
TOTAL TURNOVER SOLUTIONS MEDIA RELEASE 11.9.20

Data ‘black hole’ may frustrate retail turnover lease revolution

The majority of UK retail landlords are ill-equipped to respond to increasing demands from occupiers for turnover-based leases.

A survey by Total Turnover Solutions (TTS) indicates that the majority of retail property owners have not been collecting key revenue data in a structured way and are inexperienced when it comes to its analysis and application.

TTS is a new asset management consultancy created by specialist outlet centre asset manager, Realm, and Eccleston Capital which aims to facilitate the implementation of ‘revenue-responsive’ leasing more widely across the UK retail property sector.

TTS Director, Colin Brooks, comments: “A complete change in the asset management methodology needs to take place if the envisaged turnover-based revolution is going to happen. We’re aiming to work with landlords and investors who want to implement a revenue-responsive approach that meets the requirements of occupiers - and also creates assets with sustainable value.

“We’re seeing a rapidly growing number of landlords introduce turnover-orientated leasing models, but this is a very difficult strategy to implement unless you can collect the right data and know how to use it. Without that, a turnover-orientated strategy is just heading into a black hole”.

A survey of 50 leading UK retail landlords, investors and financiers showed that 89% expect that the use of turnover leases will increase during the next two years. However, most of those surveyed (61%) are using turnover-orientated leases for less than a quarter of their assets.

The research shows that - of those landlords who monitor turnover - 75% collect data on a monthly or quarterly basis. The TTS data platform enables daily analysis and integrates this with other metrics such as footfall, sales density and the impact of events and marketing initiatives.

Brooks comments: “Looking at a monthly or quarterly turnover figure from one of your occupiers doesn’t tell you much in isolation.

“It’s only when you also know what happened last week, last month or last year that it gets interesting. But even then you have to understand the differences between retailers and what their respective ‘effort rates’ are in terms of being profitable in a particular store or retail environment. Data collection without interpretation is pretty futile.

“You need a data platform which is comprehensive, verifiable and also can factor in other variables such as the impact of events and marketing initiatives. When you’re trying to convince occupiers of the value to their bottom line of this type of initiative, you can’t leave it to anecdotal evidence.”

TTS will leverage Realm’s experience of deploying turnover data across the asset management process and Eccleston Capital’s investment management expertise to structure investable assets which can enable an exit.

Eccleston Capital founder, Mark Phillipson, comments: “Landlords who are already adept at employing a revenue-responsive approach have a great head start in today’s market. For those that don’t, they need to

engage immediately with comprehensive data collection and work with experts who truly know how to deploy that data.

“Beyond the outlet centre sector, there have been very few retail leases where the rent is substantially driven by turnover - it has generally just been a potential income top-up for landlords. But genuine turnover-based leases are exactly what are now needed throughout the sector.”

TTS is now in discussion with a number of retail property asset owners about how techniques which were pioneered in the outlet centre sector can be translated into the retail mainstream to develop revenue-responsive strategies and create investable assets.

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NOTES TO EDITORS

REALM

Realm was established in 2002 as an all-encompassing one-stop shop asset management business specialising across the retail and leisure property sector. It currently has more than £600m of assets under management.

Realm’s holistic approach to the destinations it manages drives performance and returns for occupiers and owners. The Realm asset management model is occupier-led and combines research and customer data to produce attractive and vibrant environments for guests to relax and enjoy their shopping experience.

Realm.ltd.uk

ECCLESTON CAPITAL

Eccleston Capital is the investment and asset management vehicle created by Mark Phillipson who was the former Head of Colliers International’s UK Retail Group and, prior to that, Senior Partner at Briant Champion Long. Mark has more than 30 years’ experience as a retail property consultant.

In addition to Total Turnover Solutions, Eccleston is also a partner in Quadrant Repurpose – a specialist vehicle which works on the repurposing of UK department stores for other uses.

EcclestonCapital.com