

NEWSLETTER

SUMMER 2009

Market upgrades create distinctive flagship stores

The imaginative development of two listed buildings housing antiques markets has enabled **GCW** client Atlantic Properties to create flagship stores for fashion retailers Jack Wills and Urban Outfitters-owned Anthropologie.

The development of an old tram electricity substation on Upper Street, Islington will see the building transformed from an antique and bric a brac arcade into a retail outlet for Jack Wills. **GCW** worked with Atlantic Properties to secure listed building consent to adapt the space for a single retail outlet and pre-let the space to Jack Wills at a rent of £367,500 a year.

The 8,000 sq ft shop is housed on the basement and ground floors and will be one of Jack Wills' largest stores in the UK.

"It's exciting to find a mainstream retailer willing to take on something so unusual. There are no shop windows, limited signage and shop frontage and entrance doors at either end. Inside it is a beautiful space," says **GCW** director David Gooch.

Work is underway on the Islington site with the Jack Wills store due to open towards the end of the year.

The second development will see Anthropologie open a flagship UK store in London's Kings Road on a site formerly operating as the Antiquarius market. Work has started to sympathetically restore the listed building which has been pre-let to Anthropologie for £1.1 million a year. The retailer is recognised for seeking out architecturally distinct spaces for its stores, which are individually and uniquely designed. When it opens later this year, it is expected to bring much needed vitality to this part of the road.

Atlantic Properties purchased a portfolio of properties housing antiques and food markets across London three years ago, all with development potential. **GCW** has been working with the company to improve the value, with two markets now being redeveloped for mainstream retail units and the two remaining properties in Brixton retained as existing mixed food primarily selling food.

The decision to radically change the use of the buildings in Islington and the Kings Road was driven by the demise of the face-to-face antiques trade – now largely run over the Internet. The fall-off of trade meant that the markets were less profitable, mainly offering bric a brac, and unable to sustain a profit.

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GCW capitalises on its sweet appeal

Thorntons, the UK's largest manufacturer and retailer of specialised chocolates, has strengthened its relationship with **GCW** by appointing the company as joint agents on their portfolio which is made up of some 379 shops and cafes with an additional 250 franchises in addition to their internet mail order business.

GCW has been involved with Thorntons for some time carrying out rent review and lease renewal work but its new arrangement will see the firm offering a wider range of services and advice.


GCW, together with Jones Lang Lasalle, is providing overall property consultancy including relocation options and has been dealing with the negotiation of rent reviews and lease renewals throughout the UK since March 2009. **GCW** is currently involved with some 34 rent reviews and 12 lease renewals on Thorntons' behalf.

"We are pleased to have added another major retailer to our list of retained clients and I'm looking forward to working alongside Thorntons' property director Mike Barnett and offering strategic property advice," says **GCW** director Keith Whale.

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Retail experts in demand as dispute levels mount



GCW is gearing up for an expected surge in Arbitrations on rent reviews for large stores and supermarkets.

The firm's experienced Arbitration team of directors, Keith Whale and Clive Gillingwater, has seen an explosion in the number of disputes on standard shop units in the past few months and expect the large store market to follow suit.

"The worsening economy is putting huge demands on both landlords and tenants and we expect rental levels for large stores and supermarkets to be the next battleground," says Whale.

GCW deals with both RICS and private appointments and has seen a huge increase in its work through both routes. There has been a dramatic increase in the number of initial referrals to Arbitration being seen through to final Awards being made. Historically around one in 12 cases initially referred to an Arbitrator are translated into a full case; the remainder being negotiated; but over the past year this figure has rocketed to around one in three cases.

The change in economic circumstances is behind the increase in disputes. Rental levels on standard shop units have fallen almost everywhere and in some locations rentals are below 2004 levels.

The problem relates to the availability of comparable evidence. Until a new letting is completed in a given location it is difficult to establish where true rental levels lie. Opinions differ and disputes result.

Many tenants are keen to backdate the effects of the credit crisis to unsettled reviews. However landlords of some shopping centres are keen to maintain historic rental levels, even if it means keeping units vacant, to avoid crystallising new, lower, rental levels.


