This paper is about getting investment back into the High Street.

Investing in the High Street: Town Centre Investment Management and its role in delivering change

A thought leadership paper by John Parmiter of Peter Brett Associates.
Produced in association with Berwin Leighton Paisner and FSP Retail Business Consultants.

Foreword.

Bob De Barr, FRICS
Consultant to Peter Brett Associates, and a past President of the BCSC

I have spent my entire professional life working within property development, much of it in the UK's great town and city centres. I have worked through a number of economic cycles with good times following bad. In the years leading up to the economic crash in 2007/08 we saw one of the greatest renaissance periods in high street shopping in the UK.

Schemes like The Bullring in Birmingham, Cabot Circus in Bristol and Westfield London set global benchmarks for retail development and the world came to learn from our approach to regeneration and destination making. During this period we also witnessed the renaissance of our more historic retail destinations – Regent Street in London, George Street in Edinburgh and the Victoria Quarter in Leeds all showed how retail could live alongside and benefit from fine architectural facades from centuries before. And it wasn't just high-end retail that boomed, from Aberdeen to Exeter retail schemes catalysed town and city centre regeneration the length of the country.

But in 2007 the cracks began to emerge. Banks failed. Consumer confidence disappeared. Retailers who had grown quickly fuelled by cheap debt began to falter. Property development stopped.
In the meantime internet and mobile commerce boomed. Supermarkets saw the opportunity, further developing their formats becoming department stores in all but name.

Town and city centres have had to withstand retail closures. Local authorities have had to reduce budgets and so their civic services such as road sweeping, street cleaning and improvement works have reduced. We face a structural failure unlike anything I have ever seen before.

The Portas Review and the Future High Streets forum have highlighted not only the importance of our towns and cities as centres for community but also as the vital foundations of our economy.

They have also encouraged worthy programmes and initiatives to improve the fortunes of our failing towns and cities. However, those encouraged thus far working alongside the traditional methods of encouraging investment and supporting growth, are proving they are not able to deal with failure on this scale.

We need new ways to address the fundamental issues and give the professionals with the expertise to affect change the tools with which they can do so. This paper gives us such tools.

The authors have identified, as others have done, that fragmented ownership of town centres is a major barrier to investment and regeneration. But up until now, no viable solutions have been found. This paper puts a real proposition on the table.

Fragmentation undermines performance and leaves our centres unable to adapt to change, to be dynamically managed as a property investment portfolio would be. By adapting and extending planning and property development tools that already exist I agree with the author that we will be able to encourage institutional investment and high-level management back into the High Street.

This new approach, called Town Centre Investment Management, gives us the chance to breathe new life into our failing towns and cities. Rules on Compulsory Purchase Orders will need to change. Politicians will need to be lobbied. Whitehall will need to listen. To be successful the approach needs the property industry to engage, to comment on this paper, to help refine the idea and ultimately to speak with one voice and to support the approach.

I commend you to do this.

The high street has a real economic and social worth to our communities.

Our town and city centres are just too valuable to our economy and local communities to be left to market forces alone, and to see their contribution to the economy and society being steadily eroded.

1 Read more about the economic worth in the 'Context' section

In the future, you may not be able to ‘pop’ to your local shop.

Our High Streets are a significant part of our national and local economy, and a huge reservoir of the nation’s wealth. They provide jobs, distribute goods and services, and are a place of investment. We can’t afford to see this investment slip away.

1 Read more about the economic worth in the ‘Context’ section

Town centres are fundamental to our society.

The Portas Review highlighted the importance of town centres as the focal point of local communities, where we socialise, where many find local services, the place that often gives a locality its identity. These functions are under threat, High Streets need to adapt if it is to continue to serve their communities; we can't wish the buildings and streets away.

2 Read more about the economic worth in the 'Value of the High Street' section

We can see the potential of using existing tools, in new ways, to attract investment.

Town and city centres are not competing on a level playing field and need help. We see the potential to use existing tools, in a new way, to attract investment back into many of our centres. And we don't mean that public subsidy is inevitable, or even always necessary.

3
Read more about the economic worth in the 'Working Together' section

Our town centres are fragmented and unable to adapt to change.

The authors have identified the fragmented ownership of town centres as being a major barrier to investment. Fragmentation leaves our centres unable to adapt to change and to be dynamically managed like shopping centres, or some London destinations, which can rapidly respond to external conditions.

4 Read more about the economic worth in the 'Town Centre Investment Management' section.

Delivering prosperous town centres means achieving higher rents and much lower yields.

For the investor, it's about providing access to a new source of investment by opening up entry into an situation with low rents and high yields, and offering the potential - through active management and change - to achieve higher rents and much lower yields.

4 Read more about the economic worth in the 'Town Centre Investment Management' section.

We believe the current decline can be reversed.

This paper suggests how decline can be reversed by using tools that already exist but have never been used in the way we propose. But by doing so we believe that we can encourage institutional investment and high-level management back into the High Street.

4 Read more about the economic worth in the 'Town Centre Investment Management' section.

Our proposal is called Town Centre Investment Management.

Town Centre Investment Management is a process that enables the core of town centres to be brought under unified control and management, allowing a major investor to effect the level of change that the key public and other stakeholders have agreed to achieve.

4 Read more about the economic worth in the 'Town Centre Investment Management' section.

Executive Summary

[1] In this paper the expressions High Street and Town Centre are used interchangeably

Town Centre[1] retailers are in retreat, investors are reducing their exposure, local authorities are feeling powerless and consumers continue to spend elsewhere, with out-of-centre retailing and the internet diverting spending away from town centres.

