



BCSC

SHAPING RETAIL PROPERTY

New Generation Seminar *Positioning for the Recovery*

Lawrence Graham LLP
9 September 2009



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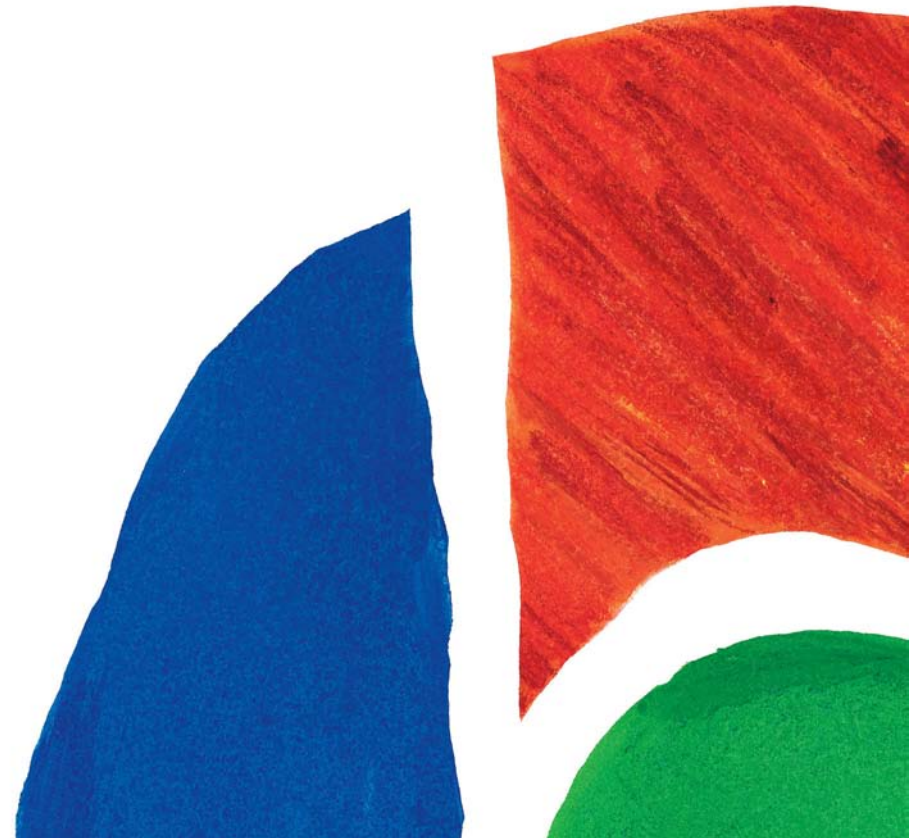
Mike Sales

**Head of Global Property Investment
Henderson Global Investors**



“Positioning for the recovery”

Wednesday 9 September 2009



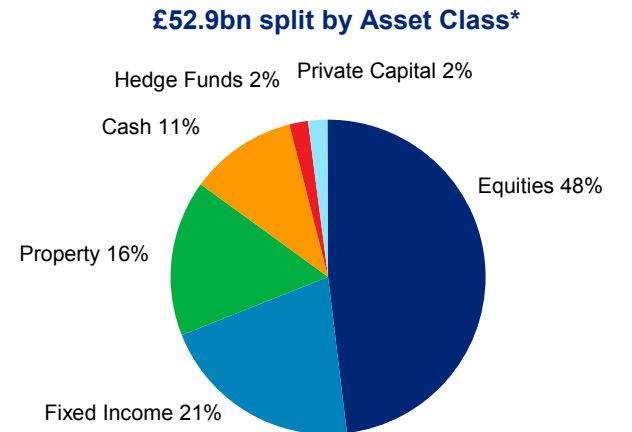
Who are we?

Who are we?

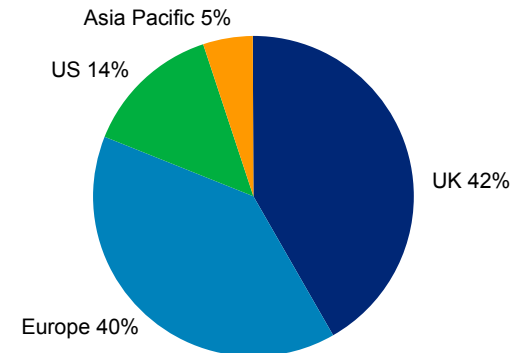
Capital markets context

- Independent FTSE 250 listed fund management business
- £52.9bn* assets under management worldwide
- Managing investments - equities, bonds and property since 1934
- Over £10bn* in property assets globally
 - 16% of Henderson AUM
 - Over 190 property staff
- Managing property in all of its forms
 - Direct
 - Indirect
 - Listed
- European retail accounts for 40% of total AUM

* At 30 June 2009; does not include property securities



**Property funds by country (source of assets):
£10.6bn***



A core strength for Henderson

Where are we now?

