



**INSIGHT &  
COMMENTARY  
FROM THE  
OUTLET SECTOR  
INCLUDING:**

Trading Performance  
Leasing  
Operational Trends  
ESG  
Marketing  
Investment Market

*inside*

# OUTLETS

*Guest Author*

Simon Tohill,  
on progress of  
the Cotswolds  
Designer Outlet

**Realm**

Specialist Outlet  
Operators  
and Advisors



Livingston Designer Outlet

welcome to

# INSIDE OUTLETS

**Dan Mason**  
Co-Founder and  
Managing Director



The turnover lease model and the data driven, hands on, asset management applied in outlet centres has enabled landlords and their brand partners to successfully address the changing omni-channel and post Covid retail environment.

The operating model has helped reinforce the appeal of outlet's sustainable and investable shopping locations. Historically outlets have performed in both good times and more challenging economic periods.

It could be argued that outlet centres have not only come of age as an attractive asset class, but their lease structure and operational management model is being hailed as a blueprint for success in shopping centres and other retail locations.

The UK and European outlet sector has matured over the last three decades and retailers consider their outlet stores as very important channels for distribution and profit centres in their own right.

Schemes which provide a good mix of aspirational and quality brands, being sold at a discounted price point, and which are curated in an attractive environment continue to maintain their customer and occupier appeal. The range of customer amenities including excellent food and beverage offers and leisure facilities also helps enhance their attraction as a day out destination.

The correct analysis and sharing of sales data is critical to ensure store and centre performance is maximised through focused retail, marketing and asset management strategies. This use of data and the requirement for a genuinely collaborative relationship between Landlord/Operator and their brand partners, is key in driving the ongoing success and performance of outlets. In this edition, we've invited experienced centre managers from Livingston Designer Outlet and Resorts World to share their views on how this plays out.

There have been some notable outlet transactions in the UK over the last 12 months as the potential returns and ESG opportunities provided in outlets appear to be of increasing interest to institutional and private equity investors.

The retail intelligence we have gathered from collecting and analysing the trading data within our managed portfolio enables us to bring our client and capital partners a granular visibility of the performance of their occupiers, which is not generally seen in other forms of retail let on traditional rental basis.

In this edition of Inside Outlets, we have collated views and musings from across our incredible team and beyond - special thanks to Simon Tohill, Property & Development Director at Robert Hitchens Ltd. who provides an update on the proposed Cotswolds Designer Outlet on page 6.

We are pleased to share our experience and understanding of this dynamic and exciting sector and we hope you find these snippets to be insightful and informative.

Please do get in touch if you would like to discuss any of the topics covered or outlets generally.

Best wishes.

**Dan Mason**

# leasing MARKET



### WHICH BRANDS ARE CURRENTLY TAKING MORE SPACE AND INVESTING IN THEIR STORES?

Sports and athleisure anchors have been extending their footprint and rolling out new store formats with Nike and Adidas leading the way. Outlet shoppers searching for trainers and gym gear now see technology as central to the in-store experience.

**Just as retail has become an omnichannel business, so too the outlet route has become more attractive to brands as a legitimate opportunity to gain new customers.**

In terms of UK activity many that opened solus outlets have endorsed the format and expanded their portfolio including Kate Spade, Champion, Castore and Lyle and Scott.

Apparel remains the largest category for new stores with a mix of relaxed lifestyle brands like Saltrick and Fat Face taking space whilst Tommy Hilfiger and Calvin Klein have expanded existing stores. Fast fashion has also played its part as outlets continue their efforts to attract a younger visitor with H&M returning to outlets and New Look premiering a dedicated outlet store.

Occasion wear continues to drive openings with mens suiting players Cavani and Skopes taking more stores. Following their lead is the footwear category which has accounted for nearly a third of all new openings as Dune, Skechers and even long term stalwart Clarks filling in gaps in their national coverage.



Christine Grace - Realm's Leasing Director, identifies some key trends in the occupational market.



