# RETAIL DEVELOPMENT PROPERTY BRIEFING PAPER 4

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## END OF YEAR ROUND-UP:
### THE RETAIL & LEISURE PROPERTY MARKET


**CONTACTS**

**Graham Chase**
**DIP EST MAN, FRICS**

**Jim Morrissey**
**BSc, ECON(HONS), DIP TP MRTPI**

**Chase & Partners**

CHASE & PARTNERS C&P
020 7389 9494
www.chaseandpartners.co.uk
20 Regent Street, London SW1Y 4PH


The retail property market has continued to gain ground over the past 12 months, buoyed up by an economy growing faster than anticipated with GNP just revised upwards again from 3.4% to 3.5%. A change in Government and rising interest rates, although providing a check have not dampened consumer confidence, with retail sales figures still up on last year by some 5.6%.

With the retailing recovery now into its third year, the real concern is the lack of stock to satisfy current and project levels of demand. With a sea change in planning policy now beginning to bite, the focus is on the development market and what it is able to create. To date it is not enough and the problem is likely to get worse, fuelling rising rents. The concern is that with the Government projecting a slow down in the economy next year, can the boom to bust cycle be avoided?

***In the High Street Occupancy***

- Retailers requirements growing.
- Strongest sectors; books, music, sports, mobile phone shops.
- Mixed fortunes in fashion.
- Marks & Spencer recently promoted expansion programme already influencing developers.
- Re-modelling of existing space to reflect tenant needs, particularly larger units between 500 sq m to 2,000 sq m.
- Strengthening good secondary locations attracting premium payments.
- Larger city centres confirmed as main focus of attention.  Zone A rates achieving record levels.
- Fewer business failures (lowest levels since 1990) but still concerns.
- Department stores continue to strengthen:-
    - John Lewis – market leader.
    - Selfridges – exploring profile.
    - House of Fraser – new impetus.
    - Debenhams – star performer.
    - Allders – seeking new space.
    - Beatties – regional strength.
- Discounters lose ground reflecting shift in consumer attitudes.

***Town/City Centres***

- Congestion a major problem.
- Town Centre management initiatives losing impetus.
- Need for more sites to be brought forward for development
- Land assembly projects through CPO need review to speed up process.
- Edge of centre sites require better linkage.
- Fringe sites offer potential for large space open A1 retail use, subject to planning.
- Foodstore development strengthening.
- Car parking criteria demands urgent overhaul and consistency nationwide.
- Impact of regional shopping malls on established shopping centres still to be properly assessed.

***Retail Warehousing***

- Rental levels continue to rise – two tier market?
- Best rental levels for bulky uses between £160 and £215 per sq m, although some examples at higher levels.

- Differential rental a strong feature reflecting:-
  - Size of unit.
  - User category.
  - Type of scheme.
  - New letting v rent review
- Rent review negotiations are hard fought reflecting impact of bull market. More third party referrals likely.
- Still confusion on scheme types:-
  - Tradition v fashion/power centres.
- Occupational market remains dynamic:-
  - World of Leather acquisition by Uno.
  - Maples in receivership.
  - US acquisition of Pet City.
  - Harveys & Cantors merger followed by Kingsbury Group purchase.
  - New formats still emerging, eg Craftworld.
- Demand from retailers continues to be strong, driven by sports goods, carpets, furniture, pets, electrical and new entrants.
- Changing size requirements and relocations providing asset management opportunities for existing schemes.
- Restrictive planning policies bringing forward old unsuccessful sites with planning permission for development.
- Development activity struggling against sequential approach of PPG6.
- Land sales by tender with 40 plus bidders for key sites.
- Caution in assessment of overall bulky goods retail market:-
  - Considerable undersupply in some locations.
  - Demand now met in some locations.

***Investment***

- Retail property sector showing strongest total returns:-
  - Retail warehousing @ 20%.
  - Shopping centres @ 16%.
  - High Street shops @ 14%.
  - IPD all property total returns @ 13.1%.
- Yields have hardened across the board on prime retail property:-
  - High Street shops 4.25% to 4.5%.
  - Retail warehouses 5.25% to 5.5%.
  - Shopping centres 5.5% to 6%.

