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Interview with Lee Richardson, leisure property developer and LPF Leisure Personality of the Year 2000

Anthony Walker and Lee Richardson

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Walker: Richardsons are seen very much as major players in the leisure industry, and major property developers. What brought you into leisure developments as such — Star City, Printworks — what led you to do that?

Richardson: The Printworks came about after the unfortunate bomb in Manchester. The task force identified uses that they wanted for the new city centre of Manchester and an urban entertainment centre (UEC) was one of those uses, as the Printworks. For Star City, originally we were going to do a retail scheme but the birth of the UEC came. We were lucky enough to be asked by Warners to provide a 30-screen cinema so we had an anchor already in place. We switched from a retail park, which we probably wouldn't have got planning for anyway, immediately to a UEC once the main actor was already in place and we had three or four cinema operators actually asking for space.

Walker: So this was really capitalising on the opportunity — you hadn't set out as part of your business plan to move into leisure development?

Richardson: No. As the telephone rings in our office you have to jump in a car like I've done this morning, travel 100 miles, it could be for the office sector, industrial sector, retail sector, everything bar residential, it could be any sector. You've got to be prepared to look at a lot to do a bit in the property industry: you look at 30 pieces of land and 29 can go in the bin. I do have my preferences for which sector I deal in; I don't have any regrets about being in any other sectors but some are easier than others.

Walker: Which are the easy ones?

Richardson: I don't think any are easy, I think property now is pretty long winded: it's not like buying and selling a car in that you

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can do it in 12 hours; property involves years, not months or days. I would say my favourite sector would probably be industrial — it's easier to build, easier to manage and you have potentially thousands of customers out there that you can let the buildings to.

Walker: So would you say that leisure is possibly the most difficult in terms of management, or is it on a par with retail?

Leisure: A new market

Richardson: I wouldn't say it's the most difficult, I would say that what you've got to do is have your management strategies right. In the leisure market, with UECs, everybody five years ago was learning, the developers, the investors, the operators, the builders, the general public, everybody. It was a new concept, a relatively immature market, and it is still finding its feet at the moment, so I don't think anybody really knew what they were starting to undertake. I think with regards to building leisure, it's the same as anything else. As long as you've got the customer in mind — the customer being the operators — and as long as you've got customers who are going to come and spend money I think that you should be OK.

Walker: There's been a lot of talk about retail and leisure developments and the synergy between the two. Both Printworks and Star City, although they have a bit of retail, are really almost totally leisure or A3 developments. Do you think that this might begin to swing back to more of a mix given the problems in the multiplex sector?

Richardson: I think it's important to have a mix, be it just a leisure mix or be it just a retail mix. Obviously, for leisure schemes you want the different mixes, you want the pub goer, you want the club goer, you want the health and fitness goer, you want the casino goer, you want the cinema goer, and so forth, so you want the complete mix. You don't just want 24 pubs that would only attract the drinker. As for retail and leisure in the schemes that we have done, if you just take Star City and Printworks (as you know with Croydon Fiveways and Regency there's not been any retail really), from what the operators tell me the mix has worked well.

Walker: So you see a growing retail-leisure mix?

Richardson: Yes, I think they can trade alongside each other, most definitely. That's what's being shown at the moment and I don't see any reason why that should change.

Walker: What about Merry Hill, does that have a leisure content?

Richardson: It does have a leisure content, it has a cinema with UCI

which we originally built, there is also the Waterfront opposite, which we don't own anymore, but there is a leisure offer there.

Walker: I was thinking that at the time you did own it, you put leisure in there as well.

Richardson: Only a bar or two and a restaurant or two and a food court with several eateries and of course fast fooderies, but there wasn't a leisure offer there as we know it today. There are leisure offers at the Waterfront complex opposite, as well as a hotel that we have been involved in, with Millennium Copthorne, but not to the extent of what's been born in the last four or five years. We were looking at improving the offer at Merry Hill all the time.

Brand names

Walker: MWB were telling me that at one stage there was some thought that Printworks might be called Star City again. Was that something you thought of, developing a brand of Star City in the same fashion as Heron City?

