Retail CVA Dissertation- Paloma Friedrich

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Can shopping centres weather the Company Voluntary Arrangement (CVA) storm? A study of the perspectives, pressures, strategies and opportunities arising from CVAs.

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Being a dissertation submitted to the faculty of The Built Environment as part of the requirements for the award of the MSc International Real Estate and Planning at University College London:

I declare that this dissertation is entirely my own work and that ideas, data and images, as well as direct quotations, drawn from elsewhere are identified and referenced.

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Abstract

The retail sector has endured a prolonged period of upheaval that has led to retailers facing financial distress. As a result, the retail industry has been experiencing a rising number of retailers undertaking Company Voluntary Arrangements (CVAs). Using existing literature, secondary data and primary research drawn from semi-structured interviews with a broad range of high-profile stakeholders, this study will review the impacts of the CVA phenomenon on shopping centre formats. This approach will allow for an in-depth analysis of landlord and tenant perspectives and pressures, to understand the strategies that are being undertaken by these stakeholders to mitigate the impact of CVAs.

The results show that CVAs have had a significant impact on the net income of shopping centres and have heightened tensions between landlords and tenants due to game playing and opportunistic negotiations between parties to secure the best outcome from the market. Interestingly, the most common strategies to overcome the CVA storm involve transforming the challenges into potential opportunities, which is possible thanks to the structure and management capabilities of shopping centres. Policy updates are all the same necessary to promote unity in the sector. Considering the under-researched nature of CVAs and the impact on shopping centres, this research paper ends with recommendations on policy and opportunities for future research.

Keywords: CVA, Shopping Centre, Retail, Restructuring Strategies, Market Resilience, Rent Reductions, Retail Policy.

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Chapter 1. Introduction

The retail sector has undergone a series of revolutions that have been gathering momentum over several years and have contributed to the technologically advanced retail practices that continue to evolve today (Fernie, 1997). The proliferation of e-commerce, changing consumer behaviour, combined with challenging economic conditions and consumer malaise have led to various retailers reaching financial instability (Davies, 2019). The recent proliferation of retailers filing CVAs represents the outcome of this dynamic structural change experienced by the sector.

Shopping centres are at the centre of this CVA storm (Parsley, 2018). As shopping centres hold appealing attributes for consumers, they often demand higher rents than high-streets and the units within them are likely to be first affected by CVA proposals (Yuo *et al.,* 2004). Shopping centres also tend to house chain-merchandisers who can afford higher rents and who are, ironically, increasingly those in a position of implementing CVAs, leaving landlords heavily exposed to an onslaught of struggling tenants that has ultimately resulted into short-falls in landlord's net rental income (Financial Times, 2019a).

However, evidence suggests that shopping centres hold a uniquely robust structure that can resist the impact of instability, more than high-streets (Stevens, 2018a). Shopping centres, therefore, offer an intriguing object to study, and this research will test whether they truly are resilient enough to weather the CVA storm. For this study, shopping centres are defined as a collection of multiple commercial and service establishments owned and managed as a single unit- a definition that can be applied to both in-town or in out-of-town locations (Casazza, 1999). The research gap on this topic offers interesting avenues of inquiry, motivating this study.

1.1 Aim and Objectives.

The **aim** of this research paper is to examine the current shift in UK retailing and explore the consequent rise of CVAs as a re-structuring tool for retailers. The research will seek to investigate the impact that CVAs are having on shopping centre structures in particular. The tension between landlord and occupier perspectives and pressures will be examined, as well as the strategies being undertaken to mitigate the impact of the insolvency process. The implications for policy resulting from these perspectives will finally be drawn in the conclusion.

To realise this aim, the paper will achieve the following **objectives** that have been conceptualised and operationalised following a comprehensive literature review (**Chapter 2**):

1. To examine the historical shifts in retail and the emergence of shopping centres to understand the events that may have created financial crisis points for retailers linked to shopping centres today. This will include an evaluation of how Christaller's Central Place Theory might have explained the emergence of out-of-town shopping centres, and assess to what extent this theory is still applicable today;

2. To understand the dynamics of today's out-of-town shopping centre retail market, including current financial crisis points and emerging responses to them, particularly CVAs;

3. To explore the different perspectives of retail industry professionals on CVAs and how they are affecting shopping centres;

4. To assess the strategies being undertaken by landlords and tenants to mitigate the impact of CVAs in shopping centres and consider whether CVAs can potentially provide opportunities for these stakeholders;

5. To appraise key findings from the research to identify points of resilience for stakeholders and provide informative recommendations for policy and stakeholders relating to this real-estate sector in the future.

1.2 Study outline

The paper will firstly present a literature review (**Chapter 2**), which aims to provide a historical and theoretical perspective on the retailing sector to ensure the research is well informed and to subsequently support the analysis (**Chapter 4**).

The understanding of gaps in the literature gained from the compiling of said overview was used to appraise this study's aim and objectives (**Chapter 1**). An appreciation of the methodologies used in seminal publications on similar topics informed the selection of the research methodologies adopted for data collection (**Chapter 3**): interviews were used to gather primary data and reputable online sources and market reports were used as secondary data that both informed and supported primary data.

The findings and the supporting data analysis, cross-referenced with literature, are discussed and presented in **Chapter 4**, which is organised following a thematic analysis that aims to represent the data derived from the diverse perspectives gained from interviews, within a coherent structure.
Conclusively, **Chapter 5** summarises the key findings, underlines the limitations of the study and presents recommendations for policy and further research.

Chapter 2. Retail revolutions: the shopping centre and rise of the CVA

This literature review examines the historical shifts in the UK retail sector to contextualise the emergence of shopping centres and thus understand their strengths, weaknesses and resilience, to frame the challenges they currently face (Hamlett *et al.,* 2008). Reviewing these trends may provide evidence as to why retailers within shopping centres are currently facing financial distress that has led to a proliferation of retailers filing CVAs today. For this purpose, an evaluation of Christaller's Central Place Theory will demonstrate how historical factors, such as increased mobility and variations in the distance consumers are prepared to travel for different orders of goods, might have led to the shopping centre retail patterns that have emerged in recent years.

2.1 The history of retailing and the emergence of shopping centres.

Stobart (2010) notes that the conceptualisation of retail shifts have remained the same over time, with Bromley and Thomas (2003) observing that the forces driving retail change are consistently attributed to capitalist socio-economic trends: consumers and consumption (Benson, 1996). The majority of retail literature focuses on the post-Industrial revolution, which marks the birth of modern modes of production, supply in the face of demand and disposable income (Jeffrey, 1954), which remain key components that fuel retail today.

2.1.1: 1850-1950

Chandler (1990) records that retail trends born over this period continue to define today's market. Mitchell (2014) discusses that the mid-nineteenth century embodies a critical historical watershed as it marks the first restructuring of retailing to satisfy the demands of a consumerist society. As purchasing power and demand intensified, the number of firms commanding over ten branches grew from 29 in 1875, to 433 by 1915 (Winstanley, 1994). This exponential rise reflects the first 'multiple retailer' revolution (Purvis, 1999) and by, 1914, Britain's 'modern' retail sector had emerged (Shaw, 1992).

Despite fluctuations in the economy during the inter-war years, Jeffrey (1954) associates the first half of the 20th century with the 'success of large-scale retailing' as these formats developed in volume and variety, seeing shifts towards new trades, such as fashion, as a result of the UK's changing productive, economic and social conditions (Gurney, 2012).

In 1933, Christaller's Central Place Theory (CPT) was formulated to understand the spatial structure and distribution of retail activities in urban centres (Holt-Jensen, 1988). The theory describes the role of transportation costs and divines that demand for goods decline with distance from the supply, implying that consumers are prepared to travel further for expensive, infrequently purchased items, but short distances for inexpensive, mundane purchases (Forbes, 1972). The outcome: a hierarchal arrangement between populations and retail functions, pictured in **Figure 1.**
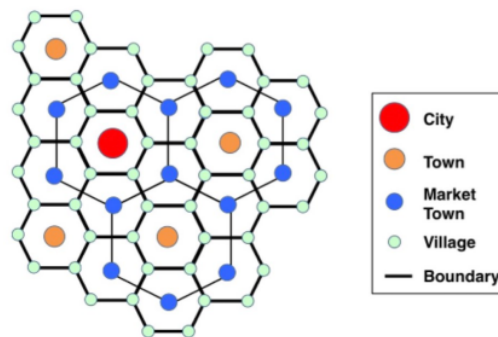
Figure 1: The CPT hierarchal arrangement (Jamal, 2017).

Johnston and Rimmer (1967), however identify that although Christaller acknowledged the possibility of multi-purpose shopping, there was a lack of endeavour to accommodate this behaviour within the CPT. Multi-purpose shopping, as offered by shopping centres, is more efficient as it minimises the time and expense of travel and suggests that high-order centres further away are more attractive than nearer low-order centres.

In practice, the model is not comprehensively applicable to contemporary cities due to being predicated on static, equilibrium-seeking assumptions that have become increasingly divorced from today's dynamic retail environment (Brown, 1993). The CPT, however, offers a locational narrative and understanding of the function and resilience of out-of-town shopping centres- the object of this research.

2.1.2: 1950-1970: The birth of the shopping centre.

The '50s and '60s embodied Britain's post-war optimism and featured a retail revolution that echoed the rapid uptick of personal consumption (Wrigley, 1989). The desire to enjoy a centralised shopping experience bred a structure that was to change the whole concept of retail: the shopping centre (Bunce, 1983). Casazza (1999) defines shopping centres as a collection of multiple commercial and service establishments owned and managed as a single unit.

The Bullring, Birmingham (1964), became the UK's first indoor city-centre shopping centre (Hubbard, 2015). This scheme, along with several others, were initially not particularly successful due to a lack of experience in shopping centre construction, operation and management. These centres soon spiralled into decline and encountered difficulty attracting tenants, especially as rents were higher than high-streets (Bunce, 1983). Although these high rents were an attempt to reflect the potential of these modern formats to allure customers, in these early stages they had not yet built a sufficiently strong reputation, and the strategy backfired (Bunce, 1983). However, today, as shopping centres bear attractive qualities, which will be discussed in 2.1.3, the more engaging retailers and attributes of centres, the higher the rent that can be demanded by landlords (Yuo *et al.,* 2004). Although dependent on a case-by-case basis, tenant agglomeration, and market conditions, Benjamin *et al.* (1993) highlight that the design of shopping centres generally yield higher rents than non-shopping centre formats, i.e., high-streets.

For this study, it will be interesting to consider whether weakness points experienced within shopping centres at this time are being reproduced in today's retail crisis, as shopping centres,

with their higher rents[1], are targeted disproportionately in terms of CVAs, compared to high-streets (see section 2.2).

<u>2.1.3: 1970-1990: The evolution of the 'out-of-town' shopping centre.</u>

Echoing the challenges of today, Barras (1987) highlights how ebbing cycles of technological revolutions drive to propel new waves of development. In the '70s, increasing affluence was associated with a rise in car ownership and mobility (Bromley and Thomas, 1993) that motivated a grocery-led flight from town centres to out-of-town locations, representing Schiller's (1988) first successive wave of 'decentralisation'. The 'second wave' saw the outward shift of retail warehouses that led to new retail forms: retail parks and out-of-town shopping centres, representing the 'third wave' (Schiller, 1988; Fernie, 1995).

For context on shopping centres in this period, see **Figure 2** (from Bunce, 1983). The first UK out-of-town centre was Brent Cross, north London (1976), which marked the birth of Britain's shopping centre phenomenon (Miller *et al.,* 1998). In the '80s, Brent Cross was succeeded by a continuation of developments across the UK (F**igure 2**).

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[1] This generalisation may not apply to all UK shopping centres, for example secondary/tertiary centres and/or non-dominant locations.

