A Green Street Company

FY 2023 Retail and Leisure Trends Analysis

LDC

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www.localdatacompany.com
With insights from parent company, Green Street
www.greenstreet.com

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01 Introduction

About the Local Data Company

Over the last 10 years, LDC has been compiling market-leading insights on brick-and-mortar retail and leisure businesses across Great Britain's high streets, retail parks and shopping centres. LDC physically monitors consumer-facing GB businesses, combining a team of field researchers who audit the occupancy status at frequent intervals with an in-office research team. This in-depth data collection methodology underpins LDC's online insights platform covering 700,000 businesses, which helps industry participants track openings/closings, demographic and market shifts, brand competitor footprints, portfolio health and more to enhance strategic planning and decision-making. In 2023, LDC was acquired by leading commercial real estate analytics provider Green Street.

Methodology

Our unique, best-in-class methodology allows us to offer the most accurate view of our market possible. We physically monitor consumer-facing businesses in GB, combining a dedicated team of field researchers based all over the country and an office research team. New data is fed into our database daily after undergoing rigorous quality control processes to assess it for accuracy and authenticity. Regular updates provide unmatched levels of accuracy and allow us to track the market in close to real time.

10 years
of data on the GB retail and leisure market

1.6 million
unique data records

3,300
high streets surveyed

80,000
updates made per month

700,000
units tracked on an ongoing basis

6-12 month
update frequency per premises

About Green Street

Green Street is the preeminent provider of commercial real estate data/analytics, research, news, and advisory services in the U.S. and Europe. For approximately 40 years, Green Street has delivered unparalleled intelligence and trusted data on the public and private real estate markets, helping investors, banks, lenders, and other industry participants optimize investment and strategic decisions. The firm delivers exclusive market information, conclusion-driven insights, and predictive analytics through a SaaS platform. Green Street is led by CEO Jeffry Stuek, Jr. and has ~400 employees. Its headquarters is in Newport Beach, California, and the company also has offices in London, New York, and New Jersey. Green Street is majority-owned by TA Associates, a leading private equity firm that invests in profitable, growing companies and has invested in 560+ companies around the world.

As Green Street has continued along its growth path, in late 2023, the firm acquired the Local Data Company (LDC). With more granular insights into the GB retail and leisure market, Green Street's expanded suite of offerings strengthens its position as an internationally renowned provider of real estate data and analytics. Green Street, now alongside LDC, is committed to helping our clients drive returns and navigate the ever-evolving retail space by providing the most trusted, timely and actionable intelligence for industry stakeholders.

Green Street

Green Street & LDC:
A powerful combination with upcoming 2024 product enhancements

This year, Green Street's unique data assets and LDC's rich retail intelligence will be integrated yet more closely, resulting in an enriched joint offering that provides unmatched value and depth of insight. John Guilfoy, Chief Product Officer at Green Street, outlines what clients can expect in 2024:

"We're excited to relaunch the online platform, with more predictive analytics — making the data even more applicable and supportive to a wider range of use cases. These enhancements will empower clients to gain maximum value from our products and the unique thought leadership and differentiated insights we bring to this industry."

The plans for our new platform include enhanced health indices, forecasting, competitor analysis, retailer health scores, portfolio analysis, and filtering, resulting in a suite of comprehensive intelligence tailor-made for investors and retailers.

We have also developed a product for clients who use our raw data for their own in-house analysis. We will soon be releasing an all-new Excel Add-In, built for clients to easily access, populate, and update spreadsheets using LDC data directly in Excel in a timely manner.

"Our modern Excel Add-In provides an efficient and effective data delivery method, providing customers with seamless access to our data in real-time to do their own advanced analytics."

As with all our product releases, these LDC enhancements have been shaped with client feedback at the forefront, ensuring that we meet the diverse needs of our users. Our development process takes the wide range of use cases for our data into careful consideration to deliver high value for all.

"We interviewed a host of clients and have worked diligently to focus enhancements around the most key parts of the products, bringing the best of LDC and Green Street together to deliver unparalleled analytics on the current and future UK retail market."

Green Street has a robust product roadmap planned for LDC clients and beyond in 2024. Contact your account representative to learn more about how our upcoming enhancements can add more value for you and your firm.

UK Retail and Leisure Outlook

Openings and closures overall - long term

Elevated interest rates, rising operational costs and a higher cost of goods drove a dramatic rise in closures over 2023; the number of GB-wide closures increased from 48,694 units in 2022 to 55,514 units in 2023, representing a 14% year-on-year increase. This is the highest annual closures figure recorded in the last decade, eclipsing the previous peak of 54,052 closures seen in 2019.

This latest rise in closures was somewhat tempered by an accompanying 5% year-on-year increase in openings, from 45,329 units in 2022 to 47,744 units in 2023.

Total annual openings and closures between 2013 to 2023

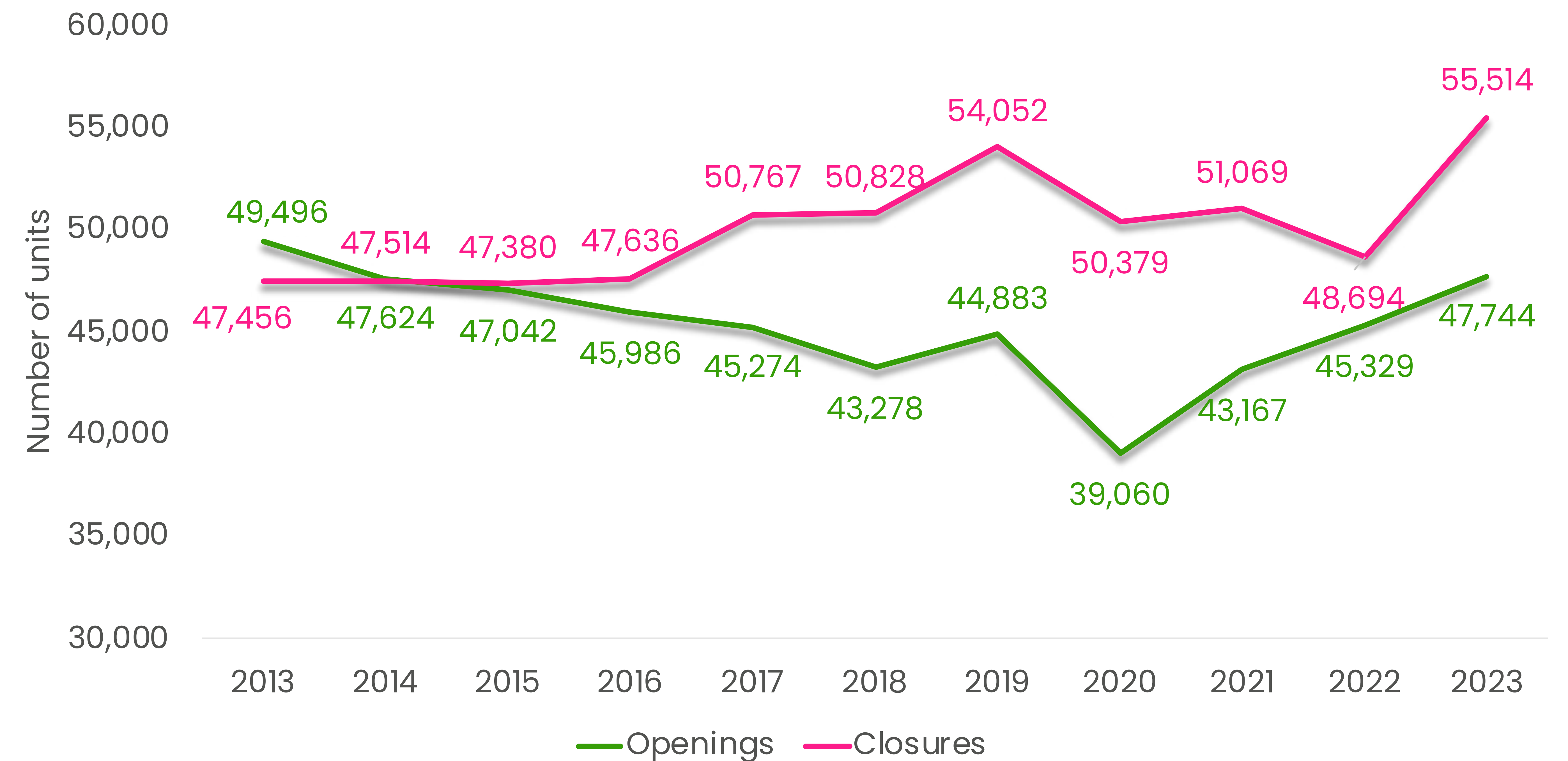


Figure 1: Historical openings and closures across GB, 2013 – 2023 (Source: Local Data Company, Green Street)

Vacancy rates: long-term

Vacancy rates have long been considered a key marker of the health of the sector; LDC have been tracking the top 650 town centres across GB since 2013, which has allowed us to map the trajectory of market performance for over a decade.

Following the promising decreases in nationwide vacancy seen in previous years, the overall GB vacancy rate saw a 0.2% year-on-year increase in 2023. Although marginal, this indicates that post-pandemic recovery may have stalled. Vacancy rates remain 1.9% above pre-pandemic levels, and further recovery is likely to take some time.

The driving factor behind this latest change has been the 0.4% year-on-year increase in leisure vacancy rate. The leisure sector, most notably pubs, have seen sharp rises in expenditure, with the heightened costs of energy, staffing and goods exerting pressure on operators throughout the year.

The retail vacancy rate remained stable at 15.3% throughout the year. However, this is still 1.3% above the overall vacancy rate, and 4.4% above the leisure vacancy rate. Retail vacancy is still 2.1% higher than the H2 2019 rate, having failed to recover as much as leisure vacancy in the years following the pandemic.

Historical Vacancy Rate by retail type

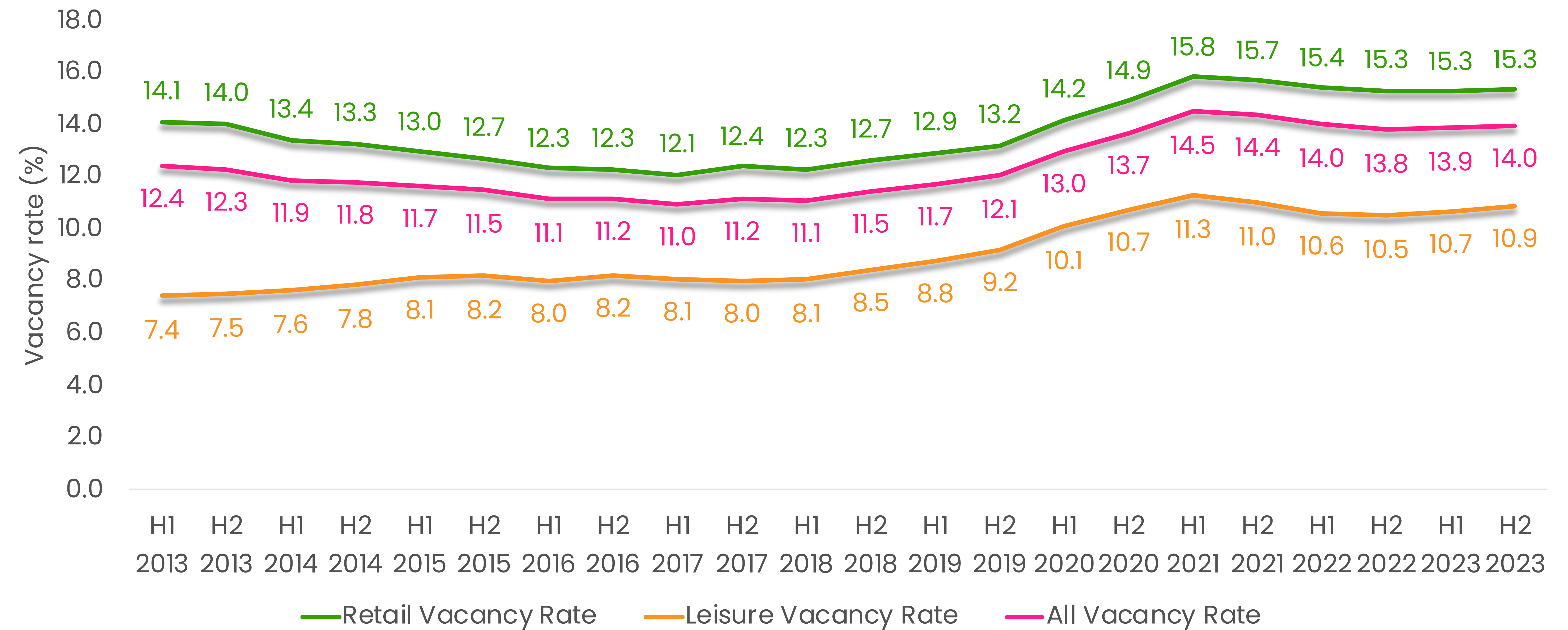


Figure 2: Historical vacancy rates by type, H1 2013 – H2 2023 (Source: Local Data Company, Green Street)

Green Street

Mind the Vacancy Gap

Green Street shopping-centre quality rankings consider multiple variables assessing Customer Profile, Competitivity, Location, Centre Condition and Tenant Mix. Property-level quality grades pertain to the investment quality, i.e., the EPRA Net Initial Yield the property would trade at, in the private market today. The objective is to capture all benefits retailers enjoy by having a physical presence, along with other factors for the centre owner / prospective investors, such as pending capital requirements and any reversionary potential. Tenant mix remains the single most important determinant of future cashflow resilience, however a more pertinent spot metric is the vacancy rate – it is a non-subjective measure that holistically conveys whether retailers find a given centre a profitable location to conduct their business or not.

