REPAIR

Real Estate, Place Adaptation
and Innovation within an
integrated Retailing system

Real Estate, Place Adaptation and Innovation within an integrated Retailing system (REPAIR)

End of Project Report
Retail Change and Transition in UK City Centres

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Executive Summary

The UK retailing industry is experiencing unprecedented structural change on the High Street, evidenced through increasing occupier business failures, property vacancies and market uncertainty and instability. The global pandemic during the early 2020s has only served to accelerate changes to established consumer behaviour. In response, this End of Project Report, *Retail Change and Transition in UK City Centres*, presents the findings of a mixed method study called Real Estate, Place Adaptation and Innovation within an integrated Retailing system or 'REPAIR' which investigated the changes experienced across the retail cores of five UK cities – Edinburgh, Glasgow, Hull, Liverpool and Nottingham – between 2000 and 2021.

This large-scale study drew on the 'adaptive cycle' retail model, whereby the word 'transition' explains the current situation in city centres better than the popular quip 'death of the High Street'. The report describes the 'adaptive cycle' model and outlines the research approach, before introducing the case study city centres and the study's four separate work packages, which examine different aspects of the property market and built environment. 25 recommendations are then presented as part of the study's wider findings and conclusions.

Summary of Recommendations

Place Making Tools

1. **Develop 'shared vision' city centre masterplans** which treat a central retailing area as a single, coherent entity, akin to the micro-management undertaken by shopping centre operators.
2. **Create high street policy plans** that are led by the business community and pursue property development priorities through mutually agreed planning policy.
3. **Establish urban vibrancy areas** to encourage urban vitality and business viability through the targeted relaxation of regulatory controls.
4. **Develop vacant shop strategies** to minimise dead frontages within city centres while creating interest and footfall on declining High Streets.
5. **Introduce city centre event strategies** that identify appropriate times and locations for holding events in public space in consultation with local people.
6. **Establish ownership and occupier property databases** to enable local authorities to monitor use and ownership changes across central retailing areas.
7. **Develop standardised micro-level diversity metrics** to enable a consistent approach to the monitoring of change at the 'micro' level (i.e. streets or blocks).
8. **Increase monitoring** of city centre change to identify signs of urban decline and poor building maintenance, and introduce processes and resources that enable local authorities to effectively deal with decline.

Property Market Reform

9. **Introduce greater transparency in the property market** to improve access to data on different lease types, including the development of a 'best practice' standardised turnover methodology.
10. **Improve data sharing around the financial position of tenants** to improve the assessment of covenant strength through access to reliable and up-to-date data.
11. **Overhaul the valuation model and retrain professional valuers** to use models appropriate in the evolved market.

Changes to the Planning System

12. **Ring-fence Section 106 (England and Wales), Section 75 (Scotland) and Section 76 (Northern Ireland) monies from repurposing schemes** to ensure they are spent in the vicinity of the property to help with 'de-risking'.
13. **Expand the system of prior approvals currently required in conservation areas for conversions** from commercial, business and service use (Class E) to residential (England) to include all ground floor conversions within local authority designated retail frontages where specific urban design characteristics are deemed important.
14. **Devise initiatives to encourage greater use diversity** following the precedent of England's Use Class Order revisions (2020) and Scotland's Masterplan Consent Areas (2019).
15. **For large floorplate shopping centres, remove barriers that prevent owners from changing vacant shop units into leisure and entertainment uses** by expanding the types of conversions currently allowable via England's Planning Use Class E – and adopting similar initiatives across the devolved nations.
16. **Adopt 'life cycle space' development plan policies** that support experience-orientated independent businesses in city centres, giving them more certainty and promoting their continuing growth and clustering.
17. **Expand planning obligations** to cover affordable retail space provisions for city centre planning consents to help establish a more resilient framework of city centre retailing.

Public Sector Financial Assistance and Support

18. **Introduce grants to support the necessary building services infrastructure** (e.g. extraction/ventilation) required to bring large former retail premises back into productive use.
19. **Establish townscape catalyst packages** to support the upgrading of both shopfronts and adjacent public spaces.
20. **Devise investor-orientated initiatives** to assist and incentivise the increasing numbers of smaller investors actively managing their property holdings.
21. **Increase provision of local services** such as health, education and community facilities to better support city living.
22. **Develop support for independent tenants** whereby, to become established, they may need help from industry bodies with increasingly bespoke lease terms and complicated clauses.
23. **Provide new urban management vehicles** (e.g. property owner BIDs or property owner associations) that help support small investors and co-ordinate owners in the proactive management of their assets.

Further Research

24. **Support further research on the incorporation of residential uses in the repurposing of retailing areas** to mitigate conflict and enhance enduring, positive change.
25. **Conduct further research into the built form of UK shopping centres and their future viability as mixed-use leisure and entertainment-orientated complexes**, including an examination of the relative success of the 'outdoor' shopping centre as a built form.

Introduction: Why Now?

Finding ways to promote diversity, innovation and appeal within urban retailing centres, and thus increase their economic resilience, are core policy making concerns. Helping to drive this approach was the Portas Review in 2011. It argued that the future economic health of UK city and town centres could only be sustained if they were recast as social places where shopping is just one of a diverse mix of functions. This is the context within which the REPAIR study was undertaken, whereby the resilience of urban centres is closely linked to the land use planning concepts of vitality and viability (Ravenscroft, 2000). These concepts are well-established and have been part of English and Scottish national planning guidance for the last three decades.

Vitality describes the level of activity in an urban retailing centre at different times of day, whereas viability refers to the ability to attract investment by landowners and occupiers. Dolega and Celińska-Janowicz (2015) interweave vitality and viability to develop a dynamic framework of retail resilience which consists of four development phases within an adaptive cycle. An individual urban retailing centre's degree of vitality and viability is dependent upon its position within this adaptive cycle. The REPAIR study built on Dolega and Celińska-Janowicz's model and uses the term 'transition' to describe the current situation on the High Street, which has otherwise been widely cast, arguably mistakenly, as the 'death' of the High Street.

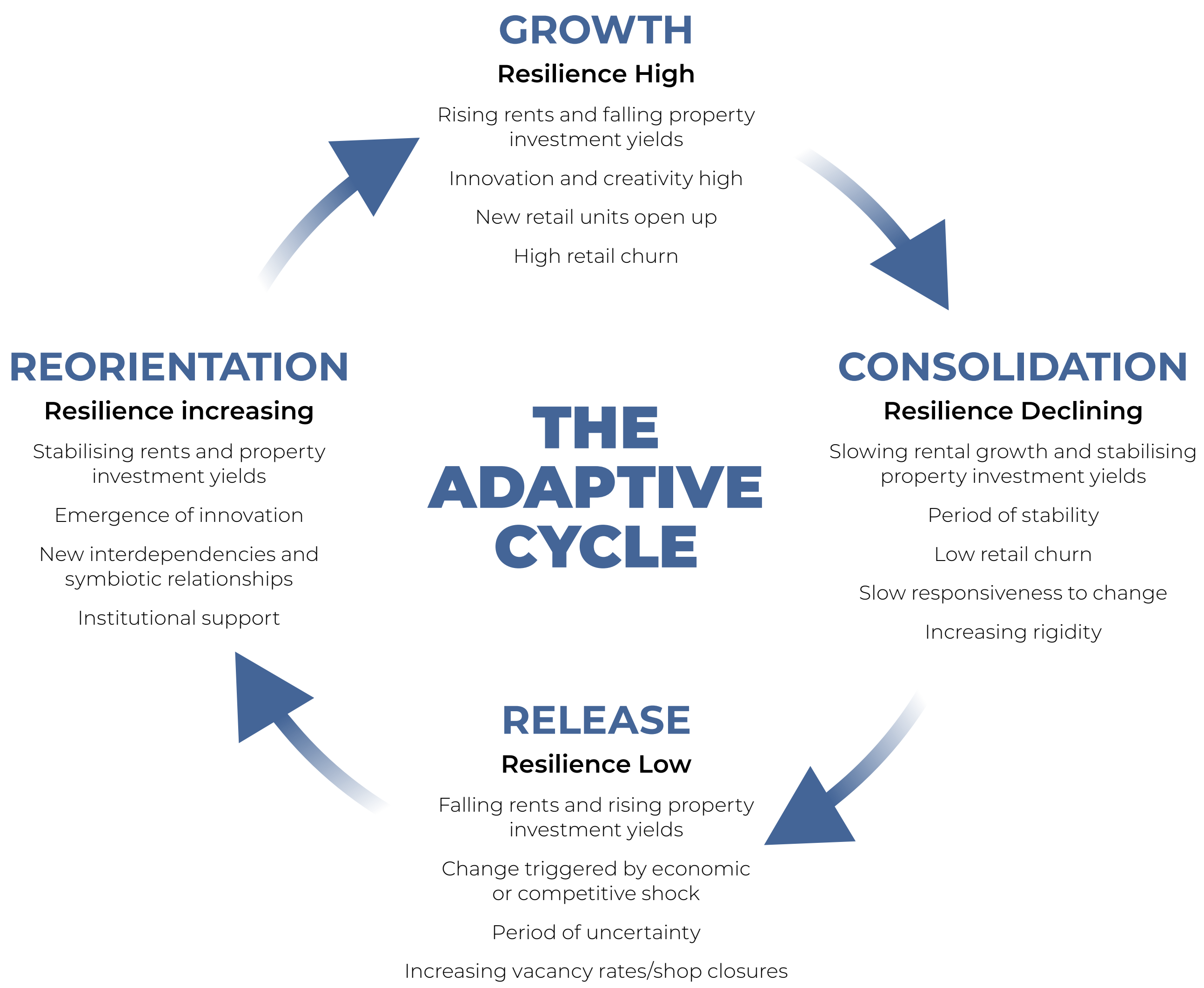
While the adaptive cycle model is originally derived from studies of ecosystem evolution, it nevertheless pays particular attention to processes of destruction and reorganization rather than gradual growth and succession. In a retailing landscape context, the adaptive cycle has four distinct phases – *growth, consolidation, release* and *reorientation* – which are, in turn, driven by the demand and supply fluctuations associated with short-term, property production and longer urban development cycles (Barras, 1994).

