



### Retail Vacancy Rate (Units)

Apr 2011	13.3%
Oct 2010	13.7%



Oct 2006	7.3%
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### Retail Vacancy Rate (Floorspace)

Apr 2011	9.7%
Oct 2010	10.0%



Oct 2006	6.4%
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### Length of Vacancy\*

Apr 2011	56.0%
Oct 2010	59.3%



Oct 2008	37.8%
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\* % vacant units unoccupied for 12 months or more

## Retail Vacancy Falls for Second Consecutive Update: Short Trend or Long Blip?

### EXECUTIVE SUMMARY

- UK retail vacancy rates have fallen for the second consecutive half year.
- At April 2011, 13.3% of units across our sample of 15 UK towns and cities were empty, down from 13.7% at October 2010.
- In terms of floorspace, retail vacancy also fell from 10.0% last October to 9.7% in April this year.
- The polarisation between prime and secondary continues; the void rate for secondary floorspace is now almost three times that for prime.
- Prime continues to let, whilst the quantum of secondary stock remains stubbornly high. Arguably some secondary areas are in danger of becoming locationally obsolete.
- The big squeeze on household disposable incomes is now hurting the high street and a number of multiple retailers have recently fallen into administration.
- Will the short term trend of falling void rates continue or will the turnaround of the past 12 months just be a long blip in an otherwise deteriorating retail market?

### INTRODUCTION

This publication is the sixth in the Colliers International National Retail Barometer series, which runs in parallel with our Central London Retail Health Check. It provides an overview of the current state of the retail market and assesses the extent to which these trends are impacting on the high street by using void units as a key indicator. Our summer 2011 update incorporates the results of fieldwork carried out during April 2011.

The methodology behind our ongoing research is summarised on the back page. As far as we are aware, this is the only published data series that has monitored changing high street retail vacancy rates pre and post-recession on a consistent basis. With the media debate surrounding the health of the high street gaining momentum, our regular research on retail voids is becoming even more topical.

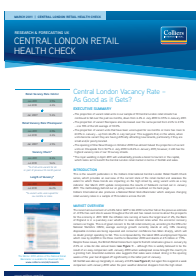
### MARKET OVERVIEW

The end of the recession in Q4 2009 failed to lead to a period of sustained economic recovery. With the growth in GDP in Q1 2011 and Q2 2011 doing little more than cancelling out the fall seen in Q4 2010, there has, in practice, been virtually no expansion of the UK economy since the middle of last year.

What's more, the Coalition Government's medicine for dealing with the huge national fiscal deficit – VAT, National Insurance and other tax hikes, combined with substantial and early cuts in public spending – is now having a troublesome side effect: it is squeezing household disposable incomes. This belt tightening – the consumer recession – is dampening retail spending, which in turn is having a negative impact on retail sales and profitability. Not surprisingly, a number of leading multiples such as Jane Norman, TJ Hughes and Habitat have fallen into administration in recent weeks.

According to the British Retail Consortium (BRC), UK retail sales values in June 2011 were 0.6% lower on a like for like basis than 12 months earlier. Although total sales were 1.2% higher, this increase was only one-third of the gain in June 2010 (up 3.4%). Moreover, the higher VAT rate introduced in January this year makes the year on year comparison look better than the underlying trend.

The pressure on disposable incomes produced by low wage growth, uncertainty over job prospects and high levels of inflation are likely to generate turbulent conditions on the nation's high streets for some time to come.



The Spring 2011 edition of our *Central London Retail Health Check* is available to download from [www.colliers.com/uk/research](http://www.colliers.com/uk/research)

**SURVEY FINDINGS**

Our latest survey data from April 2011 shows UK retail void rates falling for the second consecutive six month period, mirroring the falls that have characterised the Central London market since mid-2009.

**Figure 1** shows that there is a broad relationship between GDP and UK retail vacancy rates. Between April 2008 and October 2009, for example, when GDP was falling, the proportion of vacant retail units across our sample of 15 UK towns increased rapidly from 9.9% to 14.4%, but since then – with a return to generally positive GDP growth – the vacancy rate has fallen back to 13.3%. In contrast, the economic recession had no impact on Central London retail vacancy, with the rate falling steadily from 5.4% in January 2007 to 3.5% four years later. Currently, the UK void rate is almost four times that of Central London.

