The Role of UK Retailing in Urban Regeneration

Research report
January 2003

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Executive Summary

Overview

This research examines the role of retailing in urban regeneration nationally and locally in the UK. The research uses data at a national level and local shopping centre case studies to examine the employment and property impacts of retailing. Focusing on schemes built during the first part of the 1990s, it shows that retail can bring employment and economic benefits to town centres. However, lessons can be learned from the experience of centres built during this period of recession, and new challenges such as eCommerce now face these centres and others being developed today.

Why does the research matter?

The research shows that ‘in-town’ shopping centre developments have historically played an important role in job creation and general economic growth in local areas. This picture is also supported by data at a national level. However, many of the new retail jobs created during the 1990s and up to the present are female and part-time based. There are also issues as to the extent to which inner city retail has been squeezed by in-town and out-of-town developments. The most successful in-town shopping centre schemes from a regeneration point of view incorporate a strategic approach involving all stakeholders in the local economy. In this way the multiplier effect of retailing can be maximised.

Main points

- Retailing is one of the UK’s top service sectors in terms of gross value output added (over 5% in 2000)
- In 2000 retail employed 2.7 million (in head terms), which represented 10.8% of the British workforce. Strong growth in retail from 1981 to 2000 has been underpinned by rapid female part-time employment growth (up from 34% of retail jobs to 45%).
- For every 100 retail jobs created nationally in the UK, a further 50 direct, indirect and induced jobs will be created in other sectors.
- Norwich stands out amongst our case studies as a model for a successful shopping centre development and as an integrated example of town centre regeneration in the early 1990s.
- Inner city areas may well be squeezed in employment and economic terms by in-town and out-of-town developments. There was evidence of this to some extent in all our case studies. Retail development alone is unlikely to succeed in regeneration terms.
- eCommerce is a powerful addition to retailers’ sales channels and will have important ramifications for future town centre retailing. Towns such as Worcester and Norwich have higher than average proportions of ‘at risk’ floorspace, although the strength of their retail and historic offer should continue to make them successful.
Background and context

Regeneration policies in Britain (and the UK) aim to enhance economic development and social cohesion through effective regional action and integrated local regeneration programmes. Programmes are designed to work through partnership between the public and private sectors and may involve substantial private sector funding. They also support and dovetail with other programmes designed to tackle social and economic decline, such as Sure Start, Health Action Zones, Crime Reduction Programme, and the Cabinet Office Social Exclusion Unit. The European Regional Development Fund also helps a wide variety of projects in both urban and rural areas.

Town centre regeneration is an increasingly important part of regeneration, but concerns have been expressed about the vitality and economic well-being of a number of centres. Retail change in Britain since the mid-1960s reflects a complex interaction between, on the one hand, changes in consumer demand, and, on the other, supply forces, underpinned by the regulatory environment. A car culture, longer opening hours and attractive shopping environments have all played their part in creating a sophisticated shopping culture for sophisticated consumers. However, in older centres suffering congestion, deterioration in shopping environment and fears over crime, a culture of decline and neglect has frequently been engendered. These changes, combined with the growing dominance of multiples and the complex set of retail experience on offer, have created what some have referred to as a retail revolution.

The regulatory system in Britain has been used by successive governments to try to avoid the negative impacts on city centres and other centres of the type of retail decentralisation seen in the USA. Early central and local government presumption against decentralisation was supplemented by the Development Control Policy Notes of the early 1970s and by successive versions of PPG6. This culminated in the sequential test of 1996, which targeted town centre or edge-of-town centre for new retail developments. Only if these were unavailable would out-of-centre sites be considered. Following this, further caution was exercised over the threat posed to small centres and market towns, requiring the need for full impact studies before development took place. In turn this was underpinned by strong town centre management schemes.

Little research has examined the employment and property impacts of retail development. Some limited research has focused on what makes shopping centres successful, but this really only examined the property aspects.

The current research is therefore designed to help increase knowledge of how retail development can impact on employment and business nationally and locally, and how it can impact on local property markets and retail space.

The overall aim of the research is to produce an illustrative yet comprehensive study showing the importance of retail development in town and city centre redevelopment and using a combination of literature review, primary data analysis and case studies.

At a national level we seek to:
- Analyse the forces for change within the retail industry;
- Examine the importance of retailing in GDP, employment and property terms; and
- Produce measures for retail multipliers from existing data.

The study selected six shopping centres constructed during the period 1990–93. Three centres were examined as detailed case studies (Aberdeen, Bristol and Norwich) and three centres as outline case studies (Bromley, Leicester and
Worcester). All were built at a time when the economic downturn was starting in the UK, and so they offer an interesting study of whether retail development can 'buck the trend' of economic downturn in local economies.

Key findings

Retail Multipliers

Our analysis of multipliers for UK retail in 1995, the latest data available in basic price format, reveals the following:
- Type I Employment multiplier: 1.2; and
- Type II Employment multiplier: 1.5.

Multipliers can be used to examine the impact of a specific event in the UK economy – for example a shopping centre opening. To illustrate this, consider a hypothetical opening of a shopping centre employing 400 people on a full-time basis in retailing.

In considering the impact on the economy we can use multipliers to estimate:
- Effects on suppliers of the shopping centre; and
- Effects on the economy due to an increase in the spending of the new employees.

Effect on suppliers (Indirect employment effect)

Total full-time equivalent (FTE) jobs 400 x 1.2 = 480 direct and indirect new FTE jobs. This is equivalent to 400 direct FTE retail jobs and 80 new indirect FTE jobs.

Effect of increased household expenditure (Induced employment effect)

We would also expect to see an increase in household expenditure among those who have gained employment through direct and indirect employment effects. This is the induced effect and is estimated using Type II multipliers (i.e. 1.5).

Our example gives us:

Total FTE jobs 400 x 1.5 = 600 direct, indirect and induced jobs. As we have already calculated a direct and indirect increase in employment of 80 (FTE), it is estimated that a further 120 jobs (FTE) are created as a result of induced demand.

We can also calculate other multipliers for retail:
- Output Multiplier: 2.2 (i.e. a secondary effect of £113.4bn in sectors outside retail in 1995); and
- Income Multiplier: 1.9 (i.e. £34.95bn worth of household spending in other sectors in the UK in 1995).

Surprisingly, more up-to-date multipliers are available for Scotland. In the UK, the ONS has not updated its 1995 input–output tables in terms of either basic prices or the derivation of Leontief matrices, making it difficult to calculate the equivalent 1998 multipliers.

Case studies

In general, our case studies reveal two main findings:
- During a period of recession and overall job losses, shopping centre developments in our six centres appeared to create jobs against the trend.
- In some towns rental growth was bolstered as a result of the new development, but in others the size of the development and adverse economic conditions
appeared not to provide the momentum to power sufficient property performance growth.

Although it is difficult to cast forward the multiplier effects at a national level into the local economy, there were certainly signs that, in the postal sectors in question, retail jobs had been created. This was difficult to corroborate because of the lack of employment data from schemes which were built in the 1990s. Only in Norwich could we find sufficient historical evidence to add another layer to our description. It is also likely that construction jobs will be created as a secondary effect in the local economy.

However, two provisos need highlighting:

- Many of the jobs created were part-time jobs and ‘head’ counts can over-inflate the impact of retail developments.
- There is evidence to suggest that retail and non-retail employment in inner city areas may well have been squeezed in the case study centres.

Norwich

Norwich stands out amongst the case studies as a model of best practice from which valuable lessons can be learned.

Background

The retail centre of Norwich is based around the historic medieval street pattern of the city. The only covered shopping centre, Castle Mall, was built in 1993. The Castle Mall centre is an 85-unit centre with a total trading area of 33,445 sq.m. Built on four levels, it has five major retailers together with a multiplex cinema.

Impact

The development of Castle Mall was part of an overall strategy for the centre of Norwich, which the Council had developed since the late 1980s. The strategy was implemented to respond to competition from other centres such as Peterborough; a need to revitalise the centre; and a need to improve the retail offer to compete against out-of-town. The strategy has been to develop a series of major retail developments with in-fill regeneration and renewal.

Evidence suggests that Castle Mall increased confidence within Norwich as a whole. Footfall increase was recorded in adjoining areas which benefited from the scheme. The scheme did not harm the status of traditional retail areas and added much-needed retail space. Because of the recession, however, the scheme did take time to fully let (in 1996 it was 82% let). Rents were boosted in the adjacent areas of Castle Mall, although, further out, rental growth was slacker. During the 1980s and early 1990s Norwich continued to outperform the UK standard shop rental value growth average.

In employment terms the NOMIS data suggests that Castle Mall was a valuable contributor to jobs, although much of the additional employment appears to be part-time. This came at a time when job losses were severe outside retail.

The future

In 2002 Norwich was ranked 9th in the Experian retail rankings. It continues to flourish as an historic centre and retail destination. Nonetheless, the new Chapelfield development is set to change the retail landscape once more. It will also be important to monitor the impact of ecommerce because Norwich has above-average ‘at risk’ categories.
Conclusions

As Whysall (1995) pointed out, Britain’s inner city shopping centre problems are unlikely to be resolved solely by the addition of more modern retail floorspace.

‘The problem is not merely one of the inadequacy of the supply of modern retail space, but also concerns the nature of the historic retail stock, the physical environment of the centre, non-retail facilities, competing centres, demand in the traditional catchment area, and so forth. Often the problem of inner city shopping areas is an excess of supply of retail properties over a declining level of local demand, set in an increasingly competitive context. To respond to this by adding more attractive floorspace is surely a high risk strategy.’

In another context Stathers (2002) has argued for a finer level of detail in retail planning to take account of the very different landscape we find in the 21st century. This is also important to bear in mind for retail regeneration strategies. There will be ‘winners’ and ‘losers’ in the town centre stakes (Figure 1).

Figure 1 Future prospects: criteria for success and failure (after Stathers, 2002)

<table>
<thead>
<tr>
<th>‘winners’</th>
<th>‘losers’</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>‘routine’ purchasing destinations</strong></td>
<td><strong>‘significant’ shopping destinations</strong></td>
</tr>
<tr>
<td>large flexible units</td>
<td>fringe</td>
</tr>
<tr>
<td>no ‘frills’ shopping environment</td>
<td>congested/inaccessible</td>
</tr>
<tr>
<td>limited OoT competition</td>
<td>small/inflexible units</td>
</tr>
<tr>
<td>accommodating opening hours</td>
<td>‘glitzy’ image</td>
</tr>
<tr>
<td>not congested</td>
<td>strong OoT provision</td>
</tr>
<tr>
<td>‘hassle free’</td>
<td>9-5 pm mentality</td>
</tr>
<tr>
<td>accessible by car</td>
<td>inadequate/poor quality parking</td>
</tr>
<tr>
<td>time-rich/money-rich catchment</td>
<td>time-rich/mobile catchment</td>
</tr>
<tr>
<td>pro-active local authority</td>
<td>underfunded local authority</td>
</tr>
<tr>
<td>well-managed</td>
<td></td>
</tr>
<tr>
<td><strong>‘significant’ shopping destinations</strong></td>
<td><strong>‘winners’</strong></td>
</tr>
<tr>
<td>core areas</td>
<td>fringe</td>
</tr>
<tr>
<td>dominant</td>
<td>congested</td>
</tr>
<tr>
<td>attractive/safe/managed centres</td>
<td>fragmented retail offer</td>
</tr>
<tr>
<td>not congested/traffic-free</td>
<td>unpleasant shopping environment</td>
</tr>
<tr>
<td>accessible by car and/or</td>
<td>limited retail offer</td>
</tr>
<tr>
<td>quality public transport</td>
<td>poor quality management</td>
</tr>
<tr>
<td>extensive retail offer</td>
<td>lack of other attractions</td>
</tr>
<tr>
<td>complementary OoT competition</td>
<td>inadequate access by car/public transport</td>
</tr>
<tr>
<td>other attractions</td>
<td>ineffective, poorly funded local authority</td>
</tr>
<tr>
<td>strong catering offer</td>
<td>money-poor catchment</td>
</tr>
<tr>
<td>pro-active, well-funded local authority</td>
<td></td>
</tr>
<tr>
<td>money-rich catchment</td>
<td></td>
</tr>
</tbody>
</table>

It will also be important therefore to incorporate retail within schemes which provide integrated regeneration in overall land use terms, and particularly in relation to existing retail provision. The retail landscape of today is very different from that of the early 1990s. Inevitably Internet shopping will also need to be considered and the linkages between employment and the local economy properly tracked. It is unlikely that retail will succeed on its own as a regeneration tool in today’s complex retail landscape.

References


About the research

The study was commissioned by the Foresight Retail and Built Environment and Transport Panels and funded by the Office of Science & Technology and the Harold Samuel Educational Trust.
Acknowledgements

Our thanks are owed to all interviewees in the case study towns and those who provided us with relevant information.

We are also grateful to PMA (especially Carol Wright) for providing access to PROMIS data.

Our thanks also go to Andrew Mortimer of Scottish Executive (Statistics Office) and Sanjiv Mahajan of National Statistics for their advice on the calculation of retail multipliers in Chapter 5 of the report. All responsibility for the calculations and their results rests with the authors, however.

We are also grateful to the Office of Science & Technology and to the Harold Samuel Educational Trust for funding this research.

The College of Estate Management gratefully acknowledges the financial support of the Harold Samuel Educational Trust. The Trust was established in 1988. Its activities serve to preserve the memory of the late Lord Samuel, Chairman of Land Securities, through supporting the promotion, advancement and dissemination of knowledge at or in association with the College of Estate Management.

The views expressed in this report are entirely the authors’ own.
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1 Introduction

1.1 Background and context

Regeneration policies in the Britain (and the UK) aim to enhance economic development and social cohesion through effective regional action and integrated local regeneration programmes. Programmes are designed to work through partnership between the public and private sectors and may involve substantial private sector funding. They also support and dovetail with other programmes designed to tackle social and economic decline, such as Sure Start, Health Action Zones, Crime Reduction Programme, and the Cabinet Office Social Exclusion Unit. The European Regional Development Fund also assists a wide variety of projects in both urban and rural areas.

Town centre regeneration is an increasingly important part of regeneration, but concerns have been expressed about the vitality and economic well-being of a number of centres (DETR, 2000). Town and city centres form major transport hubs, jobs and employment and much of the UK’s historic and cultural heritage. There are over 900 centres in England alone that support a Boots store, and most councils will have at least 3–5 centres within their district. Smaller towns (with a population of between 2000 and 20000, of which there are over 1000 in England and Wales) also provide a focus for dispersed communities. However, as the manufacturing base has declined in many cities and towns, giving rise to areas ripe for regeneration, services and office uses are no longer necessarily drawn to town and city centre locations.

On the one hand, the sequential planning regime promoted by PPG6 (and related policy guidance such as PPG13 on transport and PPG3 on housing) has encouraged development within walking distance of town centres but discouraged the out-of-town drift to a large degree. Yet consumer-driven trends have also led to many people shopping in superstores rather than the High Street. Moreover, although retail has continued to play an important role in the growth and health of our towns and cities, new competition from ecommerce and mail order also potentially threatens the livelihood of some centres. Currently less than 1% of UK retail sales are online sales, but growth is rapid (some 130% between 1999 and 2000). Carried to its logical conclusion the migration of conventional store-based sales to the Internet has ramifications for retailers, property owners/developers and consumers. Research for BCSC (CEM, 2001) has shown, for example, that banks and travel agents are most under threat, with music, video software and books sectors facing a greater impact than other sectors. Moreover, comparison shopping is most at risk, and large cities will be more immune to ecommerce impacts on trade than smaller rural towns.

An extensive range of new types of shopping experience have been added to the retail environment of Britain since the mid-1960s (Thomas and Bromley, 2002). Superstores now dominate convenience shopping, and retail warehouses and parks have increased no-food sales formerly dominated by middle order and large shopping centres. Moreover, the growth in regional and sub-regional centres have also threatened the livelihoods of larger central shopping areas. In recent times, outlet shopping villages, limited line discounters and Internet shopping have all further broadened the shopping experience. As a result, large city centres, small town centres and district and neighbourhood centres have all come under increasing pressure.

Retail change in Britain since the mid-1960s therefore reflects a complex interaction between, on the one hand, changes in consumer demand, and, on the other, supply forces, underpinned by the regulatory environment. A car culture, longer opening hours and attractive shopping environments have all played their part in creating a
sophisticated shopping culture for sophisticated consumers. However, in older centres suffering congestion, deterioration in shopping environment and fears over crime, a culture of decline and neglect has frequently been engendered. These changes, combined with the growing dominance of multiples and the complex set of retail experience on offer, have created what some have referred to as a retail revolution. The changing face of retail has been neatly summarised by Stathers (2002) in Figure 1.1.

Figure 1.1 Changing face of British retail (after Stathers, 2002)

<table>
<thead>
<tr>
<th>1960’s</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>All retail sales took place in the town centre</td>
<td>42% of retail sales takes place outside of town centres</td>
</tr>
<tr>
<td>Retail hierarchy was defined</td>
<td>More off-centre retail locations than town centres</td>
</tr>
<tr>
<td>Shopping patterns and behaviours predictable</td>
<td>Over supply of retail space</td>
</tr>
<tr>
<td>Retail was profitable</td>
<td>Property under-utilised</td>
</tr>
<tr>
<td>High inflation</td>
<td>Customer is KING</td>
</tr>
<tr>
<td>Predictable growth</td>
<td>Globalisation</td>
</tr>
<tr>
<td>Main retail brands and specialisms</td>
<td>• Consolidation of retail brands</td>
</tr>
<tr>
<td>High level of confidence</td>
<td>• Increasing pressure on price and margin</td>
</tr>
<tr>
<td>Retail led</td>
<td>• Increasing dominance of retail monopolies</td>
</tr>
<tr>
<td>Shortage of retail space</td>
<td>E-tail the threat</td>
</tr>
</tbody>
</table>

The regulatory system in Britain has been used by successive governments to try to avoid the negative impacts on city centres and other centres of the type of retail decentralisation seen in the USA. Early central and local government presumption against decentralisation was supplemented by the Development Control Policy Notes of the early 1970s and by successive versions of PPG6. This culminated in the sequential test of 1996, which targeted town centre or edge of town centre for new retail developments. Only if these were unavailable would out-of-centre sites be considered. Following this, further caution was exercised over the threat posed to small centres and market towns, requiring the need for full impact studies before development took place. In turn this was underpinned by strong town centre management schemes.

Since the Census of Distribution in 1971, research into the impact of retail innovations in Britain has been hampered by a lack of a consistent inventory of shopping facilities in urban areas over time. As a result, research has tended to focus on relatively local impacts of new facilities at one point in time, rather than exploring retail change over larger areas. It has also been difficult to disentangle the effects of retail decentralisation from wider economic and social environmental change. As Thomas and Bromley point out:

‘The vagaries of the national and local economies, consumer behavioural changes associated with changes in personal mobility, work practices and lifestyle and leisure habits, and the speed of retail innovation, all act as intervening variables in the impact equation.’

Previous studies have highlighted the issue of scale (Thomas and Bromley, 1993) and more recent studies have highlighted the impact on inner city district centres (Whysall, 1995). This latter zone has in fact been frequently overlooked in terms of
retail provision. As Whysall argues, in the outer city investment and development has been commonplace, and frequently the centre has also been defended and bolstered in terms of physical development and environmental management. However, in between is an inner city with a retailing system frequently reflecting the economic circumstances of low income and deprivation and with less attraction for private investment.

It is also true that little research has examined the employment and property impacts of retail development. Research by PMA for NPRF (2000) has focused on what makes shopping centres successful, but it really only examined the property aspects.

The current research is designed to help increase knowledge of how retail development can impact on employment and business nationally and locally and how it can impact on local property markets and retail space.

### 1.2 Aims and objectives of the research

The overall aim of the research is to produce an illustrative yet comprehensive study showing the importance of retail development in town and city centre redevelopment, using a combination of literature review, primary data analysis and case studies.

At a national level we seek to:

- Analyse the forces for change within the retail industry;
- Examine the importance of retailing in GDP, employment and property terms; and
- Produce measures for retail multipliers from existing data.

The study selected six shopping centres constructed during the period 1990–93. Three centres were examined as detailed case studies (Aberdeen, Bristol and Norwich) and three centres as outline case studies (Bromley, Leicester and Worcester). All were built at a time when the economic downturn was starting in the UK, and so they offer an interesting study of whether retail development can ‘buck the trend’ of economic downturn in local economies.

The three detailed case studies are presented under the following headings:

- Demographics;
- Retailing background;
- Shopping centre;
- Rents and investment performance;
- Employment; and
- Overall impact.

In addition we provide summaries of both employment/business impact and property impact in the other overview studies. We are therefore interested in answering such questions as:

#### Employment/Trade

- What is the impact on local employment in both large and SME retailers and overall employment in towns?
- To what extent does the multiplier effect operate within the local economy as a result of the new centre?
- What issues/problems are associated with the available data sources?
Property

- How does the new development affect existing shopping patterns within the catchment?
- What are the impacts on rental values, vacancies and property performance?
- How big is the new centre and what role does it play in the town?
- How much floorspace is being added?
- How well is the centre integrated with the rest of the town?
- What are the implications for town centre health and vitality?

Moreover, as to the future of such centres we pose questions such as:

- How is ecommerce likely to impact on the centre?
- Does the new centre integrate new technology?
- What are the floorspace implications?

1.3 Format of the report

The report is arranged as follows:

- **Section 2 – The UK Retail Industry: Importance and Trends.** This section scopes national data sources to examine the importance of retailing to GDP and employment. It also examines the forces for change within UK retailing.

- **Section 3 – The Policy Context to Town Centre Retail Development.** This reviews various policy measures, setting them within the context of related European changes in the planning system.

