

BCSC/IPF Conference: Retail Property Trends

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Christmas 2009 Retail Sales Figures – **Guess the Footfall!**



December 2009 Footfall

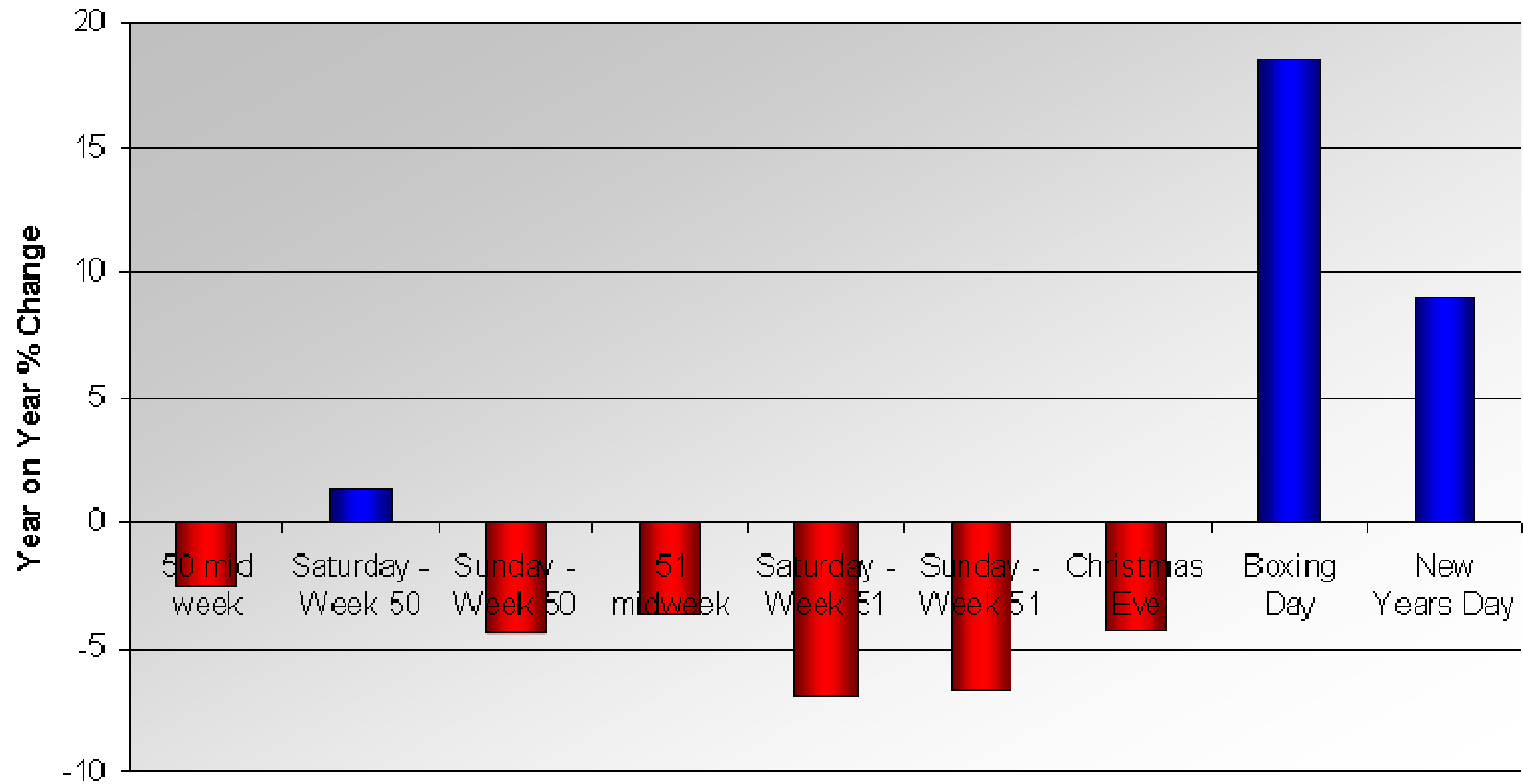
December UK Total = -2.8%

Regional Index North East -10.78%

Regional Index Scotland -9.15 %

2008 – 2009 Footfall % Change

- Poor pre-Christmas trading is boosted by record Boxing Day figures as shoppers venture into sales prior to the VAT increase.



Why were the post Boxing Day sales so good for retailers?

- Boxing Day 2009 was the busiest Boxing Day since records began and for the first time ever the biggest shopping day of the year in terms of footfall. This was due to:
 - Boxing Day falling on a Saturday
 - Record number of retailers opening for the first time (e.g: Harrods)
 - Shoppers buying big ticket items before the reintroduction of VAT at 17.5%
 - Lack of deep discounting in run up to Christmas compared with 2008

Why haven't we seen the same level of administrations as last year?