- Yields reflect a lack of stock as much as rental growth potential.
- Rising market hiding defects/mistakes.
- Yields and rents at peak levels. Caution required.
- Difficult time for valuers in assessing true values (value v worth).

***Mixed Use Development PPG6 in 1997***

The basic provisions of PPG6 are:-

- To sustain and enhance the vitality and viability of town centres.
- To focus development in locations which maximise competition and the opportunity to use means of transport other than the car.
- To maintain an efficient, competitive and innovative retail sector.
- To ensure that a wide range of shops, employment, services and facilities are available to people by a choice of means of transport.

Basically, PPG6 encourages development in town centres and discourages it outside centres saying that, when considering a development, the sequential test should be applied, that is only when sites nearer the town centre have been considered and rejected can sites on the edge or out of town be given planning permission.

The House of Commons Environment Committee produced its report on shopping centres in March 1997 and some of the conclusions to take note of are as follows:-

- "We recommend that Ministers make clear to Local Planning Authorities the tough approach which they expect to be taken to applications for large scale leisure developments so that further damage to town and district centres may be avoided.

- "We call on the Government to insist that full impact studies should accompany all applications for a significant retail development, particularly in or around small or market towns."
- "We recommend that, in cases where development proceeds, impact studies should be assessed so that their accuracy can be reviewed and any necessary action taken to improve future studies.".

- "We recommend that where existing retail or leisure development permissions, granted under the previous PPG6, lapse any new applications should be considered afresh using the sequential approach set out in the present PPG6."

- “We believe that there is merit in proposals to raise funds from the provision of out-of-town car parking spaces, either by a levy or allowing such car parks to be assessed for business rates”.

- We believe that Tax relief should be given on private contributions to approved town centre improvement schemes”.

It is clear from these recommendations that the Committee’s attitude is very much in line with the stated objectives of PPG6 - to encourage town centre developments and to discourage out-of-town developments. The new Labour Government’s response was published in July and, to a large extent, accepts the suggestions put forward by the Committee.

On 4 March of this year, the then Secretary of State for the Environment issued two decision letters in respect of sites near Exeter.

The first appeal, by Tesco, was in respect of a site near Digby Hospital and involved some 9,000 sq m of non-food retail units, 800 sq m of restaurants and fast food outlets and 7,000 sq m of commercial leisure. The appeal was dismissed on the grounds that the requirements of the sequential test were not met. This was because there was a proposed scheme for the bus and coach station in the town centre which would accommodate some retail floorspace and there were other sites, albeit separate, closer to the town centre which could accommodate the leisure element of the development.

The other application was made by Wilson Connolly Properties for a combination of non-food retail warehousing, leisure, restaurants, offices and residential. Again, this was refused on the grounds that the leisure element of the development did not meet the requirements of the sequential test.

***Need for Additional Housing***

The Government have stated that, in addition to existing allocations, it considers that 4.4 million new homes will be needed in the next twenty years. This arises not only from an ageing population, who require more individual units, but also from the fragmentation of the family unit, whereby more people are living alone.

The previous Government had stated that its aim was that 50% of new housing should be accommodated on previously developed land and it is not clear whether that figure is to be increased by the current Government. However, it is clear that a large proportion of the additional housing need will have to be accommodated on town centre sites, which provides ideal opportunity, in the form of mixed development, for retail and leisure operators.

***Retail & Leisure***

Richard Caborn, Minister for Planning, has recently spoken encouragingly about mixed use developments in town centres. He cited urban regeneration projects in Liverpool and Manchester, which have full Government support. He said that he did not want to see blocks of different types of development merely adjoining each other, but that the various elements should be fully integrated so that it would be easy to move from home, to shop, to office, to leisure. In addition to these elements, he said that there would need to be infrastructure such as health services and schools, some cultural activities and a good public transport system. He went on to say that the Millennium Project at Greenwich was something which the Government viewed as an example to be followed, particularly the high quality of design which minimised environmental impact, and this would be a living community, not a model village.

He summarised the benefits of mixed use developments as follows:-

- Sustaining the vitality and viability of town centres.
- A focus for investment.
- A focus for living
- Reduced dependency on the car "Live, work, shop and play in one place."

