

# LONDON'S WEST END



## Destination Tracker

October 2011 Issue 4

### Summary

- London's West End continues to defy the weak economy and poor weather to demonstrate a strong performance, well ahead of the national average.
- The West End is now the world leader in the number of flagship stores and ranks only behind Hong Kong and Dubai in its concentration of luxury stores.
- Sales & footfall show healthy increases across the West End, but especially in Regent Street and New Coventry Street.
- Rents and demand for West End property continue to hold up across all sectors, making it one of the most resilient locations in the country for retail, leisure and business.
- As the 2012 Olympics get closer, improvement initiatives worth £2 billion are underway across the West End to provide an environment more fitting for a world-class retail and leisure destination.
- While improvement works proceed, the public realm needs focused management in partnership with Westminster City Council, Transport for London and developers to minimise disruption and inconvenience around the West End.
- Major headway has been made against crime and anti-social behaviour in the West End, as both the New West End Company and the Heart of London Business Alliance work closely with the Metropolitan Police and stakeholders to prevent incidents, crime and unrest in the area. This will increase consumer confidence and reassure businesses.



### September 2011 Performance Rating

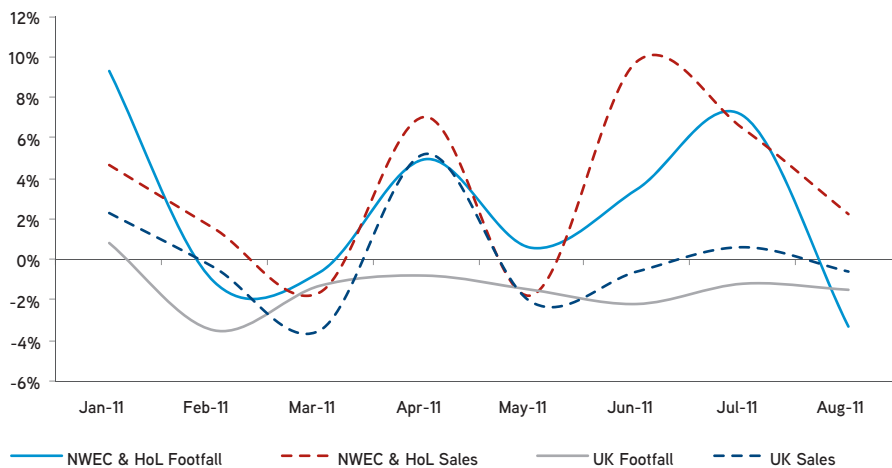
(Stars out of 5)

Audiences	★★★
Visitor experience	★★★
Property	★★★★
Trading	★★★★

The West End Destination Tracker brings together a range of information under four themes: audiences, visitor experience, property and trading. Each theme has been given a subjective star rating (scored 1 to 5) based on professional judgement, observation of key indicators referenced in this report and drawing upon a range of further quantitative and qualitative data and feedback.

This report focuses on the period January to August 2011.