The Main Characteristics of 15 Sampled Enclosed Shopping Centres								
Centre name	Location	Developer	Size in sq. feet	Site acreage	Opened*	Number of shops	Parking spaces	Subsidiary or special features
Shopping City	Milton Keynes	1	1 068 450	11·88	1980	101	6000	Comprehensive central development; markets.
Brent Cross	London NW4	2	800 000	52	1976	80	4500	Greenfield site; chaplain.
Eldon Square	Newcastle	3	782 000	10	1976	120	1250	Nightclub; offices; recreation centre.
Victoria Centre	Nottingham	3	774 000	13	1972	99	1670	Offices; 500 flats; and bus station.
Arndale Centre	Luton	4	750 000	**	1975	94	2500	Offices; hotel and entertainment centre.
Shopping City	Runcorn	5	600 000	13	1971	100	2400	Offices; covered town square; bus station.
Arndale Centre	Wandsworth	4	513 000	**	1972	81	1200	35 000 sq. ft. of offices.
Shopping City	Wood Green, London, N22	6	475 000	9·5	1977	59	1500	201 housing units; creche; and offices.
Riverdale Centre	Lewisham, London, SE13	5	350 000	12	1975	59	1000	Offices; entertainment and sports centre.
Grosvenor Centre	Northampton	5	325 000	5	1975	69	1000	90 000 sq. feet of offices.
Pentagon Centre	Chatham, Kent	7	320 000	9	1972	76	1100	Offices; bus station; entertainment centre.
Arndale Centre	Bolton	4	300 000	**	1971	47	260	19 000 sq. feet of offices; hotel extension.
Grosvenor Centre	Chester	5	250 000	**	1965	74	600	Hotel extension and banqueting suite.
Arndale Centre	Crossgates, Leeds	4	158 000	8	1969	59	400	24 000 sq. feet of offices.
The Friary Centre	Guildford	8	**	**	1981	41	1100	Bus station; flats; 21 400 sq. feet of offices

Key
1 = Milton Keynes Development Corporation in conjunction with the Post Office Superannuation Fund.
2 = The Hammerson Group.
3 = Capital and Counties Property Company Ltd.
4 = Town and City Properties Ltd.
5 = Grosvenor Estates Ltd.
6 = Richard Ellis.
7 = County and District Properties Ltd.
* = Phased opening in some instances, starting in the year shown.
** = Indicates that data was not available at the time of writing.

Figure 2: A sample of UK shopping centres from 1965-1981, with the majority of centres positioned in in-town locations and only Brent Cross, Milton Keynes and Runcorn centres representing out-of-town locations (Source: Bunce,1983). It is interesting to note that many of the developers and centres detailed above still persist in one form or another today.

The initial success of out-of-town centres was driven by their commercial advantages of out-of-centre locations, such as convenience, car access and parking (Howard, 1992) that, despite current challenges, still help to sustain them today.

Additionally, Peters (1990) highlights that shopping centres evolved as a mutually attractive format for landlords and tenants, and, as such, successful shopping centres were those that achieved a symbiotic relationship between landlords and retailers, ensuring collective gains. To this day, landlords hold the power to control shopping centre's tenant-mix to fulfil consumer needs, while also optimising agglomeration effects to avoid excess competition between retailers (Garg and Steyn, 2014). Bruwer (1997) affirms that landlords can also manage the operations of centres through on-site managers that encourage healthy tenant

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engagement. In a theory that will be further tested in this study, landlords should be able to engineer a retail strategy for centres that encourage higher operational performance and turnover, both for landlords and retailers, compared to high-street locations.

<u>2.1.4: The '90s and the decline of the high-street</u>

Following the '80s decline in UK manufacturing, local authorities began to promote retail expansion for economic regeneration (Lowe, 2000). The retail boom in the mid-1980s was, however, mired by high-interest rates, inflation and stock oversupply, which led to the '90s recession that significantly impacted retail (Ball, 1994). As reflected by **Figure 3**, from 1988, consumer confidence levels dropped dramatically and retail sales began to stagnate or fall (Howard, 1997).
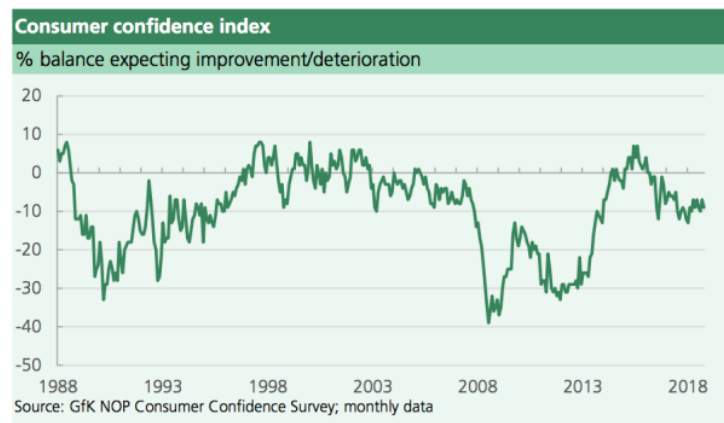
Figure 3:Consumer confidence index between 1988-2019 that mirrors fluctuations of economic and political events (Rhodes,2018).

The proliferation of retail centres and direct competition in the late-80s and '90s forced retailers to reduce prices within high rent locations: after 1988, retail sales dropped, whilst rents continued to rise (Howard, 1997). This led to the re-assessment of high-streets as alternative retail locations (Fernie, 1997).

This is the trend that has arguably driven points of growth and decline experienced today, which signifies that sizeable retailers with multiple tenancies find themselves with overvalued assets, and are thus faced with rent or store reduction programmes (Langston and Clarke, 1998). Whilst this is currently being exacerbated by online competition, Burton (1992) suggests that the difficulties in the '90s were also attributed to the fundamentals of inflexible lease agreements that was, and possibly still is, creating conflict between landlords and tenants. Under the Landlord and Tenant Act, lease agreements are historically long-term: typically, 20 or 25 years, up to 99 years, which larger retailers are inclined to take for lasting security. Rent review clauses are typically prescribed every five years, but allow for upward-only rent changes (Howard, 1997), conditions which would inevitably be at odds with a market downturn.

2.1.5: 1991-2006 Convenience and the internet

In the mid-1900s, new planning regulation reverted retail development focus onto town-centres to ensure their vitality (Wrigley and Dolega, 2014), bringing Schiller's 'third wave' of decentralisation in the UK to an end.

As aforementioned, elements influencing retail change are largely consumer-driven (McKendrick *et al.,*1982) and the development of the internet in 1991 bred an entirely new conceptualisation of consumer convenience. Using Barras's (1987) framework, this technological force has become a critical agent in driving another retail revolution. In the noughties, UK online shopping took-off as an alternative retail platform, accounting for 1.5% of national sales in 2001, growing to 4.2% by 2006 (ONS, 2019).

2.1.6: 2007- Present

The economic shockwave of 2007's global financial crisis and the Brexit referendum in 2016 created interestingly similar symptoms. Although Brexit has not caused a recession, both periods experienced sharp deteriorations in consumer confidence **(Figure 3)**, retail insolvencies and vacancies.

Nevertheless, meanwhile, the e-commerce storm continued to welcome convenient 'one-click purchasing' forms that further propelled online sales (Jones and Livingstone, 2015). Today, the UK holds the world's highest penetration of e-commerce, as sales peaked at 21.5% in November 2018 (ONS, 2019). This continuing trend of e-tailing, plus rising overheads, i.e. rents, business rates, wages and long leases, has placed increasing pressure on bricks-and-mortar retailers, pushing several into significant financial difficulty (Mulcahy and Starkey, 2019). The struggle to remain afloat has urged retailers to revolutionise their offerings, with only a handful of proactive retailers proving resilient (Clarke, 2018). The result: numerous struggling retailers seeking to reduce their cost-base through strategies, such as launching CVAs.

2.2 Company Voluntary Arrangement (CVAs)

The information presented in this section derives from a collection of government documents and reputable media and legal sources due to retail CVAs being an undocumented academic phenomenon. This paucity of academic research further highlights the research gap of this study.

A CVA is an insolvency procedure under the Insolvency Act 1986 (Dawson and Aspinwall, 2018). It is a legal framework between an insolvent company and its unsecured creditors[2], typically to enter a debt-repayment schedule, whilst also offering a restructuring platform for companies to stave-off financial difficulty (The Gazette, 2019). As the CVA proposal is voted on by the company's unsecured creditors, for it to be approved, at least 75% by value of creditors who participate in the voting meeting, must vote in favour of the proposal (DLA Piper, 2018). As the R3 study (2018) highlights, landlords are unsecured creditors, and if the CVA is passed, landlords are bound by the CVA terms, irrespective of how or whether they voted. To date, a CVA is the best rescue tool for financially troubled companies to avoid insolvency.

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2 At the top of the hierarchy, secured creditors are usually lenders who hold charge over a business/assets, Unsecured creditors follow and their money is recouped by selling assets during the insolvency process (BPF,2018).

CVAs are flexible procedures that can be used to negotiate alternative financial agreements regarding the company's unsecured debts. In a retail context, a company can, in effect, use a CVA to reduce their cost-base by closing underperforming stores, negotiate lease covenants and rental obligations, and in certain CVAs, re-arrange business rate liabilities, while still being able to trade and for directors to remain in control of the business (Financial Times, 2019b). BPF (2018) outlines that there has been a sharp increase in the number of 'landlord-only' CVAs that focus exclusively on creating compromises in a retailer's leasehold liabilities.

CVAs are not new to the market. The number and impact of CVAs has fluctuated since 2007, as shown in **Figure 4**, with 2008 being the worst impacted. Rather than decreasing, the operationalisation of CVAs is continuing in 2019, further emphasising the significance of this research. **Figure 5** displays a timeline of high-profile retailers that have gone through CVAs since 2008, such as department stores (BHS), clothes brands (Blacks) and restaurants (The Food Retailer Group), and interestingly documents that the majority of retailers later follow-through with more terminal insolvency procedures: administration and liquidation.

	Companies failing	Stores Affected	Employees Affected
2019 (to July)	27	939	32,344
2018 (12 months)	43	2,594	46,014
2017 (12 months)	44	1,383	12,225
2016 (12 months)	30	1,504	26,110
2015 (12 months)	25	728	6,845
2014 (12 months)	43	1,314	12,335
2013 (12 months)	49	2,500	25,140
2012 (12 months)	54	3,951	48,142
2011 (12 months)	31	2,469	24,025
2010 (12 months)	26	944	10,930
2009 (12 months)	37	6,536	26,688
2008 (12 months)	54	5,793	74,539
2007 (12 months)	25	2,600	14,083

Figure 4: The number of retail CVAs and the stores and employees affected between 2007-2019 (Retail Research, 2019).

Year	Brand	Still Operating Stores?	Further Insolvency Procedures?
2018	Prezzo	Yes	
2018	Jamie's Italian	Yes	
2018	Byron Burger	Yes	
2017	Toys 'R' Us UK	No	Administration
2017	Fuel Juice Bars	Yes	
2017	The Food Retailer Group	No	Administration
2017	Blue Inc	Yes	
2016	Zatchels	Yes	Administration
2016	Beales	Yes	
2016	BHS	No	Liquidation
2016	Store Twenty One	No	Liquidation
2016	Love Coffee	Yes	
2015	Country Casuals and Austin Reed	Brand sold on	Administration
2015	Shoon	Brand and two stores sold on	Liquidation
2014	Casual Dining Group (formerly Tragus)	Yes	
2014	Mamas & Papas	Yes	
2014	LA Fitness	Sold to Pure Gym and rebranded	
2014	Menarys	Yes	
2013	Spencer Hart	Brand exists online	Liquidation
2012	La Tasca	Yes	Acquired by CDG, who did CVA in 2014
2012	Fitness First	Yes	
2012	Micro Anvika	No	Liquidation
2010	Speciality Retail Group (Suits You and Racing Green)	No	Liquidation
2009	Blacks Leisure (Blacks Leisure, Millets, and Free Spirit)	Yes	Administration
2009	Flannels	Yes	
2009	Focus	No	Liquidation
2009	Woolworths	No	Liquidation
2008	JJB Sports	No	Administration

Figure 5: Various sizeable retailers that filed CVAs from 2008-2018. (Source: Retail Research,2019).

