

Retail Destinations Live

Management Challenges

Catherine Lambert
Director – Retail Management

1. The Covid Affect
2. The Macro Climate
3. The Cost Challenge
4. Data and Reporting
5. Time and Resource



1. **Climate Change** and risks on Markets:

- Rent Revenues (attractiveness for letting / reduced demand)
- Operating Costs (e.g. increased Regulations, Utility & Insurance, employee pressures, social value consumer pressures)
- Capital Costs (investment required for retro-fits)

2. **The 4th Industrial Revolution**

- Digital Transformation – people powered - smart technology & smart buildings.
- Data, Data, Data & AI Technology – McKinsey survey shows 10-15% improvement to operating costs, environmental efficiency, revenue accuracy, reporting accuracy, customer experience, overall responsiveness and employee contribution satisfaction.
- Reporting, Security Risks, Lack of Affordability?

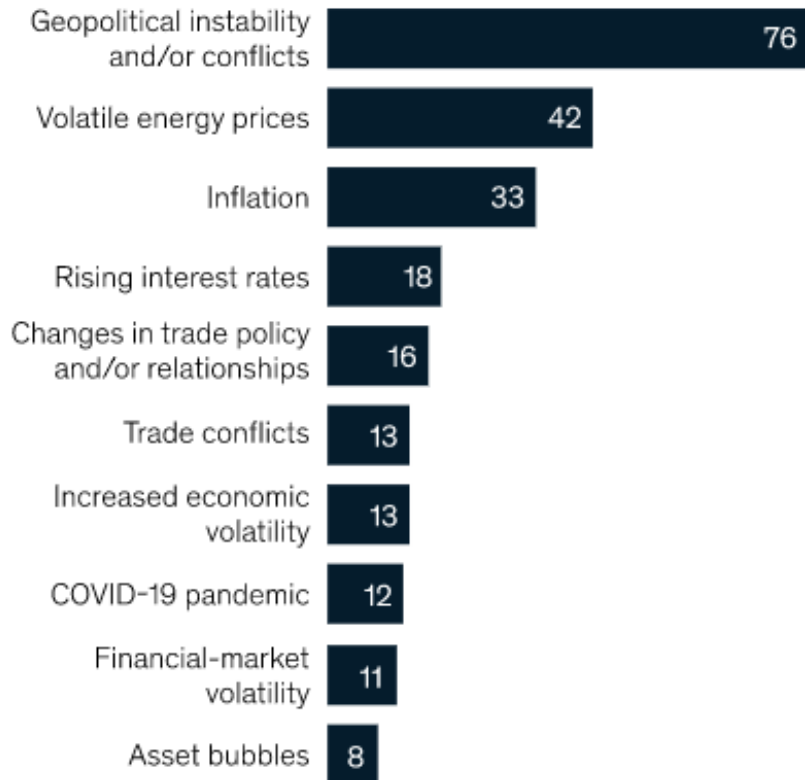
3. **Cost Increases** – Commodity, Labour, Distribution

- Soaring Inflation & Interest Rate hikes – more of a threat than political conflicts?
- Money tightening, borrowing costs increasing, price pressures

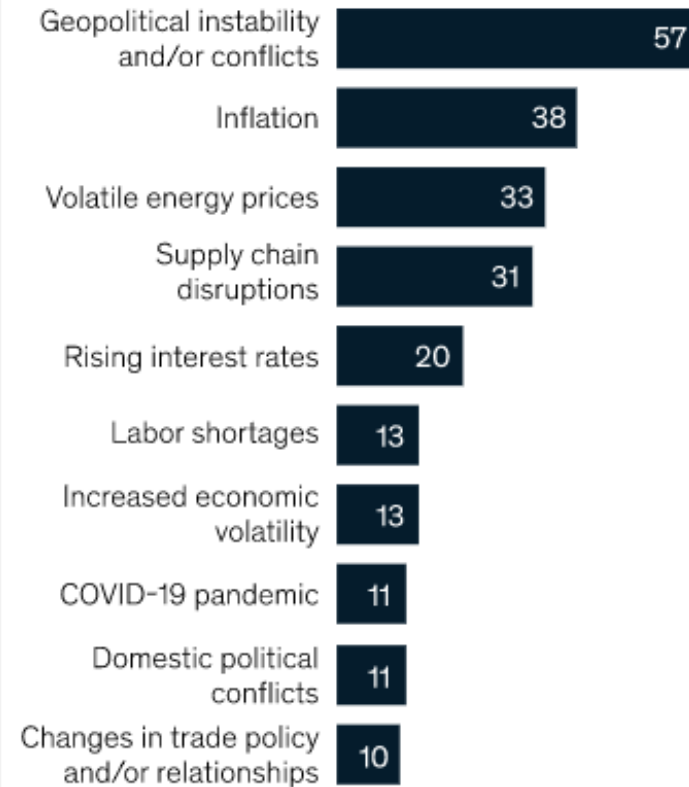
Geopolitical conflicts now loom large as a risk to both global and domestic economic growth.

Potential risks to economic growth, next 12 months, % of respondents (n = 785)

