

Dorset Retail, Leisure and Town Centre Study Update

Appendix A – Economic and Market Trends

Prepared for:

Dorset Council

March 2026

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1. INTRODUCTION

1. This Appendix report provides information on the key economic, consumer and property market changes that have driven the changes in the retail and leisure sectors in the UK over the last decade. It also looks at the changes expected in the future and considers how town centres can respond to these dynamic trends to remain competitive and enhance their overall vitality and viability in the future.
2. The report draws on a wide range of data sources including Lambert Smith Hampton's own research and is structured as follows:
 - **Section 2** considers the UK economy and economic outlook;
 - **Section 3** considers what this means for spending on retail activities and how this is expected to change in the future. This includes looking at the online shopping and the expected changes in markets, both of which are important areas of spend which divert trade from physical shops;
 - **Section 4** looks at the retail sector and how retailer business models and requirements are changing;
 - **Section 5** looks at the commercial leisure sector. It considers how expenditure is forecast to change in the future and what this is likely to mean for key leisure sectors including Eating Out/Food & Beverage (F&B), cultural and recreational and sporting services sectors;
 - **Section 6** looks at the effect this is having on the property sector and vacancy rates. This includes considering how town centres are faring compared with out of centre retailing; and
 - **Section 7** looks at how these trends are likely to affect our high streets and town centres in the future.

2. UK ECONOMIC OUTLOOK

3. Over the past five years, the UK economy has endured multiple shocks including the COVID-19 pandemic, high inflation, elevated energy costs, supply chain disruptions, and trade tensions. Despite these challenges, the Office for Budget Responsibility (OBR) (Economic and Fiscal Outlook – March 2025) projects a gradual economic recovery, with real GDP growth expected to rise from near zero in 2023 to 1% in 2025 and 1.9% in 2026. It is expected to stabilise at an average potential growth rate of 1.75% through 2027/28/29, however, uncertainty remains high due to UK labour force, GDP and productivity data as well as global geopolitical disruptions on trade policy.
4. Inflation, measured by the consumer price index CPI, is forecast to increase from 2.5% in 2024 to 3.2% in 2025, peaking at 3.8% in July 2025, driven by energy price caps, food prices, and utility bills. From mid-2026 inflation is expected to return to the Bank of England's 2% target as these pressures ease.
5. Experian Business Strategies (Experian) predict in their latest Retail Planner Briefing Note 22 (March 2025) ('**RPBN 22**') a slightly stronger GDP outlook for 2025, bolstered by early-stage government spending and a modest rebound in retail sales, particularly in discretionary consumer categories, as real incomes begin to recover.
6. However, consumer confidence remains 'fragile' meaning that households will take a more cautious approach to spending, at least in the short term. There are also uncertainties over how the US government's recent increase on global trade tariffs will impact on the global economy, which will ultimately increase the costs of many household products in the UK. It is for this reason that Experian has downgraded their UK retail sales forecasts to 2040 from what was published in last year's RPBN (RPBN21).
7. The 2024 Autumn budget has also increased business costs with employer National Insurance rate up by 1.2% to 15% from April 2025, while the threshold for contributions lowered from £9,100 a year to £5,000. The national living wage (21 and over) also increased by 6.7%.
8. This has all contributed to increased operational costs and tax obligations and retailers have responded by workforce reductions and redundancies, which are thought to hit entry-level jobs the most. The British Retail Consortium revealed that 160,000 retail positions could be at risk over the next 3 years.
9. As a result of these trends, UK households are currently experiencing the biggest fall in real disposable income and living standards in decades and on-going employment uncertainties. This will have direct impacts on household spending on retail goods and leisure services, and on the sales performance of retailers and leisure operators.

3. RETAIL AND LEISURE SPENDING

10. The above trends have a direct impact on disposable income and consumer confidence and this is reflected in the forecasts for future spend on retail and

leisure goods and services. This in turn will have a direct effect on town centre businesses.

Convenience Spend

11. Convenience expenditure refers to the money spent on food, non-alcoholic drinks, alcohol, tobacco, newspapers and 90% of non-durable household goods, including items such as cleaning materials, and kitchen disposables¹. They are generally low-cost items, purchased frequently and usually relatively locally, with the main outlets being the supermarkets operated by the national multiples such as Tesco, the discounters Aldi and Lidl and the smaller shop operators such as the Co-op and Spar. The category also includes spend in independent retailers and specialist food and drink outlets.
12. As consumers have become more affluent, with more disposable income, the trend has been for spending on convenience goods to remain relatively static, with the proportion of total spend reducing in real terms (i.e. excluding the effects of inflation). However, when budgets become tight, some reduction in spend will be seen with customers becoming more price-conscious and seeking to reduce the cost of their weekly shop, either by changing what they buy or where they buy it.
13. According to Experian, the impact of COVID-19 resulted in a significant +6.8% surge in spend per head in 2020 but this was followed by a contraction of -1.3% in 2021. Since then there has been negative growth of -5.0%, -3.5% and -1.8% in 2022, 2023 and 2024 respectively. In 2025 the reduction in spend reduces but remain negative at -0.8% and reduces further to -0.6% in 2026. Longer term it is expected to remain below 0% at -0.3% per annum for 2027-2031 and then -0.2% per annum to 2040.

Comparison Spend

14. Comparison expenditure refers to the money spent on all other retail goods and with the relative importance of key types of spend in the UK set out below.

¹ Experian Retail Planner Briefing Note 22 (RPBN22) (March 2025)

Table 1: Average UK Spend per Head on Comparison Goods in 2023

Average Comparison Spend per Person in 2023 (Total)	UK Average Spend (£)	UK Average Spend (%)
Clothing materials and garments	£847	20.8%
Appliances for personal care	£442	10.8%
Furniture and furnishings; carpets and other floor coverings	£416	10.2%
Games, toys and hobbies; sport and camping; musical instruments	£366	9.0%
Audio-visual, photographic and information processing equipment	£279	6.8%
Shoes and other footwear	£173	4.2%
Pets and related products	£166	4.1%
Jewellery, clocks and watches	£162	4.0%
Major household appliances (electric or not)	£160	3.9%
Books and stationery	£156	3.8%
Medical goods and other pharmaceutical products	£138	3.4%
Tools and miscellaneous accessories	£130	3.2%
Glassware, tableware and household utensils	£126	3.1%
Household textiles	£108	2.6%
Gardens, plants and flowers	£107	2.6%
Recording media	£95	2.3%
Other personal effects	£70	1.7%
Therapeutic appliances and equipment	£53	1.3%
Bicycles	£29	0.7%
Small electrical household appliances	£23	0.6%
Materials for maintenance and repair of the dwelling	£23	0.6%
10% of Non-Durable household goods	£11	0.3%

Source: RPBN22, Appendix 5

15. This shows the relative importance of sales for different types of comparison goods, with clothing and garment sales representing the main spend area and accounting for around a fifth of all comparison spend. The top five expenditure categories of (i) clothing, (ii) appliances for personal care, (iii) furniture and furnishings / carpets & other floor coverings, (iv) games, toys and hobbies/ sport and camping/ musical instruments and (v) audio-visual, photographic & information processing equipment combined account for 58% of all comparison spend.
16. The presence or absence of retail outlets selling these types of goods in an area will therefore be a major determinant in the amount of comparison expenditure retained in a particular area or lost to stores elsewhere. It is also the case that these expenditure figures make no allowance for online or other non-store-based purchases and some categories of spend will be more likely to be made online than others.
17. In terms of changes to expenditure per head on comparison goods, the trend has generally been one of growth as consumers have become more affluent and have more disposable income. However, much of this is discretionary spend and it can be more influenced by economic variables and confidence in the short term than is seen with convenience spend. Comparison goods are also more likely to be purchased online and to be sourced from non-shop locations.
18. The most recent Experian estimates and forecasts for UK comparison spend per head that after the growth in 2021 and 2022 (+6.8% and +3.4%) after the impact of Covid in 2020 (-8.3%) there has been negative growth to 2024 (-3.2% in 2023 and

-1.0% in 2024). The predicted (per capita) growth for 2025 is a nominal +0.1%, rising to +1.3% in 2026 and then around to +2.5% per annum to 2031 and +2.6% up to 2040.

