

FROM  
**RECESSION**



TO  
**RENAISSANCE**

WHAT IS THE FUTURE FOR OUR TOWNS,  
HIGH STREETS & SHOPPING CENTRES? **2023**

# INTRODUCTION

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Our towns, high streets and shopping centres face a myriad of challenges to their performance and prosperity.

At the time of the first joint LSH / Revo research in 2019/20 the main concerns were focussed on the impacts of BREXIT, online shopping and the climate crisis.

During 2020/21 the COVID pandemic inevitably dominated everyone's thoughts; but there was at least more optimism at the start of 2022 about the future recovery and renaissance of our centres.

However, Russia's war on Ukraine has created political and economic uncertainty on the global stage and precipitated a severe cost-of-living and energy crisis that has affected households, businesses and centres.

So although the UK economy is not technically in recession at the time of finalising this report ... it certainly feels like it.

Lambert Smith Hampton (LSH) and Revo have partnered once again to gather the views of key stakeholders and decision makers from across the public and private sectors with a vested interest and investment in the future planning, management and regeneration of the UK's towns, high streets and shopping centres.

This time our fourth annual research survey posed the question:  
From recession to renaissance: what is the future for our towns, high streets and shopping centres?

This 2023 research refers back to and builds on previous research.

- **2020 – INVESTING IN THE FUTURE: CAN WE FIX OUR “BROKEN” TOWN CENTRES?** - covered the fallout from BREXIT, and the potential implications for our town centre economies.
- **2021 – WHAT NEXT FOR OUR TOWNS AND SHOPPING CENTRES?** - was carried out at the height of the COVID-19 pandemic and the series of lockdowns that threatened to squeeze the very “lifeblood” out of our struggling businesses and centres.
- **2022 – HOW CAN WE DELIVER THE RECOVERY & RENAISSANCE OF OUR TOWNS, HIGH STREETS AND SHOPPING CENTRES?** - conducted in the winter of 2021 explored the prospect of a post-pandemic world, and the response needed from all stakeholders to ensure their future vitality and viability.

Read on to find out how attitudes and perceptions have (or haven't) changed since the last research against the backdrop of increasing economic, business and political uncertainty at the global, national and local level.

# OUR RESEARCH

## AIM

This research aims to understand:

- Exactly what the critical issues and challenges are facing our town centres and high streets;
- Whether and how these challenges have changed over the last 2-3 years; and
- What realistic actions and interventions are needed to help deliver their recovery and renaissance.

## SCOPE

The research is based on responses to an online survey conducted in conducted in 2023 (Q1).

The survey was distributed widely to LSH's clients and contacts, and Revo's extensive membership.

In total, we received responses from some 250 experts, advisors, and leading decision-takers across the public, private and third sectors.

These included representatives from Local Planning Authorities (LPAs), and other public sector bodies, as well from investors, developers, owners, occupiers, and representatives from town centre management companies and Business Improvement Districts (BIDs).

We are also once again thankful to the following to the following organisations and their members for their continued support and involvement in the development and preparation of this research:

- Association for Town & City Management (ATCM)
- Association of Chief Estate Surveyors (ACES)
- British Property Federation (BPF)
- British Retail Consortium (BRC)
- Built Environment Networking (BEN)
- Chartered Institute of Public Finance & Accountancy (CIPFA)
- Completely Retail
- Institute of Economic Development (IED)
- UK Hospitality.



# RESEARCH THEMES

Our research explores four key themes to deliver the renaissance of our towns, high streets & shopping centres



## 1. ISSUES & CHALLENGES

This research addresses some of the critical questions on the minds of all town centre stakeholders, namely:

- What are the main challenges facing our town centres and high streets?
- How have these challenges been impacted by the economic, environmental and political challenges of the last 18 months?
- Do the public and private sector perceive the challenges as the same, or different?



## 2. OPPORTUNITIES FOR INTERVENTION & REFORM

Having identified the key issues and challenges, we asked stakeholders what critical interventions and reforms are needed at the national and local level to help deliver the recovery and renaissance of our centres. The responses will help to answer some fundamental questions, including:

- What will future high streets look like?
- How important is retail to the future vitality and viability of our centres?
- How can we make our towns more resilient?



## 3. LEADERSHIP & INVESTMENT

Experience (and history) tells us that effective, high quality and sustainable regeneration can only be achieved through strong leadership, collaboration, and partnerships, underpinned by robust evidence-based visions and strategies. This research provides insight and understanding on critical questions, namely:

- Who should lead the recovery and renaissance of our centres?
- What role should the public and private sectors play?
- Who is investing in our high streets, where is the money coming from, and where is it being invested?



## 4. ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG)

Environmental, Social and Governance (ESG) issues continue to gather momentum as they rise to the top of agendas for many public and private sector organisations. Amid supply shortages and changes in legislation, it has become ever more important to make more of what we have. This research addresses some of the key questions, including:

- What are the key climate challenges we are facing?
- How are the public and private sectors responding to these challenges?
- How far advanced are social value policies and how does this differ between the public and private sectors?
- What interventions are needed to correct the climate crisis?

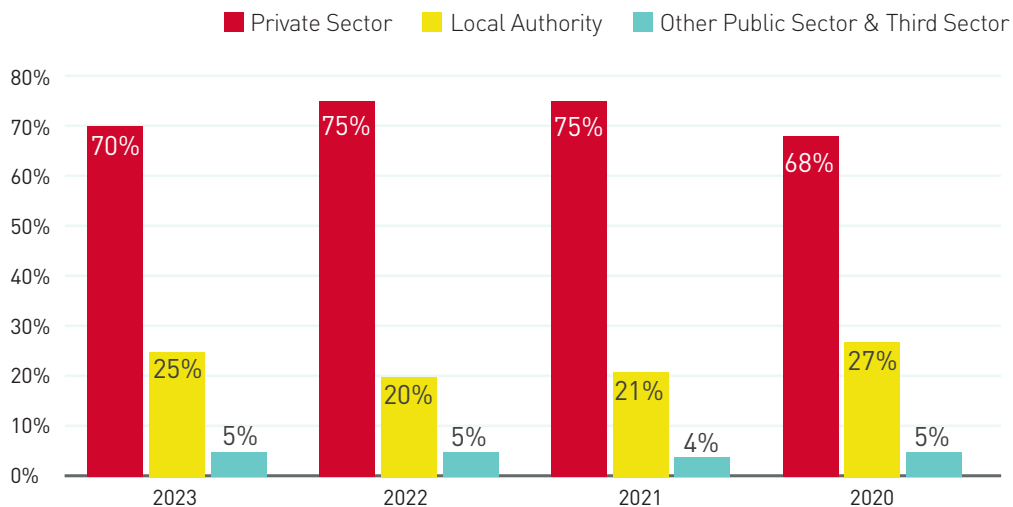
# RESPONDENT PROFILE & ROLES

## OF THE 250 RESPONSES TO THE SURVEY:

- The profile of respondents was broadly similar in 2023 to previous surveys.
- The majority (70%) were from the private sector.

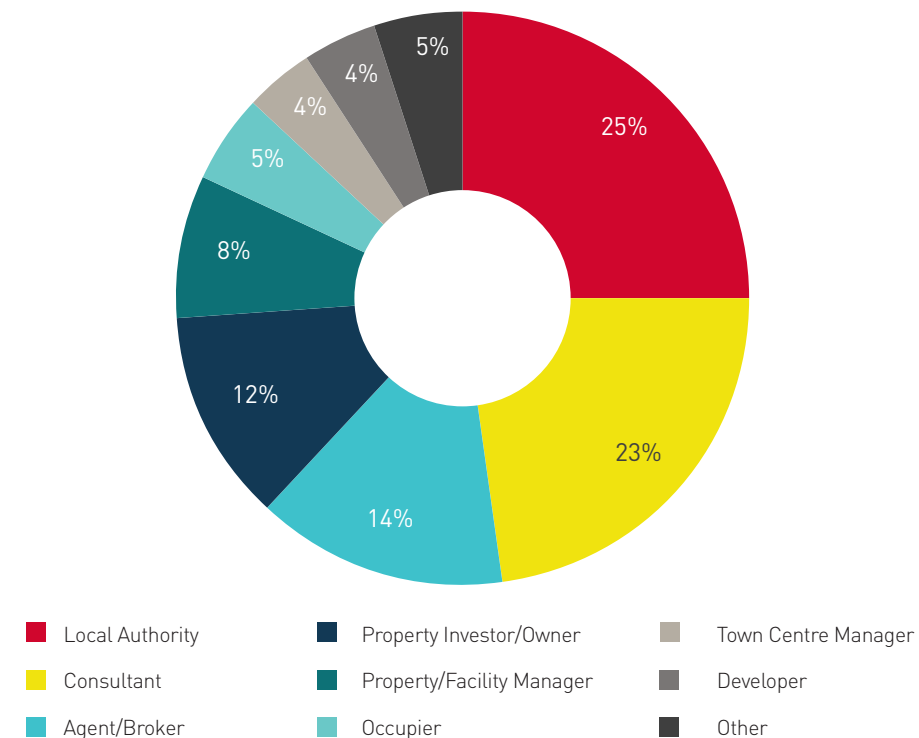
As for previous surveys there was a good representation from ALL stakeholders with a vested interest and active role in town centre planning, management, investment, and development.

## RESPONDENT PROFILE



Source: Lambert Smith Hampton & Revo 2023

## RESPONDENTS' MAIN ROLE IN TOWN CENTRES



Source: Lambert Smith Hampton & Revo 2023

# ISSUES AND CHALLENGES





# A PERFECT STORM

Before we can talk intelligently about the options and opportunities to deliver the recovery and renaissance of our centres over the short, medium and long term, it is important to first understand some of the big issues and challenges they are facing.

