RETAIL NEWS

SEPTEMBER **2015**

> How does the retailer continue to make their retail property relevant? How can the landlord adapt the retailing landscape to embrace the needs of the tenant, and the consumer?

INTRODUCTION

The retail industry is going through one of the most comprehensive revolutions in modern times, driven by a new age of demanding and 'tech savvy' consumers who want their goods as cheap and convenient as possible and preferably to be entertained at the same time.

The property industry, notorious for being a bit slow on the uptake, is grappling with this revolution in the face of fierce competition. This competition is now not out-of-town versus in town, but retail bricks and mortar versus the PC, laptop and smart phone. In other words, how does the retailer continue to make their retail property relevant, and how can the landlord adapt the retailing landscape to embrace the needs of their tenants, and the consumer?

This newsletter focuses on the out-of-town retail sector, and considers where we have come from, where we are now and where we are going. It will also consider the question of 'entertainment', the role of leisure and also provide the views of Darren Richards, Head of Asset Management at British Land.

Knight Frank Retail do things a bit differently in what is a challenging, but exciting time. Our evolution continues with the appointment of several new recruits, including the co-editor of this document, Stephen Springham (Head of Retail Research) as well as Richard Petyt, Mike Wimble, Oliver Petch and Stephanie Gray. Between them, we hope to provide the best possible investment, development, leasing, occupational and professional advice, backed up by well-informed research. We hope you enjoy the inaugral issue of our newsletter.

Please refer to the important disclaimer on the back page.

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CONSUMER FIRST

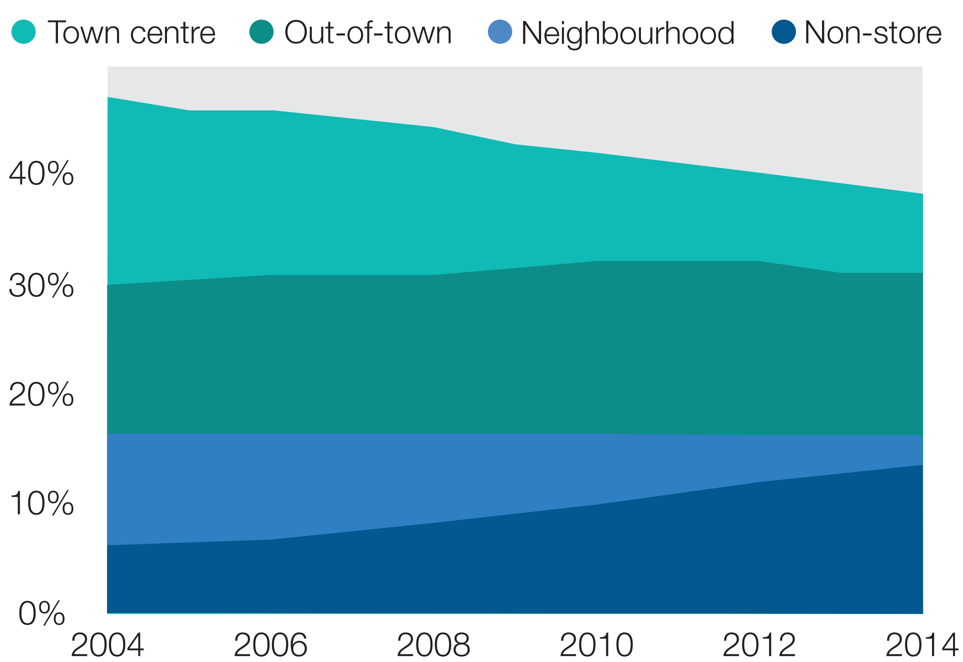
THE NEXT GENERATION OF RETAIL WAREHOUSING

THE LULL AFTER THE STORM

Retail warehousing has firmly established itself as a fundamental component of the UK retail market – nearly one in every three pounds spent in the UK is through an out-of-town location.

The least mature of the core store-based channels, retail warehousing has also proved to be one of the more resilient retail sectors. But, having emerged relatively unscathed from the recession, it now has some serious challenges to face, not least the imperious rise of online shopping. If you concur with the view that the UK has too much retail space already, the retail casualties of the last recession such as MFI, Comet, Focus and JJB Sports were perhaps a blessing. However, in the last two or three years, nearly all the space vacated by these failed retailers has been re-absorbed by a new breed of occupier – many from the value end of the spectrum (e.g. B&M, Home Bargains, The Range, Dunelm).

Share of Total Retail Expenditure by Location



Source: Verdict

Despite a more benign macro-economic environment and more favourable consumer backcloth, the retail warehousing market must move with the times to avoid stagnation. The consumer is either demanding their products instantly or to be entertained whilst shopping, or perhaps both. Either way, any retailer (and landlord) who stands still risks being left behind.

EARLY SIGNS OF STAGNATION?

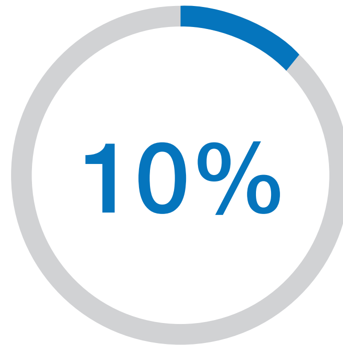
Despite ongoing buoyancy in investment market activity, there are some warning signs about the performance of these assets, namely:

- Static headline rents, and at best, pedestrian rental growth
- A limited development pipeline, but at least this resticts new supply
- A wave of forthcoming lease expiries which will allow retailers to address any property pressures and inevitably put downward pressure on rents in certain locations

In many cases, there is a disconnect between the occupational and investment markets where pricing may not necessarily fully reflect the underlying occupational risks and the potential capex required to reposition these schemes. More then ever, stock picking to avoid such pitfalls is essential.

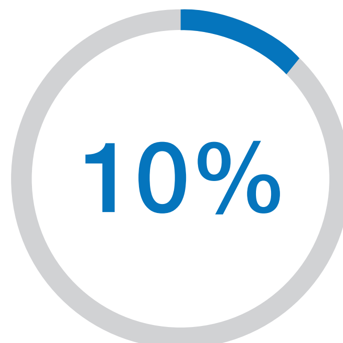
Peak rents are showing little movement. According to data from TW Associates, only 10% of 1,550 retail parks achieve peak rents in excess of £35/ sq ft. This proportion has been static since 2009. Many of these peak levels are also historic – of the Top 100 Retail Parks surveyed, just three (Brent South SP, Nugent SP and Westway SP) achieved peak rental levels in 2014. Many peak levels pre-dated the economic crisis of 2008. More tellingly, 28% of the historic headline rents were achieved by occupiers who subsequently went into administration or filed for CVA (e.g. Allied Carpets, Dreams, Peacocks, Paul Simon).

Headline and underlying rents are not necessarily one of the same. But, in this case there are very clear common denominators, reflecting a market that enjoyed stellar growth for a number of years, but seriously over-heated in the ‘boom years’ of the 2000s. According to IPD, retail warehousing rents grew by a staggering 130% between 1988 and 2014. In comparison, according to the ONS, retail sales volumes over the same period grew by just 83%. In very simple terms, the increases in rents borne by retailers far outstripped the growth in revenue they took through their tills. Even allowing for some pretty drastic correction in the last five years, historic imbalances have still not been fully redressed. This is also a reflection of lease structure i.e. no downward reviews, hence a lease event gives the occupier a unique opportunity to re-balance the books.