However, what should be a simple metric has four primary methods of calculation:

1. **EPRA vacancy** – defined as Estimated Rental Value (ERV) of vacant space divided by the ERV of the whole shopping centre – effectively a 'financial' gauge of vacancy.
2. **Physical space vacancy** – empty gross leasable area (GLA) as a share of total GLA.
3. **Physical unit vacancy** – empty units as a proportion of total units (per LDC, see below).
4. **U.S. Mall REIT vacancy** – defined as the physical space vacancy of standard shops excluding anchor space (standard shops broadly defined as tenants <1,000 sqm GLA).

Most European PropCos only report 'EPRA vacancy' rates. For most commodity-like property types (e.g., office, industrial, residential), one square metre of rentable space is worth roughly as much as another on the same floor; vacancy rates should be similar whether they are computed on the basis of rents or leasable area. However, retail space is not a commodity-like product. Instead, its micro-location within a centre influences the occupier's profitability potential. That means one square metre of 'better located' space can have a much higher ERV than a 'cold' area with lower footfall even on the same floor within the same centre. Unfortunately, computation of ERV remains subjective and it is conceivable that external appraisers of shopping centres can ascribe zero ERV to some empty units. Therefore, the average vacancy rate for a shopping centre, weighted by ERV, can be widely different than if it were weighted by gross leasable area (GLA). The thesis is further complicated when comparing to how U.S. Mall REITs define vacancy rates, making cross-Atlantic comparisons largely redundant.

Physical unit vacancy rates – per LDC data – across U.K. shopping centres owned by the listed companies under Green Street's coverage are mapped out in Exhibit 1. For completeness, physical vacancy here is measured as the percentage of vacant units out of total units available for lease, as opposed to GLA, and does not include units that are under offer.

Green Street

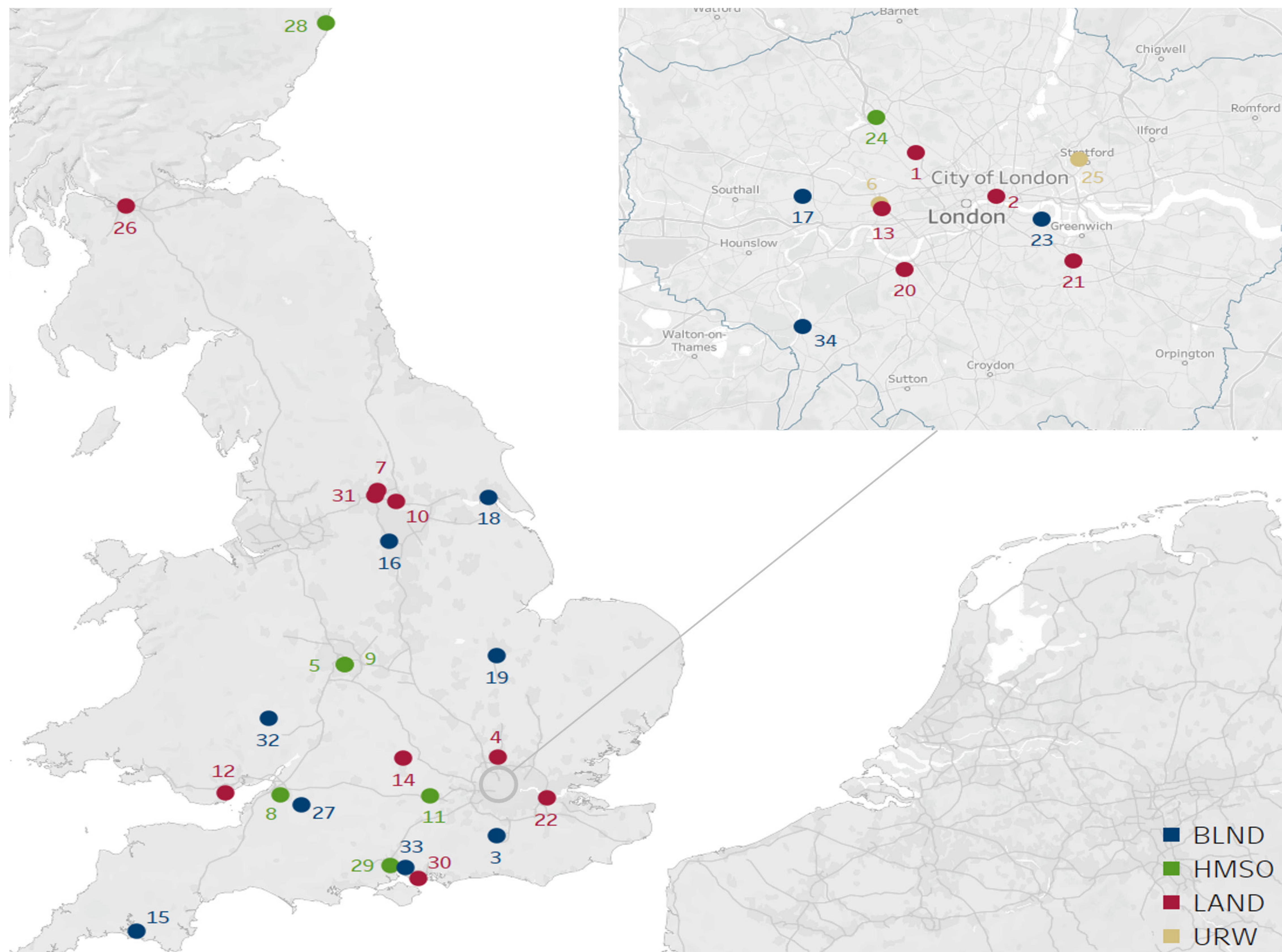


Exhibit 1: U.K. REIT Retail Portfolios

Shopping Centre Landscape: Shopping centres fit for purpose - i.e., those that have repositioned their tenant mix to become dominant or truly experiential centres - have a bright future. Low correlation between physical vacancy and Green Street's quality grades suggests that whilst an important metric, other factors drive overall quality (e.g., tenant mix, sales productivity, etc.).

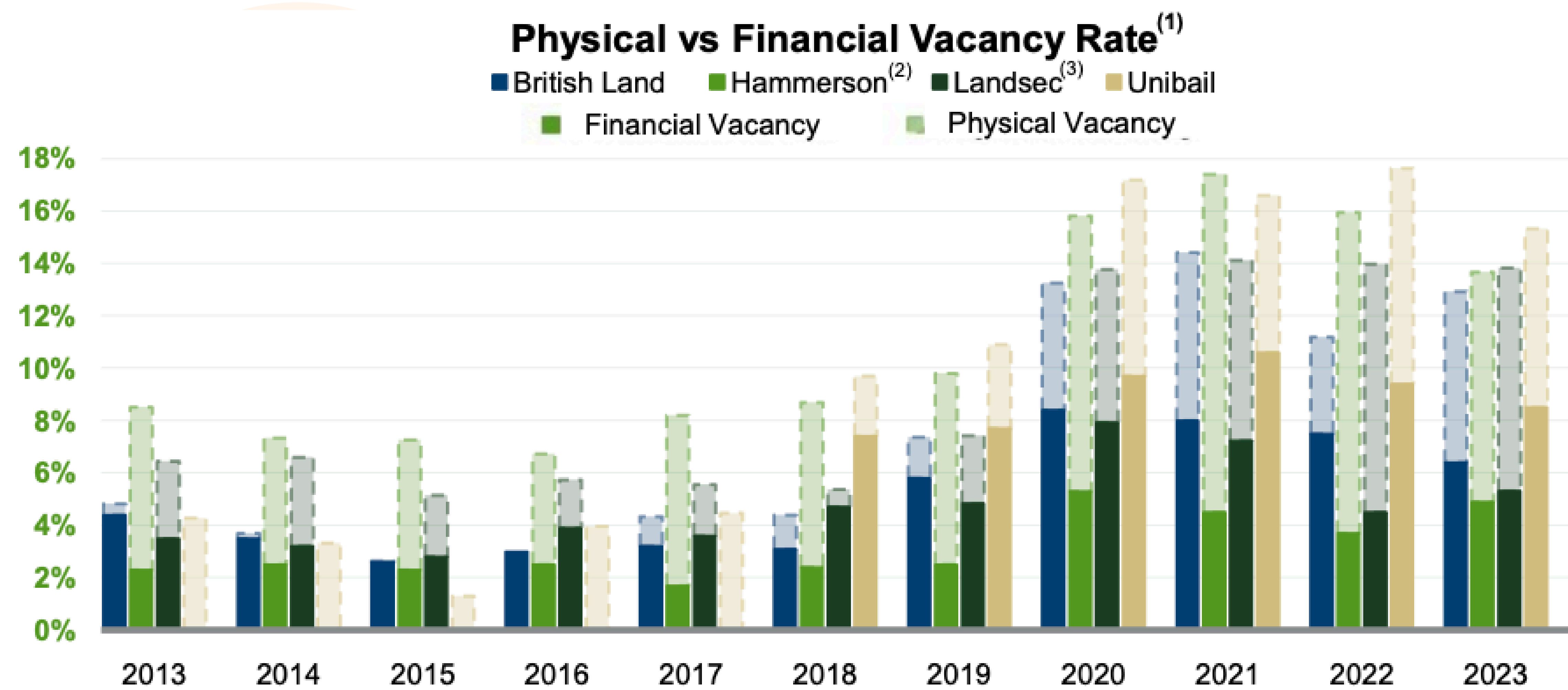
U.K. Shopping Centre Portfolios

#	Owner	Property	Grade	Phy. Vacancy	#	Owner	Property	Grade	Phy. Vacancy
1	LAND	O2 Centre	Not Rated	34.6%	18	BLND	St. Stephens	C-	11.1%
2	LAND	One New Change	A+	33.3%	19	BLND	Serpentine Green	B-	10.9%
3	BLND	Royal Victoria Place	A	32.4%	20	LAND	Southside	A	10.8%
4	LAND	The Galleria	A	28.4%	21	LAND	Lewisham	A-	10.5%
5	HMSO	Grand Central	A	21.5%	22	LAND	Bluewater	A+	10.2%
6	URW	Westfield White City	A++	19.7%	23	BLND	Surrey Quays	B-	9.4%
7	LAND	Trinity Leeds	A	18.4%	24	HMSO	Brent Cross	A	9.3%
8	HMSO	Cabot Circus	A-	18.3%	25	URW	Westfield Stratford	A++	9.3%
9	HMSO	Bullring	A+	16.0%	26	LAND	Buchanan Galleries	B	9.1%
10	LAND	Junction 32 Outlet	A+	15.5%	27	BLND	SouthGate Bath	A	8.9%
11	HMSO	The Oracle	B+	15.1%	28	HMSO	Union Square	A-	8.6%
12	LAND	St. David's	B+	15.0%	29	HMSO	Westquay	A	8.6%
13	LAND	West 12	Not Rated	13.7%	30	LAND	Gunwharf Quays	A++	7.9%
14	LAND	Westgate	A	13.3%	31	LAND	White Rose	B	6.6%
15	BLND	Drake Circus	A-	11.8%	32	BLND	Old Market	B	5.9%
16	BLND	Meadowhall	A+	11.6%	33	BLND	Whiteley	B+	5.7%
17	BLND	Ealing Broadway	B	11.4%	34	BLND	Eden Walk	Not Rated	3.3%

