Retail and Leisure Trends Report Summary

H1 2017

Turning Point

A report by LDC

Dynamic Location Intelligence

Published September 2017

Data to the end of June 2017

The full report for H1 2017 (of which this is the summary) provides a unique set of new data, providing the Who?, the What? and the Where? of Retail and Leisure developments in Great Britain in H1 2017. It delivers a basis for answers to the Why? questions and it sets the scene for the big question that everybody is asking – What's next?

Key findings

Retail and Leisure vacancy improved and more businesses opened on the high street than closed in the first half of 2017. Across 2016 the net loss in numbers of units had been greater than -1,600 but in H1 2017 it returned to growth. Between them, the leading retailers opened thousands of fresh new shops. Independent Service Retail and Leisure businesses led the way in overall openings.

By Midsummer's Day 2017, levels of activity in openings and closures had fallen to a five-year low. At the end of the second quarter, more shops were closing than opening.

Vacancy, which had resumed its long-term improvement after a pause in 2016, fell throughout most of the period and then, right at the end, began to increase again.

Image 1: Aerial view of The Trafford Centre, Manchester (Photo taken by Neil Mitchell)

Openings and closures of Retail and Leisure units H1 2017

The first half of 2017 produced a small net surplus of Retail and Leisure units and a marked turnaround from the same period in 2016. Since Christmas, openings exceeded closures and across the half year they produced an overall net increase in occupied units. Across H1 2017, activity levels in both openings and closures have fallen and in the last two months of the half year, openings dropped more quickly than closures. By the end of June, early gains in the number of occupied Retail and Leisure units were beginning to be eroded.

Net openings and closures of Retail and Leisure units across GB, H1 2016 against H1 2017

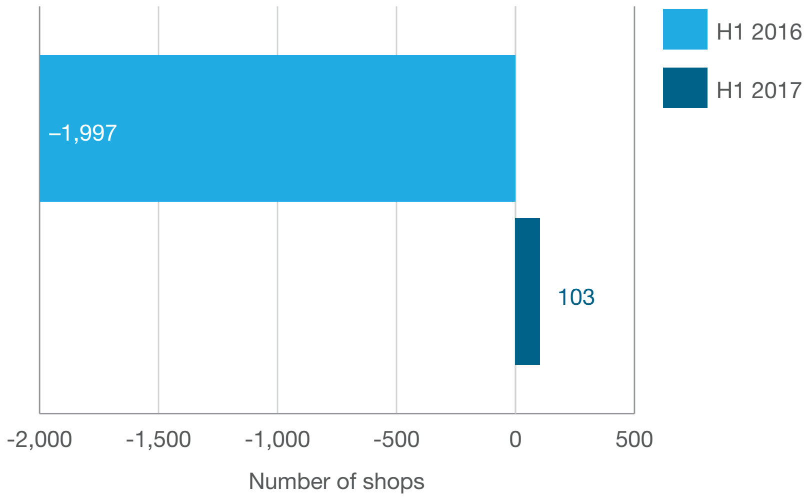

Figure 1: Net change in number of Retail and Leisure units across GB, H1 2016 against H1 2017 (Source: LDC)

