

Reimagining empty retail space:

transforming UK towns
and cities for future
communities



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Executive summary

The future of retail space in the UK

1. This report sets out how unused retail space in the UK's high streets and town centres can be repurposed to create vibrant, aspirational and connected communities, based on international best practice examples. It outlines how local authorities and planners can work with developers to reimagine the role of retail space in line with existing UK policy frameworks.

2. The retail sector is going through the biggest upheaval it has seen since the 2008 financial crash, with retailers consolidating their portfolios to reduce store numbers as the growth of online shopping continues to rise. This, combined with weakening consumer confidence and increases in business rates, has resulted in an estimated 25% oversupply of retail space in the UK.¹

3. This report focuses on the high street and town centres and showcases inspiring and transformative developments that actively demonstrate the economic and societal value resulting from repurposing retail space into places in which people can live, work and play.

An excess of retail space is a challenge

4. Vacant retail space has significant socioeconomic consequences for communities. Urban areas with high vacancy rates may lead to lower footfall and therefore lower retail sales. This can be uninviting to new retailers and investors who are less likely to invest in new spaces such as offices, homes, leisure and retail facilities. This downward cycle can have further social repercussions if it then impacts employment and the local economic stimulation. In addition, the loss of the high street in some areas results in a loss of a meeting point for communities.

Disused retail space can be reimagined for the benefit of society and the economy

5. Oversupply is a challenge, but it also presents opportunities for reimagining retail space that isn't correctly in use. There are examples both in the UK and internationally that demonstrate how creatively adapting retail space for other uses – such as leisure, fitness, food and drink, office space and housing – can have a positive impact on the wellbeing of communities and turbo-charge local economies.

6. Landsec and JLL have identified eight international retail and mixed-use development schemes that illustrate masterplanning best practice. These case studies include retail schemes that have been successfully repurposed in jurisdictions with similar planning frameworks to the UK, such as the US, which had a similar oversupply situation. They show how an innovative approach to adapting retail space can act as a catalyst for long-term social and economic value creation.

7. This best practice in reimagining empty retail space can be replicated in the UK market. Developers can deliver social value through their schemes, as well as improvements to the built environment, while all other stakeholders in the sector – from central government and local authorities to investors and communities – can reap the economic and societal benefits of the right use of space.

8. Existing UK Government policy prioritises the regeneration of town centres. This report will show that under existing legislation local authorities are able to apply an aspirational approach to reimagining the role of retail space. Planning officers can seek to address issues

of oversupply by strategically working with investors and developers to create exciting new spaces that transform and connect local communities.

The UK's existing legislative framework can deliver a solution

9. The future of retail space already exists. Inspiring and transformative developments in other countries actively demonstrate the economic and societal value that results from repurposing retail space into aspirational places in which people can live, work and play. Crucially, no new legislation is required in the UK to replicate these best practice examples. With pressures on retail, housing and the wider economy increasing, now is the time for local authorities, planning officers and developers to use existing frameworks to revitalise their communities and reimagine the space of former shops for the decades ahead, while generating social value and increasing community cohesion.

1. Introduction

The built environment consists of more than just bricks and mortar. The spaces and places that form the world around us have a profound impact on the communities and individuals who interact with them. Buildings come to represent far more than the sum of their parts when we take into account the effect their use – or lack of use – has on community cohesion, the generation of social value, employment, social mobility and wellbeing.

Space that is no longer fit for purpose has a materially adverse effect on society. Empty or abandoned buildings are a hyper-local indicator of economic distress.

This is an acute problem for many communities today; JLL research estimates that there is a 25% oversupply of retail space in the UK. This oversupply means that there is a growing amount of space that is no longer required by retailers and is increasingly becoming empty for long periods of time. *The Guardian* recently reported that about 16 stores closed their doors every day in the first half of 2019 while only nine opened, resulting in a net decline of 1,234 chain stores on Britain's top 500 high streets.²

Much has been written about the future of the retail sector – from the taxation of online transactions to the adoption of technology in stores – but there has been less discussion to date around the real estate which now lies empty as the shifts in the sector become more tangible.