In the *growth* phase, both the vitality and viability of urban retailing centres increases and resilience is high. The growth phase is characterised by innovation and creativity, a high rate of new stores opening and high retail churn as businesses both arrive and move on. However, as this stage matures and growth slows, retailing centres enter a period of *consolidation* and relative stability meaning retail 'churn' slows as vitality and viability peak. In an ecosystem, this is the phase where a capital of nutrients and biomass is slowly accumulating and sequestering, creating a patchy landscape where only a few species dominate. In a retailing landscape, accumulating capital could be in the form of skills, incrementally developed networks of human (symbiotic) relationships or spatial interdependencies, such as co-locating with other traders. However, while vitality and viability are peaking, the *consolidation* phase eventually becomes characterised by high market rents, high property values and slow responsiveness to change as individuals and organisations become increasingly reluctant to alter their behaviour. This rigidity means established and stagnated retail and service configurations lead, ultimately, to declining resilience.

The *release* phase is usually triggered by an economic or competitive shock such as the disruptive influence of new technology or, as in the extreme case of the early 2020s, a global pandemic. This stage is typically associated with greater uncertainty, increasing vacancies and shop closures (as opposed to a churn of retail businesses) and declining vitality and viability. Eventually, resilience is at its lowest. However, the demise of some retailing organisations and functions opens the way for new opportunities and change, and for the emergence of innovation.

For example, new retailing formats may be developed, alternative uses for existing buildings may emerge and new interdependences/ symbiotic relationships may be created. This is the *reorientation* phase for retailing centres, characterised by innovations, possibly nurtured by institutional support, drawing footfall and increasingly providing new potential for growth, stimulating further innovation, and increasing vitality and viability as the centre enters a new phase of growth. By this point in the cycle, resilience is increasing again.

Figure 1: Cyclical Adaptive Capacity in the Retail Market



Source: Adapted from Dolega and Celińska-Janowicz (2015)

While the model of the adaptive cycle offers a foundation for the study and introduces useful concepts to help make the findings understandable and accessible to the reader, there are gaps in our understanding of the specific internal mechanisms which determine the capacity of retailing centres to change. Moreover, retailing has always been a dynamic sector of the economy where change happens fast. Therefore, with the overall aim of better understanding the ways urban retailing centres build adaptive capacity, the objectives of the study were as follows:

Diversity of property usage/ownership: To quantify localised patterns of property usage and ownership (over almost two decades between 2000 and 2017), to better understand the roles of property usage and property ownership in generating urban change, and to reveal links between ownership, the allocation of floorspace for diverse uses and adaptive capacity.

Innovative urban forms: To explore innovation focusing on novel urban forms and uses in the retail, leisure and entertainment sectors, especially the growth of the 'experience economy', with a particular interest in how the experience economy has reshaped the High Street and the public realm in the wake of an ever-growing number of shop closures.

Real estate market: To focus on property owners and the ways they have responded concurrently to the needs of retailers and shoppers, as well as society more widely. The intention being better understand investment viability and resilience, and identify how property owners are managing decline given that retail restructuring has led to changes in both property usage and the established practices and norms of the real estate market (e.g. leases).

Stakeholder analysis: To explore the repurposing of excess retail space and investigate the role and actions of stakeholders, and the impact on the scheme of the actual physical fabric of city centre property (e.g. the ways schemes are shaped by the building itself: its structural components, materials and visual appearance) and the impact upon the adaptive capacity of city centres.

Through meeting these objectives, the study sought to make a significant contribution to the debate on the (re)development of resilient and economically healthy urban retailing centres.

Research Approach

The project adopted a multiple case study approach, drawing on a number of data collection methods, from a variety of data sources, within clearly bounded research sites. These were the urban retailing centres of **Edinburgh, Glasgow, Hull, Liverpool and Nottingham**. The retailing centres linked together four research work packages (WPs). Each WP had its own sampling, data collection and analysis strategy. Collectively, the four WPs enabled a multi-faceted inquiry into transformations in property usage and ownership, innovations, real estate practices and effective social/material relationships – all of which shape the adaptive capacity of an urban retailing centre. The WPs also provided a comparative base through which to examine the five research sites and to explore how city centres are changing and what mechanisms have been employed to achieve this. Based on a mixed method methodology, the data collection methods employed in the WPs were as follows:

WPA: Diversity of Property Usage and Ownership Analyses

WPA adopted a quantitative appraoch. Against the backdrop of increasing vacancies, changes in property usage and ownership and the allocation of floorspace for diverse uses, including emerging new uses and vacancies, were tracked across time (April 2000, 2005, 2010 and 2017). This was achieved by linking existing administrative, retailing and property databases and subsequently using geospatial mapping techniques to chart property usage and ownership change. Capturing data in this novel way enabled property usage and ownership and diversity metrics to be plotted for each central retailing area. This enabled a better understanding of how property use diversity has been evolving, including responses to shocks.

WPB: Innovative Urban Form Analysis

Using WPA as a springboard, and following interviews with stakeholders to finalise which innovations to study, WPB investigated novel uses, with a focus on innovation in the retail, leisure and entertainment sectors , i.e. the growth of the 'experience economy'. Primary data were generated by conducting 43 interviews. Those invited to take part were identified as 'experience economy innovators' in some way. This enabled an in-depth exploration of (i) each city centre and (ii) two sub-cases apiece (a shopping centre redevelopment, for example). The interviews were supported by direct observations of the built environment which aimed to generate data about the different design approaches to retail change and adaptation. They also helped to contextualise the impact of retail change and adaptation on the public realm.

WPC: Real Estate Market Analysis

WPC was split into two parts. Again, using WPA as a springboard, it firstly drew on property usage and ownership and diversity metrics to map out the changing spatial distributions of retailing and other uses. Secondly, through 27 interviews, it investigated the implications of these changes for owners, investors and developers involved in the five case study markets, given they are responsible for developing, adapting and managing properties. 'Veteran' professionals were targeted in order to capture their experience and opinions of change, especially how they have reacted to recent, plummeting retail values and subsequent reworkings of established practices and norms in the retail real estate market.

