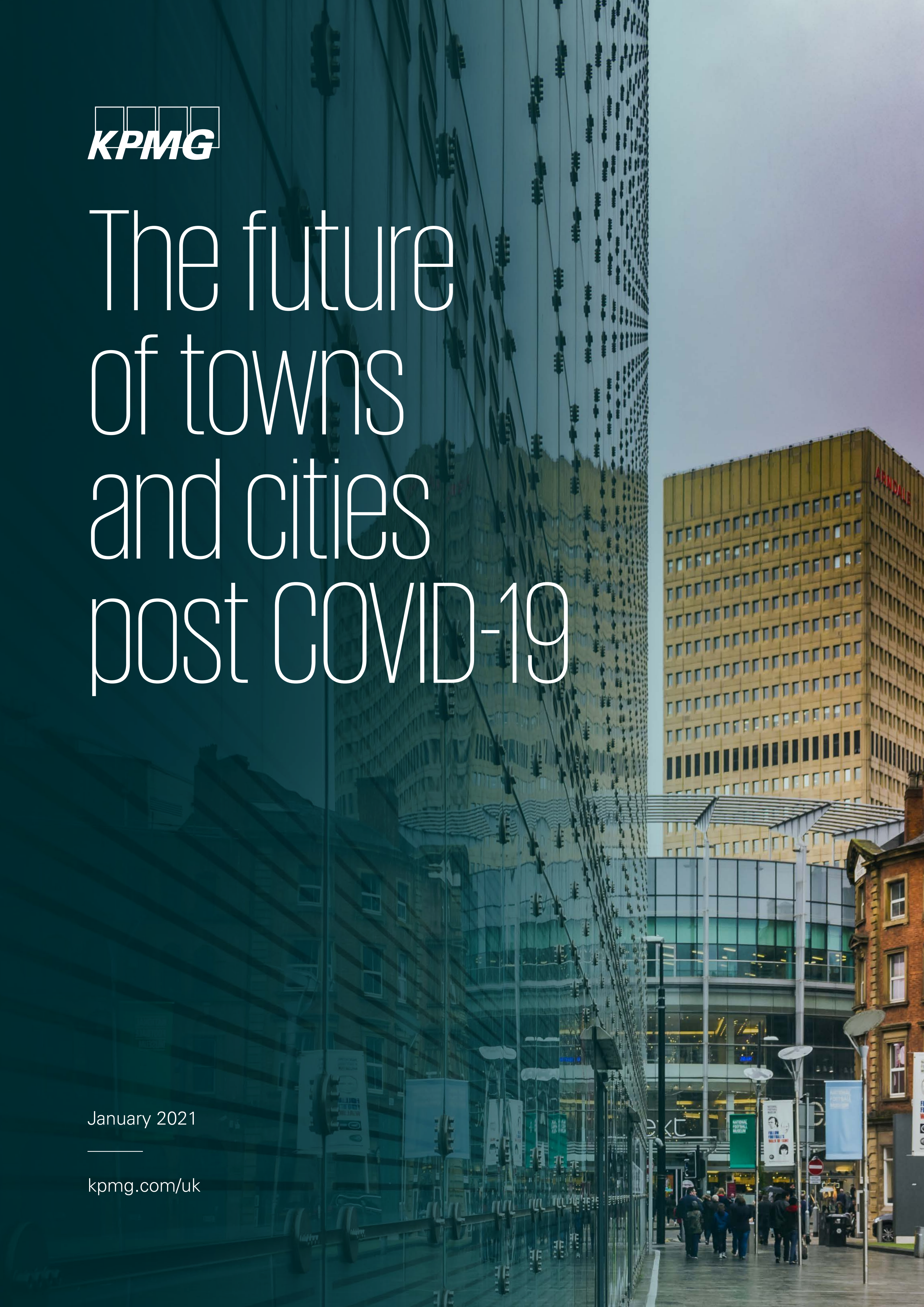

KPMG

The future of towns and cities post COVID-19

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How will COVID-19 transform England's town and city centres?

As new vaccines are gradually deployed across the UK this year, a post-COVID future is in sight, one where people can go back to their normal lives. That 'normal' will be different to what we were used to, however.

The pandemic has accelerated the adoption of online shopping, with consumers more likely to purchase household goods online than in a store. It has also made working from home acceptable and online gatherings rather than meeting in person the new norm, freeing endless hours of business travel and expense for better use. People are unlikely to return to the old ways of doing things.

With fewer people coming in to big cities and towns to work and shop, that leaves a big space in areas that were once characterised by bustling shops and offices. Those places that are most at risk are those that have little else to attract locals and visitors from further afield.

