



NEW
WEST END
COMPANY

Bond Street | Oxford Street | Regent Street

GLOBAL RETAIL DESTINATION INDEX 2016

savills

RANKING OUR GLOBAL RETAIL CENTRES

London's West End is one of the world's leading retail destinations. London regularly tops the ranking for overseas visitor numbers and spend (Mastercard Global Destination Cities Index), and London's West End retail district, centred on Bond Street, Oxford Street and Regent Street is one of the most successful in the world, with an annual turnover in excess of £8.8bn. International visitors are key consumers in London's West End, accounting for 25% of total spend, yet London's West End's global appeal as a shopping destination and as a place to trade is less understood.

At New West End Company we want to strengthen and better understand our position from a global benchmarking perspective, to identify areas of the visitor and retailer experience that need further investment and focus to ensure we maintain our top tier position as a global destination to shop, visit, trade and invest.

This comprehensive review, compiled by Savills, draws together a range of metrics from visitor and retailer perspectives, both quantitative and qualitative, at a city and local level across seven global retail destinations.

Jace Tyrrell
New West End Company



96%



96% of retailers stated they would recommend London's West End as a place to trade.

+2.9%

London is forecast to see retail sales growth of 2.9% per annum over the next five years, outperforming the 2.7% forecast for New York.



London's West End ranked number 2 in the World, and 1 in Europe.

New York 1st, Hong Kong 3rd, Dubai 4th, Singapore 5th, Paris 6th, Milan 7th

£11.3 bn

West End retail sales forecast to increase by 27.8% to £11.3 billion (\$16.4 bn) by 2020. Visitors number to increase by 30% when Crossrail opens.

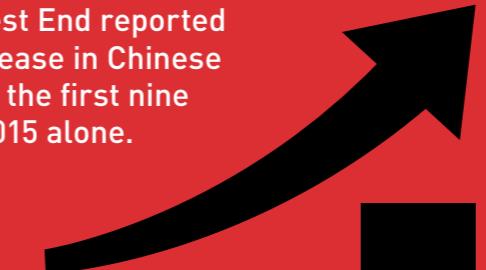


+3.9%

Overseas visitors to London forecast to expand by 3.9% per annum through to the end of 2020.

London's West End reported a 55.3% increase in Chinese visitors over the first nine months of 2015 alone.

55.3%



Chinese spend in the West End accounted for 20% of all tax free spend in 2015, with average transaction spend of over £1,600 (US\$2,400) on Bond Street.

20%



All 10 top ten luxury brands in the world are in London's West End*.

*Millward Brown's 2015 Brandz list

GLOBAL COMPETITORS AND METHODOLOGY

The Global Cities selected for benchmarking were those, like London, that are key destinations for international visitors, plus are those where shopping is a key tourist activity and/or attraction of the city. This process identified New York, Paris, Hong Kong, Singapore and Dubai as suitable comparator cities. Milan was included due to its 'fashion capital' reputation (see Table 1).

In each of the Global Cities, comparator retail locations to those of the prime retail streets of the West End, Bond Street, Regent Street and Oxford Street (western end) were also identified. This was to allow for some level of 'like-for-like' comparison in terms of retail offer.

GLOBAL RETAIL CITY DESTINATION RANKING

The top ranking Global Retail City from the analysis is New York. London's West End ranked second alongside Hong Kong, followed by Dubai. New York's top position was driven by its top ranking 'perception' score and its strong 'physical' score.

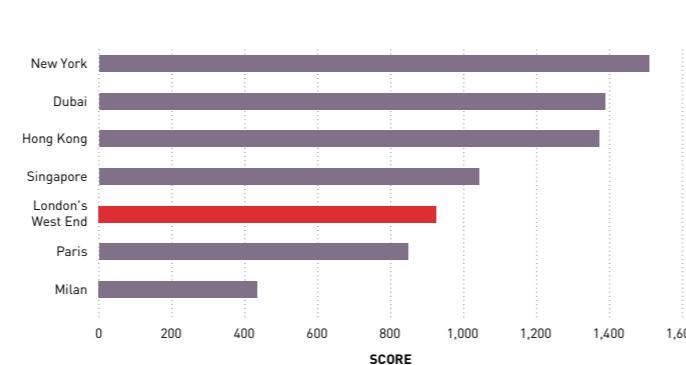
Based purely on quantitative metrics, London's West End is the top ranking Global City (Figure 1). It ranked 5th in its qualitative 'perception' score. (Figure 2). The fundamentals that make London an attractive place to visit (cultural appeal, airline accessibility etc), which in turn attracts new international retailers which improves the quality and variety of its retail environment, are sound. It is these fundamentals that no doubt supported the 96% of London's West End survey respondents who would recommend it as a place to trade, the highest proportional response across the Global Cities.

