Stepping Out
Shoe ‘royalty’
Lucy Choi on the expansion trail

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Online retail and why size matters
St James’s Style
TART duo’s recipe for success

Colliers INTERNATIONAL
Joining the Dots

The first half of this year has seen a tidal wave of news about the retail sector and most of it has been negative.

Never before has the press been so focused on the retail sector and – by extension – the property market which it supports. Of course, seeing any market through the prism of the media coverage is not the most reliable perspective.

That the majority of the news has been bad is incontrovertible but at a time when retail is entering uncharted territory, it makes sense to take a standback and try to see what is really going on.

Which is why for this year’s Colliers Midsummer Retail Report, we’ve chosen the theme of Joining the Dots – looking at the totality of data and views to form a ‘bigger picture’ about where the sector is headed.

And, of course, while many retailers and the shopping environments they inhabit are facing the challenges of rapid evolution, there are many more positive stories from the sector which are not necessarily making headlines. In this issue of Browse, we’re looking at some of the brands and businesses that are on the expansion trail or creating the exciting retail destinations of the future.

That our sector is facing unprecedented change is a fact, but we shouldn’t lose sight of the retailers and investors who are adapting fastest and being rewarded for their enterprise.

We hope you enjoy this issue and also that we’ll see many of you at our Midsummer Retail Report presentations. A full schedule of these can be found on the back cover.

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Stepping Out
- Shoe designer Lucy Choi talks about establishing her brand and plans for expansion

St James’s Style
- The Crown Estate and its vision for a unique part of London

Coming of Age
- Having just celebrated its 21st birthday, Quadrant Estates is looking to push on

A Recipe for Success
- How Lucy Carr-Ellison and Jemima Jones are bringing a new food and style concept to London

Size Matters
- How one of the world’s biggest online retailers is tackling the problem of ‘wrong size’ returns
Sweaty Betty arrives at King’s Cross

Activewear brand, Sweaty Betty, has opened a new store on King’s Boulevard in the King’s Cross Central development in London.

Sweaty Betty CEO, Simon Hill-Norton, comments: “King’s Cross is one of London’s most vibrant and energetic neighbourhoods right now. It is one of the most exciting developments I have witnessed in London.”

Advised by Colliers, the brand has taken a 10-year lease on a 1,722 sq ft unit.

Colliers’ Sara Law – who advised on the letting – comments: “King’s Cross is being transformed into an exciting new neighbourhood with shops, restaurants, offices and a university. Sweaty Betty will fit into this high-energy environment perfectly”.

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London Morrisons sells for £42.8m

Advised by Colliers Retail Capital Markets, Aberdeen Standard Investments has sold an 81,336 sq ft Morrisons store on London’s Edgware Road to Invesco Real Estate for £42.8m at a net initial yield of 4.57%.

James Watson, Head of Retail Capital Markets at Colliers International, which advised Aberdeen Standard Investments, said: “This is one of the larger recent store investment transactions and the sale price indicates the strength of the market for long-dated income from food stores. It was a fairly complex transaction, we are very pleased with the price achieved”.

The store is let on a 35-year lease from 2015 (with a tenant break option in year 20) to WM Morrison Supermarkets plc at a current passing rent of £2.1m which equates to £26.60 per sq ft. The lease features five-yearly RPI-linked rent reviews (collared at 1% and capped at 3.5%). The store also benefits from a 368-space car park.

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Turkish barber trend grows

The increased popularity of traditional Turkish-style barbershops has seen the letting of 27 Wood Street in Stratford-upon-Avon.

The First Class Turkish Barbers opened in April and offers affordable hair grooming as well as additional services for men which traditionally include: a facial steam clean and massage; eyebrow threading or trimming; ear-flaming and a customary straight razor shave.

Colliers’ Associate Director, Emel Ahmet, who advised on the letting comments: “Entrenched in tradition and history, the art of Turkish barbering is a much more luxurious experience and celebrates a skill that has been passed down from generation to generation.

“The trend first took hold in London with the spread of Ted Baker’s Grooming Rooms but we are now seeing traditional Turkish barbershops popping up in towns across the UK.”

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Forward funding for Royston development

Colliers Retail Capital Markets has advised Ampersand on its £12.3m forward funding of a development in Hertfordshire that will create new Marks & Spencer and Aldi foodstores.

The Royston development has been pre-let on 20-year leases with 15-year tenant break options and five-yearly upward-only rent reviews with the Aldi lease linked to RPI between 1% and 3%.

Colliers’ Tom Edson comments: “The property will comprise two retail units extending to 29,500 sq ft, together with 170 car parking spaces and landscaped external areas. It is scheduled for completion in October.”

