



CUSHMAN &
WAKEFIELD

UK HIGH STREETS: DEAD OR ALIVE?

AN ANALYSIS OF
TOWN CENTRE RETAIL
PERFORMANCE OVER
THE LAST DECADE

SUMMER 2018

OPEN



CONTENTS

INTRODUCTION

01

METHODOLOGY

02

KEY FINDINGS

03

TOWN RANKING SUMMARY

13

LOOKING FORWARD

15

INTRODUCTION

Almost a decade on from the start of the Great Recession, and with the ongoing structural change in the retail sector, Cushman & Wakefield has created a Retail Resilience Index in order to rank the viability and performance of 250 high street locations across the UK.

The last decade has been one of great change in the retail sector, which has battled not only one of the worst economic downturns in recent history, but also a sizeable structural change brought about by the rise of e-commerce. The partial de-coupling between macro-economic performance and the retail property market has meant that for many of the high streets included within the Retail Resilience Index, improvements in the wider economy have not filtered through to the high street.

Alongside the recent business rates revaluation, profitability in the online era remains a key challenge to occupiers, with several retailers consolidating store estates to reduce costs. The selective nature of occupier demand has created a polarised retail environment, with many retailers focusing on key, high footfall locations. For investors, this structural change has made it even more difficult to pick 'winning' assets, while the blurring of online and offline has made it increasingly difficult to quantify the value of the store.

The impact of these changes has varied widely across the 250 locations, with some towns adapting more successfully than others. The recently announced relaunch of the Grimsey review will once again bring the issue of struggling high streets to the forefront, with fierce debate anticipated around how (or indeed whether) we should breathe new life into some of our most challenged high streets.

METHODOLOGY

The Retail Resilience Index is based on 22 variables, many of which have been tracked over a ten-year period (2007-2017).

The performance of the retail property market lies at the heart of the Index, although we have also included both demographic and economic indicators to provide a more rounded overview of each location.

The retail destinations were initially selected according to the availability of prime rent and yield data within our own database, with the final 250 destinations chosen based on their CACI Retail Footprint Score. Key Central London locations have been excluded from the index, as their market fundamentals are not comparable with the rest of the UK. We have, however, included Greater London submarkets classified by CACI as Metropolitan Towns, including Richmond, Kingston-upon-Thames, Croydon and Wimbledon.

The model encompasses a combination of town, catchment and local authority level data. In some instances, data sets have been combined to create tailored indicators. Data relating to quality of life, supply, floorspace density and spend density are all examples of this.

Towns have been ranked according to each variable, with the final ranking calculated from the sum of the individual rankings. Locations have then been assigned a Town Tier (1 to 5, of which 1 is the highest) based on their overall ranking, to enable a comparison with similar locations.

The Cushman & Wakefield Retail Resilience Index is a weighted ranking. Property variables account for 40% of the overall ranking, with the weighting split evenly amongst the remaining variables.

VARIABLES IN THE CUSHMAN & WAKEFIELD RETAIL RESILIENCE INDEX

PROPERTY	RETAIL SUPPLY	CATCHMENT CHARACTERISTICS	ECONOMIC
RENTAL CHANGE	COMPARISON	CATCHMENT SIZE	BUSINESS SURVIVAL
YIELD SHIFT	FLOORSPACE DENSITY	% AB1 HOUSEHOLDS	RATE
CAPITAL VALUE	LEISURE FLOORSPACE	% STUDENTS	HOUSE PRICE GROWTH
GROWTH	DENSITY	% LONG TERM	GVA GROWTH
CHANGE IN	SUPPLY INDEX	UNEMPLOYED	WAGE GROWTH
INVESTMENT VOLUMES	RETAILER DEMAND	TOURIST SPEND	RAILWAY STATION
	COMPARISON SPEND	PROPENSITY TO	PASSENGER NUMBERS
	DENSITY	SPEND ONLINE	
	LEISURE SPEND	QUALITY OF LIFE	
	DENSITY		

KEY FINDINGS

TOP 10

- 1 CAMBRIDGE
- 2 GUILDFORD
- 3 BATH
- 4 CHICHESTER
- 5 OXFORD
- 6 KINGSTON-UPON-THAMES
- 7 EXETER
- 8 BRIGHTON
- 9 BRISTOL
- 10 WINCHESTER