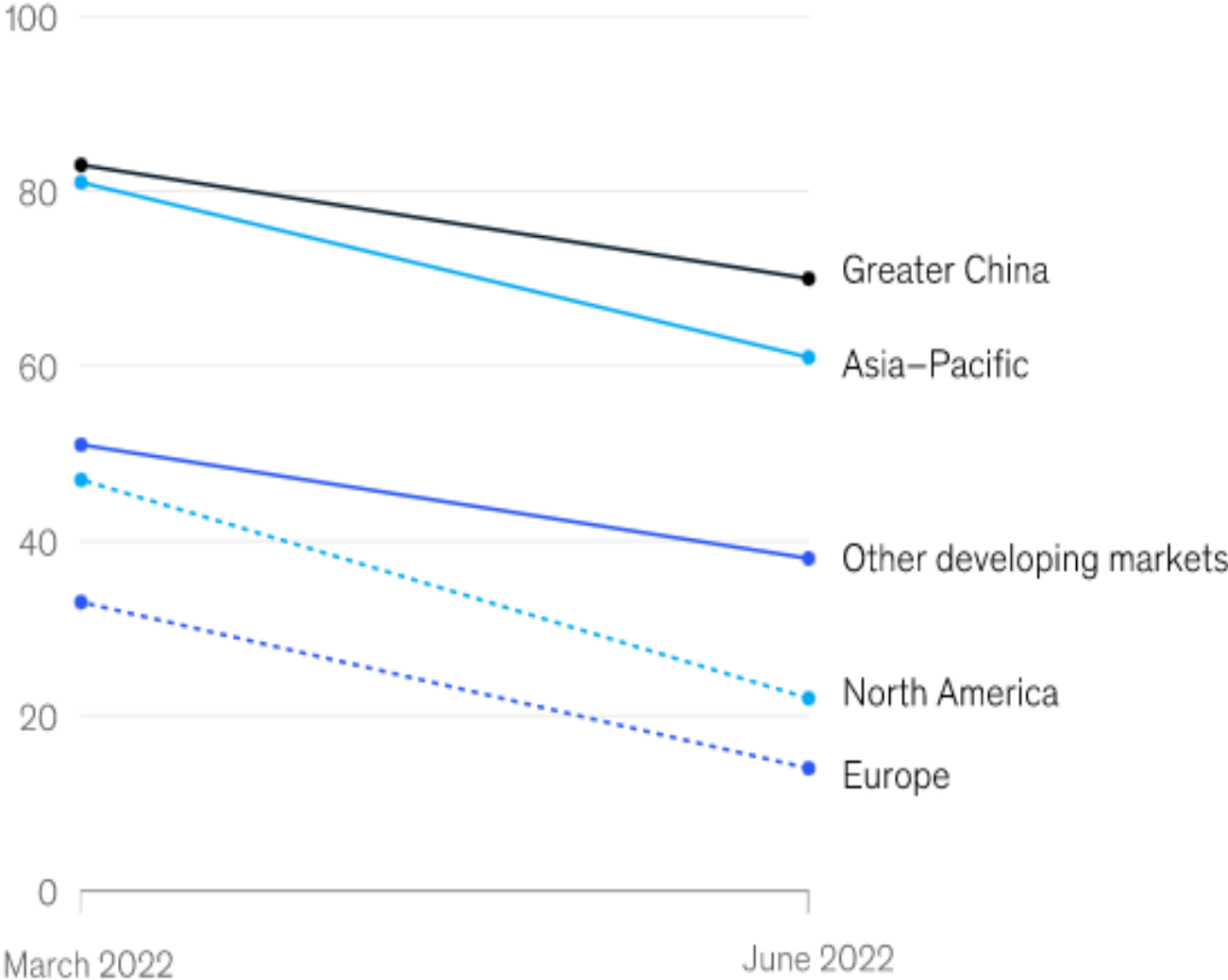
In global economy¹



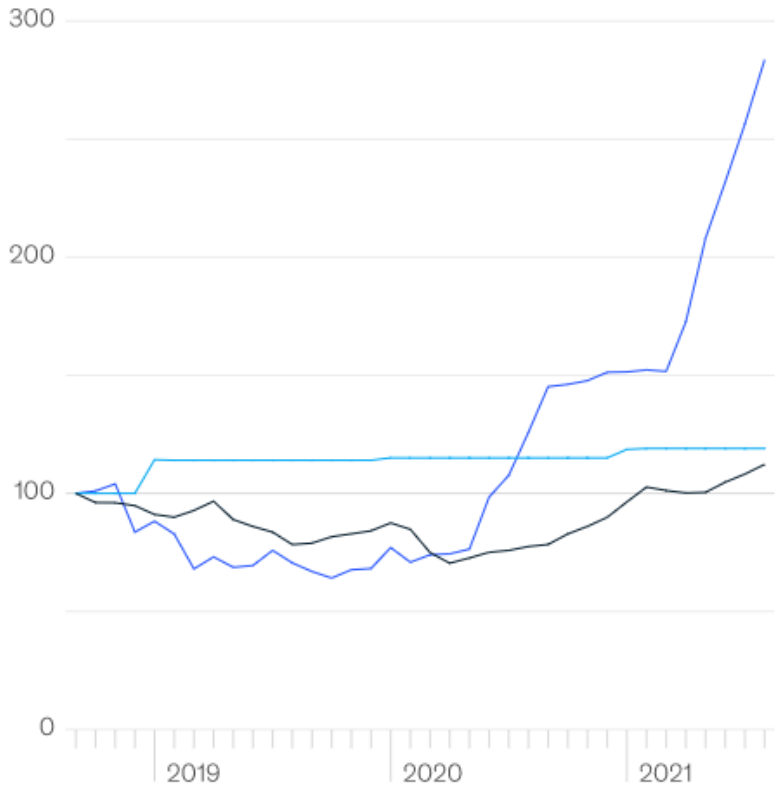
In respondents' countries²



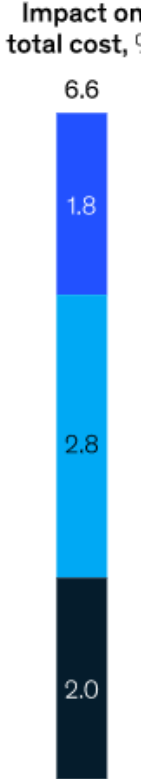
Share of respondents who expect economic conditions in their countries to improve in next 6 months, % of respondents¹



Commodity, labor, and shipping-lane pricing for a 100% cotton T-shirt, index (Sept 2018 = 100)



Change, Sept 2018– Aug 2021, %	
Shipping ¹	184
Labor	19
Cotton A Index	12



“**+250%**

Labour costs have risen by around 250% in China since it joined the WTO in 2001, whereas they have risen less than 30% in the US

“**+900%**

Prior to Covid-19, it cost \$1,500 to ship a single container from China to the West Coast of the US; in September 2021 this rose tenfold to \$15,000

4. People

- Mass De-Urbanisation:
 - Demographic changes to Footfall
- Communication Problems:
 - Multiple Platforms
 - Remote Employees
- Employee Burnout:
 - 50% stated preference to travel less
- Accounts & Credit Control:
 - Tracking rent & service charge payments
 - Covid arrears hang-over
 - New Leases – Inclusive & Turnover
- Skills & Training:
 - IT Skills number 1 issue