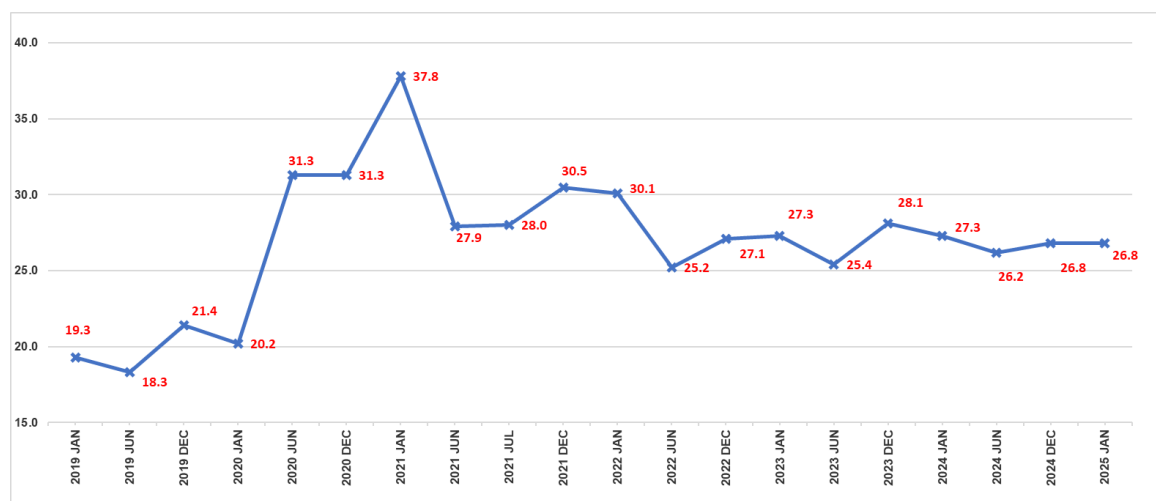
Non-store Retail Sales (Special Forms of Trading)

19. In addition to spending in shops, an increasing proportion of retail spend is made in other ways that do not require a visit to a physical shop. Historically this predominantly related to sales in street and temporary markets and mail order but now relates primarily to online spending. Collectively these are referred to as 'Special Forms of Trading' (SFT).

Online Spending

20. The growth in non-store retail sales through online purchases has had the most significant impact on consumer spend and behaviour over the last decade, and on our High Streets and traditional shops, although it should be recognised that the proportion of sales varies between different types of goods.
21. As the figure below shows, SFT which in 2006 had a market share of just 5.4% (as a proportion of total UK retail sales) increased to 21.6% at the end of 2019. During the pandemic this rose sharply to a maximum 37.8% in early 2021 but has decreased since then to around 26%. In other words, online spending now accounts for over one in every four pounds spent on retail goods.

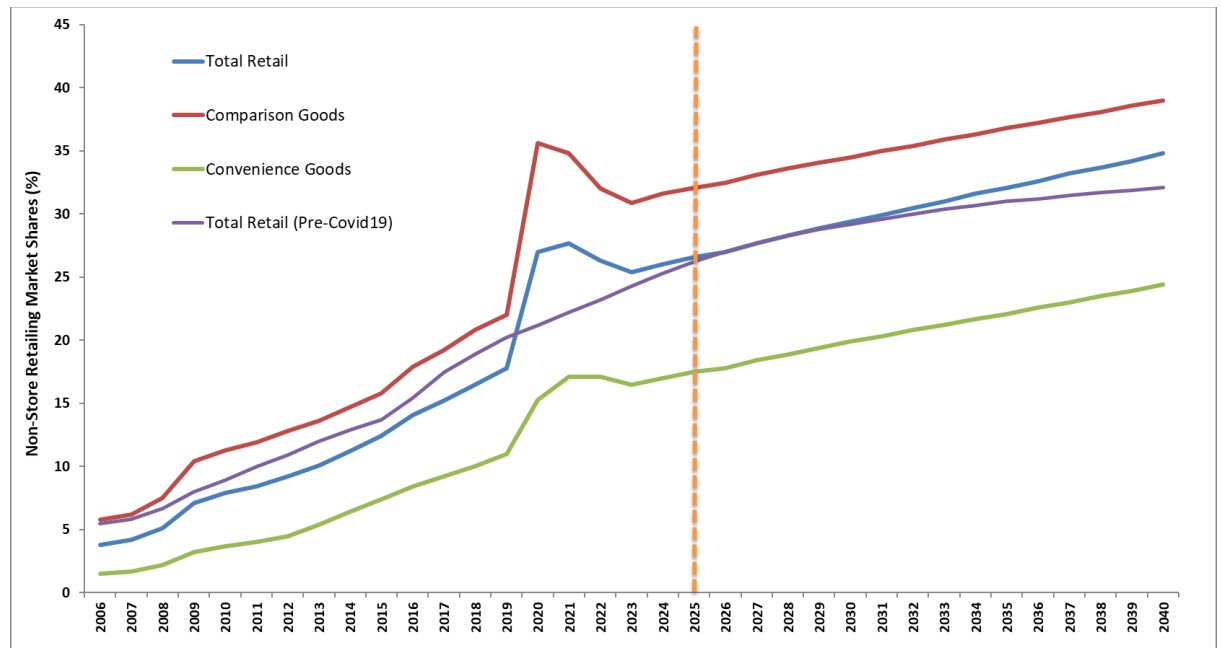
Table 2: Internet Sales as a Percentage of Total Sales (%) (to January 2025)



Source: ONS: Retail sales, Great Britain: March 2025

22. As the figure below from Experian shows, SFT's overall market share (as a proportion of total UK retail sales) increased from 3.8% in 2006 to 27% in 2020. In other words, online (and other forms of SFT) sales accounted for almost one in every three pounds spent on retail goods in 2020. Of this total non-store retail sales, Experian estimate that comparison and convenience goods retailing achieved market shares of 35.6% and 15.3% respectively in 2020. They further estimate that comparison and convenience goods retailing will attain market shares of 32.1% and 17.5% respectively in 2025.

Figure 1: Estimated and Projected Market Shares of Non-Store Retail Sales (SFT), 2006-2040 (Not Adjusted)



Source: Experian Retail Planner Briefing Note 22 (March 2025)

23. Looking forward Experian forecasts indicate that total SFT market shares will increase to 34.8% by 2040. Comparison and convenience goods non-store retail sales are forecast to reach 39% and 24.4% respectively by 2040.
24. According to Experian, the rising share of internet sales in total retail transactions is the key trend. The ease of online purchasing has continued to improve rapidly, with technological advances, particularly around smartphones and connectivity. Faster delivery times, including same day delivery, and easier returns processes have also encouraged the trend. The expansion of 5G and fibre networks should ensure the momentum is maintained over the medium term. The proliferation of the buy now pay later business model and price tracker sites is also supporting growth.
25. With the growth predicted in online sales and market shares, it is clear that high streets, town centres and physical retailers will need to work even harder to retain their existing customer base and attract new customers over the short, medium and long term.
26. In terms of forecasting the potential capacity for new physical retail floorspace, Experian estimate that approximately 25% of all SFT sales for comparison goods and 70% for convenience goods are still sourced through traditional ('bricks-and-mortar') retail space, rather than through 'virtual' stores and/or 'dot com' distribution warehouses. On this basis, Experian adjust their SFT market shares downwards for total retail to 16.9% in 2025, 18.9% by 2030 and 22.9% by 2040.
27. In summary, both retailers and high streets will need to compete for shoppers and expenditure through a variety of means including creating experiences that will attract the interest and attention of potential consumers across all age and socio-economic groupings.