Where are we now?

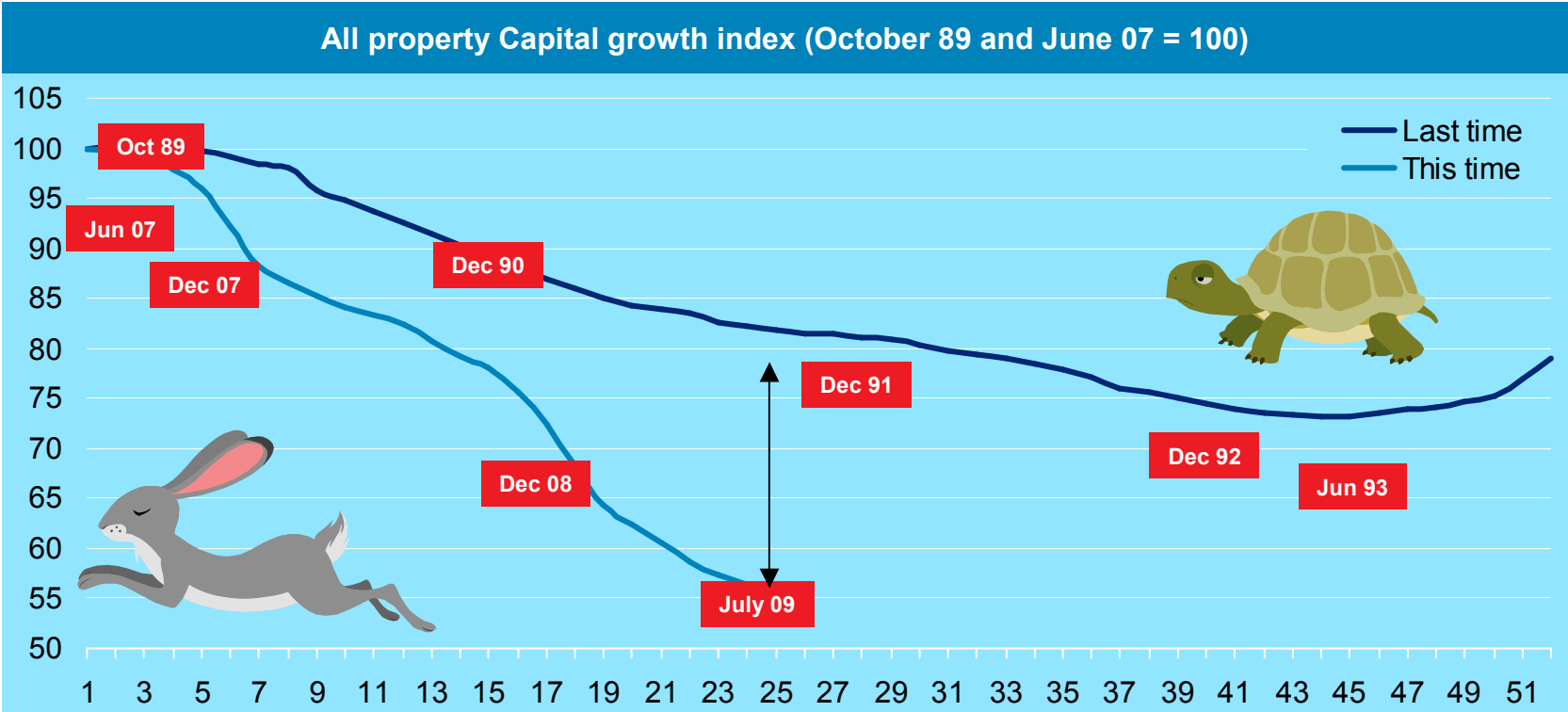
Positioning for the recovery

- Green shoots, silver linings...
- How do we define recovery?
- Will we ever recover to mid-2007 levels?
- Shape of recovery
- Any recovery is likely to be highly polarised – less uniform than last bull run
- Positioning for recovery.... **You could be too late!**



Where are we now?

