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The Impact the Collapse of Large Unit Retailers Has Had On the High Street in the UK

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Abstract:

Purpose: The change in demand for smaller units, increase in online shopping and consumers spending more on experiences has resulted in the collapse of large unit retailers**.** The purpose of this study is to understand the effects of the recent closure of large unit retailers on the property market looking at how the market and market agents have dealt with large units becoming available.

Method: British Home Stores is used as a case study, within this a mixed-method approach is used. A database was created to quantify the current status of BHS's units and 6 semi-structured interviews with property professionals involved with the units.

Findings: Almost all units have been marketed for subdivision, despite 65/75 of the occupied units being re-let to a single occupier, however, around half of the units remain vacant.

Conclusion: There is not one answer for all large units. It takes time to understand what the local market needs to maximise a large unit's potential. This study suggests better forward planning for large retail units whether currently vacant or not, to increase resilience and decrease financial loss. With this they will be able to adapt to the current changes in the retail industry and be well prepared for future large unit retailers collapsing.

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CHAPTER 1: INTRODUCTION

1.1 <u>Background and Relevance of Study</u>

The UK retail sector has seen many changes in the last 50 years (Thomas et al, 2006), with the spatial decentralisation of retail resulting in a significant increase in out-of-town retail parks and regional shopping centres between 1980 and the early noughties (Guy, 2007) as well as consumers becoming more materialistic, wanting more products to shop. However, technological advances have given way to the rise of online shopping allowing consumers to be omnipresent, buying what they want, when they want, wherever they want (Jones & Livingstone, 2015). As online shopping continues to increase, and consumer demand continues to shift it brings into question the future of Bricks-and-Mortar retailing.

With a turnover of over £400 billion in 2017 the UK retailing industry plays a vital role in the UK economy (Rhodes & Brien, 2018), making up 15.5% of UK businesses in 2016 (Grimsey, 2018). Therefore, significant changes within the sector impact the whole economy. 2018 has demonstrated how volatile the retail industry can be, with over 6 retailers closing, 286 stores risking over 6,000 jobs (Bamfield, 2018). This indicates a surge of retail units to the market, highlighting a need to understand what is being done to ensure these units are re-let as efficiently as possible so as not to add to the increasing voids on the High Street (Rhodes & Brien, 2018). Consumer demand and commercial pressure have continually driven change within the retail sector, thus retail real estate has always been vulnerable to changes (Jones, 2010). The vitality of the High Street is also vulnerable to the changes in retail, with consumers choosing to spend their money on experiences as opposed to goods the need to visit High Streets that depend on retail is diminishing (Wrigley & Lambiri, 2015). Consumers no longer want or need to visit for large department stores offering a full range of goods, putting into jeopardy large format retailers.

Brick-and-Mortar retailing has traditionally been based on 25-year leases with upwards only rent reviews, with high occupancy rates, however due to recent increases in retailing overheads and a decrease in consumer demand, Bricks-and-Mortar retailers are struggling to survive, this has been seen with the collapse of BHS and more recently Poundworld and Toys'R'Us, and many simply looking to reduce their portfolios. This

reduction in large format retailers is increasing the number of large units to the market, and with a perceived lack of demand for them there is questions over the best use for them in order to not just increase the number of void units on the High Streets.

There has been attempts to address the issue of what to do with vacant stores to increase the vitality and resilience of the UK's High Streets but the impact and uptake of these recommendations have been limited and mostly ignored (Grimsey, 2013 & Portas, 2011). There are plentiful innovative ideas for the use of vacant retail units such as pop-up shops, flexible work spaces, change of use to leisure however the issue of what to do with vacant uses to revitalise the High Street is still as much an issue now as it was 10 years ago, signifying a need to understand what approach is being taken to vacant units, if any (Butler, 2018).

There is a lack of literature on the effect the changing nature of retail is having on the real estate sector. Thus, this study will use a case study to understand from a real estate perspective what factors property professionals and landlords believe to be most detrimental for large retailers with the aim of understanding how they are addressing the effects of the current changes within retail on large retail units. This will then help property professionals know how best to advise the owners of buildings which experience the loss of a large sole occupier and how best to adapt to the changing trends in consumer spending.

1.2 <u>Research Aims, Objectives and Research Questions</u>

The aim of this study is to understand the effects of the recent closure of large unit retailers on the property market and how the market and market agents have dealt with large units becoming available. The current changes in retail and the subsequent decline in large retailers has shaped the overarching research objectives:

- To investigate recent changes within the retail industry and how these are impacting on the High Street.
- To analyse, using a case study retailer, how property professionals are responding to the surge in large unit supply.
- To examine the best action to minimise the time large retail units are left unoccupied

Further to this, research questions have been formed:

- What factors are perceived to be the most influential to the current decline of retailers of large units?
- Has the closure of large retail units had any impact on the surrounding area?
- What has been done so far to vacant units to ensure they do not remain vacant?
- What can we learn from the collapse of large retailers on how best to approach large units being vacated?

1.3 <u>Research Methodology</u>

To satisfy the overall research aim, a case study is used, it is a good way to focus on a contemporary event by being able to learn more by studying a case in-depth. The case study is British Home Stores (BHS), a large format retailer who ceased trading by Bricks-and-Mortar in 2016.

A mixed-methods approach was used within the case study to allow for a comprehensive investigation enhancing validity. Research consisted of the creation of a database with details of what has happened to the 164 units since BHS left, and 6 semi-structured interviews with property professionals involved with the re-letting of BHS. Interview questions were based on deductive thematic analysis from the literature, before inductively identifying sub-themes from the data collected forming a framework for analysis.

1.4 <u>Dissertation Outline</u>

This dissertation will begin by reviewing the changing nature of retail in Chapter 2 before looking at the impact this has had on the High Street, focusing on the impact on Bricks-and-Mortar retailing in Chapter 3. This will identify what is currently known in this area of research, identifying a gap in knowledge giving purpose to the study. Chapter 4 will assess the research methodology explaining how the data was gathered, collated and analysed to answer the study's aims, objectives and research questions. Finally, in Chapter 5 and 6 the data will be examined and analysed before concluding as to what the effects of the recent closure of large retailers has had on the property market and how the market and market agents have dealt with large units becoming available.

CHAPTER 2: CHANGING NATURE OF RETAILING IN THE UK

2.1 <u>Introduction</u>

This chapter will begin by discussing what retail is and its role in the UK before going on to discuss the current factors changing the retail industry, looking at economic factors, consumer changes and online retail.

2.2 <u>What is Retail? A Brief History of UK Retailing</u>

Retail is the sale of goods to a final consumer for use or consumption by the consumer rather than for the consumer to resell. There are several different sales channels, the longest serving most traditional form, (-Bricks-and-Mortar), direct mail and direct sales and finally online. Bricks-and-Mortar and online are the two channels this study will concentrate on. Britain was described as a *'nation of shopkeepers'* in the 1800's by Napoleon (Williams-Grut, 2017) known for their buying and selling in the most basic form- Bricks-and-Mortar, however with the rise of online retailing the nation is now more accurately described as a nation of shoppers.

The retail sector is the third largest service-based industry in the UK (Dixon, 2005) accounting for over 25% of the UK's employment. Directly, through the retailers themselves and indirectly through secondary businesses (Guy, 2002). Many of the secondary businesses, such as distributors and delivery companies are formed solely to support retailers.

Retail is not just an economic process for people to exchange goods and services, it is also a key component of urban and suburban landscapes, daily affecting people socially and physically (Gerend & Novak, 2016:132). It can affect society both positively and negatively through employment, infrastructure, traffic, the environment and economically, so must be managed carefully (Dixon, 2005). Ultimately retail plays an important role in the well-being of High Streets.

For the UK, retailing has been continuously and rapidly changing for the past 50 years as consumers have become more active, more affluent and more materialistic creating opportunities for retailers to offer a wider range of products, with a wider range of

quality (Thomas et al, 2006). The new consumer demand and the pressure to increase competition amongst retailers to drive down prices in the late 1970's and 1980's by the conservative government (Guy &Bennison, 2007), revolutionised the structure of retail environments (Thomas et al, 2006:43-44). The combination of consumer demand, government regulations and the retail market at this time resulted in a period of transformation for the spatial set-up of retail.

This spatial change is viewed as retail decentralisation due to the move out of the city centre. Retail decentralisation within the UK can be classed into three sections (Schiller, 1986): first the decentralisation of food and convenience stores in the late 60s to food superstores; secondly the decentralisation of non-food goods such as DIY and electrical goods to warehouse units in the mid 70's; and finally, the third wave experienced in the late 80's where retail stores decentralised to regional shopping centres, primarily located conveniently on key infrastructure networks. These out-of-town developments with large parking areas increased in in the 1970's and 1980's, resulting in smaller specialist stores ceasing business (Guy & Bennison, 2007) highlighted in the food superstore development appeal success rates doubling to 70% between 1983 and 1986 (DoE, cited in Adams et al, 2002).

The commercial advantage of adequate car-parking, larger units providing more choice and a more attractive and secure environment attracted consumers to these new retail agglomerations and in doing so have raised questions about the commercial value of city-centre sites where accessibility is poor (Leo and Philippe, 2002:151). These factors resulted in a 'cumulative attraction' where businesses thought other businesses would do better (Nelson, 1958), beginning the movement to 'consumer friendly' out-of-town centres (Thomas et al, 2006).

In the mid 1990's planning policy within the UK shifted towards the prioritisation of existing town and city centres when evaluating development proposals. Resulting in the *'town centre first'* approach, helping to mitigate the increase in out-of-town developments in the 1990's (Wrigley & Lambiri, 2015). The approach includes the sequential test requiring planning authorities to make sure there are no suitable sites in town centres before approving an application for out-of-town development. The second test is the impact assessment which assesses the social, economic and environmental impacts of a potential retail development on the surrounding area. The *'town centre first'*

approach has adapted to include both retail and services, highlighting the planning systems recognition of the inclusion of other uses than retail in the town centre (Wrigley & Lambiri, 2015). The policy gives retailers security by eliminating an increase in competition, and landlords more security knowing their tenants have less options to re-locate (Evers, 2002).

A fourth wave of decentralisation has been suggested by Fernie (1995) including factory outlets. Retail has continually experienced an increase in both sales and footfall, but the sector is noticeably coming under pressure from the growth of supermarkets and online retailing (Rhodes & Brien, 2018). Increasing the importance of location for Bricks-and-Mortar retailing real estate decisions (Jones 2010). Therefore, there could now be a fifth wave of decentralisation accounting for the past 10 years, the increase in online retail, the cumulative attraction of a non-location specific retailing channel has been documented as one of the biggest influences in retail in the past 10 years (Thomas et al, 2006 & Bamfield 2018).

2. 3 <u>Changes in Retail</u>

Retail is said to be in the middle of a crisis that started in the economic downturn of 2008 (Wrigley &Lambiri, 2015; Bamfield, 2018). In 2007 the retail sector grew faster than the whole of the UK economy, thus, when the economic downturn began in late 2007, the retail sector declined much more quickly and violently than the whole economy, output dropped by 4.2% & 1.5% respectively (Rhodes &Brien, 2018). The recession forced consumers to become more conscious about what and where they were spending and retailers have felt retail sales increase in income but not by volume. This section looks to identify the reasons for the changes within retail in the UK since the recession began.

2.3.1 Economic Factors

Since the vote to leave the European Union in 2016 the pound has depreciated in value (Bowsher, 2017). This is the biggest impact of Brexit for retailers as it has increased costs for suppliers, leading to inflation increasing (Rhodes & Brien, 2018). Adding to retailer's overhead business costs (Bamfield, 2018).

The retail sector is the largest industrial sector in Great Britain, the sector employs over 4.6 million people in 2016, accounting for 20.5% of total UK employment (Rhodes

&Brien, 2018). The National Living Wage (NLW) increased 4.4% from £7.50 to £7.83 per hour in April 2018 after increasing from £7.20 to £7.50 per hour in April 2016 (Gov.uk, 2018), this resulted in a 10% wage rise for those on the lowest rates of pay. These increases are expected to continue until 2020 where the Government aims for the NLW to be £9 per hour (Bamfield, 2016). This is predicted to impact retailer's costs with an increase around £3000million in 2020-2021(Bamfield, 2016). Larger retailers may be able to absorb the new cost but for retailers who are already struggling this could accelerate them into administration as well as making marginal stores completely unprofitable, resulting in the closing down of stores. It is estimated by the year 2020 there will be around full-time equivalent 42,000 job losses (Bamfield, 2016).

