

Retail repurposing

A unique opportunity at an
exciting time in the market



**We are a London headquartered
international law firm with a reputation
for delivering clear and commercially
relevant legal advice**

CLARITY OF ADVICE AND DEPTH OF INSIGHT

Retail: a sector undergoing change

Societal changes

The number of retail openings has fallen every year since 2015 and almost a thousand shops have closed over the past two years as a direct result of retailers using company voluntary arrangements (CVAs). The structural societal and technological changes underpinning such decline is likely to accelerate. The burden of business rates and high rents has further impacted the ongoing viability of many retail operations.

Based on this trend, Deloitte predicts that between 2018 and 2020 UK retail will see 27,000 net store closures.

We therefore expect to see more obsolescent and empty retail centres, distressed sale and debt, together with corporate insolvencies and restructuring.

Oversupply of retail

Retail real estate is historically an attractive investment class due to its superior returns, long-term stability and income growth. However, the rise of e-commerce has led to an oversupply of retail space in both town centres and out of town. The result is depressed capital values with pushed out yields.

In the short and medium term, if the oversupply continues as we expect, value corrections are likely to occur, putting further downward pressure on retail real estate investment returns and therefore owners liquidating their investments or diversifying away from the sector.

However, this presents many opportunities.

Almost **1,000** shops have closed over the past two years due to CVAs

27,000 net store closures predicted since 2018

-60% reduction in demand for space in 2019

-4% predicted drop in rent values in 2019

75% of landlords are now considering some sort of repurposing project

20,620 shop closures predicted for 2020

Sources: *Deloitte, Savills, Retailresearch.org*

Repurposing Retail: the opportunity

There are real opportunities for investors and developers to repurpose some of these assets for alternative or mixed-uses.

Approaches will differ - there is no 'one size fits all' approach. Location, demand and local infrastructure will each play a part in determining what is possible to meet a new evolving demand in the market.

What is clear is that the current economic crisis has exacerbated the devaluation of retail assets with investors rebalancing their portfolios away from an exclusive retail focus.

Our teams have the experience and agility to help highlight the critical path for a successful project. We work alongside you and your other professional advisers to pre-empt and navigate potential roadblocks with potential solutions tailored to the commercial context.

We have advised on some of the most complex and challenging real estate projects in the market over recent years and bring this experience and insight to benefit our clients.

Key contacts



Claire Fallows

Partner

Real Estate & Construction

T: +44 (0)20 7427 1046

Claire.Fallows@crsblaw.com



Robin Grove

Partner

Real Estate & Construction

T: +44 (0)20 7427 6653

Robin.Grove@crsblaw.com



Fiona Edmond

Partner

Real Estate & Construction

+44 (0)20 7427 4463

Fiona.Edmond@crsblaw.com



Jon Bond

Partner

Banking & Finance

T: +44 (0)20 7203 5025

Jon.Bond@crsblaw.com



Roger Elford

Partner

Litigation Dispute Resolution

+44 (0)1483 252 564

Roger.Elford@crsblaw.com

London | Cheltenham | Guildford | Doha | Dubai | Geneva | Hong Kong | Luxembourg | Manama | Paris | Zurich

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