The Future of Shopping Centres in Scotland’s Towns
About Revo
Revo is the organisation that supports businesses in the retail property and placemaking sector. Our unique community includes private and publicly listed retailers and owners of retail property, as well as local councils, and advisors and consultants of all sizes who provide services to our industry.

Our members and the wider retail property and placemaking community are keen to create places people wish to live, work and enjoy their leisure time in, and are keen to work with government to deliver our shared objectives and overcome barriers to create an even more productive and successful sector.

Retail generates approximately £20 billion in taxes and contributes 5% of the UK’s total Gross Value Added (GVA) annually. Retail property is the largest asset class in commercial property valued at £360 billion. Well over 3 million people from apprentice to Board Director are directly employed across all corners of the country in retail and retail property.
The Future of Shopping Centres in Scotland’s Towns
Summary Report of Discussion.

Co-produced by DWF LLP, Revo and Scotland’s Towns Partnership
1. Introduction

This report provides a summary of a summit held in Edinburgh on 28th March 2019 between central and local government, national agencies, sector specialists and industry to explore issues and solutions to pressured shopping centres in Scottish towns.

The meeting was organised by DWF LLP, Revo and Scotland’s Towns Partnership and brought stakeholders together with the objectives of promoting shared learning, discussion of systemic trends and potential policy challenges, and the identification of possible opportunities and pilot activities.

The meeting was chaired by Professor Leigh Sparks, Chair of Scotland’s Towns Partnership and Deputy Principal (Education and Students) and Professor of Retail Studies, University of Stirling. Attendees were also welcomed by event host, Iain McLean, Partner, Real Estate, DWF LLP. Discussion was conducted under Chatham House rules to promote an open exchange of views and ideas. A full list of those present is available in the report appendices.
2. Issue Overview

- Time to think outside of that big box to see what small boxes go back inside?
The £1 billion revamp of the St James Centre in Edinburgh is something of an anomaly; we have simply stopped building shopping centres and the development pipeline across the UK has ground to a halt. The shopping centre concept is 75 years old and there are more than 900 of them, but is the idea of a big box full of small boxes still relevant?

Many of our traditional town centre shopping centres are challenged. This can create both financial and psychological impacts. Can we explore how better public-private collaboration could inspire innovative and practical solutions. For example, joint ventures; shared risk and reward; public sector covenant and footfall; more open and transparent partnership.

Across many Scottish towns, the shopping centre is the most dominant feature and the core of activity – towns such as Paisley, Greenock, Motherwell, Stirling, Dunfermline and Dundee, where the economic and social value to these places is often understated. We cannot allow these centres to fail but there are layers of complexity around condition, ownerships, covenants and investment, that will require a strong leadership, vision and innovation.

The starting point should be to look beyond traditional retailing. While shopping centres cannot compete with the convenience of online, out-of-town centres or retail parks, they can start to develop high-value experiential propositions and a mixed-use environment. The key to creating communities is to engage and understand them and then to develop a complex matrix of emotional, physical, sensory and digital ties that allows a targeted and multi-channel selling of goods, services and experiences.

And partnerships – could the shopping centre incorporate some housing into its superfluous retail space, creating footfall, passive surveillance, community and consumption? What about libraries, galleries, art centres, health centres, nurseries, crèche facilities, play-zones, business incubators, hatcheries and co-working space and gyms? Bring in farmers’ markets, events and activities, better food and drink offerings, concerts, boutique cinema and performance. Develop intuitive and value-focused experiences that your demographic will relate to. If the centre serves a predominantly ageing demographic then wrap the core retail with health, travel, care, activities, finance, insurance, exercise and advisory services. Deploy digital technology to create seamless links between online and onsite and create showrooms and concession spaces where online sellers can promote their leading lines in a physical environment.
To begin the meeting, the discussion was informed and framed by two presentations which highlighted proactive approaches to repurposing shopping centres as part of wider town centre regeneration projects. Please request presentation slides if you would like more information.
Case Study 1 - Paisley

Alan Anthony, Managing Director, Threesixty Architecture and Scottish Chair of Revo

The first of two case-study presentations was given by Alan Anthony, who provided an overview of Threesixty Architecture’s involvement with plans to regenerate Paisley town centre. Key points included:

- **Background;** a Threesixty project with MSc students assessed use mix in five Scottish towns. Historically town centres had a mix of uses – retail goes where people go, and not the other way around. We have (failing) retail dominance in town centres but that’s not where everyone wants to shop – what other things need to be brought in there?

