UK Town Centres during Economic Crisis

Economy Space and Society
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The aims

- Assessing the impacts of the economic crisis on the performance of UK High Street

- Establishing the type of retail centre affected most/least severely and determining the characteristics of those centres that have been most/least resilient

- Theorisation of these impacts on the performance of town centre/high street - based on concept of 'adaptive resilience'

Data structure

- ❑ 267 centres with retail composition surveys completed after the collapse of CCI - Oct 2008
  - ■ 119 in South West
  - ■ 31 in East Anglia
  - ■ 93 in North West
  - ■ 24 in West Yorkshire

- ❑ Within crisis surveys were carried out either in Q4 2008 (27 centres) or 2009 (240 centres)

- ❑ Pre crisis surveys in these 267 centres completed in 2006 - 07

- ❑ Analysed town centres and high streets included regional, district and local centres
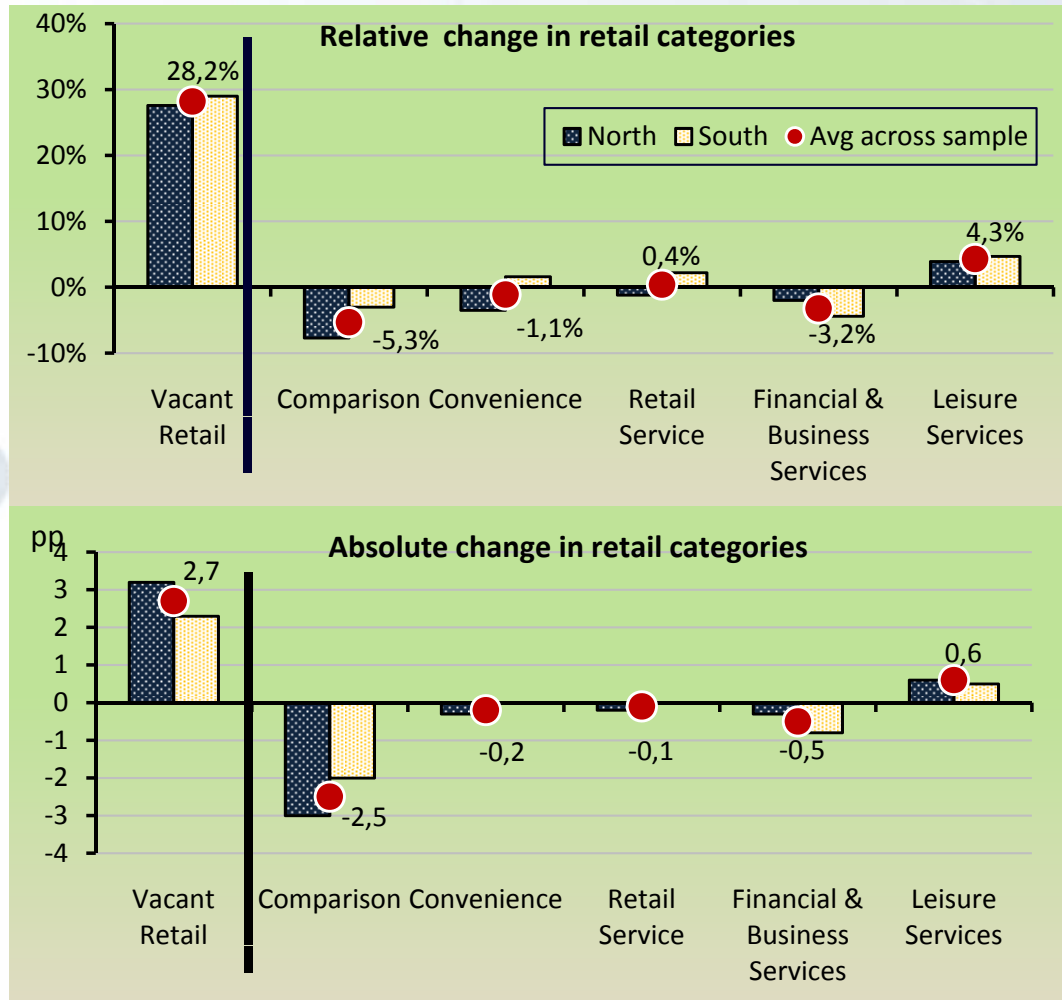
Figure 1. Distribution of analysed centres by type
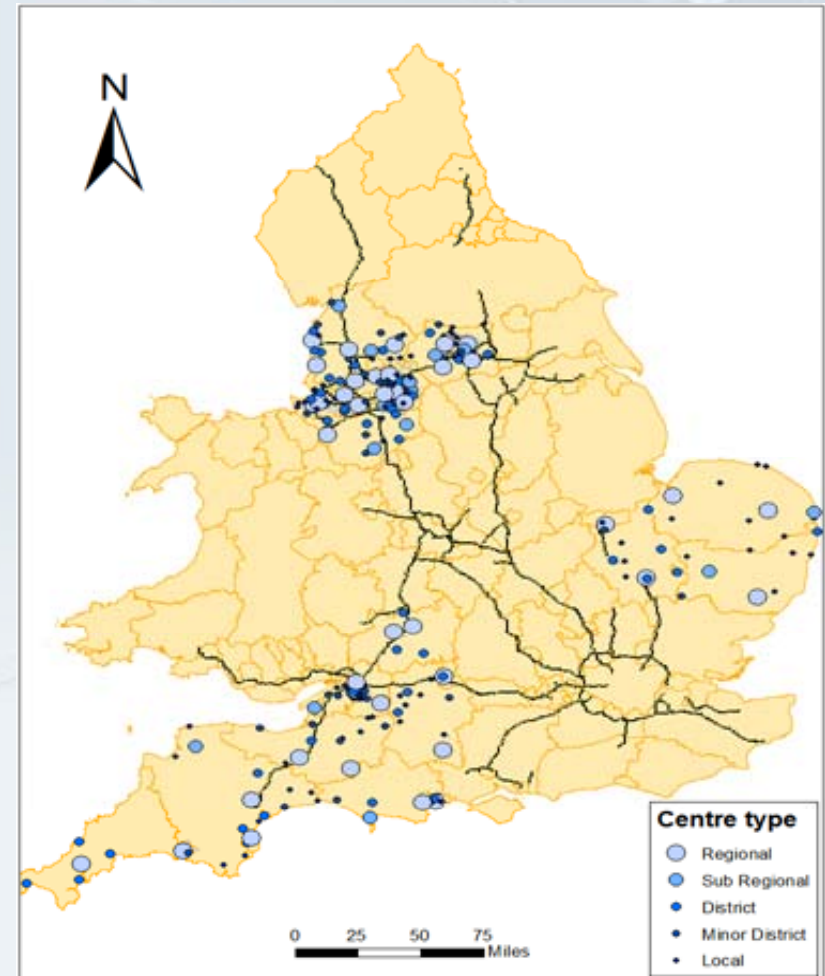
Measures