***New Opportunities***

It seems that the new Labour administration has not, in any substantial way, altered the Government's attitude to PPG6. Mixed use town centre development is an idea which is very much in favour at present and with the need for 4.4 million new homes in the next 20 years, with at least half of them on previously developed sites, the opportunities for retail and leisure operators to become part of an integrated scheme, are great. Site assembly and development can be more difficult in town centre sites but, with perseverance, a development can be achieved which will provide rewards for all those involved.

***Legal Update***
***Derogation from Grant***

The recent Court of Appeal decision in *Chartered Trust Plc v Davies* has sent shivers through the landlord community as the principle of non-derogation from grant may now involve landlords in having to take positive action to ensure that units demised to their tenants remain fit for the purpose for which they were let. This is likely to be most applicable in shopping malls but that is certainly not its only application.

Before the decision in *Chartered Trust* the obligation not to derogate from grant meant that landlords were not to do anything which deprived tenants of the use and enjoyment of their units. Now, if landlords allow competing or incompatible uses within a shopping centre for example they may find themselves liable to those tenants who are adversely affected. If a tenant can prove derogation from grant he will be entitled to repudiate his lease.

This does not mean that landlords cannot let adjoining units for a competing use but it does mean that if a landlord could take action to prevent an interference or nuisance occurring by enforcing covenants in the lease of the offending tenant, the Court will expect the landlord to act accordingly.

Quite often, of course, problems arise where a landlord agrees with his tenant that he will not let other units to competing uses. From a tenant's points of view, the wording ought to be expanded so that the landlord will not permit the use of any unit by a competing business because the latter would encompass changes of use on assignment. The expression "not to let" would not otherwise achieve this.

***Keep Open***

The House of Lords' decision in *Co-operative Insurance Society Ltd v Argyll Stores (Holdings) Ltd* this year has meant that it is still difficult for landlords to ensure that their tenants stay open for trade notwithstanding an express covenant to do so.

The House of Lords has decided that keep open covenants are not enforceable by injunction. This means that a tenant is free to decide whether or not to stay open. The cost to the tenant of having to keep a loss-making store open may greatly exceed the damages that may be payable to the landlord for a breach of the keep open clause.

This decision, however, does little to stop the vicious circle of store closures once an anchor tenant or other major traders have closed. Landlords can still make a claim in damages but it is extremely difficult to quantify those damages.

There has been much debate about the effect of keep open clauses at review. There have been examples of rents being discounted on review by up to 10%. In many cases, this is excessive and may even be incorrect. The reason for this is that most leases of retail units contain keep open covenants and so comparable rents of similar properties will reflect the fact that there is a keep open clause in those leases.

***Break Clauses***

Break notices may appear simple to prepare and serve, but a slight mistake can have disastrous consequences. If the break notice is invalid, the tenant will be locked into his lease for the remainder of the term.

Traditionally, the Courts have taken a very strict approach to mistakes in break notices. The Court of Appeal confirmed this approach in *Mannai Investment Ltd v Eagle Star Life Assurance Co Ltd.* In this case, the break clause provided for 6 months' notice to be given, expiring on the third anniversary of the term (13 January 1995), but the tenant gave notice to break the lease a day earlier (12 January 1995). The Court of Appeal said the notice was invalid, even though the mistake only involved one day.

The tenant appealed to the House of Lords which decided in May 1997 that the break notice was valid. They said the purpose of the break notice was clear, namely to inform the landlord of the tenant's decision to end the lease. It was decided that a reasonable recipient would have realised that the tenant wanted to end the lease on the third anniversary, but wrongly described it as 12 January instead of 13 January.

***Licences for Alterations***

The case of *Prudential Assurance Co Ltd v Mount Eden Land Ltd* has been a salutary warning to landlords whose surveyors have tended in the past to deal with tenants direct regarding proposals for alterations. In this case, the landlord's surveyor had written to the tenant given approval to the alterations subject to a formal licence being entered into. The letter was marked "subject to licence". The tenant carried out the works before the licence was completed and the landlord tried to forfeit the lease on the ground that the tenant was in breach as it had not yet obtained a licence.