WPD: Relationships Analysis

WPD focused on how stakeholders worked with each other and with the buildings themselves to create the types of innovations identified in WPB. It concentrated on one sub-case property in each urban retailing centre which had been successfully repurposed (at least partially). Primary data were generated through interviews with 24 professionals involved with the repurposing schemes. All five properties had multiple occupiers and/or mixed uses and their innovative uses represented 'difference' on the High Street. They also reflected the particular challenges faced by the High Street, with a mix of former department stores, a partly vacated mall, and buildings which had deteriorated to the extent they were, in part, a health and safety hazard.

Later in the report, the findings of each WP will be brought together, along with recommendations for future action.

Rationale Underpinning Case Study Selection

Edinburgh, Glasgow, Hull, Liverpool and Nottingham were selected as the case study centres to reflect the focus on private sector investor activity. A northern UK sample sought to avoid additional complexities relating to north-south economic imbalances. Although all were regionally significant, their differences and similarities in retail performance also aided meaningful comparisons. Further details on the rationale for selection can be found here.

Case Study Snapshots

Figure 2: Location of Five Northern Case Study Centres

Edinburgh

Edinburgh has the smallest retail core in the sample[1] with an estimated 1,696,000 sq ft (approx. 158,000m^2) of retail floorspace (2017/18) across various retail streets and two managed malls (its third mall, the St James Centre, was closed during the study period for redevelopment). In this relatively affluent city, retail, food/beverage and leisure represent around 8% of the local economy, while 31,600 residents live in the city centre. Edinburgh is also an attractive tourist destination, not least because of its city centre UNESCO World Heritage designation. Summer festivals, such as The Fringe, and the Christmas Market/New Year celebrations are also popular with visitors.

Glasgow

With the largest retail core in Scotland, Glasgow's retailing centre provides significant employment (50,000 jobs or 12.5% of Glasgow's employment in 2017). While its main shopping streets historically form the 'Golden Z' (Sauchiehall Street-Buchanan Street-Argyle Street), managed mall space provides a substantial share of the city centre's estimated 2,991,000 sq ft (approx. 278,000m^2) of retail floorspace space. However, Glasgow is unusual, in that this floorspace, per head, is notably lower than the other case study centres. Meanwhile work is currently underway on The Avenues Project: a £115 million city centre transformation aimed at improving both the public realm and accessibility.

Hull

Hull, the second smallest of the case study areas, has a retail floorspace area of 1,865,000 sq ft (approx. 173,000m^2) and covers shopping streets, three malls and two Victorian arcades. Retail, food/beverage and leisure represent around 8.5% of the local economy and 19,000 people work in retail (15% of the city's workforce). In terms of affluence, Hull is ranked relatively low. Its most recent mall development, St Stephen's, was driven by a public-private partnership to improve the city's retailing offering and provide a hotel and theatre. Meanwhile, the public sector has been proactive in regenerating Hull, spending £25 million to deliver a city centre public realm improvement strategy.

Liverpool

With its shopping streets and six managed malls, Liverpool's retail core floorspace is the largest in the study, constituting around 2,998,000 sq ft (approx. 278,500m^2). Retail, food/beverage and entertainment represent around 15% of the local economy. Over the study period, the retail floorspace changed considerably due to the public sector-initiated 42.5-acre Liverpool One (2008), which saw large-scale, outdoor 'mall-ing' as a driver for city centre regeneration. This strengthened the city's position as a major retailing centre, although its catchment area is one of England's least affluent. A large city centre student population (29,000) stems from its three universities, while Liverpool has also established itself as a major tourist destination.

Nottingham

Nottingham is the third largest case study area, with its retail floorspace spanning 2,877,000 sq ft (approx. 267,000m^2) across various pedestrianised shopping streets and two large malls, as well as shopping arcades. In 2017, retail, food/beverage and entertainment represented around 13.6% of the local economy which accounted for 25.1% of jobs. While its retail area appears to be the least changed during the study period, one mall (1970's Broadmarsh) has been taken back by the freeholders, Nottingham City Council, and a mixed-use development is proposed in its place. Nottingham has a large (64,000) student population, many of whom live in or near the centre. However, the city and its catchment are not particularly affluent, though more so than Hull, Liverpool and Glasgow.

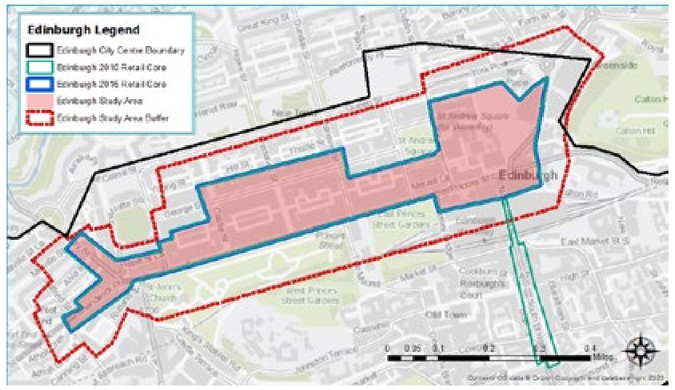
1 All retail floorspaces estimates stem from PMA (2021) *UK Retail Historic Time Series Data: Edinburgh, Glasgow, Hull, Liverpool and Nottingham*, Property Market Analysis, London.

Defining the Study Area within the Case Study Centres

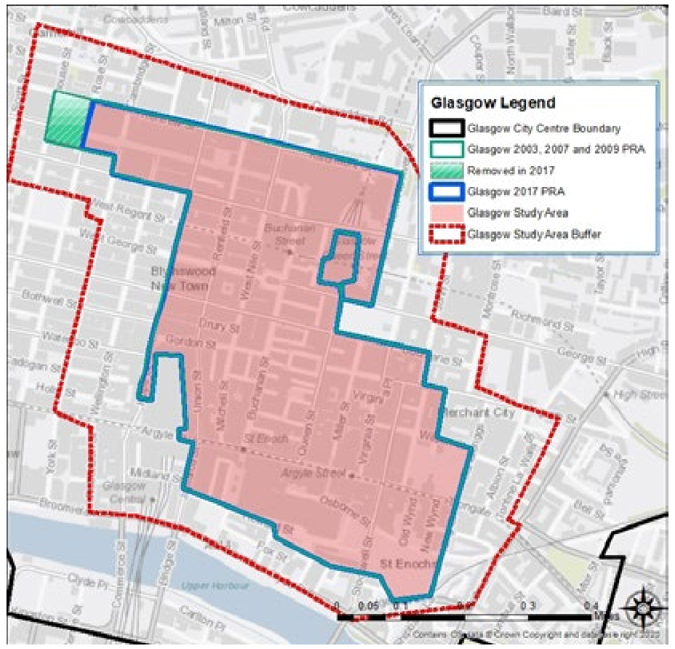
The defined study areas were those parts of each city centre where planning policy has traditionally encouraged and concentrated retail development, which tend to be called the 'primary shopping' or 'principal retail' areas[2]. For simplicity they will hereafter be referred to as PSAs in England and PRAs in Scotland. These designated areas tend to incorporate clusters of shops, including traditional 'High Streets' with their fragmented property ownerships and appearance, the managed spaces of 'in town' shopping centres, as well as the public realm. Other managed spaces may include shopping arcades and markets. PSAs and PRAs have not only developed over time but continue to develop. In this respect, Figure 3 illustrate the changes in the PSA/PRA boundaries over the study period, whereby each bounded research site was shaded pink, while a buffer zone, lined in red, was created to avoid boundary problems associated with 'edge effects'[3].

