

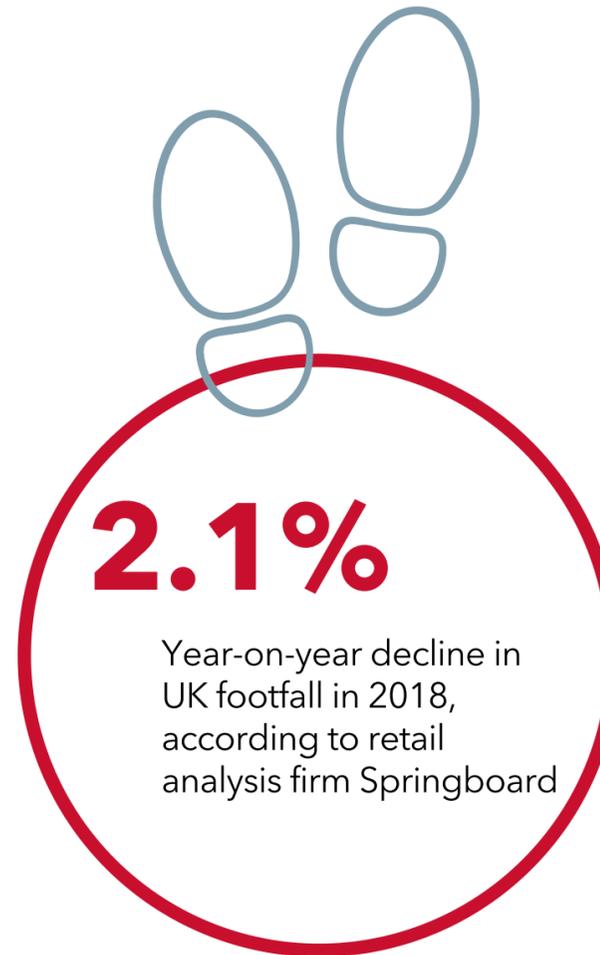
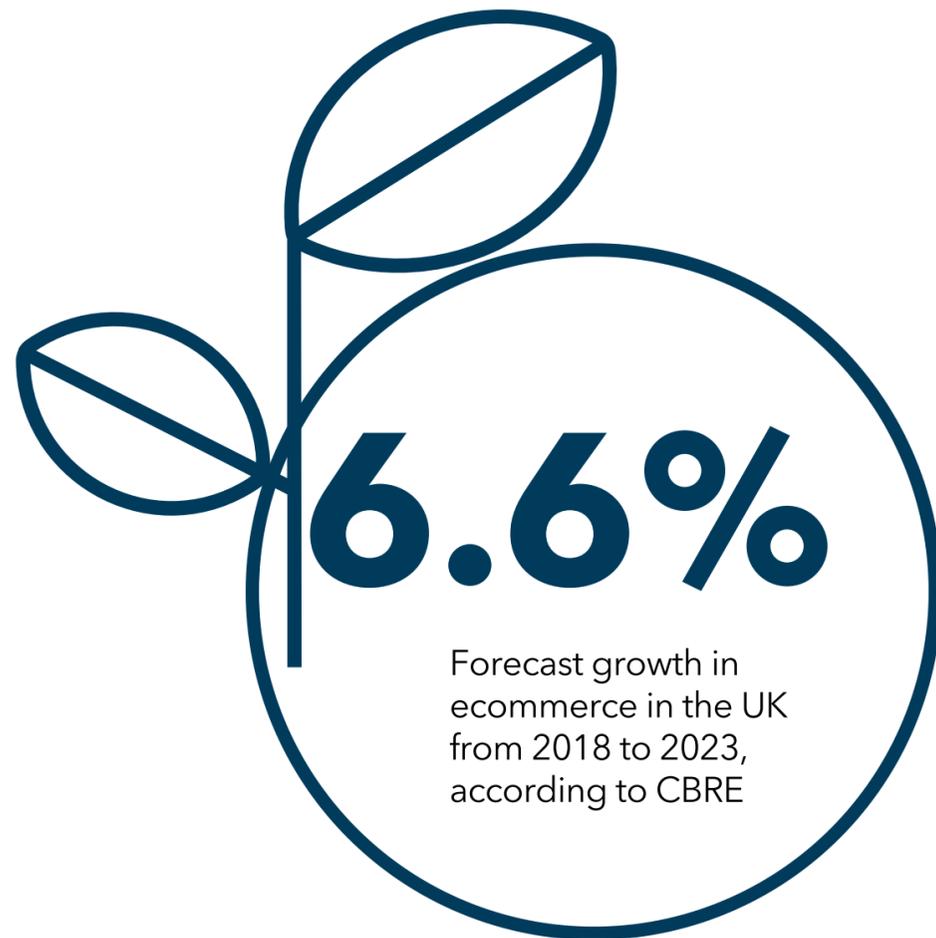