BOTTOM 10

- 241 FALKIRK
- 242 DUMFRIES
- 243 GRAVESEND
- 244 ROTHERHAM
- 245 HAMILTON
- 246 LLANDUDNO
- 247 NEWPORT
- 248 GREENOCK
- 249 RAMSGATE
- 250 KILMARNOCK

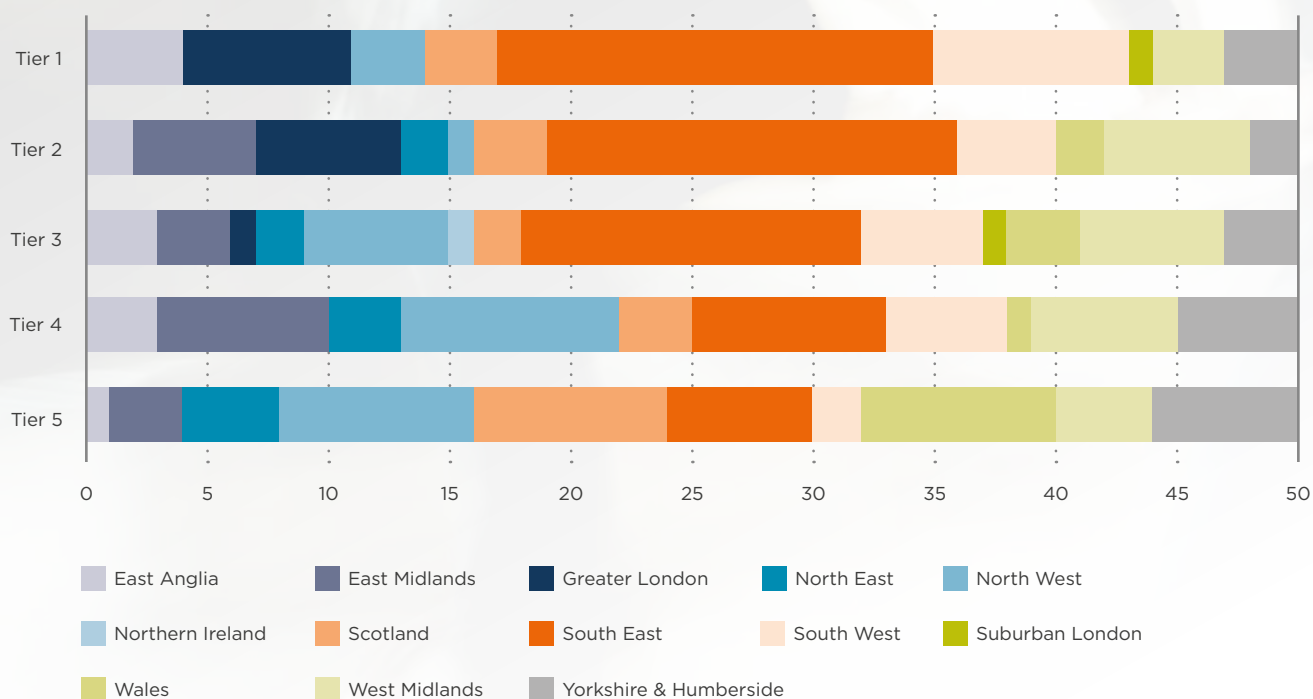
Source: Cushman & Wakefield





50% OF DESTINATIONS IN THE TOP TWO TIERS OF THE RANKING ARE LOCATED WITHIN THE SOUTH EAST AND GREATER LONDON.

REGIONAL BREAKDOWN



Source: Cushman & Wakefield



ONLY 19 OF THE 250 HIGH STREET LOCATIONS IN OUR SAMPLE RECORDED RENTAL UPLIFT OVER THE TEN-YEAR PERIOD. IN THE WORST PERFORMING TOWNS, RENTS HAVE RE-BASED BY AS MUCH AS **45%**, ALTHOUGH PROSPECTS FOR FUTURE GROWTH REMAIN LIMITED DUE TO LACK OF RETAILER DEMAND.

