

Repurposing Real Estate

The future of the world's towns and cities

Global audience

We polled **317** industry leaders and almost **15,000** global consumers for their views on town and city centres

COVID recovery

More than a quarter (**26%**) of respondents in 2022 believe that the real estate investment market has already recovered to pre-pandemic levels

Assets

For the first time since 2016, Logistics is not the most favoured asset class, with Residential taking the top spot

Repurposing

Almost **30%** of UK commercial real estate assets are currently being repurposed. Retail to housing is the most common conversion, followed by offices to housing

Levelling up

More than three quarters of Real Estate professionals welcome the policy, however only **44%** think it will succeed

UK investment

85% of global consumers say the UK is an attractive location for inward investment

Interest rates

85% are concerned that the rise in interest rates will negatively impact the real estate market

Open spaces in town centres

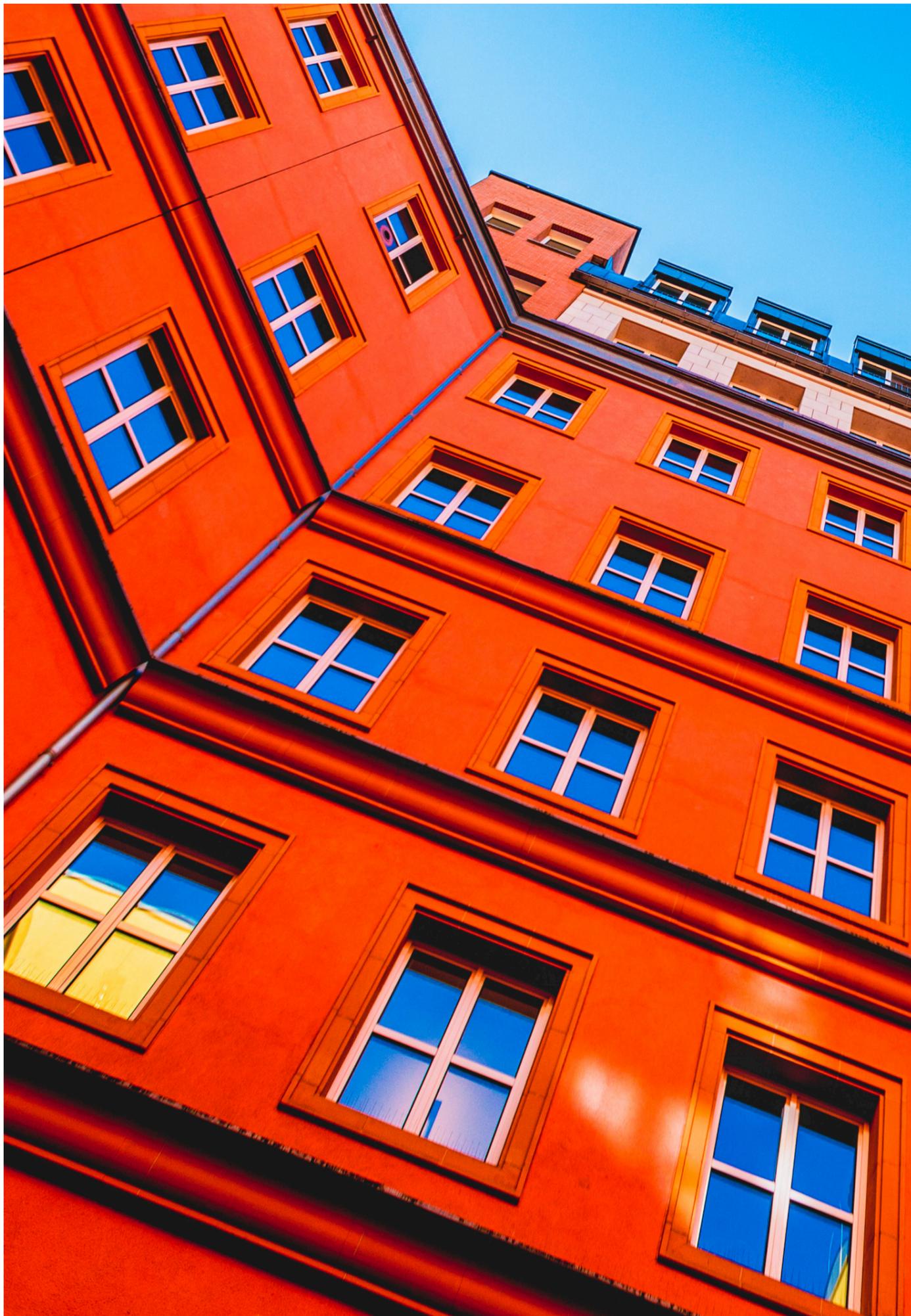
85% of global consumers want more open space in town and city centres

Town centre of the future

Consumers also want more leisure facilities, better transport and more pedestrianisation

Contents

1. A radical rethink for global property – and where we live, work and play	5
2. The market signals action is ahead	7
3. Juliemma McLoughlin Executive Director, Environment City of London Corporation	15
4. What Levelling Up means for UK Real Estate	16
5. Nigel Hugill Chief Executive Urban&Civic	18
6. Deborah Freeman-Watt Head of Urban Opportunities Landsec	24
7. The town centre of the future	26
8. Ailish Christian-West Executive Director, Portfolio Management, Development and ESG Get Living	28
9. Lawrence Hutchings Chief Executive Capital & Regional	36
10. Darryl Murphy Head of Infrastructure Aviva Investors	40
11. A focus on international	42
12. Germany: The big car debate	42
13. Henrike Waldburg Head of Investment Management Global Union Investment	44
14. France: Moderate expectations	46
15. The Netherlands: Pride of place	48
16. Spain: Recovery in mind	50
17. Singapore: Up with trains	52
18. UAE: Down with pollution	54
19. Methodology	56
20. About us	57



A radical rethink for global property – and where we live, work and play

As the real estate world emerges from the pandemic it is clear that all around us the urban landscape is changing. Many properties are obsolete but also have exciting futures with new uses. Our town centres and cities are undergoing fundamental change – which all adds up to a world focused on Repurposing Real Estate.

Now in its tenth year, our Real Estate Thought Leadership series has covered topics such as the rise of international investment in the UK, the growth of tech, the future of the office, the rapid rise of industrial & logistics and the arrival of build-to-rent as a major asset class.

This year, with the Government having published its Levelling Up & Regeneration Bill, we focus on the future of towns and cities not only in the UK but in a series of key global investment hubs: Germany, France, the Netherlands, Spain, Singapore and the United Arab Emirates.

After two years of lockdowns, working, shopping and socialising at home, a debate is raging about the future of town and city centres. Will they recover? How will they look in ten years? Will urbanisation go into reverse? And what does this mean for the real estate world?

In 'Repurposing Real Estate' we provide the first answers having polled more than 300 leading industry professionals and almost 15,000 global consumers.

The results are fascinating: almost a third of real estate is earmarked for conversion – with retail and offices to housing the most popular choices. Consumers want more green and open space, having spent too long confined to their own homes.

But the good news is that investors, having come through the pandemic, are still confident in real estate as an asset class. The big changes will be in what property they invest in, meaning the places we live, work and play in may be very different in the years to come.

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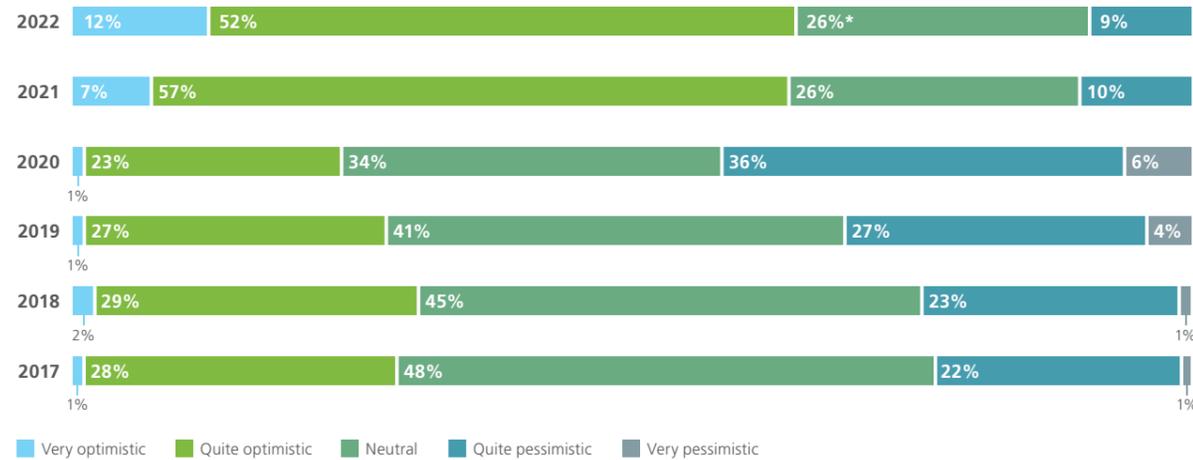
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The market signals action is ahead

Industry view – Q: How optimistic or pessimistic do you feel about the UK real estate market in the short term?



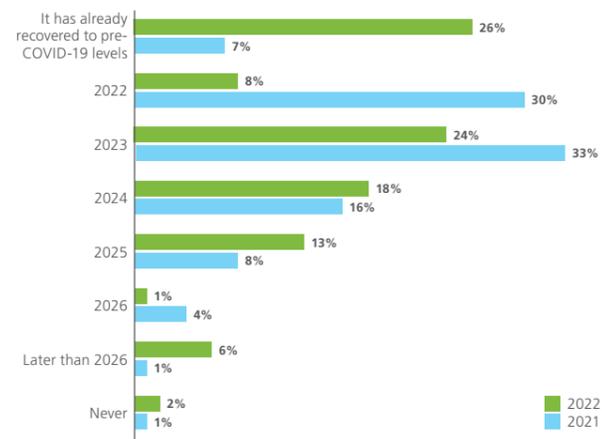
The task of creating towns and cities fit for the future is no small one, but the real estate industry appears ready to take on the challenge. Optimism has retained the buoyant position it reached in 2021 compared to previous years: 65% of respondents were optimistic about the UK real estate market in the short term, compared to 64% in 2021. More respondents were very optimistic: 12% compared to 7% in 2021.

This reflects general industry consensus that the UK real estate sector is set to continue to recover as 2022 progresses. CBRE's UK Real Estate Outlook predicts returns to be just over 6% for the year. Though issues remain, such as the impact of the war in Ukraine and inflation, challenges created by the pandemic have released their grip on sentiment, leaving the industry seemingly ready for action.

There is an increased sense of dynamism, with real estate professionals who had lost hope in town centres now seeing values in the hardest hit sectors bottoming out – and coming up with creative solutions across the board to repurpose real estate and rethink the world's town and city centres.

In fact, real estate professionals say that almost 30% of their property is earmarked to be repurposed – a stunning prospect when we consider the size of the UK real estate world.

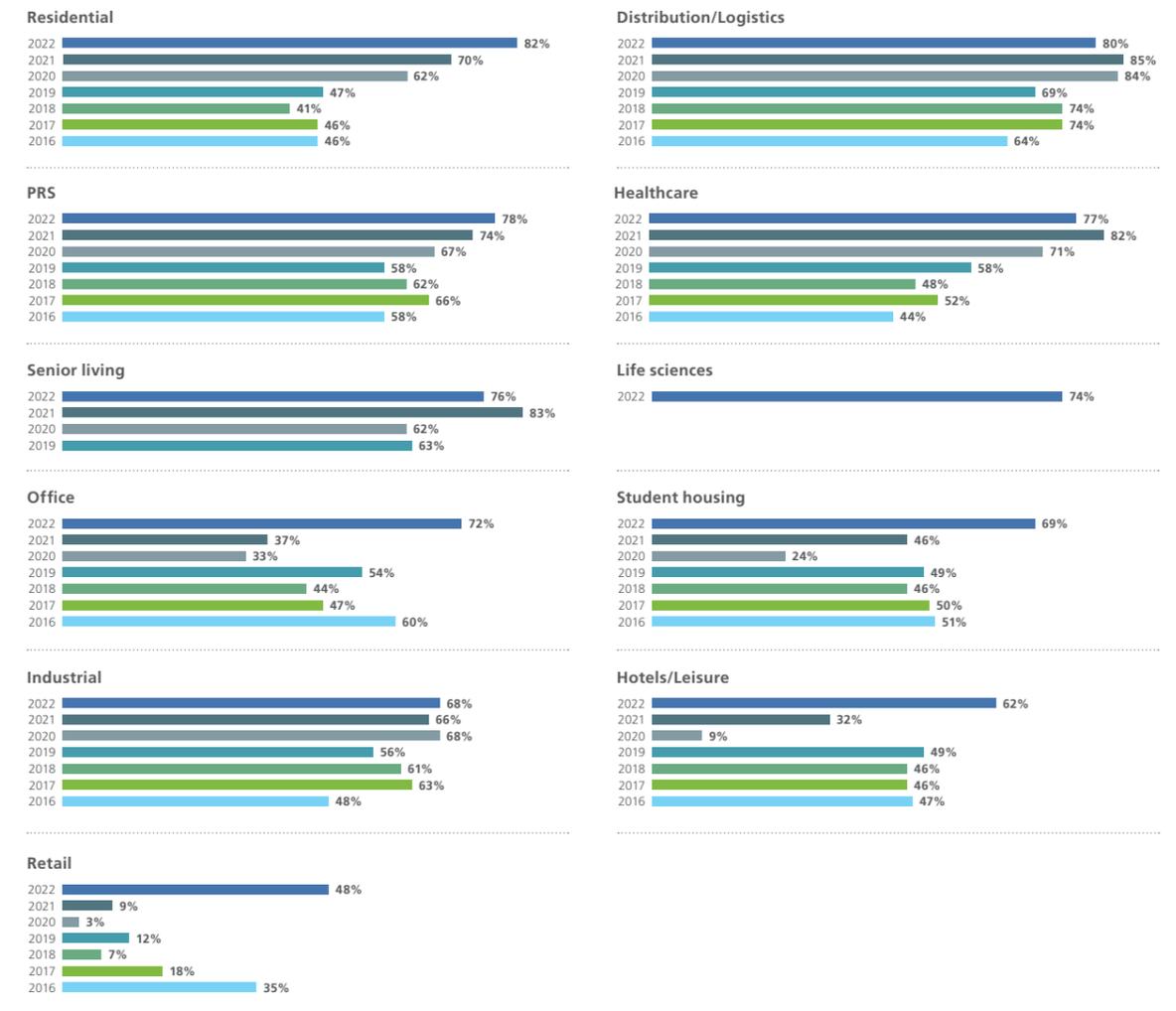
Industry view – Q: By what year do you expect the real estate investment market to recover to pre-COVID-19 levels?



As the pandemic has subsided, it has become evident that for many its impact has not been as great as perhaps feared. More than a quarter (26%) of respondents in 2022 believe that the real estate investment market has already recovered to pre-pandemic levels.

Industry view – Q: Please rate the following asset classes on their level of appeal:

Proportion of respondents that judged asset class as appealing for investment



The rise of residential

Industry respondents signalled that most asset classes are more appealing for investment than in previous years. Notably, for the first time residential is the most widely appealing asset class.

While distribution/logistics remains appealing, the slight reduction compared to the previous two years signals an easing in the pace of the market. Online retail boomed during national lockdowns, but this result suggests that the sector might have peaked in terms of investor interest.

With this research having been repeated over 10 years, we classify residential as investment in existing residential assets to reflect the thinking when our research began.

The private rented sector (PRS) was hot on the heels of residential investment as an appealing asset class, with GBP 4.3bn invested in BTR in 2021, according to Knight Frank, up 19% on 2020, which was already a record year.

A return to the office

Office and retail both saw a huge resurgence in sentiment back to 2016 levels, after a period of noticeably lower appeal. Now the height of the pandemic has passed, that people are again visiting real estate.

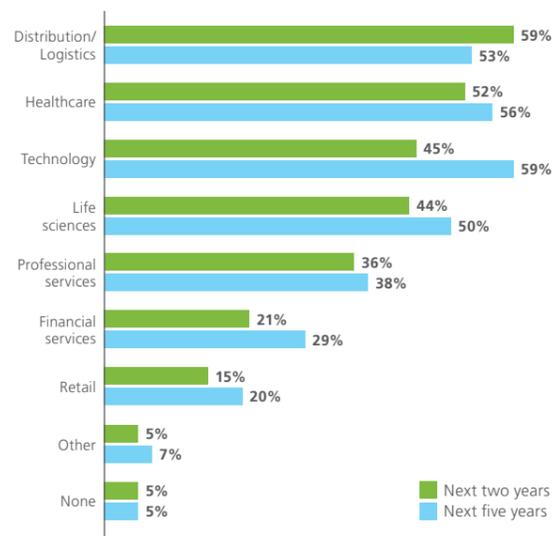
The office sector has emerged renewed from a turbulent period. When much of the workforce started working from home, some predicted a demise in the use of offices. Many studies have indicated this has not materialised, as people missed the interaction the workplace provides. "Hybrid working" has arrived and though people may spend less time in the office, they will still visit.

When industry respondents were asked how their working life may change in 2022, 44% said they will work from home more but 43% said they will use the office as a hub to meet with colleagues. At the same time 60% of respondents believe a more modern/collaborative office will encourage the workforce to visit more often, while 63% said a high-quality/well-fitted office would entice people to visit.



The source of demand

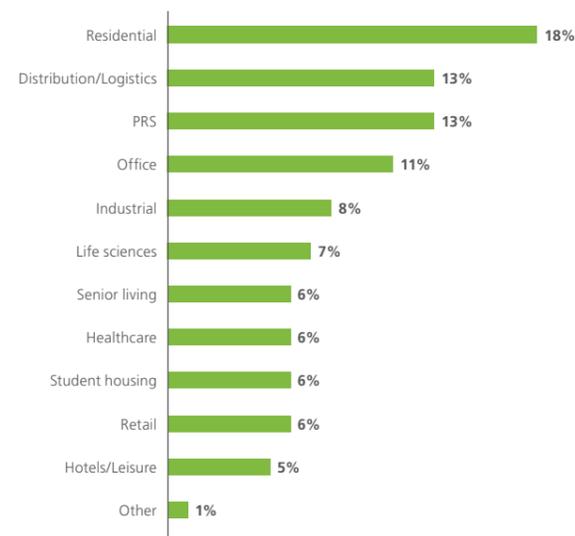
Industry view – Q: Where do you see increased commercial real estate occupier demand coming from in the next two years and five years?



Turning to where increased commercial real estate occupier demand might come from in the next two years, healthcare is popular, selected by 52% of respondents.