When we first started the survey back in 2019 the main concerns were focussed on the impacts of BREXIT, online shopping and the climate crisis.

In 2020 and 2021 the COVID pandemic inevitably dominated everyone's thoughts and responses; but there was at least more optimism at the start of 2022 about the future. But 18 months ago nobody could have predicted the economic and political storm we were facing.

It began with Russia's invasion of Ukraine on 24th February 2022, which precipitated an acute energy and cost-of-living crisis. Confidence was further damaged by the economic omnishambles which characterised Liz Truss's 49 days as Prime Minister; a tenure marked by the nation mourning the passing of the Queen on 8th September.

UK inflation surged to a 40 year high of 11.1% in October 2022 and food inflation

peaked at an eye-watering 19.1% in March 2023. Although inflation has since fallen back, achieving the Bank of England's 2% target will be a challenge due to some fundamental structural challenges to the UK economy: including an ageing population.

Interest rates are also at a 15 year high (although nowhere near the double-digit interest rates experienced during most of the 1970s, '80s and early '90s).

Over the last year the country has also experienced:

- mass strikes over pay and working conditions that have impacted on our trains, tubes, hospitals, airports and schools;
- an acute labour market shortage, which is impacting on business viability and productivity;
- Government debt at its highest level since the early 1960s; and
- many local authorities either heavily in debt or teetering on the brink.

Although the country is not technically in recession – it certainly feels like it for many

households and businesses.

Aligned with this the retail and leisure sectors continue to struggle against a backdrop of rising costs and falling consumer spend.

Combined, all these trends are having a significant impact on the viability of many our centres and businesses; at a time when they are still recovering from the damaging impacts of the pandemic.

This perfect economic storm is also impacting on construction costs, bank lending and investment confidence.

**But what do the respondents to our survey think are the biggest issues and challenges facing our towns, high streets and shopping centres?**



# THE BIG ISSUES

What do you think will be the top three challenges facing Britain’s high streets and town centres over the next five years?

TOP FIVE KEY CHALLENGES	2023	2022	2021	CHANGE IN RANK
Oversupply of retail floorspace/ rising vacancy rates	43%	36%	43%	↑
High inflation and prospect of recession	40%	6%	N/A*	↑
Business rates	38%	54%	50%	↓
Growth of online shopping	37%	52%	70%	↓
High / rising occupancy costs	28%	12%	N/A*	↑

Source: Lambert Smith Hampton & Revo 2023  
\*not identified in 2021 survey

Respondents from both the public and private sector have weighted the challenges facing our town centres completely differently compared to the previous survey. For example:

- The **oversupply of retail floorspace** and rising vacancy rates is identified as the top challenge by 43% of respondents.
- The impact of the economic downturn over the last 12 months is reflected by the fact that 40% of respondents are concerned by **high inflation and the prospect of recession**.
- Although **business rates** remains a key challenge, it has slipped from first to third in the rankings for the first time in three years.
- Concerns about the growth of **online shopping** sparked by the pandemic appear to be subsiding. In the latest

survey 37% of respondents are concerned about its impact on the high street, down from a peak of 70% at the height of the pandemic.

The economic pressures and challenges of the last 12 months have clearly impacted on top five challenges concerning respondents.



# RISING OCCUPANCY COSTS

The cost-of-living and energy crisis precipitated by Russia's war on Ukraine in 2022 has pushed inflation, interest rates and energy prices to record levels. This has impacted on household and business costs, which in many cases are at unaffordable and unsustainable levels. It is therefore no surprise that high and rising occupancy costs is identified as one of the top 5 challenges facing our towns, high streets and shopping centres; by 28% of respondents, compared with 12% in 2022.

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# REPLACE. REDEVELOP. REPURPOSE.

Over the next five years, what percentage of current town centre retail space needs to be repurposed or redeveloped into alternative uses?

## CURRENT TOWN CENTRE RETAIL SPACE NEEDING TO BE REPURPOSED OR REDEVELOPED? (% OF SURVEY RESPONSES)

61% of respondents identified that between 20% to 40% of retail space in our centres needs to be either replaced, redeveloped or repurposed. This compares with 62% in 2022.

Put simply, most of our centres still have way too much retail floorspace.



Source: Lambert Smith Hampton & Revo 2023

# THE CLIMATE CHALLENGE

Which five main local interventions for towns and shopping centres do you believe will most help address the UK’s pledge to tackle climate change over the next ten years?

TOP FIVE KEY INTERVENTIONS	2023	2022	2021	CHANGE IN RANK (2021 - 2023)
Improve public transport networks	70%	66%	31%	↔
Provide more infrastructure for electric vehicles	43%	53%	41%	↑
Provide infrastructure for healthy and active travel	43%	44%	25%	↑
Prioritise retrofitting over demolition and rebuild	43%	N/A*	N/A*	N/A
Improve building energy efficiency	42%	N/A*	N/A*	N/A

Source: Lambert Smith Hampton & Revo 2023  
\*not identified in previous surveys

For the second year in a row, respondents from both the public and private sectors (69%) agree that the **improvement of public transport networks** is a fundamental local measure needed to address the climate crisis.

Providing more **infrastructure for electric vehicles** (including charging points) and for **healthy/active travel** were identified by 43% of all respondents.

Two new categories were also included in our most recent survey - namely:

- **prioritising retrofitting** over the demolition/rebuild of properties;
- **improving building energy efficiency**

Both were identified as top five local interventions to help tackle the climate crisis.

Interestingly, public sector respondents were more likely to prioritise infrastructure for **healthy/ active**

**travel**, and promotion of the **10-15 minute “walkable neighbourhood”** concept.

Whereas, the private sector placed greater weight on **prioritising the retrofitting of buildings**, and the introduction of more **renewable energy sources**.

**OPPORTUNITIES  
FOR INTERVENTION  
& REFORM**



# GOVERNMENT INITIATIVES

What Central Government initiatives/interventions do you think will be most effective in supporting our towns, high streets, and shopping centres over the next five years?

TOP FIVE KEY INITIATIVES	ALL	PRIVATE	PUBLIC	2022 (ALL)
Further fundamental reform of business rates	69%	71%	62%	77%
Support and investment in town centre strategic visions, masterplans and regeneration frameworks	46%	46%	45%	41%
Future High Street and/or Town Deals Funds	36%	33%	45%	38%
Online shopping sales tax	33%	37%	23%	40%
Other government backed funds/tax incentives for new regeneration/infrastructure projects	26%	20%	38%	34%

Source: Lambert Smith Hampton & Revo 2023

Since our first research survey in 2019 the majority of respondents have consistently identified the reform of **Business Rates** as the top Government intervention needed to support the recovery and renaissance of our centres. Although recent reforms have gone some way towards addressing these concerns, 69% of all respondents are still calling for further fundamental reforms.

Aligned with this, one-third of respondents also called for an **Online Sales Tax (OST)** to level the playing field between internet and bricks-and-mortar retailers. This is despite the fact that the Government announced it would not proceed with an OST in its 2022 Autumn Statement. The reasons are outlined in the response to the earlier consultation run by HM Treasury, where it is reported that the balance of responses suggested an OST would be “complex, distortive and would not raise sufficient revenue to fund the scale of business rate relief stakeholders have called for”.

There is continuing support for the different **Government-backed Capital Funds**, including the Future High Streets Fund, the Towns Fund

and Levelling Up Fund. Over the last four years these funds and others have provided c.£12bn of funds to help deliver critical and transformational regeneration, infrastructure, cultural and community projects in several centres across the UK. However, there are questions as to how many projects that have received funding to date will actually be delivered before the 2024/25 deadlines (i.e. before the next General Election), and concerns for the many towns and communities across the country that have missed out on the different funds for various reasons.

The preparation of robust, evidence-based **strategic visions**, masterplans and regeneration frameworks is vital to help guide and shape the successful economic, environmental, social and commercial renaissance of centres and places over the short, medium and long term. The best spatial strategies can also help inform successful bids for public/private sector investment, and the identification, phasing and delivery of critical regeneration and infrastructure projects. It is therefore no surprise that some 46% of respondents called for more Government support and funding for town centre strategies.

# REFORM BUSINESS RATES

## Viewpoint



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### Should we be surprised, that despite the changes to transition relief announced in the 2022 Autumn Statement, business rates continue to present a major challenge to our town and city centres?

With over a third of respondents continuing to place it in the top 3 challenges and the most pressing action for Government intervention, that is a clear signal of the scale of the challenge the system represents and a shout-out for urgent reform. So why is more not being done to reform it?

The Conservatives were elected in 2019 on a promise to “cut the burden of tax by reducing business rates.”

We are now one year away from the next General Election and there has been no giant leap to change.

The Government has taken baby steps in terms of reform to keep the system from collapsing in on itself.

The announcements from the Autumn Statement were positive ones from a

business rates perspective, but while a £13.6bn Exchequer-funded scheme was certainly welcome, it can be easy to forget that all this has done is correct a punitive relief that never should have existed in the first place.

At 51p in the pound, the Uniform Business Rate (UBR) is far too high a tax. Instead of reducing it as promised, the Government has opted to employ a series of sticking plaster reliefs to prop up a shuddering house of cards.

Revo supports the Shopkeepers’ Campaign call for the UBR to be lowered to 30p for retail. This would help reduce the barriers to entry, expansion and innovation for retailers, encouraging growth and broadening the tax base. It will also eliminate the need for the complex system of reliefs which are so hard to navigate, because bills would no longer penalise rate-paying businesses – particularly those on moderate performance.