Street Markets

28. Street markets are another form of SFT and, although spend at such locations is small compared with online, the presence of a street market can be an important draw in a centre, adding to the variety and experience of visiting. As such markets can play a significant role in the success of town centres.
29. The National Association of British Market Authorities (NABMA) is the leading markets organisation in the UK and has been promoting the interests of its members for over 100 years. In 2022 it undertook a National Survey of Markets which indicated that:
- Market numbers have not changed significantly since the early 2000s, with 1,150 reported in 2005, 1,124 in 2009 and 1,173 in 2017/18;
 - During the same period the number of traders has fallen from 45,000/46,000 in 2009 to 32,000 in 2018. Furthermore of the traders are only working on a part-time basis and going to market events rather than traditional markets;
 - The number of people working in retail markets has also declined from around 95,000 to 57,000 in the same period;
 - There are no figures for the numbers employed in 2022 but they are believed to have declined further;
 - Traders are generally older, with 88% of survey respondents aged between 41 and 60. Only 8% are under 40;
 - Nearly 85% of markets are operated by local authorities, up from around 60% in 2009. There has been a corresponding decline in those operated by the private sector;
 - Stall occupancy rates have declined from an average 77% in 2018 to 72% in 2022. The highest occupancy rates (78%) are seen in indoor markets, while the greatest decline has been in street and outdoor covered markets;
 - Many markets are operating at a loss and this has increased from 21% in 2018 to 27% in 2022; and
 - Some markets are benefitting from investment including 25 which have received a total of £127m from the Government through various funding initiatives.
30. This suggests markets are becoming smaller and have fewer operating stalls. More of the traders are also only operating on a part-time basis.
31. However, markets remain significant assets to town centre vitality and support local businesses. They can generate footfall increases of around 25% for town centres and increase retail sales, with significant numbers (55% to 71%) of market visitors spending money in other shops according to research in London.
32. Markets also provide affordable and flexible workspaces and provide a unique opportunity to trade, test business ideas, or showcase new products.
33. Markets can also:
- create job opportunities for people to access, or return, to work;
 - help build the distinctive identity of a neighbourhood and community;
 - support social cohesion, helping break down stereotypes and bridge differences; and
 - provide access to fresh and healthy food including for those on low incomes.

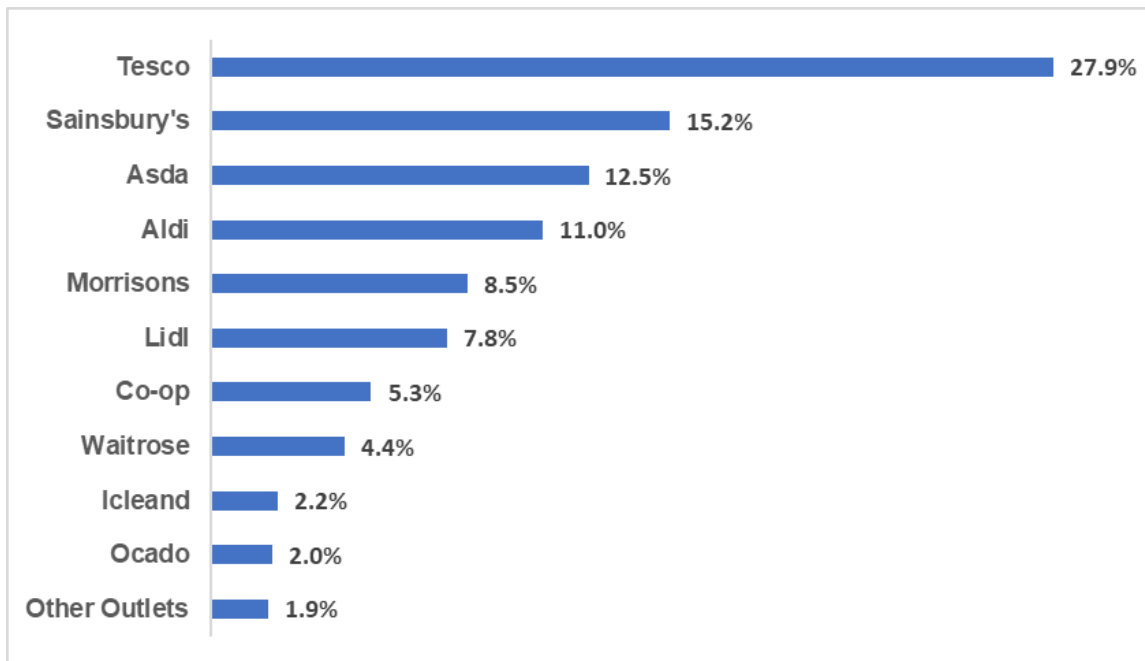
34. Indoor and street markets have also provided the basis for new businesses to become established for a considerable period. The first Marks & Spencer famously opened in Newcastle's Grainger Market in 1895, for example. However, there has recently been a new emphasis on empowering younger people to start out in businesses as market traders.
35. One initiative, Teenage Markets, was created to give young people a free platform to showcase their creative talents. There is now a fast-growing network of traders and performers taking part in Teenage Market events all across the UK². In October 2023, there were 56 UK locations being used for Teenage Markets, with venues including market halls, street markets and events.
36. The Teenage Market website summarises the benefits to young people and the wider community, noting "When combined, the creative fusion of specialist retail and live performance creates a thriving and bustling marketplace which succeeds in attracting a new generation of shoppers and visitors to our nation's local markets."
37. Markets can therefore play an important part in supporting the local economy and community and assist small businesses, including those led by women, young people and minority groups.
38. However, just like other retail businesses, markets need to adapt to meet present day needs. Traditional markets need to be modernised to make them fit-for-purpose, including meeting the hygiene standards now required for food preparation and sale.

² There are no Teenage Markets currently operating in the Dorset, with the closest being in Salisbury

4. RETAILER BUSINESS MODELS AND REQUIREMENTS

39. The recent challenging economic conditions and growth in online sales have had a significant and permanent impact on consumer shopping and spending behaviour. Retailers in the recent past have faced challenges across the supply chain, inflationary pricing, economic uncertainty and geo-political factors.
40. This has created significant challenges for traditional “bricks-and-mortar” retailing and the high street. Consequently, national multiple retailers are having to constantly review and rapidly adapt their business strategies, requirements and store formats to keep pace with the dynamic changes in the sector and consumer demand. As retailers adjust to “new normal”, key trends shaping the future of retail, include:
- **Hybrid ‘phygital’ shopping** through seamless integration across online, in-store, mobile, social and virtual platforms is now essential;
 - **AI driven personalisation** as increasingly retailers are using AI for smarter chat bots, personalised recommendations and data-driven promotions to enhance customer engagement;
 - **Social commerce** where social media is not just for marketing. Brands now sell directly through platforms leveraging influencer partnerships and sentiment analysis to drive sales conversions;
 - **Monetising retail spaces** where physical stores and websites are doubling as advertising channels and with services such as ‘Click-and-collect’ and ‘Buy Online, Pick Up In Store’ (BOPIS) improving consumer convenience; and
 - **Sustainability and the circular economy** as eco-conscious consumers are embracing reuse, repair and recycling prompting retailers to prioritise green packaging, ethical sourcing and transparency.
41. The grocery market illustrates the shift vividly. While traditional giants like Tesco and Sainsbury's focus on online and convenience formats over the last decade, the number of shops operated by the deep discounters ALDI and Lidl have surged. ALDI now ranks among the top four UK grocers overtaking Morrisons. Large store developments have all but halted but the opening of smaller stores has continued.
42. The discount offer has also changed with the average store size gradually increasing from the 1,200 – 1,500 sqm gross previously seen to around 2,000 sqm gross or more (1,500 sqm net). The range and offer within the shops has also increased. This includes the introduction of bakery counters in Lidl and the development of specialist and high quality food ranges, especially during holiday periods.

