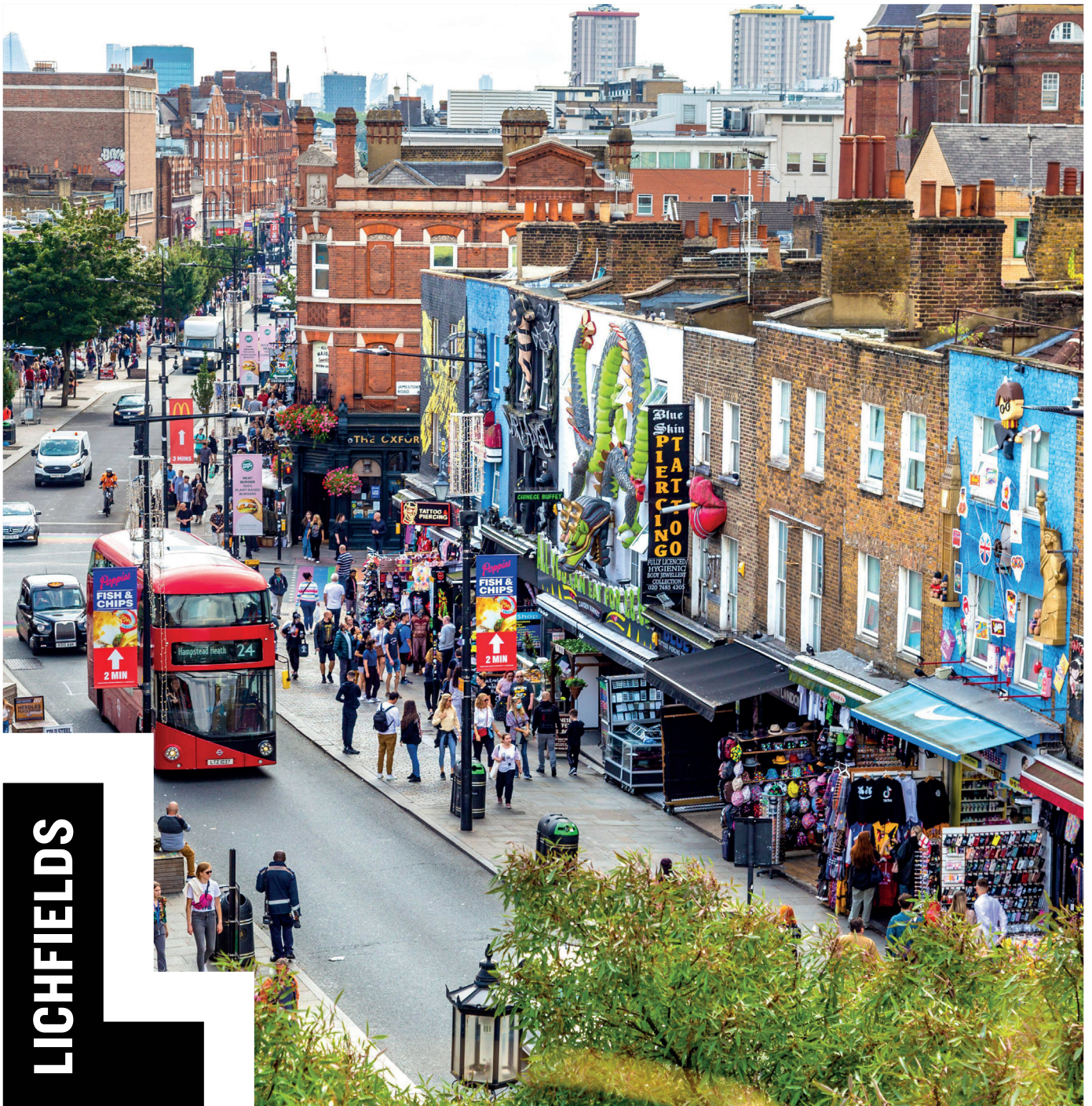


London's town centres

Retail mix of the future



LICHFIELDS

LICHFIELDS

60
years

**Lichfields is the
pre-eminent planning
and development
consultancy in the UK**

**Celebrating 60 years
of innovation in planning.**

lichfields.uk



Executive summary

London's town centres have and will continue to evolve to meet the needs and demands of their changing populations and customers. After years of consistent growth in the demand for retail floorspace however, many of London's town centres are now beyond a 'tipping point' moment.

Already fundamentally changed by the ongoing growth of online shopping, the seismic shock of Covid-19 has resulted in massive shifts in footfall, spending habits and, at certain times, legal restrictions to using town centres in the way we had before.

To better understand what can be expected to happen in the future, we model the likely changes in the scale and composition of retail floorspace in London's metropolitan, major and district town centres. Our analysis is projected for London, by town centre classification in response to the forecast population and residents' retail spending projections. It is based on a model created using the GLA's town centre floorspace and population data for London and Experian's population and retail spending projections for the capital.

Our model's 'high-level' projections, for a 2019 to 2035 time period, show a direction and scale of 'net change' in the four retail floorspace categories (convenience, comparison, food and beverages and cultural and entertainment) that make up the heart of most of London's town centres, presented for each town centre classification.

Future changes in town centre retail floorspace are expected to be considerable. Taking London's town centres as a whole, and across the retail categories, demand for floorspace is projected to increase by 3%. But there will be significant changes between uses. The projected drop in comparison retail floorspace (-5%) and 'flatlining' of convenience retail floorspace change (+1%) is projected to be offset by the growth in food and beverage (+16%), and cultural and entertainment floorspace (+20%).

However, the projected outcomes for different classifications of town centres varies. Around half of metropolitan and major centres and two fifths of district centres are set to lose retail floorspace by 2035, mostly comparison floorspace in all centre classifications. All centre classifications are expected to gain cultural and entertainment and food and beverage floorspace. The projected outcomes for individual town centres also vary considerably, ranging from an increase of +40% in overall floorspace in some town centres, to a fall of -15% in others.

Our projections provide a realistic understanding of the scale of upcoming changes in the retail sectors of these town centres. Recognising the scale of what may lie ahead can be used as a catalyst by those involved in the planning, place-shaping, development and management of London's town centres to seize opportunities and adapt their centres in response to changing needs and different challenges.

Key figures

3%

increase in demand for floorspace across London's town centres overall (excluding the CAZ and local centres)

+290,000 sqm

increase in food/beverage, cultural/entertainment and convenience retail floorspace demand

-135,000 sqm

fall in comparison goods retail floorspace demand

49%

of town centre floorspace is taken up by comparison goods retail

54%

of metropolitan centres are set to lose floorspace overall

53%

of major centres are set to lose floorspace overall

41%

of district centres are set to lose floorspace overall

+40%

range of town centre outcomes from a maximum of +40% of floorspace

-15%

to the largest fall of -15% of floorspace

O1 Introduction

The way we use town centres is, and has always been, in constant evolution and revolution.

However, there is a consensus amongst economists, retail analysts and decision makers that the retail sector is currently undergoing unprecedented change. How we shop has changed markedly over the last decade, with the Covid-19 pandemic expediting underlying trends in customer habits, in particular the accelerated growth in online shopping. As a consequence, town centres are evolving to meet different consumer demands, with the growth of non-retail services, food and beverages outlets and new leisure activities offering a broader range of experiences for visitors.

In July 2021, the Government published the 'Build Back Better High Streets Strategy' to support the evolution and regeneration of all high streets across every part of the UK into thriving places to work, visit and live. The Government observes¹:

"We saw our high streets acting flexibly in response to the pandemic and have been great theatres of innovation. Businesses created new ways to trade with extraordinary speed and guile in the toughest of circumstances. Restaurants offered al fresco dining. Pubs operated as takeaways. And landlords transformed their properties into local vaccination centres. COVID-19 also accelerated trends towards online shopping and working from home. This creates challenges and opportunities for high streets. The traditional economic model of high streets is changing quickly".

We concur. High streets and their retail, business, commercial and service space 'offer' are changing quickly, as a consequence of those changes to operator and centres' 'economic models'; nowhere more so than in London, where changes in shopping habits were compounded by the effect of the pandemic on population, tourism and commuting².



Contents

01	Introduction	1
02	What is happening in London's Town Centres?	3
03	Methodology	8
04	What will happen to retail spending?	10
05	How will town centres change?	11
06	Town centre outcomes	20
07	Conclusions	24

¹DLUHC 2021, Build Back Better High Streets Strategy

²Centre for Cities, March 2022 How is Coronavirus affecting UK high streets? [<https://www.centreforcities.org/high-streets/>]

This report explores how the potential changes in retail composition could affect different classifications of London's town centres in different ways. Our analysis:

- applies projected changes in London's population and spending to understand changing drivers of demand; and
- projects the likely need for more (or less) floorspace for convenience and comparison shopping, food and beverage (pubs, cafes and restaurants) and cultural and entertainment attractions.

This report therefore considers how the floorspace composition in London's town centres might be expected to change in the capital's Metropolitan, Major and District Centres³ over the next fifteen years, explaining some of the drivers of this change and the potential outcomes. In doing so, we explore the opportunity for London's town centres to re-organise and curate their offers in response to changing consumer preferences and broader demands.

The analysis signposts the need for effective investment decisions by the development industry, for the re-shaping of London Boroughs' planning policy and for the GLA's 'mission-oriented' approach for town centres to succeed⁴.



³GLA 2021, The London Plan. Town Centre Network, p94

⁴GLA 2019, High Streets and Town Centres Adaptive Strategies.

O2

What is happening in London's Town Centres?

Trends in retail spending

Forecasters, commentators and policy makers have long observed a shift away from 'high street retail' towards online shopping. The context of the pandemic has meant that changes that were assumed to take a decade have happened in a year. Policy makers at the time considered 2018 to be a tipping point for town centres and their high streets, but they have since faced seismic shocks over 2020 and 2021 with the impact of both the pandemic and Brexit likely to take some years to fully play out. Since then, supply chain struggles, skills shortages and border controls have all made headlines and challenged town centre business models urgently and profoundly.

Globally, forecasters consider new habits – as shoppers were forced to move online – are likely to stick for many consumers, despite the attraction of getting back to 'bricks and mortar' stores, with McKinsey and the OECD agreeing a significant proportion of new online consumers are likely to change their long-term habits⁵.

London has suffered a greater and longer shock to high street spending and footfall than the rest of the country over the two years from January 2020 to January 2022⁶. This has resulted in a 10% reduction to in-store spending across the Capital, from pre-pandemic levels⁷.