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Victoria loves Boux

Advised by Colliers International, Boux Avenue, has taken a 3,000 sq ft unit in the intu Victoria shopping centre in Nottingham.

The store is the brand’s first in the East Midlands, and was formerly occupied by Select. Colliers’ David Fox – who advised on the acquisition – comments: “The unit is in a prime position in the centre and its configuration is ideal for Boux’s requirements”.

The store will be Boux’s 30th across the UK following an expansion plan which has targeted prime locations. The Nottingham acquisition follows the opening of a Boux store in the recently opened Westgate Centre in Oxford (pictured).

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Rents remain strong for convenience stores

A series of rent reviews on Sainsbury’s Local stores have reflected progressive rents across London.

Reviews at stores in Battersea, Brixton Hill, Streatham Hill and Holloway Road have been agreed at rents which showed uplifts of between 12% and 40%.

Colin Moran, Director of Colliers’ Large Stores Lease Advisory team who advised the landlords on each of the settlements – comments: “Convenience stores have been trading well for the major supermarket operators and demand for the best locations is high.

“This has been particularly marked in London and is now being reflected by the rents being achieved at review”.

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Men’s fashion brand, Farah, has chosen Leeds for its first standalone store outside of the south of England.

It has taken a 10-year lease on 20 King Edward Street.

Colliers’ Olivia Hughes – who advised on the letting – comments: “This is a prime unit opposite the Victoria Quarter Arcade and just around the corner from the main shopping pitch of Briggate.

“Farah’s offer is a perfect fit with the location and it is a strong addition to the city centre line-up of brands.”

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Barbour upsizes in Mayfair

Leading heritage and lifestyle clothing brand, Barbour, is upsizing to a new flagship store in London’s Mayfair.

It will more than double its sales space with a move to 4,123 sq ft at Grosvenor’s 56 Duke Street.

Joanna Lea, Head of Retail Leasing, Grosvenor Britain & Ireland, said: "This new store marks a refreshed and exciting direction for Barbour in Mayfair. The move is supported by our renewed focus on retail and the evolution of North Mayfair which, following recent openings, is consolidating its position as an exciting destination for retail and dining”.

Opening in late summer, the new store will carry the full range of Barbour and Barbour International collections for men, women, children and dogs.

Paul Souber, Head of Colliers’ Central London Retail Agency – who advised Grosvenor on the letting – commented: "This key letting comes at a pivotal point for North Mayfair as the West End prepares for the opening of Crossrail and the first stage of the West Oxford Street pedestrianisation programme.

"Duke Street has become one of the most sought-after contemporary fashion locations in London. It’s an enclave for some of London’s most desirable fashion brands: concept stores such as The Duke Street Emporium sit alongside flagship stores for Private White VC and Penelope Chilvers whilst AMI Paris and E Tautz have also chosen the street for their first UK stores."

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Following in the footsteps of a famous family member can be a tricky business. When Lucy Choi launched her footwear brand she was mostly known as ‘the niece of Jimmy Choo’. But six years on she has created her own presence in the luxury shoe sector and is now looking to grow her business. We headed to her store in London’s Connaught Village to talk shoes and shops.

It would have probably been straightforward for Lucy Choi to ask her uncle for her job. She was just finishing university and regularly visited him at his workshop to watch him create some of the world’s most sumptuous shoes. After all, ‘Jimmy Choos’ had become synonymous with luxury, handmade women’s footwear.

But even if it might be on offer, Choi didn’t want a fast track into a business she didn’t fully understand or for which she didn’t have all the requisite skills.

Instead she immersed herself in the business world: training as an accountant and getting to know finance before footwear. Eventually she joined French Sole – the iconic purveyor of ballet flats – where she worked her way up to Managing Director. Only then did she feel ready to enter the sector in her own account.

It was at this point that all the time she had spent as a teenager watching her uncle preparing shows for big London fashion events came into play. In 2012, she set up her eponymous brand and started the process of competing in what is one of the toughest sectors of the fashion world.

Choi recalls: “We had a showroom to start and then opened the store in 2015. The brand has grown in a very controlled way so that it didn’t get out of hand”.

Now the business stands on the verge of a new step up in its scale and reach. Advised by Colliers, it is looking for further stores in London and key city expansion is also planned throughout the UK. International expansion of the brand is also on the agenda.

The Lucy Choi London store in Connaught Street has been important in more than just a sales context. “I’m in the shop every day – not eight hours a day – but I’m here and
can listen to what customers are saying, see what they want – that's invaluable”.

Sara Law of Colliers London Retail Agency team who found Choi her first store and is advising on further expansion comments: “Lucy really is a unique brand in the market. She offers affordable luxury footwear for women with designs that are fresh, fun and unmistakably hers”.

