

The Adaptiveness of the Retail Property Market in the UK. A mixed method study of change

Dr Allison Orr, Senior Lecturer in Real Estate, University of Glasgow

Dr Alan Gardner, Lecturer in Real Estate, University of Glasgow

Dr Cath Jackson, Senior Lecturer in Real Estate, University of Sheffield

Dr Victoria Lawson, Research Associate, REPAIR, University of Sheffield/Glasgow

Dr Joanna Stewart, Research Associate, REPAIR, University of Glasgow

Dr James White, Senior Lecturer in Urban Design, University of Glasgow

Structure of presentation

- Introduction to REPAIR Project
- Theoretical framework for cross analysis
- Work Packages Data and Methods
- Key findings
- Conclusions

Introduction to REPAIR

- Longitudinal mixed method ESRC-funded project using quantitative and qualitative research methods.

Main objectives of this project:

- To examine the spatial patterns in property ownership and land use, and evaluate how these have changed over time.
- To shed light on how innovation and adaptation contributes to the evolution of retailing centres.
- To examine stakeholders and the repurposing of redundant retailing properties.

Resilient Retailing Systems Framework

Recognition that retailing centres are part of a complex system and resilience of that system linked a more balanced mix of uses (Wrigley and Dolega; 2011)

Adaptive resilience – the system responds to shocks as it moves from one phase in its development to another (Dolega and Celińska-Janowicz; 2015)

Heterogeneity (diversity) underpins how a system evolves and its adaptive capacity both as a driver of change but also as a product of change.

→ Need for policy-makers to better understand how that system has and continues to evolve and adapting

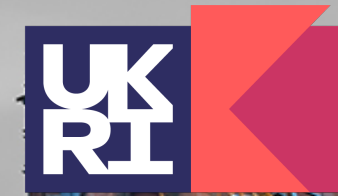
Work Packages and Methods

Case study approach

- Principal retailing area within five large retailing centres
- Regionally significant cities
- Northern to avoid north/south influences on resilience and adaptability
- Differences and similarities in retail performance to aid meaningful comparison

They are:

- Edinburgh
- Glasgow
- Hull
- Liverpool
- Nottingham



Economic
and Social
Research Council

Work Packages and Methods

Case study approach - Five northern cities

WPA - Linking administrative, retailing and property datasets to examine evolution of use/ownership change April 2000, 2005, 2010 and 2017 within case study areas.

WPB - 43 semi-structured interviews with 48 participants (some were interviewed together) supported by direct observations of the built environment.

WPC – 27 semi-structured interviews with professional practitioners and investors (Jan-March 2020 and Jan-March 2021)

WPD - 24 semi-structured interviews with professionals involved with five repurposing schemes

REPAIR

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

Adaptation Findings I: Increasing heterogeneity (but spatially uneven)

- Change of use:
 - Demise of some retailing organisations (typically fashion retailing)
 - Offset by more 'service' focused uses
 - entertainment, leisure and recreation growth lagged behind hospitality
 - Growth in independents (and willingness of landlords to let independents)
 - BUT change not kept up with rising vacancy rate.
- Greater range of uses (although diversity influenced by growth in vacancies and unevenness in different types of uses)
- Heritage increasingly seen as an important part of creating place identity, USP and place attraction
- Investors/developers drawn to flexibility and looking for uses on the ascendance (e.g. food halls; health practices; education). Thereby, adding to diversity.

Adaptation Findings I: Increasing heterogeneity (but spatially uneven)

- Shopping centres are adapting:
 - Becoming increasingly mixed use, increasingly embracing hospitality, entertainment, leisure and recreation to replace lost traditional anchor tenants
 - Newer open air centres have lower vacancy rates than closed 'malls'.
 - Fall in retail property values has opened up possibly of change as viability threshold lowered (in theory).
 - Repurposing of former department stores occurring but not easy:
 - Technical issues which create higher redevelopment costs.
 - Adapting to multiple occupiers difficult (e.g. different entrances and opening hours)
 - Buildings are not 'set back' is problematic (e.g. inadequate signage; no outdoor seating)
 - Ownership influences adaptability:
 - Properties under single control easier/quicker to adapt
 - Growth in overseas investors and smaller investors → greater fragmentation
 - Smaller investors not as capital rich as institutional funds who have largely left the market
- Coordinating and incentivising changes is an increasing issue

Adaptation Findings II: Not just greater economic variety

- Greater city living:
 - Increase in residential (and student accommodation) can strengthen resilience
 - Upper floors changing to accommodation as well as hospitality, offices and co-working space
 - Often housing delivered as apartments and at the high end.
 - Growth in convenience retailing to service BUT medical, social and community services not kept pace
- The direction of transformation is towards more sustainable mixed-use neighbourhood districts
- Public realm, walkability and connectivity more important than ever
- As well as need to provide relevant services/amenities, need to understand (and balance):
 - Not all neighbouring uses suitable; tensions between permanent and transitory/temp residents and the services/retailing sought.
 - Residential perceived as “bad neighbour” to some developers/investors due to strong protections required from other uses.

Adaptation Findings III: Retail real estate practices adapting

- Retail asset management adapting:
 - Active asset management important to de-risk in investments, and prevent/reverse decline.
 - Change in size and layout of space sought by occupiers although depends on operator
 - Multiples much more discerning about where they locate, and matching their space/building to their brand and merchandising.
 - Growth in independents increasing demand for white-boxing.
 - Greater leasing flexibility (with turnover-linked leases placing greater onus on retail management)
 - New retail/leisure innovations emerging and being replicated (e.g. bank/café; clothes/café; takeover Thursday; competitive socialising)
 - some innovations slow to disseminate from London.
 - Events and pop-up used to add variety and interest.
- BUT valuation practice and data sharing not kept up with changes in lease types.

Adaptation Findings IV: Changing interdependences

- Balance of power has shifted from landlord to tenant
 - Tenants not scared to exploit
 - Recognition of the synergies possible with complementary uses.
 - Greater use of adjacencies to help tenants control neighbouring land use.
 - Tensions identified between existing tenants and temporary uses; and using public space for private events.
 - Pandemic saw more landlords/tenants collaboration, and greater openness and transparency but still some residual animosity.
- Strong leadership and buy-in of key stakeholders remains important.
- Trust in stakeholders and city, and a shared desire are important elements in successful repurposing schemes.
- Limited availability of public funds and expertise so public-private partners to deliver regeneration through the market.
- Need for a urban management vehicle to better co-ordinate fragmented ownership.

Conclusions

Greater resilience achieved through:

- Greater richness (and greater diversity as new uses become established) increasing the heterogeneity of the economic base
- Larger residential population
 - Conversions helping to reduce surplus floorspace
 - Permanent residential base less vulnerable to pandemics than transitory/temporary residents
 - Services/amenities need to be in place to support.
- Transitory/temporary residents can be source of tensions with permanent residents if too much.
- View of developers is the need for planning gain to be spent in immediate vicinity of development.
- Use Class Order 2020 / proposals for radical shopping centre redevelopments in transition towards mixed use districts but who is monitoring the changes?
- Monitoring of town centre usage and walkability in this age of data analytics should be possible (as should greater data sharing).
- Is city centre-wide retail masterplans the way forward? Data also issue for local authorities (in Scotland) who are now expected to provide evidence for local plans and development frameworks.