Percentage of RW schemes with peak rents **>£35/sq ft** in **2010**

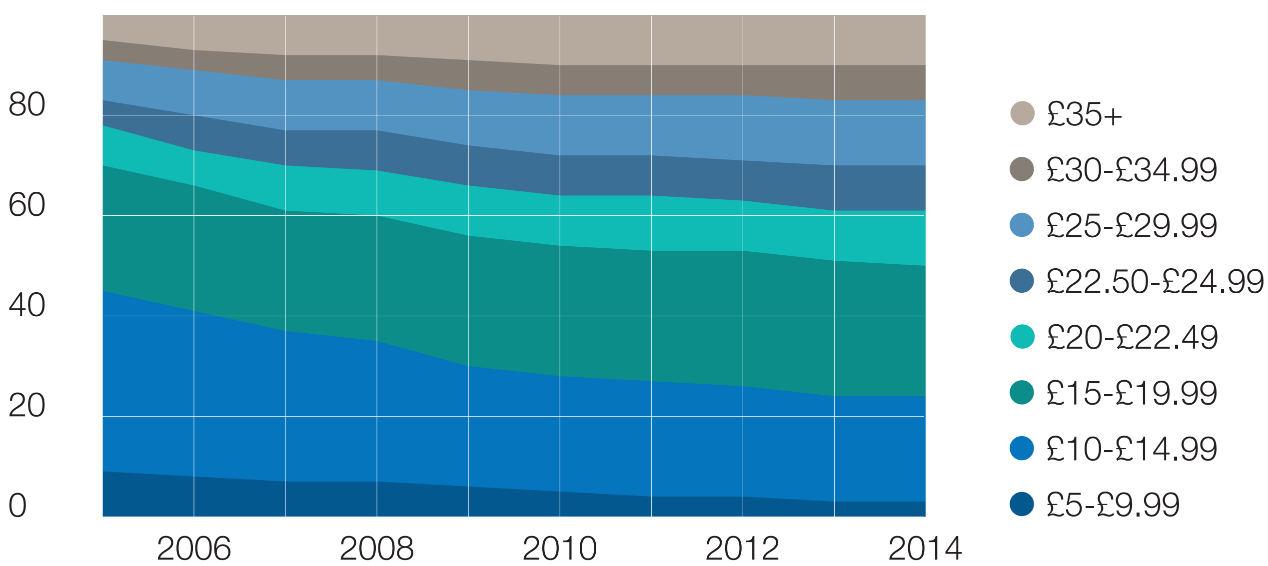
(**Source:** TW Associates)



Percentage of RW schemes with peak rents **>£35/sq ft** in **2014**

(**Source:** TW Associates)

Highest rent achieved (£/sq ft)



Source and Copyright: Trevor Wood Associates - The Definitive Guide to Retail and Leisure Parks 2006-2007

Rental values are still below the level they were at in 2005 and short-term growth forecasts are not inspiring. On the back of growth of just 0.1% in 2014, retail warehousing rents are forecast to witness lacklustre rental growth of just 0.5% this year (according to Experian/Real Estate Forecasting). Some sub-sectors, notably fashion parks, still remain in negative growth territory (2014: -0.6%, 2015: -0.1%). Even allowing for an improving medium term trend, underlying retail warehousing rents will not surpass their 2007 peak until 2018, at the very earliest.

The spectre of lease expiries also looms large over the sector. The three largest retail warehousing occupiers are all downsizing their estates and lease expiries are providing them with the opportunity to do this. B&Q has 16 lease expiries before March 2018 (although only one of these is a 100,000 sq ft warehouse), while Homebase has 28, totalling more than 1 million sq ft. Currys has 18, of which nearly half have already been consolidated into Currys/PC World Warehouses. And this issue extends far beyond ‘the Big 3’ – for example, Argos has lease expiries on 34 sites before March 2018 (25% of which have rents of more than £35/sq ft) and Sports Direct/JD Sports collectively have 20, of which 40% exceed £35/sq ft. The outcome of lease expiries is by no means a foregone conclusion, but invariably it is not a catalyst for rental growth.

Consumers are key catalysts to change

Busy lifestyle

- Hectic work & home schedule
- Two working parents
- Commuting

Increasing access to technology

- Smartphone & tablet penetration
- Tech-savvy generations becoming key consumers
- Shoppers becoming more informed
- Home access to the internet & internet access 'on the go'

Changing demographics

- Increasing single person households
- Urban dwelling
- Ageing population

Less loyal, more time-poor, more tech-savvy, more demanding consumer

RETAIL WAREHOUSES are perfectly positioned to cater for the anytime, anywhere shopper.

- Convenience
- Extended opening hours
- Car Parking/Accessibility
- Click and collect
- Home delivery/returns fulfilment

THE "HALO EFFECT"

A CHANGING, MORE DEMANDING CONSUMER

There are other, less property-centric issues that also point to a changing need in retail warehousing provision. These issues invariably relate back to one thing – the consumer.

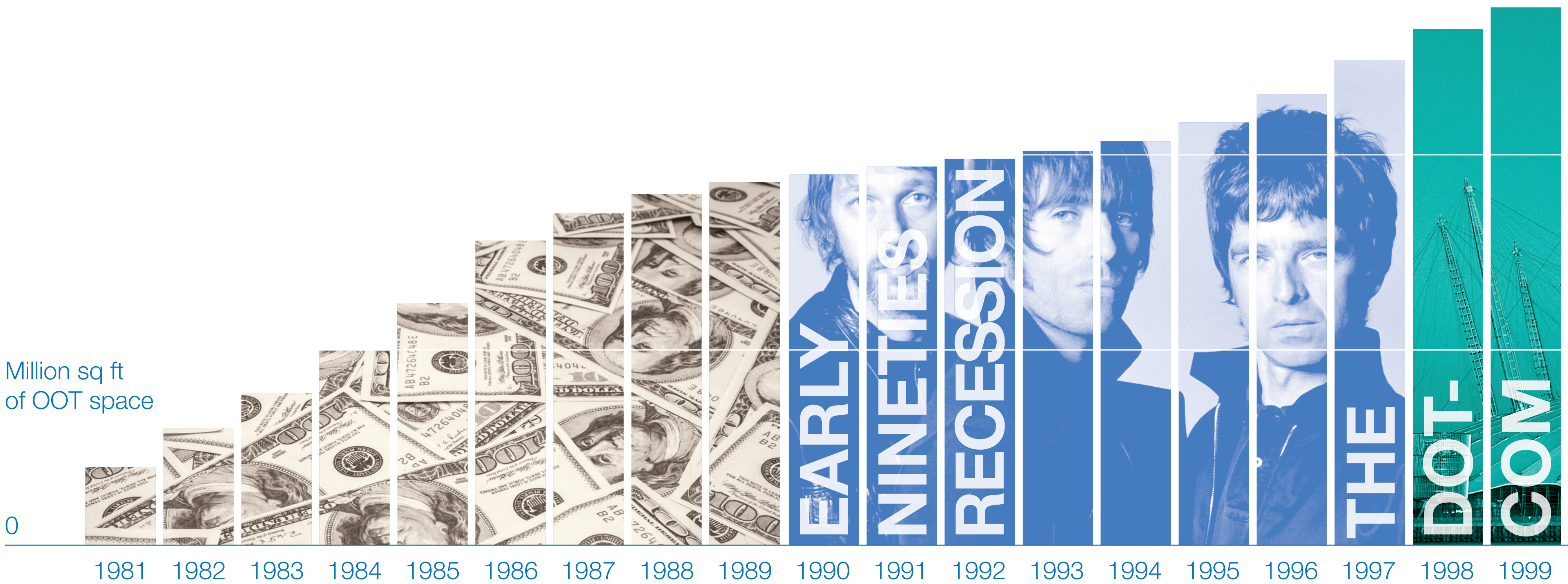
Convenience (not price) is the ultimate driver in most consumer purchasing patterns. This is, only in part, driven by location. Convenience means different things to different shoppers and the definition is constantly being re-defined (as many of the major food stores are currently experiencing, to their chagrin). The very concept of retail warehousing was initially conceived on the basis of convenience – shoppers being able to drive to a store, park for free and shop for bulky items in a way that was not possible on the high street. However, the retail warehousing model has evolved considerably since then, as has the shopper's definition of convenience – the two must seek to re-align.

Online shopping is the other proverbial elephant in the room. Thankfully, perceptions have now moved on from initial misgivings that e-commerce marked the death knell of bricks & mortar stores. Pure-play e-commerce retailers such as Amazon and Asos actually command a limited share of overall retail sales. Indeed, the bulk of e-commerce sales are still made through traditional store-based operators that have graduated to become fully-fledged multi-channel retailers.

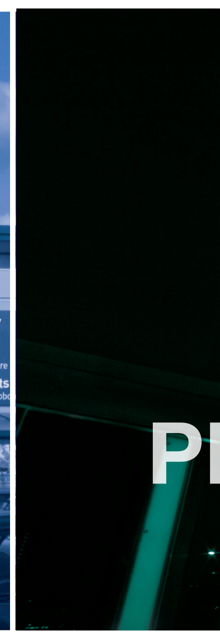
The Internet may not have killed the high street and retail park, but it has nevertheless had a profound impact on retailing shopping patterns. Rather than merely supplant the traditional retail store, it has brought far greater transparency to aspects such as pricing, while also massively raising consumer expectations – the 'shop anytime, anywhere' consumer is very much a modern reality and a notoriously tough customer to please.

