



SUPPORTING RETAIL REPORT

To

PLANNING APPLICATION

On

**FORMER BRISTOL & WEST ARCADE
FRIAR STREET
READING**

As Requested by

Sonic Star Properties Ltd

Prepared by Fiona Brownfoot MRICS

22 January 2021

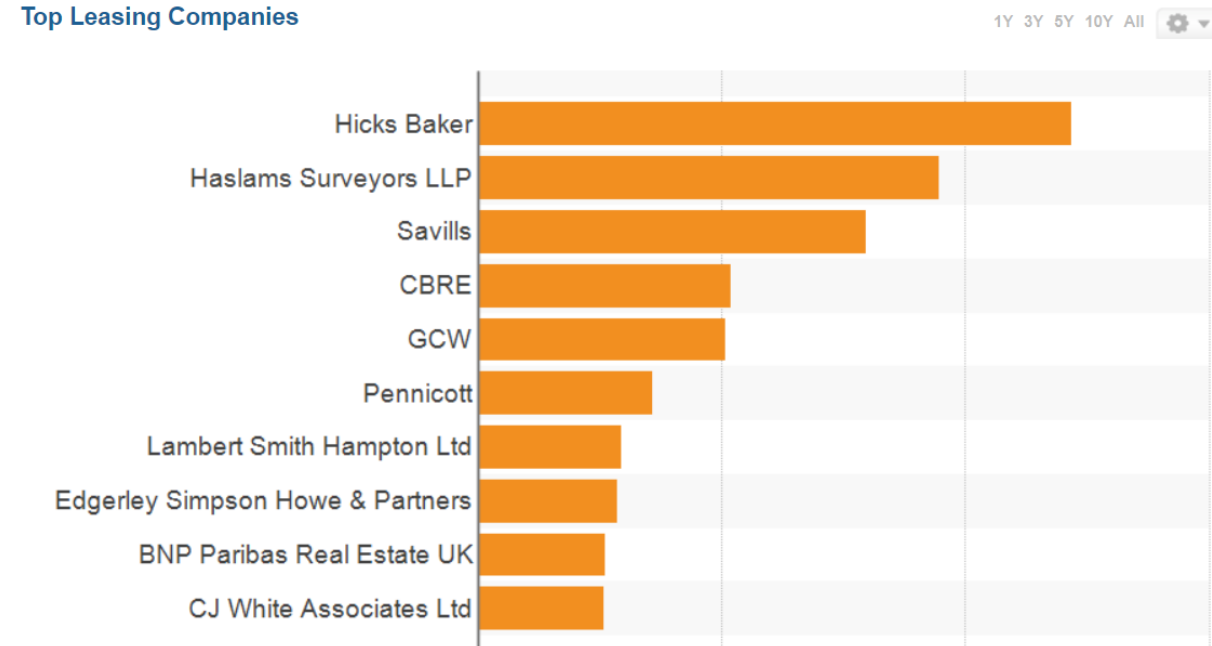
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1.0 CREDENTIALS

- 1.1 I have been a Partner in charge of the Retail and Leisure Department at Hicks Baker for the last 19 years and have lived and worked in the Reading area for the last 23 years.
- 1.2 According to CoStar, over the last 3 years we have let more retail property than any other agent.

Top Leasing Companies



- 1.3 We are currently the agents acting for the owners of Broad Street Mall shopping centre in addition to acting for many funds, property companys and private landlords, and are currently marketing 29 other retail units in the town.
- 1.4 We keep quarterly statistics on the availability and vacancy rates for the town centre, together with completed transactions and these figures are published along with a short market commentary to stakeholders within the town.
- 1.5 Following publication of a Colliers CRE retail and leisure study of 2005, I was invited by RBC to provide a “reality check” therefore the council are familiar with our long association with the retail property market.
- 1.6 I therefore feel suitably qualified to comment on both the current proposal for this site, and the consented scheme.