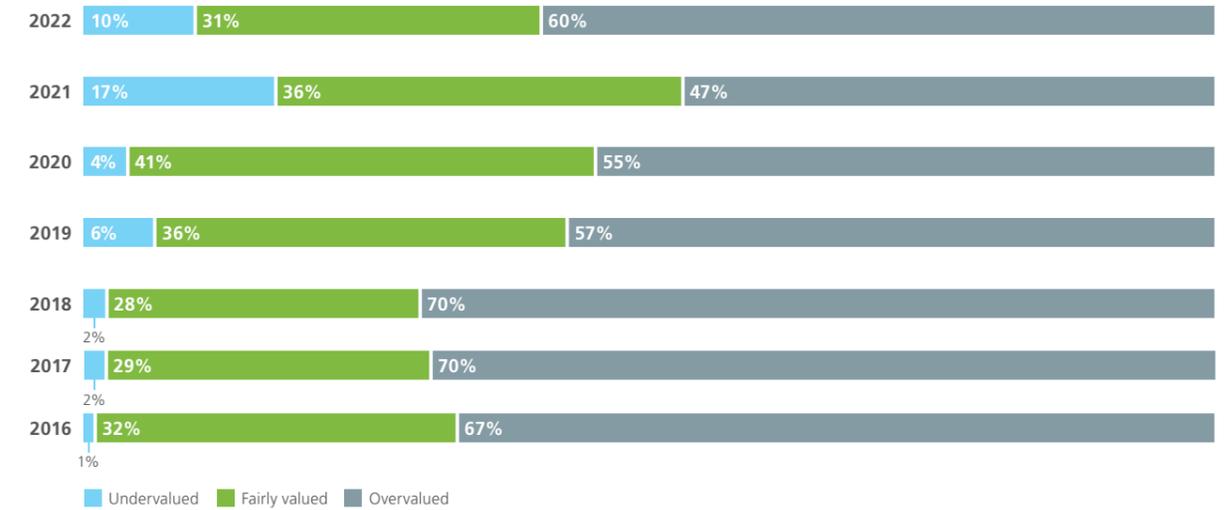
In terms of level of appeal to investors, the figure for healthcare has stayed close to its 82% high during the COVID-19 pandemic, at 77%.

Industry view – Q: If you were to invest, what percentage of your investment in real estate would you allocate to the following asset classes for the greatest return?



While appetite for investment appears strong in 2022, what remains to be seen is how the industry will work to transform all asset classes, to deliver what consumers are seeking in a post-pandemic world. The high level of optimism and desire to invest in assets suggests that many of those we surveyed are up for the challenge.

Industry view – Q: What is your current view of the London real estate market?



Compared to the previous three years, respondents regard London as expensive. 60% of respondents believe the London real estate market is overvalued.

This opinion reflects a strong bounce back in central London investment since the pandemic eased, primarily driven by overseas investors. CBRE reported in its UK Real Estate Outlook, published in December 2021, that the level of global equity targeting London office property reached a near-record GBP 40.13bn by the end of November 2021.

Notably, 10% believed London is undervalued, a figure which, during the course of our research, was only topped in 2021. The high figure in 2021 could be explained by the timing of our poll, which took place during the height of uncertainty during the pandemic.

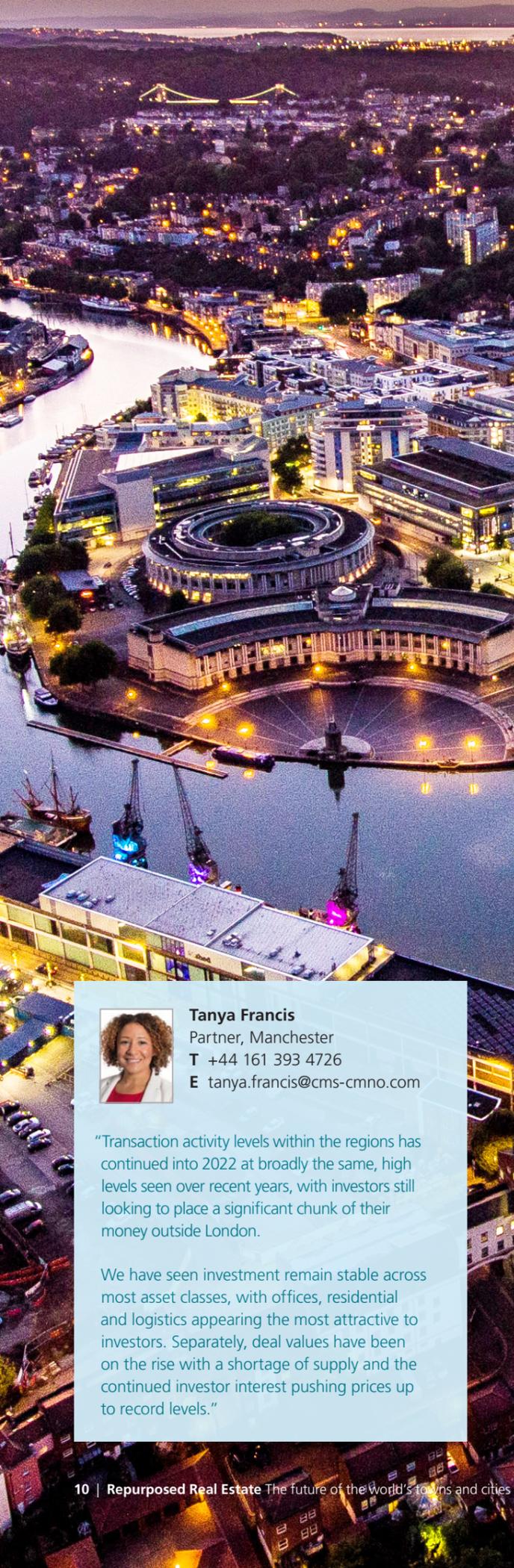
This divide in opinion in 2022 could highlight diverging views on the value of specific asset classes. Investors are still assessing how working and living habits post-pandemic affect the built environment.

It could also indicate that we are likely to see a high level of investment in Central London real estate during 2022 and into 2023, as investors look to take advantage of stock that they perceive as undervalued.

At the same time, office yields in central London continue to be higher than in other key cities around the world. According to Savills, prime yields for Q1 2022 were 1.7% in Hong Kong, 2.5% in Paris, 2.6% in Tokyo, 2.7% in Frankfurt, 3% in Madrid and 3.75% in the City of London. This shows that there is still value to be had for investors in London as they weigh up its pricing compared with competitor cities.

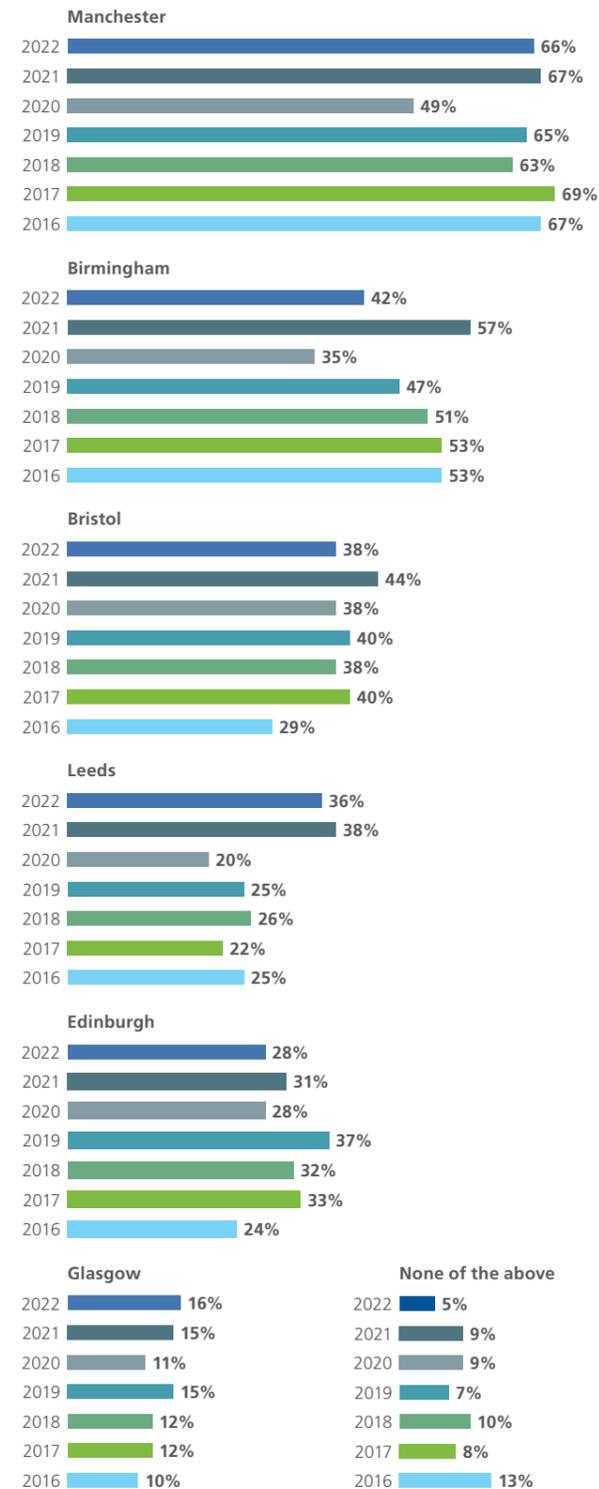
Our polling also found that more than three quarters of real estate professionals believe that London is a financial capital of the world, and 85% believe the UK is an attractive location for domestic investment.

London attracted more foreign investment in 2021 than any other city, according to the City of London Corporation. A total of GBP 600m was invested by overseas investors into financial firms in London, topping investments in the likes of Dubai, Singapore, New York and Paris.



Turning to the “big six” UK regional cities, not surprisingly, Manchester remains the most appealing as an investment target, which has been the case since our study began, followed by Birmingham and Bristol. All cities are more appealing than they were in 2020.

Industry view – Q: Of the “big six” regional cities listed below, which do you think are particularly appealing as investment prospects?



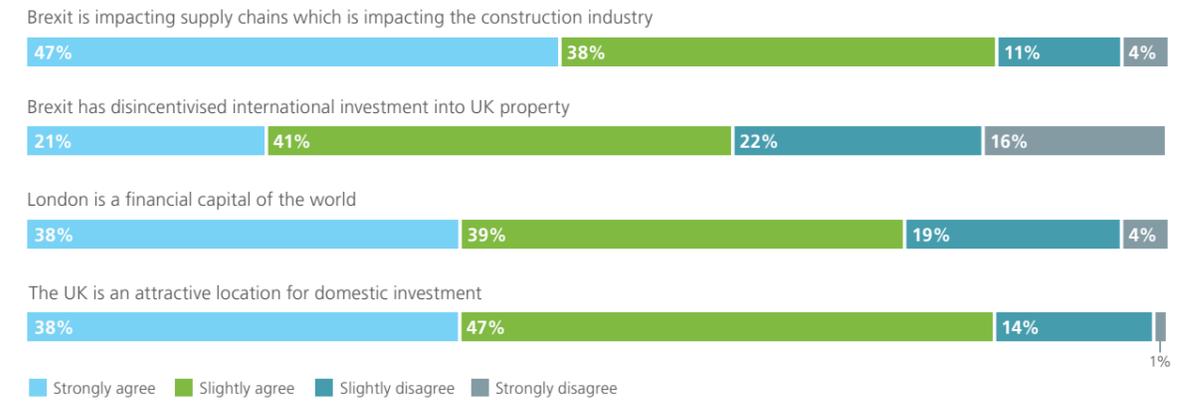
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“Transaction activity levels within the regions has continued into 2022 at broadly the same, high levels seen over recent years, with investors still looking to place a significant chunk of their money outside London.”

We have seen investment remain stable across most asset classes, with offices, residential and logistics appearing the most attractive to investors. Separately, deal values have been on the rise with a shortage of supply and the continued investor interest pushing prices up to record levels.”

The wider context

Industry view – Q: How strongly do you agree or disagree with the following statements?



Our survey suggests that Brexit continues to be a real concern for the industry. 85% of respondents believe that Brexit is impacting supply chains to the point of having a negative impact on the construction industry.

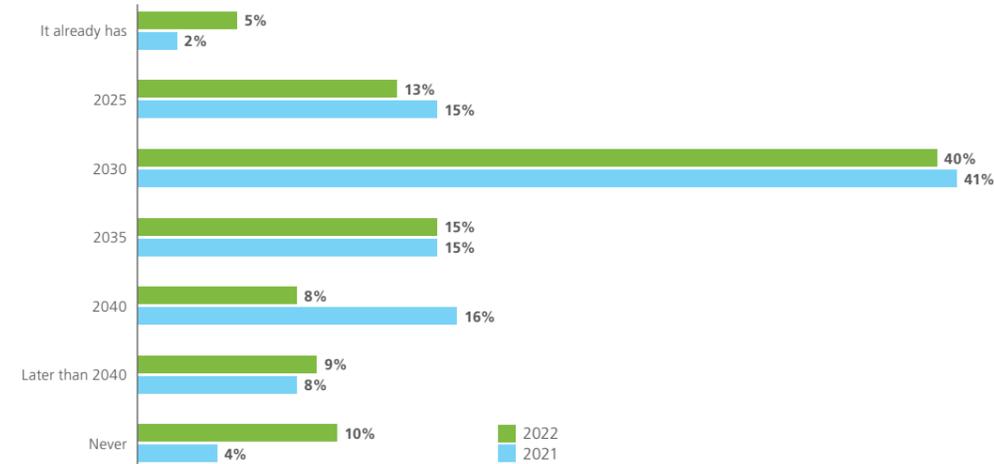
Figures from the Insolvency Service show that insolvencies in the UK construction sector in Q1 2022 were up 51% compared to Q1 of previous year. In February alone, there were 307 insolvencies in the construction sector, a 142% increase on the same month in 2021.

More than 60% of respondents also believe that Brexit has disincentivised international investment in the UK real estate sector. This could reflect polarised views and the strength of industry feeling towards Brexit; respondents may argue that investment would have been even higher despite Brexit.





Industry view – Q: By what year do you expect your company to achieve net zero emissions?



Taking industry views on the challenging goal to reach net zero carbon, one thing is clear: much more effort is needed. While the proportion of industry respondents who say their companies have already achieved net zero has more than doubled since 2021, so has the proportion of people who believe their companies will never achieve it.

In November 2021, COP26 shone a stronger spotlight on the need to reduce carbon emissions. The UK Government had already put into legislation the requirement to reduce the UK's carbon emissions by 100% relative to levels in 1990 by 2050 – effectively, to be a net zero emitter. Following the Glasgow summit, Governments are being asked to submit stronger targets for 2030 with the aim of limiting global warming to 1.5 degrees Celsius.

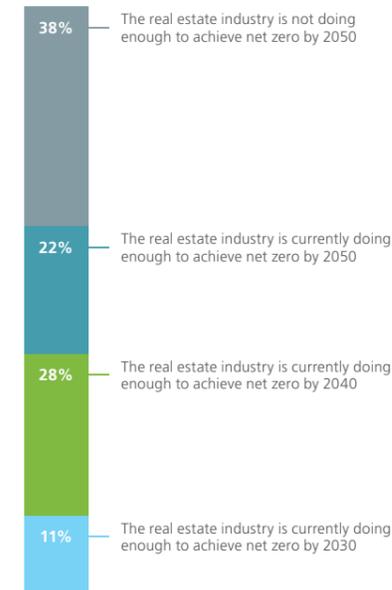
Clearly, real estate has a huge part to play in that goal. The UN says that the global built environment contributes 30% of global annual greenhouse gas emissions and consumes around 40% of the world's energy.

“The number of companies who have already achieved net zero has more than doubled since 2021, so has the proportion of people who believe their companies will never achieve it.”

Clare Thomas moderating the 'Green is the new black: ESG principles – driving RE investment' panel discussion at MIPIM 2022. To view the panel click [here](#).



Industry view – Q: Which of the following statements do you most agree with?



Encouragingly, 61% of respondents believe that the real estate industry will meet the UK government's target by 2050 if not before. However, that does leave more than a third of respondents who do not believe the sector is doing enough to meet the UK's target.

Creating and understanding the path to net zero is a rising priority, evidenced by the high number of respondents who are hopeful that net zero can be reached. In our chapter on the town centre of the future we highlight consumers' environmental concerns when considering the future of towns and cities, as well as the industry. To many, there is a lot of action still to be taken.

Overall, the industry's views on the market in 2022 reflect optimism across the board after a period of real turbulence and concern. From a desire to invest in creating the towns and cities fit for future needs, to an ambition to reach net zero, our survey indicates how far sentiment has travelled since the pandemic first started.

The challenge for investors now is to channel this optimism into meeting the evolving needs of society today. However, it's not only down to the real estate industry to direct attention and investment towards repurposing towns and cities across the UK. The Government's Levelling Up & Regeneration Bill and publication of the Levelling Up White Paper corroborate that repurposing is a major concern.



City of London Corporation

Juliemma McLoughlin
Executive director, Environment

Q: As one of the most prominent city centres in the world, how is the City of London Corporation reacting to the COVID-19 pandemic?

It is fair to say the City has suffered a once in a generation shock that has rocked and tested what we know about our society and the way we work and do business.

Within this context my priorities can be grouped into three themes my department will focus on: flourishing society; thriving economy and outstanding environments.

Q: How can the City promote a flourishing society?

More than ever, we must recognise the City is more than a place of business. We want to deliver a range of services that meet the needs of the City's diverse communities in a sustainable and inclusive way, addressing the health, employment, education, leisure and housing needs of the people who work in, live in and visit the City.

Q: How can your department promote a thriving economy?

The City has many peers challenging its role as the world's leading international financial and professional services centre. The City as a place of business is more important than ever as a driver of the national economy, so needs to be supported by corporation services that enable continual innovation and the development of new business areas, including in tech and creative sectors.

Other cities in Europe lack the connectivity and buzz that London offers and I want to make sure quantity and quality of new development, particularly office-led development, meets the growing needs of business. This will support and strengthen opportunities for the continued collaboration and clustering of businesses that is vital to the City's operation and its pre-eminence.

Now is not the time to be insular or elitist – the City must set the pace for inclusivity, so we will continue to build on the successes we've had, such as encouraging rooftop accessibility. In particular, we need to ensure the City is a 24/7 destination.

Q: How can you promote outstanding environments?

Deliveries and servicing have long been a challenge for the City of London, so I will focus on partnership working with City businesses and developers to minimise the number of delivery and servicing trips into the City. This will help reduce congestion and improve air quality.

The City is known for being a centre of world class architecture, but we cannot rest on our laurels. Buildings need to be flexible and adaptable as well as high-quality, with public realm at the forefront of considerations. More than ever, the City needs to produce public realm for people to admire and enjoy, and buildings need to be in the right location.

