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BOUNCE BACK OR RECALIBRATE?
**RE-IMAGINING THE HIGH STREET POST COVID-19 AND THE
ROLE OF SURVEYORS IN RETURN TO A 'NEW NORMAL'.**

PAUL GREENHALGH

TALK STARTING SOON

Please note that today's talk, including the chat window, will be recorded.

Bounce back or recalibrate?

Reimagining the high street post Covid-19 and the role of surveyors in return to a 'new normal'

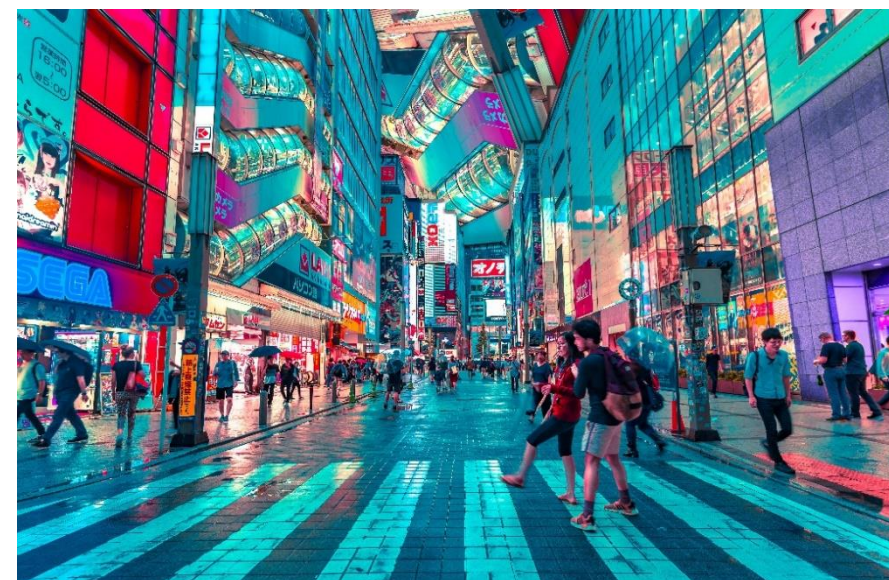
Dr Paul Greenhalgh MRICS

Professor of Real Estate and Regeneration

Department of Architecture and Built Environment

Some challenging questions

- What will our town and city centres look like in the future?
- What are the prospects for retail?
- Who should our town and city centres serve?
- What will be their role and purpose in the future?
- Can high streets 'bounce back' post Covid-19 or do they need to recalibrate?
- What contribution can surveyors make to help deliver more favourable outcomes?



Photographer: Jazael Melgoza
Source: Unsplash

Retail Sector Overview (pre Covid-19)

- Largest employment sector in UK with circa 3 million workers
- Generated £381bn of sales in 2018
- Vulnerable sector due to dynamic customer/consumer behaviour
- 'Bricks and Mortar' Real Estate - performance based on sales driven by patronage
- Retail property asset values have been tumbling (even before Covid-19) due to concerns over long term sustainability of income

Sources:

Deloitte (2020) Retail Trends: retail find its purpose available at: www2.deloitte.com/uk/en/pages/consumer-business/articles/retail-trends.html

PWC (2019) Retail predictions available at: www.pwc.co.uk/industries/retail-consumer/insights/retail-outlook.html

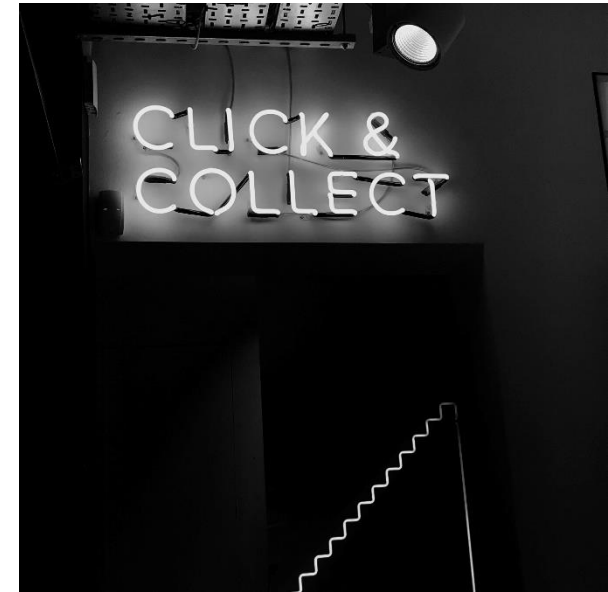
Retail Economics (2019) UK Retail Stats and Facts. Available at: <https://www.retaileconomics.co.uk/library-retail-stats-and-facts>