Have values found their floor



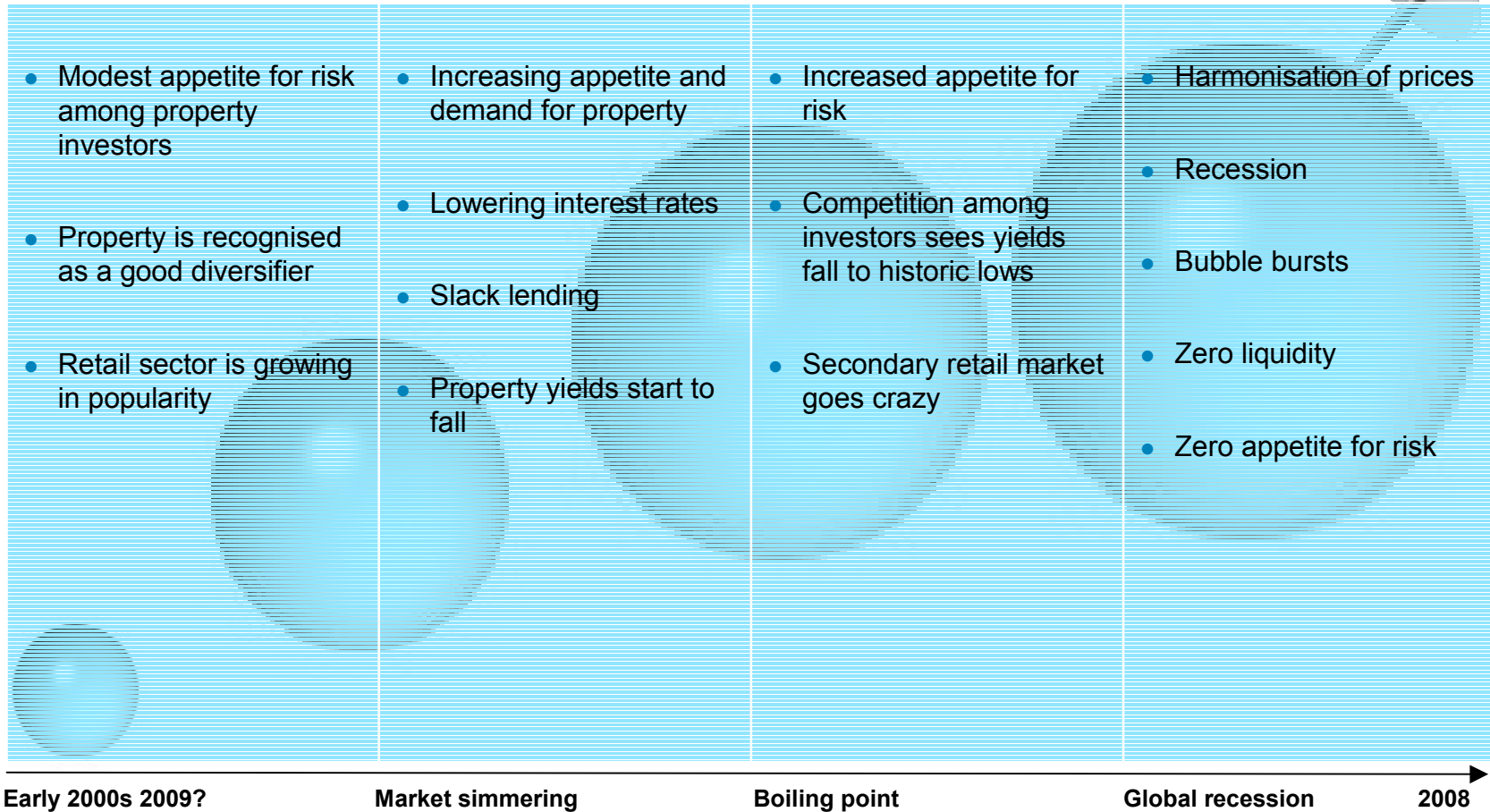
Source: IPD Monthly Digest, July 2009

Is recovery imminent?



Where are we now?

The UK property market bubble



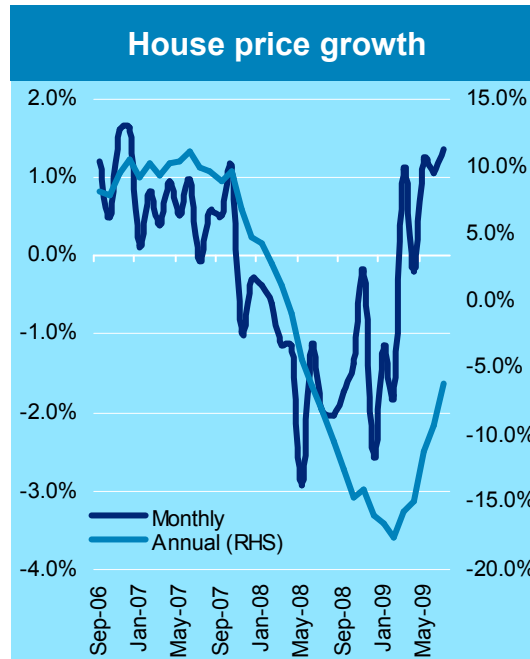
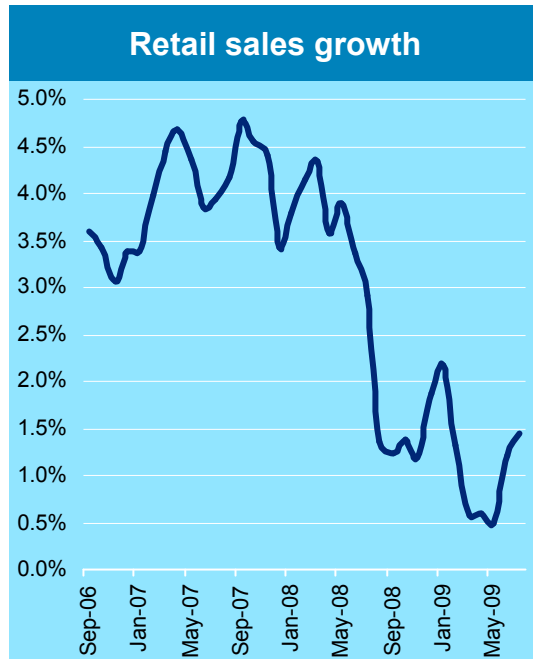
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Back to the beginning and back to basics

