

Retail North East

Autumn 2011



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New Faces at Retail North East

It is always good to welcome new faces to the Retail North East Team and this time is no exception. We have two new starters in our Newcastle office and one in our Teesside base.

Ben Cox, formerly of Gateshead Council and DTZ, has joined the Newcastle office as an Associate Partner. As well as a new job, Ben has a new addition to his family and we wish him many congratulations. He will deal with Metrocentre lettings and acquisition work for Greggs Plc as well as a number of high street disposals around the North East.

Lauren Young joined us in May and is already making her mark on Newcastle City Centre and Eldon Square in particular. Formerly with storeys:ssp, Lauren combines academic excellence (degree and post graduate diploma) with five years of commercial agency experience and sound retail experience - gleaned from her time pounding the pavements and marble of the world's best shopping destinations! Lauren is dealing with Eldon Square lettings, Cobalt Retail and other high street disposals.

Ben and Lauren are based in our Newcastle office and work alongside Bob Fletcher.

Tom Osborne will assist Andrew Wilkinson in our Teesside office as part of our retail team in the south of the region. Tom already has experience in the agency sector and is looking forward to building the Tees Valley retail offering with Andrew.



Left to right:

Ben Cox
Lauren Young
Tom Osborne

Mary Portas – Queen of ...?

In an extraordinary move akin to his controversial but short lived appointment of a different media 'expert' (now deeply embroiled in the phone hacking saga), David Cameron has appointed TV presenter Mary Portas, (Mary, Queen of Shops etc) to lead a review on the future of the high street as part of the Government's Growth Review.

The Prime Minister has said: "The high street should be at the very heart of every community, bringing people together, providing essential services and creating jobs and investment - so it is vital that we do all we can to ensure they thrive. Portas's no nonsense approach will help us to create vibrant and diverse town centres..."

She will address issues such as the problem of vacant shops and clone-towns, look at new business models for the high street that fit the needs of the modern shopper, and consider how to increase the number of small and independent retailers operating in the local town centres.

Portas is tasked with identifying what "...government, local authorities and businesses can do to promote the development of more prosperous and diverse high streets".

Doesn't that sound good? A fairy godmother of town centres ready with a magic wand and pixie dust - but is there any likelihood of cash/action or is this another PR exercise?

There is no doubt there are some fundamental issues which should be considered, many of which have already been aired in the national, regional property and specialist retail press.

These include:

- Upward only rent reviews
- Length of leases
- Occupational cost – rent and service charges
- Rates
- Car parking charges – lack of local authority understanding
- Accessibility
- Growth of online business
- Out of town food and non food retail competition



Bob Fletcher
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It would be easy to blame greedy landlords; the proliferation of out of town schemes; the influence of multiple retailers etc but these are soft targets when there are a whole host of factors in play here which have equal relevance.

Landlords have, with few exceptions, embraced the problems and have adjusted their requirements on terms and occupation costs (rent) to more affordable levels. Rental levels have fallen dramatically from 2007 peaks.

Lease terms are becoming, by and large, less onerous. Ten-year terms, with a break in year five, are becoming much more commonplace.

As for the out of town developments which now circle most towns in the UK, what will Mary do about these? Shutting the gate after the horse has bolted is not a practical option. These developments are here to stay. Towns need a clear strategy to attract consumers back into their centres and make it more convenient and enticing to shop in these locations and perhaps more controversially, less attractive in the out of town developments..?

Independent and multiple retailers both have roles to play in the success of any town centre. The engagement of multiples in individual town centre initiatives needs to be encouraged. To blame them for town centre decline is unfair. Playing one off against the other is not going to solve the problems. Local retailers need to be assisted to grasp the opportunities which now exist. Perhaps subsidies for local start up retailers could be entertained with rate free periods as well as landlord contributions.

Local authorities also need to play their part with car parking charges for local authority owned town centre car parks being one issue which should be carefully considered. At the same time, 'free' car parking in out of town locations should also be addressed and the imbalance re-adjusted in the town centre's favour.

Rates are another issue with the increasing burden placed on commercial businesses for profligate local authority spending being a constant bug bear for the individual rates payer concerned. More accountability is essential.

The internet seems to expand exponentially year-on-year. There seems to be no retail category untouched by its influence. How can this powerful channel be used to benefit those retailers operating within town centres?

And finally, there is Mary Portas herself. She has made it her business to attack multiple retailers and the staff who work for them in her latest TV offering. On the other hand, clients of her PR agency, Clarks and Matalan, escape without criticism. Can she be truly independent?