Williams, D. (2019) UK online shopping to grow 30% by 2024. available at: www.retail-insight-network.com/features/uk-online-shopping-growth/

Urban Land Institute (2020) Reshaping retail – accelerating change available at: <https://knowledge.uli.org/reports/research-reports/2020/reshaping-retail--accelerating-change>

e-commerce & e-tailing

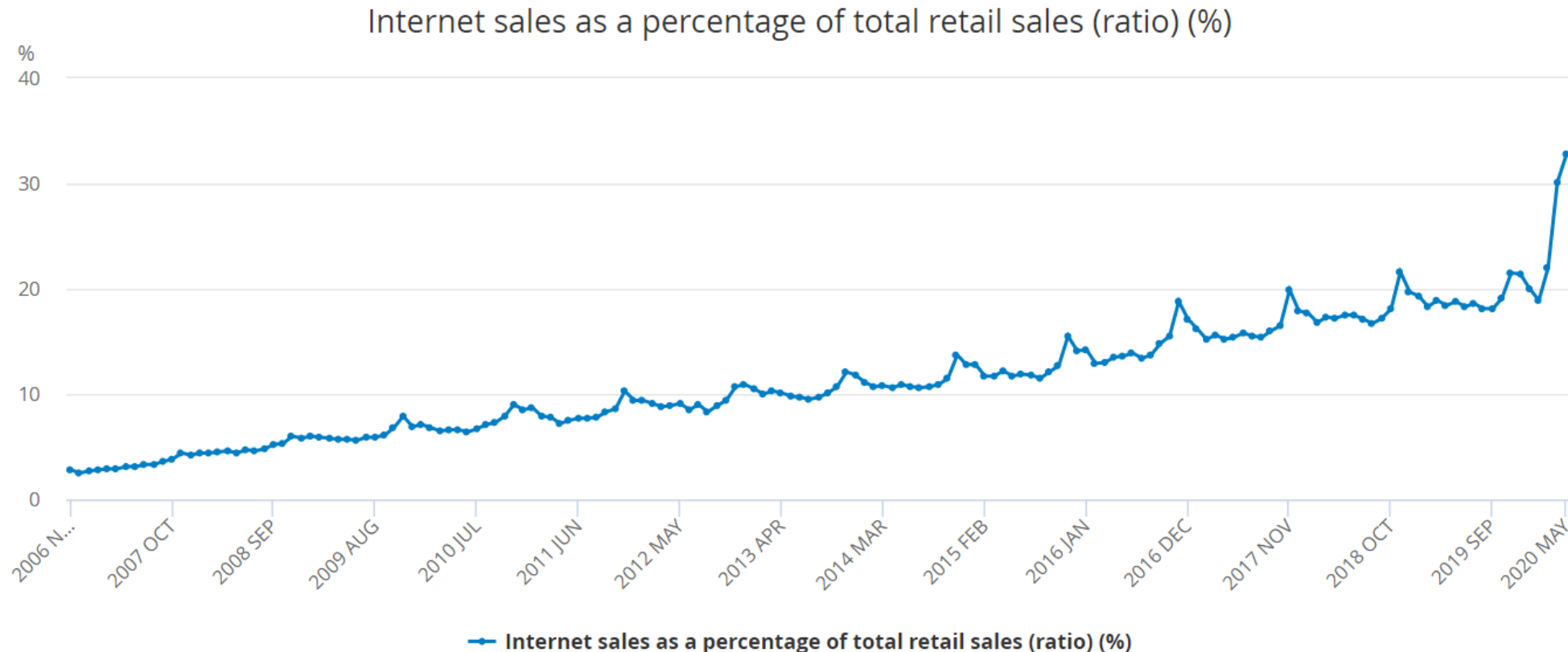
- Driven by rapid advances in ICT e.g. 4G/5G smart mobile devices
- Internet shopping
 - Large impact in travel and financial services e.g. insurance; growth of price comparison websites.
 - Non-food retailing e.g. books, music, clothing
 - Loss of familiar high street names e.g. BHS, Mothercare, Toys 'R' Us, Comet, Thomas Cook etc.
- Changing retail methods
 - Click & Collect offered by many retailers
 - Improved logistics and next day delivery
 - 'Just in time' deliveries reduces demand for warehouse space BUT last mile deliveries require 'local' fulfillment centres
 - Amazon lockers (how do you value one of these?)
- **Multi-channel retailing:** selling on more than one channel e.g. in-store, C&C, online; **Omni-channel** joins all these together and integrates with distribution & promotion using smart phone apps



