

## **“HIDDEN” RETAIL WAREHOUSE SPACE HIGHLIGHTED BY NEW REVIEW 15<sup>TH</sup> MARCH 2001**

Retail Parks are facing a new problem. Declining confidence among retailers, the increasing obsolescence of some older parks and competition from new developments means that empty units and “To Let” signs are becoming more common on Retail Parks across the country.

During the compilation of their annual review, which is produced in conjunction with FPD Savills, TW Research Associates found that the bulk of available or vacant space on the market has been shed by retailers. “Second-hand” supply accounts for more than twice the supply of newly built retail warehouse space and is greater than the overall supply of projected new retail warehouse space coming on stream over the next two years.

Property research has traditionally focused on the development pipeline for Retail Parks and warehouses. What has not been underlined is the considerable hidden supply of, as one agent put it, “second-hand” space coming on to the market each year. Over six million square feet of retail warehouse space built before 2000 is either vacant or available but currently occupied.

There are several reasons for this availability, some of which are positive market indicators and others that are not. A small proportion of this floorspace has never been let. For example, the final units on Retail Parks that may be let some time after the park has opened. In some cases this can be two or more years later as is shown by the fact that several parks completed in 1998 still have units available.

### *“Second-hand” space*

Some “second-hand” space has been on the market for several years as agents try to find suitable tenants, while the remainder is the result of market repositioning or company failures. The consolidation of the DIY market and the gradual move to larger units by B & Q and Homebase has left many large space units available, both on retail parks and solus sites.

Some larger units are suitable for sub-division and have been or are being re-let, while newer retailers such as Matalan and Dunelm, an expanding Midlands-based soft furnishings retailer, have moved into other large units. For example, the former B & Q unit on Cathedral Retail Park in Norwich was converted to create a 35,500 sq. ft. unit for Toys “R” Us and 9,000 sq. ft. for Brantano. A former B & Q unit was redeveloped to create Abbey Retail Park in Leicester and Dunelm are moving in to the 41,000 sq. ft. former Homebase unit on Castle Retail Park in Nottingham.

Other retailers, such as Comet, Currys and Allied Carpets have re-located to similar sized or larger units on the same retail park or to new developments that offer improved facilities and a greater variety of tenants. They are often better placed and more convenient for their customers.

For example, Huddersfield Retail Park has been extended to create a 27,000 sq. ft unit for Comet, leaving the 15,000 sq. ft. former Comet unit available. The 12,000 sq. ft. Currys unit on Salmon Retail Park in Hereford is now available following Currys re-location to a 17,000 sq. ft. unit on the nearby Hereford Retail Park. Matalan moved in to the redeveloped 27,000 sq. ft. former Carpetworld unit in Chester in 2000, leaving their 15,000 sq. ft. unit on the nearby Greyhound Retail Park available.

### *Company failures*

The failures of Uno, Landmark and Charlie Brown's, amongst others, have thrown dozens of units back on to the market. A number of these units have only recently been built, such as the Landmark unit at White Lion Retail Park in Dunstable and the Uno unit at Palace Grounds Shopping Park in Hamilton.

In some cases, company failures can seriously disrupt the tenant line up on a retail park. For example, the 15,000 sq. ft. Landmark unit at Hermiston Gait Retail Park in Edinburgh is available via Colliers Conrad Ritblat Erdman. On the same park, the 10,000 sq. ft. former Shoe City unit is available via Harvey Spack Field and Eric Young while Mason Drage are offering a 5,000 sq. ft. sub-let from Office World.

At Norfolk Retail Park in Norwich, the 70,000 sq. ft. former Homeworld unit is available via Roche and Tushingham Moore with Bidwells offering a further 10,000 sq. ft. sub-let from Pets at Home.

### *Overall position*

The six million square feet of currently available space compares with less than two million square feet of retail warehouse space newly built but not yet exchanged. It should be noted, however, that a significant number of these newly built units are under offer or in negotiations that are likely to lead to a letting.

In fact, currently available retail warehouse space exceeds the overall supply of projected new retail warehouse space over the next two years, even counting consented floorspace that has not been conditionally let.

### **Vacant Retail Warehousing**

<b>Type</b>	<b>Size (Sq. Ft.)</b>	<b>,000 Sq. M.</b>
“Second-hand “ space available	6,150,000	571.3
Newly built space available	1,950,000	181.2
Consented and likely to be built in the next two years	2,900,000	269.4
<b>Total</b>	<b>11,000,000</b>	<b>1,021.9</b>

Note: The figures for newly built and consented retail warehouse space show vacant space only and DO NOT include pre-lets or conditionally agreed space.

While this analysis may make gloomy reading for some, for others it creates exciting new possibilities. There has always been a continuing take up of existing floorspace by newer dynamic companies. Several retailers, such as Brantano, Brunswick Warehouse, Dreams, Holiday Hypermarket, Land of Leather and Powerhouse, have

been able to rapidly expand their branch network by taking up some of this “second-hand” space. This expansion has often taken place in areas where a limited amount, if any, of new-build space has been proposed.

The levels of available floorspace may be growing, but market forces dictate that only the strong will survive. It is likely, therefore, that much of this “second-hand” space will, in time, find a new tenant. In a small number of cases where tenants can not be found, it is likely that the units may be redeveloped, either for B1, B2 or residential use. For example, the former B & Q in High Wycombe is now a housing development and the Redgate Centre in Longsight, Manchester is being developed for industrial use.

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**The Definitive Guide to Retail & Leisure Parks - Shopping meets Leisure 2001** is published by FPD Savills in conjunction with TW Research Associates and is the only comprehensive research publication to look at both retail and leisure parks, listing tenants and other important information for the majority of schemes. Copies are available at £195 per copy within the UK, 375 Euros within Europe or \$375 outside Europe from Trevor Wood, TW Research Associates, 28 Penn Road, Hazlemere, HIGH WYCOMBE, Bucks HP15 7LR

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