Openings and closures of Retail and Leisure units across GB, Jan 2016 - Jun 2017

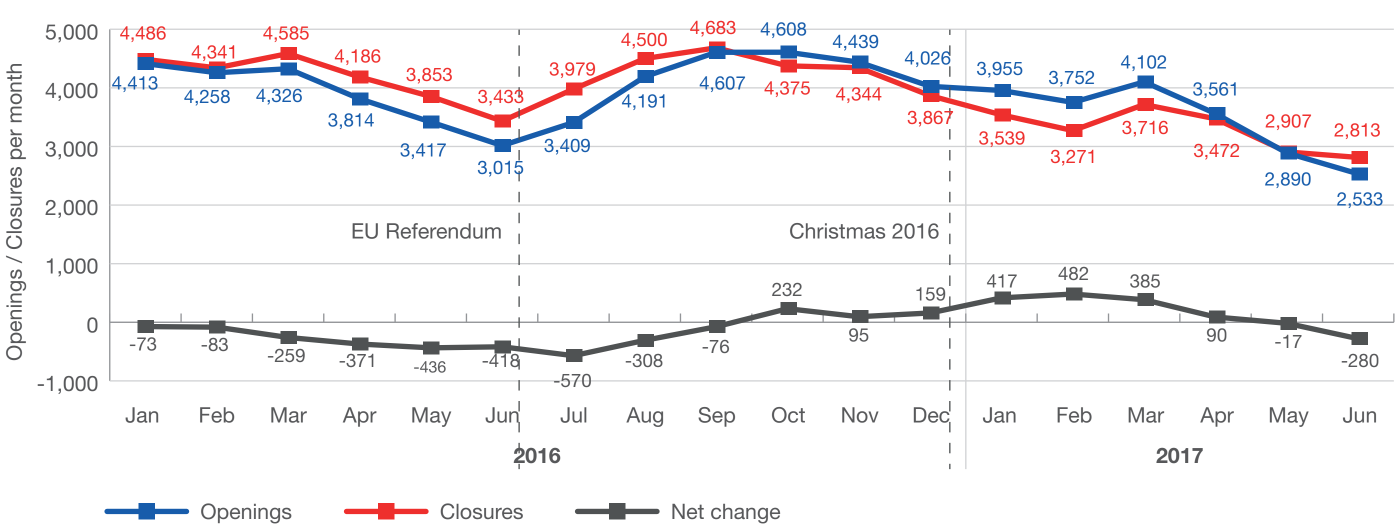

Figure 2: Openings and closures of Retail and Leisure units across GB, three month rolling averages, Jan 2016 - Jun 2017 (Source: LDC)

Openings and closures by location type

The different types of location tracked by LDC experienced remarkably varying fortunes in the first six months of 2017. All but one, Standalone, enjoyed net growth. High Streets and Shopping Centres returned to expansion. In the matching period a year before, only Retail Parks had grown. Whilst the net rise of +103 units may seem small, it stands in sharp comparison to the net loss of -1,997 a year before. Even the drop of -94 in the Standalone category is an impressive improvement on the fall of -1,499 in H1 2016.

Openings and closures by category

Comparison Goods (non-food) retailers led the way in numbers of both openings and closures in H1 2017. This category was also the only one of the four (Leisure, Service Retail, Comparison Goods Retail and Convenience Retail) to book a net drop in numbers (-665). Leisure and Service Retail continue to provide growth, with their combined additions outweighing the decrease of Comparison Goods shops.

Convenience Retail, as analysed in LDC's 2017 report on Supermarkets, Discounters and Convenience stores, is growing at a very slow net rate (+18 in H1 2017) the race for space having come to an effective halt in 2016.

Openings and closures of Retail and Leisure units across GB by category, H1 2017

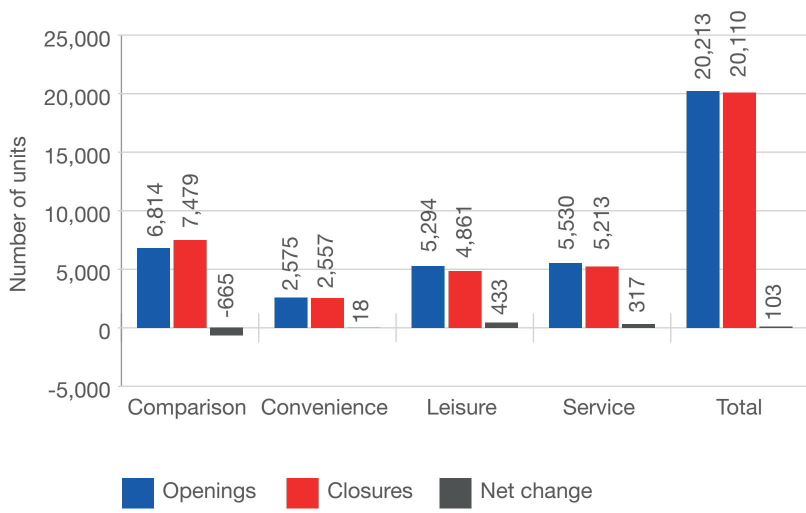

Figure 4: Openings and closures of Retail and Leisure units across GB by category, H1 2017. (Source: LDC)