- **Section 4 – The Property and Employment Dimensions to UK Retailing.** This examines previous research to determine what makes for successful shopping centres, and analyses the key trends in retail property in UK, together with the employment aspects of retail developments.

- **Section 5 – Main Results: Analysis and Case Studies.** Results from the multiplier analysis at a national level are presented, together with a review of the 6 case studies. Data issues/problems are also examined.

- **Section 6 – Conclusions.** Full conclusions and a summary of the main themes emerging from the research are presented.
2 The UK Retail Industry: Importance and Trends

2.1 Introduction
The retail industry is a major employer and makes a substantial contribution to national GDP and employment. This chapter examines that role, using sources of data from National Statistics.

2.2 The UK retail industry
Over recent years there have been major changes in the UK retailing sector, with greater consolidation amongst retailers and a decline in the overall number of retail outlets. More recently still, the impact of ecommerce and online shopping has acted as a ‘disruptive technology’, drawing comparisons with the impact of department stores, mail order, and discount stores in the earlier evolution of retailing.

Retailing remains one of the UK’s top service sectors. On the basis of gross value added (output minus inputs), data from National Statistics shows it is in the top 5 of the UK’s industries (Figure 2.1). Despite economic pressures, turnover in the sector continues to rise (by 4.2% from 1998 to 1999), but the share of turnover accounted for by the top 20 retail companies has risen from 41.5% to 42% over this period.

Figure 2.1 The role of retailing in UK Gross Value Added, 2000 (GVA)

Research for the British Retail Consortium by London Economics (2000) has also shown that between 1980 and 1999 real output of retail services in the UK economy increased at a faster rate than the growth of the whole economy (some 3.4% increase in real output compared with 2.4%). This reflects both greater spending by consumers and a greater level of service by retailers (longer opening hours, greater product range, and improved shopping environment). In short, although consumer demand has grown, the demand for retail services has grown faster.

The same research also shows that the price of retailer services has fallen in real terms and that efficiency gains (totalling some £17.6bn) had been gained through more efficient use of labour, improved use of capital and improved use of intermediate inputs. Equivalent gains for retailers over the same period were some £2.5bn. The growth in gross value added is shown in Figure 2.2.
Despite efficiency gains in employment, however, the sector is also very important in employment terms, placing it second only to manufacturing in terms of percentage of the workforce employed in the UK economy. Research by BCSC has also shown that, within the retail sector, shopping centres continue to play an important role in employment terms (Figure 2.3).

Figure 2.2 Growth in UK retailing GVA

Figure 2.3 The importance of shopping centre employment (source: Raggett, 2001)
In 2000 the British retail industry employed 2.7 million people (10.8% of the British workforce), working full and part-time. This compares with 2 million in 1981 (or 9.6% of the workforce). The share of retail in comparison with other SIC 1992 broad industrial types is shown in Figure 2.4.

Figure 2.4 Retail trade: share of total employment (GB, 2000) (source: NOMIS)

From 1979 to 2000 retail employment in Britain showed strong growth: some 27% overall (Figure 2.5), compared with 4% in wholesale and 4% in the UK for all jobs. Table 2.1 shows the pattern in detail. Within this the biggest change has been the expansion of part-time workers, the majority of whom are women. For example, the proportion of retail employees working part-time increased from 40.4% in 1981 to 46.1% in 1991 and to 58% in 2000. This more than matched national growth in part-time employment (21%, 26% and 30% respectively). Moreover, during the same period full-time employment fell in absolute and percentage terms from 60% in 1981 to 41% in 2000.

Figure 2.5 Trends in employment, 1979–2000

\(^1\) Note that the national employment data we present in this report is for Britain, not the UK, apart from Figure 2.5. GVA measures are for the UK and the text generally refers to ‘UK’.
The growth in retail jobs from 1981 to 2000 has been fuelled by an increase in part-time workers, and an increase in women workers. Taken together, for example, the proportion of part-time female workers as a share of the total retail labour force has increased from 34% to 45% over the period 1981–2000. Part-time male workers have increased from 9% to 13%, starting from a lower base.

Historically this trend towards part-time work and the growth of the female labour force was particularly strong during the 1990s, and coincides with a period of general job substitution and redeployment of the workforce during the recession (Table 2.1).

At a regional level, work by Reynolds (1983) and Townsend et al (1996) showed evidence of a relationship between population growth regionally and the growth in total retail jobs. In other words, regions with strong population growth during 1981–91 (South West, East Anglia, and East Midlands) showed high rates of increase in full-time and part-time retail employment (Townsend et al, op.cit.).

![Table 2.1 Trends in retail employment (GB) (source, NOMIS)](image)

Rerunning part of a similar analysis for the period 1995–2000 again shows some correspondence between population growth and retail employment (Table 2.2). Eastern, South West and South East, which shows relatively large increases in retail employment of between 16% and 24%, also exhibits relatively large population growth of 3–4% over the same period. Scotland, in contrast, shows a low increase in retail employment and a fall in population. However, there is clearly not a direct relationship and it is likely that the seasonality effect of retailing in the South West, for example, through part-time employment provides a stimulus to retail employment in that region.
Table 2.2 Regional changes, 1995–2000 (source, NOMIS)

<table>
<thead>
<tr>
<th>District</th>
<th>Retail 1995</th>
<th>Retail 2000</th>
<th>Change Retail(%)</th>
<th>Change Pop (%)</th>
<th>Change PT %</th>
<th>Change Retail Share (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>343.9</td>
<td>374</td>
<td>8.8</td>
<td>5.25</td>
<td>4.6</td>
<td>-0.8</td>
</tr>
<tr>
<td>South East</td>
<td>330.9</td>
<td>406</td>
<td>22.7</td>
<td>3.41</td>
<td>33.9</td>
<td>0.4</td>
</tr>
<tr>
<td>South West</td>
<td>198.8</td>
<td>246</td>
<td>23.7</td>
<td>3.07</td>
<td>31.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Eastern</td>
<td>224.8</td>
<td>264.7</td>
<td>17.7</td>
<td>3.86</td>
<td>21.1</td>
<td>0.7</td>
</tr>
<tr>
<td>East Midlans</td>
<td>160.3</td>
<td>177.3</td>
<td>10.6</td>
<td>2.03</td>
<td>21.5</td>
<td>0.4</td>
</tr>
<tr>
<td>Yorks and Humber</td>
<td>200.4</td>
<td>230.4</td>
<td>15.0</td>
<td>0.57</td>
<td>27.2</td>
<td>0.8</td>
</tr>
<tr>
<td>North West</td>
<td>279.8</td>
<td>326.7</td>
<td>16.8</td>
<td>-0.086</td>
<td>18.9</td>
<td>0.8</td>
</tr>
<tr>
<td>North East</td>
<td>93.3</td>
<td>105.9</td>
<td>13.5</td>
<td>-1.07</td>
<td>15.7</td>
<td>0.7</td>
</tr>
<tr>
<td>Wales</td>
<td>99.5</td>
<td>116.8</td>
<td>17.4</td>
<td>1</td>
<td>19.5</td>
<td>0.9</td>
</tr>
<tr>
<td>Scotland</td>
<td>217.5</td>
<td>225.5</td>
<td>3.7</td>
<td>-0.43</td>
<td>5.1</td>
<td>-0.2</td>
</tr>
</tbody>
</table>

Location Quotient (LQ) analysis also enables us to provide measures of regional retail employment. The concept of LQs is explained in Appendix A. An LQ examines the proportion of all those employed in an area who are employed in a particular industry and relates this proportion to the national proportion. In short, the measure tells us how concentrated the sector is in a particular area compared with the national picture. For example:

- If LQ > 1, there is a relatively high concentration of retail employment in area $i$ compared with the nation as a whole.
- If LQ = 1, retail employment in the area is in accordance with its share nationally.
- If LQ < 1, there is a lower concentration of the retail employment in the area than nationally. In these circumstances, retailing can be regarded as a ‘non-basic industry’ in employment terms (Hoover, 1975; Virtanen et al, 2001).

Regional location quotients are shown in Table 2.3.

Table 2.3 Regional Location Quotients

<table>
<thead>
<tr>
<th>District</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>South West</td>
<td>1.139</td>
</tr>
<tr>
<td>Eastern</td>
<td>1.104</td>
</tr>
<tr>
<td>North West</td>
<td>1.071</td>
</tr>
<tr>
<td>South East</td>
<td>1.038</td>
</tr>
<tr>
<td>Yorkshire and The Humber</td>
<td>1.031</td>
</tr>
<tr>
<td>North East</td>
<td>1.024</td>
</tr>
<tr>
<td>Wales</td>
<td>1.008</td>
</tr>
<tr>
<td>East Midlands</td>
<td>0.952</td>
</tr>
<tr>
<td>Scotland</td>
<td>0.941</td>
</tr>
<tr>
<td>West Midlands</td>
<td>0.932</td>
</tr>
<tr>
<td>London</td>
<td>0.858</td>
</tr>
</tbody>
</table>

We can also calculate LQs at a district level. Details are given in Appendix A. There are clearly population and employment shifts influencing these patterns of employment regionally over time. We can conclude, however, that on a regional
basis, retail employment is more concentrated in the South West and Eastern regions than elsewhere. Nonetheless, retail is also concentrated in North West, South East, Yorkshire and Humberside, North East and Wales.

Data from National Statistics (Clifton-Fearnside, 2001) shows the pattern of regional GDP in Britain. Regionally, wholesale and retail accounts for about 10.5% in the North East and about 13% in the North West. The regional share of wholesale/retail GDP also mirrors the share of GDP as a whole, with London and the South East dominating (Table 2.4).

Table 2.4 Regional shares of wholesale/retail GDP and GB GDP (1999)

<table>
<thead>
<tr>
<th>Region</th>
<th>Share of wholesale/retail within Region (%)</th>
<th>Share of total GB wholesale/retail (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>London</td>
<td>17.04</td>
<td>16.31</td>
</tr>
<tr>
<td>South East</td>
<td>15.77</td>
<td>15.97</td>
</tr>
<tr>
<td>Eastern</td>
<td>11.34</td>
<td>10.73</td>
</tr>
<tr>
<td>North West</td>
<td>11.13</td>
<td>10.36</td>
</tr>
<tr>
<td>West Midlands</td>
<td>8.11</td>
<td>8.41</td>
</tr>
<tr>
<td>Scotland</td>
<td>7.72</td>
<td>8.55</td>
</tr>
<tr>
<td>Yorks and Humberside</td>
<td>7.65</td>
<td>7.60</td>
</tr>
<tr>
<td>South West</td>
<td>7.53</td>
<td>7.72</td>
</tr>
<tr>
<td>East Midlands</td>
<td>7.17</td>
<td>6.80</td>
</tr>
<tr>
<td>Wales</td>
<td>3.58</td>
<td>4.07</td>
</tr>
<tr>
<td>North East</td>
<td>2.95</td>
<td>3.48</td>
</tr>
</tbody>
</table>

2.3 Forces for change in UK retailing

Despite its success, UK retailing faces threats and pressures on a number of fronts. These pressures may be summarised as:

- Changing work and leisure trends;
- Demographic changes;
- Decreasing number of shop units and increasing concentration of sales;
- Evidence of falling real sales densities in the early 1990s, deflation and lower margins;
- Increasing globalisation;
- Ecommerce.

2.3.1 Changing work and leisure trends

People still shop for a variety of reasons. Research from the USA (Tauber, 1972) suggested that personal motivations for shopping included role playing, recreation/diversion, self-gratification, sensory stimulation and, amongst the social motives, peer group attraction and communication. As Tauber observed:

'As businesses which offer social and recreational appeal, retailers must acknowledge that they are competing directly for the consumer’s time and money with other alternatives that provide similar benefits'.
This is certainly true today as time pressures have increased, particularly during the 1990s. Ironically, research also shows that, although the time spent on paid work has decreased, the time spent on shopping and childcare and some leisure pursuits (eating out, cinema and pubs) has increased. ‘Unpaid work’ (which includes shopping) is therefore taking a larger proportion of people’s time, perhaps driven by shopping self-service and the greater distances travelled (Figure 2.6).

The trend towards increased leisure is reflected in spending patterns. For example, the UK has seen an increase in expenditure on leisure of 2.89% per annum for the period 1971–97 (see Figure 2.6) Allied with this is the fact that the proportion of expenditure on consumer goods is falling. In 1990, for example, some 46% of household final consumption expenditure in the UK was on non-durable goods (e.g. food, clothing and footwear) but by 1998 the figure was 42%. In general, this reflects a long-term shift away from spending on basic necessities such as food and housing towards leisure-related goods. Shoppers’ behaviour is also changing, and shopping no longer has quite the ‘conspicuous consumption’ image it had in the late 1980s. Shoppers are increasingly price-conscious and perhaps even less brand-conscious than they used to be.

2.3.2 Demographic changes

Currently the UK proportion of over 65-year-olds is 17%, but by 2020 could be as high as 25%, with one third of these over 80. This has important repercussions for retailers in the UK:

- The proportion of younger people will diminish, with a resultant impact on sales of toys, games, and same apparel/footwear sectors;
- The middle-aged population will take off dramatically; and
- The number of single-person households will continue to rise substantially because people marry later or not at all.

In addition, couples are deferring parenthood, so that spending patterns differ further. Government estimates forecast the formation of 4.4m new households to 2015, of which 75% will be single person households. Family structures are changing as more women work in the UK, and it can be seen that the attractions of home shopping and convenience shopping are becoming very important.

2.3.3 Decreasing number of shop units and increasing concentration of sales

The number of small, single independent retailers has fallen in the UK, in parallel with their market share. In contrast, multiples have increased in number and have increased their share in turnover. The total number of shop units has also fallen from 332,819 in 1990 to 292,518 in 2000 (Verdict, 2000) (see also section 3 of this report).
Figure 2.6 Changing work and leisure trends in the UK

**Time pressures in the UK are increasing...**

...time spent on unpaid work (e.g. shopping, childcare) has increased, but time spent on paid work has decreased...

...and the proportion of expenditure on consumer goods is falling with more spent on leisure...

Note: Data for figures derived from Henley Centre (2000), Gershuny (2000) and ONS (2000)
In addition, UK superstores and hypermarkets have increased in number from 457 in 1986 to 1,102 in 1997. This has led to an increasing consolidation in retail sales: the top 10 retailers combined to account for over 40% of the total turnover of the top 800 retailers in 1998/99, for example, compared with 32% in 1986. This is also true at a sectoral level, except in clothing, where increased competition has reduced the market share of M & S, for example.

Evidence of further consolidation at store level is provided from research by Healey and Baker (cited in ABN-AMRO, 2000), which showed that, in 1971, for a retail chain to access 50% of UK comparable goods spend, it was required to trade from 250 stores. By 1976 the number was down to 75, and by 2010 it is expected to be 40.

Despite these trends towards greater consolidation in the UK retail sector, extensive chains of small shops have also been developed by large retailers, either as new products (e.g. The Link), or through merger. Arcadia, for example, has more than 2,500 outlets in the UK trading through 16 formats developed as individual brands. These small store formats have a relatively short life cycle of 5–8 years and so require frequent redesign and redevelopment.

2.3.4 Evidence of falling real sales densities in the early 1990s, deflation and lower margins

Verdict (2000) suggest that from 1990 to 2000 average sales densities in the UK rose by 41%. But neighbourhood shops improved by only 16%, with out-of-town up by 54% and in-town up 39%. However, in inflation-adjusted terms, real sales densities declined for all but out-of-town in the early 1990s, before rising again in the period to 2000.

However, the picture is by no means clear-cut. The sectoral view also varies. Groceries and electricals have the highest sales densities and during the 1990s they steadily increased. The surge in sales density within the electrical sector can be attributed to the rapid increase in sales of computers and mobile telephones over the period from relatively small retail units. Clothing and DIY have the lowest sales densities, and for some retailers in these sectors sales densities have remained static or have fallen.

Price deflation comes at a time when UK retailers’ margins are also being squeezed. According to Datastream (quoted in BRC Shopping in Britain), over the last 10 years the average net margin of 8.7% for retailers compares with 9.5% for leisure and hotel operators and 12.5% for brewery, pub and restaurant operators. Food retailers’ margins are even lower and show a decline over the period 1996–2000 (Figure 2.7). These have come in for even greater scrutiny recently with the Competition Commission’s report on supermarkets.
Figure 2.7 Price deflation and falling margins in UK retail

*Price deflation is a feature of UK retailing.....

......and margins are falling....

Note: Data from BRC
Note: Data from Competition Commission (2000)
The fall in sales value has been exacerbated by the fall in the level of retail inflation. In both 1998 and 1999, for example, the increase in volume was greater than the increase in value of clothing and household goods, indicating a general deflation in prices (Figure 2.7). Data from the British Retail Consortium (BRC) suggests that shop price inflation was lower from July 1989 to July 1999 (31%) than overall inflation (43.1%). More recently, the BRC’s Shop Price Index (a specific measure of inflation focusing on 200 commonly bought items) showed a decline in prices of about 2% from November 1997 to August 2000. This downward movement was echoed in the official RPI index (excluding mortgage interest payments) statistics. At the end of 2000 official figures suggested that the British economy was in the most sustained period of low inflation since the Great Depression. In December 2000 the annual inflation rate was 2.1%, the lowest figures since records began. In addition, clothing and footwear prices were falling by an annual average of 3.8%, the biggest fall since 1949; household goods by 0.9%, the biggest fall since 1959; and food prices by 0.3%, the biggest fall since 1960.

Indeed, Bank of England reports have recently suggested that retail goods prices in other sectors may have been reduced by the impact of competition and price transparency on the Internet. Research from the USA (Brynjolfsson and Smith, 1999) appears to confirm this, but the picture is by no means uniform across all product lines.

2.3.5 Increasing globalisation

The saturation of domestic markets and the desire for growth have fuelled increasing globalisation in retailing through self-start, merger and acquisition and franchising. The increasing merger activity in the retail sector has also been partly driven by global shortages of real estate available to retailers to build stores, particularly with strong growth restrictions in Western Europe.

Wal-Mart’s acquisition of Asda in 1999 is seen by many as an indicator of the structural and global shifts that will impact on retailing over the next decade. The company’s operating philosophy of low prices and high stock rates is at the heart of its strategy and its effect is likely to be felt beyond simply grocery sales.

Despite the apparent level of increased competition, other evidence suggests that large retailers are growing at a far faster rate than the market as a whole, at least measured by sales volume. In 1998 there were 12 European companies with sales of over US$25 compared with 8 in 1997. Of those companies with sales of over $20 billion, 17 had increased their sales by more than 100% during the 1990s. Although extensive multinational operation is not necessarily a feature of these companies, low growth companies are characterised by operation in a limited number of countries. In turn, the saturation of domestic markets in the UK and the development of the EU have led UK retailers to develop outlets in other countries. Similarly European retailers have sought to enter the UK market, and prime examples have been Mango and Zara, two Spanish retailers.
2.3.6 Impact of ecommerce

The recent global shake-out of dot.coms has perhaps given the shopping centre industry some cause to relax as far as ecommerce and online shopping are concerned. They can be more secure in the view that shoppers will continue to shop in physical stores and ‘pure play’ etailers will have their work cut out just to stay afloat. But although recent research (CEM, 2001) shows that conventional store-based shopping in the UK is certainly not dead, we cannot afford to be complacent about the effect ecommerce will have on future patterns of retailing and retail property through its impact on shoppers and retailers.

‘Ecommerce’ is commonly viewed as trade that actually takes place on the Internet, usually through a buyer visiting a seller’s website and making a transaction there. However, the term has evolved from this fairly limited notion to mean all aspects of business and market processes enabled by the Internet and World Wide Web technologies. The impact of the web is global, and affects processes within businesses, between businesses and between businesses and consumers. The UK Cabinet Office defines the term more formally as:

‘The exchange of information across electronic networks, at any stage in the supply chain, whether within an organisation, between businesses, between businesses and consumers, or between the public and private sectors.’

Ecommerce can be further subdivided into a matrix (Figure 2.8). For example, the largest amount of trade is in the business-to-business (B2B) sector, typically for suppliers to large companies such as Ford and General Electric. Most commentators believe this will continue to dwarf business-to-consumer for the foreseeable future. The other three sectors (excluding government) are as follows:

- **B2C**, or business to consumer: including retail activities on the web such as Amazon and Gap.com;
- **C2B**, or consumer to business: where consumers bid for goods and services, leaving the company to decide which bid to accept; and
- **C2C**, or consumer to consumer: where consumers get together to participate in auctions of goods.

![Figure 2.8 The ecommerce matrix](adapted from Economist, 2000)

Retailing has always been about attaining the right balance and getting the right product in the right place at the right price at the right time. Fulfilling this requirement has changed throughout the history of retailing as a result of ‘disruptive technologies’
such as department stores, mail order, discount stores and, most recently, Internet retailing. However, the Internet is different because it enables retailers to combine what was previously unattainable by delivering high value (in terms of selection and service) at low cost (and price). In the past, as Figure 2.9 shows, it has been very difficult for retailers to do this: there was a trade-off between price and 'service'. Now, however, the Internet provides retailers with an unsurpassed opportunity to provide customers with a highly targeted service at a low price.

Figure 2.9 Retail formats

![Retail formats diagram](image)

Adapted from Goldman Sachs, 1999

However, this raises issues of access to the Internet for consumers and the public at large. Some 32% of UK households now have online access. But although new digital communication technologies offer opportunities for renewing democracy, fostering innovation, opportunity and economic development, and providing all members of society with resources and opportunities, there is evidence of a 'digital divide'. Official UK statistics show that older people and those on low incomes are much less likely to use the Internet than others. At the extreme there is a greater than 60% difference in the adoption rate between the lowest and highest income deciles, and there is evidence, despite the UK government's universal access policy, that the gap is widening.