Figure 3: Study Areas

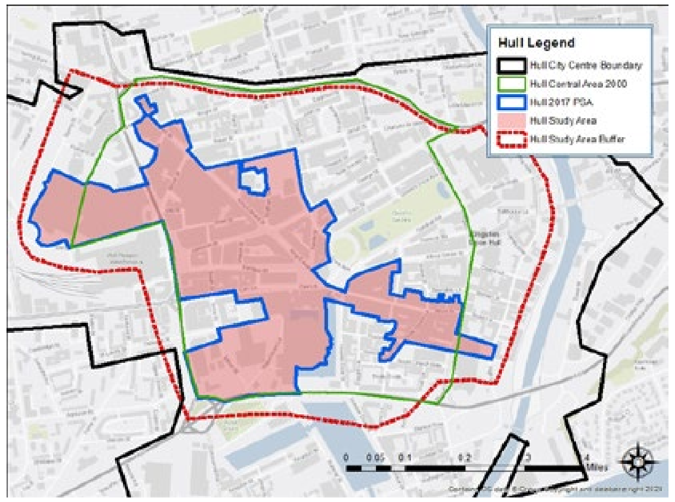
Edinburgh's PRA Boundaries and Study Area



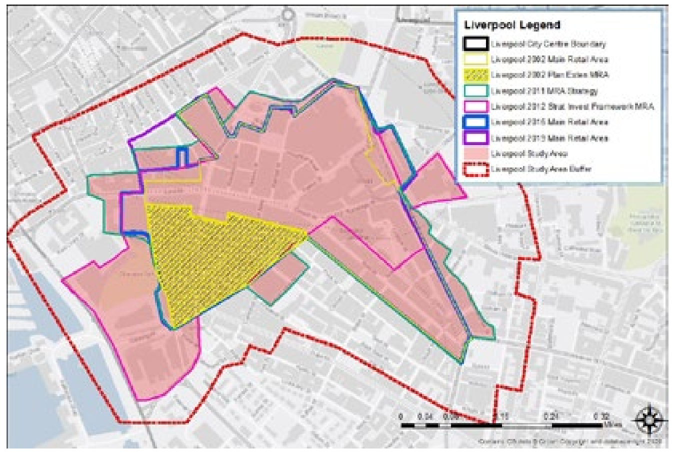
Glasgow's PRA Boundaries and Study Area



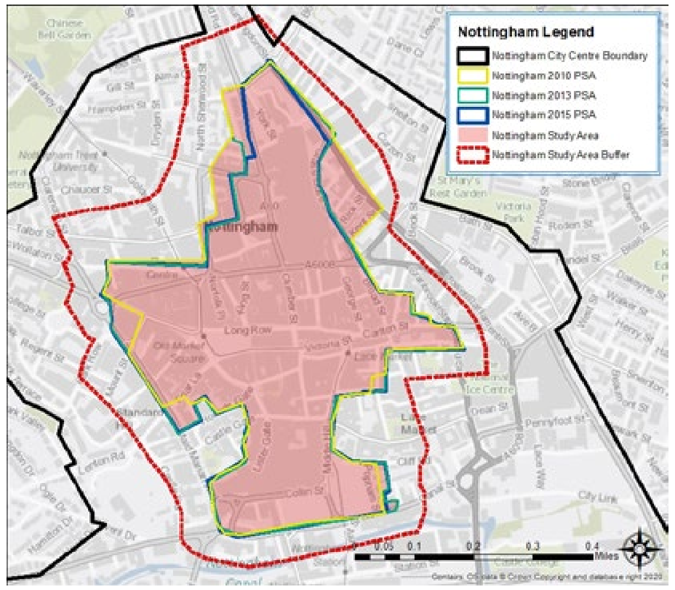
Hull's PSA Boundaries and Study Area



Liverpool's PSA Boundaries and Study Area



Nottingham's PSA Boundaries and Study Area



2 Edinburgh City Centre Retail Core, Glasgow City Centre Principal Retail and Commercial Area, Hull City Centre Primary Shopping Area, Liverpool City Centre Main Retail Area and Nottingham City Centre Primary Shopping Area.

3 'Edge effects' are a form of bias that occurs in statistical inquiries when a neighbouring unit of analysis is excluded but influences the values of its neighbours. To avoid this bias, a common technique is to include – spatially – a buffer zone where property units beyond the retail core are examined in terms of their effect on points within the study area but are not analysed in any other way. In this way, edge effects are eliminated from the study area.

Work Package A: The Role of Building Usage and Ownership in the Adaptation and Resilience of City Centres

Context and Findings

Faced by the need to repurpose surplus city centre space, policymakers have increasingly focused on the promotion of more diverse property uses in areas once dominated by retail. However, with multi-functional places come issues relating to the dispersal and fragmentation of property uses. This may increase the time and effort involved in shopping and, in turn, reduce the likelihood of both impulse buying and 'comparison shopping' (a form of browsing) for the remaining retailers. Repurposing retail units to non-retail usage (e.g. residential or offices) can also lead to 'dead frontages' which impact upon the 'micro-environment' of a street by breaking up the continuity of shop windows, disrupting pedestrian activity and subsequently affecting both spending patterns and the rents which shops can command. These issues are growing in significance as stakeholders in city centres try to manage the decline of physical retailing and transform obsolete retail units. Yet our understanding of recent changes in property usage and ownership and how it potentially facilitates or inhibits urban change, remains weak. The aim of WPA was to address this gap. The following provides a summary of the key findings.

Property Usage

While retail dominated in the early 2000s, nearly all the case study centres saw a greater change in property use following retailer failures. By 2017, when averaged across the case study centres, the main property uses were (in decreasing order):

1. **Comparison retailing[4]:** despite being the largest property use (32%), comparison retailing has contracted.
2. **Offices/commerce and storage facilities:** the number of units in this use category grew over the study period.
3. **Empty properties:** 'vacant' not only represents the third largest property use, but also the use which saw the greatest growth overall.
4. **Food and beverage:** a growth industry across all five study areas.
5. **Convenience retailing (e.g. newsagents):** recent growth has mainly been driven by the supermarkets' small store format for 'little and more often' grocery shopping.
6. **Serviced accommodation[5]:** the growth in this category was only marginally behind that of empty properties (both being well above other increases).
7. **Residential:** the conversion of redundant office and storage space to residential units was a continuing trend in all case study areas.
8. **Entertainment, leisure and recreation[6]:** dominated by local conditions, this category showed only small changes and no consistent patterns.
9. **Public and social value services[7]:** this category has contracted since 2010, possibly related to the well-documented public sector austerity cutbacks.

Property Use Patterns of Note:

- Between 2000 and 2017 the number of occupied retail units in the five case study centres declined on average by 17%.
- While upper floors changed to residential, as well as hospitality, offices and co-working space, many have not been converted and the rise in vacancies above the ground level persists.
- Overall, the rise in vacancies outstripped all other use changes, suggesting that the speed and scale of adaptation cannot keep up with the parallel surge in empty properties.
- There has been an increase in residential accommodation in city centres, as local authorities have increasingly viewed city centre living as a way to revitalise centres, repurpose vacant space and create demand for nearby businesses.
- While residential, PBSA and serviced accommodation has grown, a parallel provision of public and social value services (e.g. doctors' surgeries, libraries, schools, etc.) has failed to keep pace, despite the necessity of these facilities to serve growing city centre populations.
- The expansion in hospitality has helped to offset the decline of comparison retailing. To a lesser extent, this decline is also being offset by the growth in 'service shops' (e.g. tattoo parlours) and experiential retailing (e.g. product-related events or masterclasses), both of which are often run by independent businesses.
- The retreat of retailers from city centres has left a gap for independent businesses, many of whom, are experience-orientated, to lease space that was previously cost prohibitive. Space has become affordable as wide scale vacancies have seen property rental values fall significantly.
- All centres lost department stores, leaving large and awkward spaces that have been slow and problematic to adapt. Likewise, older purpose-built shopping centres experienced particular difficulties and saw vacancy rates increase markedly.

WPA is the only work package to track change over time. Relating the findings to the adaptive cycle model it was found that the richness of property use (the number of different uses) has increased, which corresponds with retailing centres entering the release and reorientation phases as new, emerging uses enter the retail property market. However, diversity (the evenness of different uses),

4 Sales which rely on shoppers comparing similar products from different retailers

5 e.g. hotels, aparthotels, hostels, self-catering units and purpose-built student accommodation, known as PBSA
6 e.g. museums, entertainment venues and sports facilities
7 e.g. medical surgeries, nurseries and tourist information

requires a two-pronged measurement relating to: (i) the number of different uses and (ii) their relative abundance. It tends to vary both spatially and over time, due to the shifting mix and concentration of property uses.

