Tackling High Street Empty Shops Project First Report

By The Vacant Shops Academy for Cheltenham BID and Cheltenham Borough Council

Contents

Executive Summary

The Vacant Shops Academy was commissioned jointly by Cheltenham BID and Cheltenham Borough Council to run its 'audit, engage, encourage, promote' approach to tackling high street empty shops issues as a health check on a number of streets in the town centre.

This was in the context of conversation about post COVID-19 recovery and the ongoing national issues around competition from online shopping and out of town retail.

The initial audit identified 28 units as visibly vacant on The Promenade, High Street, The Strand and Cambray Place – that's 13.5% of the total 200 units in those locations. One additional unit became available during this phase of the project.

But the 'engage' phase – connecting with agents for the vacant units to establish their backstory and current status - established that two thirds of the units that had been vacant earlier in the year are now either let or have would-be tenants negotiating agreements with their landlord.

This report summarises and analyses the data, presents a narrative on challenges facing the town centre focusing on the in-scope locations and specific units, and recommends a series of next steps to continue to strengthen the viability and vitality of Cheltenham town centre.

NB – the Initial Data Report v4 (IDRv4) report contains commercially confidential information so will not be made public but is available for the commissioners of this project. A summary is included at Appendix 1.

Methodology

The following in-scope streets are the subject of a separate commentary in the 'Locations' section of this report:

- Promenade
- High Street
- The Strand
- Cambray Place

The brief was to run the first two elements of The Vacant Shops Academy 'audit, engage, encourage, promote' as a 'health check' on these key town centre streets. There was also a visual review of Montpellier and the West End of the High Street.

This involved:

+ 'audit' – walk-see the in-scope streets (summer 2022) and identify units that appear vacant, and present this as a comparator with the supplied GOAD data from December 2021.

+ 'engage' – connect with agents for the properties identified as vacant to understand the status in five categories:

- Let
- Under offer / at heads of terms / in refit
- In 'meanwhile use'
- A development /refurbishment site
- Empty and available

The audit sought to understand the backstory of each vacant unit, and to collect lettings details. Units with no visible or searchable agent involved were listed separately. We also took the opportunity to ask the agents for feedback on what they see as barriers to letting, both for individual units and the town centre as a whole. These are reflected in the IDRv4 and summarised at Appendix 1.

+ 'encourage' and 'promote' – are both elements that the commission describes as those that the place will work on going forward with mentoring support from The Vacant Shops Academy, but as opportunities arose and as an illustration of the methodology this has been progressed in the following instances:

- Meeting with a local artist who has experience of running an arts and crafts pop-up shop collective in another town and is keen to build on that in Cheltenham;
- Connecting with a local organisation keen to support establishment of a community 'meanwhile use' venture
- Connecting and sharing lettings details on still vacant units with a number of would-be occupiers and agents with local requirement lists that include Cheltenham.

+ The Vacant Shops Academy offer includes ongoing mentoring support for the project partners to the anniversary of the commission.

Report Findings

'Audit'

The 'audit' phase established the following data as at 15/10/2022 for the in-scope streets.

	No of units	Goad Vacants / %	TVSA Vacants / %
• Promenade	90	13	12 / 13.3%
• High Street	54	4	6 / 9.3%
• The Strand	45 (now 47)	7	7 / 14.9%
• Cambray Place	9	3	3 / 33.3%
• **Total**	**198 (now 200)**	**27 / 13.6%**	**28 / 13.5%**

Breaking the 28 into 6 categories as follows: (15/10/22)

- Let – **9**
- in refit by an incoming occupier / at Heads of Terms / under offer – **9 (1 named, 5 type given, 3 no detail)**
- in 'meanwhile use' - **0**
- a refurb or development site - **0**
- vacant, empty & available – **4**
- no update as at 21/09/2022 - **6**

16 different lettings agencies were involved, in some cases jointly instructed on a property. Six further units had no visible or searchable agent involvement.

