



Quarter of all shopping space is obsolete, says property chief Chris Grigg

James Ashton - The Independent
26th May 2014

One of Britain's biggest landlords has labelled a quarter of all shopping space as "technically obsolete" as ailing high streets struggle to cope with the onslaught of online retail.



Chris Grigg, the chief executive of British Land, which owns half of the Meadowhall Centre in Sheffield and freeholds for Debenhams, B&Q and Homebase, predicts that crumbling shop parades will gradually be taken out of use.

"It doesn't mean they won't continue to be used to some extent for some years to come, but they are likely to become more marginal. What will do well are the modern shopping centres and retail parks."

Mr Grigg, for whom retail and leisure makes up more than half of his £12bn property portfolio, added: "These developments are going to have to shrink down so they have got a much clearer purpose through a combination of effective stores, more residential, more mixed use. But it is a very painful process."



The ailing high street has been the focus of reviews by the consultant Mary Portas and Bill Grimsey, the former Iceland chief, but retailers say the Government must rethink sky-high business rates that rake in £26bn a year and limited car parking if they want local shopping areas to prosper again.

Some high streets are suffering badly, with one in three units vacant. Even out-of-town retailers such as B&Q are trying to cut their rent bill by subletting space to other retailers to fill cavernous stores that are suffering from falling footfall.

Sir Ian Cheshire, chief executive of B&Q's owner, Kingfisher, calculates he can generate the same sales from up to 20 per cent less space. He will sublet half of the floor space in 18 stores to various supermarket chains, subject to planning permission. The electronics chain Maplin and Furniture Village have also moved in here and there. "What I've said to the guys is we should consider any option," Sir Ian said in a recent interview.

Considering the industry as a whole, if 25 per cent of nationwide floor space was stripped out, "the amount of eligible, effective retail starts to look much more sensible, even with a lot of online usage by the great British consumer," Mr Grigg added.

In the meantime, retailers are becoming choosier about taking new stores. "For example, retailers are becoming more prescriptive about the space they want: double height, lots of glass, easy to stock."

Mr Grigg pointed out clear winners such as the fashion retailer Next, which continues to take out bigger space, refit its estate and trial new formats.

He said that physical stores can still prove a boon to online shopping. "Often the two things are intertwined as opposed to competing. Click and collect is a classic example of that, but so are returns. It turns out if you get people to bring things physically back they will go and buy something else – if they are returning by post they don't necessarily do that."

The Chancellor delivered a £1bn sop to ailing high streets last December, but business rates, which have stayed high while rents have fallen during the recession, still won't be reviewed until 2017.

Link: www.independent.co.uk/news/business/news/exclusive-quarter-of-all-shopping-space-is-obsolete-says-property-chief-chris-grigg-9434312.html