The Portas Review – The Future of the High Street - spelt out the problems; however, the recommendations had a mixed reception and a year on seem to be delivering very little on the ground. Not surprising, given the limited tools available to those who can effect change, mainly local authorities and investors.

Meanwhile, the pundits tell us the position of town centres is getting worse:

- Share of expenditure is falling
- Total investment is falling
- Shop and business closures continue
- Vacancies remain high
- Footfall is falling
- Floorspace is falling.

The opposite is true for out-of-centre developments (and supermarkets), where:

- Larger formats can be accommodated
- Parking is plentiful and free
- Access is designed for the car
- Physical constraints on change are minimal
- Buildings can be erected quickly and cheaply and, increasingly
- The retail environment and experience is improving.

Following the first anniversary of the Portas Review, we at Peter Brett, supported by Berwin Leighton Paisner and FSP Retail propose a new approach to securing investment back in town centres. We call this Town Centre Investment Management. It is not a one-size-fits-all solution, nor will it work in every situation. But we believe it will help reverse or halt decline in many centres where there is retail demand which is undermined by a major structural barrier to investment: it's fragmented ownership structure.

The problem of fragmented ownership

The fragmented ownership of many traditional town centres needs to be tackled head on. It is often the main constraint on structural change – the configuration of units and the overall tenant mix. Fragmented ownership, especially where there is a market inability to overcome it on a suitable scale, is a major inhibiting factor and that, without overall control, many struggling high street cannot adapt to the fast moving market conditions.

We agree with the Portas analysis that fragmented ownership is one of the main disadvantages of the conventional high street. For many it is actually the primary constraint on change:

"If the High Street was in single ownership, like a department store, it would have a vision, a high level strategy and direction, it would choose what it wanted in a particular space to fit with a vision and proactively target the businesses and services that were missing" (Portas Review).

Where we differ is on the extent of the solution. We believe that town centre management techniques, BIDS and Town Teams, valuable as they are, cannot always rectify this fundamental inhibitor sufficiently, nor is the compulsory acquisition of just key sites – Portas Recommendation 21 - going to be enough in most cases.

For many high streets the most effective means of securing fundamental change is to bring the town centre as much as possible under single ownership and to manage much of this portfolio's future strategically:

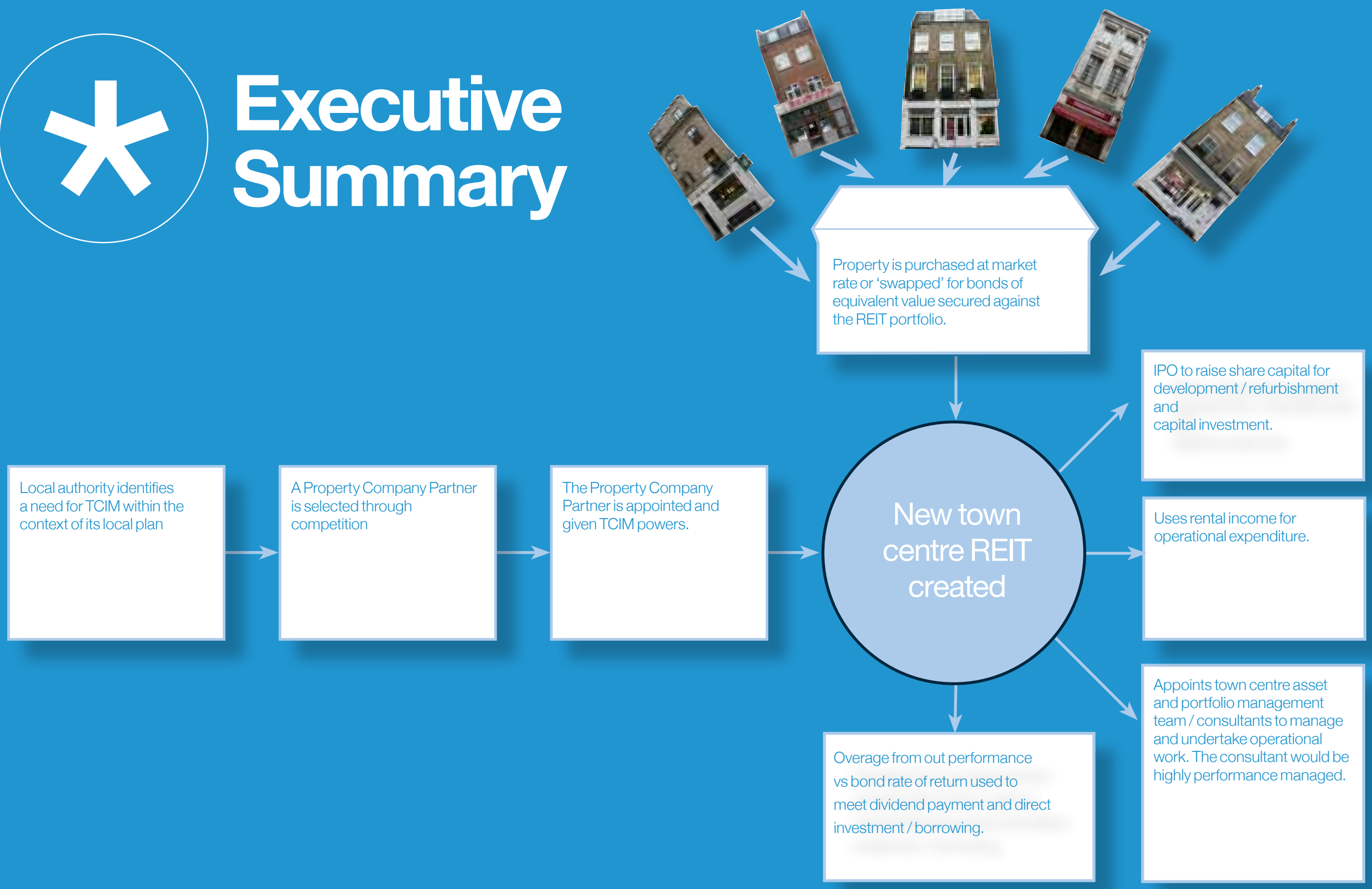
"If our streets are to have a role tomorrow, then we will need to ensure their management is a match for the sophisticated alternatives" (Portas Review).

