Seminar – Retail 2020 Project

September 2011

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Key:

GG: = Guy Grainger, JLL
TD: = Tim Danaher, Retail Week
JC: = Jeremy Collins, John Lewis
GN: = Geoff Nicholson, FSP Retail Business Consultants
AJ: = Andrew Jones, Metric Property

GG: I just want to talk a little bit about our Retail 2020 Project which we've produced over the last 18 months. The final chapter has just been released and you should have a copy. This is JLL's attempt to forecast what the retail landscape will look like in the year 2020. And the main reason for this is that the changes we're seeing at the moment we believe are structural changes rather than changes due to the recession. These structural changes revolve around new technology, the emergence of on-line, shopper demographics but also the importance of sustainability, marketing and the role that they play in retail. Together these are effectively changing customers' shopping habits. Predominantly, shoppers desire a retail experience or pure convenience and this is really shifting the landscape dramatically. So Retail 2020, The Final Chapter, really has our rule book for retail. What we want to debate is, what are we – the retail property people – going to do about this, because the 'do nothing' strategy may set us back significantly. But if we do change, if we are brave and reactive and get it right, then there is success and potential growth going forward.

So, I'm often asked, 'Surely, Guy, just too much space?' and what we're going to ask today is, is that the case or is it simply not enough of the right space? We conducted an on-line survey of everyone in the room plus more from BCSC before this event just to see whether we had too much, not enough or not the right space. Effectively there was a general agreement, with the majority saying we want different retail space. Now if we want different retail space that leads to regeneration and recycling of the stock and we've got to find a way to do that.

So we've brought together a collection of esteemed individuals to debate this. I will also put some questions out to the floor, so if you have any questions for us and there's time, hopefully we'll have a debate both ways. But if I could introduce our panel today. We have got, starting at the far end, Tim Danaher, Editor of Retail Week, who arguably has more conversations with high level individuals in retail businesses than all of us put together, so hopefully he has some good insight on where the retail sector, from an occupational perspective is coming from. I'd also like to introduce Geoff Nicholson who we're partnered with today from FSP, a research organisation; alongside Andrew Jones from Metric who certainly has some very strong opinions about in town and out of town retail; and finally Jeremy Collins who I'm sure you all know from his BCSC involvement but also head of retail development at John Lewis.

So if I could start on the biggest thing that's been affecting our industry for the last five years which is multi-channel retailing and also the impact of on-line retailing. Currently just under 10% of sales in the UK are on-line but by 2020 we anticipate that that level is more likely to be in the region of 20%. I'd like to call on Jeremy first, who's probably got more experience than anybody, whether our assessments are right? Where do you Jeremy see the future in terms of on-line sales versus the total picture?

JC: Thank you Guy, good morning everybody. I think whilst the retail industry has been living with the prospect of on-line shopping for some time, we're actually in the foothills of the revolution. Currently the industry averages about 10%, John Lewis is actually trading at 15% sales on-line, we were an early adopter when we bought buy.com against trend when a lot of retailers were actually moving out of on-line because it wasn't getting traction and it was costing too much money. We're seeing growth rates comfortably into double digits continuing to drive our business and increasing levels of profitability through that channel.

By 2020 I think the industry's predicting maybe 20% sales from on-line; we think it will be nearer 30%. And the reason we think it will be nearer 30% is the onslaught of mobile technology and that will revolutionise on-line shopping. It will revolutionise the way in which we all engage with customers and our consumers will become a much more personal thing, it will become much quicker, it will be much more accessible and we fully expect to transact with customers in-store on their mobile phones.

GG: I think that's a really interesting point. I don't know if anyone saw the figures last week and I would probably guess that very few people in this room have actually purchased goods on their mobile phone. But last week figures came out to say that there are 16 million customers at the moment that are actually purchasing goods on their phone, so it's certainly moving forward.

If I could just stick with you Jeremy and ask about a halo effect because John Lewis obviously have a very successful click and collect policy. Are you seeing that transformed into additional purchases in the store and if so, how big a difference is that making?

JC: I think there are two things that we've learnt from click and collect over the last couple of years. Firstly, the convenience which customers find in being able to go and collect at their time rather than waiting for a delivery to arrive, irrespective of how precise we can be about the time at which we will deliver but they want that flexibility and they're prepared to travel to get it. We are seeing about 34% of those visits translating into additional sales in shop and that number is growing exponentially at the moment. It's typically or increasingly for purchases that the customer didn't think they would make. So it is quite out with whatever they were going to collect. So we see a real halo effect; it's tangible, it's measurable, it's profitable. It's interesting that the likes of Amazon, the pure plays, are now starting to test a physical presence through click and collect facilities and I think we'll see more of that. I suspect we'll see the likes of eBay and maybe even Amazon taking shops ultimately because it becomes about multi-channelling.