Despite this differential impact in society, the Internet has substantial benefits for retailing. The web's global reach, ease of price comparison and greater choice are all key advantages. However, websites are not able to reproduce the social function of shopping or of browsing, or create the impulse purchases that are typical of shopping centres.

Moreover, the Internet also poses considerable threats to retailers. For example, given the economics of store-based retailing, it may only take a reduction in store traffic of 15% (or about £3 billion of UK retail trade) for stores to be plunged into a loss-making position as conventional store-based trade is diverted or cannibalised by the online channel. Against mounting evidence of cheaper retail prices on the Internet and the suggestion that the Internet is in fact driving down high street prices, there is little wonder that those involved in retail property are expressing concerns. This is because the reduced trade could lead to reduced margins and hence reduced ability to pay rents.
Currently about 1.5% of UK retail sales are online sales, but growth is rapid (some 142% between 2000 and 2001). Carried to its logical conclusion, the migration of conventional store-based sales to the Internet has ramifications for retailers, property and real estate owners/developers and consumers. Until recently, the growth of ecommerce in both the UK and US was not measured in detail by official government sources. Now, however, both the US Department of Commerce (www.census.gov/mrts/www/mrts.html) and the UK Office for National Statistics (ONS) (www.statistics.gov.uk) produce estimates of ecommerce sales. Figures for the fourth quarter of 2001 suggest that 1.2% (some $10bn) of all US retail sales were ecommerce sales. The figures exclude online travel and financial brokers and dealers. This represents a 13% increase from the fourth quarter of 2000. Forrester’s US Online Retail Index (http://www.forrester.com/NRF/) suggests higher figures, but is based on different methodology and data collection. For the fourth quarter of 2001 (excluding December), total ecommerce retail sales were $8.5bn (including small and big ticket items but excluding travel) and are likely to exceed $12bn once figures for December are released.

The first release of official statistics from National Statistics (2001) suggests that the percentage of ecommerce sales is lower in the UK. No precise figure on B2C retail sales is yet available. But the share of ecommerce sales in the wholesale, retail and travel sectors was 0.27% of total sales, which represents £29.65bn of sales. Retail B2B and B2C together comprised 1.04% of total sales. These figures are based on a survey of 9,000 businesses, not all of which were retailers.

Using a combination of sales data from unofficial UK and US sources combined with the most recent US official statistics enables us to build up a picture similar to that shown in Figure 2.10 for the period 1998–2001. As can be seen, in both the UK and US online sales are growing but still remain relatively small, at or around 1% to 1.5% of total retail sales.

Figure 2.10 Online Retail Sales in UK and USA

Nonetheless, the impact of ecommerce is likely to have an impact on the future of our towns and cities. For example, recent research (CEM, 2001) has shown (Figure 2.11) that banks and travel agents are perceived by retailers and investors/developers as being most at risk, whereas prime standard shops, large city centre shopping centres and out-of-town regional centres were less at risk. In the same research, comparison shopping is perceived to be especially at risk in secondary locations. Investors and
developers also saw niche retailing as the least risky of all sectors, with convenience retailing being viewed by all respondents as being less at risk than comparison shopping.

Figure 2.11 An ecommerce risk spectrum for UK property (2000–2005) (source: CEM, 2001)

The research went on to suggest that the town centres which would be successful in the future would be the ones that had the following characteristics:

- Active management
- Good links with town centre management
- Excellent layout and tenant mix
- Shoppertainment
- Multichannel with Internet access (shopping centre website with store links)
- Tenant information systems (possible web-enabled B2B supply chains?)
- Excellent delivery/collection systems
- Flexible leasing options for tenants

In a new survey in 2001 (Dixon and Marston, 2002) it was found that overall there has been a relaxation in the perceived impact ecommerce will have on retail. In 2000 38% of respondents believed ecommerce would impact in 2–5 years in the UK. By 2001 this was 14%. In 2001 more respondents thought the impact would come over the period 5–10 years and, although customer and security issues remained a major concern, banks and travel agents were seen as being the most ‘at risk’ property types. There is therefore a continuing issue for retailers in relation to ecommerce.
3 The Policy Context to Town Centre Retail Development

3.1 Introduction

The trends outlined in the previous chapter occurred at a time when governments across Western Europe were wrestling with the problem of decentralisation of commercial land use.

In this country, the June 1996 Planning and Policy Guidance Note (PPG) 6 (Town Centres and Retail Development) has been seen by many as a major turning point in Government planning policy, but the real triggers for change came before then. The late 1980s saw a growing concern with environmental issues and the laissez-faire planning policies associated with out-of-town development. The earlier 1993 revision of PPG6 had sought to redress the balance, placing an emphasis on town centre development and setting some criteria for assessing out-of-town developments, although it still left the burden of proof of harm to local authorities. But the Environment Select Committee suggested that the revisions did not go far enough and the 1996 revision of PPG6 made it clear that out-of-town development was the last resort. The 1996 PPG6 revision put town centres first through the sequential test.

Further inquiry into the operation of PPG6 has not resulted in any revisions to date, although the guidance is currently under review. Nonetheless, over time the existing guidance had to cope with changing circumstances which needed clarification of particular points – for example, in applying the sequential approach to cases in which the development can be divided into separate elements, the test applies to those parts and not the whole; also the fact that the policy applies to all key town centre uses and not just retail and leisure, and needs assessment varies by type of activity.

Many commentators observe that PPG6 has proved successful in focusing new development back into town centres (Bach, 2001). However, a major challenge has been to ensure that new developments are appropriate in scale to the centre and the catchment they serve. For example, it is not appropriate to extend a local centre if the scale of the development is far larger than is appropriate.

Historically, planning has been a top-down exercise, setting out a hierarchy of centres and a set of development control policies to control large-scale additions to the stock. The next step is a focus on the needs of local communities, especially those poorly served by the current network of centres. Neighbourhood Renewal Strategy is intended to halt the spiral of decline that has led to deprived areas with poor local services and lack of shops, banks and post offices. Therefore regenerating such areas is likely to mean improving the mix of uses and not just retail. But ecommerce, as we have seen, is also likely to create both threats and opportunities.

The prospects for our city, town, district and local centres seem to be improving, with investment coming back to centres. The government is seeking to make existing centres the focus for achieving an urban renaissance, for increasing social inclusion and for creating a sustainable pattern of development through a variety of policy measures.

This chapter therefore reviews these policy measures, setting them in the context of allied changes in planning in Western Europe. It therefore covers:

- Impact of retail decentralisation;
- Retail impact assessment;
- Retail rankings and key performance indicators;
- Regeneration policy and quality of life indicators; and
- Other related policy initiatives including Beacons, BIDS, market towns and information technology and regeneration.

### 3.2 Impact of retail decentralisation in Western Europe

The impacts of changing retail formats on urban form and function have been experienced widely across Europe. In the 1990s governments responded by introducing new policies and regulations to protect town centres and restrict out-of-town development. The European Spatial Development Perspective (1999) underpins the EU’s spatial development policy and emphasises the importance of cross-border co-operation in spatial planning. The policy emphasises ‘compact cities’ and integrating land use and transport planning to reduce dependence on the private car. (Box 1.)

In England, Wales and Scotland the government’s policy to restrict out-of-town development, which has been in operation since 1996, comprises:
- PPG6 (Town Centres Retail Development) in England;
- TLN(4) (Retailing and Town Centres) in Wales; and
- NPPG8 (Town Centres and Retailing) in Scotland.

Retail decentralisation in Western Europe has been caused by several factors which operated in the 1960s and continue to be important:
- Rise in car ownership levels; and
- Increase in price competition between retailers (aided in the UK by the abolition of resale price maintenance in most consumer goods by 1964).

These forces sparked a number of innovations in the retail built form (Table 3.1), and two in particular (hypermarkets and the enclosed planned shopping centre) were an early result of the changes. In the 1970s large single-storey buildings selling a wide range of goods at low prices became a dominant feature, and the food superstore and retail warehouse became established in the UK. During the 1980s out-of-town retailing became well-established, and retail parks continued the trend in the 1990s.

Reynolds (1993) classified trends (Table 3.2) in European shopping centres including the UK. Three types (regional centre, intermediate centre and retail park) include the most important off-centre developments since the 1960s (the intermediate centre is usually anchored by a hypermarket).
Box: 1 Regulations on Retail Development in Europe

1. Protecting small shops by regulating the development of superstores. Before a new store can open, it is subject to authorisation by a committee, usually a local one, which compares the sometimes conflicting interests of small traders and municipalities. This type of law exists in France, Italy, Belgium and Spain.

In France, under the Raffarin law (July 1996) authorisation must be obtained for the development of stores over 300 m$^2$ instead of 1,500 and 1,000 m$^2$ as stipulated by the Royer law of 1973. There are also additional administrative procedures. The Italian law (n°426) of 1971 has done much to restrain the development of superstores by giving priority, when granting the right to operate such stores, to co-operatives or amalgamations of existing small units rather than branches of big companies. Italy also holds the European record for the length of time taken to issue licences for opening new stores (up to 5 years). In Belgium the ‘Cadenas’ law of 1976, reinforced in 1994, has greatly restricted the expansion of superstores. The authorisation threshold has been lowered to 1,000 m$^2$ in urban areas and 400 m$^2$ in rural areas, instead of 1,500 m$^2$ and 750 m$^2$ respectively.

The legislative framework in Spain and Portugal, which used to be very liberal, is becoming stricter. In Spain, since 1996 dual authorisation has been required by law for stores over 2,500 m$^2$ and there has been a statutory limit on shop hours. In Portugal, the authorisation threshold was raised from 300 m$^2$ to 2,000 m$^2$ in 1992.

2. Town planning rules and land use schemes are meant to counteract congestion on access roads and damage to the countryside, and [ensure] environmental protection. But sometimes they help push up the price of urban land and add to the cost of setting up a business (impact studies, etc.). In Germany, a 1977 law stipulates an authorisation threshold of 1,500 m$^2$ for assessment of how a project fits into its environment. In the United Kingdom there have been additional controls on new superstores since 1993.

Table 3.1 Off-centre retail development in the UK (after Guy, 1998)

<table>
<thead>
<tr>
<th>Period</th>
<th>Retail offer</th>
<th>Store type</th>
<th>Centre type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early 1970s</td>
<td>Food and household goods</td>
<td>Hypermarket</td>
<td>District centre</td>
</tr>
<tr>
<td>Mid 1970s</td>
<td>Food</td>
<td>Superstore</td>
<td>District centre</td>
</tr>
<tr>
<td>Late 1970s</td>
<td>Household goods</td>
<td>Retail warehouse</td>
<td></td>
</tr>
<tr>
<td>Mid 1980s</td>
<td>Personal goods and fashion</td>
<td>Retail warehouse</td>
<td>Retail park</td>
</tr>
<tr>
<td>Late 1980s</td>
<td>All shopping</td>
<td></td>
<td>Regional shopping centre</td>
</tr>
<tr>
<td>Early 1990s</td>
<td>Low prices: (food) (mixed goods) (personal and fashion)</td>
<td>Limited line discounter Club warehouse Factory outlet</td>
<td>Factory outlet centre</td>
</tr>
</tbody>
</table>

Table 3.2 Models of planned shopping centres in Europe (after Reynolds, 1993)

<table>
<thead>
<tr>
<th>Type of Centre</th>
<th>Size (m²)</th>
<th>Anchor stores</th>
<th>In-centre?</th>
<th>Off-centre?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regional</td>
<td>30,000 +</td>
<td>2+</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Intermediate</td>
<td>10,000 – 30,000</td>
<td>1</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Retail park</td>
<td>5,000 – 20,000</td>
<td>0</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Speciality</td>
<td>1,000 +</td>
<td>0</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The impact of decentralised retailing has been the subject of much research in the past 25 years. Conventionally impacts have been analysed under the following headings:

- Economic;
- Social; and
- Environmental.

Economic impacts

The main component is trading impact and loss of trade, but over the long term overall trading impact has been very difficult to estimate. Indeed, some have argued that decentralisation has taken traffic away from town centres and has done little harm to town centres. It is also often difficult to distinguish trading impact from the more general loss in competitiveness of the independent retailer and older inner urban shopping ribbons. Also, larger towns and cities in the UK have tended to grow at the expense of smaller town and suburban centres, which can also muddy the waters still further. However Guy (1998) highlights these particular cases of concern in out-of-town retailing:
- A food store or supermarket developed close to a small town centre (the ‘market town case’);
- Regional shopping centre impacting on neighbourhood town centres with diversion of shopping trips and expenditure, and perhaps migration of multiple retailers into the new centres;
- Non-food superstores, probably on retail parks, selling clothing/comparison goods take trade from town centres.

Social impacts
These relate to efficiency and equity aspects of the developments themselves and their trading impacts. Guy outlines the benefits to consumers of modern retailing as:
- Wider choice of consumer goods; and
- Increasing differentiation of goods and shopping formats by life cycle and lifestyle.

Trends to out-of-town retailing have also been complemented by changing lifestyles, such as car usage.
Equity aspects are concerned partly with the cost of retailing from traditional centres, and the impact of this on those who rely particularly on these shopping opportunities and may be excluded or not have full access.

Environmental impacts
These reflect the physical development of new retailing and further trading and social impacts. Design issues and traffic impacts are relevant here, and there are contrasting arguments in favour and against out-of-town in this respect.

3.3 PPG6 and retail impact assessment
In the UK the trends towards retail decentralisation have also been strong, and this has led to focused policy initiatives. Here the planning system is essentially concerned with the effect of new or proposed retail developments on existing shopping centres in terms of retail impact. Usually these effects are regarded in terms of their economic impact on trading levels in centres, but there can also be social and environmental impacts, especially because of issues of sustainable development and the relationship with travel patterns.

The type of centre is also important to consider. PPG6, for example, identifies various types of centre: local centres, district shopping centres, town centres and regional shopping centres.
PGG6 also covers:
- Type of location: edge-of-centre, out-of-centre and out-of-town;
- Vitality and viability;
- Major or large-scale developments;
- Cumulative effects of recently completed developments and outstanding permissions;
- Linked trips: for a variety of purposes to encourage sustainable development; and
Sustainable development: defined in PPG1 as seeking to deliver the objective, now and in the future, of economic development to secure higher living standards while protecting and enhancing the environment.

As long ago as 1992, BDP/OXIRM considered that retail impact is a legitimate concern for the following reasons:

- Understanding the effects of change is important for a variety of stakeholders;
- Control of public costs;
- Efficiency argument;
- Equity/accessibility argument; and
- Quality of life argument.

The issues bear a close resemblance to the emphasis in current government policy on vitality/viability of town centres and sustainability. PPG6 states that all applications for major retail developments (i.e. those over 2,500 sq.m gross floorspace) should be supported by evidence of their likely economic and other impacts on shopping centres.

Three types of impact can therefore be identified within PPG6 (see section 3.2 above):

- Economic impact – such as changes in retail turnover or trading patterns in shopping centres as a result of new shopping centres. The employment impact of centres also falls under this heading.
- Social impact – such as demographic and behavioural change. The impact on social exclusion/inclusion.
- Environmental impact – especially traffic implications, raising the issue of sustainable development. Environmental impact may therefore comprise transport impacts or built environment impacts.

For example, a report by the Distributive Trades EDC (1988) suggested that the economic impact was vital to consider because it can lead to a cycle of decline:

- The proposed development will have an impact on some existing businesses;
- Impact damages businesses through turnover and profitability;
- Damage will cause lasting harm;
- Harm may cause closures;
- Closure will not lead to redevelopment; and
- Absence of major redevelopment will lead to loss of vitality and viability.

PPG6 therefore reinforces the view that it is not the role of the planning system to restrict competition, preserve existing commercial interests or prevent innovation (para.1.1). However, as England (2000) points out, impact issues can still arise when proposals for a major development will have an effect on the vitality or viability of a town centre. Existing policy is designed to use the development plan system and rely on structure plans and local plans to take the impact of new developments into account. This is made clear in Annex B of PPG6.

The development of formal Retail Impact Assessment (RIA) studies is a relatively recent phenomenon, and stems from concerns over the impact of development proposals for out-of-town or out-of-centre developments. Key in this has been the trend, since the 1960s, towards migration of stores to out of town, and the increased size, through economies of scale, in such stores. Others, such as Guy (1994), see
tensions between decentralisation and the desire to maintain the position of the town centre as being key in this process.

Indeed, this concern over the future of town centres is highlighted in a recent policy note (‘The Importance of Town Centres’, from Improving Town Centres, Planning Advice Note 59, Scottish Executive, 1999):

‘Town centres continue to play a very important role in our society. They must cater for a wide range of people and their needs: workers (work job, training and information), residents (for a choice of houses), business visitors (for access, information, communications and accommodation), shoppers (for access, comfort and choice), tourists (for attractions, information, access, hospitality and accommodation), and the leisure user (for facilities, comfort, service, information and access)…. They are places of exchange for goods, services and ideas, providing the focus for a wide range of personal, community, commercial activities that contribute to a sense of place and in whole town’s sense of identity’.

Town centres therefore have an important economic, social and cultural role to perform. Investors, property owners, retailers and shoppers see them as places of investment, profit or consumption.

Successful centres are seen in Scotland as those which:

- Have a wide range of facilities (including retail risk, financial, professional and government services) in a small area (a cultural area of attractions), and make best use of existing investment;
- Are highly accessible by a range of transport with adequate parking and good transport to and from the centres;
- Have an attractive amenity (in terms of built environment and townscape) with a sense of local identity and character;
- In future will be those which have the vision and mechanisms to build on these assets, overcome problems, adapt to market and consumer needs and secure appropriate and necessary improvements.

PAN 35, issued in 1989, went some way towards arresting the decline of Scottish town centres. However, PAN 59 highlights key challenges for town centres in terms of:

- Physical decline. Although the cases of town centres are performing reasonably well (reflected in rental/property value, retail activity and general attractiveness), they are often static and the more marginal areas are in decline. Planned and managed shopping centres can provide a stark contrast to surrounding areas.
- Range of shops and services. Pressures and problems in town centres and the growth of out-of-town centres have reduced the range and type of shops and other facilities in some town centres. There is a link between the range of shops and other uses and activities, such as housing, businesses, services, entertainment and social meeting places. For example, decentralisation of office funders, rationalisation of post offices and banks, and ecommerce and its impact on banking and the retail sector, are also important to consider.
- Accessibility. Travel and transportation problems have also had an impact on the vitality and viability of town centres during the last 10 years. Out-of-town shopping has been able to take advantage of space for parking to compete with town
centres, and denigration of public transport has in many instances contributed to the overall confusion. Access provision to special needs groups, such as the elderly, disabled and families with small children, is important, as is good provision of rear or basement servicing.

- **Vehicle/pedestrian conflict.** Although pedestrianisation has eased the traffic problem for pedestrians in many towns, in smaller towns this may not be a practical alternative, as where pedestrianisation has occurred, the design may lack aesthetic appeal.

- **Management and maintenance of public areas.** Despite the rise in the extent of town centre management, some public spaces in town centres remain shabby and neglected.

- **Design quality.** Standardisation of design can create problems, but ad hoc development can also create conflicting styles. Reconciling design issues with retailers’ commercial needs is therefore critical to consider.

- **Crime.** Crime and the fear of crime can have negative impacts in town centres. It can deter visitors, affect staff recruitment and reduce property values. Retail vitality can in turn be impacted negatively.

- **Land assembly.** In most town centres land ownership is fragmented, which makes integrated land assembly difficult. Design constraints and other barriers may inhibit town centre development at the expense of out-of-town.

- **Resources.** Disparate funding ‘cocktails’ from a variety of sources tend to favour larger towns and centres, which are adept at putting together such partnerships.

Against this context of regenerating town centres, England (2000) shows that retail planning policy has evolved in parallel with the development of planning theory over the past 30 years. In the 1960s, planning was dominated by a systems approach based on quantitative models. During the 1970s post hoc studies evolved to determine impact after stores had opened. By the 1980s the laissez-faire attitude to development had evolved and predictive assessments were commonplace. By the 1990s, however, a more pragmatic approach to retail impact developed. This is shown in Table 3.3.

### Table 3.3 Evolution of planning theory, retail planning policy and retail impact assessment (after England, 2000)

<table>
<thead>
<tr>
<th></th>
<th>1960s</th>
<th>1970s</th>
<th>1980s</th>
<th>1990s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning theory</strong></td>
<td>Planning as physical development</td>
<td>Rational planning model</td>
<td>Free market</td>
<td>Pragmatism</td>
</tr>
<tr>
<td><strong>Retail planning policy</strong></td>
<td>Hierarchy of shopping centres</td>
<td>First efforts to control development of large new stores</td>
<td>Laissez-faire</td>
<td>Emphasis on vitality and viability</td>
</tr>
<tr>
<td><strong>Retail impact assessment</strong></td>
<td>Shopping models</td>
<td>Post-hoc studies</td>
<td>Predictive assessments</td>
<td>Practical approaches</td>
</tr>
</tbody>
</table>
3.4 Framesworks for retail impact assessment

As planning theory and policy has evolved, so has retail impact assessment practice. In 1995 HM Treasury issued guidance on a general framework for the ex post evaluation of expenditure projects and programmes with regeneration objectives. The aim was to improve the comparability of information on the value for money of regeneration programmes. Most spatially targeted regeneration projects activities include the following:

- Promotion of enterprise;
- Improving labour supply and skills;
- Improving the quality of life; and
- Improving the physical environment.

Other related ‘process’ objectives include:

- Improving the performance of local authorities and other agencies;
- Encouraging coordination/partnership at local level; and
- Developing leverage.

In an ideal world, all costs and benefits of each activity or programme would be expressed in monetary terms, but in practice many benefits cannot be quantified (e.g. reduced fear of crime). An illustrative list of intermediate and final outputs for regeneration activities is given in Table 3.4.

