

The Retail Planning Knowledge Base Briefing Paper 13

Retail Vacancy

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Retail Vacancy

Increasing retail concentration, changing consumer pattern, retail failure and now recession have highlighted retail vacancy in town centres. This briefing paper considers some of the key issues and literatures concerning retail vacancy, focusing on its significance in the UK.



Key Findings

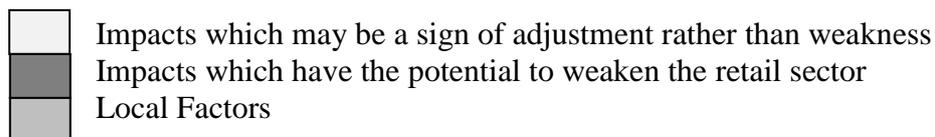
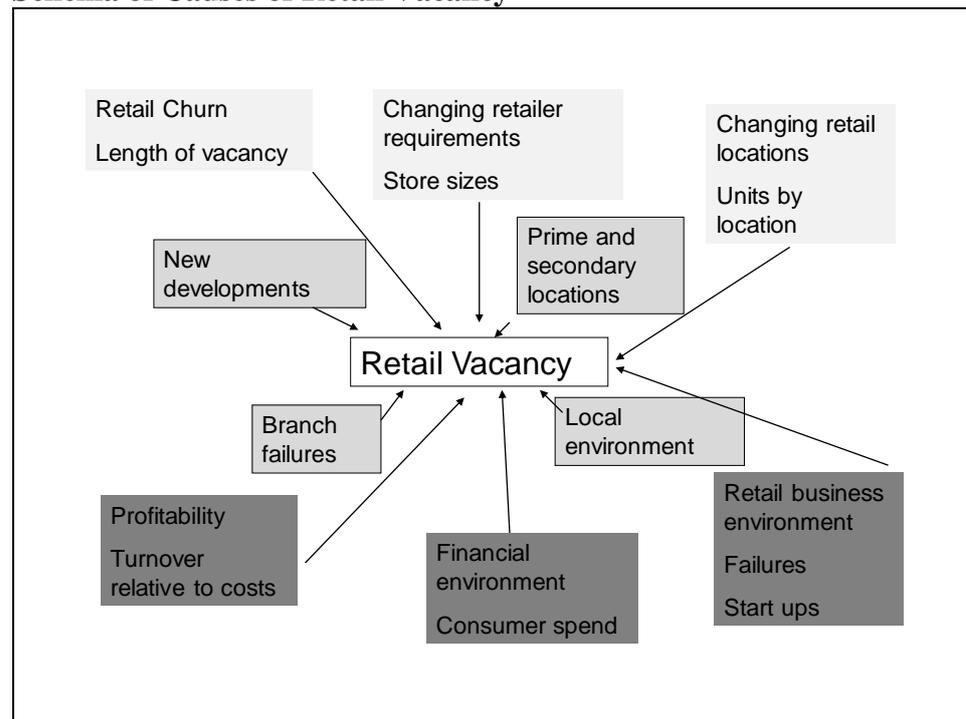
1. Some degree of vacancy or churn in retail locations is inevitable and indeed desirable.
2. However there is a lack of agreed definitions of vacancy, how it is being measured and the metric being used for retail space. There remains much inconsistency and too little systematic data exists. Benchmarking remains limited.
3. There are many causes of retail vacancy and these have very different significance.
4. Retail vacancy increases in recession, but all current and arising vacancies are not due to recession.
5. There is a need for a more research on potential (planning) responses to retail vacancy patterns.

Understanding Retail Vacancy

The schema below takes findings from the literature and puts them in a framework which distinguishes national and local impacts on retail vacancies. It also distinguishes between potentially positive and negative causes of vacancy, demonstrating that occurrences of vacancy may be a sign of market weakness or market readjustment. In both cases a number of reasons are highlighted although others could also be included.



Schema of Causes of Retail Vacancy



Retail Vacancy and Plan-Making

The supply of retail property does not necessarily relate well to the demand for retail property. Both supply and demand are also dynamically altering. Spare retail capacity may or may not constitute required space in terms of desired property, location, size of units. Use of retail vacancy information must therefore be used carefully in terms of assessing future retail requirements for space.

Key questions

- What is the size of units available?
- Do these match retailer requirements?
- What is the state of building and essential services?
- Are units located in the right places?
- Are these locations suitable for modern day retail use?
- Is the retailscape fragmented or coherent?

