UK Leisure: the deprived Consumer, the embattled Occupier, the brave Investor

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Leisure: responding to an experiential crisis

Retail News: Issue 12

INTRODUCTION

Fun. Fresh. Exciting. Vibrant. New. Cool. Diverse. Versatile. Evolving. Innovative. Ten adjectives that are the embodiment of the Leisure sector. And ten adjectives that all destinations, town centres or otherwise, are aspiring to be. You do the maths...

Leisure, in its wonderful array of guises, is already a significant cog in the wheel of most successful towns and locations across the country. Expect this role to expand, multiply and diversify as we embark on a fresh wave of centre regeneration and asset repurposing in the wake of 18 months of COVID-induced soul-searching.

At the same time, few sectors within the wider economy have experienced the scale of devastation experienced by Leisure during the pandemic. Always first into lockdown(s), always last out. And with a more stringent straitjacket of restrictions than virtually any other sector. With false hopes and promises along the way, most notably the government's 'Eat Out to Help Out' scheme. Tough does not even begin to describe the plight of the Leisure market since the onset of the pandemic.

Nor can we be blind to Leisure's multitude of ongoing challenges. Some of these are self-inflicted, such as F&B over-expansion and a legacy of unaffordable rents in some locations – and the spectre of Private Equity ownership still weighs heavily on some segments of the market. Other challenges are more generic, chief amongst them staff issues (shortages and wage increases) and supply chain pressures. These are major challenges that the Leisure industry must not merely react to, but rather must address head-on.

Paradoxically, the pandemic has also proved a catalyst to exciting and positive change within the Leisure market. As much by default as design, Leisure operators were forced to reengineer their business models during the pandemic, leading to diversification, wider embrace of technology, adoption of a more proactive digital stance and maiden ventures into the multi-channel arena. Now the dust is slowly starting to settle, these are all initiatives that can be nurtured and developed going forward. All potentially exciting growth avenues, albeit ones that also bring fresh challenges, added complexity and incremental cost.

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Fun is what battle-weary consumers crave as we emerge and move on from lockdown. Fun is what the Leisure market excels at.

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Judge Leisure on what it can bring, rather than its performance in 2020. Leisure spend was understandably decimated last year, but is already rebounding far more quickly than the doomongers predicted. It was a growth market before COVID-19 struck and it will remain so when the pandemic fully subsides. The notion of Leisure spend being highly discretionary and therefore volatile in times of crises was questionable before, now it seems highly anachronistic.

Only a brave real estate investor would consider an asset class that has effectively had its cashflow cut off for the best part of a year. As an investment, Leisure has sometimes suffered from being perceived as something of a "poor relation to Retail", or sitting in the "too hard to understand" specialist sector camp. Like it or not, investment decisions are going to be infinitely more complex in a post-COVID world. Large amounts of capital will inevitably flow towards predictability of income, but the rest will have to be very discerning and much more forensic than it has maybe been in the past. Leisure is very much part of this wider mix and fortune may well favour the brave.

The consumer is king in all of this. There is an old adage in Retail that the key to succeeding is simply giving customers what they want. Fun has been in desperately short supply during much of the pandemic. Fun is what battle-weary consumers crave as we emerge and move on from lockdown. Fun is what the Leisure market excels at.

We would be delighted to discuss any issues raised in this report with you.

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RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

KEY MESSAGES

Leisure has risen up the agenda across the board. Both for consumers, desperate for post-lockdown fun and entertainment. And for landlords, developers, planners and local authorities looking to inject life and vitality into their assets and town centres.

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Leisure spend was decimated during the pandemic (2020: -53.6%), but is rebounding very quickly now that restrictions have eased (2021f: +40.6%, 2022f: +36.0%). Spending propensities / priorities have been redefined and Leisure spend is far less discretionary than it is perceived to be.

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COVID-19 may actually have thrown up considerable expansion opportunities for Leisure operators. Town centre vacancy rates have hit a new high (15.8%) and include high proportions of ex-department store and MSU space. Landlords are increasingly receptive to Leisure tenants and are taking a more progressive view on covenants.

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Significant other opportunities have also arisen: the pandemic has prompted greater embrace of technology and many Leisure operators have made their maiden voyage into the multi-channel arena. Many are now also in a position to leverage "big data" for the first time and deploy it to strategic means across marketing, range and location planning.

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The tap will not be turned off on these initiatives as markets settle. On the contrary, they offer scope for significant development and incremental growth going forward. However, harnessing this potential is rife with complexity and carries both risk and cost.

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F&B remains the standard-bearer for the whole Leisure market, accounting for ca. 65% of Leisure spend. There are still residual structural issues in the F&B market, not least ongoing PE ownership and a legacy of over-expansion / over-supply in some markets, coupled with unaffordable rents.

For all the opportunities, the Leisure sector still faces huge generic challenges. One of the largest and most immediate is labour, in terms of both availability and cost. Hospitality staff shortages are estimated to be in the order of 200,000, while progressive increases (+44% since 2012) in the national minimum wage continue to weigh heavily on industry profitability.

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Expect a fresh wave of innovation in the Leisure sector as an unlikely by-product of the pandemic. In the case of the more traditional Leisure 'big box' sectors, this is likely to take the form of evolution, value-added services and diversification, rather than revolutionary change. Amongst the 'newer breed', we are likely to see a whole host of new brands, formats and concepts.

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As an investment, Leisure may lack the transparency of other use classes and its ongoing affiliation with Retail is questionable. But since 1981, Leisure Parks have considerably out-performed virtually every other mainstream property asset class, delivering an annual average total return of +11.2% (All Property +8.6%, All Retail +8.0%).

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Yields for Prime Leisure Parks are currently around 7.00% (with Good Secondary Leisure Parks at 8.00%+ and Secondary / Tertiary Leisure Parks at 10.00%+). Prime yields have moved out by +175bps since March 2020 and by +225bps since their 4.75% peak in early 2018. This easing of price has inevitably opened up potential counter-cyclical buying opportunities, for the right stock.

CONTENTS

Page 6

LEISURE DASHBOARD

Leisure Market, Consumer Market, Investment Market

Page 8

LEISURE SPEND - 6 TAKEAWAYS

Page 9

"HELL HATH NO FURY LIKE A CONSUMER DENIED"

First into lockdown, last out. With a more stringent straitjacket of restrictions than virtually any other sector. Leisure has been through the mill since the onset of COVID-19 and consumer spending has dived accordingly. But we believe it will recover far quicker and more sustainably than most economists are predicting.

Page 16

OBSTACLES & OPPORTUNITIES

Page 18

OBSTACLES VS OPPORTUNITIES

For all its multitude of challenges, COVID-19 will ultimately also provide opportunity for the Leisure industry, with lessons learned and strategic initiatives borne of necessity morphing into long-term growth avenues. But it has also thrown up considerable obstacles that must be navigated along the way.

Page 24

F&B: SUB-SECTOR SUMMARIES

Pubs, restaurants & coffee shops

Page 28

F&B – PROBLEM SOLVER OR PROBLEM CHILD?

F&B remains the standard-bearer for the Leisure industry as a whole. It is a responsibility that has been tested to the core during COVID and its component parts are at very different stages of recovery post-pandemic.

Page 32

F&B - OVER AND UNDERSERVED MARKETS

Too many restaurants or not enough? Family dining overkill, or lack of choice? The F&B proposition varies considerably in towns and cities across the UK – and achieving the right balance and appropriate mix is a major challenge.

Page 38

BIG BOX LEISURE: SUB-SECTOR SUMMARIES

Gyms, gambling, cinemas and bowling

Page 42

BIG BOX LEISURE – THINKING OUTSIDE…

A myriad of sub-sectors with one common denominator – they are fun. And fun has been in desperately short supply since the pandemic struck.

Page 44

NEW FORMATS – 6 TAKEAWAYS

Page 45

EMERGING & EVOLVING: LEISURE FORMATS FOR THE NEW DECADE

The Leisure sector faces an exciting period post-lockdown. With consumers hungry for new and novel experiences and landlords eager to diversify their retail offerings – there has never been a more opportune moment for operators to unleash fresh formats and cool concepts to the market.

Page 54

INTERVIEW WITH JUMP IN TRAMPOLINE PARKS

It's really about families having as much fun as possible doing indoor physical activity – "get off your screens and onto the trampolines.

Page 58

FOCUS ON ESG IN THE LEISURE SECTOR

With ESG fast becoming a huge buzzword within the property industry, we take a look at how the Leisure sector is progressing the agenda as Environmental, Social, and Governance issues are increasingly pushed to the forefront for consumers, operators and investors.

Page 62

INTERVIEW WITH LEGAL & GENERAL INVESTMENT MANAGEMENT

One of the key attractions of the sector has been the attractive income it provides for investors. Occupiers typically take long leases with built-in growth via indexation or fixed uplifts, providing a long-term, growing income stream for investors

Page 66

INVESTMENT CASE– 6 TAKEAWAYS

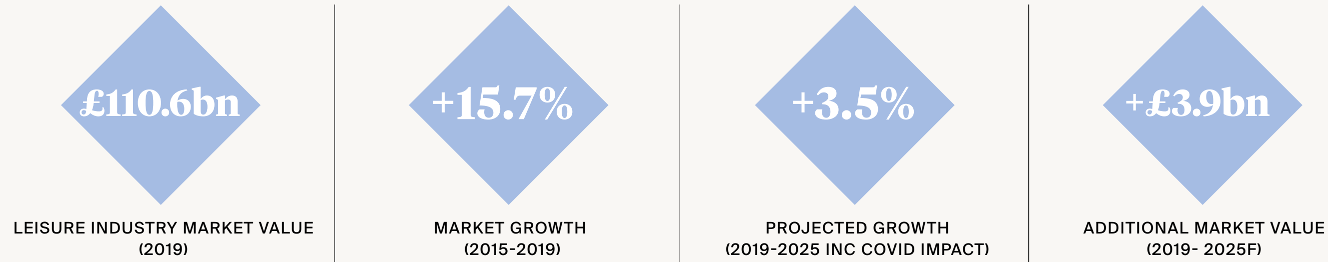
Page 67

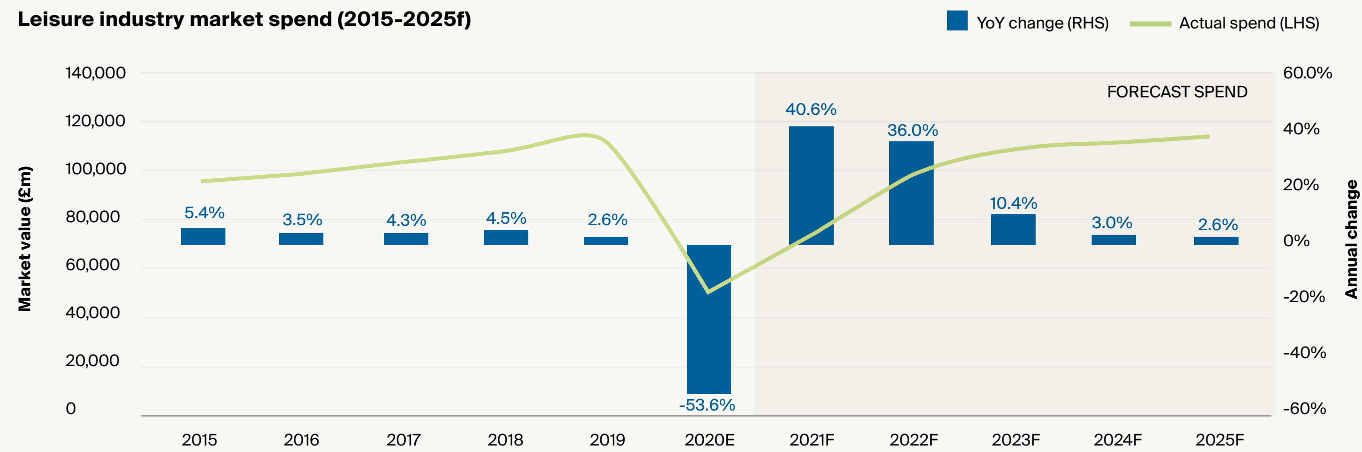
LEISURE INVESTMENT – EMERGING FROM RETAIL'S SHADOW?

Leisure has historically been inextricably linked to Retail, at best its cohort, at worst its poor relation. Why this bond may ultimately be loosening and what Leisure has to gain by achieving independent recognition and establishing a separate investment identity.

LEISURE DASHBOARD

LEISURE MARKET

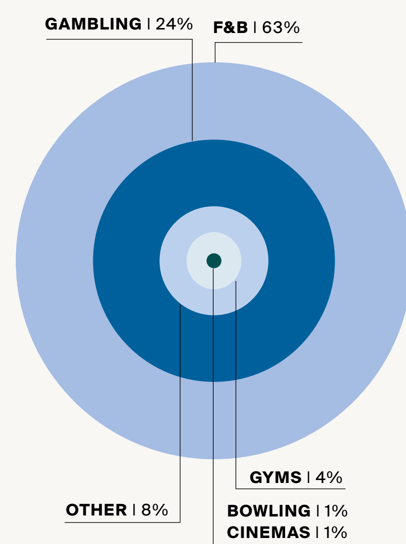




SUB-SECTOR OVERVIEW

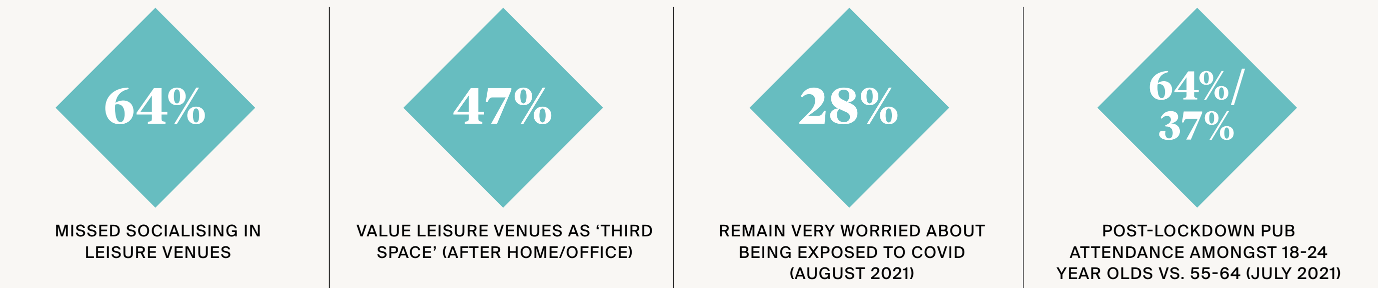
SUB-SECTOR	PROPORTION OF LEISURE MARKET	MARKET VALUE £M (2019)	2020 MARKET IMPACT	LONG TERM GROWTH (2015-2019)
F&B	63%	76,756	-57.8%	18.3%
Gambling	24%	14,721	-31.5%	7.3%
Gyms	4%	4,952	-61.7%	12.7%
Cinemas	1%	1,896	-75.6%	7.8%
Bowling	1%	320	-75.0%	19.9%
Other	8%	11,953	-66.9%	13.4%

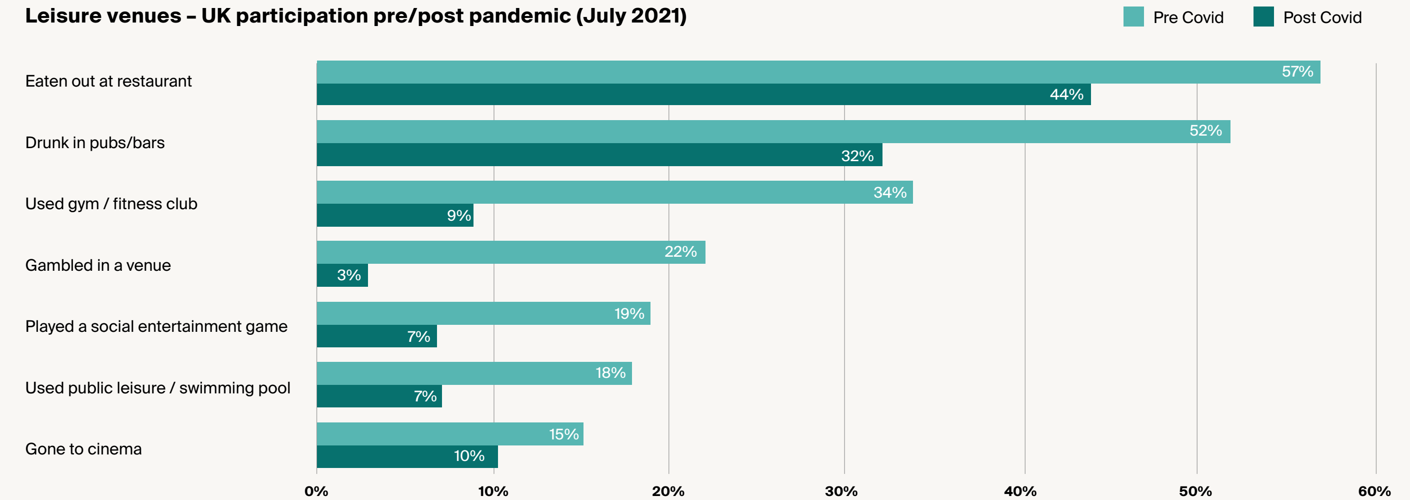
MARKET SHARE – BY SUB-SECTOR 2020



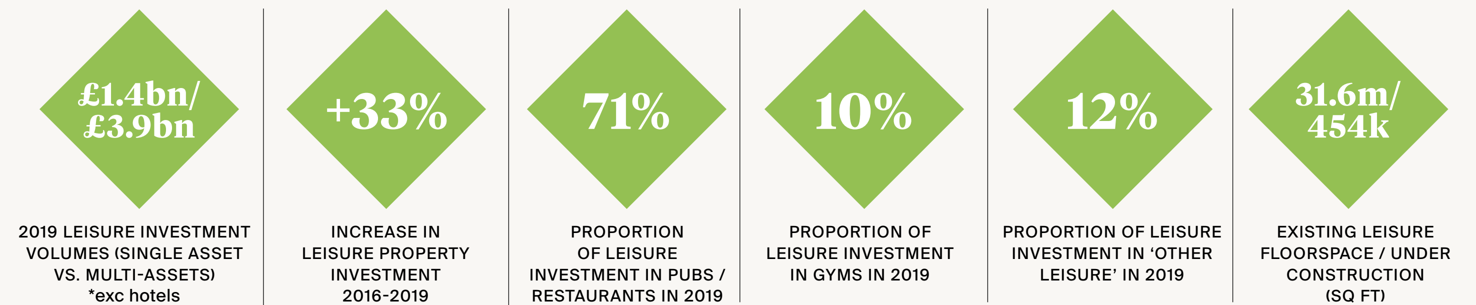
SOURCES: KNIGHT FRANK, MINTEL, LDC, PROPERTY DATA, PMA

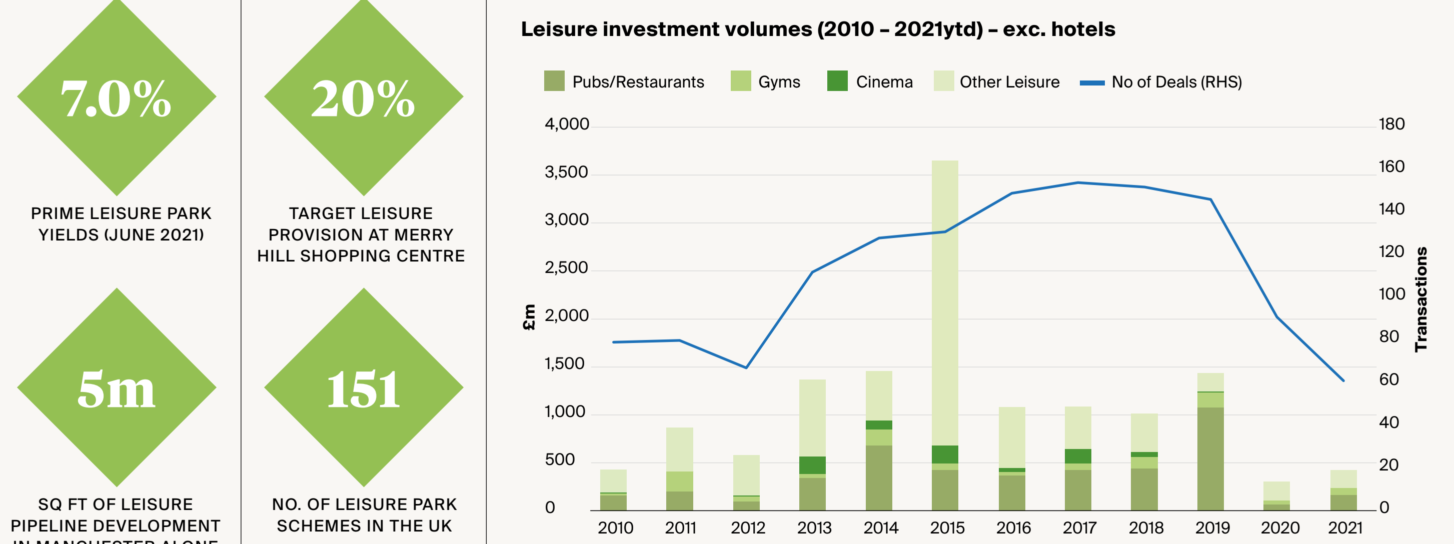
CONSUMER MARKET





INVESTMENT MARKET





LEISURE SPEND - 6 TAKEAWAYS

Consumer spending on Leisure was decimated in 2020 (-54%), but is already rebounding strongly.

Leisure participation levels in July 2021 were already substantially higher than in January 2021 and October 2020.

Hospitality is finding its feet more quickly than 'big box' leisure, where the shackles of lockdown are taking longer to shake.

Leisure spend forecast to surge +40.6% in 2021 and a further +36.0% in 2022. Leisure was a growth market coming into COVID-19 and is likely to emerge a growth market as the pandemic subsides.

Consumer spending priorities have been redefined and Leisure is now far less discretionary than it once was.

Online has provided an outlet for many F&B operators during lockdown. As restrictions ease, it is now both an opportunity and challenge in equal measure.

"HELL HATH NO FURY LIKE A CONSUMER DENIED"

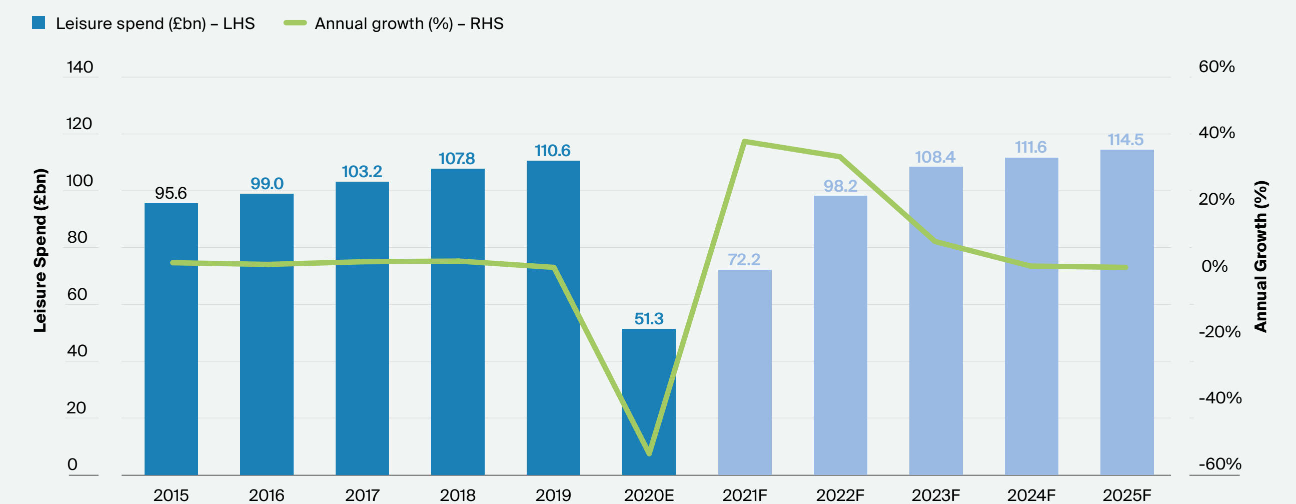
First into lockdown, last out. With a more stringent straitjacket of restrictions than virtually any other sector. Leisure has been through the mill since the onset of COVID-19 and consumer spending has dived accordingly. But we believe it will recover far quicker and more sustainably than most economists are predicting.

WORDS: STEPHEN SPRINGHAM – HEAD OF RETAIL & LEISURE RESEARCH

Perhaps only Travel and Tourism can rival Leisure for the ignominy of being the sector most cruelly affected by COVID-19. Lockdown V1 officially came into force on 23 March 2020 and lasted until 15 June 2020, but restrictions on the Leisure market extended beyond both these time parameters. Hospitality was ordered to close on 20 March and was not able to reopen in any shape or form until 4 July, a full three weeks after "non-essential" retail. Other Leisure sub-sectors were not even afforded this luxury. The start of Lockdown V3 was officially 6 January 2021 (although this was blurred by the Tiers system that preceded it over Christmas) and was enforced until 12 April. But Hospitality was only able to open on an "outside-only" basis on this date and had to wait until 17 May to operate at anything like "normal" capacity.

Over the last 18 months (March 2020 – September 2021), the Hospitality sector has had, at best, eight months' trade. Even then, this has been deeply compromised by various restrictions. Other Leisure sub-sectors (e.g. Nightclubs) have had an even more limited window of opening than this.

Limits on trading are one issue, wider disruption another entirely. Incentives such as the Eat Out to Help Out scheme subsequently giving way to another period of full lockdown not only sent out contradictory messaging to consumers, but also gave rise to an operational "stop-start" nightmare for Leisure operators. Throw in constantly shifting goalposts (e.g. the nonsense of consumers needing to purchase "a substantial meal" in order



to have a drink in a pub in December) and conflicting regional variations in England, Scotland, Wales and Northern Ireland, Leisure has not experienced the perfect storm so much as the perfect mess.

Leisure spend decimated in 2020

Of course, this has played havoc with the economics of Leisure and destabilised what was otherwise a very strong growth story. According to Mintel, in the five years prior (2015 – 2019) Leisure spend was achieving an annual compound growth rate (CAGR) of +3.8% and in 2019, the market was worth as much as £110.6bn. Before the onset of COVID-19, Mintel were forecasting ongoing CAGR of +2.4% over the next five years and Leisure spend was destined to surpass the £125bn threshold by 2024.

Spend (historic and forecast) by sub-sector

The pandemic has truly reset this growth trajectory. Given all the extended lockdowns and wider disruption, Leisure spending slumped by -53.6% in 2020 and the market was worth only around £51.3bn. In terms of context (for what it is worth), Leisure spending has not been this low since the early 1990s.

Making projections and forecasts in the current climate of uncertainty are nigh on impossible. Mintel's were made as we entered Lockdown V3 and probably under-estimated the length that restrictions were actually to remain in force (understandably). They correctly assumed that the vaccine would be rolled out to the majority of those at risk by Q1 2021, but maybe under-estimated the pace of roll-out to the wider population. Either way, their expectation is of a significant bounce-back this year and next.

