LOOKING BEYOND LOCKDOWN

GB RETAIL AND LEISURE MARKET ANALYSIS H1 2021

PUBLISHED SEPTEMBER 2021
BY LOCAL DATA COMPANY

www.localdatacompany.com

FOREWORD

H1 2021 was a critical period for the retail and leisure market, with another lockdown causing a significant proportion of the market to close for the third time in 12 months. However, H1 also saw the third reopening, a fast and effective vaccine rollout and a government roadmap for a gradual release of restrictions leading up to 'Freedom Day', where life would return closer to normal than it had been for over a year.

This report reviews data collected in the first 6 months of 2021. It is important to note that the H1 2020 report covered a longer period from January – August 2020, taking into account the short period where LDC field researchers were unable to work. The additional time allowed us to research the same number of units as a normal H1 period, facilitating comparison to previous and future H1 periods. With new, rigorous safety procedures in place, our field researchers have been unaffected by restrictions this year, so we return to the usual reporting period of January – June 2021.

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ABOUT THE LOCAL DATA COMPANY

The Local Data Company is the UK's most accurate retail location insight company. We physically track every retail and leisure business across the country. Our data powers strategy and decision making for our clients working across retail, leisure, out-of-home media, investment, property and financial services.

Our team of field researchers record the occupancy status of every business on a regular basis. This frequency enables us to track how the market is changing in close to real-time. The accuracy of our data is underpinned by our proprietary technology stack which supports the field research and quality control processes. This technology enables us to provide our clients with unrivalled insight on over 680,000 retail and leisure businesses, access to location insight dashboards and footfall tracking capabilities.

Our team of analysts and sector experts is committed to understanding the unique challenges our clients' businesses face and applying our comprehensive data to support their strategic objectives.

The Local Data Company has become an integral part of our business decision-making process as we continue to grow. The depth and quality of the information provided by LDC gives us the confidence to know that we have a full understanding of the key factors and trends in any given location.

RANDEEP BANSAL

HEAD OF PROPERTY, WASABI

BUSINESSES WE WORK WITH:

OUR PRODUCTS

RICH, ACCURATE DATA

Our database contains over 680,000 addressable, field-researched points of interest including over 400,000 independent premises and every chain retail and leisure brand across the UK.

ONLINE INSIGHT PLATFORM

Local Data Online provides fast and accurate access to market trends, competitor insights and portfolio analysis tailored to your business.

STRATEGIC CONSULTATION AND ANALYSIS

Our dedicated insight team has experience working with a range of businesses, from emerging concepts to household brands across the UK. Our bespoke and flexible approach allows us to create analysis and reporting packages which provide actionable insight for a range of strategic objectives.

ON-SITE RESEARCH

We now operate a team of 200 researchers skilled in a variety of in-store data collection techniques. This gives us the ability to collect price and promotions data and complete large-scale bespoke data collection projects.

FOOTFALL TECHNOLOGY

Accurate counting and analysis of footfall trends is invaluable. Our proprietary technology stack provides this at a granular level, enabling forensic insights into flows and trends around a physical space.

PROJECTS WE WORK ON INCLUDE:

- Location planning and strategy
- Due diligence
- Store rationalisation
- Site feasibility analysis
- Dark kitchen expansion
- Competitor and market tracking
- Investment strategy and asset management
- Anti-money laundering
- COVID-19 impact analysis
- Strategic portfolio realignment

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COMING SOON AT THE LOCAL DATA COMPANY

We are delighted to share news about several exciting projects that we are working on. Continuous innovation and improvement is at the heart of our business, as we work to partner with businesses committed to investing in the UK retail and leisure market.

LOCAL DATA ONLINE UPDATES

We are currently working on the first stage of a 2-phase project to redevelop our online insights platform, Local Data Online. The first phase is underway and involves rebranding the platform and updating several dashboards to make reporting and visuals easier to read.

The second phase will begin early in 2022 and will involve a total overhaul of the tool, involving the development of additional analytical functionality and the integration of more detailed demographics data, which will provide a deeper insight into the context behind the market changes we track and report on.

FIELD RESEARCH COVERAGE

Not only have we increased the frequency of our field research visits, with every single location now updated twice a year as a minimum, but we are also in the process of expanding our field research team from 50 in January 2020 to 250 by January 2022. Alongside some additional proprietary tech development, which is ongoing, this expansion will allow us to vastly expand the coverage of our team and will also allow us to undertake a broader range of bespoke and in-store research projects for our clients. Our aim is to increase the coverage and frequency of visits across small village store parades – a move which will enable even more granular market tracking across a location growing in popularity off the back of the pandemic.

DEVELOPING NEW INSIGHTS

Over the past few months, we have been recruiting more Insight Analysts to support our busy Insight team, alongside the acquisition of additional 3rd party data sources. With these extra resources, we are committed to developing new metrics, reporting and insights, with our market-leading data at the centre.

For more information on other product developments on our roadmap, please get in touch with us at team@localdatacompany.com

The market continues to change at a rapid pace in the wake of the COVID-19 pandemic. Our 200-strong team of field researchers is uniquely placed to capture live insights on how this change is taking place. Email us at team@localdatacompany.com or visit www.localdatacompany.com to find out how we can quantify the impact of this change on your portfolio or town.

KEY FINDINGS

1.

INDEPENDENT RESILIENCE CONTINUES

In H1 2020, independents continued to be more resilient than multiples, a trend seen across the past few years. Surprisingly, independents grew by 804 units in H1 2021, the first increase tracked since H1 2017. Growth was driven by the convenience (convenience stores, grocers, butchers and bakers) and leisure sectors (cafes & fast food). Independents are likely to have benefited from government support measures, business rates relief and the moratorium – all of which enabled them to remain operational. Independent businesses have benefited from a large supply of vacant units, enabling them to negotiate better terms including rent-free periods and capital expenditure contributions.

2.

SHOPPING CENTRES FACE A TOUGH ROAD AHEAD

Shopping centres continue to be the location type under the most pressure, with vacancy rates rising by 3.8% since H1 2020. High streets and retail parks both fared better with increases of 2.7% and 2.0% respectively. Shopping centres have been the most exposed to at-risk categories during the pandemic, with fashion and general clothing units making up nearly 1 in every 5 shopping centre units. The loss of significant anchor stores has also had a knock-on effect for other occupiers, causing some to vacate space in areas where footfall has taken the biggest hit.

3.

GROWTH IN FAST-FOOD AND FOOD DELIVERY

For the first time in several years, there was a new fastest growing category across GB. Fast food takeaway gained a net 333 units in H1 2021. This category has been boosted by the growth in delivery, driven by the closure of the casual dining sector. This has driven many take away brands to expand their estate in order to reach more homes and capitalise on favourable trading conditions and increased demand. The challenge will be to see how the reopening of the casual dining sector impacts these businesses, or whether lockdown habits remain.

4.

VACANCY RATES CONTINUE TO RISE, BUT AT A SLOWER PACE

Vacancy rates have increased since the start of the pandemic, but the rate of change is starting to slow, giving the sector a glimmer of hope that the worst is beyond us. The GB vacancy rate sat at 14.5% at the end of Q2 2021, up 2.1% on the previous year. However, it had only risen by 0.4% from the previous quarter (Q1 2021) compared to a 0.8% rise for the same period last year (Q2 2020 vs. Q1 2020). The success of the vaccine programme has helped reduce some of the uncertainty in the market, however the true picture is still masked by government support packages that are still in place. As these begin to ease, there is likely to be some more voids, however relaxation of planning restrictions will result in older units being taken out of the market, helping to reduce the impact of future closures.

5.

CITY CENTRES HIT HARD BY WORKING FROM HOME

With the easing of measures, reopening of shops and the easing of social distancing measures, a swift return to the office may have been expected, but this has yet to materialise with new hybrid working models likely to be the short to medium term future. Central London has been hit much harder than regional town centres as the huge volume of workers have spent more time and money in local residential areas.

INTRODUCTION

H1 2021 was characterised by two extremes: the first, a third extended lockdown where 'non-essential' retail was unable to trade; the second, an increased focus on reopening and recovery as the country started to look forward to a life without restrictions.

Despite the lockdown following a challenging Christmas period which was disrupted by changing tier restrictions across the country, overall net loss in retail and leisure units improved compared to H1 2020. Across GB, a total of 4,447 units closed down, a 43% improvement on the same period the year before. The successful vaccination rollout, coupled with a steady release of restrictions and continued government support, benefitted the sector and encouraged a sense of cautious optimism.

However, 2021 performance was worse compared to the majority of H1 periods pre-COVID, which indicates that, while there was improvement, the market is still facing significant challenges exacerbated by the pandemic.

NET CHANGE IN RETAIL AND LEISURE UNITS, H1 2014 - H1 2021

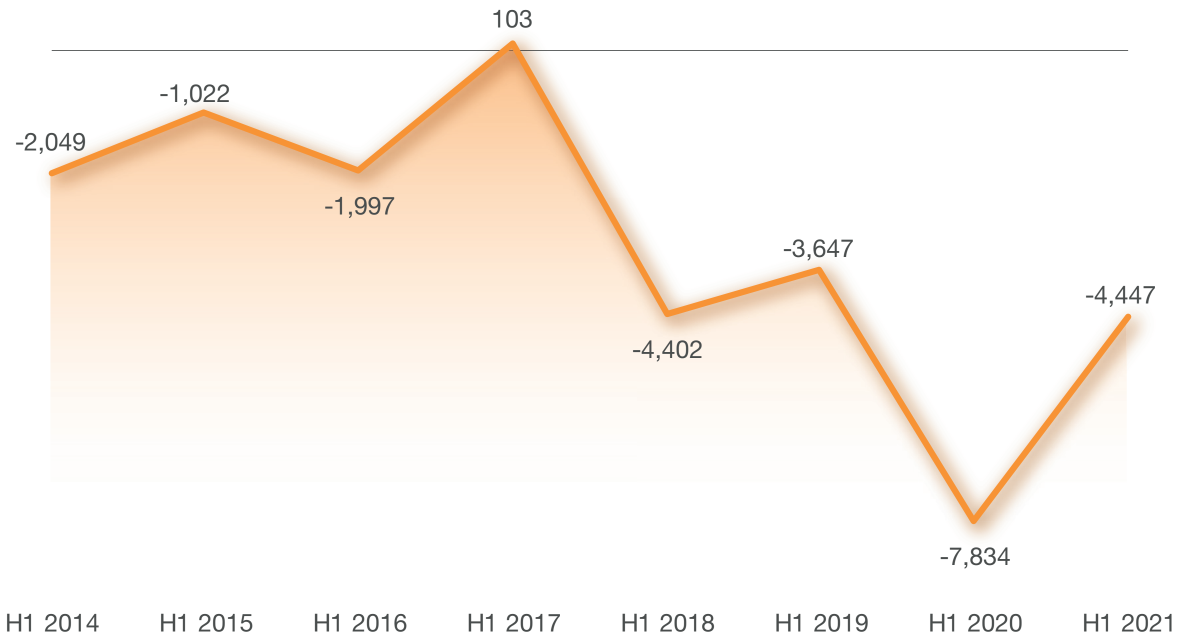

Figure 1: Historical net change in units across GB, H1 2014 to H1 2021 (Source: Local Data Company)

43%

IMPROVEMENT IN NET CHANGE COMPARED TO H1 2020

OPENINGS AND CLOSURES

The improvement in net change was driven by a drop in closures, decreasing from 31,139 to 26,703, equating to a -14.2% year-on-year change. However, the number of openings also dropped from 23,305 to 22,256, a smaller year-on-year change of -4.5%. Overall, activity was down 10.1% compared to H1 2020. We do not foresee closures increasing in H2 2021, as there are fewer administrations expected and government support packages will continue into 2022, providing some stability for occupiers.

Total activity in H1 2021 was down 10.1% compared to H1 2020, likely due to the first lockdown that limited occupiers' ability to open more sites as trading was impacted by social distancing and capacity limits that remained throughout the period. H1 2020 started off comparatively well, with the national election and a clear mandate on Brexit bringing certainty to the market.

OPENINGS AND CLOSURES, H1 2014 TO H1 2021

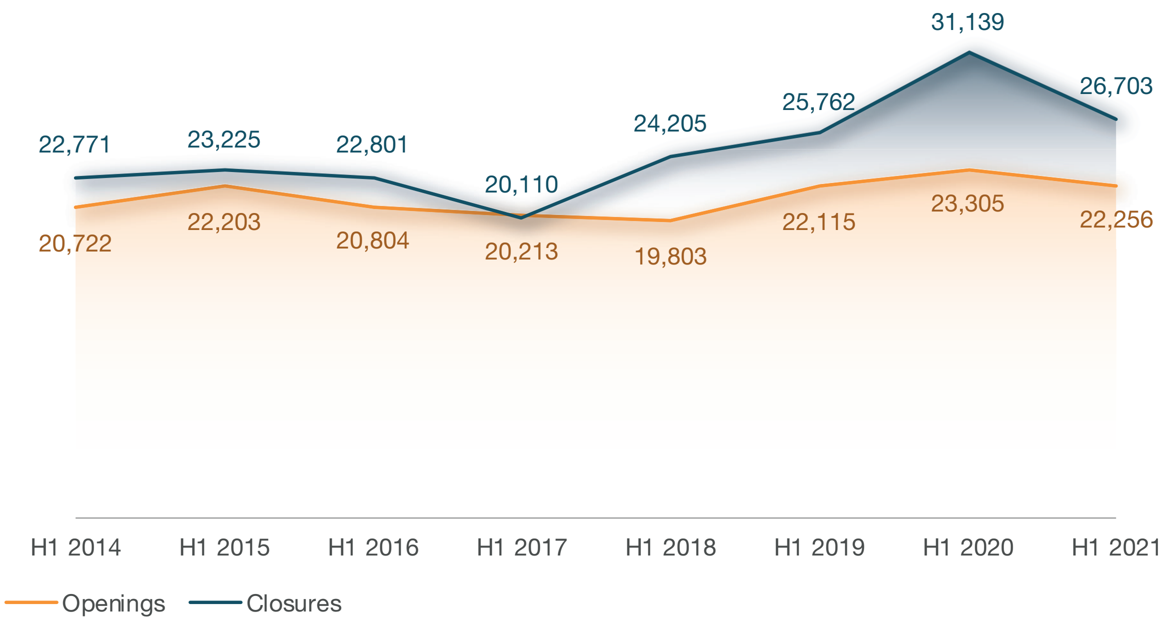

Figure 2: Number of openings and closures across GB, H1 2014 to H1 2021

VACANCY RATES

The All Vacancy Rate continued to increase, landing at a record high of 14.5% at the end of H1 2021. Vacancy increased by 0.8% in the period, as activity from CVAs, administrations and rationalisation programs filtered through. The Retail Vacancy rate increased by 0.9% in the period, again resulting in a record high figure of 15.8%.