If more bricks-and-mortar businesses were encouraged onto our high streets, without the risk of a penal level of property tax, it would support their renaissance and increase the tax pool for the Treasury.

**Everyone’s a winner!**





# LOCAL INTERVENTIONS

What other measures do you think will help to build greater resilience in our town centres over the next five years, helping to ensure their overall vitality and viability?

TOP SIX KEY INITIATIVES	ALL	PRIVATE	PUBLIC	2022 (ALL)
Redevelop/repurpose vacant retail space for other uses	72%	76%	60%	61%
Increase the supply and mix of housing in town centres	48%	48%	50%	37%
Improve town centre environment/public realm/green spaces	38%	33%	52%	25%
Reduce car parking costing and/or introduce more free car parking	24%	30%	8%	23%
Introduce flexible turnover rents and/or lease structures for occupiers	17%	20%	10%	30%
Promote Walkable Neighbourhood Concept	16%	13%	23%	N/A*

Source: Lambert Smith Hampton & Revo 2023  
\*not identified in previous surveys

An overwhelming majority (72%) called for **vacant retail space to be either redeveloped or repurposed for alternative uses**. This represented an increase from 61% in 2022 and further confirms that many of our centres simply have too much retail space.

Almost half (48%) identified the need to **increase the supply and mix of housing in town centres**. There is no question that increasing the resident catchment population living in, on top of, and/or on the edge of centres will have significant benefits in terms of increased trips, activity, footfall and spend. However, simply replacing failing retail (or office space) with new residential uses in many UK centres is not straight-forward due to cost/viability issues and limited market demand.

Compared with the public sector (8%), a higher proportion (30%) of private sector respondents called for **reduced &/or free car parking** in centres to help support their vitality and viability. This is not surprising given the important revenue that many cash-starved local authorities generate from their

car parks; funds that many will be unwilling to give up.

38% of respondents identified the need to **improve town centres environment, public realm and green spaces** as a priority over the next five years. This will help create more attractive and beautiful places where more people will choose to live, work, visit and spend more time (and money).

Interestingly the **“greening”** and **“rewilding”** of centres was called for by a higher proportion of respondents from the public sector (52%) than from the private sector (33%).

In contrast a higher proportion of private sector respondents (20%) compared with the public sector (10%) identified the introduction of **flexible turnover rents &/or lease structures** for occupiers as a “top 5” local intervention.

# OPTIMUM CRITICAL MIX OF USES

Over the next five years, what will be the optimum CRITICAL MIX of uses and services in centres that will best help to underpin their success, and support viable regeneration & development initiatives?

TOP 10 MIX OF USES/SERVICES	2023	2022 (RANK)	CHANGE IN RANK
Food & beverage	72%	1	↔
New Homes	46%	n/a*	n/a*
Low cost / flexible retail space	30%	4	↑
Non-food retail stores	29%	2	↓
Public realm / open spaces / parks	29%	6	↑
Culture & heritage	28%	5	↑
Free town centre car parking	24%	9	↑
Street markets	23%	7	↓
Food / grocery stores	22%	3	↓
Health centres	20%	14	↑

\*not identified in previous survey.  
Source: Lambert Smith Hampton & Revo 2023

In terms of the optimum critical mix of town centre uses, the survey responses since 2019 confirm the need to transition away from retail as the traditional town centre “anchor”, to a more diverse and flexible mix of uses, services and amenities that help to generate trips, footfall and spend, as well as promoting more healthy, active and sustainable places.

The pressure on retail was underlined by the views expressed by the majority of respondents to an earlier question; namely that, on average, between 20%-40% of retail space in our centres needs to be either repurposed or redeveloped.

Notwithstanding this, **retail is clearly still an important component of successful town centres**. The need to provide low cost/flexible retail space and non-food retail stores ranked third and fourth respectively in the top 10 critical mix of uses. 23% also identified the need for street markets (ranked 8th), and 22% called for food/grocery stores (ranked 9th).

The importance of cafés, bars and restaurants to the overall vitality and viability of centres, helping to support

both daytime and evening economies, is demonstrated by the fact that **food and beverage uses were ranked first by 72% of respondents for the fourth successive year**. This is a similar result to last year when food and beverage uses were identified by 71% of respondents.

**Delivering more new homes** in town centres was ranked second by 46% of respondents.

**Improvements to public realm, more open spaces and green parks** was identified by 29% of respondents, placing it 5th in the rankings, up from 6th place the previous year.

Those uses that improved their ranking over the last 12 months include: health centres (from 14th to 10th); office space (from 20th to 14th); and school/education establishments (from 23rd to 18th).

The largest fallers include food/grocery stores (from 3rd to 9th); pop-up shops / meanwhile uses (from 8th to 11th); and gyms/leisure centres (from 12th to 16th).

# HOUSING IN TOWN CENTRES

## Viewpoint



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**The problems facing our towns and shopping centres have been building up over the last twenty years caused by a combination of short-term planning and an oversupply of retail space.**

This has been fuelled by institutional investors' appetite for shopping centre and High Street investments coupled with the private equity fuelled expansion of retailers. This in turn has led to retail space being overpriced and outpricing other uses from our town centres. This problem has now been exacerbated by the huge number of voids that have appeared on our High Streets and in our Shopping Centres as a result of the seismic changes in the retail sector as a result of the growth of online retail and the global pandemic.

Housing is part of the solution but not on its own. The starting point for any regeneration project is to understand the needs and requirements of the current population; how do people use the current facilities, what's missing, and what will people need and want in the future. This will help determine how

much and what types of residential, workspace, leisure, education and healthcare facilities are needed. Getting this right will help ensure we are able to create vibrant and sustainable communities rather than just building more of the same. Our shopping centres need to consider their roles within the context of the town centre as a whole rather than turning their backs as many have done in the past.

How do we get the balance of housing right?

Firstly, we need to understand what different types of housing is required to satisfy the needs of existing and future residents. Most places are likely to require a mixture of different priced and types of accommodation that people can buy or rent. This is likely to include a range of flats, shared accommodation or houses that are suitable for singles, couples, families, students, young professionals, and retirees.

Getting the residential mix right will mean a broader mix of people will

be living right on the doorstep of shops, cafes, restaurants, education, healthcare, and other cultural facilities. This will increase footfall throughout the day and evening which will in turn boost sales and therefore the local economy.

However, more people means more pressure on existing local infrastructure and services and this too needs to be part of the overall consideration. This might require upgrades to existing infrastructure or the building of new infrastructure as well as the provision of additional healthcare, education, and other facilities for residents.

Another challenge faced by many developers when adding residential to the mix is the affordable housing quotas demanded by the Local Authority without really assessing the housing needs of the whole town. It not quite as simple as having 70% of the space let to the private sector and 30% to social housing, the needs are likely to be more nuanced than that and perhaps the percentage is right but the makeup of the affordable element should be just that - housing

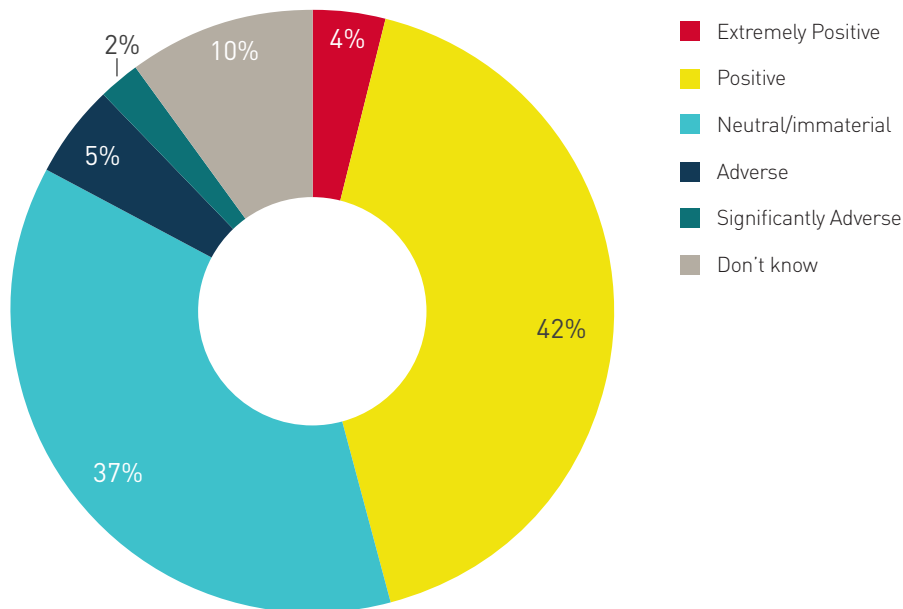
that is affordable to a range of people that work and live in our towns e.g. Those that work in the public sector and young professionals or apprentices rather than being purely social housing. This will help towns attract or retain high skilled businesses and workers in sufficient numbers.



# LEVELLING UP & REGENERATION BILL (LURB)

What impact do you think the LURB will have on the recovery and revitalisation of our towns, high streets, and shopping centres over the next five years?

## EXPECTED IMPACT OF THE LURB



Source: Lambert Smith Hampton & Revo 2023

Although the Levelling-up and Regeneration Bill (LURB) is undoubtedly far-reaching in its aims and scope, the extent to which its proposals will spur the much-needed recovery and revitalisation of our towns, high streets and shopping centres is still unclear.