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UK RETAIL REAL
ESTATE LENDING
IN 12 SLIDES

Challenges faced by lenders to UK retail property

UK retail is going through tough times



[**Click here**](#)

to read about whether retail real estate is set to turn a corner



Tenant failures and falling rents will erode net operating income. If, in turn, this has an impact on the ability to service debt, lenders will have to act"

Morgan Garfield, managing director, Ellandi

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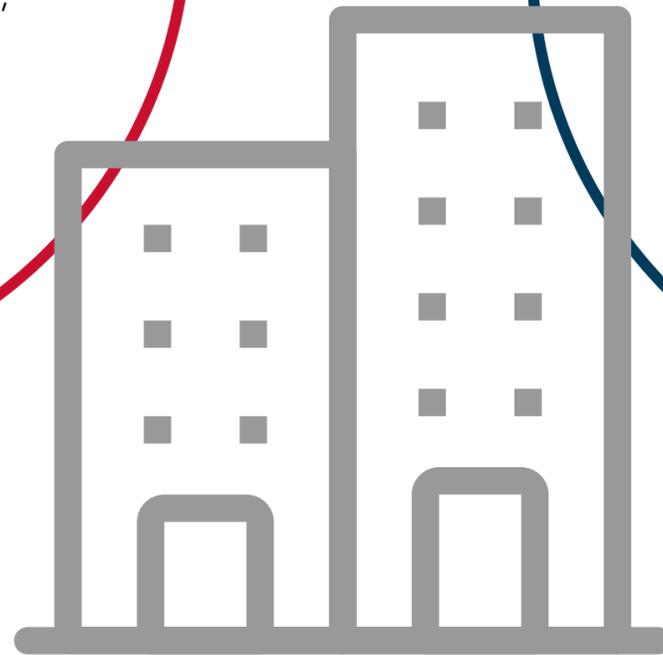
Investment and lending volumes are falling

60%

Drop in UK shopping centre investment from 1997 to 2018, when total turnover reached £1.3bn across 34 deals, according to Savills

19.7%

Retail's share of the UK's £127bn of outstanding commercial real estate debt in 2017, which compares with 27% of the £214bn recorded in 2007, according to Cass Business School



