Belfast City Centre

Asset Intelligence Analysis: Executive Summary

Belfast City Council

January 2020

Introduction

Belfast City Council (BCC) are actively working to facilitate economic growth in Belfast. In recent years, the city has seen significant levels of investment and development, with major schemes still to come, including Tribeca Belfast (former Royal Exchange), the new Transport Hub and the redevelopment of the Belfast Waterside (formerly Sirocco). The activity is being undertaken in the context of the ambitious goals set out in Belfast's community plan, The Belfast Agenda, the Local Development Plan (LDP) and the Belfast City Centre Regeneration and Investment Strategy (2015).

Pragma have been appointed to provide market intelligence, identifying opportunities and challenges within the city's retail offer. This analysis aims to assess a variety of short and long-term challenges to the retail and leisure sector in the city, helping the Council and its partners across the city shape future interventions and initiatives to respond to this fast-changing environment.

To inform its analysis, Pragma has carried out research to:

- Establish Belfast's existing catchment and demographics
- Benchmark Belfast against locations with a similar market size and geographic dynamic
- Examine current performance and identify key characteristics of zones within the city centre
- Identify opportunities for future growth, including quantification of the Trading Gap
- Understand the future trends affecting the retail industry and identify key opportunities for Belfast
- Provide recommendations as to how Belfast can best future-proof itself against forthcoming challenges in the retail market.

Summary of Findings

Executive Summary

Policy Landscape

Belfast City Centre is currently experiencing significant levels of development and investment across a range of sectors, with a number of major schemes set to come forward in the years ahead. Through Belfast City Centre Regeneration and Investment Strategy 2015 (BCCRIS), the Council has been working to encourage and facilitate this growth. This has been supported more recently via the Local Development Plan process, which sets out how the city will develop over the period to 2035.

Crucial to Belfast's physical and economic development is the role of the retail sector. The Council is focused on the delivery of the BCCRIS, which provides a vision for retail in Belfast City Centre as "providing a regionally competitive retail offer and a shopping experience that is unmatched anywhere else in Northern Ireland". However, the retail landscape across the UK and beyond has changed dramatically in recent years and Belfast must be cognisant of the significant trends and challenges impacting the sector.

Research Scope

This report aims to assess a variety of short and long-term challenges to the retail and leisure sectors in the city, thereby helping the Council and its partners across the city respond to this fast-changing environment. The scope of the analysis concentrates on the following areas:

- Current catchment and shopping patterns
- Trading gap analysis for retail, leisure and tenant mix strategy
- Independent traders
- Department store commentary
- Future trends including the potential implications of Brexit
- Identification of practical steps for the Council and its partners to strengthen and support Belfast's retail offer

Executive Summary & Recommendations

Current Catchment and Shopping Patterns

- Belfast is Northern Ireland's first city and is the major shopping destination in Northern Ireland. The city's principal catchment extends to a 1 hour drivetime, reaching locations including Ballycastle, Dungiven, Newry and the border town of Aughnacloy.
- Accessible via the M1, M2, A2, A12 and A24, the city is well connected by road. There is sufficient parking provision, including 11 multi-storey car parks. An integrated public transport network provided by Translink also serves the city with park and ride facilities along M1 and M2.
  - Aligning to the Belfast City Council Car Parking Strategy Action Plan, it is important to implement the actions contained within the Action Plan so car-borne access is effectively managed as part of a balanced approach.
- At 37%, the city's conversion of catchment residents to shoppers is above the benchmark for similar locations (33%). This is driven by the 'destination' status the city holds, as well as limited comparative retail competition from across Northern Ireland. However, other UK cities that are similarly dominant in catchments lacking comparable competition achieve an average penetration of c.47%. This suggests a clear opportunity to draw more shoppers to Belfast City Centre from its existing catchment.
- Pragma's IMPACT model ranks Belfast's total market size 21st in the UK, which ranks the city alongside Norwich, Cambridge and Aberdeen. IMPACT is Pragma's in-house system for determining retail catchments. IMPACT modelling assumes the likelihood of a shopper using a particular location is determined by both ease of access and attractiveness of the offer. Belfast, unlike its comparator cities, has unique circumstances and the Belfast Agenda and the ambitions for growth aim to address this.
- Viewed in the context of the ROI, as a retail destination Belfast would sit between Dublin and Cork. Based upon a 30 minute drivetime, the market size is 34% below Dublin.
- Based on a detailed audit of the retail offer, Belfast is estimated to achieve below average sales densities across all merchandise groups versus similar locations, with the exception of household goods. If the cost base is the same, lower sales densities will lead to retailers generating a lower profit from their Belfast stores than elsewhere.
- The demographic profile of the Belfast catchment identifies clear demand for mid-price point fashionable and sophisticated brands. Beyond Belfast, provision is largely restricted to larger centres such as Dublin or online. This lack of alternative provision helps drive estimated sales densities in Belfast City Centre. These brands will also position the city centre well to counteract growing trends, with Young spend being increasingly committed online and an increasing share of Family spend captured by supermarkets.
  - Where the retail offer is replicated in other locations in close proximity, it lessen the need to travel to Belfast City Centre. Brands unique to Belfast and not replicated elsewhere in Northern Ireland perform well.

