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What next for the high street?
Part two: A revival

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 open 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.

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 two – 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 report, now would seem a good time to revisit our optimistic prediction of 2014. In part one of this series, we discussed how the decline of the high street has been accelerated by the COVID-19 pandemic.

In this second and final part, we discuss how the diversity of uses that make the UK's high streets so difficult to define may also prove to be the key to their long-term recovery.

The perceived weaknesses of the high street model – its fragmented ownership, lack of centralised coordination, lower rents and high vacancy rates – actually become strengths. They lower the barriers for new concepts and operators, enable experimentation and fast failure, and ultimately create a flourishing and diverse environment.

The COVID-19 crisis has accelerated a number of trends that were already under way prior to the pandemic and are now increasingly embedded in shopping habits. Such trends include:

- an increased focus on localism
- a greater level of commitment to small independent businesses that can easily identify the provenance of their goods
- the development of recommerce and independent fashion operators in reaction to fast fashion and the environmental impact of mass retail supply chains
- more focused shopping missions with higher spends but fewer trips
- more value placed on the 'self' and socialising rather than out and out consumerism.

The high street is ideally positioned to capitalise on all of these trends. While we believe the high street will experience a 'renaissance', it must also reflect local demographics. Not every high street needs an artisan bakery or organic coffee shop. Indeed, many areas have much more pressing social needs.

Younger demographics are still likely to be attracted to the wide variety of retail and leisure mix offered by major shopping centres. However, shopping centres will need to work even harder to keep the experience attractive and relevant.

Meanwhile, the rise of the ethical shopper will see more socially motivated shopping behaviours on local high streets. Retail parks will also continue to play an important role as out of town hubs for essential services, showrooms for major purchases and convenient click and collect venues.

Achieving this vision will require a reset of the landlord-tenant relationship, more flexible planning laws and more involvement from local authorities in reshaping their town centres.

The high street is ideally positioned to capitalise on all of these trends. While we believe the high street will experience a 'renaissance', it must also reflect local demographics.

The future of the high street

Equal and opposite reactions – localism and the growth of the suburbs

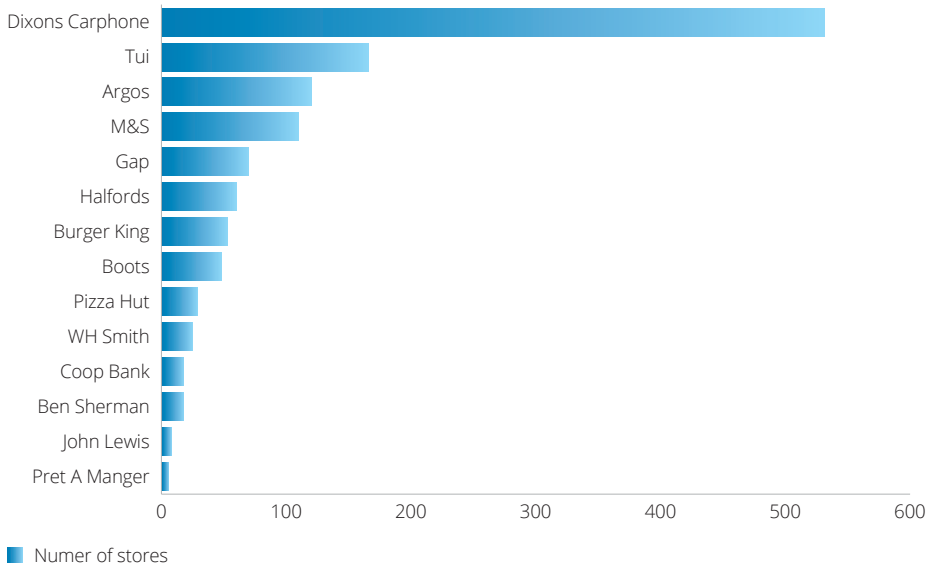
One way to consider the potential future of the high street is in terms of a reaction against the retailing landscape of the last 50 years. Spending patterns are likely to shift in response to changing working and consumer habits and demands.

Chain vs independent

Retailers have been actively shrinking their bricks and mortar footprints for many years. This has not just been driven by successive waves of failures, insolvencies and CVAs (company voluntary arrangements) as described in part one of this report, it is also the result of a proactive 'retreat to profit' by chain store businesses that have proactively managed their portfolios and withdrawn from marginal or unprofitable locations when a lease expires or other break opportunities have enabled them to do so. This process was well advanced prior to COVID-19 but has been accelerated by the pandemic as highlighted by the number of announced closures in 2020 (see Figure 1).

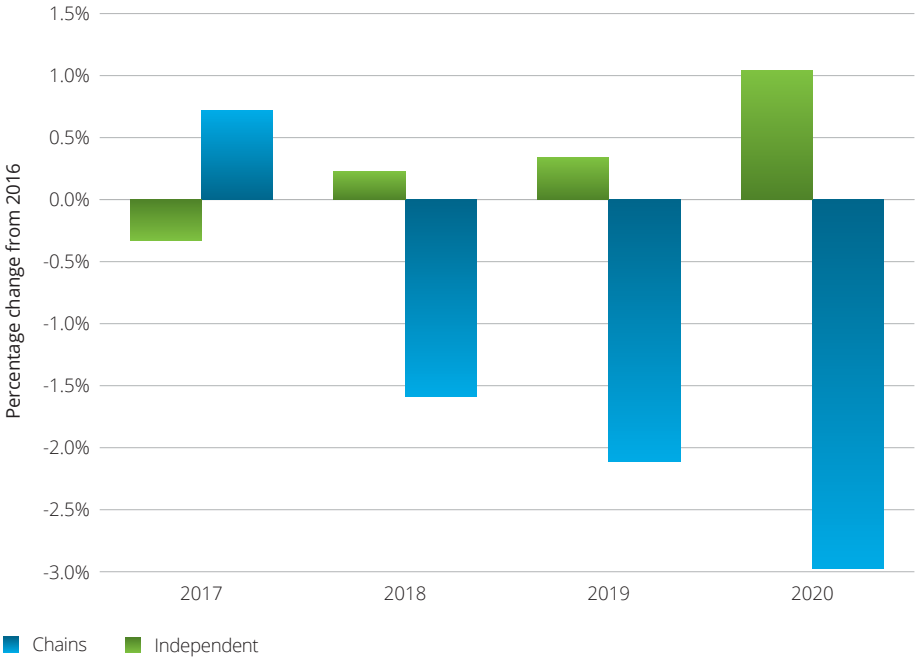
When chain stores rationalise their portfolios it can have a major effect on the overall vacancy rate. What is striking is the rate at which chain stores are retreating from the high street and how that space is being filled by independent retailers (see Figure 2). While Greater London and the North West have seen the highest rate of new openings by independent retailers since 2016 these have also seen the highest levels of chain store closures.