Source: Green Street, Local Data Company

Exhibit 2: Historical Vacancy Rates

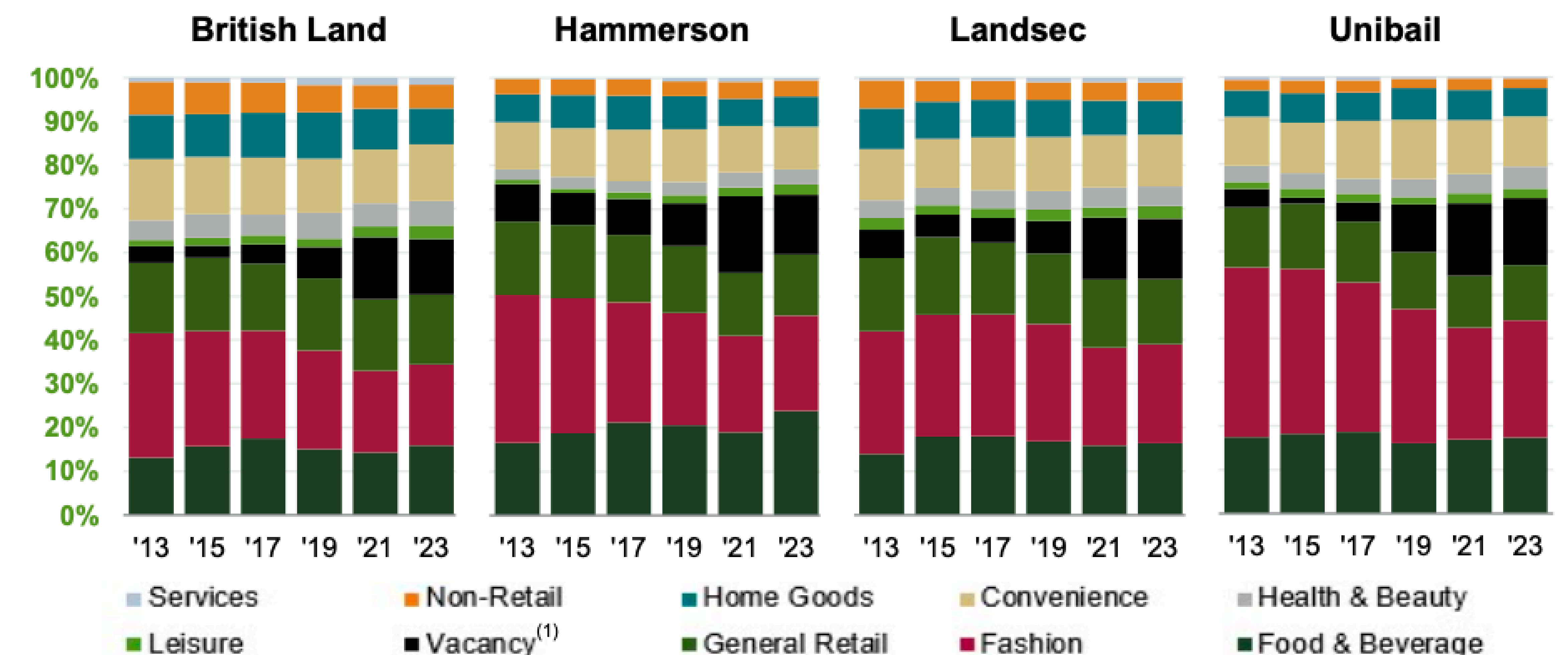
Physical vs Financial: Physical vacancy exploded in absolute terms and relative to financial vacancy during the pandemic. Physical vacancy rates now average c.800 bps above financial versus c.300 bps a decade ago. Many pandemic-era bankruptcies were independent retailers and larger retail formats with below-average ERVs and thus their demise was less impactful to reported (financial) vacancy.



Source: Green Street, Local Data Company

Exhibit 3: Historical Category Breakdown

Tenant Repositioning: Structural headwinds have led to tenant bankruptcies for middle-price fashion retailers (independant and chains) with others rationalising physical unit counts. This increase in vacancy has only been partly offset by tenant openings in better performing categories (e.g., Health & Beauty / Food & Beverage). Exposure to other tenant categories has remained largely consistent.



Source: Green Street, Local Data Company

(1) Physical vacancy includes units under development / refurbishment. (2) HMSO 2017-2023 financial vacancy rates include only flagship assets. (3) LAND reported voids as opposed to vacancy rates for retail prior to 2020. Voids are defined as ERV of vacant space as a % of ERV of the LfL portfolio only including refurbishment and excluding developments.

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Unfortunately, no company disclosure details EPRA financial vacancy on an individual shopping centre basis. The ~14% physical unit vacancy rate average belies the wide variance between centres of >30 percentage points. This stat alone demonstrates the intense level of tenant curation required for a centre's success and helps justify our above-average structural cap-ex reserve for shopping centres of ~17% p.a. of income (avg. ~14% for other property types). The apparent low correlation between physical unit vacancy rates and Green Street's overall shopping centre quality grades furthermore suggests that whilst physical vacancy is an important metric it should be viewed in tandem with many other drivers.

The timeline of physical unit vacancy and EPRA vacancy rates at a company level (Exhibit 2) details a blow-out for both during the pandemic. Physical unit vacancy almost doubled from eight percent in '19 to ~15% in '21 and has plateaued c.100 bps lower thereafter. The jump in physical unit vacancy rates were mirrored in EPRA financial vacancy rates too, albeit the latter only increased 1.5x from five to eight percent. Notably, not all REITs experienced the same level of increases. British Land (BLND) physical unit vacancy rates – largely in-line with EPRA financial vacancy rates pre-pandemic at four percent – have trended ~500 bps higher than EPRA financial vacancy rates post-pandemic, perhaps rationalised by larger-format department store vacancies that pay lower-than-average rents. Hammerson (HMSO) physical unit vacancy rates have dropped materially from their pandemic-era peak of ~17% to 14% as management disposes / hands back keys to lenders of some weaker centres (i.e., Highcross). For Hammerson, physical unit vacancy rates have consistently trended between 3-4x (600 bps to 1,300 bps) higher than EPRA financial vacancy rates for the past decade. This warrants further investigation. Active tenant curation over the past decade has seen a shift towards better performing categories being more evident in 'A/A+' centres owned by the listed REITs (Exhibit 3). Tenant bankruptcies during the pandemic focussed management team minds on prioritising tenant mix to make centres fit-for-purpose and rekindle rental tension. An average 1,000 bps reduction in fashion tenants, to c.22% of total units, over the past decade is the primary reason for the increase in physical unit vacancy rates – both Hammerson and Unibail-Rodamco-Westfield (URW) have decreased their count of fashion units by 1,200 bps to 22% and 27%, respectively – following structural changes to the share of overall consumer discretionary spend to brick-and-mortar.

Food and Beverage (an average increase of three percentage points), Health & Beauty (+1%) and Leisure (+1%) stand out as the only categories increasing their share in centres over the past decade. This chimes with anecdotes from REITs e.g., Health & Beauty brand Sephora opening their first U.K. stores in Unibail-Rodamco-Westfield White City (Grade A++) and Stratford Westfield (A++) centres in 2023 or Landsec's (LAND) "Reimagine Plan" that includes repurposing 40k sf of vacant retail space into 70k sf of Food & Beverage and Leisure space at Trinity (A). These tenants (excl. leisure) tend to occupy smaller formats paying higher rent per square foot as opposed to larger department store formats which traditionally were considered footfall draws but the ERV was very low. This can in-part explain the increasing disparity between financial and physical vacancy rates. It may not be copied or disseminated to others without written permission.

Nevertheless, given such large observed disparities between differently defined vacancy rates, European listed REITs should endeavour to disclose both EPRA financial and physical space vacancy rates, preferably at a centre level and on a like-for-like basis over time. The EPRA vacancy rate is too subjective and highly misleading in times of cyclical stress in the industry.

Locations

This section of the report reviews the latest trends across the four location types as classified by the Local Data Company: high streets, shopping centres, retail parks and standalone locations. It also provides an update on the reoccupation status of former department stores and large-format stores following CVAs and administrations, evaluating the progress made by landlords as they continue to relet these units.

02

Openings and closures by location type

Retail parks continue to appeal to a range of occupiers, with a net increase in occupancy of 0.4% in 2023, following on from an identical increase in 2022. Retail parks were the only location type to see a positive net change in units, and the only location type not to see any year-on-year decline.

The retail park sector continues to enjoy post-pandemic popularity: consumers prize the convenience and accessibility offered by retail park shopping, while occupiers have used retail park locations to support online order fulfilment. This is reflected in retail park footfall figures, which remained stable between 2022 and 2023, compared to shopping centres and high streets which saw significant year-on-year declines in footfall (Source: British Retail Consortium).

Shopping centres experienced a reversal of fortune, with a year-on-year decrease of 1.3% following a positive net change figure in 2022. Competition from out-of-town retail has been a key challenge for this sector; secondary shopping centres in particular have been largely overlooked by brands as they focus on prime and high footfall locations.

Figure 3: Percentage net change in occupied units by location type, 2019 – 2023 (Source: Local Data Company, Green Street)

Vacancy rates by location type

Retail parks remain the standout asset class across the GB commercial property market. Demand for retail park units has seen vacancy rates fall from 9.0% to 7.6% between 2022 and 2023. Retail park vacancy currently sits 0.5% below the pre-pandemic figure, and a further decrease is expected in 2024 as occupiers continue to expand their out-of-town footprint.

For retail park landlords, strong demand from tenants is likely to create significant opportunities for rental growth: with 3 out of 5 retail parks currently fully let, and a limited development pipeline, occupiers have limited options for relocation.

Shopping centres saw the second-best improvement to vacancy rates in 2023, with a 0.5% year-on-year decrease. Post-pandemic efforts to attract occupiers, primarily in the form of rebased rents, have proven successful. However, recovery did slow over the year, with only a 0.1% decrease in vacancy from H1 to H2 2023, due to the challenging economic and consumer climate. In 2024, the main area of concern will be the fashion & general clothing category, as shopping centre owners work hard to compete with out-of-town locations.

High streets were the only location type to see an increase in vacancy rates in 2023, from 13.8% to 14.0%, driven by rising interest rates, inflation and tightened consumer spend. High streets were particularly hard-hit by these challenges as they have a significantly higher proportion of independents than retail parks and shopping centres, with 68% of all occupied high street units hosting an independent retailer.