In this report we look at the impact of the pandemic on towns and cities in England. We also consider what needs to change, if they are to continue to be vibrant places to live, work and visit.

The pandemic has added a new dimension to the levelling-up agenda. While some of the more deprived areas may be less impacted by the pandemic directly, as they had a smaller proportion of office workers and retail space to start with in their centres, they will nevertheless need to rethink their path for growth in light of the changes brought about by it.

Towns and cities across the UK will need help and space to rethink the purpose of their centres. The high streets of the future will need to become multi-purpose locations, combining retail and hospitality amenities with residential, education, healthcare, cultural, technology, community and more. Office space will need to be transformed for three main purposes: collaboration, creativity and culture, with less space devoted to tasks that could be done remotely. Transport links will need to be reconsidered, as well as additional infrastructure needs. The pandemic has made it essential for places to galvanise their centres for the new way of living.

Yael Selfin
Chief Economist, KPMG in the UK

The loss of commuter footfall

The big revelation of the pandemic has been how effectively many people can work from home. As the virus struck, businesses proved agile at transferring activity to workers' homes, taking advantage of new telecommunication platforms.

Not all was smooth sailing, but the adoption of a new mode of working resulted in some gains for both companies and workers:

— forfeiting most **business travel** allowed companies to save costs and gave workers more time to focus on their core tasks, potentially making them more productive. Virtual meetings also enabled broader access to top experts; Team A was almost always available anywhere in the world at short notice (and at much less expense when travel costs and time were avoided)

— suspending the **daily commute** enabled workers to save time and money, allowing many to work more flexibly. (One of the downsides of this is a blurring between work and home life.)

There is a debate how permanent these changes will prove once the virus is no longer a threat and people can return to normal socialising.

The deep recession triggered by the pandemic has squeezed profit margins across a swath of businesses; many CFOs are delighted at the opportunity to cut costs by downsizing on expensive property commitments. Some businesses, including our own, have already gone down the route of transforming their offices into collaboration hubs where many workers will come to meet rather than sit at a desk and perform tasks individually. Surveys show that most workers would prefer to return to a hybrid mode of work combining days with clients and colleagues in the office and days at home.

"Almost all companies will maintain physical space, but it will be there for three main purposes: collaboration, creativity and culture, and there will be less space devoted to standard desk space for tasks that could be done remotely."

Andy Pyle, Head of Real Estate, KPMG in the UK

Post-COVID we are unlikely to see a return to old commuting habits, with a significant proportion of those able to work from home doing so for at least part of the week. At the same time, the collapse in high street retail – which we discuss further below – will serve to exacerbate the vacuum in city and town centres, with less people calling in to shop. The implications of these twin blows could be significant.

Businesses support services – from taxis to gardening to security services – will see reduced demand as businesses cut back on office space or exit some cities altogether, with a likely fall in the number of support businesses as a result. At the same time, the fall in commuter footfall will hit personal services such as hairdressers, and other businesses such as those offering food to go for lunchtime office crowds as well as shoppers venturing to the high street.

It's likely we'll see an adjustment in the price of commercial property to reflect this new reality. Ramifications could be far-reaching: from corporate pension funds and insurers' solvency, to SMEs' ability to offer loan collateral. A considerable correction in commercial real estate prices could also prove significant for some banks at a time when bad loans are likely to be on the rise.

The fall in commuter numbers is not expected to be uniform across England, with some towns and cities potentially more exposed than others. According to our analysis, the loss of commuter flow could range from over a tenth to under a third of commuter footfall pre-COVID, with Hemel Hempstead and Bracknell set to see up to 27.4% of office work performed from home.

1 We used 2019 data from the Business Register and Employment Survey (BRES), which breaks down employment into 729 different categories. For each category we assigned the proportion of work that can be done remotely based on analysis in Dingel, Jonathan I., and Brent Neiman 'How many jobs can be done at home?' No. w26948. National Bureau of Economic Research, 2020. In addition, we estimated for those categories that can work from home which would opt for a blended model (working two days at home on average) and which will be home-based only. Using the structure of each city and town's employment level and the assumption of how much each employment category would be done from home, we estimated the total change in commuter flow in each town and city. The boundaries for cities and towns use the ONS 2015 definition of built-up area with a population of over 75,000. This map outlines their geographical boundaries:

https://ons.maps.arcgis.com/apps/MapJournal/index.html?appid=fb85539cdc4d4b7d9d34f9560092bb95