Figure 1. Announced store closures 2020



Source: Deloitte LLP

Figure 2. Percentage change in independent and chain shops from 2016



Source: Deloitte LocationEdge/Experian

Home vs work

The more that people work from home, the more money that would have been spent in city centres is likely to be redirected to the suburbs. Services that typically surround office workers in city centres will 'follow the money' and generate demand for space on the local high streets, likely leading to growth in the following sectors:

- grab and go food outlets
- cafes and bars
- stationers, office supplies and printing services
- local IT support services.

We may also see the emergence of the internet café 2.0 (Coffice in our 2014 report) – a place for workers who want to avoid commuting but also want to escape their spare bedroom and need access to support services such as high speed broadband. The Local Data Company has tracked 1,961 internet café openings over the last five years, although only 33.7% have remained open. As new working patterns take hold, we would expect the internet café to evolve rapidly and have a much higher survival rate.

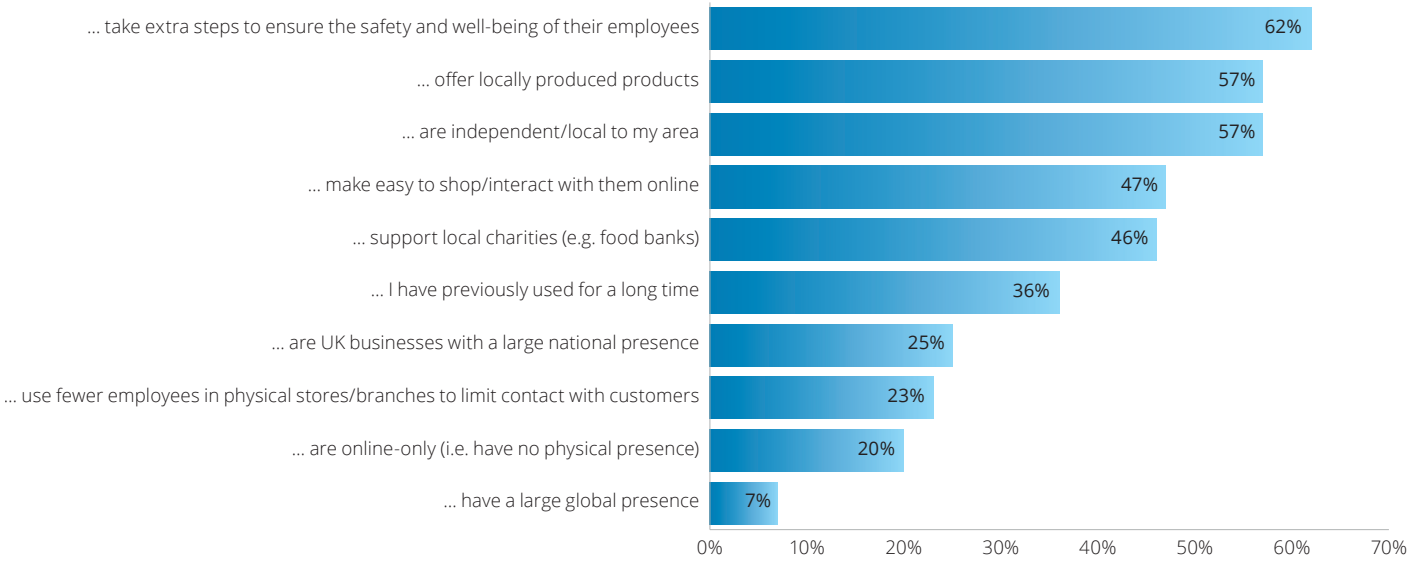
The shift towards localism was already apparent prior to the onset of the pandemic. An enforced period of working from home during lockdowns could perhaps mark the start of a permanent shift in shopping habits. Research undertaken by Deloitte Digital at the height of the original lockdown showed the extent to which local businesses were given a boost and also how some consumer behaviours and values are likely to continue post-COVID-19 (see Figure 3).

The same research by Deloitte Digital found that 59% of consumers used more local stores and services to help support them during lockdown.

However, one in five stopped using a business due to its response to COVID-19 such as refusing to prioritise front-line workers or failing to ensure the safety of their employees. This finding not only points to a shift to localism, it could also indicate that consumers are making purchasing decisions based on ethical considerations.

In a further sign of the growth of localism, our research also found that 57% of respondents said they would be more likely to shop at businesses that offer locally produced products while only 7% said they would be more likely to use a business that has a large global presence (see Figure 3).

Figure 3. Following the original lockdown, respondents have been more likely to spend money at businesses that ...



Source: Deloitte Digital

Localism is not just about independent retailers. The shift towards more local shopping raises challenges for major multiple retailers that increasingly recognise the need to tailor their offering to the specific demands of local customers. To do this, retailers need to interrogate the data they collect from customers in any given location and make their offering relevant to that location. We anticipate that major retailers will need to spend more time and money collecting and analysing data to adapt national brands and products for local markets.

Using market intelligence to maximise floorspace, and improve store format and range

Our client is a large fashion retailer with an extensive network of stores across the UK and Republic of Ireland. Historically the products which were stocked in stores depended on store size and format which lead to missed sales opportunities, as in-store ranges were not always aligned to the needs of customers visiting that store.

Deloitte's LocationEdge 'accelerator' was used to analyse product performance in each store to understand customer preferences. Using advanced analytics, a store segmentation was created to optimise each store's range, proposition and experience, and maximise margin and sales.

