C&P 25 YEARS

Spring Retail Report 2019

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Spring
Retail Report
2019

"The high street has proved time and time again that it is more resilient than some will give it credit for. But proactive intervention is still desperately needed to right the structural wrongs of the past."

The Big Squeeze
Introduction by Graham Chase

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The Big Squeeze

2018 was dubbed "the year of the Company Voluntary Arrangement (CVA)". Some of the major retailers who successfully applied for CVAs in 2018 included New Look, Homebase, Carpetright, House of Fraser and Mothercare.

Retail businesses are continuing to face a squeeze which boils down to several factors which include the continued growth of online shopping, rising labour costs, increasing business rates in relative terms against sales and profitability and a drop-in consumer spending in the "high street" coupled with an over reached food and beverage sector.

UK stores are disappearing from high streets at a rapid pace as consumers' changing behaviours means they're increasingly shifting from shopping in-store to online. A record net 2481 stores disappeared from the UK's top 500 high streets in 2018, 40% more than when comparing to 2017. The 5833 store closures in 2018 was not enough to offset the number of stores opening of 3372, although this is a higher rate of new shop openings than in 2017.

The structural shift to online in the UK has been underway for over a decade. Looking back to 2007, online sales accounted for just 3% of the total retail sales, compared to 20% in 2019. This has presented a significant challenge to the traditional retail model of bricks and mortar and inevitably has caused widespread disruption throughout the sector.

An increase in the national living wage to £8.21 from April 2019 will give retailers another tough decision to deal with and how to mitigate the increased cost while trying to make a profit adding further strain on the retail sector. Despite increasing labour costs including rising statutory private pension commitments from companies and employees, the UK unemployment rate edged down to 3.9% in the three months to January 2019, its lowest level since the November 1974 – January 1975 period and slightly below market expectations of 4%. The number of employed rose by 8,000 on the quarter while employed increased by a staggering 141,000 the highest rate of growth since mid-2008 before the western world banking crisis signalled by the demise of Lehman Bros on 16th September 2008.

Despite the warning of gloom from the ant-Brexit lobby, the UK stock market continues to perform well with corporate UK creating the most favoured centre for foreign investment, for the first time since Ernst & Young began publishing its investment index 10 years ago, pushing the USA off the top spot in April 2019. This runs in parallel with the news that Chinese investment in the European tech industry has quadrupled, indicating that tech has been a key draw for those seeing the UK as an investment destination.

The UK is demonstrating its ability to compete on a global stage despite "Fortress Europe" trade tariffs and barriers which have often been the subject of criticism by non-EU overseas investors and traders who favour the UK as a truly international centre for business.

Discounters continue to grow their market share in the grocery and non-food sectors; however, they are not immune to the troubles on the high street with the "pound shop" sector looking increasingly overstretched.

Despite ongoing movement to online, most would agree that physical and online sales platforms can be used to help drive each other – but not always as the success of Primark ably demonstrates (see below). Traditional retail will continue to play a vital role in the distribution chain, although it will likely form a smaller component of the overall tenant mix on high streets, shopping centres and retail parks.

It should be acknowledged that the UK has too much retail space, with a popular estimate at a 25% surplus of poorly located and outdated stock that needs to go to rebalance supply v demand. We are firmly of the opinion that this is an opportunity and that government policy has got to change and put retail last, not first as some sort of protected dinosaur that needs artificial respiration for its remaining days.

On the other hand, it is important to note that around 80% of all retail sales still occur in physical stores showing bricks and mortar do have a future and is evidenced by the recent acquisition of Whole Foods by Amazon – a reverse strategy for them. Success in the future will therefore be based on a balanced approach to physical footprint, digital alignment and logistics execution.

The high street has proved time and time again that it is more resilient than some will give it credit for. But proactive intervention is still desperately needed to right the structural wrongs of the past. As evidence to the truth of this fact the UK's most successful fashion retailer in terms of straight-line growth is Primark, who do not have an online sales facility, continuing to attract customers and growth through physical sales in their stores.

Business rates on retail property are a major focus of those involved in this sector with landlords suffering as a result of increasing rate payments eating into any rental growth that may have been achieved. At the bottom end of the food chain, tenants are being hit by increasingly higher occupational costs and with no respite or potential to improve their position the incidence of draconically high property rates and taxation are adding to the failure rate in physical shopping.

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The Government in an undisguised attempt to win votes argue that they have provided a £900 million business rates cut for small retailers and made offers to local authorities for high street related transport and regeneration improvements with a £675 million grant. The truth is that although independent retailers need support, it is the retail market as a whole which is suffering from the burden of business rates and £675 million is a drop in the ocean when you consider that a centre such as Stockport has on its own allocated some £1 billion to regenerate its town centre, recognising the importance of such investment, the majority of which is for non-retail improvements and facilities.

Business rates have in the past been the goose that lays the golden egg for Government in raising revenue streams, particularly after the significant economic crisis of September 2018 when the western economy came to a halt and went into reverse and the stock market lost some 30% of value. However, going forward it will no longer be about the Government killing off the goose that lays the golden egg because the goose is either already dead or in intensive care. The Government as the consultant or surgeon does not seem to be looking at the patient but is reading yesterday's heart and brain activity monitor statistics and failing to take account that the patient has stopped breathing and has gone grey. Until such time as there is an understanding that the greater the burden of taxation which stops business, the less revenue the Government will secure and the longer it will take for town centres and retail warehouse parks to recover and provide an effective line of competition to online retailing.

Physical shopping is not dead but retailing as an activity continues to evolve. Town centres do not benefit by slavishly putting retail first but ensuring they have a robust and diversified economy with a strong residential, business and community base. With that in place the physical shops trade well as there are customers walking past the shop fronts who pop in to buy something – simples!

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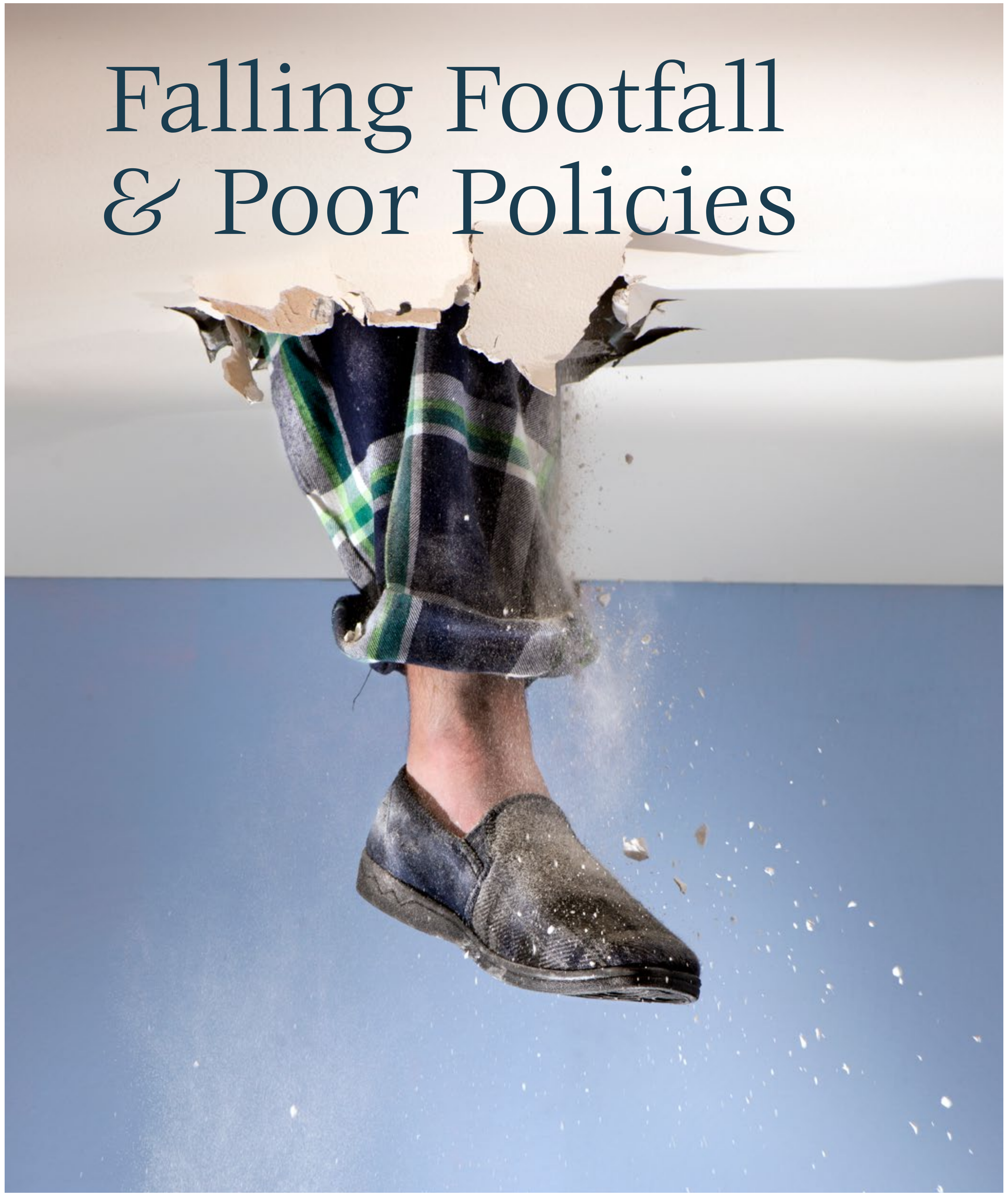
In-Town Agency

Falling Footfall & Poor Policies



The high street continues to bleed and outside the top 100 centres shows no sign of the patient recovering with more surgery required. Last year we reported shopper footfall hitting its sharpest fall, down by 7.5% as at March 2018 on a year by year basis taken from January 2014 as a benchmark. This trend continues and by December 2018 footfall had declined for its 13th consecutive month in a row, down by 2.1% in the high street year on year. By Easter 2019, footfall recorded a further 1% drop in the high street. Further, footfall in retail parks had declined at a faster rate by 2.2% than shopping centres by 2.1% over the previous 12 months.

This depressing profile of shoppers in the high street with a lack of custom has of course fed through into shop vacancy rates and now officially stands at 10.2% but arguably better than the vacancy rate in March 2018 at 13%. Peak vacancy rates at 14.5% achieved in 2011 have fortunately not been repeated but we are still a long way from the low vacancy rates during the 5 years up to 2006 at 6%.

It is reported that on average, it takes 340 days to re-let a shop and if the accommodation is greater than 10,000 sq ft, 90% have remained on the market for more than 12 months. If the shop is less than 1000 sq ft, the letting period is a staggering 3 years. Perhaps it is not surprising that a decade after the collapse of Woolworths, 5% of the former variety chains, 807 units, are still vacant. Similarly, 2 years after BHS closed its doors, 50% of the 159 former premises remain vacant.

Not only have shoppers suffered but the retail employee workforce has been decimated with an estimated 75,000 retail jobs lost in the first quarter of 2019 alone. This is hardly surprising given the number of shop closures referred to in our introduction including the closure of 22 of 50 Debenhams stores.

Shop rents are overall declining or being propped up by larger capital incentives and extended rent-free periods to buy in occupation. The trouble is that with a 10-year lease often subject to a tenant's only 5 year break the values and economics do not stack up. This does provide an opportunity for innovators, entrepreneurs and canny established retailers but the problem associated with very high business rates liability simply deters such activity. Shops are being let at a £1 just to cover the payment of the rates liability. In these circumstances, government has effectively compulsorily acquired the income streams from these properties without having to pay any compensation.

In most of the secondary centres rental levels remain 20% below the 2006 peaks. On the positive side the major conurbations are ahead of 2006 benchmark levels an in Manchester and London with vacancy rates in the city centres at historically low levels there is no evidence of the general problems being associated with the rest of the retail sector.

The total number of chain store closures exceeds 1,000 units since January 2019, four retailers and restaurant groups have initiated CVAs, with at least five more in talks to do so putting 2019 on track to be a record year for this 'asset management' arrangement. CVAs are highly criticised by many and it will be interesting to see how long landlords are prepared to vote through CVA proposals especially as so few of those retailers who do initiate this arrangement survive for much more than a further two years.

On 11th April 2019 Primark opened their 187th and largest store in the world in Birmingham in the former Pavilions shopping centre, comprising 160,100 sq ft of retail space on 5 floors including a Disney-themed café. There were queues snaking around central Birmingham by customers wanting to shop with 5,000 visiting the store in its first few hours of trading. A week later Primark opened the largest store in central Milton Keynes for 25 years in the former BHS at Silbury Arcade comprising a mere 75,000 sq ft of sales! Primark are also looking to open new stores in Hastings, Bluewater and Belfast as well as expanding in Europe in Bordeaux, Brussels, Germany and The Netherlands.

The critical issue is demand versus supply with retailers focussing on the top 100 centres and an estimate that there is 25% too much retail space within UK high streets as a whole. Consequently, many new town centre shopping centres have been shelved or placed on hold as not only is viability looking thin or non-existent, but crucially there are simply not the retailers to occupy the accommodation promoted.

The decision by Hammerson and Standard Life to delay the redevelopment of Brent Cross Shopping Centre was a combination of weak occupier demand and significant changes in the cost profile of the emerging scheme and significant yield shifts in an upward direction for this type of product. The result is negative viability on both a profit on cost basis and internal rate of return over 15-20 years.

Although it is predicted that 4.5 million sq ft is new shopping centre space will be opened by 2022, we doubt this will be achieved. It is estimated that 60% of all new retail scheme proposals have been pushed back for 2 or 3 years but we regard this as optimistic and some may disappear for good. It will be interesting to see if the massive redevelopment of Westfield Croydon comprising just under 1.8 million sq ft will see the light of day in it proposed format. If it does take place, there will be a far greater inclusion of office and residential uses and consequent reduction in the retail offer.

Those schemes which are being promoted tend to rely heavily on other uses with the term 'mixed use development' now generally applied to many retail development opportunities with several levels of residential above propping up the commercial side of the equation. Leisure uses produce relatively low rental values and the darlings of the market, restaurant and food outlets, have moved into negative territory since the middle of 2016 with the problems coming home to roost at the beginning of last year.

Even the King of high street shopping, Oxford Street, is looking shaky. Just 3 years ago it had a zero-vacancy rate but last year, only 3 notable letting deals took place and some 20 shops were let on short term leases, most of them to gift/tourist shops. Rental values have fallen from their high of £1000 psf ITZA and are now somewhere between £900 to £950 psf ITZA depending on who's side you take. Investors who paid sub 3% yields for Oxford Street investments just a few years ago are not so sure about the potential returns in the near future. Cross Rail should have come into play just at the time it was needed but at the moment, the burden for tenants in Oxford Street are inflated rents and eye watering business rates which create unsustainable occupational costs.

The outlook for the high street remains negative. The hope for the future is that Government policy changes to ensure that protection afforded to shops is restricted to the core to allow for redevelopment to produce other uses which create the activity and local economic conditions that retail relies upon.

Government's Permitted Development rights are a shame and do nothing to support the regeneration of the high street. Most professionals do not understand how the government takes this policy as being the saviour of the high street and at best regard it as a makeshift policy to allow the government to move onto other things claiming it has sorted out the high street. In many respects, this policy reflects how weak and poorly thought through government policy is in respect of town centre crises.

Town centres where there is new investment and development in uses of residential, offices, business, public sector, employment, services, social services, community, leisure and active space will be the winners. Shoppers no longer wish to visit town centres which are open between 9am and 5pm just for shopping, it is much easier to go online or to the local out of

centre facility where the car can be parked free of charge and a half hour queue to get into the centre is avoided. Government policy must therefore put other uses first and retail last with significant redevelopment in central areas for these other uses an absolute requirement if the retail sector is to survive and thrive in the future.

If people live and work in the town centre or visit it for community, health and social reasons and pass by shops, it is much easier for them to pop in and buy something than it is to work through the internet filling in forms and making sure they buy the right size of clothes which they don't have to spend time returning. Make shopping easy in town centres because people are there and the town centre will be the winner. Continue to isolate it and protect large amounts of space which are no longer relevant or fit for purpose and town centres will continue to decline.

A concerted and focussed evolution for town centres is required but until such time as local authorities understand that direct investment is necessary and Government together with local planning authorities change significantly the policies necessary to create these circumstances, it is unlikely that the private sector on its own can re-establish town centres where there is dogma against change.

Create greater flexibility in a market-based approach and the private sector will have the funds, the initiative and the inspiration to create the environment which produces viable shopping in its physical form. Otherwise white van driver will continue to grow as a population class and our roads and environment will suffer accordingly. Time is running out.

Summary of Market Activity Q2 2018 - Q1 2019

QUARTER 2 - (April to June) 2018

Market Analysis

• Retail slump has put 21,000 jobs at risk in 2018 so far as retail store closures, company restructuring, and Carillion's collapse resulted in a bleak quarter.

• Recent sales of Callendar Square, Falkirk for £1M and Abbeygate Centre, Birmingham for £4.3m reflect enormous discounts from pre-financial crisis highs. The retail landscape is changing rapidly, driven by shifting consumer habits and retailers failing to generate profits, as their offer becomes increasingly outdated.

• The weakened pound has created cost pressures, exacerbated by a rise in overall occupancy costs driven by upward-only rent reviews, rates increases and service charge increases. The perfect storm is being heightened by dwindling consumer spending, as stretched household finances affect consumer confidence.