The Court of Appeal decided that the surveyor was acting as the landlord's agent and had therefore given consent to the alterations even though the letter was headed "subject to licence".

The remedy for landlords is to ensure that their surveyors make it clear that they do not have authority to bind the landlord and that their client is "considering giving" or "minded to give" consent.

***Professional Arbitration on Court Terms (PACT)***

In July 1997 the Law Society and the RICS launched their new scheme, PACT, whereby disputes in relation to lease renewals under the Landlord & Tenant Act 1954 may be referred by the parties either to an Expert or an Arbitrator instead of the Court.

PACT covers all disputes concerning the terms of the new tenancy and can be used for the landlord's request for an interim rent. The scheme has the advantage of being quicker, more cost effective, more flexible and private than the usual procedure. However, note that:-

- PACT can only be used with the consent of both the landlord and the tenant - it cannot be imposed by one party on the other.
- PACT cannot be used where the landlord is opposing the grant of a new tenancy.
- On receiving a Section 25 Notice a tenant must still make the normal application to Court to protect his position even though the parties intend to use the PACT scheme.
- The aim of the PACT scheme is to eliminate the need for a Court hearing but the parties still require a consent order from the Court in order to proceed under the scheme.

***Rent Review***

There have been several cases this year which illustrate that the Courts are continuing to take a robust approach to the interpretation of rent review clauses. Here are three examples:-

In *Dukeminster (Ebbgate House One) Ltd v Somerfield Property Co Ltd* the lease gave the landlord the option to review the premises to a notional warehouse within a 35 mile radius of Ross-on-Wye with a gross internal area of 50,000 sq ft. The actual premises comprised a retail distribution warehouse of 250,000 sq ft in Ross-on-Wye.

The clauses did not state where the notional premises were to be located within the 35 mile radius. The rents within the radius varied considerably. The Court held that a commercial solution had to be found to the problem. The landlord could not choose any location within the radius and instead the notional premises should be on a site comparable to the site covered by the lease.

There have been a number of cases recently where landlords have tried to frustrate the review procedure by failing to serve a trigger notice. This has arisen where a clause permits an upwards and downwards review. This is what the landlord tried to do in *Addin Investments Ltd v Secretary of State for the Environment* where the clause said that the rent on review was to be that originally reserved by the lease or the market rent determined under the review procedure. The tenant said that as the landlord had not initiated the review, the rent should be the original rent (a shocking £291,500 less than the passing rent just before the review date). The Court agreed with the tenant. If the landlord wanted to improve that position it has to initiate the review.

Interestingly, the Court went even further in *Addin* by saying that the tenant was also entitled to appoint an Independent Expert to determine the rent even though the review procedure could only be started by the landlord with the service of a trigger notice.

In the case of *St Martins Property Investments Ltd v CIB Properties Ltd* the Court decided that unless there is very clear wording to suggest otherwise, the length of the hypothetical term at rent review will be the unexpired residue. In this case, the lease referred to “a term equal in duration to the original term hereby granted”. Even where there is guidance, such as here, judges appear to try very hard to rule on the side of reality. Had they taken the words at face value in *St Martins* the words “original term” could have meant 35 years from the date of commencement of the lease, not simply 35 years.

Finally, a case was reported in *The Times* as recently as 25 November in which the Court said that the aim on review should be to fix the rent so as to pay as close resemblance to reality as possible.

# THE MAIN RETAIL STORIES OF 1997
# (January to December)

January

- House of Fraser to consider store disposals following strategic review.
- Marks & Spencer/Safeway acquire freehold of the Gyle Shopping Centre, Edinburgh.
- Gehe secures purchase of 918 Lloyds Chemist and 350 Hills Pharmacies in £684 million bid.
- Ciro Citterio buy Dunn & Co from the receiver, including 130 stores.
- House of Fraser announces plans to axe 1,000 jobs and dispose of stores in Eastbourne, Sheffield and Scunthorpe.
- Sears sale of Freemans mail order business to Littlewoods referred to Monopolies & Mergers Commission.
- Discount chain, Xceptions to be closed although some of the 61 shops to be re-fitted as Mark One stores.
- Safeway to appeal to House of Lords over Keep Open Clause on Sheffield supermarket lease.