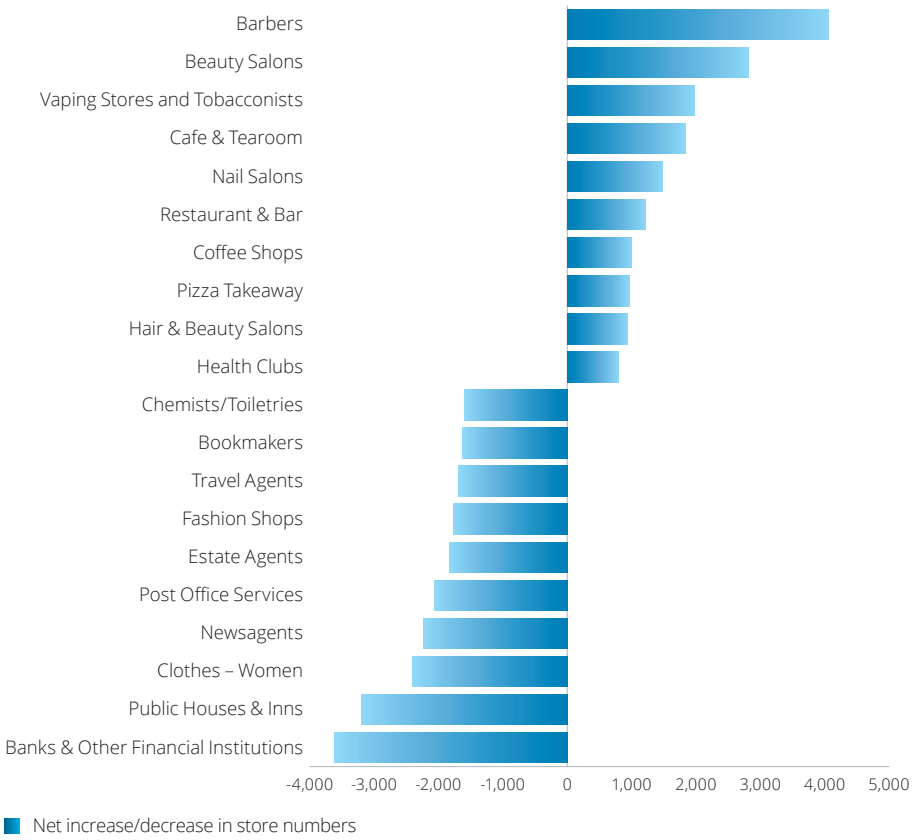
This was achieved through reducing stock inventory and discounting through the understanding of the right offer in the right store location, identifying new revenue driving opportunities and space allocation across the store portfolio. Our solution addressed one of retail's biggest challenges in maximising the return on its store portfolio.

Self vs stuff

Our analysis has shown that consumer shopping habits have changed – from spending on 'stuff' to spending on 'self'. Of the ten retail subcategories that have shown the greatest net growth in numbers since 2013, none actually sells something that the customer can take home.

Instead, the top ten growing sectors not only all revolve around personal grooming, socialising or food, but also none of those subcategories can be experienced online (see Figure 4).

Figure 4. Top ten growing and declining subcategories – Net change in store numbers since 2013



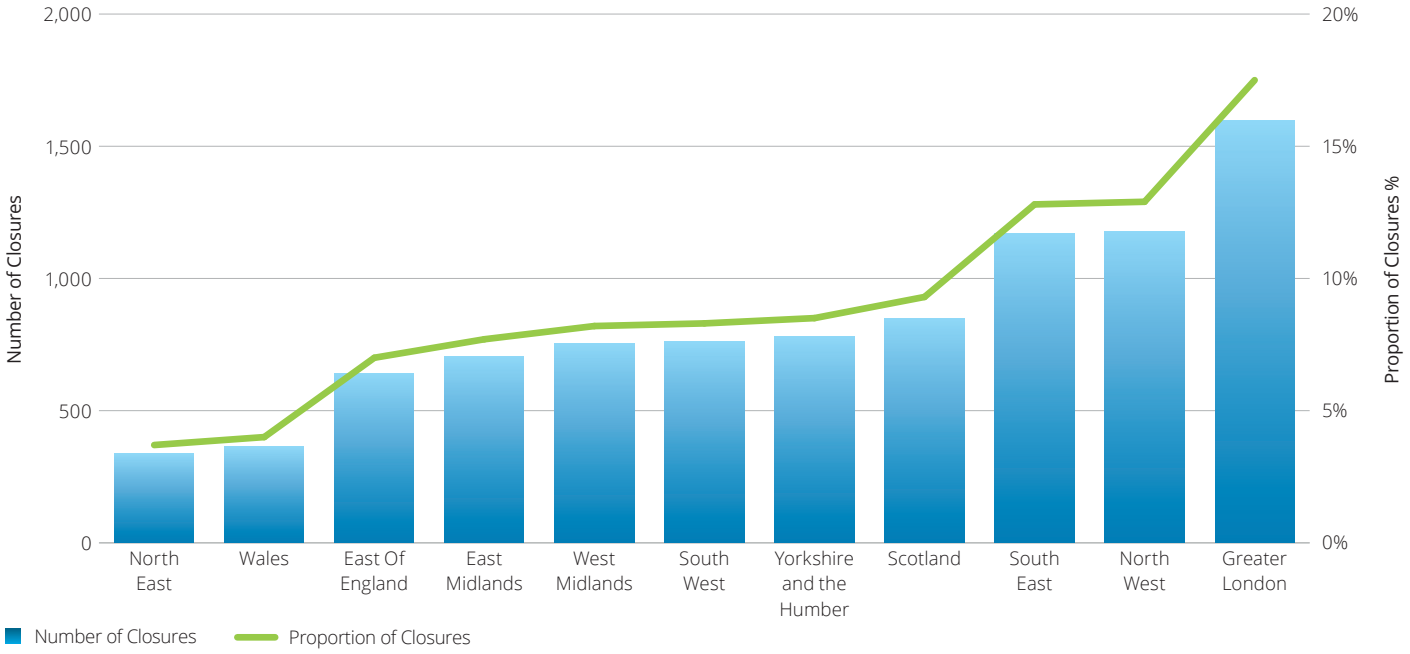
Source: Local Data Company

The top ten subcategories that are in decline are more obvious. Fashion is the most affected sector with a total net loss of more than 4,000 stores.

Next are banks and financial service providers which have been withdrawing from the high street for many years as more banking services are delivered online. However, although ATM lobbies have remained remarkably resilient with nearly 72% still in service five years after opening, the move to a cashless society could see ATMs also disappearing.

As well documented elsewhere, the numbers of post offices and pubs have also been declining with London losing more than 1,600 pubs since 2013 (see Figure 5).

Figure 5. Pub closures by region (2013-2020)



Source: Local Data Company

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Entertainment vs authentic
The polarisation between convenience and experiential retail continues. Typically, experiential retail is defined in terms of shopping as a leisure activity, making the consumer's interaction with the product and the retail space more engaging, entertaining and exciting.

Experiential retail can be inherently expensive and often relies heavily on an extravagant fit outs to attract customers. Creating space with a 'wow' factor is one thing, measuring the return on investment from that 'wow' is quite another. The worst of all possible outcomes is an experience that has a high impact initially but rapidly evaporates into the familiar and requires expensive refreshing.

