

RE:IMAGINING RETAIL



HOW DO WE
DELIVER SUSTAINABLE
REPURPOSING?



CONTENTS

CHAPTER 1: INTRODUCTION

RETAIL PERSPECTIVES: HAS ANYTHING CHANGED OR HAS EVERYTHING CHANGED?	10
RETAIL TRENDS: THE BIG PICTURE	12



p9

p17



CHAPTER 2: SUSTAINABLE USES

EXPLORING CO-WORKING OFFICES	18
EXPLORING LIFE SCIENCES	22
EXPLORING MEDICAL	24
DOES RESIDENTIAL WORK IN TOWN CENTRES?	26
DO SUPERMARKET SITES MAKE GOOD RESIDENTIAL SITES?	30
EXPLORING EDUCATION	34
EXPLORING SENIOR LIVING	38
TRANSFORMING RETAIL SPACES INTO CONSUMER HUBS	42

CHAPTER 3: SUSTAINABLE REPURPOSING

REBUILD OR RETROFIT?	48
DEPARTMENT STORES: EXTINCTION OR EVOLUTION	52
THE DEATH OF SINGLE USE ASSETS?	56
ESG CONSIDERATIONS WHEN REIMAGINING RETAIL	60
CREATING SOCIAL VALUE FROM OUR RETAIL SPACES	64
A BLUEPRINT FOR SUSTAINABLE REPURPOSING	66



p47

CHAPTER 4: SUSTAINABLE MASTERPLANNING

PUSHING FOR PARTNERSHIPS	70
CITY VISION: SEEING THE BIGGER PICTURE THROUGH URBAN DESIGN	74
MASTERPLANNING AND THE MEETING OF MINDS	76
THE NEW LOCALISM & THE 15-MINUTE CITY	78
SUSTAINABLE DESIGN AT THE HEART OF URBAN TRANSFORMATION	82
PUBLIC SECTOR OWNERSHIP AND REPURPOSING	86



p69

p91



CHAPTER 5: SUSTAINABLE FUNDING & POLICY

SUSTAINABLE FINANCING	92
BRIDGING THE FUNDING GAP	94
DELIVERING SUSTAINABLE DEVELOPMENT IS AT THE CENTRE OF THE PLANNING AGENDA	96
PLACE FIRST ECONOMICS	100
FUNDING OPPORTUNITIES FOR TOWN CENTRE REPURPOSING AND REGENERATION	102
THE FUTURE ROLE OF SUSTAINABLE RETAIL PLACES	106

CHAPTER 6: ABOUT SAVILLS

SAVILLS – GLOBAL REAL ESTATE PROVIDER	110
REPURPOSING PROPOSITION	111
KEY CONTACTS	115



p109



FOREWORD



FOREWORD BY:

Tom Whittington
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Retail & Leisure
Research

Mark Garmon Jones
Head of Savills
Retail Investment &
Repurposing

The accelerated evolution of retail is extraordinary. In 2020 we saw a shift in consumer behaviour like never before. These trends were already advancing, but too often ignored.

When we embarked on the repurposing campaign with Re:Imagining Retail#1 it was a call to arms for all stakeholders in the property industry to consider the urgent need to adapt its retail spaces and places. The positive market reaction to this publication was astonishing. We now seek to take the debate a step further, with Re:Imagining Retail#2 – Sustainable Repurposing.

Retail repurposing reimagines how we use our towns and shopping centres to live, work, play and thrive. **Sustainable repurposing**, is about making sure that these places are future proof, green, offer solid investment opportunities and provide what communities need.

There are huge headwinds ahead. If we fail to act now, a third of retail could be redundant by the end of the decade.

We're at a crossroads, where significant challenges meet opportunity. Retail needs to be rightsized, not replaced. Evolved, not eliminated.

Non-retail uses will play a vital role in the transformation of shopping spaces to a more dynamic, rich and purposeful mix of uses. There is a once in a generation opportunity to right previous wrongs, creating places that serve greater financial, economic and social value.

More parties are now coming to the table, recognising that it is not just a question of if, but when. Challenges around viability remain, but increasingly are being navigated through new funding mechanisms, creative uses and partnerships. We're seeing investors, stakeholders and consumers focus even more on ESG, sustainability and social returns.

Re:Imagining Retail#2 is a cross-sector collaboration of insights from Savills and our peers from across the landlord, developer, planning and design space. We are indebted for their fascinating contributions and engagement on a subject that we are passionate about. In this publication, we examine thought leadership and case studies through the lens of sustainable uses, sustainable repurposing, sustainable masterplanning, and sustainable funding and policy.

Join us on this incredible journey.



“The pandemic will accelerate the evolution of our cities and will hasten existing trends, but it will not create new trends”.

Sir Norman Foster



KEY EMERGING THEMES:

SUSTAINABLE USES (PAGE 17-45)

Mixed uses benefit all uses. It's about creating the right blend of interconnected hybrid spaces that are appropriate for that place. This means more than just replacing one use with another.

In terms of employment space, we're seeing a large number of co-working office developers, maker spaces and interest from life sciences operators who want to bring labs into town centres.

Living spaces aren't just about creating apartments for younger people. If we're serious about creating sustainable communities we need all kinds of people living together, which requires a rethink in how we build them and how we meet the disparate housing needs of different lifestyles.

Retail still has its place, but perhaps not solely as retail places. We need to think of these as consumer hubs that are more than just shopping, but instead meet other social and civic needs, such as health, education and wellbeing.

SUSTAINABLE REPURPOSING (PAGE 47-67)

Sustainability has to be at the heart of repurposing if we are serious about creating places that genuinely meet our future needs.

ESG is central to this, reducing energy consumption through better building practices, retrofitting where possible, but rebuilding where the opportunity to improve the environment exceeds its cost. Creating social value enables us to contribute to stronger and more resilient local communities.

The best retail investments in the future will be those that are connected to their places, are environmentally and economically sustainable, and that have secure income from diverse occupants.

SUSTAINABLE MASTERPLANNING (PAGE 69-89)

The need to rethink our use of urban spaces doesn't lie with retail alone - it's a question of rightsizing everything and all stakeholders collaborating with a common purpose. Public and private sector engagement is coming together like never before.

We have to stop seeing our town's retail assets as islands and instead work out the relationships they have with other uses. This means different stakeholders engaging in the masterplanning process, to make sure towns have a range of uses that complement each other, rather than compete.

The best town centre redevelopments tend to have strong partnerships between developers and local authorities.

Some local authorities are now bringing in the concept of the 15-minute neighbourhood. The idea that good sustainable settlements provide residents most things they need to get about their daily lives, through living, working and recreation within a short walk. This is the ultimate sustainability goal as it reduces travel and creates community and vibrancy.

SUSTAINABLE FUNDING & POLICY (PAGE 91-107)

Planning policy has never been more supportive. The recent changes to use classes make it far easier to change between different kinds of uses and flexibility and adaptability of use will be key for sustainability.

There are an increasing array of government funds to help get developments off the ground. The Town Fund is set to help improvement projects that would not have previously been possible, but more support is needed to help bridge the gap and increase viability.

Joint ventures between landlords and specialist property developers with their own funding mechanisms are being brought into schemes to support areas outside of the expertise of the primary owner. Not least with the needs of local authorities who have invested in local retail assets to regenerate their own town and city centres.

RE:

RE:IMAGINE

RE:PURPOSE

RE:POSITION

RE:GENERATE

RE:DESIGN

RE:CREATE

RE:CURATE

RE:VITALISE

RE:DEVELOP

RE:LOCATE

RE:PLACE

RE:THINK

RE:CYCLE

RE:ENGAGE



WISH
YOU
WERE
HERE

CHAPTER 1

INTRODUCTION

WHAT IS HAPPENING IN RETAIL?



RETAIL PERSPECTIVES: HAS ANYTHING CHANGED OR HAS EVERYTHING CHANGED?



BY:

Tom Whittington
Director, Savills
Retail & Leisure
Research

ACCELERATED EVOLUTION

If you believed everything you read in the last year you'd think that retail, consumers and the shopping places have all changed for good. We need to keep things in perspective, maintain pragmatism, avoid short term sensationalist headlines and consider the real long term future of retail and the places they operate within.

We were struggling with a surplus of retail space even before coronavirus. What we are seeing in 2020/21 is an accelerated evolution of existing trends that are changing the way we need to view our town and city centres and the amount of retail provision needed to support them. So while there are significant challenges facing these markets in the face of the pandemic and potential for multiple lockdowns, dispersed workers and shoppers and displaced tourism, the fundamentals of many retail and leisure destinations remain sound, subject to rightsizing the right offer in the right place.

That might seem a perverse notion in the current climate, which may see waves of lockdowns over the next year or so, with the potential to significantly disrupt retail and leisure businesses. There will be failure and some could be considerable.

But let's be clear – Its not that retail is dead. Boring, irrelevant retail is dead. There remains demand for new retail concepts that fit with evolved consumer preferences and additional space where demand has relocated to. Dynamic retail will survive and mixed use retail spaces will thrive.

This may be hard to see now, and if I am honest I do worry about the survival of some leisure brands in particular the longer social distancing goes on. But at the risk of sounding like I don't care, and of course I care very deeply, any market failure will be followed by a spate of energetic new concepts that will help revive the sector. It's always been thus. Through disruption comes opportunity.

Of course, no amount of optimism for the future gets us away from the fact that our relationship with retail is evolving and this might see a change in focus for where we want to buy our stuff.



CONSUMERS ARE RESILIENT, THE SECTOR NEEDS TO BE TOO

Over the last decade we have seen the consumer need for value, quality, convenience and experience take precedence. There is no doubt we are seeing swathes move online, become more ethical, more health conscious, more thrifty and yet more indulgent. You would think that we're all the same. We're not. In the post-Covid environment let's not assume that all people will change the same, want the same, behave the same. Consumers are not about to leave shops and restaurants for good. However, it does feel that we have moved forwards 5 years in the advancement of some of these trends and therefore the retail market needs to swim quickly to stay afloat.

The pandemic caused us overnight to change the way we think about how we live, work and play. Early on it seemed that this would be a short term impact, but the longer it goes on the more I think it will leave us with permanent change, even if most of the trends were already underlying and in motion. The biggest change is likely to be how we work. I have no doubt that social distancing will ease, but we have learned that it is possible to do our jobs remotely at least some of the time and this will fundamentally shift spend from city centres to boost the economy of local communities.

AN OPPORTUNITY TO REVIVE

Repurposing redundant retail provides a significant opportunity to breathe life back into town centres, which post-Covid will be more important than ever. We need to reimagine the real function of consumer ecosystems, which will often mean not thinking about retail places as retail only places.

The biggest drive for change as I see it is with the importance of community and social value in all retail places. This can mean lots of things, whether it is improved food and beverage, public realm, civic uses, amenity, public engagement, or stakeholder philanthropy. But how do you put a financial value on social value? How does a landlord articulate the benefits of investing in other functions that are a divergence from traditional landlord and tenant leases?

This is a clear challenge, but we are increasingly moving from a reluctant, to acceptant, to proactive attitude from retail investors and developers. Several owners of retail property are de-risking their investments by exiting the sector, whereas others are adapting to the new world order. It is after all sustainably repurposed or adapted retail assets and places that will survive. Future retail spaces, will be hybrid spaces. Mixed uses benefit all uses by interlinking journeys, creating footfall and operating different day parts. They have the potential to make places that are more vibrant, have greater social value, are more sustainable and more resilient.

So has retail and leisure changed for good? A wise man once told me that the only constant in retail is change. I tend to agree and we need to be very cautious in assuming that the next 12-18 months will represent the new normal. I'm not saying change is easy, but it can be healthy and we have to learn to embrace it. In the meantime the retail repurposing journey will continue and we need to embrace that too.





RETAIL TRENDS: THE BIG PICTURE

THE TRENDS POINT TO REPURPOSING, BUT RETAIL SHOULD REMAIN AT THE HEART



BY:

Josh Arnold
Associate,
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This year has brought about monumental changes to the retail landscape. Many trends that were creeping into effect pre-Covid have been forced to mature almost imminently this year, posing a number of questions over the structure of the retail market as we know it. How many of these trends will reverse after the pandemic, what has been accelerated and what has changed beyond recognition?

ECOMMERCE

The domination of ecommerce has been the talk of the town this year. Is it fully justified?

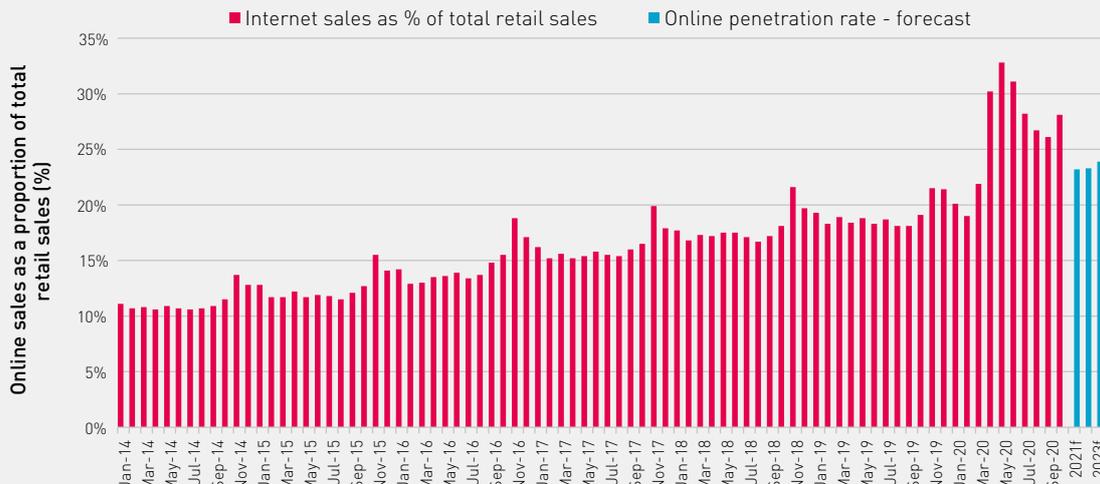
The rise in internet retailing has been at the forefront of retail evolution for a number of years and at the end of 2019 accounted for 19% of retail spend in the UK. Online sales spiked during Lockdown#1, briefly accounting for a third of all UK retail sales. However, this has since softened and, once lockdown measures have eased, is forecast to settle at between pre-Covid and peak lockdown levels, with a penetration rate of around 23.2% likely by the end of 2021, according to GlobalData (figure 1); more than five years earlier than previously anticipated and yet not an irreversible trend in shopping as has previously been reported in the press.

The remaining three-quarters of retail sales will still be accounted for through physical stores, emphasizing the ongoing pivotal role of bricks and mortar. The importance of omnichannel retail has become vital for the existence of many retailers, with efforts to improve or introduce Click & Collect accelerating this year, somewhat reinforcing the need for an element of physical presence.

Online supermarket sales, which prior to the pandemic lagged behind non-food, has been particularly affected; almost doubling in 2020 from 7% to 13%. However, CACI report that the highest online grocery penetration is in locations with a strong store presence, so there remains synergy between online and offline.

So the question perhaps isn't whether physical retail is necessary or not, but more how much is needed, with 'rightsizing' becoming a feature of most retail-related agendas.

FIGURE 1: ONLINE SALES AS A PROPORTION OF ALL RETAIL SALES



Source: Savills Research; ONS, GlobalData

THE DOUGHNUT EFFECT

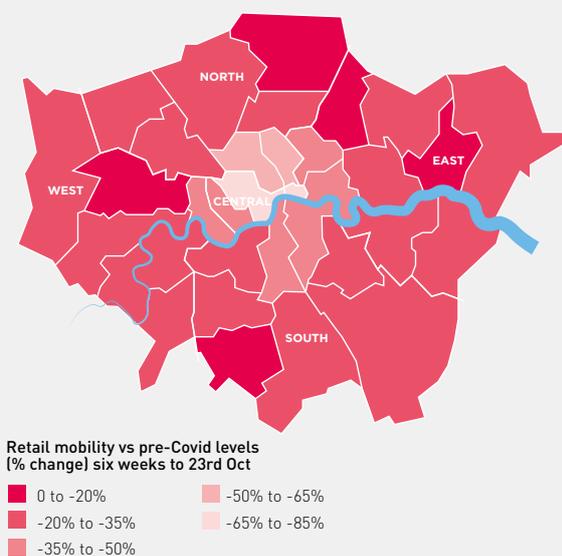
Footfall and mobility data have been useful benchmarks for understanding the shift in consumer demand caused by the pandemic. Following the initial reopening of retail and leisure after Lockdown#1, commuter and market towns in the UK experienced a more robust recovery compared to city centre workplace and destination locations. The Local Data Company (LDC) noted that year-on-year footfall across a sample of residential locations averaged -43.1% per week between March and August, compared to -67.7% for office-based locations.

Similarly towns across the UK, including those normally impacted by strong regional shopping or city centre competition, are seeing greater resilience and increased loyalty as people increase the time spent in the areas they live through altered working patterns and the need to decrease the contact time with retail favouring convenience formats.

This echoes data reported by Google regarding mobility across outer-city retail locations compared to city centres. For major cities like London, this has created a 'doughnut effect' whereby outer-London boroughs have seen far quicker recovery levels, effectively reinforcing the importance of local amenities and demand for nearby retail.

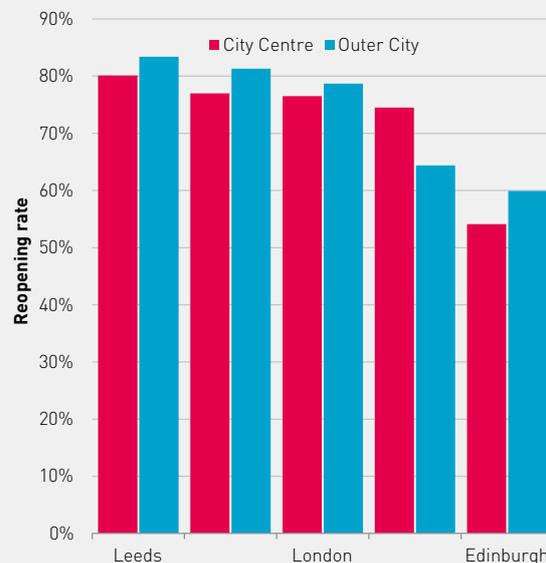
Furthermore, LDC has demonstrated the reopening rates of retailers and businesses across outer city locations have recovered more quickly when compared to city centres (Figure 2 & 3 below).

FIGURE 2: REOPENING RATE - CITY CENTRES VS OUTER CITY LOCATIONS



Source: Savills Research; VisitBritain

FIGURE 3: REOPENING RATE - CITY CENTRES VS OUTER CITY LOCATIONS



Source: Local Data Company

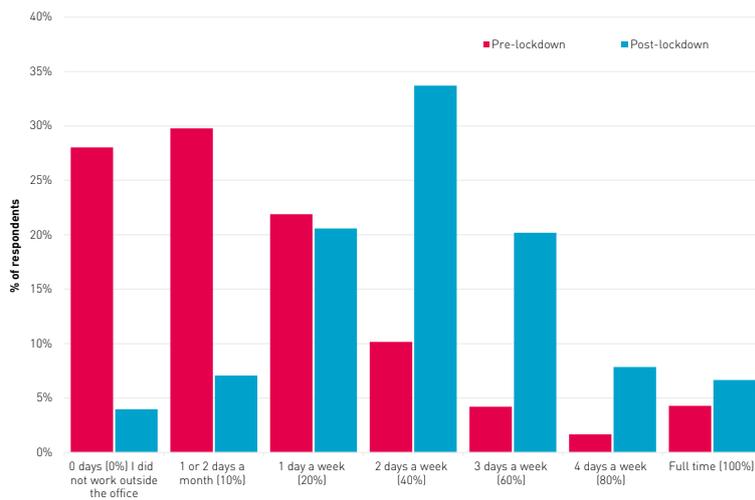
WORK-LIFE BALANCE

Arguably, the most significant cultural movement in 2020 has been the forced change to homeworking and the likely impact this will have on city centre office and retail markets. There appear to be diverging attitudes amongst workers on whether jobs can be performed as well remotely and it is becoming clear that it depends on the type of role and the individual’s personal circumstances and preferences. For some the workplace is a hub for creativity, collaboration, learning and social activities, for others the video call allows for all of these, and for those who have endured years of commuting, homeworking can provide an improved work-life balance. The long term outcome for most is likely to be a blended approach.

Savills Office FiT survey has found how attitudes to homeworking have changed dramatically since March 2020. Pre-Covid less than 20% of office workers had the preference to work at home more than 1 day a week. Following the onset of the pandemic over 80% want to work at home more than 2 days a week (figure 4).

This could fundamentally change the way our towns and cities will function in the future. CACI estimate that 25% of retail spend in city centres is from workers and 40% in London. Even a 10% shift in behaviour would significantly alter the need for retail space in these locations, but by the same token, increase the need for space where people live.

FIGURE 4: PRE- & POST-LOCKDOWN REMOTE WORKING PREFERENCE



Source: Savills FiT

25%

City Centre Spend from Workers

40%

Central London Spend from Workers

Source: CACI

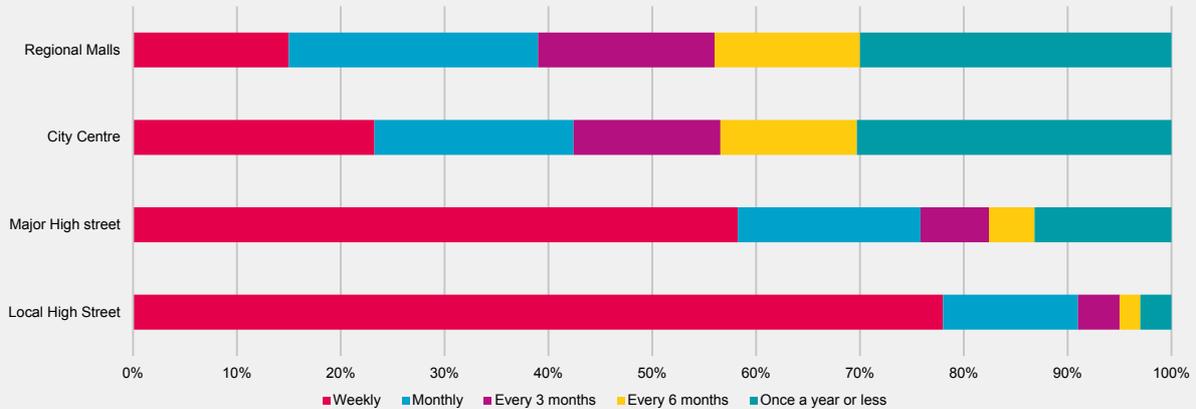
PURPOSE-DRIVEN SHOPPING

Another key theme to mature this year is the importance of convenience and purpose-driven shopping; a trend that has supported resilience across retail parks, supermarket anchored schemes and smaller high streets over shopping centres and major city centre retail. We have long advocated the importance of community retailing, having tracked the ongoing polarisation between destination and convenience based trips that has prevailed over the last decade. Convenience trips are typically local, frequent, essential and functional, whereas destination trips more experiential, indulgent and leisure based.

Most convenience based trips are made in combination with another journey, or are located close to a place of residence. The longer workplace displacement and social distancing persists, it is reasonable to assume that this trend will continue long after the Covid crisis.

