Deloitte.

What next for the high street?
Part one: The way things are now

January 2021

> “One of our principal amusements is to watch the gradual progress– the rise or fall–of particular shops… They are never inhabited for more than two months consecutively, and, we verily believe, have witnessed every retail trade in the Directory.”

Charles Dickens – Sketches by Boz

About this report

LocationEdge
This report features analysis by LocationEdge, a Deloitte product that answers the core geospatial questions faced by businesses, using advanced location and market intelligence through geospatial simulation. LocationEdge provides businesses with advanced strategic insight for key decision-making around how they shape their market offering.

LocationEdge combines real world, accurate spend and mobile trace data with hundreds of sources on supply and demand, with client store, channel and performance metrics to inform the business estate, product, market and location strategy.

Find out more: https://www2.deloitte.com/uk/en/pages/consumer-industrial-products/solutions/locationedge.html

Local Data Company
The data analysed in this report was provided by the Local Data Company (LDC). LDC is a market leading retail location data and insight provider, combining powerful proprietary technology with a unique, field research methodology inspecting over 680,000 retail units each year on either a 6- or 12-month cycle. Information collected includes occupancy status, tenant brand, retail category and opening hours for every premises, whether it is part of a chain or independently run. LDC delivers data, market analysis and profiling to leading retailers, financial institutions, analysts, search engines, online directories and the media.

Find out more: https://www.localdatacompany.com/

Please note that Deloitte was unable to publish this report in the Autumn as originally planned due to the lockdown in November 2020. As a result the data used in the report only goes as far as Q3 2020.

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Foreword

In 1792, Henry Walton Smith and his wife Anna opened their first store selling newspapers in Little Grosvenor Street, London. In 1848 the business, now run by Henry and Anna's son, William Henry Smith, took advantage of the railway boom and opened a bookstore at Euston station, quickly followed by kiosks in stations across the nation's expanding railway network. Meanwhile, in 1869, John James and Mary Ann Sainsbury opened Sainsbury's first dairy shop at 173 Drury Lane, London. The age of chain retailing in the UK had begun.

In part one of this two-part series we examine recent events on the high street following a period of major technological advancement and extraordinary political and social turmoil. In part two we consider what the future of the high street could look like. In our view the high street may be heading back to the future, to a time before the rise of the chains when high streets were dominated by small, independent, specialist retailers responding to the very specific wants and needs of those who lived and worked in the immediate vicinity. It was also a time when shops shared their town centre with a wider range of uses from warehouses to homes.

Total online sales reached 33.8% of all retailing at the height of the first lockdown compared to around 20% before the start of the pandemic.

The future will of course involve substantial innovation and experimentation, and the high street is the ideal place to introduce new concepts and formats. As a result, we are likely to see a considerable number of failures as the high street becomes the 'fast-fail' testing laboratory of choice. What will emerge is a high street that is both new and yet features old concepts. While it may include an organic butcher, a GP surgery or a small local storage depot, these are all 'trades' that Dickens would have recognised.

For all the upheaval the high street faces, we believe it has an exciting future.

Ian Geddes
Managing Partner
North South Europe
Consumer and Retail

Part one – Executive summary

Back in 2014, following a cycle of distress and failures after the global financial crisis, Deloitte published research and analysis predicting it would be the high street rather than shopping centres or retail parks that would prove most resilient over the coming years.

When that report was published it may have been possible to predict online sales would continue to undermine bricks and mortar retailing. However, few would have foreseen the shock of Brexit, and no one could have anticipated a global pandemic that would all but close down physical retailing intermittently throughout 2020. Given the upheavals and structural shifts that have impacted the market since our original piece, now would seem a good time to revisit our optimistic prediction of 2014.

In part one of this series, we analyse the state of the high street and discuss how its decline has been accelerated by the COVID-19 pandemic.

Physical "bricks and mortar" retailing has been in decline since at least the global financial crisis of 2008. Since 2010 nearly 1,400 retailers have entered administration as they struggle with the impact of online shopping and the other headwinds facing bricks and mortar retailers. As a result, since 2016 more shops have been closing than opening as the supply of space outstrips occupier demand; and the pace of closures is accelerating. While all retail locations are struggling with growing vacancy rates, the high street has shown remarkable resilience with the overall vacancy rate staying remarkably constant over the last eight years. This would seem to suggest that while the high street struggles it is also capable of perpetual reinvention.

The pandemic has accelerated and exacerbated a number of these trends. The lockdown has revealed the dependence of the city centre retail and leisure economy on the traditional office worker. It has also shown how the internet can respond quickly and opportunistically to any void left by bricks and mortar retailing. Total online sales reached 33.8% of all retailing at the height of the first lockdown compared to around 20% before the start of the pandemic.

The high street is not a monoculture to the same extent as city centres (offices) or shopping centres (retail and leisure). The diversity of uses that makes the nation's high streets so difficult to define may also prove to be the key to their long-term recovery.

In addition, the crisis has exposed the growing challenge of trading profitably from large and expensive destination shopping centres as rental values have been allowed to become increasingly detached from the economic productivity of the physical space they relate to. Meanwhile, retail parks have shown their resilience through the crisis benefitting from a high proportion of essential retail uses coupled with a fundamental role in many retailers' click-and-collect supply chains.

The high street is not a monoculture to the same extent as city centres (offices) or shopping centres (retail and leisure). The diversity of uses that makes the nation's high streets so difficult to define may also prove to be the key to their long-term recovery in a landscape that is likely to have changed fundamentally as a result of the recent crisis.

In part two of this series, we make the argument that the high street is ideally placed to reinvent itself despite the dreadful roll-call of retail and leisure failures. The perceived weaknesses of the high street model, its fragmented ownership, lack of centralised coordination, lower rents and high vacancy rates become strengths as they not only lower the barriers to entry for new concepts and operators, but they also enable experimentation, fast failure and the rapid evolution of new concepts and formats. These new models will also reflect a number of trends that were accelerated during the COVID-19 public health crisis. A reset of the landlord-tenant relationship will be needed, as will more flexible planning laws and more involvement from local authorities in reshaping their town centres to meet its local community's needs. It may not be a grandiose vision but the conditions are right for the high street to enjoy a hopeful and useful future.