KEY FINDINGS



RENTS ACCOUNT FOR **12%** OF AVAILABLE COMPARISON SPEND ON AVERAGE, WITH RENTS IN 60 LOCATIONS EXCEEDING **15%** OF THE AVAILABLE COMPARISON SPEND. GIVEN THAT RENTS AS A PERCENTAGE OF TURNOVER SHOULD TYPICALLY BE IN THE RANGE OF **8-12%**, THIS MAY SUGGEST THAT RENTS REMAIN ON THE HIGH SIDE IN SOME LOCATIONS. CONVERSELY, IN 65 LOCATIONS, RENTAL LEVELS ACCOUNTED FOR LESS THAN **8%** OF AVAILABLE COMPARISON SPEND (PER SQ FT) AND, IN SOME CASES, AS LITTLE AS **4%**.

PRIME RENTS AS A PROPORTION OF THEIR 2007 PEAK



**Based on analysis of the 250 locations included within the rank*



CAPITAL VALUES DECLINED OVER THE TEN-YEAR PERIOD, ON THE BACK OF FALLING PRIME RENTS AND HIGHER YIELDS. ON AVERAGE, YIELDS ARE 110 BPS ABOVE WHERE THEY WERE IN 2007.

“

On average, yields in Tiers 4 and 5 stood at 8% in December 2017



COMMERCIAL PROPERTY INVESTMENT VOLUMES IN TIER 1 LOCATIONS WERE **367%** HIGHER THAN TIER 5 LOCATIONS BETWEEN 2007 AND 2017, COMPARED WITH **109%** BETWEEN 1999-2006.* THIS EMPHASISES THE EVER-GROWING DISPARITY IN TERMS OF INVESTOR DEMAND BETWEEN THE TOP-RANKING TOWNS AND THE REMAINDER.

**Investment volumes pre-dating 1999 were not available*

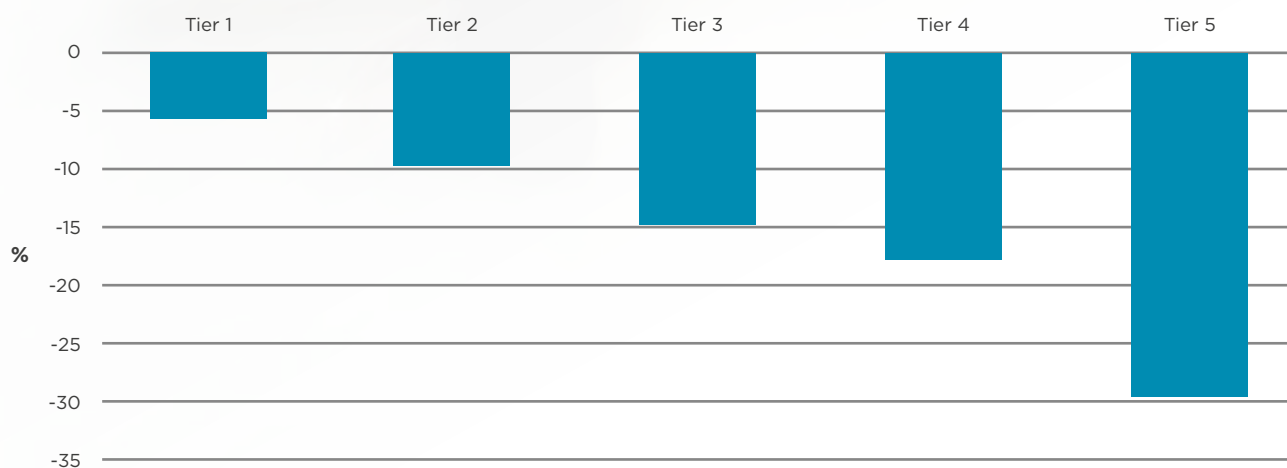


THIS IS REFLECTED IN THE BROAD RANGE IN HIGH STREET YIELDS AROUND THE COUNTRY. TIER 1 LOCATIONS OFFER RELATIVELY LOW YIELDS OF **C.5%**, WHILE THERE IS A SIGNIFICANT DIFFERENTIAL IN PRICING FOR TOWNS IN TIERS 3, 4 AND 5, WHICH OFFER YIELDS OF **7-8%**.



