Reimagining retail property:

R^3

Tom Whittington

Director of Retail & Leisure Research, Savills

November 2021

THE ISSUES 2020-2030

- NEW BRANDS & FEWER BRANDS
- MORE INDEPENDENTS
- TOO MUCH RETAIL
- TOO MANY VOIDS
- MORE ONLINE & OMNICHANNEL
- PORTFOLIO CONSOLIDATION
- LEASES & VALUATION
- BUSINESS RATES
- MORE CONVENIENT & LOCAL
- BUILD TRUST LANDLORD & TENANT
- ESG
- AFFORDABLE RENTS
- MORE EXPERIENTIAL
- MORE ETHICAL & HEALTH CONCIOUS
- ADAPTABILITY OF SPACE
- ALTERNATIVE USES

Has anything changed?

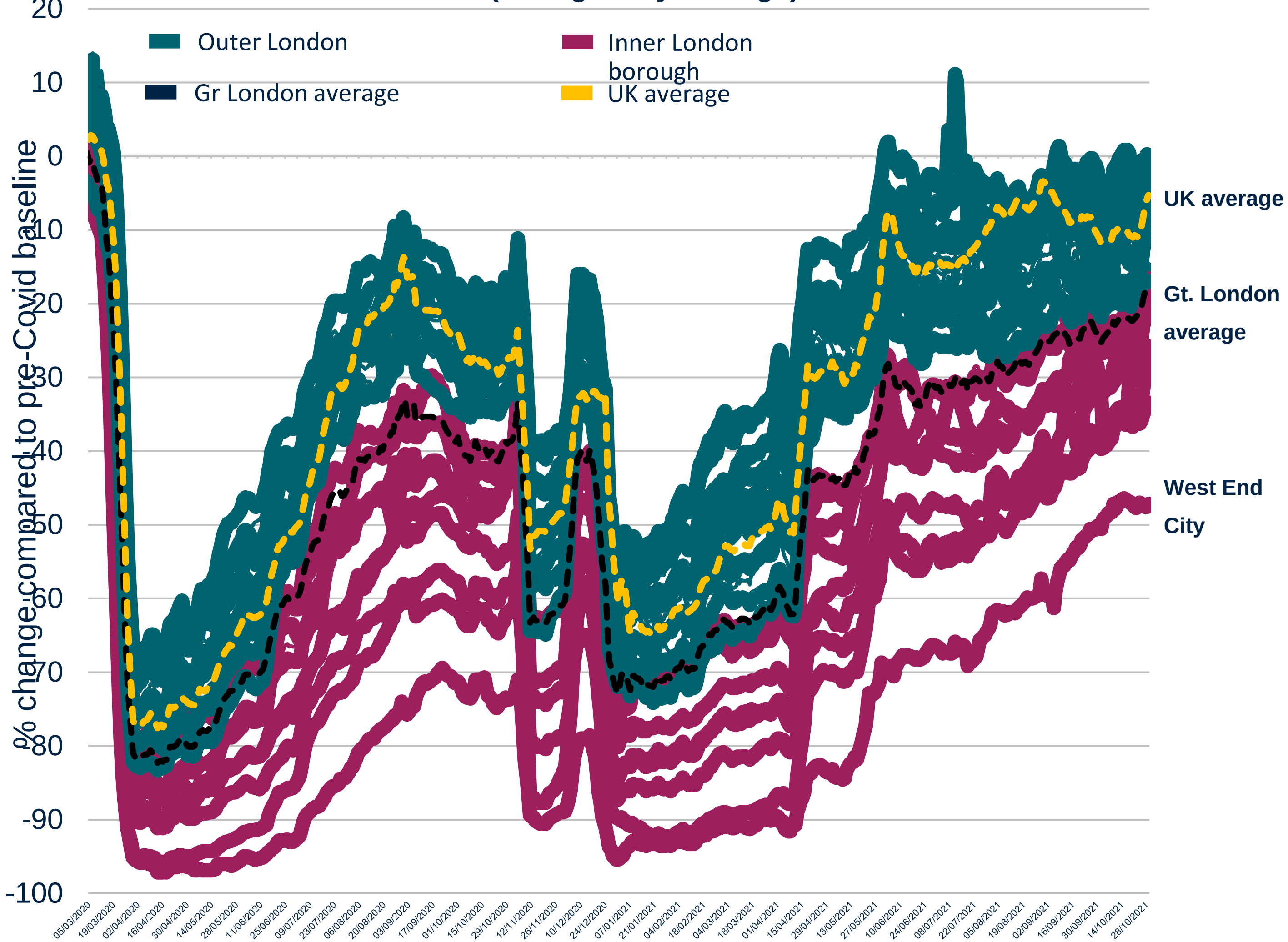
Accelerated Evolution

Polarised Shopping Trips

DESTINATION	THE LOST MIDDLE	LOCAL
EXPERIENTIAL		FUNCTIONAL
COMPARISON		CONVENIENCE
INDULGENT		ESSENTIAL
OCCASIONAL		FREQUENT
PREMIUM		VALUE

Localism & Community

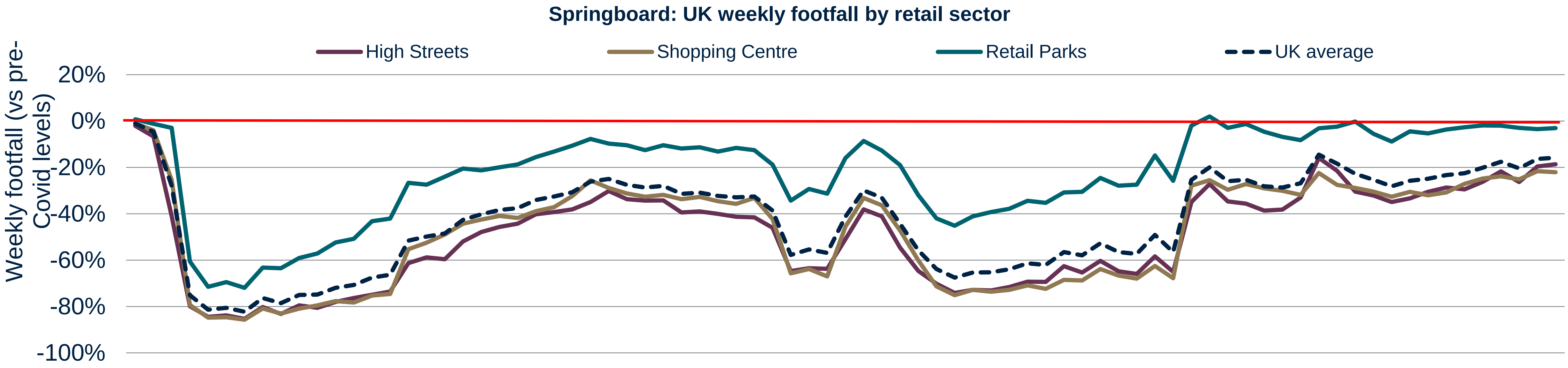
Google mobility data: London retail and recreation mobility (rolling 7-day average)