VACANCY RATE, H1 2013 - H1 2021

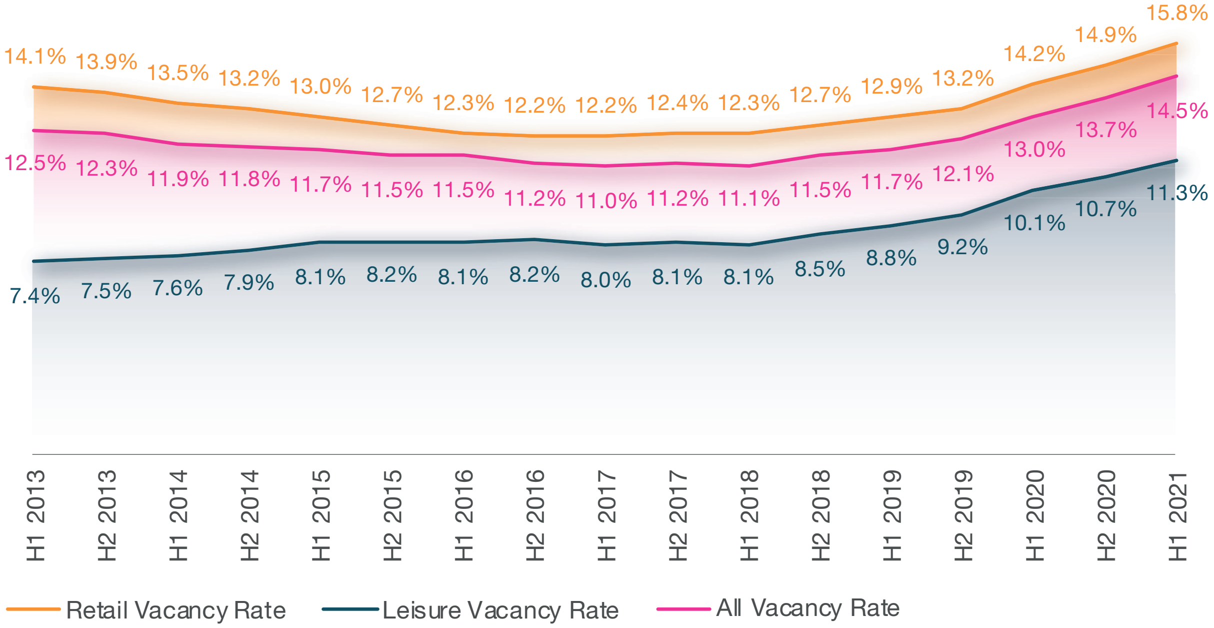

Figure 3: Historical vacancy rate by type, H1 2013 to H1 2021 (Source: Local Data Company)

The Leisure Vacancy rate increased by 0.6% in H1 2021. Widely acknowledged challenges for the hospitality sector have been balanced out by good performance in other leisure categories such as cafés and fast food, as businesses took advantage of the increased demand for takeaway food in residential and suburban locations.

THE ALL VACANCY RATE CONTINUED TO IN-CREASE, LANDING AT A RECORD HIGH OF

14.5%

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CLOSED DUE TO COVID

Throughout the pandemic, we have been uniquely placed to report on the pace at which occupiers have been able to reopen post-lockdown. Since the onset, the impact of the multiple lockdowns has been evident in key figures such as vacancy rate changes and openings and closures activity. To clarify, lockdown 1 was the extended period of closure beginning in March 2020, and lockdown 3 was the most recent which commenced January 2021. When comparing lockdown 1 to 3, the differing speeds at which the market recovered can be evidenced as occupiers became accustomed to reopening in a COVID-safe manner.

August 2020 was the first full month when both retail and leisure occupiers could reopen fully following lockdown 1. Across the units researched by LDC, 82.7% of non-essential occupiers were able to reopen during this period. This was much higher in June, following lockdown 3 at 88.6%, despite occupiers having had much shorter notice of the changes.

The most significant difference between lockdown 1 and lockdown 3 is the percentage of the market which was still temporarily closed one full month following the end of restrictions. After lockdown 3, the percentage of units temporarily closed was 6.8%, 5.8% down on lockdown 1.

IMPACT OF LOCKDOWN 1 VS LOCKDOWN 3

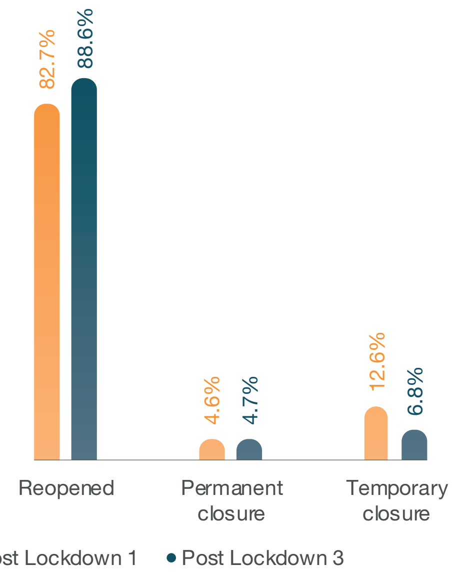


Figure 4: Breakdown of reopened units, permanent closures and temporary closures across surveyed locations after lockdown 1 vs. lockdown 3 (Source: Local Data Company)

The period following lockdown 3 saw particularly strong trade in the leisure and hospitality sector as consumers were keen to get out and socialise, many feeling safer due to the speed of the vaccination rollout. Data from the ONS showed that the hotel industry grew by 49.3% between April and May while the food and beverage market grew by 34% across the same period (Source: ONS). However, these sectors are still trading 9.4% behind pre-COVID levels when compared to February 2020.

Despite rising demand, the sector is still facing staffing challenges, partly due to the 'pingdemic' requiring staff to self-isolate and partly due to Brexit coming into effect, which has resulted in many EU workers leaving the country.


Sorry We are
CLOSED

ONLINE SALES

In recent years, one of the most widely discussed challenges to physical retail has been the migration of spend to online channels. Data from the Office of National Statistics (ONS) reveals that online spend across the entire retail market rose to 28.1% at the end of H1 2020, a huge increase from 7.8% in H1 2019. The pandemic necessitated a reliance on online shopping during extended periods of closure for physical stores, further exposing consumers to the convenience of shopping online.

However, demand for offline shopping has increased following the relaxing of restrictions. Online sales made up 26.7% of all retail sales at the end of H1 2021, a decrease of 1.4% on the same period in 2020. This is still 7.8% above the pre-pandemic figure of 18.9%, showing that many people plan to continue to shop online. The two sectors that have been impacted the most are household goods and fashion and general clothing. For these sectors, the percentage of online sales has increased year-on-year and is up 10% on pre-COVID levels. The decline in offline spend translates to the fashion & general clothing category losing the most units in H1 2021, with a net loss of 1,333 (-5.8% decline) indicating a permanent shift in consumer habits. Many brands are using this as part of their location strategy, ensuring that any new stores can facilitate online sales either by acting as a logistics hub or a location to provide click and collect services.

ONLINE SALES AS A PROPORTION OF ALL RETAILING BY CATEGORY

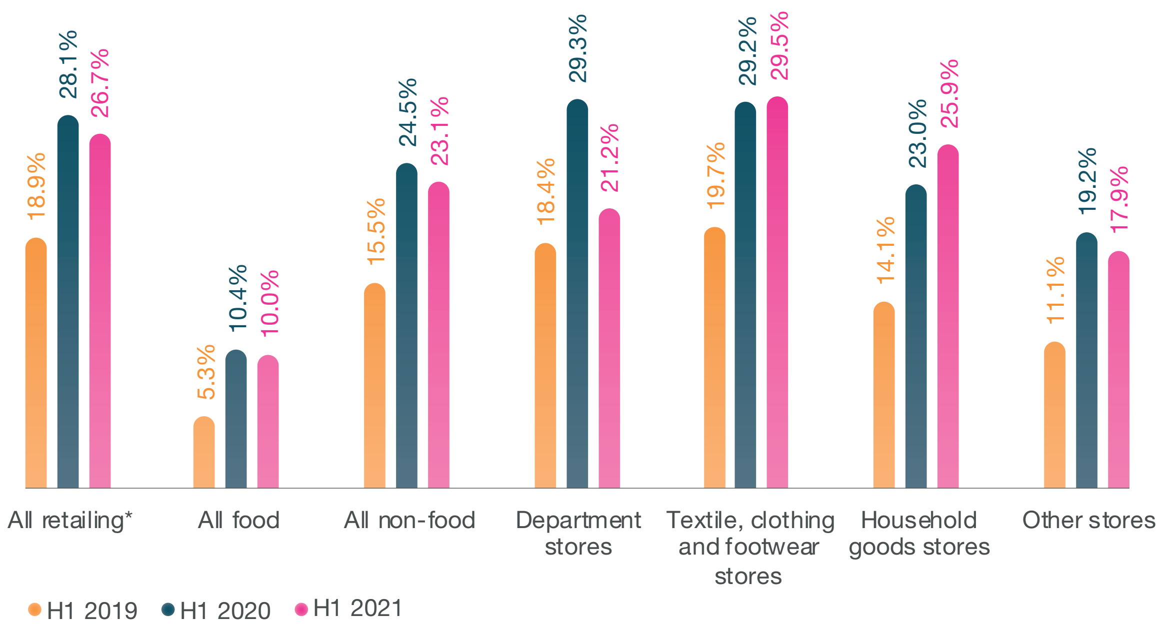
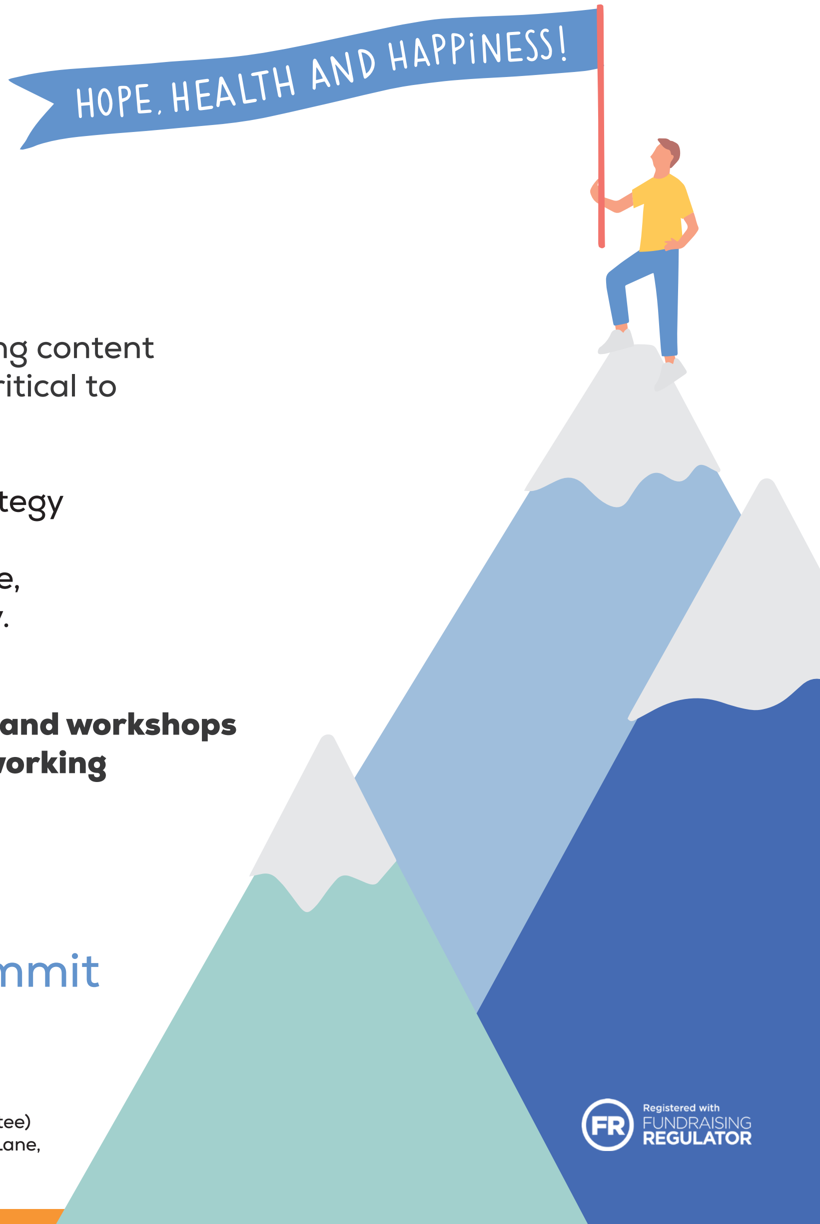


Figure 5: Online sales as a percentage of all retail sales by category across GB, 2019 to 2021 (Source: Office of National Statistics)

Retail TRUST
LEADERS' SUMMIT

Tuesday 9 November | Andaz London Hotel

Building the coalition to **champion the health of retail.**



Are you a mental health trailblazer, industry change maker or people leader?