27% OF LOCATIONS IN THE INDEX RECORDED AN INCREASE IN THEIR PMA RETAIL PROVISION SCORE, AN INDICATOR OF RETAILER DEMAND, OVER THE 10-YEAR PERIOD.

TOTAL CHANGE IN RETAILER DEMAND* 2007-2017



**Source: PMA - total change in PMA Retail Provision Score*

KEY FINDINGS



COMPARISON TOURIST SPEND IN TIER 1 TOWNS IS **694%** HIGHER THAN IN TIER 5 LOCATIONS.



TIER 1 LOCATIONS BENEFIT FROM LOW LEVELS OF COMPARISON FLOORSPACE PROVISION (SQ FT PER 1,000 POPULATION) AND HIGH SPEND DENSITIES (£ PER SQ FT).



LEISURE SPEND DENSITIES (£ PER SQ FT) ARE HIGHEST IN TIER 2 LOCATIONS.

AVERAGE LEISURE SPEND DENSITY FOR TIER 2 TOWNS

£16 PER SQ FT





RESIDENTS IN TIER 1 TOWNS ARE THE MOST LIKELY TO MAKE A PURCHASE ONLINE.

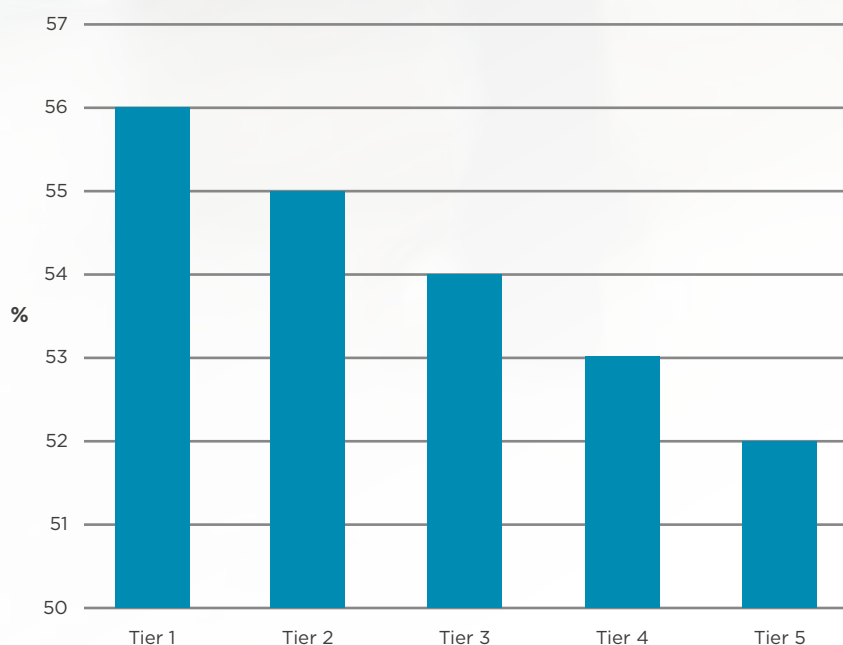


HIGH STREET RETAIL RESILIENCE IS MORE CLOSELY CORRELATED WITH AFFLUENCE THAN CATCHMENT SIZE.



HOUSE PRICES IN THE HOME COUNTIES, WHICH ACCOUNT FOR ALMOST **40%** OF ALL LOCATIONS IN TIERS 1 AND 2, ROSE BY 44% OVER THE TEN-YEAR PERIOD TO THE END OF 2017, COMPARED WITH A NATIONAL AVERAGE RISE OF **24%**.

PROPENSITY OF CATCHMENT TO SPEND ONLINE*



Source: CACI/IPSOS * % of catchment that uses a desktop or laptop to make a purchase online



THE BUSINESS SURVIVAL RATE AMONGST LOCATIONS IN TIERS 4 AND 5 IS ONLY ONE PERCENTAGE POINT BELOW TIERS 1-3.

KEY FINDINGS



THE NUMBER OF PASSENGERS TRAVELLING THROUGH RAILWAY STATIONS IN TIER 1 LOCATIONS INCREASED BY **60%** OVER THE TEN-YEAR PERIOD, COMPARED WITH 46% IN TIER 4 AND 5 LOCATIONS.