FIGURE 1 'PHYSICAL' QUANTITATIVE SCORE RANKING



Source: Savills Research; Oxford Economics; MORI
PHYSICAL (retail sales, tourist flows, property costs, retail mix)

FIGURE 2 'PERCEPTION' QUALITATIVE SCORE RANKING



Source: The Retail Group
PERCEPTION (quality of shopper services, facilities, public realm, perceived issues, marketing initiatives)

TABLE 1

2015 Global Retail City Destination Index Ranking

- 1st New York
- 2nd London's West End
- 3rd Hong Kong
- 4th Dubai
- 5th Singapore
- 6th Paris
- 7th Milan

Source: Savills Research; The Retail Group; Oxford Economics; MORI

Savills, in partnership with The Retail Group, devised an approach to assess the 'physical' quantitative metrics (retail sales, tourist flows, property costs, retail mix) and more 'perception' qualitative features (quality of shopper services, facilities, public realm, perceived issues and marketing initiatives) of London's West End. The 'physical' and 'perception' attributes were scored separately with both scores combined in order to rank the Global Cities.

The 'physical' score, which drew on various weighted data metrics, was broken down to generate separate scores in regards to retailer and visitor attractiveness, and retail offer. This was designed to assess those factors which makes a city, including its more localised areas, attractive to international visitors and retailers.

The 'perception' score was derived from retailer surveys in each of the Global Cities, with over 1,500 surveys distributed in total. The survey deployed consisted of 50 questions grouped around quality of welcome/service; facilities; problem areas; marketing activity; themed events; and general satisfaction. Approaching retailers rather than shoppers drew on the surveying experience of The Retail Group in that they tend to be more aware of the strengths and weaknesses related to the shopper and retailing experience in their local area than those visiting.

"This was designed to assess those factors that make a city, including its more localised areas, attractive to international visitors and retailers."

TABLE 2 GLOBAL CITY SELECTION

Global city/retail location type	London	Paris	Milan	New York	Dubai**	Hong Kong	Singapore
Premier tourist/domestic retail location	Oxford Street West	Bvd. Hausmann	C. Buenos Aires	Soho, Broadway	Dubai Mall, Star/Grand Atrium strip	Times Square, Causeway Bay	VivoCity
Premier international flagship location*	Regent Street	Champs-Elysees	C. Vittorio Emanuele	Fifth Avenue (49th/60th)	Dubai Mall, Fashion Catwalk	Canary Wharf, TST	ION Orchard, Orchard Rd
Premier luxury location	Bond Street	Ave. Montaigne	Via Monte Napoleone	Madison Avenue (55th/72nd)	Dubai Mall, Fashion Ave	The Landmark, Central	Shoppes@ Marina Bay Sands

Note*: Premier International flagship locations based on it having some luxury brand flagships but not exclusively.

Note**: Dubai Mall locations were based on their brand positioning in comparison to the key retail destinations in the West End. As a result each 'strip' in the mall was treated like a 'street'.

GLOBAL COMPETITORS AND METHODOLOGY

London topped Mastercard's Global Destination Cities Index again in 2015 attracting 18.8 million overseas visitors spending a total of £13.2 billion (US\$20.2 billion) (see Table 3). This influx of international tourists alone has raised London's, and the West End's, attractiveness to retailers as a place to trade.

London's West End retail sales profile, including tourist expenditure, is reflected in the influx of new international retail brands that have opened their first store in the city. Between January 2014 and December 2015, 57 retail brands opened their first ever store in London, 60% of which were located within the West End. If new international restaurant operators and gallery openings were included the number increases to 77. With a further 13 new international brands already committed in the pipeline for 2016, London and the West End's retailer appeal continues.

