Business

The future of retail and leisure

Regional Analysis

November 2021

Contents

Introduction and Methodology

There have always been significant regional differences in the performance of retail locations across Britain.

Understanding these trends is critical for occupiers who wish to take an evidence-based, data-driven approach to expansion and portfolio strategy.

For this paper, a five-year period to H1 2021 has been analysed, with a focus on a few key trends: vacancy rates, openings and closures and fastest growing and declining categories. Data is benchmarked against the GB average to provide context on regional performance compared to the national picture.

Methodology

- Coverage of data includes high streets, shopping centres, retail parks and out of town units.
- acancy rates are provided for each half year, with H1 running from January to June, and H1 from July to December each year.
- Net change in units measures the number of openings and closures in each period, as a percentage net change in the total units across the region.
- Occupiers are grouped into 399 categories that fall into five main classification profiles (Convenience, Comparison, Service, Leisure and Miscellaneous).
- Independent units are classified as those with 4 or less units across GB or internationally.

LOCAL DATA COMPANY

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

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

Investing in Wales

Key findings

- The overarching vacancy rate in Wales has trended above the GB average consistently for the five-year period from 2016 - 2021, with the gap remaining between 3.1% and 5.3%. The gap reached a peak during the pandemic, hitting 5.3% in H2 2020.

- The loss in occupied retail and leisure units across Wales was lower than the GB average (measured by percentage change in occupied units) until H1 2019. More recently, Wales was the region hit the hardest by the pandemic with the highest percentage loss of occupied units of all regions at 3.4%.

- Like the majority of GB, barbers and beauty salons have grown the fastest across Wales over the last five years.

- However, Wales was the only region to see car dealers in the top five categories for growth and was one of only three regions to see bars growing rapidly (alongside the North West and Yorkshire and the Humber).

- Post offices have declined the fastest in Wales over the last five years, with remote locations closing as part of general cost-cutting measures.

Historical vacancy rate

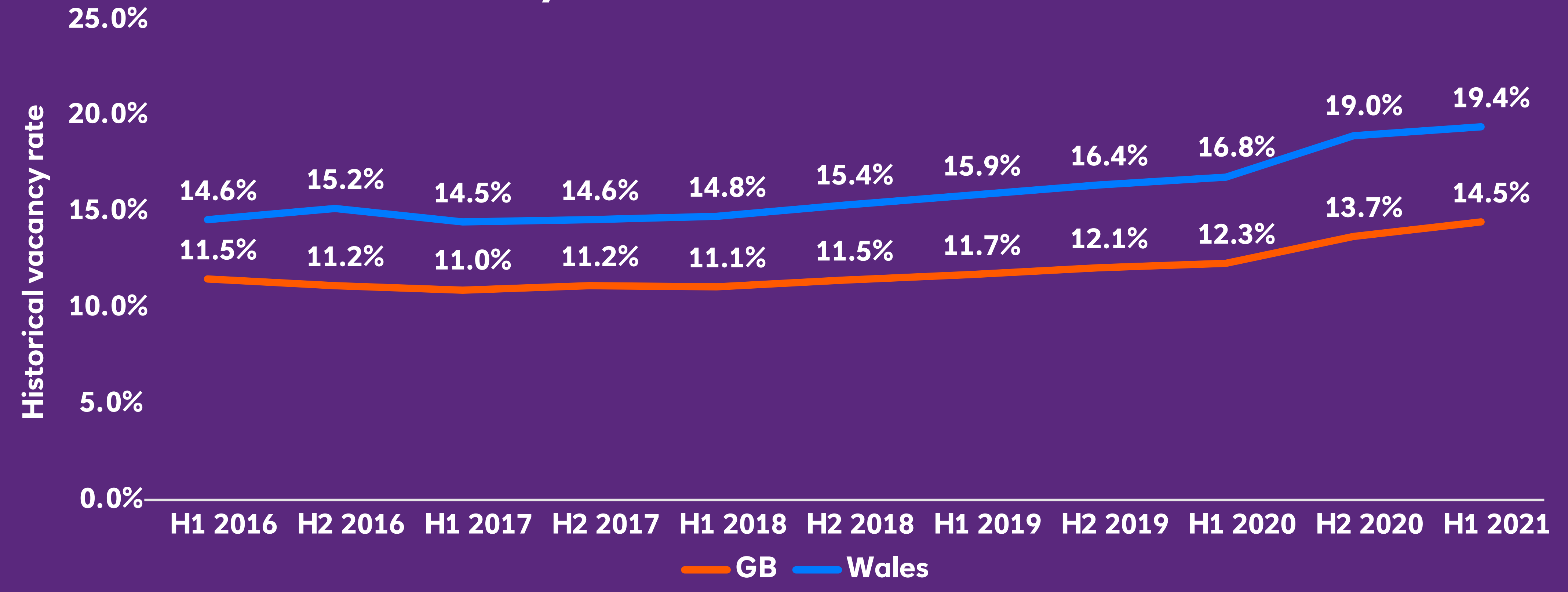


Figure 1: Historical vacancy rate across Wales benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

Historical percentage net change in units

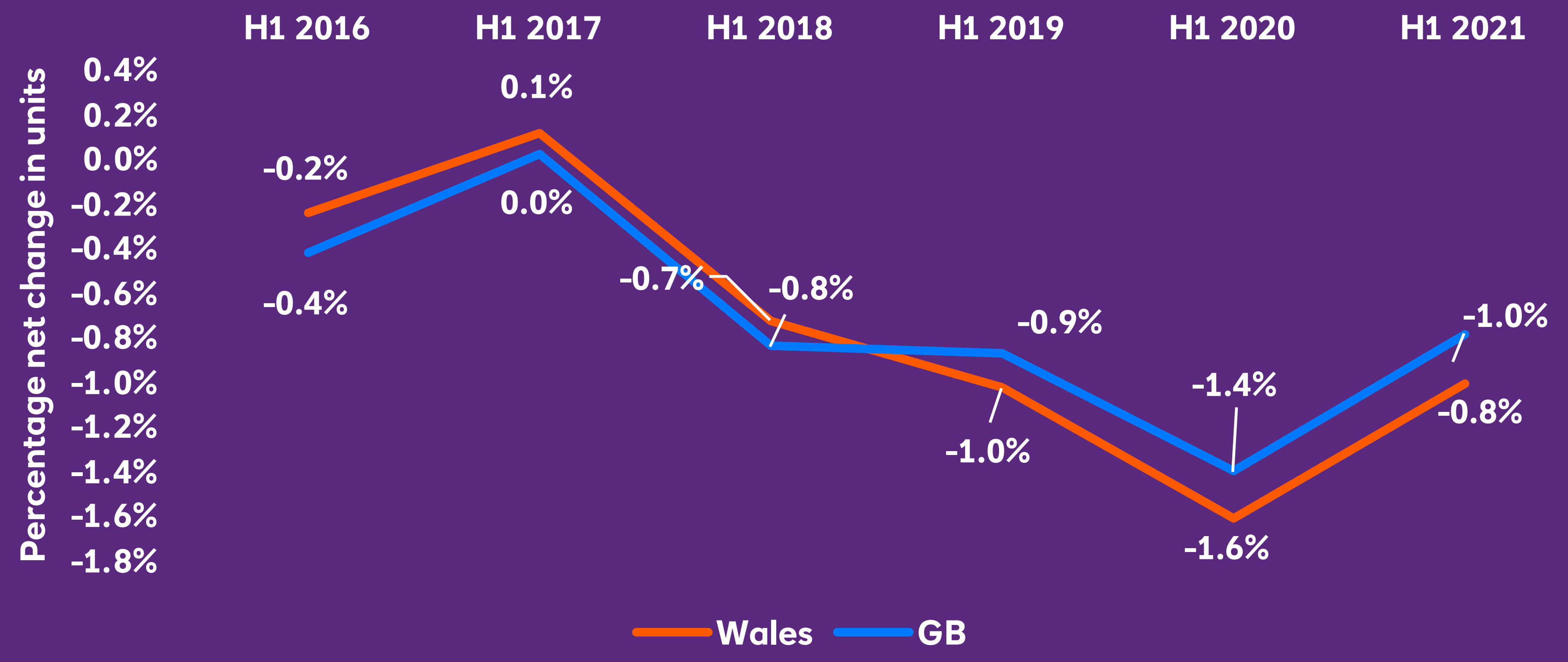
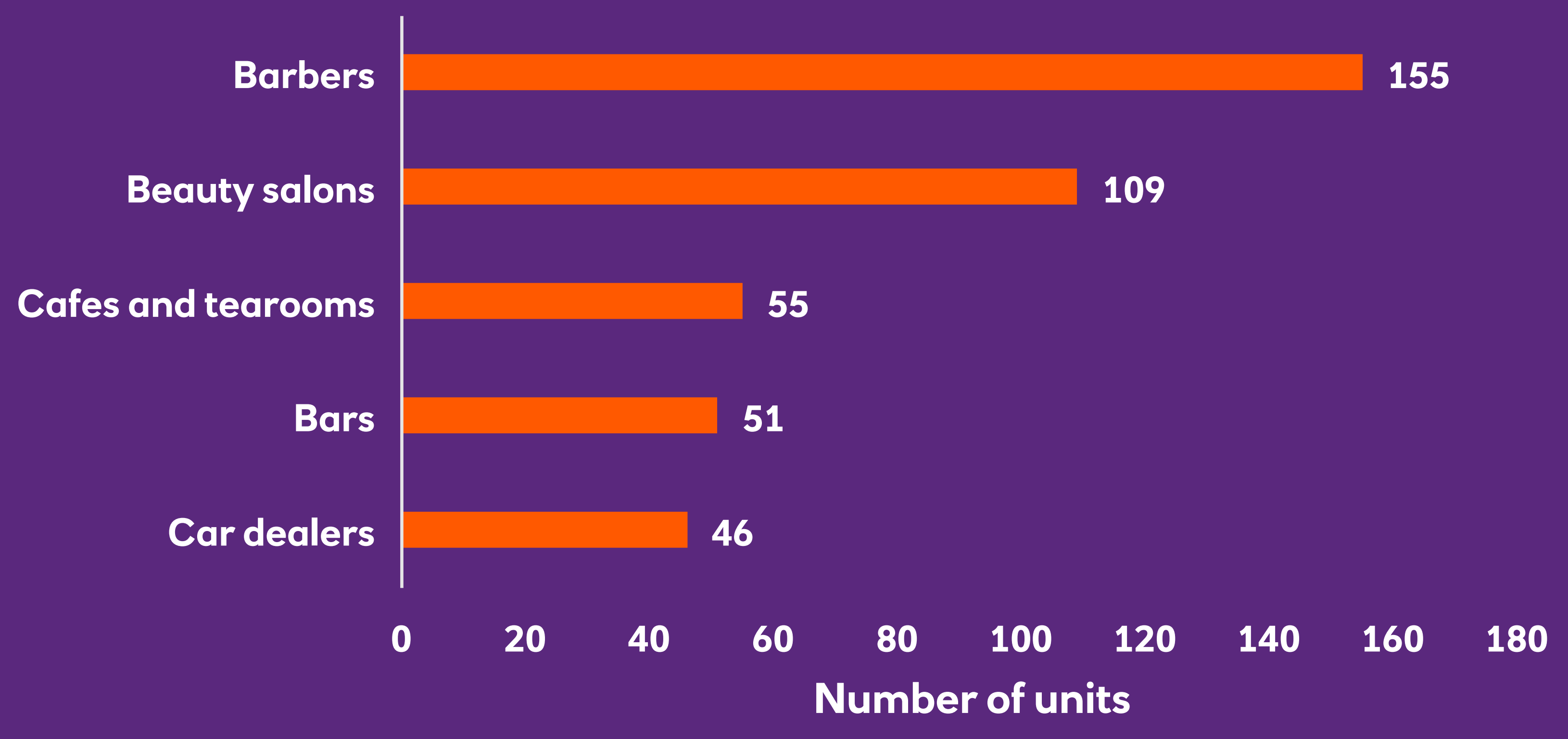


Figure 2: Historical percentage net change in units across Wales benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)

Top five fastest growing subcategories



Bottom five declining subcategories

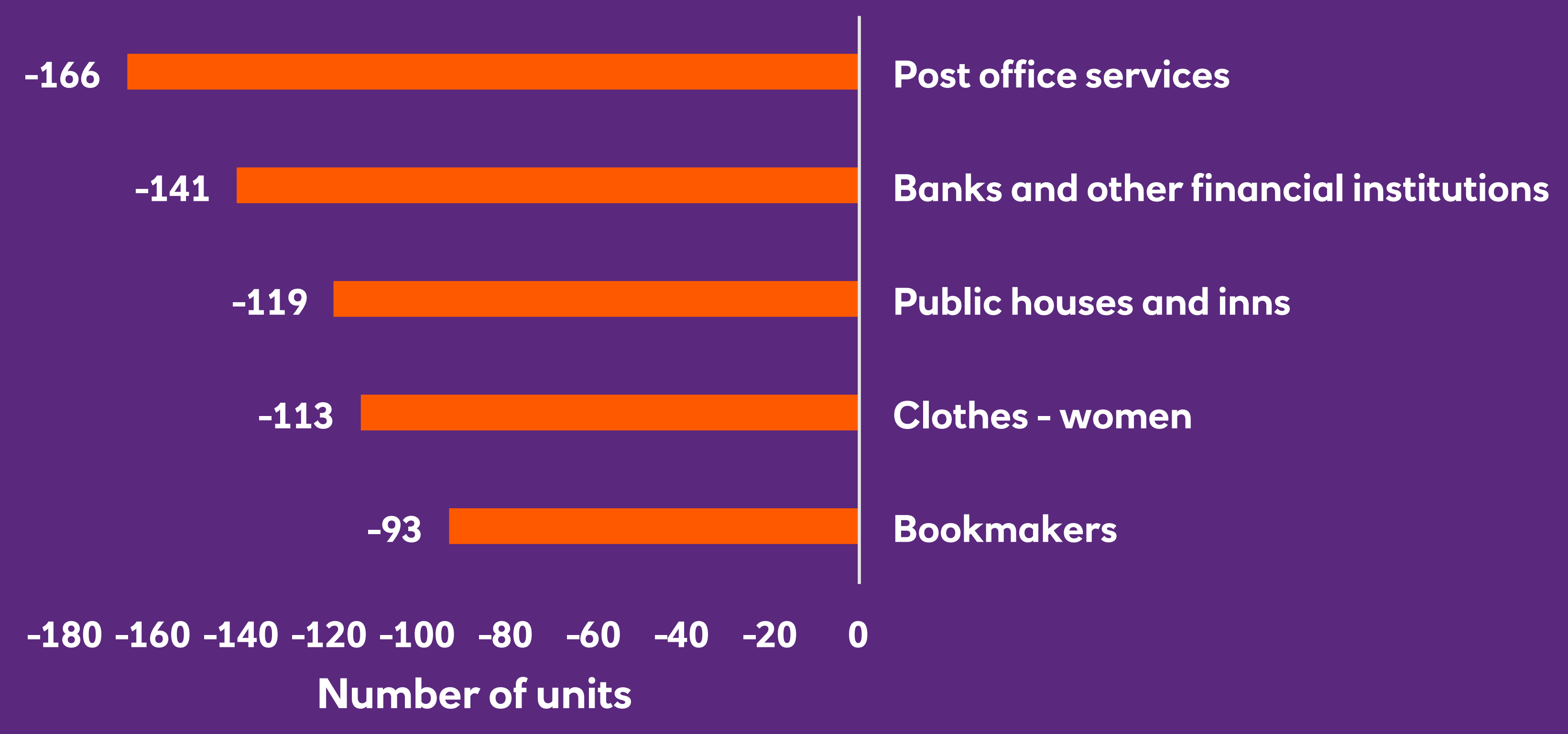


Figure 3: The 5 fastest growing and declining categories across Wales by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in Scotland

Key findings

- The vacancy rate across Scotland has historically remained in line with the GB average until the onset of the COVID-19 pandemic. Since then (H1 2020), the vacancy rate across Scotland has increased at a much slower rate than the GB average. This is despite occupiers in Scotland facing much stricter trading restrictions for much of the pandemic. However, occupiers did benefit from business rates relief for a longer period than England, being offered 100% relief until March 2022.

- Since the onset of the pandemic, Scotland has been resilient, seeing less of a percentage decline in occupied units in H1 2020 than the GB average.

- The fastest growing categories list was dominated by the beauty industry, with three of the top five being barbers, beauty salons and nail salons.

- Banks and bookmakers were the fastest declining categories in Scotland, with these services seeing greater adoption of digital channels, leading to the closure of units.

- Scotland has benefitted from a new development - St. James Quarter in Edinburgh which opened with an attractive tenant line-up. However, the new development is likely to have an impact on Princes Street as the retail pitch shifts.

- The market in Aberdeen has been the hardest hit in Scotland, with the loss of John Lewis, Debenhams, River Island, Topshop, Whistles, Laura Ashley and AllSaints since the onset of the pandemic, leaving a significant gap in the local market. Plans for a cinema and public space have been filed to take up some of the vacant space.

Historical vacancy rate

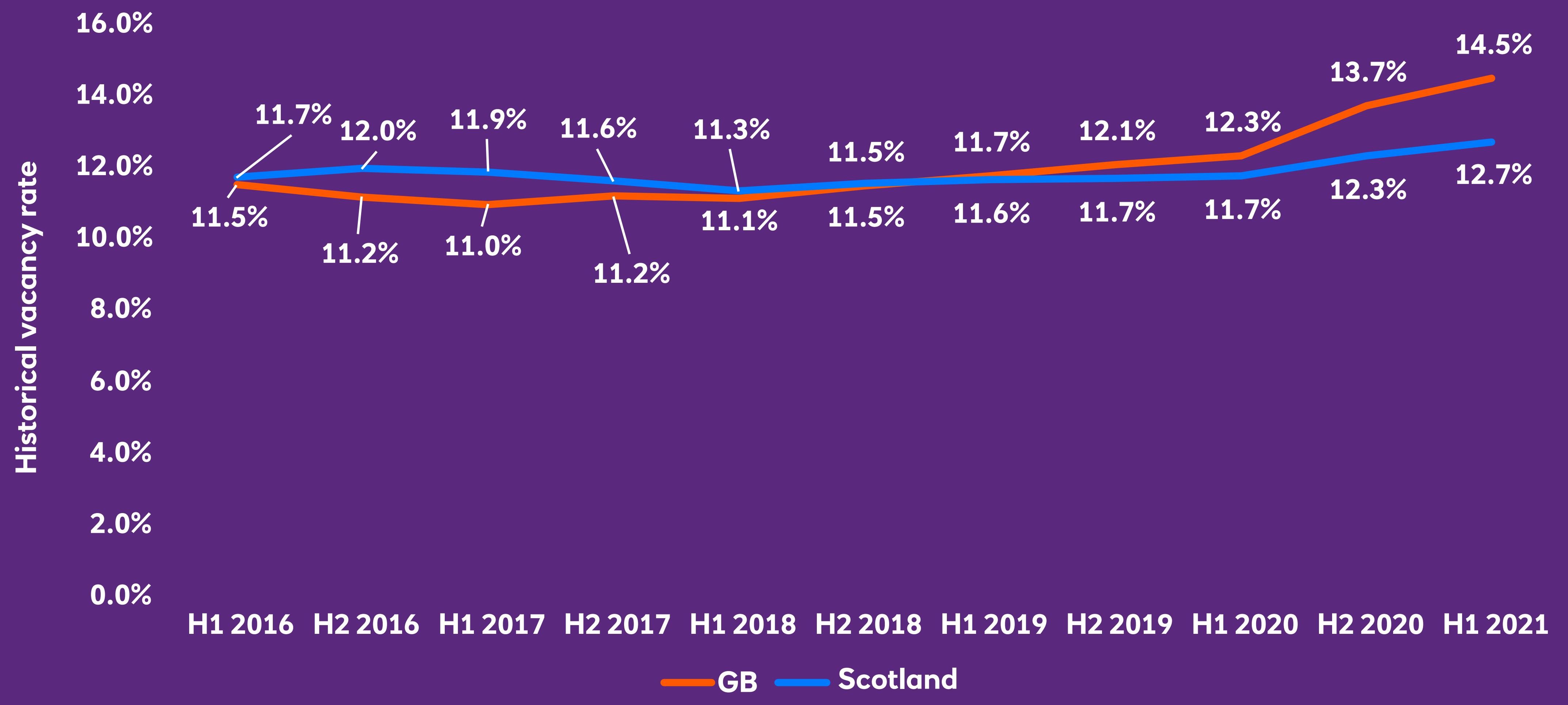


Figure 1: Historical vacancy rate across Scotland benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