An important consideration in assessing the effectiveness of an activity or programme depends upon the ‘additionality’ or net effect on output. This should measure, for example:

- Deadweight or output that would have occurred without the regeneration;
- Displacement, or the extent to which extra output leads to less output from other firms in a locality; and
- Local multipliers (supply and/or income).

In practical terms, this means that if an inward investor establishes a new retail business bringing 100 jobs, there is the prospect of the wages of the new employees, together with the firm’s expenditure on its supplies being spent on local goods and services, both of which sustain new linkage jobs. But much depends on whether the company uses local suppliers and employs local people. The overall net economic effect is therefore:

\[
\text{Gross jobs created minus Deadweight minus Displacement/substitution plus associated multipliers}
\]


### Table 3.4 Illustrations of intermediate and final outputs (from HM Treasury, 1995)

<table>
<thead>
<tr>
<th>INTERMEDIATE OUTPUTS</th>
<th>FINAL OUTPUTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on enterprise</td>
<td>No of small/medium firms assisted, business formations</td>
</tr>
<tr>
<td></td>
<td>Measures of viability of enterprise (% of firms going out of business, developing new products or markets)</td>
</tr>
<tr>
<td>Impact on labour supply</td>
<td>No of job seekers assisted</td>
</tr>
<tr>
<td></td>
<td>Value of extra output, or improvement in efficiency of job search</td>
</tr>
<tr>
<td>Impact on skills</td>
<td>Training places/no. completing training</td>
</tr>
<tr>
<td></td>
<td>Value of extra human capital, earnings capacity</td>
</tr>
<tr>
<td>Social outputs</td>
<td>No. of projects</td>
</tr>
<tr>
<td>- schools</td>
<td>No. of users, staying on rates (schools), measures of health gain (health centres), improvements in accessibility</td>
</tr>
<tr>
<td>- health centres</td>
<td></td>
</tr>
<tr>
<td>- leisure facilities</td>
<td></td>
</tr>
<tr>
<td>Environmental improvement, eg derelict land</td>
<td>Hectares cleared, effect on stock of derelict land</td>
</tr>
<tr>
<td></td>
<td>Value of amenity improvement (increase in environmental score)</td>
</tr>
<tr>
<td>Property market: (industrial/commercial buildings, housing)</td>
<td>Floor space/units produced</td>
</tr>
<tr>
<td></td>
<td>Market rents, value of assets, cost/value ratio, vacancy rates, condition of stock</td>
</tr>
<tr>
<td>Transport infrastructure</td>
<td>Kilometres of new road/rail provided</td>
</tr>
<tr>
<td></td>
<td>Value of extra accessibility</td>
</tr>
</tbody>
</table>

**Note:** This is intended to be an illustrative rather than comprehensive list. In some cases good quality indicators may not currently be available, or it may be difficult to decide whether an output should be assigned to the intermediate or final column. The final column list both final outputs, and ‘proxy’ indicators of final outputs that may provide relevant information. In some cases, the impact of intervention can only be measured by comparison of assisted firms or individuals with non-assisted firms or individuals in comparable circumstances.

On the issue of multipliers, any new activity in an area is likely to demand some locally-produced goods and services. The multiplier effect is difficult to measure because the range may be from 0% to 100%, depending on the nature of the incoming investor’s company and from where its supplies are sourced. Estimates vary from 30% to 40%, and local spending multipliers are in the range 5% to 20%.

Measuring the impact on jobs can also be problematic. Their quality and duration and timing vary across programmes. Key measurement issues include:
- Whether or not to discount future jobs;
- Whether to convert part-time and temporary jobs into full-time equivalents (FTE); and
- How to measure the quality (or skill level) of net additional employment in an area.

However, England (2000:89) suggests there are still inherent problems with the application of RIA in Britain:

> ‘There is clearly a need for improvement in both quantitative and qualitative assessment. Approaches to RIA have not kept pace with changes in the policy context in the last decade. It is still a predominantly quantitative process which concentrates on economic impact rather than other relevant factors such as social impact and the growing concern with sustainability and environmental factors.’

England’s research suggested that there are a number of criticisms of RIAs including:
- Need for better/more up-to-date retail statistics at a local level;
- Need for RIAs to be more independent/objective/impartial;
- Need for surveys of local shopping patterns/catchment areas;
- Less bias in favour of proposed development; and
- More co-operation between applicant and local authority.

PPG6 goes some way towards clarifying how the impact of new retail developments should be assessed. However, it does not make any recommendations on the methodology to be used to assess economic impact, although it does provide advice on the factors to be considered in relation to retail development proposals.

The key tests shown above are intended to apply to all new retail developments that are proposed outside existing centres. For developments over 2,500 sq.m gross floorspace, applications must be supported by evidence of impact. Impact assessments may also be necessary for smaller developments. Indeed, as part of sequential approach local authorities are expected to carry out RIA at local plan stage, and this implies a capacity analysis.

DETR (1998) suggested an integrated approach to RIA. England (2000) refines this approach to include the steps shown in Table 3.5. Combined with qualitative (viability and vitality measures) inputs and other tests embodied in PPG6, England agrees that the approach offers a logical and robust approach to RIA. Figure 3.1 summarises his suggested approach.
Table 3.5 PPG6 – assessing new retail developments (the key tests)

PPG6 paragraphs

The sequential approach and need
Evidence of the sequential approach to site selection 1.9–1.11
Availability of suitable alternative sites
Need or capacity for retail development

Impact on development plan strategy
Would a proposal undermine the strategy? 4.2

Impact on the vitality and viability of existing centres
(the ‘impact test’)
Define catchment area of proposed development Annex B
Assess vitality and viability of centres in the catchment area Figure 1
Quantitative assessment: analysis of trading impact by centre 4.13–4.15
• ‘broad approach’
• economic impact
• cumulative impact
Qualitative assessment: impact on vitality and viability of centres: 4.3
• risk to town centre strategy
• effect on future investment
• changes to quality, attractiveness and role of centre
• changes to physical condition of centre
• effect on range of services
• increases in vacancies

Accessibility
Accessibility by choice of means of transport 4.6-4.8
• routes, frequency of services, etc
• proportion of customers likely to arrive by different means

Impact on travel and car use
The likely effect on overall travel patterns and car use 4.9–4.11
• changes over the catchment area
• opportunities for linked trips

Environmental impact
Floorspace thresholds:
Out-of-town developments 20,000 sq.m. gross 4.19
Urban areas (new sites) 10,000 sq.m. gross
Figure 3.1 Retail Impact Assessment (source: England, 2000)

- Capacity analysis
- Evidence of need
- Household survey
- Data and assumptions
- Quantitative impact assessment
- Qualitative appraisal of town centres
- Interpretation of quantitative impact
- Significance of impact
- Qualitative impacts
- Final judgement on impact
- Accessibility test
- Impact on travel and car use
3.5 **Town centre health checks, vitality and viability scores, and town centre management**

PPG6 encourages local authorities to prepare health checks for their town centres as a tool for assessing and monitoring vitality and viability. Vitality and viability were formally defined in the URBED (1994) report as:

- **Vitality** – refers to how busy a town is at different times and in different parts; and
- **Viability** – refers to the capacity of the centre to attract continuing investment, not only to maintain the fabric but also to allow for improvement and adapting to changing needs.

In other words, vitality means liveliness and activity while viability suggests commercial survival and the continued attractiveness of a centre.

NRPF commissioned UCL to review the basis of the indicators being used and how the data was being collected, processed and analysed. Currently PPG6 provides a list of voluntary indicators and the UCL study (2000) suggested that there was a need for:

- Clearer definition of indicators;
- Guidance on the relative importance of quantitative versus qualitative data;
- Guidance on interpretation;
- National benchmark data; and
- Resource implications.

The indicators suggested in PPG6 include:

- Diversity of uses – how much space is used for different uses and how the balance has been changing;
- Retailer representation and intentions to change representation;
- Shopping rents: patterns of movement in rental levels in Zone A areas;
- Proportion of vacant street level property;
- Commercial yields on non-domestic property, which is seen as a measure of confidence;
- Pedestrian flows;
- Accessibility to the town centre by various modes of transport;
- Customer views and behaviour; completion of regular shopping surveys would provide a view;
- Safety perception and crime occurrence; and
- Environmental quality.

England (2000) suggests that the PPG6 indicators are too subjective and provides an integrated set of indicators combining URBED and PPG6 using measures shown in Table 3.6.

In town centre management terms, the collection of ‘key performance indicators’ (KPIs) is increasingly being used as a strategic tool to respond to the needs of stakeholders and to act as a marketing tool to attract further funding to town centre management schemes. In reality, research by Hogg *et al* (2001) of 87 town centre management schemes showed that the most common key performance indicators used were as shown in Figure 3.2.
This comes at a time when, as Shutt et al (2000) point out, ‘civic pride’, ‘urban regeneration’, ‘historic conservation’ and ‘commercial retail enhancement’ have been traditional motors of town centre management. Alongside the retail and leisure industries, property investors/developers, and statutory agencies, town centre managers have been attempting to build management alliances that can tackle the problems of the urban fabric.

Such problems include:
- Depopulation of towns and city centres;
- Lack of investment in urban fabric;
- Growth of out-of-town shopping;
- Lack of success in job creation;
- Changing patterns of employment;
- New technology and its impact in service industries;
- Decline of public transport and increasing congestion/pollution; and
- Social and demographic changes (ageing population and more discerning consumers).

Since the 1970s, therefore, there has been considerable growth in the marketing and promotion of urban areas in the UK (Hogg et al, 2001). By the mid-1990s 93% of local authorities were engaged in some kind of promotional activity. But such schemes shied away from selling urban areas in terms of their retail opportunities. Rather, this aspect has come to be dominated by the variety of town centre management schemes (TCM) that have evolved. Since the first TCM scheme in 1987 there are now more than 300 across the UK. Examples of health check criteria for town centres are given in Table 3.6.

These have been relatively successful in focusing attention on promotion and marketing strategies, transport and accessibility projects, including pedestrianisation, public transport and access, amenity and security, and retailers’ strategies. More
recently, such schemes have developed more strategic perspectives that have incorporated a marketing strategy for the urban area.

Many of these schemes have been successful, but many have argued for a stronger focus to the schemes based around zones. This led to the development of the term 'town improvement zone', which then evolved into BIDS (see section 3.8.2).

In contrast, Experian Goad (2001) use a much simpler weighted factor method to arrive at their measure of town centre vitality, which is a relative measure. The factors are as follows:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of retailer outlets</td>
<td>40%</td>
</tr>
<tr>
<td>Number of service and miscellaneous outlets</td>
<td>10%</td>
</tr>
<tr>
<td>Number of comparison retailer outlets</td>
<td>10%</td>
</tr>
<tr>
<td>Floorspace of multiple retailer outlets</td>
<td>10%</td>
</tr>
<tr>
<td>Floorspace of retail outlets</td>
<td>10%</td>
</tr>
<tr>
<td>Floorspace of vacant outlets</td>
<td>10%</td>
</tr>
<tr>
<td>Number of key retail attractors (eg M &amp; S, Gap)</td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Their retail town centre rankings in 2002 showed the following towns following in the top 10 positions:

1. London West End
2. Glasgow
3. Leeds
4. Nottingham
5. Chester
6. Cardiff
7. Southampton
8. Norwich
9. Reading
10. Manchester
Table 3.6 Town centre health check appraisals sheet

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Factor</th>
</tr>
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<td>Variety of specialist/independent shops</td>
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<td>Evidence of recent investment by retailers</td>
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<td>Presence of charity shops</td>
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<td>Presence of low quality discount shops</td>
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<td>Vacant properties</td>
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<td>Effect of vacant premises on the centre</td>
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<td>Commercial performance</td>
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<td>Customer views and</td>
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<td>Leakage of trade to other centres</td>
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<td>Safety and security</td>
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<td>Environmental quality</td>
<td>Perception of safety outside shopping hours</td>
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<td>Availability of CCTV</td>
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* 1 = very poor; 2 = poor; 3 = fair; 4 = good; 5 = very good.
3.6 *Regeneration policy*

The trends towards decentralisation and the policy frameworks of PPG6 in England and related guidance in other parts of Britain must also be seen in the context of regeneration policy initiatives in our towns and cities. These initiatives have also begun to recognise the importance that retailing can have on regeneration schemes.

3.6.1 *Partnerships and neighbourhood renewal*

As Carley *et al* (2000) point out, ‘partnership’ has become a defining characteristic of British urban regeneration. This recognises that economic decline, social exclusion and area dereliction are too complex and extensive to be solved by any single body. Partnerships are also critical to securing central government funding. In a typical local authority there may be as many as 20 to 25 Single Regeneration Budget partnerships based around such schemes as City Pride, Education and Health Action Zones, and Employment, Community Planning and other ‘pathfinder’ initiatives. Combined with other partnerships schemes based around European funding, this could mean 20–80 partnerships operating in total in a single local authority. Carley *et al* also suggest this may cause ‘partnership fatigue’ in some cases.

However, despite such schemes, the task for regeneration is immense. In cities such as Glasgow and Manchester, for example, 60% of residents may live in designated regeneration areas. The Government has indicated its commitment to regeneration through a number of initiatives, which include:

- National Strategy for Neighbourhood Renewal (1998);
- Urban Task Force (1999); and

Structural employment shifts have created immense changes in local economies. For example, recent research by the Joseph Rowntree Foundation (Turok and Edge, 2000) showed that Britain’s 20 major cities have lost 500,000 male manufacturing jobs since 1981. This has been accompanied by declining economic activity and outmigration, but masks the true extent of unemployment, which in headline figures remains relatively small.

Concerns over such issues and their impact on local economies led to the publication in January 2001 of the Government document, ‘A New Commitment to Neighbourhood Renewal: the National Strategy Action Plan’, which takes forward the National Strategy for Neighbourhood Renewal. In the action plan Local Strategic Partnerships (LSPs) are seen as the vehicle for implementing and leading neighbourhood renewal. An LSP is a single non-statutory, non-executive body aligned with local authority boundaries that:

- Brings together at a local level the different parts of the public sector as well as the private, business, community and voluntary sectors so that different initiatives and services support each other and work together; and
- Operates at a level which enables strategic decisions to be taken and is close enough to individual neighbourhoods to allow actions to be determined at community level.

LSPs are intended to:

- Identify priority neighbourhoods;
- Identify and understand the problems of such neighbourhoods;
- Map resources going into priority neighbourhoods;
- Agree what needs to be done; and
Implement and monitor agreed action.

Action plans set out the new policies, funding and targets driving neighbourhood renewal in key areas such as education, jobs, health, housing, and crime. The government is also supporting renewal in the 88 most deprived local authority districts with Neighbourhood Renewal Fund (NRF) grant for better public services.

More recently, Tesco has made a conscious decision to develop new stores in deprived areas, working in partnership with public authorities and voluntary organisations to offer training and employment to local people. Two stores have already opened in Seacroft, Leeds, and in Durham, with other stores to follow. The Seacroft store, for example, has provided 320 local jobs, with 243 going to people who were previously unemployed (FT.com). Such stores are also frequently built on brownfield land, thus improving sustainability.

3.6.2 Retailing, sustainability and neighbourhood regeneration

Research by Carley et al (2001) shows that local shopping centres, with their associated community facilities, libraries, surgeries and pubs, are at the social and physical heart of neighbourhoods. However, these centres have been undermined by a combination of competition from large superstores and shopping malls, consolidation in the food retailing sector, and a preference for car-based shopping.

Carley et al's study used 14 case studies which were chosen to represent a range of development challenges and their achievements in retail regeneration, including refurbishment of existing local shopping precincts, parades of shops, high streets and market halls, rebuild and demolition of shopping centres.

The case studies revealed that there is no simple answer to retail regeneration. Successful initiatives, however, had some things in common:

- Clear attention to what is possible in the retail marketplace;
- Clear leadership in the regeneration initiative;
- Involving residents;
- A strong local vision for local quality of life;
- Organisational innovation with control delegated from the local authority to a regeneration company with strong private sector participation;
- Use of public and social investment to reinforce potential achievement in the marketplace; and
- Promotion of environment and community facilities.

However, less successful projects are characterised by:

- Short-termism;
- Lack of vision and strategy; and
- A failure to work towards sustainability.

The failure to embrace the broader needs of sustainability was a particular issue in a number of initiatives. In many cases, retail vitality was achieved at the expense of more car-borne shoppers. The report argues that if national objectives on CO₂ emissions are to be achieved, then every development should include an assessment of the CO₂ implications and a promotion of sustainable transport initiatives.

A more strategic approach is needed, therefore, at national, regional and local planning levels. There is a perceived need to adopt a more ‘joined up’ focus in PPG6 and to integrate the social inclusion, environmental and transport aspects of retail planning.
more closely. Retail planning also needs to be more closely embedded within the regional and development plan levels.

### 3.6.3 A better quality of life

Carley et al (2001) also explored the linkage between retail vitality and viability; social inclusion/area regeneration; and sustainable development, including transport pollution and climate change. As their research points out:

‘Despite phenomenal growth in numbers of hypermarkets and out-of-town centres over the past ten years, retail and transport trends have contributed to a decline in shopping opportunity for almost one-third of Britons living in households without cars, or who are too infirm to drive, many of whom are in disadvantaged neighbourhoods. This reinforces social exclusion and ill health associated with poor diet. It also supports a continuing shift to car-based shopping which has major environmental impacts, such as increasing the transport contribution of CO₂ emissions – at a time when control of the greenhouse gases which contribute to climate change is a pressing challenge.’

In short, although the car has brought economic and social benefits, journeys are getting longer, costs of congestion are increasing and road transport is creating carbon emissions and damaging health. Supplementary data from National Statistics (2001) shows that the proportion of households within a relatively short distance, by walking or by bus, of local facilities fell between 1989/1991 and 1998/2000. For example, the proportion of UK households within 6 minutes or less walking distance of a foodstore fell from 68% to 57%, and for a shopping centre from 11% to 9%.

In 1999 the UK Government made a commitment to a strategic approach to sustainable development and developed a set of indicators to benchmark progress (‘A Better Quality of Life – A Strategy for Sustainable Development for the UK’). The indicators cover the three pillars of sustainable development, namely social progress, economic growth, and environmental protection, including people’s everyday concerns – such as health, jobs, crime, air quality, traffic, housing, educational achievement, wildlife and economic prosperity.

Quality of life indicators are therefore central to the policy of monitoring and reporting of progress towards sustainable development. They are also powerful tools which can help focus public attention on what sustainable development means and give a broad overview of whether the UK is achieving ‘a better quality of life for everyone, now and for generations to come’. This means meeting the four objectives of:

- Social progress which recognises the needs of everyone;
- Effective protection of the environment;
- Prudent use of natural resources; and
- Maintenance of high and stable levels of economic growth and employment.

In all there are some 15 headline indicators and a core set of 147 national indicators. The DETR Report, ‘Quality of Life Counts’, grouped these indicators around key elements of the Sustainable Development strategy. As far as retail regeneration is concerned, there is close synergy with ‘Building Sustainable Communities’ element. This includes six main components:

- Promoting economic vitality and employment;
- Better health for all;
- Travel;
- Access;
- Shaping our surroundings; and
- Involvement and stronger institutions.

Three key indicators for retail regeneration are G3 (Average Journey Length by Purpose); J1 (People Finding Access Difficult); and K2 (New Retail Floorspace in Town and Out of Town):

**G3 Indicator.** Between 1975/76 and 1997/99 the average distance travelled by people for shopping, education, and commuting increased by about 50% and leisure by about 20%. This is a result of the fact that many journeys that were once short enough to walk are much longer, caused by the greater use of cars and out-of-town facilities (Figure 3.3).

**Figure 3.3 Average trip length by purpose**

![Average trip length by purpose: 1975/76 - 1997/99](image)

**J1 Indicator.** Householders without a car were much more likely to report access difficulties to certain key amenities than those with a car. In a survey in 1997/98 by DETR, 38% of householders without access to a car said it was difficult to get to a hospital, 17% said it was difficult to get to supermarkets, and 16% said it was difficult to get to a doctor (Figure 3.4).

**K2 Indicator.** Between 1986 and 1998 new retail floorspace was dominated by out-of-town shopping centres and retail park developments. Almost twice as much new floorspace was created outside towns than in town centres over this period. However, the data for 1998–2000 shows strong evidence that, for the first time since 1984 (with the exception of the recession years of 1991 and 1992), the new floorspace opened in town centre schemes exceeded the combined floorspace in non-town-centre shopping centres and retail warehouse parks combined (Figure 3.5).
3.7 Other relevant policy initiatives

Concerns over the future of town centres and how to regenerate them have led to other policy measures and initiatives such as the Beacon scheme, Business Improvement Districts (BIDs), concern over market towns and the role of information and communications technology in town centre regeneration.
3.7.1 Beacons scheme

Continuous improvements in the quality and effectiveness of local services are now a statutory responsibility for local authorities under the Best Value framework. In 1998 the Government published the White Paper, Modern Local Government: In touch with the People. The aim of the White Paper was to set out a strategy for reform and modernisation of local government in England. The Beacon Council Scheme was set up in 1999 as part of the wider Local Government Agenda, as a way of identifying centres of excellence across specialised areas within local government, and to disseminate best practice.

Under the Beacon Council Scheme local authorities have to demonstrate and exchange learning and good practice to improve performance. Councils selected for beacon status showcase their best practices through roadshows, open days and other activities.

Each year, Ministers from across Government select themes in service areas that have a direct impact on the quality of life of local people. Councils are invited to apply, either individually or in partnership with other councils, under the themes in which they can demonstrate that an excellent service is being provided.

In 2001 the themes included Town Centre Regeneration and the following councils were selected as exemplars:
- Birmingham City Council;
- Nottingham City Council;
- Gravesham Borough Council;
- Reading Borough Council;
- London Borough of Croydon; and
- Shrewsbury and Atcham Borough Council.

