

Central London Retail Market in Minutes



Bond Street outperforms

Bond Street continues to buck the wider trend with Prime ZA rents continuing to hold. Prime ZA rents on Bond Street currently stand at £2,500 per sq ft as of Q1 2019, in line with that reported the same quarter in 2018 supported by sustained occupier demand.

This is apparent in the number of recent and future openings. Loewe opened their new store on the street in March 2019 with future openings expected from Roger Vivier, Richard Mille and Herno - highlighting Bond Street's continued appeal as a key global luxury destination.

This has been supported by the street's public realm improvements that completed in late 2018. This has seen 13-week rolling footfall average increase 35.1% in Q1 2019 compared to the same period in 2018.

While rents on Bond Street remain robust, along with other pitches such as Marylebone High Street and Spitalfields, we are seeing softening in other parts of the market. This meant the All Central London prime ZA headline index declined 5.1% year-on-year in Q1, albeit there has been no material change on a quarter-on-quarter basis. High value locations with relatively high supply of large flagship units are facing the most significant headwinds, with Brexit uncertainty an added complexity tempering occupier confidence in this part of the market.

Headline Central London Retail Indicators

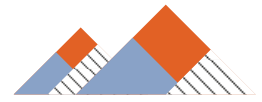
	Q1 2018	Q1 2019
West End Footfall weekly average year-on-year (first 13 weeks of 2019)	-5.9%	-1.6%
Prime West End vacancy rate (Oxford St, Bond St, Regent St)	2.9%	3.2%
All Central London Prime ZA Rental Growth (year-on-year)	1.1%	-5.1%
Oxford Street West Prime ZA Rent	£1,000 psf	£915 psf
Bond Street Prime ZA Rent	£2,500 psf	£2,500 psf
Central London investment volumes	£249.6m	£583.6m
Prime Central London Yield (Bond Street)	2.50%	2.75%
New International Entrants	N/A	3

Source Savills Research; NWEC



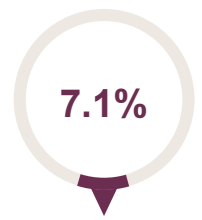
133.8%

Year-on-year increase in Central London retail investment volumes in Q1 2019



35.1%

Average year-on-year footfall on Bond Street over the first 13 weeks of 2019



7.1%

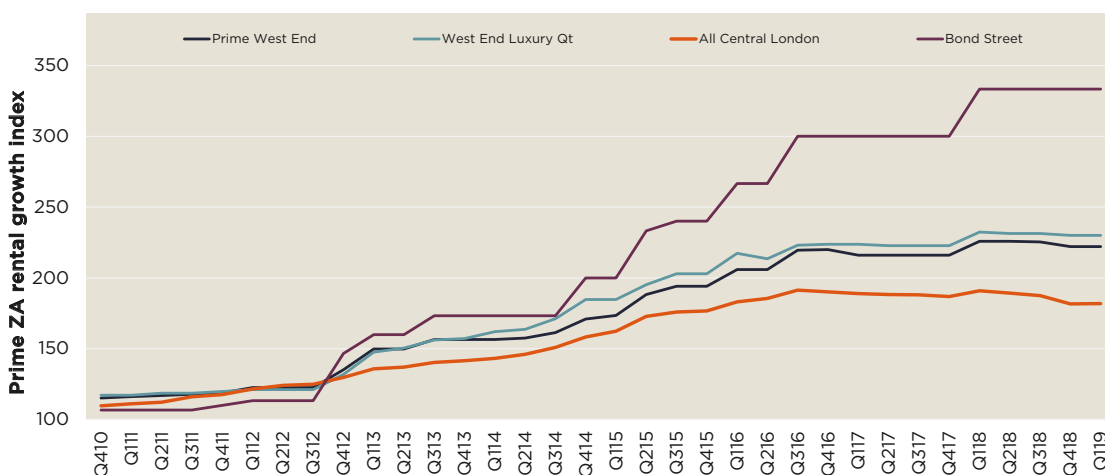
Year-on-year Prime ZA rental growth on Kensington High Street



