



REGIONAL PERSPECTIVES SEPTEMBER 2019

The BPF regional forums are vital in ensuring the organisation is able to speak authoritatively to government and civil servants on the impact of national policies across Britain and on the state of regional markets.

Introduction

The regional agenda is vitally important to the future success of our economy, society, and industries. The importance of this agenda must also be borne out in the policy and advocacy work the BPF undertakes. It is with this in mind that we seek to engage regularly with six key city regions, through forums held in Birmingham, Bristol, Leeds, Liverpool, Manchester, and Newcastle. This engagement will ensure that the property industry is able to speak with a unified voice not only across sectors, but across the distinctions and consistencies offered by location.

The latest series of BPF Regional Forum meetings were held between the 16th – 26th September 2019 and were attended by approximately 60 members and non-members in total.

Emphasising the importance of this regional engagement, we were joined at each meeting by the Ministry of Housing, Communities & Local Government (MHCLG), who found the respective insights to be of great value for the work they are doing to support the adaptation of the UK's high streets and town centres for the future.



Summary of Discussions

Whilst each city region faces its own unique challenges, there were a number of shared themes and priorities that cut across the individual discussions:

- Across the city regions there was unanimity around the adverse impact that Brexit uncertainty was having on real estate markets. In particular, the lack of clarity on when or whether the UK would leave the EU was delaying investment decisions and causing lenders to ask more questions about the projects being funded. Whilst developers remained happy to progress planning applications, these were not translating into transactions and build outs. Contractors were factoring in higher materials costs, whilst concerns continue around potential job losses for businesses and whether the construction labour supply will withstand the effects of Brexit. The lack of clarity on the future of HS2 – one of the biggest recent infrastructure investments outside of the south east – was compounding this uncertainty.
- We received consistent representations as to the difficulties being faced by high streets and town centres across the country, particularly for retail uses and large ‘anchor’ buildings. Amidst the array of challenges facing high streets we heard that fragmented ownership, a lack of planning flexibility, dysfunctional business rates, and the importance of strong leadership were key considerations. It was also articulated that the government has set this as a priority. Alongside the

launch of the Future High Streets Fund and Towns Fund, the High Streets Task Force would be exploring adaptation and the role that alternative uses such as housing and leisure can play in the future of high streets.

- It was highlighted by many of those in attendance that the environmental and social impact of development is of increasing importance to investors. To this effect the government’s intent to drive action through regulatory change and through setting ambitious targets (e.g. on biodiversity net gain) was welcomed. It was however noted that these should be flexible enough to recognise variations in values and scheme viability across the regions.
- The importance of the environmental and social impact of development activity was also noted in the context of strengthening trust between developers, local authorities, and local communities. For Public Private Partnerships to work and to be entered into more often, it is essential that value is measured and assessed both in terms of monetary value and positive societal impact. These are considerations that developers, investors, and local authorities are increasingly focussing on.



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Political uncertainty and the market

In order to gain direct insights into the impact that current levels of political uncertainty might be having on regional markets we asked those in attendance to provide their views on the outlook.

- For many, the word that best describes the current political climate and its implications for industry is 'uncertainty'. Given the importance of medium and long-term certainty for investment, development cycles, and transaction decisions, the current opacity around Brexit and potential political change is having a cooling effect on certain markets. Whilst the residential market has shown good resilience, sectors such as retail are suffering, although it is unlikely that this is solely a product of Brexit.
- It was suggested by both private sector and public sector representatives that for many individual businesses the greatest concern is potential job losses. Notably, certain industries and sectors are suffering more than others from the current regulatory environment, shifts in public opinion, and political uncertainty. This includes but is not limited to, the oil and gas industry, automotive industry, organisations that rely heavily on transaction fees, and office developments - where pre-lets are preferred by developers in most cases.

- Whilst uncertainty was a common theme, many were also keen to highlight the potential opportunities for regional markets. With the end of Theresa May's premiership and the start of Boris Johnson's, it is anticipated that devolution, greater deferral of powers, and boosts in regional investment will further the potential for growth in the long-term.