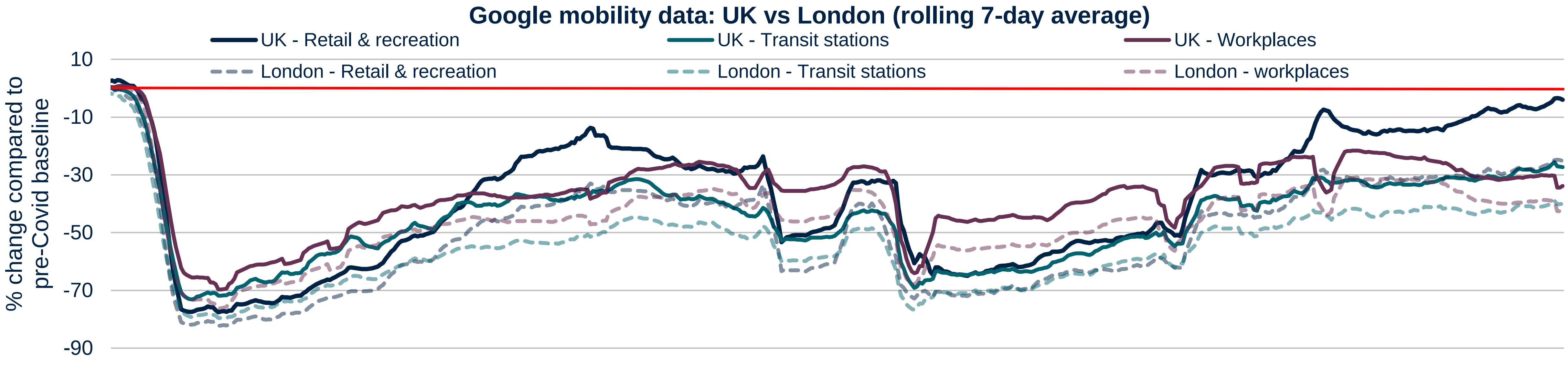


Source: Savills Research; Google Mobility

The Reopening of Retail

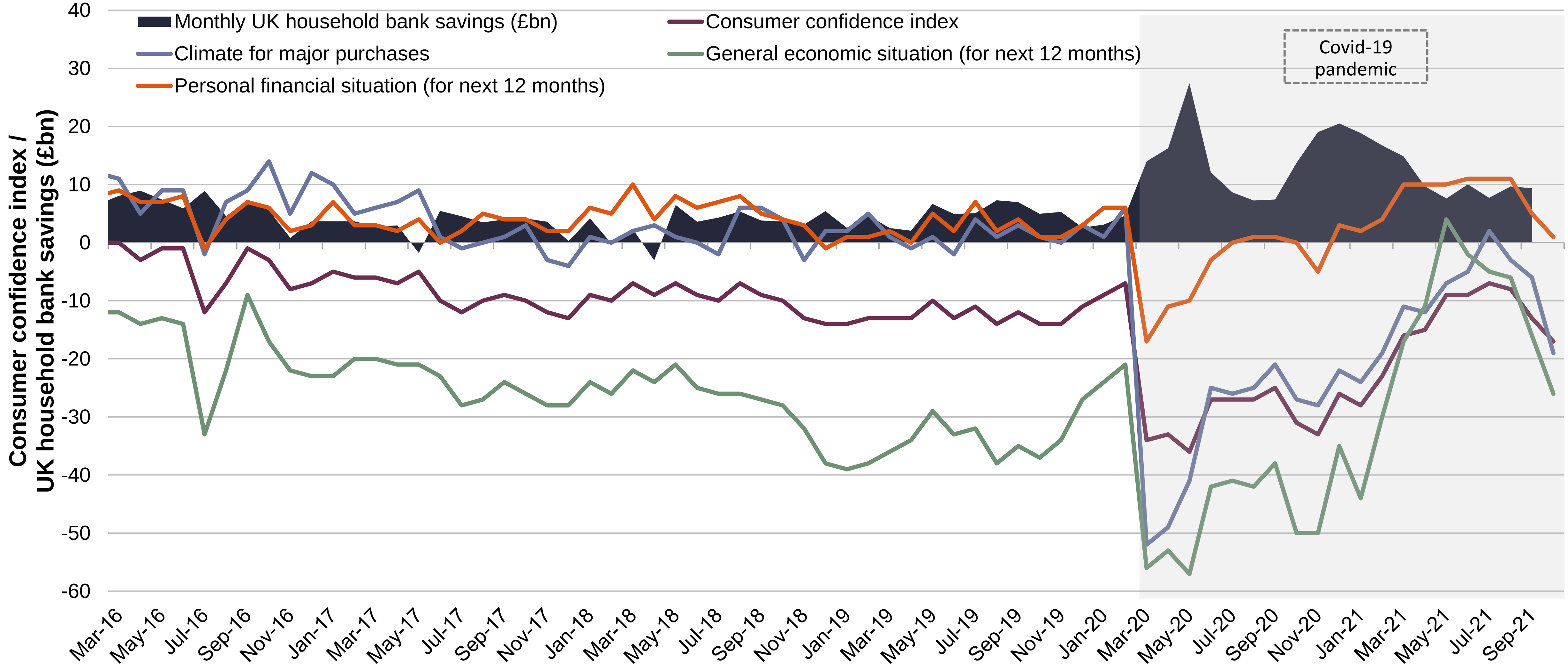
savills





Source: Savills Research; Springboard; Google Analytics

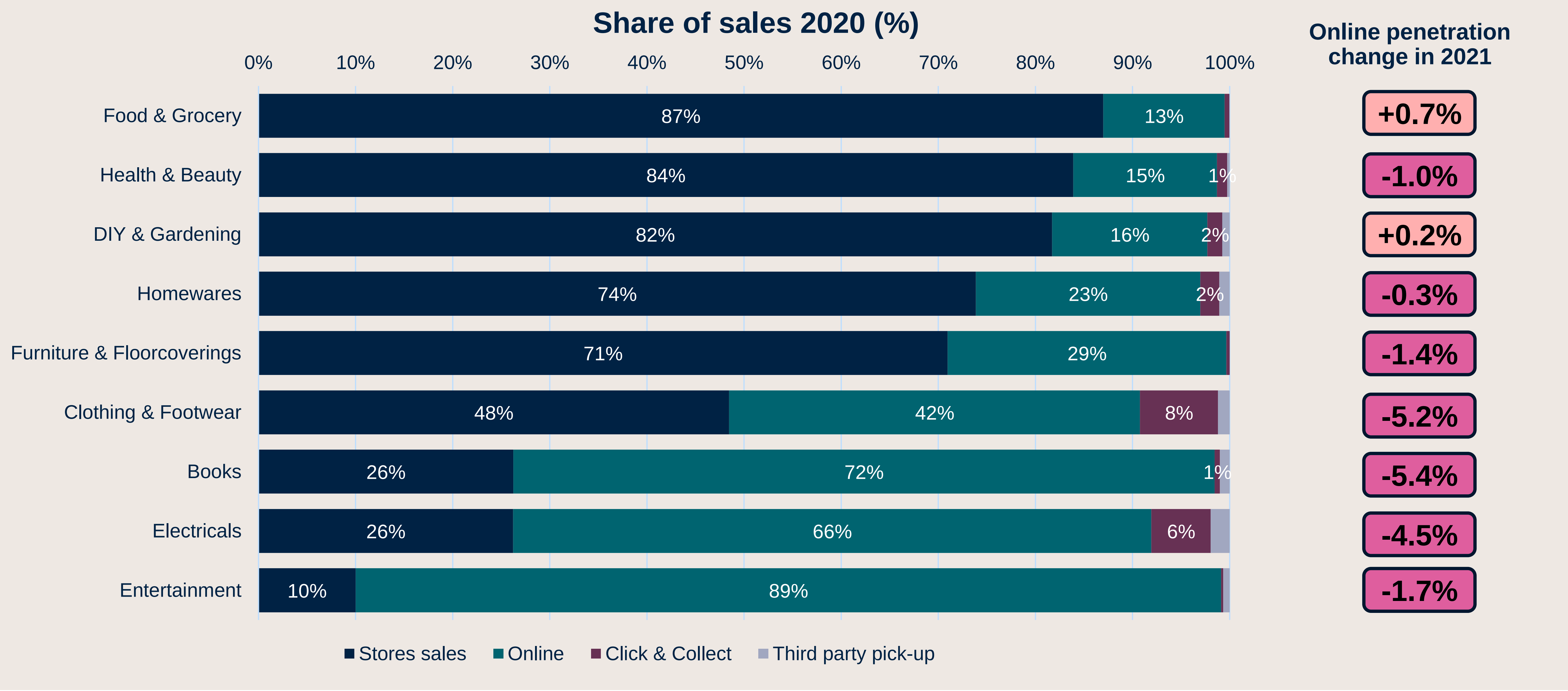
Consumer sentiment



Sources: Savills. Bank of England, GfK, Our World in Data

Resilience & Reduction

A Store's Purpose



Source: Savills Research; GlobalData

Retailer activity

savills

Aēsop, amazon, ALDI, ANTHROPOLOGIE, ANNE FONTAINE, ARITZIA, asics, ABG AUTHENTIC BRANDS GROUP, b&m, BLUE BOTTLE COFFEE, BOGNER, BROMPTON, BURBERRY LONDON, CANADA GOOSE ARCTIC PROGRAM ASK ANYONE WHO KNOWS, DECATHLON, Dr. Martens AirWair, 海底捞, Fielmann, FABLETICS, INDITEX, Foot Locker, GOLDEN GOOSE, HERMÈS PARIS, IKEA, MACKAGE, ISAIA NAPOLI, JD, LALIQUE GROUP, LIDL, lululemon, LVMH, sky, Maison Martin Margiela PARIS, MONCLER, NIO, Off-White, MAISON KITSUNÉ PARIS, MANGO, MOOSE KNUCKLES, snipes, On Run on clouds., PUMA, RALPH LAUREN, MADMAN ENTERTAINMENT, TOKYO SMOKE, The Range Home · Leisure · Garden, RH, RIVIAN, MARNI, THOM BROWNE. NEW YORK, DIESEL, GENTLE MONSTER, EATALY alti cibi, LUCID