So where does this leave destination retail? Notwithstanding there being significant challenges ahead, there remains an important place for prime retail and leisure destinations in the long term. Some things, experiences in particular, cannot be delivered online and convenience based places lack the infrastructure. However, it is also reasonable to surmise that mass vaccination needs to be in place before we can put this crisis behind us and return to normal, or at least move to the next normal. Either way, there is little doubt that there will be a major structural change that will see these places need to reduce the floorspace they currently occupy, even if the retail and leisure users remain at their heart.

FIGURE 5: VISITATION FREQUENCY



Source: Savills; PlaceDashboard; Ellandi

RETAIL VACANCY

The declining need for space is by no means a new phenomenon; the number of retail outlets has been falling for decades. The Local Data Company announced that store closures in H1 2020 increased by 21% year-on-year, resulting in a net loss of 7,834 stores. While this trend is set to continue, not all retail places are affected equally.

The UK currently has 142 million sqft of vacant retail space, equivalent to 12.6% of retail units. But vacancy within any centre is rarely uniform (figure 6a). Examining different retail pitches within town and city centres nationally shows that vacancy increases outside of the retail core, with 46% of empty units being within the tertiary retail pitch, compared to 15% in the primary retail pitch (figure 6b). This demonstrates how retail provision has shrunk or moved within high streets, causing marginalisation and more limited occupation at the periphery.

The void rate itself masks a more serious concern, void length. Even in the most successful retail places there is an increasing proportion of vacant units that are empty for long periods or even permanently, with 40% of vacant units having been empty for 3 or more years. This problem is exacerbated in most towns and cities across the country and accounts for 60 million sqft, most of which is no longer needed.

Furthermore, with changing consumer trends we estimate that by the end of the decade almost 308 million sqft of retail space will be redundant, increasing to 492 million by 2040. It's not that these places don't function as retail spaces, they simply have too much of it. This problem has been creeping up on us for a long time and Covid or not, is reaching a critical moment in which we need a radical change in thinking of all retail places and town centres.

Nonetheless, there remains demand for new retail concepts that fit with evolved consumer preferences, with the opportunity for repurposing redundant retail to breathe life back into town centres which, post-Covid, has become more important than ever before.

FIGURE 6A: % UNIT VACANCY RATE BY RETAIL PLACE TYPE

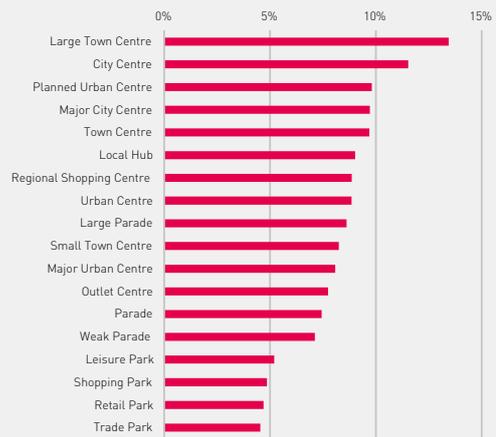
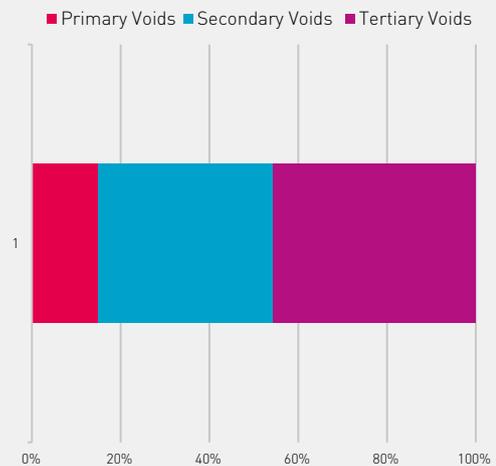


FIGURE 6B: DISTRIBUTION OF VACANT UNITS BY RETAIL PITCH



Source: Savills Research; LDC; GOAD; Geolytix



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CHAPTER 2

SUSTAINABLE USES

CURATING CONSUMER

HUBS WITH A BLEND OF

LIVING, WORKING AND

SOCIAL SPACES

EXPLORING CO-WORKING OFFICES

WHAT PLACE DO FLEXIBLE OFFICES HAVE NEXT TO RETAIL?

WHERE DOES THE DEMAND COME FROM?

Savills FLEX advisory team are currently working with co-working operators considering shared spaces as small as 5,000 sq ft. In the UK 22.7 million sq ft of retail space is currently vacant in units larger than 5,000 sq ft and over 150 towns across the UK, from Stevenage, to Sunderland have at least 50,000 sq ft of such space. The vast amount of empty space on our high streets presents an opportunity for re-purposing to new uses, with co-working considered as one of the prime contenders. Why is there such an opportunity for co-working to help re-invigorate our high streets?

Covid-19 has been a catalyst for accelerating several trends in the workplace, many of which were already underway prior, including the blending of retail and workspaces together. Several consumer trends are aligning that make this an attractive proposition: goods and services on demand; blended 'day parts'; blended home, working and social lives; desire for sense of Place and community; need for social integration, but less travel. All of which means we need more mixed uses and a focus on placemaking.

Long term structural change in retail has resulted in many large units, often ex-department stores, becoming redundant or marginalized due to pitch shift, or a general declining need for retail space. Unused retail space provides an opportunity as much of the urban fabric is already there.

However, if we can reduce exposure to retail where it is no longer needed and bring in alternative uses, we have the opportunity to revitalize these areas and make them more akin to town centres of old, where people would live, work and play.

The flexible workspace model is already proving to sit well with retail and being used as an alternative use in units that have become marginalised and redundant – for the benefit of the place as a whole. Having a range of resources within easy reach, such as shops, restaurants and entertainment facilities, are a magnet for new office tenants.

Like many trends that started in the most prominent cities, flexible working is filtering down to regional towns across the country and is providing a shot in the arm for retail centres that suffer from high voids and falling footfall.



BY:

Cal Lee

Director, Savills
Workthere





WHO'S DOING IT?

Take Stockport, which has struggled with high retail vacancy for several decades, largely on the back of over development of out of town retail. In 2018 Marks & Spencer closed its store, which had the potential to leave a large blight on the high street as low retail occupational demand in the town would have made re-letting the space a significant challenge. However, while Stockport is over supplied for retail it is undersupplied for offices and developer Glenbrook have seized the opportunity to access a significant floorplate in the heart of the town centre. The new scheme, STOK, will increase footfall and further diversify the town centre. Instead of standing empty, shoppers will see the historic building remain an important part of the community.

This isn't the first time a large empty department store has provided a catalyst for regeneration.

A former 80,000 sqft Grade II listed Co-op department store in Sheffield that was once at the heart of the city centre's retail offer closed its doors in 2008 as the retail pitch lost relevance and became marginalised. A decade later following a £3m funding deal between the City Council and regeneration company U+I has seen life breathed into this once dilapidated but iconic building. The development comprises a number of key parts that co-exist to create an exciting destination. A flexible working environment delivered through Kollider Incubator is specifically designed for businesses and ambitious entrepreneurs to scale quickly. At the heart of the developers' ethos was the need to provide a catalyst for regeneration in the wider locality. The curation of food hall Kommune has the core aim of providing a public focussed use to increase visits and socialising in the building and now attracts 7,000 visitors a week. Since opening, new operators have moved into the area and neighbouring buildings are being refurbished for a variety of uses from offices to residential.

Shopping centre owner Ellandi has a talent for re-energising its schemes through creative curation of space and are not averse to considering alternative uses. Workspaces in particular are seen to align well with the ethos of community shopping environments. In the Marlands Shopping Centre, Southampton, a vacant unit previously occupied by Matalan has been repurposed into the city's first collaborative, co-working environment, powered by Barclays Eagle Lab.

In the Merrion Centre, Leeds, Town Centre Securities has taken an unlettable unit and opened a free workspace environment for visitors to "meet, connect and charge". This provides flexible offices in a "pop up environment that fills empty space and gives the landlord time to consider a long-term solution for the unit.

Retailers are also reviewing their space requirements and many with larger stores are turning to flexible offices as a complementary use within their buildings. Overseas examples include Staples providing co-working space in U.S. suburban locations under its Workbar brand, and Carrefour's Urban Life supermarkets are offering shared workspace in Milan.

The provision of flexible working space in the retail environment has created a crucial hub for those not working from a fixed office. This provides a different reason for people to visit their local high street and shopping centre, away from the traditional retail and food court visits. Attracting flexible workers increases footfall and encourages spend in nearby stores. It also provides an element of futureproofing as more of the population are expected to move into agile working in the future.

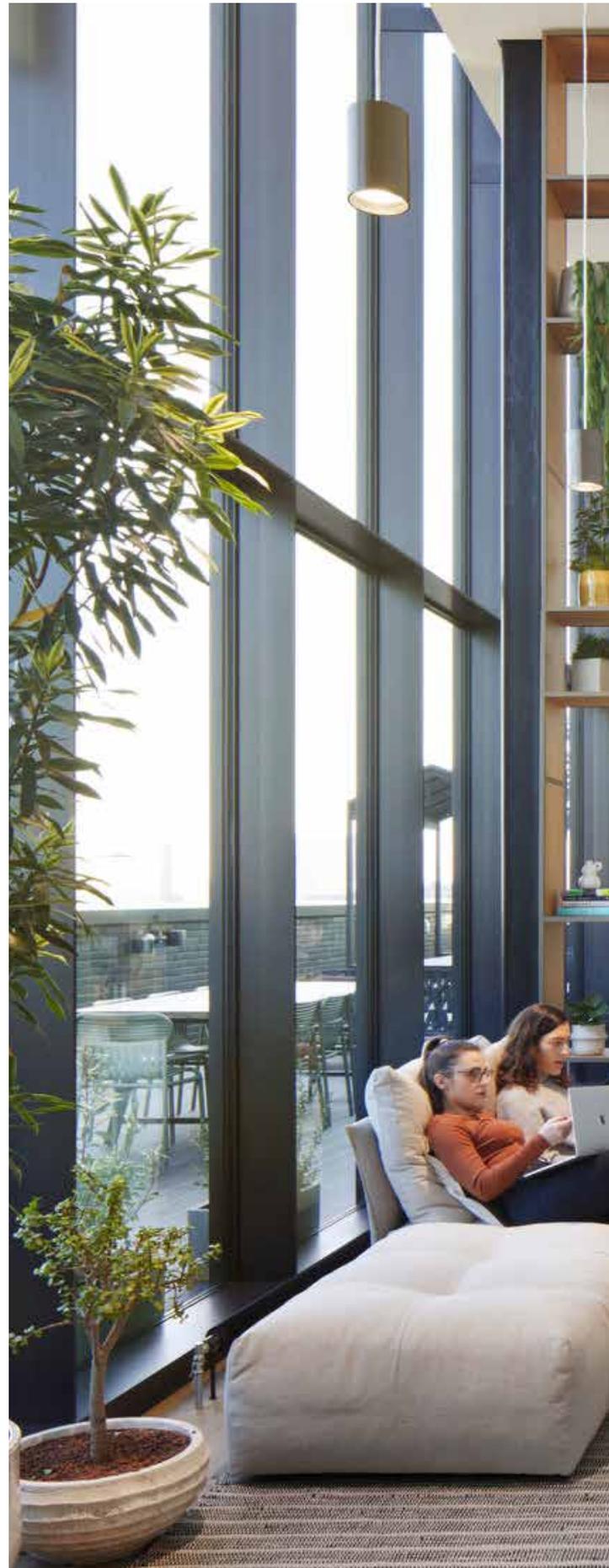
EVOLVING WORKING BEHAVIOUR

Will the coronavirus see a step change in the way we work?

One potential outcome is the drive to behavioral change. Becoming used to working with a different group of people, or from anywhere. Businesses will adapt to being remote on their laptops, communicating regularly with their teams via video link and catching up with clients via online meetings will become the norm. And yet, people are likely to have cabin fever from spending so much time at home, while seeking a good cup of coffee or lunch offer. Workthere data in the UK shows that since lockdown, the second highest portion of demand for flex space has come from those seeking suburban space (26% of total demand), either as an individual, or as a company.

As our work, home and social lives have become increasingly entwined in recent years there is more reason than ever to blend different property uses together. This is part of a long term trend, but the Covid-19 situation brings these trends sharply into focus and is likely to accelerate the rate that these changes take place. Employers, workers and consumers will quickly learn new ways of balancing their lives that could stand the test of time, long after the pandemic has passed.

Long term therefore, we expect flexible offices to provide an increasingly important solution for supporting retail spaces. Either way, it looks evident that when different property uses merge they can increase footfall, engagement and vitality, while enhancing the resilience of those locations.





EXPLORING LIFE SCIENCES

WHY ARE LABS NOW LOOKING AT TOWN CENTRES?



BY:

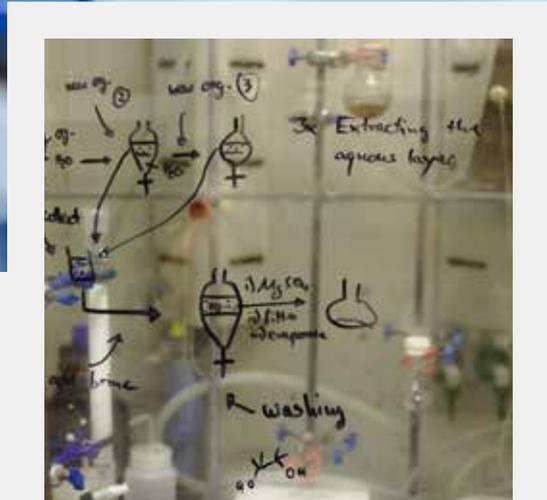
Steve Lang
Director, Savills
Commercial
Research

Even before the global pandemic, the level of investor and developer interest in the life science commercial property sector had increased. It has been an 'alternative' commercial property sub-sector, in most cases, developed by specialist investors/developers, but now there is interest from all types of investors and/or developers looking to review the opportunities. Of course, the need for the global scientific community to deliver a vaccine for Covid-19 has also intensified the focus and interest in the science-related property sector even further with the past six months seeing an explosion of interest from investors looking to diversify their portfolios to capture the expected increase in demand from life science companies.

So what does this mean for the retail commercial property markets in the UK? There are three key driving factors, which are worth reviewing in turn.

Firstly, the fact is, demand from life sciences companies for additional floorspace will increase in the medium-term. The scale of capital raising, including venture capital, private equity, Initial Public Offerings amounts to £1.8 trillion in the past five years. Why should we care? This capital raising results in companies enacting the next stage of their business. It often requires additional headcount and therefore increasing real estate demand, including laboratory space.

Secondly, in the UK, the life science sector grows from the trinity of academia, corporates and medical institutions, including hospitals. Coupled with this, in the UK, there has also been a trinity of core locations for life sciences namely Oxford, Cambridge and London. However, for Oxford and Cambridge, determined by their historic nature, size and strength of competing uses, means that available sites are not easy to obtain by developers and occupiers.



In London, there are competing uses and the quantum of commercially-let laboratory floorspace is still relatively small for a city of London's size and reputation. There has been stronger demand for these key locations, but the demand outstrips the supply. Thirdly, there has been a shifting locational preference of life science companies that enables them to compete for the required talent, against technology companies, but also have a higher degree of corporate activity transparency and visibility within the city communities.

So how does this impact on the retail market? Vacant retail units and department stores offer relatively larger units in prominent locations, which provides the opportunity of being repurposed for laboratory uses. The generous floor-to-ceiling heights provides the ability to accommodate the necessary air handling plant to service laboratory space. As well as the larger units, a retail unit and associated floorspace above, which may include offices, is also worth considering. Savills Research, for a life science 'hotspot' in London has identified approximately 100 units amounting to 1.8 million sq ft – a deeper review of these opportunities has been completed for our clients. Our retail teams are currently in negotiation with several operators on large prime retail units in key markets.

For key life science locations in and around London, but also the more space constrained markets of Oxford and Cambridge, now is the opportunity for investors and developers to acquire and develop retail property, of all sizes, to cater for the burgeoning life science market. The very nature of the retail markets, with good visibility and being embedded in high footfall locations, also offers the characteristics to deliver the higher degree of visibility, therefore, transparency.

EXPLORING MEDICAL



BY:

George Todrick
Associate Director,
Savills Healthcare

HAS COVID EXEMPLIFIED OR AMPLIFIED THE NEED TO DEVELOP MORE HEALTHCARE FACILITIES IN RETAIL HUBS?

Covid-19 has catapulted the NHS and the wider primary care market into the future forcing it to change, adapt and react at a pace it hasn't been seen to do for a long time, if ever. It has broken down a significant number of barriers to change. This has been particularly relevant in respect of the repurposing of space, in terms of the rapid delivery of new facilities, in relation to the Nightingale Hospitals. For example, Nightingale Exeter was, in a previous life, a retail warehouse unit let to Homebase. It was successfully re-purposed and brought online in two months. The delivery of this hospital satisfied both the NHS, on the basis it was able to create a new and required facility, and the landlord in obtaining a secure covenant.

However, Covid is not the only reason we're seeing an increase in interest from this sector and retail spaces being considered for medical expansion.

The challenges within the retail sector have been widely reported and landlords are keen to put in place measures to protect their assets. Healthcare can offer a huge amount in this respect - Medical centres can not only act as a community benefit but as a driver for footfall. These medical centres can be inserted into these centrally located properties/ shopping centres either through new development or into large converted retail units. This benefits both the landlord (having a tenant with reimbursed income on a long term lease) and the consumer (they are able to visit their GP in a town/ city centre location rather than having to visit one that might be more peripheral).

It is envisaged that the consumer/ patient will generate additional footfall, translating into sales, either before or after their visit to their GP. A further benefit is that the location of a health centre in such a location will encourage complementary users to let vacant retail units. These might include, dentists, opticians, pharmacies, physios etc. The result being a more cohesive centre that offers the consumers and community stakeholders the ability to consolidate their journeys and travel time with the multi-offer centre and from the landlords' perspective, a new anchor tenant providing long term quasi-government backed income.



An increasing number of retail landlords are bringing medical facilities into their schemes. Cockhedge Medical Centre in Warrington is within a town centre shopping centre. We're seeing an increasing number of local district centres being developed with community health facilities. Both NewRiver and Ellandi, who specialise in the asset management of community shopping centres, have brought medical practices into their schemes in recognition of the need to reposition assets to increase footfall and blend retail with community and convenience uses.

Change of use from retail to medical has never been more supported. Under the terms of the new Use Classes Order for England (September, 2020), the provision of medical or health services, principally to visiting members of the public are now within the same Use Class ('Class E') as shops, offices and many leisure operations. Therefore, there will be a large number of shopping centres, and examples on out of town retail locations where a formal planning application to change the use of a unit will not be required to deliver medical or health services.

The NHS have proposals in place for a significant rollout of a new diagnostic centre concept, providing community hubs to relieve pressure on hospitals. The centres would allow for diagnostics and

tests, minor surgical procedures and therapy. They are looking at shopping centres and out of town retail to house these new operations. The key driver for the diagnostic hubs will be proximity to hospitals and accessible transport locations.

Where will it go from here? In the US, where the death of the shopping mall is well documented, there are several examples where significant retail footprints have made way for the delivery of medical facilities. Vanderbilt University Medical Centre found a solution to their expansion woes by taking over the entire second floor (440,000 sqft) of the struggling One Hundred Oaks mall in Nashville, Tennessee reimagining the deteriorating retail centre into a successful, mixed-use medical office destination. The result may seem an extreme solution to the problems within retail, but we must recognise that for some places the problems themselves are extreme and the solutions must be equally so. Cavendish Square, in London, one block back from the UK's most successful high street is currently undergoing a significant transformation of the subterranean

carpark that lies hidden beneath the streetscape. Reef Group are repurposing the space as 'the world's first wellbeing destination', incorporating healthcare with retail and commercial space. While not specifically a retail repurposing project, it is testament to the demand that is out there.

The significant voids within UK retail and in particular the downsizing of department and larger format retail stores means that increasingly there are opportunities for large scale repurposing projects and medical is an obvious consideration, not least because the need for health facilities spans the demographic divide. Increasingly landlords and the like of the NHS are looking more closely at these voids that exist within UK shopping centres. The current requirement for and delivery of mass vaccine sites (250 by the end of 2021), community diagnostic hubs (165 centres across England) and Long Covid facilities (40 required across England) mean that these spaces are being very much viewed as a viable option.



DOES RESIDENTIAL WORK IN TOWN CENTRES?



BY:

Paul Wellman
Associate, Savills
Residential
Research

DEVELOPMENT AND SALES ACTIVITY WOULD SUGGEST THAT APPETITE FOR TOWN CENTRE LIVING IS STRONGER THAN EVER.

AN OPPORTUNITY

The way we shop has impacted towns and cities up and down the country, some more so than others. Whether it's Aberdeen or Chichester, they all have one thing in common, they are the heart and soul of our communities. These structural changes now give us the biggest opportunity to shape them into much better versions, fit for the 21st century. What happens next, matters. It's arguably the biggest challenge facing the built environment sector.

As a member of Savills Residential Research team it probably won't surprise you as to my diagnosis for what should happen next. Homes. Lots of them.

The good news? It's already happening. Combining the retail boundaries of over 2,000 towns and cities across the UK, with data showing the delivery and planned delivery of housing, we can reveal how many homes are set to be delivered where the 'retail core' of towns and cities once stood.

In the five years to June 2020, over 36,000 new homes were built in the very heart of our towns and cities. That is set to be eclipsed with a total of 68,000 new homes currently under construction and a further 173,000 with planning consent.

London unsurprisingly dominates recent delivery, particularly for private sales. The North West however isn't far behind. Build to Rent has helped absorb a lot of stock, particularly in places like Manchester.



In the five years to June 2020, **over 36,000 new homes were built in the very heart of our towns and cities**



The pandemic and its lockdowns have shown how **human beings need to interact with other human beings**



27% of all build to rent completions in the past 5 years **have come from town and city centres**

THE TIME IS NOW

Covid-19 has undoubtedly impacted the world around us, the built environment included. The truth is our towns and city centres were already changing. In 2020 these changes have accelerated. As the need for particular uses and businesses usually found in the heart of towns and cities reduces, opportunities arise to remodel and revitalise those places.

Whilst Covid-19 has given some the desire for countryside and green open spaces, for others it has meant convenience and being part of a community. The pandemic and its lockdowns have shown how human beings need to interact with other human beings. It is, after all, what makes us human. Our towns and city centres are the best places to make this happen.

A MIX OF USES

The American urban sociologist Ray Oldenburg once said "houses alone do not a community make". This is of course true for many sprawling urban extension across the country. However, it should also ring true for how town centres should be looked at going forward. Just building homes isn't the silver bullet to our town centres problems. Yes, they will help, but structural changes will mean the mix of uses in town centres will be very different.

The best way in which to make town centre uses more viable is to bring the people closer to them. In order to prosper, town centres need to provide a reason for people to visit, dwell and spend money in. Providing a mix of uses, much more than just traditional retail is needed going forward. That includes offices, schools, nurseries, doctors surgeries, as well a whole host of other uses on top of the usual coffee shops, barbers, bars and restaurants, alongside viable retail.

A MIX OF TENURES

With small tight sites, conservation areas and listed buildings, on top of the general logistical requirements of building in a dense urban environment, developing in city centres has often proved tricky.