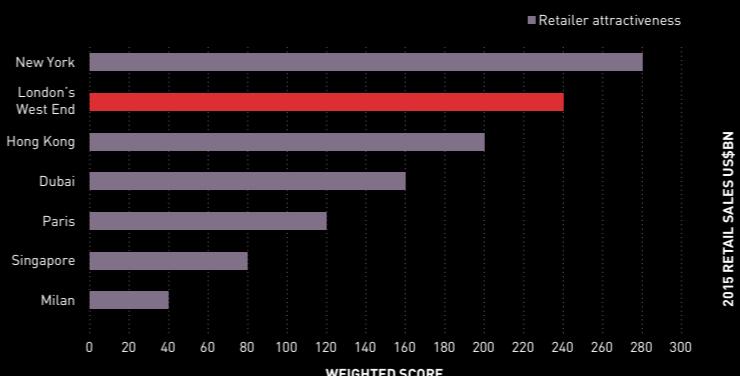
Additional attributes such as domestic retail spend and total occupational costs, along with the tourist metrics, were examined across the seven global cities in order to rank their attractiveness from a retailer perspective. The results from this analysis ranked London second to New York (see Figure 3).

TABLE 3 MASTERCARD GLOBAL DESTINATION CITIES INDEX 2015

	International overnight visitors	International overnight visitor spend (US\$)	Average spend per international visitor (US\$)
London	18.8m	£13.2bn (\$20.2bn)	£703 (\$1,075)
Paris	16.1m	£10.9bn (\$16.6bn)	£676 (\$1,034)
Dubai	14.3m	£7.6bn (\$11.7bn)	£535 (\$819)
New York	12.3m	£11.4bn (\$17.4bn)	£926 (\$1,416)
Singapore	11.9m	£9.5bn (\$14.6bn)	£805 (\$1,232)
Hong Kong	8.7m	£4.8bn (\$7.4bn)	£562 (\$859)
Milan	7.2m	£3.2bn (\$4.9bn)	£447 (\$683)

Source: Mastercard

FIGURE 3 'PHYSICAL' SCORE INDEX: RETAILER ATTRACTIVENESS



Source: Savills Research; Oxford Economics
PHYSICAL (retail sales, tourist flows, property costs, retail mix)

FIGURE 4 TOTAL 2015 RETAIL SALES AND FORECAST GROWTH PER ANNUM



Source: Oxford Economics
PERCEPTION (quality of shopper services, facilities, public realm, perceived issues, marketing initiatives)

New York's top ranking position was driven by its retail sales volume; including that on personal luxury goods and inbound travel spend per visitor in 2015. According to Oxford Economics, retail sales in New York totalled approximately £168.9 billion (US\$258.3 billion), in London it was £121.7 billion (US\$186.2 billion) (Figure 4). A similar pattern exists when examining this on a per capita basis with annual retail spend in the region of £8,500 (US\$13,000) per inhabitant in New York, marginally higher than the £8,200 (US\$12,500) reported for London. This difference is also reflected in luxury sales. Altagamma & Bain (consultants focused on the luxury industry) estimated that New York had the highest level of personal luxury goods spend totalling £16.3 billion (US\$24.9 billion) in 2014, twice that of second and third placed Paris and London with £8.2 billion (US\$12.6 billion) and £7.4 billion (US\$11.3 billion) respectively.

The gap in retail sales between the two cities is set to narrow with the growth in London's retail sales forecast to outpace that of New York with average growth of 2.9% per annum through to the end of 2020; 2.7% per annum is forecast for New York (Figure 4). Dubai is expected to report the most rapid level of growth over the same period although this does reflect growth off a lower base.

In the case of London's West End, the expansion in retail sales may be even more pronounced due to the arrival of Crossrail in 2018. Harper Dennis Hobbs, on behalf of New West End Company, estimate that Crossrail could result in a 27.8% increase in West End retail sales to £11.3 billion by 2020 due to an additional 60 million visits each year, and major infrastructure developments with substantial retail, office and residential developments.