## NEW OCCUPIERS, NEW FLAGSHIPS

### HOW IMPORTANT ARE POP UPS AND THE RISE OF LOCALISM IN SETTING OCCUPATIONAL AND TENANT MIX STRATEGIES?

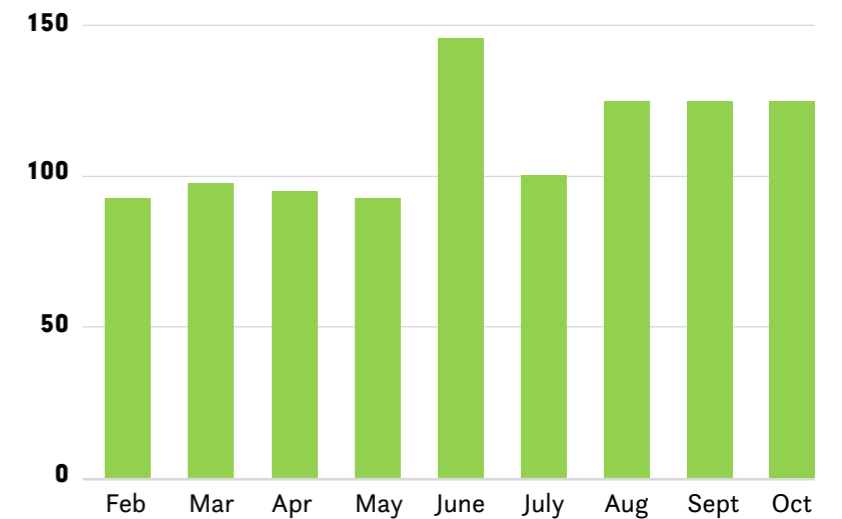
Some of the most unreported and yet most important up-and-coming categories include pop-ups, independent operators, artisan food producers and fashion resale & hire businesses. This demonstrates a huge shift in the consumer mindset.

Whilst the volumes of these deals and their square footages may be modest, their popularity across social media and within the immediate catchment has provided valuable marketing to draw in a different customer demographic.

Ironically the disruption to the flow of foreign and particularly Chinese tourists has forced outlets to engage more comprehensively with their local reach.

### IS IT THE SAME STORY OF EXPANSION AND INVESTMENT ACROSS EUROPE?

In Europe the occupancy market has seen a resounding vote of optimism across the region's 209 schemes. On average there is at least one new store opening at every outlet every two months, which has ensured the required novelty to attract new customers and domestic tourists.



NUMBER OF NEW STORES OPENING ACROSS EUROPE'S 209 OUTLET CENTRES

source: Shopingy Mall Analyser



Guest Interview with Simon Tohill,  
Property & Development Director -  
Robert Hitchens Ltd.



# COTSWOLDS DESIGNER OUTLET

## WHAT'S THE LATEST ON COTSWOLDS DESIGNER OUTLET?

It's part of a wider 180-acre mixed use development that we are delivering immediately to the east of Junction 9 of the M5 motorway near Tewkesbury, Gloucestershire.

We have already developed and let a 74,000 sq ft garden centre to Dobbies which opened on the 3rd November. Significant improvements to the adjacent A46 trunk road and infrastructure required to implement our wider masterplan is now complete, which has enabled us to deliver much needed land for 1,310 new homes immediately to the south of the scheme.

Robert Hitchens Ltd has owned the overall site for a number of years and has been successful in securing the necessary planning permissions to enable us to invest significantly in the development.

**The next phase will be the construction of Cotswolds Designer Outlet which will provide for up to 90 units across 181,000 sq ft with 2,122 car parking spaces and which will be delivered over two phases, the first of which will open in 2024.**

Detailed design is complete and we are finalising the appointment of a Tier 1 building contractor to enable a start on site in early 2023 and an opening in autumn 2024.

We are really excited to be working with Realm who are leasing the scheme and will be property and asset manager for Cotswolds Designer Outlet.