The literature review that was produced to support this theme (URBED, 2000) highlighted the attraction of centres, their accessibility, their amenity, all underpinned by action as being vital to their success.

3.7.2 City Growth Strategies and BIDS

In 2000 it was announced by the Small Business Service Unit of DTI that City Growth Strategies were to be set up in the most economically depressed cities and large towns in the UK. The intention is to promote enterprise in disadvantaged communities through a Community Investment Tax Credit Scheme.

City Growth Strategies draw heavily on the experience of a US project run by the Initiative for a Competitive Inner City (ICIC), an independent organisation founded by Michael Porter. Porter’s work suggested that, despite the disadvantages of crime, poverty and capital shortages, inner city areas retain four strategic advantages:
- Location
- Untapped local market demand
- Clustering
- Human resources.

The latent demand, and in particular retail demand, of inner cities was the subject of a separate and ongoing research programme at ICIC. A 1998 survey by ICIC found, for example, that US inner cities have some $85bn of retail spending power (or 7% of US retail spending), of which some $21bn is unmet locally by inner city retailers. Indeed,
retail demand per inner city square mile is often 2–6 times greater than each metro square mile, and inner city shoppers are surprisingly well-connected to the Internet, although they are half as likely to have online access as the general US population.

Further research by BCG and ICIC (1998) analysed six inner city markets in the USA (Atlanta, Boston, Chicago, Houston, Miami and Oakland). The study critically examined the benefits of inner city retailing. Some critics, for example, argue that retail provides only low-level jobs in such areas and results in the transfer of wealth out of the community by non-local businesses. However, the report argued that profit as a percentage of sales for US retail businesses is low (2–3% for grocery, for example) and any profits taken out are dwarfed by the wages paid to employees, which account for 20% of sales. The greatest export in the inner city comprises unmet local retail demand.

Although retail jobs are not high paying, they provide an entry into the job market, an opportunity to learn basic work skills and access training.

In short, the study suggested (Figure 3.6) that ‘providing a competitive offering and filling unmet retail demand in the inner city creates a virtuous cycle that leads to increased disposable income, consumer demand, local jobs, business sales, consumer traffic, security and local spending.’

Figure 3.6 The virtuous circle of consumer spending in urban regeneration areas

In April 2001 the UK Government announced a new scheme of Business Improvement Districts (BIDS) that are designed to help councils and local businesses to work together to improve their local areas. This initiative follows the strong case for ‘town improvement zones’, or ‘schemes’ (TIZs) made by URBED in 1997 and ATCM in 1999, the models for which are designed to help raise money for local projects that go beyond standard local authority services. Examples include environmental improvements or publicity and marketing – but any financial contribution from multiples or independents has more to do with benefiting their businesses in some way than with altruistic reasons for preserving town centres as havens of community life.

TIZs were originally conceptualised as a way of overcoming the ‘free ride’ syndrome, and were designed to encompass all or part of a town centre, with occupants paying a modest levy akin to a service charge. The legal mechanism needed for TIZs or BIDs is likely to be a supplementary business rate (SRB), which was incorporated in the Green Paper on ‘Modernising Local Government Finance’. The SRB would only be levied once a public/private partnership was founded, but whereas in TIZs the SRB is proposed to apply only to the TIZ area, in BIDS the levy could be applied more widely.
Another difference between TIZs and BIDs is that the former is predicated on a partnership approach to funding and implementation jointly between private sector and local authority/other stakeholders, rather than being entirely private sector driven. Moreover, a TIZ focuses on the idea of regeneration of town centres through strategy rather than service delivery. As Shutt et al (2000) point out, TIZs are designed to:

- Enhance an existing town centre partnership between a local authority, private sector interest and other city centre stakeholders;
- Focus on the commercial and property estate management and urban regeneration roles of the town centre as well as service delivery;
- Allow private sector contributions to be offset against corporation tax and seek new ways of bringing private finance into city centre management and development schemes;
- Develop a business plan (5 years) and a longer term city/town centre strategy (10 years) to fit a regional perspective and attract the support of stakeholders.

Research in the USA (Mitchell, 1999) has shed important light on the concept of BIDs. The statutory basis for BIDs was established in 1946 but the concept was not developed until the late 1970s in New York when the city was in steep decline. The impetus for the growth of BIDS has come from a variety of players in the USA including real estate developers, property owners, merchants and downtown associations, or from local government. In most jurisdictions, local government legally establishes the district pursuant to state law, collects the special real estate tax or fee (generally 0.3% of assessed value) and then transfers the revenues to the BID to use as it sees fit. Residential owners generally pay $1.00 per annum and no-profit properties are exempt. Examples of BIDs include the Alliance for Downtown New York, the Fashion District of Los Angeles, and the Center City District in Philadelphia.

Mitchell’s findings suggest that BIDs are ubiquitous, operating in every region of the USA. Delivery of services is broad-based and BIDs have some level of involvement in up to 9 different services: capital improvement, consumer marketing, economic development, maintenance, parking and transportation, policy advocacy, public space regulation, security, and social services. The leading service in Mitchell’s 1999 survey was consumer marketing. BID functions are implemented through non-profit organisations, quasi-public authorities and mixed public–private enterprises. The former is most common.

Performance measurement in BIDs is limited, with only half of BIDs in the survey having established benchmarks.

With over 1500 BIDs in the USA, Guy (op.cit.) suggests that concerns have arisen because often landowners’ interests dominate. Moreover, there are concerns that BIDs actually encourage local government to run down services so that businesses pay for them instead. Often the US experience is one of fragmentation, with over 30 BIDs in New York alone, for example. To be successful in the UK, Guy believes the US model will need adaptation and may meet resistance from property owners, many of whom comprise the financial institutions.

3.7.3 Market towns

So far in this review of policy, the focus has been on larger towns, but the Government has a very real policy concern over market towns, which are not immune to the impact of out-of-town shopping centres.

The purpose of the study by DETR (1998), for example (‘Impact of Large Foodstores on Market Towns and District Centres’) was to examine the impact of large foodstore development on market towns and districts. The focus of the DETR research was the
impact of edge-of-town and out-of-centre stores, as it was felt that town centre foodstores tended to underpin the role of smaller market towns and district centres, and town centre competition within town centres is not a material planning consideration. ‘Vital and Viable Town Centres: Meeting the Challenge’, published in 1994, concluded that only 3% of market towns were vibrant and 15% in decline. The reasons for this were:

- The pace of industrial and agricultural development;
- Increased mobility of shoppers; and
- Decline of the economic bases that once supported market towns.

A further challenge to market towns and towns has been the increase in out-of-town supermarkets and shopping centres. Research by Verdict showed, for example, that the proportion of the grocery trade attracted by superstores increased from 30% in 1987 to 53% in 1996. Although this is due in part to the development of new superstores, it is also due to trade diversion from specialist independents. There has been increased consolidation in this sector and a commensurate decline in the number of independents.

PPG6 was instigated to address some of the concerns over market town decline by the application of the sequential approach to planning.

Local authorities are responsible for determining planning applications for large foodstore development, and for developing policies to safeguard the vitality and viability of market towns and district centres. However, the research showed that 45% of local authorities consider that retail and transport impact methodologies are inadequate. Almost 20% of local authorities at that time did not require retail impact assessments to be taken as a matter of course, and only 14% attempted post-opening surveys. The report went on to suggest that:

‘… a combination of the absence of a consistent and workable methodology to assess impact and dearth of available base data has led to significant failings in proper planning control in the past. Many local authorities consider large foodstores have had an adverse impact on the vitality and viability of market towns and districts’.

Similarly, food retailers also expressed concern that their own developments could have an impact on other foodstores. One retailer in the report was quoted as saying that over 80% of its foodstores in market towns have seen impacts of between 3% and 40%. Again a key problem with impact assessments was the lack of relevant baseline data relating to town centre floorspace, turnover and performance.

The research found that market share impacts varied from 13% to 50% on principal food retailers in market towns. The decline in market share for the town centre convenience sector ranged from 21% in St Neots to 64% in Fakenham and 75% in Warminster. In some instances this led to closure of some retailers and a general decline in town centre quality as other comparison and service uses were affected.

The impact was found to be threefold:

- Retail impact. There is no benchmark to determine what percentage decline in turnover will lead to an unacceptable fall in profitability, but impact was found to be higher in the more marginal stores. This effect was reinforced in cases where retailers adopted a cut-off point for under-performing stores nationally. Significant falls in turnover can affect profitability and disproportionately influence the ability of
retailers to reinvest in store improvements and continue trading. This can also create disinvestment more widely in the town centre.

- Employment impact. The study found that in many instances the lack of accurate, comprehensive and disaggregated local data prevented a thorough assessment of the issue. Any analysis must take account of the impact on related services. Previous research by NRPF has tended to focus on the national picture and shows that there is strong evidence that new food superstores have a negative net effect on retail employment. Ultimately the DETR study proved inconclusive in this respect.

- Transport impact. The study argues that out-of-town foodstores do not of themselves lead to large increases in car use because many shoppers are already using the car for food shopping. Linkage effects also predominate, with 25% to 65% of people visiting an out-of-town foodstore and a town centre on the same trip. There may also be evidence of ‘clawing back’ some shoppers if the new store is closer than the existing store. This claw-back impact is dependent on such factors as the size and accessibility of the new store, its location, and the nature of the catchment area.

Increasing concentration of retail activity into a smaller number of centres means that market towns and district centres face increasing competitive pressures, irrespective of the impact of new foodstores. Given that the vitality and viability of such centres relies on the convenience and service function, their vulnerability will depend on such factors as:

- Whether a centre has already experienced an impact.
- The diversity of shopping.
- The extent of any tourist function.
- Accessibility, prominence and general attractiveness of the centre.
- Size of the centre in relation to any new foodstore proposal.

The research identified the critical stages of retail and traffic impact through a systematic approach called Combined Retail Economic and Transport Evaluation (CREATE). This has the following advantages:

- Clear step by step approach.
- Integration of retail and transportation retail impact assessments.
- Survey-based.
- Consistent framework for predicting likely impact of new centres.
- Sensitivity analysis of principal variables to highlight effects of different trading patterns.

The CREATE approach has synergy with that described in section 3.4 above. Moreover, the research concluded that guidance should place greater onus on local authorities and developers to adopt a positive approach to sustaining and enhancing market towns and district centres. Need should also be more closely defined and the current distance guideline of 200–300m for edge-of-town locations may be too wide for some locations. Finally, all foodstore proposals over 1,000 sq.m on the edge or outside market towns and district centres should be accompanied by a CREATE analysis.

3.7.4 ICT and regeneration

The recent publication, *Digital Futures* (2001) by Forum for the Future showed that the digital economy (based around information and communications technology (ICT)) can
potentially recombine existing physical spaces to produce new urban forms. A ‘space of places’ is becoming superseded by a ‘space of flows’, best understood as systems or networks (Borja and Castells, 1997).

Yet there is continued debate as to what extent ‘new economy’ forces are reducing the need for agglomeration amongst businesses and leading to the ‘death of distance’ (Cairncross, 2001). For example, research by Gillespie et al (2001) suggests that for business and service industries there are in fact three different spatial expressions for the new economy: a clustering effect, a ‘death of distance’ expression, and a ‘use of technology’ expression (through the use of technology in large companies).

Indeed, a ‘death of distance’ trend (founded on the ‘dematerialisation’ of the economy and the substitution of telecommunications – e.g. teleworking/homeworking – for travel) would potentially pose major threats for a sustainable future for our cities through the extension of urban areas. But the factors involved are complex: home shopping on the Internet may reduce shopping traffic on the one hand, but increase ‘white van’ delivery traffic on the other, for example. A general view (DETR, 2000) is that ICT innovations will not lead to dispersal and disintegration of concentrated urban areas as sometimes suggested. Like other ‘step-change’ technology transformations, they might tend to reinforce existing urban concentrations and disadvantage others.

Moreover, conventional planning concepts and their application are being challenged by ICT, not least because they appear to be directed towards reversing the reduction in the friction of distance that the new technology is making possible. For example, PPG6 advocates that new retail floorspace should normally be built in town centres as a first priority, but the sequential test enables out-of-town centres to be considered yet makes no reference to virtual space forms which may be competitors/alternatives.

In the view of the DTI Retail Foresight Panel, urban regeneration should include facilities that reflect the impact of e-commerce on traditional shopping centres and:

- Provide public access points for purchases through the internet;
- Include delivery and collection points (CDPs);
- Incorporate crime prevention measures;
- Reflect the changing composition of our high streets by including opportunities to buy new services (e.g. via skills and learning drop-in centres, and areas where health care advice can be accessed).

A strong linkage between ICT and urban regeneration is found in other government-driven policy-informing reports, which includes:

- **Improving Shopping Access for People Living in Deprived Neighbourhoods (Policy Action Team (PAT) 13, 2000).** This report emphasised the need for local retail strategies developed with the local community, that are commercially viable and include small as well as larger retailers.

- **Closing the Digital Divide (PAT 15, 2000).** This report addressed the policy issues arising from the access and use of ICTs by people living in the poorest neighbourhoods. The importance of ICT in urban regeneration was also emphasised in the report. Both this report and the previous report were part of the Government’s Social Exclusion Unit’s Report, *Bringing Britain Together: A national strategy for neighbourhood renewal*, which led to the New Deal for Communities partnership scheme.

- **Using IT to Help Achieve Regeneration Objectives (DETR, 2000).** Highlighted the importance of ICT as a tool in regeneration, which can improve and strengthen networks, improve the delivery of goods and services, and overcome geographical/social isolation.
Using ICT can help to produce, directly or indirectly, a range of benefits for both individuals and communities. ICT was defined by PAT15 as 'springing from the convergence of telecommunications, computing and broadcasting through the use of digital technology. It covers any product that will store, retrieve, manipulate, transmit or receive information electronically in a digital form, for example telephone, fax, computer or digital television'.

The Government's New National Strategy for Neighbourhood Renewal (launched in 2000) sets out one of its major principles as 'reviving local economies', and a key idea to be used in fulfilling this is improving IT in deprived neighbourhoods.

The potential benefits of using ICT are (DETR, 2000):
- Making information and communications more accessible;
- Building confidence;
- Developing new skills or updating existing ones;
- Improving the image of an area;
- Helping groups suffering particular disadvantage such as the disabled;
- Improving the delivery of goods and services;
- Creating new businesses and boosting business activity;
- Overcoming social or geographical isolation; and
- Strengthening networks within local communities.

ICT as a tool or facilitator in regeneration can therefore play a role in increasing individuals' skills and improving employment prospects. However, this will only have tangible local benefits if social inclusion is increased and the newly-skilled use their higher incomes locally, anchored in ICT-based projects within the community.

The retail sector's importance as a key part of town centre regeneration schemes is therefore underlined by the relationship between regeneration and ICT. This linkage was recognised with the 'UK Online Centres' scheme, which aims to provide Internet access in shopping centres and community halls and to break down the digital divide (6000 Online Centres in 2002). Moreover, these links must be 'mapped' onto other national, regional and local government policy concerns, including:

- **Social inclusion.** One of the driving forces for the UK Government and the Scottish Executive is the belief that economic success and social inclusion are mutually interdependent. Both governments are committed to tackling the causes of economic and social failure and building a society in which everyone can share in a general increase in prosperity. However, the digital divide (as part of social exclusion) has been highlighted in a number of research reports (see, for example, CACI, 2000) and operates at a geographical and societal level with important implications for retail development and regeneration. At a wider level, those without credit cards or bank accounts are also denied access to online shopping.

- **Market towns in the Urban Hierarchy (see section 3.7.).** There are some 1000 small towns in Britain serving 25% of the nation’s population. These towns are subject to a range of pressures, ranging from slump in livestock markets, decline in traditional employment, to the threat of out-of-town shopping. Such towns face particular threats from ecommerce which may lead to further retail closures. This highlights a key question: if ecommerce reduces road traffic, might this happen at the expense of those retail centres which planning policies are designed to protect?
4  The Property and Employment Dimensions to UK Retailing

4.1  Introduction

Planning policies in the UK and Western Europe are designed to nurture town centres. Furthermore, despite the impact of ecommerce and the concept of virtual malls, retailers need physical property in which to operate. The same is true of pure play internet retailers who require distribution space and back office space. Moreover, multi-channel retailing combining both conventional store-based sales and online shopping appears to be driving ecommerce change in retailing (CEM, 2001). Therefore retailers continue to recognise that having a physical presence in town centres to market their brand in successful town centres is fundamental to the individual success of their operation. In short, property or real estate is very much the engine through which town centre retailing is driven.

For example, at the end of 2000 there were 1500 shopping centres (centres of retail activity) in the UK. This is the largest number outside the USA. Since 1998 there has been an increase of some 12% (PMA, 2001). Some 600 centres have been built in the last 10 years. This was under half of all centres built since 1968. Year on year growth was 4% in the 1990s (compared with 3% in the 1980s), although much of this growth was due to increase in regional shopping centres and factory outlets.

The level of identifiable floorspace has increased by nearly 10% since 1998 (20.9mn), and since 1993 there has been a significant recovery, focusing on retail parks and out-of-town centres. As a result of planning policies there has been renewed investment in town centre schemes.

Furthermore, significant increases in the capital value of the shopping centre industry have occurred over the last 3 years to a value of just under £17bn in 1999, and the research identified a strong relationship between a retail centre’s vitality score and the levels of rental growth. In 1999, for example, rental growth in the centres with vitality scores higher than 200 was twice as strong as the levels identified in centres with vitality scores ranging from 150 to 199.

Town centre retail developments therefore offer retailers the opportunity to locate their businesses in areas that may see strong economic growth. By their very nature, such developments also have ramifications for retail property in existing centres in terms of altering the physical mix and stock of retail property types, and in terms of reshaping employment and economic patterns in the town. As a result of the complex interplay of these forces, set against the economic and planning trends outlined in the previous chapters, some centres may succeed and others be less successful.

This chapter therefore reviews previous literature and research to highlight:

- The attributes of successful shopping centres;
- Key trends in retail property, including:
  - Corporate retail property ownership patterns;
  - Changing accounting standards;
  - Changing retail property patterns;
  - Investment demand;
- The employment impacts of retail developments.
4.2 Successful shopping centres

Research by PMA (2001) for National Retail Planning Federation (NRPF) highlighted the attributes of successful managed town centre shopping developments. The report suggests there have been four generations of managed shopping centres:

- **First generation centres** were built in the late 1960s and 1970s when on average about 4.0 to 4.25mn sq ft of shopping centre floorspace per annum was being developed. These centres tended to be much larger and more dominant than schemes built after 1977, and many still remain as prime retail areas in their towns even though they are now 25–30 years old. Examples from this period include the Arndale Centre, Manchester, and Brent Cross.

- **Second generation schemes** opened in the slump that followed the mid-1970s crash. This period was characterised by low rates of development (2.5mn sq ft of floorspace pa), and the continuation of suburban and district shopping centres. Examples include many of the new town developments (e.g. Basildon and Milton Keynes) and Covent Garden.

- **Third generation schemes** were built in the late 1980s boom which led to some 220 new schemes, with four new out-of-town regional centres (Metrocentre, Merry Hill, Lakeside and Meadowhall). Although out-of-town was a feature of this period, some 75% of total space opened was in town centre locations, and half of the schemes opened were in towns which already had at least one shopping centre. Infill schemes were common, and so multi-level centres outnumbered single level centres for the first time. Typically these schemes were enclosed but as many as 25% had no anchor.

- **Fourth generation schemes since 1993** have been characterised by out-of-town developments. Since 1993 almost twice as much shopping centre space (excluding retail warehousing and superstores) has been built out of town than in town centres. But 1998–99 saw the completion of the last out-of-town centre, with the opening of the Trafford Centre in Manchester. The impact of PPG6 has halted such growth. This generation of centres is characterised by their size, multi-level nature and the focus of development on smaller towns. Open or partially-covered schemes have also become more common, reflecting the desires of planners (design), shoppers (more variety) and retailers/investors (lower costs).

The aim of the research was to contribute to local authorities’ understanding of the issues that affect the investment behaviour of retailers and property owners in the context of managed shopping centre schemes. The report identifies the key factors which underpin the relative success or failure of such schemes from the perspective of these three groups. These are shown in Figure 4.1.
Figure 4.1 Attributes of successful shopping centres (adapted from PMA, 2001)

<table>
<thead>
<tr>
<th>SHOPPERS</th>
<th>RETAILERS</th>
<th>INVESTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Convenience v choice</td>
<td>Large catchment size</td>
<td>Large catchment</td>
</tr>
<tr>
<td>Multiples v uniformity</td>
<td>Competition</td>
<td>Stable economy</td>
</tr>
<tr>
<td>Flexible/extended opening</td>
<td>Accessibility/parking</td>
<td>Retail strength of town</td>
</tr>
<tr>
<td>Safe, protected environment</td>
<td>Environment</td>
<td>Shortage of space</td>
</tr>
<tr>
<td>Parking/facilities</td>
<td>Mix/size</td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td>Leisure</td>
<td></td>
</tr>
</tbody>
</table>

**Complementarity:**

- Big is best
- Anchor stores are important
- Car access and parking are crucial
- Enclosed schemes preferred

As far as managed shopping centre schemes were concerned, the following factors were found to determine their success:

**Town**
- How robust is the retail market in the town?
- Can the centre be successful as a local/everyday shopping centre, entertaining specialist location or large comparison/leisure destination?
- What competition does the town face from other centres and out-of-town schemes?
- What new supply threats (e.g. ecommerce) are emerging?