Where does retail warehousing sit within the digital revolution? The short answer is probably not in as prominent a position as it needs to. The most obvious manifestation of the effects of online shopping on the retail park is at present something of a negative one – stalwarts such as Currys, B&Q and Homebase downsizing their estates as they re-appraise their floor space needs. But online need not be a wholly negative factor for retail warehousing, it can equally be an opportunity. Fulfilment is one of the key challenges of e-commerce and its proliferation has certainly placed a strain on many retailers' supply chains. The 'final mile' also poses dilemmas, with home delivery proving an increasingly less convenient option for consumers. Retail parks can offer key solutions to both these issues – potentially alleviating some of the pressure on supply chain and offering convenient 'Click & Collect' fulfilment options. The added benefit to the retailer of either click and collect or returns to the store creates a "halo effect" of further purchases.

THE FOUR AGES OF RETAILING WAREHOUSING



Source: Verdict, Knight Frank



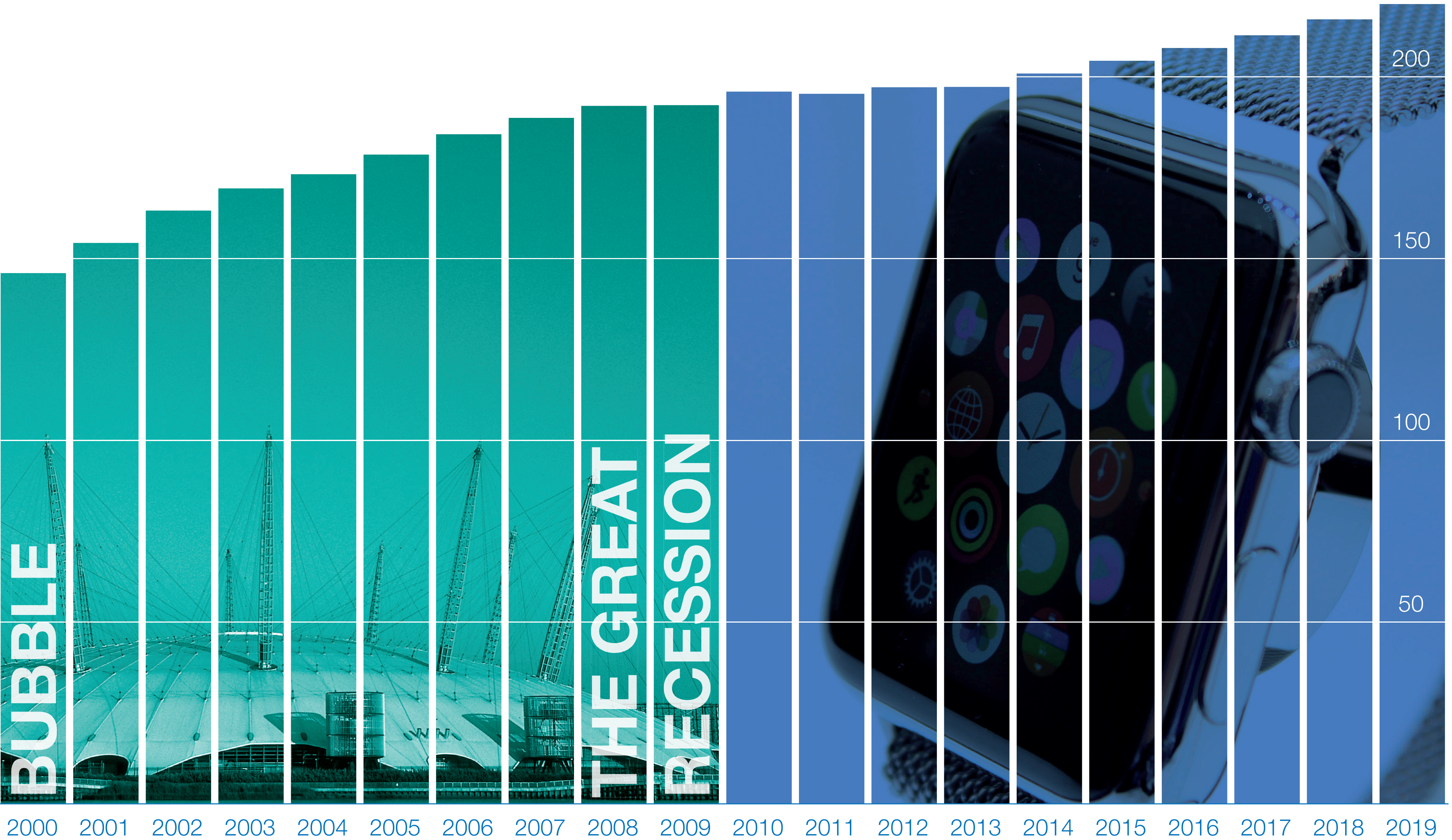
The UK retail warehousing market has evolved significantly over its relatively short lifetime.

We are now poised to enter a new phase of evolution, the fourth since the market took off in the 1980s. Retailing is essentially about the future, but there is merit in also reviewing its historic evolution – if you want to know where a market is heading to, you also need to know where it has come from.

The First Age of retail warehousing was in many ways a land grab – the concept of out-of-town retailing was relatively new to all but a few retail warehousing pioneers, notably B&Q, MFI and Comet. The charge was led by the food stores and bulky goods retailers. As the market found its feet from the mid 1980s, double-digit rental growth was commonplace.

The late 1980s recession ushered in the Second Age. The retail warehousing market came of age and diversified, with ever more non bulky-goods retailers joining the out-of-town fray. This culminated in the birth of the Shopping Park. The development pipeline remained healthy and rental growth ticked along in mid-single digits. The burst of the dot.com bubble and subsequent recession in the early 2000s marked the advent of the Third Age, which saw the market mature further. Retail parks segmented and polarised, with open A1 planning consents becoming gold dust. Record peak rents were set in many that have not been surpassed to this day. But at the same time, planning regulations tightened considerably, amidst growing (but misplaced) paranoia that out-of-town was killing the high street.

Coming out of the most recent recession, we are on the cusp of the Fourth Age of Retailing Warehousing. But what have the previous three taught us?



- **Occupiers are king** – the retail warehousing market is only as strong as the occupational market that supports it.
- **There is strength in numbers** – larger parks stand a better chance of thriving than solus sites.
- **Nothing lasts forever** – 'first generation' retail parks are in some cases obsolete and must find alternative use.
- **Tenant mix is a fundamental driver** – of footfall and spend.

- **The mantra of 'build it and they will come' no longer applies** – 'build what they want and they may come' is a more realistic assessment of where we are now.
- Most planning paranoia is wide of the mark.
- Rental growth is no longer guaranteed as it once was.
- Floorspace will have to work much harder than before.

RETAIL WAREHOUSING OF THE FUTURE

As we enter a new age of retail warehousing, what will the retail park of the future look like? We believe the 'park of the future' will be radically different from previous incarnations and will crystallise around the following pillars:

- Re-balancing of 'old guard' occupiers with a new breed of retailer, including some of the high street brands.
- Creation of a bespoke environment for a new wave of operator.
- Improvements in fabric and facilities – enhancement of the overall shopping environment.
- Borrowing of certain principles from Factory Outlet Centres.
- Better integration of online / e-commerce.
- Less paranoia about the high street and therefore a slightly more relaxed planning regime, especially around leisure / A3.

There is a common denominator between all these pillars – the consumer. The retail park of the future will be far more consumer-centric and put the shopper's aspirations above all else.

Simplistic as this may seem, it has by no means always been the case in the past.

KEY PERSON FEATURE:

DARREN RICHARDS

Head of Retail Asset Management, The British Land Co PLC

This vision of the future of the retail park will, of course, only be realised if it has the full buy-in from key stakeholders, most significantly the landlords and tenants themselves. Naturally, some are more progressive in their thinking than others. As the largest retail warehousing landlord in the country (with ownership of over 8 million sq ft of retail warehouse space and management of over 10 million sq ft), British Land is a hugely influential force in the evolution of the retail park market. Here we ask Darren Richards, Head of Retail Asset Management, on his views as to how the retail warehousing market will unfold.