Richardson: That's not true. Early on in the proceedings MWB asked if they could buy the Star City name from us and we said yes. It was always our intention to call Star City 'Star City', Printworks 'Printworks', Fiveways 'Fiveways' and for each of the sites to have their own brand and image. Obviously, you would have all sorts of problems if you called it Star City because MWB own Star City in Birmingham and if the Printworks were called Star City in Manchester, I think you'd throw up all sorts of problems for yourself there. I think as well you want to be careful, you want to make sure that the right image is across all the sites — if you've got a particularly bad site it might tar all the other sites with the same brush. There's nothing wrong with doing that, associating them all with the same name — it's not the way we've done it, but good luck to other people that have.

Walker: But you're really seeking to develop a more individual offer for the particular site?

Richardson: That's right. Fiveways at Birmingham meant something to the Birmingham people. Obviously, as we have three leisure developments in Birmingham we couldn't call them all Star City for those reasons. It's a route that some people look to pursue in certain parts of the country but it's not a route we went down.

Walker: And that's partly because you're nearly always going to trade them on? If you were going to hold them do you think you might have a different view about it?

Richardson: When the names are chosen you don't really know if you're going to hold them or not. You look at the market conditions, perhaps at the way your own company is going. What

we have always tried to do as a company is remain flexible, and if we want to sell it, sell it, if we don't want to sell it, don't sell it. It depends on various issues.

Walker: Do you think in that case because you're looking at a get-out more than Heron possibly are — they are tending to say that this is something we're going to hold for quite a long time — you are more dependent upon the funds to buy you out? There are a fairly limited number of funds, there's MWB and the new one that Humberts are setting up, do you see that as a problem?

Funding leisure developments

Richardson: No. On every scheme we have funded the vast majority of the programme with our own funds. We wouldn't rely on funds, at the moment I don't think that we're seeing any funds in the area that have got out of the blocks since the start of the year, which I am sure that people would agree with. I think if you rely on funds at the moment, you might unfortunately find yourself in a bit of difficulty. What we do is buy sites, get about 60 per cent of the way through the construction and leasing so you have got the majority of difficult decisions out of the way, and if you are lucky enough to be approached and the cheque is the right amount you keep moving on, and on to the next site; there's no particular agenda.

Walker: But if the figure wasn't the right one you would hold out until the right figure came along.

Richardson: That's right.

Walker: Because at the end of the day you are dependent on a fund in establishing the value even if you don't want to sell it to them. If there aren't many in the marketplace then presumably that depresses the value.

Richardson: Yes. There are various funds out there to buy, all competing for product as we all are.

Market sectors

Walker: Star City we just touched on. There has been quite a lot of talk about Star City and it attracting a quite large Asian group. When you actually did the development did you identify that as a particular catchment?

Richardson: I want to be careful on commenting on schemes that I don't own and don't manage, and people who have been customers to me. If people want comment on Star City and anything else we have sold to other people, I think the question wants to be pointed in their direction and they'll answer it how they want to answer it. In regard to that question, yes. The Asian, Chinese, whichever walk of life, plays an integral part in Birmingham, which is full of culture. Bollywood was certainly an intentional ingredient. We also

tried to have gambling, and succeeded in attracting various casino operators, but unfortunately we didn't get a licence. We've gone down that route twice with Treble A casinos; it's well known that Chinese people like gambling, and we wanted to attract the whole ethnic sector of the community to start this thing, of course we did.

Walker: I was thinking that Star City has a very ebullient architectural image, in contrast to the Printworks, which is exciting and fun but slightly more gentrified, to my mind. I wondered if when you'd identified a particular sector of the community that you had wanted to attract whether that image was aimed at them?

Richardson: Firstly, they're two totally different schemes — one is out of town, obviously. Sites have budgets, perhaps on one site you can afford to spend a little more money than on other sites, or it's perhaps just at what time you catch the market. At Star City, the internal atrium was always intended to open out on the first floor to the lobby and ticketing area. I would say that the internal mall at Manchester has different features, features that for no particular reason Manchester has got and Fiveways hasn't got, or Regency Wharf hasn't got. We had a sponsorship package at Manchester, providing several large screens. We realised that perhaps you could have a vidi-wall, an animated ceiling; that was a year after Star City, so we're learning all the time. Obviously, we all want to learn from each site to the next — you perhaps would have done one or two things differently and I think that's the same with everybody. You learn by your mistakes, not that mistakes were made.

Walker: You used John Jerde on Star City, and RTKL on Printworks. What do you think American architects bring as an added value?

