

Time to reinvent the park



Game-changing innovations in the mall market have masked a lack of innovation in retail parks. Is the sector ripe for a leap forward? **Mark Faithfull** reports

Out-of-town retail was transformed by the previous generation of fashion parks, yet significant innovation has been short on the ground ever since. While the mall market has consistently seen the bar raised that little bit higher, despite a lack of new development across the UK retail property landscape, arguably the retail park sector has not followed suit. This is surprising given its relatively strong performance, the widening group of retailers happy to expand their portfolios beyond high streets and shopping centres and the ongoing consumer desire to shop at convenient and easily accessible retail destinations.

The status quo might soon be about to change after property firm The Crown Estate was selected as the preferred bidder for Fosse Park, the star performer within the eight-strong Swallowtail portfolio – owned by Abbey Group and Foyleside Group – and something of a retail park phenomenon, attracting huge footfall to the 560,000 sq ft site on the outskirts of Leicester.

The Crown Estate has found itself in pole position ahead of a number of parties interested

in the scheme, valued at upwards of £350m, including Land Securities and Delancey. James Cooksey, head of St James's and the regional portfolio at The Crown Estate, affirms: "As one of the top five owners of regional retail property in the UK, The Crown Estate continues to seek opportunities that align with our investment strategy and we are considering a bid for Fosse Shopping Park."

The significance of The Crown Estate as a potential buyer is two-fold. Firstly, it has deep pockets and a mandate that allows it to take a

long-term view of what it does with its assets; secondly, it has ably demonstrated its strategic and asset management capabilities on Regent Street, where it is now co-invested with Norway's enormous, energy-fuelled sovereign wealth fund. Should it buy Fosse Park, it has the finance, the time and – given the park's trading history – the motivation to consider doing something game-changing.

Destination finder

In the meantime, there is no shortage of willing takers for available out-of-town destinations. This summer, more than £600m of prime retail parks were in the process of being transacted. In July, LondonMetric Property's MIPP (Metric Income Plus Partnership) joint venture with Universities Superannuation Scheme exchanged contracts to acquire Trostre South Retail Park in Llanelli near Swansea from charity Benesco for £12.8m. The 75,400 sq ft retail park is let to B&Q, Pets at Home and KFC with a vacant unit of 10,000 sq ft, formerly Dreams, which is subject to a two-year rental guarantee. The park is adjacent to the ↘



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Trevor Wood, Trevor Wood Associates



Whiteley in Fareham is a high street-style development

450,000 sq ft Trostre Shopping Park anchored by Tesco, Marks & Spencer, Next, Debenhams and BHS and for which M&G Real Estate is in £160m acquisition talks with Eddie Healey's Stadium Developments. In Wigan, TIAA Henderson Real Estate is looking at the purchase of the locally dominant 204,000 sq ft Robin Retail Park from M&G Real Estate for about £70m, while Orchard Street Investment Management is in talks to buy the 340,000 sq ft St Andrews Quay retail park in Hull from Threadneedle for about £94m.

With little or nothing by way of new development, the ongoing action will be focused on asset management. For retailers the question is just how much investment the new owners can

justify, a point acknowledged by British Land's head of investment, Darren Richards, who concedes that despite having supported the case for next generation retail parks with Whiteley in Fareham – a tree-lined, high street-style development with double-height glazed units and a series of public squares – it can be tough to make the numbers add up. "The results we've achieved at Whiteley have really supported our assertion that there are tangible results from upgrading and improving retail park sites. When we look at the results in what is a relatively small catchment, clearly you have to feel even more could be achieved in a major conurbation," he says. "However, to transform a park to the

extent we were able to achieve in Fareham means knocking large parts of existing schemes down and that is going to be difficult for any landlord to justify."

Instead, the evolution of retail parks is more likely to be through refurbishment and, of course, the further addition of leisure. Last autumn, Hercules Unit Trust (HUT), the specialist retail park fund advised by British Land and managed by Schroders, opened a £9m, 45,000 sq ft leisure extension at Glasgow Fort, which included a multiplex Vue cinema and 24,000 sq ft of restaurant space let to TGI Friday's, Prezzo, Harvester, Chiquito and Pizza Express. "The addition of the restaurants has added 10% to the footfall for ↘

TOP 10 DIRECT RETAIL PARK PROPERTY OWNERS

Rank	Rank		Direct property owner	Total area on retail parks (million sq ft)	
				2013	2012
1	2	▲	British Land	6.64	3.39
2	1	▼	Hammerson	4.32	4.28
3	4	▲	Land Securities	3.05	3.01
4	5	▲	Henderson UK Retail Warehouse Fund	2.74	2.62
5	6	▲	The Crown Estate	2.66	2.30
6	7	▲	Prudential Life Fund	2.41	2.11
7	8	▲	Peel Holdings	1.75	1.70
8	13	▲	M & G Property Fund	1.57	1.21
8	10	▲	BlackRock UK Property Fund	1.55	1.48
10	9	▼	Coal Pension Properties	1.51	1.51

TOP 10 RETAIL PARK INVESTMENT MANAGERS

Rank	Rank		Owner / investment manager	Total area on retail parks (million sq ft)	
				2013	2012
1	1	-	British Land	8.72	8.69
2	3	▲	Hammerson	4.86	4.81
3	5	▲	Land Securities	4.84	4.24
4	4	-	Henderson UK Retail Warehouse Fund	4.38	4.34
5	2	▼	The Crown Estate	4.34	4.88
6	6	-	Prudential Life Fund	3.69	3.81
7	7	-	Peel Holdings	3.49	3.45
8	8	-	M&G Property Fund	3.24	3.20
8	10	▲	BlackRock UK Property Fund	3.14	2.94
10	11	▲	Coal Pension Properties	3.08	2.79

the scheme,” says head of retail park asset management John Maddison. “Average retail spend is also up from £14 to £20 and among those who use the leisure is 36% higher than those who do not. But it’s not only in these major extensions. At Valentine Retail Park, Lincoln we only had space for a Costa Coffee pod but even the simple addition of that improved footfall by 5%.”