Data gathered by Cheltenham BID on the remaining streets in its area identifies 11 further vacant units of which three are listed as under offer. The total number of ground floor on-street units in the BID area is 425.

Additional insight

Although the evidence of the audit is that Cheltenham has strong levels of interest in its vacant units, this report can offer a number of additional insights to help guide future work on this issue.

What's missing…?

National conversation around the future of the highstreet has added a number of uses to what might be thought of as its traditional, typical occupiers in retail, hospitality, services. These include leisure, arts and crafts, culture and creative, community, education, health and wellbeing. Plus residential and office, though these are often thought of primarily as prospects for un- or under-used upper floors. It is argued that adding in these uses by encouraging their occupation of vacant units improves the mix and can enhance the attractiveness of a place, bring in new visitors and customers, age or background profiles and / or extend dwell time. For these reasons it's recommended that Cheltenham considers these use types when supporting agents and landlords at the 'encourage' phase going forward.

Who left…?

The 'audit, engage' work identified a number of the businesses that left the units that were listed as vacants. These are predominantly national brands which, for a variety of reasons left a number if not all of their high street locations, not specifically those in Cheltenham.

What's new…?

In a developing situation, the data on incoming occupiers is less well-established. But two things look to be emerging. Recent new occupiers in The Promenade are all national retail brands, while those in the High Street / Strand are more likely to be food and beverage, and the majority of them have a 'takeaway' focus.

'Engage'

Agent feedback divides into two types, unit specific and on the wider town centre.

This is covered in more detail in IDRv4 but the following is a digest to illustrate some of the factors agents believe are impacting on their ability to let vacant units and the speed at which this is done.

<u>Unit-specific</u>

- *"One very significant barrier to letting the property is **business rates**, indeed, this is why the previous occupier vacated."*
- *"The **configuration** was tough and obviously coincided with COVID and other market pressures e.g., high **business rates** and **rental levels**."*
- *"Previous issues due to high **business rates** attached to this unit."*

Feedback that is specific to The Strand has been drafted in the 'Location' section.

<u>Town-wide</u>

- *"This issue – **disrepair of retail buildings** – is, in my view, by far the biggest barrier to re-letting shops today, across the country. Where it is large property companies or pension funds, they obviously have the money, but it can be difficult to justify spending tens or even hundreds of thousands in order to generate a rental return which is almost certainly much much lower than previous; and where it is smaller landlords, they often may not have the money to carry out the works."*
- ***"Business rates** - remain too high for many potential occupiers, a national issue for much of the retail sector of course."*
- ***"E commerce / Taxation** – not a level playing field. Retailers with shops struggle to compete with online retailers, particularly some of the large companies who pay little or no UK taxes."*
- ***"Planning / Listed Building Consent** – often too slow a process for potential occupiers."*

- ***"Parking** – customers have to pay to park in town but can park free at out-of-town retail parks – more short-term free parking in town would encourage more shoppers to spend in town."*

Locations

Promenade – With a number of new openings in 2022 and more in the pipeline, the previously noticeable vacancy challenge on The Promenade is diminishing to the point at which its reputation as a go-to location for national retail brands is restored. Feedback from agents with brand retailer requirement lists is that The Promenade remains a target location, and it is expected that – unless we see another dramatic national economic shock – it will remain so, and there will be interest if units become vacant there going forward. The remaining vacants there at 'audit' have particular unit-specific challenges.

High Street – Here too, vacancy is reducing with a number of national brands taking on units and others in the pipeline, including a would-be occupier for a unit that only became vacant there during the summer. A question for the 'town centre partnership' to follow is this street's role going forward, and where the balance lies between retail, hospitality and other uses.

The Strand - A combination of observation, comparison, analysis of the existing business mix and the presence of a number of long-time vacant units and brands that may not have long term plans to stay, plus agent feedback, suggests this is a street worthy of focus by the 'town centre partnership'. There is a sense that a proportion of the footfall on The Strand is "passing through" en route to other parts of the town centre rather than heading there as a destination, and this is a status that ought to be adjusted in order to support its existing businesses and help attract new occupiers.

