



# HERE COMES THE

# RETAIL REVOLUTION

RUMOURS OF THE DEATH OF THE HIGH STREET HAVE BEEN GREATLY EXAGGERATED – BUT IT MUST EVOLVE IF IT IS TO SURVIVE

WORDS\_ NOELLA PIO KIVLEHAN

Reports at the beginning of 2023 showed the high street faced another yin and yang moment as positive and negative stories made media headlines.

In December 2022 shoppers were out in force doing their present purchasing, pushing footfall up by 15.1% according to the British Retail Consortium-Sensormatic IQ monitor. High streets specifically saw a 19.7% uptick despite rail strikes.

Then came the crushing post-Christmas hangover on 2 January. Centre for Retail Research statistics revealed a tsunami of shop closures in 2022 with more than 17,000 pulling down the shutters for the last time, making it the worst year since 2017. This was almost 50 stores a day, with the loss of 150,000 jobs.

Mixed messages, but undoubtedly the high street continues to have an uncertain future. This has been years slowly in the making, accelerated by Covid lockdowns and latterly the cost of living crisis, which prompts the question of what the coming years will hold.

“We are in the most transformational period in the entire history of the high street,” says

Alex Schlagman, Founding Partner of SaveTheHighStreet.org. “This isn’t necessarily a bad thing. If we can lean into the change and work towards a vision of diverse, thriving high streets of the future, we can move from a challenging era of holding on to too much of the past, and move quickly towards the future.”

## SHOPPING AROUND

‘Change’ is a key word, as is ‘evolution’, with a myriad of solutions being put forward to help established, and potential, traders through the high-street metamorphosis.

From the Government there is levelling up, and the amendment in the Use Classes Order with the introduction of Class E. Landlords and developers are trialling their own initiatives while being urged to rethink attitudes to rent and covenants, and retailers are being pressed to bring passion and good business plans to new ventures.

But there is a tale of two different high streets: secondary/tertiary – the ‘commuter towns’ and prime city centres.

Simon O’Brien, Managing Director of Ealing-based practice O’Brien Real Estate,

which concentrates on west London and the Home Counties, says: “The secondary high streets are thriving, demand is sky high, and Zone A rates are increasing by as much as 25% in some cases.”

He puts this down to behaviour and lifestyle changes following on from the Covid pandemic: “People aren’t commuting into central London every day anymore, so they’re shopping and socialising locally, and there has been a real mind shift to help support local independents.”

He adds: “What we’re also finding is that some of the larger companies are reducing the size of their bricks-and-mortar portfolio and deciding not to renew their leases where in some cases they have been in the same building for 20, 30 or even 40 years.

“This is the first time these buildings have been available in recent years for other companies to obtain, which creates substantial demand, which in turn is increasing rental levels.”

For those empty shops struggling to get tenants, nationwide initiatives have been launched.



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**SIMON O’BRIEN, MANAGING DIRECTOR OF O’BRIEN REAL ESTATE**

One is in Poole, Dorset, where an unloved parade of shops, Kingland Crescent, with its bank of empty units, was a perfect candidate to implement landlord LGIM’s Future Retail Blueprint: the company’s national strategy to reinvent retail by reimagining retail assets and future-proofing them for the long term. Businesses would be given two years’ rent and business rates free with support as part of the £580,000 scheme.

So far it’s working. Footfall at the shops that include a fragrance brand, coffee roasters and net-zero grocery store was 16.1% higher in July than its pre-development trend, generating £2.4m in additional sales.

“Out of hardship, there are some amazing, innovative ways and ideas people come up with, so it’ll be a good opportunity for us to improve and get better in what we’re doing,” says Matthew Hopkinson, co-founder and MD of Didobi, who calls Kingland Crescent “a great idea, and about time”.

Hopkinson’s company was independent research consultant to Amazon and Enterprise Nation’s 2019 Clicks and Mortar initiative launched to help small businesses grow on both the high street and online.

“The bottom line is, whether you’re LGIM or a local authority, we’ve got space, and we need it to become economically, socially and environmentally viable. Therefore, we have got to adjust the ways we worked before,” says Hopkinson.

He adds: “We need to create a culture where businesses can start at low risk, and larger landlords have that opportunity. It’s the ascending pyramid relationship between someone starting a business on low rent to suddenly employing 20 people and renting some space.”

With the scheme ending in April, 70% of the original Kingland brands have agreed to

a longer-term partnership. However, one retailer admitted to the possibility that everything they’ve built up during the two years could all go at the end of the third year as they could struggle with the rents and rates.

This has prompted accusations that these initiatives are merely keeping ‘zombie’ retailers alive.

“All it’s doing is prolonging the pain for these zombie companies that shouldn’t be trading,” says one commentator, who adds: “If they don’t know whether they’d be able to survive when they had to start paying rent and rates, then it’s not a business. It’s a hobby. We could all earn a living if we didn’t pay any overheads.”

#### BUSINESS SENSE

Schlagman, however, doesn’t see failure as a negative. It is, he says, giving people the chance to test their offering in a space, but ultimately it must get to a commercial sensibility between landlord and tenant and the lender as well.

“When that period comes to an end the business will either double down on that space on terms acceptable to the landlord, [or] get replaced by another business willing to come and take that incubation space in some way.”

What businesses still need to do, says Schlagman, “is bring the passion and the product, something that they are fascinated by and committed to being the best”.

Where the landlord needs to step in with covenant, says Schlagman: “The reality is that businesses coming out of the street-food scene, for example, with 5,000 Instagram followers a week, and are growing quickly, have little or no covenant strength.

“But they would be lower risk in taking a space than more established national

brands... so there should be new measures of understanding what the risk and potential of any operator of that particular space are at that moment.”

#### JOINT VENTURE

The Government also has responsibility for the future of the high street. “Some sort of intervention needs to happen in town centres where we can put that public money in to inspire the confidence for people to return,” says Michael Holden of Michael Holden Chartered Surveyors and President Elect of NAEA PropertyMark.

As part of its 2019 manifesto, the Conservative Government pledged it would be “levelling up every part of the UK”.

Promises include investing in towns, cities, and rural and coastal areas, with Levelling Up Minister Michael Gove planning to fill empty shops. But this will take time.

What is having a more immediate impact are the changes of September 2020 with the introduction of Class E, the new use class system. It replaced Classes A1 – shops; A2 – financial and professional services; A3 – restaurants and cafés; and B1 – business, so that land or buildings utilised for those uses will not need to obtain planning permission for changes within this use class.

“Where credit is due is the Class E: for once the Government did the right thing, and it’s been of real benefit,” says O’Brien. “We’ve done countless lettings where we’ve put offices into retail units, or dentists into retail units, where traditionally they would have needed a change of use.”

As it stands, the future of the high street is in everyone’s hands – Government and local authorities, landlords and retailers – to create a place customers want to visit. Ultimately, says Hopkinson: “The health of the high street is a mirror on our success as a society.”

While the catastrophic figures from the Centre for Retail Research would make that health diagnosis decidedly depressing, Schlagman remains positive for the future: “The high street will be different, and that [can be good]. We will have different mixes of businesses and there will be some that meet the needs of that local catchment. Some areas will have smaller high streets, more compact and well organised, and better curated and more dynamic. But we will have high streets.”

And with help and determination, it’s never too soon to ensure we always will have, albeit evolving over time. **PP**