



OVERVIEW

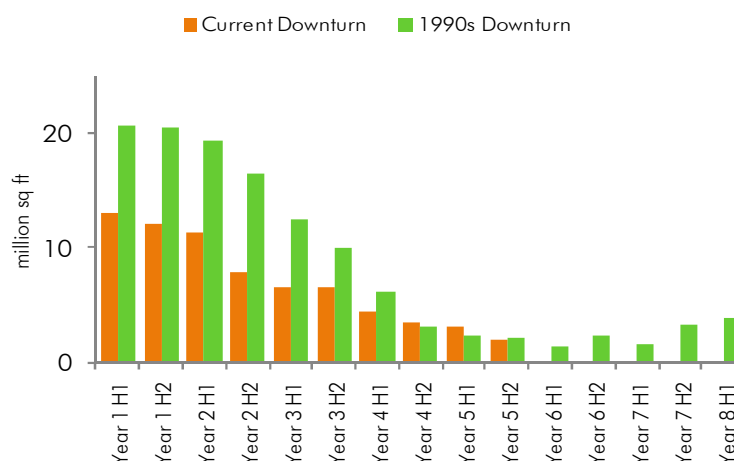
One of the curiosities of the current speculative development downturn is that aggregate pipeline levels continue to grow. The all shops development pipeline is nearly 8.5m sq ft larger today than it was in September 2007. This significant increase is wholly due to an unexpectedly large surge in grocery store development activity. Shopping centre and retail park pipeline levels have, in sharp contrast, declined by 3.98m sq ft (6.3%) and 3.14m sq ft (13.9%) respectively. These declines are however very small compared to the falls seen in the early 1990s recession, in part because pipeline levels were already relatively low at the onset of the current downturn. But it is also apparent, unlike during the 1990s, that developers this time around have been much more prone to park schemes rather than simply give up on them, particularly where schemes are major. Pipeline levels have remained reasonably constant as a result, despite construction activity levels falling sharply. Or, put another way, scheduled completion dates are just being rolled-forward to future years.

Head of Shopping Centre Development Mike Prentice comments: "Earlier in the year it looked as though shopping centre development activity was poised to pick up again but the uncertainties growing out of the eurozone crisis have, once again, undermined developer confidence. Until economic conditions stabilise, developers will continue sitting on their hands. A major difference between now and the early 1990s is that primary stock availability this time around is far lower: the reason major schemes coming on stream during the current downturn have all been pretty well fully let on completion. As the speculative development tap was shut off very quickly following the onset of the financial crisis, really good space is now in increasingly short supply. Space shortages alone cannot trigger a new development cycle, but the dearth of decent space will inevitably result in a much more pronounced upturn in development activity once economic growth accelerates."

Key Findings

- The all shops development pipeline is over 8m sq ft larger today than it was in September 2007
- Shopping centre construction activity continues to contract, down from 13.02m sq ft immediately prior to the 2007 financial meltdown to just 1.83m sq ft now
- Shopping centre space under construction has fallen from almost 20% of the pipeline total at the onset of the credit crisis to just 3% now
- The dearth of new development is causing increasing problems for store groups dependent upon speculative shopping centre development to meet their expansion target

1990s VS CURRENT CONSTRUCTION ACTIVITY (SQ FT millions)



Source: CBRE, PMA

Definition

The analysis presented in this publication relates to shopping centres of at least 4,645 sq m (50,000 sq ft) gross