COMBINED NWECC & HOL AREA VS UK - Y/Y % CHANGE IN FOOTFALL AND SALES



Source: Springboard/NWECC/HoL



# Audiences: Tourism & Footfall ★★★

INDICATOR	TREND	COMMENT
<b>London Overseas Visits</b> <i>Source: London and Partners Overseas Visits Q1 2011; International Passenger Survey</i>	↑	<ul style="list-style-type: none"> <li>• Visits up 5% year on year (y/y) and an impressive 11.5% increase for the year to date, in defiance of poor weather and industrial action.</li> <li>• Overseas visitor spend up by 11.2%, led by 'other countries' (China, Russia, Brazil) beating traditional core markets of Europe and USA. This reflects sterling devaluation and strength of the retail offer.</li> <li>• Business visitors leading growth; although all sectors show gains.</li> </ul>
<b>London Domestic Visits</b> <i>Source: UKTS; London Ward Partners Q1 2011</i>	↓	<ul style="list-style-type: none"> <li>• Poor weather and industrial action has resulted in a dip of 10.8% in the first quarter.</li> <li>• Visits received a boost from the Royal Wedding and public holidays in April, but this was offset again in May due to poor weather.</li> <li>• Anecdotally, domestic hotel visits and weekend breaks have been strong over the summer due to the 'staycation' trend, which may continue for a number of years.</li> </ul>
<b>West End Footfall</b> <i>Source: NWEC, Heart of London, Springboard</i>	↑	<ul style="list-style-type: none"> <li>• For the year to August, footfall across the NWEC/HoL area is up 2.5%, and continues to outperform the UK (-1.5%).</li> <li>• Following a strong July (+7.1% y/y), a small dip in footfall (-3.3% y/y) across the West End in August is not unusual. The London riots will have had an impact and may account for slightly weaker y/y figures against the UK average.</li> <li>• Regent Street and New Coventry Street show year to date and y/y footfall increases in August.</li> </ul>

## Action point

- Further promotion of the West End as a premier global retail and entertainment destination in both domestic and international tourist markets.



# Visitor Experience ★★★

INDICATOR	TREND	COMMENT
<b>Public Realm</b> <i>Source: Online and Press Research; Heart of London</i>	↓	<ul style="list-style-type: none"> <li>• £2 billion worth of improvements are underway to significantly improve the West End's public realm in the short to medium term. This will increase attractiveness and quality of experience.</li> <li>• Current negative impact on public realm will change for the better as works are completed.</li> </ul>
<b>Impact of Major Events</b> <i>Source: NWEC, Heart of London, Springboard</i>	↑	<ul style="list-style-type: none"> <li>• The biggest event of the year, the Royal Wedding, and a number of public holidays in April saw West End sales up 7.0% and footfall up 4.9% y/y. However, wedding watchers failed to shop.</li> <li>• Seasonal events included: 'Taste of Spain' (attracted 500,000 extra people to the West End), 'High Street Fashion Week' and 'Vogue Night Out', which alone saw a 92% increase in footfall on Bond Street and a 34% increase in footfall on Oxford Street and Regent Street indicating that special events do boost visits.</li> <li>• Other events like The Art of Being British (Jermyn Street), The BFI Film Festival (900 journalists in Leicester Square) and several high profile movie premieres have continued to raise the profile of the West End as a prime entertainment destination. More similar events are required.</li> </ul>
<b>Visitor Perception</b> <i>Source: NWEC, Heart of London</i>	↓	<ul style="list-style-type: none"> <li>• Due to ongoing improvement works all around the West End, at present the general quality of the public realm is poor.</li> <li>• The welcome to shoppers is improving due to ambassadors in both districts.</li> </ul>
<b>Crime and Anti-Social Behaviour Management</b> <i>Source: NWEC, Heart of London</i>	↑	<ul style="list-style-type: none"> <li>• Significant lobbying has led to increased support to West End businesses facing crime and anti-social behaviour. The Westminster Safe and Secure Group, including key stakeholders and the Metropolitan Police, has been formed to provide strategic guidance.</li> <li>• HoL has taken a step change with partners Westminster City Council and the Metropolitan Police to create a genuinely collaborative structure, pooling resources and skills to address street management. Initiatives like 'Safe Nights' and 'Safe Afternoons', with increased police presence and the introduction of 'Chelsea Clips' to secure bags, has reduced crime and reassured both operators and customers.</li> <li>• The quality of the West End environment has been much improved by targeted multi-agency crime initiatives that have reduced the numbers of unlicensed sellers, pickpockets and pedicabs.</li> <li>• Crime has halved since 2003 as a result of the efforts of the Oxford, Regent and Bond Street (ORB) police teams. The ORB crime statistics showed a 12% reduction in all crimes for the year to end April.</li> </ul>
<b>Attractors</b> <i>Source: NWEC, CBRE</i>	↑	<ul style="list-style-type: none"> <li>• Evidence of more global brands and flagship stores, which is fitting to the West End's appeal as a global destination – a trend likely to be reinforced in the future.</li> <li>• The West End now has 217 flagship stores (196 in 2008), making it the global leader ahead of New York.</li> <li>• The West End also has the third largest concentration of luxury stores in the world (behind Hong Kong and Dubai) and is ahead of any other location in Europe and America.</li> </ul>