• Grosvenor plans £1bn West End estate revamp

• House of Fraser's Chinese investor has pledged to provide about £30m to the embattled department store group. The cash follows £15m given to House of Fraser by Sanpower in September 2017.

• Retailers endured soggy trading conditions over the Easter bank holiday as bad weather hit shopper traffic. Footfall on high streets slumped by 9.6% year on year on Good Friday. On Saturday it fell 6.9% and, after a 1.9% uptick on Sunday, shopper numbers declined 6.4% on Easter Monday.

• Lazard is understood to have contacted a variety of possible buyers over the past couple of weeks and ahead of an update on the future of Bunnings in nine weeks' time.

• Deflation reaches deepest level since February 2017 Prices decreased 1% in March, up from 0.8% in February. Prices have now decreased for 59 consecutive months. Deflation was driven by the slowdown in food inflation.

• British retailer Fortnum & Mason has agreed a deal with Oxford Properties and has opened a retail and dining destination at the Royal Exchange, EC3. The shop is expected to open in October, subject to planning.

• Hammerson has halted its proposed acquisition of rival Intu amid interest from French property giant Klépierre. Klépierre made a £5bn takeover approach for Hammerson last month, putting Hammerson's own bid for Intu under threat. Hammerson made its £3.4bn bid for Intu in December last year, in a move that would make it the owner of many of the UK's largest shopping centres including London's Brent Cross, Birmingham's Bullring, Bicester Village in Oxfordshire and Manchester's Trafford Centre.

• Since the start of 2016 through to the end of last year, 8.5m sq ft of space has been either closed or put at risk of closure due to company administrations. However, landlords have managed to fill 58% of that space with new occupiers filling 5m sq ft in 241 separate deals since the start of last year.

• It is expected a further 7m sq ft to close as a result of company failures in 2018. Town centres will be hardest hit in terms of empty space from administration with almost three-quarters of all vacated space being in town.

• Cloggs, the specialist footwear retailer owned by J D Sports, is to be wound up in Spring 2018.

• Tiger's founder will launch a new kids and toys retailer on the British high street, opening the first store in London next month. Philip Bier has agreed a franchise deal with French retailer ÏD Kids to launch the chain in the UK.

• New high street store openings slipped to the lowest level since 2010 last year. There were 4,083 new store openings in 2017, while there were 5,855 store closures over the year, so 1,772 shops disappeared altogether. Fashion and footwear stores shut at the fastest rate. The number of coffee shops, book stores, ice cream parlours and beauty salons rose.

• Hammerson rejects revised offer from Klépierre

•Dunelm recorded robust online growth but lower store sales in its third quarter despite a "challenging consumer backdrop".

• WHSmith's interim profits edged down as gains from its travel arm were offset by its underperforming high street business.

• This year has been dubbed as 'the year of the CVA' by analysts as a number of high street brands have announced store closure programmes and administrations including Carpetright, New Look, Select, Bargain Booze, Toys R Us and Maplin, all of which have struggled to survive against the backdrop of a changing retail landscape.

• Klépierre declares end to £5bn Hammerson overtures

• Game's largest shareholder has disposed of its entire holding in the business, leaving mogul Mike Ashley as the largest single influence on its board. Ashley holds 25%. Game plans to roll out its in-store gaming arenas to 100 locations over the next 3 years.

• Select is the latest fashion retailer to be hit by dwindling high street trade following New Look winning 98% support for its CVA earlier this month, resulting in 60 store closures.

• The Company Voluntary Arrangement (CVA) for high street fashion chain Select, which has 183 stores in the UK, has been approved by 94% of its creditors. Select does not intend to close any stores but is designed to cut its rental costs and save 2,000 jobs.

• Brockton Capital has bought the Foyles bookshop in London and the Pinnacle building in Leeds for a combined £115m for its Brockton Capital Fund III.

• JD Sports' profits and sales have rocketed over its full year as international deals generated a record period.Pre-tax profits shot up 24% to £294.5m in the year to January 28 while sales soared 33% to £3.16bn.

• Intu reports growth, but fails to update on Hammerson deal

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QUARTER 2 -(April to June) 2018 - Continued

• Primark has planned a strong store opening programme for the second half of the financial year as it works towards increasing its selling space by 1.2m during the period. Some of the new UK stores planned for the remainder of this financial year would be Burnley, UK in the Westfield London shopping centre at White City.

• Klépierre withdrew its takeover bid for Hammerson sparking a sharp drop in Hammerson's shares at the end of the week.

• Intu expects a cashflow hit of around £3.9m this year from the ongoing restructurings of retailers New Look and Prezzo, as well as the collapse of Toys R Us.

• Hammerson backs away from £3.4bn Intu takeover

• New Look has had its credit insurance cut just weeks after a company voluntary arrangement (CVA) aimed at improving its fortunes was voted through.

• Debenhams is to accelerate its turnaround programme and has reported a steep fall in first-half profits. Debenhams announced pre-tax profits fell 84 per cent in the half year to March 3, after the Beast from the East forced around 100 stores to temporarily close.

• Amazon Prime membership swells to more than 100 million

• The West End has seen 100 per cent boost in sportswear brands available in its key districts between 2016 and 2017, as the athleisure trend continues to explode. Luxury high street retailers have adopted athleisure in their swathes, with Selfridges launching a new sneaker department.

• House of Fraser has appointed KPMG to advise on a restructuring strategy as it considers a company voluntary agreement.

• Debenhams and House of Fraser were added to the list of high street retailers whose financial woes could be compounded by administration and store closures in 2018. Together, the department store chains have a portfolio of more than 22m sq ft.

• Shop vacancy rates are set to soar as well known retailers battle to remain open on the high street, with 650 stores shut or at risk of closure since the start of 2018. Maplin and Toys R Us account for half of the total after both retailers fell into administration on February 28.

• Beleaguered womenswear brand East will stop trading after administrators failed to find a buyer resulting in 300 job losses. East's fashion retailer business has been up against it for some time, falling into administration first in 2015 when it was then recused by Indian business Fabinda, which closed 19 of its stores in a pre-pack deal. The bohemian-inspired brand currently operates 34 shoes and 15 department store concessions.

• Hamleys' owner C Banner International Holdings (CBIH) has entered into discussions to purchase a stake in House of Fraser, as the struggling department store fights to stay afloat.

• Cambridge and Guildford top 250 high streets in retail resilience index. The worst performing high streets include Newport, Llandudno and Hamilton. Half of destinations in the top two tiers were in the South East and Greater London.

• Boohoo sales skyrocket 97%

• Luxury pet lifestyle brand Love My Human is to make its UK debut on Chelsea's King's Road, which is part of the Sloane Stanley Estate.

• Retail demand at lowest level since 2009. Secondary retail has the worst prospects for rental growth in the next 12 months.

• Poundworld is preparing to launch a CVA, which could see it close up to a 100 of its stores, a quarter of its estate. Poundworld is likely to seek reduced rents on a host of other shops.

• Waterstones has been sold for an undisclosed sum to funds managed by Elliott Advisors UK.

• Fashion brand Bench Limited, which has around 20 stores in the UK and an international online presence, has filed for administration.

• Deal to bail out Original Factory Shop will shut stores. The Original Factory Shop wants to trim its estate of 220 stores and negotiate cheaper rents on the rest. Private equity owner Duke Street Capital will also pump in about £10m as part of the turnaround plan.

• Global beauty retailer NYX Professional Make Up has signed for its first standalone store in the West Midlands at Hammerson's Bullring.

• Bags Etc, (also called Domo) a retailer of bags and luggage with 58 stores and concessions, went into administration in mid-May. There were 350 employees. The company is to go into liquidation.

• Sanpower-controlled Nanjing has proposed a CVA in a move which will see it shut the weaker performing of its 59 stores across the UK and renegotiate rents on others. Once the CVA is complete, a 51% stake in the chain will be sold to the Chinese footwear giant C. Banner, which also owns toy store Hamleys.

• The Hut snaps up cosmetics brand Eyeko

• Thor Equities and Meyer Bergman have sold London's iconic Burlington Arcade in London to property tycoons Simon and David Reuben for £300m.

• Co-op completes £137.5m swoop for c-store rival Nisa

• Acuitus offers two shopping centres at major discounts, the Hunters Row shopping centre in Stafford and The Forum in Cannock at £2.75m to £2.85m and £2m respectively ahead of its 24 May sale. If sold for their asking prices, the transactions would reflect yields of 14.5% and 16.4% respectively.

• House of Fraser Group racks up £44m loss. The loss is compared with pre-tax profits of £1.5m the previous year.

• Italian designer Giambattista Valli to launch UK flagship on Sloane St taking 2,500 sq ft space at 29 Sloane Street

QUARTER 2 - (April to June) 2018 - Continued

- Poundworld's owner has halted plans for a possible Company Voluntary Arrangement (CVA) after receiving expression of interest from prospective buyers.
- Retail footfall dropped 3.3% in the four weeks to April 28, exacerbated by a 4% decline in high street shopper numbers and was down 1.8% and 3.5% across retail parks and shopping centres respectively.
- London placed fourth in the global rankings, following Hong Kong, Dubai and Taipei. On a country level, the UK ranked third overall for new retail entrants with 54 and was preceded by Hong Kong and the United Arab Emirates.
- Lipault Paris, which is one of the leading brands in the luxury travel market, has signed for two new central London locations on South Molton Street and Marylebone High Street as well as a debut north London store on Hampstead High Street.
- Kiko and Bags Etc set for swathes of store closures. Bags Etc's liquidation will result in 58 shop closures across the UK and Ireland. Alongside them, Italian cosmetics brand Kiko Milano is seeking to close 12 of its remaining 48 stores in the UK, including its unit at Bluewater shopping centre in Kent. Kiko had already closed three of its 51 UK stores in recent months, including a store in Romford.
- Poundworld's founder and former boss Chris Edwards is mulling a move to rescue the embattled business.
- Bookmakers have voiced dismay after the government announced new rules reducing maximum spending on fixed-odds betting terminals (FOBT) from £100 down to £2, saying high street outlets will be forced to close.
- Unibail-Rodamco shareholders confirm Westfield deal. The £18.5bn deal, which has been unanimously recommended by the Lowy family and the Westfield board of directors, will be subject to a vote by Westfield.
- Monsoon losses shrink but sales remain flat.
- Next is asking landlords for lower rent on stores when neighbouring shops get a better deal through a CVA.
- The shareholders of Westfield Corporation have approved the acquisition of the company by Unibail-Rodamco, clearing the final hurdle for the £18.5bn takeover deal.
- Mountain Warehouse has posted its 21st consecutive year of sales growth boosted by overseas expansion and is now looking to New Look stores for further expansion with a planned 40 new stores.
- House of Fraser is in talks to sublet a chunk of its Oxford Street flagship store to Japanese lifestyle retailer Muji, as it seeks to shed excess space ahead of its planned restructuring.
- The price of non-food items declined 2.5% in May year-on-year as industry conditions remain challenging and retailers continue to compete on price.
- BHS.com, the online business launched in the wake of the BHS collapse, is being axed by its Qatar-based owner Al Mana Group.
- John Lewis will open a 165,000 sq ft department store to anchor the £1.4bn redevelopment of Croydon town centre. The new department store will also incorporate a Waitrose supermarket.
- House of Fraser's key lenders are demanding proof that its Chinese shareholders will provide the £70m capital pledged last month.
- House of Fraser has insisted it is "on track" with plans to launch a CVA and secure new investment despite an alleged battle with its lenders.
- Poundworld's talks with Alteri Investors have ended at the eleventh hour, casting fresh doubt over the survival of the beleaguered value chain.
- Retail sales in May registered the sharpest increase year on year since January 2014
- DTZ Investors has exchanged on a circa £130m deal to buy the Shop Stop retail parade at Clapham Junction station from Delancey.
- House of Fraser has proposed the closure of 31 stores through a CVA. The department store has 59 leased stores in the UK and Ireland.
- Council blocks Oxford Street pedestrianisation plans
- High streets were the strongest-performing locations during May, registering a 0.6% increase in shopper numbers while shopping centres suffered a "significant" decline year on year, as footfall tumbled 2.9%.
- Poundworld has plunged into administration putting around 5,100 jobs at risk along with 355 stores, however the
- Boohoo has reported rocketing revenues in its first quarter and expects continued growth throughout the year. Boohoo, which also owns Pretty Little Thing and Nasty Gal, said group sales climbed 53% to £183.6m in the first quarter to May 31.
- New Look suffered an underlying operating loss of £74.3m last year
- Croydon Council has agreed the use of compulsory purchase order (CPO) powers to acquire the remaining land and interests needed to proceed with the delivery of the new £1.4bn redevelopment of the Croydon retail town centre being created by Unbail-Rodamco-Westfield and Hammerson.
- Majestic profits up as Naked Wines drives growth
- Habitat is to open its first standalone stores in 10 years this autumn. The furniture and homewares specialist will unveil a 4,700 sq ft branch in Westfield London's 'home hub' extension in September, followed by a 6,500 sq ft shop in Brighton's Lanes district in October.

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QUARTER 2 -(April to June) 2018 - Continued

- The warm weather and Royal wedding celebrations helped drive a 3.9% year-on-year rise in UK retail sales volumes in May.
- Google ploughs £415m into JD.com to fuel retail expansion
- Debenhams has issued its third profit warning of the year following a drop in sales.
- House of Fraser's lenders have agreed to extend its loans, giving it more time to get its restructuring proposals in order.
- House of Fraser's company voluntary arrangement has been passed by its creditors, paving the way for the department store chain to now close 31 stores, half of its estate, including its Oxford Street flagship, resulting in 6,000 people being at risk of redundancy.
- The Original Factory Shop (TOFS) has become the latest retailer to launch a CVA amid harsh retail conditions. The value department store group may shut more than 10% of its stores – 32 out of 224 branches.
- Fabb Sofas, the furniture retailer set up by DFS founder Lord Kirkham, went into administration in June because it failed to find a buyer and could no longer meet its financial obligations. There are 175 staff and nine stores.
- Henri Lloyd, the fashion retailer and designer (largely based on sailing/activity and leisure clothing), went into administration early in June 2018. There are seven stand-alone stores and 18 concessions in the House of Fraser.

QUARTER 3 - (July to September) 2018

Market Analysis

- Saltrock, the Devon-based surfing clothing brand, went into pre-pack administration in August, emerging as a subsidiary of Crew Clothing. Saltrock previously had 30 stores with 175 staff. Five shops were closed, and 25 staff made redundant immediately.
- Jacques Vert concessions will shut after administrators failed to find a buyer.
- Poundworld founder Chris Edwards has ditched talks to rescue the business, pushing more than 5,000 jobs closer to the precipice.
- The Original Factory Shop has been given the green light by creditors to axe over a tenth of its store estate, Retail Week can reveal. The value-led department store chain will shut 32 of its 224 branches including stores in Brighton, York and Aylesbury, putting 291 jobs at risk.
- Mountain Warehouse has sold a 20% stake in the business to Inflexion Private Equity Partners in order to ramp up its expansion plans.
- Poundworld administrators will close another 80 stores next week, on top of the 25 already set to close.
- Debenhams denies cash crisis after credit insurance cut.
- Luxury jewellery brand Tiffany Co has agreed terms to open a flagship store on James Street in Covent Garden.
- CBRE Global Investors has acquired three Marks Spencer Foodhall sites in Greater London for a combined £28m from WA Capital in an off-market deal.
- Poundworld has unveiled its third round of store closures in a week as the beleaguered value retailer continues to seek a buyer and now plans to close all 190 stores after failing to find a buyer.
- Hammerson has signed H M brand Other Stories and fellow fashion retailer Bershka for regional debut stores at its Cabot Circus shopping centre in Bristol.
- AEG and Crosstree Real Estate Partners have announced retailers that have taken space at the Icon Outlet at the O2 in London, ahead of its opening in October. Brands that have signed up for the 210,000 sq ft outlet include Hackett, Ted Baker, Guess, Gant, Calvin Klein, Crew Clothing, Jack Wills, Kurt Geiger, Aspinal of London, Levi's, Pepe Jeans, Clarks and Skechers. There will be a total of 85 retail units at the centre, as well as 35,000 sq ft of restaurants, cafés and bars. Also developing a 50,000 sq ft cinema extension for Cineworld and a 30,000 sq ft trampoline park which has been leased to Oxygen Freejumping.
- John Lewis has announced plans to revamp its store estate, which will include opening cinemas in its stores and bringing in new events, classes and concierge services.
- The challenging retail market has taken its toll on British Land, which has reported a fall in occupancy level across its shopping portfolio.
- Footasylum issues second profit warning despite sales rise
- House of Fraser has suffered a fresh blow after Edinburgh Woollen Mill shuttered all concessions it operates within its department stores.
- Jack Wills in crunch landlord talks to fend off CVA.
- Waterstones has acquired Foyles bookshops from the founding family for an undisclosed sum.
- Administrators to Poundworld have announced the closure of 40 further stores, adding to the 105 stores the discount retailer had said it would close in June, after failing to find a buyer.
- John Lewis profits crash 99% despite sales rise
- Hamleys owner C. banner has pulled out of plans to buy a controlling stake in House of Fraser.