However, as larger sites come forward, such as shopping centres and car parks, the opportunities to deliver big wholesale changes, with a focus on housing has also increased. Investors with deep pockets who don't wish for a quick return have pounced. Step forward, build to rent.

The sector is particularly suited to the centre of town. In fact 27% of all build to rent completions in the past 5 years have come from town and city centres. For new build sales, the equivalent figure is just 4%. Manchester is leading the way. Other emerging hotspots include Birmingham, Glasgow and Leeds.

Those investing in build to rent are investing for the long term. The mix of uses, the quality of the nearby environment and the community they create therefore really matter. After all, tenants are more likely to stay longer and pay a premium for the experience.





Maidenhead Town Centre

A MIX OF SOCIETY

Analysis from Experian data of the largest towns and city centres, shows that in the retail core 35% of households are aged 35 and below. For the wider town centre this drops to 21%.

Whilst city centres of course attract a younger crowd for all that they offer, to be really successful vibrant places they'll need to attract a breadth of society, both in terms of age, but also incomes and demographics.

That also includes retirement living. The recent refusal by Elmbride Council for a scheme in Walton-on-Thames for 222 new homes on the site of a derelict Homebase store was especially galling. The developer was Guild Living, a retirement living specialist backed by institutional capital from L&G. The council refused the scheme on the grounds that it would "undermine the vitality" of the town. This seems counter intuitive to the need to enhance town centre living across the demographic groups. We anticipate perceptions of the vitality of mixed generational living will become much clearer in time, with huge benefits.

WHERE NEXT?

It is not just the big cities which will see new homes built in the centre. Yes it is most visible and prominent in places like Manchester and London, but as the data shows, smaller towns will also be delivering lots more housing in the very heart of their communities. Places just like Walton-on-Thames, but equally those with struggling town centres up and down the country.

Large developers have so far favoured large strategic sites in the major cities, but government funding initiatives are starting to increase the viability in smaller places and we are seeing an increase in appetite from niche developers seeking to tackle the challenges in smaller and regional locations.

FIGURE 7A: TOWN CENTRE RESIDENTIAL TRANSACTIONS

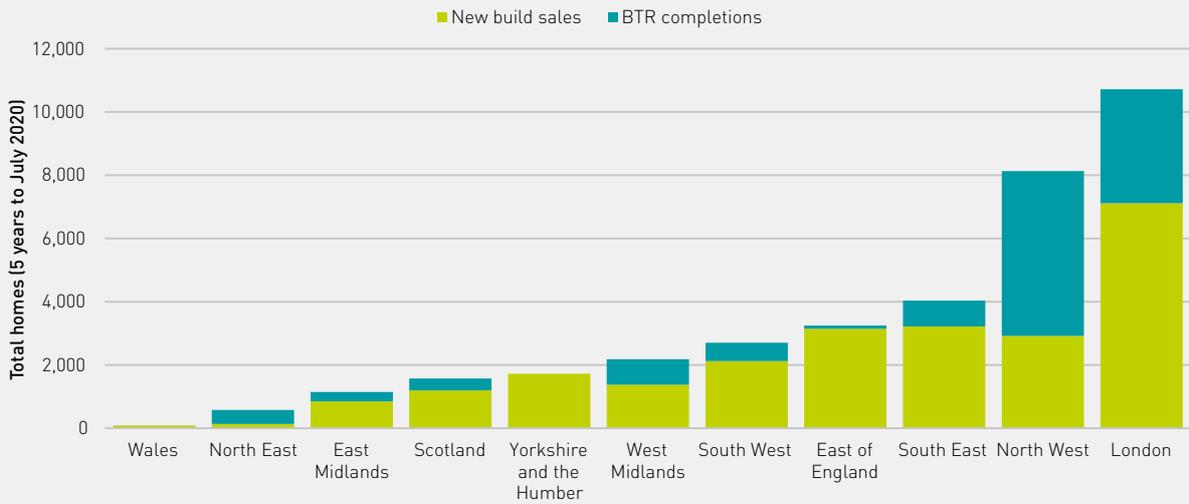


FIGURE 7B: TOWN CENTRE RESIDENTIAL COMPLETIONS AND PIPELINE BY REGION

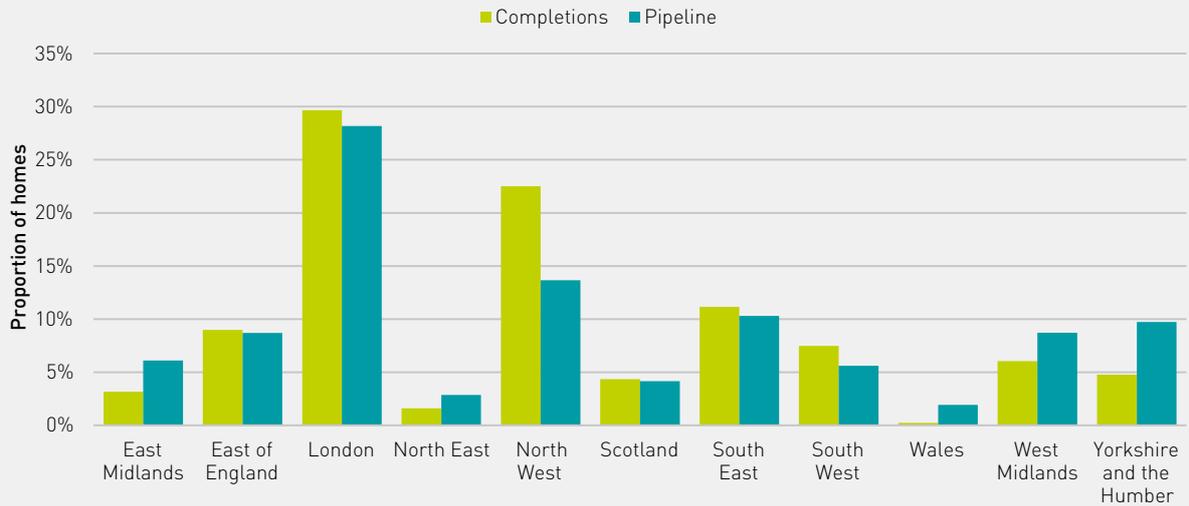
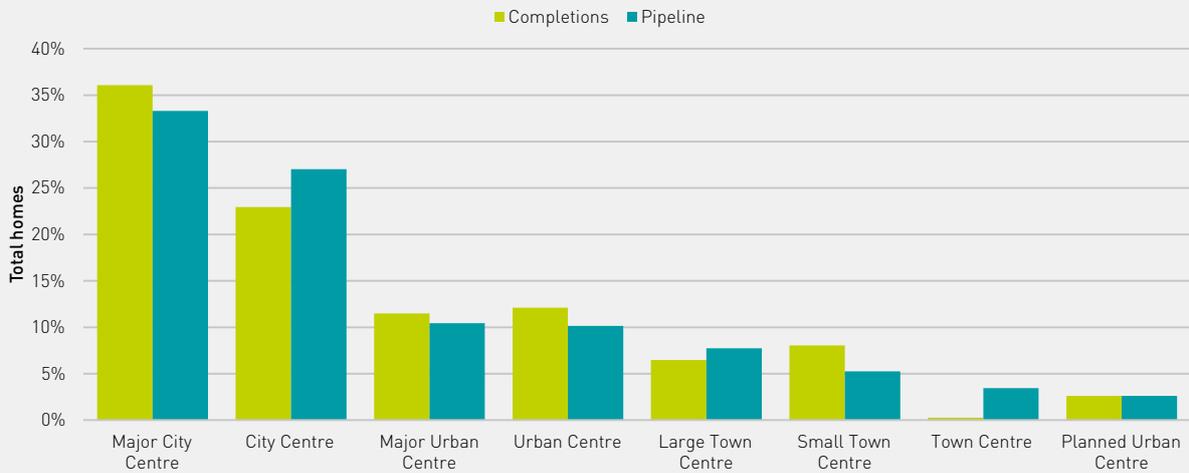


FIGURE 7C: TOWN CENTRE RESIDENTIAL COMPLETIONS AND PIPELINE BY RETAIL PLACE TYPE



Source: HM Land Registry, Molior, BPF, Geolytix



DO SUPERMARKET SITES MAKE GOOD RESIDENTIAL SITES?



BY:

Katy Warrick
Head of London
Residential
Research, Savills

LONDON HAS SEEN AN INCREASE IN SUPERMARKET REPURPOSING TO RESIDENTIAL. IS THIS A MODEL THAT WOULD WORK ELSEWHERE?

The world of retail has changed, and we're not just talking post-Covid. As retail and consumerism continues to evolve, retailers are using less space, leading them to reassess their sites and maximise the development land value.

At the same time, London is falling far short of delivering the homes it needs. Currently levels of new supply are c.40,000, while the Mayor's draft London plan identifies a need to be building 66,000 homes every year to meet demand. Could supermarket repurposing, or intensifying the existing retail use, help fill this gap?



Morrison's, Camden Goods Yard

Several partnerships have been formed between supermarkets and residential developers. Barratt and L&Q, and Berkeley Homes are particularly active. Barratt have two significant schemes; Fulham Riverside and Nine Elms Point where the previous supermarket site has been developed to provide a high density mixed-use site, including the re-provision of the supermarket in both cases, 1,200 new homes across the two sites, as well as other commercial uses, landscaped gardens and public realm.

Berkeley Homes recently started on site on a Tesco site in Oval, and are re-providing the supermarket as well as other commercial and retail space, and 571 homes. They have big-scale plans in West London, where they have acquired two nearby sites and submitted planning in September 2020 for 2,250 homes on a Tesco and Homebase in Osterley, TW7, where they are able to provide the Tesco on the adjacent Homebase site to avoid losing continuity of trade throughout the construction of the new supermarket, alongside residential and flexible commercial uses.

Developers clearly recognise the value of having a supermarket as part of a mixed use development, as a complementary use. We know that when people choose where to live, good retail and leisure are key elements. Our analysis shows that the combination of good retail/leisure and short travel time to employment centres correlates to higher residential value.

HOW MANY HOMES COULD SUPERMARKET REDEVELOPMENTS PROVIDE?

Many supermarkets in London have large stores and extensive ground floor car parking which can be consolidated and intensified to optimise the site, in areas where the residential value supports this.

Over the past ten years some of the major supermarkets have reviewed their options for their supermarket sites. We have analysed the delivery and pipeline of supermarket sites in London, and whilst there have been just 8 sites (20+ homes) completed over the past 10 years, delivering a total of 1,519 new homes, there are significantly more in the pipeline. We have narrowed our search to include only sites with capacity of more than 250 homes, and those that are on existing supermarket sites, and identified a potential pipeline of nearly 24,000 new homes.

Supermarkets have led the way in terms of re-evaluating their land development value, and now other owners of significant retail real estate portfolios are exploring their options – some as a matter of urgency.

Why are they doing this? In London there is plenty of demand for supermarkets, but that space may be in need of modernising or right-sizing with several operators looking to enhance or relocate existing stores. A planning permission may be easier to achieve with homes on top of a supermarket as local authorities generally like mixed use sites, and there is a chronic undersupply of new homes in London. The additional receipts from the homes will help the overall viability.



BUT IT CAN BE COMPLICATED..

It doesn't work everywhere. If the existing store is producing strong revenue, it is likely that continuity of sales and minimal disruption from construction will be important factors. Not all sites can allow for this.

A good example of a slow burner is the Sainsbury's site in Ladbrooke Grove, where Molior estimates capacity for c.600 new homes, yet there has been no activity to date. It is a sizeable part of an opportunity area, with canal frontage, and close to public transport. However it faces challenges around land ownership, and the developer needs to come to agreement with adjacent land owners in order to maximise the value effectively. It could be many years more before we see this site redeveloped.

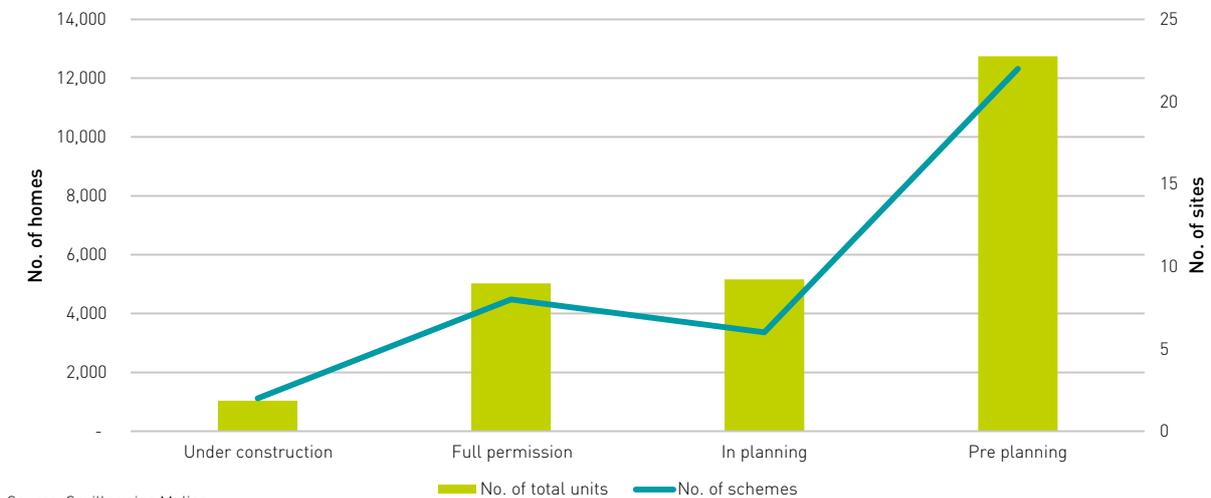
There are other sites which initially look like they could be good opportunities, but yet have struggled to make any progress. One example is Sainsbury's in Ilford, where planning has been obtained, but the land value doesn't provide enough to deliver high rise residential on a podium, therefore this is likely to stay as a supermarket for now. This could change in the future when more people shop online and footfall decreases further.

The opportunity to reimagine retail isn't limited to supermarkets. Other types of retail, such as retail parks and shopping centres, face the same pressure of reduced footfall from more online shopping and could make excellent mixed-use sites. Argent Related, British Land, Ballymore and Landsec are also all active in this space.

This is primarily an urban proposition and outside of London there has been an increase in this sort of development activity in recent years, but they are challenging. In the regions, the locations that have tended to favour supermarkets have rarely been those that favour high density residential. However, many supermarkets are now outdated stock, and a marriage with residential has the potential for them to update and improve the offer and cater for ecommerce, while residential footfall provides surety of trade and amenity for residents.



FIGURE 8: EXISTING SUPERMARKET SITES, AND PLANNING STATUS, WHERE REDEVELOPMENT INTO MIXED USE (INCLUDING RE-PROVISION OF A SUPERMARKET) IS POSSIBLE



Source: Savills using Molior



DEVELOPER PERSPECTIVE

Greg Tillotson, Divisional Land and Planning Director at St George finds that working with supermarkets to repurpose their land can be the perfect solution to meet the needs of both parties. St George want to deliver sustainable communities, and repurposing supermarkets allows them to retain existing employment opportunities and create new ones. Often the supermarket can act as a catalyst for additional commercial uses that complement one another (such as shops, restaurants, gyms and leisure facilities).

“Our experience working with Morrisons (Camden Goods Yard) and Sainsbury’s (Silk Park, Hendon), has taught us a great deal about how to ensure these schemes are successful. It is crucial to understand the functional needs of the operator at the outset, and to work together with them in order to secure a planning permission that is deliverable on all levels.

Details such as servicing and access routes are particularly important. Often operator requirements such as car parking, do not align with planning policy and so this can be challenging. Further, operational requirements can change throughout the planning timeframe – just look at how Covid-19 has impacted requirements for sales floorspace versus storage floorspace. It is therefore crucial that we are both flexible and proactive in these circumstances”.



EXPLORING EDUCATION

HOW CAN RELOCATING UNIVERSITIES AND SCHOOLS BREAK DOWN THE BOUNDARIES BETWEEN TOWN AND GOWN?



THE ROLE OF EDUCATION USES IN BUILDING PLACE AND COMMUNITY

What is increasingly recognized within the higher education (HE) sector is the need to reposition how the universities themselves operate within their towns and cities. Many universities are the size of small towns in their own right; many campuses have clearly defined boundaries and are entirely separated physically to their surrounding place; some Universities are dispersed through their town or city centres, but the mutual benefits of this can still remain untapped. Even Oxford and Cambridge, where the Universities and their colleges are the backbone of the city themselves and many of the colleges own commercial assets within the centres, still have a much recognized "town and gown" divide.

So when a book weary student peers over the parapet and, in some cases, sees an ailing town centre one starts to wonder where it has gone wrong. The wellbeing of the local economy and place is not mutually exclusive to the sustainable future of a University. Student retention post-graduation is a key consideration for local authorities and the town and city needs to be capable of attracting the inward investment, businesses and thriving economy to do so. In Manchester, where there are 85,000 students in the main universities, student retention is 52%; this is equivalent to almost 15,000 new graduates to the city's economically active work force every year.

Additionally, a university is a major employer in any town and city and is fundamental to the success of the local economy. As such a university's role in the local economy through greater interaction with businesses, commitments to research and business innovation schemes, greater collaboration with other public sector stakeholders, increased community participation and wider dialogue with the other education providers in the locality, all starts to bridge that "town and gown" divide.



BY:

Sadie Janes
Director, Savills
Development



In Manchester, where there are 85,000 students in the main universities, **student retention is 52%** equivalent to 15,000 new graduates per annum



University is a major employer in any town and city and is fundamental to the success of the local economy

In 2019 the UPP Foundation issued the “Truly Civic” paper setting out the role of a civic University, exploring the wider civic role a university needs to and should be playing in the towns and cities that they occupy. Many University estate strategies have started to explore how they can best break down boundaries with their surrounding place; increasing connectivity and repurposing aspects of their own campus which may stimulate greater interaction with local communities and businesses.

Added to this, a greater need for universities to diversify their income, generating alternative income streams and seeking innovative mechanisms of how they approach their own estate delivery, all points to bolder more integrated real estate solutions with our town and city centres.

For education across the board, there is an exciting, emerging opportunity for vertical integration of uses and greater collaboration between key town and city stakeholders to unlock sustainable futures for our town and city centres. Many great interactions are already happening, but there are many more opportunities to be joining the dots, providing the funding support is available to unlock it.





WHY PLACING EDUCATION PROPERTY WITHIN RETAIL SPACE WORKS

It has long been recognized that education providers – schools, colleges, universities – are fundamental components to the success of our towns and cities across the UK. There are examples where colleges and universities have boldly upped sticks to ensure they are nestled within town or city centres themselves. Ulster University, for instance, is in the process of moving their entire campus to Belfast city centre and will be located adjacent to Castle Court Shopping Centre.

Within the HE sector, student experience has become ever more important as competition increases and justification for the highest level university fees is more greatly interrogated. Unsurprisingly, student surveys consistently outline a preference for being within town and city centres, experiencing the wider extracurricular benefits that being ‘in the thick of it’ can bring; as well as the sustainability benefits this inevitably provides. Leeds School of Mathematics are currently looking at a department store conversion as it offers the potential for a large footprint right in the middle of the city centre.

A key driver of The University of Northampton’s entire relocation to Northampton town centre, building a new £330m Waterside campus to do so, was bolstering the student experience. Northampton town centre can only prosper from the move, a centre which has the common sorry tale of major out of town retail schemes causing its decline. Opened for the 2018/2019 academic year, the Waterside project has set precedents for the sector. It was based on a strategy formulated when papers such as the IPPR’s “An Avalanche is Coming” (2013) talked of how the HE sector is rapidly changing and diverging and universities could not stand still; if they did, the risk was they would be wiped out. It called for bold moves in a sector and started to explore the evolving role universities can play in our wider communities.

For the HE sector, the US is ahead of the game in how many of its universities are seeking to fully integrate themselves into their places. They have taken on the repurposing mantle with evidence of assets such as shopping centres successfully integrating education uses. One of the best examples is Austin Community College in Texas, which took over the failed Highland Mall in its entirety and has since delivered a 400,000sqft campus. ACC Highland is seen as a national model for sustainable, adaptive, community-minded reuse, with indoor fountains, unique study spaces, a park, and many neighbouring businesses.

In the UK, while there has been nothing so bold as yet in taking over an entire floor of a shopping centre there are increasing examples of where education has been a principal repurposing use either beside retail, or within it. Deer Park School in Twickenham is being built on two floors above a new 1,123m² Lidl supermarket on Richmond Road, with capacity for 420 students. Another primary school is proposed for the former Co-op Department store in Ipswich. Similarly, multiple bids were recently made by private education providers on a high street block on Kings Road in Chelsea. In each case there is the potential for having a positive impact on retail as schools drive footfall and tie in well with convenience shopping trips.



EXPLORING SENIOR LIVING

CAN RETIREMENT LIVING BRING SOME LIFE AND ENERGY BACK INTO OUR HIGH STREETS?



BY:

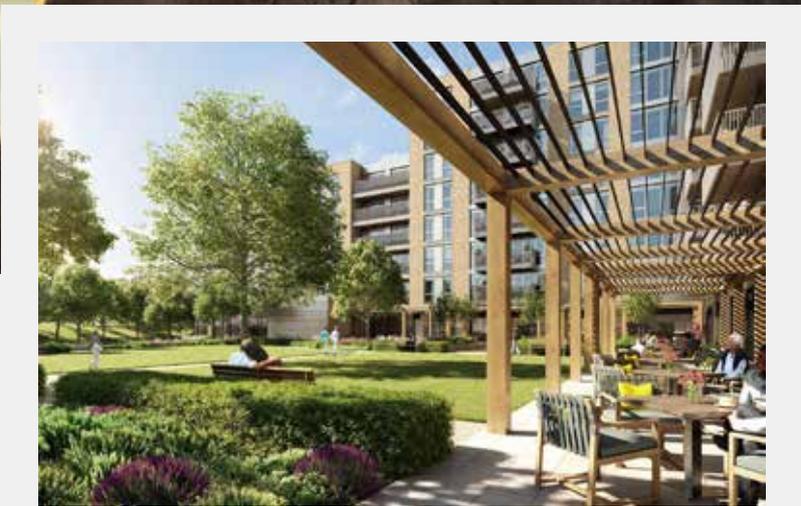
Sam Rowland
Head of Savills
Senior Living

WHAT ARE SENIOR LIVING DEVELOPMENTS?

2020 has certainly had its challenges, especially for our high streets and local businesses but also the larger retail providers too, many facing going into administration. With the unsurprising demographics and lack of supply of senior living in place it is no wonder that operators and developers are looking for alternative sites and options in order to progress. The range of retirement development is ever increasing, from smaller 'light touch' developments to the bigger senior living villages offering to an increasingly discerning elderly population social facilities such as restaurants, bars, gyms, facilities for meetings and clubs, shops, hairdressing salons, therapy rooms, laundries, cash machines, post boxes and swimming pools.

Arguably these 'essential' services and facilities that residents look for wouldn't need to be delivered onsite if more senior living schemes were located within town centres where they are already abundantly available.