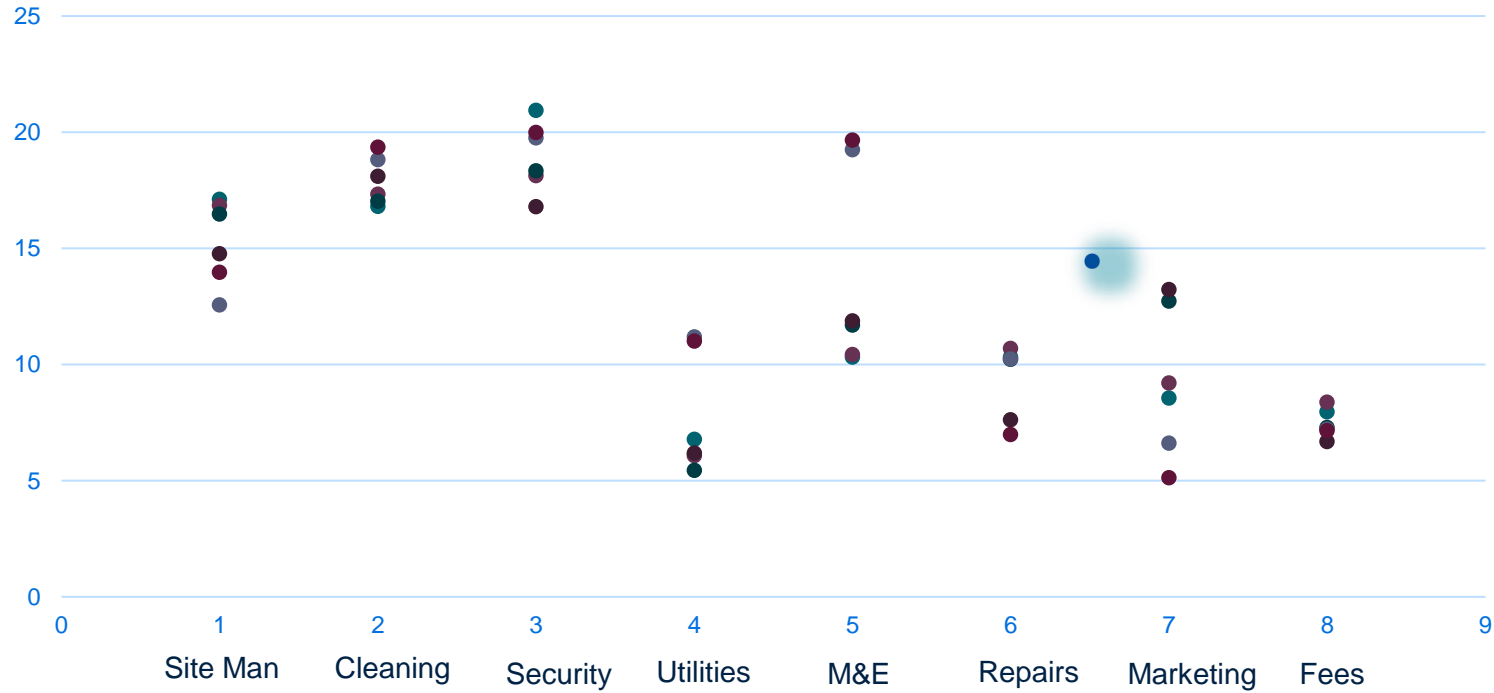
The Cost Challenge

- New professional standards issued by RICS:
 - Effective 1 April 2019
 - Mandatory for all RICS qualified people and regulated companies
- Landlords liabilities higher than ever before:
 - High vacancy rates
 - Debt management
 - Big move for all inclusive leases & turnover leases
- **Use of technology – slow to implement at site level**
- Challenge everything:
 - Cleaning, security, waste, marketing, M&E ...

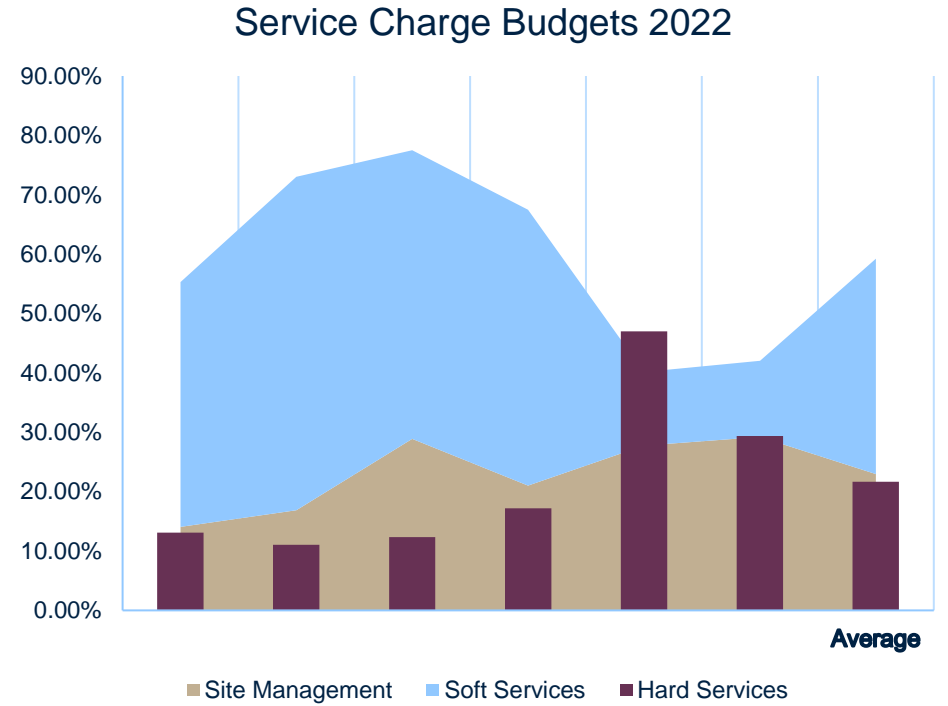
Pressure to reduce on-site costs; to maintain or improve standards; and provide **more** data and reporting



The Cost Challenge



% Budget Changes Since 1999 to 2021



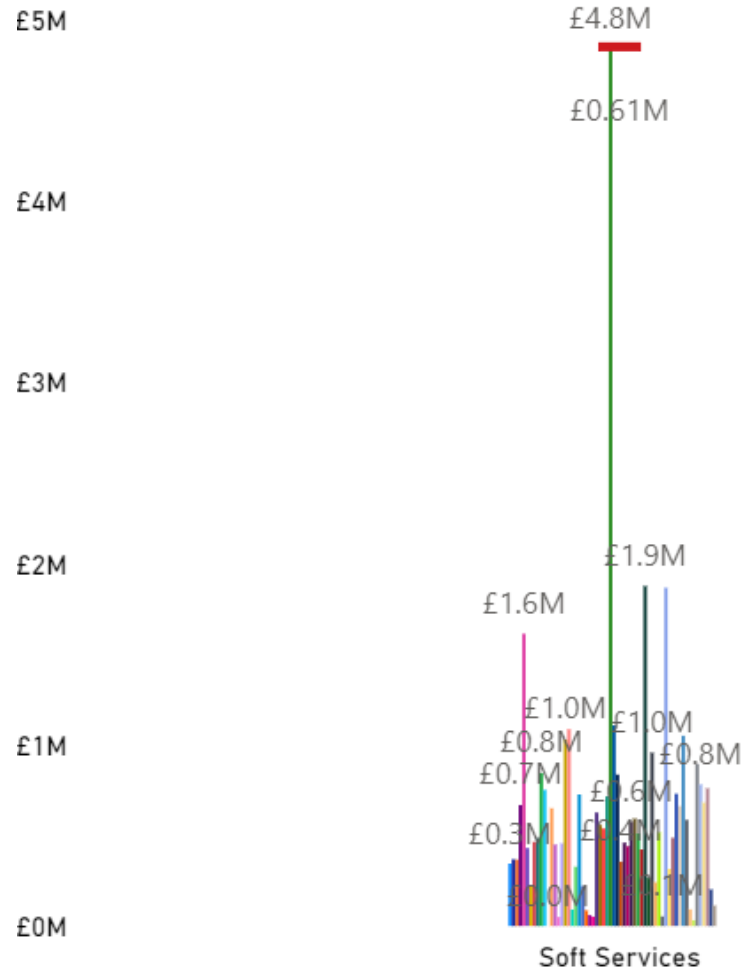
Budgets 2022
Category 250,000 sq. ft to 350,000 sq. ft

