C&P

Spring Retail Report 2014

CHASE & PARTNERS C&P
Retail & Leisure Property Specialists

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Introduction by Graham Chase

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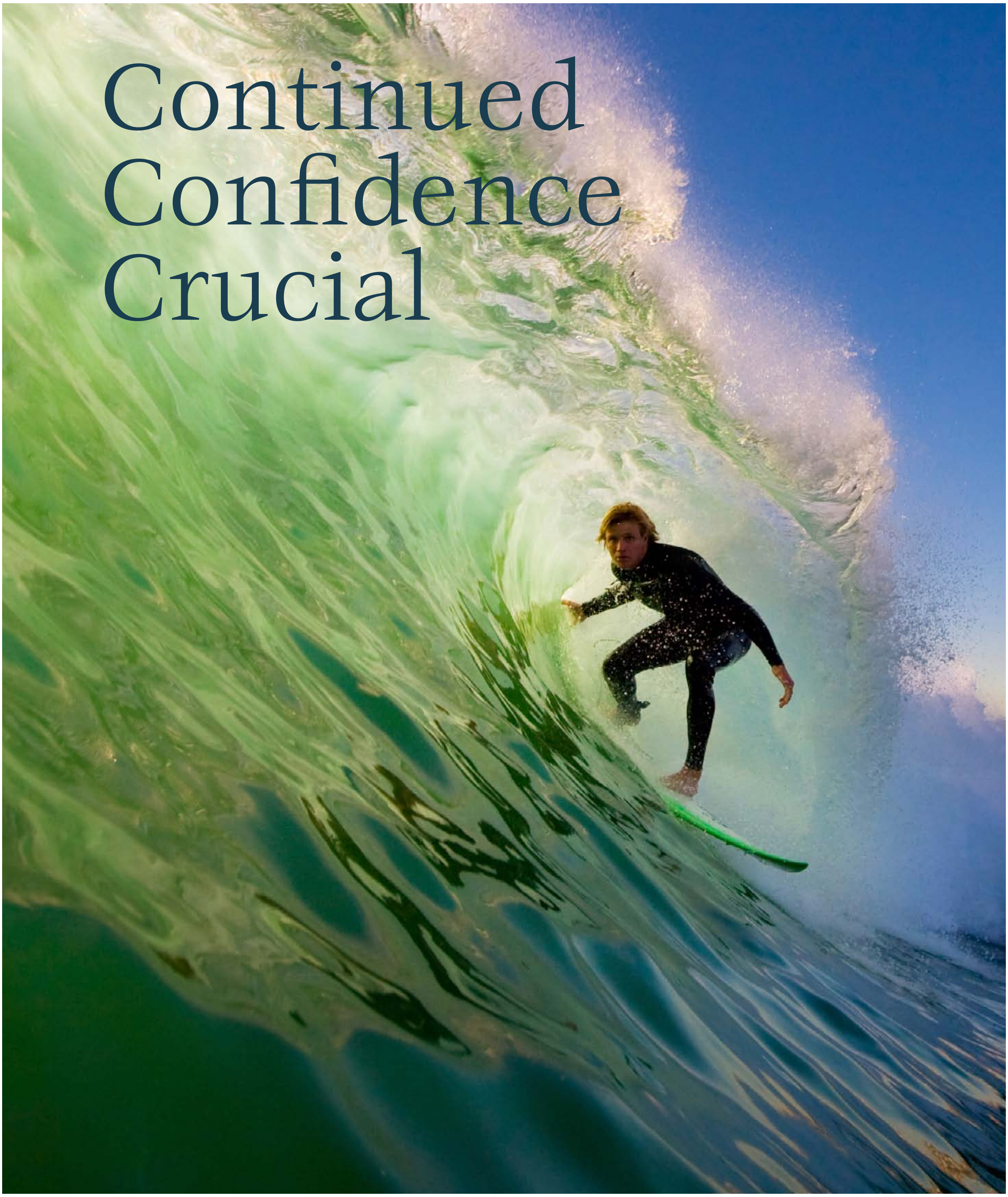
Continued Confidence Crucial



Confidence in any market is a crucial ingredient for a positive approach. The retail property sector craves confidence more than most, for it is the consumers and their expenditure that drives this significant and important component of the UK's economy forward.

Confidence Returns

For the first time since the middle of 2007, some seven years ago, there are clear signs that confidence is returning to the retail property sector, driven by an improvement in demand for retail space and the positive activities of the retailers who create that occupation. Further evidence of this has been the 1.8% increase in non-food retail jobs during the first quarter of this year.

The fundamental factors that are driving this new found confidence are summarised below.

- GDP expected to increase by 0.7% in the first quarter of 2014 over the first quarter of 2013
- RPI inflation remains low at 2.5% (CPI at 1.6%)
- Unemployment rate falling and now 6.9%
- Retail property vacancy rate has fallen to below 14% for the first time in four years
- Improving balance of payment profile with trade deficit narrowing to £5.7 billion in Q4 2013 down from £10 billion in Q3 2013
- Low interest rates currently at 0.5%
- The CBI's Industrial Trends Survey records the sharpest rise in manufacturer confidence for 40 years

In the investment market, transactions in retail shopping centres have reached £1.3bn in the first quarter of this year and public company retailers have shown an increase in their share price above the FTSE 100 average. Further, the number of published requirements by retailers reflects expansion across the board.

Development is the life blood of the property industry. With commercial property a factor of production, it must renew and update, like anything else. Nobody will accept 50's combustion engine technology as appropriate today and the same goes for property. On average, new development accounts for 1% of the total standing stock so it takes about 100 years to renew old property stock in a complete cycle. As there has been very little development for the past 7 years we are at least 5% behind. We foresee a bottleneck with real pressure mounting for new retail property stock across the board, much of which will be the redevelopment of old space and some new space in new formats. Many Local Authorities are now welcoming development, as they appreciate that if they are to retain their catchment expenditure they cannot afford to see it leak to competing centres. Development is very much back on the agenda.

None of this should be taken as signalling that the difficulties of the retail property sector are over; nor can it be assumed that we are heading into a period of unrestrained growth. On the contrary, there are a number of areas which require caution.

Internet Retailing

The internet is set to grow to 25% of total retail sales, according to some pundits. This is a sector which has shown ongoing growth for over ten years, at a time when most other retailing sectors have been in decline. With internet sales currently amounting to approximately 13% of total sales, there is still some way to go.

This sector does, however, have its own difficulties and as Amazon's figures demonstrate, the cost of distribution and logistics generally are high, reducing profits to 3% or less of total turnover. Ocado, despite its new link up with Morrisons, has not made a profit in ten years and hardly reflects a business model that would be supported in the traditional physical retail world.

To be profitable the internet will have to take a greater market share, which in turn will allow it to increase prices in order to produce the type of returns that investors are seeking. At that point physical retailing will become more effective in pricing terms than its internet competitors. In any event it is physical retailers who are now dominating the market through a choice of sale options including physical sales, click and collect and internet delivery sales. With some suggesting that returns of goods through internet trading are as high as 40%, e-tailing is not necessarily a complete solution for the future or an automatic right to profitability.

Shopper Footfall

Footfall in the high street continues to disappoint and in February fell by 5% year on year. Footfall to retail destinations, however, only fell by 2.9% but at out-of-town locations, encouragingly it increased by 2.3%. Pleasingly, the latest footfall figures confirm the highest uplift since April 2013 with a rise of 2.6% in March. There was, however, a reverse over the Easter period with an 11% fall in shoppers visiting the high street on Easter Sunday but more than an 8% increase in footfall on Good Friday.

Sunday Trading

The inconsistency of Sunday trading laws appears to have had a good deal to do with this result working against the high street's recovery. Consumers can buy without restriction online on a Sunday, whereas they cannot go to a shop in the same way. The Government has suggested it will not review the position but if it is serious about supporting the high street, then perhaps it should review its own decision not to review Sunday trading laws.

The Biggest Scandal Of All - Business Rates

The biggest scandal affecting retail property has been the Government's decision to delay the rating valuation, creating significant inequalities and unfairness on retail businesses. The recession and downturn in trade has ravaged various parts of the country, particularly those outside of the South East. The RICS Bayliss Report of over 25 years ago, published in 1995, made it clear that if rating were to maintain credibility then regular revaluation would be necessary. Although many wacky ideas for replacing business rates have come out over the years, on the whole, they have been relatively quickly dismissed. The recent decision by Government to review business rates is likely to come up with the same position and conclude that the very simple answer is regular revaluation as per the Bayliss Report. Why does Government not learn from the past?

The current failure by Government to address business rates has impacted pensioners who, through their pension schemes, own most of the prime retail stock. Many prime shops outside of the South East and London, however, have seen rental income fall by as much as 40%. Yet the rates burden has increased and become a greater proportion of total occupational costs. Arguably, therefore, pensioners have been subsidising the tax take of the rates system given current government policy. It has also meant that weak businesses outside of the South East have been subsidising strong retail businesses, particularly those in Central London which have seen a boom in trading conditions, partly due to an increase in international clientele and a growth in the London-based economy when compared with the rest of the country, where there are much higher vacancy rates outside of London.

Although the 28 Portas recommendations helped to bring the plight of high streets to the attention of Government and the media,

very few of the proposals were adopted and none have proved beneficial. The retail property sector does not adjust well to short term subsidies; it requires long term business sustainability if it is to succeed. In maintaining high rates in areas where business potential has fallen dramatically, the Government has perhaps created the greatest threat to our high streets, whilst proclaiming they are doing everything possible to save them. The decision by Government to give a business rates discount of up to £1,000 to retail premises with a rateable value up to £50,000 in 2014/2015 and 2015/16 only serves to confirm the Government's guilt. A simple revaluation would have produced a better, more balanced and appropriate result.

CVA's and Retailer Failures

Retail failures continue to be a feature, although the morality of CVAs has been fully exercised and has demonstrated that they are not the panacea that many promoted. Indeed, it is usually the small suppliers who suffer as a result, whereas CVAs simply allow poor management to have a second attempt at getting it right. Not surprisingly, there are well known examples of where failure has come round for a second or even a third time.

Food Supermarkets

We comment on the food supermarket sector with the rise of the discounters and the differing performance of the mainline food retailers. Last year, we were the first agency to point out the impact from the change that has come about, particularly in rental values and it is permanent.

PACT At Lease Renewel

Once again we make the case for PACT (Property Arbitration on Court Terms) as a sensible way of dealing with lease renewal rather than the County Court system. Unfortunately there are a number of hurdles to overcome, most of which relate to protectionist dogma and ignorance. The property industry needs to get its act together in demonstrating why PACT is a sensible and suitable alternative to court based litigation in this arena.

Planning And The NPPF

The National Planning Policy Framework (NPPF) is bedding in but given it was introduced on the understanding that it would simplify planning procedures, there remains considerable confusion as to what the strategy is attempting to achieve. Is it favouring developers or is it giving the opportunity for localism to determine what policy should be, despite strategic planning policy objectives? The battle lines are drawn but perhaps the battle is yet to commence.

The Future

We are more confident about the future now than since the middle of 2007 and can see some positive changes which encourage us to be optimistic about the future. This is a welcome change of attitude and long overdue, following the longest downturn in the retail property sector in living memory.