Consolidation

40 new brands

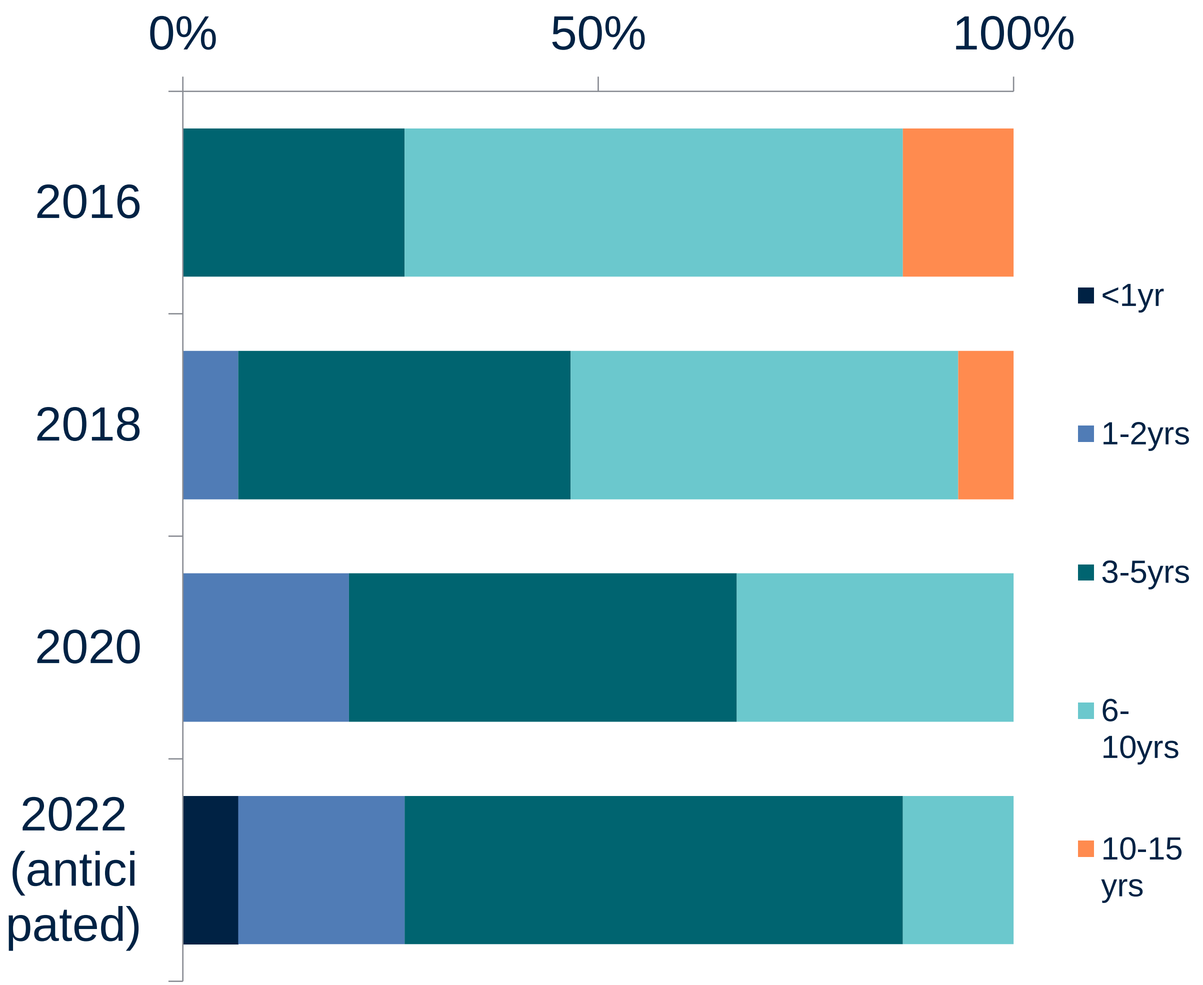
230 active brands

F&B key to growth

Lease lengths & Rents

savills

Average Lease Lengths on Landlord's Portfolio



