

Report of the Head of Economic Growth

Economic Health of the City Centre

Summary

1. The plight of the high street is a topic of national and international concern. Across the western world, the rise of online retailing and changing shopping habits are bringing change to town and city centres, local shopping parades and out-of-town shopping centres. In the USA, shopping malls now have an overall vacancy rate of 20%, with department stores closing and traditional retail companies going bust. In the UK we have seen a wave of closures and business restructures from household names such as Woolworths, BHS, Next and House of Fraser, and national high street vacancies are at an overall rate of around 12% and rising.
2. In York, we have a cluster of vacant premises on Coney Street, the main shopping street in the city and the heart of our prime retail area, which provides a very visible reminder that York is not immune to these global factors. However, our vacancy rate is currently around 6%, half the national rate, and a recent report from Centre for Cities looking at the health of city centres identified York as second only to Cambridge in terms of overall city centre occupancy of commercial space. In difficult times, York is faring well in comparison to other UK cities, and bucking a regional trend which sees Yorkshire and Humber as the only part of the UK with declining retail health (LDC 2018).
3. How York responds to these changes, and how we adapt our city centre to provide the best environment for businesses, customers, residents and visitors, is one of the most important challenges that we face. This paper offers an initial view of the changes that York city centre has seen in recent years, what the data shows us of the trends underlying these

changes, and some of the factors which underpin economic vibrancy. It is intended to promote discussion of the issues that scrutiny wishes to explore over coming months, and does not attempt to provide solutions.

Background

Employment in York city centre

4. In 2016, there were a total of 20,500 people employed York city centre, around 18% of all jobs in the city. Over the past 15 years, a net 4,250 jobs have been lost from the city centre, although the overall total number of jobs in the city was static. Public administration was the biggest loser among sectors in that period, with over 1,700 jobs lost, 50% of the 2003 total. Retail was the second biggest loser, with a 20% reduction in employment and 1,100 jobs lost. In the same period, employment in the food and drink service sector increased by over 1,000, a 40% gain, while the cultural and creative sectors gained a total of 800 jobs, a remarkable 700% increase.
5. What we see is a pattern of retail space being converted to bars and restaurants, public sector employment declining significantly, in part through transferring employment to independent trusts in the creative and cultural sector, and a general reduction in office based jobs as premises undergo change of use to hotels and residential.

Visitor numbers and tourism

6. The latest Visit York figures show a total of 6.9m visitors to the city per annum, spending a combined £564m in York. Over the past 5 years, the total number of visitors has increased by nearly 500,000 and total spend is up by over £100m. The York Tourism Strategy, which is due to be reviewed by the new Head of Visit York, sets a target for the sector to become a £1bn contributor to the York economy.

Recent York retail studies

7. To prepare for the development of previous versions of the Local Plan, in-depth studies of York's retail sector were prepared by Deloitte (2013), WYG (2013), GVA (2008), Roger Tym & Partner (2004), and CB Hillier Parker (2001). These reports document a changing retail landscape over the past 17 years, with the predominant themes being the changing mix of food/comparison goods/leisure, the rise of Leeds as a regional retail hub and the decline of smaller centres as retail locations, York's tourism offer and its attraction to retail, and the growth of out-of-town centres.

8. In the 2008 study, which focussed on recommendations for the then plans for Castle Piccadilly, the main emphasis was on the role of department stores, the need for modern retail units to compete with other cities, and the extent to which York residents were shopping in other centres. There was no recognition of the imminent growth in online retailing and the impact that this would have on the high street. In the 2013 Deloitte study, the threat of online is touched on, with a forecast that 20% of all purchases would be online by 2028. The speed of change and the challenges in forecasting are clearly demonstrated here – 20% of purchases were online for the first time in November 2017.
9. While these reports provide useful accounts of the health of retailing across York, they have not proven to be as helpful in predicting what might be needed in terms of space and infrastructure to support the city centre as a retail environment.