Property Ownership

The study revealed a steady decrease in ownership by UK financial institutions in four of the five case study centres, and a rise in ownership by overseas investors, private individuals and unlisted property companies – thus increasing the number of small-scale investors. This rise in fragmented ownership points to the following impacts:

- Smaller investors are not as capital rich as the institutional funds which are leaving the market. This has implications for the quality of the building stock. Capital-rich financial institutions are better able to actively manage their assets (e.g. maintaining the quality of ageing buildings and refurbishing existing space), whereas smaller investors are more likely to fund their activities with debt and may not have the resources to adopt anything more than a passive approach to managing assets. This also means that large institutions have less impact on the state of repair (and more widely on the built form) of city centres than in the past.
- Debt-funded smaller investors are also hostage to the rigid requirements of lenders, who have been increasingly restricting retail investment loans. This may hamper city centre retail maintenance and/or regeneration.
- When financial institutions do hold retail units, they tend to be concentrated on the traditional prime retail pitch. Thus, in terms of ownership, city centres have become more spatially uneven. This has left smaller investors with units outside the prime pitch more susceptible to the ever-present threat of shifting pedestrian flows, which can lead to locational obsolescence. Indeed, the study identified instances of the 'butterfly effect', whereby changes in property use altered how people moved around a retailing centre which had a big impact on vitality.
- The rise in private individual investors and small property companies indicates a possible decrease in the 'professionalisation' of property ownership. Lacking expertise, smaller private investors may tend to rely more on external property advisers to help manage their assets. This may have implications for the co-ordinated management of city centres.

Again, to relate the findings to the adaptive cycle model, the growth phase tended to correspond with concentrated institutional and large property company ownership. However, as the market slowed, many of these owners sold their holdings and a wider range of investors have now entered into the market as it moved into the release and reorientation phases. With this comes the possible benefit of increased competition between landlords lowering market rents and improving leasing terms[8], and greater creativity and innovation in property formats and use – although this makes it more difficult for policymakers to manage city centre change.

8 Whereby, in theory, a small number of large owners can control prices, while many smaller owners competing against each other can force down prices.

Work Package B: Leisure and Entertainment Experiences in Reshaping City Centres

WPB Context and Findings

From the findings of WPA, it was established that the case study centres have been through the *release* (collapse) phase of the adaptive cycle. As such, the next three stages of the research (WPB, WPC and WPD) focused on the subsequent *reorientation* phase, with its associated openings for change and innovation. In this respect, redundant retail floorspace created challenges, but also opportunities and has drawn policymakers' attention to the role of the 'experience economy' in both the re-use of surplus space and the future of city centres. The term 'experience economy' is used here to describe the ways in which people are being enticed back to retailing areas through the creation of new leisure and entertainment opportunities that transform a routine visit to the High Street into a more memorable and enjoyable event (which may still encompass shopping). Given that experiences are often place-bound, the 'experience' of city centres also includes the enjoyment of the public realm (streets and public spaces) and the semi-public spaces (arcades, covered walkways, foyers, food courts) found within purpose-built shopping centres. Given that *reorientation* in the adaptive cycle is about retailing areas entering a new phase of growth, in which resilience is increasing, the aim of WPB was to understand the specific ways in which the experience economy has evolved and reshaped city centres with a focus on the adaptation of traditional shopping streets and purpose-built shopping centres, and the wider use of the public realm. With a focus on innovation, the following provides a summary of the key findings.

New In-Store Commercial Experiences

Established and emerging retailers alike had created new in-store environments to entice customers into their shops, with High Street showrooms allowing potential purchasers to touch, feel and experience their products. Moreover, landlords increasingly supported their retail clients by focusing on creating, not only the best possible in-store experience, but one which strongly resonated with their online offer.

Experiential Independents

Independent retailers tended to offer a more experiential and bespoke shopping experience. They often placed a strong emphasis on 'uniqueness' both in terms of their products and the physical space in which they were displayed. This presented landlords with an opportunity to rent 'quirky' spaces previously regarded as difficult to lease by national chains and multiples. However, the data highlighted that independent businesses also needed flexibility for future growth within their city centre.

Unit Layout and Adaptability

Retailers' historic preference for a certain design and layout of retail space – particularly a large floor area in a visible unit – committed city centre property owners to built forms which have become complex to adapt to changing preferences. Purpose-built shopping centres epitomised this challenge, while deep, large floorplate former department stores have also proven difficult to adapt.

Purpose-Built Shopping Centres and Department Stores

The retraction of retailing from city centres had proven especially difficult for the operators of purpose-built shopping centres and the owners of department stores. Both both property sectors experienced a significant rise in vacancies over the study period. Given that the creation of a 'destination' for shoppers had long been their *modus operandi*, many turned to familiar experience-orientated leisure and entertainment businesses to fill the space, including bars, restaurants and cinemas, less familiar uses such as indoor mini golf and darts, and innovative forms of 'competitive socialising' (e.g. axe throwing). There was also some interest from larger shopping centre operators, who in the past had worked almost exclusively with big brand chain stores, in creating space for local and independent businesses in their portfolio.

Major Redevelopment of Purpose-Built Shopping Centres

The dramatic vacancy rates experienced by some shopping centres led to drastic action and a search for new and innovative ways to use or entirely redevelop certain centres. In Glasgow, for example, the city's two largest purpose-built shopping centres, Buchanan Galleries and St. Enoch Shopping Centre, have proposed demolition and redevelopment as residential, shopping and office quarters, potentially creating two new city centre neighbourhoods – proposals that are similar to the new St James Quarter that replaced the St James Shopping Centre in Edinburgh.

City Centre Events

The public realm in city centres also underwent significant change. At certain times of year, especially Christmas and during the summer, some public spaces were used for events – often for commercial purposes. While events attracted experiential visitors to the city centres, they also created tensions with residents. This was felt most acutely in Edinburgh, with its long-established city centre resident population and its year-round events calendar.

Wider City Centre Public Realm Improvements

The relationship between the quality of the public realm, accessibility and business viability was identified as crucial to the survival of city centres. This was regarded as a welcome move away from an over-emphasis on the retail sector 'crisis' at the expense of wider city centre planning and design concerns. After a long period of austerity following the Global Financial Crisis, each case study local authority had taken advantage of lottery, 'City Deal', 'Levelling Up' and other government funding to invest in major public realm improvements and heritage-led regeneration as a means of creating a more attractive and better-connected environment – and ultimately a city centre more likely to be experienced positively.

Work Package C: Changing Property Usage and Retail Practices

Wpc Context and Findings

WPC also focused on the subsequent *reorientation* phase of the adaptive cycle, and centred around property owners, who play a pivotal role in providing retailing and other city centre space. Owners are facing a challenging future, involving changes in the usage of their properties and in the ways they manage them. The current policy impetus on diversifying existing shopping areas has also resulted in changing spatial distributions of retailing and other property uses (WPA). These spatial changes have specific consequences for property owners as they affect retail rents. This, in turn, impacts upon the investment market in terms of property values and investment returns because the rent a commercial property can command determines the property's value. As such, WPC examined: (i) the ways changing property uses/ownership have reoriented local patterns of urban development; and, (ii) the actions of property owners in managing decline, whereby retail restructuring has led to changes in the established practices and norms of the real estate market. The aim was to identify connections between retail rents, use diversity, shifting market dynamics and adaptations in property market practices, to enable policymakers to better understand the interrelationship between urban retailing markets and resilience. The following provides a summary of the key findings.

Findings: Spatial Patterns (Stage 1)

Shifting Prime Pitch Boundaries

Retail areas are split into prime, secondary and tertiary pitches which are not fixed, but are based on investment quality and retail activity. For this study, given the prime pitch commands the highest market rents, changes in the location of clusters of properties with the highest rateable values were examined, revealing:

- In three centres, sizeable retail-led redevelopments/initiatives had occurred (St Stephen's in Hull, Liverpool One in Liverpool, and Multrees Walk and George Street revisioning in Edinburgh). These schemes have impacted local preferences and behaviours in a variety of ways, including shoppers being attracted by their novelty value or better retail mix (i.e. pulling them away from their usual shops) or by enticing retailers to relocate into newer purpose-built spaces – or a combination of these effects. Consequently, the location of the prime pitch in these cities shifted towards these new developments, leading the centrality and shape of the prime pitch to be altered. This significantly and fundamentally changed each city centre and, as a result, the market rents achievable for the affected properties.
- In Glasgow and Nottingham, the centrality of the primary and secondary pitches did not shift. However, ongoing socio-economic and behavioural changes had resulted in store closures, the replacement of mid-market fashion retailers with independents and low-cost chains, and changes in use, which typically took place on the prime pitch's periphery. This effectively contracted this area in a 'creeping' manner over time.

