

# 1 Market Overview

The impact of Brexit on the UK retail economy has been far less dramatic than originally anticipated. Rather than decline, retail sales growth has actually accelerated since the Referendum vote. In the three months to the end of December, retail sales volumes were up 6.2% year-on-year, while retail sales values (volumes net of inflation/deflation) were up 5.6%.

It is fair to assume that Central London has outperformed these national figures by a significant margin. One of the few positives of the devaluation of Sterling in the wake of the Referendum result is that it has prompted an influx of inbound tourists keen to take advantage of “cheap” goods and services. If anything, Brexit has prompted something of a consumer boom across London that shows few signs of abating.

These positive dynamics filter through to retailer occupier markets. The Central London retail market is almost a parallel universe to national occupier trends. While occupier demand is very patchy in many regional locations at best, it generally remains very strong in most locations in the capital. This appetite is also reflected across the affluent south west London suburbs and towns with locations such as Kingston, Richmond, Putney and Wimbledon all showing good demand and little vacancy especially within the prime pitches. However, the slightly smaller centres such as East Sheen portray a slightly different picture with an oversupply of retail and although still a healthy offering do not show the resilience of these other centres, which are large enough and provide a critical mass that allows them to attract consumers from outside the local residential demographic.

The smaller centres outside of Central London predominantly service the local community. The south west London corridor is a case in point. The area is dominated by the larger towns of Kingston and Richmond. The range of the retail offer in these locations and the proximity of the smaller centres to both means there is little room for growth when it comes to the range and depth of the local retail offering. This means the local catchment, outside of their immediate retail needs, will visit these towns for any major retail spend. Alternatively the excellent transport links in this area provides quick and easy access in to the West End. These factors restrict the potential growth of the smaller centres as well as the extent of the retail offer.

In terms of occupier demand, Kingston and Richmond are major destinations in their own right and their size enables them to attract the major high street retail and fashion brands. The smaller centres have benefited in the past from the convenience store race for space which in certain instances overheated, but more recently demand has come from more boutique and concept stores. This includes the likes of upscale charity format Mary’s Living & Giving who have secured units in Teddington, Barnes, Parsons Green and Primrose Hill. Demand has also come from the homewares, furniture and showroom uses with the likes of Screwfix and Topps Tiles developing concepts complimenting and providing a service to an affluent residential demographic. There has also been an explosion in the health and wellbeing sector recently and this is not restricted to Central London but also the suburbs where numerous gym/leisure as well as more boutique operators specialising in yoga, spinning and the like have opened.

The retail offering in these south west London locations is relatively mature. There are other similar areas outside of Central London however where the retail offer is significantly underdeveloped providing many operators with an opportunity to venture in to a market that was once perceived to be off limits. Areas undergoing significant transformation include the likes of Kentish Town, Streatham, Tooting and Brixton. The success of the H&M store in Brixton has given the brand confidence that other similar locations offer very profitable opportunities. Much of this growth and transformation is being driven by

the food and beverage market, with Londoner's becoming increasingly discerning in their habits and spending more of their income on leisure based activities of which eating out is a major priority. Kingston and Richmond are a good example of this and both benefit from a varied food and beverage offer. The other smaller centres around these towns suffer to a degree as a consequence of this but we still feel for the likes of Twickenham there is scope to tap in to this market.

## **2 Twickenham Market Overview**

Twickenham is an affluent suburb located in the south west of London and is the largest district centre within the London borough of Richmond, which alongside Richmond serves as the major employment centre for the borough. The town provides excellent transport links being located on the A316 leading to the M3 while Twickenham Station provides regular over ground services in to London Waterloo. Heathrow Airport is only 5 miles away with Central London a further 10 miles to the east, while frequent bus services connect the town with the local region and on in to Central London. Twickenham is world renowned for Twickenham Stadium, the home of English Rugby. As well as the venue for home internationals, the stadium hosts other sporting events, concerts and conferences attracting large numbers of visitors to the town when these events are held.

