

The rise of healthy high streets

From an increase in independent health stores to a rise in healthy options in food courts, the health food market continues to grow in the UK. What effect is the rise in healthy eating having on property portfolios? **John Reynolds** investigates

The health and wellness sector is on the front foot and, in some quarters, thriving.

A litany of companies from big to small, established to start-up, are plotting to expand their store portfolios, buoyed by the seemingly never-ending consumer demand for healthier products and lifestyles.

While the UK health food market has arguably not grabbed consumer interest like it has in the US and some European countries, companies that have carved a particular niche or been in receipt of continued investment are performing strongly.

Holland & Barrett, Planet Organic and Whole Foods Market are all established purveyors of healthy products and continue to spy new property opportunities.

Concurrently, the phenomenon of eating healthy grab-and-go snacks and the popularity of local food markets is helping start-ups sprout in towns and cities across the country.

Many of these new businesses take their inspiration from the US, a pioneer in health food trends.

London-based Pod, for example, which specialises in fresh salads and wholegrain porridge, has grown from an experimental company into a multimillion pound business in 10 years.

Now with multiple stores, Pod was inspired by the speedy 'made-to-order' delis of Manhattan.

Buzzing and multifaceted, the health and wellness sector is presenting bountiful opportunities for established and new players alike, helped by government health campaigns

and the country's obsession with staying fit. As Pod founder Tim Hall says: "People can't unlearn that eating butter and fat is bad for them – the trend of awareness about health will continue where other food fads fall by the wayside."

Holland & Barrett

Holland & Barrett has cemented itself as a leading authority on vitamins, sports and other food supplements, not only in the UK but also in Europe and further afield.

Owned by health group NBTY, the vitamin and supplement seller's 620-plus stores in the UK and Ireland are now complemented by a growing estate in Belgium and the Netherlands, and a franchise business in countries such as Kuwait, the UAE and China.

In the UK, its property portfolio is roughly split between high streets and shopping centres. It opened 26 stores last quarter, with a further 33 planned this quarter, which will be a mixture of new stores and the relocation of existing shops.

Typically, its UK stores span between 2,500 sq ft and 3,000 sq ft on 10-year leases with a five-year break clause.

Gurdial Flora, Holland & Barrett's group property director, says: "The longest [lease] we will do on a new store is 10 years, unless it's a London West End location. We wouldn't open a store where we didn't see us being there for another five years."

Flora adds that Holland & Barrett wants to establish a strong foothold in retail parks while trying out new store formats and new territories, such as the US. ↘



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TIM HALL, POD



Flora adds: "We are looking at retail parks. What we are looking for in any given location is footfall. In retail parks, there is obviously a lot of destination trade and there is a bigger catchment area for retail parks."

Leading the charge on the new format front is Holland & Barrett's free-from category stores, which are designed to cash in on a doubling in value of the free-from category to £365m in 2014, by stocking dairy, gluten and other free-from products.

Typically around 5,500 sq ft, Holland & Barrett opened its first free-from store in Chester this year as part of plans to launch 50 overall.

Grape Tree

While Holland & Barrett has managed to strike a chord with the public, rival health food chain Julian Graves fell into administration in 2012.

An easy reading would be to suggest that it was the consumer downturn that spelled Julian Graves' demise. However, the woes of the retailer, which had 189 stores, were more complex and fundamentally linked to a lack of investment in its stores.

However, out of chain's ashes rose Grape Tree, set up by Julian Graves founders Nick Shutts and Nigel Morris.

Launched in 2012, Grape Tree now has 64 stores – a mix of high street and shopping centre outlets, some of which are former Julian Graves sites – that sell dried fruit, nuts and confectionery.

According to Shutts, the business has the potential to open 20 stores a year, but he says this may not necessarily be the case and it is unlikely to grow to the size of Julian Graves.