## WHY DEVELOP AN OUTLET SCHEME IN THIS LOCATION?

The excellent catchment and demographic profile available to us in this location underpins our confidence in the potential of Cotswolds Designer Outlet to be one of the best performing outlets in the UK. In this important 'gateway to the Cotswolds' location, and inspired by the area's historic towns, we are passionate about the quality of what we are delivering, from the design and architecture to the materials to be used.

The M5 and A46 currently carry 79.9m passengers past the site each year and the scheme is within walking distance of Ashchurch for Tewkesbury railway station on the main Bristol-Birmingham line. The residential catchment has 11.8m living within 90 minutes' drive and 5.8m within 60 minutes. In addition, the tourism/non-resident potential of the scheme is enormous and CACI have estimated that this will contribute 42% of the turnover.

In terms of the demographic profile, 40% of the households in the catchment are Affluent Achievers, which is c 83% above the national average and 66% of the catchment are likely to be outlet shoppers, this too is above the national average of 50%, putting the scheme in the top 3 outlet scheme locations.

## HOW IS THE LEASING PROGRESSING?

The pre-letting is progressing very well and to date 72% of the scheme is either contracted, in legals or in advanced negotiation. We are not going to publicly confirm the names until we have exchanged with all the required pre-lets but the quality of the brands we are securing is very strong and highly curated, as you would expect in this location.

The mix is being tailored to the affluent catchment comprising roughly 30% premium, 37% accessible premium, 30% mass fashion, 3% luxury plus some really high-quality food outlets. Watch this space for brand announcements.





Mark Watts - Realm FD and Head of Outlet Advisory – discusses post pandemic trading performance and outlook.

# trading PERFORMANCE

## SINCE CENTRES REOPENED IN 2021 TRADING ACROSS THE PORTFOLIO HAS BEEN VERY STRONG, WILL THE POST PANDEMIC BOUNCE CONTINUE?

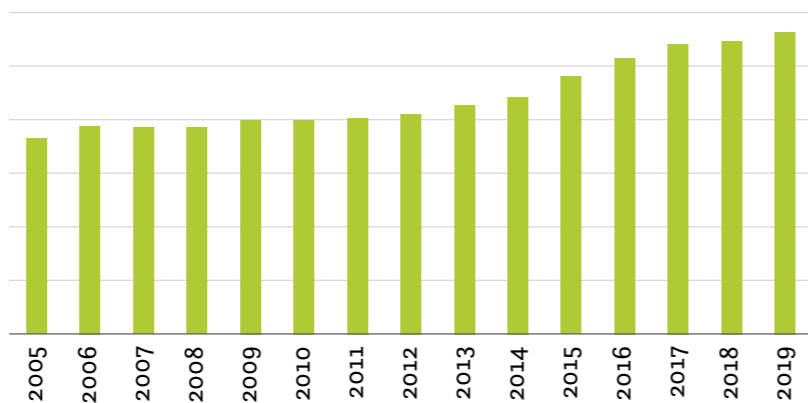
It is over 19 months since general retail in the UK reopened after the 2021 lockdown and we can now see how trading is performing in a post covid world. Much was made during the pandemic about the structural shift to online channels and this certainly seems to be the case.

Equally however, we saw a boom in sales immediately on reopening as customers desperate to treat themselves, spent that money originally saved up for a holiday (and which hadn't been already splashed on home improvements). The question we have been asking ourselves for the last 12 months is what level of 'normal' trade can we expect once the novelty has passed? Now of course we also have the added complication of what does the cost of living crisis and recent budget statements mean for trading next year and beyond.

Up to now though, the outlook for outlets post covid appears encouraging. Across our portfolio we have seen in the 12 months to the end of October this year, like for like sales average +4.5% compared to the same months in 2018/19 (i.e. pre covid). So, on the face of it, our market continues to grow.