If you had a blank sheet of paper, what would the OOT park of the future look like?
In many ways the same as the consumer would expect at any destination - we wouldn't alter this just because it is an out-of-town park. A mix of all retailers appropriate to the catchment, a strong food and beverage and leisure provision and an engaging environment, embracing the benefits of being highly accessible such as helping customers 'click and collect'.

You have said you are firmly focused on the consumer – have your occupiers embraced this?
In essence all it really means is that if you don't understand who your shopper is and how they behave then you will never be able to realise the full potential of an asset. We have a huge amount of data about our shoppers now. This helps us create schemes which offer what a modern shopper now expects, but critically it helps us work with retailers to help them understand the potential of a trading location in terms of sales, including online. Yes, we are investing in our portfolio to do this, but every action must ultimately be to drive sales as it is only then that you can increase income.

You have changed the structure at BL, moving away from in v out of town to regional asset managers across both sectors – why?
The fact that we have decided to move to a regional structure isn't the headline here – it's that we have now adopted a singular approach to the way we manage our assets. With every asset our aim is the same – the consumer is our key focus. As a large retail business, we felt we needed a structure that allows us to deliver our retail strategy and which is easy to understand internally and externally. And, importantly, this is the way most retailers manage their portfolios.

How has technology affected your asset management strategy?
There are lots of ways in which technology impacts our business – from how we build our buildings to how our shoppers interact with the places we create. The growth of online has changed the way people shop and we have embraced that. We know that the store is at the centre of most shopper journeys in the omni-channel world. Importantly we have also made sure that we provide the consumer with what they expect – we have invested in websites and are providing WiFi for customers, which retailers are starting to recognise as a powerful marketing tool to reach target customers and drive sales. We have also provided click and collect facilities across a number of our assets giving shoppers more flexibility in how they make their purchases.

Coupled with the above, what data have you been able to capture about your customers, and do you find this complements the retailers' intelligence?
Capturing data has been a real focus for us over the past few years. Today we've got a lot of data and it's telling us we've got great assets and that they have lots of potential. The data gives us a really granular understanding of the 40m people that live in our catchments, informing our decision making and driving value. We collect a wealth of data from a wide range of sources – such as 50,000 consumer surveys a year; footfall and sales data from all our multi-let assets; CACI research to understand local demographics and catchments; and we can now model internet sales. This data helps us to understand our assets and the actions we need to take to unlock their potential.

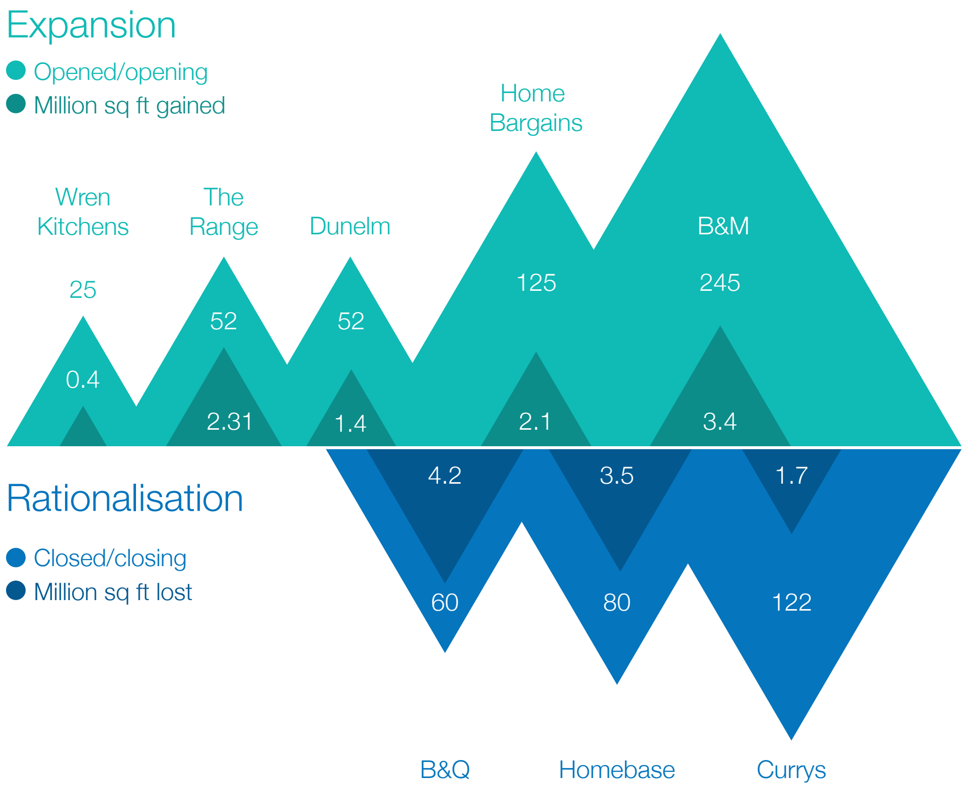
> We don't believe that there are barriers to tenants moving out of town because we are able to create the environments they need.

Can you convert historic schemes to fit the new BL footprint or do you need to start from scratch?
We can – but everything has to be relevant to that asset. We are in the process of upgrading 90% of our portfolio, from minor upgrades to large scale transformations. The benefit of our portfolio is that it is highly adaptable and changes can be made in a relatively short space of time.

Do you expect increasing numbers of traditionally shopping centre/high street occupiers prepared to consider OOT locations?
Yes, and this is already happening. We have taken 36 traditional high street retailers out of town and we have been told by many others that they are looking for out of town space. We don't believe that there are barriers to tenants moving out of town because we are able to create the environments they need. Crucially, many of our occupiers are generally more confident and looking for more space, and this isn't really about in-town versus out-of-town – what they're looking for is the best space, the best format, in the right place, and increasingly that's about having the right penetration in each catchment.

CHANGING OF THE GUARD AMONG OCCUPIERS

The occupier market is already in the throes of change. The established 'old guard' is tranformimg – many (MFI, Comet, Focus, JJB Sports) have disappeared completely, whilst others (B&Q, Currys, Homebase) are actively downsizing. Rather than lie vacant, a large proportion of these units have been taken on by a 'new breed' of operator, spearheaded by Dunelm, B&M, Home Bargains and The Range, amongst others. Much has been made of the fact that both Homebase and B&Q are shedding surplus space. In the case of Homebase, this entails closing 80 stores and reducing overall space by around 25%. The rationalisation at B&Q is only slightly less severe at 60 store closures and a 15% reduction in space. With Dixons Carphone continuing to consolidate Currys and PC World stores under one roof, the three largest retail warehousing occupiers are all downscaling simultaneously.



Medium (3-5 years) plans of Selected RW Operators. May include some town centre space.
Source: Planet Retail, Knight Frank

The mutual disarmament of the three largest retail warehousing operators is increasingly (but erroneously) viewed as a barometer of the wider market. But these three remain the exception rather than the rule – most of the 'new breed' of operators remain firmly on the expansion trail. Collectively, the amount of floor space these opened last year far outweighed that offloaded by the three largest operators. In other words, the market is growing rather than contracting, as evidenced by positive trends in vacancy rates. According to TW Associates, the retail warehousing vacancy rate stood at 7.1% at the end of 2014, a 170 bps improvement on the figure at the end of 2013 – and a far cry from the high of 11.8% witnessed in Q2 2009.

9.4 million sq ft

Amount of space **B&Q, Homebase and Curry's** are collectively offloading

(**Source:** Curry's)

9.6 million sq ft

Amount of space **B&M, Home Bargains, The Range, Dunhelm, Wren Living** are projected to add in the next **5 years**

(**Source:** Dunelm)

HIGHER CAPEX ON IMPROVING DESIGN

The tenant mix on retail parks is changing at a faster rate than ever before. This shift will see further impetus if more retailers from the high street make the transition to the retail park. Although many 'high street' retailers have already ventured out-of-town, many others have yet to cross the divide (other than to open factory outlet stores). As a general observation, upmarket and upper mass-market fashion operators continue to be under-represented on retail parks. This owes much to the environment on many retail parks, which these operators perceive to be too 'down at heel' for their brands. You only have to see the shopping environment and tenant mix at a scheme such as Bicester Village to appreciate how the two can succeed.

