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# Out with the old, in with the new

With some of the biggest players in the out-of-town retail market disappearing off the scene, there is plenty of room for newcomers. David Harris reports on a sector in flux



**T**he out-of-town retail market is a profitable but perilous place to do business, even for the some of the biggest operators in the sector. The past three years – which have been turbulent for all retailers – have seen a number of high-profile failures in the top 50 companies. Borders, Land of Leather, MFI, Rosebys and Woolworths have all disappeared.

But Trevor Wood of Trevor Wood Associates, which produces one of the most comprehensive annual surveys of

the sector, takes a pragmatic view of the failures. He says: "It may seem sad, but it does provide opportunities for others."

This is one reason why Wood sees the out-of-town market as being in a "state of flux" in 2010, with some new entrants in the top 50 and others going up the rankings. These include TK Maxx, which added 7% to its total and rose two places in Wood's rankings to 11th in terms of total floorspace occupied. Altogether, Wood's figures indicate that 20 retailers that have appeared in the top 50 since 2002 are not in this year's rankings

because they have gone into administration. A further five have been taken over by other retailers.

The highest new entry into the top 50 this year is B&M Bargains, in 31st place, which has increased its retail park floorspace by 334% in the past year, after acquiring Au Naturale, which as a result disappears from the list. Big increases of those already in the top 50 include Asda Living (see panel, right) which increased its floorspace by 23% and moved up to 35th, while New Look stays in 36th even though it increased floorspace by 15%.

## ASDA LIVING

Asda Living's plan to open 150 out-of-town stores in the next five years looks set to give the market a boost.

Andrew Collier, partner at Cushman & Wakefield, says it is "perhaps the most exciting news of expanding retailers in the sector". Asda clearly has high hopes, aiming to be "number one for non-food in the UK by 2015", according to managing director Roger McLaughlan.

Asda Living's 25 stores stretch from Glasgow in the north to Maidstone in the

south. Asda says that in 2009, the stores' total footfall reached nearly 28m.

Typically the stores have the George clothing range on the ground floor, with soft furnishings, kitchen and dining, children's and electronics on a mezzanine. The stores also have a café.

In looking for sites Asda says it needs markets with a population of at least 100,000 within a 20-minute drive, a primary retail park with a fashion content and, obviously, plenty of parking.

It is worth noting that Wood's figures are based on the total amount of square feet occupied, rather than number of outlets. As Wood points out, "having a large number of outlets is not the same thing as having the largest presence".

As might be expected, this indicates that the retailers in Wood's top 50 by floorspace also tend to have the largest stores, although Wood is reluctant to conclude that the bigger retailers prefer fewer but larger outlets.

One reason for his caution is that the biggest stores do not necessarily always suit them. It depends on individual brands and on individual sites, so generalisation on whether bigger is always better is difficult.

The retail park market as a whole in the UK is made up of 900 tenants, with 320 of those present on only one retail park. Only 160 have 10 or more units. The most popular food tenants include McDonald's, Nando's and Pizza Hut, with KFC and Chiquito close behind them.

The non-food retailers most frequently found are Carpetright, Currys and Halfords – each on more than 200 retail parks – with Argos and Pets at Home joining them this year.

But in terms of total space, B&Q is by far the largest non-food retail park tenant, with 7.4m sq ft, followed by Homebase, Currys, Matalan, Carpetright and Comet in a top six unchanged from last year.

Despite this, Wood says that an analysis of the figures for most of the past decade shows that the biggest stores are not as dominant as they once were.

He says: "By looking at the share of total retail park floorspace over the past

eight years, we can see the declining importance of the leading retail park tenants and the emergence of a growing number of new entrants... in particular we can see the continuing decline of the market share of the top 10 and top 20 tenants."

This is reflected in the fact that even though the top six have remained the same, there have been 37 positional changes in the top 50 as a whole.

New entrants to the market include US electronics retailer Best Buy, which is to open stores in Kingsway Retail Park, Derby, and Castle Marina Retail Park, Nottingham. These follow its initial UK stores in Thurrock, Essex; Hedge End, Southampton; Merry Hill in the West Midlands; Aintree and Croydon.

Best Buy tends to go for large outlets (Thurrock is 45,000 sq ft) and this has prompted some suggestions that established UK electronics stores will go for bigger sites in response. But in June Comet said it would stick to medium-sized shops of 10,000-20,000 sq ft.

Other relatively new entrants



in the market include big name retailers diversifying their traditional product ranges so that they can take advantage of the out-of-town market. David Hobden, associate director at BNP Paribas, cites John Lewis Home and Next at Home as classic examples of this trend.

Another group of expanders is the value retailer sector, such as 99p Stores, Poundland and Poundworld. Dominic Rodbourne, director at Savills, says that this category wants to be out of town but easily accessible because they measure their success by the number of transactions.

Jason Holden, partner at CWM, also picked out several established operators that are planning to expand this year, including TK Maxx, Matalan, Dreams and Home Bargains. But, Holden adds, "more caution from retailers is noticeable", due partly to a reduction in the number of concessionary deals from landlords.

He says: "Landlords' expectations have been increasing over the past few months. There is a potential danger of over-optimism in certain cases, perhaps being fuelled more by recent increases in capital values as opposed to the more modest advances in occupier activity."

All of which suggests that out-of-town retail is recovering in the same patchy and fragile way as the rest of the UK market. Both landlords and tenants probably need to take one step at a time.

Still, there is optimism. Will Andrews, retail partner at King Sturge, believes the occupational market "is over the worst", with enough demand to reduce the amount of vacant space and more retailers coming into the market.

The fine balance is that although the demand may exist, the price has to be right: in Andrews' view demand is strongest in good locations in the £15-£30 per sq ft rental range, with incentives a big help. Recovery may have arrived, but there is no immediate prospect of a return to a boom.

1 and 2 Next Home is expanding... 3 as is the 99p Stores chain 4 Currys is a familiar sight in retail parks