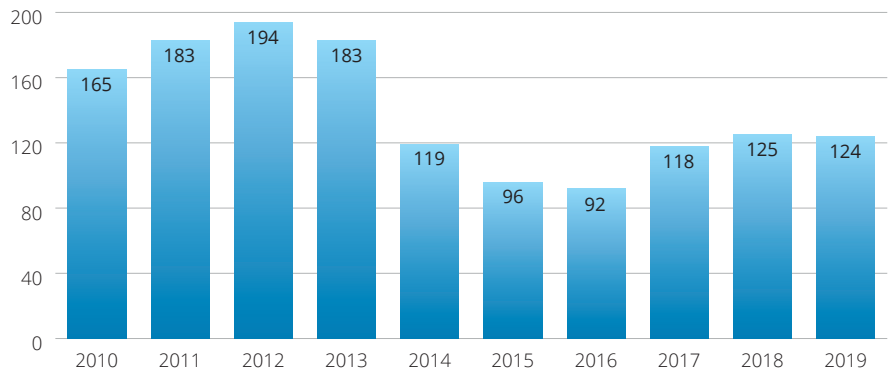
The long-term trend

Since the start of 2010 nearly 1,400 retailers have entered administration (see Figure 1). The human cost is staggering. The Centre for Retail Research estimates that since the start of 2018 alone more than 386,000 retail jobs will have been lost.

The statistics show that while the impact of the pandemic on retail has been dramatic it has only hastened a process that has been ongoing since the global financial crisis of 2008 or even further back to the emergence of online retailing. It would be wrong, however, to blame the internet for all the woes of bricks and mortar retailing. There are countless other headwinds that have contributed: distorted rents, high business rates, the national living wage, pension funding, commodities pricing – the list goes on. What we are seeing now is both an exaggeration and a continuation of something that has been going on for a long time.

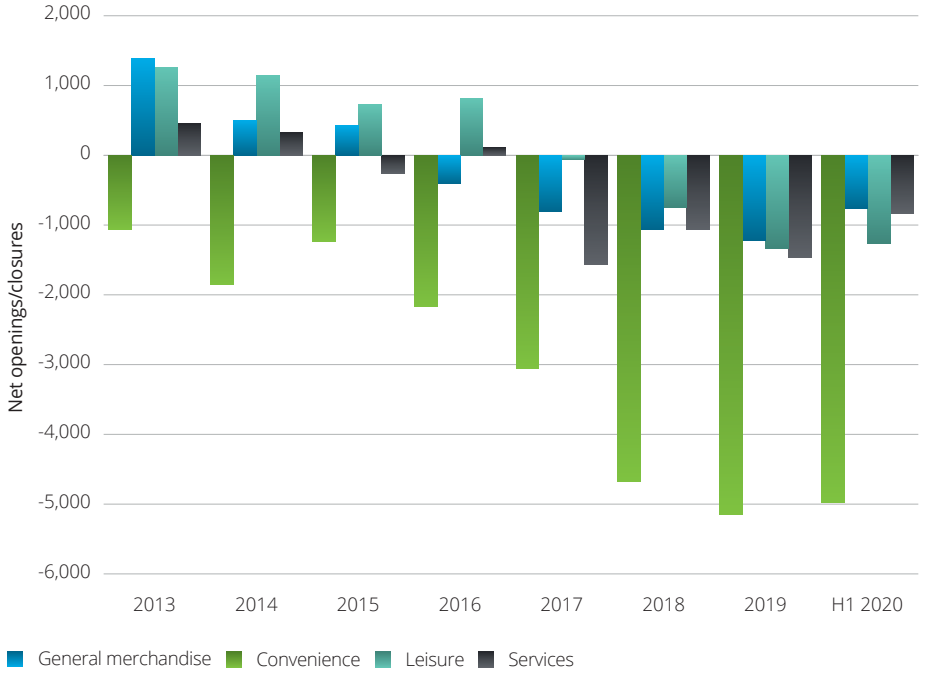
The impact on vacancy rates has been predictable but the trend has accelerated markedly in the last three years. Since the Local Data Company (LDC) started tracking the statistics there has been a steady reduction in the number of comparison (general merchandise) shops. Until 2016 the closures of comparison shops were 'balanced' by new openings across the convenience, leisure and service sectors. However, 2017 was the first year that all four sectors posted more closures than new openings, a trend that has accelerated rapidly every year since. LDC data indicates that the first half of 2020 saw 7,834 closures across all sectors, by the end of the year this number is likely to be significantly worse (see Figure 2).

Figure 1. Number of retailers falling into administration (England) 2010-19



Source: Deloitte LLP

Figure 2. Changes in occupation across the four main classifications (convenience, general merchandise, leisure and services)

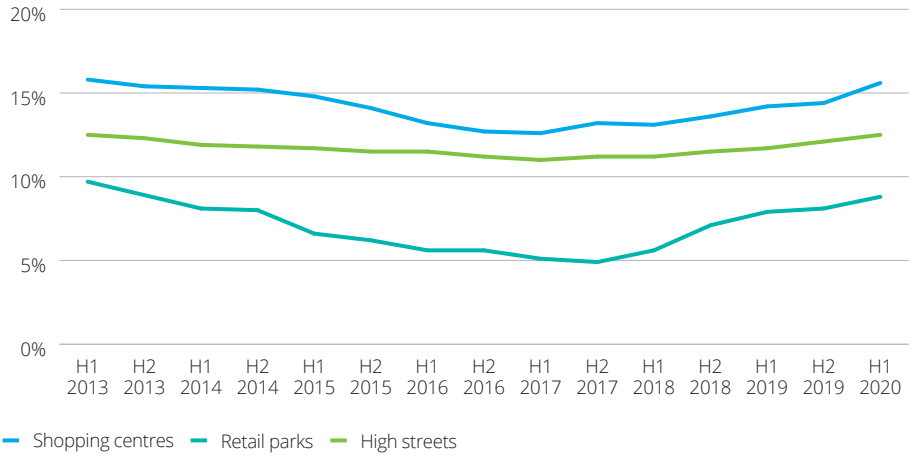


Source: Local Data Company

Sadly, the true picture is likely to be even worse than this data suggests. When the full magnitude of the pandemic became apparent, the government reacted with a number of interventions designed to protect the retail industry from the full impact of the crisis. As a result, it seems likely that the rate of failures and closures has been temporarily supressed. The relief from business rates, exemption from commercial evictions, protections from statutory demands and winding up orders, furlough schemes, deferral of VAT payments and all the other government support has helped to keep retail businesses afloat through the worst of the crisis. How many will survive after the pandemic is open to debate but the harsh reality is that the levels of distress and failures, and the rate of closures, are likely to continue, and potentially accelerate, when the support is unwound at the end of the crisis. In such circumstances, a reasonable hypothesis is that 2021 and 2022 will see similar levels of net closures before some sort of equilibrium can be re-established. That would mean upwards of 30,000 net closures between now and the end of 2022, or up to a 5% increase in the overall vacancy rate.

