RETAIL ROCKS

8TH ANNUAL RETAIL PROPERTY CONFERENCE

Isabelle Hease – State of the Market

July 2019

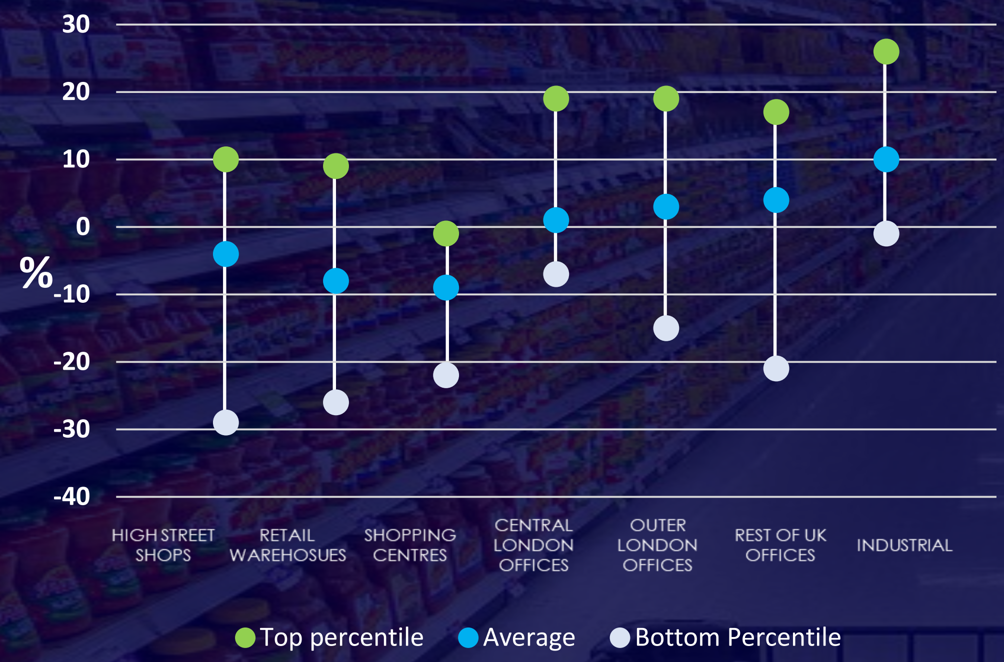
RETAIL PROPERTY Rocks Vol VIII

ELLANDI

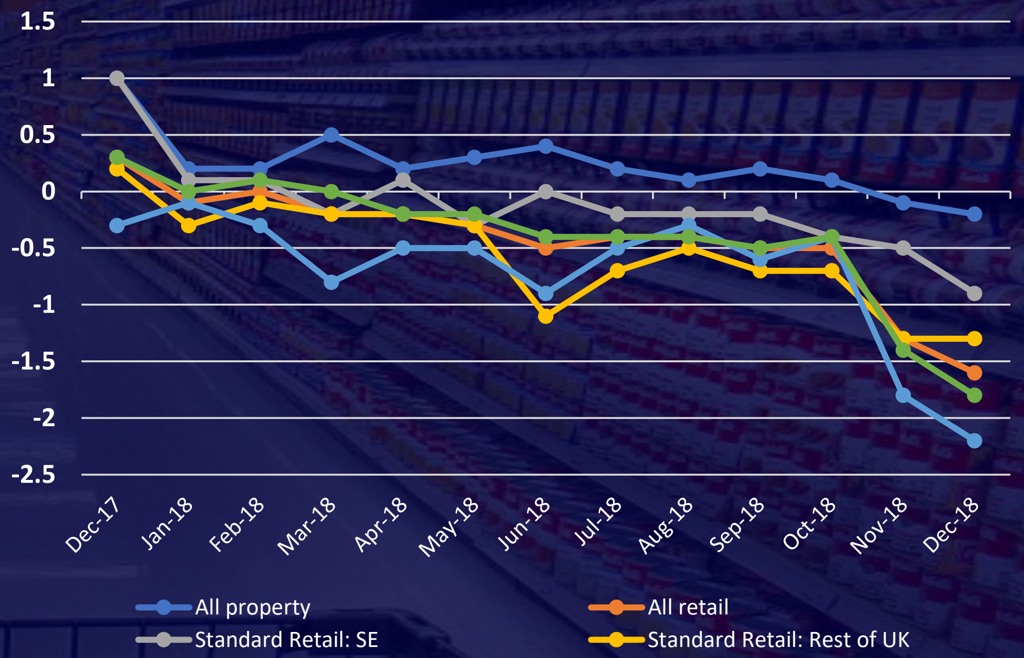
THE (DIS) UNITED STATES (OF THE MARKETS)

