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’

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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?
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:
PWC (2019) Retail predictions available at: [www.pwc.co.uk/industries/retail-consumer/insights/retail-outlook.html](http://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](https://www.retaileconomics.co.uk/library-retail-stats-and-facts)
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
UK had the highest % online shopping in the world (~16%).
Was predicted to grow to >20% by 2024 but..........we are already there thanks to Covid-19 Lockdown.

Source:
https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi
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
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](http://www.retail-week.com/?authent=1)
  - Retail Gazette: [www.retailgazette.co.uk/](http://www.retailgazette.co.uk/)
Shake up for Retail Centre Rankings?

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<th>Rank</th>
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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
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
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 be driven by consumer behaviour.
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
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/


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

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

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