Historical percentage net change in units

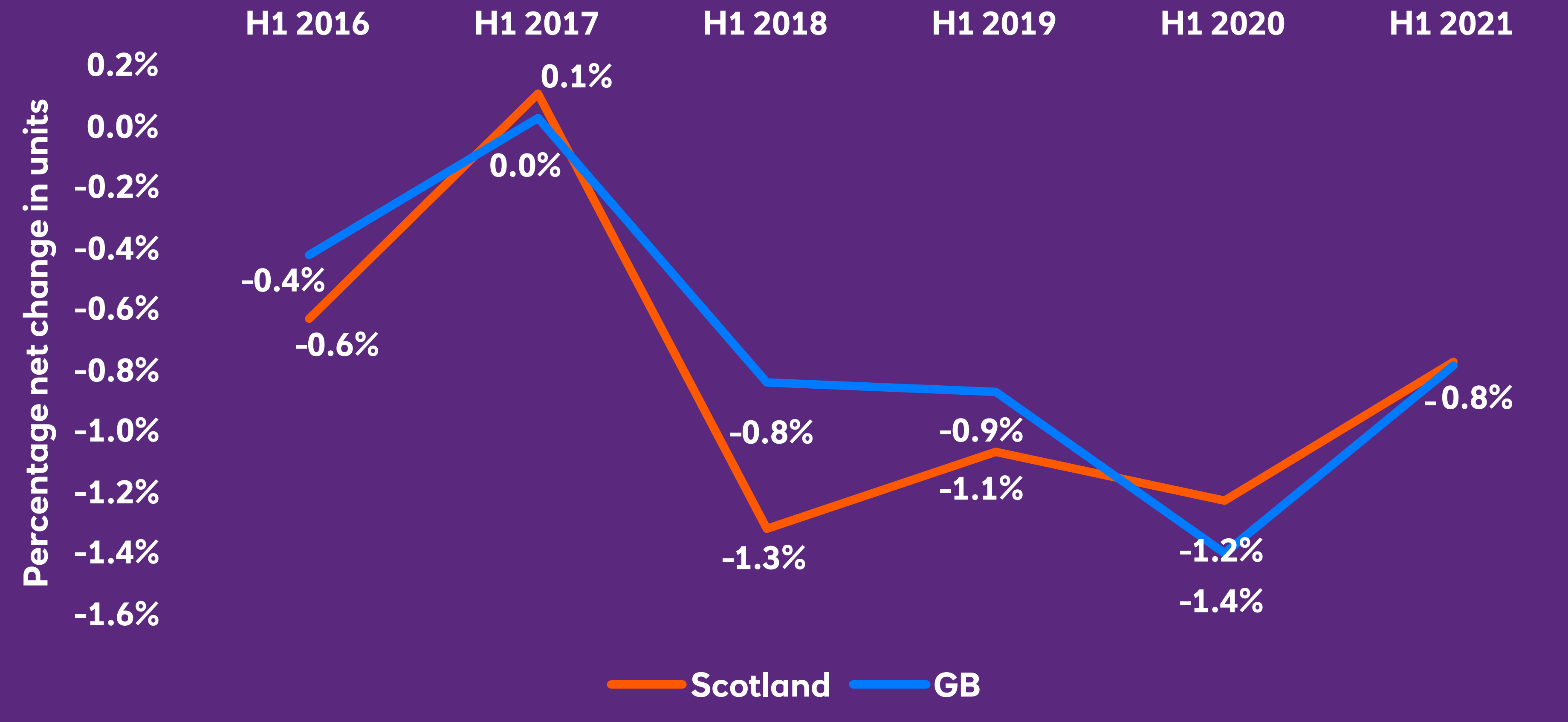
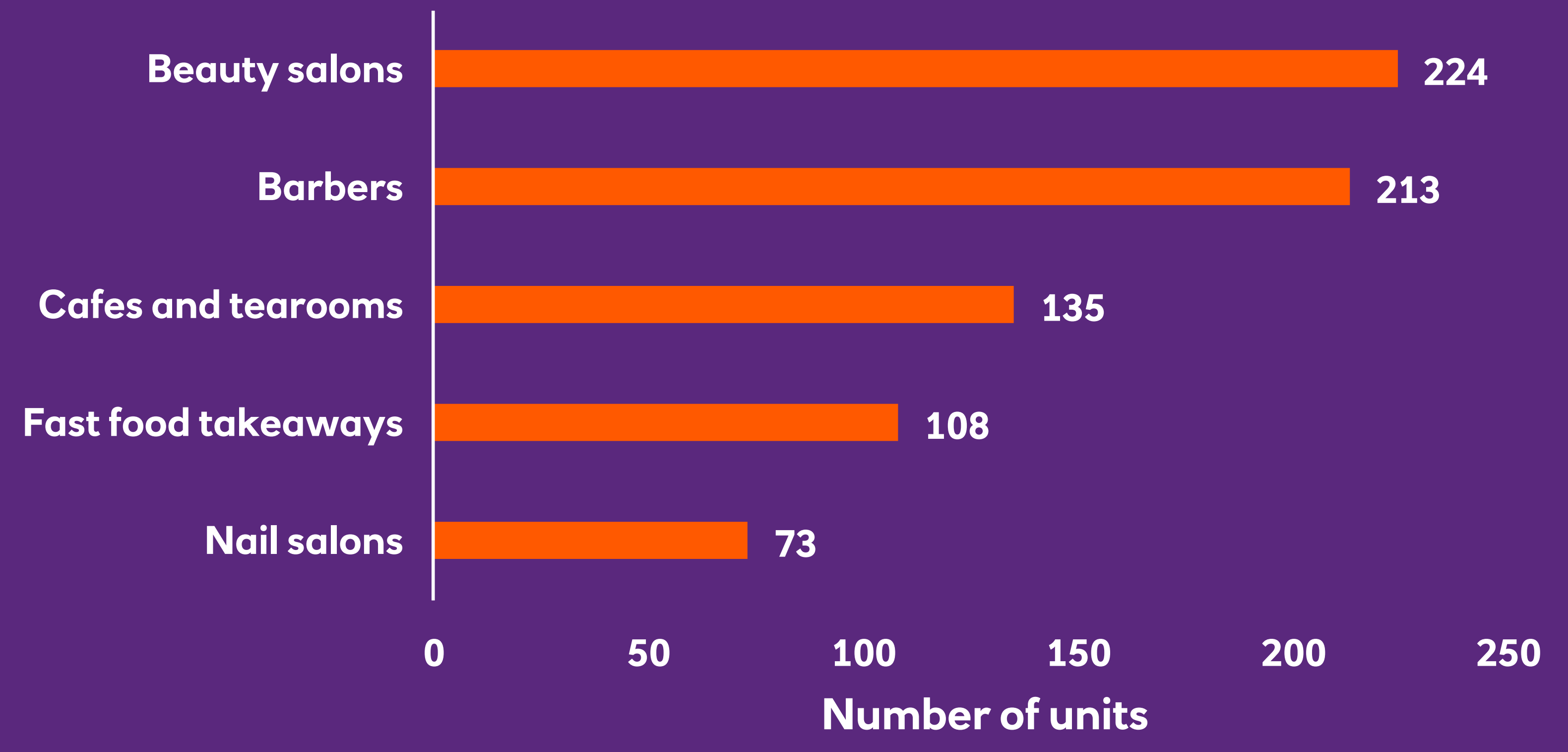


Figure 2: Historical percentage net change in units across Scotland benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)

Top five fastest growing subcategories



Bottom five declining subcategories

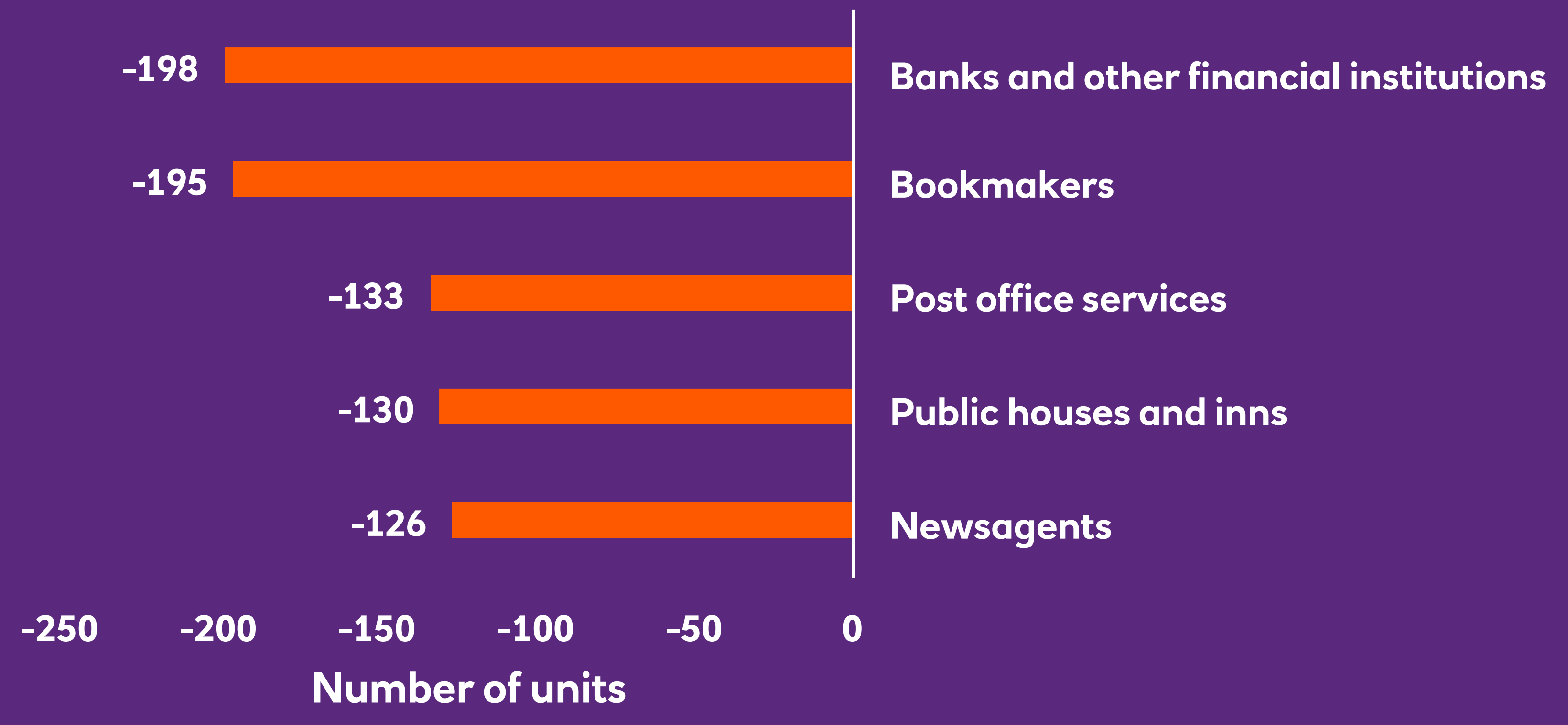
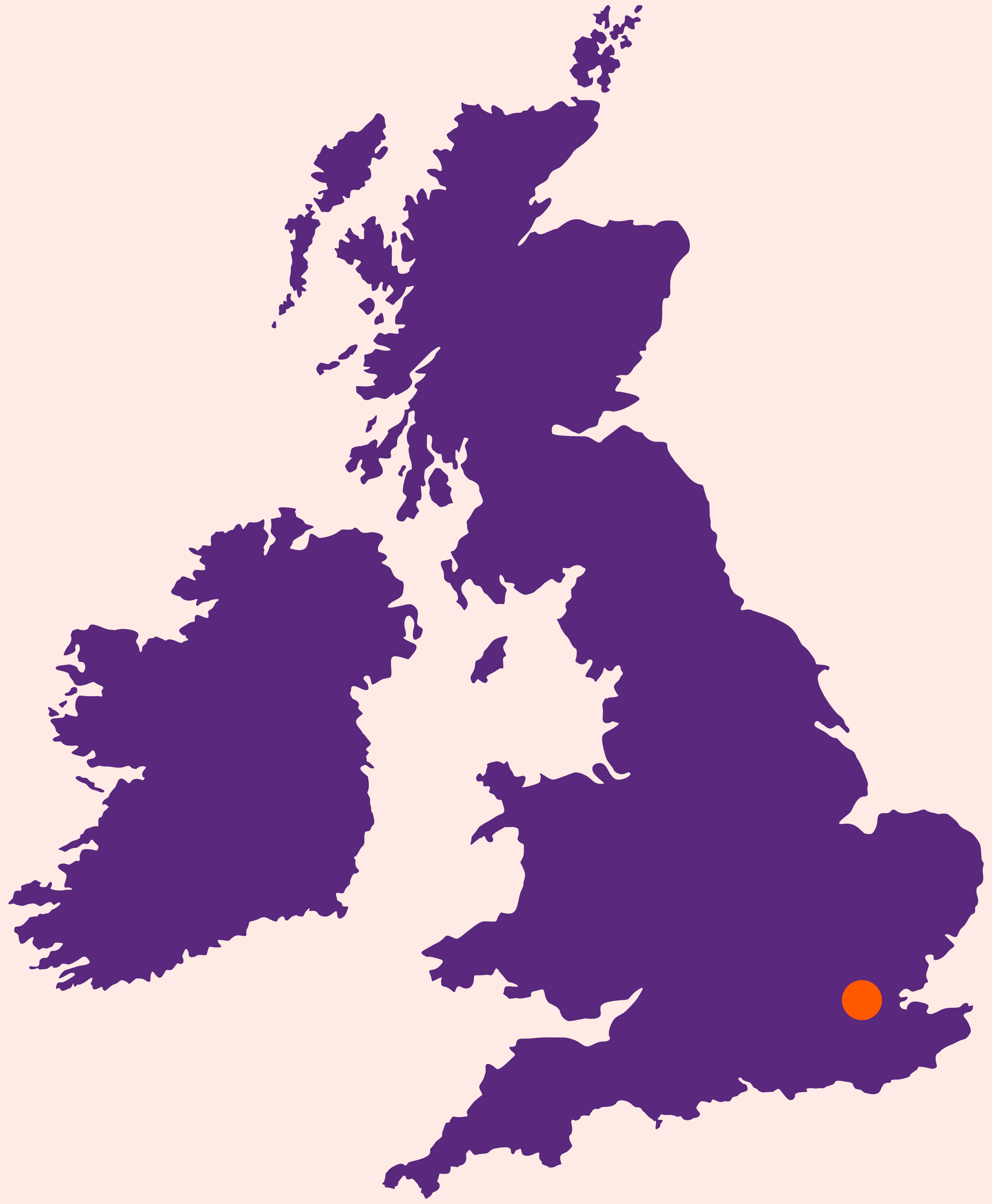


Figure 3: The 5 fastest growing and declining categories across Scotland by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in Greater London

Key findings



- Vacancy across Greater London is the lowest of all regions across GB. However, it did increase during the pandemic, albeit at a slower rate than the national average.
- Net loss in occupied units has remained lower than the GB average since 2018, as the region was resilient in the face of increased CVA and administration activity, as well as closures as a result of the pandemic.
- In a trend seen across most of Britain, the fastest growing category across the capital was barbers. Four of the top five fastest growing categories were in the health and beauty sector.
- Gyms are growing quickly across the region, with brands in this space looking to increase market share across both office and residential locations. Greater London was the only region to have gyms featuring in the top five fastest growing categories list.
- Newsagents have declined at a faster rate across Greater London than any other region. These occupiers have faced intense competition from the expanding discounter presence in suburban areas, as well as more competitive pricing from the convenience store and symbol groups. Fashion shops were also in the bottom five with brands closing as shoppers move online - this was common across the other regions in the south.
- Outer areas of Greater London have been resilient since the onset of the pandemic in H1 2020. Central London was impacted by the work from home order, resulting in a rise in vacancy of 3.8% from early 2020 to H1 2021, compared to the regional rise of just 2.4%.
- London suburbs are thriving, with areas like Dalston, Stoke Newington, Walworth, Twickenham, West Hampstead and Tottenham seeing significant declines in vacancy since March 2020.
- Much of the growth across Greater London has been within the convenience sector, with operators expanding into residential areas and the growth of fast-food operators taking advantage of the spike in demand for food delivery.

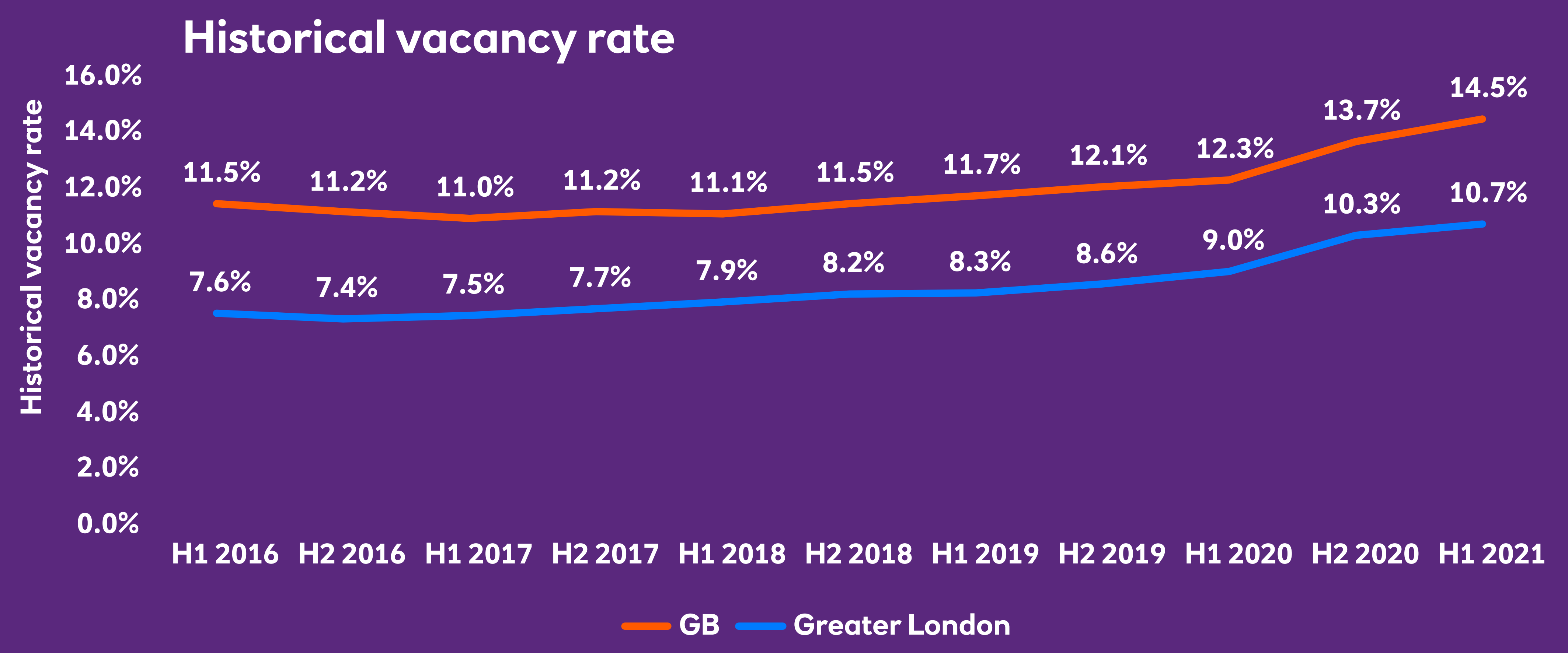


Figure 1: Historical vacancy rate across Greater London benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