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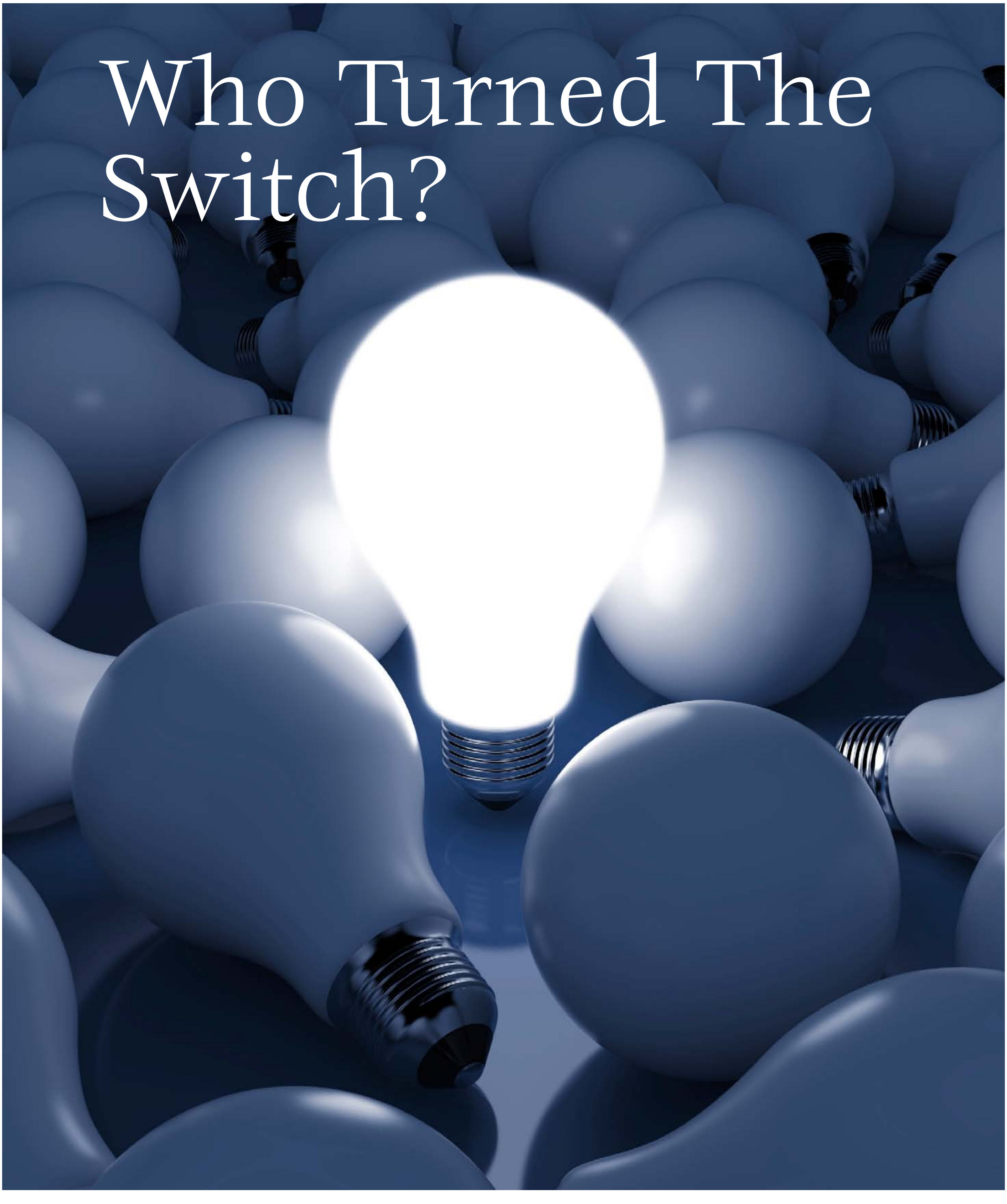
Who Turned The Switch?



A small glimmer of light percolated through last year's report and somebody has just stepped into the room and turned the dimmer switch up.

Most people in the retail sector are feeling good in the glow of 'potential'. We say 'potential' because outside London we are still far from being delivered pre-recession levels of demand, which were driven by numerous multiple retailer requirements right across the UK, irrespective of catchment size.

Development – Back With A Bang!

One area which has returned with a bang is the retail development sector. We recently marketed an edge-of-town site on behalf of East Lindsey District Council in a small Lincolnshire market town which generated well over a 100 enquiries. There is no doubt that trader developers are back and keen for stock. Notably, this particular site was also backed up by strong occupier demand.

Overall, the development pipeline for major retail schemes is still constrained, with only the following schemes on the immediate horizon:-

- Bracknell
- Bradford
- Leeds
- Croydon
- Battersea Power Station

British Land and Stanhope's Old Market in Hereford opened on 1st May 2014. Many more retail schemes will, however, find their feet over the next 12-36 months as the fundamentals of consumer confidence, occupier demand, strength of covenant and the availability of both project finance and investment funding return.

Our view is that many proposals are likely to see a significant downward shift in overall size from pre-recession levels combined with a smaller A1 retail content but an increased food and beverage/leisure content. The promoters of schemes such as Portsmouth and Chester are reviewing the size and make-up of previous proposals to achieve viability and deliver a scheme appropriate for post recession levels of demand.

Exceptions will be made, as evidenced by the retail proposals for Battersea Power Station which have increased substantially in size from the original planning consent, driven by the dominant London occupier market.

As long as these smaller format stores can maintain their on-the-ground shopper draw, then in our opinion such schemes should not require as many unit shops to be let in order to achieve viability.

Anchors & Shrinking Requirements

The anchorage of the schemes coming forward is also an important factor as multichannel retailing has allowed new, small and more viable (from a developers perspective) formats to germinate. 'New age' department stores are, in the main, currently no bigger than 100,000 sq ft and in many cases around 80,000 sq ft.

The last few years has seen the uplift in the size of mid-market retailer stores, so developers are also considering whether a main anchor store is still necessary to deliver the scheme.

The question remains: can alternative formats be found which extend choice and offer, yet secure full occupation and present a viable and sustainable profile?

The recent announcement by Debenhams of a 24.5% fall in profits, and House of Fraser's proposed takeover by Chinese Sanpower Group which could lead to a focus in the Far East, calls into question whether these operators are likely to take many new stores in the short term. With limited options for traditional department store anchorage, developers might need to grasp alternative formats sooner rather than later. It is interesting that Manchester's Arndale Centre

of circa 1.4 million sq ft has no traditional department store anchor. By contrast, Hammerson and Westfield's redevelopment of Croydon town centre is reliant upon a grade A class John Lewis department store.

The development market is now talking about community facilities, a mix of town centre uses, and "experiential" environments. A realisation is required that once internet sales reach 21.5% by 2018 as forecast, for retail schemes to be viable and sustainable we will need more than just the shops themselves to enhance trade.

One might argue it has ever been thus, as strong town centres have become an extension of the shopping streets. Retailing is simply an extension of activity in a centre.

Furthermore, the multiple retailer led 'clone' scheme might also be on the wane. A number of factors are at work – competition from the internet, reduced number of multiple retailers of undoubted covenant strength, and reduced multiple retailer requirements from pre-recession levels.

If you cannot compete directly, then a point of difference is required in areas such as a fresh and varied tenant mix, as well as the quality of the shopping and entertainment environment. The whole experience of shopping and eating will become more important if shoppers are to be lured away from their computer screens.

Previously, the clone approach was justified on the basis that it produced grade A investment income but with real grade A retailers in short supply, the return to independents may just help to provide that point of difference.

Local Authorities

The development market has seen a number of progressive local authorities step forward to take control of their futures through the direct investment of funds. Perhaps they are not confident that the private sector can deliver the right approach for regeneration, if a full commercial return is to be secured. This is not surprising, with so many developments getting "parked" in 2007. Those progressive local authorities include Woking, Wokingham, Chester, Chorley and Northwich.

High Street Evolution

Dominant retailers such as John Lewis, Next, Arcadia, and H&M continue to increase their profitability. Next, for instance, are forecasting pre-tax profits of £750m – £790m for the year. Others such as New Look and Savers are

Petersfield, High Street - Site assembly and development consultancy advice to Jansons Property.

"The environment and outlook has changed for retail in general - consumers are more confident and discretionary spending is on the rise. Despite the challenges of high fixed costs, retailers who invest in their businesses in particular customer service and product offering, will see a significant benefits from this upturn."
Shanker Patel, Lords of Notting Hill

returning to profitability and should now be in a position where they can invest capital. The decreasing level of tenant failure has reduced the number of quality retail units coming to the market, so development will return due to the lack of opportunity to expand in to quality space.

Much commentary has been expended on the death of the High Street but evolution has always been a driving factor, as has adversity and there have been few harder trading years than the recession since 2007. Market towns are now the target for a new breed of small independent traders who are keen to expand and become tomorrow's multiple retailers. With rents down by 40% in some locations, the potential for profitable trading is back.

Some might remember when BT and Magnet outbid every retailer on the High Street but looking back over 20 years those old breeds that were once rampant included phone shops, cards, kitchens, video, music and books.

The breeds currently pushing for space include food/convenience stores, coffee shops, charity, pound and discount shops, bikes, cinemas, health and fitness, restaurants and bars. Part of this new genetic mix has been able to evolve as a result of the step change events of 2007/2008 which produced greatly reduced rental levels.

Who will stalk the high street jungle in 2014/15? It is good to see turnaround stories such as New Look and Argos who not long ago had been written off, the latter coming forward with a new smaller digital format store and encompassing a multichannel offer, adapting to the internet challenge.

Certainly, the discount sector continues to thrive with Poundworld seeking another 50 stores, 99p Stores another 70 shops over two years and Home Bargains having expanded to over 400 shops within five years.

The prospects for fast landlord funded retailer expansion will become increasingly limited as tenant failure resulting in large groups of units hitting the market reduces. Any CVAs now taking place are likely to take the best units into the New Co and not to the market. When combined with today's multichannel retailers targeting the top 100-150 centres, pressure for development in these centres will increase, if units meeting current market expectations are to be delivered.

CVAs – Our View

On the matter of CVAs we are of the view that they offer an immoral approach to the problems created by the recession. While some can argue the positives, the fact that some CVAs have failed as many as three times suggests that the process has merely supported poor management, which brought the company to its knees in the first place.

What of those secondary centres with a space overhang that the multiples cannot fill? Independent retailers appear to be making a comeback with the lower rental base but it will need an increase in bank lending to small businesses to accelerate this effect. Whitton High Street in South West London

London, Battersea Power Station - Advice to London Borough of Wandsworth, appraising viability of proposals to increase the retail, food and beverage provision of the consented redevelopment.

is a perfect example of what local authority investment in public realm and a thriving old fashioned high street tenant mix, dominated by independents, can achieve.

There are shopping centres which have been successful historically, but they have not found it easy to expand further. So those centres that do have strong pent-up retailer demand have been held back primarily based on planning and/or site criteria. Examples include Bromley, Nottingham, Wimbledon and Croydon.

Market positives include the fact that receiverships are reducing with a 9.6% drop in administrations in the first nine months of 2013 compared to 2012. The most recent include Albermarle and Bond, Internacionale, Barratts and Base Retail. The Local Data Company recently reported that shop vacancy has fallen below 14% for the first time in 4 years. There is still a significant variation in the figures, showing a North/South divide as evident by the North West running at 18.1% whilst the London average is 8.1%.

The Acquisition Trail

On the demand side, we are seeing an increasing number of retailers publish requirements. Vodafone are looking for another 150 shops, the Carphone Warehouse/ Samsung tie up recently opened nine but are looking to acquire 40 in total. Holland & Barratt are seeking 65 stores in 2014, with EE another 15 new stores. Peacocks, who collapsed in 2012 have recently published new requirements. Overall, many requirements circulars are biased towards the convenience/ food store, leisure and F&B sectors.

In the banking sector we saw the rebirth of the old TSB brand that will be looking to build up a new branch network, partly from Lloyds, partly from new stock. It is interesting to see that Barclays were considering the disposal of some 400 of their 1,550 units, whilst Metro Bank have pushed on to their 23rd store at the end of 2013.

The market still has areas of concern, with mass vacancy predicted by some, following the lease expiry spike over the next two years. Peripheral areas and catchments will undoubtedly suffer and for some centres

there will be a further rebasing of rents. This may be an opportunity for some, allowing an increasing number of retailers to achieve viability if they are prepared to consider smaller markets.