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

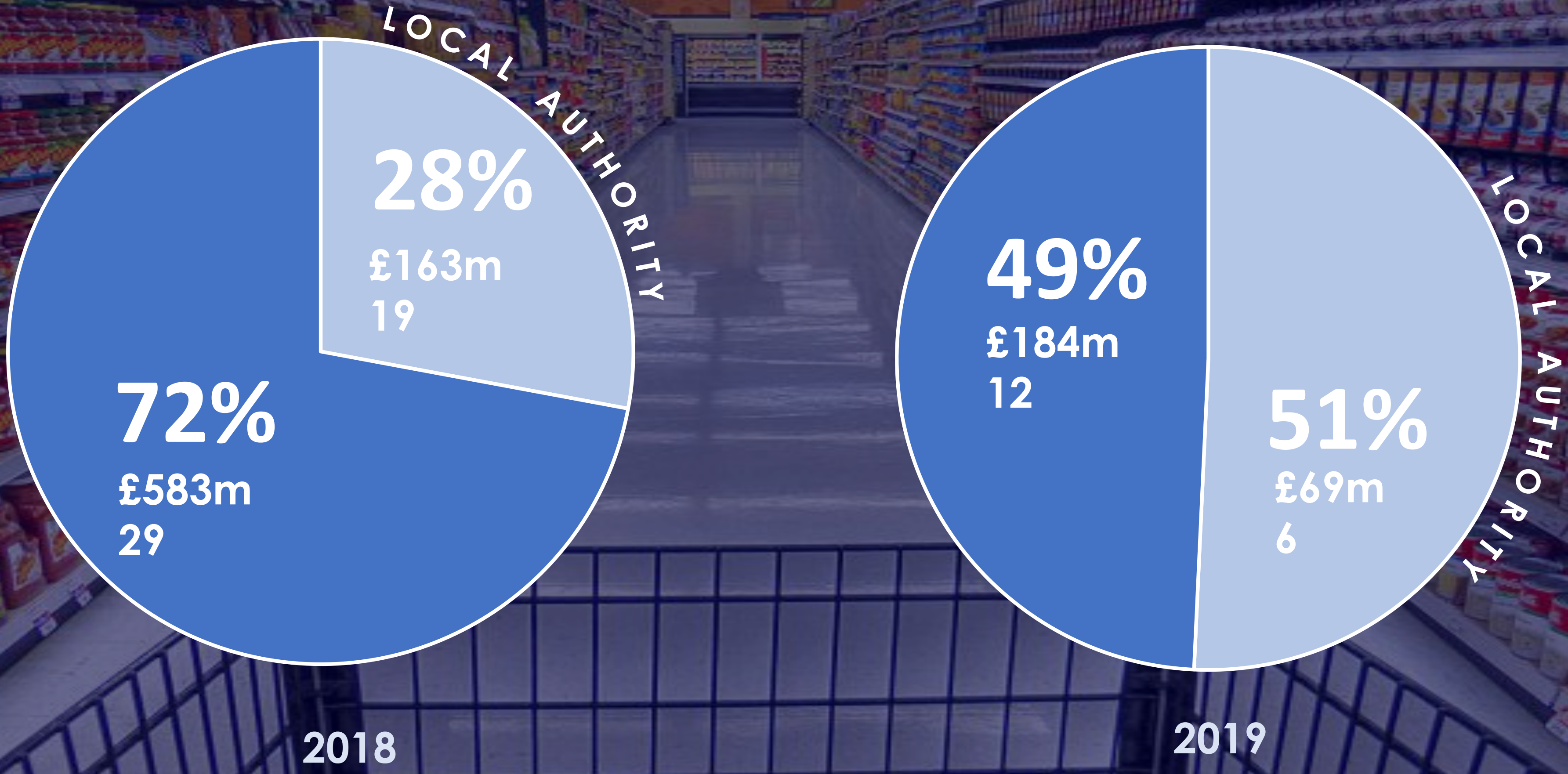
3.9%

Source: MSCI, CBRE

INVESTMENT MARKET – SHOPPING CENTRE TRANSACTIONS

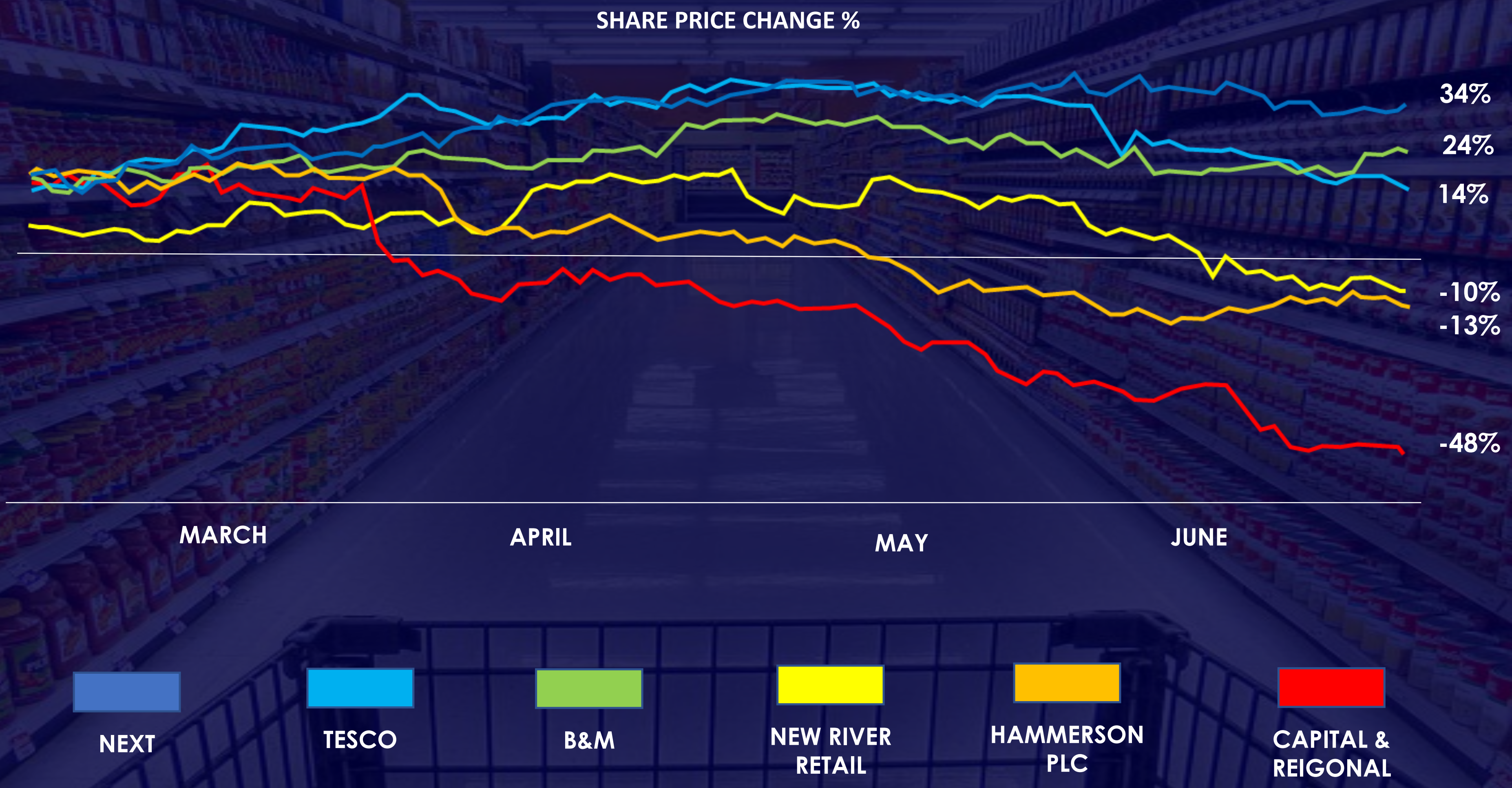