Executive Summary & Recommendations

Current Catchment and Shopping Patterns

- ❑ Taking into account the size of the market, Belfast City Centre's quantum of retail floorspace is in line with benchmark locations, suggesting it is the relevance of the city's offer, and a lack of a point of difference versus the surrounding offer, that is causing low sales densities, rather than a lack or oversupply of floorspace.
  - ❑ If additional space is developed within the city, the content will need to be differentiated enough to attract additional spend. Failing to do so risks reducing existing sales densities further and could be detrimental to the cityscape.
  - ❑ Given the additional cost of servicing stores in NI from GB, the uncertainty around the impact of Brexit on Northern Ireland and political uncertainty, Belfast may not rank above comparable UK locations for expanding retailers in the short term.
- ❑ Vacancy with Belfast's Primary Retail Core at 17% is higher compared to a number of dominant shopping locations in the UK, including Aberdeen, Leicester and Reading. A high number of vacant units impacts the overall environment of a city, could negatively influence customer perceptions and could also discourage investment.

Trading Gap Analysis

- ❑ Belfast's estimated Trading Gap is worth £114m, a potential 23% increase on current Non-Grocery sales.
  - ❑ The Market Share Gap, worth £59m, highlights an opportunity to increase sales from existing customers, which could be achieved by improving the relevance and breadth of the current offer. If realised, Non-Grocery sales densities will increase to £490/ft2.
  - ❑ If the conversion of residents to shoppers from across the catchment can be increased to match that achieved by benchmark locations, the city could capture an additional £55m in turnover.

Department Stores

- ❑ There is a clear disparity between the strong performance of House of Fraser in Belfast versus the performance of the brand across the UK, in large part due to the appetite for high-end brands amongst Belfast residents and the limited competing provision of aspirational brands.
  - ❑ This is in part evidenced by the February 2019 announcement by House of Fraser of a new long term lease on the Belfast store and with a suggested £10m refurbishment.
- ❑ Given the potential required investment in existing department stores i.e. physical fixtures, staff, rents and rates; it is unlikely department stores will require additional space in Belfast City Centre.

Executive Summary & Recommendations

Independent Traders

- Independent retailing forms an integral part of Belfast's retail offer, accounting for just over half (51%) of city centre retail units. Provision is significantly higher (+20%) than in comparable locations across the UK and positively, estimated sales densities are equally strong.
    - Food and beverage comprises the majority of the independent offer, with identifiable clusters in the Cathedral Quarter, particularly around St Anne's Square and elsewhere in the city centre, around Ann Street and Queen's Arcade. Significantly, these areas have these areas have a diverse offering, small unit sizes making them more conducive to a strong independent offer.
- Independent retail will continue to play a vital role in Belfast City Centre's retail offer going forward. In order to support this sector, the Council and its city partners should consider:
    - Rates mitigation for small businesses in selected areas of the city centre where it would be beneficial to drive activity. Incentivising daytime operators to open in areas such as the Cathedral Quarter, would assist in counteracting low daytime footfall and improve the productivity and environment of this unique area of the city centre.
    - Pop-up spaces, which particularly appeal to the independent sector and start-ups as a means of testing products and concepts. Encouraging this type of use, via utilisation of vacant units, would ensure consistent supply of space to trial products and concepts and keep the costs of these trials to a minimum.
- Clustering of independent retailers can help drive stronger performance. When clustered, these retailers can become a destination due to their authenticity and cater to a specialist shopping trip; the Ecclesall Road in Sheffield and Gloucester Road in Bristol are examples of this.

Recommendations

To maximise the benefits and opportunities that the retail sector can bring, the Council must endeavour to support actions that simultaneously embrace current and future trends and address shortcomings in the existing offer. As the dominant retail destination in Northern Ireland, Belfast is in a strong position to embrace these trends and rise to the challenge of creating a dynamic and experiential destination for shoppers. Key opportunities Pragma have identified for Belfast below.