South East & Dominant Centres Versus The Rest

A recent conversation with a district valuer undertaking research for the 2017 revaluation suggests that the wide perception that the South East has come through the recession intact is not wholly correct, with them indicating rental reductions in outer London suburbs and M25 areas of between 20 and 40%. There are exceptions both positive and negative but as with equities, these areas could present a good opportunity for purchasers.

It is of note that Hobbs ladieswear recently placed nine units on the market in the major centres across the UK such as White City, Reading, Meadowhall and Edinburgh, which seems to counteract the widely held view that major centres are completely dominant. It will be interesting to see how quickly these are taken up and by whom.

On a final positive, Central London continues to forge ahead with strong competition for units on Bond St, seeing vast premiums paid for the assignment of leases. In February 2014 Patek Philippe reportedly paid £10m in 'key money' for an assignment of a lease on a 1,200 sq ft shop adjoining their existing premises. Hugo Boss have also agreed a deal with Axa Real Estate to take the Follie Follie unit that adjoins its existing unit and are understood to have a paid a premium of £1.6m for a new 15 year lease, while also re-gearing its existing lease.

Positive Politics

Since the release of last year's report, those tracking and involved with the retail property market will have been encouraged by an increasing number of positive market indicators, which suggest that we may now be on a sustainable path for retail recovery. We therefore look forward to the next 12 months in the In-Town market with renewed vigour, in the hope that there will also be some "election goodies" on the horizon for the consumer.

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Evolution not Revolution

Chase & Partners are advising on a number of sites that had been promoted for a food supermarket, where the occupational demand fell away at the last moment. Most site owners have come to terms with the change and are preparing new development schemes.

Former Foodstore Sites – What to Do?

Some sites are providing opportunities for the acquisitive non-food retailers, for example Peterborough, Maskew Avenue, but we are also advising on how a district centre or neighbourhood shopping facility can take part of the site, for example where we are advising clients on a site in Coseley.

This is not the traditional format of small stores, but a scheme that anchors the site with one or two 10/20,000 sq ft food stores. The nature of these schemes is that they provide a series of smaller units and do not need the large anchor retailers as is the norm with retail parks of over 100,000 sq ft. This encourages the variety stores to open adjoining and with the main road location, the site can be broken up into individual parcels for development or sale. It is a reaction to occupational demand and includes the new generation of pubs, drive-thru restaurants and gyms. Not all is lost for well-located sites.

New Opportunities

There have been fewer units available following administrations, although by the time this report is published the fate of 50 Paul Simon stores should be known. There was some strong bidding for many of the leases. We forecast that more opportunities will be available from those retailers with too much space, for example B&Q and Tesco. It will be strong demand that unlocks them, as the property deals are capital intensive and the DIY trade has improved.

The market had been worried about the future expansion of Kiddicare which took 10 units from Best Buy and now there is uncertainty about those units as the Kiddicare business is to be sold by Morrisons. Kiddicare received a dowry from Best Buy to take on those units, and the market is already gossiping about who might take them on if any of the stores are to be closed. It will definitely provide an opportunity for one or more acquisitive retailers if it happens.

Asset management of Meteor Retail Park, Derby for Land Securities. Lettings to The Range and Aldi, and B&M will be opening soon.

Shortly before going to press Trevor Wood Associates reported that vacancy rates for retail warehouse space in the UK had dropped to 8.8%, returning to a similar level to their analysis at the end of 2007.

New Entrants: New Fascias

We are always on the lookout for new retailers with requirements for retail parks and while there have been such fascias in the past the over-riding comment this year is that existing retailers are expanding at a consistent or increasing rate. There is more confidence among the retailers, particularly the furniture and furnishing fascias, for example with Home Sense back in the market and Bensons for Beds looking hard at new stores. Wren Kitchens changed to the Wren Living fascia last Autumn with a requirement for further space to accommodate freestanding furniture in larger units. There are always a few high street retailers looking at shopping parks but we think more will be looking in the next year or two. Argos have opened a new format store in Colchester, Dunelm have removed the 'Mill' from their fascia as they expand and Pets at Home's new stores always include another of their brands. Poundstretcher are trialling a Pet Hut fascia.

Demand v Supply

For the first time in a few years, towns such as Derby have limited retail warehouses immediately available to let. Changing fascias and demand has meant that the three main retail parks are fully let and new opportunities will arise from lease expiries and lease re-gearing, or extending the existing terraces. Chase & Partners are advising on the Meteor Retail Park where two planning permissions have allowed The Range and Aldi to open in 2013, and with B&M to follow this year. We have also advised on St James Retail Park in Newcastle which had 60,000 sq ft to let in 2010, but by summer 2014 will be fully occupied and with a new Costa Coffee drive-thru as well.

Salisbury: Planning and Agency advice on behalf of a private client along Southampton Road.

In such towns were supply is limited, it is likely that there may be some tenant tension giving rise to new development and increased rental levels. New development can also satisfy demand where the existing stock is simply not suitable.

Although the discount food stores often act as their own developer and freeholder, other retailers are prepared to do the same thing, for example Home Bargains, Decathlon and B&M Bargains. While this may be a small sector, it will provide some land owners with a route for disposal, particularly if they are worried that building costs are rising.

QUARTER 2 - 2013

Market Comment

• The Department for Business, Innovation and Skills unveils enquiry into the health of The Retail Sector, and includes Business Rates.

• M&S.com is to be the new "flagship" as pre-tax profit reduces to 2009 levels. Non-food expansion to halt from 2016.

• Analysts report on retailers taking business from the store next door to create growth.

•TWA reports vacancy rates at 9.9%

QUARTER 3 - 2013

Market Comment

• Asda already plans a Bricks and Clicks Christmas. Multi-channel world is the key to a successful festive season.

• Tesco's Watford store revamp includes Giraffe, Harris + Hoole and Euphorium Bakery, as well as an area for local community groups.

• OFT commences probe into the promotional tactics of some furniture and flooring retailers.

• The Grimsey Review launch encourages comparison with the Portas Review, and as well as concern that it will gather dust in Government like every other report. Graham Chase gave evidence at a Government review in 1993. The industry is over-regulated and under-supported. Reducing Business Rates would help.

QUARTER 4 - 2013

Market Comment

• Government reviews continue to be reported and arguments over who is in charge of the high street.

• Modern technology and how retailers use it remains a theme, but with more focus on how it interacts with real estate and the retail park shopping experience.

• Growth of the discounters leads to corporate changes while Marks & Spencer v Next comparisons are made.

QUARTER 1 - 2014

Market Comment

• Changes in the structure of consumers' food shopping habits is revealed over the disappointing Christmas period, while furniture sales get a boost as the housing market starts moving.

• No major retailers go into administration, but the Blockbuster and Barratts names are lost while at the same time IPOs are carried out by Pets at Home and Poundland.

• Analysts report on the changing retail sector and updating technical infrastructure to make sure they are customer drivers.

• Game loses landmark case on rent paid during administration.

• OFT investigation into some furniture and flooring retailers ends.

2013 & 2014 Unfolds

QUARTER 2 - 2013

• B&Q's CEO suggests the retailers' turnover would be the same with 20% less space. Belvedere letting to Asda was a success and they want to downsize where they can.

• Maplin continues expansion as well as revamping stores.

• Morrisons online launch planned with Ocado in January 2014 makes Waitrose examine its own contract with Ocado, and may determine future of Kiddicare. Morrisons turnover declines by 1.8%.

• Marks & Spencer to focus on M&S Simply Food stores as new general merchandise space expansion declines.

• Business Rates dominates the agenda as the Government inquiry into the UK Retail Sector starts. BRC highlight importance of the retail sector within UK plc.

• Wickes reports a reduction in turnover in the first quarter.

• Dixons' boss reports successful trading following demise of Comet.

• Whiteley Shopping (redevelopment of factory outlet centre) near Fareham opens to a fanfare of success. The 320,000 sq ft is open to the elements and is already planning an extension including a cinema.

• Mothercare's three year turnaround is not straightforward.

• Halfords new "Getting into Gear" plan focuses on improving the shop's offer to drivers, cyclists and families for their leisure activities.

• Iceland increase store openings, including on retail parks.

• Tesco manages its space allocation as non-food offer is reduced.

• Dreams (still in administration) lose Chief Executive of 16 years.

• DIY sales continue to shrink while retailers wait for improved housing market.

• Matalan "remains cautious" despite marginally increased sales.

• dfs targets smaller towns with new compact stores of 10,000 sq ft.

• Carphone Warehouse completes purchase of Best Buys 50% interest in the European business.

• Carpetright report improved profit despite dip in sales.

• Nike plans to double its UK portfolio to over 60 in retail parks.

• Pets at Home add mezzanines to accommodate the full offer, including vets and grooming.

QUARTER 3 - 2013

• Business rates are top of the agenda again; this time as retailers give evidence to the Government inquiry.

• Dwell to re-open after founder rescues business.

• Tesco announce sublet to Xcercise4Less at Stockton; one of 100 stores within which it is aiming to sublet space.

• Maplin target another 95 openings over 18 months.

• CSL launch a Price Promise.

• Carpetright's Darren Shapland enthuses on the newly fitted out stores shortly before sales are hit by the weather.

• Homebase places 17 Irish stores into Examinership (following B&Q's example the previous year) after sales plunge 31% since 2009.

• Matalan appoint Jason Hargreaves as MD; son of John Hargreaves who founded the business in 1985.

• Tesco's Philip Clarke expands on the new Watford store revamp while the market debates the end of the grocery "space race".

• Kingfisher report on sales increases at B&Q and Screwfix and restructure the management team again.

• Sports Direct report on a record breaking year as sales and profits boom.

• Pets at Home continues to grow the business in turnover, store numbers and new business ventures.

• Toys R Us underperforms in the UK during three year strategy.

• Morrisons promotes its new Croydon store, a former Homebase, as competitors check out the innovations made.

• Dreams closes eight stores as landlords choose not to re-gear leases, but appoints new MD.

• IKEA appoint new UK Manager, Gillian Drakeford, who opened the first UK store in Warrington in 1987.

• Comet's name is promoted again but comes to nothing.

• JJB's departure from retail parks allows new sporting fascias to enter the market e.g. Sporting Pro, part of Matalan.

• Go Outdoors is on the hunt for prime pitches after opening a 40,000 sq ft flagship in Milton Keynes.

• The Range plans to open 45 stores over the next three years as it opens its first store in Scotland.

• Evans Cycles pedals hard to open more stores.

• Jysk announces it will open three shops, formerly Dreams.

• Home Retail Group announces that Terry Duddy is to stand down.

• Dunelm drops the Mill from its name and advertises on TV for the first time.

• Wren Kitchens start the rebrand to Wren Living

QUARTER 4 - 2013

• Tesco boss Philip Clarke will refresh a store a week in 2014 which he called the "Year of the hypermarket".

• Sainsbury's revealed a new Local format for its 100 stores planned to open in 2014.

• Aldi's widening product mix drives average basket size up.

• Brandon Lewis, the Minister who stopped the Rating Revaluation, is put in charge of the high street.

• Carpetright's founder Lord Harris takes the helm as Shapland leaves.

• IKEA aims to double the UK business by 2020 with new store openings and internet sales.

• Go Outdoors announces £33m refinancing.

• Analysts review rise of the discounters and former Tesco executives running them.

• Home Bargains plans to double its estate to 200 after sales rise 16% to £1 billion.

• Dunelm and Matalan sales are affected by the warm summer.

• Argos profit rise as the digital platform bears fruit and it launches a new retail park model in Colchester.

• Blockbuster goes into administration again, nine months after the first time.

• Next raises its full year and revenue guidance.

• Bill Grimsey complains that Government does not take retail seriously.

• Debenhams is looking at more retail park opportunities.

• The Range store openings helps sales rise by 20%.