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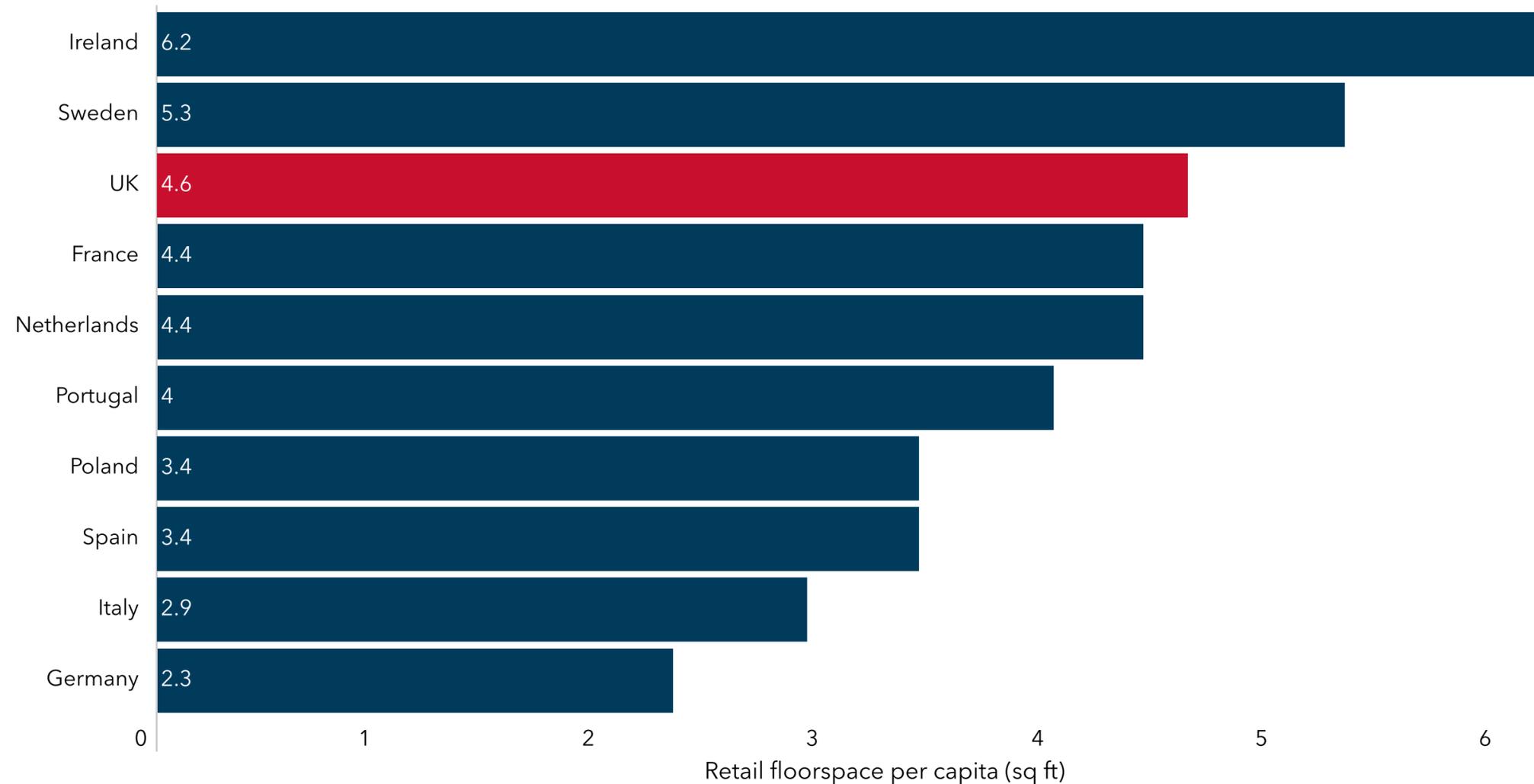
for our view on how lenders could be part of the solution to the sector's woes

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The UK has one of the greatest concentrations of retail space in Europe ...

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for more on lending to retail property in continental Europe

