

Town centres: how local authorities can help shape a positive future

Town centres will always be a key part of a Local Authority's socio-economic strategy, and despite current market challenges each Local Authority needs to do all it can to ensure they retain the best vibrancy and vitality possible.

Much has recently been written on this subject, notably the current 'Portas' focus, which, whilst containing a range of well meaning ideas will not, in our opinion, make a meaningful impact by itself.

As we see it, the central aspect is how Councils' understand the national and international factors that have fundamentally changed 'the High Street', and how they choose to apply that generic knowledge to best address the specific local factors affecting their town/ city centre. Each centre is unique.

While town centres have a range of uses within them, retail has always been at their heart. Understanding the future forecast is key to creating a sustainable business plan for individual centres.

With online sales rising exponentially and in-store sales remaining flat, many retailers are re-shaping their store portfolios to hold a smaller number of bigger units and only retain their premium locations. In this way retailers reach as many customers as possible with a smaller number of stores – Retailers want to keep their 'flagship' brand showcases and physical presence is still viewed as important to connect with the consumer 'neurologically'.

This strategy has been adopted by, for example, La Senza, which has scaled down from 146 to 60 shop units, and Currys PC World which has scaled down from 170 to 70 stores (on-line sales at Currys PC World now account for 20% of the total, and continue to grow significantly, year on year.)

The impact of this 'polarisation' is evident in two typical locations (below):

Retail – the future

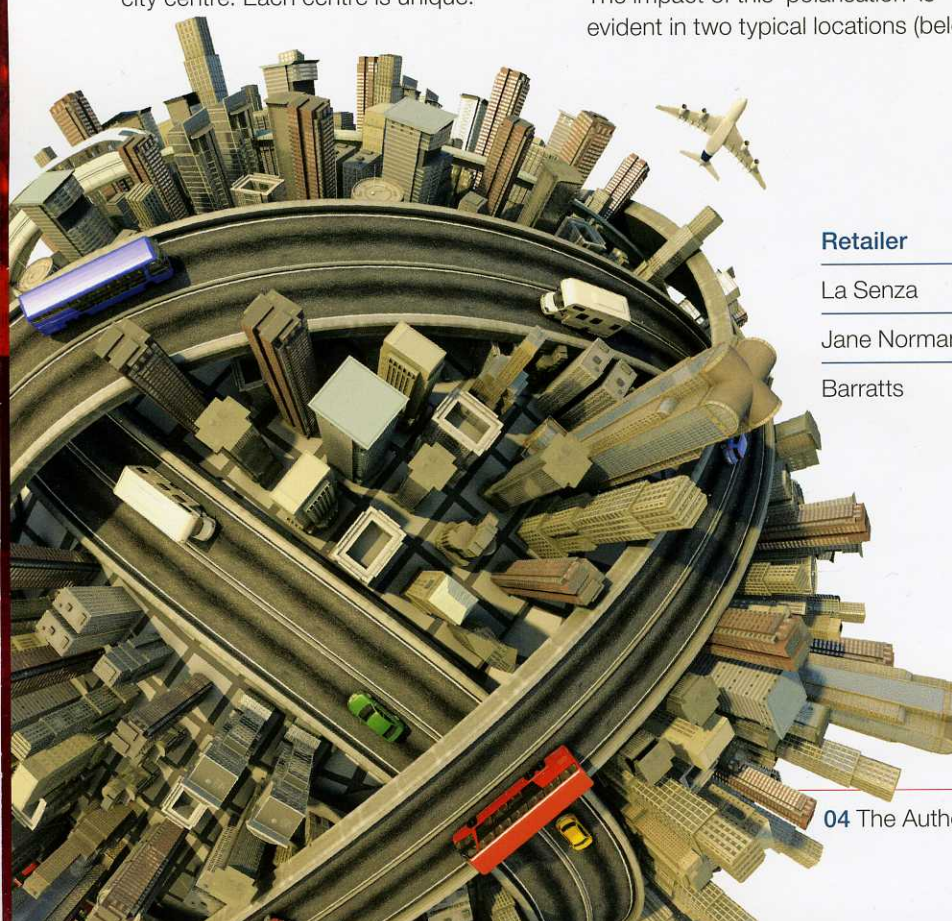
At the end of 2010, DTZ made the following forecasts for 2011, which all occurred:

- Central London would strengthen further as a retail location
- Major regional city centres would thrive (such as Glasgow and Birmingham)
- Historically affluent regional towns would prevail (such as Guildford and Oxford)
- Financial incentives to retailers to take space would reduce in 'super-prime' locations
- Secondary centres would continue to decline (both in occupancy and financially)

For 2012, and beyond, we believe three key principles will apply for retailers. That retail is...