The pattern of vacancy varies by asset class and location. Predictably, perhaps, London has the lowest overall vacancy rate at 9.4% while the North East has the highest, more than double at 19.2%. Retail parks have proved highly resilient but while their vacancy rate is currently 8.8% this is a significant proportional increase from the H2 2017 figure of 4.9%. At the other end of the scale the vacancy rate for shopping centres is now just 0.2% below its H1 2013 peak at 15.6% (see Figure 3).

Figure 3. Vacancy rate by location type



Source: Local Data Company

What is noticeable from the data is the lack of volatility in the high street vacancy rate. The current rate of 12.5% is high, matching the previous high from H1 2013, likewise if our hypothesis holds true then the vacancy rate is likely to increase materially over the next couple of years. However, over the last seven years of turmoil the vacancy rate on the high street has fluctuated very little. This suggests that new openings must have largely been keeping pace with closures, and that there have been significantly high volumes of both. If true, this supports our view of the high street as a more dynamic trading location and a place for experimentation and new formats.

When the full magnitude of the pandemic became apparent, the government reacted with a number of interventions designed to protect the retail industry from the full impact of the crisis.

The impact and influence of COVID-19

Warren Buffet, the American investor, is famously quoted as saying that '"it's only when the tide goes out that you learn who has been swimming naked". The COVID-19 crisis has revealed the retail economic landscape at low tide. It has accelerated changes that were already well underway before the original March lockdown and exposed some fundamental truths that the high street of the future will need to acknowledge and respond to.

City centres are fragile ecosystems

The lockdown has had a profound effect on city centres. While footfall declined everywhere overnight, it is interesting to examine how the recovery in footfall and associated spending patterns differ by locations (see Figure 4). For example, city centres have been hollowed out by the lockdown as workers stayed at home limiting their shopping activity to essential goods they picked up on their own high streets, town centres or local retail parks. As one commentator put it "doughnut cities have given way to a suburban splurge".

This phenomenon is also illustrated by the reopening rate recorded for different locations following the end of the first lockdown on 15 June 2020. This shows commuter and seaside towns recovering significantly better than city centres which are more dependent on daily commuter traffic (see Figure 5).

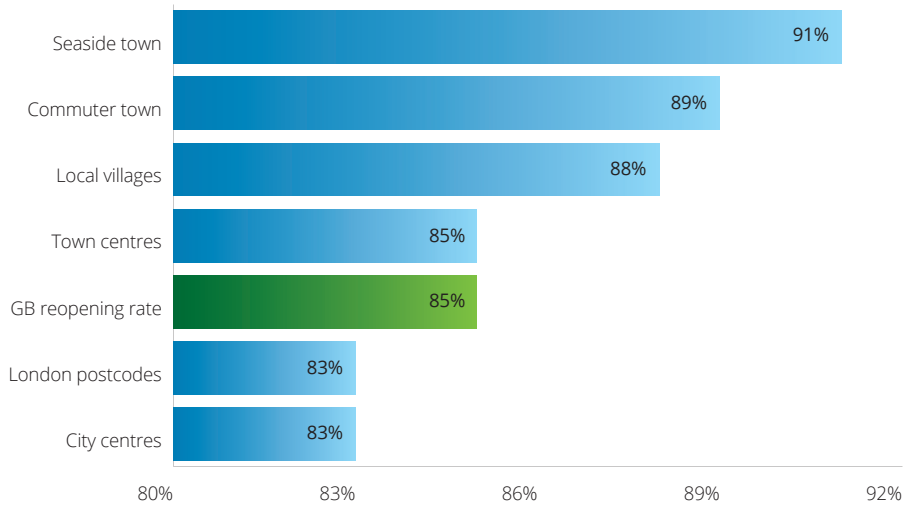
The data highlights how dependent major cities are on commuter traffic. Indeed, following the lockdown many retailers and leisure operators whose business model is built around the office worker, have suffered major financial difficulties. As an example we have used Deloitte's proprietary 'LocationEdge' geospatial simulation solution to demonstrate the way in which specific uses and operators cluster around high concentrations of office users, in this case near the Deloitte head office in the City of London (see Figure 6).

Figure 4. Centre for cities – high streets recovery tracker

Footfall top 10	Index	Spend top 10	Index	Footfall bottom 10	Index	Spend bottom 10	Index
Basildon	132	Blackpool	116	London	35	Aldershot	57
Chatham	129	Huddersfield	110	Manchester	51	London	59
Birkenhead	123	Burnley	109	Cardiff	51	Coventry	65
Blackpool	116	Birkenhead	105	Birmingham	55	Southampton	66
Burnley	112	Barnsley	104	Oxford	55	Newcastle	66
Doncaster	108	Northampton	103	Liverpool	59	Oxford	67
Telford	107	Hull	102	Edinburgh	60	Manchester	67
Southend	105	Basildon	102	Leeds	61	Cardiff	68
Wigan	103	Bournemouth	101	Glasgow	62	Sunderland	69
Bournemouth	102	Plymouth	101	Newcastle	65	Edinburgh	70

Source: Centre for Cities. Data Period 13 February to 29 September. Updated 9 October 2020.

Figure 5. Reopening by town centre type



Source: Local Data Company

At a time when the office has been closed, or open with a skeleton staff, there has been little demand for sandwiches or smart shirts as the comparison between those who live, as opposed to work, in close proximity to the office indicates:

- Population dwelling within 0.5km of EC4A 3HQ = 2,463
- Population dwelling within 1.0 km of EC4A 3HQ = 20,739
- Population working within 0.5km of EC4A 3HQ = 73,466
- Population working within 1.0 km of EC4A 3HQ = 196,565

The population living within half a kilometre of Deloitte's front door is just 3.3% of the population that would normally work within the same catchment. In the absence of office workers, the number of people living in a typical business district who might be looking to buy anything is basically nil. Office workers have stayed at home and home is clearly some distance away from the office, and the money that would previously have been spent in this cluster of shops is now being spent closer to the office worker's own front door – if it is being spent at all.