February

- Allsports to trial larger USA format for edge-of-town sites.
- Richards Ladieswear to close 34 of its 195 stores and 15 concessions.
- Index announces opening of new distribution centre, along with five new flagship stores, to be followed by an aggressive expansion policy.

March

- T K Maxx to expand its 18 strong UK chain by nearly a third over the next 12 months.
- The Internet Bookshop raise £100 million on the OFEX market to fund expansion.
- Hillier Parker research suggests retailers need take units in only 80 of the UK's trading locations to reach more than half of the UK's comparative goods shoppers. This compares with 200 locations some 25 years ago to achieve the same result.
- Land Securities and AMP Asset Management submit planning application for the proposed £400 million Martineau Galleries Shopping Centre in Birmingham.
- Burton Group make out-of-town push with units proposed for The Fort Birmingham, the Edinburgh Fort and Monks Cross in York.
- Alarm bells in food sector with squeeze on the market shares of value food operators, Iceland and Kwik Save.

- £500 million price tag put on sale of the Littlewoods store division. Tesco considered front runner to buy the 135 strong chain.

- Marks & Spencer to trial Internet selling.

- W H Smith cut store operating costs by £400 million across 554 strong chain.

- Following City fears, Argos produce strong results with pre-tax profits increased by 13.7% to £141.4 million.

- Kingfisher tipped to head consortium to buy Littlewoods store division, together with Tesco and JJB Sports.

- Sofa Workshop to consider March 1998 flotation for the chain of 32 High Street stores and one out-of-town outlet.

- Morrisons Supermarket to launch in-store banking services through alliance with Midland Bank.

April

- Mark Bunce, the Chief Executive of Country Casuals, is to make bid for the company.

- La Senza, the lingerie chain, announce loss of £1.5 million as prime high street sites prove difficult to acquire.

- Local Councils fight J Sainsbury and Marks & Spencer plans to expand their major out-of-town stores at Hedge End near Southampton.

- Muji to sever ties with retail partner, Liberty, then plans to open 200 shops in the next 10 years in northern Europe.

- Uno acquire World of Leather in agreed purchase of more than £14 million, adding 31 new outlets to its existing 10 stores.

- Next announces pre-tax profits of £156.1 million, representing a jump of 25% achieved through 22% increase in turnover.

- Moss Bros announces plans to open further 60 shops over the next 12 months with Goldsmiths Jewellers announcing 15 new stores to be opened.

- Oliver Group announces profits before tax of £3.1 million compared with a loss for 1995 at £4.3 million.

- A survey published by Confederation of British Industry claims 33% of retailers reported increased sales growth in March, compared to 27% in March last year. All retail sectors, with the exception of off-licences, reporting growth but trading in specialist food and durable household goods remain tough.

- QS unveils reduced losses of £148,000 compared to £702,000 last time and on target to be in profit during 1997.

- Tesco acquire 100 ABF stores in Ireland at a figure of £630 million which will account for 8% of Tesco's sales.

- JJB Sports reports turnover up 46% and a jump of 58% in pre-tax profits to over £20 million and is now upgrading to larger out-of-town superstore formats.

- John Lewis prepares to open more stores on Sundays in response to changing shopping patterns.

- Following its flotation, Partners Stationers aim to treble the number of stores from 80 to 220 by 2001.

- Fosters Menswear shelves entire store acquisition programme in a bid to slash costs and re-position itself in the menswear market.

- Laura Ashley seeking larger store formats in major European cities. Retail Operations Director says "we believe with larger stores we can increase sales and profits".

- High Court decision orders former Etam Property Director to make interim payment of £1.1 million plus £300,000 interest.

- Battle hots up between rival developers, Legal & General and Allied London Properties to transform Bracknell Town Centre in to a regional shopping centre. Legal & General lodge planning application for 116,000 sq m of shopping with Allied London shortly to submit an application for 92,900 sq m of retail plus 64,100 sq m of mixed uses.

- House of Fraser writes off over £53 million in re-structuring costs, of which £22 million relates to off-loading of "redundant and off strategy" stock.