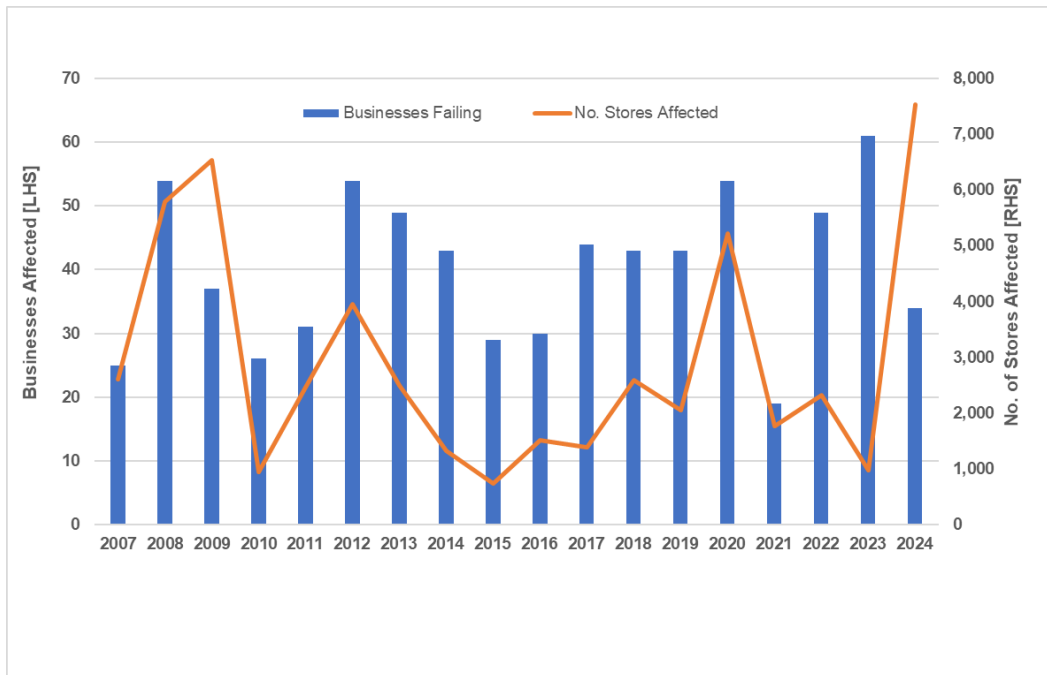
Figure 2: UK Grocery Market Share



Source: Kantar (April 2025)

43. The non-food retail sector is under intense pressure and the pandemic has accelerated the demise of a number of high profile retailers. National retailers/ multiples with extensive high street store portfolios are struggling to maintain market shares and remain profitable in the increasingly competitive environment created by falling sales and increasing costs/debt.
44. Many well-known retailers have either closed or have significantly reduced their store portfolios in recent years, including Debenhams, Oasis, Warehouse, Laura Ashley, the Arcadia Group and Cath Kidston. John Lewis also announced the closure of four department stores and four 'At Home' stores and Marks & Spencer continues to rationalise their store portfolio. The first half of 2025 has also seen the sale of WH Smith's high street store portfolio and announcements from Poundland regarding 25 store closures.
45. The challenges facing consumers, businesses and town centres have continued to intensify since 2020. The latest industry research shows that over 13,479 stores closed in 2024 due to businesses entering administration, with circa 169,400 jobs lost. Data for the first two months of 2025 identified 1,483 store closures and 6,689 job losses. These figures are predicted to jump to 17,349 store closures, with 14,660 expected to be independent retailers, and 201,953 job losses by the end of the year.
46. This continues the trend from 2024 which saw the highest number of store closures due to major retailer failures, at 7,537. This exceeded the losses seen after the 2008 recession and immediately after the pandemic (5,200). The number of business failures however was lower, reflecting the size of the companies affected.

Figure 3: Major Retail Failures (2007 – 2024 (June))



Source: Centre for Retail Research (April 2025)

47. According to Centres for Retail Research, the main drivers for store closures is linked to “changed customer shopping habits, inflation, rising energy costs, rents and business rates” (UK Retailing Outcomes 2024: Lost Stores and Lost Jobs, January 2025). In addition, and more specific to predicted closures in 2025 are the factors such as the cost of crime (from shoplifting), increased labour costs (increase in the national living wage, increase in the minimum wage for 18- to 20-year-olds, and increase in employers NIC).
48. Retailers are also grappling with reduced business rates relief down from 75% to 40% and an uneven playing field, where High Street trading is costlier than online or out of town alternatives.
49. However, while national retailers/ multiples account for the greatest proportion of job redundancies in the retail sector, independents (operators with one to 3 outlets) accounted for 65% of store closures in 2024, and 75% in 2023 according to Centres for Retail Research.
50. In summary, although some retailers are better positioned to cope with the growth in online shopping and the shifts in consumer behaviour and preferences, many are struggling to position themselves quickly enough to absorb rising costs and engineer the vital transition to a more technology-focussed business model.
51. ‘Bricks and mortar’ retailers are having to absorb higher than inflation increases in year-on-year occupancy costs (for example, rents, business rates, service charges, utility bills, staff costs, etc). This outpaces sales growth for many retailers, eroding profitability and resulting in more store closures.
52. While larger retailers face mounting difficulties, technology adoption offers a lifeline especially for agile small and medium enterprises who are leveraging digital tools to expand region track consumer trends. Still, challenges like digital skills

gaps and technology affordability limit this potential, reinforcing the urgent need for transformation across the sector.

5. LEISURE TRENDS AND EXPENDITURE

53. Having considered how retail and shopping in town centres has changed in recent years in the previous section, it is also important to consider how changing trends within the commercial leisure sector may affect the demand for new leisure uses and facilities, as vital and viable town centres can only be achieved by providing a wide mix of uses.
54. The main leisure, entertainment and cultural uses identified as town centre uses in the NPPF are:
- “...leisure, entertainment and more intensive sport and recreation uses (including cinemas, restaurants, drive-through restaurants, bars and pubs, nightclubs, casinos, health and fitness centres, indoor bowling centres and bingo halls); ... and arts, culture and tourism development (including theatres, museums, galleries and concert halls, hotels and conference facilities).” (NPPF, Annex 2).
55. The starting point for this assessment is a consideration of the relative importance of various types of activity in terms of likely spend and expected growth. We then consider the key town centre uses in more depth.

Leisure Expenditure

56. Leisure spending is an important element of household expenditure and Experian Business Strategies (EBS) suggests that the average spend per head in the UK equates to around £3,001 based on their definition of leisure which comprises:
- Recreational and sporting services (COICOP 9.4.1)
 - Cultural services (COICOP 9.4.2)
 - Games of chance (COICOP 9.4.3)
 - Restaurants, cafes etc (COICOP 11.1.1)
 - Accommodation services (COICOP 11.2)
 - Hairdressing salons & personal grooming (COICOP 12.1.1)
57. This compares with the average UK spend per head on convenience and comparison goods of £2,913 and £4,152 respectively (with all figures inclusive of spending online and through other Special Forms of Trading).