This is partly explained by the fact that at the time of our survey the LURB was subject to extensive discussion and debate at the committee stage; resulting in over 10,000 minor and more substantive changes by the time the Bill entered the report stage in the House of Lords in May 2023. Some of the more substantive changes included:

- a power for Planning Appeals to be conducted remotely;
- a widening of the scope of what can be funded by the Infrastructure Levy (IL); and

- extending the ability of Councils to refuse to determine planning applications from a person if an earlier application in the local planning authority's area has not been built out, or is being "built out unreasonably slowly".

In response to the question whether the LURB will have a "positive" or "negative" impact on the recovery and revitalisation of our centres over the next five years:

- 46% expect it to be "positive" or "extremely positive";
- only 7% thought it would be "adverse" or "significantly adverse"; and
- over one-third (37%) think its impacts will be "immaterial", or were undecided (10%).

Interestingly, almost twice as many respondents from the private sector have a much more positive view of the Bill (54%), compared with the public sector (28%).

# LEVELLING UP & REGENERATION BILL

## Viewpoint



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Whilst the Bill places a heavy emphasis on the regeneration of brownfield land, there is no headline objective or strategy for supporting high streets, towns, and shopping centres. To some degree, there is an assumption within the Bill that our centres can be reinvigorated simply through allowing permanent outdoor seating, and allowing local authorities to fill vacant commercial property through high street rental auctions. Both initiatives are potentially beneficial, but on their own they will have limited effect in tackling the structural issue of decline.

Some of the responses to more detailed questions on specific provisions set out in the Bill shown on page 21 are also worth highlighting:

- The “repurposing” of Supplementary Planning Documents (SPDs) as **‘Supplementary Plans’** is one proposal that the majority (58%) of respondents think will have a positive

impact. While it is intended that these new plans will have the full weight of the Development Plan, we do question their ability to respond “quickly” to site or area-specific opportunities (as suggested by the DLUHC), as there will still remain a requirement to undergo public consultation, which can often lead to delay and legal challenge.

- Perhaps more controversially, the LURB proposes an overhauled policy basis in which new **‘National Development Management Policies’** (NDMPs) take primacy over local policies. It is not yet clear whether retail planning policy will fall within the remit of the NDMPs, but notably only 21% of our respondents think this will have a positive impact on our centres.
- The survey responses also demonstrated a similar level of scepticism towards the proposed **Infrastructure Levy** (IL). This

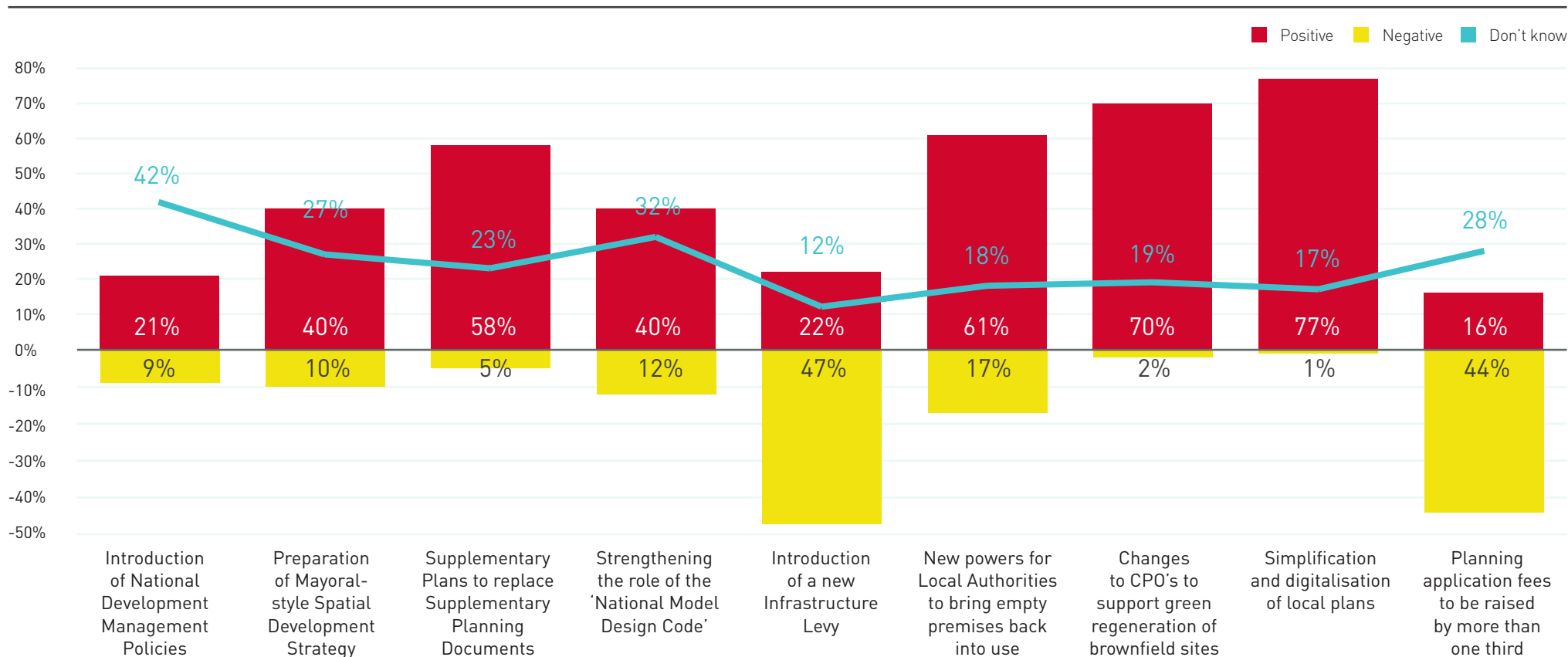
locally-set, mandatory charge to be levied on the final value of completed development will replace the existing system of developer contributions. In simple terms, the amount collected through the Levy will increase as development prices increase, or reduce as prices drop, meaning it should be more responsive to market conditions. However, only 22% of respondents to our survey currently think the IL will have a positive impact. There was also a discernible difference in opinion between the public and private sector; with public sector respondents more positive in their outlook - perhaps because the Levy creates opportunities for local authorities to invest receipts in a wider range of infrastructure, not least in affordable housing. There will hopefully be more clarity by the time of next year’s survey on the scope of the Levy following the Government’s consultation on the technical aspects.

By the time of our next research survey in early 2024 we should also, hopefully, have more clarity on the scope of the Bill, and its potential implications for the recovery and renaissance of our centres. It will be interesting to see whether and how the attitudes and responses from the public/private sector change over the next 12 months.



# SUPPORT FOR POLICY REFORMS

What impact will policy reforms and/or initiatives in the LURB have on the planning, development and regeneration of our towns, high streets, and shopping centres over the next five years?



Source: Lambert Smith Hampton & Revo 2023

# CRITICAL POLICY REFORM - COMMENTS

What one critical policy reform do you think is needed to support the planning, development and regeneration of our high streets, towns and shopping centres over the next 5 years?

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***“Simplification of the whole process and more financial support for Local Authority’s to resource planning departments properly.”***

***“Pause in Business Rates for vacant units for 6 months, as long as the funds go towards activating the space.”***

***“Pro-active Local Authority powers to CPO unused properties to promote appropriate new development.”***

***“Integration of public health considerations, in any format, into all new developments. Designed in at the start, rather than a bolt on afterthought.”***

2023 Survey Respondents

# LEADERSHIP & INVESTMENT



# WHO SHOULD LEAD THE RENAISSANCE?

Who do you think should lead the transformation and renaissance of our towns and high streets?



STAKEHOLDER	2023	2022
All parties	40%	41%
Local Government	17%	21%
Private/Public Sector Collaboration	13%	n/a
Regional Government	9%	6%
Combined Authorities	4%	n/a
National Government	4%	8%
Property Owners / Investors	4%	10%
Mayors	3%	0%
Town Centre Managers / BIDs	3%	4%
Local Communities	2%	4%
Local Enterprise Partnerships	1%	3%
Occupiers	1%	1%

Source: Lambert Smith Hampton & Revo 2023

The consistent message since we published our first research report in 2019 is that **ALL** town centre stakeholders have a critical role to play in the future transformation and renaissance of our towns and high streets.

Some two-fifths (40%) of respondents to this year's survey agreed that all parties should lead on town centre regeneration, very similar when compared with 41% in 2022. Of the remainder:

- 17% indicated that local authorities should take the lead;
- 13% called for greater public-private collaborations/partnerships; and

- 9% identified the potential for greater powers for Regional/ devolved Government.

What is clear is that no single body can, or necessarily should be solely responsible for town centre regeneration. Best practice shows that success is normally founded on the formation of strong **public-private partnerships** to ensure the right mix of expertise, resources, and finance; underpinned by wide-ranging stakeholder and community engagement; and focussed on a robust vision and deliverable regeneration/investment strategy.