Richardson: Those practices have worked heavily in the urban entertainment market in Las Vegas, San Francisco, Los Angeles, places where this has been tried and tested. We felt it was better to go to people who had done this sort of thing before rather than using somebody else that hadn't, who would be cutting their teeth on the development and wouldn't have the experience. We couldn't afford to take that gamble. They had worked with various operators before, with what was working in the States. We wanted to bring over that knowledge. We're now using HOK. We used a couple of English firms for other projects but using the Americans brought a different way of thinking of the leisure experience.

The bottom line

Walker: What you've said before is that you're interested in the bottom line, presumably the bottom line for you is 'does it make money'?

Richardson: I think that's one of several very important aspects. We

need to make sure that these schemes are profitable, we wouldn't be here tomorrow if they weren't, but there are many other important issues as well. It's not just the bottom line. I would like to make the point that if you look at our five or six leisure schemes that have opened in the last year or are going to open this year, you can see that we have spent every last penny that we have been able to, and have gone over and beyond our budget on I think all of our sites. To be fair, you can see quality, we've not skimped. They are all sites of quality and look good and I'm proud of them.

Walker: What's coming through this year?

Richardson: We've got one opening in Birmingham, Regency Wharf, which is about 40,000 square feet, predominantly restaurants, one or two bar concepts, just next to the Hyatt on Broad Street. We've not funded that, either because there's nobody out there to fund it to, or it's not an attractive offer to sell it. If there was an attractive offer to come through tonight I would sell it tonight. I think it's a great example for your earlier question: if there are no funds coming through we should carry on building it with our own finances and if she's not sold by the time she opens so be it, we won't sell it; if someone doesn't walk through the door for another four or five years so be it. We've also got the former Grants department store in Croydon, about 180,000 square feet fully let, really all we've got to do is build it, but we have sold that. We've some great names in there and it should do well.

Walker: We look forward to that. You referred to both projects interestingly as 'she'. Is this a sort of seductive love affair with these projects?

Richardson: No! No!

Walker: It's quite interesting that you are giving them a personality, it's not just 'it'.

Richardson: They are all individual: you have some sleepless nights over all sites, not just in the leisure industry. The market changes from week to week, you'll have some bad 'phone calls one week and your outlook on life is not too good, and then some good ones the next. What we try and do is stick to some fundamentals, keep the overheads down, don't borrow at the bank, try to buy sensibly, those are the sort of things we stick to.

Walker: Multiplex is more or less out of the picture at the moment, not totally but pretty well. Do you see leisure developments like Regency Wharf having to incorporate more bars and things like that, at least in the short term?

Richardson: Yes, Regency was never a cinema opportunity, but I do think that a cinema is a very important part of a leisure experience, I can't think of many leisure experiences where there isn't a cinema. I think a cinema is fundamental, actually.

Walker: So really until the multiplex market comes back you're going to be fairly cautious?

Richardson: I think you've got to be cautious anyway, as you have in any market. If the site is right we're still finding cinema operators are interested. If the site is right.

Walker: It's just really that the rents went up too much, peaked and maybe have to drop down a bit, as I understand that the cinema audience is continuing to grow but not at the rate of the rental growth.

Richardson: Yes, I think what they have to ensure is that they get a good product out of Hollywood, I would have thought that's what they want to concentrate on to get customers through the door, then the rents become very cheap.

Leisure leases

Walker: Do you think that leisure centres require short leases and hands-on management? From what you have said, in a way, I guess you're not looking at hands-on management because you're saying that isn't the particular sector you want to get into, you're happy to sell it on.

Richardson: The reason why, with management, is that we're only a small company ourselves and there are plenty of good management companies out there, and I think that the best way to go is to hire out the management.

Walker: But it means that somebody like Heron can afford to say 'give short leases' because they are taking that long-term view.

Richardson: I could do that. If we were taking a longer-term view like other people, you've got to get in there and really work on the asset, make the asset 'sweat'. It's basic on an industrial scheme or something like that, create some atmosphere, get somebody in, take a bit more of a gamble with them if perhaps the covenant strength isn't there yet. I'm in a bit more of a difficult position because if we are looking to fund schemes obviously the length of lease is very important, strength of covenant as well. Which brings us on to strength of covenant. Many operators with perhaps not such a strong covenant are very good operators, and you need an element of those owner-operators running the drivers in the scheme. I fully believe in that: it's not just the nationals and internationals, you need the one-man-bands in there as well; it's that bit more personal, and we believe in that.