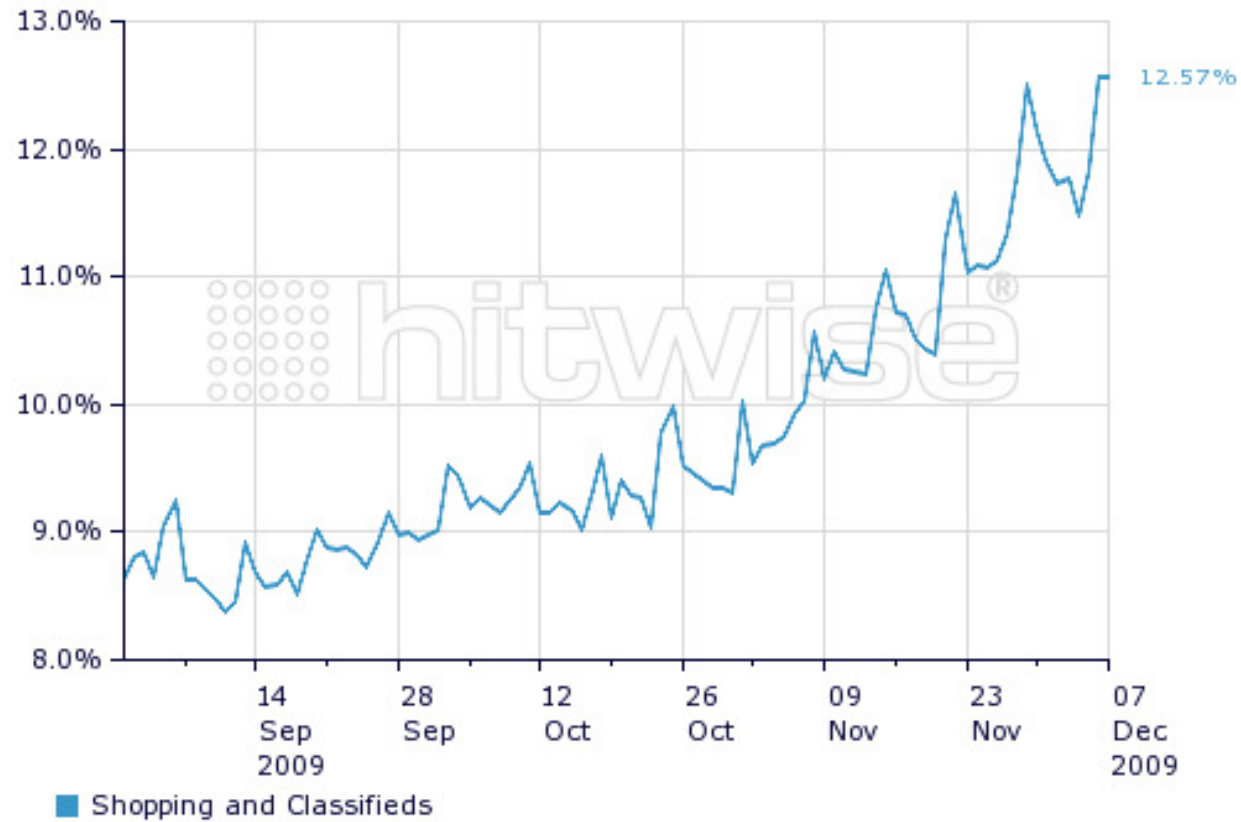
- Multiple Retailers are significantly more resilient than in 2008, due to:
 - More efficient stock management
 - Renegotiation of leases/store optimisation
 - Staff headcount reduction
 - Supplier cost reduction

However independent retailers have clearly struggled due to:

- Trading in peripheral/secondary centres – which have experienced the greatest reductions in footfall in 2009
- Inability to cut staff costs, supplier costs or renegotiate leases
- *Independent retailer administrations are at the same level as in 2008*