Town Centre Investment Management (TCIM)

The aim is to secure the dynamic retail management that fragmented ownership prevents. TCIM creates the conditions for:

- An overall vision
- A holistic approach to retail mix
    - Whole-centre dynamic management
    - Rapid response to market conditions
    - Destination marketing.

Executive Summary



Investors will invest where they can see a return within the context of an acceptable risk. In a climate of limited capital availability the investment opportunity afforded by town centres, where enough of the stock is brought under single control, is that of a significant increase in rents and a decrease in yields. This increase is brought about by active asset management and a holistic approach to marketing and optimisation of retail stock sizes and mix.

Successful retail destination management conditions have been created in locations such as Marylebone High Street and Corby in Northamptonshire – and transformed them – because of the ability of the owners to control the entire stock. The same techniques can be applied where fragmentation is overcome.

Our Town Centre Investment Management uses many of the same processes and principles, which have been used for decades in town centre redevelopment:

- A planning framework for regeneration and 'managed change'
- Selection of an investor partner, to fund future investment
- Compulsory acquisition of existing assets and re-structuring of leaseholds
- Change effected by the investment partner to meet the agreed objectives set out in a Management and Development Agreement.

Partnership

The investor partner would be selected on its management skills and their ability to invest further in the centre. The partner would be obligated under a Management and Development Agreement to transform the performance of the centre through a tenant mix strategy, reconfigurations, better management and strategic marketing initiatives.

For the investor, it would be incentivised by buying a standing investment, with real potential to improve rental values and yields. Unlike town centre redevelopment schemes it would require far less capital to be deployed up-front and without all the consequent delays and risks in waiting for a return during construction.

Retailers are drawn to successful high streets, so reversing decline should see a reduction in the rate of retailer departures. Retailers in TCIM schemes may be able to share in the success, perhaps moving onto turnover rents, with shorter leases and greater flexibility in maintaining their presence (much like in a shopping centre).

Existing landlords and investors don't have to lose out when their interests are acquired. Their investment might be able to be exchanged for a bond or some other form of share in the new ownership structure of the town centre.

The Context

1

1 The Context

The publication of the Portas Review just over a year ago drew national attention to the decline of many High Streets and Town Centres. The decline can be plainly seen:

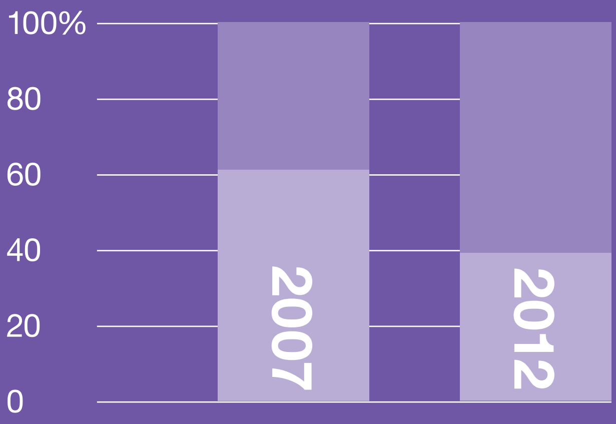
— The proportion of non-food retail sales conducted through town centre shops has declined, from 64% in 2002 to a current share just over 40%. The chief beneficiaries have been Out-of-Centre (OoC) superstores and retail parks.
— The proportion of vacant shops in town centres has risen from around 5% to an average of nearly 15%, although the rate varies widely and ranges beyond 30% in some hard-hit towns.
— As an industry, retailing requires continuous investment to remain attractive and relevant to shoppers. The current development pipeline shows that 60% of planned developments are out-of-centre. Investment in town centres has almost entirely dried up.

The 100 largest town centres, the main comparison goods shopping locations for around 60% of UK residents, continue to thrive. The town centres whose decline is addressed by the Portas Review are chiefly those outside the top 100. Not only does the decline have a social cost, by impacting their continuing vitality and viability, there is also a financial cost. These towns account for around one third of the value of all shops.

The decline of retailing in these town centres results from the loss of competitiveness with other retail channels, primarily OoC retail locations but also with the internet and other forms of non-physical retailing, In this context OoC retail has become generally more attractive than town centre retail:

— For car-borne shoppers, OoC offers greater convenience. Convenience encompasses not only time (it is quicker) but it is cheaper, more pleasurable and offers a sufficient choice of merchandise. The congestion of many town centres is a real deterrent for some shoppers.
— Technology, has irrevocably changed the traditional method of shopping. Consequently, shopping provision needs to adapt.
— Centre and town centre is unbalanced due in part to the differential impact of business rates and the effect of in-town car parking charges.
— Town centres have too many shops of the wrong size and configuration for modern retailers. The cost of adaptation, in terms of time, hassle and building costs, is disproportionate compared to OoC. Town centres are thus relatively unattractive to retailers.
— For developers also, town centres are generally unattractive due to the difficulties and delays caused by multiple ownership, planning and other legal constraints.

