Will Oxford Street be Top of the Shops after lockdwon?

Recognised as one of the world’s busiest shopping destinations, Oxford Street has taken a big hit from the Covid-19 pandemic, thanks to lockdown, stay-at-home orders and few tourists due to travel restrictions. Retail Gazette looks at whether retailers in the area are looking to exit or whether the hustle & bustle will return post-lockdown.

By Suhai Nazir - February 17, 2021

There are several reasons why Oxford Street is the UK’s busiest high street, and certainly one of the world’s most recognised and celebrated retail destinations.

Before Covid, Oxford Street – arguably the most important street in London’s West End district – boasted a bustling atmosphere all-year round. In terms of tourism, it’s one of the most visited locations in the UK, thanks to its significance as a retail hub of global flagships alongside a variety of hospitality and leisure offerings. It also appeals to locals of course, particularly those who work in offices in and around central London.

However, the Covid-19 pandemic, overall footfall across the UK dropped to the lowest level on record last year, according to the latest research by Springboard. Oxford Street was not immune.

UK-wide footfall was 39.1 per cent lower in 2020 than it was the previous year and fell by 75 per cent in the week after the first lockdown in March – a level never previously recorded by Springboard.

With non-essential retailers being forced to close their doors to the public as England remains in a third lockdown, it begs the question: Will retailers have evacuated from Oxford Street by the time the restrictions have been lifted?
Oxford Street first became synonymous with shopping and fashion in the late 19th century. Notable moments included the opening of John Lewis in 1864, followed by House of Fraser opened as Fraser & Sons in 1879. It wasn’t until 1909 that Selfridges, now one of the most popular department stores in the world, first opened its doors on the street.

Fast forward to 2021, and things are looking grim. New West End Company, which represents 600 businesses and retailers in London’s shopping district, recently warned that at least one-fifth of London’s Oxford Street would be “boarded up with no hope of recovery”. The lobby group also warned that more than 50,000 retail and hospitality jobs will be lost when the latest lockdown ends.

Although Oxford Street has served as a popular tourist destination, raking in billions each year, a combination of high business rates and expensive upward-only rents have dented retailers’ profits. Meanwhile, the removal of VAT relief which allowed tax-free shopping for non-EU tourists, may see London lose out to international travellers opting for competing European cities known for their shopping offer, such as Paris or Milan.

With international travel not expected to return to pre-pandemic levels until at least 2023, according to Airbus, a lockdown set to last until at least Easter, and workers being encouraged to stay at home, low footfall is likely to persist for some time.

BRC business and regulation director Tom Ironside said footfall in 2020 was down over 40 per cent compared with the year before, and it was unlikely to return to normal any time soon.

“Retailers face an extended period of challenge, and are accumulating rent debt even when closed,” he told Retail Gazette.

“From April they face a £8 billion tax bill – with much of this burden on high street retailers who have been among the hardest hit in this crisis.

“Government must reduce the damage this pandemic is doing to our local shops and communities by providing continued targeted rates relief.”
Dan Sweeney, partner at UK law firm TLT, warned that the pandemic has hastened retailers’ decisions to exit Oxford Street. He also said the inevitable rise in shop vacancies in major cities will give landlords cause for reflection and produce opportunities for new ventures and alternate uses.

Many retailers have already bore the brunt of Covid-19. Debenhams announced significant job losses and the permanent closure of six stores last month, including its Oxford Street flagship. The department store chain is now expected to close down the rest of its store estate as part of a winding down process following Boohoo’s purchase of its brand and e-commerce operations.

On the other hand, the iconic Topshop flagship on Oxford Circus is also shutting down after Asos acquired the brand out of administration from Sir Philip Green’s collapsed Arcadia Group retail empire. The building in which it is located is also up for sale.

Meanwhile, US fashion retailer Gap is shutting one of its two Oxford Street shops, and HMV had already closed down its heritage flagship site in 2019 after the retailer was acquired by Sunrise Records. Forever 21 also closed down its Oxford Street store in the same year after the retailer’s exit from the UK.

This leaves many premises vacant along Oxford Street. No only are they large vacancies such as the former Debenhams site, but they also place the viabilities of other retailers along the street at threat.

Undoubtedly, it’s not just Oxford Street that is suffering from shop vacancies. In fact, real estate advisory firm Altus Group recently found that **UK landlords may be forced to pay nearly £1 billion in business rates for empty shops this year. It added that the collapse of both Debenhams and Arcadia Group could see 14 million sq ft of retail space become vacant around the country.**

In response to Oxford Street’s decline, New West End Company chief executive Jace Tyrrell urged the government to extend its support when it comes to business rates.

“This is so that viable businesses can recover without the unearthly costs of this antiquated tax system and, in turn, boost the wider economy as they have for years,” he told Retail Gazette.

**Altus Group** said in 2019 that the average business rates bill in England and Wales was based upon an average rateable value of £269 per square metre. On Oxford Street, that cost was 28 times higher. It added that out of the top 20 business rates bills in the UK, 15 are paid by retailers that had an Oxford Street site in its store portfolio.

Although the pandemic has affected every high street, shopping centre and retail parks in the UK, it’s thought that major cities, particularly London as it is home to many regional and international head offices, have suffered more given the absence of office workers as people are told to work from home.
"Central London remained the worst affected area in the UK in terms of footfall." In fact, Springboard found that Central London remained the worst affected area in the UK in terms of footfall. In the week to January 4 alone, footfall figures down by 37.3 per cent year-on-year. At the time, all of Greater London had been in lockdown since the week before Christmas.

