



THE HIGH STREET – ILLUSTRIOUS PAST, UNCERTAIN FUTURE?

Any changes that were underway may have been accelerated by Covid-19. But it remains one of the sector's key questions: what does the future hold for the High Street?

Executive Summary:

- For many years, the High Street was the place to be. But rents have risen, the Internet is upon us, Covid has accelerated evolution and habits have changed.
- Where do we go from here?

The Past...

- The High Street was the place to be. Footfall could be guaranteed & it's where people (and brands) came to see and be seen.
- And, above all, it's where people came to spend money.
- Affordable transport helped, the suburbs probably suffered quietly but rents rose in line or ahead of High Street spend and units continued to churn
- But, whilst banks slipped away and shoe shops made way for phone shops etc., some 'anchor tenants', specifically the department stores, could be relied upon to draw trade
- Like pilot fish, food & drink operators amongst them, other players sprang up around the department stores in order to benefit from the footfall

The Present...

- Given the Covid-19 pandemic, footfall has become a social negative rather than a commercial positive
- In addition, rents have risen (and they've very sticky on the way down), the Internet has become a reality and customer habits have changed
- Buying from home has become de rigueur.
- In addition, technical changes mean some shoppers price products on the High St but buy them online. Non-differentiated goods (books, CDs, toys, DVDs, video games) were impacted first
- Other products (travel, banking, clothes, spectacles, perfume etc.) are now affected. Delivery (aided by tech, e.g. Google Maps) is now also a major factor
- The Local Data Company suggests that voids are rising. The dust stirred up by the pandemic has not yet begun to settle, but voids can only have risen further
- The real problem could be partly obscured when space is taken temporarily (by phone case or Xmas wrapping paper shops) or by charity shops on non-economic rents

The Future...

- Major change is underway, but people still need stuff.

- However, High St rents are arguably too high, space may be better-sourced on business parks etc. Delivery is likely to be permanently enlarged and the Internet may disaggregate the retail industry, remove the need for 'shops' altogether
- Think of department stores, book shops, electrical shops, DVD retailers etc. and ask yourself 'if they didn't exist, would you build them now?'

Where is this leading us?

- As some operators look to exit the High Street, who will come in?
- JDW may have rescued the banks. Phone shops helped shoe shops exit etc. but who's the next operator to take space?
- We don't need 25,000 tattoo parlours, nail bars or hipster barbers. And they certainly wouldn't pay the rents that HMV etc. signed up to
- Footfall is in decline, sales are falling & costs are rising. Esp. labour, rents, business rates. This process must be finite. It's hard to see it ending well
- As Langton has mentioned on numerous occasions, the market has no braking mechanism, only a crashing mechanism

Radical thoughts...

- There are some things that won't change, we're not going to uninvent the Internet, for example.
- And the changes in consumer behaviour that the Internet has kicked off (and Covid has accelerated) are likely here to stay.
- But, and here's the point, there are some things that can change – chief amongst them, rents.
- Because, whilst not many High Street properties will be demolished, they may need to be used in different ways and retail and residential users will wish to pay a discount for shop frontage, not the premium currently paid by retail operators
- However, rents are sticky on the way down. Property companies benefit from upward only leases etc.
- But, when economic reality takes over.
- Property companies, meanwhile, may have their own problems. They may be borrowed up to their eyeballs, for example. Their debts need servicing and the companies 'need' a certain level of rent to cover their own costs
- However, at the end of the day, that's just too bad, isn't it?
- Economic history is littered with operators and industries that 'needed' something and didn't get it.
- Councils and central government may have a role to play here. Though CVAs are a move in this direction, given that jobs and livelihoods are involved here, there will be a certain reluctance to kick this process off.