

## UK Shopping Centres Investment Enters an ‘Age of Change’

### UK shopping centre property investments provided total returns of 10.0% in 2015

**London – March 1, 2016** – MSCI Inc. (NYSE: MSCI), a leading provider of investment decision support tools worldwide, including indexes, portfolio risk and performance analytics and ESG research, today published the **MSCI/Colliers International UK Shopping Centres Investment report** which showed that UK shopping centre property investments provided robust total returns of 10.0% in 2015.

The return of 10.0% has fallen from the 14.0% returned in 2014, and still behind the broader UK property market, which returned 13.1%. This issue of the report shows that £4.49bn of assets changed hands in the sector during 2015 as both domestic and overseas investors targeted the sector. The sector is currently facing an ‘Age of Change’ which will bring challenges for many centres.

**James Findlater, Head of Shopping Centre Investment, Colliers International, said:** “Strengthening values have been the dominant component of total returns through the recovery cycle but for many secondary centres, changes to retail dynamics, poor asset selection and inadequate capital expenditure allocations mean that investment yields have failed to keep pace with the decline in income leaving some investors out of the money.

“Even for top-flight, prime, regionally-dominant centres, the age of dramatic yield shift is coming to an end and the driver for returns will be entirely focused on income. For the UK shopping centre sector, the ‘Age of Change’ is just beginning.”

The research analyses a sample of 213 shopping centre assets valued at around £13.5bn.

**Colm Lauder, Vice President, MSCI, said:** “Shopping centre prices tend to lag the general retail property market due to their significantly larger average lot sizes and the level of capital expenditure that they require.

“Nonetheless, following the broader retail trend towards better quality assets, prime shopping centre rents grew through 2015 with increasing retailer confidence, and yields subsequently compressed as investors’ demand for assets grew.”

The study shows that there was 0.2% rental growth in the sector as a whole during 2015, whereas prime rents grew by 1.4%.

**James Findlater, Head of Shopping Centre Investment, Colliers International, said:** “To meet the challenges of online retailing and reduced retailer demand for space, shopping centres have to be treated as organic and adaptable trading environments.

“The ability to generate progressive income is all-important and in that context expect to see increasing polarisation between prime and secondary assets.”

-Ends-



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Our line of products and services includes indexes, analytical models, data, real estate benchmarks and ESG research.

MSCI serves 97 of the top 100 largest asset managers, based upon P&I data as of December 2014 and MSCI client data as of June 2015.

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