Source: Savills

INVESTMENT MARKET – LOCAL AUTHORITY INVESTMENT



Source: Ellandi

EQUITY MARKET



Source: Financial Times

DEBT MARKET – NEW DEBT ORIGINATION

REFINANCING | **NEW AQUISITIONS**

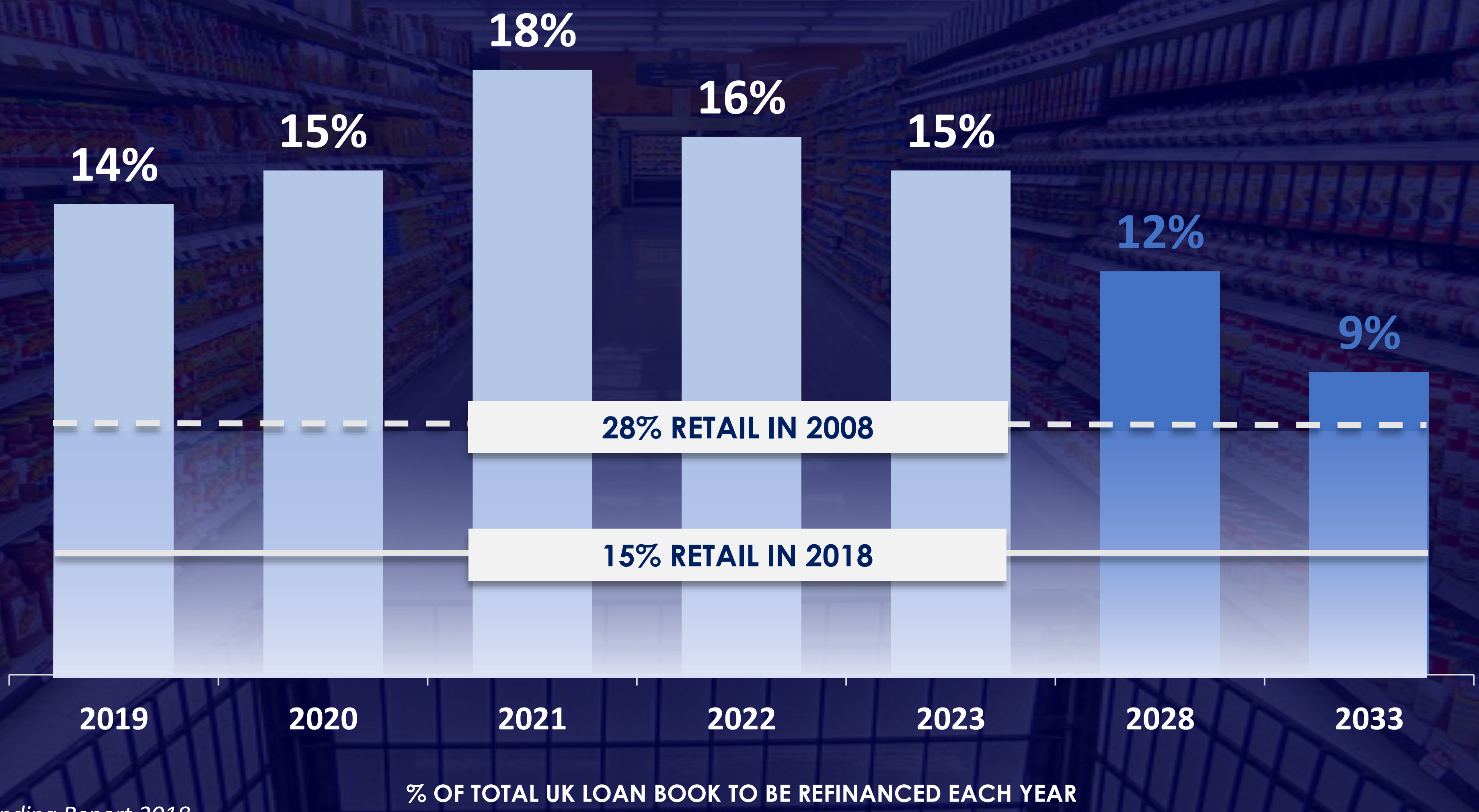