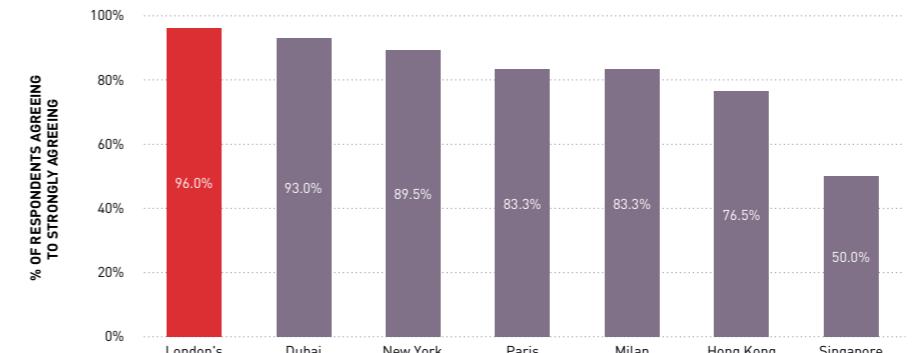


TfL upgrade to Tottenham Court Road Station, New Plaza Entrance

While major infrastructure projects, like Crossrail, will have a beneficial impact on the volume of retail sales that could be captured by the West End, macro drivers such as population and economic growth at a city level will also be instrumental. London is forecast to see population growth of 1.2% per annum over the next five years exceeding the 0.5% growth forecast for both New York and Paris with economic growth forecast to average 3.2% over the same period. This faster level of growth has been attributed in part to London's time zone, sitting between the US and Asia, the quality of its workforce, and its relatively low corporation and personal tax regime, which attracts new businesses and fuels expansion. This is aiding population growth and in turn retail spend ahead of other Global Cities particularly those in Europe.

The retail sales profile across the Global Cities is also evident in the location survey responses. When asked if they were happy with current trading performance, retailers in New York reported the greatest proportion who stated they were satisfied to very satisfied (90.5%). In London's West End it was 69.5%, ranking it fifth ahead of Milan and Singapore. This sentiment regarding trade performance does reflect a specific point in time. In the case of London's West End it is likely to have been heavily influenced by the disruption experienced during Crossrail works and currency fluctuations which contributed to a squeeze in retail spend from Eurozone visitors, who form the bulk of overseas visitors to London. This potential short term impact on trading performance is emphasised by the fact that 96.0% of these same respondents would recommend London's West End as a place to trade, the highest proportional response across the seven Global Cities (see Figure 5).

FIGURE 5 PROPORTION WHO AGREED/STRONGLY AGREED WITH RECOMMENDING THEIR CITY/LOCATION AS A PLACE TO TRADE



Source: The Retail Group



AN AFFORDABLE OPTION

London's West End's relatively lower occupational costs also enhances its attractiveness to retailers. Examining prime total occupational costs on a per sq ft basis across the Global Cities, London's Bond Street ranks fourth with New York's Fifth Avenue being the most expensive [Table 4].

While cost of occupation is an important consideration it is really profitability that determines a locations strength. The ability to assess profitability is difficult as there is very little transparency surrounding

sales at store level. One potential gauge of profitability however, is to examine retail sales at a city level relative to indicative occupational costs, as detailed in Figure 6.

Based on this, London appears to be the most 'profitable' based on 2015 retail spend and total occupational costs with £57.4 million (US\$87.8 million) of sales per sq ft of total occupational costs.

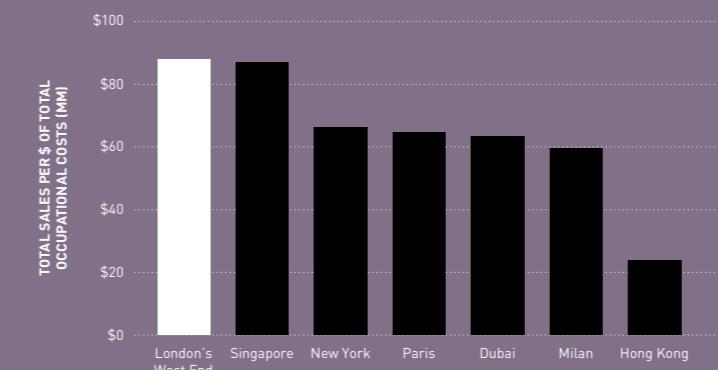
TABLE 4 INDICATIVE PRIME TOTAL OCCUPATIONAL COSTS AS OF Q4 2015

US\$ per sq ft per annum	Prime rent per sq ft	Additional occupational costs per sq ft	Total occupational costs per sq ft
New York (Fifth Ave)	£2,330 (\$3,500)	£270 (\$400)	£2,600 (\$3,900)
Hong Kong (Canton Rd, TST)	£1,500 (\$2,300)	£270 (\$400)	£1,770 (\$2,700)
Paris (Champs Elysées)	£1,400 (\$2,100)	£130 (\$200)	£1,530 (\$2,300)
London (Bond Street)	£1,000 (\$1,500)	£400 (\$600)	£1,400 (\$2,100)
Milan (Via Monte Napoleone)	£500 (\$760)	£50 (\$80)	£550 (\$840)
Singapore (Orchard Road)	£170 (\$260)	£60 (\$90)	£230 (\$350)
Dubai (Dubai Mall)	£160 (\$240)	£40 (\$60)	£200 (\$300)