Making time for the design process – especially as the business grows – is extremely important to Choi. “I spend probably 80% of my time working on the business ideas, campaigns, projects, talking to the factory. But every six months, I go away and just focus on the collection, and what I want it to be.”

She believes this balance of creativity and business acumen is essential: “You can be an artist producing exquisite designs but if you didn’t have commercial acumen, there’s no way you can build the business and the brand”.

In the footwear sector she is also clear about the other key propositions of a brand: “Comfort, craftsmanship and character. They need to be well-made and feel good. I used to watch my uncle making the shoes, and you couldn’t learn from anyone better”.

Her idiosyncratic designs have attracted a growing band of celebrity customers including popstar Mollie King from The Saturdays, actress Suranne Jones of Dr Foster fame, and former prima ballerina and Strictly Come Dancing judge, Darcey Bussell.

“My collection comes in all styles and heel heights, so there is something to offer everyone.” Unlike many fashion shoes, Choi’s designs are famous for combining different materials and types of leather:
“The factory hates me,” she jokes, “but it gives the shoes personality and difference.

“The designs are quirky and have character. I’m quite quirky myself, I don’t want to be the same as everybody. It’s good to stand out, but you need to have that quality and the price point to back it up.”

In retailing, increased competition can result in compromise but Choi is not about to abandon her principles even in an increasingly crowded market.

“I think it’s good to have healthy competition, and I always look at what other people are doing. But I don’t follow, I like to do what I like to do, which I believe is what my customers need. My competition might have to do a customer audit, pick an audience and demographic, but I know mine very well.”

The challenge now for Choi is to retain the personality of her brand while rolling out across broader horizons.

“I need to put my money where my mouth is. I believe my brand, and I believe that there is definitely a gap in the market for affordable luxury, and I want to capture that market. I’m here to make sure that the expansion goes well and manage it in the right way.

“Having taken the brand from nothing to the verge of substantial expansion, I count myself lucky. I’m in it for the long term.”
Colliers has been retained by Buongiorno e Buonasera to advise on the expansion of the Italian eatery. Founded by Alessandro Bianchetti, it currently has two outlets in Oxford and London's Baker Street with a new opening in Bicester Village planned for the summer.

The expansion plan is to open 10 sites during the next two years and is looking for strong locations across London and the South. Colliers’ Steve Burnaby – who is advising BeB – comments: “The food at Buongiorno e Buonasera is exceptionally good. Alessandro likes to say it’s a place that makes Italians feel right at home and everybody else feel as if they are in Italy.

“The fact that the eatery has already earned good press coverage and has been selected to open pop-ups in well-known retail locations is testament to the strength of its offer.

“We’re looking at selected locations for standalone outlets and mall kiosks in locations including Bath, Bristol, Cambridge, St Albans, Guildford, Brighton, Reading together with affluent London suburbs.

“The requirement is for around 1,200-2,300 sq ft depending on the opportunity and this also has the benefit of falling under an A1 planning consent.”

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It’s been just over five years since The Crown Estate launched its ambitious vision – and £500m of investment – for its holdings across St James’s in London. We spoke to Oliver Smith who oversees this unique slice of real estate.

St James’s is a property placemaker’s dream. Dripping with history; a unique blend of contemporary development and beautiful listed buildings; streets that are home to the traditional and the new; workers mingle with residents; visitors are drawn by the fashion, the food and the culture.

The Crown Estate owns about half of St James’s which equates to around 4m sq ft of shops, offices and homes with a value of more than £3bn. Oliver Smith has been with The Crown Estate since 2008 but early this year took over as Head of St James’s.

Speaking at The Crown’s offices in St James’s Market – the joint venture with Oxford Properties – he comments: “Prior to being Head of Investment, I’d worked in the St James’s team, so it’s a patch I know very well. A huge amount has been happening here – lots of which I was directly involved in – and there’s still a huge more amount to come”.

This year has already seen the launch of the revamped Princes Arcade, which links Jermyn Street with Piccadilly, while the next 12 months will see the completion of the redevelopment of Duke’s Court – a £100m mixed-use office and retail development on Jermyn Street.
The Princes Arcade project is emblematic of much that Smith and his team are striving to achieve: a revival of the brilliance of traditional retailing for modern brands and visitors.

Paul Souber, Head of the Colliers London Retail Agency team which is advising The Crown Estate across St James’s reports: “The arcade offers eight new retail spaces, alongside five existing retailers. With units ranging from 150 sq ft to 1,200 sq ft, it has two new canopied entrances and a new double-height glazed frontage which enhances the entrance on Piccadilly, the lighting has been improved and the reconfigured units offer a range of boutique retail spaces. “It’s been redesigned to attract new concepts and original retailers to St James’s, and to complement the current brand line-up.”