The town comprises a mix of residents, office workers and visitors. The affluent local demographic is highlighted by the population make up which according to CACI comprises a high propensity (35%) of individuals within the top two most prosperous acorn groups. Both locals and visitors are attracted to the town on the back of its proximity to the River Thames and as already mentioned, Twickenham Stadium. However, the retail provision in the town is very much focused on servicing the local resident and demographic. The tenant mix serves the immediate needs of the local residents and is not tailored towards the needs of the visitor. On the whole, the offer within the town does not encourage any major dwell time with a distinct lack of branded food and beverage offers. The infrequency of events at Twickenham as well as the stadium being the wrong side and opposite side of the station to the town means the majority of visitors will not even pass through the town centre. This in part is another reason why the retail offer has never developed to provide a more enticing offer to the visitor and instead remains focused on the service led offer for the local catchment.

The retail provision within Twickenham is predominantly found along London Road, Heath Road, King Street and York Street. The prime retail offer is centred on King Street and is home to a number of high street multiples including Starbucks, Waterstones, Marks & Spencer, Boots and WH Smith. The town also attracts an abundance of independent cafes and retailers providing a variety of choice for both residents and visitors.

London Road, Heath Road and York Street all feed in to King Street and are the more secondary pitches within the town. London Road connects King Street with Twickenham Station. According to the Office of Rail Regulation there were 6.5 million entries and exits in 2016. To put this in context, Richmond over ground had 11.8 million and Kingston only 5.6 million. We understand that Twickenham Station is to undergo a degree of redevelopment and a pre let has already been secured with one of the major convenience stores. London Road is also home to a number of coffee operators including Costa and Caffè Nero as well as more independent service led operators. The pitch is anchored by Waitrose at the northern end. York Street connects King Street from the east and is where a couple of the more mainstream A3 restaurant operators in Twickenham are located including Chicago Rib Shack (who have recently put their lease on the market), Pizza Express and Zizzi.

Church Street is visible from the subject development and consideration needs to be given when any future tenants and uses are debated, so as not to adversely impact the retail already found here. The street is part pedestrianised providing an attractive and quant environment for retailing. The tenant mix

is varied and despite offering a more secondary and indirect means of access to the river there is no major pull to regularly attract people to this location. The secondary position of this street within the town also means the footfall suffers which has resulted in a number of vacancies along this parade.

However, the retail offer is very focused on the local resident and provides a number of independent retail and food and beverage outlets. The uses are predominantly all service led to provide the residents with an alternative to the more mainstream run of operators on King Street. Aside from William Hill, which does nothing to enhance the retail offer along the parade, all the operators are local and unique to the area providing a real point of difference to the rest of the town. With the majority of centres in and around London losing their traditional retail heritage, all should be done to maintain and support the operators along this parade as they provide a point of difference to the town's retail offering. Indeed, the subject development will have the ability to try and attract more people to this part of the town which in turn should indirectly benefit Church Street.

Heath Road connects with the A316 and is home again to more service led operators such as dentists, estate agents as well as numerous showrooms, building merchants and timber yards. There are currently a number of vacancies along this street, albeit small units. We understand that one of the more prominent units along Heath Road, the former M Local, is now occupied by Screwfix. This letting has cemented the perception of this street and is in line with other type of operators found here.

Twickenham as a retail centre is well provided for in terms of the quantity of retail. There is a clear distinction between the prime and secondary pitches and the size of the surrounding demographic has allowed a number of national high street operators to locate here. However, the quality of the retail offer could be improved. There is a lack of any real aspirational operators yet the presence of both a Marks & Spencer and Waitrose suggests that the local demographic is home to such a consumer. However, the larger retail centres of Richmond and Kingston are both within a short distance (as is Central London) and offer a far more sophisticated and elevated retail experience. With those two centres on the doorstep, the opportunity in Twickenham for this type of offer is limited. As such, we feel that the retail provision within the town will always be more service led for the convenience of the local demographic and to serve their immediate needs. This perception is vindicated by the types of occupiers currently found in the town.

The quality of the food and beverage offer within the town is also reflective of the retail provision. There is a lack of any upscale or more aspirational operations and only consists of more mainstream brands including Zizzi, Pizza Express, Burger King, Subway and KFC as well as a number of pubs. We understand however that the international restaurant operator M Restaurants who have two restaurants in London have signed for a unit at Brewery Wharf – the development opposite Twickenham Station – for a new concept M Bar & Grill that will have 150 covers and a bar specialising in wine by the tap. This operator is a step in the right direction in terms of taking the F&B offer in the town forward. However, we understand that leasing the two spaces within this scheme has been slow and hard going and the second unit remains vacant and available.