Other Spatial Findings)

- The pandemic exacerbated an already slowing retail market with high levels of uncertainty characterised by the increasing use of Company Voluntary Arrangements[9] (CVAs), the collapse of large occupiers, national chains and multiples downsizing their portfolios and their withdrawal from urban centres. The subsequent surge in vacancy rates and surplus city centre retail space, pushed retail market rents down.
- The most consistent pattern of change was the drop in the number of shops across all five case study centres and their subsequent conversion into food/beverage (F&B) outlets.
- The spread of F&B outlets suggests that, not only are centres diversifying, but F&B is now recognised as complementary to retailing. In the earlier years of the study period, owners were less willing to let units to these operators as F&B achieved lower rents than shops.
- Being located on a pedestrianised street had a positive influence on rents. However, it is important to note that the retail industry focuses on footfall (counting shoppers), which is not a metric that captures quality of experience (including the experience of the public realm).
- In the wake of the pandemic, vacated units were increasingly being let to independent occupiers who could not have afforded the previously higher rents.

Findings: Market Practices (Stage 2)

The study found increasing complexity in managing retail assets, particularly in the areas of (i) covenant strength perceptions, (ii) flexibility in the leasing model and (iii) changes in rent pricing and property valuation practices.

Adapting Covenant Strength Perceptions

- 'Covenant strength' relates to the tenant's financial position. It represents the likelihood that a tenant will default on paying their rent. As such, the accurate pricing of covenants involves an assessment of risk. Market conditions mean traditional perceptions of a strong covenant no longer hold because so many (previously) strong covenant companies have entered administration or CVAs. Consequently, the position of independent retailers has improved, whereas traditionally they were regarded as weaker covenants and less desirable tenants. While the shifts in covenant strength are complex, more open-minded owners no longer perceive independents to be such a high risk and, as a result, they are appearing in prime locations.
- There are difficulties in accurately pricing covenants as they rely on assessing the tenant's financial record, however.

9 A CVA is a mechanism that enables struggling tenants to selectively offer landlords reduced rent payments on changed lease terms or terminate their lease contracts, in order keep trading. The alternative to a CVA is the tenant enters administration, leaving all units vacant.

Independents, for example, may not yet have a track record to assess. This means that risk cannot be appropriately priced using current measures of covenant strength.

Flexibility of the Leasing Model

The area of greatest adaptation has been the leasing model. For UK owners, the historically predictable cashflow stream from commercial tenants has now become more volatile and complex. As such, owners are having to be increasingly flexible when negotiating leases with tenants, while also managing their own risk exposure.

Turnover Rents

- Turnover-linked rents[10] have been increasing and have become more popular as a result of the pandemic. While larger retailers started demanding turnover rents initially, the approach is now trickling down to smaller operators. A turnover rent means that, if there is a poor trading year, the lease terms can effectively lower the retailer's exposure to fixed (rental) overheads by allowing them to share the risks with the landlord. This can also make for a closer and more productive landlord/tenant relationship and, in this respect, the pandemic saw more collaboration and a greater openness between parties regarding financial data.
- The wider adoption of turnover rents has nevertheless been met with unease from some UK owners due to their complexity, lack of transparency (it is not obvious how turnover percentages are negotiated or determined) and problems capturing a retailer's turnover – a figure that many resist sharing. As such, trust between parties in the negotiation can be difficult and has not been helped by the absence of a standard approach to measuring and setting appropriate provisions within turnover leases.
- The lack of a guaranteed rental level in a turnover lease pushes down a property's value. Many investors are therefore uncomfortable with this type of unpredictable income stream. As a result, the marked shift in favour of the tenant has become unsustainable for some owners who do not want to deal with the levels of risk on offer. Moreover, when looking for finance, some investors find lenders are no longer willing to lend on retail assets, or will increase the cost of borrowing to compensate for the higher perceived risks.

Leasing Negotiations

- Retail assets need to be more actively managed to generate acceptable returns, while also requiring owners to be as flexible and accommodating as possible. As such, managing retail assets has become an increasingly complex affair, with owner and tenant negotiations and leases becoming ever more bespoke. Rent-free incentives to attract tenants were found to be commonplace, and rent-free periods longer. For tenants, there were also shorter lease terms, while incentive packages included capital contributions and assistance with fit-outs to de-risk deals. In addition, there was a move towards total occupancy cost packages, where rent is inclusive of service charges, rates and possibly insurance, thus placing a greater onus on owners to tightly manage these costs. Furthermore, there were reduced repair and dilapidation obligations for tenants and tenant-led breaks. Pandemic clauses were included in almost every lease, while clauses relating to CVAs were also emerging.
- There is nothing new in these leasing mechanisms. Incentivising deals usually take centre stage in negotiations when there is a market downturn and are squeezed out during a recovery. This raises questions about the permanency of recent changes as the market strengthens, although the greater use of turnover leases looks likely to remain in some sectors of the market (for example fashion retailing, where occupiers perceive the lease terms as more attractive than fixed rents).

10 A rent, in whole or part, calculated on a fixed percentage of the tenant's turnover.

Changes in Rent Pricing and Property Valuation Practices

Property valuation is the process through which the value of an asset is estimated. As assessments of risk have become more complex, both in relation to covenant strength and the predictability of rental income levels, this has led to falls in value, and also questions over valuation methods.

- Even before the pandemic, ongoing structural changes had resulted in many retailers struggling with the affordability of shop space. As such, there were pressures for rents to be rebased downwards[11], which is now underway, particularly as the Covid-19 restrictions have forced owners to adjust their expectations in terms of rental growth and accept decreases in asset values.
- With assets now priced at a different level, the fall in value for some shopping centres was described as almost beyond comprehension. Consequently, the viability threshold has lowered. Owners are now more willing to repurpose their properties and move towards more diverse uses. Occasionally, however, owners resist rental rebasing, awaiting the return of the halcyon days of retail investment. Consequently, vacancy levels for these owners are high.
- Retail property valuation processes are based on income security and expectations of rental growth and are struggling to handle the unusual cash flows associated with changing lease terms. While a particular issue with turnover rents, the conventional 'all-risks yield'[12], which underpins market valuations in the UK, is also difficult to determine when faced with insufficient market evidence of increasingly complex risks. These difficulties were also highlighted in an independent review of valuation standards (Gray, 2021), which recommended that 'growth explicit' techniques[13] become the primary method in the preparation of valuations.

11 Rental rebasing is the re-pricing of rents to ensure they reflect movements in the market rate.
12 'All-risks yields' are a measure of return used in the valuation process to capitalise the annual rental revenue to determine the market value of a property asset.
13 These are contemporary valuation methods that build rental growth projections directly into the income streams that are capitalised when a property is valued, rather than rely on an all-risks yield to implicitly capture expected rental growth.

Work Package D: Repurposing Vacant Space and Bringing Buildings Back into Effective Use

WPD Context and Findings

WPD also focused on the *reorientation* phase of the adaptive cycle and examined the repurposing of retail floorspace, given that enhancing the adaptive capacity of existing real estate is ultimately key to improving the resilience of city centres. In this respect, the government has introduced several initiatives to enable the diversification of former retail properties. For example, England's new broad based, flexible use class, Planning Use Class E (commercial, business, and services), is intended to provide for greater interchangeability, whereby changes to another use, or mix of uses, within this class will not require owners and occupiers to seek planning permission. Meanwhile 2019's Towns Fund seeks to support and reshape urban centres away from traditional retail uses, with a twin track approach to achieve business flexibility within properties, while also breathing new life into surplus space (including new homes). With a focus on adaptability at the individual property level, WPD's aim was to examine successful repurposing schemes to identify 'what works' in the practice of transforming under-used and vacant floorspace, and where difficulties and frustrations lie. As such, WPD recognised the importance of two key relationships: (i) the relationship between a proposal and the physical fabric of a city centre property, including its surroundings, and (ii) the relationship between the key stakeholders involved with a repurposing scheme. The following provides a summary of the key findings.