Join us for a one-day programme of inspiring content to debate the health and wellbeing issues critical to retail's success in 2022 and beyond.

Expert speakers will share top insights, strategy and measurable outcomes. We will enable attendees to share experience, best practice, talk through challenges and spark creativity.

09.30 - 16.00 **Keynote sessions, panels and workshops**
16.00 - 18.00 **Drinks, canapés and networking**

Join us!
retailtrust.org.uk/leaders-summit

LOCATIONS

This section of the report provides a detailed review of the impact of the pandemic across various location types and asset classes; high streets, shopping centres, retail parks and standalone locations, as well as a review of how different town profiles were impacted by the third lockdown.

NET CHANGE IN OCCUPIED UNITS BY LOCATION TYPE

Continuing the trajectory seen across 2020, shopping centres lost the highest percentage of occupied units of all location types in H1 2021. In fact, shopping centres were the only location type to lose a higher percentage of units in H1 2021 (3.3%) than in H1 2020 (3.2%), revealing how recovery has been more challenging for these assets. There were multiple reasons for the challenges faced by shopping centres, mainly the increased exposure to declining categories such as fashion, department stores and casual dining, as well as consumers taking longer to feel comfortable visiting enclosed spaces following the third lockdown.

High streets were more resilient, seeing a reduction in the loss of occupied units from 1.4% in H1 2020 to 0.8% in H1 2021, matching the rate of decline seen in 2018. High streets have been able to attract and retain more independent retailers, a sector that has been comparatively more resilient over the pandemic. Consumers were more inclined to shop locally and support independent businesses.

Standalone units, including stores situated along local neighbourhood parades in out-of-town locations, fared the best. These locations have seen an increase in takeaway food units which were able to maximise on the increased demand for speedy food delivery, with proximity to large residential populations being critical in reducing delivery times.

Despite seeing small growth in food-to-go, grocery stores and DIY units, retail parks were hit hard by CVAs and administrations in H1 2020, a key example being Outfit, operating from 70 stores at the time of the administration, housing several Arcadia brands under one roof. Furniture retailers also closed stores, being the latest category to be impacted by the move to online with pure-play brands such as MADE and Wayfair increasing in popularity. Furniture retailers make up 14% of all retail park occupancy and therefore this trend could continue to impact this asset class for some time.

PERCENTAGE NET CHANGE IN UNITS (H1 2018 - H1 2021)

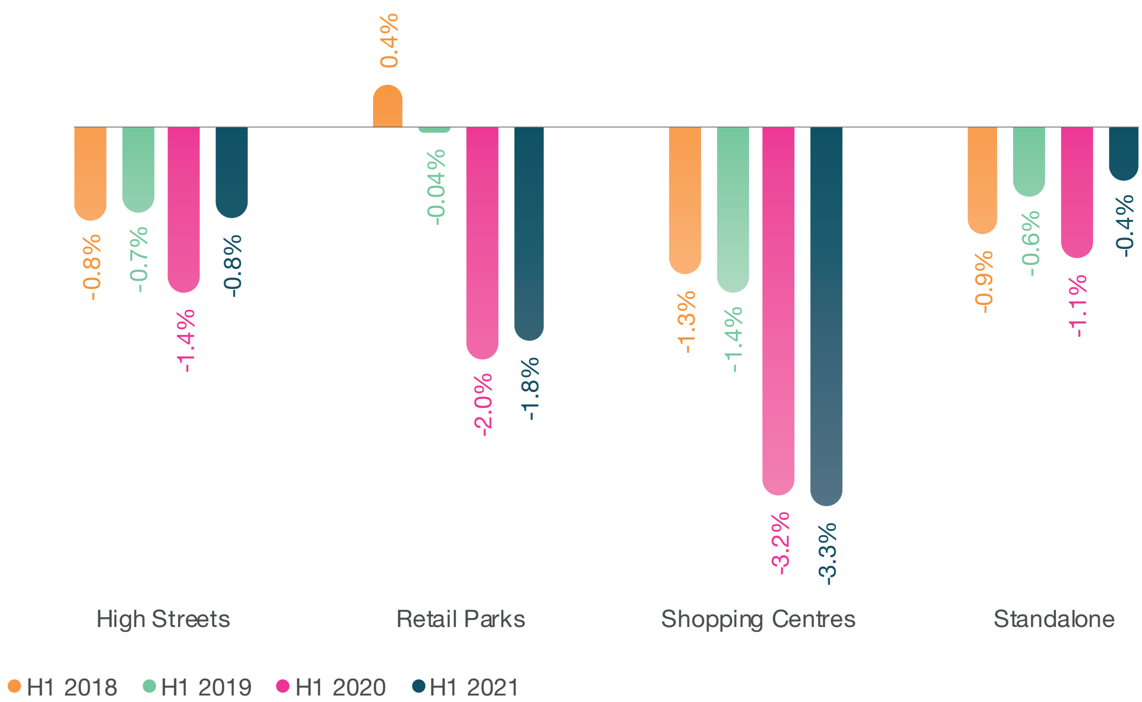


Figure 6: Percentage net change in occupied units by location type, H1 2018 - H1 2021 (Source: Local Data Company)

REGIONAL TRENDS

Vacancy across Scottish shopping centres increased the most of all regions and location types in H1 2021, with a jump of 5%. For example, the Wellgate Shopping Centre in Dundee was hit hard by the closure of Debenhams, although it had had a large number of empty shops even before such a high-profile closure. Scotland did, however, welcome the opening of the St James Quarter Shopping Centre in H1 2021 with a strong line-up of occupiers, which is likely to boost footfall across Edinburgh.

Welsh retail parks also saw a rapid increase in vacancy - a 3.7% rise due to the closure of fashion and department store brands such as Outfit, Peacocks and Debenhams. However, demand for space on retail parks is increasing as brands search for larger spaces to fulfil online sales and facilitate click and collect services. We expect retail park vacancy rates to decrease over the coming 12 to 18 months as more deals are done by occupiers looking to invest in this type of asset.

PERCENTAGE NET CHANGE IN UNITS BY REGION AND LOCATION TYPE, H1 2021

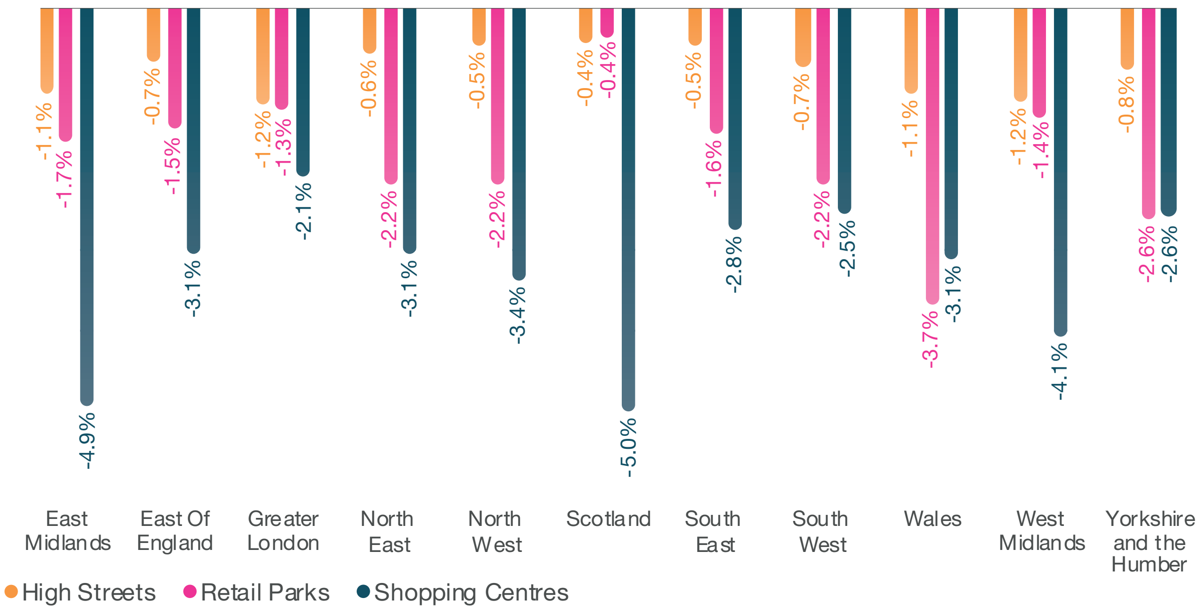


Figure 7: Percentage net change in occupied units by region and location type, H1 2021 (Source: Local Data Company)

VACANCY RATES BY LOCATION TYPE

In line with the net change results, shopping centres saw vacancy rates increase the fastest of any location type in H1 2020. Vacancy jumped from 15.6% in H1 2020 to 19.4% in H1 2021, an increase of 3.8% in the six-month period. This is the largest half-year increase tracked by LDC since 2013.

All location types saw vacancy rise to record levels in H1 2021, as the full impact of the pandemic filtered through and occupiers who were unable to reopen following the third lockdown shut their doors for the final time. Moving into H2, vacancy is likely to continue to rise, albeit at a slower rate than seen previously, as the market moves towards a recovery phase and acquisitive retailers are able to take advantage of the increased availability of space.

VACANCY RATE BY LOCATION TYPE

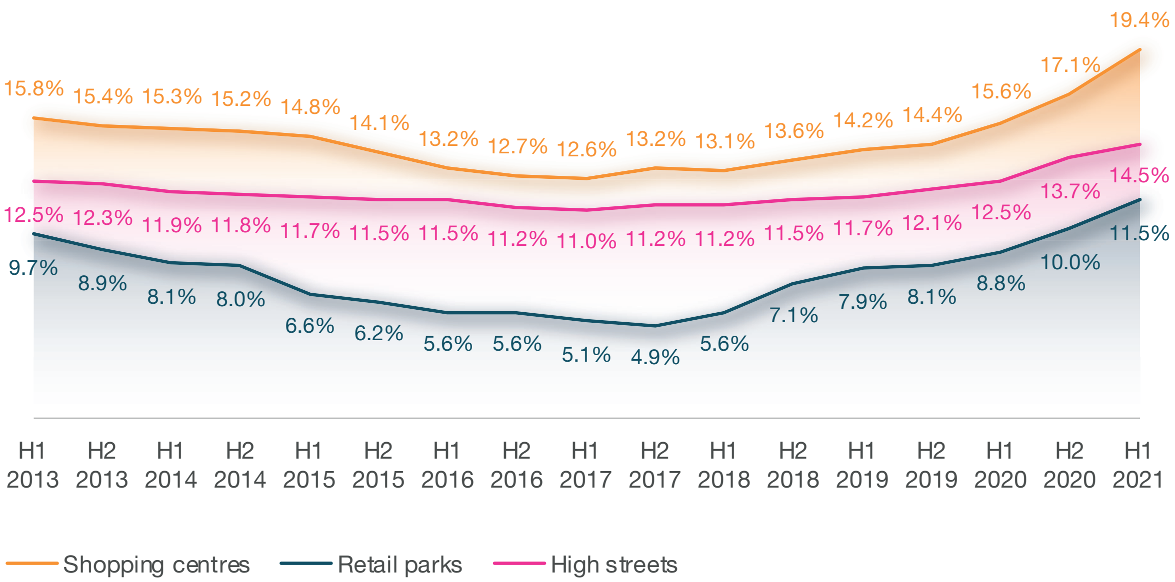


Figure 8: Historical vacancy rate across GB, H1 2013 to H1 2021 (Source: Local Data Company)

SHOPPING CENTRE VACANCY JUMPED FROM

15.5% to 19.4%

... THE LARGEST HALF-YEAR INCREASE TRACKED BY LDC SINCE 2013

REGIONAL VACANCY TRENDS

Vacancy has risen by more than 1% across all GB regions since H1 2020. Scotland has seen the lowest vacancy rate rise of 1.1%, despite facing some of the toughest restrictions since the onset of the pandemic. This could be due to a higher percentage of stores in the country that remain temporarily closed and are yet to have their fate decided (6.8%). Scottish operators will also benefit from business rates relief up until the end of March 2022, ending much later than England which will cause a slight time lag on the impact to vacancy across the country.

Compared to H1 2019, the biggest increases in vacancy rate have been seen across Greater London (+4.0%), the North East (+3.7%) and Wales (+3.6%). Vacancy in the North East is particularly concerning as it now sits at over 20%, meaning that more than 1 in 5 shops are vacant across the region. Government measures such as the new Levelling Up Fund will go some way to support the regions and towns that need the most assistance. These will be locations which have seen a sharp retreat of national chains in recent years and now find themselves with an oversupply of retail and leisure units. Tactics previously utilised in the South East, such as redeveloping retail property into residential, may not be appropriate for areas with lower demand for housing. Landlords and placemakers will need to think more broadly about creative solutions which meet the needs of these communities.