• B&M Bargains ponder an IPO only a year after private equity took a controlling stake under Terry Leahy.

• Primark reports on a remarkable year and plans 1,000,000 sq ft of additional selling space, part of it to be on retail parks.

• M&S encouraged by new clothing range and food sales.

• Poundland is likely to carry out an IPO.

• Sainsbury's increased its market share to 16.8% - its highest for a decade.

• Co-op starts a "root and branch" review of its business to match governance with its historical values led by Lord Myners.

• Topps Tiles increase pre-tax profit in a tough market.

• Mothercare reports half year profit but loss in the UK business reduces.

• Furniture retailers optimistic as Boxing Day sales approach.

• dfs open its 100th store, up from 75 three years ago.

• Betta Living launches virtual store shopping.

• Dixons ready to take on Amazon in 2014.

• CSL rebrands as Sofaworks.

•Christmas Cheer is muted as shoppers search for bargains.

QUARTER 1 - 2014

• Cold Christmas as food suffered its worst Christmas for five years, but non-food is boosted by online sales.

• Winners over Christmas include Next and John Lewis but Debenhams' FD stands down following a profit warning and Sports Direct acquires a stake in the business.

• January sales bring hope of a furniture and furnishings retail recovery.

• Pets at Home prepare to and successfully float 40% of the business in March with more than half of the staff becoming shareholders.

• Halfords cycling business was a stand-out performer.

• Dreams reports on the new business under the ownership of Sun European.

• John Walden is promoted to take over the Home Retail Group after managing Argos so well.

• King's reign at Sainsbury's will end in July after an inspirational 10 years.

• Mothercare consider sale of Early Learning Centre and lose MD halfway through his three year turnaround plan.

• Dunelm expands into furniture and pre-tax profits rise. Total stores numbers 131.

• Woolworths "legacy" is a high street and retail park sector full of variety retailers who have opened 909 stores between them since 2009 in-town and out-of-town.

• M&S launches its own website and leaves the Amazon platform. CEO Bolland calls it their new flagship store built of bits and bytes.

• Dixons and Carphone Warehouse are discussing a potential union.

• Tesco lifts veil on trading profit from its UK online grocery arm.

•dfs strikes partnership with Dwell.

• Co-op loses its CEO, Euan Sutherland, before Lord Myners review is completed but initial findings were scathing. End of Year accounts show £2.5bn loss. Foodstore business is a focus for expansion.

• Kiddicare is to be sold by Morrisons amid doubt about the value of the 10 retail warehouses formerly occupied by Best Buy.

• B&Q make more changes to become omni-channel as Kingfisher reports increased profits.

• Next replace their Property Director, as it posts profits that are likely to be ahead of M&S for the comparable year for the first time. M&S's Property Director is to leave in the summer.

• TK Maxx keep on the expansion trail including some smaller towns.

• Poundland IPO boosts expansion programme.

• Pound World remain acquisitive

• Franks the flooring store reach 24 stores in the North East

• Oak Furniture Land to open its 60th store by the end of the year and is investing in mezzanines

• Home Retail Group pre-tax profit increases 27% to £115.4m over the 12 months to March 2014.

Next's Expansion

Retailers are always evolving and none more so than Next as their trial Home and Garden store in Shoreham in 2011 has transformed into an out of town requirement that seeks units to include the full Next offer. The size is dependent on the catchment but can be 25,000 sq ft on three floors. Directory is a success but continues to be augmented by out-of-town and town centre stores. Next refitted Ipswich last year to gain further retail space within an existing building, a former Focus DIY.

Discounters

The word "discounters" was coined a few years ago and everyone knows who they are but it is not just pound shops. Their requirements straddle the whole of the UK and their influence is growing. The Range are now in Scotland and IPOs are back in favour as Poundland have secured and B&M seek a stock market listing. Home Bargains will buy land or stores where they can as they push further into the South and Poundstretcher have increased store numbers after Staples assigned 12 of their "shuttered" stores to them.

Their take-up of space on retail parks has helped reduce the number of void units and increased footfall. We expect this trend to continue, while driving a hard bargain on rental terms where they can.

Food Stores on Retail Parks

There is more demand from M&S Simply Food and other leading fascias, while the Aldi and Lidl brands are more likely to be on adjoining land. This is not always the case, for example at Newcastle, St James Retail Park, where Lidl has recently opened in part of an existing retail warehouse unit.

Pre-letting, site sale and planning advice to Land Securities at Maskew Avenue, Peterborough.

The Deal Today

Landlords continue to remain flexible in their dealings with tenants, although there are the inevitable clashes. Most of the arguments over short leases, tenant only breaks and monthly rents are over but landlords will strengthen their criteria as the market improves. In the meantime headline rents remain, although in some locations the reverse premiums are reducing.

The short term lease and five year break remains the hardest to accept and retailers still need to make it worthwhile to the landlord by way of an increased rent or penalty clause on exercising the break.

Planning

Nothing has changed. The sector is sophisticated and knowledgeable, and that experience is being put to good use to allow long term void units to be invested in, re-opened and retail jobs created. Chase & Partners continues to engage with local planning authorities, both on the detail of applications and the high level issues. New developments are becoming an increasing part of our business supporting clients and facilitating change, for example Chatsworth Road, Chesterfield for the relocation of a car showroom.

New Schemes

If the "standard" retail park has had its day then innovative thought and bold planning can create or extend a retail destination, eg Whiteley Shopping. Vangarde Shopping Park, York opened in April 2014 comprising three big boxes for department stores John Lewis and Marks & Spencer and also for Next. It will change the retail environment in the City and the surrounding area.

Pods and Pubs

All landlords have been trying to fit pods within existing car parks but we forecast more restaurant, café and drive-thru facilities will be developed close to existing retailers, and often with a pub adjoining. e.g. Colchester, Stane Park. This sector is providing agents and investors with more acquisitive occupiers to talk to.

Brands on Retail Parks

All landlords want to see the best brands on their retail parks. This is evolving as retailers become stronger in their UK coverage and their brand improves. New sporting brands are starting to take the place of JJB Sports, for example Sporting Pro, part of the Matalan group who now have 14 stores including one on Kensington High Street. Sports Direct still have the largest portfolio but Nike are targeting shopping parks and now have stores into double figures, with more to open in 2014.

As the market improves to allow asset management deals, landlords will be active in managing their tenants.

Refurbishment

A few years ago we forecast that creating the right retail environment was crucial to attract the next wave of occupiers and that remains true today. Landlords are keener to invest now but the cannier ones who did so a few years ago are reaping the rewards today.

Lease Renewals and Lease Re-Gears

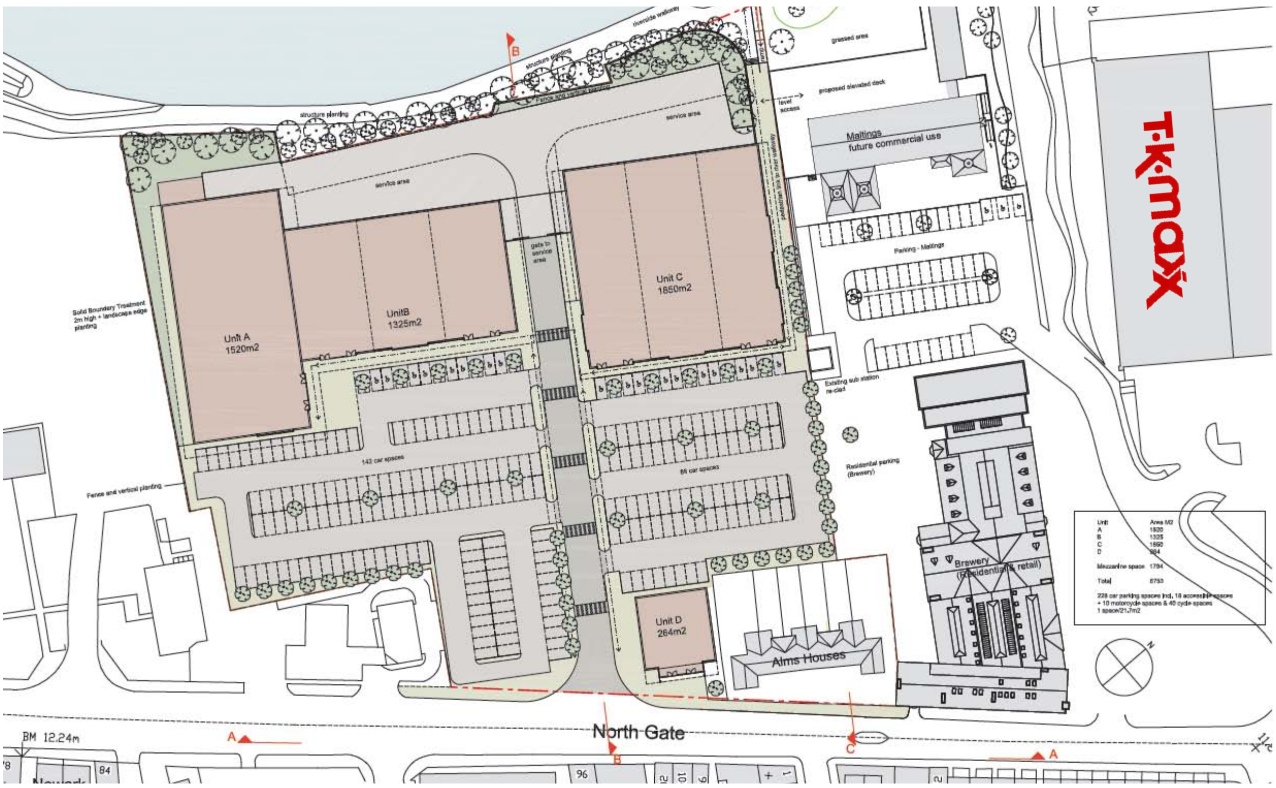
While there is a legal framework for lease renewals, we advise clients to look at

Portsmouth: Asset Management advice on behalf of Sellar Property Group.

them early on and agree the extension by negotiation rather than going to court. We have given market advice on such legal proceedings and forecast that landlords will be prepared to take the matter to court where they genuinely believe that the tenant is prevaricating. We suggest that approach only after genuine negotiations have taken place. There is commentary about PACT on page 25 but as my colleague says, there is little take-up at present.

Summary

While there were no seismic shocks during the year, it is the evolutionary nature of shoppers' habits that is changing retail parks for the better and driving innovative demand.