Retailers already based in the arcade include Grenson, Barker, Prestat and Christys’ London.

The Crown Estate is considering flexible terms for the new retail destination and has designated one of the units as a permanent pop-up. This dedicated space will provide brands with the opportunity to trial new formats in St James’s, and ensure that the Princes Arcade offer remains intriguing and is continually refreshed.

Smith observes: “In retail today it’s ultimately about creating experiences and that’s what we’re heavily focused on. Using the critical mass of our St James’s and Regent Street holdings, and the area’s rich heritage and culture to curate experiences that attract people and keep bringing them back. That’s not just about what is in the buildings, but also making the most of what’s in between them – enhancing the public realm and activating the space through events and marketing.”

“When we acquired the arcade a few years ago, it had become overlooked in terms of its presence on Piccadilly and we wanted to address that, and create opportunities for new brands to come into the area. Introducing new brands that have the same passion for the style, skill and craftsmanship that St James’s is known for. “We have just launched Princes Arcade to the retail agent community. Princes Arcade is a fantastic, modern space

“IT’S NOT JUST ABOUT WHAT IS IN THE BUILDINGS, BUT ALSO MAKING THE MOST OF WHAT’S IN BETWEEN THEM – ENHANCING THE PUBLIC REALM AND ACTIVATING THE SPACE THROUGH EVENTS AND MARKETING.”
and we’ll be looking at building on that over the coming months before a consumer launch towards the end of the year.”

In terms of projects, St James’s Market is at the other end of the spectrum. Set around a public square and art pavilion, the landmark scheme, offering 210,000 sq ft of office accommodation, has created a new district in the West End. It encompasses restaurants including Aquavit, Scully St James’s and Duck & Waffle Local alongside the UK’s first branch of Danish bakery Ole & Steen with bespoke retail concepts from Jigsaw, Paul & Shark, Assos and Smeg.

The scheme is maturing fast but Smith says there is still more to be done: “The change has been immense. People forget that only a few years ago it used to be a taxi rat run, but we see a lot of opportunities to activate the space even more by focusing on events and marketing.”

The southern stretch of Regent Street (previously known as Lower Regent Street but now re-named as Regent Street St James’s) also falls under Smith’s remit and he sees it as a pivotal link to the whole portfolio. “We’ve sought to make it a more pedestrian-friendly place to be: widening pavements, removing street clutter wherever possible, and generally making it a more pleasant place to be. And that obviously helps dwell time and that ultimately helps our customers. Jermyn Street is in the process of receiving the same treatment at the moment.”

Regent Street St James’s will see five new openings this year, including the opening of the San Carlo restaurant by the owners of the successful Cicchetti on Piccadilly. By strange coincidence, Smith used to eat at one of the group’s sister restaurants in Manchester when he was working with JLL there more than 10 years ago.

He clearly has a passion for St James’s and knows the area inside out: “It has so many hidden gems and surprises. For example, there’s a great café downstairs at Osprey on the corner of Jermyn Street and Regent Street St James’s. And at Foster & Son, they still have a master shoemaker making shoes by hand above the shop. “That’s the kind of discovery that I love about St James’s. So, we want to welcome new brands but also to keep alive the skills and specialities that make St James’s what it is. We have to carefully protect the area’s heritage and continue to refine we have whilst adjusting to the changing needs of our customers.

“Ultimately if our customers are successful, then we’re successful. We always take a view that we’re about generating sustainable returns over the long-term, and that means creating a proposition that’s attractive to customers and to retailers.”

“IT HAS SO MANY HIDDEN GEMS AND SURPRISES.”
The finest luxury tea brand in the world, TWG Tea, has opened a flagship store in London’s West End. Advised by Colliers International, it has taken a prominent 7,000 sq ft unit in the LSQ development on Leicester Square.

TWG – which stands for The Wellbeing Group – was founded in Singapore by Taha Bouqdib and partners in 2008 as a luxury concept that incorporates unique and original retail outlets, exquisite tea rooms and an international distribution network.

Colliers Peter Flint – who advised on the letting – comments: “TWG is a superb international brand and it’s a massive endorsement of LSQ that it has chosen this location to open its first major London store.

“Offering more than 1,000 single-estate, fine harvest teas and exclusive blends, as well as tea patisseries and other tea-infused delicacies, TWG Tea has over 50 tea salons and boutiques in 15 countries around the world.”