QUALITY OF LIFE METRICS WERE STRONGEST IN TIER 3 LOCATIONS, WHERE THE CRIME RATE WAS LOWEST. WHILST THERE WAS VERY LITTLE VARIANCE IN LIFE EXPECTANCY ACROSS TIERS 1-5, CRIME RATES WERE SIGNIFICANTLY HIGHER IN TIERS 4 AND 5.



WAGE GROWTH WAS EVENLY SPREAD ACROSS TIERS 1-4, ALTHOUGH TIER 5 LAGGED BEHIND.





KEY RETAIL PROPERTY AND HOUSE PRICE INDICATORS

NORTH WEST

Rental Growth: **-38%**

Yield Shift: **+140 bps**

Vacancy Rate: **14%**

House Price Growth: **7%**

WALES

Rental Growth: **-35%**

Yield Shift: **+210 bps**

Vacancy Rate: **14%**

House Price Growth: **4%**

WEST MIDLANDS

Rental Growth: **-36%**

Yield Shift: **+115 bps**

Vacancy Rate: **14%**

House Price Growth: **19%**

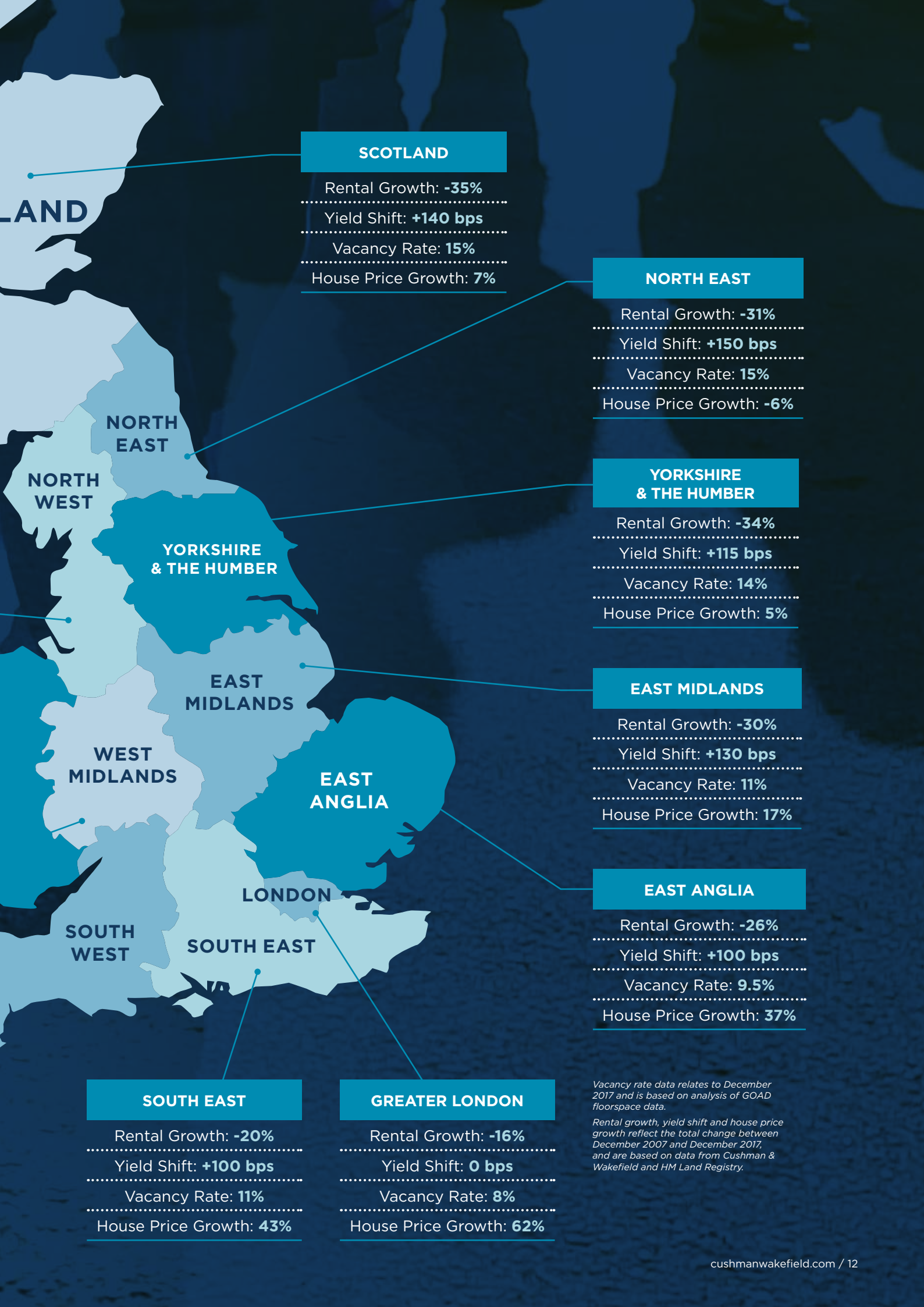
SOUTH WEST

Rental Growth: **-17%**

Yield Shift: **+100 bps**

Vacancy Rate: **10%**

House Price Growth: **23%**



Vacancy rate data relates to December 2017 and is based on analysis of GOAD floorspace data.

Rental growth, yield shift and house price growth reflect the total change between December 2007 and December 2017, and are based on data from Cushman & Wakefield and HM Land Registry.

TOWN RANKING SUMMARY

TIER	EXAMPLE TOWNS	COMMON CHARACTERISTICS	KEY INDICATORS
1	<ul style="list-style-type: none"> Brighton Cambridge Glasgow Guildford Manchester Leeds 	<ul style="list-style-type: none"> Strong southern bias Sizeable, affluent catchments Large cities or attractive cathedral towns, dominant within region High comparison tourist spend Robust economic growth. 	<ul style="list-style-type: none"> Rental Growth: -7% Yield Shift: -25 bps Capital Value Growth: 0.1% Total Floorspace Density: 9,445 sq ft per 1,000 population Vacancy Rate: 10% Wage Growth: 18%
2	<ul style="list-style-type: none"> Derby Durham Leicester Lincoln Sheffield Southampton 	<ul style="list-style-type: none"> Smaller cities Dominant within catchment, but generally not region Sizeable student populations High comparison floorspace and low comparison spend density arising from an oversupply of retail floorspace High leisure spend. 	<ul style="list-style-type: none"> Rental Growth: -19% Yield Shift: +65 bps Capital Value Growth: -26% Total Floorspace Density: 13,609 sq ft per 1,000 population Vacancy Rate: 10% Wage Growth: 17%
