SHOPPING CENTRES REVISITED

Steve Norris

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Revo
Retail. Property. Community.

RETAIL DESTINATION live 2025

RETAIL DESTINATION

SHOPPING CENTRES REVISITED

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RETAIL DESTINATION live 2025

SHOPPING CENTRES REVISITED

- What are the big challenges facing our centres?
- How has the shopping centre sector changed in the last 5 years in response to these challenges?
- What is the future for our shopping centres?

Lambert Smith Hampton

LAMBERT SMITH HAMPTON: Advising at all stages of the property & regeneration lifecycle

Concept
Vision & Strategy
Research
Market Analysis
Appraisal, Viability & Feasibility

Site Assembly
Acquisition By Agreement
CPO Services

Design
Master Planning
Design Briefs & Guides
Design & Access Statements

Approval
Stakeholder Engagement
Planning Applications & Appeals
Negotiation of Planning Obligations

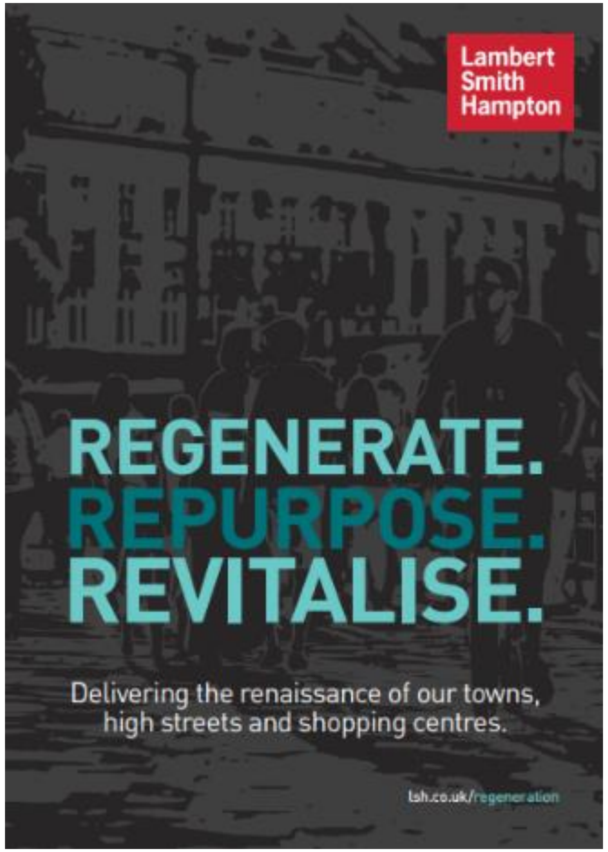
Disposal
Lettings & Sales
Investment & Development Sales
Online Auctions
Housing Association Expertise

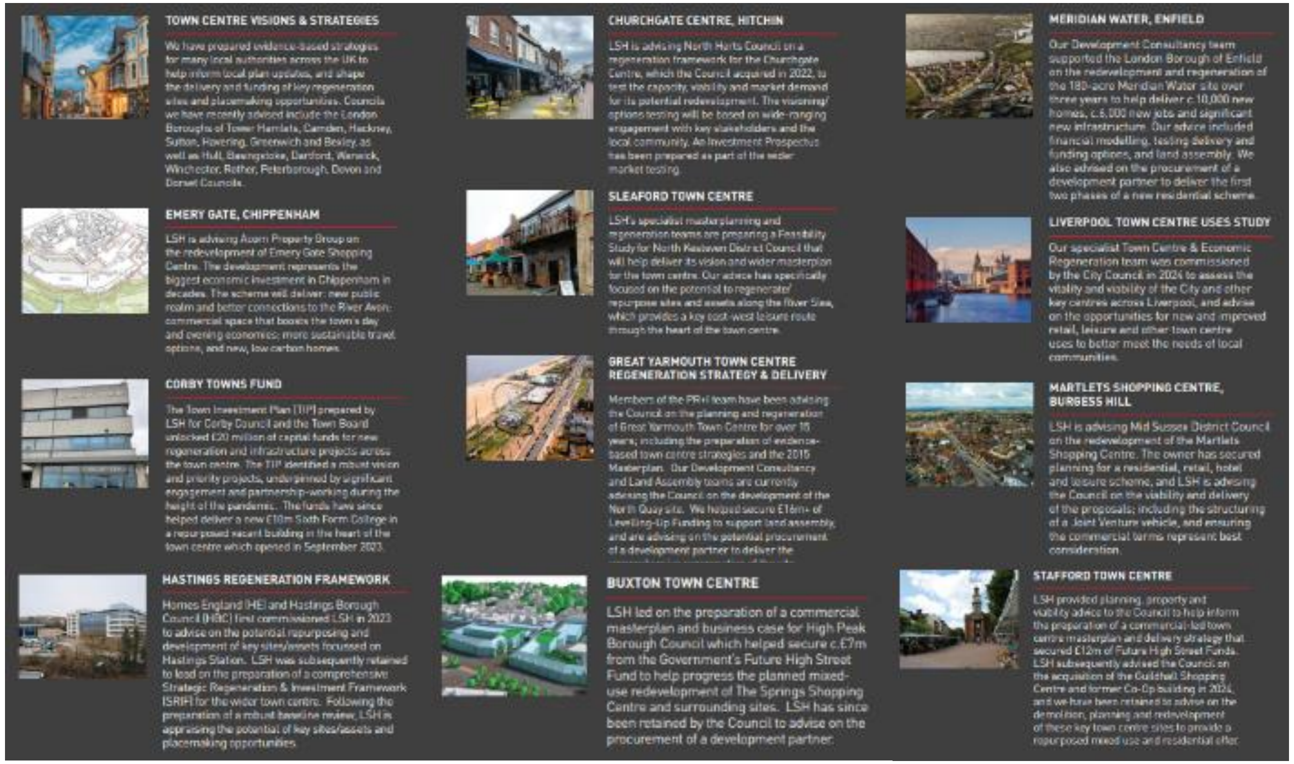
Operation
Landlord & Tenant
Property & Asset Management
Financial Services
Emergency/Social Relocation

Delivery
Direct Development Services
Joint Venture Solutions
Public Procurement Expertise
Due Dilligence Services

Funding
Valuation
Development Finance
Forward Purchase
Investment Purchase

TOWN, HIGH STREET & SHOPPING CENTRE REGENERATION SPECIALISTS





TOWN CENTRE VISIONS & STRATEGIES

We have prepared evidence-based strategies for many local authorities across the UK to help inform local plan updates, and shape the delivery and funding of key regeneration sites and placemaking opportunities. Councils we have recently advised include the London Boroughs of Tower Hamlets, Camden, Hackney, Sutton, Havering, Greenwich and Bexley, as well as Hull, Basingstoke, Dartford, Warwick, Winchester, Rother, Peterborough, Devon and Dorset Councils.

