

# State of the retail NATION

**Shopping Centre's annual survey of centre managers' attitudes and expectations reveals an industry that is still under unprecedented pressure**

**T**he results from the second annual *State of the Retail Nation* research are in. *Shopping Centre's* exclusive industry-wide survey, conducted by shopping centre research specialist Business Blueprints, paints a mixed picture of the current conditions in the shopping centre industry in the UK today.

Paul Latimer, director of research at Business Blueprints said: "We have seen some very promising results compared to last year, but there are still a long way to go until we are back to normal. There are still a lot of cost saving measures being implemented by centres, big and small, and some uncertainty about the state of the national economy."

In 2009 'unit or store closures' was most often mentioned as the biggest challenge facing a scheme, and although the proportion giving this response in the 2010 survey has fallen slightly it is still managers' biggest concern, with over half of all centres worried about it.

There has been a big increase in the challenge being posed by 'the recession', despite it being officially over for several months. Nearly half of all schemes cited 'service charge savings'; slightly increased compared to previously.

Interestingly 'footfall', which had been the second most common concern in 2009, fell sharply this year, possibly indicating that footfall trends are recovering well. The other area that also showed strong growth was that of 'maintaining good service' being mentioned twice as often this year.

*"There is still a lot of cost saving being implemented by centres big and small"*

Looking ahead, the biggest challenges looming for the industry were 'increasing sales/spend', 'driving footfall' and 'keeping retailers', each with around half of all schemes seeing this as a major target. Many fewer centres were concerned about 'reducing service charge' in the coming months than we saw last time.

This was reflected in the number of schemes which were coming

under pressure from retailers to reduce the service charge, down to 41 per cent from 47 per cent last year.

Our survey shows that on average, the service charge in shopping centres is still falling, with an average reduction of 1 per cent from last year. While this is still falling, it is not falling as fast as last year's 3 per cent average drop, and service charges are not predicted to fall further.

*"The average number of voids has fallen to 6 per cent from 10 per cent a year ago"*

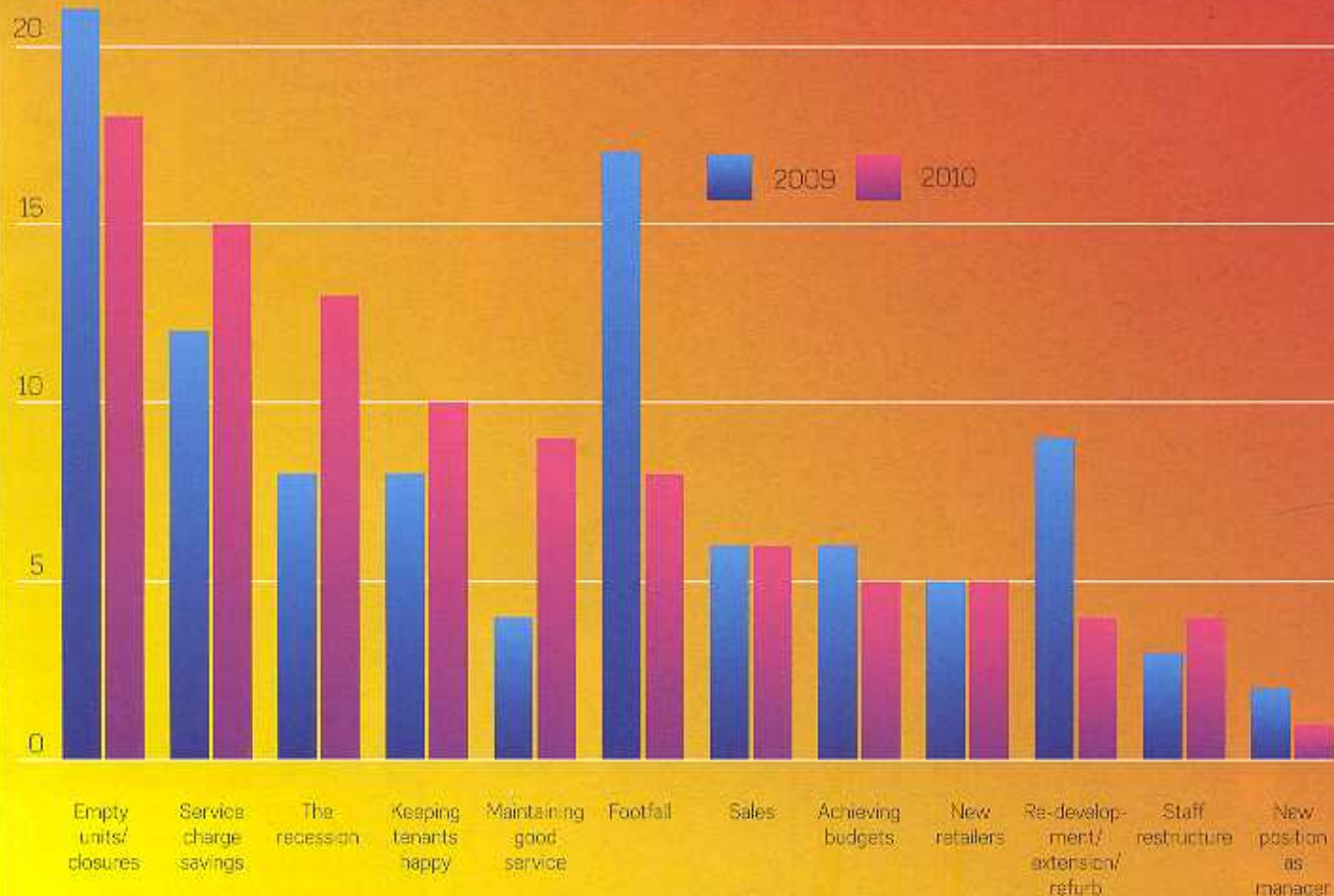
The pressure for monthly rents also appears to be reducing. In our survey this year not a single respondent was considering making monthly rents standard, and less than one-in-ten schemes already offer them - last year nearly half of all schemes gave one of these responses. Around two thirds of centres are still considering monthly rents on a 'case-by-case' basis.

