



# GB RETAIL AND LEISURE MARKET ANALYSIS


H1 2020



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## **FOREWORD**

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H1 2020 has been one of the most turbulent, unpredictable and challenging periods for the entire UK economy. Retail and leisure businesses have been, and are still being hit hard as the COVID-19 pandemic continues to have a monumental impact on lives and livelihoods. With no clear end in sight, the retail and hospitality market faces another tough six months, with another national lockdown, curfews and fearful consumers making trading exceptionally difficult.

However, it is in periods of turmoil that innovation flourishes. We have seen many examples of businesses adapting to meet changing consumer needs and as the crisis continues, new concepts will form, and opportunities will arise for those seeking them.

This H1 report will be slightly different due to the impact of the pandemic on our research cycles. At the start of the lockdown in March, the LDC field research team was forced to cease operations for a short period of time. The team got back into the field on the 25th May and through the exceptional efforts of our operations department, by the end of August had caught up for the lost time. This has resulted in our adjustment of the H1 period for this publication which, for these purposes runs from January 2020 – August 2020 to ensure we cover over 400,000 retail and leisure units, providing us with the ability to compare this period to other years and provide a unique perspective on a rapidly changing market

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# ABOUT THE LOCAL DATA COMPANY

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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.

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 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

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.

## 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.



### ANALYTICS

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



### STRATEGY

For over fifteen years our dedicated insight team has been working in partnership with clients committed to investing in retail via a range of strategic 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
- Competitor and market tracking
- Investment strategy and asset management
- Anti-money laundering
- Alt-data projects
- COVID-19 impact analysis
- Portfolio strategic realignment

BUSINESSES WE WORK WITH:



“

We needed reliable reference data on all the shops trading in the UK. LDC gave us the names of the businesses operating in the country, including those that had gone bust during the historical time period that the Fable Data panel covers. Fable used the LDC file to seed our search for merchant names within our anonymised transaction data. We now have a data set with millions of rows, covering thousands of merchants, used to train and tune neural networks and support vector machines that identify merchants in consumer spend data for our clients. LDC saved us time and also helps us to identify the names of new merchants that start to trade and grow their store estate.

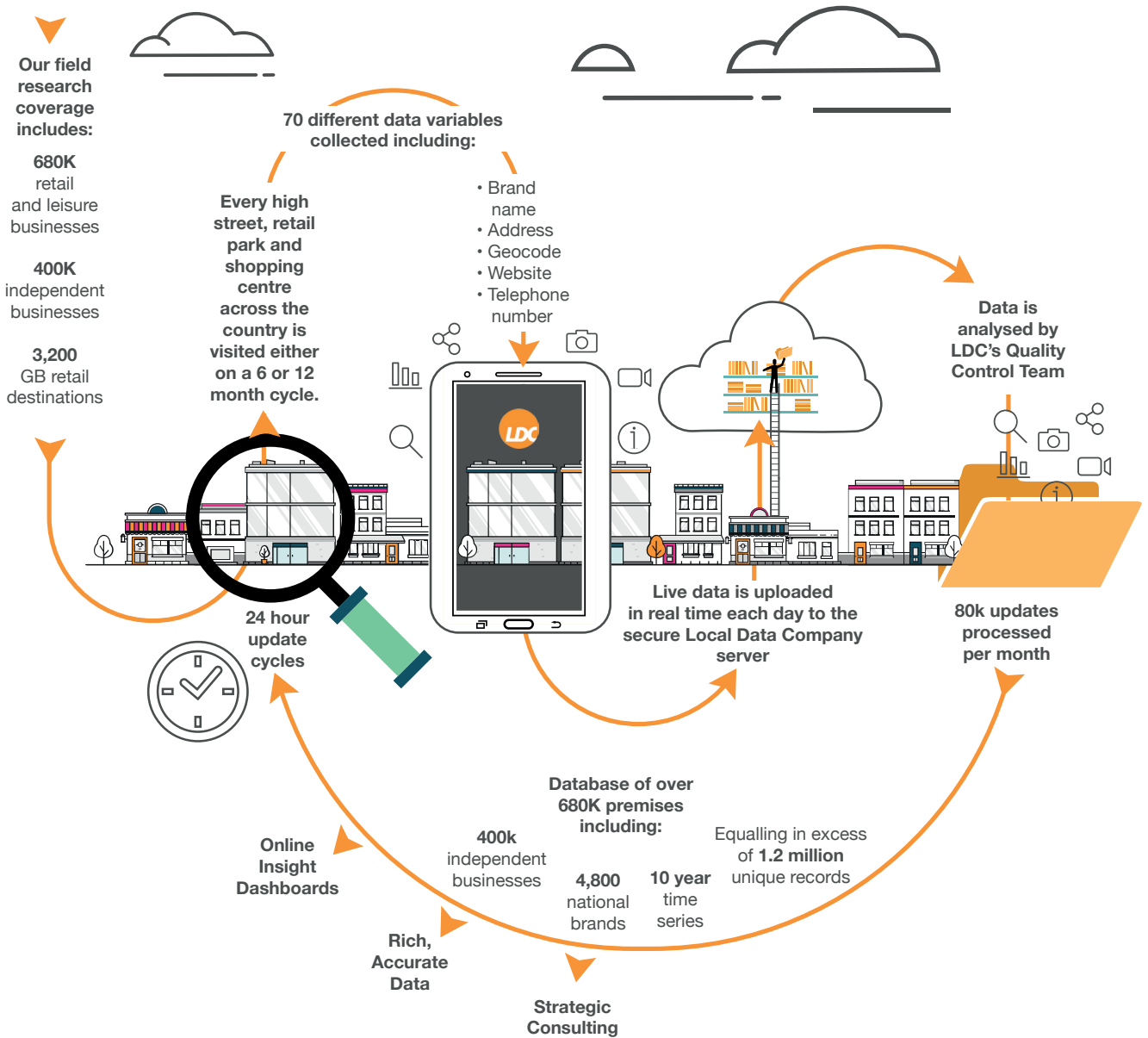
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**MARK HOWLAND**

**CHIEF DATA SCIENTIST, FABLE DATA**



# LOCAL DATA COMPANY RESEARCH METHODOLOGY



The Local Data Company is the only business tracking the huge change taking place across the GB retail and leisure market in near real-time.

Contact us at [team@localdatacompany.com](mailto:team@localdatacompany.com) or visit [www.localdatacompany.com](http://www.localdatacompany.com) to find out more about accessing data and insights on the new landscape.

# KEY FINDINGS

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## 1.

### ACCELERATION IN THE MIGRATION OF SPEND ONLINE

Continued migration of spend to online is not a new trend, but with consumers limiting all non-essential travel due to the virus, shoppers have increasingly turned to digital retail channels. This is evidenced by the categories which form the top 10 declining list, where 7 of the 10 can be attributed to drop in physical retail due in categories like fashion, electricals and gambling.

## 2.

### FURTHER CHALLENGES IN RE-LETTING UNITS CLOSED DUE TO CVAS AND ADMINISTRATIONS

Retail park landlords have experienced challenges in attracting new occupiers, with this asset type having the largest volume of space which remains vacant after the spate of retail casualties in 2018 (including Mothercare and Toys 'R' Us) at 44%. Retail park and shopping centre owners have favoured redeveloping this property for other use such as office or residential. Just 6% of vacated high street units were structurally redeveloped compared with 10% in shopping centres and 9% for retail parks. With the acceleration of closures expected this year, landlords must redevelop space at a greater rate if they are to temper the rising level of voids.

## 3.

### INDEPENDENT RETAILERS HAVE BEEN MORE RESILIENT

In a trend which has continued from 2019, independent businesses were more resilient than multiples in H1 2020. The decline in independents was less pronounced across all four classifications (leisure, comparison goods, service and convenience) when compared to multiples. Independents lost a net 0.54% of occupied units in H1 2020, compared to 2.77% for multiples. Government support initiatives such as furlough, business rates relief and the moratorium on tenant evictions have helped independents to weather the storm brought about by the COVID-19 pandemic.

## 4.

### SOME GREEN SHOOTS FOR OPPORTUNISTIC RETAILERS

Following an unprecedented period of lockdown which saw all but those deemed 'essential' being forced to temporarily shut, the total Vacancy Rate rose to 13.2%, the highest it has been since Local Data Company records began in 2013. Opportunistic occupiers with smaller portfolios may see this as a time to expand, with deals to be made on newly available property in areas they may have not considered opening previously due to high rental costs. Multiples may also look to reposition their location strategy and target areas which are recovering faster e.g. suburban areas or London villages. Data shows the reopening rate in outer city locations is higher than city centres across 4 of the 5 biggest cities in GB.

## 5.

### LEISURE INDUSTRY FACING ITS TOUGHEST EVER YEAR

In H1 2020, the leisure sector saw the highest ever net loss of 1,263 units; higher than in H1 2018 (-1,088 units), when a flood of casual dining chains announced CVAs. Despite measures such as Eat Out To Help Out, the hospitality sector is under increasing pressure with consumer confidence fragile and restrictions such as the rule of six, the 10pm curfew, advice to work from home, international travel limitations and social distancing meaning most venues are not operating at full capacity. With another national lockdown announced by the PM, this pain is likely going to be felt into the Christmas season and beyond.



# INTRODUCTION

# INTRODUCTION

This Local Data Company market report analyses the change tracked across the retail and leisure landscape in Great Britain (GB) in H1 2020 (January 2020 – August 2020) to help stakeholders understand the challenges and opportunities within the sector.

## ECONOMIC CONTEXT

The extended period where all ‘non-essential’ shops were forced to close caused a sharp increase in online spend across all categories. Online retailing now accounts for 28.1% of total spend, up from 19.7% in August 2019. Online sales peaked at 33.4% in May, however since the reopening of bricks-and-mortar stores in June, online sales have fallen month-on-month. (Source: ONS)

## ONLINE SALES AS A PROPORTION OF RETAILING

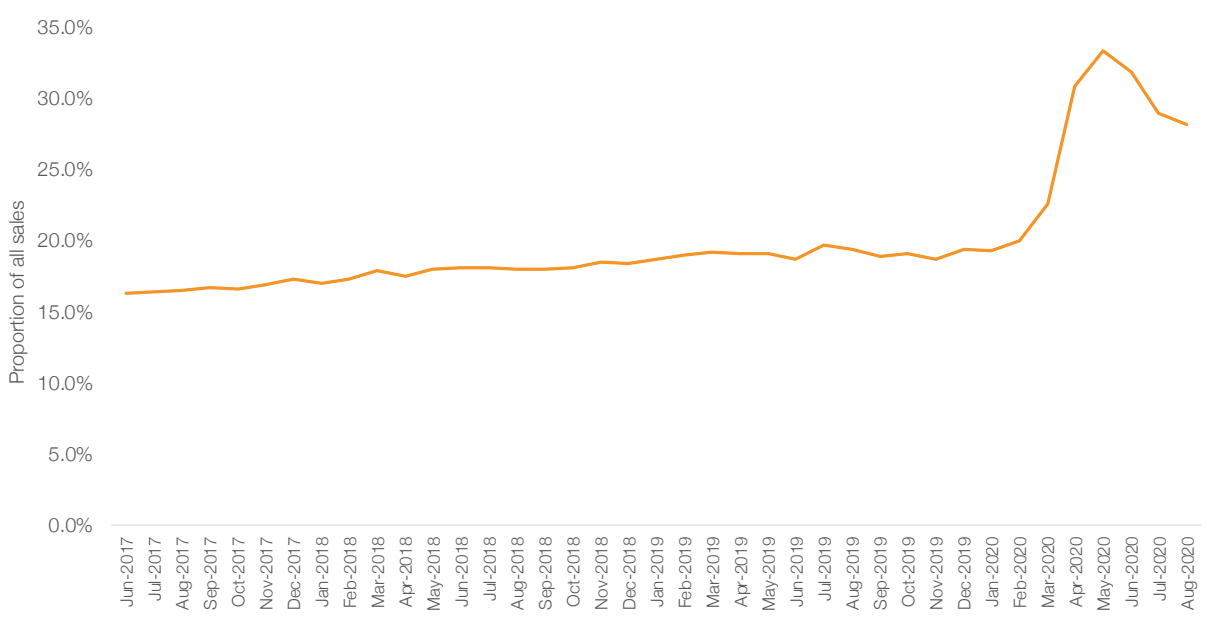
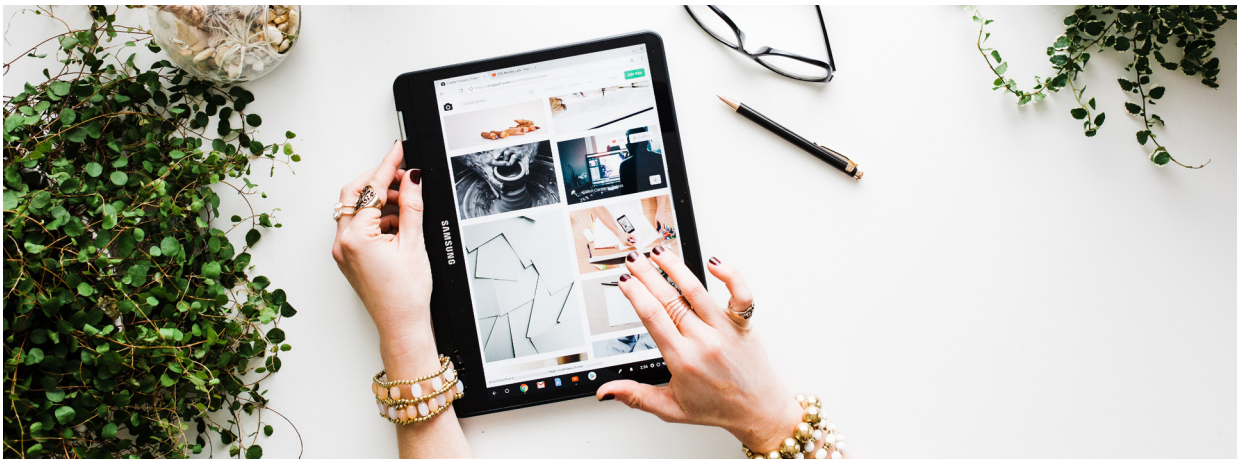


Figure 1: Online sales as a percentage of the total for all retail categories, June 2017 – August 2020 (Source: ONS)





The category that saw the biggest shift to online was department stores, with the year-on-year change in online spend rising from a decline of 0.5% between 2018 and 2019, to +11.4% between 2019 and 2020.

This trend was echoed by John Lewis' announcement that it expects 60% of sales to be made online this year, up from 40% previously (Source: JLP Partners). This has led the group to alter its strategy announcing eight store closures in August, shifting focus to its digital offering.

YEAR-ON-YEAR CHANGE IN ONLINE SALES AS A PROPORTION OF RETAILING



Figure 2: Year-on-year change in online sales by category, 2018 - 2019 and 2019 - 2020 (Source: ONS)

## LOCKDOWN CLOSURES

In line with Government guidance issued on Monday 23rd March, 69% of GB retail units were forced to shut as they were classified as 'non-essential'. The towns/cities with the lowest percentage of essential stores were mostly tourist and coastal locations, with 85% of stores in Blackpool and 79% in Scarborough forced to close temporarily. Towns with the highest

percentage of essential retail were Ipswich (35%), Barnsley (34%) and Enfield (34%), mainly driven by the high percentage of convenience retail in their centres. Following these forced closures, many retailers who were classified as essential also closed to protect staff, resulting in 83% of all GB stores closing by the end of March.

## VACANCY RATES

It is no surprise given the economic climate that vacancy rates increased in H1 2020 at the fastest rate since Local Data Company records began in 2013. The All Vacancy Rate rose by 0.9% in the H1 period, reaching 13%, which again is the highest rate since our records began. The Retail Vacancy Rate also increased by 0.9% in H1, reaching 14.2%. Once more, this is the highest this has been since 2012, when Retail Vacancy hit 14.6% due to the fallout of the recession at the end of 2008 where previously vacancy rates had been lower than 8%.

There are signs that this is just the start of the impact on the sector, with 15% of non-essential occupiers who closed during lockdown still yet to reopen (at the end of September). Various financial packages to support the industry such as furlough, moratorium on tenant evictions and business rates relief are all still in place and when these come to an end, we are likely to see more closures, and in turn a further increase in the number of vacant units.