The rate at which different retail and leisure sectors reopened following the initial lockdown may provide some indication of the current and future priorities of consumers, and the challenges facing retailers.

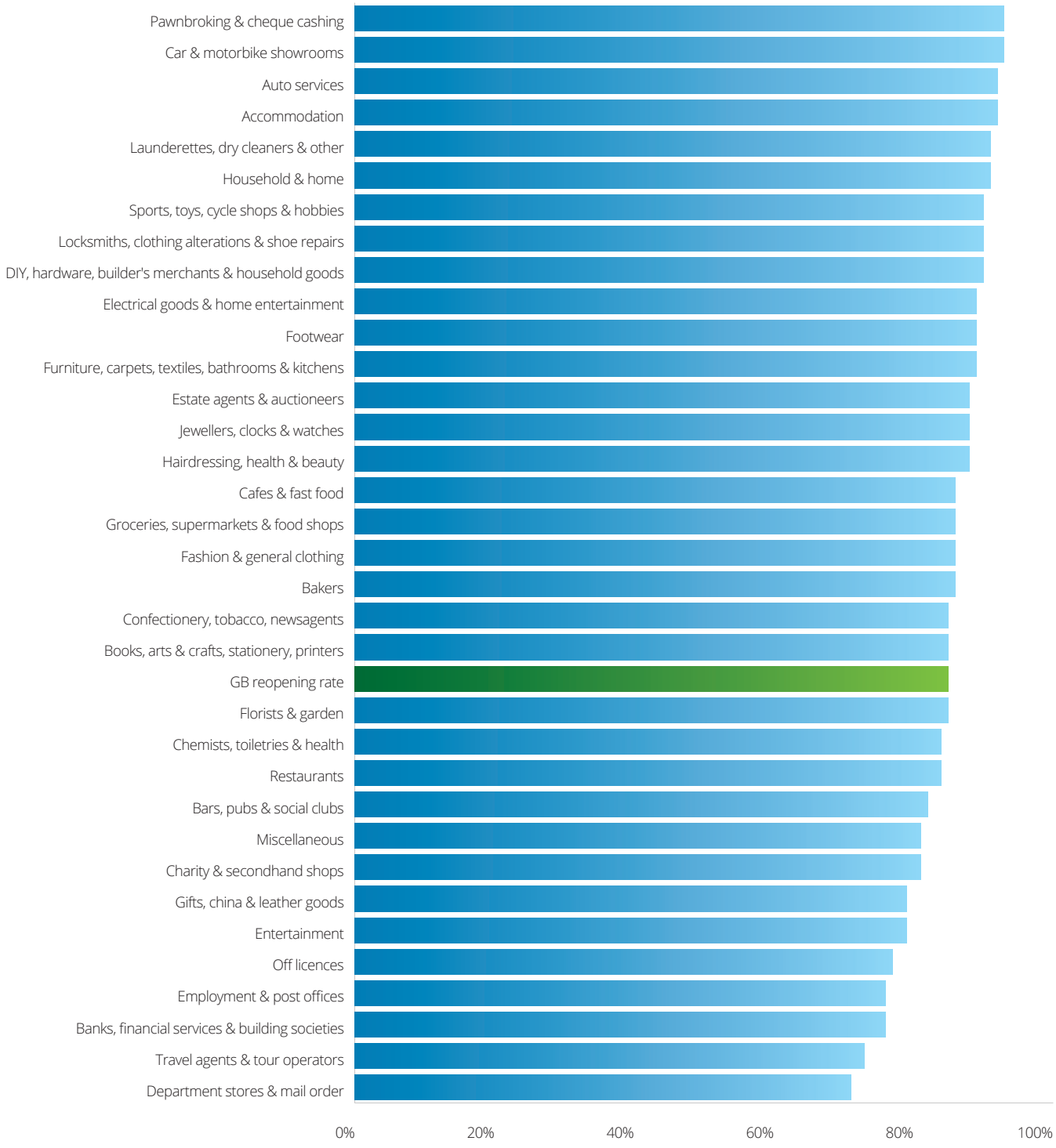
Figure 6. Selected businesses clustered around Deloitte (EC4A 3HQ)

Caffe Nero Itsu Pret A Manger T M Lewin

Source: Experian/Deloitte LLP

In the absence of office workers, the number of people living in a typical business district who might be looking to buy anything is basically nil.

Figure 7. Store reopening rate by category (based on a sample of 96,087 units visited in August and September 2020)



Source: Local Data Company

Figure 7 could provide some indicators for the future direction of the high street.

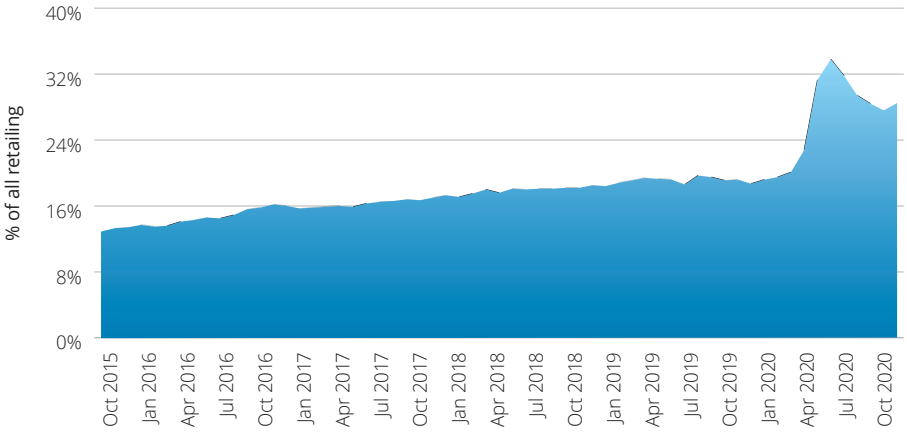
- The pandemic has had a massive economic impact on both businesses and individuals so it is no surprise perhaps to see *pawn brokers and cheque cashing* operations leading the charge to reopen.

