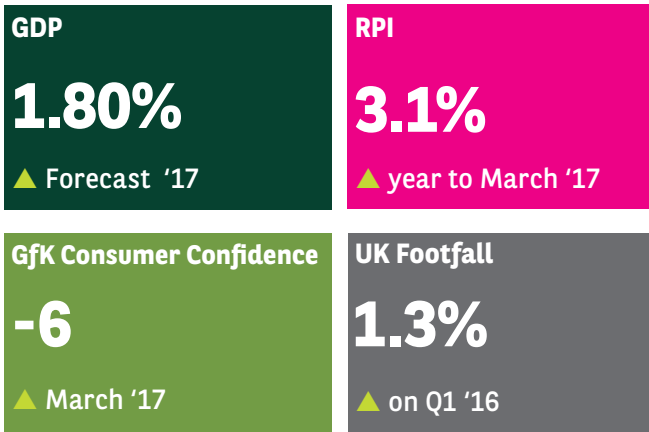




RESEARCH

At a Glance RETAIL FOCUS Q1 2017

The Stats... At a Glance



Source for all charts BNP Paribas Real Estate//Property Data/ Local Data Company/ BRC Nielsen



The Retail Market

The opening months of 2017 have been dominated by further movements in the UK political landscape. Article 50 was officially triggered on 29th of March, signalling the beginning of the end of Britain's membership of the EU. Nicola Sturgeon called for a second Scottish Referendum, whilst Theresa May announced a snap General Election which will take place on the 8th June. The combination of these events has further added to the feeling of precariousness amongst the UK consumer.

That being said, UK consumer confidence has not been negatively affected since the end of 2016. Whilst confidence remained at -6, this represented an improvement since the end of Q4 2016. 3 of the 5 measures of consumer confidence remained static in Q1 whilst both the Major Purchase Index and Savings Index improved. Unfortunately, March's result represented one entire calendar year of negative consumer confidence.

UK retail sales experienced their first quarterly decline since 2013 in Q1 2017. In volume terms, sales fell by 1.3% in March according to the ONS. Sales volumes have been dented by increasing prices, with average store prices increasing by 3.3%, the strongest growth since March 2012. This resulted in RPI inflation picking up to 3.1% in March 2017. As inflation begins to outpace wages, the squeeze on household disposable income could impact consumer confidence and retail sales in Q2.

The occupational environment has remained muted so far in 2017, with the high street already witnessing several administrations. Fashion retailer Jaeger, established in 1884, was the most notable casualty. The brand was purchased by Edinburgh Woollen Mill, who are expected to close all 25 stores and run the brand as an online entity. Brantano also fell into administration and are yet to find a buyer. The retailer previously fell into administration in 2016 and currently trade from 73 stores.

Footfall grew at its fastest rate in 3 years at the tail end of Q1. In March 2017, footfall was up by 1.3% across the UK, its biggest increase since March 2014. The high street witnessed the biggest uptick of 1.7%, whilst both retail parks and shopping centres saw shopper numbers grow. In addition, positively for the UK, 7 out of 10 regions witnessed footfall increase.

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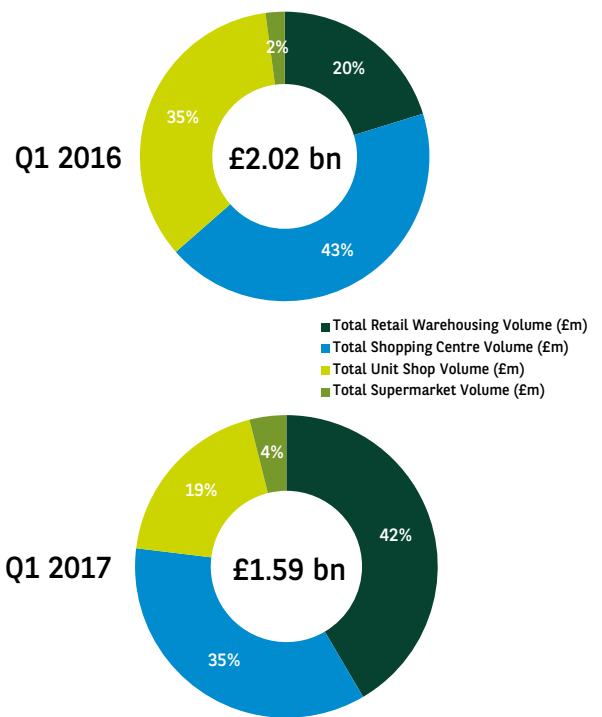
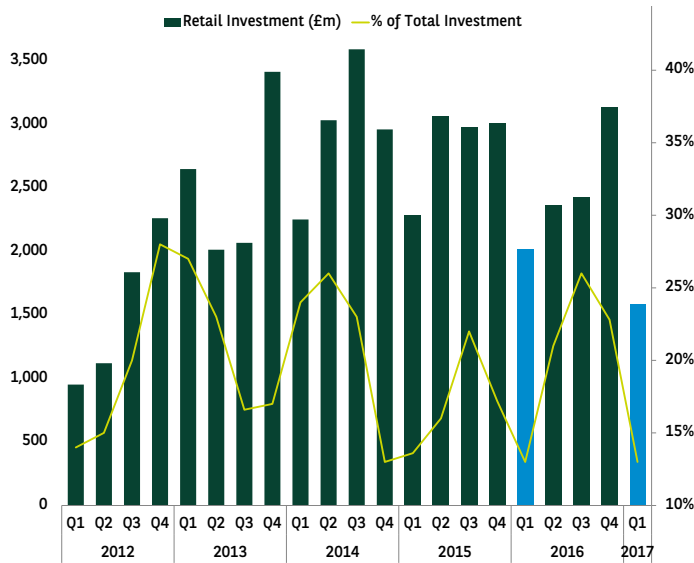