VACANCY RATES BY REGION, H1 2019 – H1 2021

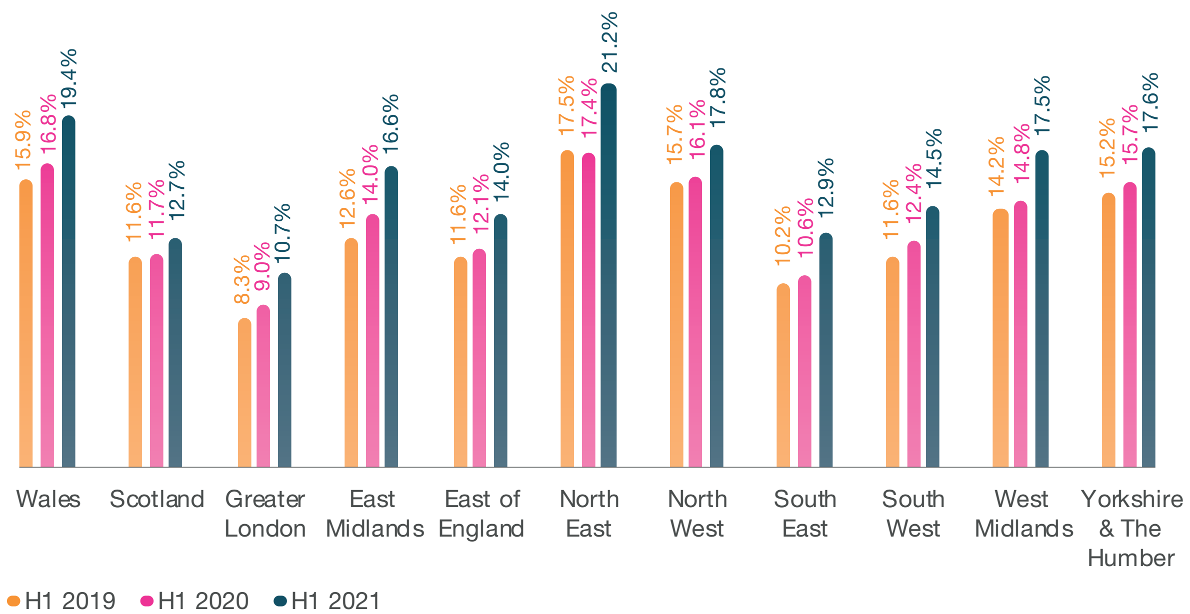


Figure 9: Vacancy rate by region in GB, H1 2019 – H1 2020 (Source: Local Data Company)

PERSISTENT VACANCY RATES BY LOCATION TYPE

The real problem beneath rising vacancy rates is the increasing proportion of space that has been vacant for long periods of time. Units that have been vacant for more than 3 years are challenging to reoccupy as they often need significant capital expenditure to make them fit for purpose or a complete refit to change how they are used.

Shopping centres not only have a high percentage of short-term vacant units at 7.3% due to the sheer volume of closures during the pandemic, but also a high percentage of units that have been vacant for more than 3 years, at 5.5%. This indicates not only the fast rate at which units are being vacated, but also the difficulty in finding new tenants for space already available.

Despite the data continuously highlighting challenges being seen across shopping centres, it should be noted that this is a very polarised market and not all shopping centres are experiencing the same difficulties. Community shopping centres, many of which are anchored by a food retailer, have been less exposed to the challenges of the larger, more fashion and casual dining-focused schemes and are performing well.

LENGTH OF VACANCY BY LOCATION TYPE, H1 2021

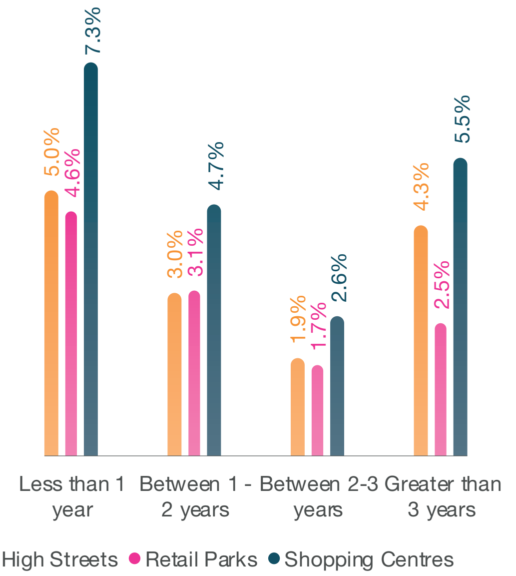


Figure 10: Persistent vacancy rates by location type, H1 2020 (Source: Local Data Company)

COMMUNITY SHOPPING CENTRES, MANY OF WHICH ARE ANCHORED BY A FOOD RETAILER, HAVE BEEN LESS EXPOSED TO THE CHALLENGES OF THE LARGER, MORE FASHION AND CASUAL DINING-FOCUSED SCHEMES AND ARE PERFORMING WELL.

REDEVELOPMENT ACTIVITY

The rate of redevelopment reduced again in H1 2021, to levels lower than those seen in 2020. The main reason for this is the amount of time within this period that was spent in lockdown when activity levels were suppressed. The biggest decrease was seen in the number of vacant retail units that were either demolished or converted for other uses as landlords faced difficulties in pushing planning applications through. Going forwards, this backlog must be addressed as removal of surplus retail units will be critical in ensuring retail locations have a diverse and valuable future.

REDEVELOPMENT ACTIVITY, H1 2017 - H1 2021

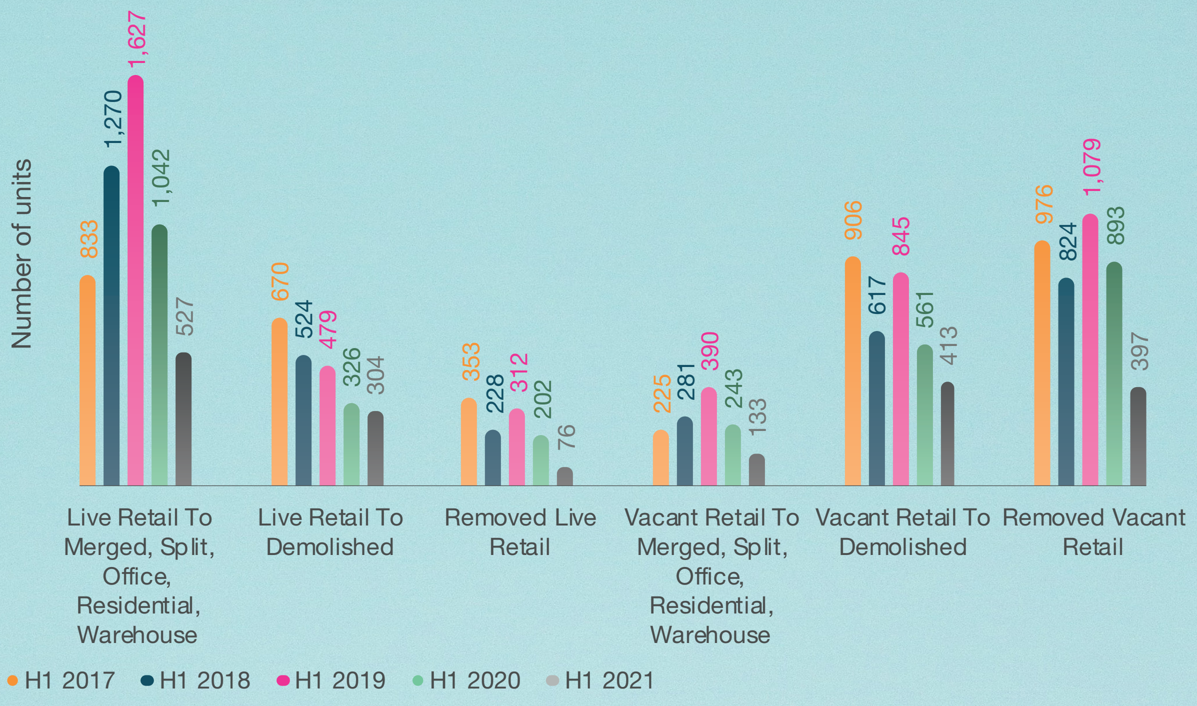


Figure 11: Redevelopment activity by type, H1 2017 to H1 2021 (Source: Local Data Company)

TOWN SEGMENTATION

The variance in town performance throughout the pandemic has been widely discussed. At LDC, we are able to segment the towns we survey by core function to create a detailed picture of how towns and cities have been impacted differently.

VACANCY RATES

Commuter towns remained resilient during H1 2021 as many businesses urged staff to remain at home where possible. This resulted in increased local footfall in areas which would typically see many residents travel to major cities during the week. Commuter towns have seen a modest increase in vacancy of 1.5% since H1 2019, with only villages seeing less of an increase (0.8%).

Seaside towns have also remained relatively resilient due to the surging popularity of 'staycations', as well as the tendency to have a greater proportion of independent retailers and fewer comparison goods operators.

VACANCY RATE BY TOWN PROFILE, H1 2019 - H1 2021

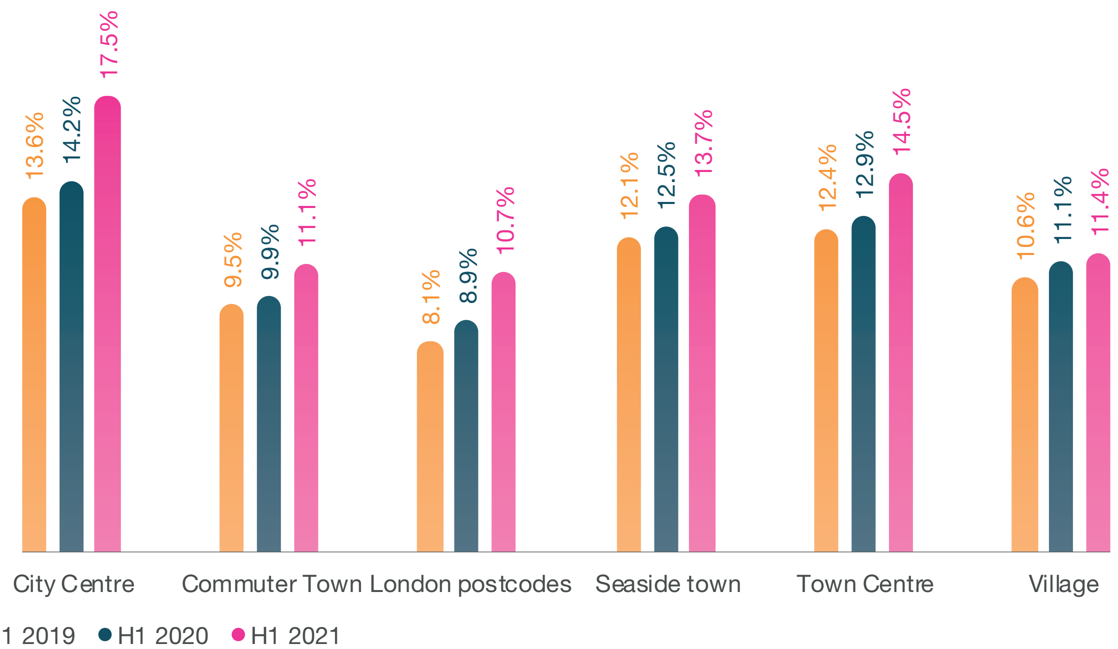


Figure 12: Vacancy rate by town profile across GB, H1 2019 to H1 2021 (Source: Local Data Company)

Conversely, vacancy rates across city centres have increased by 3.9% since H1 2019, reaching 17.5%. The majority of the damage took place over the past 12 months, with 3.3% of the increase taking place since H1 2020. Similarly to shopping centres, city centres have been impacted by a lower proportion of independent retailers and higher exposure to at-risk categories, including fashion and department stores.

IMPACT OF THE 'WORK FROM HOME ORDER' ON LONDON

The population of London was just over 9 million at the start of 2020 and it was here that the government order to 'work from home where possible' was felt the most across the country.

With the lack of commuter traffic, a large percentage of non-essential units remained temporarily closed. This was especially evident in locations within central London such as Barbican/Clerkenwell/Finsbury (30% of units temporarily closed as of May/June 2021), Moorgate/Liverpool Street (27%) and Mile End/Whitechapel (19%) - all areas with a high density of offices.

Comparing central locations with outer, more residential locations, the difference in performance is significant with suburban areas such as Balham (5%), Brixton (3%) and East Sheen (2%) seeing much lower levels of temporary closure.

Residential locations benefitted from increased weekday footfall and demand from brands such as Pret A Manger which followed consumers, targeting more local areas.

PERCENTAGE OF TOTAL UNITS TEMPORARILY CLOSED

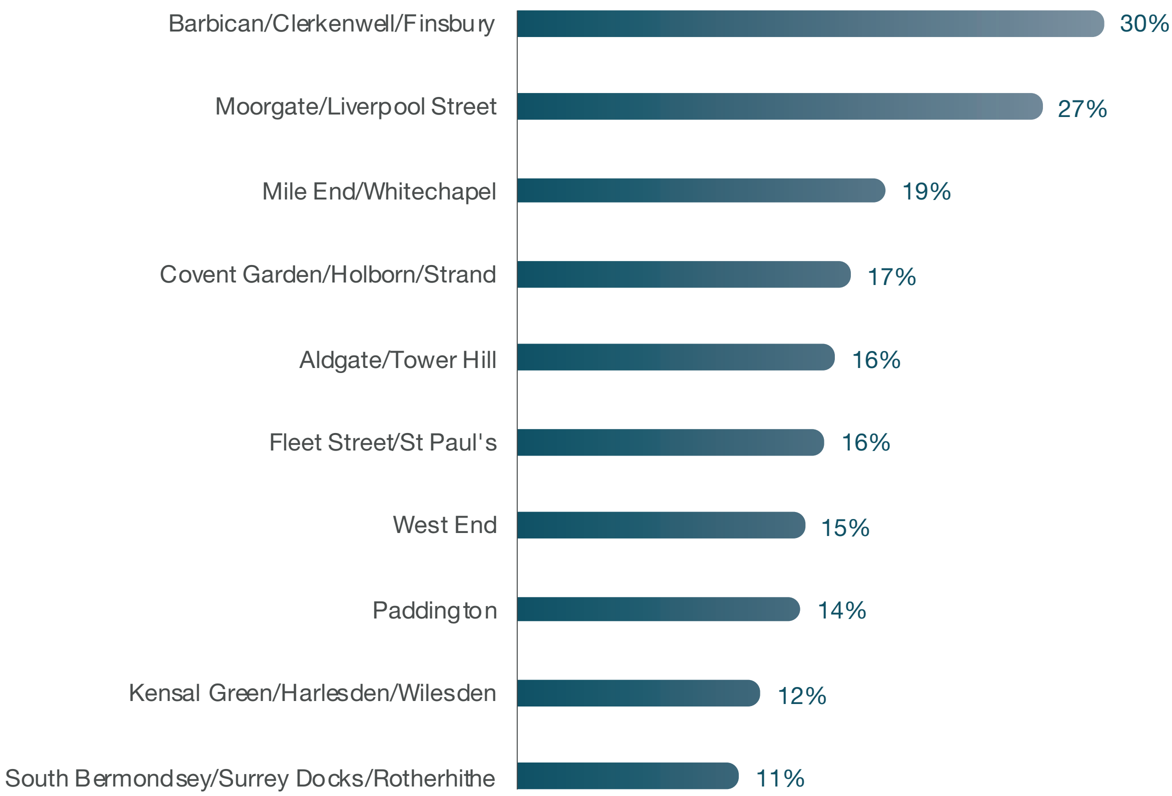


Figure 13: Percentage of total units temporarily closed across selected surveyed locations in Greater London in May/June 2021 (Source: Local Data Company)

The great British bake-in?