EMERY GATE, CHIPPENHAM

LSH is advising Acorn Property Group on the redevelopment of Emery Gate Shopping Centre. The development represents the biggest economic investment in Chippenham in decades. The scheme will deliver: new public realm and better connections to the River Avon; commercial space that boosts the town's day and evening economies; more sustainable travel options, and new, low carbon homes.

CORBY TOWNS FUND

The Town Investment Plan (TIP) prepared by LSH for Corby Council and the Town Board unlocked £20 million of capital funds for new regeneration and infrastructure projects across the town centre. The TIP identified a robust vision and priority projects, underpinned by significant engagement and partnership-working during the height of the pandemic. The funds have since helped deliver a new £10m Sixth Form College in a repurposed vacant building in the heart of the town centre which opened in September 2023.

HASTINGS REGENERATION FRAMEWORK

Homes England (HE) and Hastings Borough Council (HBC) first commissioned LSH in 2023 to advise on the potential repurposing and development of key sites/assets focussed on Hastings Station. LSH was subsequently retained to lead on the preparation of a comprehensive Strategic Regeneration & Investment Framework (SRIF) for the wider town centre. Following the preparation of a robust baseline review, LSH is appraising the potential of key sites/assets and placemaking opportunities.

CHURCHGATE CENTRE, HITCHIN

LSH is advising North Herts Council on a regeneration framework for the Churchgate Centre, which the Council acquired in 2022, to test the capacity, viability and market demand for its potential redevelopment. The visioning/options testing will be based on wide-ranging engagement with key stakeholders and the local community. An Investment Prospectus has been prepared as part of the wider market testing.

SLEAFORD TOWN CENTRE

LSH's specialist masterplanning and regeneration teams are preparing a Feasibility Study for North Kesteven District Council that will help deliver its vision and wider masterplan for the town centre. Our advice has specifically focused on the potential to regenerate/repurpose sites and assets along the River Slea, which provides a key east-west leisure route through the heart of the town centre.

GREAT YARMOUTH TOWN CENTRE REGENERATION STRATEGY & DELIVERY

Members of the PR+I team have been advising the Council on the planning and regeneration of Great Yarmouth Town Centre for over 15 years; including the preparation of evidence-based town centre strategies and the 2015 Masterplan. Our Development Consultancy and Land Assembly teams are currently advising the Council on the development of the North Quay site. We helped secure £16m+ of Levelling-Up Funding to support land assembly, and are advising on the potential procurement of a development partner to deliver the

BUXTON TOWN CENTRE

LSH led on the preparation of a commercial masterplan and business case for High Peak Borough Council which helped secure c.£7m from the Government's Future High Street Fund to help progress the planned mixed-use redevelopment of The Springs Shopping Centre and surrounding sites. LSH has since been retained by the Council to advise on the procurement of a development partner.

MERIDIAN WATER, ENFIELD

Our Development Consultancy team supported the London Borough of Enfield on the redevelopment and regeneration of the 180-acre Meridian Water site over three years to help deliver c.10,000 new homes, c.6,000 new jobs and significant new infrastructure. Our advice included financial modelling, testing delivery and funding options, and land assembly. We also advised on the procurement of a development partner to deliver the first two phases of a new residential scheme.

LIVERPOOL TOWN CENTRE USES STUDY

Our specialist Town Centre & Economic Regeneration team was commissioned by the City Council in 2024 to assess the vitality and viability of the City and other key centres across Liverpool, and advise on the opportunities for new and improved retail, leisure and other town centre uses to better meet the needs of local communities.

MARTLETS SHOPPING CENTRE, BURGESS HILL

LSH is advising Mid Sussex District Council on the redevelopment of the Martlets Shopping Centre. The owner has secured planning for a residential, retail, hotel and leisure scheme, and LSH is advising the Council on the viability and delivery of the proposals; including the structuring of a Joint Venture vehicle, and ensuring the commercial terms represent best consideration.

STAFFORD TOWN CENTRE

LSH provided planning, property and viability advice to the Council to help inform the preparation of a commercial-led town centre masterplan and delivery strategy that secured £12m of Future High Street Funds. LSH subsequently advised the Council on the acquisition of the Guildhall Shopping Centre and former Co-Op building in 2024, and we have been retained to advise on the demolition, planning and redevelopment of these key town centre sites to provide a repurposed mixed use and residential offer.

