

Insight focus

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Retail and leisure trends in England

The retail and leisure sector has supported the economy after the EU referendum with strong growth - can this trend continue?



The vigorous performance of the retail sector in the aftermath of the EU referendum has helped to support the UK economy in the second half of 2016, with particularly strong growth in retail sales volumes (+1.9% in Q3 and +1.8% in Q4), despite rising inflation. Growth in the sector slowed in the first quarter of 2017 (-0.1%), but has bounced back in the second quarter (+1.7%), according to the latest ONS figures.

Over the last 20 years, spending in the retail sector has experienced strong growth, with the only notable slowdown in the years around the 2008/09 recession. Spending levels are now around 8% above the pre-recession peak and are expected to grow further in the future. The robust performance that has come under the spotlight after the EU referendum last year is testament to this underlying trend. The leisure sector, including food and beverage, has not recovered as quickly, but is nonetheless forecast to surpass the pre-recession spending peak by 2021 (Figure 1).

The longer-term forecasts for the retail and leisure sectors in England are

encouraging – real-term growth is expected in the next 10 years, but the resulting spatial patterns remain uneven, with the South of England set to benefit most from a more productive workforce and higher household expenditure (page 2). The positive economic trends

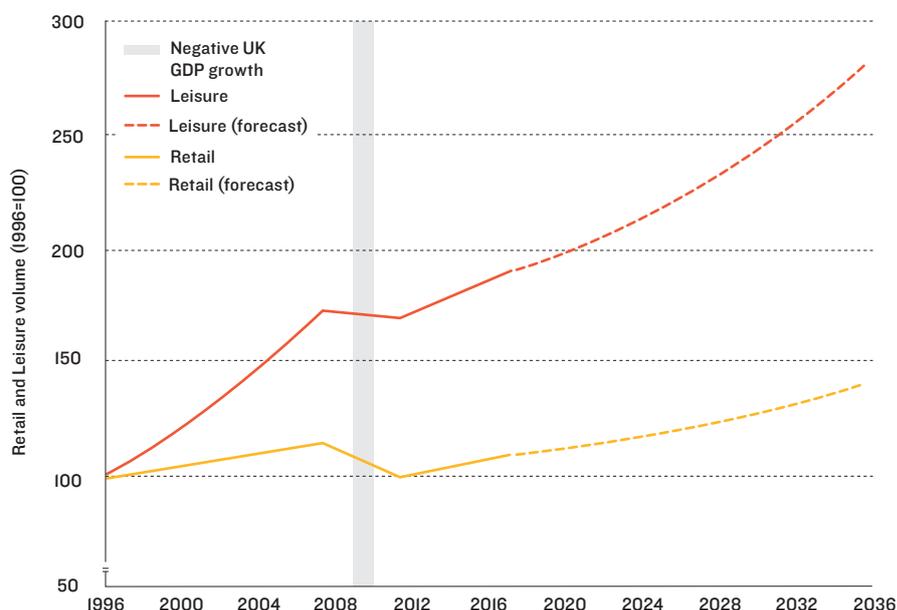
also need to be analysed in the context of a changing high-street, where the physical presence of retailers is being affected by the continued growth of new forms of retailing (e.g. multichannel shopping) and the shift in customers' attitudes from traditional shopping trips to a more experiential 'day out' (page 3). This means that traditional town centres must create the right environments to attract people to visit and stay longer.

There are key trends emerging for planning and the development industry (page 4) as the sector has, by necessity, become even more dynamic and diverse.

HEADLINE FIGURES

- 13%** increase in spending in the retail sector since 2011
- 10%** increase in spending in the leisure sector since 2011
- 5M** people in employment in the retail and leisure sectors in 2015
- 1.7%** retail sales increase in Q2 2017, up from a 0.1% decrease in the previous quarter

Figure 1: Spending forecast for the retail (including non-store) and leisure sectors (1996=100)



Source: Lichfields analysis of Experian data

LICHFIELDS

Spatial trends in productivity and household expenditure

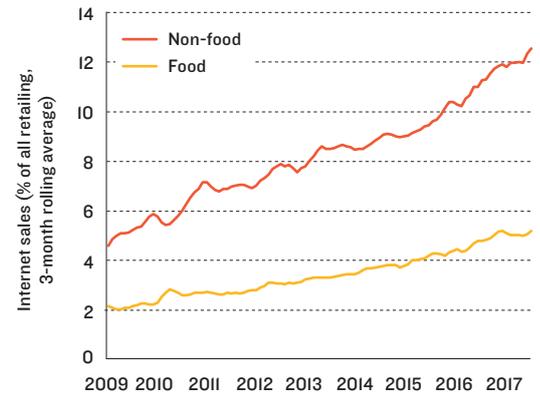
Note: for the purposes of this analysis, productivity is measured by Gross Value Added (GVA) spend per Full-Time Equivalent worker. Retail and leisure spending forecasts are based on Experian's Retail and Recreation sectors data.

