

State of the NATION

To celebrate its relaunch, *Shopping Centre* commissioned an exclusive survey of centre managers from Business Blueprints to find out what's happening out on the malls.

Market research specialist Business Blueprints was commissioned by *Shopping Centre* to take the temperature of the industry. Over 120 centre managers responded and the results show that malls across the country are under pressure.

Those who were interviewed managed a range of different sized schemes. 43 per cent had less than 50 tenants, 39 per cent had between 50 and 99 tenants and 18 per cent managed centres with more than 100. At the top end, 3 per cent were responsible for schemes with more than 200 units.

Asked what had been their biggest challenge of the last 12 months, the managers said rising void levels was their biggest headache with 21 per cent identifying it as the key challenge in the current market.

The average number of voids across our sample of centres interviewed was 10 per cent. This hides a range from 39 per cent in one case, to 7 per cent of all malls which reported having zero voids.

In comparison to last year, only 4 per cent reported their position on voids being 'much better' while another 14 per cent felt the situation was 'a little better'. However for many as 44 per cent the position was 'a little worse', and for 14 per cent 'much worse'.

But many managers were more concerned with other issues: 17 per cent said maintaining footfall was their biggest problem. Interestingly, given the publicity the issue has attracted, only a little more than one in ten mentioned 'service charges'. Only 8 per cent gave 'keeping tenants happy' as their response and as few as 4 per cent cited 'maintaining good service'.

Looking ahead to the next 12 months, the most common challenge was 'retaining existing tenants', identified by 20 per cent. Respondents were equally concerned about 'filling voids', 'reducing the service charge', 'driving footfall' and general 'cost control'.

Despite the high profile given to the service charge in recent months, it is significant that less than half (47 per cent) of all centre managers surveyed had themselves received direct pressure from their own tenants to reduce their service charges.

Among those who have come under pressure to make cuts, the key actions that centre managers have been taking have been to 'better manage and so reduce expenditure' (26 per cent), while one-

fifth had been 'reviewing and/or renegotiating supplier contracts'. 'Redundancies' were specifically mentioned by 10 per cent of respondents, and 6 per cent were 'capping or reviewing salaries'.

However, even those who had not received direct pressure from their own tenants were conscious of the need to ensure that they provided value for money. Several respondents mentioned the 10-point plan that has been agreed between landlords' and retailers' trade bodies but felt that they were already actioning most, if not all, of these initiatives.

CHANGING TIMES

Asked how their service charge levels have changed this year against the previous 12 months, 26 per cent of shopping centres have actually increased their service charge. Amongst this group, the majority had seen increases of up to 5 per cent. And only 1 per cent of all respondents had increased their service charge by more than 10 per cent.

The largest group (24 per cent) had reduced their service charge by between 5 per cent and 10 per cent, with more than one in ten reducing charges by over 10 per cent. Overall the weighted change across our total sample was a reduction of 3 per cent.

Technical note

In a study of UK shopping centre managers sponsored by *Shopping Centre* magazine, Business Blueprints conducted a telephone survey during Spring 2009 to better understand current trading conditions in UK shopping centres.

The study sought to speak directly to shopping centre managers to assess their views on the UK economy, current trading conditions as well as their outlook for the near future.

Fieldwork took place during May 2009 using a database of centre managers. In total more than 300 contacts were made generating some 100 responses. Telephone responses were subsequently boosted by emailing the survey to named contacts who it had not been possible to reach by phone. This increased the overall sample size to 120 completions.



However, it is worrying that very few malls are achieving the double-digit cuts in service charge that retailers have been led to expect, and this could presage more pain to come for managers and suppliers as budgets have to be reworked in accordance with the agreed ten point plan.

The researchers also asked our respondents what their current position was on offering monthly rents. While 21 per cent said they already offer this to their tenants, a further 22 per cent are considering making this available. One in three already 'consider individual monthly rent applications on their respective merits'. Only 10 per cent have 'no intention' of offering monthly rents at all.

LOOKING TO THE FUTURE

Asked to look into their 'crystal balls', more than a third (37 per cent) however felt that they were already seeing a turnaround in occupier demand, and another quarter felt that this change was likely to happen before the end of the calendar year. Additionally a significant number of centre managers were currently in negotiation with potential new tenants to fill voids.

Business Blueprints also asked centre managers to rate

consumer confidence at this moment. Although 39 per cent rated this as 'quite poor', as many as 29 per cent felt it was 'neutral' and no fewer than one-quarter felt it to be 'positive'. Numerous comments were made that things were not as bad in the high street as the media had portrayed.

Amongst those who judged consumer confidence to be currently low, we asked them to predict when they expected to see a turnaround in confidence. The average time was 12 months from now, i.e. summer 2010, however more than a third felt they would see this before the end of 2009.

Centre managers are, as a group, among nature's optimists. But it is encouraging that many feel the upturn is already within sight. All in all the survey shows an industry that has not been cowed by the recession and is already working positively to find solutions to the current problems.

Find out more:

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

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