However, that reduction varies markedly across the capital (Figure 1) with in-store spending down by almost a third (30%) across 'Zone 1' central London, driven by the drastic fall in commuting and tourism. The 13% reduction in in-store spending in 'Zone 2' is still significant. The performance of non-central London more closely mirrors that of other medium sized cities across the country where footfall and spend has largely 'bounced back', Outer London zones 3-6 experienced just 0-2% reduced in-person spend.

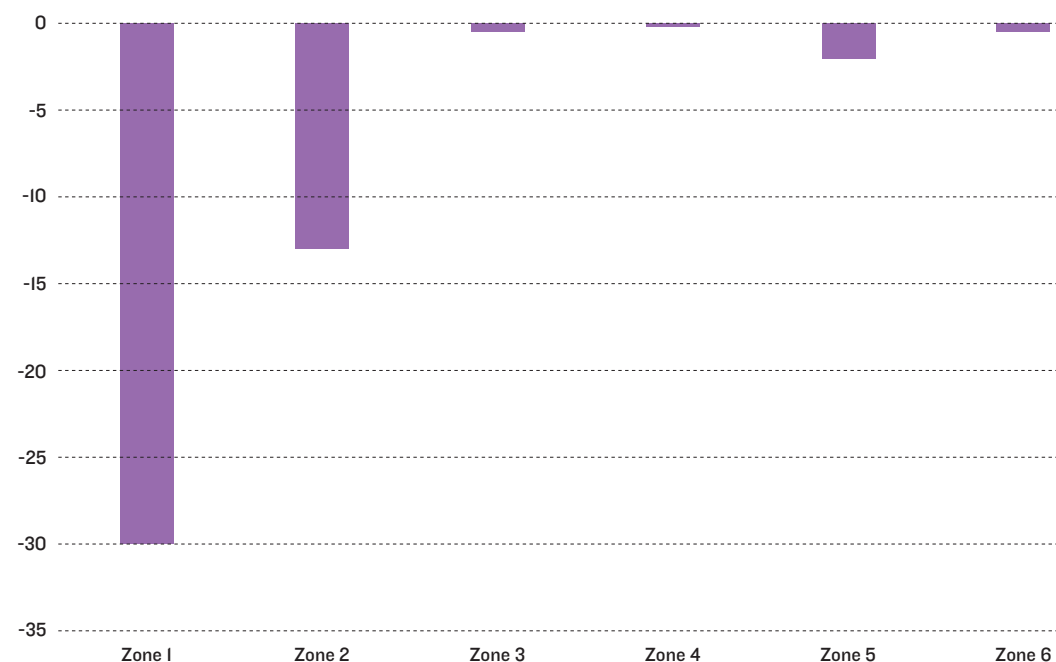
10%

reduction in in-store spending across London between January 2020-2022

30%

reduction in Central London in-store spending in the same period

Figure 1: Change in in-store spending between January 2020 and January 2022, by London's TfL Zones (%)



Source: Social Investment Business High Street Tracker 2022 as reported in the Financial Times <https://www.ft.com/content/47f21971-5d1a-4f41-b1db-9a77c6f6f06b>

⁵ McKinsey 2020 <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/a-global-view-of-how-consumer-behavior-is-changing-amid-covid-19>; OECD 2020, <https://www.oecd.org/coronavirus/policy-responses/e-commerce-in-the-time-of-covid-19-3a2b78e8/>

⁶ Centre for Cities, High Street Tracker [25th March 2022] <https://www.centreforcities.org/data/high-streets-recovery-tracker/>

⁷ Financial Times, 2022 UK high streets bounce back from Covid curbs as London falters <https://www.ft.com/content/47f21971-5d1a-4f41-b1db-9a77c6f6f06b>



Town centres are a focal point for our culture, communities and everyday economies but [they must] “adapt and diversify” in order to survive and thrive.

London Plan 2021

⁸MHCLG, 2019 High streets and town centres in 2030 [https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/1010/full-report.html]

⁹GLA 2019, high streets & town centres good growth by design adaptive strategies (https://www.london.gov.uk/sites/default/files/ggbd_high_streets_adaptive_strategies_web_compressed_0.pdf)

¹⁰MHCLG, 2019 High streets and town centres in 2030 [https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/1010/full-report.html]

¹¹GLA 2019, high streets & town centres good growth by design adaptive strategies (https://www.london.gov.uk/sites/default/files/ggbd_high_streets_adaptive_strategies_web_compressed_0.pdf)

¹²GLA 2019, high streets & town centres good growth by design adaptive strategies (https://www.london.gov.uk/sites/default/files/ggbd_high_streets_adaptive_strategies_web_compressed_0.pdf)

¹³Local Data Company 2018. How has the physical retail and leisure landscape changed? [https://www.localdatacompany.com/blog/infographic-how-did-the-physical-retail-and-leisure-landscape-change-over-2018]

Retail Composition

The challenges to town centres, both in London and nationally, are significant. This is recognised by the Department for Levelling Up, Housing and Communities⁸ (DLUHC) and the Greater London Authority⁹ (GLA). Even before the pandemic, the Mayor of London's adaptive strategies for good growth provided a call to ‘adapt and diversify’ in the context of a national policy focus to take a positive approach to town centres growth and adaptation¹⁰.

Nationally, the High Streets 2030 Commission, published in 2017/18, described what they saw as a momentous ‘tipping point’ where shop unit closures and changes in consumer habits were forming systemic issues that needed to be addressed by planners. The Commission outlined four main issues for town centres:

- too much retail;
- fragmented ownership of buildings and land;
- high fixed cost rents and business rates; and finally
- business taxation.

The Commission saw the future of town centres as “*activity-based community gathering places*” where retail is a smaller part of a wider range of uses and activities. Similarly, the London Plan¹¹ identifies town centres as a focal point for our culture, communities and everyday economies but calls on them to “*adapt and diversify*” in order to survive and thrive.

Against the backdrop of these challenges, many commentators have remarked on the so-called ‘death of the high street’. Analysis in this report sets out to test and challenge this hypothesis in London. Clearly there are many exogenous forces which will influence the future of town centres. That includes Government Funds (£3.6bn for Town Deals, £1bn for Future High Streets and Historic England's High Streets Heritage Action Zones, and £50m for Reopening High Streets Safely) which are providing some significant financial injections with the aim of delivering some positive change in our town centres.

While convenience and comparison retail is still the dominant activity in most town centre high streets across London, food and drink and leisure uses currently account for just under 20 per cent of their businesses¹².



High profile collapses of retailers like Debenhams and Arcadia (both bought by online retailers Boohoo and Asos), Jaeger and others have led to short term increased vacancy rates, estimated at 12.6% of all retail units in 2021 across London¹³. The medium-term trend shows that their re-use by non-comparison retail is likely to continue, with the growth of diverse uses, such as cafés, vape shops and hairdresser/barbers outstripping retail growth and creating a more mixed picture of retail provision¹⁴.

Again, much of this change is a continuation on a pre-pandemic path¹⁵— albeit accelerated. Town centre uses that previously were priced out by comparison retail stores, are now capitalising on new opportunities. Despite the unprecedented trading conditions nationwide over the last two years, the number of independent stores grew during 2021, whereas there was a significant drop in larger multiples, the fastest growing categories were fast food takeaways and convenience goods¹⁶.

In response to this demand for greater flexibility within high street shop units, the Government amended the Use Classes Orders (UCO), allowing high streets to keep pace with these changes (without the need for planning permission) and to help maintain vitality and viability of town centres. The fundamental changes to planning for town centres, which came into effect in September 2020, combined Use Class A1 (Shop), A2 (Financial and Professional Services), A3 (Café or Restaurant),

B1 (Office) and parts of D2 (Indoor Leisure) into Class E (Commercial, Business and Service) Use. The UCO also created new F1 and F2 Use Classes for education and community uses and made more uses Sui Generis (including pubs and cinemas).

This flexibility has allowed – in some town centres - a wider variety of commercial and community uses to be intertwined with a smaller, more sustainable core retail offer, often with new homes. This is likely to play out to different extents and in different ways, according to the size of town centres and their catchments, as well as the differences in local housing demand and land values.

Shopping centres are of increasing interest to residential and mixed-use developers and local councils. For example, Capital & Regional identified underused parts of shopping centres in outer London boroughs for residential mixed-use redevelopments, such as Walthamstow and Ilford¹⁷. Also, John Lewis and Waitrose, typically high street anchor stores, are planning a build-to-rent expansion on their existing land portfolio, mixing convenience retail and housing to diversify their property holdings¹⁸.



¹³<https://www.standard.co.uk/business/leisure-retail/high-street-town-centre-b917987.html>

¹⁴Local Data Company 2018. How has the physical retail and leisure landscape changed? [<https://www.localdatacompany.com/blog/infographic-how-did-the-physical-retail-and-leisure-landscape-change-over-2018>]

¹⁵<https://lichfields.uk/blog/2019/may/31/town-centres-a-time-for-change/>

¹⁶<https://www.localdatacompany.com/blog/ldc-hl-2021-report-out-now?hsLang=en-gb>

¹⁷<https://www.propertyweek.com/news/plans-approved-for-200m-capital-and-regional-development-in-walthamstow/5112494.article>

¹⁸<https://www.theguardian.com/business/2021/jul/04/john-lewis-plans-to-build-10000-rental-homes-on-its-land-waitrose>

London's town centres are classified into five groups:

Different types of town centres serve different audiences and needs. The London Plan (Annex 1: Town Centre Network Classification) classifies London's town centres into five categories, thereby providing a centre network in recognition of the different size mix and draw of centres, as follows:



International centres - London's globally renowned retail destinations with a wide range of high-order comparison and specialist shopping with excellent levels of public transport accessibility.



Metropolitan centres - serve wide catchments which can extend over several boroughs and into parts of the wider South East region. Typically they contain at least 100,000 sq.m of retail, leisure and service floorspace with a significant proportion of high-order comparison goods relative to convenience goods. These centres generally have very good accessibility and significant employment, service and leisure functions.



Major centres - typically found in inner and some parts of outer London with a borough-wide catchment. They generally contain over 50,000 sq.m of retail, leisure and service floorspace with a relatively high proportion of comparison goods relative to convenience goods. They may also have significant employment, leisure, service and civic functions.



District centres - distributed more widely than the Metropolitan and Major centres, providing convenience goods and services for more local communities and accessible by public transport, walking and cycling. Typically they contain 10,000–50,000 sq.m of retail, leisure and service floorspace. Some District centres have developed specialist shopping functions.



Local and Neighbourhood centres - typically serve a localised catchment often most accessible by walking and cycling and include local parades and small clusters of shops, mostly for convenience goods and other services. They may include a small supermarket (typically up to around 500 sq.m), sub-post office, pharmacy, laundrette and other useful local services. Together with District centres they can play a key role in addressing areas deficient in local retail and other services.