Historical vacancy rate by location type (H1 2013 to H2 2023)

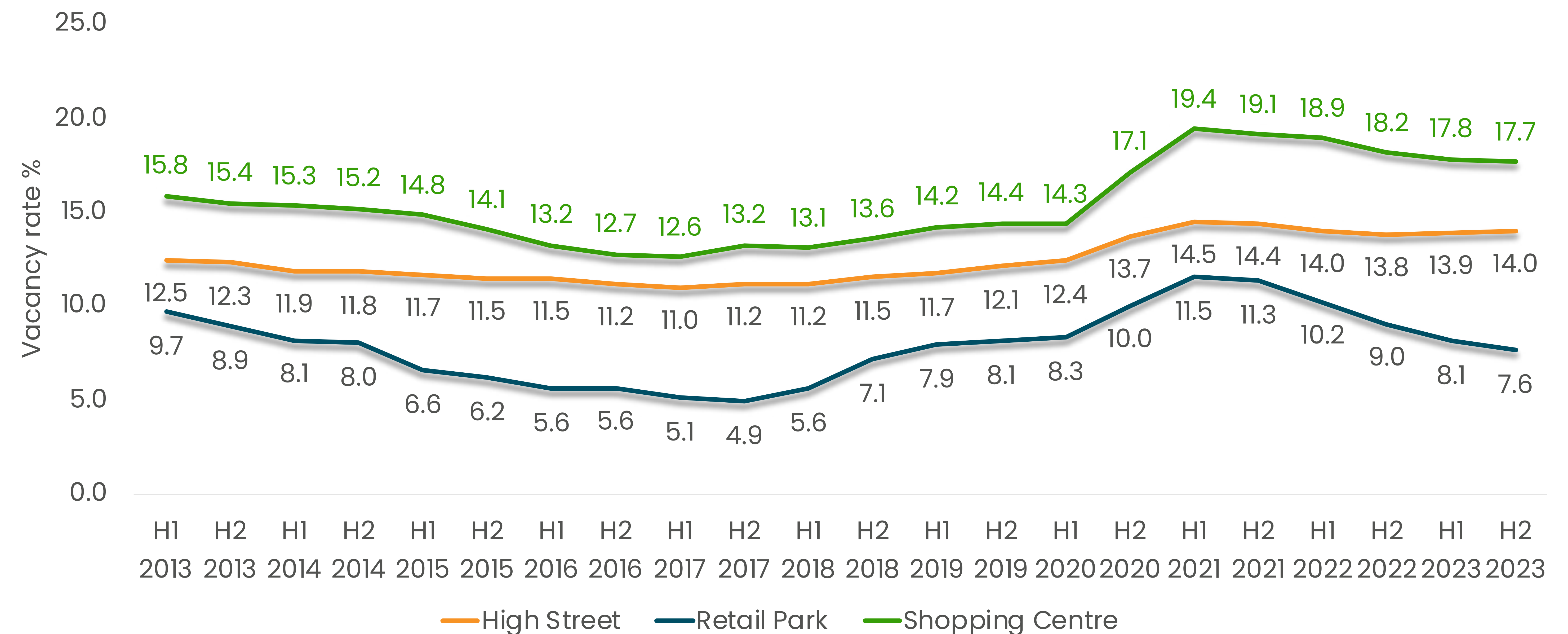


Figure 4: Historical vacancy rate across GB by location type, H1 2013 – H2 2023 (Source: Local Data Company, Green Street)

Persistent vacancy rates by location type

Long-term vacancy remains an important metric for assessing the health of retail and leisure across Britain— units vacant for more than three years are unlikely to return to the market.

Of all location types, shopping centres continue to have the highest percentage of units vacant for greater than three years, with a 0.7% year-on-year increase bringing the figure to 7.2% as of 2023.

Retail parks saw no change in long-term vacancy in 2023, remaining at 3.2% of units. Meanwhile, persistent vacancy for high streets rose by 0.3% year-on-year, the same size of increase seen in 2022, to 5.3% of all high street units.

Shopping centres remain the most affected by long-term vacancy, facing lower levels of tenant demand compared to 2018, as well as challenges in redeveloping vacant space due to the high costs and lengthy planning processes involved.

However, some shopping centres have received planning permission to reposition their schemes. For example, Grafton Centre in Cambridge was recently granted approval to be converted into a life sciences laboratory and office space, with one third of the centre remaining dedicated to retail and leisure. This is one example of excess retail space being repurposed to revitalise centres and create vibrancy in the local economy— changes like these are needed across the sector in order to manage the growing number of long-term vacancies.

As long-term vacancy continues to build across the retail market, landlords and local authorities will face increasing pressure to regenerate these spaces in order to maintain their existing tenant base. In some city centres, persistent vacancy has been associated with ballooning local vacancy rates, with nearly 1 in 4 units vacant in some areas.

Persistent vacancy - Greater than three years

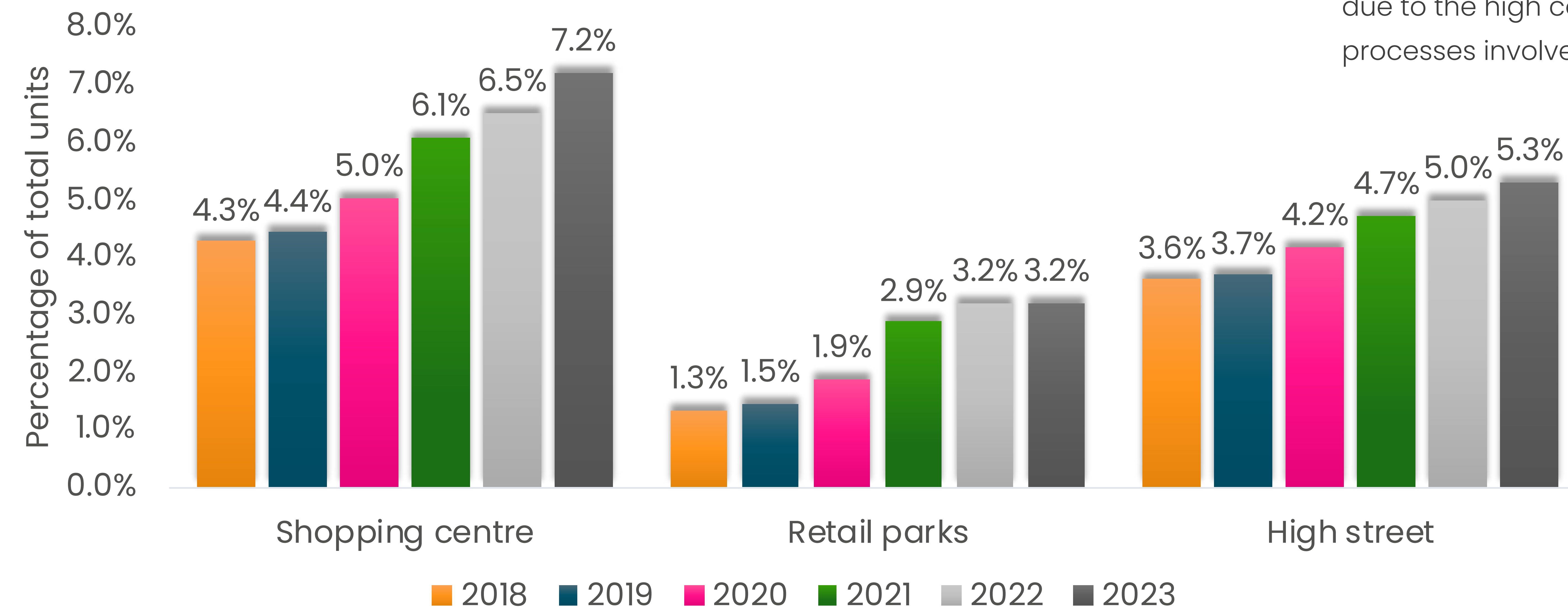


Figure 5: Vacancy rate by region in GB, 2019 – 2023 (Source: Local Data Company, Green Street)

Reoccupation of former large-format stores

LDC have continued to track the reoccupation of the former Arcadia, Debenhams and BHS sites across GB, to understand what progress has been made by landlords in recovering from these departures. This analysis reviews the stores that were still open at the time of their respective companies' collapses.

55% of former Arcadia stores have now been reoccupied, with a further 3% either set to be repurposed or with a confirmed retailer yet to open. Just 42% of stores are currently vacant with no firm plans for reoccupation or redevelopment, marking the first occasion that this figure has dropped below half since the Group's collapse in 2020. The rate of reoccupation for ex-Arcadia sites improved by an additional 10% in the final six months of the year, indicating that momentum is starting to build thanks to proactive investors and new owners.

Former Debenhams sites continue to attract interest from both retailers and developers. 32% of these sites are now occupied, with a further 8% confirming that a new retailer has taken up the space— this represents an improvement on July 2023. Additionally, a further 3% of sites have been earmarked for repurposing since H1 2023, bringing the total proportion of Debenhams sites to be repurposed to 23%.

79% of BHS stores have been reoccupied, with a further 10% having been repurposed. Now, only 7% of ex-BHS stores stand vacant with no confirmed plans for reoccupation or redevelopment. The rate of reoccupation has slowed, and, given the time elapsed since the collapse of BHS, many of the remaining vacant spaces are likely to be demolished.

Reoccupation of major administrations (as at January 2024)

