

# RETAIL DEVELOPMENT PROPERTY BRIEFING PAPER 7

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## CONTACT

Keith Nelson ARICS  
Chase & Partners

## END OF YEAR ROUND-UP: THE LEISURE PROPERTY MARKET

Introduction paragraphs



## ***Leisure Parks & Urban Entertainment Centres***

## ***Cinemas***

- Purpose built developments comprising of two or more elements, usually anchored by a multiplex cinema located out of town or in town.
- Government planning policy PPG6 and PPG13 – forcing developers to look in town or edge of town.
- Many proposed schemes called in by DETR.
- Result is development of Urban Entertainment Centres, eg O<sub>2</sub> Finchley Road, London NW3; Manchester and The Plaza, Birmingham.
- Strong competition in cinema market for best sites as admissions rise from 137 million in 1997 to projected 185 million admissions by 2002.
- May new entrants to market – Hoyts, Cinemark, Ster Kinekor, AMC.
- Operators seeking larger developments, 18-24 screens – Warner Village, Virgin, Hoyts, UCI, etc – these will be rare.
- “Megaplex” cinemas attract more visits per screen.
- Traditional town centre cinemas closing but planning restrictions opening up opportunities for 6-8 screen multiplexes.
- Danger of over-provision of screens and closures due to competition.
- Turn-key transactions in smaller centres.
- Cinema rents £9.00 per sq ft to £20.00+ per sq ft.
- Future rent reviews will have to analyse lease terms and specifications careful imperfect information.

### **10-Pin/Family Entertainment Centres**

- Market evolving, more uses within original 10-pins.
- Limited expansion during 1998.
- Limited rental growth. Rents £7.00 per sq ft to £10.00 per sq ft.
- New entrants to FECs – Scottish & Newcastle, Virgin, Nitro Classic but market remains limited.

### **Health & Fitness Clubs**

- Growth market due to increased consumer demand.
- £2 billion of investment needed to meet membership demand.
- Wide range and variety of clubs.
- Many new entrants – Next Generation Clubs, Greenalls, Virgin.
- Likely mergers and takeovers.
- Rents range from £5.00 per sq ft to £12.50 per sq ft.

### **Bingo**

- Still consolidating after effects of the National Lottery.
- Many management buy-outs – Regal Clubs, Gala Clubs, Ritzy.
- Increasing number of players, one third now under 25 years of age, future TV advertising.
- Demand for new clubs likely to increase.
- Rents £7.00-£12.00 per sq ft.

### **Nightclubs**

- Dominated by a large number of small independent operators.
- Corporate players expanding – Northern Leisure, First Leisure and Rank.

***Restaurants & Licensed Premises***

***Generally***

- Competition to traditional clubs from disco bars – Luminar Leisure.
- Rents £7.00 per sq ft to £10.00 per sq ft.
- Market under pressure as recession looms.
- Profits warning at Regent Inns.
- Receivership of Pierre Victoire and Fashion Café.
- Planet Hollywood reduced profits.
- Whitbread reduces expansion plans.
- Future cautious expansion.
- Opportunities for new operators with exciting new brands.
- Opportunity for “lifestyle” operators – book retailers, record retailers, sports retailers – more mixed retail and leisure schemes, particular in town centres.
- Future rent reviews awaited with interest.
- Ever changing market with new entrants and concepts.
- Casualties expected in all areas, with more takeovers and mergers as market matures.
- Considerable investment demand.
- Yields at peak levels of @ 6.5%.
- Difficulty in identifying suitable sites due to planning constraints.

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