2.0 RETAIL SECTOR

- 2.1 This is, without doubt, the most unique point at which to comment on the retail sector and whilst the full impact of CV-19 is yet to be felt, what is certain is that trends that have been evident over the last 10 years have been accelerated by several years.
- 2.2 The most impactful trend has shown that the UK has more retail floor space than is required by retailers, due to changing consumer habits both in where disposable income is spent and what they spent it on. The trend on the latter is for money to be spent less on tangible goods and more on experiences.
- 2.3 Another trend which has been substantially accelerated, and will exceed all previous predictions, is online spending. This is clearly demonstrated by the once absolute stalwart of the high street, John Lewis, announcing the closure of 8 stores as it responds to the shift to online spending.
- 2.4 The three lockdown's which commenced on 23rd March 2020 have, understandably, had a devastating effect particularly on the retail and leisure sectors, with many national operators falling into administration. This has obviously had a knock on effect with landlords of retail premises and the June, September and December quarters saw many landlords collecting less than 40% of the rents that they were due.
- 2.5 Investment sales of retail property has virtually ceased due to the uncertainty of future rental income, which will similarly have an impact for some considerable while, on any new development which incorporates a retail element.
- 2.6 The collapse of a major shopping centre owner Intu, has been well publicised – a scenario which would have been almost inconceivable not so long ago. Lenders are also therefore likely to apply more stringent tests before lending on retail properties.
- 2.7 As stock increases due to retailer failures, rents are having to be re based, in some instances up to a 50% reduction. Rents are also coming under pressure as a result of the lack of correlation between business rates and rental values, which has been further exasperated by the announcement this week that the revaluation will not now come into effect until April 2023. Therefore occupiers are paying rates based on a valuation date of April 2015.
- 2.8 The reduction in retail rental values, together with the lack of confidence in the occupational market, and more stringent lending criteria will halt any new retail development for many years to come.

3.0 READING RETAIL MARKET

- 3.1 The vacancy rate stood at 12.75% prior to COVID-19 which forced the government to impose a ban on all restaurants, bars and cafes shops opening. Until all retail and leisure operators have reopened, it will not be possible to provide a 'post lockdown' vacancy rate, but it will inevitably have increased.

Over the course of the last 5 years the lowest rate was 8.71% (Q3 2017) and highest was 13.06% (Q4 2018). According to the British Retail Consortium the UK average stands at 10.3% but according to Local Data Company the figure is 13% the highest its been since 2015.

3.2 Following the dramatic structural change in the retail world which has bitten hard in the last few years, like many retail locations, Reading's current stock exceeds demand and there are many units which have now been vacant for 3+ years. The table in Appendix 1 and the GOAD plan detail units which are currently on the market and the plan details how long each unit has been on the market.

3.3 Take up in the last 5 years has been as follows:-

2015	28
2016	24
2017	38
2018	21
2019	12
2020	12

3.4 Retailers and leisure operators are only seeking to take sites which they can be certain will generate the level of income they require – therefore unproven pitches or units which don't meet their requirements in terms of prominence and proximity to other attractions or have a unique feature, will not be considered.

3.5 By way of example, there were 4 new bar / restaurant openings in 2019 – Lemoni took the former Jamies in the prime A3 in the town which is the Riverside in The Oracle, Buenasado took the former Cau restaurant which is also in The Oracle so both of those benefit from excellent prominence. The other two openings (The Corn Stores and Market House) were both in exceptionally attractive and unique buildings, so although they were 'off pitch' the combination of the quality of the building and the quality of the offer has driven the required footfall.

3.6 Units which sit outside the core retailing area have proved to be particularly difficult to let, for the reasons stated above, with an example being the former Jacksons store which is being converted to 3xNo A3 units on the ground floor. The units were all pre-let in February 2016 however none of those original parties are progressing to open the units and they have all now been back on the market for most of this year without interest.

3.7 Further examples of 'off pitch' locations which have small units in arcade schemes are Kings Walk and Harris Arcade. Harris Arcade is an L shaped arcade running between Friar Street and Station Road comprising 21 retail units. However, up until 1993 the anchor to that scheme was Traders Arcade, which was accessed only from Harris Arcade, and comprised a small indoor market which was extremely popular and was the footfall generator for customers for the Harris Arcade units. However, when the space was reconfigured in order to effect a letting of the space, together with significant frontage onto Station Road, to Revolution Bar and Night Club, the footfall through Harris Arcade was severely affected and the Arcade has struggled to retain its tenants ever since. It has only been 100% let in the last four years, for a period of three days!

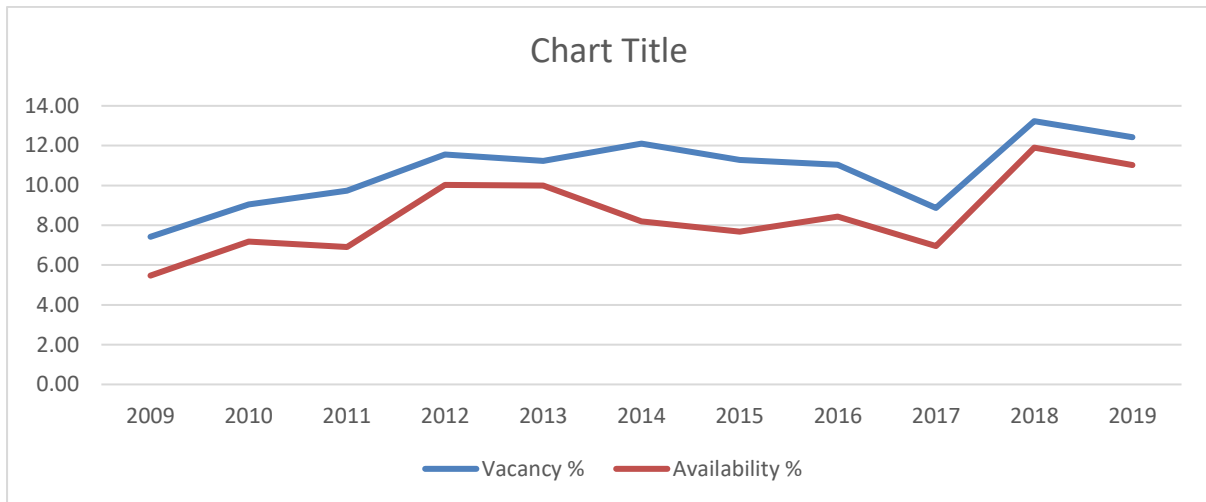
3.8 Kings Walk is the other shopping arcade in Reading, located off King's Street. This comprises 13 units over ground and first floor. Four of the units are on the first floor and have been let as restaurants since the scheme was completed in 1992 although