Retailers will need to be able to identify a demonstrable return on investment for the costs involved, especially if landlords become reluctant to contribute to or fully subsidise new concepts. Experience needs to be amortised, and this has a tendency to drive retailers towards longer leases than they would otherwise choose to spread the cost over a longer period.

The attraction of the 'bright lights' might form part of the entertainment value of a trip to a destination shopping centre but the future high street may prove to be more considered and cost conscious. Local customers may be attracted by more old-fashioned experiences, a warm welcome and a friendly environment, personalised service and the trust that comes with having knowledgeable staff who are enthusiastic about the products and services they sell. It is also easy to imagine consumers rejecting the extravagance of many store designs especially when it is reflected in the cost of the product or service.

As consumers become more environmentally aware they may also start to question the environmental credentials of the places where they shop. In the future consumers may seek proof of the energy efficiency of the shops they visit, the use of sustainable or recycled materials in the fit out. Such demands are likely to be challenging for major retail brands that will fundamentally have to redesign their fit outs across potentially hundreds of locations. However, it is likely to prove rather easier for small, independent stores on the high street that may in turn benefit from a transfer of loyalties.

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Fashion conscious vs conscientious consumption

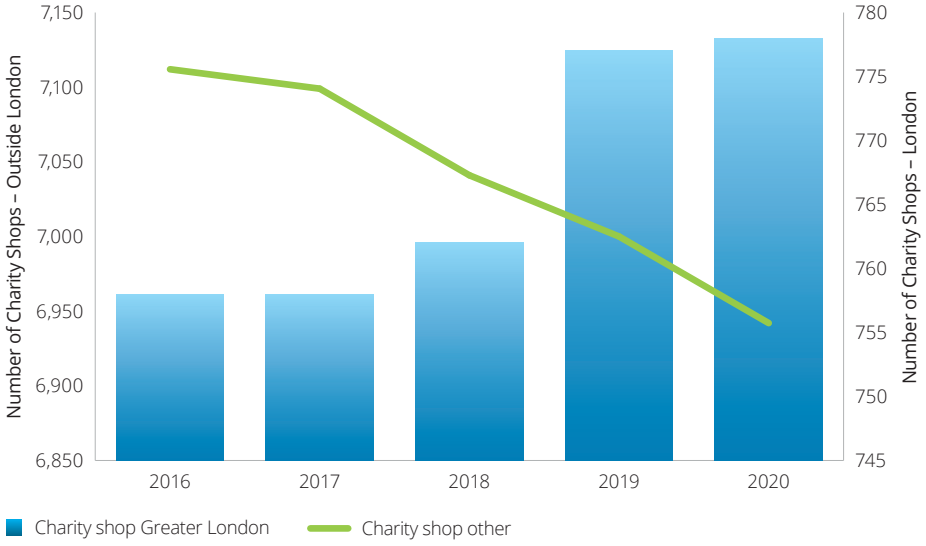
The tension between the attractiveness of cheap, imported, mass produced goods and the growing awareness, particularly among younger people, of the potential social and environmental consequences of concepts such as 'fast fashion' has exposed a conflict at the heart of retail. The post-lockdown trading figures suggest that the appetite for high volume, low cost retailing remains undiminished. However, according to the research by Deloitte Digital, this appears to be at odds with the 55% of 16 to 24-year olds who indicated that they would be more likely to shop at businesses that are independent or local to their area once lockdown was lifted.

In practice, the high street could see major brands continuing to consolidate in large footprint stores in destination locations while also witnessing a growth of more socially driven offerings such as recommerce concepts focusing on second-hand luxury and vintage brands. According to Coresight Research, recommerce retailers in the US are growing 20 times faster than the conventional retail market and five times faster than discount retailers. Coresight forecasts that in the US the total clothing recommerce market will grow at a CAGR of 13% and will reach $33 billion in 2021. This trend is likely to find multiple different expressions on our own high street in the future.[1]

For many years charity shops have led the way as a form of recommerce on the high street. However, the growing availability of cheap new clothes and household goods has put the charity shop business model under pressure over recent years.

This has started to show through in the data as the number of charity shops has declined slightly since 2016 with the exception of London where the number of charity shops has risen slightly in the same period (see Figure 6).

Figure 6. Charity shop numbers (2016-2020)



Source: Deloitte LocationEdge/Experian

There would certainly seem to be an opportunity for charity shops to reinvent themselves and benefit from this growing trend of social awareness and ethical consumption through specialising in specific niches (books, vinyl records, furniture or vintage clothing). To achieve this they will need to take a more strategic approach to the collection and filtering of donations and their choice of locations to align this new offering with their target demographic.

Retail is more than a store – positively impacting the lives of disabled people across society and in the local community

Scope wanted to explore ways in which it could positively disrupt the charity sector and make the greatest impact to the lives of disabled people in the local community. Deloitte provided a customised LocationEdge model and estate strategy report to support Scope's internal decision-making and successful charity growth. This dynamic solution utilised unique data and technology to support financial improvement of the Scope retail estate while focusing on maximising the local community impact.

A similar paradox can be detected in consumers' attitude to groceries. While concerns are expressed around how the goods we eat are produced, animal welfare standards, sustainable supply chains and a growing interest in organic, vegan and vegetarian food, the recent lockdown has also served to drive consumers back to both local convenience stores and the major superstores as they return to larger and less frequent grocery shopping trips.

As with fast fashion, the high street is likely to provide a useful niche for a countermovement, particularly with a younger demographic who will be more challenging about the provenance of the products they are consuming. A prime example of this is the Simply Fresh Foodhall that has been created within a former Argos unit in the previously struggling Stretford Mall shopping centre near Manchester. This is a premium food format specifically tailored to the local population that combines a convenience store format with street food-inspired cuisine, a range of organic and vegan produce, artisan coffee and craft beer on tap.[2] While this countermovement may currently be focused on more affluent areas, there has been a steady rise in vegan and vegetarian restaurants, farmers markets and a growing interest in organic foods. In 2018 there were 650 farmers markets in the UK, a figure that looks set to rise in the coming years.[3]

