UK SHOPPING CENTRES
THE DEVELOPMENT STORY

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An uncertain consumer backdrop, rising operating costs and the continued growth of e-commerce are to name but a few of the headwinds currently facing the retail sector. The media continues to report on rising vacancy rates, weak retail sales and lower footfall and, although there is no denying that the retail market is undergoing a significant structural change, change can also bring opportunity.
In total, 1.3 million sq ft (120,773 sq m) of additional shopping centre floorspace was delivered in 2017. Whilst this remains below the long-term average annual trend rate, and indeed represents a slowdown when compared to previous years, development activity is expected to pick up slightly in 2018, with an estimated 1.5 million sq ft (139,353 sq m) of shopping centre floorspace in the development pipeline.

Notable completions in 2017 include Westgate, Oxford (October), and the Lexicon, Bracknell (September). The redeveloped Westgate, Oxford is anchored by a John Lewis department store and includes a number of branded retailers and eateries, many of which were not previously represented in Oxford city centre.

The slightly smaller Lexicon, Bracknell is anchored by a Fenwick department store, and forms part of a larger regeneration of Bracknell town centre.

Extensions accounted for 52% of new shopping centre floorspace delivered during 2017, with many developments carrying a significant leisure element. Indeed, an additional 65,000 sq ft (6,039 sq m) of additional leisure floorspace completed at White Rose Shopping Centre, Leeds in H2 2017, including a Cineworld cinema, as well as several branded restaurants. Prior to this, in H1 a retail focused extension at The Brewery Quarter, Cheltenham also completed.

New shopping centre developments accounted for 48% of new space in 2017, whilst extensions represented 52%.

In total, 1.3 million sq ft of additional shopping centre floorspace was delivered in 2017.
KEY SCHEMES – 2017

WESTGATE
OXFORD

DEVELOPER
The Westgate Oxford Alliance (Landsec and The Crown Estate)

SIZE
800,000 sq ft (74,322 sq m)

• Anchored by John Lewis
• Over 100 new stores, 25 restaurants and cafes, a Curzon cinema and rooftop dining

Opened: October 2017

LEXICON
BRACKNELL

DEVELOPER
The Bracknell Regeneration Partnership (Legal & General Capital and The Schroder UK Real Estate Fund)

SIZE
580,000 sq ft (53,883 sq m)

• Substantial redevelopment of Bracknell town centre
• Anchored by a Fenwick department store
• Leisure offering includes Cineworld, Bill’s, Carluccio’s, Gourmet Burger Kitchen, Nando’s and Pizza Express

Opened: September 2017
Increasing overlap between shopping centres & retail parks

The out-of-town market has not been immune from the growth of e-commerce and, as is the case for shopping centres, consumers now expect an experience when shopping in these locations. This has triggered a diversification in the occupier base, as a growing number of high street, fast food and restaurant operators occupy big box space. The recent opening of Rushden Lakes exemplifies this trend. The out-of-town scheme is anchored by a House of Fraser, and offers shoppers numerous high street retailers not previously represented on out-of-town schemes including Hobbs, Jigsaw, Phase Eight and L’Occitane, alongside extensive leisure facilities.

Flexible leasing

In an age of e-commerce and uncertain trading conditions, long lease lengths can sometimes be a deterrent to retailers considering expansion. Shorter leases are therefore becoming the norm, with the average retail lease length in the UK now around 7 years. This offers flexibility to retailers and landlords alike, enabling the latter to attract and maintain a relevant tenant mix.

Furthermore, the impending introduction of new accounting standards will require businesses to declare all lease agreements on their balance sheets, which may impact adversely on retailers’ key financial ratios. Committing to shorter leases may be a way of mitigating the impact of the new rules.

Involvement by Local Authorities

As at November, investment by local authorities accounted for 11% of total shopping centre investment in 2017, compared to just 0.45% in 2012, according Property Data.

Access to relatively cheap finance through the Public Works Lending Board (PWLB) has enabled local authorities to acquire income-generating assets, in addition to enabling strategic control of town centre development. Recent shopping centre acquisitions by local councils include: Church Square Shopping Centre by St Helens Council in October 2017 and Saddlers Centre by Walsall Council in August 2017. Chorley Council meanwhile has secured planning permission to refurbish and extend Market Walk Shopping Centre, a scheme acquired in 2013, whilst Surrey Heath County Council are in the process of refurbishing The Square, Camberley, formerly The Mall.

Merging of public spaces

Mixed-use schemes, indeed ones which carry a combination of retail and leisure alongside residential and office space, are becoming increasingly significant in the UK as people seek spaces which they can live, work and play in. Increasing the resident and worker population of retail destinations can help create a vibrant environment which, in turn, can benefit retail. Examples of this trend include the extension of Westfield London, which includes 740,000 sq ft (68,748 sq m) of retail and leisure floorspace, in addition to community space and up to 1,300 new homes. The recently completed Lexicon in Bracknell is also part of a wider regeneration scheme which includes other uses such as leisure, offices and residential.

Shopping for experiences

Leisure continues to play an important role in the retail landscape, with food and beverage operators accounting for almost 15% of total shopping centre take-up in the 12 months to June 2017. Whilst the inclusion of restaurants and a cinema has been the focus of shopping centre development in recent years, the type of leisure on offer is evolving as landlords explore new ways to entice shoppers offline. Examples of this include Kidzania, an indoor city for children at Westfield London, Junk Yard crazy golf at Westgate, Oxford and, looking forward, a possible trampoline park and climbing wall at Festival Place, Basingstoke.
OUTLOOK FOR 2018

An estimated 1.5 million sq ft of additional shopping centre floorspace is scheduled for completion during 2018, almost all of which will be extensions to existing schemes.

PLANNED COMPLETIONS

Westfield London extension
Developer: Westfield
Size: 740,000 sq ft (68,748 sq m)
Opening: H1 2018

Intu Watford/Charter Place extension
Developer: Intu Properties
Size: 400,000 sq ft (37,161 sq m)
Opening: H2 2018

Intu Lakeside extension
Developer: Intu Properties
Size: 175,000 sq ft (16,258 sq m)
Opening: H2 2018

PLANNED STARTS

Intu Broadmarsh redevelopment
Developer: Intu Properties & Nottingham City Council
Size: 820,000 sq ft (76,180 sq m)
Planned start date: H1 2018

Brent Cross extension
Developer: Hammerson & Standard Life Investments
Size: 600,000 sq ft (55,741 sq m)
Planned start date: H2 2018
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