REALM PORTFOLIO TURNOVER 2005-2019



London Designer Outlet

## WE ARE CURRENTLY EXPERIENCING SIGNIFICANT ECONOMIC HEADWINDS – HOW WILL TRADING FARE IN THE LIGHT OF THE COST-OF-LIVING CRISIS?

It's a difficult one to be confident about, but as in tough times before, the outlet sector is positioned well to weather the storm.

In the last financial crisis of 2008, sales in outlets remained robust. We saw weaker retailers fall away (mainly due to their banks and supply chains pulling support) but overall sales remained buoyant as spend switched to the value offered by quality operators. Since then, the internet has become a competitor, but the outlet offer has been defensive. As the graph shows opposite, our experience has been that sales growth, whilst slowing in difficult times, has been remarkably consistent.

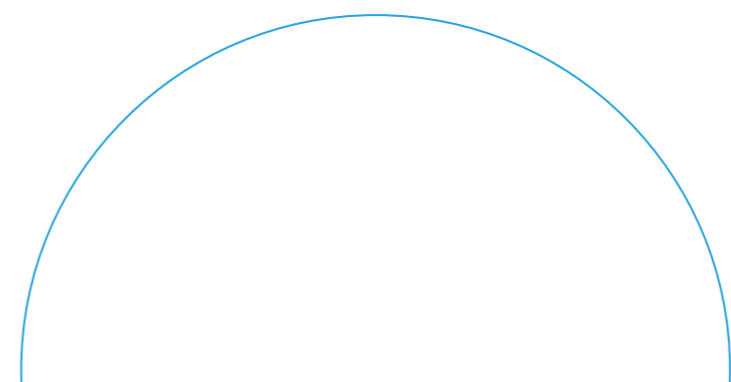
Like all retail, some outlet centres will fare better than others. Just like the characteristics of successful occupiers – Brand, Quality and Value - outlet centres that can boast these across their tenant mix and not dilute their proposition, will stay at the top of their game and relevant to consumers.

## COULD YOU GIVE US EXAMPLES OF WHICH RETAIL CATEGORIES ARE DOING WELL AT THE MOMENT?

As with anything, there are winners and losers. Sportswear has done very well throughout the pandemic and continues to grow ahead of others whilst footwear has proved trickier. Formalwear, for which we had real concerns given the move to hybrid working, has bounced back and restaurants, despite the explosion in delivery have seen their covers full again. Homeware which completely cleaned up in 2020 remains strong although their year on year growth is against much higher sales volume now.

**In terms of what characteristics make outlet successful for occupiers, it's the same as it's ever been - brand, quality and (visible) value.**

Occupiers which can shout about all three of these succeed and we expect them to continue to do so. Those that are lacking one or two of these characteristics are having to work much harder to recover sales, particularly where footfall is still not what it was pre-pandemic and customers being more selective about their visits and where to spend.



Two highly experienced centre managers Karen Stewart and Anand Basu-Atwood reflect on how data and tech can enhance performance.

retail

# OPERATIONAL TRENDS



**Karen Stewart**  
Centre Manager  
Livingston  
Designer Outlet

**ANALYSIS OF DATA IS KEY TO THE SUCCESS OF AN OUTLET, OF ALL THE KPIS THAT YOU MEASURE, WHICH IS THE MOST IMPORTANT?**

Within our data driven model, I would say that the kingpin to successful outlet retailing is conversion because it reveals where time is best spent to influence performance. Whilst many retail centres will measure footfall and some will collect just turnover information, this barely scratches the surface.

**Outlet shoppers are typically inclined to buy as they have “deal-proneness” so if sales performance is under par then it allows us to work with the brand partner and forensically diagnose the issues whether they be price point, perception of value, range, service levels or store layout and then take informed action.**

**HOW DO YOU APPLY DATA INTO YOUR DECISION MAKING AND STRATEGIES?**

Our data opens up a much more intensive and productive process of business improvement and because we work collaboratively we take the guesswork out of intervention. Realm’s reporting software offers daily and even hourly figures to help us decide on optimal opening times, late nights and the timing of promotions. In the last year, we have also been working to identify the brands that have the potential to expand their footprint.

