Q2 18

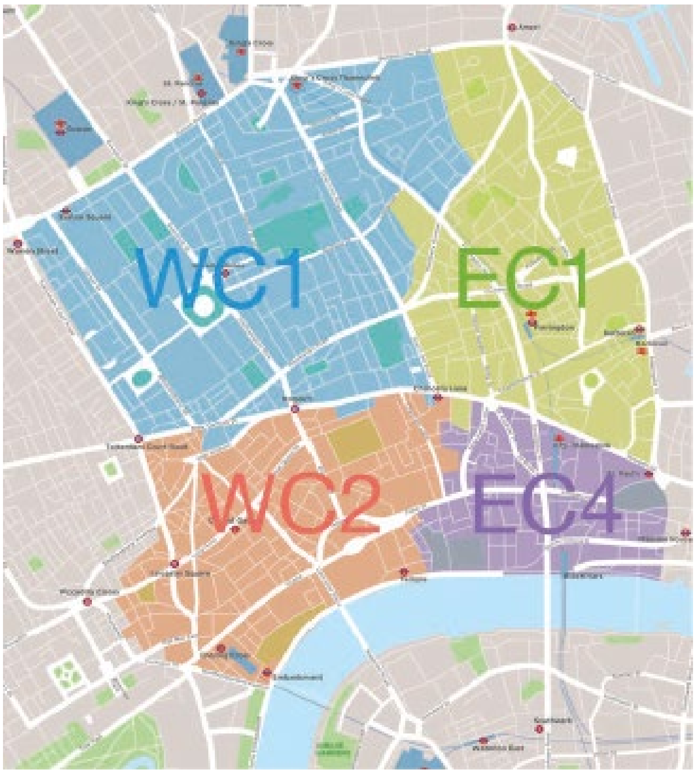
LONDON MIDTOWN
OFFICE & RETAIL MARKETS

Farebrother

CORFAC International

DISCOVER MIDTOWN

Bloomsbury
Holborn
Hatton Garden
St. Giles
Chancery Lane
Fleet Street
Northbank
Covent Garden
Clerkenwell
Farringdon
St. Paul's



AZAR LAGHAEI, PHD
Head of Research
+44 20 7855 3547
alaghaei@farebrother.com
al@unionstreetpartners.co.uk

Farebrother is a long-established practice of real estate consultants and chartered surveyors. Our services cover five specialist areas: Leasing and Development, Investment, Lease Advisory, Occupier Services, and Property Asset Management. central London is our core market and, together with our joint venture Union Street Partners, we specialise in Midtown and South Bank.

Our extensive research provides a concise and incisive view of one of the most dynamic commercial property markets in the world. This quarterly report analyses the overall performance of the leasing, development, investment and retail markets. It is published alongside our annual Centre of London Report, which is produced in conjunction with Union Street Partners Together, these reports provide a comprehensive view of London's central spine.

DEFINITIONS

AVAILABILITY
Office space available for immediate occupation.

AVAILABILITY RATE
Available offices as a proportion of total stock.

CONSTRUCTION COMPLETION
Development where the main contract has reached practical completion.

CONSTRUCTION START
Development where the main contract has commenced, normally excluding demolition or stripping out.

DAMIT
Design; Advertising, Marketing & PR; Media, Internet; and Technology & Telecoms.

FLOORSPACE
Net internal area, unless otherwise stated.

HIDDEN SUPPLY
Space which is not currently on the open market, but likely to come available in the near future.

MIDTOWN
WC1, WC2, EC1 (West of Goswell Street), EC4 (West of Aldersgate Street and New Change).

NEW
Brand new buildings or buildings developed behind a retained façade.

REFURBISHED
Buildings which have undergone a major refurbishment.

STOCK
Office accommodation, excluding offices under construction.

SECONDHAND GRADE A
Previously occupied higher quality space with features such as air-conditioning or raised floors.

SECONDHAND GRADE B
Previously occupied lower quality space with features such as central heating or perimeter trunking.

TAKE-UP
Completed transactions where offices are let or sold to an occupier.

COVER IMAGE Aviation House, 125 Kingsway, WC2

EXECUTIVE SUMMARY

Q2 18 HEADLINES

- 43% rise in take-up with resurgence in number of large transactions.
- Overall availability rate moved from 3.8% to 3.4%.
- New & refurbished availability declined as a result of limited completions.
- Speculative under construction rose as major schemes started.
- Spike in investment turnover with four deals over £100m.
- Challenges ahead for the retail market but positive long-term outlook.

The Midtown market moved forward on all fronts in the second quarter of 2018. Total take-up for the quarter reached 631,861 sq ft, marginally below the long-term average but 43% up on Q1. Leasing activity was mainly supported by a combination of DAMIT occupiers, serviced office operators, and the legal sector. The occupier sentiment remained resilient, reflected in a surge in larger deals along with the robust churn of smaller office lettings. Space under offer remained high which should sustain the momentum throughout the remainder of the year.

Total availability plummeted by 11% over the quarter to 1.5m sq ft, equating to an availability rate of 3.4%. New and refurbished supply dropped by 17% to 633,966 sq ft, amounting to 42% of total availability. Secondhand office accommodation also diminished to 859,36 sq ft, a 6% slide on the previous quarter.

The volume of speculative construction totalled 1.1m sq ft, due for delivery by the end of 2019. The market is anticipated to see a surge in the number of large completions during the second half of 2018.

Occupier enthusiasm for Midtown was matched in Q2 by strong investor appetite. The three months between April and June saw investment transactions reach £1.2bn, with the half year total standing at £1.67bn. This is the second highest H1 volume since the market saw £1.75bn of deals transacted in the first half of 2014. In line with the rest of London, international capital is still the dominant factor. During Q2, overseas investors accounted for 85% of total turnover.

The Midtown retail and leisure sector is still seeing strong levels of occupational demand, albeit a higher level of flexibility and creativity is often required to attract occupiers. The retail sector is broadly faced with several challenges and has to keep pace with disruptive new technologies and changing consumer behaviour.