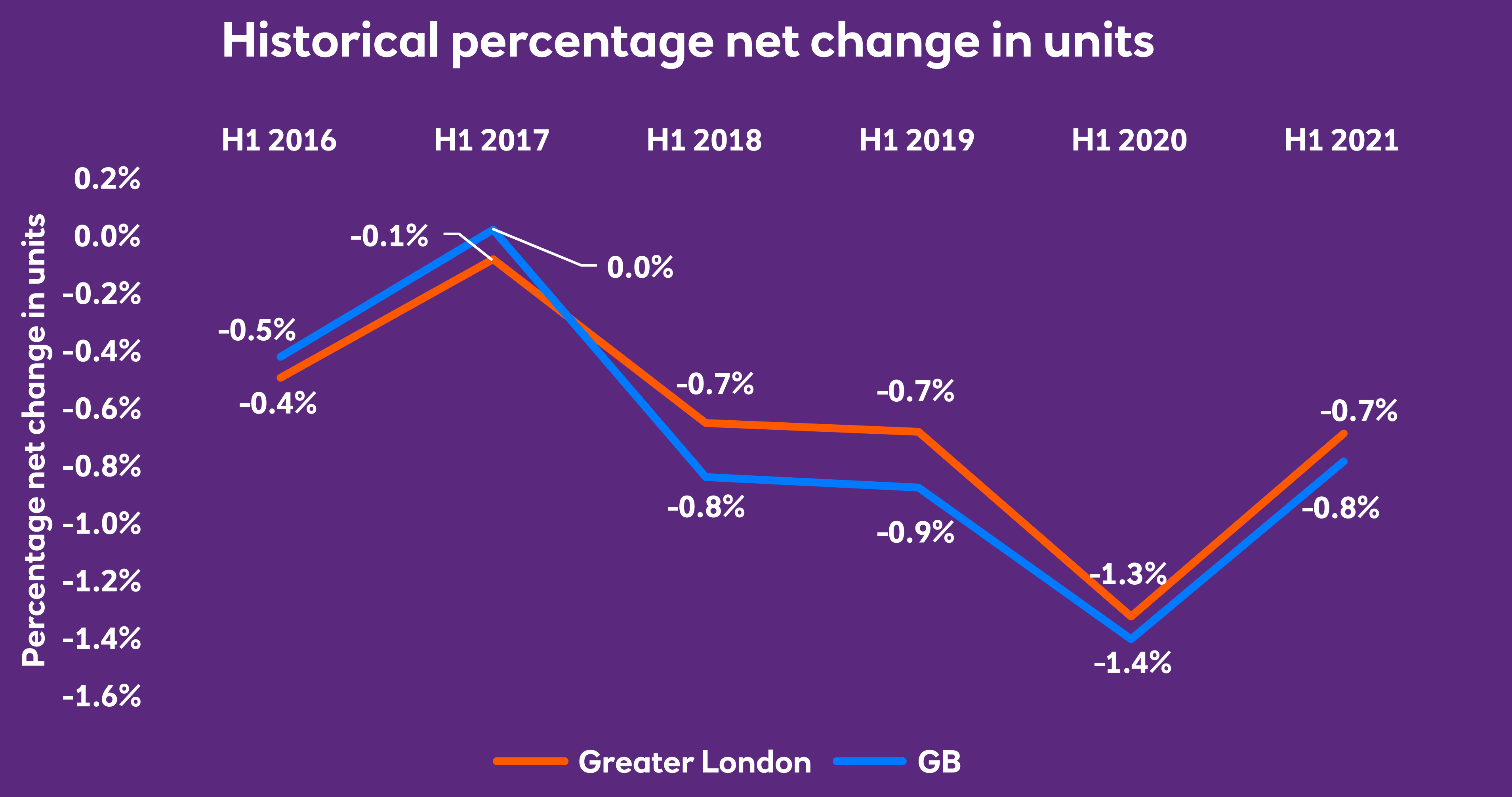
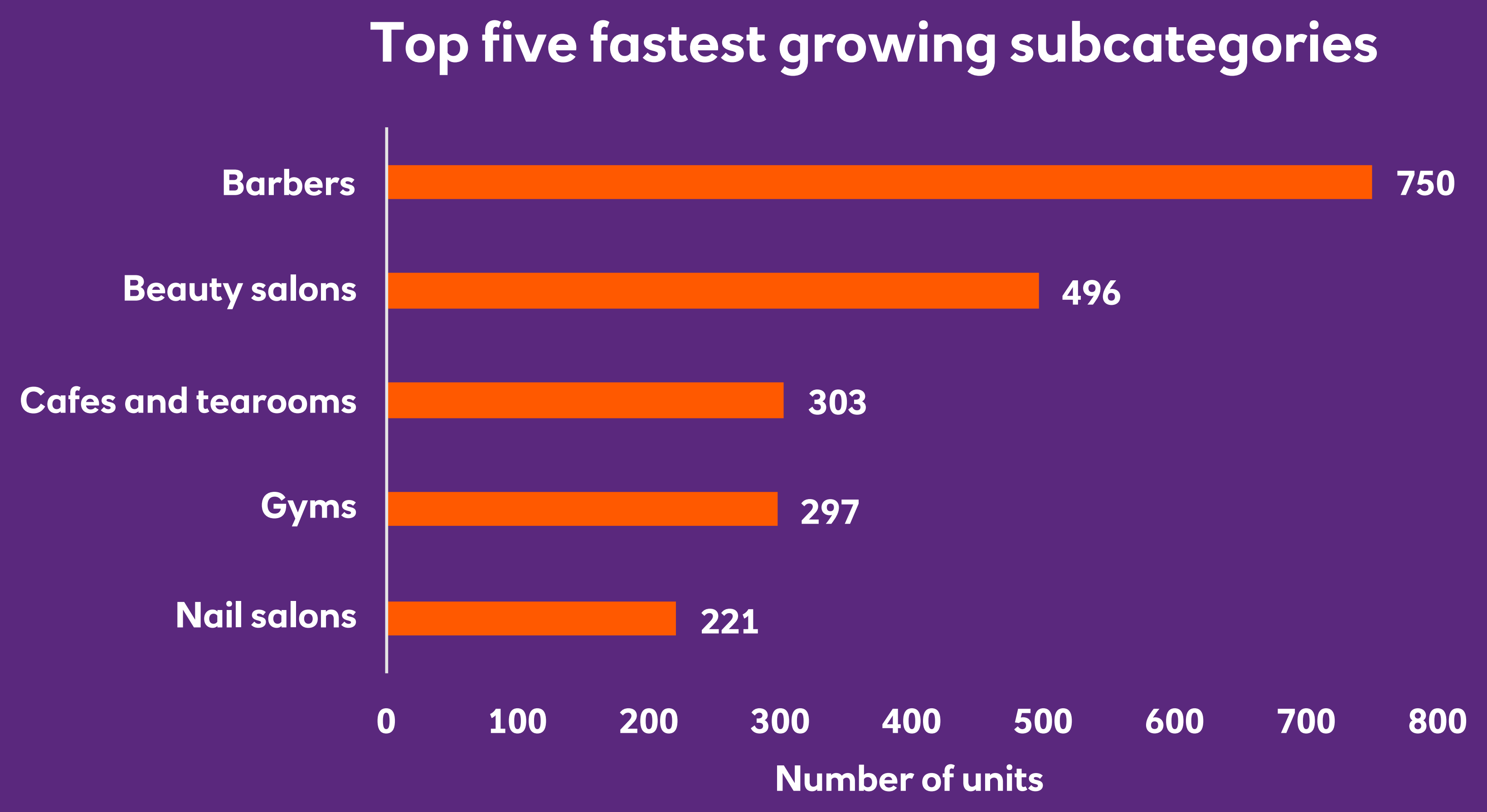


Figure 2: Historical percentage net change in units across Greater London benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)



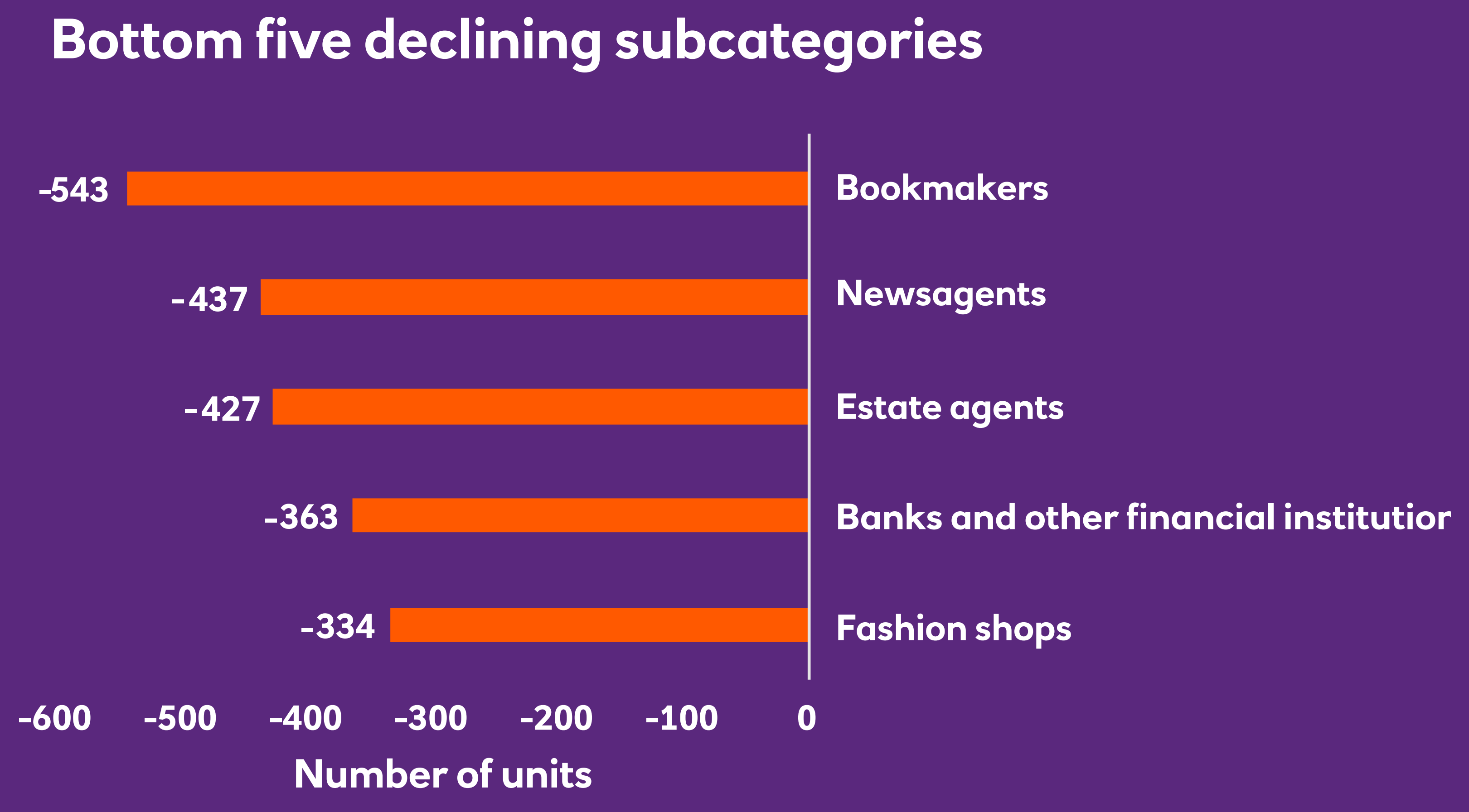


Figure 3: The 5 fastest growing and declining categories across Greater London by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in the East Midlands

Key findings

- Until H1 2019, vacancy was improving across the East Midlands, closing the gap between the GB average. However, since 2019, the impact of Company Voluntary Arrangements (CVA) and administration activity has been felt across the East Midlands. The gap in vacancy between the GB average has now increased to 2.2%.

- The East Midlands has seen more losses in occupied units than the GB average since H1 2017. However, the gap has narrowed in recent years, despite cities in the region being some of the worst impacted by COVID restrictions.

- Four of the top five fastest growing categories across the region were health & beauty categories, in a trend similar across many GB regions. However, one unique category to see growth was alternative & complementary medicines, which is mainly comprised of cannabidiol (CBD) stores, massage venues and physiotherapy, many of which are independent, high street-based operators.

- The fastest declining categories were similar to the rest of GB, with pubs, banks, estate agents and newsagents in the bottom five. The East Midlands was the only region to have pubs at the top of the fastest declining list, as this sector was hardest hit in this geography.

- The East Midlands has seen the biggest percentage net loss in restaurants across all regions since the onset of the pandemic, losing 5.5% of its casual dining market, mainly driven by the closure of restaurants on leisure parks in the region.

- 9.2% of multiple units have closed in Derby since March 2020 as the city was hit hard by CVA and administration activity. The town centre lost brands such as Debenhams, Topshop, Monsoon, Thorntons and Brighthouse.

Historical vacancy rate

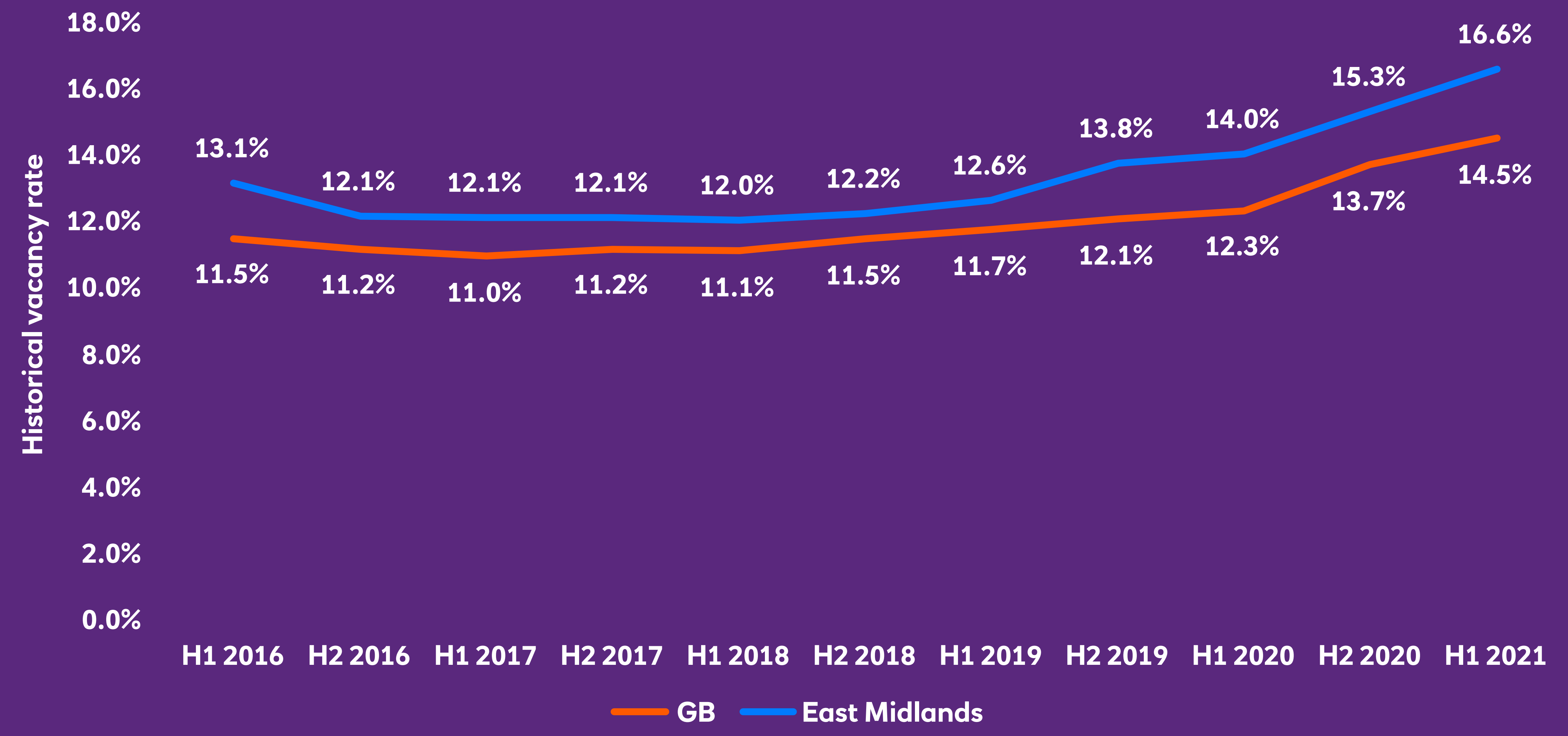


Figure 1: Historical vacancy rate across the East Midlands benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

Historical percentage net change in units

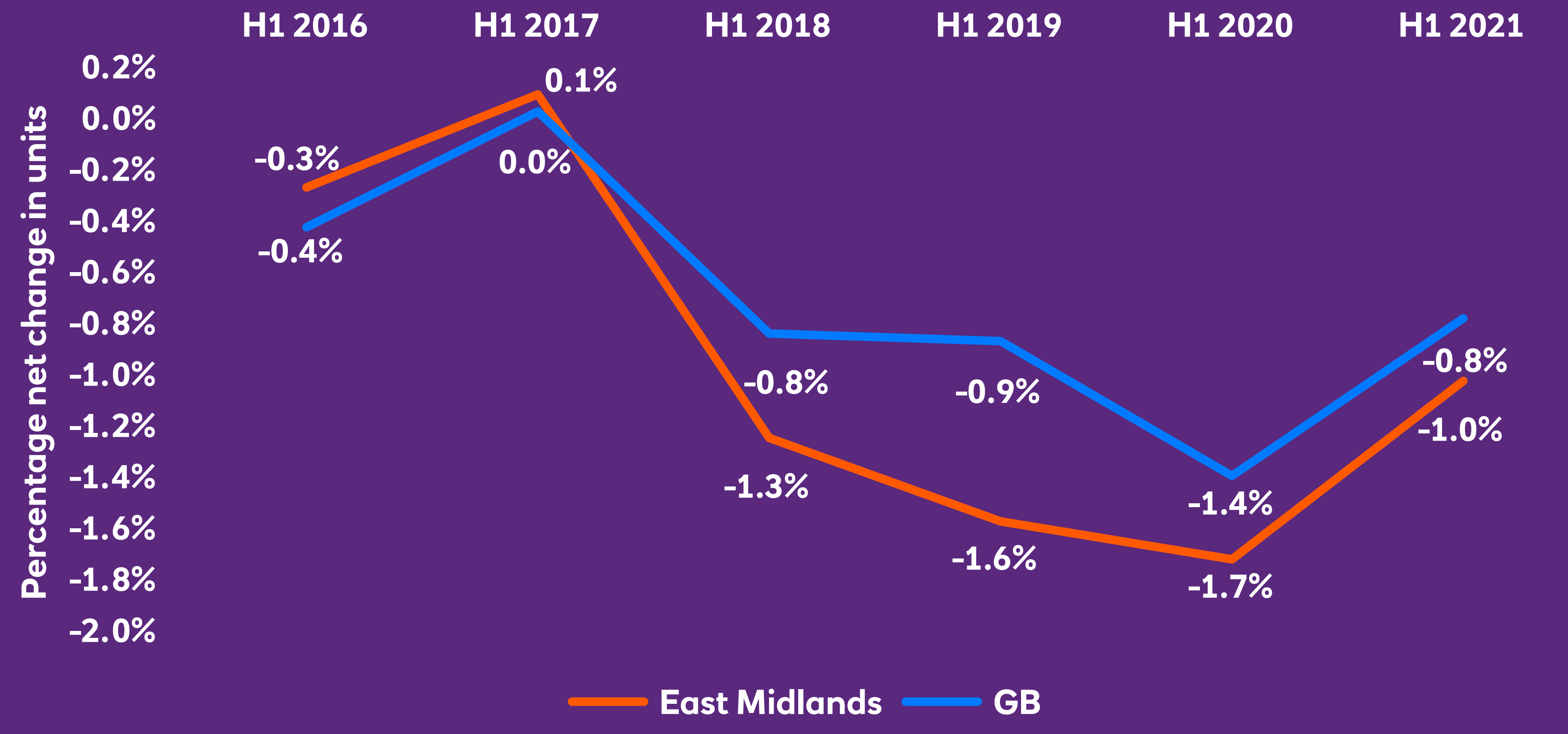
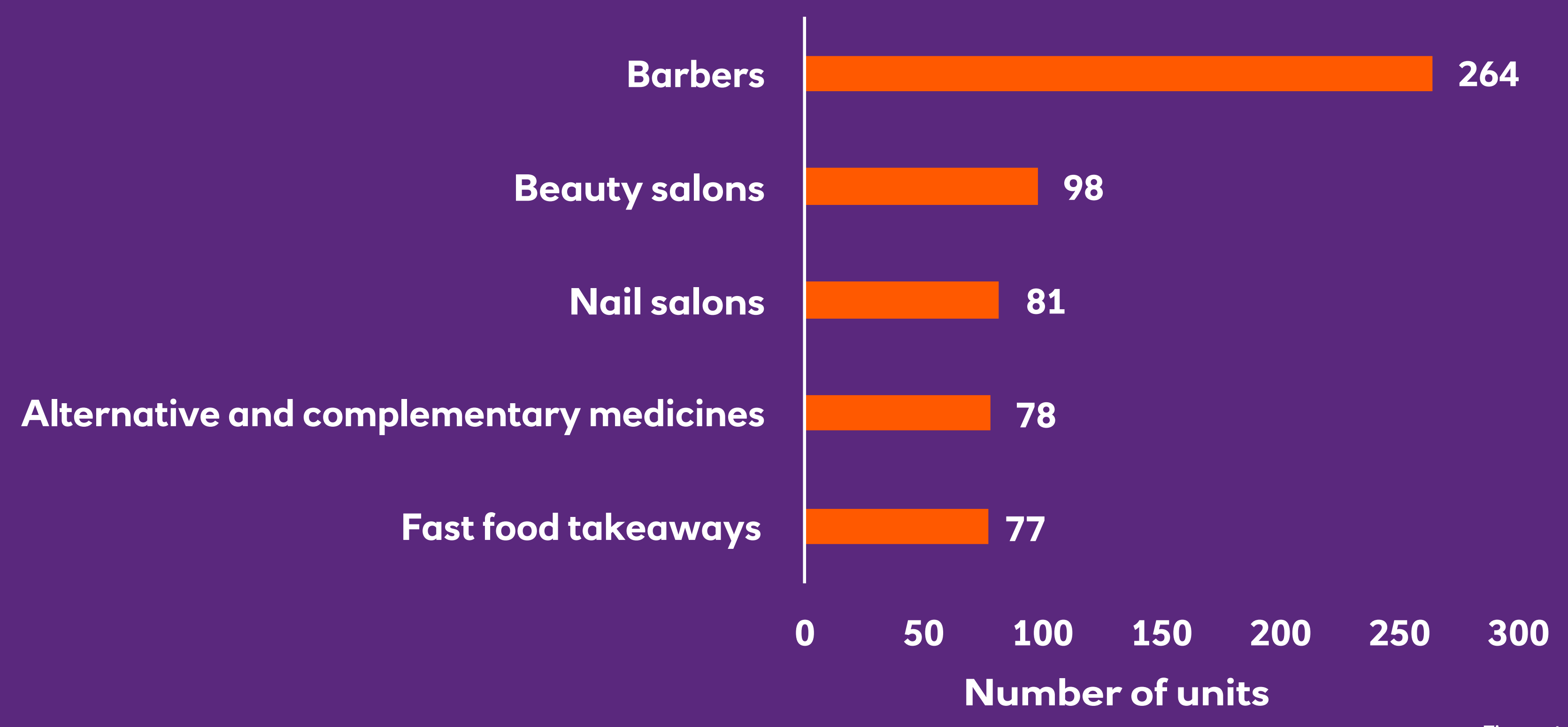