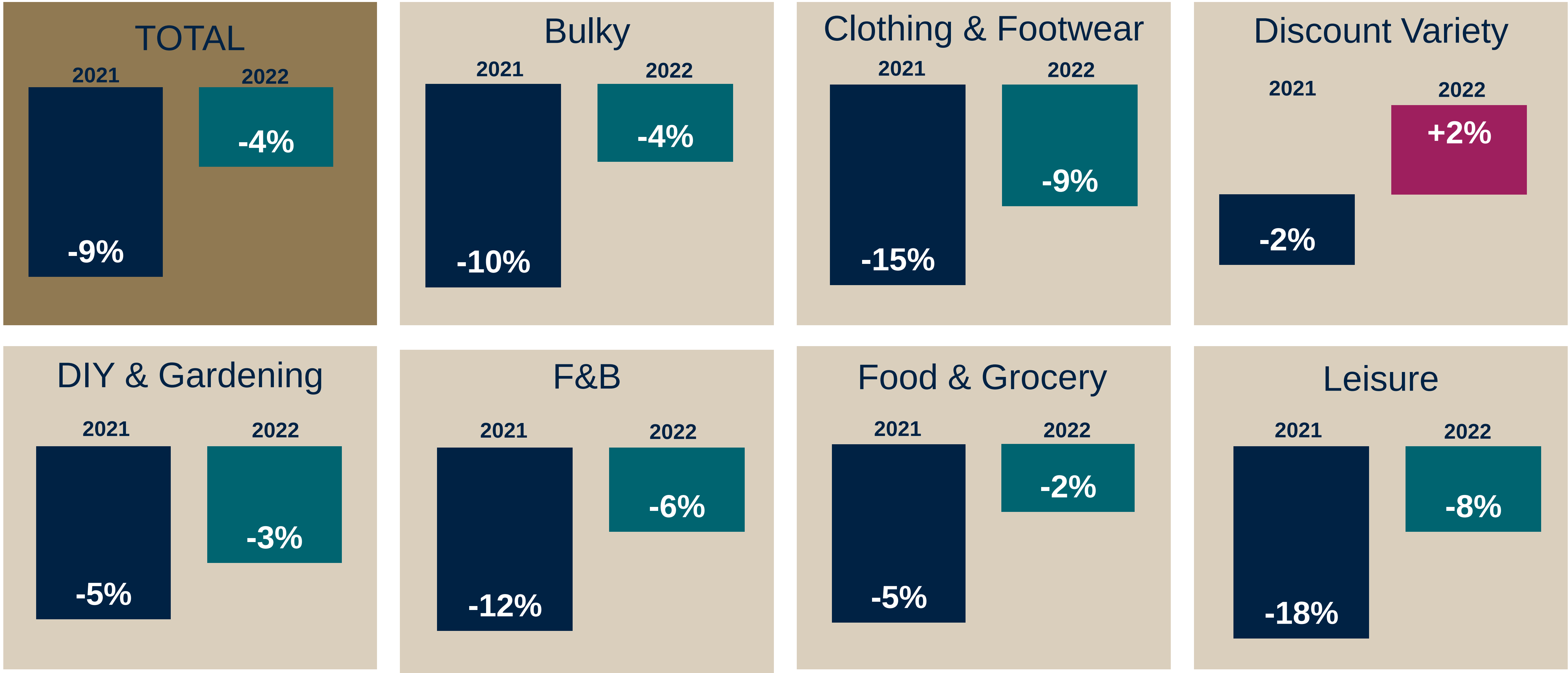
Retailer average rent reduction requests **30%**

Landlords

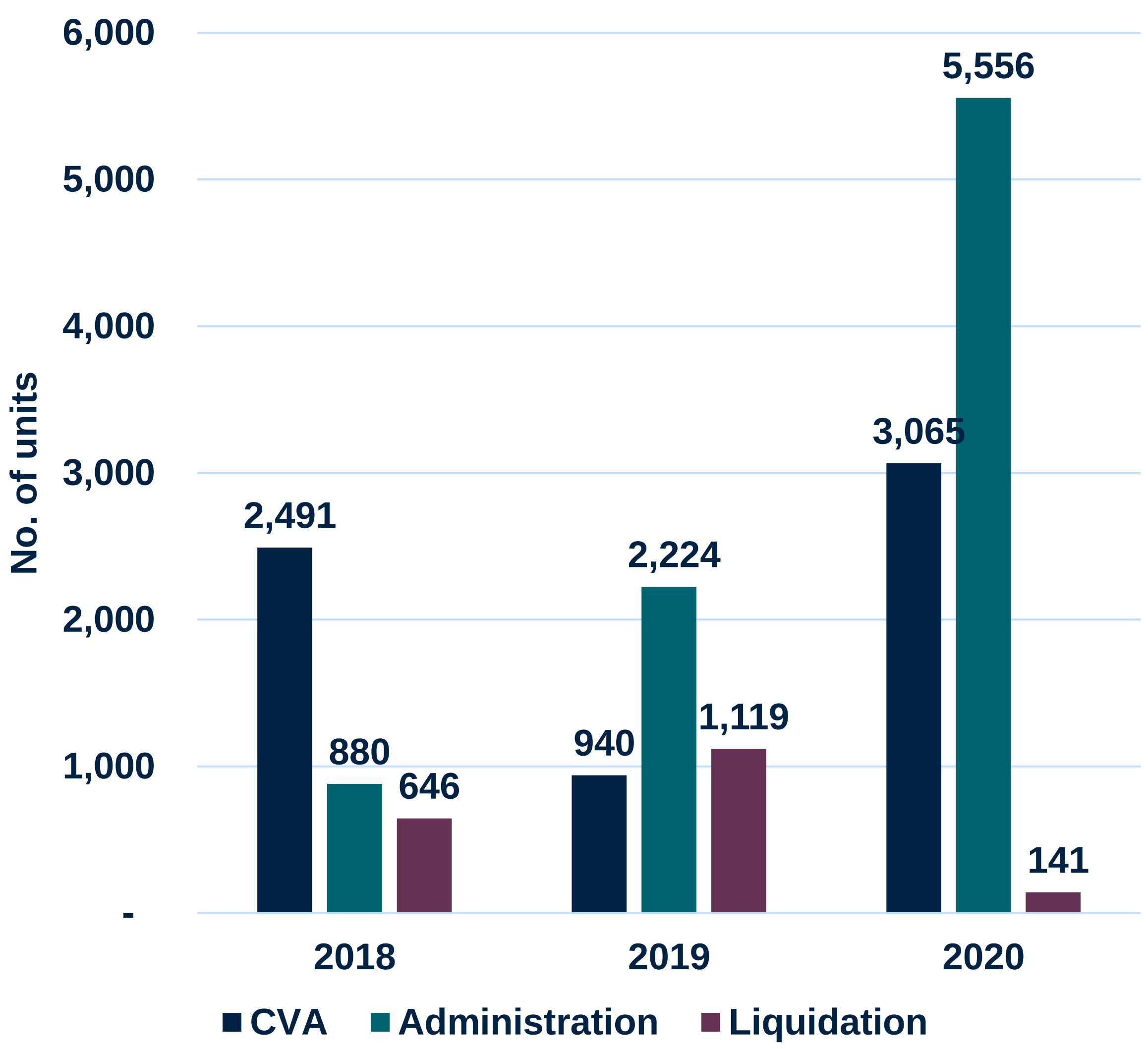
anticipate rents in 20/21 to **fall by an average of**:

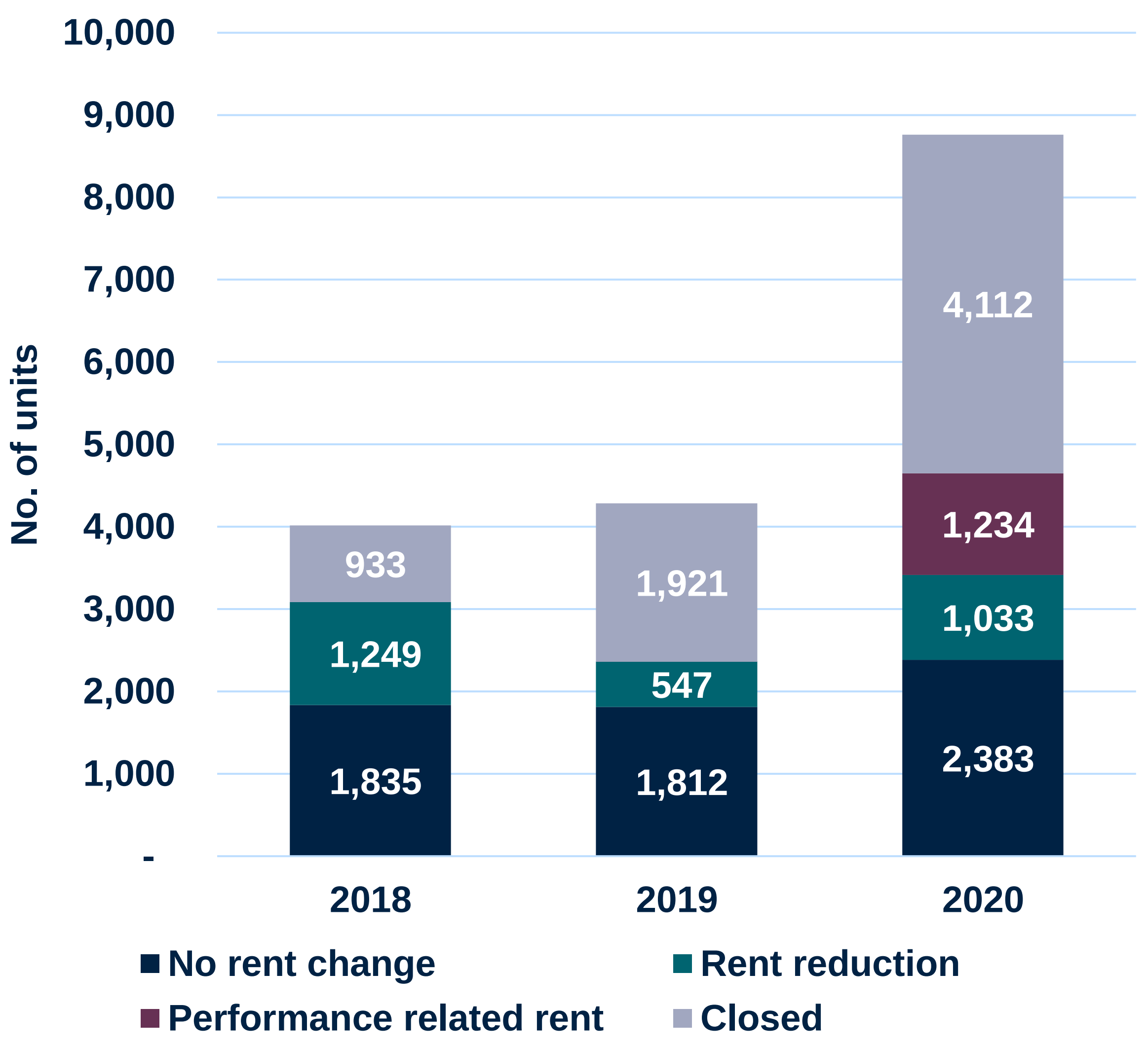
- **30%** Shopping centres
- **22%** High streets
- **13%** Retail parks

Rental dip or rebasing?



CVAs and Insolvency





Source: Savills Research

Is this the state of UK retail?

Source: Savills

We're yet to see the true impact from online

savills

CVAs

- BYRON PROPER HAMBURGERS — CVA 10th January
- Jamie's Italian — CVA 22nd January
- PREZZO — CVA 2nd March
- NEW LOOK — CVA 5th March
- carpetright — CVA 12th April
- select — CVA 13th April
- Carluccio's — CVA 16th May
- mothercare, ELC — CVA 1st June
- HOUSE OF FRASER — CVA 6th June
- Mattressman — CVA 13th June
- Office Outlet — CVA 20th August
- HOMEBASE — CVA 14th August
- GOURMET BURGER KITCHEN — CVA 9th November
- Paperchase — CVA 4th March
- DEBENHAMS — CVA 9th May
- Arcadia (OUTFIT, DOROTHY PERKINS, BURTON, Wallis, TOPMAN, TOPSHOP) — CVA 22nd May
- select — CVA 24th May