This study focusses on Metropolitan, Major and District centres across London outside the Central Activities Zone.

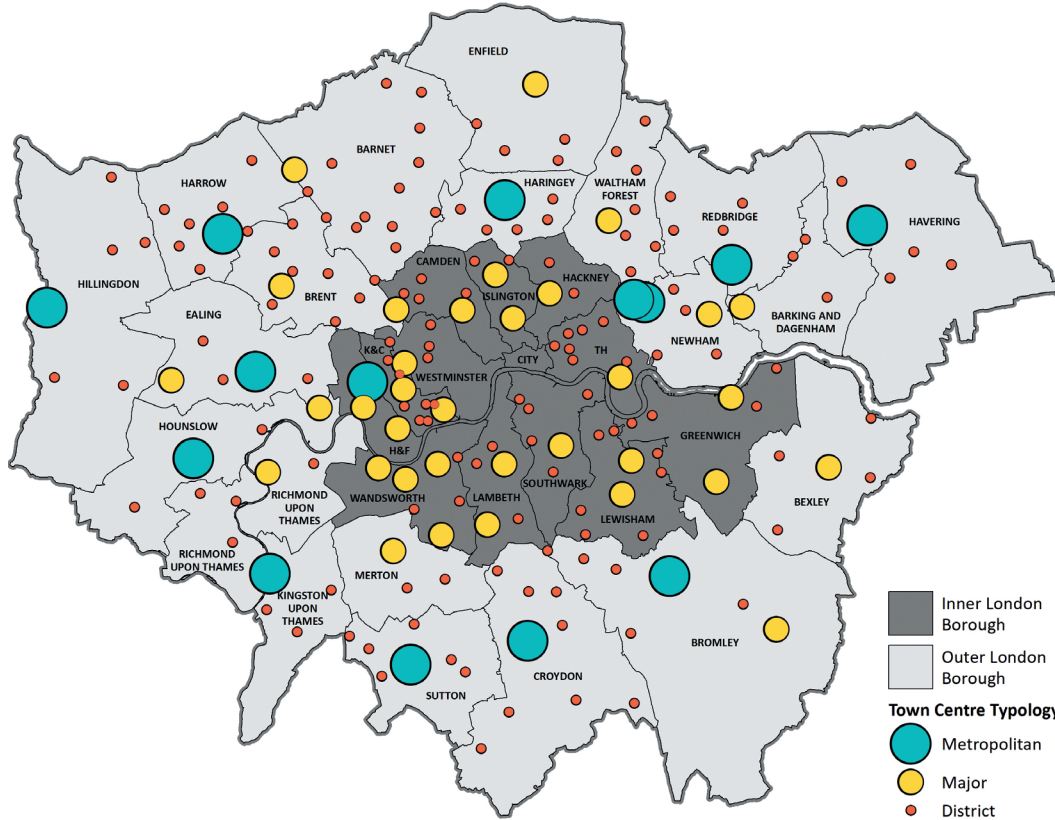
'Retail' floorspace uses are categorised into four groups:

Different types of retail spend are categorised by Experian¹⁹ and this study examines spending by each of the four categories. For each centre classification.

- **Convenience retail**
- **Comparison retail**
- **Food + beverage (cafes, restaurants, take-aways, pubs)**
- **Cultural + entertainment (leisure)**

¹⁹Experian Retail Planner Briefing Note 19, January 2022

Figure 2: London Town Centre Network by Centre Classifications



13 'Metropolitan'
34 'Major'
150 'District'
197 Town Centres
in London

Source: GLA, London Town Centre Network, London plan 2021 (Adapted from Figure 2.17)

03 Methodology

This study uses quantitative analysis to assess how the demand for retail space might change across the 13 'Metropolitan', 34 'Major' and 150 'District' centres in London²⁰ over the next fifteen years, from 2019 to 2035, using spending forecast data (from Experian²¹) and population projections (from the London Plan²²).

Population

Two population growth scenarios are assessed in the London Plan²³. The "high" population growth scenario is based on the GLA's high population variant housing led 2018 projections, which suggest London's population (excluding Westminster and the City of London) will increase by 13% between 2019 and 2035 Figure 3. The "low" population growth scenario is based on the GLA's low variant population projections, with an increase of 6% (540,000) between 2019 and 2035.

Throughout our analysis we use the low population growth scenario. This reflects the uncertainty that the downside pressure on population growth in London from Covid-19 and other economic headwinds.

The immediate effects of the Covid-19 lockdowns were an annual fall in London's population in 2020 for the first time in three

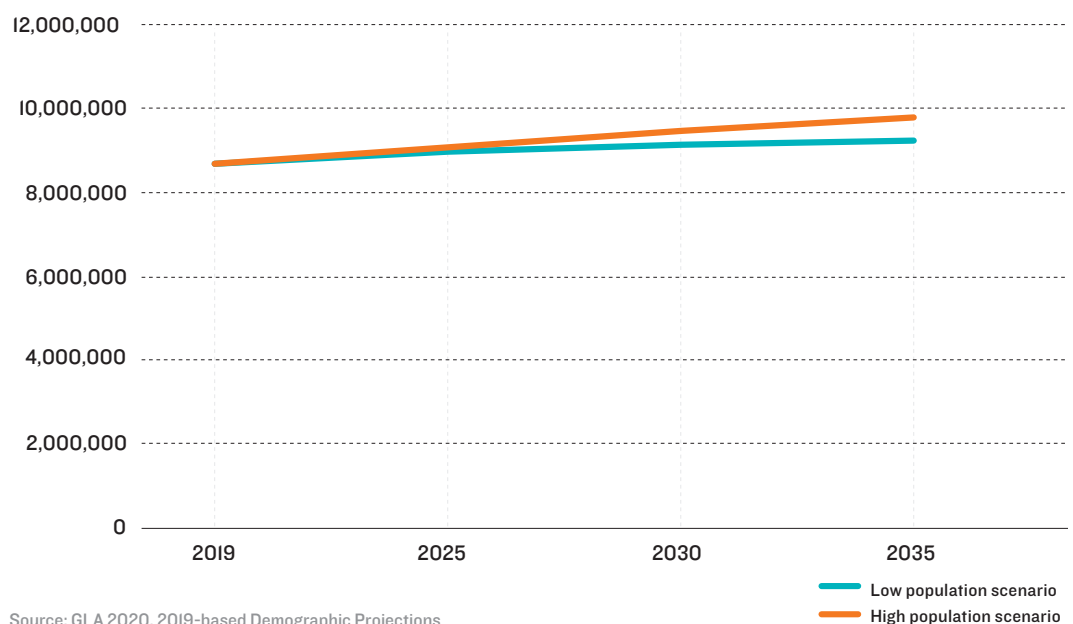
decades particularly among young people. However, as restrictions eased and the Capital's jobs market recovered, so did population growth. By Spring 2021, London's population was growing again, albeit at a slower rate than it had been prior to the pandemic²⁴.

Spending

The annual expenditure available from London's population, both current and projected, is calculated using Experian's local average retail spending per person estimates and recommended growth forecasts²⁵. Total Expenditure is set to increase by 21% between 2019 and 2035. These forecasts reflect the expected impact of the Covid-19 pandemic and increase in online expenditure. Because the forecasts look ahead to 2035, they will 'smooth out' some of the short term fluctuations in spending, for example, any downturn flowing from the current cost of living crisis. These forecasts are made up of four retail spending categories, namely:

- convenience goods retail (food and grocery)
- comparison goods retail
- food/beverage (eating/drinking out)
- cultural/entertainment activities

Figure 3: London plan population forecasts, high and low growth scenarios



Source: GLA 2020, 2019-based Demographic Projections

²⁰Our analysis excludes 'International centres' and London's Central Activity Zone in Westminster and the City of London, where the demand for space is significantly influenced by commuters and tourist visitors in addition to the local population.

²¹Experian's Briefing Note I9, January 2022.

²²GLA, 2020 Population forecasts [<https://data.london.gov.uk/demography/>]

²³GLA, 2021, The London Plan

²⁴GLA, 2022 Population change in London during the pandemic

²⁵Experian's Briefing Note I9, January 2022.

Turnover

Past trends indicate that not all expenditure growth over the next 15 years will necessarily support new floorspace. Stores will increase their turnover efficiencies (or sales densities) within existing footprints, driven by improved in-store and supply chain technology, as well as changing spending habits. This is particularly the case for comparison goods retail. Experian's forecast changes in turnover efficiencies have been adopted to allow for this in our model.

The model quantifies the amount of retail expenditure, excluding online shopping, within each London Borough at 2019. This base year expenditure is then allocated to relevant centres based on the amount of convenience, comparison, food/beverages and cultural/entertainment floorspace available in each centre. The model estimates the 2019 base year turnover of each centre, which is then projected to 2035 based on population and retail expenditure projections within the relevant Borough.

An allowance for each centre to increase its turnover is assumed adopting Experian's recommended growth rates.

Floorspace Outcomes

The 2035 expenditure surplus or deficit in each centre is converted into floorspace projections based on average benchmark sales density estimates for each 'retail' expenditure category.

Our findings present the net changes in the floorspace expected between 2019 and 2035 in each of the retail categories for the metropolitan, major and district town centres in London, between 2019 and 2035.

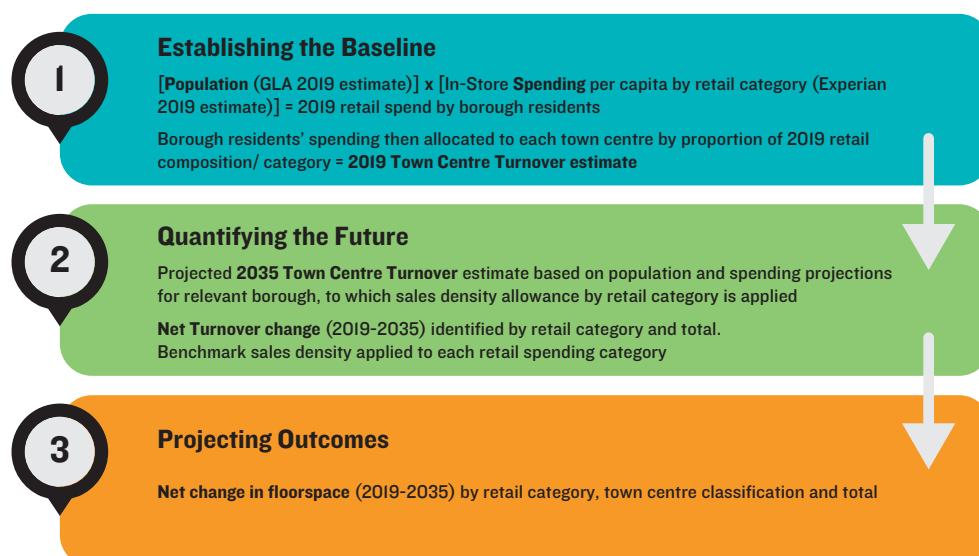
Throughout the report we model 'net change in use' within each centre. This measure masks the total changes: for example, a fashion retailer might make way for a bicycle shop. Nonetheless, the net changes highlight the expected outcomes and thus the shared challenges and opportunities that different town centres face.