Figure 2: Historical percentage net change in units across Wales benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)

Top five fastest growing subcategories



Bottom five declining subcategories

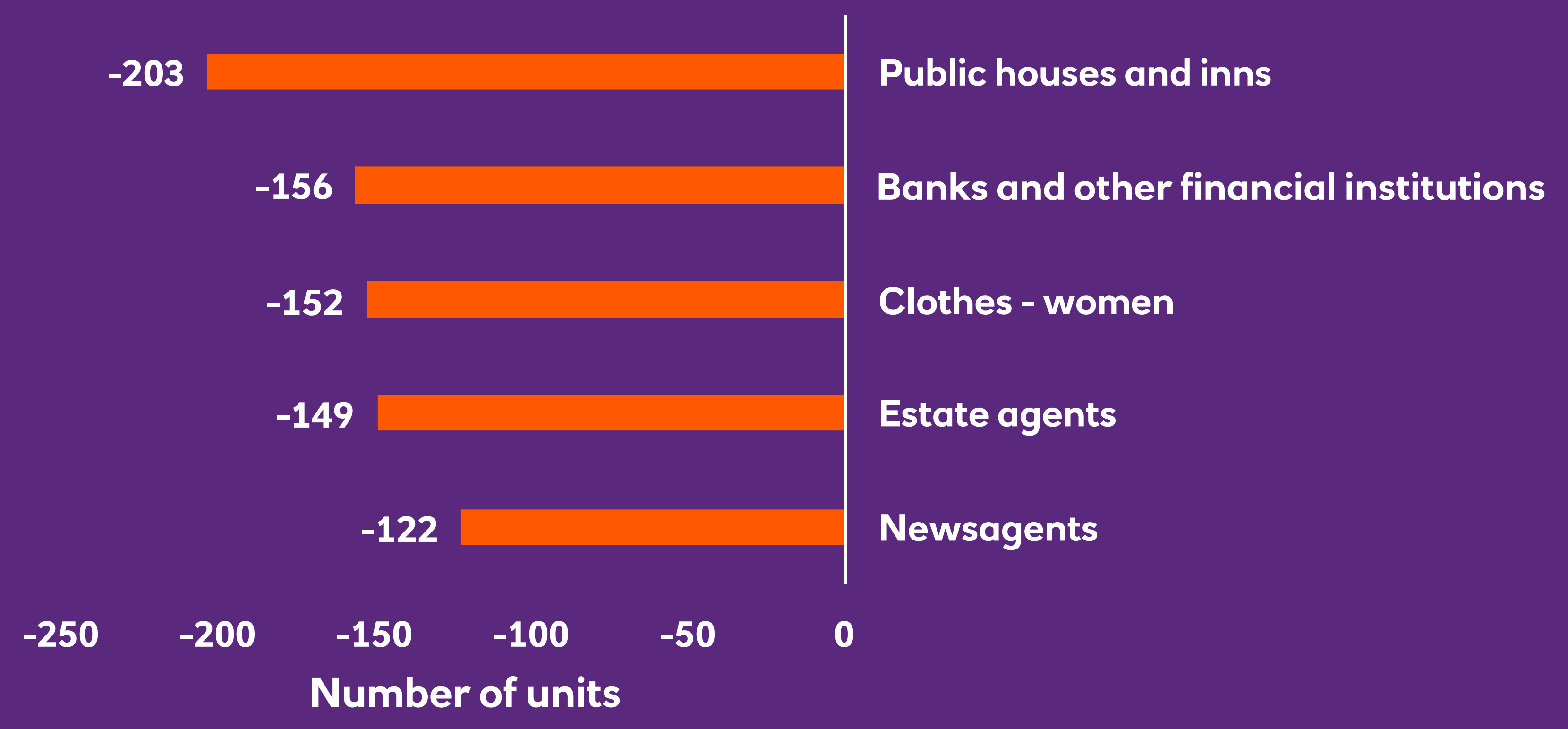


Figure 1: Historical vacancy rate across Wales benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in the East of England

Key findings

- The East of England has remained resilient over the five-year period from 2016 - 2021, with the vacancy rate remaining lower than the GB average. Since the onset of the COVID-19 pandemic, the region has remained resilient, seeing a slightly smaller increase in vacancy since H1 2020 than the GB average (1.9% vs. 2.2%).

- The East of England had one of the highest percentages of essential retail provision across GB, with a greater density of leisure and service units, and reduced exposure to comparison goods retail.

- The barbers category was the fastest growing in the five-year period, in line with the majority of other regions. Fast food takeaway was the 3rd fastest growing category, with cafés & tearooms also in the top five as the only two leisure categories to see rapid growth.

- Banks was the fastest declining category, with the lack of urban density in the region resulting in many brands consolidating their presence across the region as customers increasingly adopt digital services.

- The East of England saw the fastest growth rate in takeaway operators since the onset of the pandemic, seeing 570 new fast-food operators, equating to 2% growth. Brands such as Taco Bell, McDonald's, KFC and Costa have been expanding their drive thru sites in the area.

- Bishop's Stortford has seen a significant decrease in vacancy, with a new five-screen cinema, arts centre and performance space for local arts communities - an example of just some of the regeneration projects the local council is planning to help keep vibrancy in the local high street.

- Ipswich and Lowestoft have secured £25m each in government funding, after their Town Investment plans were approved in the budget in March 2021. Both towns feature in the bottom five for vacancy rates in the East of England, both significantly above the regional average of 14.9%.

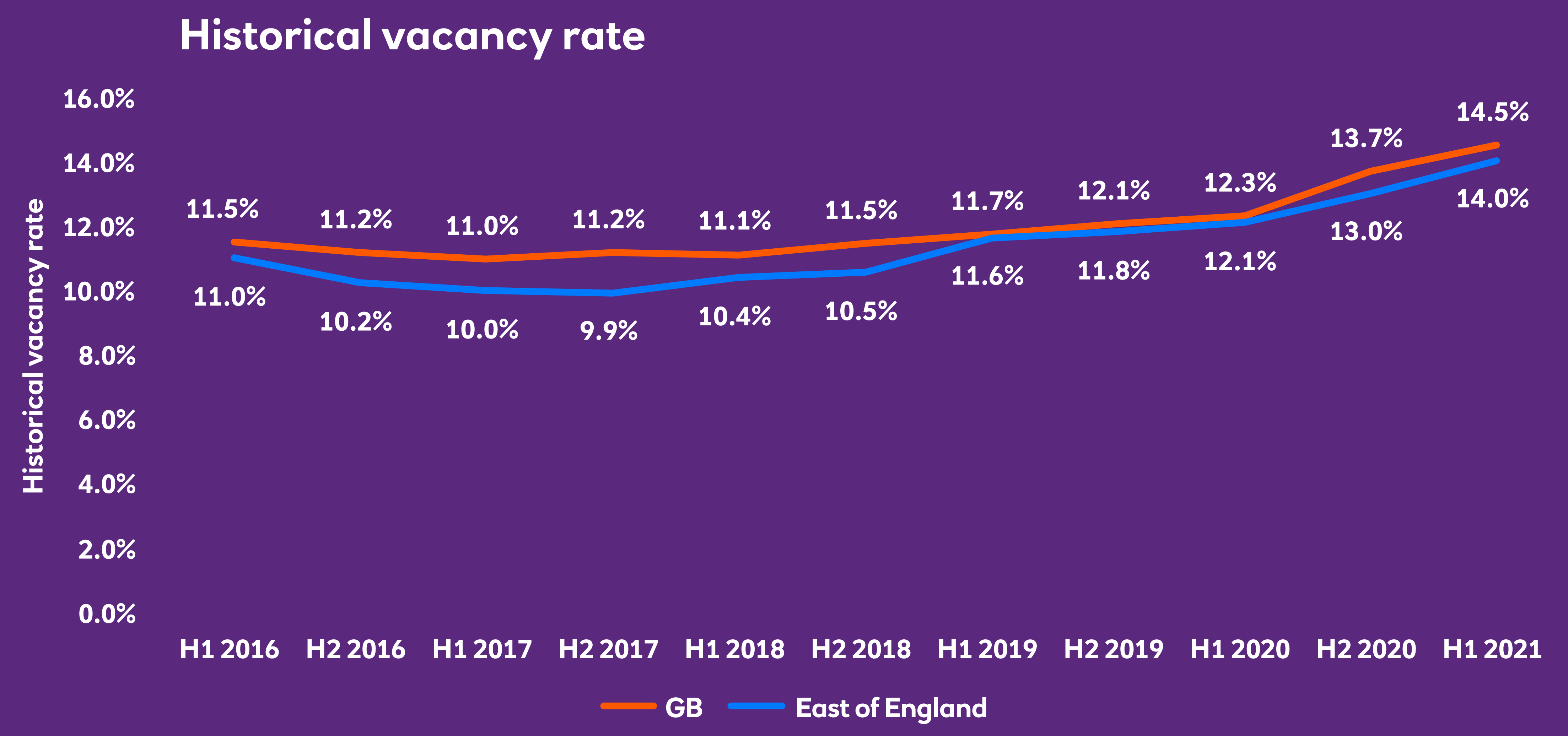


Figure 1: Historical vacancy rate across the East of England benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

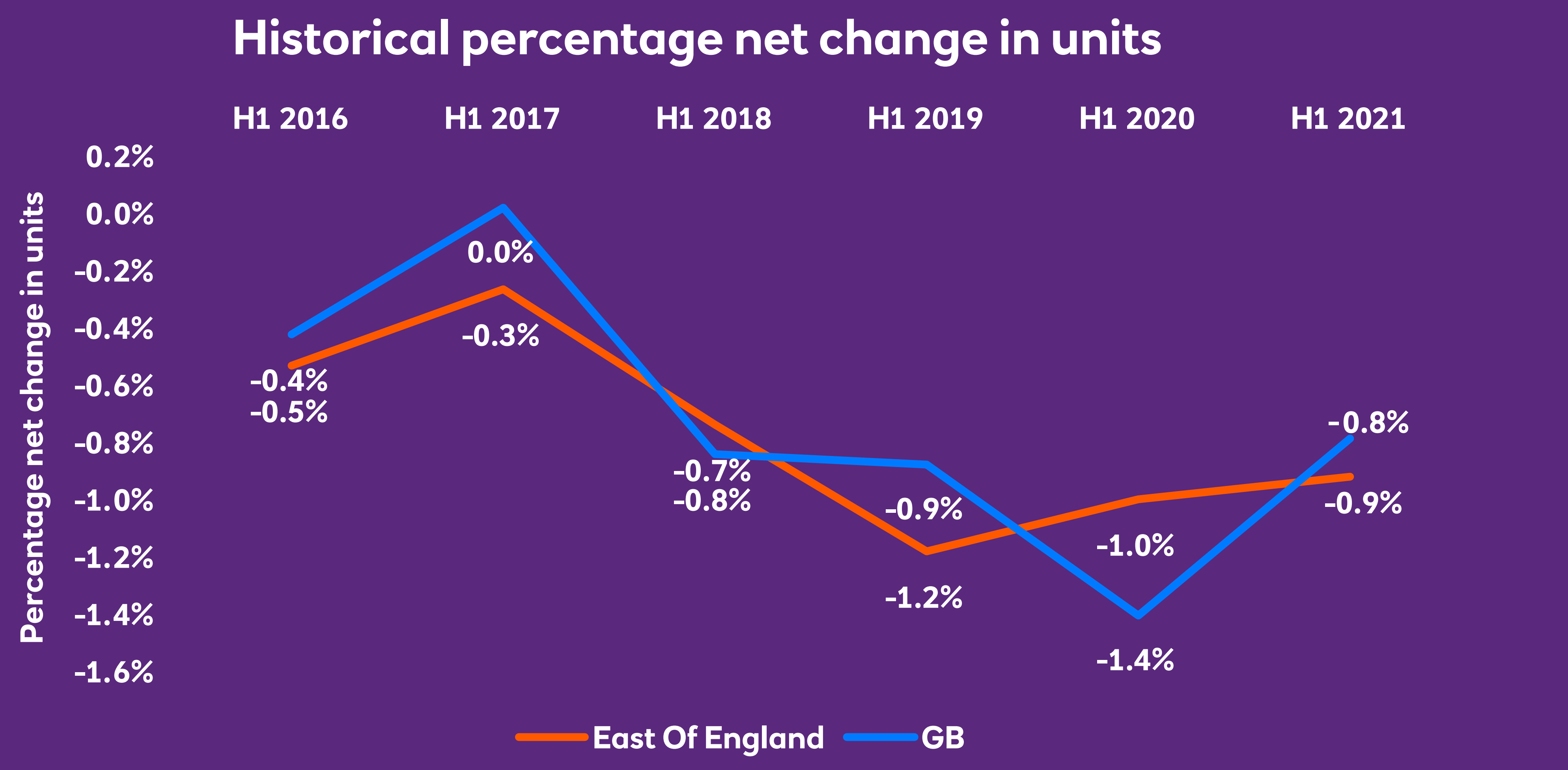


Figure 2: Historical percentage net change in units across the East of England benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)

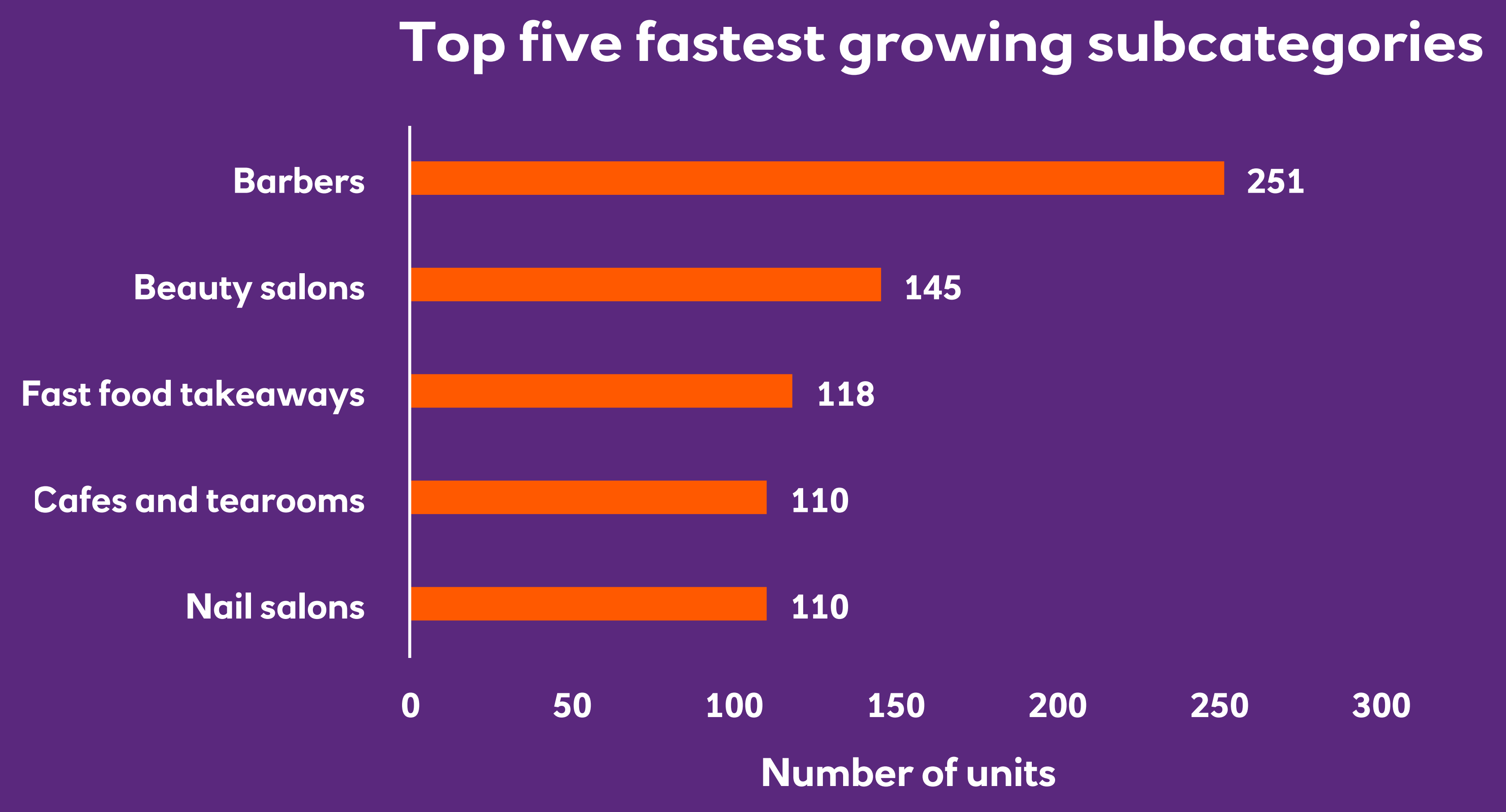


Figure 3: The 5 fastest growing and declining categories across the East of England by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in the North East

Key findings

- The North East has the highest vacancy rate across all GB regions at 21.2%, meaning more than 1 in 5 units are vacant in this geography. The North East will benefit from the government's 'Levelling Up' initiative, with many town centres in need of support likely to get access to funding for regeneration initiatives. The region was hit harder than others by the COVID-19 pandemic, which caused vacancy rates to rise 3.8% compared to the GB average increase of 2.2%.