QUARTER 3 - (July to September) 2018 - Continued

- House of Fraser has settled a legal row with landlords in a move that will pave the way for the closure of 31 of its 59 shops.
- North Somerset Council and Legal & General have bought The Sovereign Shopping Centre in Weston-Super-Mare for £21m.
- Poundland will open stores in up to 20 former Poundworld locations following its rival's demise.
- House of Fraser falls into administration. The chain, which has 59 stores nationwide, will continue trading while EY attempts to complete a sale.
- Patrizia Immobilien has acquired a flagship retail asset at 49-63 King Street in Hammersmith, London from Alanis Capital for £22m.
- Sports Direct has bought House of Fraser out of administration for £90m following a battle to control the beleaguered department store chain. Mike Ashley has pledged to keep 80% of the department store chain's shops open.
- House of Fraser has agreed terms to remain in its Oxford Street store, which was initially set to close prior to Mike Ashley acquiring the business.
- Evans Cycles has put itself up for sale and is seeking fresh funding to secure its future.
- Bolton Council has confirmed in principle £250m of investment from a Midia-led consortium, which it will use to replace the Crompton Place Shopping Centre with a new retail and leisure scheme.
- Aviva Investors has signed a deal with Gravesham Borough Council and developer Reef Group to regenerate a shopping centre in Gravesend, in what the council described as a major step in the town's redevelopment.
- More than half of BHS stores are still vacant two years after the department store chain closed its doors, with only twelve having been re-let in the last year.
- Swedish footwear and apparel brand Eytys has signed for its first UK store on Brewer Street in Soho.
- Argos will open its first-ever pop-up store on New Oxford Street later this month.
- Debenhams shares plunge as fears of CVA grow.
- Morphe Cosmetics to open first UK store outside of London.
- Next Slashes rents at 33 stores on renewal
- Croydon Council has launched the compulsory purchase order (CPO) process for Westfield and Hammerson's £1.4bn town centre retail scheme.
- Next slashes rents at 33 stores on renewal and looks to renegotiate on or close 25 more.
- Orla Kiely, the retail fashion/homeware design business (owned by Kiely Rowan PLC), went into voluntary liquidation in mid-September, its two UK stores closed immediately, and its online site has been taken down.

QUARTER 4 - (October to December) 2018

Market Analysis

- The Mercers' Company has secured American sustainable footwear brand Allbirds for a debut UK store at 121-123 Long Acre in Covent Garden.
- Digital sports arena operator Action Stadium is to launch its first site in the UK next year, as part of plans to roll out 25 sites by 2023.
- Brookfield prepares bid of £2.1bn for Intu properties
- Intu's shares have surged by 26% this morning at 187.4p, after a consortium comprising John Whittaker's Peel Group, Brookfield and Olayan Group said it was preparing a bid.
- WH Smith is closing its Cardmarket shops as well as a handful of stores, after a "detailed review" of its high street operations. As at 31 August, its high street business operated from 607 stores, measuring a combined 2.8m sq ft.
- The number of international retail and leisure brands opening their debut UK outposts in London is increasing. To date, 36 new entrants have launched in London since 2018 began, exceeding the full-year total of 32 in 2017.
- Hugo Boss to open first store outside London at Bullring
- House of Fraser has acquired the freehold of the Frasers building in Glasgow for £95m, vowing to turn the store into the "Harrods of the North".
- Women's fashion retailer Coast has collapsed into administration and will close all of its 24 standalone stores. However, fellow high street brand Karen Millen has agreed a deal with the administrators PwC to buy the Coast brand, website and its 145 UK concessions.
- The Nicholsons Centre in Maidenhead, Berkshire has entered receivership after it became unable meet its financial obligations.
- Hairdressing chain Regis UK is teetering on the verge of administration, it told landlords this week, as it urged them to slash rents for its Supercuts and Regis brands.
- Government hammers retail with £180m business rate hike

QUARTER 4 - (October to December) 2018 - Continued

- Property giant Intu is considering a preliminary takeover offer from a consortium formed by Saudi Arabian and Canadian investors and led by John Whittaker. The offer would value Intu at £2.9bn – a 21% premium to the company's closing price but less than the £3.4bn rival Hammerson had been willing to pay before it pulled the plug on the deal in April.
- Boots has agreed lease terms for Marks & Spencer's former shop in Covent Garden, WC2, with landlord the Mercers' Company. The 28,232 sq ft store, at 107-115 Long Acre, has been let to the retailer on a 20-year lease at an annual rent of £3.3m.
- Debenhams has announced plans to close up to 50 underperforming stores over the next three to five years after reporting a record loss of £491.5m in preliminary financial results. The closures mean that 2.4m sq ft of space will be closed on the UK's high streets.
- The furniture specialist said it would cease trading from all 27 of its locations within House of Fraser stores by the end of January 2019 because the partnership was "no longer beneficial" to the business.
- Amazon third quarter profits rocket as sales surge
- Shops are taking longer and longer to let. Only 1.89% of empty shops are now let within the first three months of being marketed, more than three times as long as before the EU referendum. On average, shops take 340 days to relet.
- The Chancellor has taken aim at online giants and offered financial support to Britain's struggling high streets as part of today's Budget. Philip Hammond revealed that the Government was introducing a new 2% Digital Services Tax, which will be paid by "tech giants" that generate more than £500m in annual global revenues.
- Growth in new shopping centre space across Europe has declined by 10% to 10.8m sq ft in H1 2018, compared with the same period last year. In the UK there was nearly 970,000 sq ft (90,000 sq m) of new shopping centre space added during the six months, buoyed by Westfield London's 740,000 sq ft extension.
- Intu has given a consortium led by its deputy chairman John Whittaker a two-week extension to make an offer for the shopping centre owner.
- Mike Ashley's Sports Direct is set to shut dozens of Evans Cycles stores after it bought the bicycle retailer in a pre-pack deal. Sports Direct has outlined plans to close half of Evans' 62 stores. This puts 153,000 sq ft of store space at risk. The 62 stores span 306,000 sq ft altogether.
- Next mulls 22 store closures as high street falls but online rises
- Butchers Crawshaw Group is closing 35 shops and a distribution centre after falling into administration.
- Crawshaws, the butchery chain with 42 stores and 12 factory outlets, went into administration at the end of October.
- British Land has secured four new deals at its Crown Point shopping centre in Greater Manchester. It has secured deals for more than 36,000 sq ft to Sports Direct, Flannels, JD Sports and Footasylum at the shopping centre in Denton.
- Amazon has ramped up its Black Friday deals this year, which will span a 10-day period and be sold online and through a dedicated pop-up.
- Westfield London has been named as the leading UK shopping centre.
- Retail sales edged up in October but remained "low by historical standards" as Black Friday anticipation and Brexit jitters dampened demand.
- Primark has posted increases in its preliminary profits and sales, bolstered by strong UK sales which defy the wider fashion downturn.
- New Look is set to close about 100 UK stores as part of its drive to cut costs and improve profitability.
- Arch Angelz Ltd, the beauty-bar chain based in Debenhams stores, went into administration early in October 2018. It has 31 units with total sales of more than £3mn and more than 120 employees. Arch Angelz was trying to arrange additional funding, when it went into administration. The company is to be wound up.
- Mulberry hit by House of Fraser collapse as sales
- TK Maxx will open a shop on Oxford Street for the first time after signing a deal to take a former New Look store. The discount fashion retailer has struck a deal to fill the 30,000 sq ft store vacated by New Look at 203-207 Oxford Street.
- Store closures soar to record levels as high street crisis continues. A net 1,123 stores disappeared from Britain's top 500 high streets in the first six months of the year, according to the accountancy firm PwC. According to PwC, 2,692 shops shut across the UK in the first half of 2018, while only 1,569 new stores opened. The data looks at retail chains with more than five outlets.
- House of Fraser could be hit by a "significant" number of store closures after landlords rejected Mike Ashley's rent proposals. After purchasing the retailer out of administration in August for £90 million Ashley vowed to save 80 per cent of its stores, or 47 out of its total 59, backtracking on previous plans to close 31 stores under a CVA.
- Footfall in October fell by 2% year on year in the 11th consecutive month of decline.
- Rents at New Bond Street have remained broadly static at $1,744 (£1,350) per sq ft this year, maintaining its position as the world's third most expensive retail street by rental value.
- Hundreds of jobs are at risk as House of Fraser announced plans to close another four of its stores, all of which are located within Intu shopping centres.

QUARTER 4 - (October to December) 2018 - Continued

• Real estate firm Crosstree has bought the 495,000 sq ft Edmonton Green Shopping Centre in north London for £72m of St Modwen.

• The administration of Woolworths on 27 November 2008 saw 800 stores close and there are still 9 vacant units.

• Evans Cycles' new owner Mike Ashley has decided to close half of its shops despite almost all of its stores make money.

• Red Dog Music, the independent music store in London and Edinburgh, went into administration and shut down at the end of November.

• Intu has extended its takeover bid deadline for a third time after the consortium bidding to buy the shopping centre operator requested more time.

• Landsec and the Crown Estate have signed up five new retailers across 69,200 sq ft at Westgate in Oxford ahead of Christmas including Zara, Mango, Urban Outfitters, Newbie and Flannels.

• Black Friday footfall in the first half of the day has plummeted 7% year on year as online bargain hunters drive sales.

• Debenhams has posted record annual losses and said it will close up to 50 stores, putting 4,000 jobs at risk. In the year to September the department store group lost £491.5m, against profits of £59m the year before.

• Jack Wills has received a £10m cash injection amid turnaround plan while dealing with the challenging high street

• Shaftesbury has agreed to let 77-79 Charing Cross Road, WC2, to Shanghai-based cyber café brand Wanyoo Café for its European launch.

• DTZ Investors has sealed the £137m deal to buy Delancey's 70,000 sq ft Shop Stop retail parade at Clapham Junction station, on behalf of Strathclyde Pension Fund reflecting a 2.99% net initial yield.

• A £2.8 billion bid to acquire Intu has been scrapped after the suitors blamed "uncertainty around current macroeconomic conditions and the potential near-term volatility across markets".

• Hammerson has now completed the £236m Highcross sale to Japan's Norinchukin Bank.

• Black Friday failed to provide much-needed relief from the challenges that plague UK high streets and more high-profile closures are likely next year

• Online spend is expected to reach 20% this year.

• Consumer confidence fell three points to -13 in November as Brexit threatens to turn the season of goodwill into the "season of uncertainty".

• Intu's share price sank by 33% in opening trade after the consortium – comprising billionaire shareholder John Whittaker's Peel Group, Olayan Group and Brookfield Property Group – scrapped the proposals.

• House of Fraser's flagship Kendals store in Manchester has been saved from closure after new terms were agreed between the landlord and new owner Sports Direct saving 568 jobs.

• LGIM Real Assets has launched a £85m retail and leisure extension at The Beacon in Eastbourne.

• John Lewis Partnership's weekly sales took a hit after the record-high figures from Black Friday failed to maintain momentum for the retail group.

• Berketex, the bridalwear retailer and producer, went into administration in the latter part of November. There were 15 stores plus Debenhams concessions.

• Bank of England governor Mark Carney has warned that a no-deal Brexit could push up shop prices as much as 10 per cent.

• Swedish retail chain Clas Ohlson has announced plans to close all its stores across the UK and Germany after incurring "significant losses". Clas Ohlson has six stores remaining in the UK, in Kingston, St Albans, Ealing, Reading, Manchester and Liverpool as well as four in Germany. It closed its UK flagship store in Croydon earlier this year having shut six further stores over the previous year.

• Consumer spending at department stores across the UK has fallen for the 13th consecutive month, according to new data.

• Hugo Boss retail brand BOSS has signed up as a flagship store for the £180m retail and leisure extension at intu Watford.

• British Land is due to sell off its last four remaining freestanding Debenhams stores as the property giant shifts its estate away from the struggling high street.

• Givenchy steps into Mayfair with first standalone UK store

• Poundstretcher has embarked on a huge expansion programme to almost double the size of its 433-store estate by 2022.

• Bricks-and-mortar retailers witnessed the worst November in three years despite Black Friday efforts.

• Amazon has reportedly set its sights on a site near Oxford Circus in central London for its first cashierless grocery store in the UK.

• Black Friday's increasing dominance as an online-only sales event has meant UK retail endured the biggest drop in footfall for the month of November since 2009.

• Retail sector capital value fell 1.9% in November, taking the sector's overall decline so far this year to 5.3%.

QUARTER 4 - (October to December) 2018 - Continued

• Superdry is reviewing its store portfolio, after its underlying profits fell by 49% year-on-year to £12.9m during the first half of its financial year.

• Deciem, the global Skincare brand that also trades as The Ordinary and Niod in specialist site like London's Covent Garden and Seven Dials, has closed all its stores citing 'major criminal activity'.

• Designer Exchange secures luxury flagship on King's Road

• Dixons Carphone has recorded a loss of £440m for the first half of its financial year, down from a profit of £54m over the same period in 2017. The firm announced the closure of 92 Carphone stores in May but chief executive Alex Baldock said today there would be no further closures.

• Developer W Real Estate has been unmasked as the buyer of the Grade II-listed, Debenhams-let 'Arding and Hobbs' building in Clapham Junction from British Land for £48m.

• Nine brands have let 29,500 sq ft of new space at Landsec's Bluewater scheme in the form of openings and upsizes. Six brands, including Levi, Happy Socks and Penhaligon's have opened new units while JD Sports, Beaverbrooks and Chisholm Hunter have increased their floor space.

• Starbucks' UK franchise partner 23.5 Degrees is planning to launch 23 stores next year, as part of its robust expansion strategy.

• Mike Ashley calls on councils and landlords to help fix House of Fraser

• Deciem, the global Skincare brand that also trades as The Ordinary and Niod in specialist site like London's Covent Garden and Seven Dials, has closed all its stores citing 'major criminal activity'.

• Sports Direct profits plunge 27% after House of Fraser acquisition

• Total shopping centre investment stands at £1.14bn for 2018 representing the lowest annual total in 10 years. Over one third of this total is in three deals: Asian investor Norinchukin's acquisition of 50% of Highcross, Leicester from Hammerson for £236m, DTZ IM's acquisition of Shop Stop, Clapham Junction for £136m and British Land's acquisition of Royal Victoria Place, Tunbridge Wells for £91m. Without these deals, the average lot size traded this year was £21m.

• Laura Ashley to close 40 UK stores reducing its store number in the UK from 160 to 120 as it looks to focus online.

• Fashion retailer Blue Inc has become the latest high street chain to fall into administration, placing the future of its 31 UK stores into doubt.

• Schroder's UK Real Estate Fund has agreed 40,000 sq ft of new lettings, refits and upsizes at its Kings Mall shopping centre in Hammersmith including a major refit of the anchor H&M store.

• Hong Kong investor Lai Wing-To has bought the building containing Alexander McQueen's UK flagship store for £152.5m.

• Intu would be hit hardest by HMV closures as it has HMV stores across 15 of its shopping centres.

• Greenwoods, the long-established menswear retailer, went into voluntary liquidation at the end of 2018. It had more than 200 stores in the 1980s, but this had shrunk to 63 by 2017, when it went into administration. Forty stores were rescued, but all now face closure.

• Mahabis, a direct-supply menswear shoe retailer, went into administration after Christmas. The company, set up in 2014, claimed to have sold 1mn pairs of slippers in 100 countries. The company has been purchased by Simba.

• Foot clinic and footwear retailer Shuropody appointed administrators. It has already completed two company voluntary arrangements in the past two years. Shuropody has 22 shops in the UK.

• 2018 saw 43 retailer failures. This figure is significantly lower than the 58 collapses seen in 2008 during the height of the global financial crisis – demonstrating that a turn in the economic cycle can have a much more prominent effect on retailers than long-term structural change.

QUARTER 1 - (January to March) 2019

Market Analysis

• HMV's 128 stores are at risk of closure after it entered administration for the second time in six years. HMV's retail portfolio totals around 980,000 sq ft, with each shop averaging 7,650 sq ft.

• Yorkshire-based menswear retailer Greenwoods Menswear has ceased trading at its remaining stores, 18 months after its rescue from administration.

• Next has reported 1.5% full price sale growth in its Christmas trading update despite seeing its store sales fall by 9.2%.

• Hines has acquired Transport for London's 354-358 Oxford Street development opposite Bond Street Station for £41million.

• Fast fashion retailer Missguided has posted an operating loss in its latest financial results, citing "significantly too large" store sizes as part of the problem.

• Amazon, formed 25 years ago, has eclipsed Microsoft to become the world's most valuable listed company. The online giant is worth £634bn.

• The John Lewis Partnership has warned that its annual staff bonus is under threat for the first time in living memory as it battles challenging trading conditions.

• Debenhams is set to close up to 90 stores, nearly half of its total, as part of a plan to rescue the business..

• House of Fraser sales crash 60% in lead-up to Christmas

• Mike Ashley has reportedly been in talks with HMV's suppliers in hopes of acquiring the collapsed music and entertainment chain and is seeking a "six-month rent holiday" from HMV landlords if he were to save the music retailer.

• Mountain Warehouse Christmas sales surge

• Patisserie Valerie collapses into administration. Administrators at KPMG have been appointed to run the process, which will see 70 store close immediately, after the trouble chain, which has more than 200 stores, said it did not have sufficient funds to meet its liabilities.

• A company co-founded by Rob Tincknell, the former Battersea Power Station Development Company boss, has acquired the Nicholsons shopping centre in Maidenhead out of receivership for a price believed to be around £25m.