INSIDE THIS EDITION

MARKET OVERVIEW
Q2 18

TOTAL AVAILABILITY

1.5m sq ft

change on Q1 18
-11%

TAKE-UP

631,861 sq ft

change on Q1 18
+43%

AVAILABILITY NEW & REFURBISHED

633,966 sq ft

change on Q1 18
-17%

INVESTMENT

£**1.2bn**

change on Q1 18
+159%

AVAILABILITY SECONDHAND

859,436 sq ft

change on Q1 18
-6%

SPECULATIVE CONSTRUCTION

1.1m sq ft

change on Q1 18
+32%

AVAILABILITY RATE

3.4 %

change on Q1 18
-0.4 pp

HOUSE VIEW

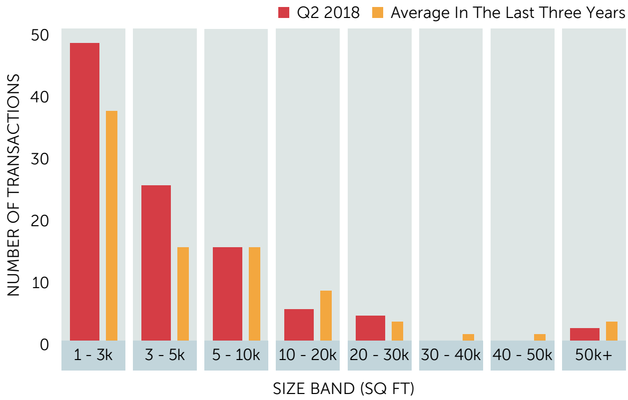
Smaller lettings churn returning to historic resilience

The largest letting in the second quarter was over 100,000 sq ft, which bolstered occupier activity and lifted take-up by 43% over the quarter. The analysis of Midtown take-up by size band, however, demonstrates that 74% of all transactions by number were in the sub 5,000 sq ft tier. There were 73 deals with a total size of less than 5,000 sq ft, the highest number since the final quarter of 2013.

A further breakdown in the sub 5,000 sq ft bracket shows that 1,000 to 3,000 sq ft occupiers were the most active part of the market. Compared with the three-year average for individual size bands, both 1-3,000 and 3-5,000 sq ft brackets performed exceptionally above average with a noticeable increase in the number of deals.

This is a particularly interesting trend for Midtown as smaller lettings sustain the Midtown churn. Subsequently, many of them will expand or consolidate and are likely to take additional space in the future.

FIG.1 MIDTOWN TAKE-UP BY SIZE BAND

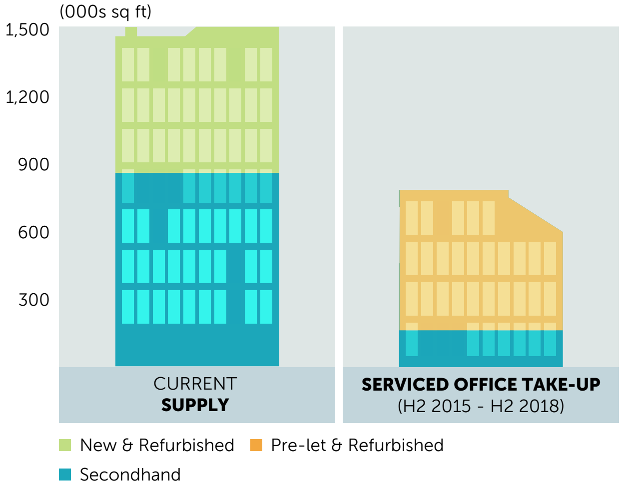


Serviced offices eroding Midtown office supply

Serviced office operators leased around 792,014 sq ft across Midtown in the last three years, with WeWork accounting for 64% of it. Serviced offices bring in new businesses, which are likely to commit to longer leases in the area at a later stage and this is a positive for the market.

However, this level of take-up amounts to 53% of currently available office space in Midtown. Serviced office operators often take large units to establish a concentration and obtain economies of scale. They erode office supply in a market that is already facing a dearth of availability. Consequently, choice becomes more constrained for other occupiers seeking a traditional lease, particularly in high quality buildings. Just below 80% of the total volumes leased by serviced offices in the last three years were either pre-let or refurbished space.

FIG.2 CURRENT SUPPLY VS. SERVICE OFFICE TAKE-UP IN THE LAST THREE YEARS



TAKE-UP
Q2 18

TOTAL TAKE-UP

631,861 sq ft

change on Q1 18
+43%

Ten-year Quarterly Average
654,471 sq ft

TAKE-UP NEW & REFURBISHED

224,502 sq ft

change on Q1 18
+44%

Ten-year Quarterly Average
237,635 sq ft

PRE-LET

125,290 sq ft

change on Q1 18
--

Ten-year Quarterly Average
26,753 sq ft

TAKE-UP SECONDHAND

282,069 sq ft

change on Q1 18
-2%

Ten-year Quarterly Average
390,083 sq ft

TABLE 1 SELECTED OFFICE LETTINGS IN MIDTOWN Q2 18

Occupier	Address	Grade	Size (sq ft)	Reported Rent (psf)
WeWork	Aviation House, 125 Kingsway, WC2	Pre-let	125,290	Early £60s
Trade Desk	One Bartholomew Close, EC1	Let during construction	54,261	Early £80s (overall)
The Office Group	Orion House, 5 Upper St Martins Lane, WC2	Secondhand Grade A	28,622	£62.50 (overall)
7Stars	Bush House, Aldwych Quarter, WC2	Refurbished	23,079	£61.50
Global Data	Standard House, 12-13 Essex Street, WC2	Secondhand Grade B	22,405	Owner Occupier
Marks & Clerk	15 Fetter Lane, EC4	Refurbished	20,898	£65.00
British Business Bank	8 Salisbury Square, EC4	Refurbished	19,413	£63.50
Boult Wade Tennant	8 Salisbury Square, EC4	Refurbished	17,041	£66.00
Baker McKenzie	5 Fleet Place, EC4	Secondhand Grade A	15,040	Confidential
IDEO	Herbal House, 10 Back Hill, EC1	Refurbished	14,170	Confidential

Activity boosted by resurgence in large transactions

Resilient occupier confidence in the second quarter of 2018 was reflected in a 43% rise in leasing volumes quarter-on-quarter. A total of 631,861 sq ft was leased in Q2, with the half year total reaching 1.1m sq ft. Pre-letting activity along with new and refurbished take-up accounted for 55% of total volumes leased in Q2.