Source: Savills Research

Note: Additional occupational costs includes typical service charge, Government/property tax, typical agent fee paid by retailer and any other additional costs paid by the retailer when acquiring a new store. The rent reflects cost across the entire property and not just Zone A rents in the case of London. Currency exchange based on average for December 2015.

FIGURE 6 TOTAL RETAIL SALES PER SQ FT OF OCCUPATIONAL COST



Source: Savills Research; Oxford Economics

London's West End achieved the highest visitor attractiveness score as part of the quantitative analysis, performing well in terms of overall accessibility and cultural amenities. This is reflected in London's position as one of the most visited city destinations by international tourists (MasterCard's Global Destination Cities Index).

The drivers of London's appeal to international visitors

London's 2012 Olympics did an incredible job at marketing London on the global stage but it is not the only reason why international tourist numbers continue to grow. In MORI's 2015 Global Power City Index London was ranked first and second in terms of Cultural Interaction and Accessibility, respectively across the 40 cities they examined globally. It is this cultural appeal and ease of access that has helped to underpin the growing attraction of London to international visitors.

London's strong international accessibility is demonstrated in the passenger numbers handled by London's two principle airports, Heathrow and Gatwick. Both airports serve an average of 190 destinations and handled a total of 115 million passengers in 2015, 3.4% up on the previous year (see Figure 7). This exceeds the passenger numbers handled by its comparator city airports, although in growth terms it lagged behind Dubai, Hong Kong and New York pointing to some potential capacity constraints.

FIGURE 7 2015 ANNUAL PASSENGER NUMBERS BY CITY



Source: Anna Aero; Airport websites; CAA

Note*: Estimated totals for 2015 based on YTD performance.

Data is based on the two largest international airports in each city, where relevant.

"Ease of the visa application process is also critical as highlighted by the need to improve the system for Chinese nationals, an initiative New West End Company has been instrumental in driving forward."



FIGURE 8 OVERNIGHT INTERNATIONAL VISITOR GROWTH FORECASTS: AVERAGE GROWTH PER ANNUM 2016-2020



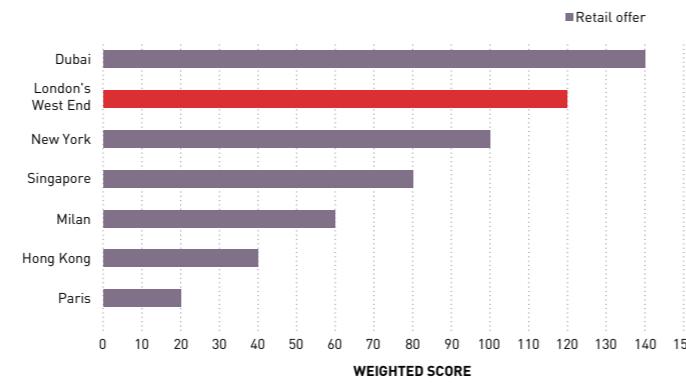
Source: Oxford Economics

London's West End's retail district offer is an added draw for international visitors. It is home to over 600 stores and 120 international brands, with globally recognised addresses such as Bond Street, Regent Street and Oxford Street, making it one of the world's largest retail destinations. Shopping unsurprisingly therefore features as a key activity for international visitors to London with 81% engaging in the activity at some point during their trip. Two percent of these state that their only reason for visiting London is to shop.

The reason why shopping is a key activity for international visitors is due to the quality and variety of retail brands concentrated in London's West End's retail district, ranking second only to Dubai in terms of its retail offer as assessed via the quantitative metrics (see Figure 9).