TRENDS

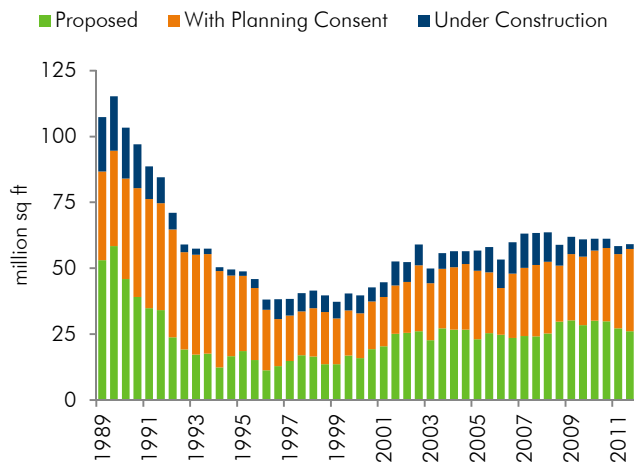
Shopping centre construction activity continues to contract, down from 13.02m sq ft immediately prior to the 2007 financial meltdown to just 1.83m sq ft now. As the chart at the bottom of the previous page shows, we are close to the bottom reached at the nadir of the 1990s speculative development cycle.

As evidence of the relative rigidity of pipeline levels this time around, shopping centre space under construction has fallen from almost 20% of the pipeline total at the onset of the credit crisis to just 3% now. Unlike the early 1990s recession when scheme proposal and consent levels declined quite sharply, overall pipeline levels since 2007 have remained relatively stable: it is only construction activity levels that have fallen significantly. The relative stability of the pipeline implies that scheme promoters have been inclined to wait and see if a combination of high UK inflation and weak Sterling takes the sting out of debt reduction without triggering a marked downturn in consumer spending: i.e. that the reasonably benign consumer demand hiatus experienced so far will continue, eventually turning into a sustained upturn.

As we have commented in previous editions of Shopping Centres in the Pipeline, the dearth of new development is causing increasing problems for store groups dependent upon speculative shopping centre development to meet their expansion targets. Opportunities for large-store traders in particular look set to remain thin on the ground for a very lengthy period.

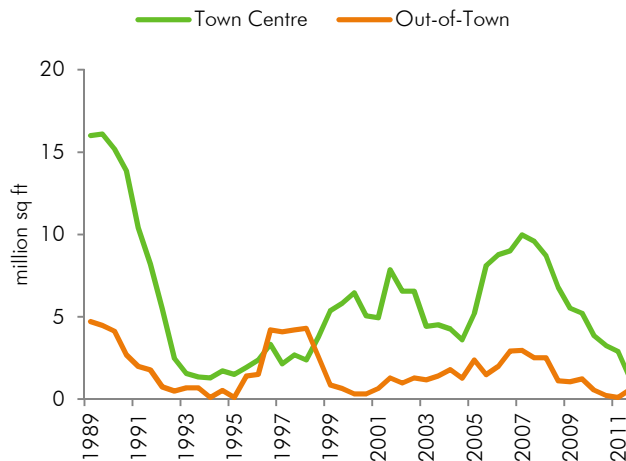
The rapid growth in grocery development activity is exacerbating the problem because of the increasing amount of non-food space being added to the grocery mix. Traditional comparison goods trading locations are losing market share to grocers. The longer the speculative development downturn lasts, the greater the market share loss to grocers. The scale of market share shift to date has already been huge. According to Verdict, grocers' share of non-food sales in 2003 totalled 8%. The non-food market share of grocers today has almost doubled to 15% (dwarfing non-food internet penetration growth). Given that grocery completion levels are only now beginning to increase significantly, the non-food market share shift in favour of grocers looks set to carry on growing.

Total Pipeline (H1 & H2)



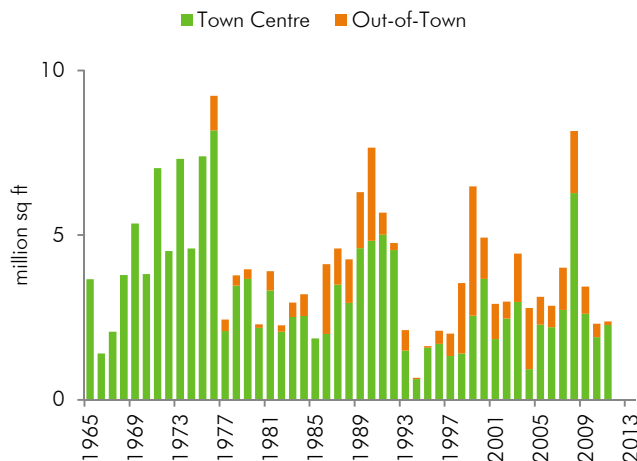
Source: CBRE, PMA

Under Construction (H1 & H2)