This report aims to highlight the benefits of repurposing this space, using best-in-class examples from around the world to showcase the art of the possible. It seeks to demonstrate that if all stakeholders – from developers, to planners, to communities – approach the repurposing of space with a truly aspirational mindset, then places which are currently redundant can be transformed to empower communities, turbo-charge local economies and generate meaningful social value.

This vision for the future of retail space can be applied to the UK. The Government has developed policies to drive the growth of town centres and has pledged to consult on planning reform to make it easier to create more homes, jobs and choice in town centres.³ The liberalisation of planning policy to enable greater flexibility in the change of use from retail to other purposes provides planners with the opportunity to reimagine their local communities in ways that have previously been challenging.

Our aim is to inspire planning officers and local decision makers to collaborate with developers to create dynamic new places, inspired by international models, to unlock social and economic capital. We hope that this report can also serve as a launchpad for educating a range of policymakers in how better to create change within the scope of existing legislation. The current oversupply of space provides an opportunity to create a future that places connected communities at the heart of the built environment for decades to come.

²PwC and the Local Data Company

³Planning Reform: Supporting the high street and increasing the delivery of new homes, MCHLG (May 2019)

2. The changing retail environment

2.1 What has contributed to an oversupply of retail space in the UK?

There is currently a broad consensus among property experts that the UK retail sector has a significant surplus of space in the market.

This is in stark contrast to the retail boom that the UK enjoyed in the latter half of the twentieth century. In the 1970s and 1980s, there was a significant proliferation of retail development as the concept of large, destination shopping centres and big-box, out-of-town retail schemes began to gain traction. Retailers began to increase their store portfolios in the 1990s, effectively absorbing this new retail space. The basic principle behind running a successful retail business remained much the same – growth was directly linked to opening more stores.

From 2000 to 2010, councils also built schemes with shopping centre extensions, creating more supply in the market, which again was broadly absorbed. A large pipeline of retail development was then shelved due to the Global Financial Crisis in 2008. From 2010 onwards, the growth of ecommerce fundamentally shifted consumer habits, and retailers then rationalised their store portfolios, reducing store numbers.

The oversupply of retail space in the UK is the result of a range of challenges that have faced the retail sector in the last decade.

A steady increase in business rates, declining footfall, minimum wage rises and the growth of internet shopping have combined to create weakening demand for secondary retail space.

2.2 The role of planners in the use of retail space

From a planning perspective, local authorities have historically been instructed by central government to plan for growth. As such, local authorities produced retail studies which quite crudely estimated the amount of retail floorspace that was required for a town or retail centre. Unsurprisingly, all centres anticipated growth which was then directed to out-of-centre locations, as a result of lack of available land within the town centre to accommodate this growth.

This crude approach underestimated – and possibly continues to underestimate – challenges facing the retail sector and the impact they have on planning for retail space. Coupled with the difficulty in masterplanning for a town centre and a strong control on where growth was directed, this has led to too much floorspace and in the wrong locations.

2.3 What are the challenges facing the retail property industry?

One of the main challenges facing the property industry, and the communities it serves, is how to reduce the amount of empty retail space in town centres.

The repurposing of this space is already happening to some extent – although it is important to note this is presently taking place on a small scale.

The key challenge in reinventing remaining retail space to be resilient and fit for purpose lies in creating mixed-use destinations that meet community needs and aspirations.

New developments need to reflect new trends and behaviours, such as the need to work flexibly or have a net positive environmental impact. These connected communities should include residential, medical, leisure and entertainment facilities, as the net need for existing retail space declines.



3. The economic and social benefits of repurposing retail space

3.1 The property sector plays a key role in community wellbeing

The health and cohesion of communities is fundamentally linked to the places in which they live, work and play: the places the property sector is responsible for building and managing. The real estate sector has undergone a shift over recent years to incorporate broader, more sustainable thinking into its planning and developing process, realising that property is at the front-line of customer engagement, interacting and servicing members of all communities daily.

