



UK Retail Capital Markets Review

"The retail revival is here!"

2021 was an exciting year for retail and JLL. Our newly restructured retail team provided advice on some of the most notable transactions in the market including the acquisition of Selfridges and Co, purchase of Washington and Cwmbran and sale of Wimbledon, Centre Court Shopping Centre.

We witnessed the out-of-town market go from strength to strength with 250 basis points of yield compression. Across all retail sub-sectors, deal volumes totalled £7.5 billion. Shopping centre activity reached a 4 year high with over £1.64 billion traded, of which, JLL advised on 21% of all transactions. Investor sentiment in the High Street sub-sector also began to show signs of improvement with renewed demand in key city centre locations.

Going forward into 2022, we expect this positive momentum to continue. Our JLL National Retail and Capital Markets team provide market leading, expert advice across all retail subsectors and are looking forward to providing innovative best in class advice for new and existing clients.

Our expertise spans the shopping centre, high street, supermarkets, leisure and out of town sub-sectors, where we have benefitted strategic restructuring to enhance our vision and evolve with the market.

We are here to help all our clients navigate this quickly changing market with trusted strategic advice. We very much look forward to speaking and working with you in 2022."

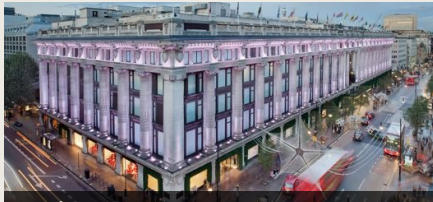


Jonathan Heptonstall
Head of UK Retail Investment



Key deals in 2021

Picture source: The Central Group



Selfridges & Co

Deal : Corporate real estate transaction for the purchase of 3 retail businesses and Selfridges & Co, and their freehold real estate.

Vendor : The Weston Family

Purchaser : Signa and Central Group

JLL Role : Real Estate buy-side advisory

Picture source: JLL



Wimbledon, Centre Court

Price : £72.5m / 5.90%

Tenure : Freehold

Vendor : Aberdeen Standard Investments

Purchaser : Romulus

JLL Role : Sale

Picture source: JLL



Durham City Retail Park, Durham

Price : £24.9m / 9.00%

Tenure : Freehold

Vendor : Aviva Investors

Purchaser : Columbia Threadneedle

JLL Role : Sale

Picture source: JLL



Lidl, Weybridge

Price : £12.0m / 4.00%

Tenure : Freehold

Vendor : Aviva Investors

Purchaser : CBRE GI

JLL Role : Sale

Picture source: Gerald Eye



Fiveways Leisure, Birmingham

Price : £25.1m / 8.35%

Tenure : Long Leasehold

Vendor : Administrator

Purchaser : AEW

JLL Role : Sale

Picture source: CBRE



Washington and Cwmbran Shopping Centres

Price : £138m

Tenure : Freehold

Vendor : M&G

Purchaser : The LCP Group

JLL Role : Purchase

Picture source: JLL



79-84 High Street, Birmingham

Price : £14.7M / 8.60%

Tenure : Freehold

Vendor : DTZIM

Purchaser : U/O

JLL Role : Sale

Picture source: JLL



Stafferton Way Retail Park, Maidenhead

Price : £24.5m / 6.50%

Tenure : Freehold

Vendor : Nuveen Real Estate

Purchaser : CCLA

JLL Role : Sale

Picture source: JLL



1-7 Upper Street & 2-6 Liverpool Road, Islington

Price : £19.0m / 7.00%

Tenure : Freehold

Vendor : L&G

Purchaser : Enstar Capital Ltd

JLL Role : Sale

Picture source: JLL



1-41 Old Brompton Road, South Kensington

Price : £18.7m

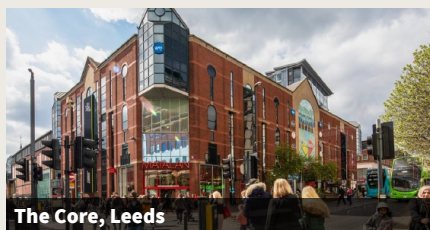
Tenure : Long Leasehold

Vendor : Columbia Threadneedle

Purchaser : Wellcome Trust

JLL Role : Sale

Picture source: JLL



The Core, Leeds

Price : £14.40m / 8.89%

Tenure : Freehold

Vendor : Columbia Threadneedle

Purchaser : SKAPE Real Estate

JLL Role : Sale

Picture source: Union Property



74-78 Northumberland Street, Newcastle

Price : £13.8m / 10.00%

Tenure : Freehold

Vendor : Redevco

Purchaser : Private

JLL Role : Purchaser

Repositioning Retail

Providing innovative strategies to enhance value and unlock alternative use potential.