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Coming of Age

Quadrant Estates has just celebrated its 21st birthday as a business. We spoke to founding partner, Christopher Daniel, about how its strategy has been reshaped and its plans for a portfolio of 312 Boots stores which it bought with CarVal Investors.

Although it has recently ‘come of age’ with a 21st birthday, there have been two very distinct phases in the evolution of Quadrant Estates: from 1997 to 2006 and from then to the present day.

When Christopher Daniel and his fellow founding partner, Tristram Gethin, set the business up its focus was very much on development. The duo’s specialisms were complementary from the outset. Gethin’s career prior to Quadrant had seen him specialise in central London office development while Daniel’s expertise centred on retail and mixed-use assets.

Daniel recalls: “We started out life largely doing some relatively small developments on our own”. For nearly a decade, Quadrant brought forward a string of successful schemes and started asset managing existing properties in partnership with a growing group of investors. But by 2006, the pair began to have misgivings about the market.

“We felt that the market was getting too toppy. We were just unable to buy anything. Essentially, we saw people buying stock for prices above levels we thought they would be able to achieve after adding value.

“We took that as a signal to sell or de-risk as much as we possibly could.”

The wisdom of this move was soon to be borne out by the imminent financial crash. The decision to de-risk had left Quadrant in a ‘good situation’ says Daniel but it also prompted a re-think on future strategy.

“When the market got moving again, we felt the way forward was – instead of financing opportunities off our own balance sheet – to enter into joint ventures. We started acting as an operating partner for third party equity. We were targeting investors that wanted to buy into UK real estate at the value-add end of the spectrum, but needed our skillsets to make that successful.”

There wasn’t total consensus in the business about this direction and there was a ‘parting of the ways’ with a couple of partners who wanted the independence and autonomy of managing their own balance sheet. However, by 2011, the die had been cast for Quadrant Estates and it had very much become an operating partner who would co-invest.

This model is only as good as the equity that it attracts and, in that respect, Quadrant has an enviable record. CarVal have been long-term partners dating back to when they were still badged as with their parent company name, Cargill, while another legendary US private equity giant, Kohlberg Kravis Roberts are also a client.

Getting a meeting at KKR is good going but to secure substantial investment is quite an achievement.

Around 2012, KKR was building a new fund to invest in European real estate, and a Quadrant contact who had moved to KKR from Orion provided the opportunity to set up a meeting.

Daniel recalls: “After that initial meeting, we probably spent six months talking to them about our views on the market. We talked about where we felt that there was value and opportunities.”
“We took that as a signal to sell or de-risk as much as we possibly could.”

Christopher Daniel
“It’s a good example of a skill we’ve taught ourselves: to translate property-speak into private equity understanding. And know what they’re looking for, know how they are working, how they’re underwriting, and able to anticipate that. And give them the answers, but give them the truthful, unadorned, unpolished answers. As with so many things in business, it’s trust. We only want to work with partners with whom there’s an implicit trust on both sides. You have to have that empathy.”

By 2013, KKR and Quadrant embarked on a series of retail park acquisitions of which one – Gallagher Retail Park near Birmingham – after extensive reconfiguring and asset management is now on the market with an asking price of £170m.

However, Quadrant’s latest acquisition is much more granular in nature. Last autumn, it partnered with CarVal Investors on the purchase of 312 Boots stores across the UK. The portfolio occupies predominantly prime pitches on the high street, with 40% of the portfolio located in London and the South East.

Daniel reports: “The portfolio was created by a sale & leaseback that Boots struck with F&C REIT in 2005. They took a 15-year lease-back on stores which they’d previously owned freehold. There was a master lease and that gave Boots the flexibility to surrender a certain number every year or assign. As it turns out they have surrendered very few, and assigned about a dozen.

“However, the salient point is that there’s a lease expiry on all the units that Boots occupy in 2020 bar a few. They have the option to take a new lease on similar terms or vacate. So we’ve bought effectively three years’ term certain income with a view that there will be a certain propensity to renew.

“In the meantime, we have started to re-gear some of the stores, and sell them through the auction room. We’ve also sold off some that Boots had assigned leases to other occupiers. We’re also investigating potential to generate further value through residential conversion of the upper parts of some stores.”

Hugh Mackay – formerly of residential developer, Kudu – has joined Quadrant to assess this potential and is working his way through stores that may be suitable.

Some investors would run scared from a proposition that guarantees only three years of income but Daniel sees Boots as a very atypical retailer.

“There’s definitely a flight to prime in the retail sector and we’re very comfortable with a portfolio occupied by a brand which has been a fixture of the UK’s shopping landscape and continues to be so. In the old days, you knew when you were on a prime pitch on a high street, because you were either besides an M&S or a Boots. It’s still the same. The average Boots’ duration of tenure in each unit across the portfolio is over 50 years. They’ve been around for a long time.”