❑ **Relative Change** in retail units - computed as the difference between unit numbers in each category recorded in the two Goad surveys ('pre' and 'within-crisis'), relative to the 'pre-crisis' numbers as a base.

❑ **Absolute change** in occupancy rate - simple percentage points (pp) increase/decrease recorded between the two surveys in the percentage of retail/service units of a particular type in a centre/high street.
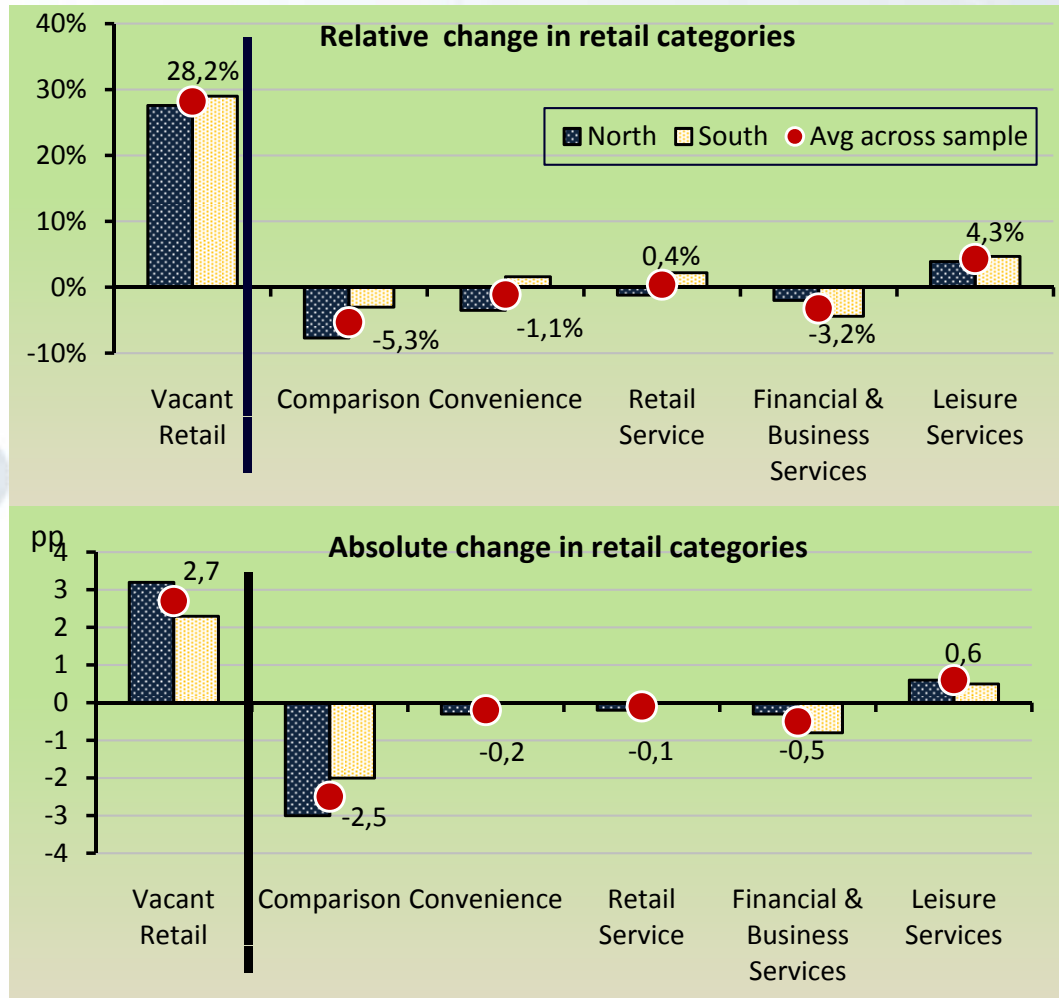
Descriptive results

Relative change in retail categories

North ◨ **South** ◻ **Avg across sample** ●

- Vacant Retail: 28,2%
- Comparison: -5,3%
- Convenience: -1,1%
- Retail Service: 0,4%
- Financial & Business Services: -3,2%
- Leisure Services: 4,3%

Absolute change in retail categories

pp

- Vacant Retail: 2,7
- Comparison / Convenience: -2,5
- Retail Service: -0,2
- Financial & Business Services: -0,1
- Leisure Services: -0,5
- Leisure Services: 0,6

Change in vacant retail

➢ Relative change +28.2%

➢ Absolute change +2.7pp (increase from 10.4% to 13.1%)

➢ South-North divide clear

➢ Vacancy Rate during within crisis period:
  - **10.9%** in the South
  - **15.3%** in the North

Descriptive results cont.

Relative change in retail categories

Legend: North | South | Avg across sample

- Vacant Retail: 28,2%
- Comparison: -5,3%
- Convenience: -1,1%
- Retail Service: 0,4%
- Financial & Business Services: -3,2%
- Leisure Services: 4,3%

Absolute change in retail categories (pp)

- Vacant Retail: 2,7
- Comparison: -2,5
- Convenience: -0,2
- Retail Service: -0,1
- Financial & Business Services: -0,5
- Leisure Services: 0,6

Change in retail categories

❑ Major contributors to closures were comparison retail and financial services
➤ Relative change in comparison retail was -5.3%

❑ Convenience retail units have gone
➤ up in the South
➤ down in the North

❑ Leisure services noted small positive growth in all regions

Three concepts of resilience

❑ Defined as the ability to 'recover from and position elastically' following a disturbance of some form - recently risen to prominence in several disciplines: urban, regional studies and economic geography (Simmie and Martin, 2010; Martin, 2011)

❑ **Engineering resilience** (physical science) – the *resistance* of a system to disturbances and the speed of return to its pre-shock state

❑ **Ecological resilience** (biological science) - the scale of shock a system can absorb before it is destabilised and moved to another stable configuration.

