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## **FURTHER CONSOLIDATION IN RETAIL WAREHOUSE SECTOR SPARKS INCREASE IN VACANCY RATE**

Further consolidation and corporate casualties has resulted in an increase in vacancy rates in the retail warehouse sector, with the figure now standing at 8.3%, which is 6% up on 2007. This is reported in *The Definitive Guide to Retail and Leisure Parks 2008*, produced by Trevor Wood Associates in conjunction with Savills.

The review states that notable 'large space occupiers' such as B&Q, Focus, Matalan, Homebase and Currys are continuing to downsize stores as part of a wider strategy to rationalise portfolios. This downsizing combined with numerous administrations and receiverships from tenants such as Choices UK, GlynWebb, Klausssner and Right Price Tiles, has provoked a peak in new and second hand space available.

A higher vacancy rate has been further fuelled by the fact that much of the space released by the bulky goods retailers is between 30,000 sq ft (2,787 sq m) and 40,000 sq ft (3,716 sq m), while the unit size most in demand is currently between 7,500 sq ft (697 sq m) to 10,000 sq ft (929 sq m). As a result, landlords are now having to refocus their attention to concentrate on asset management opportunities in order to ensure that they are maximising all available space on their parks. In some cases this has led to the sub-division of larger units in order to make the best use of all available space and appeal to a wider selection of retailers. Tunbridge Wells Shopping Park is a prime example with Royal London Asset Management breaking up the former Co-op unit into four new stores that were subsequently let to New Look, Next, Argos and TK Maxx.

Martin Supple, head of out of town retail at Savills, comments: “Vacancy rates did lift again last year but this is largely driven by the old guard of retailers such as Focus, MFI and B&Q taking active steps to rationalise their portfolios. Furthermore, evidence of such consolidation is very often the sign of a maturing market, so as the retail warehouse sector continues to grow, we would expect there to be more space becoming available, providing good opportunities for new retailers to enter the market.

“With current space requirements similar to that of the traditional High Street market, newer retailers have been slower to absorb the excess space created by portfolio consolidation. However, New Look, Asda Living, Tesco Home Plus, Laura Ashley, Dreams and Maplin have all been particularly aggressive in terms of expansion in the UK, which has had a positive effect on the market. We expect the main retailers acquiring space over the next five years to be fashion, clothing, home wares and food stores.”

According to the review, the inclusion of leisure elements in retail parks has also peaked with 33 retail parks, retail and leisure parks or shopping parks incorporating a cinema, 31 including a bowling alley or family entertainment centre and 86 with a health and fitness centre.

Mat Oakley, head of commercial research at Savills, says: “In order to appeal to a wider audience and improve the shopping experience for the customer, landlords are incorporating a wider range of leisure facilities. This is a growing trend that we have already witnessed in other sectors such as shopping centres.”

The inclusion of other restaurant amenities such as Starbucks and Costa Coffee, rather than the traditional McDonalds, Nando's Chicken and Frankie & Benny's outlets, has also reportedly increased.

Mat continues: "Previously, the idea of creating a small pod for a coffee operator did not appeal to landlords as they could not see the long term potential. However, with increasing evidence that these retailers can in fact help to increase dwell times at parks, these landlords are now recognising the benefits of having a quality coffee operator on board. Nugent Shopping Park in Orpington where Costa Coffee has proved a great success and has been of significant benefit to other retailers by encouraging shoppers to stay at the park longer, is a prime example."

In comparison to rising vacancy rates, the review shows that the proportion of retail parks with peak rents above £35 per sq ft (£376 per sq m) has increased to 8% compared to just 1% in 2002. In addition, the report also states that the entry level per sq ft for the Top 100 Retail Park Rents has risen marginally from £30 to £31 and there has been a continuing upward shift, with a 20% increase in the £30 to £35 rent bracket and the over £35 band. Furthermore, the £25 to £30 and £20 to £22.50 bands both saw a rise of 15%.

The top three retail parks with the highest rents remain the same for the second consecutive year with Fosse Park Shopping Park in Leicester in first place at £95 per sq ft (£1,023 per sq m), followed by Brookfield Retail Park in Cheshunt, Hertfordshire, with £75 per sq ft (£807 per sq m) and Colney Fields Shopping Park in St, Albans, London with £65 per sq ft (£700 per sq m). Birstall Shopping Park rises to fourth place from seventh in 2006 with a top rent of £63.75 per sq ft (£686 per sq m).

Trevor Wood, Senior Partner at Trevor Wood Associates, comments: "B&Q, Homebase, Currys and Matalan have retained their positions from one to four respectively in the 'Top Retail Park Tenants' category. However, only Homebase has increased its floorspace, including a number of assignments from Focus. Carpetright moves up to fifth position from seventh last year and for the second year running, a considerable number of non-food tenants have either reduced their retail park floorspace over the past year or shown nil growth. This involved sixteen of the top fifty Retail Park tenants although it should also be pointed out that eighteen other tenants showed double digit growth."

Other key points highlighted in the review include:

- Hollywood Exchange in Belfast totalling 630,000 sq ft (58,527 sq m) makes an appearance in third place in the 'Top 10 Retail Parks' category, which is an impressive jump from its position as 29<sup>th</sup> in 2006 following the opening of IKEA. Castlepoint in Bournemouth totalling 645,000 sq ft (59,920 sq m) and Middlebrook Retail & Leisure Park in Bolton totalling 634,014 sq ft (58,899 sq m) take first and second place respectively for the second consecutive year in the same category.
- Elsewhere in the review, British Land was ranked first in both the Top 20 Investment Managers for Retail Warehousing and Top 20 Investment Managers for Retail Parks. Standard Life, Morley Fund Management, Prudential Property Investment Managers and Land Securities were also featured in the top five of both categories.

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**Notes to editors**

- Copies of The Definitive Guide to Retail and Leisure Parks 2008 are available for £425 from Trevor Wood Associates (tel: 01494 715 846 or email [retail@trevorwoodassociates.co.uk](mailto:retail@trevorwoodassociates.co.uk))
- The review has identified 1,512 established schemes that are trading or in the course of construction that include 104 leisure parks, 129 leisure schemes, 857 retail parks, 59 shopping parks, 36 retail and leisure parks and 301 retail warehousing developments.