

Weavers Wharf Retail Park in Worcestershire

Food for thought



Leisure options are growing fast on retail parks, many of which are going through their latest evolution as the offering becomes more sophisticated. **Mark Faithfull** finds out what's working and asks what's next for out-of-town leisure?

Retail just can't get enough of leisure. For landlords it's the sector's vitality during the downturn and the raft of expansionist operators that are springing up; for retailers, leisure potentially extends trading hours, increases footfall and improves dwell times. Not every retailer is sold, but most are.

It's a trend firmly established in out-of-town parks and the increasingly complementary nature of retail and leisure was underlined in the latest analysis by data intelligence specialist CACI. Based on 170,000 exit interviews with shoppers in more than 100 retail centres across the UK as part of its annual Shopper Dimensions report, CACI's research showed that consumers who use the catering facilities spend

approximately 48% more on retail goods than those who do not.

The findings also indicated a positive shift upwards – the average spend on catering increased 9% between 2012 and 2013. Plus, the growth in restaurant spend outpaced the outlay in cafes and fast-food restaurants.

"This change in behaviour is indicative of a wider shift in the way that people behave and what they expect of a retail activity," says Alex McCulloch, principal consultant of CACI. "We see shoppers split into two camps – convenience and leisure."

The findings support research carried out by British Land at its recently leisure-extended Glasgow Fort scheme. "Since the expansion of the leisure, footfall is up 8%, retail sales are up 6% and leisure spend is up 35%. Average customer spend on leisure is £22 per person," says John Maddison, head of retail warehouse asset management at British Land. "If any retailers were not convinced by the benefits of leisure, these figures make a very compelling argument."

Not surprisingly then, out-of-town parks are adding leisure facilities at full throttle – expanding their food and beverage offers, putting in drive-thru coffee shops and extending into new areas including gyms, cinemas and family lifestyle offers such as bowling.

Out-of-town locations for leisure work for largely the same reasons as retailing – consumers want accessible locations, free parking and managed environments, while landlords want relatively cheap development and the potential to produce rental uplift across a park, plus long leases.

"If you look at the years since the downturn, leisure is simply the thing people haven't given up," reflects Andrew Ferguson, head of leisure, Legal & General Property. "The key is that much of the leisure has been at an affordable level for consumers and out-of-town locations provide accessibility and free parking, which are not available elsewhere."

"There is lots of evidence of A3/A1 pods continuing to expand on parks and also ↘

35%

Increase in leisure spend at the Glasgow Fort scheme since its expansion

BRITISH LAND



Glasgow Fort leisure extension

some new format drive-thrus such as cafes and two-level, fast-food restaurants working well to encourage dwell time and spin-off sales to the nearby stores," adds Adam Patrick, partner at Edgerley Simpson Howe.

"This has led to most new retail park developments incorporating large, dedicated pod/restaurant elements on schemes as opposed to just being afterthoughts, as well as landlords seeking to add them to existing larger, Open A1 schemes."

Leading with leisure

Land Securities has been at the forefront of the leisure revolution and has significantly upped its leisure offer in its shopping centres and retail parks. It also snapped up X-Leisure, acquiring a portfolio of 16 leisure and entertainment schemes including Xscape in Milton Keynes and Brighton Marina.

"Leisure is now absolutely vital to any retail destination," affirms Ashley Blake, head of retail portfolio management for Land Securities. "From a retail perspective, I would be feeling nervous if my landlord wasn't putting in these offers. Leisure increases dwell, extends trading hours and makes for a much more compelling experience and that will draw in more customers."

As a consequence of these trends, not surprisingly, any review of the current crop of retail park refurbishments includes significant leisure components, notably cinemas, which are becoming increasingly important as an anchor, aping the evolution of shopping centres.

At Doncaster Leisure Park, LaSalle Investment Management has taken the existing seven-screen Vue cinema and is extending it by four additional screens and two restaurant units, pre-let to Pizza Express and Nando's, which have signed leases for 25 and 20 years respectively. Acquired from a fund managed by Helix Property Advisors for about £9.6m with a view to extending the leisure

offer, it is adjacent to other retail and leisure outlets that support the park, including the Dome Leisure Centre.

Last year Hercules Unit Trust (HUT), the specialist retail park fund advised by British Land and managed by Schroders, opened the £9m, 45,000 sq ft leisure extension at Glasgow Fort, home to a multiplex Vue cinema and 24,000 sq ft of restaurant space let to TGI Friday's, Prezzo, Harvester, Chiquito and Pizza Express.

British Lands' Maddison says: "What we're seeing is an increasing base of food and beverage operators prepared to go onto retail parks. For example, Patisserie Valerie opened its first out-of-town unit at Fort Kinnaird, Edinburgh, earlier this year."

At Whiteley in Fareham, Hampshire – a tree-lined, high street-style development with double-height glazed units and a series of public squares – Yo! Sushi and Wagamama have taken their first out-of-town units and, according to Maddison, "the environment was undoubtedly a factor" in their decision. "They are trading strongly and what we obviously hope is that it makes them more comfortable about such schemes and encourages them

to open more retail park units," he says.

However, what will work is highly dependent on the nature of the incumbent tenant mix and the location, with some out-of-town parks on the edge of shopping centre schemes. One such example is Weavers Wharf Retail Park, adjacent to Kidderminster town centre in Worcestershire, with a pedestrian link to the high street and the adjacent Tesco Superstore. Occupiers include Marks & Spencer, Next, TK Maxx, Boots, New Look, Debenhams and Matalan. Owner Henderson Global Investors has unveiled proposals for a £25m redevelopment including a 59,800 sq ft anchor store, three restaurants totalling 9,700 sq ft, 2,200 sq ft of cafes and a new bridge over the Staffordshire and Worcester Canal.