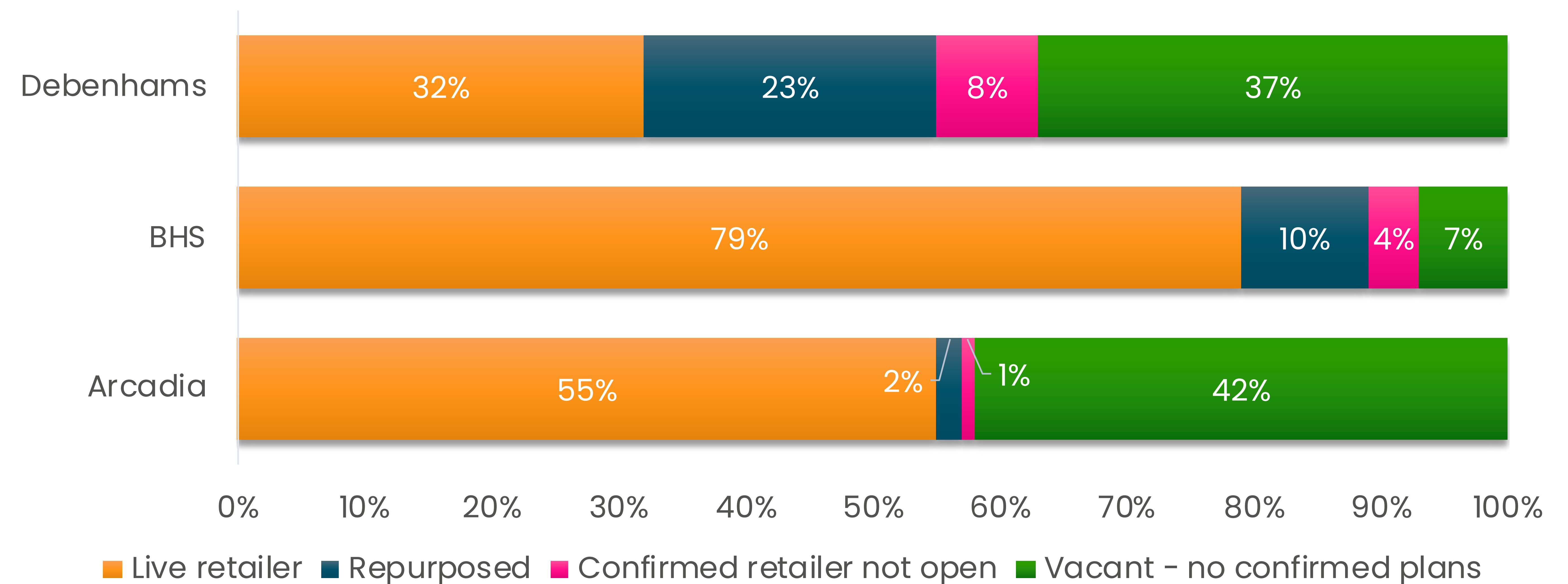


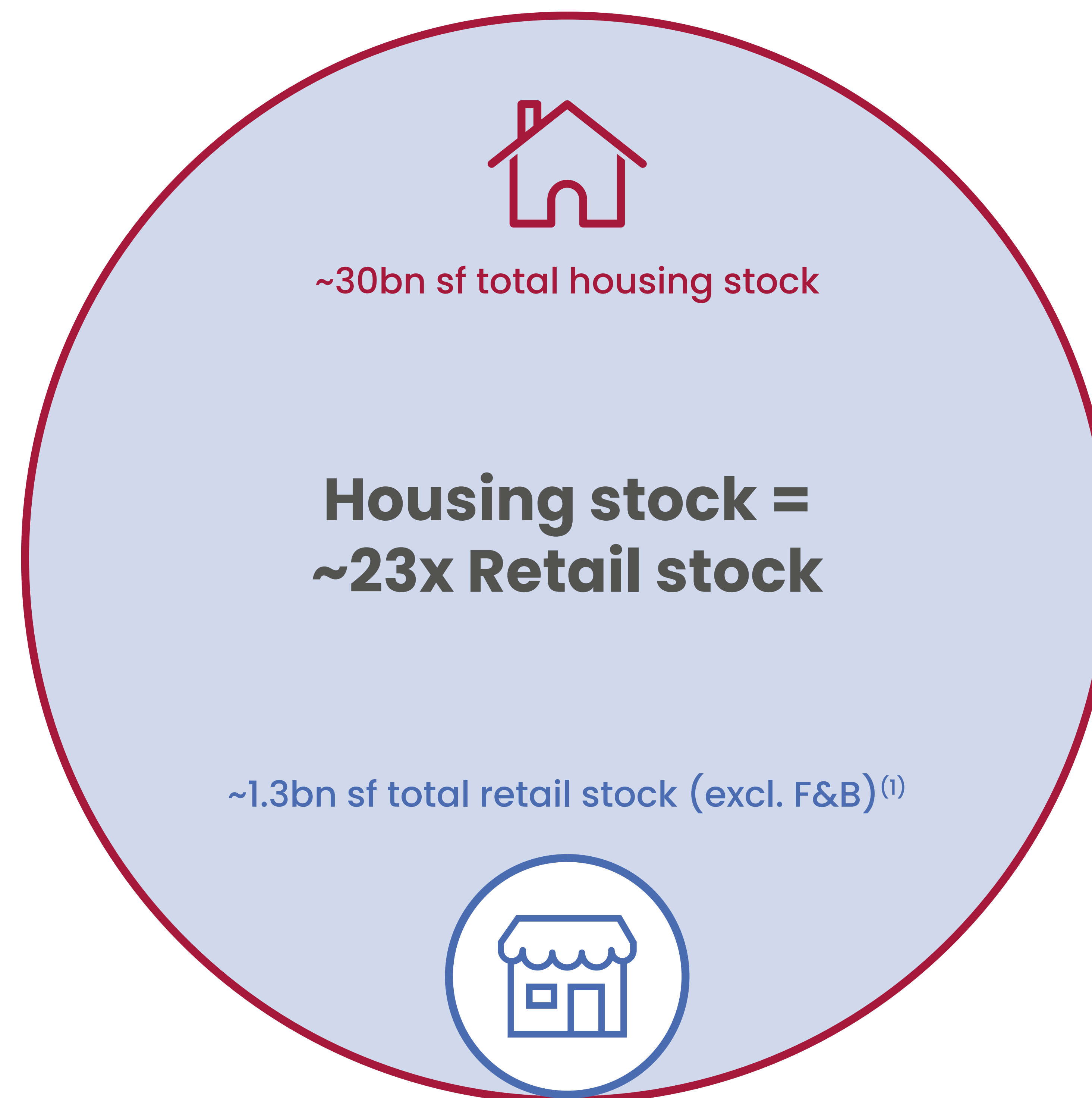
Figure 6: Reoccupation status of closed units from major administrations across GB, January 2024 (Source: Local Data Company, Green Street)

Green Street

Sizing U.K.'s Retail-to-Residential Conversion Opportunity

Residential Supply Growth: Retail real estate's repurposing narrative is gaining ground after a painful de-rating of capital values. Pundits are touting residential as one of the key alternative uses. However, many schemes will be repurposed as mixed-use to develop thriving neighbourhoods. Retail's repurposing trend on its own is unlikely to throw the U.K. residential market out of kilter. However, a meaningful amount (as% of stock) of redundant physical commerce space will be removed, helping rebalance the supply / demand equation.

(1) Retail covers shops, shopping centres, retail warehouses, supermarkets, department stores, factory outlets, car showrooms and garden centres (DIY). Excludes F&B.
(2) Assumes c.25% of total residential completions will be build-to-rent.
Source: ONS, Investment Property Forum, Green Street
Data as of June 2022.



Source: Green Street, Local Data Company

How much residential can be converted from retail?

Green Street assumptions	m sf
Total U.K. retail (ex-F&B)[1]	1,300
Viability factor	25%
Viable retail conversions	**325**
% of scheme turned to Resi	70%
Retail GLA converted to Resi	228
Densification factor	2.5x
Total Resi potential	**570**

Viability factor — Dismisses: (i) retail uses that work in an online world and, (ii) retail where economics don't pencil

% of scheme turned to Resi — Not all retail is going to be residential given mixed-use plans

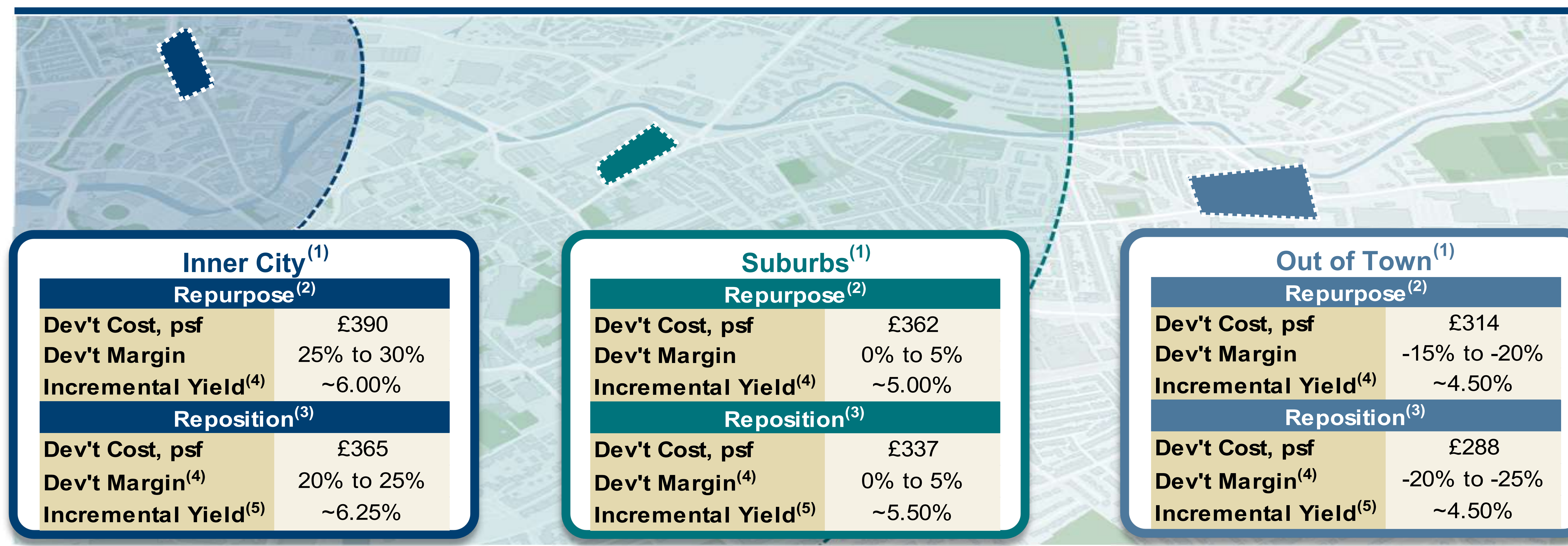
Densification factor — Retail sites will become denser with residential use

Timeline of repurposing	by 2026	by 2030	by 2040
Retail			
Retail converted, m sf	75	150	325
% of total retail stock	-6%	-12%	-25% cum.
% supply contraction (p.a.)	**-1.2%**	**-1.3%**	**-1.3%**
Residential			
New Resi, m sf	130	260	570
as % of existing Resi stock	+0.4%	+0.9%	+1.9%
as % of housing stock p.a.	**+0.1%**	**+0.1%**	**+0.1%**
U.K. residential current completion pace ~0.7% p.a. of total housing stock			
as % of PRS stock p.a. [(2)]	**+0.1%**	**+0.1%**	**+0.1%**
U.K. Build-to-Rent completion pace currently ~0.4% p.a. of Private Rented Sector stock			

Source: Green Street, Local Data Company

Generic Development Cost Estimates

Asset by Asset: Estimating development costs, capital values and development margins for hypothetical projects is nigh on impossible especially as there isn't a common blueprint. Nevertheless, broad-based conclusions can be derived. Residential construction costs assume medium quality fit-out and are broadly similar across all locations. Repurposing development margins are higher than for repositioning – given the uplift from residential is not diluted by the retail/leisure content, which is valued off higher yields – whilst increased densification is key to hitting one's hurdle rates. Out of town developments do not pencil, unless the cost basis is written down significantly.



Inner City[1]	
Repurpose[2]	
Dev't Cost, psf	£390
Dev't Margin	25% to 30%
Incremental Yield[4]	~6.00%
Reposition[3]	
Dev't Cost, psf	£365
Dev't Margin[4]	20% to 25%
Incremental Yield[5]	~6.25%

Suburbs[1]	
Repurpose[2]	
Dev't Cost, psf	£362
Dev't Margin	0% to 5%
Incremental Yield[4]	~5.00%
Reposition[3]	
Dev't Cost, psf	£337
Dev't Margin[4]	0% to 5%
Incremental Yield[5]	~5.50%

Out of Town[1]	
Repurpose[2]	
Dev't Cost, psf	£314
Dev't Margin	-15% to -20%
Incremental Yield[4]	~4.50%
Reposition[3]	
Dev't Cost, psf	£288
Dev't Margin[4]	-20% to -25%
Incremental Yield[5]	~4.50%

(1) Economics assume build-to-rent based on broad assumptions and may not incorporate all site specifics costs. (2) Repurpose: wholesale change of space from Retail to Resi with a 3x densification increase. Dev't costs are higher than repositioning given complete change of use requires demolition and new substructure / groundworks. (3) Reposition: partial change of space from 100% Retail to 25% Retail, 8% leisure and 67% Residential with the same 3x densification increase. Assumed densification requires additional sub- structure costs. If existing substructure can be used (which is rare) substantial ~30% savings can be made. (4) Dev't margin defined as incremental value added to current value as a percentage of total development costs, using spot land value. (5) Incremental yield defined as incremental gross rent received as a percentage of total development costs. Source: Green Street. Data as of June 2022.

Green Street

Case Study: Regional City Centre - Leicester Highcross Centre

Repurposing Anchor Vacancy: Debenhams, a U.K. department store operator, entered administration in April 2021. Long considered an anchor tenant, it occupied significant unit sizes across U.K. centres. The Leicester store - of c.150k sf- is attached to the Highcross centre and is set to be redeveloped.

The plan retains retail units over two floors with access into the existing centre along with new c.10 additional resi floors. The potential for disruption from building works to neighbouring businesses has raised concerns and may have hindered planning permission. Nevertheless, the city centre location results in palatable economic returns.

Highcross Debenhams

Usage / Density	Current	Potential	Densification Economics[1]	£ psf	Total (£m)
Total Size (sf 000)	150	417	**Total Rent** (psf / total)	19	8
Retail (sf 000)	150	150	**Total Dev't Cost** (psf / total)	236	35
Residential (sf 000)	-	267	**Total Valuation Upside / Downside**	£22m	
Office (sf 000)	-	-	**Development Margin**[2]	15% to 20%	
Floor Area Ratio	2.6	7.3	**Minimum Time to Realise**	~60 months	

(1) Densification economics are approximate figures based on broad assumptions and may not incorporate all site specifics costs. (2) Development margin is defined as incremental value added to current value as a percentage of total development costs, where current value is assumed as spot land value.