Retail Internet Site Visits and Cyber Monday

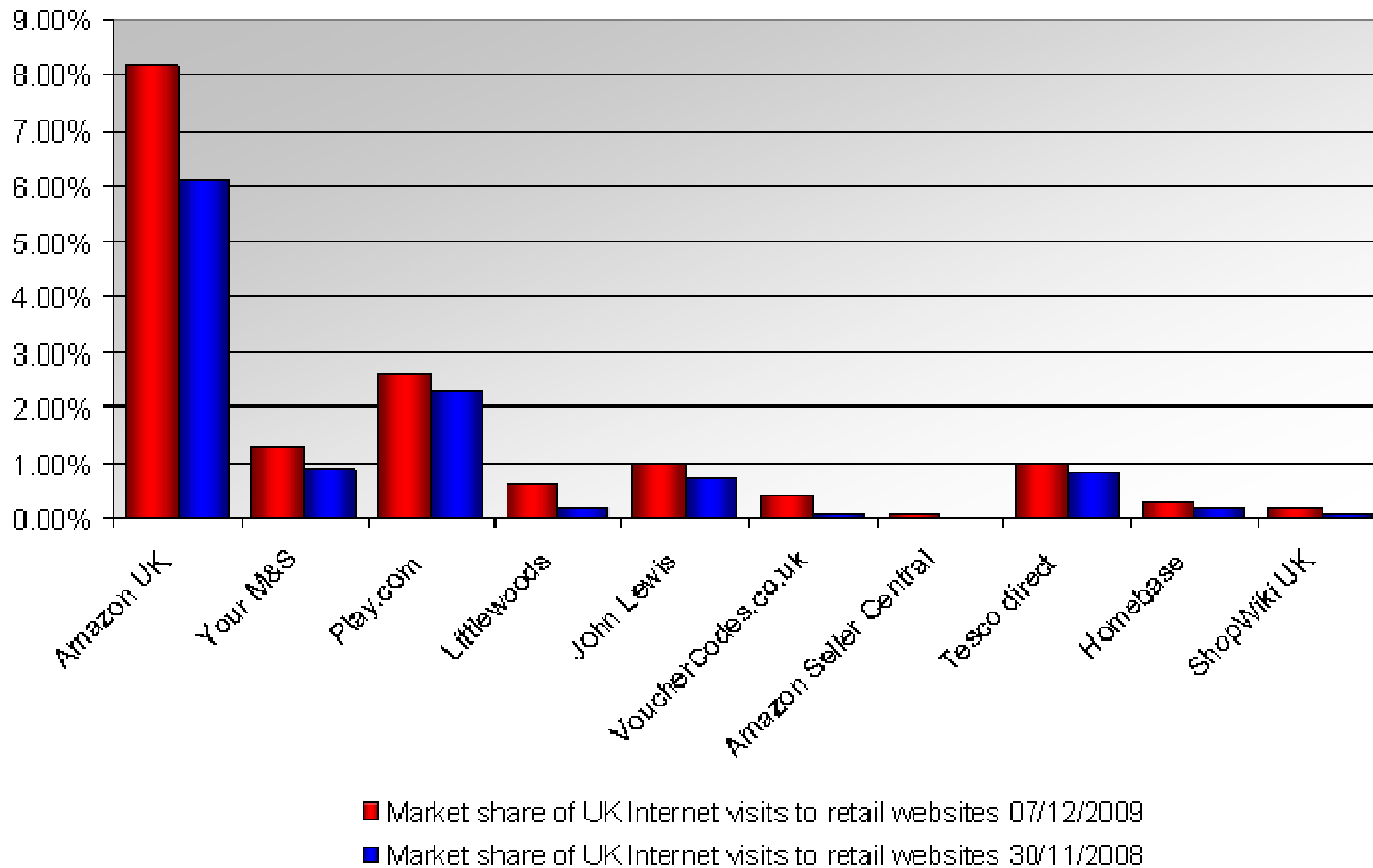
Uk Internet visits to retail websites



Daily market share in 'All Categories', measured by visits, based on UK usage.
Created: 06/12/2009. © Copyright 1996-2009 Hitwise Pty. Ltd.