It’s not just past performance that Daniel feels is compelling about the Boots proposition.

“The business was transformed by the Walgreens acquisition. It brought direction, it brought buying power. They are now a huge force in global pharmacy industry. It’s a very vertically aligned business.

“Not only do they have the retail at the top and the pharmacist on the front line, but they create the drugs, they’re distributing the drugs and they’re selling the drugs. They’re getting huge economies of scale while enjoying substantial margins on many of the biggest selling products.

“And the pharmacy function is very important to Boots, it’s hugely important. Many people develop a very close relationship with their pharmacy and pharmacist. They become a very important figure within their life. In terms of brand affinity and repeat business, that should not be underestimated.”

In terms of the retail landscape, Daniel believes it’s a time for strong medicine.
“It’s a good example of a skill we’ve taught ourselves: to translate property-speak into private equity understanding.”

“There’s too much retail floor space in the UK. Local authorities need to be very, very proactive in reducing the retail footprint within their town centres.

“If you walk down most secondary shopping streets, in a normal British town, and you look above the shop front, you can see that what are now shops were once homes. There needs to be some really positive movement to turn a lot of that stock back into housing.

“The supply of retail in town centres needs to be condensed back to the original core of pharmacy, butcher, baker etc. That will then focus all the other retail offers to regional shopping centres, and well located retail parks.

“Right up to the end of the 1990s we rode the post-war consumer boom. In town retail was good and if you had a shopping centre then all the better – especially if the next town didn’t have one. That mind-set has to be turned on its head.

“It’s got to be planning led, in part. There are Permitted Development Rights to turn shops into residential, but it’s not being pushed in the same way as office-to-residential has.”

Whilst the Boots portfolio is keeping Quadrant busy, Daniel and his partners are looking for more opportunities but the supply of suitable stock remains thin.

“I don’t see a massive avalanche of opportunities coming down the tracks. The current retail landscape is not for the faint hearted, but whether that will cause current holders to want to reduce their exposure we’ll see. The big bug bear at the moment is the valuation market – it’s just completely out of kilter with what’s going on in the real market.

“There’s a sort of holy trinity between the banks who don’t want to face up to the real value because their debt is being serviced so they will look the other way. The sponsor also doesn’t want to face up to the real value because that could trigger big breaches of their covenants. And there’s the valuers who are willingly, or not so willingly, having their arms twisted because there aren’t enough comparables.”

So in an environment of unrealistic expectations, how will Quadrant secure the next big investment opportunities for one of its partners?

“There’s a lot of money out there that’s being raised on the promise of a headline 20% return to investors, and that is just incapable of being achieved at any sensible transaction in the UK at the moment, let alone Europe. Continental Europe is even more expensive. Central London office yields in the order of plus/minus 4.5%, whereas equivalent stock in Paris is 100 basis points more expensive at least. And similarly for the major German cities. Should that differential be there?”

“We have an appetite but it’s very much on our own terms. At the moment, too many people are, in effect, paying the majority – if not all – of the potential profit in deals to the vendor. A lot of people are taking far too aggressive views on resales, incentives etc. It’s possible to manipulate the numbers and get a 20% projected return out of an investment model.

“But for us, one of the most important things is time: we don’t want to waste our time and our investors’ time running on a deal where we know in our heart-of-hearts we’re never going to make any money out of it.

“And because we co-invest alongside our partners, we have a vested interest in being realistic.”
International real estate investor, Hines, has appointed Colliers International as joint agents alongside Metis Real Estate to the landmark Royal Exchange building in central Manchester as it continues to evolve the occupier mix and attract more premium brands to the centre.

The Grade II-listed Royal Exchange – home to the renowned Royal Exchange Theatre – provides a total of 100,000 sq ft of retail space. Following a comprehensive £15m refurbishment, it has already attracted leading brands including French Connection, Watches of Switzerland and premium menswear store, Lanigan & Hulme which have joined existing occupiers such as Hotel Chocolat, Molton Brown and Lush.

Colliers is tasked with identifying new brands for available space across Royal Exchange Arcade, Market Street, Cross Street, Old Bank Street, St Ann’s Street and Exchange Street.

Colliers Retail Agency Director, Lloyd Entwistle, comments: “We are targeting best-in-class independents and luxury retailers for the opportunity to trade in this unique environment behind a striking listed façade.

“The flexibility of unit sizes at the Royal Exchange enables us to consider a wide range of retailers and positions the Royal Exchange as the home of exclusive new brands in an iconic setting in the heart of Manchester.”