Recent market changes in the large store and food store sector are expected to cause a similar level of rent review disputes over the next few months. The demise of Woolworths has changed the status quo for large stores, whilst supermarket operators are reining in costs which will put pressure on rent review settlements.

GCW is acknowledged as an industry expert in the large store and supermarket field and so is well placed to take on disputes in this market.

"Both landlords and tenants understand that it is important to appoint Arbitrators who have the right skill set and background knowledge of the market. We are seeing a surge of private appointments where both sides want our specific expertise, rather than risk the appointment of someone who may not necessarily be experts in appraising large retail stores and supermarkets," says Whale.

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In-depth knowledge keeps the deals rolling in



Retail expertise and local market knowledge have won **GCW** a string of deals in Islington, one of the thriving retail areas of North London.

An initial deal six years ago put **GCW** on the Islington map and has led to nine deals in the past three years with **GCW** acting for retailers such as Fads, Diva Stationers and Specsavers and a number of local and national landlords.

"We have a reputation for really understanding the Islington market and our track record has helped in winning new instructions," says **GCW** agent Nick Steel.

One key recent deal on behalf of Diva Stationers allowed the lease to be sold at a positive premium to Vision Express and Diva to move to a new smaller store a few doors along on Islington's Upper Street. Another instruction saw **GCW** put together a deal for Alliance and Leicester to surrender a lease and relet the building to Nationwide Building Society at a higher rent.

Other deals on Upper Street include acting for Fads to surrender its lease and subsequently relet to Starbucks; acting for One Small Step to take a new lease from its landlord; and acting for a private landlord to let a store to Benefit Cosmetics, part of LVMH group.

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Big name retailer helps North London development

GCW has secured a key letting to Argos Extra to aid the regeneration of Edmonton Green Shopping Centre.

"We were really pleased to finalise the letting to a big high street brand in a difficult market. It is an important addition for the shopping centre," says **GCW** agent Chris Baker.

The new Argos store is due to open this Summer as part of £100 million redevelopment of the shopping centre by owner St Modwen. **GCW** is working with joint agent Green and Partners and the owners to market the scheme which completed its second phase at the end of last year.

The second phase houses a 70,000 sq ft 24-hour Asda store and seven other smaller units. **GCW** secured the letting to Argos of a 6,000 sq ft ground floor and 14,000 sq ft first floor unit. A third shop in the new development has been let to discount retailer Sam 99 and **GCW** has just let a further store to Turkish children's furniture retailer, Cilek.

A 5,500 sq ft area is still available in the second phase and **GCW** is working to complete deals with tenants.

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GCW sells the wonder of Woolworths

GCW is enjoying huge success helping the landlords of former Woolworths stores find alternative tenants. The firm has been instructed on 27 of the now defunct retailer's former properties and so far has deals with new tenants exchanged or in solicitors' hands for three-quarters of these stores.

GCW is working with a number of retained landlord clients to help source new occupiers and has also been brought in by new clients who are keen to benefit from **GCW's** retail experience. **GCW** has won business to handle stores in locations such as Muswell Hill and Edgware from landlords new to the firm.

The key to **GCW's** success is a combination of active marketing, creative thinking and realistic expectations.

Some of the stores have been sub-divided into several units and therefore have been able to attract some mainstream retailers such as New Look and H&M as new occupiers. Several stores have been let to value retailers and in others **GCW** is looking at developing the upper parts of stores into budget hotel accommodation.

GCW is working on a range of properties. Some are large city centre prime site such as Southport, Douglas, Torquay and Epsom. Some are big ugly buildings and other stores are in poor states of repair but they all have potential.

"Our success in re-letting a mix of these stores shows there is demand in the market. We work hard to find the right solution for each site. There are retailers in the market keen to take the stores and we have taken the view that it's best to speed up transactions as retailers are only going to be able to acquire so many shops," says **GCW** director Simon Morris.

"We haven't been afraid of telling clients when there is a downside. Sometimes the most realistic option is to accept a lower rent and that is often a much better solution for landlords than paying business rates on vacant buildings," adds Morris.