The wider conversation developed in 'Encourage' about exploring arts & crafts, creative and culture, community, education and health & wellbeing uses might be part of the solution for this location.

Agent feedback included the following:

- *"There has been a lot of work to the public realm outside the space which has been helpful, and it benefits from adjacency to John Lewis. That said it is clear the retail pitch finishes at John Lewis and from New Look onwards seems to die off."*
- *"Public realm around the unit is poor and footfall weak here."*
- *"Issues have been occupiers believe footfall falls off here / weaker pitch."*
- *"Condition of the streets - we are not marketing any properties on The Strand at present but much of it along with the prime High Street is in desperate need of attention, i.e., the state of the pavements, brick paving, street furniture, signage, etc. I know that… funds are limited, but the streetscape and public realm is as much as an issue as the state of some of the vacant units in my view (although some landlords, particularly remote ones, are obviously neglecting their buildings)."*

It is important from an overview perspective that a town centre is able to serve all its population demographics so having a street or area that focuses on value retail can be part of that.

That said there are potential issues here that the 'town centre partnership' can help address in order to strengthen this street's look and offer going forward including working with agents and landlords to progress the re-letting of its long-time vacant units, checking in on the brands there that are known from national experience to agree short term deals and move to other locations within a town as opportunities arise, explore support options for the new independent and hospitality businesses there to reduce turnover rate of those units, addressing concerns over the public realm and street scene quality.

As the street is already pedestrianised it is a location that could be one to take on an extra share of the town centre's outside seating offer going forward, and this is an option for the 'town centre partnership' to bear in mind in the conversation about future uses of the currently vacant and any that become so.

Cambray Place – with one of the vacant units in the original 'audit' let and a second 'under offer', the potential challenge here is diminished, and this becomes a location over which the 'town centre partnership' holds a watching brief.

Montpellier (not covered by GOAD) – an area that has a strong retail and hospitality mix with both national brands and independents represented. Experience, observation and agent feedback suggest that this is a popular location with a number of businesses saying it's a target location and they'll await opportunities which suggests that there'll be a waiting list for units that become vacant. The presence of a number of short-term let / pop up shop ventures there also indicates that landlords are proactive when vacancy arises, so again a location over which the 'town centre partnership' might hold a watching brief.

'Encourage'

Despite the significant turnaround from 27 visibly vacant units in the Spring to only a handful remaining empty and available at Autumn 'audit', there is always scope for the place to play a part in tackling vacancy going forward, especially keeping in mind the ongoing national challenges facing the highstreet to which the current cost of living crisis and energy costs are said to be added risks.

For Cheltenham this can focus on:

- Working with agents and landlords to tackle the barriers to the target vacants being let.
- Leading the conversation about adding to the mix by encouraging and potentially supporting alternative uses to take up space.
- Identifying resources and commissioning the upper floors 'audit' and developing where possible support schemes to help bring un- and under-used space on those floors into productive use.
- Initiating conversations with council planning and business rates colleagues to ensure – within the boundaries of resources and regulations – that the planning, advertising consent and business rates regimes are all as supportive as possible.
- Developing a 'meanwhile… use strategy and building on the BID's window / hoarding dressing initiative so that potentially long-term vacant units are either brought back into use on a short-term basis or at least made to look the best they can be while the search for a permanent letting continues.

'Promote'

This is a crucial element of the tackling empty shops process with two main targets: residents and visitors (so that they are aware of new openings) and property directors, agents and business owners who would be valuable additions to the town centre mix (so that they are alerted to opportunities as they arise).

The promotional work can have a number of outputs: supporting existing businesses to be proactive on advertising, marketing including social media; highlighting new openings as they occur and promoting the opportunities that exist. We have shared good practice examples of this including Peterhead, Wakefield.