The comparative raw data that we have access to regarding density and units per transaction allows us to take a birds eye view of an overall category rather than a single retailer relying on just their own sources.

By applying data to be very location specific we can make sure our business plans are more robust as the modelling contained within them is more accurate and appropriate to the asset.



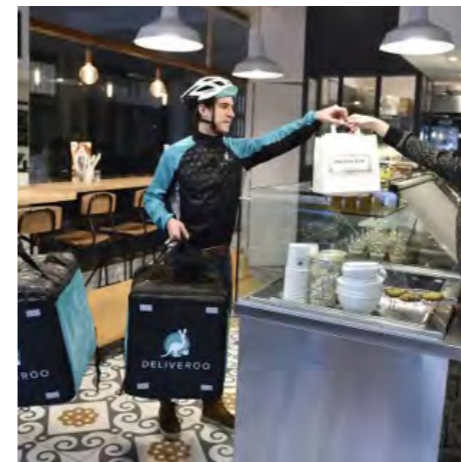
**Anand Basu-Atwood**  
Centre Manager Resorts  
Worlds Birmingham

**WHERE HAVE YOU SEEN TECHNOLOGY BEING INTRODUCED INTO OUTLETS TO HELP DRIVE PERFORMANCE?**

A key trend since the pandemic is occupiers digitising their physical trading environments more than ever before. The latest fit outs all encompass large LED screens, ipad ordering points and self-serve till points and we now get a greater sense of outlets being part of omnichannel organisations. This is undoubtedly great news for our sector as a younger audience transitions to trial and convert to outlet shopping but the tech does still need monitoring.

If we are to capitalise on new opportunities for our clients, then we need to be fully aware of where transactions are being made and fulfilled.

**We have identified where units are operated as fulfilment and dark kitchens/storage and have been able to adapt lease structures to collect a share income for our clients. In a less proactive management model, this would undoubtedly have gone unnoticed.**

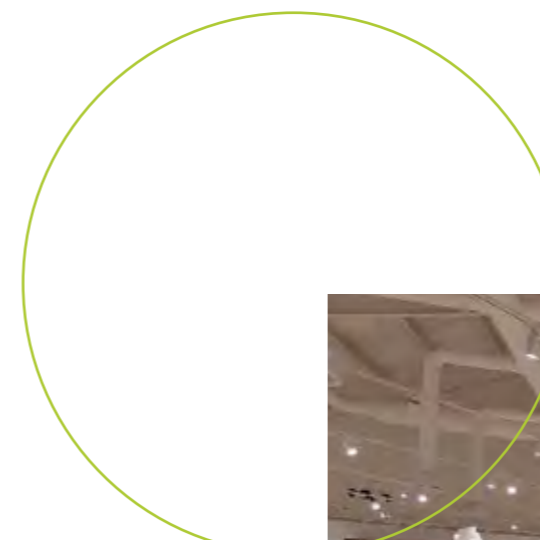


**ASIDE FROM SALES DATA COLLECTION AND ANALYSIS HOW ELSE DO YOU USE TECHNOLOGY TO BE A MORE EFFECTIVE MANAGER?**

We layer additional intelligence into our system about external factors influencing trade. This might be as simple as integrating the weather conditions to correlate with footfall or charting where staff shortages have resulted in diminished trading hours. Our systems have evolved over time to be very powerful, so we have really clear visibility of how occupiers are trading, but more importantly, we can see why they are over- or under-performing.

Now we can communicate, deliver training, plan and monitor campaigns, and appraise event activity using our online portal.

This processing power then allows face to face meetings to be all the more impactful and deliver greater value because dashboards and KPIs have become truly fit for purpose.