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- Inward international investment is still strong across England and further spikes in forex-driven deals could be seen as we approach Brexit. The current political uncertainty is likely to have a greater effect on development projects than on

investment deals. Concerns linked to delivering projects include the availability of labour post-Brexit, potential volatility in buying and transporting materials, and the changeable value of sterling.



High Streets and Town Centres – Adaptation

To give members of our regional forums a direct insight into the government’s strategy and to provide an opportunity to engage directly with the lead department, we were joined at our September regional meetings by members of the Ministry of Housing, Communities & Local Government’s (MHCLG) Cities and Local Growth Unit.

The view from government

- In setting the context for the government’s programme of work, MHCLG officials noted that the way people shop was rapidly changing. In England in 2002 the average person made 216 shopping trips compared to 177 shopping trips per person in 2015. Additionally, some areas are seeing vacancy rates as high as 25% and their annual footfall decrease by 2.5%.
- In light of changing habits and behaviours, more thought must be given to experiential and community uses on high streets, facilitated by a broader mix of uses. Notably, successful high streets are underpinned by strong leadership and thoughtful place making.
- The government’s programme of activity therefore includes:
 - Cutting business rates for small retailers by one third
 - A £1 billion Future High Streets Fund
 - The establishment of a Future High Streets Task Force
 - Consultations on planning reform including permitted development rights
 - Piloting a register of empty commercial properties
 - An ‘Open Doors’ pilot project in 5 town centres
 - A commitment to reviewing the Landlord and Tenant Act 1954
- The intent of these measures is to support town centres and high streets to adapt to a new mix of uses, to facilitate the delivery of necessary enabling infrastructure, and to facilitate strong local leadership by providing both resource and expertise to those in need of support.



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High Streets and Town Centres – Adaptation

The view from industry

Industry and government have successfully identified and acknowledged many of the problems that town centres across the country face. There is little to no debate as to the challenges faced by high streets. Further there is a wide consensus that the issues faced by such areas will only be overcome through strong leadership and strong partnership, given the combined role that public and private sectors play in the ownership, operation, and design of town centres.

We received feedback from a diversity of sectors over the course of the 6 regional meetings – including public sector, city council representatives - with the common themes again centring on business rates, flexibility of uses, strong leadership, considered plan making, and local government resourcing. We heard that:

- In most locations there is too much retail space, and in this often includes large vacant buildings like those previously occupied by BHS or other anchor tenants, which are difficult to find alternate uses for.
- The disproportionate burden of business rates is a big challenge for many businesses. Whilst the current business rates regime is in place, it is likely that the current trends of closure will continue. These must be reviewed in order to better support the functioning of high streets and town centres.
- Slow progress in updating local plans and ensuring that respective local authorities produce strategic visions for their town centres is likely to compound current issues. The rapid shifts shopping habits is not being matched by the pace of change in town centre strategies.
- City councils, even where strong vision and leadership are apparent, struggle with the pace of enacting change. The small amounts of grant funding that they have received are not enough for the scale of change needed. Equally, progress is slow when fundamental structural changes are needed. For instance, changes to highways infrastructure or pedestrianisation can take years due to complexity in planning, potential objections from statutory consultees, and a lack of internal resource.
- Reimagining of high streets and town centres will require a strong vision, with clear division of responsibilities between public and private sector partners to create a diversity of uses that is both attractive to users and resilient to changing needs.



Redefining Real Estate – The BPF and Social Value

At each of our regional forums we discussed the BPF's Redefining Real Estate Campaign and its objectives, to commit the industry to make a greater contribution to local communities. The campaign was widely welcomed, reflecting the increasing importance of social value/impact to those attending.

An increasingly important cross over between delivering social value and ensuring the long-term sustainability of the industry is being seen in work to attract new skills and additions to the workforce. For the industry to perform to its greatest potential, new entrants must be encouraged to consider a profession within the built environment. This includes a more diverse and inclusive industry which is informed by new perspectives, new ideas, and collaboration.



Next Steps

We are committed to holding regional forums in the six key cities and propose to hold the next round of meetings in January 2020, with additional events to be held alongside these forums.