So, this is something of a catch-22 situation. The retail warehousing market would benefit significantly from fresh blood, yet would-be new tenants are deterred by the current limitations of the shopper environment on retail parks. The obvious compromise solution is for landlords to make the necessary investment to make retail parks more attractive to these operators. This would entail improving all aspects of the parks' environment, including the fabric and landscaping of the units themselves. Many landlords may baulk at the capital outlay this would require – after all, isn't the fact that retail warehouses are cheap to build and maintain one of their raisons d'etre? Maybe in the past, but as we have stressed, times are changing. The creation of more bespoke, investment-heavy park environments would not just be for the benefit of new tenants, they would also be borne of consumer aspiration. In simple terms, parks need to invest to remain relevant and keep shoppers interested.

Factory Outlet Centres (FOCs) could indeed provide something of a blueprint. Retail parks certainly have a lot to learn from the presentation, landscaping, branding and marketing of leading FOCs such as Bicester Village or Gunwharf Quays, to name but two. Going forward, we would expect the more progressive retail parks to increasingly 'borrow' from the FOC concept. FOCs enjoy significant destination appeal and substantial dwell time and related spend, all attributes retail parks crave. Although blurring between FOCs and retail parks is likely, it remains to be seen how far this will go – will lease structures in retail warehouses move more towards those in FOCs, with shorter terms and turnover-based rents? Possibly in the future, but unlikely in the Fourth Age of Retail Warehousing.

18%

Percentage of existing parks with a substantial Leisure offer

(**Source:** TW Associates)

7.1%

RW vacancy rate at the end of 2014

(**Source:** TW Associates)

11.8%

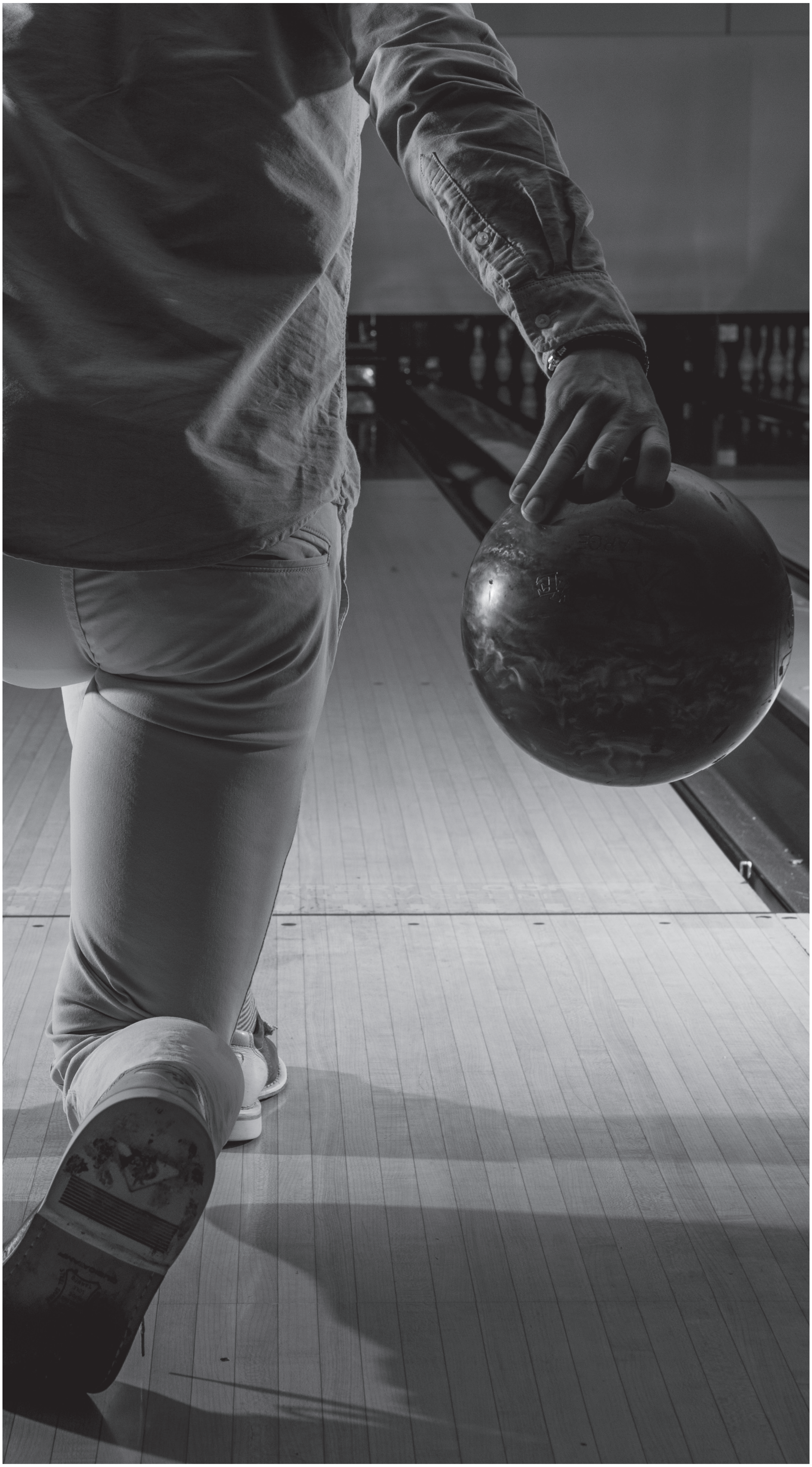
Peak RW vacancy rate in Q2 2009

(**Source:** TW Associates)

27%

Percentage of parks in development pipeline with a substantial Leisure offer

(**Source:** TW Associates)