Despite empty units still being the biggest challenge of the last 12 months, the average number of voids in a scheme has fallen to 6 per cent from 10 per cent a year ago. No centre managers we spoke to had more than 20 per cent voids, and one-in-ten had no voids at all - a small increase from last year. Fully half of all schemes had 5 per cent or less of their stores vacant. These results are also reflected in the comparison of voids year-on-year. 40 per cent of shopping centres had seen a reduction in the number of empty units and less than a quarter had seen an increase: a marked difference from last year. In 2009, 58 per cent of schemes saw their number of voids rise.

For those centres that had seen a fall in occupier demand, half of them were already starting to see the trend reverse.

Once again the researchers asked centre managers to rate current levels of consumer confidence. In 2010 although we had no 'very good' responses the proportion of positive responses overall increased from around one-in-four last year to more than one-in-three this year. Slightly more were 'neutral' this year vs. a

## THE BIGGEST CHALLENGES FACING CENTRE MANAGERS



year ago; however the proportions giving ratings of 'quite poor' or 'very poor' fell sharply.

We also asked for a prediction amongst those who felt that consumer confidence was either 'quite poor' or 'very poor' exactly when they felt they were likely to see a turnaround in confidence. A year ago this was felt to be on average 12 months away, this year that had encouragingly dropped to only nine months.

For 2010 we also explored the potential impact of tax rises and public spending cuts. Almost all respondents felt that this would impact them to some extent. Around one-in-five believing this impact would be 'a lot' and a little under two-thirds stating they saw this as having 'a little' impact.

Business Blueprints' Paul Latimer remains positive about the state of the retail nation. 'This year's survey gives greater grounds for optimism, based on the last twelve months. In general, occupier demand appears to be stronger and there is a greater air of confidence about the future among centre managers than there was last year.

"The key challenge ahead will be maximising shopper conversion and spend, which is something that centre management teams are uniquely placed to orchestrate," Latimer concludes. ■

**Find out more:**

For more information, please contact the author or visit the website:

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