3

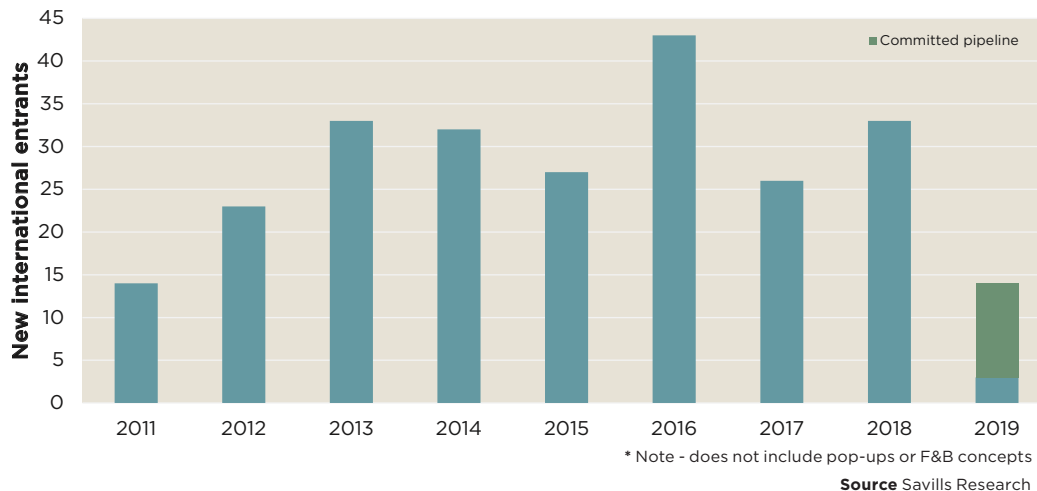
New international entrants opened their first store in London in Q1 2019, with a further 11 in the committed pipeline.

Prime ZA rental growth index Central London prime ZA rental growth softening



Source Savills Research

New international entrants Number of international retailers opening debut permanent stores within Central London increased in 2018.



LONDON CONTINUES TO APPEAL AS A VITAL GATEWAY CITY FOR INTERNATIONAL RETAILER EXPANSION

The number of new international retailers opening debut stores in Central London increased significantly in 2018, reaching 33 individual openings (an increase of 26.9% compared to 2017 levels). Likewise, 2019 has started promisingly, with three new international entrants opening permanent stores within the first quarter and a further 11 in the committed pipeline.

The majority of these openings have been from ‘aspirational’ midmarket brands, accounting for 18 of the 33 new openings seen last year. This includes the likes of popular French online retailer, Sezane’s first permanent UK store on Westbourne Grove opening in August 2018.

A great deal of the international brands arriving in London last year tended to be smaller emerging retailers, often seeking relatively small unit sizes. This has resulted in a number of key fringe locations featuring within the top five areas of London in terms of openings, including pitches in Soho and fringe streets surrounding Bond Street. Also, after a year of inactivity, King’s Road saw four new concepts join the high street in Chelsea, including Turkish brand Bluemint and Latin American Blaiz, who opened their first permanent physical store following a successful pop-up on the same street in 2017.

A number of these brands have already ventured into second sites across the city off the back of successful debut stores and/or e-commerce sales. This has been the case for the popular Danish outerwear brand Rains, opening on Upper Street in April followed by a second store in Coal Drops Yard later in the year.

European retailers continued to make up the lion’s share of international retailers entering London last year, accounting for a 63.6% share of openings. However, it is Asia-Pacific retailers that increased their market share the most in 2018 - representing a 15.2% share of new entrants. On top of this, actual number of openings by retailers of this region increased by 400% in 2018 compared to the year before.

2018 also marked a record year for new F&B entrants into London, with 21 international concepts opening their first London site. This has included US-based vegan concept by CHLOE with a debut site on Russell Street, Covent Garden. This momentum has continued into 2019 with eight international F&B concepts already open and an additional 11 in the committed pipeline (not included in the chart above).

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PROMISING START TO 2019 FOR CENTRAL LONDON RETAIL INVESTMENT VOLUMES

Transaction volumes in Central London were relatively muted in 2018. However, this was off the back of particularly high volumes transacted over the 2015-16 period, much of which being from overseas

investors, who are now under less pressure to sell within a slightly weaker market. This has resulted in relatively low levels of stock coming to market. Nonetheless, 2019 has begun promisingly, seeing

£583.6m transacted in the first quarter (up 133.8% compared to the same period in 2018). This includes key deals such as The Cadogan Estate acquiring 35-41 King’s Road for £40m in January followed by Ashby Capital’s

£200m acquisition of Kensington Arcade in February.