RESEARCH & THOUGHT LEADERS

RESEARCH

Regional Offices Report 2024

RESEARCH

South-East office market surges as occupier confidence rebounds

RESEARCH

Industrial & Logistics Market Report 2024: Box Clever

RESEARCH

UKIT Q4 2024: Q4 Caps Year of Extremes for UK Investment Market

RESEARCH

UKIT Q3 2024: Resurgent Retail Buying Drives Q3 Investment

RESEARCH

BTR sector must embrace affordability to sustain continued growth

RESEARCH

Vitality Index 2025: Windsor & Maidenhead Crowned UK's Best Location

RESEARCH

Nearly half of UK shopping centres require radical reinvention

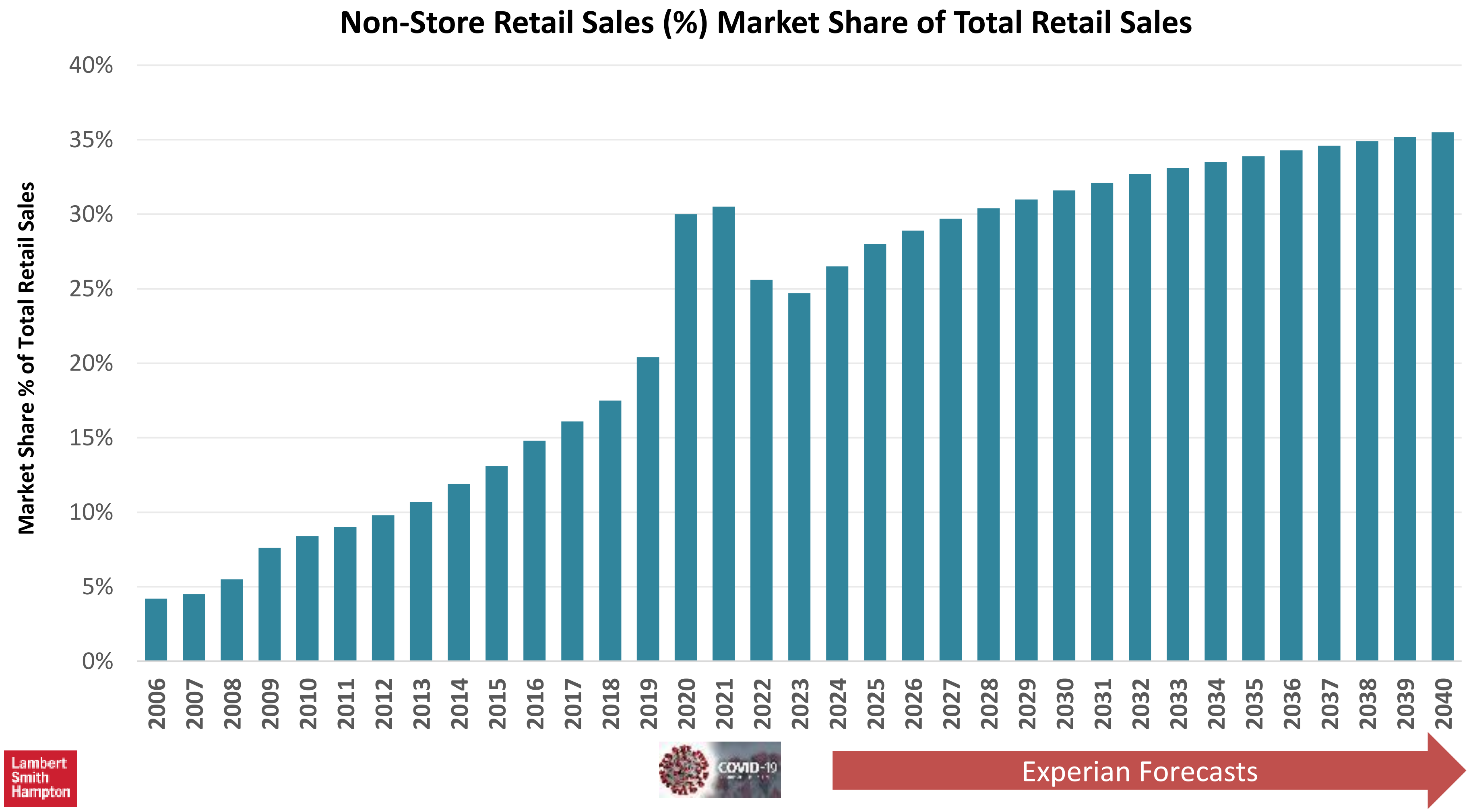
LSH / REVO RESEARCH

A BIG THANK YOU TO OUR PARTNERS:

SHOPPING CENTRES REVISITED

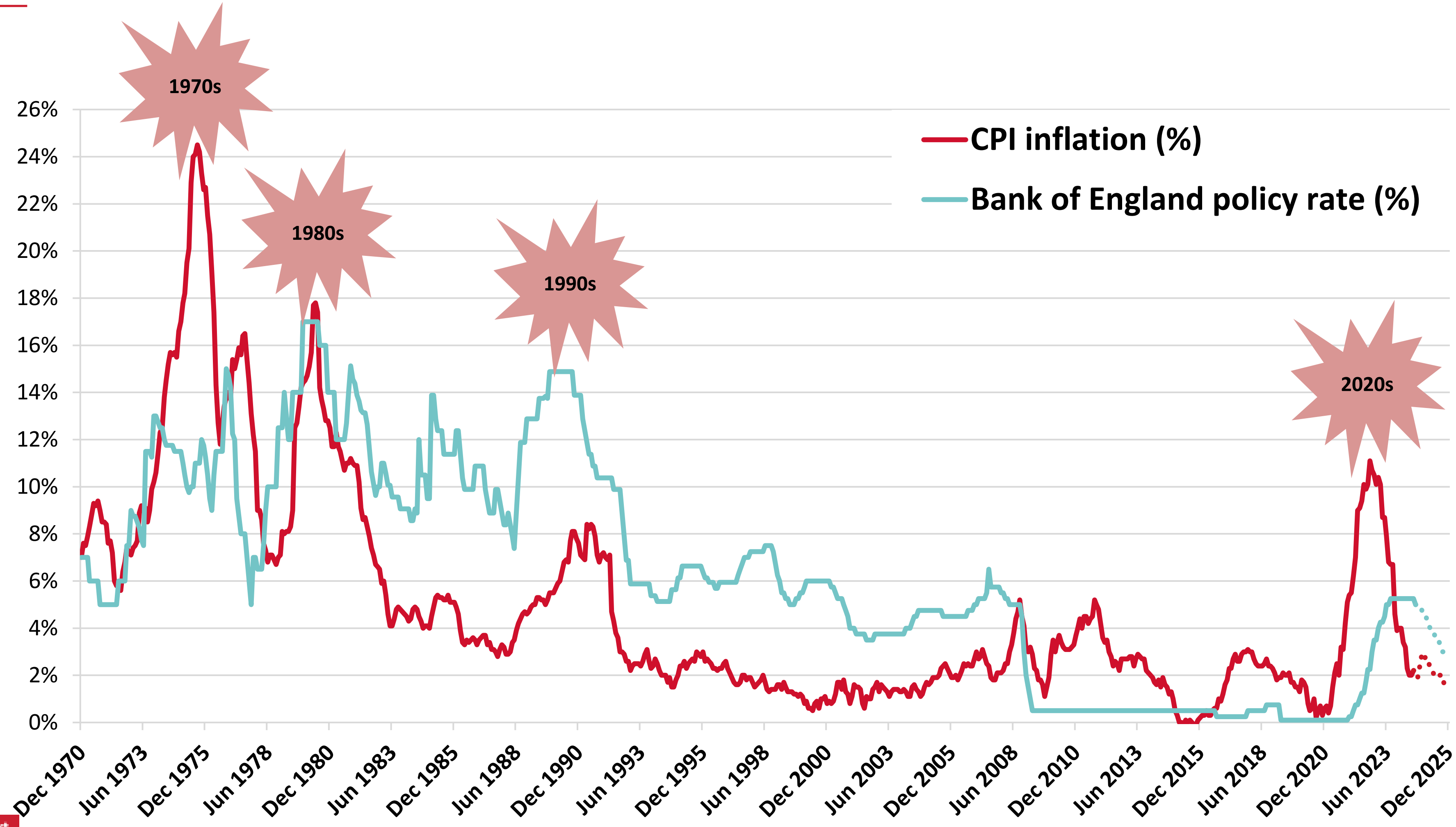
WHAT ARE THE BIG CHALLENGES FACING OUR CENTRES?

