

# RETAIL ROCKS

## 8<sup>TH</sup> ANNUAL RETAIL PROPERTY CONFERENCE

Isabelle Hease – State of the Market

July 2019



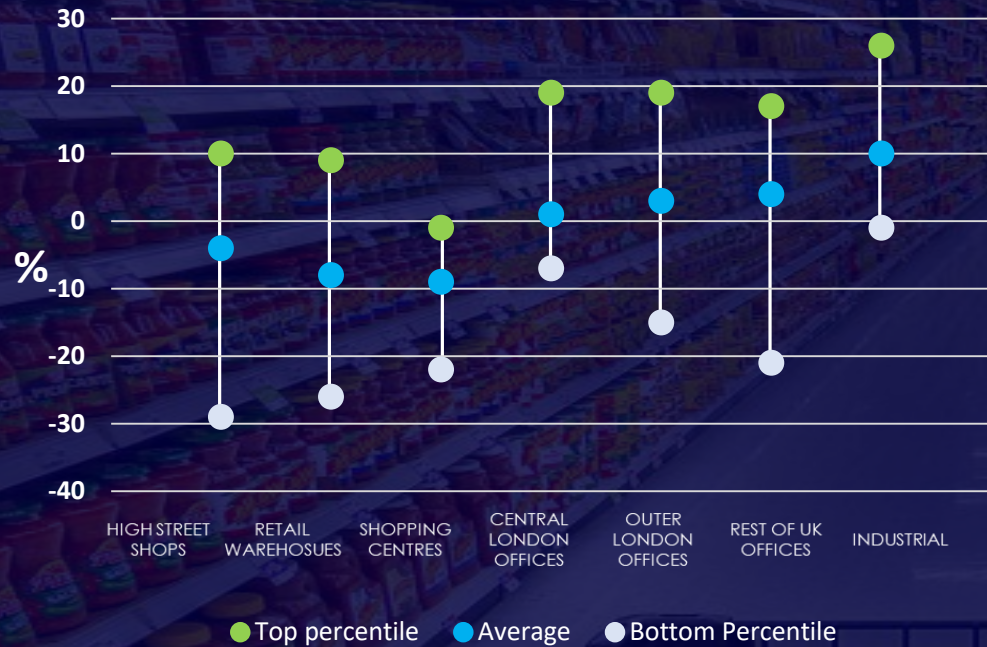
ELLANDI

A perspective view of a grocery store aisle. In the foreground, a black metal shopping cart is visible, partially obscuring the view. The aisle is lined with shelves on both sides, filled with various grocery items. On the left, there are bags of snacks and jars of pickles. On the right, there are cans of soups and other packaged goods. The floor is a light-colored tile, and the ceiling has recessed lighting. In the background, a sign with the word "FRESH" is visible above a doorway. The overall scene is brightly lit and organized.