Table 1: Percentage of jobs expected to continue being done from home post-COVID

Town/city (worst affected to least)	% of jobs	Town/city (worst affected to least)	% of jobs	Town/city (worst affected to least)	% of jobs
Hemel Hempstead	27.4	Telford	17.3	Wigan	15.0
Bracknell	27.4	Bolton	17.3	Stockton-on-Tees	15.0
Warrington	21.6	Guildford	17.2	Southampton	14.9
Watford	21.3	Walsall	17.2	Stoke-on-Trent	14.9
Basingstoke	21.1	Mansfield	17.2	Southport	14.9
Milton Keynes	21.1	Darlington	17.1	Lincoln	14.8
Swindon	20.9	Colchester	17.0	Southend-on-Sea	14.8
Reading	20.9	Cheltenham	16.8	Wakefield	14.8
Peterborough	20.8	Bury	16.8	Sunderland	14.8
Slough	20.5	Bedford	16.7	Wolverhampton	14.7
London	20.1	Nuneaton	16.6	Chatham	14.6
Salford	19.9	Harlow	16.5	Huddersfield	14.5
Northampton	19.9	Cambridge	16.4	Solihull	14.5
Stockport	19.7	Harrogate	16.4	Derby	14.5
Manchester	19.6	Poole	16.4	Oldham	14.4
Basildon	19.6	Gloucester	16.3	West Bromwich	14.3
St Albans	19.6	Maidstone	16.3	Eastbourne	14.3
Bristol	18.8	Gateshead	16.3	Blackpool	14.3
Burton upon Trent	18.6	Birmingham	16.0	Kingston upon Hull	14.1
Norwich	18.5	Exeter	16.0	Doncaster	14.0
Newcastle-under-Lyme	18.4	Carlisle	15.9	Sutton Coldfield	14.0
Crawley	18.2	Halifax	15.9	York	13.9
Leeds	18.1	St Helens	15.9	Middlesbrough	13.9
Chester	18.1	Rochdale	15.9	Burnley	13.8
High Wycombe	18.0	Shrewsbury	15.9	Grimsby	13.6
Ipswich	18.0	Bath	15.9	Barnsley	13.5
Preston	17.9	Blackburn	15.8	Rotherham	13.4
Nottingham	17.9	Liverpool	15.6	Worthing	13.2
Chesterfield	17.9	Sheffield	15.5	Dudley	13.1
Woking	17.8	Newcastle upon Tyne	15.5	Gillingham	12.6
Luton	17.8	Bradford	15.3	Weston-Super-Mare	12.6
Birkenhead	17.8	Chelmsford	15.3	Hartlepool	12.5
Brighton and Hove	17.7	Portsmouth	15.2	Hastings	12.5
Redditch	17.5	Worcester	15.2	Plymouth	12.4
Bournemouth	17.4	Stevenage	15.2	Scunthorpe	12.3
Coventry	17.3	Leicester	15.1	South Shields	12.0
				Oxford	11.0

Source: Business Register and Employment Survey via Nomis, KPMG analysis.

A new purpose for local centres

The pandemic is having a mixed impact on property values according to Andy Pyle, Head of Real Estate, KPMG in the UK:

'The initial impact will be on rents, as supply exceeds demand causing rents to fall. That will then lead to falling valuations. But the falls are not going to be even across all property asset classes. Retail & Hospitality property is going to see the biggest fall, although this only applies to non-food retail – the grocers have all paid their rent in full and are trading very well. Supermarket property is a very hot part of the market right now. Warehouses similarly remain very hot, with values rising, so are healthcare assets e.g. GP surgeries. Office valuations and rents have not yet shifted much. This is going to come but hasn't been seen to date.

The fall in value for retail property is already happening. December 2020 retail property valuations could be somewhere around 50% of the previous peak, and in some cases much lower, with 2021 bringing further reductions in non-food retail property valuations, as the CVA/insolvencies and restructuring complete.

In addition, we are going to see a transformation in how occupiers pay for retail/hospitality space, moving away from long-term institutional leases, with upwards only rent reviews, towards turnover-based arrangements that see the operational risk shared between retailer and asset owner. Retailers are pushing for new leases tend to have features such as a percentage of turnover cap on total cost of occupation (including service charge); and a COVID-clause, where rents automatically abate in a lockdown situation. In some cases landlords are agreeing to this. There is also more focus on 'white box' type space, which retailers can trade out of with much lower capex requirements.'[2]

The reduction in commuter footfall and the consequent fall in commercial property values could open up opportunities to reshape town and city centres. By attracting new tenants for prime commercial property that will now find the rent affordable, town and city centres may be able to serve their inhabitants differently.