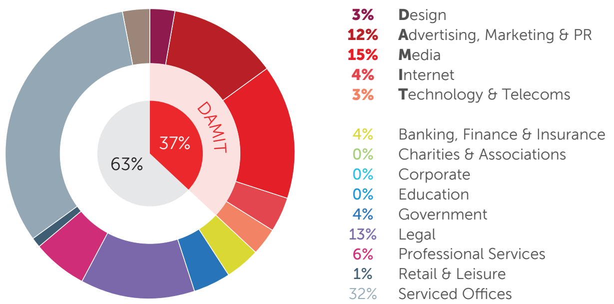
Take-up in the second quarter of 2018 was boosted by a resurgence in the number of large transactions. As a result, the average transaction size stood at 6,382 sq ft. This compares with 4,666 sq ft in the previous quarter, when the market suffered from a lack of any sizeable deal.

WeWork's pre-let of 125,290 sq ft at Aviation House, 125 Kingsway, WC2 was the largest deal this quarter. Trade Desk leased 54,261 sq ft on the top three floors of One Bartholomew Close, EC1. There were four additional transactions in excess of 20,000 sq ft: The Office Group at Orion House, 5 Upper St Martins Lane, WC2 (28,622 sq ft); 7Stars at Bush House, Aldwych Quarter, WC2 (23,079 sq ft); Global Data at Standard House, 12-13 Essex Street, WC2 (22,405 sq ft); and Marks & Clerk at 15 Fetter Lane, EC4 (20,898).

As with previous quarters, DAMIT occupiers were the most active sector, accounting for 37% of total take-up this quarter. Serviced office operators also continued to be a key element of the Midtown leasing market, with a 32% share of take-up.

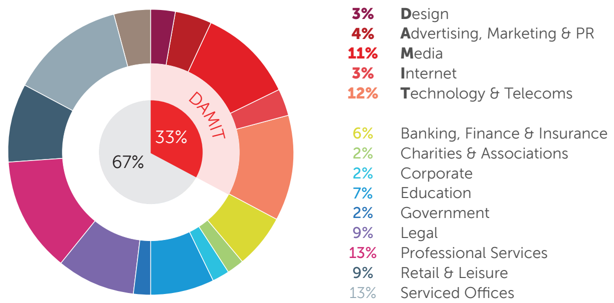
Similarly, demand was mainly driven by DAMIT occupiers and serviced office operators. The two sectors accounted for 25% and 24% of total active requirements over 5,000 sq ft in the second quarter. With steady demand and a high volume of space under offer, leasing momentum should be sustained throughout the year.