## Action points

- NWEC and HoL must work with Westminster City Council to better manage disruption caused by the ongoing improvement works around the West End, in particular the Crossrail works, which have a longer time frame for completion (2016-2017).
- Hoardings with visualisations of the completed improvement works will significantly aid tolerance of the disruption.
- Working with the Metropolitan Police to provide alternative routes for protest marches so as to reduce the impact of protests on businesses and visitors in the area.

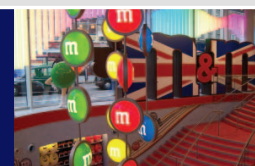


## Property: Retail, Entertainment & Offices ★★★★★

INDICATOR	TREND	COMMENT
<b>Retail</b> <i>Source: Colliers International</i>	↑	<ul style="list-style-type: none"> <li>• Current demand in the West End is predominantly from overseas brands. Recent openings include Forever 21 and the Disney Concept Store on Oxford Street, M&amp;Ms World London in Leicester Square and Coach on New Bond Street.</li> <li>• Tenant changes on Regent Street will bring in new flagship stores for Burberry, Superdry and Hollister in the West End, while Victoria's Secret (USA) and Bosideng (China) have also announced new openings.</li> <li>• Demand for prime units outstrips supply and West End vacancy rates are close to zero. Lack of availability on Bond Street is benefiting neighbouring Mount Street, Dover Street and Bruton Street.</li> </ul>
<b>Restaurants, Bars and Clubs</b> <i>Source: Colliers International</i>	↑	<ul style="list-style-type: none"> <li>• Occupational demand remains strong with increased demand for 'quick service' casual dining. High footfall sites are highly sought after and require 'key' money to secure.</li> <li>• Notable spike in occupier activity since the summer. Strada won competitive bidding with Cote for a unit on Heddon Street. Some corporate activity: Novus (Late Night London) bought Balls Brothers, which may release some units onto the market.</li> <li>• Sustained interest in premier night clubs.</li> <li>• Concern over changes to parking legislation in Westminster, particularly from a late night logistics and employees' point of view, but it may also impact evening visitor numbers.</li> </ul>
<b>Offices</b> <i>Source: Colliers International</i>	→	<ul style="list-style-type: none"> <li>• West End net stock absorption in the first half of 2011 was 1.2 million sq ft, the highest six monthly figure since 2005, leading to rental increases in most sub-markets.</li> <li>• Demand from the Technology, Media &amp; Telecoms sector remains strong. Hedge funds are no longer the driving force.</li> <li>• Economic conditions are causing uncertainty and leading to deferral of decision making.</li> <li>• Currently, demand lacks any real depth – the market is 'in balance' with prime rents stable at £95 per sq ft.</li> <li>• Lack of finance is holding back development activity; landlords are resorting to new fit-outs and 'smartening up' premises to retain and attract tenants.</li> </ul>

### Action point

- Create a concerted campaign to attract more global brands to compete with other international destinations.