- Faced with the closure of gyms and more time due to furlough, there has been a growing impact on health and wellbeing which *sports shops* have been quick to respond to. Likewise, *hairdressers and beauty parlours* experienced a mini boom as customers have sought emergency repairs to haircuts done at home.

- As people were forced to spend more time at home, more emphasis was placed on the home environment and 'nesting'. *Household and home retailers, DIY operators, furniture and carpet retailers* reopened quickly to take advantage of this trend.

- At the other end of the scale, quarantine rules and uncertainty have hit the *travel* sector hard. Meanwhile, *department stores* which had already seen a disproportionate volume of their sales transfer to their online channels have struggled to find ways to reopen profitably at a time of severely reduced footfall across city centres and shopping centres.

Figure 8. Internet sales as a proportion of all retailing (excluding automotive fuel) – seasonally adjusted



Source: Office for National Statistics

Online is an agile opportunist

Ironically, just before the onset of the pandemic (December 2019) the rate of growth in online sales was beginning to flatten out for the first time. This may just have been a pause for breath but there was a sense that some sort of equilibrium between physical and online retail was being reached (see Figure 8).

Looking more closely at the individual sub-sector data shows that the peaks driven by the initial lockdown, and the rate at which they have fallen back, may help to inform some forecasts for the future of the high street.

Online grocery

The rate of online penetration for food sales doubled almost overnight from 5.4% of grocery sales in February 2020 to 11.2% in May. By October this had fallen back slightly to 10.4% (see Figure 9).

Notwithstanding the sudden boom, online penetration for groceries started from a much lower base than other retail sectors and, even at the peak of the pandemic, only reached a level that was broadly similar to levels that other sectors (such as fashion) were operating at prior to lockdown.

The food sector naturally benefitted from being an 'essential' sector with stores allowed to continue to trade throughout lockdown. Convenience stores performed strongly as lockdown encouraged consumers to shop locally. This provided a unique opportunity for small, independent operators such as butchers, bakers and grocers to compete with the larger chains for an audience that, potentially, had more time to compare and contrast their offerings.

The larger footprint stores also regained their relevance as consumers looked to make fewer, larger store visits, firmly placing superstores in the 'destination' shopping category. This has potential implications for the future if large trolley shops from supermarkets increasingly become supplemented by smaller, basket shops on the high street for specific items of meat, fruit or vegetables.

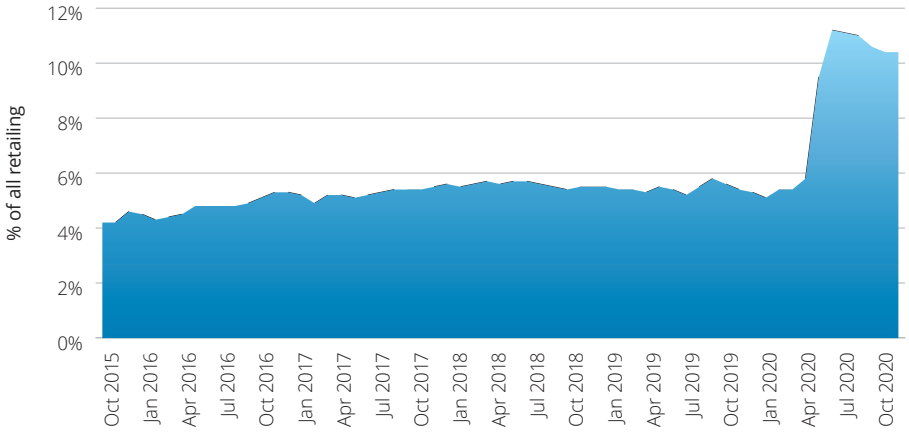
Department stores

Department stores already had a very high level of online penetration prior to lockdown (16.2% as of October 2019). Across the sector this peaked in April 2020 when 36.4% of sales came from online. Post-lockdown online penetration had still only fallen to 30.2% in October (see Figure 10).

These figures illustrate the challenges facing department stores. With such high levels of online penetration, the enormous footprint of their stores had become increasingly difficult to sustain as high rent burdens were exacerbated by high business rates.

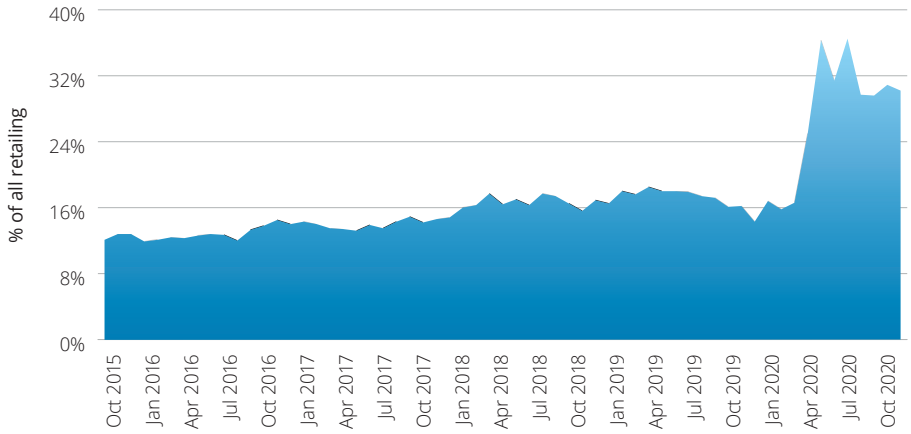
The slow recovery in footfall in both city centres and shopping centres has added to the sector's woes and, ultimately the number of failures. As a result, department stores are releasing large volumes of space that will either need to be absorbed or removed from the supply side of the retail space equation as that space is removed or repurposed.

