

High Street Research

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Number of empty retail units and comparison with previous years?

- In the fourth quarter of 2021, the overall GB vacancy rate fell to 14.4%, 0.1 percentage points below the Q3 level. It was 0.7 percentage points higher than in the same point in 2020.
- On the High Street, vacancies improved slightly to 14.4% in Q4 – in line with the overall rate.
- **Helen Dickinson OBE, Chief Executive of the British Retail Consortium, said:**
“The final quarter of 2021 offered the first glimmers of hope for Britain’s beleaguered shopping destinations, as the number of shuttered shops fell for the first time since the start of 2018. The lowest vacancy rates were seen in the South – where higher disposable income and greater business investment meant vacant storefronts were more quickly repurposed. Meanwhile, Scotland and the North continue to see much higher vacancy rates, with the Northeast at almost one in five shops closed. It remains to be seen how Omicron will have impacted the number of store closures, but given the third lockdown in England had little impact on the vacancy rate, we are hopeful that the trajectory will remain positive. However, with hybrid working unlikely to disappear any time soon, it will be difficult for vacancy rates to fully recover in our town and city centres.”
- **Lucy Stainton, Director, Local Data Company, said:**
“Vacancy rates are a strong barometer of the health of our high streets – with this in mind, it is very encouraging to see the increase in empty units finally stabilising after such a sharp rise over the past two years. This is the first real indication that the most significant structural impacts of the pandemic are potentially at their peak for certain regions, and operators, landlords and local government alike can start to rebuild after a particularly turbulent period.

<https://brc.org.uk/news/corporate-affairs/glimmer-of-hope-for-vacancy-rate/>

- According to PwC, the rate of store closures is slowing down. ¹
- In 2021, 10,000 chain stores closed from UK retail locations.
- In 2021, 7,160 shops opened in Great Britain, compared with 17,219 closures, a net decline of 10,059. This was compared to a net decline of 9,877 the year before.
- Fast becoming a trend, retail parks have consistently outperformed shopping centres and high streets for the past 6 years.
- Shopping centres have gone from the second-best performing locations in 2015, to the worst performing in 2020 and 2021. Although the pandemic is largely to blame, footfall recovery rates have been fastest in out-of-town retail parks because of their ease for parking.

¹ <https://www.pwc.co.uk/press-room/press-releases/store-openings-and-closures.html>