GG: It's an interesting point that I don't think many landlords have taken advantage of yet. So Andrew this click and collect phenomenon. We've seen

Amazon starting to take lockers for a click and collect format but also multi-channel existing retailers like House of Fraser to take click and collect stores. Should retail landlords actually be making provision for more of this click and collect stores and how important do you think they'll be?

AJ: Well there are two counts really. You've got the pure on-line retailer who might want to take a locker in One New Change or in transport hubs, where they're not looking for a halo effect. Then you've got the multi-channel retailers who are thinking about the halo effect and the question I was going to ask Jeremy when he was giving his answer to your last comment, Guy, was, the 34% who go in to pick up something and whilst they're in the store, they buy something else that they have no intention of buying when they made the click order, what value is that 34% relative to the order they made on-line? Because you can go in and I know what it's like because if you've got young boys and you say to them, 'We've just ordered Football Manager 2012 but it will be here in three days' time,' it doesn't work like that.

<Laughter>

They want to go and get it and whilst we're in the store the chances are they're going to come up and say, 'Dad can we have this, can we have that?' And what it interesting is it's not only the translation of the halo effect which Jeremy said is 34% but is growing very, very quickly, but the relative value of the transactions of that 34%... compared to the original purchase. Is it 10%? Is it 200%, 300%? Because it quite easily could be. Actually when you look at it, it might only be 34% but from a value perspective it could be a doubling of the turnover.

JC: It's not just about the rent you receive on the click and collect store, it's about what they might spend with the landlord.

AJ: So in many ways I think most of the initiative for accommodating click and collect rests with the retailer from a shopfitting perspective and John Lewis would be terrific at this and actually to be fair to Argos, they're doing it as well. So instead of it being around the back of the service yard, you are going to find that it's going to be in the stores, it will probably be towards the back of the store so that we have to walk past more goods and get tempted on our way to pick up FIFA 2012, and therefore generally I think it will be more to do with retailer responsibility than the landlords.

However, I do think that click and collect in multi-channel retailing lends itself better to out of town than it does in town purely from the convenience perspective. I want to go, I want to jump in the car, I want to park outside, I want to get in and I want to get home. It's instant gratification from that perspective whereas if you're on a pure click strategy, you might argue that we want it in transport hubs, we want it in major conurbations, people are working, they don't know when the delivery is going to come.

TD: I suppose the other thing, Guy, is that with long established retailers, with the exception of perhaps John Lewis, Argos and one or two others, they've not actually done a great job of leveraging their brands on-line. They've given the pure play retailers a bit of a head start if you look at the some of more challenged sectors of retailing. So actually click and collect is their big chance really to claw back a bit of that space on line that they've lost.

GG: I was going to ask you about the challenged sectors because for a lot of retail property landlords out there, there's real worry about whether it will be books, music, DVD or particularly the electrical sector and you must speak to these retailers every day of the week. What's your view on where those sectors are heading? Is there, to be blunt about it, is there a future for bricks and mortar with the on-line presence or will they go totally on-line?

TD: I think there is a future for those sorts of retailers. If you look at John Lewis, people still want to go in and touch and look at a washing machine and look and compare products and that sort of thing. I think the key issue is that those specialists will have far fewer stores in the future than they have done in the past. If you look at Waterstones for example - they have just sold about 300-odd stores and the Russian guy who's bought it has put in James Daunt who's done a very successful job of running seven stores in affluent parts of London. Now I would say bookshops in city centres in better off areas where people see it as a bit of a leisure activity, absolutely they have a future if they're well run, they engage the customer, if they understand what that local customer wants. In 300 locations around the UK that's not going to happen in the future. So there is going to have to be a bit of a scaling back and that will probably accelerate this polarisation that we've seen in the recent past between the strongest locations and the weakest ones, so it's a worry for that second tier group of towns.

GN: I think in contrast though we have got an aging population and if we're seeing an increasingly technological environment, the Carphone Warehouse 'walk out working' strategy is going to be appealing to an increasing section of the population who are not quite as comfortable with technology as our children are.

GG: Yes, it's a bit counter-intuitive isn't it because we are an aging population but that aging population is also getting more educated on technology.