From 2018 onwards, **Figure 6** shows the number of high-profile retail CVAs from 2018 to 2019: mainly large chains: department stores, casual-dining restaurants and fashion brands- all of which are fixtures of most shopping centres and thus re-enforces shopping centres as significant objects for research. As shopping centres often command higher rents and service charges that mainly chain retailers can afford, shopping centre units are the most vulnerable to CVAs, compared to high-streets, further emphasising their significance for study. **Figure 6** details the number of discounts and store closures from each retailer. The most noteworthy is New Look, with 417 registered discounts. Stevens (2018b) reports that some rent reductions requested through CVAs amount to 60% cuts, which significantly impact landlords' rental streams.

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CVA Schedule
All Proposals 2018 onwards

Company	Nominee	Effective Date	Company No change	Discounts	Closures*	Total	Notes:
Toys R Us	Alvarez & Marsall	22/12/2017	23	38	25	86	Administration followed March 18, all stores now closed.
Fuel Juice Bars	RSM	03/01/2018	11	4	2	17	
Jamie's Italian	Alix Partners	09/01/2018	18	7	14	39	
Byron Hamburgers Ltd	KPMG	31/01/2018	51	5	20	76	
New Look	Deloitte	21/03/2018	127	417	69	613	
Prezzo	Alix Partners	23/03/2018	149	53	105	307	
Select	Quantuma	13/04/2018	50	109	26	185	
Carpetright	Deloitte	26/04/2018	195	113	92	400	
Carluccios	KPMG	30/05/2018	69	0	34	103	
Mothercare	KPMG	31/05/2018	64	21	49	134	
House of Fraser	KPMG	21/06/2018	17	10	31	58	Administration followed 10/8/18, pre-pack to Mike Ashley.
Original Factory Shops	BDO	09/07/2018	45	128	33	206	
Aldo UK	RSM	16/07/2018	9	2	5	16	
Homebase	Alvarez & Marsall	31/08/2018	122	70	43	235	
Office Outlet	Deloitte	06/09/2018	45	26	26	97	Administration followed 19/3/19
Powerleague 5-a-side	Deloitte	16/10/2018	31	2	13	46	
Regis UK	Grant Thornton	26/10/2018	73	71	24	168	Note: "Closures" are Cat 5 stores, but they may stay open temp basi
Gourmet Burger Kitchen	Grant Thornton	09/11/2018	37	29	17	83	
Real China	RSM	10/12/2018	12	7	4	23	
Giraffe/Eds	KPMG	21/03/2019	29	0	39	68	Note: Closures includes 26 immediate, 13 mid-term
Paperchase	KPMG	22/03/2019	46	69	28	143	
Debenhams	KPMG	09/05/2019	37	104	22	163	
Outdoor & Cycle Concepts	Grant Thornton	13/05/2019	61	35	8	104	
Thomas Sabo	RSM	03/06/2019	13	3	5	21	
Select	Quantuma	11/06/2019	36	66	66	168	19 within Cat 1 are renewals/new lettings with terms agreed but not
Arcadia	Deloitte	12/06/2019	297	193	30	520	
Monsoon / Accessorize	Deloitte	03/07/2019	112	95	50	257	
			1,795	1,691	887	4,373	
			41%	39%	20%		

* - "closures" defined as units specified as closures and/or those leases compromised to open-ended landlord/tenant rolling breal

Figure 6: The retail CVA schedule since 2018: discounts and store closures affected by proposals. (Source:Landlord 7).

Interestingly, CVAs do not require court approval nor oversight of the process. This has led to increased speculation that CVAs are no longer being viewed as a 'last resort', but rather a restructuring strategy for retailers to shed liabilities (Szajna-Hopgood, 2019).

2.3 The impact of CVAs on shopping centres.

The increasing number of CVAs is ultimately creating disruptions for landlords who are being pressured into giving rent cuts or witnessing tenants default on rental obligations entirely (Stevens, 2018b). For shopping centres, this has materialised into shortfalls in annualised rent incomes, particularly as centres across the UK often house chain-merchandisers, who are frequently those implementing CVAs, leaving landlords heavily exposed to financial pressures (Georgiadis, 2019). As a result, Parsley (2018) supports that 600 UK shopping centres are

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struggling to survive, with 200 in danger of falling into administration. Following 2018 being the 'year of the CVA', 2019 is forecasted to beat the previous (Deloitte, 2019). This year thus presents a critical time to look at retail and shopping centres.

Stevens (2018a) highlights that shopping centres have a greater chance of remaining resilient, compared to high-streets, as they can asset manage better, and their large canvases and centralised ownership permit landlords to implement collective strategies to ensure their endurance. Moreover, shopping centres are attractive to consumers as they promote comparison shopping and reduce search costs (Eppli and Benjamin, 1994).

However, recent research has shown that, as shopping centres are the most expensive assets within landlord portfolio's, they are often the first assets to be disposed of during economic downturns to release capital (Jahshan, 2019a).

In addition, although the structure of shopping centres possess the advantageous ability to adapt, it does not imply that they are immune to challenges today. **Figure 7** shows the dramatic decline of shopping centre transactions from post-financial crisis (2007-2009) and Brexit-uncertainty (2014-2019). Worryingly, Q1 of 2019 evidences the lowest value of transactions recorded.
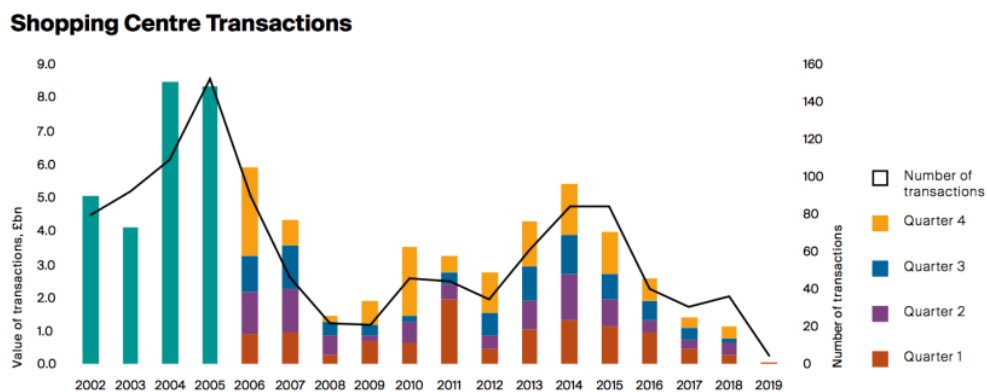

Figure 7: The change of shopping centre transactions since 2002 (Knight Frank,2019.)

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2.4 Resilience

Despite headlines dominating the challenges of retail, the sector continues to show elements of resilience. In 2016, EG (Child, 2018a) recorded that among several retail administrations, the majority of relinquished space was re-let to new retailers, such as value and luxury brands, demonstrating the opportunity of second-hand space. In some cases, prime landlords also anticipated the impact of insolvencies and prepared contingency strategies to minimise the effects (section 4.2).

Even amongst the growing number of CVAs, there seems to be an enduring demand for space: the retail development pipeline is expected to reach an all-time high by 2022 (Child, 2018b). This will also see a growth in out-of-town centres, for instance, the Axiom in 2021 (Jahshan, 2018). The sector therefore evidences its ability to overcome disruptions and presents an interesting topic for study.

Stevens (2018a) discusses that, increasingly, mixed-use centres that include leisure and F&B components to become 'destination' centres, continue to be successful and present opportunities. Supporting this, Retail Week (2019) predict that leisure and F&B offers will grow to make 35% of space in shopping centres. Considering the performance of different types and locations of centres, **Figure 8** suggests that secondary, non-dominant centres within catchment locations are most likely to be affected by the downturn. These shifting patterns are having a significant impact on shopping centre investment flows, values and rents, as Knight Frank (2019) highlight that the less patronised centres are the first to be classified un-viable by retailers with too many rented units.
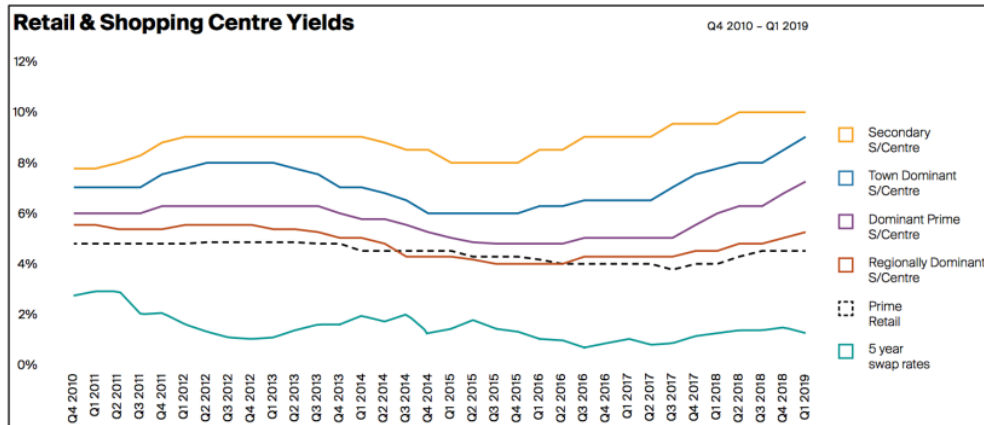
Figure 8: The varying yields of different quality and location centres. Evidently, yields have moved out to reflect the uncertain market (Knight Frank,2019).

2.5 Summary

This chapter has shown that historical retail trends continue to define today's market. It is evident that retailers are implementing CVAs as an outcome of tough retailing conditions, and that CVAs are directly impacting shopping centres that house them. This is because mostly, large chain retailers who could historically afford expensive shopping centre units, are those for whom it is viable to enter CVAs today. Therefore, the majority of shopping centre units that feature these volatile chains suggests that there are continued concerns over further CVA activity that could harm shopping centres, accompanied by their general lack of rental growth prospects (M&G, 2019). Literature, however, suggests that shopping centres are resilient enough to combat these pressures, a point which will be explored in **Chapter 4.**

Since there is an evidenced gap (see 2.2,2.3, 3.1) within academia on CVAs, particularly in the property context, this study's objectives (outlined in 1.2) have been drawn and tailored from existing literature and secondary sources to address this gap.

Chapter 3. Methodology.

This chapter outlines and justifies the methods used for data collection to meet this study's aim and objectives. The sampling and ethical approach, methods of analysis, and limitations of methods chosen, are also discussed.

3.1 Research Gap

From reviewing extensive literature on retailing, it is apparent that academic research on retail and its general trends over time have been well documented. There has, however, been a significant absence of focus on the current structural shifts prompting retailers, including previously pre-eminent retailers, to process CVAs, and the implications this has on both stakeholders and retail structures, such as shopping centres, that hold a number of these volatile retailers. As retail CVAs are an evolving phenomenon that are increasingly being operationalised, there has been a paucity of academic literature published on the topic, particularly from a property perspective. Recognising this gap offers an exciting opportunity for new lines of inquiry, which this study will attempt to explore.

3.2 Themes

Following on from this research paper's **aim,** as stated in Chapter 1.3, the subsequent chapter presents the central thematic findings from participant interviews that respond to this aim and fulfil the objectives of this study, also outlined in 1.3.

This study's **themes** are framed as:

1. **Market context:** the rise of CVAs and their impact on shopping centres.