### GB VACANCY RATE H1 2013 AND H1 2020

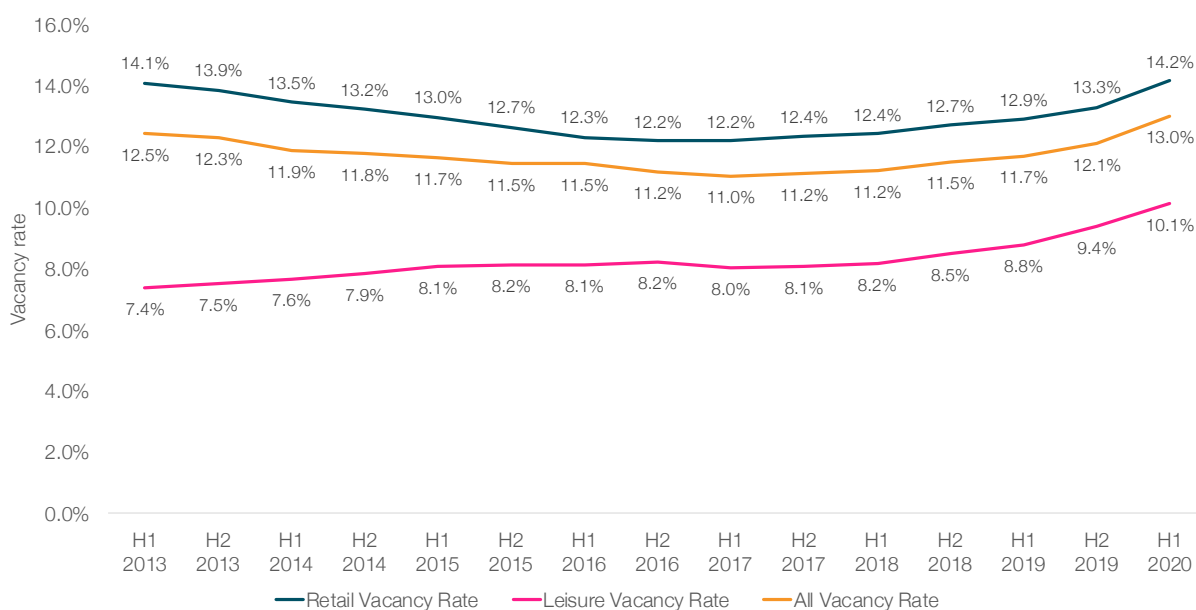


Figure 3: Historical vacancy rate across GB, H1 2013 and H1 2020 (Source: Local Data Company)

The Leisure Vacancy Rate rose by 0.7% in H1 2020, reaching double digits for the first time since records began in 2013 (10.1%). The leisure and hospitality sector has been one of the hardest hit during the pandemic, as it was one of the last to be allowed to reopen following lockdown. Some categories such

as night clubs are still unable to reopen until a long-term solution is found for controlling the spread of the virus. Limits on capacity in restaurants, the lack of office workers in city centre locations and little to no international tourism has drastically impacted trade across this market.

## OPENINGS AND CLOSURES

In H1 2020, there was a net loss of 7,834 units in the period – the highest for a H1 period since 2014. The net loss for H1 2020 is in fact higher than for any full year between 2014 and 2018, indicating the significant impact the pandemic has already had on the sector. Closures increased by 21% when compared to H1 2019, with 31,139 shops closing up for the final time.

National chains were the main driving force behind the rise, with a 30% increase in the number of closures compared to H1 2019 as several large operators announced rationalisation programmes or fell into administration (8,517 in H1 2019 vs. 11,120 in H1 2020).

### OPENINGS AND CLOSURES, H1 2014 - H1 2020

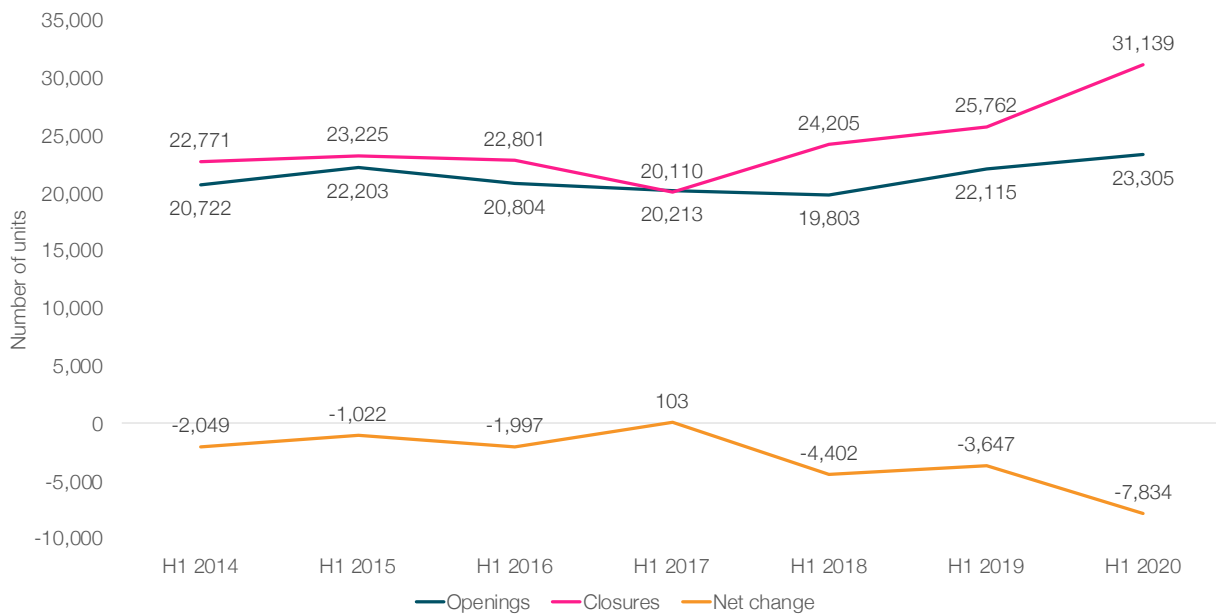


Figure 4: Number of openings and closures across GB for all H1 periods, 2014 to 2020 (Source: Local Data Company)

The number of openings remained steady, rising by 5% mainly due to activity in the market pre-COVID-19. There was also an increase in independent openings

in essential categories such as convenience stores and grocers, who were able to take advantage of the increased demand during lockdown.



Sorry We are  
**CLOSED**



## EVOLVING TRENDS

Several categories have seen a sharp change in trajectory since the start of the pandemic, with previous trends reversing as the retail climate shifted. Essential categories such as grocers (net change +77) and those that were able to remain open during the pandemic including pizza takeaway (+34) and fast food categories (+140) saw a boost in units in H1 2020 when compared to H1 2019.

Some trends have remained consistent, with barbers still growing in number and businesses making the most of correcting DIY haircuts attempted during lockdown. Gaming shops have also shown resilience, with this category comprised mainly of Games Workshop units and independent businesses. Games Workshop has seen its share price rise by over 250% since March, even with its stores closed, due to its loyal customer base who are spending more time gaming at home.

### YEAR-ON-YEAR DIFFERENCE IN NET CHANGE

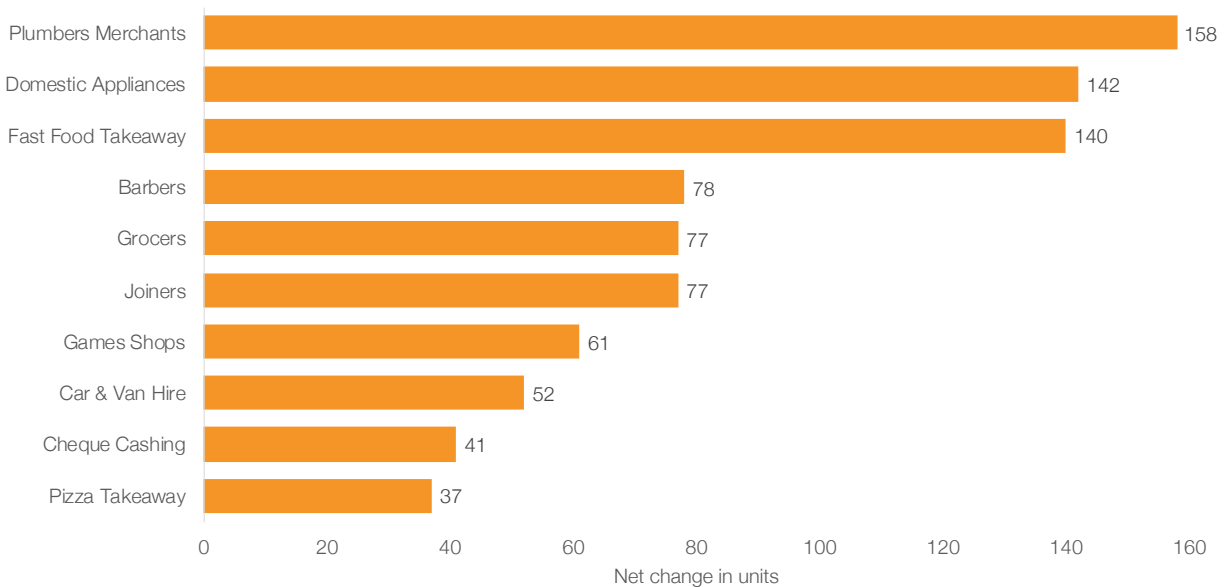


Figure 5: Difference in net change in occupied units for selected subcategories, H1 2019 and H1 2020 (Source: Local Data Company)





Bookmakers saw the biggest year-on-year decrease in units, with the closures taking place a result of the change in legislation in 2019. The drop in car dealers and recruitment agencies units can be more closely attributed to the COVID-19 pandemic with consumers delaying big ticket purchases and the employment market in turmoil.

New car sales were at their lowest level in 21 years according to the Society of Motor Manufacturers and Traders with estimated lost sales of £21.2 billion as a result of lower demand from both consumers and businesses. Recruitment agencies were impacted

by the struggling jobs market, with unemployment increasing and a limited number of companies hiring as most business look to preserve cash.

The loss of electrical goods units was mainly driven by the closure of Carphone Warehouse stores. The greater adoption of online channels by customers resulted in closing stores, while also focusing on their 'shop-in-a-shop' format, where Dixons Carphone fascia opened within their larger format Currys PC World stores. Over 300 of these concessions have opened since the merger in August 2014.

### YEAR-ON-YEAR DIFFERENCE IN NET CHANGE

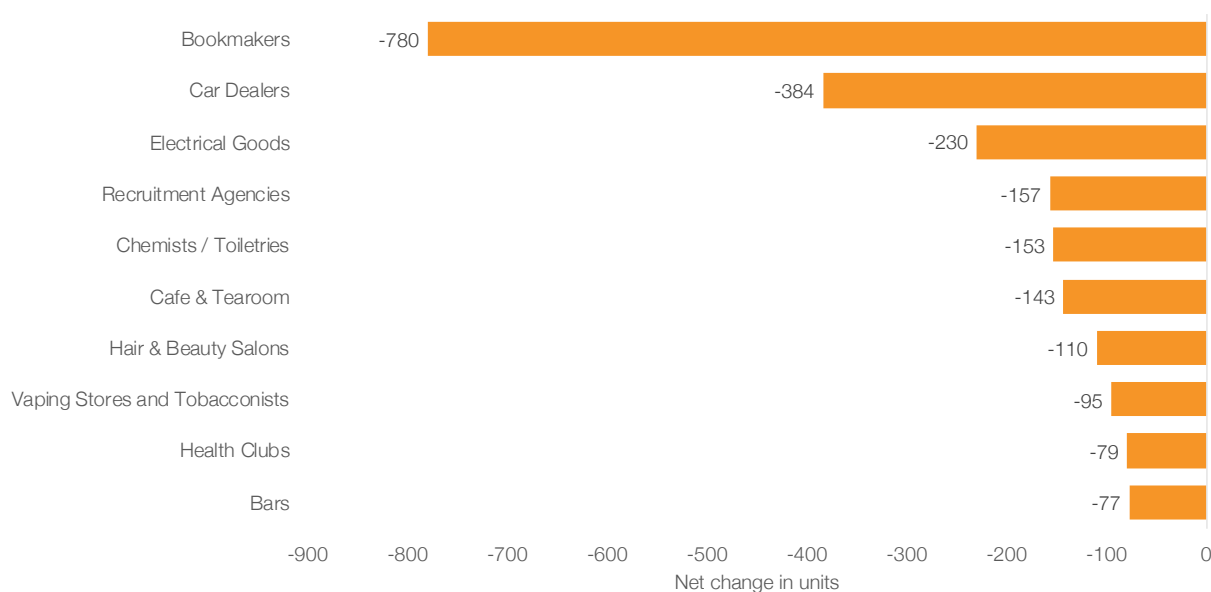


Figure 6: Difference in net change in occupied units for selected subcategories, H1 2019 - H1 2020 (Source: Local Data Company)

Gyms were one of the fastest growing categories prior to the pandemic, with space being acquired and some large format ex-retail units being converted into gyms to meet increasing demand for health and fitness. Post-lockdown, gyms were one of the last categories to reopen, mainly due to challenges with social distancing, keeping gym equipment sanitised, capacity management and the indoor nature of

their premises. These challenges have slowed growth in 2020, as gym owners had to work hard to engage members online throughout lockdown and entice customers back to the business when they reopened. However, this category is one to watch as we predict a return to growth given how awareness of the importance of health and fitness has increased during the pandemic.

## COVID FOOTFALL TRENDS

Throughout the pandemic, we have been tracking the change in footfall across a sample of Local Data Company sensors in order to identify any patterns in recovery. A sample of sensors were included, which covered a range of location types including high streets, shopping centres and out of town locations.

Data shows that footfall was lower in the two weeks leading up to lockdown (-9% and -22% week-on-week) but dropped significantly by 55% in the week lockdown was announced by Prime Minister Boris Johnson. Footfall continued to fall but at a much slower rate as shoppers acclimatised. From a low at the end of April, footfall slowly increased as restrictions were gradually relaxed, rising week-on-week by 5-8% throughout the whole of May.

The most dramatic change was in the week of the 15th June when non-essential retail was given the green light to reopen, causing a 34% week-on-week jump in footfall as shoppers rushed back to the high street, releasing pent-up demand built up during lockdown.

With more restrictions being lifted in the following weeks such as the reopening of the hospitality sector, footfall continued to improve to -35% year-on-year, until the end of Q3 where the growth slowed and started to reverse reaching -43% year-on-year. The week commencing 14th September was the first week since April to see a week-on-week decline (fall of 1%) as COVID-19 cases begin to rise once more.

The line in Figure 7 tracks a steep decline at the start of the pandemic, followed by a slow recovery over the course of the following months. More recently, new restrictions including strict local lockdowns, the introduction of a 10pm curfew and the 3 Tier system has put pressure on recovery as consumers once again become cautious and limit non-essential travel either as prescribed by the government or due to their own fears.

### WEEKLY FOOTFALL VOLUME

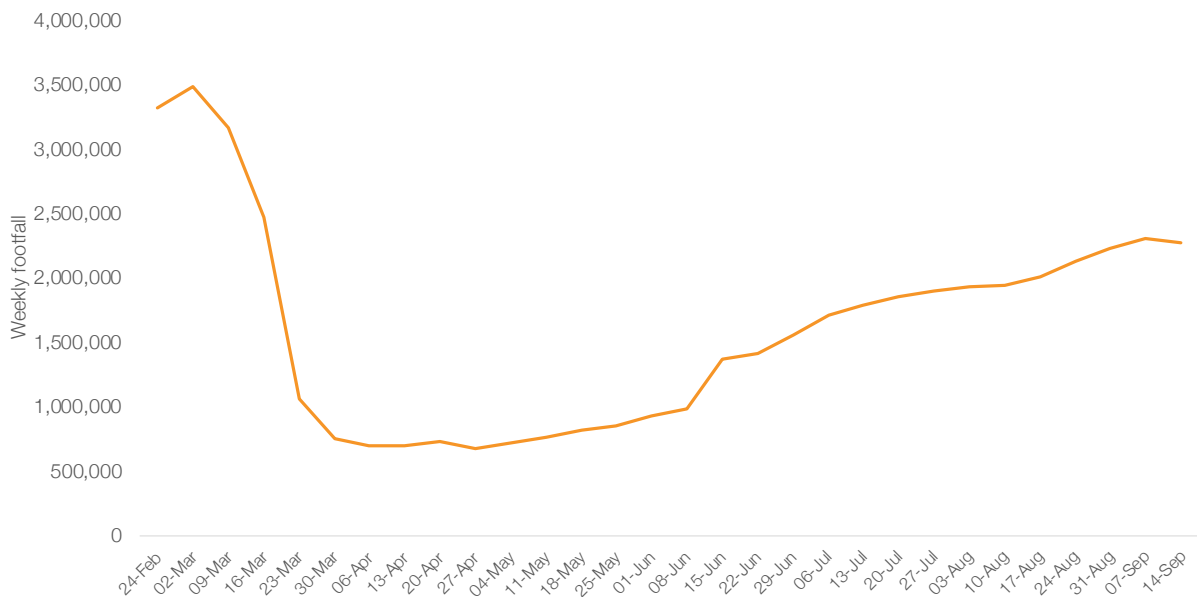


Figure 7: Weekly footfall volumes across a sample of LDC devices, February – September 2020 (Source: Local Data Company)

When lockdown restrictions were at their peak, footfall levels were approximately at -80% compared to the same week in 2019 across the sample locations. Once non-essential retail opened, footfall increased to -62% year-on-year and when the rest of the market followed, footfall settled at around -35%. Week-on-week changes shown in Figure 8 evidence the dramatic impact of both the lockdown announcement and the reopening of retail.

