

Property Week

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East meets west (London)

■ Malaysian investor takes first steps into UK retail with £271m deal for two west London shopping malls

BY DAVID PARSLEY

A giant Malaysian pension fund that is part of the investment team behind the Battersea Power Station development has made its first push into the UK shopping centre market with a £270.5m double deal.

Property Week understands Malaysia's Employees Provident Fund (EPF), working with CBRE Global Investors (CBRE GI), has agreed a deal with Northern Ireland-based William Ewart Properties to buy both Fulham Broadway (pictured) and Hammersmith Broadway shopping centres. The off-market deal represents a yield of 5%.

The 195,703 sq ft Fulham Broadway shopping centre, which houses Fulham Broadway tube station, has 43 tenants, including retailers Boots, Sainsbury's, Starbucks and Wilco, as well as a Vue cinema and various food outlets.

Hammersmith Broadway comprises 67,846 sq ft of retail space and has tenants including Tesco, Boots and McDonald's. It also houses Hammersmith underground station.

Both shopping centres have averaged 95% occupancy over five years and are considered attractive to investors because their location at transport hubs guarantees pedestrian footfall.

EPF is part of the Malaysian consortium, also including investors SP Setia Berhad and Sime Darby, that is behind the massive redevelopment of Battersea Power Station.

CBRE GI has also completed the £78m acquisition of the Ashley Centre in Epsom, Surrey, on behalf of an unnamed German pension fund, bringing its total activity in the sector to £350m.

Chris Gilchrist-Fisher, senior director at CBRE GI, confirmed the company had bought the centres. "Both our clients were looking for long term secure cash flow and all three assets meet the return



criteria," he said. "We have acquired three shopping centres that have asset management opportunities, strong occupational demand and on-going rental growth. We believe these should be great additions to our clients' portfolios."

The Ashley Centre was bought from US investment giant Carlyle Group, in a deal reflecting a yield of around 6%. Anchored by H&M, House of Fraser, Marks & Spencer, Waitrose and WH Smith, the centre has a further 56 retail units and is almost 100% occupied.

Gilchrist-Fisher added: "As a house, we also see the

potential of investing in retail, particularly shopping centres at this point in the cycle – we are seeing an improved retail occupational market and retailer confidence is at its highest since August 2007."

Retail property specialist GCW advised CBRE GI on the acquisitions and has also been retained as letting agent on all three centres. Cushman & Wakefield and Strutt & Parker advised the vendors on the Ashley Centre, while William Ewart Properties represented itself on the deal for Hammersmith Broadway.

Retail shed vacancy rates drop to new low

■ Report shows vacancy rates fell to 8% in 2014, the lowest level since 2006

BY DAVID PARSLEY

Vacancy rates for retail warehouse space in the UK dropped to 8% last year, the lowest level since 2006.

Findings from a report by research firm Trevor Wood Associates showed vacancy rates fell from 8.8% at the end of 2013 to 8% at the end of the second quarter of 2014, with levels of empty space at free-standing retail warehouse units and retail parks at their lowest in eight years.

Vacancy rates at the end of the second quarter of 2013 had risen to 10%, meaning 2% of space nationally has been occupied in just one year.

The fall in the amount of space available was due in part to an improving economic climate, the continued rise of comparison-goods retailers and the dearth of new stock being built, the report said.

"With little development taking

place, the second-hand market has continued to be an important supply of accommodation for expanding retailers, with particular demand for good-quality open A1 consent or bulky goods units," said Trevor Wood, of Trevor Wood Associates.

"We could be looking at vacancy rates below 7% in the near future, which means the market is approaching saturation.

"Developers are still being cautious, which means we are seeing plans for more refurbishments and extensions, rather than complete new builds. The risk is lower and the return on investments can be higher."

A significant proportion of the retail warehouse space vacated over recent years by failed retailers has been successfully re-let, with a sizeable number of units currently under offer, noted the report.

Following furniture retailer MFI's

collapse in December 2008, 243 units became available, but there are now only 31 still available, with 11 of those under offer.