So what is senior living? Mayfield Watford is the first example of a new Care Community concept from developer/operator Audley Villages. Located to the south west of Watford City Centre, the scheme has been carefully integrated to form an important element of the wider Riverwell Development masterplan. The Mayfield Care Community will provide an environment that is supportive of the needs of older people and is also a working component of the wider fabric of the city or town in which it is situated. The concept is founded on the key principles of adults 55 years or over living comfortable, fulfilling and independent lives with the flexibility to add as much, or as little, care and support as needed. The design is two buildings that define a new street and generous communal gardens, providing a high-quality and pleasant environment that will contribute to the establishment of the Riverwell Development as a new residential district within Watford's heartland.



There is a key economic and revitalising benefit to bringing retired people to live in town centres, many of whom remain in their prime, have large disposable incomes, are social, fit and active. Their footfall can play a strong and positive role in supporting town centre uses at time of the day that are often quieter. The 'grey pound' now accounts for £320bn of annual household spending and the over-50s hold over three-quarters of the nation's financial wealth. More needs to be done to encourage senior people to frequent town centres, and what better way than if they already live and hang out there.

The number of people across the UK aged over 65 years is projected to grow from the current 12.2 million to 16.0 million by 2035. Old age is no longer seen as a single, defined way of life as it was in the past, resulting in an increasing diversity among older people in terms of age, culture, wealth, ability and lifestyles. There isn't currently enough suitable housing stock to meet this future demand, with nearly 60 per cent of 'surplus bedrooms' being in households inhabited by over-65s.

Much of the UK's housing shortage could be met by offering senior citizens living alternatives that encourage them to free up their family homes. Homes For Later Living estimate 1 in 4 older people would like to downsize, but feel unable to. Could some of these be met within retail locations?



WHERE IS IT HAPPENING?

There are several examples of genuine retail repurposing projects in the early stages of planning. Areli are looking at senior living as one of the uses in their redevelopment of the Nicholson Centre in Maidenhead. Similarly, Ellandi are looking to bring in one of their shopping centre assets on the south coast. These schemes would see retirement living as part of a mixed use redevelopment that would bring a range of different ages and uses into the town centre.

McCarthy & Stone announced in July 2020 that they see town centre development at the core of their strategy, seeking empty shops and converting them to homes for the elderly as one of the key components to rejuvenating the high street and helping boost local housing markets. Churchill Retirement Living are actively seeking empty retail units, commercial units, office blocks, car showrooms, pubs and hotels after being earmarked as ideal sites for thriving retirement communities.

L&Gs £2bn retirement homes investment fund is intended to help revive the UK's high streets, via Guild Living's plans to build 3,000 homes in city centres by the middle of this decade. However, large retail sites within town centres are notoriously difficult and time consuming to deliver. Guild Living already have sites in Uxbridge and Bath having acquired several retail parks to make this a reality. Several of the latest schemes in the pipeline are edge of town centre, rather than within it, but it is a step in the right direction and demonstrates the operator demand for developing close to a town's main services and facilities.



But it's not just retail sites that are being looked at. Hotels could be an interesting watch; the design of a hotel could adapt to either senior living or care, there are already catering and laundry facilities on site, plus senior living would not require as much car parking as hotels do so there is further development potential. Other opportunities include golf and leisure facilities which all form part of the future. The recent Covid-19 pandemic has further highlighted the need for adequate housing for the more vulnerable and isolated within our communities. Although it is too soon to know for sure, we do expect the impact of lockdown to have a positive effect on the supply of senior housing with care in the long term across the UK.

High street senior living development can contribute to the wider community. Many developers are looking at it, but there are to date relatively few examples that have come through the pipeline, but make no mistake, the potential is significant.



TRANSFORMING RETAIL SPACES INTO CONSUMER HUBS



BY:

Chris O'Mahony
Director, Savills
Retail

Stuart Moncur
Director – Head
of National Retail,
Savills

IS THE ROLE OF THE RETAIL AGENT CHANGING TO “CURATOR OF MIXED USE PLACES”?

Much of the property market has been siloed for too long, none more than those that act within the consumer sphere. Department stores, out-of-town hypermarkets, regional shopping malls, leisure parks and outlet centres are all in many ways two-dimensional in their offer. Institutional landlords tended to have specific business space, residential, or retail funds, and property advisors aligned themselves accordingly. But 'real' places don't work this way. Increasingly landlords are having to adapt to consider a range of uses within one mixed use consumer centric asset.

Sustainable repurposing is all about the right form of adaptation.

Retail places need a rebrand, for this too implies sole use. Retail places are retail of course, but they must now also be leisure, community, amenity, civic, public realm, health and wellbeing environments. They need to sit with residential and workspace, expanding their use to different day parts, as well as fitting to the needs of a diverse consumer base.

Some places will see a complete departure from retail, but most, we believe, can and will survive if they evolve into blended 'consumer hubs'. Places should seek to offer the consumer something different. Consumer expectations and needs have evolved quicker than the assets that they shop in or interact with. You only have to look at the buzz around market places, public realm, food halls and co-working space to see what can be possible.

Yet, while many high streets and shopping centres do need to be reimagined, there remain retail and leisure uses that are becoming increasingly important to other property sectors. For example, it has an important role in creating the character and social value around a new office scheme, beyond that of simply additional rent at ground floor. Likewise, within hospitals or university campuses, the rental income from retail is almost secondary to the role the space plays. The key word in these situations tends to be amenity.

Retail agency is having to adapt too – for the better. We all have a stake in the role the places we operate in have in the future. We want to enjoy our towns and cities and have the opportunity right now to evolve our offer to suit the unique needs of different places. The should be dynamic and refreshing, rather than the same tried and tested formula.

We've witnessed first-hand the retail environment evolve. The fortunes of town centres declining as a result of large chain retailers 'right sizing' their property estate and therefore less need for space. At the same time we have seen consumers yearning for an offer with variety, more local, more community, more social, more online, more experiential and more authenticity.

This experience has lent itself to us becoming "Curators of Mixed Use Consumer Hubs".

Interestingly, while repurposing existing retail space might bring in other forms of retail and leisure or uses such as offices, medical, urban logistics, light industrial etc, to make it work sustainably for the future requires an appreciation of consumer focused spaces.

These uses will also have to adapt to fit in these spaces and arguably have a different audience from the traditional big shed, suburban residential, or corporate office investors.

Today's 'retail agent' needs to span all of these sectors now and in the future. At Savills we've been on this journey for a decade. We speak the language at the coal face, but also hold a holistic view and can identify opportunities to bring in other cross-divisional expertise.

The whole retail property sector has to accept responsibility for some of the problems now facing it, but we are also part of the solution. Being at the forefront of helping transform it into something richer, more vibrant and sustainable is what motivates us in our roles.

All we need is a catchier job title!





This evolution is happening, as a national retail team we have been involved with:-

- Bringing office occupiers into traditional retail schemes – leading to hundreds of new consumers
- The process of repurposing surplus shopping centre storage space into self-storage
- Bringing NHS uses into shopping centres – we think of them as a new form of anchor tenant bringing additional visitors to that location.
- Department stores – breaking them into smaller retail spaces, partial change to offices, hotels on upper floors, residential, research facilities, car showrooms! Though retaining part for retail. This provides a stronger more appropriate and ultimately viable blend of retail.
- Advising developers of large scale, prominent flagship mixed use schemes with an aim of solely targeting independent operators for the ground floor spaces – a real curation of space.
- We act for hospitals to bring their retail offer up to date, to meet the expectations of their staff, patients and visitors – we think of them as small towns!
- Acting for Universities to bring the evolving strength of street food operators to their campus
- Savills tracks 400,000 independent retailers and small retail chains nationally that provide us with unrivalled insight to help the curation of a local and relevant retail offer.

“Sustainable repurposing is all about rightsizing the right offer in the right place”



Escape To Freight Island @ Mayfield Manchester, Designed by Phaus



CHAPTER 3

SUSTAINABLE

REPURPOSING

IMPROVING THE BUILT

ENVIRONMENT THROUGH

RIGHTSIZING, MIXED USES,

ESG AND SOCIAL VALUE



REBUILD OR RETROFIT?



BY:

**Robert
Wolstenholme**
CEO, Trilogy

WHY REUSE FAVOURS INNOVATION, VIABILITY AND SUSTAINABILITY

At Trilogy we thrive on breathing new life into unloved buildings. Over many years we have thought about how to drive the optimum returns from a range of typologies, from ambitious “towers”, to midrise extensions, and simple refurbishments. The constant churning of ideas to find that ultimate solution involves examining dozens of scenarios with our ever patient architects, with the most ambitious ideas usually being brought down to earth by our cost consultants. Rightly or wrongly we nearly always end up following the mantra “less is more” – working with what we’ve got and adding incremental value where we can – sometimes the most creative ideas come from working within the confines of what you have already got. Some of my most successful

deals, such as the repositioning of Triton Court to Alphabeta, seemed simple but in fact took months and months of work on different mixes of use before our ultimate decision to focus simply on an office by overtly being directed at the creative occupier.

Time and time again we keep reminding ourselves that, for the most part, buildings do not really matter – it is the people who occupy them that create the magic. As such, finding a persuasive mission and brand to draw people to an idea, rather than a grandiose architectural statement, can often provide the lowest cost, lowest risk and optimum returns. In this article, I discuss three key arguments in favour of retrofit: viability, lettability and sustainability.

TRILOGY

VIABILITY

Like many others we have spent numerous days trying to work out how to make ambitious residential development work. Whilst at first glance this might seem like a beguiling prospect, the truth is that the combination of rising build costs, affordable housing requirements and restrictions on apartment mix in residential schemes (the agents always want small, the planners want the opposite) make them hard to work out. Even if you do, you have the issue of working around in-situ occupiers and/or gaining vacant possession. If this is not achieved, you then must find ways to thread new structural columns through existing buildings, somehow creating space to dig new foundations and doing so whilst still complying with the “quiet enjoyment” covenant.

In zone one London, in an improving market, we could just about make it work but outside of this area we struggle to do so. We nearly always end up concluding that it is better to look for the easy wins – perhaps add two storeys on top of your building, infill an oversized atrium or ground floor arcade and possibly add a ground floor extension. If possible, keep ground works to a minimum and watch out for the plant and machinery cost spiral. In a post-Covid world and one where we need to be sensitive to climate change, we need to focus more on how we might provide temperate environments without costly in-built air conditioning systems. Not only are they expensive to install but they rarely provide the flexibility that occupiers want for their “creative” fit out plans.

We have done all of this.



LETTABILITY

You only must look at the types of buildings and spaces that the most successful companies in the world are drawn to. Yes, there are large scale new build projects such as Apple's Infinite Loop but In New York, Google moved into the old Port Authority building in Chelsea. In London, Apple chose to create its headquarters within the repositioned and repurposed Battersea Power Station.

By retrofitting and carefully choosing where and how to invest capital, development costs can be reduced and with it, creative spaces delivered at a far more affordable rental level than new build.

In retail, we love to visit Makers' Markets like LX Factory in Lisbon, Copeland Park and the Bussey Building in Peckham or, the disused Victorian market reborn as Mackie Mayors in Manchester's Northern Quarter.

At our project in the centre of Manchester we have given much thought to how to reposition a secondary and underperforming leisure complex. Our solution is simple – "less is more". Take away the retail interventions and additions of the late 1990's. Remove multilevel indoor malls, reduce from two car parks to one, take away

car ramps and a service yard and allow the "Great Northern Warehouse" to be seen from all sides via open air pedestrianised streets lined with new independent vendors. We intend to bring vitality to the area around the Great Northern, by attracting the best space the north has to offer.

We have gained support from Historic England to create a massive internal garden within the middle of the building. We will create roof gardens, makerspaces, studios, screening rooms and spaces for small innovative businesses. There will be a biodiverse, sustainable management plan to create a new green district for Manchester. We have already employed a community gardener to engage with the neighbours to create a place they will love. Eventually, our aim is to make this the natural home for the most forward thinking, progressive and largest companies in the world. In so doing, we aim to create one of the best investments in the UK.





SUSTAINABILITY

Finally, we have all had to wake up to the looming threat of climate disaster. If we cannot reverse these trends, we may not have a liveable planet by 2050. This is not good business for property investors. Trilogy woke up to this some years ago –especially hearing from our children about their concerns for the future. Five years ago, we decided to experiment with sustainable timber within our buildings. The advantage is not only bringing a warmth of character to previously sterile corporate spaces, but also playing our part in the fight against global warming.

At our Republic Campus, we decided to reverse the approach of the previous owner. Rather than demolish the existing, admittedly soulless, 1980's office buildings to make way for high rise residential development, we looked for ways to introduce life and vibrancy to the place with light touch interventions. The ground floors were converted to retail, cafés, and gyms. We re-invigorated wind swept, bus dominated public realm by introducing water gardens broken up by outdoor pavilions (which also acted as wind breaks). Where space was added, we used cross laminated timber and glue laminated beams and columns. As a result, our building materials sequestered 1000 tonnes of carbon as opposed to new build development, which would have unleashed over 100,000 tonnes into the biosphere.

In the process, we have created a next-generation campus in one of the fastest growing, albeit poorest, boroughs of London. We have created a place where the “talent of the future” feels at home either in higher education or in dynamic and creative businesses. They tell us they love the architecture and place – a far cry from the response the buildings received before we started. We are proud to have created an environment that is not only sustainable but also attracts people with serious ambition from the local area. Unlike Canary Wharf, which when built seemed other worldly, Republic has become a vibrant campus offering opportunities for locals as well as many from further afield.

Creative reuse of buildings allows us to find viable ways to reuse the existing building stock whilst taking more measured risk than large-scale, ground-up development. Reusing buildings has a positive impact on the character of our cities whilst concurrently offering existing local communities with affordable places with an invitation to participate in the community in a way that full-scale, high rise development often deters. At the same time, adaptive reuse of buildings is a far more sustainable approach for the property industry to adopt than ground-up development. As the property industry navigates unprecedented political and economic uncertainties, adaptive reuse of buildings provides an intelligent, agile and financially viable alternative to redevelopment.

DEPARTMENT STORES: EXTINCTION OR EVOLUTION?

WHAT ROLE DO OUR LARGEST STORES HAVE IN REPOSITIONING OR REPURPOSING THE HIGH STREET?



BY:

Sam Arrowsmith
Associate Director,
Savills Commercial
Research

A STATE OF FLUX

The collapse of BHS gave the market a stark warning of what could happen to the brand that time forgot. Four years later a quarter of their stores remain vacant and with a tranche of department stores likely to follow, is repurposing the answer?

In 2017, Department stores in the UK turned over £10.6bn. In 2019 this fell to £9bn; a reduction of 15% in just two years (Mintel). 5million sqft have already been lost from this retail sub-sector in the last 5 years. The changing fortunes of department stores is well documented and even John Lewis, once the darling of any new retail scheme, has failed to justify the reopening of all of its stores following the Covid pandemic and has permanently shut the doors on several stores opened less than five years.

House of Fraser nearly collapsed in August 2018, before being bought by Sports Direct owner Mike Ashley. Year-on-year pre-tax profits at John Lewis dropped by 99% in the first half of 2018, while Debenhams' share price plunged from 96p to 3p between 2015 and early 2019, before it entered pre-pack administration in April 2019 and, following several failed attempts to rescue the brand, finally liquidated in December 2020.

So what's going on? Covid may have been the nail in the coffin, but it was by no means the cause of this decline. Ecommerce, branding, lack of investment all play a role. However, neither does it spell the death of the concept as acquisitive retail brands have been circling for months to get hold of strategically useful stores, while disposing of the rest. It would take a brave person to suggest that department stores no longer have any role to play in our retail places, but a braver one to imply that they can carry on as before.

DEPARTMENT STORE REPURPOSING

Multiple stores have already either closed, or are in the process of being considered for alternative uses via repurposing, repositioning, rightsizing, or redevelopment.

In the UK, Savills are involved with 41 Debenhams and 10 House of Fraser repurposing projects and are advising other large format retailers on their store rationalising or rightsizing strategies. A similar approach is being seen with our colleagues across Europe and in the US the journey is well underway.

The process can be slow, but the proposition is an exciting one. What better way to breathe life back into town centres by improving and enlivening spaces right at the heart of the consumer offer. If we are to genuinely improve towns, cities and shopping centres, we need large spaces that can be reimaged as something more useful or that is lacking from that place.

These range from schemes that retain the retail frontage on the ground floor either for the same brand to continue to trade, or reconfigured/split units for other retail or leisure occupiers to trade from. There's a lot of activity across the country, with a myriad of alternative uses in the pipeline (see box).

CASE STUDIES

- **Kingston upon Thames:** Frasers Group, owner of Sports Direct, Evans Cycles, Flannels, Game, USC and Jack Wills, has planning granted in December 2020 to repurpose an existing high street store opening a 40,000 sqft multiformat, multifloor open plan store with 33 residential apartments above.
- **Wandsworth:** Gravity is taking the Debenhams department store to create a new 80,000 sqft multi-format leisure concept.
- **Liverpool:** Next is being downsized to include a self-storage facility.
- **Leeds:** Debenhams is being considered by a local further education provider, student residential and a boutique hotel.
- **Stockport:** where there is an oversupply of retail but an undersupply of offices, the M&S is being converted to an 80,000 sqft co-working space called Stok.
- **London's West End:** There are proposals on several major department stores with John Lewis announcing half of its 680,000 sqft store will be repurposed to offices.
- **Westfield White City:** 70,000 sqft former House of Fraser is being converted to co-working space.
- **Manchester:** Planning is sought to increase the Debenhams to create a 470,000 sqft office scheme.
- **Telford:** InflataNation has taken the old BHS.
- **Birmingham:** L&G plans to redevelop the House of Fraser into a 1m sqft office and hotel scheme.
- **Edinburgh:** The Fraser's building is being repurposed by Diageo as the Johnny Walker Whisky museum.
- **Sheffield:** The former Co-op department store has been repurposed as co-working space and food hall Kommune.
- **Anthem:** A public members club, is looking to acquire department store space that will provide facilities for workspaces, meeting rooms, foodhalls, bars and cafés, competitive socialising and fitness and wellbeing.
- **Leicester:** 300 build-to-rent apartments have been proposed for the Debenhams in High Cross shopping Centre.

REDEVELOPMENT VIABILITY

Viability can be a challenge, particularly retrofitting different space requirements into what are often historic buildings with projects, taking time as well as money.

Financially, repurposing empty department store space requires significant capital expenditure, but it can be worth it to a landlord whose asset values may be suffering from the uncertainty of future income from the present occupier. Department stores typically have huge rental liabilities

given unit sizes, but on a square footage basis (often <£10psf), particularly on upper floors, the income from alternative uses can be a compelling proposition. Who should pay for the redevelopment? If the retailer is wanting to downsize then arguably the incentive is for them, but more likely the liability falls to the landlord. Either way there are usually limited cash reserves available at present from either landlord or tenant to pay for conversion.

The landlord is often hit on both sides from an existing tenant that no longer wants the full unit they occupy, while a future tenant is likely to expect a significant contribution towards their fit out. It is no surprise that, to date, department store repurposing projects have tended to be from landlords with deep pockets, or more likely the asset has been sold to a developer.

DO DEPARTMENT STORES STILL HAVE A FUTURE?

It's very easy to get drawn into the notion that the decline means death, but that it isn't quite true. Restructuring is necessary and inevitable. Online retail is having a huge impact, but omnichannel is also growing. The brands with the biggest problems are those that have lost touch with the consumer and/or are riddled with debt. 2020 has been a perfect storm for some operators, but for others it is an opportunity to press the reset button. Some of these brands will come out stronger.

Part of this reset means consolidation of the store network with inevitable closures, downsizing and the subsequent repurposing opportunities.

However, let's not write off department stores, they will still have a place on our high streets for years to come where the location and offer are right, assuming of course these businesses evolve and adapt. There remains an important place for bold, brave and backed department store concepts.

Adapting without investment or a sense of purpose is impossible and some corporate structures are making it notably difficult for some brands to agree the best future strategy, even while the clock runs down on them. Given the significant challenges with trading, there can be too much firefighting and too little long-term strategy. But fail to plan and you might as well plan to fail.

Meanwhile, more forward thinking and proactive leadership can be beneficial as it allows a clear, unchallenged direction to be taken, as demonstrated by several key stakeholders now operating within the sector. Brands like Sports Direct, Next and Primark continue to expand their instore ranges from large footprints and the boundaries from traditional department store operators can be blurred.



For instance, Frasers Group, who own six national retail chains including Sport Direct, has achieved planning permission on an ex-Klas Ohlson store (ex-Woolworths) to convert the entire building with an additional trading floor on the first floor and 33 apartments above. The concept is interesting because the company plans to bring in multiple brands in an open plan environment and double the retail floorspace to almost 40,000 sqft, in effect creating a new department store concept in the process.

The fortunes of existing department store stalwarts may look certain, but there is likely to be something of the Phoenix about them and the buildings they occupy. Their survival requires a renewed offer, trading a rationalised floorplate from a reduced portfolio. To plug the gap we must be open to new department store concepts as much as embracing the opportunity for change and contemplating alternative uses.

next

PRIMARK

**SPORTS
DIRECT**

REPOSITIONING THE SUPPLY CHAIN PROPOSITION

Outside of the narrow lens of the world of Covid, showroooming of key products is still an important component for consumers trialling products. The pandemic has also highlighted two other trends that department stores can capitalise on. First, the rise in ecommerce on certain goods lines and secondly, the importance of consumer convenience. Fulfilment and Click & Collect are at the forefront of this.

Amazon and Ocado have demonstrated how sophisticated warehouse fulfilment technology can be in supply chain efficiency, but this comes at a considerable financial burden and is out of reach for most cash poor retailers. Stores remain the most valuable asset many retailers have, being close to other consumer amenities, employment and transport hubs, with potential to play a more significant role in the distribution network.

Downsizing the 'front of house' sales floors and increasing the 'dark store' component, for fulfilling home delivery and C&C could have multiple benefits. It increases the efficient use of space, helps with the processing of stock and keeps the ground floors trading as a store, avoiding the negative impact of a large scale void. Department stores may command a large rent overall, but on a square foot basis the upper floors maybe more comparable to rents paid for logistics space. This makes the supply chain reposition quite a compelling proposition.

So where does this leave department stores? The reality, as is so often the case, is a blend of solutions. Repositioning the offer with a more consolidated retail proposition where possible, or wholesale repurposing or redevelopment where not. It is certainly clear that for many locations department stores no longer work, but we need not yet write them off altogether.

“There remains an important place for bold, brave and backed department store concepts”





THE DEATH OF SINGLE SECTOR ASSETS?

WHY REUSE FAVOURS INNOVATION, VIABILITY AND SUSTAINABILITY



BY:

James Lidgate
Milligan

Whilst the government seems intent on simplifying and streamlining the planning system with the aim of repurposing redundant property and increasing housing supply, it does feel like the economic reality is becoming ever more complicated.

One of the more poignant economic realities is how Covid-19 has shifted focus on the valuation metrics we use to determine the worth of our homes. The fact that transaction levels and house price inflation is now almost entirely detached from the economic reality of the deepest recession for over 300 years is not lost on me. No longer are our homes places we use on a part-time basis. They have become multi-purpose spaces where we work, rest and play, all within a 24-hour period, with rooms being flexibly repurposed in much the same way as our town centres have to be re-invented to better suit how we live and are likely to live in the future.