Retail Vacancy, KPIs and Benchmarking

There has been an increasing emphasis on attempting to achieve better benchmarking. The Association of Town Centres Management Milestone scheme is one example.

Retail vacancy is a key KPI for town centre health checks and is repeatedly asked for in every document on health checks. Benchmarking and making sense of that KPI requires measuring like for like. It also requires common currency over what constitutes retail vacancy, for example in terms of length of vacancy to distinguish vacancy from churn. Additionally agreed measures of retail stock are needed. These can be based on class use or may be based on location of units. It is estimated that at present more than half the retail stock is used for service activities. Consideration of concealed vacancies such as pop-up shops and charity shops also needs to be standardised. A decision about whether to look at floorspace or units is also needed. Clearly in some secondary shopping areas there could be a large number of units but they might comprise a relatively small floorspace. With a change towards fewer but larger units in prime areas both measures are likely to be useful.

Responding to and Managing Vacancy

The headline grabbing stories, such as the demise of Woolworths, have highlighted the problems of retail vacancies, as they result in large spaces blighting town centres. Many of the Woolworths stores have now been reoccupied, albeit that the incoming stores may or may not drive up town centre footfall. Larger units in prime areas do not occur often and offer an uncommon opportunity. This has been seized on by the discount sector in particular. Vacancies in secondary or rural areas are harder to fill.

In addition to competition, concentration and consumer changes, retail failures, branch closures and lower profit levels, there are fewer start-ups in a time of recession. Planners need to think about overall demand for retail space and the desired location of that space, devising ways of managing that space to focus and maintain retail continuity. Shrinkage of prime or secondary space may be appropriate. Frontage policies and the control of class uses are both critical. Research has also drawn attention to the situation in retail parks and the options for dealing with vacant property on these parks in terms of use class restrictions and the subdivision of units. Equally the way that town centres are managed will impact on how well stores which are trading poorly in recession can survive. Strategies to maximise town centre access and desirability are required. Regeneration and town centre funds have been set up to mitigate the impact of recession. At present these remain an emergency measure rather than strategic funded policies.

Emerging Issues:

- A White Paper has set out proposals for supplementary business rates. The idea of these is to encourage greater business engagement but they would impose an extra levy on the businesses in the area.
- Re-evaluation of property which is scheduled to be implemented would see the rateable values of many properties rise and this will increase the rates they have to pay.
- Town centre funding initiatives have been set up. The Communities and Local Government Department has £3 million scheme to revive empty shops through actions such as community leases and encouraging activities to boost the attractiveness and activity in high streets (CLG, 2009). Money has been allocated by region based on an evaluation of need. The Scottish Government Town Centre Regeneration Fund set up a challenge bid scheme to which local

authorities could apply for money to support specific initiatives to improve town centres. Two tranches of money have now been allocated.(Scottish Government, 2009)

- Company Voluntary Agreements are being used as an insolvency procedure in the retail sector with businesses shedding retail properties which are not profitable as a way of reducing debt and making the remaining business viable. The agreement must satisfy a majority of the creditors but inevitably some creditors will lose out and vacancies will be created.

Web Sites and Sources of Data

Communities and Local Government (2009) £3 million empty shop revival fund. Details available online at:

www.communities.gov.uk/news/planningandbuilding/1311377

Scottish Government (2009) Town Centre Regeneration Fund. Details available online at: www.scotland.gov.uk/Topics/Built-Environment/regeneration/town-centres/tcrf

The Association of Town Centre Management

www.atcm.org.uk

Communities and Local Government commercial floorspace statistics

www.communities.gov.uk/documents/statistics/pdf/1179067.pdf

Scottish Assessors Association

www.saa.gov.uk/

Local Data Company

www.localdatacompany.com

Goad

www.business-strategies.co.uk

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References

Aberdeen City Council

Union Street Frontages – Policy Guidelines.

Aberdeen: Aberdeen City Council, 2008.

An example of the way one council has zoned the high street in terms of class use to be maintained in retail use to ensure retail continuity and coherence of the retail core.

Communities and Local Government

Local Government Finance: Supplementary business rate.

London: House of Commons, 2007. Available online from:

www.publications.parliament.uk/pa/cm200708/cmselect/cmcomloc/1200/1200.pdf

Text of the White paper on business rate supplements. The idea arose as a result of the Lyons Inquiry. The aim is to promote greater local investment. Positive outcomes are noted as increased accountability and the engagement of the business sector in local areas.

Centres for Local Strategies and Action for Market Towns

Understanding and Supporting the Resilience of Market Towns.