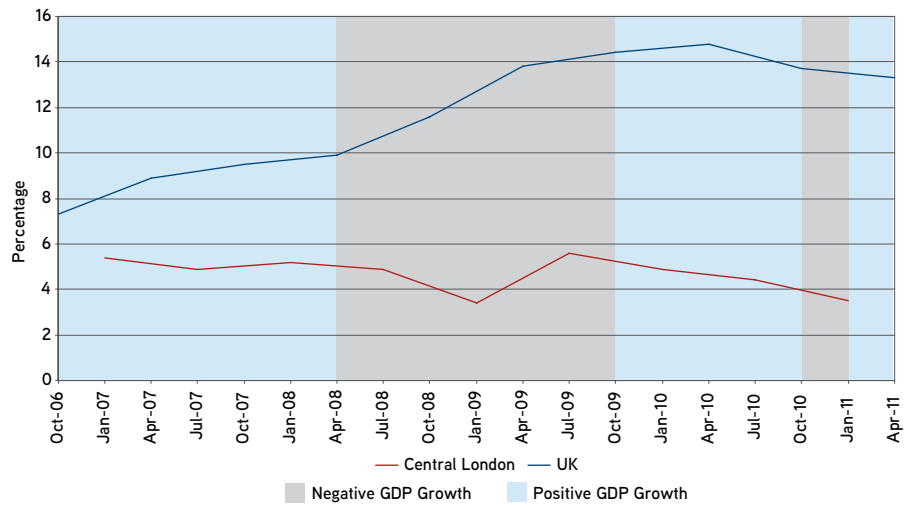
The data on the proportion of vacant retail floorspace in **Figure 2** paints a similar picture. UK vacancy rates rose quickly from 7.9% to more than 11.0% during the period of declining GDP, but have since slipped back to 9.7%. As reported previously, vacancy is lower and falling faster when measured in terms of floorspace than unit numbers, because voids are, on average, 27% smaller than the typical shop. This finding demonstrates that larger retail units are easier to let, since they are more likely to conform to the occupational requirements of many retailers, particularly multiples.

The same conclusion is borne out by the results of our analysis of retail vacancy by pitch, since bigger units are normally located along primary shopping frontages. **Figure 3**, for example, shows that UK vacancy rates in primary shopping areas have been falling since April 2009 and now stand at 8.0% of units – a 25% improvement in just two years. In contrast, vacancy rates on secondary frontages, although falling marginally to 17.0% at April 2011, remain higher than two years ago and more than double the rate for prime.

**Figure 3** also presents the same analysis in terms of floorspace. Prime vacant floorspace fell marginally to 5.1% at April 2011 and, whilst void floorspace in secondary areas also declined to 15.0%, it remains almost three times higher than prime.

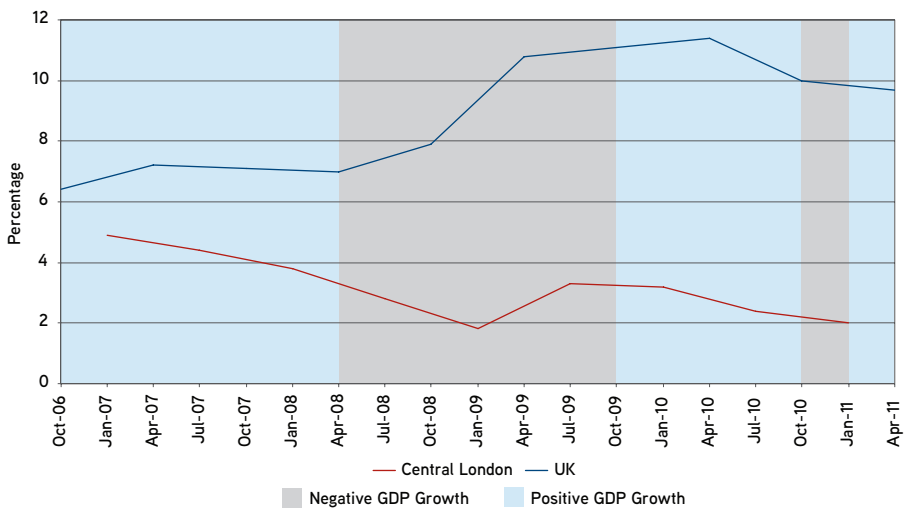
Clearly, there is no sign that the polarisation of prime and secondary is narrowing. Prime space is continuing to attract retailers despite the tough trading conditions on the high street, whereas take-up along secondary frontages – which now contain three-quarters of all void units – is proving extremely difficult. In certain instances secondary areas may be in danger of becoming locationally obsolete.