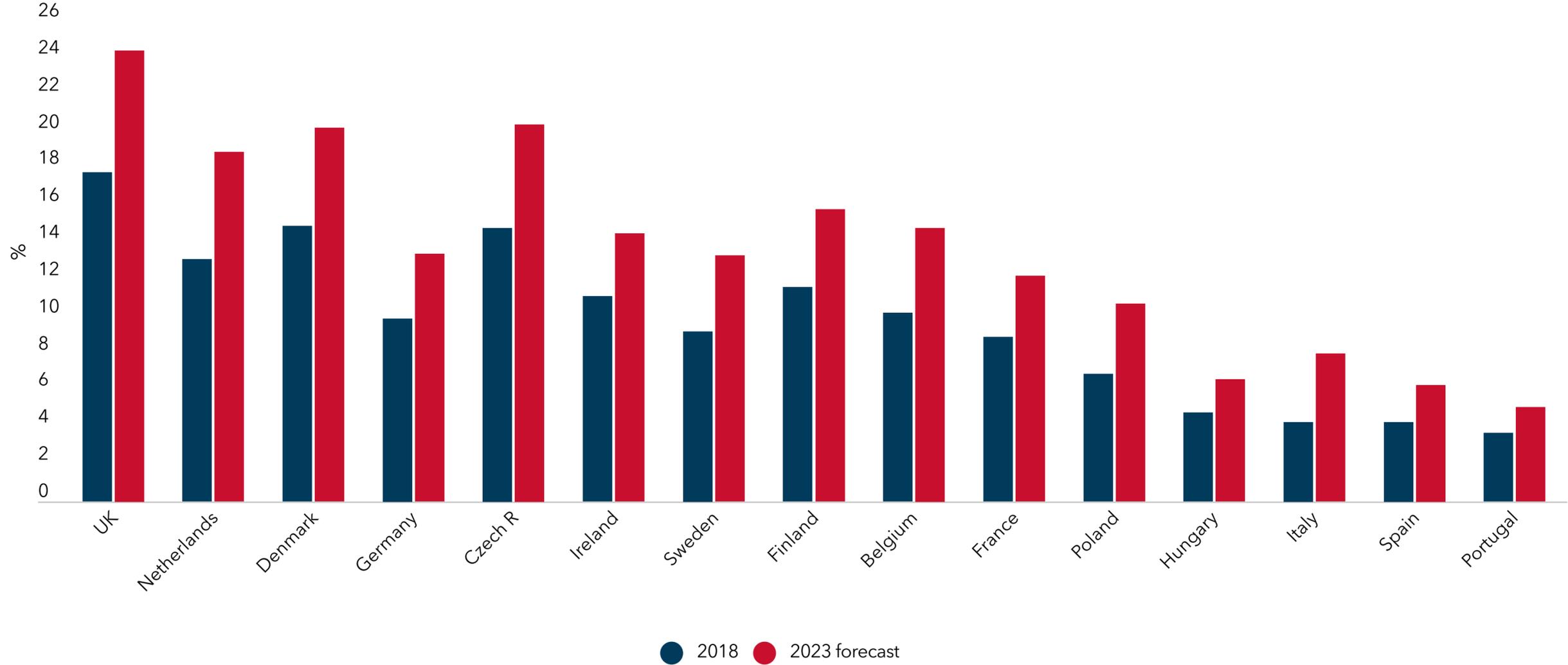


Source: International Council of Shopping Centres, Cushman & Wakefield

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... and leads the continent when it comes to ecommerce