I would expect the Square Mile to become a much greener place, with additional planting in and around new and existing buildings. This will enhance the environment and help in combating the impacts of pollution, which assists the City Corporation in meeting the ambitious targets set out in our radical Climate Action Strategy.

Q: What difference will we see in the City of London in the 2020s?

I will plan for the systemic shifts in the role of cities and to challenge the assumptions about what makes a city great. I want to create a people-centred Square Mile that promotes the mental and physical wellbeing of all residents, workers and visitors.

I will bring a sharp focus to partnership, working in co-operation with a range of organisations, including developers, businesses, residents, community and amenity groups, transport and service providers, Central Government, the Mayor of London and other London boroughs to deliver positive improvements across the City.



What Levelling Up means for UK Real Estate

The future of the UK's towns and cities is a well-publicised priority for the UK government. The Levelling Up and Regeneration Bill, that was confirmed during the Queen's Speech in May 2022, focuses on "empowering local leaders".

The Bill is a key component of the Levelling Up White Paper, which was released on 2 February 2022. The Bill provides a legal basis for the Government to set and report against a number of ambitions that are set out in the White Paper.

These ambitions could have a significant impact on real estate. Following the release of the White Paper, parts of the real estate sector were vocal in their criticism. Industry opinions focused not only on what many see as a plan lacking in the detail required to succeed, but also on how spending money on a few chosen areas will fail to create the rejuvenation required. There were also worries that to "level up" areas of the country, London was going to be "levelled down".

The National Audit Office was among the organisations that joined this criticism. It warned that billions of pounds spent on levelling up may be wasted because ministers are picking projects too small to revive poorer areas and failing to analyse "what works".

However, while industry condemnation has been widely reported, the intention of this report is to uncover the opinions that lie behind the headlines. Our survey questions focused on digging deeper into how the industry really views the Levelling Up agenda and whether respondents believe it can succeed in its goals.

The results suggest that there is an industry-wide opinion that levelling up is necessary if we are to build a sustainable future for towns and cities. However, whether the Government is getting it right is up for debate.

Several elements of the White Paper, confirmed in the Bill, proved particularly controversial for the real estate industry.

First, the decision to scale right back Section 106 agreements. This is a developer's legal obligation to mitigate the impact of development on a community, such as by funding improvements or community facilities. Instead, there will be an infrastructure levy for developers to pay to councils, based on the value of completed properties when sold, which could raise GBP 7bn a year.

Second, landlords may be forced to enter a retail unit that has been vacant for a year into a rental auction. The landlords will then have to rent the unit to the successful bidder.

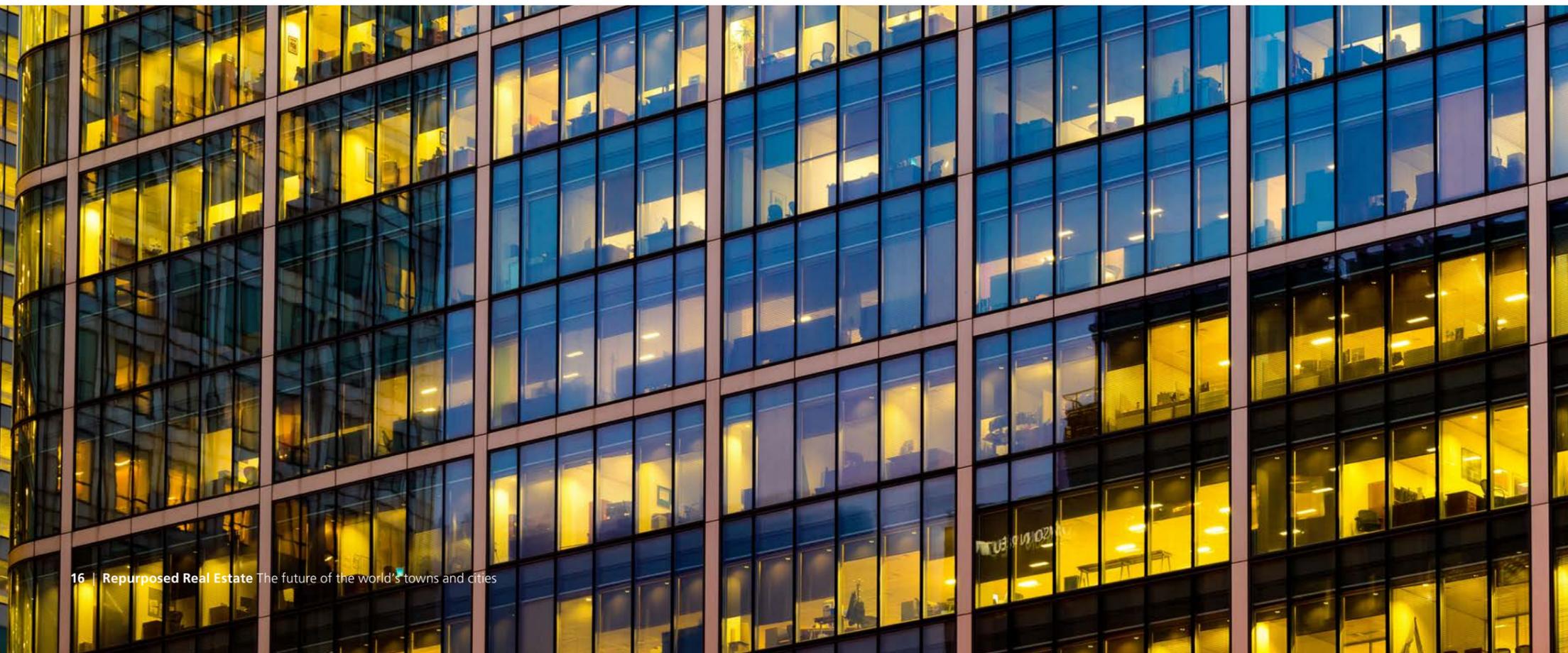
In a recent column for React News, Sunday Times property expert Oliver Shah criticised this move, calling it "the stealth nationalisation of the property industry". The idea of pitting councils against landlords over vacant units is a cheap bit of publicity, he claimed.

What the Levelling Up White Paper contains

The Government described the Levelling Up White Paper as "a complete 'system change' of how government works that will be implemented to level up the UK".

Among the paper's 12 goals for 2030 are that:

- Domestic public investment in research and development outside the Greater South East of England will increase by at least 40%;
- Local public transport connectivity across the country will be significantly closer to the standards of London, with improved services, simpler fares and integrated ticketing;
- Pride in place, such as people's satisfaction with their town centre and engagement in local culture and community, will have risen in every area of the UK, with the gap between the top performing and other areas closing;
- Renters will have a secure path to ownership with the number of first-time buyers increasing in all areas. The Government's ambition is for the number of non-decent rented homes to have fallen by 50%, with the biggest improvements in the lowest performing areas; and
- By 2030, every part of England that wants one will have a devolution deal with powers at or approaching the highest level of devolution and a simplified, long-term funding settlement.





Urban&Civic

Nigel Hugill
Chief Executive

Q: What are your views on the future of town and city centres generally?

I am actually quite optimistic. Ultimately property reflects the surrounding economic habitat. I see those broader prospects as pretty good, not least on account of the extraordinary advances in technical and life sciences that the pandemic served to turbocharge. Moreover, whilst there has been a decline in consumer confidence there is still GBP 200bn or so of involuntary savings left over from the pandemic waiting to be spent. The better question is how to speed up change.

Q: What are your views on the Government's Levelling Up Agenda?

The unsentimental aspiration of levelling up is to make every place the best it can be. Regional disparities remain stubbornly structural and widen as the country becomes wealthier as a whole. They also shift over time. Circumstances that led Birmingham and Middlesbrough to be amongst the strongest entrepreneurial drivers of our Victorian economy are not about to be replicated. Nor should we try.

Effective policy interventions have to go with the current flow and build upon existing attributes and specialisations. They will also involve facing some hard political realities. Just as with seeking equality of income via highly aggressive redistributive taxation,

attempts to eliminate regional differentials completely would only ossify our economy, not energise it.

Starting with the practical is not to ignore manifest inequities that must rightly be addressed. Northern Rail has been denied a fair share of capital investment since well before Doctor Richard Beeching's cuts in the 1960s. Moving the DVLA to Swansea transferred jobs for sure but did nothing much for ground level wealth creation in Wales. Serious intentions towards levelling up require, as a minimum, a strategic commitment to improving value add and further investment in national rail transport, alongside better relative educational attainment across large swathes of the country, sometimes within the same county. Tough but far from impossible.

When I first moved to London, more than four decades ago, the capital contained many of the worst state secondaries in the country. Now it boasts more than its share of the best. Tony Blair, his Academy Programme and Teach First combined to deliver demonstrable improvement. The current Education Secretary, Nadhim Zahawi, is cast in that same forthright radical mould. Urban&Civic is making its own modest contribution. We recently completed a marvellous new secondary academy at Houlton. Led by an exceptional head, the new school is already oversubscribed and forging an outstanding

contribution to education provision in Rugby Borough.

We have to recognise without attributing political blame that some of our regional metropolitan cities – Birmingham, Glasgow, Manchester and Liverpool in particular – fall dramatically short against international comparators. This weighs heavily on both regional prosperity and the performance of the national economy, costing the latter close to an estimated GBP 50bn per year.

The Red Wall dictates the prevailing political direction and incremental improvements to local economies should obviously be progressed where policy has the levers to do so. Money also goes to mindsets. More attention and spend on health and less on schools, which has been the way in the UK for the last 15 years, only tips the balance further away from young people and exacerbates stark intergenerational disparities that interrelate with provincial metropolitan centres. Ultimately, the real shifts have to come from improved productivity and value add from city regions outside London.

In turn, that requires sustained co-operation and mutual support. Current political configurations mean that there remain real challenges, most especially with Glasgow and Liverpool, but the pragmatic approach being taken to working with Central Government by Andy Burnham, just as much as Andy Street or Ben Houchen,

provides some real grounds for optimism. Such are the timeframes involved that we have already to look to the next Parliament for any meaningful change. COVID and Ukraine have done for this one.

Q: How can large sites alleviate local planning problems in South East England?

The argument that large sites will come to account for an increasing proportion of future residential development in South East England is over for all practical purposes. Serial infill is fraught with opposition and the notion that there is sufficient brownfield land outside the M25 in areas of high demand is simply empirically and spatially disingenuous.

Publication of census data in the summer looks set to reinvigorate the debate over the extent of required housing numbers but my confident expectation is that the percentage contributed by large sites will continue to climb. Urban&Civic now has seven large residential projects in active delivery. All now enjoy higher levels of local approval than when first mooted. That has to be the acid test.

As a meticulously planned extension to the medieval town of Rugby, Urban&Civic's Houlton settlement works at so many levels: the highest ranking new residential development in the country, according to purchasers on HomeViews; 1,600 and counting houses occupied or contracted within less than five years; a grand if redundant

shortwave transmitter building, listed previously on the basis of historical importance, future-proofed by conversion into a magnificent new secondary school; one of three new primaries already undergoing scheduled expansion; medieval ridge and furrow common land respected and incorporated; the first bus lane in the borough; nine housebuilders currently on site employing modular as well as traditional construction techniques; net environmental gain targets consistently exceeded; strong cross-community standing reflected in warm praise from the local MP recorded in Hansard.

A source of considerable pride to Urban&Civic of course. More than that, it is a genuinely thrilling example of joined-up Government thinking.

The UK is fundamentally overshopped. The vast majority of our population live on a small, densely populated island with an extensive road network and high home computer ownership. Internet retail was always going to hit hard. Equally Victorian market towns spawned way too many public houses for modern requirements. As societies generate more disposable income and become more leisured, so the ability to socialise and congregate is enabled. The desire never left us. We need to make places as attractive as possible, particularly to eating outside in the summer. The big nudge that the Government could give to town and city centres would be via some

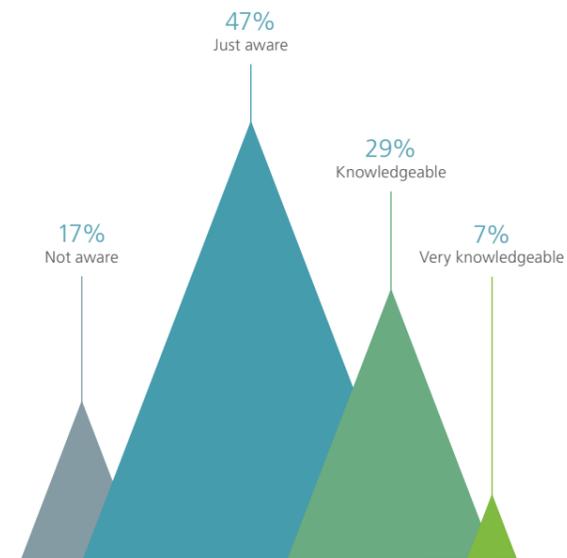
positive discrimination on business rates. An unintended consequence at present is for the precise opposite in favour of logistics.

Industry awareness

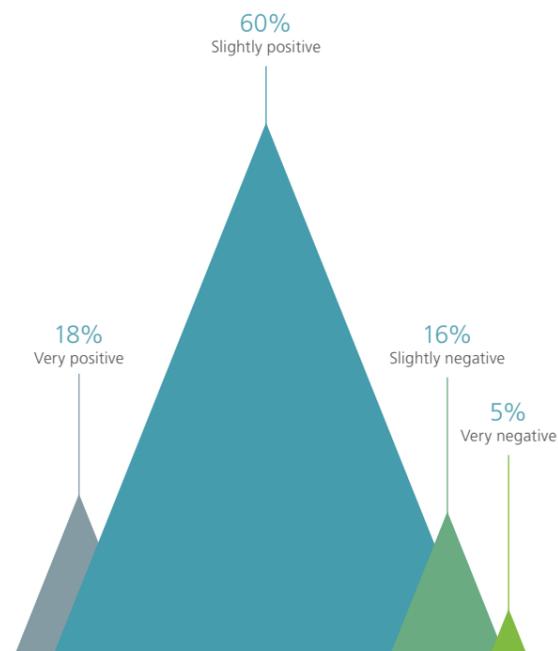
In the wake of the publication of the Levelling Up White Paper and before the Levelling Up & Regeneration Bill was published, 36% of respondents professed to be knowledgeable on the subject, while almost half (47%) were just aware of it. 17% were not aware at all.

With the publication of the Bill, there may now be an increased understanding of the Levelling Up agenda, with the creation of a new Infrastructure Levy and eye-catching ideas such as residents voting on new build proposals by their neighbours having been announced by Levelling Up Secretary Michael Gove.

Industry view – Q: How knowledgeable are you of the Levelling Up agenda?

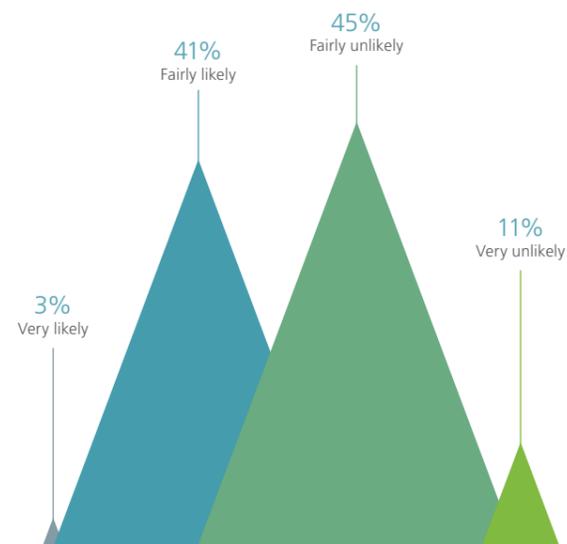


Industry view – Q: How would you best describe your feelings towards the Levelling Up policy?



However, though respondents' knowledge of detail might be light, there is a desire for a Levelling Up policy to exist. More than three quarters (78%) felt positively about the policy.

Industry view – Q: How successful do you believe the Levelling Up policy will be in achieving its aims?

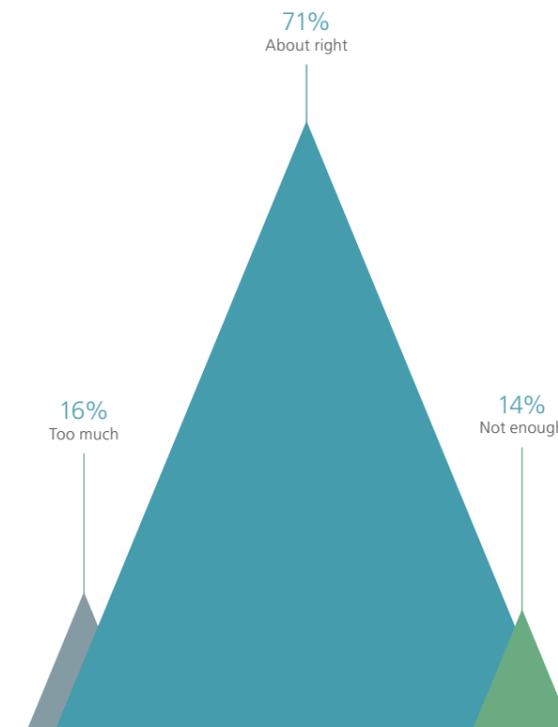


They are not convinced that it will succeed in its goals. Significantly, a little more than half (56%) believe it is unlikely to achieve its aims.

The Levelling Up White Paper released in February 2022 proposes a 40% increase in public research and development investment outside the South East.

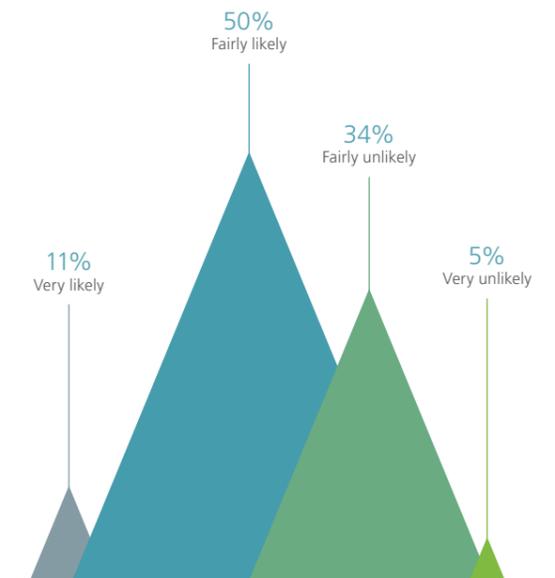
The paper also proposes giving access to "London-style" powers and a mayor to every part of England if they want it.

Industry view – Q: Do you think this proposed increase is:



Contrary to industry criticism of the White Paper, respondents appeared relatively in favour of various measures the White Paper proposed.