• Areli, which is half owned by Tincknell and half owned former Deutsche Bank managing director Andrea Vanni, has made the acquisition as its debut property deal.

• John Lewis is to close its first store since 2006, the 35,000 sq ft Knight & Lee outlet in Southsea in Hampshire

• Homeware retailer The Range is set to open a new 54,000 sq ft store in Stockport this year in a former Toys R Us unit.

• Smiggle enters into talks with landlords over rent reductions

• Furniture retailer Sofa.com has caught the attention of two major retail players, with rival ScS and Mike Ashley both expressing interest in taking over the business.

• Amazon quarterly profit skyrockets 80% to £2.9bn.

• The owner of off-licence chain Oddbins has put its retail arm into administration, putting its stores at risk of closure. It operates 101 off-licences as well as two convenience stores, staffed by around 550 people, but it has not specified how many of its stores and jobs will be affected.

• Debenhams eyes CVA rescue plan. The proposal is said to involve up to 20 store closures this year, depending on the rent reductions it achieves across the rest of its estate of 166 stores.

• Oliver Bonas is bucking the challenges and decline plaguing the high street with the announcement of eight new stores slated to open this year.

• Entertainment retailer HMV has been acquired by Canadian music retail mogul Doug Putman taking control of 100 HMV shops, preserving 1,500 jobs following the business's collapse into administration at the end of last year. However, 27 HMV branches will shut immediately, with the loss of 455 jobs.

• Monsoon has asked landlords for rent cuts as it mulls accelerating the pace of its store closures.

• Industrial deals outpace retail for the first time.

• Unibail-Rodamco-Westfield is partnering with Broadwick Venues to open a new 3,000-capacity events space next to its Westfield London shopping centre in Shepherd's Bush.

• HMV closures add to space vacated in retail crisis and will see just over 170,000 sq ft handed back to Landlords.

• The total amount of space lost due to administrations and CVAs since the start of the retail crisis in 2018 now stands at a 19.2m sq ft.

• LaSalle Investment Management is on the cusp of buying a secondary shopping centre in Bristol, underlining growing investor appetite for malls at bargain prices.

• World's 'oldest department store', Bennetts in Derby City Centre, that first opened its doors in 1734 closes down as High Street bloodbath claims another historic victim

QUARTER 1 - (January to March) 2019 - Continued

• Debenhams has secured £40m in additional funding from a number of unnamed relationship lenders as it continues to work towards a broader refinancing and recapitalisation.

• West End retailers braced for April business rates hike. John Lewis, Primark, Debenhams and Selfridges will suffer some of the sharpest increases in business rates on their flagship West End stores in April. Selfridges will suffer the steepest increase in business rates in the West End, a hike of £6.47m and will pay an eye-watering £17.7m in rates on its Oxford Street store in 2019/20.

• Westfield Croydon construction faces fresh delay. It now has an opening date of 2023.

• Unibail-Rodamco-Westfield issues weaker than expected profit guidance

• Patisserie Valerie has been bought out of administration by its management with backing from Irish private equity firm Causeway Capital Partners. All 120 remaining outlets of the bakery chain, which collapsed into administration last month, will be saved.

• Edinburgh Woollen Mill chief executive Philip Day eyes empty M&S and House of Fraser stores

• Intu suffers drop in footfall, but rental income rises

• MPs call for online sales tax and extra funding to save high street

• Luxury property developer Finchatton has been appointed to deliver Meyer Bergman's £1bn regeneration of Whiteleys shopping centre in Bayswater.

• Hammerson has pledged to focus on slimming down its portfolio as it swung to a significant loss, £266 million, after a year of retail failures put pressure on property values.

• Shopping centre owner intu has begun searching for £750m of fresh debt that will be secured against its prize asset, the Trafford Centre in Manchester.

• High-end fashion chain LK Bennett has lined up an administrator for the business as it desperately seeks funding to stay afloat. In the UK, it has 41 shops and 480 staff.

• Clothing retailer Gap has announced plans to close 230 stores worldwide within the next two years in a bid to "revitalise" its brand.

• Farfetch sales rocket in 'blockbuster' year

• Anya Hindmarch, the luxury handbag brand has been put up for sale by the Qatari royal family's investment fund following £28.2m in losses

• Paperchase has set out proposals for a company voluntary arrangement for its 145 shops, which puts 28 stores at risk of closure.

• Debenhams issues profit warning as sales continue to slump resulting in shares plunging 12% amid fresh profit warning.

• Retail sales slipped in February as lingering Brexit uncertainty dented consumer spending.

• Superdry to axe up to 200 jobs in cost-cutting initiative

• Westminster Council has granted conditional approval for a two-storey food court at the former BHS store on Oxford Street, W1.

• Jack Wills swings to loss in its latest financial year

• Amazon Prime membership hits 15 million in UK

• Womenswear retailer LK Bennett has collapsed into administration, putting its 39 stores at risk of closure.

• tReds, the footwear chain with 21 stores and 165 employees, went into administration in January 2019 and continues to trade until a buyer can be found.

• Greggs sales surpass £1bn as store count grows. Greggs opened 149 shops during the year to 29 December, including 62 franchise outlets, and closed 50. Its store count stands at 1,953.

• Sports Direct has offered a £150m unsecured loan to Debenhams which would enable the retailer to repay its bridge facility and place Mike Ashley at the helm of the company.

• Currently Sofology has 42 showrooms nationwide but has his sights set on increasing that to 70 over the coming years, and plans to roll out up to six new stores a year in new locations as well as potential co-locations with DFS outlets.

• JD Sports to acquire Footasylum in £90m deal

• Debenhams is considering a pre-pack administration in a bid to prevent the struggling department store group from falling into Mike Ashley and Sports Direct's grasp.

• Links of London has reportedly called in advisers to review its options as it edges towards collapse, which would place 500 jobs at risk and its 350 stores and concessions.

• Bonmarché has warned that it will make a worse than expected loss this year after tough trading in March and is likely to be between £5m and £6m. .

• Debenhams is reportedly on the verge of securing a £200 million cash injection as a way to save the business and stave off a takeover campaign led by Mike Ashley and Sports Direct.

• Thomas Cook axes 320 jobs as the travel group shuts down 21 stores across the UK. Closures will reduce its retail estate to 566 shops

QUARTER 1 - (January to March) 2019 - Continued

- Arcadia appoints property adviser ahead of CVA. The firm will advise Sir Philip Green on his options for closures across Arcadia's 500-plus leased store estate in the UK. It is thought Arcadia will launch a CVA within a matter of weeks as the retail empire, which includes Topshop, Dorothy Perkins and Miss Selfridges, continues to suffer from weak sales.
- Majestic Wine is to close some of its 200 stores and focus on its online Naked Wines division. The change will also see the company being renamed Naked Wines.
- William Hill has written to landlords across its estate asking for rent cuts of as much as 50%. The move comes ahead of new regulations coming into force in April that lower the maximum bid allowed on fixed-odds betting terminals from £100 to £2. A number of Landlord have refused this request.
- 900 shops will eventually become loss-making as a result of the changes to fixed-odds machines.
- Mike Ashley's Sports Direct proposes £61.4m offer for Debenhams
- The Abercombie & Fitch owned brand, Hollister to open at new into Watford and will join Hugo Boss, Hollywood Bowl and H&M which have already opened in the new 400,000 sq ft expansion launched at the end of last year.
- Arcadia earmarks 67 stores for closure.
- Dune has reportedly launched a bid to buy LK Bennett from administration.
- More than 60% of all new retail scheme proposals have been pushed back to the next decade, owing to an increasing crisis of confidence in bricks-and-mortar retail. Despite this,18.2m sq ft is in the pipeline and set to be delivered by the end of 2020, with a full pipeline reaching 26.1m sq ft by the end of 2022. Developers are seemingly targeting the South East and London, which accommodates one-third of the total pipeline.
- Shopping centre investment plummeted by 90% in the first quarter of the year compared with the same quarter in 2018, in what has been the worst Q1 for deal activity on record. £37m has been spent on shopping centre acquisitions so far in 2019 in stark contrast to £466m recorded in the same period last year. However, there are some £750m of assets at various stages of the sales process, which could help bring shopping centre investment levels back on track in Q2. Last year, total investment in shopping centres totalled £1.3bn, well below the five-year average of £3bn.
- Debenhams has secured a £200m refinancing deal with its existing lenders.The new finance includes £40m to replace the interim borrowing announced on 12 February.
- Green's advisors are considering giving landlords an interest of up to 20 per cent in Arcadia. Arcadia has asked for a CVA to close up to 30 of its 570 shops and cut rents by an average of 30 per cent on the rest.
- Edinburgh Woollen Mill owner and chief executive Philip Day has acquired fashion retailer Bonmarche for £5.7 million.
- The owner of Boots is conducting a store portfolio review in the UK that may result in closures, after issuing a profit warning.
- For the second year in a row, Cambridge has beat a host of central London locations to be named the best-quality retail destination in the UK. Eight of the top 10 retail destinations were based in London, although Marlborough clung onto its top 10 birth from last year.
- For the second straight year, Newcastle upon Tyne's Shields Road in Byker was the worst retail destination in the UK.
- Pretty Green has been bought out of administration by JD Sports in an undisclosed deal. JD Sports have acquired Pretty Green's business, brand, online and wholesale business as well as its flagship store in Manchester. However, the remaining 11 Pretty Green stores and its 33 House of Fraser concessions will cease trading immediately – affecting 97 employees.
- Holland & Barrett slammed by landlords for new rent terms from quarterly to monthly.
- The Galleries shopping centre in Bristol has changed hands at a sharp discount to its previous sale, from £50m to £32m, acquired by LaSalle Investment Management.
- The Restaurant Group has instructed Savills to market a further 22 of its former Frankie & Benny's and Chiquitos sites as part of its ongoing disposal strategy.
- Debenhams is expected to fall into administration today after a last-ditch rescue offer by Sports Direct was rejected by the department stores group and its lenders. Delivering bad news to the 25,000 employees who work at the 165-shop chain, it said that it could not accept an offer from Sports Direct to underwrite a £150m emergency rights issue, which would involve existing shareholders buying newly issued shares.
- RDI Reit has breached its lending covenants on four of its shopping centres.
- New Look is to stop selling menswear in its stores and will only offer the category online from this autumn. New Look intends to close its 11 standalone menswear branches and sell the range on its own website and through third parties such as Asos and Zalando, Drapers reported.
- Debenhams fall into adminstration
- A net 2,481 stores vanished from Britain's top 500 high streets during 2018 in a record depletion. It marks the first time that closures have exceeded the 2,400 mark. This compares to with a net loss of 1,772 stores on the high street during 2017.
- World's biggest Primark store opens in Birmingham, its 187th store in the UK and spans five floors across 160,000sq ft.

QUARTER 1 - (January to March) 2019 - Continued

- LK Bennett has been purchased by Rebecca Feng, who runs the fashion retailer's Chinese franchise business, after going into administration in early March. As part of the sale, LK Bennett closes 15 stores.
- Intu's will sell stakes in its shopping centres in a bid to reduce its loan-to-value (LTV) ratio. It is already looking to sell 50% of its Derby centre, its Sprucefield retail park in Northern Ireland and its Spanish portfolio.
- Metro Bank has selected Manchester as its first location in the north, with a view to open 29 more stores by 2025.
- Neil Woodford offloads NewRiver REIT stake worth £45m to Invesco
- Bonmarché warns £5.7m offer for the business undervalues it
- Monsoon has said it is looking to "accelerate" the process of its store closures as it mulls a potential CVA in order to restructure its estate which operates 268 stores under its Monsoon and Accessorise fascias
- Card Factory posted a loss in full-year profits due to lower footfall but will continue its growth strategy with the aim of 1,200 stores.
- Mauritius-based shopping centre owner New Frontier Properties has reported a loan-to-value ratio of 90% in the six months to 28 February, after asset values plummeted.
- Intu is to sell a 50% stake in its Derby shopping centre to Cale Street Investments, an investment firm backed by the Kuwait Investment Office, London, for £186.3m. The 1.3m sq ft East Midlands mall was valued at £372.5m on 31 December 2018, representing a net initial yield of 6.6%.
- The new owners of Debenhams are reportedly days away from launching a CVA which could include plans to shut down 20 stores in early 2020.
- 75,000 retail jobs were lost in the first quarter of the year, as bricks-and-mortar retailers continue to be affected by increasing online sales.
- Debenhams has named 22 of the 50 stores it plans to close as part of a plan by new owners to revive the department store chain. The retailer says the store closures will start next year and 1,200 staff will be affected by the first phase. Stores in Canterbury, Guildford, Wolverhampton and Kirkcaldy are among those earmarked for closure.

C&P 25 YEARS

Spring
Retail Report
2019

Out-of-Town Agency

Retail Warehouse Wearing Thin?

As for the high street, the major news articles focussed on the failure of specific retailers who had been a feature of the retail warehouse market for many years. Toys R Us ceased trading on 24 April this year with other retailers struggling to demonstrate a profitable involvement in the market being Carpetright, Bunnings, Mothercare, Office Outlet, Fashion Republic and Topps Tiles.

Administration casualties including American Golf, Gardman Group, Wine Direct, Oddbins and Wine Cellars together with several others has put as much as 4 million sq ft of retail warehouse space either at risk or total closure. Carpetright are seeking to close 92 stores as part of its CVA which when added to the empty accommodation from Toys R Us will together see the vacancy of 1 million sq ft of retail warehouse accommodation.

Unlike the high street, where new entrants either from the multiple retailer source or independents do come forward, the retail warehouse sector has historically been slow in finding retailers prepared to have a go. However, on the success side are Tapi Carpets who are a reincarnation of Carpetright being led by Martin Harris whose family sold out of Carpetright in 2014.

The press love a scandal and at precisely the wrong moment the main news from under pressure B&Q, was the level of the total pay package of the Chief Executive, Veronique Laury whose salary jumped to £1.8 million despite a fall in pre-tax profits to £322 million, a decline of over 52%. The two year transformation exercise that Ms Laury was tasked to oversee does not appear to have resulted in the outcomes hoped for.

The DIY sector generally remains under pressure with very few store openings with demand reflected by very few new units but B&Q did complete to take a new store at St Albans and their subsidiary Screwfix have committed to take another eight stores following on from improving turnover up by 4% year on year.

B&M Bargains continues to ride the discount crest of a wave with profits before tax up 8.7% on the back of an increase in sales up 17.1% to £3.49 billion having opened 44 new stores during 2018 and the first quarter of 2019 and expanded to France with the acquisition of Babou. Even with this most successful outturn of B&M enjoying growth of 8.7% and unusually like-for-like revenue growth of 0.7%, they have reported weak performance of homeware in the second and third quarters which encouraged them to revamp this element of their business.

The key here is that successful businesses identify early where the issues are and act on them. Those retailers who sit back and wait find out that not only are the problems coming forward, but they have damaged the business of the company because action was not taken quick enough. Such is the confidence of B&M that they are planning another 50 stores in the UK during their current financial year ending 30 March 2020. In a market of relative darkness B&M are a beacon of light.

Not surprisingly rental levels are under pressure with few examples of growth over the past five years and in many cases landlords regard themselves as successful if the rents have remained at the same level as they were in 2012/2013.

There is no one size that fits all and given the very many varieties of retail warehouse operations there are in the UK, it is difficult to generalise. However, even shopping parks which have seen unparalleled growth, both in terms of space (where planning permission can be secured), rental levels and yield compression has come to a halt. Some of the rents achieved at the highest point of the market are now looking distinctly unsustainable particularly for the larger fashion-based stores.

Most landlords are focussing on maintaining full occupation and income streams and in today's difficult physical retail market, this is often the best that can be hoped for. We do not anticipate any return to rental growth going forwards in the foreseeable future and where rental levels are increasing in most cases it will represent historic lower passing rental levels.

Premiums, capital incentives and extended rent free periods are the norm and sometimes these arrangements can hide the true market rental levels that exists in many schemes. There is now evidence coming forward of landlords accepting rents at lower levels than they were prepared to consider 2 or 3 years ago, simply to keep the space occupied.

Part of this attitude is encouraged by the heavy penalties all landlords face with empty rates and of course occupiers who cannot trade effectively from a property similarly face the burden of rates which are based on rental levels set at much more buoyant times in the retail property market.

The retail warehouse investment market is quiet with the suggestion that a number of prime centres have been placed on the market but subsequently withdrawn when expected levels of offer did not arise but crystallised higher yields being sought by purchasers. Some investors have seen value and taken advantage with M&G one of the most active players in the market.

As for shopping centres, the phrase 'Super Prime' has emerged when applied to the best of the best, as is always the case in difficult markets, investors draw strength from the strongest assets to provide security of income and prop-up property portfolio balance sheets.

One sector of the market which has been exposed is the unit trust sector where retail investors have sought redemption but often the investment manager has insufficient time to market the properties and secure purchasers with result that the redemptions are cancelled, delayed or put up in the air. This hardly gives the property investment sector a secure profile and encourages the view the property cannot perform. This is unfortunate as it demonstrates the lack of understanding of property as an investment class with an inherent lack of flexibility which in the past has been offset by secure long dated income streams.