2018 | 2019

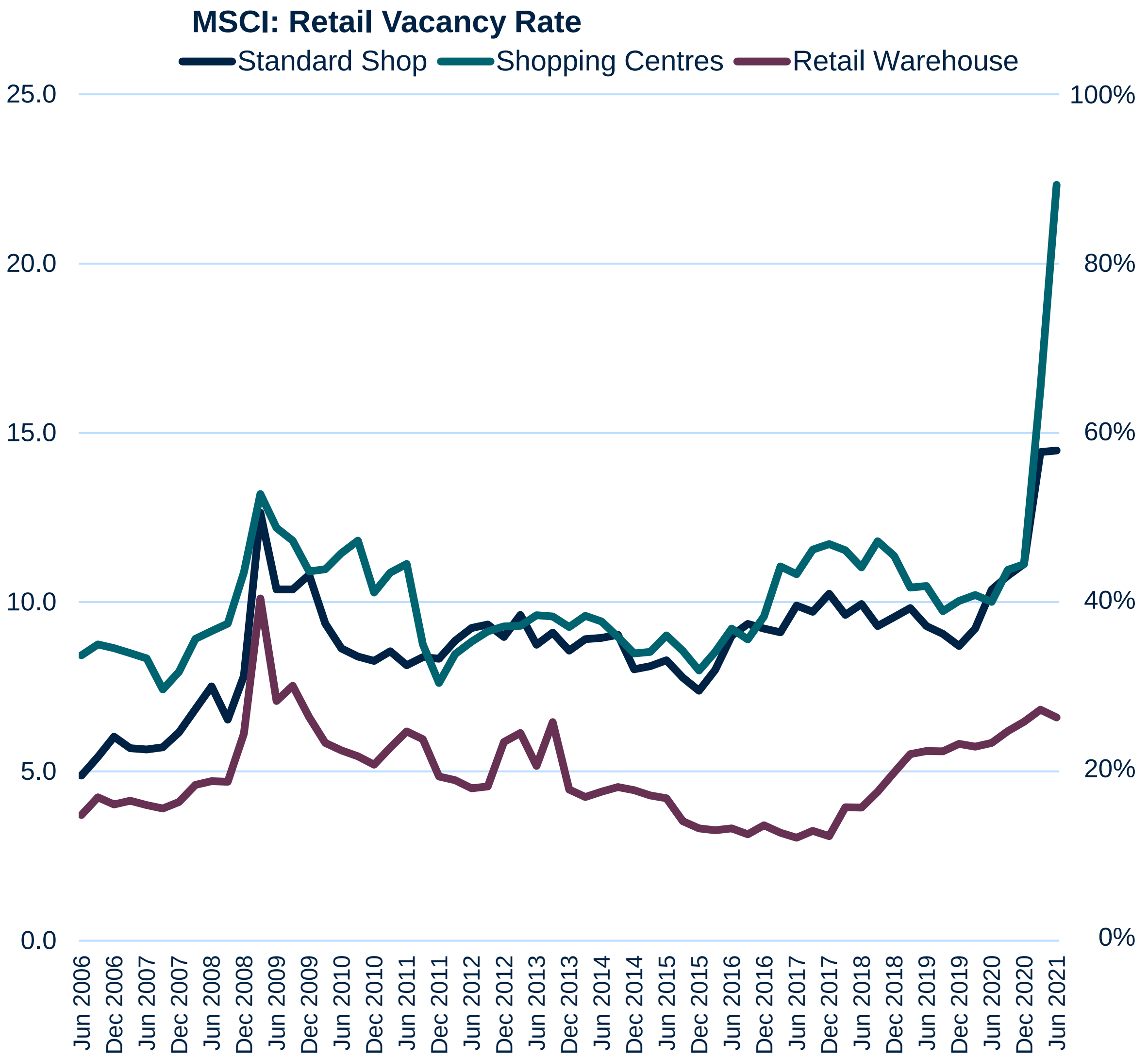
JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEPT | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY

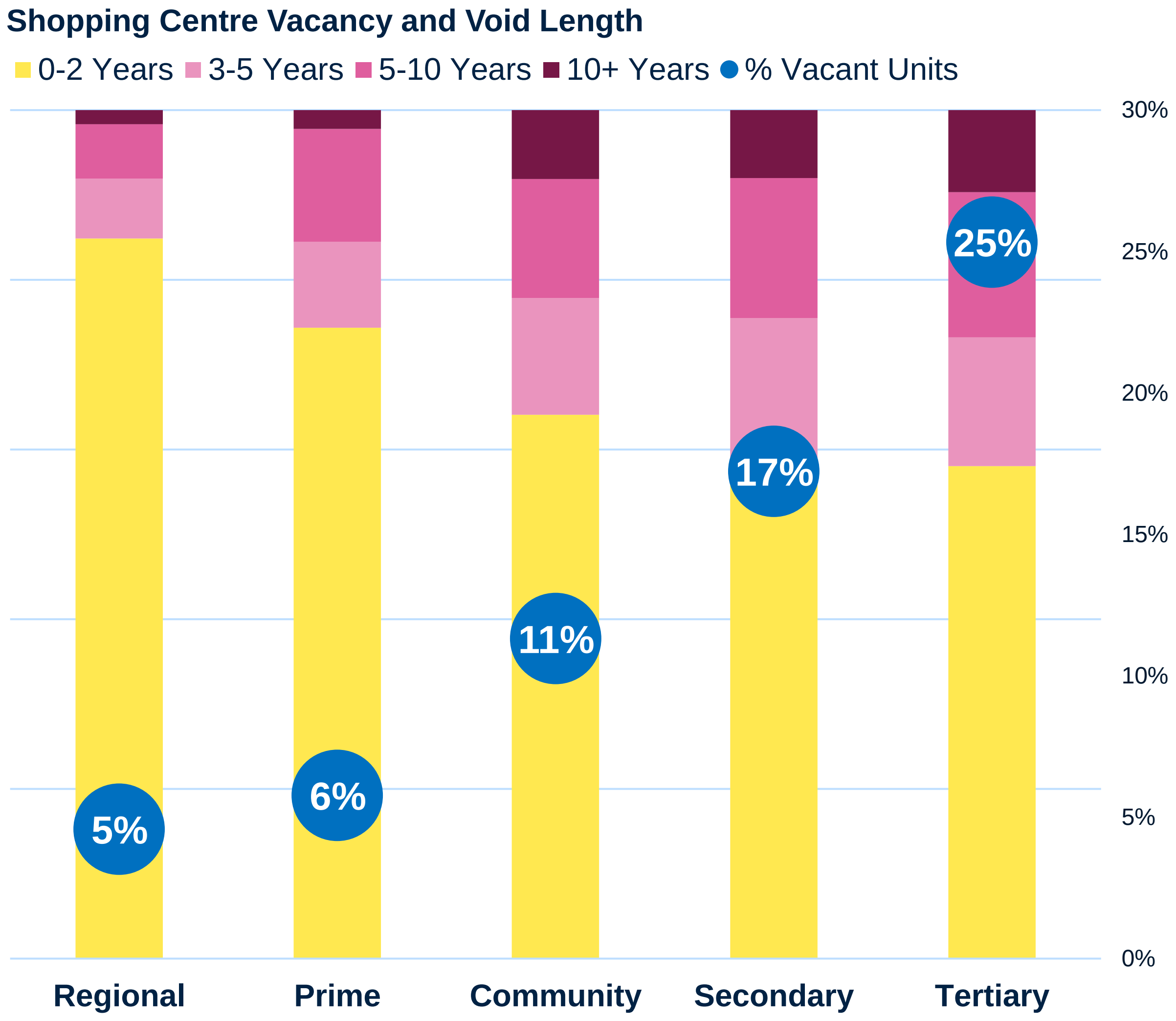
Administrations & Liquidations

- maplin — LIQUIDATION February
- Toys"R"Us — LIQUIDATION February
- HOUSE OF FRASER — ADMINISTRATION 22nd June
- poundworld — LIQUIDATION June
- ABB sofas — LIQUIDATION June
- CAU — LIQUIDATION July
- EVANS CYCLES — ADMINISTRATION 30th October
- hmv — ADMINISTRATION 28th December
- PATISSERIE VALERIE, Druckers Vienna Patisserie — ADMINISTRATION 22nd January
- Office Outlet — ADMINISTRATION 18th March
- Bonmarché — ADMINISTRATION 1st April
- Jamie's Italian — LIQUIDATION May
- select — ADMINISTRATION 7th May

