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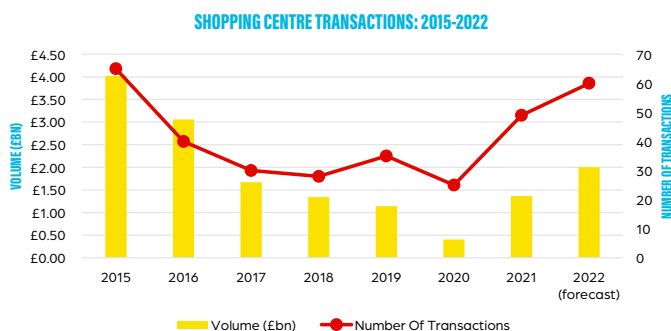
TOWN CENTRES – 2022 IMPACTS AND INFLUENCES

After another year of unprecedented challenges, we asked some of our experts to look ahead and rank the game changers that they think are most like to have an impact on town centres in 2022.

1. SHOPPING CENTRE SALES >£2BN ADRIAN PEACHEY

We started to see more transactions in 2021, as confidence started to return to the retail sector and 2021 saw a UK shopping centre volume traded of £1.367bn, 49 deals giving an average lot size of £28m and a capital value per sqft of £93. The average initial yield was 10.4% This was the highest volume traded since 2017.

I predict that 2022 will see £2 billion of volume traded with an increased average lot size, a slightly keener initial yield but also a lower value per sq. ft. There will be a greater number of £50m and £100m plus transactions. Equally we will see an increase in the number of shopping centres sold at auction.



2. LOCAL AUTHORITIES WILL CONTINUE TO BE SELECTIVE PURCHASERS OF SHOPPING CENTRES TO DRIVE REGENERATION SIMON HOPE

The year ahead will continue to see selective purchases as despite the tightening of fiscal constraints on Local Authorities acquiring for investment, they continue to have the ability to raise finance for the acquisition of regeneration assets. Therefore, we will see land acquired for strategic purposes to bring about transformational change.

They are aware of the pivotal role vibrant shopping centres play in supporting healthy town centres and in some cases, they need to take an interventionist role where the private sector is unable to bring about comprehensive repurposing.

3. REPURPOSING WILL CONTINUE TO PLAY A KEY ROLE IN ENSURING THE VITALITY OF TOWN CENTRES. SHOULD WE ALWAYS START AGAIN? LUCY MUIR

'Repurposing' is the buzz word as owners look to radically transform old/redundant buildings that have outlived their original purpose for a different function or use. The plan for many has been the introduction of high density residential.

This is difficult to make viable, takes time and in many instances questions are asked of sustainability. A form of adaptive re-use with elements of new build allows us to save buildings which might otherwise have been demolished, and reflects the emerging views of the RIBA and others that replacement should not be the default option.

I see that 2022 will be the year that we see the accelerated reimagining of shopping centres and employment spaces to offer increased flexibility and adaptability.

4. URBAN LOGISTICS REMAINS HOT HARRY MACKANESS

Retail may be cold, but industrial and logistics market remains hot. With a continued imbalance between occupier demand and supply, rental values are forecast to continue to increase, whilst vacancy rates are due to remain low.

The online retail market requires more warehouse space than traditional in-store retail models, and rather than delivering from a central distribution centre to store, products/inventory must be in close proximity to population centres and returns need to be taken into consideration.



We have not seen much logistics space within town centres but last mile convenience delivery operators have boomed over the past two years and are now making up a large amount of prime urban logistics space.

This started in London and has quickly spread to regional towns and cities across the UK. I predict a continuation of this trend for 2022.

5. INTEREST RATES WILL GO UP **JOHN PERCY**

In November the Bank of England increased the base interest rate from 0.1% to 0.25% and with inflation currently running high at 5.1% there is likely to be a further rise in the base rate over 2022 despite the current uncertainty to help check this inflationary pressure. For commercial property this could increase lending costs putting further pressure on development – already challenged in many of our town centres. In 2022 we may see the development industry become ever more reliant on the public sector to help facilitate and fund costly town centre interventions.

