

Out-of-town retail

cover story

850 cases...

...30 arbitrators

How can out-of-town retail
solve its rent review crisis?

PLUS:

- Catering gives parks a boost
- Borders portfolio up for sale

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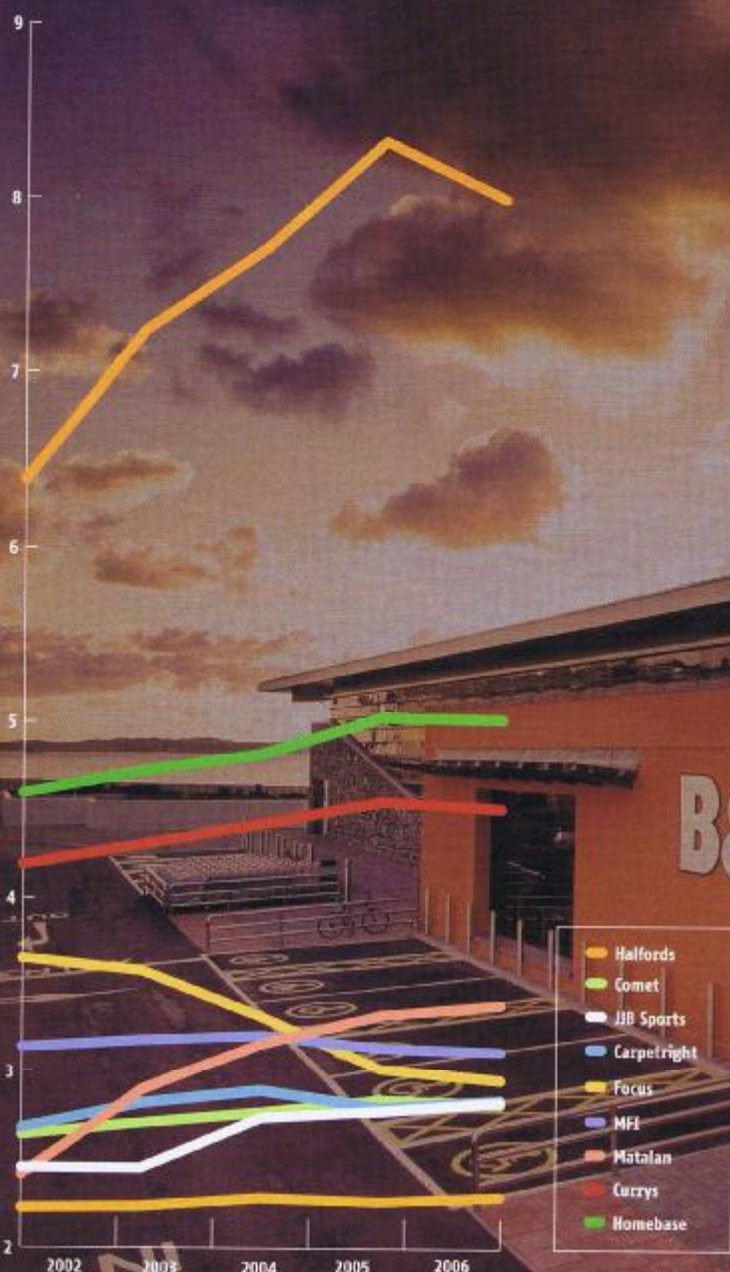
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Retail
the way to retail warehouse and specialist property



SHRINKING ASSETS

■ Retail warehouses have realised that cutting floorspace is the key to healthy sales per square foot. **Christine Eade** reports

HOW OCCUPIERS' RETAIL WAREHOUSE SPACE HAS PLATEAUED (M SQ FT)



SOURCE: TREVOR WOOD ASSOCIATES

IT IS NO LONGER MACHO TO OCCUPY THE BIGGEST shed on the park.

In the late 1990s, when the retail warehouse market was booming, it was cool to be the DIY store with paint pots as far as the eye could see or the carpet retailer with bales of carpets stretching to the horizon.

If retailers did not have a sufficient range of merchandise, they imported new concepts. Halfords leased space to the AA to set up car service depots.

But slowly it became clear that 'big' did not equate to sales density, and retailers began 'operation offload' (see overleaf) and 'operation downsize'.

They like to call it 'rightsize', but no one is fooled by the Americanism. The result is that the pared-down retail warehouses do less business, but sales per square foot are generally greater.

'Some retailers were overstretched and had units well over 100,000 sq ft, and they didn't have enough stock to put in them,' says Justin Mills, a partner at planning consultant DPP.

Terry Hartwell, group director of property for Kingfisher, has 18 months left on his downsizing project for B&Q. Three years ago, the chain identified its 18 worst-performing stores. Some were given back to willing landlords to relet. Others were carved up to create new stores for other retailers.

DOWNSIZE MATTERS

B&Q surrendered its lease to Hammerson on the Victoria Retail Park in Netherfield, Nottingham, and the unit was reconfigured and let to Next and Argos.

PC World, Toys R Us, variety store Range and soft furnishings retailer Dunelm have also taken space in unwanted parts of B&Q stores that are still trading. The incoming retailer becomes a subtenant in hived-off B&Q stores – a use of space that generally meets with landlords' approval.

Hartwell, however, finds it difficult to read what these deals say about the retail warehouse leasing market.

'You take whatever you can negotiate,' he says. 'We are just looking for someone to pay the rent. We have examples where the subtenant is paying slightly more than