FASHION

Once there were none; soon there will be three. The UK designer outlet market may be the most mature in Europe, but London is just catching up as the centre for new development. **Mark Faithfull** reports

Providing a fresh outlook for BRANDS

Although the designer outlet market has been a beacon of perky performance in the post-2008 retail world, London had been positively bereft of a major centre before Quintain got busy building London Designer Outlet (LDO).

In fact, LDO formed just one component of a huge redevelopment around the (itself redeveloped) national stadium at Wembley and has quickly morphed into a hybrid, featuring food and beverage retailers and a cinema alongside discounted brands.

A look at the capital's map now shows one scheme in the east evolving and extending, and another planning construction on the Greenwich Peninsula. A south-by-south-west-shaped hole sits in the final corner, now seemingly aching to complete the set.

So what has set off this expansion drive? Covetous looks at the phenomenon that is Bicester Village are no doubt in part to blame.

Targeting luxury

Certainly, the backers behind the proposed scheme adjacent to the O2 entertainment venue have designs on some of that spend.

Although Land Securities decided not to proceed, Lloyds Banking Group's commercial banking arm has backed the O2's owners, AEG and Crosstree Real Estate, to push ahead with a finance package split between a development facility for the designer outlet and a refinancing of the existing retail and leisure component.

While at this stage there is no information about the proposed line-up, the clear intimation all along has been that the super-luxury end – really only catered for by Bicester Village currently – is in the scheme's sights. This would seem to leave LDO relatively unchallenged in its mid-market position, especially given the distance between the two projects.

"Work is under way on our 205,000 sq ft designer outlet development at The O2," says Marion Dillon, leasing director at Crosstree Real Estate Partners, of the project. "We have appointed our leasing team and are in discussions with a range of leading brands."

At Hackney Walk, another hybrid alternative has evolved, based in part on east London's independent fashion scene and its hip local catchment. The development is also a response to the 2011 riots; after the area was ravaged by looting, the Greater London Authority and Hackney Council invested £2m to help turn it into a fashion centre for east London.

A further £4m was invested by Network Rail on restoring the arches. An existing Burberry outlet store – a destination in its own right – gave the scheme its starting block.

The latest names at the development will be housed in freshly renovated Victorian railway arches turned into stores by architect David Adjaye. They include Gieves & Hawkes, boot brand Ugg, Italian cashmere label Colombo and men's designer boutique Present.

Hackney Walk, east London

"Hackney Walk is much more than an outlet centre; it's a fashion hub, a cluster of designers and a community destination, capitalising on the original Burberry factory outlet and all the visitors who have traditionally come to the area," says Andrew Sissons, strategy director at Hackney Walk.

"So amid the major fashion brands, there is also the Hackney Shop, which we make available on a weekly basis free to new designers. We've brought in two or three new food and beverage operators, with an emphasis on local operators like Legs.

"There is also a workshop where designers can use equipment. Henry Holland is making his new designs here and we have our charity, Stitch Academy, so it's about all those things working together, and big names and start-ups together, in the same way that Tech City worked so well in Shoreditch," adds Sissons.

"We're adding around 10 kiosks of 300 sq ft each for brands and new designers, plus a 100,000 sq ft building that will be an events space and include 40,000 sq ft of new retail."

Founder and chairman Jack Basrawy stresses: "For us, number one, it's about experience and, number two, a point of difference. So we are curating expansion very carefully. We have two or three units to let, but we only want the right brands.

"It's part of a strategy based on our belief that the changing demographics of east London mean there is a big market for luxury in this part of the city. They also like to shop locally, so it's untapped, youthful potential."

Basrawy also believes that, although the focus will remain on off-price with an increase in food and beverage, organic growth will be retained. "What we are not is a managed outlet on a green field," he says. "People come because it's human, a little bit gritty and cool, and very much part of the London experience, whether you are a local or a visitor."