2. **Landlord and tenant perspectives and pressures** resulting from the rise of CVAs in shopping centres;

3. **Strategies** being implemented by landlords and retailers to mitigate the impact of CVAs in shopping centres and **Opportunities** presented by CVAs for landlords and retailers.

3.3 Methods of data collection and justification.

Qualitative research techniques have increased in popularity within the realm of the built environment as they have proven their effectiveness in yielding rich findings, addressing an in-depth understanding of different participant opinions and the capacity to study complex situations (Amarautugna *et al.*,2002). Considering that this research is framed around the perspectives of stakeholders, qualitative techniques were implemented as the most suitable method to fulfil this aim. This method is further justified in that, due to the lack of publically available data and highly contested nature of CVAs, qualitative techniques have the best capability of revealing the complexity of this topic (Levy, 2006).

Alasuutari (2009) highlights the advantages of employing a mixed-methods approach to achieve richer data. For this study, two methods were used for data generation. The core primary data source were face-to-face interviews, while secondary data was obtained through the review of literature, reputable online media sources and market reports. The online data was drawn from publically available and trusted sources and market reports were drawn from market leaders in the industry. Heaton (2008) highlights the need for secondary data analysis to inform and verify the findings of previous research and enable the study to develop beyond the capacity of the primary data. Secondary data in this study was thus firstly used to inform the research and was later revisited to either reinforce or challenge primary findings. The conjunction of primary and secondary methods strengthens the validity of the results and encourages the corroboration of challenging data sets (Tashakkori and Teddlie, 2010).

3.3.1 Data sampling and recruitment

Paying attention to the sampling and respondent recruitment procedures contributes to the credibility of methods for analysis (Robinson, 2014). This study used selected candidates within significant sub-groups based on their experience related to this research topic (Cameron, 2005). Mason (2002) labels this technique as the 'purposive sampling strategy'- a non-random manner of ensuring that certain candidates are represented for the benefit of the research. The aim was to gather a representative sample size that best illuminated the views of a broad range of stakeholders and industry-professionals.

The recruitment phase involved emailing potential participants. Their contact details were extracted from contacts within market reports, Linkedin searches, or by identifying authors of online written sources. The preliminary emails included an introduction to the study highlighting its purpose and an ethics statement that guaranteed participation was voluntary and anonymous. Overall, 23 semi-structured interviews were conducted, and the recruitment of participants stopped when no new themes emerged and the research became saturated with information (Strauss and Corbin, 1998).

3.3.2 Interviews

Taylor and Bodgan (1998) argue that in-depth interviews are a useful tool for the direct observation of 'real-life' perspectives. Considering that the theme of CVAs is particularly sensitive at the moment, one-to-one interviews created an environment where participants would be more likely to speak openly about the topic (Anastas 1988). Interviews were semi-structured, and included open-ended questions that linked to the aim and objectives drawn from comprehensive research (**Chapter 2**). This structure enabled the interview to unfold conversationally and granted participants the freedom to discuss points they considered important (Longhurst, 2010). Before proceeding with the interviews, a pilot study was conducted to assess the suitability of questions and clarity of design (Teijlingen and Hundley, 2002).

In total, twenty-three interviews were conducted with high-profile stakeholders. Twenty interviews were in-depth one-on-one conversational interviews, and the majority of

interviews lasted an hour, with the shortest lasting half-an-hour. The remaining three interviews were conducted via email due to the participants' time constraints. The study attempted to capture the views of various key informants: these included landlords, tenants/retailers, REITs, retail business rates, leasing agents and investment, analysts, policy advisors, asset managers, strategic consultants, and legal directors. The interviews took place in the interviewees' location of choice, often offices or a cafe. The core pre-determined interview questions are displayed in **Appendix D**, but it is important to note that these were adapted to each participant interviewed.

3.3.3 Ethical approach.

The researcher was aware of the ethical implications of this study. Due to the discrete and sensitive nature of the information collected, the candidates have been anonymised- all participant details and their representative codes used in Chapter 4 are detailed in **Appendix C**. Before starting each interview, participants signed an informed consent form (**Appendix E**) that outlined the purpose of research, addressed data protection requirements, such as the confidentiality of research, their participation as voluntary and the guaranteed disposal of interviewee data post-research.

A risk assessment form was completed and is presented in **Appendix F.**

3.4 Methods of Data Analysis

To analyse the primary data, verbatim transcriptions of recorded interviews were reproduced onto a document and coded, labelling the main concepts that emerged (Strauss and Corbin, 1998). From this process, themes that answered the aims and objects under investigation were extracted and logically organised for discussion in the following findings and analysis chapter (**Chapter 4**).

Direct quotations were used to give participants a voice and provide the reader with a greater depth of understanding (Corden and Sainsbury, 2006a). Qualitative researchers emphasize the power of quotations and their use in establishing credibility (Beck, 1993) as they reveal the precise words of the participant, rather than the interpreted words of the research.

3.5 Limitations: access and paucity of existing research

The primary difficulty was the gathering of participants representing the retailer's perspective- particularly those currently undergoing CVAs. Only interviewing representatives from two retailers, both of which continue to remain resilient, compared to eight landlords, could be viewed as an uneven sample size for the tenant angle. However, agents and legal advisors that act on behalf of retailers who have filed CVAs voiced the perspectives and difficulties of these firms at this particular time, and their voices were supported by relevant secondary data.

A further limitation is the significant lack of academic research in this realm, which limited the amount of peer-reviewed material to compare findings with: market reports and online media were used to cross-reference data instead. Recognising these limitations is fundamental to avoid them for future research.

Chapter 4. Findings and Analysis

The present chapter discusses this paper's findings and interprets the significance of results in light of existing research. The findings and analysis are structured around the three themes extracted from participant interviews and directly seek to address the aim and objectives of this study, defined in 1.2. The three themes are summarised as:

1. **Market context:** the rise of CVAs and their impact on shopping centres;
2. **Landlord and tenant perspectives and pressures** from the rise of CVAs in shopping centres;
3. **Strategies** being implemented by landlords and retailers to mitigate the impact of CVAs in shopping centres; and **Opportunities** presented by CVAs for landlords and retailers.

4.1 Market context:

4.1.1 Evidence of a troubled retail market and the rise of CVAs

Participants clearly indicated that retail is enduring a period of structural change that is challenging the traditional retail model and creating unprecedented pressures for various stakeholders. Analyst 1 at EG- a market-leading data analytics firm, commented:

"Retailers are suffering in many ways, the symptoms of which are leading to CVAs. Lowering margins, decreasing footfall, the weak sterling, high rents and business rates are leaving retailers up against it without time to react. Many suggest that retailers 'should have seen it coming' when referring to difficult trading conditions, but most are tied up in quarterly arrangements with suppliers and creditors. Considering how many are trapped into long leases across vast portfolios, it's easy to see how some businesses are struggling."

—Analyst 1

Overlapping evidence from market reports and stakeholders on the structural trends of retail supported Analyst 1[3].

The compounding factors outlined by Analyst 1 are stretching retailers into points of financial distress, with several on the cusp of entering, or have already launched CVAs. Various details of retailers that have been implementing CVAs and the number of discounts, store closures and employees affected have been displayed in **Figure 4,5 and 6** (2.2).

Tenant 1 presented an occupier's perspective on current market conditions, describing 2019 as a "perfect storm" of adverse conditions that has created a "real hit on profits". These financial pressures have ultimately led to a weakened market for landlords as they translate into a dampened demand for retail space and a desire to reduce fixed-costs, such as rent, through CVAs (C&W, 2019).

Certain interviewees acknowledged points of resilience. Agent 4 remained optimistic about retail, highlighting that there are still well-performing players, such as value brands, eyewear, sports and leisure brands, with health and beauty representing the most successful sector. Analyst 2 commented that pop-up brands and retailers with a personalised and unique offer also remain resilient.

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[3] Further data detailing the causes of retail shifts and evolving trends can be found in Appendix A and B accordingly.

Contrary to historic trends, various participants noted the decline of sizeable brands, more specifically, the fashion sector and department stores. Analyst 1 reported that there is still retail stock in the pipeline– though this is coming through as leisure and F&B[4], the possibility this may lead to over-supply of space compared to under-demand by the big players could endanger the market further. This is validated by market reports outlined in section 2.2.

4.1.2 Shopping centres in the market

Cross-referencing the interviews with Chapters 2.1 and 2.3 validated the notion that shopping centres are attractive to both landlords and tenants because, as discussed by Agent 1, their ownership controls should allow landlords to implement large and long-term strategic changes, making them cohesive and dynamic entities. This theory is, however, being challenged by current performances: **Figure 7** (2.3) worryingly shows Q1 of 2019 recording the lowest value of shopping centre transactions yet.

This duality was explained by Analyst 2 and Landlord 2, who- supporting Stevens (2018a)- believed that high-quality assets that present contemporary offerings in prime locations will remain attractive for tenants and occupiers, whereas other schemes may have to be repurposed, possibly to introduce more leisure, residential or office space, to bring people back to these destinations. This distinction in function and performance corroborates the data in **Figure 8** (2.3): as further discussed by Agent 4 and Analyst 2, secondary, non-dominant shopping centres are likely to be affected by the retail downturn, while prime centres in dominant and catchment locations will continue to succeed. The outcome: an increasingly polarised retail market with surviving prime centres and deteriorating non-dominant secondary and tertiary centres, that struggle to remain relevant to the consumer.

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[4] F&B stock may not necessarily refer to chain retailers, which, as seen in Figures 5 and 6, have been entering CVAs. It could refer to independent providers, such as pop-up/food-court operators, who are proliferating in the market.

4.1.3 Oversupply: the impact on value and investment

Concern for even for higher-tier centres, were, however, evidenced: Analyst 2 noted that with the overdevelopment of shopping centres from the 1980s, and the shopping centre pipeline still expected to grow, coupled with planning legislations that may restrict shopping centres' future change of use (Agent 2), suggests that oversupply will continue to pose challenges. Policy 1 estimated that there is currently 20% surplus and redundant retail stock in the UK. As Analyst 1, comments, "there is still a vast amount of stock to be built-out"- and yet 2018 recorded the lowest shopping centre investment volumes since 1997 (Savills, 2019). Agent 1 further adds that 2019 is currently trending worse than last year with half-yearly trades 70% down from this time last year, corroborating **Figure 7**. Agent 2 supported this idea of over-supply damaging the shopping centre investment market, acknowledging the "weak demand and softening yields and prices".

Although oversupply has led to plummeting rental values, supposedly creating a buyer's market, Policy 1 states that "shopping centre rents no longer correlate with business rates and real market values, leading valuations to become out-of-sync". This has meant that, combined with rising shopping centre service charges, maintaining shopping centre units is becoming increasingly unviable for retailers. This is compounded by the fact that, historically, the opportunity created by low prices would have allowed ease of investment, but now "banks are refusing to lend for retail" (Agent 2), creating a situation where only cash buyers can give renewed impetus to the market.[5]

Mounting evidence thus suggests that the lack of financing and demand to support retail space is not only stagnating the market, but putting existing retailers locked into out-of-sync, onerous rental agreements into financial difficulty. The increasing cost pressures faced, coupled with missing funds to finance such costs, is prompting vulnerable retailers to file CVAs.

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[5] Appendix G presents further details on shopping centre investment patterns.

4.1.4 The rise of CVAs and the impact on shopping centres.

CVAs are being used as a tool for at-risk retailers to restructure, eliminate or reduce existing debts and costs, with the hope of returning to financial stability.

Consistent with evidence from the literature review, Legal 1 comments:

"I remember previous difficulties in the market, but I've never ever seen anything like the number of CVAs last year...and they're still coming through thick and fast"

-Legal 3.

Legal 3's testimony is reinforced by Landlord 2, who notes that the rate of CVAs continues to increase. The Financial Times (2019b) suggests that, since 2016, the number of retailers opting for CVAs has doubled.