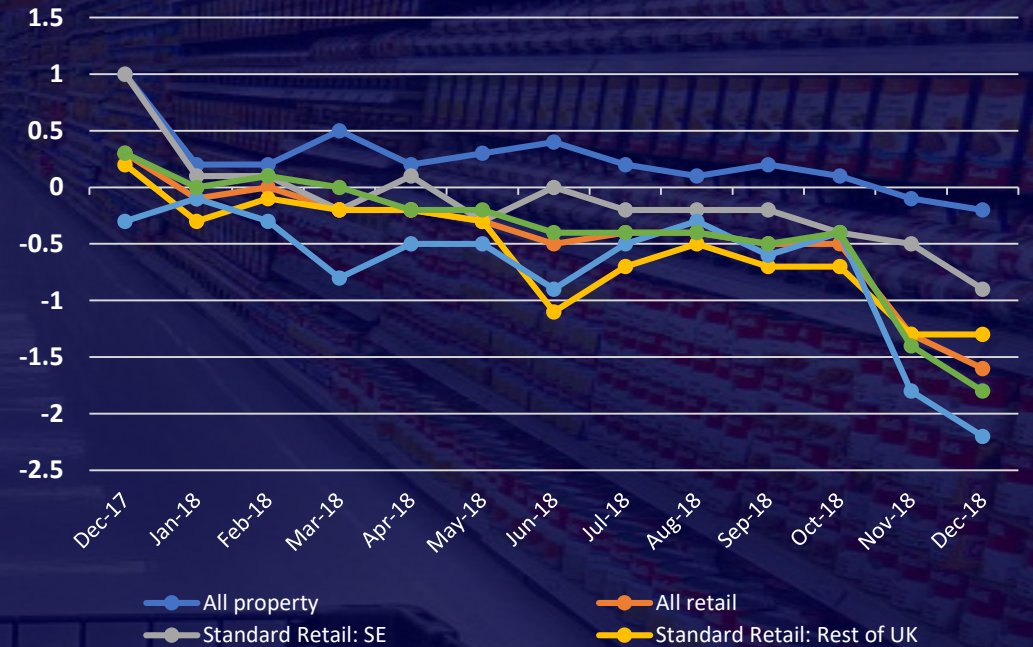
**THE (DIS) UNITED STATES (OF THE MARKETS)**