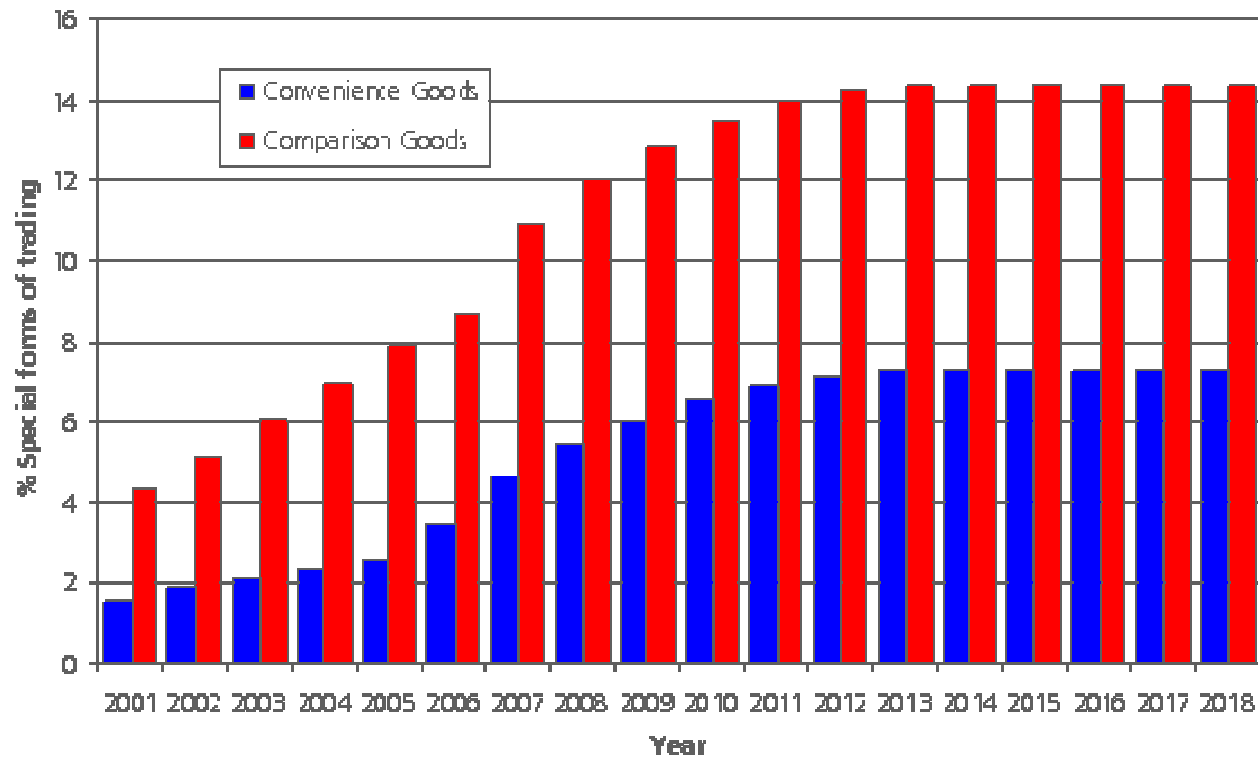
Ten retail websites that experienced the biggest increase in UK Internet visits between 30/11/09 and 07/12/09