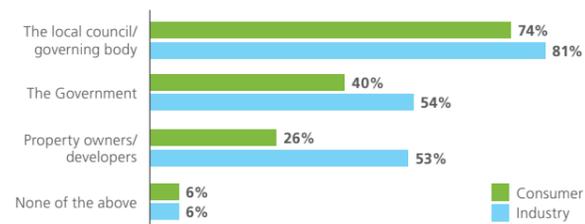
Industry view – Q: How likely/unlikely do you believe this proposal will influence the success of the Levelling Up agenda?



61% indicated that the proposal to give London-style powers and a mayor to every part of England would be likely to influence the success of the Levelling Up agenda.

Who should be responsible?

Industry and UK consumer view – Q: Who do you believe is best positioned to lead the revival of city/town centres?



Some criticism in the media focuses on predictions that funding offered by the Levelling Up agenda is not enough or cannot be targeted towards areas that really need regeneration.

Yael Selfin, Chief Economist at KPMG UK, wrote in The Times in April 2022 that private investment will be crucial to delivering on the promises of the White Paper and that more fiscal firepower will be needed.

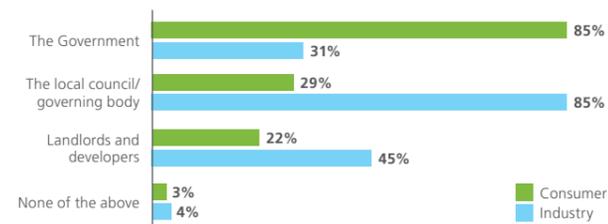
Indeed, industry respondents appear far more likely than consumers to believe that property owners and developers should lead the revival of town and city centres. To the industry, it is private capital that can turn towns and cities around.

There is also a divergence between who consumers and industry believe should be responsible for the management and maintenance of town and city centre amenities. The vast majority (85%) of consumers believed it should be the responsibility of Government, while the same percentage of industry respondents believed it should be down to the local council or governing body.

This highlights real disparity between how consumers and the industry believe the Levelling Up agenda should be implemented. While the industry is in favour of local councils taking control and therefore accessing levelling up funds, consumers seemingly believe this should remain at Government level. The Levelling Up White Paper offers devolution deals to every part of England that wants it – the question here is whether citizens want it.

The property industry believes it should have far more influence in managing and maintaining town centre amenities than consumers do, while the property industry has more trust in central government’s influence than local authorities.

Industry and UK consumer view – Q: Who do you believe should be responsible for managing and maintaining city/town centre amenities?



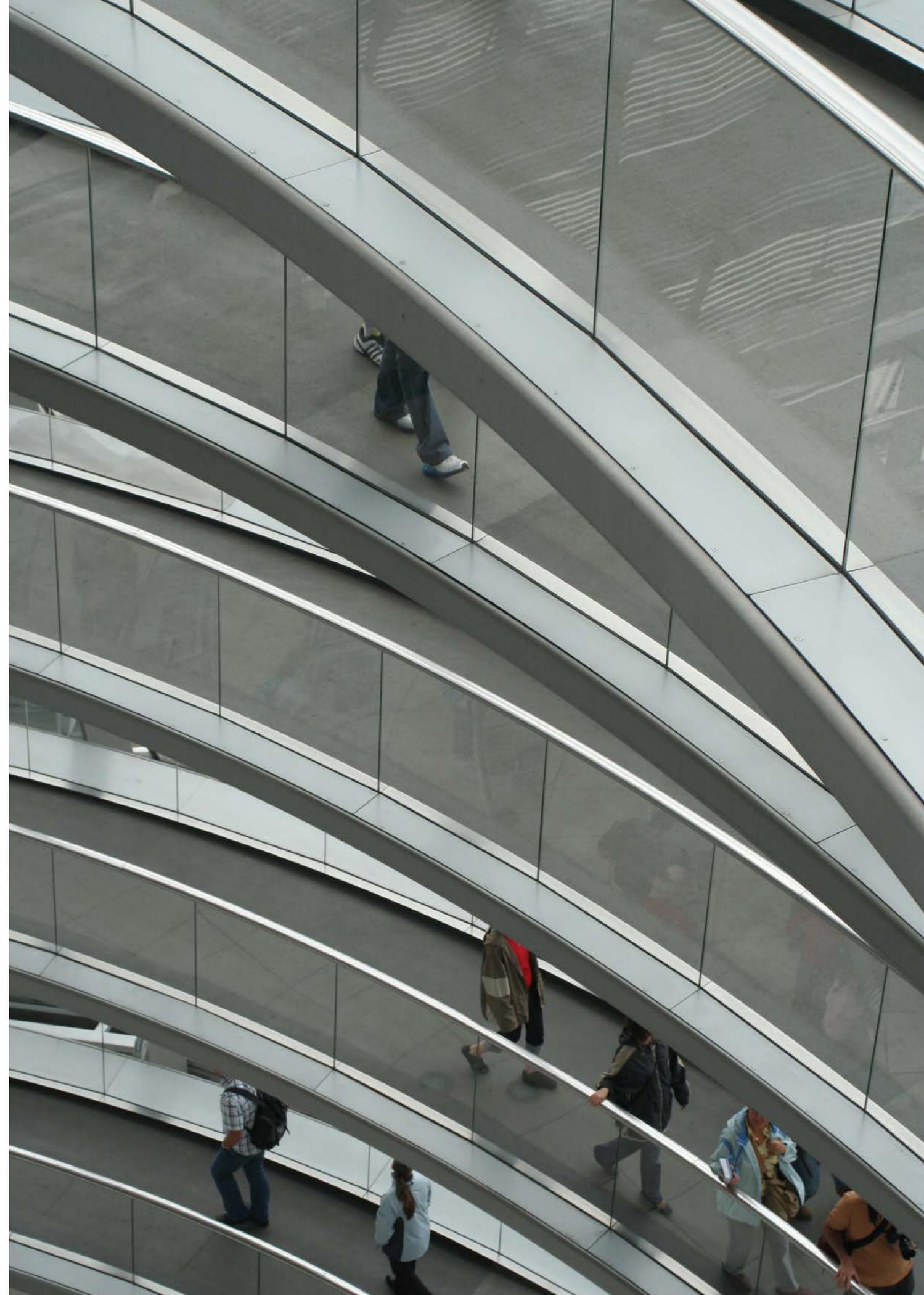
The property industry had in large part been supportive of former Communities Secretary Robert Jenrick’s plans for simplified planning zones which would have made development easier until they were dropped in the new Levelling Up & Regeneration Bill.

The Levelling Up & Regeneration Bill proposes new approaches to determining planning applications, with a greater role for national level planning policy, a faster local plan process, and changes to environmental assessment. The most significant change is likely to be the new Infrastructure Levy which will eventually replace CIL and see Section 106 agreements scaled back. Other changes include the streamlining of compulsory purchase powers, the introduction of national design codes, the simplification of the use of development corporations, and a bigger role for neighbourhood planning including “street votes” on planning applications. However, it is not yet clear from the proposals outlined so far how these will directly benefit the Levelling Up agenda.

Following the Queen’s Speech, Michael Gove, Secretary of State for Levelling Up, Housing and Communities, faced questions relating to the watered-down overhaul to planning. Critics said the Levelling Up White Paper and the Bill will not create the necessary changes in the system.

Speaking on BBC Breakfast after the Queen’s Speech, he also appeared to indicate the Government is less intent on delivering 300,000 homes a year that it promised in its 2019 manifesto. Instead, he said on Radio 4, “even as we seek to improve housing supply, we also seek to build communities that people love and are proud of”.

The aim of the Levelling Up agenda is to ensure that these communities are created right across the UK. The details of what constitutes a community, and the real estate “that people love and are proud of”, are what our survey focused on next.





Landsec

Deborah Freeman-Watt
Head of Urban Opportunities

Q: Can you tell us about your role at Landsec?

It is a new role created a year ago as part of the company's strategy to give focus to its approach to growing mixed-use urban neighbourhoods. In practice, this entails reviewing our portfolio and identifying properties which perhaps won't be fit for purpose in the next twenty or thirty years, but recognising they are key sites in vibrant communities and exploring how they can be evolved and repurposed for sustainable modern working, living and leisure use.

Q: How is Landsec approaching this repurposing of its assets?

We undertook a review of the key sites in our portfolio which we believed required repositioning and developed bespoke masterplans to deliver residential-led approaches to design and deliver new, sustainable urban neighbourhoods. The focus is to work with and for local communities to ensure our spaces make a positive contribution to the wider regeneration and long-term success and prosperity of the areas in which they are located.

Q: Can you elaborate further on the significance of your bespoke masterplans?

Each development has its own specific framework with a clear vision, at the heart of which lies its identity, reflecting and supporting the

character of the local community. It is not about imposing Landsec's view of the world and developing projects through our own lens and creating identikit, soulless town centres and high streets. We have to understand what makes individual communities tick, how we can make the most positive social and economic impact to the local environment, and this can only be achieved through close collaboration with local communities.

Q: Has the approach to urban development changed in recent years?

Yes, the most influential point of difference has been the role of sustainability, which is now a fundamental part of all our projects. This applies to not only the net carbon zero of the development, but also the social impact on local communities, which, as an industry, real estate is now starting to get to grips with. While this is not as quantifiable as the environmental sustainability of the bricks and mortar, it is equally important when developing communities to live, work and play in.

Q: What is the biggest challenge you face in developing mixed-use urban developments?

Developing projects of such scale in urban communities is a complex and substantial undertaking, requiring long-term commitment, over a time period of ten years and even longer. Therefore, we need to

forecast on what young people aged ten to fifteen years old will want from their work and living environments when they become adults. The real challenge lies in knitting together all the different components into one cohesive, joined-up development. The new retail strategy must complement the residential plan, equally the leisure and food and beverage offering must be aligned with the office provision. This can't be achieved in a vacuum. Engagement, and partnership with all stakeholders, such as local authorities and community groups, is essential in bringing them on the journey and maintaining momentum through the myriad of stages of planning and development.

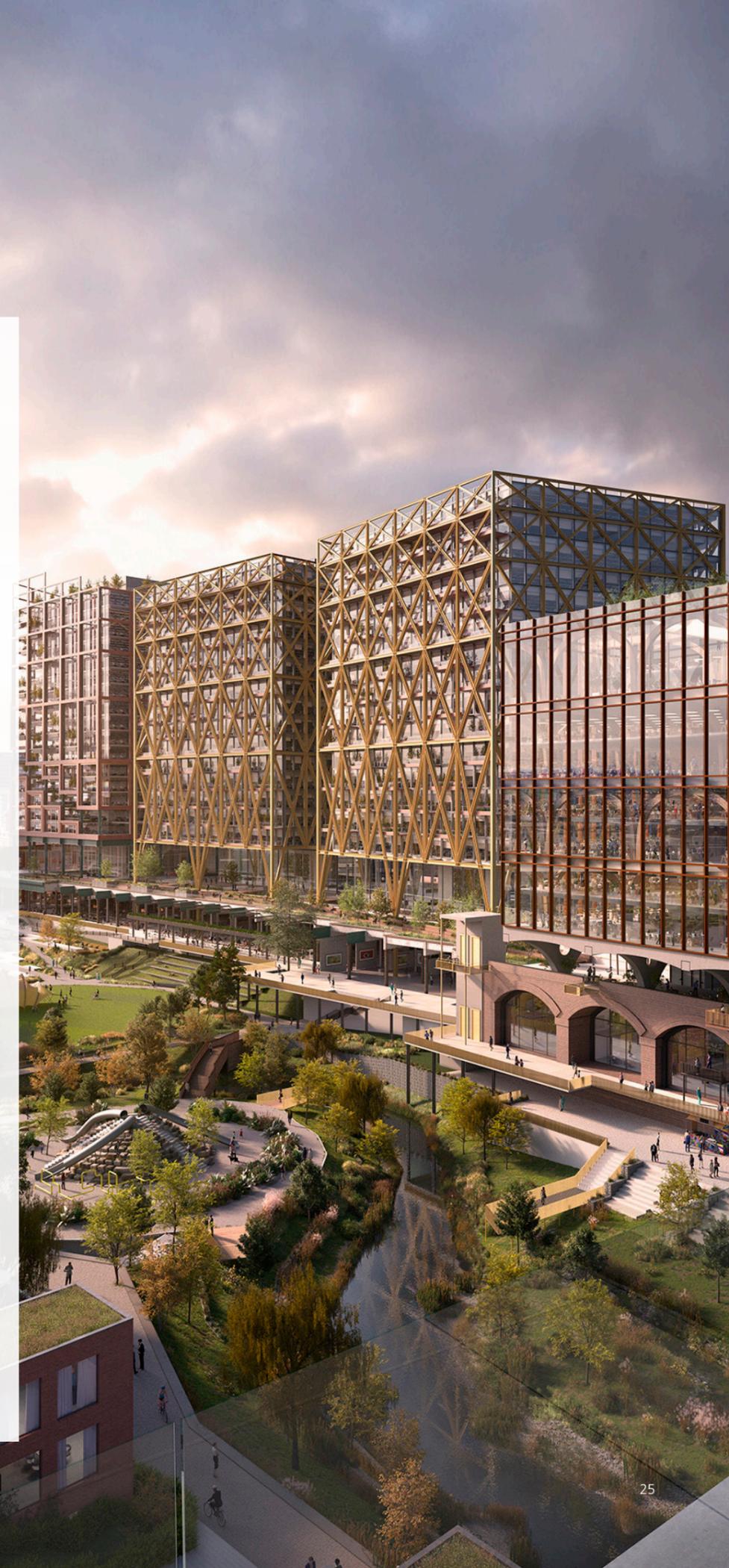
Q: How can such developments breathe new life and attract people back into our towns and cities?

Amenities need to be relevant to both immediate audiences while drawing in people from further afield. Bespoke retail and leisure strategies must meet the demands and interests of the local demographics, appealing to a broad cross-section of the local population, both young and old. Engaging with local businesses and entrepreneurs and providing them with the opportunity to operate and have a voice is a good way of integrating a development with the local culture. Another important factor is having a close connection to nature, through creative and expansive

landscaping, enhancing air quality and local biodiversity. Creating calming places, often amid hard-surfaced urban environments, makes an enormous difference to the peace and wellbeing of their users and inhabitants. A great example is the transformational Mayfield regeneration project in Manchester, where we are creating the city's first new public park in over 100 years, a 6.5-acre green space at the heart of the development.

Q: Including Manchester, Landsec is active in a range of key regional cities in the UK.

London remains very important to us; we have over 50 acres of land across the capital where we are delivering a range of mixed-use urban developments. The UK has such a diverse range of vibrant cities with large populations, and we are excited by the opportunities to work in partnership with local authorities in cities such as Manchester, Leeds and Glasgow to unlock the potential and help revitalise the urban core.



The town centre of the future

It is now widely understood that we are emerging from the pandemic with new viewpoints and ways of living. The way we work, the way we shop, where we spend our leisure time – all of this has been through the turbulence of the pandemic and been reimagined.

This now needs to be reflected in the built environment. Today, high streets are lined with vacant units as consumers are accustomed to the ease of ordering items to their own front doors. Lower-grade offices are being abandoned, as the trend to work from home has made it even more important for employers to provide a high-quality space to entice people back in.

Our survey focused on uncovering what consumers from the UK and around the world want from their town and city centres and what the real estate sector believes is possible. Properties cannot be reimagined overnight but, as results suggest, both consumers and the real estate industry know reimagination must happen.

The greatest challenge facing the real estate sector will be getting the balance right between what consumers desire, how the industry can generate appropriate returns and how the industry can tackle climate change.

Just as some real estate investors are beginning to accept the case for lower returns in favour of pursuing the ESG agenda, there is also a growing backlash among US politicians in particular over this sacrifice being made. It remains to be seen if this is a turning point for the ESG movement, or will lead to just a temporary change in sentiment.



Reinvention begins

Many property owners and investors have already begun to act. Strikingly, according to our survey an average of 28% of real estate assets are currently being repurposed.

An even greater percentage is set to be repurposed in the next five years – 31% of assets.

The most popular change of use planned is to create more residential properties. Almost a third (32%) of industry respondents said they were planning to repurpose, or are repurposing, retail to housing, while 24% are intending to convert offices to housing.

In the UK this tallies with the change to permitted development rights in 2021 that made it easier to convert retail into residential. It also tallies with investors' belief that this is where greatest returns lie.

Many build-to-rent operators are looking to expand their portfolios, encouraged by the sharp growth of this market. Where new build properties aren't an option, conversion of a shopping centre, for example, could be viable.

Noticeably, the conversion from retail to office is fourth most popular. For years, use of flexible offices has been increasing and the pandemic has shone a light on how it could fit with "hybrid working".

Well-placed workspaces on a high street could provide the facilities that businesses need for their teams. Small satellite offices could provide local hubs for workers who live nearby.

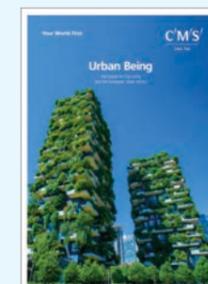
Repurposing versus building new properties is a subject that has come up for debate in the conversation surrounding net zero. While new buildings can use far less energy, the embodied carbon generated during construction is significant.

A recent article in *The Guardian*, titled 'Drive for net zero fuels UK boom in retrofitting buildings for new use', cited Grosvenor's UK arm, which has pledged to invest GBP 90m by 2030 in retrofitting and reducing the operational emissions of its buildings.

The survey results indicate that in five years' time, the mix of properties in a large proportion of town and city centre real estate could be very different. Centres might be more akin to what can be found in continental Europe, where more residential is integrated with retail and offices.

We could be closer to living in the '15-minute city', where people live, work and spend leisure time in a focused area, a concept explored in our 2019 report [Urban Being: The Future of City Living](#).

Industry view – Q: Which of the following changes of use are you planning on implementing or achieving?



Our 2019 report, *Urban Being*, highlighted the rise of the 'beds sector' and its impact on the future of our cities. Back then only 47% of real estate professionals found residential an appealing asset class and only 58% favoured PRS, compared to a striking 82% and 78% respectively this year.

[View the report here.](#)



Get Living

Ailish Christian-West

Executive Director, Portfolio Management, Development and ESG

Q: How can build-to-rent help in Levelling Up and the rejuvenation of town and city centres?

Understanding the needs of residents, communities and economies and translating that knowledge into the design of homes, amenity space and retail or commercial space are essential skills in creating successful build-to-rent assets. The more we understand about a neighbourhood, the better impact we can have with our development or operation of a build-to-rent scheme. Delivering high-quality homes supports employment, local businesses and brings new opportunities for vibrant city or town centre living supporting retail and leisure economies. Enhancing the residential options in city and town centre locations enables sustainable low-carbon living, leveraging off transport infrastructure, education facilities and other services clustered centrally. Therefore, build-to-rent is absolutely consistent with the Levelling Up agenda and potentially a catalyst in some areas.