Source: CBRE, PMA

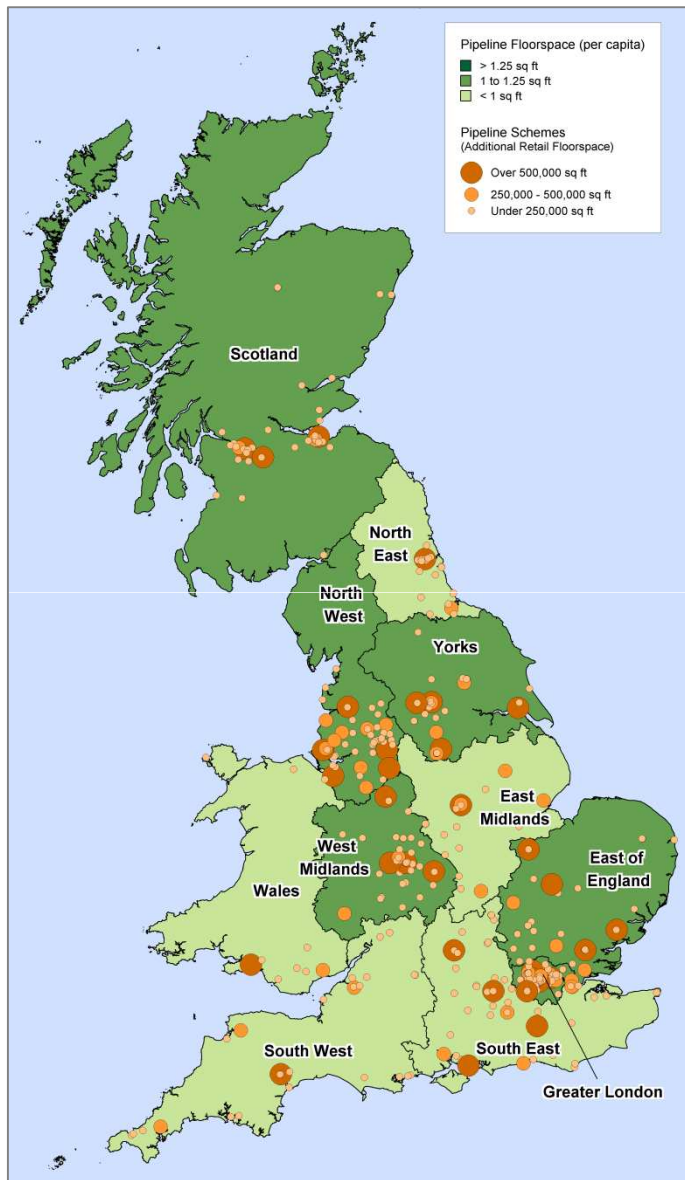
Completed (annual)