The reopening of the hospitality sector on the 4th July also boosted footfall by 11%, followed by a 9% rise in the first full week. The advantages of the Eat Out To Help Out (EOTHO) scheme have been well documented, with consistent week-on-week growth in footfall throughout August.

WEEK-ON-WEEK PERCENTAGE CHANGE IN FOOTFALL

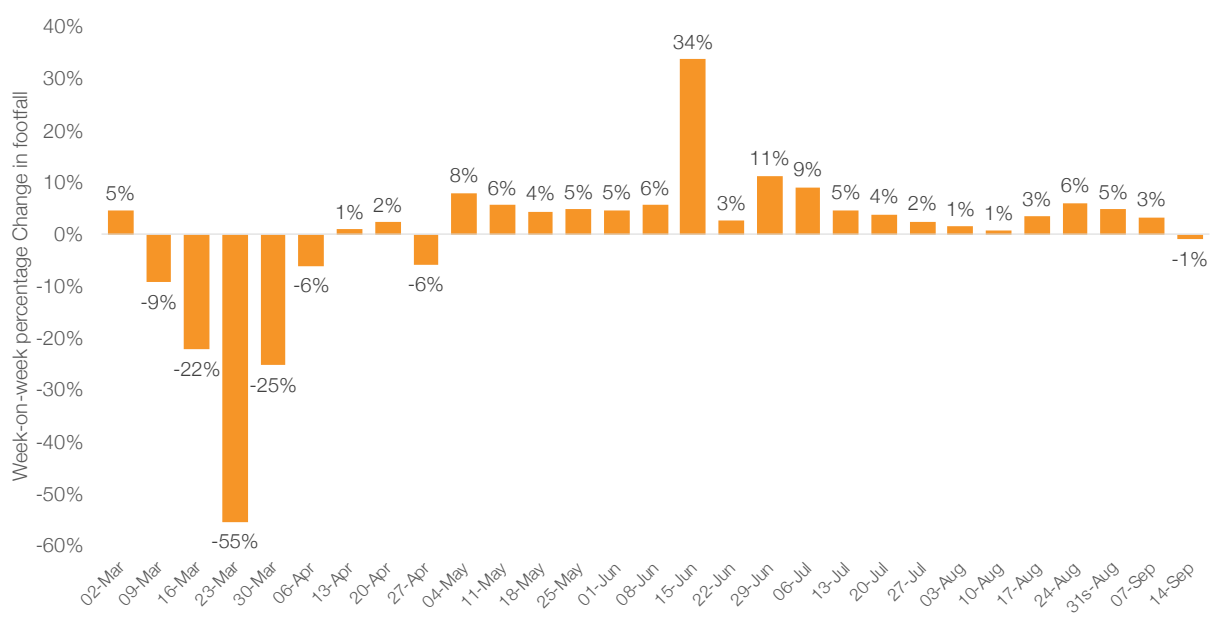


Figure 8: Week-on-week percentage change in footfall, March – September 2020 (Source: Local Data Company)







# SECTORS

This section of the report analyses net change for 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, quantifying the varying performance across different corners of the market.

## NET CHANGE

HISTORICAL NET CHANGE IN UNITS BY CLASSIFICATION, H1 2014 - H1 2020

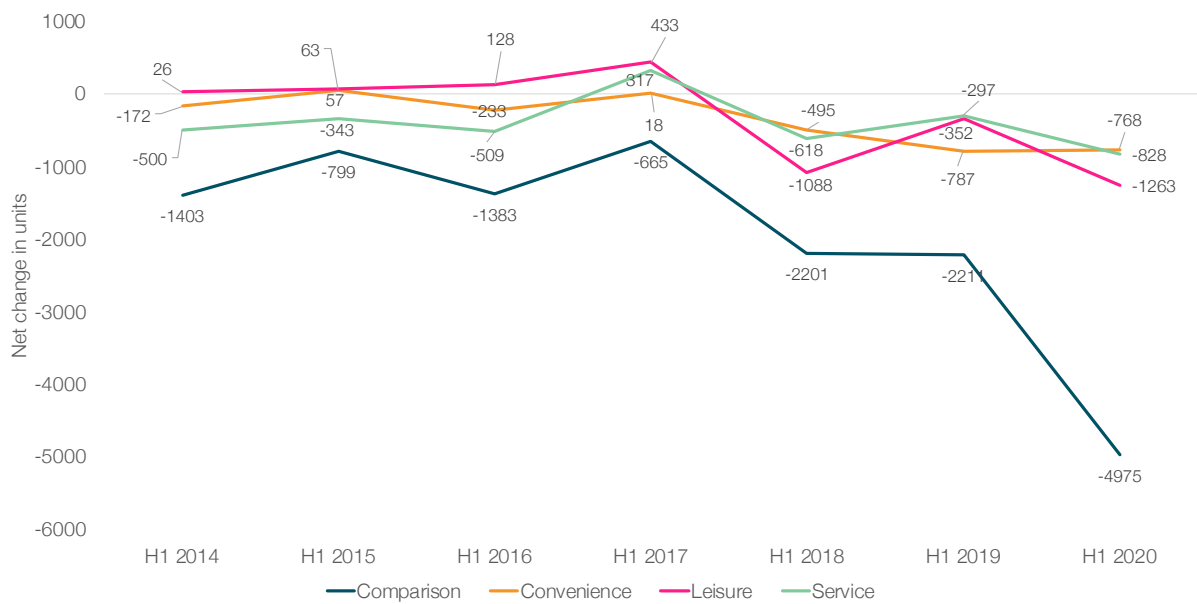


Figure 9: Historical net change in units across GB by retail classification, H1 2014 - H1 2020 (Source: Local Data Company)

Comparison goods retail declined the most out of all the four top-level classifications in H1 2020, with a net loss of 4,975 occupied units. This classification has been in decline since 2014. Categories within comparison goods to experience the largest decline were mobile phones (-586), fashion shops (-371), and electrical goods (-322). Over 500 of the mobile phone closures were Carphone Warehouse stores, a move which had been planned pre-COVID-19 as part of their three-in-one store strategy, relocating Carphone Warehouse into Curry’s and PC World stores.

The leisure and service sectors both declined at a faster rate when compared to H1 2019, with leisure losing 1,263 units and service 828 units in the first half of the year. The majority of the leisure industry was unable to open fully until the 4th July

but many independent businesses adapted their offering during lockdown to take advantage of digital channels such as UberEATS and Deliveroo, which were offering lower commission rates to entice independents to replace larger chains who had closed such as McDonald’s and Wagamama. However, the introduction of the 10pm curfew and local lockdowns forcing pubs and restaurants to close once more may pose an even greater threat in H2 2020.

The convenience sector declined by 768 units, but it was the only classification where decline was marginally lower in H1 2020 than in H1 2019. Convenience businesses have been more resilient during the pandemic as most were classified as ‘essential’ and were able to trade throughout lockdown.



## TOP 10 GROWING CATEGORIES

Once again, barbers took the top spot for growth with a net increase of 430 units. This market is still largely dominated by independents, however over the past 12 months, Gould Barbers has become one of the largest barbershop chains in Britain, operating almost exclusively as a concession within Tesco

stores. The partnership helps to generate footfall for Gould Barbers as supermarkets are one of the few locations that guarantee footfall as one of the trips consumers still make regularly. The move also forms part of Tesco’s strategy to offer customers a wide range of services within their large format stores.

### TOP 10 GROWING CATEGORIES IN H1 2020

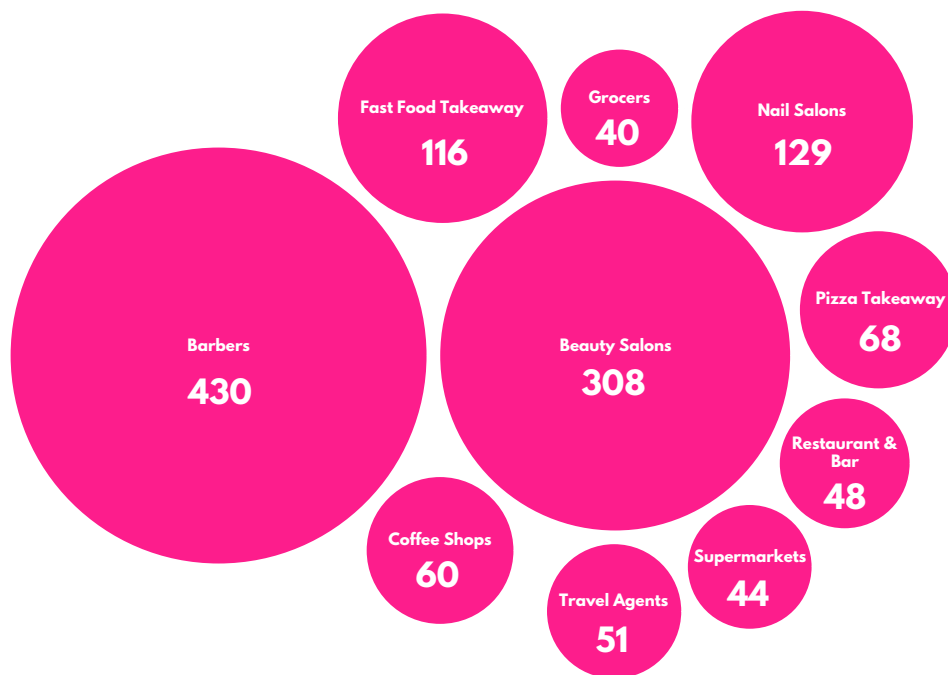


Figure 10: Top 10 growing retail categories across GB by net change in units, H1 2020 (Source: Local Data Company)

Beauty salons take the number two spot with an increase of 308 units, up from the increase of 179 seen in H1 2019. Nail salons also saw growth of 129 units. The growth in these sectors mostly took place pre-lockdown before the end of March. Travel agents also saw growth in the first quarter, with Hays Travel continuing their takeover of Thomas Cook stores at the start of the year. However, with the travel industry one of those hit the hardest by the pandemic, there will be mass closures, already seen by the collapse of STA travel and their 53 stores at the end of August.

Supermarkets returned to the top 10 growing categories for the first time since H1 2018, with the growth driven by discount brands including Aldi,

Lidl, The Food Warehouse and Jack’s. Lockdown proved to be a testing time for the sector despite their ability to continue trading, with stockpiling putting pressure on supply chains and the surge in demand for delivery slots leading to investment being required to speed up development of online infrastructure. The discounters have also had to evaluate their online proposition, with Aldi trialling a click and collect service and a rapid delivery service with Deliveroo. The supermarket sector is one that benefits the most from the business rates relief package, with Sainsbury’s, Tesco PLC and WM Morrisons all announcing that these savings will boost their bottom line this financial year in their annual statements, helping to offset the additional costs brought about by the pandemic.

## TOP 10 DECLINING CATEGORIES

The largest net decline in H1 2020 was seen in the bookmakers sector, losing 867 units over the period with most closures taking place pre-COVID-19. A large proportion of these can be accounted for by William Hill, which closed 779 units since the new legislation on fixed-odds betting terminals (FOBT)

came into law in April 2019. The new legislation had a significant impact on profitability of bricks and mortar betting shops, which reduced the maximum stake on FOBT to £2. We expect many more to follow suit as this industry (as with many others) increasingly moves online.

### TOP 10 DECLINING CATEGORIES, H1 2020

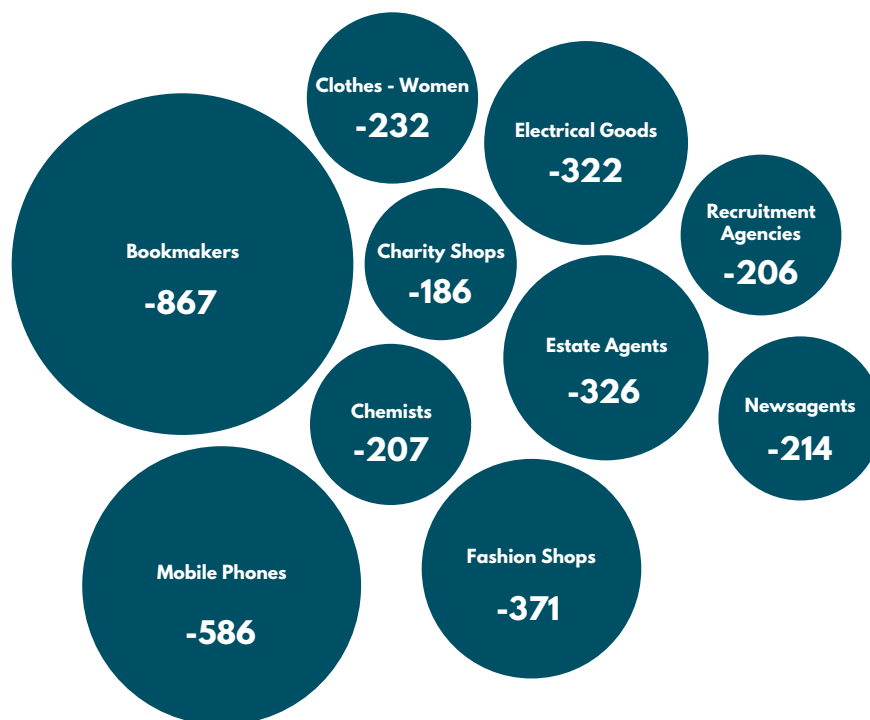


Figure 11: Top 10 declining retail categories across GB by net change in units, H1 2020 (Source: Local Data Company)

This year, convenience brand McColl's announced plans to close over 300 of its newsagents, focusing instead on the growing food convenience market, a move which has led to newsagents appearing on the top 10 declining list. Consumers are shopping more locally for their fresh produce, with the frequency of visits to larger format stores dropping to 14 times per month - a record low according to Kantar Research (Source: Kantar 2020). In-home food and drink spend increased as restaurants and hospitality venues closed with £2.9 billion less estimated to have been spent out of home in lockdown when compared to the same month in 2019 (Source: Kantar 2020). Mintel Research shows convenience store sales are set to grow by 8% in 2020, compared to 3% in 2019 (Source: Mintel). Newsagents failed to tap into this growth due to their lack of fresh produce and focus on newspapers, confectionary and food-to-go, categories that did not see similar sales

growth during H1 2020.

A surprising inclusion on this list is chemists, which have undoubtedly seen an increase in demand. However, due to rising prices of wholesale medicine, many independent local pharmacies have been squeezed financially, causing 106 to close in H1 2020.

The charity shop market decreased by -186 in H1 2020 as many were cautious in reopening following lockdown. Whilst charity shops benefitted from many people clearing their homes during lockdown and making donations, many were slow to reopen due to volunteers being cautious in coming back to work and the small size of the units restricting the number of customers allowed in at one time, limiting sales volumes.

## MULTIPLES VS INDEPENDENTS

Independent businesses were more resilient than multiples in the first half of the year, with the decline in this part of the market lower across all four classifications - continuing the trend seen in previous years.

Independent service retail was the only sector to experience net growth, with a marginal 0.1% increase. Multiple service units declined by 1.9%. Comparison goods retail saw the largest decline both in the independent and multiple markets, at -2.0% and -4.2% respectively. This highlights

the challenges that traditional retail continues to face, which have increased in intensity during the COVID-19 pandemic

Convenience and leisure multiples both experienced net losses in H1 2020, however the decline in the independent sector for both classifications was minimal. Independent businesses were able to be more agile in the face of the pandemic compared to the chain operators, with many independents reopening for takeaway food and drinks only.