Source: Green Street. Data as of June 2022.

Green Street

Case Study: Regional City Centres - Leeds High Street

Repurposing Department Store: The Debenhams store on Leeds high street is situated in the heart of the city's shopping district. The listed building naturally lends itself to retrofitting as it is already over five floors and hence additional densification is not required to make economic returns pencil. The scheme will add c.125 residential units primarily for students. Demand for purpose-built student accommodation in the city centre is high, given five city-centre universities. Concerns that PBSA remains empty for a period of the calendar year have been alleviated by retention of retail on the basement, ground and first floors.

Leeds Debenhams

Usage / Density	Current	Potential	Densification Economics[1]	£ psf	Total (£m)
Total Size (sf 000)	112	130	**Total Rent** (psf / total)	32	4
Retail (sf 000)	112	45	**Total Dev't Cost** (psf / total)	397	18
Residential (sf 000)	-	85	**Total Valuation Upside / Downside**	£13m	
Office (sf 000)	-	-	**Development Margin**[2]	20% to 25%	
Floor Area Ratio	4.7	5.4	**Minimum Time to Realise**	~40 months	

(1) Densification economics are approximate figures based on broad assumptions and may not incorporate all site specifics costs. (2) Development margin is defined as incremental value added to current value as a percentage of total development costs, where current value is assumed as spot land value.

Source: Green Street. Data as of June 2022.

LDC Case Study: Knight Frank

Over the past 127 years, Knight Frank has evolved into a global leader in real estate consultancy. Recognising the complex interplay between residential and commercial sectors, Knight Frank's application of LDC data extends beyond the retail and leisure landscape to inform insights across the office, senior living, and residential (BTR) sectors. The data is strategically utilised by a diversity of teams including Analytics, Research, Agency, and Capital Markets, showcasing the versatility and depth of insights offered by LDC.

Crossrail's impact on the London Office Market

In a recent Knight Frank report, produced in collaboration with the London Property Alliance, leveraged LDC data to examine the transformative effects of the Elizabeth Line on the London office sector.

The LDC data played a crucial role in the analysis, providing granular detail on the type and distribution of new establishments emerging around the Elizabeth line stations – demonstrating the synergy between new retail & leisure openings with the development of vibrant business districts.

Understanding Amenity Provision

Amenity provision and commutability are pivotal characteristics of best-in-class buildings. The Analytics team at Knight Frank has developed a model that evaluates locations based on amenity supply within a defined walking time, ranging from Built to Rent (BTR) schemes to prime central London office buildings.

LDC data serves as the primary tool in their recent London report, aiding in understanding the various classifications within retail and F&B categories. This, in turn, enables Knight Frank to allocate weightings to these categories, revealing the requirements of the target area's demographic. This in-depth scoring system focuses on London's office submarkets, helping build a comprehensive picture of amenity proximity to offices, exposing areas of current strength and future opportunity.

Town Centre Health Checks and Audits

Knight Frank places a high emphasis on a detailed analysis of town centres, especially when evaluating a location's retail potential. By utilising LDC data, their Retail Research team is able to conduct an in-depth assessment of factors like retail composition, vacancy rates, and newly arrived retail & leisure operators. This approach aids a comprehensive understanding of the area, and enables effective benchmarking against similar locations.

Additionally, a key part of Knight Frank's strategic approach involves identifying retail 'gaps' in target locations. Access to historical data is crucial for this: allowing them to determine if certain retailers previously operated in specific areas, prompting investigation of why the operator vacated. This insight is instrumental in guiding discussions with leasing agents, ensuring that they match their clients with the most suitable retail opportunities.

"It's great to see the Knight Frank teams being so proactive in bringing LDC's data to the forefront of their research and location analysis. Our granular, robust and real-time market insight is key in supporting their strategic work, from longer-term trend analysis and amenity models, to specific commercial research topics. It's been a pleasure to work with Knight Frank, adding value to their unique research activities as the retail and leisure market continues to evolve at pace."

Katie Girdwood, Senior Business Development Manager, LDC

"The Retail and Leisure dataset adds to our existing Research offering across both residential and commercial. Using the accurate location data and UPRN matches, we can confidently assess properties based on the amenity profile within the vicinity. The LDC data feeds into our existing models and elevates the outputs due to the detailed categorisation of retail and leisure locations, allowing us to score one amenity's presence higher than another depending on perceived desirability"

Cameron McDonald - Associate, Geospatial Projects Lead

"LDC's contribution has been pivotal in offering an in-depth view of the vibrancy of UK town centres. The detailed resolution of their data empowers us to make effective comparisons across retail locations of various sizes and in diverse geographical areas. Their extensive archive of historical data enriches our understanding of the evolutionary trajectory of these locations, playing a key role in guiding us towards sustainable development strategies"

Emma Barnstable – Associate, Commercial Research

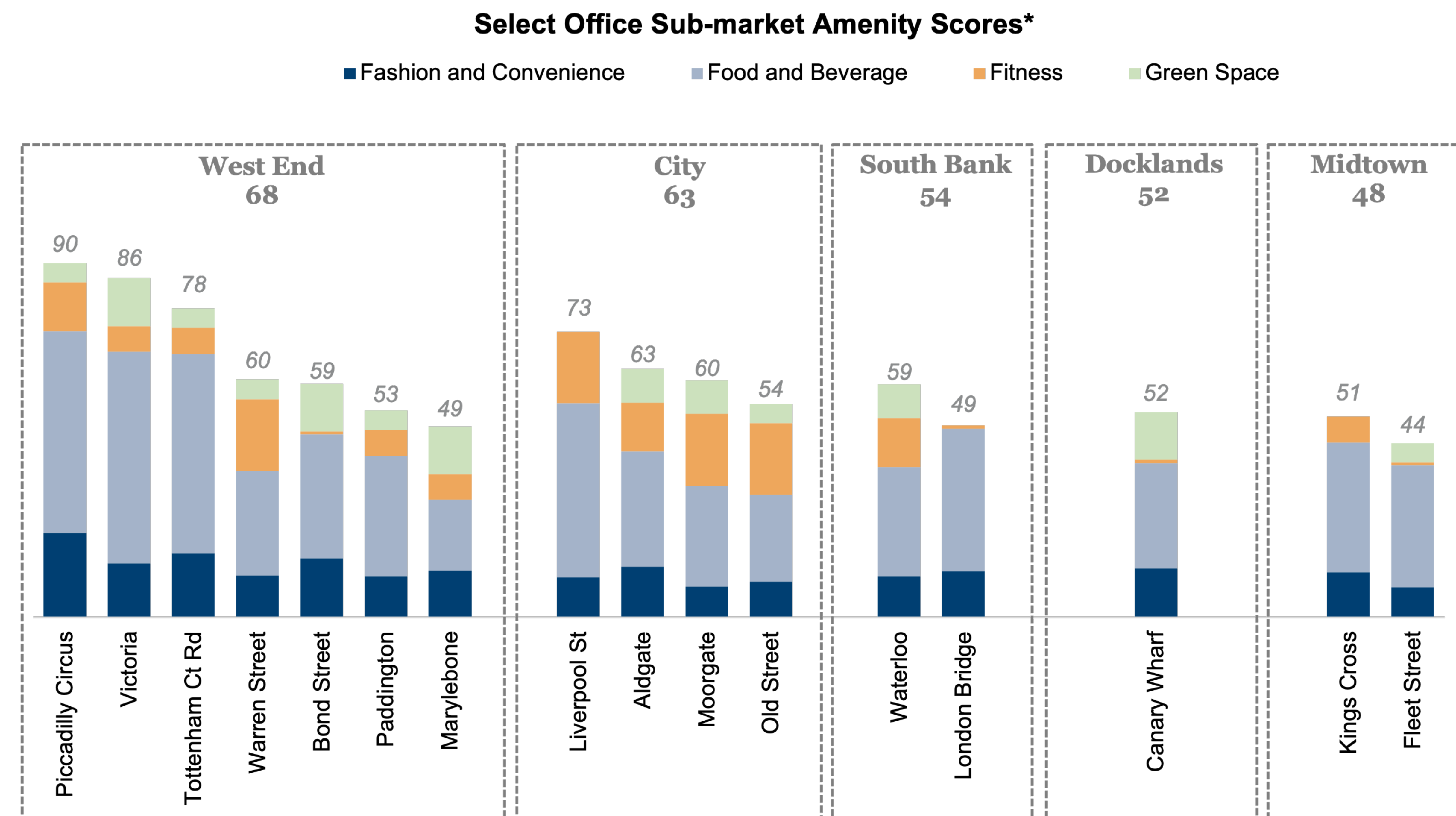
Knight Frank

Green Street

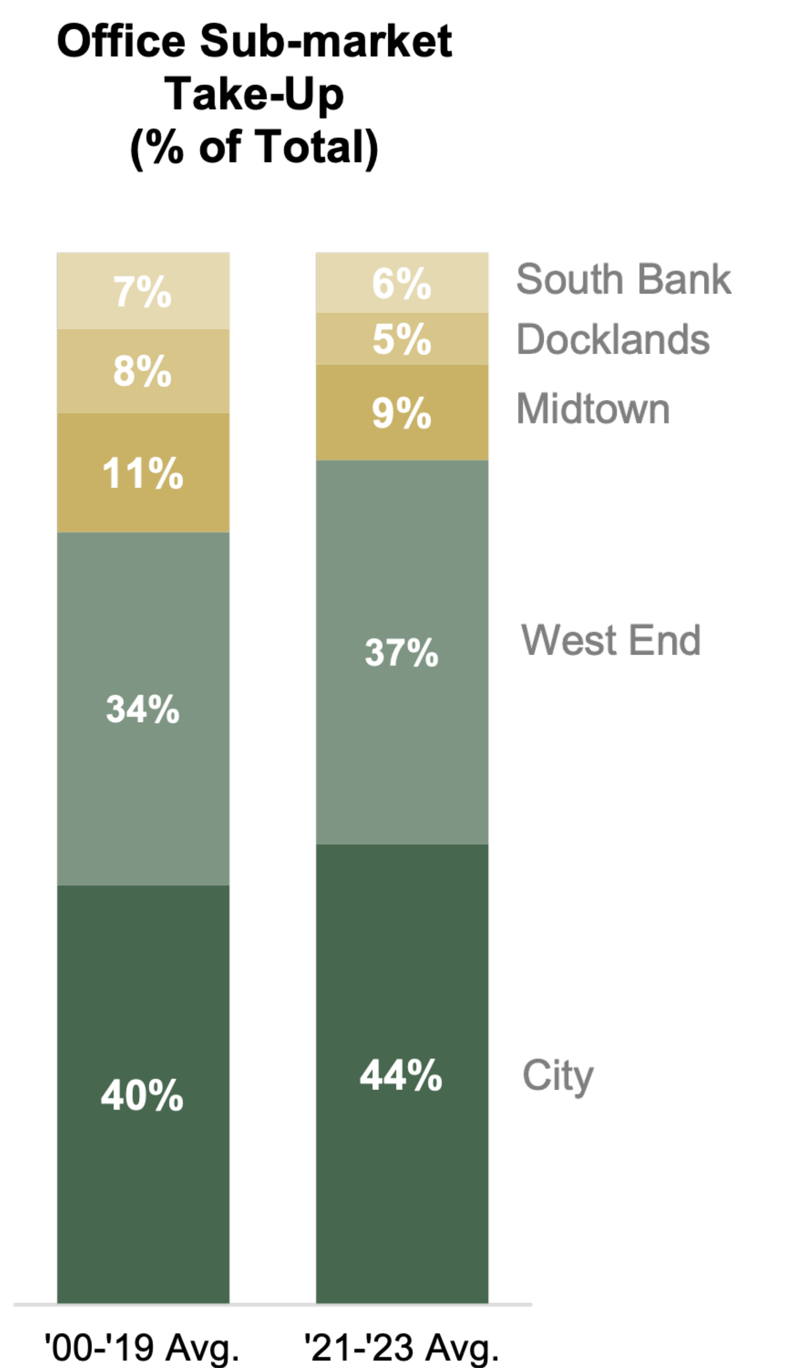
The appeal of street amenities to London's office working population

The amenities surrounding an office building may be more important than the physical specifications of the building itself. Given London's vulnerability to home working trends, choosing the right site has never been more critical. Granular urban amenity data from Local Data Company makes it possible to quantify the relative attractiveness of different postcodes. Office hotspots in the West End and City both boast ample resources for the modern office dweller, helping generate outsized leasing demand.