**FIGURE 1: NUMBER OF VACANT RETAIL UNITS AS A PROPORTION OF TOTAL RETAIL UNITS IN ALL SURVEY LOCATIONS**



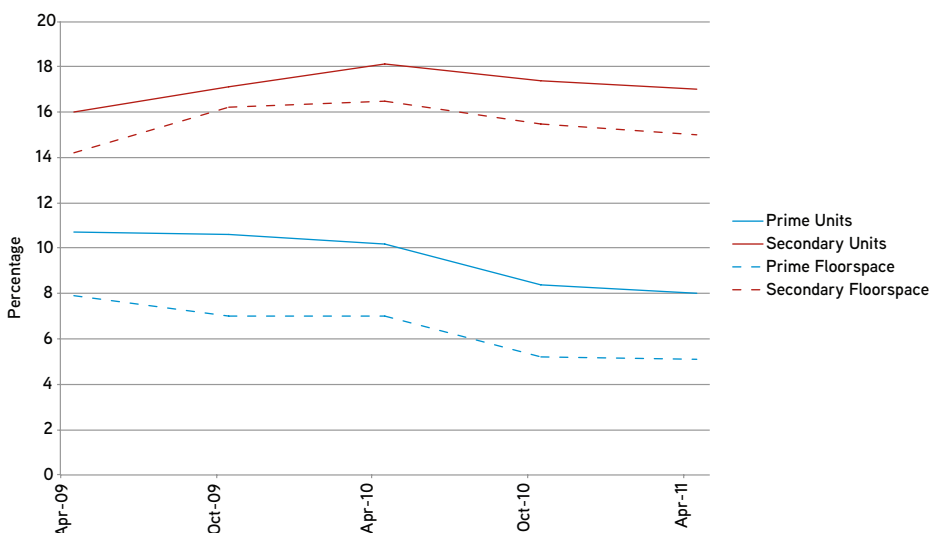
Source: Colliers International

**FIGURE 2: FLOORSPACE OF VACANT RETAIL UNITS AS A PROPORTION OF TOTAL RETAIL FLOORSPACE IN ALL SURVEY LOCATIONS**



Source: Colliers International

**FIGURE 3: RETAIL VACANCY BY PITCH**



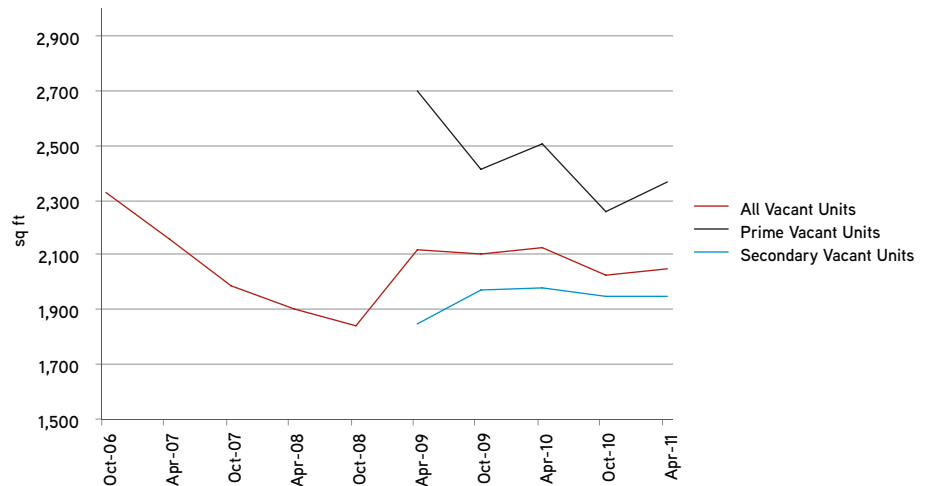
Source: Colliers International

This trend is reinforced by **Figure 4**, which shows changes in the average size of void units over time. There is evidence that the average sizes of all vacant units and prime vacant units have fallen from their 2009 peak as larger and better units have been let and void rates have fallen. In contrast, the average size of vacant units in secondary areas has risen marginally, as lettings have been difficult to achieve and void rates have remained stubbornly high. **Figure 5** indicates that the average size of vacant units varies significantly across our sample of towns with voids in Plymouth being, on average, almost six times larger than those in Kensington High Street, Central London. The average void unit is currently 2,049 sq ft.

The recent decrease in UK void rates identified by our survey is reflected in **Figure 7**, which shows changes in the average length of vacancy. For the first time since October 2008, the proportion of empty units that have been vacant for 12 months or more fell in April 2011 – down to 56.0% from a high of 59.3% in October 2010. In contrast, the proportion of voids vacant for less than six months increased to 28.6% in April, the first rise for three years.

