

RETAIL WEEK ARTICLE

16TH FEBRUARY 2001

New research shows that the amount of existing retail warehouse space currently available or vacant is more than twice the supply of newly built retail warehouse space and is even greater than the overall supply of projected new retail warehouse space over the next two years. Other research has underlined the development pipeline for Retail Parks and warehouses. What has not been underlined is the considerable amount of, as one agent put it, “second-hand” space coming on to the market each year. Extensive research has been undertaken over the last six months by TW Research Associates, in conjunction with FPDSavills, for their report *The Definitive Guide to Retail & Leisure Parks - Shopping Meets Leisure 2001*.

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 vacant units.

“Second-hand” space

Some “second-hand” space has been on the market for several years while 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 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. The 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, a greater variety of tenants, and 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, making 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, making 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

This 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 adding in consented floorspace that has not been conditionally let.

Vacant Retail Warehousing

| Type | Size (Sq. Ft.) | ,000 Sq. M. |
|--|-----------------------|--------------------|
| “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 |
| Total | 11,000,000 | 1,021.9 |

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.

Source: **The Definitive Guide to Retail & Leisure Parks - Shopping meets Leisure 2001** (FPDSavills / TW Research Associates March 2001)

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 expand their branch network quickly 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, 325 Euros within Europe or \$325 outside Europe from Trevor Wood, TW Research Associates. Tel: 00 44 1494 715846.