- DIGITISING
- POLARISING
- GLOBALISING

...for good.



Retailer	Bluewater (super-prime retail location)	Shropshire (historic market town)
La Senza	Trading	Closed down
Jane Norman	Trading	Closed down
Barratts	Trading	Closed down

The global market is enormous and many developing economies are still experiencing rapid economic growth and wealth creation.

International markets are now much more easily accessible through new technology and this has globalised the UK retail market. Almost all luxury growth is focused on Asia although a London flagship store remains hugely important to drive global brand recognition. Moving forward, global brands are likely to look for no more than 20 UK stores, far fewer than previously identified. UK retailers are under significant and increasing pressure from overseas competition, and many are looking to overseas markets for their own growth (for example M&S and Topshop).

Resulting from global competition, we are seeing new entrants to the UK market, including Victoria's Secret, J. Crew, Express, Aeropostale, Hollister and Forever 21, some of which have rapidly become established as anchors to new schemes.

Global competition, on-line competition and expanded offer of supermarkets has put a variety of existing high street names under substantive pressure, including HMV, Waterstones, Clinton Cards and Game.

What will this mean for the UK town centre retail led development pipeline?

The developers and investors of retail based schemes are led by retailers and their future plans and where they choose to locate and will very much relate to the above themes.

The pipeline was effectively halted by the 'credit crunch' and in 2012, for the first time in four decades, there will be no significant retail led town centre scheme opened in the UK. That said, we are seeing definite and tangible signs of the market picking up, albeit on a selective basis, and with one general theme where Local Authorities are proactively involved to help get things moving.

Only one major scheme (Trinity Leeds by Land Securities) is currently under construction having been halted on site and is due to open next year. It appears to be letting well and is a positive sign. Other schemes such as the old livestock market in Hereford, are close to commencing on site. Developers who have progressed projects with council clients during the 'teeth' of the recession could well see good take up within new schemes being introduced to a letting market devoid of much new product – provided the underlying 'building blocks' to successful schemes are in place.

The 'blue chip' developers who have historically focused on significant retail led schemes in the UK are all active again, joined by some new entrants. Despite this, it will take the industry some time to replace the 'development capacity' lost by the development companies which have failed in recent years.

Having understood these factors, how can local authorities best respond to them, 'locally', when planning new schemes?

To outline this question we outline various 'themes', generally linked to a current example where we are assisting a council client to deliver on this aspect.

1. Relate your development proposals to a realistic level of new retail, and a clearly defined up to date retail strategy

Generally, this will be a reduced overall critical mass of retail, and revised anchor strategy. DTZ is market leader in advising councils on town centre schemes, with over 70 current projects across the country. We have addressed this issue with all our clients.

As an example, we have recently assisted Portsmouth City Council on its Northern Quarter city centre scheme, creating revised proposals with its

development partner Centros. These are now being progressed toward a new planning application early next year. They are realistic, but equally, will still deliver a major step change to the city. Realism does not need to lead to lack of ambition.

2. Recognise when you need to take overall control

Whilst generally a key ingredient to successful delivery of such projects is a long term partnership with an experienced development partner, maintained through the inevitable 'ups and downs' that arise over the medium/ long term nature of such projects, equally, on occasion, councils do need to recognise that the existing development partner, and/or principal private sector landowner, no longer shares the councils' vision, and/or ability to deliver it. ▶▶





In Birmingham city centre, we are advising the City Council (in partnership with Network Rail), on the delivery of a transformed Pallasades shopping centre, alongside the revitalised New Street interchange station. The council has acquired the existing scheme, and is progressing with design and delivery proposals by itself, using a full professional team and a delivery Plan created by DTZ. We recently assisted the council in securing the John Lewis Partnership as anchor tenant.

3. Maximise the Experience, and dwell time, of your town centre scheme

Providing visitors with a range of experiences, over an extended period of time, will be a key factor in determining which town centres successfully compete with the internet.

In Chester city centre, we are advising the council on Northgate, a major retail-led scheme, where the council is creating its own development concept, to include significant enhanced leisure uses, and a strong link to an adjoining Theatre project.

4. Create the right overall Vision, delivery strategy and brand

A key part of ensuring successful delivery is to establish an appropriate, up to date overall vision for the town or city centre, and an associated delivery strategy.

We are currently assisting Wolverhampton City Council in creating these vital elements for its city centre, in advance of a market launch shortly.

