Capital Shopping Centres

Press Release

31 October 2011
CAPITAL SHOPPING CENTRES GROUP PLC

INTERIM MANAGEMENT STATEMENT FOR THE PERIOD FROM 1 JULY TO 31 OCTOBER 2011

Capital Shopping Centres Group PLC today announces its interim management statement for the period from 1 July to 31 October 2011:

David Fischel, Chief Executive of Capital Shopping Centres Group PLC, commented:

> "As evidenced by a 97 per cent occupancy level, CSC has delivered a robust operational performance in the period in the face of a challenging economic and retail background. CSC remains well positioned through its focus on leading and high quality regional shopping centres in the UK."

Highlights of the period

- Operational indicators
  - Continued strong occupancy level at 97 per cent
  - July to October footfall in line with 2010, up 2 per cent year to date
  - 56 new long term leases in Q3 increasing annual passing rent for those units by £3 million
- Active management projects underway across CSC's centres
  - Major retailer openings at Trafford Centre & Braehead
- Reorganisation of management structure

Retail and property background

Prime retail destinations offering a broad leisure and catering experience as well as the full range of comparison retail, such as those owned by CSC, have continued to perform robustly in terms of lettings, occupancy and footfall.

Strong brands and international retailers continue to favour CSC's high footfall destinations for their flagship outlets, with key openings in the period including Banana Republic at Trafford Centre and both Apple and Hollister at Braehead, a combination now in six of CSC's centres.

CSC is focused on the UK's top centres with the overall quality evidenced by a vacancy rate of 3 per cent and by positive footfall figures. By comparison the UK retail average vacancy is 14 per cent and Experian data for UK national retail footfall indicates a decline of 1 per cent for the year to 30 September 2011. We believe CSC is well placed to benefit from the structural change in UK retail being driven by economic headwinds and changing consumer behaviour and technologies.

Our asset management teams work proactively to manage our tenant mix and provide space for successful and expanding retailers while downsizing those who are struggling. We are also actively engaging with retailers to ensure that CSC's centres participate in the shift towards e-commerce for example through collection centres, social networks and other marketing initiatives.

The UK retail environment, which had become more difficult in the second quarter of 2011 reflecting the low growth in the wider economy, showed no improvement in the third quarter. Consumer confidence indices have fallen to low levels as discretionary spending power has come under considerable pressure with inflation outpacing salary increases. National retail sales statistics (BRC) for the third quarter indicated a 1.4 per cent decline in like-for-like non-food sales, the fifth consecutive quarterly decline.

The IPD UK monthly index (retail) showed a 0.2 per cent capital decline in the three months ended 30 September 2011 (1.1 per cent surplus in the six months ended 30 June 2011). Indications are that yields for the most prime assets are stable to slightly tightening, while those for secondary assets are coming under some pressure as the implications of retailer failures and store rationalisation programmes are digested.

Operational indicators

- Occupancy remains high at 97 per cent (30 June 2011 – 97 per cent)
- Footfall in CSC's centres grew 2 per cent year on year for the ten months to 31 October. After three years of consistent increases, footfall in the four months to 31 October was marginally higher than the strong comparatives from 2010
- 56 new long term leases were signed in the quarter generating £9m new rent, an increase of £3m from previous passing rent and in aggregate at 90 per cent of ERV (year to date 136 lettings, an increase of £7m, at 95 per cent of ERV)
- Generally we continue to see strong demand and rental growth for large stores and catering units while smaller stores, which comprise the majority of the short term leases referred to below, remain a difficult market. In the third quarter just 6 of the 56 lettings accounted for most of the shortfall from ERV
- Of CSC's 2,300 units, 7 were affected by tenant failures in the quarter (0.2 per cent of rent). The total for the year to date is a relatively low 68 units, 2 per cent of rent (2010 full year 46 units, 1 per cent of rent)
- At 30 September 2011, CSC had 243 short term leases representing 3 per cent of passing rent (30 June 2011 – 240 representing 3 per cent of passing rent)

Major assets – activity and value creation

- At Trafford Centre, a series of openings has further improved the retail offer. M&S and Debenhams have opened extensions to their stores, Dune has opened a new flagship store and Banana Republic has opened its first stand alone store north of London
- At Lakeside, Choice and Bhs have opened new concept stores, Top Shop / Top Man is on schedule for a pre-Christmas opening and enabling works have commenced for the "roof box" extension to create a new flagship store for Forever 21 to open by Christmas 2012. We anticipate filing a planning application before Christmas for the proposed major extension which is currently undergoing public consultation
- At Metrocentre, Primark's new 60,000 sq. ft. flagship store opened earlier this month along with the first stores in the North East for Boux Avenue and The Entertainer. M&S will complete a major re-fit of its store prior to Christmas. Construction of "MetrOasis", a 15,000 sq. ft. terrace of retail and catering of which 75% is under offer, is on schedule to start next month