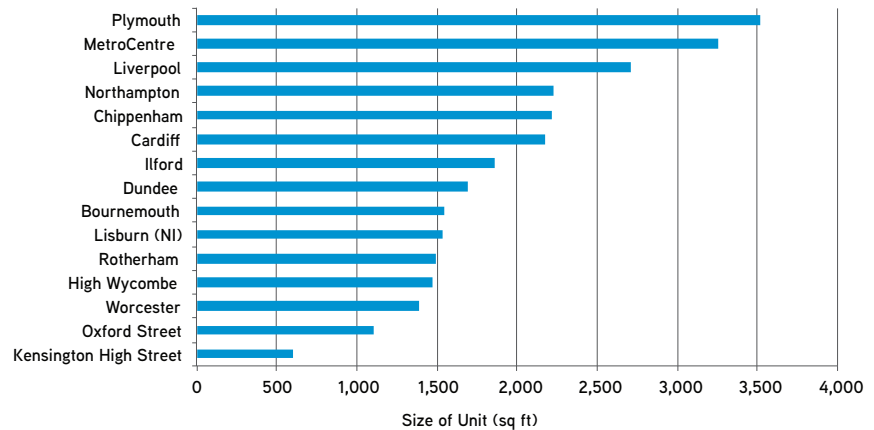
The trends in retail vacancy described above are based on the changes in void rates that have occurred across our sample of 15 city and town centres, as summarised in **Figure 6**. Oxford Street in Central London remains the location with the lowest vacancy rate both in terms of units and floorspace. It has now retained this position for three years. At the other end of the scale, Rotherham continues to exhibit the highest levels of vacant units and floorspace, although the town saw some improvement in its void rates between October 2010 and April 2011.

FIGURE 4: AVERAGE SIZE OF VACANT UNITS BY PITCH



Source: Colliers International

FIGURE 5: AVERAGE SIZE OF VACANT UNITS (SQ FT)



Source: Colliers International

FIGURE 6: VACANT RETAIL FLOORSPACE (%) BY CENTRE (GROUND FLOOR ONLY)

Centre	Vacant Units (%)										Vacant Floorspace (%)									
	Oct 06	Apr 07	Oct 07	Apr 08	Oct 08	Apr 09	Oct 09	Apr 10	Oct 10	Apr 11	Oct 06	Apr 07	Oct 07	Apr 08	Oct 08	Apr 09	Oct 09	Apr 10	Oct 10	Apr 11
Bournemouth	5.9	9.1	8.9	9.7	11.8	13.4	12.6	16.6	16.2	15.8	4.5	7.3	6.3	7.1	9.5	10.3	12.4	14.8	13.6	11.6
Cardiff	6.0	9.7	11.5	9.8	9.7	12.3	16.3	18.5	15.8	14.2	8.3	10.2	9.5	7.1	6.2	8.6	12.4	17.1	11.9	11.2
Chippenham	3.2	4.8	6.1	4.5	5.7	8.5	7.2	8.0	8.4	9.2	2.2	1.8	3.9	4.8	5.3	10.4	9.3	8.5	7.8	9.5
Dundee	11.1	12.1	12.9	10.5	11.4	17.4	15.0	14.7	12.3	14.1	10.2	10.7	10.2	8.0	7.3	13.0	10.7	10.0	6.5	8.9
High Wycombe	6.4	9.5	6.1	15.7	19.6	22.3	17.3	15.3	13.7	13.4	4.4	6.0	3.6	14.1	11.9	16.1	13.6	9.3	7.9	7.8
Ilford	5.2	5.9	4.9	5.4	9.1	8.8	13.6	13.4	11.6	9.8	3.9	4.4	3.6	4.5	5.3	9.9	9.9	8.9	7.1	6.1
Kensington High Street	4.7	7.0	7.0	5.3	1.7	7.0	11.2	6.6	4.7	2.0	9.9	11.7	7.0	5.8	1.7	6.0	6.6	3.0	2.4	0.4
Lisburn (NI)	12.3	15.4	13.7	13.6	14.1	17.8	18.3	17.6	16.1	17.1	8.0	13.1	12.0	11.1	8.8	13.6	13.8	12.3	11.4	11.4
Liverpool	10.1	11.4	12.9	11.1	18.6	19.9	19.4	18.4	16.3	17.3	9.2	10.8	10.3	8.9	13.8	16.5	16.1	15.5	13.8	14.5
MetroCentre	1.5	3.4	5.9	8.6	6.3	8.9	9.2	8.1	6.2	5.5	1.0	1.3	3.2	3.2	2.3	6.9	7.3	6.9	5.9	3.6
Northampton	8.7	10.2	10.4	13.5	15.3	15.5	16.4	16.8	16.6	16.8	5.5	6.3	7.5	9.3	10.1	10.1	12.1	12.7	11.6	14.6
Oxford Street	3.4	2.0	5.1	2.1	2.8	1.8	2.5	1.8	1.1	1.2	4.8	1.6	3.1	0.7	0.8	0.1	1.3	1.0	0.4	0.2
Plymouth	9.3	10.2	7.2	8.5	10.1	10.4	10.1	11.0	11.7	11.9	7.7	9.2	6.8	6.3	7.6	8.8	9.2	10.1	13.1	13.0
Rotherham	6.1	8.8	12.0	15.6	16.6	15.3	22.3	23.7	28.2	22.5	6.9	9.8	12.1	14.0	15.5	17.6	20.0	22.0	23.2	17.2
Worcester	7.3	5.8	8.8	7.5	7.0	12.4	12.1	13.9	12.3	10.8	7.9	3.6	6.2	4.7	6.3	10.2	8.4	9.9	8.8	8.5
<b>Average (15 Centres)</b>	<b>7.3</b>	<b>8.9</b>	<b>9.5</b>	<b>9.9</b>	<b>11.6</b>	<b>13.8</b>	<b>14.4</b>	<b>14.8</b>	<b>13.7</b>	<b>13.3</b>	<b>6.4</b>	<b>7.2</b>	<b>7.1</b>	<b>7.0</b>	<b>7.9</b>	<b>10.7</b>	<b>11.1</b>	<b>11.4</b>	<b>10.0</b>	<b>9.7</b>