For example, new tenants could include universities expanding their remit to help support workers who lost their jobs during the crisis. Universities could help these workers acquire new skills and move to sectors with growing demand, such as the green economy, health and technology. They are also well placed to support local businesses, by helping them increase productivity with advice on ways to improve working practices and better integrate new technology. Other new tenants could include incubators sponsored by private business. These spaces for start-ups could be based in surplus office space or in standalone vibrant central locations. Businesses could offer these early-stage companies mentoring and subsidised office space.[3]

The local community could be further served with a variety of new community centres, catering for a full range of ages and interests, from children's recreation to adult art courses. Residential property is also going to be a key part of the mix.

It is particularly important that the new town and city centres have a clear purpose, which needs to include job creation, to try to address the reduction in commuter and shopper footfall.

2 See KPMG's Real Estate in the New Reality for more on our thinking in this area: https://home.kpmg/xx/en/home/insights/2020/08/real-estate-in-the-new-reality.html

3 Cambridge is one of the cities that are already some way down this journey, with for example stjohns.co.uk and cic.vc/about-us/cic .

High streets without retail

Unlike the shift to home working, COVID has accelerated a trend to online retail that was already in train. The pandemic increased businesses' share of online sales by existing customers and expanded its reach among new consumers. These consumers had no choice but to shop online in times of lockdown and tier restrictions. Even when all shops were open, a diminished customer experience due to social distancing, and the fear of being exposed to the virus, deterred many customers from venturing out to the high street.

Paul Martin, Head of Retail, KPMG in the UK outlines the latest trends in more detail:

'Online sales have grown by 50%+ in nine months, accelerating a trend that would have taken five years plus to deliver in normal circumstances. For obvious reasons non-essential retail has seen some of the biggest increases, as this was the only route to market over many weeks. It is important to bear in mind though that this growth will slow once stores are opened again and physical shopping is deemed to be safe.

We expect that 40-50% of all non-essential retailing will be transacted online going forward, up from around 30% pre-COVID. This is just a continuation of a trend we have seen over the last 10 years and many of the ailing players, especially those with underdeveloped online offerings in this space were already in a precarious situation pre-COVID. That means 50-60% of transactions will be conducted in stores, which represents a reduction of the 65% penetration we saw in non-food online during the first lockdown.

Alongside online, convenience stores have been key beneficiaries of the COVID pandemic although standalone 'big box' locations have also benefitted. This has slowed the decline in these formats that we have experienced for the last 10 years, although this is likely to change again once vaccination has been rolled out.

The big structural change in online is within the food channel: pre-COVID penetration was at 6.5%. It now stands at approximately 15%, with further growth to 20-25% possible and these penetration levels are here to stay. As grocery represents 50% of the overall UK retail market and we have we have tens of thousands of grocery stores in the UK grocery stores in the UK this will lead to major implications. Locations will need to be downsized, re-purposed into micro-fulfilment hubs or completely different usages.'

Post-COVID, we expect consumers will continue to embrace their new shopping habits in product categories where they can get better pricing and variety online. These could range from books, toys and games to household electrical appliances. Other categories such mobile phones and furniture may have a hybrid model with outlets serving more as showrooms for customers to try out products and then buy online. Nevertheless, some specialised local stores may retain their trade in store.[4]

The impact of consumers changing habits will differ, depending on the concentration of retail in individual towns and cities and the existing retail offering. According to our analysis[5], high streets could lose between 20-40% of their retail offerings as a result of the accelerated shift to online commerce. The impact on local employment would also vary depending on overall employment opportunities in each area. It could affect between 1-5% of the local labour force.

"The reduction of retail space will not be uniform. Many urban centres will be worse affected as there is a significant trend to suburban and rural locations, covering retail parks as well as high streets."

Paul Martin, Head of Retail, KPMG in the UK

4 We looked at 44 different retail categories and assigned a proportion of their trade that is likely to remain online once all social distancing restrictions are lifted.

5 We used 2019 employment data from ONS for each area and each retail category to arrive at the proportion of jobs that may be lost. We used that proportion to estimate the share of high street jobs in each location that are at risk.