- **This previous work showed a 16% vacancy retail rate and rising,** with 46% of all town retail located in the Paisley Centre Shopping Centre. However, having a shopping centres in town which is under stress holds opportunity for town centre change.

- **Threesixty Architecture’s project in Paisley is not just about re-purposing a shopping centre,** rather this is a case of re-purposing and re-positioning a town centre, with the shopping centre forming part of this and, under single (not fractal) ownership, offering the potential for a bold and effective rebalancing and repopulation of the centre.

- **Threesixty Architecture’s project in Paisley seeks to fulfil the town centre action plan,** but the project brief has a wider set of objectives through spatial and physical change.

- **Beyond Paisley this is a pilot project whose methodology and lessons could be applied to other towns.**

- **What happened to Paisley?** In many ways the town is a ‘poster boy’ for high street decline. Peripherised activities, current shopping patterns and failure to adapt have drawn traffic away from the town centre.

- **The Paisley 2021 UK City of Culture bid created an opportunity for community consultation to build this regeneration plan.** Paisley has a large number of listed buildings, cultural heritage, music, the Paisley Pattern, and a political history of radicalism.

- **Paisley is a town of events,** and there are plans to link to and promote galleries. The town has areas of deprivation and wealth – the key is attracting this wealth to the town centre with appropriate attractors.

- **Local anchor institutions such as colleges are important:** both UWS and Paisley College also have a role to play in Paisley regeneration.
Case study 2 – Stockton-on-Tees

Richard McGuckin, Director of Economic Growth and Development, Stockton-on-Tees Borough Council

The second case study, presented by Richard McGuckin, demonstrated the delivery of a holistic regeneration strategy for six towns across the Stockton-on-Tees local authority area. Key points included:

- Stockton on Tees has six town centres and includes some of the most deprived and wealthy wards in the country. Stockton is a diverse area and part of partnership with a Conservative mayor and five Labour-controlled local authorities.

- Stockton, the main town in the council area, faces many of the same issues as other towns; vacancy rates, absent landlords, business rates. Some of the big stores (M&S, Debenhams, Woolworths) have either closed down or are struggling.

- Stockton council is on a re-purposing journey; it won the GB High Street ‘rising star’ award in 2016. Stockton was also a case study in the Grimsey Review report. The focus is on how to move to a different model, one not just focused on retail.

One strand of the regeneration strategy is to promote different types of economic activity, e.g:

- Specialist town markets: for example Stockton has a historic 700-year old market.

- Start-ups: the council took control of a large retail unit and turned it into an ‘enterprise arcade’ with business support to help local entrepreneurs set themselves up as independent retailers. Niche independent retail has a place in the town centre.

- The council has also worked with LIDL to develop a gateway site.

Another strand is the repurposing of retail and bringing new uses and services into the town centre, for example:

- Creating a new cycling and walking hub in the town centre in partnership with Sustrans.

- Setting up a town centre customer interface office with an accommodation provider.

- New public space and greenery is being created in central spaces.

- Durham University bringing in international students to town.

- Housing regeneration adjacent to town centres occurring.

- Direct intervention to take control of buildings where necessary.

- Reducing sprawl where important to do so.
• A former council building has been converted to an incubation hub, working with the private sector.

• Hampton hotel has been leased to Hilton and is producing revenue.

• £20m regeneration programme of The Globe Theatre with a private company underway. This 1935 art deco theatre is a 3,000 seat venue.

• Council also investing in services / estate in town centre i.e. library, drawing in footfall.

• Security is important, and the council is investing in enforcement to manage town centre places and spaces – both CCTV and officers present for reassurance.

• A further strand of the strategy is event development and promotion in Stockton:

• The Stockton International Festival happens during the first week of August. This is a street theatre festival and a significant attractor of footfall.

• The great North City Games will take place in Stockton from this year until 2025 (before it was in Gateshead), taking place the same week as the Great North Run.

• Overall there are 98 events held across the calendar year, the majority of which are held in the town centre. i.e. the supercars festival is not council funded but assistance with infrastructure provided.
4. DWF Commercialisation Report

In addition to the case studies, the main round-table discussion was informed by commercialisation research presented by Colin Murray, Partner, Commercial & Public Sector, DWF LLP, and conducted jointly with LGC.