- The North East has been hit hard in recent years by Company Voluntary Arrangements (CVA) and administration activity, resulting in the closure of chains at a faster rate than the national average in 2018 (1.3% vs. 0.8%) even before the onset of the pandemic.

- Growth categories in the North East align with other regions across GB, with barbers and beauty salons growing the fastest. Restaurants & bars was the 3rd fastest growing category across the region, which was only matched in the South West.

- The bookmakers category was the fastest declining across the North East due to saturation in the region.

- Newcastle is one of the hardest hit city centres, with vacancy across retail units only (excluding leisure units) up 8.9% and leisure vacancy (excluding retail units) up 7.4% compared to pre-pandemic levels. Closures included brands like T.M Lewin, Jigsaw, Oasis Stores, Topshop and leisure closures included Byron, Frankie & Benny's, Carluccio's and PizzaExpress.

Historical vacancy rate

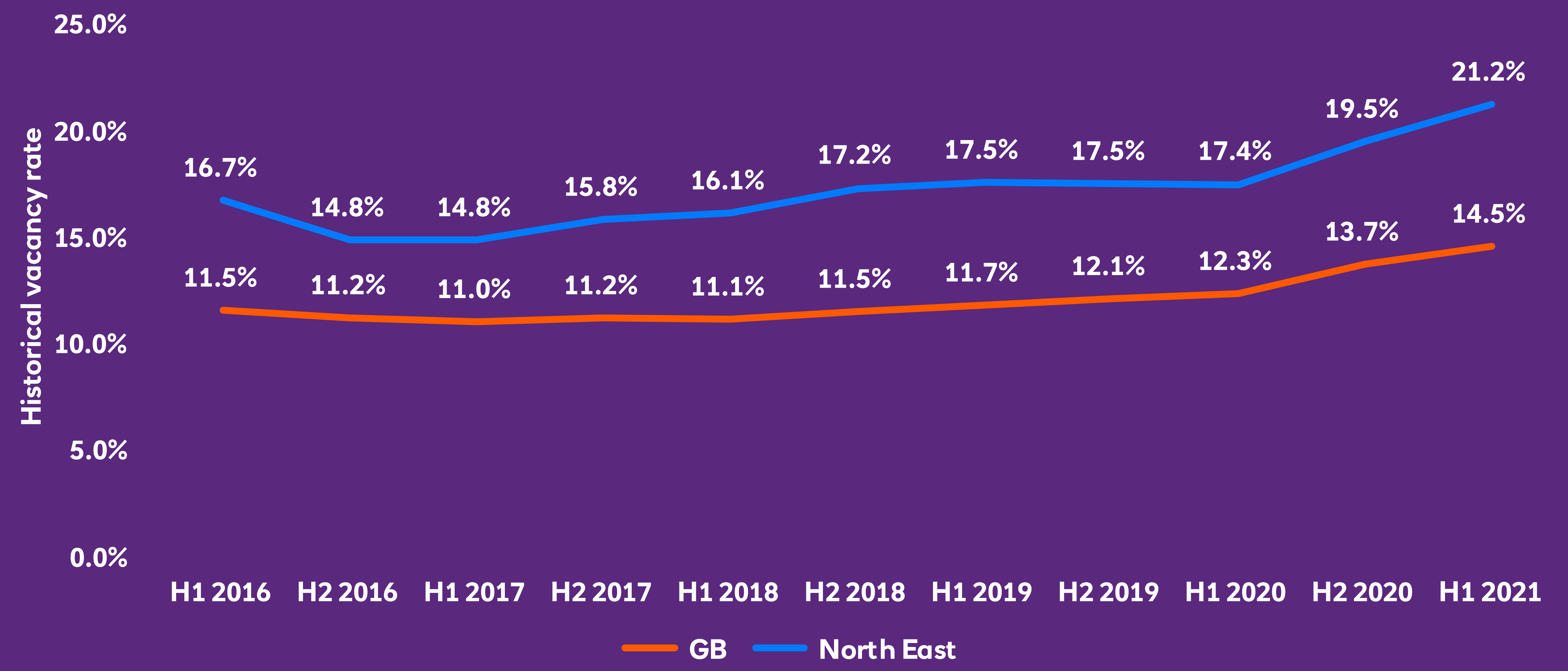


Figure 1: Historical vacancy rate across the North East benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

Historical percentage net change in units

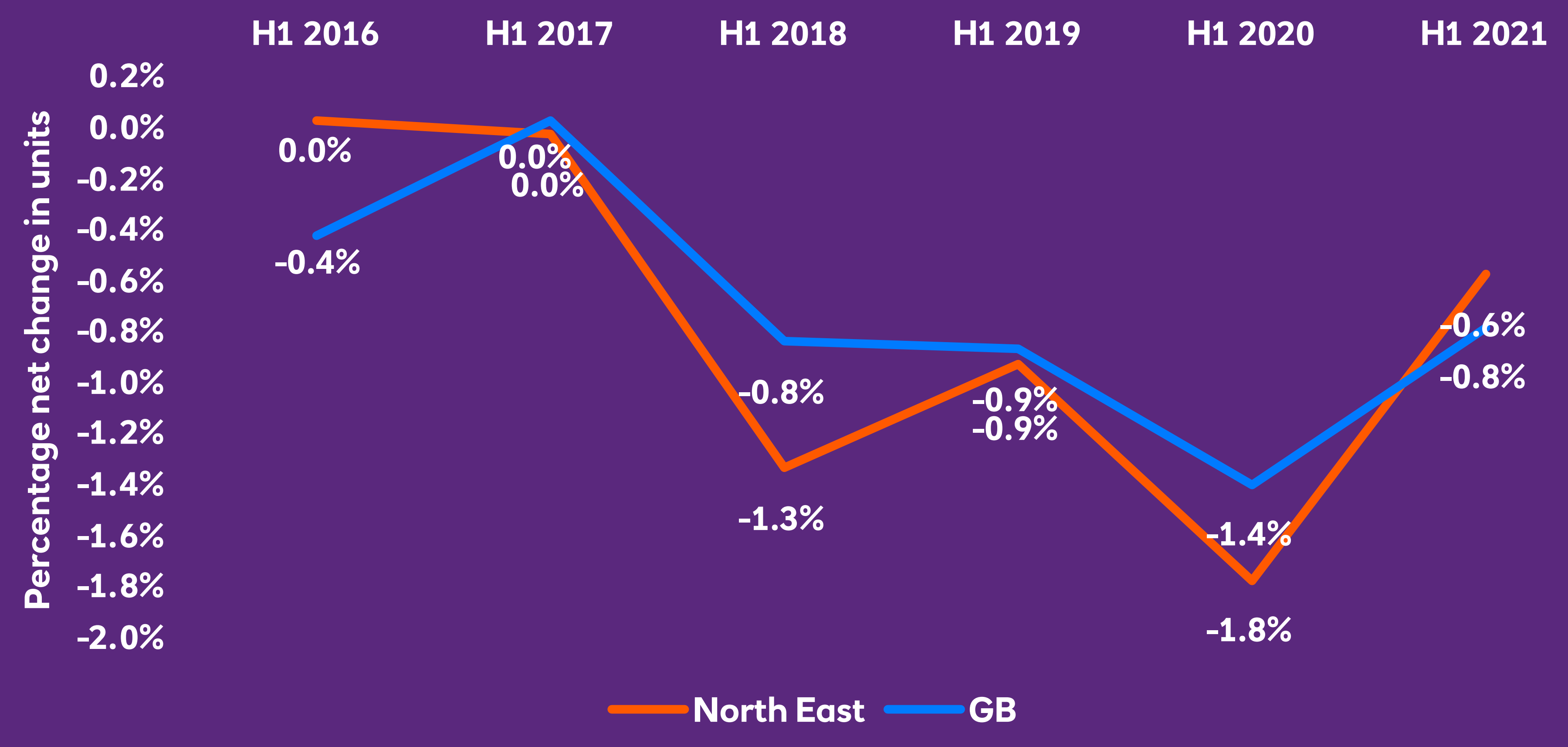
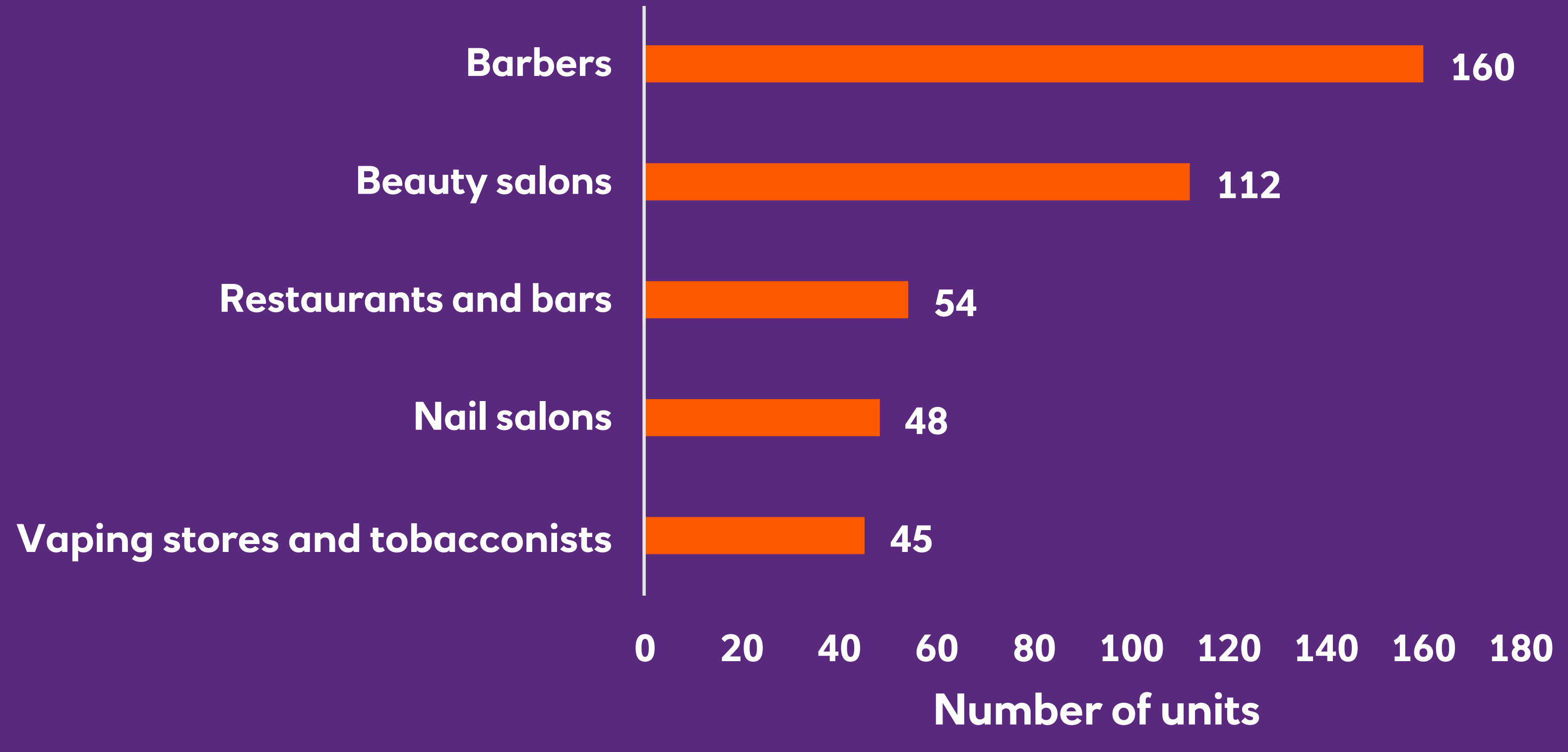


Figure 2: Historical percentage net change in units across the North East benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)

Top five fastest growing subcategories



Bottom five declining subcategories

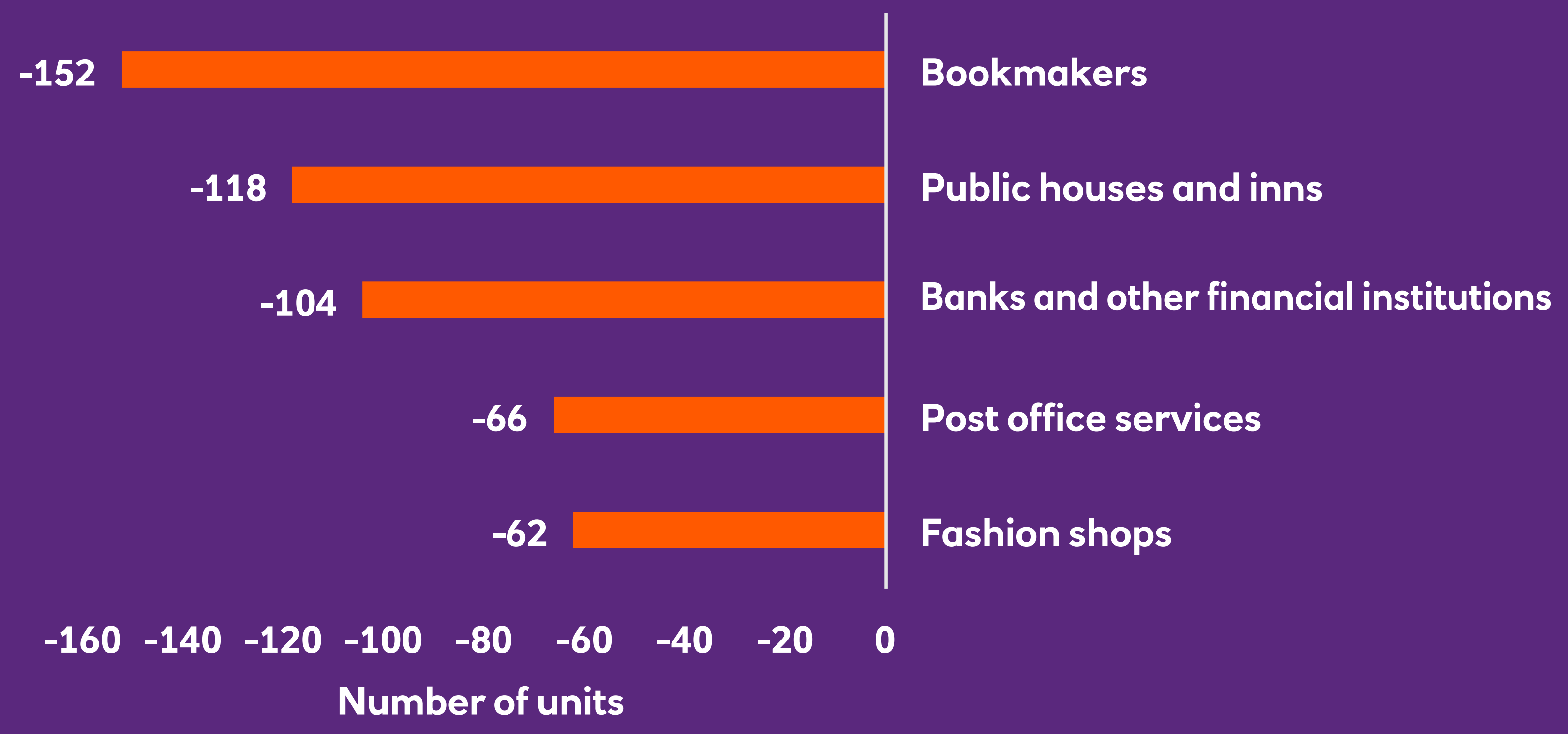


Figure 3: The 5 fastest growing and declining categories across the North East by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in the North West

Key findings

- Vacancy across the North West has been consistently above the GB average since H1 2016, with the biggest difference in the early part of the five-year period: vacancy was nearly 5% above the GB average in 2016. However, in recent years, vacancy in this geography has been more stable, increasing at a slower rate than the GB average since the onset of the pandemic in H1 2020 (1.6% vs. 1.8%).

- Liverpool has been resilient, with stakeholders taking proactive measures in reducing surplus retail property to help manage the vacancy rate in the city. Policy to push Northern powerhouse towns and cities has also helped to attract inward investment with a growing residential and office market.

- The top five fastest growing categories in the North West are dominated by leisure, with no other region having three leisure categories in the top five. The growth in café & tearoom, bars and fast-food takeaway categories reveals a growing F&B market in the region as many brands have looked to cities in the North West to expand following saturation in London. Independents have also been encouraged to open with regeneration projects like Spinningfields in Manchester, Altrincham Market House and The GPO foodhall in Liverpool attracting independent F&B traders.

- The fastest declining category was Banks in the five-year period, as they retreated from the high street; the North West has 35 town centres that saw every bank branch close in this period. Despite the presence of several leisure categories in the top five, pubs were the 2nd fastest declining category, showing a change in consumer habits in the North West, given the growth in bars that are likely to offer a more extensive drinks menu.