Keeping active

There is an increasing move to improve leisure on retail parks, adds Mark Rudman, director, out-of-town retail and leisure, at DTZ. “Some landlords are aiming for 20% to 25% leisure/restaurant provision on their schemes, with extremely strong demand from restaurant operators,” he says.

However, Rudman points out that large-space retailers also remain active. “Furniture and homewares demand is still strong, including Sofaworks, Barker & Stonehouse, Harveys, DFS, Oak Furniture Land, Wren Living, Next and Home Sense, which are all acquisitive,” he says. “We also have new entrants CFS and Lewis’s Home, plus value operators B&M and Home Bargains also dipping into this sector.

“Operators like to cluster together and Lidl, Aldi and now Netto – after the Sainsbury’s agreement – are all looking out of town for convenient, accessible units. On top of that, landlords are more open to shorter leases and turnover rents for the right operators.”

Trevor Wood, founder of Trevor Wood Associates, points out that the market has increasingly been able to absorb vacant space created by administrations and downsizing. “Since the beginning of 2013 tenants such as Dreams, HMV, Internacionale, Blockbuster and others,

FAST GROWING RETAIL PARK TENANTS JANUARY 2014

Rank			Retailer	Total area on retail parks (million sq ft)		% increase in area*	Increase since 2012
2013	2012			2013	2012		
11	16	▲	B&M	2.28	1.54	48%	0.74
23	26	▲	Home Bargains	1.25	0.93	34%	0.32
18	24	▲	Poundstretcher	1.46	1.17	25%	0.29
12	12	-	Dunelm	2.17	1.88	16%	0.29
8	9	▼	Pets at Home	2.60	2.34	11%	0.26
39		▲	Wren Living	0.46	0.22	105%	0.23
5	5	-	Next	3.30	3.10	6%	0.20
9	10	▲	TK Maxx	2.45	2.27	8%	0.19
20	22	▲	The Range	1.42	1.24	14%	0.17
37	41	▲	Bensons	0.53	0.36	45%	0.16

* % increase in area - since 2012/ increase in area (million sq ft)

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Landlords are more open to shorter leases and turnover rents for the right operators

Mark Rudman, DTZ

have either been put into administration or entered into a CVA. Some resurfaced under new, slimmed down, ownership with a reduced number of units while others disappeared completely,” he says. “Luckily, all is not doom and gloom. If you look at the space created by the failure of MFI way back in November 2008, the eventual failure of Focus in May 2011, the

administrations of JJB Sports in September 2012 and Comet in December 2012, the pre-pack administration of Dreams in March 2013 and the restructuring at Staples at the beginning of 2013, we can see positive signs of take up by a number of other retailers with a number of other units under offer.”

British Land believes that for this trend to continue, retail parks will have to keep innovating with, for instance, wi-fi, well-maintained and well-landscaped environments and local websites and apps to add to the natural advantages held by bigger box retail such as accessibility and free parking. “What’s important is that these new retailers to the out-of-town sector are not one-offs,” says Richards. “What we want is the environment and operational side of a retail park to encourage those retailers to start opening stores across our estate.” ■

TOP 10 RETAIL PARK RENTS

Rank	Rank	Rank	Rank	Rank	Highest rent (£ per sq ft)	Year achieved	Scheme	Location	GIA sq ft
2013	2012	2011	2010	2009					
1	1	1	1	1	£105	2008	Fosse Shopping Park	Leicester	416,536
2	2	2	2	2	£75	2006	Brookfield Retail Park	Cheshunt	90,000
3	3	3	3	3	£65	2005	Colney Fields Shopping Park	St Albans	58,212
4	4	4	4	4	£63.75	2008	Birstall Shopping Park	Leeds - Birstall	163,730
5	5	5	5	5	£62.50	2005	Castlepoint	Bournemouth	645,000
6	6	6	6	6	£62	2008	Parc Fforestfach	Swansea	134,808
7	7	7	7	7	£60	2005	The Fort Shopping Park	Birmingham	283,988
8	8	8	8	8	£57.90	2007	Teesside Shopping Park	Stockton-on-Tees	350,606
9	9	9	9	9	£55	2007	Fort Kinnaird	Edinburgh	506,000
9	15	15	14	25	£55	2010	Glasgow Fort Shopping Park	Glasgow	440,000
9	16	16	15	14	£55	2013	Ladymead Retail Park	Guildford	128,000
9	9	9	9	9	£55	2006	New Mersey Shopping Park	Liverpool	483,268
9	9	9	9	9	£55	2005	Brent South Shopping Park	London	94,417

Top rents exclude A3 and leisure units as well as those units under 4,000 sq ft

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