❑ **Adaptive resilience** (complex system theory) – anticipatory or reactive reorganisation of the form and/or function of a system to minimise the impact of the external/internal shock

Response Variable – Change in Vacancy Rate

- Number of vacant units has gone:
  - +up in 185 (69.3%) centres
  - down in 61 (22.8%) centres
  - remained unchanged in 21 (7.9%) centres

- Change in retail vacancy rates computed for both - fixed and variable boundaries

- The average absolute change in Vacant Retail across sample was:
  - +2.2pp for fixed boundaries
  - +1.9pp for variable boundaries

Figure 2. Spatial extent of variance in response variable

Change in Vacancy Rate
- ▲ decrease
- ● no channge
- ■ increase below avg
- ★ increase above avg
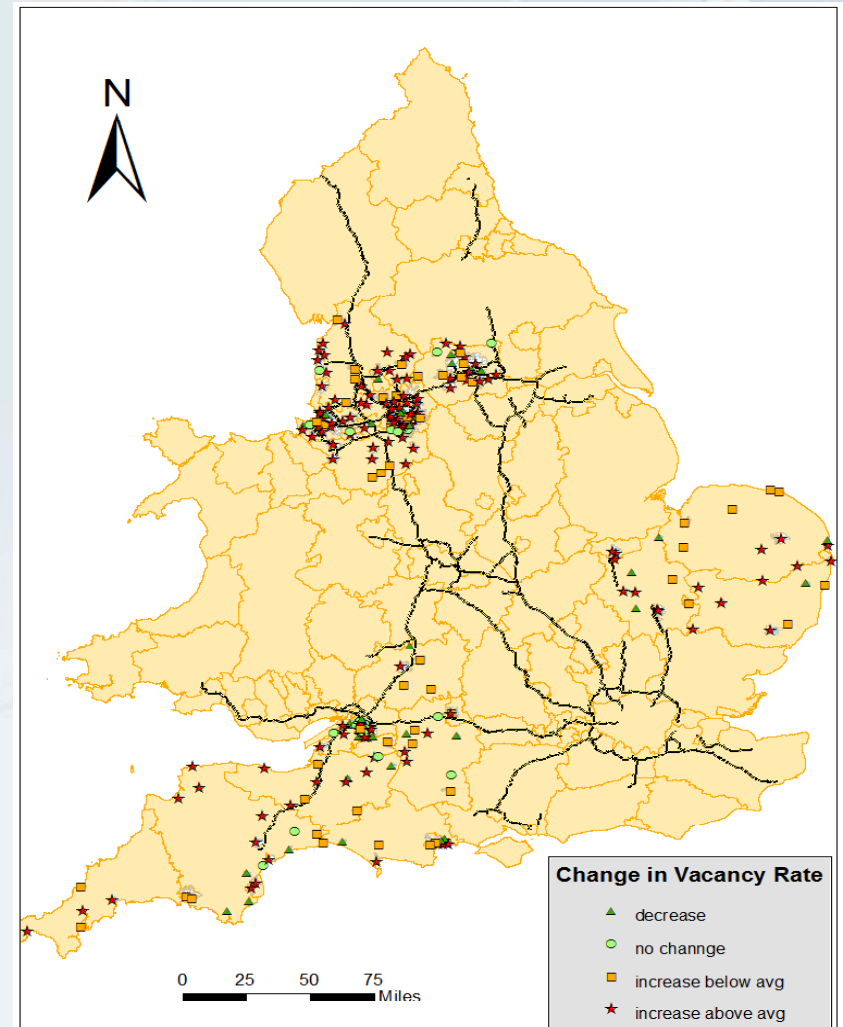
Causes of Retail Vacancy

Findlay and Sparks (2010) discussing the causes of vacancy rates suggest:

- Retail vacancy is likely to increase in recession, but not all vacancies are due to recession