TD: Yeah and frankly the other thing, Guy, is that actually if you look at some of the electrical retailers, they haven't done a very good job of this. The customer is often better informed than the person who's serving them and if that's the case, then there's no point going to a store in the first place.

GG: I can't think who you're talking about there.

<Laughter>

TD: It could be any one of several but I guess, it's interesting because people are talking about Dixons being the winner in the electricals market and because obviously Comet's having a bad time at the moment. Best Buy clearly has struggled to crack the UK market. I mean Dixons last results in the UK were down 10% like for like and that was considered a good performance at the time. It was a good bit of expectation management by their PR firm with the City but at the same time you've got to say, there are clearly some big issues there. If you remember three or four years ago everyone was saying, ‘HMV’s going to be the winner,’ because Zavvi and all its competitors had fallen by the wayside. It could just be actually the model’s bust.

GN: Yes I think on the other hand, that sticking with the electricals market, while we’re talking about 20% of the market going on-line, in fact on-line is going to be involved in about 92% of all electrical sales in 10 years’ time, that’s the forecast.

GG: In terms of the way you’re shopping because you’re influenced by …

GN: Exactly and I think that I really want to stick with this point because Dixons were saying in their results that they’re getting a better margin from the suppliers because the physical bricks and mortar people can actually demonstrate the product and that’s worth quite a lot to the manufacturers.

GG: Well I have to say I think that’s good news for everyone here that those sectors do definitely have a life in bricks and mortar. But it’s not necessarily good news if you’ve got a lease expiring within the next five years with any of those people because you have to decide whether you are going to be in that core category of Waterstone’s stores or outside the core.

We could talk all day about on-line. I’ll throw it open to the audience if they’ve got any questions about multi-channel retailing or on-line for any of the debate, otherwise I’ll move on. Any burning issues or not? We can come back to a few questions at the end, so as there’s no show of hands, I’m going to move straight on.

What has just been demonstrated is that there are structural changes with multi-channel retailing that are changing the way consumers behave. As a result, occupiers and their requirements are changing and adapting as well. One of the common questions or claims we have at the moment is that we’re seeing an occupier shift towards Prime in terms of size and location. Geoff, you do a lot of work on forecasting retailers’ expectations, are you seeing this shift to Prime?

GN: When you can serve 75% of the UK population from 25 locations and those are the places where all the very high profile international retailers are moving to, Yes clearly there is a change taking place and not all those 25 are town centre locations. The effect of that has been that the share of the market which is taken by town centres has dropped from about 64% in 2005 and we predict it will be down to about 42% by 2020. And the slack is being taken up partly by out of town but perhaps even more vigorously by the supermarkets whose share of the non-food market will double between 2005 and 2020 accordingly to the current trends. So I think that Yes we are seeing a shift.

One of the other questions in terms of demand is what sort of space do people want? Through my career the amount of space which retailers wanted has increased and decreased, it’s increased for quite a number of years now but I think we’re beginning to see the first signs of it turning round. I’m sure you’ve all picked up about New Look coming out of some of their very large stores and we obviously monitor sales densities very closely and those are generally dropping and so I think that you're likely to see some shrinking back.

GG: But there is still this demand for big space, so if it can be recycled and offered, one of the biggest complaints I get from retail demands is actually it's not that there's too much space out there but not enough of the right space. But we are seeing this retail polarisation to Prime and really all the noise being at the moment focussed on Secondary. So surely there must be a winning recipe for our secondary centres. Andrew, what is it?

AJ: We've got to re-price. We've just got to re-price the occupational costs. It's interesting, we've seen a lot of the Arcadia fascia close the standard, what I call the standard 2,000 sq ft, 2,200 sq ft shop, and migrate into the ground floor of the BHS, and we've seen it with Next. We're left with these standard shop units on the High Street. If you look at a number of the retailers who we've lost or are shrinking today, they're all releasing this space back, so who's going to take it? Where's the Clinton Cards, the Claire's Accessories, the mobile phones, the coffee saviours that we've had in the past? And Yes, there may well be demand for these towns but not for these shops.

We then have two issues. We have one that in the High Street we've got different ownerships, so knocking shops together doesn't work. It's obviously much easier to do in shopping centres.

But then we've got this thing called Zone A which is this archaic method of valuing standard shops. Obviously it doesn't apply out of town, which makes life a lot easier. But the problem is if you take the MSU and the LSU, it's an overall rate per sq ft and Next could probably treble, quadruple the size of space by moving from a standard Zone A unit into an MSU and probably not pay any more rent. So all of a sudden for it to work, we've got to be able to re-price, re-base the rent on these standard shops.