The ability to flexibly repurpose is at the heart of the recent changes to the planning use classes. Prescriptive single uses are no longer as relevant as they used to be and the way we use our buildings and land is changing rapidly. Single sector asset classes have left fund managers and investors exposed to some of these structural changes that Covid-19 has simply accelerated. Perhaps the most well documented is the significant over supply of retail space that will never be utilised in the same way or require the same quantum of space ever again. This has significant implications for how we use our high streets, places of work and shopping centres. So how should we approach this paradigm shift and repurpose these places in a more dynamic and sustainable way?

Milligan

Firstly we need to genuinely collaborate! Only by bringing together best-in-class practises and design across multiple sectors and sub-sectors can we create the places that will sustain themselves through future socio-economic changes. I recall being in countless design team meetings where the sole purpose was to maximise the saleable or lettable area of the most valuable component of the scheme at the cost of almost everything else, including coherent design, sustainability and a recognition of the competing requirements of multiple uses. We need to break down this siloed approach whereby residential, retail, office and other uses are designed and delivered in glorious isolation and without context by sector specialists. Yes, we must continue to make the best and most efficient use of the precious resource that is land, but this doesn't have to be solely by maximising the floor space of the use class with the highest end value. The aggregating effect of a well-designed, brilliantly executed development with inherent compromises being made by the sector specialists will create a place which endures and appeals to all the occupiers, be they people looking for a home or a business seeking flexible workspace. I am now seeing this put into practice with forward thinking landowners, collaborative professional teams and an understanding that longer-term value is best created by designing and delivering resilient mixed-use developments.



The alternative is a profitable but soulless development with retail remaining vacant, amenities closed off to the public and little recognition about what genuine placemaking and community creation means. In much the same way as prescriptive planning, use classes are becoming less relevant so mixed-use developments must be planned and delivered to genuinely integrate these uses and bring together specialists in their field who are willing to compromise in the name of enduring placemaking. In this way context takes priority and the spaces we spend so much time, effort and money to deliver are actually used as often as they possibly can be. Why provide a gym for the residents' or office workers' exclusive use? How many days in the year is the rooftop terrace for the office element used? Is the community facility only used on a Thursday evening? Consider what shared amenities will be used most comprehensively by the majority of people and create places for people to interact and enjoy. Surely that's the measure of success, not building space that's under-utilised?





As we integrate multiple uses we must also understand the sub-sectors within them and avoid treating them as uniformly the same. The term 'residential' encompasses an array of variations. As Sir Oliver Letwin pointed out in his 2018 review, "...the homogeneity of the types and tenures of the homes on offer...and the limits on the rate at which the market will absorb such homogenous products, are the fundamental drivers of the slow rate of build out". Rental homes, later living homes, affordable homes, open market homes for sale, co-living etc all have their place and large-scale mono-tenure developments will surely become less relevant in how we define sustainable places with diverse and vibrant communities. Providing these homes alongside other complimentary uses and co-ordinating the services and amenities that all these provide will create cohesive places that serve all our needs.

In order for these more collaborative opportunities to become reality we need to grasp the nettle when it comes to valuations, planning, development and asset management. It has been a relatively recent shift in focus by fund managers in seeking more diverse weightings across all sectors and, in particular, alternatives. So are we now seeing the death of the single sector asset class? It is certainly less popular but I don't believe this will be a universal truth as there are some uses that simply create more fundamental compromises than I'm advocating such as large-scale distribution warehousing. However, let us embrace the resilience of multi-sector assets. Yes they require more complex planning and execution, more intensive management, involved facilities management and multi-sector expertise but the result isn't a binary one, namely have I got a tenant profile with sufficient covenant strength on FRI leases or haven't I? In recent months I have relished dealing with all of these challenges and finding a route through with the experts in their field and forward-thinking property owners. This is ultimately the difference between these opportunities being realised or holding them in passive abeyance hoping the market will provide the solution. Based on my experience I see this trend of sustainable repurposing continuing unabated and look forward to taking these schemes through planning and into delivery.



ESG CONSIDERATIONS WHEN REIMAGINING RETAIL

A COLLABORATIVE APPROACH BETWEEN LANDLORD, TENANT AND CUSTOMER IS KEY

ESG AND RETAIL

Over the years the retail sector has never been far away from controversy surrounding its environmental and ethical footprint. In recent years criticism has been aimed at the sector's record associated to fast fashion, single-use plastics, the living wage and ethical issues arising from complex international supply chains. The Blue Planet effect and the coming of age of more ethically conscious millennials has led to a microscopic assessment of operations and an increase in the expectation that retailers are being transparent when it comes to their impact upon climate change.

Investors and REITs have also been following their own path. Environmental Social Governance (ESG) has rightly been gathering considerable momentum as organisations rush to take a long-term view on their investment strategies. The sector has been framed by increasing numbers of investors committing and reporting to internationally recognised standards and benchmarks such as the United Nations Principles of Responsible Investment (UNPRI), the Global Real Estate Sustainability Benchmark (GRESB) and alignment

to the UN Sustainable Development Goals (UNSDGs). In 2019 over \$4.1 trillion of gross asset value was submitted to the GRESB benchmark covering over 1,005 investment entities and over 100,000 assets. It's fair to say the industry believes measuring ESG is essential to understand where is best to invest financial capital with lenders are increasingly adding ESG criteria to lending decisions.



BY:

**Brad Johnson and
Mariana Goncalves**
Savills
Sustainability

So, what is ESG and how does it relate to the retail sector? ESG can be seen as the professionalisation of the sustainability agenda. A structured requirement stretching across environment and climate, social and wellbeing backed up by a strong spine of improved governance, transparency and financial returns. Investment strategy and asset optimisation are intrinsically as much a part of the programme as more traditional environmental metrics such as energy and carbon.

It's important to remember that there is no strict definition as to which elements of ESG should be given priority and that it will differ depending on the organisation's strategic priorities. However, we would suggest that in 2020 – particularly in a climate heavily impacted by Covid-19 - that people, wellbeing, jobs and skills are central to a good retail-led ESG strategy. It's in the best interests of both landlords and tenants that consumer confidence returns, to increase footfall to retail schemes and drive economic activity. ESG can be placed at the heart of that process.

Two ESG themes that align well to the theme of re-imagining retail space are within the social value and collaboration between landlord and tenant. These aspects will be key to the post-pandemic recovery of retail. Environmental impact is of course central to everything, but will be examined more closely in the next Re-imagining Retail publication.

SOCIAL, COMMUNITY AND WELLBEING

The trend of people and community being central to retail strategy was already occurring although the events of 2020 have accelerated this process. In the case of retail-led schemes, they are centres within the community, a place that provides employment, social engagement and leisure time. For a centre to be sustainable it needs to consider how the scheme can give back to the local community through wellbeing considerations, community and charitable programmes, apprenticeships and skills and, on a very basic level, being a pleasant and clean environment. All help enhance community ownership towards a scheme and drive footfall.

Examples of how property investors can support the community and nurture goodwill through initiatives include offering vacant space to local grassroots organisations, SMEs or social enterprises. Initiatives like these provide a platform for organisations to fund raise, to improve skills or to provide drop-in support and advice. We advise on several schemes with pop up cafes, social hubs and space for community art projects. At one of our managed centres we have supported the wellbeing of local residents, employees and visitors, a wildlife habitat, a living wall and outdoor community table tennis tables were introduced. These are regularly used by local residents. Alongside fundraising events such as One Great Day, these initiatives help increase footfall and improve visitors' wellbeing.

Linking back to Covid-19 and community health, many retail schemes have been providing storage space for PPE supplies for neighbouring NHS facilities, ensuring that space at health facilities is maximised for care.

Forward thinking investors understand that they also have occupiers on their schemes that can buy into this community programme. Many independent retailers have offered free meals to school children during half-term this year. Others ensured that vulnerable residents had access to essential items during lockdown by offering free delivery and working with local volunteers to reach everyone. Recruitment programmes that target local residents, in particular those with disadvantaged backgrounds, can also support ESG aims.

As more investors choose to dive into social value assessments and wellbeing certifications such as WELL and Fitwel, we will continue to see the increased expectation on local authorities and lenders that investing in the community elements of a scheme underlines its long-term sustainability.





INCREASED COLLABORATION

The second major trend is the divergence of investor and occupier strategy. Traditionally both have developed their ESG and sustainability strategies in isolation of one another. Tenants have often been wary of landlord requests for information and performance data for their stores, they've also historically made it difficult for green leases to be agreed on retail-led schemes.

We would emphasise however that ESG implementation is most successful when investors and occupiers work together to meet a common goal. For example, entering into collaborative green lease arrangements to deliver energy and carbon savings can have mutual benefits for both parties and it is becoming increasingly common to see organisations trying to think ahead to co-develop opportunities. Likewise data sharing arrangements as both parties seek to understand their assets, improve performance and be able to disclose these to the market.



FINANCING ESG

A question that frequently gets asked is who pays for ESG commitments? The answer to that is there are definitely shades of grey, however there are a few general principles. Landlords will often be required to pay or fund for house level governance, benchmarking, strategy and may choose to invest in audits, building certifications or efficiency works or social programmes for their sites.

Occupiers also can be made to pick up costs where there may be opportunities to utilise existing service charge arrangements – for example these are typically in areas where the occupier is deemed to benefit from the expense (examples could include energy or waste auditing, efficiency projects, landscaping and placemaking). Dovetailing with landlord-tenant collaboration – the opportunity to share costs of improvements also can deliver benefits to both parties. Increased fund performance for the investor and increased asset improvement and efficiency at site level.

OUR APPROACH TO DELIVERING ESG

At Savills, we are working alongside a number of investors to deliver ESG programmes on the ground at retail schemes across the UK. Our sustainability team has experts in the field and is working with a number of national and international retail specialists including The Crown Estate, Landsec, Schrodgers and Nuveen.



Environmental

Net Zero Emissions / Energy / Waste Management / Active Travel / Biodiversity



Social

Health & Wellbeing / Jobs & Skills / Innovations & Partnerships / Social Value / Charity



Governance

Corporate Structure / Transparency / Equality & Diversity / Supply Chain Management / Corporate Reporting and Disclosure





CREATING SOCIAL VALUE FROM OUR RETAIL SPACES



BY:

Ben Anderson
Social Sustainability Manager, Landsec



HOW ARE RETAIL LANDLORDS FULFILLING THEIR COMMITMENTS TO COMMUNITY AND SOCIAL VALUE?

The retail sector continues to evolve at pace as the impact of Covid-19 and the rise of online shopping changes the way consumers purchase goods and experience space. In some locations – particularly high streets – the oversupply of retail space could be as high as 40% over the coming decade (Savills Research 2019).

However, this space presents an opportunity to turbo-charge local economies, connect communities and generate social value. Indeed, disused retail space can be re-imagined and repurposed for the benefit of many.

At Landsec, our ambition is to deliver a positive impact wherever we operate; our commitment is to create £25m worth of social value by 2025 through our four social sustainability programmes:

Employment: Supporting people facing significant barriers with the skills and experience to find sustainable work.

Education: Inspiring young people from diverse socio-economic backgrounds to consider a career in our industry.

Charity partnerships: Working with our communities to address and raise awareness of important societal issues and deliver lasting change.

Volunteering: Empowering our people and partners to create a positive impact by using their skills and expertise.

WHAT IS SOCIAL VALUE?

Social value is the positive impact a business has on its local community through its actions. It includes social and economic factors and considers how these contribute to the long-term wellbeing and resilience of individuals and communities. Reporting our social value means we can quantify the difference we are making in financial and non-financial terms, applying values to the outputs of our activities. This gives us insights into where our work has the greatest impact and has enabled us to identify the value of focusing on engaging with more excluded groups in our society; including young people, individuals experiencing homelessness and people leaving prison.

Creating social value enables us to contribute to stronger and more resilient local communities where we operate as a business. It also ensures we can address significant skills gaps in our industry by creating opportunities for those who need them most, attract and retain purpose-driven employees to our business, and collaborate with our customers and partners to embed positive impact throughout our supply chain.

HOW WE DELIVER IT

One way we create value for our communities is opening up our retail spaces for local charities to raise awareness, address key social issues and deliver their programmes for people facing barriers.

One of our charity partners, Circle Collective, is based in a pro-bono shop at Lewisham Shopping Centre, working to deliver employability support for local young people. Circle Collective has a unique approach of job coaching, training and work experience in their retail store, helping unemployed young people into sustainable work. By having a presence in our shopping centre, Circle Collective can engage more young people facing barriers and embed their work further into the local community in Lewisham.

Also at Lewisham, we have made space available to the Migration Museum. Formerly based in Lambeth, the museum celebrates the contribution of migrants from around the world to the UK, and has an active education and community programme.

At West 12 Shopping Centre, in Shepherd's Bush, our local partner Petit Miracles Hub has two pro bono retail units. This provides space for local creative entrepreneurs to showcase their products and develop business skills.

We also use our advertising spaces to promote the work of charity partners to our customers, across our UK portfolio. One example is the world-famous Piccadilly Lights in London which, during Covid-19, took on an important role to raise awareness and funds for charities.

A FUTURE FOCUSED ON THE COMMUNITY

One of the main challenges facing the property industry, and the communities it serves, is how to reduce the amount of empty space in town centres. There are many points of discussion on how this could be achieved but one thing is immediately clear: collaboration with communities will be key.

The success in reinventing and reimagining retail space to be resilient and fit for purpose lies in creating mixed-use destinations that meet community needs and aspirations. As developers, owners, and managers of real estate across the UK, the best way for our industry to conduct our work is to talk with and listen to the vibrant communities we are part of.



A BLUEPRINT FOR SUSTAINABLE REPURPOSING

HOW TOWN CENTRE REDEVELOPMENT CAN TICK ALL THE BOXES OF VIABILITY AND SUSTAINABILITY



BY:

Kevin Cowin
Mace
Developments

Mace Development's 'SG1' town centre regeneration scheme will create a vibrant and mixed-use town centre right in the heart of Stevenage. Over 1,800 new homes are being developed on brownfield land, alongside a new community 'Hub', new public open spaces, shops, cafes, restaurants and offices, which will boost the town centre economy and attract fast-growth and inclusive businesses. SG1 will create much needed new homes, jobs and opportunities for the local community and set a new trajectory for a post-pandemic economic recovery.

SG1 offers a blueprint for town centre regeneration and economic recovery across the country – with sustainability and inclusivity as strategic regeneration priorities, to deliver a town centre fit for future generations.

Over the past 2 years we have been working closely with our partner, Stevenage Borough Council, creating an ambitious SG1 proposition. Having the support of the Local Authority helped us to quickly give direction to our ambition and embed our plans within a wider strategic context. We engaged with the local community, listening to the views of thousands of residents and local businesses and stakeholders to help shape our proposals around their needs, and, in October 2020, we received Planning Approval, marking the latest milestone in bringing the project to life.



An essential consideration was to protect the heritage characteristics of the town, to preserve Stevenage's unique architectural legacy as the UK's first New Town, whilst creating viable development plots split into five new urban communities.

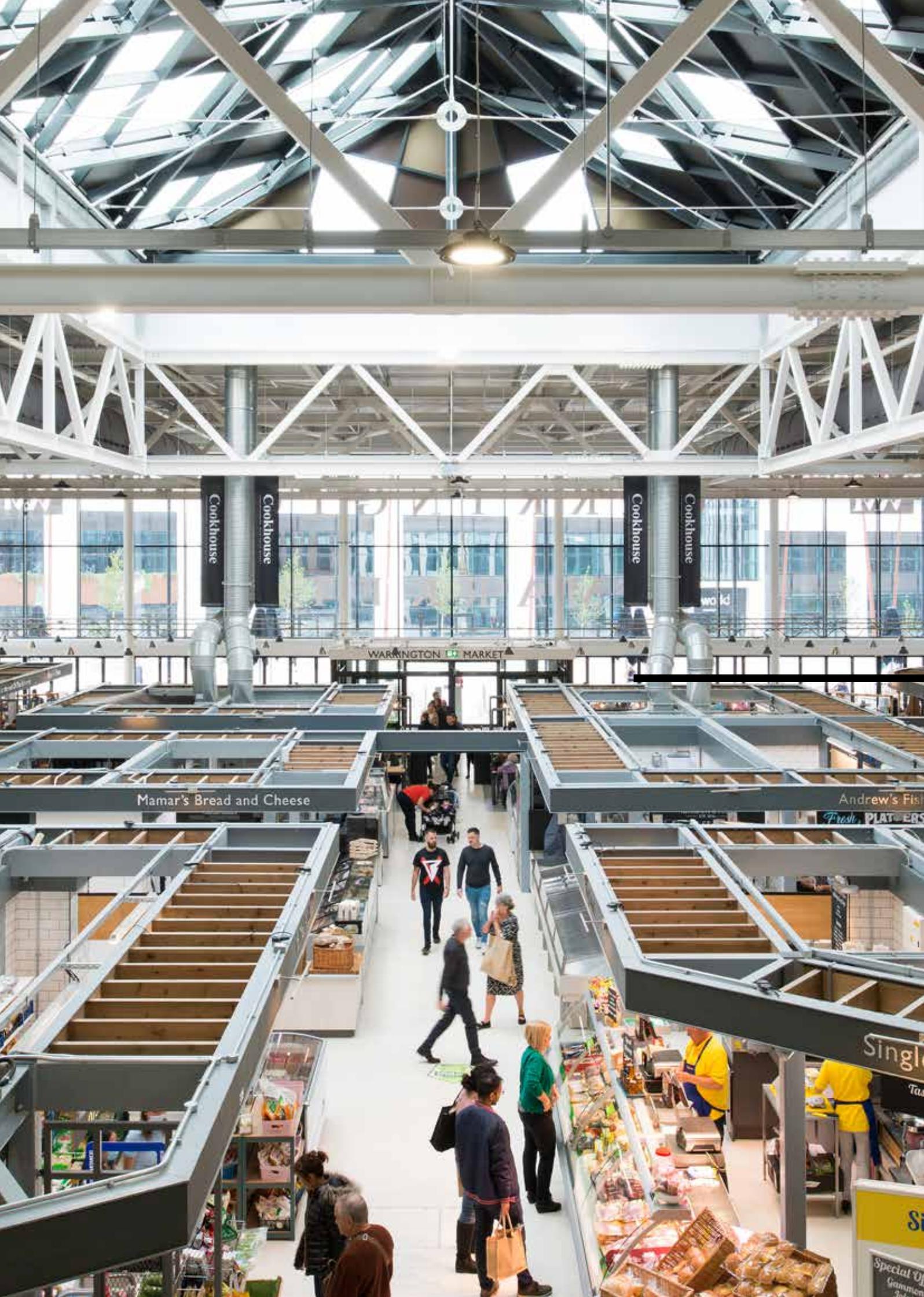
Sustainability is at the heart of our scheme – in early 2020, at Mace we launched our net-zero carbon strategy 'Steps Without Footprints', as a bold commitment to become a net-zero carbon business by the end of the year.

At SG1, we are showcasing how a large-scale development can viably deliver lower carbon emissions. In the construction stages, we will use modern methods of construction to reduce carbon usage and waste. Photovoltaic panels will be installed to power buildings with renewable energy and new accessible electric vehicle charging points will be installed across the town centre. Our new centre piece landscaped public park and Garden Square will enhance biodiversity, contribute positively to community health and well-being whilst well-signposted and integrated streets will encourage people to walk and cycle, allowing the local community to access convenient and active travel choices between the town centre and surrounding neighbourhoods.

Not only will SG1 transform Stevenage for generations to come with sustainable and inclusive spaces and places, but it will also create an immediate benefit to the community during the construction stage, with hundreds of construction jobs and a significant number of apprenticeships being created

SG1 is a model for town centre regeneration across the UK, with plans that directly address the climate emergency, whilst creating a vibrant and fresh mix of uses and inclusive communities that are adaptable to the needs of future generations. By populating the town centre with a new residential community we will create demand for business and service, create new jobs and new public facilities in the heart of the town centre with cutting-edge digital connectivity injecting a boost to the town centre economy, and support a thriving and inclusive social and physical infrastructure for generations to come.





Cookhouse

Cookhouse

Cookhouse

Cookhouse

WARRINGTON MARKET

Mamar's Bread and Cheese

Andrew's Fish

Fresh PLATERS

Single

Special Of

Gammie

CHAPTER 4

SUSTAINABLE

MASTERPLANNING

THE IMPORTANCE OF

PARTNERSHIPS AND A

CITY WIDE APPROACH

PUSHING FOR PARTNERSHIPS

THE IMPORTANCE OF WORKING CLOSELY WITH LOCAL GOVERNMENT AND OTHER STAKE HOLDERS



BY:

Ruth Moorhouse
 Director Asset Management,
 Ellandi

It's no secret that for many of our town centres and high streets to be fit for purpose, investment and a long term perspective are needed.

Next year will see increasing numbers of retail assets return to the control of banks and lenders, who may have little appetite for either. Many will be reluctant owners who never planned to actively manage these assets - much less regenerate them.

Perhaps at the opposite end of the investment spectrum are local authorities. Since 2016 there's been a well-publicised surge in acquisitions from this buyer group. Unlike lenders, they bought these spaces with a deliberate intention to control their operation.

Most owners are unified by a lack of cash to recoup their present losses. All are looking for new engagement and investment from the opposite side of the private/public sector fence, but partnerships have been slow to gather momentum.



THE OUTCOMES OF A MUCH LONGER CYCLE

Many assets needing urgent regeneration date from public and private sector partnerships in the 1960s and 70s. For decades these spaces performed for all stakeholders. From this angle we could argue that the regeneration of these spaces doesn't indicate their failure, more the next phase of their operation. We've seen these partnerships work in the past, but current conditions are creating barriers.





PERCEIVED IMBALANCES

Partnerships are based on complementary strengths. Local authorities have the motivation to regenerate for long term benefit. But banks and investors with existing exposure are looking to withdraw their interests in the short term with reduced losses. Many local authorities have already faced downturns in value, realising that they've overpaid for an asset and underestimated the expertise needed to run it. In short, the lines between who's bringing what to the party are blurred.

One of the biggest challenges we see is agreeing a balance of risk. Private owners are aware of the public funding available for regeneration. Local authorities perceive that these investors want funding to recover their financial losses without any interest in long term community benefit. On top of this they feel cornered because the community will ultimately be at a loss if they don't intervene. Both sides are looking to maintain a controlling interest in the asset to make sure it serves their needs.

WHERE ARE WE SEEING PROGRESS?

Ellandi has the benefit of working with both groups. As expert delivery partner a lot of the value we offer our clients, in addition to our asset management and development skills, is through our relationships, brokering and managing partnerships where a misalignment of control and risk can stall progress.

PUBLIC SECTOR TENANTS AND CIVIC AMENITY

We're currently working with local authorities to develop bespoke spaces for public sector tenants, like the NHS, libraries and colleges in redundant retail space. These organisations are looking for long leases, provide secure covenants and have their own sources of funding available to invest. This approach creates accessible civic amenity, and is proven to increase footfall and dwell time. It has the added benefit of putting local public sector rent spend back in the pocket of a local public sector landlord. To date we've acted as asset manager, but also linked together requirements and objectives to develop a solution that works most effectively for landlords and prospective tenants.

