

RETAIL PERFORMANCE

There is no escaping the challenges facing the retail sector over the last 12 months with announcements of further high street name failures. The ongoing structural change in the sector, combined with mute household spending, has sifted those retailers with a sustainable long term model from those without. Kent has not been immune to these changes. Overall, prime high street rents in the county have dipped -2.7% losing some of the gains made in 2016/7. Towns at the upper end of the rental scale have struggled more as affordability dampens demand.

However, Kent also illustrates many success stories as town centres are reinvented in the face of this period of structural change. The first phase of Legal & General's £53m St James development in Dover, providing 14,586m² (157,000 ft²) of new leisure and retail space opened in the spring, while the Spirit of Sittingbourne regeneration reached its first milestone this year. The impact of such schemes on rents inevitably takes time, particularly given the challenging backdrop. The potential impact is exemplified in Ashford where the vacancy rate has fallen following the borough council's purchase and management of the now near full Park Mall shopping centre, combined with activity across the wider town.

High streets are evolving their role with a greater mix of occupiers, aided by rental adjustments. In January consent was given for a further escape room in Folkestone., while elsewhere smaller format gyms have taken vacant space. Such occupiers, combined with a continued upturn in independent retailers and coffee shops, are having a positive impact on occupancy. The latest Local Data Company research, undertaken for this report, shows Kent has seen a sharp improvement in occupancy levels when compared with the national average.

Average high street vacancy rate		
	2018	2017
Kent	7.80%	8.90%
UK	11.30%	11.00%

Source: Local Data Company, August 2018

Vacant retail warehouse park units have increased, but take-up persists and new schemes are coming forward. The dessert chain Creams took the final two units on the Neats Court Retail Park, Queenborough while in July Next moved to a 1,062m² (11,430ft²) store on the St James Retail Park, Dover, and the first phase of the regeneration of Princes Street Retail Park, Sittingbourne opened. In Ashford, five new stores are proposed alongside the John Lewis at Home unit.

Bluewater has felt the challenges of the retail sector, but significant new lettings have occurred. Primark took 5,574m² (60,000ft²), with the opening planned for 2019, fashion and lifestyle brand Arket launched, while BMW opened its first 'urban store' in the UK at the centre. In Ashford, a £90m extension of the McArthurGlen Designer Outlet started in January to provide an additional 9,290m² (100,000ft²) space in Autumn 2019. Meanwhile, Hempstead Valley Shopping Centre received consent for a 7,522m² (80,966ft²) extension in April.

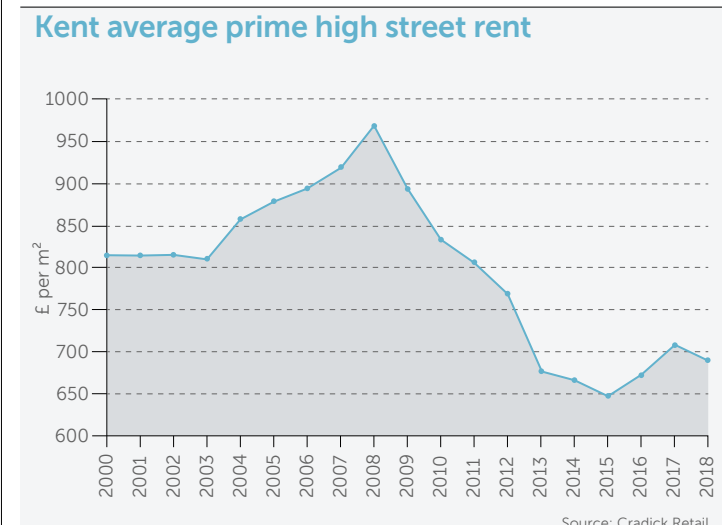


6%

Average prime rents ahead of financial crisis low point
Cradick Retail

Ambitions in some segments of the supermarket sector have been scaled back. While Sainsbury's will start work on a smaller than planned store at Altira Park, Herne Bay, discount stores maintain their expansion. Aldi has seen new openings in Ashford and Sevenoaks, with further stores planned. A new 7,808m² (84,044ft²) Marks & Spencer store at Eclipse Park received consent in August.

There have been a number of significant shopping centre transactions over the last 12 months. These include Hempstead Valley Shopping Centre, bought by BA Pension Fund from British Steel PF for £43.5m in December. February saw Canterbury City Council purchase the remaining 50% stake in Whitefriars shopping centre in the city from TH Real Estate for £75.5m (NIY 6.5%). In March The Royal Victoria Place Shopping Centre, Tunbridge Wells, was purchased by British Land for £96m from Hermes REIM. The centre comprises



Lettings

Location	Landlord	Tenant	Size ft ²	Rent (pa)	Lease term	Agent
8 Trinity Trading Estate, Tribune Drive, Sittingbourne, Kent	St James's Place UK plc	Apollo Motor Group	14,716	£77,500	10 years	Watson Day
18-20 High Street, Tenterden	Private	Sabre Retail Fashion t/a Mint Velvet	2,717	£67,500	10 years	Martine Waghorn
118, High Street Chatham	Private individual	Tara Martins Community Project CIC	Shop 421.39 plus office and ancillary space	£13,500	5 years	Michael Parkes

Sales

Location	Vendor	Purchaser	Size ft ²	Capital value	Agent
Langley Square (Units A, C, B and D), Dartford DA1	Weston Homes	New Stay Properties Ltd	A – 5,208 B – 4,381 C – 4,058 D – 2,949	A – £778,902 B – £655,000 C – £607,000 D – £441,000	Glenny
176, Canterbury Road, Garlinge	Private individual	Flavours by Kumar	810 plus 3 bed flat	£257,000	Clarke and Crittenden

27,870m² (300,000ft²), but with consent for a 16,065m² (172,922ft²) extension.

The retail warehouse market has also seen activity. In May, Warren Retail Park, Ashford, sold to Knight Frank IM for £11.925m (NIY 6.1%). The following month, Otford Road Retail Park sold for £10m (NIY 7.35%).



Proposal showing part of the £90m extension of the McArthurGlen Designer Outlet in Ashford.



Proposal for the M&S store at Eclipse Park, Maidstone.