GROWTH IN ONLINE RETAIL SALES



Source: Experian Retail Planner Briefing Note 21 (February 2024)

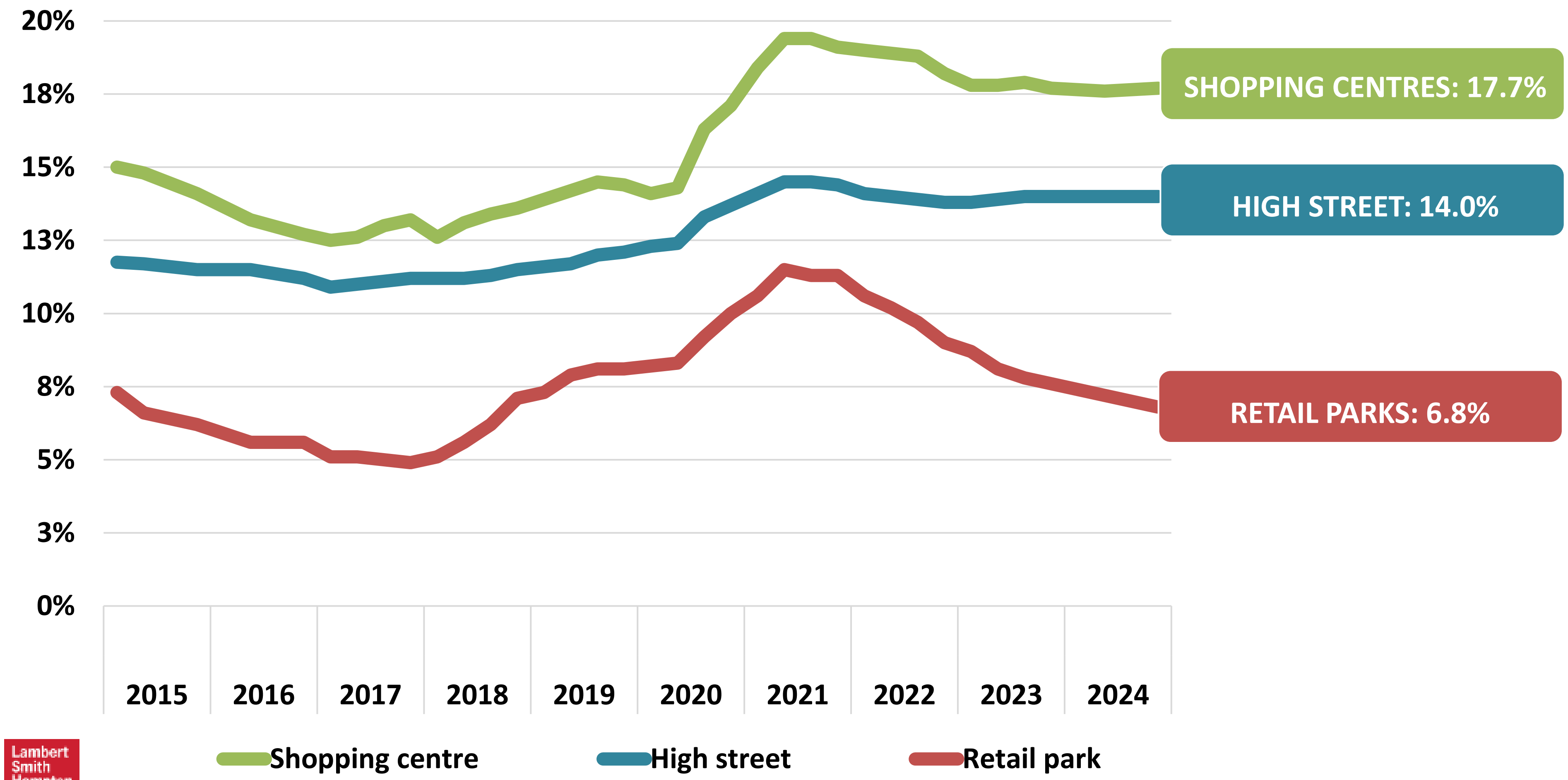
CHANGE IN INFLATION & INTEREST RATES



RISING OCCUPIER COSTS

Brexit, the pandemic, the cost-of-living crisis, and other economic and financial headwinds, have all combined to increase the running costs of shops and business to the point where many are failing and no longer viable. It is therefore no surprise that business rates and high occupancy costs are consistently identified amongst the top 5 challenges facing our towns, high streets and shopping centres.

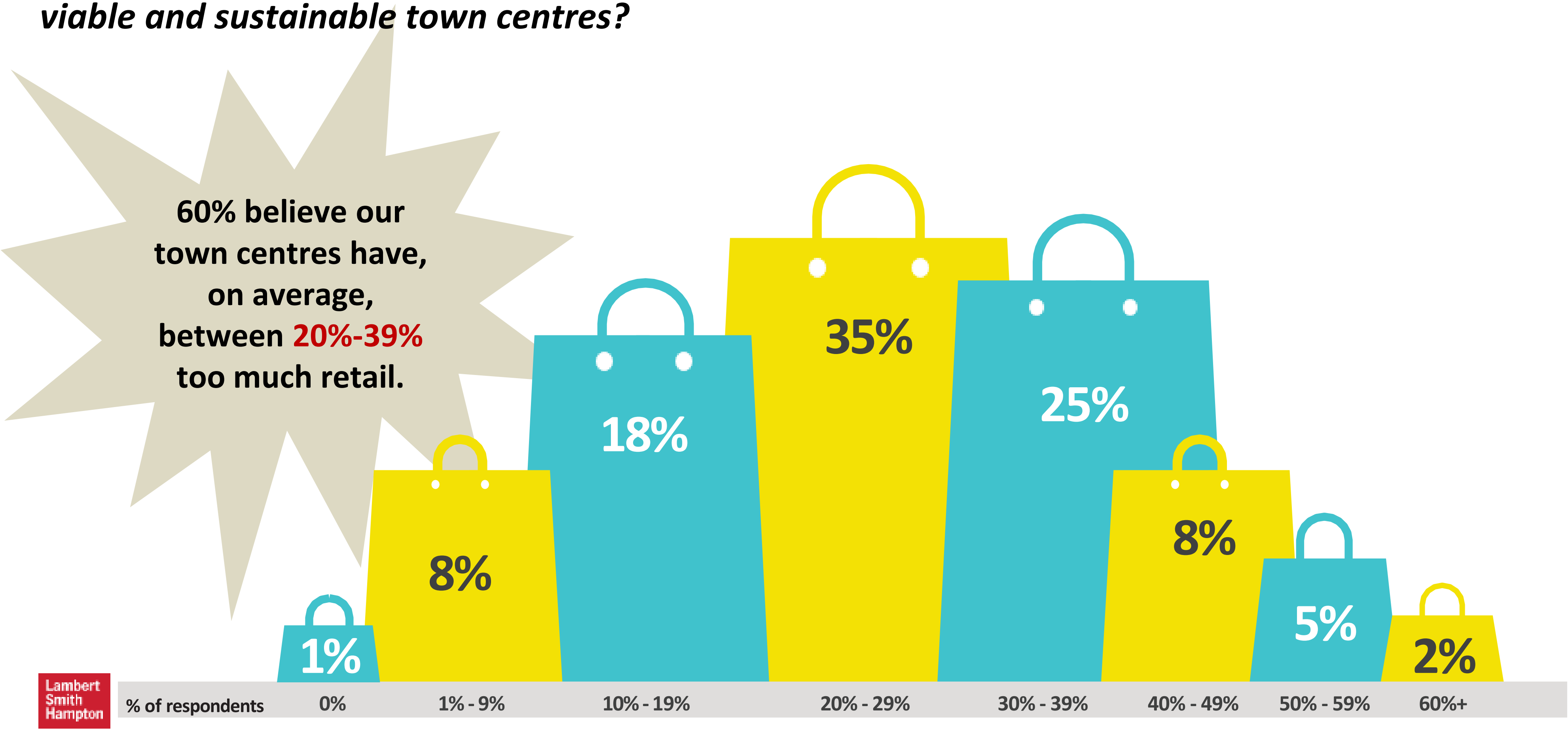
VACANCY RATES (%)