**Steve Blades - Realm Facilities and Compliance Manager on how outlets are delivering on ESG.**



# ESG

## HOW RECEPTIVE ARE OUTLET OCCUPIERS TO PARTICIPATE IN ESG INITIATIVES?

We find most occupiers to be really receptive towards our ESG activities - this ranges from participating in charitable fundraising events to sharing important data on their utilities usage.

**It all comes down to the collaborative relationship already established through the sharing of turnover data. Occupiers are happy to supply this data as collectively it can be used to reduce energy consumption or achieve economies of scale thereby reducing costs across a scheme.**

## WHAT INITIATIVES ARE HIGHEST ON THE LIST?

The most popular sustainability projects within the sector are harnessing solar and wind power, energy efficient lighting, rainwater harvesting and improved electric vehicle charging. As the majority of shoppers arrive by car, EV charging is now regarded as a “must-do” project. Invariably there are robust business cases for embracing sustainable initiatives which delivers additional commercial as well as environmental benefit for investors.

## WHAT’S NEW SINCE THE PANDEMIC?

With the cessation of international tourism and the growth in staycations, outlets had to re-connect with their local catchments and put themselves at the heart of the communities they serve. Realm’s centre management teams have generated award winning levels of engagement with their local communities and stakeholders. As outlets have become even more deeply ingrained in their local communities, they have undertaken projects that echo the six key ESG Principles - Governance, Culture, Environment, Safety, Skills, and Wellbeing.

A more contemporary approach to operating outlet schemes has seen the Realm portfolio support and champion local projects from celebrating diversity and pride, promoting



reading and hosting free summer cinema and fitness activities. Marketing teams are able to work with local schools and charities to plant new trees and clean up local beaches and parkland.

As a business we have been really active with a range of ESG activities across each centre we manage and our head offices. Each year we hold our annual ESG awards to add competition and increase participation.

**We are progressing our application for B Corp accreditation.**

## WHAT DOES THE FUTURE HOLD?

Outlets are now far more open about adding palpable social value besides saving shoppers’ money. Many schemes now operate Retail Skills and Hospitality Academies in partnership with colleagues and training institutions which in turn delivers upward mobility to the local labour market and trains up a much-needed new wave of recruits to the sector.

We are seeing a trend for greater investment in recycling and onsite processing of waste and as reducing landfill becomes a greater mandate within the fashion industry.

Fashion brands now openly use the outlet business model for environmental as well as commercial benefit.



**WHAT SETS OUTLET CENTRE MARKETING APART FROM OTHER RETAIL DESTINATIONS?**

Promoting outlets needs an acceptance that they are not universally appealing to all shoppers. Those that love them are rarely identifiable simply by postcode area or socio-economic group.

The key is to look at behavioural patterns and consumer attitudes and then tap into the motivations for visiting across three distinct groups - these are loyal shoppers, tourist shoppers and “floating” shoppers (those who waver in terms of their inclination to visit). Each group responds differently to marketing and communication triggers so this is not a one size fits all proposition.

Outlets are also unique in that they have multi-generational appeal. The marketing role has become increasingly diverse and Realm has borrowed from other sectors (hospitality, leisure, events, entertainment) to ensure our skillsets are developed to deliver more targeted campaigns.

**In times of inflation, what gives us a greater sense of assurance is the financial governance in Realm’s marketing activities provided by the turnover and KPI reporting software used at all schemes.**

Marketing and events have become far more strategic - mini business cases where the returns from our segmented audiences can be considered and the opportunity cost of promotions is weighed up to a far deeper level than ever before.



Andrew Duncan - Head of Placemaking, Marketing and Communications looks at the modern marketing of outlets.



# MARKETING

**WHAT ARE THE GREATEST MARKETING OPPORTUNITIES FOR THE OUTLET SECTOR IN TIMES OF ECONOMIC UNCERTAINTY?**

Retail marketing has always been and will remain the art of getting consumers to come (back), tell others and spend more. As the sector has matured the new opportunities lie in framing the appeal of outlets to different audiences and tapping into topical motivations and the best channels to reach and promote them.