# INVESTMENT MARKET – THE RETAIL INVESTMENT LANDSCAPE

AVERAGE ANNUAL CAPITAL VALUE CHANGE OVER 12 MONTHS %



INDEXED AVERAGE RETAIL ASSET CAPITAL VALUE CHANGE OVER 2018



SHOPPING CENTRE CAPITAL VALUE CHANGE

**-10.5%**

ALL RETAIL CAPITAL VALUE CHANGE

**-8.2%**

RETAIL INCOME RETURNS

**5.1%**

INDUSTRIAL INCOME RETURNS

**4.2%**

OFFICE INCOME RETURNS

**3.9%**

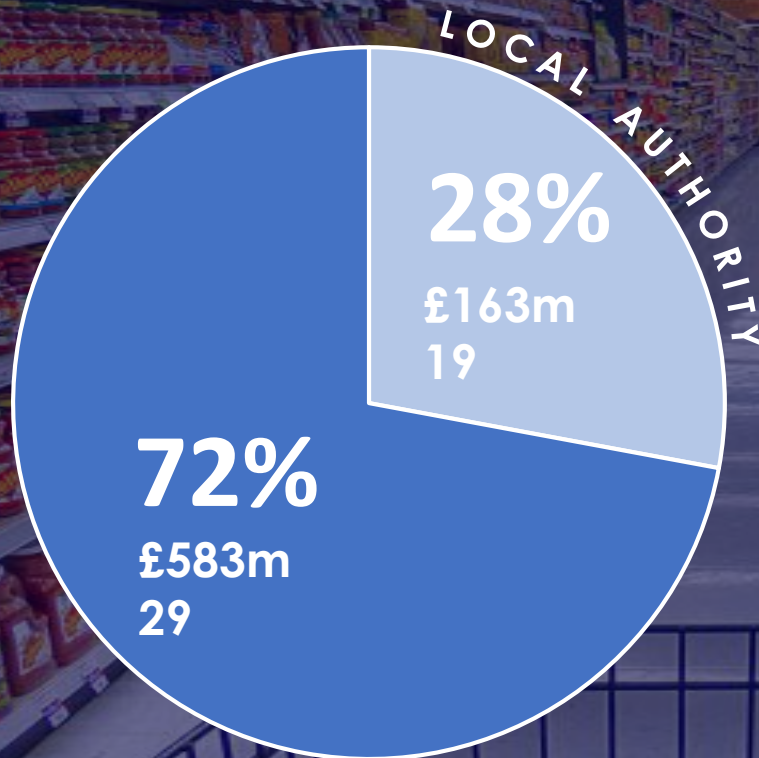