How much of our lockdown behaviour is now baked in to our retail property world?

The country may seem like it's in something of a state of retail shock. The buzz on the high street is more of a whimper, but the rates of decline are slowing – as shown in the LDC reports. But, contrary to popular belief and many reports in the media, the high street is slowly coming out of the deep freeze. Recent BRC figures did show that high streets outperformed shopping centres in their footfall recovery, but was this associated with a preference for open air venues – and fortunately figures seem to be on the rise again.

Abroad, the mayor of Rome spoke at MIPIM and attributed most of the city's recovery to the easing of pavement café restrictions; you've got to love a face to face meeting over a decent espresso! And again outside of the UK, the signs of recovery can be found in cities like Oslo and Lisbon, where operators are reporting footfall that exceeds pre-pandemic levels. But how much have we learnt in the UK, and is our lockdown behaviour baked in?

Are we doomed to social distancing and joining meetings forever online, or will we slowly be returning to some sort of normality? And is there indeed a new normal, or any normal at all? David Kenningham of Kenningham Retail tells me that "there is simply no normal now" – and that landlords and retailers are much more open minded than ever before – with one global retailer telling me that finally the two were seeing much more eye to eye. So long as the lawyers can document it, it can fly.

At least on the retail side, there are signs of the confidence returning. One of those is leisure activities picking up, reflecting a desire for people to come together and enjoy real life experiences after months of restrictions and lockdowns. Most recently, leisure concept Gravity opened a three-floor, 100,000 sq. ft. location at Invesco/Landsec's Southside in Wandsworth. And over the summer Ellandi announced that it would develop Merry Hill shopping centre into a family entertainment 'leisure district', having received a £50m investment from its lenders for this specific purpose, showing that investors, too, believe that the importance of leisure will be a lasting trend. The transformation of the Oxford Street Topshop into a city IKEA is also a positive sign that bricks and mortar retail is still very much on the agenda – just different names above the door.

Major changes in the retail market include the shift that is happening towards shorter leases, fixed rents, fixed uplifts and side letters, while turn-over rents is on the rise. This of course means landlords will have to work harder and communicate better than ever in a much more collaborative fashion to keep tenants onboard and ensure a great tenant mix.

Whilst the more dormant landlords nap, technology is filling the void, with brands like Deliveroo providing natty new ways to deliver food and other necessities – in its latest move, it teamed up with Boots to deliver more than 400 health and beauty products on demand. Amazon continues its inexorable rise with its Go concept with 30 new stores planned, and the Gym Group actively looking for empty shop spaces to expand – 40 new clubs planned before the end of 2022.

The earliest signs of investment transactions are also appearing – such as Ardent's acquisition of Touchwood shopping centre in Solihull from Lend Lease – and be sure that this will be the first of many before the year is through. As networking events can now take place, expect more and more transactions too – we've already had a September edition of MIPIM, and soon its Completely Marketplace and MAPIC will drive the industry's cogs forward again.

Occupiers themselves are achieving cut through in innovative new ways – from diverting product launches and catwalk shows into seasonal films and even the use of NFT technology prevailing strongly. Leasing trips and viewings continue relatively unabated – with international travel easing we're seeing visits from you know who from Spain, and others travelling in from Italy, France, Germany – things are opening up, thanks to our vaccine programme and easing of mask restrictions. The less intrepid are working around this by undertaking viewings via FaceTime, with agents linking to Board meetings from vacant units – with some deals even happening sight "unseen".

So, as people return to the office, our streets, squares and plazas are beginning to hum once more, just in a slightly different way. Many of our tech, wellbeing and entrepreneurial behaviours are now baked in to our day to day – which we think is a good thing. That's certainly the case here at Television Centre. The tune is a little muted for now though – but with that there is glimmer of a roaring twenties feel to ideas and projects that once would have been dismissed out of hand. No ideas are bad ideas just now.

Dan Innes – MD Innesco.

innesco

SECTORS

This section of the report reviews market development trends across the four top-level retail classifications (leisure, service, comparison goods and convenience) and the 400+ retail and leisure categories tracked by the Local Data Company.

OPENINGS AND CLOSURES

The decline in units across most classifications improved in H1 2021, another sign that the worst of the Covid impact has already been felt. Service retail was the only classification to lose more stores in H1 2021 than in H1 2020, with a net change of -1,311 compared to -828. One of the reasons for this was the significant slowdown in the hairdressing, health & beauty category that has been boosting this sector for a number of years. Collectively in H1 2020, barbers, beauty salons and nail salons grew by 867 units compared to just 485 in 2021, equating to a 44% decrease.

Another significant reduction in decline was seen across the comparison goods sector with a net change of -3,268, down from -4,975 in the same period in 2020. Categories driving this were convenience stores (+332), grocers (+208), bakers (+53), and supermarkets (+36), mostly independently run. Independent retailers were able to take advantage of increased demand for fresh, locally sourced produce. This is further evidenced by percentage increases across some smaller categories such as fishmongers and halal butchers that saw a 6.5% and a 5% increase respectively.

HISTORICAL NET CHANGE IN UNITS BY CLASSIFICATION TYPE, H1 2014 - H1 2021

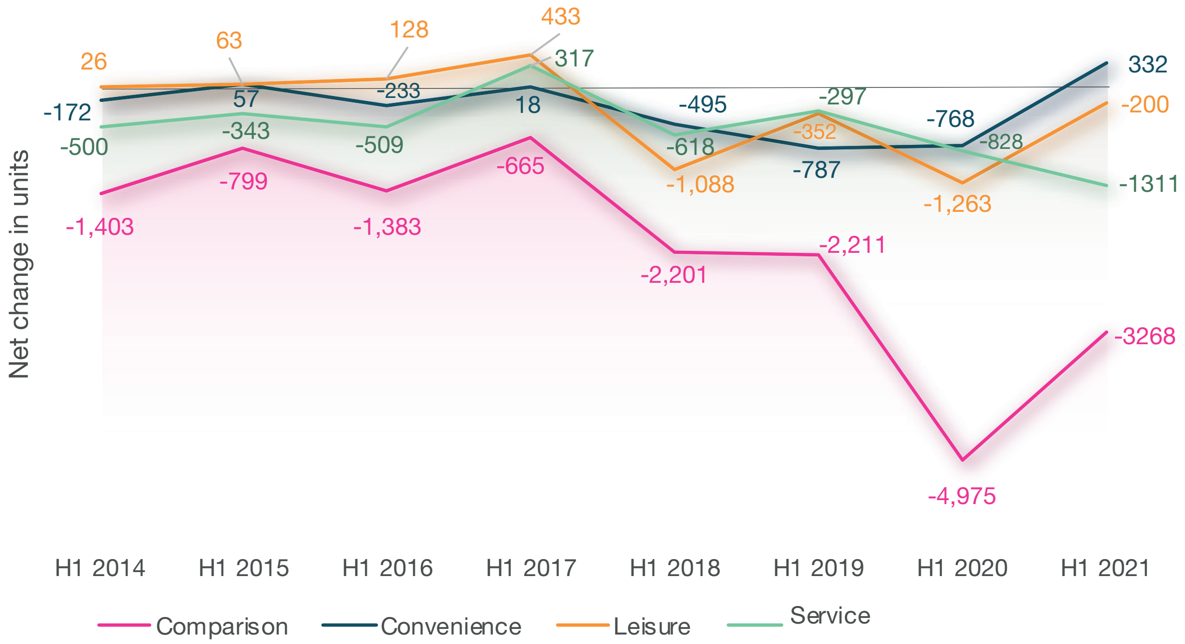


Figure 14: Historical net change in units across GB by retail classification, H1 2014 – H1 2021 (Source: Local Data Company)

The leisure sector saw significant year-on-year improvement, as net loss of units decreased from -1,263 to just -200. This signals the best performance since 2017, prior to increased CVA and administration activity across the sector in 2018 and 2019. This improvement was driven by café & fast food units alone, as other leisure categories including entertainment (-357), restaurants (-147) and bars, pubs & clubs (-133) continued to decline.

Another huge improvement was seen across the comparison goods sector in the form of a reduction in the speed of decline with a net change of -3,268, down from -4,975 in the same period in 2020. However, decline was still worse than in H1 2019, demonstrating that the challenges for this sector are not yet over and that this decline is still significant.

TOP 10 GROWING CATEGORIES

The fastest growing category in H1 2021 was fast food takeaway, as consumers relied on takeaway food during the long months of lockdown. This sector also benefitted from the closure of pubs, bars and restaurants leading to a huge rise in demand for takeaway food and drink. In March 2021, Just Eat reported that it had seen a 600% increase in orders in the first two months of the year compared to 2020. Growth was especially pronounced in the North West, where takeaway units increased by 5% in the first 6 months of the year. Growing brands include German Doner Kebab (10 openings) and Morley's (9 openings).

Convenience stores - another sector that was able to trade for most of the pandemic - also grew rapidly in the period. Most of this growth was in the independent market (97%) focusing on residential areas outside of towns and cities. The convenience market has also seen rapid growth in grocery delivery businesses such as Zapp, Weezy, Getir and Gorillas, which have all been expanding across Greater London.

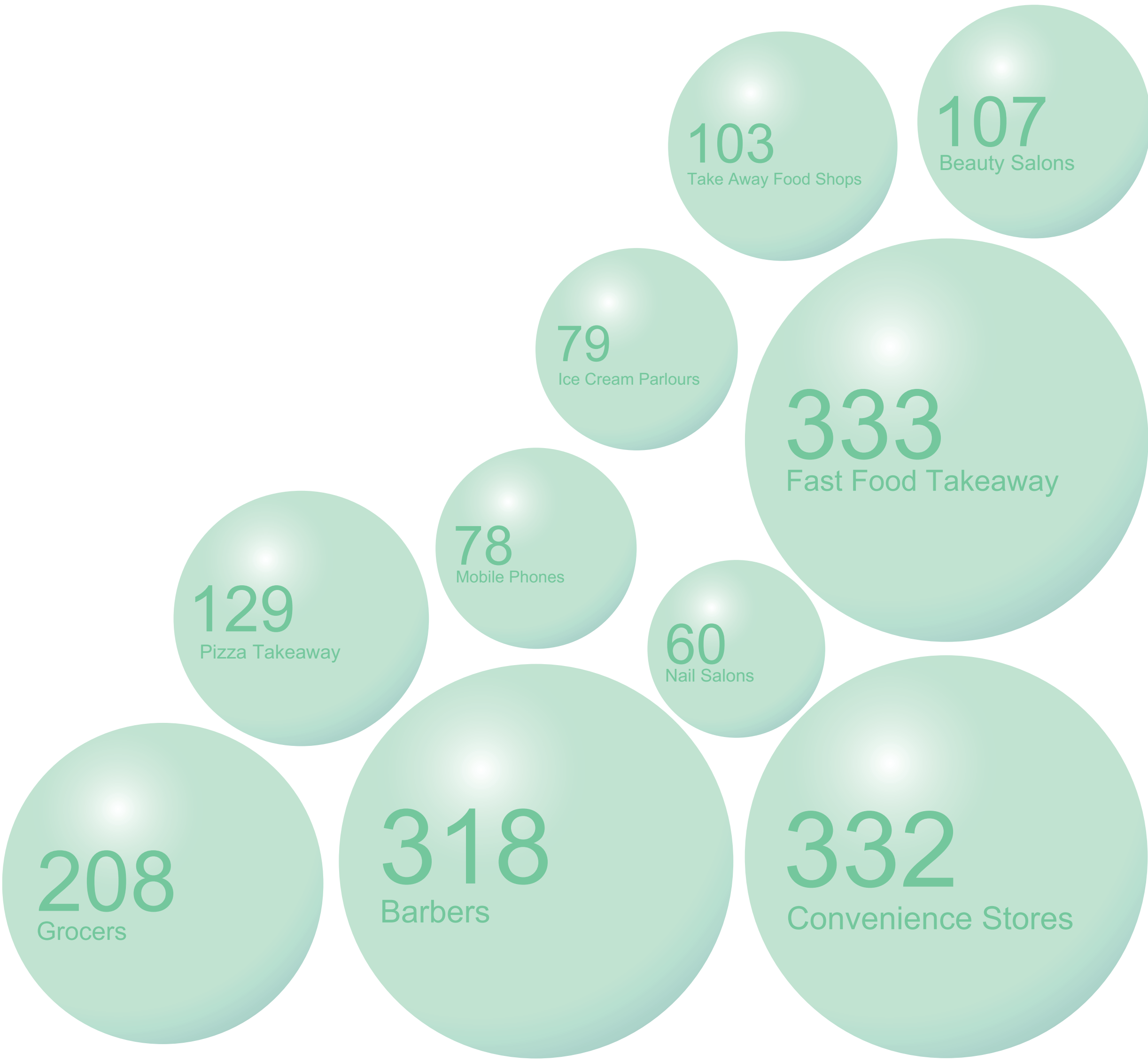


Figure 15: Top 10 growing retail categories across GB by net change in units, H1 2021 (Source: Local Data Company)

TOP 10 DECLINING SUBCATEGORIES

The fastest declining category in H1 2021 was charity shops, with a net loss of 446 units. Despite a huge surge in donations, charity shops have struggled during the pandemic, mainly due to difficulties recruiting and retaining volunteers as many were shielding or worried about increased exposure to the virus. However, as we move out of the pandemic, charity shops are likely to bounce back as they can meet consumer demands for both value and sustainability.