Business rates, Non-Domestic Rates in Scotland, is the tax payable on any non-domestic or commercial property. To determine business rates, the rateable value of a property is used and is similar to the annual rental value, not a business's profitability. The current business rates equate to just under half rental value with the multiplier at £0.492p. Business rates used to be revalued every 5 years, due to political disruption the most recent revaluation was delayed 2 years, taking effect in 2017 rather than 2015 (Chu, 2017). The significant time-lag in revaluation has impacted the retail industry as the economy has changed significantly since 2010, subsequently resulting in a large increase in the rateable value set for most retailers. The importance of property costs is becoming ever more prominent for businesses.

The recent business rates revaluation has further exaggerated the disparity between online and High Street retailers. Where most High Street retailers have experienced an increase in business rates, many online retailers have experienced a decrease at their distribution centres (Bounds, 2018). '*This year, Bricks-and-Mortar retailers are expected to pay £7,168mn in business rates for 2018-19 and online retailers only £457mn (6% of total retail rates bill) Business rates are the equivalent of 2.3% of Bricks-and-Mortar retailers' sales and 0.6% of online traders' sales.*' (Bamfield, 2018), House of Fraser rates have raised 13.6% in comparison to online fashion retailer Asos' rates falling by 0.8% (Bounds, 2018). This revaluation has brought into question the effectiveness of business rates due to unfairly favouring online giants such as Amazon who don't need expensive Bricks-and-Mortar premises in the middle of growing urban areas. In response to this, Chancellor Philip Hammond is to bring forward the next business rates revaluation by one year to 2021. After this, revaluations are expected to

take place every 3 years to better reflect rental values. Further changes are demanded to find a fairer way to tax the digital economy, suggesting a possible turn towards a more relevant tax system based on the revenue of a business as opposed to the people and the property occupied by them (Onwuemezi, 2018: Grimsey, 2013).

The combination of all these increased overheads, that are not easily passed on to consumers, is increasingly causing High Street retailers to struggle.

2.3.2 Shifting Consumer Habits

Consumer habits have changed with different factors affecting how, why and when they shop. The main factors are income, confidence, convenience and weather.

Consumers have the ability to influence the High Street retailers as they are the driving force in retail performance, without consumer demand there would be no retail (Guy, 2002: Rhodes & Brien, 2018). The most influential consumer change for the retail industry in the last few years is confidence. Since the vote to leave the European Union consumer confidence has decreased from above 5 index points to -9index points in the first quarter of this year (Trading Economics, 2018).

Figure 1: Consumer Confidence in the UK, Source:TradingEconomics.com, 2018

However, this is still not as low as levels seen in the financial crisis of 2008 and continues to be higher than between 2008 and 2014 (Figure 1). It has been noted that the lack of consumer confidence has had an adverse effect on urban development, further encouraging people not to visit the High Street to consume (Seasons, 2003). Adding to this negativity has been the impact of falling household income on consumer spending (Bamfield, 2018), although the median household income has finally returned

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and now higher than the level achieved pre-economic downturn, £27,200 in Final Year Ending (FYE) 2017 compared with £25,700 in FYE 2008 (ONS (a), 2017). Since the financial crisis consumers have become less predictable in their purchases, previously companies would have been able to work out where a consumer would shop but consumers now mix what and where they buy (Bamfield, 2018). Moreover, there has been a change in consumer decision making where consumers are more inclined to delay purchases until they really need the product as a way of being more meticulous when it comes to buying goods in store or online (Bamfield, 2018; Deloitte, 2018).

Changing social trends and a new focus on spending money on services such as leisure activities, dining out and going somewhere because it is an attractive destination (Bamfield, 2018; Wrigley & Lambiri, 2015) has signified a change in consumer demand that Bricks-and-Mortar retailers need to adapt to (Dixon, 2005: 170). Instead, consumers are more inclined to visit places where the sole purpose is not to purchase goods. Richard Lim of Retail Economics, (2018) states that consumers want experiences, in essence *'What Amazon can't do'*. This is highlighted in domestic expenditure over the past 5 years, showing that spending in recreation, culture, restaurants and hotels has steadily increased (Bamfield, 2018). Thus, signifying a long-term shift in consumer spending on services as opposed to on goods (Colliers, 2018).

The concept of convenience in association with consumption was highlighted over 50 years ago by Kelley (1958), who stated there was a need by consumers to achieve *'an equilibrium between commodity costs and convenience costs'* (Kelley, 1958:32). This is increasingly relevant today with improved travel times and the increase in car ownership (Thomas et al, 2006) making it easier for consumer to shop when and where they want. This increase in convenience has changed the consumer habit of visiting large, one stop, superstores once a week to now frequenting smaller, centrally located convenient stores more frequently (Elms et al, 2010). To further back this up is the want and/or need of consumers to conduct multi-purpose trips in order to spend more time on leisure activities (Teller & Elm, 2012).

As global warming continues to influence the weather more dramatically its influence on retail sales has begun to show, especially in March 2018 when the unusually cold spell from 'The Beast from the East' saw retail sales fall 1.2% from the month before double the 0.6% (ONS (b), 2018), a large part of this was a slump in petrol sales as

consumers were kept indoors (Retail Gazette, 2018). Furthermore, footfall was lower than expected during this period (Deloitte, 2018).

One of the key reasons for the change in consumer habits is technology. This has opened more channels for consumers to shop: online via their phone whilst in store; through social media apps; and online at home. Consumers now have a choice of how they will physically get their goods: delivery; click &collect; collection lockers; or the traditional way of buying in store. These different channels of buying and receiving goods all change how consumers interact with the retail industry. This will be discussed in more depth in the following section.

2.3.3 Online Retail and Other Disruptive Technologies

Online retail has been around since the late 1990's but due to economic and technological constraints in being able to buy and/or use a computer online retail didn't account for more than 0.5% retail sales in the 1990's (Pavitt, 1997). With technological advances and improvements for online search tools and webpages, the price of computers coming down and more accessible internet, online retail has become increasingly attractive. Therefore, the spiral of online retail began; more people bought computers; the new generation became computer literate from a young age; and businesses began to trade online as well as new businesses trading solely online realising the potential of this new trade channel.
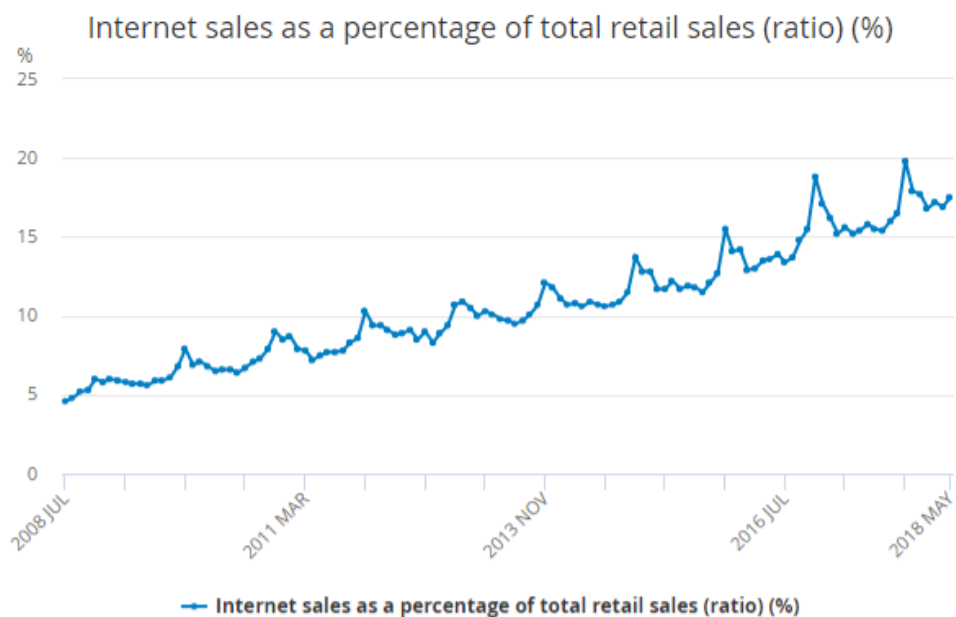
Figure 2: Internet Sales as a percentage of total retail sales (ratio) (%), Source: ONS (C), 2018

Online retail has steadily increased from 5% of total retail sales in 2008 to over 15% in 10 years (Figure 2). It currently accounts for 17.5% of total retail sales in the UK (ONS (c), 2018) and is expected to rise to 34% by 2020 (Sanderson, 2018). Previously, online retail supported Bricks-and Mortar retail, however, a reversal of roles is now happening, in that Bricks-and-Mortar now exist to support and complement online retail (Grimsey, 2013). The convenience, accessibility and non-location specificity of online retail was highlighted in March 2018 when online retail experienced an increase in sales as people were unable to physically go to the shops due to the weather (Retail Gazette, 2018). Currently online retail has an advantage in terms of convenience, taxes and accessibility, it is this that is causing disruption for Bricks-and-Mortar retailers (Jones & Livingstone, 2015), the impact of this will be looked at in more detail in the following chapter.

According to the Office for National Statistics, while total retail sales grew 1.4 per cent in 2017, online sales were up 12.1 per cent (Bounds, 2018). In 2017 77% of adults had bought goods or services online this was unchanged from the previous year but was a 24% rise from 2008 (ONS, 2018) highlighting the move to online shopping. The most popular items bought online are clothes and sports goods which are also the items people would frequent the High Street for the most (ONS, 2018).

Social media has an increasingly important role in online shopping (Sanderson, 2018), it creates a new platform for marketing. Platforms such as Facebook, Instagram and Snapchat are used to create a buzz about stores online and offline, which formerly would have only been able to be done on the High Street. Showing the strength of online retailers is Play.com who generated £1.8million of direct sales through their social platforms in 2012 (Sanderson, 2018). Through these platforms and review sections of online stores word of mouth has intensified and increased goodwill, people can research and form an opinion of stores before visiting a physical store.

CHAPTER 3: IMPACT ON THE HIGH STREET

3.1 <u>Introduction</u>

With the current changes in the retail industry mentioned in Chapter 2, there has subsequently been an increase in retailers undergoing financial difficulty, resulting in stores closing. Within the first 100 days of 2018 12 retailers, consisting of 1,290 stores and 13,446 employees, had gone into administration. This is 93% of the number of stores that were closed in all of 2017 (Bamfield, 2017). The change in retail has rocked the retail industry with many household names disappearing or downsizing rapidly (Grimsey, 2018).

This chapter will look in more detail at the impact the change in retail has had on the High Street focusing on the impact on Bricks-and-Mortar before discussing what is currently being done to tackle and adapt to these changes.

3.2 <u>The impact of change in retail</u>

3.2.1 Decline of the High Street

For several years the emotive subject of the decline of the High Street has been a prominent feature in Britain, *'Increasing vacancies, falling shopper numbers and a deteriorating physical environment'* (Whysall, 2011:4). The 2007/8 financial crisis acted as a catalyst for this decline and it has not eased up (Portas, 2011). The High Street is one of the UK's most well-known features, seen as an asset that brings people together to socialise and use different services (Bamfield, 2018). It is with this in mind that the High Street needs to be reshaped in order to survive (Colliers, 2018), by actively encouraging the purpose of visiting the High Street to change from pure retail to a mix of uses (Grimsey, 2018). Retailing in traditional environments such as the High Street, better facilitates social cohesion (Whysall, 2011).