3	<ul style="list-style-type: none"> Belfast Camberley Hull Peterborough Poole Swansea 	<ul style="list-style-type: none"> Wide variety of locations, no fixed pattern Lack dominance within catchment Strong Midlands and South Coast component, as well as London commuter towns Relatively high density of leisure floorspace, supported by high leisure spend. 	<ul style="list-style-type: none"> Rental Growth: -31% Yield Shift: +130 bps Capital Value Growth: -43% Total Floorspace Density: 15,777 sq ft per 1,000 population Vacancy Rate: 12% Wage Growth: 17%
4	<ul style="list-style-type: none"> Bradford Gloucester Grimsby Northampton Preston Wolverhampton 	<ul style="list-style-type: none"> Variety of locations based on size & type, although strong representation of former industrial towns in Northern England Most have under-performed on property metrics over the last ten years A select number of locations have seen notable improvements in business/economic indicators, although this is often from a low base. 	<ul style="list-style-type: none"> Rental Growth: -37% Yield Shift: +170 bps Capital Value Growth: -51% Total Floorspace Density: 16,733 sq ft per 1,000 population Vacancy Rate: 13% Wage Growth: 18%
5	<ul style="list-style-type: none"> Bognor Regis Blackpool Dover Doncaster Falkirk LLanelli Walsall 	<ul style="list-style-type: none"> Weak retailer demand Strong Scottish and Welsh focus, as well as several seaside locations High vacancy rates and significantly oversupplied with comparison and leisure floorspace Available spending power curtailed by weak income profiles. 	<ul style="list-style-type: none"> Rental Growth: -45% Yield Shift: +210 bps Capital Value Growth: -59% Total Floorspace Density: 24,930 sq ft per 1,000 population Vacancy Rate: 16% Wage Growth: 16%

Floorspace density figures relate to total retail and leisure floorspace.