Realistically it will take 3-4 years for Leisure spend to return to pre-pandemic levels in absolute terms. But the bounce back will be far swifter than most economists are predicting,

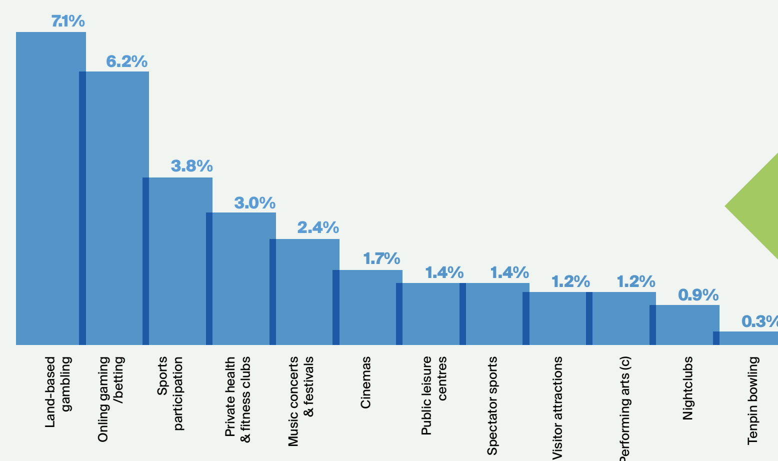
Leisure spend is forecast to surge by +40.6% to £72bn in 2021 and a further +36.0% to £98bn in 2022. Despite this seemingly explosive growth, on a more sobering note, it won't be until 2024 that spend again reaches its 2019 high water mark of £111bn. Thereafter, it is predicted to resume a more natural CAGR of +2.5% to +3.0%.

In summary, realistically it will take 3-4 years for Leisure spend to return to pre-pandemic levels in absolute terms. But the bounce back will be far swifter than most economists are predicting, as we will go on to discuss.

Spend by sub-sector

One of the defining factors of the Leisure market is that it comprises a highly diverse range of sub-sectors. These are subject to their own particular drivers and dynamics and do not necessarily move in unison. But such is the all-encompassing nature of COVID-19 that all Leisure sub-sectors have seen spend levels disrupted to a greater or lesser degree over the last 18 months.

Breakdown of Leisure Spend by Sub-Sector 2019*



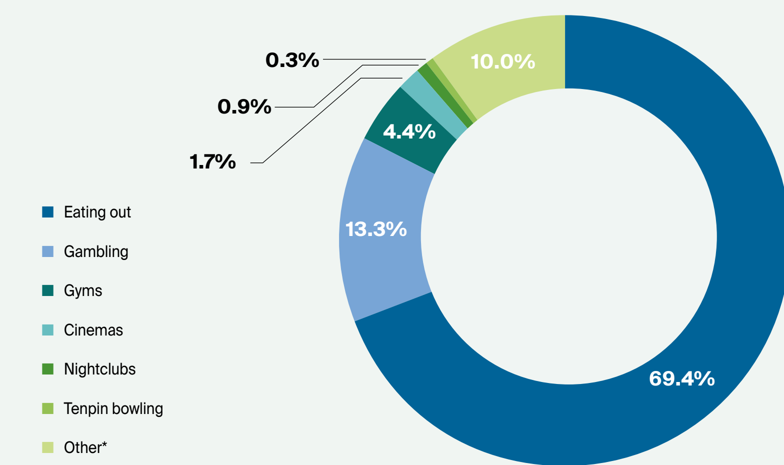
69.4% EATING OUT

Source: Mintel, Knight Frank
*Data relates to 2019 as this is more indicative of a "normalised"/non-COVID market

Leisure has not experienced the perfect storm so much as the perfect mess.

Leisure typically encompasses 13 sub-sectors, with Hotels a separate and distinct market in its own right (and therefore, excluded from these numbers). Dining Out is by far the largest Leisure category, accounting for 69% of all Leisure spend in 2019 (split between restaurants 46% and pubs/bars 23%). This share reduced to 63% during 2020. Perhaps surprisingly, Land-based Gaming is the next largest Leisure spend category (2019: 7.4%, 2020: 10.5%), followed by Online Gaming and Betting (2019: 5.0%, 2020: 14.0%). More celebrated Leisure categories such as Cinemas (2019: 1.7%, 2020: 1.7%) and Private Health & Fitness Clubs (2019: 3.0%, 2020: 2.5%) actually make up only a limited proportion of the overall market.

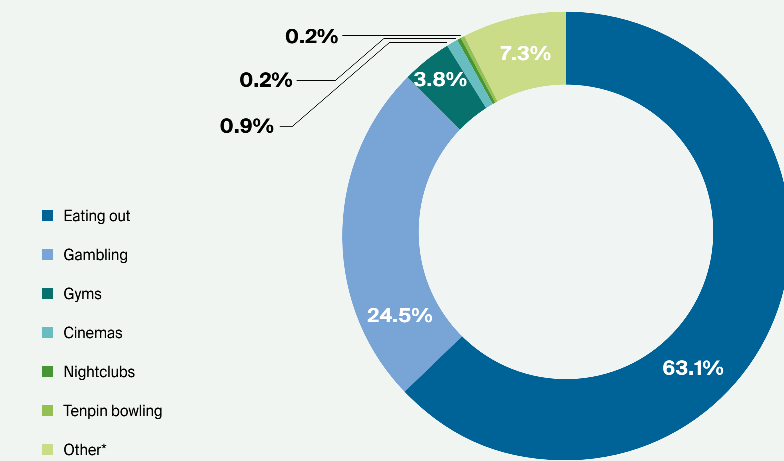
Breakdown of Leisure Spend by Sub-Sector 2019



Eating out
Gambling
Gyms
Cinemas
Nightclubs
Tenpin bowling
Other*

Source: Mintel, Knight Frank
* 'Other' includes Sports Participation, Performing Arts, Music Concerts & Festivals, Spectator Sports and Visitor Attractions

Breakdown of Leisure Spend by Sub-Sector 2020



Eating out
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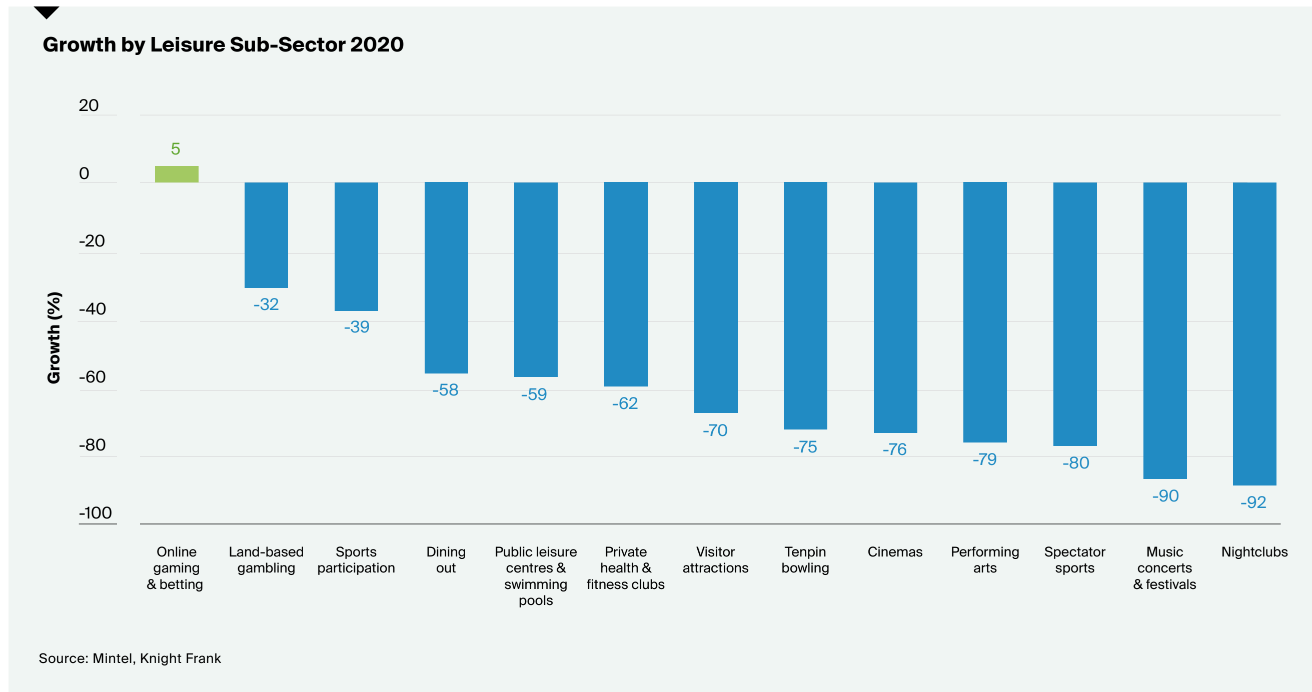
* 'Other' includes Sports Participation, Performing Arts, Music Concerts & Festivals, Spectator Sports and Visitor Attractions

With the one exception of Online Gaming and Betting, every Leisure sub-sector saw a significant slump in consumer demand in 2020. Unsurprisingly, those that rely on mass gatherings were at the sharpest end of this. Nightclubs were down -92%, with many unable to open between March 2020 and mid-2021. Already a market under pressure, the Night Time Industries has warned that 60% of the UK's nightclubs could face closure without further government intervention. Similarly, the lack of events and absence of crowds prompted huge slumps in demand for Music Concerts and Festivals (-90%) and Spectator Sports (-80%).

At the opposite end of the performance spectrum, Online Gaming and Betting saw an increase in demand in 2020 of +4.6%. One of the few Leisure sectors to have a tangible multi-channel presence, it was inevitable that the pandemic would prompt a flight to Online Gaming as physical outlets were closed. There is an interesting parallel with the Retail market here. Online Retail sales surged during times of lockdown, but failed to offset lost sales through store-based locations and there was a net market decline (Non-Food retail sales declined by -12.4% overall in 2020, despite a +30.6% spike in Online sales). A similar story in Gaming, with Online growth (+4.6%) not counterbalancing a -31.5% decline in Land-Based Gaming.

Similar dynamics in the Hospitality market, although arguably also more question marks as to permanence of trends



Source: Mintel, Knight Frank

The challenge for many will be building on the delivery side of the business that blossomed during the pandemic. As many retailers will attest, the transition to becoming a multi-channel operator can be a highly rewarding one, but the process is anything but straightforward.

witnessed during the pandemic. Dining Out spend slumped by -57.8% in 2020 to just £32.4bn, less than half the value of the market in 2015 (£64.9bn). For the first time ever, restaurant dining was overtaken by Takeaways in 2020, helped by the rise of 3rd party apps making ordering multiple cuisines more accessible and convenient. A number of pub and restaurant operators that had previously opted against takeaway or saw it as only a small part of their business significantly ramped up takeaway infrastructure over the course of the pandemic.

Offering an online / takeaway service proved something of a lifeline for many hospitality operators during periods of lockdown, enabling them to generate at least some cashflow. But huge online growth statistics can be deceptive, particularly if leveraged off a very low, indeed negligible, base. And they are highly unlikely to compensate for lost sales from physical sites. Now that the dust is starting to settle and the Hospitality industry takes its first tentative steps towards post-lockdown recovery, the challenge for many will be building on the delivery side of the business that blossomed during the pandemic. As many retailers will attest, the transition to becoming a multi-channel operator can be a highly rewarding one, but the process is anything but straightforward.

It has become something of a cliché to say that COVID-19 only accelerated pre-existing market trends generally. Within Leisure, there are some partial truths, notably the directions of travel of the two extremes, Nightclubs and Online Gaming. Online Gaming was a high growth market even before COVID-19 struck, increasing in size by +34% between 2015 and 2019. In contrast, Nightclubs were already in long-term decline and had contracted by -12% over the same period.

By extension, we need to look beyond last year for longer term and sustainable growth trajectories. 2020 was a freak year and while it may take individual sub-sectors varying timeframes to stage a recovery (largely based upon ongoing restrictions), most will stabilise in due course. Most of the key Leisure sub-sectors had a solid track record of growth prior to

A growth market coming into COVID-19 is likely to emerge a growth market as COVID-19 subsides – whatever the devastating effects of the past 18 months, most Leisure categories thankfully tick this box.

2020 e.g. in the five year period 2015-2019, Dining Out grew by +18%, Private Health & Fitness Clubs by +20%, 10 Pin Bowling by +20%, Cinemas by +8%

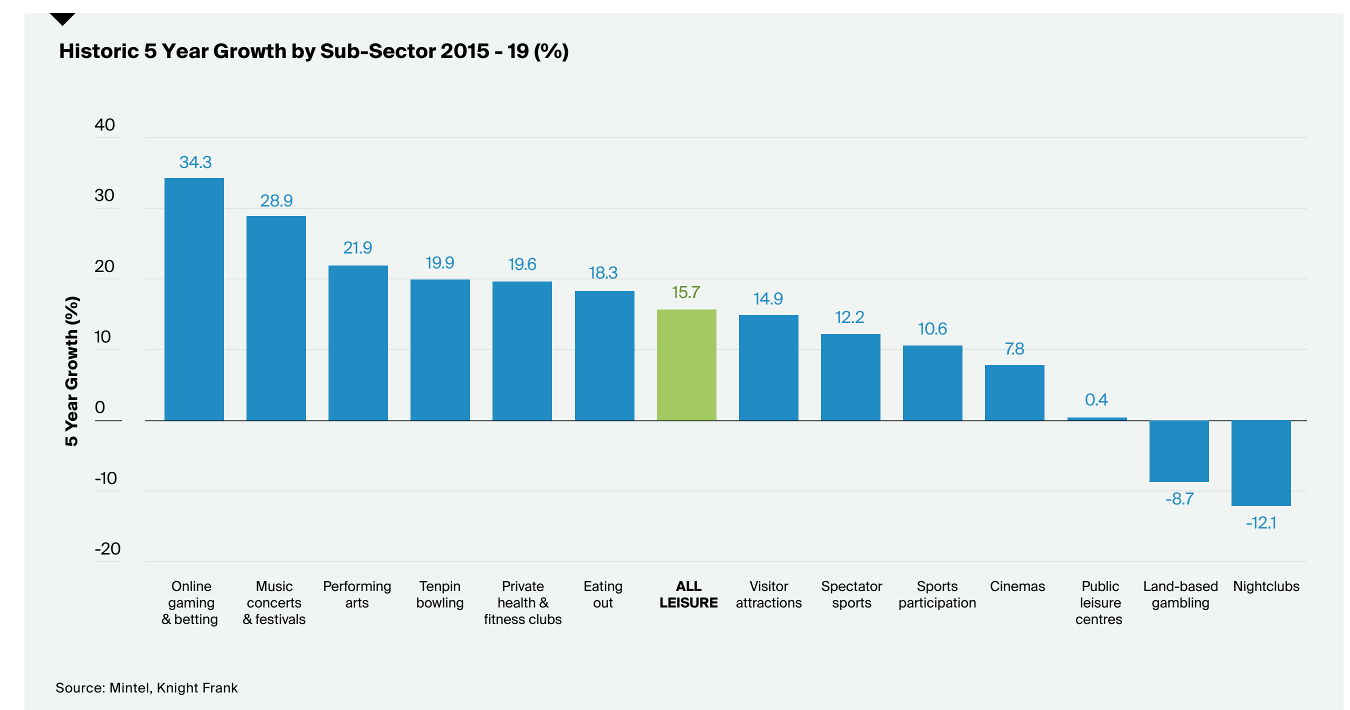
A growth market coming into COVID-19 is likely to emerge a growth market as COVID-19 subsides – whatever the devastating effects of the past 18 months, most Leisure categories thankfully tick this box.

2021: start of the recovery

Few, if any, economists were predicting a significant consumer bounce back in 2021. They are already being proved wrong, with mounting evidence of huge pent-up demand translating into both retail sales and leisure spend. Proof that economists have very little understanding of the consumer psyche and that Leisure spend is not nearly as discretionary as it maybe once was.

The economist argument? Even with lockdowns slowly lifting, the consumer remains in a highly constrained place. Residual consumer confidence is extremely low, not helped by spiralling unemployment as the furlough scheme gradually unwinds. High inflation will outstrip average wage growth and the consumer will rein in spending accordingly, prioritising "essential" purchases such as food and health & beauty over supposedly discretionary categories, of which Leisure tops the list. In essence, no money to spend, even less willingness to spend it.

Wrong on virtually every count. Even the high levels of unemployment predicted have not materialised and consumer spending has in fact surged since lockdown has been lifted. Retail sales (which are much more transparent and readily available than Leisure spend) surged by +20.9% in Q2 2021 and this growth was spearheaded by more discretionary non-food goods (+65.0%). Freed from the shackles of lockdown, the UK consumer's response has been to go out and spend, rather than retreat into his/her shell. As it proved in previous recessions and times of economic / social hardship, spending is



Source: Mintel, Knight Frank

actually the best antidote to wider malaise.

Leisure generally has had a rockier road back to recovery than Retail, having been subject to lockdown for longer. Many Leisure activities also require social interaction, which many consumers may still be reluctant to embrace. Even in H1 2021, the Leisure market is still very much finding its feet and not yet operating to anything like full capacity. But early signs are still encouraging. Since reopening, consumer participation in leisure activities is at the highest level measured since the start of the pandemic, providing good reason for optimism – consumers who feel ready to take part in leisure activities plan to ramp up their activity now more restrictions have been relaxed.

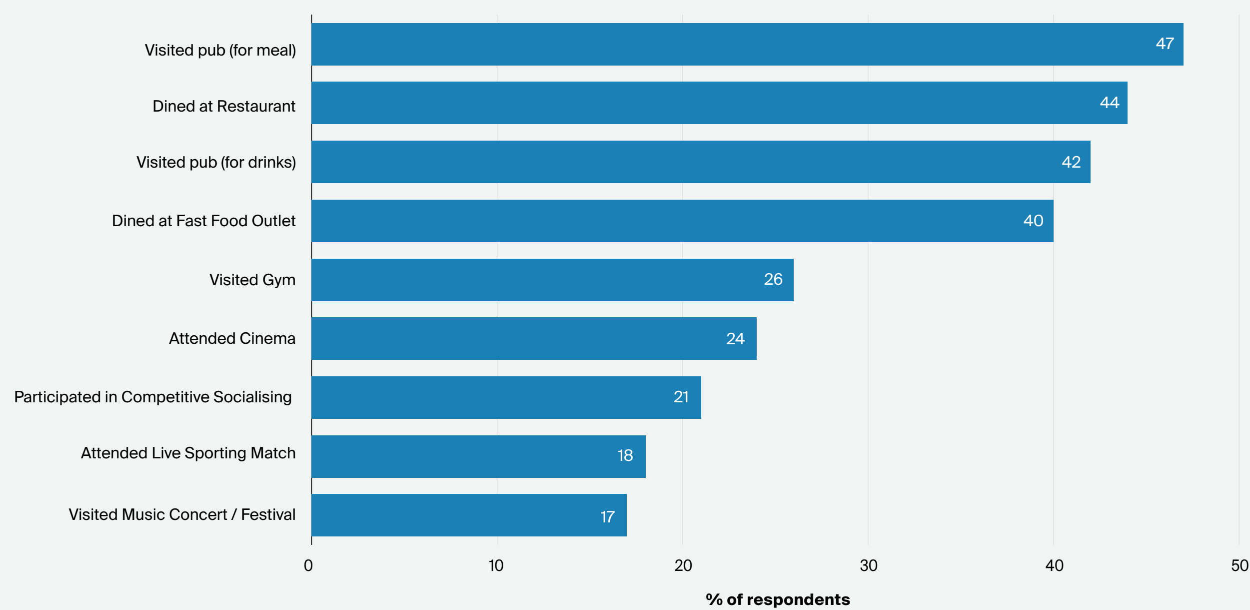
Freed from the shackles of lockdown, the UK consumer's response has been to go out and spend, rather than retreat into his/her shell. As it proved in previous recessions and times of economic / social hardship, spending is actually the best antidote to wider malaise.

Recent market research paints a realistic picture as to what stage the various sub-sectors are in their respective recoveries. Pubs and restaurants have thus far bounced back far more quickly than their 'big box' and 'mass-gathering' counterparts. Some 47% of survey respondents had been to the pub for a meal in July, while 42% had been to the pub for drinks only. Some 44% had eaten in restaurant with table service and 40% in a fast-food restaurant. Participation in competitive socialising (21%) and cinema-going (24%) is still somewhat lower.

Timeseries comparisons are obviously key to understanding the rate of recovery. As a general observation, across all categories, participation is markedly higher now than it was in both January 2021 and October 2020, when lockdown restrictions were briefly lifted. But for all intents and purposes, still below pre-pandemic levels (July 2019). For example, the comparable figures for pub meals in July 2019 was 59% (vs 47% now), pub drinks 54% (vs 42% now) and table-service restaurants 57% (vs 44% now). The overarching conclusion from this is that the recovery has been swift, but realistically there is still some way to go.

Above all else, consumers' spending propensities and priorities have been redefined, not just during the pandemic but in the years prior. Leisure spend had benefitted from this reprioritisation process and is far less discretionary than it once was. In simple terms, enjoying ourselves is a right and not a privilege.

Participation in Leisure Activities - July 2021



Source: Mintel, Knight Frank

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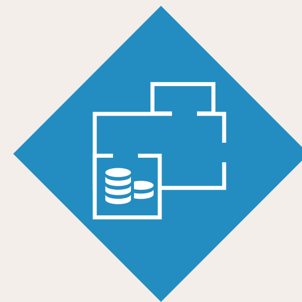
RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

OBSTACLES & OPPORTUNITIES

6 OPPORTUNITIES

A RESTLESS CONSUMER

Willing to spend money on leisurely pursuits



AVAILABILITY OF SPACE

Variety of floorplates becoming available through rising vacancy rates

A RECEPTIVE LANDLORD

With increasing appreciation for leisure in a quality tenant mix

MARKET NEED FOR VITALITY

Leisure ideal formats to revive the buzz of town centres

A MULTI CHANNEL VOYAGE

Pursuit of online / takeaway channels provides an additional revenue source

WELCOME TO THE WORLD OF BIG DATA

Increased access to customer data via check-in / ordering apps

6 OBSTACLES

CONSUMER RETICENCE

Confidence among certain demographics / ages may take time to rebuild

RENT ARREARS

Operators & landlords must find solution to the £6.4bn+ backlog before March 2022

STAFF AVAILABILITY

High vacancy rates and acute shortages exacerbated by Brexit & 'Pingdemic'

STAFF COSTS

+2.2% growth in NMW increases operators' 'wall of costs'

SUPPLY CHAIN SHORTFALLS

More red-tape at UK borders coupled with HGV driver shortages

MULTI-CHANNEL TEETHING

Integration complexities/ costs of online operations and entrustment of brand to third parties e.g. Deliveroo

OBSTACLES VS OPPORTUNITIES

For all its multitude of challenges, COVID-19 will ultimately also provide opportunity for the Leisure industry, with lessons learned and strategic initiatives borne of necessity morphing into long-term growth avenues. But it has also thrown up considerable obstacles that must be navigated along the way.

WORDS: STEPHEN SPRINGHAM – HEAD OF RETAIL & LEISURE RESEARCH

Leisure is an umbrella term for a diverse range of sub-sectors, each with their own dynamics, idiosyncrasies and directions of travel. These are addressed in our series of Sector Snapshots. But there are also a series of more generic issues that transcend the Leisure market and will affect all the various sub-sectors to a greater or lesser degree.

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Narrative on Retail Repurposing is rife, expect Leisure to be a major protagonist and beneficiary.

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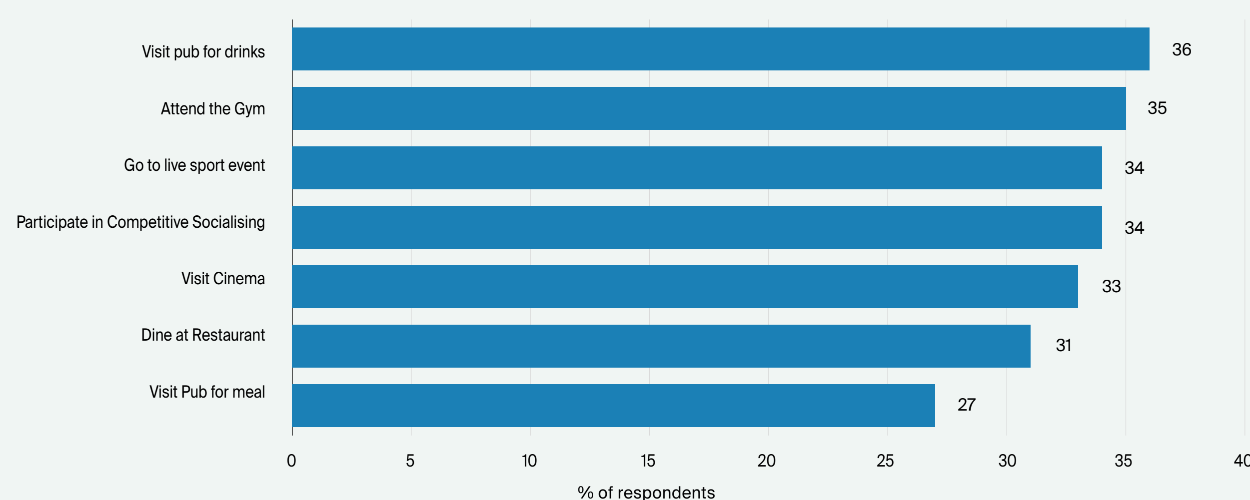
OPPORTUNITIES – "Rule of 6"

1 A Restless Consumer

As we discuss in the previous section of this report, the UK consumer is effectively chomping at the bit. Having been kept on a leash for three extended periods of lockdown, there is huge pent up demand that is already being released. And figures in Mintel's "Leisure Outlook – Summer 2021" Report suggest there is much more to come. 36% of those who went to a pub for drinks in the month to July 2021 plan to go more frequently in the next month. 27% said they are more likely to go for a pub meal, 31% more likely to eat at a restaurant with table service. Similar enthusiasm in the Non-Hospitality Leisure sub-sectors. 33% of cinema- / theatregoers in July expect to go to the cinema / theatre more going forward. A similar picture in gyms (35%) and live sporting events (34%). On the consumer side, the appetite for Leisure is most certainly there.



Source: Mintel, July 2021

* Consumers were asked whether they expected to do the leisure activities more, the same amount or less going forward (the figures show those that responded "more").

2 Availability of Space

Occupier fall-out has been considerable during the pandemic across all Retail destinations, be they high street, shopping centres or retail parks. Figures from the Local Data Company (LDC) show that vacancy rates reached a new high of 15.8% in mid-2021. Usually cited as a barometer of distress and a sad indictment of the high street, vacant units actually represent a major opportunity for other occupiers to acquire new space.

Retailer casualties have included a number of anchor store tenants (e.g. Debenhams) and MSUs (Medium Sized Units) (e.g. Arcadia), meaning that there is unprecedented vacancy of large footprint units ideally suited for Leisure use. There is a real opportunity now for the Leisure sector to reabsorb surplus retail space. Incidentally, this would not for the first time this has happened – retailer fall-out in the 1990s / early 2000s prompted a wave of branded Hospitality expansion into secondary areas of many town centres and the concept of 'the Leisure circuit' was born. Narrative on Retail Repurposing is rife, expect Leisure to be a major protagonist and beneficiary.