Repurposing empty retail space should act as a catalyst for the creation of social value on an unprecedented scale.

With social value at its heart, the reimagining of empty retail units can support the improvement of core community measures such as community cohesion, safety and employment.

The creation of well-designed, thoughtful and aspirational mixed-use developments could empower communities to reconnect, through the spaces and places provided and through a real sense of ownership and purpose. The process of repurposing retail space would undoubtedly deliver a product – be it office, residential or social space – which would provide a community with amenities which are valuable, needed and useful.



3.2 What are developers doing to improve the socioeconomic outcomes of local areas and how could this be applied to the repurposing of empty retail space?

In many areas, developers are already creating toolkits to allow them to calculate – and maximise – their socioeconomic contributions. Developers are increasingly acting as a force for good for their local communities; engaging them from the outset in creating the best place possible.

It is essential to note that it is not just developers who understand the importance of creating holistic value. Investors are also pushing for greater social impact in their investments and are creating tools and decision-making frameworks to guide their investment decisions.

These aim to enable the creation of social value through real estate investments. Stakeholder pressure from investors, local authorities and communities creates an empowering environment for the property sector to measure, plan, manage and improve their social value over time across use classes.

A truly aspirational approach to delivering spaces and places would put the creation of social value at the heart of planning policy – and nowhere would the benefit be greater than the repurposing of empty retail units.

4 Reimagining the role of retail space

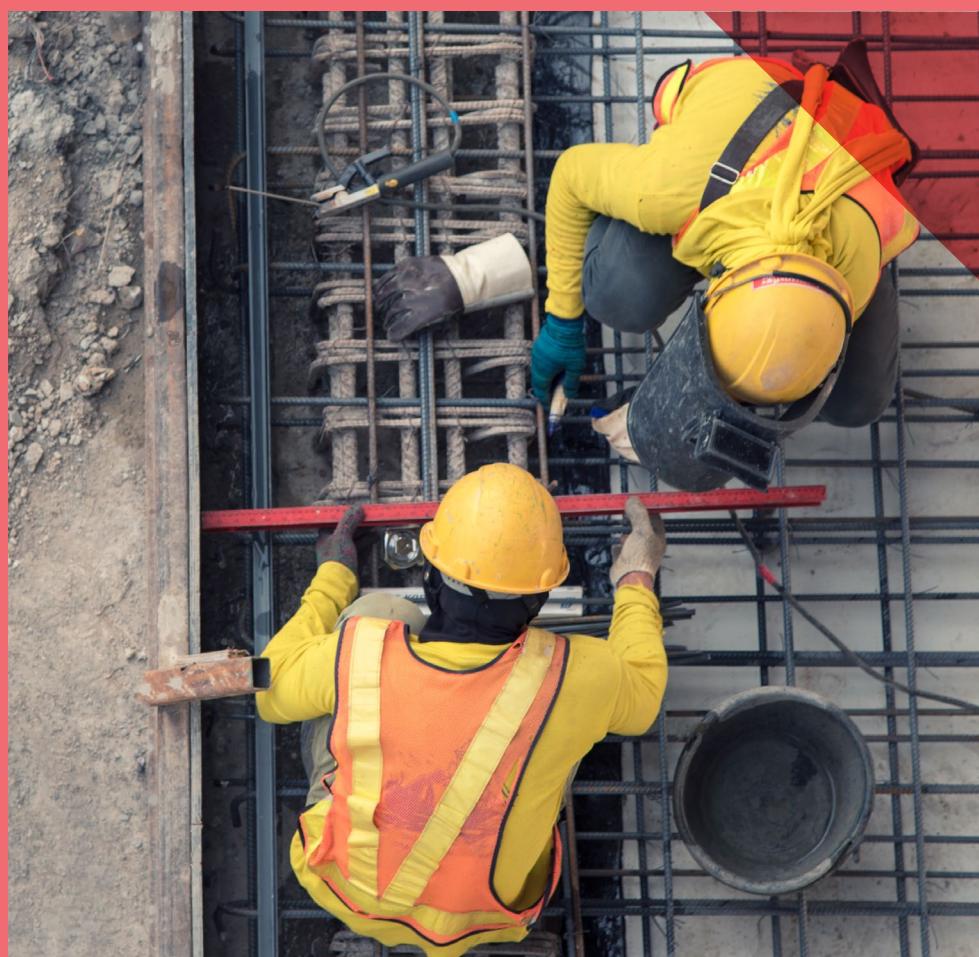
With favourable planning frameworks in place, and developers focusing on the socioeconomic impacts of placemaking, how can planners realise a dynamic vision for the future, where communities can thrive in places that meet their residential, employment, recreational and wellbeing needs?