GG: I think a lot of the property profession think that retailers' strategies have been influenced to a large extent by this valuation method. However, I think what we're seeing at the moment is that there is a demand for new formats. Next have just opened up a very striking new format down in Shoreham which is more like a department store, much more like a department store. It is actually not a lack of supply and they're more due to the changing customer habits that we're seeing.

Jeremy, you're right in this territory in terms of new formats. Have they been driven because there's no development pipeline for your department stores or is it a result of listening to the customer?

JC: Absolutely the latter. The fact that we announced the 'at Home' format in Poole at the same time as the demise of Lehmans and the real onslaught of the recession was coincidental. It was chance more than plan, as a few journalists pointed out to us at the launch to the journalists and the analysts.

We spend a huge amount of time engaged in dialogue with our customers, monitoring what they want and trying to find ways to respond to them. What became very clear to us was that they wanted much more convenience than we were able to offer from 27 department stores. So Yes, they would go an occasional basis if they were having to drive an hour and a half but only on an occasional basis. They would much prefer to engage with us much more frequently, not just on-line but through the physical shops channel. We had to work out how to do that in an economically sustainable way because it's clearly not sustainable to put a 250,000 sq ft department store down in every corner of every High Street in the land. 'At Home' gave us the opportunity to do that and we trade those out of 60,000 sq ft gross rather than 250,000 sq ft; higher densities, good service cover with staff relative to our peer group, but significantly less overhead than we would carry with full line department store and we found a way to make the economics work.

It coincided with the downturn in the economy and shrinkage of our peer group in the pure furniture market, so that created opportunities for us to try it relatively quickly and we're now on a measured programme to roll it out.

GG: So Tim, you speak to retailers a lot. Rather than having to rely on a new kid on the block like the phones shops in the old days or the coffee shops or indeed international retailers who've had massive influence on our market but probably the top 50 locations as opposed to the rest which we're talking about here. So do we have to rely and should we search more for these new formats that existing retailers are doing? T K Maxx have also come out with a new format in the last five years, do you think there will more of those coming through?

TD: Well I think there will be an element of that certainly, but again, focussing on the top locations whether in town or out of town. Going back to what Geoff said, the conversations I have most regularly with retailers vary depending on what type of retailer it is but, 'I needed 'x' stores be a national retailer before. I now need 'y' stores,' and 'y' is inevitably less, so there will be an element of that. But that will have to be driven as well by opportunities in the property market by the right sort of space again. And coming back to the property industry offering the right places for that next tier of towns. I think it looks really difficult.

The other thing that's different, New Look is a good example of a retailer that had a lot of private equity investment in retail, a lot of expanding retailers desperate to increase their store count. Now (1) there's less of that going on and (2) there is always the option to invest in the website, to do something different on-line, to build a new mobile site. That is more attractive than opening stores for an awful lot of the UK's retailers.

GG: So retailers have got a lot more options rather than just bricks and mortar. It does worry me and I get fed up of putting the slide up of the development pipeline over the next five years because to be honest, apart from Trinity Leeds and a few other major regeneration projects, there's not a lot in the pipeline. But of course, that's not the whole story is it? There's plenty of small extensions to snap up, there's demand, and Geoff do you see the development pipeline changing at all over the next five years?

GN: Well I think it has changed. In the current economic conditions, it's obvious development is more difficult than ever. At the same time, developers exist to develop, so there are people who are looking very hard for opportunities. And I think that, as you've indicated, what seems to be happening at the moment, is there's an awful lot of extensions and trying to make existing stuff work a bit better, so there's quite a lot of activity going on there.

But the other thing which is happening is 19 million sq. ft. of development by the supermarkets. There is a huge amount of development going on, it's just that it's in a slightly different format from that to which we are used.

GG: Well I did hear a statistic that in the last year 70% of planning approvals have been out of town and out of those three quarters have been to food stores, which I think is a case of the path of least resistance, not just in terms of planning process but in terms of making a development stack up.

TD: It's why this kind of debate around the NPPF is so interesting as well. You see Simon Wolfson wrote to The Times yesterday with one or two other retailers backing him, obviously the supermarkets want more space but the problem is actually that a lot of the space going to be developed will inevitably make life more different for the established non-food specialists, so I suspect an awful lot of retailers aren't in favour of this relaxation of the rules particularly.