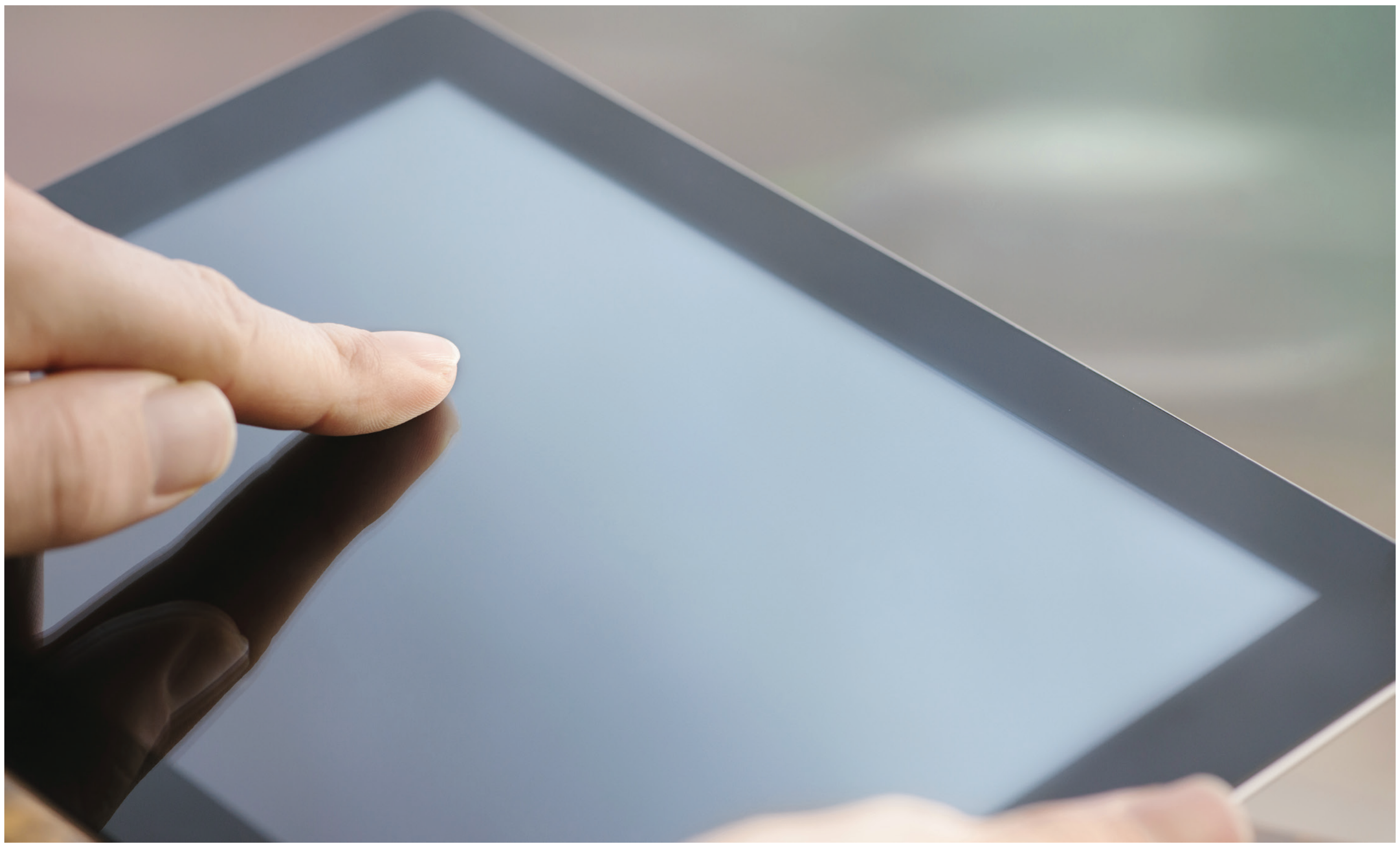
SALVATION FROM LEISURE

Retail and leisure are becoming ever more amenable and willing bedfellows. This is true across all channels – high street, shopping centre and retail parks. The recession in the early 2000s left swathes of vacant floor space in town centres, much of it in secondary and tertiary locations as the prime pitch contracted. This paved the way for the influx of branded A3 and A4 operators (Pizza Express, Nandos et al, and even cinemas in some cases) that now occupy much of this space. The leisure operators regenerated areas that would have otherwise been hugely problematic for landlords (and local authorities, for that matter).

Slightly more belatedly, shopping centres are also embracing the benefits of A3 operators. The Westfield centres are perhaps the best exponents of how retail and leisure can interact and cross-fertilise in a shopping centre environment. Shopping centre landlords are increasingly recognising the value of a decent leisure offer in achieving destination status and increasing dwell time.

The same mechanics are taking shape on the retail park. In the past, some landlords may have been somewhat sniffy towards leisure operators on account of the lower rental values they achieve. Why let to a leisure operator when you can achieve a higher rent on a retail deal? Unfairly, leisure operators may have in the past be labelled more as space fillers or mere footfall drivers. This perception is definitely changing – a scheme with a diverse and integrated retail and leisure offer is far more likely to draw customers in and make them stay longer – and spend more. It may also be a simple matter of economics - demand from the A3 restaurant and coffee operators is strong and rents have moved on considerably. Indeed £30/ sq ft and in some cases £40/ sq ft are not uncommon on the better parks.

This migration to leisure is already taking root. Around 275 (18%) of the 1,550 TW-identified parks already have significant levels of leisure provision (including around 100 full-fledged Leisure Parks). Of the 79 parks identified in the development pipeline, around 21 (27%) will have a substantial leisure component (or 29 / 37% if the Shopping Parks are included). The direction of travel is clear.



THE ONLINE CONUNDRUM

Put plainly, retail warehousing needs to set out its stall much more proactively in the e-commerce arena. It has much to bring and thus far its potential has been under-exploited.

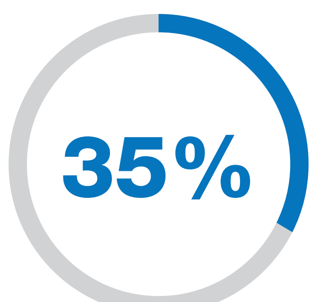
Retail warehouses have a greater role to play in the supply chain process. The 'anytime, anywhere' consumer expects goods to be delivered promptly to the location of his or her choice, be that their home or an alternate location convenient to them. This expectation is putting pressure on delivery lead times and not all retailers' supply chains can cope with this demand – particularly those that operate purely on a centralised distribution centre (DC) basis.

Retail warehousing can alleviate some of this supply chain pressure by operating as quasi DCs – spokes to the hub, if you like. In practice, this would entail certain sheds holding significantly more stock than a traditional store and servicing a localised catchment area. This would be a far more efficient and cost-effective way of managing online demand from shoppers. This is already the favoured model for most of the food store operators – they do have a select few 'dark stores', but most online grocery is serviced through local in-store pickers. Retail warehousing has a more involved role to play in the 'behind the scenes' mechanics of multi-channel retailing.

There is also much more that retail warehousing can bring to the 'front end' of e-commerce. That is a general shift away from home delivery as this is often less convenient for time-pressed consumers – a trek to the local post depot is hardly more convenient than a trip to the store. Home delivery also makes no money / loses money for the retailer. 'Click & Collect' is increasingly the happy compromise, allowing consumers the convenience of purchasing remotely and picking up goods at a location and time of their choosing – effectively everything on their terms ('the everything, everywhere, anytime shopper'). Click & Collect is also a preferred fulfilment means for retailers – it is far more cost-effective to get the customer to come to you than ship to them. Industry figures suggest that 35% of all UK online orders are now on a Click & Collect basis, a figure that is forecast to rise to 76% by 2018. Argos is one retailer to back this up, recently revealing that online represented 44% of its quarterly sales and that this was "mainly Click & Collect".

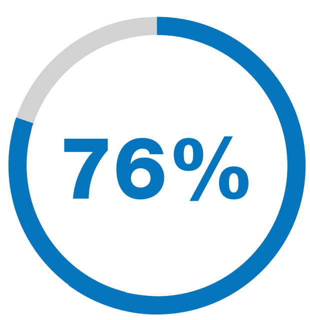
Click & Collect is therefore a win-win solution, in that it is in the interests of both the consumer and the retailer. Retail warehousing has to embrace the concept far more than it has to date. Currently, Click & Collect has been provided fairly passively as an in-store service. Going forward, it needs to marketed far more proactively as an integral part of the overall proposition. Not only is Click & Collect a more profitable online channel than home delivery, it is a footfall generator in its own right. Shoppers collecting online orders represent an opportunity for incremental sales.

> "New Look recently reported that 28% of its online orders were collected in store and that 19% of those trips resulted in additional spend."



Proportion of online orders that were **Click & Collect** in **2014**

(**Source:** Planet Retail)



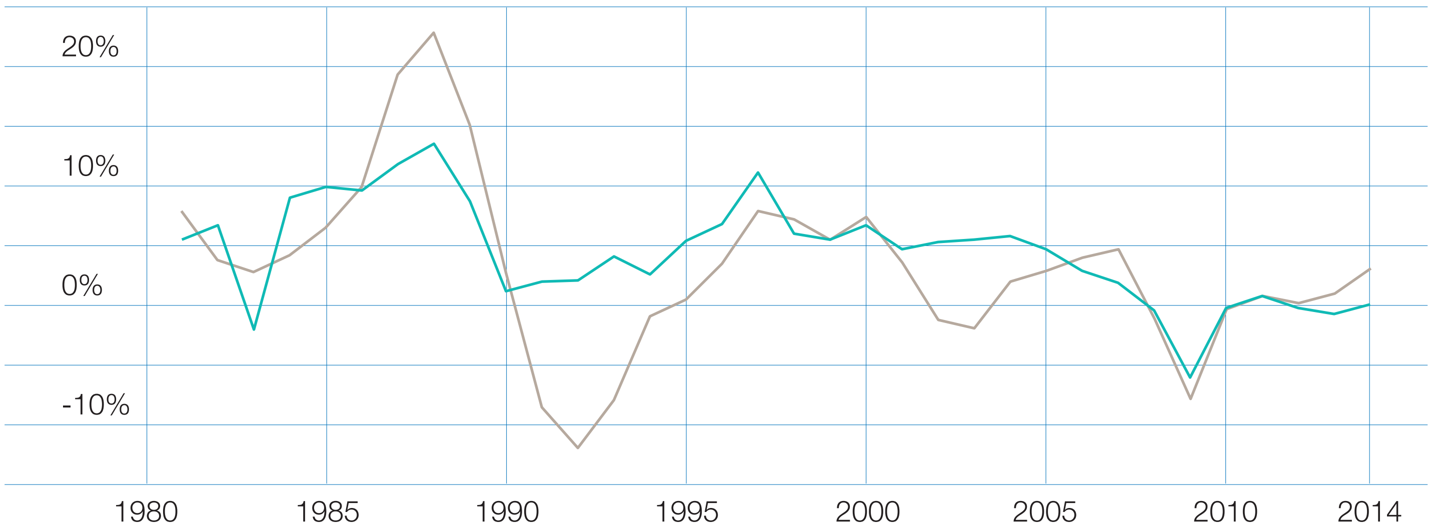
Proportion of online orders that are projected to be **Click & Collect** by **2018**