2018

REFINANCING OWN LOANS	REFINANCING OTHER LOANS	NEW AQUISITIONS
24%	24%	52%

£50bn

Source: Cass CRE Lending Report 2018

DEBT MARKET – OUSTANDING DEBT



Source: Cass CRE Lending Report 2018

DEBT MARKET

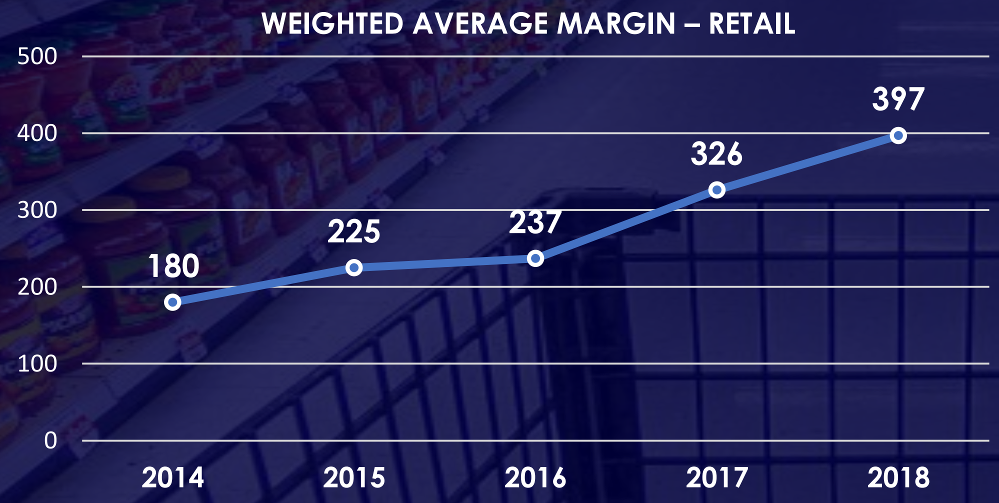
LENDING APPETITE

DEFAULTS

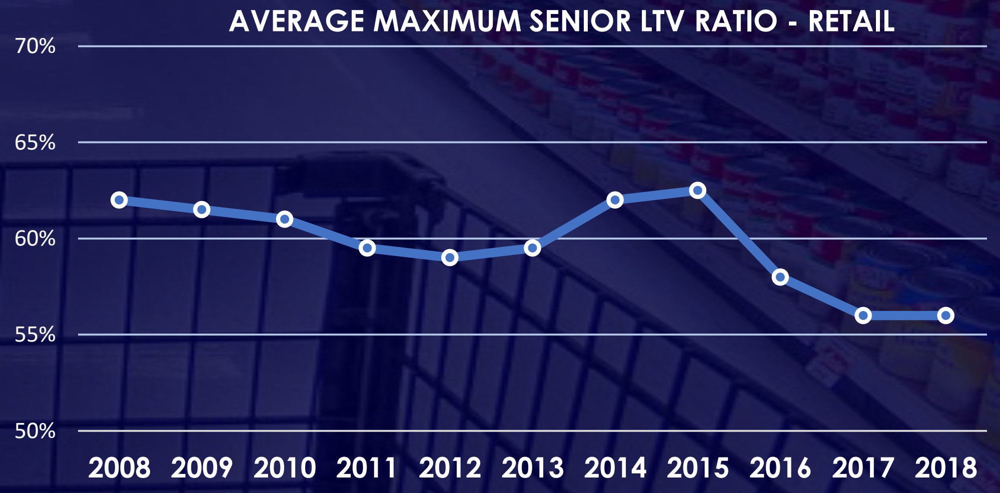
EXPOSURE

LTV'S

INCREASING MARGINS



Source: Laxfield, Cass



OCCUPIER MARKET – WHATS HAPPENEING?

