



Out-of-town parks gain from high street flight

>By Jim Pickard, Property Correspondent

>Published: March 20 2006 02:00 | Last updated: March 20 2006 02:00

>>

High street retailers such as Next, River Island and New Look are rushing to open stores in out-of-town retail parks despite government attempts to revive city centre shopping destinations.

Retail parks, characterised by box-like stores, used to be dominated by shops selling bulky goods such as sofas, fridges and washing machines. But their consumer appeal has been so great that a far wider array of companies is rolling out out-of-town formats.

Figures obtained by the FT show a flurry of mainstream high street retailers taking space in the UK's 826 out-of-town parks.

Next, the fashion store, increased its out-of-town floorspace by 31 per cent last year (or 484 per cent since 2002), TK Maxx 20 per cent, Argos 16 per cent and Sports World 30 per cent, according to data from Trevor Wood Associates and Savills.

Many high street names such as Boots, Clarks, Arcadia, Borders, Gap and Virgin are expanding into the sector or trialling their first stores.

Debenhams, for example, has trialled two compact "Debenhams Desire" stores outside Truro and South Shields and is understood to have given the go-ahead for more, including two in Llandundo and Thanet.

Marks and Spencer is rolling out Simply Food shops as well as a larger food and fashion format.

This year, supermarket chains are set to emerge as the most aggressive new tenants of retail parks, according to Stuart Lunn, a retail parks expert at DTZ, the property agents.

Tesco and Asda are both "fully aboard the retail park train", he says, and have developed new formats specialising in clothing, homeware and lifestyle goods.

Tesco Homeplus and Asda Living are each expected to open up to 10 out-of-town stores this year, says Mr Lunn.

Andrew Jones, co-head of asset management at British Land, which last year paid £811m for Pillar, a retail park specialist group, says: "Many retailers have stepped up their plans . . . for the first time I can remember, our biggest rent payer [on out-of-town parks] is Next."

As a result, rents on retail parks are rising much faster than those in towns, putting pressure on many of the traditional bulky goods retailers, such as PC World or MFI, whose margins tend to be much lower. As a result, many are migrating from "open A1 use" parks - where any retailers can set up shop - to those that only have planning permission for DIY and bulky goods. Last year MFI, Carpetright and Big W all cut their retail park estates.

Many of the retail chains are attracted to retail parks because, although rents are rising, they are still cheaper to rent than the high street.

"Out-of-town still offers occupiers competitive cost advantages; the fact is that schemes' densities are slightly slower," says Mr Jones.

"You will pay 60-65 per cent of an in-town cost to occupy an out-of-town site but densities are still 80 per cent of the high street and the gap will close as more attractive retailers move into the format. Eighteen months ago, densities were much lower at 70 per cent."

The format does not suit all retailers, say experts. Zara and H&M, which are popular with teenagers, who tend not to have cars, have trialled retail parks but are still cautious, according to Mr Lunn of DTZ.

Although some new parks are being built, stricter planning guidance means that approvals will become harder in the future.

This explains the rise in rents at a time when many retailers are struggling. The ensuing jump in values, which have doubled in four years, leads one expert to suggest that Matalan, the discount retailer, could become a takeover target for its properties alone.

John Richards, chief executive of Hammerson, the FTSE-100 property group, says: "I think retail is going to be quite tough . . . the issue is to make sure our retail is in the right places." As a result, Hammerson has just built its first retail parks at Gloucester and Merthyr and is developing more at Kircaldy and Theale, he says.

It is the ease of car parking that has made retail parks so popular despite their dubious aesthetics and often poor facilities.

Hamish Whiteman, a partner at HP Four, property agents, says: "From the customer's point of view, we are all lazy and like to get into cars and drive straight to the door. People don't like driving into town centres, not being able to find any parking and ending up in some old and gloomy multi-storey." Many open as late as 8pm, attracting shoppers returning home from work.

Simon Hope of Savills, property agents, says there is no mystery behind retail parks' appeal. "The high street is going out of town and retailers are going there because the consumers want to spend there. It's that simple," he says.

>
>
>

Find this article at:

<http://news.ft.com/cms/s/3d688bac-b7b6-11da-b4c2-0000779e2340,s01=1.html>

€ Check the box to include the list of links referenced in the article.