(**Source:** Planet Retail)

DASHBOARD

Retail Warehousing Annual Rental Growth

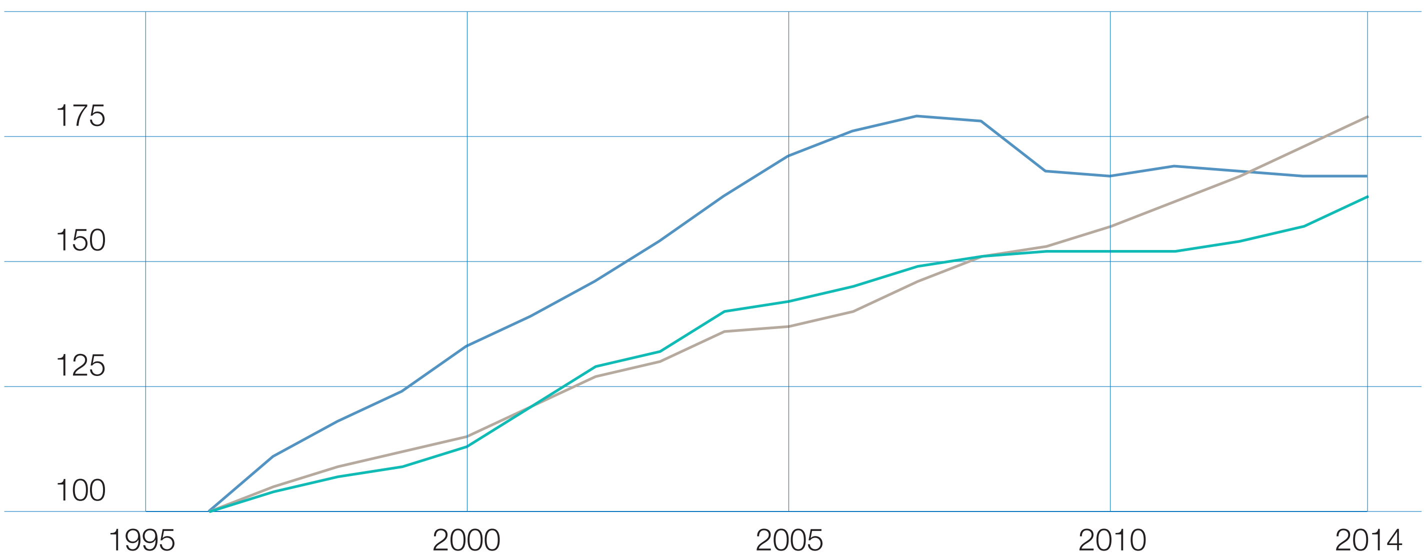
○ Retail warehouses ○ All property



(**Source:** IPD Annual Digest)

Retail Sales Growth versus RW Rental Growth '(1996 = 100)'

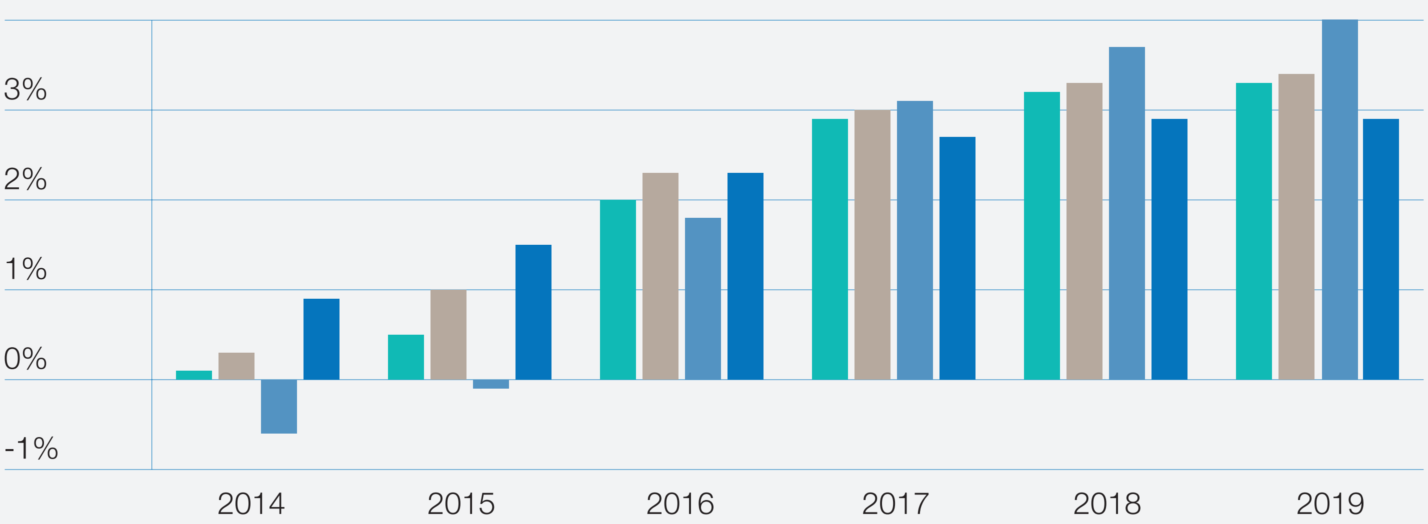
○ Retail sales volume ○ Retail sales value ○ RW Rents



(**Sources:** ONS, IPD, Knight Frank)

Forecast Rental Value Growth

○ All retail warehouses ○ Retail parks ○ Fashion parks ○ All retail



(**Source:** Experian, Real Estate Forecasting)

+130%

Increase in RW rents between **1988** and **2014**

(**Source:** IPD)

+83%

Increase in retail sales volumes between **1988** and **2014**

(**Source:** ONS)

+0.5%

Forecast increase in all retail warehouse rents in **2015**

(**Source:** Experian)

-0.1%

Forecast decline in shopping park rents in **2015**

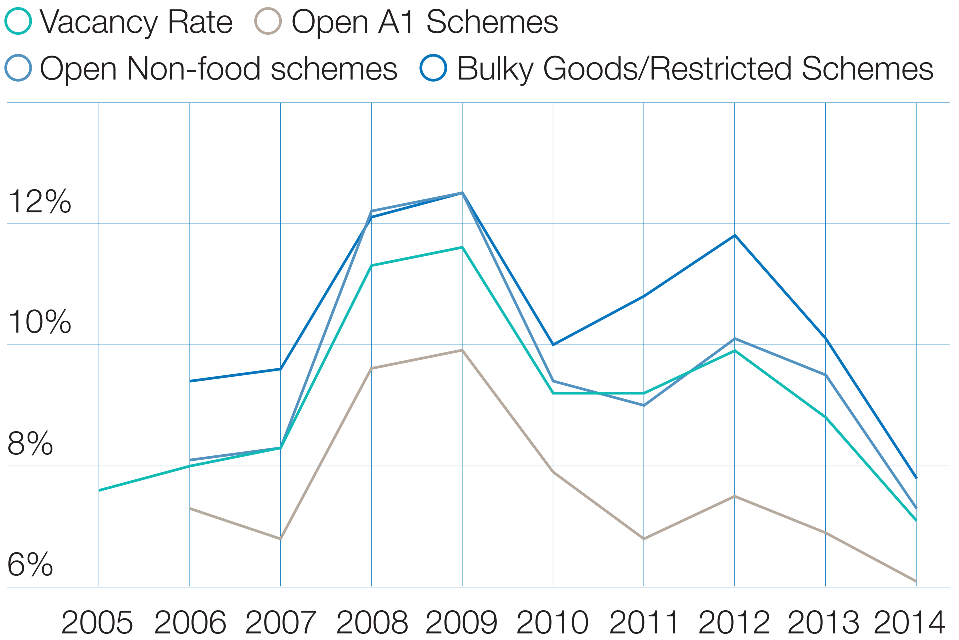
(**Source:** Experian)