The decline of the High Street can be described using Brian Berry's 1963 commercial blight concept. The concept consists of four components, Economic, Frictional, Functional and Physical. The economic blight occurs when there is a disequilibrium between local demand and supply of retail units resulting in high vacancies; the frictional blight occurs when the surrounding area undermines the viability of the unit

and vice versa; the functional blight is when technological advances leave shops inefficient and consumers can shop using different channels, increasing vacancies; and finally the physical blight which is when buildings are not up to standard, decreasing the area's attractiveness. Thus, it can be said that Bricks-and-Mortar retailing is going through a commercial blight due to the various changes in retail mentioned in Chapter 2, with functional blight catalysing economic, frictional and physical.

3.2.2 Employment

Major Retail Failures (and employees)
2008-2018

Woolworths -30,000	BHS - 11,000
Toys R Us - 3,200	Phones4You - 5,600
Clinton Cards -8,500	Comet - 7,000
HMV - 4,350	Peacocks - 9,600
Game 6,000	First Quench 6,500

Figure 3: Major retail failures (and employees), Source: Centre for Retail Research, 2018

Previously it was smaller retailers who couldn't survive due to competition from larger retailers. However, the failures in figure 3 signify a shift in which major retailers who occupy/occupied large units are failing, this has resulted in over 90,000 job losses since 2008 (see Figure 3). The impact of these major retail failures subsequently results in all of the following impacts being exacerbated. It is also these large retailers that are struggling and downsizing their store portfolio which increasing unemployment. In 2018 alone 30,000 jobs have been lost in the retail industry between March 2017-2018 (ONSa, 2018). This is worrying for UK employment as town centre retail is associated positively with local employment (Jackson, 2006).

3.2.3 Bricks-and-Mortar

Company Voluntary Agreements (CVAs)

Due to the changes in the retail industry, leases (traditionally long-term with 5 yearly rent reviews and upwards only rent review clauses) are now deemed outdated, and inflexible, retail analyst for the Estates Gazette -James Child (2018)- has claimed that the current terms of rents on the High Street are no longer suitable. This has led to an increase in CVA's for both retailers and restaurateurs especially stores with large portfolios such as New Look, M&S, House of Fraser and Carluccio's (Bamfield, 2018, Retail Gazette, 2018a, Estates Gazette, 2018a).

In terms of property a CVA allows a company with debt problems to lower and/or terminate their lease, in an effort to rapidly reduce costs. CVAs have caused massive disruption and uncertainty for retailers as it's a way of bypassing legal obligations. This has led to Next requesting a 'CVA Clause', in which their rent would fall if a neighbouring tenant achieves a rent reduction through a CVA (Simpson, 2018). This is a massive misuse of CVAs, further pushing landlords and property professionals to call for a change in CVAs as retailers use it as an instrument for reducing their portfolios and/or rents, increasing vacancy levels (Jones, 2010). Retailers are realising they do not need as many physical stores as they adapt to the changes in retail, resulting in an increase in vacant units on High Streets.

The business rates revaluation in 2015 was aimed at Small and Medium enterprises to help them not to fail due to high business rates when starting out. However, the dramatic increase in tax burden felt by a lot of retailers who do not receive the business rate relief is crippling seen by the increase in CVAs, *'No company is too big or too prestigious to fail.'* (Bamfield, 2018:15), the changes in retail are not discriminative which is why the industry is seeing big household names suffer.

Vacancy rates

Vacant units are one of the most noticeable indicators of the change in retail (Hillier et al, 2017), the number of persistent vacancies for the UK in 2017 was 34,712, with 45% of these being vacant for more than 2 years (Bamfield, 2018).
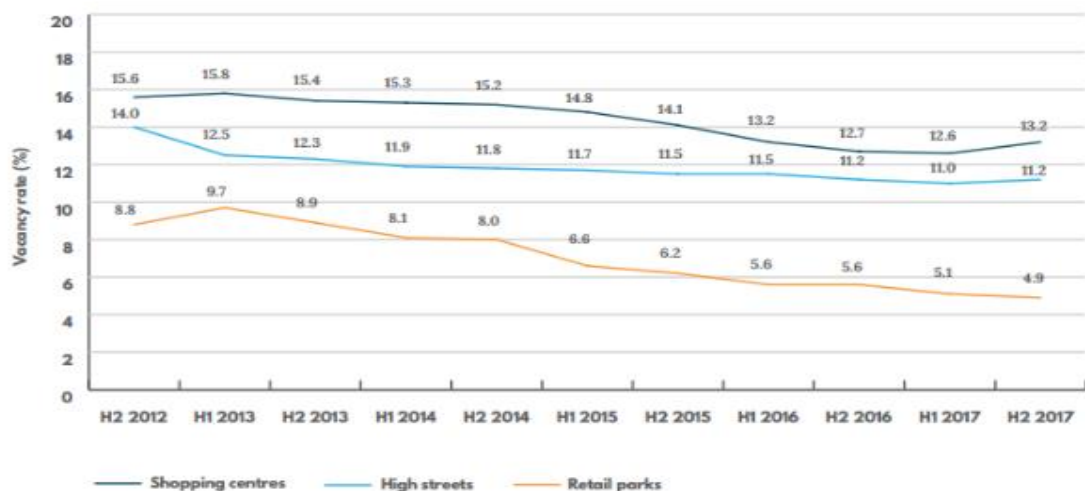
Figure 4: Historical vacancy rates by location type (2012-2017) Source: Local Data Company, 2018

The High Street has seen a very slight increase in vacancy rates from H1-H2 of 2017, at the time of this study there was no data for the vacancy rates in H1 of 2018, which are thought to be high due to the volume of CVAs announced.

Vacant buildings can be associated with the market-based economy, they are viewed as a result of production due to demand, thus, once vacant it is felt that there is no other use for the building (Johansen, 2012). This lack of imagination prevents quality property being used. Empty units are increasingly becoming an issue for property management (Hillier et al, 2017) they can lead to an increase in squatting, fly tipping, vandalism, metal theft and fire and flood damage (Aon.com, 2018). *'The burden of maintaining empty properties, as well as continuing to service debts, responding to pressure from other tenants for lower rents, and paying empty property rents on void units.'* (Rogers and Blake, 2011:25), all of which make it harder for landlords to find new tenants and invest in their property. It has been noted that less prime areas of retail, especially in the North of England, have experienced the highest vacancy rates (Wrigley &Lambiri, 2015).

There has been a shift in the size of units that retailers require. There are no longer space wars between supermarkets as retailers realise large multi-level stores are not required or as profitable as before (Bamfield, 2018). Illustrated by Toys R Us where their better performing stores were the small units, as opposed to large box stores which previously were the best performing (Stevens, 2018). Furthermore, out-of-town retail has experienced an increase in vacancy rates as these units are now too large for retailer's needs (Farag et al, 2006, Local Data Company, 2018). Previously if a retailer had many stores it reflected their profitability, however, with the rise of the internet this is no longer applicable (Bamfield, 2018). Portfolio downsizing will be seen in large city centres where stores have several units, choosing to close one in favour of the higher quality, better located unit highlighting the importance of location to retailers real estate decisions in the future.

Investment

In terms of investment, a retail unit on the High Street used to be viewed as a reliable asset, however because the market has become overwhelmed with vacant units some units are now seen as liabilities (Deloitte, 2017, Bamfield, 2018). Furthermore, demand

for retail space has been slowly decreasing and is at its lowest since 2009 at -43% (RICS, 2018), leading to both primary and secondary retail rents falling 24% and 54% respectively (RICS, 2018). This change in demand will see a decline in the value of retail assets, especially for secondary units exacerbated by the reduction of store portfolios in one city (Jones, 2010). Investment in leisure and warehouses for retail now account for over half of retail property investment (Savills, 2017). However, prime retail units still produce relatively low yields (Innes, 2018). Despite this, over the past 10-20 years' institutional investment in retail has decreased significantly, most notably financial institutions High Street portfolios have fallen dramatically since the 1980's (Jones, 2010). Lack of investment, shows lack of confidence in an area, discouraging development from the private sector, further adding to the downward spiral of decline of the High Street (Seasons, 2003).

In the last 10 years' online retail has grown substantially, in 2008 online retailers signed 1.5million sqft of new space in contrast to 2017 where 12.2million sqft of new space was signed (Savills, 2017). The change in retail is thus, shifting real estate demand from city centre Bricks-and-Mortar to industrial units.

3.3 <u>What is currently being done to tackle this change?</u>

3.3.1 Government and Planning initiatives

'The Portas Review', is a government funded report outlining how to secure the future of High Streets in modern day Britain. The review consists of a variety of recommendations and how to fulfil them to ensure the sustainability of the High Street. Portas' main criticism lies with retailers' inability to react and adapt efficiently to the changes in retail. A concept frequently mentioned is well articulated by Portas, if we can shop elsewhere more conveniently why would we shop on the High Street, reiterating that the focus of the High Street must move away from retail to survive.

Grimsey's first report in 2013 concentrated mainly on the lack of High Street strategy and development concluding that town centres need to be a community hub with a mix of uses, the government need to better facilitate changes in town centres and that central management with a clear vision is key. Grimsey's (2018) most recent report states that the UK is going into a fourth industrial revolution, where the real world and the technological world combine causing disruption. The key points from this review were

to encourage High Streets to become resilient and adaptable in this period of technological transformation.

'The Vitality and Viability of town and city centres is to be sustained and enhanced, with active town centre management as the norm.' (Adams et al, 2002:138), a recurrent theme, is the importance of bringing together many stakeholders to form one strong management team- 'town team'- with a shared aim of sustainability for the high street (Adams et al, 2002; Portas, 2011; Teller: 2008; Gransby, 1988). *'Levers and incentives such as preferential taxation policies and public-private partnerships are used to create a positive investment climate.'* (Season, 2003), throughout the Portas and Grimsey review the concept of a community-led town centre through a public-private partnership is encouraged as opposed to being left solely to the private sector. In addition to this it has been suggested by many that retail landlords need to increase lease incentive packages to retailers still looking for a unit (RICS, 2018).

In England they have put in place development rights to allow temporary uses for up to two years for other than non-residential use (Hillier et al, 2017). Making it easier to change a properties use class will encourage landlords to invest in their units more readily (Jahshan, 2017).

Economic	Reduce supply	a. Changes of use, e.g. to other commercial, community, amenity uses b. Redevelopment to residential, parking, etc.

	Increase demand	c. Increase daytime catchment population
		d. Increase resident catchment population
		e. Increase daytime disposable income
		f. Increase resident disposable income
		g. Extend catchment
		    (i) improve accessibility
		    (ii) improve parking
		    (iii) improve public transport
		    (iv) improve attractiveness
		    (v) promote image of centre

Frictional	Reduce land-use conflicts	h. Segregate uses/relocate bad neighbours
		i. Manage land use conflicts
		    (i) traffic management
		    (ii) improve policing/security
		    (iii) pollution controls

Functional	Improve/adapt premises	j. Upgrade existing premises k. Subdivide or merge premises
	Encourage mobile shoppers	l. Improve accessibility m. Improve parking n. Increase attractiveness of offer o. Promote centre/improve image
	Modernize retail mix	p. Introduce new uses q. Diversify existing businesses
	Improve management	r. Train existing management s. Recruit new managers
Physical	Improve buildings	t. Visual improvements u. Address any structural problems
	Improve environment	v. Traffic improvements w. General environmental improvements

Figure 5: Components of Commercial Blight and their policy implications as adjusted by Whysall, 2011 adapted from Berry, 1963.

These recommendations from Portas and Grimsey are also seen in Whysall's, (2011) policy recommendations for tackling commercial blight (Figure 5). However, the Portas and Grimsey 1 reports did not receive enough attention from the UK government, thus recommendations by Whysall, 2011 are still relevant today. Roeselare in Belgium took on the suggestions, resulting in footfall increasing 53% and 38 units being repurposed (Wild, 2018), showing that with committed implementation from all stakeholders the High Street can be revitalised.

3.3.2 Diversification

It has been noted since the late 1950's that the city centre shouldn't rely solely on retail to survive, Kelley, 1958, states that city centres to compete with out-of-town retail need to diversify away from solely business and retail incorporating leisure and recreational uses. Non-retail tenants located in commercial zones need to be respected as they affect the look, atmosphere and attractiveness of the zones just as much as retail units (Teller and Elm, 2012).