5. Accept that accessibility is vital – and that this includes by car

Sustainability is a hugely important subject, and whilst the 'green agenda' is being affected to an extent by the current economic climate, is nevertheless, rightly, going to continue. That said, ensuring sensible 'speed of access' to/from the town centre, and available car parking at an affordable price, are crucial ingredients.

In Bath city centre we are currently assisting that council with the phased delivery of a 'Business Plan' for the city centre which has a step change in accessibility as one of its key themes. We are also completing the successful leasing of its major new retail led scheme (Southgate, which opened last Autumn), where the council is in partnership with AVIVA and Multi.

6. Ensure you have a viable, deliverable scheme

A fundamental requirement is to accept that previous 'pre credit crunch' proposals are generally no longer going to be appropriate, and ensure the revised concept, and associated project base requirements, are viable and deliverable.

In Crawley, we replaced previous advisors and created an updated

concept, and associated development delivery strategy for the councils' Town Centre North scheme, which the council is now using to take forward current developer discussions.

7. Recognise that the financial viability of many new schemes will be severely challenged for the foreseeable future, and provide upfront support if you can, ideally on the basis of a potential medium/long term pay back

Some schemes, for the foreseeable future, will only be progressed if the council is able, and prepared to adopt the above approach.

DTZ started acting for the Vale of White Horse Council in 2010, and created such a strategy which has since led to the successful commencement of the phased refurbishment and extension of Abingdon town centre, which the council has been trying to achieve for over 20 years.

8. Reduce risk where possible

There are a variety of ways in which councils can do this. As an example, in Swansea, we are assisting the council, in partnership with the Welsh Assembly Government, in acquiring outstanding land interests to allow redevelopment proposals to come forward in the knowledge that most, if not all, of the required land is already held by the public sector, increasing certainty and potentially saving time if CPO can

be avoided. We have assisted in the acquisition of the two main outstanding land interests over the last six months. Demolition is now planned for later this year, with an interim scheme whilst revised redevelopment proposals achieve consent.

9. Maximise your interim strategy

As most schemes are now 'starting again', and due to their timescale for delivery, it is essential that a council has a proactive interim strategy in place to maximise town centre vibrancy throughout the process.

10. Update policy

Policy is another of those fundamental 'building blocks' for a council, and there is a definite need to update policy related to town centre schemes if this is 'pre credit crunch'. At the very least, retail capacity will have almost certainly changed – partly from changes to



planned socio economic data and partly through changes to assumed activity in and around the catchment area.

11. Flexibility of design

The 'new breed' of town/city centre schemes will need to react to the specific circumstances relevant in each location, and certainly the days of a 'one size fits all' approach, with a broadly 'monolithic, internal' scheme, are long gone. Quality of design is what all councils should rightly aspire to, but this doesn't have to be at prohibitive cost, nor to a 'standard model'.

In Didcot town centre, we are assisting South Oxfordshire District Council in working with Hammerson to create a 'proper town centre scheme' that will also maximise the site and town centre benefits that relate to an edge/out of centre location. The approach to parking and accessibility are two examples, with the aim to generate a 'double positive'!

12. Find a (new) Partner

Whilst the marketplace is still challenged it is possible for a council to run an open marketing competition for a development partner, and cost effectively. DTZ has been assisting Salisbury Vision and Wiltshire Council in establishing such a partner for Salisbury city centre, and recently confirmed Stanhope as the selected partner, from a strong and high quality shortlist.

13. Don't let procurement lead the process

Procurement is a key element of a project's progression, but the last several years provide a number of examples where an overly 'legalistic' procurement process has been employed, and has had the opposite of the desired effect. In some cases the council has had limited or no engagement from the private sector

(due to the prohibitive cost, timescale or overly restrictive requirements). This has ultimately generated a higher risk profile for the council, as the quality of bidder and their bids has reduced. There must be a sensible balance between 'process and commercialism', and high quality commercial awareness at the outset, in scoping the opportunity and preparing this for market is a key ingredient to ultimate success.

14. Recognise you don't need to openly tender every opportunity

Linked to the above point, there are a number of strong reasons why an 'off market' transaction may be appropriate in certain circumstances, and a significant proportion of our national portfolio of work is currently being transacted on this basis.

15. Instigate direct engagement with key retailers

We are helping an ever increasing number of councils to engage directly with key retailers, to help them understand the councils future strategy, and assist in keeping retailers in existing towns/cities and (continue) their commitment to new schemes.

16. Don't procrastinate

Get going now! Timing, as ever with development, is THE most important aspect to try to get right. The development cycle is... a series of cycles... it always has been and always will be! Ensure you are ahead of the next cycle – not in the middle of it with 'everyone else'.



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