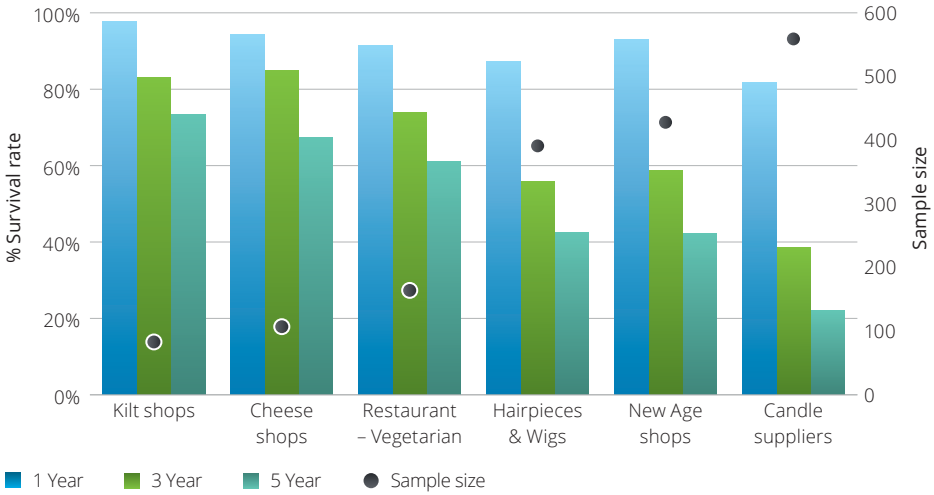
The high street as a 'fast fail' laboratory

It is the high street's perceived weaknesses that make it such an ideal test bed for new concepts and formats. Inevitably, if new ventures are poorly aligned to the local demographics or have simply miscalculated the level of demand for the products they are selling, they will fail, potentially very quickly. At the same time some new concepts will succeed and expand. This is an organic process, a form of natural selection that will ultimately result in aligning the uses on any given high street with the specific and sustainable demand of its local population. Our research looked at the five-year survival rates for new openings by subcategory, that is the proportion of new openings in each category that have remained trading for five years or more post-opening.

The results demonstrate both 'fast fail' in action as well as the sheer diversity of uses that can be found on the high street – a world away from the conformity on offer that has been the mainstay of many shopping centres over the last 40 years (see Figure 7).

There is good news for kilt retailers and cheesemongers both of which have survival rates substantially above the national average of 62.5%. The survival rate is much lower for hairpiece, wig vendors or candle suppliers who were less likely to remain open after trading for five years (see Figure 7).

Figure 7. Survival rates by subcategory over one, three and five years



Source: Deloitte LocationEdge/Experian

Our analysis also reveals the sheer volume of openings, and failures on the high street. While it is interesting to look at those categories that have seen the highest number of net additions to their overall population, those figures do not, however, tell the whole picture as they do not capture the sheer number of businesses in each of those categories that subsequently fail (see Figure 4).

Additional data shows that across a sample size of more than 25,000 openings, only 50.2% of new cafes and tearooms were still trading after five years. Barbers fare rather better but the attrition rate remains high with only 65.9% still operating after five years. According to this data the overall winner on the high street is the pizza takeaway shop, with nearly 80% continuing to trade five years after opening (see Figure 8).

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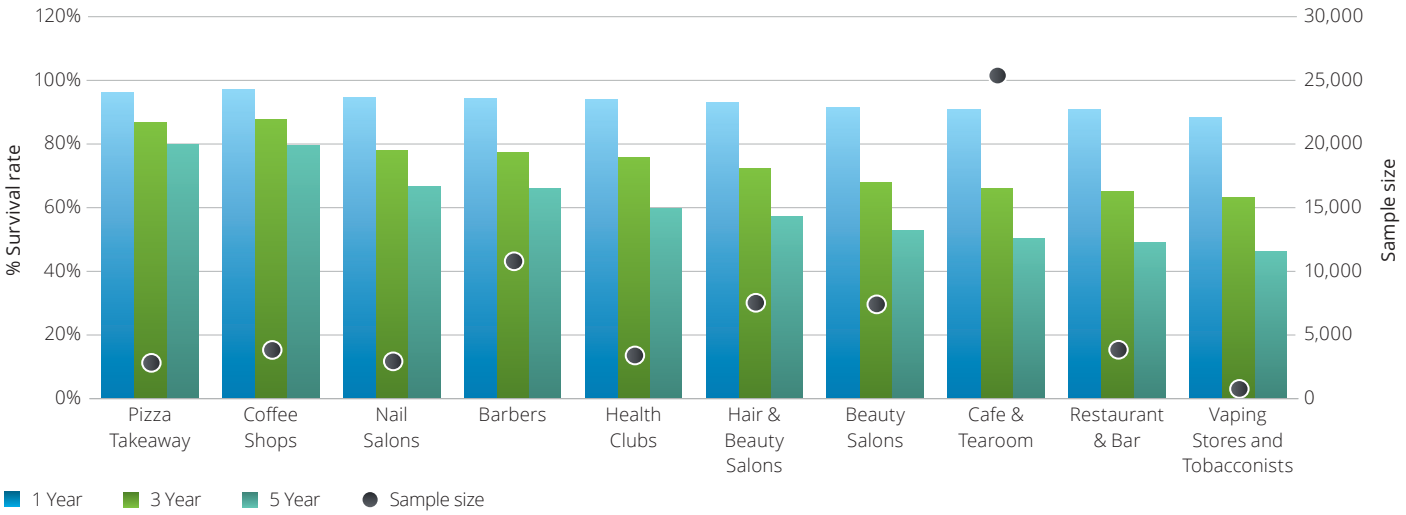
Figure 8. Five-year survival rates for the top ten high street subcategories



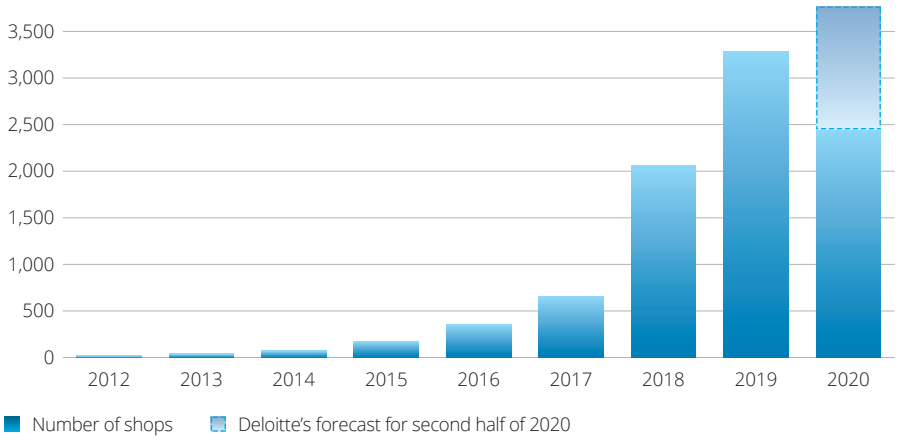
Source: Deloitte LocationEdge/Experian

Addressing the oversupply of space

One thing that the current retail and leisure vacancy rates indicates clearly is that the supply of retail and leisure space vastly outstrips the current (or any realistic future) demand for space. It is in the interests of both the tenant and the landlord that the supply and demand equilibrium is restored. This would require the vacuum created by successive retail failures to be filled by other uses. It would appear that the process is already underway.