PERCENTAGE NET CHANGE IN OCCUPIED UNITS BY CLASSIFICATION, H1 2020

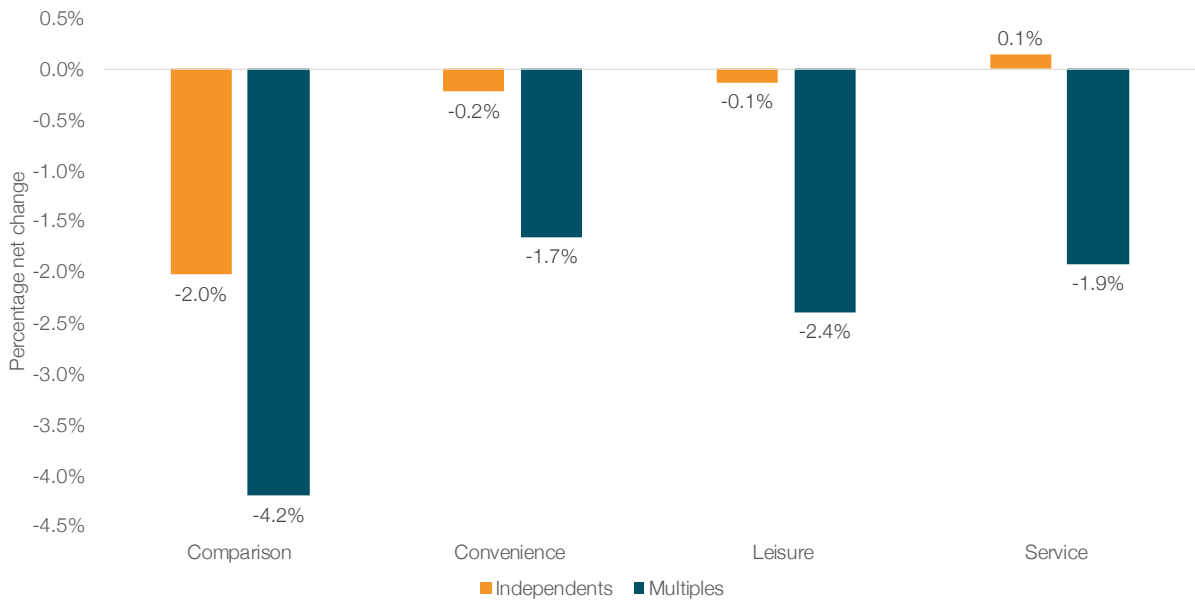


Figure 12: Percentage net change in occupied units by retail classification across GB, H1 2020 (Source: Local Data Company)

Looking more closely at the independent service retail sector, just one sub-category drove this marginal growth – hairdressing and health and beauty, which offset the decline across the rest of the market.

Figure 12 evidences that overall, the chain brands have made quicker decisions on rationalising

their portfolios or else, unavoidable CVA and insolvency activity has contributed to this decline. The independent sector may experience a lag, with key events on the horizon such as the end of the moratorium on tenant evictions and the end of business rates relief likely to result in further closures in this sector.

## # FOR THE FOUR

### Championing the health of retail

While one in four adults in the UK will experience a mental health problem at some point in their lifetime, we believe we should be there #forthe four in four colleagues who will experience a setback or life event.

Financial instability, uncertainty, constant change and social disconnection has made everyday life even more challenging. It's important that we rise to this challenge by encouraging everyone, regardless of their mental health status, to access early support and take control of what they can.

This is our once-in-a-lifetime chance to protect the health and happiness of our colleagues in these unprecedented times.

- Act now to improve the lives of retail workers.
- Act now to offer preventative wellbeing support.
- Act now so that retail continues to be the premier industry in the UK economy.

**Join us! Be there #forthe four**  
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**BRANDS**





# BRANDS

## REOCCUPATION OF UNITS FOLLOWING CVAS AND ADMINISTRATIONS

With the anticipated rise in CVAs and administrations as a result of the increased challenges across the market, we have analysed the stock previously vacated by brands which restructured during 2018. There are a number of operators undergoing or considering this mechanism in order to safeguard the future of their businesses. However, while CVAs can provide a lifeline for struggling businesses, this activity has a broader impact on assets and high streets.

Figure 13 shows that former New Look units have the highest percentage of re-occupation, with 68% of units that closed in 2018 currently live with a new brand. House of Fraser had the lowest reoccupation rate, with 100% of these units still vacant, indicating the challenge for landlords in identifying new tenants for larger format stores.

### OCCUPANCY STATUS OF RETAIL UNITS CLOSED DUE TO CVA OR ADMINISTRATION FROM JAN 2018 TO JULY 2019

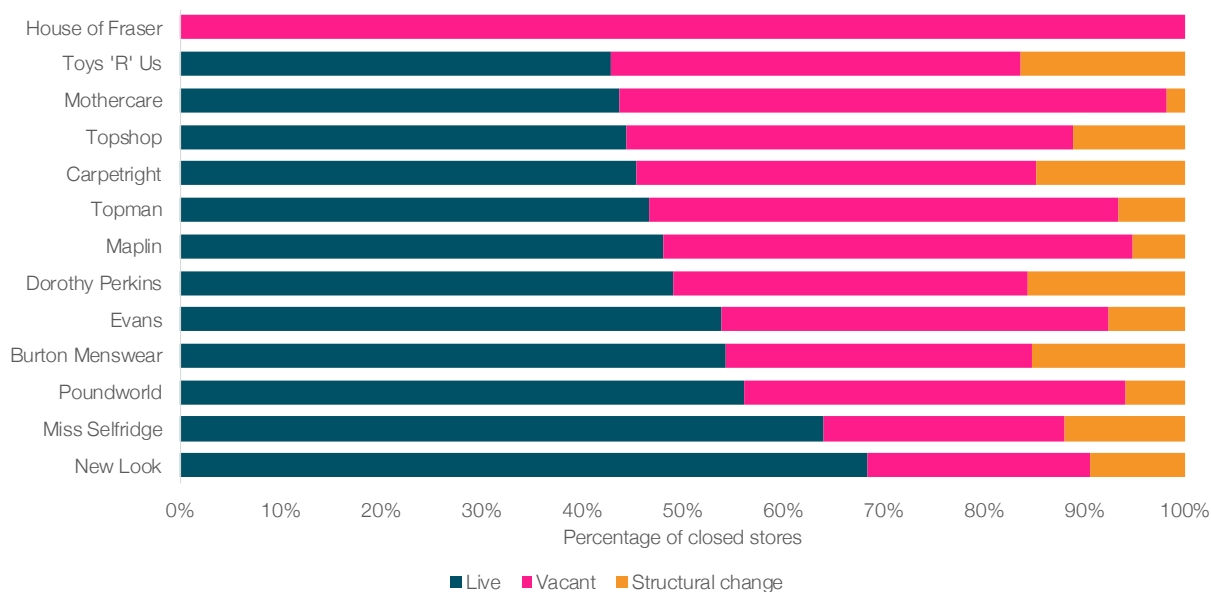


Figure 13: Occupancy status of stores vacated between January 2018 and July 2019 due to CVAs or administrations across GB, (Source: Local Data Company)

Retail parks have also faced challenges in attracting new occupiers to take over larger format units, with 44% of the vacant retail park units remaining as such. This is demonstrated by the former Toys 'R' Us and Mothercare portfolios which were primarily located on retail parks and had the lowest levels

of reoccupation at 43% and 44% respectively. However, high street landlords have seemingly found it much harder to repurpose space for other uses, with only 6% of units seeing structural change compared with 10% across shopping centres and 9% across retail parks.

Several leisure operators underwent CVAs in 2018 and the early part of 2019 with rising competition in the casual dining sector leading to brands reducing exposure across the bricks and mortar market. Analysing the status of vacated units, sites previously occupied by Jamie's Italian had the

lowest percentage of reoccupation, with over half still vacant. Most of these vacant units are in towns with a high density of restaurants, many of which are affluent markets such as St. Albans, Oxford, Harrogate and Guildford.

OCCUPANCY STATUS OF LEISURE UNITS CLOSED DUE TO CVA OR ADMINISTRATION FROM JAN 2018 TO JULY 2019

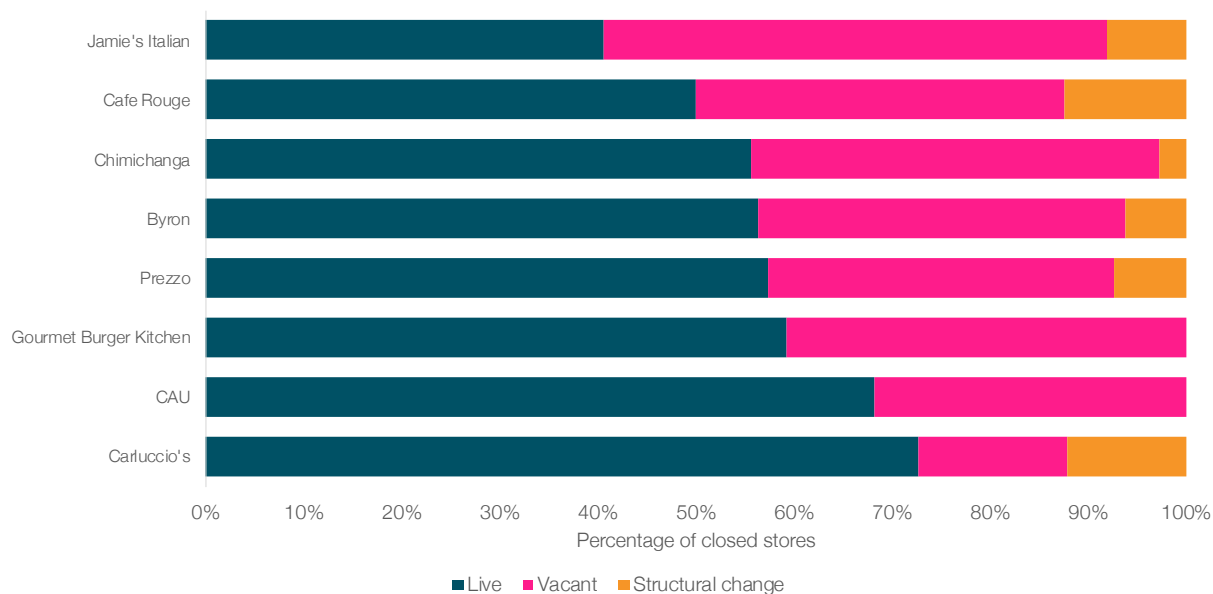


Figure 14: Occupancy status of leisure outlets closed between January 2018 and July 2019 due to CVA or administration (Source: Local Data Company)

Sites previously occupied by Carluccio's have the highest percentage of units that have been reoccupied. These sites are mostly in affluent markets in suburban London villages such as St.

Johns Wood, Fulham and Muswell Hill, which attract growing brands such as Gail's bakery, Cote, Loungers and La'De Kitchen.







## CASE STUDY - BHS

In 2016, BHS collapsed into administration, which led to the closure of 164 BHS department stores across the country. For the past four years the Local

Data Company has tracked the status of these units, and this further evidences how the supply of large format units is greater than the current demand.

### PERCENTAGE OF FORMER BHS STORES STILL VACANT AT EACH ANNIVERSARY

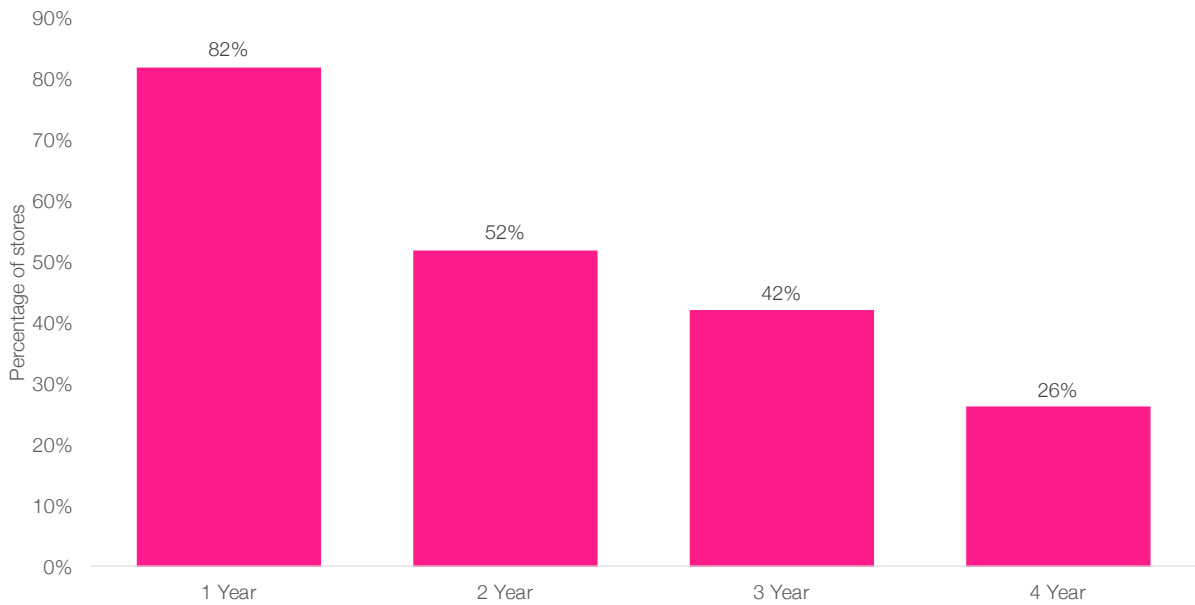


Figure 15: Percentage of former BHS stores still vacant at each anniversary since August 2016 (Source: Local Data Company)

The percentage of former BHS units that remain vacant has dropped each year, but at the 4th anniversary in 2020, 26% of these former BHS units

were still lying vacant, with most of these in the East of England (7 units) and Scotland (7 units).



45% of the former BHS units have been re-let. The main occupiers of this space have been acquisitive fashion brands looking to upsize such as Primark,

H&M and Next or occupiers in the value retail space such as Poundland, B&M Bargains and Bargain Buys.

OCCUPANY STATUS OF FORMER BHS UNITS AS OF AUGUST 2020

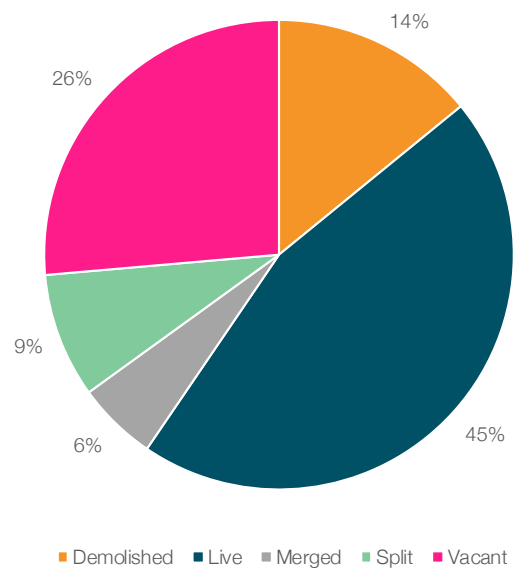


Figure 16: Occupancy status of former BHS stores as of August 2020 (Source: Local Data Company)

The remaining 29% of former BHS stores were repurposed by the landlord, being demolished, merged or split in order to adjust to the demands of the local market.

Pre-COVID-19 there were indications that property planning laws may be relaxed to facilitate this, however other factors such as the reduced demand for living space in urban locations caused by the increase in working from home, converting city centre retail space into residential may be a difficult proposition for landlords in the short to medium term.

With more department store brands set to close sites including Debenhams and John Lewis, redevelopment of these units will be the most viable option for many landlords given the slowdown in demand for retail space - especially of that size.



## GROWING BRANDS

Despite the undeniably changing and challenging backdrop, there are brands that are taking advantage of the availability of real estate. We look at some of the brands who are acquiring space during this period, including a mix of new market entrants as well as more established brands.

### PURE ELECTRIC

#### PURE ELECTRIC

Electric bike and scooter retailer, Pure Electric, has grown in 2020 as a result of consumers seeking alternatives to public transport. In city centres especially, the electric bike/scooter is an environmentally friendly alternative to the bus or train. Pure Electric has led growth in the e-bike sector, opening 13 stores this year after acquiring 11 former Cycle Republic stores. The openings are focused in city centres including London, Edinburgh, Glasgow, Birmingham and Manchester. A facilitator of this growth has been the government Cyclescheme, which enabled employees to pay for bikes through their salary and save between 25% to 39% on the price of bikes and accessories.



#### B&M BARGAINS

Earlier this year B&M Bargains announced plans to open up to 45 stores in their financial year. The retailer has benefited from the economic uncertainty, offering value to consumers who are increasingly cautious with their spending. B&M Bargains also boasts a wide product range which has proven valuable to consumers who are more inclined to shop where everything is under one roof to minimise their exposure during the pandemic. Categories such as household goods, tinned food and gardening products all saw increased demand at the height of lockdown, all of which are available at B&M. The location of stores also contributed to its resilience, operating from larger units in out of town locations, which were easier to adapt to the social distancing rules and accessible by car.

Similarly, Poundland acquired new stores in H1 2010, for similar reasons to B&M Bargains, as well as the demand for their Pep&Co concessions in



### SCREWFIX

Screwfix is an example of a retailer operating from large format stores which has remained in growth. In line with its strategy to reach 800 stores across the UK prior to the pandemic, it is set to open 30 new sites across the UK before the end of the year. Screwfix was classed as an essential retailer and remained open during lockdown, enabling it to offer a click and collect service to plumbers and electricians as well as those looking for DIY supplies for their home.



### PELTON

As a result of the initial lockdown, many households purchased home fitness equipment as gyms and leisure centres were forced to close. Peloton was one of the brands that was able to benefit from this, with online workouts proving popular as people exercised from home. Peloton sell stationary bikes that allow users to take part in virtual spinning classes via a screen at home. As well as a new standalone store in Birmingham, Peloton has partnered with John Lewis to launch concessions in 9 stores, as John Lewis looks to boost its athleisure offer. Many online athleisure brands have opened bricks-and-mortar stores in a bid to increase the direct to consumer touch points, with retail stores the perfect option to grow reach and awareness.