CREATING COMPELLING VISIONS

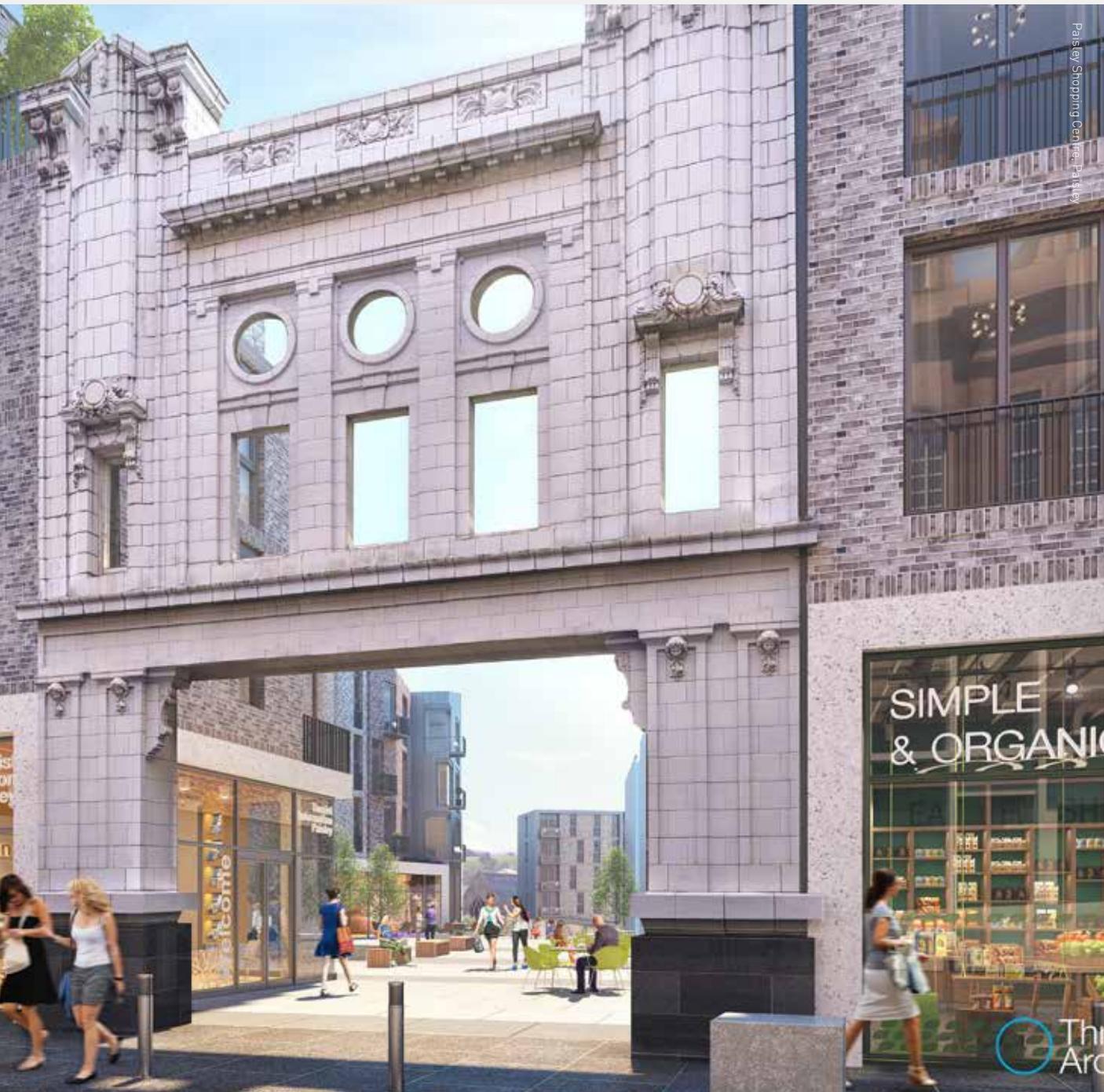
We're increasingly acting for owners on both sides to create compelling long-term visions for spaces to act as business plans for investment or a prospective buyer. Local authorities can take the view that if an asset can't perform for the private sector, then they won't have the expertise to make it perform either. We're helping private sector owners demonstrate the 'art of the possible' and build a purchase case based on what's right for the town centre and future potential.

In Maidenhead we've worked with both receivers and the local authority to build relationships. Having developed a vision and re-purposing business case we managed a vacant possession strategy to enable a sale to a buyer with a long-term interest. The bank were able to fully recover their loan.

In Paisley we've created a vision for sale to a developer with the local authority fully supporting and paying in part for the work, alongside Revo and the Scottish government.

At Southampton, a long-term vision has been explored to determine what uses are most relevant to ensure the vibrancy and vitality of the City, informing emerging planning policy and outlining development potential.





Paisley Shopping Centre, Paisley

LOCAL AUTHORITIES AS ENABLERS

We're also seeing situations where local authorities want to influence and support local regeneration but aren't in a position to buy. In these instances we enable conversations between stakeholders and help them structure support through other areas that they can influence – though planning, parking, business rates and incentives. The more viable these spaces come, the more likely they are to become attractive prospects for investors with long-term horizons like institutions.

Public and Private sector partnerships will be necessary to what comes next for our shopping centres and high streets. Each situation will dictate which party is bringing the capital, the expertise or has the greatest motivation for change. However there needs to be a more level expectation of carrying risk and at what price for control on both sides, or neither has a strong proposition to partner.



CITY VISION: SEEING THE BIGGER PICTURE THROUGH URBAN DESIGN

REPURPOSING OF RETAIL ASSETS OFTEN REQUIRES A WHOLE TOWN APPROACH



BY:

Peter Frankum
Head of Savills
Urban Design
Studio

Our clients often come to our Urban Design Studio and ask for a masterplan for a vacant or underperforming site. One of the first questions we ask is what is the role of the site within the wider urban context and future vision of the whole town centre. It is important for the success of the development to fully appreciate the opportunities the site offers and the relationship and role it has to play in the rest of the town centre. A successful town centre is made up from many connected parts of activities, character, streets and spaces. Understanding how the sum of all of the parts of a centre can work together is the key to creating a successful distinctive thriving place. Locating uses so that they can work together to increase footfall and the overall draw and success of the town.

CITY VISIONS

A tried and tested approach to the regeneration of urban centres is the creation of strong long-term visions. Successful visions need to be based upon sound principles of place making and aim to utilise the assets that already exist, and then enhance and re-connect them as a series of complementary neighbourhoods or “urban quarters”. One of the early champions of this approach was Birmingham city centre, which, in the early 1990s, set out a clear plan to break its “concrete collar” of urban highways and develop a series of new distinctive city quarters, which included the Jewellery Quarter, Gun Quarter, Digbeth and City Centre Core. This initiative has reinvigorated the city centre brand and more recently the initiative has been expanded beyond the core as part of the 2011 City Big Plan.

TOWN CENTRE BRAND

At Savills we have taken a similar approach for a number of urban sites, to create added value by demonstrating the ability of development to form part of a much larger integrated approach for a wider town centre vision. Kettering is an example where a struggling town centre needed to change perceptions and begin to regenerate a number of underperforming and vacant sites. Savills view was not to focus on the component part but examine the whole to enhance the opportunities of the centre. Savills developed a strategy to determine how each part of the town centre could work together to create a critical mass of interconnected developments utilising a series of Urban Quarters such as the Market Place, Civic Quarter, High Street, and The Lanes. All of these sites were bound together by a public realm and wayfinding improvements. This approach to identifying a complementary role for each part of the town centre, along with major public realm enhancements, all worked together to create a much stronger brand for the town centre. Similar approaches have also been advocated for places such as Bournemouth, Derby and Maidstone.

Maidstone is a prime example where a number of vacant and underperforming sites, and the draw of three retail zones, all have the result of reducing the spread of footfall across the town centre. Our advice has been to work with the Council at introducing further mixed-use and residential schemes on key sites, as well as exploring ways in which unique qualities of Maidstone can be enhanced to improve the image of the town.

MAKING BETTER USE OF THE TOWN'S QUALITIES

Of particular note is the ability for further riverside development along the River Medway, an underutilised asset to the town. The town also has the benefit of three mainline rail stations, however each also misses out on opportunities to create positive arrival points and gateway destinations, with restricted access points for pedestrians, and lack of quality facilities, public realm and townscape. We have advised on how these stations can interact better with the town centre, with new development with a range of facilities and accommodation. Such an approach will have the benefit of creating desirable arrival points into the town centre, further enhancing perceptions for visitors.

Further decisions will need to be taken regarding the way in which the brand of the town centre can be enhanced, and the BID initiative will help to focus on a long-term strategy for the town centre. Furthermore, the retail core will also need to look further into increasing the diversity of uses to ensure that the heart of the community adapts and prospers.

VISIONING – THE WAY FORWARD

As retail within our urban centres becomes less dominant, it is important to rationalise and avoid overly competing neighbourhoods. We need to look for placemaking interventions that deliver an integrated town centre brand, which incorporates complementary uses that act in unison to draw people back into our centres, and sell local distinctiveness with a range of activities. This will help to increase local dwell time, and encourage vibrancy at the heart of our communities. Above all it is important to have a strong long term vision for our urban centres.





MASTERPLANNING AND THE MEETING OF MINDS

PRIVATE SECTOR REPURPOSING NEEDS TO BE SEEN THROUGH THE LENS OF THE LOCAL AUTHORITY



BY:

Phil Mayall
Regional
Director, Muse
Developments

Sustainable repurposing requires a meeting of minds at the masterplanning level, even for island sites.

Across the Muse business, we're increasingly being asked to look holistically at alternative uses for shopping centres that either local authorities have acquired to gain control of their town centre, or by institutional owners struggling with the rise of vacant units and reducing rental income. More recently of course this has been understandably exacerbated by the unprecedented effects of the Covid-19 pandemic.

It's quite telling that the institutional owners tend to focus purely on their own asset – looking at what they can do within the red lines of their ownership in a bid to stem the loss of revenue and protect their balance sheet. However, local authorities start from a much wider viewpoint, and ask the question as to how they can increase economic growth in their areas, which drives social prosperity and in turn, the success of their town centre. Only then do they focus on the asset itself.

Of course councils have the ability to take this wider, long-term view, but in any event, they're entirely right in their approach, and now more than ever, public-sector intervention is crucial if our towns and cities are to thrive in adversity. What's key here is courage. As a developer, we must have the courage of our convictions to look forward and take calculated risks where necessary. It is the same for local authorities to have the courage not to waiver from this approach, keep the faith and continue to promote regeneration. Essentially what was right for our towns and cities immediately prior to the pandemic will likely be right for the long term. Covid-19 has merely accelerated the changes that were already happening in these areas.



You simply must take a look at the repurposing of a failing asset through a wide-angle lens to understand the strengths of the area, along with its heritage and aspirations for the future. From there, you can look at opportunities repurposing the asset will create for the wider area, its challenges and how that creates the key ingredients to what the town or city needs to succeed.

Take our Time Square development in the heart of Warrington town centre for example, which is a scheme we feel is a standard bearer in town centre repurposing and regeneration.

Initially the area was home to an old shopping centre, with a market that was becoming tired and not fit for purpose. Its layout and location in the town centre acted as barrier to the adjacent areas, which in turn promoted anti-social behaviour. To arrest the issues,

the council stepped in with our support to give the Bridge Street area a new purpose, with the overarching objective to bring families back to the town. This has been achieved by developing a family leisure experience with a cinema and new bars and restaurants, underpinned by high-quality civic office space, while providing a 10am to 11pm European-style market facility to calm the 'wet led' drinking culture of the neighbouring streets and enhancing footfall from the neighbouring Golden Square development.

What has been delivered in Warrington - and in many towns and cities we serve - has been an unqualified success, together with the council we've created a destination in its own right

where people can work and relax, with high-quality public realm, increased connectivity and footfall, which has in turn created future opportunities to bring much-needed homes back to the town centre.

There are opportunities now for the public and private sector to come together, use their collective experience and wisdom, to repurpose our towns and cities to be the engine rooms of our economic revival and create schemes that will stand the test of time.

Success requires a pragmatic, joined up approach from both sides, where the local authority can see through the lens of the developer and the developer can see through the lens of the local authority.



Times Square, Warrington

THE NEW LOCALISM & THE 15-MINUTE CITY

HOW DOES IT WORK AND HOW DO WE RETROFIT INTO THE EXISTING URBAN LANDSCAPE?



WHAT IS IT?

The advent of Covid-Lockdown(s) has forced people to use their neighbourhoods for a multitude of reasons – not least because travel had been reduced to essential trips only. Since shops have reopened, people have continued to support their local businesses demonstrating a renewed sense of community. This need for improved localism however, has been on the agenda prior to the 2020 pandemic.

It is with the intention of building sustainable communities, centred around intensified placemaking that has led an increasing number of urban planners and authorities to use the concept of the 15-minute city¹.

The 15-minute city is a concept that defines cities by its neighbourhoods or districts. Instead of centralising provisions in city centres or central business districts, services and facilities are dotted around a city according to where people live. The idea not only reduces carbon dependency, increases community provision and makes places healthier it can also improve vibrancy, access to goods, culture and entertainment. Residents are able to obtain most of what they need to both live and work within a short trip from their home, ideally without the reliance on cars.

From that approach, the concept is now more widely understood as the need for localism. This wider understanding explains why the concept has been adopted with speed by many authorities across the globe, most notably in 2020 in Paris and Melbourne, as it also encapsulates two central 'tipping point' agendas; promoting well-being and sustainability.

These agendas have been evolving for a number of years, and what appears to be emerging is a combination of ideas: the idea of localism, and the idea of sustainable cities. It is the combined idea that grabs attention, and has taken the 15-minute city to becoming a major proposition across the world.



BY:

Jeremy Hinds
Director,
Savills Planning

Tom Whittington
Director, Savills
Commercial Research

¹The 15 minute definition is largely used by European countries, but elsewhere, the definition is extended to 20 minutes.



FIGURE 9: FEATURES OF A LOCALISED -NEIGHBOURHOOD

This graphic from the authorities in Melbourne, demonstrate the characteristics of the urban concept neighbourhood.

Far from being a new phenomenon however, it is in fact a return to an ancient and organic way of urban life, where people live, work, play, thrive and survive all within convenient proximity. Some of the world’s most resilient and successful cities have evolved by defining themselves as comprising a series of linked communities, with both New York and London using the highly recognisable description as metropolises made up of intertwined villages. Moving forward we will see the concept embed itself into the urban planning of many much smaller places.

The Melbourne definition (figure 9), illustrates that the concept of localism will create different outcomes in response to different local needs. But one ingredient remains central and critical to the overall understanding of a 15-minute neighbourhood. That is the requirement for people to be placed first in the hierarchy of needs.



This translates into three distinct outcomes; first, neighbourhoods are about quality and lifestyle; second, they operate at a human scale; and third, in a rapidly evolving society this build resilient and sustainable local economies, which is far better for those invested in them.



WHERE IS IT HAPPENING?

From Berlin to Bergota, Stockholm to San Francisco and Melbourne to Mexico City, there are an increasing number of illustrations from around the world that evoke ideas on how individual cities might adapt to meet local needs and values.

In the UK it is starting to happen in different ways, such as with LandSec's community projects, Muse's market place developments, or Capital & Regional's healthcare provision within its shopping centres. In each case, landlords are looking at the wider place to look at how they can adapt their spaces to fulfil wider needs of the community.

However, the concept is important at all levels, whether through city wide policy, or urban regeneration or development masterplans. We've worked on a number of new community developments and major urban extensions, such as Barking Riverside, Northstowe or SW Rugby SUE, that seek to implement components of these core themes as part of a sustainable placemaking strategy.

In some schemes, such as U+I's Mayfield development in Manchester, it is not just about creating a 15-minute concept within the development itself, but connecting and embedding the development within the existing neighbouring communities through employment, social and civic opportunities.

For new developments the idea of bringing people together from different interest groups: parks and recreation, infrastructure, housing, education, health and commerce can be at the heart of the masterplanning process, blending different uses to capitalise on synonymous uses and consumer movements. But how do we repair the existing built environment?

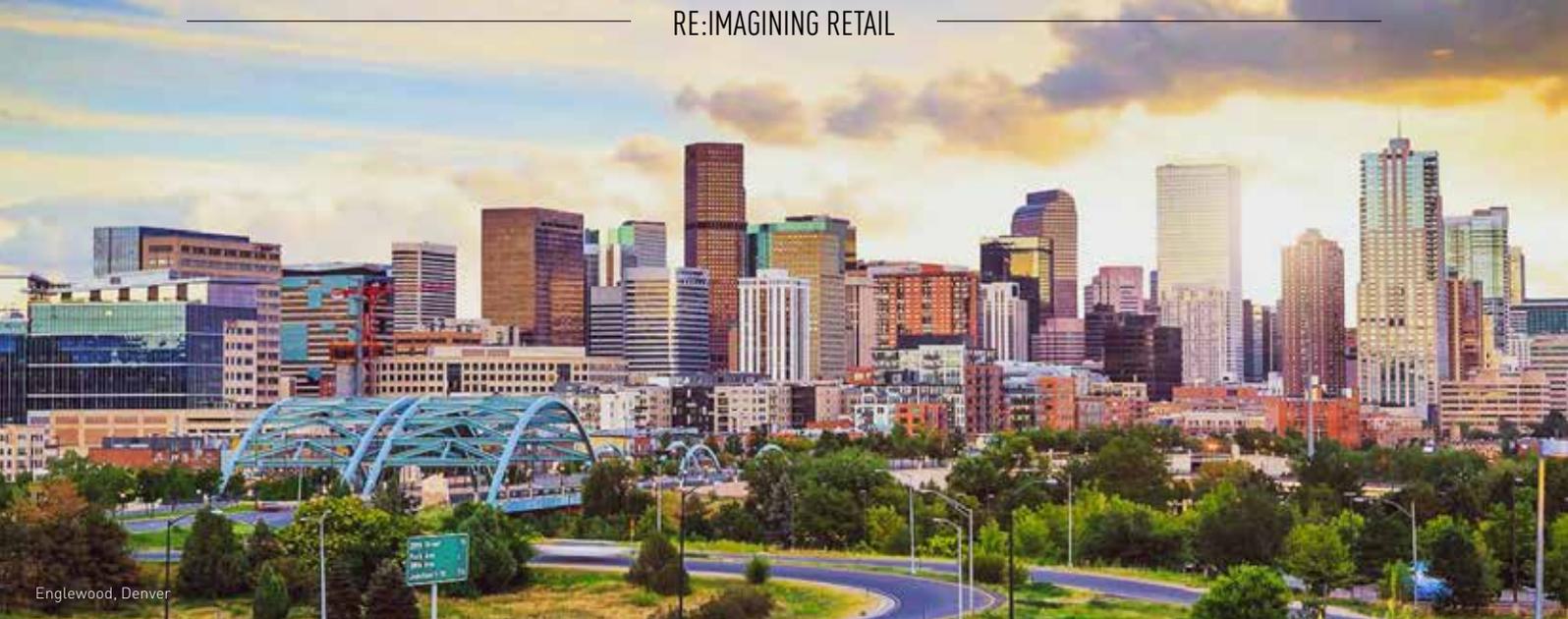
RETROFITTING THE 15-MINUTE CONCEPT

The concept of the 15-minute city is in direct contrast to the urban planning paradigms that have dominated for the last century, where residential areas are separated from business, retail, industry and entertainment. Real places don't work like this and this siloed approach is becoming strained.

There is plenty of evidence that people are most loyal to the places that they enjoy, but if they only sleep or work in a particular place there is no particular allegiance or relationship with the built or civic communities in which they live. The Covid situation has demonstrated the societal benefits of bringing people and property uses back together.

The need now is to move away from urban island environments that lack diversity of use or place. People are encouraged to increase time spent in their communities, but still reach out to other communities and workers in order to collaborate, create and curate ideas.

Of course, it's easier said than done. Over the last 50 years we have built an infrastructure around car usage, yet it is acknowledged that we will need to rethink how we operate, not least to meet the challenging CO2 emission targets.



Englewood, Denver

CASE STUDIES:

- Englewood, a suburb of Denver, Colorado, created a new mixed-use downtown out of the Cinderella City Mall, which had been the largest mall west of the Mississippi when it opened in 1968. A light-rail line now serves the area, and the refurbished mall, called CityCenter Englewood includes residences, a Civic Center, and some stores.
- The Nezu area of Tokyo, one of the world's megacities, is now a specialist provider of organic produce from local organic based urban farms
- At Holtzmarkt, Berlin, the local population built their own housing development containing open-air bars, restaurants and kindergarten
- London and New York have all seen citizen power investing in "pocket parks", seen in public as well private spaces
- In Paris the approach is designed to cut air pollution and hours lost to commuting, improve Parisians' quality of life and help the city achieve its plan to become carbon neutral by 2050.
- Bogotá and Berlin's temporary bike lanes.
- Seattle and San Francisco's 'open streets'.
- Milan and Barcelona's ambitious plans for road-space reallocation.
- Lisbon and Mexico City's public and private shared bike schemes, with many offering free or subsidised rides
- Manchester Cycle Network – ambitious plan for 1,800-miles of protected cycling and walking routes across the city
- The Danish Architectural firm, CF Møller have responded to the question directly by creating a new neighbourhood in Copenhagen to be known as Future Sølund offering a combination of 360 nursing home units, 150 residential units for young people, 20 residential units for senior citizens, a day-care centre and micro-shops as well as both public and private carpark facilities.

We all need to look at what people need now and in the future. Planning measures need to encourage the flexible use of buildings and public space. Employers need to facilitate remote working. Town centre stakeholders need to promote neighbourhood co-working spaces, invest in social, civic, service, health, wellbeing and public realm; to help foster the more local, healthy and sustainable way of life that many of their citizens are calling for.

This may well take some strong, proactive and persuasive leadership. In Paris, the mayor has installed the Semaest, a semi-public agency whose role is to reinforce active ground floors and to revitalise neighbourhoods. For example, the agency has a 'pre-emptive' right to buy ground-floor space to repurpose for retail or commerce.

Sustainable repurposing has to be at the heart of the 15-minute neighbourhood and the vast structural changes occurring in retail are not just a huge challenge, but provide an opportunity should we choose to adapt them into something more useful.

The idea isn't just about creating mixed use schemes, it's about creating mixed use, hybrid places. Adapting places within these principals will build resilience and community. There is evidence too, that connecting people with goods, services, community and infrastructure has a positive impact on property values.

Rethinking retail places within the lens of the 15-minute neighbourhood by no means spells the end of retail places altogether, but it may spell the end of retail places as we know them.

SUSTAINABLE DESIGN AT THE HEART OF URBAN TRANSFORMATION

BOTH REPURPOSING AND REDEVELOPMENT HAVE A PLACE IN REGENERATION



BY:

Mike Wilson-MacCormack

Director, Head of Newark Studio, Benoy

BENOY

MIXED-USE, COMMUNITY-FOCUSED DESIGN: THE KEY TO URBAN REGENERATION

Across the UK, Europe and beyond, urban centres are in urgent need of regeneration. Smaller towns in particular have witnessed a sharp decline in recent years, with shops and businesses closing, infrastructure failing, vacancy rates rising, and visitor numbers falling. All of which has been deeply exacerbated by the impacts of Covid-19 and the increasing preference for online transaction and experience.

I believe that mixed-use, community-focused design holds the key to successful urban regeneration. With town centres no longer able to rely on singular sector propositions, and with monocultural design having clearly had its day, a diverse mix of assets and uses is essential for urban renewal. Not only is this approach vital to generating footfall and investment, it also reflects the blurring of boundaries in modern life.