Source: MSCI, CBRE

# INVESTMENT MARKET – SHOPPING CENTRE TRANSACTIONS

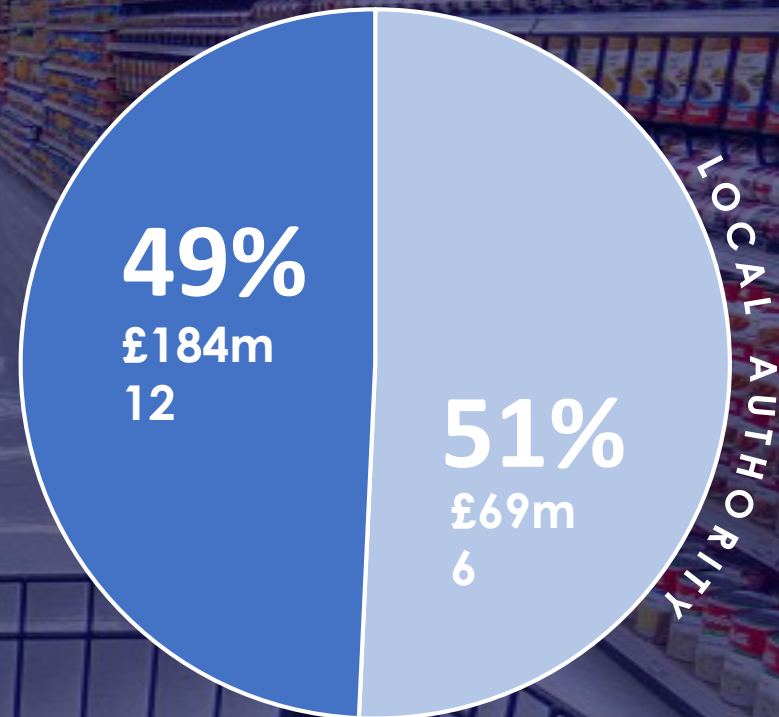


Source: Savills

# INVESTMENT MARKET – LOCAL AUTHORITY INVESTMENT

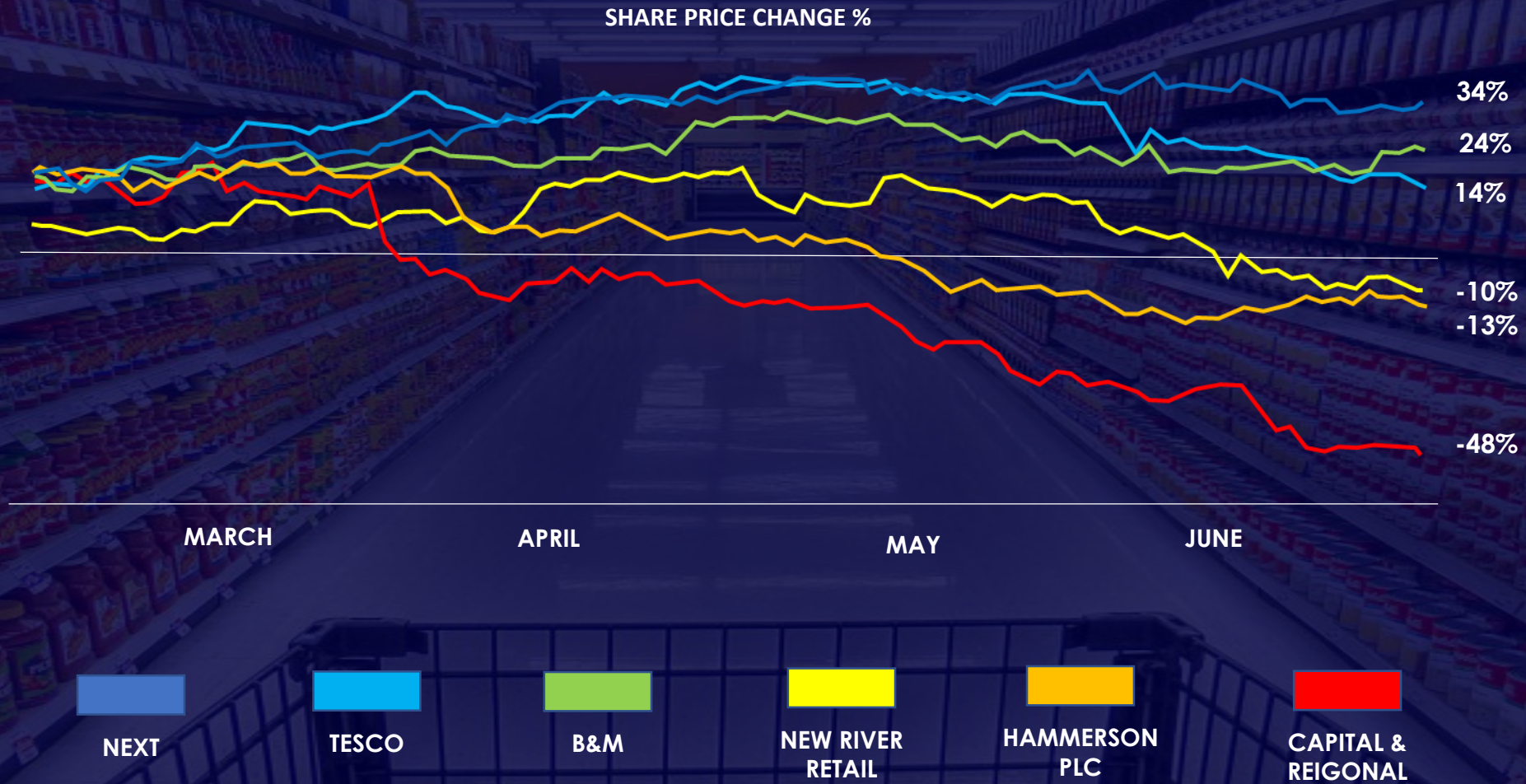


2018



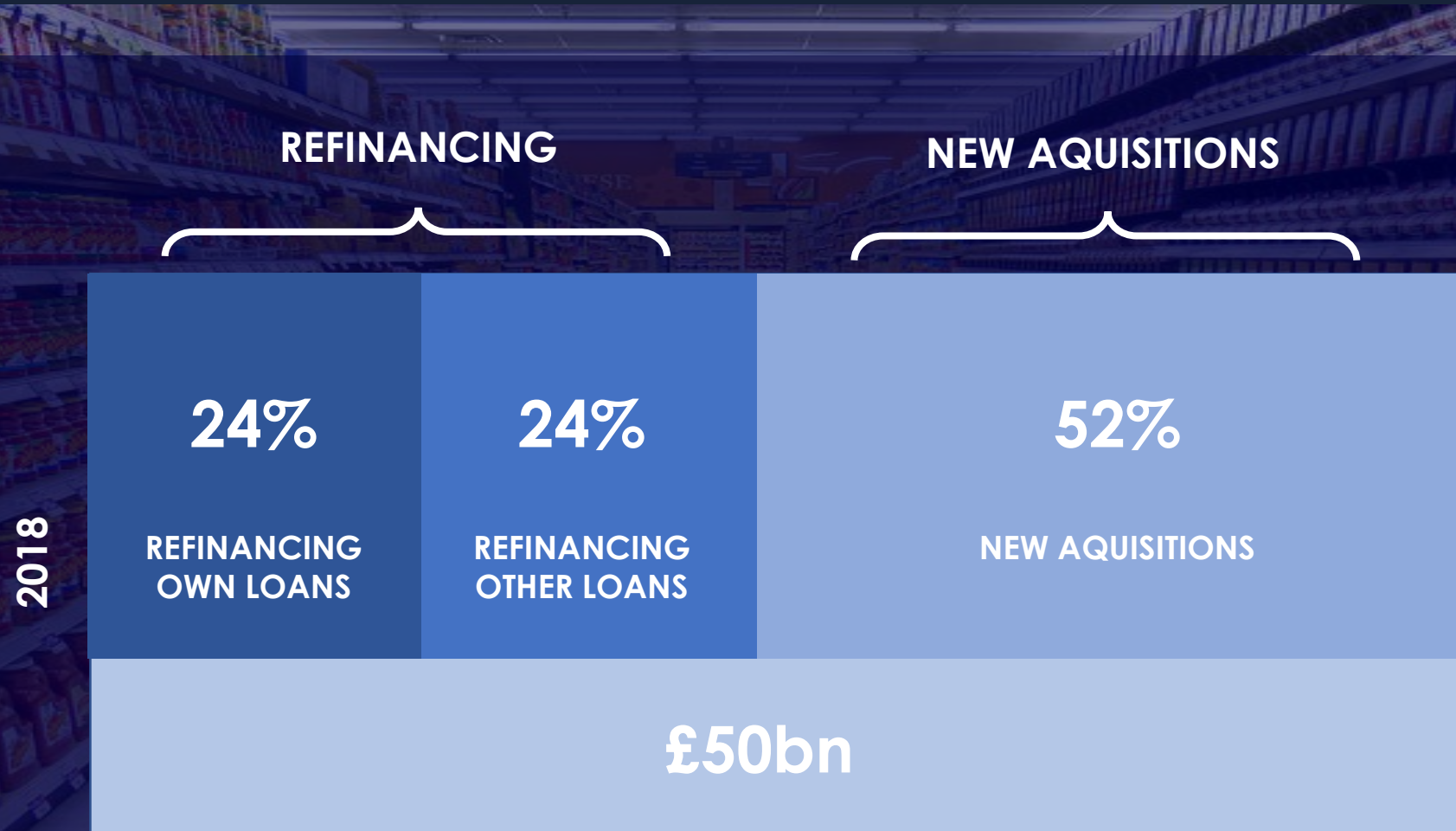
2019

# EQUITY MARKET



Source: Financial Times

# DEBT MARKET – NEW DEBT ORIGINATION



Source: Cass CRE Lending Report 2018