Report Recommendations

- Set up a stakeholder group – '**town centre partnership**' - involving agents, landlords, businesses, community, councils and BID.
- Establish a **regular walk-see** to identify street scene and other potential barriers to tackling empty shops issues, and recommend action.
- BID / Council to run an ongoing '**audit' and 'engage**' process with agents, '**encourage**' re-letting of target vacant units, and '**promote**' success and opportunities.
- The place to support agents and landlords to tackle barriers to let for the list of **target units** identified in the 'audit, engage' phase and listed in the Initial Data Report v4 (IDRv4) and initiate a specific piece of work to prepare the town centre for potential future **financial sector closures**.
- Run a matching piece of work on the **non-scope streets** units so you have comparative data.
- Audit all **upper floors** in the town centre footprint to reduce waste of space and, by facilitating and, where possible and helpful, supporting occupation so as to increase the potential customer numbers for town centre businesses.
- Explore with relevant agencies, organisations and individuals the appetite for strengthening the presence of **alternative uses** to Cheltenham town centre including arts & crafts, culture and creative, community, education, health & wellbeing.
- Run a **consultation** project which repeats every two years with businesses and the community on 'what's missing' and issues affecting visitor numbers / dwell time.
- Consider a 'neighbourhood centres' approach on **West End / Lower High Street**.

Town Centre Partnership

Fundamental to successful high street tackling empty shops projects is that all key stakeholders i.e. agents, landlords, businesses, community, council and BID where there is one, are working together. To that end it is a priority recommendation of this report that a 'town team' or 'town centre partnership' is created to oversee work on this issue going forward.

Membership of and protocol for this partnership can be the subject of a further separate note but the essence is to have an open, inclusive group but with a core team (to maintain consistency of approach) that incudes local agents, local landlords, representatives of your communities and key business types e.g. retail, hospitality, services (both independent and national brand) along with officer and member representatives from the council and the BID.

This partnership could do three things:

1. Meet to keep progress on empty shops issues under review and moving in a positive direction.
2. Lead a **regular walk-see** of the town centre to identify and recommend action on street scene and other issues that impact on your success in tackling empty shops issues.
3. Lead the conversation about the potential for **alternative uses** to add to the current retail, hospitality, services and leisure mix.

Ongoing ‘audit, engage’ encourage, promote’

To maintain the contacts and progress started by introducing this approach in Cheltenham town centre, you’re advised to agree that one or both lead organisations maintain the workstream i.e., continue to audit vacant units, engage with agents and landlords, focus effort on tackling target empty units and promote new openings and opportunities.

This should include running the ‘audit, engage’ phases on the remaining **non-scope streets** in the town centre so that you have comparative data for them all.

Where there are units with no visible or searchable agent involved, the project team is advised to connect with local agents in case they have insight on ownership / status etc and then connect with the landlord to try to encourage them to initiate a lettings process.

Target Units

The audit report lists a number of existing target units that were empty and available at the time of ‘audit’, and may, due to their circumstances, remain so for an extended period. It’s recommended that the ‘town centre partnership’ support agents and landlords in tackling the barriers to these units being let.

Potential options to explore include:

- the place working on the ‘encourage, promote’ elements of the approach;
- initiating funded projects similar to those other councils have trialled (see Appendix 2) including grants to support the re-purposing of buildings, especially upper floors, and making use of business rates relief options;
- making adjustments as appropriate and as budgets allow to the street scene and operating environment;
- developing a ‘meanwhile use’ project to get challenging units back into use and give ‘target’ occupiers a start in high street locations, or at least building on the existing BID initiative to improve the look of the hoardings or windows of vacant units;
- encouraging landlords of vacant units where there is no visible letting agency involvement to start that process, and exploring with local agents whether they can assist in this. It’s possible a route to progress on this might be potential change of ownership;
- the Council also has a regulatory role which can be applied to empty shops issues, although it is advised that the range of powers are limited both in number and effectiveness, are resource heavy to action and can take a lengthy period to have any impact. The government has been consulting on an additional power in this toolkit – high street rental auctions – but at time of writing this is progressing slowly due to its complexity and other priorities in the sponsoring department.