This chapter showcases real-life socioeconomic benefits of both repurposing existing retail spaces in other town centre and out-of-town locations. Using international best-in-class case studies, we aim to inspire planners to reimagine their local areas for the benefit of their communities, finding innovative new uses for a range of spaces.

4.1 Repurposing retail spaces – learnings from international case studies

Landsec and JLL have identified eight international retail and mixed-use development schemes that illustrate best practice in terms of master planning, based on their approach to placemaking, the public realm, mix of uses and long-term social and economic value creation. The eight exemplars identified show that the future of retail space already exists, and game-changing learnings can be taken and applied to the UK's towns and cities, without changing existing planning legislation.

The first three case studies are examples of shopping centres or retail schemes that have been successfully repurposed in jurisdictions with similar planning frameworks to the UK. The following five case studies explore best-in-class mixed-use schemes in order to examine the art of the possible in relation to master planning and the creation of places.



Canada: CF Don Mills, Toronto

Vision and foresight to proactively redefine retail space

Shopping centre developer Cadillac Fairview (CF) successfully redefined the retail offer at the former Don Mills Shopping Centre in mid-town Toronto. Shortly after acquiring the site in 2004, CF publicly announced that it wanted to move away from a suburban shopping location to one comprised of an integrated space to live, work, shop and play, through the introduction of residential, office space and excellent public realm.

This was a visionary and pioneering strategy for the time, demonstrating a strong appreciation of prevailing trends and the need for shopping centre locations to include alternative uses that can breathe life into a scheme.



Of note is the residential element at CF Don Mills. With three residential buildings already complete, housing approximately 4,500 residents – and four more in planning – the developers have created an immediate catchment for the shopping offer, but also for the wider footfall of the entire scheme.

¹² US: Ponce City, Atlanta

Strategic and sustainable redevelopment tailored to local market needs



Developer Jamestown has turned a former Sears, Roebuck & Co. store and distribution centre into an urban village through an adaptive re-use project. The new scheme includes retail, a food hall, residential, flexible office space and a rooftop entertainment hub. The uses are well integrated, and the tenant mix is carefully curated to create a unique place-based experience that is tailored to the specific needs of the local market and catchment.

Key lessons include the importance of supporting the local community.

The popular food hall uses local produce that supports local businesses – an approach that demonstrates the social value this can bring to new development. The developers also honoured the local community by embracing the existing heritage buildings on the site, repurposing building structures for alternative uses where possible.

This is linked to the environmentally sustainable impact of the development, which was at the forefront of Jamestown's concerns: in fact, over 98% of the construction material was reused to prevent it going to landfill. This falls under the principle of a circular economy where materials are reused through their life to minimise the environmental impact. This is an approach that is gaining significant traction in the built environment, with several major developers and institutions looking to implement it within their development lifecycle.