Table 3: UK Leisure Spend per Person

UK Spend per Person (per annum)	Spend per Annum (£)	% of Total Leisure Spend
Accommodation services	£258	8.6%
Cultural services	£436	14.5%
Games of chance	£147	4.9%
Hairdressing salons and personal grooming establishments	£119	4.0%
Recreational and sporting services	£240	8.0%
Restaurants, cafés etc	£1,801	60.0%
Total Leisure per person	£3,001	100.0%

Source: Experian Location Analyst UK Leisure Spend

58. A number of these spend categories are particularly relevant to town centres and average UK spend is summarised below:

Table 4: Annual UK Expenditure per Head for Selected Leisure Activities

Expenditure Per Person	Category of Spend	Spend per Annum (£)	% of Total Leisure Spend
Restaurant and café meals	F&B	£859	28.6%
Take away meals eaten at home	F&B	£368	12.3%
Alcoholic drinks (away from home)	F&B	£337	11.2%
Other take-away and snack food	F&B	£219	7.3%
Hairdressing salons and personal grooming establishments	Personal Grooming	£119	4.0%
Lottery	Games of Chance	£110	3.7%
Leisure class fees	Recreational and Sporting Services	£81	2.7%
Participant sports (excluding subscriptions)	Recreational and Sporting Services	£57	1.9%
Live entertainment: theatre, concerts, shows	Cultural Services	£52	1.7%
Museums, zoological gardens, theme parks, houses and gardens	Cultural Services	£28	0.9%
Bookmaker, tote, other betting stakes	Games of Chance	£25	0.8%
Admissions to clubs, dances, discos, bingo	Cultural Services	£23	0.8%
Spectator sports: admission charges	Recreational and Sporting Services	£20	0.7%
Contract catering (food)	F&B	£17	0.6%
Cinemas	Cultural Services	£12	0.4%
Bingo stakes excluding admission	Games of Chance	£12	0.4%
Total Selected Leisure Spend per Person		£2,339	77.9%

Source: Experian Location Analyst UK Leisure Spend

59. This shows the significance of spend on Food & Beverage (F&B) activities, which accounts for around 60% of total leisure spend, albeit this expenditure will be split between a large number of locations and types of establishments.
60. Within this category meals out generates the highest overall spend accounting for 28.6% of all leisure spend. A further 11.2% is accounted for by the purchase of alcoholic drinks, some of which will be spent during restaurant visits. Takeaway meals eaten at home or elsewhere together account for a further 19.6% of spend.
61. The next highest spend is on hairdressers and personal grooming (£119 pa, 4.0% of leisure spend), followed by spending on leisure class fees (£81 pa or 2.7% of total expenditure) and participant sports (£57 or 1.9%) excluding lottery.
62. Spending on cultural activities is high at over £400 per annum, but much of this is spent on TV subscriptions or similar within the home. On average 1.7% of leisure spend is on live events such as the theatre, concerts and shows, whilst the average spend on cinema visits is just £12 pa, or 0.4% of overall spend.
63. Spending on Games of chance other than the lottery is also low.
64. Going forward there is expected to be relatively little growth in spend on leisure activities overall now that the period of significant fluctuation post-pandemic has settled down. This reflects the discretionary nature of much of the spend and the budget restrictions facing many households (outlined above).
65. The most recent leisure spend projections by EBS are set out in Retail Planner Briefing Note 22 (March 2025) (RPBN) and show that following a dramatic -36.3% fall in leisure spend per head in 2020 due to the pandemic, there was an upsurge in 2021 of 29.5% that continued into 2022, when spend increased by 20.9%. In 2023 however there was a reduction of -2.9% due the cost of living crisis and rising inflation. Experian predict a continued reduction in 2024 (-1.6%) followed nil

growth in 2025. From 2026 onwards, annual growth will be minimal at 0.3% in 2026 followed by 0.6% pa to 2031 and then 0.7%pa to 2040.

Table 5: Leisure Spend and Projections (year-on-year growth %)

	2020	2021	2022	2023	2024	2025	2026	2027 -31	2032 -40
Annual Leisure expenditure growth	-36.3%	29.5%	20.9%	-2.9%	-1.6%	0.0%	0.3%	0.6%	0.7%

Source: Retail Planner Briefing Note 22 (March 2025)

66. However, these decreases/increases in available spend are unlikely to be distributed evenly across the leisure sector. When combined with concentrations of spending online and the specific locational requirements of some activities, it is clear that from the perspective of planning for town centres, the focus of commercial leisure activities is likely to be on:
- **Food & Beverage (F&B) Spend** – this is important for many reasons including the scale of expenditure and the importance of this landuse within centres at all levels of the retail hierarchy;
 - **Hairdressing and Personal Grooming** – this sector is dominated by independents and is often strongly represented in lower order centres;
 - **Cultural Services** – most relevant for the higher order centres; and
 - **Leisure Classes.**
67. Spending on **Accommodation Services** is unlikely to be of relevance in terms of resident spend, as this is most likely to be spent outside of the area. However, it will be relevant for locations with a strong tourism offer or visitor attractions.
68. Spending on **Games of Chance** other than the lottery is relatively small and much of the spend is made online. Therefore, whilst the proliferation of betting shops has been a planning concern in some locations in the past, it is unlikely to be a policy concern, given that such uses are now considered to be Sui Generis.

Food & Beverage (F&B)

69. As outlined above, spending on F&B is the highest of all the leisure categories and encompasses a range of different types of spend on food and drink. This spend is usually dispersed across a large range of outlets and locations with a high proportion linked to consumption within the home. A proportion of spend will also be made outside of the resident's home area, being linked to holiday and leisure activities, or at out of centre locations more locally.
70. Notwithstanding this, F&B outlets are an integral part of a town centre's wider offer and economy. Within larger centres a good choice and quality of F&B uses can help to complement other town centre uses, by generating trips, stretching 'dwell times' (i.e. the time people spend in centres), increasing 'linked' expenditure to other shops and businesses as part of the same trip, and strengthening both daytime and evening economies.
71. In lower order centres cafes can support daytime activities and footfall, whilst the evening economy is often linked to hot food takeaways and public houses if present.

72. Going forward the expected growth in leisure spend has the potential to assist the F&B sector, but the degree to which this will benefit town centre businesses and different centres in the retail hierarchy is unclear. The key trends that are driving changes in the sector are identified below.

Restaurants

73. Prior to the pandemic, the increase in popularity in 'eating out' and the growth of many casual dining and family-orientated restaurant chains had led to a confidence that restaurants and the F&B sector generally would be able to take up much of the town centre floorspace being vacated by retail uses. However, over-investment in some casual dining brands and competition in the market meant that stresses were obvious prior to the pandemic.
74. Just as in retail however, the pandemic accelerated these trends as well as presenting new challenges to the sector. The initial closure of businesses and subsequent requirements for social distancing meant business turnovers declined sharply making those with debts particularly vulnerable. The economic challenges since have seen rising business costs including utility costs, wages and NI contributions and difficulties in attracting staff, at the same time as the cost of living crisis has reduced many people's spending.
75. The introduction of home delivery services which assisted many businesses during the pandemic has also accelerated the popularity of 'dining at home' and this continues to present both benefits and challenges for the sector. Restaurants have been able to enter the home delivery market using online third-party delivery companies, such as Just Eat, Deliveroo and Uber Eats, increasing their potential market and appeal. However, balancing the needs of dine-in and delivery customers can be a challenge and 'dining at home' reduces the potential for higher margin sales to customers, but retains many of the fixed business costs.
76. The short-term response for many restaurants, particularly in the independent sector has been to reduce operating hours, with some closing completely on quieter days of the week, allowing them to operate with a smaller number of staff. Others have reduced their menu ranges. However, with inflation increasing the costs of raw ingredients and business costs continuing to rise, challenges remain across the sector.
77. The industry is also seeing increased competition from out of centre locations, with the many chain restaurants seeking representation in out of centre locations including existing retail and leisure parks, where property costs are usually lower and it can be easier to provide delivery or 'click & collect' options. Such locations have also seen an increase in the demand for 'drive thru' restaurants.