Photographer: Henrik Donestad
Source: Unsplash



UK had highest % online shopping in world (~16%) Was predicted to grow to >20% by 2024 but..... we are already there thanks to Covid-19 Lockdown



Source:

Source:

<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>



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Retail in peril

Even before Covid-19, traditional 'high street' retailing facing a **perfect storm** of conditions:

- increased competition from on-line retailers e.g. Amazon
- higher staff wages due to increases in national minimum wage
- increased business rates (property tax) especially larger retailers in high value locations
- increased cost of imported consumer goods due to fall in the value of £ due to Brexit
- since Covid-19 shoppers increasingly focussed on essential rather than discretionary spending



Photographer: Samuel Ferrara
Source: Unsplash

Retail Property Markets

- Performance measures:
 - Turnover
 - Footfall (patronage)
 - Rental values
- Lumpy high value assets
- Strategic Asset Management
- City Centre v Out of Town
- For the latest news see
 - Retail Week: www.retail-week.com/?authent=1
 - Retail Gazette: www.retailgazette.co.uk/



Vitality Rank	Centre	Region	Number of Stores	2017 Rank	Change Since 2017
1	Cambridge City Centre	East of England	587	1	→ 0
2	Westfield London	Greater London	395	2	→ 0
3	Knightsbridge	Greater London	258	3	→ 0
4	Chelsea	Greater London	407	4	→ 0
5	Bluewater	South East	340	5	→ 0
6	Richmond	Greater London	386	7	↗ +1
7	Wimbledon Village	Greater London	118	6	↘ -1
8	Canary Wharf	Greater London	465	8	→ 0
9	London West End	Greater London	6,830	14	↗ +5
10	Marlborough	South West	189	9	↘ -1
11	Westfield Stratford City	Greater London	321	12	↗ +1
12	Reigate	South East	215	13	↗ +1
13	Bath City Centre	South West	852	10	↘ -3
14	Berkhamsted	East of England	179	16	↗ +2
15	Edinburgh City Centre	Scotland	710	17	↗ +2
16	Sloane Street	Greater London	185	11	↓ -5
17	Cobham	South East	112	19	↗ +2
18	Cribbs Causeway	South West	130	20	↗ +2
19	St Albans City Centre	East of England	429	15	↘ -4
20	Kingston upon Thames	Greater London	525	18	↘ -2
21	Brighton City Centre	South East	1,143	22	↗ +1
22	Harrogate	Yorkshire and The Humber	544	23	↗ +1
23	Meadowhall	Yorkshire and The Humber	299	28	↗ +5
24	Chiswick	Greater London	378	21	↘ -3
25	Guildford	South East	546	24	↘ -1



Cambridge



Canada Goose, Regent Street

Shake up for Retail Centre Rankings?



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Shopping Centre	Location	Region	Operator	Ranking score
Westfield London	Shepherd's Bush, London	Greater London	Westfield	4.12
Westfield Stratford City	Stratford, London	Greater London	Westfield	3.89
Bluewater	Greenhithe, Kent	South East	Land Securities	3.65
intu Trafford Centre	Trafford, Greater Manchester	North West England	intu	3.44
intu Lakeside	Thurrock, Essex	South East	intu	3.41
Meadowhall	Sheffield	South Yorkshire	British Land	3.34
intu Metrocentre	Gateshead, Tyne and Wear	North East England	intu	3.13
Bullring	Birmingham	West Midlands	Hammerson/ CPPIB/ Henderson shopping centre fund	3.11
Brent Cross	London	South East	Hammerson	3.11
Intu Merry Hill	Dudley	West Midlands	Intu	3.10