The retail offer score takes into account the proportion of units occupied by retail brands, brand variety, brand profile and presence of flagships across its three streets relative to their comparator retail locations in the other Global Cities. London's West End's retail district premier luxury destination, Bond Street, scored very well in terms of its retail offer topping the luxury street rankings of the Global Cities. For example, 96.5% of all ground floor uses on Bond Street are occupied by retail brands as opposed to 82.1% on Avenue Montaigne in Paris suggesting a more focused retail experience on Bond Street. This meant it also scored well in relation to its brand profile. All of the top 10 luxury brands by value, as identified in Millward Brown's 2015 Brandz list, have a presence on Bond Street. The only other luxury location to achieve this was Shoppes @ Marina Sands Singapore, which considering its size and the fact that it is purpose built is understandable.

FIGURE 9 'PHYSICAL' QUANTITATIVE SCORE: RETAIL OFFER



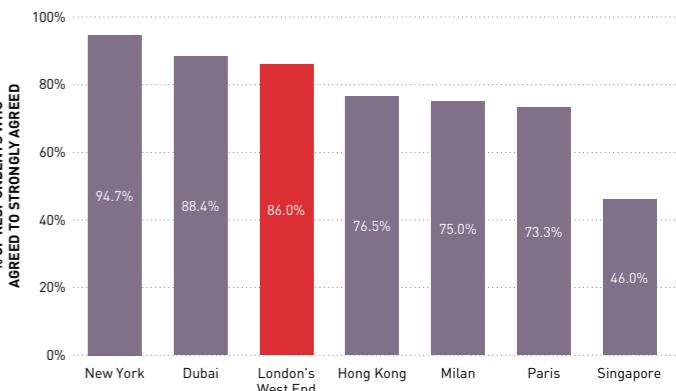
Source: Savills Research



London's West End's healthy retail offer score is reflected in the location survey responses. Eighty-six per cent of West End respondents said they agreed/strongly agreed with the statement that London's West End 'has the best choice and quality of shops in the World' ranking it third behind New York and Dubai and making it a European leader when compared to Paris and Milan (Figure 10).

A feature not taken into account in the retail offer score, but one which has added to the appeal of the West End as a retail destination is the walkable proximity of the three premier destinations of Bond Street, Regent Street and Oxford Street. Add to this its strong public transport accessibility and its cultural and hospitality amenities, means London's West End's is a unique international retail destination, further enhancing its visitor appeal.

FIGURE 10 SURVEY RESPONSE TO 'THIS CITY HAS THE BEST CHOICE AND QUALITY OF SHOPS IN THE WORLD'



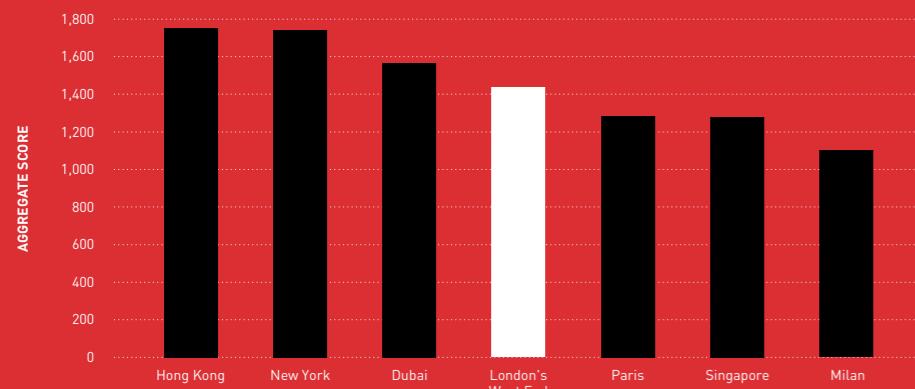
Source: Oxford Economics

"...its strong public transport accessibility and its cultural and hospitality amenities, means London's West End is a unique international retail destination, further enhancing its visitor appeal."

While the retail offer draws international visitors into London's West End to shop, the retailing experience is critical to its global reputation and driving repeat visits.

While the retail offer draws international visitors into London's West End's retail district to shop, the retailing experience is critical to its global reputation and driving repeat visits. The shopper 'experience' was assessed via the location surveys focusing on those responses related to ease of shopping, connectivity, service levels and directional signage. Based on this assessment the West End scored well being a European leader as it outperformed Paris and Milan, and ranked fourth across the Global Cities (see Figure 11).