Urban focus

Indeed, the current swathe of projects, both in London and beyond, seem to have eschewed the traditional out-of-town model.

Peter Flint, associate director at estate agent Colliers International, says: "If we look at LDO, I do think brands were a little bit nervous about an urban designer outlet, but the food and beverage and leisure have helped to change that perception. Genuine discounts and premium retail are the key, and it will be interesting to see what is achieved at The O2, which is very large and also has a huge food and beverage offer.

"It has the potential to provide a genuine challenge for Bicester Village, if it can attract the luxury brands. It also has the advantage of existing infrastructure, entertainment and food and beverage."

"London is very interesting," agrees Colin Brooks, managing director at asset management business Realm. "The catchment is huge, there is more than enough room for a number of outlets and the level of LDO's performance has surprised us all. It's been very unusual as it has developed as a lifestyle centre."

Realm is currently working on Hull and, as with the new London outlets, this is anything but a typical scheme. The company was originally called in to look at asset management opportunities for Princes Quay and, during the process, determined that the existing retail as well as a designer outlet level could be accommodated if the scheme was rejigged. That also meant a level of food and beverage.

"The original configuration wasn't suitable for an outlet, so a £20m budget has gone into redevelopment to create 28 units across 51,000 sq ft," Brooks says. "The scheme opens in July and is currently 60% let, with a realistic target of 70% to 80% by the July opening. It should be fully let by Christmas."

However, he also warns that such an approach is not a panacea. "Of course, there may be opportunities to redevelop schemes that could accommodate this sort of offer. What helped to underwrite Princes Quay was that it already had an annual footfall of 5 million," he stresses.

All these projects sit in sharp contrast to the traditional designer villages, with their themed architecture and greenfield locations. London's demographic suggests it could house another project too, probably close to Kingston or Croydon, with hybrid strategies emerging as the key to attracting year-round, day-round footfall.

"The UK and Italy have led the European market, and the prospect for new developments is relatively limited," says Sébastien Gorrec, fund manager for European outlet malls at TH Real Estate.

"The good locations have mostly been taken and getting too close to a town centre runs the risk of interacting with full-price stores. So we'll see more development, but probably on a smaller scale, and we'll see investors moving carefully."


How the Scotch Corner development will look

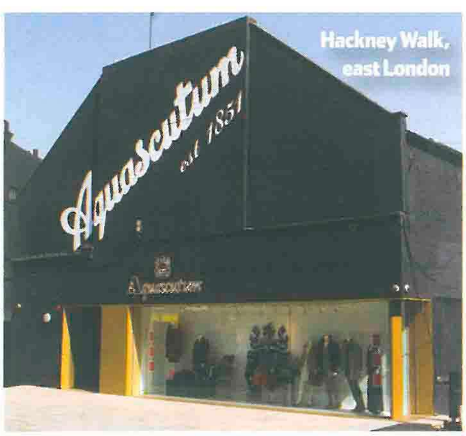
FOCUS ON: North Yorkshire

Plans for a new designer outlet in North Yorkshire were given the go-ahead at the tail-end of last year after Sajid Javid, the Secretary of State for the Department for Communities and Local Government, gave the nod to a planning application approved by Richmondshire Council.

Construction on the retail outlet, at the junction of the A1M and A66 at Scotch Corner, is due to start this year and the circa-£50m project will cover 250,000 sq ft, with 90 retail units and 10 restaurants.

"Scotch Corner is just off the upgraded motorway A1M in the north-east and it's going to be a very large scheme," says Laurence Edwards, director for out of town retail at Colliers International.

"It's indicative of the new generation of outlets outside London, which are typically being located very close to motorway junctions for ease of access. High quality and a strong food and beverage offer are also very important. That can be seen with Peel and the rebranding to lifestyle for its outlets. Gloucester is switching from 90% fashion to 50%, with the change being taken up by food and beverage. So that's a very significant change."



Hackney Walk, east London