

Securing the future for Britain's high streets and town centres

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Tackling the key challenges

Britain's town centres and high streets are often at the heart of people's sense of place and local identity. Changes in global and local economies have put this under pressure, with 1 in 12 shops having closed in England and Wales in the last 5 years.

With the radical global shift in how we use and relate to our local resources, DWF engaged with Policy Exchange to host a panel discussion during the Conservative Party Conference on the issues at play and next steps required to empower local authorities and communities to deliver a high street revolution.



The decline of Britain's high street

From the rise of online shopping and business rates issues to competition from out of town shopping – a range of factors are leading to struggling high streets and town centres.

Confederation of British Industry

In July 2019, the CBI reported the longest sustained decline for retail sales in the UK since 2011, as the group's Chief Economist Rain Newton-Smith noted "despite the recent pick-up we've seen in households' real earnings, the sun is clearly not shining on the British high street"

The British Retail Consortium (BRC)

There was a decline in total retail footfall of 1.9% across the UK in July 2019 - the worst performance for seven years.

The Centre for Retail Research (2018)

43 companies are failing, affecting 2,594 stores with a knock-on effect on 46,014 employees.

Future High Street Fund

- Scheme launched in 2018 to support adaption of the high street in response to changing technology and improving transport access and circulation in the area.
- Expanded to £1 billion, from the original amount of £675 million – allowing 50 more towns to benefit from funding.
- The Prime Minister stressed "our high streets are right at the heart of our communities, and I will do everything I can to make sure they remain vibrant places where people want to go, meet and spend their money."
- The Rt Hon Robert Jenrick MP, Communities Secretary also highlighted: "high streets have a crucial role to play as we work to grow the economy of all parts of the country. Our £1 billion Future High Streets Fund is key to delivering this, empowering local leaders to help transform their high streets and town centres as consumer habits change, by investing in housing, workplaces, infrastructure and culture."

The current state of play

Despite this, July 2019 saw the highest vacancy rate of shops in town centres, with one in ten stores left empty - the

highest level since January 2015, according to the BRC and Springboard's recent survey.

Helen Dickinson OBE, Chief Executive of BRC stressed "if the Government wishes to avoid seeing more empty shops in our town centres then they must act to relieve some of the pressure bearing down on the high street"

Brexit is also contributing to low consumer confidence, shoppers are notably disengaged contributing to the decline in footfall across UK high streets.

Survey results

Against this backdrop, DWF is engaging with stakeholders across local and national government, retail and real estate sectors, policymakers and the public at large to understand the issue and meet the urgent need for active sustainable solutions to reenergise the high street.

A DWF ComRes survey of over 2000 British adults found:

- Two thirds (64%) of GB adults believe that the majority of British high streets will not exist in 50 years' time.
- Three quarters (76%) believe that online retailers are the reason for the decline of the British high street.
- Only 15% feel that local government is playing a positive role in the future of the British high street.
- Two thirds (65%) of adults believe that local authorities are better placed than central government to decide what is best for the future of the high street.
- Nearly half of all adults believe the government should increase taxation of online retailers in order to decrease the tax burden placed on high street retailers - creating an even playing field.
- 67% believe that Enterprise Zones should be used to help retailers on British high streets.

A DWF panel debate...

brought together MPs, retail and legal experts to outline their priorities and engender debate to drive the conversation forward.

Opening the session, **Warwick Lightfoot**, Head of Economics and Social Policy, Policy Exchange noted the huge number of job losses in the retail sector, with 57,000 jobs lost in the year to June. He stressed the importance and timely nature of the discussion to ensure high streets are front of minds. Other panellists were: **Melanie Williams**, Head of Real Estate Sector, DWF; **James Hamilton**, Acquisitions & Estates Director, Costa UK & Ireland; **Bob Blackman** MP, Housing, Communities and Local Government Select Committee member.