# DEBT MARKET – OUSTANDING DEBT



Source: Cass CRE Lending Report 2018

% OF TOTAL UK LOAN BOOK TO BE REFINANCED EACH YEAR



# DEBT MARKET



**LENDING  
APPETITE**



**DEFAULTS**



**EXPOSURE**

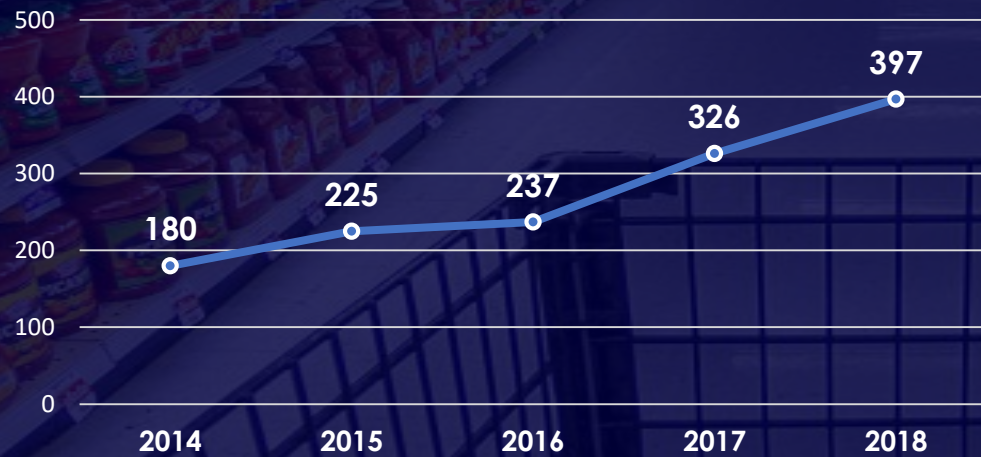


**LTV'S**



**INCREASING  
MARGINS**

**WEIGHTED AVERAGE MARGIN – RETAIL**



Source: Laxfield, Cass

**AVERAGE MAXIMUM SENIOR LTV RATIO - RETAIL**



# RETAILER MARGIN EROSION...

DEVALUATION OF  