Planning and letting advice to owners of the Maltings Retail Park proposal in Newark

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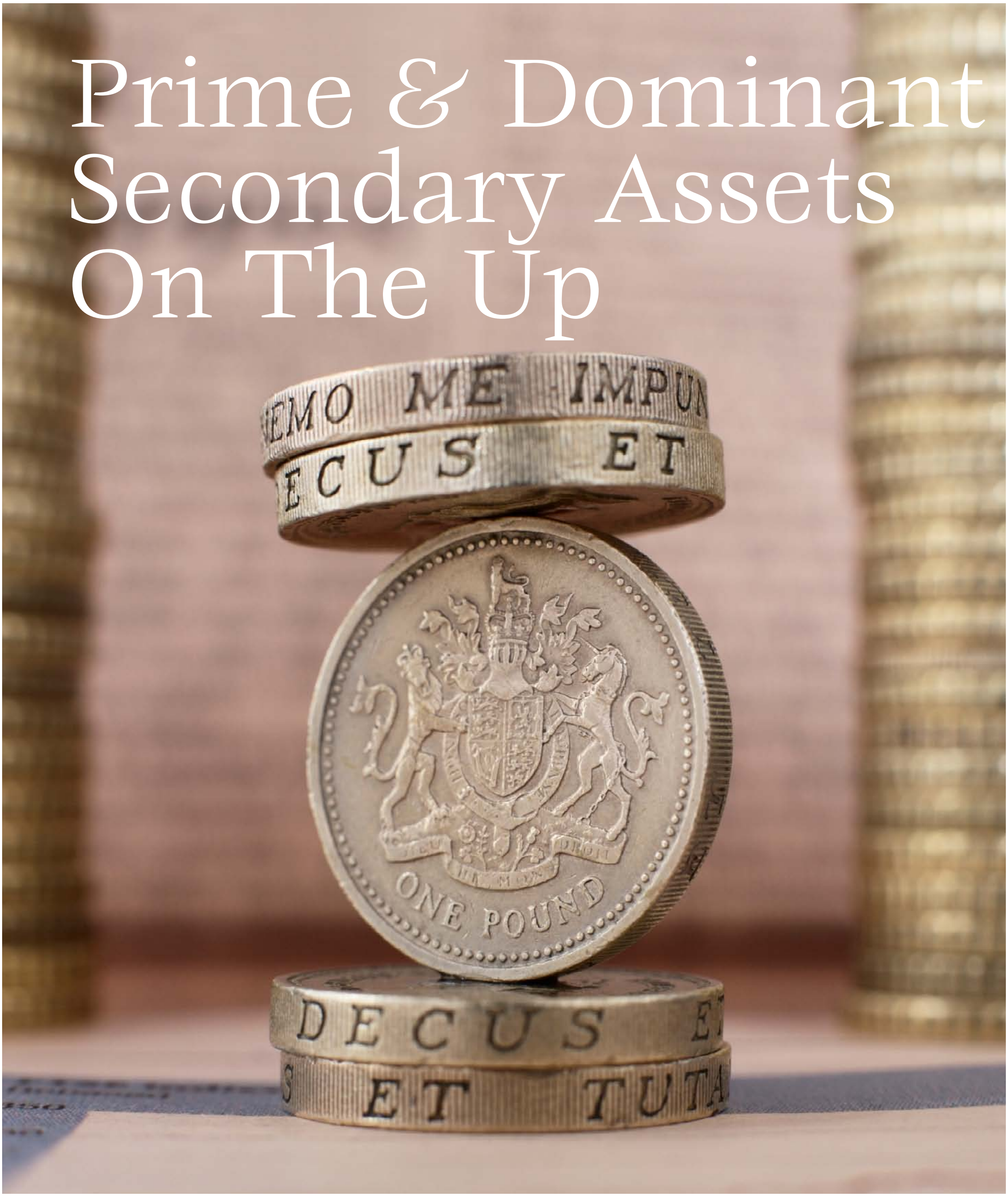
Retail Investment

Prime & Dominant Secondary Assets On The Up



Sustained capital growth in 2013 has been the siren call for investors, with UK commercial real estate offering attractive yields relative to cash, equities and bonds.

With negligible returns on cash and gilt yields currently below 3%, UK commercial real estate is viewed as an increasingly attractive asset class, offering an average yield of 6.25%. Not only is investor sentiment reinvigorated but the availability of debt is increasing due to new entrants, such as insurers and debt funds, to the commercial property lending arena.

Prime assets remain top of the shopping list for institutional investors although with demand for such assets increasing, especially for the top UK cities and certain parts of the South East, investors are now either turning to dominant secondary assets, albeit selectively and where the fundamentals are right. There may be shorter income or weaker covenant or a willingness to acquire prime assets in other ways. For instance, 50% passive stakes in larger prime assets are now being considered by REITS and Sovereign Wealth Funds.

Indirect property funds, such as InProp Capital, may also start to feature more as they allow investors another route into the market through property derivitives, REITS and REIT debt.

Continued activity in the public markets is adding to the pent-up spending power chasing stock. The most notable London listed float has been Kennedy Wilson Europe's £1bn IPO that took place in February 2014.

As demand for dominant secondary assets strengthens then yields will inevitably harden, resulting in the yield spread between dominant secondary and true secondary stock increasing. A number of dominant secondary assets have recently sold with yields in both the retail warehousing and shopping centre sectors seeing marked improvements.

The secondary market has become a two tier market. While pricing for dominant secondary assets has benefitted from the reduced levels of prime stock available, there are opportunistic investors looking to buy true secondary and even tertiary stock as distressed sales continue to work their way through, although many such assets are over-rented or unlettable where vacant.

"Central London continues to attract massive global capital flows and the fierce competition there is now having a positive impact in established business locations away from the Capital. As property values are very closely related to GDP growth, it is not surprising that rents are starting to move in some locations and yields compress. There seems little reason why this cycle is going to end in the short term and the signs are generally very positive"

Nick Leslau, Prestbury Investments

For the out-of-town sector in particular a further tonic is the improving housing sector, which has traditionally driven demand for the larger ticket items usually sold out of town. It is true, however, that such items are increasingly being purchased online and while some say that this spells long term decline for the sector, in the medium term it is evident that retailers are merely adapting their retailing formats to compliment their e-tailing capabilities. We are therefore seeing more capital expenditure by retailers in their stores for concepts such as 'showrooming' and 'interactive stores' in order to align their multichannel strategies.

The progression of e-tailing has also meant that retailers are more heavily relying on logistics/distribution centres, allowing investors alternative means of securing retailers' covenants. Such assets provide strong performance and where landlords have strong relationships with the retailers, lease re-gearing is sometimes possible or new requirements are able to be satisfied through redevelopment, as retailers use the internet to improve customer service in order to gain market share.

The market is gathering pace

April 2013 commenced the fiscal year with a number of shopping centre and retail warehousing investment transactions, including the purchase of The Bull Ring in Birmingham by Hammerson (JV) for £307m reflecting a yield of 5.75% and the purchase of Coliseum Shopping Park by The Crown Estate for £81m reflecting a yield of 5.21%. The year continued with a steady flow of

Key Retail Investment Transactions

Shopping Centre Investment Transactions April 2013 – April 2014 >£100m	Retail Warehouse Investment Transactions April 2013 – April 2014 >£50m	Retail Portfolio Investment Transactions April 2013 – April 2014 >£25m
The Bullring, Birmingham Price: £307m / 5.75% Purchaser: Hammerson (JV) Vendor: Future Fund Date: April 2013	**Coliseum Shopping Park** Price: £81m / 5.21% Purchaser: The Crown Estate Vendor: Equitable Life Assurance Date: April 2013	**The Tuscany Portfolio** Price: £120m / 7.5% Purchaser: KKR Financial Holdings Vendor: Resolution Property Date: June 2013
St Enoch Centre, Glasgow Price: £189m / 7.2% Purchaser: Blackstone Real Estate (JV) Vendor: Ivanhoe Cambridge Date: August 2013	**Wycombe Retail Park, High Wycombe** Price: £52.374m / 5.49% Purchaser: M&G Real Estate Vendor: BP Pension Fund Date: September 2013	**Project Panther** Price: £250m / 9.0% Purchaser: Kennedy Wilson Europe Vendor: Grant Thornton - Administrator Date: June 2013
King Edward Court, Windsor Price: £104.7m / 5.6% Purchaser: Scottish Widows Vendor: London & Associated Date: December 2013	**Riverside Retail Park, Northampton** Price: £70.441m / 6223% Purchaser: M&G Real Estate Vendor: BP Pension Fund Date: September 2013	**Horatio Portfolio** Price: £25.8m / 8% Purchaser: LondonMetric Property Plc Vendor: JP Morgan Asset Management Date: July 2013
Queensgate Centre, Peterborough Price: £202m / 6.4% Purchaser: Invesco Real Estate Vendor: Hammerson Date: December 2013	**St James Retail Park, Northampton** Price: £53.25m / 6.1% Purchaser: DTZ Investment Management Vendor: British Land Plc Date: October 2013	**Wickes Portfolio** Price: £28.02m / 7.2% Purchaser: LondonMetric Property Plc Vendor: Aberdeen Asset Management Date: September 2013
The Centre MK, Milton Keynes Price: £269.66m / 5.34% Purchaser: Australian Super Vendor: Hermes REIM Date: December 2013	**Capital Shopping Park, Cardiff** Price: £59.65m / 5.3% Purchaser: Aberdeen Asset Management Vendor: PMG (Cardiff) Ltd Date: February 2014	**The Diamond Portfolio** Price: £92.1m / 7.2% Purchaser: Harbert European RE Fund Vendor: Aviva Investors Date: December 2013
Overgate Shopping Centre, Dundee Price: £125.3m / 7.5% Purchaser: Legal & General Vendor: Land Securities Date: March 2014	**Gallagher Retail Park, Wednesbury** Price: £91m / 6.1% Purchaser: Quadrant Estates / KKR Vendor: JJ Gallagher Date: March 2014	**Arena Trust Portfolio** Price: £156.5m Purchaser: Malaysian Employees PF Vendor: Aviva Life & Pensions UK Date: December 2013
Trinity Wall, Wakefield Price: £150m Purchaser: Orion Capital Managers Vendor: Sovereign Land / Ares Mgt LLC Date: March 2014		**Westfield Portfolio** Price: £834.8m Purchaser: Intu Vendor: Westfield (JV) Date: March 2014

investment transactions both on and off market. Some of the most notable in terms of lot size are set out below.

2014 has had a robust first quarter, with shopping centre and retail warehouse investment volumes reported to have reached £1.3bn and £550m respectively during the period.

One of the larger transactions that has recently exchanged is Intu's purchase of a 50% stake in Westfield Merry Hill, a 100% stake in Westfield Derby and a 100% stake in Westfield's Sprucefield Retail Park in Northern Ireland. The prices agreed are reported to be £407.5m, £387.5m and £69.8m respectively, with around 50% of the value expected to be generated through a rights issue. Any growth, however, is likely to be through continued yield compression rather than rental growth and asset management will need to be intensive to enable a positive outcome. While Intu's asset base will have grown considerably, all eyes will be on their development pipeline for potential to deliver better returns. Intu are also said to be under offer to sell Intu Uxbridge for £215m reflecting a yield of 5.5%.

Location • Domination • Occupation

With investors struggling to purchase prime assets, all eyes are on quality secondary assets, dominant in their catchments.

Retailers' occupational requirements have become more polarised, although, in dominant secondary locations where schemes are not over-rented, the chances of attracting retailers will be improved. Larger lot size transactions have been relatively few and investors' criteria is evolving; the most typical requirements are below.

Investors' rationale will of course vary, with some being able to evaluate risk more favourably but what has become more evident is, whether buying long term income or short term asset management, the fundamentals will have to be strong and improved performance will be most likely where assets are benefitting from structural change. Retail warehousing is expected to outperform the rest of the sector, delivering improved returns now that rents have broadly plateaued and occupier demand is strengthening.