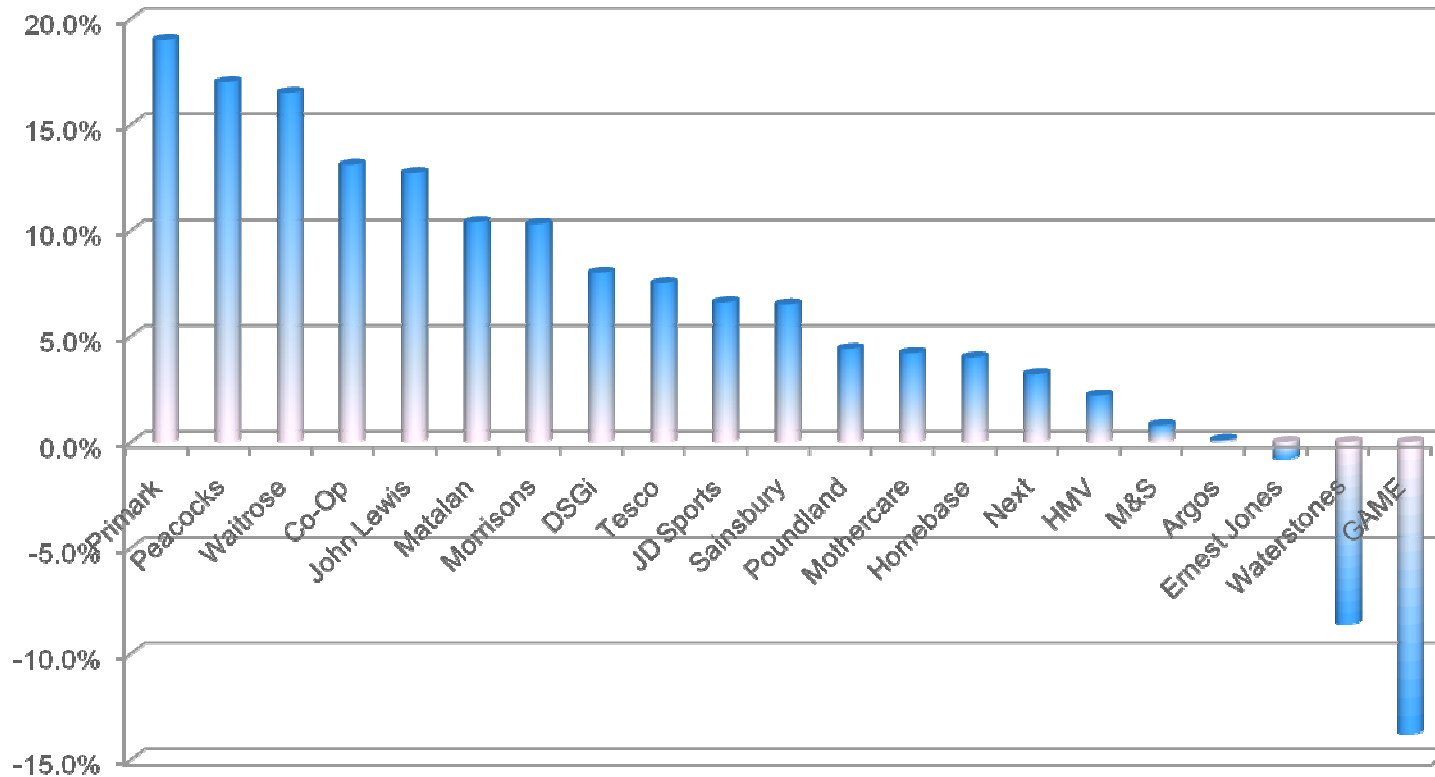
Online shopping – Here to stay

- 13% of comparison goods expenditure being conducted on-line in 2009.
- Over 14% of comparison goods expenditure is predicted to be made on-line in 2018, which compares with just over 4% in 2001.

% Contribution of special forms of trading to UK expenditure levels (2001 - 2016)



Winners & Losers



Winners & Losers

- Christmas cheer for the winners of 2009....

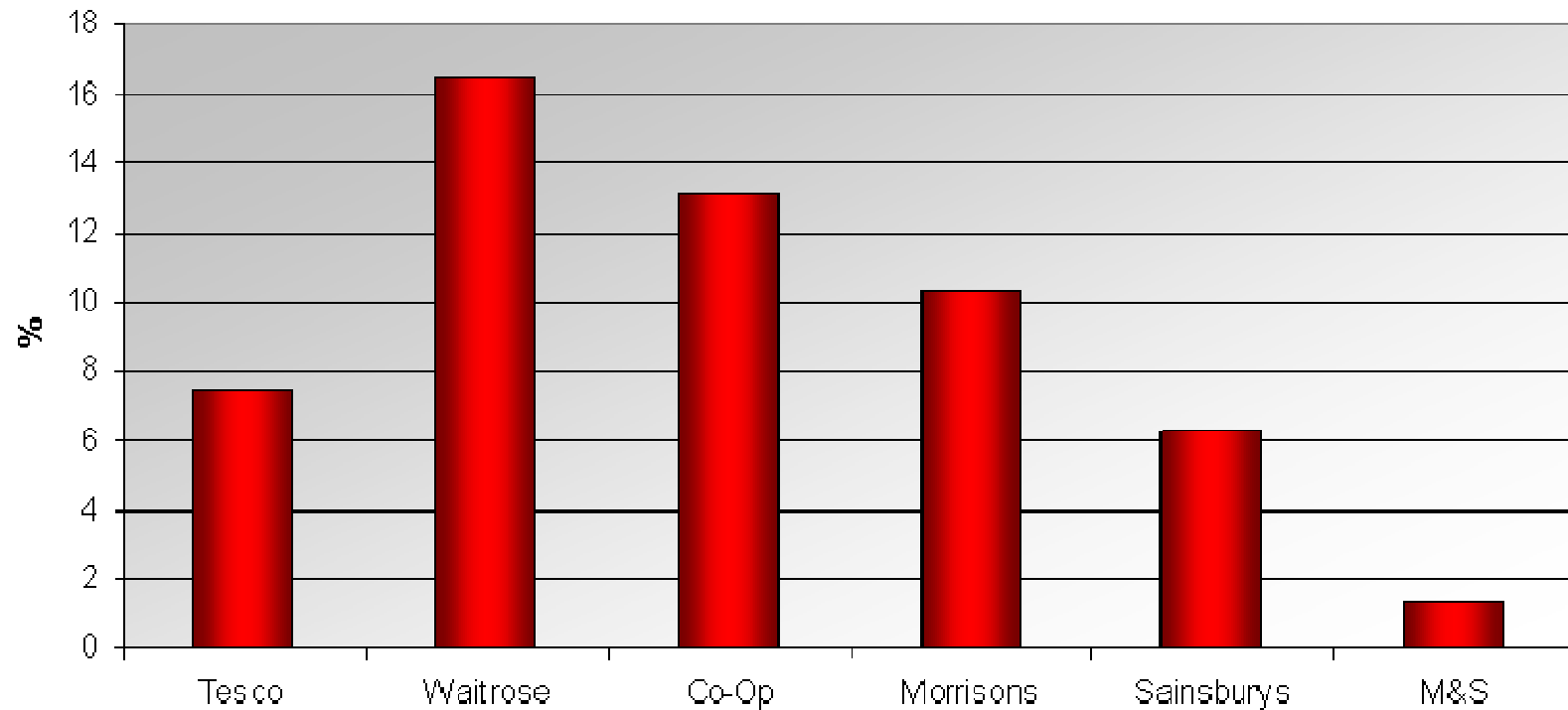
... but disappointment for those retailers failing to shine