The research consisted of interviews with 150 senior local authority officers and directors of companies local authorities have set up. This produced both ‘bad news’, ‘good news’ and various implications for local authorities, towns and shopping centres. Principle findings included the following points:

‘Bad news’

- Following years of fiscal pressure on local authorities, the public sector is very short of resources. Up to 34% respondents would have to file a section 114 report i.e. declaring insufficient resources to continue functions.

‘Good news’

- Local authorities are doing a lot in town centres as this is a requirement for them; they are therefore becoming economic actors / competitors, increasing their acquisition of assets and interventions. This is occurring in two areas: (i) ownership of assets within the authority area i.g. shopping centres; (ii) councils buying things outside of their area – i.g. property investment in other areas of the country.
Implications

• Opportunistic implication: there will be a lot of grant funding coming to local authorities, such as the Stronger Towns and other funds being announced both north and south of the border. This is a competition among councils for this money.

• Strategic implication: the imperative to create masterplans or strategies such as in Stockton. This involves active intervention, putting covenant strength around different assets to generate income. What can the public sector also do to draw in the private sector to town centre areas / assets? Also office and accommodation strategies can be made use of to draw in footfall.

In summing up, Colin said that each local authority is different, and needs different solutions. The next step for DWF is the Future Places Conference on 22-23 May, also with LGC.
5. Chair’s Reflection on Presentations

After each presentation, meeting chair Leigh Sparks reflected on key messages to help frame the main discussion.
Case Study 1 (Paisley)
Central points from the first case study were issues of ownership (of the town centre, retail, shopping centres), new attractors (to bring wealth & footfall – but what are these?) and accommodation (i.e. new student accommodation, town centre accommodation).

Case Study 2 (Stockton)
The case study on Stockton showed that the town was on re-purposing journey and the strategy was trying to correct things that have been going wrong for 40 years – this is a long process. The presentation also showed that ‘assets’ in a town are both physical and its people, as highlighted by the example of the arcade enterprise hub.

DWF Commercialisation Research
Two key points emerging from this research were: (i) local authority financing and the future of this; (ii) local government intervention and investment; this should not be serendipitous but planned.
6. Roundtable Discussion

In addition to his reflection on the presentations, at the beginning of the meeting Professor Sparks stated that as a backdrop to the discussion, the context in which shopping centres and towns operate have rapidly changed.

In the 80s and 90s shopping centres were ‘containers of consumption’. Nowadays towns are subject to new demographic, technological, and consumer trends, as a result of which shopping centres are stressed and could be sold very cheaply (i.e. the example of Kirkcaldy). There are social, environmental and place-based implications of this. New thinking and partnerships are needed to design solutions – how do we manage to move to a new model; shopping centres and towns are changing to what?

It was suggested that future-focused discussion was required to look at where we are and what the barriers are to where we want to be.

With this in mind, the roundtable discussion took place focused on ‘issues’, ‘solutions’ and ‘barriers’. The following pages summarises key points made.
Issues & Challenges

Retail trends and growing commercial risks

- There are high and/or growing vacancy rates in towns. One study suggests 49% of shopping centres have too much space, and a 17% vacancy rate across the UK (figures from 2018). These figures may be getting worse. There may be 1/3rd too much retail in town centres and more in shopping centres. There are few new entrants coming into the retail market.

- Some retailers are struggling in town centres. Brexit is increasing import costs as the exchange rate has worsened. Should we just let some of these retailers go and accelerate transition plans rather than try to help them hang on?

- Everyone is seeking to survive as a retail destination but this won’t be the case – some shopping centres could be knocked down and retail concentrated in the most viable location. But how do we get to this point?

- Wealthy town centres are still attractive for new retailers, but poorer areas are struggling just to retain existing retail – many big or chain tenants are not renewing leases.

- Each location is specific, and trends and challenges shouldn’t be over-generalised.

- It is difficult for institutional investors given the major risks which creates incentives to get out of the sector.

- A conclusion appears to be that there is too much retail and so policy can’t focus on just getting more retail back.
Public and private sector partnership; dealing with investment risk

- How can local government & the wider public sector work together with the private sector to re-purpose and regenerate town centres? The public sector cannot directly run assets in town centres, the private sector is needed.

- In a run-down asset or town centre, it is high risk for a commercial investor to invest and try to effect regeneration. This is where LA is in a unique position and can intervene as part of a holistic design with roots in commercial viability. Other partners including the private sector can then buy-in to that vision.