We hope she is the right person for the job with the right team around her to arrive at meaningful and well considered conclusions after taking in all points of view. We hear she has recently called in a number of retailers for a discussion over a sandwich lunch – hopefully she will do the same with property owners, local authorities and other town centre stakeholders.



Conclusions which are capable of being implemented are more important than platitudes and meaningless sound bites – let's have a proper discussion based on actual facts rather than political and hysterical press commentary.

That achieved, hopefully she will then have the clout to persuade the Government to take action.

Shrewd move or another dead-end PR stunt?
We shall see.

Let's have a meaningful discussion based on actual facts rather than political and hysterical press commentary.

Our Clients

Middleton Grange Shopping Centre continues to gather pace

Sanderson Weatherall has recently been appointed as letting agents for Middleton Grange Shopping Centre in Hartlepool by owners, Premier Property Group Ltd (PPG).

Middleton Grange is the fourth largest shopping centre in the North East. Built in the late 1970's, the centre has been transformed into a modern covered scheme with a wide range of local and multiple retailers. With over one million people within a 30-minute drive time and an immediate catchment of 182,000, the centre has plenty of potential. It benefits from over 1,200 adjacent car parking spaces and easy public transport accessibility.

PPG's enthusiasm in terms of attracting new tenants to the scheme has been backed with a £3million package of improvements, and it is only a matter of time before Middleton Grange regains its position in the retail hierarchy.

As part of the refreshment program under consideration, it became apparent that a fresh approach to letting the scheme was also required and the owners began to consider alternative agencies for the letting role. We were invited to pitch our ideas and strategy, along with a number of London-based and national agencies. Following individual presentations, Sanderson Weatherall was chosen to work alongside Leeds-based Central Retail.

Bob Fletcher and Andrew Wilkinson are now in place and already deals have been agreed and completed. New retailers include Bhs who has taken the former Woolworths store in the main town centre square and will give the scheme a long overdue boost. Further lettings are due to be announced shortly, including a number of relocations and expansions designed to enhance the mix and quality of the retail offer within the scheme.

There are still a number of interesting opportunities available. Bob and Andrew await your calls!

With over one million people within a 30-minute drive time and an immediate catchment of 182,000, the centre has plenty of potential.



For further details of units currently available in Hartlepool speak to Andrew Wilkinson or Bob Fletcher on 01642 426900

Our Clients

Alnwick, 69-72 Bondgate Within redevelopment brings new 'lease' of life

A collaboration of skills within Sanderson Weatherall's Newcastle office has combined recently to create an attractive and commercially successful property development in the heart of historic Alnwick's town centre.

Neglected and unrepaired since it was 'refurbished' in the 1980's, 69-72 Bondgate Within stood vacant for over two years after occupier, Select went bust and then Greggs relocated after a lease expiry.

Over an extended period, a succession of agents tried and failed to let the existing space. At a loss as to what to do next, the landlord turned to Sanderson Weatherall's Retail North East Team for help.

Confident that the right product would achieve the right results, Bob Fletcher (Retail Agency), Lee Sanderson (Architecture) and Kenny Hiles (Building Surveying) developed a strategy to retune the Grade II listed building within a conservation area to 21st century requirements.

The old configuration comprised of two shops, a very wide main unit (formerly Dixons and then Select) and a small corner unit (formerly Greggs) neither of which were of interest to the few known retailers in the market at the time (Easter 2010).

Lee Sanderson, Retail North East's specialist interior designer, together with our building surveyor, Kenny Hiles, worked up a scheme to enhance and repair the fabric, re-arranging the building internally to provide usable, lettable space. We also refitted the interior and replaced the substandard shop fronts. All of this had to be sensitive to the listed nature of the property and the town's conservation area.

The result was delivered on time and to budget and was part pre-let to Costa, Whitbread's Coffee operation which is already trading better than anticipated.

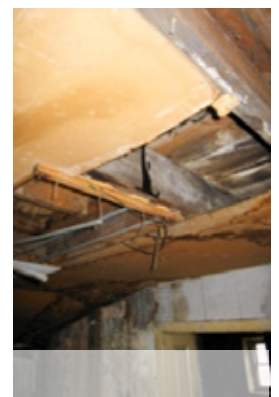
The remaining unit is of interest to a number of local and national retailers.

Our team has also recently collaborated on another project in Northallerton providing space for Majestic Wine and Pets at Home (see the Teesside office report for more information).

If you think our skills might work for you give us a call, we'd love to repeat our success on your problem property.