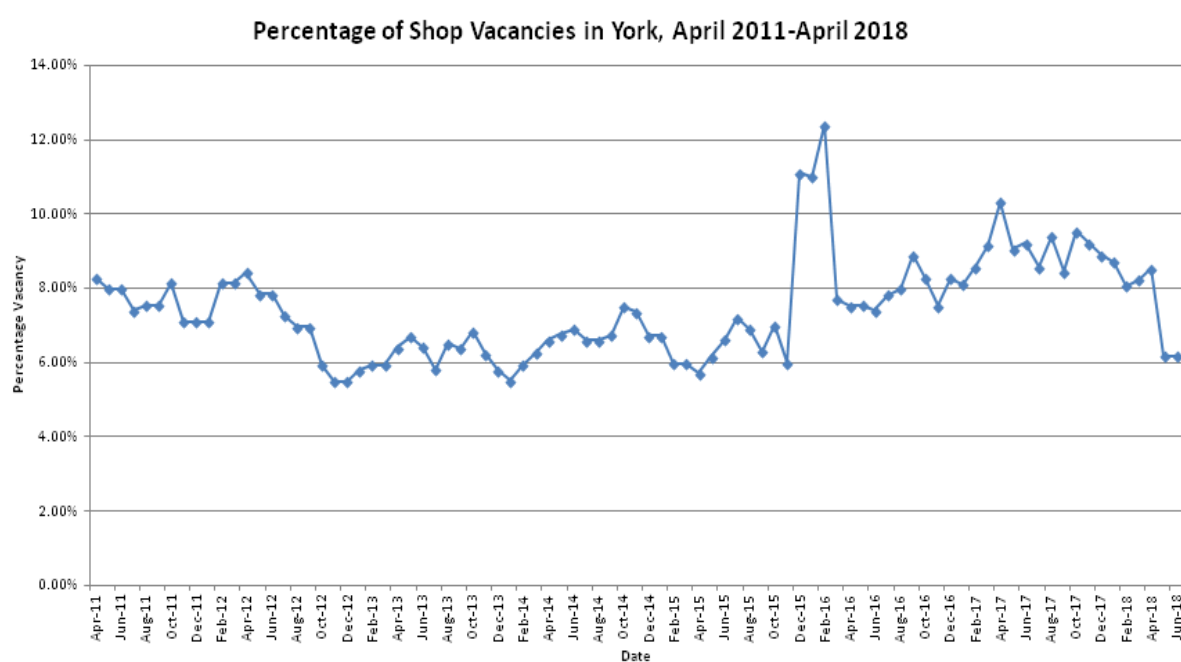
Centre for Cities – Building Blocks report

10. The influential think tank Centre for Cities recently published a report on the role of commercial space in shaping city centre economies. The report used rates data to look at the mix of retail, office, food and leisure, industrial, warehouse and other uses in cities, drawing conclusions about the best mix to support a thriving retail offer. On the basis of cities such as Manchester, Leeds and Nottingham, the report suggests that “the strongest city centres have a large share of office space compared to other types of commercial property. This office space tends to be of higher quality, and these city centres tend to have a lower share of high street vacancies. This is because the office space leads to footfall on the high street.”
11. However, the report and its associated data set shows that the two cities with the lowest vacancy rates are Cambridge (6.92%) and York (7.03%), with city centre economies driven by tourism rather than office occupancy. In York, 50% of our city centre commercial space is retail (41%) or food and leisure (9%), supported by 28% office space which is higher quality than the national average.
12. This mix demonstrates the challenges that our city centre faces. As our Economic Strategy recognises, York has high levels of employment in low paid work such as retail, food and leisure, and tourism. To make housing in the city more affordable for residents, we need to grow more high paid jobs and support lower paid industries to be commercially successful so that they can increase pay. Our current strategy focuses

entirely on growing more jobs in better paid industries, while our city centre economy is driven by tourism, retail, food and leisure.

Vacant premises in York City Centre

13. Despite recent headlines and the very noticeable cluster of vacancies in Coney Street, as noted above, York has the second lowest vacancy rate of all UK cities. Looking at the vacancy rate recorded by our Business Rates team over the past 7 years, the level of shop vacancies is currently lower than it has been for the last 3 years. There are, however, two “problem areas” – Coney Street and Goodramgate – where vacancies are clustered..



14. Coney Street is our classic high street with large big-name shops and the highest rents as demonstrated in the rent hot spot map from the Deloitte 2013 report. Much of the street is owned by pension funds and corporate landlords as part of large portfolio holdings, meaning that ownership is remote and unresponsive. The public realm is difficult, with a tall, narrow street which needs to accommodate delivery lorries and is thus hard to turn over to street cafes and other leisure uses. The rental market is currently adjusting to much-publicised Next CVA arrangement which is forcing down rents. Beyond working on the public realm, there are limited options for us to intervene on Coney Street.