Q: What new ideas are you contributing to the future of town and city centres?

Get Living are focused on bringing forward neighbourhoods that make a positive impact on the communities and economies in which we invest, develop and operate. One of the themes that we back is working with the creative industries, which really resonates with our residents, colleagues and wider stakeholder audience. Embedding arts and

culture in our placemaking brings people together and is a key way to differentiate our build-to-rent assets and customer proposition. Research we commissioned from the Creative Land Trust and Creative Estuary shows that creative clusters see residential values outperform the London average by 4.4% over 10 years.

Drawing on that principle, in July last year, we teamed up with the award-winning pioneer of responsible design Christopher Raeburn to create 'The Lab E20', which is an experiential space for culture, creativity and community. Unlike most community accommodation offered by developers, our emphasis was on creating attractive, flexible, well-designed space that would appeal to the discerning London creative industries.

Happily, this investment has paid off and The Lab E20 has appealed to creatives who may never otherwise have ventured into East Village, as well as local community groups and schools, creating a whole new level of participation in the neighbourhood. I see great opportunity not only for new neighbourhood retail concepts, but also flexible well designed cultural and creative spaces which connect and support strong communities and economies.

Q: What is your view on the UK government's Levelling Up plans?

At its heart levelling up is about rejuvenating town and city centres, with people tired of seeing boarded-up shops and

soulless empty properties where they would rather see thriving hubs that make them proud of where they live.

With build-to-rent growing rapidly across Britain – the latest BPF statistics show that there are now 212,177 build-to-rent homes in the UK, of which 70,785 are complete, 42,119 under construction and 99,273 in planning – I believe the sector offers the opportunity to support regeneration and economic growth across the UK.

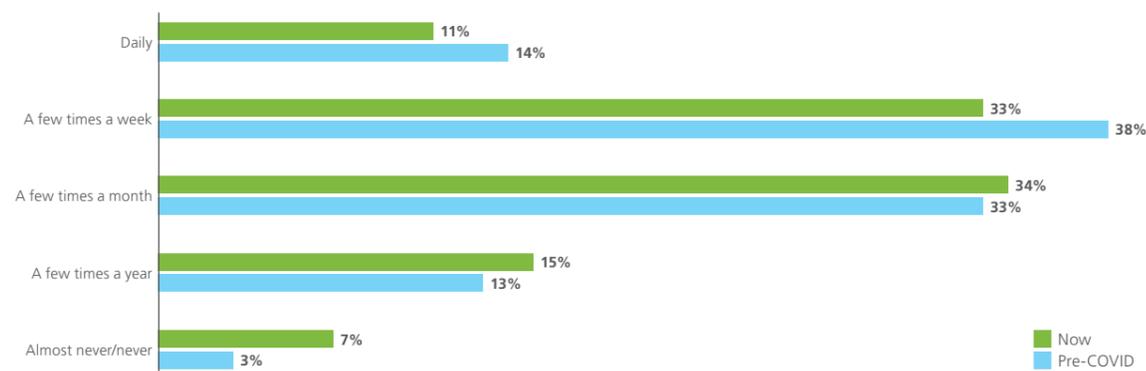
One source of sites that will make sense for new residential development across the UK, will be our traditional retail town centres, some of which require urgent investment and reinvigorating. Creating high-quality homes, conveniently located close to transport, commerce and retail services is an opportunity, to bring new neighbours, build strong communities and create more sustainable town centres.

Success depends on partnership with key stakeholders, listening and learning and delivering for residents and communities, skills which I know our industry has in abundance and which can be deployed to support the Levelling Up agenda.





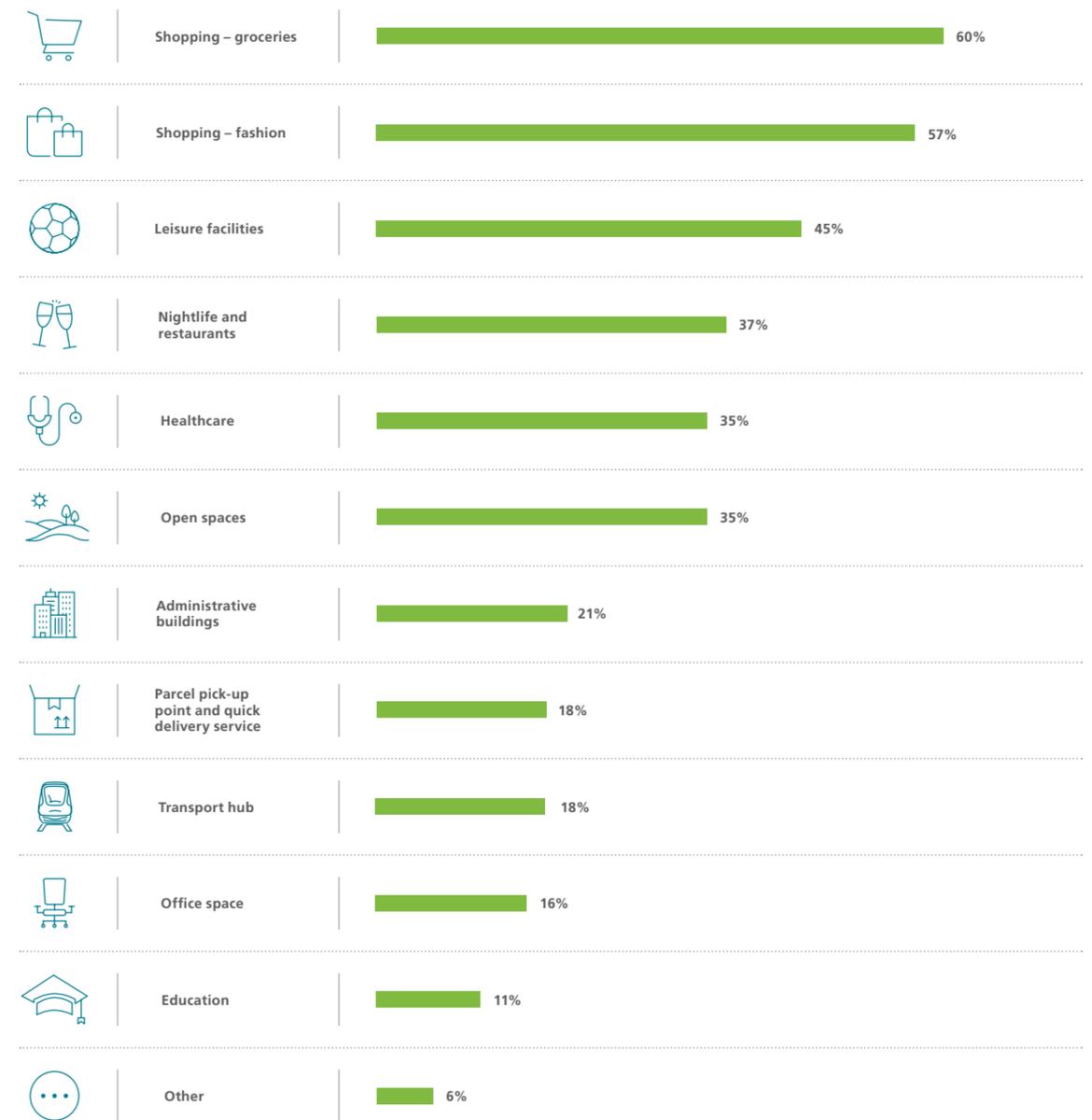
Global consumer view – Q: How often did you visit a city/town centre on average pre-COVID-19?
 Global consumer view – Q: How often do you expect to visit a city/town centre on average post-COVID-19?



The fact that the real estate industry is poised to act, or has already taken up the shovel, highlights the general recognition that, post-pandemic, many town and city centres are not fit for purpose. However, this action needs to be matched with an understanding of what consumers want, which our survey set out to uncover. The overall message from consumers in the UK and across the world is that retail is not dead, but people want it to be accompanied by a better quality of space. Though people may be visiting offices less often, when they do visit an office in a town or city centre they want to be surrounded by a built environment that better reflects their priorities post-pandemic.

Post-pandemic, fewer consumers are visiting town and city centres at least weekly – 44% down from 52% before the pandemic. Given the sharp increase in online retail, however, this is not as steep a dip as expected. In the UK, parcel deliveries increased by almost 50% from 1 April 2020 to 31 March 2021 compared to the previous year, to reach GBP 4.2bn, according to figures from Ofcom published in December 2021.

Global consumer view – Q: For which of the following do you expect to visit a city/town centre post-COVID-19?



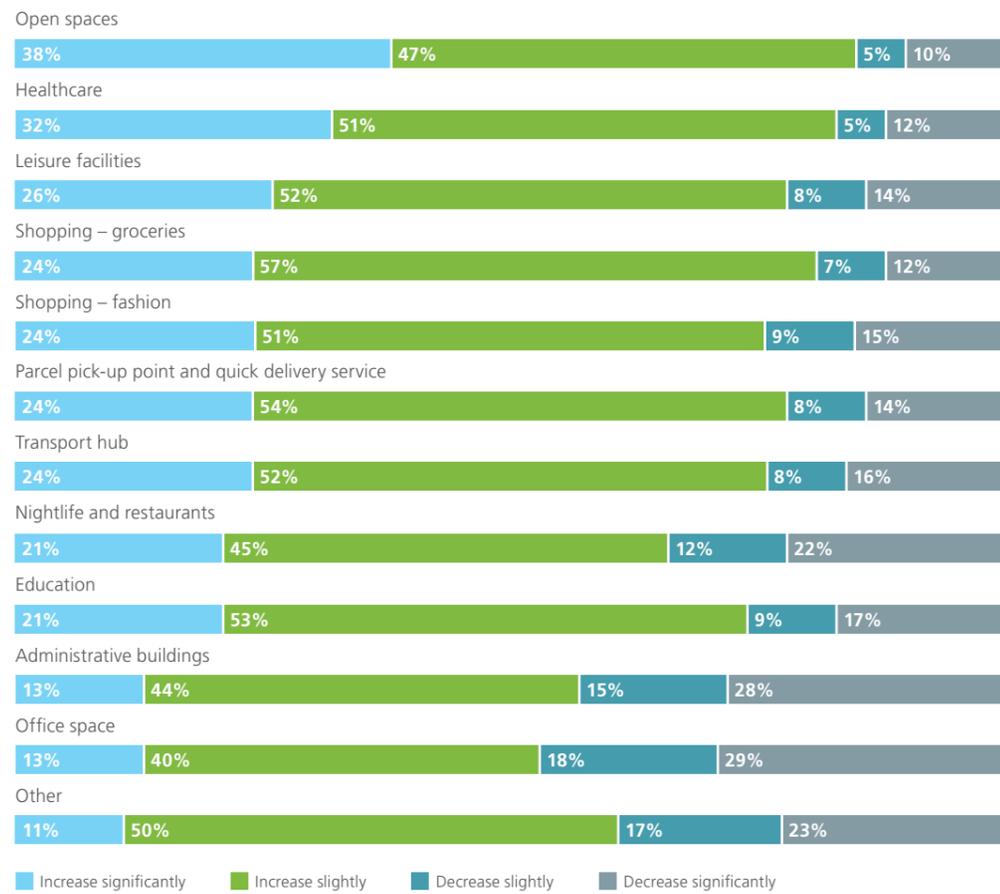
A key takeaway for the real estate sector here is that survey respondents said the pandemic has not taken away their desire to shop and spend leisure time in town and city centres, which many feared would happen.

When asked why they might visit a town or city centre post-pandemic, 60% of consumers across the world selected shopping for groceries and 57% shopping for fashion. Leisure facilities, nightlife and restaurants were the next most selected, suggesting a strong desire among consumers to socialise.

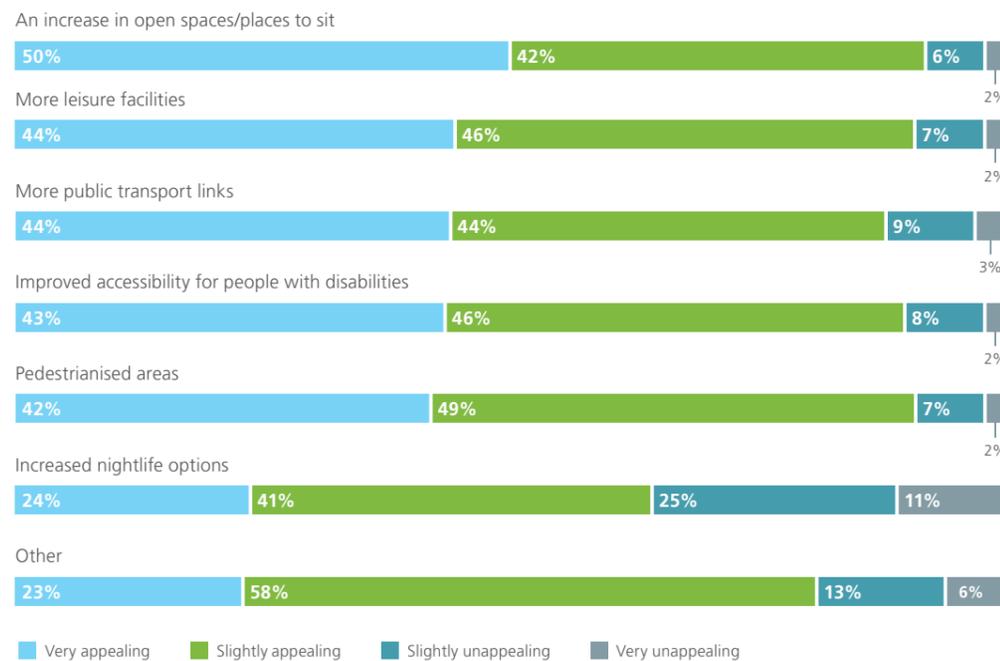
A Financial Times editorial in May 2022 compared the growth of the factory in the Industrial Revolution – changing where and how people live – to the potential of the post-COVID home working revolution to empty out cities, meaning they need to be made better places to live in and visit.

The jury is still out on this concept, however, with tube and bus travel in London continuing to grow and some experts believing that a global recession and a rise in unemployment would lead to employers demanding more efficiency and persuading employees to return to the workplace.

Global consumer view – Q: In your ideal city/town centre of the future, would you like to see an increase or decrease in the number of the following types of property?



Global consumer view – Q: Will the following features make visiting a city/town centre in a non-work capacity more or less appealing to you in the future?



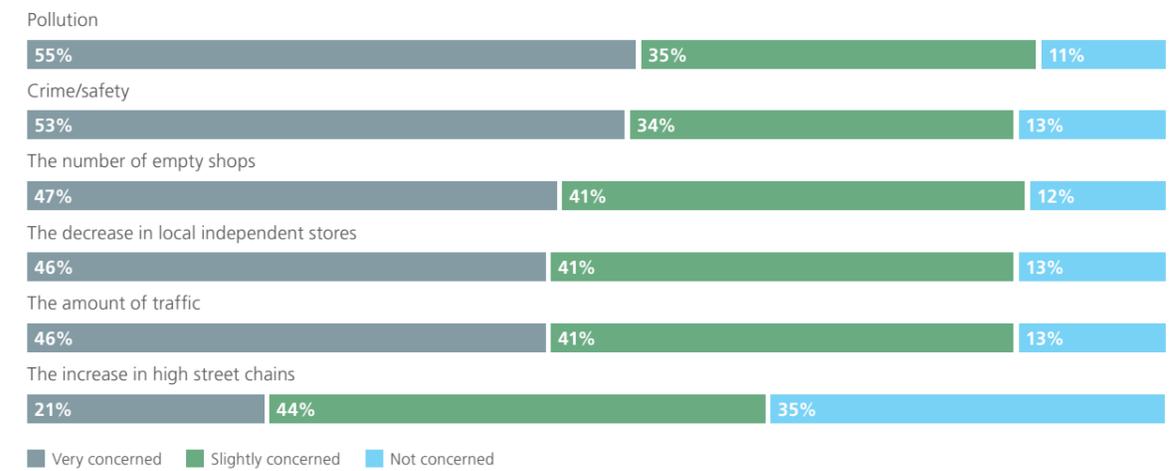
The pressure on health professionals and the impact of the pandemic are likely to explain why 83% of consumers would like to see an increase in the amount of healthcare in town and city centres. Given the popularity of visiting a town or city centre for leisure, it is unsurprising that 90% of respondents said that increased leisure facilities would make an area more appealing.

Those replanning town and city centres should note that the feature most likely to encourage people to visit a

town or city centre is an increase in open spaces and places to sit. 92% of respondents said this would make visiting a town or city centre in a non-work capacity more appealing. This is perhaps predictable, following two years punctuated by prolonged national lockdowns.

Almost as popular among consumers were pedestrianised areas (91%), improved accessibility for people with disabilities (89%) and more public transport links (88%). Consumers are highly concerned about the quality of space and accessibility for everyone.

Global consumer view – Q: How concerned are you by the following with regards to city/town centres?