Table 2: The impact of accelerated online adoption on local high streets

Ranking (worst affected to least)	Jobs lost	% of total retail	% of total employment	Ranking (worst affected to least)	Jobs lost	% of total retail	% of total employment
Basingstoke	2,602	39%	3.8%	Chesterfield	1,442	29%	3.2%
Bracknell	1,505	38%	3.3%	Birmingham	11,954	29%	2.2%
Guildford	2,031	37%	3.3%	Newcastle upon Tyne	4,996	29%	2.8%
Exeter	3,410	37%	3.6%	Blackpool	2,511	29%	3.4%
Warrington	3,546	36%	3.0%	Slough	1,914	29%	2.4%
Southampton	4,131	36%	3.4%	York	3,494	29%	3.7%
Cambridge	2,967	34%	2.3%	Gillingham	1,254	29%	3.4%
Ipswich	2,518	34%	3.4%	Woking	1,183	29%	2.8%
Bath	2,565	34%	4.3%	Hartlepool	1,141	29%	3.8%
Shrewsbury	1,696	34%	3.8%	Chatham	869	29%	3.6%
Dudley	1,960	33%	4.4%	Leeds	6,679	29%	1.9%
Swindon	3,811	33%	3.8%	Doncaster	2,447	29%	3.4%
Crawley	2,769	33%	2.9%	St Albans	1,680	28%	4.1%
Chelmsford	2,503	33%	3.6%	Luton	2,160	28%	2.2%
Reading	4,640	33%	3.2%	Wolverhampton	2,341	28%	2.5%
Harlow	1,323	33%	3.2%	Liverpool	8,493	28%	2.8%
Cheltenham	2,500	33%	3.8%	Preston	2,142	28%	2.5%
Colchester	2,473	33%	3.7%	Kingston upon Hull	4,018	28%	3.0%
Gloucester	2,980	33%	3.9%	Burton upon Trent	1,074	28%	2.7%
Solihull	2,203	32%	3.6%	Wigan	1,391	28%	3.4%
Oxford	3,181	32%	2.5%	Harrogate	1,516	28%	3.5%
Watford	2,431	32%	3.1%	Maidstone	1,601	28%	2.8%
Chester	2,222	32%	4.4%	Walsall	1,175	28%	2.8%
Milton Keynes	3,523	32%	2.4%	Stockton-on-Tees	1,153	28%	3.0%
Southend-on-Sea	2,081	32%	3.1%	Newcastle-under-Lyme	860	28%	2.6%
Norwich	4,175	32%	3.6%	Brighton and Hove	4,315	28%	3.4%
Carlisle	1,826	32%	3.8%	Northampton	2,926	28%	2.1%
Bournemouth	3,183	32%	3.7%	Redditch	1,089	28%	3.0%
Plymouth	4,095	32%	3.6%	High Wycombe	1,696	28%	3.1%
Hemel Hempstead	1,401	31%	1.7%	Gateshead	1,035	28%	1.6%
Lincoln	2,179	31%	3.8%	Wakefield	1,507	28%	2.3%
Stevenage	1,393	31%	2.9%	Grimsby	1,291	28%	3.1%
Peterborough	3,746	31%	3.4%	St Helens	1,226	27%	3.4%
Poole	2,588	31%	3.0%	Birkenhead	1,086	27%	3.0%
Basildon	1,886	31%	3.1%	Sutton Coldfield	1,085	27%	3.0%
Bedford	1,321	31%	2.8%	Scunthorpe	1,298	27%	3.0%
Stockport	1,795	31%	2.4%	Stoke-on-Trent	3,279	27%	2.6%
Eastbourne	1,870	31%	4.5%	Leicester	4,335	26%	2.1%
Coventry	3,853	31%	2.2%	Oldham	1,089	26%	2.5%
Sunderland	2,560	30%	3.6%	Halifax	1,199	26%	2.8%
London	12,2146	30%	2.3%	Blackburn	1,477	26%	2.5%
Bury	1,457	30%	3.3%	Manchester	8,881	26%	2.3%
Telford	1,865	30%	2.4%	South Shields	599	25%	3.1%
Middlesbrough	2,329	30%	3.3%	Worthing	1,418	25%	2.7%
Sheffield	8,024	30%	3.1%	Nottingham	5,662	25%	2.8%
Worcester	1,641	30%	3.1%	Bolton	1,973	25%	2.9%
Derby	3,505	30%	2.4%	Barnsley	1,151	25%	2.6%
Bristol	7,670	30%	2.4%	Rochdale	1,164	25%	2.9%
Mansfield	1,319	30%	3.7%	Huddersfield	2,084	24%	2.9%
Hastings	1,212	30%	3.7%	Nuneaton	746	24%	2.3%
Weston-Super-Mare	1,213	30%	3.7%	Bradford	3,353	24%	2.4%
Southport	1,498	30%	4.6%	West Bromwich	907	23%	2.2%
Portsmouth	3,477	29%	3.1%	Rotherham	870	23%	2.0%
Darlington	1,510	29%	3.3%	Salford	1,111	21%	1.3%
				Burnley	1,128	21%	3.1%

Source: Business Register and Employment Survey via Nomis, KPMG analysis.