The Cost Challenge

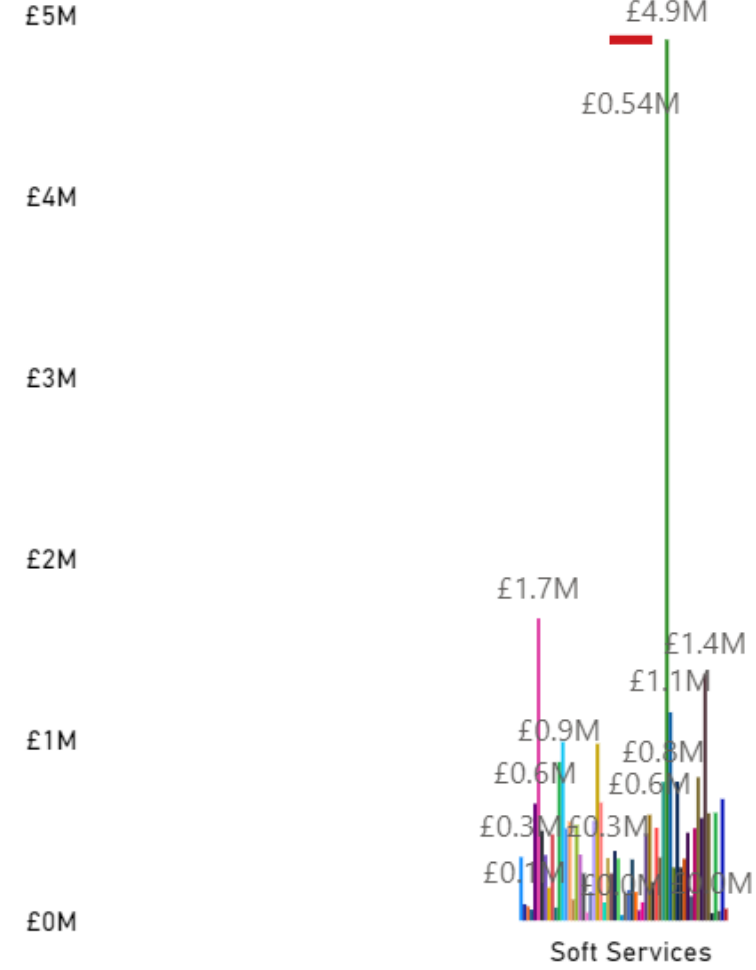
Soft Services 2022 Budget v 2020 Budget



2022



2020

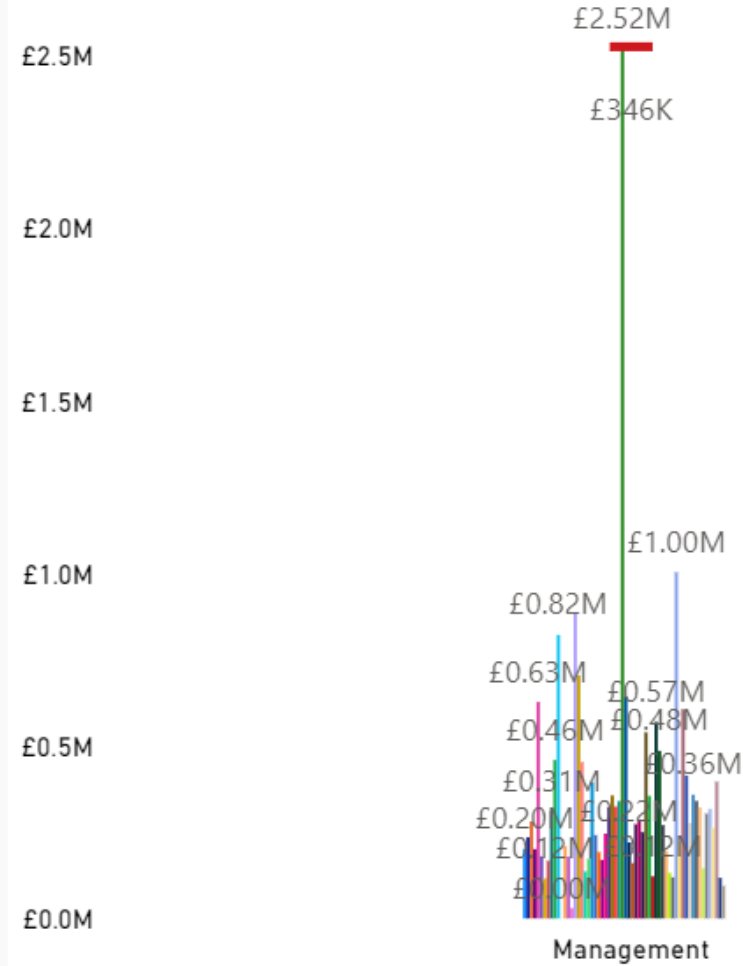


The Cost Challenge

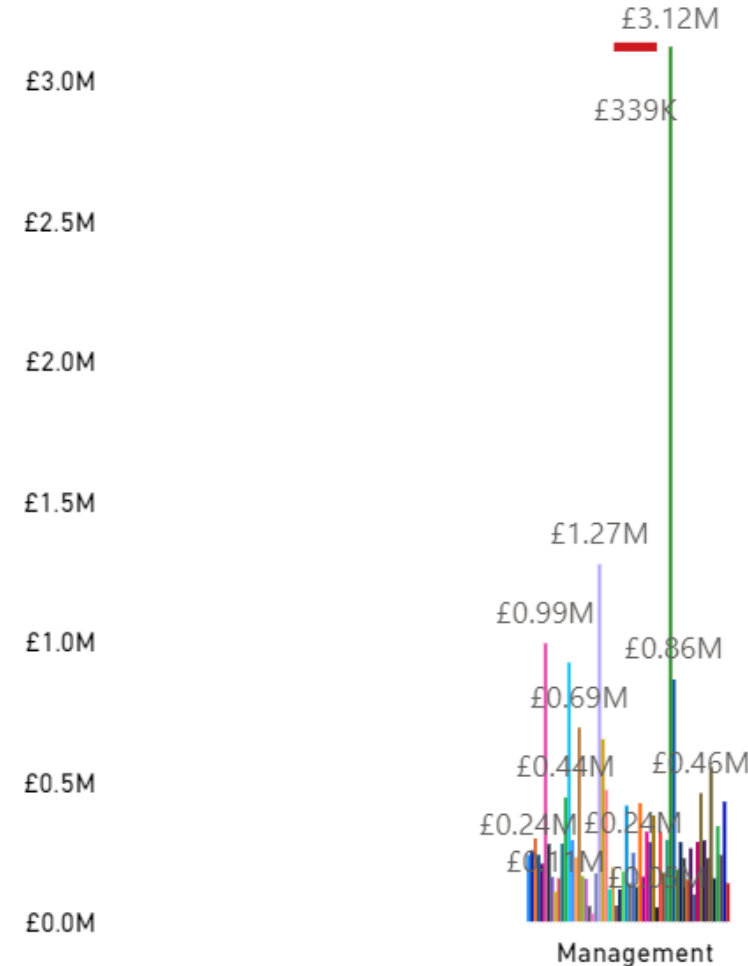
Management 2022 Budget v 2020 Budget



2022



2020

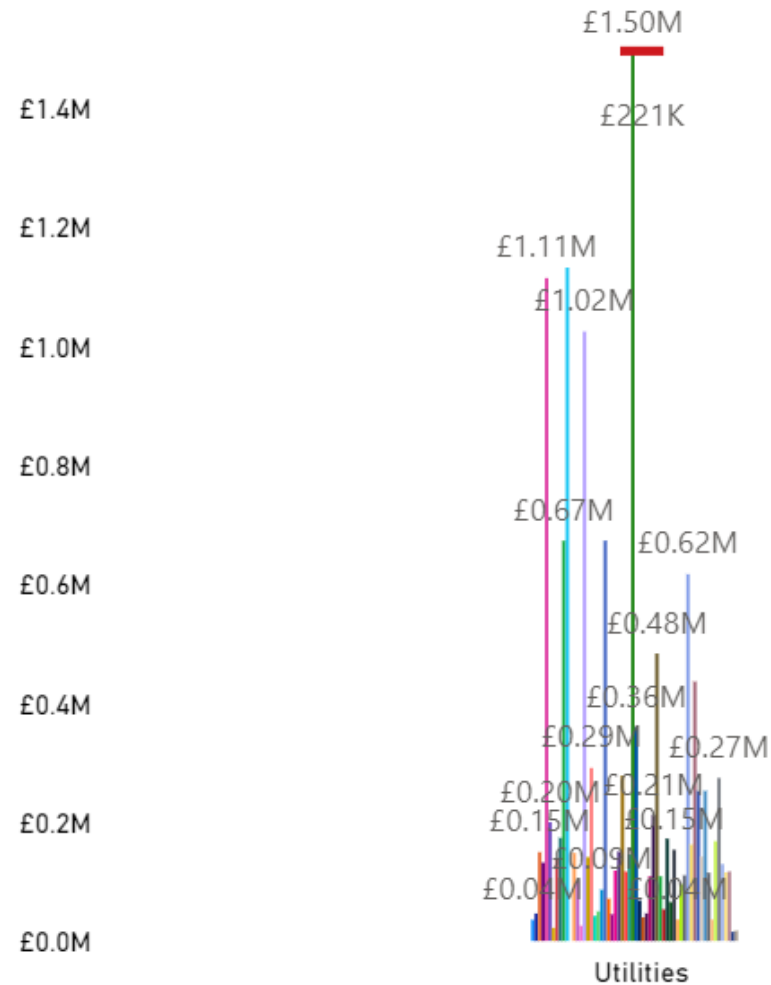


The Cost Challenge

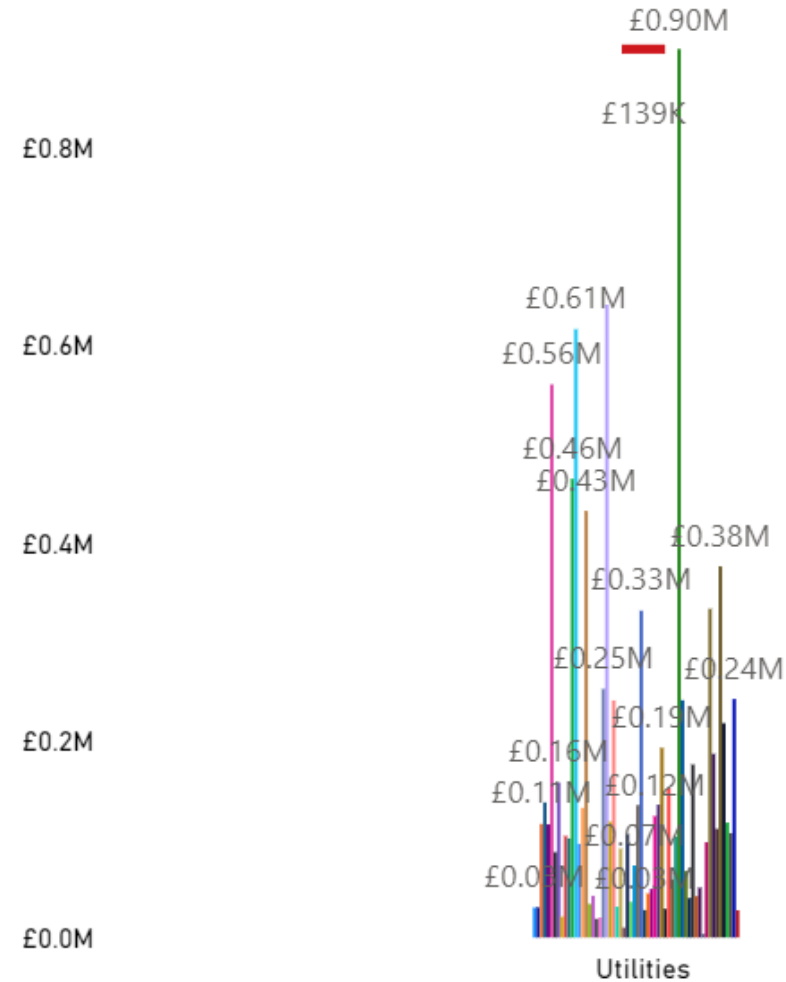
Utilities 2022 Budget v 2020 Budget



2022



2020

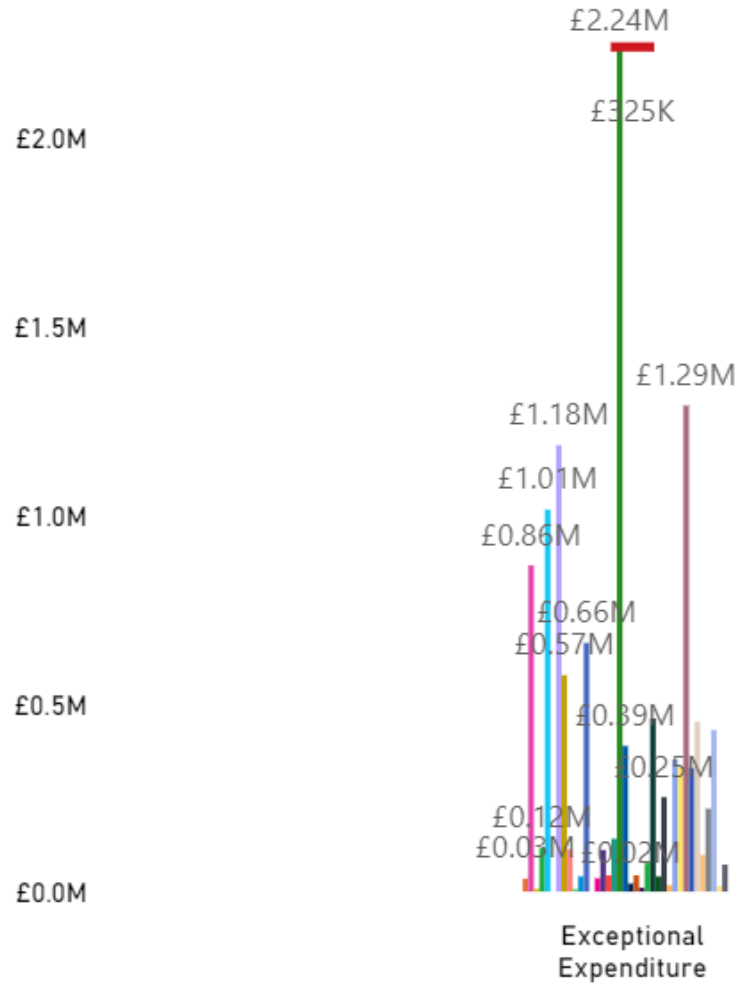


The Cost Challenge

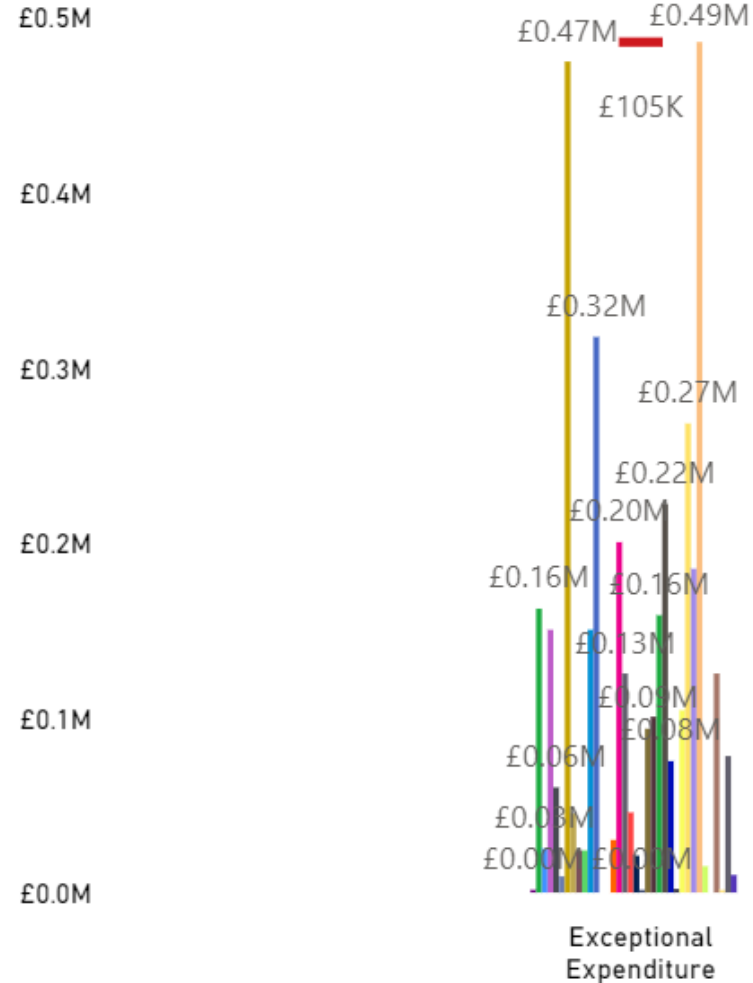
Exceptional Expenditure: 2022 Budget v 2019 Budget



2022



2019

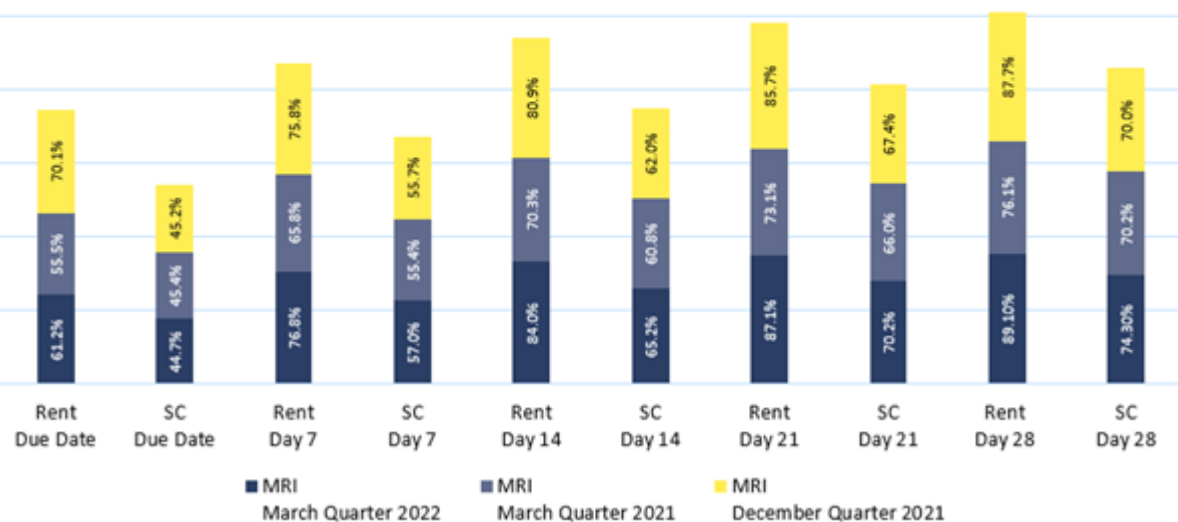


Credit Control

Rent Collections Up – Service Charge Collections still challenging