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A RECIPE FOR SUCCESS
Having established a tremendous reputation for providing catering for the London fashion sector, Lucy Carr-Ellison and Jemima Jones are now establishing a permanent base in an exciting new development on the borders of Victoria and Belgravia. We caught up with them on how it’s going.

Jemima Jones and Lucy Carr-Ellison are very busy women. In addition to running TART London – the renowned catering company favoured by London’s top fashion brands – the duo has just published a book (‘A Love of Eating’), are regular columnists in the *London Standard* and are opening their first permanent venture in Belgravia this summer.

Eccleston Place will be part of Grosvenor’s Eccleston Yards scheme and will create a multi-purpose venue incorporating a restaurant, retail space, and fashion photography studio, and events space in partnership with Tom Warren, founder of Lock Studios.

The duo promises that Eccleston Place by will incorporate all elements of TART’s signature style with a restaurant focused on all-day seasonal dining, grab-and-go with “both healthy and more decadent options”.

There will also be a shop space showcasing clothes and homeware sourced during the pair’s extensive travels. One of the items for sale will be a shirt with proceeds going to the Miles Frost Foundation – a charity set up with the British Heart Foundation in memory of Sir David Frost’s son who died suddenly from an undetected heart defect.

The large photography studio helmed by Tom Warren will offer a new central London shoot space. He comments: “It’s a unique opportunity to create a brand-new studio space bang in the heart of central London that’s close to a range of leading fashion houses.

“It’s also going to be one of the most amazing centrally located events spaces in London, with a capacity of 270 people seated.”

Work has now begun in earnest on Eccleston Place and the various elements will be rolled out before the end of the year.

Jemima Jones comments: “It’s always been our dream to open a permanent site, and we couldn’t have thought of a better place than nestled in historic Eccleston Yard. This is more than a restaurant, we want to create that sense of warmth and home in busy central London with a light space that marries food, fashion, lifestyle and photography”.

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*A Recipe for Success*
Grosvenor’s Retail Director, Joanna Lea, comments: “The brand ethos that Lucy and Jemima have created completely embodies the healthy and energetic spirit we aim to foster. We want Belgravia to work harder for its community and all Londoners with thriving, enterprising places that appeal to all”.

So life doesn’t look like it’s going to get any quieter for Carr-Ellison and Jones any time soon.

The latter comments: “It’s been this amazing learning curve. There’s so much to do, but it’s so exciting and we’re really loving it. Now that work is starting on the space, it’s feeling very real.”
Saint Aymes in London’s Connaught Village has been called “London’s prettiest café” because of its beautiful interiors and extravagant floral displays.

The café offers “23ct gold unicorn lattes, macarons, award-winning teas and decadent chocolates”.

Colliers’ Sasha Riddle – who advised The Church Commissioners on the letting to Saint Aymes at 59 Connaught Street – comments: “The café is so amazingly photogenic that it’s become an Instagram sensation. Its style is very much a counterpoint to the hipster coffee store retro/industrial look.

“It is a perfect addition to the Connaught Village environment which has created a unique blend of individual shops, restaurants, cafes and galleries.”

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If you’re an online retailer then returned items are the bane of your life. The most common reason for returns is the size of the garment. Zalando sells items on behalf of more 2,000 brands across Europe and it has launched a major initiative to ‘right size’ its sales.

We spoke to the woman in charge.

Stacia Carr is Head of Engineering & Sizing at Zalando and points out that the ‘size problem’ only came about with the advent of clothing production on an industrial scale.

“Before that,” she observes “your clothing was made by a family member or a tailor or was handed down to you.”

Having lost that immediacy of interaction with the wearer has created an ongoing challenge which could be addressed when people all shopped ‘in store’ but the problem has been exacerbated in the domain of online retailing where the item is ‘bought’ without ever being tried on and that inevitably means that a large number of items come bouncing back – some estimates put it at around 1-in-6.

That cost can be hugely financially punitive for a business which operates on relatively small margins and can erode the advantage of not selling through physical stores.

Everyone sort of knows what size they are but it’s more abstract than Zalando and other online retailers would like. Carr comments: “If you look at how garment production and design actually works, it’s technically a very limited set of measurements that are defining a brand, size and fit profile; and whether that actually has anything to do with the customers that are interested in those items, is only found out later.”
There is no quick fix to the problem. The reality is a massive data accumulation which can help predict what size a customer needs.

Carr leads a team comprised of “data scientists, researchers, product developers, business analysts, business integration people and by extension, category buyers.”

“This kind of team dynamism means we have our minds wrapped around the issue from every angle: from the customer facing side, the business facing side, and from the brand partnership point of view.”