SOURCE: LOCAL DATA COMPANY

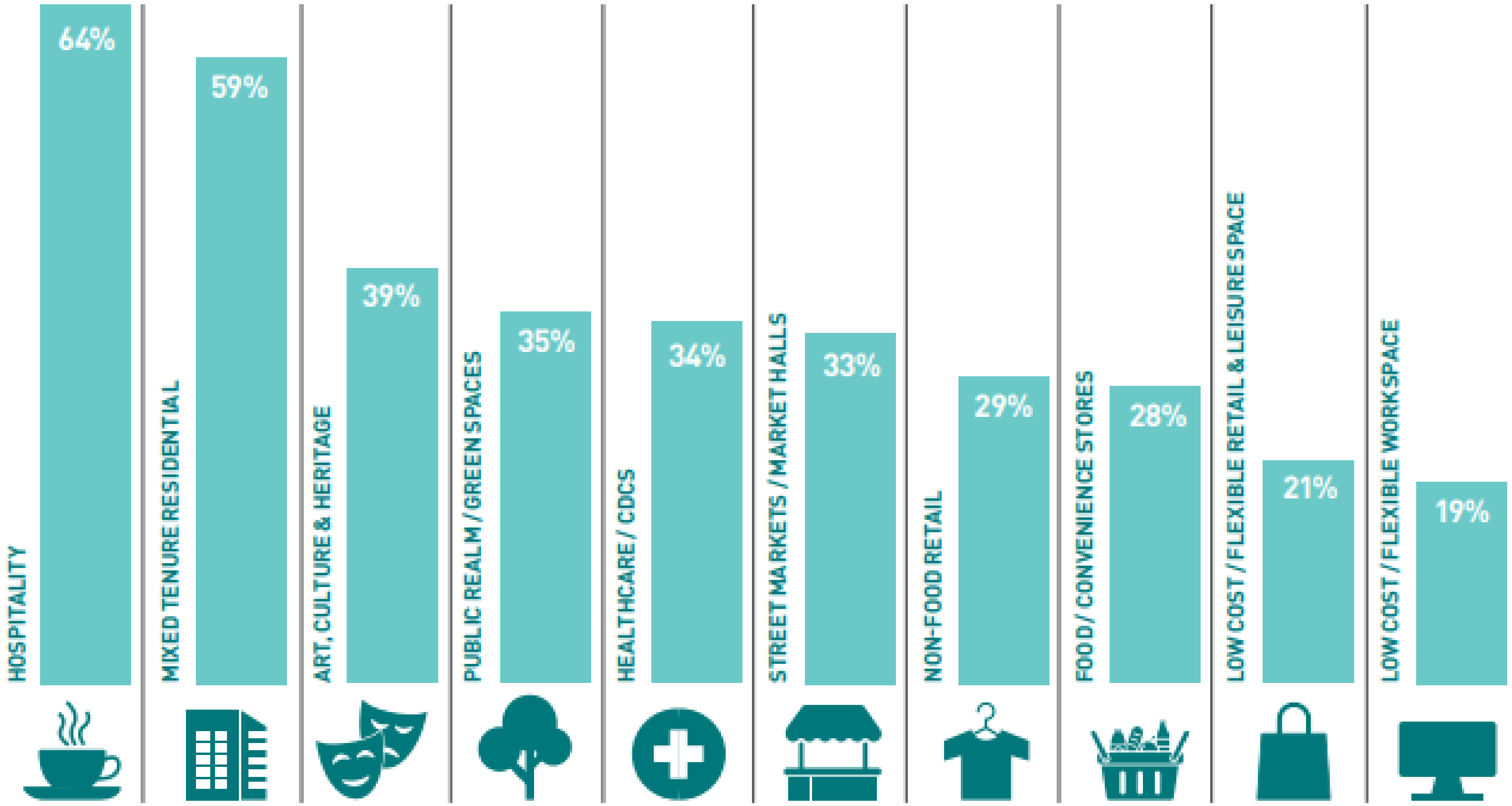
TOO MUCH RETAIL

Over the next 5 years, what percentage of our current town centre retail space (on average), do you think will need to be repurposed / redeveloped into alternative uses to create more viable and sustainable town centres?



BEYOND RETAIL:
INCREASE DIVERSITY TO HELP BUILD RESILIENCE

TOP TEN USES FOR TOWN AND SHOPPING CENTRES (%, SURVEY RESPONSES)



Source: LSH/Revo Survey 2024
Survey respondents were asked to select a maximum of five uses

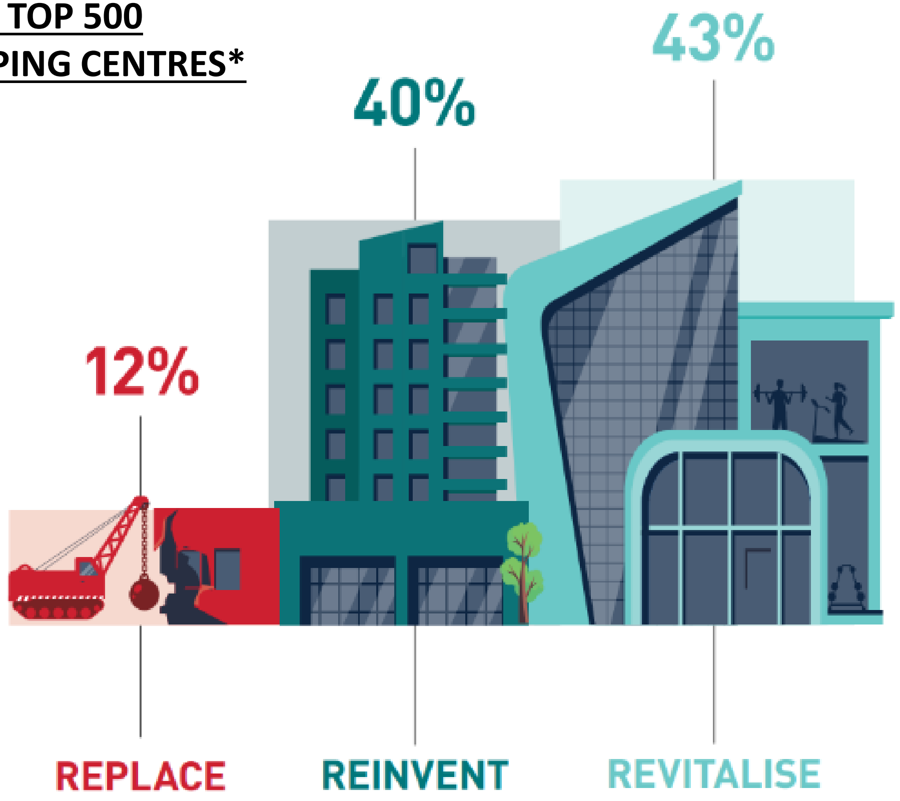
SHOPPING CENTRES REVISITED

HOW HAS THE SHOPPING CENTRE SECTOR CHANGED IN THE LAST 5 YEARS IN RESPONSE TO THESE CHALLENGES?