6%

Projected increase in London's population (excluding the City of London and Westminster) between 2019 and 2035 under the GLA low population scenario

Figure 4: Methodology



Source: Lichfields

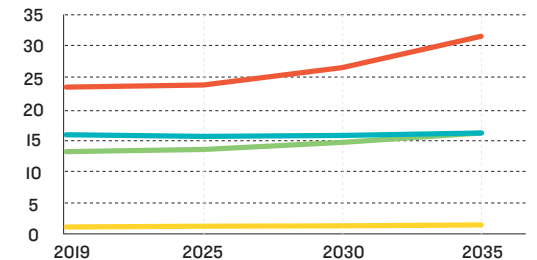
04 What will happen to retail spending?

In 2019, the average Londoner spent £6,300 p.a. on retail goods and services: comparison goods (44% of the spend), convenience goods (29%), food/ beverages (25%) and cultural/ entertainment (2%), as shown in Figure 5.

By 2035, the average Londoner is projected to increase their spending by 13% to £6,700 p.a. on retail goods and services as shown in Figure 6. Combined with the population changes, this means an increase of 21% in total expenditure shown in Figure 7 (£68bn).

Figure 6 shows the breakdown of per capita spending in 2035. A rise of four percentage points from 44% to 48% in comparison goods spending and a fall from 29% to 25% in convenience goods spending are the most significant shifts. Spending on food/ beverages (25%) and cultural/ entertainment (2%) in town centres remain proportionately the same.

Figure 7: Change in total expenditure by retail type £bn (2019-2035)



Source: Lichfields analysis of 2019 Experian retail expenditure data for London

- Convenience goods
- Comparison goods
- Food / beverage
- Cultural / entertainment

Figure 5: London residents' annual expenditure per capita by retail type, 2019

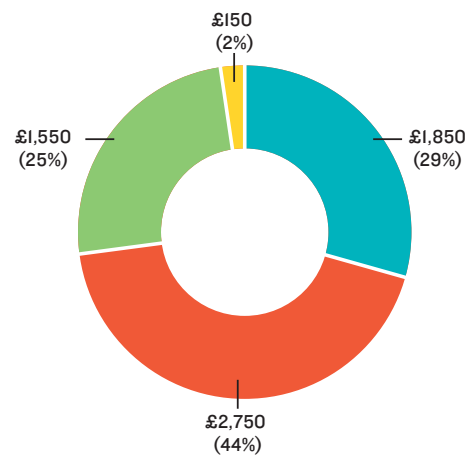
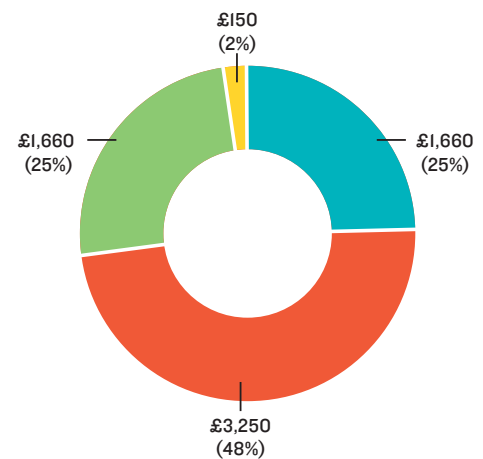


Figure 6: London residents' annual expenditure per capita by retail type, 2035



Source: Lichfields analysis of 2019 Experian retail expenditure data for London

05 How will town centres change?

Current Floorspace Composition

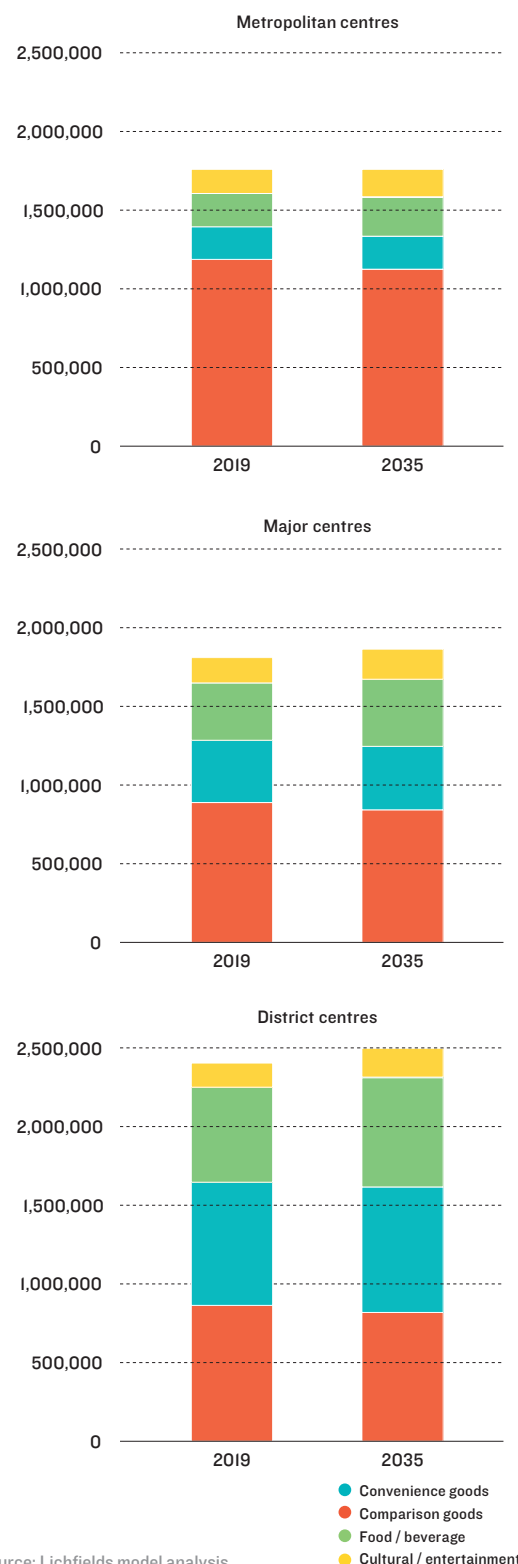
Across London's town centres, at the starting point for our analysis, in 2019: comparison retail makes up just under half of floorspace (49%) convenience, 23%; food and beverage 20% and cultural and entertainment floorspace a further 8%.

- Two thirds (68%) of floorspace in **metropolitan** town centres is made up by comparison retail, convenience retail makes up 12%; food and beverage makes up 12% and cultural and entertainment makes up 9% of floorspace.
- Half (49%) of floorspace in **major** town centres is made up by comparison retail, convenience retail makes up 22%; food and beverage makes up 20% and cultural and entertainment makes up 9% of floorspace
- A third (36%) of floorspace in **district** centres is made up by comparison retail, convenience retail makes up 33%; food and beverage makes up 25% and cultural and entertainment makes up 6% of floorspace.

Our model has taken this baseline position and looked at the change arising from the spending forecast, population change and turnover efficiencies.

Figure 8 presents the headline overview of the results showing existing and projected retail floorspace composition across the three town centre classifications.

Figure 8: Net change in sqm floorspace 2019-2035 by town centre classification and floorspace category



Source: Lichfields model analysis

68%

of floorspace in metropolitan centres...

49%

of floorspace in major centres...

36%

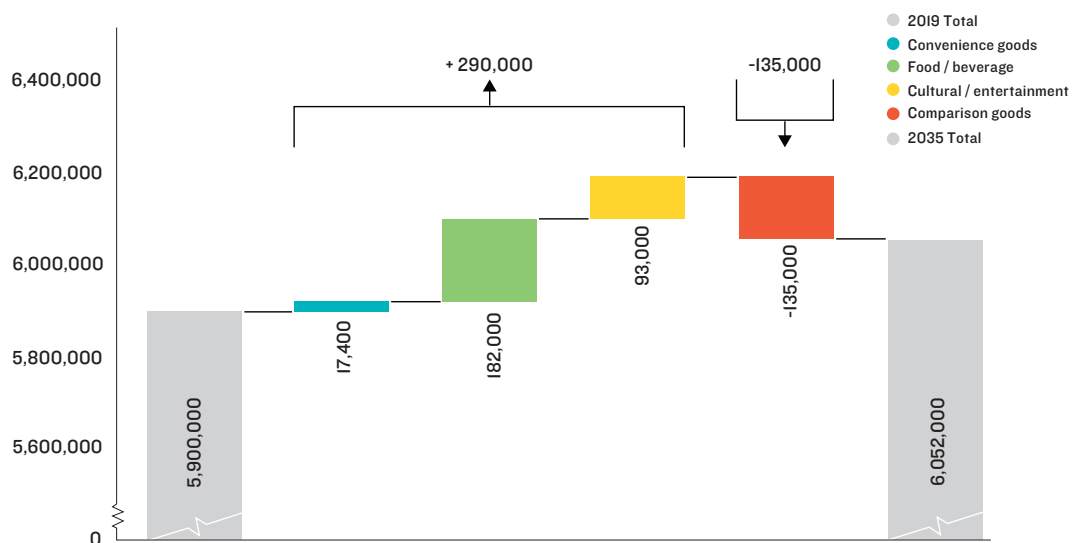
of floorspace in district centres...

...is made up by comparison retail in 2019

Floorspace Change by Retail Category

Figure 9 shows the results across London's town centres. It projects a rise in London's town centre floorspace of 3% from 5.9m to 6.1m sqm between 2019- 2035. London's metropolitan, major and district centres are projected to see a fall in demand equivalent to 135,000 sq.m or 5% of their existing comparison retail floorspace between 2019 and 2035. However, over the same period are set to experience an increase in demand for c. 290,000 sq.m of floorspace for convenience, food/beverage and cultural/ entertainment uses.