not all occupied at the same time since that time. Of the ground floor units, the scheme has never been fully let and despite two makeovers in the last six years (2005 and 2011) units remain vacant on the ground floor, a situation which has largely gone unchanged since it was built. One or two independent retailers have opened during that period, but regrettably have not lasted long due to the lack of footfall. The two units that front Kings Street have been let in the last 2 years to Pho and Delightful Desserts.

- 3.9 Both of these schemes demonstrate that isolated retail schemes, without critical mass, which do not have a destination purpose or an anchor, or a reason to pass through – struggle to secure retailers due to lack of footfall.
- 3.10 In terms of position and pitch, both Kings Walk and Harris Arcade are better placed than the consented scheme for Bristol & West. Kings Walk is visible from the prime pitch of Broad Street and the Station Road entrance to Harris Arcade is opposite very heavy footfall along the western side of Station Road, but unfortunately for Harris Arcade that footfall rarely crosses the road on the route through from station to town.
- 3.11 The Friar Street frontage of Market Arcade is in a quiet, predominately non-A1 retail pitch and the Market Place frontage is a secondary / tertiary A1 retail pitch, again dominated by non-A1 retailing at this point. The proposed refurbishment and reconfiguration of the arcade cannot change the retail pitch.

4.0 CONSENTED SCHEME

- 4.1 There have obviously been two consented schemes on the subject site, both of which proposed a level of retail space, much of which would have been internal with no prominence to the street. I provided a report to the then owner of the site in 2012 stating that the quantum and configuration of the retail space ensured that retailers would not be persuaded to take pre-lets on the units and that therefore the scheme would never get built, and that is indeed the case!
- 4.2 Whilst policies within the Local Plan are obviously the starting point for considering the merits of any development, the realities of the current market and the supply and demand for units of the nature proposed previously, needs to be the next level of consideration. Whilst the retail units proposed in the both consented schemes, where not actually placed on the market, the site has been marketed twice since 2012. However, due to no retail tenants being prepared to commit to the proposed schemes, this has been a significant factor in the physical redevelopment being 'abandoned' by previous owner and now seeking to be changed by the current owner.
- 4.3 The very useful bell weather for determining current demand from retailers who would seek to take relatively small units in an arcade environment, is perfectly demonstrated by the availability of units in Readings two existing arcades – Harris Arcade and Kings Walk. The latter has never been fully occupied since it was built in 1992 and the former has only ever been 100% let for very short periods of time.
- 4.4 The previously consented schemes both failed to meet the absolutely essential elements for a retail scheme to be successful in today's extremely competitive and 'challenging' retail landscape i.e. a strong anchor; critical mass; an attractive micro environment or a purpose to walk through it.



Hicks Baker Data - Vacancy and Availability of retail and leisure units in Reading town centre

- 4.5 The above graphs demonstrates how Readings vacancy and available units (units that are on the market but still occupied) has steady grown over the last 10 years. As is the case with many towns in the UK, Reading already has too many units in locations that are not attractive to retailers, therefore the proposed addition of any new retail space in the town centre needs to be able to tick all of the essential boxes (prominence, proximity to prime pitch, purpose) in order for it to stand any possibility of securing occupants.
- 4.6 The buzzword in retail at present is 'repurposing' and lateral thinking is now required for existing vacant space, and the same applies the Bristol and West site. Pure retailing even on the Friar Street frontage, is very unlikely to garner interest from retailers or operators for the reasons stated above. There is simply not the demand and there are better options available for any demand that is present.
- 4.7 Therefore 'repurposing' the space at ground floor is an option for the site in order to bring it forward for redevelopment and regeneration instead of remaining vacant for a further 10+ years. The ground floor could therefore be better used as the main hotel lobby with ancillary restaurant and bar to retain a key active frontage onto Friar Street.