Rent and Service Charge Cumulative Collection and comparison against same quarter last year

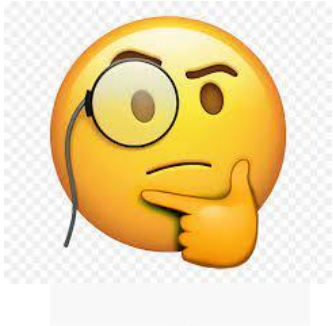
Due Date, Day 7, Day 14, Day 21 and Day 28 rent and service charge collection for March 2022 and comparison against the previous quarter – December 2021 and previous year – March 2021.



	MRI March Quarter 2022	MRI March Quarter 2021	MRI December Quarter 2021
Rent – Due Date	61.2%	55.5%	70.1%
Service Charge – Due Date	44.7%	45.4%	45.2%
Rent - Day 7	76.8%	65.8%	75.8%
Service Charge - Day 7	57.0%	55.4%	55.7%
Rent - Day 14	84.0%	70.3%	80.9%
Service Charge - Day 14	65.2%	60.8%	62.0%
Rent - Day 21	87.1%	73.1%	85.7%
Service Charge - Day 21	70.2%	66.0%	67.4%
Rent - Day 28	89.1%	76.1%	87.7%
Service Charge - Day 28	74.3%	70.2%	70.0%

	MRI June Quarter 2022	MRI June Quarter 2021	MRI March Quarter 2022
Rent – Due Date	65.9%	58.7%	61.2%
Service Charge – Due Date	43.6%	44.6%	44.7%
Rent - Day 7	78.6%	75.2%	76.8%
Service Charge - Day 7	60.4%	56.7%	57.0%

WHO? – Credit Control?



Increased Number of Demands:

- English – 1st Jan, 1st April
- Usual – 25th Dec, 25th March
- Monthly – 1st month, 25th month
- Different dates for Rent v Service Charge billings
- Turnover – x days after month end, or quarter end, or annual
- On-Account of Turnover
- Base Rent plus monthly, quarterly or annual t/o
- TOC leases linked to cap & collar %'s
- Ad-hoc Recharges – e.g. Utility



Collection of Arrears:

- Covid arrears – *Arbitration 6-months from 25/03/22*
- Disputes
- Payment plans
- Part-payments
- CVA's & Admins – adjusts debts
- Write-Offs – who pays?