Figure 9: Net Change in London's town centre floorspace projection by retail category 2019-2035 (sqm)



Source: Lichfields analysis

Table I: Relative Change in Floorspace 2019 – 2035 by Retail category and Town Centre classification

TC Category	Overall change	Convenience	Comparison	Food / Beverage	Cultural / Entertainment
Metropolitan	3%	3%	-2%	17%	21%
Major	2%	1%	-6%	17%	19%
District	3%	1%	-6%	15%	21%
All TC's	3%	1%	-5%	16%	20%

Source: Lichfields analysis

Net change in floorspace by retail category and town centre classification

All three town centre classifications are projected to grow overall but with a significant re-organisation or 'churn' of space both within and between the different town centre activities (Table 1).

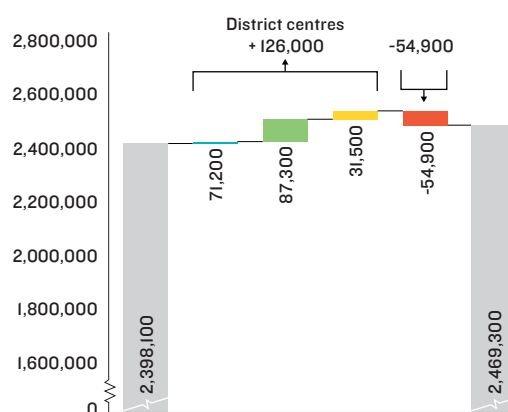
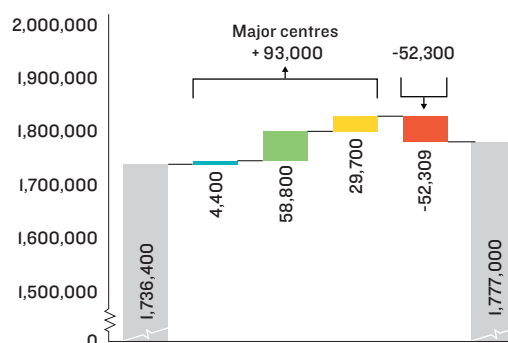
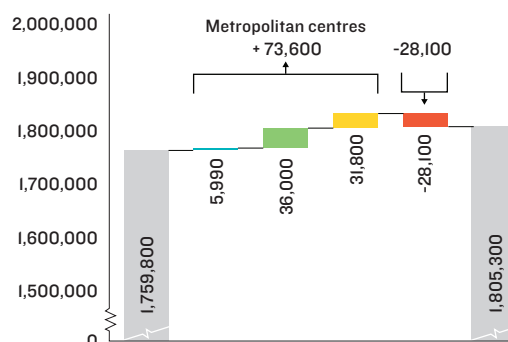
Metropolitan centres are projected to see a 3% increase in demand for floorspace overall. This includes a significant 3% increase in convenience retail floorspace, and the smallest relative drop in comparison retail floorspace (-2%) of the town centre classifications.

Major centres are projected to see an increase in demand for floorspace that is marginally lower overall than the other centre categories (2%).

The growth in demand for food and beverages and cultural and entertainment floorspace will be partly offset by the -6% projected fall in demand for comparison floorspace.

District Centres are set to see the largest proportional net increase in demand for floorspace (3%) despite seeing the biggest drop (-6%) in comparison retail. This is largely due to the starting composition of floorspace uses – a lower proportion of comparison retail – as well as the significant rise in food and beverage floorspace (+15%) and to a lesser extent cultural and entertainment (21%) and convenience retail floorspace (1%).

Figure 10: Composition of net change in floorspace 2019-2035 by town centre and retail type (sqm)



- 2019 base year
- Convenience goods
- Food / beverage
- Cultural / entertainment
- Comparison goods
- 2035 projected

Source: Lichfields analysis

The Alluvial chart (Figure 11) presents an overview of our findings, modelling retail floorspace composition across town centre classifications between 2019 and 2035.

It shows (from left to right):

- 2019 floorspace by each town centre classification.
- 2019 floorspace by each retail spend category.
- 2019 floorspace by retail spend category for each town centre classification.
- 2035 floorspace by the retail spend category for each town centre classification.
- 2035 floorspace by each town centre classification

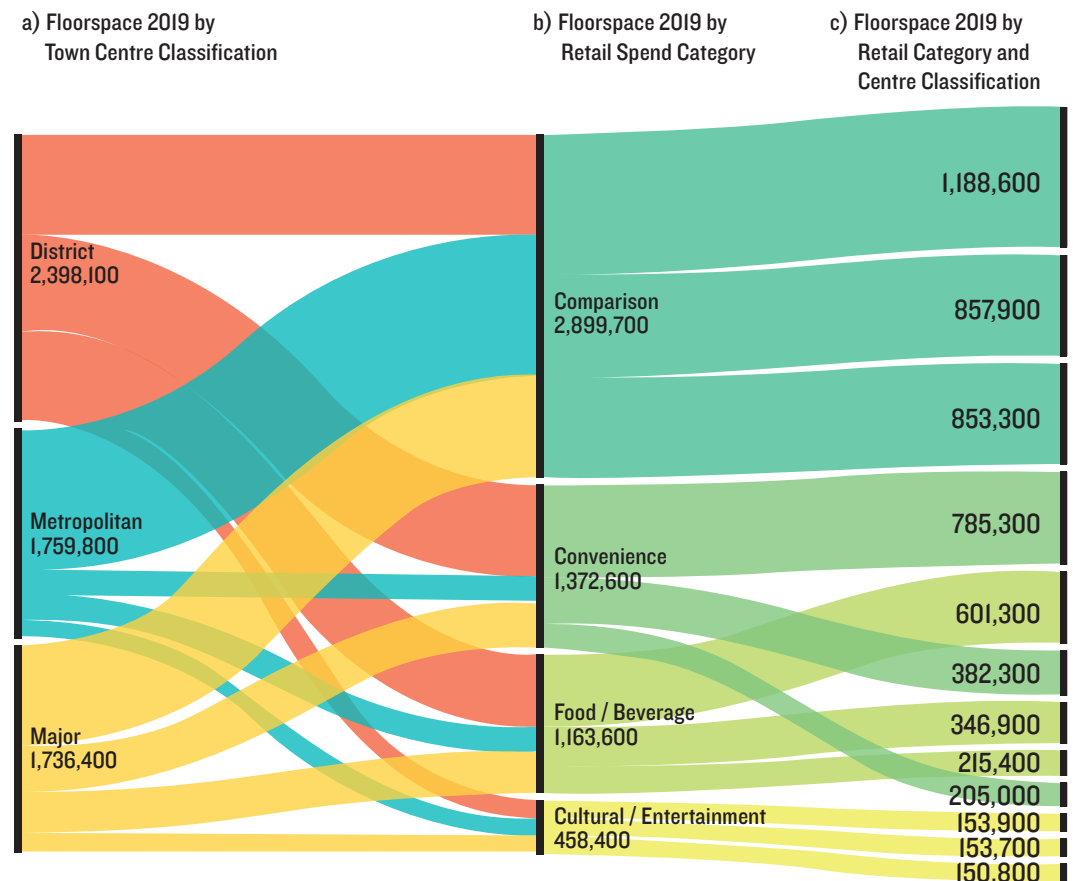
Comparison retail, despite its forecast fall, will continue to be the largest retail category floorspace across all centre classifications.

Food and beverage floorspace will become the second largest retail category in major centres, and continue to be so, increasing its share in metropolitan centres.

Convenience retail will continue to be the second largest floorspace group in district centres and the third largest in Metropolitan and major centres.

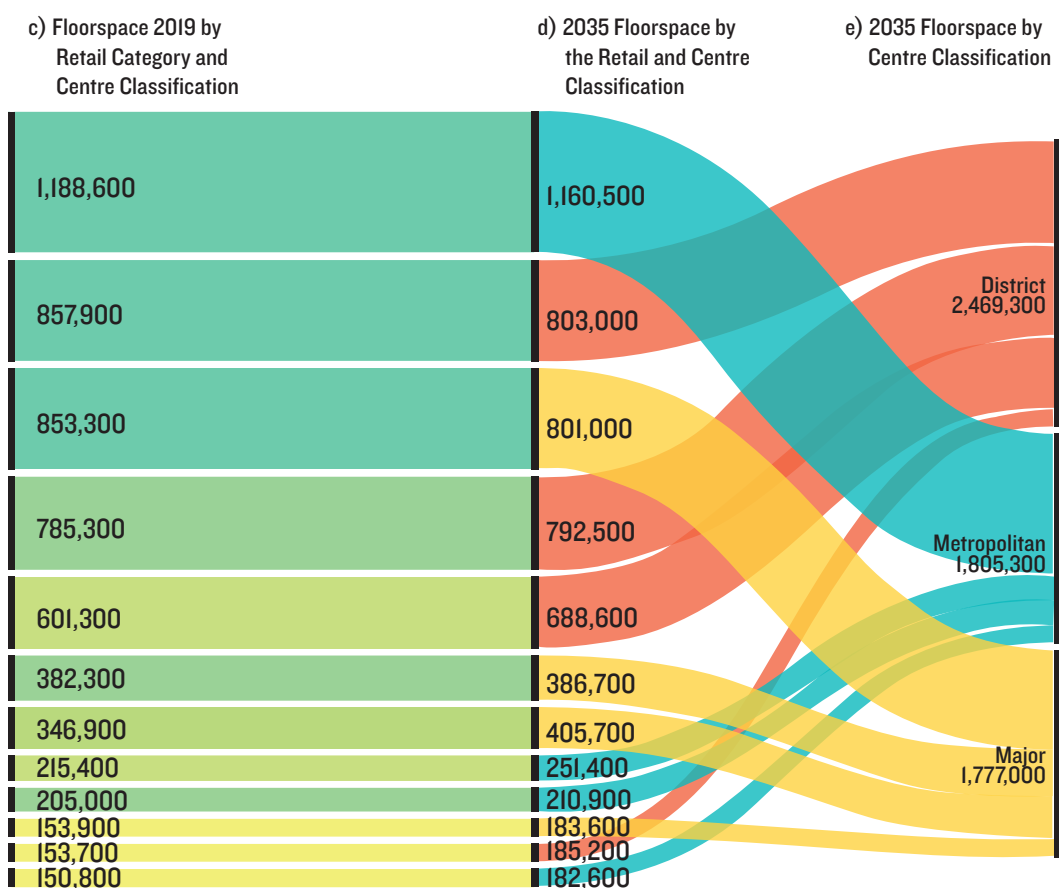
Cultural and entertainment floorspace will grow in share across each of the centre classifications, but will remain the smallest of the four types.

Figure 11: Floorspace composition by London town centre classification 2019-2035 (ordered by floorspace)



Source: Lichfields analysis

Much of this 2019-2035 change is a continuation on a pre-pandemic path²⁶ – albeit accelerated. Town centre uses that previously were priced out of the centre by comparison retail stores, may now be set to capitalise on new opportunities. Despite the unprecedented trading conditions nationwide over the last two years, the number of independent stores grew during 2021. Whereas there was a significant drop in larger multiples, the fastest growing categories were fast food takeaways and convenience goods²⁷.