Reflecting on **Figure 6** (2.2), the high number of well-known retailers- all of which are fixtures of most shopping centres- are requesting harsh rent cuts which are guaranteed to impact landlords' rental streams. Analyst 1 suggests that retailers with the most extensive portfolios will experience the greatest pressure to adopt CVAs in the future as most will be bound by rental obligations, especially those who signed into long-term leases over ten years ago. Tenant 2 comments that CVAs have "accelerated the process of lease and rent cut shifts" and transformed the market into an "occupier's market".

Landlord 2 emphasises that shopping centres holding several volatile tenants will leave landlords in the most vulnerable positions. Jahshan (2019b) reports that in 2019 the UK's largest shopping centre landlords were collectively forced to make a staggering £2.7 billion write-down on the value of their shopping centres, compared to only £232 million in 2018, evidencing the exponential increase in financial impact on landlords. For example, Hammerson- a major development and investment REIT, declared a net rental income decline of 6.25%, influenced by CVAs at UK flagship destinations (Retail Sector, 2019). Analyst 1 also

reports that CVAs are increasing vacancy rates in shopping centres, creating voids and impacting landlord cash flows.

Analyst 1 worries that there are retailers who staved off failure last year, only to arrive at it in 2019 as market conditions continue to weaken. As retail evolves, it appears that there are still numerous retailers with outdated propositions and business models, suggesting that insolvencies will continue, making this study increasingly relevant.

4.2 Perspectives and pressures: Landlords and tenants

As introduced in 4.1, CVAs will inevitably create pressures and tensions between stakeholders, particularly between landlords and tenants.

4.2.1 Landlords

Landlords' perspectives are, understandably, the most clear-cut: the most common themes were the sheer frustration over CVAs, the notion of the CVA process being unfair on landlords, and of the CVA system being abused to their detriment. Landlord interviewees also all spoke about the impact of CVAs on their income levels. Landlord 2 said that although rental cuts are "having a large financial impact on us", landlords with a weaker tenant-mix are particularly concerned about store closures from CVA proposals, which leads to the issue of shopping centre vacancies and voids.

Tenant 2, who has previously worked on the landlord side, comments:

"It is unfair on landlords. Retailers complain about the rent and length of leases, but they willingly signed the contract. What isn't spoken about is the millions of pounds retailers have taken off landlords   as an incentive to take leases…and retailers are later ripping it up."

-Tenant 2.

In other words, retailers have previously agreed on lease conditions and have benefitted from the preliminary incentives, yet are now using CVAs to renegotiate unfavourable terms or renege on units that have become unprofitable. Landlord 2 further notes that, as a result of CVAs, there is a "collective cost for landlords through rent reductions", detailing the example of landlords facing "34 million pounds worth of rent reductions over 3 years, when the retailer is only injecting 25-30 million to restructure", highlighting that often the landlord contribution to CVAs is more than the retailers, and therefore by default, placing landlords in a worse position, and in a situation that is beyond their control.

On the issue of control, Landlord 2 says:

" We're heavily compromised creditors… so the level of support is discounted. Even if every landlord forced against the CVA, it would still pass because, by the time you consider equity debtors, creditors, suppliers and landlord voting rights being discounted, the relevant landlord's vote becomes less relevant… " .

-Landlord 2

As aforementioned in 2.2, landlords are unsecured creditors. Supporting Landlord 2, Legal 3 states that landlord's CVA voting rights in CVAs are limited, which restricts their power of say, despite being the main creditors affected. Once the CVA is approved, the landlord has relatively limited challenge rights (Dawson and Aspinwall, 2018).

Adding insult to injury, Landlord 6 discusses that the market situation has turned "into a blaming game" with the landlord being an easy target for tenant frustrations, while at the same time being unfairly impacted in the process.

4.2.2 Retailers and tenants.

Interestingly, however, retailer perspectives of CVAs are more varied and nuanced than this. This is because, though some retailers view CVAs as a last resort, some see them as opportunities.

Tenant 2- a successful retailer- comments on CVAs being a win-win scenario for their business. On average, Tenant 2 notes that CVAs have been driving down rents by 27-30%, leaving Tenant 2's company- with their strong balance sheet- in a good position to negotiate:

"It's an occupier's market. I've never seen anything like it…we can practically dictate the terms we want. CVAs are generally good news for us in a perverse way…every time a retailer files a CVA, we just look better."

-Tenant 2

Furthermore, Tenant 2 states that they only own lease-holds, with weighted average terms of seven years, providing them with maximum flexibility: "30% of our rent-roll expires in the next three years and 50% expires in the next five years".

However, Tenant 1, who is locked in 150 year-long leases without breaks, expresses frustration at other retailers receiving rent cuts that are creating an un-level playing field, highlighting that issues led by uneven power-dynamics in the CVA process are not limited to landlords and tenants, but also between competing retailers. While Tenant 2 is not experiencing conflict with landlords and pressures from the market due to their flexible and short leases, the lack of flexibility in Tenant 1's leases contributes to the traditional landlord-tenant conflict of interest, as evidenced by Burton (1992).

Not all landlords are unsympathetic to retailers like Tenant 1: Landlord 6 suggests the unfairness on retailers who operate well, hold sound balance sheets, and invest in the right areas, end up paying more rent and are penalised compared to competitors. Landlord 7 additionally acknowledges the difficulties of independent retailers, who may also be tied into over-inflated rental agreements, but lack the power and money to push for CVAs, whilst

larger, more prominent retailers are succeeding with CVAs and obtaining rent reductions, providing them greater chance to outcompete weaker players.

4.2.3 The CVAs vs administration argument

The literature highlighted that successful shopping centres are those that achieve a symbiotic relationship between landlords and retailers (Peters, 1990). Corroborating the literature, Legal 3 comments that "in a good shopping centre, landlords and tenants will work together for the benefit of the centre". Landlord 2, however, explains that CVAs have increasingly introduced "huge financial pressures" in these relationships, without, interestingly, always introducing conflict, further commenting that such pressures are now "forcing retailers and landlords to work closer together" to deal with these issues.

This is perhaps because, as Policy 1 suggests, if tenants are *en-route* to administration, it is up to reasonable landlords to constitute an agreement about whether to accept a rent reduction, or risk a void period if the tenant enters a more terminal insolvency process. The negative effect of which may be compounded if any accrued rental debts remain unpaid in the liquidation process. This presents a CVA vs administration argument where landlords may prefer a rent reduction versus the risk of voids, debt cancellation and ultimately being left with a unit with no income that needs to be advertised and re-let. Analyst 1 refers this as a "balancing act" for landlords.

Policy 1 further reflects that landlords had, up until recently, seen upward-only rent reviews for decades, suggesting they can afford effects from CVAs, which is why some landlords remain tolerant. As Analyst 1 notes, the UK historical model of retail rental arrangements in no longer fit for purpose and up-ward only rent-reviews perhaps present a structural issue in the market. As Howard (1997) hypothesised, these up-ward only rents would only be at odds with a market in downturn, which is currently building friction between landlords and retailers.

Other stakeholders, however, note that conflict is introduced when landlords perceive tenants to be using CVAs not as a last resort, but as a commercial strategy. As introduced in 4.21, Analyst 1 highlights that CVAs are creating an uneasy dynamic, whereby neighbouring tenants of retailers undergoing CVAs are also demanding rental cuts. For example, Next- a secure retailer, issued a statement claiming they will insert a "CVA clause" into future leases, under which their rents must also be reduced if tenants within the same shopping centre are undergoing CVAs (Clarence-Smith, 2019). Legal 2 agrees that tenants are beginning to believe that the only way to remain competitive is by filing a CVA.

In line with the literature and market reports, participants discussed that retailers have been using CVAs as a 'crutch' to continue their balance sheet and reduce their cost base, with little evidence of attempting to restructure to ensure the viability of future business. Landlord 4 comments on how retailer's CVAs proposals are being limited to rent reductions and escaping unfavourable leases:

> *"A prime example is Aldo…they had 12 sites and huge business overseas […] they implemented a CVA […] dropped two Central London leases with astronomical rents and rates, yet kept all other stores. There's an argument that the firm could've supported the UK business…but they preferred a CVA instead".*
>
> *-Landlord 4*

Landlord 4 highlights that retailers are using the CVA trend to choose the most profitable route. This theme emerged in the majority of interviews, with several stakeholders questioning the legitimacy of CVAs today.

Nevertheless, Legal 1 voiced:

Legal 1's statement would have been correct in the past; however, Landlord 5 discusses the evolving normalisation of the phenomenon, due to the increasing frequency of CVAs:

In agreement to this, Policy 2 further addresses that CVAs are being marketed to retailers by advisors, making them increasingly appealing and propelling the number of CVAs, to the detriment of landlords. In addition, as noted in 2.2, CVAs do not require court approval and can therefore be easily passed, even in unlikely conditions.

Landlord 7 commented that as a result, they have started to see less reputable insolvency firms creating cheaper, sub-standard CVAs, with businesses that are beyond rescue. On one occasion, Landlord 7 discussed that "we ended up advising them ourselves as they didn't have a lawyer to draft the document". More broadly, this suggests that there is a regulatory issue at play, highlighting the need for updated policies (discussed in 5.2).

It is evident that retailers are increasingly feeling the 'contagion effect' of other retailers benefiting from reducing liabilities, instead of using CVAs as a last resort. Inevitably, this has produced a backlash, with strategies being undertaken by sector players to limit the negative impacts of illegitimate CVAs proliferating in the market.

4.3 Strategies and opportunities

The overarching idea amongst tenants was to limit the need for CVAs by discovering ways to navigate the market downturn, such as to remain pro-active, focus on optimising and consolidating portfolios, and maintain relevant to consumers. Agent 4 discusses that his clients, for instance, are concentrating on "portfolio optimisation: less stores, bigger doors", with interactive flagships, AI and experiential theatre to draw customers and monitor their purchasing journey. Alternatively, investment is being funnelled into e-commerce and "behind-the-scenes" bricks-and-mortar operations, i.e. fulfilment centres with lower rent costs[6], such as Tenant 1's group. However, Tenant 1 also records the difficulty in creating market strategies for the next five years when shopping centre development schemes take ten years to be executed and retail changes so rapidly.

Unsurprisingly, since landlords are the most negatively affected by CVAs (Eley, 2018), this group proposed the widest array of more specific strategic solutions.

4.3.1 Flexibility

In theory, landlords hold the power to control shopping centre tenant-mix (Garg and Steyn, 2014); however, retailers have seized this power from landlords by using CVAs as a tool to railroad leases. This dynamic is interestingly redefining the traditional landlord-tenant power structure within shopping centres.

Analyst 2 suggests that landlords need to evaluate their tenant list and leases, culling those at risk of CVAs, and proactively map out potential weaknesses in schedules.

Landlord 4 elaborates:

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[6] Appendix B presents further detail on this trend.

Landlord 4 further reveals that they also confidentially receive 90% of retailers trading figures, quoting that "the reason we get them is to help improve our centres". Once all the information is collected, Landlord 4's firm identify which centres would be impacted the most and if a retailer were found to be clearly struggling, they would contact their agents to potentially replace units.

Landlord 3 provides a four-step practical strategy that builds on these ideas of transparency, flexibility and resilience:

1. • Landlords should always engage in early dialogue with occupiers planning a CVA.

2 • Monitor the market very closely, regularly contact all tenants and insolvency practitioners, ensure that you have a risk-list to track tenants that are at CVA risk.

3 • CVAs are bound to happen, so always be prepared with an alternate plan B or C that you can enact quickly.

4 • CVAs are complex. You need people who are experts in the process in your team.

Point 4 was noted by this study as already being implemented, as, when recruiting for participants, preliminary emails were often forwarded to specifically appointed CVA experts within firms.

4.3.2 Re-evaluation of offer-mix and portfolios

The majority of landlords similarly spoke of varying their offer to include the resilient categories introduced in 4.1.1. For community shopping centres, Landlord 6 speaks on correcting their merchandising to fulfil local consumer demands and offer non-discretionary spend areas.