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

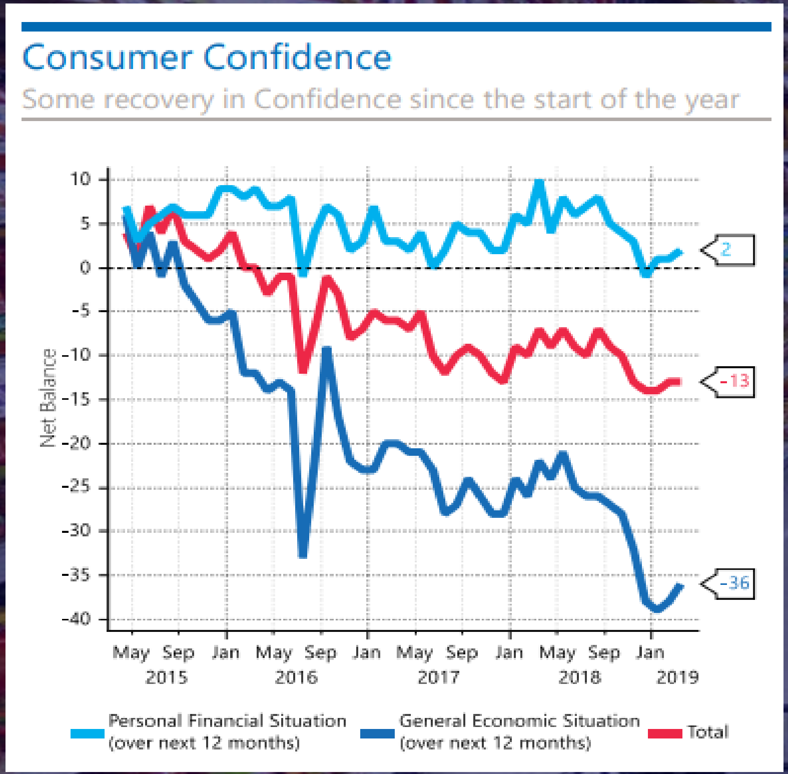
COST CUTTING

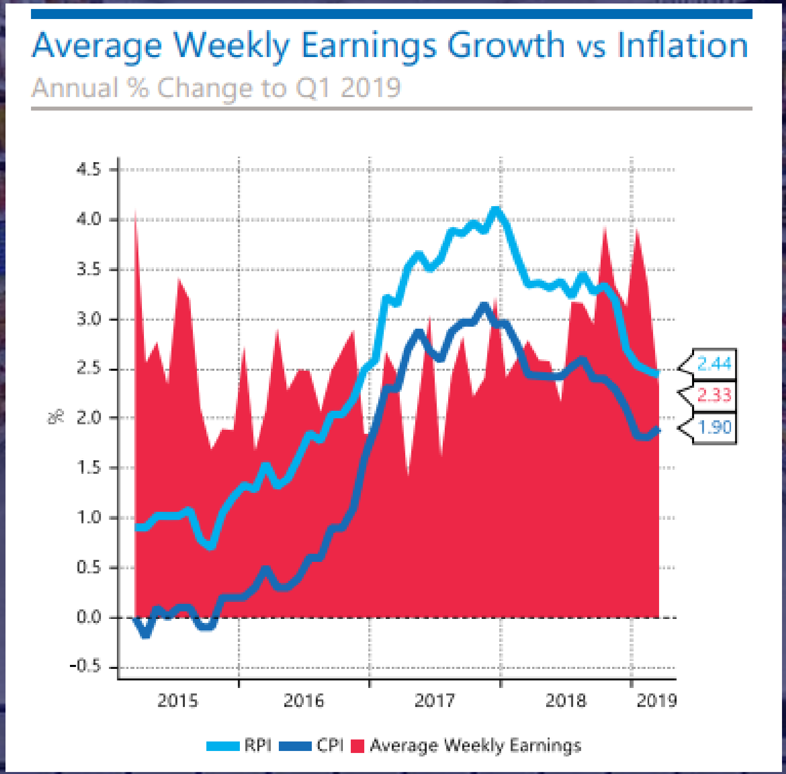
CVAS, STORE CLOSURES AND RENT REDUCTIONS

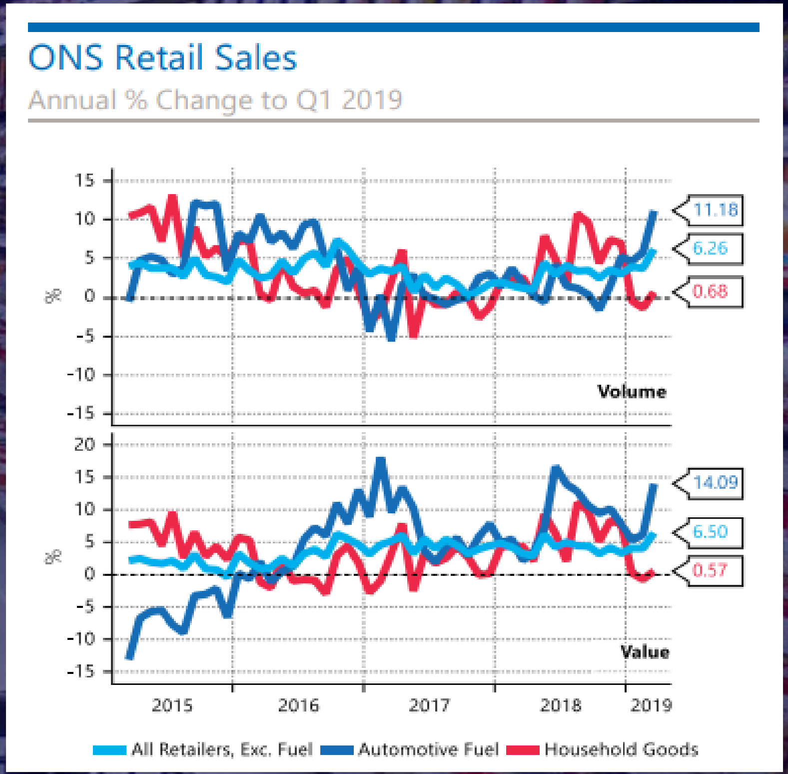