Multiple retailer net closures by location type, 2015-21

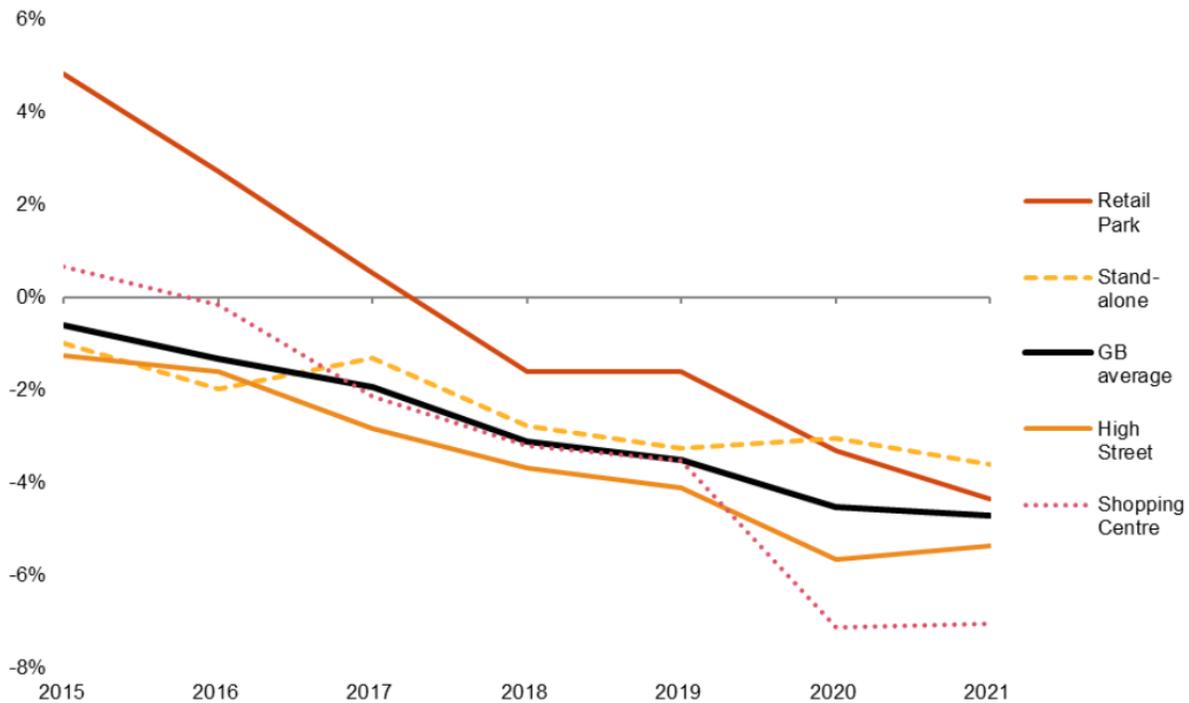


Table 2 - multiple retailer new closures by location type

PwC, 2021

- Fashion is the fastest declining category with almost 4 net closures a day. Several fashion stores were acquired by online operators who had no intention of continuing to sell in physical stores (e.g., Topshop bought by ASOS, Mothercare bought by Boots, Oasis and Warehouse bought by Boohoo).

<https://www.pwc.co.uk/press-room/press-releases/store-openings-and-closures.html>

Best and worst occupancy areas

Best occupancy rates

- I couldn't access figures for the best occupancy rates; however, Harper Dennis Hobbs publish a vitality index which rates Britain's best and worst high streets.² The rating is

² <http://hdh.co.uk/wp-content/uploads/2021/02/HDH-Vitality-Rankings-2021-Commentary-and-Methodology.pdf>

based on several variables including vacancy rate, which suggests that the top towns have the highest occupancy rates.

2021 Rank	Retail Centre	Region	2019 Rank	Change
1	Beaconsfield	South East	64	63
2	Henley-on-Thames	South East	28	26
3	Tenterden	South East	39	36
4	Wimbledon Village	Greater London Authority	7	3
5	Marlborough	South West	10	5
6	Sevenoaks	South East	30	24
7	Kingston upon Thames	Greater London Authority	20	13
8	Berkhamsted	East of England	14	6
9	Harpenden	East of England	139	130
10	Ilkley	Yorkshire and The Humber	29	19
11	Cobham	South East	17	6
12	Skipton	Yorkshire and The Humber	110	98
13	Reigate	South East	12	-1
14	Farnham	South East	75	61
15	Ringwood	South East	90	75
16	Milton Keynes	South East	58	42
17	Truro	South West	89	72
18	Chiswick	Greater London Authority	24	6
19	Beverly	Yorkshire and The Humber	70	51
20	Chester	North West	46	26
21	Hampstead	Greater London Authority	43	22
22	Muswell Hill	Greater London Authority	38	16
23	Harrogate	Yorkshire and The Humber	22	-1
24	Tunbridge Wells	South East	88	64
25	Brighton	South East	21	-4

Harper Dennis Hobbs, 2021

Worst occupancy rates

Retail Centre	Vacancy Rate %
Skelmersdale	39%
Stretford	38%
Walkden	38%
Kirkcaldy	33%
Prescot	33%

- “A centre with a high vacancy rate signifies decline, and also threatens future prosperity”. (Harper Dennis Hobbs).

Annual rental cost of prime high street retail rents in the UK³

Characteristic	Q4 2020	Q2 2021
London (West End - Bond Street)	2,175	2,150
London (West End - Oxford Street)	750	675
London (City)	260	240
Manchester	220	220
Birmingham	190	180
Cardiff	150	140
Leeds	150	140
Bristol	100	95

Showing entries 1 to 8 (8 entries in total)

Statista, 2022.