# LOCATIONS



# LOCATIONS

## NET CHANGE IN OCCUPIED UNITS

PERCENTAGE NET CHANGE IN OCCUPIED UNITS, H1 2018 - H1 2020

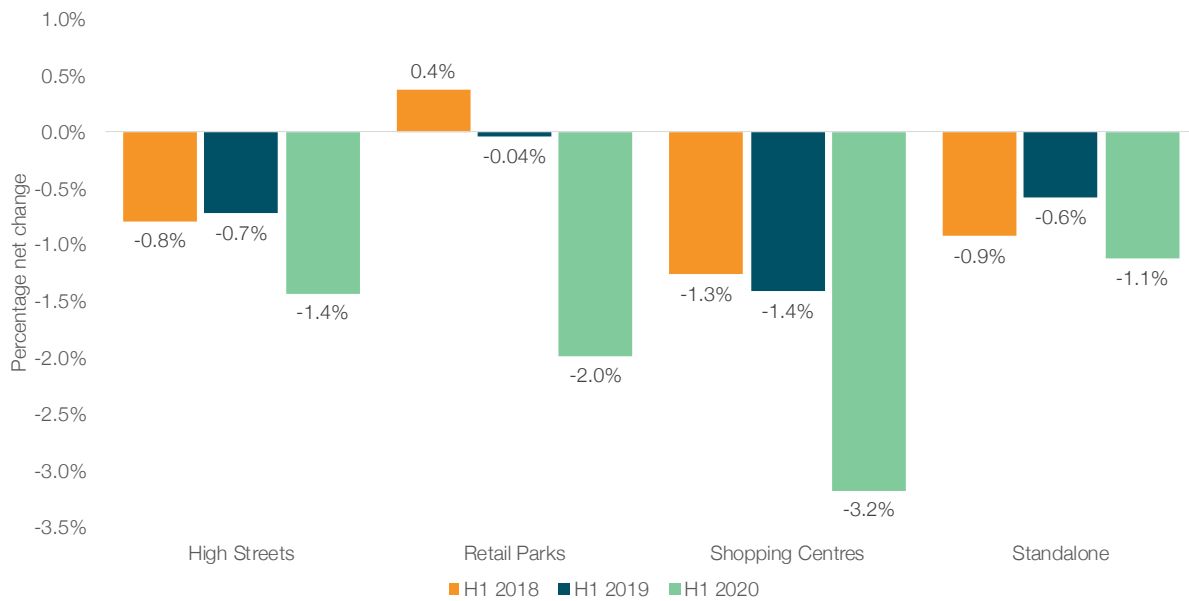


Figure 17: Percentage net change in occupied units by location type, H1 2018 – H1 2020 (Source: Local Data Company)

Figure 17 displays the percentage net change in occupied units by location type for H1 periods spanning back three years. In H1 2020, each location type saw a net decline in units in a continuation of a trend seen in H1 2019 where all three were in decline, albeit high streets only marginally.

Standalone locations (transport hubs/out of town units) declined by 1.1% in H1 2020. This was mainly driven by a significant drop in footfall in transport hubs with lower usage of public transport networks. Network Rail reported in April that footfall was down by as much as 93% at some of London’s busiest stations as a result of the COVID-19 pandemic (Source: Network Rail).

GB shopping centres lost 3.2% of occupied units in H1 2020, however there were some centres that saw a positive net change. For example; Rivergate Shopping Centre in Peterborough (+6 units) and Cumbernauld Shopping Centre in Glasgow (+6 units).



## REGIONAL NET CHANGE

PERCENTAGE NET CHANGE IN OCCUPIED UNITS BY REGION AND LOCATION TYPE, H1 2020)



Figure 18: Percentage net change in occupied units by region, H1 2020 (Source: Local Data Company)

Figure 18 breaks down the percentage net change in units in H1 by location type and by region. The only area to see an increase in H1 2020 was retail parks in the North East (0.9%). An example of one such scheme to see a positive change in the period was Durham City Retail Park (+2 units) with new units opening including B&M Home Store and B&Q. These openings were well timed to cater for the surge in home improvement projects during lockdown.

before the pandemic hit. This has led to questions surrounding the future of the centre, which was struggling pre-COVID-19. Other shopping centres in Wales to experience decline in occupied units from April to August include: The Rhiw Shopping Centre in Bridgend (-20.0%), Deiniol Shopping Centre in Bangor (-17.4%) and Friars Walk Shopping Centre in Newport (-14.3%).

Shopping centres in Wales have experienced the greatest decline in units since the start of the year, losing 6.1% of occupied units in total. Assessing the impact between April and August, we can measure closures that can be attributed more closely to the COVID-19 pandemic. One of the most impacted was Festival Park in Gwent, which saw a 74.2% loss in occupied units from April to August, equating to a net loss of 23 units. Over half of these closures were fashion brands, including Gap Outlet, Cotton Traders and Bonmarche, which was saved by Peacocks



## VACANCY RATES

VACANCY RATE BY LOCATION TYPE, 2013 - 2020

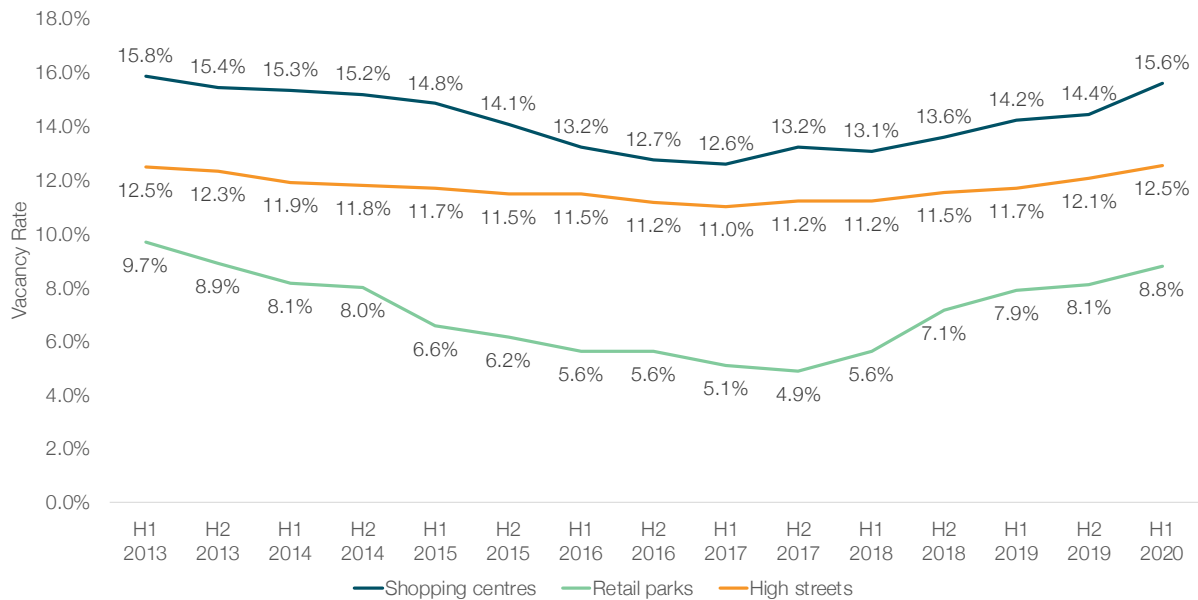


Figure 19: Vacancy Rate in GB by location type, H1 2013 - H1 2020 (Source: Local Data Company)

Vacancy Rates across all location types increased in H1 2020, with shopping centres seeing the most significant increase of 1.2%. Many traditional shopping centre tenants e.g. New Look, Jack Wills, John Lewis & Partners and Debenhams have felt the impact of COVID-19, evidenced through the volume of announced closures and CVA activity in this space.

Shopping centre owners are finding new initiatives to combat rising vacancy such as the competition launched by Bluewater targeting independent businesses, offering the opportunity to win six months of occupancy in the centre rent-free. In H1 2020, Bluewater saw 15 closures - 11 of which took place between April to August when the effect of the pandemic was at its highest.

One of the key challenges that shopping centres have faced is a lack of essential retail which meant that in percentage terms, fewer units were able to

remain open during lockdown - resulting in a drop in footfall. Leisure-dominated centres and outlet shopping centres typically have lower percentages of essential retail at 8% and 9% respectively; mainly undersupplied in convenience and service categories, which essential retail is mostly comprised of. This is compared with shopping centres located in suburban London which are occupied by an average of 19% essential retail. Leisure-dominated and outlet centres are therefore comparatively more exposed to the effects of the pandemic.

Vacancy also increased across retail parks by 0.7%. Vacancy has almost doubled across this location type since H2 2017, when vacancy was at a low of 4.9%. The recent rise brings retail parks closer to the levels of vacancy seen across the other location types.

## REGIONAL VACANCY

VACANCY RATE BY REGION, H1 2019 VS H1 2020

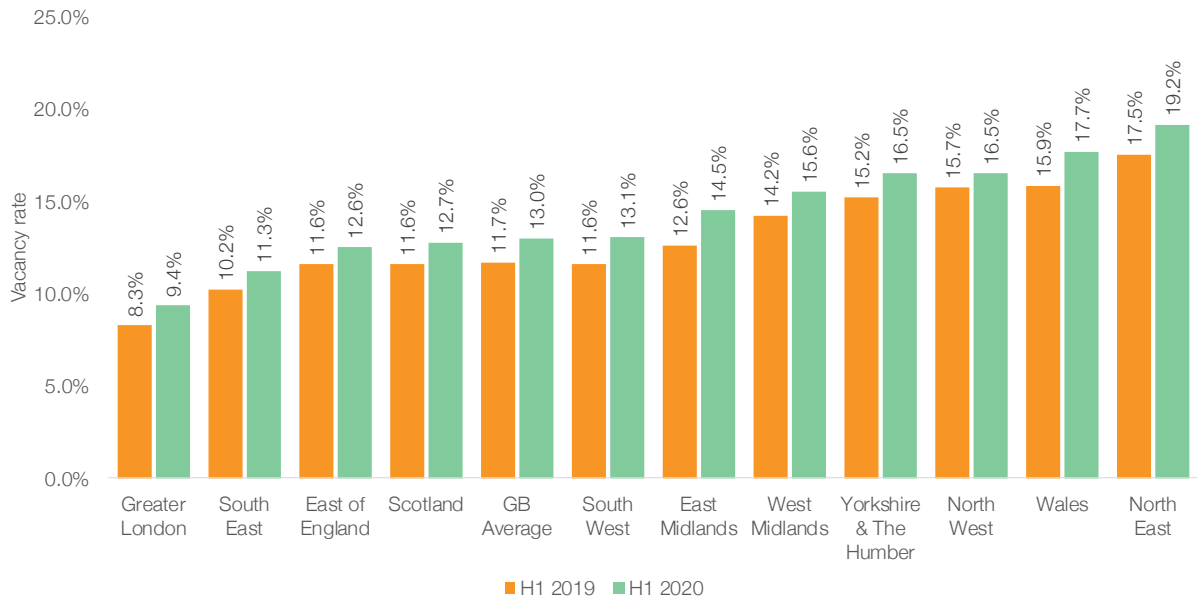


Figure 20: Vacancy Rate by region in England, H1 2019 – H1 2020 (Source: Local Data Company)

Figure 20 displays the Vacancy Rate for all English regions in H1 2020 and H1 2019 compared to the GB average. The increase in GB vacancy in H1 2020 was 0.9%, with only the South West and Greater London seeing an equal or greater rise; 0.9% and 1.3% respectively. Yorkshire and the Humber and the West Midlands have been more resilient in terms of vacancy with the former seeing a decrease of 0.7%, boosted by full occupancy in areas such as Doncaster Lakeside (0.0%) and Howden (0.0%).

The North East has the highest vacancy rate despite retail parks in this region being the only group of assets to see a net increase in occupied units. Towns driving the high vacancy rate include Gateshead, Billingham and Peterlee, which have Vacancy Rates between 29% and 39%.



## PERSISTENT VACANCY

Persistent Vacancy is a critical metric in identifying areas facing a more severe, long-term structural challenge. This metric quantifies how long units have

remained unoccupied since they became vacant and highlights areas of sustained low tenant demand.

### PERSISTENT VACANCY RATE BY LOCATION TYPE AND LENGTH OF VACANCY, AS OF H1 2020

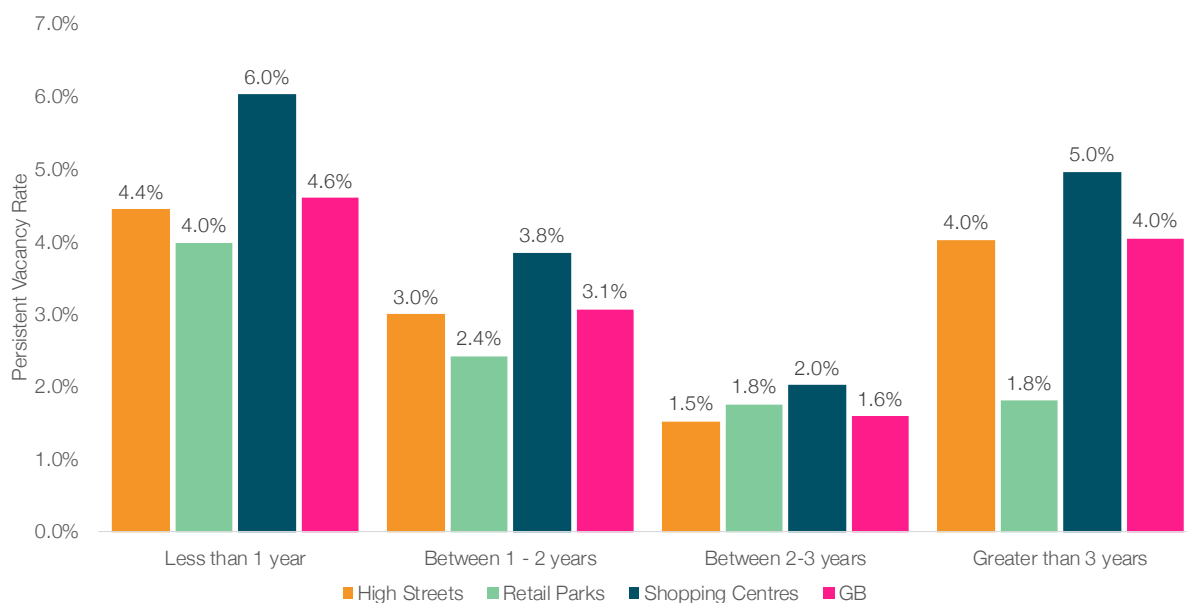


Figure 21: Persistent vacancy rates by location type, H1 2020 (Source: Local Data Company)

Figure 21 displays the distribution of voids by the length of vacancy and evidences the increase in short-term vacancy already caused by the pandemic. The percentage of units vacant for less than 1 year has increased across all location types. Shopping centres have the highest short-term vacancy (less than 1 year) caused in part by a total net decline of -1,066 units in H1 2020.

Persistent Vacancy on retail parks has doubled since H1 2019 across the 2 to 3 year threshold, where the percentage sat at 0.9% compared to 1.8% in H1 2020. This is due to the large number of units that came on to the market during that period, with Poundworld, Toys 'R' Us, Maplin and Mothercare closing a large number of stores in a short period of time.

Despite these increases in long term vacancy, in a world currently dominated by COVID-19, retail parks have become more attractive. With the larger stores conducive to social distancing, parking facilities and ability to accommodate drive-through occupiers, these locations have a new advantage in the context of new consumer habits. Given the growth of online across not only comparison but convenience retailers, demand will increase for warehouse and logistics space, which will boost the desirability of retail parks and attract investment to any distressed schemes that can be converted into these other asset classes.

Shopping centres have the highest level of vacancy across all time periods - consistently higher than the GB average. This location type experienced a steeper increase in long-term vacancy between H1 2019 – H1 2020 (+0.7%), compared to the increase from H1 2018 – H1 2019 (+0.1%).