Coffee Shops & Cafés

78. Coffee shops have been one of the key success stories on UK high streets over the last two decades and the sector continues to be resilient and innovative.
79. With more than 11,450 branded outlets at the beginning of 2025 and annual sales of more than £6.1bn, the UK branded coffee chain segment has achieved over 20 years of outlet growth – only briefly interrupted by the pandemic.

80. However, competition in the sector is high and many operators are currently focusing on value-for-money to attract price-conscious consumers amid an increasing range of coffee shop choices. This includes the expanding portfolio of the major brands such as Costa, Greggs and Starbucks, increasing boutique branded chains, a strong independent sector and value-driven non-specialist operators.
81. The drive-thru coffee sector is also growing with 51 new sites added in 2024 bringing the total to 855 sites. This includes 373 operated by Costa Coffee.
82. The non-specialist operators include the likes of McDonald's and J D Wetherspoons and major supermarkets which continue to expand their network.
83. The return to the office, after the Working from Home (WfH) boom immediately after the pandemic has increased activity for many operators and the overall picture has been one of growth with 199 UK-based chains increasing their store footprint in 2024.
84. This reflects positive sales growth in 2024, but there are on-going concerns regarding the impact of high operational costs and 40 operators saw a decline in store numbers.
85. The overall market is expected to continue to grow over the next 3-5 years, increasing the number of branded outlets to 11,800 by January 2026 and to over 13,200 by January 2030, with the most growth likely in the boutique operators and drive-thrus³.
86. However, some rationalisation of company portfolios can be expected where demand may have fallen as a result of WfH or other changes in footfall.

Public Houses and Bars

87. Public houses and bars are a traditional part of the UK F&B sector, with representation in many town, district and local centres as well as an extensive network of free-standing units in both urban and rural areas.
88. The number of public houses in the UK has been in decline for decades but recent shocks, such as the pandemic and the energy crisis, have put them under more pressure and closures totalling around 1,350 have been seen in the period since 2020⁴, reducing the total number of outlets to around 45,000. This compares to 50,800 in 2015 and over 60,000 at the beginning of the millennium.
89. Like other operators in the F&B sector, pubs have faced the challenges arising from higher costs (energy, commodity inputs, labour, and interest payments) and weaker consumer demand due to the cost of living crisis. However, the diverse nature of the sector results in particular challenges.
90. Overall half of pubs are independent, with around 30% of the remainder owned by pub companies and the remaining 20% by brewers. In total 80% of pubs are SMEs and are either independent or 'leased and tenanted'. These businesses are less

³ <https://www.teaandcoffee.net/blog/36125/the-uk-branded-coffee-shop-market-continues-to-rebound/>

⁴ <https://beerandpub.com/data-statistics>

likely to have financial reserves to draw on and have been particularly reliant on the support from government. They are also less likely to be able to invest in efficiency saving equipment, making it harder to mitigate the cost increases that have been experienced⁵.

91. As a result, closures in the sector are expected to continue although the potential to increase the food offer and potentially offer additional forms of leisure activities may assist in supporting larger premises in defined centres.

Hot and Cold Food Takeaways

92. As outlined above, the takeaway sector is currently worth over £600 per person per annum and comprises both takeaway meals eaten at home and hot and cold food purchased during the day. Spending is therefore made in the types of outlets outlined above or at specialist sandwich/lunch outlets and hot food takeaways.
93. The importance of these types of outlets varies between centres, with daytime purchases often linked to work locations or transport hubs, whilst hot food outlets tend to be located closer to residential areas or centres with a strong evening/night-time economy.
94. The premises occupied are generally smaller than for other types of F&B offer and will include a high proportion of independent businesses. As such changes within the sector are common, with success likely to be linked to the popularity of offer and business acumen of the owner.

Hairdressing and Personal Grooming

95. With increasing retail sales online, the retail service sector and specifically services linked to hairdressing and personal grooming have the potential to become increasingly important for town centres and high streets, given the physical presence they require.
96. Independent businesses serving local communities have been regular features of smaller centres serving local needs for decades, with specialist/larger chains more likely to be found in larger centres. However, the demand for personal grooming services is growing as evidenced by the increasing numbers of barbers and nail bars trading alongside or within hairdressers and tanning salons.
97. These services will therefore be important draws for our town centres and high streets in the future but, as independent traders, are most likely to be interested in occupying small amounts of floorspace in existing premises. Future requirements are therefore most likely to be met through the reoccupation of existing space with the benefits of high footfall having to be offset against higher business costs. Such uses are therefore likely to be attracted to smaller secondary premises or slightly off-pitch locations rather than prime retail space.

Cultural Services

⁵ Impact of recent economic trends on pubs and breweries A report produced for the BBPA (Frontier Economics, October 2023)

98. Cultural services such as theatres and cinemas are a major contributor to the evening and night time economy, particularly in broadening the appeal to a wider demographic and increasing the draw of a particular centre. In turn this can also support the F&B sector. However spend is rarely restricted to a local area, with higher spend most likely to be associated with visits to regional or sub-regional centres or, in the case of live music, to specific specialist venues.
99. This means that centres providing such higher order facilities are likely to benefit from a more extensive draw and wider catchment than would be expected based on retail provision alone. However, making changes to local provision will rarely be within the remit of planning, instead being linked to maintaining or improving existing facilities through commercial or arts funding sources.

Theatres

100. Although the provision of new theatre space is a relatively rare occurrence, existing theatre provision is generally an important visitor attraction and a key aspect of the evening/night-time economy in a local area.
101. In 2024, members of the Society of London Theatre and UK Theatre welcomed over 37 million audience members, with the West End surpassing 17.1 million attendees, and generating more than £1 billion in revenue for the first time in history.
102. Across the UK, regional theatres reported a 4% increase in occupancy since 2019 - evidence not just of recovery, but of renewed and sustained growth despite a fall in the number of total performances of 8%. This points to a leaner and more efficient operating model⁶.
103. Data also highlights the seasonality of UK theatre, with weekly attendance and performance numbers peaking in December reflecting the importance of festive programming to the annual cycle.
104. There is also evidence of increasing numbers of theatre visitors, including those in younger age groups. According to YouGov surveys, the proportion of respondents visiting the theatre in the preceding three months increased from 22% in July 2019 to 24% in June 2025. However, in the same period the proportion of respondents in the 25-49 age group increased from 20% to 25%. Attendance by 18-24 year olds is also showing positive improvements.
105. Despite this the theatre sector is facing mounting challenges as operating and building maintenance costs increase but the ability of patrons to pay higher ticket prices reduces.

Music Venues

106. Music venues provide a wide range of facilities and experiences for visitors and range considerably in size, from a room within a different form of venue to large purpose-built concert halls or the occasional use of a large sporting or other venue. However, whilst the biggest artists and venues are attracting sellout crowds

⁶ <https://uktheatre.org/wp-content/uploads/sites/2/2025/05/SOLTUKT-State-Of-British-Theatre.pdf>

and profitable events, the grassroots music venue (GMV) circuit is continuing to face many challenges, despite their integral role within the live music sector.