- Primark (+19%)
- Peacocks (+17%)
- Waitrose (+16.5%)
- John Lewis (+12.7)
- DSGi (+8%)
- Mothercare (+4.2%)
- HMV (+2.2%)

- GAME (-13.8%)
- Waterstones (-8.6%)
- Ernest Jones (-0.8%)
- Argos (+0.1%)

Supermarket Sales Growth

% Sales Growth 12 Weeks to Dec 2009



Biggest Retail Risers (and Fallers) 2004-2009 (No. of Stores)



Biggest Retail Risers and Fallers 2004-2009 (No. of Stores)

- The trend towards value is clear when examining relative retailer store footprints over the last 5 years. Among the biggest risers were value retailers such as Poundland, Shoe Zone, Argos and Primark, whilst the biggest fallers were mass market retailers such as Adams, Birthdays and Virgin Megastore.

2004 – 2009 increase

Fascia	2009	2004	Increase
The Carphone Warehouse	301	220	81
O2	248	170	78
Gamestation	157	91	66
Waterstones	193	130	63
H & M	129	70	59
Shoe Zone	162	104	58
Argos Extra	72	14	58
Poundland	125	69	56
Republic	89	36	53
Primark	114	62	52

2004 – 2009 decrease

Fascia	2009	2004	Decrease
Going Places	41	244	-203
The Link	1	195	-194
Adams	40	165	-125
Birthdays	108	199	-91
Klick Photopoint	52	141	-89
Rosebys	59	143	-84
Stationery Box	11	86	-75
Virgin Megastore	2	65	-63
Pilot	7	67	-60
Ciro Citterio	1	58	-57

The Wider Economic Climate in 2010 and beyond....



“These are unprecedented times ...”

- *Many Britons seem to believe that their recession is the worst since the 1930s. The slump has been billed as the “mother of all recessions.”*

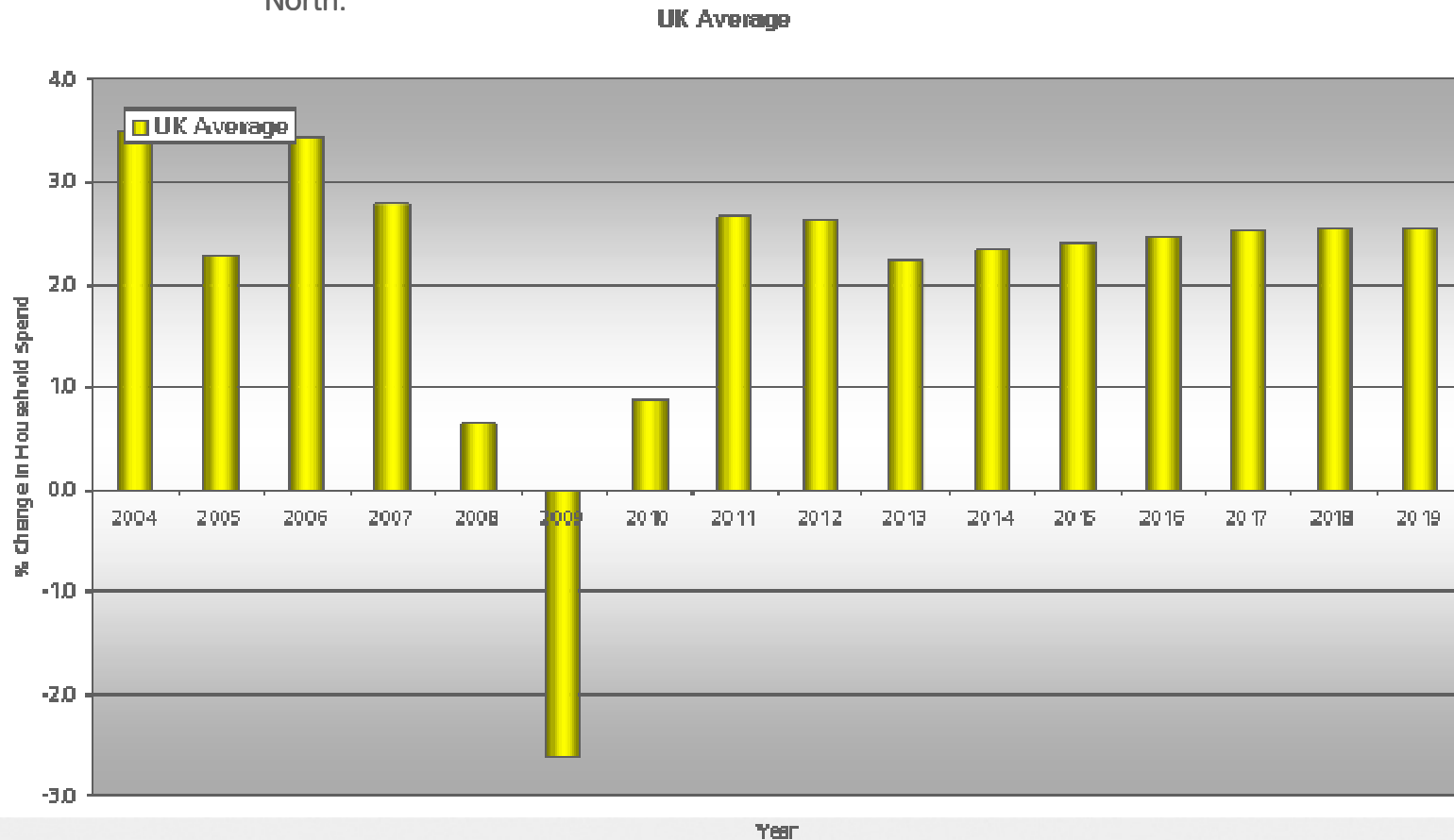
“These are unprecedented times ...”