With UK property market dominated by shorter leases, often including break clauses, the high incidents of CVA's and the general failure of retail businesses, many of the advantage that did offset the illiquid nature of this asset class have been lost. On the other hand, land is no longer being made and with increasing restrictive planning policies and taxation which tends to deter new development, commercial property does provide an area of investment which has a limited supply. Once the surplus retail space it taken up for other development, at that point pricing of retail investment stock will become interesting once more.

Summary of Market Activity Q2 2018 - Q1 2019

QUARTER 2 (April - June) - 2018

Market Analysis

•Bunnings owner Wesfarmers is scouting for potential buyers of its UK DIY chain and has drafted in Lazard to advise. The Australian retailer is also considering implementing a CVA at Bunnings, which employs about 12,000 people in the UK and has 250 shops. A sale is thought to be the most likely outcome, but other options including a CVA are also being considered.

• Toys R Us to close remaining UK stores. Toys R Us, which is in administration, is to close its 75 remaining shops, including Babies R Us branches, by Tuesday April 24.

• The recent retail tribulations of big-box operators Carpetright and Toys R Us could leave as much as 4m sq ft of empty space in the out of town retail sector. Carpetright is pursuing a CVA which would see it close 92 stores, comprising 1m sq ft of space.

• Vauxhall terminates ALL of its 326 UK dealerships amid falling sales in move affecting 3,700 British jobs - just three days after Jaguar Land Rover revealed it would lose 1,000 staff.

• Wesfarmers has asked potential bidders for its Homebase chain to submit initial takeover bids which are thought to be close to £100 million. Wesfarmers acquired the DIY chain in 2016 for £340 million. Homebase has since reported a £97 million trading loss for the second half of 2017, with Wesfarmers forced to write-down the value of its UK business by £550 million.

• Mothercare is considering joining the likes of New Look and closing stores in an attempt to survive market pressures. The specialist retailer could enter a company voluntary arrangement (CVA) in a bid to reduce costs by shutting stores and lowering rents. If agreed with lenders, the CVA could see the retailer close one third of its 143-strong store estate, according to The Sunday Times.

• Mothercare would join a host of high street retailers opting for CVA as 2018 gets under way. New Look and Select are currently in the midst of CVAs while Carpetright is also considering the process. The now-bust Toys R Us underwent a CVA shortly before it collapsed.

• Carpetright plans to shutter more than 90 stores and slash rents at more than 100 other sites amid a “fundamental restructuring” of its property portfolio under their CVA.

• Mothercare sales dented by footfall slowdown

• The largest shareholder of Carpetright has taken advantage of its rock-bottom share prices and nearly doubled its stake as the company prepares to vote on a company voluntary arrangement (CVA).

• Tapi is speaking with Carpetright’s landlords in the hope of snapping up a clutch of the retailer’s stores that are subject to rent reductions under the terms of its impending CVA.

• Carpetright has issued shares in a bid to raise £60m to support its company voluntary arrangement (CVA) and restructure.

• The decision by the UK’s second-largest pure play online retailer, Shop Direct, to close its three fulfilment centres near Manchester reflects the e-tailer’s strategy to become a broader nationwide business. It is relocating its operations to the Midlands.

• Conviviality has formally entered administration as the beleaguered business continues to seek buyers for its retail division. The Bargain Booze and Wine Rack owner has drafted in PwC to handle the process.

• St Modwen has sold retail assets in Longbridge, Birmingham and in Wembley, London, in two separate deals for almost £90m. In Longbridge, St Modwen has sold the 220,000 sq ft Longbridge Shopping Park in Birmingham for £53.6m, reflecting a 6% initial yield. The 118,000 sq ft shopping centre and 86 bed Travelodge in Wembley sold for £35.3m.

• Carpetright has won approval from its creditors to go ahead with a CVA, which is expected to result in 92 store closures. The CVA was approved by a majority of more than 75%.

• Ikea pulls out of Preston store as profits nosedive

• Topps Tiles’ profits have dropped dramatically due to inflationary pressures despite sales rising over the period.

• Homebase on brink of sale as Hilco, Alteri and Endless table final bids

• The ‘Beast from the East’ dented the top line of B&Q’s UK & Ireland business, as a raft of store closures drove an 8.8% fall in revenues to £828m.

• Wesfarmers, which bought Homebase two years ago, has disposed of the ailing DIY firm for just £1 following its disastrous attempt to launch Bunnings in the UK.

• B&M bucks retail blues as full-year profits jump

• The joint owners of Brent Cross, Hammerson and Aberdeen Standard Investments, have signed a new ’agreement for lease’ with John Lewis to redevelop its department store as part of the retail centre’s £1.4bn redevelopment

QUARTER 2 (April - June) - 2018 - Continued

• Mothercare to seek fresh investment for rescue plan

• Mothercare has launched a CVA and with its creditors approving the troubled retailers plans to close 50 of its 137 UK stores by 2020, and ask for rent reductions on a further 21.

• Conviviality, the drinks retailer that collapsed into administration amid management chaos, turned down a last-minute rescue proposal.

• Carpetright revealed that it expects to report full-year pre-tax losses in the region of £7m to £9m. The trading update comes as shareholders voted in favour of the struggling retailer’s CVA plans, which include closing 92 of its 418 stores and around 300 job losses.

• M&G Real Estate and the West Yorkshire Pension Fund have acquired the Selly Oak Retail Park development in Birmingham, which has a GDV of £94m.

• Carpetright has secured the £60m it needs to fund its CVA and restructuring costs via a share issue.

• M&G Real Estate has snapped up a 50% stake in the Fort Kinnaird retail park in Edinburgh in one of the biggest retail investment deals this year. The fund manager has acquired the stake in the park from The Crown Estate for £167.25m and created a new joint venture with Hercules Unit Trust (HUT), which owns the other half.

• Fabb Sofas has fallen into administration less than two years after it was founded, due to a lack of external funding.

QUARTER 3 (July - September) - 2018

Market Analysis

• Peel Land and Property Group has submitted plans to develop a retail and leisure outlet at Glasgow Harbour, making an initial investment of £100m.

• NewRiver has paid £15.3m for the Hollywood Retail and Leisure Park in Barrow-in-Furness.

• Hana Financial Investments has acquired the Gallagher Shopping Park in the West Midlands from KKR and Quadrant Estates for £175m – the largest single-asset sale in the UK retail warehouse market this year.

• Clearbell Capital has acquired Octagon Retail Park in Stoke for £28m representing an initial yield of 8.3%, on behalf of its Clearbell Property Partners III fund.

• FI Real Estate Management has sold six former Toys ‘R’ Us properties in a series of deals worth £30.5m.

• Retail warehouse vacancy rates rose from 5.1% at end of Q1 to 6.3% at end of Q2.

• Retail property giant Hammerson has continued its sell-off of secondary retail assets by offloading schemes in Bristol and Kirkcaldy for £164m, 10% below last December’s valuation.

• Hammerson to exit retail parks in £1.1bn sell-off as it attempts to woo investors. The group has already offloaded £300m of assets this year and will look to sell a total of £600m of assets this year. The remaining £500m of sales will follow next year.

• Amazon is interested in snapping up Homebase stores to bulk up its delivery operations.

• LaSalle Investment Management has sold a 30,918 sq ft retail warehouse unit on South Ealing Road, London to clients of CBRE GI for £14.5m, reflecting a net initial yield of 3.99%.

• Restructuring company Hilco is set to close 42 Homebase stores as part of a proposed company voluntary arrangement (CVA) that is expected to be entered into with the support of landlords.

• Office Outlet, the stationery retailer formerly known as Staples, has confirmed plans to launch a company voluntary arrangement (CVA) including store closures. The proposals will also see the retailer request rent-free periods from landlords.

• Atrium has acquired the central Warsaw retail centre Wars Sawa Junior for £272m. Built in the early 1970s and comprises of 280,000 sq ft of fully let retail space let to brands including H&M, C&A, CCC, TK Maxx and Zara.

• Six former Toys ‘R’ Us properties are under offer for more than £40m, with additional sales of £111.5m in the pipeline.

• Office Outlet launches CVA proposal and aims to shut four of its 95 stores. Office Outlet will also pay a reduced rent at dozens of its remaining 91 locations, after 93% of creditors gave its property plans the go-ahead.

QUARTER 3 (July - September) - 2018 - Continued

• Over 95% of Homebase's creditors have voted in favour of the company's CVA, which will result in 42 stores closing.

• Joint venture partners Europa Capital and Ediston Real Estate have forward sold Plymouth Gateway Retail Park to Royal London Mutual Insurance Society for £22.7m, reflecting an initial yield of 5.9%.

• Cork's second-largest shopping centre has been put on the market by owner York Capital for offers in excess of £77m.

• Eskmuir Securities Limited has been granted planning permission for a 71,000 sq ft extension of its Sweet Briar Retail Park near Norwich.

QUARTER 4 (October - December) - 2018

Market Analysis

• The Ministry of Housing, Communities and Local Government (MHCLG) has rejected The Mall at Cribbs Causeway's £300m expansion plans. Plans to expand The Mall at Cribbs Causeway by as much as 50% were rejected.

• Hammerson has exchanged contracts for the sale of a 50% stake in its Highcross shopping centre in Leicester to Japan's Norinchukin Bank for £236m. The deal creates a new £472m joint venture with the investor. The price represents an initial net yield of 5.5%. The deal reflected a 5% discount to the asset's book value in December 2017. The Highcross sale took Hammerson's total disposals in 2018 to more than £530m.

• Hammerson has completed the £164m sale of two retail parks in Bristol and Fife to Capreon, at a 7% yield. The shopping centre owner recently increased its disposal target for 2018 to £600m as part of its reshaped strategy.

• Home Bargains profits soar as sales surpass £2bn as it plots aggressive store expansion drive to take its store estate from 480 to over 500.

• Vacancy rates at retail parks have been at their lowest reaching a low of just 4.9% in 2017 however, it has slowly been increasing caused by the first wave of store closets by the likes of Toys R Us, Multiyork and Warren Evans. By March 2018, the vacancy rate had nudged up to 5.1% and it has now jumped again to 6.3% by the end of the second quarter of 2018 as a result of the closure of the remaining Toys R Us, Maplin Electronics and Fabb Sofas stores as well as those formerly occupied by Countrywide Farmers and others.

• However, it is not one-way traffic and there are still retailers looking to take advantage of these closures to increase their out-of-town presence. She cites B&M, Home Bargains, Poundstretcher, Tapi and The Range as examples, as well as food retailers such as Aldi, Lidl and Iceland's Food Warehouse format.

• Expansive fast food operators McDonald's and KFC have each launched requirements for more than 400 new drive-thru locations in the UK. Coffee chains such as Costa and Starbucks are on major drives to multiply their kerbside outlets. Additionally, more offbeat food operators such as Greggs and Krispy Kreme have been increasing their site numbers across the UK and Ireland.

• British Land to sell Doncaster and Guiseley retail parks for £98m. It is understood that the deal, to buy the 232,000 sq ft Wheatley Shopping Centre in Doncaster and 120,000 sq ft Westside Retail Park in Guiseley, near Leeds, represents a blended yield of circa 7%.

• Pets at Home has announced plans to close down 30 of its vet practices as part of a strategic overhaul and warned over full-year results amid tumbling interim profits.

• Mothercare's revenues have crashed by over 13 per cent in the last six months as its restructuring programme is yet to revive fortunes.

• Carpetright has reported an £11.7m pre-tax loss in its latest half-year results, as it continues its radical store closure strategy. The retailer closed 65 underperforming stores in the 26 weeks to 27 October.

• The percentage of retail occupiers taking logistics space this year has moved up from 38% to 46% since 2013. Take-up itself has remained strong in 2018, up 15% on the previous year, buoyed by traditional retailers like B&M, H&M and supermarket chains Lidl and Aldi eating up some of the largest sheds available in the UK. The internet giants like ASOS and Amazon have been signing for even larger build-to-suit sheds, as technology becomes even more critical in an age of same-day delivery.

• Fishing Republic, the sports specialist, was bought out of administration just before Christmas. There are 111 employees and 14 outlets.

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QUARTER 1 (January - March) - 2019

Market Analysis

• Palmer Capital has acquired a Sainsbury's-anchored retail park in Wakefield for £37.5m from Aberdeen Standard, reflecting a yield of 6.3%. The 66,000 sq ft Sainsbury's store at Beck Retail Park is let on an unexpired lease term of 19 years and accounts for just under 50% of the income. Other tenants include B&M Bargains, Home Bargains, Matalan and The Range.

• Intu's House of Fraser stores saved from closure. An "interim agreement" has been reached which will keep the stores in Chapelfield in Norwich, Lakeside in Thurrock, Metrocentre in Gateshead and Victoria Centre in Nottingham open. All four locations had previously been earmarked for closure after the store went into administration.

• NewRiver REIT has continued its asset disposals with the sale of Mount Street Retail Park, Wrexham and Saltney Retail Park, Chester to M7 Real Estate for £12.3m. The sale prices reflect a blended net initial yield of 7.6% and a blended unlevered internal rate of return of 14.7% over their period of ownership.

• Almost two-thirds of the Toys R Us UK portfolio remains vacant a year after the retailer fell into administration.

• M7 Real Estate, on behalf of its M7 Real Estate Investment Partners VIII fund, has acquired five retail warehouse assets from four vendors for £23.9m, reflecting an in-place net initial yield of 8%.

• Wickes takes profit hit in 'extremely challenging' year.

• Mothercare sells UK HQ as part of cost-cutting drive after CVA

• The Sharia-compliant company has bought two units at Great Western Retail Park, let to Sainsbury's and Pets at Home, for £23.15m, reflecting a yield of 6.26%. The acquisition will give Sidra Capital sole ownership of the whole 267,800 sq ft retail park after it bought the main park, anchored by a huge B&Q, in December 2017 for £57m.

• ScS, the upholstered furniture specialist, has reported an increase in half-year profits but said trading conditions remain uncertain.

• 1200 jobs at risk as Office Outlet falls into administration. All 90 of Office Outlet's stores will continue trading while the business is marketed to potential new owners.

• CCLA Investment Management, a specialist fund manager for charities, churches and local authorities, has completed the £32m purchase of a retail park in Brighton from Aviva Investors reflecting a net initial yield of 5.5%.

• Carpertright is on track to be profitable next year after reporting a "significant improvement" in like for likes during its fourth quarter.

• Office Outlet is to shutter 16 stores and axe 160 jobs after administrators conceded that hopes of selling the business were fading.

Spring
Retail Report
2019

Superstores and Supermarkets

Discounters Grow & Grow

Stability appears to be back in this sector of the retail property market, but this does not mean there is any less excitement. For the first time for the past 3 years there has been a net addition of food supermarkets with Asda adding 8 and Sainsbury 5 during the past 12 months. The net increase of large stores is 16, where as in the previous 3 years, the big four saw net reductions. This is in addition to growth in the convenience local store sector.

The relentless march of the discounters primarily Aldi and Lidl continues apace and simply carries on from where we were last year as they continue to gain market share.

The good news is that the large store mainline supermarket sector has stabilised as we advised was the trend emerging at the end of last year. Most grocery supermarket operators are either stable in respect of their market share or experiencing some growth but with the notable exception of Sainsbury's who were negative at a change of -1.2% on the 12 weeks to 21 April 2019. Lidl's market share now stands at 5.7%, up by 8.6% from last year and Aldi have seen even stronger market share growth of 11.6% to 7.9% of total market share.

Tesco, often maligned for their blandness, remain the strongest operator in the market with a market share of 27.3% and were able to grow it by 1% last year. But this growth has come primarily from the opening of the small convenience stores which has been a lifeline for the major operators including Sainsbury's and Waitrose.

Lidl and Aldi, recognising their strength in the market, have for, a number of years, attempted to secure as many freeholds as possible to minimise their risk and exposure to increasing rents as a result of their own activity in the marketplace. For the first time this year we saw rental rates in this sector stabilise and arguably at the top end have fallen as our rental schedule shows.

In nearly all categories of supermarket property, the top end rental rates have fallen but perhaps the biggest problems arise with the large format stores in small towns where there is simply limited or no market evidence to identify where market rents truly stand. London conurbation small format stores in the region of 20,000 – 35,000 sq ft have fared best in the sector but there has been a fall in the top end level of rent for large format stores in the London conurbation even where there is limited competition.

The big news during the year was the proposal for Sainsbury's and Asda to merge but following its referral to the Competition Commission has just been rejected as we go to press. The Competition Commission found that the merger would reduce competition providing an increase in prices. We find that surprising given that there is growing competition at a significant pace from the discount traders of Lidl and Aldi and that such a merger will simply give Sainsbury's and Asda the opportunity to focus on their strengths and provide effective competition to Tesco at the top end as even on the current statistics, the two of them combined will have a market share of 30.6% compared to Tesco's 27.3%. This level of market share would fall as in all mergers, as duplication and other factors play a part in hitting the market share initially whilst the focus is on improving the quality of the trading offer and the profitability of the operation.

Sainsbury's purchased Argos to benefit from its highly rated computerised sales and distribution computer system which was generally regarded by the market as being at the cutting edge and an efficient process which marked the way forwards for many retailers. Unfortunately, the £1.4 billion purchase in 2016 combined with the purchase of Habitat, has shown a steady decline from its initial hopeful start when it added to Sainsbury's group sales by nearly 12.7% in its first year of trading. The key problem with Argos is that it has lost its customer base with the percentage of consumers prepared to shop at Argos down from 31.4% in June 2017 to 24.4% in January 2019. This follows through into usage by customers of Argos at 18.2% in June 2017 but having fallen to 12.7% in January 2019.