"Location is a factor, especially in sites with high population densities," says Henderson head of asset management, retail warehousing, Katherine Friend. "That also influences what may work well. We are seeing some aggressive budget gym operators looking to expand and they do offer alternative trading hours and some crossover, but not for every park."



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Andrew Ferguson, Legal & General Property

Looking forward, Friend believes there will be a continuation of current trends, notably food and beverage growth, rather than a raft of new leisure options. "If you consider, for example, bowling alleys, that is a very specific requirement without strong covenants, with less repeat visits than cinemas. It's more likely ↘

How food influences spending

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The average spend on catering increased **9%** between 2012 and 2013. Growth in restaurant spend outpaced the outlay in cafes and fast-food restaurants



SOURCE: CACI

to go in where you have a lot of other leisure covered off," she says.

The line between retail and leisure parks is also blurring. Legal & General Property recently acquired Middlesbrough Leisure Park from Highpoint Estates for £21.3m. While it provides the main concentration of leisure in Middlesbrough town centre, comprising an 11-screen Cineworld cinema, a two-level gym complex and four restaurants, it also features a DW Sports and American Golf.



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Ashley Blake, Land Securities

It's a point that Legal & General Property's Ferguson takes up. "You need to consider the trading levels and the strengths of the retail park and what underpins its value," he says. "In some locations leisure will work, in some it will not. If you take Middlesbrough as an example, there we have a fringe-of-town site and demand in the area for an improved food and beverage offer, so the potential is very high."

Despite the apparent wave of enthusiasm for leisure, there is also a danger that leisure facilities, especially cinemas, are being viewed as a panacea for wider ills rather than being thought of strategically, warns Dcinex head of consulting John Sullivan.

"You still see plenty of examples of developers believing that cinemas are a 'cure all' but that is not the right approach," the cinema specialist says. "Just like retail, the cinema market has

polarised and, for example, live event screening has become very big business, up at 20% to 25% of total revenues for some cinemas. As a developer you need to consider how that will fit and how you can support such offers."

Fitness focus

Edgerley Simpson Howe's Patrick also notes that gyms don't necessarily add the level of spin-off trade to retailers that for instance, restaurants or cinemas do. "They are more of a focused, destination operation, often successful in themselves and bringing more footfall. But gym members will tend to go directly into the gym without spending time eating or shopping in the same trip," he says. "That said, gyms do offer a point of difference for potential customers to visit a scheme, with longer trading hours and therefore will raise awareness of the other tenants trading and whose members are more likely to return to shop on another occasion."

Richard Gore, property director for Pradera, says one way of accommodating gyms is to add them at first-floor level. "The budget gyms are expanding and we feel that what's needed is a genuine first floor, giving the retailer below space for a mezzanine," he says. "They do extend trading – some are 24 hours. For example, our Pure Gym at Cardiff is adjacent to the site of a 24-hour Asda and our McDonald's trades until midnight."

Gore says that such an approach suits new build best because of the need for structural reinforcement, which may necessitate knocking an existing single-level store down, although he stresses Pradera is willing to consider this option. "Most councils are supportive, so planning is not proving difficult. We've also looked at upper floor space for hotels."

Patrick also notes that pods need to be of sufficient critical mass to make them stack up economically. That means building three to four pods in order to see the income return on the capital outlay. "In a new scheme it's

Popular on parks

Health and fitness centres are the most common leisure facilities found in out-of-town developments across the UK, according to figures released by property research firm Trevor Wood Associates in its new review *The Definitive Guide to Retail & Leisure Parks 2014*.

Across the UK, 90 retail parks, retail and leisure parks, or shopping parks feature health and fitness centres; 31 incorporate cinemas; and 23 include a bowling alley or family entertainment centre.

In addition nightclubs can be found on 51 retail parks, leisure parks, leisure schemes or shopping and leisure centres and 84 schemes incorporate a hotel. Spinningfields in Manchester, Saint Anne's Square in Belfast, The O2 Entertainment District and The Tally Ho in Finchley include theatres.

The non-retail tenants most likely to be found in out-of-town developments, who are present on more than 50 leisure schemes in the UK, are Cineworld, Frankie & Benny's, McDonald's, Nando's and Pizza Hut, Trevor Wood observes.

Chiquito, KFC, Odeon, Subway and Vue closely follow them, while other leading tenants, which appear on more than 20 schemes, are Bella Italia, Costa Coffee, Gala, Harvester, Hollywood Bowl, JD Wetherspoon, Pizza Express, Premier Inn, TGI Friday's, Virgin Active and Zizzi.

easier because you are starting from scratch. In an existing park you need to make sure that any loss of parking doesn't have a detrimental impact on the retailing and consequently on the value of the park. It's a delicate balance."

Maddison agrees, and says that as an operator of prime retail parks, little additional space is available on many of its existing schemes. As a result, Next, for example, has incorporated a Patisserie Valerie in its Gallagher Retail Park unit in Cheltenham and Costa Coffee units in others.

"We're also looking at in-line unit opportunities [units within main run of stores] for food and beverage, possibly with multiple operators in a single unit," says Maddison. "We don't want to create a food court, so it's about coming up with something innovative with some of the more forward-thinking brands."

Retail parks look set to continue embracing leisure in all its forms – from multi-screen cinemas to the latest 24/7 drive-thru Starbucks unit, which opened at The Place Retail Park, Milton Keynes in March. The US coffee giant is just one of the food and beverage operators to see the expansion potential in parks. It's certainly not the only one to have woken up and smelt the coffee. ■

Restaurants such as Frankie and Benny's are present on many retail parks