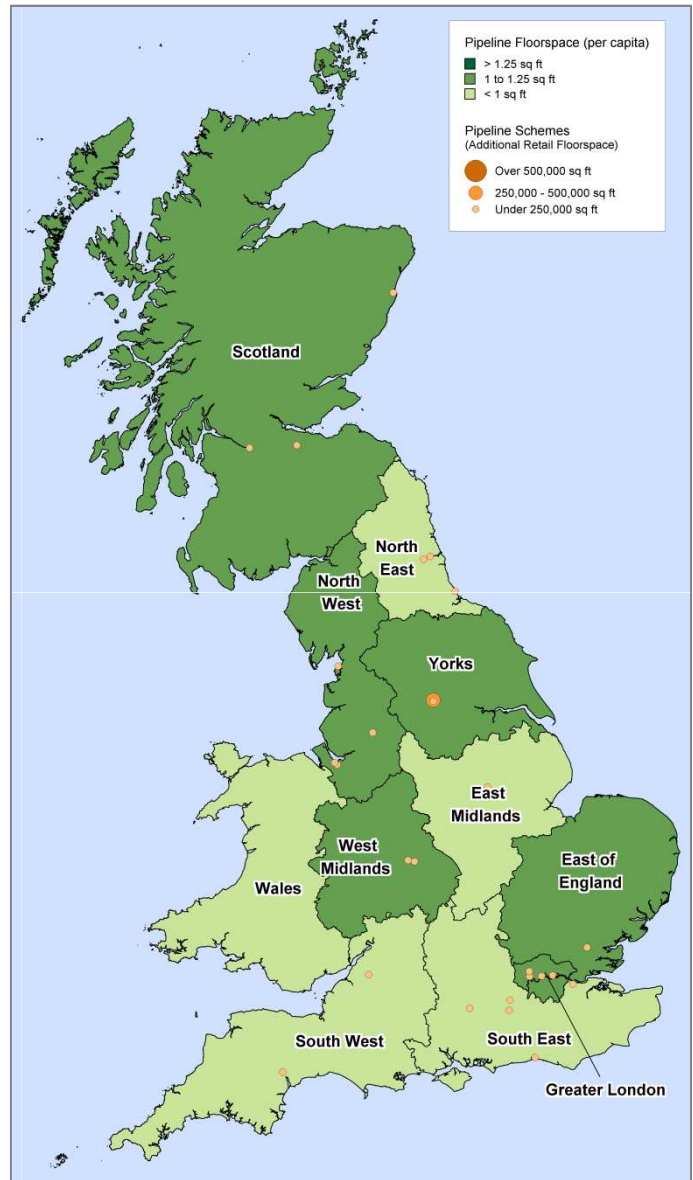
Source: CBRE, PMA

SCHEME SUPPLY

Shopping Centre Pipeline – All Planning Stages



Shopping Centre Pipeline – Under Construction



Region (GOR)	Total Pipeline Floorspace (m sq ft)	Total Pipeline Floorspace (%)	Total Floorspace per capita (sq ft)	Pipeline Under Construction (m sq ft)	Pipeline Under Construction (%)
East Midlands	3.01	5.08	0.66	0.13	7.33
East of England	6.40	10.82	1.09	0.03	1.48
London	8.65	14.60	1.09	0.43	23.24
North East	2.33	3.94	0.89	0.02	1.07
North West	8.39	14.17	1.20	0.29	15.66
Scotland	5.54	9.36	1.06	0.08	4.32
South East	7.12	12.03	0.83	0.04	2.13
South West	3.31	5.60	0.62	0.17	9.13
Wales	1.70	2.86	0.56	0.00	0.00
West Midlands	6.71	11.33	1.22	0.17	9.35
Yorkshire & the Humber	6.05	10.21	1.13	0.48	26.29
Total	59.21	100.00	0.97	1.83	100.00

SHOPPING CENTRE DEVELOPMENT PIPELINE (MILLION SQ FT)