Figure 9. Internet sales – predominantly food stores



Source: Office for National Statistics

Figure 10. Internet sales – Department stores



Source: Office for National Statistics

Fashion

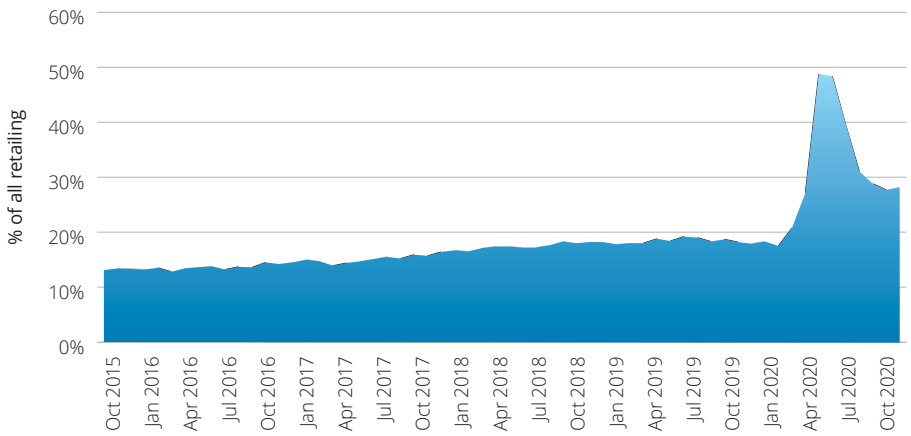
Prior to the first lockdown, fashion already had the highest rate of online penetration. Online fashion sales in February 2020 stood at 20.7%, peaked at 49.4% in April, and only fell back to 28.2% by October (see Figure 11).

Lockdown was devastating for clothing retailers that did not have an online channel. Primark estimated that lockdown would cost it around £650 million per month.[1] However, trade bounced back strongly as soon as stores were allowed to reopen, emphasising the value many consumers still place on the physical retail experience.

The impact of the 'hollowing out' of city centres is evident in Primark's reported figures. Prior to the second lockdown it estimated that sales would be 12% lower on a like-for-like basis than in 2019; however, if its large city centre stores in Liverpool, Birmingham, Manchester and London where footfall has been slow to recover were excluded sales on a like-for-like basis would only have fallen by 5%.[2]

The pandemic accelerated a decline in the mid-market fashion sector that was already well underway. High profile failures and distress among high street stalwarts (M&Co, Edinburgh Woollen Mill, New Look) has seen a number of other famous names either significantly reduce their retail footprints or disappear from the high street altogether.

Figure 11. Internet sales – Textile, clothing and footwear stores



Source: Office for National Statistics

The impact of online sales on fashion is clearly demonstrated by the administrations of Karen Millen and Oasis/Warehouse. In both cases, these businesses migrated completely from bricks to clicks as they ceased all physical trading and were purchased by BooHoo to become pure online platforms. While between them these retailers vacated more than 120 stores, such failures also heap further woes on the department store sector as hundreds of concessions closed rendering yet more floor space redundant.

CVA and balance sheet restructuring – Karen Millen and Oasis

At Karen Millen, Deloitte was engaged by the sponsor to undertake an options review that encompassed CVA feasibility, exit of international jurisdictions, M&A options and contingency planning. Following the initial phase, Deloitte delivered an AMA transaction through a pre-packaged administration preserving the brand and IP of the business, generating maximum value for the lender/sponsor.

At Oasis and Warehouse, Deloitte was the lead M&A adviser on the sale of the brand and stock to a private equity buyer providing a flexible transaction structure, which was delivered amid the economic uncertainty of the Coronavirus lockdown.

Online sales have prevented the development of turnover rents – a rent calculated using the income and other receivables generated at the leased property. There has been a lack of trust between landlords and tenants around definitions and drafting of leases which has contributed to the perpetuation of fixed rent agreements.

A fundamental point about online shopping is that it introduced considerable confusion around the role and profitability of individual stores. It remains very challenging for retailers to quantify accurately the interplay between physical and online channels, particularly with 'click and collect'. Online sales frequently require a physical location for purchases to be collected from. The right strategy is not always clear for a retailer if a shop loses money but supports the online channel. While such challenges are not insurmountable, the fact remains it is expensive and complicated to arrive at clear answers. The online channel has sown confusion and encouraged many retailers to retain stores that were otherwise unprofitable and which, with the benefit of hindsight, should have been closed many years ago.

Solving the shopping centre equation

With a current vacancy rate of 15.6%, shopping centres appear to have been hit the hardest by the changes to the retail sector. Understanding some of the factors that have contributed to the challenges they face and weaknesses at the heart of the shopping centre model could identify opportunities for the high street of the future.

Shopping centres can be expensive

Over time there has been a growing divide between the rents agreed for space in large, prime, shopping centres and the ability of retailers to generate a reasonable return that is in line with the cost of the rent. Given that rateable values track rental values, high rents have had a compounding effect on the total cost of occupation as they also push up the tax bill for that space. In addition, service charges for large shopping centres push costs for tenants up even further. As online channels have reduced sales volumes in physical stores, the profitability of much of this expensive retail space has reduced, contributing to the financial distress of many tenants. Landlords have sought to maintain their capital values by maintaining rental tones – fixed values per square feet for the space within their schemes. This has either kept rents too high to be affordable for tenants in the long term or discouraged new entrants that are put off by the prospect of committing themselves to such expensive locations. This in turn stifles experimentation and contributes to high vacancy rates.

Shopping centres are destinations

Prime shopping centres rely on flagship stores which emphasise the 'experiential' side of retailing. All too often this has led to retailers trialling expensive concepts to attract consumers while frequently not paying sufficient attention to the return on investment that the experience may or may not be delivering. Landlords and occupiers increasingly find themselves in an 'experiential arms race' using expensive fit outs and concepts to drive footfall, but these concepts consume capital (likely to be in short supply in the future), need to be amortised by the retailers over a number of years (limiting flexibility) and have to be constantly refreshed (requiring even more capital).