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The Investment Market



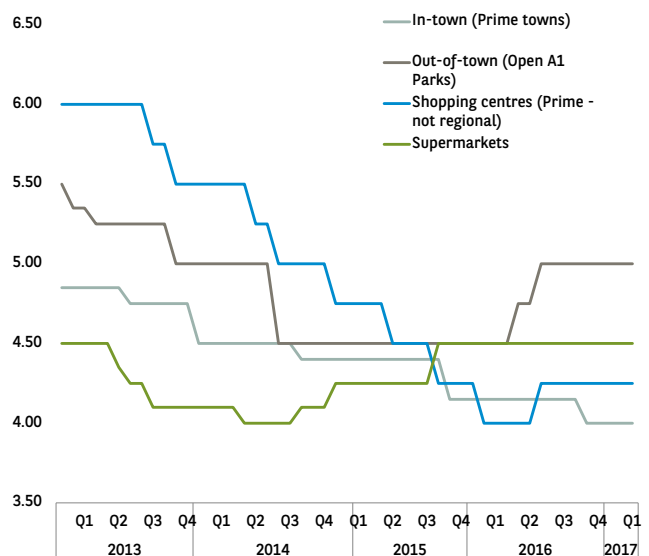
The retail investment market had a very quiet opening quarter of 2017, with only £1.59bn invested. This total represented a 21.5% decline compared to Q1 2016 and was the lowest Q1 volume for 5 years. Despite Article 50 now being triggered, we remain no closer to ascertaining the impacts of any prospective new deal with the EU.

Pricing remains the key issue within the sector and indeed appears to be the main hurdle for deals across the UK. Pricing hasn't moved perhaps as much as was anticipated and as a result, the standoff of expectations between buyers and sellers continues. Whilst pricing for prime assets has remained robust, secondary yields softened further in Q1 2017 as investors shunned the perceived increased income risk.

The retail warehousing segment witnessed the most transactional activity in Q1, with volumes increasing by 61%. Spending on the segment was strongly boosted by Curzon Capital Partners purchase of Project Keirin from Brockton Capital for £245m at a NIY of 7.5%. The 1.2m sq ft portfolio consists of 9 retail parks across the UK.

Abbey Wood Shopping Park to the north of Bristol was the largest single out of town transaction in Q1. Invesco Real Estate bought the 146,000 sq ft for £52.9m from Hermes IM at a 5.75% NIY.

Prime Retail Yields



Q1 2017 Key Deals

Address	Type	Size (000s sq ft)	Purchaser	Vendor	Price (£m)	Yield (%)
Stratford Shopping Centre, London E15	SC	330	Frogmore	Catalyst Capital / Blackstone RE	141.5	5.50
The Glass Works, Barnsley	SC	595	Barnsley Met Borough Council	Queensberry RE	120.0	n/a
Project Keirin	RP	1,199	Tristan Capital Partners	Brockton Capital LLP	245.0	7.50
Abbey Wood SP, Bristol	RP	146	Invesco Real Estate	Hermes	52.9	5.75
Christchurch RP, Christchurch	RP	104	Orchard Street IM	LondonMetric Property Plc	34.5	5.65
20-26 Buchanan Street, Glasgow	UNI	27	Redevco UK	LaSalle IM	29.3	4.29
109-112 Princes Street, Edinburgh	UNI	17	L&G Property	Private UK Family Trust	24	n/a
Project Alexis	SUP	n/a	L&G Property	Private UK Family trust	62.3	n/a