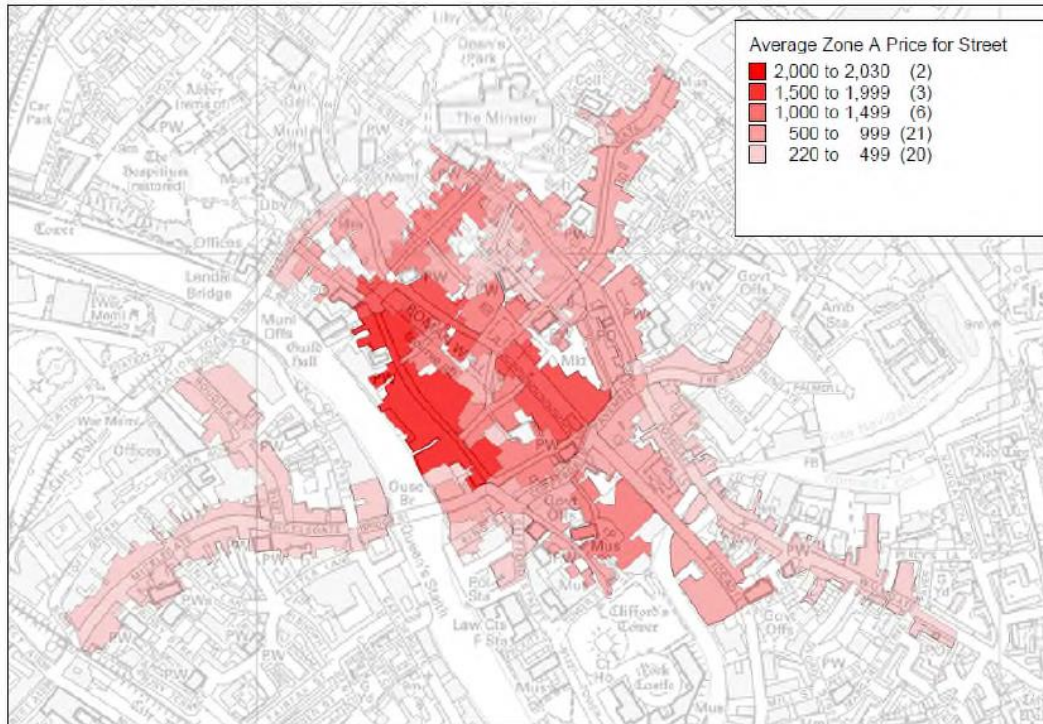


Figure 3: Heat map of Rent in York

15. In Goodramgate, rents are approximately 1/3 of the per sq ft rates in Coney Street, and the street on the edge of the core retail area. There are also problems with public realm because of the need to provide car access for disabled parking, and there is a cluster of vacant shops. There is probably more scope for intervention here, and there are some encouraging signs, including the establishment of an independent traders group and some new occupiers.
16. In terms of our own retail portfolio, there are currently no city centre vacancies. The recent purchase of Back Swinegate is providing a good return, and there is clearly an option, funding permitting, to extend Council ownership to both generate further rental income and provide more options for regeneration.
17. Beyond these ongoing issues and challenges, there are several “problem occasions” when the city centre environment must accommodate competing interests. On race days, there is often an influx of race goers seeking to extend their day out. In the run up to Christmas, the city centre can be difficult to move through because of sheer weight of numbers. On weekend evenings, particularly Saturdays, the popularity of York as a venue for hen nights can conflict with the needs of families. And as we saw over this summer, we are very reliant on rainfall to keep the streets clean, so when it doesn't rain, the streets can get dirty. Much

of the negative media coverage of the city centre is as a result of these factors.

Business Rates

18. Much has been made of the cost of business rates for city centre retailers, and current campaigns by retailers and politicians are promoting a fundamental review of the rates system. This is currently based on the rental cost of premises, providing significant financial challenges for shopkeepers in the city centre. The way that rates are calculated means that they can add nearly 50% to the cost of premises – the rates on a shop with rental costs of £50,000 would be around £22,000 to £24,000 depending on the tenant, equivalent to the costs of a member of staff.

Conclusions

19. York's city centre is used by a wide range of people for many purposes. Underpinning its success, however, is the strength of our tourism industry and the money that visitors bring and spend in our shops. Despite the cluster of empty shops on Coney Street, our city centre is performing better than any other city with the exception of Cambridge. However, the pace of change in retail is accelerating, and the future success of York is not guaranteed. The areas where City of York Council can influence its development include:

- the public realm,
- our own premises,
- the rates system,
- promotion of the city centre
- transport and the highways
- the Planning system

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Wards Affected: Guildhall

All

For further information please contact the author of the report

Background Papers: None