Call Bob Fletcher or Lee Sanderson on 0191 261 2681

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Market Analysis and Activity

Our retail property specialists analyse the trends, deals, movers and shakers in their areas...

Analysis From Our Newcastle Office

A number of deals have been completed in the first two quarters of 2011 but the interest from retailers has been patchy. Once again, the best locations and more affluent towns have fared better than those less prosperous destinations. In addition, there has been an unusual amount of deals done on the larger stores available in the region.

At long last the largest Woolworths in the UK has been let. The 50,000 sq ft store in Metrocentre has actually been extended to provide 75,000 sq ft of retail space. Primark is currently fitting it out and will open this autumn. Primark's existing unit in the Red Mall has been re-let quickly to a major fashion retailer from the US.

In Hartlepool, Bhs has acquired another former Woolworths in the town square of Middleton Grange Shopping Centre totalling 40,000 sq ft. This will open in early 2012.

In another deal involving Bhs, it has taken an assignment of Next's old 35,000 sq ft store on Northumberland Street in Newcastle's prime pitch, and has simultaneously assigned its leasehold interest on the adjoining store to Primark which in turn will double Primark's sales floor space in the highly sought-after location.

Also in the city centre, Next's new 62,000 sq ft flagship store in Eldon Square opened in May. It's adjacent to St Andrew's Way and is trading well above expectations.

At Cornmill Shopping Centre in Darlington, Debenhams has just announced plans to open a new department store. This move represents the final 'nail in the coffin' for the Oval scheme opposite, as Debenhams was signed up as the anchor store.

Back to Newcastle's Northumberland Street and Newcastle Collectables has surrendered its basement lease to the landlord who has re-let the space to Clas Ohlson the Swedish department store, selling homeware, hardware, electricals, multimedia and leisure goods. This store has recently opened and brings a new concept and name to the city.

Otherwise, the well-documented difficulties in the region continue to depress the mass market and there has been a distinct lack of activity particularly in the smaller, less affluent towns across the North East.

There are always exceptions of course and the long-awaited arrival of US retailer, Urban Outfitters, is about to come to a conclusion with the opening of its Newcastle store in Grainger Street later in 2011. The three-storey unit will combine the former Jigsaw store with the market space above. Aviva, the landlords, are not saying what the deal is but it is likely to be concessionary in this market.

In addition, Lush and Hotter have acquired new stores in Eldon Square and Calvin Klein and Jaeger have taken stores in the city centre. There is an encouraging level of other multiple and local retailers considering opportunities.

Metrocentre has seen the arrival of new stores for Boux Avenue and Pandora as well as for Primark. Caffé Nero will open in the upper mall above Town Centre Square later this year and Wagamama has opened in the Qube.

Hammerson, the property investor developer, has had a busy time in the region, recently having acquired the Monument Mall Shopping Centre in Newcastle from the Kuwaiti owned St Martins Property Corporation. Plans to reconfigure the centre are currently being considered. Hammerson also own Cramlington's Manor Walks Shopping Centre which is five miles to the North of Newcastle. It's about to announce an operator for its 12-screen cinema development on the former garage site which went out to tender in July 2011.

In Silver Street, Durham, acting for a private investor, Sanderson Weatherall has agreed terms to take a surrender of Arcadia's lease (Top Shop and Dorothy Perkins will relocate into Bhs) and have re-let the store to Superdry at an enhanced rent with minimal incentive. Superdry should commence trading in October. This is the first truly open market deal in Silver Street for a number of years and reflects the demand for prime space in wealthy locations.

Prospects for the next few months look relatively encouraging and we have a number of units in both Eldon Square and Metrocentre due to complete shortly. In Hartlepool, we are witnessing a similar situation with several deals in the pipeline.

Costa continues to blaze the acquisition trail in the smaller market town locations, with a new store in Alnwick. Whilst White Stuff and The White Company have acquired premises in Morpeth. In a counter cyclical move, niche fashion retailers Joules and Jack Wills are keen to add stores in affluent market towns within the region.

Hopefully the economic situation will soon be resolved without too many more casualties and false dawns. However, I have a feeling we are not over the worst yet.



Bob Fletcher
Newcastle Office
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...and in the Food Sector

On the food retail side, the 'big 4' supermarkets continue to expand. Due to the scarcity factor, the food sector retailers are strongly focused on the convenience market, although available sites for superstore development are attracting a healthy premium.

Tesco and Sainsbury's are well represented in this sector with their 'Express' and 'Local' formats but their two main rivals, Asda and Morrisons have lacked presence. Asda's purchase of Netto has provided them with approximately 150 stores nationally, suited to a smaller trading format. North East stores to witness this rebranding have recently included Felling Bypass with others to follow shortly.