The data indicates that the pace at which retail space is being removed from market is accelerating rapidly as shops are demolished or repurposed to make way for new uses. Since 2012 more than 9,000 shops have been permanently removed from the overall supply and over the last three years the rate has accelerated exponentially (see Figure 9).

Figure 9. Number of shops demolished or permanently removed from the market (2012 to H1 2020)



Source: Local Data Company

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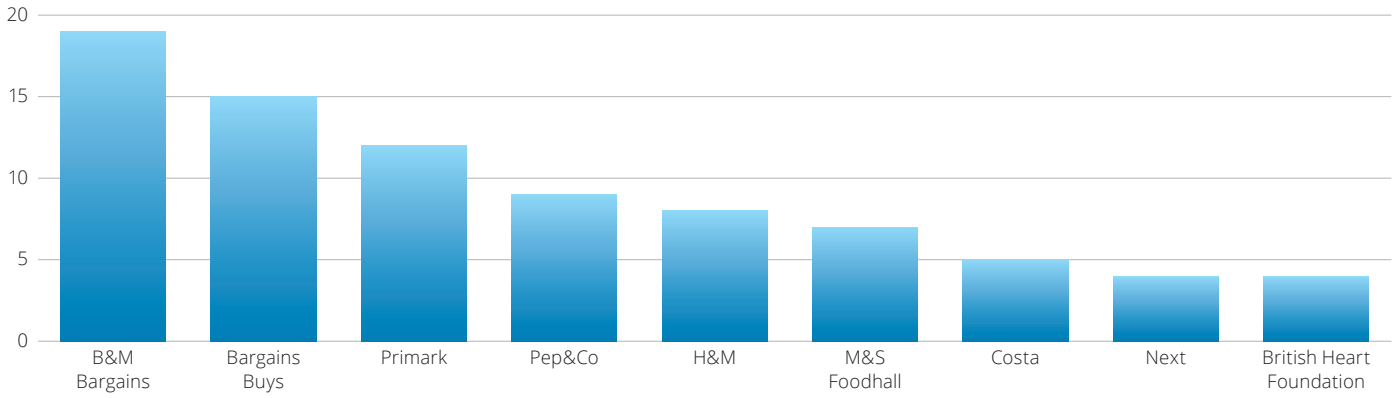
Department stores have seen a spectacular fall from grace in recent years driven by online retailing and other challenges facing all bricks and mortar retailers. However department stores also have the burden of physical estates which have large and extremely costly footprints over multiple floors, limiting the ability of operators to respond to market conditions with any agility. However, the closures and failures are also demonstrating how the space left can be effectively repurposed and town centres can be regenerated by replacing retail space with other uses.

Since the start of 2012, 726 department stores have closed down, with more than 40% of them located in high streets and town centres.

Of the closures, 350 (48.2%) remain closed, 295 are trading as something else and the remainder have either been demolished or redeveloped.

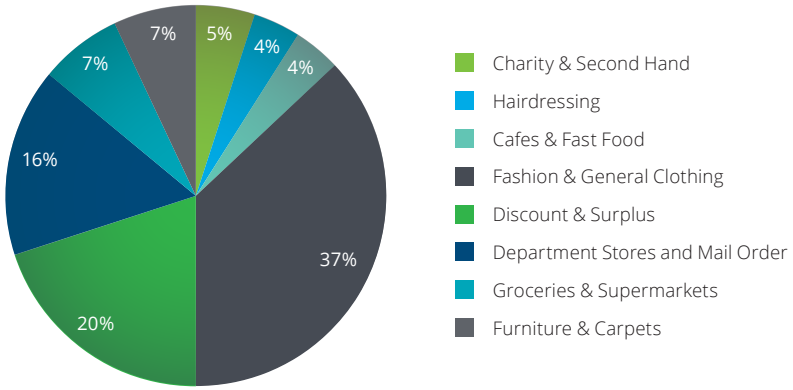
Of the stores that have reopened, 21% are being used for fashion and 19.3% for discount and surplus stores with B&M Bargains being the single largest beneficiary of the space released (see Figures 10 & 11).

Figure 10. Department store reoccupiers (2012 – 2020)



Source: Local Data Company

Figure 11. New occupiers for department store space by category (2012 – 2020)



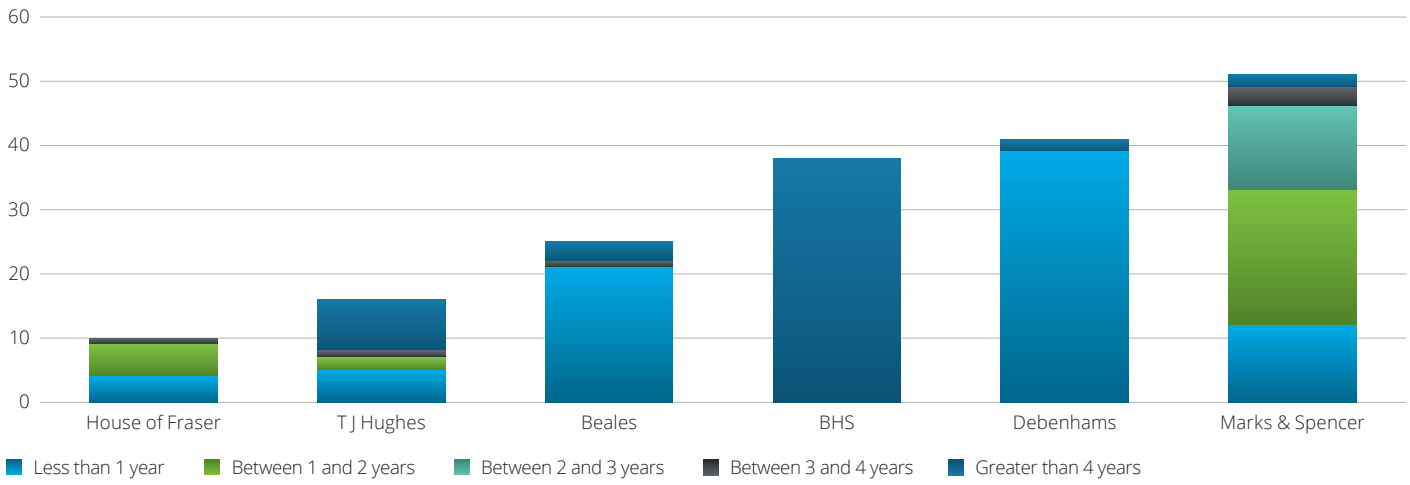
Source: Local Data Company

There is, however, some department store space still vacant and this is indicative of some of the difficulty surrounding repurposing, namely finding an alternative use that generates sufficient rental income and capital value to make the risk of redevelopment worthwhile.