Net openings and closures of Retail and Leisure units across GB by location type, H1 2017

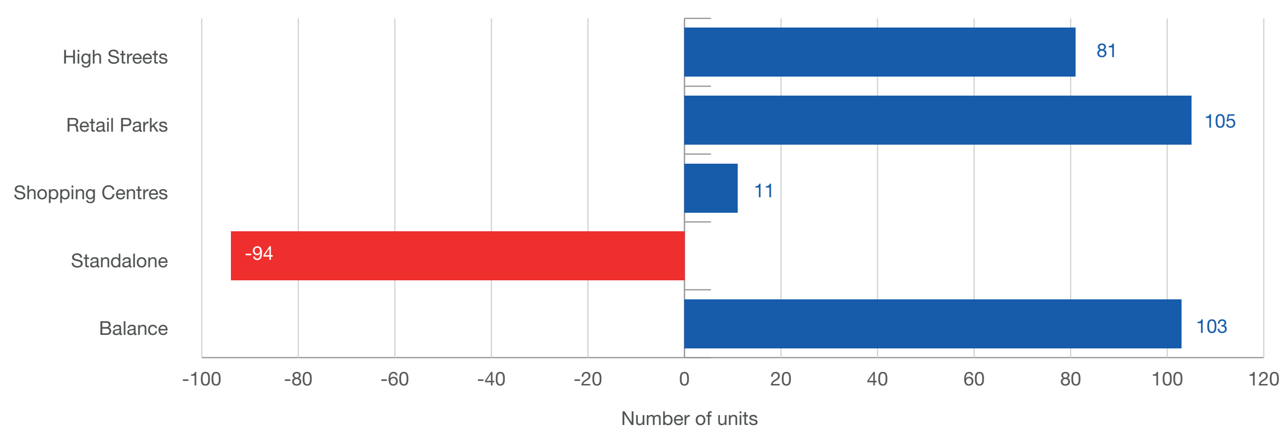

Figure 3: Net openings and closures of Retail and Leisure units across GB by location type, H1 2017. (Source: LDC)

Net openings and closures of stores by classification across GB, H1 2017

The top five sub-categories for growth in H1 2017 are the same top five for growth over the past five years.

Between them they added a net +7,008 outlets over five years from 2012 - 2017. Service Retail and Leisure openings continue to lead the risers chart. Only one Comparison Goods Retail class makes the Top 10 - mobile phone shops - arguably vendors of service contracts as much as suppliers of handsets. Two Convenience Retail classes make the elite list - growth in the traditional-sounding Tobacconist sub-category being driven by the switch from smoking to vaping.

One is particularly interesting: Estate Agents dropped in number by -91 in H1 2017, when across the previous five years they had gained +134. As a percentage of the total of 13,486 premises tracked by LDC the loss is small, but is interestingly timed, coinciding with warnings that low-cost, fixed price alternatives such as Purple Bricks are beginning to reshape this market. The newer model of agency still features real people and agents, but makes online operation the default and cuts out high street shop fronts. The ready availability of information online on the big property websites is also diminishing their traditional role. A recent report from accountancy firm Moore Stephens suggested that 19% of agents are showing signs of 'financial distress'.

Bank branches fall out of this top 10 for the first time in a long while. They are still declining, reducing by -49 in H1 2017, but this is at a lower rate than across the past five years, where the reduction has been 1,646, with more than 18% of branches closing since H1 2013.

Data on fastest growing fasciae by category can be found in the full version of the report.

