

Financial Health Warning

Analysis by retail business consultants FSP shows that the financial accounts of 40% of multiple retailers, with a combined total of almost 13,000 stores, are *Very Worrying*. By linking these store locations, FSP has produced the first geographical assessment of the impact of *At Risk* retailers on towns and shopping centres. While the analysis identifies some regional and size related drivers, locally more complex factors are at play.

Companies have been identified as *Very Worrying* by applying the DIUS Wealth Creation Efficiency Ratio to the financial accounts of over 600 multiple retailers. All the recent failures of multiple retailers, bar one, had previously been classified as *Very Worrying*. The *Very Worrying* category includes all companies whose Value Added (sales less cost of bought-in goods and services) is less than the cost of staff and depreciation. With basic operating costs not being covered, these retailers are *At Risk* without continuing investment.

The key findings are:

- 50% of Household Goods and 49% of Food retailers are *At Risk*
- Only 21% of large stores are classified as *At Risk*
- Towns in London, Scotland and Wales have higher than average concentrations of *At Risk* retailers.
- Towns in the East Midlands, North East, West Midlands and Yorkshire and the Humber have lower than average concentrations of *At Risk* retailers
- Large towns tend to have lower than average concentrations of *At Risk* retailers
- Small towns, particularly minor district centres, tend to have higher than average concentrations of *At Risk* retailers
- Regional Shopping Malls have lower than average representation of *At Risk* retailers
- Shopping Parks have lower than average presence of *At Risk* retailers
- The major towns least *At Risk* are Chesterfield, Lincoln, Bedford, Wolverhampton and Middlesbrough
- The major towns most *At Risk* are Croydon, West End, Bromley, Chelmsford and Blackpool
- Shopping Centres most *At Risk* include Churchill Square (Brighton), The Glades (Bromley), Frenchgate (Doncaster), County Mall (Crawley) and Golden Square (Warrington)
- Shopping Centres least *At Risk* include Cwmbran Shopping Centre, Brent Cross, Bull Ring (Birmingham), Whitefriars (Canterbury), and Meadowhall (Sheffield)

Geoff Nicholson, Managing Director of FSP comments:

"FSP has been monitoring the financial health of retailers since the early 1990s. In recent years, the proportion of At Risk retailers has increased substantially. Asset managers and local authorities need to realise that the problem is real and continuing. The lesson from the early 1990s is that identifying the vulnerable occupiers and putting contingency plans in place will shorten void periods, reduce leasing costs and maintain income."



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DIUS Classification of retailers

DIUS Status	Count of Retailers	
		%
Very strong	52	9%
Healthy	43	7%
Fairly healthy	84	14%
Head above water	178	29%
Very worrying	249	41%

FSP has investigated the latest Accounts of over 600 multiple retailers. Applying the DIUS Wealth Creation Efficiency Ratio to the financial accounts identifies that 249 or 41% of multiples are classified as *'Very Worrying'*.

Regional Distribution of Multiple Retailers *'At Risk'*

	% of Total Multiple Outlets Assessed	% of Total Multiple Outlets identified as 'At Risk'	'At Risk' Index
East of England	8.9%	8.4%	95
East Midlands	6.6%	5.4%	83
London	12.9%	14.8%	115
North East	4.0%	3.6%	91
North West	12.1%	12.0%	100
Scotland	9.1%	9.8%	107
South East	15.8%	16.0%	102
South West	9.0%	9.0%	101
Wales	5.1%	5.4%	107
West Midlands	9.5%	8.8%	93
Yorkshire and The Humber	7.2%	6.6%	93

The regional *'At Risk'* index is created by comparing the locations of stores operated by the retailers in *Very Worrying* financial condition against the locations of all stores in the study. It can be seen that London has a 15% stronger concentration of At Risk retailers while the East Midlands has a 17% weaker presence.

Within London, Croydon, Hammersmith and the West End have above average risk. Brent Cross, Bexley Heath and Hounslow have below average risk.