- *Many Britons seem to believe that their recession is the worst since the 1930s. The slump has been billed as the “mother of all recessions.”*

- *Source: **The Economist 16th March 1991***

Consumer Spending Growth

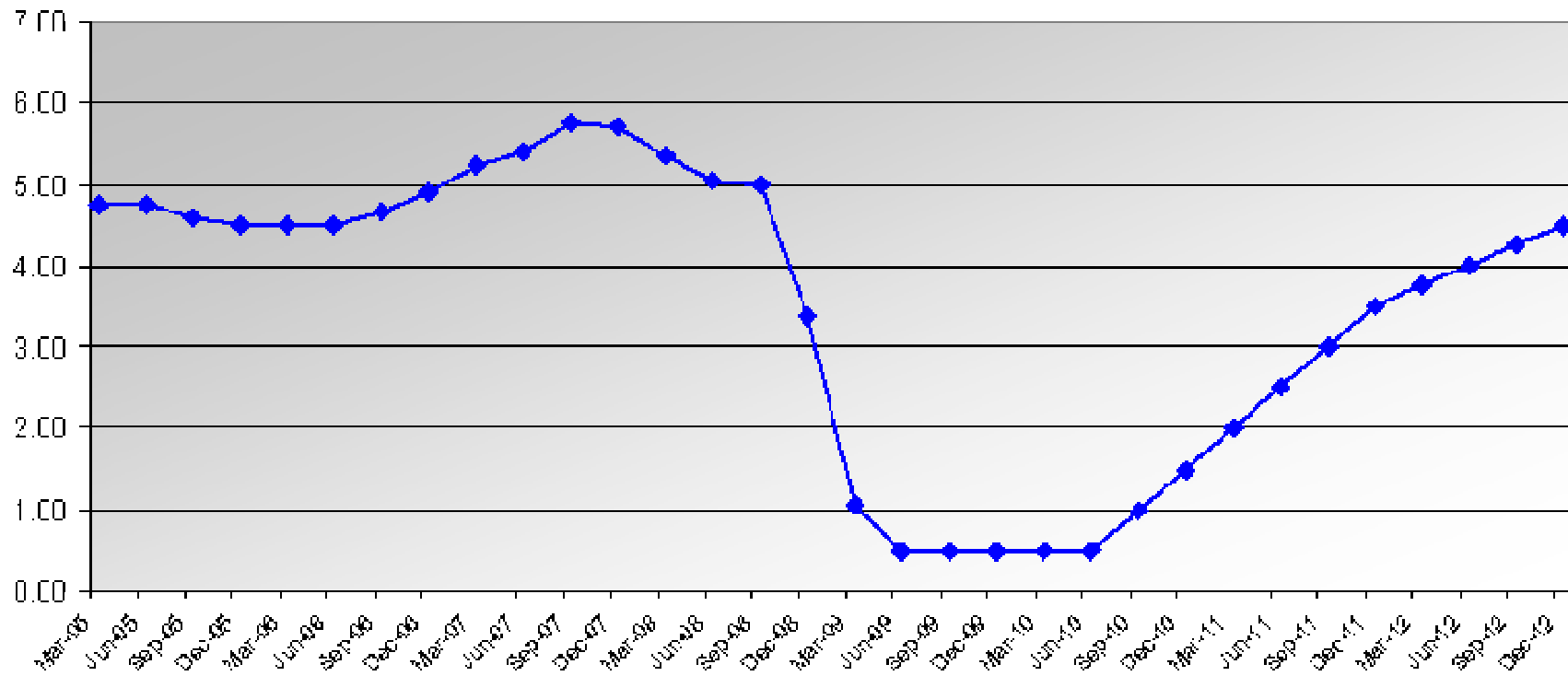
- Heavy indebtedness, rising savings rates, more modest job creation and a greater tax burden will limit future expansion in the UK. Issues include:
 - the reintroduction of VAT at 17.5% and the potential for this to increase to 20%, or a 5% levy applied to previously exempt items, which could further reduce consumer spend.
 - the return of the North/South divide due to the large public sector in Wales, Scotland and the North.