FIGURE 11 'PERCEPTION' QUALITATIVE SCORE: THE SHOPPING EXPERIENCE

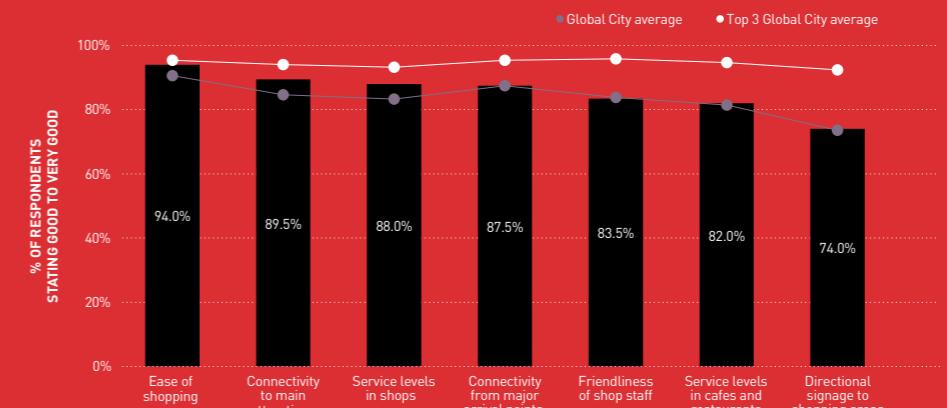


Source: The Retail Group

The individual survey metrics that made up the aggregate shopping experience score for London's West End's retail district is detailed in Figure 12. On the whole London's West End scored very well across all the individual metrics. Its key strength areas are 'ease of shopping', 'connectivity to attractions' and 'service levels in shops' with the proportion of respondents stating it as good to very good slightly above the Global City average. When compared to the average across the top three scoring shopper experience cities (Hong Kong, New York and Dubai), London's West End underperformed bar that for 'ease of shopping'. The biggest rating gap between London's West End and the top three Global Cities is for the public realm feature of directional signage, a feature that could be easily improved through greater investment.



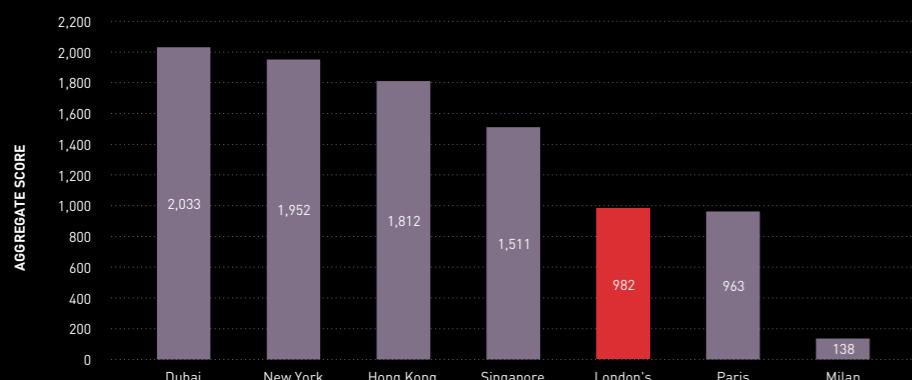
FIGURE 12 LONDON WEST END'S SHOPPING EXPERIENCE BREAKDOWN BY METRIC



Source: The Retail Group

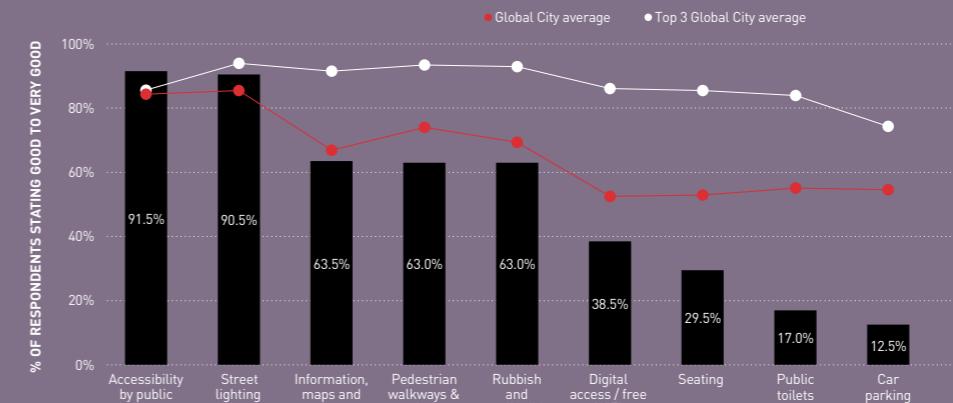
Investment in the public realm is a further major challenge for London's West End retail district. The responses from the location surveys saw it rank ahead of Paris and Milan in regards the overall quality of its facilities and amenities, albeit scored far behind the other Global Cities (see Figure 13). This is largely due to its lower rated public realm features including pedestrian walkways, rubbish collection, WiFi, seating and public toilets. This relative underperformance is even more pronounced when compared against the top three facility and amenity scoring cities of Dubai, New York and Hong Kong although its public transport accessibility and street lighting is rated highly (see Figure 14).