Out of centre / In town development

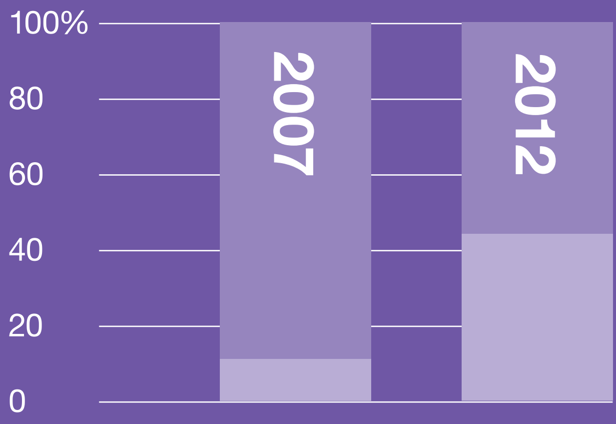


Key

OoC

In town

Grocery / Other retail



Key

Other retail

Grocery

The downturn has accelerated an already well-established trend: retail chains require fewer outlets and larger stores, and the large town centres tend to benefit from their dwindling presence. The downturn has sadly quickened the pace, forcing many outlets and even whole businesses to close.

The current recession has halted town centre development schemes; Town Centre Redevelopment (TCR) has been a primary means of investment in (larger) town centres for decades. As a consequence of the downturn, little new central-area space is being created, and retailers who are expanding to secure more space have been moving steadily out-of-centre. The supermarkets have greatly extended their space pipeline since the downturn: CBRE has reported that grocery now accounts for 38% of all retail development programme, up from 25% four years ago. And Planning Committees, Inspectors and Ministers have been supporting this trend, as they seek to secure economic development.

Where next?

With so many of us shopping elsewhere, are we not in danger of sounding like the villagers grumbling about the state of the fabric of the church they don't actually use? Can't we just leave town centres to the planners to be given a new direction? And won't many town centres simply sort themselves out, anyway, once the downturn is over? We think not.

The Portas Review highlighted the crisis in so many of our High Streets, though it has been noted that the impact is by no means uniform. While not all of the 28 recommendations found acceptance the force of the review led to a real debate and agreement around concerted action: in government, in the markets that affect our centres, in our councils and within local communities. But we believe that action needs to go further than the original recommendations, strong as many of them are. We say this is because of the extent of market failure – which is not something the Review fully recognises.

We believe that one of the most significant disadvantages of the conventional high street is fragmented ownership and control.

1 The Context

“A lack of cohesion is one factor that has led to record vacancy rates and rock bottom footfall. Many are crying out for professional input and vision”

(Portas Review).

We recommend that councils should explore, backed by investor partners, a solution we have called Town Centre Investment Management – bringing town centres under single control or ownership, to enable them to perform like their managed counterparts enabling the optimum retail mix, forging a clear brand, co-ordinating marketing and targeting physical change. We believe that without a high degree of overall control many high streets won’t be able to change. Town centre management techniques simply aren’t enough in most cases to achieve a significant step change.

To achieve the desired changes we also need a more targeted approach to plan-making – using techniques that are more focused on the retail mix and its dynamics. We also need a more pragmatic style of place-making than the all too often grand ‘paper visions’ of the past.

The economics of retailing are changing fast: The Javelin group, in its recent Paper - UK Non-food retailing to 2020 (How many stores will we really need?) concludes that:

“… chain store space in town centres (including shopping centres and high streets) to fall by 20%, and chain store numbers in these urban venues to fall by 31%, as sales go online or to larger destination stores and supermarkets. It is worth noting that, despite this outlook, the impact across retail venues will be far from uniform. While many will decline, others will thrive, attracting customers and driving strong performance”.

The Portas Review reflected this degree of change and was often reported as describing the high street reaching a ‘crisis point’ as spending in town centres had fallen below 50%. A tipping point was feared – that unless urgent action was taken:

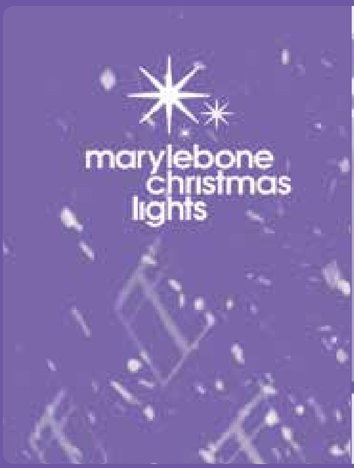
“…. much of Britain will lose irretrievably, something that is fundamental to our society, and which has real social and economics worth to our communities”.

The future of too many centres is bleak; the nation will have too many shops, too many vacancies, too little investment and too few authorities with the tools and political will to tackle the problems.

Reports from respected sources such as Local Data Company and Javelin point to on-going significant reductions in retailer presence in most town centres, though there will be significant local and regional variations. The internet and other forms of e-commerce will increasingly erode the role of town centre shopping and the pace is quickening. Low demand and the lack of development finance means that traditional redevelopment schemes are not happening; the few that do happen are only in the stronger centres.