Physical Fabric

- In identifying properties that offered the potential for financially viable repurposing, investors were attracted to areas where public realm and general improvement works were planned nearby. This highlighted the importance of public sector commitment to an area and the role it plays in attracting private sector investment.
- Investors were also attracted to properties where vacancies had led to falling values and the opportunities they saw to enact change and enhance the property's worth. However, in order to maintain property values in the long term and to ensure future adaptability was possible, owners were drawn to new uses which did not require significant structural changes (as they could hinder subsequent conversions). This meant the avoidance of conversion to (high density) residential uses. Moreover, in terms of current perceptions of market direction, investors identified the attractiveness of: artisan food/street food vendors, doctors/dentists/other surgeries, clinics relating to the wellness movement, education, culture and call centres. These uses, in turn, added to diversity.
- For investors, ideas of 'vitality' included the presence of motorised traffic, with most choosing to invest in buildings on the very edge of pedestrianised areas. Not only did such 'edge' locations enhance the visibility of occupiers and property uses, it also enabled a property to profit from both pedestrianised areas (having outdoor seating) and trafficked routes (benefitting from taxi drop off points or hurriedly visited façade cash points).
- As none of the repurposed case study properties were purpose built for their current uses, it was not easy to 'read' their facades from the street to ascertain their changed functions. Indeed, for larger repurposed properties with multiple occupiers/uses, such as malls and former department stores, many occupiers were unable to engage visitors unless they entered the building. This raised debates over the relaxation of planning controls to allow building facades to be adapted in ways that articulate externally what is happening within (e.g. signage, lighting schemes and diners' balconies).
- The research suggests that, when a property undergoes a transition to a new use, it does not leave its previous use fully behind. Former department stores, in particular, tended to be associated with good memories, while also being housed in prominent and locally iconic buildings. In this respect, there appeared to be an element of 'icon regeneration' in successful repurposing schemes, as developers built-on existing 'feel good' associations.
- The verticality of multi-level properties was a key challenge in repurposing works. In terms of productive space, a large amount of internal floorspace was lost to servicing infrastructure which must scale the height of the building, such as new lifts and stairwells and M&E (mechanical and electrical) systems – particularly new ventilation systems and IT infrastructure ducts. Mechanical ventilation for office space was a particular issue because repurposing can bring an increased density of occupation within properties which were too deep to ventilate naturally via open windows. However, a great deal of innovation was evidenced in accommodating new systems. Meanwhile, with city centres moving towards mixed use, all five case study properties were serving food to some extent. As such, extraction was an issue (dealing with steam, odours and grease-laden air). Given much of the necessary extraction/ventilation infrastructure must discharge at roof level, this exacerbated verticality issues as new food uses have tended to locate as near to the street level as possible. These types of technical issues created higher redevelopment costs.
- At the feasibility stage of a repurposing scheme, disrepair was an issue raised across most case study properties by potential owners and occupiers, but in all instances this was outweighed by the ways they could potentially occupy a property's space. Particular attention was paid to plentiful floorspace and multiple access/egress points, to enable subdivisions of an overall building, especially when the building had the ability to accommodate new reception areas at those points. In this respect, to help facilitate the conversion of a former department store to multi-occupancy, a local planning authority allowed former shop windows to be converted to doorways, despite the building's conservation area status[14], with the recognition that adapting to multiple occupiers is difficult, not only due to their need for different entrances, but also to accommodate their different opening hours.

14 Being sited in a conservation area is often the case for city centre properties.

Key Stakeholders

- While some repurposing schemes were more aligned with local authority strategies for an area than others, stakeholders from all parties highlighted the importance, and the further potential, of building upon common desires to create shared governance arrangements in the restructuring of High Streets, and related policy making and decision-making.
- While the government's policy agenda included the encouragement of residential units within city centres, interviewees repeatedly discussed that residential requires such strong protection from other uses that it can be problematic to have as a neighbour. For example, if there were further repurposing works, there were concerns that neighbouring residents would seek to derail a planning application by objecting in a way neighbouring businesses would not.
- At the large scale, given the inherently risky nature of redeveloping city centre space, risk-sharing was recognised as increasingly necessary. However, this did not seem to be the case at the scale of repurposing individual properties. The frustrations and burdens felt by owners were clear. This was compounded by additional financial burdens associated with Section 106 Agreements (to compensate a community against the impact of a new development), when repurposing schemes were creating employment and adding, incrementally, to the overall upgrading of the area.
- As would often be the case with city centre buildings, most of the case studies properties had a footprint which was entirely taken-up by constructed space, with external walls directly abutting the pavement or pedestrianised area. This caused some frustration amongst owners/occupiers with local authorities refusing to permit them to use the adjacent land for any basic business need, such as a vehicular pick up/drop off area, A-board style signage, or the dressing of the main entrance. This represented the privatisation or commercialisation of public space. Moreover, owners/occupiers were frustrated that they were reliant on the local authorities to maintain and enhance the directly adjacent land and, even, refusing their offers of private investment in pursuit of such improvements.

Conclusions

Changes in property uses have resulted from the demise of some traditional retail and the growth in more 'service' focused uses, although the entertainment, leisure and recreation sector has lagged behind food and beverage. Moreover, there has been a growth in independents and a willingness by landlords to let to independents, including within some purpose-built shopping centres, as they seek to adapt to changing circumstances and replace lost anchor tenants. Other shopping centres have faced a more existential crisis and, in the most extreme cases, are being demolished and redeveloped, with some city centre transformations moving in the direction of mixed-use neighbourhood districts. Overall, while the case study retailing cores have a greater range of uses, they are not necessarily increasing in diversity. This is evident as emerging new uses are spread unevenly across the centres, although this reflects longer term patterns and is characteristic of the reorientation phase of the adaptive cycle. Change of use extends to an increase in city centre living, including student accommodation, and this adds to richness and diversity and thus strengthens resilience. However, the parallel provision of public services for city centre residents has failed to keep pace. It is notable that, overall, change in use has not kept up with rising vacancy rates.

Rather like purpose-built shopping centres, former department stores are 'difficult to adapt', though this can be easier when they are under single control. Owners are looking for uses on the ascendance (e.g. food halls, health practices and education), which add to richness, although they are most drawn to new uses which do not require significant structural changes, in order to **maintain flexibility for future, subsequent conversions**. However, while the repurposing of some former department stores is occurring, technical issues, especially those relating to verticality, create higher redevelopment costs. Adapting for multiple occupiers is also difficult, with challenges relating to different entrances and opening hours, for example. For repurposed properties, another problem is that it is difficult to 'read' their facades to ascertain their new uses. This is resulting in pressures on local authority planners to allow façade alterations (and increased signage), which can challenge longer-term protection of architectural and place distinctiveness.

The findings thus point towards the need for more **intensive, 'micro' management** of city centre properties (as assets), leases and the built environment generally. This includes the quality of the public realm, property accessibility and visibility, due to their impact on business viability and the handling of events in public space. Furthermore, given the current policy impetus encouraging residential conversions, the findings suggest that current responses to city centre change are developing in an *ad hoc* manner. Change needs to be managed, as does decline and even – paradoxically – flexibility.

From the findings, it is clear that recent adaptations are leading to **changing interdependences**. In terms of leases, the balance of power has shifted from landlord to tenant, something tenants are not scared to exploit, though the pandemic saw more landlord/tenant collaboration and greater openness and transparency. However, some residual animosity remains. The contentious use of CVAs is an example of this. Meanwhile, in larger repurposing schemes, especially 'in town' shopping centres and former department stores, there is a recognition that synergies are possible through complementary uses within a single property. However, there was some frustration that, as these properties often have no curtilage because their external walls directly abut publicly owned space, maximizing their assets (e.g. through signage and seating) relies on working in partnership with the local authority as the owner of the immediately neighbouring land. In this respect, stakeholders from all parties highlighted the importance of common desires underpinning change, yet this does not currently extend to shared governance arrangements. Moreover, given that the growth in overseas investors and smaller investors brings greater fragmentation in ownership, there is a need for urban management vehicles that better co-ordinate such fragmentation, especially as smaller investors are not as capital rich as the institutional funds which used to dominate the market. As such, co-ordinating and incentivising change is an increasingly important issue.

Overall, after a period of retail dominating the case study centres in the early 2000s, the study saw **a rise in retailer failure rates and greater property use change**. Change of use implies multi-functionality and greater variation within our retailing centres and, while vacancies and challenges remain, this shift in use brings potentially greater resilience as the wider economic structure is less vulnerable to shocks.

