

“THE MOST EXCITING DEVELOPMENTS
APPEAR FROM THOSE WHO ARE
WILLING TO ADAPT TO MIXED-USE”

What should be done with the increasing amount of empty retail space around the world? Innovative developers are adopting a whole-place perspective that includes social spaces and leisure offerings to redefine the town centre

R E P U R P O S I N G R E D U N D A N T R E T A I L

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There is too much retail space in the world. The USA has twice as much square footage in shopping centres per capita than the rest of the world, and six times as much as countries in Europe. More than a third of malls in the USA are expected to close and Savills Research shows that the UK may be ‘over spaced’ for retail by as much as 40%.

The challenge of too much retail space in the USA and UK is increasingly relevant to other countries. Australia has the third highest shop density per capita and is seeing an increase in vacancy rates that mirrors the rise in internet retailing. Yet, at 11% of retail sales, e-commerce in Australia lags behind China (27% of retail sales), South Korea (24%), the UK (19%) and the USA (16%), which suggests that the issue of redundant retail space is likely to get worse and could become an issue in any location where the internet is taking an increasing share of consumer spend.

THE IMPACT OF COVID-19

The impact on retail space following the Covid-19 pandemic is likely to result in an acceleration in the trends across the globe that many markets have been witnessing since the global financial crisis. These are more consumer appetite for community and convenience-based retail, further increases in e-commerce, and a higher proportion of discretionary spend on leisure experiences rather than superfluous purchases. These will have a knock-on effect to the way we shop and the amount of retail space we need.

The good news is there are many ways we can redress the balance. For example, repurposing can be effective in turning



Far left: The new suburb CityCenter, Englewood, USA. Left and main image: A former department store in Sheffield, UK, has been revitalised. Uses include food hall Kommune

around decline and increasing consumer footfall. Converting space into an engaging leisure offer is one option, rebuilding malls as residential or office space (or both) is another.

The most successful projects, however, are those that emphasise social value, taking a whole-place perspective that includes social spaces, ‘blended living’ and offer convenience for people keen to minimise travel. Although this approach can be at odds with the notion of single property asset classes, the most exciting developments appear from those landlords who are most willing to adapt their financial and asset models to mixed-use, while embracing long-term sustainable development, which can reap financial rewards too.

INVESTORS TAKE NOTE

An increase in the number of repurposing projects shows that the problems and solutions to dealing with redundant retail space is becoming a global issue. In the UK, prime shopping centre yields have risen by 125bps in the last two years, and over the last 12 months, average net effective rents have fallen by 27%. As such, 2020 is likely to be the year we see retail pricing bottom out.

“We are seeing an increasing amount of global investors and developers focusing on UK retail assets for this reason, a trend that will only increase over time,” says Mark Garmon-Jones, Head of Shopping Centre Investment and Repurposing, Savills. “There are lessons to be learnt from around the world on what good, mixed-use regeneration looks like.”

One example is that of GGP, the second largest mall owner in the US (bought by Brookfield in 2018), which has a track record of redeveloping struggling retail malls into mixed-use town centres. It has reported higher sales per square foot as a result. In the case of Willingboro, New Jersey, homes constructed as part of the town centre renewal have sold for twice the town’s average house price. ■

RESTORED AND REVITALISED

UNITED KINGDOM

Revitalising a landmark building to regenerate marginalised retail space
Sheffield’s Grade II listed Co-op department store was once at the centre of the city’s retail offer. After falling into decline, the 80,000 sq ft (7,430 sq m) building closed its doors in 2008. A decade later, following a £3m funding deal between the city council and regeneration company U+I, this once dilapidated but iconic building has a new lease of life.

At the heart of the developer’s ethos was the need to provide a catalyst for regeneration in the wider locality. Food hall Kommune attracts 7,000 visitors per week, while the Kollider Incubator, powered by Barclays Eagle Lab, is a flexible workspace designed to help businesses scale up quickly. New operators have since moved into the area, and neighbouring buildings are now being refurbished for a variety of uses.

AUSTRALIA

Repositioning a mall as a mixed-use scheme

Mall owners such as Vicinity and Scentre in Australia are converting their malls to offer more than just shopping. They are incorporating office, hotel, apartments, transport hubs and social services such as childcare, senior care, medical, tertiary education and government services, as part of an ‘all of life lifestyle destination’. Scentre Group, for example, is investing A\$500m in the redevelopment of Melbourne’s Westfield Doncaster, incorporating 43,000 sq m of additional retail, 18,000 sq m of office space plus a health and wellness offering. Meanwhile, Vicinity is enhancing The Glen, another Melbourne shopping centre, in a joint

venture with Golden Age Group to fuse living, working, dining and shopping experiences in a development project worth A\$500m. This includes creating 13,500 sq m of additional mall space, an enhanced leisure offer, 500 homes and offices, and a 4,000 sq m rooftop public realm project called Garden in the Sky.

UNITED STATES

Rebuilding a large shopping mall into a new town centre

Denver, Colorado has seen the number of malls in the city reduce by 50% since 2005. One of those, the failed Cinderella Mall, has successfully been turned into the suburb CityCenter Englewood, the outcome of a long-term strategic urban renewal development. It now includes a city hall, 44,600 sq m of office and retail space, 440 apartments, medical centres, education facilities and a light-rail station. The new downtown has been a catalyst for growth and supports a local workforce of more than 25,000 people.

The USA is leading the way with repurposing dead retail space. More than 200 malls across the USA are being retrofitted or redeveloped, including into hospital or university campuses. Yet it is the conversion to large-scale strategic mixed-use sites that provides greatest insight into what the future may look like. For developers and local government it is an opportunity to rewrite the rule book on developing town centres. Several of these large mixed-use schemes are into their second decade.