Of the 726 department stores that have closed their doors since 2012, some 77 have been vacant for more than three years while 38 of the 166 BHS stores that closed in 2016 remain unoccupied (see Figure 12).

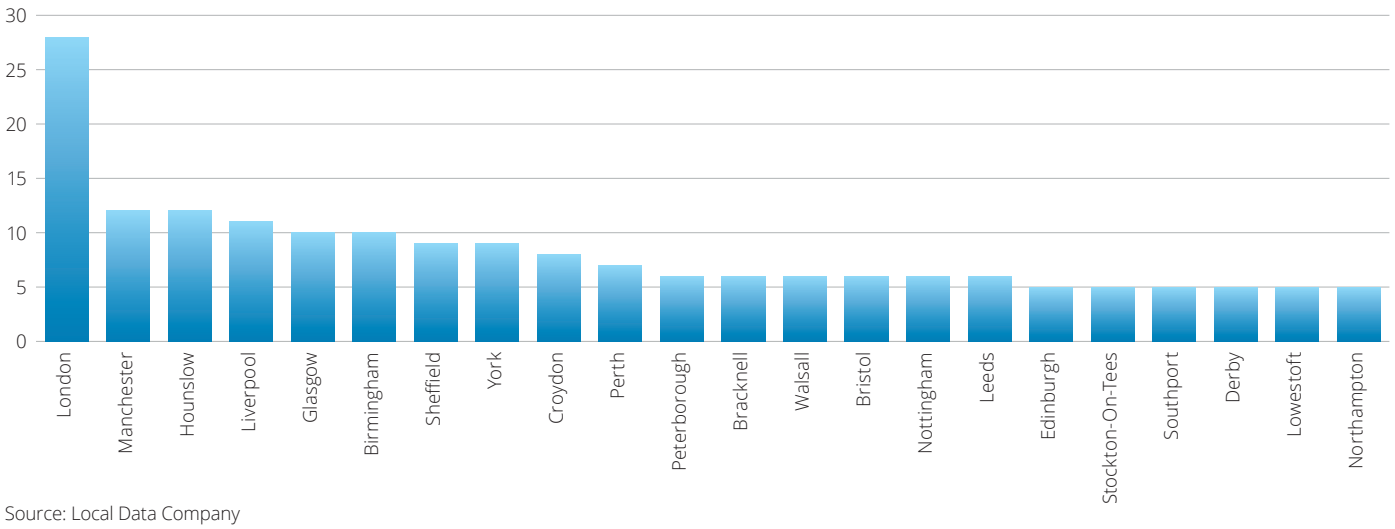
The closures have impacted some towns disproportionately. For example, Hounslow has seen 12 department stores close their doors and Perth (7) and Bracknell (6) have both had more closures than Edinburgh (5) (see Figure 13).

Figure 12. Persistent vacancy by department store chain



Source: Local Data Company

Figure 13. Number of department store closures by location (2012 – 2020)



Source: Local Data Company

Persistent vacancy rates highlight how wider social demographic patterns, land values and rental affordability impact on the viability of repurposing.

Only one of the 63 department stores that has closed in Greater London since 2012 has remained vacant for more than three years. The North West, however, has seen 96 closures 15 of which have remained empty for that long. This highlights the difficult economics of repurposing in some locations (see Figure 14).

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Figure 14. Department stores vacancy rate over time

Region	<1 year	Between 1 & 2 years	Between 2 & 3 years	>3 years
East Midlands	11	2	2	3
East of England	20	6	2	7
Greater London	14	2	3	1
North East	9	3	1	2
North West	9	3	4	15
Scotland	4	7	6	10
South East	22	7	3	9
South West	12	6	2	6
Wales	1	8	2	6
West Midlands	12	5	1	10
Yorkshire & Humber	8	5		8
GB Total	**122**	**54**	**26**	**77**

Source: Local Data Company

Repurposing is capital intensive and time consuming. There is a belief that space can be repurposed for residential use however, it will frequently prove impossible to make the economics of such a conversion viable. Building costs vary relatively little around the country but land values and the capital values of completed projects can vary greatly. Options can therefore be limited and wider uses with lower conversion costs may often have to be considered from retail and leisure, offices and co-working to local educational, health and social services. For example, while the former Debenhams in Romford is being redeveloped for residential use, the former BHS in Telford has been relet as an inflatable theme park (even though Telford may also desperately need new houses).

This funding gap, or 'market failure' as it is sometimes called, needs to be addressed. Having more people living and working in and around high streets and town centres will be critical to generating more demand for the rebalanced supply of retail space that will be left. It will also require the right infrastructure to support it. This is all the more topical as working patterns change and the proportion of people working from home, at least some of the time, looks set to increase.

How the future high street will be delivered

Rethinking the landlord and tenant relationship

The relationship between landlord and tenant sits at the heart of the retail model. A recent code of conduct published by the government reminded both sides that they are "economic partners, not opponents", although it has not always felt like that.

Much of what we see on the retail landscape today has been built on the back of a fixed rent model, where retailers have committed to (often quite long) leases with upward only rent reviews fixed at a prevailing rental tone a rate equivalent to whatever other tenants in the same location are already paying. This suited developers, landlords and investors who were attracted by the certainty of a fixed annual income. Retailers accepted this approach as one that gave them a fixed cost base between rent reviews and lengthy terms over which they could amortise their fit outs, with security of tenure granted by the Landlord and Tenant Act guaranteeing that they could remain in prime locations when the lease expired.

However, the fixed rent model has started to breakdown. Rental values have become increasingly divorced from the profitability of the space they relate to. Matters were exacerbated by the growth of retailers' own online channels which cannibalised their sales through their bricks and mortar stores, reducing profitability and making rents even less affordable. As a result, the total cost of occupation for retailers, particularly in prime locations has consumed a growing proportion of total turnover to a point where rents are no longer affordable. This has contributed substantially to the wave of distress that has hit tenants and, increasingly, landlords as they struggle with a rent structure that is in many ways no longer fit for purpose.