Bury St Edmunds: Action for Market Towns, 2009.

This publication looks at ways in which resilience can be boosted in market towns. It includes discussion of the impact of recession, vacant units and retail change on market towns.

Findlay, A. and Sparks, L.

Literature review: policies adopted to support a healthy retail sector and retail led regeneration and the impact of retail on the regeneration of town centres and local high streets,

Edinburgh: Scottish Government, 2009, 47p. Available online from:

www.scotland.gov.uk/socialresearch

This report had three aims:

- Identify what a healthy/vibrant town centre/local high street looks like;
- Identify, in the UK, what policies/approaches have been implemented to: (a) Support a healthy retail sector in local high streets and town centres, and (b) Undertake retail led regeneration;
- Explore what impact retail has had on the regeneration (in its widest sense – social, economic and physical) of town centres and local high streets, and how this has impacted on the wider community.

Guy, C.

Out of town slump,

Town and Country Planning, 77(10), 2008, 394-395. Email: Guy@cardiff.ac.uk

A resume of how the credit crunch is likely to impact on out of town retailing. Food stores are continuing to be built in out of town locations and the pipeline is likely to

remain relatively unaffected. Discount stores have seen market share rise and are planning a rapid expansion to new sites. Retail parks were already struggling and where they have only bulk goods consent are likely to see increased vacancies. In terms of PPS6 if a competition test came into place this would favour the discount sector over other retailers. There might be pressure to relax the bulk only consents on retail parks.

Hargest and Wallace Planning Ltd and Donaldsons LLP

Town centre and retailing methodologies,

Edinburgh: Scottish Government, 2007, 268p. ISBN 9780755968770.

Hargest and Wallace Planning Ltd and Donaldsons LLP

Town centre and retailing methodologies: summary of main findings,

Edinburgh: Scottish Government, 2007, 12p.

The full report is a substantial volume which combines reviews of methodologies and the results of survey work with practitioners. It covers retail capacity studies, town centre health checks, strategic retail planning and retail impact assessment. It includes detailed discussion of different definitions and measures assessing their contribution in terms of accuracy, transparency, availability and usefulness. It is intended to form the basis of a Planning Advice Note to accompany SPP8. Key themes which are emphasised include improving data collection and the availability of comparative data. Sensitivity tests are also noted as important being viewed as key to avoiding problems resulting from assumptions. The full report provides useful tabulations of key positions on each of the topics and as such is a reference work with relevance wider than Scotland.

Harrison, N.

CVAs: A necessary evil or an easy way out?

Retail Week, 14/08/09.

A succinct outline of the pros and cons of Corporate Voluntary Agreements in a retail context.

Katyoka, M. and Wyatt, P.

An investigation of the nature of vacant commercial and industrial property,

Planning Practice and Research, 23(1), 2008, 125-145.

A review of different sources of data on vacant property including retail property. A case study of Leeds is used to demonstrate the different measures of vacancy which are required to gain a proper understanding of vacancy rates by type of property. There are graphs which show trends in retail alongside other sectors such as office and warehouse property. The article makes the case for better standardisation of terms to permit benchmarking. The National Land Use Database offers new opportunities to look at make comparisons of trends across different areas and scales of analysis.

Local Government Association

Urgent action needed to stop high streets becoming 'ghost towns',

London: Local Government Association, 2009. Available online from;

www.lga.gov.uk/lga/core/page.do?pageId=1653794 .

The Local Government Association carried out a survey of local authorities regarding awareness of increased vacant property in high streets. Local councils confirmed that vacant property was adversely affecting their high streets. Potential responses include the possibilities of council management of empty shops on a temporary basis, a cut in VAT on empty shop refurbishment and other measures to reduce costs to small shops.

National Retail Planning Forum

Retailing out of Recession: The challenges ahead.

London: National Retail Planning Forum, 2009.

Available online at www.nrpf.org

A day conference with presentations on retailer responses to recession including the impact of retail failure, lower trading and partnership development.

Stabe, M.

Woollies watch,

Retail Week, 28/09/09.

This article charts the take up of former Woolworths stores across the UK giving details of locations and of store operators.

Teale, M.

Shop vacancies,

CBRE UK Retail Property, April 2009.

An assessment of the impact of recession on retailing on shop vacancies. The article highlights factors such as prime scarcity, shrinkage, recession and the tertiary sector and future trends. It notes some trends such as shorter leases which are contributing to current vacancy patterns as well as discussion of the patterns of vacancies during recession.