Whilst many of the former Woolworths stores remain closed with landlords waiting for the administration to be complete, **GCW** is still winning new instructions from landlords looking for new tenants. The majority of its instructions are in the South East but the firm's country-wide knowledge means it has secured instructions on locations as far afield as Carlisle and Torquay.

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Niche retailer continues expansion



GCW's expertise with niche retailers continues to pay dividends for its retained client Farrow & Ball. The specialist paint retailer has agreed to buy three new stores across the South East.

The company has opened its latest showroom in Tunbridge Wells occupying a prominent position on one of the town's principal shopping streets, just a short walk away from the famous Pantiles area. The

deal on the 1,264 sq ft store at £23,000 per annum gives the company its first store in Kent.

Two other new stores have also been agreed for the retailer by **GCW**. Farrow and Ball has taken a 1,558 sq ft store on Bath's Walcott Street at £32,500 per annum and a similar-sized store on Western Road, Hove at £28,000 per annum.

GCW has been working with Farrow and Ball since 2002, advising on new store acquisitions, strategy and professional work. The retailer now has 13 stores in the UK and is continuing its expansion. It currently has priority requirements for Marlow and Glasgow.

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Deals

GCW's latest deal at the centre:mk in Milton Keynes on behalf of Hermes/Prudential sees Shakeaway take a new 10 year lease from April 2009 at £40,000 per annum. The unit covers 512 sq ft on the ground floor only and the deal involved **GCW** negotiating a surrender from the previous tenant.

Mountain Warehouse has moved to a new store on Shrewsbury's Pride Hill in a deal done by **GCW** on behalf of landlord, Axa. The retailer has taken a new 10 year lease at £100,000 per annum for 2,905 sq ft.

GCW client Specsavers has taken a new store on Market Street, Eastleigh. The deal enables the retailer to relocate on a new lease for 10 years at £57,640 per annum for a 4,461 sq ft unit over the ground and first floors.

GCW continues to find new premises for Tesco stores across London. The latest deal saw the food retailer move to Cheapside, London, EC2 on a new 15 year lease from May 2009 at £110,000 pa. The store owned by St Martin's Property Investments covers 4,553 sq ft over the ground floor and basement.

Camera giant snaps up prestigious site



GCW has been retained by Leica the iconic camera manufacturer for its UK property services with a brief to find a site for a London flagship store to match existing Leica stores in Tokyo, Berlin and Paris.

GCW has secured a store in Bruton Place in the heart of the West End for the luxury camera manufacturer. The store aims to sell directly to the public and maintain strong links with third-party Leica dealers operating in the UK.

GCW undertook a search in a tightly defined area of the West End, based on agreed requirements, including identifying and pursuing sites not actively on the market. The challenge for **GCW** was to find and agree terms on a site that would offer a profitable business in its own right whilst enhancing the brand with a prestigious address.

The site combines a ground floor store with offices above which will be used as a gallery and training presentation area for the Leica brand. The 1,670 sq ft store has been agreed at a rent of £83,500 a year.

"This flagship store is part of a brand building strategy for Leica who as a luxury camera manufacturer needed a store in a prestigious area at a rent that would also enable it to operate at a profit. We were able to use our market knowledge to find the right solution for Leica," says **GCW** director Nick Warr.

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Two new faces join agency team

GCW has continued to strengthen and expand its Agency team by recruiting Beatrice Fairley and Ed Nicholson.

Ed, who was previously at Knight Frank covering retail agency and city investment, has joined the High Street Agency team. He is due to complete his final professional exams in October and will be working with Simon Morris and Simon Horner.

Beatrice, who has retail experience from Land Securities, joins **GCW's** Shopping Centre team. She is from North Yorkshire, and before taking a Masters in Property Appraisal and Management worked in housing strategy for two local authorities so hopes that will help her to cope with pretty much anything at **GCW**.

"These appointments will boost the capacity of our Agency teams and help ensure that our clients get the service they have come to expect from us," says **GCW** director Duncan Kite.



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