It is further recommended – given the national trend for **financial sector closures** – that Cheltenham runs an additional piece of work to map its existing bank and building society occupants, endeavours to connect with their HQs about plans for the town, and prepares a strategy for supporting the re-letting of a bank or building society unit should it become empty. This is because (a) there is a current and increasing closure programme, (b) some banks leave with term still left in their lease and look to assign the remainder (Cheltenham already has such an example). This is a known challenging outcome to achieve so that units often remain empty for an extended period, and (c) ex-retail bank units are often heritage buildings and in any case because of layout, formatting and facilities and / or the typically higher rents paid, can be difficult to re-purpose and re-let.

NB - Some of the narrative on the target units is commercially confidential and so is not included in this report but is being shared with the lead contacts of the project's commissioning organisations.

Upper floors and other under used spaces

It is clear from observation and feedback from agents that un- and under-used upper floors are a barrier in a number of cases to re-letting of ground floor units. Town centre-wide, they also represent a waste of space that could be valuably used by businesses and organisations to provide additional space e.g. for residential, business, community uses & more, with the positive impact that would have on town centre footfall. There are two recommendations to help tackle this issue:

As budget allows to commission a full audit of upper floors in the town centre footprint to cover both vacant units and those where the ground floor is occupied, and to use the resulting data to develop a re-use strategy. This might involve further splitting off of upper floors where separate access exists or can be created. Feedback suggests that one or two landlords are addressing this issue themselves. It may be that public sector support for this process would help. There are examples of councils doing so via grant-funded interventions e.g., South Kesteven, which we share in Appendix 2.

Consultation

Institute a regular consultation process with town centre businesses and residents and visitors to identify what business and organisation types are missing or in the town centre in too few numbers, and any issues that reduce willingness to visit the town centre or diminish dwell time. This will provide valuable insights to drive the 'encourage' phase of the approach to tackling empty shops issues, and guide action on issues like street scene.

Lower High Street / West End

This area is clearly a different model of street to those in the core town centre footprint with more of a business and resident mix and a different type of businesses occupying its units. It is not covered by the GOAD map regime. This street would benefit from a 'neighbourhood centres' review to engage with residents and businesses about its purpose and role and issues and future. This can be the subject of a more detailed commentary.

Iain Nicholson

The Vacant Shops Academy

November 2022 and Revised February 2023

Appendices

1. Initial Data Report v4 summary extracts
2. Council interventions against barriers to re-letting empty shops (updated February 2023)

Appendix 1

<u>Summary of IDRv4</u>

- This Initial Data Report v4 presents vacancy numbers for target streets:
  - ➢ From GOAD maps December 2021
  - ➢ The Vacant Shops Academy walk-see in June and July 2022*

…and adds agent and other insights.

*There will have been further changes since, and these will be picked up in future visits and /or in engagement with agents.

The property pages in this Initial Data Report have been updated (to November 2022) based on insights from their agents, 'local knowledge' details shared by the BID, and published deal notices.

*Some of the data is therefore **<u>commercially confidential and so not for publication</u>** beyond the lead contacts of the project's commissioning organisations. With this in mind I have anonymised agent comments but will provide a separate list of those involved in this 'engage' phase.*

	No of units	Goad Vacants / %	TVSA Vacants / %
• Promenade	90	13	12 / 13.3%
• High Street	54	4	6 / 9.3%
• The Strand	45 (now 47)	7	7 / 14.9%
• Cambray Place	9	3	3 / 33.3%
• **Total (non-Arcade)**	**198 (now 200)**	**27 / 13.6%**	**28 / 13.5%**

Breaking the '27 + 1' (adding 185-187 High St) into 6 categories as follows:

- Let – **5 to 9**
- in refit by an incoming occupier / at Heads of Terms / under offer – **10 (4 named, 4 type given, 2 no detail) to 9 (1 named, 5 type given, 3 no detail)**
- in 'meanwhile… use' - **0**
- a refurb or development site - **0**
- vacant, empty & available – **4**
- no update as at 21/09/2022 - **6**