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Distribution of Multiple Retailers 'At Risk' by Type of Centre

Centre Type	% of Total Multiple Outlets Assessed	% of Total Multiple Outlets identified as 'At Risk'	'At Risk' Index
Major Cities	8.0%	8.3%	104
Regional	8.2%	8.4%	102
Major Sub Regional	16.7%	16.0%	96
Major District	27.4%	26.6%	97
Minor District	11.3%	10.7%	95
Local	22.6%	24.5%	108
Out of Town Regional	2.8%	2.7%	96
Out of Town Major District	0.8%	0.8%	97
Fashion Park	1.0%	0.8%	85
Retail Park	1.2%	1.2%	97

Top 100 Town Centres – Lower Risk Towns

Town	Centre Type	% of Multiple Outlets in Town identified as 'At Risk'	'At Risk' Index (compared to Centre Type)
CHESTERFIELD	Major Sub Regional	24%	73
LINCOLN	Major Sub Regional	26%	80
BEDFORD	Major Sub Regional	26%	80
WOLVERHAMPTON	Major Sub Regional	26%	80
MIDDLESBROUGH	Major Sub Regional	26%	81
IPSWICH	Major Sub Regional	27%	83
GLOUCESTER	Major Sub Regional	27%	84
SUNDERLAND	Major Sub Regional	28%	86
BASILDON	Major Sub Regional	28%	88
DARLINGTON	Major Sub Regional	28%	88
WORCESTER	Major Sub Regional	28%	88
HANLEY	Major Sub Regional	29%	89
SHEFFIELD CENTRAL	Regional	29%	84
BURY	Major District	29%	88
SOUTHEND ON SEA	Major Sub Regional	29%	89
CARLISLE	Major Sub Regional	29%	90
HARROW	Major Sub Regional	29%	91
TELFORD	Major Sub Regional	30%	92
WATFORD	Regional	30%	87
CANTERBURY	Major Sub Regional	30%	93

FSP has looked at the presence of 'At Risk' retailers in over 2,000 town centres. FSP's 'At Risk' Index is calculated by comparing the presence of 'At Risk' multiple retailers in a town with the average presence of 'At Risk' retailers in all towns with the same Centre Type. 24% of multiple retailers in Chesterfield are classified 'At Risk', compared to an average of 32% for Major Sub Regional Towns, producing an index of 73.



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The table above identifies those towns within the top 50 GB centres where the risk is relatively low. These are either affluent towns such as Canterbury, Watford, and Worcester where high rents have attracted the 'fittest retailers', or 'blue collar' towns such as Wolverhampton, Gloucester or Sheffield where poor historic retail performance has dampened occupier demand.

Top 100 Town Centres – Higher Risk Towns

Town	Centre Type	% of Multiple Outlets in Town identified as 'At Risk'	'At Risk' Index (compared to Centre Type)
MAIDSTONE	Major Sub Regional	36%	111
SOLIHULL	Major Sub Regional	36%	111
TAUNTON	Major Sub Regional	36%	111
MANCHESTER CENTRAL	Metropolitan Regional	36%	104
CHESTER	Regional	36%	106
LEEDS CENTRAL	Metropolitan Regional	36%	104
CARDIFF CENTRAL	Major City Regional	36%	111
WIGAN	Major District	36%	112
BRIGHTON	Regional	37%	107
KINGSTON UPON THAMES	Regional	37%	107
ROMFORD	Major Sub Regional	37%	114
ABERDEEN CENTRAL	Regional	37%	108
STOCKPORT	Major Sub Regional	37%	114
SOUTHAMPTON CENTRAL	Regional	37%	108
GLASGOW CENTRAL	Metropolitan Regional	38%	109
BLACKPOOL	Major Sub Regional	38%	119
CHELMSFORD	Major Sub Regional	39%	120
BROMLEY	Regional	39%	114
LONDON CENTRAL	Super Regional	39%	100
CROYDON CENTRAL	Regional	40%	116

The table above lists those towns with relatively higher financial risk. These tend to be second tier towns where perhaps it has been slightly easier for 'At Risk' retailers to find space. Some such as Croydon, Glasgow and Southampton contain major shopping centres and it is worth noting that Whitgift, Buchanan Galleries and West Quay respectively have noticeably lower concentrations of 'At Risk' retailers than are found elsewhere in their town centres.