- Regional department stores perform well with James Beattie reporting pre-tax profits up 30.2%, Bentalls' pre-tax profits jump from £1.2 million to £3.7 million and T J Hughes double pre-tax profits to £1.8 million.

May

- Specialist retailers clamber to raise funds and gain stock market listings as City increasingly opts to pump cash into small, niche operators, rather than larger established retail names. Names in the frame include Sound & Vision, Ted Baker, Thomas Pink following recent successful flotations by Heals and Partners the Stationers.

- Co-operative Retail Services announces disappointing trading results with sales dropping by nearly 1% resulting in a £14 million pre-tax loss. CRS also commits itself to investment of £200 million over the year to refurbish its store portfolio.

- Texstyle World has received a £17 million equity investment from Royal Bank development capital with the intention to open 14 new outlets during 1997.

- Managing Director of Fosters Menswear claims that rents in the major regional shopping centres, including Trafford Centre, Cribbs Causeway are too high, discouraging smaller retailers.

- Andrew Regan fails in attempt to take over Co-operative Wholesale Society

- Liam Strong to go from Sears.

- Littlewoods considers consortium bids which could lead to the break up of its 155 store chain. Retailers thought to be interested include Marks & Spencer, Boots, Next as well as British Land and Kingfisher.

- The future of Sears footwear business hangs in the balance according to David James, the Company Doctor, brought in take charge of British Shoe Corporation.

- Marks & Spencer beats off competition to secure a second City store in Fenchurch Street.

- Allders interim results showed pre-tax profits doubling to £16 million.

- Electrical retailer Powerhouse to open six superstores in the next twelve months in a bid to grow the chain from 35 to 50 out-of-town stores.

June

- Marks & Spencer and Boots have each pledged continuing commitment to town centre, despite their determination to keep opening large stores out-of-town.

- Carpetright reports pre-tax profits up 28% to £32.2 million.

- Milton Keynes is named as the UK's leading shopping mall, ahead of Lakeside, Merryhill and Metro Centre, according to retail consultancy Retail Directions.

- Government figures show that overall retail sales in May were £12.95 billion and with little movement in the corresponding percentage increase in moving annual sales over the previous six months, there is little evidence that the feel good factor is getting stronger or that funds from building society issues have affected overall sales.

- Bill Cockburn to leave W H Smith after only 18 months as Chief Executive.

- Downward pressure on High Street clothing chains continues with share falls at JJB Sports, Blacks Leisure and Next.

July

- The Burton Group attempts to off load 50 of its worst performing stores, driven by a desire to concentrate on larger stores in prime High Street locations.

- Littlewoods is faced with a strategic U-turn having failed to find a buyer for its stores division or finalise it purchase of catalogue business, Freemans.

- Early Learning hits problems with departure of Chief Executive and Managing Director, whilst discount group What Everyone Wants announces profit warning with expected loss of over £4 million.

- According to the Richard Ellis monthly index, retail rental values are failing to keep pace with strong rental values generally. High Street rents grew by only 2.1% in the year to June compared to a 4.3% average for all property - the strongest growth this decade. Retail warehouse rents, however, continue to perform strongly, with growth of 6.2%.

- Burtons announces the de-merger of retail High Street chains from Debenhams, with strong support from the City.

- Computer and electrical retailer, Tempo continues expansion with the aim of doubling its chain of stores to over 70 heading for a flotation on the Stock Market within the next 3 years.

- Dixons Stores Group retailer, The Link, is looking to expand its chain of shops from 97 to 200 by Spring 1999.

- Virgin Vie, the new perfume and toiletry operation, signs up a flagship site on Oxford Street at £380 Zone A.

- Retail stocks finally come out of the doldrums with first signs of pick up in consumer spending. Dixons report above expectation sales growth and stores analyst, Nick Bubb, reports share price gains of 6% plus over the past week but also warns that the retail sector remains patchy. Losers include Laura Ashley, Etam, Sears and W H Smiths, whilst the better stocks include Marks & Spencer, Dixons, Kingfisher, Boots, Next and Storehouse.

- Furniture retailers enjoy a sales boom with Uno reporting pre-tax profits of £2.8 million, compared with £1.06 million and H&C reporting profits uplifted from £437,000 to £8.2 million.