The team’s first product was size recommendation in footwear. This leveraged machine learning to predict whether certain shoe models run too big or too small. The recommendations are based on the aggregate of Zalando customer data paired with feedback from a team of fitting models at the Sizing team’s base in Berlin. So we glean a very holistic picture. Shoes were perfect for our sizing recommendation pilot given their simplicity compared to textiles.”

The team’s next challenge is recommendations for women’s dress and men’s shirts. From a complexity point of view, these are two of the most challenging garment types. Across Zalando’s product categories, the top seller is women’s dresses, but dresses also rank highest in returns. For menswear, the same applies to shirts. The complexity
of a textile garment is actually far greater than that of a shoe so making a correct size recommendation or buying the right dress can be very tricky as it has to consider bust, hips, length, sleeves, etc.

“So our initial solution to the problem has been using implicit customer signals to start to detect patterns that we could leverage to help customers. Simply put: that means looking at return data and return statistics but then running that through really basic statistical models and algorithms. But then as we got more sophisticated, we have a team of fitting models that generate a set of fit data, to look at clothing, not only before it goes online, but pretty close to the time of first sale.

“And what this allows us to do, particularly when there are really clear size and fit issues, is eliminate the cold start problem from the algorithm. So, we reduce the number of returns purchases necessary to start creating feedback, and that’s been the priority for the last year and a half. We also have a size recommendation algorithm, and size recommendations and personalisation are really tricky, and they do have a positive overall impact.

“Companies are still really learning how to interpret that impact, because there are mixed results on whether they actually impact returns and help customers find what fits best. So, as we grow in our level of sophistication, the name of the game is really data acquisition.”

However, this process only gets traction when you are dealing with a past customer – Zalando has more than 23m of them across 15 countries – it doesn’t address right-sizing for new customers. And the other complication is that size is only one of the metrics which define how we like to wear our clothes.

Carr observes: “You can never completely separate size and fit. So, getting into the more complex aspects of customer visual preferences is really the next horizon, and that means acquiring more information and interpreting it. We look at algorithmic approaches, and then we also look at different techniques for acquiring data. Everybody and their brother is talking about 3D right now.”

The technology to create a 3D scan of your body is already available. It could create a ‘data passport’ of your shape which could then be matched to clothing sizing but it comes with its own problems. For example, we don’t stay the same size and there would be inevitable nervousness about sharing data of such an intimate nature with third parties.

Carr is not totally sold on the 3D route: “It’s something that we’re working with, but my hope is that we can do a lot to meet the challenge without having to go 3D. There’s so much that can be done with the vast assortment of two dimensional images that we have, with image processing and computer vision the sky’s the limit.

“You have to ask the question: what can I do with a 2D image that’s on par with a 3D data set? Extrapolating 3D data sizing from a 2D image. Google and Apple have both launched developer kits that are making the technology available to developer communities and then it’s just a question of how long before market penetration is there.”

Ironically, where this entire process may be headed is that clothes are, in essence, tailor made for the customer. Carr reflects: “I love to think about the future of manufacturing. So, if 3D printed clothing is the future and you start building data sets for customers that they can take with them wherever they go, then what does size and fit become? Well, it becomes a set of criteria and a blueprint that a customer takes with them and feeds to a supplier that can make bespoke on-demand clothing”.

However, before that bespoke brave new world becomes a reality, Carr and her team have a data mountain to climb if they are to ensure that Zalando customers get clothes that fit.

Fortunately, some items pretty much take care of themselves. She laughs: “I always say: at least we don’t need to do 3D renderings of socks...”.
Colliers
UK Retail

Retail property is in Colliers International’s DNA and we offer an unrivalled range of expertise and services.

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To find out more about the service we offer, please contact anyone in our specialist teams listed opposite or visit www.colliers.com/uk/retail

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Our service by numbers

70 specialist retail fee earners across the UK and Ireland

9 offices in London, Bristol, Birmingham, Belfast, Leeds, Glasgow, Edinburgh, Manchester and Dublin

£1bn+ of retail investment transactions in past year

1m sq ft+ of retail rent reviews each year

1000+ retail property transactions each year

22m sq ft of retail property under management
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The theme of this year’s Midsummer Retail Report is ‘Joining the Dots’. The retail and property sectors are not short of data but what does it all mean? How do you ‘join the dots’ to see the bigger picture?

Through a blend of specially commissioned YouGov research and expert Colliers analysis, this year’s report will focus on where we are in the physical and digital worlds of UK retailing and what that means for the property investment and development sectors which underpin it.

If you would like to attend any of our Midsummer Retail Report events, please email Frederica.Simpson@colliers.com

Midsummer Retail Report Events 2018:

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