SHOPPING CENTRES REVISITED:

REPLACE – REINVENT - REVITALISE

LSH CLASSIFICATION OF UK TOP 500 SHOPPING CENTRES*



REPLACE: Demolition for complete or extensive redevelopment to non-retail uses.

REINVENT: Large-scale repurposing and redevelopment of existing shopping centre to add new uses around a consolidated retail offer.

REVITALISE: Smaller-scale repurposing and proactive active asset management aimed at repositioning centres.

*5% - No significant intervention required

REPLACE

REPLACE: The demolition of a shopping centre for complete or extensive redevelopment to non-retail uses. Examples include:

- **Wigan – Galleries**
- **Shrewsbury – Riverside**
- **Bradford – Kirkgate**
- **Huddersfield – Piazza**
- **Hamilton – Regent Shopping Centre**

REPLACE

*re*PLACE-MAKING

CASTLEGATE CENTRE, STOCKTON ON TEES

REINVENT

REINVENT: Large-scale repurposing and redevelopment to add new uses around a consolidated retail offer. Examples include:

- Reading – The Oracle
- Birmingham – Grand Central
- Grimsby – Freshney Place
- Stretford – Stretford Mall (S Manchester)
- Chippenham - Emery Gate
- Hitchin – Churchgate Centre
- Sutton – St Nicholas Centre

REINVENT

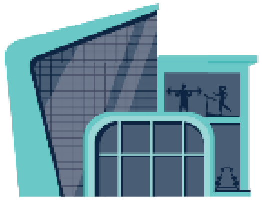
ST JAMES QUARTER, EDINBURGH

- Redeveloped 1960s shopping centre
- New mixed-use quarter - shops, bars, restaurants, cinema, 2 hotels & new homes.
- Complemented by enhanced public realm.
- Phase 1 opened June 2021
- Annual footfall c.18m+
- Estimated value £1bn

REVITALISE

REVITALISE: Smaller-scale repurposing and active asset management aimed at repositioning centres. Examples include:

- Bluewater
- Norwich - Castle Quarter
- Lincoln - St Marks Shopping Centre
- Watford - Atria



REVITALISE

STANLEY SQUARE, SALE

- Failing 1960s centre
- £70m transformation
- 14 new office units above a mix of independent bars and restaurants.
- Makers Market & new cinema opening
- Streetscape and public realm modernised and made more welcoming
- Footfall increased - operating at close to 100% occupancy

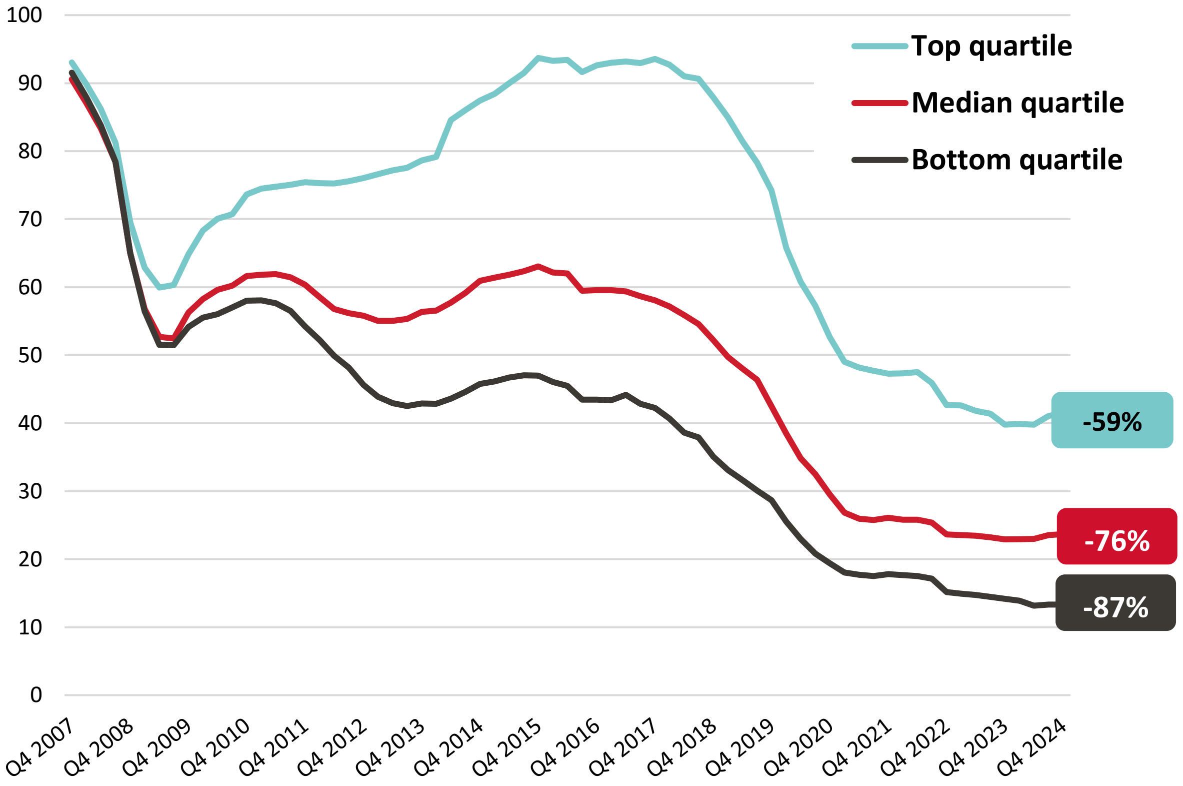
SHOPPING CENTRES REVISITED

WHAT IS THE FUTURE FOR OUR SHOPPING CENTRES?

