

## **RETAILERS**

Capital Shopping Centres (CSC) is the leading UK shopping centre specialist and a good working relationship with the retailers is key to the business. Our property and centre management teams have structured retailers communication programmes and we work at all levels to ensure that we are providing the high quality service they need for the success of their business.

Across its portfolio, CSC has an occupancy rate of around 98% and many retailers have shops in several of our shopping centres. A vacant unit provides us with an opportunity to offer expansion to retailers who have indicated a requirement or to introduce a new retailer to an area and we employ external letting agents to widen the retail mix and find a new prospective occupier.

Vacant stores become available through development and remodelling, and for a variety of reasons including retailer failure, the occupier not renewing their lease upon expiry or an occupier reaching a private agreement with the landlord to give up (surrender) their lease. Often therefore the letting (or leasing) agents are seeking occupiers for stores that are not yet vacant.

In many instances one or more vacant units may have to be divided up or combined to provide the correct configuration of space that a retailer is seeking. Retailers are very particular about having the right size of store in the right shape with suitable headroom and other physical characteristics. It is also important for the prospective retailer to be surrounded by stores that are in accordance with their brand image and bring shoppers to the particular micro locality, or pitch. Furthermore, a retail area with a strong line up of retailers will command a higher rental value than if the neighbours were not so compatible. Accordingly the identity, trading format and quality of store presentation of the prospective occupier is very important to CSC.

CSC and the letting agents work very closely together to ensure that the right retailers are attracted to the right stores at the right rental values. It is the agent's job to find the prospective tenant and, upon confirmation from CSC, reach a written, non-binding agreement of the principal terms of the letting with the tenant, which is referred to as the Heads of Terms. In addition to the rent, the identity of the store in question and the duration of any rent free period at the start of the lease, the heads of terms should cover the service charge arrangements, when payments are to be made, the terms whereby the tenant can sell, or assign, their lease, the condition of the premises, the ongoing repairing and insurance obligations of the tenant and will often stretch to three or four pages. The intention of agreeing such detail is to streamline the next stage of the process, which is the conversion of the heads of terms into the lease agreement itself. CSC will instruct their solicitors to issue a draft lease to the tenants solicitor for approval, and after some negotiation on the wording of the lease it gets 'executed' and becomes binding upon both parties. At this stage, the landlord will give the keys to the tenant so that the shop fitting and then trading can begin.