- Vacancy may be a sign of market readjustment or market weakness

- Some degree of vacancy or retail churn is inevitable and desirable

- There is clear distinction between local and national impacts

Figure 3. Schema of Causes of Retail Vacancy, after Findlay & Sparks, 2010
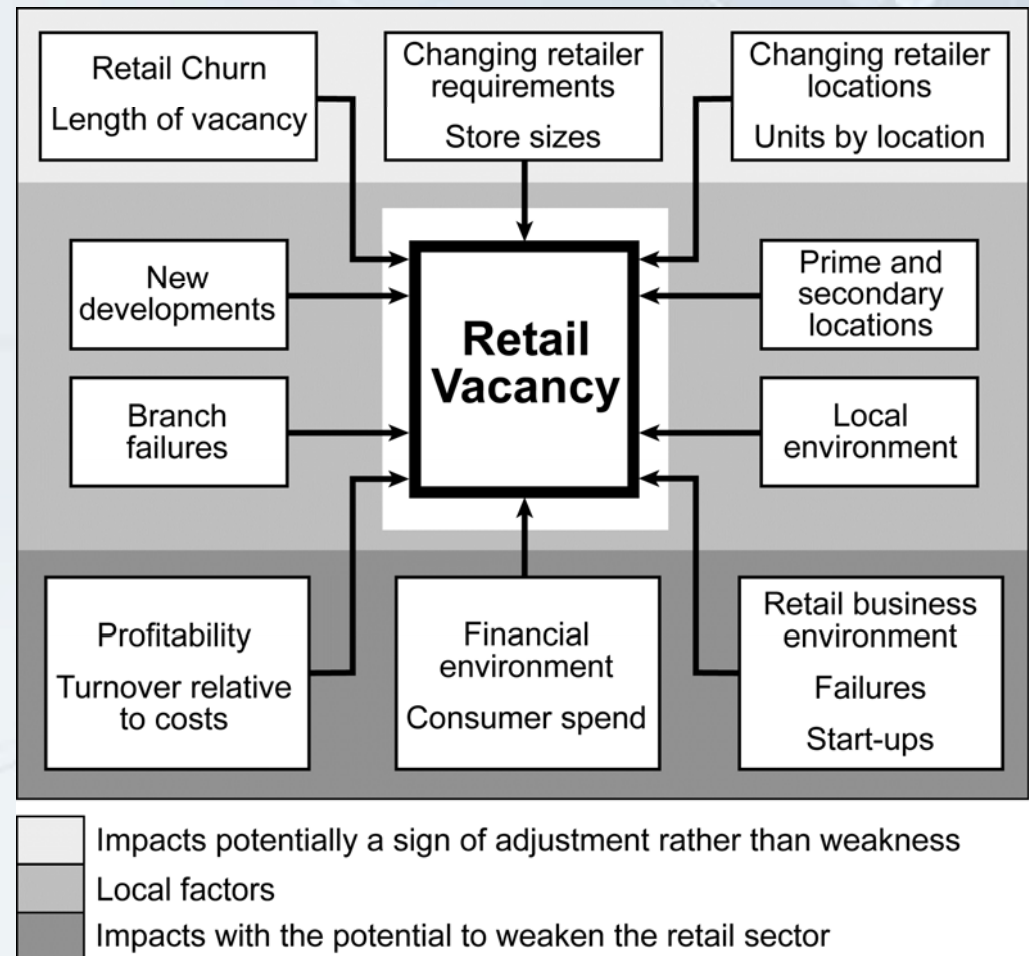
Explanatory variables

Differential changes in Vacancy Rates have been filtered through two systems:

1. Regional economic system in which centres are located

- South – North divide
- Affluent catchments

2. Existing economic structures of the centres themselves

- **The mix and interdependencies of businesses** (balance of retail vs. services, diversity proportion of independent retailers and presence or entry of a corporate foodstore)

- **Local supportive/unsupportive structures** and environments (investment in streetscape, car parks, town centre manager and BIDs schemes, attracting key 'magnet stores')

- **Physical configuration of a centre** (size, proportion of larger modern shops and level of 'structural – harmful vacancy')

Best supported model

| Explanatory Variable	Parameter estimate	Standard Error	T-value
Constant	-0.076	0.019	*-3.998***
South-North divide	-0.016	0.004	-4.170**
Centre size (Log)	0.013	0.002	5.743**
Retail diversity pre-crisis	-0.027	0.013	-2.139*
Corporate food store entry	-0.008	0.004	-2.081*
Retail vs services % pre-crisis	0.095	0.021	4.463**
Structural vacancy pre-crisis	0.060	0.010	6.130**
Std Avg Store Size x Std magnet store floorspace	-0.349	0.082	-4.243**