Nationally, productivity and household expenditure in the retail and leisure sectors are projected to increase in real terms in the future. According to the latest Experian forecasts, by 2027, every local authority in England will see both productivity and household expenditure rise, albeit with unsurprisingly uneven trends as most of the economic activity is concentrated in and around the larger urban areas.

In terms of regions (as defined by Lichfields), as you might expect, London has high levels of productivity and high levels of expenditure (as evidenced in Figure 2). The Northern Powerhouse and the West Midlands generally have low levels of productivity, but still have relatively high levels of expenditure. The South West has a real mix, as does the East Midlands and the East of England. The South East and Thames Valley generally have relatively high levels of productivity and expenditure.

Internet sales are expected to increase further (both in absolute terms and as a proportion of all retail sales) in the future (see Figure 3). As a consequence the amount of expenditure captured by physical shopping centres is forecast to grow at a slower rate than overall household expenditure.

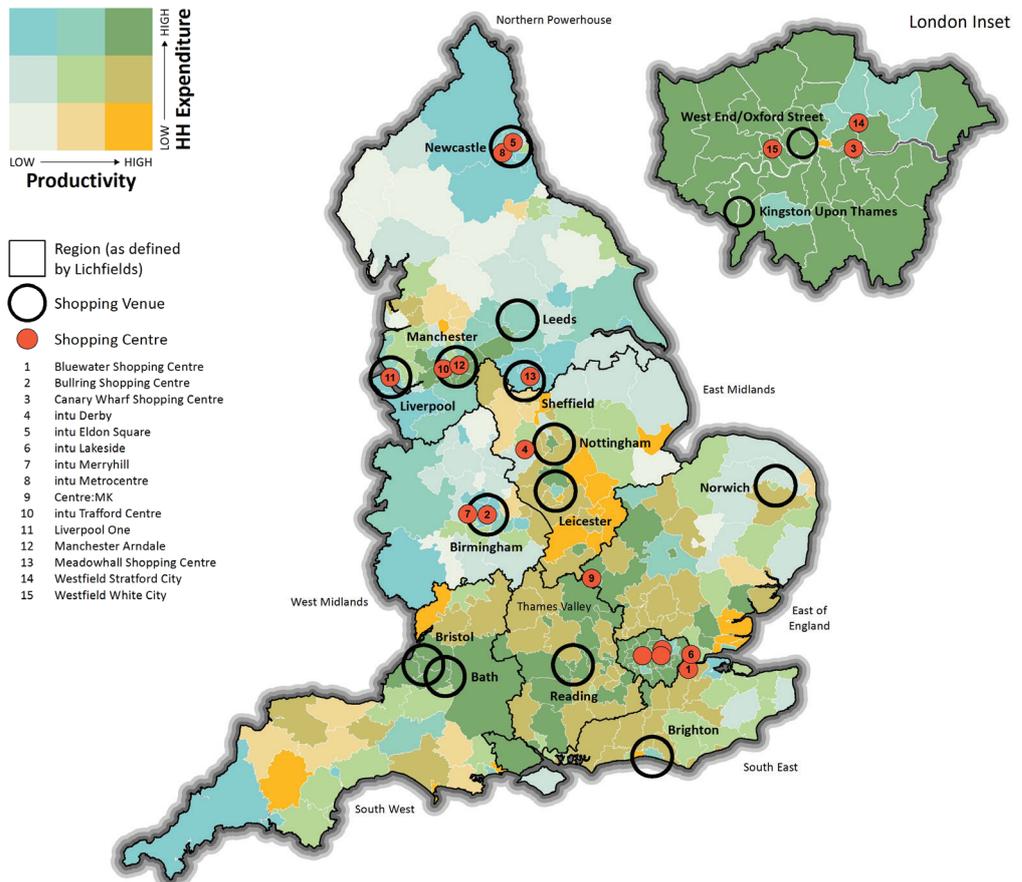
Figure 3: Internet sales as proportion of all retailing (last data point August 2017)



Source: Lichfields analysis of ONS data

This is affecting retailers unevenly across the sector – for example consumers are yet to turn to shopping online for groceries to the extent to which they do for their non-food shopping where the proportion on internet sales are currently 5.2% and 12.5% respectively.

Figure 2: Productivity and household expenditure by local authority in England



Source: Lichfields analysis of Experian forecasts for 2017-2027

Successful shopping destinations are no longer solely defined by the strength of their retail offer. Data from Venuescore, an annual survey of retail venues, ranks centres based on their anchor retailers, fashion operators and non-fashion multiples, and also ranks them on their food/service provision given this has become an important part of the wider shopping 'experience'.

Unsurprisingly, shopping destinations in London rank highly, along with destinations in the Northern Powerhouse region (Tables 1 and 2). In terms of food and beverage provision all of the top ranked shopping venues have an above average provision, however only one of the top ranked shopping centres have a food and beverage provision of above the national average.