STERLING



ESCALATION IN  
BUSINESS RATES



INCREASE IN THE  
MINIMUM & LIVING  
WAGE



COST OF RETAILING  
ONLINE



## ... IS REDUCING THE VIABILITY OF THEIR SPACE

COST CUTTING



CVAS, STORE CLOSURES  
AND RENT REDUCTIONS



SHORT TERM THINKING;  
LACK OF INVESTMENT



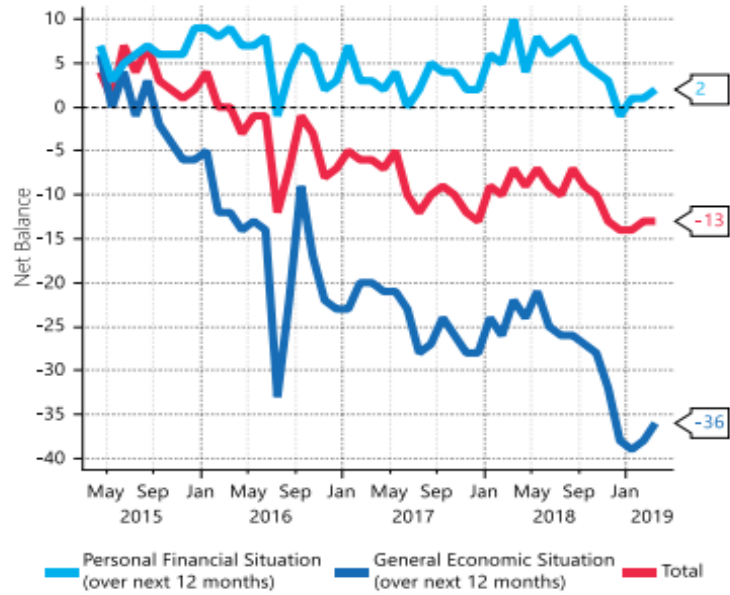
INCREASED VOIDS  
REDUCES REASONS TO  
VISIT.