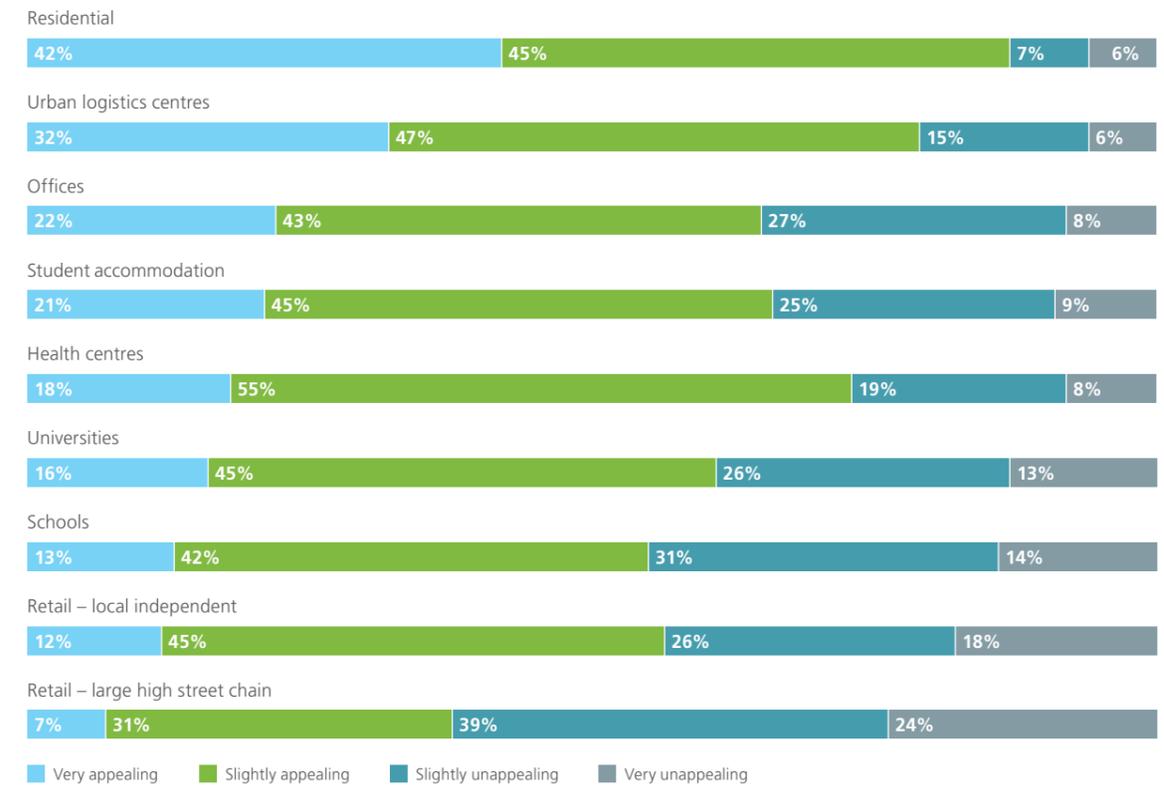
It is striking that the second most selected concern with regards to town and city centres was the number of empty shops – 88% of respondents were concerned by this, trumped only by pollution. Not far behind was the percentage of respondents who indicated concern about the decrease of independent stores (87%), suggesting that a consumer who chooses to visit a high street is seeking an experience that is not as easily replicated online.

In the UK, the Government has picked up on this. While the industry criticised how the Levelling Up & Regeneration Bill will give councils the power to let retail units forcibly, it is evidence that the situation needs to be addressed.





Industry view – Q: Please rate the following asset classes in city/town centres on their level of appeal:



The industry's view on the most appealing asset classes for investment in UK town and city centres has a different focus to consumers. Residential is by far the most rated asset class (87%), followed by urban logistics centres (79%) and health centres (73%) – the last of which was also highlighted by consumers as a desirable asset class.

These responses highlight the challenges facing society – the UK's continuing housing shortage in many areas and the sharp rise in online retail. Centre for Cities reported that the UK doesn't face a country-wide shortage of housing, but a housing crisis in its most unaffordable cities. Investors are clear in their belief that residential offers the greatest return compared to other asset classes.

Although retail appears here as a less appealing asset to the industry, results detailed in our previous section, 'the market signals action is ahead', show that retail has grown in its appeal to investors significantly since the pandemic. There is recognition that consumers still have a desire for a vibrant high street and places to go shopping.

While property owners and investors create strategies to align with the new world that has emerged post-pandemic, the most forward-thinking will have also noted consumers' increased focus not only on healthcare, but wellbeing derived from healthy spaces. Our survey results highlight how much people are prioritising access to open spaces. They are also concerned about pollution, crime and safety and the amount of traffic.

A property investor, developer or owner who can create places that address these concerns will be the closest to creating the built environment that sits in people's imaginations. Providing more homes will address a real need that is apparent across the UK, but consumers are more likely to make use of a town or city centre that provides space for leisure facilities and access for all.



Capital & Regional

Lawrence Hutchings
Chief Executive

Q: With the COVID-19 crisis abating, how do shoppers now view town centres?

If someone had told me in late 2019 that shops would be shut due to a pandemic for months at a time, I just wouldn't have believed them. There is no doubt that retailers and town centres have had a very torrid time.

However, we are now deriving confidence and optimism because we have seen what happens when you take the ability for people to shop away: people don't like it at all.

We are also encouraged that having reached UK retail penetration of 35% plus, e-commerce now accounts for 26% of UK retail sales. Of course, this is significant, but it shows that there is a ceiling above which e-commerce sales outside of a lockdown are unlikely to rise.

There is far more clarity now and the importance of a physical presence has been reinforced by lockdowns. Major retailers are now saying they will maintain stores whatever happens because the cost of doing business online only is very high.

Pure play online retailers in fields like grocery and pharmacy have found making a profit very challenging, whereas these shops perform well because people often need to visit them and don't want to have to wait three days for a delivery.

At the same time, for many retailers, the bulk of their returns and collections are made to stores, so the relationship with online sales is completely symbiotic.

Q: What role will shopping play in the town centre of the future?

Shopping centres play a huge part in their communities: they are at the heart of communities and they enrich communities.

This is social infrastructure where people meet, and again this has been reinforced by COVID. People who were locked down or living alone were desperate to get out to our centres to be among people and interacting with people. We will never doubt that again.

We have also understood how shoppers' needs are changing. Fashion retail in our centres has fallen from 30% to 20% which doesn't worry us because retail has been evolving for 1,000 years.

Athleisure is still very appealing to customers, but whereas people used to shop in-store more for clothes, their health, diet and fitness is more important to them now.

Q: How have you adapted to these changing needs?

Capital & Regional is proud to have signed an agreement with Whittington Health NHS Trust for the first of 40 new community diagnostics centres

nationally, at The Mall, Wood Green in London's Haringey.

This is part of our community shopping centre strategy, which aims to provide local people with convenient, needs-based access to tailored goods and essential services.

The centre will provide x-ray, ultrasound, ophthalmology and phlebotomy services to local people across two ground floor units, which will create a 5,500 square foot space and also drive footfall through The Mall.

The NHS's strategy is to bring healthcare to the people. Shopping centres and even high streets are a great way to do that.

Q: What other repurposing initiatives is Capital & Regional undertaking?

We have also signed an agreement with Reef Technology which will see under-utilised spaces in two of our shopping centres car parks transformed into hubs for locally curated goods, services and experiences.

For example, our car parks can be used for neighbourhood kitchens, allowing for cooking and delivery supporting local and international restaurants.

Urban farms are another option, using hydroponic agricultural technology which satisfies demand from businesses and consumers for locally grown, environmentally friendly food.

Last mile logistics are another fast-growing use for Capital &

Regional car parks, with Reef's couriers and trademark e-scooter cargo fleet delivering packages quickly and cleanly to homes and businesses.

And smart transit and eco-friendly commuting are other arenas we are capitalising on, incorporating e-bikes, e-scooter stations and digitalised car park management.

We now have real momentum and expect to see a steady climb out of lockdown, particularly because our centres are perfectly placed in the heart of communities.

While we understand the role our shopping centres continue to play as physical destinations, we are also acutely aware of their potential in the growing digitalisation of local economies, which has accelerated so much in the last two years.

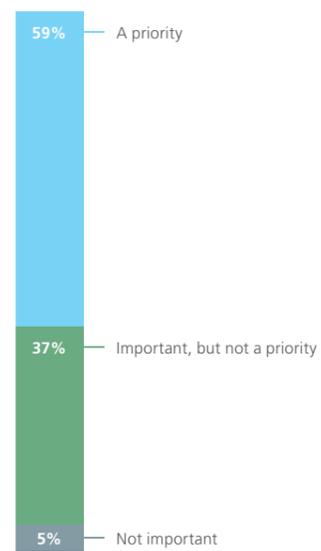
Town and city centres have an exciting role to play in levelling up Britain, and the outlook is more positive for many years to come.





Sustainability and transport

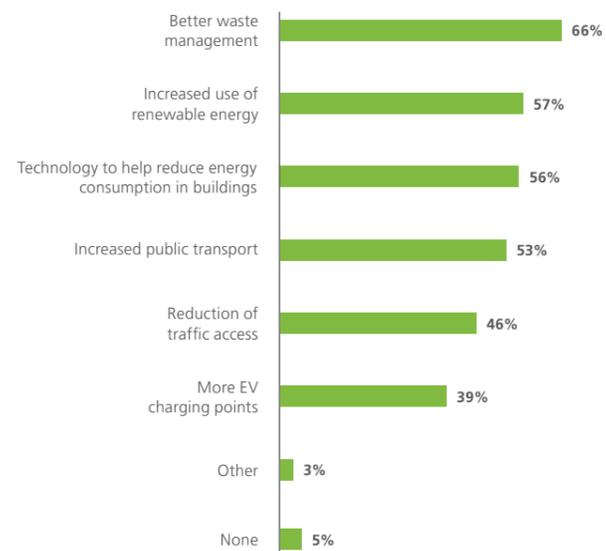
Global consumer view – Q: In your opinion, how important is the sustainability of city/town centres (i.e. climate change)?



Along with consumers' desire for better quality of space comes concerns for the environment. The sustainability of town and city centres is a priority for 59% of consumers and a further 37% said it was important.

When it comes to how to improve sustainability, 'better waste management' was the most selected method.

Global consumer view – Q: In which of the following ways should city/ town centres be made more sustainable?



The next two most popular responses directly relate to reducing properties' carbon emissions: increased use of renewables and technology to reduce energy consumption. Respondents also paid attention to the impact of vehicles on the environment. 53% believe increased public transport would improve sustainability in towns and cities, while 46% wanted reduced traffic access.

Global consumer view – Q: Do you want city/town centres to have more restricted accessibility to cars in the future?



63% of respondents want to have more restricted access for cars in the future. However, 57% of consumers currently mainly travel to a town or city centre in their own car, and the next two most used methods – bus or walk/run – are significantly behind at 37%.

The suggestion here is that what consumers would like to see can be counter to how they currently behave. Improving sustainability in town and city centres undoubtedly requires changes to everyone's behaviours, including modes of travel.

To achieve any level of car reduction is likely to require investment in public transport, which is one of the goals of the UK Government's Levelling Up agenda. Leaders of northern cities have criticised the government's approach to improving the rail infrastructure in their areas for many years, highlighting a lack of investment and, for example, the decision to cancel the HS2 extension between the Midlands and Leeds. The measure in the Bill to devolve powers in England to areas that want them includes giving control over local transport systems, which could go some way to addressing this criticism.

In February 2022, a BBC article entitled 'Levelling up: Northern mayors call on Government to reassess rail plans' highlighted how the Government has admitted that its Integrated Rail Plan, published in November 2021, is not able to fully assess different options, including levelling up impact.

The increase in electric vehicles on the road may well influence the direction of funding, as well as the opinions of consumers on pedestrianisation. Pollution was one of the highest concerns among consumers, which increased electric vehicle use would go some way to address.

Overall, both consumers and the industry indicate that real estate investors, owners and developers are right to repurpose real estate. The evolution of how people interact with the built environment, coupled with environmental pressures, means that there is a huge amount of work to be done to reinvent town and city centres – but most agree that it needs to be done. This can be said not just for the UK, but for town and city centres across the world.



Aviva Investors

Darryl Murphy
Head of Infrastructure

Q: How is the world of infrastructure investment changing?

Infrastructure investment in the United Kingdom is most closely associated with building roads, railways and bridges, but the whole sector has undergone a fundamental change over the last ten years and particularly in the two years since the COVID-19 pandemic began.

The race to net zero is also having a dramatic impact on the infrastructure world, because investing in transport can seem to contradict sustainability principles even if in the longer term this investment can lead to a reduction in carbon emissions.

Ten – and certainly 20 – years ago, the concept of levelling up or rebalancing Britain would have hinged on public-private partnerships between contractors like Balfour Beatty and Carillion, but Government is now dissuaded from taking this route. Carillion's dramatic collapse in January 2018 with GBP 7bn of debt, at a time when it was still a major player in the UK's hospital building programme, was perhaps the last straw.

The whole trend now is for infrastructure which does not generate a direct economic return and is funded by the taxpayer to be financed purely through the public purse.

The public sector can borrow at far lower rates than private contractors, so it makes sense, but that does not mean private sector infrastructure investment has come to an end.

Q: So what infrastructure is the private sector now financing?

There are large swathes of infrastructure which are now far more suitable for private sector investment – or public-private partnerships – than only traditional roads, railways and bridges.

This often hinges on new concepts, sometimes focused on the theme of net zero.

For example, the roll-out of electric vehicle charging points across the United Kingdom could be co-ordinated across multiple regions by a single private sector company which, having struck a deal with a collection of local authorities, would anticipate making a profit.

New district heating networks can also make a good and relatively low-risk return for the private sector and we have already seen that the private sector can be a rapid and efficient partner for the roll-out of broadband across the country.

But politics intervenes in the world of infrastructure as well. Despite net zero emissions being a key target and three COVID-19 lockdowns causing road usage to plunge, we are yet to see the Government reconsider the use of road pricing in the United Kingdom. This is because such a move would likely be highly unpopular, and considered a big vote loser by any political party introducing it with a private sector partner.

Q: How can infrastructure investment be co-ordinated across towns and cities to help their renewal?

Is there an argument for localised investment funds which are co-ordinated by the public sector and bring to the table valuable projects for the private sector to participate in?

Manchester has been very entrepreneurial in promoting electric vehicle charging, but the question remains as to whether local authorities have enough autonomy to support infrastructure without Government departments stepping back in to take control of the process.

Having a plan for infrastructure is important: we have had a National Infrastructure Plan, but there aren't many infrastructure plans at a city or regional level, meaning it's very uneven across the country.

Fibre is about the most popular tier of infrastructure investment right now, with numerous alternative networks (alt-nets) in the market for financing and investment.

These networks are estimated to be planning to spend GBP 12bn in creating full fibre connectivity between 2021 and 2025 and in that sense will play a very big role in the renewal of town and city centres, improving the connectivity of otherwise neglected regions and supporting the Levelling Up agenda.

Q: What other new infrastructure technologies will we see?

There is growing interest in hydrogen trains and e-buses (or electric buses) which store electricity on board and which are particularly prevalent in China with 99% of all battery electric buses in the world and 421,000 buses on the road.

Carbon capture, usage and storage as well as the development of hydrogen are also sectors seeing interest from investors, whilst nuclear power is making a comeback in conversations, particularly as Europe reduces its reliance on Russian oil and gas.

Private sector infrastructure investment will have a massive part to play in the Levelling Up agenda – but perhaps not in the way that most people are anticipating, which is often based on its historical role.

The public sector will finance social and public transport infrastructure because it is now considered to be best placed to do so. But there is a vibrant role in Levelling Up for the private sector in new, net zero focused infrastructure which can play just as critical a role in renewing towns and cities but which needs the innovation for which the private sector is best known.

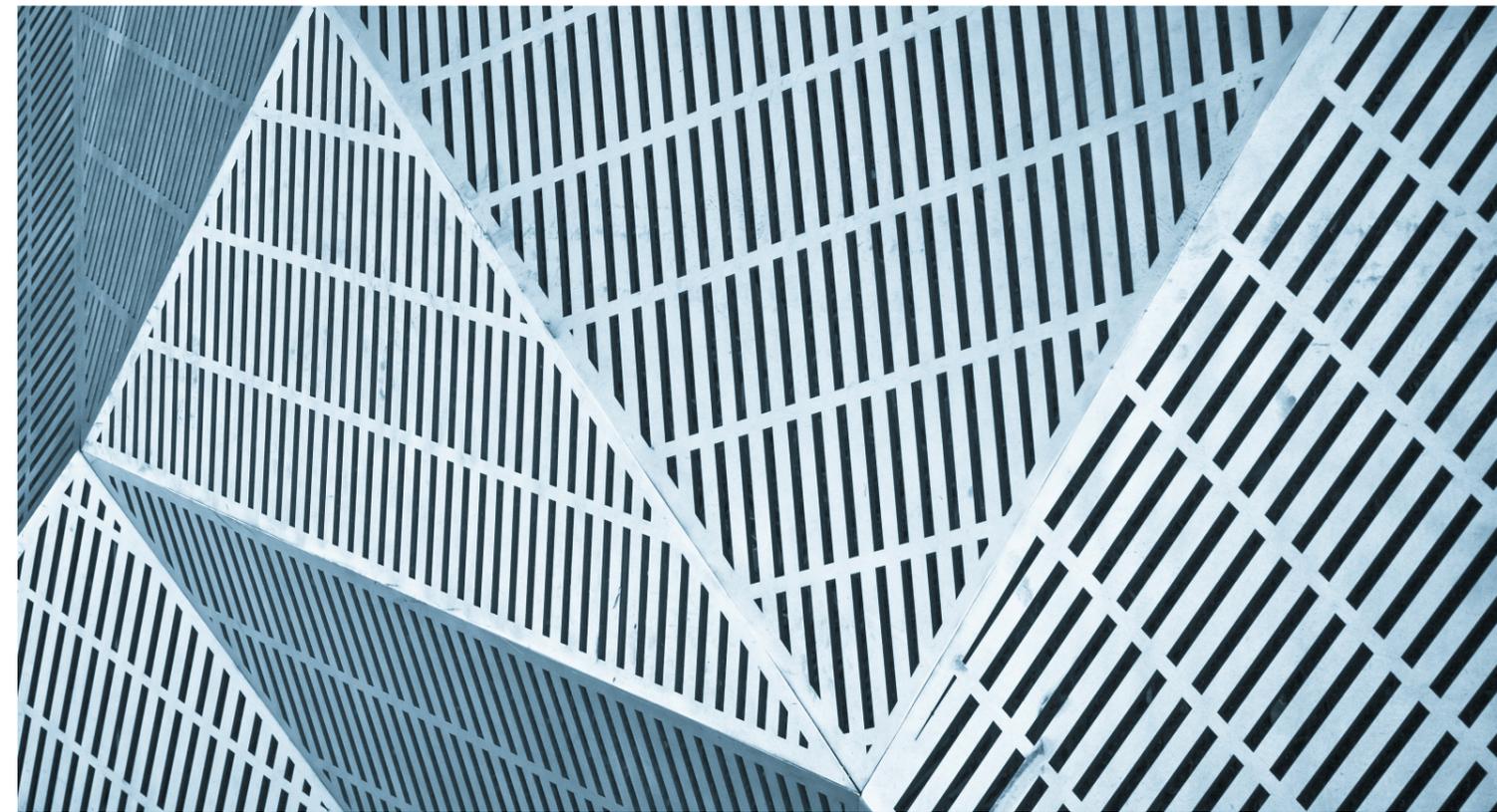
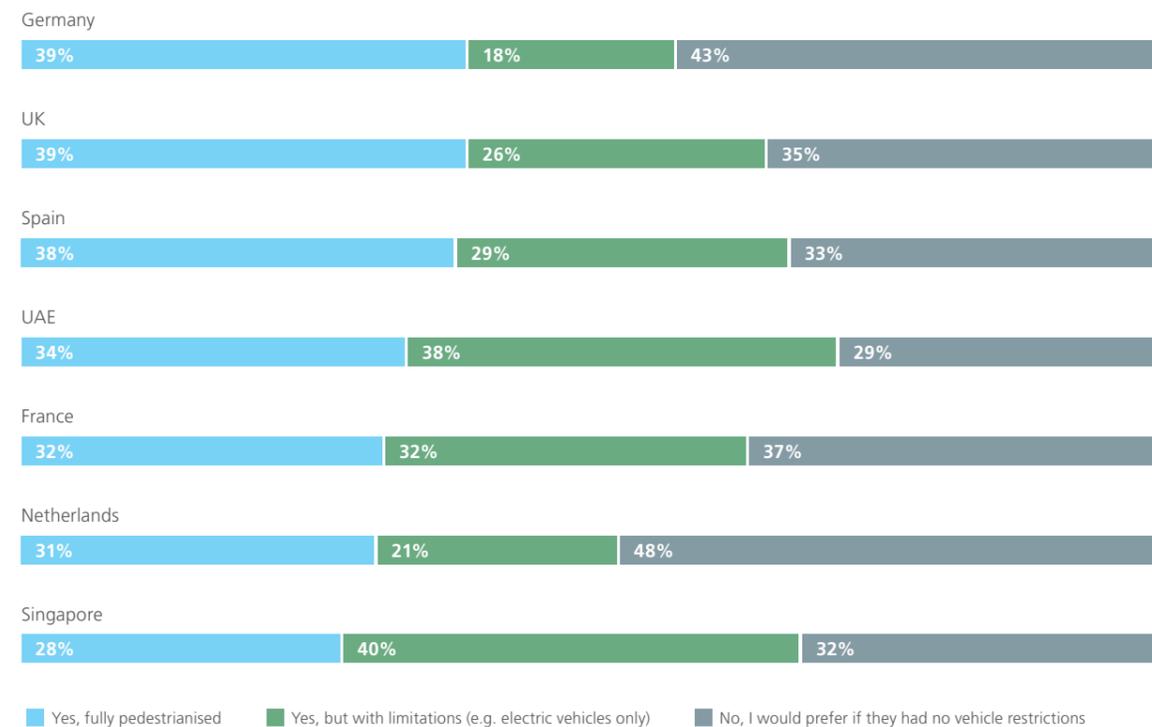
A focus on international trends

Each country, local government and town across the world has experienced the challenges of recent years differently. Therefore consumers from each location have differing priorities and expectations.