SHORT TERM THINKING; LACK OF INVESTMENT

INCREASED VOIDS REDUCES REASONS TO VISIT.

CONSUMER MARKET – THE MACRO ECONOMIC STORY

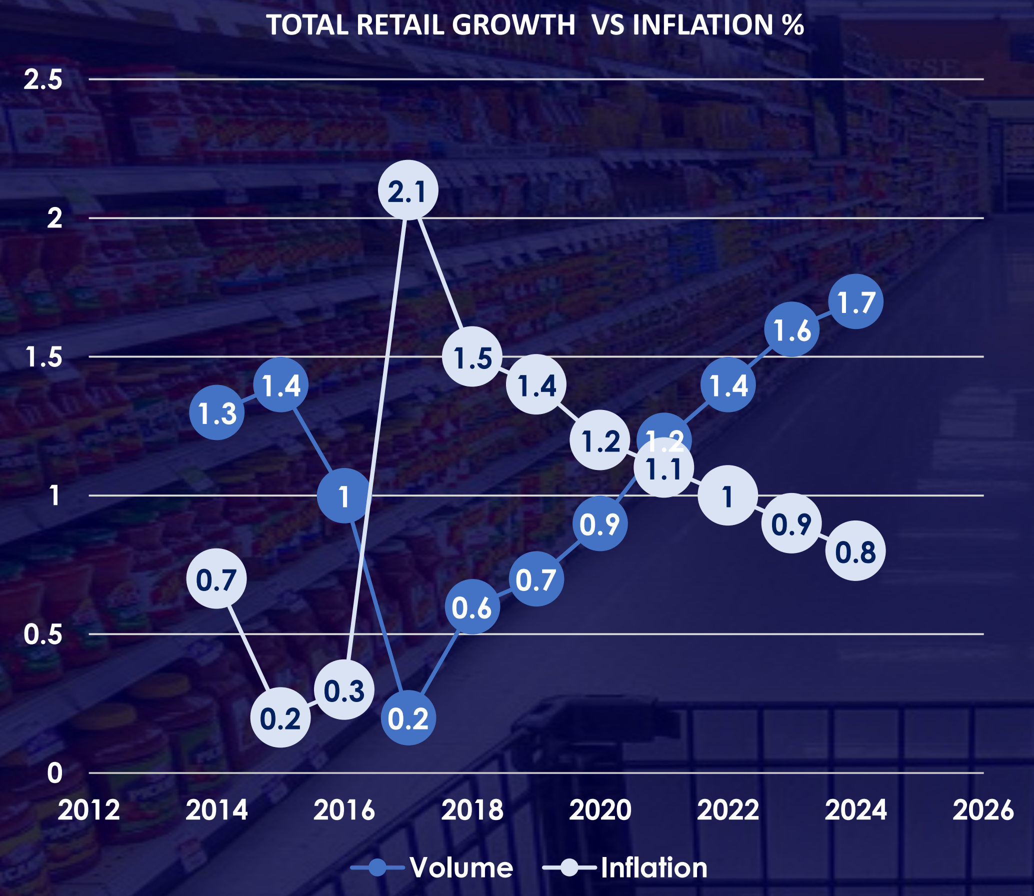






Source: Knight Frank, GfK, ONS

OCCUPIER MARKET – RETAIL SALES



Source: Knight Frank, ONS