

# Future of Scotland's town centres



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The onset of the coronavirus pandemic has resulted in a number of societal changes. Some of these are new, while others have resulted from the acceleration of existing trends. One such trend is the shift to online shopping which has seen a sharp increase since early 2019.

This has impacted the real estate market within Scotland in a number of ways, such as the significant increase in demand for logistics space. However, perhaps one of the most significant changes we are seeing and certainly one of the most visible is the closure of high street stores.

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Figures from the British Retail Consortium suggest that 13.7% of retail shops were vacant at the end of 2020, increasing to 14.1% by the end of the first quarter in 2021. Closures are expected to rise as coronavirus-linked government support is withdrawn throughout the course of 2021. The phasing out of the furlough scheme is expected to have the greatest impact.

The belief amongst property experts is that this decline in demand for retail space is irreversible and that changes in recent years, accelerated by the pandemic, are structural. Whilst there is general agreement that this trend is bad for high streets in towns and cities across the country, consensus around how this issue should be addressed is harder to come by.

## Flexible planning

In England, the overhaul of the Use Classes Order creating a new Class E and the extension of permitted development rights to facilitate the development of residential property on the high street without the need for planning consent in many circumstances are considered key to regeneration of the high street.

There is some attraction to this argument. Demand for residential property remains strong, whether for traditional home ownership or for letting. Indeed "build to rent" is currently one of the darlings of the real estate industry, with a wall of capital chasing a limited number of viable sites. Accordingly, deliverability is unlikely to be a problem. Yet despite this, there is strong opposition to this plan, not least from the British Property Federation.

It is argued that the lack of planning control will result in a fall in standards. For instance, the government's own Building Better, Building Beautiful Commission concluded that permitted development rights had "permitted future slums".

Studies suggest far fewer permitted development units meet government standards than is the case with consented units. In addition, a lack of local authority control means less is recovered from developers in the form of planning gain contribution, placing greater pressure on local services. There is also a fear that footfall in existing retail locations could be impacted, due to the loss of shopping experience, exacerbating current issues.

There is a concern that the financials underpinning such redevelopment do not necessarily stack up in secondary high street locations. Ownership can also be fragmented, making it difficult to acquire the level of control needed to make any new scheme capable of implementation.

## The Scottish approach

The English reforms do not apply in Scotland, which has a separate use classes and permitted development regime. This regime allows only certain changes between the use classes without planning permission (e.g. cafés/restaurants can change to retail or financial/professional services). There are no permitted development rights available for shops. Pubs and hot food takeaways are already sui generis in Scotland, although takeaways can change to retail or financial/professional services. There are certain permitted development rights for construction/development works in set categories, but not for constructing additional storeys or for any commercial to residential repurposing. Change has been proposed, however, and therefore the impact of the loosening of controls in England is being keenly observed.

So where might the solution lie? With Radius suggesting that around 60% of the UK's top 22 high streets are ultimately owned by the public, this is a question which should interest us all.

Many argue that greater local authority involvement is key. Compulsory powers provide a basis for obtaining the requisite level of control to make schemes viable. Local authorities can take longer-term views and invest with the objective of securing more than a development profit. In certain areas, there is also the potential to secure City Deal finance, as has been demonstrated with the likes of the Ravenscraig scheme in Lanarkshire.



## The time is now

Streamlined planning controls which help facilitate sustainable mixed-use development, creating vibrant communities with appropriate developer contributions and a mix of residential and commercial taxes for local authorities, are also thought to provide an attractive middle ground in the ongoing planning debate. Controls on out of town development have also been proposed, as has rates relief for certain classes of town centre development and/or uses. The ongoing recalibration of landlord/tenant relationships is also likely to assist as we move more towards pragmatic engagement in line with the government's Commercial Property Code of Practice.

As we go through one of the most radical revolutions in the retail environment in decades, action is needed if the vibrancy of our towns and high streets is to be restored. The questions which may hold the key to this are the extent to which traditional planning controls are relinquished to facilitate investment and the extent to which local and other government bodies should intervene to ensure that long-term, community-based and sustainable development takes priority over short-term profiteering or, possibly worse, inaction.

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