Bank of England Interest Rates

- The Bank of England's action – both in terms of interest rates and quantitative easing -has averted a deeper recession, but in the medium term rates will rise to stave off the threat of inflation.

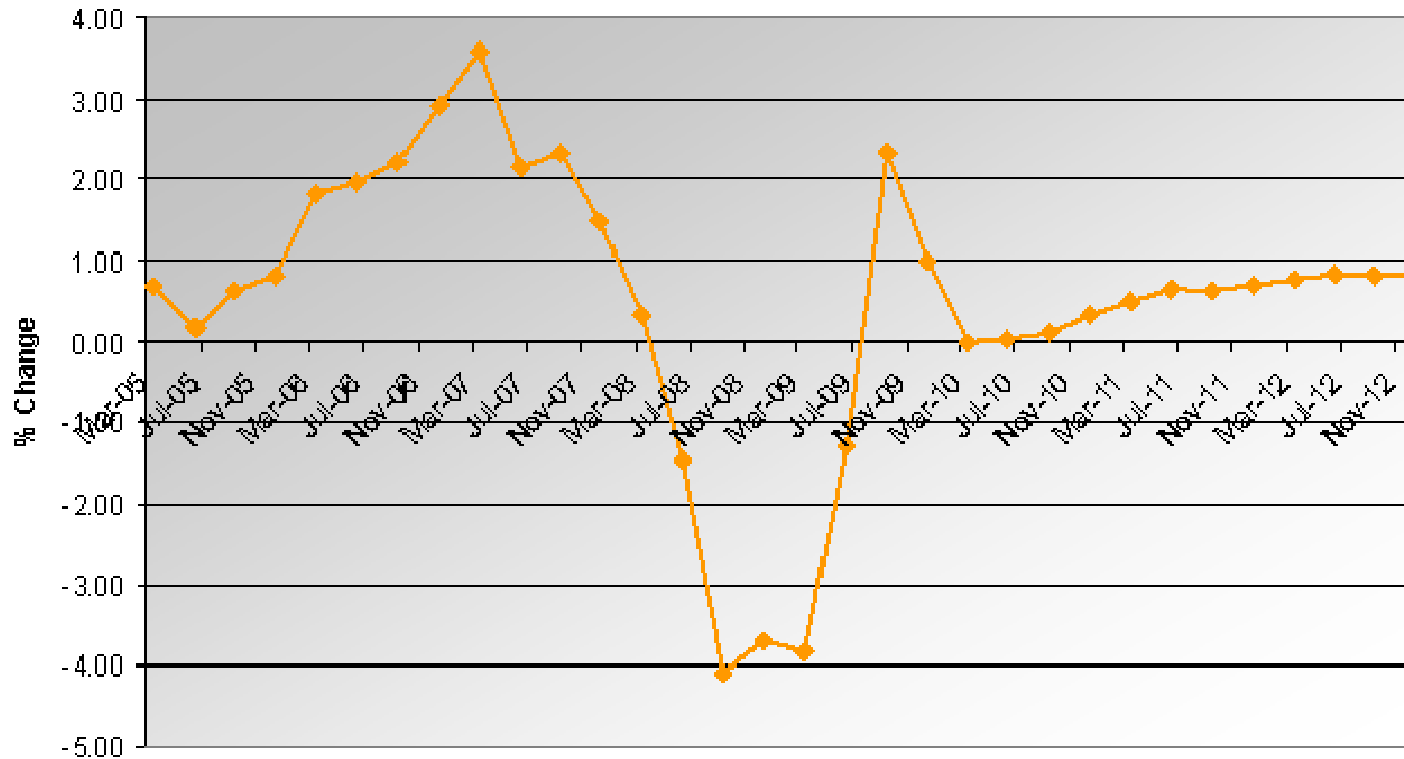
Bank Base Rate



House Prices

- House prices have been hit by rising unemployment, a deterioration in confidence and a severe contraction in mortgage lending. However, the historically low interest rates set by the Bank of England and stabilisation of the economy has already led to the reversal of this trend.
- Again there is the threat of a north/south divide in terms of house prices.

House Prices



January 2010 so far: a slow start

- Footfall 4th January 2010 – 10th January 2010 = -9.9%
- Footfall 11th January 2010 – 17th January 2010 = -1.7%