Shopping centres need footfall

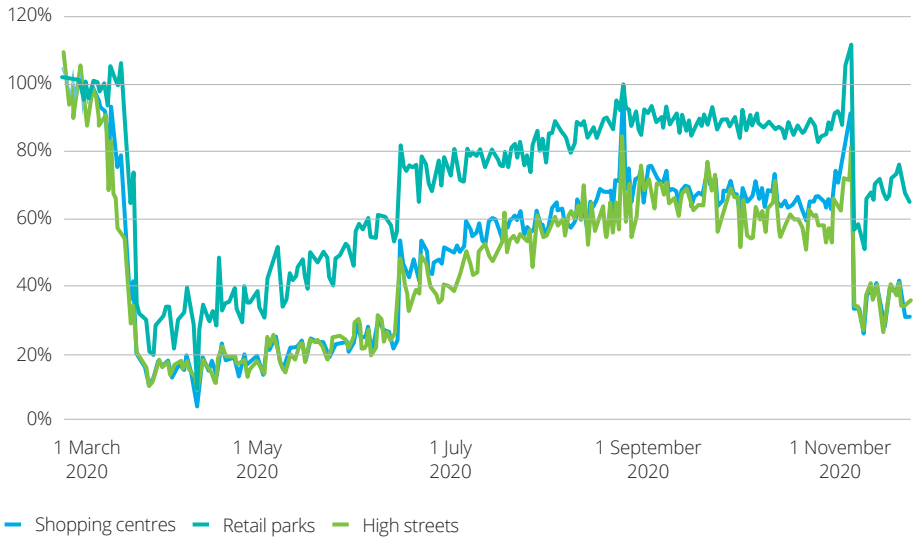
Shopping centres have much in common with city centres. They rely heavily on consumers making a specific trip. The BRC ShopperTrak index estimates that in September shopping centre footfall declined by 36.1% year on year. While this is clearly a short-term impact it highlights the fact that shopping centres can be as 'fragile' as city centres and will need to work hard to recover permanently the ground they have lost over recent months if, indeed, that is possible. A decline in footfall only highlights the cost of the space.

Retail parks offer convenience in the age of 'click and collect'

Retail parks have performed strongly throughout the current crisis. In contrast to shopping centres, footfall in retail parks in September 2020 was down just 6.9% and has been consistently higher than both shopping centres and the high street throughout the lockdown period (see Figure 12).

Much of the recent performance of retail parks can be attributed to the fact that they have a much higher ratio of 'essential' to 'non-essential' uses in their tenant mix. According to data from LDC, shopping centres fare badly with an average of just 15.4% of the tenant mix classified as essential. High streets do rather better at 19.5% but retail parks significantly outperform the other two sectors at 28.7%. This advantage is likely to have been further underpinned in the lockdown that started at the beginning of November when a specific provision was made allowing 'click-and-collect' or drive-thru services to continue. Once again this is likely to favour the core retail park tenant mix and further differentiate these schemes from the high street and shopping centres.

Figure 12. Footfall index by location



Source: Springboard and the Department for Business, Energy & Industrial Strategy

The high street has always been about more than just shopping

The term 'high street' is often used as a form of short hand for a town centre or local shopping precinct. The Office of National Statistics (ONS) working with the Ordnance Survey has attempted to define further the familiar concept:

"[The methodology] bounds retail clusters using street naming and aims to deliberately exclude other retail functions like retail parks, industrial estates, and isolated shopping centres. To be included in the dataset, a high street must be a named street predominately consisting of retailing, defined by a cluster of 15 or more retail addresses within 150 metres."[3]

While no definition is perfect, the application of this approach reveals something that could represent the underlying strength of the high street and provide the foundation for its future – its diversity of uses.

Rise of the Drive Thru – Geospatial simulation for successful estate strategy & growth

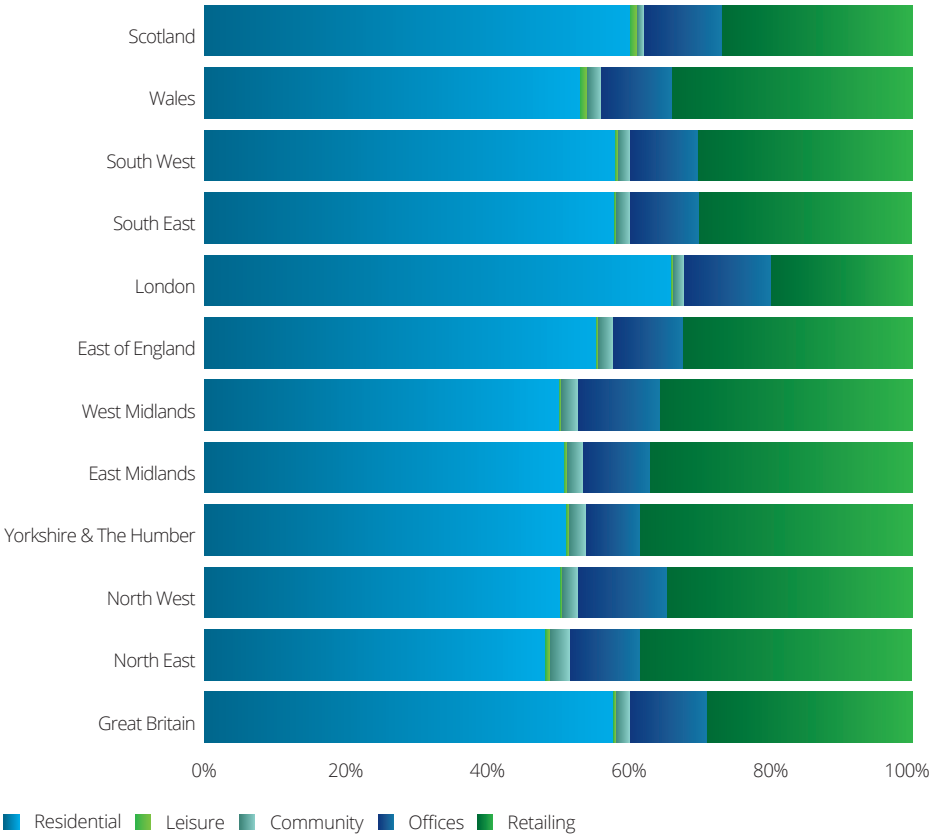
As the quick service and grab and go market has changed and become ever more competitive, Burger King recognised the need for a dynamic and accurate forecasting solution for their future market & restaurant strategy. Through our innovative partnership with Visa and our use of mobile trace data derived from over 11 million devices, we were able to underpin our simulation sales forecasting model with real world expenditure and footfall giving an accurate market view. We provided a customised LocationEdge model enabling geospatial simulation to forecast sales for any postcode in the UK, accessed through the cloud. This has supported the approved investment decision on 27 restaurants in 2020 and 2021 and strategic plans for a significant amount of the existing estate.