Indeed, on a micro-scale for buildings, and on a macro-scale for towns, urban regeneration needs to support flexible patterns of live-work-play. Younger generations in particular (Millennials, Gen-Zs and Alphas) seek multiplicity and fluidity in their daily lives. By shifting away from rigid, single use models, and incorporating a mix of uses in their designs, developers can meet these expectations and provide an integrated and enriching urban experience.

As designers of large regeneration mixed use schemes, we have to take a holistic view that optimises synergy between uses and connectivity with neighbouring communities. The value is in the sum of the parts, not isolated aspects. Good sustainable design does not create island sites, disjointed from their environment; it creates connected, landmark sites.





King's Road, Lower Ground, Chelsea

BRINGING TOWN CENTRES TO LIFE

As consultants on extensive redevelopment schemes in various global markets, at Benoy we have witnessed the power of mixed-use design in reactivating urban environments. In the UK, we have recently worked on regeneration projects in Woking and Wokingham – town centres which had both been losing market share to neighbouring locations.

In Woking, we delivered two public spaces that include retail, hospitality and public realm, with a core focus on blended typologies and tenure mixes. We integrated a build-to-rent residential development above a retail podium, which will provide a rich mix of uses and dimensions for the local community. We also incorporated positive ground-scaping. Our aim throughout was to improve quality of life, while creating a vibrant town centre where people want to be. And as it nears completion, the project looks set to accelerate Woking's upward trajectory and help realise its commercial potential.

In Wokingham, meanwhile, we reimagined a town centre as a thriving destination for commerce and urban living. Across two mixed-use developments, we combined modern retail formats, F&B, leisure, and a significant quantum of residential space. As in Woking, we applied the principles of community-focused design to both preserve and enhance the town centre asset, giving back to the community through a mix of amenities and greenspace.



King's Road, Terrace, Chelsea

REPURPOSE AND REBUILD

The Elms Field project in Wokingham delivers an animated ground floor of shops, restaurants and businesses. But perhaps the heart of the development is the Everyman Cinema, located in a commanding position overlooking the regenerated park. The space has become something of a modern village hall and focus for the wider community, capable of hosting a range of social and leisure functions. The success of this complex and multifaceted building is reflective of a mind-shift in local developers, who are beginning to see different uses at different moments in existing assets.

The repurposing of assets is certainly something we expect to see more of in urban regeneration – particularly in the retail sector. Looking forward, we anticipate that retail assets, hollowed out by years of decline and, more recently, the global pandemic, will need to flex to encompass a wide range of uses, such as workspace, residential and logistics. In turn, high streets and shopping malls will need to focus less on filling space with stock, and more on repurposing that space for wider cultural needs, as well as for showrooming, fulfilment, back-of-house functions and last-mile delivery. As part of our efforts to renew urban centres, we need to shift from rigid, large-scale retail developments towards something more blended and compelling.

In Kiev, Ukraine, Benoy recently did exactly that. Taking a grand old department store – TSUM, which although impressive in scale failed to deliver any form of experience – and transforming it into a compelling collection of retailers, boutiques and restaurants. We extensively remodelled the building's interior, inserting a dramatic atrium and inviting visitors on a vertical journey which constantly reveals new vistas and rich retail experiences.

This dynamic and elegant interior takes place behind a lovingly restored historical façade, maintaining its cherished status in the hearts and minds of the community. Establishing a multifaceted retail model and impactful spatial environment, we were able to create a commercially relevant and fully integrated destination which renews the eclectic culture of central Kiev.



Unfortunately, repurposing existing assets through retrofit is not always possible and many large retail footprints involve inflexibly built, monocultural spaces that can resist positive transformation. And if town centre survival means increasing density and tenure mixes, then a certain amount of rebuilding is inevitable. This presents a challenge to designers and developers, but with creativity and determination, is one I believe can be resolved sustainably in the years ahead.

In London, for example, we were approached by a client to consider the future of their site on the famous King's Road. The 1980's building in question did not lend itself to adaption, so we proposed a new build on the principles of long life, loose fit, low energy. Looking for inspiration, we discovered the site had been a botanical nursery in the 19th Century, and over the years had always retained a component of open space. As such, we decided to reinstate the 'lost courtyard' in the centre around which the new build forms. Aside from being a great public space, the courtyard provides increased frontage, which has allowed us to carve up units to respond to different market demands. It has also enabled us to transform what would otherwise be a basement floor into a vibrant food market destination, while various entry points offer potential for future uses. It's a project that engages passers-by on multiple levels, and has benefited greatly from a client who understands the importance of responding to the desires of the community and aligning with the local urban character.



TSUM, Kiev, Ukraine

TWENTY-FIRST CENTURY URBAN ENVIRONMENTS

Ultimately, urban regeneration in the twenty-first century needs to reflect and support the way local people live their lives. It also needs to respond to the pressures on existing land and assets, and to the increased demand for housing.

By exploring new mixed-use urban typologies, we can address these needs and revitalise the urban landscape. I see great potential in a community ecosystem of street-facing retail and leisure operations, businesses and services which, with residential, recreational and commercial integrated above, can create economically viable, human-centric schemes that meet the needs of local businesses and residents.

Difference and diversity enrich human society. In our buildings, towns and cities, the mixed-use principle provides an opportunity to co-locate and combine a range of uses that have previously been kept apart. And an opportunity to regenerate urban environments in a way that delivers long-term value on multiple levels.

PUBLIC SECTOR OWNERSHIP AND REPURPOSING

WHAT ROLE DO LOCAL AUTHORITIES HAVE IN REPURPOSING TOWN CENTRE ASSETS?



BY:

Laura Roberts

Head of Public Sector London, Savills

Robert Pert

Head of Housing Development & Regeneration, Savills

A PROACTIVE STAKEHOLDER

The public sector traditionally has played a significant role in both delivering and re-purposing town centres. Recently, the focus of re-purposing town centres has been a key focus in the public sector agenda, with additional funding being made available through programmes such as the Future High Streets Fund and the Town Fund for example.

However, notwithstanding the provision of funding, the public sector involvement in changing town centres takes various forms, from town centre management, planning and policy, delivery of infrastructure, asset management and driving regeneration and re-purposing through redevelopment / re-provision of their Civic Centre or facilities as a catalyst or pioneering occupier.

For example, Brent Council delivered Brent Civic Centre as a part of the Wembley Park regeneration area, focussing on consolidation of civic facilities and provision of multi-use space. In London Borough of Lambeth, Your New Town Hall was delivered as part of a regeneration scheme in Brixton.

These projects created operational efficiencies for the public sector but also act as footfall generators for surrounding uses.

In the last five years, local authorities have invested almost £1bn in shopping centre assets across the UK with plans to have more control over the management and development of town centre assets in order to ensure their future sustainability. However, conversely, local authorities who are already some of the largest owners of town centres are considering space rationalisation of public sector assets at a time when retail uses are going through structural change.

However, in the post Covid-19 environment and changing retail and town centre landscape, rightsizing is going to become more of an issue. It is fairly well accepted that retail in town centres is going to be impacted, with a reduction in provision to meet the trends in this sector. However, the public sector's role in town centres will also need to take rightsizing into consideration, with the ability to deliver larger scale assets potentially being impacted by changing work patterns

This increases the problem, but also the opportunity; many of these sites are large and with repurposing potential. Essentially to ensure the future of our town centres the problem doesn't lie with retail space alone, it is a question of rightsizing everything.



Hogsmill, Kingston-upon-Thames

MORE OR LESS

In south west London, Kingston Council are developing an ambitious town centre vision to support the long term needs of the borough's residents, businesses and visitors in years to come. Their Town Centre Development and Renewal Programme is at the heart of realising this vision. It is also at the heart of placing the council on a path to financial self-sufficiency by enabling it to invest in vital public services. This includes how council-owned assets, including the Guildhall council office complex, can be repurposed to create work spaces, homes, and public spaces for the benefit of everyone in the community.

Just down the road in Sutton the local authority is taking forward an ambitious programme to right-size and repurpose areas of the town centre. This includes acquiring retail assets and regenerating housing estates on the fringe of the town centre. Savills is working with Kingston, Sutton and a number of other London local authorities, providing a range of advice including retail consultancy, residential consultancy, planning, viability and delivery advice.

Current conditions are driving some areas of the public sector to occupy more accommodation in town centres, with a key example being the NHS where primary care facilities are considered as part of repurposing space in shopping centres for example, driving footfall and value through covenant strength. The public sector's requirement for town centre assets therefore may change but it is clear that adapting a more flexible approach in relation to policy and management will be important in ensuring that town centres can function as effective places. The greater flexibility afforded by the latest Town and Country Planning (Use Classes) (Amendment) (England) Regulations 2020 will assist with this and enforce the potential for "right sizing" not only retail, but also other commercial town centre uses.



FLEXIBLE STRATEGIES ARE KEY

An example where flexibility in approach is acknowledged (albeit not relating to repurposing per se) is that of Northstowe Town Centre, the next phase in the Northstowe scheme near Cambridge where we are advising Homes England as master developer, delivering a 10,000 residential unit settlement centred around a new town centre of around 45,000 to 50,000 sq m. Rightsizing has been a key consideration for the team delivering the scheme, and even more importantly enabling flexibility moving forward. The impact of the changing retail environment has meant a focus on reducing the commercial floorspace by around a third from the outline planning permission, and rebalancing uses towards leisure and employment uses. Importantly, it has been agreed with the local authority that delivering the town centre will be an iterative process, where flexibility in approach and change of approach is essential. A Delivery Board has therefore been set up so that the local authority and master developer can be as collaborative and agile as possible in responding to changes in the market. Flexibility in relation to use class and masterplanning has been built into the strategy for delivery.

To ensure the future of our town centres the problem doesn't lie with retail space alone, it is a question of rightsizing everything



This is clearly more difficult in the scenario where town centre uses require repurposing however the principles should remain applicable. The public sector having a collaborative and flexible approach in driving optimal solutions will be key for a holistic approach to repurposing a town centre held in multiple ownerships. A challenge with adopting a holistic view however can be that value uplift and benefit from social value interventions are not likely to be instantaneous. Nonetheless, working in collaboration with the private sector to deliver destinations is important, as while alternative uses are the lynch pin of a repurposing strategy, the fundamentals of how a place like a town centre works will still need to be in place. Creating smaller clusters with synergistic uses with redevelopment for uses such as residential/affordable housing is likely to appeal at present.





CHAPTER 5

SUSTAINABLE

FUNDING & POLICY

MAKING THE CASE FOR

REPURPOSING VIABILITY

AND AN ALTERNATIVE

INVESTMENT PERSPECTIVE

SUSTAINABLE FINANCING

WHY NON-RETAIL REGENERATION PROVIDES BETTER FUNDING OPTIONS IN AN UNCERTAIN RETAIL WORLD

As the face of the retail supply adapts to represent consumer habits, a number of barriers holding back change have been addressed. Investors looking to reduce their retail exposure have never been in a better position to take advantage of the opportunity to re-position their assets for the alternatives market to maximise long-term value of the assets they own and drive regeneration in our towns and cities.

SUSTAINABLE LEASES

The retail landscape has changed forever. Structural changes mean that there just isn't the demand for the amount physical retail space that we have been used to, as online shopping becomes more convenient, struggling or poorly run retailers fall into administration and occupiers 'rightsized' their town centre and out-of-town footprint. Leases are also moving away from upwards only 10 years that have been common in the past, providing less long-term security for landlords. The partnership between owner and occupier has to become more operational and entrepreneurial.

Investors are now shifting the weighting of their portfolios away from retail to the alternative sectors, where long leases can be secured providing more secure, sustainable income for landlords.



BY:

Mark Garmon-Jones
Director,
Savills Investment



City Centre South, Coventry

Regeneration and the diversification this can bring is also welcome as the mix of occupiers from councils, educational institutions, healthcare, BTR, hotel, last mile logistics, retirement living, and more, not only provide security for investors, but a vibrant mix of new occupiers and employers to our currently retail heavy high streets. These occupiers can sign leases of 30+ years compared to 3-5 year retail leases.

Additionally, major planning changes were announced in 2020 for those owning, occupying, funding or developing commercial and business premises. The Use Classes Order makes it easier to change uses of retail to alternative uses, enabling new flexibility which aims to encourage vibrant, mixed use town and city centres where we can live, work and shop. The previous planning system which had become too challenging, restricted the adaptability of the high street and hampered the process of regeneration.

SUSTAINABLE FUNDING

Retail has been a dirty word for investors of late, but private sector funders are starting to come around to the idea that development that includes retail places at their core does not have to mean a weak proposition when diversified and rightsized to meet specific local need.



Alternative uses are exactly what institutional investors continue to crave, opening up significantly more debt funding options than single-use retail assets, which is a huge bonus for cash strapped landlords. With council involvement there is an increasing array of grants, funding and planning support and public sector investment may well be needed in the majority of the towns across the country. However, securing pre-lets on a variety of tenure would provide greater confidence to banks and councils to take on long-term finance and therefore a proactive private sector approach remains instrumental.

Gravesend Old George Square regeneration is a prime example where Reef and the local council worked together with Aviva to create and fund a scheme that would provide much needed diversification in the town centre town centre, including residential accommodation with a mix of tenures. This not only reduced the amount of retail, it created the places that the residents want; a place they can be proud of and safe in.

There are 15 other types of funding options for regeneration from the Future High Street Fund, Getting Building Fund and Public Works Loan Board just for starters to assist with development viability. Institutional investors also need to keep the faith. These types of public and private partnerships are valuable because each party bring their own expertise and the risks are shared.

SUSTAINABLE INVESTMENT

The best retail investments in the future will be those that are connected to their places, are environmentally and economically sustainable, and that have secure income from diverse occupants; developments that stand the test of time. However, many of existing retail assets have thrived for 50 years, but are now no longer suitable to modern needs. An improved sustainable offer will meet the challenges of the next 50 years, providing both financial and social returns.

For landlords who have come to terms with the underlying value of their assets and understand the viability for redevelopment, repurposing and regeneration, there is huge opportunity, especially as many are looking to reduce their retail holdings and weightings. While there is the development risk to navigate the long-term, rewards and more sustainable income streams are sure to outweigh the pain some may associate in being involved with development projects.

Covid has reinforced the power of community. Consumer and occupational loyalty is arguably one of the most important barometers for sustainable places. It was happening already, but tailoring developments to meet the multiple needs of the people they serve and build social value is how you ensure occupational demand for all uses, and with it sustainable income and investment.

BRIDGING THE FUNDING GAP

SUSTAINABLE REPURPOSING IS A WIN WIN FOR GOVERNMENT, DEVELOPER AND CONSUMER



BY:

Sebastian MacDonald-Hall
Partner, Evolve Estates

It's a fairly common perception that repurposing of retail space into residential only works in London and the South East, but that assumption is misguided. It is true the values in our Capital can be much more eye watering for many developers, yet many of the problem areas in retail and opportunity for reinvention occur in other parts of the UK. Projects can be delivered elsewhere; we know because we've done it. But it isn't easy.

At Evolve we take pride in tackling challenged sites and breathing life back into them. Our mission is to deliver affordable homes within under loved town centres and high streets, revitalizing local communities and creating long term value. Our strategy is to regenerate vacant ancillary space above or convert existing retail assets that have fallen into disrepair and have become an eyesore for the local community.

As such, we have over 2,250 residential units in the development pipeline in towns across the country, from South Shields, Nuneaton, Wolverhampton, Bootle and Huddersfield; typically locations where investment in recent years has been desperately lacking.

However, there can be significant barriers to realising this strategy given much of our town centre space remains over rented, low residential values in certain regions, increased cost of conversion and regulatory standards and a cumbersome planning system.

It is a bitter pill to swallow that our significant appetite to develop, invest and improve failed retail places is constrained by policy and an often considerable funding gap. And we're not alone. There has been an increase in niche developers who want to do something useful with more social value. Yet it is these very places that is hot on the government agenda to improve.

EVOLVE

Let's look at the scale of the problem and opportunity.

142M SQFT

of ground floor retail voids nationally

308M SQFT

anticipated to become redundant by the end of the decade

935M SQFT

of upper floor or basement retail space, much of which is underutilised

177M SQFT

of low grade office stock within retail places

1.3BN

KgCO2 per annum lost from low grade town centre retail or office property compared to their target emissions

[Source: Savills Research; VOA/Experian/EPC/ Costar]



Just imagine if we were able to redevelop some of this space into something more useful. So what needs to be done?

Government needs to be more interventionist and help bridge the funding gap to increase the viability of delivering schemes. However, this isn't just the two dimensional needs of a housing developer. The opportunity is far more wide ranging than that. I believe that enabling redevelopment of problem retail assets will help with:

- Delivering affordable housing targets
- Helping the high street
- Building beautiful
- Sustainable development
- Carbon targets

Through developing problem sites we can reduce the burden of retail voids, or underutilised town centre space. Retrofitting rather than full redevelopment is cheaper and more sustainable, but that doesn't mean it lacks quality.

We have been working on a design code with Create Streets to present to the government and Homes England to allow a proportion of funding for new builds to be given to this initiative.

We believe if part of Homes England's funding was given to converting existing ancillary space, for half the tax payer's money we could create the same amount of affordable homes. This would not only save valuable money, reduce the carbon footprint and bring vitality back to areas of the country that are suffering, but create jobs and protect the precious green belt.

Much of the problem stock lacks investment and are the worst performers in terms of energy rating. The refurbishment brings them back to standard.

In short, Sustainable Repurposing has the potential to deliver on multiple government targets. It really is a no brainer.

DELIVERING SUSTAINABLE DEVELOPMENT IS AT THE CENTRE OF THE PLANNING AGENDA

WHAT ROLE DOES 'SUSTAINABLE DEVELOPMENT' AND THE RECENT GOVERNMENT AMENDMENTS TO THE PLANNING SYSTEM HAVE WITHIN THE LAND-USE PLANNING PROCESS FOR RE-PURPOSING RETAIL AND LEISURE SPACES?



BY:

Matthew Sobic
Director
Savills Planning

Tim Price
Director
Savills Planning

SUSTAINABLE TOWN CENTRE DEVELOPMENT

The term 'sustainable development' has long been at the core of plan making and decision-taking. The NPPF, originally published in 2012, elevated this principle establishing a 'presumption in favour of sustainable development'. The term dates back to the U.N's 1987 publication 'Our Common Future', which defined 'sustainable development' as:

"...development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

It is however, a common misconception that the term relates exclusively to environmental objectives when it is axiomatic that all development will have an impact.

National planning policy recognises the multi-faceted approach to delivering sustainable development by setting economic, social and environmental considerations as the overarching objectives to ensure sustainable

delivery. Policy is clear that the three considerations are interdependent and need to be pursued in mutually supportive ways. In short, each element has an equally important role for delivering long term sustainability in development and our communities as a whole.

As the requirement for physical space reduces, existing retail and leisure developments are particularly well-placed to be re-purposed or redeveloped to provide alternative residential, leisure, employment, commercial and community uses that accord directly with the 'multi-strand' nature of sustainable development.

Town centres in particular display strong characteristics to successfully deliver sustainable development. They are well-connected locations that have benefitted from hundreds of years of investment in transport, energy, service and technology infrastructure. They are located centrally within the communities that they serve, providing direct access



to social infrastructure and employment opportunities. Town centres benefit from a 'town centre first' approach to spatial planning and are classified as previously developed ('brownfield') land meaning that they can help reduce pressure on more sensitive locations (such as 'Green Belt')

Town centres are therefore locations that promote opportunities to deliver sustainable development in Spatial Planning terms as they:

- Are accessible by sustainable modes and reduce the need to travel;
- Reduce the pressure to deliver development on greenfield land;
- Minimise the use of new materials by maximising the re-use of existing buildings;
- Offer natural potential for higher density development; and
- Maximise the potential to use existing, centralised energy and technology infrastructure.

It is therefore not surprising that the UK planning system offers a strong framework of support for development in town centre locations. However, it doesn't end at town centres.

The re-purposing or redevelopment of low-density, single use commercial sites outside town centres has also been identified as an opportunity to deliver more sustainable forms of development. Retail and leisure parks in particular have been identified as having potential to create new, mixed use communities. Maximising the potential of existing brownfield land within urban areas for new commercial, residential and community floorspace accords directly with the objective to deliver 'sustainable development'. Procuring a successful mix of land uses is equally important at the micro (site by site) as well as the macro (town or Borough) level in order to deliver successful places and sustainable development.

Often, the focus has been on large-scale regeneration and how that meets key sustainable objectives by delivering development that is well-served by existing infrastructure and on brownfield land.

FLEXIBLE USE CLASSES

However, existing buildings are incredibly important to delivering sustainable development and are at the forefront of re-purposing initiative. The Government took a significant step forward on 1 September 2020 to support the re-use and re-imagining of all retail and leisure floorspace with the introduction of a new Use Class Order in England that provided a radical shift towards flexibility and supports the re-purposing of existing buildings.

The legislation revoked well established Use Classes (A1-A5, B1, D1 and D2) and created a new Use Class E covering all 'Commercial, Business and Service' uses. The legislation is intended to reflect the reduced reliance on 'retail' for our high street and the importance of a wider variety of commerce, business and services to the ongoing success of town centres. The benefit of a single classification covering such a wide range of commercial uses is the flexibility it creates in respect of the ability to re-use and re-imagine existing retail and leisure floorspace. Changing between operations within the same Use Class is not 'development' as defined and therefore does not require planning permission.

It follows that, in principle, a retail unit can change to a restaurant, office, gym, medical centre or a nursery without the requirement to submit an application. This reduces the risk and uncertainty, time delay and cost of navigating the planning system which can act as a barrier to re-use.

The new provisions also allow for a mix of uses across individual buildings (i.e. floor by floor or suite by suite) and flexibility within individual premises. For example, a unit could be a yoga studio in the morning, a retail unit during the day and a restaurant in the evening.



Sook @ The Grafton, Cambridge



The flexibility introduced by the changes to the Use Class Order help to establish a framework that supports the reimagining of our retail places and creates the basis for a more sustainable future. A flexible planning framework can provide the adaptability required to keep pace with existing and future commercial sectors.

There are examples of new operators that are ideally suited to benefit from the new Use Class Order and its provisions. Sook is an operator that offers entirely customisable physical spaces which can be used for a myriad of different uses. The walls of its premises comprise a series of digital screens which can be uploaded with visual content to transform the appearance and feel of the space. Premises can be hired by the hour or for longer terms and can support any retail, leisure, business or community functions. Its premises embody sustainable development given their ability to adapt to meet different use requirements with minimal consumption of time, cost and natural resource.

The new Use Class system is a strong endorsement by Government that re-using and re-imagining existing retail and leisure buildings is very much at the heart of delivering 'sustainable development'. Not only does it accord with the aspiration to make best use of existing buildings and 'brownfield' land, there are significant economic and social benefits linked to the re-imagining of our high streets and town centres.

In its most basic form, the re-use of existing buildings and redevelopment of brownfield land in town centres and urban areas can only deliver development that meets the three economic, social and environmental sustainable development objectives. To coin a now well-known phrase, it is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

PLACE FIRST ECONOMICS

AN INVESTMENT APPROACH THAT LOOKS AT THE SUM OF THE PARTS BEFORE THE INDIVIDUAL COMPONENTS



BY:

Paul Wright
Director,
What if...

What if...