For example outlets have an aura of calm about them so the more relaxed ambience can be presented as a form of wellbeing shopping.

**Conscious consumerism can now be leveraged as a trigger to visit as outlets play a role in preventing excess stock from going to landfill**

In times of inflation, price-conscious shoppers can preserve their lifestyles by purchasing the same brands but at a discounted outlet price point.

Novelty and trial are perhaps the most powerful of all retail marketing messages and so a change of economic circumstance and disrupting one’s choice of shopping venue are the most potent of all the messages open to the outlet sector currently.







Mark Watts - Realm FD and Head of Outlet Advisory looks at why outlets have strong investor appeal and recent UK activity.

# investment & ADVISORY



Bridgend Designer Outlet

There have been some significant sales of UK outlets in the last year including Ares' purchase of Bridgend and LaSalle buying Cheshire Oaks and Swindon.

**WE KNOW THAT THE OUTLET PROPOSITION IS ONE WHICH OFFERS GREAT VALUE TO THE CUSTOMER. BUT HOW DOES THE SECTOR OFFER VALUE TO INVESTORS?**

To some extent the answer is the same for most property investments – it depends where in the cycle you invest and the pricing at the time of entry. Setting that aside though I would make the case that the best performing outlets do offer real value for acquirers wherever we are in the cycle compared to investments of a similar risk profile.

2022 has been a busy year for our outlet advisory division and we have advised on a number of significant outlet transactions, particularly in the UK with the acquisition of Bridgend, Cheshire Oaks, Swindon, and other schemes which are currently on the market such as Castleford. Most of these sales were triggered by funds either needing to divest or coming to the end of their hold period which might have otherwise lowered the pricing as well as uncertainty over how the centres would trade post covid. That said, the level of interest more than compensated for these factors and pushed the best sub 6% and all 8% or lower for those who sold.

It has certainly been a year of two halves though and since the summer and the troubled mini budget, the cost and availability of finance has slowed the market to a crawl with a number of centres now facing the dilemma of selling at a significant discount to allow buyers more margin in the financing or holding in anticipation of a better backdrop next year.



London Designer Outlet

## BUT ARE THEY GOOD VALUE?

Well, in return for robust cashflow, with a track record of growth and opportunities to add more value at many schemes, they probably are, and given the current position of the market, they could be a very interesting counter cyclical play. Remember the robustness of the sales throughout the last financial crisis of 2008. This is particularly the case now with rising yields for retail.

The risk that yield is pricing in can be managed with outlets because of the transparency of the sales data and the intensive management approach which has kept occupancy up in the well managed schemes as well as sustained income performance.

## WHY IS THIS THE CASE?

**Fundamentally, outlets are operational businesses and need to be managed actively to perform.**

This is their strength. The best will have the bedrock and defence of being well located and well let, but the upside comes from the visibility and opportunity the occupational structure delivers - access to sales data and leases outside of the L&T act. With increasing occupier demand, a 'reason for being' both in good and bad times and little direct online competition, owners and managers can curate the tenant mix and deliver sustainable and growing income streams - wherever we are in the cycle.

## WILL THIS ASSET CLASS APPEAL TO ALL INVESTORS?

Definitely not. If you want a retail investment to lock away and not improve but are happy with a low yield then just buy a supermarket site or a logistics warehouse.

BUT... if you want to use the data driven model to maximise income AND you are prepared to invest in asset management to secure additional yield, there is, we believe, good value to be had from the outlet sector.



Cheshire Oaks Designer Outlet



London Designer Outlet at Wembley Park

Realm Limited,  
Bridford House,  
1 Heyes Lane,  
Alderley Edge,  
Cheshire SK9 7JP

Tel: 01625 581 580

Contact:  
Erica Wheeler  
ewheeler@realm.ltd.uk

**Realm** | Specialist Outlet  
Operators  
and Advisors