3 A Receptive Landlord

The profile of Leisure as a tenant and space occupier has evolved hugely over the years. Originally, it was considered by many landlords merely as a space-filler, almost an afterthought to the mainstream Retail offer. And definitely a low-rent alternative. This perception has changed considerably over the years and most landlords at least acknowledge Leisure's qualities as a significant footfall-driver. The more progressive landlords are recognising the value of blending Retail and Leisure use so that the two complement each other to best mutual effect. COVID-19 has also played a significant part in redressing landlord – tenant dynamics, such that it is very much an occupier's market. The net result is that most landlords are much more predisposed to negotiating with Leisure occupiers than they were previously – and perhaps more open-minded in terms of rent expectations than was the case on the past. Leisure operators probably have a better bargaining position now than they have ever had.

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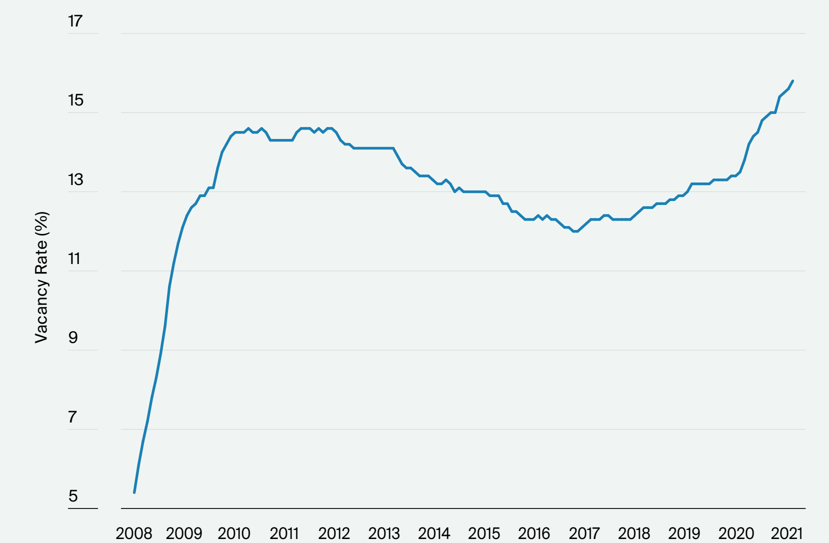

Source: Local Data Company

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A much needed source of cashflow when physical outlets were closed, online can become both a major source of revenue and a seamless adjunct to the brand generally.

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4 A Market Need for Vitality

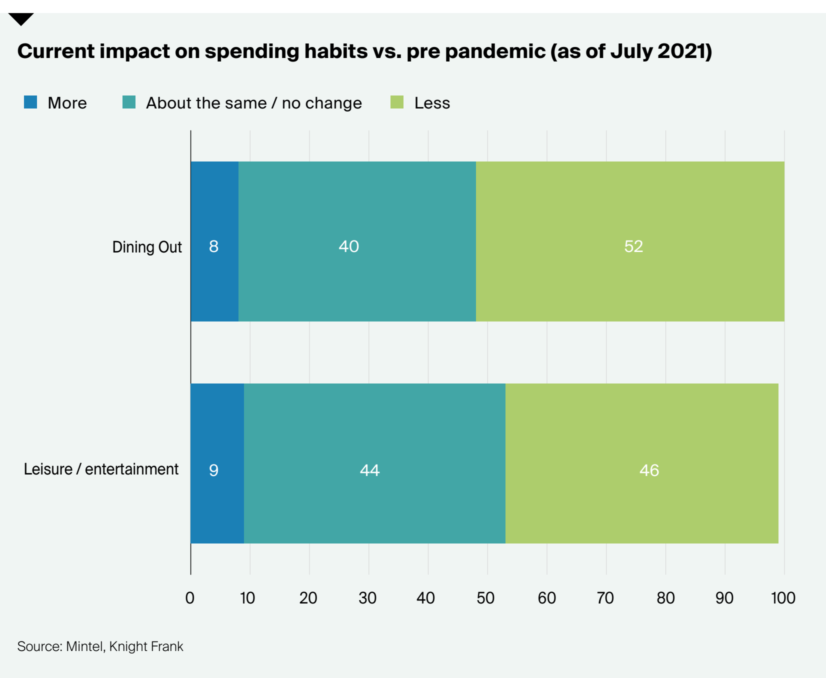
'Experiential'. The most over-used buzzword currently doing the rounds. But at the same time, the process of reviewing our town centres and assessing their failings ultimately leads back to a simple notion – they need to be more relevant, more exciting, more vibrant, able to evolve and above all, provide a compelling reason to visit. All these aspects are the hallmarks of a Leisure market that thrives on freshness, creativity and new concepts. Not just landlords trying to backfill problematic vacant Retail floorspace, expect Leisure to rise up the agenda across all areas of asset management, repurposing and town planning. And all stakeholders, be they shopping centre owners, landlords, developers, re-purposers, BIDs or Local Authorities, to take Leisure far more seriously in any improvement projects.

5 A Multi-Channel Voyage

Some Leisure sub-sectors lend themselves far more to multi-channel than others. Hospitality is the most obvious one and many F&B operators have crossed the divide to online / takeaway over the course of the pandemic. A much needed source of cashflow when physical outlets were closed, online can become both a major source of revenue and a seamless adjunct to the brand generally. Forecasts suggest that the shift to takeaways / home delivery will endure even after COVID-19 subsides. In the month to July 2021, nearly three in five (59%) of UK adults ordered food for takeaway or home delivery and more than a third (35%) did so more than once. This put participation on a par with the periods before and during nationwide lockdown. How best to embrace multi-channel will depend on the Hospitality operator and on the location. Operators can either choose to leverage their existing capacity and use their existing physical sites (effectively driving more volume from a fixed cost base) or deploy so-called 'dark kitchens' to service demand. There are no right or wrong answers and establishing an appropriate strategy is all part of the multi-channel adventure.

6 Welcome to the World of Big Data

Most Leisure operators have embraced digital capability far more as a by-product of the pandemic, perhaps redressing historic weaknesses in this area. The need to pre-book rather than merely walk-up has increased the interaction between customer and operator, more than often digitally. Many operators have taken the very positive step of developing their own interactive apps. As well as the obvious gains of more versatile booking and ordering processes, the real end game is actually very different – ready access to customer data. As many retailers would attest, customer data is gold dust (Tesco would never have become the force it is without Clubcard). Many Leisure operators now have real-time access to customer data that they can deploy to huge strategic effect – everything from tailoring the offer/menu in local Leisure sites, digital marketing, social media strategies, advertising, new site location planning etc etc. Knowing how to mine this new-found Big Data is a separate challenge (and may involve cost and 3rd party outsourcing), but the basic building blocks are there. Leisure is, by definition, a consumer-centric business. The more Leisure operators know about their customers, the more they can prosper.



Source: Mintel, Knight Frank

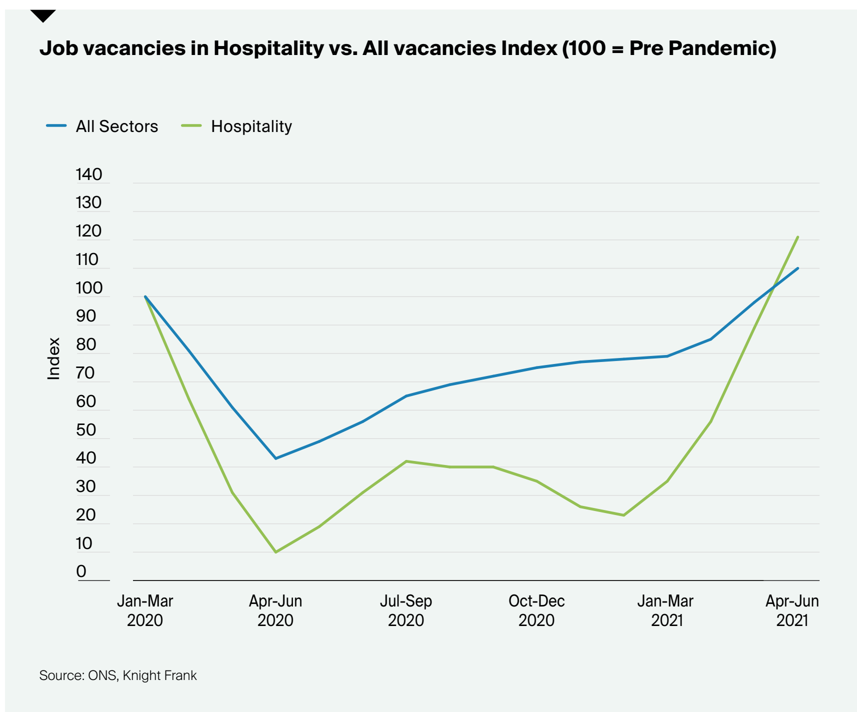
RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

OBSTACLES – "Rule of 6"

1 Consumer Reticence

We are bullish generally on the prospects of a consumer recovery, although this is something of a generalisation. For many consumers, it may take considerable time to re-develop sufficient confidence to partake in Leisure-based activities – for others, it may never happen. Some figures from Mintel's COVID-19 Tracker Market Survey serve as a sobering reminder of this. Even post-lockdown (week 23-29 July 2021), some 44% of survey respondents answered either "Extremely Worried" (16%) or "Very Worried" (28%) to the question "to what extent are you worried about being exposed to the coronavirus." Some 31% of respondents are still trying to limit the time they spend in-store.

In terms of changes to spending habits compared to before the COVID-19 outbreak, 46% of respondents said they were spending less on Leisure, and only 9% more. Not surprisingly, there are significant age skews, with far greater levels of concern higher up the age spectrum. The implications? Leisure operators will need to be sensitive to these concerns going forward and adapt accordingly – for example, fewer covers, table service and more conspicuous attention to health and hygiene.



Source: ONS, Knight Frank

2 Rent Arrears

The issue of rent arrears is the proverbial elephant in the room, albeit one that is generally considered purely in a Retail context. Leisure is, in fact, even more embroiled, with very few operators meeting their quarterly rent obligations from March 2020 when the pandemic struck. Unpaid rent reportedly amounts to some £6.4bn and a considerable portion of this will be from Leisure operators. The moratorium on forfeiture has thus far prevented landlords from proactively taking action to recover monies owed, but this is scheduled to be lifted in March 2022. From then, landlords will have the power to evict non-paying tenants and pursue payments through the courts. Not all will take this action, but neither will all simply write off any outstanding arrears. Leisure operators need to work with landlords towards compromise solutions (e.g.

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Leisure operators will need to be sensitive to these concerns going forward and adapt accordingly – for example, fewer covers, table service and more conspicuous attention to health and hygiene.

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staggered re-payments, lease re-gears) to avert a potential occupier blood bath. And put negotiations and contingency plans in motion now, rather than wait until March.

3 Staff Availability

The staff shortages in the Hospitality sector may be well-documented, but the sheer number of job adverts in restaurant windows on a cursory walk down any high street really brings the issue home. According to the ONS, job vacancies are at their highest levels since records began. There were 102,000 vacancies in the sector from April to June 2021 - a rise of +12.1% compared with the 91,000 figure for the same period in 2019. Separate analysis by UK Hospitality found 80% of businesses reported vacancies for front-of-house roles, 85% for chef roles, 47% for housekeeping and 43% for assistant or general managers, while estimating the overall staff shortfall to be in the order of 200,000. Industry bodies suggest one in five workers have left the sector during the coronavirus pandemic, with COVID and Brexit usually cited as exacerbating the problem. For staff that have returned to their roles, the so-called "pingdemic" has led to further shortages due to workers being told to isolate by the NHS app. But the ONS data suggests a more long-term – and worrying – trend. Job vacancies in the industry were already consistently at high levels before the UK went into its first lockdown in March 2020 - since 2017, vacancies in the industry have been consistently at a staggering 90,000 or more. Blame COVID-19 or Brexit, the issue is more deep-seated – whisper it, but the Hospitality employment market has an image problem which urgently needs to be addressed.

4 Staff Costs

Staffing represents a potential double-whammy for Leisure operators. On the one hand, there is a shortage, on the other hand staff costs are increasing considerably. While the majority of the narrative during the pandemic was on the furlough scheme, another significant increase in minimum wages slipped in under the radar. From April 2021, the National Minimum Wage increased by 2.2% from £8.72 to £8.91. The age threshold was also reduced from 25 to 23. The London Living Wage is higher still at £10.85. Cumulatively, the National Minimum Wage has increased by £2.72 (+44%) over the last decade. While no one should begrudge hard-working Leisure staff a decent wage, this remains a major cost headache for many operators – to put this into perspective, how many Leisure operators have grown their top line +44% over the same timeframe? Very few and the dynamic of costs outstripping sales is a very real one for many Leisure operators.

> **While the majority of the narrative during the pandemic was on the furlough scheme, another significant increase in minimum wages slipped in under the radar.**

5 Supply Chain Shortfalls

Two key intertwined issues stand to exert pressure on Leisure supply chains in the short- to medium-term: Brexit and a lack of HGV lorry drivers. Many of the horror-story Brexit predictions of supply chain meltdown have not materialised, but a number of Retail and Leisure operators have already flagged increased paperwork and red tape, others the need completely re-engineer EU-UK and GB-NI supply chains. Either way, there is a heightened risk of supply shortages and higher costs, which the Leisure operators must either absorb themselves, or try to pass onto the consumer. In addition to staffing their actual sites, a tight labour market is also impacting on many Leisure operators' supply chains.

A survey by the Road Haulage Association (RHA) estimated there was a shortage of more than 100,000 drivers in the UK, out of a pre-pandemic total of about 600,000. The RHA has said some 30,000 HGV driving tests did not take place last year because of the pandemic, adding that a "historic" shortage in drivers had been exacerbated by changes to rules following Brexit. Analysis of the latest ONS Labour Force Survey for the second quarter suggests that 14,000 EU lorry drivers left jobs in the UK in the year to June 2020, but only 600 had returned by July 2021. It may take the likes of McDonald's running out of milkshakes at certain sites or Nando's having to temporarily close ca. 50 sites on account of running out of chicken for the extent of these supply chain pressures to hit home.

6 Multi-Channel Teething

'Necessity is the mother of invention'. Most Leisure operators, one way or another, were forced to embrace the digital world during the pandemic, whether that was to install online booking capabilities, apps, or particularly in the case of the Hospitality sector, embrace online delivery for the first time. In an effort to maintain some level of cashflow, many Hospitality players became multi-channel operators during the pandemic by default. Few are likely to simply turn off the online tap now, despite physical sites reopening. The transition to multi-channel is potentially a very lucrative one, but also one fraught with pitfalls, as many retailers have found to their chagrin.

As well as the obvious challenges of ensuring efficiency across the delivery network (and successfully working with relevant 3rd parties), there are whole host of other considerations – consistency of quality, product, pricing and branding and seamless integration of all channels, physical and online. The flipside of opening up to a wider audience is that it heightens to risk of brand devaluation e.g. if a Deliveroo driver messes up, in the eyes of the consumer, it will still reflect badly on you as a brand. Multi-channel brings much more complexity into the business model. Complexity also usually equates to cost and requires considerable management.

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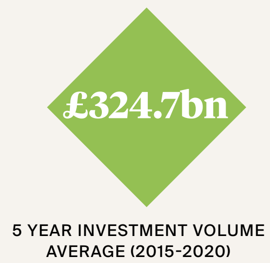
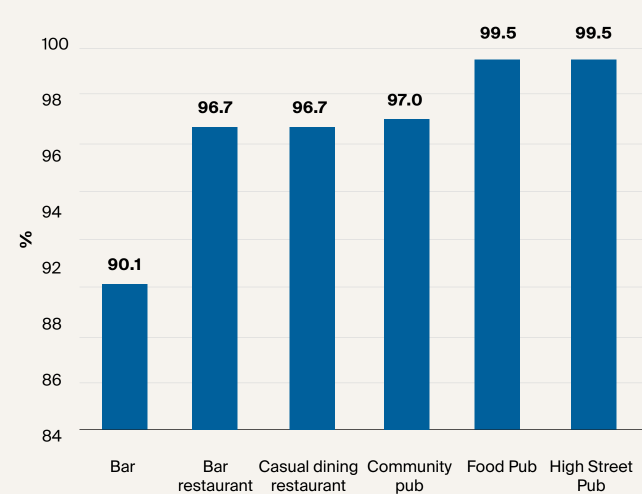
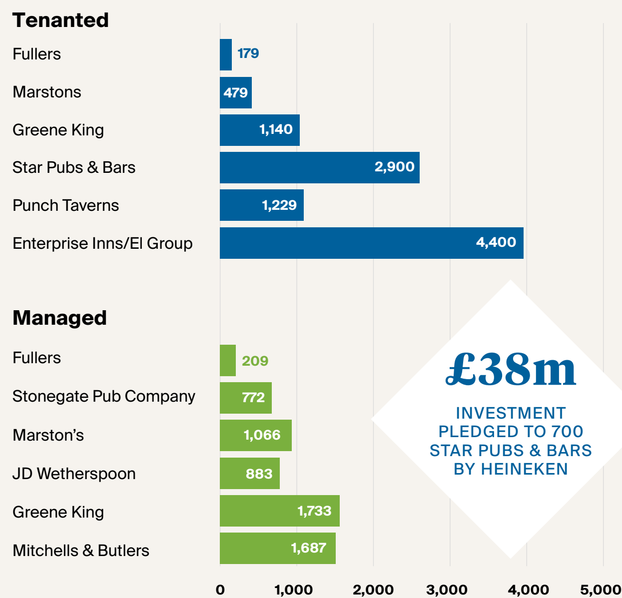
SUB-SECTOR SUMMARIES

PUBS

MARKET VALUE & FORECASTS







KEY INVESTMENT DEALS (2019-2020)

LOCATION	PRICE £M	PURCHASER	OCCUPIER
London Camden High Street	4.1	Sterling Life	The Bucks Head - Stonegate Pub Co RPI
Godalming Old Portsmouth Road	3.4	Private client	The Refectory - Punch Taverns
Coventry Trinity Street	3.1	Private investor	The Flying Standard - JD Wetherspoon
London 749 Green Lanes	1.0	Undisclosed	The Three Wishes - JD Wetherspoon

KEY PORTFOLIO DEALS (2019-2020)

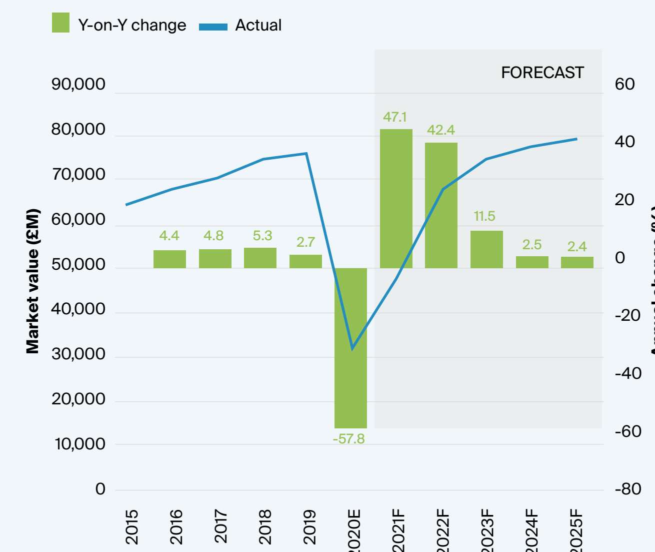
DETAILS	PURCHASER
Stonegate portfolio – 42 sites	RedCat Pub Company
Punch Pubs & Co – 7 pubs	Punch Pubs & Co Ltd
East Midland portfolio – 14 sites	Hawthorn Leisure

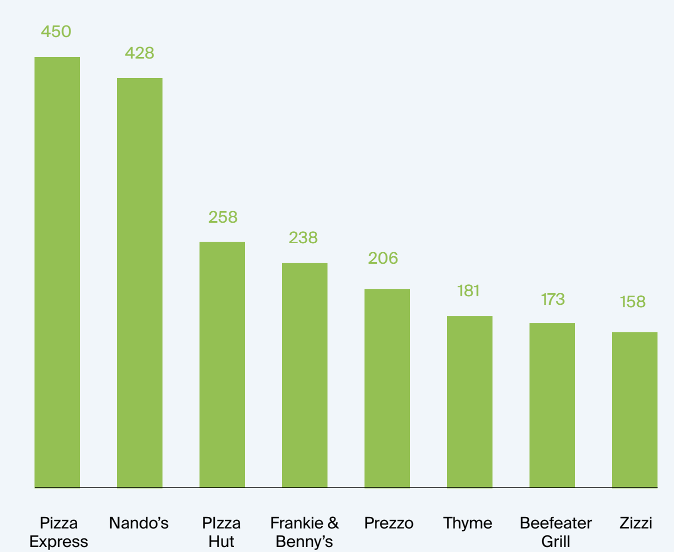
SOURCE: KNIGHT FRANK, MINTEL, LDC, ALIXPARTNERS / CGA, COFFER CGA

SUB-SECTOR SUMMARIES

RESTAURANTS

MARKET VALUE & FORECASTS





12% CONSUMERS DINE OUT AT LEAST ONCE A WEEK

44% VISITED RESTAURANT SINCE RESTRICTIONS EASED

+42% RECOVERY IN DINING RESERVATIONS (AUGUST 2019 VS AUGUST 2021)

+150 TARGET EXPANSION OF COPPA CLUB / TAVOLINO

+150 MCDONALD'S HIGH STREET PIPELINE TO 2024

+145 TARGET EXPANSION FRANCO MANCA / THE REAL GREEK

TOP 10 UK EATING DESTINATIONS, BY RESTAURANT PROVISION

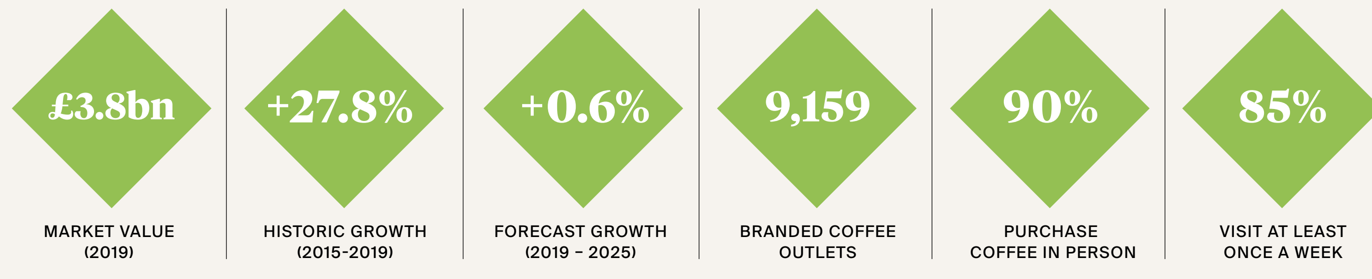
1. LEEDS
2. BIRMINGHAM
3. READING
4. NOTTINGHAM
5. BATH
6. CARDIFF
7. OXFORD
8. MANCHESTER
9. EDINBURGH
10. SOUTHAMPTON

SOURCE: KNIGHT FRANK, MINTEL, LDC, PMA, OPENTABLE, EGI

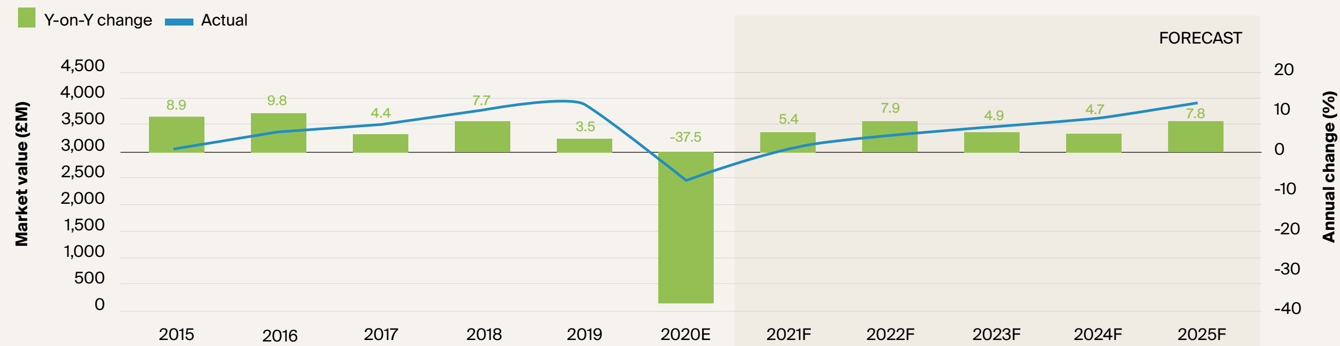
SUB-SECTOR SUMMARIES

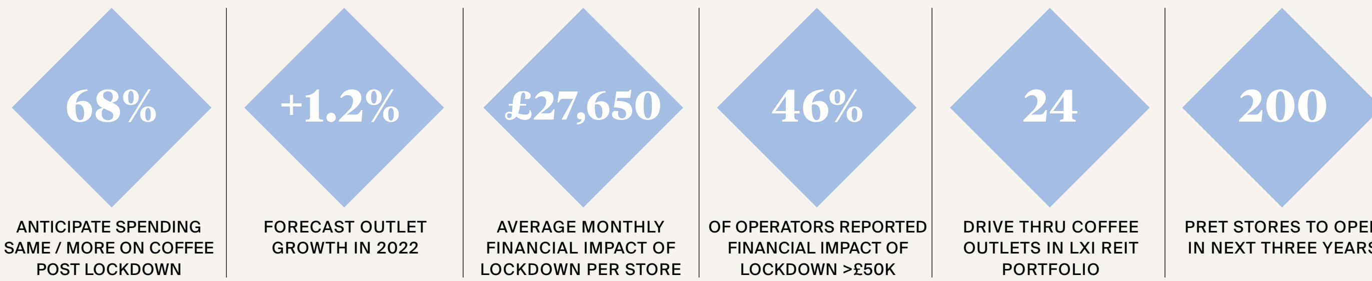
COFFEE SHOPS

MARKET VALUE & FORECASTS

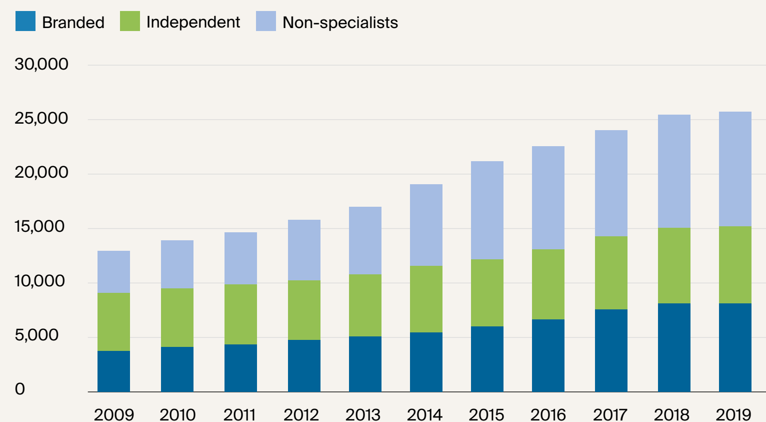


Market size (2015-2025f)

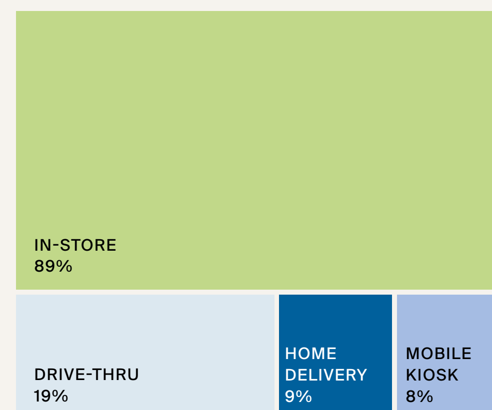




Coffee shop outlets, by sub-sector



Most used formats (inc multiple responses)



SOURCE: KNIGHT FRANK, MINTEL, ALLEGRA WORLD COFFEE PORTAL, THE GROCER

The restaurant sector was not in the rudest of health coming into the pandemic and was labouring under its own structural issues. Many of these were self-inflicted, over-expansion and unaffordable rents being two of the most prevalent ones. COVID did not cause these, it merely laid them bare.