Having focused on UK and global trends in the first section of our research, our team spoke to consumers across the globe to uncover specific regional differences on what people need from their town and city centres. This section provides the most significant findings relevant to each country.

Germany: The big car debate

German consumer view – Q: Do you want city/town centres to have more restricted accessibility to cars in the future?



With the exception of the UK, German respondents would like to see fully pedestrianised town centres more than any other country surveyed. Conversely, 43% also want no restrictions on car access, which shows a real divide in opinions. Breaking down responses further shows that older generations were more in favour of pedestrianisation than younger generations.

This divide is emphasised by the fact that, other than those from the Netherlands, respondents from Germany were the least concerned about the amount of traffic in towns and city centres – only 36% are very concerned. Town and city leaders in Germany could therefore face rival opinions if pedestrianisation is considered as an option to decrease pollution and increase sustainability.

In a nod to investment in town and city centre facilities, Germany appeared to be doing better than other countries when it comes to disabled access.

More than half (55%) agree that their nearest town and city centres are lacking in sufficient accessibility options. An additional 45% of respondents indicated that there is still work to be done.

In 2018 Berlin issued a Mobility Act, which aids cyclists in a number of ways including redesigning dangerous junctions. The Act also set targets for sustainable transport adoption and key measures include requirements for extra space for bicycles in new rail vehicles, linking consents for new property development to public transport provision and trialling of flexible transport options in places which are less busy or at times when demand is lower.

Then in early 2022 Berlin passed an amendment to the Mobility Act to elevate the status of pedestrians and to also make travel easier for wheelchair users and the visually impaired. New provisions in the amendment include longer green lights for pedestrians crossing, lower curbs to help wheelchair users and a tougher approach to illegal parking or reckless driving.



Union Investment

Henrike Waldburg

Head of Investment Management Global

Q: Can you tell us about Union Investment Real Estate?

We are one of Europe's leading real estate investment managers and have been active in the market for over 50 years. We are based in Germany and manage investments for institutional and private investors across a range of funds. We have EUR 51.7bn of assets under management (AUM) with over 470 projects across multiple sectors in 23 countries, spanning four continents.

Q: What is your role within the company?

It is a wide-ranging remit. I lead our global real estate investment department and am responsible for leading all our transactions in the American and Asian markets. In Europe I am in charge of all our retail investments and I also head our newly established institutional investment management.

Q: Is your investment strategy changing following the pandemic and evolving consumer trends?

We will certainly be maintaining our long-standing focus on core and core-plus investments. While we expect to be pursuing growth opportunities in the logistics and residential and food retail sectors, which have been particularly resilient throughout the pandemic, we will certainly be retaining our focus on our five key asset classes; offices, retail, logistics, hotels and residential.

Q: Can you elaborate on your approach to investment in retail, a sector which is experiencing considerable challenges?

We have always focused on the entire spectrum of retail properties,

from high street and shopping centres to retail parks with strong food anchors. The pandemic accelerated the trend we were already witnessing of the polarisation of good and bad assets. Our investment strategy is based on two mainstream consumer trends: a focus on convenience and necessity spending, and demand for a 24-7 experience within a mixed-use destination. All our retail properties are located in communities where there is natural footfall and demand.

Q: What does this "convenience and experience" approach look like in practice?

Across our portfolio we are always looking at new ways to introduce complementary amenities and facilities to enhance the overall user experience. We work closely with our tenants, who also interact with each other, to ensure there is synergy in providing, for example, public libraries, art galleries, or health and medical services to add to the convenience and experience of a location. We also purposefully leave spaces open to allow short-term lettings to pop-up stores or accommodate events or exhibitions to contribute to the overall customer experience.

Q: How are retailers balancing their physical space with online platforms?

The most progressive retailers are adopting omnichannel strategies, recognising that their customer reach is far greater than focusing on one channel or another. Interestingly, we are also providing space to former pure online retailers to experiment with their first physical shops. As landlords, it is our responsibility to help these

businesses achieve. It is an exciting, transformative time for retail.

Q: How optimistic are you about the future of city centres?

City centres are still the places for human interaction, the epicentres for culture and business, which cannot be accommodated in a decentralised way. However, they are no longer the preserve of only offices and retail. They must evolve and transform into 24-7 convenience and experiential-driven communities with something for everyone to enjoy. The return of office working is a key factor in bringing vibrancy and life back into our cities, but it will happen.

Q: How can developers do better to contribute to the evolution of city centres?

More thought needs to be given to mobility in general, public transport systems, and how visitors arrive and are able to move around destinations. From trains and buses to bicycles and e-mobility, developers need to have transport and connectivity front of mind. The provision of open, green public spaces is as important as the buildings themselves, where the focus should not always be new build, but the transformation and improvement of existing buildings. With rising costs of increasingly limited resources, transforming current stock and reducing carbon in the drive to net zero is the sustainable course of action. Finally, developers must work in collaboration with key stakeholders, from local authorities and contractors to architects, engineers and tenants, to commit to a common goal and solution-orientated best practice.

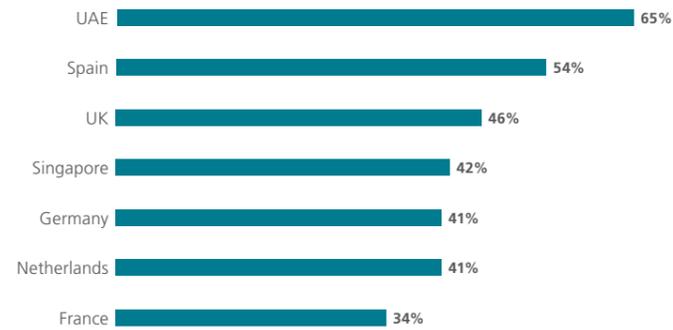




France: moderate expectations

French consumer view – Q: How important is it for Government to invest more into the town or city you live in?

Percentage of respondents who selected 'a priority'

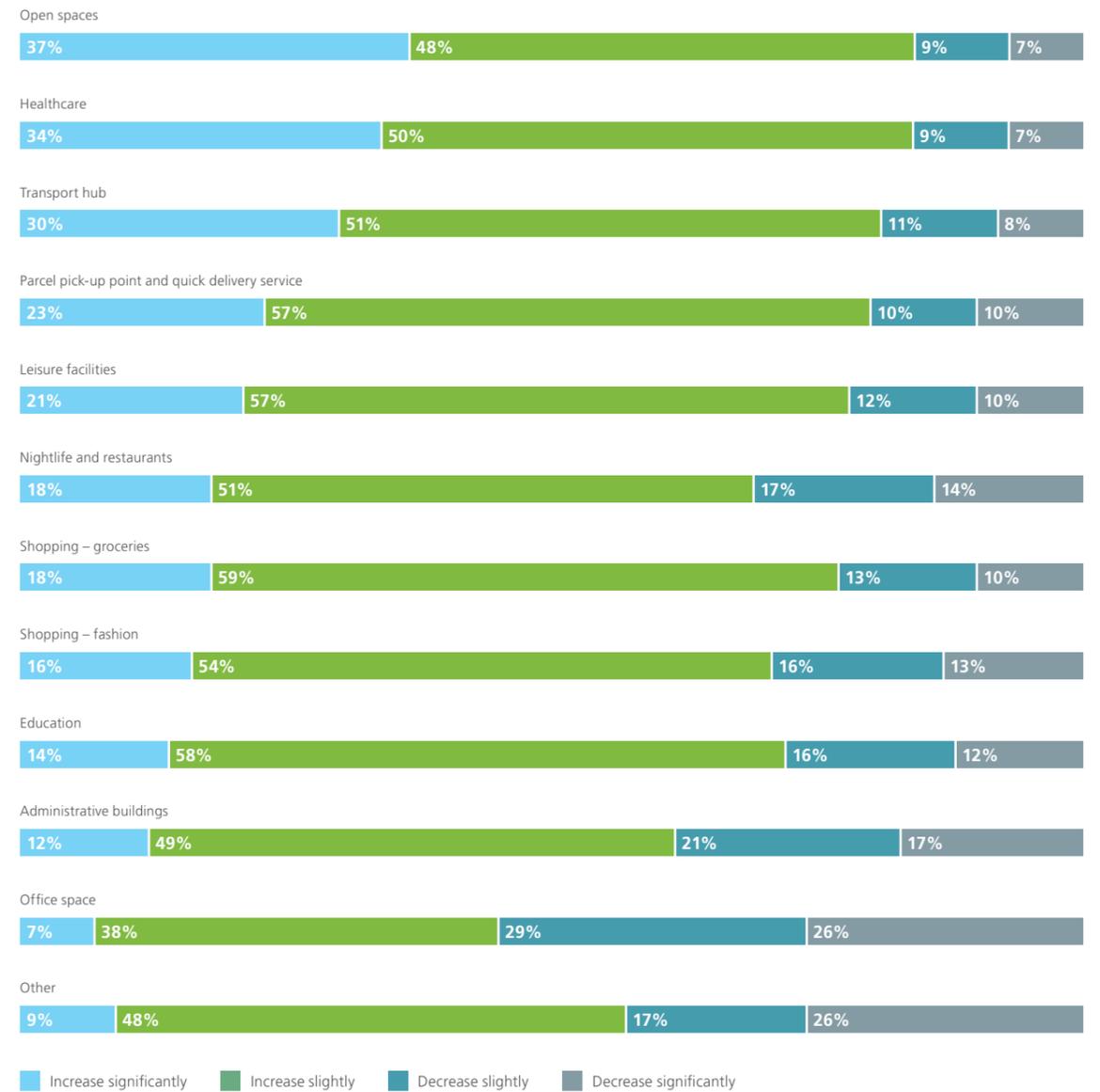


Respondents from France were the least likely to indicate that investing in towns and cities should be a priority for the Government. Only 34% believed it should be its priority.

Instead, 82% of respondents indicated that it should be a priority for local authorities, which reflects how towns and cities are managed in France. The Hexagone, unlike the UK, already devolves many functions to regional authorities including economic and social development and regional planning.

French respondents were the least likely to expect their town and city centres to look different in five years' time. Only 69% agreed with this statement, compared to 87% of those from the UK and 93% of those from the UAE.

French consumer view – Q: In your ideal city/town centre of the future, would you like to see an increase or decrease in the number of the following types of property?



Whether or not they believe the ideal town or city centre of the future will be delivered, French respondents indicated similar desires as did respondents from the UK. 85% of respondents seek more open spaces, while 84% also want to find more healthcare facilities.

French respondents were less interested in an increase in retail than respondents from other countries. They were least likely to visit a town or city centre for fashion shopping post-pandemic but were second only to the Netherlands in visiting for a parcel pick-up point or quick delivery service. Online retail has a strong hold on consumers.

As with other countries, a desire for more office space was low down on the list of priorities. More than half (55%) indicated that they would like the amount of office space to decrease. This could reflect how more people are working from home post-pandemic, as in other countries, so visit a town or city for other reasons, as well as office work.

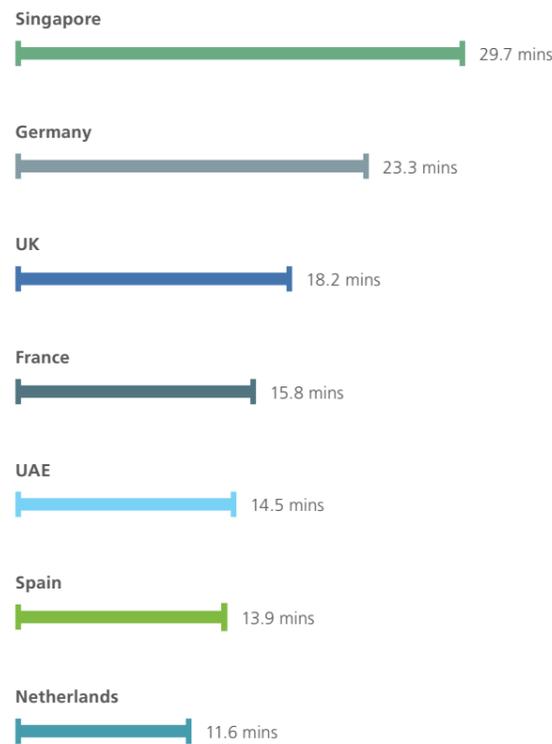
This corresponds with the fact that house prices in rural and coastal France have risen much more rapidly than in city centres. The FNSafer Association, which manages France's rural property market, said rural house sales in 2020 were up 6.6% in a year. For many people, remote working and online retail are here to stay.



The Netherlands: Pride of place

Dutch consumer view – Q: Approximately, how far away (in minutes) do you live from your nearest city/town centre (major high street/commercial centre)?

Percentage of respondents who selected 'daily'

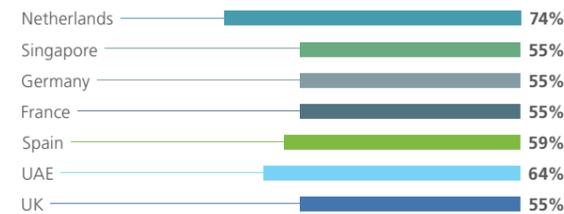


Respondents in the Netherlands indicated that they are more likely to visit for shopping, leisure and collecting parcels.

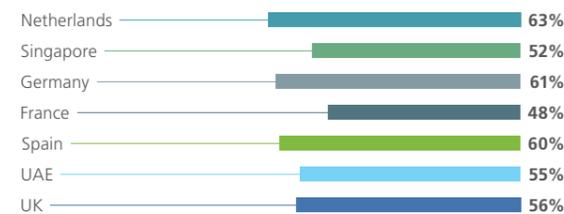
This could be down to their proximity to town and city centres. Adults in the Netherlands have faster access to the centres than any other countries, taking on average only 11.6 minutes to get there. They also spend more time there per visit.

Dutch consumer view – Q: For which of the following do you expect to visit a city/town centre post-COVID-19?

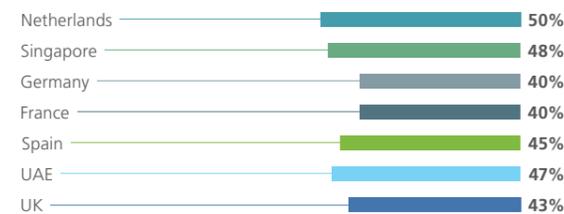
Shopping – groceries



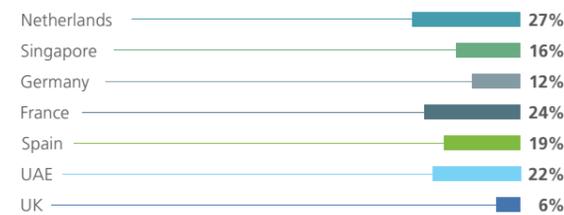
Shopping – fashion



Leisure facilities



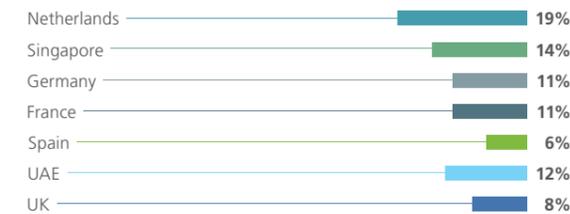
Parcel pick-up point and quick delivery service



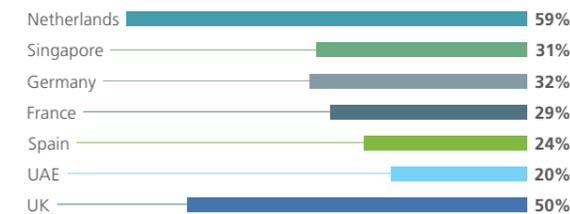
Dutch consumer view – Q: How concerned are you by the following with regards to city/town centres?

Percentage who selected 'not concerned'

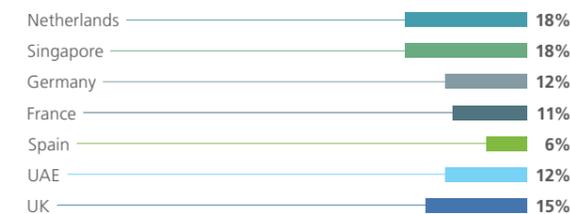
The number of empty shops



The increase in high street chains



The decrease in local independent stores

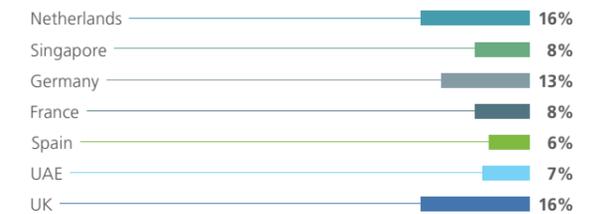


This relatively high use of town and city centres corresponds to the low level of concern respondents have about their town and city centres. When presented with a list of concerns, respondents selected "not concerned" more than all other countries.