A spokesperson from London Councils – the cross-party organisation representing 32 London borough councils and the City of London – said businesses across the UK, especially those in significantly affected sectors such as retail, were desperate for a lifeline.

"London boroughs are pleased that the government has recognised that without a substantial support package, businesses will not survive the latest lockdown restrictions," the spokesperson told Retail Gazette.

"But they also need confirmation that further support will be offered, especially if this lockdown is extended. For the last 10 months, retail businesses have faced and will continue to struggle with very real issues unless more support is offered.

"London has the highest unemployment rates and most people on furlough in the UK."

David Grimes, chief executive at delivery company Sorted, argued that there would undoubtedly be a shift in the types of in-store experiences offered post-Covid for both Oxford Street and nearby Regent Street.

"A rebound won’t be experienced anywhere near immediately as consumers may be anxious to return to stores and they’ve had to become more digitally literate," he said.

"Over the last 12 months, retailers have upped their game when it comes to their online offering and delivery, so these stores will need to provide a unique experience for their customers to offer that same instant gratification.

"This will bring an entirely new generation of in-store innovations being delivered by the retailers situated on both Oxford and Regent street.

"Although luxury retailers might lead the way with personalised experiences, their high street neighbours are gradually coming up to speed with this approach."

But it’s not all doom and gloom for Oxford Street. Westminster City Council has been looking for ways to bring shoppers and visitors alike back to the precinct once the current lockdown ends. Just this week, it unveiled plans for a £25m climbable hill as part of a wider £150 million revamp of the street.

A large mound of soil is to be built up next to Marble Arch, on the western end of Oxford Street, to create an artificial, temporary hill and platform providing views over Hyde Park and the West End. Westminster City Council estimated that the attraction could be enjoyed by up to 200,000 people once it is operational. Work on the Marble Arch hill is slated to begin within weeks, so that it opens in time for summer and will operate for six months.

The council added that the hill forms part of plans to revive Oxford Street and the wider West End district through its Oxford Street District framework, which has been developed with key strategic partners. Westminster City Council committed £150 million to kickstart the revival plans under the framework and attract inward investment.
Victoria Prew, co-founder and chief executive of luxury rental platform Hurr, said Oxford Street would have to evolve in order to survive after lockdown.

"Post-Covid, to return to normalised trading there must be an adequate mix of independent versus global brands and proximity to Crossrail will also be a deciding factor for the businesses betting on a longer term retail recovery," she told Retail Gazette.

However, Tyrrell argued that in this situation, all city centres will adapt and recover at different rates and by different means. He said "to see this as a signal of the end to physical retail altogether is short-sighted".

Meanwhile, Paul Clement, chief executive at Ipswich Central - Business Improvement District for Ipswich, asserted that recent footfall figures do not represent the "death of the West End".

He also argued that once London workers were able to return to offices, their rotas are likely to be two to three days a week instead of the usual five. This means more people are likely to move further out to the outer suburbs of London or into the commuter belt outside the M25 since housing is cheaper – even if the commute is longer.

"Retailers in London are going to need to connect more actively with places like Ipswich which is an hour away," Clement said.

He added that places like Ipswich would reconfigure themselves around people living in their own centres, thereby converting redundant retail to housing.

Meanwhile, some retailers have already signalled plans to downsize their sites on Oxford Street. While Selfridges has invested £300 million in its world-famous flagship, just a few blocks up the road John Lewis hopes to stem losses by renting out up to three floors of its own flagship.

Last October, John Lewis was given the green light by Westminster City Council to convert 45 per cent of its Oxford Street flagship into office space, as it scrambled to return the business to profitability.

Sweeney believes others retailers suffering greater challenges may also seek to downsize store footprints, diversify the use of their existing space or renegotiate terms with their landlords.

"There were movements toward the repurposing of surplus retail space before the pandemic," he told Retail Gazette.

"Retail to residential conversions can help to nurture a thriving retail store environment."

John Lewis is converting 45% of its Oxford Street flagship into office space.

Tyrrell argued that the current situation provided the West End with a "unique opportunity to evolve the area and diversify the businesses on offer".

"Westminster City Council’s and the wider London City Plans will allow for far greater flexibility in planning and for different uses to start appearing on ground floors and in buildings," he said.

"We welcome all types of occupiers – from experiential and offices to cultural and leisure – that
will give new and existing retailers the best possible chance to thrive.”

Tyrrell added that the pandemic, and the acceleration it prompted in consumers shifting to online shopping, “will certainly be a catalyst for change as we look towards a retail recovery”.

“This is no different for the likes of Oxford Street, but now is not the time to abandon a district that has such an influence over the prosperity of our economy and communities across the country,” he added.

Westminster City Council deputy leader Melvyn Caplan said the council was “totally committed to supporting the unique economy of the Oxford Street District and our fresh and ambitious strategy will cement the area’s position as a world leading urban district”.

“The district showcases the very best of London, including the iconic neighbourhoods of Mayfair, Soho, Marylebone and Fitzrovia,” he told Retail Gazette.

“It is a place of many parts, an ecosystem, linking public transport hubs, open spaces and mixed local communities with businesses. Retail will always be part of that ecosystem but as we have said before, ‘business as usual’ and doing nothing is not an option for Oxford Street.

“Our focus is on supporting the district’s adaptation to a post-Covid world, whilst at the same time, paving the way towards a sustainable future.”

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