# WHO WILL DELIVER THE RENAISSANCE

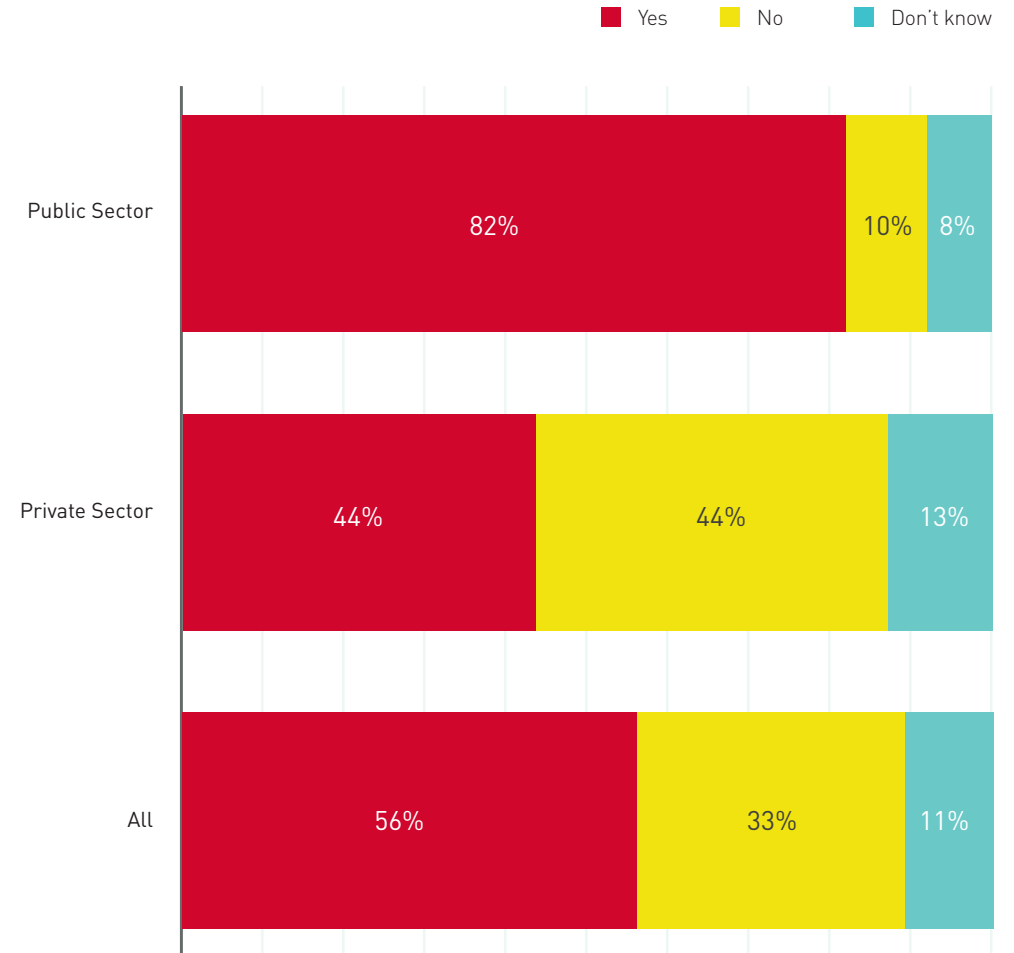
Do you or your company/organisation intend to plan, fund and/or develop schemes within town centres over the next five years?

Notwithstanding the impact of high inflation, rising interest rates and the energy crisis on the property sector and developments over the last 18 months, a higher proportion of respondents (56%) than in 2022 (40%) indicated their company/organisation still intended to fund and/or develop town centre projects over the next five years. This is the most positive response since the LSH/Revo research started in 2019.

As the figure shows, there are some interesting differences between the public and private sectors in their responses:

- 82% from the public sector indicated their organisations had development and/or investment plans, up from 76% in 2022; and
- 44% from the private sector have plans for investment and/or development, which is also higher than the previous year (30%); but
- the same proportion (44%) from the private sector also indicated they had no plans for investment and/or development over the next five years. This was significantly higher than for the public sector (10%).

## FUNDING INTENTIONS



Source: Lambert Smith Hampton & Revo 2023

# HOW WILL THE RENAISSANCE BE FUNDED?

How do you intend to fund key Regeneration & Development projects?

The importance of effective collaboration and partnership-working to help deliver a town centre renaissance is further underlined by the fact that, for the fourth year running, it remains the preferred funding model for most town centre regeneration projects. Identified by 42% of all respondents, compared with 36% in 2022, 38% in 2020 and 46% in 2019.

But there are significant variations between the public and private sector responses, reflecting the different funding sources that are available.

The public sector – and principally local authorities – are still viewed as being critical to funding and delivering town centre regeneration projects. One of the key reasons is local authorities have access to different funding sources and grants. These includes the Public Works Loan Board (PWLB), along with the suite of Government-backed capital funds and grants targeted at selected towns to help support the delivery of critical regeneration, place-making, cultural and infrastructure projects (including the Future High Streets Fund, Towns Fund, Levelling Up Fund and UK Shared Prosperity Fund).

	PRIVATE SECTOR	PUBLIC SECTOR	ALL
Joint ventures / partnerships	35%	54%	42%
Public Sector - Local Authority (part/whole) funding	15%	67%	35%
Town Deals Fund and/or Future High Street Fund	13%	50%	28%
Levelling Up Fund	13%	50%	27%
Grants	13%	43%	25%

Source: Lambert Smith Hampton & Revo 2023



# TOWN CENTRE INVESTMENT

## Viewpoint



STUART HARRIS  
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**Successful regeneration projects need long-term thinking along with collaboration between the public and private sectors where different forms of capital/grant funding can help ensure we deliver the right mix and balance of uses in the most sustainable way.**

Many recent regeneration projects have been funded by the public sector especially where a catalyst project is required to stimulate growth and create the conditions for private sector investment.

Up until relatively recently many Local Authorities have relied on the likes of the Public Loans Work Board (PWLB) to provide the lending for projects at much lower rates compared to other forms of borrowing. Following recent rises in inflation, PWLB rates have risen which has consequently made many projects unviable and forced some Local Authorities to pause or halt investment plans.

This means that both the public and private sectors are now having to be more

creative and collaborative in the way they look at funding regeneration, as well as measuring long term social impact.

One of the biggest challenges is that the returns required from both the public and private sectors differ, and are often measured in different ways. The public sector has often been able to look at investments over much longer periods of time and measure the wider economic and social value of its investments.

The private sector has often required measured returns over much shorter time frames; although we are seeing some changes to this approach especially around long-term social impact. Different solutions will be required to fund a commercial development, compared to a more cultural investment such as a new public park, library, or museum.

We are seeing more public and private partnerships where both collaborate to finance and manage developments. The amount of investment required from each party will depend on the levels of demand

for commercial and residential space in that location. In weaker places the public sector will need to 'pump prime' more development and investment. For example, the development could be de-risked by getting a public sector tenant to take space on an early phase of development, or it could use guarantees like income strips which allows investors to provide capital in exchange for a fixed income stream from a long term lease agreement.

In addition, or as an alternative, the public sector may be able to bid for grants and loans to help plug the viability gap.

There are a variety of grants and loans available to the public sector including the Towns Fund, Community Renewal Fund, Local Growth Fund, Heritage Lottery Fund, Levelling Up Fund and UK Shared Prosperity Fund, as well as other more specialised awards for arts and culture or business rates relief.

Another alternative is to create a co-investment fund where several schemes could be offered as a portfolio to spread

the risk and attract a broader range of institutional investors; or creating a partnership between different public sector bodies like the Local Authority and Homes England, along with a private sector developer and investor.

But, ultimately, a regeneration project must be able to demonstrate commercial viability and have strong social and sustainability credentials to attract long term private investment, or to allow the public sector to obtain long term financing.

# THE BIG FREEZE?

Have your investment and/or development plans been impacted by the recent changes in the economic and financial climate?

	PRIVATE SECTOR	PUBLIC SECTOR	ALL
Yes – plans withdrawn completely	3%	2%	3%
Yes – plans on hold until economy improves	20%	8%	16%
Yes – plans scaled back (but still going ahead as scheduled)	22%	42%	28%
No	40%	28%	36%
Don't know	15%	20%	17%

Source: Lambert Smith Hampton & Revo 2023

Over last 12-18 months, rising interest rates and construction costs, combined with the impact of other external factors, mean that the development costs of some critical town centre projects have increased significantly.

As a result, a number of these projects are either no longer viable, or have substantial funding gaps.

To try and understand the potential impact on investment and development decisions, our survey asked whether plans had been affected by the uncertain economic and financial climate.

36% of all respondents reported that their plans had not been impacted.

- 48% stated their plans had been impacted;
- 28% had “scaled back” their plans;
- 16% said they were “on hold”; and
- Positively, only a small proportion (3%) stated they had completely withdrawn their plans.

More public sector respondents (52%) reported an impact on their plans than the private sector (46%).

The positive takeaway from the responses is that the majority of the affected public sector projects are still going ahead as planned, albeit they have necessarily been scaled back in part due to the rise in project costs and the impact of economic/market forces.

# WHAT ASSET CLASS?

Which town centre asset classes are you actively seeking to invest in over the next five years?



ASSET CLASS	ALL	PRIVATE	PUBLIC
Private residential	26%	31%	18%
Co-working space	24%	15%	38%
High street retail	22%	22%	22%
Shopping centres	21%	26%	13%
Cultural / creative uses	21%	10%	40%
Residential (ALL)	21%	15%	31%
Retail	19%	22%	13%
Commercial Leisure	17%	19%	13%
Healthcare Facilities	15%	12%	20%
Residential – Build-to-rent / PRS	13%	16%	7%

Source: Lambert Smith Hampton & Revo 2023



**ENVIRONMENTAL,**  
**SOCIAL &**  
**GOVERNANCE**

# NET ZERO COMMITMENT

## Has your business/organisation committed to Net Zero?

According to the survey, the vast majority of public and private sector look at improving public transport networks as the key measure to support UK's pledge to Net Zero. There is still an unequivocal demand for electric vehicle infrastructure but the public sector is more focused on improving healthy and active travel,

i.e. cycling only areas and walkable neighbourhoods.

