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by Trevor Wood and Keith Steventon

Research we recently undertook for **Going Shopping 1998 / 99** shows that purpose-built Shopping Centres are steadily increasing their share of total retail expenditure, even before the latest opening, the Trafford Centre in Manchester. This trend is particularly noticeable when looking at the share of comparison goods expenditure accounted for by shopping centres.

This does not mean that money is being drained from the high street. A popular misconception is that all leading shopping centres are out of town. This is not so, with 4 of our 10 most attractive shopping centres located in traditional town or city centres. These are The Shopping Centre in Milton Keynes, Manchester's Arndale Centre, Eldon Square in Newcastle and The Harlequin at Watford.

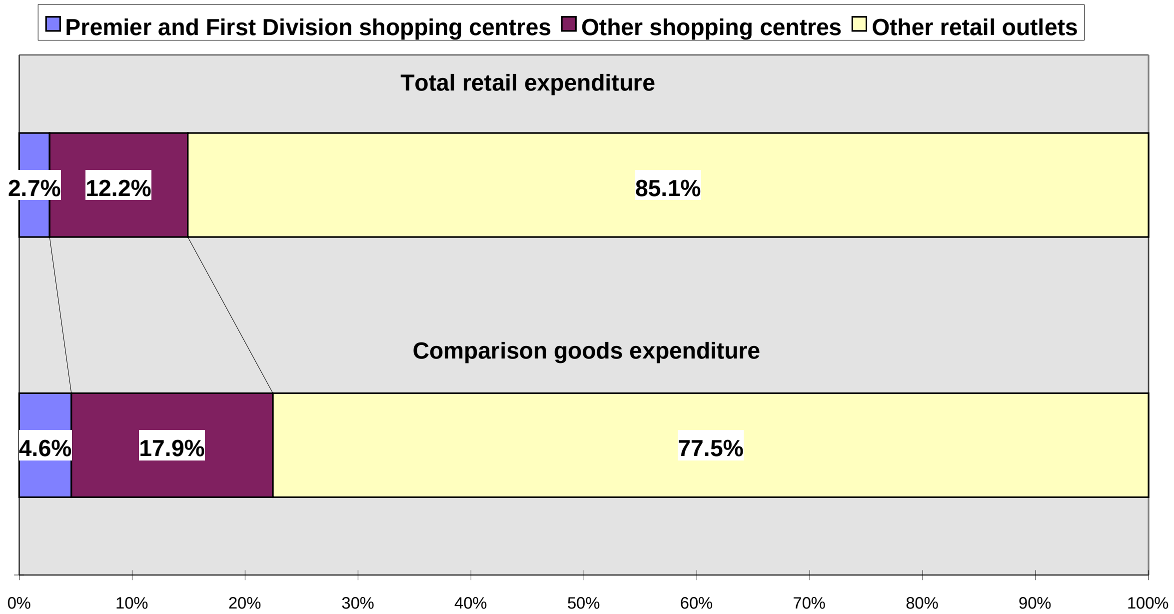
It is also interesting to note the apparent paradox that 20% of the 400 leading shopping centres are not dominated by comparison goods expenditure. Two of the leading 100 schemes are dominated by expenditure on convenience goods.

Shopping Centres increase revenue share

Total retail expenditure in the last year was estimated at £161.3 billion by Corporate Intelligence on Retailing (CIR). Our research shows that retail expenditure within purpose-built Shopping Centres increased from 14.5% to 14.9% of this total and now accounts for some £24.1 billion. With expenditure on comparison goods estimated at £76.4 billion by CIR, shopping centre revenues of £17.2 billion sees their share rise from 21.8% to 22.5%. The recent opening of Trafford Park and the imminent opening of Bluewater, Braehead and Buchanan Galleries, along with sizeable extensions proposed for many of the leading schemes as well as the gradual opening of many smaller schemes, means this trend is set to continue. We predict that shopping centres share of comparison goods expenditure will exceed 25% within the next five years.

Much of this expenditure is concentrated in a relatively small number of leading schemes. We identified a clear *Premier Division* of 16 shopping centres, with 12 schemes in the *First Division*. These 28 super-centres extend to over 22 million square feet of retail floorspace. In the last year they accounted for £3.5 billion or 4.6% of comparison goods spending within the U.K., with an average scheme revenue of £120 million. Their corresponding share of total retail spending is £4.3 billion or 2.7%, with average expenditure of £150 million per shopping centre. The leading schemes record retail revenues in excess of £250 million. Total expenditure is even higher when eating out, cinemas and other leisure and non-retail activities are taken into consideration.