Quarter		Town Centre			Out-of-Town			Town Centre and Out-of-Town			Total Pipeline
Qtr End	Year	Proposed	With Consent	Under Construction	Proposed	With Consent	Under Construction	Proposed	With Consent	Under Construction	
Mar	1991	18.55	28.89	10.41	16.34	12.45	1.99	34.89	41.34	12.40	88.63
Sep	1991	18.08	28.87	8.18	16.02	11.66	1.77	34.10	40.53	9.95	84.58
Mar	1992	13.52	29.44	5.48	10.27	11.54	0.75	23.79	40.98	6.23	71.00
Sep	1992	11.12	26.59	2.48	8.05	10.30	0.50	19.17	36.89	2.98	59.04
Mar	1993	11.14	25.59	1.56	6.13	12.31	0.68	17.27	37.90	2.24	57.41
Sep	1993	10.90	25.00	1.34	6.70	12.79	0.69	17.60	37.79	2.03	57.42
Mar	1994	7.43	23.90	1.29	4.95	12.70	0.11	12.38	36.60	1.40	50.38
Sep	1994	9.15	21.31	1.72	7.43	9.36	0.54	16.58	30.67	2.26	49.51
Mar	1995	11.41	19.38	1.51	7.21	9.15	0.11	18.62	28.53	1.62	48.77
Sep	1995	11.09	18.41	1.94	4.09	8.93	1.40	15.18	27.34	3.34	45.86
Mar	1996	8.93	15.61	2.37	2.37	7.32	1.51	11.30	22.93	3.88	38.11
Sep	1996	10.66	14.32	3.34	2.26	3.44	4.20	12.92	17.76	7.54	38.22
Mar	1997	12.27	14.64	2.15	2.48	2.69	4.09	14.75	17.33	6.24	38.32
Sep	1997	15.72	14.53	2.69	1.29	2.15	4.20	17.01	16.68	6.89	40.58
Mar	1998	15.82	16.36	2.37	0.65	2.05	4.31	16.47	18.41	6.68	41.56
Sep	1998	12.81	17.87	3.77	0.75	1.94	2.58	13.56	19.81	6.35	39.72
Mar	1999	12.70	15.61	5.38	0.86	1.83	0.86	13.56	17.44	6.24	37.24
Sep	1999	16.36	14.85	5.81	0.54	2.26	0.65	16.90	17.11	6.46	40.47
Mar	2000	15.39	14.53	6.46	0.54	2.48	0.32	15.93	17.01	6.78	39.72
Sep	2000	18.19	15.39	5.06	1.08	2.69	0.32	19.27	18.08	5.38	42.73
Mar	2001	19.27	16.15	4.95	1.08	2.58	0.65	20.35	18.73	5.60	44.68
Sep	2001	23.79	15.39	7.86	1.40	2.91	1.29	25.19	18.30	9.15	52.64
Mar	2002	24.65	16.15	6.57	0.86	3.12	0.97	25.51	19.27	7.54	52.32
Sep	2002	22.39	21.96	6.57	3.66	3.12	1.29	26.05	25.08	7.86	58.99
Mar	2003	19.59	18.94	4.41	3.12	2.69	1.18	22.71	21.63	5.59	49.93
Sep	2003	21.10	18.62	4.52	6.14	3.98	1.40	27.24	22.60	5.92	55.76
Mar	2004	19.78	18.94	4.27	6.94	4.78	1.80	26.72	23.72	6.07	56.51
Sep	2004	20.51	20.13	3.60	6.16	4.80	1.27	26.67	24.93	4.87	56.47
Mar	2005	17.03	21.84	5.19	5.96	4.27	2.38	22.99	26.11	7.57	56.67
Sep	2005	20.22	16.65	8.11	5.15	6.39	1.48	25.37	23.04	9.59	58.00
Mar	2006	19.38	14.21	8.72	5.38	3.55	1.94	24.76	17.76	10.66	53.18
Sep	2006	18.32	17.75	9.00	5.18	6.68	2.92	23.50	24.43	11.92	59.85
Mar	2007	18.73	19.38	10.01	5.49	6.57	3.01	24.22	25.95	13.02	63.19
Sep	2007	18.62	19.70	9.58	5.49	7.43	2.48	24.11	27.13	12.06	63.30
Mar	2008	18.78	20.19	8.71	6.43	7.04	2.52	25.21	27.23	11.23	63.67
Sep	2008	20.04	16.48	6.79	9.70	4.77	1.12	29.74	21.25	7.91	58.90
Mar	2009	21.06	18.22	5.52	9.21	6.87	1.07	30.26	25.09	6.59	61.94
Sep	2009	21.96	19.14	5.22	6.46	6.89	1.23	28.42	26.03	6.45	60.90
Mar	2010	22.49	17.64	3.85	7.60	9.03	0.56	30.09	26.64	4.41	61.14
Sep	2010	22.23	18.04	3.26	7.67	9.79	0.22	29.90	27.82	3.48	61.20
Mar	2011	20.14	18.08	2.90	7.10	10.08	0.10	27.24	28.16	3.0	58.40
Sep	2011	21.04	19.79	1.24	5.11	11.44	0.59	26.15	31.23	1.83	59.21

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