Landlord 1 and 3 discussed their strategies as to drive footfall, offer a superior deal to competitors, increase dwell time, and through operations, marketing and management, deliver an irresistible proposition for customers. Referring back to Christaller's CPT from 2.1.1, Landlord 1 and 3 could be evidencing a new interpretation of the CPT destination shopping and hierarchy model that no longer is based on the frequency of need, but rather on consumer experience.

However, Landlord 6 also interestingly discusses that because all landlords are in the same boat, attracting successful retailers to centres can be tough. As Knight Frank (2019) evidences, these retailers are remaining conservative about future projects.

In terms of locational strategy, Landlord 1 comments on expanding out-of-town and outlet centres, as this remains their most profitable category with healthier void rates and more attractive lease terms. Landlord 2 conversely stated exiting out-of-town centres and retail parks to focus on "winning" city-centre shopping centres, deploying capital to vary their offering and reinforce their "shopping destination" focus.

4.3.3 Rent reductions and financial contributions

Interestingly, Landlord 3 proposes the strategy of reducing costs for retailers, almost to pre-empt CVAs:

Landlord 1 further stated that in an attempt to prevent retailers going through CVAs, they would increase the marketing and promotions for particular retailers in financial distress. Recently in the press, Monsoon agreed to a profit-sharing scheme, which, should the company be profitable in the future, see landlords receive up to ten million pounds (Parsley, 2019), presenting a co-operative management strategy between parties.

Ultimately, this is only possible where there is a two-way dialogue and transparency between landlord and tenants to ensure a win-win outcome (Howard, 1997). Landlord 6, however, commented that 99% of retailers are reluctant to hand-over turnover data, highlighting the problem of lack of openness between parties.

4.3.4 Legal perspectives

At the other end of the spectrum, amidst the frustration of CVAs, Agent 5 discussed that the recent Arcadia CVA- one of the most high-profile to date- had some genuine push back from landlords, who insisted on more favourable terms before agreeing. Legal 3 argues that:

Landlord 7 disagrees: with weaker retailers, sometimes landlords are not willing to spend money on challenging the CVA as 6 months down the line they often fall into administration or liquidation (**Figures 4 and 6).** Legal 1 states that only 18% of CVAs lead to a successful recovery, supported by PWC (2018), evidencing that 51% result in a further insolvency procedure. This high failure rate begs the question of whether CVAs are worthwhile for retailers who are already in un-recoverable positions and if they offer a genuine opportunity to return to profitability. Indeed, in some cases, they are simply prolonging the insolvency process with continued money loss and ultimately, hardship for landlords as the unfortunate by-product.

A legal perspective can provide a useful mediator between landlord and tenants. Legal 1 proposes four strategies of protective measures and negotiation stages prior to CVAs that can limit landlords' future exposure to CVAs (see **Figure 9):**
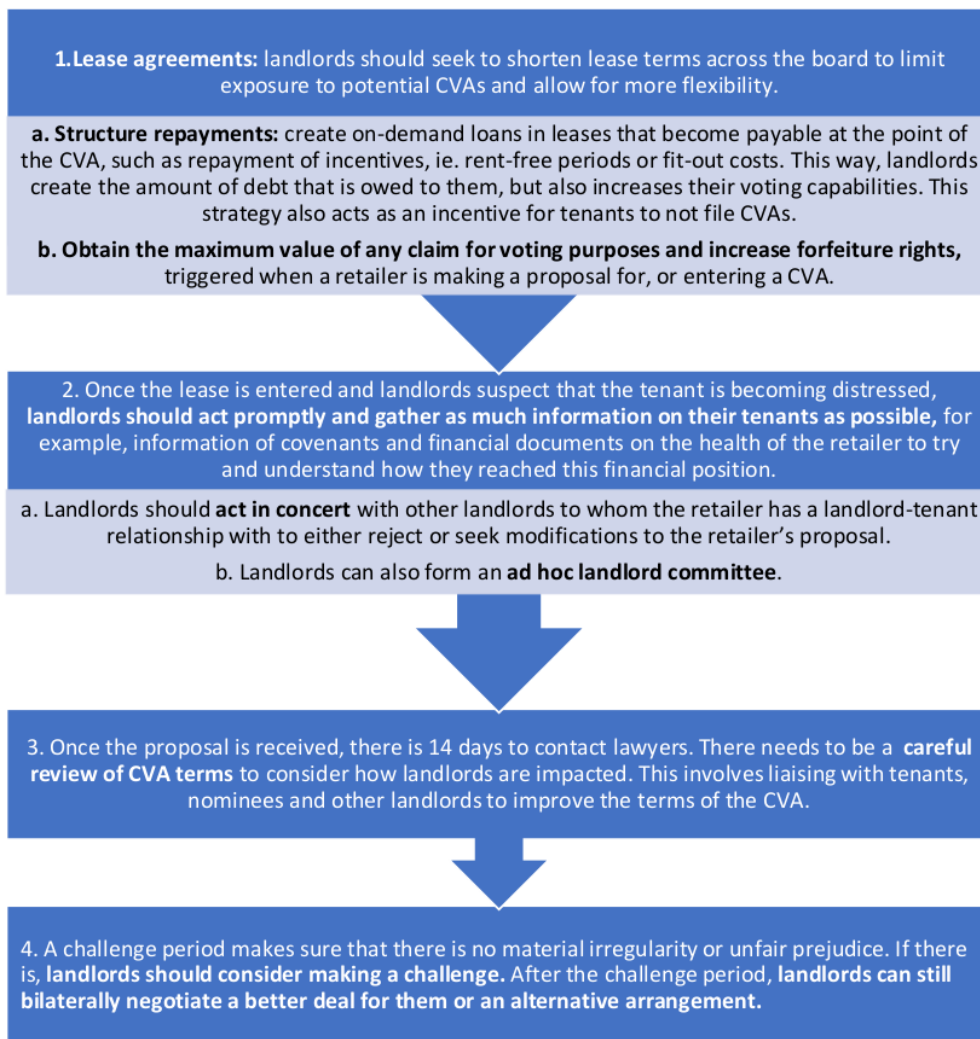
Figure 9: Strategic legal measures.

4.3.5 Opportunities

Aside from strategies, Legal 1 mentions that "CVAs are good" and as far as insolvency processes are concerned:

Amidst negative headlines, CVAs thus present opportunities to landlords and retailers. This topic of CVAs as a potential strategic opportunity emerged as a key theme from interviews. Analyst 1 says that the opportunity lies in equilibrium.

CVAs will leave gaps in the tapestry of many shopping centres, meaning landlords can take the opportunity to refresh offers to more successful and relevant retailers within centres (4.1.1). As mentioned in 2.3, vacant units from administrations in 2016 became occupied by value and luxury brands. This year, voids are being filled with consumer-focused brands, such as those detailed in 4.1.1. Landlord 2 agrees:

"bluntly…if there are brands that aren't relevant for consumers anymore, there's the opportunity to exit them, and introduce new brands with better uses and rents".

-Landlord 2

Landlord 2 also notes the opportunities offered by pure-players- brands that do not have physical stores yet- venturing into bricks-and-mortar to become new tenants, adding that "a lot of this is relatively new for us, but it opens up a new world of potential retailer's demand for centres".

For retailers, CVAs offer an opportunity to restructure, keep trading and sell the business once restructured (Agent 5). Undoubtedly, the stakeholders benefitting the most are those tenants not filing CVAs, experiencing opportunity from the overall market environment, such as Next with their "CVA clause" (4.23; Clarence-Smith, 2019). Primark- also a strong retailer- has recently followed suit, demanding 30% rent cuts to close the gap with struggling rivals that

have entered CVAs (Nilsson and Evans, 2019). The Guardian (2019) suggested that opportunists, such as Primark, were told to "go and get rent reductions" as they continue to lose competitive advantage and let down their duty to stakeholders. Although when speaking to landlords about these statements, they claimed that they would decline such offers. The current market has, therefore, materialised into an opportunity for game playing negotiations between opportunistic tenants and landlords.

Chapter 5. Final Note

It is evident that CVAs are having a destabilising impact on the retail market, particularly on shopping centres. To conclude and answer this study's question, the themes of this paper are summarised as follows:

Market context: As it stands, unless there is a dramatic change in the market that stabilises current trends and the CVA 'blaming game', CVAs will continue to impact shopping centres, landlords and retailers. CVAs have affected landlords with rent-cuts denting the net income of shopping centres that have subsequently skewed the value of landlord's assets and shopping centre investment patterns. However, this study finds that echoing the resilience of shopping centres and retail's nature to adapt, CVAs are transcending into a potential opportunity for some landlords and tenants.

Landlord and tenant pressures and perspectives: CVAs have heightened tensions between landlords and tenants, when, ironically, a symbiotic relationship between parties is needed for the success of centres. What was evident from findings was that the current environment has resulted in game playing negotiations between landlords and tenants, combined with opportunistic strategies for each party to acquire the best deal, and fight for dominating power over one another. Landlords and tenants voiced frustration as CVAs have become increasingly normalised and landlords are viewed as unfairly impacted by the process. It became apparent that overall, the 'winning' stakeholders are, ironically, the already resilient retailers not implementing CVAs, who are benefitting from the process, seeing increased sales from reduced competition and easily negotiated rent-cuts, transforming the retail environment into an occupier's market.

Strategies and opportunities: Interestingly, the most successful strategy to battle the CVA storm was to view CVAs as an opportunity. The previous woes experienced by landlords evolved to present an opportunity to re-evaluate shopping centre portfolios and re-configure tenant-mixes to more profitable and relevant offers to remain resilient. Landlords additionally voiced the opportunity to work with retailers to help them reduce their cost-base for survival,

evidencing signs of attempting to repair their fractured relationship in the process. For retailers filing CVAs, CVAs present an opportunity to re-structure and sell the business, and the retailers not filing CVAs are grasping any opportunity to benefit from the market. These signs point to the resilience of the sector and the determination of stakeholders to adapt. Nevertheless, landlords continue to overall lose value on their assets, which leads to question the number CVAs being passed and their legitimacy.

5.1 "Can shopping centres weather the CVA storm?"

To fulfil this paper's aim, and directly answer the research question, it can be concluded that shopping centre formats are more resilient to pressures than high-streets and have a better ability to weather the CVA storm. This is due to landlords being able to comprehensively manage the operations of centres and engineer a collective retail strategy to encourage higher operational performance and turnover- which includes the ability to derive opportunities from the challenges presented by CVAs. Despite this, the market will inevitably see increasing polarisation, with dominant, resilient centres taking the edge and non-dominant secondary and tertiary centres, that lack the same incisive capacity to adapt, experience a decline. If shopping centres are not only to weather, but to thrive, policy changes to increase resilience will be necessary.

5.2 Significance, implications for policy and resilience.

It became evident from research that within the retail property arena, the CVA system is broken and is intensifying pressures between landlords and tenants. The following policy suggestions, derived from an analysis of the literature and interviewee responses, could be considered for the future of the sector:

1. CVAs should be bound by stricter rules and encompass a legal process for entry, to avoid them being abused. This will enhance the legitimacy of CVAs, reinforcing the

idea that they should only be passed as a last resort. This should reduce tensions and process exploitations, to help regain landlords' trust in the CVA process.

2. For a CVA to pass, retailers should have a viable and holistic turnaround business plan that deals with every aspect of the business and provides evidence of their willingness to salvage the company, instead of merely proposing rent cuts and store closures. Landlords should also have the ability to see the business plans of retailers filing CVAs to allow landlords to adapt and create strategies to remain resilient. This emphasises the need for collaboration between parties.