SHOPPING CENTRE VALUES HAVE BOTTOMED OUT

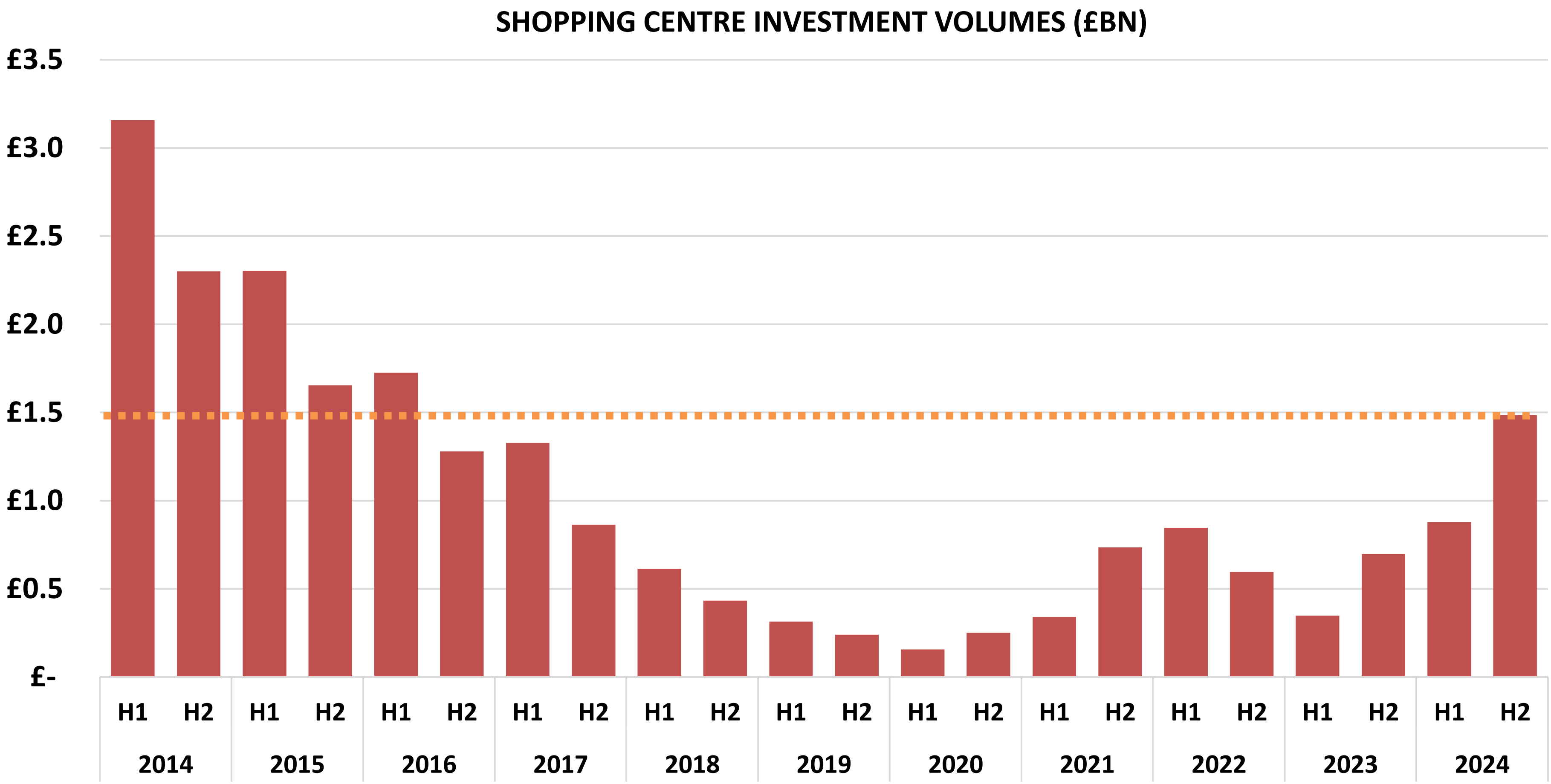
- Shopping centre asset values have **fallen by c.70% since 2007 peak**
- **Lower quality assets** - values down 87%
- **Higher quality assets** - values down by 59%

SHOPPING CENTRE ASSET VALUE INDEX (Q2 2007=100)



Source: MSCI / LSH Research

REVIVAL IN SHOPPING CENTRE INVESTMENT?



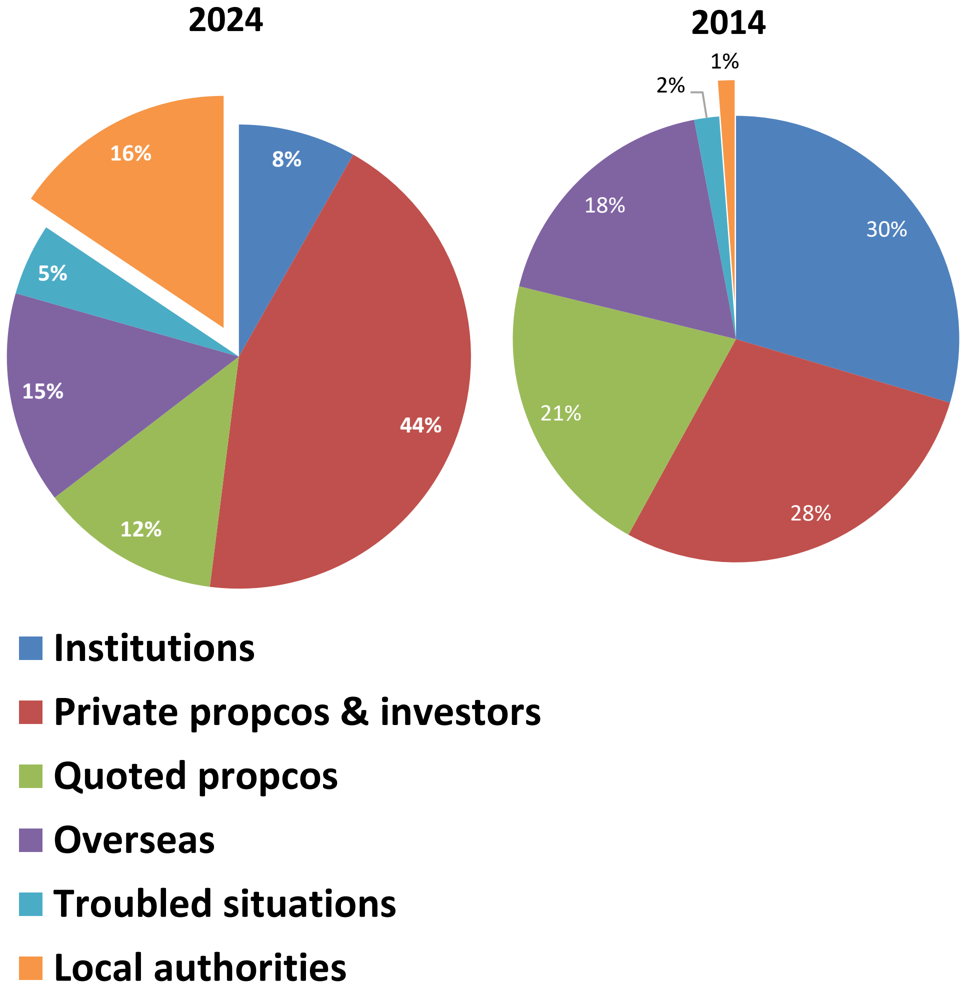
SEA CHANGE IN OWNERSHIP

Huge shift in shopping centre ownership over the last 10 years

- Institutions' ownership dropped from 30% to 8% of top 500
- Quoted propcos and overseas owners have also retreated
- Private owners and local authorities now own 60% of the top centres

2024 signalled another potential shift, as institutional buyers returned to the prime market

