



Our strategic focus

Retail

Our view of the market

Prime retail destinations have been one of the most resilient real estate sectors over the last year. As the cost of online retail has increased in recent years, physical retail costs – rent and rates – have declined. For many leading brands, online and physical channels are now firmly inter-connected, so we continue to see existing brands upsize, new brands opening stores in our assets as they move from nearby locations to benefit from higher footfall, and digital-native brands opening stores to grow customer connectivity and experience.

Consumer behaviour has gradually reverted to pre-Covid trends, with online sales down and in-store sales growing over the past year. Given the inflationary pressure on margins for many brands, both online and physical, we expect that the rationalisation of the tail-end of brands' store portfolios will further accelerate. This adds to the challenges for secondary retail locations, where there remains a significant excess of space, yet brands are focusing on fewer, but bigger and better stores.

Therefore, prime destinations continue to get stronger. With attractive yields and the potential for rental growth, we view prime retail destinations as attractive assets to invest in, albeit the number of centres with long-term potential is limited to a relatively small number of sites.

Our plan for our retail portfolio

We will concentrate on catchment-dominant locations we are confident will be long-term winners, by offering an experience that draws shoppers time and again. We will sell assets where we do not have scale or sources of competitive advantage: the retail parks from our subscale sector, for example. We will also make selective disposals and acquisitions, to ensure our portfolio always holds retail assets that have long-term appeal to brand partners and visitors.



Investing in Cardiff

During the last year we secured 100% ownership of St David's shopping centre in Cardiff. Using our competitive advantage to unlock complex opportunities, we acquired the outstanding 50% from two debt holders at a net initial yield of 9.7%.

St David's has firmly established itself as the prime, regionally dominant shopping destination in Cardiff. Leasing momentum has been strong, with 30 leases signed since March 2022, on average 10% ahead of ERV.

Via a separate deal, we also acquired the adjacent vacant Debenhams store for a minimal sum. All combined, this unlocks the opportunity to deliver our future vision for the centre, to further enhance its attractions for brands and guests. We expect to deliver a high single-digit income return on incremental capital expenditure.

£1.9bn

portfolio comprising six high-quality regional shopping centres and five outlet centres

£38m

lettings signed or in solicitors' hands

94.3%

like-for-like occupancy

4.4%

like-for-like sales up vs 2020

The portfolio

Strategy in focus