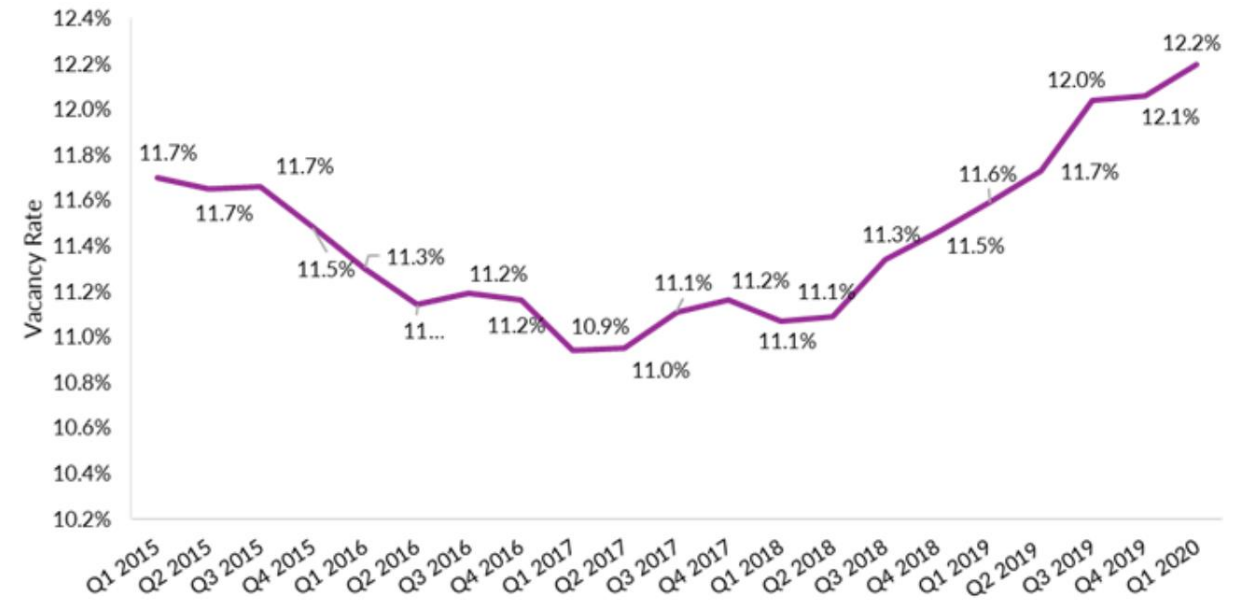
GlobalData Consulting Top 50 UK shopping centres. December 2019 available at:
<http://internaltools.globaldata.com/static/GlobalData-Consulting-Top-50-UK-Shopping-Centres-Report-2019-Summary-Report-December-2019-3.pdf>

HDH Vitality Index March 2019 available at:
<http://hdh.co.uk/wp-content/uploads/2019/03/2019-Vitality-Index-White-Paper.pdf>

GB Retail Sales & Vacancy – latest data

Figure 1: Retail sales volumes experienced a record decline of 18.1% in April 2020 during the coronavirus (COVID-19) pandemic

Great Britain, seasonally adjusted, April 2008 to April 2020



Sources:

Office of National Statistics Retail Sales: <https://www.ons.gov.uk/businessindustryandtrade/retailindustry>

Local Data Company Vacancy Rates: <https://www.localdatacompany.com/blog/brc-vacancy-monitor>



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The Rise & Fall of Regional Shopping Centres

- Growth in car ownership made out of town retail parks & shopping centres popular during late 80s & 90's
- 'Laissez faire' planning under Conservative Governments permitted large retail formats to be built on edge of town locations undermining existing town and city centres
- Examples: Merry Hill (INTU); Metro Centre (INTU); Meadowhall (British Land); Trafford Centre (INTU); Lakeside (INTU); Bluewater (Land Securities); Cribbs Causeway (INTU)
- 'Stable door' closed in late 90s with 'sequential test' but it was too little too late – the horse had already bolted!
- Regional shopping centres are having an existential crisis
- Concerns over sustainability of income; levels of rent collection for last quarter <30%; asset disposal difficult; voids increasing e.g. Debenhams at Metro Centre



Metro Centre, Gateshead

(source: <https://co-curate.ncl.ac.uk/metro-centre/>)

Bluewater, Kent

(source: <https://bluewater.co.uk/our-business/about-us>)



How did town centres respond?