**Scheme**
- How dominant is the scheme in the town?
- How big is the scheme?
- Is the size of the scheme appropriate to the town?
- Is the scheme well anchored?
- Is the scheme well integrated with other town centre shopping?
- What will generate pedestrian traffic through the town centre?
- Is the centre accessible?
- Is there scope for change?
- Does the scheme have adequate provision for parking, a safe environment and seating, and disabled facilities?

Other factors were found to be important in underpinning a successful high street faced with a new scheme. Such factors included:
- Will the new scheme shift prime pitch, and damage existing areas?
- Does the scheme link effectively into the core retail area with good pedestrian links?
- Is the scheme opening in a weak town already subject to competition?
- Is new supply being created at a time of weak occupier market conditions nationally, when impacts can be particularly severe?

Previous policy guidance and related research has made little or no reference to the role of retail-led regeneration. However, two recent research reports by the British Council of Shopping Centres (2002a, 2002b) attempt to highlight the importance of retail development on urban design, and the need for integrated urban management to engage stakeholders in retail-led regeneration.

The first report, 'Urban Design for Retail Environments' (2002a), builds on previous work by CABE (2000) in highlighting how retail-led development should seek to achieve:
- Character – a place with its own identity;
- Continuity and enclosure – a place where public and private spaces are clearly distinguished;
- Quality of the public realm – a place with attractive and successful outdoor areas;
- Ease of movement – a place that is easy to get to and move through;
- Legibility – a place that has a clear image and is easy to understand;
- Adaptability – a place that can change easily;
- Diversity and mix of uses – a place with variety and choice;
- Sustainability and balance with nature – a place that has achieved a balance between the natural and built environment;
- Value – a place where appropriate values can be attained to sustain the desired mix of uses;
- Inclusivity – a place which has something for everyone.

Although the goals of retail design and urban design are perceived as being mutually exclusive, the report suggests that this need not be the case if better engagement between the key stakeholders in the design and development process occurs.

This gap between stakeholders has been identified as a key problem in the second report (2002b) for BCSC by Henley Management Centre ('Managing the Retail-Led Development of the Future'). For example, integrated urban management is difficult to achieve because, whilst retailers seek to build 'brand' equity, creating a promise about their values and their offer to drive sales, property owners/developers seek to build 'place', equity or growth in rental value. For both there is also a mismatch between their shareholder-driven business models and the longer-term stakeholder engagement practices required of them within the new urban agenda. Although it is not possible to provide a single best practice model for integrated urban management – basic principles of funding, tracking and measuring activity – the calibre of the management personnel and the ability to marry short- and long-term needs can be highlighted. The report goes on to suggest that a starting point to consider the type and scale of
management needed is the ‘pan centre’ model (management operates in a wide area in the town) versus the ‘mini state’ model (small and tightly defined area of the town). A BID model has advantages, but the report suggests that, to succeed, property owners/investors should ‘match fund’ retailers in financing such schemes, supported by Government ‘cash’ injections.

4.3 The property dimension to retailing

Retail property changes and the development of successful town centres must be also be seen against the backdrop of changing floorspace patterns in town centres and the historic property investment performance of retail property. The property dimension to retailing is now examined in further detail.

4.3.1 The changing retail property landscape

The retail landscape of 2000 in the UK is very different from the one of 20 years ago. Changes in lifestyle, cycles in economic growth, a tightening of the planning regime (through PPG6 and PPG13), and the recent store closures of leading retailers have all combined to create a changed landscape. Consolidation in the retail sector has also reduced the number of stores but increased store size. This also reflects the decline in neighbourhood stores versus out-of-town superstores.

The UK has always had a hierarchy of local regional and national centres. But consolidation is a key trend. For example, the top 10 UK retailers account for more than half of the total turnover of the top 800 retailers. Polarisation is also increasing: in the 1960s 50% of non-food sales were accounted for by the largest 200 locations; by 1997 the same 50% were accounted for by just 80 locations. Verdict estimate that the top 100 high street locations now account for 58% of total non-food spending and that the trend towards concentration is continuing.

The trend towards economies of scale is also reflected in the decline in the total number of UK shops over the last 25 years. Figure 4.2 shows indices for the decline from a base year of 1990. Although out-of-town numbers have grown by nearly 80% since 1990, the high street and neighbourhood have declined by 7% and 17% respectively.
Overall retail floorspace has increased from 38.8mn sq.m (418mn sq.ft) in 1980 to currently some 60mn sq.m (646mn sq.ft) of mainstream retail stock in the UK (which includes high street stock, managed shopping centre malls, district and neighbourhood centres, retail parks, superstores and factory outlets). This represents an increase of 1m sq.m (10.8mn sq.ft) per annum over almost 20 years. However, this masks a marginal fall in the high street share of floorspace over the same period with nearly 28mn sq.m (300m sq.ft) in 1980 (75% of total space) to 27mn sq.m (290m sq.ft) in 1998 (45% of total space).

Competitive pressures in the high street have certainly led to an erosion of sales share. As Figure 4.3 shows, high street sales share fell from 54% in 1990 to 49% in 2000. But the term ‘high street’ in this respect covers a number of categories of retail space, and the growth of town centre shopping malls has more than made up for the erosion of other types of ‘high street’ retailing. Managed shopping malls in-town centres totalled 6.5mn sq.m (70mn sq.ft) in 1980: today they total 10.55mn sq.m (a rise of more than 60%). As a result, 18% of all retail space in the UK is found in shopping malls located in town centres. In turn, this represents a rise of 9% from 35mn sq.m (377mn sq.ft) in 1980 to 38mn sq.m (409m sq.ft) today.
Nevertheless, the boom in out-of-town centres does put this growth into perspective. In 1980 there was only 1.08mn sq.m (11.6mn sq.ft) of out-of-town centres. Since then this has grown to 4.6mn sq.m (49.5mn sq.ft), 7.7% of retail stock, supported by growth in out-of-town centres, regional malls, district centres and factory outlet centres.

DTZ (1999) suggest that, in 2000, on the basis of retail sales, expected trends in sales productivity and retail sales in the pipeline, the high street (as a whole) still accounted for 46% of retail space with a further 18% taken up by in-town centres. This occurred despite a fall in traditional high street space between 1998 and 2000.

Most commentators also now believe the White City regional shopping centre will be the last of its kind, thus reinforcing restructured supply trends (i.e. new retail completions in 1998–2000 are likely to be around 50% of the rate recorded over the last 18 years).

However, there is no doubt that the growth of out-of-town shopping has impacted on the high street in its widest sense. Although overall average sales densities (turnover divided by floorspace) have risen by more than 40% between 1990 and 2000, the growth in neighbourhood retail densities has been flat, reflecting the decline in this sector (Figure 4.4). Out-of-town densities increased by 54% and the high street by just on 40%. The improvement in out-of-town densities has been partly the result of rationalisation of poorly performing space, especially in the DIY sector.
Finally the trend towards larger shops is shown in Figure 4.5. The average size of UK shop has increased from 1484 sq.m to 1853 sq.m, for example, in parallel with the growth of larger stores in most locations. The size of out-of-town centre has declined since the mid-1990s, reflecting tighter planning constraints on new developments.
Recent data from the DTLR (2001) allows us to analyse the total retail stock in the English regions. Figure 4.6 shows total floorspace by retail use class order and indicates that London, South East and North West dominate in terms of total retail floorspace, particularly in respect of A1 or shop space. Although the first two also dominate in terms of regional competitiveness measures, there is little relationship between the rest of the table and the position in the competitiveness league (Robert Huggins Associates, 2001) despite the fact that England’s poorest region, the North East, has the lowest amount of retail floorspace.

**Figure 4.6 Total retail floorspace by English Region, 2000**

![Bar chart showing total retail floorspace by English Region, 2000](image)

**Figure 4.7 Retail capital value, English Regions, 1999 (source, IPD)**

![Bar chart showing retail capital value by English Region, 1999](image)
The picture of London/South East dominance is mirrored in Figure 4.8, which is based on IPD data for 1999. London’s retail investment property portfolio was worth just over £7bn in 1999 and the South East £5.5bn. Scotland and Wales contribute a further £366mn and £188mn respectively.

**Figure 4.8 Shop and retail unit density: English Regions**

![Graph showing shop and retail unit density in English Regions]

4.3.2 Retail property investment performance

Recent doubts have been expressed about retail’s ability to maintain long-term performance, given continuing falls in consumer expenditure. However, historic data shows a rosier picture.

For example, data from Investment Property Databank (1999) suggests that over the period 1980–98 retail, office and industrial all shared the same broad cycle but with some points of difference in amplitude (Figure 4.9). Retail and industrials produced very similar rates of return, despite large differences in rates of rental value growth. Within retail, retail warehouses performed strongly over the cycle. More recently, shopping centres were the best performing retail segment in 1999 with total returns of 15.1%. Returns on retail warehouses and standard shops were 14.8% and 12.5% respectively. Given uniform rental growth across the three types of 5.6%–5.8%, the critical factor was movements in yields. Shopping centres benefited from a relatively large decline in equivalent yields of 0.4 points, whereas shop yields were virtually static.

Institutional investor sentiment has, however, switched in favour of retail over the last two decades. In the early 1980s only 28%–30% of institutional property investment portfolios were invested in retail property. By the late 1990s this had increased to around 44%, reflecting the performance of retail property during this period.

More recently, during 2000 retail property tended to perform much more sluggishly than other sectors, with returns running at less than half those in offices or industrial sectors. Rental growth, for example, weakened from 5.8% in the year to December 1999 to 4.8% in the year to June 2000. Average retail rents (IPD monthly index)
Figure 4.9 UK retail property investment

The same broad, long run cycle in performance by property sector... but with especially strong performance by retail warehouses...

...and strong long term rental growth....
also showed weaker rental growth recently: for the 6 months to August 2000, retail properties produced total returns less than half of those on offices/industrial real estate. Trading conditions and price deflation on the high street have already made an impact, with Arcadia and Marks & Spencer announcing store closures, and C&A set to withdraw from the UK entirely. Ultimately, if rents continue to outpace sales growth, retailers will face a squeeze on margins, which may be exacerbated further by sales leakage to online channels.

4.4 Other key retail property trends

The importance of retail property as an engine for investment growth was highlighted in the NRPF study. However, there are other key trends in retail property which are shaping the form in which retail property patterns develop nationally and sub-nationally. These trends are now discussed.

4.4.1 Changing lease lengths, but weakening sales demand and higher rents

The preference for shorter, more flexible leases has been aired powerfully by retailers who want to maintain rapid response strategies to deal with the greater uncertainty of increased competition and consumer-centric markets.

Evidence suggests that there has been some movement. At the beginning of the 1990s, the typical ‘institutional’ lease was usually on FRI terms for a term of 20 or 25 years with 5-yearly reviews and upwards-only rent reviews. At the end of the 1990s (DETR, 2000) the longest leases were found in the institutional market, with the shortest leases granted to local occupiers in smaller, less valuable properties. Size and value of letting are more important than region or town type in determining lease length. Although market value based upwards-only rent reviews are still the main form of rent review, there is some evidence of decline in use, alongside an increasing use of tenant’s break clauses and some evidence of the transfer of repairing liabilities towards landlords.

The same research also showed an inexorable decline in lease length over the same period. In 1990 the average retail lease was 23 years (weighted by rent and based on IPD data). On an unweighted basis (i.e. by number of leases) it was 20.1 years. This also suggests a two-tier market, with larger lettings held on long leases and smaller lettings on shorter leases and auction. Valuation Office Agency data in the same research also support this finding.

However, by 1998 the average weighted lease length for retail was 15.4 years (unweighted, 9.3 years). Similar declines also occurred in other sectors of the market. This suggests that tenants have been able to negotiate shorter leases during the early 1990s as a result of the recession during that time, although the research also found that average lease lengths in 1998 were similar to those in 1995, which suggests that the trend towards shorter leases has stabilised.

Finally within retail, the IPD data shows some interesting patterns. Although the lease length of shopping centres and standard retail units have declined, retail warehouse leases have remained relatively high, perhaps reflecting the lower demand for flexibility in such property (Figure 4.10).

Set against this, however, retailers have had to cope with falling sales and rising rents on upwards-only rent reviews. For example, from 1993 to 1999 retail sales increased by 20% but rents by 30% (Figure 4.10).
Figure 4.10 Changing lease lengths, weakening sales demand and higher rents

Lease lengths have fallen….

…but rental growth has exceeded sales growth….
Pressures on the margins of retailers who are tied into upwards-only rent reviews have led to calls for the introduction of turnover leases. Turnover (or ‘percentage’) leases have been common since the 1930s in the USA, where they emerged as a result of letting problems by retail developers during the depression.

In the UK, turnover leases in retail were relatively rare until the 1970s. Since then, some property companies have implemented turnover leases in new retail developments. Turnover rents are believed by many to promote more active management by landlords because, for example, the maximisation of tenant income is promoted. Against this, others have argued that the accuracy of sales reporting by tenants is questionable and that financial institutions may be wary of lending on such schemes, because of the lack of certainty of income.

In the UK the percentage is usually based on net turnover after deducting such items as VAT, sales to staff, and returns. In addition, the percentage is usually fixed for the term of the lease although variations may occur depending on changes of use and occupier.

In the UK three main types of agreement can be identified:

- pure turnover (rent is a percentage of turnover);
- base rent plus turnover (e.g. 80% of ERV for base rent plus a percentage of turnover, say 1%–2% for supermarkets and 10% clothes shops/restaurants);
- base rent or turnover-related income (i.e. a fixed based rent as a percentage of turnover or percentage of turnover, whichever is higher).

Data from IPD and the DETR (2000) shows that in 1998 less than 4% of shopping centre units were on turnover.

4.4.2 Corporate retail property

Although retailers are principally in the business of selling goods to consumers, they own (or lease) many thousands of buildings, and valuable land. Moreover, some retailers, such as Boots, Kingfisher, Dixon Group and Burton Group (now Arcadia), set up separate property development subsidiaries during the late 1980s and initiated development of shopping centres and other schemes. Real estate is therefore certainly a vital element in corporate financial statements. In the US Nelson et al (1999) suggested that, when buildings were inflation-adjusted, real estate represented about 40% of corporate assets. This figure ties in with Currie and Scott’s (1991) UK study, which finds that property represents approximately 150% of net assets, 30%–40% of total assets and 100% of capital in the balance sheets of companies.
Table 4.1 Proportions of property owned as freehold 1994–1999 (net book values)

<table>
<thead>
<tr>
<th>Company</th>
<th>Freehold as % of all property 1994</th>
<th>1999</th>
<th>% Change</th>
<th>Property as % of total fixed assets 1999</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wm Morrison</td>
<td>90.4</td>
<td>92.9</td>
<td>+2.8</td>
<td>72.7</td>
</tr>
<tr>
<td>W H Smith</td>
<td>90.3</td>
<td>27.7</td>
<td>-69.3</td>
<td>28.5</td>
</tr>
<tr>
<td>J Sainsbury</td>
<td>85.6</td>
<td>75.9</td>
<td>-11.3</td>
<td>89.0</td>
</tr>
<tr>
<td>Tesco</td>
<td>85.2</td>
<td>85.1</td>
<td>-0.1</td>
<td>79.9</td>
</tr>
<tr>
<td>Great Universal Stores</td>
<td>83.7</td>
<td>75.0</td>
<td>-10.4</td>
<td>11.5</td>
</tr>
<tr>
<td>Boots</td>
<td>82.1</td>
<td>77.9</td>
<td>-5.1</td>
<td>43.4</td>
</tr>
<tr>
<td>Sears(2)</td>
<td>81.7</td>
<td>n/a</td>
<td></td>
<td>n/a</td>
</tr>
<tr>
<td>Argyll Group/Safeway</td>
<td>81.1</td>
<td>67.9</td>
<td>+8.4</td>
<td>84.4</td>
</tr>
<tr>
<td>Kwik Save(3)</td>
<td>77.0</td>
<td>n/a</td>
<td></td>
<td>n/a</td>
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<tr>
<td>Kingfisher</td>
<td>73.9</td>
<td>81.9</td>
<td>+10.8</td>
<td>63.9</td>
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<tr>
<td>Iceland</td>
<td>69.2</td>
<td>69.9</td>
<td>+1.1</td>
<td>49.1</td>
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<tr>
<td>MFI</td>
<td>62.7</td>
<td>71.9</td>
<td>+14.7</td>
<td>69.7</td>
</tr>
<tr>
<td>Marks &amp; Spencer</td>
<td>59.5</td>
<td>70.1</td>
<td>+17.8</td>
<td>66.4</td>
</tr>
<tr>
<td>Asda Group(4)</td>
<td>57.3</td>
<td>n/a</td>
<td></td>
<td>n/a</td>
</tr>
<tr>
<td>John Lewis</td>
<td>57.0</td>
<td>61.7</td>
<td>+8.2</td>
<td>82.7</td>
</tr>
<tr>
<td>Burton Group/Arcadia</td>
<td>38.9</td>
<td>18.8</td>
<td>-51.7</td>
<td>51.7</td>
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<tr>
<td>Isosceles(5)</td>
<td>34.9</td>
<td>n/a</td>
<td></td>
<td>n/a</td>
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<tr>
<td>Storehouse</td>
<td>26.3</td>
<td>19.4</td>
<td>-26.2</td>
<td>61.9</td>
</tr>
</tbody>
</table>

Sources: Guy (1997); company accounts
All property valuations based on net book value
Notes
(1) 2000 figures
(2) All Sears womenswear chains acquired by Arcadia in 1998
(3) Kwik Save merged with Somerfield plc in 1998
(4) ASDA acquired by Wal-Mart in 1999
(5) Isosceles dissolved following demerger of Gateway and Somerfield in 1996

Our own analysis of corporate real estate holdings for UK retailers builds on earlier work by Guy (1997). Table 4.1 shows how the property holdings of a sample of UK retailers has changed over a five-year period. The proportions are based on the net book value as quoted in the annual accounts.

Over the five years the mean percentage of freehold property of the sample fell from 68.7% to 65.4%. However, the degree of variability increased.

The high levels of property ownership amongst retailers reflect the need for sale, storage and distribution, but also the high value of retail property. Indeed, property assets are often used by retailers as collateral for corporate debt in order to finance trading growth.

4.4.3 Changing accounting standards

Whilst it is true that the Internet and ecommerce are driving the growth of the new economy, other developments in corporate culture and accounting regimes are also challenging the continued role of property on retailers’ balance sheets. Today, therefore, companies are asking what economic return a company can earn if the capital used in real estate is redeployed to the core business. The recent publicity regarding Co-op Schweiz in Switzerland, and J Sainsbury and Marks and Spencer in the UK, and their consideration of real estate divestments, shows that retailers are taking such options seriously.

More recently, the property industry in the UK was awaiting the outcome of the Accounting Standards Board (ASB) discussion paper on the accounting treatment of leases. Currently, accounting standards in the UK identify ‘finance leases’ and ‘operating leases’ (the latter includes estate leases) and treats them differently
Some conflicts exist between SSAP21 and FRS5 (‘Reporting the substance of transactions’), in that the latter does not recognise the distinction between operating and finance leases. This implies that all future lease obligations should be capitalised on the balance sheet. The assets and liabilities of property leases, for example, are not reflected in the balance sheet, with implications for debt levels, gearing ratios, return on assets employed and interest cover. In its recommendations the ASB therefore suggests that accounts should reflect the fair value of the rights and obligations enjoyed by the lease, as measured by present values of the minimum payments required, with commensurate impacts on the reported liabilities and profit and loss accounts. The ramifications would include:

- higher gearing for companies holding operating leases;
- a move away from sale and leaseback toward freehold ownership; and
- a trend toward shorter leases and perhaps higher rents and higher yields, particularly in the retail sector.

### 4.5 The employment dimension to retailing

The NRPF study by PMA (2001) did not cover the issue of employment, yet in any retail impact assessment this is a critical issue. Retail capacity studies therefore incorporate employment impact studies. Nationally, research by Townsend et al (1999) has shown that retail employment changes affect both the spatial pattern of population in the UK and the shifting nature of the country’s income and wealth. For example, the three regions that had net increase in population during their study over the period 1981–1991 (South West, East Anglia and East Midlands) showed high rates of increases in full-time and part-time employment in retailing. Using location quotients, Townsend et al found that decentralisation of employment was a key feature, allied with productivity gain. This must be seen against the backdrop of increases in the average size of multiple stores, and the widespread use of self-service sales which have radically altered the nature of employment in retailing. Numerical flexibility, or the capacity to adjust the number of workers or hours worked to variations in level and incidence of demand has therefore become an important feature in retail employment.

Nationally outside the UK, recent research by Lewis et al (2002) suggests that the primary source of US productivity gains between 1995 and 1999 was neither increased demand from the stock market bubble, as some economists have claimed, nor IT, although companies accelerated the pace of their IT investments during those years. Rather, managerial and technological innovations in wholesale, retail, securities, semiconductors, computer manufacture and telecomms were the most important causes. Indeed, the research suggests that in the US retail productivity growth (measured by real value added per hour) increased from 2% (1987–95) to 6.3% (1995–99), which explained nearly 25% of the economy-wide acceleration in productivity.

The research focused on general merchandise retailers, which account for 15% of all US retail sales. Of these, Wal-Mart, Kmart, Target, Costco and Sears account for 60% of merchandise sales. More than 50% of the productivity increase came from Wal-Mart. In 1987 Wal-Mart had a market share of just 9% but was 40% more productive than its competitors, as measured by real sales per employee. Wal-Mart has led US retailing with a variety of innovations including:

- Big-box format;
- Everyday low prices;
- Electronic data exchange with suppliers; and
- Expansion around central distribution centres.
During this period ecommerce grew rapidly but the McKinsey study found that its penetration was too low to make a difference in overall retail productivity.

In the UK, several studies have been produced over the years which assess the impact of new retail developments on local employment patterns. These are now described.