Top 10 classifications ranked by numbers of net openings, H1 2017

Rank	Classification	Up /Down/ =/New	Category
1	Barbers	↑	Service Retail
2	Beauty Salons	↑	Service Retail
3	Cafes & Tearooms	↑	Leisure
4	Convenience Stores	New	Convenience Retail
5	Tobacconists / Vaping shops	↓	Convenience Retail
6	Restaurants & Bars	New	Leisure
7	Mobile Phones	=	Comparison Goods Retail
8	Coffee Shops	↓	Leisure
9	Nail Salons	↓	Service Retail
10	Pizza Takeaway	↑	Leisure

Table 1: Top 10 classifications ranked by numbers of net openings across GB, H1 2017 (Source: LDC)

Top 10 classifications ranked by numbers of net closures, H1 2017

Rank	Classification	Up/Down/ =/New	Category
1	Public Houses & Inns	↑	Leisure
2	Clothes - Women	=	Comparison Goods Retail
3	Newsagents	↑	Convenience Retail
4	Bookmakers	New	Leisure
5	Shoe Shops	↑	Comparison Goods Retail
6	Estate Agents	↑	Service Retail
7	Charity Shops	New	Comparison Goods Retail
8	Card & Poster Shops	New	Comparison Goods Retail
9	Petrol Filling Stations	↓	Convenience Retail
10	Stationers	New	Comparison Goods Retail

Table 2: Top 10 classifications ranked by numbers of net closures across GB, H1 2017 (Source: LDC)

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Openings and closures of Multiples and Independents

Looking at H1 2017 against the same period a year before, the numbers of multiple stores (brands with more than five stores nationally) are still falling, and doing so in every category. However, the cumulative reduction in numbers is less than a third of the 2016 total.

Independents have cranked up their six-month net gain from just +4 in H1 2016 to +762 in H1 2017, more than making up for the number of closures by multiples. Only independent Comparison Goods retailers continue to decline. Convenience Retail is in growth, but that growth has also moderated. Independents in Leisure and Service Retail have powered ahead in H1 2017.

Image 2: Independent shop, Windermere (Source: LDC)

Net openings and closures of Multiples and Independents, H1 2016 compared to H1 2017

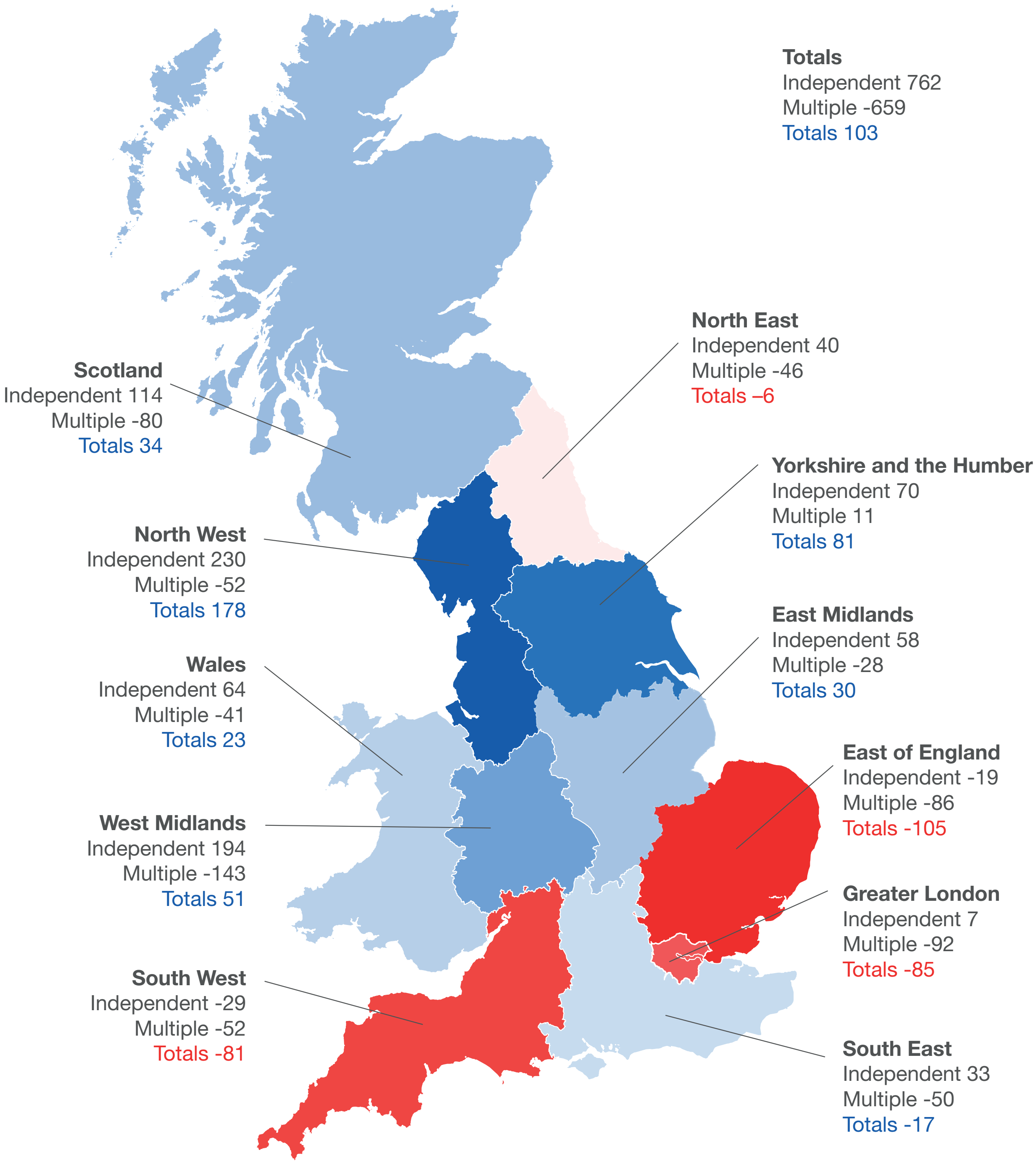
	Comparison Goods Retail	Convenience Retail	Leisure	Service Retail	Total
Multiple					
H1 2016	-685	-452	83	-947	-2001
H1 2017	-69	-6	-42	-542	-659
Independent					
H1 2016	-698	219	45	438	4
H1 2017	-596	24	475	859	762