Share of retail expenditure by type of outlet



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Part of the reason for this increased share of expenditure is that during the last eighteen months sixty two of the 400 leading schemes have been refurbished or extended, resulting in an increase in both the number and quality of tenants. Several leading schemes have also opened during this time. These include the White Rose Shopping Centre in Leeds, Priory Meadow in Hastings and Stirling Thistle Marches which all opened in 1997. The Mall at Cribbs Causeway opened in March this year.

Some of the increased expenditure in purpose-built shopping centres outside of existing town centres will have been taken from traditional shopping areas. In many cases of redevelopment or expansion, the increased expenditure simply replaces that taken by free-standing units formerly located on the same site. Expenditure in high street shopping centres has shifted from one part of the town to the newer schemes.

John Lewis's decision to relocate their Bristol store from Broadmead to The Mall at Cribbs Causeway nearby probably means that much, but not all, of the revenue in the old store has transferred to the new unit. Likewise, Marks & Spencer, Bhs, Boots and W H Smith may have cannibalised sales from some of their nearby existing stores in addition to gaining new revenue. A similar shift in spending patterns will take place near the Trafford Centre and Bluewater, repeating the experiences of MetroCentre, Lakeside, Meadowhall and Merry Hill.

On the other hand, many purpose-built town centre schemes involving redevelopment or extensions, such as St Enoch Shopping Centre in Glasgow, The Potteries Shopping Centre in Hanley and The Cannock Shopping Centre principally involved replacing existing retail units. Like The Oracle in Reading and West Quay in Southampton, this often leads to a shift in the prime retail area of a town, moving significant expenditure nearer to the new focal point. The chain reaction of major retail moves in Southampton resulting from Marks & Spencer and Tyrrell & Green relocating has been well documented in the trade press recently. This shift in the centre of gravity towards recent developments is nothing new. It happened long before the advent of shopping centres, when the arrival of the railway and other transport changes lead to many historic centres of retail attraction moving to the new arrival. Swindon is a classic example of this type of shift, although retailing activity still takes place in the old town.

Traditional shopping areas, such as Bath, The Moor in Sheffield and Broadmead in Bristol have realised the potential attraction of these new super-centres and are now taking action to counter the possible threat before major schemes open or extend. Whilst these super-centres have obvious attractions for most consumers, they are the primary shopping destination for only a small percentage who visit frequently with high levels of personal expenditure. The travelling time and other factors mean that a large percentage of visitors are infrequent shoppers buying most of their purchases elsewhere. Well managed and promoted schemes on the outskirts of the catchment areas of these super-centres should, therefore, be able to survive the competition. Properly packaged, smaller shopping centres and traditional high streets have much to offer the consumer, particularly if they aim to complement rather than compete head-on. The Moor in Sheffield and Broadmead in Bristol are good examples of retail areas promoting themselves as shopping centres to counter the attractions of nearby super-centres. It is early days and it will be interesting to see how successful the promotions are over the next twelve months.

Comparison goods do not always dominate shopping centres

As part of our research for **Going Shopping 1998 / 99**, turnover details for each tenant were modelled to create aggregated turnovers for convenience, comparison and other stores, (although this was not used in the calculation of our hierarchy). We concluded that total retail expenditure in shopping centres in the last year increased from £23.4 billion to £24.1 billion due partly to new schemes and extensions. Comparison goods expenditure in shopping centres increased from £16.7 billion to £17.2 billion.

Overall, comparison goods expenditure within the super-centres now accounts for 82% of their total retail turnover. The proportion for the top 100 schemes is 79%, falling to 74% when looking at the whole of the top 400. This compares with CIR’s overall estimate of 47%.