Basingstoke, Bracknell and Guildford appear to be the worst affected, with up to 39% of retail jobs vulnerable in the shift towards online sales. Across all the towns and cities covered by our analysis, there could be nearly 400,000 job losses on the high street.

The rise in vacant retail space could see a fall in the price of retail premises, with landlords also potentially more amenable to accommodate the needs of new tenants, while planning rules are made more flexible in regard to the type of use. This should encourage new entrants to take up vacant premises on the high street, although there will in many cases still be a need for local government and the local community to get involved in order to preserve the vibrancy of the high street.

Shoppers tend to be attracted to a cluster of shops rather than make a visit to a single, standalone outlet, so as the high street's retail offering thins, remaining shops may need to regroup to attract shoppers' attention.

The remaining space on the high street could be converted to social and recreation use, catering for the needs of the local population. Some towns and cities already have a strong cultural and recreation offering but others could increase the offer to ensure they remain attractive as a location to live and visit.

"Retail will never again represent the same size in terms of space on the high street. Therefore, high streets have to become multi-purpose locations. The answer has to be a variety of use cases, such as residential, education, healthcare, cultural, technology, community and purpose-focussed retail and hospitality to name some."

Paul Martin, Head of Retail, KPMG in the UK

Assets to attract visitors

As people travel less for work or to shop, town and city centres will need alternative offerings to fill vacant space and to attract people to the area.

The new way of working at least partially from home will allow people more flexibility in choosing where they live. At the same time, the reduced requirement for physical office space will make companies more flexible about their base. Locations will need to offer more to attract both companies and people to their area. Those that succeed will be likely to have a range of cultural assets as well as easy access to green space, which will serve to boost the quality of living in the area.

We looked at existing offering across three categories: sports facilities; culture and recreation assets (ranging from amusement parks to museums and performing arts venues); and hospitality venues (including restaurants, cafe, pubs and bars).[6]

Larger cities enjoy a clear advantage in their ability to provide a large and varied cultural offering to visitors, as shown by the high scores across all three categories in London, Birmingham, Liverpool, Manchester and others. In comparison, smaller towns score less strongly and tend to focus on fewer types of attractions. Cambridge is an example of a stronger focus on culture and recreation, and relatively weaker scores elsewhere.

Once social distancing restrictions are lifted, and it becomes clearer how people's behaviour and preferences have been transformed, some of these businesses and assets are likely to adapt as a result while others are likely to open up, taking advantage of new opportunities. For example, a takeaway venue catering for office workers at lunchtime may target locals working from home that now meet neighbours for lunch or a local dinner.

The table offers only a glimpse of locations' starting point. It highlights those that may need to go further in developing new ways to attract people to their centres compared to others where the offering is already relatively rich.

6 We used 2019 employment data from the BRES to estimate the scale of offering in each location. Employment numbers were converted into a score index to capture the strength of each location across the three categories that we examined.