*Amenity category scores are rolled up from LDC classifications of the urban offerings located within a 400-metre ring of each location (most of which correspond to a London Underground station).



Source: Green Street, Local Data Company



Source: Green Street, Local Data Company

Sectors

Openings and closures by classification type

Reviewing net change in units by store classification reveals the challenges faced by nearly all retail and leisure categories in 2023.

The Comparison classification, which includes fashion, footwear, furniture and other general retail, saw a net decline of -4,461 units over 2023, down 87% on 2022 levels. This classification continues to be impacted by the shift to online retail across many of its key categories, with fashion shops (-218 units), gift shops (-109 units), stationers (-90 units) and florists (-87 units) seeing some of the largest year-on-year declines.

Several major brands have continued to announce closures as part of wider store transformation strategies, seeking to align their physical store portfolios with current demand.

One of these is Boots, who announced in June 2023 that they would close 300 stores across GB over the following year.

The leisure classification also saw a sharp drop in performance in 2023, returning to negative figures after a brief respite in 2022. This was primarily driven by bars, pubs and clubs, which saw net decline in units deepen by 50%. Younger patrons in city centres were particularly exposed to the impact of rising transport, food and rent costs, significantly impacting their discretionary spending.

Service and convenience retail were more stable over the year, due to a slowdown in the decline of banks, and continued growth in the convenience store and discounter categories.

Historical net change in occupied units by classification type, 2012-2023

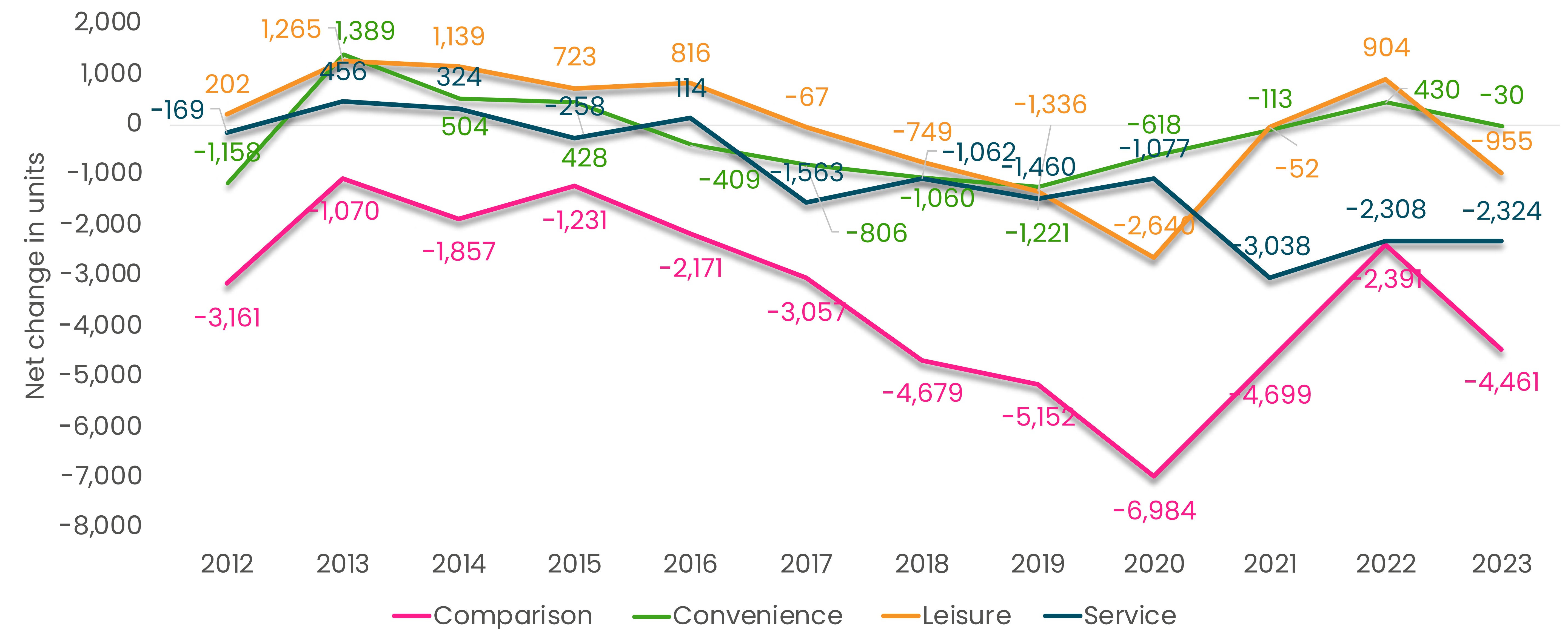


Figure 7: Historical net change in units by business type, 2012 - 2023 (Source: Local Data Company, Green Street)

Top 10 fastest-growing and fastest-declining categories

Barbers remain the fastest-growing category across GB. The category has returned to pre-pandemic levels of growth with a net increase of 665 units in 2023, 441 units higher than the previous year's increase.

Other hairdressing, health & beauty categories feature in the list of fastest-growing categories this year, with nail salons (+302 units) and beauty salons (+254 units) joining barbers in the top 10.

Convenience stores have continued to expand despite wider economic challenges, with the market returning to normality after pandemic-driven changes in consumer habits. ASDA continued to roll out their 'On the Move' format throughout the year, reaching 150 stores in April 2023, followed by their 200th ASDA Express in December 2023. The other Big 4 grocery operators continue to increase their convenience store estates, with growing demand in residential suburbs to support more frequent trips and smaller basket sizes per visit— a reversal of the pandemic trend for bigger weekly basket sizes. In their 2023 annual report, Sainsbury's announced a 10% year-on-year rise in sales, a 7% increase on pre-pandemic levels, as their convenience store business hit £3billion in annual sales for the first time.

Leisure also continues to be well-represented in the top 10, with the fast food takeaway (+309 units), Japanese restaurant (+195 units) and café & tearoom (+103 units) categories featuring in the list. The continued growth of fast food takeaways has been supported by ongoing demand for drive thru locations, with several new roadside developments being established to meet this demand.

In line with new government regulation banning the sale of disposable vapes, along with restrictions on packaging and display, we expect that the vaping stores and tobacconists category will not feature in the 2024 top 10 list.

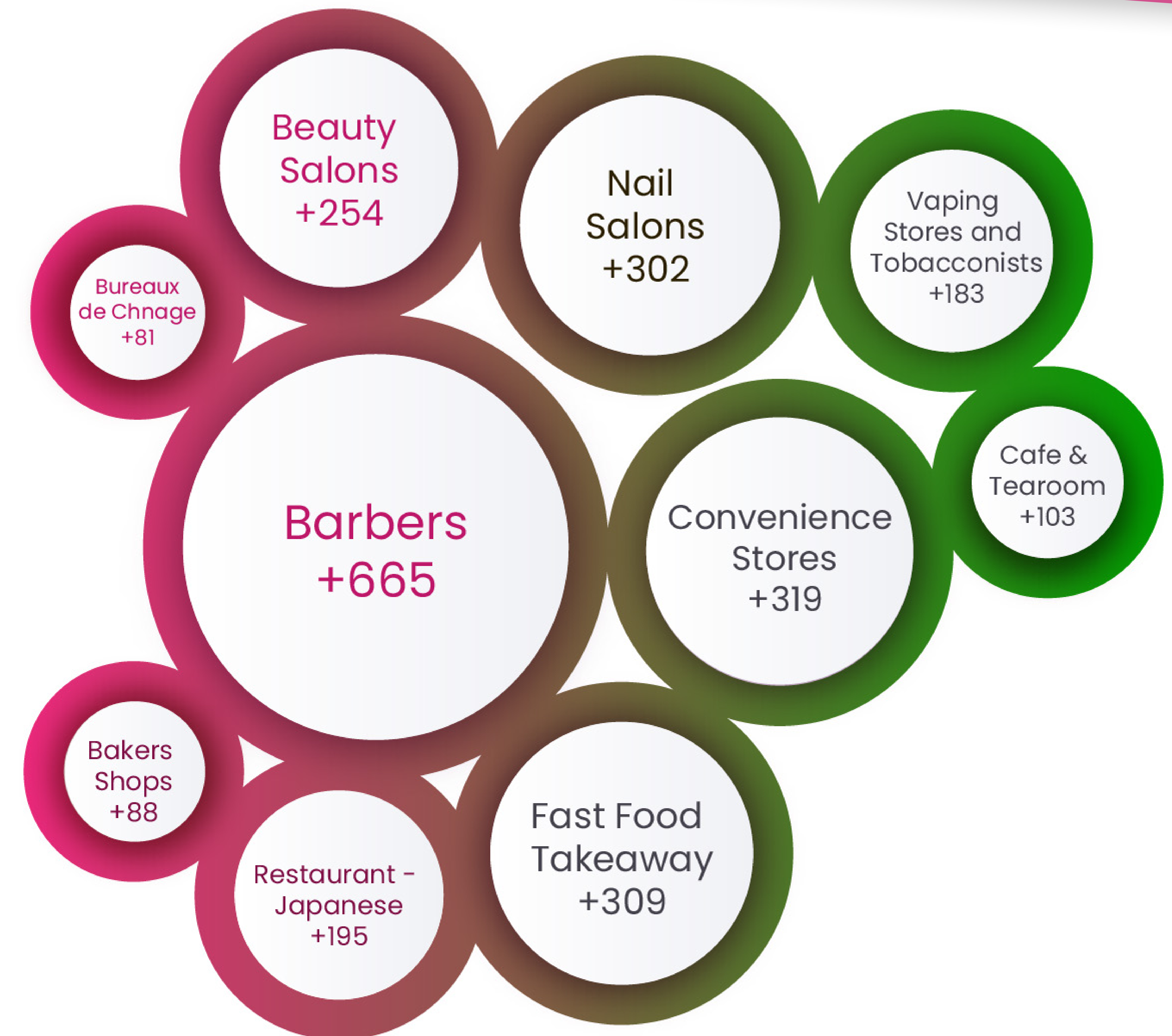


Figure 8: Top 10 fastest-growing retail categories across GB by net change in units, 2023 (Source: Local Data Company, Green Street)

Pubs were the fastest-declining category in 2023, with many forced to close by rising energy costs. 2023 saw a net loss of 923 pubs, a greater yearly decrease than was observed during the pandemic. The challenging economic climate also drove patrons towards cheaper alternatives; many reduced their number of trips to the pub or turned to supermarkets for low-cost drinks.

Estate agents returned to the list of fastest-declining categories, amid a slowdown in the housing market driven by rising interest rates.

Decline in the chemists & toiletries and household stores categories was mainly driven by country-wide closures from individual brands such as Boots and Wilko.

The number of Comparison multiple retailers holding over 200 stores across GB has dropped by 11% since 2018. With a reduced number of stores, retailers are upsizing existing stores in prime retail locations, both to meet increased profit expectations and support click and collect capabilities; brands including M&S, JD Sports, Zara, River Island, H&M, Uniqlo and Sports Direct have utilised this strategy, with new upsized stores in key regional centres opening in 2023. As shoppers continue to favour e-commerce, brands are redefining the purpose of physical stores, transforming them into destinations where customers actively seek out engaging, meaningful experiences.