There is a large variety of new and innovative uses for vacant units. The first is to turn units into leisure facilities, recommended for larger units. Secondly is to encourage new

18

uses described as 'competitive socialising', bringing activities like crazy golf, climbing walls, and escape rooms, largely associated with out-of-town retail parks into the city centre, again using old larger units. Thirdly the most well-known is turning units into a destination, diversifying units for retailers who no longer need so much retailing space by inviting other uses into their units such as barbers, prosecco bars and spa's. Giving people more activities under one roof is more appealing, this can be seen by the success of shopping centres that offer food, leisure and retail without leaving the building (Hoggan, 2018). Finally, vacant retail units have the potential to be turned into residential property (Lyon, 2018), the shortage in housing and a younger generation looking to move back into the city to decrease commuting time highlights this demand (Hoggan, 2018).

Another use for vacant units struggling to get a long-term tenant is meanwhile uses. This is the temporary use of a building, businesses such as Pop-Up Britain, Somewhereto_ and Empty Shops Network aim to help landlords and tenants find different uses for vacant properties. These uses create social, cultural and economic benefits:

Social benefits	Cultural benefits	Economic benefits
• Community space • A shared project • Increasing diversity • Reducing blight • Local empowerment • Improved security	• Improving the visual impression of the area • Avoiding waste of potential energy • Changing perception of how to use the area • Celebrating local distinctiveness • Increasing the likelihood of more art in the area	• Employment opportunities • Entrepreneurship • Incubator space for innovation • Hightening commercial value of land • Avoiding waste of opportunity • Kick start regeneration • Inexpensive

Figure 6: Summary of potential benefits from temporary uses Source: Johansen, 2012

Thus, these uses can revitalise an area in the meantime, allowing new businesses to market and gain feedback, *'revealing the possibilities of urban space.'* (Haydn & Temel, 2006:14), it shows potential long-term tenants how the space can be used and fits into the High Street as opposed to advertising a dark, vacant unit (Hillier et al, 2017). By doing something rather than doing nothing the unit adds to the High Street rather than take-away.

3.4 <u>Summary</u>

It is important to prevent High Streets from deteriorating even further, consumers develop views on a market place based on what they see and feel, if they continually see vacant and run-down properties on the High Street they will begin to avoid the High Street altogether (Thang and Tan, 2003). There are many ways to adapt and use town and city centre spaces other than retail. These innovative uses have the potential to benefit landlords ensuring they are not losing rent; retailers by allowing them to downsize their portfolio; and consumers by turning the High Street into a destination. However, the current demise of large unit retailers in the past 24 months and the continual announcements of these retailers downsizing their portfolios, such as M&S and House of Fraser, raises the question of the fate of large retail units left behind. It is this shift in requirement from large, multi-floor retail units to smaller, single floor units on the High Street that creates uncertainty for landlords as to what to do with these spaces.

Recent literature does not adequately address the issue of how to deal with large units becoming vacant in a time where they are no longer needed, nor does it address what to do when multiple large units enter the market at the same time. Retail literature focuses on the evolution of internet trading, business strategy, marketing and consumer changes neglecting to address retails impact on real estate. This may be due to the recentness of this issue. It is unclear what is being done in the property sector to ensure large units do not remain vacant for a long period of time. Therefore, there is a pressing need to understand how property professionals are addressing the effects of the current changes within retail on large retail units.

This has shaped this study's research aims, objectives and research questions, the use of a case study will subsequently seek to address the impact the collapse of large unit retailers has had on the High Street.

CHAPTER 4: METHODOLOGY AND METHODS

4.1 <u>Introduction</u>

This section will look at the research methodology and methods undertaken to understand how property professionals and landlords are addressing the effects the current changes within retail are having on large retail units.

4.2 <u>Research Aims, Objectives and Questions</u>

The aim of this study is to understand the effects of the recent closure of large unit retailers on the property market and how the market and market agents have dealt with the large units that have become available following the closure of these stores. This methodology chapter will set out the dissertation research objectives and questions, and how they will be answered through the use of a case study.

The current changes in retail and the subsequent decline in large unit retailers has shaped the overarching research objectives:

- To investigate recent changes within the retail industry and how these are impacting on the High Street.
- To analyse, using a case study retailer, how property professionals are responding to the surge in large unit supply.
- To examine the best action to minimise the time large retail units are left unoccupied

It is clear there is an ongoing surge in large retail units to the market but it is still unclear as to what property professionals are doing to combat this. This allows us to question:

- What factors are perceived to be the most influential to the current decline of retailers of large units?
- Has the closure of large retail units had any impact on the surrounding area?
- What has been done so far to vacant units to ensure they do not remain vacant?
- What can we learn from the collapse of large unit retailers on how best to approach large units being vacated?

4.3 <u>Research Approach</u>

4.3.1 Case Study

Case studies are best used when the research questions are asking how, what and why? and have a focus on contemporary events (Gillham, 2000). They generate an analysis of the context and processes of a singular 'case', to answer the aim of the research outlined by a lack of knowledge of what is happening when large retail units are vacated, the case study of BHS collapse has been chosen. Case studies were previously criticised for providing a poor basis for scientific research (Dubois & Gadde, 2002) and being unable to generalise conclusions. However, now they are commended for their subjectiveness and the ability to learn much more in-depth about one context than very little about many, giving a much holistic description of a real life situation that is not captured in other approaches (O'Gorman & Macintosh, 2014). Thus, using BHS as a case study will help better understand the effects the recent closure of large retailers have and have had on the property market, investigating what happens when large units become available following closures.

4.3.2 Mixed Methods

To satisfy the overall aim of this study a mixed methods approach is used within the case study. A mixed methods approach is, *"an approach to knowledge (theory and practice) that attempts to consider multiple viewpoints, perspectives, positions, and standpoints"* (Johnson et al, 2007: 113). Adopting a number of data collection techniques allows for a more comprehensive investigation enhancing the validity of the research (O'Gorman & Macintosh, 2014). Following this, quantitative data was collected by creation of a database of all BHS stores and their current situation was created through secondary research then qualitative data based on a selection of units, was collected through semi-structured interviews. By opting for a mixed methods approach, the data collected from the interviews built on the quantitative investigation into the outcome of vacated BHS units and provided a deep explanatory understanding of the experiences and opinions of agents within the market in relation to the future of these stores. Johnson et al (2004:150) advocates that fundamental commonalities exist as both research methods make empirical observations in order to address the study's aim, as well as attempting to safeguard against biases that intrinsically occur when using single research methods.

4.4 <u>Research Philosophy</u>

Research philosophy must be mentioned before discussing the research methods in detail. It is important as the conclusions that are drawn from this study may have been influenced based on the perspective the study was approached (O'Gorman & Macintosh, 2014), thus, we are able to better understand the conclusions drawn. It is therefore the researchers' personal decision as to what research method to select based on the epistemological claims being made, the theoretical perspective and what methodology is likely to be most useful (Creswell, 2003: 4-5). Thus, a case study method has been chosen in which interviews with property agents involved with the collapse of BHS will be questioned on their professional experience and knowledge, this addresses the epistemological philosophy of studying knowledge. The creation of the database addresses an ontological philosophy as it is based on the study of what we know to be true (O'Gorman & Macintosh, 2014). This triangulation of methods improves validity and is a positivist approach, however an interpretivist approach is also taken due to the interviews being closer to the actor's perspectives.

4.5 <u>Research Methods</u>

The database allowed for a quantitative representation of what has happened to the units since BHS went into administration in July 2016. Desk research is an easy, low-cost and quick way to collate data that helps align the focus of the interviews within the larger scale of the case study. By itself this database of secondary research gives no extra value until the researcher reviews and analyses the data (Do, 2011). Creating a database with all the evidence gathered allowed for others to see the information and see where conclusions were drawn, adding to the validity and trustworthiness of any conclusions drawn from the study (O'Gorman & Macintosh, 2014).

Semi-structured interviews will be used as they allow flexibility and are most helpful for small-scale research (Drever, 1995), they provide the researcher with a degree of control of the flow of data. They also allow interviewers to expand and clarify any questions and responses using prompts and probes (Drever, 1995), as well as giving the interviewee some freedom and flexibility to express their own views (O'Gorman & Macintosh, 2014). This means more in-depth and detailed data can be collected, whilst remaining in the parameters outlined by the aim of the study. Prompts are used to make sure all interviews have comparable coverage (Gillham, 2000), these were based upon

various factors that had come through in the literature. An unstructured interview would have been more susceptible to interviewer bias and can often generate irrelevant data, and fully structured interviews are too restrictive allowing for little opportunity for feedback (Gillham, 2000) however advocates of grounded theory would say structured interviews are more susceptible to interviewer bias as there is only select questions and answers.

4.5.1 Secondary research

Desk research was carried out to form a database which contained a list of all former BHS stores, their size and current occupier with details of what has happened to the unit since BHS left. This database quantifies what has happened to the case study's retail units since their collapse. Data was limited on whether or not the unit had been renovated as there is nowhere that records a retail unit being stripped out without visiting every unit, thus limiting the research.

Producing this database took 3 stages: data entry, data cleaning and data formatting, before going on to be used for descriptive statistics (O'Gorman & Macintosh, 2014). Data entry involved collating data about the units primarily from property website CoStar whose proprietary data is sourced directly from property agents, investors and other stakeholders, with further research from archival records of newspaper articles and google street-map archives to better learn what had happened to the units. Following this the data was cleaned, filtering out irrelevant information and filling in any gaps in the records. Finally, the data was formatted, creating a clear, succinct table where all attributes of the units were displayed making data analysis easier (O'Gorman & Macintosh, 2014).

4.5.2 Sampling and Recruiting Interview Participants

This study aims to understand the effects of the recent closure of large unit retailers on the property market, thus, property professionals who had a direct relationship with managing and/or leasing a former BHS unit were targeted for the study. This was to gain a thorough understanding of what has happened to the surge in large vacant units to the market by analysing how these property professionals had acted upon the collapse of the large retailer, gaining their professional opinion on how best to react to large retailer vacating large units in the future.

Therefore, a purposive sampling technique was used to identify individuals who had been directly involved with managing and/or re-letting a former BHS unit. Further to this maximal variation sampling was used in which participants were chosen based on the different circumstances the BHS units were in (vacant, occupied, renovated or split up). This method of sampling for a case study provided good qualitative data as it covers a complex picture of the collapse of large retailers (Cresswell & Plano-Clark, 2011).

Due to BHS previously trading in over 160 stores before collapsing in 2016, it allowed for a large number of potential participants to be contacted. All potential participants were invited to take part in the study by e-mail, in which a summary of the study was given, outlining why they were chosen and what would happen if they took part.

~45 participants were contacted, with 8 responses, only 6 were eventually interviewed. One property professional, though contacted based on one property, was directly involved with over 16 BHS units so was viewed as an invaluable source of information. For a case study, the recommended number of interviewees is between 4 and 10 (Cresswell & Plano-Clark, 2011), a sample size of 6 was deemed appropriate when matched with quantitative research. Due to it being in the summer, the number of potential participants on annual leave was reasonably high resulting in less responses than anticipated. All agreed to a telephone interview, each lasting 30-40 minutes, this approach was chosen as it provided the best source of information when the researcher did not have direct access to the individuals or they were geographically dispersed, thus, using the telephone proved more cost effective and easier to administrate (Creswell, 1998).

All interviews took place in July 2018 and were recorded and transcribed to ensure no data was lost. At the start of each interview participants were made aware of this and permission given.