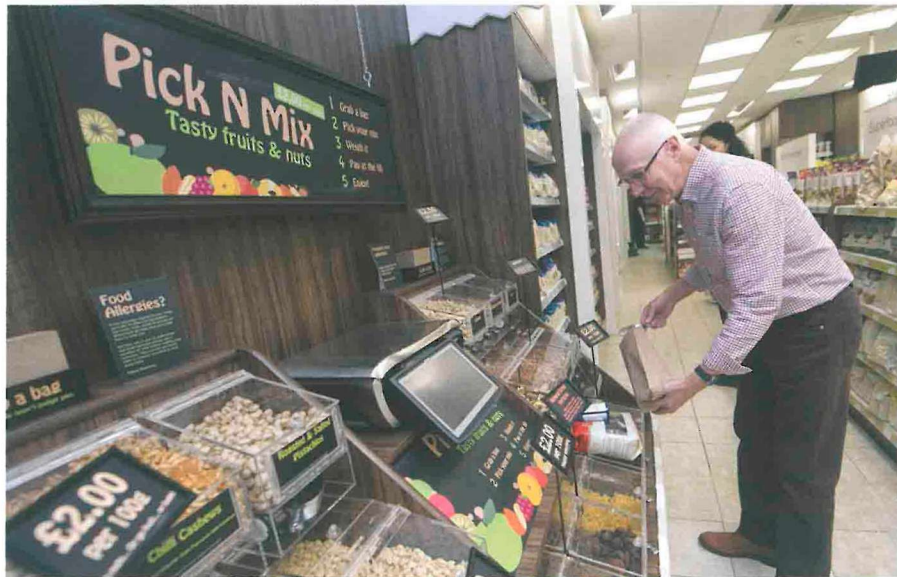
Shutts, who picks up emerging health trends from areas such as South America, says: "We have picked the low-hanging fruit, raced to a critical mass, so I am a little ambivalent about store openings going forward. I will only be taking particularly good deals."

Like Holland & Barrett, Shutts prefers to take on 10-year leases. He explains: "Ten years is a relative time compared with my lifespan. Five years is ok for a break. If the shop hasn't grown to profitably by five years, we can get out."

Planet Organic

Similarly, Planet Organic plans to expand its portfolio of stores beyond its cluster in London.

When it launched 20 years ago, Planet Organic was billed as the UK's first organic supermarket, a title that helped it establish a foothold in the capital and capture a dedicated throng of upmarket, health-conscious consumers.



Holland & Barrett wants to establish a foothold in retail parks to complement its high street stores

Planet Organic is just opening its seventh store in London but, like many, its expansion plans are partly hamstrung by hot competition from the likes of eating outlets such as Wagamama and Bill's.

Al Overton, Planet Organic's head of buying, says: "The challenge we have is that we are looking for the magic kind of 3,500 sq ft to 4,500 sq ft property that a lot of people are looking for."

Another constraint, according to Overton, is that its growth potential outside of London is limited as it doesn't have a centralised warehouse.

Instead it relies on individual suppliers, which are reluctant to transport products up and down the country.

Logistics aside, Overton is convinced that Planet Organic's mix of raw foods, groceries and beauty products would be a success across the country.



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AL OVERTON, PLANET ORGANIC

Overton adds: "I think there is a rise in popular consciousness about health foods. I think we could open in most high streets and have decent shops."

Taking inspiration from the US

Planet Organic, like Holland & Barrett and Grape Tree, keeps an eye on the US market for emerging trends.

Overton says: "I don't think the health food market in the UK has much in common with continental Europe.

"I think it's closer to the US and the trends generally come from the US."

He points to trends that emanated in the US, such as plant-based diets and gluten-free health food snacking, which have grabbed a foothold in the UK market.

Thomas Rose, head of leisure and restaurants at Cushman & Wakefield, is in agreement. He says consumer fervour around trends such as drinking pressed juices and grab-and-go food can be traced back to the US, in particular to LA.

Rose says such concepts "definitely have long-term potential" to trickle down into towns and cities outside of London.

The health and wellness sector is thriving, buoyed by established players continuing to grow their brands and new entrants to the market.

While online players such as snacking company Graze continue to disrupt the industry, the health and wellness category is so wide and varied that there is room for players of many different types.

With the government's continued focus on health campaigns, coupled with the public's love of staying fit and healthy, it seems the category will be in rude health for a long time to come.