F&B – PROBLEM SOLVER OR PROBLEM CHILD?

F&B remains the standard-bearer for the Leisure industry as a whole. It is a responsibility that has been tested to the core during COVID and its component parts are at very different stages of recovery post-pandemic.

WORDS: STEPHEN SPRINGHAM – HEAD OF RETAIL & LEISURE RESEARCH

F&B is by far the largest sub-sector within Leisure, accounting for around two thirds of all Leisure spend. But its importance goes far beyond a quantifiable percentage – virtually all Leisure pursuits incorporate at least some F&B element in their wider offering and more often than not, F&B is where the actual money is made – the 'main event' or concept itself is actually little more than a magnet to pull punters in, the real financial gain coming from their ancillary spend. It is impossible to over-state the importance of F&B in the wider context of the Leisure market.

COVID impact on restaurants

Tumultuous does scant justice to the trials and tribulations of the restaurant sector over the last 18 months. Forced lockdowns and the loss of substantial trade were one thing, the operational upheaval another thing altogether. Recalling of staff from furlough (many of whom may have secured employment elsewhere), re-establishing supply chain of fresh and non-ambient food products, ensuring health & safety compliance all huge headaches in isolation, but in combination? Only for the rug to be unceremoniously pulled again through an abrupt return to lockdown. Not once, but twice. You couldn't make it up.

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Virtually all Leisure pursuits incorporate at least some F&B element in their wider offering and more often than not, F&B is where the actual money is made.

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But parking COVID to one side, the restaurant sector was not in the rudest of health coming into the pandemic and was labouring under its own structural issues. Many of these were self-inflicted, over-expansion and unaffordable rents being two of the most prevalent ones. COVID did not cause these, it merely laid them bare.

A litany of restaurant CVAs and failures are the most obvious manifestation of this structural weakness. Pizza Express, Prezzo, Jamie's Italian, Yo! Sushi, Carluccio's, Caffe Nero, Azzuri Group, Byron Burgers, Le Pain Quotidienne, Casual Dining Group, Chiquittos, Pizza Hut, Wahaca, Wasabi, Leon, Itsu, Gourmet Burger Kitchen have all launched CVAs over the last couple of years, as have many more besides.

The common denominator of virtually all these operators? Private equity ownership. Too common to be a coincidence, the PE model (debt-backed acquisition, aggressive expansion, ongoing cash extraction) has done the restaurant sector few favours. The demise of a seemingly popular high street F&B brand normally prompts erroneous conclusions in the media of the end of casual dining (when it is, in fact, still a growth market) and head-scratching amongst consumers, who cannot fathom that a restaurant that is always packed out with customers is on its knees or facing closure. The sad fact is that however busy a restaurant is on the ground, this provides limited defence against a flaky, debt-ridden balance sheet.

These structural weaknesses have not been washed away by COVID. Ironically, some of the CVA 'culprits' that closed sites and rebased rents are already back on an aggressive expansion trail. We can but hope that lessons have been learned. Above all else, the fact remains that some restaurant operators are better capitalised than others.

COVID impact on pubs

Pubs fared little better, with many facing the exact same challenges as their restaurant counterparts. The British Beer & Pub Association revealed that that in 2020, 2,000 pubs are estimated to have been lost forever. Some 2.1 billion pints in beer sales were lost due to a full year of either forced closure, or trading under severe restrictions and £8.2 billion in trade value was wiped out from the sector in beer

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The sad fact is that however busy a restaurant is on the ground, this provides limited defence against a flaky, debt-ridden balance sheet.

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Source: OpenTable, Knight Frank

So-called "Freedom Day" on 19 July may have failed to live up to its billing, but it nevertheless marked an important milestone for the F&B industry. If nothing else, it gave the market an opportunity to draw a line under the past 18 months and start to look to the future.

sales alone. Released in early 2021, these statistics do not even reflect the full impact of Lockdown V3, which lasted until July.

Pubs have also been subject to their own particular set of disruptive measures. The nature of restrictions has generally favoured those with outdoor areas, leaving those without at a distinct competitive disadvantage. Social distancing measures have also had a deeper impact on pubs than other F&B outlets in that standing and general mobility are much more a feature of pub-going than dining. The enforced transition from bar to table service also threw up its own challenges. And of course, there was the folly prior to Lockdown 3 whereby customers had to order "a substantial meal" to be allowed to order an alcohol drink. And having to book a table just to order a round of drinks. Again, you couldn't really make it up.

Where are we now?

So-called "Freedom Day" on 19 July may have failed to live up to its billing, but it nevertheless marked an important milestone for the F&B industry. If nothing else, it gave the market an opportunity to draw a line under the past 18 months and start to look to the future. And embark on an unfeasibly long road to recovery.

The consumer rebound has been both swift and sustainable. And continues to build. Most datapoints paint a picture of general recovery. Data from OpenTable on restaurant bookings showed a sharp year-on-year increase in July of +20% (albeit against a soft comparable of -52% in July 2020). But the figures for August were even more robust, whichever way you look at them. In August, bookings were up +42% y-o-y, despite a very demanding annual comp (+22% in August 2020), coinciding with the government's 'Eat Out to Help Out' scheme.

AlixPartners / CGA's 'Market Recovery Monitor' shows that 93% of licenced premises had reopened by the end of July. A high percentage, but in absolute terms, ca. 7,400 venues still had not resumed trading despite all remaining restrictions being lifted. Monthly data from Coffer CFA Business Tracker suggests a rapidly improving trend. Sales at all catering outlets finally returned to positive two-year growth (i.e. compared to 2019) in August 2021 (+5.4% overall, +5.3% like-for-like), with Bars (+20.5% overall, +18.6% like-for-like) recovering more quickly than both Restaurants (+6.6%, +12.5%) and Pubs (+2.9%, -1.4%). But on a rolling 12 month basis, sales to the end of August were still down -15% on the same period last year. A measure that the market is still very much playing catch up.

Monthly F&B sales growth vs corresponding month in 2019

	ALL OUTLETS		PUBS		RESTAURANTS		BARS	
	TOTAL SALES	LFL SALES	TOTAL SALES	LFL SALES	TOTAL SALES	LFL SALES	TOTAL SALES	LFL SALES
Aug-21	5.4	5.3	2.9	-1.4	6.6	12.5	20.5	18.6
Jun-21	-0.6	-1.1	-2.1	-6.9	2.5	7.7	-10.6	-13.4
May-21	-25.8	-15.4	-34.4	-22.2	-13.0	-5.5	-38.2	-25.1
Apr-21	-60.2	-25.9	-66.8	-21.0	-51.3	-30.3	-74.6	-38.5
Dec-20	-72.5		-81.1		-57.9		-87.2	

Source: Coffer CGA Business Tracker

CGA's weekly Drinks Recovery Tracker paints a more volatile picture still. For example, for the week 22-28 August, all drinks sales were down -16% on 2019 levels. Beer sales were down -17%, wine -14%, cider -31%, spirits -10% and soft drinks -15%. But the following week (29 Aug – 4 Sep), drink sales were up +5% overall, led by a surge in spirits sales (+39%), but held back by soft consumption of beer (-7%) and wine (-6%). A return to some sort of seasonality (these figures were heavily influenced by the August Bank Holiday week-end) and evidence of the weather having a significant impact is perhaps as good a barometer as any that we are slowly returning to something approaching normality.

The broad conclusion? The F&B market has recovered strongly, but it would be dangerous to get too carried away with "pre-pandemic level" comparisons (what of all the trade that was lost inbetween?). The market is recovering, but it is still not where it needs to be. But it will get there eventually.

COVID legacies

The legacy of COVID will be significant. And not necessarily in a wholly negative way. Yes, the pandemic has taken a mighty toll on the F&B sector and many have sadly lost their livelihood as a result. But it also proved a catalyst to wider change in both consumers and the modus operandi of F&B players themselves. The latter have evolved considerably during the pandemic, many launching dedicated apps and / or branching into the online channel. Born of necessity during a time of crisis, these initiatives offer a platform for development and growth going forward, if they are harnessed correctly.

The immediate challenge for many in the F&B sector is readjusting their business for a post-pandemic world. Many are still struggling to reconcile what levels of social-distancing need to be retained and some still fall into the camp of being over-zealous. Also, which COVID trends are "sticky"? Do pubs really need "gatekeeping" booking desks that take much of the spontaneity out of pub-going? What of table service? Some customers love it and will stick with it, others loath it and do not really see any hardship in walking up to a bar, as they have done all their adult lives. Heightened expectations on the part of consumers and added complexity for pub operators that was not there before.

Equally, do restaurants really still need such stringent booking procedures and is this actually the reason behind the growing problem of "no shows"? And there is nothing more frustrating for a walk-in customer being turned away from a half-empty restaurant on the basis that it is supposedly fully booked. And what of seated diners feeling they are being deprioritised in favour of Deliveroo or Uber Eats orders? Again, added complexity and heightened risk of not getting it right that could prove very damaging for any F&B brand.

Many of the challenges thrown up by COVID are in fact ongoing. For the F&B sector, the challenge really starts here. No one could deny that the F&B industry has absolutely been through the mill, but it is an excuse that will wear thin over time. Ultimately, F&B operators will only be able to hide behind COVID excuses for so long.

Born of necessity during a time of crisis, these initiatives offer a platform for development and growth going forward, if they are harnessed correctly.

F&B - OVER AND UNDERSERVED MARKETS

Too many restaurants or not enough? Family dining overkill, or lack of choice? The F&B proposition varies considerably in towns and cities across the UK – and achieving the right balance and appropriate mix is a major challenge.

WORDS: STEPHEN SPRINGHAM – HEAD OF RETAIL & LEISURE RESEARCH

Biggest is best. More is more. This was Retail's unsaid mantra for so long and one that has definitely come back to haunt. In the past, the focus has always been on development and maxing out every available opportunity. The net result? A massively over-supplied market, the damaging by-products of which were already being cruelly exposed long before COVID-19 came along.

Leisure has followed in Retail's slipstream to a degree, particularly on the F&B side. When Retail opportunities started to dry up, there was a sudden "gold rush", particularly amongst family dining operators (with Private Equity no small driving force). In a short space of time, the options in some towns went from virtually zero to dozens – and many locations went from being under-supplied to over-supplied in a stroke.

Oversupply = panic = repurposing. This has become a slightly over-simplistic thought process in Retail, but in some instances, it could equally apply to certain over-supplied F&B markets.

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The sciencey bit

Quantifying oversupply, Retail or otherwise, is far more complex than many would have us believe. Floorspace in isolation is a wholly one-dimensional metric which does not take into account 1. The audience that it serves (i.e. the total shopper base and their demographic base). 2. How hard that floorspace is working (i.e. what sales density it achieves). There is no magic number for optimum floorspace supply in any location.

Equally, there are no set parameters or metrics to determine the optimum level of F&B provision. However, there are various methodologies which can be applied to provide a useful high-level steer.

PMA's Café/Restaurant Scores and related ranking are a useful starting point. These are based on counts of multiple F&B brands by town or city (with the obvious caveat that they don't include any independent operators). Predictably, the ranking is dominated by large cities, with Leeds and Birmingham leading the way. But even at this high level, there are some interesting outturns, with a number of locations appearing to punch above their weight (or, possibly being over-supplied). These include Reading, Cardiff, Bath and Brighton – all Top 10 F&B locations, but not on a similar footing in more general terms. There is also an understandable skew towards tourist markets, with the likes of Oxford, Cambridge, Edinburgh and York having a disproportionately high F&B offer relative to other credentials.

At the other end of the scale, many of the large regional cities appear to be light in F&B relative to their overall scale. Chief amongst these are Glasgow and Manchester and, to a slightly lesser degree, Liverpool and Newcastle. Underweight in F&B or actually correctly sized? Historically, the thinking may have been towards the former, but in the current COVID-ravaged market, maybe more the latter.

F&B vs Shopper Population vs Retail

To add dimension to this basic analysis process, we can explore the relationship between the quality of the F&B relative to a centre's other fundamentals, notably the quality of its overall retail offer and its catchment potential i.e. population that it serves.

In the first analysis, we have played the PMA Café/Restaurant Score off against PMA's Overall Retail Provision Score. This is a total score for each Retail PROMIS

TOP 25 F&B LOCATIONS

PMA F&B RANK	LOCATION	REGION	CLASS	PMA CAFÉ / RESTAURANT SCORE	CACI RF RANK
1	Leeds	Yorkshire & the Humber	Major City	144	5
2	Birmingham	West Midlands	Major City	131	6
3	Reading	South East	Regional Centre	120	21
4	Nottingham	East Midlands	Major City	115	12
5	Cardiff	Wales	Major City	108	25
6	Bath	South West	Regional Centre	108	32
7	Oxford	South East	Regional Centre	101	26
8	Manchester	North West	Major City	92	4
9	Edinburgh	Scotland	Major City	89	13
10	Southampton	South East	Regional Centre	88	24
11	Cambridge	East of England	Regional Centre	87	28
12	York	Yorkshire & the Humber	Regional Centre	83	50
13	Liverpool	North West	Major City	82	8
14	Brighton	South East	Regional Centre	79	19
15	Islington	London	Smaller London Centre	79	75
16	Glasgow	Scotland	Major City	77	2
17	Guildford	South East	Regional Centre	76	29
18	Leicester	East Midlands	Regional Centre	75	18
19	Norwich	East of England	Regional Centre	75	23
20	Aberdeen	Scotland	Regional Centre	74	35
21	Bournemouth	South West	Sub Regional Weak Town	73	111
22	Wimbledon	London	Sub Regional Resilient Town	72	119
23	Watford	East of England	Regional Centre	71	40
24	Exeter	South West	Regional Centre	70	44
25	Newcastle upon Tyne	North East	Major City	69	22

Source: PMA, CACI, Knight Frank

RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

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The ‘positive outliers’ (i.e. locations where the F&B Score is considerably better than the Retail Score) are dominated by centres in Greater London, particularly Islington, Wimbledon and Ealing, but also Richmond, Putney, Hammersmith and Clapham Junction.

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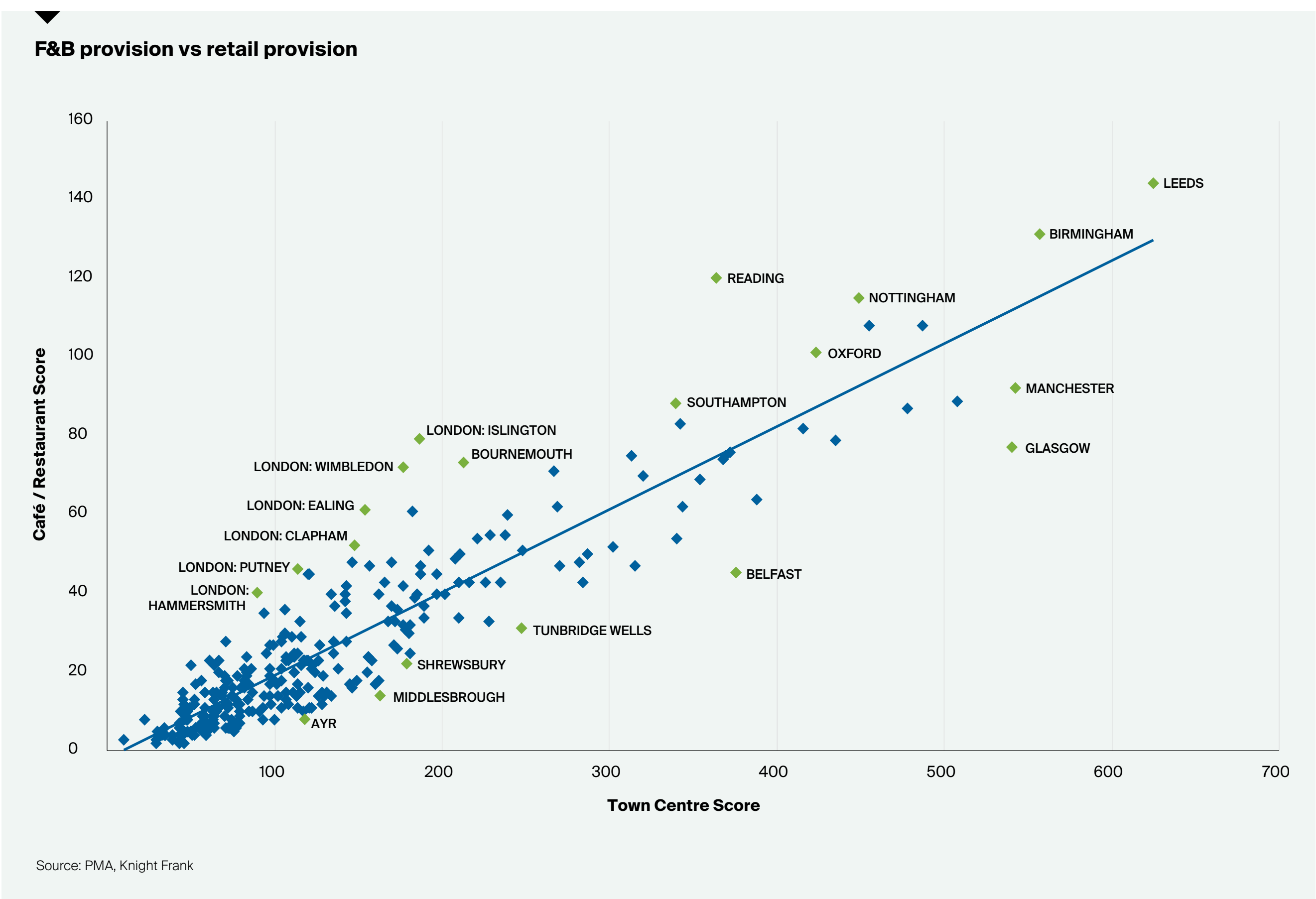
Centre, based on the presence of national and regional fashion and non-fashion multiples and key anchors within each town or city. The score reflects both the size and quality of these operators.

The distribution of the 300 PROMIS centres covered is best illustrated as a dual-axis scatterchart. Each dot represents one of the 300 centres under review, with some of the towns/cities highlighted and labelled. In very broad terms

- Centres which fall on or near the trendline broadly correlate (i.e. the F&B offer is commensurate with the overall retail proposition)
- Centres above the trendline are well-supplied in F&B
- Centres below the trendline are potentially under-supplied in F&B

For the mathematical purists, comparing the two datasets across the 300+ centres yields a correlation index of 0.83 – in very crude terms, over three quarters of all the 300 centres follow a distinct pattern, this being that the quality of F&B offer matches that of the overall retail offer. As ever, more interesting than those that do follow this pattern are those that don’t (referred to as ‘outliers’).

The ‘positive outliers’ (i.e. locations where the F&B Score is considerably better than the Retail Score) are dominated by centres in Greater London, particularly Islington, Wimbledon and Ealing, but also Richmond, Putney, Hammersmith and Clapham Junction. A reflection largely of the demographics of London and much higher propensity to eat out generally, but also some question marks



Source: PMA, Knight Frank

RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

as to potential over-supply? Non-London centres with stronger-than-average supply of F&B include Reading, Bournemouth, Nottingham and Southampton.

The ‘negative outliers’ (i.e. locations where the F&B Score is considerably lower than the Retail Score) throws up an interesting mix of major big regional cities (Glasgow, Belfast, Manchester) alongside some surprising well-heeled ‘market’ towns, such as Tunbridge Wells, Chester, Kingston-upon-Thames and Cheltenham. As the post-COVID dust settles, maybe some F&B opportunities in these surprisingly ‘Leisure-light’ locations?

In the second analysis, we have correlated the same PMA Café & Restaurant Scores with CACI’s shopper population figures.

By way of definition, shopper population is a modelled estimate of the number of people that actually use that centre for their main comparison goods shop as opposed to catchment population which purely reflects the number of people that live there. In essence, we are comparing the quality of the F&B offer relative to the size of the town’s overall audience.

In the second scatterchart:

- Centres which fall on or near the trendline broadly correlate (i.e. the F&B offer is commensurate with the town’s shopper population)
- Centres above the trendline are well-supplied in F&B
- Centres below the trendline are potentially under-supplied in F&B

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The ‘negative outliers’ (i.e. locations where the F&B Score is considerably lower than the Retail Score) throws up an interesting mix of major big regional cities (Glasgow, Belfast, Manchester) alongside some surprising well-heeled ‘market’ towns, such as Tunbridge Wells, Chester, Kingston-upon-Thames and Cheltenham.

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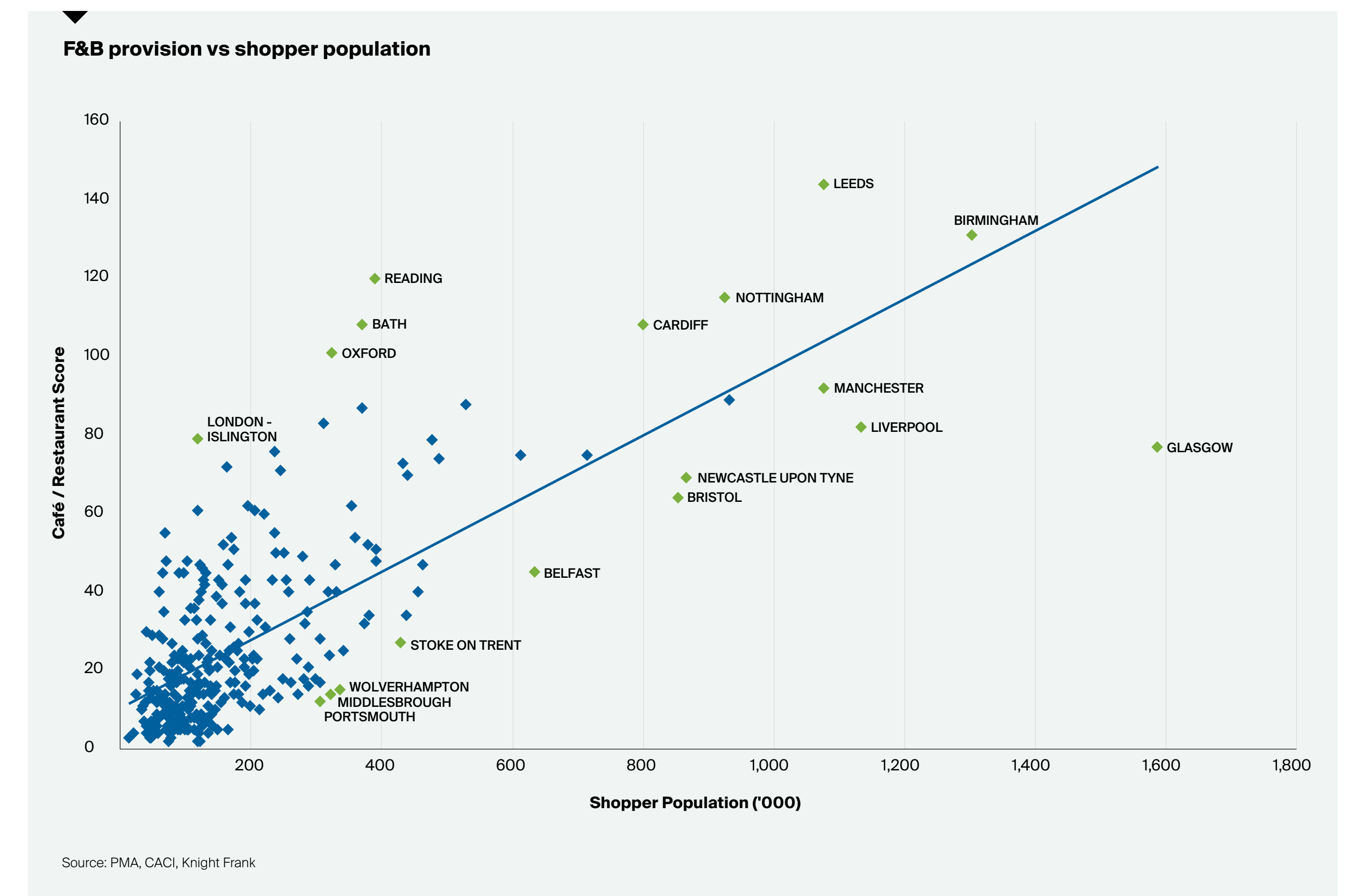

Source: PMA, CACI, Knight Frank

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Many of the large regional cities appear to be light in F&B relative to their overall scale.

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Even taking a slightly different angle, this second analysis largely reinforces the outputs from the first, with many of the same centres common to both. If anything, the shopper population analysis highlights even more where so many F&B operators have focussed their efforts. In very general terms, there has been considerable herding around:

- Tourist Destinations (e.g. Bath, Oxford, Cambridge, York, Stratford-upon-Avon, Brighton)
- Cathedral Cities / Affluent Market Towns (e.g. Guildford, Chelmsford, Worcester, Canterbury, Chichester, Salisbury, Winchester, Horsham)
- Outer London Centres (e.g. Islington, Wimbledon, Richmond, Ealing, Chiswick, Camden Town, Clapham Junction).

And Reading. Which ticks none of the above boxes (apart from being an affluent city), yet emerges as one of the best-supplied F&B markets in the UK. The exception that proves the rule?

At the other end of spectrum, the F&B 'under-weight' centres tend to fall into two broad camps:

- Major Regional Cities (e.g. Liverpool, Bristol, Belfast)
- 'Unloved' Regional Centres (e.g. Portsmouth, Wolverhampton, Middlesbrough, Stoke-on-Trent, Doncaster, Bolton, Burnley, Chatham).

Conclusions

An interesting high-level exercise, but not one that pretends to provide all the solutions.

It definitely highlights where the major branded operators have concentrated their expansion efforts, but also raises the question as to whether these 'hotspots' can necessarily support the level of F&B supply they now have. And, separate to this exercise, whether rents paid amidst the "gold rush" period are sustainable in the longer term. The wave of F&B CVAs and failures both prior and during COVID-19 lockdown would seem to suggest not.

Nor can a desk-top benchmarking exercise fully factor in the nuances of every location. Quantum of floorspace and a long line-up of national F&B brands are not necessarily a guarantee of a successful Leisure proposition. Nor is it appropriate to look at Leisure in splendid isolation from other uses, but rather, as part of an integrated whole.

The on-the ground view will always be the most telling – is the F&B proposition appropriate for that given location in terms of line up, configuration, adjacencies etc etc? Is the F&B congruent with the location as a whole, leveraging footfall as much as creating it in its own right? Key questions that any degree of science will struggle to answer.

Biggest probably isn't best. Less may be more. But relevant is most definitely right – a new post COVID-19 mantra that transcends all high street uses?