Future Trends and Identification of Practical Steps

Enhancing Leisure Provision

- Whilst there are some current examples, Belfast City Centre has a clear under-provision of new leisure concepts (e.g. Escape Rooms, Mini Golf, Climbing Walls). Creating this provision in the heart of the city centre will create a point of difference versus neighbouring locations and provide unique reasons to visit. Placing provision at the heart of the city centre will improve the night-time economy and, as a result, would be expected to improve the performance of both retailers and food and beverage operators in the city centre.
- Belfast has a developing leisure offer in the form of arts venues and museums in the Cathedral and Titanic Quarters. Encouraging connectivity between these areas and the retail core will assist in helping shoppers view Belfast as a 'day out' destination.
- Encouraging travel around the city will be important for maximising the benefits of Belfast's leisure proposition, given the number of key attractions that sit outside of the city centre. Copenhagen and Stockholm have both invested in establishing a range of multi-modal transport sightseeing tours, which optimise different transport networks and facilitate linkage between attractions, cultural districts and shopping quarters.
- The desire to sustain and grow the city's offer, a coherent proposition will be required in creating the consumer experience. Interspersing retail and leisure throughout the city, encouraging flexible formats which can accommodate the latest in leisure trends under one roof (e.g. indoor golf) and spaces which cater to "Competitive Socialising" (e.g. Lane 7) can help drive sales densities.
    - The strength of a well performing location, helps to attract new brands and leisure operators.

Recommendations

Future Trends and Identification of Practical Steps		
	Renewable Placemaking and Creating 'Instagram-able' Places	❑ Renewable placemaking is a key industry trend that aims to create spaces that encourage customers to visit more regularly to 'see what's new'. There are a number of ways to achieve this, including co-ordinated entertainment and events, as well as pop-up retail. ❑ The latter provides a clear opportunity to support independent retail. Around three quarters of pop-up stores leased in the UK are by independent retailers or start-ups companies (Retail Gazette 2017). ❑ Green spaces and urban parks are increasingly forming part of city centre developments. Emerging concepts such as vertical planting, rooftop gardens, urban farms and water purification are good examples, integrating green spaces into primarily commercial developments. ❑ The fire at the Bank Buildings in August 2018 led to the temporary closure of Royal Avenue to traffic. Making this more pedestrian friendly and better connected could encourage the creation of a relaxed, public spaces in the heart of the city. ❑ Embracing renewable placemaking and environmental improvements are key to reducing the impact of the vacant units.
	Transport	❑ Improving transport infrastructure and connectivity between tourist attractions and the city centre will be important to drive additional visits and spend from tourists. The integration of a cruise terminal within the harbour, as detailed with the Tourism Strategy for Belfast, which can operate all year round and enable larger vessel to dock, would bolster the future spend obtainable from cruise ships. Bringing the terminal closer to the city centre would be sustainably and economically beneficial.
	Planning	❑ As the local authority, rather than a major retail landlord or asset manager, Pragma recognises the Council's limitations in affecting change at a micro-level. Where possible, the Council could aim to shape the city's offering via a combination of exerting its planning powers whilst identifying, supporting and potentially funding proposals that will improve and future-proof the city's offering such as more mixed use developments with broader appeal. ❑ Retail Assessments should be requested for largescale city developments and should be carefully considered in terms of the sequential test outlined in the SPPS.

Recommendations

Future Trends and Identification of Practical Steps

City Centre Living

- While city centre living is not currently well established in Belfast, it is a vital element in driving future retail performance; increasing the total market size, providing round-the-clock demand for goods and services and creating an appealing target audience for brands.
- In addition, residential development provides a way to manage the overall amount of retail provision in the city centre – condensing provision will increase sales densities, improve profitability and create a competitive tension for space, improving rental values.
  - Identifying key sites, working with developers via the planning process and making the best use of Council-owned development sites will all help bring forward greater residential development in the city.
  - Policy should help facilitate city centre living, such as The Belfast Agenda and LDP's ambitious target to build 8,000 units by 2035.
  - Encouraging the creation of sustainable communities that reflect wider demography rather than mono-tenure and developing a variety of unit types and sizes as well as the infrastructure necessary to support them.
  - 'Living Above the Shops' should be viewed as a key way to bring vibrancy to the heart of the city centre. This would necessitate improvements to the public realm that would create a more appealing city centre environment to all users.