4.5.3 Interview Structure

The interviews were structured around 3 main topics, the retail unit the property agent was directly involved in, the High Street in which the property is located and finally the change in retail where the factors leading to the collapse of large unit retailers were discussed. This list of questions and prompts is shown below:

Section 1: The Property
1. When did the retailer leave the property and did they fulfill ther terms of their lease? **(Asbestos, disrepair, safety, modern)**
2. What happened to the property once the retailer left? **Follow up questions if property is occupied:** Who is the main occupier? Is there more than one occupier? What uses are currently in the building? If there has been any changes to the building and why? **Follow up questions if property is not occupied:** What are the main factors you belive as to why the property has not been occupied? **(Location, size, condition)** Has any renovation taken place in the property?
3. What do you think is the best way to make sure the building is occupied? **(lease changes, flexible works space, temporary uses, change of use, change in business rates)**
4. Has the property been sold since the retailer left? **(investment decline/ incline, demand)**
5. What is your view on the way rents and business rates for retail units are currently valued on?
6. Can we assume vacated retail units will be re-let for retail purpose or is this not certain anymore?
Section 2: The High Street
1. What impact if any has the closure of this property had on the surrounding area? **(market value, visually, sense of place, knock on vacancies)**
Section 3: Change in Retail
1. What do you perceive to be the most influential factors to the closure of these retailers? **(online, click and collect, high overheads, diversification)**
2. As a property professional what do you think is the best way for the property sector to adapt to the current changes in the retail industry?

Figure 7: Research Interview Questions

Words written in brackets are prompts. These were deduced from the literature review and deemed key points t to help guide interviewees.

4.6 <u>Analytical Framework</u>

An analytical framework has been created for the analysis of the interview data. This has been formed by deducing themes from the literature to create an initial framework to analyse the data, and within this inductively outlining sub-themes that emerged from the interviews. The data is analysed under the following framework:
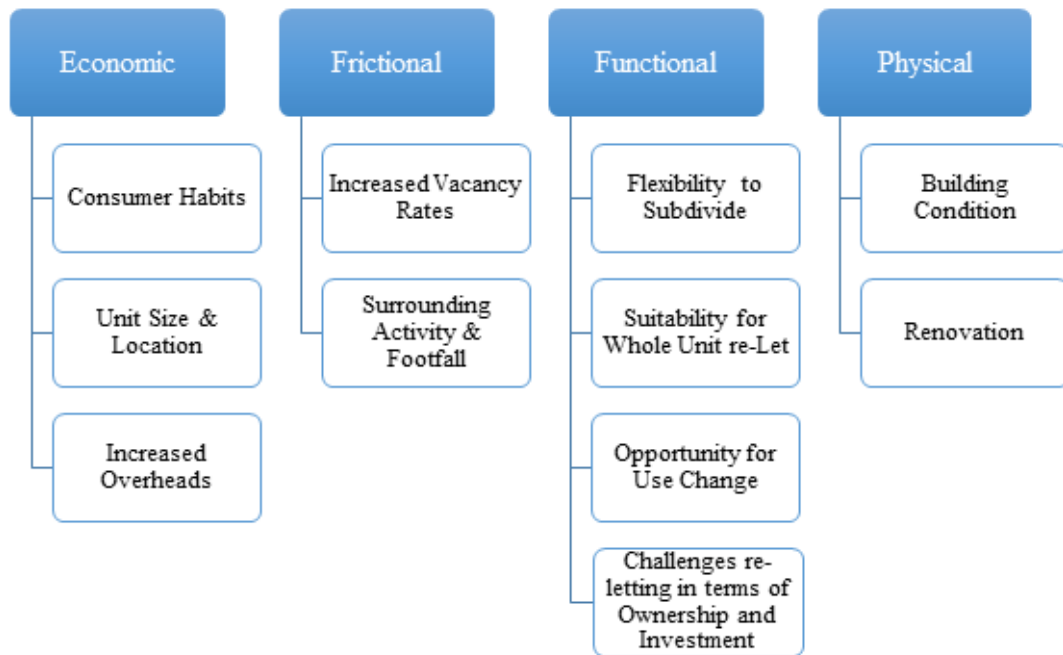
Figure 8: Analytical Framework, produced by author (Themes deduced from literature in blue boxes with related sub-themes induced from the data in white boxes)

The initial framework was adapted from Whysall's, (2011) components of commercial blight of which was based on Brian Berry's (1963) initial identification of 4 ways commercial blight can occur (Economic, Frictional, Functional and Physical) (see Figure 8). As discussed in chapter 3, Whysall, 2011, then goes onto suggest ways in which to combat each type of blight and how to carry these out. The final framework (Figure 8) was produced through analysis and interpretation of the qualitative data as the themes from the literature are better understood with empirical data, *'by comparing the emerging themes and theories with existing literature the researcher can enquire about the parallels and difference and why these are so'* (O'Gorman & Macintosh, 2014:73), this ensures that unanticipated, related issues that arise are not excluded from the analysis. This template analysis is better than grounded theory as it allows for codes to be developed priori and posteriori data collection (O'Gorman & Macintosh, 2014) the priori codes helped shape the prompts which then helped to decipher posteriori codes.

This study therefore undertook 4 key stages of data analysis. The first was to read through each interview to gain a thorough understanding of the content. The second stage involved going through each transcript with the priori codes in mind and highlighting key parts that related to this, following this these quotes were sorted into a table under the relevant attribute column (O'Gorman & Macintosh, 2014).

The third stage was to read through the transcript and key quotes to determine any sub-themes, posteriori codes, to then establish a full framework which has been used to structure the results. Once this framework has been satisfied the research questions will then be answered in a discussion of the data to assess whether this abductive analytical approach has sufficiently answered the aims of the research.

4.7 <u>Ethical Considerations</u>

Throughout the qualitative research, ethical considerations were fully adhered to. Care was taken to make sure no participants were harmed or felt pressured to give information when partaking in the interviews as well as no pressure to partake in the interview. Ethics are in accordance with the University of Glasgow's ethics procedure. Participants were made aware of confidentiality prior to the study through signing a consent form, they were also made aware that full anonymity could not be guaranteed due to sample size and subject locations discussed. A Participant Information Sheet was also given to participants to ensure they knew why they were chosen and what the consequences of them taking part would be.

CHAPTER 5: RESULTS AND ANALYSIS

5.1 <u>Introduction</u>

This section will justify and give context to the use of BHS as a case study. Then the semi-structured interviews and the quantitative representation of what has happened to the units has been analysed using the aforementioned analytical framework. It is with this framework the findings will be discussed. See Appendix A for a full list of themes, subthemes and relevant quotes.

5.2 <u>Case Study: British Home Stores</u>

BHS has been selected as a case study in order for this research paper to investigate the impact of the collapse of large retailers on the High Street. As a recent example of the collapsing of large retailers, the analysis of this case study provides in depth and up-to-date understanding of how property professionals and landlords are addressing the surge in large retail units.

BHS was a large format, department store. The store traded for over 90 years before ceasing to trade in 2016. Sir Philip Green owned BHS and took the business private from 2000 and became part of the Arcadia Group in 2009. However, the retailer continued to underperform and went into administration on the 25th April 2016 after being sold to Retail Acquisitions Ltd in March 2015 for £1. This saw the loss of 11,000 jobs and all stores closed within a 2-month period. In addition, the retailer had debts of £1.3 billion including £571 million in pensions liabilities. This is considered to be the biggest retail failure since Woolworths. While the majority of Woolworths 800 stores were re-let within 3 years, only 75 of BHS's 164 stores are re-occupied in the two years since trading ceased. The limited success of re-letting BHS units is arguably a result of the larger unit sizes and the '*tougher business climate*' (Butler, 2016). In addition, retailers who wanted new stores in city centre locations had used Woolworth units to fill gaps in their portfolios, leading to less city centre retail requirements (Butler, 2016).

5.3 <u>Economic</u>

The first theme is economic blight. This will look at what the interviewees deemed the most influential factors affecting the retail industry and how this is in turn affecting the supply and demand of retail units. Three sub-themes emerged from the interviews the shift in consumer habits, the size and the location of the units and the increased financial pressures.

5.3.1 Consumer Habits

Chapter 2 highlighted the influence the internet is having on Bricks-and-Mortar by creating a new, more accessible channel for retailing. When interviewees were asked what they perceived to be the most influential factor to High Street retail stores closing, online retail was mentioned by almost every interviewee.

"(you've got) The impact of the internet and internet sales which all conspire against physical retail, who have had a real bashing" **Interviewee E**

The convenience and reduced cost for consumers using the internet to shop was highlighted as one of the key reasons for online retailing changing how consumers shop.

"Why wouldn't they go home and use the internet?" **Interviewee D**

"Why pay 25% extra when you can get it cheaper and delivered to your front door?" **Interviewee B**

It is perceived that there is now no need for consumers to frequent the High Street when they can get it cheaper online, adding to the widely taken view that online retail is having a substantive impact on High Street retailing (Jones, 2010). Conversely the only **Interviewee (F)** who was prompted to talk about online retail stated that online retail hasn't had as big of an impact as people think it has. This is in line with the review of the changing nature of retail in that the weather, income and confidence were also contributing factors changing consumer habits not solely the internet.

"Retail has always been subject to change" **Interviewee A**

Further to this, it should be noted that most interviewees didn't seem to think retail was going through an explicit period of change but that retail is always evolving, and it is a continually changing combination of factors that influence it. Thus, researchers should

not try to explicitly deem one factor as the most influential factor that is changing retail (Jones & Livingstone, 2015).

5.3.2 Unit Size & Location

The large format was viewed as one of the reasons for the BHS units not being re-let. All of the 164 units had a floorspace of over 18,000 sqft, however, current retail requirements are between 3,000-6,000 sqft, highlighting an issue with re-letting large units for retail.

% of units still vacant (vacant units include units where lease is signed but not moved into yet)

Part Occupied
1.3%

Occupied
49.0%

Vacant
49.7%
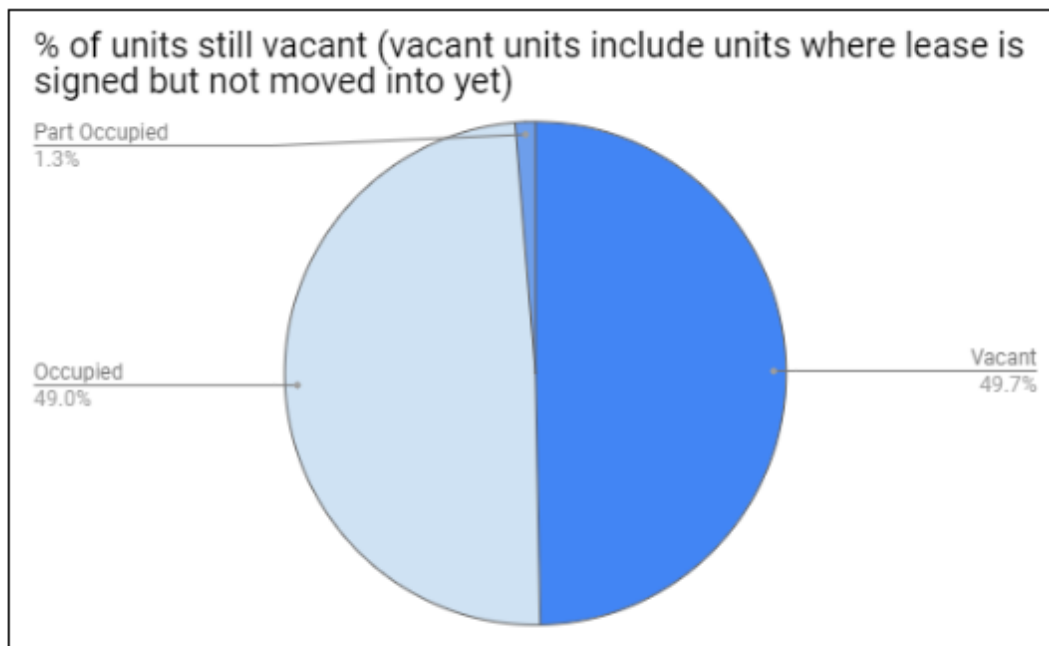
Figure 9: % of BHS units unoccupied Source: Authors own

It has been over 2 years since BHS went into administration and for this large format retailer only 51.3% of the units are occupied or part occupied, showing the lack of demand for large multi floor retail units.