August

- John Lewis Partnership to investigate park and ride for its new Robert Sayle Department Store in Cambridge.

- Littlewoods announces sale of 19 of its biggest stores to Marks & Spencer for £192 million. The company also looks to cut the space its occupies in 12 towns and cities by creating sub-divisions for unit shops.

- A report by Verdict Research suggests that the department store sector has survived the doldrums of the 80's to become the preferred shopping venue for affluent over-35s.

- Corporate Intelligence's 1997 retail rankings disclose that just 20 companies now account for more than half of UK retail sales. The top four slots were occupied by Tesco, Sainsbury, Safeway and Asda with Kwik Save and Somerfield also in the Top 10.

September

- Marks & Spencer step up search for standalone foodstore sites with plans to open another 25 stores over the next five years.

- Tesco looks to extend existing stores as planning controls bite.

- La Senza replaces Managing Director following loss of £2.9 million over the last six months. Plans to open 117 stores by the year 2000 stall at 52 outlets.

- W H Smith appoint insider Richard Handover as new Managing Director.

- Concerns in the Alternative Investment Market following a spate of profit warnings from a number of newly quoted companies.

- Allders purchase 7 stores from the failed Maples Group.
- Wm Morrison supermarkets reports 12% jump in interim pre-tax profits to £61.7 million.
- British Telecom to sell 30 High Street stores as part of cost cutting programme.
- Alchemy buys A G Stanley from Boots with over 100 Fads and Homestyle High Street units to be placed on the market.
- Vision Express merges with French optical retailer, Grand Optical - Photoservice in £145 million deal.
- Brown & Jackson, who own Poundstretcher and Your More Store, secure What Everyone Wants in £6.5 million transaction.

October

- Great Mills deny industry rumours that Focus DIY is interested in buying its chain of 87 stores.
- Prudential is tipped to buy Manchester Arndale Centre from P&O following the withdrawal of CSC from earlier negotiations.
- US category killer Sports Authority consider UK for its megastore warehouse style outlets.
- US bookseller, Barnes & Noble, seeking 2,300 sq m out-of-town sites for entry into the UK market.
- Speciality Shops merge with Conrad Ritblat to form the Milner Group controlling assets worth around £185 million.
- Allders deny rumours that they are targeting a purchase of the Dickens & Jones store on Regent Street.
- Evidence of turnaround at House of Fraser as pre-tax losses fall to £2.5 million from £8.7 million last year. Own label brand proves a success.
- Verdict believe that retail sales growth set to fall from 5% to 3% over the next 12 months with retail sales likely to grow only slightly in the following years.
- Owen & Robinson is to close 10 of its smaller Foothold footwear stores but push ahead with the expansion of fashion chain, Capolito Roma.
- JD Sport plans to launch JD Kids as a standalone store selling kids sportswear and footwear only.
- Fashion accessory chain, Miss Attitude, continue aggressive expansion programme, taking 9 shops in 6 weeks and aiming to grow the 48 shop chain to 350 within the next 5 years.
- HMV secure former Lilley & Skinner store on Oxford Street at Zone A reported to close to £500 which sets a new record for the street.
- Out-of-town developments turned down in Cirencester - the first of many by the new Government's DoE.

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| November | • Land Securities and AMP Asset Management secure planning consent for £400 million Martineau Galleries at Birmingham.<br>• Ann Iveson stands down at Laura Ashley.<br>• Shoe City business likely to be split up rather than sold as a going concern.<br>• French company, Etam Developpement, to take over Etam at a reported figure of £93 million. |
| December | • Phillip Green purchases Shoe Express from Sears for £8.3 million. The sale includes 185 stores although it is rumoured that a number of multiple retailers are already in discussion on the assignment of a number of these stores. |

Prepared by

Chase & Partners,
Chartered Surveyors • Commercial Property Consultants
&
Elizabeth McKibbin and Christopher Proudley
Trowers & Hamlins
6 New Square, Lincoln’s Inn, London WC2A 3RP
Solicitors

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CHASE & PARTNERS C&P
020 7389 9494
www.chaseandpartners.co.uk
20 Regent Street, London SW1Y 4PH