Local Authorities, who often have unrealistic expectations about the role of their centres, have very limited powers to intervene.

Many of our town centres need a greater degree of change than can be delivered through retailers, investors/developers and local authorities acting in isolation. We have too many shops, and/or they are of the wrong size; in some districts we may even have too many centres. The fragmented nature of many High Streets means that it's impossible to optimise the retail mix, like in managed shopping centres. Yet, some traditional High Streets, with their more historic character, have seen a radical improvement where they are in single ownership, like London's Marylebone High Street. This approach could be replicated if the market had some way of overcoming disparate ownerships.



On top of this the current recession has halted town centre development schemes. This sort of development has been a primary means of investment in (mainly larger) town centres for decades. It was where many retailers satisfied their demand for space. Left with no choice town centre retailers are moving out of town, where investors are upgrading park formats to accommodate them.

As a consequence, little new central-area space is being created and retailers who are expanding have been moving steadily out-of-centre to secure more space.

Planning Committees, Inspectors and Ministers support this trend, as they seek to secure any and all forms of economic development.

The downturn has also accelerated a trend that began years ago with the rise of multi channel retailing chains require fewer outlets.

Crucially, what we are facing is an inability of the market to respond to these changes – this is market failure on a big scale. And market failure typically requires public sector intervention. This is a major challenge in the current spending climate so privately financed solutions are needed. The outcomes of this market failure are regarded as "unacceptable" because what we are witnessing is a very public picture of national economic decay: rows of vacant shops, growing dereliction, fewer services, declining environments and a visible flight of investment.

2

Portas rightly gives a high priority to the role of town centres in the community. She commented: "we have sacrificed communities for convenience" in how we are deserting them in favour of other locations/forms of purchase. Portas explained that she believed "… that our high streets are a really important part of building communities and pulling people together...". We agree.

But we also believe that there is another vital contribution, which is perhaps under-recognised – that our High Streets play a very significant role in the economy. We believe that it's important to bring out the value of our high streets to our economy, in two main ways, as an investment and as a source of employment.

The "High Street" represents a very significant store of our national wealth. Our pensions are invested in shops and other town centre uses. Commercial shop property is a major investment class. If the investment value of centres deteriorates it has wider market consequences. If our town centres perform badly, it will affect other property asset classes there too, such as offices, leisure and housing. Whilst there is no data available on the total market value of town centres IPD has estimated that All Town Centre Retail accounts for 25% of total Commercial Property, which had a value in 2011 of £717bn, about half the value of UK Government bonds and 40% of UK Equities. This puts the value of Town Centre Retail at about £180bn. We estimate that around 36% of this value, around £65bn, is in towns outside the Top 100. That is too significant a part of our national wealth to allow it to wither.

Our town centres employ a lot of people.

The British Retail Consortium has said that total retail employment is 2.9m, 11% of the total UK workforce. We estimate that about three quarters of the retail employment is in the 100 largest towns, leaving around 700,000 retail jobs in the smaller town centres.

We acknowledge that non-central formats also employ a lot of people. So, the argument is not so much about robbing Peter (non-central retail, in all its forms) to pay Paul (town centres) but how can we make the most of the employment opportunities in the centres we already have, given the realities about too many shops in too many centres.

We are convinced that the power of the three main stakeholder groups – councils, retailers and investors can be exploited sufficiently and effectively to achieve the virtuous circle that our high streets need. Our recommendations address this in a way that seeks to release the power of each stakeholder.

Working together

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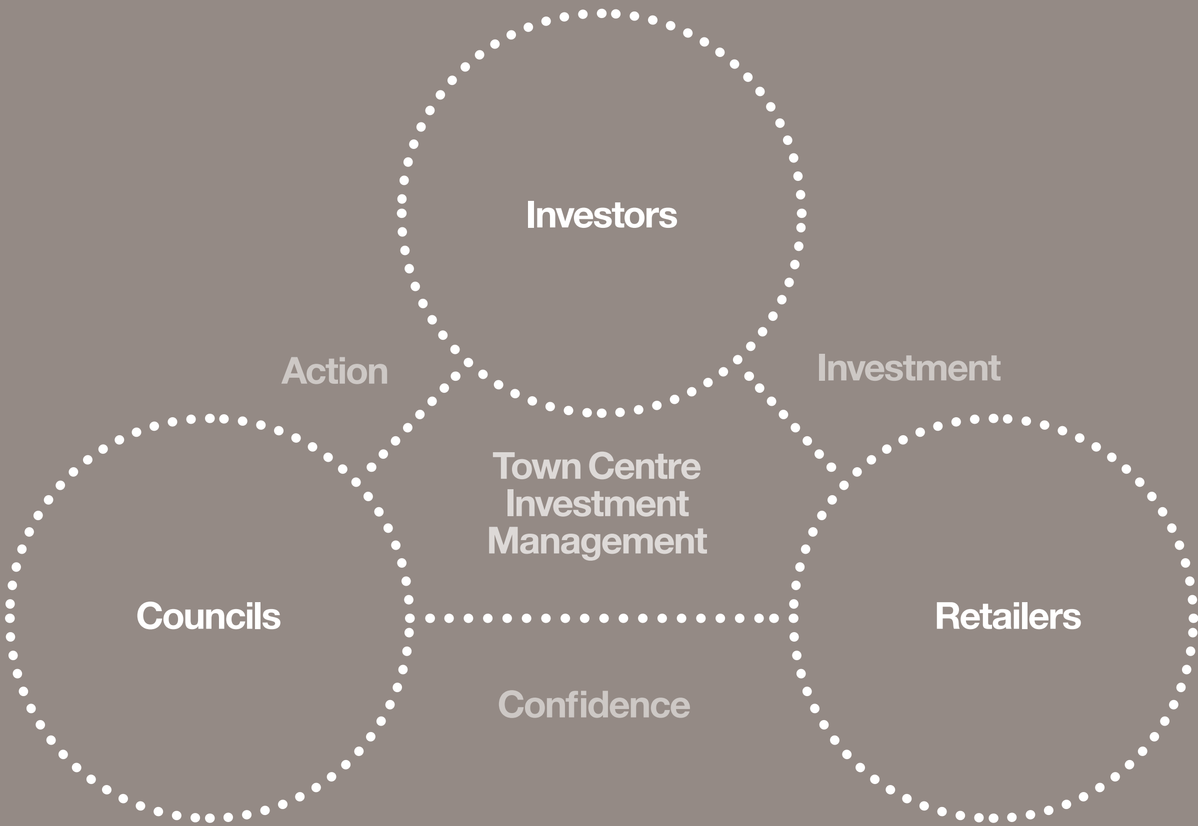