In a trend continuing over the past few years, three of the categories to see the fastest decline sit within the fashion and general clothing sector. Women's clothing was the hardest hit, with a decline of 411 units in H1 2021.

One of the highest profile casualties in this space was Arcadia, which closed its entire UK estate in H1 2021 after its brands were acquired by fashion e-tailers Boohoo (Wallis, Dorothy Perkins and Burton Menswear) and ASOS (Topshop, Topman and Miss Selfridge).

Bookmakers (-342), banks (-188) and travel agents (-173) featured in the top 10 declining list, again mainly as a result of the increasing prevalence of online services in these sectors.

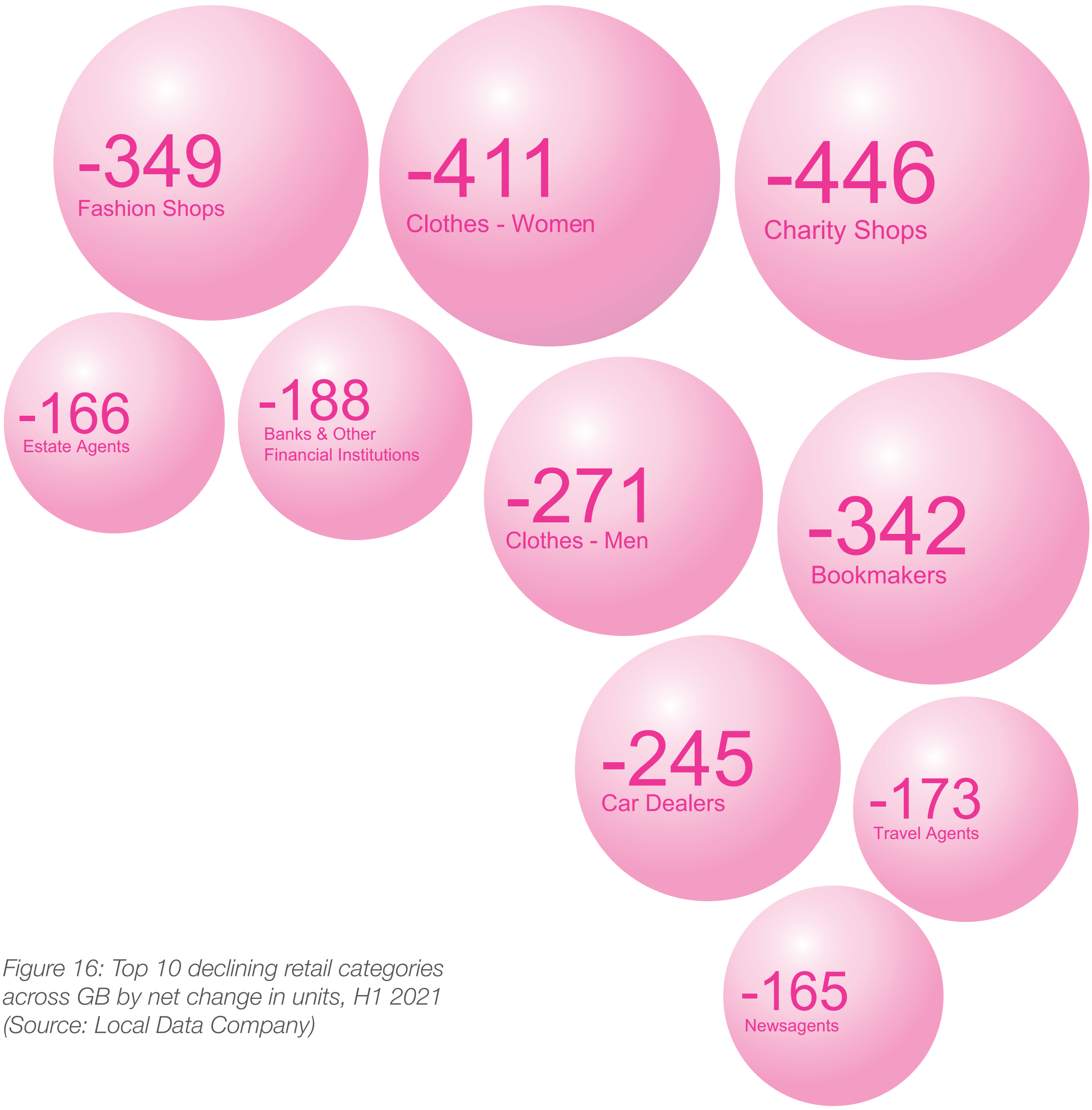


Figure 16: Top 10 declining retail categories across GB by net change in units, H1 2021 (Source: Local Data Company)

MULTIPLES VS INDEPENDENTS

In H1 2021, the performance gap between the multiple and independent sectors continued to widen. In the first six months of the year, multiples lost a net 5,251 units, while the independent sector saw a gain of 804 units. Entrepreneurs took the opportunity to launch businesses during lockdown, especially across the convenience and leisure sectors, while government support schemes such as furlough, the moratorium on evictions for commercial tenants and business rates relief continued to support existing businesses. However, a note of caution: as the moratorium has now been extended to March 2022, the true extent of the pandemic may not be felt until H1 2022, depending on market recovery across the next 12 months.

HISTORICAL NET CHANGE IN UNITS BY BUSINESS TYPE, H1 2014 - H1 2021

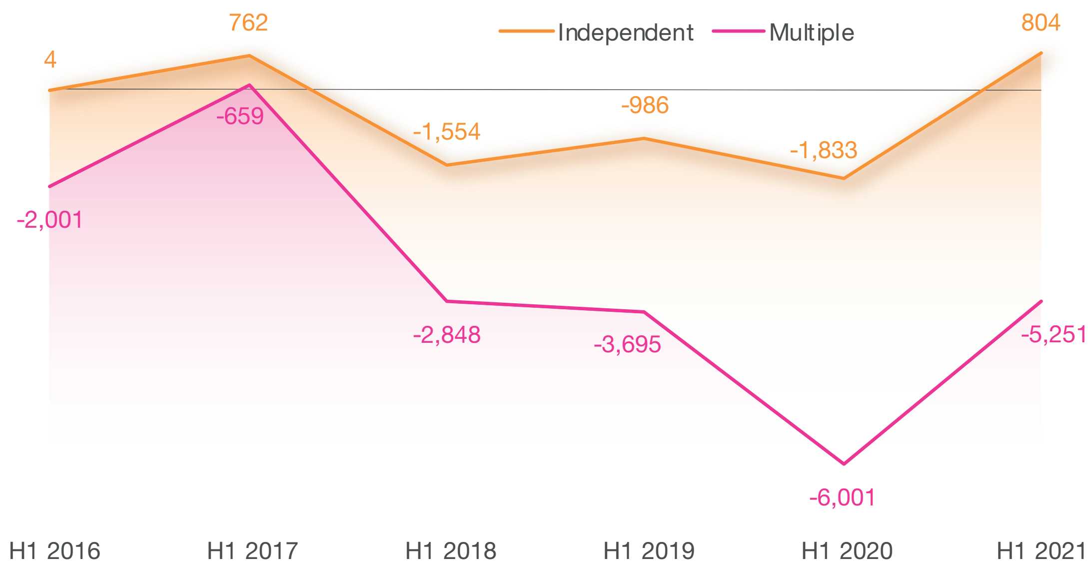


Figure 17: Historical net change in units by business type across GB, H1 2016 to H1 2021 (Source: Local Data Company)

Figure 18 details the challenge facing the comparison goods sector, which has seen the biggest decline in units across both the multiple and independent sectors. Independent comparison goods units declined by 0.4%, compared to a decline of 4% for multiples in this sector.

Department stores (13.1%), fashion & general clothing (11.1%) and gift shops (10.8%) were the categories that saw the biggest percentage decline within the comparison goods sector in H1 2021.

There was a -2.7% net change in multiple service units in H1 2021, driven mostly by categories such as travel agents (-8.3%), auto services (-6.1%) and banks (-3.4%). These categories continue to be impacted by the pandemic with consumers increasingly moving to digital services and travel agents continuing to be impacted by travel restrictions.

PERCENTAGE NET CHANGE IN OCCUPIED UNITS BY CLASSIFICATION TYPE, IN H1 2021

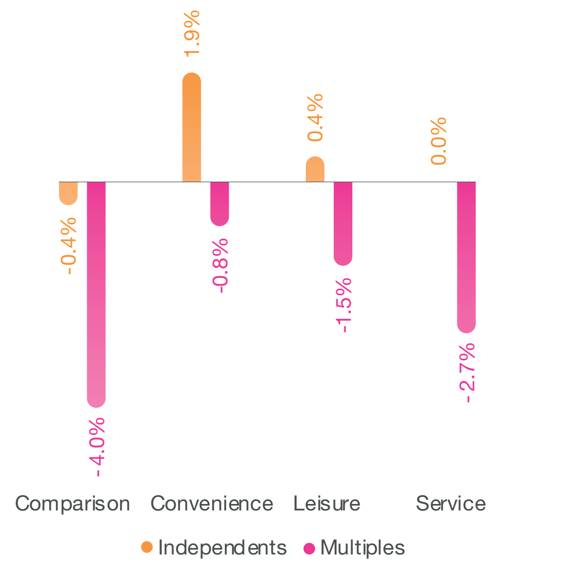


Figure 18: Percentage net change in occupied units by retail classification and business type across GB, H1 2021 (Source: Local Data Company)

One question often posed about the independent market is that of long-term sustainability. Many of these units have a shorter average length of occupancy and a higher rate of churn across the market, due to a lack of infrastructure and financial backing. Using Local Data Company data, we can assess how long, on average, we can expect these businesses to remain operational for and create a 'survival rate' for each category.

To measure survival rate, we use historical data to understand the likelihood of an occupier making it to each anniversary from opening. For this analysis, we look at independent occupiers that were trading at the start of January 2018, measuring the percentage of units which were still trading on each anniversary to its 3rd birthday.

Of the top 10 fastest-growing independent categories, discount stores have the lowest survival rates, with only 85% of new occupiers making it to their first anniversary. This drops to 73% at year 2 and 66% at year 3. This equates to 1 in 3 discount stores that will not make it to their 3rd anniversary. This compares poorly to butchers & fishmongers, which typically see 77% making it to their third anniversary. Independent discount stores face stiff competition from large chains such as Aldi and Lidl, not to mention value retailers such as Home Bargains and B&M Bargains. Supermarkets have also had to become more price-focused in recent years to remain competitive in this market.

SURVIVAL RATE FOR THE TOP 10 FASTEST GROWING INDEPENDENT CATEGORIES

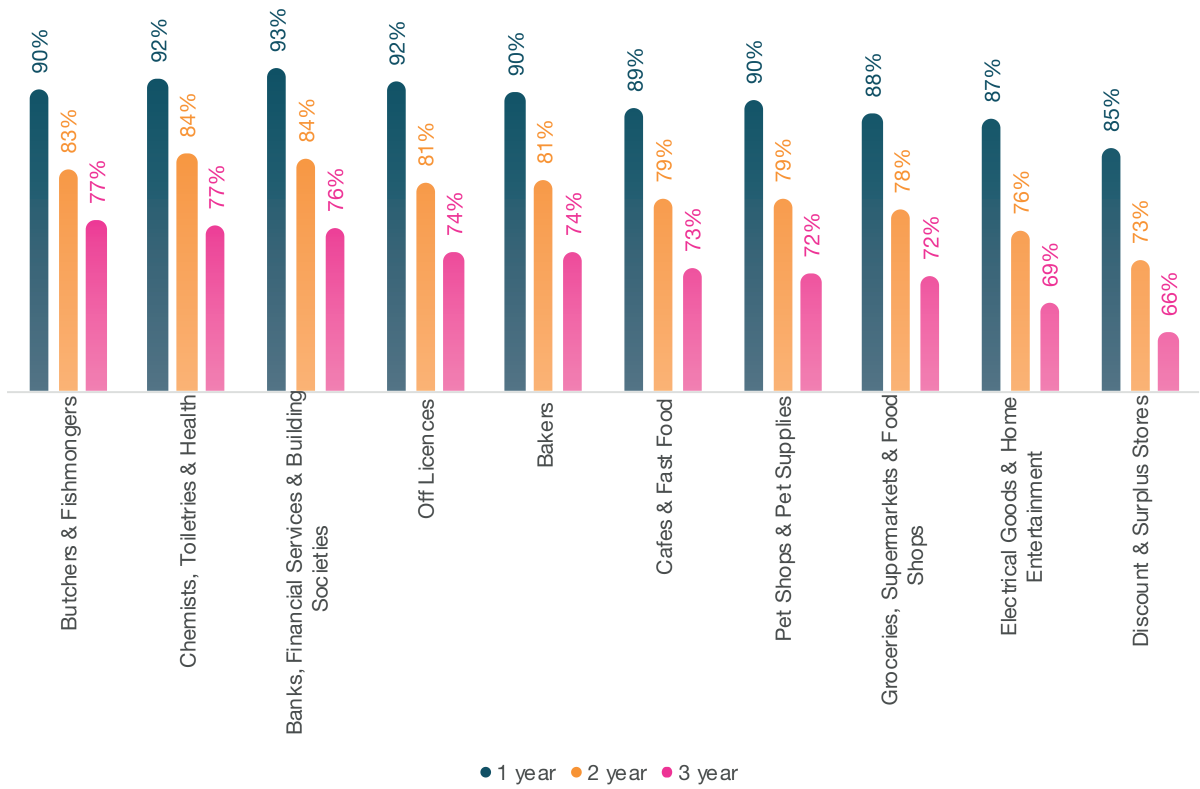


Figure 19: 1-year, 2-year and 3-year survival rates for the fastest growing independent categories across GB, 2018 to 2021 (Source: Local Data Company)

Overall, these independent growth categories were resilient, with 8 out of 10 having a 3 year survival rate of 70% or better, reflecting their likelihood of occupying space long-term. This is relevant in today's market for landlords, due to the ever-shrinking pool of multiples looking to expand. Understanding occupancy trends for the independent market allows landlords to accept independent retailers as a viable option for unoccupied units. Independents bring diversity to the area, a local following of loyal shoppers, and curated mix of products that are unique to a location. However, as shown in the data, the selection of independent business is critical in gaining a sustainable occupier.