**parameter estimate significant at 1%, * significant at 5%.

R squared = 35.6%   N = 259
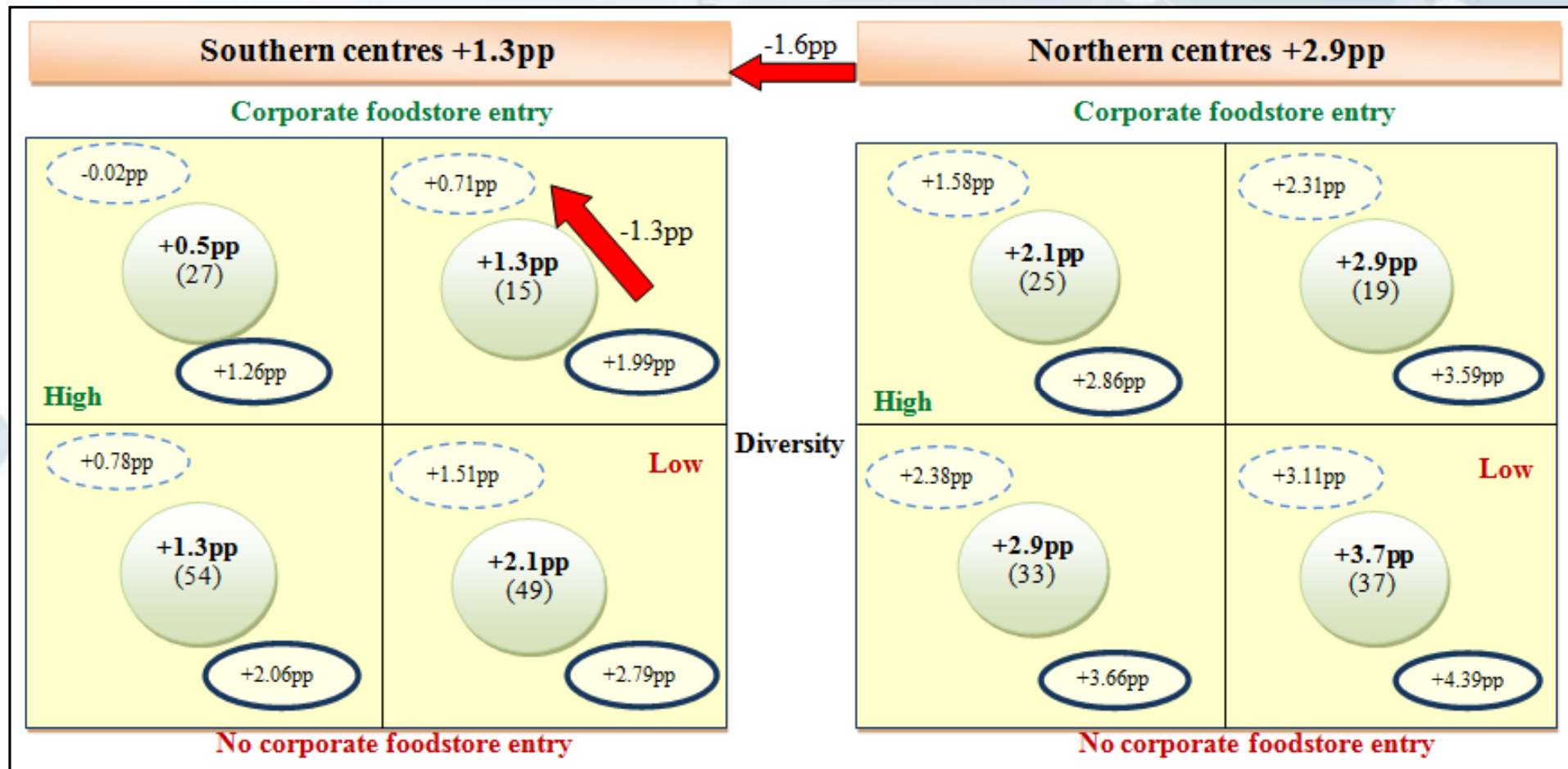P-value for normality test of residuals =0.84
Durbin-Watson d value = 2.17
Condition index value = 28.61

