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NEWS

UPDATE



CONCESSIONS - HELPING TO FUND RETAIL DEVELOPMENTS



In this week's edition of Concession News, we look at how retail developments are incorporating Concession tenants into their plans, as they look to create a 'destination' proposition and fund the next stage of their growth.

Franklin D. Roosevelt once said, "There are many ways of going forward, but only one way of standing still." This mantra has been applied to successful businesses the world over and is particularly relevant to retail. Retailers always need to be thinking about the next stage of their progression as they look to attract new customers and increase sales and profitability.

Despite the difficult economic conditions we have experienced over the last few years, a number of Landlords have started and completed exciting development projects, many of which have incorporated Concessions to underpin the funding of the scheme.

Concessions enable local and national, complementary brands to trade their stores from within the retailer's footprint under long term agreement. The Concession tenants would typically pay a rent to be on site, in addition to other associated costs, thus making them an ideal means for the host retailer to introduce ranges they would not usually have access too, in a way that ensures guaranteed revenues.

Some of the most prestigious garden centre developments in recent years have used rental income to demonstrate to the viability of their schemes. The award winning 'Garden Park' in Peterborough and 'Bicester Avenue Home & Garden Centre' have become two of the UK's leading destination retail venues, both of which involved working with tenants when the sites were at the design stage.



Concessions have also become an increasingly popular and important aspect of the business development as it enables Landlords to introduce new brands and ranges, in addition to creating a more profitable overall business model.

First Franchise Ltd have been working with a number of site owners to discuss how their businesses can benefit from the introduction of complementary retailers and the advantages of using rental income as part of a funding application.

Keith McIntyre, Managing Director of First Franchise Ltd said *“Working with site owners to offer assistance at the early stage of development offers both the Landlords and potential Tenants the opportunity to plan appropriately and work together to create the right proposition for the maximum impact when it opens. We are usually involved at an early stage in the planning of a development not only to ensure that concessions are correctly positioned, but also to guide owners to the likely revenues they may derive”*

David Yardley of Klondyke/Strikes Garden Centres said *“This year we have completed the development of High Legh Garden Centre which saw the introduction of Concession tenants including Maidenhead Aquatics and Cotton Traders. We wanted to incorporate tenants into the plans as we felt that their introduction would benefit the overall project and assist with the future financial planning of the site.”*



As a result of the long term stability that the fixed (minimum) rental values of Concessions offer, planning how they can be incorporated into a retail development at an early stage helps site owners to understand how their introduction can assist with funding.

Banks and lenders prefer to see Concession Income on a financial forecast when signing off funds for developments, rather than ‘projected’ turnovers as they provide an element of investment security. Concession rents are paid irrespective of external factors such as the weather, so investors like the peace of mind that they bring.

Large, multi site retailers investing in to these developments also enhance this peace of mind for potential investors as their trading history and size can offer re-assurance that the host is entering an arrangement with a secure partner.

Stephen Cooper, First Franchise’s Property Consultant comments *“When meeting potential investors, Landlords need to provide them with as much financial security as possible. Concessions are an excellent way to secure funding as they provide immediate, fixed returns ensuring site owners can start to repay the funding they have been given.”*

In addition, involving Concession tenants as early as possible enables site owners to plan how much space will be required and their preferred location instore, so that they can be appropriately incorporated in to their layouts.

As part of this planning stage, site owners also need to consider what type of complementary retail they would like to include within their future proposition. The

retailers that are introduced need to reflect both the future direction of the business as well as being in line with the demographics of the host.

Assessing where the existing business can be supported is fundamental to the planning stages as there may be existing demand from the customer base regarding the type of retailer they would like to see at their local site.



This selection process can also benefit from feedback from the retailers themselves as existing demand in the area, recorded within customer loyalty databases (for example) may have a factor in the decisions that are made.

Malcolm McNeill Retail Sales Manager for Cotton Traders adds *“When we open any store we consider all of the elements that can contribute to making it a success. Instore location, size of the unit, existing customers in the area are all major factors. Being involved at the early stages of a development helps us to plan effectively and work closely with the site owners to ensure that when we open, we all hit the ground running and work together to create a shopping destination.”*

Once the retailers have registered interest, locations have been discussed and timescales agreed, the next stage is usually to reach an agreement between Landlord and Tenant so that all parties can plan ahead and understand the finances involved.



This agreement comes in the form of ‘Pre-Lets,’ which enable site owners to effectively reach agreement on the leasing of space, subject to certain criteria being reached, in advance of works starting.

This ‘Pre-Let’ process not only underpins the financial forecasting for the host (as they are able to understand the revenues available), it also enables the retailer to recruit the staff, schedule the fit out and implement the marketing to assist the launch of the host, thus ensuring that the opening goes smoothly and the plans are agreed in advance.

Keith McIntyre of First Franchise Ltd adds *“Despite a tough economic climate we have found that there is still an increasing demand from retailers to develop their businesses. As such, we have both Landlords looking to expand and Concessions looking for new sites. We are thus able to match the requirements of each, to provide the perfect retail proposition. In addition, the guaranteed income that Concessions offer enables site owners to plan their developments and secure funding in advance of works starting.”*

To find out more about how Concessions can assist with the funding of your development, space available within existing developments and opportunities to be discussed now. 01737 735041, info@firstfranchise.com

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