The key points that emerge from the ONS and Ordnance Survey analysis are (see Figure 13):

- offices accounted for around 11% of all addresses on British high streets in March 2020
- 'other services' sectors consisting mostly of private sector office-based firms made up between 29% of high street employment in the North East and 49% in London in 2018, with the rate in City of London at 85%
- 'hub towns' high streets have retained more of a retail focus than other places, 36% of retail addresses, compared with 29% in Great Britain overall
- high street employment in the accommodation and food services sector was growing in most local authorities between 2015 and 2018
- in 2018, 121,440 people were employed in pubs and bars on British high streets, with London and the South East having the highest numbers
- the population living within easy walking distance of a high street is predominantly in the 16- to 64–year-old group, more so than in a local authority's non-high street areas
- many of the people living on or around high streets in British cities are higher education students.

This definition and analysis of the high street captures why we believe that it is ideally placed to recover strongly from both the current crisis and the wider retail malaise that has been evident for the last ten years or more.

Figure 13. UK regional distribution of high street addresses by classification



Source: Ordnance Survey, Office for National Statistics, Deloitte LLP

Unlike city centres and shopping centres, high streets already have a diverse mix of occupiers and a strong residential foundation that provides a consistent level of local demand for a wide variety of different uses. Compared to shopping centres, high streets have low occupation costs. There is also a fragmented and often private landlord base that is likely to have a strong preference to see space occupied rather than incurring the costs involved with holding an empty property.

Changing working patterns make it likely that local residents will spend a higher proportion of their time working from home, increasing the demand for local retail services as a proportion of spending power is diverted from city centres to the suburbs. High vacancy rates in many high street locations means that affordable space is likely to be available to meet the specific needs of new independent concepts and ventures. Moreover, relaxation of planning laws means that the high streets of the future will likely see an even greater mix of uses tailored to the wants and needs of the local population.

Conclusion

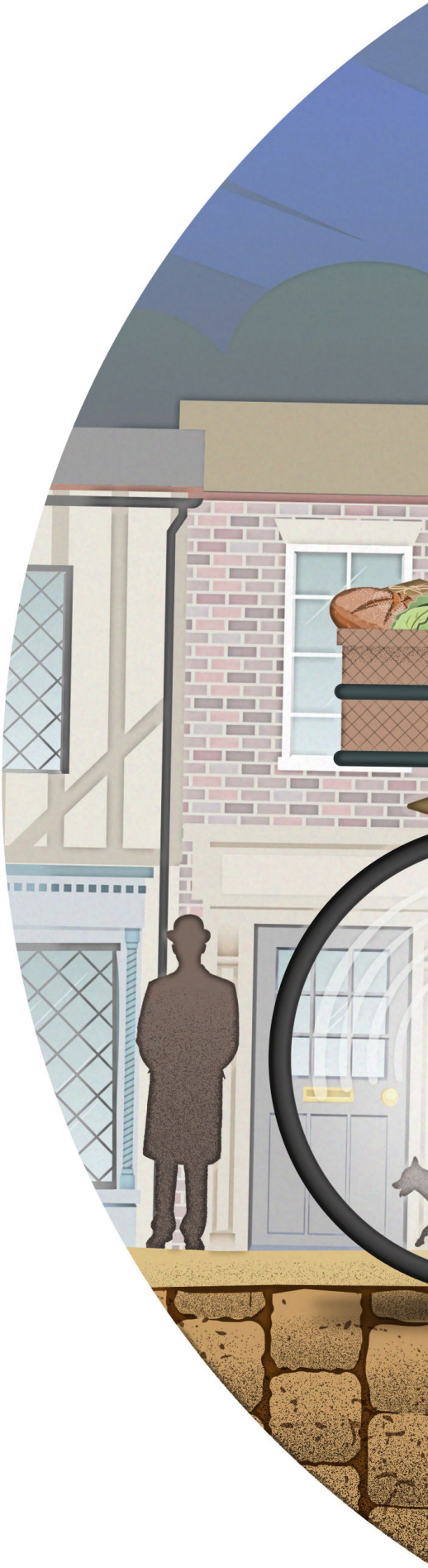
The story of the high street is one of troubles past, troubles present and, inevitably, troubles yet to come.

We predict that the upheaval facing retail still has some distance to run and things are likely to get worse on high streets, shopping centres and retail parks before they start to get better. Vacancy rates will rise in the short to medium term and it will take some time before a recovery can start to be built on anything like solid foundations.

But when the recovery comes, what will the retail footprint look like? With the surplus shops getting demolished or repurposed to level up the balance between retail and other uses that are wanted, or needed by the local population, will the inexorable increase in retail floor space of the last 40 years be thrown into reverse? As chains retreat to more populous and profitable retail destinations who will take centre stage in the recovery of the high street?

In the next and final chapter of this series (part two) we will bring some answers to those questions and we will argue that the high street has an increasingly important role to play in a world where the balance between work and home may have shifted permanently. It is an exciting future but one that, with its increased focus on small, independent traders operating in the middle of a much more diverse town centre, seems to have one eye firmly on the past.

As chains retreat to more populous and profitable retail destinations who will take centre stage in the recovery of the high street?



About LocationEdge

LocationEdge answers the core geospatial questions faced by businesses, using advanced location and market intelligence through geospatial simulation. This provides our clients with advanced strategic insight for key decision making around how they shape their market offering.

We combine real world, accurate spend and mobile trace data with hundreds of sources on supply and demand, combined with our clients' store, channel and performance metrics to inform their estate, product, market and location strategy.

"At Scope we campaign relentlessly to create a fairer society for disabled people. Our retail estate does and needs to play a fundamental role both in the financial support of the charity but more importantly how we impact local communities. Deloitte's LocationEdge team has proved a game changer for Scope. Their work has been brilliant going the extra mile at every opportunity to meet our needs, always with an eye on how we can make the biggest impact to those we support in society. We are hugely excited about how LocationEdge is positively disrupting the charity sector for Scope both now and in the future."

Mark Hodgkinson, CEO, Scope

"We wanted new ideas and a fresh perspective, so it was extremely important that our new consultancy partner could make a real impact, both through new technology and unique data as well as being adaptable to our changing needs. Deloitte's LocationEdge team have delivered this and more providing us with both a partnership, and an analytical framework, to grow and achieve even greater success."

Lizi Hills, Commercial Finance Director, Burger King

Explore more about LocationEdge here:

https://www2.deloitte.com/uk/en/pages/consumer-industrial-products/solutions/locationedge.html

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Endnotes

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