5.0 CONCLUSION

- 5.1 This site has now been vacant for 12+ years for a variety of reasons, however a contributory factor has been that the consented schemes were not commercially attractive to end users in terms of the retail elements despite meeting a planning policy which, in my view, is not commercially sound.
- 5.2 Redevelopment of the upper parts is a relatively straightforward matter however seeking to incorporate retail square footage on the ground floor has resulted in today's situation of a derelict building which is a blot on the landscape of the town in terms of vibrancy and vitality.
- 5.3 Fresh and lateral thinking is required to 'repurpose' the ground floor and I consider that the new proposal represents a deliverable and commercially viable scheme which finally will bring some vitality to this part of the town square particularly as there is an end user and a pre-let to the Leonardo Hotel (part of Jury's Inn) in place.

For further information contact:

Fiona Brownfoot, MRICS
Director - Retail and Leisure, Hicks Baker
01189 557083
f.brownfoot@hicksbaker.co.uk

APPENDIX 1 – Available retail properties (Not incl The Oracle)

	ADDRESS	SIZE Sq ft	USE	DATE MARKET	ON
1	19 Oxford Road	903	A1	Q4 2019	
2	119 BSM (Broad St Mall)	1,122	A1	Q4 2017	
3	120-122 BSM	3,416 sq ft	A1	Q4 2017	
4	115-116 BSM	1,495	A1	Q4 2017	
5	44 BSM	1,495	A1	Q2 2017	
6	43-45 Oxford Road	2,300	E	Q3 2020	
7	46 BSM	1,709	A1	Q2 2016	
8	52 BSM	1,279	A1	Q4 2019	
9	53 BSM	947	A1	Q4 2019	
10	54 BSM	901	A1	Q4 2019	
11	64 BSM	1,404	A1	Q2 2017	
12	1D QUEENS WALK	1,499	A1 or A3 (under offer)	Q2 2019	
13	5 KINGS WALK	1,254	A4	Q2 2018	
14	1-3 QUEEN VICTORIA ST				
15	17 QUEEN VICTORIA ST	725	A1	Q2 2020	
16	21-23 QUEEN VICTORIA ST	1,488	A1/A3	Q1 2020	
17	25 QUEEN VICTORIA ST	508	A1	Q1 2020	
18	31 QUEEN VICTORIA ST	759	A2	Q4 2019	
19	3-3A BROAD STREET	312	E	Q2 2020	
20	6 BROAD ST	1,448	A1	Q3 2018	
21	11 BROAD ST	1,889	A1	Q2 2019	
22	50 BROAD ST	2,185	E	Q3 2020	
23	58 BROAD ST	9,622	A1	Q1 2017	
24	60 BROAD ST	1,392	E	Q1 2021	
25	70 BROAD ST	1,057	E	Q4 2020	
26	81 BROAD ST	2,709 (Under Offer)	A3	Q3 2019	
27	87 BROAD ST	1,495	A1	Q2 2019	
28	87A BROAD ST	829	A1	Q2 2019	
29	88 BROAD ST	1,223	A1	Q3 2017	
30	89 BROAD ST	714	A1	Q1 2020	
31	99 BROAD ST	1,941 (Under Offer)	A1	Q3 2018	
32	102 BROAD STREET	2,135	A1	Q2 2020	
33	114-115 BROAD ST	2,709	E	Q2 2020	
34	120-121 BROAD ST	1,422		Q1 2020	
35	4 CHAIN ST	851	A1	Q3 2019	
36	30A CHAIN ST	605	E	Q4 2020	
37	11 DUKE ST	917	A3	Q2 2020	
38	14/16a KING ST	7,780	A1	Q3 2018	
39	64-72 KINGS ROAD	2,852	E	Q3 2020	
40	6 UNION ST	984	A1	Q4 2018	
41	UNIT 2 KINGS WALK	1,111	A1	Q4 2018	
42	UNIT 3 KINGS WALK	1,060	A3	Q4 2018	

43	UNIT 5A KINGS WALK	2,172	A1	Q4 2018
44	UNIT 6 KINGS WALK	1,358	A1	Q4 2018
45	UNIT 8 KINGS WALK	883	A1	Q4 2018
46	THE KIOSK, KINGS WALK	325	A1	Q4 2018
47	13-16 MARKET PLACE	4,622	A2	Q1 2020
48	22-23 MARKET PLACE	890	E	Q2 2020
49	10-12 OXFORD ROAD	2,102	A1	Q2 2019
50	UNIT 4 JACKSONS CORNER	3,600	A3	
55	55 ST MARYS BUTTS	2,806		Q3 2020
56	64-65 ST MARYS BUTTS			Q3 2020