If retailers continue to leave high streets, too many town centres, especially in weak economies and poorer locations, will collapse and cease to serve their local communities. Retailers need confidence to remain in those locations where remedial action is being taken. That won't happen without investor/developer action.

Without retailer demand there will be no investor interest. And no investment activity means no developer interest. And unit-by-unit changes (given the fragmented ownership of most town centres) cannot usually achieve the structural changes so many centres need. What this group needs is to see that real structural change is possible. That used to be achieved by town centre redevelopment, secured via CPO.

Without investor engagement Local Authorities will remain powerless to manage the profound changes already underway. Planning policy, LDOs, TCM and masterplans are not on their own going to deliver the (sometimes) radical changes that many town centres need – achieving a centre-wide retail mix, reconfiguring units, change of use, a reduction in number and so on.

What is now needed is a new way of working with existing tools, adapting the well-tried techniques and procedures of town centre redevelopment to become Town Centre Investment Management (TCIM). This, in turn, will require better town centre plans, the political will to achieve radical change and an executive with the means to achieve it (preferably using available powers).

We believe that while radical new solutions are needed, the necessary basis for achieving them is currently missing: the means of combining the power and resources of the three main groups with stake in our town centres – retailers, investors/developers and local authorities. These groups are actually inter-dependent but are currently acting separately too often. What is needed is a new model of co-operation and action that creates a virtuous cycle.

Town Centre
Investment Management

4

Concept

We believe that by harnessing the resources of the three stakeholder groups (councils, investors and retailers) new solutions can be delivered. The most significant proposal in this paper is what we have called Town Centre Investment Management (TCIM).

This approach is very similar to the process and techniques of Town Centre Redevelopment (TCR) but does not involve the town centre's wholesale redevelopment. What is involved, instead, is taking control of all or a significant section of the centre's assets. This would typically be through compulsory purchase, backed by an investor. The investor would be selected through a rigorous competitive process, very similar to TCR, to deliver the change identified in the Town Centre Area Action Plan, or similar planning policy framework or document.

The TCIM approach is to consolidate the ownership of the centre in the hands of a party that can, on that basis, bring about the change in partnership with the Council, so that retailer confidence can be enhanced or restored. Control enables an optimum retail policy to be pursued; it enables a reduction and re-configuration of units, where necessary; and it enables better place-making to be achieved around agreed public policy objectives.

This is a controversial proposal in some ways as it could be challenging politically. It has not been done before in the way we suggest. But that does not mean that it is not valid, legal, or – now – necessary. We believe that with the plan-making that High Streets deserve, with the political will to drive change and with an executive to deliver it with an investor/developer partner, this approach has more chance of bringing about real change than the current and suggested solutions we have seen so far.

The Pathway to Transformation

General evidence base

↓

Core strategy / Local plan

↓

Evidence and base

Town centre plan

↓

TCIM Prospectus

↓

Investment / developer partner

↓

Development Management Agreement

↓

CPO (Core assets)

↓

Partner implements change

4 Town Centre Investment Management

Models

There are some spectacular examples of successful single ownership shopping streets (or destinations) in London, which have been transformed by single-ownership management strategies:
— Marylebone High Street
— Corby.

All of these have either been assembled commercially or were part of a landed estate. None required the direct intervention of the council. But the same asset management principles can be applied where there has been market failure. So we believe the same dynamic management techniques learned from these and in the shopping centre industry can be successful elsewhere.

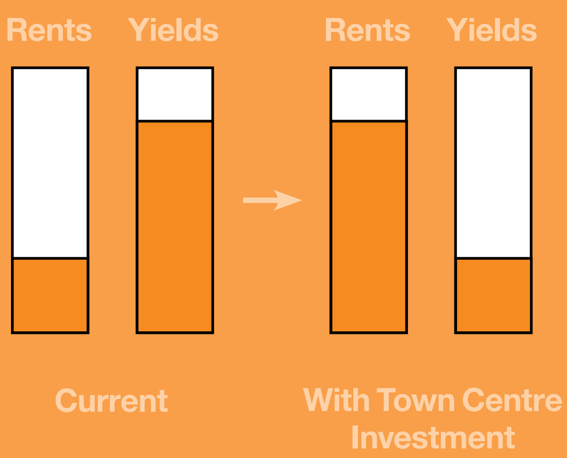
Examples of destination management elsewhere include Corby town centre, The North Laine in Brighton and town centres where conventional town centre redevelopment has added new stock, such as Broadmead, Bristol, Canterbury and Birmingham City Centre.