# CONSUMER MARKET – THE MACRO ECONOMIC STORY

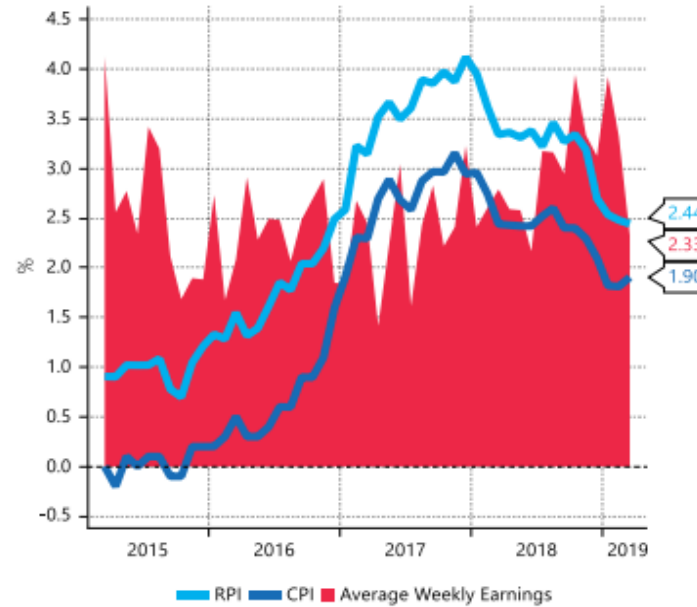
## Consumer Confidence

Some recovery in Confidence since the start of the year



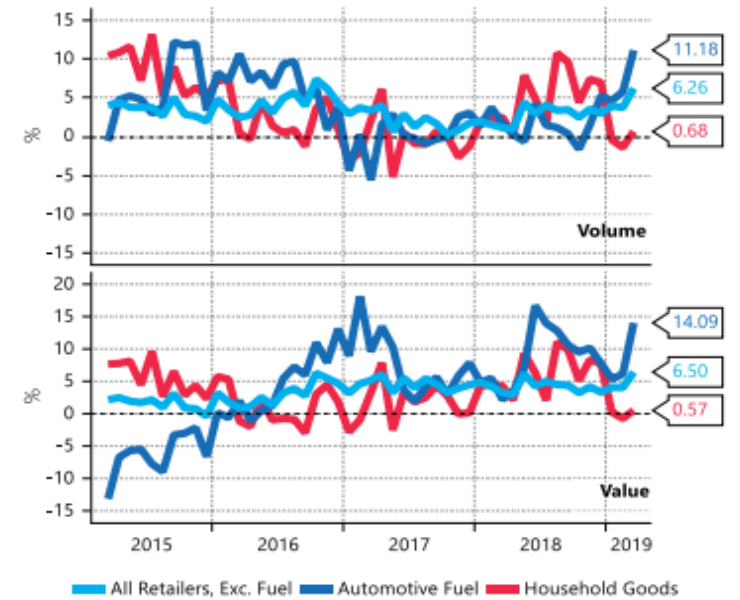
## Average Weekly Earnings Growth vs Inflation