*Chart shows a summary of key towns in each tier, along with common characteristics and average metrics. Vacancy rate data relates to December 2017 and rental growth, yield shift, capital value growth are calculated over a ten-year period from December 2007 to December 2017. Wage growth is an overall figure for the ten years from 2007 to 2017.

**Sources: Cushman & Wakefield, CACI, Experian GOAD, ONS

OUTPERFORMERS

CIRENCESTER RANK #20

One of the smallest towns in Tier 1, Cirencester scores very highly on variables relating to the business environment as well as the Quality of Life Index.

CHELMSFORD RANK #34

Scores particularly well on 'retail supply indicators' including comparison spend density, supply and retailer demand. The town has been boosted by the recent opening of Bond Street, Chelmsford, and has also seen strong growth in house prices.

MARLOW RANK #71

Marlow ranks in first place for both rental growth and retailer demand, benefitting from a wealthy, albeit small, catchment.

#3 GVA GROWTH

#3 CHANGE IN INVESTMENT VOLUMES

#4 QUALITY OF LIFE

#6 BUSINESS SURVIVAL RATE

#47 HOUSE PRICE GROWTH

#51 SUPPLY INDEX

#57 COMPARISON SPEND DENSITY

#68 RETAILER DEMAND

#1 RENTAL GROWTH

#2 CAPITAL VALUE GROWTH

#8 % AB1 HOUSEHOLDS

#17 % LONG TERM UNEMPLOYED

UNDERPERFORMERS

DURHAM RANK #82

Despite being a picturesque location with a large student population, Durham's proximity to larger competing centres and weak catchment characteristics curtail performance.

BRADFORD RANK #167

Bradford has a sizeable catchment, although ranks poorly in terms of socio-economic profile. The city has an over-supply of floorspace and faces direct competition from Leeds.

GLOUCESTER RANK #175

Gloucester's performance has been affected by the city's proximity to Cheltenham, as well as Gloucester Quays Outlet Centre, located on the periphery of the core retail area. There has been a lack of investment over the years and plans to rejuvenate the city centre have never materialised. The town benefits from reasonable comparison tourist spend, however, with the cathedral being a major attraction.

#114 RETAILER DEMAND

#191 % AB1 HOUSEHOLDS

#219 BUSINESS SURVIVAL RATE

#247 HOUSE PRICE GROWTH

#173 SUPPLY RANK

#219 HOUSE PRICE GROWTH

#233 % LONG TERM UNEMPLOYED

#235 QUALITY OF LIFE

#159 CHANGE IN INVESTMENT VOLUMES

#204 RENTAL GROWTH

#211 CAPITAL VALUE GROWTH

#225 RETAILER DEMAND

UK HIGH STREETS LOOKING FORWARD

The question of how to revive some of these underperforming high streets remains and, whilst every location faces a unique set of challenges, an oversupply of retail floorspace is a problem for many of the 250 locations.

Leisure operators have gone some way to filling the voids left by traditional retailers, particularly in prime locations, and as well as playing a major role in extending dwell time, they also support the night time economy. The changing importance of leisure is also indicative of the larger structural change in the retail landscape, highlighting the need to provide shoppers and other users with alternative, non-retail attractions that will encourage consumers to engage with the high street.

There are, however, limits to the extent that leisure alone can revive a location. Regeneration and investment in the public realm play a major role in rejuvenating high street locations, and whilst each location requires a tailored approach to ensure relevance to the local population, creating a sense of 'place' has become the focus of many regeneration schemes.

Indeed, both the recent redevelopment of Westgate, Oxford, and the newly developed Lexicon, Bracknell form part of larger town centre masterplans, both of which include a residential component as well as public space improvements, with the view to bringing people back into the town centre to live, work, play and shop.

Even for the most resilient locations within our index, an ongoing programme of regeneration and public realm investment can help sustain the vibrancy and viability of these dominant high streets. The redevelopment of Edinburgh, St James is an example of this, as one of the strongest locations within our Resilience Index, the notable mixed-use redevelopment of the former St. James Centre will help rejuvenate the eastern section of the retail core, contributing to vibrancy going forward.