Historical vacancy rate

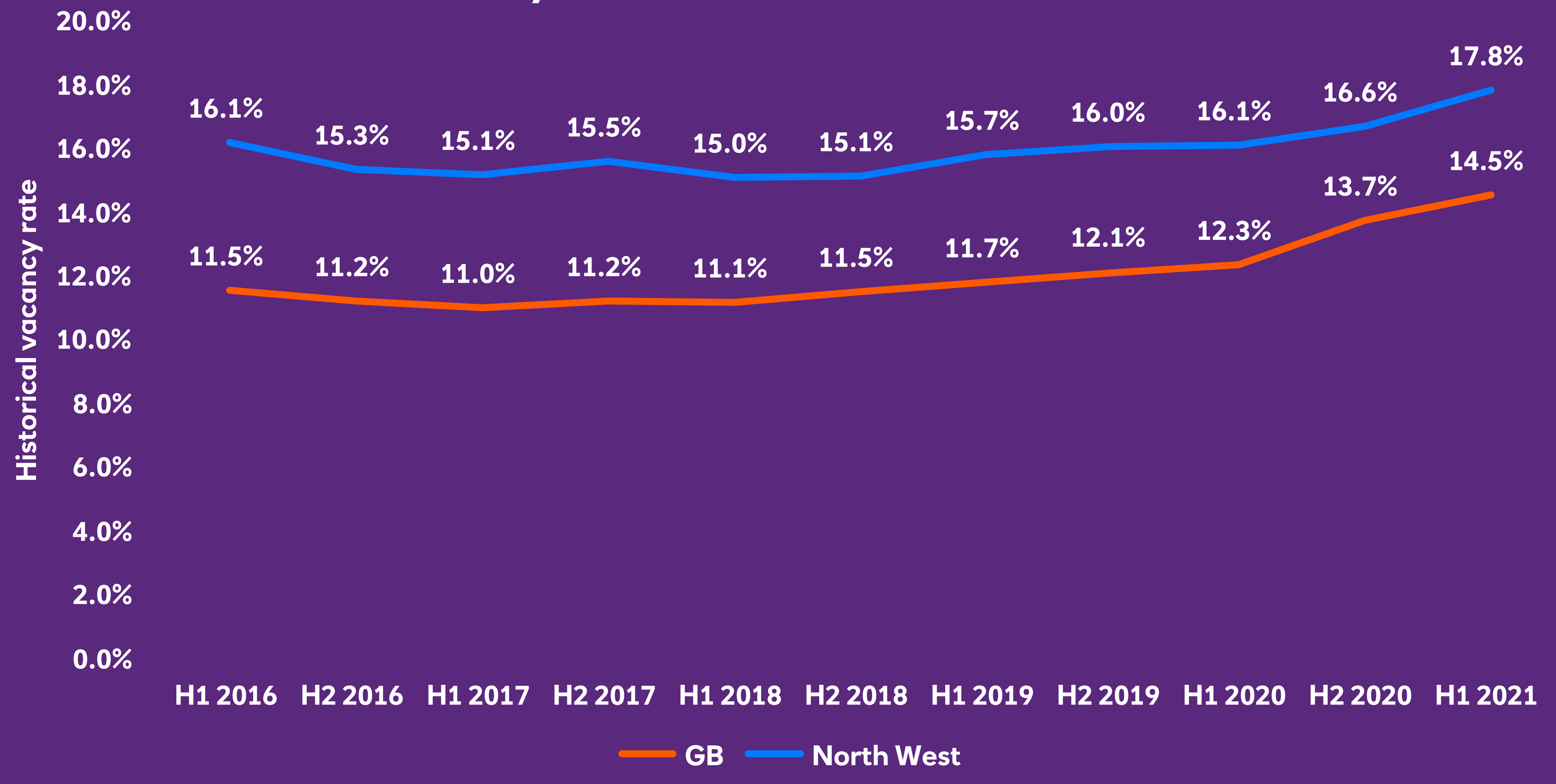
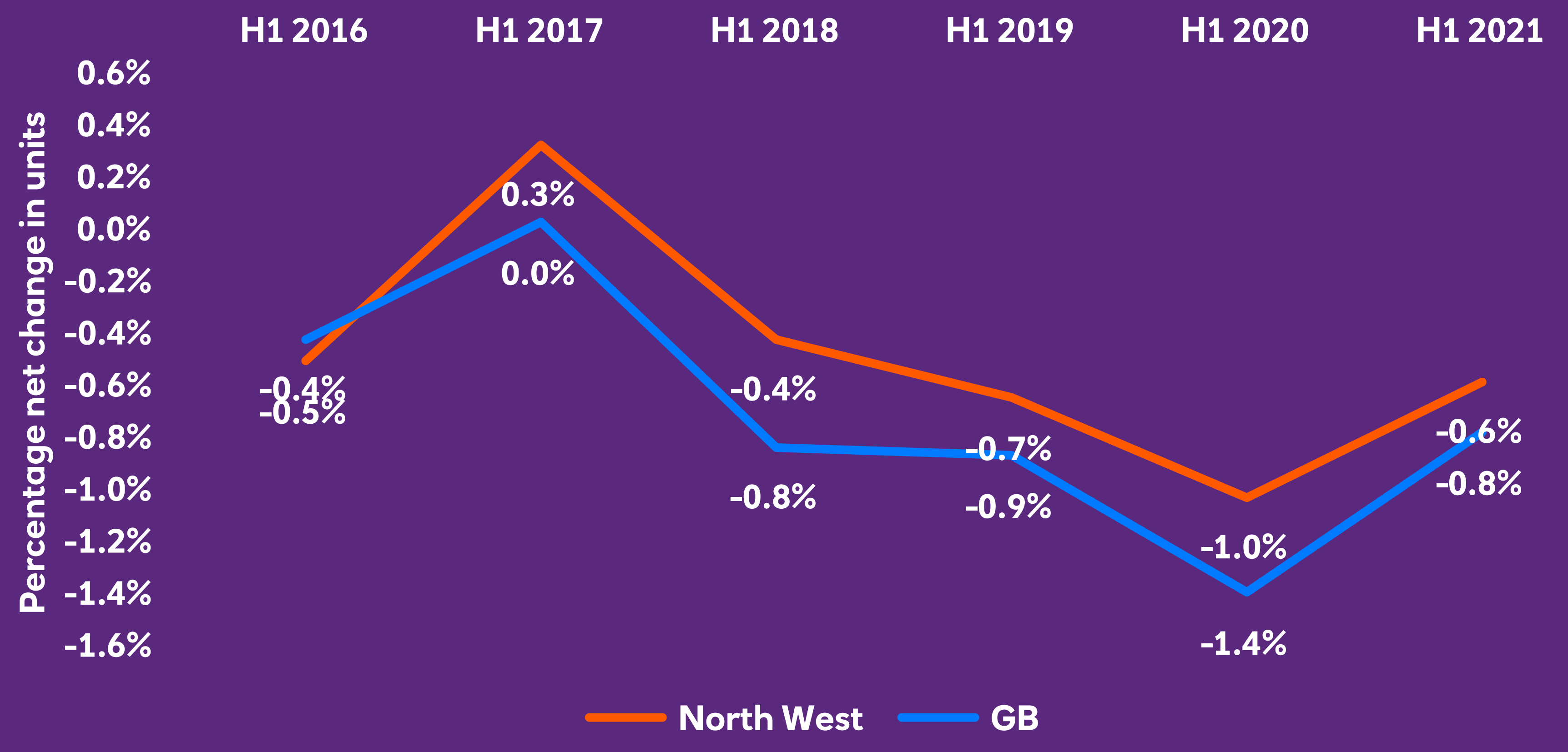


Figure 1: Historical vacancy rate across the North West benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

Historical percentage net change in units



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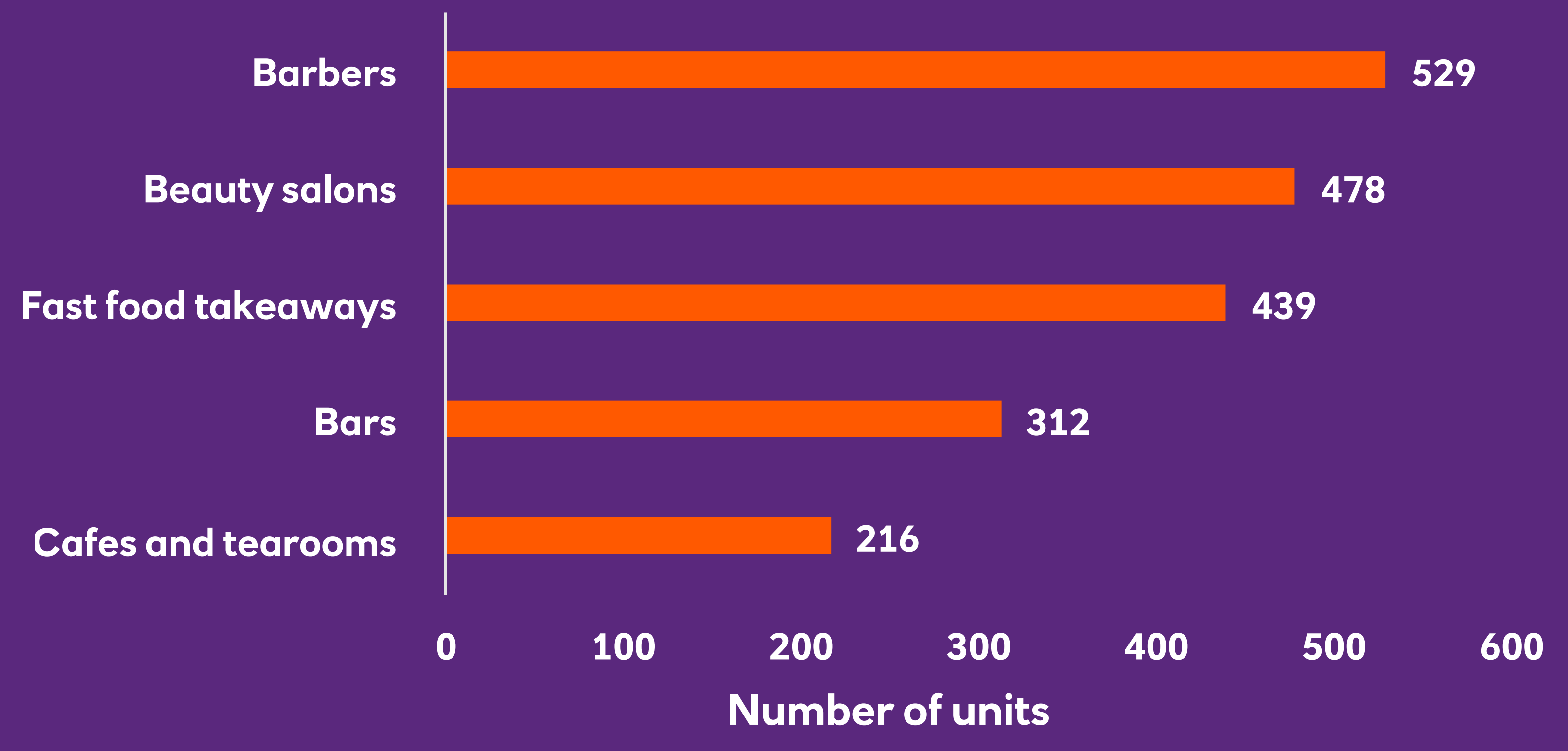


Bottom five declining subcategories

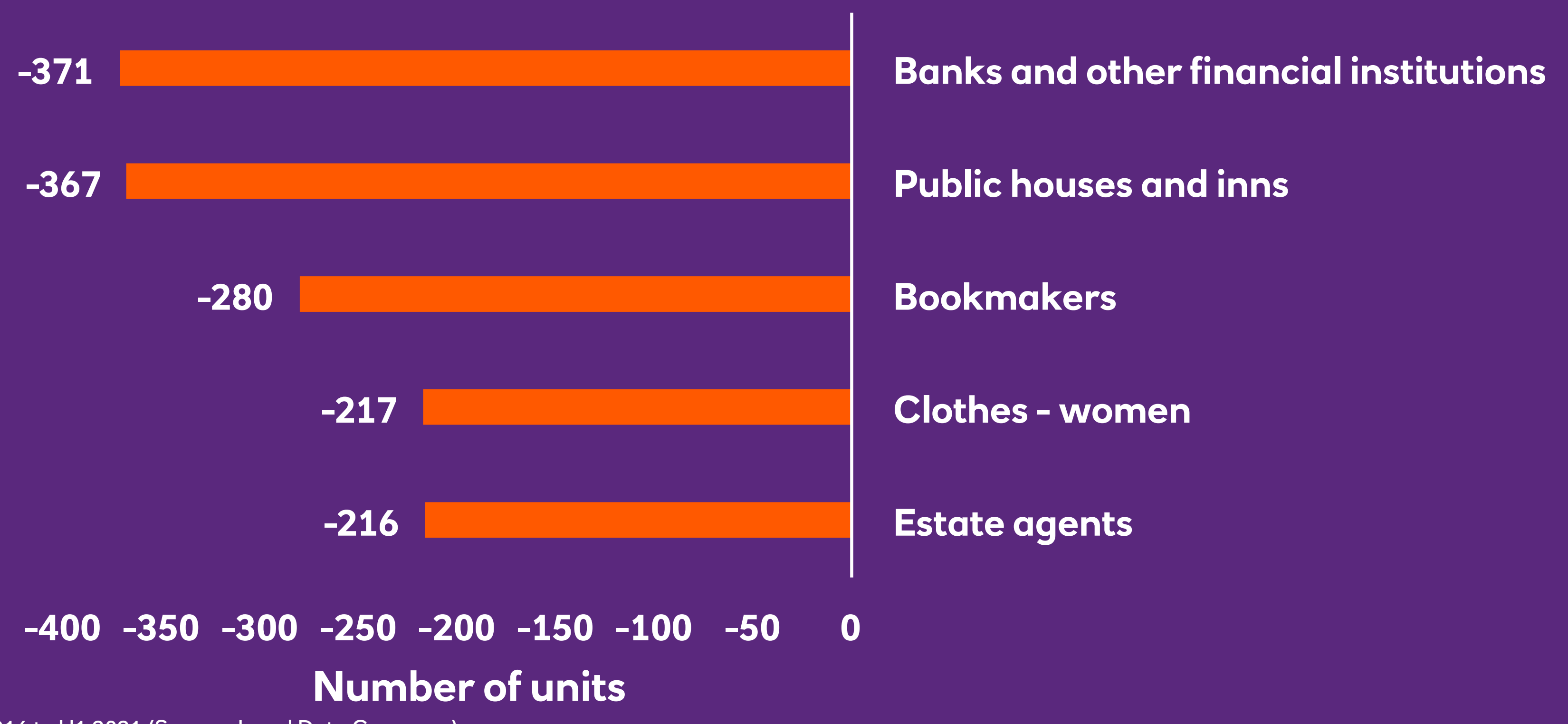


Figure 3: The 5 fastest growing and declining categories across the North West by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in the South East

Key findings

- Vacancy across the South East has consistently been below the GB average for the five year period from 2016 - 2021. Vacancy dropped to a low of 9.9% in H2 2016 and H1 2017 before rising in 2018 due to CVA and administration activity across the region.

- During the COVID-19 pandemic, vacancy has risen across the South East at a slightly faster rate than the GB average, rising by 2.3% since H1 2020 compared with a GB rise of 2.2%.

- The South East is particularly exposed to shopping centres, the asset type that has been hit the hardest by the pandemic. This is reflected in the net change in occupied units, which increased from -0.3% in H1 2019 to -1.6% to H1 2020 - the largest increase across all GB regions and significantly above the GB average.

- The fastest growing category in the South East was barbers, with beauty salons the second in a similar trend to other regions across the nation. Takeaway food and cafés & tearooms also feature in the top five, with the expansion of food delivery apps driving this growth across a largely affluent commuter population. The South East was one of only two regions to see rapid growth in vaping & tobacconists with brands such as VPZ, Totally Wicked and Evapo opening sites.

- The fastest declining categories align with national trends, with banks, estate agents, pubs, fashion shops and bookmakers making up the bottom five. The South East also saw the largest number of department store closures, with 33 shutting for good since the onset of the pandemic. Night time operators in the region were the hardest hit by the prolonged closure of bars and clubs, which resulted in a 3.8% decrease in the size of the market.

Historical vacancy rate

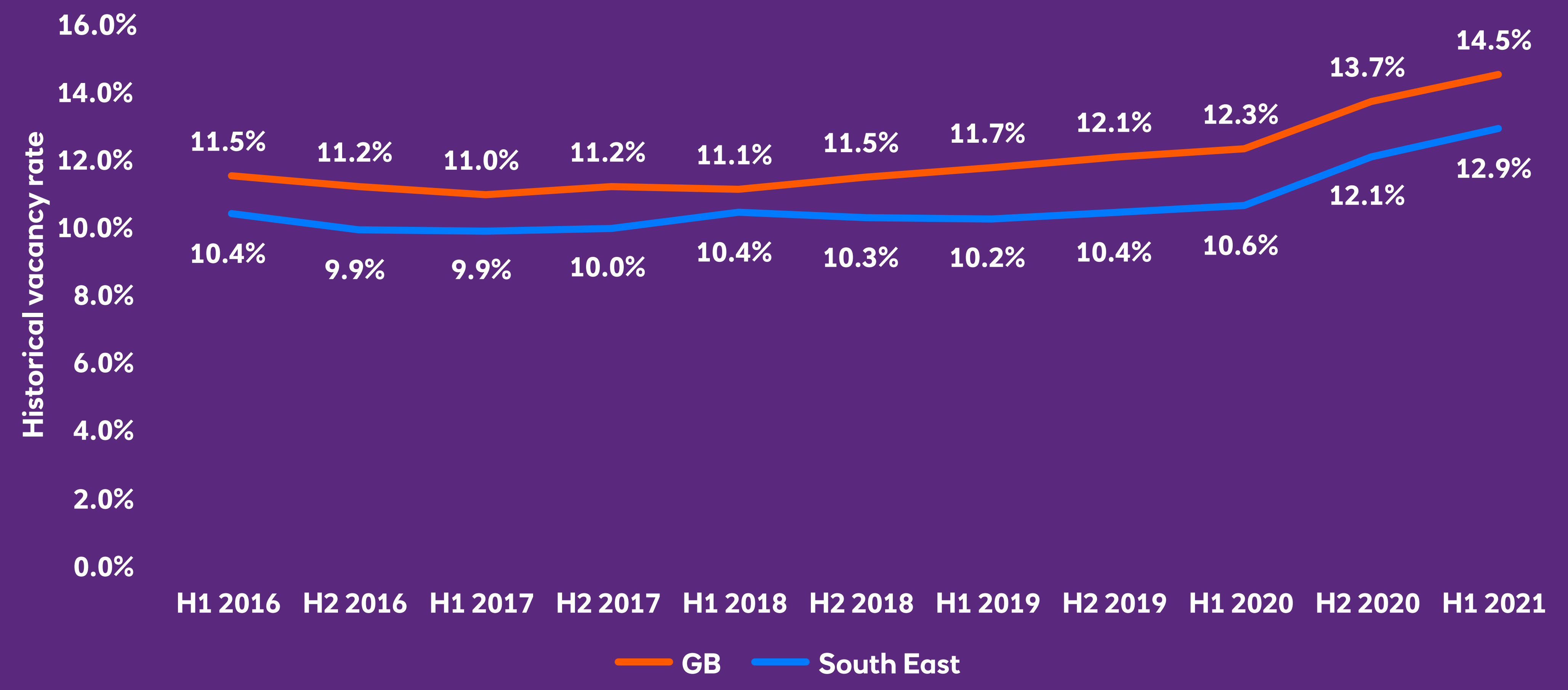
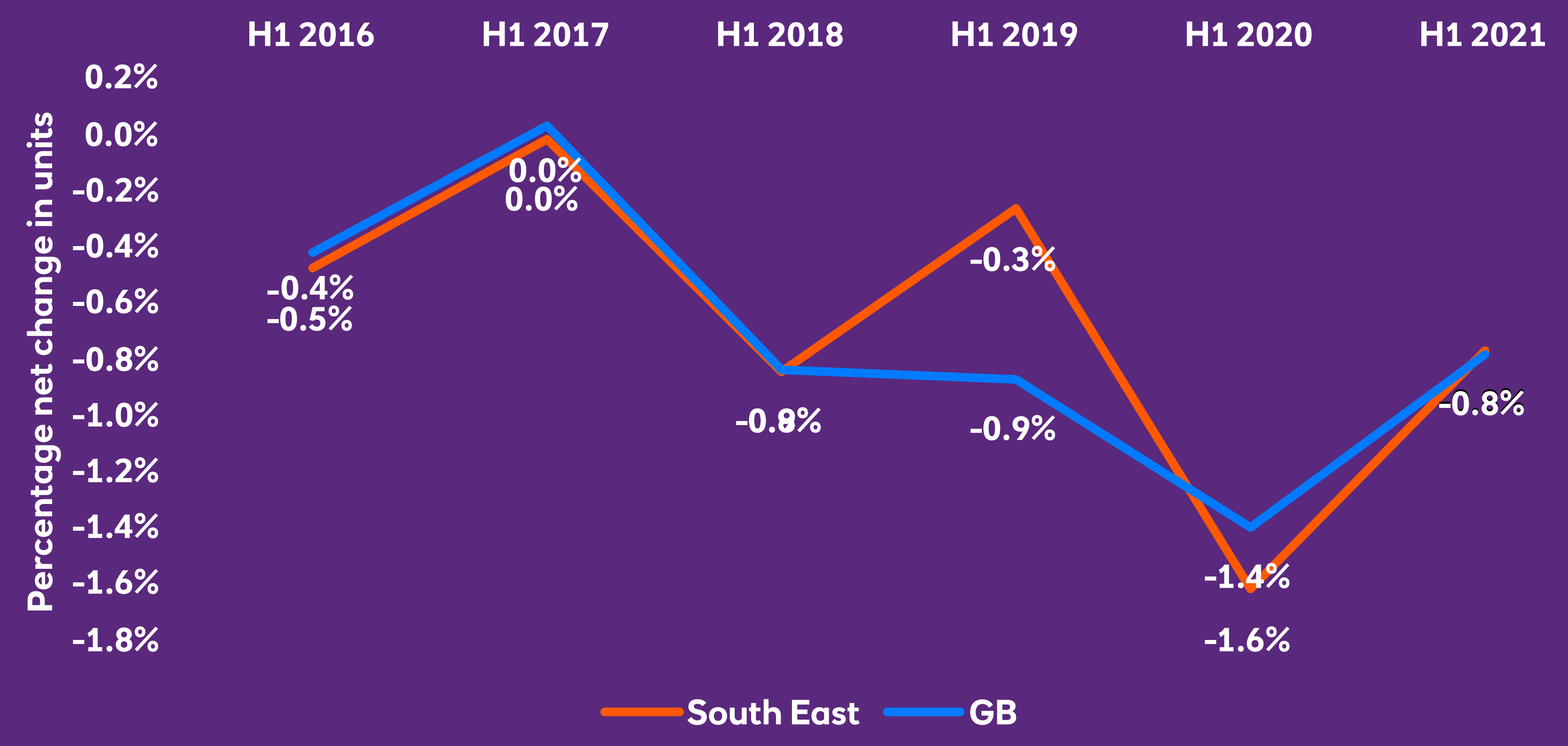