²⁶<https://lichfields.uk/blog/2019/may/31/town-centres-a-time-for-change/>

²⁷ <https://www.localdatacompany.com/blog/london-hl-2021-report-out-now?hsLang=en-gb>

Floorspace change relative to retail composition

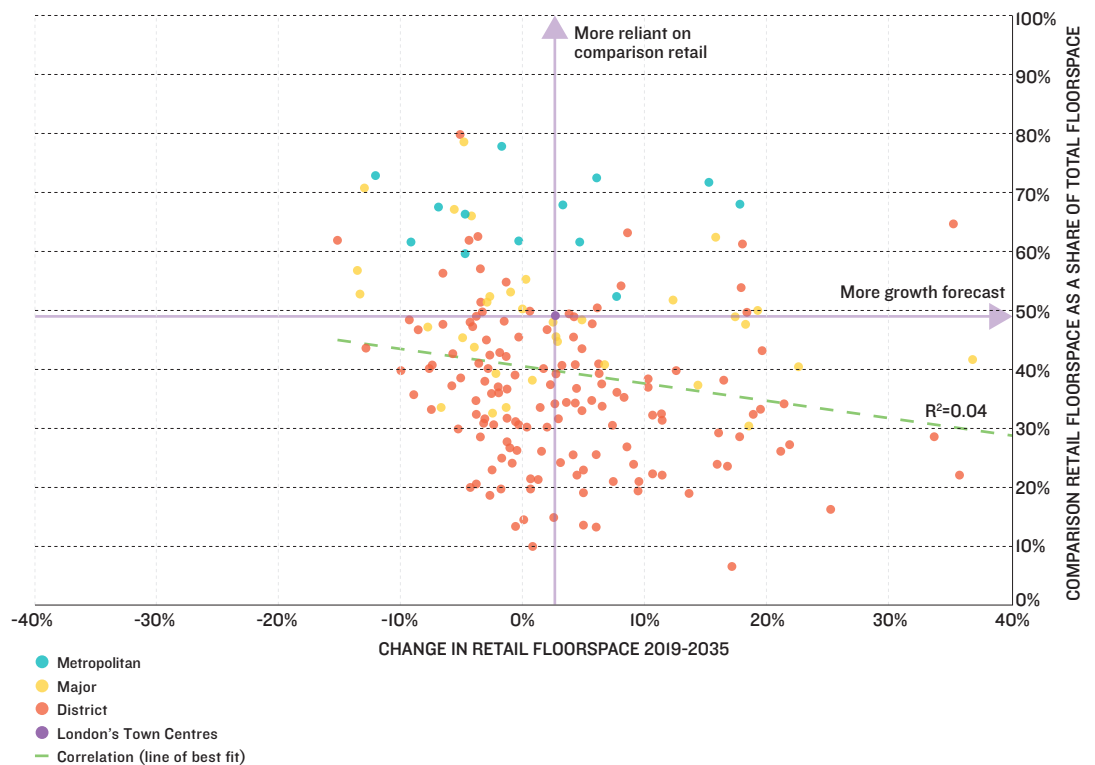
To understand the scale of forecasted change and the outcomes for town centres, we first consider the factors driving these differences. We find that forecasted change in overall floorspace is more closely correlated with the composition of a town centre than its size*.

Specifically, town centres that have a large proportion of their space used by comparison retailers are 'exposed' to the greater fall in demand for this type of floorspace and are reliant on other uses to 'make up the difference' to a greater extent or suffer a greater decline in occupied floorspace.

This relationship is examined in Figure 12 which shows a slight negative correlation between town centres' 'reliance on comparison retail' in 2019, and the growth (or decline) in town centre floorspace projected for the period 2019 to 2035.

Despite the correlation with forecasted growth being less about size of a town centre and more about its retail floorspace composition, Figure 12 shows that all metropolitan centres are more reliant on comparison retail than for London's town centres overall. It follows, that on average, their growth is forecast to be lower than for that of all London's town centres. District centres, which are much less reliant on comparison retail (36% for district centres overall compared with 68% for Metropolitan centres), are forecast to grow more than town centres overall.

Figure 12: Change in retail floorspace 2019-2035 compared with comparison retail as a share of total floorspace (sqm), all London town centres



*A town centre's share of comparison retail (in 2019) has a stronger relationship with forecasted growth 2019-2035 (R^2 value of 0.04) than the relationship between the size of the town centre in 2019 and forecasted growth 2019-2035 (R^2 value of 0.005). Neither factor can be regarded as a 'strong' correlation, however the relationship does appear to hold statistically.

Source: Lichfields analysis

Floorspace change relative to town centre classification

As ever, for each town centre, the 'rates and levels' of overall change both matter when assessing the scale of change. Figure 13 shows the range of floorspace change in town centres by each classification in both absolute and then percentage change.

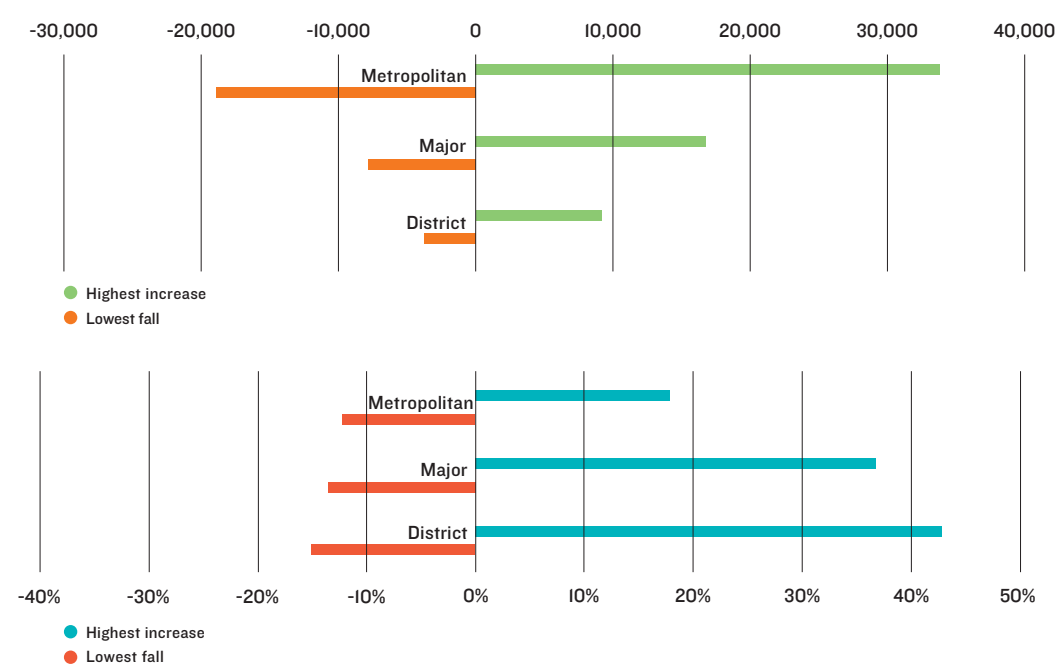
110 out of London's 197 town centres (56%) are set to gain space, and 87 (44%) are set to lose space. The range in forecasted change is considerable but as Figure 13 shows, the importance of the rate of change (relative) or the level of change (absolute) varies for the different types of town centres.

Metropolitan centres

Seven of the 13 (54%) of Metropolitan Centres are set to lose floorspace between 2019-2035 in net terms as shown in Figure 14. Metropolitan centres have the largest range between town centres with the highest and lowest change in terms of demand for floorspace between 2019 and 2035: the highest centre increase being 34,000 sqm and the biggest centre fall in floorspace 19,000 sqm. Nine of the 13 Metropolitan centres (69%) are set to lose space in comparison retail, whereas five (38%) are projected to lose convenience retail space, lower than for other centre sizes.

The range in percentage terms from the maximum increase (18%) to lowest fall (-12%) is the smallest range in the rate of change amongst the town centre classifications. This shows that for larger town centres, even if the rate of change as a proportion of overall retail space is not as significant as for other centres, the level of absolute change overall is considerable.

Figure 13: Range of floorspace change 2019-2035 by town centre classification, total (sqm) and percent change



Source: Lichfields analysis

Major centres

18 of the 34 of Major Centres (53%) are set to lose occupied floorspace in net terms. Major centres have a smaller range in the floorspace change in absolute terms compared with metropolitan centres – i.e. a maximum increase of -17,000 sqm to lowest fall -8,000sqm. 23 (68%) of Major centres are set to lose space in comparison retail, and 21 (62%) are projected to lose convenience retail space, the highest among the centre sizes.

For Major centres the rate of this impact is more significant than for the larger metropolitan centres. The rate of change ranges from an increase of 37% in floorspace for one major town centre to a decrease of -14% in another.

District centres

62 of the 150 (41%) of District Centres are set to lose floorspace 2019-2035 in net terms. District centres see the largest range in the rate of change as a proportion of their space, from a maximum increase of 43% to the lowest fall of -15%. Despite this, there is also the smallest range in the level of change, from an increase of 9,200sqm to a fall of 3,700sqm. 110 (73%) of district centres are set to lose space in comparison retail, the highest proportion of all town centre sizes, whereas 77 (51%) are projected to lose convenience retail space, lower than for other centre sizes.