FIG.3 TAKE-UP BY SECTOR IN Q2 18



479,217 sq ft
Named Take-up
Undisclosed (152,644 sq ft)
Total: 631,861 sq ft

FIG.4 TAKE-UP BY SECTOR IN 3 YEARS TO Q2 18



6.3m sq ft
Named Take-up
Undisclosed (994,685 sq ft)
Total: 7.3m sq ft

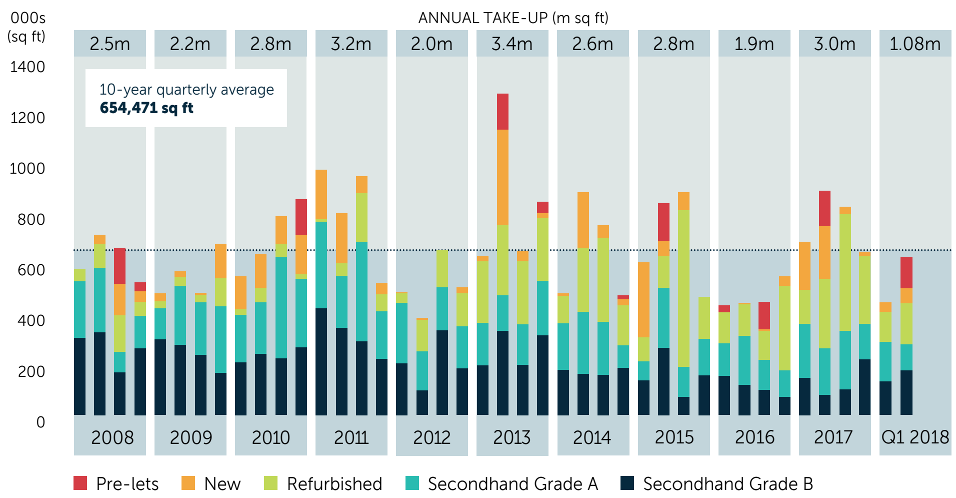


FIG.5 TAKE-UP BY GRADE IN Q2 18

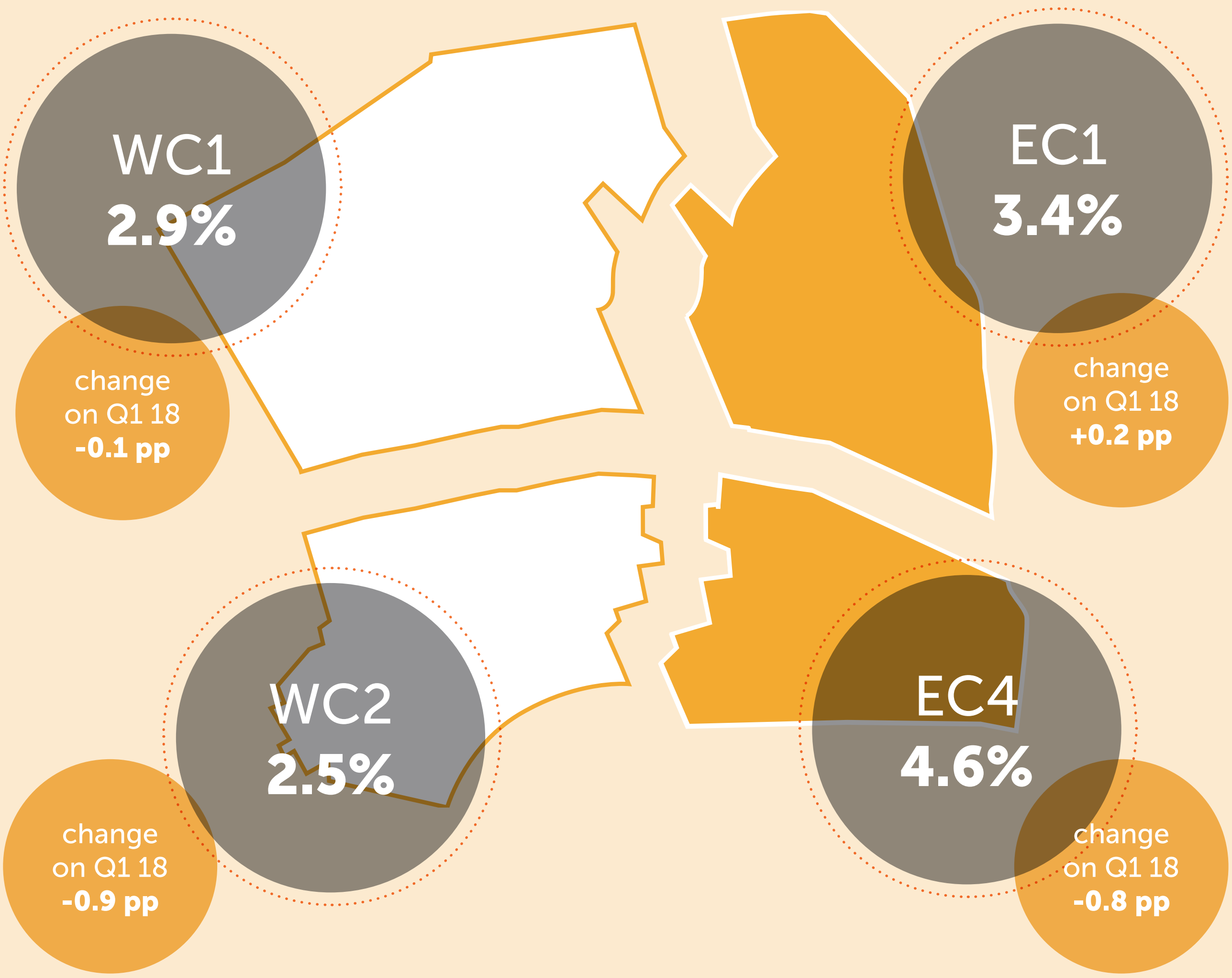
AVAILABILITY
Q2 18

TOTAL AVAILABILITY	
1.5m sq ft	
change on Q1 18 **-11%**	Ten-year Quarterly Average **2.5m sq ft**

AVAILABILITY NEW & REFURBISHED	
633,966 sq ft	
change on Q1 18 **-17%**	Ten-year Quarterly Average **742,493 sq ft**

AVAILABILITY RATE	
3.4 %	
change on Q1 18 **-0.4pp**	Ten-year Quarterly Average **5.6%**

AVAILABILITY SECONDHAND	
859,436 sq ft	
change on Q1 18 **-6%**	Ten-year Quarterly Average **1.8m sq ft**



Second consecutive quarter of decline

Availability plummeted by 11% over the quarter to stand at 1.5m sq ft at the end of June. It remained 29% below the corresponding point last year (2.1m sq ft) and considerably below the long-term quarterly average of 2.5m sq ft in Midtown.

The availability rate also declined to 3.4%, from 3.8% in the previous quarter. The Midtown availability rate fell to the lowest position across the wider central London market, with comparative figures showing 3.5% for the South Bank, 6.2% for the West End, and 10.0% in the City.

Looking at Midtown individual submarkets, the availability rate diminished significantly in all areas except for EC1, where it marginally increased from 3.2% to 3.4% over the quarter.

Development completions this quarter were limited to only 20,000 sq ft at The Bondworks, Farringdon Road, EC1. As a result, new and refurbished space declined further by 17% during the quarter to 633,966 sq ft. This compares with the 10-year quarterly figure of 742,493 sq ft and represents 42% of total market supply.

The notable new or refurbished buildings, which can currently cater for sizable requirements over 50,000 sq ft include: 8 Salisbury Square, EC4 (108,103 sq ft available), 1 Puddle Dock, EC4 (97,511 sq ft available), 20 Farringdon Street, EC4 (85,112 sq ft available), and Herbal House, EC1 (53,622 sq ft available). Some of these are, however, understood to be under offer either fully or in part.

Secondhand accommodation contracted by 6% quarter-on-quarter, from 910,824 sq ft to 859,436 sq ft, as space was eroded by lettings.