OWNERSHIP OF TOP 500 UK SHOPPING CENTRES: 2014 - 2024



THE GOVERNMENT FUNDING LANDSCAPE: 2018 - 2024

Launch	Fund	Objective	(£bn)	Spend Deadline
2018	**Future High Streets Fund**	To renew and reshape town centres and high streets in a way that drives growth.	**£1bn**	Sept 2024
2019	**Towns Fund**	Economic regeneration of 101 towns.	**£2.2bn**	March 2026
2020	**Levelling Up Fund**	Supports investment in three key areas – (i) local transport projects; (ii) town centre / high street regeneration; and (iii) cultural and heritage assets.	**£4.8bn**	Rnd 1: March 24 Rnd 2: March 25
2022	**UK Shared Prosperity Fund**	Succeeded the old EU structural funds & was a key part of the Levelling Up agenda. Focussed on 3 local priorities: (i) communities and place; (ii) support for local businesses; and (iii) people and skills.	**£2.6bn**	March 2025
2023	**Long-Term Plan for Towns**	75 centres identified – each receives £20m over 10 years. Objective to regenerate high streets, improve transport, and tackle crime.	**£1.1bn**	2034
		TOTAL:	**£11.7bn**	

PAST & FUTURE FUNDING OPTIONS?

How do you intend to fund critical regeneration & development projects over the next 5 yrs?

Preferred Funding Options	2024	2023	2022	2021	2020
1= Public Sector - Local Authority	**41%**	**35%**	30%	24%	36%
1= Government-backed Capital Funds	**41%**	**28%**	26%	31%	n/a
3 Joint ventures / partnerships	**30%**	**42%**	36%	38%	46%
4 Private Equity	**25%**	**-**	-	-	-
5 Homes England	**22%**	**-**	-	-	-
6 Grants	**21%**	**25%**	16%	24%	23%
7 UK Based Institutional Investors	**19%**	**16%**	18%	24%	24%
8 Individual wealth	**18%**	**15%**	8%	17%	6%
9 Mayoral / Combined Authorities	**18%**	**9%**	-	-	-
10 UK Shared Prosperity Fund	**17%**	**13%**	-	-	-

SHOPPING CENTRE *FUTURES*

1 SHOPPING CENTRE INVESTMENT WILL HIT c.2.5bn IN 2025

With shopping centres attracting demand from a growing range of investors, and interest rate cuts creating a more favourable lending environment, we expect investment volumes to rise further in the medium term.

2 RENTAL GROWTH WILL BE CONCENTRATED AT PRIME CENTRES

Competition among retailers for space at regionally-dominant shopping centres is strengthening, and we expect this to put growing upward pressure on prime rents. While the IPF's consensus forecast for average shopping centre rental growth over 2024-28 is a modest 1.2% p.a., we think prime rental growth will be much stronger, at c. 3.0% p.a.

3 INVESTOR MIX WILL CHANGE AGAIN

We anticipate that there will be a further cyclical shift in the investor landscape, as greater stability in the retail sector draws more institutions and REITs back to the prime end of the market; while value-add funds will take advantage of opportunities created by the rebasing of shopping centre values. Private investors will not retreat completely, but they will face increased competition from these previously-dormant investor groups.

4 VALUE RETAILERS WILL INCREASE FOOTPRINTS

Value retailers, which include The Range, B&M, Home Bargains, Poundland and TK Maxx, will become the dominant retail type in a growing number of UK shopping centres. Having proven their resilience in the face of recent economic challenges, many of these retailers are now in growth mode; and they will increasingly seek to broaden their appeal to more affluent consumers by introducing new product ranges and more attractive store formats.

5 MORE POOR QUALITY CENTRES WILL BE LOST

We predict that as many as 12% of the UK's current shopping centres will no longer exist in ten years' time. There remains a rump of shopping centres with endemically high vacancy rates that are unlikely to survive as viable retail locations. The centres most likely to fall by the wayside are those in towns with other stronger centres; and those in smaller towns where nearby larger cities provide more attractive retail pitches.

6 EPC DEMANDS WILL ACCELERATE OBSOLESCENCE

While it is unclear whether Labour will stick to previous government proposals that commercial properties have a minimum Energy Performance Certificate rating of B by 2030, recent policy announcements on residential EPCs suggest that it doesn't intend to significantly loosen energy efficiency targets. Much of the UK's shopping centre stock remains at risk of becoming unlettable, unless significant remedial works are made.

7 LEISURE WILL BECOME INCREASINGLY INTEGRAL

Leisure and food & drink offerings will command increasingly large footprints within successful shopping centres, with a plethora of new leisure concepts being rolled out. Larger regional centres will continue to be repositioned as leisure destinations rather than retail-focused locations; while smaller neighbourhood centres will need to add more bars and restaurants to increase vitality and extend dwell times.

8 PUBLIC SECTOR FUNDING WILL BECOME MORE CHALLENGING

While the current wave of public sector-led repurposing and regeneration projects will continue to make progress, funding for future schemes will become more challenging if the current government does not introduce successors to the Levelling Up and Towns Funds. There is likely to be an increased need for private sector funding and private-public partnerships to enable the delivery of future projects.

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Steve (BA Hons MPhil PhD MRTPI) is an *Executive Director* and *National Head of LSH's PR+I team*. He also leads the Town Centre & Economic Regeneration team.

Steve has over 32 years' experience providing planning, regeneration and commercial property consultancy advice on a wide variety of retail and town centre issues for regional planning bodies, local planning authorities, developers, investors and operators.

His expertise ranges from the preparation of evidence-based town centre visions, action plans and regeneration strategies - informed by wide-ranging stakeholder & community engagement - to securing funding and permissions for major mixed-use schemes.

Since 2020 Steve and his team have successfully advised on the preparation of Town Investment Plans (TIPs) for his clients to help unlock funding from the Government-backed Towns Deal Fund. He has also advised on Future High Street, Welcome Back & Levelling Up bids.

Steve is a member of Revo (he sits on their Strategic Board and Regeneration Committee),. He was an Expert Adviser to the Government's High Street Task Force from its inception in 2020 to its dissolution in 2024. He is also a member of the Association of Town & City Management (ATCM); and chaired the annual RTPI conference on retail and town centres for over a decade.

Lambert Smith Hampton

RETAIL DESTINATION *live* 2025

Further to the presentation by Dr Steven Norris @ Lambert Smith Hampton, can we ask you please to support the annual LSH / Revo research survey on the future of our cities, towns, high streets, and shopping centres.

Your insights are more valuable than ever. The survey will help us understand changes in attitudes, confidence levels, and key challenges, and identify real, actionable solutions for the recovery and reinvention of our centres.

You can find the survey here.

It should take no more than 10 minutes to complete. The deadline is Friday 14 March. If any more incentive is needed, you will receive a complimentary copy of the research report & an exclusive invitation to the launch event on Tuesday, 27th May 2025, at 1 Wimpole Street, London.

Many thanks for your support of this important research.

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