High Street Shops

The demand for prime assets in strong regional towns and cities, outside the top five cities, is as strong as ever with small/medium lot sizes seen as attractive by most, with a number of such assets having been transacted at sub 5% yields over the last 12 months. Examples include Boots in Chichester, bought by NFU Mutual for £7.3m reflecting a yield of 4.4% and River Island in Lincoln, bought by Teeside Pension Fund for £5.78m reflecting a yield of 4.5%, both in December 2013. On the

Typical Market Requirements

Shopping Centre	Retail Warehouse	High Street Shops
£25m+ lot size	£5 – 50m lot size	Top cities or strong regional towns
Dominant within catchment	Dominant within catchment	Prime retailing pitch
Rebased rents	Rents below £20.00 per sq ft	Re-based rents
Good anchorage	Open A1 planning or potential to widen restrictions	Strong core catchment
Well let but with potential for asset management	Well let but with potential for asset management	Well let but with potential for asset management
Close to transport links	No tenant break clauses	Close to transport links

Shop Property Yields

Excluding Greater London

%	Dec 2006	Dec 2007	April 2008	Dec 2008	Apr 2009	Sept 2009	Oct 2009	Feb 2010	Apr 2010	Apr 2011	Sept 2011	Mar 2012	Mar 2013	Apr 2014
Prime High Street	3.75 - 4.25	4.75 - 5.50	5.00 - 5.75	6.00 - 6.50	5.25 - 6.00	5.50	5.00	5.00	4.75	4.50	4.50	4.50	4.50	4.25+
Secondary High Street	5.00 - 5.75	6.00 - 7.00	6.50 - 9.00	8.00 +	8.00 +	10.00 +	10.00 +	10.00 +	9.00+	8.00+	8.00+	8.00+	9.00+	8.00+
Prime Shopping Centre	4.00 - 5.00	5.00 - 6.00	5.50 - 6.50	6.50 - 7.50	7.00	7.00	6.00	6.00	6.00	5.50 - 6.50	5.50 - 6.50	5.50 - 6.50	5.25 - 6.25	5.25 - 6.00
Secondary Shopping Centre	5.00 - 6.00	6.00 - 7.50	6.25 - 8.00	9.00+	9.00 +	7.50 +	9.00+	9.00+	9.00+	8.00 +	8.00 +	8.00 +	8.5 +	7.50 +

Prime Retail Warehouse Yields

Excluding Greater London

%	Dec 2006	Dec 2007	April 2008	Dec 2008	Apr 2009	Sept 2009	Oct 2009	Feb 2010	Apr 2010	Apr 2011	Sept 2011	Mar 2012	May 2013	Mar 2014
Shopping Parks	4.25 - 4.75	4.75 - 5.00	5.00 - 5.25	6.75 - 7.00	6.75 - 7.00	6.50 - 7.00	6.00	6.00	6.00	5.00 - 5.25	5.25	5.25 - 5.50	5.50 - 5.75	5.25 - 5.75
Open A1 Retail Parks	4.25 - 5.00	5.25 - 5.50	5.25 - 5.75	7.00 - 7.50	7.00 - 7.50	7.00 - 7.25	5.75	5.50 - 5.75	5.00 - 5.50	5.25 - 6.00	5.25 - 6.00	5.50 - 6.50	6.00 - 6.50	5.75 - 6.25
Bulky Goods Retail Parks	5.00 - 5.75	5.75 - 6.25	5.75 - 6.75	8.00 - 9.00	9.00	8.00 - 9.00	6.50 - 7.00	5.75 - 6.25	5.75 - 6.25	5.75 - 6.50	5.75 - 6.50	6.00 - 7.00	6.75 - 8.50	6.00 - 8.00
Solus Stores	4.75 - 5.25	6.00 +	6.00 +	8.50+	8.75	8.50 - 9.00	7.00+	6.00 - 7.00	6.00 - 7.00	6.50 +	6.25 +	6.25 +	6.50 - 7.00	6.00 - 7.00

contrary, the owners of assets who thought they had bought good quality long income in true secondary locations but who are now dealing with voids still have more pain to come. We expect to see further distressed sales in this sector over the coming months.

Greater & Central London

Greater London continues to offer investors a safe haven as well as real prospects for growth. A number of assets have been sold including Royal Exchange EC3 – purchased by Oxford Properties in December 2013 for £83.5m reflecting a yield of 4% and Whiteleys Shopping Centre, W2 – purchased by Meyer Bergman (JV) in September 2013 for £110m reflecting a yield of 4.5%.

In terms of retail warehousing investments in Greater London, a number of smaller lot sizes have been transacted in 2013 although the most notable in terms of lot size was Legal & General's sale of Friern Bridge Retail Park to DTZ Investment Management in December 2013 for £63m reflecting a yield of 5.63%.

Given the underlying land values in and around the Capital, redevelopment is more viable especially where the intensity of the existing development is relatively low, a recent example being the sale of Pentavia Retail Park, NW7 by Henderson Global Investors to a private investor. The price paid was £27.8m reflecting a yield of £5.97%, although the average unexpired term was only 19 months at the point of sale.

Central London prime shops remain attractive and yields remain low. Over the past twelve months we have seen a number of transactions on New Bond Street and Old Bond Street where investments have been bought at yields as low as 1.42%. It is not just investors who compete for ownership on Bond Street but occupiers too and vast premiums are being paid for assignments of leases.

Other notable shop investment transactions in Central London, other than Oxford Street, where there have been a number of transactions with some at yields as low as 2.44%, include Jones the Bootmakers on South Molton Street, W1 where a price of £6.775m was paid reflecting a yield of 3.18%. Further out, on Chiswick High Road, in November 2014 British Land sold the Boots and Robert Dyas to PAT Pensions for £10.75m reflecting a yield of 3.26%.

The Outlook for 2014/15

The outlook for 2014/15 is positive with investors queuing up for prime and dominant secondary assets, although for owners of true secondary and tertiary assets the year ahead will remain challenging. As an example, it will be interesting to see how the proposed £100m sale and leaseback programme muted by Morrisons is received by the market either as one lot or multiple lots as this will not be only foodstores. The properties are reported to include goods yards, shopping centres and sheds in non-core areas, predominantly in Yorkshire and the Midlands. Similarly a £750m portfolio including the UK's highest rented shopping park, Fosse Park, Leicester, has come to the market and will serve as a stress test in the market

Market sentiment and activity are strengthening and while many parts of the UK are unlikely to see any rental growth over the next year, the scarcity of investable stock coming to the market coupled with the increasing demand will maintain the downward pressure on yields that we are currently seeing in the market.

Noss Marina - Development funding advice on new marina, leisure and residential development on behalf of Thurleigh Estates (Dartmouth) Ltd.

With new mid-sized developments beginning to come forward, especially in the out-of-town sector, we expect to see a number of funding opportunities over the next twelve months. Re-based land values are allowing developers to assemble schemes based on affordable rents and development appraisals are once again beginning to stack up.

While interest rates are forecast to increase to 2% over the next three years, the relative returns from the property sector are likely to ensure that this asset class remains attractive to investors. The danger is, however, that the market gathers pace too quickly due to pent up spending power chasing a shortfall of stock, forcing values up artificially without benefitting from structural change, or allowing the core fundamentals to improve.

Investment disposal advice for Oatlands Village, a popular Guernsey visitor attraction, on behalf of a private client.

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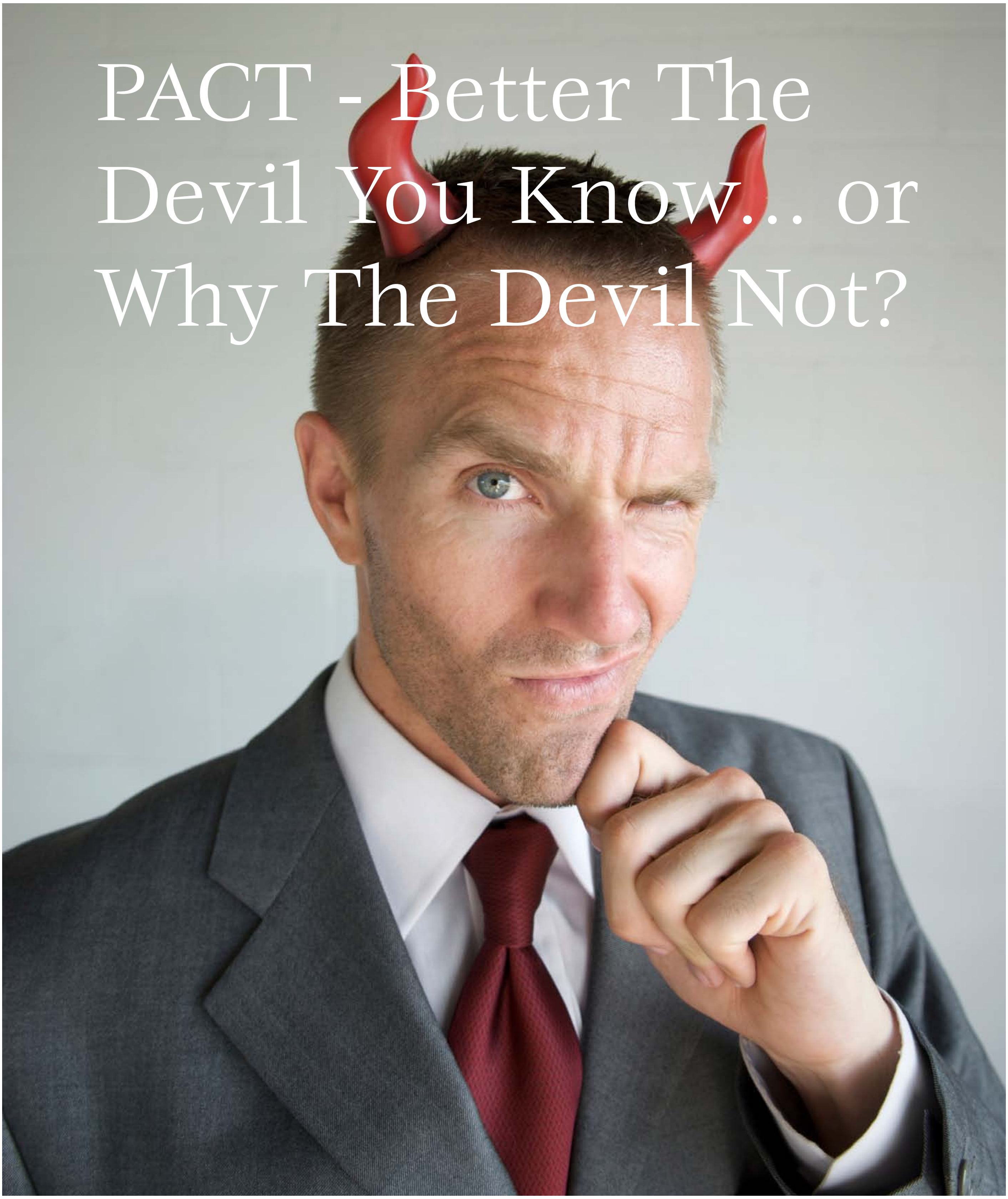
Professional

PACT - Better The Devil You Know… or Why The Devil Not?



A Google search for PACT brings up organisations for missing children, a trade association for cinema and TV producers, a prison advice charity and a site for hand roasted coffee, all on the first page. A further search reveals references to suicide and Warsaw, the latter Pact being fondly remembered by our older readers.

Only by the fifth page is there a reference to the PACT Service offered on the RICS website.

PACT, or Professional Arbitration on Court Terms, as it is correctly known, is therefore far from the forefront of the public's psyche and it would be fair to say it is a similarly distant concept for most practitioners. This is despite it having been introduced by the RICS and the Law Society as long ago as 1997.

PACT is an alternative process for determining issues arising in unopposed business tenancy renewals. It provides the protagonists with the opportunity to have their issues determined by an independent party with the requisite specialist knowledge and offers procedural flexibility and informality, without recourse to a judge's decision at court.

Arbitration services on a private appointment between the parties, rent review awarded by Graham Chase.

Expert Witness Report in respect of a rent review dispute acting for the landlords against Cafe Rouge.

PACT also offers savings in both time and costs compared to court proceedings and is particularly designed for a valuation surveyor to decide on the rent for a new lease, where the remaining terms have been agreed, and/or for a solicitor to determine on other lease terms.

Despite the perceived advantages of PACT as a dispute resolution process, the statistics from the Dispute Resolution Service of the RICS and anecdotal evidence suggest that, 17 years after its introduction, the use of PACT remains at a remarkably low level. This is surprising given the high costs associated with litigation, against a background of increasing occupational costs.

Why is there still this reluctance to use PACT as alternative? The preference for lease renewal disputes to be decided by a judge seems illogical, given that decisions on rental levels under a lease are surely best left to third party surveyors with specialist knowledge.

Cynics might suggest that there is little support for it from the legal profession, as it diminishes their role in the lease renewal process in favour of the surveying profession. "They may say that, I couldn't possibly comment", to paraphrase the words of Francis Urquhart.