"Most BHS stores are oversized and don't meet retailing requirements" **Interviewee E**

"No-one has come along and said they would pay these (rents, rates & service charges) *because it is such a big space"* **Interviewee F**

All interviewees argued that the size of the store was an issue in re-letting the property and attributed it to consumers not wanting or needing to shop in large anchor stores anymore, thus it is perceived that there is a lack of demand from the market for large,

single-use units. Furthermore, every interviewee mentioned splitting the unit up as it provided a better rental return despite whether they actually had or not, this will be discussed in the functional theme. The units are large in both depth and width which is another issue that was raised as stores that are very deep are perceived harder to lease as it is seen as wasted space (**Interviewee A**).

The location of a store both within the town or city and within the UK as a whole was argued as one of the biggest influences on what would happen to a retail unit being released to the market in spite of all other factors (**Interviewee C**).

"I don't think you can generalise, every property is dictated by its location and its adjacency to the surrounding environment' **Interviewee A**

Thus, an example of a Waitrose in Aylesbury was given, Waitrose is perceived to be a well performing retailer, however it is under-trading and usually very empty within Aylesbury because it is the wrong demographic for the retailer **(Interviewee C)**, highlighting the subjectiveness of retail real estate decision making (Jones & Livingstone, 2015).

In addition to this the Peterborough BHS unit was prime retail frontage in a shopping centre that is in the middle of one of the top 50 cities in the UK thus, **Interviewee A** argued that they were always going to re-let the unit and had even tried to buy BHS out of their lease earlier as BHS was not seen as a beneficial asset to the shopping centre.

5.3.3 Increased financial Pressures

This theme emerged in every interview as an extremely current and influential issue for retailers and landlords. It includes the high overheads (business rates, rents & service charge) for retailers and empty business rates and loss of rent for landlords when vacant.

"General cost of retailing is more expensive, whether you look at that in terms of rent, rates and service charges, and rates have jumped enormously" **Interviewee A**

When asked about their opinion on business rates and rents interviewees (**BCDEF**) thought that business rates were too high and in some instances, because of the time lag associated with business rates, the rates payable were higher than the rent, showing a massive flaw in the system. In addition to large format retail units being perceived as not what the market want, the rents achieved per sqft are significantly lower for an

anchor store as opposed to smaller units. This is good for large format retailers but as they continue to collapse (Bamfield, 2018) landlords will be more inclined to split the unit to achieve higher rents from stronger covenants.

Adding to the increased financial pressure is the perception that cheaper rents can be achieved in warehouses. The difference between rates payable on the High Street and on warehouses further pushes retail online and off the High Street (**Interviewee C). Interviewee E,** strongly blamed the rating system for exacerbating the decline of the High Street stating that the system is *"fundamentally flawed"* as well as heavily criticising the CVA process.

"Property loss is driven by retailers using the CVA process to prune and dispose of underperforming stores...resulting in an increase in high street voids"&"CVA has exacerbated the problem on the High Street and it causes chaos" **Interviewee E**

Thus, property professionals do not view the CVA process as useful but merely a way for retailers to reduce their portfolio, increasing voids on the High Street. **Interviewee F** stated that they had seen a retailer go through the CVA process numerous times and once they reduced their portfolio and reduced their rents each time they then put out new unit requirements, significantly highlighting how misused the CVA is.

In terms of the leases BHS held, where the lease was taken back by the landlord, the contractual obligations were not carried out, increasing costs for landlords in terms of bringing the units back to their shells.

"The traditional method of 10, 15, 20 year leases at hard rent with no kind of breaks has pretty much disappeared" **Interviewee D**

BHS held long leases with many being 90+ years which is rarely seen anymore **(Interviewee A)**. In order to re-let landlords and agents need to be more flexible and creative with their leasing aspirations **(Interviewee D)** (Child, 2018). In order to avoid rates liability many landlords did not take back the lease from the administrator until just before re-letting/selling, mitigating substantial financial loss from a vacant unit **(Interviewee E)**.

Overall the combination of these three themes has resulted in a disequilibrium in supply and demand for retail units, resulting in too many retail units. **Interviewees B & F**

stated that there is too much Bricks-and-Mortar retail in the UK. Thus, each emergent issue on its own does not have a significant impact on re-letting large vacant units but when combined they create issues in re-letting large format retail units.

5.4 <u>Frictional</u>

This theme looks at whether the collapse of large unit retailers has caused any friction to the surrounding area in terms of vacancy rates and surrounding activity and footfall.

5.4.1 Vacancy Rates

Interviewee D argued that vacant units on the High Street create further vacant units which then creates more vacant units and so forth, with **Interviewee C** backing this up by claiming that if John Lewis, (a successful department store in the UK) is cutting stores then nobody will be exempt from reducing store numbers. **Interviewee A** argued that retailers who have adapted to the change in retail will reduce their portfolio due to running Bricks-and-Mortar and online in tandem, increasing vacancy rates as secondary and tertiary retail centres contract. Moreover, **Interviewee B** highlighted local neighbourhood centres, which have a mix of services and have not been structured by retail, experience lower vacancy rates than High Streets that rely on retail as the main function. This finding is in line with the literature which emphasises a mix of uses in order to succeed (Grimsey, 2013& 2018).

Contrary to **Interviewee D &C**, **Interviewee F &A** argue that there has been no negative impact to the surrounding units. Contrastingly, it is argued that for some surrounding shopping centre retailers, it has resulted in a positive outcome as there is unlikely to be an upwards rent review with the loss of an anchor store, however, this is not guaranteed, and so uncertainty from surrounding retailers remains. Therefore, where **Interviewee F&A**, say there has been no vacancies from BHS leaving, it has unsettled other retailers which with prolonged vacancy of the unit may result in these retailers leaving. However, **Interviewee F & B** also commented that once the store is occupied it will have a positive impact on vacancy rates by providing inspiration for other retailers. Thus, it could be said it is too early to conclude as to what impact the closure of BHS has had on the surrounding vacancy rates but interviewees have a positive outlook.

5.4.2 Surrounding Activity & Footfall

Respondents were split in their opinion of the impact the closure of BHS has had on the surrounding area. BHS was an anchor store for many retail areas thus it is perceived that if you lose the anchor store, footfall will be reduced (**Interviewee E**) leading to a downward spiral from which, the sales of surrounding retailers will "*deteriorate*".

"Landlords and shopping centre owners don't want their anchor store vacant as it does nothing for the vitality of the shopping centre" **Interviewee E**

Interviewee C, D & E fear the loss of a large anchor store will result in less social interaction for the elderly demographic. The loss of businesses on the High Street is decimating other services by default, resulting in wider closures and a downward trend of decline.

Conversely **interviewees A, B & F**, argue that the loss of BHS has had little to no impact as consumers were not visiting the retail area for BHS as per the purpose of an anchor store and the units were not providing any inspiration or vitality to the area. **Interviewee A & B** highlight the importance of looking at the big picture when a store becomes vacant, the area in front of the unit and how the unit interacts with the surrounding environment is just as important as the store itself.

"For all our retail schemes placemaking and being places where people want to be and once they are there wanting to experience something is all important so the old BHS had 40 ft of frontage so to break that up into a number of different uses or a number of different retail faces, creates activity and placemaking in front of large stores creates a much more dynamic environment, creating opportunities." **Interviewee A**

Thus, optimistically, and perhaps because of the prime retail location of **Interviewee A's** store they do not view BHS collapsing, despite the unit not being fully re-let, as negative for the surrounding area.

Interestingly the BHS units for **Interviewees C, D, & E** were all vacant in secondary towns whereas **Interviewees A, B & F** were partially occupied or with temporary uses which could account for the difference in optimistic and pessimistic views for the impact BHS closing has had.

5.5 <u>Functional</u>

Functional blight is the largest section, looking at how landlords and property agents have or have not restructured the BHS units.

5.5.1 Flexibility to Subdivide

Due to the shift in size requirement for retail units, the large format of the BHS units end up being surplus to requirement, thus, being able to subdivide, merge and adapt premises is vital to re-letting (Portas, 2011). **Interviewee A & F** both noted that the retailers have requirements for smaller format stores.
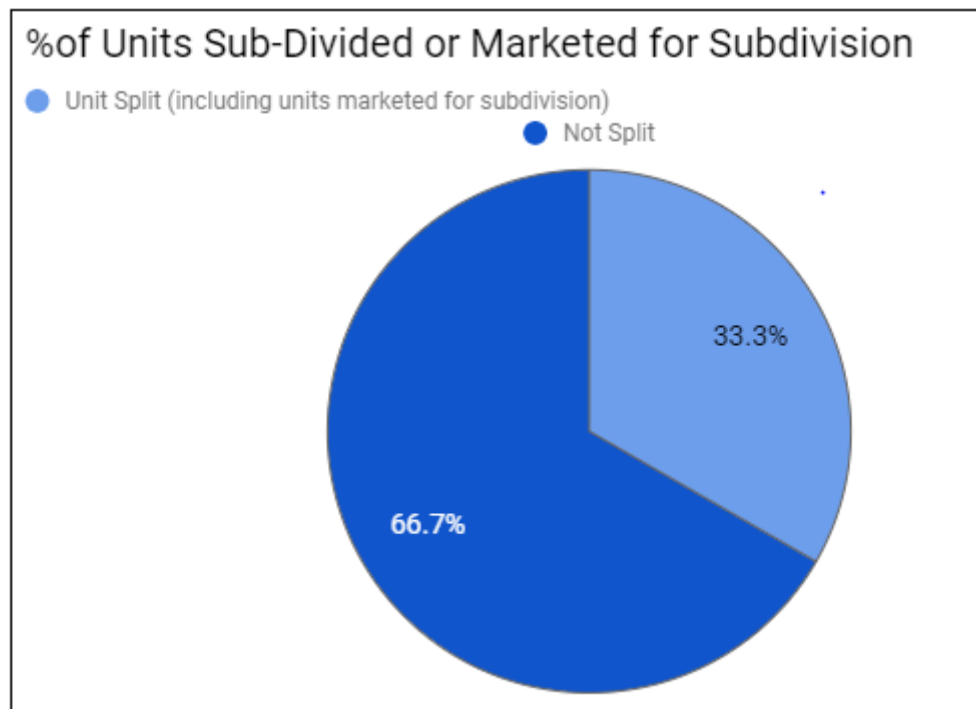
Figue 10: % of BHS units Subdivided, Source: Authors Own

66.7% of the BHS units are subdivided or marketed for subdivision showing the flexibility of property professionals and landlords to maximise a unit's potential.

"You need a degree of flexibility to subdivide and reconfigure retail all the time and yes the ability to break down larger stores is essential" ***Interviewee A***

In addition, all respondents stated that they have either begun to subdivide the unit or are beginning to think about subdivision. Thus, it can be deduced that property professionals believe subdividing the unit is key for re-letting if there is no initial requirement for single unit re-let.

"Opportunity to break up those historic department stores in prime retail pitch is both good for the landlord and the consumer and town shopping centres" ***Interviewee A***

Subdividing for retail landlords has become increasingly attractive in terms of rental returns, the rents commanded for a small unit in comparison to a large anchor store is significantly higher (**Interviewee A, B, E**). This perceived benefit especially for units in prime retail space, along with the increased demand for smaller units is a driving force behind subdividing large retail units even before a retailer leaves. Thus, having the flexibility to subdivide is fortuitous for re-letting large retail units.

5.5.2 Suitability for Whole Unit Re-let

Despite, as aforementioned, the interviewees perceiving the size of the units as being one of the key reasons they were still vacant, 65 of the 75 occupied units are re-let to a single occupier. The occupiers and number of stores they occupy include:

Primark	12
H&M	4
Sports Direct	2
Boots	4
Poundland	4
Next	5
TJHughes	4
B&M	5
Wilko	3
The Range	2

(Others include: Smyth Toys, Morley, Decathlon, Days, Topshop, Dunelm, What! & leisure uses)

Figure 11: List of single use occupiers and how many former BHS stores they have occupied

This highlights the functionality of the stores as they are not completely redundant as they are. This is further backed up by **Interviewee B**, whose client owned a large proportion of one side of a street and viewed getting a single tenant in the old BHS unit was a great opportunity to anchor the street. As stated in Chapter 3 this long-term

holistic approach to town centres is fully encouraged as being beneficial for the vitality and success of High Streets.

This could be associated with the delay in subdividing and renovating the units and that only single occupancy re-lets are suitable to move straight in.