### 4.5.1 The employment impact of retail stores

The report on Supermarkets by the Competition Commission (2000) considered a number of social and environmental issues arising from the growth in large grocery retail chains and out-of-town superstores in the UK since the 1960s and 1970s. The report points out that in 1980 hypermarkets and supermarkets (defined as all stores over 400 sq.m) made up 56% (40% of which were supermarkets ranging in size from 400 to 2499 sq.m) of the grocery trade, with 44% of trade lying with smaller local shops.

But by 1996 45% of all grocery stores were over 2500 sq.m and a further 42% were 400 sq.m, and the proportion of smaller stores had fallen from 44% to 13%. This phenomenon was common across Europe, as the proportion of small stores fell in France in the same period from 21% to 5% and in Germany from 36% to 24%.

This report highlighted the fact that these trends raise four main issues:

- The net effects on retail employment resulting from the domination of superstores;
- The declining viability and vitality of some town and district centres, and the interdependent trading arrangements between local suppliers and retailers existing within them;
- Access to groceries for low-income customers and groups with restricted mobility; and
- Environmental concerns arising from the effects that siting new stores may have on car usage and miles driven by consumers and suppliers.

A consequence of a greater number of supermarkets is a move of labour away from smaller shops towards bigger stores. Because supermarkets use economies of scale to employ lower levels of labour in relation to turnover, there has been a lot of debate over the nature of their impact on employment. Although some argue that employment has declined, there is disagreement over whether larger stores cause a net increase or decrease in grocery retail employment and retail employment as a whole.

Several studies have been carried out on the effects of superstore openings on geographic areas. For example, ‘Superstores and Labour Demand: Evidence from Great Britain’ (Guariglia, 1999) suggests that superstores have had a positive net effect on retail employment in the UK, increasing employment levels by 12% in the grocery sector, despite the downturn in national levels of employment. The study examined net employment effects in areas around Tesco and Sainsbury stores opened between 1984 and 1991. However, the study was criticised for a number of reasons, which included:

- post-1991 census openings were not included;
- 1991 census data excluded the self-employed, a key group of shopkeepers who may be adversely affected by the opening of new superstores in the locality;
- the 1991 census carried out samples rather than full surveys of businesses with less than 50 employees, and excluded all workers not registered for PAYE, who comprise a sizeable part of employees in smaller shops.
The survey is limited in scope and does not take account of relative wage rates between new superstores and the shops they replace. Part-time employees are also not estimated in full-time equivalent (FTE) numbers.

Moreover, two studies published by National Retail Planning Forum (NRPF) take contrary views on the employment aspect of new superstores. These two studies carry the same title, 'The Impact of Out-of-Centre-Food Superstores on Local Retail Employment', but were published in 1998 and 1999, the former commissioned by Boots and the latter by Tesco.

In the first study the authors compared employment trends in 15-km catchment areas surrounding 93 new stores, adjusting for national trends. They found that if the superstores had not opened, 25,685 net FTE jobs would have been saved (or 3% of FTE retail employment in the catchment areas). The study also found that net declines were more significant up to 15 km away from the store than more 'locally'.

The study was criticised by the 1999 report, carried out by EDAW. This study suggested that all jobs rather than FTEs should be used, and showed that using headcounts rather than FTEs revealed a net increase in their sample areas. The EDAW study concluded therefore that, on average, large superstore openings create rather than destroy jobs, and where employment falls this is connected with regional prospects.

Finally, in October 1999 David Thorpe was commissioned by the John Lewis Partnership and produced a report entitled 'Superstores and Employment in Retailing'. This supported the Boots research and concluded that whether or not FTE or headcounts are used, superstore openings have decreased net employment levels. In his view there are data quality issues which include the unreliability of census data at a local level. The focus of his report is therefore national level data. However, much depends on how FTEs are treated. Table 4.2 shows net employment trends from 1991 to 1995, assuming a part-time job is equivalent to 35% of a full-time job.

### Table 4.2 Net Employment Trends (1991-95)

<table>
<thead>
<tr>
<th>FTEs</th>
<th>1991</th>
<th>1995</th>
<th>% change</th>
<th>Total</th>
<th>1991</th>
<th>1995</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>1,436,120</td>
<td>1,402,475</td>
<td>-1.7</td>
<td>2,080,300</td>
<td>2,130,100</td>
<td>+2.4</td>
<td></td>
</tr>
<tr>
<td>Grocery Retail</td>
<td>494,590</td>
<td>487,294</td>
<td>-1.5</td>
<td>1,018,100</td>
<td>1,045,700</td>
<td>+2.7</td>
<td></td>
</tr>
</tbody>
</table>

However, there is a case for saying that if part-time jobs (fuelled by an increase in women entering the labour market) increasingly match the preference of workers in the retail sector, then headcount figures rather than FTEs should carry greater weight.

Fierce debate exists concerning the net employment effects of continued growth in supermarket numbers. The most recent study on this topic has cast serious doubt on whether historical data can be used to measure these effects at a local level. At a national level, gains in retail productivity between 1991 and 1995, particularly marked in grocery retail, have helped to absorb extra sales with broadly stable levels of labour, though the geographical distribution of labour is likely to have changed.

Debate also surrounds the issue of part-time employees. First, the number of part-time posts required to equal the hours worked by a full-time employee in the grocery retail sector has not been resolved by the studies examined. Secondly, even if a net loss of employees was proved through the use of FTE, this ignores the balance to be struck
between those who wish to work full-time and those who would prefer a part-time job. Overall, arguments asserting that increases in superstore numbers have damaged net retail employment levels remain unsubstantiated.

4.5.2 Other studies
The multiplier effects of spending money in local economies has received recent scrutiny from the New Economics Foundation. Their ‘Plugging the Leaks’ programme on money flows shows the benefits of keeping local spending within the local economy and making sure that regeneration benefits are focused on local people and local employment. For example, the PAT13 Study (1999) suggested that in a community of 4,000 households with a total weekly spend of £275,000 (£66 per week) only 10% of this would be needed to be spent at the local shop for its turnover to be £27,500 per week – a healthy business.

Figure 4.11 ‘Plugging the leaks’

The money flows argument starts from the assumption that if more of the money circulating in an economy can be retained for longer (Figure 4.11), it will help increase growth. In disadvantaged areas, money does not circulate around the local economy enough to contribute towards regeneration and tends to flow quickly towards other areas. In turn, poor local shopping services means that local people tend to use services in other neighbourhoods.

Similarly, entrepreneurship at a macroeconomic level provides a key to economic dynamism and job creation. Increasing rates of enterprise creation as a means of generating jobs and raising incomes is a universal concern for local authorities. Although there is little empirical evidence of the relationship between the creation of new firms and local economic development, research by Westall, Ramsden and Foley (2000) found that there was a broad tendency for disadvantaged areas (assessed on a multiple index of deprivation) to have low levels of enterprise births. But the relationship is not straightforward, with areas of high deprivation also experiencing high rates of firm creation. This feature was also highlighted in recent research from the New Economics
Foundation (Ramsden et al, 2001), which found that many London boroughs have high start-up rates but also high levels of deprivation. Also, co-existing growth and unemployment in local and regional economies exemplifies the fact that businesses frequently operate with few links to the local product and labour markets, with salaries spent outside the local economy leading to ‘leaks’.

Nolan (2001) reviews the impact of new firms on local economies. He suggests new businesses impact in these ways:

- Creation of employment for owner-managers and employers and increase in tax revenues and incomes, with subsequent income multiplier effects for the surrounding community. Other research has suggested:
  - Small firms tend to stay in their original locality or region and others sell outside the locality, and help inject income into the area;
  - Small firms employ local staff;
  - Improved local provision of services which can help retain incomes in the locality; and
  - Effect on motivation, which is difficult to quality. Social capital benefits may be created, which involve economic benefits derived from role models, social ties, secure of purpose and social cohesion. Porter’s (1995) analysis of US inner cities has added to the view that urban regeneration can be fostered by pro-business strategies.

Displacement occurs when competition from start-up firms causes closures or reduction of market share among existing businesses. The UK Enterprise Allowance Scheme was abandoned in 1994 for this very reason. Displacement can occur in local economies, particularly in mature/low-growth, easy entry markets with low profit margins such as retail. However, the situation is complex because retail and services have local markets, which may or may not be displaced by competition having a larger sphere of influence.

As the Better Regulation Task Force on shops (2001) report points out, any small enterprise offers employment and economic benefits to the area in which it is located, but small shops also give a social ‘value added’ to poorer or isolated locations. Small shops make up some 15% of small businesses in the UK and the vast majority of small shops (95%) employ fewer than 10 people.

Generally small shops tend to be different from other smaller businesses because they have comparatively high overheads – employment costs may be as much as 12.5% of turnover – and a higher ratio of part-time to full-time staff – usually about 3:1 in the small retail sector. A number of recent Government reports have highlighted the fact that good local shops in poorer communities act in a social provision capacity as well as amenity value. In particular, a report under the Neighbourhood Renewal Strategy noted:

‘Thriving local shops can provide employment for local residents and a pathway into new skills and training opportunities, can reduce crime and can improve health by providing a range of quality goods, including food, at affordable prices’.

Between 1986 and 1997 the number of small independent shops declined by almost 40% (the equivalent of 8 every day), whereas the number of superstores almost tripled. This trend is common across many countries in Western Europe, reflecting changes in lifestyle and consumption patterns. In the UK three main factors have caused the decline of independent retailers particularly in deprived areas:
- Falling and low local demand;
- Crime and threat of crime; and
- Competition.

Other factors may also be important:
- Weight of EU and UK legislation;
- Business rates;
- Family-run business with no successor;
- Local road and traffic changes;
- Bank lending policies;
- Leasehold arrangements favouring landlords;
- Relocation of population to new housing estates;
- Superstore becoming the local shop;
- Increased operational costs;
- Consumer preference for large stores; and
- Inability to compete on range of goods;

Moreover further reductions in the numbers of independent shops could lead to:
- Loss of social contact;
- Loss of further Asian and ethnic minority owned and managed shops;
- Loss of part-time local jobs; and
- Reduction in number of young incubator retail enterprises.

Over the last 12 years, the share of small firms’ retail sales has been continually falling (Figure 4.12). This general trend continued in 2000. The only exceptions to this in 2000 were the food sector, where the market share remained fairly constant, and non-store retailing and repairs, where market share rose for the first time since 1991.

**Figure 4.12 Performance of small firms relative to large firms**

![Performance of Small Firms Relative to Large Firms](chart.png)

*Source: National Statistics.*
The PAT13 report suggested that there were 5 major challenges to support more shops in locally deprived neighbourhoods:

- A local retail strategy which will fit with local regeneration strategies and plans when these are being developed;
- Proactive planning to include all stakeholders views’;
- Dealing with crime and the fear of crime;
- Improving business support; and
- Easing business burdens on small retailers (i.e. rates, rents and tax).

This is being underpinned by the Government’s New Commitment to Neighbourhood Renewal (2001) programme. This follows closely the Social Exclusion Unit’s final report on ‘National Strategy for Neighbourhood Renewal: a Framework for Consultation’ (SEU, 2000), which promoted the revival of local economies through encouraging new business activity. The report also recognised, however, that growth and job creation are also dependent on wider strategies at city and regional level. Two key ideas to promote enterprise in disadvantaged areas are keeping money in the neighbourhood and supporting and promoting local business.

Finally, Ballas and Clarke (1999) suggest that the most common methodological approaches have been the use of economic base models and/or input–output models. Armstrong (1993), for example, looked at the impact of job gains made at Lancaster University using Keynesian-based open multipliers for the Lancaster and Morecambe urban regions.

Input-output models can show three main types of impact assessment (on the investment side):

- Direct impacts of jobs created by the new investment;
- Indirect impacts through jobs created by inter-industry links; and
- Induced impacts of jobs created by additional household income and expenditure, for example from extra spending on retailing, leisure, child care and so on.

Input–output models have attempted generally to deal with regional rather than local multiplier effects. There have been some studies, however, which have tried to examine more local impacts by adding a spatial interaction model of intra-urban commodity flows and adding new demographic sections which firstly link population sub-models to the economic input-output models (see for example Batey and Madden, 1999). Clarke and Barras (1999) again, in their paper for the use of microsimulation and the introduction of a labour market journey-to-work model, examine the distribution and income effects of job market changes at the small area level.
5 Main Results: Analysis and Case Studies

5.1 Introduction
The results in this chapter are presented in two parts:

- Section 5.2 – National multiplier analysis. This examines various multipliers derived from the analysis of 1995 UK national accounts.
- Section 5.3 – Case studies (detailed and outline). This presents the findings from our six case studies.

5.2 Multiplier Analysis

5.2.1 Overview
At a local level, job creation within urban regeneration programmes is best defined as the net jobs added in a particular area over time. Generally jobs come from increasing demand for labour by attracting or creating jobs and/or by improving the supply of labour (for example, more skilled and better motivated employees). The demand side for labour can be enhanced (Hart and Johnston, 2000) by:

- Attracting inward investment;
- Growing existing businesses, especially firms in the 10–100 employee size range;
- Creating micro-businesses through encouraging self-employment;
- Temporary job creation through publicly funded schemes;
- Expanding the public sector; and
- Reducing labour costs (both wage and non-wage) and various forms of labour market regulation to increase the employment intensity of growth.

The supply side can be enhanced by:

- Better information provision for the education and training markets;
- Improved basic education;
- Development of vocational skills;
- Enhanced confidence, motivation and job search;
- Changing unemployment or other benefit to increase incentives to work.

Funding agencies realise that special help for job-seekers can create potential waste, however, through dead-weight, displacement or substitution (DDS). ‘Dead-weight’ means that a person would have found a job anyway without special help. ‘Displacement’ means that, although the person got the job, they prevented someone else from getting it. ‘Substitution’ (or crowding out) means that the firm taking on the person receives special help such as an employment subsidy but survives only by putting an unsubsidised firm out of the market. In some local authorities, once DDS has been deducted only 10% of the jobs claimed for the programme can be truly additional. However, local authorities are sanguine about DDS on other areas outside their boundaries, so DDS may have an impact beyond the immediate locality.

Local agencies try to minimise DDS through measures which include:

- Trying to create jobs in sectors that produce goods for people outside the local area;
• Aiming for sectors with long-term growth trends, such as leisure, education and health; and
• Training for skills in demand.

Many schemes create temporary jobs, especially in construction. These clearly are not as valuable as permanent jobs and will finish after the project is completed.

Knock-on or multiplier effects are generally recognised as comprising two types of economic interaction (UK Universities, 2002):
• Indirect effects: particular industries purchase goods and services from other sectors to support their own activity and thus stimulate those industries as well. These supplying industries make purchases from other suppliers in order to fulfil the orders and they also make purchases, so there is a `ripple' effect.
• Induced effects: industries pay wages and salaries to their employees who spend income on consumer goods and services. This creates wage income for employees in other industries who spend their income, again causing a ripple effect.

At a national level, estimates can be produced of these multiplier effects using operational models of the UK economy. These use the concept of input–output models developed by Wassily Leontief. In Scotland, measures of these outputs have been derived for 123 industries in 1998\(^2\). For the UK as a whole, only limited analysis is available for 1995. Using the available figures for the UK as whole in 1995, we are able to calculate appropriate results for retail output and for a range of multipliers.

### 5.2.2 Total output

As Table 5.1 reveals, in 1995 the retail trade spent £56.7bn, of which £21.1bn was estimated to have been expended on UK goods and services. This generated some £113.4bn in other sectors. The retail trade is a major contributor to output, making up 4.1% of total intermediate demand, although, in comparison, manufacturing and financial intermediation together made up 47% of the total in 1995.

**Table 5.1 Retail output in the UK economy, 1995**

<table>
<thead>
<tr>
<th>Total expenditure</th>
<th>£56.7 mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure on UK goods and services</td>
<td>£21.1 bn</td>
</tr>
<tr>
<td>Direct effect</td>
<td>£56.7 bn</td>
</tr>
<tr>
<td>Secondary effects in other sectors</td>
<td>£113.4 bn (Multiplier 2.2)</td>
</tr>
<tr>
<td>Total output (direct plus secondary)</td>
<td>£170.1 bn</td>
</tr>
</tbody>
</table>

### 5.2.3 Household income

In 1995 the retail trade paid £19.3bn (Table 5.2) in wages, which represents household income for retail employees. This is then spent on goods and services which contributes to spending in other sectors.

**Table 5.2 Retail household income in the UK economy, 1995**

<table>
<thead>
<tr>
<th>Direct income paid through wages</th>
<th>£19.3bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household income paid through other sectors as a result of secondary effects</td>
<td>£15.65bn (Multiplier 1.9)</td>
</tr>
<tr>
<td>Total household income generated (direct plus secondary)</td>
<td>£34.95 bn</td>
</tr>
</tbody>
</table>

5.2.4 Employment multiplier

In 1995 the retail trade in the UK employed 2.5mn, which equates to 1.78mn FTE employees. The 1995 retail employment multiplier for the UK was 1.50\(^3\), indicating that for every 100 jobs (FTE) 50 are generated elsewhere in the economy (Table 5.3).

Table 5.3 Retail employment in the UK economy, 1995

<table>
<thead>
<tr>
<th>Retail jobs (FTE)</th>
<th>1,785,816</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other jobs generated</td>
<td>892,908 (Multiplier 1.5)(^4)</td>
</tr>
<tr>
<td>outside retail (FTE)</td>
<td></td>
</tr>
<tr>
<td>Total (FTE)</td>
<td>2,678,724</td>
</tr>
</tbody>
</table>

5.2.5 An example of the use of multipliers

Multipliers can be used to look at the impact of a specific event in the UK economy – for example a shopping centre opening. To illustrate this, consider a hypothetical opening of a shopping centre employing 400 people on a full-time basis in retailing.

In considering the impact on the economy we can use multipliers to estimate:

- Effects on suppliers of the shopping centre; and
- Effects on the economy due to an increase in the spending of the new employees.

Effect on suppliers (Indirect employment effect)

Total FTE Jobs 400 x 1.2 \(^{(see \text{ note} 5)}\) = 480 direct and indirect new FTE jobs. This is equivalent to 400 direct FTE retail jobs and 80 new indirect FTE jobs.

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\(^3\) In 1996 the corresponding Type II multipliers in Scotland were 1.76 (output); 1.49 (income) and 1.48 (employment) (see http://www.scotland.gov.uk/stats/ses2000 secs-07.asp). In 1998 in Scotland the figures were 1.59, 1.47 and 1.30 respectively. Retail ranked 73\(^{rd}\), 99\(^{th}\) and 120\(^{th}\) respectively in terms of these multipliers. Industries in energy and manufacturing tend to head the rankings.

\(^4\) This is the Type II employment multiplier derived from our analysis for this research. The Type I multiplier for UK retail is 1.2, which was also derived from our analysis of the 1995 UK accounts.

\(^5\) See note 3.
Effect of increased household expenditure (Induced employment effect)

We would also expect to see an increase in household expenditure among those who have gained employment through direct and indirect employment effects. This is the induced effect and is estimated using Type II multipliers (i.e. 1.5).

Our example gives us:

Total FTE jobs $400 \times 1.5 = 600$ direct, indirect and induced jobs.

As we have already calculated a direct and indirect increase in employment of 80 (FTE), it is estimated that a further 120 jobs (FTE) are created as a result of induced demand.

5.3 The Case Studies

The study selected six shopping centres constructed during the period 1990–93. Three centres were examined as detailed case studies (Aberdeen, Bristol and Norwich) and three centres as outline case studies (Bromley, Leicester and Worcester). Table 5.4 summarises the main details of each scheme. All were built at a time when the economic downturn was starting in the UK, and so they offer an interesting study of whether retail development can ‘buck the trend’ of economic downturn in local economies.

The three detailed case studies are presented under the following headings:

- Demographics;
- Retailing background;
- Shopping centre;
- Rents and investment performance;
- Employment; and
- Overall impact.

In addition we provide summaries of both employment/business impact and property impact in the other overview studies.