Waitrose, the high quality and much sought after brand in this sector has provided a very useful facility for its parent John Lewis as a distribution network to John Lewis customers. Not surprisingly Waitrose operating profits grew by a significant 18.1% over the previous year although like-for-like sales were only up 1.3% in this financial year ending March 2019. This contrasts starkly with John Lewis where like-for-like sales fell by 1.4% over the same time. Fortunately, overall Partnership revenue has increased by 3% thanks to the Waitrose position. Unfortunately, this did not detract from the shock news of staff bonuses being slashed to just 3%, the lowest bonus paid since the mid-1950s. The JLP board argued that with an actual fall in operating profits of 37.7% and a 55% year on year crash in operating profits, drastic action had to be taken to deal with the impact on cash flow and consequently the Partners lost out on a bonus payment to underpin this issue.

That said, Waitrose remains a benchmark for quality food shopping as does their parent company in terms of its profile within the general retail market and when it is considered how the problems have affected Debenhams, House of Fraser, BHS and other mainline large store operators, John Lewis's profile and trading performance in the toughest ever retailing market with growing competition from online retailing has been a stabilising influence in the market as a whole.

On the plus side, discount supermarket chain Aldi reported nearly £1 billion of sales during December alongside a record week of Christmas 2018 trading. Aldi opened more than 65 new stores in 2018 and now has 827 supermarkets trading in the UK in its portfolio.

To follow the trend of the majors moving into the convenient convenience store sector, Aldi opened the first of its convenience stores which is about half the size of a normal Aldi store with 300 fewer products. They are purely 'walk past' shops with no car parks and no bulky items with the first store opening in Balham, London and another store opening following shortly afterwards in Camden, so areas of high footfall and a younger customer profile. We suspect that the discounters will have as big an impact on the convenient convenience side of life as they have had on the mainline food superstore sector.

Summary of Market Activity Q2 2018 - Q1 2019

QUARTER 2 (April - June) 2018

Market Analysis

- Supermarket giants have made deep cuts to shop floor staff, with Morrisons, Sainsbury's and Tesco axing 5,200 roles between them.
- Supermarket sales increased during the first three months of the year despite much of the UK being battered by the Beast from the East snowstorm.
- Discount duo Aldi and Lidl were again the fastest-growing grocery retailers.
- Nisa's sales rose over its fourth quarter as the stores it supplies swelled by more than 1,000 thanks to the collapse of Palmer & Harvey.
- Sainsbury's considered swooping on Mothercare has boosted the struggling babywear specialist's share price. Mothercare is currently valued at around £30bn.
- Tesco has posted a rise in annual sales and earnings as it prepares for further growth following its takeover of Booker.
- Marks & Spencer is to shut its Hardwick distribution centre near Warrington, Cheshire, where consultations have begun with 450 affected workers.
- The mini-heatwave provided a shot in the arm for Britain's high streets as shoppers stocked up for the stark change in weather. Supermarket chains were expected to benefit most from the heatwave, with Britain's biggest retailer Tesco predicting it would sell more than eight million sausages, two million punnets of strawberries and three million ice-lollies at the weekend alone.
- Marks & Spencer is currently undergoing a store closure plan to close six properties by the end of April, with seven more planned by the end of 2018.
- The price of an average basket of groceries has jumped five per cent since last year as food price inflation pulls ahead of other sectors.
- The Co-op's £137.5m acquisition of convenience retailer and wholesaler Nisa has been given the green light by the competition watchdog and is now completed.
- Sainsbury's and Asda are in shock talks over a £10bn merger to create a grocery retail powerhouse. It would edge out the current share of grocery market leader Tesco, although that does not take into account the impact of its £3.7bn acquisition of wholesale titan Booker earlier this year. The merger would create a network of more than 2,800 Sainsbury's, Asda and Argos stores, as well as several websites, with combined sales of around £51bn in 2017 and 47 million customer transactions per week. The proposed merger of supermarket chains J Sainsbury's and Asda will not result in store closures.
- Asda achieved the best year-on-year sales performance among the big four with a 2.3% advance. That gave it a market share of 13.9% and would mean a combined market share with Sainsbury's of 28.8% if the pair's planned merger went ahead.
- Morrisons unveiled its 10th consecutive quarter of like-for-like growth as new ranges and store openings bore fruit.
- Ocado pens landmark deal with US grocery giant Kroger.
- The Competition and Markets Authority has launched the first phase of its investigation into the mega-merger between the two members of the big four.
- Marks & Spencer has revealed plans to close another 14 clothing and home stores and cut back Simply Food openings. The decision means more than 100 branches will now shut by 2022.
- Tesco is axing its standalone clothing and general merchandise website after concluding there was "no route to profitability" for the business.
- Marks & Spencer has recorded a slump in its full-year profits despite sales edging up due to costs associated with its store closure programme.
- Morrisons outgrew its big four rivals during May as warm weather, the royal wedding and the FA Cup final boosted overall grocery sales.
- Supermarket Income REIT has bought a Tesco Extra supermarket in Scunthorpe, Lincolnshire, from Legal & General Pensions for £53m.
- Discount supermarket chain Aldi is seeking sites in central London for the first time as it opens up a new front in its expansion campaign.

QUARTER 3 (July - September) 2018

Market Analysis

- The Competition and Markets Authority has launched its official investigation into the proposed merger between Sainsbury's and Asda.
- LondonMetric has sold two M&S convenience stores for £10.7m and purchased a convenience development in Durham pre-let to Lidl for £13.3m.
- The Co-op has had a cut-price bid for symbol group Costcutter rejected as grocery retailers continue to seek consolidation in a rapidly changing food market.
- Iceland and The Range have formed an alliance to sell the grocer's food in the general merchandise giant's stores.
- Sainsbury's has launched a new scan, pay and go smartphone app that will allow shoppers to pay for products without visiting a checkout.
- Online grocer Ocado reported an 11.5% uplift in retail sales in the third quarter.
- Grocery retailer Iceland has agreed a deal to acquire 19 former Poundworld stores following the collapse of the discount retailer this summer.
- Conygar Investment Company has exchanged on deal to develop a 23,000 sq ft store for Lidl UK at its Cross Hands retail park in Wales.
- Tesco has unveiled its new fascia, Jack's, launched as a rival to discount chains Aldi and Lidl.
- The proposed merger between Sainsbury's and Asda could result in a "substantial lessening of competition" in almost 500 locations, the competition watchdog has warned.

QUARTER 4 (October - December) 2018

Market Analysis

- Palace Capital has signed a new 20 year lease with Aldi on the same day the German discount supermarket chain announced plans to open 130 new stores in the UK over the next two years. The supermarket announced a £1bn investment and expansion plan for the UK alongside annual results which showed customer numbers grew by more than 1.1 million to 15.8 million, giving Aldi an all-time high 7.6% share of the grocery retail market in the UK. Aldi sales passed £10bn across the UK and Ireland in 2017 as profit increased by 29% year-on-year to £417.3m.
- Tesco has continued its programme of buying back stores with the purchase of its Cirencester Extra for £57m and its Stroud superstore for £35m, it said in half-year results this morning. This follows after years of sales and leasebacks in the late 2000's and 2010's where Tesco's rent bill has risen to £1.4bn a year therefore Tesco decide to make a change and increase it ownership.
- Asda and Morrisons outgrew their big four rivals last month as shoppers started stocking up on Christmas essentials.
- Sainsbury's and Oasis have penned a concession partnership as the grocer ramps up efforts to transform its supermarkets into "leading fashion destinations".
- McColl's has warned that its earnings are due to come well below previous estimates as last year's collapse of supplier Palmer & Harvey took its toll.
- Aldi has opened eight stores on a single day, which it claims to be a record, as it gears up for its biggest-ever Christmas. The new stores in Glasgow, Chellaston, Eckington, Longridge, Oldham, Skelton, Bodmin and Islington in London are part of a tranche of 24 new Aldis opening throughout November and December.
- Aldi has opened over 70 new stores in the UK during 2018 and currently has more than 800 stores across the country. Its long term target is 1,200 UK stores by 2025.

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QUARTER 1 (January - March) - 2019

Market Analysis

• Co-op Group has announced plans to continue its ongoing UK expansion and open 100 new food stores in 2019 as part of a planned £200m investment in its store estate this year. Having exceeded its target of opening 100 new stores in 2018, the grocery retail chain has unveiled plans to add 100 further new food stores and refurbish 200 more in 2019.

• Discount supermarket chain Aldi has reported nearly £1bn in sales during December, alongside a record week of Christmas trading. Aldi opened more than 65 new stores during 2018, increasing its total store estate to 827 at the end of the year.

• Morrisons has revealed its Christmas sales have climbed for a fourth consecutive year due to retaining competitive prices.

• Lidl has reported its highest ever Christmas sales.

• Tesco and Morrisons have launched fresh price salvos as the mainstream supermarket players battle to close the gap to the discounters.

• Aldi has launched a counterattack on Morrisons by investing in a fresh wave of price cuts – and vowing never to be beaten on price.

• M&S revealed last year to shut 100 stores by 2022, accelerating the company's plans to focus further on the online market. The chain has already shut the first 30 stores as part of this process and has now confirmed the next 17 locations set for closure as: Ashford, Barrow, Bedford, Boston, Buxton, Cwmbran, Deal, Felixstowe, Huddersfield, Hull, Antrim Junction, Luton Arndale, Newark, Northwich, Rotherham, Sutton Coldfield, Weston-Super-Mare.

• Marks & Spencer is locked in talks with Ocado over the launch of an online grocery delivery service that could spell the end of the etailer's partnership with Waitrose.

• Investment in supermarket properties tumbled by 40% last year, from £1.4bn to just over £1bn.

• Marks & Spencer is set to open a new 40,000 sq ft anchor store at Hammerson's Ravenhead Retail Park near Liverpool.

• Sainsbury's £10bn merger with rival Asda could be blocked by the competition watchdog after it found extensive competition concerns surrounding the deal. The combination of Britain's second- and third-largest supermarkets "could lead to a worse experience for in-store and online shoppers across the UK through higher prices, a poorer shopping experience, and reductions in the range and quality of products offered.

• Retailers in the UK and Ireland have warned of the "devastating" impact of a no-deal Brexit including hiked food costs.

• Marks & Spencer and Ocado have confirmed a deal which will give the High Street retailer a home delivery service for the first time. M&S will buy a 50% share of Ocado's retail business for £750m. The joint venture will be called Ocado and will deliver M&S grocery products from September 2020 at the latest, when Ocado's deal with Waitrose expires.

• Sainsbury's and Asda have pledged to plough £1bn into price and establish a profit cap on fuel if their landmark £10bn merger is given the green light.

• Aldi has opened the first of its small convenience shops as it steps up its battle with the big four supermarkets. Aldi Locals are around half the size of a normal Aldi store and stock 300 fewer products. There are no car parks and no bulky items.

• Marks & Spencer is sizing up ambitious growth targets that could see the company double the amount of food it sells and propel it into the ranks of Britain's biggest supermarkets.

• Asda's grocery market share has overtaken suitor Sainsbury's for the first time since 2015.

• The Co-op has said its profitability "exceeded expectations" in 2018, driven by its acquisition of grocery wholesaler Nisa and strong performance in food.

• Marks & Spencer has slashed the prices of almost 500 food lines as it bids to win back shoppers

• Application volumes for new supermarkets have tumbled by 61% from their peak in 2015, with speculative proposals taking a dramatic nosedive. Just 117 new-build applications were submitted during 2018 in comparison to more than 300 coming through three years earlier.

• British Land has sold 12 supermarkets from its joint venture with Sainsbury's to Realty Income Corporation for £429m, representing a net initial yield of 5.0%.

• The CMA has blocked the proposed mega-merger between Sainsbury's and Asda, which would have created a £10bn grocery giant. The competition authority declared that the merger would result in rising prices for consumers thanks to a "substantial lessening of competition" throughout UK grocery both in-store and online.

Supermarket share

	12 weeks to 22 April 2018		12 weeks to 21 April 2019		
	£millions	%	£millions	%	% Change
Total Grocers	26,830,000	100.0	27,370,000	100.0	2.0
Total Multiples	26,359,000	98.2	26,894,000	98.3	2.0
Tesco	7,406,000	27.6	7,477,000	27.3	1.0
Sainsbury's	4,258,000	15.9	4,208,000	15.4	-1.2
Asda	4,161,000	15.5	4,173,000	15.2	0.3
Morrisons	2,810,000	10.5	2,827,000	10.3	0.6
Aldi	1,949,000	7.3	2,174,000	7.9	11.6
Co-operative	1,605,000	6.0	1,676,000	6.1	4.5
Lidl	1,437,000	5.4	1,561,000	5.7	8.6
Waitrose	1,366,000	5.1	1,375,000	5.0	0.7
Iceland	562,000	2.1	570,000	2.1	1.4
Ocado	332,000	1.2	355,000	1.3	6.8
Other Multiples	473,000	1.8	499,000	1.8	5.5
Symbols & Independants	471,000	1.8	476,000	1.7	1.0

Source: Kantar Worldpanel April 2019

Supermarket Rental Value

Town Type	Store Type	Rental Range 2013	2014	2015	2016	2017	2018	2019
Large towns	Large format stores	£15-£22.50 psf	£15-£22.50 psf	£14-£18 psf	£14-£18 psf	£14-£18 psf	£14-£18 psf	£13-£16 psf
Small towns	Large format stores	£12.50-£20 psf	£10-£18 psf	£8-£116 psf	£8-£116 psf	£8-£14 psf	£8-£12 psf	£8-£12 psf
Town centres	Large format stores	£15-£22.50 psf	£15-£20 psf	£14-£18 psf	£14-£18 psf	£12-£18 psf	£10-£16 psf	£8-£12 psf
Town centres	Small format stores	£12.50-£22.50 psf	£15-£22 psf	£15-£22 psf	£14-£20 psf	£12-£18 psf	£10-£18 psf	£12.50-£20 psf
London conurbation	Large format, limited competition	£30 psf +	£25-£35 psf	£25-£30 psf	£20-£27.50 psf	£25-£35 psf	£20-£30 psf	£18-£22.50 psf
London conurbation	Small format	£15-£20 psf	£20-£25 psf	£20-£25 psf	£20-£25 psf	£20-£30 psf	£20-£30 psf	£20-£30 psf
All centres	Discount	£8-£12 psf	£10-£16 psf	£12-£20 psf	£12-£23 psf	£12-£28 psf	£12-£28 psf	£15-£25 psf

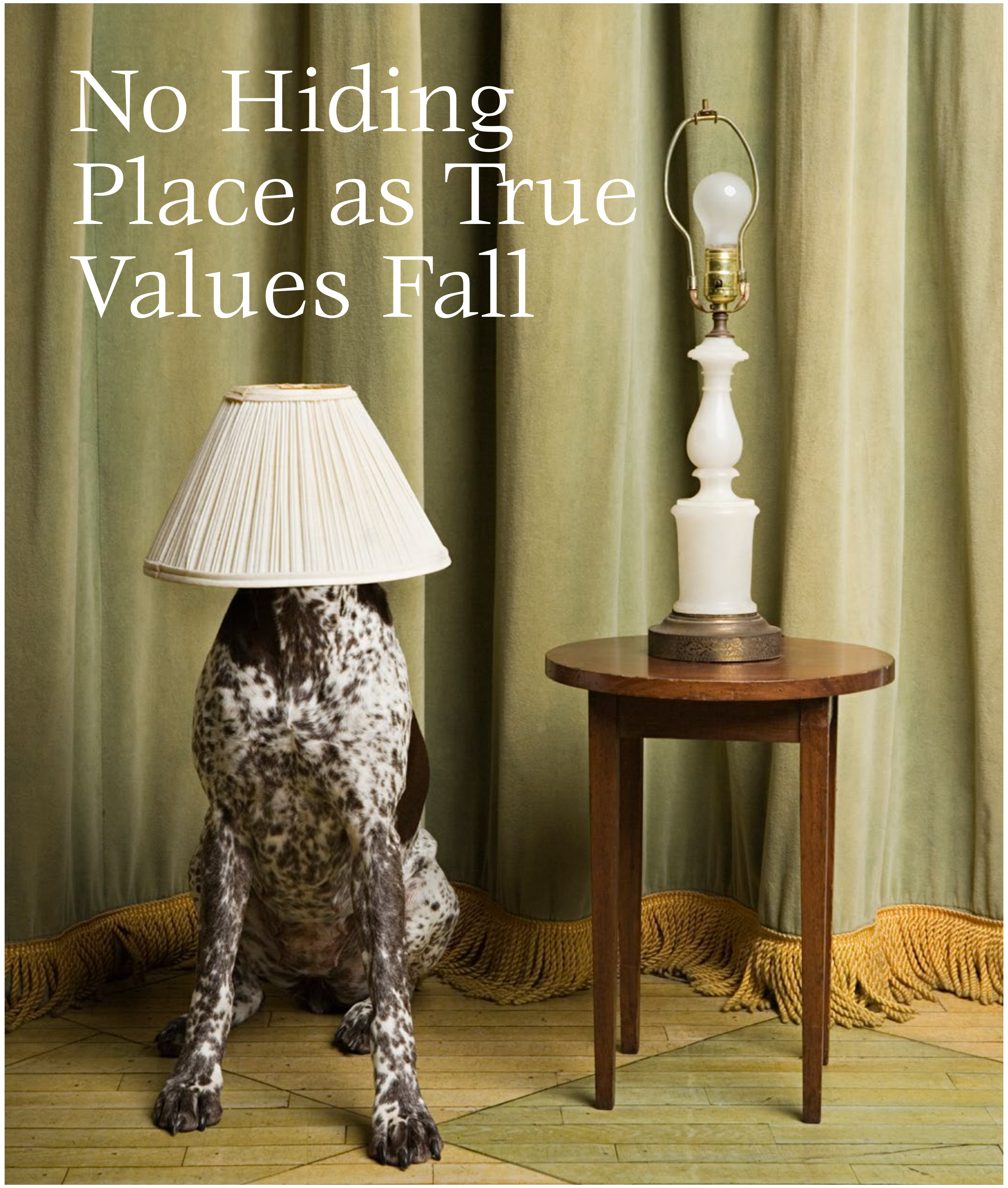
Supermarket Yield Profile - Limited change but fundamentals are different

Description	Store Type	Equivalent Yeild 2014	2015	2016	2017	2018	2019
Fixed or indexed uplifts at RR	Large format	4.25% - 4.75%	4.25% - 4.50%	3.50% - 4.00%	3.75% - 4.50%	4.00% - 4.50%	4.50% - 5.00%
Large centres (Standard RR to MR)	Large format	4.75% - 5.25%	4.50% - 5.00%	3.70% - 4.00%	4.25% - 5.00%	4.50% - 5.50%	5.00% - 6.00%
Small centres (Standard RR to MR)	Large format	5.00% - 5.50%	5.00% - 5.50%	4.50% - 5.00%	4.50% - 6.00%	5.00% - 6.50%	5.50% - 7.00%

Spring
Retail Report
2019

Retail Investment

No Hiding Place as True Values Fall



Finally the truth on the shopping centre investment market has come to light where the clear reduction in activity in transactions with a lack of demand for the product has encouraged owners of shopping centres and their valuers to come clean as to where this sector stands in terms of value.