The database for the BHS units when looked at on its own contrasts the emergent theme in both the literature and interviewees that the demand for large retails units is not as big as small unit demand due to the volume of single occupied units. Despite the requirement from large retailers, the retailers with these requirements are limited and many of them moving into the BHS's are leaving old large units, thus, only moving the issue of what to do with large vacant units from one landlord to another. Also deduced from the interviews and the database is those that have leased the units are mostly discount retailers signifying a shift in consumer spending to spending less, wherever, with no store loyalty.

5.5.3 Opportunity for Use Change

A key theme that was discussed in Chapter 3 is diversification, this emerged from the data as a prominent theme especially by interviewees who viewed the BHS units becoming vacant as an opportunity to change the use to suit market demand.

"There are lots of different uses, I don't think you can generalise because every location has got its nuances...all your other uses are where both the tenant demand and the customer demand is for, whereas your anchor, department store isn't" **Interviewee A**
The property agent for Aylesbury (**Interviewee C)** also highlighted this arguing that the unit could be viewed as great for offices but there was no market demand for offices, thus, to change the use to offices would be financially unviable.

Interviewee C stated that town centres need to offer a service that isn't primarily retail. *"We've been looking at options to introduce gyms, student housing, and housing etc"* *Interviewee E*

"(talking about residential development) *To get something in the town centre would be exceptional"* *Interviewee C*

It is not just changing the use of the whole building but the opportunity to have multiple uses in the unit, especially on upper floors that are unsuitable for retail (**Interviewee E**

& A). These statements show that property professionals are embracing a new approach to re-letting large units.

Interviewee F was the only participant to mention temporary uses, of which were only used as part of a rates mitigation plan. The unit was used as a local market over Christmas and then as a storage unit. If a unit is used for 6 weeks or more a rates relief for 6 months incurs. This shows that property professionals despite doing so for rates mitigation are actively seeking out new opportunities to fill these spaces in the meantime, highlighting a change in mind-set and a proactive approach to vacant stores.

5.5.4 Challenges with Re-letting in terms of Ownership and Investment

The effect ownership and investment has on the future of a unit is a key sub-theme that emerged from the interviews. This was extremely prominent for the case study BHS which is well-known for being under invested in in the last 10 years of Bricks-and-Mortar trading (Centre for Retail Research, 2018). This lack of investment in their portfolio is documented as a downward spiral of disrepair (**Interviewee B, E&F**). It was apparent the property professionals interviewed did not view private or small landlords as beneficial to a retailer, claiming they will not invest unless a pre-let is in place. The same was said for retailers who are owned by a private equity. **Interviewee B** argued that when this is the case the owner continually loads the retailer with debt and even once sold on, this debt is then just passed around, ultimately resulting in the retailer collapsing. These investors are perceived as disadvantageous to retailers as they do not invest in their portfolio and are unable to react to changing market conditions. This is amplified if the unit is continually underinvested by the retailer and the landlord, as when the unit become vacant time and cost-efficient adaptation is difficult, particularly for large units. Alternatively, all interviewees preferred to deal with institutional investors.

"The larger institutions and the shopping centres quite often don't have debt so they are much more able to deal with large stores than smaller and private landlords" **Interviewee E**

It is apparent that institutional investors are able to more effectively deal with re-letting issues as they are not loaded with debt, especially with larger retail units. They are better equipped to react and adapt to the change within the retail industry that in turn affects

retail real estate. Thus, all interviewees preferred these investors as they are flexible and take on opportunities.

5.6 <u>Physical</u>

This section addresses physical issues with the units and whether they have affected the re-letting of the units.

5.6.1 Building Condition

There was a general consensus amongst interviewees that most BHS units were in poor repair most notably because of asbestos. The units were in buildings built in the 1970/80's when asbestos was not the issue it is today.

"The premises themselves were in poor repair, a lot of stores had horrendous asbestos liabilities, on unit in Chester the removal cost was £1.2-1.3 million" **Interviewee B**

Asbestos becomes a major issue for re-letting when new tenants want to have the unit stripped back, creating extra costs for landlords. Moreover, it results in a loss of rent as the removal process can be very time consuming (**Interviewee E**). In addition to this, the units are very dated with surplus upper floors, not fitting with modern retail (Bamfield 2018).

"Tired format… feel like you should wipe your feet on the way out" **Interviewee B**

"Very tatty, they are letting their standards slip… no natural light" **Interviewee C**

Overall the buildings discussed with respondents were deemed as old, underinvested and in some instances structurally unsafe.

The BHS in Ayr is a listed building which was quite unusual for the units, this creates more issues in re-letting as it is harder to change the use, however, **Interviewee D** highlighted that despite it sitting vacant and decreasing the towns vitality the landlord did not have to pay any form of business rates.

5.6.2 Renovation

Most units that are still vacant as aforementioned are marketed with the option to subdivide, showing that property agents and landlords have acknowledged that the BHS

units as they are may not meet current requirements. The high number of units that are marketed as Full Repairing and Insuring indicates that most landlords will renovate and subdivide once a lease is in place which was confirmed by **Interviewee F and C.** This again highlights the high level of investment that landlords have to put in to bring these units back up to leasing standard. **Interviewee B** said it took nearly 8 months and £1.2million to bring the unit up to a standard that the tenant could fit out the unit. Most respondents mentioned that renovating the units was without-a-doubt a requirement for landlords to ensure re-letting, whether it was before or once a lease was agreed. The perceived benefits to the surrounding retail environment through renovation were seen as worth the renovation by most respondents. Conversely, as the Ayr property is deemed detrimental to the surrounding area but is not being renovated, it also shows how some landlords and property professionals, despite knowing how to re-let their property, are still not willing to invest.

CHAPTER 6: DISCUSSION

Following from Chapter 5, this section will review the findings in order to answer the research questions, with the overall aim to understand the effects of the recent closure of large retailers on the property market and how the market and market agents have dealt with large units becoming available.

6.1 What factors are perceived to be the most influential to the current decline of retailers of large units?

In line with current retail literature, from a property professional's perspective online retail and changing consumer habits emerged as key factors influencing the decline of retailers of large units. Online retail fundamentally changes the way people consume by creating a non-location specific consuming platform, thus bringing into question the need for Bricks-and-Mortar retail. The size of the unit and the inefficient use of space was deemed one of the most detrimental factors to the collapse of large unit retailers as the market and consumer demand for this size of retailing space is decreasing.

However, for property professionals the overarching factor perceived as the most influential to the collapse of retailers of large units is the increased overheads stemming from the recent business rates revaluation, subsequently increasing many stores business rates. This with added service charge for units within shopping centres and rent, is perceived as being too much for some retailers. This has led to a strong perception that CVA's are being misused as a tool to reduce rents and reduce portfolios.

6.2 Has the closure of large retail units had any impact on the surrounding area?

The impact of the collapse of a large unit retailer on the surrounding area is inconclusive as the decrease in popularity of the case study retailer meant that in its later years it wasn't a reason for anyone to visit the area. Therefore, footfall was neither noted as decreasing or increasing with the absence of the large retailer. There was however concerns that if these units remain vacant for a long period of time they will increase the surrounding vacancy rates due to uncertainty from surrounding retailers, stressing the importance of the need to understand the best way to address these large vacant units

to decrease time unoccupied. There were however limited comments concerning the visual and social impact of the closure of the large retail units. This may be a result of the interview structure which was aimed more around the property than multiple questions on the surrounding area.

Thus, overall the impact of the collapse of large retailers on the surrounding area may always be limited due to the decrease in popularity in large format retailing. In time the collapse of a large unit retailer may have a positive impact as it indicates new, exciting uses and/or rejuvenated stores to visit providing inspiration and excitement in the surrounding area.

6.3 What has been done so far to vacant units to ensure they do not remain vacant?

Thus far, the uptake of large vacant units has been slow highlighted as only half of the case study units have been re-let. There are a limited number of large retailers therefore the requirement for large retail units is constricted. The slow uptake of the case study units could indicate that large format retailers still trading have no further unit requirements.

The majority of units are marketed to split up showing that property professionals understand that large retail units cannot always be re-let as a whole unit thus reacting to the change within the retail industry. This also shows willingness and flexibility from landlords and property professionals. The innovative rates mitigation schemes show short-term innovativeness to prevent financial loss for the landlord as well as preventing the unit from appearing vacant. However, temporary uses are perceived as inappropriate for large retail units as the units are too big with subsequently too high overheads for most temporary uses.

Therefore, the most appropriate actions for large vacant retail units that cannot be re-let as a whole is to look for another use or to split the unit up supplying the new emerging retail property market demand and creating a much more dynamic and inspiring environment for people to visit.

Where splitting units up and changing the use to quirky leisure type activities are very popular and highly encouraged throughout the literature, to turn the area the unit is in

into a destination, the suitability of these units to be re-let to the market for a single retailer can currently still be achieved.

6.4 What can we learn from the collapse of large retailers on how best to approach large units being vacated?

Due to some of the respondents stating that they are only now beginning to look at subdividing, going forward when large units come to the market property professionals should market the units for subdivision straight away. This will help decrease the time the property is vacant as opposed to trying to get the property occupied by a single occupier. Thus, being open minded about a buildings potential from the start, using all tools available (rental incentives, renovation, flexible leases and enthusiastic letting agents) to increase the attractiveness of occupying the unit.

The same can be said for uses, where there is no retail requirement for the area the unit is in, the potential uses and how cost effective it would be to change the use should be fully researched in order to minimise the time the unit is left vacant. The local property market should be carefully assessed to determine what the use demand is before assessing whether that use would be suitable for the unit and surrounding area as demonstrated by interviewees. This observed shift away from believing all retail units can only be re-let as a retail unit will increase the mix of uses in town centres and decrease High Street voids whilst facilitating the needs of the local area. Therefore, landlords need to approach newly vacant units more proactively rather than waiting for the market absorb the unit as is. This approach to find the most appropriate use for a unit will mostly be the same, however, the fate of large unwanted vacant retail units will vary from place to place.

Overall it takes time to understand what is needed in the surrounding area in order to work out the most successful use for a unit. There is not one answer for all large units. As property professionals and landlords get more experienced dealing with unwanted large vacant units they will be able to react and adapt quicker to the collapse of large retailers. Due to the ever changing nature of retail there will always be a new issue to deal with for Bricks-and-Mortar especially as online retail continues to thrive, it is making yourself as resilient ad possible to these changes which will lead to the continual re-letting of units.

CHAPTER 7: CONCLUSION

7.1 <u>Summary</u>

The aim of this study was to understand the effects of the recent closure of large retailers on the property market and how the market and market agents have dealt with large units becoming available. Thus, it can be concluded that property professionals and landlords are becoming increasingly open minded, imaginative and proactive in deciding the most time and cost efficient way to re-let these large units based on the local market demand. This has been seen by some stores being re-let to single occupiers, some being split up to increase rental returns and fulfil smaller unit requirements and some being earmarked for completely new uses, increasing the mix of uses within town and city centres. It is apparent that the local market is extremely influential to the future of a large unit to the market. However, there is an emerging issue with the willingness to maintain, update and invest in units by owners and investors in order to make the units more resilient to the continual changes within retail. The following section outlines recommendations to help incentivise and encourage landlords to invest in the future of their properties.

7.2 <u>Recommendations</u>

The following recommendations have been concluded to help the retail property sector deal with the surge in large retail units to the market.

1. The local market demand and the surrounding environment of a unit must be taken into consideration when deciding what should be done with the unit, taking a more holistic approach to how the unit can enhance the area as opposed to viewing it in isolation.

2. Owners and investors of large retail units should consider having a contingency plan outlining appropriate use change and renovation proposals, in order to react and adapt more effectively if and when the unit becomes vacant, to mitigate time and financial loss. Stores with underutilised upper floors should consider being renovated and their use changed to maximise the buildings potential.

3. The CVA process should be examined further looking at how often a retailer goes through a CVA and how much influence a landlord has in the decision to

enter a CVA to assess whether it is being used appropriately and not solely as a tool to reduce rent and portfolios.