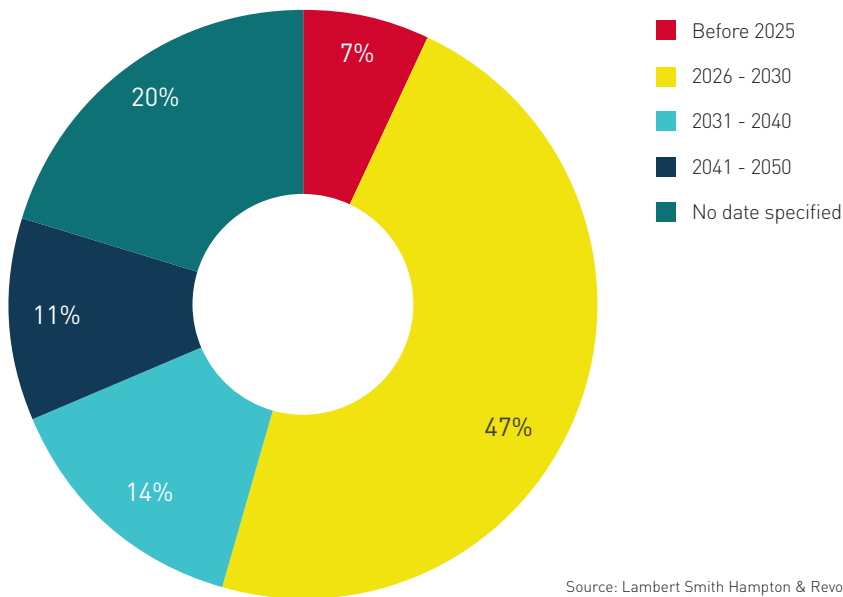
But 'green travel' is just half of the picture and when we look at the initiatives in the real estate, the private sector seems to be more focused on linking the opportunity to repurpose our town centre retail offering

to address climate change, specifically by looking at increasing renewable energy production, improving energy efficiency and revitalising town centres from within.

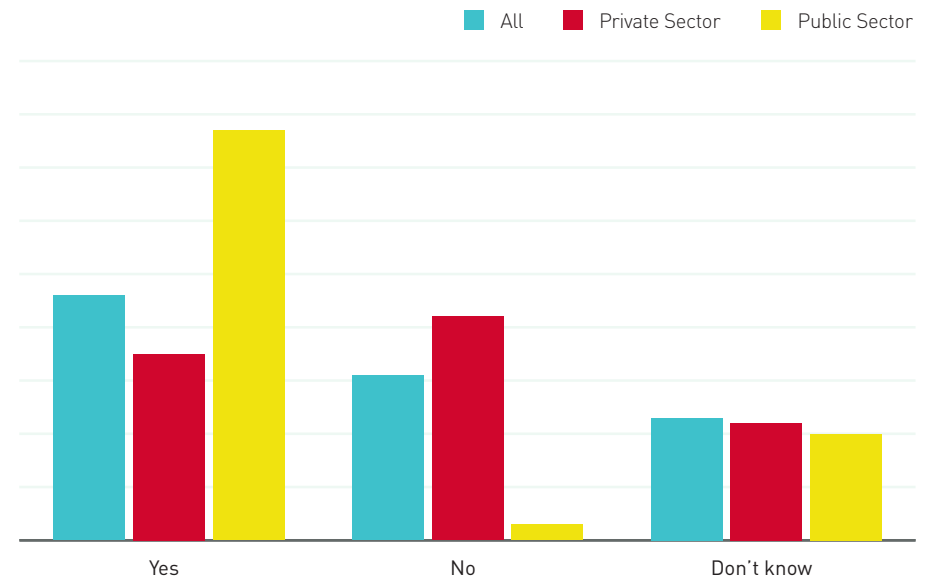
With two thirds of councils having now declared a climate emergency, it is not surprising to see that almost 77% of public

sector respondents have set targets to become zero carbon, the majority of which by 2030. However it is worrying to see that the private sector still lacks in confidence in committing to Net Zero targets, with only 35.4% of respondents with a clear target.

### NET ZERO TARGET DATES



### BUSINESS/ORGANISATIONAL COMMITMENT TO NET ZERO



# OFFSETTING

What percentage of your target is dependent on certified offsetting rather than a reduction strategy?

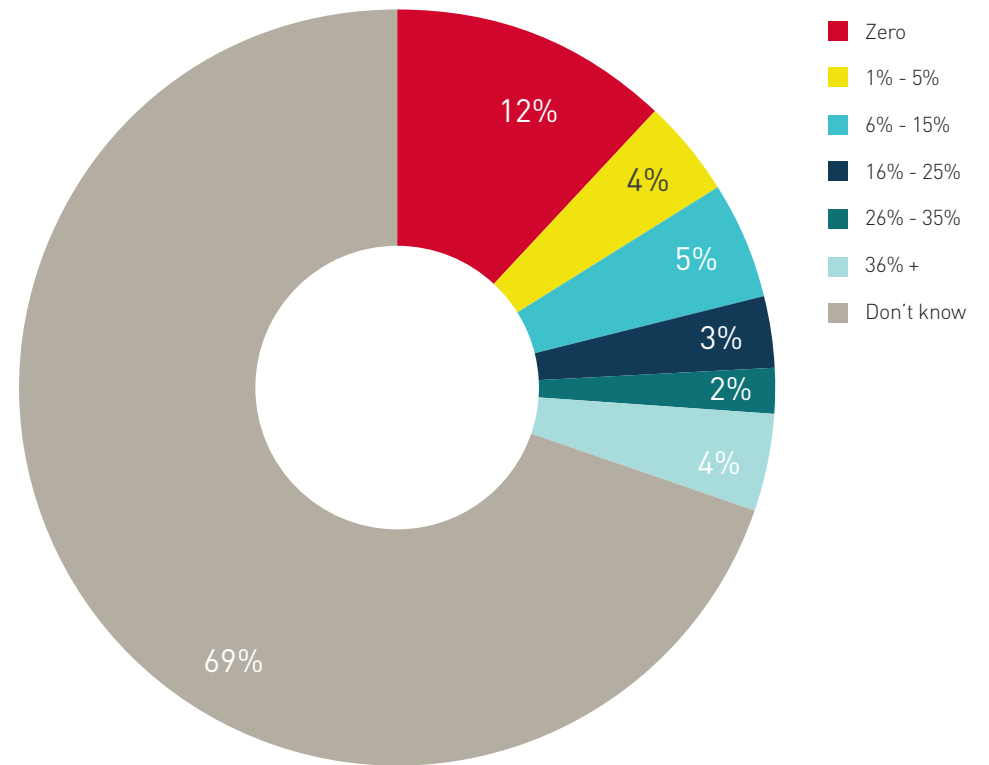
The survey showed lack of awareness in how these targets will be achieved, with almost 70% of respondents unaware about how much their Net Zero target is dependent on certified offsets. This is particularly relevant as this year we will

see the output of a cross-industry initiative to develop the UK's first Net Zero Carbon Buildings Standard to respond to the demand for a single, agreed methodology, particularly to address the question of allowance for carbon offsets.

# 69%

OF RESPONDENTS WERE UNAWARE ABOUT HOW MUCH THEIR NET ZERO TARGET IS DEPENDENT ON CERTIFIED OFFSET

## CERTIFIED OFFSETTING



Source: Lambert Smith Hampton & Revo 2023



# SOCIAL VALUE

On a scale of 1-10 (where 10 is 'very important' and 1 is 'not important at all'), how important is it to your organisation to deliver social value in the places you do business?

This year's survey shows an apparent fall in the importance being placed on social value. Potentially this was because we were more targeted in our question. Rather than just ask whether it was important, we asked who was doing **more than legal compliance**.

We don't think this result means social value is less important to real estate than it has been, quite the reverse, but it does indicate a lack of strategic intent to optimise delivery.

In that respect, we also asked who had integrated social value into business strategy. The most common answer from respondents was their business have no social value strategy. Overall, social value creation is more important to the public than the private sector.

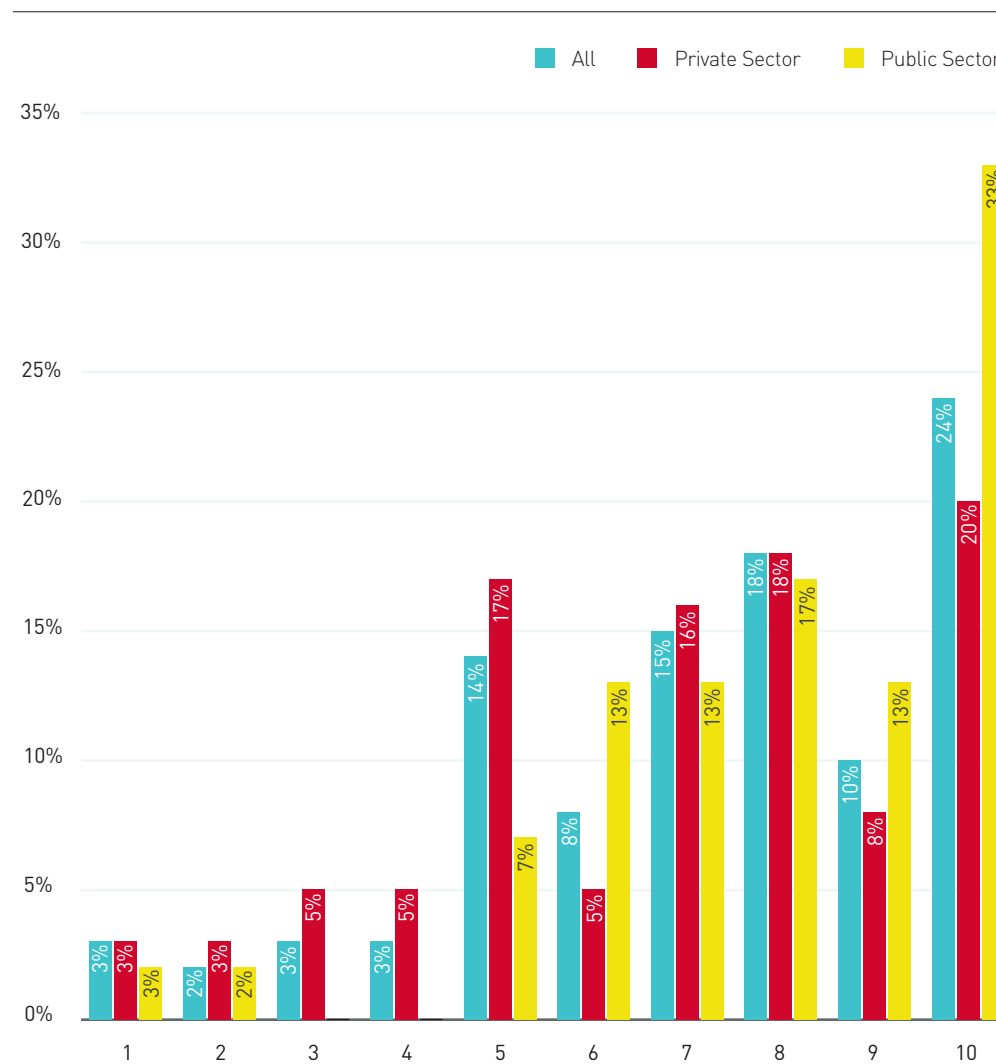
That's not necessarily surprising although real estate is intimately connected with people – we use it, see it, touch it– so it will always have an impact on society. The question is, will that be positive or negative?

