

Feature

Victoria Gate in Leeds



THE UK

Return to spender

The UK has experienced a sustained recovery, as is evidenced by the increasing levels of investment. But e-commerce and the high-street continue to dominate the agenda, says Mark Faithfull

INVESTOR demand for UK shopping centres hit a six-year high in 2013 as transactional volumes soared on the back of increasing consumer and business confidence. Total deals reached £4.3bn, according to the IPD/Colliers International UK Shopping Centre Investment Report, which analysed an IPD sample of 223 shopping centres valued at close to £12bn. The report reveals that up to 72 malls changed hands last year, while the sector delivered a total return to investors of 6.7% year on year. Shopping-centre capital values grew by 0.8% year on year in 2013 overall, compared with a 5% decline in 2012.

With little new development in 2014, the big news has been major purchases. Land Securities completed its purchase of a 30% stake in the Bluewater shopping centre for £656m from Lend Lease. The overall net initial

yield after expiry of rent-free periods was 4.1% and the deal values the scheme at circa £2.2bn overall.

Bluewater, which was developed by Lend Lease, is home to 330 retailers, bars and restaurants, plus an exhibition venue and cinema. Lend Lease Retail Partnership owns 25% of the asset, M&G Real Estate and GIC own 35%, and Hermes and Aberdeen Asset Management control 10%.

Scott Parsons, managing director of Land Securities' retail portfolio, says: "The acquisition of this interest in Bluewater is part of the continued strategic shift of our retail portfolio towards dominance, experience and convenience."

According to JLL, the "shootout" between the UK's leading REITs is partly driven by the underlying importance of gaining access to international brands and then leveraging retailer relationships across portfolios. The new owner/manager also benefits from the vast value of consumer and retailer insight, thus strengthening its market expertise.

Jeremy Eddy, international director of JLL European capital markets, says: "The investment market is clearly able to identify and pick the winners — the challenges and opportunities lie in navigating the rest of the market. Buying Bluewater will give Land Securities increased exposure to international brands."

In addition, Capital & Regional (C&R), the specialist retail property company, acquired a dominant stake in the Mall Fund. C&R acquired Aviva's 52.04% stake and Karoo's 10.52% stake in the Fund for an aggregate consideration of approximately £213m.

Meanwhile, Intu Properties completed a rights issue to raise £500m to help with the £867.8m purchase of three Westfield malls: Westfield Merry Hill, Westfield Derby and Westfield's Sprucefield retail park in Northern Ireland. Finally, AXA Real Estate Investment Managers agreed the acquisition of a 50% stake in Cabot Circus, and the Quakers Friars area and surrounding retail ownerships in Bristol city centre for £267.8m from Land Securities, which owns the asset with Hammerson through a 50:50 joint venture. The completion of the acquisition is subject to EU merger control notification. Hammerson is retaining its 50% stake in Cabot Circus and will take over the management of the centre.

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Jeremy Eddy
JLL

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Land Securities has bought a stake in the Bluewater centre

Laurent Jacquemin, European head of transactions at AXA Real Estate, says: "We remain convinced of the ability of the retail sector to provide secure, long-term income streams. As such, we will continue to identify and actively invest in prime retail assets across Europe to enable us to deliver accretive returns to our clients."

Although somewhat subdued activity is expected in 2015, a notable uptick in development is forecast from 2016, with large schemes already in the pipeline and new projects on the horizon.

This surge in activity will be led by Victoria Gate (117,100 sq m) in Leeds, the largest addition to the UK market since Westfield Stratford. Victoria Gate will be followed by Westfield's construction of Broadway Bradford (51,500 sq m), owned by Meyer Bergman, and the regeneration of Bracknell town centre (53,900 sq m).

It is anticipated that 107,200 sq m of shopping-centre space will be completed this year and 79,100 sq m in 2015, the most significant addition the British Land development of the Old Market in Hereford, which opened in May, adding 28,600 sq m of shopping centre space. Martin Mahmuti, senior investment analyst at Cushman & Wakefield, says: "The subdued pipeline does mask the improvement in

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Laurent Jacquemin
AXA Real Estate

market sentiment, retail spending, finance availability and economic growth currently under way. Indeed, a considerable acceleration in development is expected from 2016, with large schemes already in the pipeline, as well as new projects being created by the more eager developers."

Old Market in Hereford, developed by British Land