Figure 1: Historical vacancy rate across the South East benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

Historical percentage net change in units



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Top five fastest growing subcategories

Bottom five declining subcategories

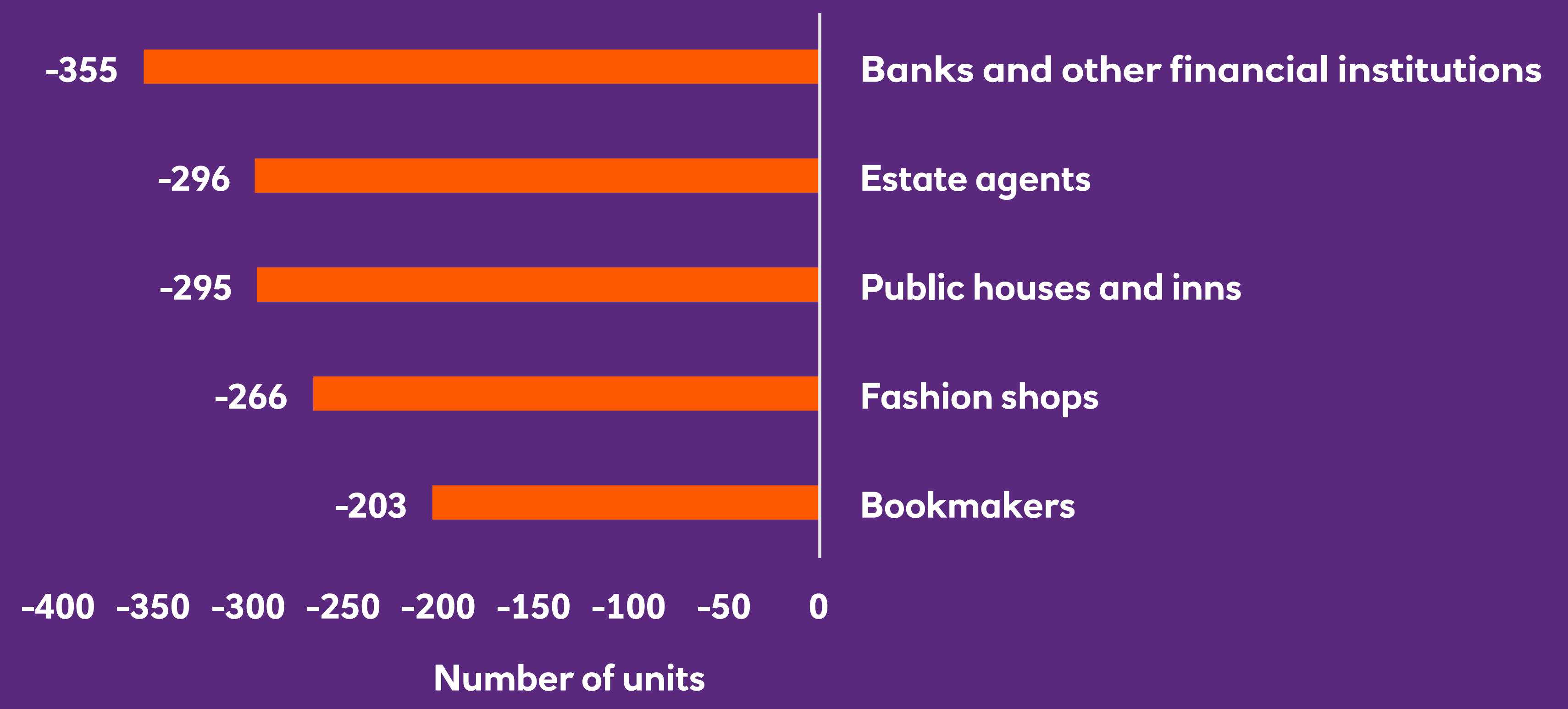


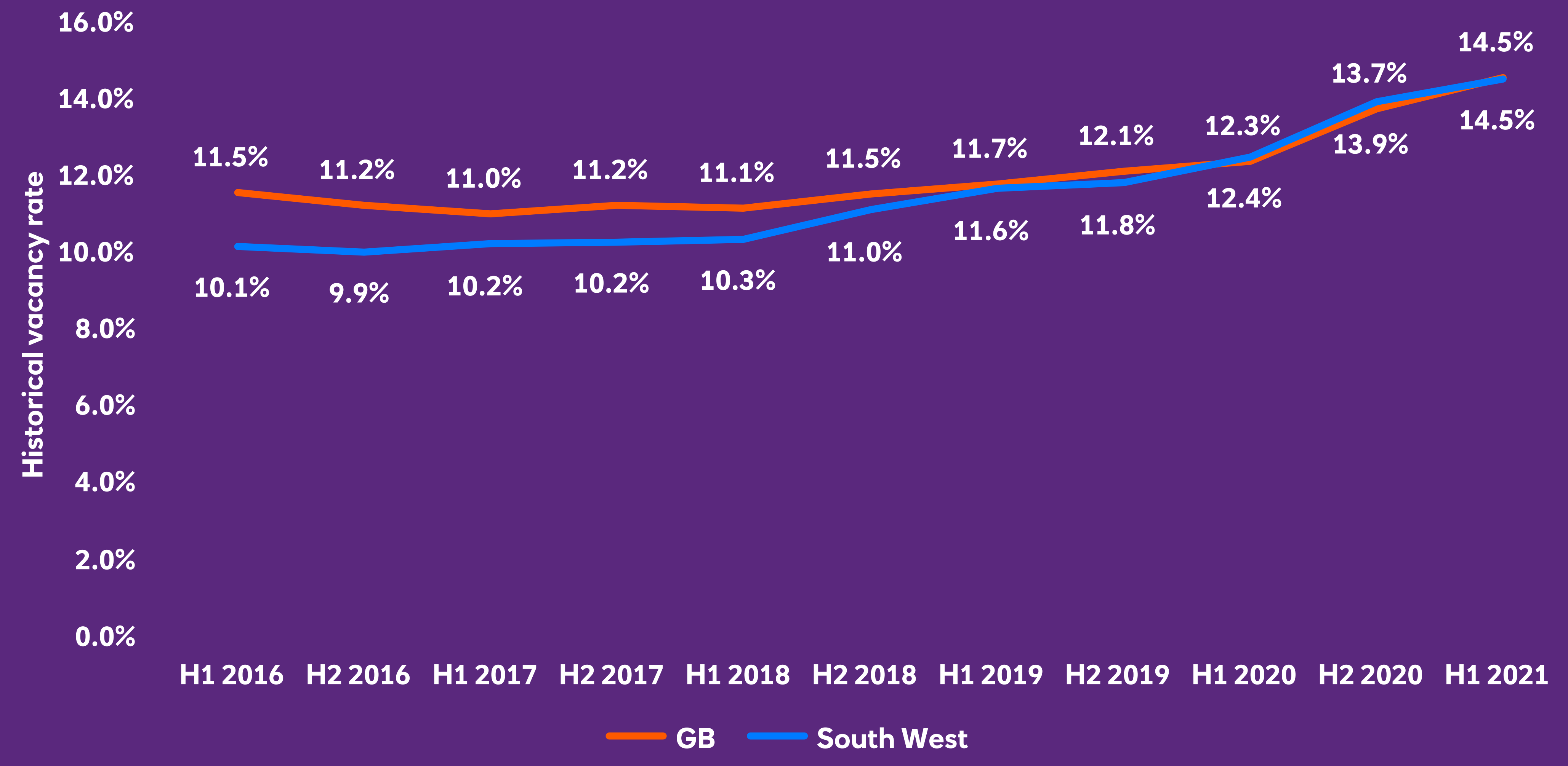
Figure 3: The 5 fastest growing and declining categories across the South East by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in the South West

Key findings

- Vacancy across the South West has tracked at a lower level than the national average for the majority of the five year period from 2016 – 2021. Vacancy dropped to a low at 9.9% in H2 2016 but increased in 2018 as Company Voluntary Arrangements (CVA) and administration activity filtered through into the market.
- The onset of the COVID-19 pandemic caused vacancy to rise slightly above the GB average for the first time in H1 2020, as the enforced temporary closure on trade for non-essential retailers resulted in a wave of permanent closures.
- The lack of densely populated town centres in the South West meant the region was unable to benefit from the growth seen across other regions in fast food and convenience retail. This is reflected in the loss of convenience stores seen during the five-year period, bucking the trend seen across the rest of the country.
- The South West is likely to see improved performance in H2 2021, as continued restrictions and uncertainty around international travel will boost domestic tourism in hotspots such as Cornwall and Devon.
- Mirroring the national trend, barbers, beauty salons and nail salons have seen the fastest growth since 2016, mostly driven by independent businesses.
- Fashion shops feature in the fastest declining categories, with the South West losing the 3rd highest number of fashion shops of all GB regions. Nearly 1 in 5 fashion stores have closed in this geography since the onset of the pandemic (19.1%), reflecting the challenge faced in finding new occupants for these units n the region.

Historical vacancy rate



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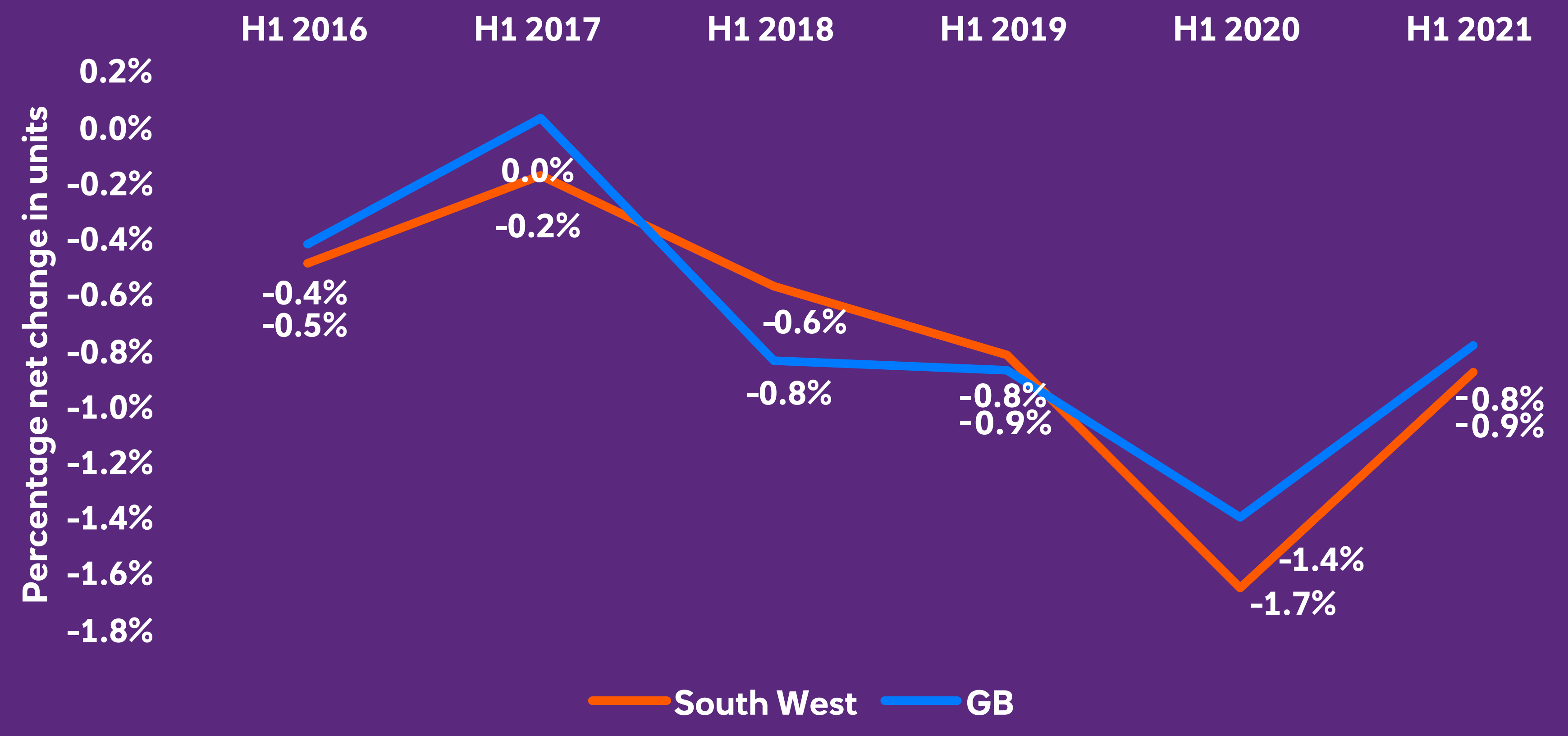
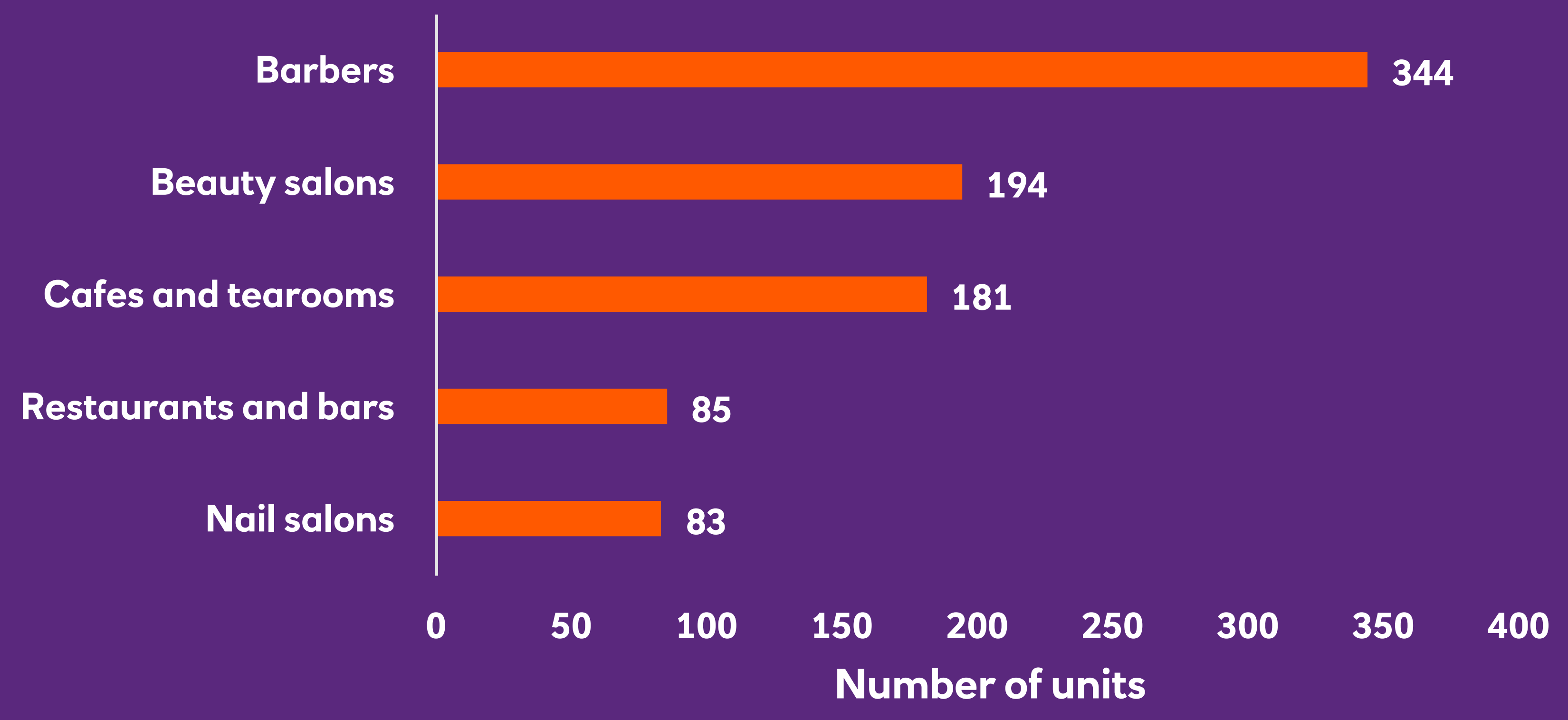


Figure 2: Historical percentage net change in units across the South West benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)

Top five fastest growing subcategories



Bottom five declining subcategories

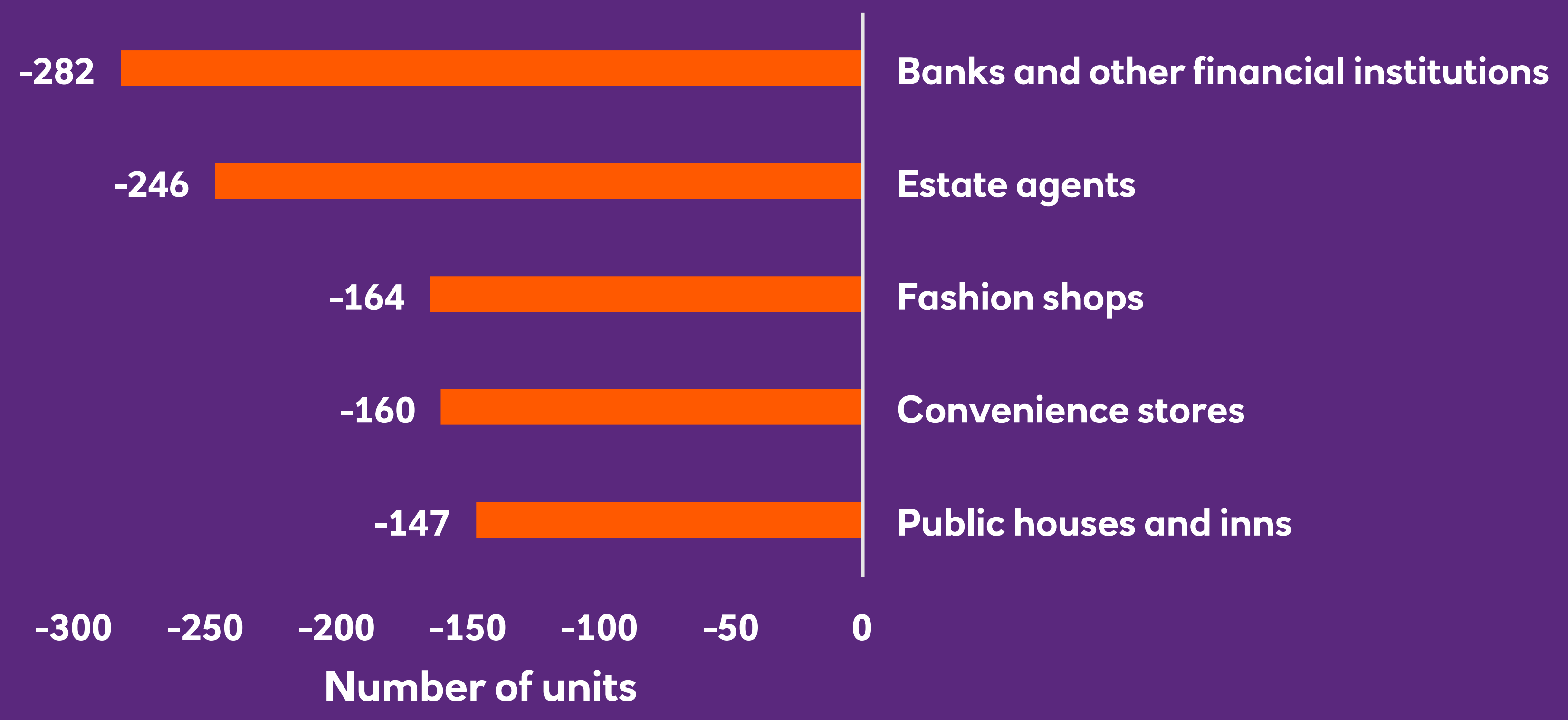


Figure 3: The 5 fastest growing and declining categories across the South West by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in the West Midlands

Key findings

- Vacancy across the West Midlands has tracked above the GB average throughout the five year period from 2016 – 2021, peaking at 17.5% in H1 2021.
- Since the onset of the COVID-19 pandemic, the West Midlands has felt the impact of restrictions in H1 2020, resulting in a net loss of 1.3% occupied units, still slightly less than the GB average. However, this only improved to -1.1% in H1 2021 despite the recovery seen across other regions.
- Similar to the national trend, barbers and beauty salons were two of the fastest growing categories across the West Midlands.
- Women's clothing was the fastest declining category in the West Midlands across the five-year period, reflecting how exposed the region was to the consolidation taking place across the fashion market.
- The departure of John Lewis from Birmingham was a significant loss to the city, with the store only having opened in 2015 after a £35 million investment. Along with Sheffield, Birmingham was the only other city centre to lose three department stores (Debenhams, John Lewis and Heal's). However, demand for office space in Birmingham office is increasing, with office deals up 12% higher in Q2 2020 than its ten-year average - the only GB city centre to see this growth (Source: Avison Young).

