local Data Company. Decreases in vacancy rates were seen in all UK regions, with the largest declines seen in the West Midlands and Yorkshire.

“Renewed positive occupier sentiment in 2015 has meant retailers have taken significant space across the UK. The declines in vacancy have benefited all retail locations with retail parks, shopping centres and high streets all improving over the year,” the research found.

The final quarter of 2015 saw consumer confidence remain positive, with a continued tightening of the labour market and an increase of 1.9% year-on-year in regular pay for the UK consumer.

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