Four key points from our panel discussion:

1. Creating a sense of place

Retail is contracting as footfall continues to decline, therefore local authorities, retailers and landlords need to come together to repurpose areas of our high streets and create a sense of place. Melanie Williams states "We need to see people as more than purchasers of goods - they are also patients, workers and residents."

Bob Blackman MP says "We will need to make high streets more compact and smaller with community housing provision. Consumers will not travel large distances to high streets - walking distance, accessibility and relevance are critical. Providing what people want, close to where they live, is key."



2. Local powers and individual solutions

Local authorities are best-placed to bring the mechanisms together to drive positive change on the high street. Quoting the Minister responsible for high streets, Rt Hon Jake Berry MP, Melanie Williams highlights the need for localised solutions; “challenges facing the area are best dealt with the people that are there”. In essence, “the DNA of the area is needed to transform the high street”, including input from local councillors and local authorities.

Local authorities should embrace their towns’ unique personalities, rather than try to compete to attract footfall. Each individual area should embrace its heritage and history, to shape their high streets and ensure they remain relevant today.

3. The march of time: responding to consumer needs and online shopping

The rise of online shopping is having a profound effect on the high street, creating shop closures and reducing footfall. Various solutions have been discussed and the previous Chancellor, Rt Hon Philip Hammond MP, indicated he was looking at the implementation of a sales tax to replace business rates and redress the balance between high street and online retailers. However, high streets won’t be revitalised simply through greater taxation of online retailers. Technology and digitisation need to be embraced in order to meet changing consumer needs and develop thriving high streets. Melanie Williams says: “Innovative technological approaches replicating the transformation agenda across the NHS, education and flexible working spaces, such as We Work, will be important.”

Other emerging developments should be encouraged. Online retailers such as Amazon are moving into retail space through concept shops and other retailers are now positioning their space as showrooms to generate online sales. Retailers and occupiers must adapt their models to accept that the focus is not on retail sales but an experiential consumer approach.

4. Flexible approaches to planning and leasing

Flexible approaches to planning and leasing are necessary if high streets are to have a future and there are good examples of this working. The Renew Newcastle, Australia programme waived rents and implemented short-term lettings to boost occupancy rates, initiating more than 40 enterprises in its first year. In 2016 the project’s financial benefit was over 14 times its cost. Melanie Williams says, “The sector needs to be more flexible and the way we transact on real estate on retail premises has got to change.”

- **Business premises renovation allowance:** “Introducing a business premises renovation allowance would enable high net worth individuals to invest in real estate to regenerate specific areas and create employment and the potential to produce a positive result for the high street.”
Melanie Williams

- **Parking and interchanges:** “We need to address ease of parking, transport interchanges and planning processes to enable quicker conversion and ultimately increase and encourage footfall.”
James Hamilton

- **Incubation units:** “Incubation units are having a positive role on high streets, whereby local authorities provide a space such as an under-utilised shop for small business to operate from. The idea is that leases and rents are often off-putting for small and new businesses and the incubation unit could instead provide a short-term space. As the business grows, it can move to more long-term premises.”
Bob Blackman

- **Lease reform:** “Freeholders need to be more sensible about length and cost of leases, otherwise this will just lead to empty shops. Empty shops are a bad use of the high street and bad business for freeholders.”
Bob Blackman

- **Local authority led shopping centres:** “Allowing councils to take control of shopping centres can drive diversification in the local area. A council covenant would allow funders to invest, which is more likely to attract serious investors.”
Melanie Williams

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What next?

There is no simple or quick fix, but DWF is working with clients on all sides on a range of innovative solutions.

Local government, landlords, retail and real estate sectors will be crucial to deliver the transformation and investment needed for our high streets and town centres and ease pressure on communities. It is important to establish what future role high streets will play for communities.

Government has made progress through the Future High Street Fund consultation; however, the disadvantage is that only a select number of town centres and high streets will benefit. As Mr Blackman identified, everyone taking part in the bidding will have expectations raised as a result of taking part.

Innovative policy approaches, continued Government and political support and new high-street models will also be required.

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