Source: Colliers International

Highest vacancy rate    Lowest vacancy rate

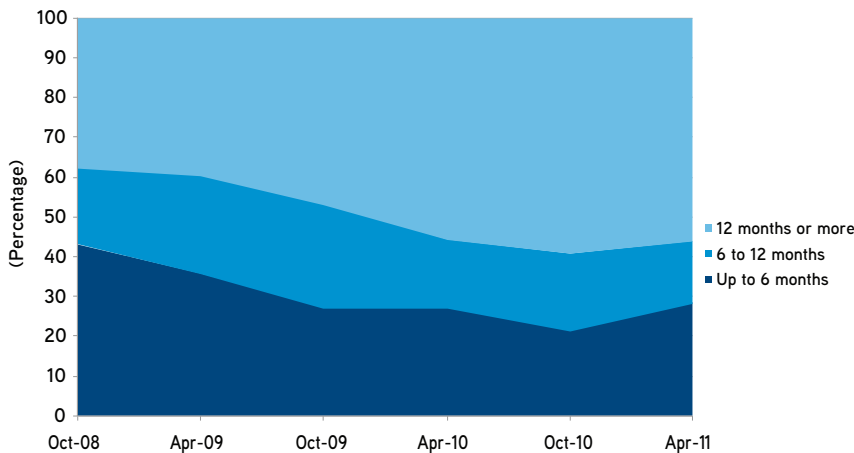
**MARKET OUTLOOK**

The latest void rates reported on in this paper are for April 2011. They show a small but positive improvement in retail vacancy, reinforcing a similar shift back in October 2010. However, since April the consumer recession has taken hold and a new tranche of retailers have gone bust with potentially more to follow. Talk in the market is focusing once more on failing towns, locational obsolescence and the death of the high street.

The coming months therefore appear critical; will void rates fall further, continuing the short, positive trend of the past 12 months, or will this recent improvement appear as just a long blip with retail vacancy rates about to rise again as consumers are forced to rein in their spending?

Our next (Winter 2011) National Retail Barometer will provide the answer!

FIGURE 7: AVERAGE LENGTH OF VACANCY



Source: Colliers International

**METHODOLOGY**

The data presented in this paper comes primarily from fieldwork Colliers International has undertaken on a six monthly basis since October 2006. In April and October each year we survey the same sample of 15 city and town centres across the UK to identify units that are empty and available for occupation. These centres are listed in **Figure 6**.

Therefore, unlike the statistics published on retail vacancy by other companies, our sample of locations has remained fixed over time, whilst all the centres are surveyed at the same time for each update of this paper. This approach ensures absolute consistency in our data both over time and between centres at any survey date.

The area surveyed at each centre includes only the ground floor retail space, with the exception of shopping centres where units on all floors are included. Any units that are part of a development that is under construction, or where an incoming retailer is identified, are not classified as vacant, since they are not available for occupation. Primary and secondary frontages within each centre have been defined by the Colliers International Retail Agency team.

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