Churn of space by town centre

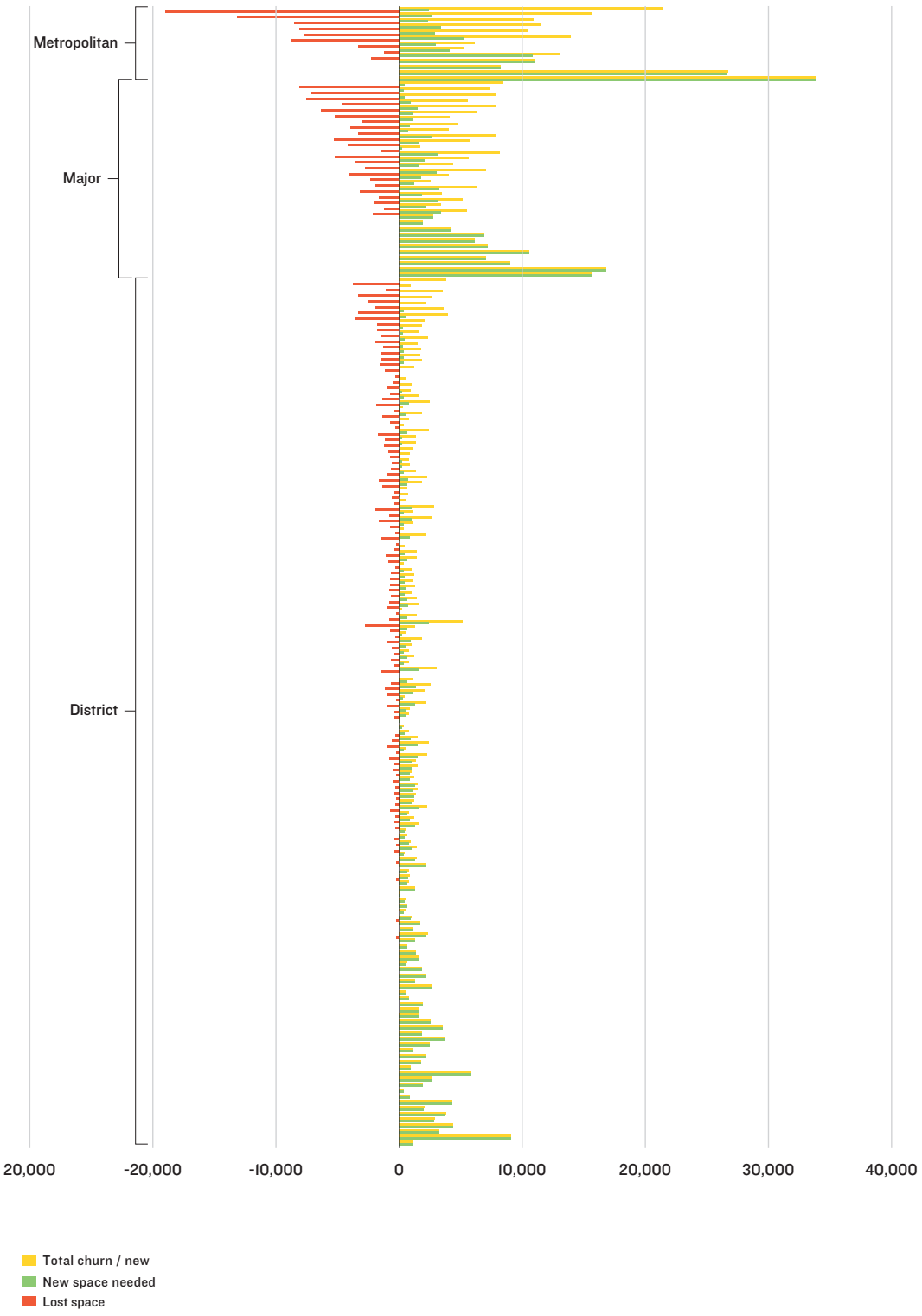
Figure 14 shows the forecasted net growth, loss and change (or churn) of floorspace by town centre. Clearly in smaller town centres, a small change in the amount of floorspace might be significant due to the relative change and will need a considerable rate of growth in different types of activity to compensate for upcoming changes for their local area.

Across London's town centres, one in three (63/197 centres, 32%) are set to gain more than 5% of floorspace by 2035 and one in six (40 centres, 20%) are set to gain more than 10%. However, one in eight (25 centres, 13%) of London's town centres are set to lose more than 5% of their floorspace by 2035 one in 25 (7 centres, 4%) are set to lose more than 10%.

Figure 14 identifies the growth and loss of retail floorspace and therefore the net churn of space in individual town centres. It shows there is some correlation between the size of centre and churn of floorspace. Moreover it also shows the significant variation projected between individual centres in the same classification, particularly amongst the metropolitan and major centres, suggesting a wide range in future outcomes between centres.



Figure 14: Churn of space by town centre (sqm, net growth and loss of change in floorspace by centre)



Source: Lichfields analysis

06 Town centre outcomes

The following section considers the outcomes of this change. To do this, we compare the projected 'churn' (i.e. total loss and total growth of floorspace between 2019 and 2035) with the overall growth of a centre (i.e. total growth of floorspace between 2019 and 2035), to suggest four groups of outcomes for town centres, presented as 'quadrants'. These Quadrants illustrate the shared challenges that London's town centres are facing in Figures 15-18.

Outcome Quadrants

The nature of the forecasting net floorspace changes masks a lot of change that will be happening within each of the retail categories that we analyse. However, the net figures provide the expectation for the scale of change to compare the challenges and opportunities ahead for the different centres.

Stakeholders looking to identify which quadrant their metropolitan, major or district town centre best fits in to will need to consider two factors:

- Firstly, the floorspace change by retail category over the next fifteen years. Overall growth will help determine the direction of travel as far as the demand for floorspace is going.
- Secondly, the level of churn, as this will determine the overall change in floorspace and to a certain extent the flexibility within the existing stock, to accommodate such change.

Figure 15a shows all of London's town centres plotted in the four quadrants using the total for London's centres as a benchmark (3% floorspace growth, 9% floorspace churn shown as the purple axis).

The overall picture is dominated by the 52 (26%) town centres which are not projected to lose any net floorspace in either convenience or comparison retail, therefore for these town centres there is a perfect correlation between churn and growth.

Figure 15b shows the same data but 'zoomed in' by excluding these 52 centres. The town centres that remain in the 'booming' quadrant are those that are projected to grow faster than town centres overall and yet are also facing some net reduction in convenience and / or comparison retail. This is also the case for the 'growing' quadrant, although these town centres are forecast to see less churn than town centres overall across London. Further description of the quadrants' characteristics is in table 2 (overleaf).

Figure 15a: Town Centres Churn versus overall growth (2019-2035)

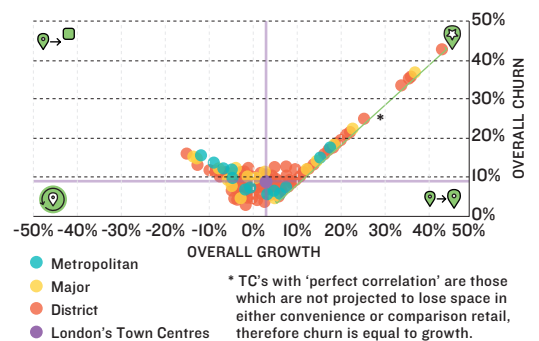


Figure 15b: Town Centres Churn versus overall growth (2019-2035)

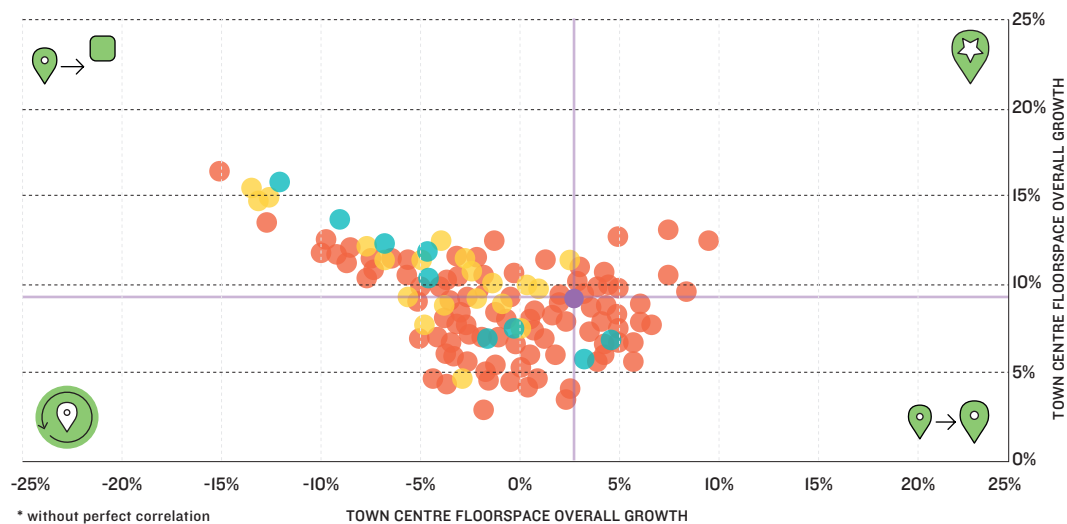
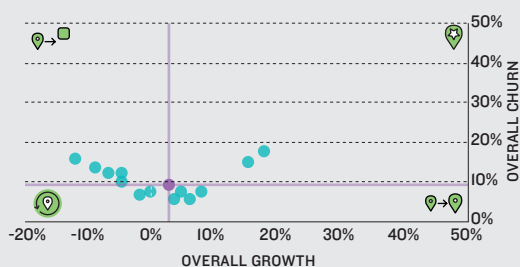


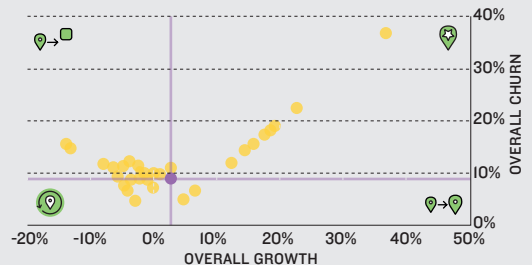
Table 2: Town Centre Outcome Quadrants

Quadrant	Description
	Booming More growth, more churn Town Centres that are projected to grow faster than the average and face significant change in their floorspaces.
	Growing More growth, less churn Town Centres that are projected to grow faster than the average but face less change in their floorspaces.
	Re-purposing Less growth, less churn Town Centres that are projected to grow less than the average and face less change in their floorspaces.
	Re-inventing Less growth, more churn Town Centres that are projected to grow less than the average and face more change in their floorspaces.

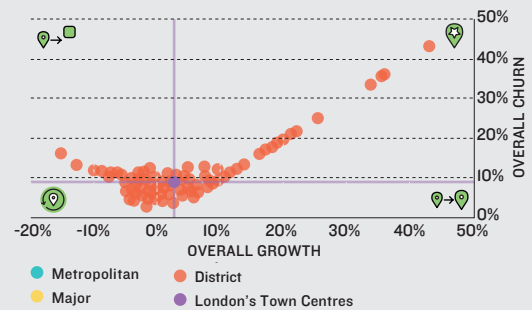
Metropolitan centres (Figure 16) are shown across the four quadrants. Due to their larger size the overall change in floorspace is typically not as high a rate as the other centres. Of the metropolitan centres that are set to see a fall in overall floorspace, the churn rate is relatively high compared with town centres as a whole (i.e. there are more re-inventing town centres than 're-purposing' town centres) implying that growth in other sectors is not balancing out this loss.



Major town centres (Figure 17) that are projected to grow more than town centres overall, are more likely to be 'booming' than 'growing' this implies that they are seeing significant levels of churn, for these town centres though, that churn is made up almost entirely by growth rather than a net loss of space in other categories.