Investors already assess the supply:demand dynamics for their investments and will undertake community engagement within their research. This good practice naturally transitions to best practice if it involves understanding local need based on community feedback, intentionally considering positive outcomes for both investor and community and tailoring product accordingly.

By blending healthcare, nurseries and civic uses alongside retail in our high streets we are investing in their future and in so doing we can deliberately aim to improve the health, education, safety and economic wellbeing of their underserved communities over the long term. **The industry is shifting from focussing solely on asset to asset and place.**

Whilst the economic returns aren't yet understood, the logic supports place-based impact investing at the heart of town centre renaissance.

IMPORTANCE OF DELIVERING SOCIAL VALUE



Source: Lambert Smith Hampton & Revo 2023

# SOCIAL VALUE POLICIES

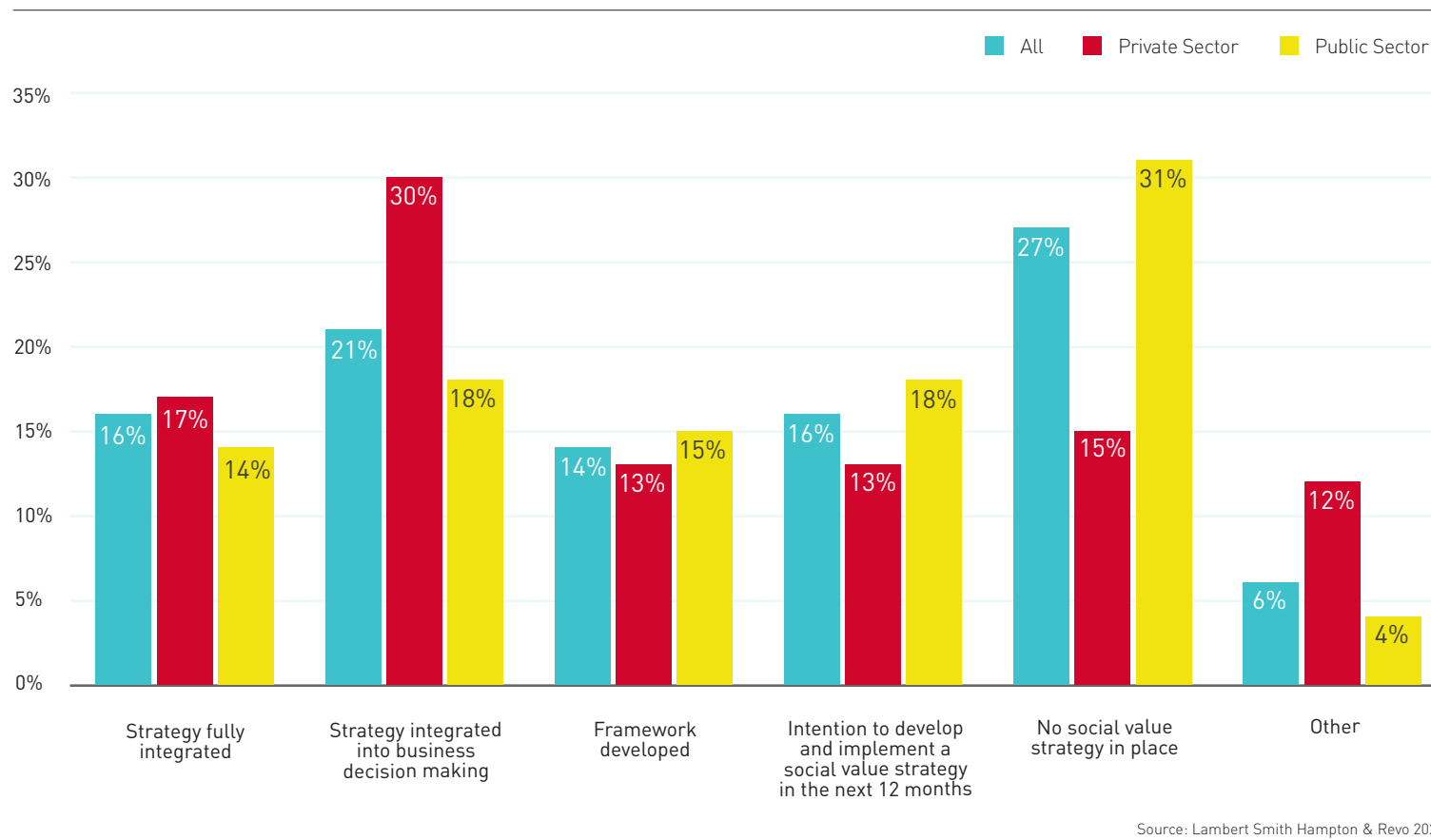
How developed is your social impact strategy?

37% indicated that it was either 'integrated' or 'fully integrated' into the decision-making process.

However, 27% of all respondents indicated there was no social value strategy in place. This was significantly higher for the private sector (31%) than for the public sector (15%).

In summary, public sector organisations are generally at a more advanced stage, with 47% either having 'integrated' or 'fully integrated' strategies, compared with 32% in the private sector.

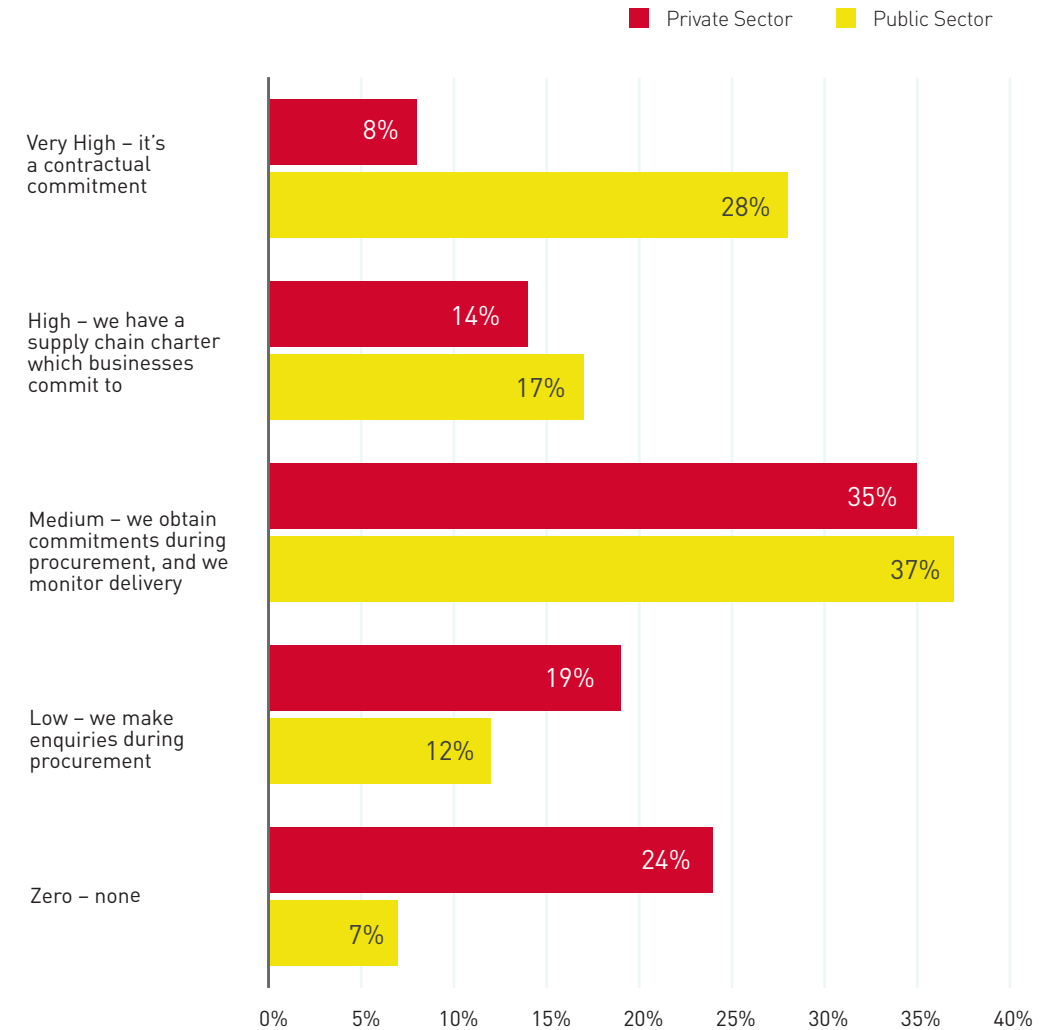
SOCIAL VALUE POLICY DEVELOPMENT



# SOCIAL VALUE IN THE SUPPLY CHAIN

What expectations do you place on your supply chain to deliver positive social value?