Some also suggest that the low level of PACT referrals is simply the result of a lack of education or awareness about the PACT process amongst landlords and tenants. Others believe that some larger landlords and retail tenants like to use the threat of court proceedings to strengthen their negotiating position, when pitted against smaller opposition who lack the funds or professional expertise to run a case to court.

PACT is a consensual process. It therefore requires two to tango. Even when agreement on the process is reached it may not be possible for the parties to agree on whether the PACT surveyor should act as an Arbitrator or an Expert. A suggestion would be that the procedure should be amended so that either arbitration is the default option, or the PACT surveyor should act in the same capacity as set out in the rent review clause of the expiring lease.

Lease renewal negotiations acting on behalf of Lords of Westbourne Grove, London

Current indications are, however, that the parties will be put under increasing pressure to avoid court proceedings and take advantage of the cheaper option that PACT offers.

In the case *PGF 11 SA v OMFS Company 1 Limited* late last year, a party was penalised on costs because it had failed on several occasions to respond to an offer to mediate. The court ruled that the refusal to consider the option of mediation constituted unreasonable conduct and awarded against the offending party accordingly.

This case is seen by both surveyors and lawyers as a clear indication that failure by a party to adopt alternative dispute resolution procedures when they are available will count against them in terms of costs.

The courts could also be more proactive in encouraging landlords and tenants, at the initial direction stage, to consider a referral of their lease renewal issues to PACT.

PACT may not be suitable for all disputes and where there are complex issues regarding the terms for the new lease then it may be preferable for both parties to have their day in court. In situations which revolve solely around term, rents and Interim Rent, PACT must be both the most effective and cost effective solution.

As leases become increasingly short, leading to many more lease renewals than rent reviews particularly in the retail market, then it makes no sense to prosecute court referrals every 5 years. Indeed, where a lease is only 5 years old it must be a more simple process to replicate the lease document and insert a new rent, based on the PACT surveyor's determination or award.

The time has surely come for the PACT process to be fully embraced by both the property and legal professions.

If you should need any further information as to how Chase & Partners can assist in either advising parties, or as acting as anArbitrator or Expert in the PACT process, then please contact either Ian Campbell or Graham Chase.

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Superstores and Supermarkets

Convenience is King

We were the first commercial agency to report the change in the supermarket property sector last year with a weakening in performance for perhaps the first time in 30 years. Many similar reports followed confirming our findings although few were brave enough to comment on the inevitable impact on development activity and value.

The market has come to terms with a number of new supermarket proposals being shelved, as operators reassess their trading opportunities which have been turned upside down by the market share grab of the discounters and the rapid expansion of convenient convenience formats, reflecting demographic and behavioural changes.

Both Sainsbury's and Tesco are looking at portfolios of their smaller convenience store formats, notably outnumbering their main line superstores. Morrisons, late into the small format party, made a splash by picking up 40 Blockbuster shops from the receiver in locations truly reflecting neighbourhood parade facilities, demonstrating how far this market can go in taking up the mantle of the new corner shop "open all hours" provisions store.

The table on the next page demonstrates the strength of the operators' property portfolios and the diversity of the accommodation that they are able to trade from. This is a trend which is set to continue for the foreseeable future, so expect more of the same.

Add the meteoric growth of the discount food operators led by Aldi and Lidl to these structural changes in the traditional food supermarket property sector and it is all change on a rapid and significant scale. Aldi has grown their market share from 3.3% to 4.1% and even the established Iceland fascia has outperformed with market share rising to 2.3%. This is not a flash in the pan – the discounters' property departments are under pressure to create new stock, with planned openings at over one a fortnight and getting close to one a week.

The discounters have been aided by a weakened property market and relatively cheap land but also supported by a planning regime keen to support local facilities and reduce car journeys. The size format between 10,000 sq ft and 20,000 sq ft has only a limited impact in raw figures but adds to consumer choice and diversity of offer. In short, we are seeing an enticing and heady mix of new space regarded as not only sustainable but profitable and bringing with it more options for development, particularly new style district centres.

For those who have heralded this as the beginning of the end for the food superstore, think again. Life is not that simple and in

Swaffham, Castle Acre Road, Tesco - site acquisition, development disposal and planning advice, on behalf of Millngate for a 36,000 sq ft foodstore.

Food Store Requirements in Size Terms*

	Location	Min Area (sq ft)	Max Area (sq ft)
Tesco Extra	Strategic	70,000	130,000
Tesco	Standard	25,000	70,000
Tesco Metro	In Town	8,000	15,000
Teco Express	Convenience	3,000	4,000
Sainsbury's	Strategic / Standard	40,000	120,000
Sainsbury's Local	Convenience	1,000	4,500
Morrisons	Standard	25,000	83,000
Morrisons M Local	Convenience	1,000	4,000
Asda	Strategic / Standard / Convenience	6,000	80,000
Co-Op	Convenience	2,000	4,000
M&S Simply Food	Convenience	4,000	20,000
Waitrose	Standard/Convenience	15,000	40,000
Little Waitrose	Convenience	3,500	5,500
Waitrose Food & Home	Trials	25,000	35,000
Aldi	Standard/Convenience	6,000	20,000
Lidl	Standard/Convenience	8,000	20,000
Iceland	Discount	5,000	10,000
Whole Foods	Standard	15,000	35,000

* figures are correct as of April 2014

any event our observations have never been about the end of an era, just a notable change in direction with consequential adjustments. The majors will continue to roll out full size superstores but the opportunities will be fewer, more targeted and focussed on quality of trade potential rather than just a numbers game.

There are many towns and city suburbs throughout the UK which suffer from poor quality food store provision. A town may have three or four fascias represented but where none of the trading properties provide a format reflecting modern criteria in terms of size, layout, car parking and access. It will be in these locations that trade diversion and leakage to other centres, which do have modern foodstore facilities, will be at its greatest. By definition these are the centres which offer the greatest prize to the operator that can provide a new “Grade A” type store, clawing back leakage and gaining market share from its poorer competitors whose outdated stores will lose trade rapidly. In our opinion this is the current battleground and the place where new foodstore development will prosper and grow.

Non food items sold in foodstores have come under pressure especially as discounters such as B&M Bargains, who opened their 400th store last year, Home Bargains, Poundland and Poundworld etc. grow as a result of consumers demanding cheaper goods as incomes are squeezed. This is not, however, the full picture. Although hypermarkets with a 50% food and 50% non food offer are likely to be rarer in the future, Sainsbury's have shown that they can still trade non food sales

Supermarket share

	12 weeks to 18 March 2012		12 weeks to 17 March 2013		Change	12 weeks to 02 February 2014		Change
	£000s	%	£000s	%	%	£000s	%	%
Total Till Roll	31,071,210		31,849.910		2.5	36,539,930		1.7
Total Grocers	23,350,500	100	24,259,650	100.0	3.9	26,955,920	100.0	2.4
Total Multiples	22,830,230	97.8	23,726,910	97.8	3.9	26,433,660	98.1	2.4
Tesco	7,061,130	30.2	7,142,052	29.4	1.1	7,870,589	29.2	-0.4
Asda	4,187,542	17.9	4,347,203	17.9	3.8	4,670,696	17.3	0.5
Total Asda	4,187,542	17.9	4,347,203	17.9	3.8	4,670,696	17.3	0.5
Sainsbury's	3,869,689	16.6	4,110,240	16.9	6.2	4,600,444	17.1	2.7
Morrisons	2,864,810	12.3	2,834,969	11.7	-1.0	3,036,262	11.3	-2.5
Co-operative	1,512,408	6.5	1,508,230	6.2	-0.3	1,645,214	6.1	0.9
Somerfield	796	0.0	-	0.0	-100	-	0.0	n.a
Waitrose	1,036,869	4.4	1,166,523	4.8	12.5	1,320,784	4.9	5.6
Iceland	465,910	2.0	506,668	2.1	8.7	606,884	2.3	3.1
Aldi	608,257	2.6	795,821	3.3	30.8	1,108,450	4.1	32.0
Lidl	627,916	2.7	693,815	2.9	10.5	854,807	3.2	17.2
Netto	-	0.0	-	0.0	-100.0	-	0.0	n.a
Farmfoods	139,704	0.6	132,926	0.5	-4.9	181,510	0.7	43.9
Other Multiples	455,197	1.9	488,462	2.0	7.3	538,021	2.0	9.2
Symbols & Independants	520,270	2.2	532,743	2.2	2.4	522,258	1.9	1.5

Source: Kantar Worldpanel February 2014

to show top line returns, well ahead of margins on food items.

Click and collect and home delivery are the internet version of food sales and continue to grow with ASDA converting some 100 locations into click and collect facilities, alongside standard food sales. Again, this is not the end of physical sales but simply another way of retaining continuity with the customer and providing retail offer options. While internet shopping is convenient, it is ultimately no cheaper or less time consuming but offers another route into the customer's arms.

The key questions from a property perspective relate to impact on value. Yes rental values have fallen and that has to be recognised, although every case has to be judged on its merits. With a number of new outlets coming on stream and the large stores being intercepted by the new small ones, some trade and turnover will inevitably be lost or cannibalised. This simply reflects the needs and demands of the customer and is today's new market. Although rents may have peaked in the mainline foodstore sector they have only just got going in the discount sector. The rental differential between mainline and discount is beginning to blur as the rental table overleaf demonstrates.

What has not been diluted is the strength of yield with arguably 3.75% available to be paid for the very best example in the South East, preferably London. If anything the covenant profile of all operators has strengthened and with relatively few non Tesco investments available it is not surprising that the covenant strengths in this sector continue to be highly sought after. Strangely enough, therefore, despite the significant change in the food supermarket property sector and weakening rental levels in some areas, this is one of the most dynamic property sectors, creating significant activity with real potential for those who understand the direction this is all taking.

Supermarket Statistics - A Rollercoaster ride, so hang on!

	No. UK Stores	Opened in the last 12 months	The next 12 months	UK sales % increase	Profit % increase
Tesco (as of 22/04/14) Y/E 23/02/14	Tesco Extra: 238 Superstores : 481 Metro: 192 Express: 1,547 One Stop: 639 Tesco Home Plus:12 Total: 3146	1.4m sq ft (total new space)	Priority of refurbishing Tesco's big box stores. It intends to refurbish all 360 of its largest stores by the end of 2017 and will refresh all 1,700 of its Tesco Express shops by 2016.	2.7 % increase including fuel. Like for like sales fell by 1.5pc, excluding fuel and VAT in the third quarter and 2.4 pc in the Christmas period. Half year to 24 August UK likes for likes excl petrol and VAT fell 0.5% Market Share: 28.7% as at March 2014	Tesco have reported a 6.9% decline in annual profits, dropping to pre tax profits of 3.1bn to the end of March 14.
Sainsbury's (as of 14/04/14) Y/E 31/03/14	Convenience - 523 Supermarkets - 583 Total: 1106	New supermarkets: 13 Replacements: 3 extensions: 6 convenience stores: 91 closures: 7	1 million sq ft in 2014 and 2015 with 120 more Sainsbury's Local in 2014	Total sales for fourth quarter down 1.5% (down 1 percent ex fuel). Total sales for financial year up 2.7% (up 2.7% ex fuel).	Half year underlying profits (before tax) up 7%.
Morrisons (as of 14/04/14) Y/E 02/02/14	Over 480	100 M Local stores opened in the last 18 months. Second convenience distribution centre now operational. 18 new supermarkets opened.	Programme to increase by 650,000 sq ft in 12 new stores in 2014 plus 100 new M Local stores. Morrisons is continuing to expand, across the whole of England, Scotland and Wales with a particular emphasis on London and the South of England. Forecast: Anticipate underlying profits will be in the range of 325m-375m In 2014/15, after charging £65m of new business development costs and £70m of one-off, non-recurring costs.	£17.68bn fall of 2.2% (2012/13: 18.1bn) Like for like sales (ex fuel, ex VAT) down 2.8% (2012/13: down 2.1%) Market share fell to 11.3% on February 2nd.	Underlying operating profit of £865m fell by 11% year on year, with underlying profit before tax of £785m down by 13%. Kiddicare business for sale as no longer strategic. Assets have been impaired and a charge of 163m has been taken to the P&L for 13/14 year.
Asda (Walmart) (as of 14/04/14) Y/E 31/01/14	Supermarkets - 32 Superstores - 320 PFS - 2 Asda Living - 34 Supermarket 189 Total: 577	740,000 sq ft		Sales up 0.5% year on year	
Co-Op (as of 14/04/14) Y/E 31/03/14	2,800 Co-op Food stores	Opened 300th shop in 2013	150 new C stores. Co-op has signed agreement to lease 54 pub sites from New River Retail on the Marston Plc portfolio: to be converted to convenient stores or redeveloped. Focus is now on convenience stores and to move away from larger stores. The grocer will remodel more than 1,000 branches this year to its Generation II format. The stores themselves are circa 4,000 sq ft rather than being retail warehouses.		
M&S Simply Food (as of 14/04/14) Y/E 29/03/14 Full year results not avaialable until 20/05/14	766 Stores in the UK		40 new stores each year (UK)	4th Quarter: UK sales up 2.5%, like for like sales down 0.1%.	
Waitrose (as of 08/04/14) Y/E 30/01/14	Total: 305 including 42 little Waitrose shops.	For the year to 31/01/2014: 13 new branches (including 5 little branches).	Plan to open 38 new branches including 23 little Waitrose shops, as well as relocating two branches.	Gross sales up for the year by 6% to 6.11bn (2012/13: 5.76bn) Like-for-like sales grew by 5.1%. Total online services gross sales of £262m; Waitrose.com grocery gross sales up 41.4%	Operating profit: 310.1m up 6.1%. Market share up 0.2% over the year.

