

## FOOD

Around 3,000 more food outlets are predicted to open in shopping centres and on high streets by the end of next year but, as **Ben Cooper** discovers, catering to customers is set to meet some new challenges



Tortilla at Grand Central Birmingham

## Satisfying appetites for

# EATING OUT

**L**ike a lot of retailers today, Smiggle head of UK property Matt Taylor has a lot to say about the restaurant business. Shopping and eating out used to be separate activities, with the latter a rare treat for most.

Now we are shopping and eating out in the same places. And we've become a nation of diners, it would seem. "We've moved towards a more European eating out culture," says Taylor. "The leisure market has developed so far that we are past the point of habit forming."

And the good news for retailers, and landlords nervous about footfall and vacancy rates, is that shopping centres have become hotspots for diners.

From the Corn Exchange in Manchester to Hammerson's Grand Central in Birmingham to Westfield Stratford, retail space has given way to a whole raft of burger restaurants, Asian street food markets, Mexican taco joints and hipster coffee chains. And they're still expanding.

But we live in uncertain times. Brexit and the prospect of inflation are taking their toll on confidence, if not economic performance, and when people are feeling the pinch, eating out is often the first thing that gets curtailed.

So has the food sector bitten off more than it can chew? And what does it all mean for retailers?

and when people are feeling the pinch, eating out is often the first thing that gets curtailed.

So has the food sector bitten off more than it can chew? And what does it all mean for retailers?

### Going large

Between January 2014 and January 2017, 2,185 clothing, footwear and white goods stores closed down in the UK. In the same period, 2,998 restaurants and cafes opened, according to Cushman & Wakefield's UK Food & Beverage Market report, published in May.





Mowgli at Grand Central Birmingham

**FASTEST GROWING UK F&B**

Number of restaurants each chain added between 2014 and 2016

1	Nando's	33
2	Pizza Express	20
3	Frankie & Benny's	20
4	Bill's	18
5	Wagamama	17
6	Prezzo	15
7	Côte	14
8	Ed's Easy Diner	12
9	Byron Burger	11
10	Five Guys	11
11	Itsu	9
12	Chimichanga	8
13	Chiquito	8
14	Zizzi	7
15	Bella Italia	7
16	Carluccio's	6
17	Cosmo	6
18	Giraffe	6
19	Turtle Bay	6
20	Wildwood	6

SOURCE: SAVILLS RESEARCH DEPARTMENT

But what grabbed headlines was the fact that this is no fad: the eating out market is set to grow by 17% over the next four years. Almost 3,000 units will be snapped up by restaurant chains, coffee shops and cafes during 2017 and 2018.

Thomas Rose, head of Cushman & Wakefield's leisure and restaurant team, says: "There's still huge growth in the sector; the data suggests that the macro-picture is good. The big picture is footfall. Wherever landlords have got good F&B [food and beverage] in there, footfall has gone up."

Indeed, the dining out renaissance has come at just the right time for landlords. Ecommerce has already stolen footfall from shopping centres and reduced spend in bricks-and-mortar stores. If it wasn't for the rise of a new generation of restaurants, cafes and grab-and-go outlets, void rates might be uncomfortably high.

But Capital & Regional investment director James Ryman says that, while the F&B trend has been a relief for landlords, there is a balance to be struck.

He cautions: "What you have to be careful about is how the retail and restaurant mix works and making sure you have F&B in the right places. There's no hard-and-fast rule as to how much catering should be in a centre. How much is in there is dependent on location and the type of retail there."

**"Why would you go to one centre if there's another shopping centre down the road with exactly the same restaurants?"**

**Thomas Rose, Cushman & Wakefield**

When former restaurateur Sarah Fox took over as head of restaurants and leisure at Hammerson in 2010, 5% of the landlord's national portfolio was taken up by dining – now it's 10%. She says there are good reasons why Hammerson has sought out new F&B tenants.