3. Landlords need more certainty around the voting mechanism to make the process fairer. Landlords would be more inclined to vote in favour of CVAs if all other stakeholders were also bearing the cost-cutting burden: to this end, as an example, regulation for all creditors to shoulder the same percentage of debt cancellation could be made into a necessary clause for the CVA to pass.

4. As Analyst 1 accurately comments, the UK historical model of rental arrangements is out-of-sync with the current retail market. There needs to be a revaluation across the board if CVAs are to be significantly curbed. Moving forward, landlords should be willing to accept different terms for new tenants. This would mean a short-term financial hit but with the possibility to stabilise and equalise the market in the future.

5.3 Limitations and future research recommendations

The paucity of literature on the subject of CVAs presents both limitations to the present study and opportunities for future research.

The significant lack of academic research in this realm limited the amount of peer-reviewed material to compare findings with: market reports and online media had to be used to cross-reference data instead. The information gathered for this study, though by no means

exhaustive, due to sample size and access limitations, as discussed in Chapter 3, included a vast range of perspectives, and unfortunately not all the valuable information voiced by participants could be incorporated into this study due to word-limit restrictions. Despite constituting a limitation to the present paper, this shows that this under-researched topic offers a plethora of opportunities for future research.

For instance, although leases and rent structures are inextricably connected to retail CVA proposals, they were not central to this study's analysis. This was mainly due to the complexity of this topic, which merits a separate study. However, participant interviews and discussions often resulted in blaming inflexible leases and over-rented units for the rise of CVAs and for creating tension between landlords and tenants. Various recommendations and points of resilience for stakeholders on this topic were extracted from the findings, offering a base for future research (please see **Appendix G**).

Other avenues of research around CVAs that could warrant further study include: the impact of vacancy rates and bricks-and-mortar retailing, retail value and investment, the re-balancing of portfolios, a greater depth into the legal perspective of CVAs and landlord-tenant relationships, or an in-depth comparative analysis of the impact of CVAs between in-town, out-of-town shopping centres, shopping centres and high-street locations, and also whether CVAs are a worthwhile tool for the market.

Referring back to Christaller, the CPT still holds as a theoretical framing to understand retailing. There is an enduring motivation to travel further for certain goods, but the CPT fails to capture the diversity of the retail market today. The CPT could transcend into a new model based on consumer experience, redefining the way 'high-order' and 'low-order centres' are framed- future research on this topic could create an enduring legacy in the field.

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Appendices

<u>Appendix A</u>

Table 1: Evidence for the causes of the current trends influencing the re-structuring of retail.

Trends influencing retail re-structuring.	Supporting evidence and data.
The migration of sales to online platforms.	The continuation of the e-commerce penetration has eaten away at physical retailers, which are struggling to compete (Dixon and Marston, 2008). In 2020 however, there will be an introduction of a 2% Digital Service Tax, which aims to address the tax imbalance against physical stores and support public service, and therefore create a more level playing field for retailers (Laters, 2019). Agent 4 suggests that e-tailing will begin to plateau this year, questioning the future prominence of this retail form, in exchange for physical, experience-led retailing.
Cost pressures for retailers: rising business rates, rising minimum wage, imported inflation, the introduction of the Apprenticeship levy and service charges in shopping centres.	Agent 1 recites that these market conditions are creating the "perfect storm". In shopping centres, additional pressures of rising service charges are also harming retailers. For a labour-intensive company, these cost-pressures have damaging impacts on profits and threaten their survival on the high-street. All participants interviewed discussed the impact of extortionate business rates. Financial Times (2019c) however highlights that simply reforming business rates will not solve present problems. Further costs of structural change will persist (Stevens, 2018b).

Brexit-related uncertainty, Sterling devaluation and inflation.	The Brexit referendum is creating an opaque economic outlook that may manifest in further rising costs for parties and added friction in supply chains. The continually depreciating Sterling that followed the referendum has also negatively impacted inflation. The uncertain market has weighed on consumer confidence and dented consumer spending on retail goods and therefore footfall in retail centres, although Stevens (2018

	Nevertheless, Nazir (2019) writes that from now on, there will be more frequent revaluations, bringing the next revaluation to 2021.
Long-leases and over rented units.	Inflexible and long leases continue to create issues, extending the relevance of Burton's (1992) argument that leases and rent negotiations amount to conflict between landlords and tenants.
The pace of change in retail.	Tenant 1 highlights that one of the main challenges is the 5-year lead in time for retailers to plan development. With the rate and scale of change, it becomes increasingly difficult to remain nimble and agile, thus making long-term strategy planning risky and further stagnates the market.

Evidence of retail restructuring from participants and the impact of online.

Interestingly, Tenant 1 comments that although the shift to online is making shopping more accessible and hassle-free for the customer, it is making the operation more expensive as online sales are more complex to fulfil. Omnichannel service presents a surprising number of additional costs, for instance, online product marketing, distribution warehouses, fulfilment centres, the technology within fulfilments centres, increasing demand for fast delivery, extra costs of product delivery to direct addresses, and the emergence of the 'try and buy' trend with increasing numbers of return orders, which have accumulatively impinged on retailer profits. Furthermore, in a competitive pricing environment, Tenant 1 highlights that 'price-matching' their competitors have witnessed a further squeeze on their profit margins, more significantly because the majority of competitors are discounting, due to their current weak trading positions.

Agent 4 also speaks of a new retail revolution of digitally native brands that are now going offline in exchange for a physical store, seeing a 'clicks to bricks' wave that is beginning to transcend the previous 'bricks-to-clicks' experienced a decade before. It appears that retailers are starting to recognise the benefit of showcasing their products in physical stores, as online moves into becoming an overly saturated market. The ICSC's (2019) study further supports this statement, arguing that there is a direct 'halo effect' of bricks as they leverage the strengths of both physical store and online platforms and their traffic, further purporting the need for physical stores for a successful retail strategy. Analyst 1 notes that prime flagship stores are not immune to today's challenges and are currently proving un-profitable, such as those on Oxford Street for example, suggesting that retailers are keeping these stores as a showcasing element. As the boundary between online and offline is becoming increasingly blurred, demand for physical space is expected to rise.

Table 2: Details and coding for interview participants.

INTERVIEW PARTICIPANTS.
Legal 1. <mark>Legal 1:</mark> **Legal Director** at London Law Firm -Heads up the restructuring and insolvency team. -Currently working on the Arcadia CVA and previously on the Gourmet Burger Kitchen CVA. 2. <mark>Legal 2:</mark> **Commercial Director** at Regional Law Firm 3. <mark>Legal 3</mark>: **Legal Director 2** at Regional Law Firm -National Head of Real Estate Disputes
Agency and Consultancy 4. <mark>Agent 1</mark>: **Shopping centre investment agent** at Real Estate Firm - Over 29 years' experience in retail property and particularly shopping centres. 5. <mark>Agent 2</mark>: **Shopping centre investment analyst** at Real Estate Firm - Qualified Chartered Accountant with over 22 years of experience in the property market.

6. **Agent 3**: **Retail agent** at Real Estate Firm

7. **Agent 4**: **Cross-border retail agent** at Real Estate Firm
-Clients include Primark and Sports Direct.

8. **Agent 5**: **EMEA Strategic Consultant** at Real Estate Firm.
-Working on the high-profile New Look CVA for the past 12 months.

9. **Agent 6**: **Retail business rates** at Real Estate Firm

Retail Analyst

10. **Analyst 1**: **James Child** at EG
-Head of Retail and Industrial Research.

11. **Analyst 2**: **Retail Analyst 2** at Real Estate Firm

Policy

12. **Policy 1**: **Policy advisor 1** at a go-to nationally recognised trade association for all UK retailers.
-The firm is a key driver of positive change in the retail industry.

13. **Policy 2**: **Policy advisor 2** at nationally recognised association that supports people, communities and businesses involved in retail property.
-The firm also remains a key drivers of positive change in the retail industry and creates awareness for worthwhile campaigns in the sector.

14. **Landlord 1**: **Retail manager** of regional shopping centre *at FTSE 100 REIT.*

15. *Landlord 2*: **Commercial Director** at FTSE 250 REIT
-Heads up leasing activity across all UK shopping centres and principally involved in CVAs at FTSE 250 REIT

16. **Landlord 3**: **Portfolio Director 1** at *FTSE 100 REIT*

17. **Landlord 4**: **Leasing Manager** at *FTSE 250 REIT*

18. **Landlord 5**: **Leasing Executive** at *FTSE 250 REIT*
-Manager of well-known out-of-town shopping centre.

19. *Landlord 6*: **Portfolio director** at *REIT*
-Focus on community shopping centres.

20. *Landlord 7*: **Revenue manager and insolvency committee member** *at REIT*
-Focus on community shopping centres.
-*Previously involved in a high-profile*

21. *Landlord 8:* **CEO** at leading manager of outlet centres in Europe.

Tenant/ retailers

22. <mark>Tenant 1</mark>: **Asset Manager 2** at resilient department store *(FTSE AIM)*

23. <mark>Tenant 2</mark>: **Property director** at resilient retailer. *(FTSE 100)*

Appendix D

Template questions for participant interviews.

Retail market, CVAs and impact on shopping centres.

- What do you see as the main challenges in the retail market that are motivating the number of CVAs today?

- Are specific types of retailers facing more challenges more than others?

- How do your clients feel about retailing at the moment?

- Do you expect the CVA trend to continue at the same pace?

- How have CVAs affected [*landlord/ tenant*]'s shopping centres / business?

- How have CVAs affects shopping centre value and investment?

Landlord – Tenant: perspectives and pressures.

- What is the landlord and tenant dynamic like at the moment? Have there been any particular pressures recently in light of CVAs?

- Landlords are becoming increasingly frustrated at CVAs. Do you think landlords are taking an unfair hit?

Strategies.

- What strategies are [*landlord / tenant*] taking to protect their shopping centres / business from CVAs?

- How are [*landlords*] dealing with pressures from several tenants filing CVAs at the same time in shopping centres?

- Do you believe that CVAs offer an opportunity to landlords and tenants?

- Can shopping centre formats can be more resilient than high streets?

Future.

- How do you think CVAs will impact shopping centres in the long-term?

- Is there still opportunity for shopping centres moving forward?

Policy / Practical recommendations.

- Do you propose any policy or practical recommendations for sector players to deal with CVAs? Or to do with the CVA process?

Data protection informed consent form for each participant pre-interview:

UCL BARTLETT FACULTY OF THE BUILT ENVIRONMENT
BARTLETT SCHOOL OF PLANNING

Informed Consent:

Can shopping centres weather the Company Voluntary Arrangement (CVA) storm? A study of the perspectives, pressures, strategies and opportunities

Thank you for agreeing to be interviewed – I appreciate you sharing your experiences.

As an interviewee I am aware that:

- All information and data I provide will be treated confidentially.
- My identity will be protected and remain anonymous at all times throughout the research.
- Extracts from the interview may be used in quotes in the research reports and outputs.
- I have the right to refuse to answer questions.
- I am participating in a voluntary capacity.
- My interviewer can provide any additional information and will answer any relevant queries I might have regarding the research.
- The interview will be recorded to ensure that recall is accurate and I give my permission for this information to be used for research purposes.

Name of interviewee: ....

Signature: ....

Date: ....

Name of interviewer: ....

Signature: ....

Date: ....

Researcher Details:
Paloma Friedrich
Bartlett School of Planning
613 Central House

The Bartlett School of Planning, University College London (UCL), Central House, 14 Upper Woburn Place, London WC1H 0NN
www.bartlett.ucl.ac.uk/planning

1

14 Upper Woburn Place
London

Appendix F

Risk assessment form.