## REDEVELOPMENT ACTIVITY

### REDEVELOPMENT OF RETAIL STOCK, H1 2017 - H1 2020

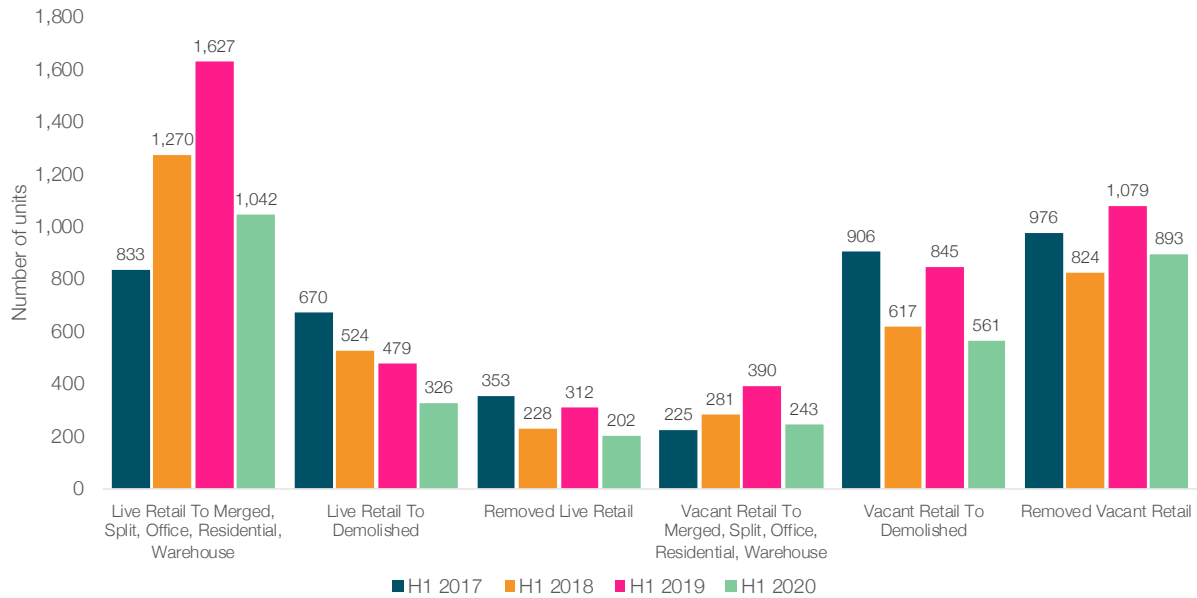


Figure 22: Redevelopment activity between H1 2017 - H1 2020 (Source: Local Data Company)

Figure 22 shows activity levels in regard to redevelopment of retail stock. The analysis covers the 12-months to the end of each H1 period (e.g. end of H1 2019 – H1 2020).

In H1 2020, there was a decline in development work compared with previous years, with projects coming to a halt early on and many businesses pausing large-scale investments due to the pandemic. This is a reversal of the trajectory seen in H1 2019 where development levels increased compared with the year prior, emphasising the transformation in landlords’ strategy - focusing on moving away from retail given the increased uncertainty and higher returns from other sectors.

As in H1 2019, the largest percentage increase was in units being repurposed from vacant retail space to office, residential or warehouse space. Previous years have seen this type of development increase, however with the working from home revolution caused by COVID-19, some are questioning what the demand will be in the future for office space. Instead, we expect to see a new focus on redevelopment of office and retail space into residential or warehouse/logistics space to cater for the rise of online shopping. To manage the expected increase in vacant units caused by COVID-19 retail casualties, landlords will need support from all stakeholders when looking to alter the use of the land, with the government discussing fast tracking planning permission to facilitate these changes.

## ESSENTIAL RETAIL TRENDS

### CHANGE IN VACANCY RATE OF SAMPLE TOWNS, H1 2020

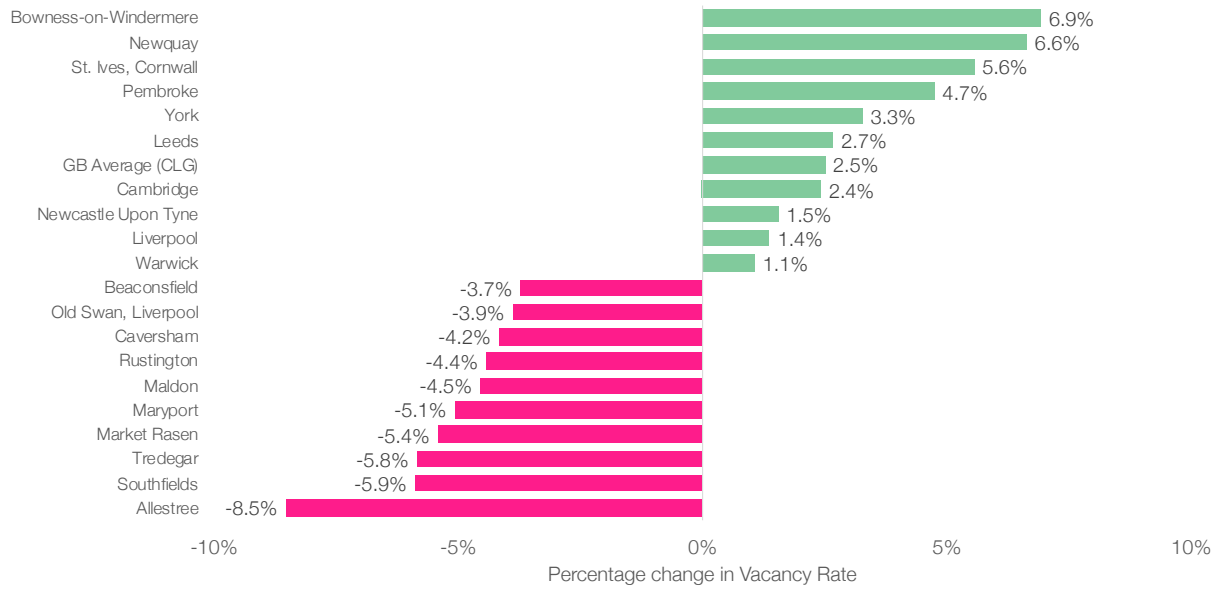


Figure 23: Change in Vacancy Rate for a sample of GB high streets (Source: Local Data Company)

Figure 23 analyses the change in Vacancy Rate for a sample of high streets that have been visited since the pandemic. The locations selected represent different town profiles and varying geographical regions across GB. Of the sample to see an increase in vacancy, half were major cities such as Leeds and Cambridge, which reflects the shift away from city centres as consumer habits change and shopping more locally has become the norm.

The locations where vacancy decreased are mainly comprised of areas with a high commuter population e.g. Southfields in outer London or Beaconsfield.

PERCENTAGE OF ESSENTIAL RETAIL AND CHANGE IN VACANCY RATE, H1 2020

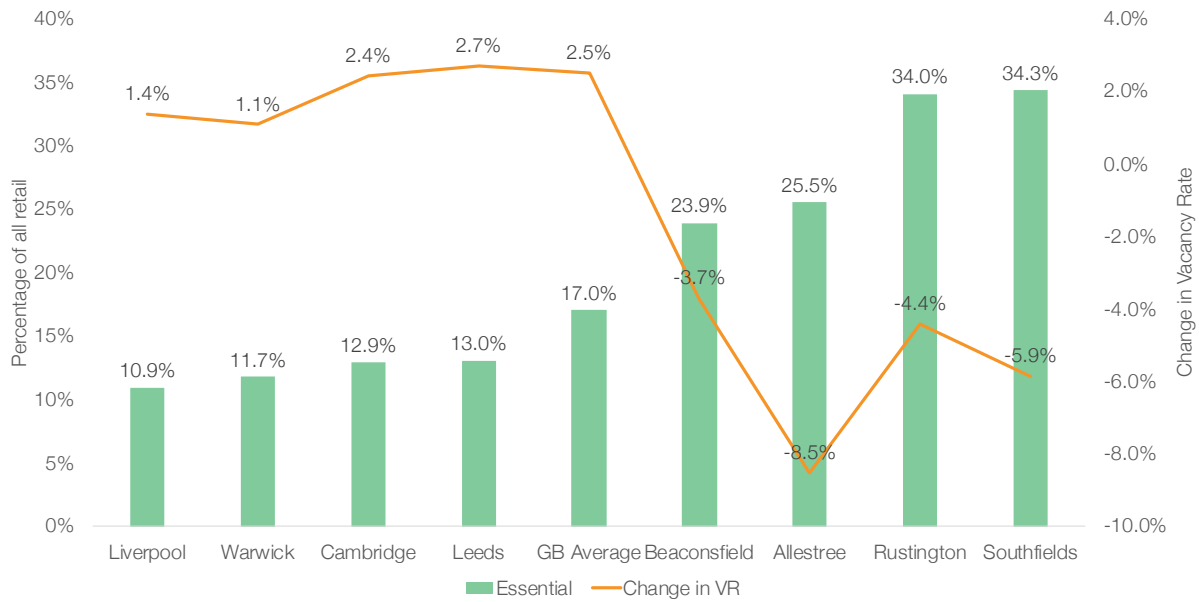


Figure 24: Proportion of essential retail and change in Vacancy Rate for GB high street locations, H1 2020 (Source: Local Data Company)

Figure 24 shows the proportion of essential retail for a sample of towns visited by the Local Data Company field research team which show the relationship between presence of essential retailers and change in vacancy rate in H1. Across the sample, high streets that saw a decline in Vacancy Rate typically had a higher proportion of essential retail when compared to the GB average, whilst those that saw a rise in vacancy typically had a lower proportion.

Figure 25 shows the percentage of essential and non-essential retail units by location type. Retail parks have the highest proportion of essential retail (28.7%), with brands such as Superdrug, M&S Foodhall and Boots key occupiers across this asset class. Across GB, 11 retail parks are occupied entirely by essential retailers, including Quora Retail Park in Skegness, Crown Business Centre in West Drayton and Denvale Trade Park in Basingstoke. These parks should therefore be less adversely impacted by the pandemic.

PERCENTAGE OF ESSENTIAL AND NON-ESSENTIAL RETAIL BY LOCATION TYPE

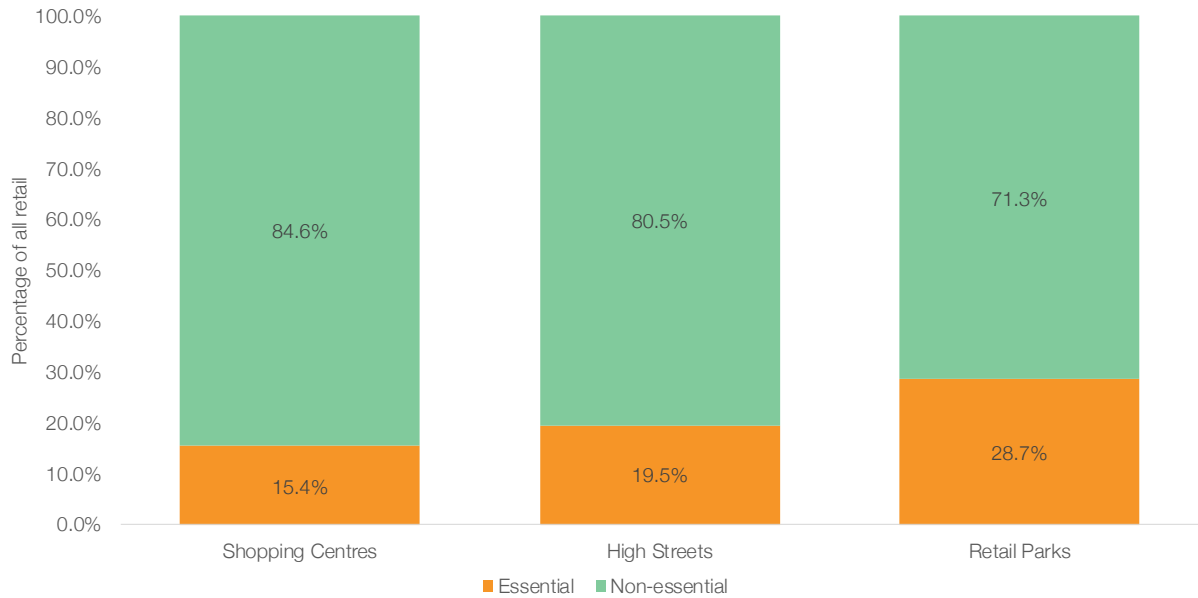


Figure 25: Percentage of essential vs. non-essential retail by location type in GB (Source: Local Data Company)

Shopping centres have the lowest percentage of essential retail on average of all location types at 15.4%. This is one of the factors alongside exposure to fashion retail and casual dining contributing to the increase in vacancy in shopping centres. However, there are some schemes which benefit from higher levels of essential retail. Over 50% of occupants at Riverside Shopping Centre (Shrewsbury), Triangle Shopping Centre (Glasgow) and The Teanlowe Centre (Poulton-Le-Fylde) are classed as essential retailers.

Most outlet shopping centres are more exposed to non-essential retail, for example, Bicester Village

(93.9% non-essential) and McArthurGlen Cheshire Oaks Designer Outlet (92.5%). Bicester Village is one of the UK’s top tourist attractions which previously attracted over seven million visitors in 2019 (Source: Value Retail Plc, 2020). The huge decline in tourism and high percentage of premium non-essential retail will provide a new challenge for the scheme, which expanded in 2017, adding 31 new shops. However, a combination of a high re-opening rate (87.6%), extensive parking, easy access from the M40 and a high proportion of premium brands (88.0%) offering deals that are not available online will help Bicester Village offset the impact of COVID-19. New challenges for outlets lie in 2021, when changing VAT laws are likely to have an impact on the influx of



## CASE STUDY: SOUTHFIELDS VS. LEEDS

Southfields in Greater London was one of GB's more resilient towns amid the pandemic. This is demonstrated by the decline in Vacancy Rate of 5.9% to 3.1%, driven by the reduction in Leisure Vacancy from 7.1% at the end of 2019 to 0% in H1 2020. The area saw openings from a variety of retailers such as Sainsbury's Local alongside independents within the delicatessen and health foods sector, all taking advantage of their status as essential retailers.

Regional city centre locations such as Leeds have faced challenges which have been compounded by the pandemic. Vacancy increased by 2.7% to 18.8%, which was above the average increase for high street locations in H1 2020. As in many city centres, Leeds has suffered from a combination of the increased volume of online sales, absence of city office workers and a shuttered night-time economy. Closures in H1 include nightclub Mission, Veeno Wine Bar and Zara Home.

### CLASSIFICATION MIX FOR SOUTHFIELDS, LEEDS AND GB AVERAGE

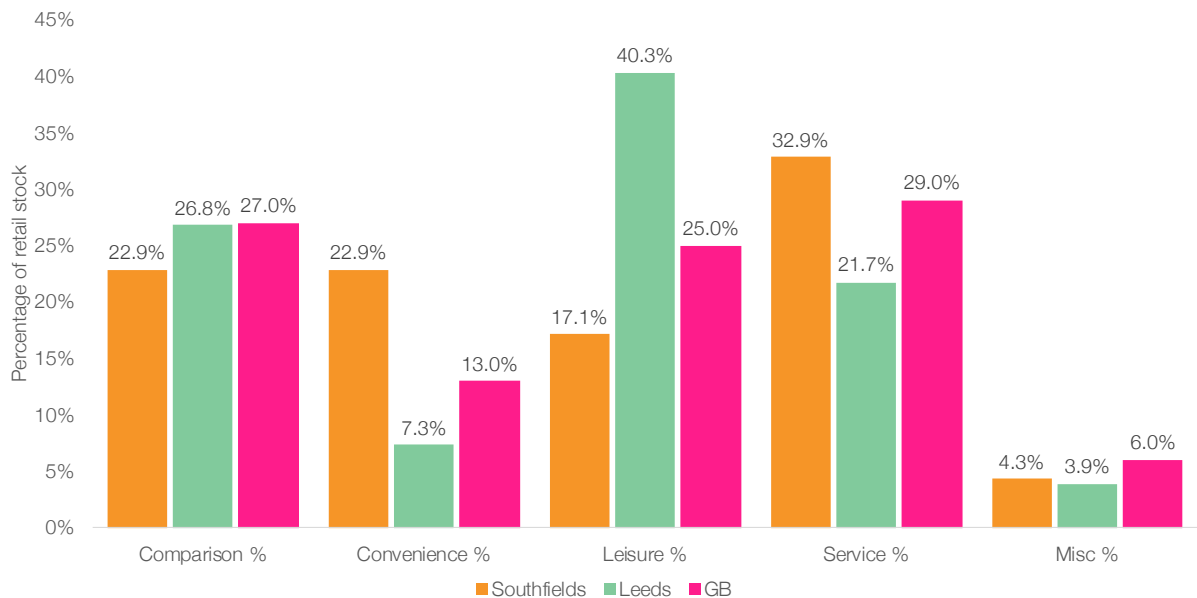


Figure 26: Classification mix for Southfields and Leeds (Source: Local Data Company)

Figure 26 compares the classification mix for Southfields, Leeds and the average GB high street. Leeds has a significantly higher proportion of leisure than the GB average, with a broad nightlife offering, catering to the previously 60,000-strong student population across three universities and nearly half a million office workers.

The city is more exposed to the effects of the COVID-19 pandemic as most nightlife operators have not been able to reopen since March, including the 10 in Leeds city centre including The Warehouse and The Space. Leeds City Council, alongside Manchester and Liverpool have appealed

to government to rethink the 10pm curfew with their hospitality sectors on the “brink of collapse”.