Selected 'Well-Supplied' / 'Leisure-Heavy' Locations

MAJOR CITIES	REGIONAL CENTRES	RESILIENT SUB-REGIONAL CENTRES	WEAK SUB-REGIONAL CENTRES	AVERAGE RESILIENT TOWNS	SMALLER LONDON CENTRES
Leeds	Reading	Wimbledon	Bournemouth	Ealing	Islington
Cardiff	Bath	Richmond	Hereford	Stratford-upon-Avon	Chiswick
Nottingham	Oxford	Windsor	Sutton	Horsham	Clapham Junction
	York	Chelmsford	Harrow		Camden Town
	Guildford	Worcester			Putney
	Canterbury	Leamington Spa			
	Southampton	Winchester			
	Brighton				

Source: PMA, Knight Frank

Selected 'Underserved' / 'Leisure-Light' Locations

MAJOR CITIES	REGIONAL CENTRES	RESILIENT SUB-REGIONAL CENTRES	WEAK SUB-REGIONAL CENTRES	AVERAGE WEAK TOWNS	SMALL TOWNS
Glasgow	Belfast	Tunbridge Wells	Middlesbrough	Ayr	Beverley
Manchester	Chester	Carlisle	Portsmouth	Scarborough	Bishop Auckland
Edinburgh	Bristol	Truro	Stirling	Stevenage	Dewsbury
Liverpool	Kingston	Shrewsbury	Gloucester	Burnley	Pontypridd
	Cheltenham	Livingston	Wakefield	Chatham	Bootle
			Wolverhampton		

Source: PMA, Knight Frank

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A tale of two cities: Reading emerges as one of the most 'over-supplied' F&B centres in the UK relative to its catchment size and retail standing, while Glasgow is one of the most 'under-supplied'.

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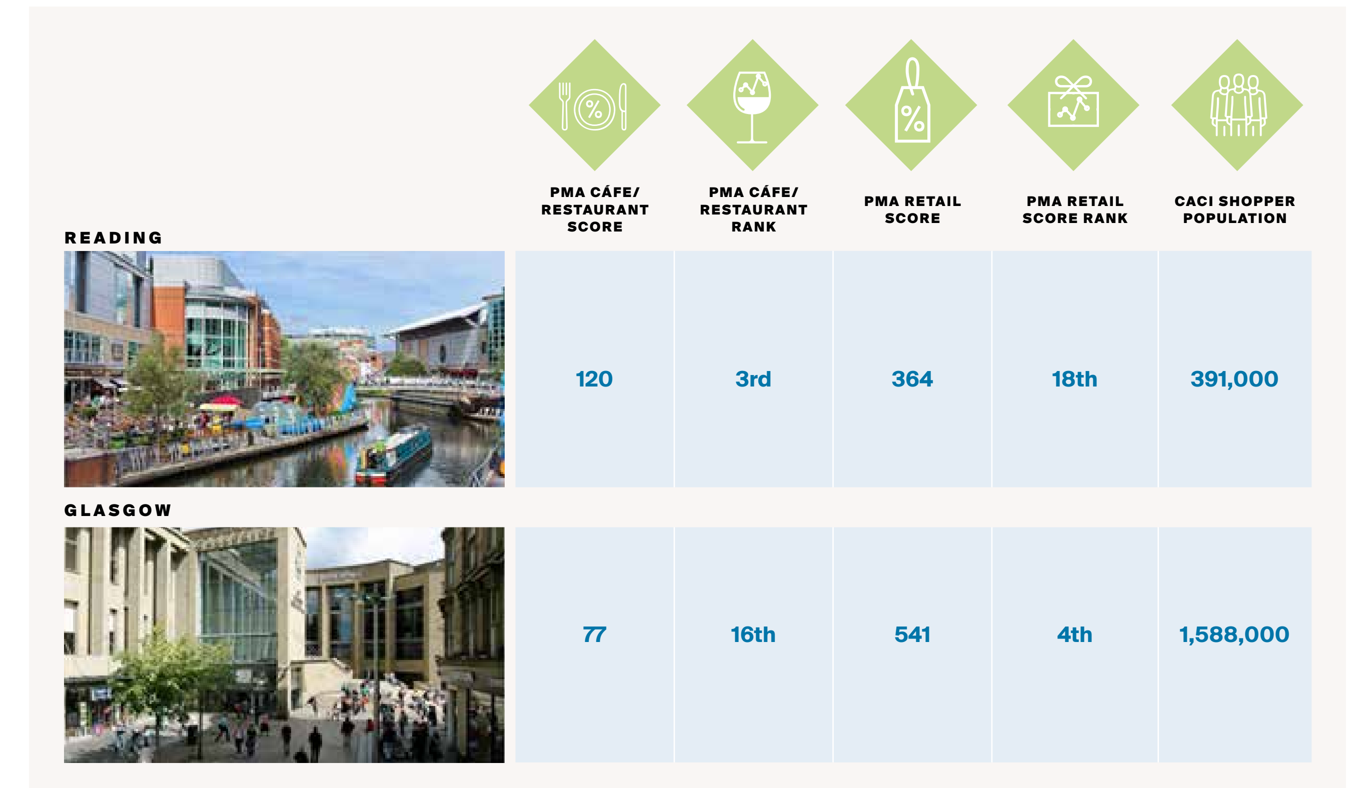


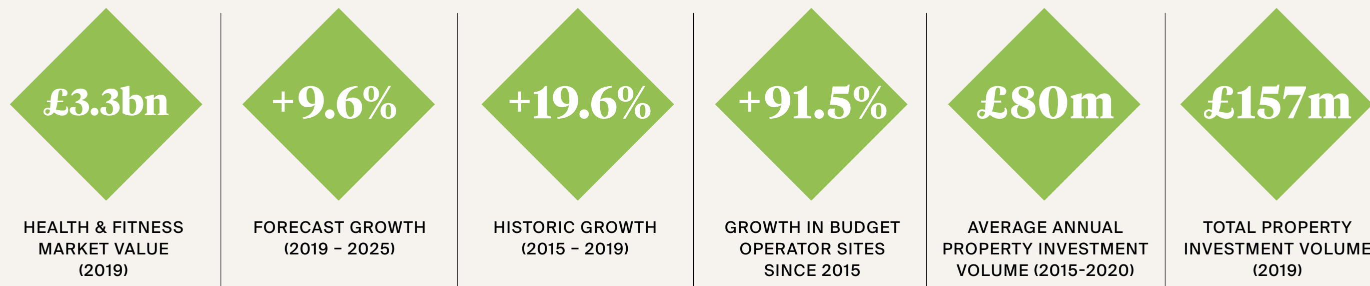
	PMA CÁFE/ RESTAURANT SCORE	PMA CÁFE/ RESTAURANT RANK	PMA RETAIL SCORE	PMA RETAIL SCORE RANK	CACI SHOPPER POPULATION
READING	120	3rd	364	18th	391,000
GLASGOW	77	16th	541	4th	1,588,000

Source: PMA, CACI, Knight Frank

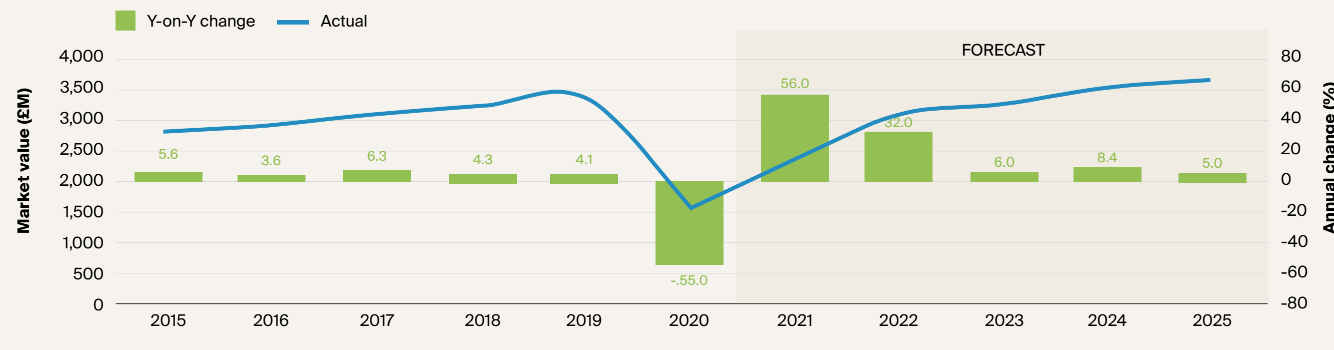
SUB-SECTOR SUMMARIES

GYMS

MARKET VALUE & FORECASTS



Health & fitness market value growth (2015-25)



50%

D2 PLANNING APPLICATIONS MADE FOR GYMS OVER LAST 5 YEARS

+138%

RISE IN INVESTMENT VOLUME 2015

+21.6%

INCREASE IN GYM MEMBERSHIP SPEND (2014-2019)

+40.0%

INCREASE IN ANCILLARY SPEND (F&B, MERCHANDISE (2014-2019))

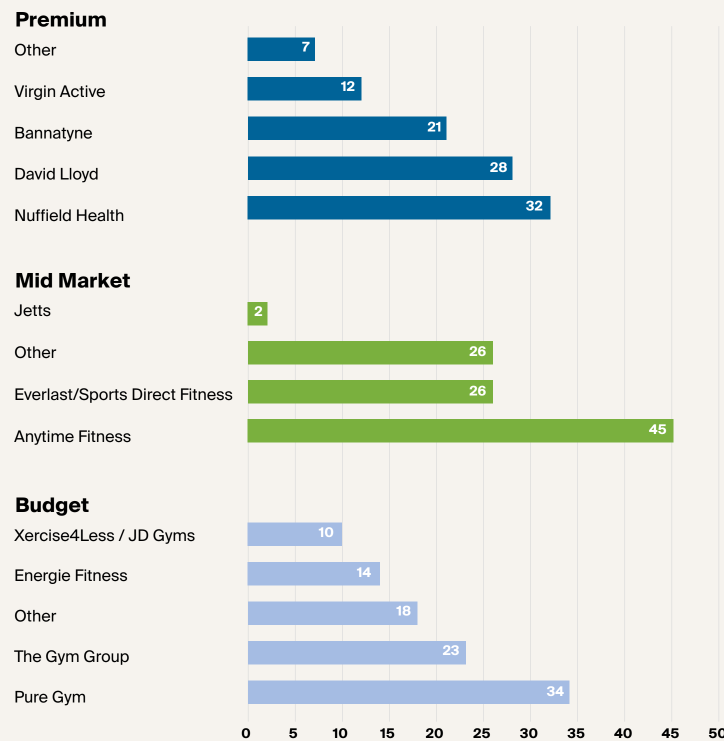
>£40

AVERAGE MONTHLY PREMIUM GYM MEMBERSHIP

>£20

AVERAGE MONTHLY BUDGET MEMBERSHIP

Key operators – market share %

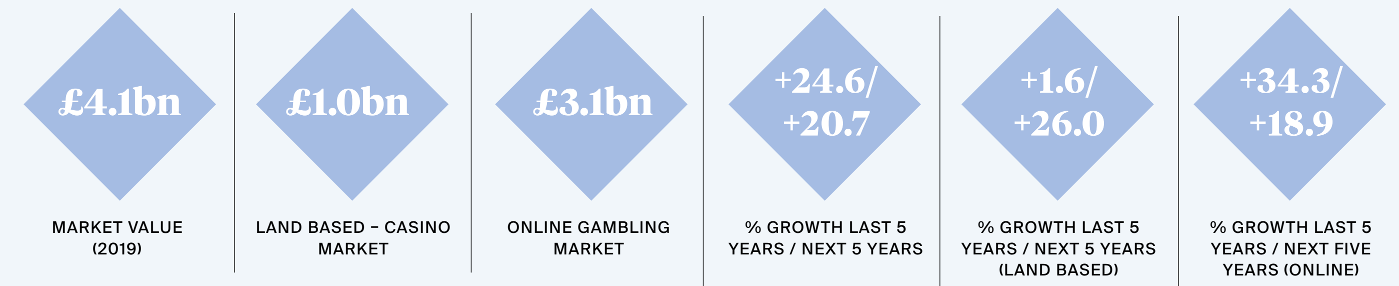


SOURCE: KNIGHT FRANK, MINTEL, EGI, RADIUS EXCCHANGE, PROPERTY DATA

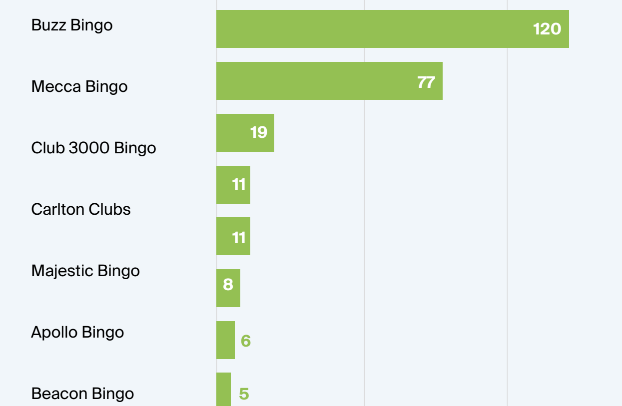
SUB-SECTOR SUMMARIES

GAMBLING

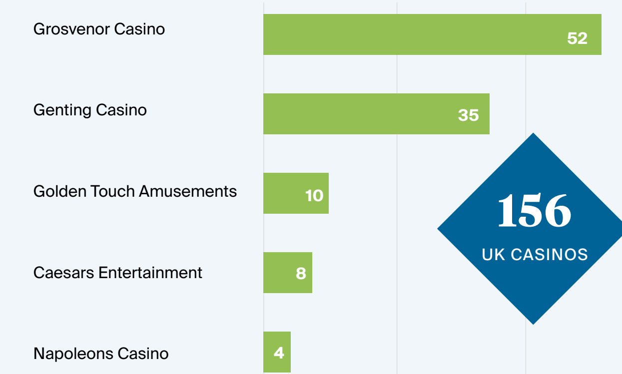
MARKET VALUE & FORECASTS

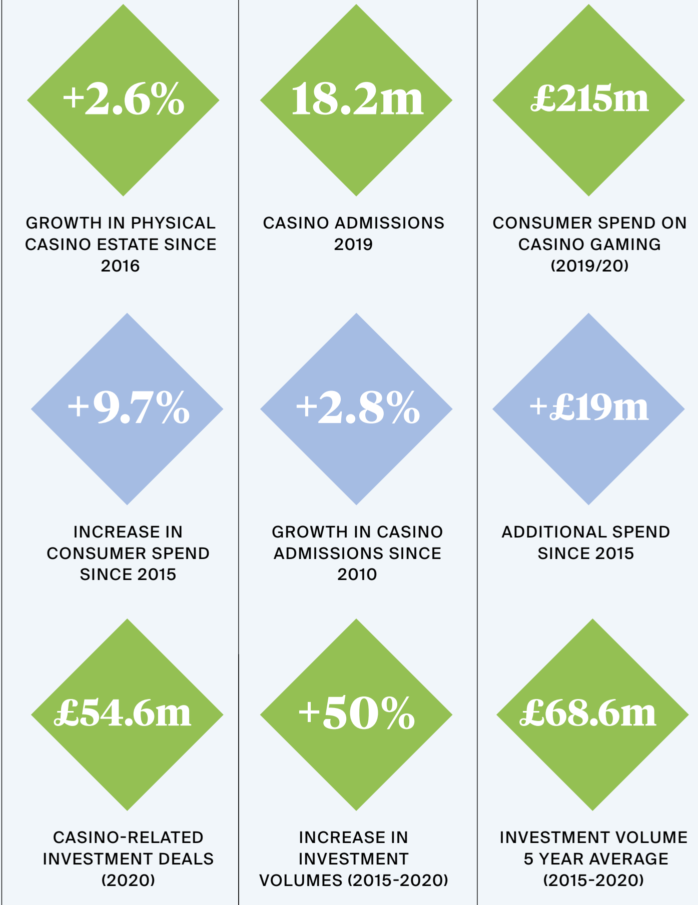


Key bingo hall operators – by no. of sites



Key casino operators – by no. of sites





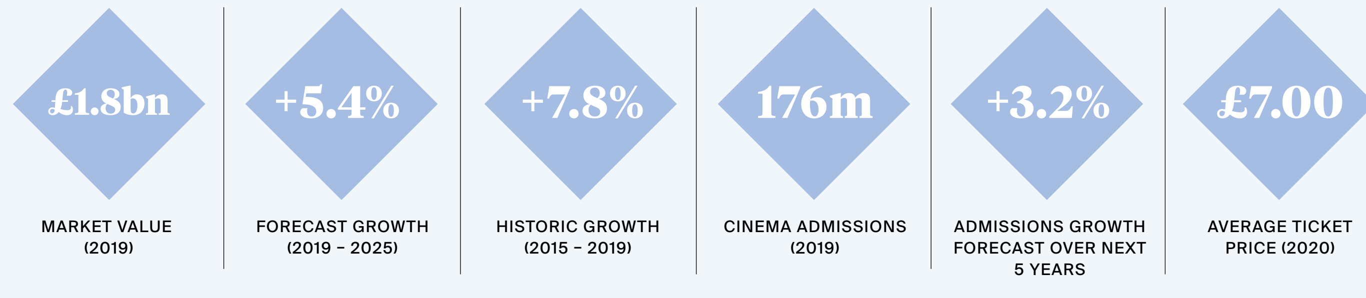
RECENT INVESTMENT DEALS (2019-2020)

DATE	LOCATION	£M	ASSET	PURCHASER
Jan-20	Cardiff	54.6	Grosvenor Casino	Cardiff Council
Jun-21	The Red Dragon Centre	25.1	Grosvenor Casino	AEW UK Core Property Fund
Nov-19	Birmingham	17	Alea Casino	UKRO (Hong Kong)
Oct-19	Fiveways Entertainment Centre	6.4	Grosvenor Casino	Undisclosed
Nov-19	Nottingham	-	Mecca Bingo & Grosvenor Casino	Private investors

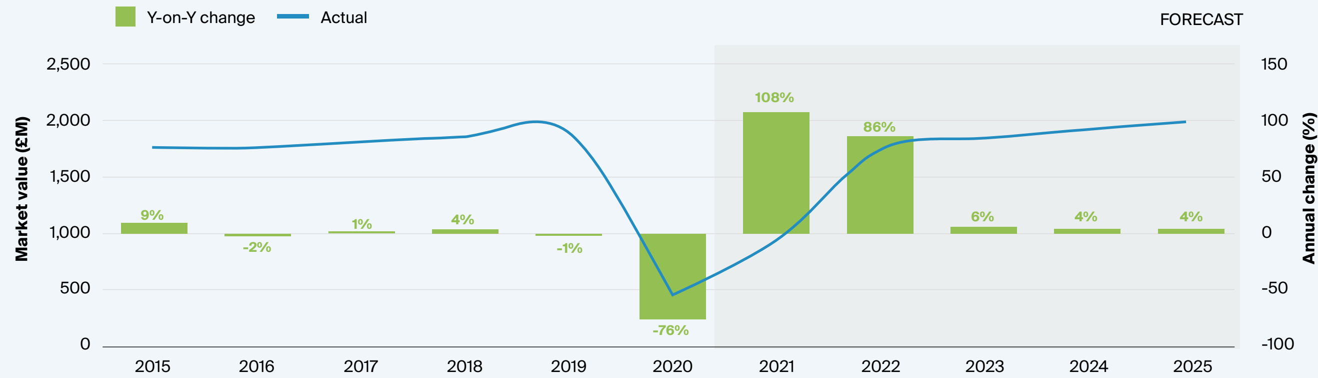
SOURCES: KNIGHT FRANK, MINTEL, LDC, PROPERTY DATA

SUB-SECTOR SUMMARIES
CINEMAS

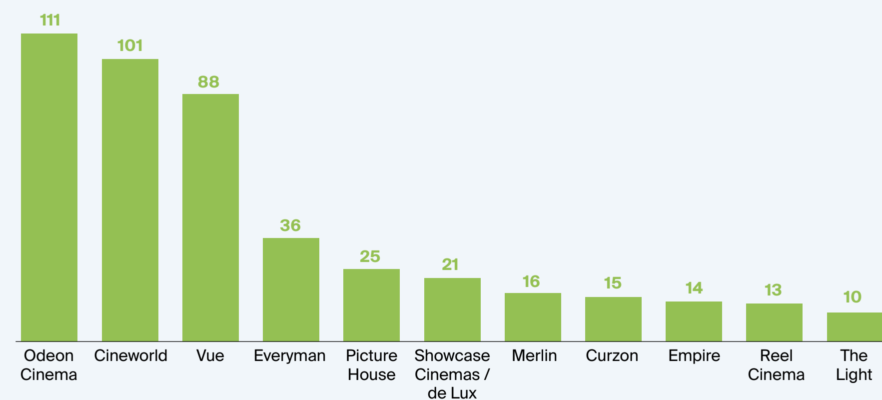
MARKET VALUE & FORECASTS



Cinema market value growth (2015-25)



Major operators (> 10 sites) (2021)



UPCOMING MAJOR MOVIE RELEASES

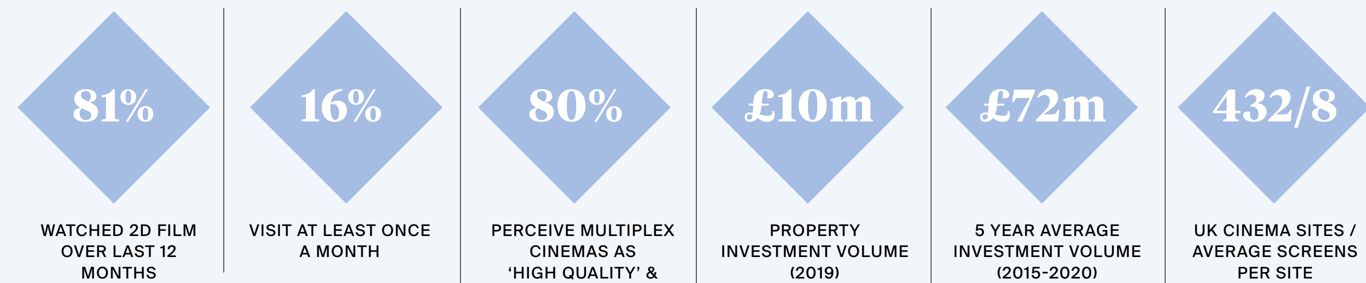
JAMES BOND: NO TIME TO DIE
SEPTEMBER 2021

GHOSTBUSTERS: AFTERLIFE
NOVEMBER 2021

THE MATRIX 4
DECEMBER 2021

THE BATMAN
MARCH 2022

FANTASTIC BEASTS 3
JULY 2022

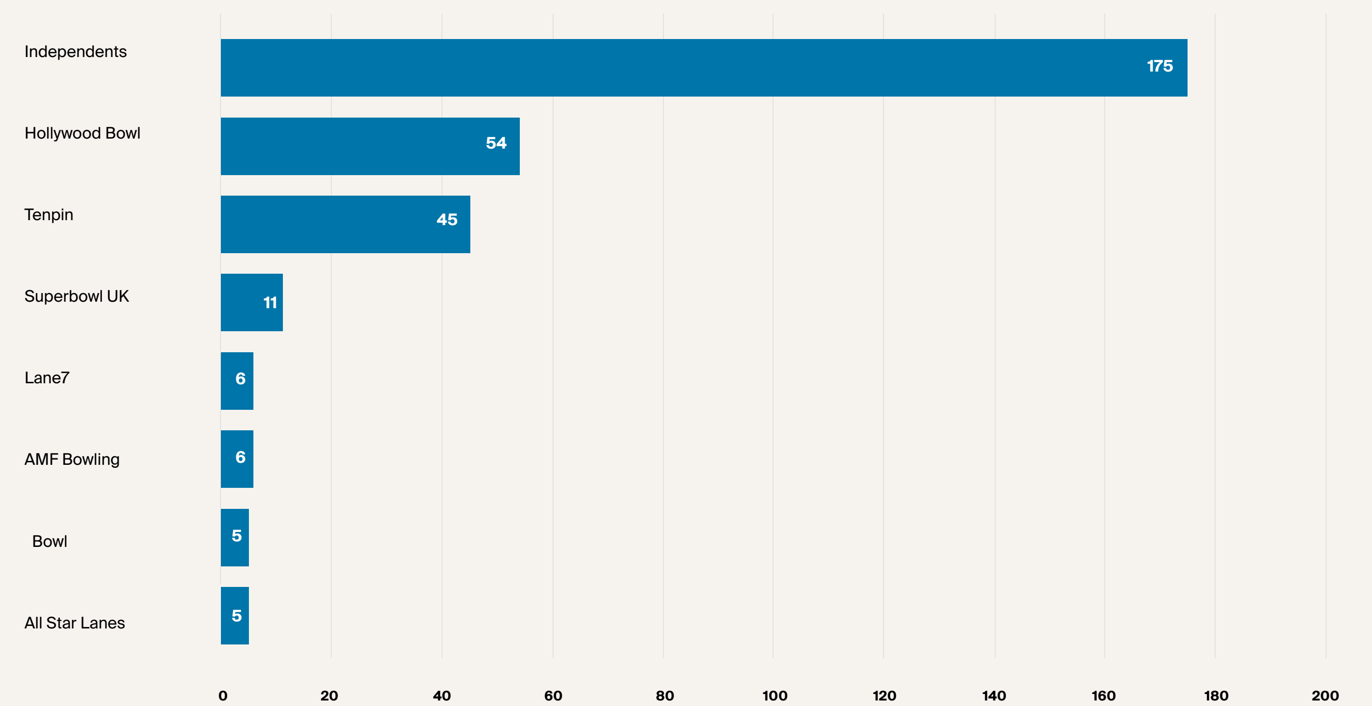


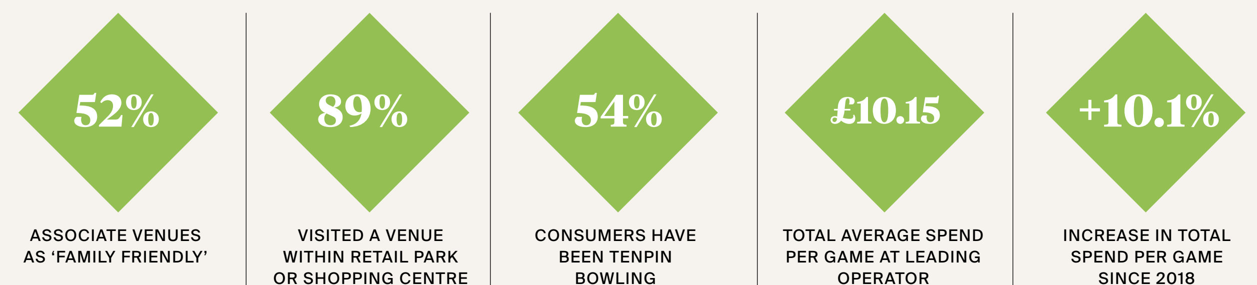
SOURCE: KNIGHT FRANK, MINTEL, CINEWORLD, ODEON, VUE

SUB-SECTOR SUMMARIES
BOWLING

MARKET VALUE & FORECASTS

Leading operators – by no. of sites





SOURCES: KNIGHT FRANK, MINTEL, HOLLYWOOD BOWL

BIG BOX LEISURE – THINKING OUTSIDE…

A myriad of sub-sectors with one common denominator – they are fun. And fun has been in desperately short supply since the pandemic struck.

WORDS: STEPHEN SPRINGHAM – HEAD OF RETAIL & LEISURE RESEARCH

There is little point dwelling on the impact of COVID on the out-of-home Leisure market. As activities that invariably involve close contact and socialising, they were inevitably subject to the longest period of lockdown and spend figures outlined earlier in this report speak for themselves.

But on a more positive note, the past 18 months have also provided time to reflect. Free from the constraint of day-to-day hands-on management of the business, the operators have had plenty of opportunity to rethink their businesses, not just operationally, but also strategically. Now, more than ever, there is an impetus to innovate, rather than just stick to the knitting. Expect a flurry of new concepts and formats to emerge off the back of the enforced periods of closure.