Town Centre Investment Management: Principles and Process

The process and principles of Town Centre Investment Management (TCIM) are very similar to those used in Town Centre Redevelopment. First, a planning framework for regeneration is prepared and consulted on by the promoting planning authority.

Second, a competition to select an investor partner would be carried out in a very similar way to which development partners are selected for town centre redevelopment. The parties enter into a management agreement, which sets out the aims and scope of the 'managed changes' that the process intended to achieve. Where appropriate the partners apply for planning permission for any significant development elements. The process of acquisition is more complex as the purpose is to retain and enhance the income stream rather than assemble a (largely cleared) site for redevelopment. The purchase of the freehold would be at existing use value, using the usual valuation and compensation methods.

The Impact of TCIM



The acquisition costs are picked up by the investors. The freehold becomes vested in the Council in the normal way. What is different is the way the CPO and Management Agreement work. Instead of all the existing interests being closed down they are re-structured; though, there is no reason why existing covenants and assessments can't be extinguished. The TCIM process involves not granting a developer a long lease with obligation to develop an agreed scheme – but a new head lease of the existing interest giving them control.

The attraction to the investors is that they are buying into an existing (albeit failing) income stream that they can enhance and project a significantly improved yield on their investment. In many cases there may not be a need for a capital-intensive development scheme, even if sources of development capital were more readily available.

Key ingredients

There are four sets of key ingredients that are needed to deliver Town Centre Investment Management:

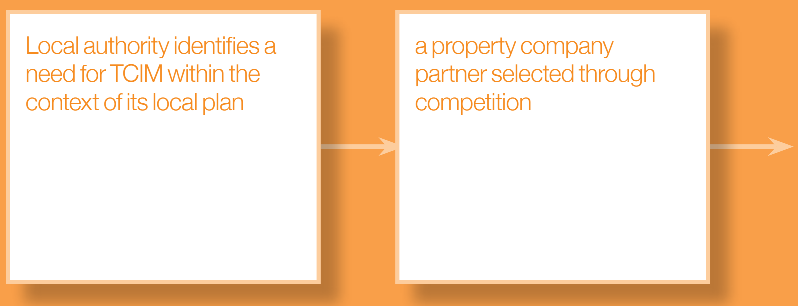
1 Plan-making:
TCIM requires an evidence base and a planning framework

2 Place-making
The centre will need a clear vision for its transformation. This will include addressing:
— Key opportunity sites
— Environmental improvements
— Access and parking
— Non-retail strategy.

3 Usage and occupier mix
A plan to achieve the optimum mix, target tenants and a framework for delivery

4 Legal
A clear basis for resolving fragmented ownership, in relation to:
— Existing landlords and investors
— Retailers and other occupiers
— Other business and local interests.

4 Town Centre Investment Management



Framework for TCIM

The principles that have been used for decades to implement Town Centre Redevelopment can be adapted to Town Centre Investment Management. A key difference concerns vacant possession and the lease structure of the standing investment being acquired.

CPO has never been a welcome concept in towns and cities. However these objections are usually overcome by the broader positive outcome for the whole community. This argument will be more difficult to win here as following CPO no visible difference will be quickly seen by the lay person. It may be better therefore to offer a property swap rather than a purchase, where shares in the resultant REIT are swapped for the property rather than a cash purchase. This would also allow the localism message to be presented.

Where might TCIM apply

We understand that this concept doesn't have universal application. It is unlikely to be needed in most healthy centres. It may be too late to apply TCIM in failing centres. But we believe that there are many centres in the "middle" that are in danger of market failure that could be turned round with the application of these principles. These centres will require:

— Strong political will to take action
— Executive leadership capable of delivery
— A well-evidenced planning framework
— An investment market with players that have the vision and skills to bring about the kind of change needed.

What happens if it doesn't work?

Just as not every shopping centre development succeeds, there will be cases where Town Centre Investment Management does not. What happens then? Given the investor developer has failed to meet the key performance indicators or objective in the management agreement there should be a trigger for the local authority to change partner, either across all or part of the centre. If the issues are more structural then the partners may need to renegotiate the agreement or review the vision. But in any scenario, the centre is unlikely to be worse off than it started.

5

Britain's High Streets are in crisis, while the pace of change outside conventional centres is quickening. Our town centres are too valuable – to society, to the national economy – to be left unaided. We agree with the analysis in the Portas Review and support the majority of the recommendations. However, we consider that the central weakness of many town centres – fragmented ownership – and the extent of market failure to address this, demands more radical solution than so far suggested.

This paper puts forward a model that involves uniting the control or ownership of all or part of a town centre with private capital to enable a degree of control that serves the step change in performance so many centres need. There are sufficient examples of single ownership high streets, which have been transformed to give confidence that such an approach can deliver results

We propose the Town Centre Investment Management model to deliver real change in many centres, harnessing the process and resources of councils, investors and retailers working together. This model involves unifying the ownership of all or part of a town centre involving public powers (CPO) supported by private capital to ensure a degree of control that secures the step-change in performance so many centres demand.

This approach will present challenges to legal, property and planning professionals, but this should not hold us back from exploring it. We will now be doing so.