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Top 50 Shopping Centres – Lower Risk Centres

Town	% of Multiple Outlets in Town identified as 'At Risk'	Risk Index (compared to All Shopping Centres)	'At Risk' Index (compared to Town)
CWMBRAN S C - CWMBRAN	25%	79	100
MIDDLETON GRANGE S C - HARTLEPOOL	25%	79	89
BRENT CROSS S C - LONDON	25%	80	100
CLYDE S C - CLYDEBANK	25%	80	82
THE MALL S C - BLACKBURN	26%	82	82
BULLRING S C - BIRMINGHAM	27%	87	87
BRIDGES S C - SUNDERLAND	27%	88	98
WHITEFRIARS S C - CANTERBURY	27%	88	91
ELDON SQ S C - NEWCASTLE UPON TYNE	29%	93	89
MEADOWHALL S C - SHEFFIELD	29%	93	101

FSP has looked at the presence of '*At Risk*' retailers in the top GB shopping centres. Typically 31% of retailers in shopping centres are '*At Risk*' suggesting fewer issues than in other parts of town centres. The table above identifies those top 50 shopping centres where the risk is relatively low. Brent Cross like other regional shopping centres has relatively low representation of '*At Risk*' retailers.

While the Clyde SC in Clydebank and The Bridges SC in Sunderland may raise a few eyebrows, it can be seen that there is less risk amongst their occupiers than amongst occupiers elsewhere in the town, which suggests a strong, well managed tenant mix.

Top 50 Shopping Centres – High Risk Centres

Town	% of Multiple Outlets in Town identified as 'At Risk'	'At Risk' Index (compared to All Shopping Centres)	'At Risk' Index (compared to Town)
GOLDEN SQ S C - WARRINGTON	36%	114	104
EAST KILBRIDE S C - GLASGOW	37%	118	100
COUNTY MALL S C - CRAWLEY	38%	121	113
METROCENTRE S C - GATESHEAD	38%	123	101
FRENCHGATE S C - DONCASTER	39%	125	126
GLADES S C - BROMLEY	40%	128	102
KINGDOM S C - GLENROTHES	40%	130	99
CHURCHILL SQ S C - BRIGHTON	41%	131	111
ORACLE S C - READING	41%	133	126
MELL SQ S C - SOLIHULL	44%	143	124

The table above lists those shopping centres with relatively high financial risk. These tend to be dominant centres where their size perhaps makes it slightly easier for '*At Risk*' retailers to find space.



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Notes for Editors

About FSP

FSP was established in 1976 as Fripp Sandeman and Partners by John Fripp and Graham Sandeman. With over 120 years of retail management experience, FSP is expert in combining detailed knowledge of trading locations with financial analysis, survey investigation and market intelligence in order to create successful strategies for asset managers, developers, local authorities and their advisors.

Key clients have remained loyal to FSP for over 20 years, through economic peaks and troughs, returning again and again, simply because their expectations have been consistently met and exceeded. In the last 3 years, FSP has worked with 17 of the top 30, and 4 of the 5 largest UK retail property portfolios.

Methodology

FSP monitors the financial accounts of over 1,500 occupiers in order to help leasing agents and asset managers to understand their financial stability and ability to afford rents. A cross section of this data is packaged in FSP's *SnapShop* on-line retailer intelligence service www.snap-shop.co.uk

FSP has combined this financial monitoring with store address lists supplied by Retail Locations in order to identify which *At Risk* retailers are present in a particular town. For the purpose of this exercise catering and service providers have been ignored along with independently owned retailers.

At Risk retailers are defined using the DIUS's P2 Wealth Creation Efficiency Ratio.

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