How do I work out the extent of a tenant's "protected rent debt"?

Firstly, it is not just annual rent that is protected. Protection extends to service charge, insurance, VAT, interest and rent deposit top-ups. Secondly, the protected rent debt is worked out by reference to a protected period. Broadly, the protected period will be from 21 March 2020 until the last day the tenant faced restrictions specifically relating to their business sector.

The [Code](#) contains a useful table which might assist with working out the last day of the protected period for the relevant sector:

Business sector	Relevant mandated closure/restrictions end date (England)	Relevant mandated closure/restrictions end date (Wales)
Hospitality & Nightclubs	18 July 2021	07 August 2021
Non-essential Retail	12 April 2021	07 August 2021
Garden Centres	13 May 2020	22 March 2021
Personal Care	18 July 2021	12 April 2021
Hairdressers	18 July 2021	15 March 2021
Hotels & B&Bs	18 July 2021	17 May 2021
Self-contained Tourist Accommodation	12 April 2021	27 March 2021
Indoor Leisure	18 July 2021	3 May 2021
Outdoor Sports/Leisure	29 March 2021	26 April 2021
Theatres & Cinemas	18 July 2021	17 May 2021
Large Events Venues	18 July 2021	7 August 2021

Volumes of UAC on tenants accounts is at an all time high.

Estate Management Trends

The business of real estate needs to be more hare than tortoise to transform for the better

Supply Chain Team Insights
PM+ Core Principles

ENERGY PROCUREMENT



UNDERSTAND
What does Savills Property Management provide to you, our clients, our occupiers and communities?

OUR PORTFOLIO
The properties we manage are places of work, places to live, places to have fun – we are here to support those needs.
The rental income our managed portfolio generate pays pensions, provides employment and supports investment.

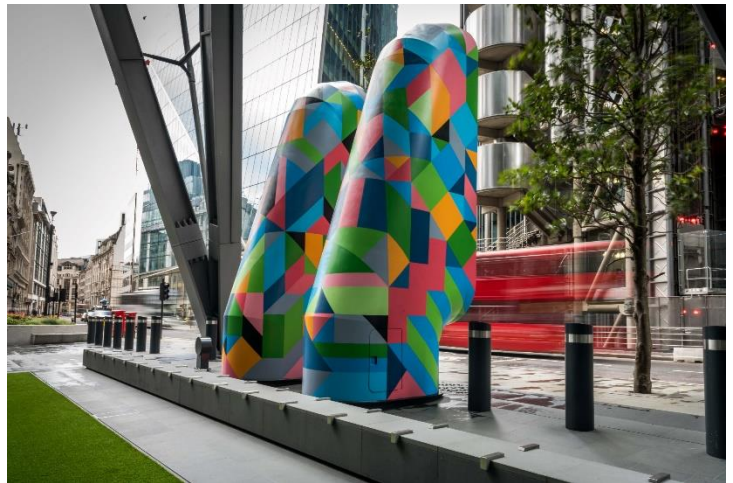
FOR YOU
Stability, support, compassion
An opportunity to develop your skills
Managers and colleagues supporting you as an individual

FOR OUR CLIENTS
A stable partner
Delivering an integrated service
Guaranteeing compliance across all areas of operation

FOR OUR OCCUPIERS & COMMUNITIES
Respectful property management enriching tenant occupation
Customer service to encourage continued use

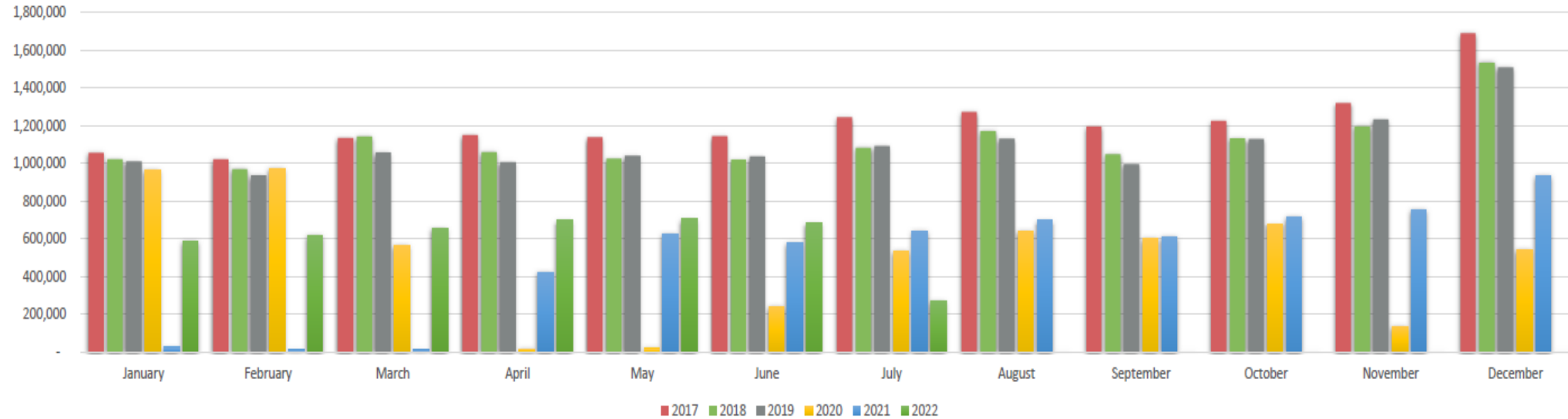
COMMUNITY LED INITIATIVES THAT MAKE A DIFFERENCE
Managing to make

A PLACE TO BE YOURSELF
BEST PRACTICE, IDEAS, CHALLENGE



Centre Management Reporting

Monthly Footfall YoY



Monthly Parking													
	January	February	March	April	May	June	July	August	September	October	November	December	Yearly Total
YoY Comparison													
2018	-	-	-	-	-	-	-	-	-	-	-	-	-
2019	-7.59%	-3.78%	-7.01%	-6.79%	2.82%	4.20%	0.24%	-3.77%	-5.22%	-0.40%	3.18%	2.46%	-1.59%
2020	-0.61%	11.06%	-40.98%			-82.26%	-52.52%	-35.99%	-37.66%	-35.02%	-85.30%	-57.66%	-52.82%
2021	-95.33%	-98.28%	-90.90%	-	-	204.27%	24.37%	-4.08%	-5.22%	-4.96%	310.72%	54.78%	-1.74%
2022	1141.10%	3486.51%	1075.07%	81.52%	18.48%	20.30%	-80.59%						-33.79%