## Trading: Shopping & Entertainment ★★★★★

INDICATOR	TREND	COMMENT
<b>West End Sales Index</b> <i>Source: NWEC, Springboard, BRC</i>	↑	<ul style="list-style-type: none"> <li>• Retail sales for the NWEC area were up 4.2% for the year to August vs 0.1% nationally.</li> <li>• While June was very strong (+11.3% y/y), the 2011 monthly year on year sales increases are generally lower than those experienced in 2010, yet much stronger than national averages.</li> </ul>
<b>West End Global VAT-Free Sales</b> <i>Source: Global Blue</i>	↑	<ul style="list-style-type: none"> <li>• VAT-free sales over the 12 months to August have increased significantly – over 40% for Oxford Street and Bond Street and over 80% for Regent Street.</li> <li>• The number of transactions has also increased significantly, by almost 60% on Regent Street.</li> <li>• Chinese visitors are providing the greatest spend, with Russia, Kuwait and Saudi Arabia in the mix.</li> </ul>
<b>West End Food &amp; Beverage Sales</b> <i>Source: HoL, Springboard</i>	↑	<ul style="list-style-type: none"> <li>• Year to August food &amp; beverage sales are up 4.3%.</li> <li>• With Ramadan falling in August this year, July delivered very strong y/y sales (+10.2%).</li> </ul>
<b>West End Theatre Attendance</b> <i>Source: Society of London Theatres</i>	→	<ul style="list-style-type: none"> <li>• First half year attendances were 6.64 million. After a weak Q1 2011, Q2 y/y attendances and revenue are marginally up, a positive sign in such a challenging environment.</li> <li>• Encouragingly, at the half year stage, advance booking revenues were showing an increase of about 20% over last year.</li> </ul>
<b>West End Hotels</b> <i>Source: PwC</i>	↑	<ul style="list-style-type: none"> <li>• The West End continues to see very strong occupancy levels, significantly higher than national averages.</li> <li>• With current occupancy rates of around 85%, PwC is forecasting occupancy levels to exceed 90% during the Olympics period.</li> <li>• Average room rates and revenue per average room both increased steadily from early in the year, showing close to 20% year on year growth in May.</li> </ul>

### Action point

- Continue with a programme of innovative events to drive footfall, spend and visitor stay in the West End.



IMPROVEMENT INITIATIVES  
WORTH £2 BILLION ARE  
UNDERWAY ACROSS THE  
WEST END

NEW FLAGSHIP STORES  
ARE PROPOSED FOR  
BURBERRY, SUPERDRY,  
HOLLISTER, VICTORIA'S  
SECRET AND BOSIDENG

TOTAL THEATRE  
REVENUES ARE ON  
TRACK FOR ANOTHER  
YEAR IN EXCESS OF  
£500 MILLION

THE ROYAL WEDDING  
INTERNATIONAL MEDIA  
EVENT GENERATED 73  
PIECES OF COVERAGE  
VALUED AT £2.7  
MILLION WITH A REACH  
OF 38 MILLION

## West End Review

**London's West End is a major contributor to the national economy and is Britain's shop window to the world. Each year it attracts over 200 million visits and generates more than £6 billion in income. It employs around 100,000 people.**

Given the current challenging economic environment, the West End is proving to be extremely resilient. The overriding message to be drawn from this research is positive. Improvements have been seen in most of the benchmark indicators that are monitored for the West End Tracker.

The only real areas of concern are weak domestic visits and, as previously reported, the relatively poor visitor perception due to Crossrail works and the ongoing improvements to parts of the public realm. It is important that New West Company and Heart of London Business Alliance work with Westminster City Council, Transport for London and developers to manage any disruption. With £2 billion worth of improvements planned or underway, the benefits will start to be felt before the Olympics.

The retail, leisure and hotels markets are performing well and benefiting from sales and footfall well above the national average. The demand for prime retail and restaurant units is insatiable and the shortage of well-located available units is maintaining an upward pressure on rents and premiums. Colliers' recently published *Central London Retail Health Check* revealed just one vacant unit on Oxford Street, Regent Street and Bond Street. Crime statistics show a 12% reduction and a range of events have both raised the West End's profile and generated additional trade.

**It is important that the West End does not stand still. To maintain its position as a premier global retail, leisure and cultural destination requires ongoing promotion through innovative marketing and special events. New international brands, concepts, exhibitions and shows will be required to build on London's current success as a world city.**



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