Figure 9: Top 10 fastest-declining retail categories across GB by net change in units, 2023 (Source: Local Data Company, Green Street)

Multiples vs independents

2023 was a difficult year for independent retail in particular; after two consecutive years of growth, independents saw closures peak with a net decline of 2,827 units in 2023. This was due to rising operational costs, the energy crisis, rising interest rates and low consumer confidence, compounded by the relative difficulty of absorbing costs as an independent business.

The categories that saw the greatest declines in independents were hairdressers (-705), estate agents (-337), newsagents (-238) and hair & beauty salons (-232). Combined, these accounted for 53% of the net change in independent units over 2023.

Although multiples had greater access to financial tools to help them navigate the challenging market, net decline in multiple units deepened from -3,627 units in 2022 to -4,943 units in 2023. However, this is still a vast improvement on pre-pandemic figures, signifying the resilience of the sector following the upheaval caused by COVID-19. A large majority of national chains have already completed their store transformation programmes, with activity levels significantly down from 2018, a year marked by CVAs.

The one area in which independents continue to grow is in the grocery sector, which saw a small net increase of +47 units as consumers continue to support their local newsagents, supermarkets and grocers.

Net change in occupied units by business type, 2013 to 2023

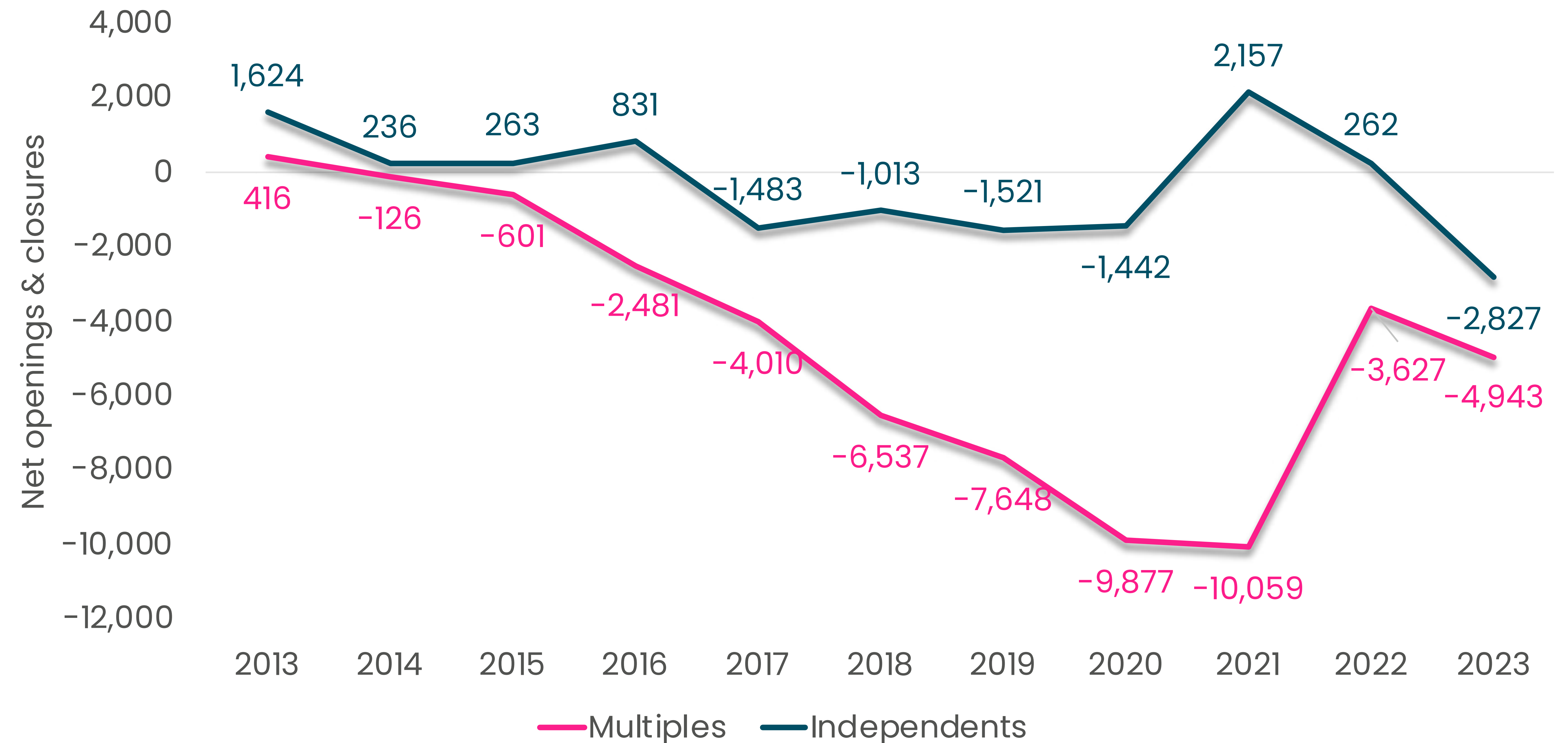


Figure 10: Historical net change in units across GB by retail classification, H1 2014 – H1 2023 (Source: Local Data Company, Green Street)

Conclusion

This report has explored the challenges faced by many sectors of the retail and leisure market in the current trading climate. Investors have faced similar challenges, with transaction volumes remaining low as buyers and sellers cautiously await an equilibrium on valuations. However, what is notable amid these challenges is the relative resilience seen across the year, with fewer administrations and CVAs than in previous years despite a slowdown in consumer spending, increased borrowing costs and the dominance of online retail.

2024 begins with some optimism, as vacancy rates start to edge upwards. Inflation and interest rates are expected to ease back, restoring much-needed confidence. Still, uncertainty remains; the effects of economic and political changes— with a general election on the horizon— are likely to be felt in the market.

Interested in learning more about LDC or Green Street?

Click below to contact us:

https://www.localdatacompany.com/contact

https://www.greenstreet.com/contact-us

https://insights.greenstreet.com/get-a-green-street-demo

LDC Client Testimonials

"Boots is delighted to work with the Local Data Company utilising its industry-leading insight to ensure our store portfolio is optimally placed to meet the needs of our customers."

Graeme Cormack, Senior Location Planning Analyst
Boots

"The scale and coverage of the LDC data allows us to understand the market at different levels, from granular detail on a specific centre or high street, up to national changes over multiple years. Working collaboratively with the LDC team over the past 5 years we have developed new applications of the data, building tools, models and dashboards that support teams across our business, from Leasing and Asset Management, to Strategy and Investment."

Jess Ford, Senior Insight Manager
British Land

"LDC data gives us an exceptionally detailed view into London's changing retail landscape. LDC clearly have a deep understanding of their data, which allows us to characterise market trends with confidence and generate statistically robust insights that stand up to scrutiny."

Nathan Wilson, Associate Director, Grosvenor

"The real detailed, granular information and the understanding we can get from it, what's happening in terms of openings and closures and vacancy rates on the physical high street. It gives us a real sense of how all the anecdotal information we get from our members is translating into hard numbers. That's a real value for us."

Richard Lambert, Chief Executive, National Hair & Beauty Federation

Methodology

- The Local Data Company visits over 5,250 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, comparison goods and service retail. 'Leisure' refers to entertainment venues, restaurants, bars, pubs, clubs, coffee shops and fast food outlets.
- Each centre has been physically walked and each site recorded as vacant, occupied, or demolished on the day of survey. Vacant units are units which did not have a trading business on the premises on the day of survey.
- Locations are updated on a 6- to 12-month cycle depending on size and churn, with both a field survey team and an office research team tracking local market changes.
- 'Independent retailers' are businesses with fewer than five stores nationwide, and no international presence.
- The GB vacancy rate analyses the top 650 town centres across England, Wales and Scotland.

Glossary

CHURN
The turnover of businesses in terms of openings and closures.

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

RETAIL STOCK
The total number of comparison, convenience and service retail premises (occupied or vacant).

LEISURE STOCK
All leisure premises (occupied or vacant).

RETAIL VACANCY
The vacancy rate based on retail stock only.

LEISURE VACANCY
The vacancy rate based on leisure stock only.

OVERALL VACANCY/ALL VACANCY
The overall vacancy rate for retail and leisure stock.

COMPARISON RETAIL
This classification covers all retailers offering non-perishable items. The categories that lie within comparison goods shops are: Fashion & General Clothing; Charity & Discount Stores; Electrical Goods & Home Entertainment; Furniture Shops; Department Stores; Books & Stationery; 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. The categories that lie within convenience retail are: Bakers; Butchers & Fishmongers; Confectionery, Tobacco & Newsagents; Groceries, Supermarkets & Food Shops; Off Licences; and Petrol Filling Stations.

LEISURE RETAIL
The leisure classification includes: Accommodation; Bars, Pubs & Clubs; Cafes & Fast Food; Entertainment; and 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; and Travel Agents & Tour Operators.

INDEPENDENT RETAILER
A fascia with fewer than 5 units nationally.

MULTIPLE RETAILER
A fascia with 5 or more units nationally or internationally.

NET CHANGE
Represents the number of businesses opening and closing in terms of overall change (openings minus closures).

Retail
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1832 ONWARDS

BETTER YOU

The Retail Trust cares passionately and knows more about the health and wellbeing of everyone who works in retail.

We've made it our business for nearly 200 years. Now, we can combine our knowledge of colleagues, with a wealth of exclusive retail employee data, to provide you with better insights and greater confidence to help more people.

The power to unlock a happier, healthier workplace. And transform lives for good.

For you, your people, and your company.

Happiness assessment
Unlock your happy

Colleague assessment and free action plan

Happiness dashboard
Unlock your employees' happiness

Dashboard for actionable, personalised and strategic insights

Get in touch for more details
retailtrust.org.uk/workplace-wellbeing

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Research by the Retail Trust has revealed the extent to which health and wellbeing in retail is suffering, amidst surging levels of abuse and the high cost-of-living.

80% of retail workers told us they were experiencing declining wellbeing last year, with a fifth struggling to meet their monthly outgoings due to rising prices and nearly half feeling unsafe at work amidst a wave of assaults and retail crime. Meanwhile, half of managers told us staff absences were rising due to mental health issues.

It is clear the industry must work together to combat these worrying trends, with a focus on training more managers to support their teams' wellbeing, raising awareness of where to get help, and providing more people with the tools they need to support themselves.

Above all, we need to be prepared to listen to our people, and be willing to ask the tough questions, in order to understand exactly what is at risk of damaging wellbeing and the steps we can take to create happier, healthier workforces.

The best businesses already understand that their financial performance and the morale of their people go hand-in-hand. For example, analysis by Deloitte estimates that mental ill health currently costs UK employers up to £56 million a year due to the number of staff calling in sick, working while unwell or quitting their jobs.

But we're concerned that, four years on from the pandemic, wellbeing budgets are coming under strain because employers can no longer show the direct impact to their bottom line.

The Retail Trust works with more than 200 retailers to improve the wellbeing of the retail workforce and we know they want continue to address the causes of poor mental health at work, but they also now need more help to identify the right steps and prove the tangible financial value of investing in their people.

That's why we're now using the latest advances in AI technology to help more retail employers measure, move, and mobilise improvements in their staff's health; reducing absences, boosting productivity and connecting their people back into the thrill of working in such a dynamic sector.

The Retail Trust's new '**happiness dashboard**' does just this, by identifying data and patterns from colleagues' interactions with our services and wellbeing surveys to provide an overall picture of staff mental health, along with actionable insights to address specific issues.

Crucially, and thanks to Deloitte's analysis, the platform can even show employers how much initiatives to improve mental health are saving their business, by calculating the financial value of reduced absenteeism or presenteeism, and increased staff retention.

It's been developed in partnership with leading retail employers and is now empowering them to develop targeted initiatives that protect their people's wellbeing, because they can prove the value this provides to both the business and wider economy.

And, thanks to this kind of evidence-based, actionable insight, we can also empower our colleagues to take charge of their own health and wellbeing, and provide the industry as a whole with the collective power it needs to make retail a happier and healthier place to work.

By Chris Brook-Carter, chief executive of the Retail Trust

Data correct as of March 2024

Disclaimer

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