FIGURE 13 'PERCEPTION' QUALITATIVE SCORE: FACILITIES AND AMENITIES



Source: The Retail Group

FIGURE 14 LONDON'S WEST END FACILITY & AMENITY SCORE BREAKDOWN BY METRIC



Source: The Retail Group

London's West End's lower score relative to Dubai and Hong Kong is understandable in the sense that shopping in these cities is focused on shopping centres, where the provision of facilities and amenities as part of the public realm would have been designed in ahead of development.

The fact that shopping centres tend to be under single ownership also means that it is far easier to implement improvements. Considering that New York achieved a higher score despite it having a very similar retail environment to London suggests there may be lessons to be learned from how the city manages its public realm. However, The Retail Group has partially attributed New York's high score to a certain level of cultural over-optimism. New West End Company was formally instated as a Property Owner Business Improvement District (BID), combining the interests of the multiple property owners in the West End's retail district. This will help with the provision of new facilities and an improved public realm such as the £11m Bond Street Development Plan (see image).

Public realm issues were also identified when survey respondents were asked to rate how problematic certain features were in London's West End, with pavement condition and litter highlighted as major problems by 14.0% and 13.5% of West End respondents respectively. In contrast, no Hong Kong respondents noted pavement condition as a major problem with 9.5% doing so in the New York surveys. While there are clear challenges facing the West End's retail environment, investment in the public realm will mitigate some of these thereby improving the retail experience for international and domestic shoppers, thus enhancing retail spend and in turn the London's West End's global ranking.



CGI's courtesy of Publica – Burlington Square, Bond Street, before and after

This study highlighted that the fundamentals that make London's West End an attractive place to visit and shop, as well as a place to trade, are extremely robust. As a result it is the premier Global Retail Destination in Europe, ranking second globally behind New York. Current growth forecasts in terms of retail spend and international visitors to London as a whole suggest this global position at a city level should be maintained. London's West End could in fact outperform the growth forecast for the wider London area aided by the improvements to the British visa system for Chinese nationals, the largest source market for international tourists and spend globally, and the arrival of Crossrail.

While the fundamentals are robust the location surveys indicated some challenges related to the quality of service, facilities, the public realm, international marketing reach and operational difficulties associated with opening stores. The positive, however, is that these are challenges that can be addressed through the work of New West End Company and its partners. Tackling these challenges will be vital to the West End maintaining and even improving its global position as the rankings presented in this study are not fixed. For example, Dubai is forecast to report the strongest growth in retail sales over the next five years of the seven Global Cities examined, potentially challenging London's West End's current global position. Likewise an improvement in Hong Kong's retailing environment, which has suffered on the back of the slowdown in the Chinese economy and decline in mainland Chinese visitors, could also destabilise the current rankings.

NEW WEST END COMPANY

New West End Company is a leading business voice for London's West End, representing the retailers and organisations behind the world's largest retail destination. It delivers management and marketing services to 25 streets within London's retail heartland including Bond Street, Oxford Street and Regent Street. Its aim is to drive the change to create a truly unique West End experience, unlock barriers for economic growth and further strengthen the commercial success of the area with its 65,000 employees and £8.8 billion annual contribution to UK GDP.

SAVILLS

Savills is a leading global real estate service provider listed on the London Stock Exchange. The company established in 1855, has a rich heritage with unrivalled growth. It is a company that leads rather than follows, and now has over 700 owned and associate offices, employing more than 30,000 people in over 60 countries.

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