Table 3: Strength of local cultural offering

Town/city (A-Z)	Sports facilities	Culture and recreation	Restaurants, cafes, pubs and bars	Town/city (A-Z)	Sports facilities	Culture and recreation	Restaurants, cafes, pubs and bars
Barnsley	-0.04	-1.68	-0.66	Maidstone	-1.01	-0.12	0.05
Basildon	-0.13	-0.61	-0.50	Manchester	2.35	2.41	2.39
Basingstoke	0.04	-0.16	-0.60	Mansfield	-0.39	-0.68	-0.82
Bath	0.26	0.37	0.56	Middlesbrough	0.50	-1.44	0.07
Bedford	-0.74	-0.61	-0.57	Milton Keynes	-0.04	0.65	0.47
Birkenhead	0.26	-0.75	-1.29	Newcastle upon Tyne	1.54	1.26	1.63
Birmingham	1.68	2.15	2.41	Newcastle-under-Lyme	-0.74	-0.63	-0.84
Blackburn	0.23	-1.49	-1.00	Northampton	1.01	0.61	0.46
Blackpool	0.30	1.54	0.38	Norwich	1.04	1.24	0.89
Bolton	-0.82	0.11	-0.33	Nottingham	1.46	0.89	1.30
Bournemouth	1.17	0.18	0.70	Nuneaton	-0.66	-0.57	-0.68
Bracknell	-1.46	-0.86	-0.84	Oldham	-0.49	-0.41	-1.22
Bradford	0.50	0.11	0.21	Oxford	-0.66	0.30	0.85
Brighton and Hove	0.65	1.15	1.52	Peterborough	0.33	0.50	0.15
Bristol	1.67	1.80	1.99	Plymouth	0.83	0.84	0.86
Burnley	0.33	-0.57	-1.13	Poole	0.65	-0.17	0.21
Burton upon Trent	-0.10	-0.80	-0.66	Portsmouth	0.39	0.81	1.08
Bury	-0.66	-0.80	-0.85	Preston	0.23	0.45	-0.19
Cambridge	-0.04	1.51	0.75	Reading	0.83	-0.13	0.75
Carlisle	-0.66	-0.05	-0.51	Redditch	-1.73	-1.05	-1.16
Chatham	-1.24	-1.12	-1.52	Rochdale	-0.82	-0.89	-1.13
Chelmsford	-0.52	-0.19	-0.06	Rotherham	-0.59	-0.61	-0.57
Cheltenham	0.04	0.57	0.53	Salford	-1.52	0.77	-0.76
Chester	0.55	1.04	0.28	Scunthorpe	-0.63	-0.45	-1.03
Chesterfield	-0.34	-1.29	-0.60	Sheffield	1.78	1.48	1.75
Colchester	0.83	0.79	0.01	Shrewsbury	-0.66	-0.39	-0.14
Coventry	0.39	0.84	0.85	Slough	-2.27	-1.44	-0.68
Crawley	-0.82	-0.07	0.46	Solihull	-0.91	-0.78	0.02
Darlington	-0.39	-0.86	-0.40	South Shields	-1.21	-0.73	-1.08
Derby	0.94	0.61	0.65	Southampton	1.17	0.59	0.93
Doncaster	0.45	-0.68	-0.10	Southend-on-Sea	0.19	0.68	0.49
Dudley	-1.52	0.42	-0.75	Southport	-0.34	-0.43	-0.44
Eastbourne	-0.91	-0.41	-0.29	St Albans	0.08	-0.59	-0.32
Exeter	-0.13	0.25	0.50	St Helens	0.08	-0.13	-0.75
Gateshead	-0.74	-0.61	-0.84	Stevenage	-0.34	-1.20	-0.66
Gillingham	-0.04	-0.29	-0.66	Stockport	-0.80	-0.52	-0.43
Gloucester	-0.51	-0.57	0.13	Stockton-on-Tees	-1.81	-0.68	-1.10
Grimsby	-1.21	-1.25	-1.25	Stoke-on-Trent	0.50	0.62	0.53
Guildford	0.19	-0.36	-0.08	Sunderland	-0.08	-0.48	0.11
Halifax	-0.66	0.51	-0.71	Sutton Coldfield	-0.59	-1.16	-0.26
Harlow	-0.34	-1.16	-0.85	Swindon	0.12	0.07	0.26
Harrogate	-0.66	-0.37	-0.25	Telford	-0.39	0.41	-0.08
Hartlepool	-0.52	-0.86	-0.82	Wakefield	-1.12	-0.28	-0.45
Hastings	-1.52	-0.48	-0.47	Walsall	0.12	-1.68	-0.95
Hemel Hempstead	-0.34	-0.61	-0.86	Warrington	-0.18	0.17	0.02
High Wycombe	0.04	-0.78	-0.88	Watford	0.65	-0.28	-0.06
Huddersfield	0.74	0.03	-0.10	West Bromwich	-1.81	-1.02	-1.34
Ipswich	0.65	0.99	0.09	Weston-Super-Mare	-0.66	-0.17	-0.47
Kingston upon Hull	0.50	0.52	0.62	Wigan	0.67	-1.09	-0.57
Leeds	1.68	1.91	1.83	Woking	0.26	0.41	-0.53
Leicester	1.50	0.96	1.03	Wolverhampton	0.98	-0.17	0.39
Lincoln	0.00	-0.25	0.07	Worcester	0.19	0.10	-0.17
Liverpool	2.47	1.89	2.05	Worthing	-0.45	-0.41	-0.34
London	4.39	4.95	5.44	York	-1.01	1.23	0.98
Luton	0.55	-0.34	-0.07				

Source: Business Register and Employment Survey via Nomis, KPMG analysis.

Bringing it all together

The changes set by COVID will pull town and city centres in different directions. Combining the impact of home working and loss of retail outlets with the strength of current cultural assets, we calculated an index of vulnerability for towns and cities in England.