Internet share of all retail sales by country

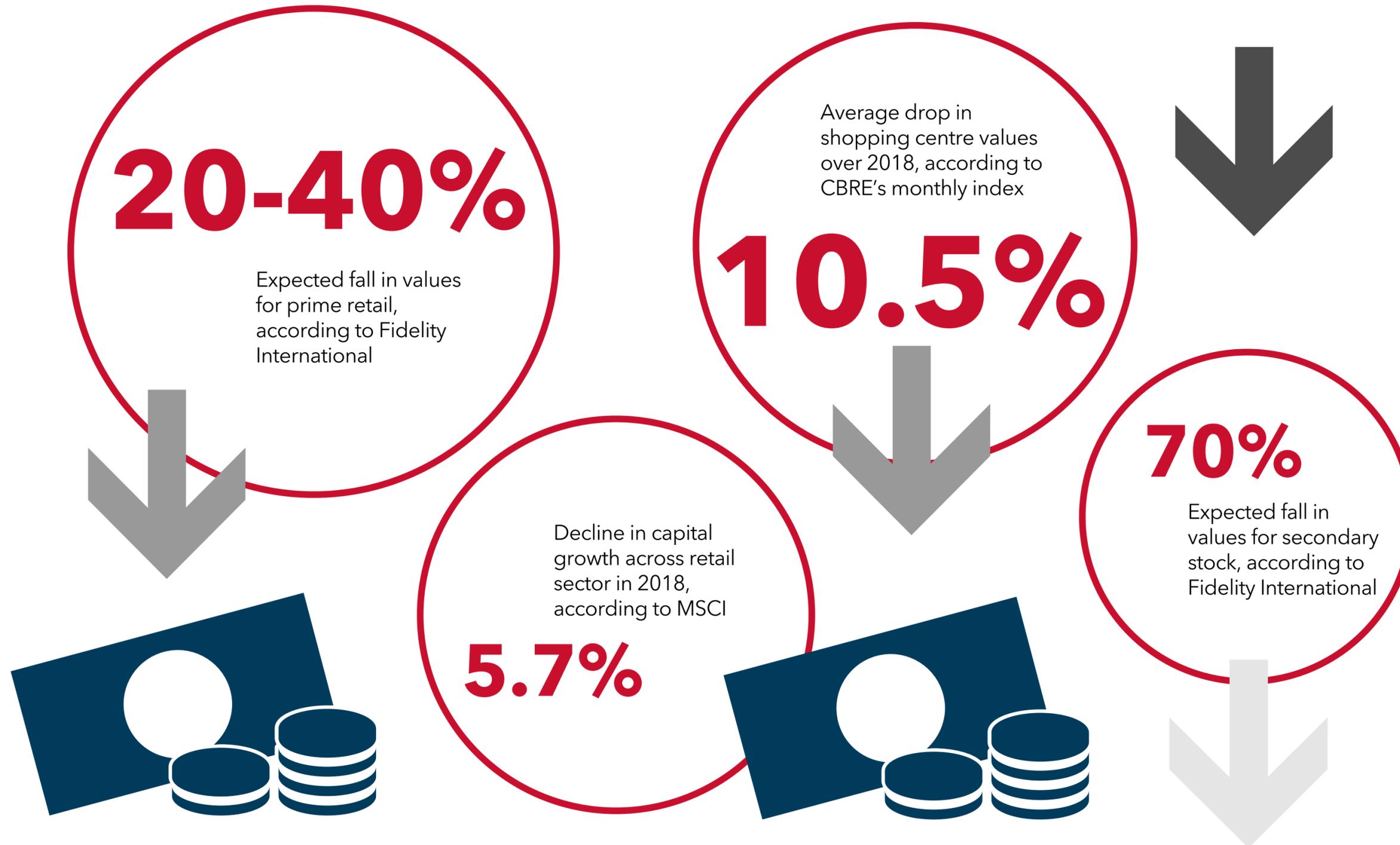


Source: CBRE

Meanwhile, retail property values fell last year ...

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to read about the
lending opportunities
in UK retail property

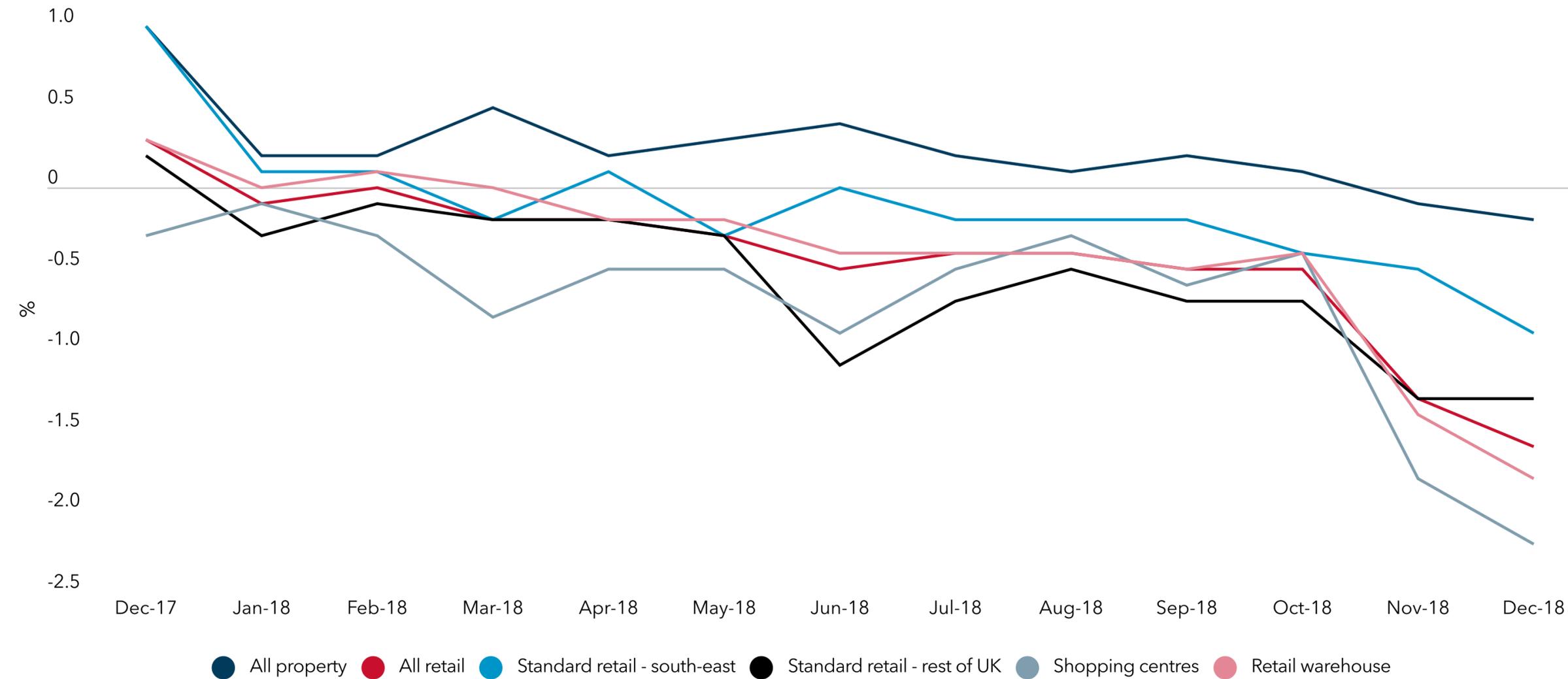


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... and so did indexed capital growth

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to read more on UK
retail property lending

Indexed capital growth in 2018



Source: MSCI

Some types of retail property have performed worse than others ...