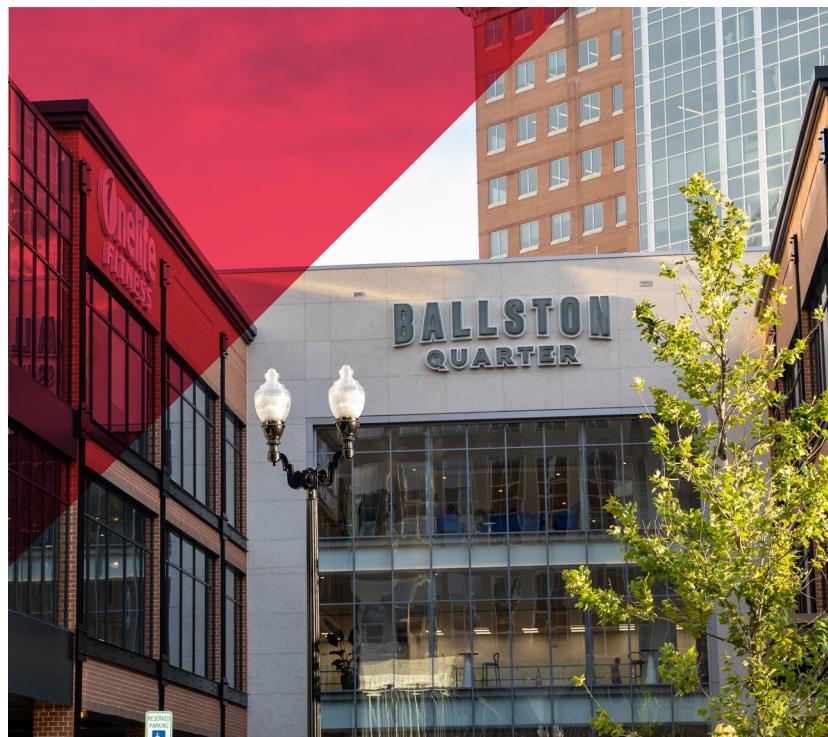
US: Ballston Quarter, Arlington, Virginia

Strategic department store reuse, and creation of a new vibrant, downtown

Forest City (now owned by Brookfield Properties) has converted Ballston Common Mall, a 590,000 sq ft regional mall, into a four-level mixed-use development, renamed Ballston Quarter. The ambitious redevelopment of the scheme dropped the redundant anchor Macy's Furniture store and restructured the scheme to provide 406 apartments, 150,000 sq ft of renovated office space, reconfigured retail space, a restaurant plaza and food hall, immersive entertainment, fitness facilities and community support uses.

This is a great example of a redevelopment that creates a dynamic mix of uses to keep the daytime population in the area longer after work, while activating the area at night and on weekends, effectively creating a new 'downtown area'. The residential element is particularly successful: one of the key drivers behind the development was the strong demand for housing in the Ballston-Arlington market.

The Ballston Quarter project is an exemplar of how to reimagine the regional mall, and reuse redundant department store space, in line with the dynamics of the local marketplace.



China: Pacific Century Place, Beijing

Value creation through investment



Gaw Capital Partners' redevelopment of Pacific Century Place in Beijing from an abandoned department store and run-down shopping centre into a pioneering mixed-use development is certainly worthy of note.

The extensive refurbishment and renovation programme created experiential retail and workplace units, commercial office space split across two towers, two residential towers and an exclusive clubhouse.

This scheme is therefore an excellent example of how a landowner can re-purpose a retail asset into a successful mixed-use development by acquiring an opportunistic asset and strategically investing capital.