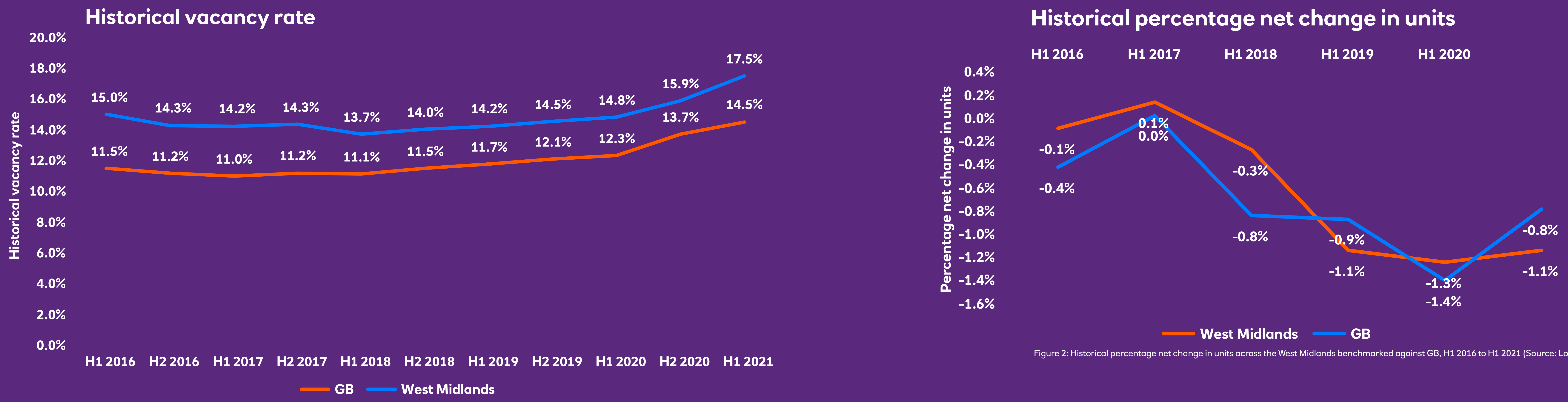


Figure 1: Historical vacancy rate across the West Midlands benchmarked against the GB average, H1 2015 to H1 2021 (Source: Local Data Company)

Figure 2: Historical percentage net change in units across the West Midlands benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)

Figure 3: The 5 fastest growing and declining categories across the West Midlands by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

Investing in Yorkshire and the Humber

Key findings

- Vacancy across Yorkshire and the Humber has trended above the GB average for the five-year period from 2016 - 2021, rising to 17.6% in H1 2021 – the highest since LDC records began in 2013. However, this region has been slightly more resilient during the pandemic, with vacancy increasing by 2.0% between H2 2019 to H1 2021, lower than the national average increase of 2.4%.
- Of all regions, Yorkshire and the Humber was impacted the most by Company Voluntary Arrangements (CVA) and administration activity in H1 2018, reflected in a 1.8% net decline in occupied units in 2018. The region is showing signs of improvement, with a lower net decline of 0.6% in H1 2021 compared to the GB average of 0.8%.
- Similar to the national trend, barbers, beauty salons and nail salons all featured in the fastest growing categories in Yorkshire and the Humber.
- Sheffield has been hit hard by department store closures with Debenhams and John Lewis closing since the onset of the pandemic, which will have a significant impact on footfall levels across the city. However, Sheffield has a large catchment and a shortage of housing which will bring opportunities as shown by the NewRiver deal to acquire The Moor with residential development at the core of their business plan.

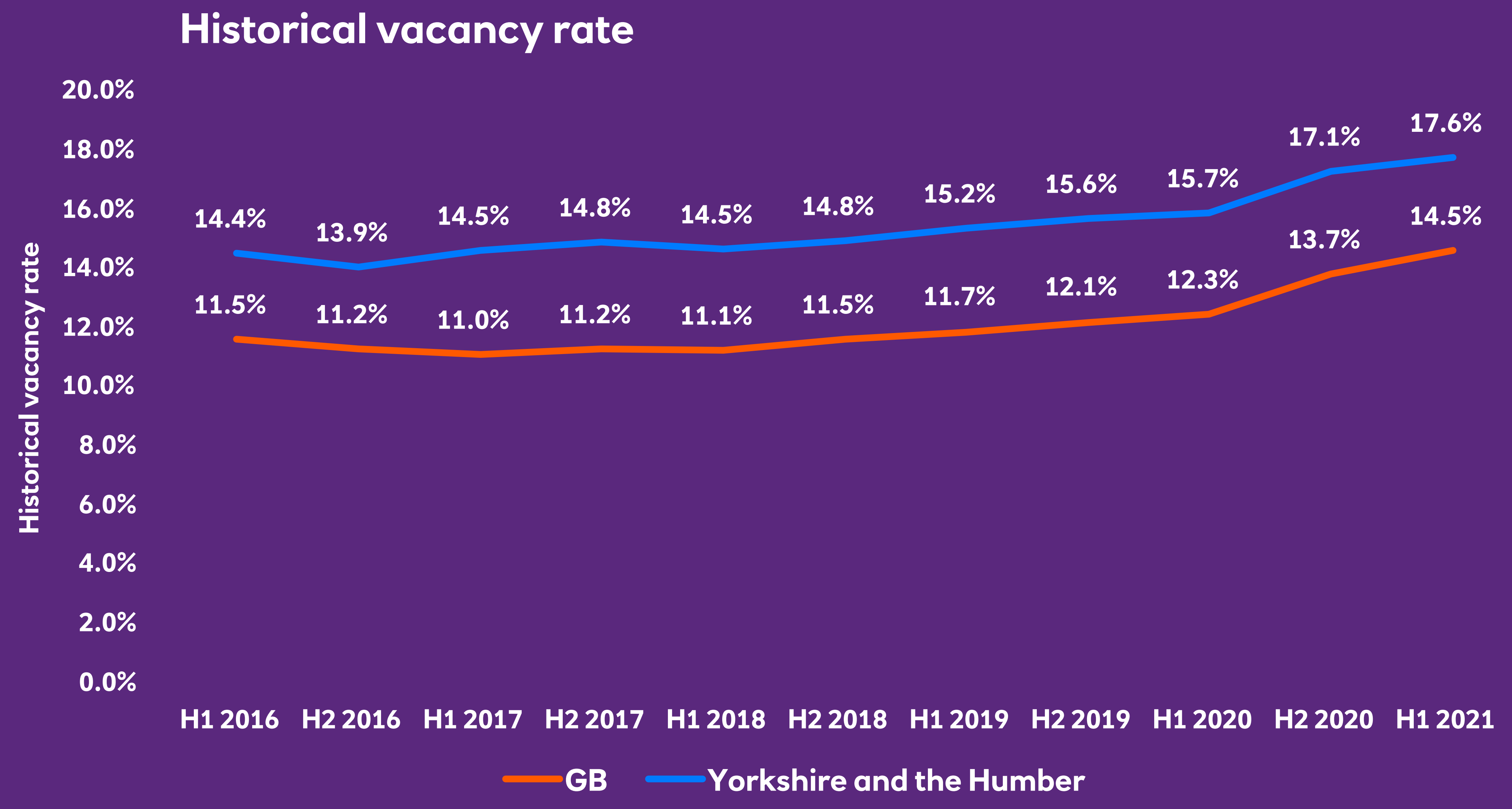


Figure 1: Historical vacancy rate across Yorkshire and the Humber benchmarked against the GB average, H1 2016 to H1 2021 (Source: Local Data Company)

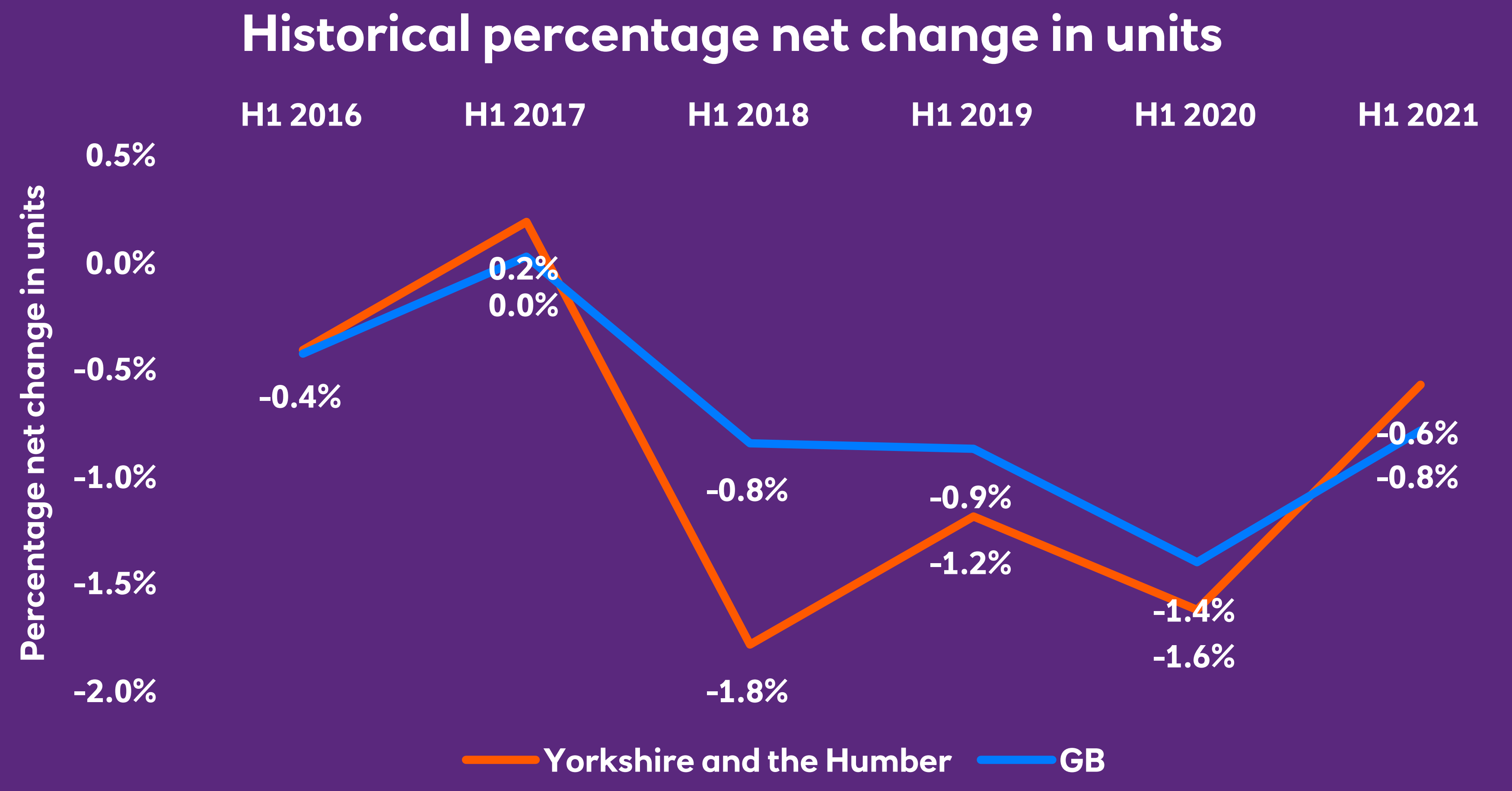
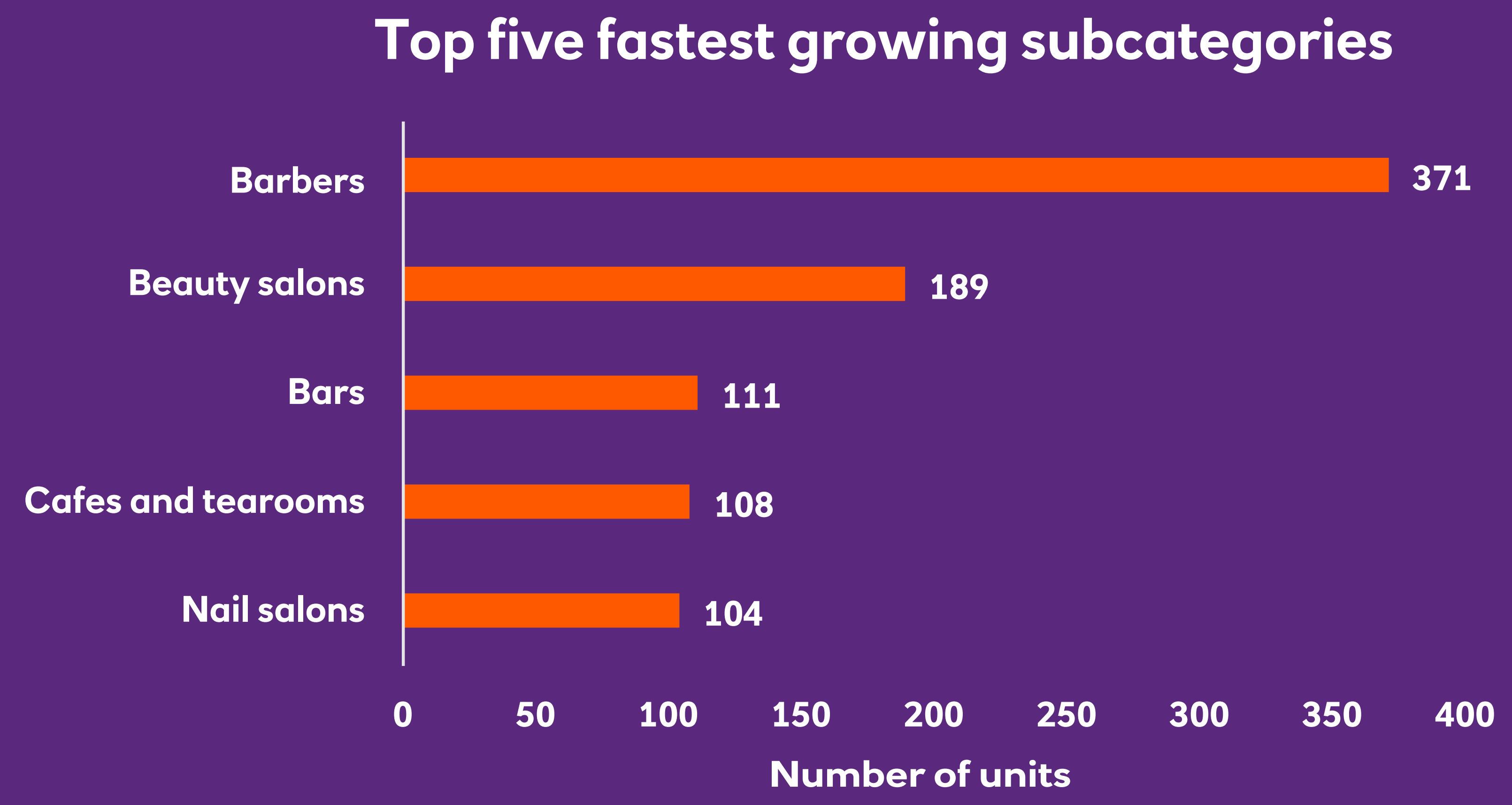


Figure 2: Historical percentage net change in units across Yorkshire and the Humber benchmarked against GB, H1 2016 to H1 2021 (Source: Local Data Company)



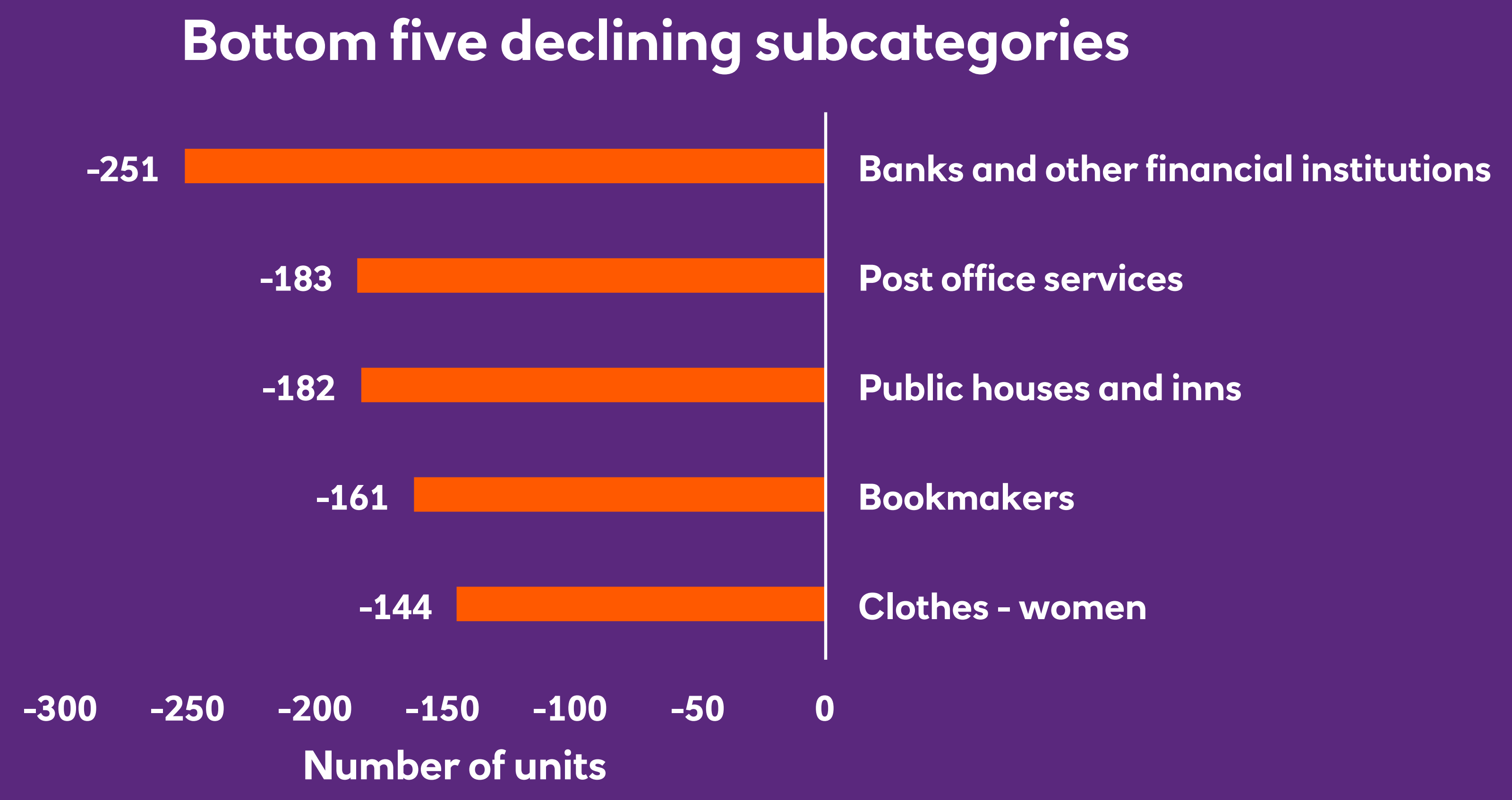


Figure 3: The 5 fastest growing and declining categories across Yorkshire and the Humber by net change in units, H1 2016 to H1 2021 (Source: Local Data Company)

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