Case Studies

Case Study 1:
Corby

Corby, designated as a New Town in 1950, grew quickly but with the closure of the steelworks in 1979, the town saw unemployment levels rise to over 30%. Economic aid via designation as an Enterprise Zone and Assisted Area status succeeded in attracting many manufacturing and light-industrial employers, but with comparatively low-wage and low-skilled jobs the socio-economic profile comprised mostly people in the C, D and E groups. This, coupled with a rapid decline in population to around 50,000 and the closure of the local train station, meant that the town was unable to support the purpose-built town centre which, by the late 1990s, had become a poor-quality urban environment with a lack of a sufficiently diverse shopping, commercial and entertainment base to be viable.

During this period much of the town centre became privately owned. When Corby town centre, which includes Corporation Street, Oasis Retail Park and the recently developed Willow Place was purchased by Land Securities as part of the company's acquisition of Tops Estates in 2005 the first active management of Corby town centre began.

The experienced development, portfolio and asset managers at Land Securities devised a long-term strategy and investment case for the urban regeneration of the failing town centre. This active management began with the development of the 125,000 sq ft Willow Place expansion. This scheme provided much needed modern shopping facilities with new tenants attracted to the town including a 40,000 sq ft Primark, River Island, H&M Hennes,

Jane Norman, TK Maxx, Costa Coffee, The Body Shop, Clarks, Vision Express and Burger King.

Alongside this, Land Securities co-ordinated an integrated management of their assets encompassing: the buy-ins of existing leases; relocations; new lettings; re-design; sub-divisions; extensions; strategic land purchases; integrated marketing; and public realm improvements. Recent asset management activities have significantly reduced the number of voids in the town centre, driving rental income and capital value. Tenants who have relocated to larger premises within the town include HSBC, Argos, New Look, WH Smith, Wilkinson's and Café Con Leche.

This active, pan-centre tenant mix management and the accompanying destination marketing and branding has seen Corby rise to be the locally dominant retail destination in North Northamptonshire overtaking the established centres of Kettering and Wellingborough.

Perhaps the greatest signifier of Land Securities successful Town Centre Investment Management approach in Corby was the sale of the town centre to Helical Bar in 2011 for £73m at a yield of 7%.

Case Study 2:
Marylebone High Street

The Howard de Walden Estate owns, manages and leases the majority of the 92 acres of real estate within Marylebone. The Estate is renowned for its creative management techniques, including the striking and imaginative regeneration of Marylebone High Street.

Up until the 1950's Marylebone High Street was a thriving community high street. However, from the 1960s onwards the high street went into gradual decline until it collapsed during the 1990's recession. Subsequently, the Howard De Walden Estate sought to revitalise the High Street

A large factor enabling the Howard De Walden Estate to drive the Street's revitalisation was their level of ownership. They initially only owned 45% of the 85 units, however they successfully managed to acquire 24 further units bringing their ownership up to 70% - providing critical mass.

The Estate quickly established an investment and portfolio management strategy that set the principles of their intended regeneration. Key to the strategy was awareness that they did not want similar tenants to those in Oxford Street or Bond Street. Neither did they want to create the familiar setting of a street lined with numerous coffee shops and ladies' fashion stores. Through an informal process of consultation with retailers, residents, visitors, friends and anyone else who had a view the Estate pulled together a vibrant tenant mix strategy for Marylebone High Street that would give the street its own distinct character.

Putting the tenant mix and investment strategy into practice began with the decision to bring in a supermarket as main anchor: Waitrose was selected over higher bidders, Sainsbury's and Tesco, as the Waitrose brand was a better fit with the tenant mix strategy. Once the anchor store had been secured, the high street was able to secure the 25,000sq ft Conran Shop at its Northern end and so began the gradual remixing of the High St in line with the vision. Thus, throughout the last ten years the area has become a notable retail destination and a highly desirable location for retailers.

It is testament to the core strategy of gaining critical mass to achieving a vision, and deploying street-wide marketing techniques that even in the current difficult retail climate there are so few properties available to let on the High Street.

About the Author

John Parmiter is a planning strategist and project promoter. He is a Partner of Peter Brett Associates having previously held senior positions in major consultancies, including CBRE and Turley Associates. He has extensive experience in both the public and private sectors. He has particular expertise in retail and town centre policy and projects; planning strategy; project and policy delivery; expert witness; mediation; and mixed-use developments.

John is particularly interested in the future of town centres and improving retail planning techniques. He is leading this PBA-funded initiative about getting investment back into the High Street. John has recently given evidence on his ideas to the GLA and the firm is promoting the initiative – Town centre Investment Management – at a number of forums over the next six months. This research project is an ideal means of developing those ideas further.

John has been involved in town centre strategies and schemes in places as diverse as London's Regent Street and High Street Kensington, Bristol, Bracknell, Catford, Brentford, Oldham and Dorchester. He has led retail studies, most recently for a consortium of West London Boroughs, on Small Shops, for GLA, and district-wide studies of Central Bedfordshire. John is advising on the retail component of the Earl's Court Opportunity Area, the expansion of Westfield and is lead advisor to the local planning authorities on the transformation of two regional centres into town centres – Lakeside and Cribbs Causeway.

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We will be running a number of regional roundtables and workshops in the coming months as well as speaking at a number of industry events and conferences, if you would like to air your thoughts, like a more in depth presentation or would like to add your support then please don't hesitate to come along to one of the events or simply contact us.

The programme and further details are available through:

www.towncentreinvestment.co.uk
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