GG: Well, there's a lot of focus about town centres and I expect several people in this room may have met up with Mary Portas in the last couple of weeks to hear her views on it. I think she's getting a lot of publicity but what it does demonstrate actually is that we are in need of something to happen to regenerate our town centres because otherwise this is a theme that's going to continue and that's partly down to fragmented ownership I would have thought. Is that the main obstacle Andrew do you think to town centre regeneration?

AJ: One of the obstacles in the past is the security of tenure that the landlord gets with his 25 year lease and you want to redevelop but actually the retailers you want to attract don't have that mobility to relocate into your store because they have no confidence in their ability to get out of their existing liability. That mobility is about to end because I think the biggest threat for High Streets at the moment is lease expiries. That's about to end so in theory you've got retailer mobility which should then allow you to start putting names on units.

The biggest issue then is the existing land cost. The problem with developments is so many of them are effectively failed investments. They're failed investments. But the problem with that historically is that you actually start with a land cost that's been too high. The shopping centre development cycle goes something like: we start, we master plan it, we get vacant possession and we build it and that takes roughly about eight years. And then you do your numbers and you realise you haven't made any money. 'Oh don't worry, we're going to wait another five years for that, to the first rent review.' 'Hold on a minute, you're asking me to wait 13 years to have a chance of making money?'

And the problem is historically that we have to be bailed out by terrific rental growth between PC and the first review or yield compression. I don't think that any developer today will rely on that. So in order to make it compelling, it's not the fragmentation of the ownership, actually the biggest inhibitor is going to be the entry cost of the land. The VP will be fine, I think the retailers want the space, they're involved and they've been in this, a lot of their units they've been in them for 22 years because we're going back to the shopping centres we built in the mid to late '80s. So I think that you've got a receptive customer but in order for the development to work going forward, we have to get in at the right land value, which means slashing the investment value of a lot of our secondary shopping centres. And it's going to happen; you can feel it in the room. Secondary is drifting out to about a 10% yield and rental values will fall when landlords are forced to mark to market rents at lease expiry. How many new tenants and retailers do you know who, when it comes to lease expiry, are paying the same rent, let alone more, than they were the previous five years? There are lots of high streets up and down the country today where the tenants aren't paying anything and the landlord's just keeping the lights on.

GG: So to a certain extent we're just waiting for those lease expiries to actually effect the market positioning?

AJ: The other issue we have is financing and that means that shopping centre development going forward will be essentially dominated by the four big groups and also maybe some of the larger funds because bank financing for this is just not available.

GG: I think you picked up an interesting point there which I hear a lot from retail clients which is, 'We don't have a preference for out of town but it simply offers us easier access to deals and more flexibility going forward.' You just talked about it beforehand Jeremy in terms of that flexibility of having a structure that you can play around with and you can move a lot rather than town centre situations where often you are talking about historic buildings. Is that a challenge within your estate?

JC: It's certainly a challenge in finding new space. Poole is the classic example. We resolved in January to trial the format. We worked with our good friends at Land Securities, agreed a deal in March, on site in May, and the property was taken right back to the frame, the frame was tweaked to get a proper mezzanine in, re-built, fitted out, stocked, staffed and open in October. And we took the Board round six weeks before opening and the walls were still going up and they couldn't quite believe that it was going to happen but it did. There is no way we could do that in any town centre situation and there is an inbuilt inflexibility to the design not just of the financial structures but the physical structures of these facilities that makes them incredibly hard to adapt and the reality is that retailers are facing an increasingly fast moving market.

Social mobile media as I mentioned earlier is going to speed up that rate of change. We will be coming up with new formats, new propositions within our shops every year and the one thing that's clear is the space will have to change. We've got to work out how to make our shops more flexible and the landlords have got to work out how to make the structures with their design teams more flexible because the rate of change is going to have to speed up and how do you embed that as well in your financial structures? So what headroom do you give yourselves to be able to constantly reinvest in the proposition that you're trying to engage consumers with because it won't be good enough to simply change it every 25 or 30 years. Consumers will get bored and go off and do something else.

TD: I think the other thing, Guy, with these High Streets and secondary shopping centres is that when you look at those retailers that are likely to be shedding stores over the next few years and they have many hundreds of stores, the Clintons, Thorntons, Alexons of this world, they are all small units in secondary shopping centres and secondary towns and there aren't any obvious takers. Those retailers, you forget how many units they've got; they've hundreds and hundreds each in towns where no one wants to be in small units. So this issue, we think it's bad now but it's probably going to get worse.