## SUPPLY CHAIN SOCIAL VALUE



Source: Lambert Smith Hampton & Revo 2023



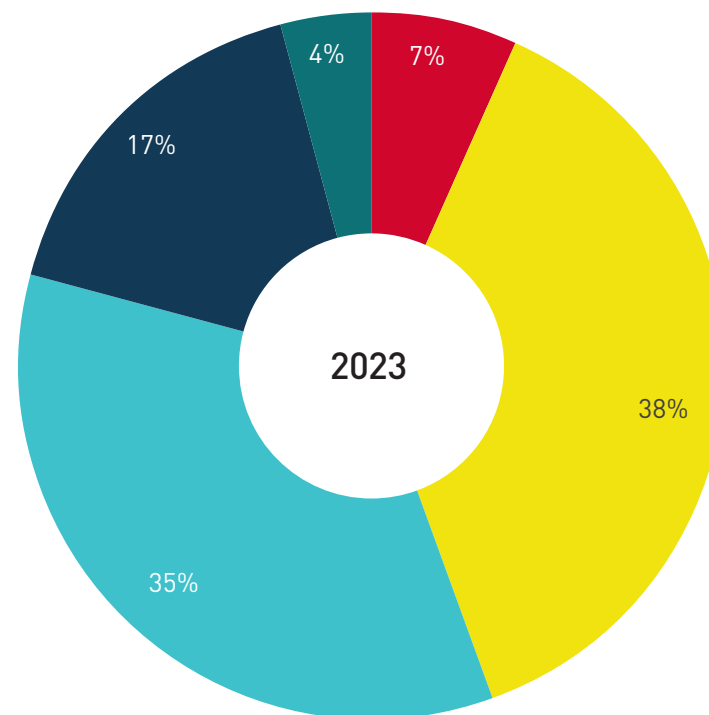
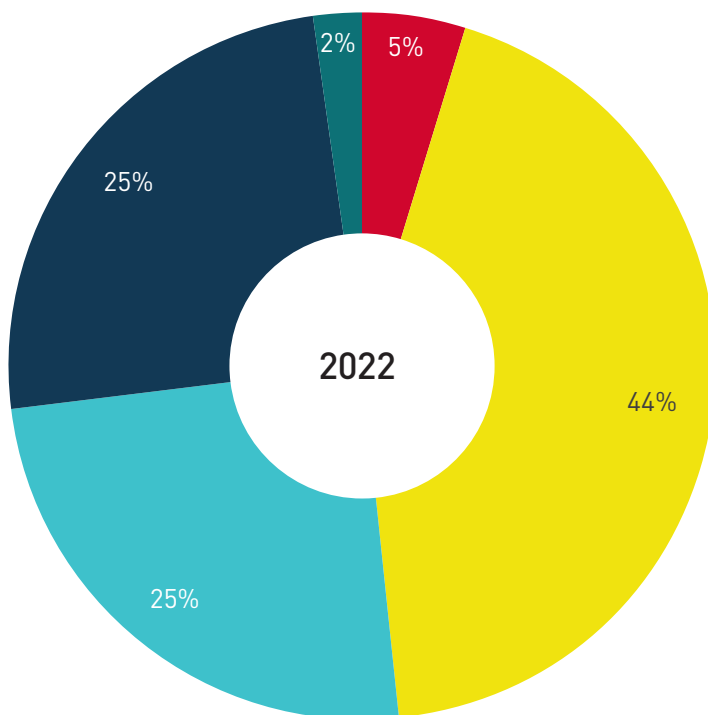
# LOOKING **AHEAD**



# OPTIMISM REMAINS STRONG

Thinking ahead to 2025, how do you feel about the futures of the towns and high streets you are currently operating in, or engaged with?

- Very Optimistic
- Optimistic
- About the same
- Pessimistic
- Very Pessimistic



Source: Lambert Smith Hampton & Revo 2023



# REASONS TO BE CHEERFUL?

## Viewpoint



DR STEVE NORRIS  
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### So what have we learnt?

Notwithstanding the impact of: long-term market, consumer and technological trends on the retail and leisure sectors; the pandemic; and the current cost-of-living crisis - it is definitely not all "doom and gloom" for our town centres.

I still honestly think that we are now entering into one of the most exciting and creative periods in their long and turbulent history.

What this research report has optimistically referred to as a **town centre renaissance**.

But don't just take my word for it.

Despite the economic and political headwinds, some 45% of respondents to this year's survey were either still "optimistic" or "very optimistic" about the future.

This is only down slightly from 49% at the start of 2022; and higher than the 36% in 2020 (although this was at the height of the pandemic).

And a smaller proportion in 2023 were "pessimistic" or "very pessimistic" (21% about the future compared with last year (27%).

What is clear is that our high streets, towns and shopping centres have a vital role to play in the country's economic recovery and growth; and the impact of the pandemic has shown us that they are valued for more than just their shops and services. Meaning, for the first time in a long time, retail is not the solution to the many issues and challenges our centres are facing.

Although we know there is no "one size fits all" approach to town centre regeneration, there are a mix of actions and interventions that, taken together, can help build back confidence, resilience and recovery.

The starting point for successful and sustainable town centre regeneration depends on the establishment of joined-up leadership and governance structures. Whether this involves setting up dedicated Town Boards, &/or aligning existing town centre place-making bodies will depend on local circumstances; but the **overriding objective** has to be the formation and development of strong and meaningful collaboration and partnership-working.

And communities and stakeholders need to be represented and involved in the decision-

making process from the outset. Where possible, communities should be part of originating ideas, and involved in the early setting of objectives and visions, rather than as an "after-thought". As the Government itself has stated:

*"If communities feel heard and are invested in the success of project(s), this should ultimately help develop a sense of pride and connectivity to place and community. And for some towns, the existing sense of pride and identity in their town can be a valuable resource for change". [1]*

Aligned with this is the need to develop robust evidence-based and deliverable regeneration and investment strategies that balance high quality visions and place-making initiatives, with critical commercial, environmental and social value objectives.

The best strategies will help inform the timing, funding and delivery of regeneration projects. And the "gold-standard" strategies will be those that are flexible enough to respond to dynamic consumer, economic and market trends.

As I say, there is no "one-size-fits-all"

approach or strategy, but some of the critical initiatives common to most places will include:

- Repurposing &/or replacing "old and tired" retail and office space with a more viable mix of uses, including a blend of civic, education, healthcare, flexible workspace, leisure and commercial.
- Providing the right mix of quality homes and affordable homes in the right locations, at the right time, that appeal to different socio-economic and age groupings. This will help to support more diverse and dynamic town centre economies.
- Creating beautiful, green and attractive places that are valued and loved by everyone.
- Promoting markets, events and festivals that appeal to local people, and, in some cases, help to attract a wider visitor and tourist audience.
- Building on the 10-15 minute "walkable neighbourhood concept", and planning for more active and sustainable travel patterns.
- Restoring civic and community pride in centres.

[1] MHCLG (2020) Towns Fund Guidance

# REASONS TO BE CHEERFUL?

## Viewpoint

The delivery of these and many other initiatives will not only require effective and meaningful collaboration, partnership-working and engagement from day one; it will also require significant investment of time, resources and funds from both the public and private sectors.

In terms of investment, we know that some centres and places have been lucky enough to benefit from the Government's series of capital-backed funds over the last four years, including the Future High Street Fund, Towns Fund, Levelling Up Fund and UK Shared Prosperity Fund. But, as we head towards an election in 2024, hopefully lessons can be learnt on all political sides, and the more traditional approaches to funding can be reviewed and improved.

For starters, funds need to be more transparent, more joined-up, and allocated to areas based on robust evidence of need, rather than via a costly competitive bidding process and/or political agendas.

There is also a need for more long-term, patient regeneration funds that are not fixed by political timetables. As we all know, regeneration does not happen overnight, it

can often take generations. Kings Cross is a prime example of this; and it also happens to be the Government's exemplar regeneration model for levelling up that it is seeking to replicate elsewhere across the UK.

This may be where Homes England has a critical role to play, working in partnerships with the public and private sectors to help drive regeneration and housing delivery, and create high-quality homes and thriving places.

Hopefully devolution and the decentralisation of decision-making powers, resources and funds to local government(s) as part of the Government's levelling up agenda will also go some way to creating the conditions for more strategic and sustainable funding decisions that will help maximise economic, social and environmental benefits for all places.

It will be interesting to see how Homes England's role and the devolution agenda has evolved by the time of our next research survey in 2024.

In conclusion, successful future centres will be those that help to promote health and well-being, tackle deprivation and the

climate crisis, and provide attractive, viable and entertaining places where people of all ages want to live, work, shop, study, play and socialise.

Above all, they should be vibrant, fun and safe places .... restored once again as the **"beating hearts and souls of our communities"**.



**Lambert  
Smith  
Hampton**

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