MEASURING THE IMPACT OF LOCKDOWN 3

Following the circuit breaker in November 2020 and the myriad of tier restrictions which lasted throughout December, another extended period of lockdown in January 2021 proved catastrophic for occupiers who had just managed to reopen, restricting trade for the third time in a row.

Across a sample of 250,000 businesses that had been able to reopen following the first lockdown in 2020, 4.4% were not able to recover following the third. Greater London was impacted the most, with 5.9% of units unable to reopen again compared to 3.3% in the South West. The sectors impacted the most were fashion and general clothing, as the Arcadia closures filtered through. Other categories were impacted, such as travel agents, gift shops and bureaux de change, all connected to travel and tourism— one of the industries impacted most by the pandemic.

LOCKDOWN 3 CLOSURE RATE

Figure 20: Lockdown 3 (06 Jan 2021 to 12 April 2021) closure rate of non-essential retail by region across GB, H1 2021 (Source: Local Data Company)

BRANDS

Despite the initial impact of the pandemic on many retailers' expansion plans, we are now working extensively with a wide variety of operators looking to acquire new sites post-pandemic. Brands are able to take advantage of an increased supply of property and the opportunity to negotiate favourable leasing terms. Many of these growing brands are restaurants offering food delivery and collection, which is reflective of wider trends seen across the market during the pandemic.

EXPANDING BRANDS

HONI POKE

Honi Poke is a high-end poke bowl restaurant, operating from nine locations, with five openings in the pipeline. Two of the new openings will be in Manchester, one serving as a delivery hub only. During lockdown, Honi Poke thrived thanks to its healthy menu and vegan options and was voted the 4th most popular dish on Deliveroo in London. Over the course of the pandemic, Honi Poke opened three new sites across London; in Islington, among a cluster of restaurants and takeaway shops; Chancery Lane, in anticipation of the heavily office-based population returning; and Westfield Stratford which opened in May 2021 following the reopening of non-essential retail, a prime shopping location in which to build the brand.

COCOTTE

Cocotte is a rotisserie restaurant offering healthy, homemade dishes. They currently operate from four sites, two of which opened during the pandemic. An additional site is due to open in South Kensington, which will turn Cocotte into a multiple. Cocotte offered click and collect services during the pandemic alongside delivery in locations with a sizeable and affluent residential population.

NEAT BURGER

Neat Burger is a vegan burger restaurant backed by Formula One star Lewis Hamilton. It is growing at a rapid pace across London, with five more sites in Victoria, Westfield Stratford, Canary Wharf, Kings Road and Ealing in the pipeline. Vegan restaurants continue to grow in popularity, especially in London where they have grown by 33% in the past 12 months.

Two of their three sites have opened since the onset of the pandemic, with the Camden site opening in August 2020 just as the Eat Out To Help Out scheme kicked in. Like Cocotte, Neat Burger have sites located close to large, affluent populations and offered both delivery and click and collect throughout the pandemic.

THE FAT PIZZA

The Fat Pizza has opened 7 sites in the first 6 months of the year, and interestingly have opened those sites in 6 different regions (Wales, South East, North West, Greater London, West Midlands and Scotland). The size of the new sites has varied, with smaller units solely for delivery and click and collect, for example, the Weston-Super-Mare and larger units in locations like Milton Keynes with outdoor and Indoor seating. This flexibility will help support national expansion, utilising different store formats that best fit the local catchment or site purpose.

MEXITA

Mexita is another fast-food chain that has acquired new sites during the pandemic, with 4 openings in the first half of this year expanding from their Glasgow base. The original site was along Gallowgate, with new units opening across Glasgow city centre, Paisley and additional openings in partnership with other independent takeaway brands such as fish and chip shop Eglefino.

EXPANDING BRANDS

GROCERY DELIVERY

This year has seen an explosion in rapid online grocery delivery businesses, which promise speedy delivery of food items in residential areas. There are several brands searching for space to facilitate the quick delivery that their value proposition centres around. There are several desirable features for these units: proximity to a residential population; accessibility to bikes and cars for delivery; and the visibility to act as a marketing opportunity are all critical. Growth is currently focused on suburban London, but this trend is likely to reach other large cities across GB.

STREET FOOD MARKET HALLS

Eataly London opened in Broadgate Circle in H1 2021, offering diners the opportunity to 'Eat, shop, learn high-quality Italian food'. The 42,000 sq. ft. food hall is one of a few that have opened in recent years, with Boxpark Market Halls and Mercato Metropolitano a couple of the other existing options. This is a trend not just seen in London: Manchester (Mackie Mayor) and Liverpool (Duck Street Market) have also seen openings of similar concepts. Sainsbury's has also replicated this trend in its Selly Oak store, creating a food market which houses casual dining brands such as GBK, Harry Ramsden's and Slim Chickens. With more popping up across the country, food hall concepts could be a viable option for some of the large-format stores that have recently been vacated.

DRIVE-THRU

Another winner from the pandemic was the drive-thru, with 56 new openings so far in 2021, more than any other full year figure for the past five years. Customers valued this format during the pandemic, which offered the convenience, and perceived levels of safety from not having to leave your car. Coffee multiples such as Costa and Starbucks have been expanding this concept quickly, alongside fast food brands such as Greggs, McDonald's and KFC. With this pace of growth, competition is likely to intensify. Leon is a new entrant into this market following its acquisition by EG Group, while Five Guys opened their first ever drive-thru restaurant in August 2021.

GROWTH IN DRIVE THRU LOCATIONS (UNITS)

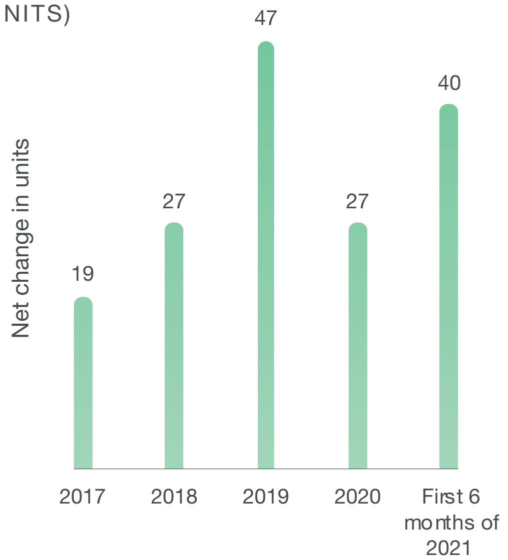


Figure 21: Net change in drive-thru units across GB since 2017 (Source: Local Data Company)

REOCCUPATION OF EX-ARCADIA UNITS

Across all brands within the Arcadia portfolio, just 7% of stores have been re-let so far. This figure is low for multiple reasons; one is that a large proportion of time since Arcadia's acquisition has been spent in lockdown, suppressing opening activity across the market. Another is the oversupply in retail space across the market, considering how many sectors are increasingly moving online.

As the weeks pass post-lockdown, this reoccupancy figure is likely to increase. Breaking down the data by brand, former Evans and Topman stores have seen the highest percentage of stores re-let, with both brands above 10% as of 1st July 2021. Former Dorothy Perkins stores have the lowest re-let percentage at just 5%. 20% of ex-Arcadia units in Wales have been re-let, followed by Yorkshire and the Humber (14%), London (10%) and the South East (10%).

Fashion, discount, and sports goods shops are the top categories that have taken up this space. Interestingly, 50% of these are independent businesses, further reflecting the strength of this market currently.

CURRENT STATUS OF FORMER ARCADIA STORES CLOSED DUE TO CVA OR ADMINISTRATION

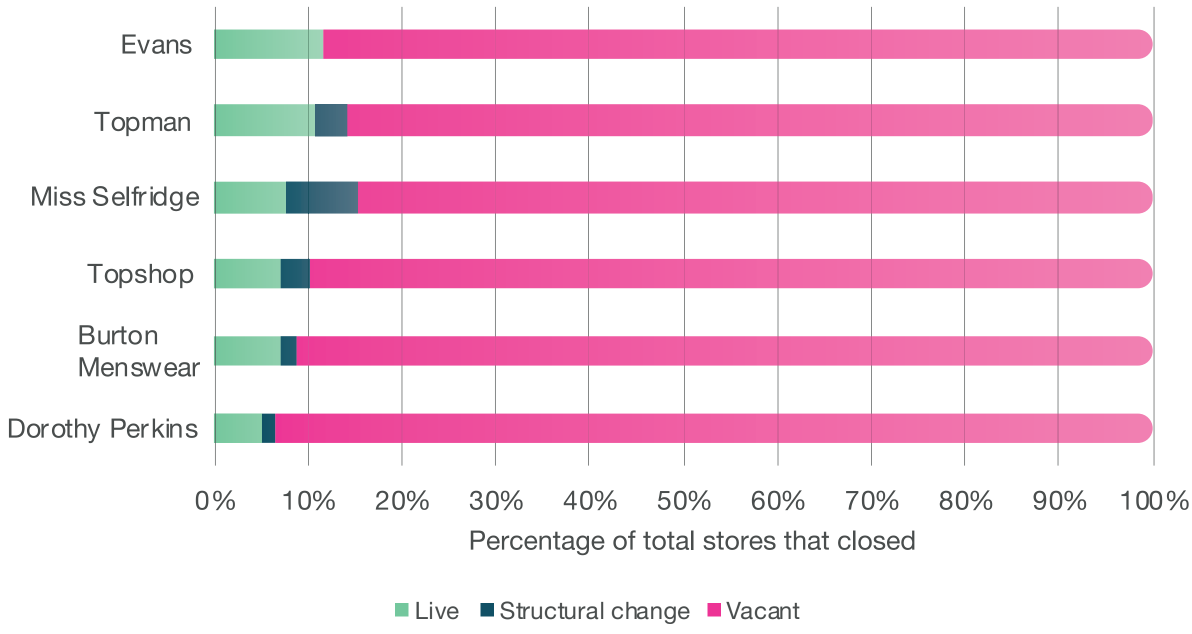


Figure 22: Current status of former Arcadia stores as of 1st July 2021 (Source: Local Data Company)

CASE STUDY- REOCCUPATION OF FORMER DEBENHAMS STORES

One of the major casualties of 2020 was Debenhams, which went into administration in December, resulting in the closure of all 124 shops. However, prior to its collapse, the chain had already started to close stores and hand them back to landlords. This analysis looks at some of the early reoccupiers of these large-format units.

next BEAUTY & HOME

Next Beauty & Home has replaced several former Debenhams stores at eight sites including the Bullring Birmingham, atria Watford, Metrocentre Gateshead and the Oracle Centre in Reading. The concept aims to bring the Next beauty, home and lingerie collections into premium retail schemes across the country.

Harrods OUTLET (temporary)

Harrods opened its first ever outlet store in summer 2020 in the former Debenhams site at Westfield London, a move initially made to ease pressure on its existing Knightsbridge store during its clearance sale. Short-term rentals are not a new concept, with brands such as Calendar Club operating as pop-up stores for certain seasons such as the festive period. While not a long-term solution, landlords may want to utilise newly vacant space in this way for the upcoming golden quarter.

SHOEAHOLICS

After the closure of the Harrods Outlet store, Shoeaholics.com, an online shoe retailer owned by Kurt Geiger, moved into the site. Online brands are increasingly moving into physical space for a location to act as a marketing and/or click and collect hub for customers.

The former Debenhams store in Great Yarmouth has been transformed into an art gallery and event space called Primeyarc. A similar project was launched in the area when its M&S closed, which saw over 6,000 visitors within a six-month period of opening.

15:17 is a new breed of department store which houses independent brands within prime retail space at a fraction of the cost. The concept includes several retailers and a food hall, aiming to create an enticing retail and leisure environment under one roof. 15:17 have taken up two former Debenhams sites in Kirkcaldy and Canterbury and an ex-BHS unit in Ayr. The brand has eight department stores in the pipeline, with plans to take up ex-Arcadia stores in Cardiff and Corby.

FULL YEAR 2021 OUTLOOK

This section of the report reviews the most likely outlook for the next 18 months based on our data to date. Many factors are likely to impact these figures given the nature of the market: rising COVID infection rates; winter flu season; the impact of the slowdown in government support; and various other parameters that could have an impact on trading conditions.

VACANCY RATES

We are forecasting the All Vacancy rate (retail and leisure combined) to hit 14.8% by the end of the year, up 1.1% on the end of 2020, as closures continue to filter through into the market. However, the rate that the All Vacancy is forecast to increase should begin to slow, with this evident in H2 2021 where we forecast 0.3%, compared to 0.6% in H2 2020.