The big notice of this issue came forward with the Intu and Hammerson revaluation in the first quarter of 2019 with Intu writing down the value of its portfolio by £1.4 billion and Hammerson experiencing a 10.7% reduction in value of its large shopping centre asset base.

Hammerson really have had a bad time of it in a year which it saw it abandon its planned £3.4 billion buyout of its smaller rival Intu. Its profits have fallen by 2.4% to £240.3 million. This has prompted Hammerson to sell off some £900 million of properties, far exceeding its original £500 million target for 2019 and with a reported average yield of 7% for those properties it sold in 2018 at a total value of £570 million.

The question those at Hammerson and their shareholders may well be asking is if they should have rejected the revised offer from Klépierre last year as the £5 billion takeover would have given shareholders a significant dividend return which is unlikely to be achieved in the foreseeable future.

Whether valuers have been persuaded in the past from reducing market values for shopping centre investments or there was simply insufficient sales and evidence to encourage the appropriate mark down in valuations of this asset class is open to debate. Regardless of the reason, the cat is now out of the bag and those valuing shopping centres will be only too aware that not only is the market thin, but there is no hiding place for values which cannot be supported by the general economics of this property sector.

As research demonstrates, shopping centre investment transactions have plummeted by 90% in the first quarter of this year compared with the same quarter in 2018 and has been the worst Q1 for deal activity on record. In total only £37 million has been spent on shopping centre acquisitions in the first quarter of 2019 in stark contrast to £466 million recorded at the same time last year.

It could be argued by those wishing to put a positive slant that there is some £750 million of assets at various stages of the sales process which could help bring shopping centre investment level activity back on track to Q2 last year but the question will be if those transactions do progress, has there been any agreed change in the acquisition price to massage the sale through to a completion. We suspect that the well-known tool of the purchaser to chip the price at the last moment is being well used on this occasion.

The investment market is looking for secure income, not necessarily growth but where the investor can rely on the income being maintained with few voids and limited asset management activity necessary to keep income streams ticking over.

We are of the opinion that true market values are reflected by an increase in yields of up to 200 basis points and for poorer centres, considerably greater increases in yield levels apply. What has widened is the yield gap between prime and secondary where compression has been replaced by significant expansion. The return of 'Super Prime' was announced a few years ago but now it simply denotes a centre which shows some stability and popularity whilst the rest of the market goes into freefall.

Once the market has found its level, no doubt transactions will take place, especially with those who are distressed sellers and are seeking to either repay capital or maintain their interest payments. This is a pressure on not only the traditional small property company but also the major quoted public companies as demonstrated by Intu and Hammerson. No doubt Land Securities in contrast is feeling quite pleased with itself having moved out of many of its retail assets a number of years ago and focussing more on City of London offices and certain areas of leisure.

The long term impact will be on new development as many shopping centre or mixed use town centre schemes which were being brought forward will now struggle to demonstrate viability even where there is an emphasis on residential and other uses. The problems come with increasing costs of construction and general rising costs in development activity, coupled with uncertainty as to the ability to let accommodation and for the developer/investors to be left with a relatively high level of voids. Until such time as the last 20% of space is let and income producing, a developer/investor makes no profit. In short an 80% successful scheme is not success at all and even at 100% letting with an increase in yields, it is unlikely that a return can be demonstrated other than through an internal rate of return analysis making assumptions of growth in the future which cannot be tested today.

Investment in high street shops follows the same pattern as shopping centres with a restrained market, the first quarter of 2019 seeing a total of approximately £800 million of transactions, 9.6% down on the same quarter last year and 30% below the long run quarterly average. However, the devil is in the detail and outside of London the position is significantly worse with the quarterly average being 65% below the norm whereas in Central London it is 21% up on its long term average. As they say location is everything and in this difficult market, location location location comes very strongly to the fore.

Even so, Central London retail has seen investment yields slip by between 25-50 basis points and the 1.75% to 2% yield often quoted for Bond Street is likely to be either in the minds of the investment surveyor as an aspiration or in those who currently hold such investments as what they might have got had they sold earlier.

The RICS warning to valuers at the beginning of 2019 to be aware of ‘the potential for significant changes in value’ in the retail property market were welcome but probably 12 months late. The RICS 'Red Book' has made it clear for over a decade that past transactions undertaken in different market conditions cannot be applied automatically as evidence where the conditions change. As the circumstance and facts change, so should the valuer’s opinion and this should have as much to do with sentiment as transactions. With a dearth of investments taking place, it should be a clear indication that not all is well. A lack of evidence might not identify what the market sees as value, but it does indicate that there is much more limited value in the market.

In December 2018, the Nicholson’s centre in Maidenhead went into receivership. There were perhaps exceptional circumstances as to why this happened, but it is a clear sign that the shopping centre investment market is under pressure. However, as we have stated, local authorities are taking advantage of sort marketing conditions by filling their boots with soft shopping centre investment prices. It was also interesting to note that the Nicholson’s shopping centre was taken out of receivership by Areli Real Estate at about £25 million in stiff competitor bidding. Apparently, they see the opportunity for a mixed-use development/refurbishment as values for other uses rather than retail coming to the fore.

As another sign of distress in the shopping centre investment market, Lone Star failed to sell a number of assets in its Tiger shopping centre portfolio and although it sold two, it has handed back the keys to the Australian Lender BAWAG for Eastgate Shopping Centre in Gloucester, Mercury Mall in Romford, Howgate in Falkirk, Trinity Centre in Aberdeen and the Marlands Shopping Centre in Southampton.

In property mythology, it is the sale of Kirkcaldy shopping centre mall put up for sale at auction with a £1 reserve but sold for £310,000 with biddings starting at £10.00. The centre developed in the early 80's has 14 of its 21 stores in the 81,000sq ft mall empty and it is worth noting that when the shopping centre was sold in 2003, it achieved £10.3 million, a cool £10 million fall in value over 15 years.

Much has been said about the uncertainty coming from Brexit but given investment transaction activity is strong in industrial property, particularly logistics, and in Central London offices with significant influence and activity by overseas buyers means it is difficult to justify the Brexit issue as an excuse for the poor performance of retail investment trading and values. The problems arise from issues relating to the occupational side of the sector as described elsewhere in this report as an investment market is only as strong as its occupational profile will allow it to be.

As we reported last year, there has been a significant increase in activity by local authorities purchasing their own town centres. This has been the result of cheap borrowing available to local authorities from central Government at an average cost in the region of 2.5% although the true level of interest is not clear. Recent activity by local authorities include acquisitions of shopping centres in Canterbury, Camberley, Stockport, Cramlington, Woking, Banbury, Shrewsbury, Farnham, Bootle and St Helens. A complete geographical mix with the key being the opportunity that local authorities feel they may have in upgrading their town centres with the shopping centre being part of their overall strategy.

3 years ago, we reported the sudden return to investment property purchases by local authorities. In 2017, local authorities broke a record by spending £1.8 billion on property investment. In 2018, this reached £1.9 billion and already some £1.2 billion has been committed by local authorities and the purchase of property investment in the 1st quarter of this year. This appears to be a trend set to continue.

In some respect it probably doesn't matter where the investment comes from as long as it is there and whilst there is a void in the market and investment yields are seen as soft, this could well be a good time for local authorities to invest in a sector which has usually been closed to them as being too expensive and showing few returns. Soft pricing and the ability to enhance value through asset management and redevelopment the existing centre has the benefit of growing value as well as improving the profile and fabric of the town centre thereby increasing revenues to Government through business rates and the tax take that such economic development can create. For those local authorities who are prepared to take the plunge, their involvement is welcomed but they must ensure that what they are doing is balanced and the position is understood as to what the reality is of the current marketplace against their aspirations and how the market can fit in to their objectives generally.

Key Retail Investment Transactions

Shopping Centre Investment Transactions
1st April 2018 – 31st March 2019

Derby shopping centre (50% Stake), Derby:
Price: £186.3m / 6.6%
Purchaser: Cale Street Investment/Kuwait Investment
Vendor: Intu
Transaction: Freehold Date: April 2019

Shop Stop, Clapham Junction
Price: £135m / 3%
Purchaser: DTZ Investors
Vendor: Delancey
Transaction: Freehold Date: May 18

Grays Shopping Centre, Essex
Price: £20.2m / 9.40%
Purchaser: New River Retail
Vendor: Lone Star
Transaction: Freehold Date: June 18

Merrywalks, Stroud
Price: £10m / 9.50%
Purchaser: Dransfield Properties
Vendor: Wrather & Co
Transaction: Freehold Date: June 18

Wembley Central
Price: £36.5m / 6%
Purchaser: Talisker
Vendor: St Modwen
Transaction: Freehold Date: August 18

Crompton Place Shopping Centre, Bolton
Price: £14.8m / %
Purchaser: Bolton Council
Vendor: Santander Pension Fund
Transaction: Freehold Date: August 2018

Sovereign Shopping Centre, Weston-Super-Mare
Price: £21m / 8.83%
Purchaser: Legal & General
Vendor: Cheyne Capital and Ellandi's
Transaction: Freehold Date: August 2018

Vicar Lane Shopping Centre, Chesterfield
Price: £21.15m / 11%
Purchaser: Alteris Partners Limited
Vendor: Landmaster Properties Limited
Transaction: Freehold Date: August 2018

Blaydon Shopping Centre, Newcastle
Price: £30.5m / 8.15%
Purchaser: Praxis
Vendor: Lonestar
Transaction: Freehold Date: October 2018

Highcross, Leicester (50% Stake)
Price: £236m / 5.50%
Purchaser: Norinchukin/M&G
Vendor: Hammerson
Transaction: Freehold Date: October 2018

Edmonton Green, London
Price: £72m / 6.75%
Purchaser: Crosstree
Vendor: St Modwen
Transaction: Freehold Date: November 2018

The Galleries, Bristol
Price: £32.1m / 9%
Purchaser: LaSalle IM
Vendor: Infrared Capital Partners
Transaction: Freehold Date: February 2019

Crown Walk, Bicester
Price: £7m / 9.75%
Purchaser: LCP
Vendor: Sainsburys
Transaction: Freehold Date: February 2019

Nicholsons, Maidenhead
Price: £24.8m / 3.75%
Purchaser: Areli / Tikehau
Vendor: BDO Receivers
Transaction: Freehold Date: March 2019

Pavilions, Thornaby
Price: £8.5m / 10%
Purchaser: LCP
Vendor: LaSalle
Transaction: Freehold Date: Jan – April 2019

Retail Warehouse Investment Transactions
1st April 2018 – 31st March 2019

Pavilion Retail Park, Brighton
Price: £32m / 5.5%
Purchaser: CCLA Investment Management
Vendor: Aviva Investors Global Services Ltd
Transaction: Freehold Date: April 2018

Heeley Retail Park, Sheffield
Price: £17.1m / 7.15%
Purchaser: Mayfair Capital
Vendor: Diageo
Transaction: Freehold Date: April 2018

Colne Valley Retail Park, Watford
Price: £52.5m / 5.4%
Purchaser: LaSalle Investment Management
Vendor: First Alliance Properties
Transaction: Freehold Date: April 2018

Slough Retail Park, Slough
Price: £63m / Undisclosed%
Purchaser: Orchard Street
Vendor: Benson Elliot
Transaction: Freehold Date: May 2018

Fort Kinnaird (50% stake), Edinburgh
Price: £167.3m / Undisclosed%
Purchaser: M&G Real Estate
Vendor: The Crown Estate
Transaction: Freehold Date: June 2018

Caledonian Retail Park, Wishaw
Price: £21.15m / 8.4%
Purchaser: Leftfield Properties
Vendor: DTZ Investors
Transaction: Freehold Date: June 2018

Hollywood Retail & Leisure Park, Barrow-in-Furness
Price: £15.3m / 8.7%
Purchaser: NewRiver REIT
Vendor: Institutional investor
Transaction: Freehold Date: July 2018

Imperial Retail Park, Bristol and Fife Central Retail Park, Kirkcaldy
Price: £164m / 7%
Purchaser: Capreon
Vendor: Hammerson
Transaction: Freehold Date: July 2018

Octagon Retail Park, Stoke-On-Trent
Price: £28m / 8.3%
Purchaser: Clearbell Capital
Vendor: First Alliance Properties
Transaction: Freehold Date: July 2018

Gallagher Retail Park, Wednesbury
Price: £175m / 5.2%
Purchaser: South Korean investment group
Vendor: Quadrant Estates
Transaction: Freehold Date: July 2018

Launceston Retail Park, Launceston
Price: £21.9m / 5.6%
Purchaser: Launceston Town Council
Vendor: LondonMetric Property PLC
Transaction: Freehold Date: September 2018

Ilford Retail Park, London
Price: £17.65m / 2.4%
Purchaser: Montreaux
Vendor: LaSalle Investment Management
Transaction: Freehold Date: October 2018

Waterglade Retail Park, Clacton-on-Sea
Price: £11.3m / 9.25%
Purchaser: U + I Group PLC
Vendor: Square Metre Asset Management
Transaction: Freehold Date: October 2018

Darlington North Retail Park
Price: £9.9m / 6.20%
Purchaser: Private wealth fund
Vendor: British Steel Pension Fund.
Transaction: Freehold Date: October 2018

Martlesham Heath, Ipswich
Price: £22m / 5.2%
Purchaser: Unnamed
Vendor: LondonMetric Property
Transaction: Freehold Date: November 2018

Colonnades Retail and Leisure Park, Croydon
Price: £53m / 5.25%
Purchaser: Croydon Council
Vendor: DPK East
Transaction: Freehold Date: November 2018

Jubilee Close retail park, Weymouth
Price: £10.8m / 6.97%
Purchaser: Custodian REIT PLC
Vendor: Aberdeen
Transaction: Freehold Date: December 2018

Beck Retail Park, Wakefield
Price: £37.5m / 5.6%
Purchaser: Palmer Capital
Vendor: Palmer Capital Partners Limited
Transaction: Long Leasehold Date: January 2019

Westside Shopping, Guiseley
Price: £38m / 6.75%
Purchaser: Ashby Capital LLP
Vendor: British Land
Transaction: Freehold Date: February 2019

Mount Street Retail Park in Wrexham, and Saltney Retail Park in Chester
Price: £12.3m / 7.6%
Purchaser: M7 Real Estate
Vendor: NewRiver REIT
Transaction: Freehold Date: February 2019

Congleton Retail Park, Middlesbrough
Price: £15m / 6.46%
Purchaser: Middlesbrough Council's Teesside Pension Fund
Vendor: Lothbury Investment Management
Transaction: Freehold Date: April 2019

Prime Retail Warehouse Yields - Excluding Greater London

%	Apr 2006	Apr 2007	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019
Shopping Parks	4.25 - 4.75	4.75 - 5.00	5.00 - 5.25	6.75 - 7.00	6.00	5.00 - 5.25	5.25 - 5.50	5.50 - 5.75	5.25 - 5.75	4.25+	4.00	5.00	4.75	5.50
Open A1 Retail Parks	4.25 - 5.00	5.25 - 5.50	5.25 - 5.75	7.00 - 7.50	5.00 - 5.50	5.25 - 6.00	5.50 - 6.50	6.00 - 6.50	5.75 - 6.25	5.25+	4.50	5.50	5.75	6.75
Bulky Goods Retail Parks	5.00 - 5.75	5.75 - 6.25	5.75 - 6.75	9.00	5.75 - 6.25	5.75 - 6.50	6.00 - 7.00	6.75 - 8.50	6.00 - 8.00	5.75+	5.50	6.50+	6.00 - 7.50	7.50- 9.00
Solus Stores	4.75 - 5.25	6.00+	6.00+	8.75	6.00 - 7.00	6.50 +	6.25 +	6.50 - 7.00	6.00 - 7.00	6.00+	5.50	6.50+	5.00 - 7.00	6.00 - 10.00

Shop Property Yields - Excluding Greater London

%	Apr 2006	Apr 2007	Apr 2008	Apr 2009	Apr 2010	Apr 2011	Apr 2012	Apr 2013	Apr 2014	Apr 2015	Apr 2016	Apr 2017	Apr 2018	Apr 2019
Prime High Street	3.75 - 4.25	4.75 - 5.50	5.00 - 5.75	5.25 - 6.00	4.75	4.50	4.50	4.50	4.25+	4.25+	4.00	5.00 - 5.50	4.00 - 5.00	5.00- 5.50
Secondary High Street	5.00 - 5.75	6.00 - 7.00	6.50 - 9.00	8.00 +	9.00+	8.00+	8.00+	9.00+	8.00+	7.00+	6.50	7.00+	7.00+	10.00+
Prime Shopping Centre	4.00 - 5.00	5.00 - 6.00	5.50 - 6.50	7.00	6.00	5.50 - 6.50	5.50 - 6.50	5.25 - 6.25	5.25 - 6.00	4.25+	4.25	5.00	4.50 - 5.50	5.50- 6.50
Secondary Shopping Centre	5.00 - 6.00	6.00 - 7.50	6.25 - 8.00	9.00 +	9.00+	8.00 +	8.00 +	8.5 +	7.5 +	6.5 +	5.50	7.50+	9.00+	10.00+

C&P 25 YEARS

Spring Retail Report 2019

Leisure

Supply High, Demand Low

The trend we identified last year was for the continued growth of drive-thru facilities, both restaurants and coffee shops contrasted with the continuing squeeze of mainline traditional restaurant operators having to cope with changing consumer habits and arguably a reduction in disposable income. 2018/19 has demonstrated this as the standard profile for this market. There is some 500,000 sq ft of vacant space in the restaurant sector, the demand/supply equation is unbalanced with landlords having to nurse their property through difficult times often with voids they cannot fill.