- At Braehead, the three new restaurants on the former "Fun Ice" are now open and trading well. Two major new brands to the centre are both now open, Apple and Hollister, substantially strengthening the centre's tenant mix. Building on this success, we anticipate undertaking internal mall enhancements in early 2012 and continue to work with the local authority on a long term masterplan for the area
- At Nottingham, we remain confident of a pre-Christmas determination of the planning application for the Northern Extension
- At St. David's, Cardiff, two years after opening just 9 of the 160 new units are available of which 4 have agreed heads of terms. The 151 units open or committed represent 90 per cent of the anticipated income of the extension. Recent signings of retailers new to Wales include Calvin Klein, Cath Kidston, Vans, North Face and Gilly Hicks
- At Bromley, a planning application is shortly to be made for five restaurants in Queen's Gardens following a well supported public consultation and strong demand from catering operators
- Our US investment, Equity One, has undertaken a material disposal of non-core assets and has secured a new increased revolving credit facility, both of which have been viewed positively by the market

Financing

At 30 September 2011, net external debt was £3.3 billion and the net debt to gross assets ratio was 48 per cent based on 30 June 2011 property valuations, unchanged from 30 June 2011 and within CSC's stated target range of 40 to 50 per cent. The recent financial market uncertainties have further reduced interest rate expectations, illustrated by a 74 basis points reduction between 30 June and 24 October in the sterling LIBOR seven year swap rate to 2.29 per cent.

Change in management structure

As previously announced, Kay Chaldecott stood down as Executive Director of CSC on 30 September 2011 after 27 years with the Group. Kay has been a dedicated member of the executive team and played an instrumental part in the development and success of the Group's shopping centre business. We are delighted that Kay has agreed to provide consultancy services to the Group.

CSC has appointed Mike Butterworth as Chief Operating Officer reporting to David Fischel, Chief Executive, and responsible for operations, asset management and development activity across all 14 of CSC's centres. Mike was Managing Director of Trafford Centre Limited for 15 years until its acquisition by CSC in January 2011 when he took responsibility for a further three of the Group's centres. We are pleased to have within the Group someone of Mike's considerable experience and ability to take on this role.

Other

As stated in our results for the half year to 30 June 2011, we have been considering the introduction of a scrip alternative for future dividends following a change in the rules governing UK REITS. We anticipate seeking shareholders' approval at our 2012 AGM for the introduction of a scrip alternative which, subject to Board discretion, will apply to the 2011 final and subsequent dividends.

The Board has noted the recommendations of the Davies Report "Women on Boards" and intends to achieve a minimum of 25% female representation by 2015.

Prospects

We continue to expect a low growth environment, a challenging retail market and a restricted financing market for real estate for some time in the UK, with the Eurozone crisis creating more uncertainty and impacting investment decisions. We are reassured however by the sound positioning, robust operational performance and defensive financial structure of CSC's business.

Conference call

A conference call for analysts and investors will be held today, 31 October 2011, at 9.30 GMT.

A copy of this press release is available for download from our website at www.capital-shopping-centres.co.uk.

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NOTES TO EDITORS:

Capital Shopping Centres is the leading specialist UK regional shopping centre REIT

Capital Shopping Centres Group PLC (CSC) is the UK's leading specialist developer, manager and owner of pre-eminent regional shopping centres. With a portfolio of 14 centres representing 16 million sq ft of retail space and a valuation of £6.9 billion CSC's assets attract well over 300 million customers a year.

CSC's assets comprise five major out-of-town centres including four of the UK's top six – Trafford Centre, Manchester; Lakeside, Thurrock; Metrocentre, Gateshead; Braehead, Glasgow and The Mall at Cribbs Causeway, Bristol – and nine in-town centres including centres in prime destinations such as Cardiff, Manchester, Newcastle, Norwich and Nottingham.

With a dedicated and skilled management team CSC aims to be the landlord of choice for retailers and to provide compelling destinations for shoppers. It is a responsible and environmentally conscious participant in the communities where it invests.

In April 2011 CSC was recognised as the UK's Top Shopping Centre Investment Manager in Going Shopping 2011 -- The Definitive Guide to Shopping Centres published by Trevor Wood Associates.

For further information see **www.capital-shopping-centres.co.uk**

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