- Pedestrianisation and traffic calming
- Town Centre managers
- Business Improvement Districts (BIDs)
- Town marketing e.g. cultural festivals & events
- Street theatre and music
- Street cafes & al fresco dining
- Farmers & seasonal markets
- Improved public realm
- Cheap car parking (e.g. NE1 Alive after 5)

BUT still much more to do especially around air quality and need to reduce vehicle movements



Clicks v bricks: too much retail floorspace in UK

- UK over-shopped: too much retail floorspace by as much as 40-50%?
- Big retail landlords most exposed (share price now:5yrs ago):
 - INTU (10p:300p): Metro Centre; Eldon Square; Trafford Centre; Merry Hill; Lakeside; Cribbs Causeway
 - Hammerson (137p:300p): Brent Cross; Bullring; Cabot Circus; High Cross
 - British Land (461p:871p): Meadowhall; Drake Circus
 - Land Securities (671p:1425p): Bluewater; White Rose; Galleria; Buchanan Street
- In comparison share price of SEGRO that owns lots of warehouse and logistics space seen share price increase from 415p to 892p over 5 yrs
- INTU was on brink of insolvency even before Covid-19 with debts of £4.5bn and assets of only £126m
- Administrators KPMG called in 26 June when INTU failed to secure support from its creditors
- INTU's shopping centres individually owned Special Purpose Vehicles remain outside of insolvency process & can continue to trade



The future of retail in the UK

- Most retailers will still want a presence on the high street in some shape or form
- Fewer shops stocking fewer products in less space but providing self-ordering facilities for home delivery?
- Landlords will need to 're-purpose' a lot of retail floorspace, but to what?
 - Residential – see plans for Metro Green and Bluewater
 - Showrooming including car showrooms
 - Leisure (not a panacea as hit hardest by Covid-19)
 - Health and social care 'drop-in' facilities
 - Art and creative sector galleries and studios
- Rents will need to decrease (bad for landlords) but will it catch on?
- Future performance will ultimately it will be driven by consumer behaviour



Photographer: Clem Onojeghuo
Source: Unsplash



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How can surveyors Take on Tomorrow?

- Strategic asset management of retail portfolios on behalf of investors
- Negotiating new leases and rent reviews for existing tenants
- Seeking new tenants/uses for vacant space
- Pro-active management of shopping centres for landlords; rent collection & negotiation with tenants
- Preparing & appraising proposals for re-purposing retail space for different end uses
- Applying for planning permission for re-development and change of use
- Working with stakeholders and partners e.g. local authorities, town centre managers, Business Improvement Districts, landlords, anchor tenants, range of different communities



Resources

1. See R3intelligence blogs on topic of this presentation available at:

<http://r3intelligence.co.uk/high-street-prospects-bounce-back-or-recalibrate-part-1-3/>

<http://r3intelligence.co.uk/high-street-prospects-bounce-back-or-recalibrate-part-2-3/>

<http://r3intelligence.co.uk/high-street-prospects-bounce-back-or-recalibrate-part-3-3/>

2. Greenhalgh, P., King, H., Muldoon-Smith, K., Adebayo, A., & Ellis, J. (2020). Using GIS to Explore the Potential of Business Rating Data to Analyse Stock and Value Change for Land Administration: A Case Study of York. *ISPRS International Journal of Geo-Information*, 9 (5), [321]. <https://doi.org/10.3390/ijgi9050321> available at: <https://www.mdpi.com/2220-9964/9/5/321>

3. The future of Surveying – see ‘The futures report 2020’ from RICS available at:

<https://www.rics.org/globalassets/rics-website/media/news/news--opinion/rics-future-report-2.pdf>

4. Avison Young Top 10 Trends for Real Estate in 2020 (pre Covid-19) available at:

https://www.avisonyoung.com/en_GB/2020-forecast

5. Local Data Company ‘*Trouble ahead for retail vacancy rates*’ blog available at:

www.localdatacompany.com/blog/brc-vacancy-monitor

6. Urban Land Institute (2020) Reshaping Retail – Accelerating Change available at:

<https://knowledge.uli.org/reports/research-reports/2020/reshaping-retail--accelerating-change>

7. Wrigley and Brooks (2014) Evolving High streets resilience and reinvention available at:

www.researchgate.net/publication/268509097_Evolving_high_streets_resilience_and_reinvention_-_perspectives_from_social_science



LOCAL AUTHORITIES / PLANNING

High Street Prospects: bounce back or recalibrate? Part 1/3



by Paul Greenhalgh | Published 27th April 2020

These three blog posts form part of a series of articles by R3intelligence academics and researchers in the Department of Architecture and Built Environment, at Northumbria University,

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