Where are we headed?

Where are we headed?

The consumer economy - heading in the right direction?



Source: Datastream

- Buoyant retail sales (compared to other European markets)
- Housing market looking stronger
- Consumer and business confidence picking up, but still weak
- Trending in the right direction

Indicators improving but we're not out of the woods yet

Where are we headed?

Tenant failures and vacancies

“The high street retail vacancy rate will reach 15% by the end of 2009 – the equivalent of 135,000 retail outlets.” (Source: Experian)

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WOOLWORTHS

zavvi[®]



- Recession served to sort the men from boys
- Weak concepts struggling and poor retailers failed to survive
- The UK retail market will emerge leaner and fitter
- Surviving retailers will thrive as they take greater market share

Lessons learned

Where are we headed?

Landlord vs Retailer

- Is it round One to Retailer?
 - New Leases
 - Increased rent free packages 12 – 24 months
 - Increased Cap Ex to assist shop fits
 - Reduced net effective rents
 - Expansion funded by L/L or shared risk
 - Existing Leases
 - Deferred rent reviews
 - Monthly rent payments
 - An example of landlords and a retailer working together
 - JJB “benchmark” CVA agreement
 - Focus DIY – CVA Agreement



Balance of power certainly in retailers' favour

Where are we headed?

Retail pricing - going for a song?

- Availability of “cheap” assets?
 - REIT’s have raised equity through right issues – no need to sell prime assets!
 - Volume of banks distressed selling was over estimated
 - Opportunities to access prime end of market remain scarce
 - Weight of money
 - Sovereign
 - Private
 - Opportunistic

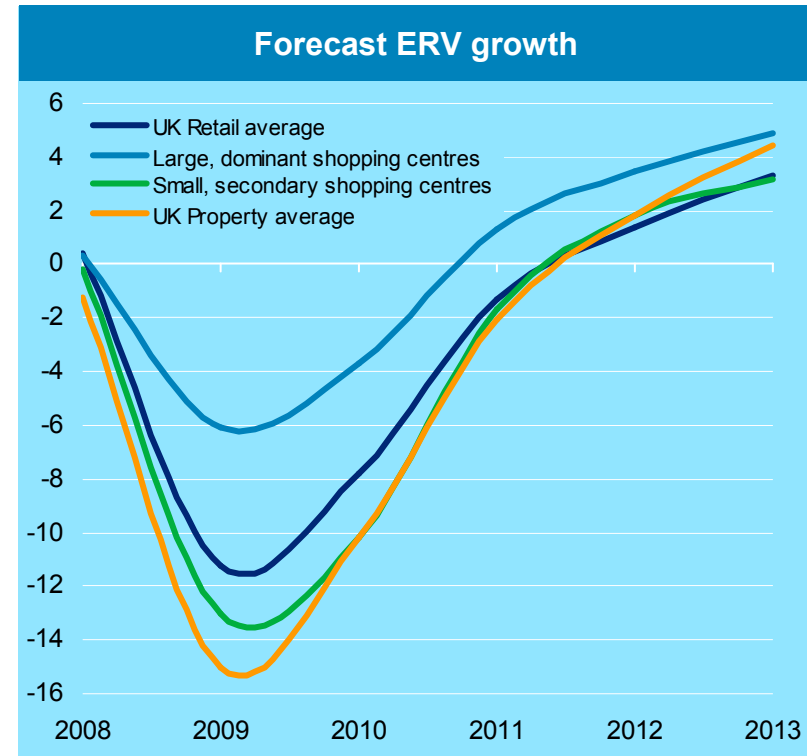


What are we doing?

What are we doing?

Typology forecasting

- Certain types of shopping centres will perform very differently
- The short term looks bleak for the UK occupier market
- Prime assets enjoy positive sales growth even in difficult times
- Return to positive growth post 2010
- With strong growth from large, dominant shopping centres
- The UK will continue to attract international retailers seeking representation in Europe



Better than average growth from prime schemes

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