Policy Recommendations

The aim of the study was to better understand the retail property market's adaptive capacity and, ultimately, the resilience of city centres. Distilled from the findings, the following recommendations for action, which can be found in more detail here, may be adopted independently, or linked as part of a coherent strategy covering urban retail centres as they recover from the Covid-19 pandemic and enter a new cycle of redevelopment:

Place Making Tools

1. **Develop 'shared vision' city centre masterplans** which treat a central retailing area as a single, coherent entity with a clear vision, in an approach akin to the micro-management undertaken by shopping centre operators. Underpinned by partnership working, the masterplans would operate as an urban management vehicle to better organise fragmented ownership, encourage initiatives and guide change towards a mix of uses that supports retail. They would also:
    - **Identify areas for public investment and encourage greater partnership working** to co-ordinate the public/private sectors in reimagining and integrating retailing streets.
    - **Include ways to measure/improve walkability and amenity** to improve the overall quality of experience within a central retailing area, extending the focus beyond retail footfall.
    - **Find ways to combine pedestrianisation and vehicular movement** to recognise the importance of accessibility and visibility for building owners and occupiers.
2. **Create high street policy plans** led by the business community (owners/occupiers) to pursue their developmental priorities (e.g. façade works) through establishing their own planning policies (akin to English Neighbourhood Plans[15]).
3. **Establish designated urban vibrancy areas** to encourage urban vitality and business viability through the targeted relaxation of regulatory controls relating to signage and the use of/execution of works on pavements/public land.
4. **Develop vacant shop strategies** to minimise dead frontages within city centres while creating interest and footfall on declining High Streets.
5. **Introduce city centre event strategies** that identify appropriate times and locations for holding events in public space in consultation with local people.[16]
6. **Establish ownership and occupier property databases** to enable local authorities to monitor use and ownership changes across central retailing areas (particularly at empty ground floor properties) to monitor and evaluate their effects on urban vitality and for the impact of new policies to be assessed.
7. **Develop standardised micro-level diversity metrics** to enable a consistent approach to the monitoring of change at the 'micro' level – at least the block level – to aid local authorities in better understanding of intra-urban spatial effects (such as how specific areas may come to compete with each other as retailing continues to decline) and in managing planning's new flexibility[17].
8. **Increase monitoring of city centre change to identify signs of urban decline and poor building maintenance**, and introduce processes/resources that enable local authorities to effectively deal with decline, for example building maintenance grants to help deal with emerging problems.

Property Market Reform

9. **Introduce greater transparency in the property market** to improve access to data on different lease types, to enable landlords to assess the suitability (and competitiveness) of terms within a lease. This includes the development of a 'best practice' standardised turnover methodology, but also the creation of industry benchmarks for different types of leases.
10. **Improve data sharing around the financial position of tenants** to improve the assessment of covenant strength through access to reliable and up-to-date data.
11. **Overhaul the valuation model and retrain professional valuers**, whereby valuation practice needs to adapt to models appropriate to the evolved market, encompassing turnover rents and other lease changes – while education providers need to ensure graduates entering the profession are competent in the application of these revised methods.

15 Having an existing (and evolving) Neighbourhood Planning policy framework means High Street Policy Plans should be relatively quick and straightforward to put in place.
16 **Note:** High Street Policy Plans, Urban Vibrancy Areas, Vacant Shop Strategies and City Centre Event Strategies could stand alone, or sit within a wider City Centre Masterplan to offer a suite of solutions to help aid retail maintenance and/or regeneration. Likewise, the following databases, metrics and monitoring could stand alone, or inform masterplanning.

17 For example, the Planning Use Class E (2020), but particularly the 2021 permitted development rights which allow the conversion of premises within Class E to residential. However, Article 4 Directions disapply permitted development rights (to avoid unacceptable adverse impacts), but local authorities must target their assessment of these impacts, and any subsequent Article 4 application, to the smallest geographic area possible. As such, the availability of micro level metrics would help to inform applications.

Changes to the Planning System

12. **Ring-fence Section 106, Section 75 and Section 76[18] monies from repurposing schemes** in primary shopping/principal retail areas in a more targeted manner, to ensure they are spent in the vicinity of the property, to help 'de-risk' such schemes.

13. **Expand the system of prior approvals[19] currently required in conservation areas for conversions** from commercial, business and service use (Class E) to residential (England)[20] to include all ground floor conversions within local authority designated primary retail where specific urban design characteristics are deemed important, to seek to maintain the character of the shopping street and flexibility for future adaptations, including reversions to retail.

14. **Devise initiatives to encourage greater use diversity** to add to ideas such as England's Use Class Order revisions (2020) and Scotland's Masterplan Consent Areas (2019), to find ways of promoting flexibility in the centre of cities – with the caveat that monitoring is required to track unintended outcomes.

15. **For large floorplate shopping centres, remove barriers that prevent owners from changing vacant shop units into leisure and entertainment uses** through expanding the types of retail to leisure/entertainment conversions currently allowable via England's Planning Use Class E, for uses such as cinemas and community meeting places and, with car parks in mind, outdoor recreations – and adopting initiatives similar to Planning Use Class E are across the devolved nations[21].

16. **Adopt 'life cycle space' development plan policies that support experience-orientated independent businesses in city centres**, to give independents more certainty, and promote their continuing growth and clustering (along with the use of planning mechanisms such as Article 4 Directions[22]).

17. **Expand planning obligations to cover an affordable retail space provision for city centre planning consents** to help establish a more resilient framework of city centre retailing.

18 Section 75 agreements in Scotland and Northern Section 76 agreements in Northern Ireland are broadly equivalent to section 106 agreements in England and Wales.
19 Some types of permitted development require a 'prior approval' application, which – in turn – may require the submission of an impact assessment. For a change of use, prior approval is sought to ensure specified parts of the development are acceptable, even though the proposal is already acceptable in principle. This allows any likely impacts (e.g. on highways) to be mitigated. For frontages in conservation areas, prior approval relates to design.
20 Class MA permitted development rights.
21 The territorial extent of its legislation currently covers England and Wales, though Use Class E is not operational in Wales.
22 Article 4 Directions restrict permitted development rights and could be used to limit uses to, say, retail and leisure, where appropriate.

Public Sector Financial Assistance and Support

18. **Introduce grants to support the necessary building services infrastructure** (e.g. extraction/ventilation) required to bring significantly large former retail premises, such as department stores, back into productive use.

19. **Establish townscape catalyst packages** to support both the upgrading of shopfronts and adjacent public spaces, in order to maximise the impact of various funding streams on retailing streetscapes.

20. **Devise investor-orientated initiatives** to assist and incentivise the increasing numbers of smaller investors to actively manage their property holdings, and encourage more investment by financial institutions. This may include the introduction of grants and/or tax credits to 'de-risk' the repurposing of large redundant floor space.

21. **Increase provision of local services** such as health, education and community facilities, to better support city living. These facilities may offer a partial solution to the repurposing challenges presented by deep, large floorplate, vacant department store buildings, as many of these services do not rely on passing trade or frontages, yet bring people into a location.

22. **Develop support for independent tenants** with less property experience, whereby – to become established – they may need help with increasingly bespoke lease terms and complicated clauses, from industry bodies (including owners, town centre associations and Chambers of Commerce).

23. **Provide new urban management vehicles (e.g. property owner BIDs or property owner associations)** to lead to the development of shared objectives that help support small investors and co-ordinate owners in the proactive management of their assets[23]. Moreover, their shared objectives could help inform City Centre Masterplans.

Further Research

24. **Support further research on the incorporation of residential uses in the repurposing of retailing areas** to mitigate conflict and enhance enduring, positive change.

25. **Conduct further research into the built form of UK shopping centres and their future viability as mixed-use leisure – and entertainment-orientated complexes**, including an examination of the relative success of the outdoor shopping centre as a built form[24].

23 Existing UK urban partnership initiatives, such as Property Owner BIDs (Business Improvement Districts), found in London, could be extended. Alternatively, Property Owner Associations, common in the US, are known to be effective in managing multiple ownership in commercial districts.
24 Of which, at 42.5 acres, Liverpool One is the UK's most significant example.

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