RISK ASSESSMENT FORM
FIELD / LOCATION WORK

≜UCL

The Approved Code of Practice - Management of Fieldwork should be referred to when completing this form
http://www.ucl.ac.uk/estates/safetynet/guidance/fieldwork/acop.pdf

DEPARTMENT/SECTION   Bartlett School of Planning : Real Estate.
LOCATION(S)
PERSONS COVERED BY THE RISK ASSESSMENT
                       pre-arranged face-to-face interviews.
BRIEF DESCRIPTION OF FIELDWORK

Consider, in turn, each hazard (white on black). If **NO** hazard exists select **NO** and move to next hazard section.
If a hazard does exist select **YES** and assess the risks that could arise from that hazard in the risk assessment box.
**Where risks are identified that are not adequately controlled they must be brought to the attention of your
Departmental Management who should put temporary control measures in place or stop the work. Detail
such risks in the final section.**

ENVIRONMENT	The environment always represents a safety hazard. Use space below to identify and assess any risks associated with this hazard
e.g. location, climate, terrain, neighbourhood, in outside organizations, pollution, animals.	Examples of risk: adverse weather, illness, hypothermia, assault, getting lost. Is the risk high / medium / low ? LOW. risk.

CONTROL MEASURES	Indicate which procedures are in place to control the identified risk
☒	work abroad incorporates Foreign Office advice
☐	participants have been trained and given all necessary information
☐	only accredited centres are used for rural field work
☐	participants will wear appropriate clothing and footwear for the specified environment
☐	trained leaders accompany the trip
☐	refuge is available
☐	work in outside organisations is subject to their having satisfactory H&S procedures in place
☐	OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

EMERGENCIES	Where emergencies may arise use space below to identify and assess any risks
e.g. fire, accidents	Examples of risk: loss of property, loss of life

CONTROL MEASURES	Indicate which procedures are in place to control the identified risk
☐	participants have registered with LOCATE at http://www.fco.gov.uk/en/travel-and-living-abroad/
☐	fire fighting equipment is carried on the trip and participants know how to use it
☒	contact numbers for emergency services are known to all participants
☒	participants have means of contacting emergency services
☐	participants have been trained and given all necessary information
☐	a plan for rescue has been formulated, all parties understand the procedure
☐	the plan for rescue /emergency has a reciprocal element
☐	OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

FIELDWORK   1   May 2010

EQUIPMENT	Is equipment used?	NO	If 'No' move to next hazard If 'Yes' use space below to identify and assess any risks
e.g. clothing, outboard motors.	Examples of risk: inappropriate, failure, insufficient training to use or repair, injury. Is the risk high / medium / low ?		

CONTROL MEASURES	Indicate which procedures are in place to control the identified risk
☐	the departmental written Arrangement for equipment is followed
☐	participants have been provided with any necessary equipment appropriate for the work
☐	all equipment has been inspected, before issue, by a competent person
☐	all users have been advised of correct use
☐	special equipment is only issued to persons trained in its use by a competent person
☐	OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

LONE WORKING	Is lone working a possibility?	Yes	If 'No' move to next hazard If 'Yes' use space below to identify and assess any risks
e.g. alone or in isolation lone interviews.	Examples of risk: difficult to summon help. Is the risk high / medium / low?		

low risk. In a safe location. and reachable by mobile.

CONTROL MEASURES	Indicate which procedures are in place to control the identified risk
☐	the departmental written Arrangement for lone/out of hours working for field work is followed
☐	lone or isolated working is not allowed
☐	location, route and expected time of return of lone workers is logged daily before work commences
☑	all workers have the means of raising an alarm in the event of an emergency, e.g. phone, flare, whistle
☐	all workers are fully familiar with emergency procedures
☐	OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

will let a contact know my location and expected time
will meet in a public / safe space.
will have my phone by me.

ILL HEALTH

e.g. accident, illness, personal attack, special personal considerations or vulnerabilities.

The possibility of ill health always represents a safety hazard. Use space below to identify and assess any risks associated with this Hazard.

Examples of risk: injury, asthma, allergies. Is the risk high / medium / low?

low risk.

CONTROL MEASURES	Indicate which procedures are in place to control the identified risk
☐	an appropriate number of trained first-aiders and first aid kits are present on the field trip
☐	all participants have had the necessary inoculations/ carry appropriate prophylactics
☐	participants have been advised of the physical demands of the trip and are deemed to be physically suited
☐	participants have been adequate advice on harmful plants, animals and substances they may encounter
☒	participants who require medication have advised the leader of this and carry sufficient medication for their needs
☐	OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

TRANSPORT

e.g. hired vehicles

Will transport be required	NO	✓	Move to next hazard
	YES		Use space below to identify and assess any risks

Examples of risk: accidents arising from lack of maintenance, suitability or training
Is the risk high / medium / low?

CONTROL MEASURES	Indicate which procedures are in place to control the identified risk
☐	only public transport will be used
☐	the vehicle will be hired from a reputable supplier
☐	transport must be properly maintained in compliance with relevant national regulations
☐	drivers comply with UCL Policy on Drivers http://www.ucl.ac.uk/hr/docs/college_drivers.php
☐	drivers have been trained and hold the appropriate licence
☐	there will be more than one driver to prevent driver/operator fatigue, and there will be adequate rest periods
☐	sufficient spare parts carried to meet foreseeable emergencies
☐	OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

DEALING WITH THE PUBLIC

e.g. interviews, observing

Will people be dealing with public	YES	If 'No' move to next hazard
		If 'Yes' use space below to identify and assess any risks

Examples of risk: personal attack, causing offence, being misinterpreted. Is the risk high / medium / low? low risk

CONTROL MEASURES	Indicate which procedures are in place to control the identified risk
☐	all participants are trained in interviewing techniques
☐	interviews are contracted out to a third party
☐	advice and support from local groups has been sought
☐	participants do not wear clothes that might cause offence or attract unwanted attention
☒	interviews are conducted at neutral locations or where neither party could be at risk
☐	OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

FIELDWORK   3   May 2010

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| WORKING ON OR NEAR WATER | Will people work on or near water? | NO | If 'No' move to next hazard |
| | | | If 'Yes' use space below to identify and assess any risks |

e.g. rivers, marshland, sea.

Examples of risk: drowning, malaria, hepatitis A, parasites. Is the risk high / medium / low?

CONTROL MEASURES | Indicate which procedures are in place to control the identified risk

- ☐ lone working on or near water will not be allowed
- ☐ coastguard information is understood; all work takes place outside those times when tides could prove a threat
- ☐ all participants are competent swimmers
- ☐ participants always wear adequate protective equipment, e.g. buoyancy aids, wellingtons
- ☐ boat is operated by a competent person
- ☐ all boats are equipped with an alternative means of propulsion e.g. oars
- ☐ participants have received any appropriate inoculations
- ☐ OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

| MANUAL HANDLING (MH) | Do MH activities take place? | NO | If 'No' move to next hazard |
| | | | If 'Yes' use space below to identify and assess any risks |

e.g. lifting, carrying, moving large or heavy equipment, physical unsuitability for the task.

Examples of risk: strain, cuts, broken bones. Is the risk high / medium / low?

CONTROL MEASURES | Indicate which procedures are in place to control the identified risk

- ☐ the departmental written Arrangement for MH is followed
- ☐ the supervisor has attended a MH risk assessment course
- ☐ all tasks are within reasonable limits, persons physically unsuited to the MH task are prohibited from such activities
- ☐ all persons performing MH tasks are adequately trained
- ☐ equipment components will be assembled on site
- ☐ any MH task outside the competence of staff will be done by contractors
- ☐ OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

FIELDWORK   4

SUBSTANCES	Will participants work with substances	NO	If 'No' move to next hazard If 'Yes' use space below to identify and assess any risks

e.g. plants, chemical, biohazard, waste

Examples of risk: ill health - poisoning, infection, illness, burns, cuts. Is the risk high / medium / low?

CONTROL MEASURES Indicate which procedures are in place to control the identified risk

☐ the departmental written Arrangements for dealing with hazardous substances and waste are followed
☐ all participants are given information, training and protective equipment for hazardous substances they may encounter
☐ participants who have allergies have advised the leader of this and carry sufficient medication for their needs
☐ waste is disposed of in a responsible manner
☐ suitable containers are provided for hazardous waste
☐ OTHER CONTROL MEASURES: please specify any other control measures you have implemented:

OTHER HAZARDS	Have you identified any other hazards?	NO	If 'No' move to next section If 'Yes' use space below to identify and assess any risks

i.e. any other hazards must be noted and assessed here.

Hazard:

Risk: is the risk _____

CONTROL MEASURES Give details of control measures in place to control the identified risks

---

Have you identified any risks that are not adequately controlled?

NO	☑	Move to Declaration
YES	☐	Use space below to identify the risk and what action was taken

---

Is this project subject to the UCL requirements on the ethics of Non-NHS Human Research?

If yes, please state your Project ID Number [ ]

For more information, please refer to: http://ethics.grad.ucl.ac.uk/

DECLARATION	The work will be reassessed whenever there is a significant change and at least annually. Those participating in the work have read the assessment.

Select the appropriate statement:

☐ ✓ I the undersigned have assessed the activity and associated risks and declare that there is no significant residual risk

☑ I the undersigned have assessed the activity and associated risks and declare that the risk will be controlled by the method(s) listed above

NAME OF SUPERVISOR   Nicola Livingstone.

SIGNATURE OF SUPERVISOR   DATE

FIELDWORK   5   May 2010

<u>Appendix G</u>

Shopping centre investment patterns.

Analyst 2 supports the idea of over-supply damaging the shopping centre investment market:

"There is definitely more stock. There has been a softening of yields and prices, continued weak demand, and you haven't really got any institutional bias. Private Equity is not doing much, so that leaves you with PropCos... and the issues with PropCos is that they usually need debt to purchase and debt is becoming increasingly difficult to get".

- Agent 2.

Historically, the opportunity created by low prices would have allowed ease of new investment, but now banks are refusing to lend for retail, creating a situation where only cash buyers can give renewed impetus to the market. Analyst 2 further reports that the only major investors that remain acquisitive are Local Authorities as they are able to access relatively cheap public money and borrow funds over a longer timeline of around 30 or 40 years. International investment also remains weak, with several players on stand-by waiting for the right opportunity, but at the moment, there is a lack of real evidence to where prices should be. As a result of the lack of activity in the market, Agent 1 and 2 describe that they have changed their emphasis from trading, buying and selling, to a more advisory capacity role to support centres becoming resilient in the future, further evidencing the struggling market.

Implications for policy on CVAs: retail leases and rent structures.

1. Expanding on the theme of flexibility in section 4.3.1, Analyst 1 suggests that landlords should be flexible at lease breaks and renewal. Tenant 2 also noted that there is no inherent value in leases anymore and the value is now in all-around occupation. This urges a new breed of flexible retail leases that move towards a joint venture between parties. Although leases are veering to becoming shorter and more flexible, and CVAs are partly accelerating this change, landlords need to become more willing to cede a degree of control over tenants to allow retailers greater room to experiment and flourish. The added flexibility equips tenants with the ability to adapt quickly to changing consumer demands and tastes during the lease term, while also promoting collaboration between parties. In the right situation, joining forces and collaborating may be the best strategy to keep up with the market, avoid CVAs and offer longer-term financial stability.

    a. Agent 4 additionally suggested a move towards European leases of 3+3+3 that offer landlord and tenant flexibility, allowing tenants to exit leases, but also for landlords to refresh their offer.

    b. Include the involvement of more turnover rents[7] and all-inclusive deals: A move towards these propositions could motivate a collective effort for the success of shopping centres and share the risk between landlords and tenants. Although, this needs greater transparency, trust and unity between landlords and tenants, as reinforced throughout this study.

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1. Turnover leases, allow landlord and tenants to share risk and rewards of the business based on retailer turnover (Howard, 1997). Today, turnover leases are well established in out-let style shopping centres and are often successfully used in shopping centres with larger tenants, however, they often prove difficult as they rely on trust and transparency between landlord and tenants (Financial Times, 2018).

2. Landlords should propose leases with clauses that protects their position if the retailer files a CVA, as displayed in **Figure 8.**