Table 4: Post-COVID vulnerability of town and city centres in England

Town/city ranking (least affected to worst)							
London	1.32	Doncaster	0.37	Eastbourne	0.01	Burton upon Trent	-0.32
Liverpool	0.97	West Bromwich	0.35	Poole	-0.01	Newcastle-under-Lyme	-0.34
Burnley	0.88	Bristol	0.34	Northampton	-0.02	Bedford	-0.36
Birmingham	0.88	Gillingham	0.33	Luton	-0.04	Chesterfield	-0.36
Leicester	0.87	Nuneaton	0.27	Stockton-on-Tees	-0.05	St Albans	-0.37
Manchester	0.85	Halifax	0.27	Preston	-0.06	Redditch	-0.37
Huddersfield	0.78	Weston-Super-Mare	0.26	Bournemouth	-0.06	Mansfield	-0.37
Rotherham	0.77	Hartlepool	0.26	Gateshead	-0.07	Bury	-0.39
Bradford	0.76	Middlesbrough	0.25	Norwich	-0.11	Shrewsbury	-0.46
Nottingham	0.71	Oldham	0.25	Solihull	-0.12	Crawley	-0.50
Newcastle upon Tyne	0.69	Bolton	0.23	Southampton	-0.16	Ipswich	-0.50
Worthing	0.65	Hastings	0.22	Woking	-0.16	Exeter	-0.55
Stoke-on-Trent	0.65	Blackburn	0.21	Walsall	-0.18	Peterborough	-0.58
Sheffield	0.64	Wigan	0.21	Telford	-0.18	Harlow	-0.62
York	0.64	Wakefield	0.20	Chatham	-0.20	Milton Keynes	-0.64
Kingston upon Hull	0.61	Salford	0.20	Cambridge	-0.20	Reading	-0.64
Barnsley	0.59	Rochdale	0.16	Cheltenham	-0.21	Basildon	-0.65
Oxford	0.57	Southend-on-Sea	0.13	Birkenhead	-0.21	Stockport	-0.67
Plymouth	0.55	Maidstone	0.13	Bath	-0.21	Slough	-0.76
South Shields	0.54	St Helens	0.11	Darlington	-0.22	Watford	-0.81
Leeds	0.54	Sunderland	0.11	Dudley	-0.22	Swindon	-0.86
Blackpool	0.52	Grimsby	0.08	High Wycombe	-0.23	Guildford	-0.88
Brighton and Hove	0.50	Coventry	0.08	Stevenage	-0.23	Warrington	-1.32
Wolverhampton	0.49	Worcester	0.08	Colchester	-0.26	Basingstoke	-1.70
Portsmouth	0.48	Southport	0.04	Chester	-0.28	Hemel Hempstead	-1.80
Scunthorpe	0.46	Harrogate	0.04	Chelmsford	-0.29	Bracknell	-2.55
Derby	0.43	Lincoln	0.03	Gloucester	-0.30		
Sutton Coldfield	0.42	Lincoln	0.03	Carlisle	-0.32		

Source: Business Register and Employment Survey via Nomis, KPMG analysis.

Cities like London, Liverpool, Birmingham and Manchester benefit from a strong cultural offering that partially compensates for the loss in commuter footfall and retail outlets on the high street. On the other end of the scale, places like Warrington, Basingstoke, Hemel Hempstead and Bracknell are hit relatively hard by the loss of commuter footfall and retail offering, while have more limited cultural offering to attract people to their centres.

The size of London makes it a relative outlier in our list of cities as it does not have a single contiguous city centre in a traditional sense. The score for London combines the relatively diverse character of areas such as Canary Wharf focussing on office space and the West End of London with a large endowment of cultural amenities. In this light it is unlikely that the strength of cultural amenities on offer in one part of the city can compensate for the loss of commuter footfall in a different part, which could test the resilience of some parts of London.

Levelling up post-COVID

The COVID pandemic has put in motion transformational changes that are likely to dominate the agenda for years to come. It has also shifted the balance somewhat, with more affluent city and town centres around London in the South East potentially hit harder and requiring more efforts to refocus their local economies than some areas in the north of England.

The challenge for government, as it turns its focus to the levelling-up agenda, is to incorporate the changes brought about by the pandemic into its strategy. The structural challenges to city centres mirror the challenges facing transport networks post-COVID as the drop in footfall is reflected in falling passenger numbers.[7] Fostering collaboration between businesses and local policymakers can help rethink the journey to work with a focus on lower carbon, more customer-orientated and better-connected transport networks. Other important areas include prioritising investment in high-speed broadband and 5G connectivity.

As we leave the pandemic behind, hopefully sometime in 2021, towns and cities across the UK will need help and space to rethink the purpose of their centres. High streets will need to be reimagined as cultural and recreational hubs that will act as magnets for businesses and jobs able to transform less prosperous areas.

7 CBI/KPMG, Commuting beyond the Coronavirus, July 2020.

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