Morrisons recently opened its first 'M' store in Ilkley, as part of a three-store trial of a convenience store format to compete with its competitors. Assuming it's a success; expect to see this concept grow rapidly in the next few years.

Asda's forced divestment of stores by the OFT due to the Netto purchase has also seen opportunities for a new discount food entrant – UGO Stores. UGO is associated to the troubled Haldane Retail Group that recently went into administration. It is understood that UGO stores will, in the majority of cases, be unaffected by this. UGO has recently opened in Ashington, Stanley and Hartlepool with a fascia not unfamiliar to its predecessor.

Whilst opportunities for superstore development are scarce, the new store pipeline is still moving forward.

Terrace Hill has made strong progress in this market, having completed deals in Bishop Auckland and elsewhere and is currently considering a number of opportunities. New Sainsbury's and Tesco superstores are on their way in Sunderland, at Southwick and Sunderland Retail Park respectively. There was also the good news earlier this year that Gateshead Council had finally signed a development agreement with Spennithorne for the Trinity Square scheme in Gateshead that will deliver a new 180,000 sq ft Tesco anchored retail centre as well as up to 45 new retail units and 900-bed student accommodation for Northumbria University. Enabling works are currently being conducted with the main contract due to commence this autumn.

And finally, Marks & Spencer is taking a 50,000 sq ft store at the old Kingston Park Shopping Centre to join Next and Boots, relocating from their Simply Food store in the retail park opposite.

This market appears to be recession proof at the moment as the appetite for small and large food and convenience stores remains undiminished.



Analysis From Our Teesside Office

What does Tees Valley Retail even mean? To put this in context, to us it forms the geographical area encompassing North of Thirsk up to South Durham, across the coast to the East, and West to the M6. The purist would disagree and tell you that Tees Valley is Redcar, Middlesbrough, Stockton and Darlington but all this is really just semantics!

This area boasts university status with its Durham University Queen's Campus at Stockton on Tees and the Teesside University Campus in Middlesbrough and also now Darlington. It has its fair share of prosperous market towns such as Yarm, Northallerton and Guisborough to name but a few; all with good retail requirements but limited availability.

Yarm and Northallerton continue to go from strength-to-strength with no obvious recessionary pressures. Indeed, Northallerton is a town which is boasting a new retail development on the edge of town which has been 100% pre-let before a single spade went into the earth. It has also been forward sold by way of an advanced investment purchase, de-risking the whole project for the private owner and Caddick Developments, who Sanderson Weatherall brought in to build the scheme. The development will comprise of an 8,100 sq ft retail park with two units let to Majestic Wine Warehouse and Pets at Home. Work on site will start this month.

This has been another Sanderson Weatherall team effort incorporating planning, architectural and design, retail agency and investment funding expertise to deliver the complete package for our client.

Generally on the high street, there are a noticeable number of voids which have cropped up through national retailer demise but positively, in a number of cases, through retailer expansion there has been encouraging take-up.

We recently completed a deal to upsize Poundland on behalf of Aviva in Captain Cook Square, Middlesbrough, where it increased from a circa 3,000 sq ft unit into a unit of 10,500 sq ft. The store is doing 'great guns' and is reflective of value-led retail hunger which is dominating this Teesside retail area. We have also let 7,500 sq ft to Poundstretcher at The Pavilion Shopping Centre in Thornaby.

On a smaller scale, high street lettings on 1,000 to 2,000 sq ft units in secondary, edge of prime locations remain buoyant, with lettings to Ladbrokes, BrightHouse, Bertie Menswear and Cheque Centre all completed recently.



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This market appears to be recession proof at the moment.



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We must live with what we have and instead of looking back at 'what if', look forward.

Billingham's town centre is a good example where real progress has been made along the route to its regeneration and refurbishment. The town has only one remaining vacant unit. The strategy from owners, Stockland, over the last five years has created the opportunities for development within the town centre for food stores and other multiple national retailers. It is no secret that it's Stockland's intention to withdraw from the UK market and Billingham will at some point during 2012 be sold with a new owner to pick up the mantle. There are a number of very interesting opportunities here for a proactive developer with deep pockets and a keen eye to spot the angles.

Generally, across Teesside, some rents have been rebased reflecting anything from a 10 to 35% reduction on historic highs but it is evident that the offer of flexible lease terms, modest incentive packages in most cases and lower rents is attracting new retailers, regional and national to the region. We are letting them as fast as we can get them on the books. If you have a shop unit that is struggling to re-let or you have an impending lease renewal, we would like to hear from you!