FIG.6 QUARTERLY OFFICE AVAILABILITY BY GRADE

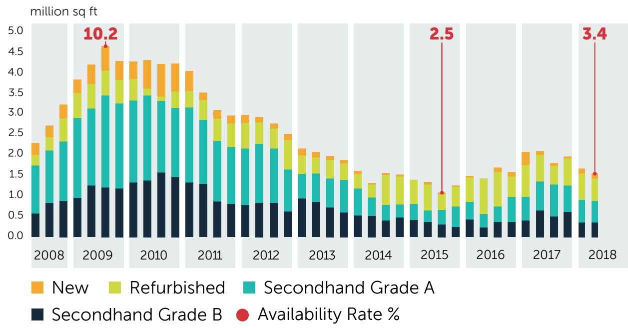


TABLE 2 MIDTOWN OFFICE STOCK IN THE CONTEXT OF CENTRAL LONDON

Grade	Midtown	West End	City	South Bank
New & Refurbished (sq ft)	633,966	836,668	1,511,703	139,366
Secondhand A (sq ft)	511,495	1,950,351	3,791,171	169,475
Secondhand B (sq ft)	347,941	1,635,604	1,623,185	437,709
Total (sq ft)	1,493,402	4,422,623	6,926,059	746,550
Stock (sq ft)	43,902,044	71,020,725	69,392,351	21,172,319
Availability Rate (%)	3.4%	6.2%	10.0%	3.5%

PIPELINE
Q2 18

TOTAL SPECULATIVE SPACE UNDER CONSTRUCTION

1.1m sq ft

change on Q1 18
+38%

SPECULATIVE CONSTRUCTION DUE IN Q3 2018

108,764 sq ft

SPECULATIVE CONSTRUCTION DUE IN Q4 2018

321,462 sq ft

SPECULATIVE CONSTRUCTION DUE IN 2019

473,481 sq ft

SELECTED DEVELOPMENT SCHEMES DUE FOR DELIVERY IN THE COMING MONTHS

Bureau,
90 Fetter Lane, EC4

Evans Randall
60,859 sq ft | Q3 2018

The Smithson,
6-9 Briset Street, EC1

Savills Investment Management
47,905 sq ft | Q3 2018

One Bartholomew Close,
EC1

Helical Bar | Ashby Capital
211,244 sq ft | Q4 2018
54,261 sq ft let

The Ray Farringdon,
EC1

Viridis Real Estate
88,908 sq ft | Q4 2018

One Smart's Place,
182-184 High Holborn, WC1

AXA | Morgan Capital
39,704 sq ft | Q4 2018

The Post Building,
WC1

Oxford Properties | Brockton Capital
290,000 sq ft | Q1 2019
152,000 sq ft let

Rise in speculative construction with notable starts

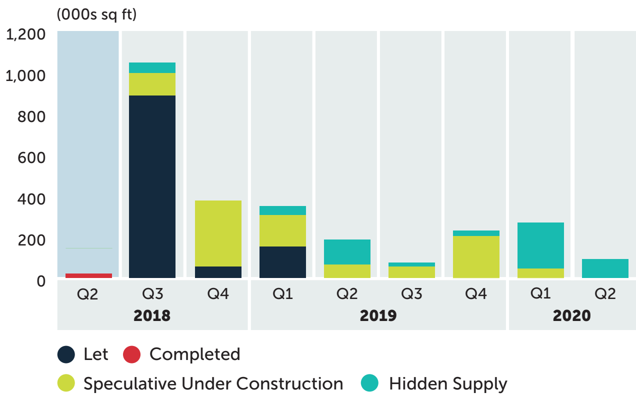
The total volume of speculative space under construction rose from 826,085 sq ft to 1.1m sq ft over the quarter. This was in line with the long-term quarterly average of 1.1m sq ft in Midtown. It was however considerably below the corresponding point in 2017 (1.7m sq ft).

Three schemes commenced on site this quarter. Farringdon Station East, Lindsey Street, EC1 (90,000 sq ft) was the largest start in Q2. The refurbishment of 3-5 Norwich Street, EC4 (28,000 sq ft) and 28 Kirby Street, EC1 (22,755 sq ft) also began in the second quarter.

Just below 40% of total speculative space currently under construction is scheduled for delivery during the second half of 2018. The market is anticipated to see a surge in the number of large completions, with four buildings in excess of 50,000 sq ft due for completion in the third and fourth quarters of the year.

With a total size of 843,922 sq ft, Goldman Sachs's Fleet Buildings at 70 Farringdon Street, EC4 is the largest delivery in 2018. It will however be mainly occupied by the bank upon completion in the third quarter. Approximately, 108,764 sq ft of refurbished space should come on the market speculatively in the third quarter with the completion of Bureau, 90 Fetter Lane, EC4 (60,859 sq ft) by Evans Randall, along with The Smithson, 6-9 Briset Street, EC1 (47,905 sq ft) by Savills Investment Management.

FIG.7 RECENT COMPLETIONS AND FUTURE SUPPLY IN MIDTOWN Q2 18 – Q2 20



The new-build development at One Bartholomew Close, EC1, by Helical Bar and Ashby Capital, is the most notable speculative completion, bringing 156,983 sq ft to the market in the final quarter of 2018. The Ray Farringdon, EC1 (88,908 sq ft) by Viridis Real Estate should also complete in Q4 2018.

Looking ahead, there is currently 473,481 sq ft of speculative space under construction and due for delivery in 2019. The Midtown development pipeline remains limited beyond 2019, with only 186,000 sq ft to complete in 2020.