4. Review the effectiveness of empty business rates looking for landlords and investors to better use savings from additional cost this tax imposes and look to incentivise landlords to invest in their properties. Thus, not deterring owners from investing in their properties.

7.3 <u>Limitations</u>

Due to the collapse of large retailers being an extremely current issue there is limited academic literature and research on the effect the change of retail has had on real estate, thus, constraining Chapters 2 & 3.

None of the interviewees were interviewed in person potentially hindering the quality and interpretation of the data. In addition to this the various sources used for the collection of data for the database, due to the inconsistency of available data on CoStar, may decrease the validity of the data. A longer research period in which all stores are visited and property agents spoken to would enrich the data significantly

7.4 <u>Future Research</u>

Future research should investigate as to whether there are any geographical differences in the length of time units are left vacant after the collapse of a large retailer, to assess the importance of location to the re-letting of large units. Further research to assess whether there is a relationship between the time taken to re-let a large unit and the owners and investors of the property to examine whether the perception that institutional owners are more proactive is accurate.

7.5 <u>Conclusion</u>

The retail industry is one that is continually changing, thus, property professionals are continually learning to adapt to the different factors influencing it, the current issue is what happens to these large units once the retailer collapses, due to being unable to survive the current change in the demand of the size of unit because of the various factors affecting how consumers shop.

This study has shown that property professionals are innovative and open-minded in their approach to re-letting large vacant units by paying close attention to the local market, however, the main issue highlighted is the length of time between re-letting and investing in the property for re-use. Therefore, this study suggests better forward planning for large retail units whether currently vacant or not, to increase resilience and decrease financial loss to the landlord. With this they will be able to adapt to the current changes in the retail industry and be well prepared for future large unit retailers collapsing.

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	Peterborough	Liverpool	Aylesbury	Ayr	Banbury	Barnstaple
Economic: What is affecting supply and demand in retail property?						
Consumer Habits	retail has always been subject to change 'consumers are spending less and less in anchor stores and department stores because they can get a lot of what they are selling online or other specialist stores so why do you go to a department store to buy'	there is far too much retail in this country' 'why pay 25% extra when you can get it cheaper and delivered to your front door'	online retailing is having a detrimental effect on retailing' 'warehousing because rents are cheaper'	why wouldn't they go home and use the internet	the impact of the internet and internet sales which all conspire against physical retail who have had a real bashing'	too many shops' 'online not as big an impact as thought' 'elderly demographic...prefer the face to face social aspect of shopping'
Unit Size	tried to get BHS out earlier...to break it up into smaller units' the difficulty with big stores is that... also very deep... generally 100-200sqft in depth... the rear part of these stores is difficult to lease and that's where you would look for alternative uses'		people don't want to go shopping in big stores anymore'		most BHS stores are oversized and don't meet retailing requirements'	temporary leases...high outgoings...no-one has come along and said they would pay these because it is such a big space'
Location of unit in UK	prime frontage in the heart of our shopping centre, so we were always going to re-let it' 'I don't think you can generalise, every property is dictated by its location and its adjacency to the surrounding environment'		waitrose is undertrading here... the wrong demographic' 'all depends on where you are in the UK'			
Financial Pressure	general cost of retailing is more expensive, whether you look at that in terms of rent, rates and service charge and rates have jumped enourmously.' 'look at your lowest rent per sqft and its achieved by your anchor store' (rates, rents and service charges)' there is an issue at the moment depending on which part of the country you are in, the amalgamation of all three of these'	A lot of properties now where the rates payable is higher than the rent' 'where rents are... £20000 then you start to struggle'	business rates are killing the town centre... service charges aswell' 'the rates payable on premises are horrific and the difference between warehouse figures	they went into administration so were **unable to complete their contractual obligations** 'its a blunt instrument the CVA and its caused chaos' All the stores closed over a period of about 2 months	most landlords didn't take back the old lease from the administrators...as then the rates liability rested with the administrators not the landlord...only really taken back the leases at the very last minutebefore selling or reletting' 'where you can avoid very significant rates liability landlords have done that' 'very significantly high business rates are compounding the issue on the high street' 'The rating system is fundamentally flawed' 'CVA has exacberated the problem and is the biggest problme on the high street' 'property loss is driven by retailers using the CVA process to prune and dispose of underperforming stores...resulting in an increase in high street voids'	it's in a shopping centre there are other outgoings on top of rents, all totalled up is a lot 'business rates is a large one (factor for closure'
Frictional: What is the wider impact of the change in supply and demand?						
Footfall	was BHS offering us anything custom was truly wanting or making a trip for? the answer is no'				(loss of anchor) reduces footfall'	
Increased Vacancy rate	you don't have to trade in town centres... when you run bricks and mortar in tandem...there will be a lot of town centres that will contract (as retailers reduce their portfolio).'	local neighbourhoods...have very little voids' (due to mix of services) 'bright new store and create inspiration for other retailers and hopefully increase footfall'	John Lewis cutting stores, if they can't make it then no-one will'	voids on the high streets, create mo	vacant units create further vacant units'	hasn't been any closures arouns it... a lot of questions from retailers wondering what we are doing with it...once something is done with it... there will be more demand from retailers' 'it has an impact on rent reviews as you'd be unlikely to have an upwards rent review with a vacancy like that'
Surrounding Vitality and Activity	in property terms we do make reference to what is going on in front of whatever property it is you are talking about' 'for all our retail schemes placemaking and being places where people want to be and once they are there, wantign to experience something is all important so its not just if you like the old BHS had plus 40ft of frontage so to break that up into a number of different uses or a number of different retail faces, **creating activity and placemaking in front of large stores creates a much more dynbamic environment so it creates opportunities'**	renovating the stores next door to have some consistency with the H&M store so they will link seamlessly with each other and you'll have a shoppign centre type feel to it' 'wasn't providing any inspiration for the retail area' 'retail areas should be alively pleasurable area' 'create new vitality'	you lose the interaction of shopping of meeting people especially for the elderly	the high streets are being decimated as a result' high street shopping is an experience and if you take away that because businesses close, it becomes a very viscous circle.'	landlords and hsopping centre owners don't want their anchor store vacant as it does nothign for the vitality of the shopping centre' so footfall deteriorates and sales in shopping centres deteriorate so there is a downward spiral	lack of impact
Functionality: What is being done to vacated units?						
Flexibility to Subdivide	the rents you can command on those sorts of units (small ~3000sqft) are substantially more than they can command on a traditional anchor store, so we have broken the unit into smaller units' 'fortuitous because we now got hold of a large amount of space in what you would say is prime retail pitch where we can now break that space up and re-let it to other operators, so yes it is a good thing BHS surrendered their lease' 'retailers have requirements for small format stores' 'opportunity to break up those historic department stores and it is both good for the landlord and the consumer and the town centre and the shopping centre' **'you need a degree of flexibility to subdivide and reconfigure retail all the time and yes the ability to break down larger stores is essential'**	marketed as a single units with plans to split up...a good rental return'	completely new way of thinking of how they are going to be managed and let'	landlords are looking at the option to split rather than just holding on to the prospect that they might be able to relet the space...	we have been looking to subdivide and break up'	we are looking to split up the unit'

Theme	Col1	Col2	Col3	Col4	Col5	Col6
Suitability for Whole Unit Re-let	'primark want to upsize in Peterborough'	'when we went to the market there qwas acoupel large occupiers out there... H&M, Next, Dunnes Stores, Sports Direct' ' opportunity to get one good anchor for the street which the client owned a lot of at the time was great opportunity with a great operator (H&M)'				being sold to retailers who wanted to buy a free-hold with vacant possession, and those stores have been sold to Sports Direct...who when they can like to buy their own free-hold' 'a number of stores we have re-let entirely as existing, demand for this is quite limited but there is a common theme for the reletting of BHS's it is by discount retailers such as TJHughes and B&m and Home Bargains.'
Opportunity for use Change	'depending on access you might put in different uses' 'cinemas are now looking to expand in city centres... there are lots of different uses I don't think you can be general because every location has got its own nuances' 'all your other uses and categories are where both the tenant demand and the customer demand is for whereas your anchor store department store isnt' 'conversion into residential and other uses will be the solution'	'use their store as a click and collect point...20-25% who come into store on a click and collect basis actually purchase another item' 'we should be considering other uses' 'town centres need to be offering a function not just a retail function'	'marketing it as a 75,000sqft commercial development' '(about residential dev) to get something in the town centre would be exceptional' 'isn't really a demand for offices, 17000sqft is not financially viable to develop a new office space...especially as about 70% of the offices in Aylesbury has been bought for permitted development' 'there is all sorts of alternative uses because as you know the high street is changing enormously' gin bars barbers food etc	'looking at alternative uses especially for upper floors'	'we've been looking at options to introduce gyms, student housing and housing etc' 'BHS has opened up an avenue for some landlords to consider multi-use.'	'we've put christmas temps in there and we have a kind of rates mitigation in place so there isn't that loss to the landlord' 'people use it for storage and they pay a nominal rent, if they are in there for 6 weeks it provides a rates relief for 6 months'
Change in Leases	'pretty much everyon else is taking shorter and shorter leases and that is just the nature of retail'			'the traditional mehtod of 10,15,20 year leases at hard rent with no kind of breaks has pretty much disappeared' 'not only do they need to be creative with their space but they need to be more creative with their leasing aspirations'		(CVA) 'a way to achieve cheaper rents'
Problems hindering re-letting in terms of ownership and investment	'ultimately needs to be very flexible and work in partnership'	'nothing was spent on the properties whatsoever apart from some kind of internal shopping changes' 'it was bought 2 years before BHS went bust...purchased on the grounds of potential redevelopment...itwas viewed as being in a prime position...our client owned adjoining properties' long term thinking 'the retailers who don't invest in their estate are struggling' 'been taken over by a private equity...may as well put RIP on the front door... continually paying down debt'	'Due to paying back loans some alternative uses however more suitable won't achieve a high enough rent to justify changing from retail 'it is possible you will not make those repayments because you are acceptign lesser rents'	'lack of investment leads to 'potentially some of these stores will fall into more disrepair because landlords don't have the money or don't want to invest in the store without a pre-let in place a downward spiral' 'the larger institutions and the shopping centres quite often don't have debt so they are much more able to deal quickly and effectively with large stores than smaller and private landlords'	'BHS... heavily underinvested in terms of they didn't looka fter their portfolio so there is a lot of disrepair generally in their portfolio which we've seen in most of the ones we've been dealing with...Most landlords hold onto their money until they have to' 'Aberdeen standard own the Banbury BHS, they have significant pockets to be able to deal with re-letting issues compared to maybe some of the smaller BHS stores who are owned by private individuals or smaller property companies' '(in refernece to landlords splitting and changing uses) the landlords that we embrace and encourage and enjoy dealing with...much more reactive to changing market conditions and go down the turnover route if they want'	'the amount they are loosing they would rather invest their money into splitting the unit up' m open to change and open to the fact we are looking at different uses for the high street now
Physical: Are there any physical issues with vacated units?						
Building Condition	'the premises themselves were in poor repair... a lot of stores had horrendous asbestos liabilities...removal was £1.2-1.3million' 'the steelworks had detached and was resting on the former ceiling so in terms of fire protection the buildings fell short' 'tired format'...feel like you should wipe your feet on the way out		'upper floors-not working' 'very tatty, they are letting their standards slip' 'big empty space with no natural light'	'The property is listed...you don't have to pay business rates is the property is vacant ''A lot of the fit outs are quite old'	'BHS's have surplus 2nd floor, 3rd floor and the retail market these days don't like multi-floor retailing in the main' 'a significant amount of the portfolio has asbestos' 'The minute you have a change of tenant and the tenant wants to turn the unit back to the shell to start again, asbestos becomes a major issue'	
Renovation		'they hadn't been decorated externally for many years' 'a lot of work just to strip it out and make it clean, taken the best part of 8 months' '(renovations) there was never a question about it...about £1.2million to strip down before occupationa dn refurb'	'Landlords are keen to if it meanss reletting 'put natural light in, suspended ceiling, retrofitting'			'we need to get leases agreed with tenants before going down the (renovation) route'