Traditional 'big box' Leisure

For many, cinemas are the epitome of 'big box' leisure. A sector that has been written off so many times, yet still achieves admissions growth in the course of a 'normal' year. But a huge surge in streaming services during lockdown is but the latest in a long line of structural changes that cinemas have had to endure over the years. There are now over 16.7 million Netflix subscribers in the UK. As well as the rise of streaming services, cinema operators are saddled with significant rent arrears, as AEW's successful court case against Cineworld proved.

It would be premature to write off the cinema sector – surely the structural change of streaming services is no greater than the advent of television itself? As ever, the two (at-home streaming/cinemagoing) are probably far less binary than they are depicted, with many streaming consumers actually also being regular cinemagoers. But the cinema concept needs to evolve, embracing more value-added elements, improved technology and broadening its repertoire beyond the latest movie releases. And it is doing just that.

A similar direction of travel in bowling, that other Leisure stalwart. Demand may have slumped by -75% in 2020, but this is only a temporary blip in a sector that was otherwise enjoying a renaissance. Its perception as an affordable group activity is already seeing it in good stead as restrictions are easing. But, like cinemas, it is not standing still, with increased deployment of technology and enhancements to F&B the key differentiators.

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Now, more than ever, there is an impetus to innovate, rather than just stick to the knitting. Expect a flurry of new concepts and formats to emerge off the back of the enforced periods of closure.

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After a period of enforced retrenchment and soul-searching, we would expect a fresh wave of innovation in the Leisure sector as a by-product of the pandemic

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The dynamics of the health & fitness market have been severely challenged by the pandemic, with both push and pull factors for gym operators. On the plus side, general awareness of health issues has, of course, skyrocketed over the last year, as has the number of people partaking in exercise. On the down side, lockdown has seen much of this activity gravitate towards the home rather than the traditional gym. Again, these trends need not necessarily be binary and expect to see physical gyms increasingly integrate many of the 'at-home' elements. Also, there is an increasing onus to personalise the gym experience, with more tailored and flexible membership options. A trend towards 'localisation' is likely to prompt of fresh wave of expansion of smaller footprint and more niche gym formats.

Evolving and diversifying, rather than changing outright. For more on these trends and specific examples, please refer to the ***'Emerging & Evolving: Leisure formats for the new decade'*** *section of this report.*

The new breed

By definition, 'competitive socialising' operators clearly did not prosper in times of non-socialising. Furthermore, many of the formats are city-centre based and heavily reliant on a worker base that simply has not been there, even when restrictions have not been in place. The other issue is that many operators in this space are relatively immature and may lack the financial clout of more established players. Newer sites may not yet have reached payback, yet are still subject to rent and other property charges (deferred as part of a rent holiday, but as yet, not wholly written off).

The saving grace for the more niche Leisure operators is the consumer. Rather than retreat into his/her shell as many commentators (economists especially) predicted, the UK consumer is actually relishing being let off the leash. And with a huge renewed appetite for out-of-home entertainment. In a post-pandemic world, fun is very much top of the agenda.

For more detail and specific examples, again please refer to the ***'Emerging & Evolving: Leisure formats for the new decade'*** *section of this report.*

Innovation

After a period of enforced retrenchment and soul-searching, we would expect a fresh wave of innovation in the Leisure sector as a by-product of the pandemic, unlikely as this may seem. In the case of the more traditional Leisure 'big box' sectors, this is likely to take the form of evolution and diversification, rather than revolutionary change. Amongst the 'newer breed', we are likely to see a whole host of new brands, formats and concepts. Wider embrace of digital technology, greater consumer personalisation and an enhanced/more diverse F&B proposition are likely to be the underlying cornerstones of this renewed general push towards innovation.

Realistically, this wave of innovation is unlikely to be immediately apparent. Cashflow is still a major constraint for many operators and some are still battling for survival. The fact remains that some players are far better capitalised than others. As well as a push towards innovation and a need to stand out from the crowd, there will also be a drive towards reducing payback periods. So, effectively the operators are facing a conundrum of having to increase capex to make their concepts fresh and relevant, yet also to manage costs in such a way that profitability thresholds are hit more quickly.

Fun and games all round.

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The cinema concept needs to evolve, embracing more value-added elements, improved technology and broadening its repertoire beyond the latest movie releases. And it is doing just that.

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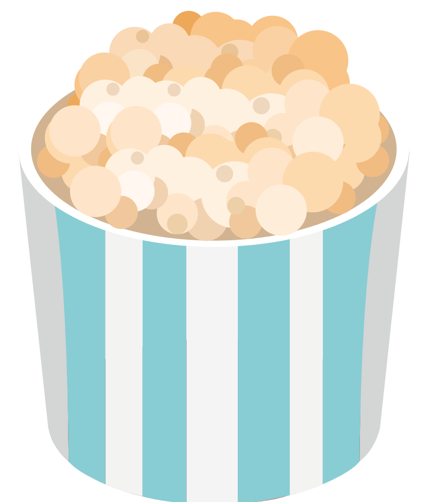

NEW FORMATS – 6 TAKEAWAYS

With Leisure's mission to excite and entertain, the sector will play a pivotal role in bringing life back to our town centres and rejuvenating tired assets into places consumers gravitate towards.

New formats offering modern twists on old classics (e.g. hi-tech bingo, electronic darts) alongside quirky new concepts (e.g. axe throwing, ultimate leisure playgrounds) are sure to create buzz but must have synergy with an asset's catchment demographic to ensure longevity.

Traditional formats (e.g. bowling, cinema) remain proven concepts and will endure as the market recovers. Reinvention is high on the agenda with more grown-up, sophisticated formats emerging, presenting exciting opportunities to attract a wider demographic profile.

Digital technology plays a significant role in modernising the leisure experience but should not be regarded a silver bullet - landlords must weigh benefits of novelty against potential costs of niche hi-tech fit outs.

Gyms will increasingly become significant anchors in more sub-urban locations with greater digitisation, localisation, and a more holistic focus on wellbeing.

'Competitive socialising' remains an exciting growth area with more operators rolling out sites as landlords grow increasingly comfortable with new concepts.

EMERGING & EVOLVING: LEISURE FORMATS FOR THE NEW DECADE

The Leisure sector faces an exciting period post-lockdown. With consumers hungry for new and novel experiences and landlords eager to diversify their retail offerings – there has never been a more opportune moment for operators to unleash fresh formats and cool concepts to the market.

EMMA BARNSTABLE – RETAIL & LEISURE
PROPERTY ANALYST

As one of the most diverse and dynamic property sectors, Leisure is continually evolving to excite and entertain consumers. Post pandemic, the opportunity has arguably never been greater to provide new and novel experiences to quench the thirst of consumers who has been forced to spend the last 18 months socialising via screens.

Longer-term trends towards experiences have only been heightened by lockdown, with 54% of consumers now wanting to prioritise social activities over possessions. Starved of face-to-face interaction, consumers are desperate for social occasions to re-connect and rebuild lost social capital with family, friends, and colleagues. Moreover, after a long year, many just want to have fun.

The demand to deliver is not solely driven by consumers. Landlords with high street units, shopping centres and retail parks are all seeking to breathe fresh life into their assets and rebuild lost footfall. With structural change in the market ongoing, many are keen to differentiate and provide something unique to revive the shopping experience. For others, the realisation that oversupplied retail-led locations require diversification to thrive is increasing demand for quirky and creative leisure uses.

With socialising back on the agenda and following significant time for operators to take stock and reconsolidate, what new Leisure formats and concepts are on offer to tempt consumers back?

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TRADITIONAL LEISURE SUB-SECTORS

Bowling

Bowling remains a proven concept for landlords, anchoring many retail and leisure schemes. As an activity bowling has historically remained resilient throughout times of economic uncertainty, perceived as one of the most affordably-priced group activities.

The market is currently split between a handful of leading family-friendly operators (**Hollywood Bowl** – 61 centres, **Ten Entertainment Group** – 46 centres) vs. a highly fragmented operation of hundreds of localised independents, ranging from budget to boutique. Traditionally anchoring out-of-town locations requiring a car, new venues within city centres have emerged in recent years such as **AllStar Lanes** and **Lane7.** Most recently, Lane 7's Gutterball concept signed 28,000 sq ft in Sovereign's Centros St Enoch Centre in Glasgow.

Catering to a more adult audience with greater wet-led focus, these operators have undoubtedly challenged traditional brands to reinvigorate their offering.

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Post pandemic, the opportunity has arguably never been greater to provide new and novel experiences to quench the thirst of consumers who have been forced to spend the last 18 months socialising via screens.

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Improving the selection of F&B has been key to transformation, as this has typically been the weakest aspect of the experience. Sourcing more premium products such as local craft beers, major operators are creating a more luxury feel whilst retaining affordable price points, extending peak play into the evening and supporting other neighbouring F&B assets.

Hollywood Bowl's latest centre in York showcases its upgraded space ('Hollywood Diner') – an essential move given F&B accounts for ca. 50% of its revenue. Updates have also been made to the game with new digital scoring systems and creation of exclusive 'VIP lanes', allowing consumers to trade up for comfier lounge seating, funky pool-style bowling balls, and attentive lane 'hosts' serving drinks. Digital screens also provide personalisation with team selfies and looped action replays.

Given bowling's wide appeal and current low penetration per head of population versus other international markets, Hollywood Bowl sees 'significant expansionary potential' for this refreshed concept. It is targeting 14-18 new sites to FY24 with seven leases already signed. Expect to see more mainstream operators following suit by upgrading to more premium options to attract adult groups and encourage repeat visits for special occasions such as birthdays.

Cinemas

Claims that the cinema is way past its heyday due to the rise of Netflix, Disney+ and AppleTV are unfounded. In 2019 ca. 176m cinema tickets were sold, a minor annual decline of -0.6% on 2018 levels (177m), the highest figure recorded since 1970 (193m). Cinemas remain a highly popular Leisure activity, and there are in fact strong positive correlations between streaming behaviours and cinema attendance.

Although the pandemic diverted some prime content to streaming services, most major releases have been delayed, meaning that 2021/22 will mark a bumper period.

Mass operators **(Vue, Odeon, Cineworld),** have spent recent years upgrading their offering to provide something different from the in-home experience, with premium snack options, reclining chairs, and enhanced sound systems. And much like the bowling sub-sector, we are seeing greater shifts towards a more grown-up cinematic experience.

At the independent / premium end of the market, **Everyman** is leading the way in redefining cinema, bringing a more sophisticated experience to the market. Its plush boutique-style armchair and sofa options with footstall and pillows create a stylish yet cosy environment. With on hand waiter service, movie goers can treat themselves to a platter of olives, or a films worth supply of G&T. Everyman is also tapping into a trend toward showing more diverse content – offering mainstream, independent and classic movies, as well as live concerts, and even pantomimes. Showing major sporting events, documentaries, and other live stream content (think Youtube gamers

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Cinemas remain a highly popular Leisure activity, and there are in fact strong positive correlations between streaming behaviours and cinema attendance.

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celebrated for their commentary such as 'DanTDM') present other untapped genres.

It is also clear consumers are keen for something new and **Backyard Cinema** is set to scale up from its outdoor screenings in car parks and disused warehouses in its pursuit of more permanent venues. With an ambition to 'dominate the experiential end' of the market, it released a wish list of 20 London locations in 2020, with sights set on wider UK expansion.

Gyms / Health & Fitness

Operators across the budget, mid, and premium markets are set to benefit from increased awareness of physical and mental health among Britons, with 34% now viewing exercise as a bigger priority than pre-pandemic. With lockdown driving massive upticks in online fitness participation, some have questioned the relevance of a traditional offering. However Mintel research found 53% missed specialised gym equipment, 39% their fellow gym goers, and 38% the energising environment. Furthermore, footfall trends show gyms to be an effective anchor to many high street, retail park and shopping centre schemes since reopening.

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Providing additional value-add services will remain a key focus of premium and boutique operators who will be seeking floorspace that is flexible to reconfigure to the dicates of new trends.

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Whilst consumers do expect some digitisation to continue, operators will be monetising this in conjunction with in-person membership. Although likely to retain an element of freely available content to attract new joiners, the focus will be on the creation of more flexible 'hybrid' membership structures. Offering tiered pricing for combinations of online - offline only access, gyms will be able to extend the reach and appeal of clubs (and the wider retail / leisure asset in which they sit) beyond their immediate locations. With more families exercising together, expect bigger, multi-generational venues to emerge providing a space beyond the home or office. Luxury fitness brand **Third Space** has ambitious expansion plans over the next five years with an eye to developing its pipeline outside of what it regards the 'traditional club environment'. Having found success in larger footprints with higher ancillary spend per member, it is

flexing to family membership models. Its 47,000 sq ft concept in Islington houses a dedicated 'Little Space' for 0 – 5 year olds. With an Ofsted-registered creche, climbing wall, and homework clubs, parents are free to enjoy the premium offerings (hot yoga, mind and body studios), racking up longer dwell times with synchronised family activity timetables.

Providing additional value-add services will remain a key focus of premium and boutique operators who will be seeking floorspace that is flexible to reconfigure to the dicates of new trends.

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With fewer workers commuting five days a week, more localised concepts will emerge in locations beyond the city centre.

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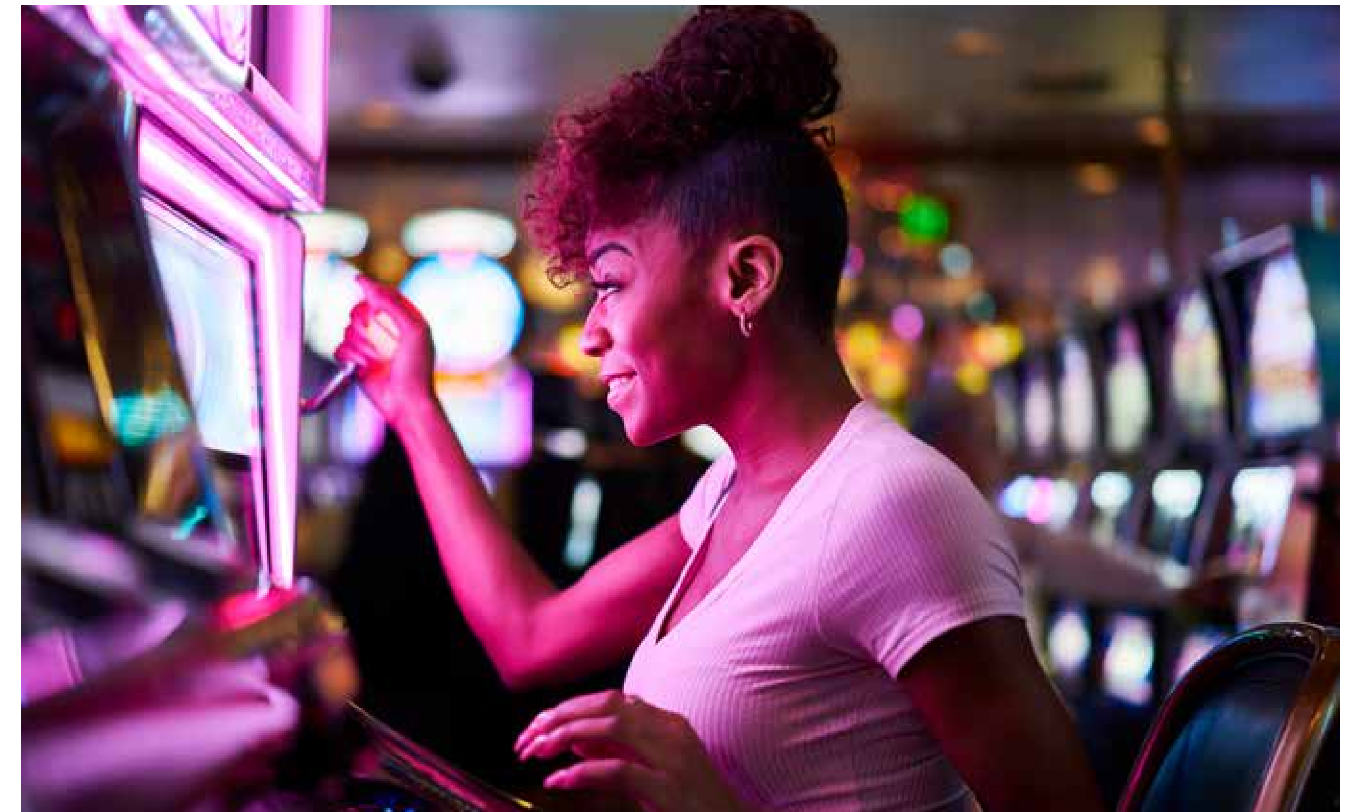
Hero Training Club in Manchester, a boutique operator, has branded itself as the first mental health gym with regular services from psychiatrists, nutritionists, and counsellors, offering expertise in everything from mindfulness to sleep therapy.

With fewer workers commuting five days a week, more localised concepts will emerge in locations beyond the city centre. **PureGym's 'Local'** format, comprising 5,000 – 8,000 sq ft, offers a smaller gym concept. At around a third of the size of its standard clubs, it requires a lower density catchment to support it, and maximises floorspace layouts with semi-open studios utilised when classes are not in operation. A total of 11 'Local' clubs opened in 2019, with another eight in the pipeline across 2020/21. The budget brand is moving in on smaller suburban and rural locations, posing fierce competition to localised operators.

Exporting quirkier boutique and super-premium style concepts typically found in London **(Digme Fitness, BXR, F45)** will be a trend to watch among mass-operators. Having gained consumer trust, these brands will be cashing in on consumers' desire to try something new. **David Lloyd's** first standalone boutique 'Blaze' in Birmingham opened in January 2021, offering the 'ultimate HIIT workout' combining boxing and martial arts. Classes are digitally enabled with each member provided 'MZone' heart rate belts to track their performance and compete against other members via digitally-projected leader boards, creating a high energy thrill which cannot be created at home.

Casinos & Bingo Halls

Physical operators have significant opportunity to experiment with new layouts following a wholesale review of 1968 and 2005 regulations to make digital and land-based gambling more equitable. With greater scope for increased machine allocations and electronic games,



operators can provide a more exciting and modern mix of entertainment.

With traditional formats perceived as aged, operators realise the importance of re-positioning toward a younger demographic. **Grosvenor** has been leading the refresh with its new £5m casino concept 'Pier Nine' in Brighton offering classic, retro, and digital casino games such as 'eDarts', 'Digipool', Shuffleboard and karaoke. With distinct activity spaces ('The Den'; 'The Clubhouse') and themed nights ('League Night', Local DJs) repeat visits are incentivised. Its Mecca Bingo concept is being similarly modernised with faster pace hourly Bingo sessions, scheduled comedy & quiz nights and Gin Festivals.

However a significant gap remains in the market and entrepreneurial operators have scope to put their own spin on gambling concepts for a younger generation. **Hijingo Bingo** have created the 'future of bingo' offering a high energy, futuristic entertainment show. Fusing gaming technology with high spec production and visuals, consumers get a multi-sensory experience and premium F&B packages including bottomless brunch and cocktails. With one-off visits making up a large proportion of this space (e.g. birthdays, hen parties), this eye-catching concept could do well under current staycationing trends.

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Multi-activity venues could potentially provide landlords of high street assets with a new type of anchor and go some way towards repurposing large floorplates left vacant by department store chains.

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EVOLUTION OF 'COMPETITIVE SOCIALISING'

The market for 'competitive socialising' has gone from strength to strength and shows no signs of slowing. From axe throwing to digitised 'social darts', the sub-market is highly fragmented and covers the most quirky and niche social activities. Although young adults have led the way, a broader demographic is now choosing to allocate greater proportions of their discretionary spend to this sector in the pursuit of trying something new.

Shopping centres and leisure schemes are also becoming more comfortable with these newer formats, particularly as more traditional operators incorporate competitive socialising into their offering. **Hollywood Bowl's** new concept **'Puttstars'** launched in 2020 in Leeds, York and Rochdale, leveraging on mini golf concepts currently split across ca. 1,000+ UK venues. With brightly coloured courses and digital enhancements enabling bespoke scoring and gamification, it appears to have leveraged the success of newer adult-only concepts that have already emerged in major city centre locations **(Puttshack, Swingers, Adventure Golf)** to mainstream competitive socialising and bring a modernised game to families at an affordable price.

Competitive socialising operators catering to adults are having to emerge with a greater smorgasbord of entertainment. Compared to family-led activities, novelty can fade far quicker and concepts must remain fresh to continue attracting repeat visits and justify high entry prices. This can be a concern to landlords seeking to attract unique operators on long lease terms, as spaces will have to offer constant renewal and excitement. Diversification toward offering adult leisure playgrounds with multiple activities will be a key trend for operators seeking to increase dwell times and generate sustainable spend.

New Leisure Playgrounds

Boom Battle Bars are one such emerging Leisure 'battleground',hosting multiple concepts under one roof including Bavarian axe throwing, carnival combat challenges, and 'crazier' golf. Games are designed with easy to grasp rules and without reliance on physical abilities, providing a fun multi-generational competitive environment in which adults can mingle and relax. With locations in Cardiff, Eastbourne, Lakeside, Liverpool and Norwich, it is now exporting to the London market with 15-year pre-let on 70 Oxford Street.

Roxy Ballroom is continuing its expansion, bringing the 'home of competitive socialising' to new cities. Opening two new sites a year, its over-

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Landlords must consider the longevity of highly digitised, often single activity offerings which could outdate quickly, compared with those offering more diversified, and perhaps longer-term and more sustainable leisure draws.

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With consumers' attention spans seemingly constantly shortening, not all concepts will endure. Some of today's new and emerging brands will undoubtedly fall by the wayside, while others will remain relevant and reinvent.

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18 venues offer a variety of 'booze and ball games' including beer pong, 'killer pool', and shuffleboard. In providing several different competitive socialising concepts, it provides an evening of leisure entertainment. Appealing to a wider audience encourages repeat visits across multiple parts of the day, making for a more attractive tenant offering, with one venue capable of servicing multiple demographics.

Multi-activity venues could potentially provide landlords of high street assets with a new type of anchor and go some way towards repurposing large floorplates left vacant by department store chains. Research by CoStar found of the 237 former department stores vacant, just 52 had repurposing plans. In one such example, **Gravity Active Entertainmen**t has transformed the former Debenhams in Wandsworth Southside shopping centre with 80,000 sq ft of entertainment including multi-level go-karting, bowling alley and adventure golf, evolving from its core trampolining offering. Owners Landsec and Invesco hailed the operator for providing a new anchor through its collection of Leisure activities.

Digital Technology

Digital enhancements have played a large role in revamping traditional gaming formats for a Gen Z and Gen Y crowd. The opening of a 22,000 sq ft **Monopoly Lifesized** experience in a former Paperchase store on London's Tottenham Court Road provides a digitally immersive experience in which consumers buy property on a 15m x 15m board in against-the-clock style challenges. Licensee Hasbro has said live location-based experiences are a growth category for brands as diverse as Peppa Pig, Nerf, and Transformers.

Technology is playing a big role amongst adult-only concepts. **Flight Club's** pioneering of 'social darts' has transformed the classic game into a hip and energetic activity with dart tracking technology. Automatic scoring ensures games are fast paced allowing more time team-bonding. Players get to experience full immersion with 'Flight Club Stories' capturing action replays of the game which can be shared on social media. Not only does this prolong the experience and build social capital for consumers online, but it also provides an organic marketing tool raising wider awareness of the location, which could be beneficial to neighbouring retailers and F&B outlets. The brand is set to make its Scottish debut in 2022 at 280 George Street, Glasgow, as well as launching its first town-based site in Cheltenham.

The technology is certainly an effective draw but there remain question marks over the associated fit-out costs accompanying such heavily-tech enabled concepts, which may mandate higher capital contributions from landlords. However, given the scale of investment, landlords may be able to agree longer lease terms. Landlords must consider the longevity of highly digitised, often single activity offerings which could outdate quickly, compared with those offering more diversified, and perhaps longer-term and more sustainable leisure draws.

Escape Rooms

Witnessing seven years of exponential growth, escape rooms are perhaps the most successful competitive socialising format, having transitioned from the niche to the mainstream. The experience is now widely available, and with constant refresh of themed-timed puzzles – from space travel to jungle adventure – customer interest remains high. Operators can also leverage themes from popular TV shows and cult movies to cater to local tastes. For example, **Escape Live,** who are expanding to six sites with an 8,800 sq ft unit in Grosvenor's Liverpool One scheme, offer escapes based on the BBC series Peaky Blinders at its Birmingham venue.

With the basic premise being 'escaping' from a locked room by solving a series of puzzles, roll-out potential is higher than many other 'competitive socialising' formats, given site requirements are often modest. Operators can utilise oddly configured vacant spaces to easily improve a scheme's appeal, whilst at the same time generating healthy profit margins. With the element of mystery and challenge key, high entry prices can be commanded with even the most budget of fit-outs. Shopping centres able to trial the concept via pop-ups to gauge consumer appetite are now seeing a flight to quality with landlords seeking dependable operators who can ensure repeat visits through a high quality offering.

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Clue HQ has emerged as one of the biggest escape room operators with 18 locations. Its appeal lies in its ability to ensure variety – offering 68 different timed game designs in its blueprint franchising model. **Escape Hunt** is also seeing success through providing escape rooms rated 5*. It is now targeting 20 locations ahead of June 2022, having opened five new venues in 2020, with Lakeside and Milton Keynes opening later this year.

Final Thoughts

Despite a level of ongoing uncertainty in the post-pandemic landscape, constant evolution of the Leisure sector is guaranteed. However, with consumers' attention spans seemingly constantly shortening, not all concepts will endure. Some of today's new and emerging brands will undoubtedly fall by the wayside, while others will remain relevant and reinvent. And so continues the cycle of evolution.

RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

INTERVIEW WITH JUMP IN TRAMPOLINE PARKS

WORDS: GAVIN LUCAS, CEO & FOUNDER

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It's really about families having as much fun as possible doing indoor physical activity – "get off your screens and onto the trampolines".

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The first trampoline park in the UK opened in May 2014 and there are now around 180 across the country. For those unfamiliar with the concept of trampoline parks, can you explain what you offer and how it works?

The basic concept is to create a field of trampolines so that you can jump from one to the other across a large area, flying horizontally as well as vertically. To this we add trampoline walls to bounce off and pits of foam or stunt bags to land in, challenges to overcome, games to play and lighting and music so it's all done in a happy environment suitable for children and families.

It's really about families having as much fun as possible doing indoor physical activity – "get off your screens and onto the trampolines". As the product has progressed, many Trampoline Parks have evolved into multi-activity Adventure Parks or Family Entertainment Centres.

Can you talk us through the Jump In concept specifically and what differentiates you from your competition?

Like others, we have broadened the offering to include a wider range of active fun stuff – from soft play to climbing and drop slides to glow parties. Unlike other larger multi-site operators, we have maintained our concentration on our core market of young children (from toddlers to 13 year olds) and their parents/guardians. This means the brand, marketing, activities, environment, café offering, and site selection remain focused on this market. Others have tended to open up to older markets, introducing adult targeted activities or alcohol, which we feel would compromise the product suitability for our target market. As a consequence, we have tended to stay lighter, brighter and, crucially, safer than many competing parks.

As a business we have developed a superior platform model for operations management, with the central systems, team structures and processes which enable business-wide best practice, efficiency and scalability. This is key for our growth strategy.

How many sites do you currently have and are there more on the horizon?