Current rates system for vacant shops

- You do not have to pay business rates on empty buildings for the first 3 months.
- After 3 months, full business rates are charged, although some properties can be granted extended property relief:
 - industrial premises (for example warehouses) are exempt for a further 3 months
 - listed buildings - until they're reoccupied
 - buildings with a rateable value under £2,900 - until they're reoccupied
 - properties owned by charities - only if the property's next use will be mostly for charitable purposes
 - community amateur sports clubs' buildings - only if the next use will be mostly as a sports club

Getting people back to the high street

Experiential Retail

- Younger consumers are experience orientated.

³ In the fourth quarter of 2020 and 2nd quarter of 2021, price in GBP per square foot.

- Allows brands to create immersive, interactive, and shareable experiences.⁴
- Experiential retail is not focussed on increasing sales, but on engaging customers and using in-store events to boost brand loyalty.⁵
- According to a study by the Harris Group, 72% of millennials would rather open their wallets for experiences rather than products.^{6,7}
- The most advantageous aspect of this model is its 'shareability' factors. Aesthetically pleasing visual displays encourage visitors to photograph, film and share on social media. Others will then engage with this content.
- Encouraging visitors to share content can be achieved by directing them to use a specific hashtag, tag in the company and become involved in the brand. This prompts others to visit stores and boosts the brand's profile.⁸
- 75% of consumers believe that by 2027, more than half of retail space will be devoted to experience rather than product. 81% said that they would be willing to pay more for experience.⁹

<https://www.vendhq.com/blog/experiential-retail/>

Gymshark

- Fashion sports brand Gymshark says that their stores aren't just about shopping but are aimed at creating an experience for their customers that brings their community of shopping together.
- Their London flagship store hosts events, fitness classes and has workout studios, as well as selling Gymshark clothing.

Gym + Coffee, UK

- Gym + Coffee has the similar view that their stores are also a space for creating a community.
- They call their stores clubhouses
- They engage with the brand through events, talks and in-store yoga classes and running groups.

Kraft, US

- In the US, Kraft used motion tracking and project mapping in stores to create an interactive game for children in the pasta aisle at grocery stores.
- This pleased parents as it made shopping less of a chore and kids wanted to interact with the game and so parents spent longer in the pasta aisle.

⁴ <https://www.ukpos.com/knowledge-hub/what-is-experiential-retail>

⁵ <https://www.ukpos.com/knowledge-hub/what-is-experiential-retail#3>

⁶ Note: This claim originates from US research but is still likely to be relevant to the UK

⁷ <https://www.cnbc.com/2016/05/05/millennials-are-prioritizing-experiences-over-stuff.html>

⁸ <https://www.ukpos.com/knowledge-hub/what-is-experiential-retail#3>

⁹ Sahar Nazir, 'Experiential retail will be "tipping point" in 2025 – Westfield', *Retail Gazette*, January 2020, <https://www.retailgazette.co.uk/blog/2020/01/westfield-releases-biggest-retail-trends-report/>

- Making shopping an exciting experience encourages customers to visit the shop, spend longer in it and increases exposure of the brand.

<https://blog.yoobic.com/most-creative-experiential-retail-concepts>

The Perfume Studio, UK

- Turns a visit into a luxury experience
- Welcoming guests with a glass of bubbly
- Offers a sensory lesson perfume making
- Allows guests to create their own personalised perfume
- Finishes with afternoon tea

<https://www.drapersonline.com/insight/the-new-metrics-for-store-performance>

- Offering services that link to customer's hobbies and interests, e.g., golf stores could offer a putting green, outdoor/activewear stores could offer a climbing wall, bookstores could offer a book club.
- Use of business metrics to get to know the customers and measure effectiveness of marketing. Stores are beginning to track store performance, using measures such as footfall technology and blending this data with soft metrics such as how good their brand awareness is in store locations. (<https://www.drapersonline.com/insight/the-new-metrics-for-store-performance>)

Pop-up Shops

- Enables online businesses to engage with their customers face-to-face, creating exciting opportunities that draw new customers to the high street.
- Creates ongoing events and a buzz of excitement
- Pop up shops improve the vibrancy on the UK's failing high streets.¹⁰

Big brands

- According to Retail Week, nearly a third of consumers said that they would like to see big brands in their neighbourhoods.¹¹

Convenience

¹⁰ [https://www.caerphilly.gov.uk/CaerphillyDocs/Business/pop_up_shop_guide\(eng\).aspx](https://www.caerphilly.gov.uk/CaerphillyDocs/Business/pop_up_shop_guide(eng).aspx)