Centre Management Reporting

Sales Data YOY

	Totals			YTD		
	Jan-19 - Dec-19	Jan-22 - Dec-22	%▲▼	Jan-19	Jan-22	%▲▼
£ 725,977.00	£ 219,125.83	-69.82%	£ 59,032.00	£ 42,487.50	-28.03%	
£ 3,319,655.00	£ -	-100.00%	£ 229,503.00	£ -	-100.00%	
£ -	£ -	-	£ -	£ -	-	
£ -	£ -	-	£ -	£ -	-	
£ 976,597.00	£ 499,434.00	-48.86%	£ 95,257.00	£ 79,436.00	-16.61%	
£ 711,365.00	£ -	-100.00%	£ 41,829.00	£ -	-100.00%	
£ 12,500,119.00	£ 3,459,364.00	-72.33%	£ 840,453.00	£ 594,608.00	-29.25%	
£ 663,655.00	£ 380,263.00	-42.70%	£ 50,499.00	£ 73,354.00	45.26%	
£ 431,406.00	£ 123,574.00	-71.36%	£ 27,700.00	£ 22,879.00	-17.40%	
£ 1,317,219.00	£ 280,015.00	-78.74%	£ 81,098.00	£ 47,745.00	-41.13%	
£ 489,875.00	£ 10,251.00	-97.91%	£ 28,811.00	£ 10,251.00	-64.42%	
£ -	£ -	-	£ -	£ -	-	
£ 798,551.00	£ 309,576.00	-61.23%	£ 62,464.00	£ 58,185.00	-6.85%	
£ 402,441.00	£ 233,574.00	-41.96%	£ 21,679.00	£ 39,906.00	84.08%	
£ 442,230.00	£ 353,339.00	-20.10%	£ -	£ 56,541.00	-	
£ 692,754.00	£ 152,996.00	-77.91%	£ 31,112.00	£ 24,328.00	-21.81%	
£ 2,245,473.00	£ 915,487.00	-59.23%	£ 159,110.00	£ 170,434.00	7.12%	
£ 775,253.00	£ 270,262.00	-65.14%	£ 54,190.00	£ 52,238.00	-3.60%	
£ 994,536.00	£ 197,974.00	-80.09%	£ 52,895.00	£ 41,917.00	-20.75%	
£ 1,150,661.00	£ -	-100.00%	£ 58,211.00	£ -	-100.00%	
£ -	£ 495,740.00	-	£ -	£ 96,812.00	-	
£ 1,192,632.00	£ 420,530.00	-64.74%	£ 83,962.00	£ 73,512.00	-12.45%	
£ -	£ -	-	£ -	£ -	-	
£ 724,830.00	£ 219,587.00	-69.71%	£ 27,077.00	£ 33,755.00	24.66%	
TOTALS	£ 126,768,931	£ 25,354,643	-80.00%	£ 8,756,349.67	£ 4,370,634.74	-50.09%
TOTALS Like for Like	£ 78,895,763	£ 23,740,646	-69.91%	£ 5,115,885.67	£ 3,869,501.74	-24.36%

Supporting the value of those green spaces is a dense network of sensors that continuously monitor the air quality around the King's Cross estate

Argent, the developer at King's Cross in London, answered by dedicating 26 of the site's 67 acres to traffic-free streets, parks, gardens, water features and open public spaces. It includes Bagley Walk, a park built on a former railway viaduct filled with seasonal plants, much like the High Line on Manhattan's West Side.

Supporting the value of those green spaces is a network of sensors that continuously monitor the air quality around the King's Cross estate. They report hyper-local air quality data street-by-street to map levels in real time, measuring a wide range of airborne particulate matter and toxic gases. The data generated will help the public to map their walking routes through less-polluted spaces and transform public health in urban spaces.

Real-time data keeps cities moving

The potential applications of smart-city tech are varied. Some use real-time data to monitor and manage traffic flows, air quality, streetlights or waste collection. This technology can be crucial to creating solutions, as a study by McKinsey reported: cities that use technology improve quality of life indicators by between 10% and 30%, helping them make progress towards the UN's Sustainable Development Goals.





MARKET TRENDS

Four trends shaping global retail real estate

TREND 3: Retailers that sustained growth during the pandemic will fuel future demand

While those retail sectors that struggled during the pandemic will likely use the next year to recalibrate and reconsider store expansion strategies, those that sustained or even grew sales during the same period look set to accelerate store expansion, benefitting from a rebasing in rents in some markets.

Success stories during the pandemic include athleisure, homeware, wellness, food and beverage and electric vehicles (EVs). All continued to trade well both online and offline, when able to trade physically, over the past 18 months, and will move ahead capitalising on strong revenues and attractive store opportunities in the wake of the pandemic. For those sectors, now is a prime moment to acquire new sites and grow their physical footprints, as great units in great locations may be available at far cheaper rents than in 2019.

“The role of physical stores in an increasingly digitised commerce landscape is changing, turning stores into aspirational destinations that straddle leisure and entertainment

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IMPACTS UPDATES



TREND 4: From transactional to experiential stores

A trend prior to the pandemic – and one set to continue – is the evolution of physical retail from a transactional space into an experiential, brand-building one. This reflects the changing role of physical stores in an increasingly digitised commerce landscape, turning them into aspirational destinations that straddle leisure and entertainment.

On the one hand, we’re seeing this as a trend leveraged by traditional retailers. In 2021, shoe brand Vans – which saw digital revenues grow by 53% in 2020 – announced it would open a permanent ‘House of Vans’ location in Mexico City. Part skatepark, part music venue and part art gallery, the space is a community hub for street culture rather than a transactional space, with other locations in Chicago and London.

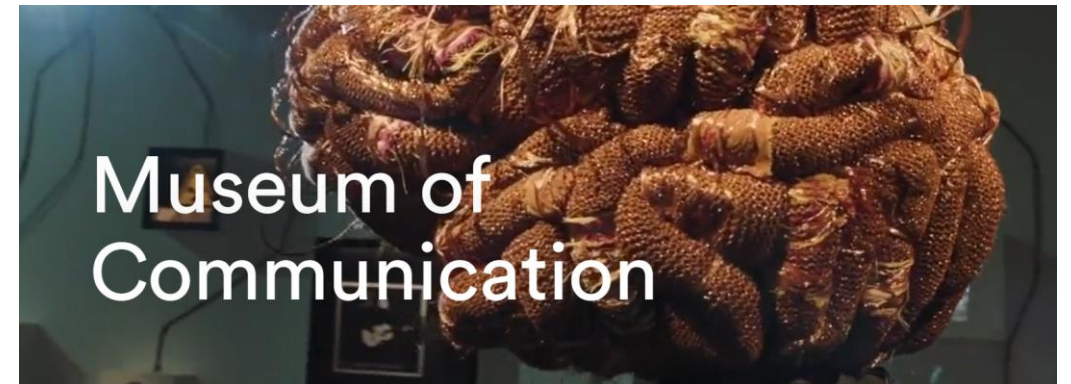
Upmarket US furniture retailer RH has also seen “phenomenal success” by merging retail and hospitality in its galleries, says Sam Foyle, Director of Retail, Savills. “They have merged retail and hospitality in a unique way. Their restaurant offer is within their galleries. When you go into their stores, you can sit on their furniture and have a glass of wine. They don’t look at property as a sales tool, it’s about how it can showcase and elevate their brand. The galleries are an expression.”

Summary

1. People - *Staff & Place & Community*
2. Finance - *AI Reporting Tools*
3. ISO14001 - *property level*
4. Data & Stats - *Trading, Footfall, Car Parks, Environment*
5. Digital Skills - *Advanced Excel*
6. Technology

COMMUNICATION

Measure more; Report more; Share more



Fun Innovations