District centres (Figure 18) have the largest range of changes across the town centres, some will face significant changes relative to their size. The booming and growing quadrants will need to accommodate more change than the other town centres relative to their size.



Implications for Town Centre stakeholders

For the projected **'Booming'** town centres, stakeholders will be looking to capitalise on the upcoming growth across their town centre utilising assets as they become available (the churn rate is high in booming centres). Asset managers and town centre managers will be looking to re-imagine space for different uses and will need to re-configure buildings to accommodate growth. The centres with the largest relative churn are in this outcome quadrant, these town centres (typically district centres) are likely to see the most significant changes of all relative to their size.

The projected **'Growing'** centres will need to find space to accommodate future growth sectors likely through densifying or building in their town centres. Again, these are typically district centres. Despite many of the Growing centres seeing some decline in net floorspace overall, these centres perform better than the average for all town centres across London. In these areas, policy responses will have to look for ways to accommodate their new growth despite the lower churn rates. The projected **'Re-purposers'** centres face less growth and less churn.

In these centres, the challenge will be to attract and retain the services that appeal in their catchment areas. These centres' lower churn rate is not necessarily a 'negative' but it will mean that there is likely to be less opportunity to adapt the town centre to the changing occupier demands and consumer preferences over the next fifteen years. In these centres, town centre management will be important to concentrate 'traditional' town centre activities in specific areas, exploit the greater flexibility in changing the uses of high street shop units now provided by the UCO and release land for residential use or redevelopment.

The projected **'Re-inventors'** will need to re-configure the floorspace which is lost from existing retail uses and look to support growth in non-traditional high street sectors likely through changes of use. Policy in these areas will likely need to focus on flexible uses and bringing other uses, services and amenities into their town centres. Planning for anchor institutions like education or healthcare facilities can help drive footfall for example. Some sites might require mixed and flexible uses that bring office space.

Many of these centres, including metropolitan and major centres, will need to utilise the intrinsic high residential values to subsidise other commercial town centre uses. Their re-invention is likely to be driven by major redevelopment of parts of a town centre so as to alter and update their mix of attractions.

Further Comment

It is important to note that the projected changes that our analysis identifies focuses on the retail floorspace categories that currently form such important parts of London's town centres. Total retail floorspace is forecast to rise by 3% across London's town centres. For centres where there is a projected fall to 2035, demand for land through other uses, in particular residential, will not necessarily similarly face a drop off. The Capital's well documented housing crisis continues, with the London Plan targeting 52,000 new homes per year. Housing will also be competing for space with businesses

and other land uses, town centres being the focus of demand for London's 4.7 - 6.1 million sqm of office floorspace needed over the next 20 years. Stakeholders that are looking to manage this competition for space will face the challenge of adapting their town centres to serve the changing needs of their communities over the next twenty years.

The Mayor's strategy for high streets calls for a mission-oriented approach that develops measurable and adaptable goals. This requires outcomes to be guided by the community and grounded in definable targets. The policy responses for each town centre will need to be tailored individually to the centre's specific conditions. Our analysis provides town centre stakeholders with a typology of outcomes, presented within one of four quadrants, based on the projected changes in their retail composition. This helps show the shared challenges and opportunities that London's town centres are facing.

How to plan for the future of London's town centres

The outcomes projected for town centres in this Insight are broadly categorised in 4 quadrants describing some of their shared outcomes: booming, growing, re-purposing and re-inventing.

In reality, however, each town centre will be experiencing changes in their own unique way. A finer grain assessment of individual centres and their forecast future is therefore required.

Based on this Insight, we recommend policy makers, asset managers and other town centre stakeholders consider the appropriateness of alternative actions for their centres, including:

1. Regeneration strategies and Town Centre frameworks: these need to be informed by centre level analysis of past and future projected changes and an assessment of the needs and opportunities for change for individual centres, potentially accommodating a more diverse mix of uses (including education, healthcare and residential), and steering such change spatially.
2. Planning policies and site allocations: these should be adapted so as to provide a positive-platform to support centres' adaption and diversification, incorporating the Class E flexibility.
3. Development management: the assessment and determination of planning applications should support development intensification and optimisation on appropriate sites in or on the edge of centres, including, for example, identifying suitable sites for tall buildings and appropriate mixed-use locations.
4. Town centre management: to pro-actively manage all town centre environs but particularly for centres where churn is lower.

07 Conclusions

London's town centres are undergoing unprecedented upheaval. Long term systemic shifts towards shopping online have been inflicted almost overnight, compounded by massive shifts in footfall, spending habits during the past lockdowns, legal restrictions to use town centres in the way which they had been before. Understanding the likely outcomes of this change will be critical to the outcome for town centres across the city.

To better understand what can be expected to happen, our analysis models the likely changes in the scale and composition of retail floorspace in London's metropolitan, major and district town centres, using the forecast population and residents' spending projections. Our findings present the projected net changes in the floorspace between 2019 and 2035 in each of the retail categories (convenience, comparison, food and beverage, and cultural and entertainment).

By 2035, London's metropolitan, major and district centres are collectively projected to lose 135,000 sq.m or 5% of their existing comparison retail floorspace and gain 290,000 sq.m of new space in convenience, food/beverage and cultural/ entertainment floorspace uses. The difference is a net increase of 155,000 sqm or 3% in total town centre retail floorspace.

This plays out differently between the different town centre classifications: 54% of metropolitan centres; 53% of major centres and 41% of district centres are set to lose retail floorspace overall. The other centres are expected to gain retail floorspace, contributing to an overall increase of 3% in metropolitan and district centres and 2% in major centres.

The rates and levels of change also differ. The forecasted outcomes for town centres range from an increase in 40%+ floorspace in some town centres, to a fall of -15% in others.

Much of the difference in projected outcomes is due to the composition of town centres retail floorspace to start with (2019), and how the projections for different types of retail floorspace then varies (to 2035).

- a. Convenience retail makes up a fifth of town centre floorspace and is set to 'flat line' with a net increase by 1% overall between 2019-2035. However more than half of centres will lose convenience retail floorspace.
- b. Comparison retail makes up just under half of floorspace across London's town centres in 2019, but is set to fall by 5%. Over two thirds of London's town centres are set to lose comparison retail floorspace 2019-2035.
- c. The forecast drop in comparison retail floorspace and 'flatlining' of convenience retail floorspace is offset by growth in other uses. Food and beverage which makes up 20% of floorspace in 2019 is set to increase +16% overall and cultural and entertainment floorspace which makes up 8% of floorspace in 2019 is set to increase by +20% overall.

What these projected outcomes mean for how individual town centres fare will be down, not only to how stakeholders adapt to this change but their starting position, and the proportion of their floorspace that is currently taken up by comparison retail. This seems to be a more reliable marker of the projected rate of change in a town centre than its size.

Our broad characterisation of metropolitan, major and district centres, into booming, growing, re-purposing and re-inventing town centres, or quadrants, is an attempt to show the shared challenges and opportunities that town centres with similar characteristics are facing across London.

Largely due to the pandemic, some of the change within our fifteen year forecast is likely to already be underway. The loss of major high street and shopping centre anchor stores and the hit to footfall driven by the working from home transformation has accelerated change, and 'frontloaded' some of the forecasted changes over this longer time period.

But our projections show that town centres are not 'dying'. Instead, London's population is projected to grow and retail spending in shops increase. Together, this will offset the change in shopping behaviours to the extent that there will be gains in demand for floorspace for all categories bar comparison retail.

A more diverse offer to shoppers will continue to be increasingly vital for many types of centres over the next fifteen years, as will the importance for town centres to broaden their experiential offer, range of retail and unique selling points. While comparison retail floorspace and activity in many centres is likely to shrink to a more sustainable core offer this will also offer new opportunities. London's town centres remain in-demand and valuable. Successful strategies for many of the centres will see a wider variety of retail, leisure, commercial and community uses intertwined with new homes above and around them – as the demand for food and drink establishments, culture, entertainment and highly accessible new homes across the Capital is likely to remain high.

The outcomes of these changes are likely to play out in different ways in town centres according to their composition, location, role, size and catchment area. Detailed analysis is required to generate a more nuanced and detailed picture for individual town centres to understand individual projected outcomes as well as the relevant market and policy responses.





The Lichfields perspective

What makes us different? We're not just independent but independent-minded. We're always prepared to take a view. But we always do that for the right reasons – we want to help our clients make the best possible decisions.

We have an energetic entrepreneurial culture that means we can respond quickly and intelligently to change, and our distinctive collaborative approach brings together all the different disciplines to work faster, smarter, and harder on our clients' behalf.

Sharing our knowledge

We are a leading voice in the development industry, and no-one is better connected across the sector. We work closely with government and leading business and property organisations, sharing our knowledge and helping to shape policy for the future.

Publishing market intelligence

We are at the forefront of market analysis and we track government policy and legislation so we can give fresh insight to our clients. Our Think Tank is a catalyst for industry-leading thinking on planning and development.

Read more

You can read more of our research and insight at lichfields.uk

Creating bespoke products



Carecapacity

Demonstrating the case for care, retirement and sheltered housing



Evaluate

Making the economic case for development



Headroom

Objective assessments of local housing needs



Sizemix

Securing the right mix in residential development proposals

Contacts

Speak to your local office or visit our website.

Birmingham

Jon Kirby
jon.kirby@lichfields.uk
0121 713 1530

Bristol

Andrew Cockett
andrew.cockett@lichfields.uk
0117 403 1980

Cardiff

John Cottrell
john.cottrell@lichfields.uk
029 2043 5880

Edinburgh

Nicola Woodward
nicola.woodward@lichfields.uk
0131 285 0670

Leeds

Christopher Darley
christopher.darley@lichfields.uk
0113 397 1397

London

Matthew Spry
matthew.spry@lichfields.uk
020 7837 4477

Manchester

Simon Pemberton
simon.pemberton@lichfields.uk
0161 837 6130

Newcastle

Harvey Emms
harvey.emms@lichfields.uk
0191 261 5685

Thames Valley

Daniel Lampard
daniel.lampard@lichfields.uk
0118 334 1920

Disclaimer

This publication has been written in general terms and cannot be relied on to cover specific situations. We recommend that you obtain professional advice before acting or refraining from acting on any of the contents of this publication. Lichfields accepts no duty of care or liability for any loss occasioned to any person acting or refraining from acting as a result of any material in this publication. Lichfields is the trading name of Nathaniel Lichfield & Partners Limited. Registered in England, no.2778116. Registered office: The Minster Building, 21 Mincing Lane, London EC3R 7AG
© Nathaniel Lichfield & Partners Ltd 2022. All rights reserved.