Southfields has a lower percentage of comparison and leisure units than the GB average, decreasing exposure to these categories. It also has significant convenience (22.9%) and service (32.9%), offerings, which helped to retain footfall during lockdown. Southfields also benefits from a large, affluent local demographic, a large commuter population who are now more likely to be working from home and presence of key food retailers such as M&S Foodhall; all of which have helped to offset the COVID-19 impact.



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# REOPENING TRENDS



## REOPENING TRENDS

Since corners of the market started to reopen from June 15th, the LDC field research team has been tracking the rate at which stores have reopened across the 'non-essential' retail market. This is critical in understanding how quickly different sectors have bounced back but also enables us to quantify the economic resilience of each high street, shopping centre and retail park.

Figure 27 shows that at the end of August, of the temporarily closed service businesses, 72.9% had reopened doors to customers. Categories such as auto services, locksmiths, clothing alterations & shoe repairs had high rates of reopening, whilst only 51.3% of travel agents & tour operators had reopened due to the various travel restrictions and quarantine rules in place.

### REOPENING RATE OF BUSINESSES THAT CLOSED DUE TO COVID-19 BY CLASSIFICATION

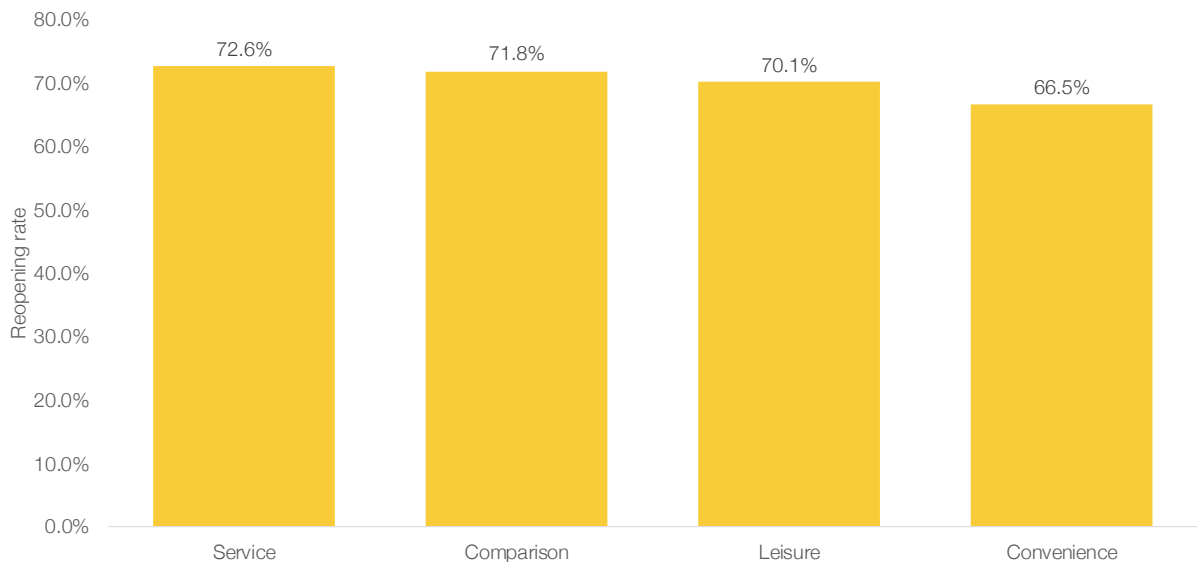


Figure 27: Reopening rates of businesses that closed due to COVID-19 by classification as of September 2020 (Source: Local Data Company)

71.8% of the comparison goods sector had reopened at the end of August, with car & motorbike showrooms (87.6%) experiencing the highest proportion of reopening and charity & second-hand shops (54.8%) the lowest. The challenges in adapting stores to become COVID-19 secure has raised a variety of issues for brands, not least for charity retail businesses.

70.1% of units in the leisure sector had re-opened, which is notable considering this market had to remain closed longer than other non-essential units. The entertainment (77%), accommodation (77%), restaurants (77%), bars and pubs sectors (75%) had

all reopened in excess of 75% of units, however cafes and the fast food category had the lowest reopening rate in this category at 65.3%, as many of these are in city centre, worker-led locations which continue to be impacted by the government's working from home recommendations.

Much of the convenience sector was able to remain open throughout lockdown, but of the businesses that did close (vaping stores & tobacconists, card & poster shops and some bakeries such as Greggs) only 66.5% had reopened.



## REGIONAL REOPENING TRENDS

Figure 28 displays regional variances in rates of reopening, with the South West and Greater London experiencing a faster recovery of retail markets. The East Midlands, West Midlands and Scotland have

seen the lowest rates of reopening partially due to the slower release of restrictions seen across Scotland and with COVID-19 hotspots in Leicester and Birmingham affecting the recovery in the midlands.

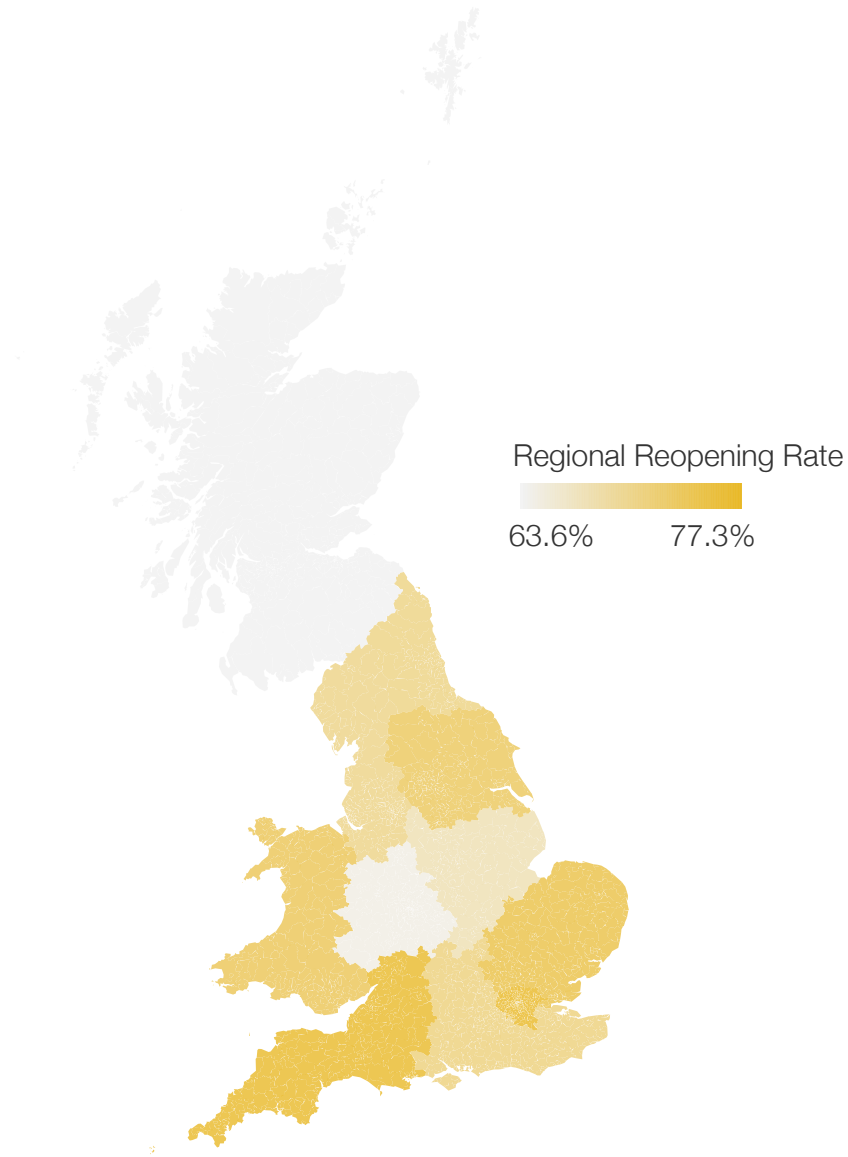


Figure 28: Regional reopening rates of businesses that closed due to COVID-19 (Source: Local Data Company)

## CASE STUDY: INNER VS OUTER CITIES

Many have discussed the difficulties faced by city centre operators, as the workforce which supports this market is now largely working from home in line with government guidelines. We examine how this has impacted the reopening rates of businesses found in city centres with outer city locations for five major cities; Birmingham, Edinburgh, Leeds, London

and Manchester.

Figure 29 evidences how city centres are recovering at a slightly slower pace than outer city areas. The outer areas have a larger density of residential property, and with the advice to work from home if possible, these areas have benefited from the extra footfall during the weekday.

REOPENING RATES OF MAJOR GB CITIES - CITY CENTRE VS. OUTER CITY, AS OF H1 2020

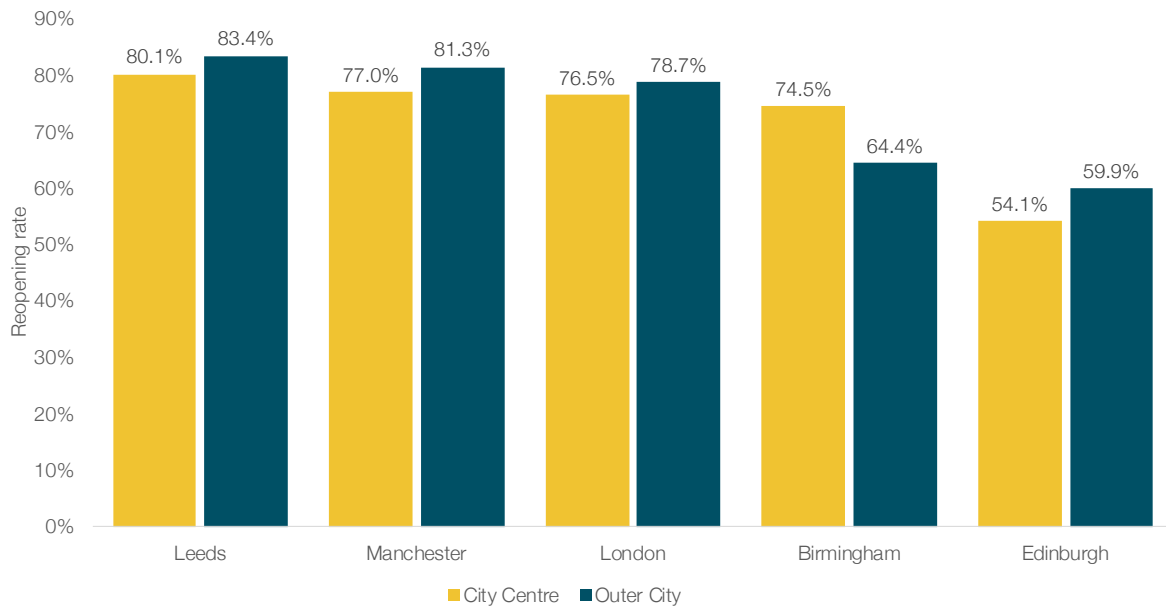


Figure 29: Reopening rates of businesses that closed due to COVID-19 by inner/outer areas of 5 large cities as of August 2020 (Source: Local Data Company)

Birmingham, however, had a lower reopening rate in the outer areas of the city compared to the city centre, which could be due in part to the residential areas of the city seeing a high rate of COVID-19 infection. Although we are seeing certain trends relating to reopening, every town/city is different and there are many wide-ranging and changing factors contributing to the speed of recovery.

According to the ONS, the West Midlands had the lowest percentage of employees working from home across all of GB at 35%, compared to Greater London at 57% (Source: ONS, July 2020), as not all occupations are able to work remotely.

YEAR-ON-YEAR CHANGE IN FOOTFALL FOR OFFICE AND RESIDENTIAL LOCATIONS, MARCH - AUGUST 2020

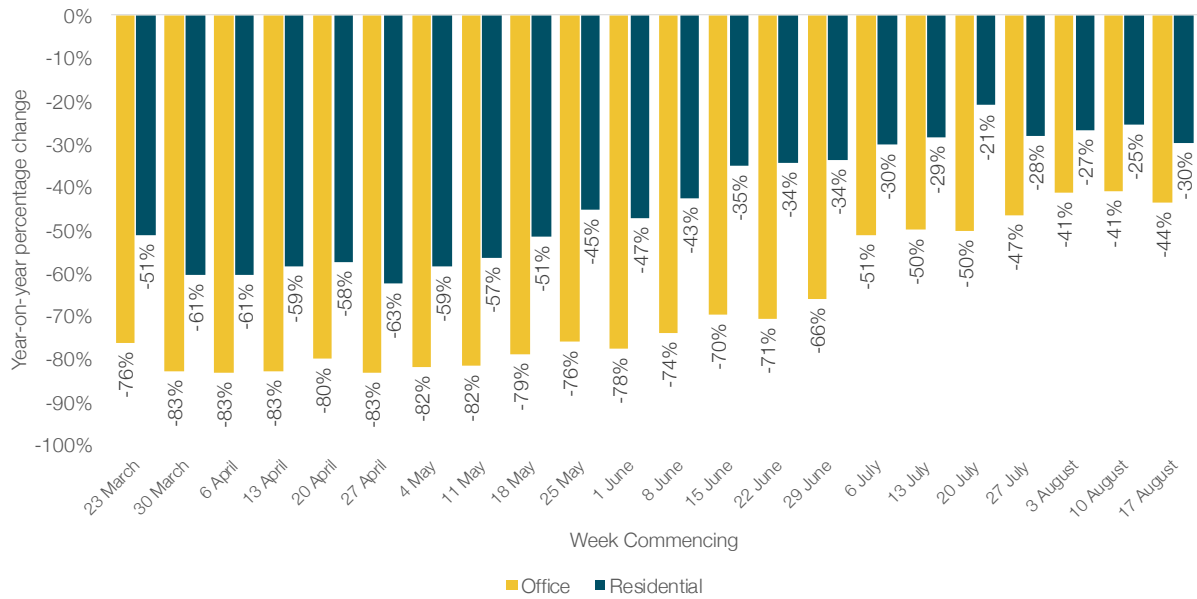


Figure 30: Year-on-year change in weekly footfall for office and residential locations, March – August 2020 (Source: Local Data Company)

Figure 30 shows footfall trends across a sample of office and residential locations by comparing weekly figures to the same week in 2019. Residential areas are benefitting from a more active local population

- especially during the weekday, with this evident in August when the Eat Out To Help Out scheme was running in a bid to boost trade for F&B occupiers from Monday to Wednesday.









# **FULL YEAR 2020 FORECASTS**



# FULL YEAR 2020 FORECASTS

## OPENINGS AND CLOSURES

Using proprietary data collected since 2013 alongside data modelling techniques we are able to make forecasts for the end of this year. This analysis considers several factors and likely outcomes to generate projections on the number of openings and closures we expect in 2020. Factors included; the level of churn that has occurred in the year so far, early data from September and October openings and closures and the potential impact of further government interventions. Considering these factors, we explore three different scenarios: best case (medium risk), worst case (very high risk) and somewhere in the middle (high risk), dependent on the wide range of variables across H2 2020.

Each scenario will see a record level of net closures in the year with the best case seeing a decline of -14,886 units across the whole of 2020. This would result in a 62% increase on the net decline seen in 2019, and factors in the likelihood that many retailers will hope to trade through the Christmas period and review their property portfolio in the new year. We forecast some opening activity from retailers looking to do deals and use the availability of property to grab prime pitch space and realign their portfolio to the new climate.