A COLLABORATIVE APPROACH

In an ideal world where there is available public money through "levelling up", generally in the form of the Towns Fund and Future High Street Fund, the regeneration story should accelerate.

I have been involved in town centres for over 30 years and have seen significant ups and downs, but the challenge is now immense. Whilst this money is truly welcome, it is essential that those trusted with spending it do it wisely, bring in specialist resources and ideally use it to leverage private sector money to deliver the biggest impact.

Through many years of probing, with plenty of advice along the way from public, private and third sector, we have developed a collaborative process or framework called Place First Economics that can have significant impact on the local economy combined with the built environment. This Framework can work for local economies and for private sector shareholders, so should create an effective platform for this public money to flow through and stimulate further investment. Some councils are beginning to respond positively to this thinking, but they need to be brave and get broad sectoral encouragement.

Firstly, it is imperative to understand that at the heart of the problem is the failing or fragile local economies where the available spend for the lower demographics is really challenged and as town centres deteriorate, more shops close, jobs go, choice diminishes and the higher spending consumers rapidly desert these towns for regional centres or online; the downward spiral accelerates.

The long term problems within retail are well articulated elsewhere within this publication, but Covid has inadvertently elevated town centres to the top of the local, regional and central government agenda, so laser focus is now essential to create places where people want to invest, live, work and spend time. "A body will function much better with a healthy heart!"; better town centres make everything else easier to deliver.

Retail cannot function from purely retail economics driving local economies, it has to work the other way around. But neither can new housing, new public realm, new squares and new green space solve the town centre agenda without addressing local socio-economics as a critical component.

Community = value + needs + local + empowerment

A NEW APPROACH TO OWNERSHIP AND MIX

We have the opportunity of a lifetime through reduced property values for well-conceived long term public private partnerships, to take back more control of the town centres and reduce the negative impact of fractional ownership, but also for essential non-retail uses, to take advantage of the lower rents and come back into the heart of town centres. A future where retail, leisure, mixed housing, civic, health, third and fourth sector uses all co-exist will create the necessary balance; in effect, a return to the past.

We must view shopping centres as prime town centre real estate, with the opportunity to create long term mixed community space throughout the day and evening, altering its functionality accordingly.

It is time to build on the collegiate political spirit that existed through the early stages of Covid, and realise that the health and wellbeing and prosperity of our communities is more important than the colour of the leading party. To understand that economics has been wrongly focussed on growth for growths sake for decades, we need to focus on a more circular style economy, inclusive growth or a form of Doughnut Economics, to help reduce the wealth gap and bring back health and prosperity to our people and their towns.

That will create a sustainable future for the real estate investors.

A NEW APPROACH TO INVESTMENT

Place First Economics Framework is made up of several principles. It creates a governance where decisions must effect more than just one agenda, so for example health and wellbeing, skills and education, sustainability and real estate can all be impacted by one strategy. It's simply a new common sense way of thinking. All of a sudden the silo mentality that exists everywhere is overridden and we can start to create big economies of scale by joined up thinking. It truly aligns the respective needs of both public and private sector partners in longer term governance and management, with effective and sustainable regeneration.

Whilst short term investors may benefit from chaos created by Covid, short termism is not what the communities need and councils may need to act pro-actively to ensure they get the right partners/investors.

Over the years people have attempted to solve so many of the same town centre issues by applying new sticking plasters, with added layers of cost. Organisations, groups, quangos etc, often with good intention but working alone, are generally ineffective and costly. A new form of public private partnership is what is needed to cut through the layers and get to the root of the issue -local economics.

We have no choice now but to deal with the root cause, but only by embracing local groups in a more bottom up approach will we truly get relevant and sustainable change. The real estate fraternity and local government must embrace seismic change, or there is inevitability in continued decline. But, embrace the new paradigm and there remains plenty for investors to be positive about.



FUNDING OPPORTUNITIES FOR TOWN CENTRE REPURPOSING AND REGENERATION

MAKING THE CASE FOR INVESTMENT



BY:

Danny Collins
Director, Savills
Economics

THE FUTURE HIGH STREET FUND

Many of the problems within retail are outside of large retail assets and in fragmented ownership, which makes funding a coordinated regeneration strategy challenging.

The Government is aware of, and keen to address the issues facing town centres, announcing a range of plans and funding pots to support the transition of towns and high streets across the country.

In the 2018 Budget the Government announced 'Our Plan for the High Street', which included a range of interventions to support town centres. This included an initial £675 million for the Future High Street Fund, which was subsequently topped up to a total of £1 billion and extended to include 100 towns. This was part of the £3.6 billion Towns Fund, announced in July 2019 and outlined in the subsequent 'Town Fund Prospectus' published in November 2019. Both funds are competitive and give towns the chance to bid for up to £25 million each.

These plans recognise that while cities across the country had reaped the rewards of economic growth, towns had not shared in such growth and were now facing a range of structural issues to their economy, undermining their performance. While the FHSF is focused on specific high streets, the Towns Fund is more wide ranging, aiming to increase economic growth across wider areas, with a focus on regeneration, improved transport, better broadband connectivity, skills and culture.

While both funds can have a transformational impact on towns, it's important that plans are developed that are well evidenced, backed by market intelligence, focusing on the fundamental issues the town faces, and leverage backing from other sources (public and private) to deliver ambitious and transformative projects that would not have been possible without the funding.

Making the case for such investment, and demonstrating good value for public money, is tricky.

Firstly, there is need to evidence that there is a market failure behind the issues facing the town. There are multiple types of market failures which could be at play in towns; with everything from public goods, imperfect information, moral hazard, externalities, and market power. Identifying what is at play and how plans intend to overcome the issue can be complex.

Secondly, towns must demonstrate that a 'do nothing' scenario would result in continued decline, and the projects they are supporting would not have been brought forward without public funding. This can sometimes be easily achieved if development viability is poor, or there are high upfront infrastructure or enabling costs to growth.

Finally, towns need to demonstrate that public funding represents good value for money. This must be done in accordance with the Green Book, which is currently heavily focused on distilling all economic benefits in the form of Land Value Uplift. This can lead to a 'Catch-22' situation; if a town has a scheme that delivers high land value uplift then it is likely to present good value for money for public investment, however it is also likely to be a viable development scheme that the private sector could deliver without public intervention. If a scheme has low land value uplift potential, which most towns do, then it most likely is in need of public intervention, but will also likely demonstrate low value for money and so may not be supported. Many northern towns and political leaders have pressed the Government to review the Green Book for this reason, and that process is ongoing.

Residential development schemes generally deliver the highest land value uplift, and can help deliver vibrant towns with more local spending to support the retail sector.

To tackle these issues, it's important for plans to recognise the role of the funding is to transform the role and function of the town. While residential development schemes can generally deliver the highest land value uplift, as well as increasing footfall and local spending to support the retail sector, they can also be left to the private sector to deliver. Town funding can instead be focused on creating the conditions to support residential development and diversifying the economic base of the town that would not have been possible otherwise. This can essentially transform the role of the town, which will make it a more attractive place to live, work and visit. The value that funding town centre development brings can be demonstrated by catalytic impacts on inward investment from the private sector.

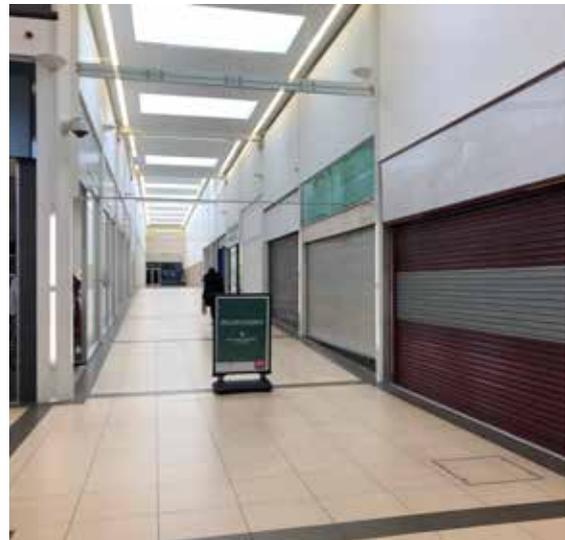


DELIVERING BETTER SOCIAL VALUE

MHCLG have confirmed towns can consider wider land value uplift impacts of regeneration schemes, recognising that major schemes could have a regenerative impact on neighbouring properties, or form part of a wider strategy which could impact values across a whole town.

There is also a push that wider social value benefits, which currently are not accounted for in Land Value Uplift, should play a more prominent role in the evaluation process, in particular where the intervention is in deprived communities and will have a material impact on the outcomes of these communities. These social value elements certainly align with the Government's 'Levelling Up' agenda, and we would encourage all places to ensure they account for these benefits fully when assessing the potential of regeneration schemes.

Having seen first hand the fantastic, ambitious, and transformative plans many towns are developing as a result of the Town Deal and Future High Street Fund process, I would say this is having a positive impact on how towns view themselves, and in understanding the role they play in the economy and community. It has also given towns a fresh perspective on the role different land uses can play in the town, moving away from a retail dominated environment, to a diverse, vibrant, high quality and active places which aim to capture future economic growth opportunities.





In Farnworth, near Bolton, we worked with the council and development partner Capital and Centric on an ambitious £25 million FHSF bid. The scheme would be transformational for the town, bringing a level of development quality not seen since the Victorian era. Importantly, it would act as a catalyst and a number of opportunity sites which could be subsequently unlocked were identified. Additionally, the social value benefits in terms of crime reduction were significant, as the current layout created opportunities for crime that regeneration would solve.

Further rounds of town-focused public funding is likely, but it's also important that the private sector is engaged to support towns in realising their ambitions and support economic growth. Developers, businesses and investors need to understand the role they can play in unlocking opportunities in the future. The £25 million Town Deal cannot do this alone, and so ensuring private backing is secured is just as important.

The role of the Town Board in identifying and unlocking additional match funding is imperative. In Newark we observed a number of ambitious schemes being put forward that linked Town Deal funding with match funding from major regional institutions, developers and other public funding to deliver a diverse range of transformational schemes. This helped the £25 million to go further, having a deeper and longer lasting impact on the town.

THE FUTURE ROLE OF SUSTAINABLE RETAIL PLACES

SUCCESSFUL REPURPOSING WILL SEE THE CREATION OF “ANTIFRAGILE” COMMUNITY HUBS



BY:

Mark Robinson
Chair, High Street Task Force

In asking Sir John Timpson to write The High Street Report in 2018, the government recognised the challenges facing our retail places, and by implementing his main recommendations of establishing the High Street Task Force and the Future High Street Fund, they fully endorsed his recommendations. So, it’s clear that the challenges we face long preceded the unique pressure and acceleration of trends that has been caused by the Covid pandemic.

One of the main reasons that I am proud to have been asked to chair the Task Force, to build on Sir John’s work, is that I passionately believe that from this challenge arises the opportunity to remake our High Streets and Town centres sustainable places at the heart of their communities.

At the heart of our problem, however, is the post war consensus that the success of our places was only judged in terms of retail; a High Street anchored by a Debs was better than one with a Woolies, and all places of merit aspired to have a John Lewis! The spread of this retail monoculture, to the exclusion of traditional town centre uses, was perhaps understandable, given that retail property offered investors long term, seemingly always increasing rental incomes and growing, often debt fuelled, consumerism justified occupier’s expansion plans.



Despite the clear warning signs of the initial dotcom boom towards the end of the last century, and then the great recession, less than a decade later, we continued as an industry and indeed at a policy making level, to believe that these were cyclical bumps in the road. The investor Sir John Templeton stated that “the four most expensive words in the English language are ‘this time it’s different’”, but I have to disagree. In this case, a failure to realise the world was changing twenty years ago left us ill prepared for the pressures exerted in an accelerated timeframe on us by Covid.

By placing all of our bets on red (or retail to be exact) and optimising our town centres for shopping, we have left our places uniquely exposed to changes in this one market; something that Nassim Nicholas Taleb’s warns against in his 2012 book Antifragile.

It is also fair to say that anything that is fragile is not sustainable.

Now, the word sustainable is emotive and will also mean many different things to the many different people reading this article; but I firmly believe that when it comes to placemaking and the future of our towns, environmental sustainability and sustainability in terms of social value and investment returns are completely aligned.

Our thriving community hubs of the future will be based on a variety of uses that have been showcased elsewhere in this report; by their sheer diversity of uses they have anti-fragility baked in, and this mix of complementary uses will also lead to them being more successful in terms of returns to investors and enhanced social value. Furthermore, a community’s entire needs being met in one single, accessible location will promote localism, community engagement and environmentally friendly travel; a vision set out in the idea of “15-minute cities”.

Whilst I must admit that I struggle to comprehend how all of the inward looking concrete bunkers that we call shopping centres can be repurposed, I am confident that the future places we create in their place will be sustainable in the most comprehensive way. The complementary mix of social, civic and commercial uses will create robust, flexible multipurpose places, reflecting the needs of their communities and being easily accessible to them. Their vitality and long term resilience, their antifragility, will attract new investment and allow for the renewal of our places to a higher environmental standard.

What could be more sustainable than that?



The High Street Task Force was commissioned by the UK government in 2019 and is an alliance of place making experts working to redefine the high street providing guidance, tools and skills to help communities, partnerships and local government transform their high streets.

Our framework is imbedded through a new ‘Routemap from Recovery to Transformation’, developed to support place leaders to navigate their town and city centres and high streets onto a path of positive change.

Previous research and projects, such as the Institute of Place Management’s High Street 2020 project, have demonstrated that the 4Rs framework provides a structure to the incredibly complex process of place transformation. It distinguishes between the processes of analysis and decision making (Repositioning), effecting change (Reinventing), communication (Rebranding) and governance/spatial planning (Restructuring).



CHAPTER 6

ABOUT SAVILLS

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OUR MISSION IS TO REPRESENT OUR CLIENTS DILIGENTLY, AND THROUGH THAT COMMITMENT, ACHIEVE SUPERIOR RESULTS.

Savills is one of the world's largest real estate firms. Established in 1855, we now have over 38,000 employees in over 600 offices and associates throughout the Americas, Europe, Asia Pacific, Africa and the Middle East. Through our advice, our property management capabilities and our transactional services, we help our clients to fulfil their real estate needs – whatever and wherever they are.

Savills UK operates across 132 offices nationally and services the full spectrum of the real estate sector through our 400 different service lines. We provide a complete range of property solutions throughout the life-cycle of any real estate asset nationwide.

A unique combination of sector knowledge and flair gives clients access to real estate expertise of the highest calibre. We are regarded as an innovative organisation and a number of recent market awards are a testimony to our success.

Through a combination of targeting our local contacts, presenting market research, undertaking private presentations and staging exhibitions, we continue to explore opportunities to target new markets across the globe.





SAVILLS REPURPOSING PROPOSITION

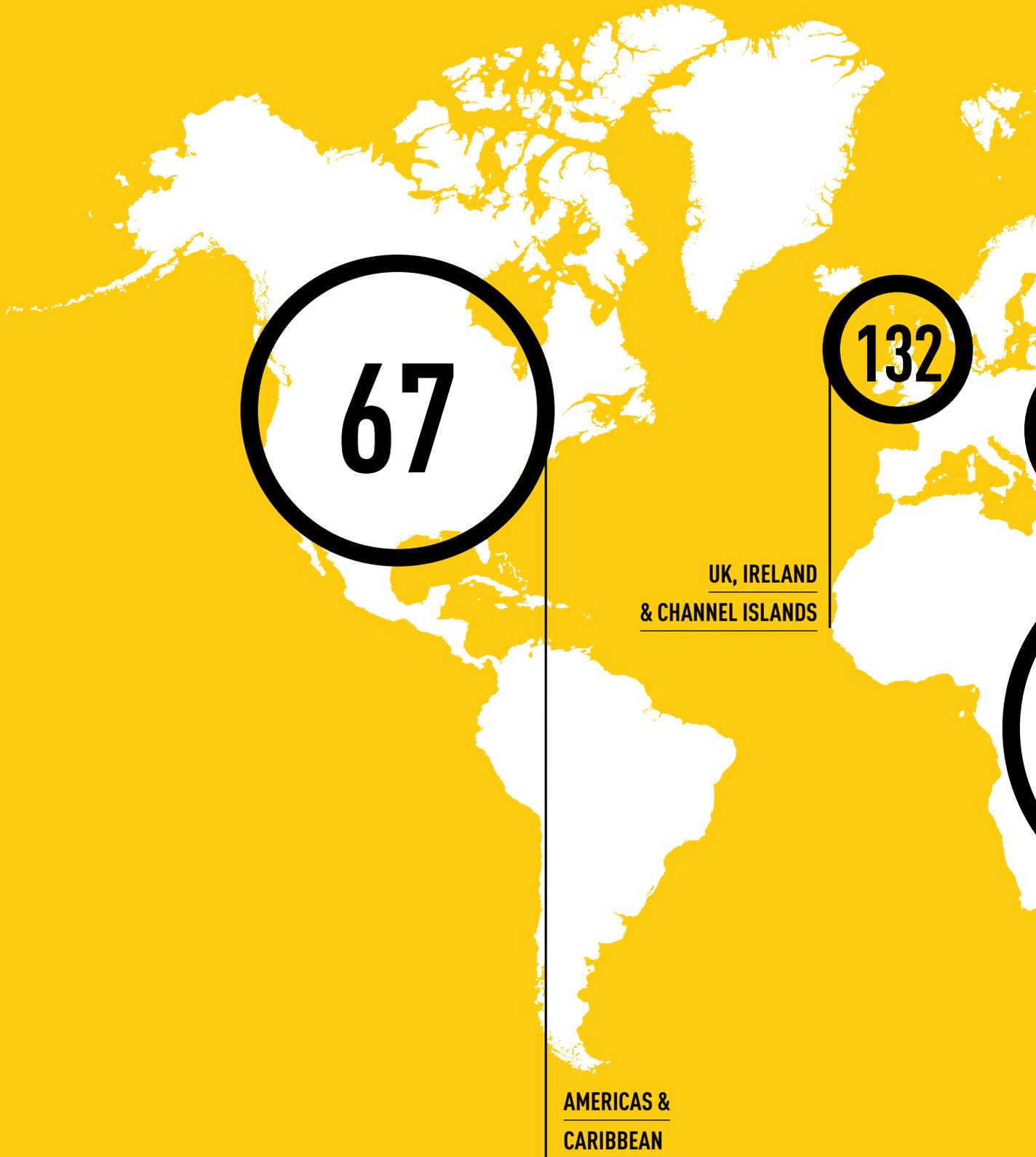
Savills is uniquely placed to advise on the repurposing potential of assets, with a mixture of 132 multi discipline and residential offices across the UK, and Ireland, offering an unrivalled coverage of UK markets.

Our national and local coverage with significant and comprehensive cross sector experience in all retail, commercial, residential and mixed-use development projects means we have an extensive track record with a diverse range of clients.

Our dedicated sustainability team is helping advice clients on how to meet their ESG targets.

We provide commercially focused advice that meets the expectations of both the market and its users. Currently advising a full range of clients from retailers, leisure operators and developers, to public sector pension funds, on all forms of retail development. Our experience means we make specialised retail and mixed use development and planning strategies to deliver new and extended assets as well as the re-positioning and consolidation of retail assets to include residential, student accommodation, life sciences, community, leisure and hotel land uses to diversify the traditional offer, spread risk, enhance vitality and improve value.

SAVILLS HAS A WEALTH OF EXPERTISE SPREAD ACROSS THE GLOBE. WE WORK IN A COLLABORATIVE WAY WITH OUR COLLEAGUES, COMMUNICATE REGULARLY AND LEVERAGE CONTACTS TO TARGET OCCUPIERS.



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132

UK, IRELAND
& CHANNEL ISLANDS

AMERICAS &
CARIBBEAN

EUROPE

ASIA PACIFIC

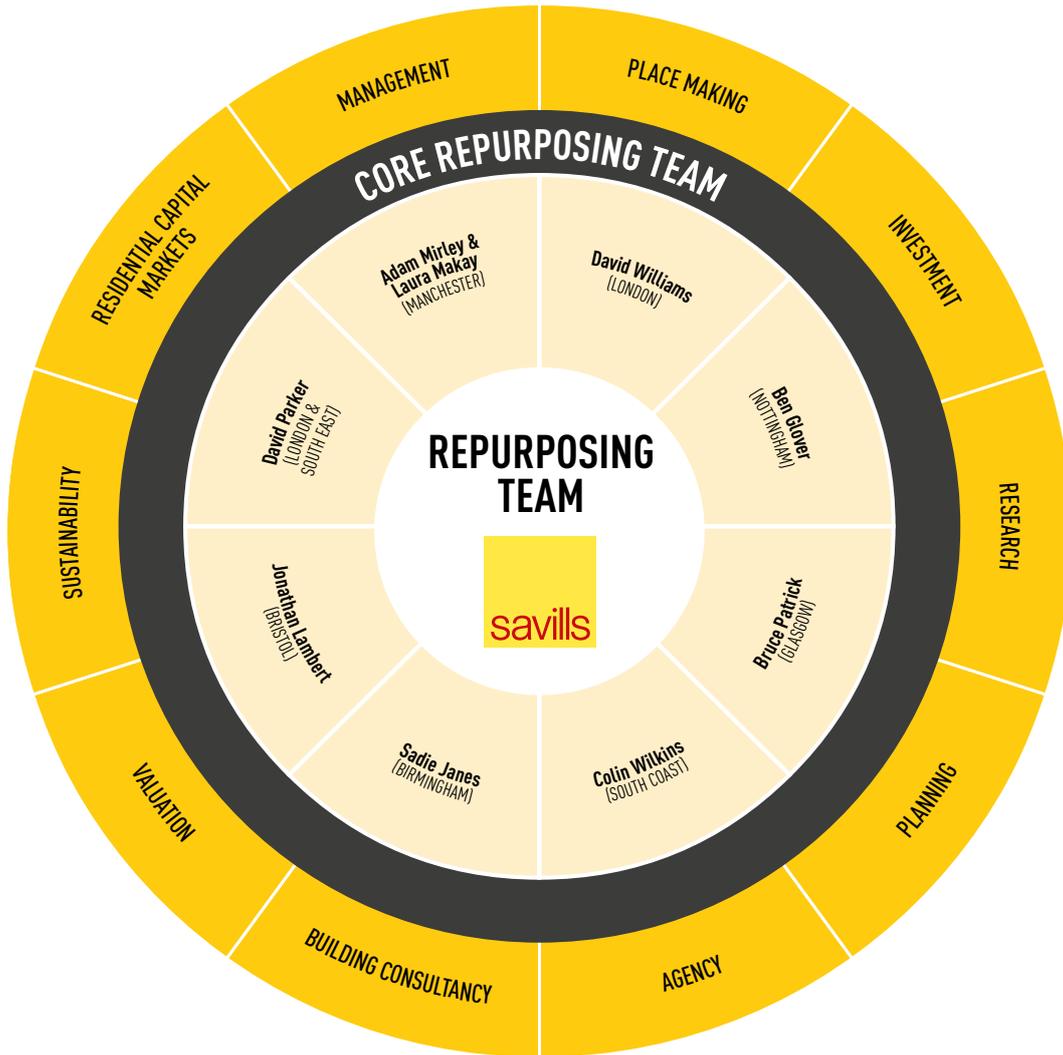
121

68

227

MIDDLE EAST
& AFRICA

RE:PURPOSING



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