Table 3: Net openings and closures of Multiples and Independents across GB, H1 2016 compared to H1 2017 (Source: LDC)

Openings and closures by nations and regions

Multiples declined in every Nation and in every Region except Yorkshire and the Humber, with the steepest falls in the West Midlands and Greater London. Independents, on the other hand, grew everywhere except in the East and South West of England.

Net openings and closures of Multiples and Independents by region/nation across GB, H1 2017



Map 1: Net openings and closures of Multiples and Independents by region/nation across GB, H1 2017 (Source: LDC)

Vacancy

The number of empty shops has been falling gently and consistently for five years, however the graph twitched upwards at the end of H1 2017.

The LDC Retail & Leisure vacancy rate stood at 11.1% on New Year's Eve, having declined from 11.5% at the beginning of 2016, following a pause in the second half of the year. As 2017 began, vacancy started to fall again and then, in the second quarter it recommenced rising.

Vacancy rates across different location types

Retail Parks continued to benefit from the lowest rate of vacancy among location types at the end of H1 2017.

Although they only house one in 40 stores in Britain, they are purpose built for retail, attracting increasing numbers of leisure operators (e.g. Coffee shops) and have the free parking they need right at hand to attract consumers. Towns have a range of vacancy rates from zero to 31.5%, yet still have an overall Retail & Leisure vacancy rate that is lower than Shopping Centres.

Retail Parks have also seen the quickest reduction in vacancy, from 5.6% at the turn of the year to 5.1% by the middle of the year. All three location types showed improvement across the six months, as overall, Retail & Leisure vacancy fell from the figure at the end of 2016.