CASE STUDY

ALTRINCHAM, CHESHIRE



KEY CHALLENGES

Proximity to larger competing centres
Weak retailer demand resulting in high vacancy rate
Prime rents down over 40% in last decade.



RESPONSE

Refurbishment of town's market hall, with a focus on food and drink
A new health & wellbeing centre offering community health services
A new transport interchange
Improvements in the public realm
Future plans include a new cinema, refurbished retail quarter and residential development.



RESULT

Town centre rents have stabilised
Notable improvement in footfall
Reduced vacancy rate.

SOURCES AND DEFINITIONS

PROPERTY

- **RENTAL CHANGE (%)**

Source: Cushman & Wakefield. Overall change in prime rent (£ per sq ft) between Dec 2007-Dec 2017

- **YIELD SHIFT (%)**

Source: Cushman & Wakefield. Overall yield shift between Dec 2007-Dec 2017

- **CAPITAL VALUE GROWTH (%)**

Source: Cushman & Wakefield. Overall change in capital values between December 2007-December 2017

- **CHANGE IN INVESTMENT VOLUMES (%)**

Source: Property Data. Change in investment volumes pre-and post-financial crisis (01/01/1999-31/12/2006 vs. 01/01/2007-31/12/2017).

RETAIL SUPPLY

- **COMPARISON FLOORSPEACE DENSITY (SQ FT PER 1,000 POPULATION)**

Source: Experian GOAD, CACI

- **LEISURE FLOORSPEACE DENSITY (SQ FT PER 1,000 POPULATION)**

Source: Experian GOAD, CACI

- **SUPPLY INDEX**

Source: Experian Goad, CACI. Combines vacancy rate and total floorspace density

- **RETAILER DEMAND (%)**

Source: PMA. Change in PMA Retail Provision Score (2007-2017)

- **COMPARISON SPEND DENSITY (£ PER SQ FT)**

Source: CACI, Experian GOAD

- **LEISURE SPEND DENSITY (£ PER SQ FT)**

Source: CACI, Experian GOAD.

CATCHMENT CHARACTERISTICS

- **CATCHMENT SIZE**

Source: CACI

- **AB1 HOUSEHOLDS (%)**

Source: CACI

- **STUDENTS (%)**

Source: CACI

- **LONG TERM UNEMPLOYED (%)**

Source: CACI

- **TOURIST SPEND**

Tourist Comparison Spend. Source: CACI

- **PROPENSITY TO SPEND ONLINE**

Source: CACI/IPSOS. % of catchment who use a laptop/PC to make an online purchase.

ECONOMIC

- **BUSINESS SURVIVAL RATE (%)**

Source: ONS. % of businesses born in 2011 to survive at least five years

- **HOUSE PRICE GROWTH (%)**

Source: Land Registry. Change in house prices Dec 2007-Dec 2017

- **GVA GROWTH (%)**

Source: ONS, Oxford Economics. 2007-2017. 2017 is forecast

- **WAGE GROWTH (%)**

Source: ONS. Growth in annual pay (£, Gross) for full-time employees between 2007-2017

- **RAILWAY STATION PASSENGER NUMBERS (%)**

Source: Office of Rail & Road. Percentage change in train station entries and exits. 2007-2017

- **QUALITY OF LIFE**

Source: ONS, National records of Scotland and NI stats & research agency. Combines Crime Rate (Crimes per 1,000 population) and Life Expectancy data.

CONTACTS

AMY GIBSON

SENIOR RESEARCH ANALYST
EMEA Retail Research & Insight
T +44 (0)20 3296 3067
E amy.gibson@cushwake.com

DARREN YATES

HEAD OF EMEA RETAIL RESEARCH & INSIGHT
T +44 (0)20 3296 3911
E darren.yates@cushwake.com

JOHN PERCY

HEAD OF DEVELOPMENT & PLACE
T +44 (0)20 7152 5929
E john.percy@cushwake.com

CHRIS LEWIS

HEAD OF HIGH STREET INVESTMENT
T +44 (0)20 7152 5991
E chris.g.lewis@eur.cushwake.com