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## **CORPORATE FAILURES IN FURNITURE SECTOR INCREASES RETAIL WAREHOUSE AVAILABLE SPACE**

A difficult trading year for some of the big name retailers, particularly within the furniture sector, has led to a marked increase in the amount of second-hand and vacant retail warehouse floorspace in the UK. This is according to The Definitive Guide to Retail and Leisure Parks 2006, produced by Trevor Wood Associates and Savills.

Well documented corporate failures such as Alders and Courts have been key in pushing up the vacancy rate within the retail warehouse sector to 7.6% in the third quarter of 2005 from 6.2% in the same period in 2004. Ongoing rationalisation and consolidation by bulky goods retailers such as Focus, MFI and B&Q has also significantly contributed to this increase.

Second-hand retail warehousing floorspace climbed to 10.75 million sq ft by the end of quarter three 2005. The Definitive Guide calculates total retail warehouse provision to be 163.5 million sq ft, up just 17% over the same period.

The Guide, compiled using a unique database of almost 12,000 retail warehouse units, found over 2 million sq ft of available floorspace was occupied by four retailers: Alders, Courts, Furnitureland and Klaussner, accounting for just under one-fifth of the market total.

Relocations and closures by the top 10 retail park tenants accounted for another 30.7% or 3.3 million sq ft of second-hand floorspace in 2005. However, the Guide points out that some of these units are large enough to be sub-divided to create three or four standard-sized units or are being redeveloped to provide new retail parks or units.

Take-up of newly built developments has risen slightly, resulting in a 10% decrease in the amount of vacant space available on new schemes to 1.75 million sq ft. Available space on consented schemes that are likely to be built in the next two years has also dropped, by 12%, to 2.9 million sq ft.

Martin Supple, head of Savills' out of town retail, comments: "The recent jump in available space reflects in part a series of corporate failures within the furnishing sector that occurred within a relatively short period of time during 2005. However, there continues to be strong take up by expansive retailers such as Next, Sports World, Argos, Boots and TK Maxx who have helped mitigate the effects of this increased supply of space. It will only be by the time of next years Definitive Guide that we can properly establish whether this hike is due to a short term set of circumstances or a deeper shift in the take up rate within the market "

While the trend to incorporate leisure facilities, such as cinemas and health and fitness centres, within larger retail parks has slowed down, the inclusion of retail units within leisure schemes to broaden their appeal is on the increase. The report identifies 24 schemes that fall into the category of shopping and leisure centres, of which 20 incorporate a cinema, 17 a health and fitness centre and eight a bowling alley or family entertainment centre.

Trevor Wood, senior partner of Trevor Wood Associates, adds: "Due to current market conditions, this year's annual review has shown the most comprehensive set of changes we have ever recorded. British Land's takeover of Pillar and other ownership restructures, as well as a high number of business failures and rationalisation amongst other retailers has also had a marked effect on our findings. These changes are shown by the declining importance of the 10 leading Retail Park tenants. They now account for only 37.7% of total Retail Park floorspace against 40.2% just three years ago."

## Movers and shakers

- British Land is by far the leading investment manager of UK retail parks following its acquisition of previous market leader Pillar Property. It actively manages 9.5 million sq ft, almost 10% of the total market.
- British Land also soared past Morley Fund Management to take pole position in the investment managers' league table for retail warehousing as a whole. It has 11.3 million sq ft under active management compared with just 4.8 million sq ft last year.
- B&Q, with 8.3 million sq ft, remains the largest retail park tenant, having increased its retail park floorspace in the last year by a net addition of 620,000 sq ft or 7%.
- The most significant growth in the top 20 tenants was shown by Next who increased its floorspace by 31% to rise from 21<sup>st</sup> to 16<sup>th</sup> place. It has increased its retail park floorspace by 484% since 2002.
- Bhs was the highest new entry at 37<sup>th</sup>, following the acquisition of a number of Alders units. Other new entrants are Burton/Dorothy Perkins, Glyn Webb, Paul Simon, Hobbycraft and Peacocks.

The Definitive Guide concludes that the trend towards consolidation of investment management will continue as the specialists within the retail and leisure parks sector seek to generate added value and economies of scale.

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