Retail and Leisure vacancy rate, H1 2016 – H1 2017

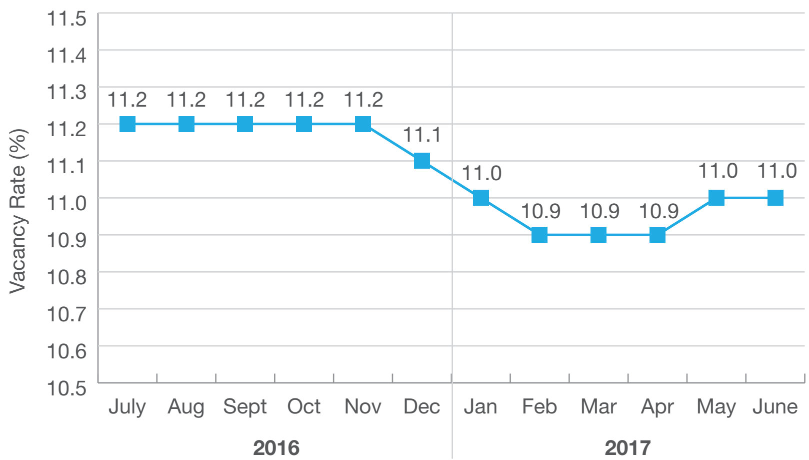


Figure 5: GB Retail and Leisure vacancy rate, H1 2016 – H1 2017
(Source: LDC)

Retail and Leisure vacancy rate by location type, H1 2017

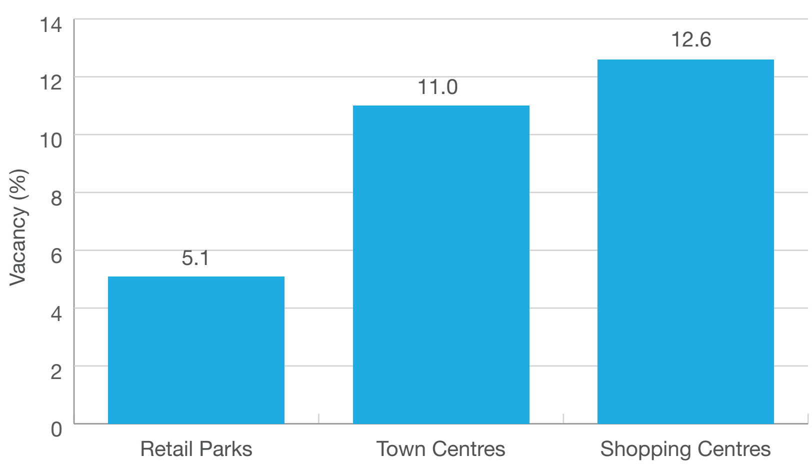


Figure 6: GB Retail and Leisure vacancy rate by location type, H1 2017
(Source: LDC)