This increase will be driven mainly by retail units as rationalisation of store estates continues in the wake of the pandemic. In recent months, GAP made the announcement that they would close all physical UK stores by the end of September as they focus on their online channels. We would expect to see more of these types of announcements as some retailers fail to see a return to pre-COVID trading levels.

HISTORICAL VACANCY RATE, H1 2015 TO H1 2022 (FORECAST)

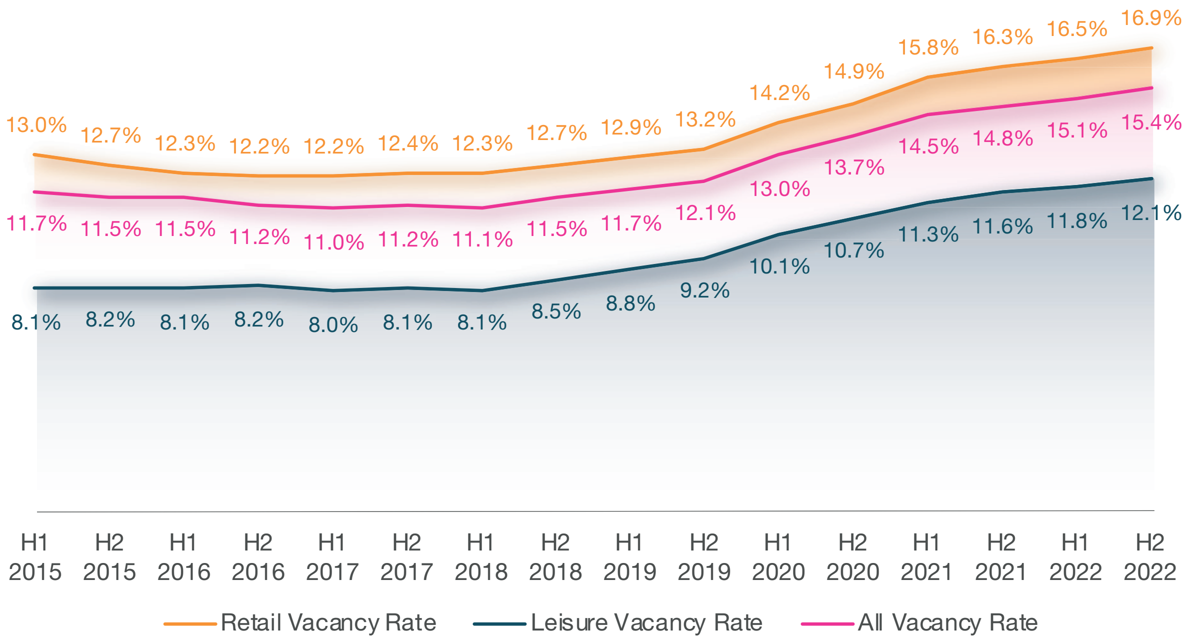


Figure 23: Forecasted vacancy rates by retail type across GB (Source: Local Data Company)

OPENINGS AND CLOSURES

Forecasting openings and closures figures is more challenging with the possibility of restrictions returning in the winter months, alongside the recommencement of international travel and the return of workers to the office. All of these factors will impact the appetite for occupiers to open new stores and help to determine the rate at which units will close when government support ends.

As a best-case scenario, with no new restrictions and consumer sentiment rising, we forecast that there will be a net loss of 9,295 units in 2021, bouncing back to 2019 levels. As a worst-case, with a return of restrictions impacting Christmas trading, net loss could reach 10,549.

HISTORICAL NET CHANGE IN UNITS, 2014 TO 2022 PROJECTIONS

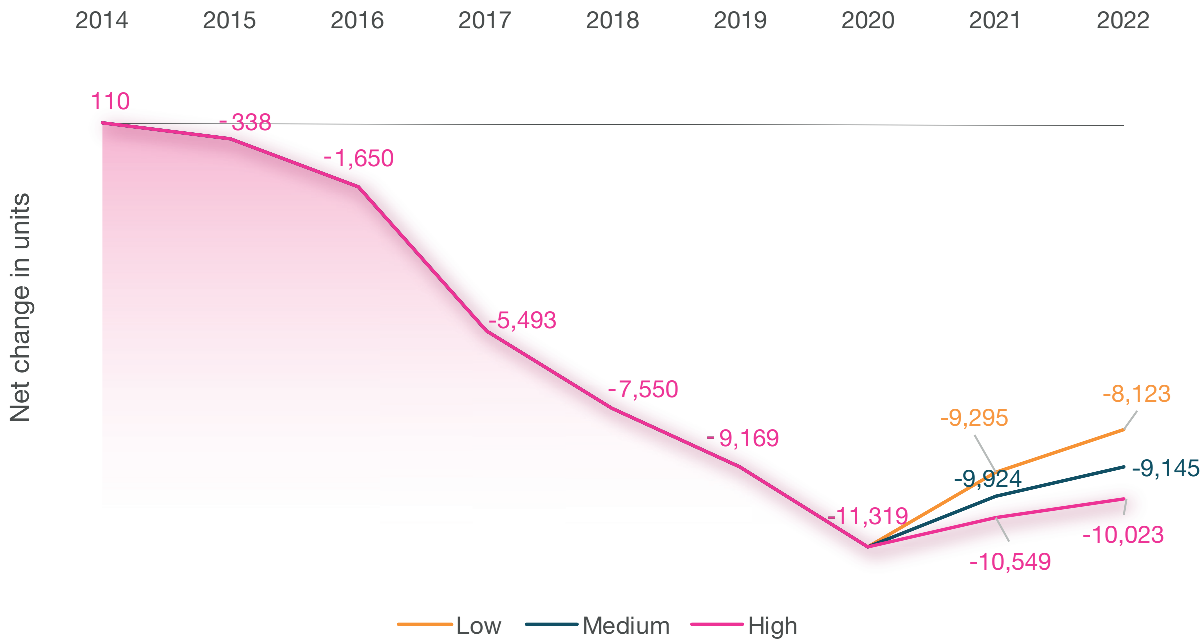


Figure 24: Forecasted net change in occupied units across GB, 2014 to 2022 (Source: Local Data Company)

Despite the expected end to business rates relief, the worst of the pandemic-related closures should be over by the end of 2021 as most businesses will have completed restructuring their portfolios and will have updated their strategy for the new trading environment. A best case for 2022 would see occupiers gaining more confidence to open stores in locations which recovered well, and over-supply in the market beginning to be addressed, with units that are no longer fit for purpose being removed from the market.

Categories such as fast-food takeaway and convenience stores that were boosted by the pandemic will continue to grow and look to strengthen their position in the market. As new brand concepts, particularly in the fast-food sector, saturate the London market, brands will look further afield for opportunities across key GB cities.

CONCLUSION

Despite market conditions remaining intensely challenging in H1 2021, there are signs that we are moving from 'survival mode' to a place where recovery and regeneration can begin to take place. Despite the closures figures and data on the increasing proportion of retail sales taking place online, physical stores remain a key strategic resource. They not only act as a critical sales channel, but also are able to facilitate online fulfilment and returns and are key in marketing products and services, providing an essential point of contact for consumers to interact with a brand.

The extension of government support has helped limit the damage to the market that many had expected this year, following a turbulent golden quarter of 2020. However, the 10% of units across the market that were still temporarily closed as of July 2021 points to a potential problem on the horizon for 2022 as we inch closer to the end of the moratorium and business rates relief. With the end of government support pushed back to 2022, H2 2021 is likely to see the 'calm before the storm': vacancy rates are likely to increase at a slower pace, in part due to the increased repurposing of commercial retail property into residential facilitated by the introduction of new permitted development (PD) rights.

Occupier openings are also likely to increase, with brands such as Lidl, Greggs, Costa and Aldi all announcing plans to open new stores, alongside new entrants such as Fireaway and MERE Retail who will look to make the most of the available space.

Following the uncertainty of the past 18 months, H2 2021 is certain to provide more reason for optimism than has been possible for many months. However, the market is not out of the woods yet, and occupiers, place makers and landlords still have a way to go to understand the place their businesses have in the new, recovering market.

VISIT OUR WEBSITE FOR MORE INFORMATION ON OUR RANGE OF STRATEGIC PRODUCTS AND SERVICES WHICH CAN SUPPORT RECOVERY IN THE POST-COVID ECONOMY.

WWW.LOCALDATACOMPANY.COM

COMMENTARY

LUCY STAINTON, HEAD OF RETAIL AND STRATEGIC PARTNERSHIPS

THE IMPACT AT BOTH A MACRO AND MICRO LEVEL IS SIGNIFICANT AND BY NO MEANS UNIFORM, SO TAKING A DATA-DRIVEN APPROACH TO INVESTMENT AND REGENERATION STRATEGIES IS MORE CRITICAL THAN EVER BEFORE.

This latest analysis is particularly fascinating given that we are now able to compare the impact of the very first lockdown with the effects of what could hopefully turn out to be the last of these wholesale restrictions. Arguably, there is cause for real optimism across these latest statistics, with the independent sector returning to growth, faster re-opening rates post-lockdown and high streets showing comparative resilience. The overall velocity of the decline across the market has slowed significantly and this points to the bulk of the impact of coronavirus being behind us and the market beginning to stabilise.

There's no denying the physical retail and leisure environment is still a very challenged one, but with the extension of government support, workers starting to return to offices and vaccines taking effect, the initial shock to the system is subsiding.

That being said, the volume of activity is still vast, and operators, landlords and government alike will need to continue to monitor these changes closely. The impact at both a macro and micro level is significant and by no means uniform, so taking a data-driven approach to investment and regeneration strategies is more critical than ever before.

Shopping centre assets have been particularly challenged during this period with both existing market trends exacerbated by the pandemic and short-term changes to consumer habits being unfavourable to shopping centres. With chain retail and leisure operators still in decline, chiefly in categories which over-index in shopping centres, and these being covered or indoor assets with a low proportion of "essential retail", landlords will need to be even more creative and proactive in curating this space and finding alternative opportunities for these vacancies.

The growth in independent retail and leisure certainly presents an opportunity for landlords. Increasing the number of local hero businesses within schemes will create more diverse spaces making them more attractive to consumers who have become far more minded to support local businesses as a result of the pandemic.

Our predictions for the rest of this year based on what we have seen thus far is a continued slow down in decline as many chain operators return to being acquisitive, and a more flexible property market that creates further opportunities for independents. The impact of coronavirus will be lasting, there is no doubt, but our latest research suggests that the worst could well be behind us… Here's hoping.

METHODOLOGY

- The Local Data Company visits over 3,300 towns and cities (retail centres and government defined retail core), retail parks and shopping centres across England, Scotland and Wales. Each premises is visited, and its occupancy status recorded as occupied, vacant or demolished.

- 'Retail' refers to Convenience Retail, Comparison Goods and Service Retail, while 'leisure' refers to hospitality units, namely Entertainment Venues, Restaurants, Bars, Pubs & Clubs, Coffee Shops and Fast Food outlets.

- Each centre has been physically walked and each premises recorded as vacant, occupied or demolished on the day of survey. Vacant units are units which did not have a trading business on those premises on the day of survey.

- Towns are updated on a 6-month to 12-month cycle depending on size and churn, with both a field survey and office research team tracking changes in the local market.

- Independent retailers are businesses with less than five stores nationwide, and no international presence.

- The GB vacancy rate analyses the top 650 town centres.

GLOSSARY OF TERMS

CLG BOUNDARY

This is the 'retail core boundary' as defined by the Department of Communities and Local Government. This is used by Local Data Company to carry out like for like comparisons between locations.

BESPOKE BOUNDARY

This is a boundary which is defined by an end user. In this report, a bespoke boundary has been used for Manchester city centre and its districts.

STOCK

The total number of premises available (occupied or vacant).

RETAIL STOCK

The total number of Comparison, Convenience and Service retail (occupied or vacant).

LEISURE STOCK

All Leisure premises.

RETAIL VACANCY

The vacancy rate based on retail stock only.

LEISURE VACANCY

The vacancy rate based on leisure stock only.

ALL VACANCY

The overall vacancy rate for Retail and Leisure stock.

COMPARISON RETAIL

This classification covers all retailers offering non-perishable items. Categories that lie within Comparison Goods shops are: Fashion & General Clothing; Charity & discount Stores; Electrical Goods & Home Entertainment; Furniture Shops; Department Stores; Books & Stationary; Car & Motorbike; Chemists, Toiletries & Healthcare; Florists & Garden; Footwear; China & Gift shops; Jewellers; Pet shops; and Sporting Goods shops.

CONVENIENCE RETAIL

This category covers all perishable goods retail. Categories that lie within Convenience retail are: Bakers; Butchers & Fishmongers; Confectionary, Tobacco & Newsagents; Groceries, Supermarkets & Food shops; Off Licences; Petrol Filling Stations.

LEISURE RETAIL

Leisure Classification includes: Accommodation; Bars, Pubs & Clubs; Cafes & Fast Food; Entertainment; Restaurants.

SERVICE RETAIL

This classification includes: Auto & Accessories; Banks, Financial Services & Building Societies; Employment & Post Offices; Estate Agents & Auctioneers; Hairdressing, Health & Beauty; Household & Home; Launderettes, Dry Cleaners & Other; Locksmiths, Clothing Alterations & Shoe Repairs; Pawnbroking & Cheque Cashing; Travel Agents & Tour Operators.

INDEPENDENT RETAILER

A fascia with fewer than 5 units nationally.

MULTIPLE RETAILER CHURN

A fascia with 5 or more units nationally or internationally.

NET CHANGE

This is the number of businesses opening and closing. This is the overall change (Openings minus closures).

Data correct as of September 2021

DISCLAIMER

Information herein has been obtained from sources believed to be reliable. The material provided by us is intended for the sole use of the person or firm to whom it is provided. Any projection, opinions, assumptions or estimates used are our best estimate of the future performance of the market.

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