Annual % Change to Q1 2019



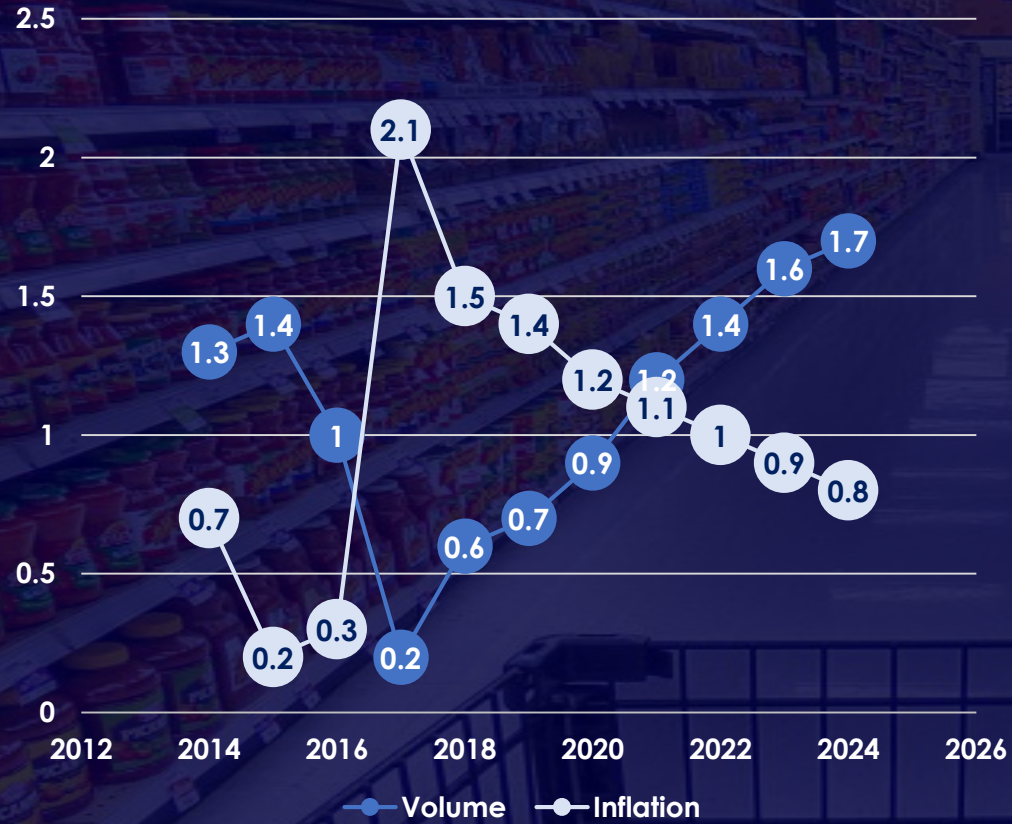
## ONS Retail Sales

Annual % Change to Q1 2019

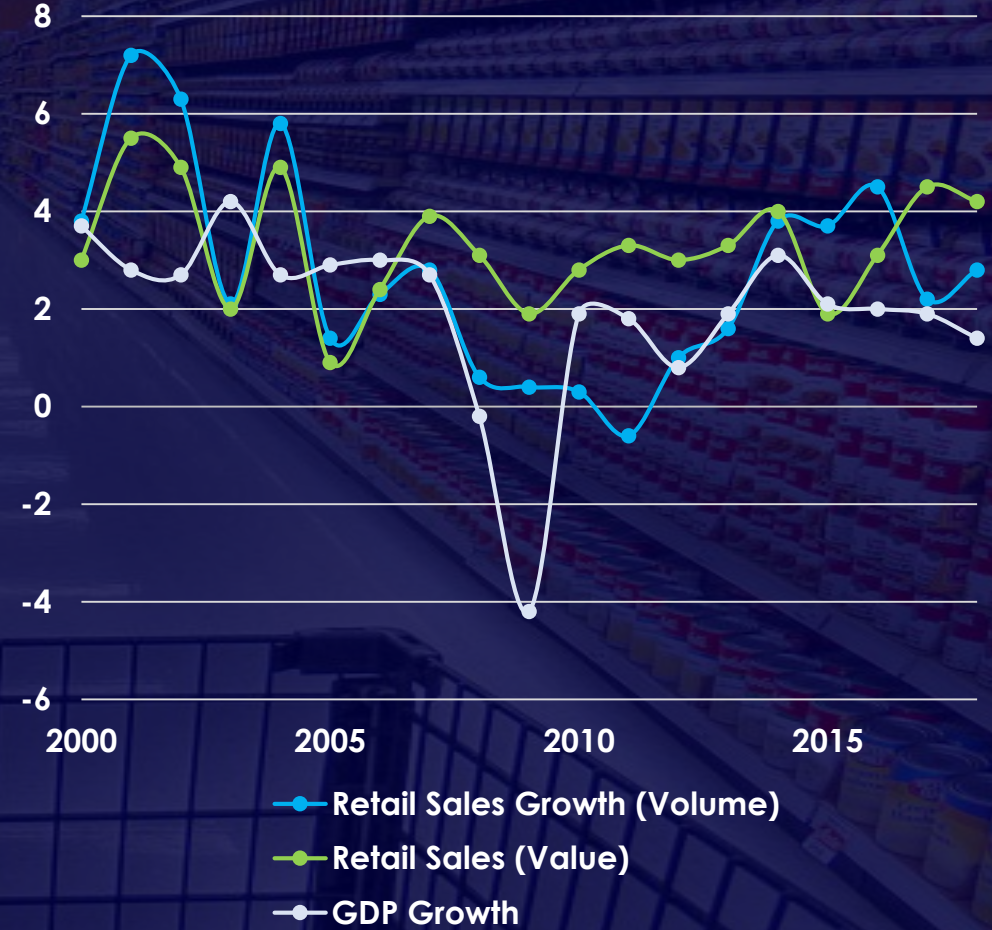


# OCCUPIER MARKET – RETAIL SALES

TOTAL RETAIL GROWTH VS INFLATION %



RETAIL SALES GROWTH VS GDP GROWTH%



Source: Knight Frank, ONS