Source: Savills Research

Vacancy Rates





Sources: Savills. MSCI, GOAD

Excess Retail Space

savills

142 million sqft
retail voids
in 2020

40%
long term voids

300 million sqft
oversupplied
by 2030

Reimagining Retail

savills

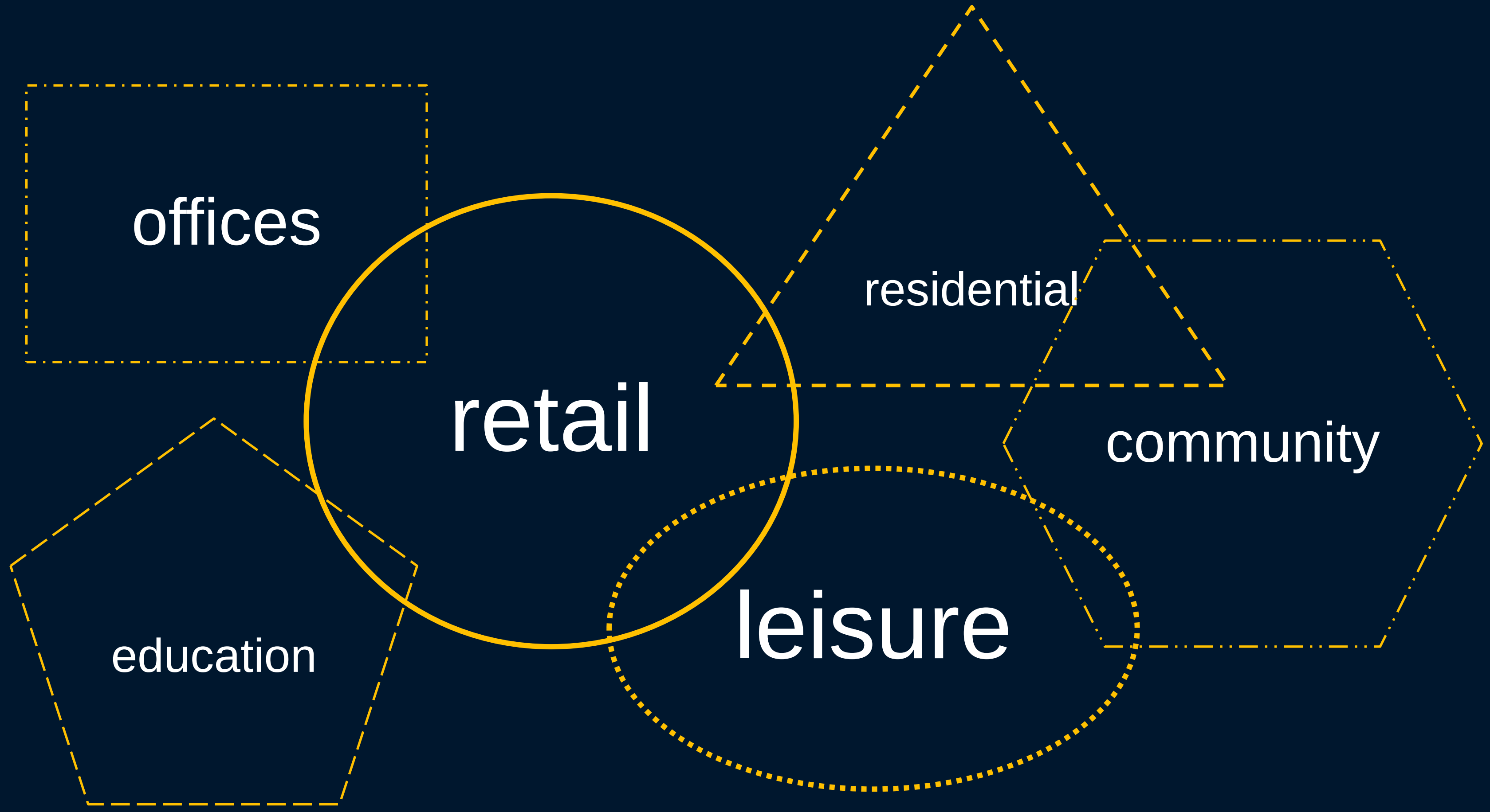
Retail isn't dead…

…boring retail is dead

Its about creating and curating *Hybrid* spaces

Mixed use benefits all uses

savills



vibrant social value sustainable resilient

Repositioning & Repurposing

savills

A unique & curated offer

savills

HATCH, MCR

Retail persists…

Leisure rebound?

Reaching Net Zero

Retail property emissions

savills

8

$MtCO_2$

(behind target)