### HISTORICAL NET CHANGE IN UNITS, 2013 TO 2020 FORECAST

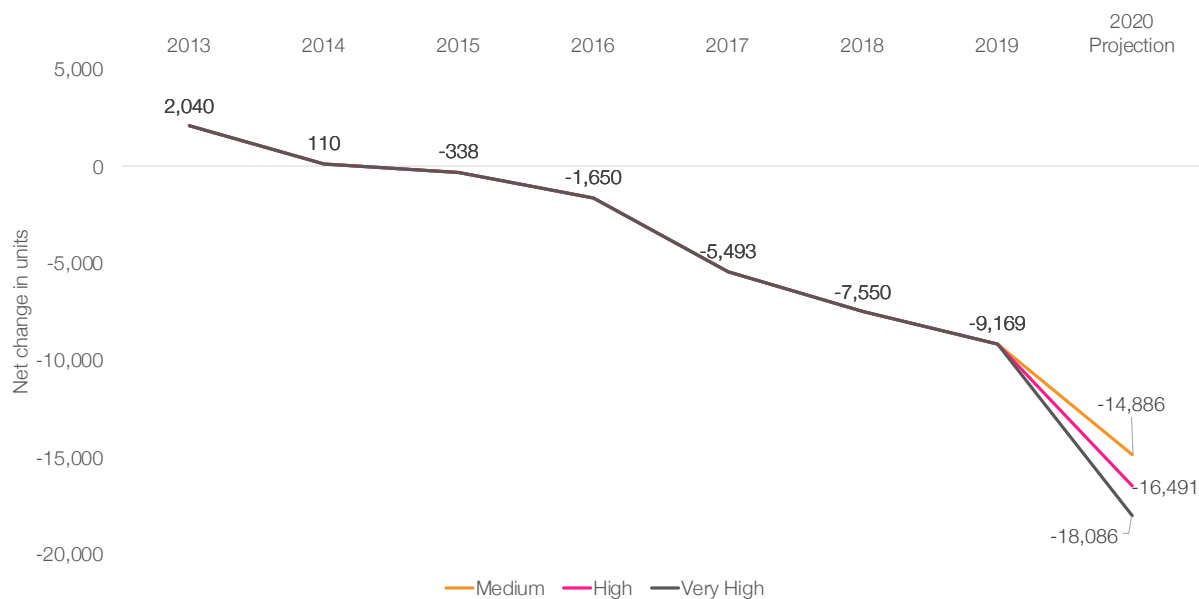


Figure 31: Forecasted net change in occupied units across GB, 2013 to 2020 (Source: Local Data Company)

The worst-case scenario shows what might happen now that a second nationwide lockdown has been announced across most of the country as well as an extension of the 10pm curfew which would lead to vast numbers of leisure and hospitality operators closing stores. We are already witnessing the start of this, as cinema operator Cineworld announced it would temporarily close its cinemas once more due to the low levels of footfall and lack of major box office releases, with Odeon and Vue following

suit and making cuts to their trading hours. This scenario also considers the continued migration of spend from our high streets to online channels, with lockdown-induced consumer habits leading to comparison retailers closing stores in order to adapt to a digitally led future. Several CVA proposals are also in the pipeline, once these are approved, increased volumes of store closures are likely to take place in H2 2020.

## VACANCY RATES

Taking the current trajectory and the opening and closures forecasts into account, we anticipate GB vacancy to reach 14% by the end of 2020 - a 1% increase from H1 2020. This would represent the biggest increase between half years since the Local Data Company has been tracking this metric.

This forecast is less than one might expect as it considers seasonal patterns, with less churn commonly seen in the golden quarter as operators focus on Christmas trading. If various government support measures such as furlough end, several chains are likely to announce further redundancies

and store closures. This has already started with Burger King, TSB, H&M and Pizza Hut making announcements at the end of September. CVAs will flood into the market, as the deadline for moratorium on forfeiture of commercial leases for non-payment approaches, leading to tough decisions being made stores that are yet to reopen.

This forecast is made with the view that there will be no national lockdown, with the government's current approach of applying local lockdowns in areas of great concern being maintained, as well as the 10pm curfew.

VACANCY RATE, H1 2015 TO H2 2020 FORECAST

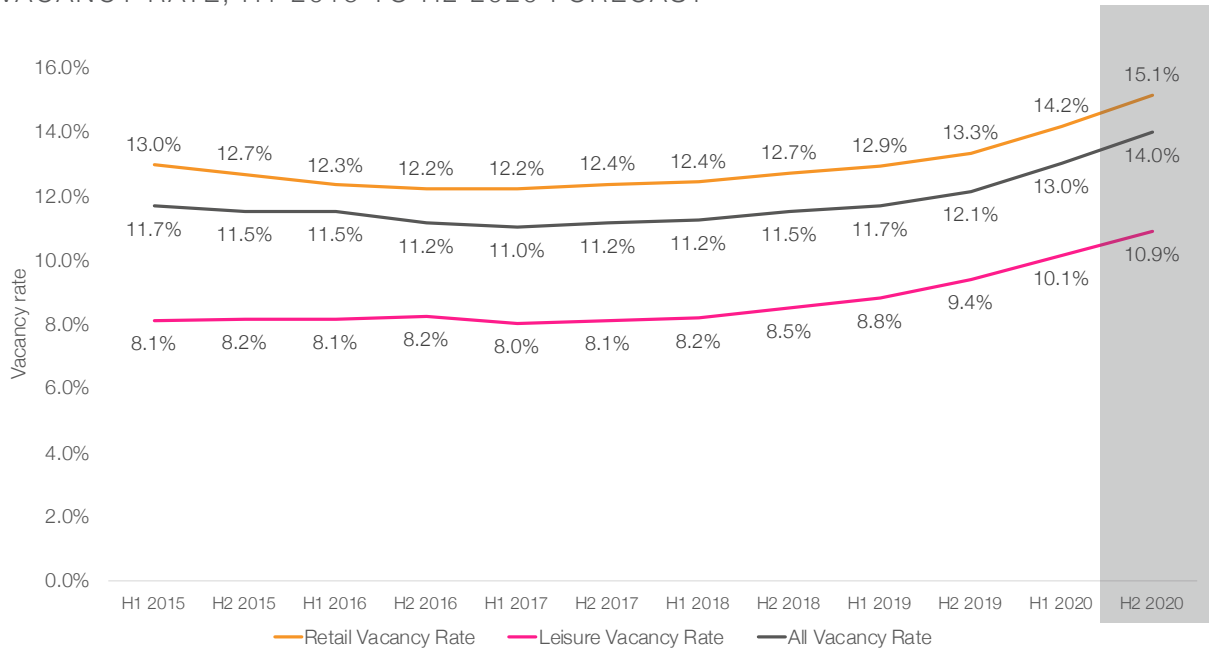


Figure 32: Forecasted Vacancy Rate by retail type across GB, H2 2020 (Source: Local Data Company)

## REOPENING RATES

At the end of August, reopening rates across England had reached 71.3%, leaving 22.8% of units still temporarily closed and 5.9% vacant. Multiples were faster with a reopening rate of 74.3, due to their ability to raise capital to survive the lockdown period. Independents were less likely to get access to capital but would have been able to take advantage of government support packages such as the furlough

and business rates relief, which would have helped them to preserve cash.

This has resulted in a larger percentage of independent units surviving, but unable to reopen due to difficulty in making stores compliant with the new safety guidelines with smaller square footage for social distancing.

### STATUS OF UNITS CLOSED DUE TO GOVERNMENT RESTRICTIONS AS OF SEPTEMBER 2020

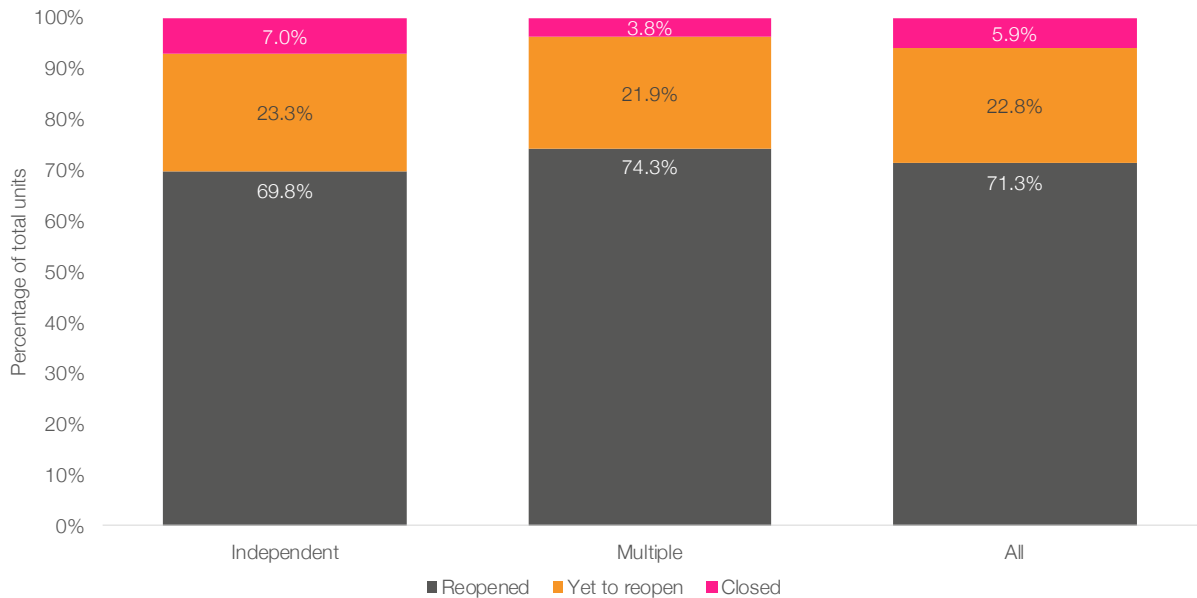


Figure 33: Current status of units that closed during lockdown across England as of September 2020 (Source: Local Data Company)

We anticipate that the majority of units that have not reopened will not do so now that three months has passed (at the time of writing) since they were eligible to reopen. If 70% of the units still yet to reopen since lockdown were to close permanently, this would result in 21% of all units that closed for lockdown shutting forever. This would have a dramatic impact on the vacancy rate at the end of H1 2021 as closures would likely take place in Q1 2021 after Christmas trading results, the end of the moratorium and in the lead up to the end of rates relief.

If 45% of units yet to reopen were to close permanently, then 15% of all units that closed for lockdown would be vacated. This is a more conservative picture for the market, given the time that has elapsed since retail was given the green light to reopen following the first national lockdown. Both forecasts require a long-term solution to the virus that would give retailers confidence of some level of normality returning with fewer local lockdowns, office workers returning to city centres and international tourists feeling safe to travel to the UK.

## RETHINKING RETAIL PROPERTY

In 2019, 8.7% of the vacant units at the start of the year were taken out of the retail market either seeing structural change (merged, split, demolished) or were converted into other asset classes such as office and residential. In order to manage the forecasted closures, landlords will need to convert units into other asset classes. Towns that already have vacancy rates above the GB average are the most exposed to these closures and should be urgently reviewing how property is being utilised.

The volume of redevelopment needed in the market will need to surpass that seen in 2019, given the scale of the problem today. With Vacancy Rates set to reach late teens by H1 2021, there will be an urgent requirement to convert between 15% to 20% of retail space into residential or other uses in order to rebalance our high streets. This will enable town centres to remain vibrant and a key focal point for local economies.

A move in this direction will need government support, the key issue being the time taken for planning permission to be granted. As evidenced in BHS analysis, the complex steps required to alter key buildings can be a barrier to repurposing them, with various stakeholders needing to be engaged.



# CONCLUSION

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Occupiers face vast challenges in enticing an ever more cautious shopper into their stores, with COVID-19 restrictions, economic uncertainty and a weak labour market resulting in one of the toughest climates seen in recent history. In the long term, occupiers have no option but to continue to be agile, adapting to local lockdowns and changing government mandates, while also strategically reviewing their portfolios and planning for a future retail climate which is hard to predict.

Landlords have seen their fair share of trials, with valuations and rental values falling, alongside having to mitigate the impact of the non-payment of rents and extensions to the moratorium of tenant evictions. With CVAs and administrations causing rising vacancy rates, maintaining existing occupiers and re-letting vacant space will be key in the short term, while in the long-term repurposing space in distressed assets will become even more important as the pool of potential tenants, already thin, continues to become smaller.

Local authorities and government will need to be proactive to support their local economy's recovery and survival. A more bespoke approach will be needed to support those who are impacted more severely by the pandemic, as the data has evidently shown. This will lead to a more granular and detailed analysis of their local environments, using existing and new data points to support any policy making.

What is critical is the need for a proactive approach from all stakeholders if physical retail is to adapt and thrive in the aftermath of the global pandemic.

**Visit our website for more information on how we can support retailers, landlords and councils to navigate through the COVID pandemic.**

**[WWW.LOCALDATACOMPANY.COM/COVID-19-SUPPORT](http://WWW.LOCALDATACOMPANY.COM/COVID-19-SUPPORT)**



## COMMENTARY

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LUCY STAINTON, HEAD OF  
RETAIL AND STRATEGIC  
PARTNERSHIPS

“As we entered 2020 it would have been hard to predict the events which have characterised this year, let alone the seismic impacts across our personal and professional lives. As the global coronavirus pandemic took hold in the UK, 83% of retail and hospitality businesses were forced to temporarily close their doors, but this really marked the acceleration of more permanent industry change. To me what really stands out in our latest analysis is just how quickly the covid-19 pandemic has impacted our industry.

The latest figures on the GB retail and leisure market are truly reflective of these immensely challenging few months for the retail and hospitality sector. While the independent market has fared much better than chains, it is still in decline and combined, these two sectors total the biggest loss of stores seen in a H1 period since our records began.

The independent market has seemingly fared better as these businesses have been able to be more agile, bringing in new product lines and offering food deliveries; have a smaller cost base to cover during periods of little or no trade and have been able to take advantage of government support schemes. However, as we continue through the year with various local lockdowns and restrictions, life will not get any easier for operators. These figures mark only the first phase in the impact of the pandemic on the retail economy this year, with 20% of the market still temporarily shut and with more months of difficult trading conditions ahead.

This being said, we still absolutely believe in the validity and relevance of physical retailing. Whilst there is no denying the impact of the pandemic on these sectors, this likely represents the inevitable structural change required albeit more painful as a result of the velocity and abruptness. With independents adapting well, new entrants still acquiring stores and sectors such as personal grooming continuing to show growth, there is no doubt we will eventually get to a more condensed though diverse and exciting retail and hospitality landscape as businesses and places acclimatise.”

**WE STILL ABSOLUTELY  
BELIEVE IN THE VALIDITY  
AND RELEVANCE OF  
PHYSICAL RETAILING**

# MARKET COMMENTARY

## RetailEconomics

“These are extraordinary times. Never has a single event had such a wide-ranging impact on financial markets, businesses and households. The impact of Covid-19 has re-wired the customer journey. The battle for consumers’ attentions are increasingly being fought online and retailers are scrambling to pivot their business models to face this new reality. The winners will be those that are nimble and can pivot their proposition to embrace these new behaviours.”

RICHARD LIM, RETAIL ECONOMICS

## NEW LOOK

“The words ‘agile’ and ‘resilient’ been so widely and aptly used in Retail over the last 6 months. From closing overnight in March through phased openings and now a second phase of lockdown, Retail continues to adapt and respond to changes in legislation, market conditions and most importantly customers demands of product, environment and value. If Retail is to survive it will be because it has continued to adapt to this ever changing world and market; where being truly local, trusted, and really listening to your teams and customers will be the difference between winning and losing.”

MARK AXON, NEWLOOK

## True.

“The digital revolution is just beginning. The impact of the Covid-19 virus has accelerated an already structural megatrend, channel shift, which disproportionately impacts traditional businesses. Traditional retail remains 75% of global retail sales and is at the mercy of accelerated digital penetration for many decades to come. Macro volatility has produced a consistent stream of high-profile bankruptcies and at best, constrained cash flow positions. This volatility is going to accelerate in the future, leaving a bigger blue ocean for digital first companies to win market share more efficiently than

before. Ironically, this will feed significant M&A from traditional players and eventually lead a return to multi-channel driven solutions incorporating a new real estate paradigm.”

MATT TRUMAN, TRUE GLOBAL



“With consumer footfall a third down and forced experimentation sticking, there’s no escaping that COVID-19 has permanently accelerated existing high street trends, as well as channel and category shifts. Our research with LDC shows multiple retailers reducing locations in response.

However, it also shows there’s been growth of operators that can meet local needs, such as takeaways, some services and independents. This all points to a resurgence in the use of community high streets. Local governments and landlords now have an opportunity to revitalise regions and rethink town centres: to improve retail and leisure venues, and create community hubs where people can live, work, shop and play.”

LISA HOOKER, PWC



“The pandemic caused us overnight to change the way we think about how we live, work and play. Early on it seemed that this would be a short-term impact, but the longer it goes on the more I think it will leave us with permanent change, even if most of the trends were already underlying and in motion. The biggest change is likely to be how we work. I have no doubt that social distancing will ease, but we have learned that it is possible to do our jobs remotely at least some of the time and this will fundamentally shift spend from city centres to boost the economy of local communities.”

TOM WHITTINGTON, SAVILLS

## ME+EM

“The structure of landlord / tenant property deals will I believe have permanently changed. Turnover only or a low base rent plus turnover top-up will become the norm, aligning both parties risk/reward. For physical retail, whilst there has been a dramatic acceleration in the move online, a significant portion of purchases for the foreseeable will involve a visit to a store.

Those that can successfully execute on omni-channel and create ‘a reason to visit’ for the customer in terms of service and experience will thrive, if you can’t, the game may well be up.”

PHIL MICKLER, ME+EM

## METHODOLOGY

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- 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 type refers to convenience retail, comparison goods and service retail, while leisure refers to leisure destinations 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 as recorded on the day of survey. Vacant units are units which did not have a trading business at that premise 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 business with less than five stores nationwide, and no international presence.
- The GB vacancy rate analyses the Top 650 town centres.

# GLOSSARY OF TERMS

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## CLG BOUNDARY

This is the 'retail core boundary' as defined by 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; Confectionery, 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 November 2020

## DISCLAIMER

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