Walker: It's a difficult balance. What percentage would you have of owner-operators against the institutions?

Richardson: I don't know, every site's different, and it depends on size; it also depends on how your letting is going, and sometimes you're grateful for anyone to walk through the door. It is very important that these schemes are managed correctly. Security and cleanliness are most important, and that there is a sense of 'camaraderie' among the operators on the sites and they all have a sense of where the development is going to — it's all management.

Walker: Do you run any sort of workshops to get your tenants together before you open?

Richardson: Yes. My colleague did several down in London for the Printworks tenants and with Star City it was MWB. We had liaison meetings for other projects.

Walker: When did MWB actually take over Star City?

Richardson: Before opening. I felt responsible for the opening as that was more or less when they took the site over, and it was quite right that they opened the scheme, which was fantastic with Warners spending lots of money on their opening party. It would have been silly for Richardsons to open the scheme and then walk away that day: you want continuity. MWB were quite forthcoming in saying that 'we must do it'.

Walker: So that's quite a good working relationship.

Richardson: That's right and the same happened with the fund up in Manchester. I'm sure it will happen in Croydon, where MWB will take the opening themselves. Regency will be very different as it is restaurants and bars — they will open as and when they open. Some of these places don't all open at the same time.

Planning and licensing

Walker: The Department of the Environment, Transport and the Regions (DETR) has just published its report on leisure and tourism, and is still putting a lot of emphasis on Planning Policy Guidance Note 6 (PPG6) and sequential testing. They are reinforcing this idea that maybe leisure schemes have got to break down into their component parts. You've been doing city centres, Printworks, Fiveways, and you're doing out of town. Where do you see the future as far as you're concerned — are you going to find that planning's too difficult to do another Star City?

Richardson: I don't think you'll see another Star City, I think that Star City will be a one-off. Planning in any sector is now increasingly difficult; the emphasis is on regeneration in the town centre.

Walker: Does that mean schemes are likely to be smaller, do you think?

Richardson: It's difficult to find these clear sites now if you need 20 acres or so, and with city centre sites, you can maybe acquire one big building but it's increasingly difficult to get the required size on these sites. If it's a good location, you've got as much mass as you can get and you can make the scheme work, you make it work with as little as possible space. I think every opportunity is different in every city — it's what you can acquire and get planning for which is the important bit. It's also pointless having planning for something you can't let it for.

Walker: Would you say planning is the biggest hurdle, then, in doing a leisure development?

Richardson: Licensing, planning. We haven't had, I would say, much difficulty with planning for our schemes, I would say that licensing — and I'm not saying that we had a fight, I'm not saying that at all — but I would say that licensing has been very important to us. Without a licence the schemes are untenable, it's like having a car with no petrol/diesel. If you can't get these licences, as I couldn't for the casino at Star City, you have problems.

Walker: The idea that licensing may transfer to the local authority away from the magistrates might be better because at least in talking to the local authority at the planning stage you'd also be talking to the same organisation which is going to give the licensing.

Richardson: Yes, I can see some logic in that. What came home to me is that we had let the units, but without the licensing the units couldn't be let.

Walker: It's crazy that you can't get the licence up front, so you've got to build something in advance.

Richardson: And the cost, these applications aren't cheap. Of course if a licence isn't late enough for other operators ... all these are decisions which make or break the scheme. It's important that these commercial issues get over to the magistrates granting or rejecting licences.

Walker: What plans do you have for the next ten years?

Richardson: Although we're invariably not thinking that far ahead, we are a private company and shall be in property as long as it's profitable. If there was a better market to move into tomorrow,

which we have done before, we would change completely. Originally we weren't a property company but dealing in ex-army vehicles, moving on to vehicle dealerships. That market fell away, property was acquired while we still had those dealerships (before my time), then haulage, which I closed down last year as the industry is being taxed to death, as I am sure everyone has seen in the papers. I think it's important to move with the times, and if property stamp duty became that unbearable or some crazy laws are brought in by Whitehall and we decide to come out of property, we'll make that decision when it comes.

Walker: Final question, if you could ask Mr Blair for one wish that this government should deliver, what would it be?

Richardson: I think tax breaks would be an incentive.

Walker: Which could be related to enterprise zones and regeneration?

Richardson: Yes, that is an incentive, it's happened before. No planning on enterprise zones would really get the imagination going. There are plenty of areas that need regeneration, take the West Midlands.