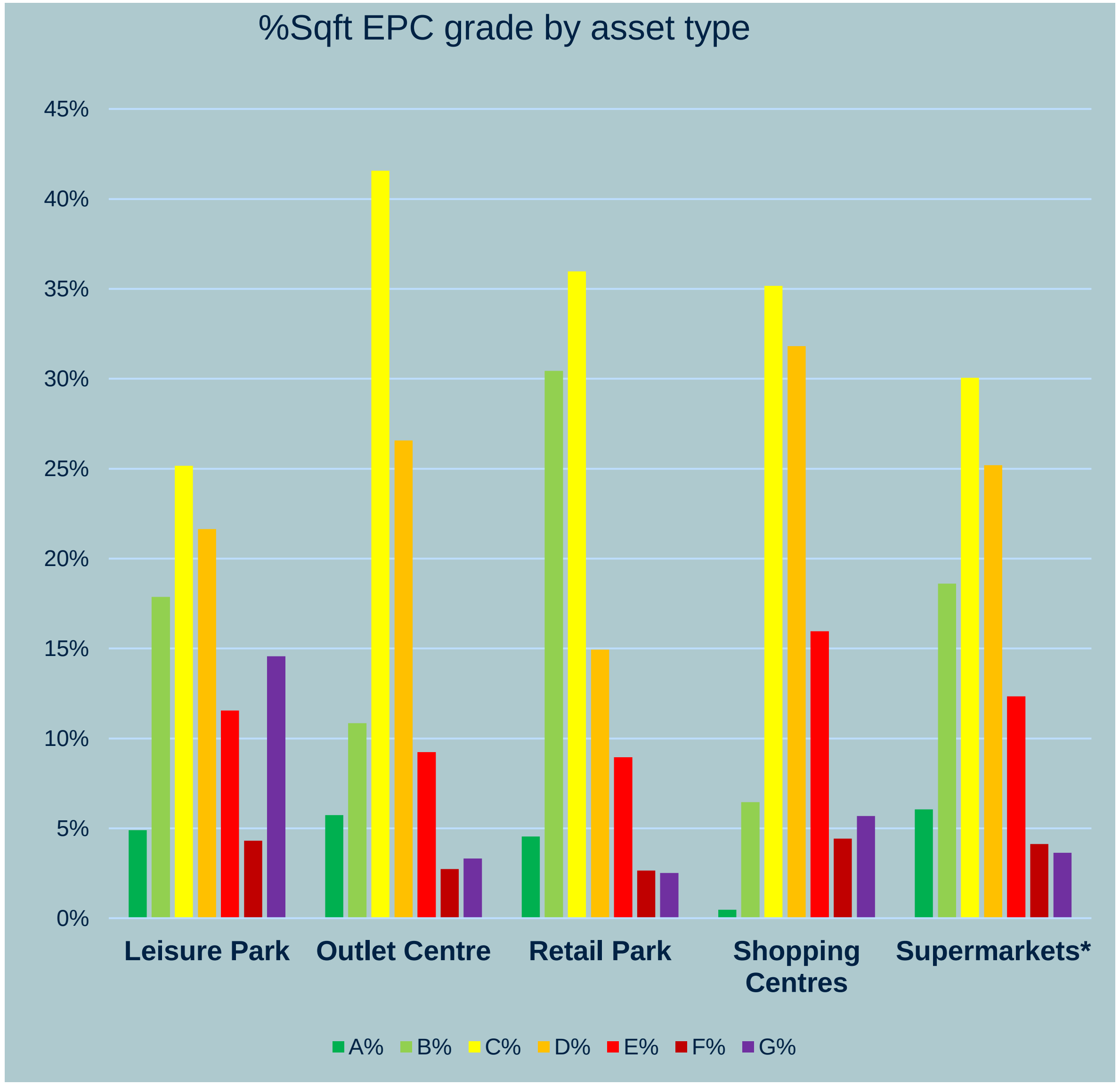
2022 – 185m sqft

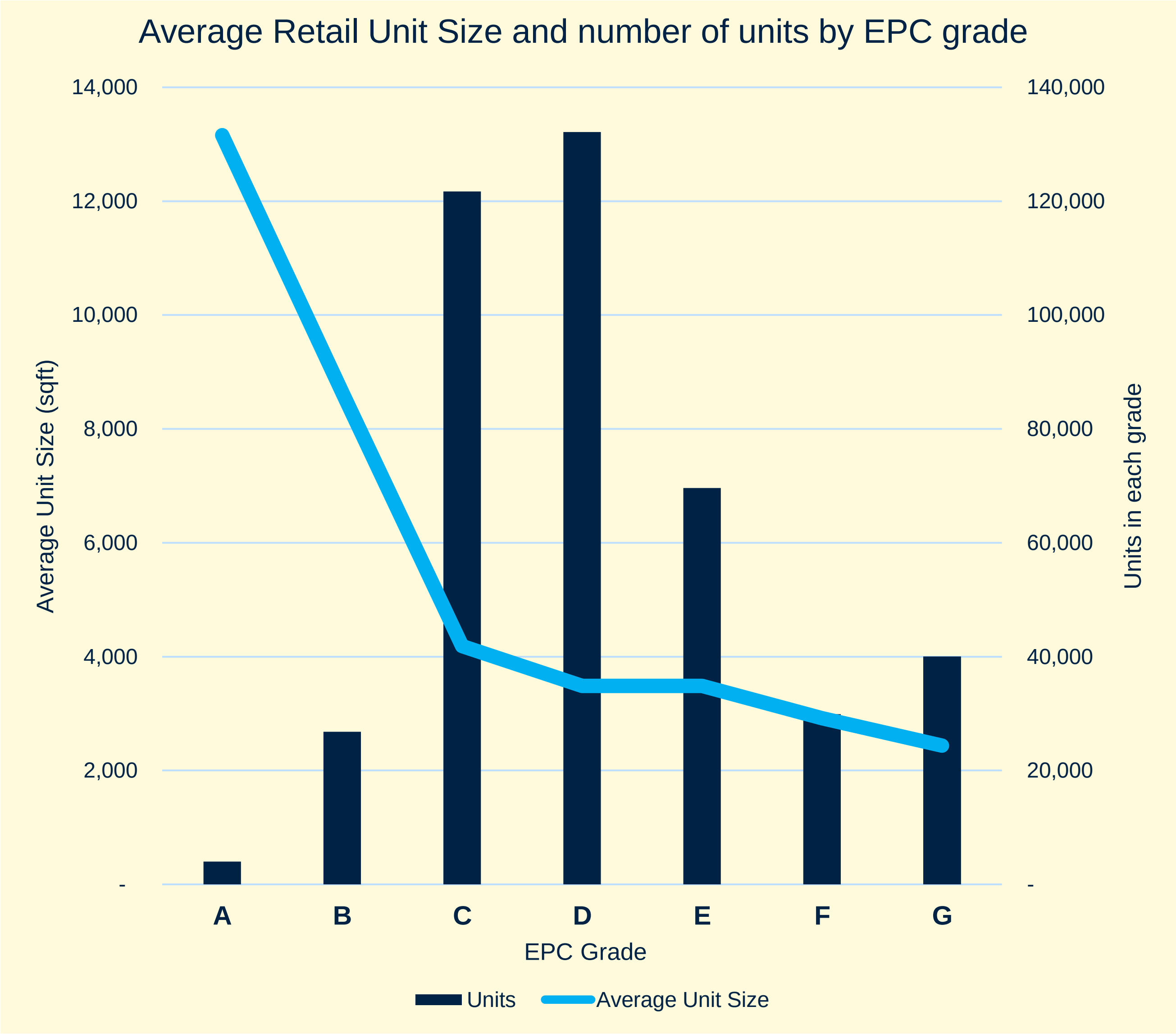
2030 – 1.4bn sqft

83% of stock to be improved

Source: EPC; Savills Research

Problem Stock





Source: EPC; Savills Research

Who's problem is it?

Landlord	ESG targets Access to cash
Tenant	Need stores & customers Reduced margins
Consumer	Environmentally conscience Price sensitive
Government	Master stakeholder Access to cash

Tip of the iceberg

SCOPE 3 EMISSIONS

= 70-90%

The future is...

savills

Better consumer experiences

– whether online, local, or destination

Diversification increases resilience

– cross pollination of consumer journeys, reduced retail space, more interesting places

Carbon agenda

– led by ESG, policy AND customers

Landlord and tenant transparency

– a move from covenant based letting to relationship based letting

www.savills.com/reimaginingretail


Autumn 2019

RE:IMAGINING RETAIL

HOW RETAIL IS BEING REPOSITIONED AND REPURPOSED FOR THE FUTURE

savills

savills

Thankyou


Issue #2 | Winter 2020/21

RE:IMAGINING RETAIL

HOW DO WE DELIVER SUSTAINABLE REPURPOSING?

savills