Agents Narrative

- *"One very significant barrier to letting the property is business rates, indeed, this is why the previous occupier vacated."*
- *"There has been a lot of work to the public realm outside the space which has been helpful, and it benefits from adjacency to John Lewis. That said it is clear the retail pitch finishes at John Lewis and from New Look onwards seems to die off."*
- *"This issue – disrepair of retail buildings – is, in my view, by far the biggest barrier to reletting shops today, across the country. Where it is large property companies or pension funds, they obviously have the money, but it can be difficult to justify spending tens or even hundreds of thousands in order to generate a rental return which is almost certainly much much lower than previous; and where it is smaller landlords, they often may not have the money to carry out the works."*

Agent with multiple properties:

"In terms of barriers to letting, I would comment as follows:

- *Business rates - remain too high for many potential occupiers, a national issue for much of the retail sector of course.*
- *E commerce / Taxation – not a level playing field. Retailers with shops struggle to compete with online retailers, particularly some of the large companies who pay little or no UK taxes.*
- *Planning / Listed Building Consent – often too slow a process for potential occupiers.*
- *Parking – customers have to pay to park in town but can park free at out of town retail parks – need more short term free parking in town to encourage more shoppers to spend in town.*
- *Condition of the streets - we are not marketing any properties on The Strand at present but much of it along with the prime High Street is in desperate need of attention, i.e. the state of the pavements, brick paving, street furniture, signage, etc. I know that… funds are limited, but the streetscape and public realm is as much as an issue as the state of some of the vacant units in my view (although some landlords, particularly remote ones, are obviously neglecting their buildings)."*

Appendix 2

A number of councils and BIDs are running grants or business rates relief initiatives to try help overcome some of the barriers to vacant units being let. The following are a digest of these which The Vacant Shops Academy has collected:

Bristol: https://www.bristol.gov.uk/business-support-advice/vacant-commercial-property-grant-scheme

Worcester: https://www.worcester.gov.uk/news/covid-grants-on-offer-to-transform-empty-shop-units

Sheffield: Call for Projects - ReNew Sheffield

https://sheffnews.com/news/more-funding-on-offer-to-transform-empty-units-on-fargate/

South Kesteven: http://www.southkesteven.gov.uk/index.aspx?articleid=15706

Belfast: https://www.belfastcity.gov.uk/vacanttovibrant

Newport: https://www.newport.gov.uk/en/Council-Democracy/News/articles/2022/March-2022/Unique-city-centre-rate-relief-scheme.aspx

NI: https://www.finance-ni.gov.uk/news/murphy-encourages-businesses-back-high-street-0

https://nibusinessinfo.co.uk/business-support/back-business-scheme

Rates relief NI: https://www.nibusinessinfo.co.uk/content/back-business-rate-support

Aberdeen: Fresh start relief | Aberdeen City Council

Dover: Empty property grant

Ashford: Find out about and how to apply for the Empty Property Grant.

Fenland: Grant scheme launched to help regenerate empty town centre units in March - Fenland District Council

Gainsborough: https://www.investgainsborough.com/news/buildings-in-the-historic-heart-of-gainsborough-are-set-to-be-transformed-to-their-former-glory/

Update: https://www.west-lindsey.gov.uk/council-news/2022/11/historic-heart-gainsborough-showcases-exciting-regeneration-plans

Waterloo BID (shopfronts): https://wearewaterloo.co.uk/news/bid-news/introducing-redesign-shopfront-upgrade-grant-scheme/

Wiltshire Council launches Trowbridge Future High Streets scheme for Vacant Commercial Units - Wiltshire Council

Tees: Indigenous Growth Fund - Tees Valley Combined Authority

Carlisle: https://carlisle.gov.uk/Residents/Leisure/arts-and-culture/business-support-8

To follow…

18/01/2023 - Plans announced to help reduce empty premises in Crewe town centre

Previously…

Rate relief scheme could help fill vacant premises | Banbury Guardian