Total Construction
2.1M SQ FT

49% LET

Spec Construction
1.1 M SQ FT

INVESTMENT
Q2 18

INVESTMENT TURNOVER

£1.21bn

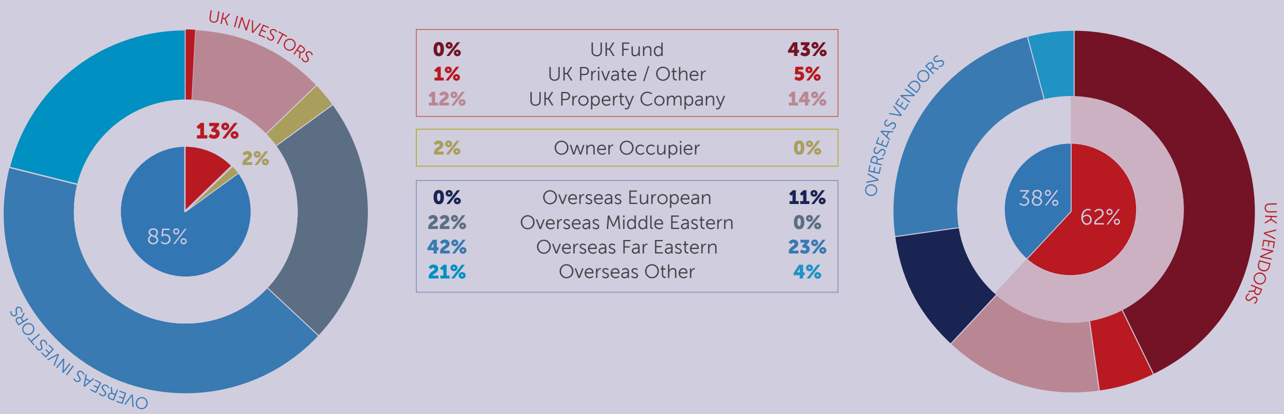
change on Q1 18
+159%

Ten-year Quarterly Average
653m

TABLE 3 SELECTED INVESTMENT TRANSACTIONS IN MIDTOWN Q2 18

Address	Vendor	Purchaser	Area (sq ft)	Reported Price
TWENTY OLD BAILEY, EC4	Blackstone	Mirae Asset Management	240,319	£341m
CAA HOUSE, 45-49 KINGSWAY, WC2	Almacantar	Seaforth Land Holdings	229,192	£165m
90 HIGH HOLBORN, WC1	Permodalan Nasional Bhd	Teddy Sagi	183,875	£200m
ATHENE PLACE, 66 SHOE LAND, EC4	Commerzbank	Henderson Park	147,479	£101m
165 FLEET STREET, EC4	Aberdeen Standard	Lions Capital Manage-ment	87,929	£71.2m
265 STRAND, WC2	NTT Urban Development	Trinity Grand IM	75,883	£81.35m
5 STRAND, WC2	BlackRock Investment Management (UK)	Abil Group	72,359	£92.5m
HOLIDAY INN, CORAM STREET (PART OF PORTFOLIO), WC1	Apollo Management Holdings, LP	Dayan Family	67,473	£42.89m
7-8 ESSEX STREET, WC2	Cobelfret	Private Middle Eastern Investor	28,705	£27.50m
STANDARD HOUSE, 12-13 ESSEX STREET, WC2	Richards Hogg Ltd & Equity Real Estate	GlobalData	23,419	£23.40m

FIG. 8 INVESTOR & VENDOR BREAKDOWN Q2 18



£1.21bn
£186m UK vs.
£1.02bn Overseas

£1.21bn
£754m UK vs.
£453m Overseas

A strong bounce back in investment volumes for Q2 after a sluggish start to the year

Investment turnover in Q2 2018 reached £1.21bn, which is almost double the 10-year quarterly average of £632m and represents the 3rd largest quarter in this period. This represented a strong bounce back from the sluggish Q1 figure of £465m and brings the total invested to the year to £1.67bn, with only 2014 providing a stronger start to the year in the previous 10 years. We anticipate that this near record quarter may be eclipsed if deals currently under offer progress.

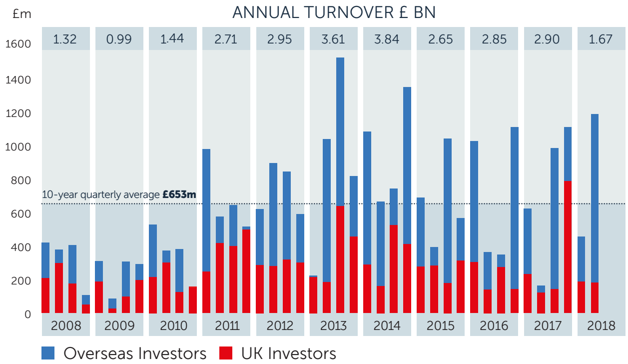
The main driver of this activity has been the continued dominance of overseas investors continuing to be attracted to central London real estate, with these purchasers preferring large ticket deals. This is evident by the average lot size in Q2 of c.£75m across 16 deals. Interestingly, in this quarter we have noticed a wider geographical split between the overseas investors with North American, Middle Eastern, and Far Eastern capital all active. As we alluded to above, we are aware of several large deals, which are currently under offer including c.£1.9bn under offer across two deals, Goldman Sachs HQ and the Adelphi Building.

As is evident from the overseas capital being deployed and still targeting central London real estate, London remains one of the most liquid real estate markets in the world. Overseas capital, who invest with a medium to long-term view, are less concerned with the current political instability caused by the protracted Brexit negotiations and continue to believe that London will remain the financial heart of Europe. This has ensured that prime yields have remained stable at 4.25% and may have even contracted for super prime buildings.

Although investor interest is largely dominated by overseas capital we noticed a variance in the vendor breakdown for the quarter. In recent quarters, around 75% of vendors have been domestic money; however, in this quarter this dropped to almost 60% with a rise in overseas investors deleveraging. This is not a flight of capital from London but more a realisation of business planning by these investors including PNB (Malaysian), NTT (Japanese) and Commerz Real (German).

The largest transaction in Midtown this quarter was the sale of Twenty Old Bailey by the Blackstone Group. The building was purchased by MIRAE AM for £341m, which reflected a NIY of 4.20% and a capital value of £1,419 per sq ft. This was the second purchase for the Korean investor from Blackstone this year and coincides with the influx of Korean capital to central London. The building represents another Blackstone success story, which they purchased in 2013 for £95m. Blackstone undertook a comprehensive refurbishment of the building and undertook a leasing campaign, which captured three internationally recognised clients providing a c.15 year WAULT.

FIG.9 QUARTERLY INVESTMENT TURNOVER BY VALUE



Another notable deal this quarter was the purchase of CAA House by Seaforth Land for £165m and £720 per sq ft. The building, which is one of the largest value add deals in recent years, is let to Civil Aviation Authority until December 2019 at a highly reversionary passing rent of c.£29 per sq ft. The property offers an interesting opportunity for the new owner to increase value through enhancing the arrival experience on the lower floors, whilst undertaking a comprehensive refurbishment of the upper floors to provide contemporary office accommodation suitable for today's occupiers. The building was completed in 1968 by Richard Seifert and was originally called the Space House. We understand that Seaforth Land will look to incorporate this original marketing by rebranding the building the Space Haus.