Retail and Leisure vacancy rates by region of England, H1 2017

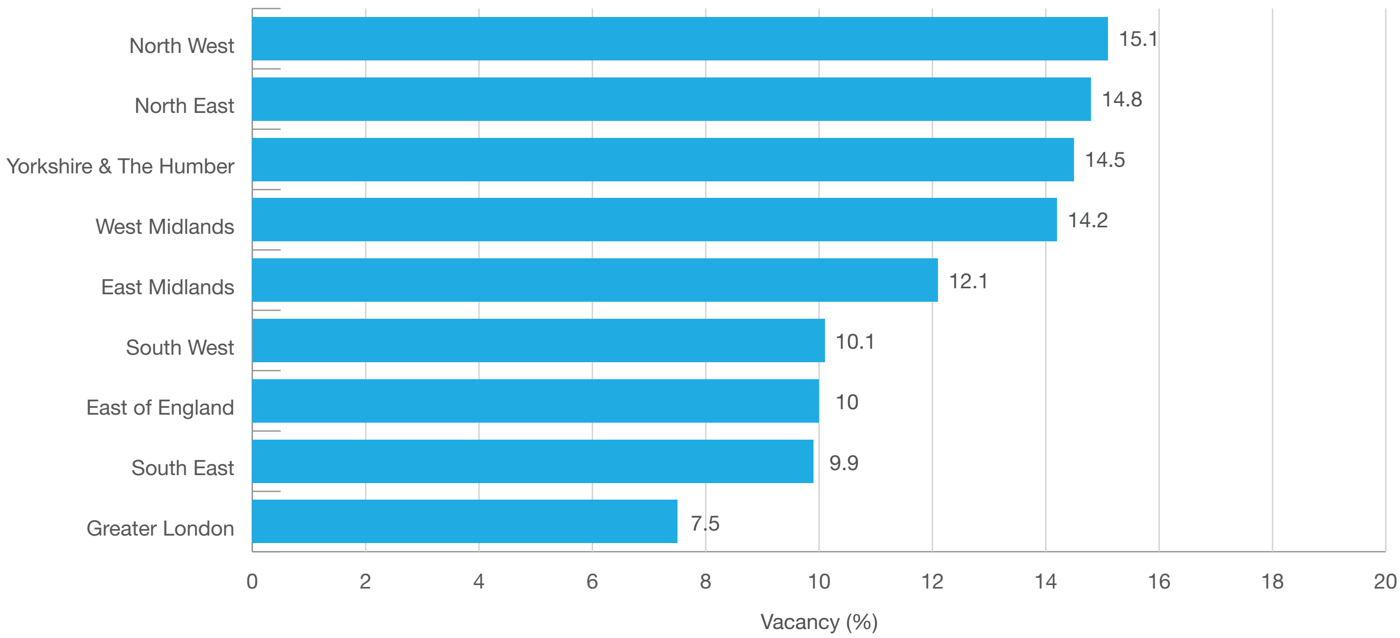


Figure 7: Retail and Leisure vacancy rates by region of England, H1 2017 (Source: LDC)

Vacancy by region across GB

Since the end of 2016, only three regions have seen any increase in vacancy, Greater London (up +0.1%), the South West (up +0.1%) and Yorkshire and the Humber with the biggest increase, of +0.6%. The best, and doubtless very welcome decrease was in the North West, which improved by -0.2%.

Data on GB towns with the highest and lowest vacancy rates, along with changes since H1 2016 can be found in the full version of the report.

Image 3: Vacant unit, Bournemouth

Dynamic footfall intelligence

LDC measures footfall for retailers, leisure operators, councils and BIDs, employing footfall sensors using LDC's unique technology, which can be distributed around an area to produce finely-grained data.

One fresh example of dynamic monitoring can be found in London, where in early August major rebuilding work began at Waterloo station. Operators warned commuters of severe disruption lasting from August 5 until August 28. The Federation of Small Businesses (fsb) warned that the effects on footfall would have "lasting implications for small businesses already on tight margins." LDC has a number of footfall sensors within the area as part of a relationship with the local Business Improvement District (BID), WeAreWaterloo.

Footfall dashboard showing data from the Waterloo area on August 2017

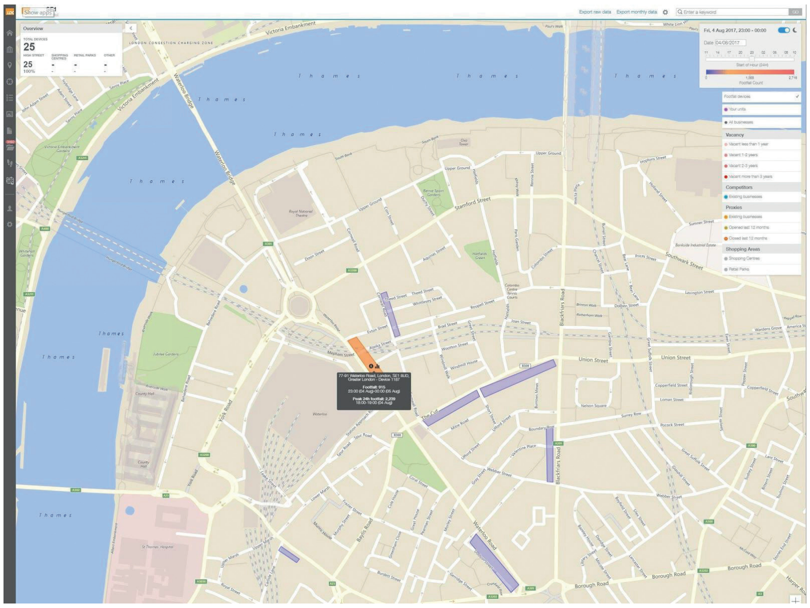


Figure 8: Footfall dashboard showing data from the Waterloo area on August 2017 (Source: LDC)

So what actually happened during this period?