Office Development and Working Space

- Similarly, large scale office development has rejuvenated urban locations including Kings Cross, White City and Salford Quays. New commercial development can help support Belfast City Centre's overall economy and help the retail sector flourish. To make the most of proposed developments, such as those at City Quays, Tribeca Belfast (formerly Royal Exchange) and Belfast Waterside (formerly Sirocco Works), there must be a focus on good pedestrian and cycle connections and consideration of the types of retail provision these developments need to have on-site versus what types of uses should be restricted to protect the city centre.
- Initiatives such as co-working spaces, where start up companies can set up and work, can provide an alternative use of vacant space, but also satisfy the increasing demand for flexible working spaces. These will also have spin-off benefits for neighbouring retailers and food and beverage operators.

Recommendations

Future Trends and Identification of Practical Steps	**Vacancy**	❑ Singularly vacancy is difficult to overcome. Events, such as the King Street Festival in Manchester, which was organised by Manchester's BID, can be a means of driving footfall and increasing the prominence of a location. The festival gained publicity, featuring in 83 newspaper and magazine articles and resulted in a footfall increase of 72% for 2017 versus 2016. Going forward, organising coordinated events for targeted areas of the city could be a role for Belfast's BIDs.
	Leasing	❑ Pragma recommends leasing focus should continue to attract 'new to market' brands to the city, building on the success of occupiers such as Stradivarius, Oliver Bonas and Zara. These anecdotally appear to be performing well. While the geographical boundaries and historic associations are inhibitors to this target, Pragma believes this is the strongest opportunity to ensure Belfast City Centre retains its position as the leading retail offer in Northern Ireland. Attracting such brands will require a combined effort from the key stakeholders within the city; Asset managers will need to continue to 'beat the drum' on the strong performance and the Council will need to support proposed developments that embrace wider city trends to enhance the city's overall offer, helping bring Belfast up the priority list for these retailers.
	Policy and Governance	❑ Belfast may also wish to consider its governance arrangements for the city centre. Through feedback received during the course of this analysis, there are a number of agencies, departments and organisations with various responsibilities and roles. From the operational to the strategic, and it is not clear that communication and coordination between all of these actors is as efficient and joined up as it might be. This is something the Council and all parties will wish to reflect on, particularly in the context of tightening public sector budgets. ❑ To facilitate more cohesive governance, which could potentially include Belfast's BIDs will help to provide t a clear strategic plan. This will require a clear and coherent vision for the city, which the multiple agencies and departments can use as the foundation of their initiatives. It is recommended that any overarching body include both public and private sector to ensure an approach which reflects both political and commercial desires and realities. ❑ Where the Council faces limitations in its ability to facilitate change, there is a requirement for an Action Plan to be developed. This can identify not only which organisations, bodies and departments are best suited to orchestrate change, but also how the specified initiatives can be feasibly actioned

Recommendations

Future Trends and Identification of Practical Steps

Green and open spaces

- In accordance with the emerging Green and Blue Infrastructure Plan and growing trend of bringing green spaces into urban areas, consideration should be taken ensure that vegetated areas and waterways are strategically planned and delivered to enhance ecosystem services that benefit living, working and visiting Belfast. The emergence of the Developer Contributions Framework will help to ensure developments deliver quality environments through green and blue infrastructural improvements as well as improving the city's public realm.

Tourism

- The Council should continue to drive forward the second tourist attraction proposed as part of the Belfast City Region Deal, which is to be potentially located in the Belfast city centre and will encourage tourist spend to the city benefitting the retail and food and beverage offer.
- Opportunities based around cruise ship passengers need to acknowledge the typical lower spend per head committed by cruise ship visitors, due to the majority of food and beverage spend already having been committed onboard.

Summary

- Pragma has identified target occupiers that would be suitable for Belfast City Centre. With refreshed city governance, joined up working with the Council and its city partners, a retail marketing strategy could to be created that can be used to approach these brands, alongside a rebuttal of the barriers, such logistical challenges, which may discourage retailers from locating in Northern Ireland.
- Ultimately, the priority must be to embrace future trends and rise to the challenge of creating a dynamic and experiential destination for shoppers. Key to this will be prioritising developments that can establish Belfast as a leisure 'day-out' destination, in order to drive visits into the city. The growth of online is a key challenge, and whilst population growth can help mitigate the effects, long term the city will need to be creative and develop a proposition that provides "something different" to stand the best opportunity of future-proofing the city including strengthening Belfast's appeal with niche and unique retail and leisure opportunities.

Andrew McVicker
Sales Director
M+44(0)7557 373129
a.mcvicker@pragmauk.com

Olivia Gannon
Project Manager
o.gannon@pragmauk.com

Pragma Consulting Ltd.

Royalty House
Dean Street
Soho
London
W1D 3SG
T +44(0)20 7902 6888

www.pragmauk.com