Looking forward, we believe general transaction levels will be fairly muted throughout the year with the caveat that we envisage that we could witness a record breaking year in terms of total capital invested. This is a result of overseas investors chasing 'trophy' assets with secure long-term income fundamentals. We have also started to witness the rise of the UK funds back in central London who are beginning to realise value and liquidity when compared to other property asset classes such as industrial. The record capital values that the funds are paying, at the more granular end of the market, may prompt some smaller landlords to test the market and crystallise profits.

Although record levels of capital continue to be invested in central London, we expect to see a number of investors to start adopting a "wait and see" approach as we draw closer to March 2019 with Brexit negotiations ongoing and the threat of "no deal" unresolved. However, we see this slowdown as more likely to begin next year.

RETAIL & LEISURE

Q2 18

Making the High Street more resilient and relevant

The retail and leisure sector has rarely before seen so much press attention; unfortunately, it's for all the wrong reasons. Whilst there is no denying the industry is facing significant challenges in some areas, it's important to read between the headlines to understand how this really impacts things from a property perspective. There is a positive outlook beyond this temporary period of unrest, but change is vital in order to get there.

The Grimsey Review 2 was published this quarter and sets out a number of ways in which the industry could be made more resilient and relevant. The 25 recommendations made in the report are divided into sections relating to the creation of supportive environments for retailers, better governance and planning for the industry at both a local and national level, and smarter use of technology.

The report also sets out that there must be acceptance that the UK is 'overshopped' and that town centres need to be repopulated and refashioned. Of course, much of this depends on political will at a time when there are a significant number of distractions.

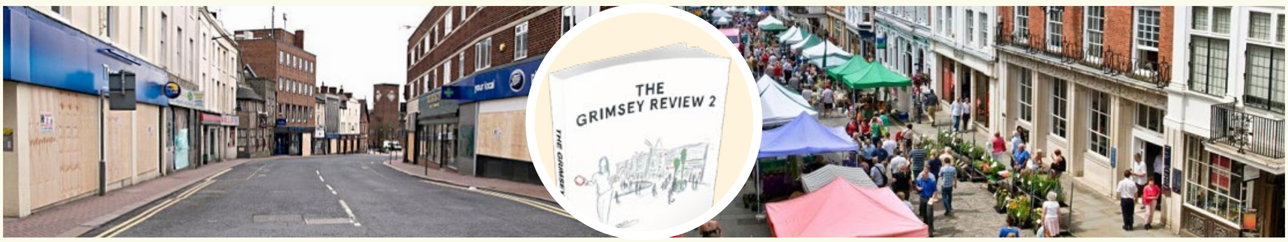
One of the more interesting recommendations is that the Use Classes Order should be totally overhauled. The industry body, Revo, are now advocating this and we are totally in agreement. The current system places unnecessary obstacles in the way of change and progress. Alongside this, it has been suggested new legislation be put in place to allow entire sub-high streets to be converted to residential or other appropriate uses, which would deal with an oversupply of redundant space and the resulting issues.

It is reported that Rates provide an annual revenue of £28bn for the exchequer, with £9bn of this coming from the retail sector. The report's recommendation that rates be scrapped for the retail sector, is therefore one of the more controversial. Whilst there is significant support for such a move, many industry professionals recognise that this is overly simplistic and would be very unlikely to gain Government support.

A scenario more likely to gain support, and one which is gaining momentum, is the introduction of a sales tax levied on online retail sales. The estimated £9bn this would generate on an annual basis could then be distributed across all sectors to ease the burden generally on the property sector.

Of course, central London is a more resilient market which hasn't suffered to the extent of many of the regional retail centres and high streets. Estate ownerships, BIDs and other stakeholder organisations are alive and well here and already have in place a large number of the kind of initiatives proposed by the report.

In Midtown we have some particularly good examples, such as the Northbank and Hatton Garden BIDs and The Chancery Lane Association. Additionally, with estate owners like CapCo, we have one of the best examples of how a long-term vision and stewardship role can create a world class retail and leisure destination with ever growing rents, in spite of current events.



"Mediocrity is killing the High Street..."

One of the favourite headline topics at the moment, is that the internet is killing the high street and physical stores are redundant in today's society. We could not disagree more and tend to agree with Mary Portas, who recently stated that "the internet is not killing the high street, mediocrity is." This certainly rings true when one considers many of those retailers and restaurant operators who have failed or who have had to significantly change in order to survive. Homogenous chains who have done little to adapt to what the consumer wants, is probably the most succinct way to describe them.