6. GROWING INFLUENCE OF ESG **INMA LATORRE**

Environmental, social and governance (ESG) matters has become an increasingly important focus for investors, stakeholders, and consumers in town centres, particularly in the wake of the COP26 climate summit held in Glasgow in November last year.

More stakeholders are placing ESG at the top of their decision-making criteria; developers are prioritising retrofitting buildings over complete demolition; landlords and tenants are collaborating and integrating 'localism' into their schemes (e.g., Nike Unite in East Kilbride, a new concept built to help locals connect more closely with sport through in-and-out-of-store experiences and intended to reflect the community); and public spaces rather than physical stores are commonly becoming anchors of new schemes.

Accolades such as the most 'sustainable' or 'clean' environments will become increasingly sought after as a people consider places which are better for them and the environment. As we begin to see companies make their pledge to achieving 'net zero' by a specific timeframe, pressure will be applied by stakeholders to ensure these companies follow through on their promises.

As such, I see that sustainability will increasingly become the heart of the town centre regeneration story, and ESG is at the core of this.

7. LEVELLING UP STARTS TO MAKE AN IMPACT **MORGAN REECE**

The Government will try to regain the momentum behind its flagship Levelling Up programme during 2022, with the much-delayed White Paper due to be published by the end of January.

I expect to see highly visible projects seeking to regenerate town centres and repurpose town centre assets to feature heavily both in bids to Levelling Up Fund Round 2 (likely to be launched in the spring) and also within County Deal devolution proposals. Projects enabled by the Future High Streets Fund, Towns Fund and Levelling Up Fund Round 1 should also start to deliver tangible results, which will provide valuable insights into the effectiveness of using public funds to accelerate much-needed change in all parts of the country.

VOA 2023 DRAFT RATING LIST DUE **BENJAMIN PAIN**

In terms of business rates, the next Revaluation is due in April 2023 with the VOA required to produce their draft list by 31st December 2022 which they are currently working through. The reason for the revaluation is effectively to rebase the tax, incorporating any changes in rental growth (or decline) from April 2015 (the valuation date of the 2017 Rating List) to 01st April 2021 values (valuation date for the 2023 list) which should take into consideration some of the significant impacts on value due to Covid.

I would therefore predict that nationally retail will see significant reductions in rateable value, although I would expect Retail Warehouses to fair better than units in shopping centres and on the high street which could well fall in the region of 30% nationally. Conversely the industrial & logistic sector, especially around Greater London will likely see significant increases with office rateable values also likely to remain firm and see marginal increases. However, any change in the total Rateable Value will likely be balanced out by adjusting the UBR multiplier (with an online sales tax unlikely for the foreseeable future).



There will also be a transition scheme to understand the full level of liability, however I wouldn't expect it to be anywhere near as draconian as the 2017 list where some reductions were limited to 4.1% in the first year, before inflation but would suggest limits of 10% on larger properties may be likely.

8. THE CATALYTIC POTENTIAL OF THE PUBLIC ESTATE IN TOWN CENTRES IS LEVERAGED

LAURA STAMBOULIEH

During 2022, as the disruption caused by the pandemic reduces and further Government funding rounds are announced, public sector bodies will re-focus their attention on their property portfolios. There will be greater recognition of the role of the public estate in leveraging town centre transformation. Post-pandemic service reviews will drive new operational requirements – some of which will be suited to the high street providing an opportunity to re-anchor and drive new footfall. New ways of working, borne out of the pandemic, will dictate public sector workplace reviews and a re-alignment of the estate. Financial recovery targets will drive a desire for a 'purposeful estate' leading to asset disposal programmes which will, in turn, lead to repurposing and redevelopment opportunities

TALK TO ONE OF THE TEAM



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