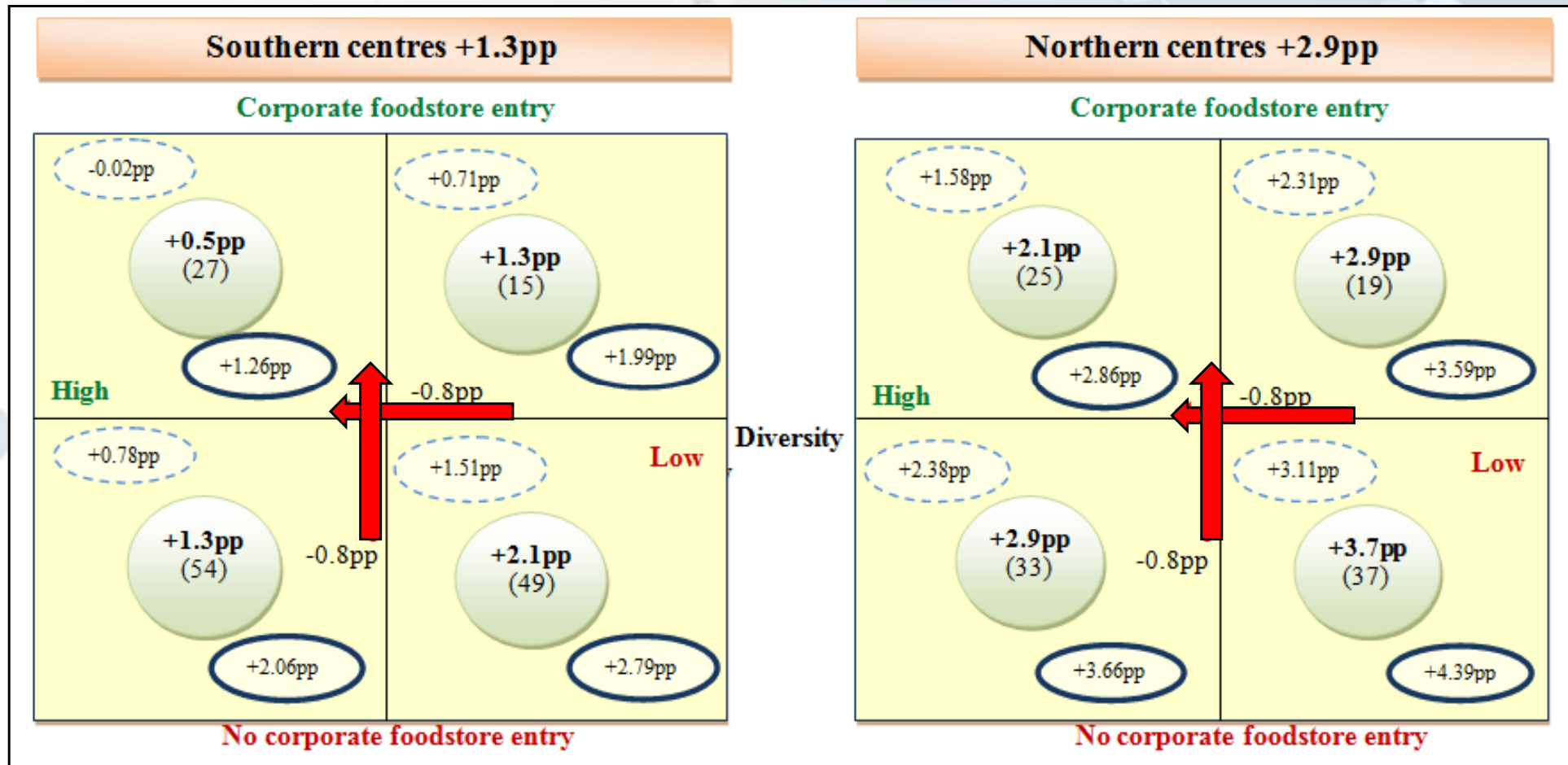# Interpreting the results