- The notion of such a vision is sound, but in reality is difficult. In Fife for example, shopping centre owners are working on a yield and don’t have an asset management plan, but rather only aim to take 12% out of the asset. It’s difficult to create a vision around this. Institutional investors are not willing to be flexible given the risks.

- It is very hard for a council or group of owners to make re-purposing happen – such change also needs to be a central government issue. Developers in the 80s and 90s tried to put the same shopping centre in every town and then out of town. Councils made errors on this count. Thus the problem is too big for individual asset owners to deal with (even where this is the council).

- There is a need for neutral brokers to promote trust and break down barriers. Many councils don’t know where to start to access skills and knowledge on complex financial planning and investments. Commercial partners and investors need to be chosen carefully to offer greater stability.

- Shopping centre owners are driven by what makes the most money, not by what leads to long-term sustainability, which is where central government intervention needed.
02 Solutions and Opportunities

Data-informed strategies:

- It’s important to identify the purpose of the town centre; how can it function and be vibrant? Is there primarily a civic, entertainment or retail function? What is the demographic?

- Data is required to devise appropriate strategies and responses. Towns everywhere are different and need flexible, innovative solutions.

- The Understanding Scottish Places website can be used to inform strategies; it provides key data on towns, clusters similar towns together, is free to access and is used across sectors, and funded by Scottish Government.

- In the past cumulative retail impact assessments were conducted across an area, rather than towns competing with each other. A high level view is needed at the functions of towns – dormitory, retail etc, and could prove a powerful tool moving forward.

- There are two types of retail – town centres offer convenience retail rather than destination. We need to look to what demographic changes will be, likely consumer demand, and what other purposes the town should have to respond to this.

New Policy Trends:

- New city and region deals are creating more natural regional economic geographies. Beneath that a hierarchical approach to towns is needed i.e. what are the main anchor towns in a region?

- Scotland has a national planning framework; a review is looking at how to make this more effective. Ireland has developed a national planning framework, which has a 10 year capital investment programme based around it.

Case Studies and Best Practice:

- There are tangible examples in England of local authorities working with a private sector partner (e.g. in Altringham) to re-purpose and develop towns and turn these around.
03
Breaking Down Barriers to Policy Solutions

Addressing the concentration of retail:

- More strategic thinking by local authorities and others is needed. More trust is also needed between the public and private sector for collaboration.

- There is still a dearth of information and data on retail ownership; this needs taken from government down to local authorities.

- Where equity investment is involved, investment horizons are more rigid which can be a constraint for strategic planning.

Improving trust and collaboration:

- The Scottish whisky industry is a good example of collaboration. Key commercial players are closely aligned and collaborating after facing tough international competition a few years ago; the aquaculture industry is on the same journey. This goes beyond sharing ideas into real behind-the-scenes collaboration to ensure international competitiveness and position. The SWA is now creating new brands and products. How could this apply to retail and convenience?

Designing holistic strategies:

- This is not just about retail, it is about town centres. A key barrier to a vibrant town is a lack of good public transport and accessible parking i.e. being able to get into the town centre.

- We need to look at residential tenure in towns. In a dormitory town there will be less use of retail and services during the day (everyone is at work). The age profile of residential housing needs to cover all age groups so that there is use throughout the day.
### Appendix 1

**Guest List**

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<tr>
<th>Name</th>
<th>Title and Affiliation</th>
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<td>Alan Anthony</td>
<td>Managing Director, Threesixty Architecture and Scottish Chair of Revo (the retail property and placemaking community)</td>
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<td>Euan Baird</td>
<td>Senior Policy Officer, Economic Development, Scottish Government</td>
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<td>Jane Bradley</td>
<td>Consumer Affairs Correspondent, The Scotsman/Scotland on Sunday</td>
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<td>Paul Coulter</td>
<td>Head of Asset Management, Squarestone (Edinburgh)</td>
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<td>Alison Gow</td>
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<td>Jonathan Guthrie</td>
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<td>Steve Hadfield</td>
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<td>Richard McGuckin</td>
<td>Director of Economic Growth and Development, Stockton-on-Tees Borough Council</td>
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<td>Billy McKinney</td>
<td>Group MD, McKinney Group</td>
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<td>Iain McLean</td>
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<td>Gordon Mole</td>
<td>Chief Officer, Business and Employability, Economy, Planning and Employability, Fife Council</td>
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<td>Stuart Moncur</td>
<td>Director - Head of National Retail, UK, Savills and Revo Committee</td>
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<td>Councillor John Mooney</td>
<td>West Dunbartonshire Council</td>
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<td>Alasdair Morrison</td>
<td>Head of Regeneration, Renfrewshire Council</td>
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<td>Colin Murray</td>
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<td>Matthew Ogg</td>
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<td>Julie Pears</td>
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<td>Martin Sheppard</td>
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Alan Anthony
Managing Director, Threesixty Architecture and Scottish Chair of Revo