Fox says: "There have clearly been factors that have influenced the shopping centre environment. With the growth of online retailing there's been a need to create more reasons to drive people into our shopping centres. One of the ways to do that is with F&B."

And it isn't just landlords that like to see restaurants opening their doors. Taylor says there's a tangible "positive relationship" between food brands and retailers, not least because food operators are filling voids left by the shrinking retail market.



He says: "We've seen lots of places where food and leisure have been brought in and everywhere that's happened it's had a positive effect. The leisure industry has picked up a lot of the supply from retail failures; it's becoming more collaborative."

## Warnings to heed

The collaborative power of retail with food and leisure makes it all the more important to bear in mind the warning that came with Cushman & Wakefield's report in May. The projected growth of F&B assumes shoppers will be willing to spend more and more on eating out – £1.4bn more by the end of 2018, to be precise – which is by no means certain given the prospect of price inflation and the wider uncertainties surrounding Brexit.

And head of food and beverage at Trefor Griffith Grant Thornton says the shock referendum result has brought up another worrying question.

He says: "It's an uncertain time because of Brexit. There are so many employees in the sector from outside the UK. There's been a 20% increase in the number of casual dining establishments in the past five years, but since Brexit people have been struggling for quality staff. F&B has almost been a victim of its own success."

Add to this wage inflation, the rising cost of buying goods, the new apprenticeship levy and the prospect of European workers leaving the UK over the next two years, and it would seem the F&B business has some of its harder days ahead.

But what Fox describes as something of a "Wild West" in F&B over the past five years might just be settling down.

There have already been some high-profile restaurant administrations – Ed's Easy Diner and Handmade Burger Co to name two (both of which were bought and continue to operate) – particularly where chains expanded too rapidly.

In July restaurant group Prezzo put 27 of its less profitable sites on the market – including some from its Chimichanga chain – following similar moves by Jamie's Italian, Strada and Byron to ditch what British Land F&B asset



Kingfisher Centre in Redditch

manager Alice Keown describes as the "tail of their estates".

She says: "We are experiencing a sustained growth of the sector within our portfolio but understand there is growing polarisation of locations, with good locations continuing to grow and less strong locations struggling."

So if there's already rationalising of chains happening, can Cushman & Wakefield's prediction of 3,000 more restaurants and cafes opening be correct? And if they do all open, will the spend be there to make them sustainable?

Rose says the habit of dining out in malls is here to stay, but could be due a period of adjustment. He says: "On a micro-level, there are questions about over-supply or under-supply. There are examples where there is over saturation in certain towns, and repetition. Why would you go to one centre if there's another shopping centre down the road with exactly the same restaurants?"

Which is precisely where Philip Bier, former head of Tiger in the UK and now chief executive of Bier Retail, says landlords are going wrong – to the detriment of retailers. He says: "Landlords are slow in understanding that only considering the covenant strength of a brand is really short-sighted. There's more to it than that. They are being too predictable. If you saturate a market with those you can't distinguish one from the other. If it was driven by quality rather than covenant it would be more sustainable in the future."

Retail and F&B are, as Taylor describes, reaching new heights of collaboration and co-dependence. This bodes well, because existing cohesively will become increasingly crucial to ensure the mix of eateries and retail promotes the survival and success of both.

## EATING OUT INTEGRAL TO RETAIL

It is a sign of the times that at Revo's big retail property and placemaking conference in Liverpool this month, Leon co-founder Henry Dimpleby will appear on stage. Revo chief executive Ed Cooke says that it makes sense because food and beverage (F&B) is no longer an afterthought in shopping centres.

He says: "It is almost exactly 10 years since F&B came of age as a use in shopping

centres and retail places. In 2007, as the global financial crisis began to take hold, F&B operators emerged to occupy the space that risk-averse retailers no longer wanted to fill. The symbiotic relationship between retailers, F&B operators and landlords endures today."

*For more information on Revo, see page 31*