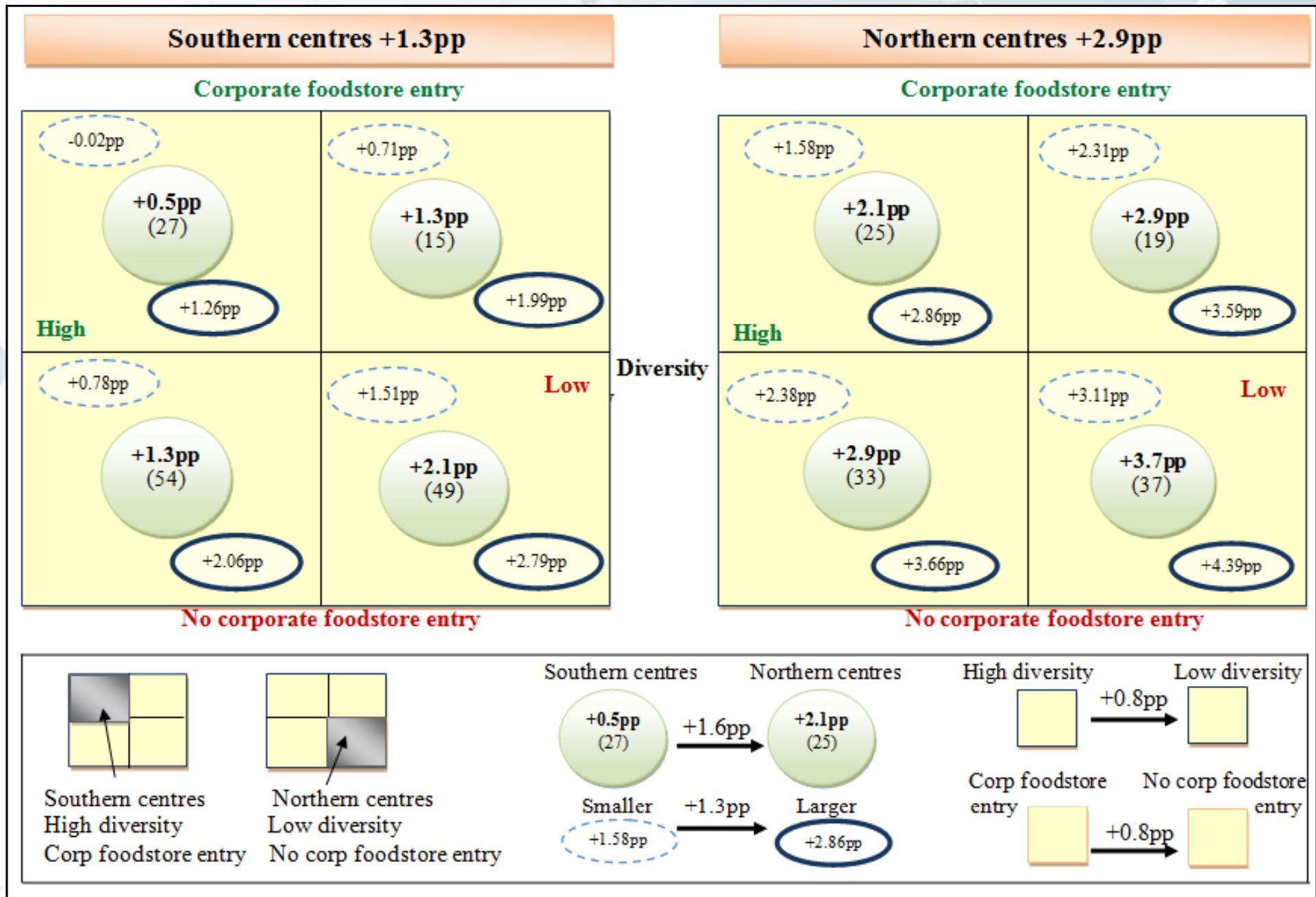
Interpreting the results