Out of town, Teesside Retail Park remains the primary retail destination for the area with rents of over £45 per square foot. As we commented generally above, there have been many critics of the park which on the face of it has been to the detriment to towns like Stockton on Tees. The other side of the argument though is that while Stockton may have come off worse, other towns such as Middlesbrough, Billingham and Thornaby following its regeneration / development have fared better.

Playing devil's advocate, one might wonder whether this significant out of town retail destination in fact supports other town centre visits, by drawing people out of the rural areas of the region to seek niche and independent retail in the town centre as part of their shopping habit. We must live with what we have and instead of looking back at 'what if', look forward.



Analysis From Our Leeds Office

In the Yorkshire region most of the retail talk seems to relate to shopping centre development and the big question, "will they, won't they?"

Well, in Wakefield, "they did", with the successful completion of Trinity Walk which opened in May this year. This was one of only three shopping centres to open in the UK in 2011.

Developed by Sovereign Land in partnership with Shepherd Construction and AREA Property Partners, the 500,000 sq ft scheme has over 40 shops and approximately 1,000 car park spaces. Anchored by Sainsbury's and Debenhams other tenants include Next, ASDA Living, H&M and River Island. The scheme is approximately 90% let.

In Leeds, "they are", with Land Securities' new million square foot development also called Trinity. The building is coming out of the ground at a rate of knots with the principal frame already substantially complete, and the new signature and state-of-the-art roof now being constructed. The scheme is 60% pre-let 18 months before the anticipated centre opening date which is a fantastic achievement.

Trinity Leeds incorporates the former Plaza Shopping Centre that is being completely remodelled and will link to the prime pitch areas of Briggate and Commercial Street, and also into the existing Marks & Spencer store which is being extended to 155,000 sq ft as part of the development. This scheme will be the only opening between autumn this year and 2014.

Due to open spring 2013, lettings have already been concluded with the likes of Hollister, Cult, Mango, Next, Top Shop/Top Man, and H&M amongst others. The three most recent lettings to Mango, Fraser Hart and Giraffe are also all new to Leeds. Perhaps the biggest surprise was the announcement that Primark would open a new 90,000 sq ft store in the scheme, its second in the city. This is one of five stores that Land Securities have let to Primark in the last 12 months, perhaps demonstrating a buying power that the retailer itself would be proud of.

Land Securities' confidence in the Leeds market no doubt stems from its success at its other centre, White Rose. With just 1% void, and that under offer, the scheme has been a clear success since it opened over 14 years ago. The most recent additions have been a 20,000 sq ft H&M, Lipsy, Blue Inc. and Garage. Planning permission was obtained earlier this year for an additional 45,000 sq ft of which 20,000 sq ft will be used to improve the catering offering with new restaurant operators.

Elsewhere in the region, developers are saying it is not a question of "won't they" just when and in what form. Hammerson has two schemes planned in the region, 'Eastgate' in Leeds and 'Sevenstone' in Sheffield.

In July this year, Leeds City Council resolved to grant outline planning for a revised smaller scheme at Eastgate which will comprise some 130 new retail and leisure units and total around one million square feet. Anchor stores are rumoured to be John Lewis and Marks & Spencer but as yet there is no announcement as to when work will start or indeed finish.

The 860,000 sq ft Sevenstone scheme in Sheffield was put on hold in 2008 but Hammerson has just signed a new development agreement with Sheffield Council. A review of the scheme is underway ahead of a revised planning application later in the year but no hint as to when the scheme will start on site.



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Schemes are being delivered successfully despite current market challenges, with more in the pipeline to follow...

There has been a similar situation in Bradford with the Westfield development which was also put on hold in 2008 (with part of the site being converted into a park!). A new application for a reduced scheme has just been submitted, however again, a delivery date still seems some way off.

The long-awaited Barnsley Markets development is still proposed to start on site next year with a predicted opening date of 2015. Whilst we hope this does happen, it may be a little ambitious at this time.

The scheme we want to see come to fruition is the extension of the Coppergate Centre in York. We acted on this proposed development for Wimpey, now Taylor Wimpey Plc (one of its former owners) back in the early 90's. Now, after a number of unsuccessful attempts to reach an agreement on the design and form of the scheme with the city council, new plans are being drawn up.

Coppergate was bought by La Salle Investment Management in 2007 and it is working with urban regeneration specialists Centros, to bring the scheme forward. The city needs this scheme to be delivered if it is to continue to compete with the likes of Leeds.



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