Table 1: Top shopping venues in England

Venue	2016/2017 rank	Change in rank since 2013/14	2016/17 Food and Beverage Index (Ave = 100)
Manchester	1	No change	185
Leeds	2	▲+1	153
Birmingham	3	▼-1	136
Liverpool	4	No change	130
Brighton	5	▲+2	153
Nottingham	6	No change	133
London, West End / Oxford St	7	▼-2	107
Newcastle upon Tyne	8	No change	149
Bristol	9	▲+2	138
Norwich	10	▼-1	114
Leicester	11	▲+1	133
Reading	12	▼-2	137
Kingston Upon Thames, Centre	13	No change	101
Bath, Centre	14	▲+1	133
Sheffield, Centre	15	▲+3	134

Source: Venuescore 2013/14 and 2016/17

A mapping exercise undertaken by Lichfields, and shown at Figure 2 (page 2), illustrates the location of the top 15 shopping destinations and 15 top managed shopping centres in England (applying Venuescore's ranking), relative to that area's productivity and expenditure.

One might expect all of the shopping centres to be located in areas of high productivity and high spending, but this is not always the case. The two highest ranked shopping centres (Westfield White City and Westfield Stratford) are located in areas of high expenditure and productivity. The majority of the other shopping centres are located in areas of high expenditure, however there are also a number located in areas of low productivity, for example, Meadowhall in Sheffield, the Bullring in Birmingham and Liverpool One in Liverpool.

Table 2: Top managed shopping centres in England

Venue	Location	2016/17 rank	Change in rank since 2013/2014	2016/17 Food and Beverage Index (Ave = 100)
Westfield White City	London	1	▲+1	62
Westfield Stratford City	London	2	▲+2	64
Bluewater Shopping Centre	Dartford	3	▼-2	64
intu Trafford Centre	Manchester	4	▼-1	58
Meadowhall Shopping Centre	Sheffield	5	No change	60
intu Lakeside	Thurrock	6	▲+1	83
intu Metrocentre	Gateshead	7	▼-1	74
intu Merryhill	Dudley	8	No change	60
Manchester Arndale	Manchester	9	▲+3	59
Liverpool One	Liverpool	10	▼-1	61
intu Derby	Derby	11	▲+4	56
Canary Wharf Shopping Centre	London	12	▲+15	128
Bullring Shopping Centre	Birmingham	13	▼-3	70
Centre: Milton Keynes	Milton Keynes	14	▼-3	55
intu Eldon Square	Newcastle upon Tyne	15	▲+2	44

Source: Venuescore 2013/14 and 2016/17



Planning policy for town centres, now more than ever, needs to be approached with a fresh perspective. It needs to provide a vision and strategy that positively and pro-actively exploits a centre's role, offer and locational distinctiveness, as well as respond to the dynamism in retail and leisure formats and residential-led mixed use schemes.

Steven Butterworth,
Senior Director

Our analysis of the trends in spending, spatial differences and the changes in the retail and leisure mix highlight the dynamic nature of retailing and associated leisure activities. This is leading to notable changes in the success or otherwise of different centres and retail formats, as follows:

1. The growth of internet shopping and multi-channel retailing, along with increasing use of click and collect, and the different ways in which operators and shopping centre owners now connect with customers digitally.
2. Strong growth in the food and beverage sector, and a broadening of the range and choice of outlets in centres, complementing the wider retail offer and increasing dwell times - 101 of the top 500 shopping centres in the UK now incorporate food courts.¹
3. The continued evolution in the retail/leisure park sector, in terms of type and range of uses present and a general 'softening' of retail uses, and increase in the number of leisure-led schemes - 30 of the top 100 shopping centre schemes in the UK now include a multiplex cinema.²
4. The increasing polarisation of activity into the larger national, regional and sub-regional centres, with a particular strengthening of their high-end comparison retail offer, at the expense of smaller centres and traditional 'middle market' comparison retailers.
5. In the convenience sector, the rapid expansion of European discount food operators Aldi and Lidl and the increase in high quality independent retailers continues apace.
6. The importance of convenience, both in terms of e-tailing and also in helping to drive new retail and leisure formats.
7. The benefit to the vitality and viability of town centres of introducing more housing, mostly within higher density mixed use schemes, including replacing or building over low-density retail stores or above their surface car parks exploiting the 'air rights'.

¹ Trevor Wood Associates, 2016

² *Ibid.*

Summary and next steps

England's retail and leisure sectors and the different types of town and shopping centres that depend on them continue to change. Productivity and household expenditure underpin the success of both, and venues and centres are having to do more in order to accommodate the dynamic sectors to maintain their competitiveness

We will be examining the ingredients of successful retail and leisure destinations, across England's different regions, in our future Retail & Leisure Regional Insight series. ■

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