Twickenham has seen limited change in terms of occupiers within the prime pitch on King Street. There is a vacant unit at 11 King Street which has been white boxed and a rent of £52,500pax is being quoted. A couple of offers one from a local take away operator have been received but nothing that is of any real interest. More recently The Works have opened up at 1a King Street replacing M&Co. The lack of retailer movements suggests that the national operators are content. There is a greater flux of change outside the prime pitch and the tenant line up is far more mixed and varied. However, the vast majority of retail provision within the town is all geared up to servicing the needs of the local demographic.

### 3 Rental Value & Comparable Evidence

#### A1 Market

Rents in Twickenham peak on King Street where prime rents equate to approximately £70psf Zone A. Recent deals within the parade all provide credibility to this figure with deals to Patisserie Valerie and KFC achieving rents equating to broadly this figure. There has been a lack of any open market evidence within the parade to provide any justification that this figure could be exceeded on the subject block. Much will hinge on 11 King Street which is currently on the market based on a new lease basis. Having spoken with the agent the unit is being marketed at a rent of £52,500pax on a ground floor only of 1,146 sq ft. This equates to a headline Zone A of approximately £70psf.

One of the most recent open market deals was that at 36 – 40 King Street, where Screwfix took a new 10 year lease with a tenant break at the 5<sup>th</sup> year. This was on the former M Local space. In terms of size, this unit is one of the bigger units within the town - a single operator was found for the entire space. The rent of £72,500pax on 3,800 sq ft all on ground was achieved and this forms a good comparable with the subject property based on the floor space being offered. Although smaller than 3,800 sq ft we would expect the global rent on Unit 1 to be closer to £100,000pax. We have therefore applied an annual rent of £100,000pax for Unit 1.

#### A3 Market

In terms of the A3 market, a recent deal agreed was with M Restaurants, who have signed a new 25 year lease at Brewery Wharf opposite Twickenham Station on Unit 1 totalling 3,147 sq ft at an overall rent of £30psf equating to £94,410pax. One unit remains of a similar size. These units have been marketed for at least 12 months and interest has been slow from our understanding. We are also aware of the redevelopment at Twickenham Station for which we understand a deal has been agreed in principle with a C Store at a rent of £160,000pax for a unit of c. 2,300 sq ft. This is a huge rent in our view but shows the demand from operators for retail space where there is guaranteed footfall, a scenario we are seeing played out across London.

The following comparable table sets out the most relevant information referred to above:

ADDRESS	TENANT	TRANSACTION	DATE	RENT P.A.	ZONE A	COMMENTS
Brewery Wharf	M Restaurants	Open Market Letting	March 2017	£94,410	£30psf	A3 use, £30psf overall on a 25 year lease with 6 months' rent free and a 6 month rent deposit
36 – 40 King Street	Screwfix	Open Market Letting	December 2016	£72,500	TBC	VOA areas provide 3,885 sq ft all at ground floor. 10 year lease with a tenant break in year 5. 9 months' rent free.
7 King Street	KFC	Lease Renewal	July 2016	£51,500	£61.54	Lease renewal excluding upper parts. A3 use

15 King Street	Patisserie Valarie	Rent Review	November 2015	TBC	£70	Nil increase
3 – 5 King Street	Boots	Lease Renewal	January 2015	£93,000	£73.50	Lease renewal excluding upper parts
17 King Street	Boots Optician	Open Market Letting	August 2014	£TBC	£70.84	Tenant break in July 2019. 10 year lease
21 King Street	Starbucks	Rent Review	November 2013	£52,500	£56.03	
29 – 31 King Street	Iceland	Lease Renewal	November 2013	£97,000	£31.62	
38 King Street	Lloyds TSB	Rent Review	September 2013	TBC	£58	Nil increase
12 King Street	Carphone Warehouse	Rent Review	September 2013	TBC	£55	
27 King Street	British Heart Foundation	Lease Renewal	June 2013	TBC	£70	

With rents on King Street hovering around the £70psf Zone A mark, we believe that unit 1 (A1 use class) would command a rent of c. £70 - £75psf Zone A and the units 3-5 would command a rent of £30psf.