Australia: Barangaroo, Sydney

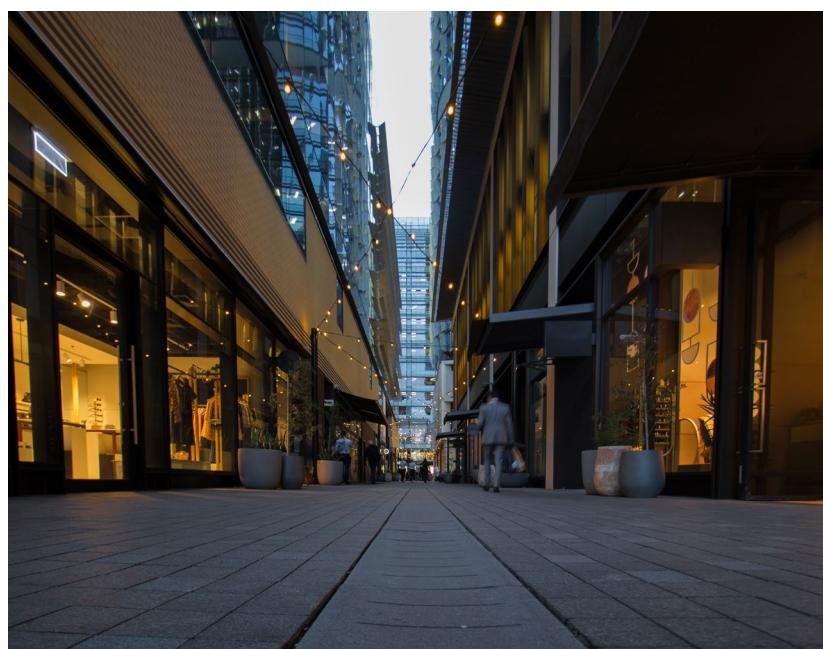
Prioritisation of mix of intertwined uses, and 'healthy' public realm

Lendlease has transformed a disused container terminal on the edge of the Central Business District into a new district on the Sydney Harbour waterfront. This development is known as a sustainable new and vibrant work, live, play community, with office, retail, hospitality and residential components, as well as waterfront public spaces and walkways.

Careful consideration was given to the development phasing of Barangaroo, to ensure that the mix of uses being delivered across the three areas collectively created an attractive place.

This development is unique due to its range of food and beverage outlets, a small format premium department store and other retail, intertwined among office space in an area known as 'The Streets of Barangaroo'.

Another key learning is the focus on public realm space – a little more than half of the overall land will be dedicated to new public space, including a 1.6 miles foreshore walk and the spectacular six hectare Barangaroo Reserve on a former industrial site. This places a significant focus on the wellbeing of both people and the environment.



Germany: Hafen City, Hamburg

Leveraging partnerships and expertise to maximise value



Hafen City is one of Europe's largest regeneration schemes, covering 388 acres of former dockland in central Hamburg. Made up of ten distinct neighbourhoods, it will contain over 12 million sq ft of offices, over 7 million sq ft of residential, over 3 million sq ft of education, hotels, cultural and leisure facilities, and over 2.2 million sq ft of retail and food and beverage.



The principal learning is around how effectively the developers have created separate areas, each with a mix of building uses, types, aesthetics, and ecological diversity. To achieve this, Hafen City devised its own mechanism by encouraging mixed groups of investors, builders, designers and residents to collaborate in joint ventures for the sake of mutual interest.

In addition, Hafen City has successfully incorporated an extensive cultural and educational offer into the mix – a crucial consideration, particularly in large scale redevelopment projects.

France: Muse, Metz

Providing flexible commercial offer to occupiers

Situated in the heart of the Amphitheatre district of Metz, Muse is the focal point of a multifunctional complex comprising a retail podium, residential and office space on an 861,000 sq ft site.

The vision of the architect, Jean-Paul Viguier, was to blend all aspects of city living into one place, a concept which he calls an 'IntenCity'.

In addition to being a fantastic example of placemaking, the developers of Muse have created a successful flexible commercial offer to attract occupiers. 'The Collection by Muse' is a dynamic and flexible sales area that enables brands to create an innovative sales space without committing to long lease and return terms. The selection of brands within this space is rotated every three to four months, while also featuring on the Muse website and allowing for click and collect services.



Japan: Toranomon Hills, Tokyo

Strategic focus on wellbeing and creation of a healthy society



The Mori Building Corp's mixed-use development in the Toranomon area of Tokyo is transforming the area into a more vibrant and accessible business hub and lifestyle district. The complex includes the Mori Tower (247m), the Business Tower (185m), the Residential Tower (220m) and the upcoming Station Tower (265m).