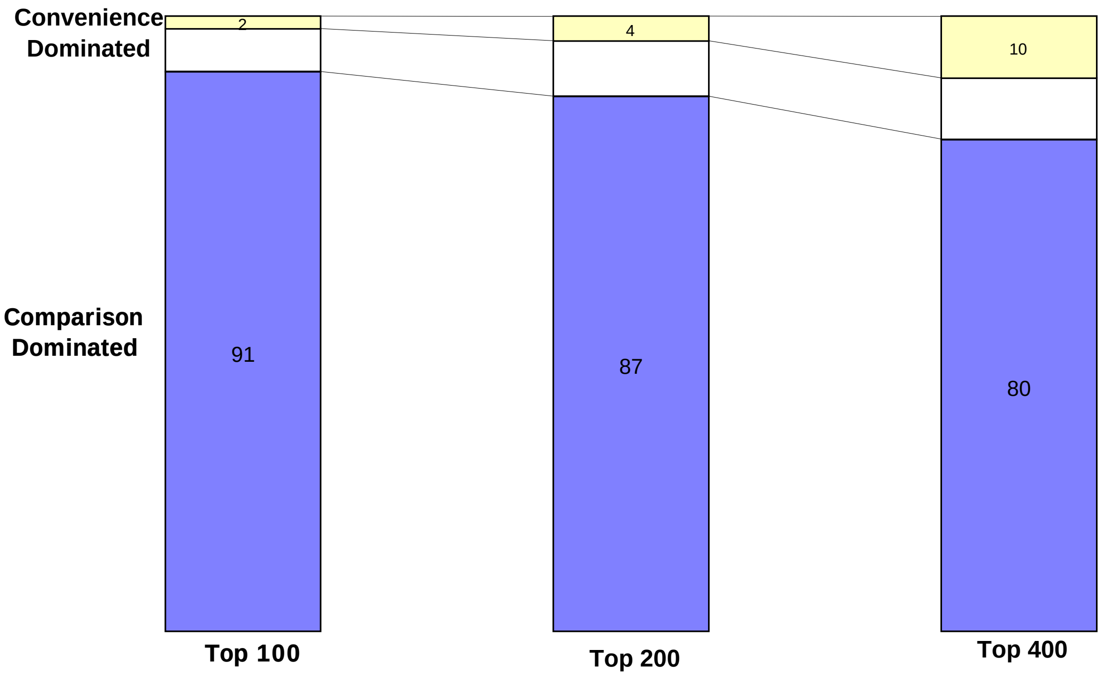
Where our model showed comparison goods expenditure exceeded 55% of total retail turnover, we described the individual schemes as comparison dominated, and similarly described convenience dominated schemes. Not surprisingly, the proportion of comparison goods dominated shopping centres fell the further we went down the hierarchy. At one extreme we excluded some district centres traditionally defined as shopping centres since access to the smaller units could only be gained by entering a grocery superstore! This is an accepted problem and a definition of exactly what constitutes a shopping centre has been discussed by interested parties without satisfactory conclusion.

The highest ranked scheme not seen as dominated by comparison goods expenditure is the White Rose Shopping Centre in Leeds, although this was a very close decision. White Rose is anchored by a Savacentre, deemed to be a convenience dominated store and, on its own, has a greater turnover than most of the smaller shopping centres we analysed. There are also a number of other convenience goods stores within the White Rose scheme.

Of the top 100 schemes, ninety one are comparison dominated, with only two being convenience dominated. The Galleries Shopping Centre in Washington is anchored by Asda and Savacentre and also includes Iceland and a wide range of comparison shops. Hempstead Valley Shopping Centre is again anchored by Savacentre and includes Marks & Spencer and W H Smith.

Of the schemes ranked from 101 to 200, eighty three are comparison dominated, and six convenience dominated. Of schemes ranked from 201 to 300, eighty one are comparison dominated with twelve convenience dominated. The remaining schemes in the top 400 include sixty six comparison dominated and, as could be expected, the number seen as convenience dominated rises to twenty. Outside the top 400 schemes fewer than 50% are comparison dominated, with almost 40% convenience dominated.

Comparison or Convenience Dominated?



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Our research confirms our belief that town centres will survive new out of town developments, but only if they react positively. Some of the schemes we examined have been left untouched for over 20 years and are in serious need of refurbishment or redevelopment.

Another aspect of our research shows the growing importance of food courts and leisure facilities such as cinemas, bowling allies and amusements. This is a point also taken up by Dr Yvonne Court in her article in today's Shopping Centre Progress. Forward looking owners and developers would do well to consider the implications of these developments.

Future prospects for purpose built shopping centres look good in the short term with developments already scheduled. After 2005 it is difficult to see how the considerable momentum in growth of retail turnover share can be maintained once most of the large schemes have been completed. We think, however, that it is unlikely to fall and will stabilise somewhere between 25 and 30% of comparison goods turnover.