The most dire warnings turned out to be too pessimistic. Having risen in early August, footfall outside the station itself, in Waterloo Road, dropped by just -2.5% from the preceding week.

The overall change in the area from the week preceding the onset of works was a reduction in footfall of -9.75%, doubtless unwelcome to traders in the area (one retailer in Lower Marsh reported a fall in turnover in the first week of -12%) but not a catastrophic fall either.

LDC's new Footfall Heatmap

We are delighted to introduce a new, dynamic, online footfall heatmap which will enable retailers, leisure operators, councils, local authorities, BID leaders and investors to view micro-locational footfall trends around their estate or any given location of interest.

The heatmap will enable easy analysis of hourly, daily and weekly footfall trends, enabling users to drill down to street-level data and customise the way that it is viewed.

The heatmap includes features such as the ability to switch between day time vs night time economy views, color coded visualisation of footfall densities and the ability to add layers of LDC's dynamic location data to gain the full context of a location and what might be impacting the footfall flows in that area.

For more information on LDC's Footfall Heatmap, please visit www.localdatacompany.com/footfall or contact the team at sales@localdatacompany.com

Commentary

Matthew Hopkinson, Director, LDC

There was a striking turnaround in the first half of 2017 in comparison to 2016, in the balance of shop openings and closures. Last year saw a net fall of in numbers of nearly -2,000 stores operating between January and June. This year has seen an improvement of more than +2,000 from the 2016 result, with net growth increasing the number of shops on our high streets, albeit only by +103 shops overall.

This year began strongly, with a continuation of the bounce in the amount of activity in the market that began in the second half of 2016. From Autumn through to Spring more shops opened than closed as both multiples and independents continued to demonstrate their entrepreneurial drive. The vacancy rate among Retail and Leisure shops began to edge downward again in late 2016 and this continued through until this Summer.

Measured across the whole six-month period in 2017 activity was buoyant, numbers increased, vacancy fell.

Only right at the end this half-year have we seen evidence that might give reason to temper optimism. Openings have slowed sharply, to their lowest levels for the past five years. Closures are rising. Net growth has turned to net decline in shop numbers. Vacancy has stopped falling and begun to rise.

The market was poised, at the half year marker. Was it on the verge of another second-half bounce as in 2016 or will the falling graphs continue to head downwards?

About LDC

LDC is the UK's leading data creator using real people on the street to acquire the most up to date, on demand location and company specific data for the retail and leisure sectors. It combines powerful proprietary technology with a unique, field researched database of over half a million premises. LDC delivers primary evidence on thousands of companies and locations, including high streets, town centres, shopping centres, retail parks and standalone out of town stores.

LDC brings data alive and delivers clarity through its integration, aggregation and highly visual delivery along with unique modelling and analysis carried out in partnership with the UK's leading universities. It provides online insights and indices, bespoke reports and advice to the UK's leading retailer and leisure occupiers, investors, landlords, banks, councils, business improvement districts and the media.

Author

Michael Weedon, Content Editor at LDC

Disclaimer

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

.Methodology

1. 'Shops' refers to Convenience Retail, Comparison Goods Retail and Service Retail only.

2. "All vacancy" and "Retail and Leisure Vacancy" refer to shops and leisure classifications, including hotels, entertainment, restaurants, fast food and bars.

3. Each 'Centre' refers to the Communities and Local Government (CLG) retail core boundary definition with the exception of Scotland.

4. Each centre has been physically walked and each premises recorded as vacant, occupied or demolished as recorded on the day of survey.

5. Vacant units are those units which did not have a trading business at that premises on the day of survey.

6. The figures include vacant units within shopping centres where we have had co-operation from the shopping centre owner/management.

7. Centres are updated on 6 or 12 month cycles according to LDC update plan.

8. Changes in vacancy rates are percentage point increase/decrease.

9. Centre descriptions are as follows:

   - Large centres are locations with 400+ shop premises.

   - Medium centres are locations with 200-399 shop premises.

   - Small centres are locations with 50-199 shop premises.