107. GMVs are also important for local communities. In 2022 they hosted approximately 21.9 million audience visits across 176,000 events with over 1.6 million individual performers. They are a key fixture of high streets and town centres and support both the night-time and wider economy. They also provide the starting point for many artists, technicians and other industry professionals⁷.
108. Despite this the sector has been in decline for many years. Since 2005 70% of Britain's late-night venues have closed and in 2023 125 GMVs closed representing a 13% decline⁸. In 2024 a further 25 closures occurred while around 40% of the remaining venues operated at a loss⁹.
109. This is due to some of the same issues facing retail and other small businesses, relating to rising energy, staffing and business rate costs. However, the sector is also facing competition from changing consumer behaviour with money instead being spent on the occasional 'big venue' or festival event, whilst businesses have the added challenge relating to licencing, sometimes due to an increase in the residential population in a centre. Artists costs are also increasing, reducing the numbers able to tour and overseas acts can face visa and work permits problems.
110. As pressure for more housing in town centres also increases, the venues themselves can face closure as a result of redevelopment plans, given many operate in secondary locations or within a multi-use building. The future of live music therefore depends in part on the planning system and an appreciation of the need for suitable and often flexible accommodation,

Cinemas

111. Like the retail sector, the UK cinema sector is also seeing considerable change, both in terms of consumer expectations and the physical offer.
112. In the late twentieth century many of the national multiple cinema operators such as Odeon and Cineworld sought to replace their aging town centre properties with new, multi-screen developments often in out or edge of centre locations. These allowed a greater variety of films to be shown, increasing the potential audience, whilst staffing and operating costs were lower. In many cases such developments also allowed the co-location of a varied F&B offer, adding to the overall attraction of the location from a customer point of view and increasing footfall.
113. However, the increase in streaming services has been an increasing challenge for the sector for a number of years and the Covid-19 pandemic led to significant and rapid changes to customer behaviour. Unable to visit the cinema during lockdown and facing restrictions on the household budget in the period since, subscriptions to streaming services have increased dramatically since 2019.

⁷ House of Commons Grassroots music venues – Report of Session 2023-24

⁸ <https://www.economicsobservatory.com/live-music-in-the-uk-whats-the-state-of-the-industry>

⁹ <https://www.artspromotional.co.uk/news/four-in-10-grassroots-music-venues-operating-at-a-loss>

114. The availability of streaming services has also changed audience expectations. An increasing number of major releases are funded by these services and are now routinely released online first, with just a short cinema release.
115. The result is that many of the major cinema operators are facing financial pressures and are having to work hard to attract customers. However, there continues to be a demand for cinemas and those providing a more personalised or luxurious customer experience, such as Everyman and Curzon and other boutique operators have sought to capitalise on this, being able to operate from smaller properties, often repurposed from a different use. Easier access to films for community groups also means occasional screenings are being carried out in a wide range of venues, often in smaller centres and settlements.

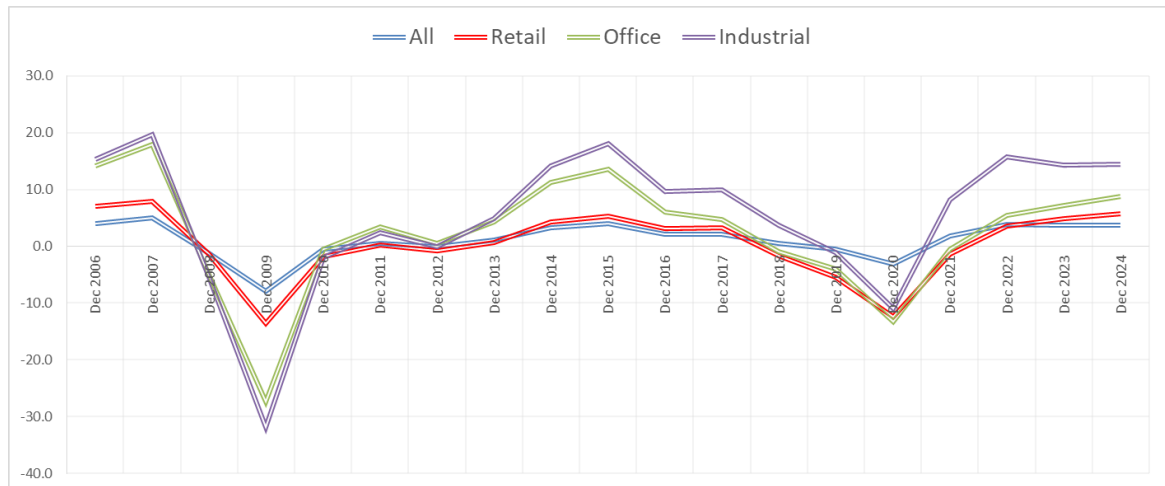
Leisure Classes / Health and Fitness

116. The end of the twentieth century saw increasing leisure time and disposable incomes and with it, with the development of a number of private sector gyms and health club chains. These have developed extensive property portfolios over the last 20+ years and, whilst the State of the UK Fitness Industry Report 2024 indicates that the number of gyms has not recovered to pre-pandemic levels achieved in 2019, numbers have increased since 2023 and member numbers were up by 4.1% in 2024 from 2023. Even more encouraging for the sector is that the number of gym memberships indicate that 15.9% of the UK's population have a gym membership which is higher than for 2019 (15.6%).
117. The increases in member numbers were greater in the private sector than in the public sector, with budget chains, PureGym and The Gym Group, the two leading operators in terms of new gym openings. There is also increasing demand for niche fitness and well-being related facilities, which are particularly popular with younger generations (Gen Z and Millennials). This includes themed fitness venues such as F45, Crossfit, and yoga studio chains such as HotPod. The increasing emphasis on wellbeing, good health and preventative healthcare remain a positive sign of the sector's longer term resilience.

6. THE PROPERTY MARKET

118. The changes in the retail and leisure sectors has had a knock-on effect on the property market, both within town centres and in out of centre locations.
119. Retail demand across UK centres has plummeted to historic lows dragging down rents, property values and investor confidence. Since the 2007/8 financial crisis further exacerbated more recently by the pandemic and cost of living crisis, the retail sector has consistently underperformed compared to other property sectors as shown below.

Figure 4: Property: Average Rental Growth (2006-2024) (%)



Source: MSCI UK Quarterly Property Index (April 2025)

120. Retailers are leveraging this downturn to secure more favourable lease terms, including turnover based rents, capped service charges, shorter leases, pandemic clauses and generous incentives. Many UK retail centres suffer from an oversupply of outdated or the 'wrong type' of spaces unable to meet modern retailer demands for larger flexible units.
121. LSH's research together with REVO titled '**Shaping Tomorrow's Places**' (June 2025) provides a barometer of the main issues and challenges facing our centres, and the opportunities and potential interventions available (&/or needed) to support their future recovery, reinvention and renaissance
122. This research indicated that business rates have consistently been identified as one of the main challenges impacting on the viability of our centres alongside an oversupply of retail space and the growth of online retail spend.
123. This over-supply of retail floorspace and limited market demand is placing further pressures on the viability of existing stores and shopping centres. In turn, this makes it difficult for landlords, investors and retailers to justify additional capital expenditure.

Vacancy Rates

124. At the end of 2024, the GB national average 'All Vacancy Rate' (retail and leisure combined) stood at 13.8% (a decrease from 14% in 2023). The current rate is still

higher than the pre-pandemic (Q4 2019) level of 12.1%, so the sector has yet to fully recover.