2018

Year RW rents are forecast to return to the peak levels achieved in **2007**

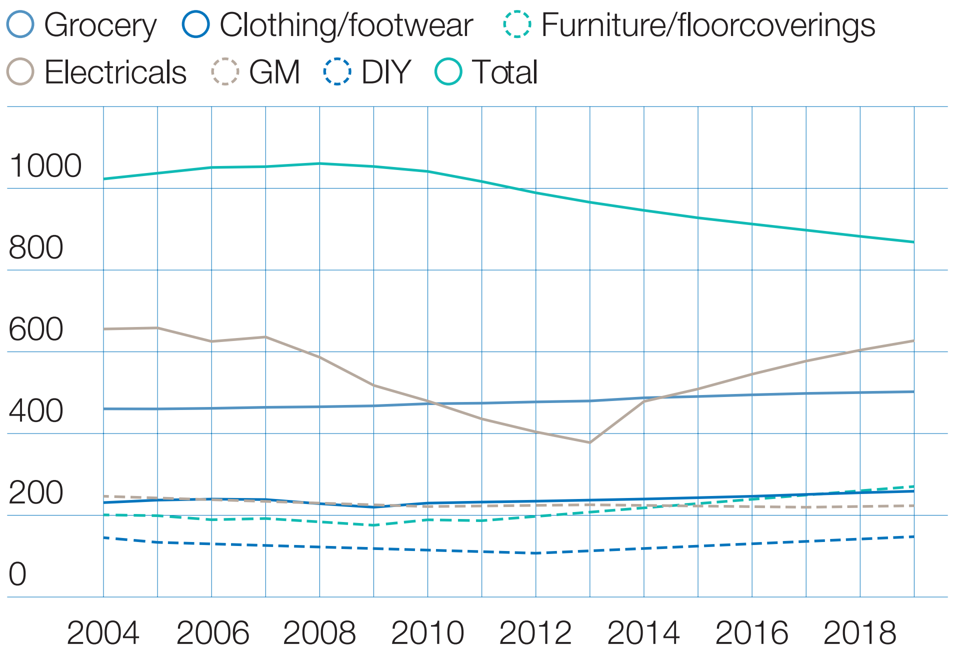
(**Source:** Experian)

RW Vacancy Rate at Year-end



(**Source & Copyright:** Trevor Wood Associates The Definitive Guide to Retail & Leisure Parks 2006 – 2015)

Superstore / OOT Sales Densities by Sector (£/sq ft)



(**Source:** Verdict)

+1.4% Year-on-year increase in footfall in Retail Warehouses in **May 2015**
(**Source:** BRC/ Springboard)

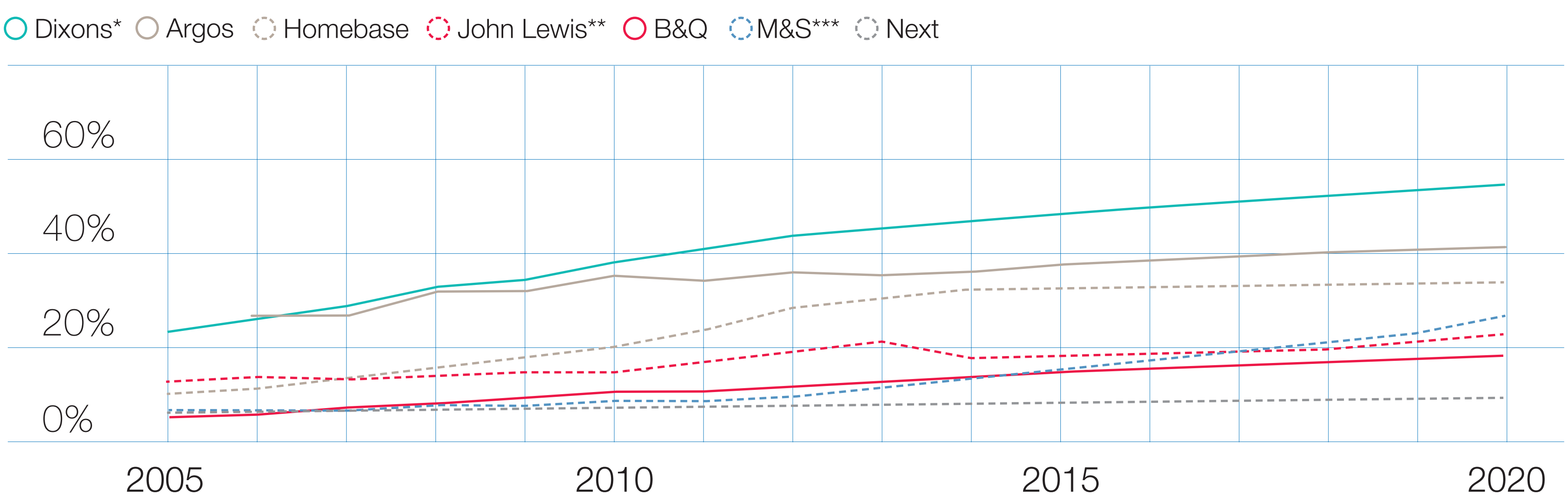
-2.0% Year-on-year decline in footfall in Shopping Centres in **May 2015**
(**Source:** BRC/Springboard)

79 Number of RW schemes in development pipeline in **2015** and beyond
(**Source:** TW Associates)

178 Number of RW schemes in development pipeline back in **2006**
(**Source:** TW Associates)

62 Number of lease expiries collectively faced by **B&Q, Homebase and Curry's** before **March 2018**
(**Source:** TW Associates)

RW Retailers: Online as % of Group Sales



* Dixons Carphone from 2014. ** Excludes Waitrose. *** Includes M&S food business.

(**Source:** Planet Retail, Knight Frank)

NEW RECRUITS

Head of Retail Research, Steve Springham, who joins from Planet Retail, with 20 years of experience under his belt. His strength is consumer trends and occupational knowledge, complementing our property expertise.

Oliver Petch has been recruited into the OOT team, focusing on the occupational/agency market, but integral to the investment function.

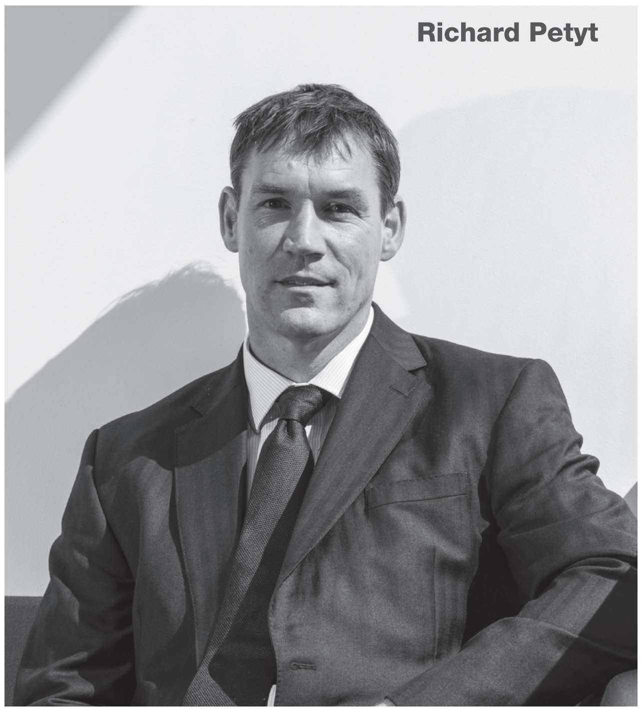
Mike Wimble joins from Praxis Real Estate, and will work within the retail agency function, providing specialist shopping centre and high street occupational advice to the investment team.

Richard Petyt has considerable food store experience under his belt, having spent 10 years at ASDA. He will continue to work in the food store sector, but also tackle the delivery and funding of retail/mixed-use developments.

Our newest recruit is Stephanie Gray, who has left a niche Glasgow practice to cut her teeth on OOT retail and leisure investment in London.

Holly Harvey, our senior marketing manager, has re-located back to London from Singapore to focus on Capital Markets and Retail Marketing.

Chloe Allen, is the conduit between all the retail disciplines, marketing, research and ultimately the Knight Frank Board.



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SEPTEMBER 2015

RETAIL

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