The current crisis has accelerated a shift from this fixed rental model to rents calculated with regard to the actual turnover of a given shop, a process given added momentum by a wave of CVAs in the retail and leisure sectors which have imposed these changes on the landlord community.

Rental values have become increasingly divorced from the profitability of the space they relate to.

Other components of the relationship are also being transformed alongside or because of this change away from the fixed rental model. Rents are increasingly being paid monthly rather than in large quarterly amounts and leases are getting shorter and more flexible. As a result, landlords and tenants are developing a greater understanding of one another's business models and the new lease structures are driving more transparency and dialogue between the parties. A fundamentally different relationship where the interests of the parties are much more closely aligned is emerging.

The changes occurring in the landlord and tenant relationship do, however, have consequences. In a market with so little occupier demand it is easy for tenants negotiating with landlords, either consensually or via some form of insolvency process, to overlook some of the potential consequences of the terms being agreed or imposed. The gap between contractual rents and turnover rents is often substantial and is putting the business models of many landlords under extreme stress. Tenants are signing up to shorter leases and are frequently also signing away their protections under the Landlord and Tenant Act in return for concessions. The scales are currently heavily weighted in favour of tenants and it is hoped that current negotiations will help to stabilise the industry and enable it to recover. If and when it does the balance of power may start to move back towards landlords.

Planning for purposeful town centres

A benign planning environment could help the high street of the future reach its potential. The current crisis has accelerated changes to planning laws including important changes to the Use Class Order which came into effect on 1 September 2020 and which are intended to help high streets adapt and diversify. The recent changes are substantial and could potentially lead to further important changes to the planning regime aimed at supporting the recovery of town centres and high streets.

The changes seek to increase flexibility, driving the repurposing of redundant retail space at a faster pace by reducing the need for planning permission across our high streets. Traditional high street retail uses such as shops, food and drink, and financial and professional services now fall within the same Use Class (Use Class E) alongside other uses such as indoor sport, health services, crèches and offices. Any switch between these uses can now take place without the need for planning permission. Should a unit become vacant, landlords can switch the use to one within the same use class that is experiencing more demand. The intention is to allow space to be used more flexibly in response to local needs, cut red tape and broaden the range of uses on the high street.

Similar arrangements have been introduced to allow flexibility in changing the use of a retail unit for such puposes as education, art galleries, libraries, offices, public halls or public worship recognising the importance of social meeting places and human interaction on the high street. However, uses such as for pubs, bars and takeaways remain controlled by the need for planning permission.

It is not only the uses within our high streets that may benefit from these planning changes but the types of space too. New permitted development rights came into force in August and September 2020 that allow additional height to buildings and also allow the demolition of offices to be replaced by a single building for a purpose built block of flats or houses that could bring more homes and footfall onto the high street.

This is just the start of a change to the planning framework that will be critical to breathing new life into the UK's high streets and town centres. It is designed to help each high street reach its potential, adapting, diversifying and responding quickly to the changing face and pace of localism.

Shaping and funding the regeneration

In simple balance sheet terms, the redevelopment of the high street is unviable. Technology has driven the increase of online retail, and with it reduced footfall in town centres, a trend that has been accelerated further by the pandemic. In order to attract people back, a variety of leisure and cultural experiences are required along with residential provisions, rather than the historic retail offering. This new offering needs to be determined locally to reflect the unique identity of each town centre and capitalise on the strengths of each community.

The private sector can no longer be relied on to drive growth and deliver the changes required to transform town centres and redevelop them into community hubs. Local authorities will need to take the lead, purchasing key sites to deliver the change in line with their strategic vision for the town centre. The UK government recognises this. On 26th December Communities Secretary Robert Jenrick announced that up to £830 million from the Future High Streets Fund would be invested in 72 areas across England. The funding is intended to help these areas transform their high streets into vibrant hubs for future generations and to protect and create thousands of jobs.

It is not only the uses within our high streets that may benefit from these planning changes but the types of space too.

Local authorities will also need to take on more of the risk of the regeneration, by either injecting lump sum capital or underwriting the terms of the head lease over the longer term. Developers appear to have less appetite for providing equity into such projects, and are moving to a model where they provide development expertise to the local authorities. Consequently, public sector support is required to secure the future of town centres for the next generation, develop the necessary mix of property required to attract people back to them and revitalise the local economy.

Regeneration of the high street is beginning in regional areas such as Wigan, in Greater Manchester, where the local authority is currently in the final stages of selecting a strategic development partner to transform The Galleries into a mixed purpose site. The Galleries was purchased by the local authority two years ago after it languished under private ownership, with high vacancy rates in the town centre, and a recognition that it could not remain in its current form. The purchase meant that the council can influence and control almost a quarter of the town centre footprint, putting it in a unique position to reshape the future of its high street.

Strategic regeneration framework to transform the Wigan town centre

Deloitte is working with Wigan Metropolitan Borough Council and has developed a Strategic Regeneration Framework (SRF) to provide a single integrated plan for the redevelopment of Wigan town centre. The SRF, approved by the cabinet in January 2019, identifies a clear set of interventions to guide growth and deliver further transformational change through regeneration in the town centre. Deloitte has also produced a development proposition to assess the viability of a number of development options on the site and led a soft market testing exercise to assess private sector appetite for the opportunity and potential uses in current market conditions. A business case was then prepared to advise WMBC on the delivery option going forward and we are supporting WMBC through the full procurement process. Following its successful shortlisting for the Future High Streets Fund in the summer, Wigan has now received a provisional funding offer of £16.6m subject to further assurance requirements.

Similarly in Radcliffe, the recent Strategic Regeneration Framework aims to increase footfall in the town centre through the provision of new central public hubs and increased residential provisions. Driven by the local authority, funding will be sought from regional and national public sector bodies including Homes England, and the Greater Manchester Authority.

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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.

When that recovery does come, and we remain firmly optimistic that it will, it is likely to involve a much smaller retail footprint than we have become used to. We expect the inexorable increase in retail floor space of the last 40 years to be thrown into reverse as surplus shops are demolished or repurposed to level up the balance between retail and other uses that are wanted, or needed by the local population.

As chains retreat to more populous and profitable retail destinations, the stage is set for independent retailers to be at the forefront of the recovery of the high street. They will take their place amongst an increasingly diverse group of uses including offices, warehouses and social services.

The recovery will be slow; real estate is cumbersome and complicated to repurpose, and progress will be patchy with some places moving more quickly and successfully than others as time and capital allows. For all that, it seems to us 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. We believe the conditions are right for the high street to benefit from a 'renaissance'. 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.

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About Deloitte 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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