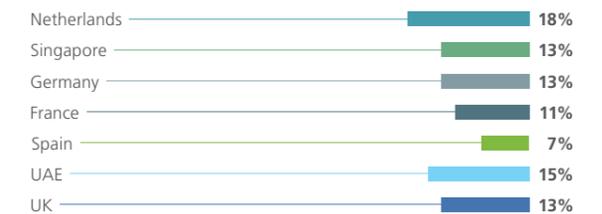
The increasing focus on a sustainable recovery that includes everyone could be the reason why people from the Netherlands have fewer concerns about town and city centres than other countries.

In April 2020, Amsterdam's city government announced it would recover from the pandemic by implementing "doughnut economics", a system laid out by British

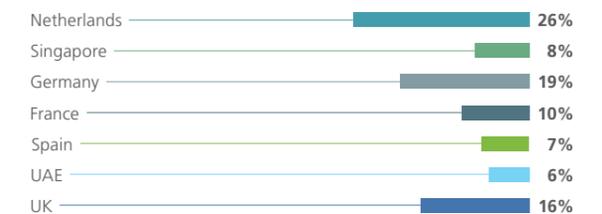
Pollution



Crime/safety



The amount of traffic



economist Kate Raworth in 2017. The initial theory was created to tackle climate breakdown, but also focuses on ensuring everyone has access to a good quality of life. Amsterdam is introducing infrastructure projects and employment schemes, with a focus on creating a better and sustainable built environment.

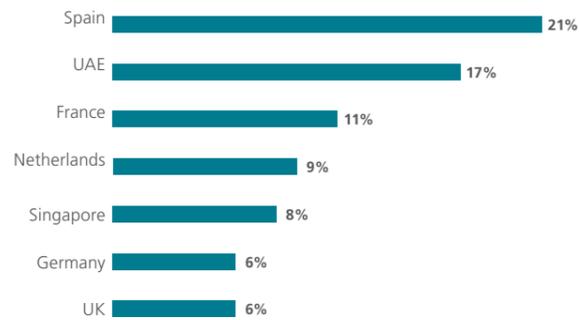
Raworth, when explaining Doughnut Economics to CNBC in March 2021, talked about how it could increase pride of place people might feel for their town and city. Increasing "pride of place" has been highlighted in the UK government's Levelling Up White Paper as a key goal; perhaps lessons could be learned from the Netherlands.



Spain: Recovery in mind

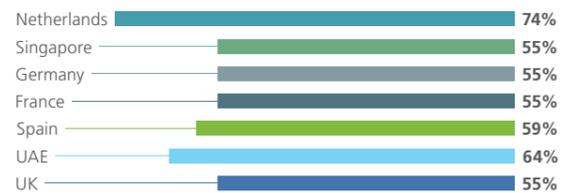
Spanish consumer view – Q: How often do you expect to visit a city/town centre on average post-COVID-19?

Percentage of respondents who selected 'daily'

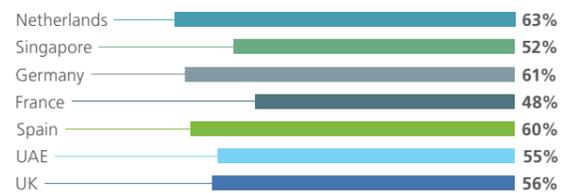


Spanish consumer view – Q: For which of the following do you expect to visit a city/town centre post-COVID-19?

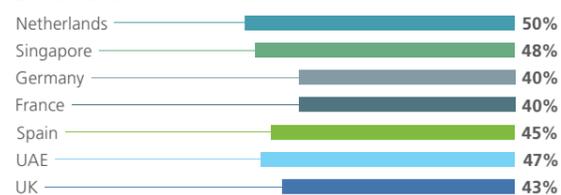
Shopping – groceries



Shopping – fashion



Leisure facilities



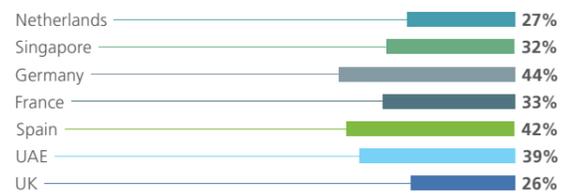
Respondents from Spain visit their town and city centres much more frequently than those from other countries. 21% said they visit daily, more than anywhere else.

They are most likely to visit to go shopping, either for groceries or fashion. However, 47% said they would visit for nightlife and restaurants, more than in any other country. This was closely followed by leisure and open spaces.

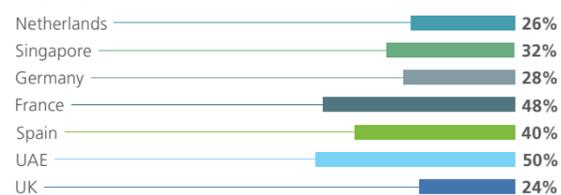
Nightlife and restaurants



Open spaces



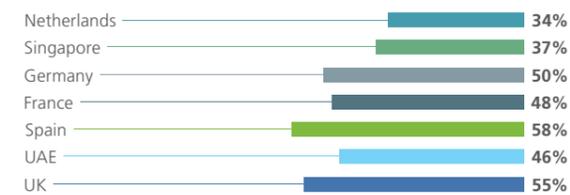
Healthcare



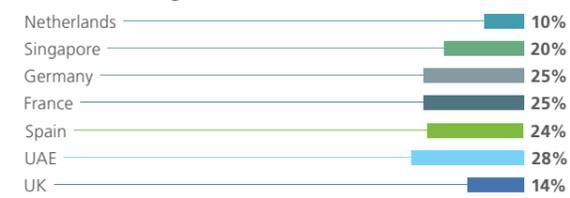
Spanish consumer view – Q: How concerned are you by the following with regards to city/town centres?

Percentage who selected 'very concerned'

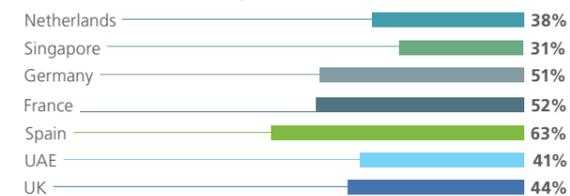
The number of empty shops



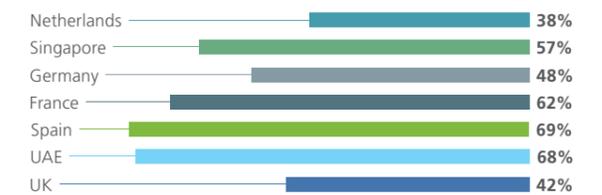
The increase in high street chains



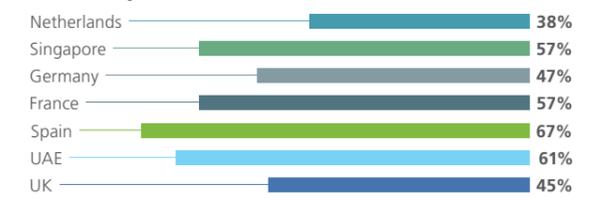
The decrease in local independent stores



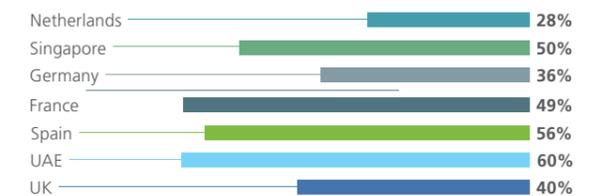
Pollution



Crime/safety



The amount of traffic



Despite this comparatively high level of use, Spanish adults have a lot of concerns about their town and city centres. 58% said they were very concerned with the number of empty shops, 63% with the decrease in local independent stores and 69% with pollution, all more than in any of the other countries surveyed.

Spain was one of the hardest hit countries during the financial crisis of 2008, and the unemployment rate peaked at 26% in 2013, according to Statista. Though the country has recovered, many towns and cities were left with vacant retail, a challenge exacerbated by the rise in online retail during the pandemic.

Spain's focus on renewing its town and city centres is evidenced by the organisation of the first Spain Urban Forum, which was held in October 2021.

Opened by the Prime Minister Pedro Sánchez, it addressed the topic "cities and territories in the social and economic recovery", with measures including the promotion of housing rehabilitation.

Spain's recovery and resilience plan consists of 112 investments and more than 100 reforms, with the support of EUR 69.5bn in grants spent in large part on climate objectives and digital transition.

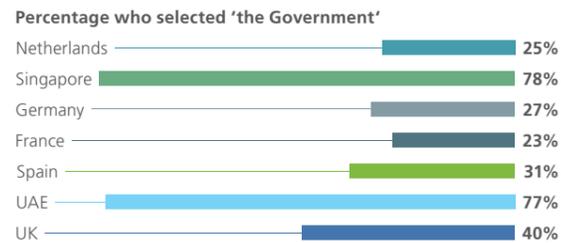
Shipra Narang Suri, Chief of the Urban Practices Branch of UN-Habitat which jointly organised the event, said in a keynote speech: "The pandemic is an historic opportunity to build back better. The model that we were having does not work anymore, especially for the most vulnerable."

Given the high use of town and city centres by our respondents, as well as the high level of concerns, any work to build back better will be welcomed.

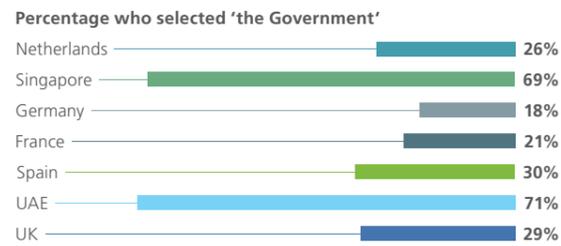


Singapore: Up with trains

Singaporean consumer view – Q: Who do you believe is best positioned to lead the revival of city/town centres?



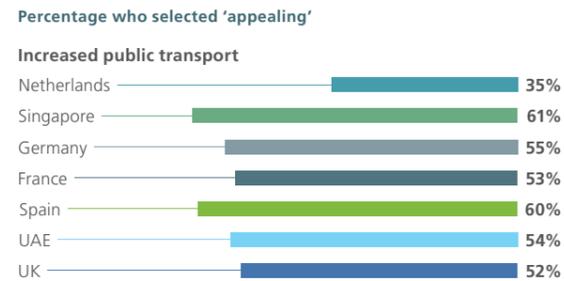
Singaporean consumer view – Q: Who do you believe should be responsible for managing and maintaining city/town centre amenities?



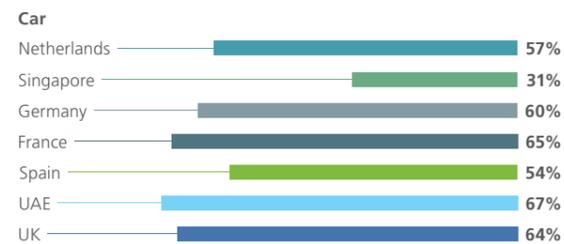
Compared to respondents from other countries, Singaporeans were more likely to consider the Government to be best positioned to lead the revival of town and city centres. 78% selected this option, closely followed by respondents in UAE.

The picture is similar when considering who should be responsible for maintaining town and city centres.

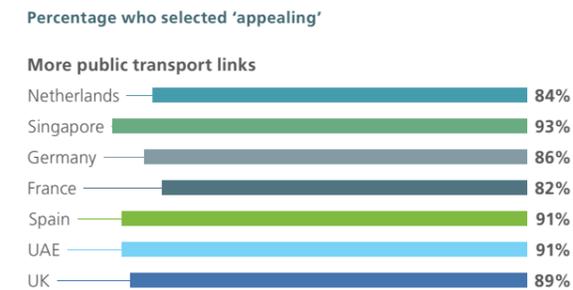
Singaporean consumer view – Q: In which of the following ways should city/ town centres be made more sustainable?



Singaporean consumer view – Q: Which of the following modes of transport do you use to get to/from a city/town centre?



Singaporean consumer view – Q: Will the following features make visiting a city/town centre in a non-work capacity more or less appealing to you in the future?

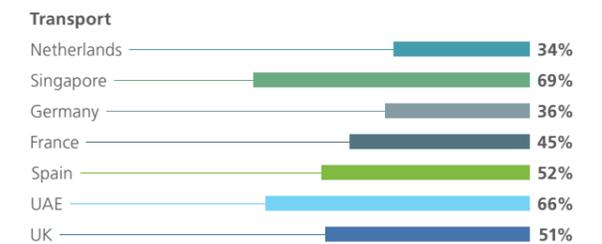


Public transport is clearly a concern for Singaporeans. When asked what form of spending by the Government will have greatest long-term impact for local real estate, those from Singapore most often selected transport (69%), again closely followed by those from UAE.

When asked how Singaporeans travel to a town or city centre, they were far less likely to select car than respondents from any other country – only 31%, compared to 54% from Spain, the next least likely, and 67% from UAE, the most likely.

It is therefore unsurprising that those from Singapore see "more public transport links" as an appealing feature to encourage more visits than anywhere else.

Singaporean consumer view – Q: Which of the following forms of spending by the government will have the greatest long-term impact for local real estate?



In 2019, the Singapore Government published its Land Transport Master Plan 2040, with the intention of creating a "45-minute city" with "20-minute towns" by 2040. It includes details of an expanded rail plan and cycle path network.

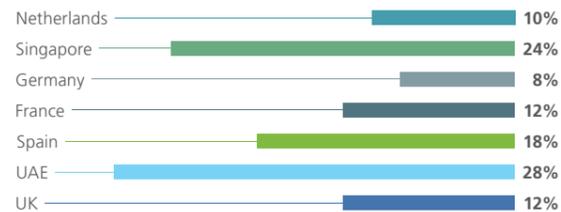
It's not only for ease of travel that Singaporeans would like to see more investment in public transport. They would also like this to improve sustainability. When asked how concerned they were about factors affecting town and city centres, 57% of those from Singapore said they were very concerned with pollution.



UAE: Down with pollution

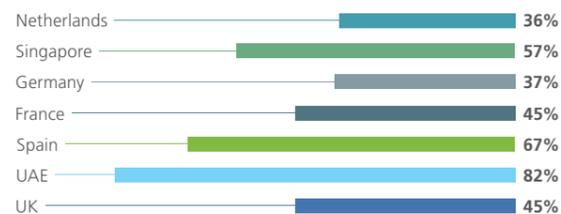
UAE consumer view – Q: For which of the following do you expect to visit a city/town centre post-COVID-19?

Percentage of respondents who selected 'office space'



UAE consumer view – Q: In your ideal city/town centre of the future, would you like to see an increase or decrease in the number of the following types of property?

Percentage who selected 'increase in office space'

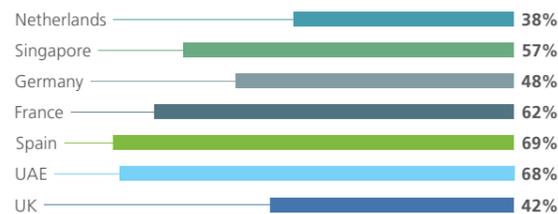


Respondents from the UAE are the only group more likely to visit a town or city centre to access office space than those from Singapore. This desire for offices in town and city centres is clearly growing: 82% said they would like to see an increase in office space in the future, significantly higher than anywhere else.

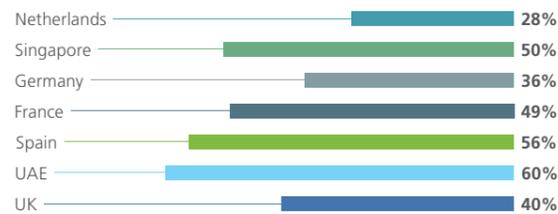
UAE consumer view – Q: How concerned are you by the following with regards to city/town centres?

Percentage who selected 'very concerned'

Pollution

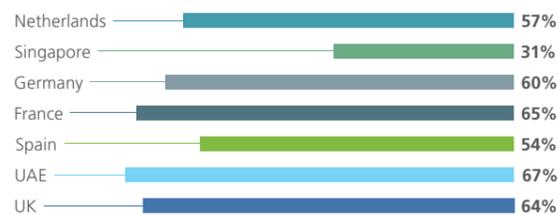


The amount of traffic



UAE consumer view – Q: Which of the following modes of transport do you use to get to/from a city/town centre?

Car

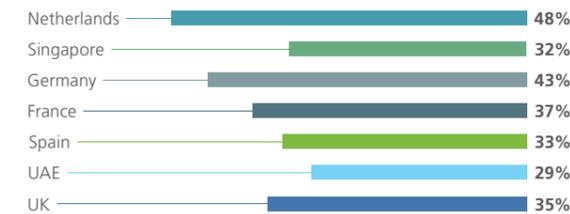


Turning to how people get to town and city centres, respondents from UAE have a greater reliance on cars than those from other countries surveyed. Two out of three people (67%) drive to town/city centres.

For those who answered the survey, this is having a negative impact. 68% said they were very concerned about pollution and 60% were very concerned with the amount of traffic, more than anywhere else.

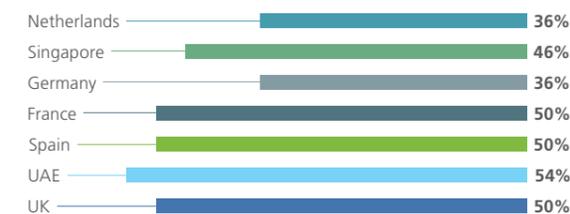
UAE consumer view – Q: Do you want city/town centres to have more restricted accessibility to cars in the future?

"No, I would prefer if they had no vehicle restrictions"



UAE consumer view – Q: In which of the following ways should city/town centres be made more sustainable?

Reduction of traffic access



Methodology

Survey methodology

1.	Industry (online polling conducted 7th March to 8th April)	n = 317 real estate professionals, with n=261 based in the United Kingdom and n=56 based elsewhere Results were weighted by job role to ensure comparability to 2021 results
2.	Consumers (online polling conducted 28th March-15th April 2022)	n = 14,764 adults based in the UK (n=2,116), France (n=2,183), Germany (n=2,182), Netherlands (2,067), Singapore (n=2,063), Spain (n=2,085) and the UAE (2,068) Results were weighted by interlinking age and gender to be representative of the particular demographic distributions of each country

For more information please email dan.healy@fticonsulting.com.

Note: As a consequence of rounding percentage results, the answers to some questions do not equal 100%.

*On p6, as the 'neutral' response was removed for 2022, it has been re-calculated using the same proportion as 2021.



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