¹¹ <https://www.retail-week.com/stores/data-five-guaranteed-ways-to-keep-consumers-flocking-to-the-high-street/7039674.article?authent=1>

- Many retail stores now allow customers to order online and collect in store (Click and Collect) increasing sales online as well as in store.
- M&S have introduced Scan and Shop, an easy shopping experience which allows customers to scan items in store and payment is then taken from their phone. This makes the shopping experience quick and efficient and removes the need to spend time queuing.
- Wetherspoons' order app also intends to make ordering easy and removes the need to queue. The app has also generated publicity after being used to prank customers after becoming an online game.¹²¹³
- Being able to try on items in store is still a major benefit of high street stores. 62% of men and 60% of women say that they still like to try on clothes in store.¹⁴

Actions to support high street businesses

Landsec's new retail strategy

- Retail landlord Landsec announced a new retail strategy aimed at offering shorter, more flexible lease lengths, reduced upfront fit-out costs and access to customer insight and footfall data from its centres
- The plan enables small independent brands to test the water with less investment and less risk, as well as giving established brands more flexibility to experiment with new business models.
- The approach shifts thinking away from an asset management focus, towards a partnership focus, supporting businesses to succeed as that in turn helps them to succeed.

<https://www.drapersonline.com/news/landsec-offers-one-day-leases-in-new-retail-strategy>

- Other landlords appear to be following the trend of shorter leases. Savills predicts that by 2024, 90% of retail leases will for less than five years. To compare, in 2016, 55% of retail leases were for six to ten years.

Levelling up Fund

- The Levelling Up Fund will invest £4.8billion in infrastructure that improves everyday life across the UK.

¹² <https://www.mirror.co.uk/news/uk-news/man-put-wetherspoons-table-number-21488193>

¹³ <https://metro.co.uk/2017/09/21/mans-request-for-birthday-drinks-at-wetherspoons-backfires-when-strangers-send-him-milk-and-fruit-shoots-6944539/>

¹⁴ <https://www.express.co.uk/news/uk/1076620/high-street-shops-customers-retail-fashion-online-shopping>

- The Towns Fund element of the Levelling Up Fund will provide £3.6 billion to drive economic regeneration in deprived towns and aims to revive town centres and high streets.
- The fund is directed at town centre and high street regeneration, local transport links and cultural and heritage assets.

<https://www.gov.uk/government/publications/levelling-up-fund-prospectus>

Covid Rent Arrears Arbitration

- Arbitration service has been opened to help tenants and landlords resolve rent arrears caused by the covid pandemic.
- The 'Commercial Rent (Coronavirus) Act 2022 introduced a legally binding arbitration process is available for eligible commercial landlords and tenants who have yet to reach an agreement in respect of the rent arrears.
- The law applies to commercial rent debts of businesses that were mandated to close during the pandemic.

<https://www.rics.org/contentassets/83975895f96f4472a4232a06b5216898/covid-rent-arrears-arbitration-user-guide-april-2022.pdf>

Empty Shop Bill

In a bid to revitalise failing High Streets, the government's Empty Shop Bill proposes to force landlords to let out retail units that have not been occupied for more than 6 months. The move will be implemented through a Compulsory Rental Auction, which will allow small businesses and community groups to take over closed commercial properties. The plan is part of the wider plans to regenerate high streets under the Levelling Up and Regeneration Bill.

It is hoped that the proposal will:

- create opportunities for small business with short leases, giving them the opportunity to survive post-covid
- revitalise the high street by bringing empty shops back into use
- encourage landlords to reduce rents and change their approach to lease renewals and debt issues
- create ongoing relationships between landlord and tenant, which will be constructive in retaining tenants and keeping businesses open

<https://www.drapersonline.com/news/industry-verdict-on-the-empty-shop-bill?tkn=1>

Conclusion

The biggest takeaway from this research, was that high street shops needs to prioritise offering an experience and creating a community as part of their strategy.

Landlords also need to rethink their letting strategy as new and existing businesses feel that they would benefit from reduced lease terms and more flexibility.