The aim of this project was to revitalise this area of Tokyo by creating a new urban village with excellent public realm, and a green environment by delivering the Oval Plaza Garden and the Step Garden in the Mori Tower.

The focus was on health and wellbeing within the scheme, with a view to promoting health and wellbeing in the wider community.

Reimagining the role of retail space

4.2 Reimagining retail space in the future

The conversion from an empty retail space to a mixed-use ecosystem can enhance the local economy and empower the local community.

The broad learnings from the international case studies of best-in-class examples highlight that there are several common threads at the heart of future successful retail repurposing, including:

- Partnering and expertise, including financial and political;
- Flexibility, particularly in leasing and supporting the existing and incoming tenant base;
- Prioritising health and wellbeing through public realm;
- Inspiring Local community support and long-term strategic vision, preserving existing heritage and contributing to people's sense of pride in the new development;
- Focusing on sustainability and environmental concerns.

The value of taking the above into consideration – and in effect transforming schemes into connected communities of their own – is that it creates new consumer ecosystems benefitting the local economy and the new and existing community. Ensuring redevelopments have a broad mix of categories, from office space to leisure facilities, can drive up employment, help meet housing needs, broaden the cultural base of an area, reduce crime rates and help address the oversupply of retail space.

It is important to note that there is not a 'one-size-fits-all' model that can be equally applied across locations and markets to achieve the above goals. Each redevelopment should be needs-led and requires extensive strategic planning and local market intelligence, while the synergies between residential, office and other commercial uses should be at the heart of all successful repurposing.

5. How does this translate to the UK?

The international case studies and range of uses have demonstrated what is achievable in the repurposing of empty retail space. A number of the countries featured in the case studies have similar planning frameworks to the UK and therefore this chapter considers how this vision for the future of empty retail space can be applied here.

As evidenced throughout this report, in order to revitalise local economies and create social value in communities, it is integral that the reimagining of retail space incorporates as diverse a range of uses as possible, with living, retail, working, leisure, food and beverage, entertainment, culture, education and hotels as part of the mix.

Embedded within the National Planning Policy Framework (NPPF) is the 'town centre first' principle. Primarily, this principle seeks to direct 'Main Town Centre' uses (including offices, leisure, hotels, bars, restaurants, health and fitness centres and entertainment uses) to town centre locations first. It seeks to ensure the vitality of town centres and high streets by taking a positive approach to their growth, management and adaptation, and prioritises regeneration in such locations.

5.1 How existing planning policies can support the reimagining of retail space in towns

In addition, the Government announced in the 2018 Autumn Budget that it would consult on planning reform to make it simpler to create more homes, jobs and choice in town centres. This was followed by a new £675 million Future High Streets Fund to support and fund local areas' plans to make their high streets and town centres fit for the future. An additional £325 million was announced in 2019, taking the overall fund value to £1 billion. The Government also extended Permitted Development Rights (PDR) to include a wider range of use classes on 25 May 2019. PDRs allow certain types of development, notably changes between the different use classes, to take place without the need for planning permission.

In view of the established 'town centre first' principle and the subsequent package of measures introduced by the Government, there is nothing technically holding back local planning authorities from working with developers to regenerate town centres.

The above measures foster a more flexible and streamlined framework, which can attract additional activity and further investment – this, in turn, creates good conditions to enable retail places in town centre locations to create a live/work/play ecosystem.

In achieving the above, there needs to be a combination of ambition, trust and flexibility on all sides. That means, for example: not applying policy prescriptively, such as the protection of existing A1 floorspace, and being flexible on height, massing, land uses, public realm, s106 and CIL and all the many other areas of planning and development that impact the quality and ability to fund and deliver a development.

Highly accessible and sustainably located sites within town centres are typically the most appropriate for intensification and high-density development. This, coupled with the NPPF's 'town centre first' principle, places these areas in an ideal position to deliver mixed-use regeneration which can focus more on 'experience' than retail alone. This will enable high streets to become important 'hubs' in their own right, driving footfall, increasing activity both at day and night, to help combat decline and enhance the vitality and viability of these areas.