GG: So we've heard some strong words here, words like revolution and flexibility and I think it's important for us to challenge ourselves. Are we fully taking this on board in terms of the retail property stock or are we just waiting to see what's round the corner?

Because what is clear is that there's a lot of secondary stock out there. We tried to put a figure on actually how much obsolescent stock there is within our retail property stock at the moment. Whether the obsolescence is due to location, to configuration or the poor condition of the building or simply as Andrew says, to restrictive book values which mean that it's at too high a level and our hands are tied about actually doing anything. And so I would just like to get the views of the panel. We've currently got a void rate of around 15% in the country at the moment but in terms of obsolescent stock, do you believe that it sits at higher or lower than 30% at the moment?

TD: I would say lower but not much lower, I'd say we're looking at about a quarter.

GN: I'm sorry to be awkward but I just want to question the whole idea of obsolescence because something's obsolete when regardless of the price, regardless of the configuration, regardless of the planning, nobody wants it at all and I think there is a tremendous amount of room and opportunity for some of those things to be flexed. And so if you say all those conditions are met, that at any price it is not wanted in any configuration, I think we're talking about considerably less than 30%.

TD: I would totally agree with that, I think what we're looking at here is how much of it can be recycled into modern space which actually retailers would then occupy.

GN: The other thing I would want to say is, what do we mean by retailers? I think the future of town centres is much more about experience and that's going to mean leisure, obviously catering but other forms of leisure and I think that we can get ourselves over frightened, <laughs> we can dream up really horrible figures and I'm not sure that it's going to be quite as dramatic as that.

GG: That's a valid point. The leisure market is probably one of the most expansive at the moment and in terms of the amount of capital that is behind the leisure companies expanding, they're certainly ready and willing. I don't disagree that a lot of that space that will be recycled is likely to be taken up by leisure operators. Andrew any views on that?

AJ: Yes, I'm with Geoff on this. I think when we talk about obsolescence of current values, I think I'm up with Tim at 25, 30%. Vacancy rates are going to go up, it's a fact and that's not necessarily because more people are going to go bust; vacancy rates are going to go up because lease expiries are going to give operators this new found flexibility to walk out of shops that they haven't had for 25 years. So vacancy rates are going up. I think the space on current values, the obsolescent number of current values is up where Tim suggests.

I think, picking up on Geoff's point, take away value, an efficient market should find its own price. I think that you get down to a number that's probably down at around about 10%. We can't use it for education, we can't use it for health, we can't use it for leisure and we definitely can't use it for residential or retail. And I think as one investment surveyor commented the other day, in many towns in the UK, there's been a significant under supply of demolition.

<laughter>

GG: Jeremy, you mentioned revolution. Is it fair to say that we're seeing the evolution of retail but we haven't actually seen the revolution yet? Is that a fair comment?

JC: We've been talking about the threat of on-line retail for a good decade plus and we're now starting to see it really ramp up and that, for me, will drive more change in retail property in the next 10 years than we've seen for a very long time. So I would probably buy Andrew's suggestion that obsolescence is maybe in the region of 10% but I think the churn rate, the change, will be much greater, closer to 40%.

And not just of the physical structures but what happens within those shops, so retailers are going to have to radically change their approach to proposition. We talked about HMV and Waterstones, the electricals market. A number of those sectors, a number of those assortments are going to get commoditised by the net and people will be buying its service that wraps around those products as much as the product itself and that's going to cause great change for retailers.

TD: Just to go back to what Andrew and Geoff were saying. There is this interesting point that if obsolescence is something like 10% but we've got these vacancy levels that are surely much higher, there is something in the property market that is not operating freely. Because actually there is an argument that if you were to say, 'Would it let at no price?' that's a much lower figure. There are clearly people hanging on to the historic values who aren't living in the real world and as Jeremy was saying it's a very, very different world now.

GG: There seems to be a theme coming out here, Ladies and Gentlemen. A lot of it is revolving around valuation and particularly around lease expiries on the horizon and I think there's a very clear message from everybody here, not least to the landlords but also the retailers and observers.

We will have to wrap up in a minute but just before we do, are there any questions that you want to ask the panel members? OK, I'm going to have to keep it very brief so I would just like to say Thank You very much for everyone attending. I think it's been not least informative but also, hopefully, it will encourage us to react to the changes that we're seeing because it does lie in our hands.

Lastly, I would just like to very much thank all the panel members for contributing today.

<Applause>

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