For some 25 years we have watched with interest as leisure and retail schemes have come forward allocating significant numbers of units to restaurant uses. For the uninitiated and/or naive his has always been an optimistic approach. Even with the large chains' reliance on demographic and trading potential usually means that only one or two of their several fascias are right for a particular location.

It is not all doom and gloom and as ever it is about context, in 2018 whilst 684 restaurants closed, 551 new restaurants have opened. The change is that the restaurant sector has appeared to have learnt its lesson and is now bidding at rents that are sustainable and not inflated by egos or a race to be biggest. Over bidding is now a feature of the past and under bidding is perhaps reaping its rewards for those able to take advantage. Watch out for names that have been around for little while but have been quiet, this is now the time where you may hear more from them. Examples include Five Guys, Tortilla, Dishoom, Benihana and Honest Burgers.

The leisure and leisure/retail parks developed over this timescale, have changed the landscape promoting critical mass coupled with choice, railing against a timid approach towards the number of fascias in a scheme and often with justification as it has become a destination facility in its own right, anchored by a number of leisure facilities such as the cinema, gym, 10 pin bowling and a wide range of clubs, bars and ancillary leisure. The best of these will continue to trade effectively but in the secondary market and town centres where leisure and restaurants are more dispersed and diversified, the overprovision of space is a problem which will be difficult to counter.

Where the sector has shown resilience is in the provision which suits the occupiers in serving mass market customer's needs. This has primarily been through the fast food and coffee chain operators of McDonald's and KFC, Costa, Roma and Starbucks as well as the more offbeat food operators such as Greggs and Krispy Kreme. We see this trend continuing but as soon as new occupations are taken by these retailers, so a number of retailers will vacate space and tip the supply balance further in favour of the tenant.

City centres are set to do well as a diverse population and customer base is happy to spend its money on fast food whether it be by visits to restaurants or delivery by the new specialist retail logistics operations which have become a feature of the market over the past three years. Perhaps this is why Taco Bell, the Mexican fast food chain, is planning to return to London for the first time since the 90s which gives an indication that in certain quarters there is some confidence that the market has somewhere to go.

But it is not all good news as at the other end of the spectrum Patisserie Valerie has struggled as an operation and is closing some 70 stores whilst the administrators seek a buyer for its business. The mainstay facias of Frankie and Bennies have placed a number of non-core nonperforming stores on the market for sale.

Conversely it has been stated that one third of vacant high street bank premises are to be converted to restaurants, cafes and takeaway units and 38% of all high street banks that have vacated in the past five years have seen plans lodged for change of use away from A2 to A3 and A4 premises.

It is entirely locational specific but restaurants are not dead, they simply are doing different things in different places and are a dynamic market taking advantage of opportunities where they can but unfortunately producing significant failures in certain areas.

The cinema sector has been licking its wounds over the last 18 months. New large multiplex cinemas are few and far between, part of this is because the coverage is now extensive with few gaps in coverage. Economics of a new cinema do legislate against their viability for new schemes with rental levels falling and operators seeking higher incentives, typically at rental levels in the region of £12.50 psf and capital incentives between £1.5 million and £3 million although above average facilities fare better.

In vogue are the VIP cinemas such as Everyman, Electric, VIP, Curzon Soho and the new group Tivoli which opened its first VIP luxury cinema in Bath in the Southgate Centre at the end of last year.

Premium armchair seats with at seat service for food and drink (not during the film) and private viewing cinemas for small groups together with more extensive and exotic food offers are the main themes turning the standard foyer into a front room of a mansion house. These smaller screen cinemas often look for redundant retail and restaurant premises where rental values do not have to support new build but conversion, provided the ceiling height is enough to take the raking of the auditorium seats and a sufficient size screen.

The future is not only vision but sound, smell and moving effects come to the customer as they sit with their eyes glued to the screen and can experience first-hand the atmosphere of a real-life situation apparently taking place around them. Technology has always driven the film and theatre industry and it appears that together with comfort and service, this will continue to be the theme. Interestingly Switzerland has seen its first luxury cinema open with beds rather than armchairs and sofas. We thought the purpose of going to a cinema was to watch a film rather than fall asleep although perhaps with age the latter is likely to be more accommodating.

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Of the rest in terms of leisure, gym groups keep expanding and new formats continually find their way into the marketplace.

One of the most successful operators is The Gym Group who is looking to expand their portfolio by about 20 new sites this year having opened 30 last year. They are also the gym operator in the newly opened Tottenham Hotspur stadium and will be the operator for the basement gym in the Northern Shell Building at Monument in Central London. They are one of the operators happy to take advantage of the demise of the retail and restaurant sector being adaptable to the accommodation they will take and keen to save costs by doing deals at rock bottom prices, taking advantage of landlords' keenness to keep premises occupied and empty rates at bay. The UK health and fitness industry is healthier than it has been for some time and with more members with a greater market value than has been seen before. Total UK membership of gyms has now broken the 10 million mark and the industry is now worth more than £5 billion for the first time.

The number of fitness centres over the past 12 months has increased by some 2.9% with a number of fitness centres up from 7,038 to 7,239. This means that the UK penetration rate has passed 15% for the first time and although the number of new openings has peaked at 215 down from 275 in 2018, the trend is still a strong one.

The hotel sector continues to expand with an ever growing requirement for beds in many centres against the background of poor quality accommodation which many have had to cope with for a number of years. With occupancy rates at high levels, hotels as part of mixed-use schemes are becoming an important factor in the development of town centre sites and ensuring viability is maximised. However, the economics of creating profits from the usual overnight stays rarely produces a sufficient return for the boutique and country house sector which are turning increasingly to events, sometimes to the exclusion of standard overnight tourists and business travellers.

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Summary of Market Activity Q2 2018 - Q1 2019

QUARTER 2 (April - June) - 2018

Market Analysis

- The casual dining sector has suffered, with the Prezzo, Byron and Jamie's Italian chains all shutting restaurants and culling hundreds of jobs.
- The Edwardian former underground station at Fulham Broadway, SW6, has been transformed into a Market Hall, offering 10,000 sq ft of street food dining. Two other London sites are in the pipeline – 14,000 sq ft opposite Victoria Station SW1, in the former Pacha nightclub on Terminus Place, and on Oxford Street, W1, taking up the remaining 32,000 sq ft in the former BHS.
- There are more than 16 food halls planned for London over the next four years, totalling 300,000 sq ft.
- London restaurant group Balans Soho Society has agreed letting deals for two new restaurants in the capital later this year one at the Cardinal Place development in 12 Cardinal Walk, and the other at St George's Dickens Yard development in Ealing.
- Despite the troubles of the casual dining sector, pubs, upmarket bars, express food, dessert parlours and drive-throughs have had a strong 12 months, with lots of operators looking to expand.
- The recent administrations and closures of restaurant space so far this year will leave almost 500,000 sq ft of empty space across retail destinations in the UK. More than 150 units are set to become vacant by the anticipated closures of Jamie's Italian, Byron Burger, Carluccio's, Prezzo, Chimichanga and Strada. Around 40% of that space, or 205,000 sq ft, is located in the South East and London, representative of both population and therefore destination density.
- Deliveroo has announced plans for a major UK expansion, adding 5,000 restaurants to its delivery platform and extending its network by around 50%.

QUARTER 3 (July - September) - 2018

Market Analysis

- Gaucho, an Argentine themed restaurant group, went into administration in July. Its Cau chain (pronounced 'cow' for some reason) employing 540 people in 22 outlets was immediately closed, suffering from what Butler (Guardian, 19 June 2018) described as 'rapid overexpansion, poor site selection, onerous lease arrangements and a fundamentally poor guest proposition.' The Gaucho chain with 15 restaurants and 765 employees continues to trade while a buyer is found.
- Restaurant group Hummus Bros has shuttered its six restaurants in London after collapsing into administration. It has closed its restaurants in Soho, Holborn, St Paul's, Exmouth Market, Gray's Inn Road and Eastcheap. The company blamed "a perfect storm of rising costs, reduced demand and oversupply in the market". The weaker pound, which pushed up the costs of raw ingredients as well as property rents and business rates, was also a key driving factor.
- Carluccio's is set to close 30 restaurants, putting 500 jobs at risk, as it attempts to restructure.
- Boxpark has launched a bid to create a retail, leisure and hotel development at Madeira Terrace on Brighton's beachfront.
- The home of Park Chinois, the upmarket restaurant on Berkeley Street in London's Mayfair, has been sold by GGH Holdings to an overseas family office for a price in excess of £42m.
- The number of restaurants in financial distress has leapt by 143% after the industry recorded 12 company voluntary arrangements in the first quarter of 2018.
- Argentine steakhouse chain Gaucho has been bought out of administration by Investec as part of a rescue deal that will see all restaurants remain open.
- Jamie Oliver's business empire to post £20m loss this year due to a grim year at his restaurant chain which was forced to close a dozen outlets in February.

QUARTER 4 (October - December) - 2018

Market Analysis

- The Gym Group is eyeing locations "hurt" by the continuing uncertainty in the UK's retail and restaurant sectors, as part of its plans for rapid expansion and is targeting 15-20 launches during 2018. The group has expanded with 22 new and acquired sites altogether in the first three quarters of the year, including its purchase of 13 easyGym sites in July.

- Swindon Borough Council is close to making a decision about whether to approve North Star Village, a £270m retail and leisure scheme that aims to transform Swindon's town centre. The 500,000 sq ft development features a 190,000 sq ft 'real snow' indoor ski centre; a 13-screen cinema; a 19-lane bowling alley; up to 46,000 sq ft of retail; and up to 6,200 sq ft of food and beverage outlets.

- The owner of 200-store café chain Patisserie Valerie has said it will not be able to continue trading in its current form without an "immediate injection of capital".

- Powerleague's company voluntary agreement (CVA) has been approved by its creditors and shareholder. The five-a-side football operator owns nearly 50 sites, covering 6.7m sq ft, across the UK and Europe.

- The UK's first inflatable park is set to open in British Land's Meadowhall shopping centre in Sheffield this autumn. The 15,000 sq ft site will include interactive and competitive games, a course that visitors can race through with an 8-metre peak and an on-site restaurant.

- Taco Bell, the Mexican fast food chain, is set to return to London for the first time since the Nineties.

- Gourmet Burger Kitchen (GBK) will close 17 restaurants after an "overwhelming majority" of its creditors greenlit proposals for a company voluntary arrangement (CVA). The outcome will affect 250 jobs. The firm's remaining 68 restaurants will trade as normal.

- A restructuring that resulted in the closure of 114 restaurants inflicted a near-£200m hit on the value of assets at Prezzo.

- Central London's gym market needs to grow by 24% to meet current levels of demand.

- Turnstone Estates has submitted plans for a £50m leisure scheme in Southend-on-Sea, Essex. It has already secured prelets to Empire Cinemas, Travelodge, Hollywood Bowl and The Restaurant Group, and will comprise some 150,700 sq ft of restaurant and leisure space in total.

QUARTER 1 (January - March) - 2019

Quarterly Analysis

- Patisserie Valerie, is closing 27 Patisserie Valerie stores and 19 Druckers Vienna Patisserie stores as part of a plan to shut 71 outlets.As part of the closures, 25 Patisserie Valerie concessions at Debenhams and Next stores, as well as motorway service locations, have shut. The company's bakery in Spitalfields has also closed.mThe remaining 122 outlets will continue to trade while the administrators seek a buyer for the business.
- Boparan Restaurant Group (BRG), which owns Giraffe and Ed's Easy Dinner, have announced plans to shut 27 of its 87 restaurants by entering a company voluntary arrangement.
- US sub sandwich chain Quiznos is planning to open up to 75 outlets in the UK
- KFC has outlined a target to open 65 locations in the UK and Ireland, to bring its total restaurant count to 1,000 by 2020.
- More than one-third of vacant high street bank premises are to be converted to restaurants, cafes and takeaways. 38% of all high street banks that have vacated over the past five years have seen plans lodged for change of use away from A2 to A3 and A4 premises. This is despite the gradual slowdown of food and beverage take-up since 2016.

C&P 25 YEARS

Spring
Retail Report
2019

Planning

Local Planning Plans Progress Disappointing

When it comes to Planning, the Government has continued its efforts to accelerate the delivery and adoption of Local Plans – to both maintain the credibility of the 'plan-led system' and help facilitate the delivery of much-needed new housing across the Country.

Progress on the preparation and, perhaps more importantly, the adoption of up-to-date local plans remains disappointing. The latest data from the Planning Inspectorate on Local Plan adoption shows that of the 382 Councils in England; 101 Councils do not currently have an adopted local plan and 32 Councils have not even published a local plan.

Despite this continued encouragement, and the efforts of many hard-pressed local planning authorities to put plans in place, the simple fact remains that although new housing completions in the year to March 2019 were (at 169,770 units) up 6% on the previous year, they continue to remain woefully short of what all but the most reactionary groups agree is now required. They are also well below the annual target of 300,000 new homes a year that the Government has set for the mid 2020's. There appears to be little prospect of these completion rates improving significantly anytime soon.

Government policy for new retail development and town centres no longer enjoys the political profile that it did a few years back. However, during the last twelve months there has been growing concern that, in the light of the changes documented elsewhere in this report, there is now a need to revisit prevailing planning policies and local authority powers – especially for town centres – to ensure that they remain 'fit for purpose' and are capable of tackling the problems many town centre face.

Last summer the Government appointed a new expert panel intended to diagnose issues affecting the High Streets and advise on practical measures to help them thrive now and in the future. The Panel's report – which was published in December – recognised that "planning provides key tools to enable local communities to shape and deliver their high streets agenda which when used wisely can bring great benefit".

The report also advocated that the Government's High Streets Task Force, that was announced in the Budget, "should encourage action that can make planning decisions simpler, quicker and more aligned to local strategies".

Later in the year the Housing, Communities and Local Government Committee said in its report 'High Streets and Town Centres 2030' (published in February) that effective planning is crucial to high street and town centre transformation; without it many town centres will face a bleak future.

The Committee's report also recognised that successive government's 'town centre first policy' had changed little since it was first introduced in the 1980s and recommended that the Government should now "consider whether the policy should be updated to reflect better the non-retail uses, for example health, education and leisure services, that will become increasingly important in the future."

The Committee also expressed concerns about how compatible the existing Use Classes Order now is with the needs of the modern high street, the growing need for flexibility in accommodation and building a more coherent and sustainable mix of uses in town centres. At the same time, the Committee also expressed concern that the Government's changes to existing Permitted Development Rights in town centres could potentially risk undermining the strategic vision that a community may have developed for its high street or town centre.

It is perhaps encouraging that the threat to the future of our High Streets and town centres is being recognised by the Government. Many also appear to acknowledge the role that planning and local councils might potentially play in managing change and thereby ensuring High Streets and town centres continue to thrive in what is a very different retail landscape from a few years ago. However, with many local planning authorities now under severe expenditure and resource constraints, it is increasingly hard to find hard evidence of how concerted and co-ordinated action is helping owners and occupiers respond to the challenge and ensure their businesses can continue to operate in a viable and sustainable way.

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