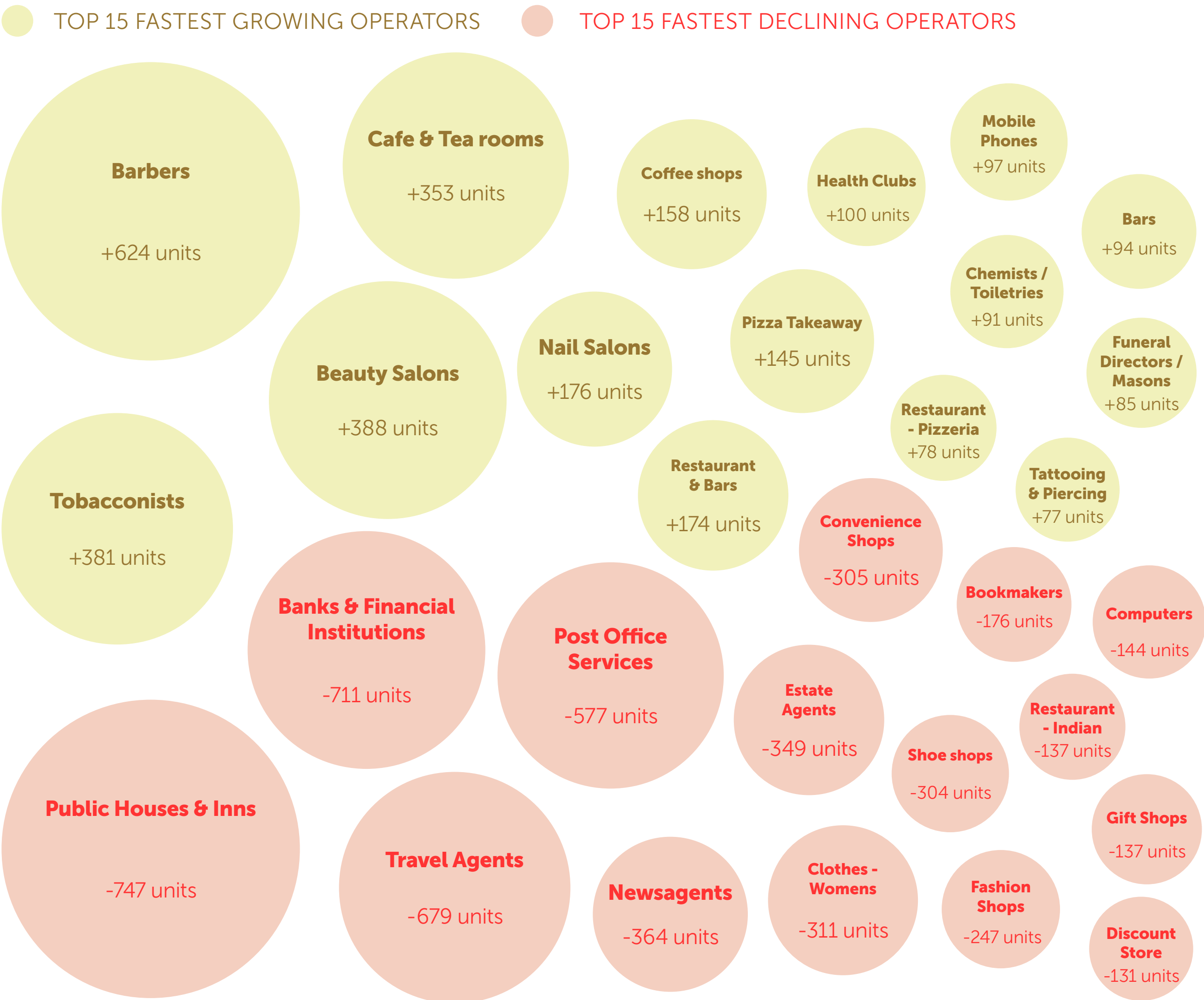
On the subject of the internet, online sales in March of this year reportedly accounted for 17.4% of all retail sales, up from 15.9% in March 2017. It is widely accepted that online sales will level out at around 20-22% of total sales, which will leave in the order of 80% of sales, simplistically speaking, for physical stores. The internet is not the last nail in the sector's coffin, but of course it has impacted certain parts of the sector and has prompted others to think about how they operate and interact with consumers both online and in-store.

Recent surveys show that as many as 60% of the top online retailers either have or are considering having a physical presence, because it allows them to reach new audiences and because consumers are 70% more likely to make a purchase in-store than they are online.

2017 Fastest Growing and Fastest Declining Sectors

The Local Data Company produced these interesting graphics detailing the top 15 fastest growing and fastest declining sectors in 2017, across Great Britain. A few stand out points:

- Pubs and bars feature in both sections which is a good example of how some data can be misleading. The EG reported that while four pubs a day closed in 2017, three opened. This is simply a consequence of the type of operations changing to suit new consumer tastes.
- Around 50% of the closures fall within service retail such as banks, estate agents, post offices and travel agents. These losses aren't detrimental to retail vitality, services are often replaced in new physical forms elsewhere or have truly been impacted by more efficient online platforms.
- Around 50% of the openings fall with the health and wellbeing sphere which signifies a trend we are certainly seeing on the ground.
- Pizzeria restaurants were one of the top 15 which is particularly interesting given the number of Italian fast-casual chains which have become casualties. Mario Bauer of Vapiano recently stated that he isn't concerned about competition from other fast-casual chains, more so the 'cooler' and more interesting smaller/independent brands, who have significantly lower capital expenditure requirements and who capture modern consumer tastes.



HOW CAN WE HELP YOU?

Farebrother

Alistair Subba Row
Strategic Property Advice
+44 20 7855 3555
asubbarow@farebrother.com

Jules Hind
Leasing & Development
+44 20 7855 3558
jhind@farebrother.com

Malcolm Brackley
Lease Advisory, Valuation, Rating
+44 20 7855 3566
mbrackley@farebrother.com

Charlie Thompson
Occupier Services
+44 20 7855 3554
cthompson@farebrother.com

Mark Anstey
Leasing & Development
+44 20 7855 3552
manstey@farebrother.com

Matthew Causer
Leasing & Development
+44 20 7855 3530
mcauser@farebrother.com

Ben Fisher
Leasing & Development
+44 20 7855 3584
bfisher@farebrother.com

Alastair Hilton
Investment
+44 20 7855 3535
ahilton@farebrother.com

Tom Swanson
Investment
+44 20 7855 3503
tswanson@farebrother.com

David McCausland
Lease Advisory, Valuation, Rating
+44 20 7855 3531
dmccausland@farebrother.com

Andrew Glover
Property Asset Management
+44 20 7855 3580
aglover@farebrother.com

Matt Martin
Retail & Leisure
+44 20 7855 3569
mmartin@farebrother.com

Neil Davies
Retail & Leisure
+44 20 7855 3595
ndavies@farebrother.com

WORKING IN PARTNERSHIP

CONTACT US

27 Bream's Buildings
London EC4A 1DZ
+44 20 7405 4545
farebrother.com

Designed and produced by Filament Marketing (www.fulfilament.co.uk)