The disposal of Brent South Shopping Park and the Treaty Centre, Hounslow are two best in class examples where we have utilised our cross sector expertise to add significant value through repositioning retail.

Brent South Shopping Park, Brent



Background – Appointed by Hammerson and Abrdn to sell the freehold interest based on our knowledge and JLL's ability to drive value through alternative use strategies.



Description – 96,000 sq ft shopping park located at the heart of one of the largest regeneration projects in Europe. The site benefited from outline mixed use planning consent, albeit restrictive with significant CPO risk.



Strategy – Cross-sector team from Retail Investment and Agency, Living, Industrial and Asset Repositioning worked with architects to create a development masterplan/story to market the asset.



Result – In the midst of Covid, JLL attracted 7 proceedable bids from Investors and Developers from a range of sectors and geographies. The asset was sold to Barnet Council for £55m reflecting 6.22% NIY.

The Treaty Centre, Hounslow



Background – Appointed by Columbia Threadneedle Investments to sell the freehold interest in The Treaty Centre, Hounslow based on our knowledge of the asset, relationship with the council and presentation of a viable development story.



Description – 330,000 sq ft shopping centre in the centre of Hounslow. Providing a mixed-use development opportunity, limited by a long leasehold element and the sheer number of tenants in occupation.



Strategy – JLL Retail and Residential Teams worked with the asset manager, Council and external architects to create a development story and viable vacant possession strategy. This vision was translated into a viable mixed-use development opportunity for 1,350 homes.



Result – We attracted competitive bids from a range of residential and commercial developers and investors.

The property unconditionally exchanged to BYM Capital for £43m at an initial yield of 5.25%, £8m above asking terms.

Brent South Retail Park Redevelopment CGI



Occupational themes to watch

- **The consumer will be a driving force for the UK recovery** – with significant implications for retail, hospitality and logistics real estate.

Fact: Consumers remain in a strong position to support the recovery by taking on new credit and spending some of their excess savings – Oxford Economics assume 5% of total accumulated savings (c.£140bn) will be spent by end-2022.

- **The consolidation of retail will continue** – but amid signs of a bricks & mortar revival in particular destinations, new concepts and approaches will emerge, powered by technology.

Fact: The number of independent shops increased by 804 in the first half of 2021 (the best six-month period in recent years) - the number of chain stores fell by 5,251, continuing a trend of large-scale closures (Local Data Company).

- **Hybrid working will disrupt retail and F&B**, as some local areas see a renaissance.

Fact: In terms of vacancy rates, commuter towns and villages are now outperforming city centres (-3.0% and -2.3% vs. -4.3%) (Local Data Company).

- **Retail's (partial) renaissance will be accompanied by new, tech-enabled concepts.** The Metaverse will become a readily used environment, as more consumers discover new ways to shop, socialise and work in virtual, game-like worlds.

Fact: The Metaverse market size is predicted to reach as much as \$800 billion by 2024 - it was worth \$46 billion in 2020.

- **Retail Warehousing will remain the retail asset of choice** – the sector has proven resilient and presents opportunities for repositioning & change of use.

Fact: Total IPD returns for 2021 are forecast to be 11.4% - retail warehouses are forecast to return a noteworthy 17.7%.

2022 investment predictions

Institutional capital appetite will continue to chase retail warehouse yields down below 5%

As more investors realise that the asset class offers an affordable entry into a growing omnichannel supply chain market, we expect further yield compression. British Land's bullish return to the sector is a prime example of such a strategy.

The Leisure market will see renewed demand

Trade is anticipated to improve as people make up for 'lost time'. Nevertheless, further CVA casualties are to be expected in the F&B sector and potentially for cinemas as businesses grapple with significant debts accrued over the past 24 months and continued changing consumer demands.

Renewed interest in the High Street

We anticipate a growth in interest for big city centre and leading regional town high streets, where assets have strong property fundamentals, robust occupational demand and sustainable rents. We believe Birmingham, Manchester, Edinburgh and some historic centres, such as Bath, Oxford and Cambridge will recover through the year.

Continued demand for index linked grocery

The strong fundamentals of supermarkets mean they will continue to trade at a premium to other sub-sectors. Properties with Index-linked leases will be particularly sought after as they provide a good hedge against rising inflation. With diminishing supply, investors such as Supermarket Income REIT and Realty Income dominate the sector leaving limited opportunities for all but core buyers.

Improved availability of debt

Debt markets which were previously closed to town centre retail; are likely to open up this year. However, continuing polarity is expected, with debt only available for schemes with sustainable rents or underlying residual value.

Continued Corporate Activity

We expect more corporate activity, predominantly driven by American private equity groups who view undervalued British public companies as targets ripe for take private deals. High Street retailers who deliver reliable cashflows and hold freehold assets on the balance sheet will be prime targets.

Durham City Retail Park





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