Alan founded Threesixty Architecture, a Scottish based practice working across the UK and is responsible for the strategic direction of the business. He devotes much of his time to project inception, concept development and design review. He has a particular passion for the vision-led regeneration and reinvention of urban centres and this sits well with his current position as Scottish Chair of Revo (the retail property and placemaking community).

Richard McGuckin
Director of Economic Growth and Development, Stockton-on-Tees Borough Council

As part of Stockton-on-Tees Borough Council’s Corporate Management Team, Richard leads a diverse Directorate with a portfolio of services that includes Highways, Transport, Planning, Housing, Economic Growth and Business Investment.

Richard is a Chartered Civil Engineer whose early career focused on highway and major civil engineering projects. He was born and grew up in Stockton and has been fortunate to be involved in many of the large and small scale civil engineering projects in his home town, working first for the former Cleveland County Council and since 1996, for Stockton-on-Tees Borough Council.

Stockton-on-Tees is part of the newly formed Tees Valley Combined Authority and Richard has a role on the management group of the CA, leading on the major highway infrastructure workstream.

Richard sits on the Institution of Civil Engineers National Transport Panel and is the northeast representative on the Northern Powerhouse Steering Group.

Iain McLean
Partner, Real Estate, DWF LLP

Iain is based in Edinburgh but travels widely, working with colleagues throughout DWF to support a wide range of clients across the UK and the rest of the world. He frequently introduces experts in other areas such as corporate banking, real estate planning, construction advice and disputes, corporate tax, regulatory, intellectual property and mergers and acquisitions.

Iain’s retail clients include Debenhams, Monsoon, Halfords, Magnet, Starbucks, Card Factory and many others.

Along with his team he is particularly active in shopping centre development and investment. A recent example of this is acting for Squarestone on the purchase of the Kyle Centre in Ayr for redevelopment into a retail and leisure destination, with new cinema and leisure units.

Cross border deals are a speciality, and he has acted for major players over the years such as Kennedy Wilson, Hammerson, Blackstone, Schroders, LSR and NewRiver Retail.

Within this he has acted for a range of US organisations on UK deals, for example Blackstone (in acquiring Hilton Hotels), Apache Corporation (in acquiring North Sea assets) and Kennedy Wilson (in acquiring eight UK shopping centres). He acted for China-based Sinopec in acquiring oil and gas assets in the North Sea as well as an Australian food and drink operator looking to set up in the UK.

Iain regularly attends events such as BCSC, Mipim and the IHIF Hotels Conference in Berlin.
Colin Murray
Partner, Commercial & Public Sector, DWF LLP

Colin has advised on a range of joint ventures, major PPP projects and the development of innovative new structures for long term PPPs with public sector equity investment.

Colin has previously worked for Central Government, including the Department for Transport and the former Office of the Deputy Prime Minister and the Housing Corporation.

He regularly advises local authorities on issues relating to shared services and collaboration, the outsourcing of services and Strategic Partnerships. In particular, he has given generic and project specific advice to many authorities on their powers to enter joint arrangements.

Professor Leigh Sparks
Deputy Principal (Education and Students) and Professor of Retail Studies, University of Stirling and Chair of Scotland’s Towns Partnership

“I am Professor of Retail Studies and Deputy Principal of the University of Stirling. I am the current chair of Scotland’s Towns Partnership, a role that has followed on from a longstanding interest in place and community and involvement in the External advisory Group for the National Review of Town Centres (the Fraser Review).

My academic work is mainly in retailing, but increasingly it involves aspects of retailing in towns and places. I am one of the drivers behind the Understanding Scottish Places work (usp.scot) and also run a retail blog which encompasses a lot of our towns work (stirlingretail.com). On the blog you can find copies of presentations, articles and other aspects of my retail and towns work.

Towns are the fundamental heart of Scotland, being the place where social and economic value can be best delivered and promoting a sense of identity and place. Everyone comes from somewhere and most people come from, or associate with a town. They need to be nurtured and re-energised to meet modern needs and to strengthen community life.”