

The reality of Retailing:- The solid (bricks & mortar) truth.

Forward:

This report pulls together two recent retail surveys that have made the national press. The first by PWC¹ in September 2013 and the second by The Distressed Town Centre Property Taskforce² in November 2013. Both recognise the challenge faced by today's high street retail industry. By integrating the two a fuller appreciation of the situation is achieved.

Consolidated Report:

The high street is transforming from a pure shopping destination to a centre for "leisure and services" as the dramatic rise of the internet changes the retail landscape. Clothing, shoe, furniture, photographic and video shops have seen the highest falls. While charity shops, cheque cashing outlets, bookmakers, coffee shop, grocery convenience stores and 3-star hotels the greatest gains on the high street (since January 2013). These new openings have helped fill the gap left by the demise of the more traditional outlets.³

Closures of "traditional" stores are anticipated to last for another 5-10 years but there are increasing signs that other types of stores are take their place. Gradually the high street will become a place where people go to eat, be entertained and consume services.

The internet broadband (e-tail) revolution is still in its infancy, it really only came onto the scene in a big way in 2007. Consumers have also only started to shop on line in the past few years. So the impact of the increased popularity of consumer's switching to cheaper online shopping hasn't played out yet. Technology (& e-tail innovation) is moving faster than the pace at which (high street) retailers can catch up. Coupled with current low consumer confidence, amid rising pressure on household income, the outcome has been that most towns now have too many shops⁵. A return to 'normal' economic growth will not save the situation. The current retail models are no longer fit for purpose.

Bill Grimsey, a veteran retailer turned high street campaigner, agreed with PWC saying that town centres have to become "community hubs", encompassing arts, entertainment, health and leisure. However there is a need for better management of this transformation. (Rather than sit back and watch it happen). David Atkins, the CE of Hammerson⁴ concurs believing that under-pressure high streets have suffered from a "lack of cohesive management".

The Distressed Town Centre Property Taskforce believes Britain's high streets need to be re-shaped on a scale not seen since the rebuild of postwar Britain. The retail industry is changing so quickly, that many towns and cities need a complete overhaul just to keep up.

The Taskforce recommends the government designate town and city centres as

key national infrastructure in order to attract more funding opportunities. The report also suggests a raft of other recommendations to remove the barriers to change.

One major barrier is the multiple, fragmented, ownership (of real estate) in town and city centres which chokes progress. A second barrier is the lack of central & local government investment directly or indirectly to address the fragmented ownership to advance large scale regeneration. A third barrier is the weakness of statutory instruments e.g. compulsory purchase & the planning framework (i.e. inflexibility) needed to quickly enable redundant retail premises to have more economically productive uses.

Empty or dilapidated properties are visible symptoms of the struggle town centres are facing however there is still a need for vibrant retail, just less of it. Falling capital values and squeezed income streams have meant that many shopping centres and town centre retail properties now have a value significantly less than the level of debt held against them. Given current economic conditions, lenders are unwilling, or unable, to offload these properties and write off the debt, or to loan out more money to improve them. The negative knock-on effect on the wider area is physical degeneration and social decline.

Solutions vary from place to place but for the overwhelming majority a smaller retail core supplemented by leisure, residential and community uses are likely. It is agreed by all stakeholders that successful rejuvenation of the nation's city and town centres requires radical action on a scale unprecedented since the country was rebuilt after World War II.

It is up to individual communities and local authorities to decide what is right for their area. However "future proofing" towns will require strong local leadership, a developed local plan and good local vision.

¹*PriceWaterhouseCoopers/ the Local Data Company Sept 2013*

²*The Distressed Town Centre Property Taskforce: a group of property owners and managers (Stakeholders).*

³*3,366 stores closed between January and June 2013 - a rate of 18 a day, however 3,157 new shops have opened over the same period giving a net reduction of just 209 (approx an 80% improvement on 2012).*

⁴*Hammerson, own 12 of Britain's biggest shopping centres*

⁵*Following four decades of retail floor space expansion (around 43 million square metres).*