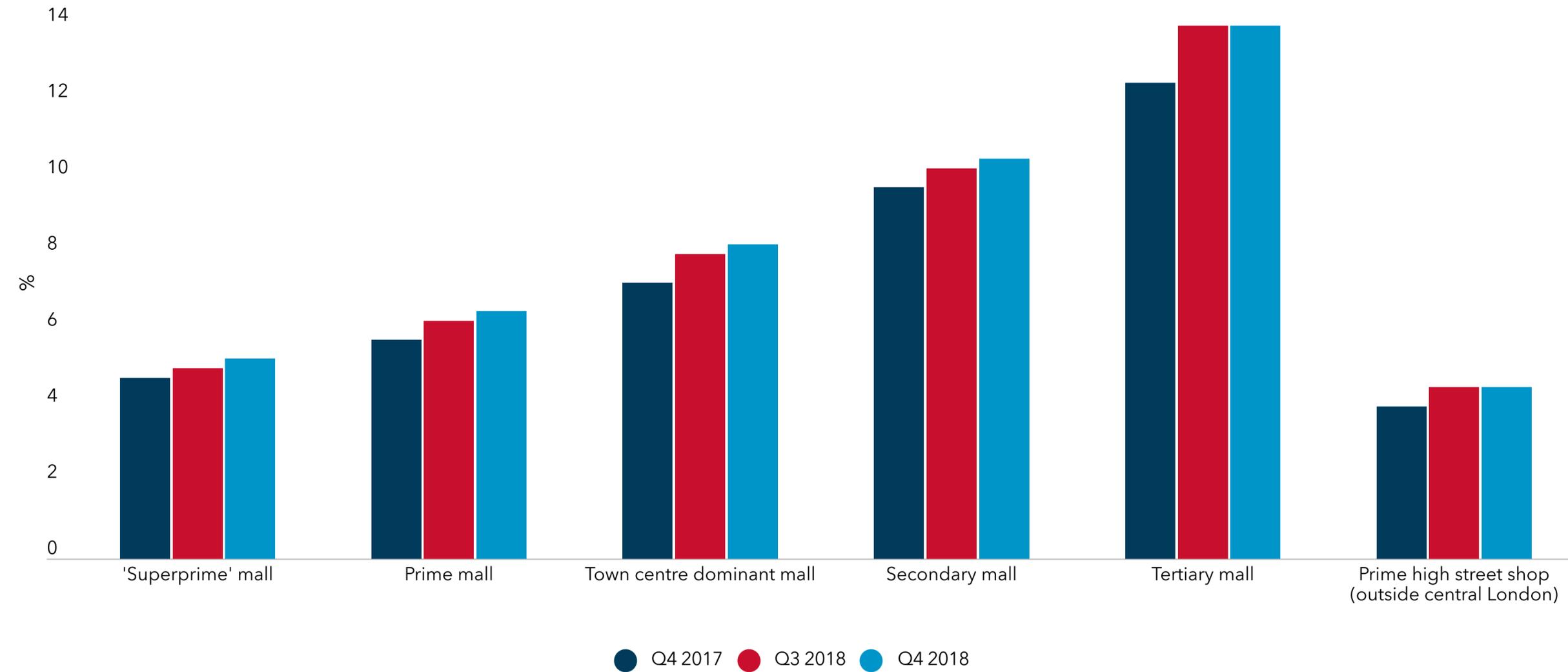
Average capital values growth across UK in 2018 masked a range of performances



Source: CBRE

... and yields have increased steadily

Yields across subsectors of retail property, 2017-18



Source: Savills Research



Investors are placing less emphasis on yield. It is more about the true cashflow and geared returns

Ian Malden, head of valuation, Savills



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Once more unto the (LTV) breach?



“If you are a senior lender with leverage at 60% and values have moved by 100bps, you might be at 70-75% LTV now. If they have moved by 200bps, you could be closer to 80-90%. That’s most likely an LTV breach. Most facilities will have cure rights and better sponsors will be able to inject some new capital”

Trevor Homes, head of senior lending at debt fund manager DRC Capital



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This report was compiled from data collected for our **Spring 2019** edition

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