We have 9 and counting – 6 Trampoline Parks and 3 Adventure Parks (these involve 3 or more separately ticketed activities including trampolines). Our 10th, another Adventure Park, will open pre-Christmas 2021 and another in the New Year. Beyond that, we are planning steady organic growth coupled with growth through acquisition. We have completed 4 acquisitions so far and with over 60% of the market taken up by 1-3 site operators, consolidation will accelerate over the next few years.

We have seen trampoline parks set up in a variety of locations – ex-warehouse units in industrial estates; vacant units in leisure parks; multi-storey, city centre buildings; retail warehouse units etc. What is important for you in picking a location? Do you think the concept works in all of these types of locations?

The concept has worked, and failed, in all of these types of locations. Whilst we look at all of these property types, this is not the primary driver of success. We have learned, sometimes painfully, that it is easy to get lured in by a seemingly excellent lease incentive package, or to head towards easy to obtain sites in areas with higher vacancy rates. Whilst these are certainly influential factors, it is much more important to start by understanding the drivers of market demand and then use this understanding to accurately predict the long term revenue in any given location. Up front incentives and building type are secondary to this.

What are your key criteria for a new site?

We have successful sites from 20k to 50k square feet in all sorts of shapes and layouts. The beauty of the broader offering is that we can bring in different activities to suit different spaces as long as they appeal to our target market. For the trampolines, you need at least some of the site to have a minimum clearance of 5.2m but this can be a minority of the square footage. We have a 100% record in achieving planning use changes so whilst use class "E" makes things easier, it is not essential. The site does need to have access to at least 75 parking spaces and have easy road access from large populations. Most important is sufficiency of forecast returns.

And what is the demographic of your customers and how do you feed this into the location planning process?

The most active "jumpers" are in the bracket from 3 to 13 year olds. After that it's the 35 to 45 year old bracket, which is the parents joining in. Whilst we have a lot of enthusiastic but low skilled dads, like myself, 30-50 year old females make 75% of all bookings.

These days we have seemingly very accurate (although always evolving) revenue prediction models based on a suite of area

demographics and actual financial data accumulated from over 40 parks over the last 7 years. This gives us the confidence to sign up to 10 or 15 year straight leases knowing we will earn good profits over the whole period.

With so many different types of locations, there must be large variations in rents being paid. How do you determine an affordable rent to pay?

Our revenue models generate a turnover forecast to which we apply lease deal property costs and our standard operating costs to generate a full P&L and cash flow forecast. We need to see a sub-3-year payback and a minimum EBITDA threshold, so if a proposed lease deal doesn't achieve this, we will negotiate or move on.

Do you think the current number of parks in the UK is sustainable? And the number of operators?

It is now. We had a big market shake out in 2018 when the market had grown to over-saturation and we had a record hot summer, so people chose to be outdoors more. During that extremely tough period we went from around 220 parks to a much more sustainable 180 and it's been stable since. Very few parks have disappeared through COVID and the majority of the parks that remain are good profitable sites, so I think the numbers will stay between 170 and 190 parks with a bit of churn.

The number of operators is a different matter. Whilst about 14% of parks operate under the brand of a single franchise group, the largest operating companies (of which we are one) each manage less than 7% of parks in the market. Over 60% of the market is made up of more than 80 different 1-3 site operators. For a strong, scalable platform, there is a great opportunity for growth through consolidation.

COVID has obviously played havoc with all Leisure markets over the past year. What have been your greatest challenges?

We've been lucky in having very reasonable and long-sighted stakeholders. Business profitability was high and growing going into COVID, so everyone saw the value in seeing the business through to the other side. We devised arrangements so that landlords, the bank and shareholders could see that the burden of supporting the business was being shared, and so all parties did their bit. Now we're seeing the rewards as the parks enjoy a release of pent-up demand, helping us fund further growth and investment.

Our bigger challenges have been coping with staff absences through isolation, and having to constantly change marketing and communications to customers in response to changes in policy.

And to what extent are you affected are you by more 'generic' challenges facing the Leisure sector, such as staff shortages and supply chain issues?

Staff shortages have been challenging but one of the strengths of a central platform model is that with full visibility and control over resourcing, we can quickly reallocate teams and supplies between sites. As a consequence, we haven't had to reduce planned opening hours at any parks.

The supply chain has certainly been less reliable and we've had to work harder to keep commodity and service prices down. Again, centralised procurement and supply planning has helped mitigate the impacts.

What is next for Jump In?

Our next park opens in Surrey at Christmas time and it will be our best yet...

Very few parks have disappeared through COVID and the majority of the parks that remain are good profitable sites, so I think the numbers will stay between 170 and 190 parks with a bit of churn.

"The most active "jumpers" are in the bracket from 3 to 13 year olds. After that it's the 35 to 45 year old bracket, which is the parents joining in. Whilst we have a lot of enthusiastic but low skilled dads, like myself, 30-50 year old females make 75% of all bookings. "

Gavin Lucas, CEO & Founder, Jump In

RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

FOCUS ON ESG IN THE LEISURE SECTOR

With ESG fast becoming a huge buzzword within the property industry, we take a look at how the Leisure sector is progressing the agenda as Environmental, Social, and Governance issues are increasingly pushed to the forefront for consumers, operators and investors.

WORDS: EMMA BARNSTABLE – RETAIL & LEISURE PROPERTY ANALYST

What is ESG?

ESG is an acronym referring to a set of Environmental, Social, and Governance criteria originally established by the investment community for the purposes of reviewing business behaviour, and judging its relationship to the wider community.

Awareness of the term has skyrocketed throughout the pandemic, with a growing realisation that businesses must build back better and build resilience against future global shocks emanating from social and environmental factors – whether that be another health crisis, or more embedded issues such as climate change.

The acronym has now become engrained in the awareness of property professionals, who acknowledge a growing global consciousness within the industry. Exploration of ESG has thus risen up the agenda, with a realisation also of potential value add opportunities it may bring. Leisure property is no exception to this.

A trendy new term – but actually nothing new

Although ESG within the Leisure sector may appear underdeveloped on the surface, many of the subjects encompassed may actually be considered bread and butter for the operators themselves, particularly those within the hospitality space. From ensuring fair and transparent supply chain standards, to equal gender pay and waste management – hospitality operators have been juggling their social, environmental and governance responsibilities for decades.

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From ensuring fair and transparent supply chain standards, to equal gender pay and waste management – hospitality operators have been juggling their social, environmental and governance responsibilities for decades.

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So what has changed? ESG issues have certainly mainstreamed within the wider psyche. A wider range of stakeholders are appreciating the interrelations which exist between people, place and planet, and are having open discussions on issues like mental health and wellbeing.

The E of ESG has made significant progress in this regard. Climate conservation has moved from kooky to cool – and no longer the domain exclusively of the activist. For example, the popularity of Netflix's 'Seaspiracy' – which documented impacts of the fishing industry - caused a diverse range of consumers to rethink diets and prompt restaurateurs to provide new offerings such as vegan fish burgers (By CHLOE) and vegan tuna pizza (Purezza). But with UK restaurants still responsible for carbon emissions larger than Costa Rica (according to the Sustainable Restaurant Association), operators must redouble their efforts now that much of the low hanging fruit has been picked. With growing grassroot consumer and top-down regulator pressures, Leisure operators must step up efforts to implement more systemic change to support transition to a lower carbon economy.

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The scale of major restaurant and pub operators mean that even the smallest decisions to improve the environmental and social impacts of their outlets can provide scope for substantial impact.

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Sustainable fit-outs

Ensuring a more sustainable fit-out is just one way landlords and operators can help achieve this. With fit-outs responsible for a significant proportion of a building's embodied and operational carbon emissions, and given the frequency of which refurbishment is required within the industry – either to accommodate new operators or refresh tired concepts – minimising the harmful impacts of installation will go a long way in creating change.

However, although ensuring sustainability of fit-out works is often a point of compliance, there are few established methods available to guide tenants in achieving their ESG goals.

RICS' 'SKA' rating is the first UK rating specifically tailored to measuring the sustainability of commercial fit-outs and provides a benchmarking tool to ensure best practice. By advising use of the most environmentally friendly methods and materials, the rating challenges operators to consider even the most minute of details. The benefits of using the rating are far reaching. Ensuring legal compliance; improving energy efficiency to enhance profitability; and even raising employee engagement through the creation of both high-quality and ethical space.

The rating also serves as an effective means to help landlords assess the quality of fit-out achieved by tenants in comparison to the wider industry. Which, in turn, they can showcase in the reporting of their portfolios to highlight their endeavours as a sustainable landlord.

Several Climate Action Playbooks and Fit-out Guides are now being produced by organisations to help Leisure operators manage their impact. The Sustainable Restaurant Association's Net Zero Pubs & Bars Action Playbook provides a plethora of suggestions from retaining original building features, to leasing restaurant furniture and digital apps such as 'Too Good to Go' to reduce food waste, while at the same time recouping costs and attracting new footfall.

CASE STUDIES: MAJOR HOSPITALITY BRANDS LEADING THE PACK

The scale of major restaurant and pub operators mean that even the smallest decisions to improve the environmental and social impacts of their outlets can provide scope for substantial impact. With respective portfolios of ca. 450 and 925 sites, we look at how Nando's and JD Wetherspoon are making waves in the ESG space.

Nando's

The fast-casual restaurant chain has made bold decisions to improve the impact of its entire 450 estate with the pursuit of its very own 'Green Fit Out Guide'. This has been informed by the purpose-built Cambridge Retail Park restaurant which has achieved the highest possible fit-out rating SKA Gold.

The restaurant has been constructed as a green technology testbed to inform the creation of the fit-out guide. Rather than rely on claims of manufacturers, the site captures data on what technologies work within its restaurant environment, such as heat extracting canopies over its kitchen grills, to gauge viability for wider rollout. This extends to the practicality of the technology, such as how easy it is for staff to clean and whether it interferes with the handling of saucepans.

With the aim of upgrading 50 restaurants per annum, the chain has a longer-term aim to disseminate learnings with the wider industry. Nando's efforts exemplify what every business should be looking to achieve: moving its pursuit of sustainability beyond a niche experiment.

J.D Wetherspoon

As a mainstay of many British high streets, JD Wetherspoon has played a significant role in rescuing some of the country's most historic buildings. From former banks to bingo halls, many buildings have been given a new lease of life through sympathetic conversion to a pub format, with an almost museum like display of local history.

Collaboration across the industry will be essential in achieving this. The Zero Carbon Forum is one such initiative paving the way for the industry to move towards its targets faster and more cost effectively than operators working alone.

Given these buildings often lie vacant for significant periods of time and often comprise odd configurations across large floorplates, the viability of many as modern alternative uses is limited. The Campaign for Real Ale Pub heritage group (CAMRA) has recognised the pub chain as a 'saviour of many fine historic buildings' in conjunction with Historic England. To date, 29 sites have been recognised for 'Outstanding Conversion and Restoration' recognising the quality of conversion and efforts to retain their rich local social history. The award also establishes a standard by which future conversions should be judged. The list of pubs includes Exeter's The Imperial – a grade II listed mansion, complete with orangery and originally designed to replicate Buckingham Palace.

Regulation remains the key driver but collaboration is key

With the UK government committed to net zero by 2050, its roadmap toward compulsory sharing of climate-related information under the Task Force on Climate Related Financial Disclosures ('TCFD') means that Leisure operators must work to improve the disclosure of their ESG credentials.

Collaboration across the industry will be essential in achieving this. The Zero Carbon Forum is one such initiative paving the way for the industry to move towards its targets faster and more cost effectively than operators working alone. This year, it teamed up with 21 hospitality operators (including the likes of KFC, Greene King, Marston's, Azzurri Group, Mitchell & Butlers) and several major trade associations, such as UK Hospitality and the British Beer & Pub Association. Given the preoccupation with more immediate threats to operations in the last 18 months (not least, the battle for survival), and the high costs of pursuing ambitious ESG initiatives, the opportunity to share risk and reward is as welcome as it is prudent.

Practicing Partnership: The Crown Estate and Sustainable Restaurant Association

As major stakeholders, landlords will play a significant role in smoothing the journey to net zero for Leisure operators. The Crown Estate has demonstrated its ability to fully support the ESG ambitions of its tenants through the provision of a comprehensive Sustainable Fit-Out Guide, specifically for Leisure and Retail occupiers. Suggesting best-practice relating to materials, waste, water and operational carbon, its recommendations dovetail with both SKA and BREEAM ratings.

More recently, it has been targeting food waste of restaurant tenants through a comprehensive audit, inspired by the United Nations Sustainable Development Goal 12. In 2019/20 it took this one step further with the Regent Street & St James Food Waste pledge in partnership with the Sustainable Restaurant Association to drive a 25% reduction by May 2020. Not only has the commitment provided tenants with a competitive edge through its appeal to increasingly eco-minded diners (it being the first of its kind in the UK), it has also generated cost savings of up to £6,000 a year.

As major stakeholders, landlords will play a significant role in smoothing the journey to net zero for Leisure operators.

KEY TAKEAWAYS

ESG is becoming a hot topic in the property sector but many Leisure operators, particularly those in hospitality, have been tackling ESG related issues for years.

Given the 2015 Paris Agreement is likely to be breached in the next two decades, increased regulatory pressure is inevitable and Leisure sector must play its part.

Enhancing sustainability of interior fit-outs will contribute significantly, given that frequency of refurbishments is higher than many other property sectors.

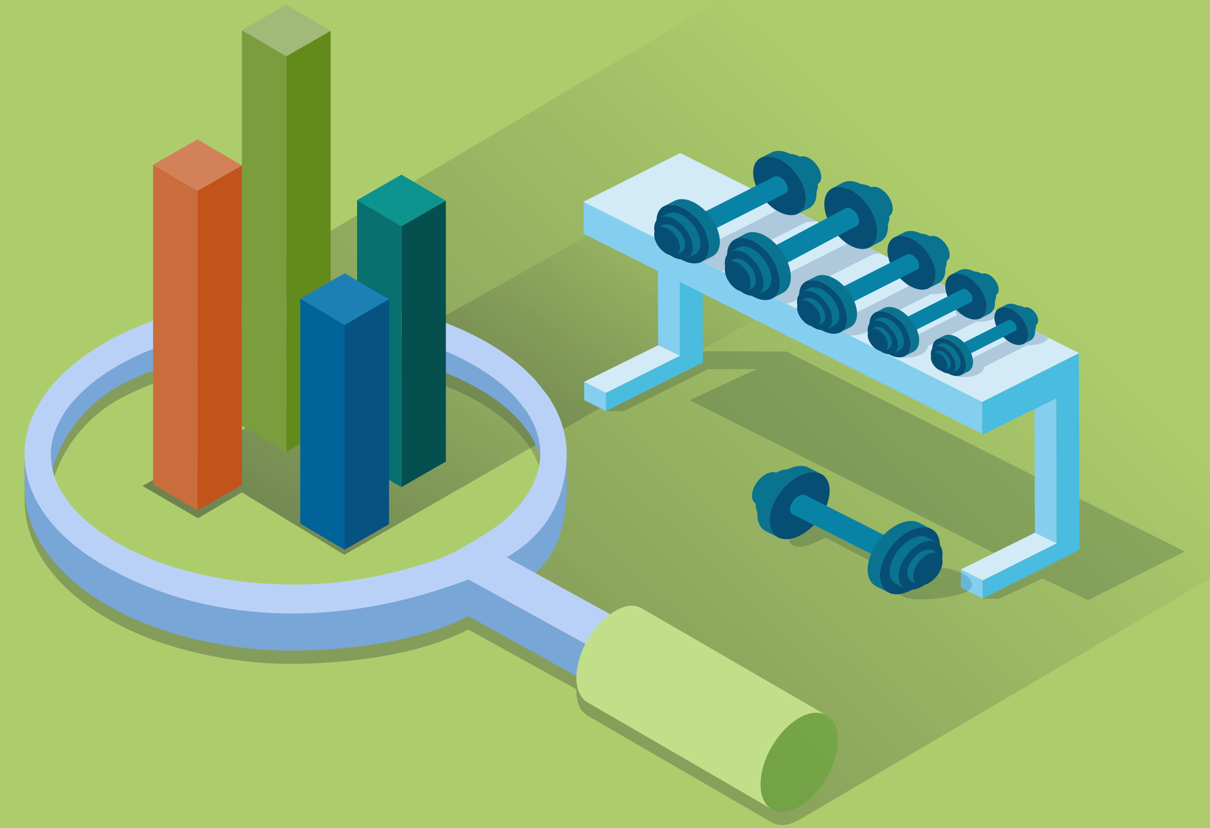
Regulation will remain a key driver but voluntary initiatives, in conjunction with industry collaboration, will undoubtedly accelerate the pace of change.

RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

INTERVIEW WITH LEGAL & GENERAL INVESTMENT MANAGEMENT

WORDS: MATTHEW SOFFAIR, RESEARCH MANAGER,
AND ANDREW FERGUSON, FUND MANAGER

One of the key attractions of the sector has been the attractive income it provides for investors. Occupiers typically take long leases with built-in growth via indexation or fixed uplifts, providing a long-term, growing income stream for investors.



What is L&G's current exposure to the Leisure market?

LGIM Real Assets are one of the largest owners of Leisure property across the UK, with our combined assets valued at over £1 billion. Our assets include over 30 Leisure park schemes, alongside a selection of hotels and pubs. We manage the only specialist Leisure Fund in the UK, managed by Andrew, which was launched in 2002 and actively manages a number of prime Leisure schemes around the UK.

Leisure is not every investors' cup of tea. What is it about Leisure that you see as being particularly attractive?

One of the key attractions of the sector has been the attractive income it provides for investors. Occupiers typically take long leases with built-in growth via indexation or fixed uplifts, providing a long-term, growing income stream for investors. While covenants have naturally been hit by COVID-19, covenants in the industry have consistently improved over the past twenty years as the market has matured, providing greater income resilience.

The second factor which is critical is the shift in consumer behaviour that we've seen over the past 20 years. Consumers are increasingly prioritising experiences over products and Leisure has become ingrained in consumers' day-to-day lives. Consumers are always looking for new experiences and this in turn has helped to breed a dynamic and diverse occupier base, constantly delivering new concepts. The breadth of the occupier base really shouldn't be overstated – our Leisure schemes can comprise anything from the usual suspects of cinemas, bowling, gyms, and restaurants to adventure golf, e-karting or e-gaming centres. This provides great optionality for owners in being able to curate a relevant occupier mix that appeals to the local catchment, and in turn has been instrumental in keeping vacancy levels low.

The final point that is crucial is the relationship we have with our occupiers. We have truly transparent and collaborative relationships with our occupiers, which makes it so much easier for us to work with them to create places they want to operate in and work together to deliver amazing experiences for our customers.

Leisure has often been lumped in with Retail as an investment class, for better or worse. How do you see it differently?

The single biggest difference between the sectors is that Leisure operators fundamentally do not have a business without consumer-facing, bricks and mortar sites. This is why the sector's greatest strength, a reliance on in-person experiences, was such a challenge during COVID.

Retail is now structurally different. These days all a start-up retailer needs is a website and a warehouse. There is still a place for stores, but they are no longer critical to many retailers' business models.

This in turn is why we've seen a real bounceback in occupational demand for Leisure post (and during!) lockdown. There is pent up demand for Leisure and a lot of hungry, relevant businesses looking to capitalise and take space.

And what would you say to investors who can't see beyond Leisure being "too difficult to understand"?

It's worth getting to know! If you take the MSCI Annual Index prior to COVID, Leisure has consistently outperformed All Property sectors across 3, 5 and 10-year time horizons. If we take the 2015-2019 period, Leisure returned 7.5% p/a versus All Property at 6.4% and Retail at 1.6%. Clearly COVID has been challenging, but we expect outperformance for the sector over the coming five years.

In terms of managing investments in the sector, there are two key things that stand out in terms of understanding. Firstly, understanding what consumers want and curating the right occupier mix and environment for them. Secondly, understanding the needs of our occupiers – every restaurant or cinema is different and will trade at different levels, and understanding their business model and likely trading levels is key to setting rents that are affordable and sustainable.

COVID-19 has obviously wreaked havoc on the Leisure sector over the past 18 months and one legacy is significant rent arrears. How have you managed the rent collection process from Leisure operators during the pandemic?

The challenge for us was managing both the needs of our own cash flow to keep our sites operational whilst working closely with operators to ensure their survival. Our focus was ensuring we offered assistance to those most in need, be it through asset management initiatives, rent forbearance, lease extensions etc. whilst also maximising things like service charge collections. The latter was a great example of collaboration between our occupiers and ourselves. We were really happy with the service charge collection levels we managed throughout COVID – our occupiers understood how important it was for us to keep these sites operational and clearly wanted fit for purpose schemes when they reopened, so it really proved the value of working together in a transparent and supportive manner.

Ultimately our approach has been tailored tenant-by-tenant and sub-sector by sub-sector. We felt that was the right approach as clearly certain operators, such as restaurants, could trade in some capacity via delivery, whereas cinemas essentially couldn't therefore had an even tougher time.

What are the merits generally of close collaboration between landlords and Leisure tenants?

The above is a great example – good relationships come to the fore during a crisis. But more generally, close collaboration allows us to understand our occupiers' needs from both a property and business perspective and it also allows us to gather data and ensure our schemes remain affordable. Ultimately these good relationships pay dividends, as this often translates into repeat business across our schemes.

The Leisure occupier base is characterised by a whole host of exciting, innovative brands and players. But because they are less mature, there are often question marks over their covenant strength. What's your view on this?

The market has matured hugely since the '90s and covenants have improved in tandem, albeit COVID has naturally involved a step backwards. The key is always getting the right blend of occupiers and focusing on what our consumer wants. More often than not this involves a balance of relevant anchor occupiers with stronger covenants supported by a more fluid selection of up and coming brands with potentially weaker covenants, who ultimately could be your anchor of tomorrow. The overall mix should be one that appeals to a variety of audiences within your catchment and it's crucial to give new blood the opportunity to thrive. Prioritise covenants over the consumer at your peril!

What is your view on potential structural change within the cinema market, with the well-documented rise in streaming services such as Netflix during the pandemic?

We think the cinemas or streaming debate is ultimately the wrong question. One business model focuses on out of home experiences, the other on in-home entertainment. Both business models are relevant and can grow without directly cannibalising one another. Cinemas have been faced with 'disruption' from new in-home entertainment options on multiple occasions (be it Blockbuster, VHS, DVD or Blu-ray), but ultimately the escapism and superior viewing experience offered by cinemas has always come through – let's not forget that 2018 was the strongest year for UK cinema admissions since the 1970s and Netflix etc. were well established by then.

The market has matured hugely since the '90s and covenants have improved in tandem, albeit COVID has naturally involved a step backwards.

The biggest consequence of the pandemic is likely to be an acceleration of the shortening of the theatrical window, which has been happening more gradually for the past couple of decades anyway. Ultimately we expect that the biggest blockbusters will continue be released in cinemas, as it's the best way for studios to monetise their content, and that's why we've seen so many films postponed over the past 18 months.

And do you see the rise of home delivery / takeaway to be disruptive longer-term to the F&B market?

Generally, we see delivery as being supportive for restaurants' revenue models. Many restaurants now are hybrid, offering both delivery and dine-in and a number of our operators are seeing revenues materially higher than pre-COVID levels as a result. Again, it's important not to oversimplify and assume that more delivery means less eating out; that's not what many restaurants are seeing, and delivery is just as likely to impact businesses like supermarkets or existing take-away incumbents. Clearly, there may be certain local markets which are over-supplied with restaurants that could face some disruption, but one thing COVID has done is taken restaurant numbers back to levels seen in the mid-noughties, providing greater scope for like-for-like growth for the market as a whole.

As the dust starts to settle and we move on from the pandemic, what opportunities do you see unfolding in the Leisure market?

We expect, and are already seeing, a real rebound in consumer demand for the sector. From an occupier perspective, expect to see a raft of new Leisure operators opening with great new concepts and expect some of the survivors to benefit from closures in the sector and really grow their sales and estates. We think this occupational demand will deliver growth in both rents and capital values, but as ever the challenge for owners should be ensuring that rents are kept affordable.

From an investors' perspective, there may well be some owners of Leisure that are deterred because of COVID and will look to sell, providing buying opportunities. We would also expect development to remain limited, so this should also result in more

"The breadth of the occupier base really shouldn't be overstated – our Leisure schemes can comprise anything from the usual suspects of cinemas, bowling, gyms, and restaurants to adventure golf, e-karting or e-gaming centres. "

- Matthew Soffair, Research Manager, LGIM

INVESTMENT CASE– 6 TAKEAWAYS

Post COVID, property investment markets will polarize – those previously deemed "too difficult to understand" (c.f. Leisure) will increasingly come into play.

Simply lumping Leisure with Retail (or worse, seeing it as a poor relation) does not do justice to Leisure's own investment criteria and distinct USPs.

The investment case for Leisure is based upon a combination of strong fundamentals (long institutional leases, often with index-linked rents, high income returns) and 'softer' intrinsic qualities.

Freshness, innovation, constant evolution, a steady throughput of new brands and concepts are the hallmarks of Leisure – all attributes that are in high demand in any in-town or out-of-town destination.

In F&B especially, online still represents a growth channel and opportunity – and one that will drive incremental sales growth, without the perceived disruption that Retail is perceived to have suffered.

Yields for Prime Leisure Parks have moved out to ca. 7.00%. This easing of price has inevitably opened up potential counter-cyclical buying opportunities, for the right stock.

LEISURE INVESTMENT – EMERGING FROM RETAIL'S SHADOW?

Leisure has historically been inextricably linked to Retail, at best its cohort, at worst its poor relation. Why this bond may ultimately be loosening and what Leisure has to gain by achieving independent recognition and establishing a separate investment identity.

WORDS: STEPHEN SPRINGHAM – HEAD OF RETAIL & LEISURE RESEARCH

There has always been ambiguity about Leisure as an investment asset class. Officially it has been classified amongst the highly mixed bag of "Specialist Sectors", which tend to only graduate from being "too complicated to understand" when they become something of a gold rush c.f. healthcare, student accommodation, life sciences. To date, this has not happened with Leisure, which has always maintained an association with Retail. Rightly or wrongly, for better or for worse, it is a bond that has often done Leisure few favours. But in a post COVID world, does Leisure still deserve to be tarred with the same brush as Retail? And what sets it apart from an investment perspective?

Retail parallels – still relevant or redundant?

To state the obvious: COVID-19 has hardly been conducive to property investment markets. Highly susceptible to government restrictions, Retail has suffered more than most other real estate asset classes. That said, significant investment trends did emerge in 2020 and have since gained considerable momentum.

Retail investment markets have polarised hugely since the onset of COVID. In essence, there has been a broad dividing line between those sub-sectors deemed "essential" and exempt from lockdown (though still subject to debilitating social-distancing measures) and those classified as "non-essential" and therefore subject to enforced closure over the three respective periods of lockdown. In broad terms, this has favoured foodstores and some aspects of retail warehousing, but weighed heavily on the high street and shopping centres.

If anything, COVID-19 reinforced the ongoing resilience of foodstores. In fact, it is ironic that it took a global pandemic to prove the investment case to many investors who were previously sceptical. Despite COVID-19, foodstore investment volumes totalled £1.8bn in 2020, above the 10 year average of £1.54bn and the highest annual figure since 2013. If anything, investor demand has intensified further in 2021 and pricing has become keener – yields moved in by ca. 50bps in the first half of the year to 3.50%. But a select few foodstore deals, particularly in Greater London with a re-development / re-purposing angle, have since closed around (even sub) the 3.00% mark.