Supermarket Statistics - continued

	No. UK Stores	Opened in the last 12 months	The next 12 months	UK sales % increase	Profit % increase
Aldi (as of 14/04/14 Y/E 28/02/14)	500	Opened 500th store this year in Suffolk cementing incursion into Middle England	50 stores: Looking at the East of England	Market Share: 4.3% Average basket size has grown to £18.63 just behind Sainsbury's and Morrisons. In the 12 weeks to 10 November 2013, they enjoyed a 31.1% rise in sales.	
Lidl (as of 14/04/14)	600		20 stores Looking to open another 600 stores within the next three years if can find sites	Market Share: 3% Like for like sales up 18% year on year. Lidl have experienced a 23% increase in sales in the 3 months to 01 February 2014.	
Booths (as of 14/04/14)	29	Sites of 1.5 to 3 acre stores. 20,000 to 30,000 sq feet GIA plus 150 surface car parking space.	Latest store opening Milnthorpe. Planned store opening in Barrowfield later this year		

• Tesco's market share continues to fall as Sainsburys gains strength

• Asda remains neutral but Morrisons have struggled being late into the small store convenience sector and suffering from the proposed sale of their Kiddiecare business

• The clear winners are Aldi and Lidl who have seen their market share increase significantly in real terms and encouraged the mainline operators to rethink their business plans

• Asda are looking to lower prices and enter the discount challenge as well as improving store efficiency and building its online operations

• Sainsbury's, another winner, will open 120 Sainsburys Local stores in the coming year

• Waitrose are delivering on quality and selection of appropriate demographic locations and continue to stride ahead, with profit increasing by 6.1% to the year ending 25 January 2014

• The Co-op is under severe pressure with losses, primarily through its banking division of £2.5bn last year

• M&S Simply Food operation continues to be a focus for expansion and is looking to open 40 new stores in the next 12 months

Rental Value - Real Change

Town Type	Store Type	Rental Range 2012	2013	2014
Large towns	Large format stores	£18-25 psf	£15-22.50 psf	£15-22.50 psf
Small towns	Large format stores	£15-£20 psf	£12.50-£20 psf	£10-£18 psf
Town centres	Large format stores	£15-25 psf	£15-£22.50 psf	£15-£20 psf
Town centres	Small format stores	£10-£20 psf	£12.50-£22.50 psf	£15-£22 psf
London conurbation	Large format, limited competition	£30 psf +	£30 psf +	£25-£35 psf
London conurbation	Small format	£10-£15 psf	£15-£20 psf	£20-£25 psf
All centres	Discount	£7-£10 psf	£8-£12 psf	£10-£16 psf

Yield Profile - No Change

Description	Store Type	Equivalent Yield 2013	2014
Fixed or indexed uplifts at RR	Large format	4.25% – 4.75%	4.25% – 4.75%
Large centres (Standard RR to MR)	Large format	4.75% - 5.25%	4.75% - 5.25%
Small centres (Standard RR to MR)	Large format	5.00% - 5.50%	5.00% - 5.50%

C&P

Spring
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2014

Planning

Localism or Free For All?

The Coalition continues to pursue measures which they consider are improvements to the Planning System. Some of these, however, have been perceived as diluting local governmental powers in respect of development control. Are these changes 'developer friendly' and do they diminish a local community's ability to influence development in their areas?

It was announced in the 2014 Budget that the Government are going to 'refresh' the planning system and introduce a three-tier system to decide the appropriate levels of permission. Under this proposal small-scale changes would benefit from Permitted Development rights, whilst the Prior Approval process would be used for development where specific issues need to be assessed. Large scale development would continue to require planning permission.

This is arguably the direction that the Government has taken decision making in recent years. Whether this has been an attempt to slowly decentralise decision making or a consequence of a series of poorly conceived measures remains to be seen.

Office to Residential

Last year we reported on the Government's proposals to introduce Permitted Development Rights to allow the change of use from commercial development to residential. This initially involved the permitted change from offices to residential without the need for planning permission, which came into effect in May 2013, and was heralded by the Planning Minister, Nick Boles as "an excellent opportunity to create much needed new homes".

The proposals received a mixed reception and 165 Local Authorities sought to opt out of the measures. Only 17 areas were exempted:

- the Central Activities Zone in London;
- Tech City in the London Borough of Tower Hamlets;
- a number of Enterprise Areas/Zones;
- Central Manchester; and
- areas around Ashford, Stevenage, East Hampshire, Sevenoaks and the Vale of White Horse.

Following this the London Boroughs of Camden, Lambeth, Islington and Richmond upon Thames brought a Judicial Review action against the Department for Communities and Local Government (DCLG). They considered that the whole of their Boroughs should be exempted, not just the Central Activities Zone. Their complaints centred on:

- Not being able to secure affordable housing through the measures;
- Inability to secure Section 106 payments;
- The undermining of existing investment and employment within boroughs;
- The removal of the Planning Authorities' influence on design and development standards; and
- The removal of the right for local residents to have a say in development proposals.

The challenge was subsequently dismissed in the High Court.

The Permitted Development provisions, however, do not give carte blanche to developers seeking a change of use. The rights only apply to office buildings within use class B1(a) and which were in use prior to May 2013. Consequently office buildings that had been vacant since that date are excluded. Also, it does not extend to any external or physical alterations required for a conversion, planning permission must be sought for these.

In addition to the above, a change of use from office to residential requires Prior Approval from the Local Planning Authority, where proposals are assessed against their potential impact on flooding, highways and contamination. This does give Local Planning Authorities some control over such development and has recently been used by the London Borough of Richmond upon Thames.   This involved a building located opposite Twickenham railway station where the developer sought the change of use from offices to residential for 41 units. The developers submitted a Prior Approval application which was subsequently refused on the grounds that the applicants had not demonstrated that the proposals "*would not have an unacceptable material increase or material change in the character and nature of traffic and parking in the vicinity of the site*".

It appears that Local Planning Authorities have realised that this can be used as a means to maintain their decision making role. In addition some are looking to use Article 4 Directions, which remove Permitted Development rights within a specific area, to resist the number of office to residential conversions. This is an existing provision normally associated with removing Permitted Development rights within Conservation Areas, but there is no reason why they cannot be applied elsewhere in areas worthy of protection. They are not a straightforward tool as they require consultation and are referred to the Secretary of State. The fact that Local Authorities are looking to use them in an effort to control and protect existing employment uses demonstrates the seriousness with which they view the matter.

There is clearly a tension between Local Planning Authorities and Government as to how these powers should be applied. There are obvious, serious shortcomings within them from a decision making position,

Hall End Business Park, Dordon, North Warickshire. Planning Consultancy and Agency advice on behalf of the landowners.

Retained planning advisors to Howdens Joinery Co for new outlets and estate management.

notably securing any financial or Section 106 contributions, or other planning obligations such as affordable housing. Alternatively they could signify an attempt at further decentralisation and reflect the introduction of CIL, where financial contributions and other wider benefits can be dealt with.

Wider Measures & Town Centres

In August 2013 further changes to Permitted Development were proposed that would allow the change of use of a building from shop (use class A1) or financial and professional services (A2) to residential (use class C3). These would also include Permitted Development rights for the change of use from a shop (A1) to a bank or building society.

Unlike for offices, these proposals include any physical works required for the conversion, without the need for express planning consent. They are limited to shops of up to 150sqm, the dwelling must be a single house or a maximum of up to 4 flats, do not include listed buildings or where the development would require an environmental impact assessment. Again, such proposals will require Prior Approval in respect of:

- Design – it will need to comply with Local Plan policies;
- The potential impact of the loss of the A1/A2 use on the economic health of town centres, the need to maintain an adequate provision of essential local services and the impact on the local character of the area.

This will give Local Planning Authorities greater control over this type of change of use and is considered appropriate in order to maintain the vitality and viability of designated centres. Part of the Government's reasoning behind the relaxation of Permitted Development was in response to declining Town Centres and the Portas Review. The rationale for these measures is that they will help address the increasing retail vacancies within centres, assist in the delivery of new residential accommodation within them, which in turn will drive footfall.

We will have to wait and see how Local Planning Authorities react to these proposals and if they seek exemptions from them. Chase & Partners consider that there are some serious question marks about how these proposals will function in reality and about how they appear to be driven by market forces. A key issue will be viability where retail rents in the main will be greater than residential returns. Consequently, within town centres these measures are only likely to be successful in centres of serious economic decline, where there are exceptionally high vacancies compared with

Expert witness services at a planning public inquiry into the Rushden Lakes retail and leisure development on behalf of LXB RP (Rushden) Ltd.

elsewhere in the country. Development resulting from such circumstances could potentially result in unplanned and unmanaged residential growth.

Whilst Local Planning Authorities will have control over design there remain questions over whether retail units lend themselves to conversion to residential accommodation. In the main, they will not have any defensible space at the front and will often open immediately onto a public highway, with limited room for any private amenity space. These measures could result in the development of unsatisfactory residential accommodation, suitable only for the rental market.

There will also be a risk of losing more localised retail facilities within existing residential areas, particularly in London Boroughs where residential returns are likely to be greater than retail. This would be unsustainable as people would have to travel to use such facilities and this would potentially undermine the communities within which they live.

Alternatively, there is the argument that these measures would benefit landlords in areas where a parade or centre has declined and landlords have been unable to let premises. Such vacant premises continue to be liable for rates and charges, so this could be an opportunity for the productive use of them.

In the 2014 Budget the Chancellor announced a further review of the General Permitted Development Order to include flexibility in the change of use of warehousing and light industrial buildings to residential. The parameters that will be placed on this have not yet been detailed.

Given the concerns of Local Planning Authorities about employment supply in the office to residential saga, the suitability of existing commercial buildings to provide appropriate residential accommodation and the manner in which these measures bypass the need for any financial contributions and other planning obligations, most notably affordable housing, it will be interesting to see how this next round of deregulation of planning control will be received. It is recognised that there is a need for a comprehensive Use Class Order, but that there needs to be realism and flexibility in how it is applied.

Will these proposals stimulate growth or result in unplanned development to the detriment of the vitality of Town Centres?

Watch this space...

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