The implementation of town centre regeneration schemes can deliver significant economic benefits, together with securing substantial investment in social and civic infrastructure and placemaking. Such development can open the door to the building of trust between developers and planners through shared values around social value and sustainability. For social value, this means the delivery of 'good' jobs, employment and skills strategies that recognise the local context, which can drive social mobility. For sustainability, this means the delivery of energy efficient buildings supporting the move towards a low carbon circular economy.

Moreover, there is a key opportunity for high streets and town centres to create places where people come together for many different reasons. Provision of high-quality public realm and community spaces have the potential – if designed creatively and appropriately – to knit a place together and become the focal point for social cohesion and interaction.

The potential for town centre environments to reimagine and repurpose retail space is enormous, and local planning authorities have a huge opportunity – particularly if they partner with the development industry – to bring these places back to life. By focussing on the concept of 'experience', new high-density mixed-use town centre schemes can deliver considerable economic benefits and social value to secure strong and inclusive communities and the long-term sustainable future of an area.

LPAs can assist further through striking the right balance on development viability matters, by ensuring the cumulative impact of planning obligations does not undermine the deliverability of future development in town centres.

While this research focusses on town centre environments, retail places in out-of-town locations are key considerations too. Such places face a different set of challenges to reinvent themselves through introducing alternative uses such as office and leisure development, particularly as the established planning policy position in the UK dictates that such uses should be directed to a town centre location first. The potential to secure residential uses, however, is likely to be good in most cases, subject to them being in areas of high accessibility and within, or adjoining, existing residential areas.

The intervention required to reimagine retail places in out-of-centre locations is more significant than that required in town centre locations, and the main challenges in achieving this will be the focus of future research by Landsec and JLL.

6. Conclusion

It is evident that, despite the substantial oversupply of retail space that exists in town centres in the UK, there are solutions available that – when applied in an aspirational manner – can enable planning departments and other stakeholders to create vibrant and sustainable connected communities for the future.

In considering a range of international case studies, the social value of regeneration and the existing planning frameworks in the UK, we conclude that:

- The further growth in omnichannel retailing will lead to increased polarisation between primary retail locations, such as large city centres and destination shopping centres, and secondary areas, such as regional town centres and retail parks. The supply of retail space in secondary areas will continue to outstrip demand as a result;
- International evidence suggests that the future of retail space already exists, through repurposed retail exemplars and new mixed-use developments. The benefits of repurposing are also becoming clear, both in the social and the economic value it creates;
- For investors, while there is no failsafe blueprint for success, the appropriate repurposing of assets will lead to increased investment value. A decrease in quantum of retail, and enhancement of the remaining supply, should increase investor demand;
- There will be increased investor interest in the measurement and management of social value, reported back to them as part of the asset's value and long-term viability;
- No change to primary legislation is required to regenerate areas which currently have an oversupply of retail space.



The conversion from a retail scheme to a true mixed-use ecosystem that enhances the local market and empowers the local community is multilayered. To be successful, it should encompass:

- Vision and foresight: an appreciation of current and future trends and the bravery of planners and developers to react;
- Proactive and decisive engagement with all stakeholders, including local authorities, planners, occupiers and consumers;
- Partnering and expertise: ensuring a product that is appropriate and attractive to local market dynamics;
- A focus on sustainability and environmental impact, and understanding the needs of current and future communities in order to plan for, measure and communicate social impact and social value.
- An emphasis on developers and local authorities working together to be flexible in their application of policy and ambitious in their vision.

We hope that this report demonstrates that an aspirational approach to planning and development – which is centred on a desire to deliver the art of the possible – provides an opportunity to create social value and deliver tangible socioeconomic benefits. We look forward to working in collaboration with stakeholders across the planning and development sectors to identify next steps in repurposing empty retail space to fulfil the needs of local communities.



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