Retail

AT LAST! Retail warehouse market round-up

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Abstract

This paper focuses on the retail warehouse and shopping park market and specifically on latest retailer activity and the current investment market. Retail warehousing is generally defined as ranging from bulky goods units to modern progressive shopping parks. As a sector, it outperformed all other property markets in the last 10 years with returns surpassing all other forms of retail property investment. The market is maturing in all aspects. Investors are becoming increasingly discerning and have heightened requirements in the fields of retail warehouse management, marketing, commercialisation, tenant and rental aspirations together with expectations and quality advice from specialist consultants. In turn, retailers are maturing with their requirements in the utilisation of space, flexibility of use and store design and signage taking, in some cases, hard earned lessons from the high street to the new arenas of out of town shopping.

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AT LAST, several deals and events key to the market have either happened or are with us soon. New market highs in terms of rents and investment yields, changes to planning legislation governing mezzanines and new entrants to the retail warehouse market to name but a few.

AT LAST, the legislation has come and whether you welcome it or not, it removes doubt over the mezzanine floors issue, crucial to out of town trading and one of the contributing factors to the growth in the market both in popularity and value.

Until now both landlords and tenants have, in many circumstances been able to effectively double floor space in a unit and indeed from a landlord's perspective, over the whole park through the unrestricted installation of mezzanines. This has also led to retailers accessing the market who need those mezzanines for overall cost effective space.

The government have sought to control this in England. With the government's growing focus on town centres, particularly regeneration, the ability for landlords to 'grow' floor space out of town and attract town centre retailers particularly to 'open A1 parks', has been seen to be a hindrance to government policy. Some parks at the initial planning stage have their overall floor space, capped by the planning consent granted but it is those without overall floor space restrictions, which have attracted attention. Therefore, while mezzanine development has not been 'banned', retailers and landlords will not be able to install mezzanines without planning consent following the reforms introduced by the ODPM. This means that parties will now have to apply for planning consent to put up mezzanines, whether for trading or storage purposes.

Any increase in internal floor space of more than 200sqm will therefore be brought under planning control with the exception of 'hot food'!

The effective date was 10 May but the reforms are not retrospective and decisions on unfinished mezzanines on 10 May are being taken on a local level by that particular Local Authority. The government's *raison d'être* has been that this will help them to support town centre regeneration.

AT LAST, Monsoon Accessorize's much anticipated stores have opened out of town at Broughton Parc, Chester, London Colney, Castlepoint, Bournemouth and Monks Cross, York. Fosse will open in the autumn. The market has needed, and is in continual need, of new entrants and while a new pure bulky goods retailer is awaited, the fashion park market has received a boost with the interest shown by Monsoon Accessorize in looking to new markets.

Other developments on retailer entrants include Blacks, WH Smith, Bank Debehra's, M&S for furnitures & GM stores and Ilva.

AT LAST, are Ilva's furniture stores are starting to open. Openings at Lakeside Thurrock, Gateshead, Manchester, Reading and Milton Keynes illustrating Ilva's commitment to the UK. As readers may recall from the previous 'Ilva article', stores are generally 120,000sqft over two levels with a very contemporary look with high-quality interiors and finishes. Having, virtually rebuilt the two former M&S Life Stores at Lakeside and Gateshead, Ilva's planned openings at Thurrock, Gateshead and Manchester are on target for this year with Lakeside opening being the first store. Visits to the Ilva stores in Denmark and Sweden show that they are almost as far removed from other Scandinavian retailers as one could get and the product coupled with the ability to either take furniture and accessory items away or have them delivered within one week is likely to prove to be a major attraction to the UK furniture and homeware customer.

The year 2006 has so far been a significant year for retailers with new concepts. Blacks, having successfully trialled stores at Lakeside, Thurrock, Northampton, Chelmsford and later Telford, are pleased with their out of town trading performance and enthused by the opportunities given out of town and planning further expansion with an active acquisition campaign. WH Smith launched 2 new concepts in town to compliment to their existing mainline stores, both in town centres and now on out of town shopping parks. The first is a specialist bookstore with shops being acquired in town and the market awaiting the first specialist out of town store. However, the acquisition of specialist stationery stores in town has developed into the acquisition of WH Smith's first out of town specialist stationery concept at British Land's Nugent Shopping Park, Orpington with an opening scheduled for early autumn.

Marks and Spencer, following a period of review are committing themselves heavily to out of town expansion primarily on the GM and Simply Food fronts but also rumours of a new furniture concept. Marks and Spencer stores will open at a number of prime shopping parks through the UK, with a recent opening at Monks Cross, York and summer openings planned for Deepdale Shopping Park, Preston and Teeside Shopping Park at Middlesbrough to name but two. However, there is now further interest in the business at looking once again at the furniture and Home concept, a market, which M&S has always identified as one where they could capitalise on with their position in that market.

AT LAST, speculation concerning Fosse has been put to rest with REIT selling their scheme after just one year to 'private Irish investors'. There soon followed the first deal in a long time with the surrender of Comet, so facilitating acquisitions by River Island and Monsoon who have been able to fulfil their requirements on this pre-eminent shopping park. Rents illustrate a new benchmark in the retail warehouse market.

AT LAST, with the continuing buoyant investment market, equivalent yields will reach 4%. While the investment market is yet to reach the frenzied activity of 2005, yields continue to fall as investors chase fewer and fewer opportunities to purchase prime open A1 stock. The prime example is Weaver's Wharf, Kidderminster, which was probably the first major scheme to come to the market since Christmas. Pent up demand as well as quality of product ensured that the asking price (admittedly light) was smashed by circa £30m!

There are signs of renewed market activity with some vendors now calling the top of the market and the general view is that the market will get steadily busier as the year progresses. One word of caution is that secondary bulky goods scheme are not on many investors shopping list and yields could start to weaken for this type of product.

In conclusion, at last, it is good to see retail continually evolving into new avenues with the press revealing that Asda are to sell houses from July which could even take them into the mortgage lending business. Customers will be able to buy homes via in store computers in a trial in 10 stores in the North East and if successful will be rolled out across the country. Asda never ceases to amaze and have launched 'Chav sweets' – a range of Love Hearts called 'Whatever's' with Chav phrases such as 'bothered' and 'minger' priced at 24p!