An equally positive, albeit slightly more nuanced, story on the retail warehousing side. Some aspects of retail warehousing (e.g. value operators, health & beauty) were designated as "essential" from the outset; others (e.g. DIY, garden centres) benefitted from subsequent reclassification to "essential" status and were thus able to operate on an uninterrupted basis from the second half of last year. Others (e.g. furniture, carpets, electricals, fashion) were classified as "non-essential" throughout.

Investor demand for retail warehousing has aligned accordingly. Volumes in 2020 were fairly muted at £1.73bn, just below the figure

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Leisure has considerably out-performed virtually every other mainstream property asset class, delivering an annual average total return of +11.2%.

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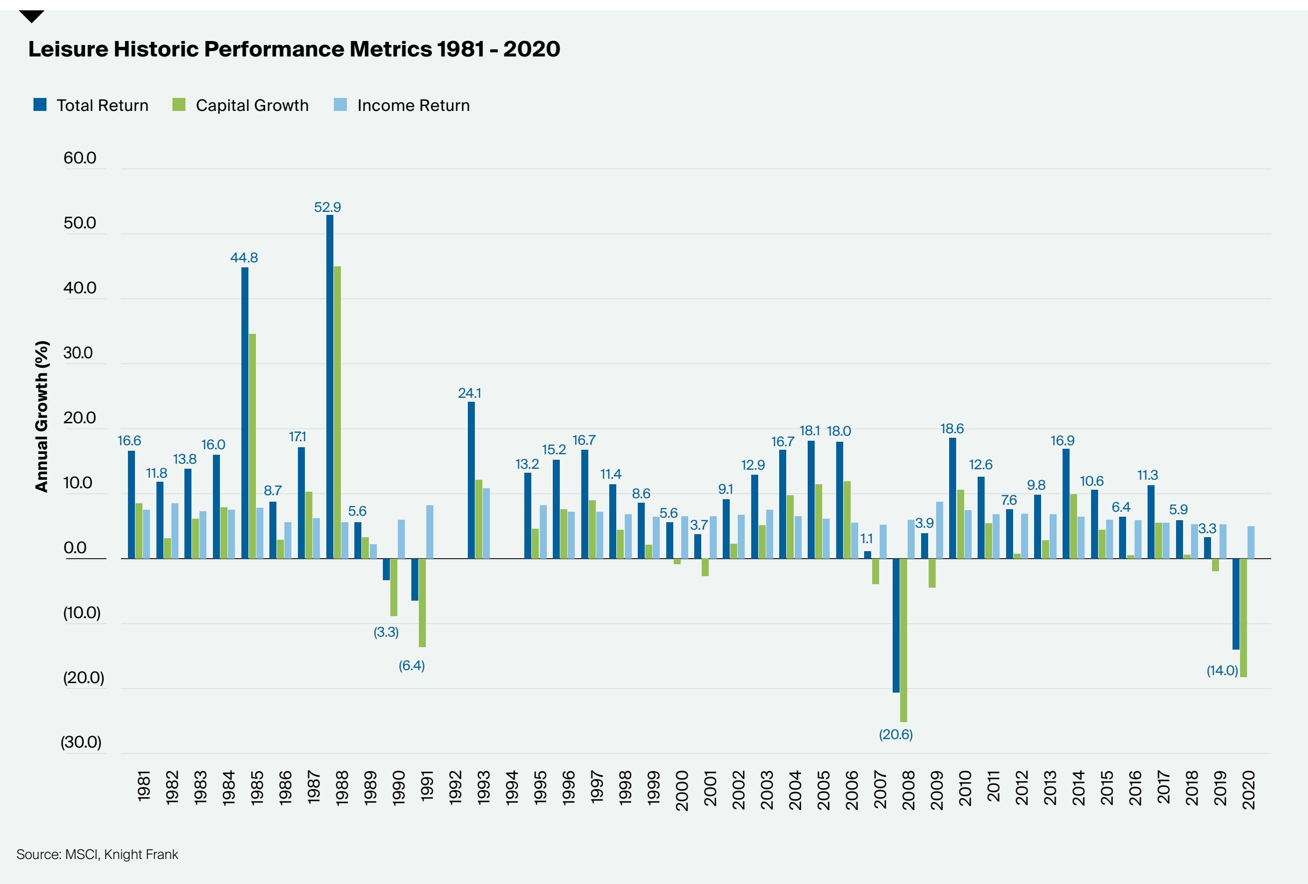
for 2019 (£1.76bn) but well below historic 10 year annual averages (£2.56bn). But the market has since rallied considerably, with volumes comfortably surpassing the £1bn mark in H1 2021 alone. There has been a resurgence in demand for re-based, discount-led / bulky retail parks and solus units, with far less appetite for "non-essential" retail dominated fashion parks. Prime yields for retail warehousing have already hardened by ca. 75bps in 2021YTD and were around 5.75% at the end of H1 2021.

A less positive picture in-town. In Shopping Centres, pricing for relevant schemes (prime 'experiential' and local convenience) is starting to stabilise. On other schemes, valuation write-downs continue to open the door for re-purposers. High street volumes of £0.54bn in 2020 were less than half the 10 year historic average of £1.23bn, but there was some degree of recovery in H1 2021 (£0.43bn). Demand for high street units remains patchy, but it definitely strongest for assets let to secure tenants who, above all, are rent-paying.

Where does Leisure sit relative to this status quo of its Retail bedfellows? If applying traditional investment criteria, the honest answer is "not well", possibly even at the bottom of the pyramid.

The Leisure market was at the very sharpest end of government restrictions, more cruelly impacted even than "non-essential" retail. Leisure was subject to longer periods of lockdown than the rest of the high street and also bore the brunt of more stringent social-distancing measures. Investors, certainly those with a short-term view, are unlikely to favour a sector that has effectively been closed for business for the best part of a year.

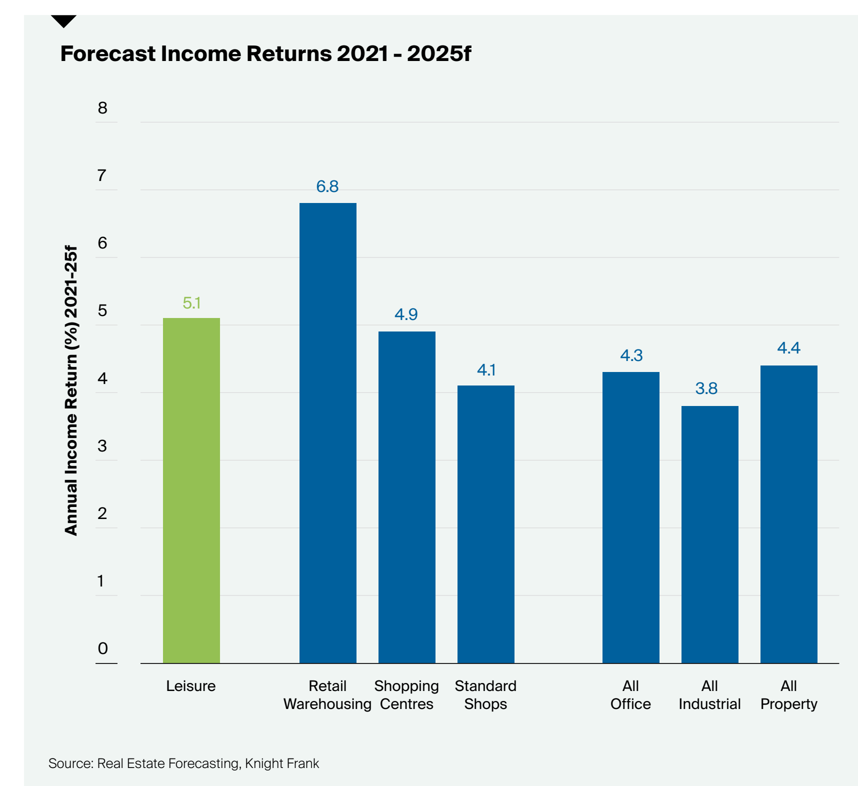


Source: MSCI, Knight Frank

Leisure Property Market Performance vs Retail and All Property

	LEISURE	ALL RETAIL	ALL PROPERTY
TOTAL RETURN (%)			
2020	-14.0	-14.2	-2.4
5 Year Annualised	2.2	-3.3	3.3
10 Year Annualised	6.7	2.4	6.9
Since Inception (1981) Annualised	11.2	8.0	8.6
CAPITAL GROWTH (%)			
2020	-18.2	-18.5	-6.5
5 Year Annualised	-3.1	-7.9	-1.2
10 Year Annualised	0.7	-2.7	1.8
Since Inception (1981) Annualised	4.3	2.1	2.4
RENTAL VALUE GROWTH (%)			
2020	-6.9	-10.1	-3.2
5 Year Annualised	-0.8	-3.3	0.1
10 Year Annualised	-0.1	-1.4	1.0
Since Inception (1981) Annualised	4.2	3.2	2.8

Source: MSCI, Knight Frank



Source: Real Estate Forecasting, Knight Frank

Nor does Leisure readily tick the "rent-paying" tenants box. Few hospitality or leisure operators paid any rent from March 2020 when the pandemic initially struck. 18 months on, some still have not resumed payment, despite having a few months' trading under their belt. The ticking time bomb of rent arrears – estimated at £6.4bn – hangs as heavily over the Leisure sector as it does its Retail counterpart.

Taken at face value, the investment case for Leisure may not be strong if historic metrics and perceptions are applied. But if there are any positives to emerge from COVID-19, one is that investment models and processes are likely to change, by default as much as by design. Blanket assumptions will give way to more informed, forensic, asset-based appraisals. Perceptions on risk will also be re-evaluated. From this new mindset, a more compelling case for Leisure investment should emerge, certainly for those assets that warrant it.

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Investors, certainly those with a short-term view, are unlikely to favour a sector that has effectively been closed for business for the best part of a year.

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Leisure: performance and pricing

The diversity and breadth of the Leisure market is both its major selling point and also its Achilles heel, particularly in terms of transparency. The parameters as to which sub-sectors the Leisure market includes are very blurred, making any related metrics highly ambiguous. For example, the inclusion or exclusion of hotels (and pubs, to a slightly lesser degree) can substantially distort the numbers one way or another.

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Over the longest available timeframe (since the inception of the IPD index in 1981), Leisure has considerably out-performed virtually every other mainstream property asset class, delivering an annual average total return of +11.2%.

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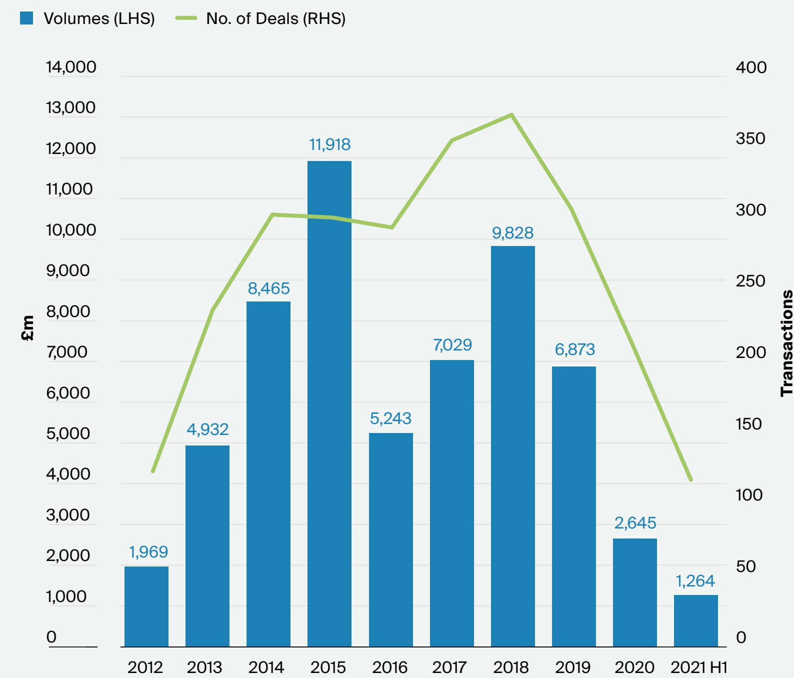
For this reason, it is notoriously difficult to gauge Leisure property market performance. MSCI (formerly IPD) do have figures for Leisure, although these refer wholly to Leisure Parks. Although "pure" Leisure assets, they are not necessarily reflective of the whole Leisure market. In simple terms, Leisure Parks operate in splendid isolation from the high street. In contrast, large portions of the Leisure market operate as part of an integrated whole, either as part of a high street or a shopping centre. Anything but splendid isolation. And data MSCI collates on these Leisure assets is likely to be rolled up as Unit Shops or under Shopping Centres and cannot therefore be disentangled for separate analysis.

MSCI's figures for Leisure Park performance in 2020 understandably make for sobering reading. Total returns were -14.0% on the back of a -18.2% decline in capital values (income returns were +5.0%). Rents were down -6.0%. With the exception of income returns, these figures compare unfavourably with All Property metrics (total return -2.4%, capital value growth -6.5%, rental growth -3.2%). But, of course, All Property figures were skewed by a stellar performance from Industrial.

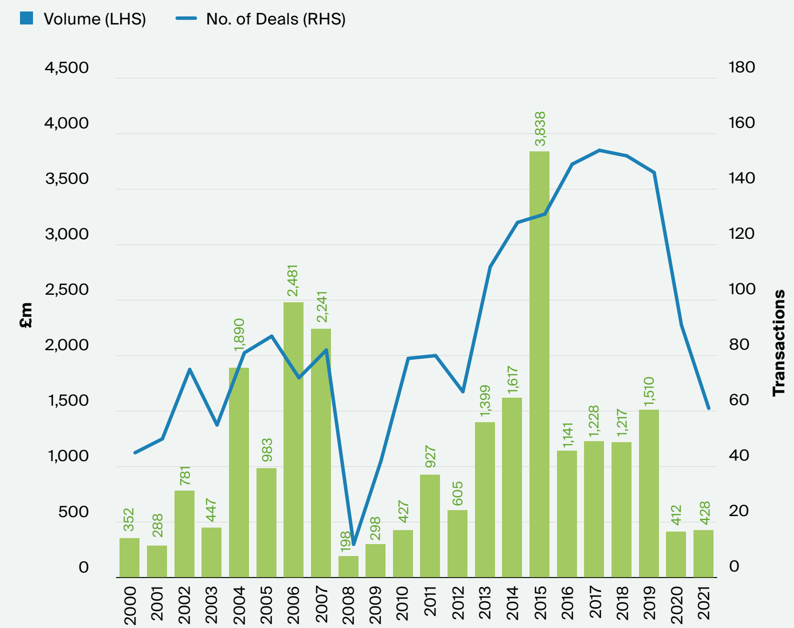
Leisure Investment Volumes and Deals 2012 – 2021YTD (inc Hotels and Mixed-Use)



NB Data includes all Leisure uses (including Hotels) and select Mixed-Use with a significant Leisure element

Source: Property Data, Knight Frank

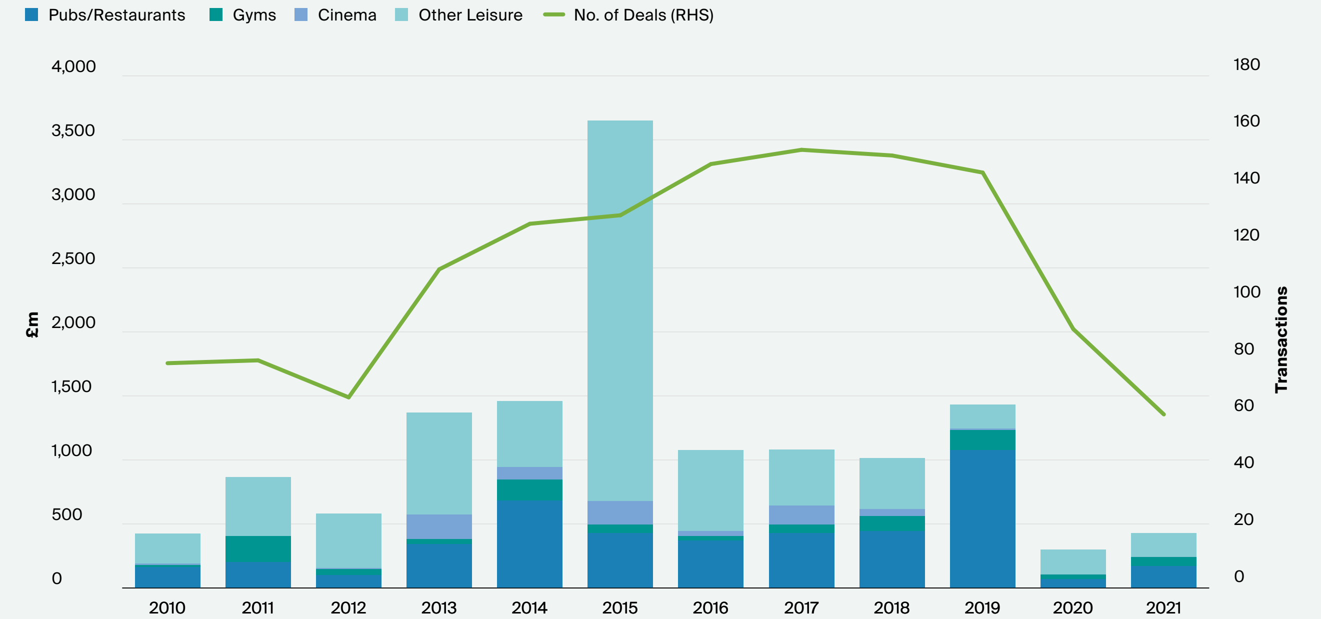
Leisure Investment Volumes Deals 2000 – 2021YTD (Exc Hotels)



Source: Property Data, Knight Frank

RETAIL NEWSLETTER – LEISURE: RESPONDING TO AN EXPERIENTIAL CRISIS

Leisure Investment Volumes and Deals 2010 – 2021YTD (exc Hotels) - by Sector



Source: Property Data, Knight Frank

SELECTED KEY INVESTMENT DEALS (>£20M) 2020 - 2021 YTD (EXC HOTELS)

TOWN	STREET / PROPERTY	SECTOR	PRICE (£M)	YIELD (%)	DATE	PURCHASER	VENDOR
LONDON SW1	Nova Estate	LE.OF	430.6	4.62	Oct-20	Suntec REIT (Singapore)	CPPIB
WOKING	McLaren, Chertsey Road	LE.OF	170.0		Apr-21	Global Net Lease Inc	McLaren Group
PORTFOLIO	Project Winding Lake	LE	100.0		Jul-21	Undisclosed	Aprirose REI
LONDON WC2	Wellington St / Exeter St	LE.OF.RE	76.5		Sep-20	APG (Netherlands)	Capital & Counties Plc
PORTFOLIO	Buzz Bingo Portfolio	LE	74.0	13.26	Jun-21	Zetland Capital Partners	M&G Real Estate
LONDON SW1	Waterloo Place, 7-10	LE.OF	71.0	4.06	Feb-20	Cara Real Estate GmbH	Barings Real Estate
NORTHWOOD	Ducks Hill Road	LE	50.6	4.28	Apr-21	Centrica Investment Fund	British Land Plc
SHEFFIELD	The Moor	LE.OF.RE	41.0	9.1	Feb-21	NewRiver REIT Plc	Aberdeen Standard Invest
LONDON WC1	Soho Place, 2 & 4	LE.OF	40.5		Jul-20	Sir Lloyd Dorfman	Derwent London Plc
PORTFOLIO	Costa Coffee / Industrial	IN.LE	36.0	5.25	May-21	LXi REIT Plc	Undisclosed
LONDON SW1	Victoria Street, 61-71	LE.OF.RE	31.0		Nov-20	European investor	Aberdeen Standard Invest
LONDON W1	Dean Street, 91	LE	31.0		Jul-20	UK property company	SoHostel
LONDON W4	Chiswick High Rd, 408-430	LE.RE.OT	30.0		Sep-20	Great Marlborough Estates	Lendlease Group
BIRMINGHAM	Broad Street, 184	LE	25.1	9.5	Jun-21	AEW UK Core Property Fund	Administrator
LONDON W1	Dean Street, 36-38	LE.OF	22.1		Dec-20	Private UK investor	Soho Estates
LONDON W1	Old Park lane, 148-150	LE	22.0	3	Jun-21	Hard Rock Café	Amsprop Ltd
BIRMINGHAM	New Street, 135a	LE.OF.RE	21.0		Apr-21	Private investor	M&G Real Estate
LEEDS	Yorkshire House / The Hub	LE.OF	20.5	4.99	Mar-20	Castleforge Partners	FORE Partnership
LONDON W5	Sandringham Mews	LE.RE	20.0		Aug-21	Major private equity firm	Private family trust

NB Excludes purely Hotel-led deals, but may include Mixed Use with a Leisure element   Source: Property Data, Knight Frank

But Leisure did marginally out-perform All Retail last year (total return -14.2%, capital value growth -18.5%, rental growth -10.1%). Also, over the longest available timeframe (since the inception of the IPD index in 1981), Leisure has considerably out-performed virtually every other mainstream property asset class, delivering an annual average total return of +11.2% (All Property +8.6%, All Retail +8.0%), capital value growth of +4.3% (All Property +2.4%, All Retail +2.1%) and rental growth of +4.2% (All Property +2.8%, All Retail +3.2%).

Similar caveats on investment transactions data, which typically include hotels, pubs and some mixed-use schemes, of which Leisure is just one element. Figures from Property Data show that total Leisure volumes totalled £2,645m in 2020, across 214 transactions. This was around -62% down on historic annual averages of ca. £7bn. Hotels typically account for ca. 60-80% of total Leisure volumes in any given year and 2020 adhered to this trend (71%). Stripping out Hotels, other Leisure volumes were just £428m in 2020 across 61 deals. The irony was that despite COVID, non-Hotel Leisure volumes were actually 4% higher in 2020 than they were the previous year (£412m), although significantly below 10 year averages of ca. £1.3bn.

Yields for Prime Leisure Parks are currently around 7.00% (with Good Secondary Leisure Parks at 8.00%+ and Secondary / Tertiary Leisure Parks at 10.00%+). Prime yields have moved out by +175bps since March 2020 and by +225bps since their 4.75% peak in early 2018. As with Retail, this easing of price has inevitably opened up potential counter-cyclical buying opportunities, for the right stock.

Leisure: the independent investment case

As the effects of COVID-19 subside, investment markets are likely to polarise. For many investors, predictability of income will always be king. Hence, ongoing huge demand for Logistics and renewed interest in foodstores and solus retail warehousing assets. For these investors, Leisure still sits stubbornly in "the too complicated to understand" box.

The more savvy investor will increasingly recognise the limitations of merely lumping Leisure and Retail together. Although they often sit side-by-side as multi-let assets, the investment criteria are not necessarily the same. True, there are common denominators in the 'Structural Failings' of both the Retail and Leisure markets - the difference is that these tend to be deeper-seated in the former than the latter and will take far longer to resolve. Leisure is a far less mature market than Retail and issues such as over-supply (in some markets) and unsustainable rents are less pronounced and therefore more easily rectified.

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The investment mindset need not be binary. Surely the savviest investor of all can invest in both the best and most sustainable *Retail and Leisure* assets.

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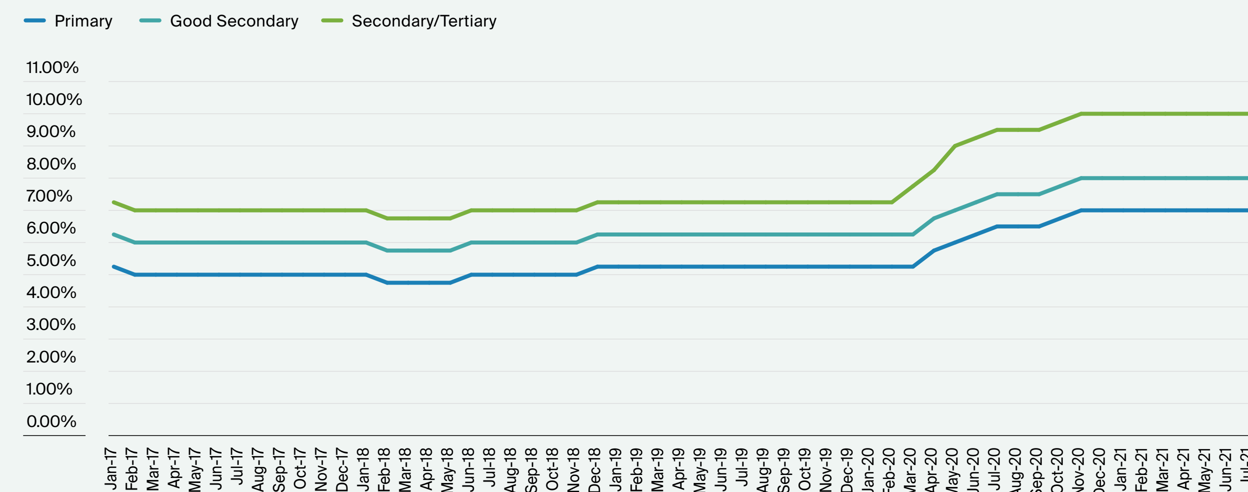

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Leisure is a dynamic and constantly evolving sector, with a steady throughput of exciting new brands and concepts. With both in-town and out-of-town destinations crying out for newness, freshness and constant evolution, Leisure has the occupier base to supply it.

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Online is perceived to be a less of threat to the Leisure market. While the likes of Deliveroo, Just Eat and Uber Eats have surged in popularity over the course of the pandemic, this is seen as a growth opportunity for the Hospitality sector rather than a source of disruption or destabilisation. The key difference is that the delivery market is largely serviced from an existing restaurant site, so any online sales are viewed as incremental. The huge irony being that this is often the case in Retail too, particularly in online grocery, but negative perceptions of "online killing the high street" are not easily shaken. In property investment decisions, perceptions may be wrong, but at the same time, perception is everything.

"Experiential" is a vastly over-used buzzword in Retail. Vacuous as it may be as word, it is still a box that needs to be ticked for many investors. Leisure, by its very definition, is "experiential" and it is little surprise that an increasing number of shopping centres are turning to Leisure uses as part of wider re-positioning strategies. Leisure is a dynamic and constantly evolving sector, with a steady throughput of exciting new brands and concepts. With both in-town and out-of-town destinations crying out for newness, freshness and constant evolution, Leisure has the occupier base to supply it.

On the more fundamental side, the Leisure sector continues to offer long institutional leases, often with fixed rental increases and / or index-linked rents. And recent easing of yields has inevitably left some of the better stock mispriced and as such, a counter-cyclical buying opportunity. That ship may have already sailed in Foodstores and Retail Warehousing, but not yet in Leisure.

The case for Leisure investment markets to be appraised independently from their Retail counterparts is a strong one. Independent assessment does not mean operational divorce – on the contrary, Retail and Leisure will continue to operate as allies rather than adversaries in our town centres and retail parks. Over the course of the pandemic, retail destinations only returned to anything like full footfall when Hospitality and Leisure opened up some weeks after "non-essential" retail. No doubt this is also reciprocated, with Leisure also leveraging considerable trade off Retail footfall.

A case for independent investment appraisal maybe, but still with huge mutual synergy with Retail. But the investment mindset need not be binary. Surely the savviest investor of all can invest in both the best and most sustainable Retail and Leisure assets, judging both on their relative strengths and merits?

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