- Being in a Southern rather than Northern centre reduces vacancy rate by -1.6pp

- Being in a smaller rather than larger centre reduces vacancy rate by -1.3pp

Interpreting the results

Southern centres +1.3pp

Corporate foodstore entry

-0.02pp	+0.71pp
+0.5pp (27)	+1.3pp (15)
+1.26pp	+1.99pp

High — -0.8pp — Low

Diversity

+0.78pp	+1.51pp
+1.3pp (54) -0.8pp	+2.1pp (49)
+2.06pp	+2.79pp

No corporate foodstore entry

Northern centres +2.9pp

Corporate foodstore entry

+1.58pp	+2.31pp
+2.1pp (25)	+2.9pp (19)
+2.86pp	+3.59pp

High — -0.8pp — Low

+2.38pp	+3.11pp
+2.9pp (33) -0.8pp	+3.7pp (37)
+3.66pp	+4.39pp

No corporate foodstore entry

- Being in a diverse centre (measured as proportion of independent retail in pre recession) reduces vacancy rate by -0.8pp

- Centres that experienced corporate foodstore entry decrease their vacancy rate by -0.8pp

Conclusions

❑ Our analysis significantly **extends available knowledge**, in particular offering insight into the effects of:

   – *diversity* of a centre's retail structure

   – *entry* of corporate food stores

❑ Despite being often portrayed as polar opposites within popular debate these findings provide evidence that *both* diversity and corporate food store entry were beneficial for the performance of centres during economic crisis

Things we are working on

- ❑ Dealing with queries from the submitted paper

- ❑ Trying to account for the remaining 60% of unexplained variance – residual analysis

- ❑ Developing models of retail change in remaining retail subclasses

- ❑ 'Drilling down' analysis via case studies in mayor centres (e.g. Bristol, Manchester) including a 3rd wave of data

References

❑ Simmie, J. and Martin, R.L. (2010) The economic resilience of regions: towards an evolutionary approach, *Cambridge Journal of Regions, Economy and Society,* 3: 27-43.

❑ Martin, R.L.(2011) Regional economic resilience, hysteresis and recessionary shocks, *Journal of Economic Geography,* forthcoming

❑ Findley, A. and Sparks, L. (2010) The Retail Planning Knowledge Base - Briefing Paper 13, Retail Vacancy. Available at http://www.nrpf.org/