When DIY store Focus went into administration in May 2011 it flooded the market with 243 units, but only 26 now remain on the market, with nine of those under offer.

Likewise, the collapse of JJB Sports in September 2012 resulted in 96 units hitting the market, but there are now only 20 still available, with six of those under offer. Finally, electrical retailer Comet went under in December 2012, but of its 249 units only 81 are currently available, with 26 of those under offer.

One of the biggest acquirers of space in recent years has been fast-growing variety retailer B&M, which has taken space in 18 MFI units, 38 Focus units, 16 Comet units, and nine JJB Sports units.

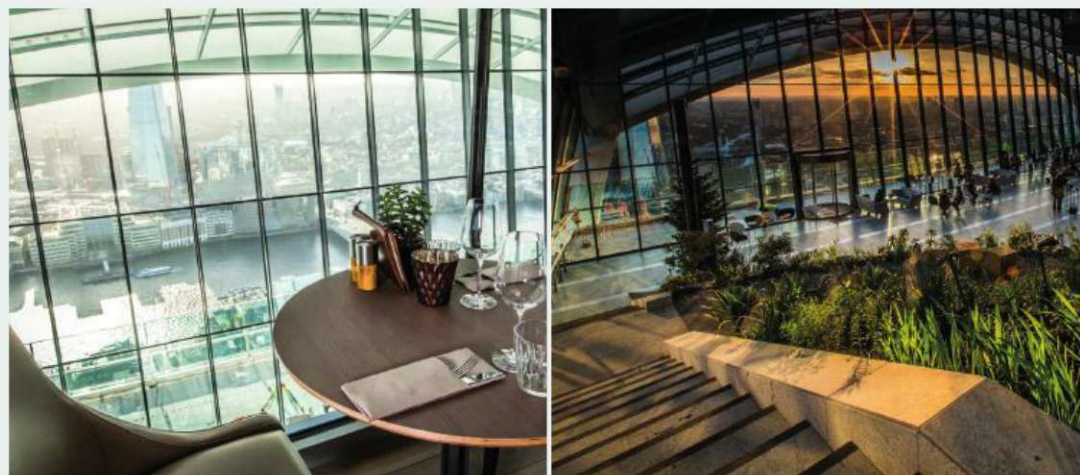
Weston to build 400 homes in £80m waterside 'village'

Weston Homes is to build 400 homes on the former Wellcome factory site, near Dartford town centre.

The 7.59-acre Mill Ponds site, which was acquired from Delancey Estates, will be transformed into an £80m mixed-use 400-home waterside 'garden village'.

Fronting the historic Mill Pond and the River Darent, the development will include one- and two-bedroom apartments and two- and three-bedroom houses. Located by Dartford railway station, the new settlement will take three years to complete and feature a high street providing 28,567 sq ft of retail/commercial space complete with 268,990 sq ft of residential accommodation.

"Stamp duty on £2m-plus homes and mansion tax concerns have slowed the central London market and focused investor and developer attention on outer London and commuter belt locations, where competitive entry prices and stamp duty reductions have helped to further increase demand for new homes," said Bob Weston, chairman and managing director of Weston Homes.



Garden opening marks completion of Walkie Talkie

The 'sky garden' crowning the £200m Walkie Talkie tower in the City of London opened to the public this week, marking the final completion of the tower.

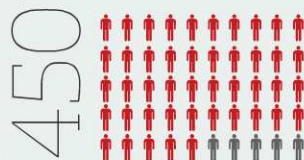
The main structure of the 37-storey, 150m-tall tower at 20 Fenchurch Street, which was developed by Land Securities and Canary Wharf Group, reached final completion last year, but the sky garden, which spans three floors at the top of the tower, has only now opened.

The garden, which members of the public can visit by booking, includes a landscaped garden with a viewing area, terrace, café/bar Sky Pod and restaurants Darwin Brasserie and Fenchurch Seafood Bar & Grill. The space provides 360-degree views of London.

90%

▲ The proportion of office space let in the skyscraper

▼ The number of people the sky garden can accommodate



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▲ The number of floors spanned by the sky garden