125. Over the past five years, retail parks and shopping centres have shown an overall decline in vacancy rates, while high streets have experienced an increase. From a vacancy high of 19.4% in the second quarter of 2021, shopping centres dropped to 17.2% by the final quarter of 2024.
126. The LSH/Revo survey has consistently identified there is too much retail floorspace in the UK. As a result, centres and locations are competing to attract limited occupier interest.
127. This over-supply of retail floorspace and limited market demand is also placing pressures on the viability of existing stores and shopping centres. In turn, this makes it difficult for landlords, investors and retailers to justify additional capital expenditure. There is also competition to secure public and private sector investment to help deliver critical redevelopment and regeneration projects

Out-Of-Centre Retailing

128. The development and take-up of retail and leisure out-of-centre space has also slowed over recent years, in line with the trends impacting on high streets and town centres. The main grocery retailers have pulled back from new larger format superstore openings in edge and out of centre locations to focus on maintaining and increasing market shares through online sales and opening smaller convenience outlets, often in smaller centres. The exception to this is the discounters, Aldi and Lidl, who continue to seek new sites in mainly edge and out-of-centre locations.
129. Vacancy levels in out-of-centre retail warehouses and parks have also increased over the last decade following the closure of major operators. such as Carpetright, Toys R Us, and a reduction in the store portfolios of other major out-of-centre retailers, including B&Q and Homebase. There are likely to be further increases in closures, particularly in the poorly performing “first generation” and secondary shopping locations, as leases come up for renewal and more retailers go into administration. As a result, a number of out-of-centre foodstore and retail warehouse sites are being repurposed and/or redeveloped for alternative uses, including leisure, logistics and residential uses.
130. Notwithstanding this, most out-of-centre shopping locations retain their significant competitive advantages over town centres and high streets in terms of their supply of larger format modern outlets, ease of access, their lower occupancy costs and extensive free parking as well as their ability to serve as last-mile delivery hubs. This remains an attractive proposition for those retailers that are still seeking space in the current market. For example, as part of its revised business model Marks & Spencer has closed a number of its traditional high street stores and “replaced” these with ‘Simply Food/Food Hall’ branded stores in out-of-centre locations.
131. According to the investment property forum (May 2025), modest rental growth is expected in 2025; 1.5% for shopping centres, 2.3% for retail warehouses and 2.5% for standard retail indicating cautious optimism in a still-rebalancing market.

Retail Productivity

132. For those ‘Bricks and mortar’ retailers that continue to trade, occupancy costs such as rents, rates, utilities and wages are rising faster than inflation and outpace sales growth. This squeezes margins and accelerates store closures. The competitive imbalance between bricks and mortar stores and online or out of centre retailers makes survival even tougher. To stay viable, retailers must therefore maximise efficiency and productivity from existing space.
133. It is standard practice to make allowance for such changes in retail planning assessments and the latest Retail Planner Briefing Note (RPBN 22) (March 2025) provides forecasts of annual floorspace productivity growth rates based on two different scenarios: (i) the ‘constant floorspace scenario’, based on limited potential for new retail development, resulting in greater efficiency of existing floorspace; and (ii) the ‘changing floorspace scenario’, which takes account of the impact of new retail development on average retailer sales performance. The table below sets out the differences between the two scenarios.

Table 6: Floorspace Productivity Growth Rates (year-on-year growth %)

	2023	2024	2025	2026	2027-2031	2032-2040
CONSTANT FLOORSPACE						
Convenience Goods	-2.4%	-2.3%	0.0%	0.1%	0.1%	0.1%
Comparison Goods	-0.5%	-0.1%	0.5%	1.7%	2.5%	2.5%
CHANGING FLOORSPACE						
Convenience Goods	-2.4%	-2.3%	-0.1%	0.0%	0.0%	-0.1%
Comparison Goods	-0.5%	-0.2%	0.4%	1.6%	2.3%	2.3%

Source: Experian Retail Planner Briefing Note 22 (March 2025); Figures 3a/3b and 4a/4b

134. As Experian explains, sales density growth rates have been volatile in recent years given sharp swings in retail spending due to temporary closures in businesses during the pandemic, and subsequently the impact of high inflation. There is anticipated growth in sales density in 2025 as retail sales volumes rebound, driven by the comparison component, aided by mildly improving consumer affordability. However over the medium and longer term, budgetary challenges from rising costs and tight margins will be a key factor underpinning floor space efficiencies over the coming years. These results reflect national trends and there will be marked differences between local areas.
135. On this basis, budgetary pressures mean that retailers will have to increase efficiencies from current floorspace including through redevelopment/repurposing of existing floorspace; adoption of modern technology and innovations; more effective marketing strategies; and adopting an ‘omni-channel’ strategy (refers to the integration of different methods of shopping available to consumers e.g. via the internet, in a physical shop, or by phone) that uses internet sales to increase the sales performance of physical shops. This is against a backdrop of weak demand for retail property, high vacancy levels and a significant fall in new retail-led development in centres across the UK.
136. For these reasons we prefer to test higher ‘**constant floorspace productivity**’ growth rates for retail planning assessments, as they better reflect national trends

and the need for existing retailers to increase their sales potential and profit margins to remain viable.

7. THE FUTURE FOR OUR TOWN CENTRES AND HIGH STREETS

138. Town centres and our traditional high streets have always been dynamic, adapting and evolving to meet the emerging needs of their customer base but the significant and fast-moving structural changes seen during the last 10-15 years have made it difficult for centres to adapt quickly enough, resulting in increased vacancies and under-utilised retail space.
139. Our towns, traditional high streets and shopping centres have been challenged for more than a decade by falling market demand, rising occupancy costs and increasing competition from online and out-of-centre shopping. These trends have been further accelerated and compounded by the COVID-19 pandemic and are resulting in an increase in vacant shop units, often in primary shopping areas, as retailers and occupiers either choose to downsize and/or close stores in some locations (e.g., Marks & Spencer, John Lewis), or they are forced out of business altogether due to failing business models and unmanageable debts (e.g., the Arcadia Group).
140. The commercial leisure industry is also facing considerable challenges and pressures.
141. Going forward, small increases in expenditure per head for both retail and leisure activities are expected, but much of this will be offset by higher levels of online sales and the improved productivity required by existing businesses if they are to remain profitable and viable. As a result the over-provision of retail floorspace is likely to persist both in town centres and out-of-centre locations, with a corresponding impact on rental levels.
142. The critical challenge over the short, medium and long term will be how to retain existing businesses, fill/replace the voids and attract new investment. The danger is that an increase in long-term vacancies in centres will lead to a 'spiral of decline', which will further engender feelings of neglect and lack of investment confidence in town centres, and "push" more people to shop online.
143. The repurposing of existing retail space and increased diversity of uses will therefore be key to ensuring that town centres at all levels of the retail hierarchy are able to continue to evolve to meet the changing needs of their catchment.
144. As town centres evolve, residential provision in centres is already being encouraged, including by previous national planning changes (such as office to residential conversions through prior approval, and permitted development for two flats above a shop).
145. In those cases where retail vacancies are long-term and more often than not concentrated in secondary shopping streets/pitches, it will be necessary to plan for alternative uses and/or consider options for redevelopment. As a result of the increasing drive towards more flexible planning through changes to the Use Classes Order and Permitted Development Rights, there will inevitably be more mixed-uses within centres.
146. It will also be important to maximise intergenerational residential provision in the most sustainable locations, particularly in centres, as part of a balanced mix of

uses. The LSH / REVO research mentioned previously also indicated that providing mixed tenure homes in and on the edge of centres is recognised as key to delivering more viable and resilient town centres. Consideration also needs to be given to enabling the growth of other uses, such as education, leisure and recreation within centres, which, along with residential, are particularly positive in terms of enhancing the vitality of centres.

147. The extent to which change is needed and the urgency for action will vary depending on the individual location and the role and function of the centre. Some areas are seeing a decline in footfall and retail demand as a result of increasing online sales, more Working from Home (WfH) or the national trends, but others are continuing to maintain their retail draw. This includes locations where the offer is attractive to local residents, as WfH and more online shopping for larger items increases the potential for local purchases of day-to-day items. Centres with a strong tourist draw or providing a unique offer and/or attractive environment are also more likely to perform well.

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