5.3.1 Data Issues

A variety of sources have been used to compile these case studies. For each figure and table the relevant source of the data is shown. The following list shows the origin of much of the information in the case studies:

- Local authority publications and commissioned surveys;
- Interviews with council officers and town centre managers;
- PROMIS reports from Property Market Analysis;
- Investment data from Investment Property Databank;
- Property information from Property Market Analysis (PMA), FOCUS and Jones Lang LaSalle;
- Various market reports, reference where appropriate; and
- Demographic, employment and workplace data from ONS and NOMIS;

There are particular issues relating to employment data that must be highlighted.
<table>
<thead>
<tr>
<th>Town</th>
<th>Centre</th>
<th>Date of Opening</th>
<th>Total Size</th>
<th>Opening Size</th>
<th>Retail</th>
<th>Leisure</th>
<th>Drivetime/footfall</th>
<th>Anchors</th>
<th>Parking spaces</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Detailed</td>
<td>Aberdeen</td>
<td>April 1990</td>
<td>29,729 sq. m (320,001 sq.ft)</td>
<td>29,729 sq.m (320,001 sq.ft)</td>
<td>25,084 sq.m (270,003 sq.ft)</td>
<td>4,645 sq.m (49,999 sq.ft)</td>
<td>600,000 people within 60 minutes</td>
<td>Primark, Boots The Chemists</td>
<td>1,106</td>
<td>This two level centre is a reinforced/pre-cast concrete building with granite cladding exterior. It features ceramic tile flooring and has a heating and cooling system. Leisure space comprises an indoor carpet bowling area operated by the local authority. The scheme also has direct access to John Lewis’s department store. Parking is managed by Central Parking System Ltd. Facilities include Kiosks/barrow Traders, Toilets, ATMs, Baby Facilities, Creche, Disabled Toilets, Events Programme, Food Court (590 seats), 24 Hour Security, Park ‘n Ride Facilities, Disabled Parking</td>
</tr>
<tr>
<td>Bristol</td>
<td>Galleries</td>
<td>October 1991</td>
<td>29,729 sq.m (320,001 sq.ft)</td>
<td>29,729 sq.m (320,001 sq.ft)</td>
<td>29,729 sq.m (320,001 sq.ft)</td>
<td>Nil</td>
<td>900,000 people within 60 minutes</td>
<td>TK Maxx, Virgin Megastore, Boots, WH Smith, Woolworths, Waterstones</td>
<td>1,000</td>
<td>This three level scheme is situated within the Broadmead shopping area of Bristol. Facilities include: Lift(s), Escalator(s), Toilets, ATMs, Shopmobility, Baby Facilities, Disabled Toilets, Events Programme, Food Court (600 seats), Information point, Park ‘n Ride Facilities, Disabled Parking</td>
</tr>
<tr>
<td>Town</td>
<td>Centre</td>
<td>Date of Opening</td>
<td>Total Size</td>
<td>Opening Size</td>
<td>Retail Units</td>
<td>Leisure Drivetime/footfall</td>
<td>Anchors</td>
<td>Parking spaces</td>
<td>Description</td>
<td></td>
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<td>------------</td>
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<td>--------------------------------------------------------------------------</td>
<td>----------------</td>
<td>-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>Detailed</td>
<td>Norwich</td>
<td>Castle Mall</td>
<td>Sept 1993</td>
<td>36,232 sq.m</td>
<td>33,445 sq.m</td>
<td>200,000 people weekly</td>
<td>National Schoolwear Centre, Virgin Megastore, Argos, Boots The Chemists, H&amp;M, Mothercare</td>
<td>825</td>
<td>Castle Mall (on four levels) is a 90% enclosed 10% open shopping centre with a re-enforced concrete structure and brickwork and glazed façade. The centre is beneath a 4 acre park - Castle Green, which was created as part of the scheme. Facilities include Lift(s), Escalator(s), Stairs, Toilets, Shopmobility, Baby Facilities, Creche, Disabled Toilets, Landscaped Garden(s), Multiplex cinema, Food Court (380 seats), Information point, Kiosks/barrow Traders, Events Programme.</td>
<td></td>
</tr>
<tr>
<td>Outline</td>
<td>Bromley</td>
<td>The Glades</td>
<td>October 1991</td>
<td>38,369 sq.m</td>
<td>38,369 sq.m</td>
<td>1,500,000 people within 30 minutes</td>
<td>Boots The Chemists, Debenhams, Marks &amp; Spencer</td>
<td>1530</td>
<td>The award winning three level shopping centre includes part of an existing shopping area and has a food court with 330 seats and a local authority leisure centre. Facilities include Baby Facilities, Food Court (330 seats), Shopmobility, Atrium, ATMs, Lift(s), Escalator(s), Stairs, Toilets, Creche, Disabled Toilets, Landscaped Garden(s), Events Programme, Information point.</td>
<td></td>
</tr>
<tr>
<td>Leicester</td>
<td>The Shires</td>
<td>August 1991</td>
<td>50,001 sq.m</td>
<td>45,523 sq.m</td>
<td>50,001 sq.m</td>
<td>355,000 people weekly</td>
<td>Virgin Megastore, Next, Rackhams, Boots The Chemists, Debenhams, WH Smith, Waterstones</td>
<td>920</td>
<td>The two level centre is 100% enclosed, and is of pre-cast concrete and metal construction. It has a brickwork façade and terrazzo flooring, including modern walkways and atria over two levels. The centre is climate-controlled with a strict no smoking policy. Parking is accessible from 08:00 Monday to Saturday and 10:00 on Sunday. Parking is free on Sunday. Facilities include Lift(s), Escalator(s), Stairs, Toilets, ATMs, Shopmobility, Baby Facilities, Creche, Disabled Toilets, Events Programme,</td>
<td></td>
</tr>
<tr>
<td>Worcester</td>
<td>Crown Gate</td>
<td>April 1992</td>
<td>27,871 sq.m (300,002 sq.ft)</td>
<td>27,871 sq.m (300,002 sq.ft)</td>
<td>27,871 sq.m (300,002 sq.ft)</td>
<td>Nil</td>
<td>358,000 people within 30 minutes</td>
<td>New Look, Beatties, Iceland, Bhs, Mothercare</td>
<td>750</td>
<td></td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Information point, Disabled Parking, Kiosks/barrow Traders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>This is the only shopping centre owned by the Crown Estate. One one level it spreads out in two braids along medieval streets and is partly enclosed and partly covered. The centre is divided into three areas and includes a 400-seat theatre. Facilities include Lift(s), Escalator(s), Stairs, Toilets, Baby Facilities, Shopmobility, Disabled Toilets, Supermarket, Disabled Parking, Heritage Centre, Landscaped Garden(s), Chapel</td>
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As Thorpe (1999) pointed out in relation to the use of employment data from the Census of Employment, various inaccuracies can exist even in official statistics. These inaccuracies can operate at three levels:

- Data errors in returns to the Census. For example, temporary or part-time jobs may have been excluded from the returns made by firms.
- Data errors from the estimating procedures used by the Census authorities, especially in local areas statistics.
- Geo-coding errors, including unit postcode definition, unreferenced post codes and incorrect returns from multiple retailers.

Since September 1995 the Annual Employment Survey (AES) has replaced the periodic Census of Employment, which had been conducted biennially as a sample census from 1987 to 1993, when a final and full census was conducted. The AES was annual and contains a smaller sample size than the sample censuses. The AES was also drawn from Interdepartmental Business Register (IDBR), which is based on both the PAYE register and the VAT registers, and this led to a larger business population being created between 1993 and 1995. The AES was therefore a survey of employees in employment, providing detailed employment counts for local areas down to ward level. In NOMIS breakdowns are available by male/female, full/part-time, and 1992 standard industrial classification (SIC) codes down to class level.

The Annual Business Inquiry (ABI) was introduced in April 2001 to replace the Annual Employment Survey (AES). ABI data are available from 1998 onwards. AES data are available for 1995, 1996 and 1997 on a basis that is consistent with the ABI data for the subsequent years. The AES itself replaced the biennial Census of Employment in Great Britain, which was last held in 1993.

Both these surveys have certain characteristics in common. They are surveys of employers in Great Britain whose aim is to measure employee jobs by detailed industry and detailed region. Although the mechanics of the surveys are different, they tend to cover roughly similar numbers of businesses, accounting for between a quarter and a third of all workplaces in GB.

In this report we used NOMIS (National Online Labour Market Statistics) to map employment changes during the period of analysis for the research. Because of differences in sampling and the conduct of surveys, it is important not to ‘mix’ AES and ABI data. We have therefore used AES data for our analysis of 1990s shopping centres, all of which were developed during 1993–95\(^6\).

We have used the SIC code of Retail Distribution (52) for our analysis. The issue of how far to judge the impact of shopping centre development locally is important. As centres are likely to have an impact over quite a large area, we present employment statistics at three levels:

- Local authority level;
- Postal sector level; and
- Postal district level.

By disaggregating and unwrapping these three layers within each case study, our findings can be more easily compared over the geographic area in question. However, it should be noted that postal district level data may not always be accurate, as they represent estimates within the AES sample base.

\(^6\) We suggest that, for centres developed during 1995 or post-1995, ABI data and revised AES data should be used. Again, this data is available from NOMIS at a local level.
There is also the issue of whether head counts (which combine full-time and part-time jobs and weight each equally) should be measured, or whether FTE is a more meaningful measure (i.e. applying a differential weight to part-time jobs). Again, for ease of comparison we present both where possible, and assume a part-time retail job is 0.5 of the ‘value’ of a full-time job for FTE purposes. This is naturally a crude assumption, but it does enable us to make valid comparisons in both ‘head’ and ‘FTE’ terms.

We also use NOMIS to produce an analysis of the census of employment/annual employment survey (AES), giving the number of data units and employees in employment broken down by size of the unit and by industry (1992 Standard Industrial Classification). Again this is based on:
- Local authority level;
- Postal sector level; and
- Postal district level.

The same proviso on postal district level data as above also applies here.

### 5.4 Detailed case studies

#### 5.4.1 Aberdeen

**Demographics**

Over the last ten years the north east of Scotland has undergone significant population growth. The City of Aberdeen itself has seen an increase in population of over 13%, and Aberdeenshire’s population has increase by 16%. In all, the population of the area covered by Aberdeen, Aberdeenshire and Moray has increased by almost 14%.

**Table 5.5 Population changes in north east Scotland, 1991-2001**

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen City</td>
<td>187,426</td>
<td>211,909</td>
<td>13.1</td>
</tr>
<tr>
<td>Aberdeenshire</td>
<td>203,284</td>
<td>235,795</td>
<td>16.0</td>
</tr>
<tr>
<td>Moray</td>
<td>78,978</td>
<td>87,000</td>
<td>10.2</td>
</tr>
</tbody>
</table>

**Retailing in Aberdeen**

As a retail centre, Aberdeen benefits from being the largest centre for some considerable distance. The nearest centres of comparable size are Dundee to the south (64 miles away by road) and Inverness to the north west (104 miles away by road). As Aberdeen’s catchment population is widely dispersed, the southern parts of this catchment will be influenced by the Dundee market and the Overgate Shopping Centre. In addition, parts of Morayshire will tend to be drawn more towards Inverness.
Overview

Retailing in Aberdeen shares a common characteristic with Norwich in the sense that both centres are geographically isolated. Norwich is a good distance from other centres such as Peterborough and Cambridge, and there is particularly no competition from other similar sized centres in parts of its catchment. The same can be said of Aberdeen. The nearest competition comes from Inverness to the north west and Dundee to the south. For some goods Glasgow and Edinburgh may also be regarded as competition.

Retailing in Aberdeen is focused along the main thoroughfare of the city centre, Union Street, with particular emphasis on the stretch between the St Nicholas Centre and Trinity Shopping Centre. The prime pitch is regarded to stretch along the former course of George Street and St Nicholas Street, now occupied by the Bon Accord Centre and the St Nicholas Centre. Eastward and westwards from the central area of Union Street retail uses become more secondary, with a greater mix of retail and leisure, particularly bars.

Very little retail use extends down the streets that feed into Union Street, with some important exceptions. These include the area between Union Street and Schoolhill, which includes Belmont Street. Here there are a number of A3 uses, together with independent retailers. These lead to the newest centre in Aberdeen, The Academy, which is home to upmarket designer retailers.

The importance of Union Street is summed up by Aberdeen City Council:

‘Union Street’s role as Aberdeen’s main shopping thoroughfare is extremely important in contributing to a vibrant and buoyant city centre. The city’s image is often judged on the basis of public perception of the degree of vitality of this prominent street.’

Aberdeen City Centre (2001)

Currently the prime pitch covers quite a large area. It includes the Bon Accord and St Nicholas centres and the part of Union Street closest to the St Nicholas Centre. It is generally considered that Union Street becomes secondary at its junction with Union Terrance and Bridge Street.
Floorspace

Since 1988 Aberdeen City Council has been monitoring the uses and changes that have occurred along Union Street. The number of units has remained relatively constant over the period, but there have been fluctuations in the number of trading premises. As Figure 5.1 shows, there was an sudden surge in vacant outlets between 1989 and 1990 of some 9,772 sq.m (105,184 sq.ft).

Figure 5.1 Floorspace changes in Aberdeen, 1988-2000

Source: Aberdeen City Council (2001)
Figure 5.2 Changes in floorspace by sector, 1991, 1993 and 2000

Source: Experian Goad

Aberdeen Shopping Centres

There are five covered shopping centres of varying sizes within Aberdeen City Centre, three of which are regarded as the principal centres in the city.

- **Bon Accord Shopping Centre**

  The Bon Accord Centre is the largest shopping centre in Aberdeen, comprising 320,000 sq ft of retail and leisure space. The centre was built along the former route of George Street and links into the John Lewis store in Aberdeen. This area of Aberdeen had been earmarked for development since the 1960s. Originally the concept was for full development of St Nicholas Street and the lower portion of George Street in one grand scheme. Ultimately the St Nicholas Centre went ahead much earlier than Bon Accord in the mid-1980s.

- **St Nicholas Centre**

  This centre, anchored by Marks and Spencer, is a smaller centre, but like Bon Accord provides Aberdeen with large modern units. Most of the scheme is covered and follows the original street pattern of St Nicholas Street. At the heart of the shopping centre of Aberdeen, the St Nicholas Centre is used as a thoroughfare by shoppers to reach the Bon Accord Centre from Union Street. There is an open, upper tier of the centre which houses a roof garden, and also a number of retail units including the upper floor of WHSmith and the main post office in Aberdeen. Unfortunately this part has continually suffered from a high vacancy rate and footfall is considerably lower than the covered mall below it.
- **Trinity Shopping Centre**

  The Trinity Centre is the second largest centre in Aberdeen and is anchored by major national chains including HMV, Debenhams and Argos. It opened in 1984 and was at the time the largest covered shopping centre in the city. In 1998/98 the Union Street frontage of the centre was reconfigured to provide larger units. This enabled Ottakars to take their first space in the city, and HMV to move into a more favourable location.

- **The Academy**

  The Academy is the most recent addition to Aberdeen’s shopping centre portfolio. Since opening in 1998 it has struggled to find tenants and has yet to be fully let. The units that have been let have tended to go to retailers selling designer-name clothing. There are also restaurant uses within the centre as well as bars and a coffee shop. The centre is anchored by The Pier and French Connection.

- **The Galleria**

  This is the smallest centre in Aberdeen, anchored by an upmarket restaurant and marketed as a ‘boutique’ shopping centre. It comprises just nine units, whose tenants include independent fashion retailers and beauty/hairdressing salons.

*Rents and investment performance*

Figure 5.3 shows the movement of prime Zone A retail rents in Aberdeen city centre. Rents rose steadily during the latter half of the 1980s and into the early 1990s, peaking in 1992, some two years after the Bon Accord Centre opened. Rents fell back after this and during the mid-1990s remained relatively unchanged at around the £120/sq.ft level. This trend has changed more recently, with rents pushing up to the £160/sq.ft level. Interestingly it appears that rental data demonstrates that the top Zone A rents have shifted geographically since the 1980s. In the late 1980s/early 1990s these prime rental increase were experienced in Union Street. In the late 1990s top rents were being achieved in the Bon Accord and St Nicholas Centres. Union Street rents are now just below this top level, at £120–£130 (Scottish Property Network, 2002).

The maps in Figure 5.4 show the level of retail rents in different parts of the city centre. This demonstrates that the Bon Accord and St Nicholas Centres have achieved the best rents within Aberdeen during the 1990s. Close behind are rents along Union Street, especially in the stretch from St Nicholas Street to Bridge Street/Union Terrace. Rental growth does appear to have suffered in the Trinity Centre, but this has been corrected since the realignment and refurbishment of the Union Street frontage (ACCP, 1999).
Over the last five years Aberdeen has seen a significant increase in achievable rents according to JLL data. Since 1997 there has been a compound annual growth rate of 6.33%, the sixth highest rate in JLL’s 50 Centres series (Jones Lang LaSalle, 2002). Over longer timescales, this growth rate is much reduced (see Figure 5.5), most likely
due to the periods of stagnation within the market, for example during the mid-1990s. However, unlike some other UK retail centres, rents have continued to grow or remain constant over time, rather than suffer substantial falls.

**Figure 5.5 Compound annual growth rates of achievable rents in Aberdeen**

![Compound Annual Growth Rates](image)

Source: Jones Lang LaSalle

Since the early 1980s IPD data shows that rental growth in Aberdeen has underperformed the UK average for standard shop units (Figure 5.6). Investments returns averaged 8.66% over the period 1990 to 1996, well above the UK average of 5.11%. During the period, rental value growth showed little variation compared with the UK as a whole, although it did follow the national trend.

**Figure 5.6 Rental value growth for standard shop units in Aberdeen**

![Rental Value Growth](image)

Source: IPD
Employment

Figure 5.7 Employment changes during the 1990s in the Aberdeen retail sector

Our analysis of NOMIS data is shown in Figure 5.8. A number of themes stand out.

- During 1991–93 the overall number of jobs in Aberdeen rose from 164,199 to 166,273.
- During the same period the share of retail employment also rose from 6.7% to 8.3% of the total. This was fuelled by the growth in part-time jobs.
- In the Bon Accord postal sector 54 retail jobs were lost during this period, although in the AB1 postal sector 993 retail jobs were created in head terms.
- Growth was especially rapid in male part-time employment.
- There was a fall in concentration of retail jobs in AB1, from 49% of all retail jobs in Aberdeen to 47%. AB1 also saw falls in non-retail jobs in head and FTE terms.
- Retail outlets increased at a greater rate in AB1 than the rest of Aberdeen. Non-retail saw falls in the number outlets.
Figure 5.8 Employment and Business Impact: Bon Accord Centre, Aberdeen, 1991–93

Retail Trade (SIC 52) Share of Total Employment (%)

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>1993</th>
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<tbody>
<tr>
<td>Aberdeen</td>
<td>6.7</td>
<td>8.3</td>
</tr>
<tr>
<td>City</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AB1</td>
<td>8.3</td>
<td>9.7</td>
</tr>
<tr>
<td>AB1 1**</td>
<td>15.7</td>
<td>19.6</td>
</tr>
</tbody>
</table>

JOBS IMPACT
The total workforce in Aberdeen rose from 164,199 to 166,273 during 1991–93 in head terms. During the period of analysis the share of retail trade employment increased from 6.7% to 8.3% in Aberdeen City as a whole. AB1 as a whole and AB1 1** also saw increases in the share of total employment in retail. This was fuelled by part-time jobs which increased by 21% in AB1 compared with 15% in full-time retail. The equivalent figures for the rest of Aberdeen were 31% and 29% respectively.

The chart shows that from 1991 to 1993 some 17,050 jobs (in ‘head’ terms) were created in retail in Aberdeen City (excluding AB1). Some 993 retail jobs were created in AB1 as a whole. However, during the same period, some 54 retail jobs were lost in AB1 1**, the postal sector that includes the Bon Accord centre. This may be the result of postal sector changes during the period and the unreliability of small samples in the dataset. Growth was especially rapid in AB1 in male part-time employees (up 42%), and this was true of the City as a whole (up 40%). In fact growth rates (albeit from a smaller base) were higher amongst males than females. The total share of Aberdeen retail jobs (in head terms) in AB1 (including AB1 1**) fell from 49% to 47% during this period. In AB1 1** alone, the retail jobs concentration fell from 25% to 20%.

In FTE terms Aberdeen City gained 1,225 jobs and AB1 1,112 jobs. During the same period non-retail jobs declined in head terms (a net loss of 31 in Aberdeen City and 592 in AB1, for example). In FTE terms, however, Aberdeen City (excluding AB1) showed a net increase of 1,112 because of the strong growth in full-time employment. AB1 contributed some 25% of the increase in jobs in the City in the form of retail FTEs.

BUSINESS IMPACT
During the period of analysis, retail outlets increased at a greater rate in AB1 (21.78%) than in the rest of Aberdeen City. Some 44% of the total increase came from AB1. In non-retail 1991–93 saw falls in the number of outlets throughout the City.
The effects of the Bon Accord Centre

The original vision for the Bon Accord Centre can be traced back to the 1960s in the form of a comprehensive development area (CDA) programme. The land now occupied by both the Bon Accord and St Nicholas Centres was included in the plans to completely redevelop this part of Aberdeen city centre. Other parts of Aberdeen, particularly those immediately north of the city centre, were also subject to CDAs, but for residential rather than commercial development.

Prior to the development of both Bon Accord and the St Nicholas Centres, the existing properties in St Nicholas Street and George Street were a traditional retail format. Many properties were occupied by a retail use on the ground floor, with storage or residential uses above. Moreover, the physical fabric of some of these properties had deteriorated.

With the influx of new households into the Aberdeen catchment since the early 1970s (due to the growth of the oil and gas industries), there was demand for modern retail space within the city. Very little development had taken place during this time, except for the Trinity Centre on Union Street.

The development of the Bon Accord centre came at a time when the oil sector, an important industry for the North East of Scotland, was struggling. However, reports at the time suggest that this was not having a negative impact on the Aberdeen retail market (Chalmers, 1989). Rather, the imminent arrival of the Bon Accord Centre was being held responsible for an ‘element of uncertainty’ in the market.

Once open, there was an increase in the number of vacancies on Union Street, although, as our interview with a council officer and published data shows (Aberdeen City Council, 2001), the bulk of vacant units were generating interest amongst agents. Indeed Estates Gazette (1992) reported that these vacancies were due to the strong success of Bon Accord, not the recession. Although it took a while, Union Street was recovering by 1993 from the effect of the Bon Accord opening. Mills (1993) reports that seven new retailers opened stores in Aberdeen during 1992, including Monsoon. In addition, a number of the units vacated by retailers migrating to Bon Accord were reconfigured and divided to provide more suitable space.

The Bon Accord Centre also did much to improve the St Nicholas Centre, which became the focus for pedestrian movement between Union Street and the new shopping centre. In addition, Bon Accord introduced a large new car park to the city centre, which meant there were strong flows in both directions. This area became important for many retailers, for example Next, which in the late 1990s consolidated its two Aberdeen stores into the St Nicholas Centre. In the early 1990s the St Nicholas Street area was also the focus for a smaller development, whose feasibility must have been improved by the Bon Accord opening. The St Nicholas Triangle, as the development was known, was taken by Tesco Metro, and is now occupied by The Gap.

The Trinity Centre did suffer somewhat by the opening of Bon Accord, with rents remaining stagnant (Mills, 1993). In addition, the top and middle end of Union Street suffered and became more secondary in nature. To some extent this is mainly due to the physical layout of Aberdeen city centre, with retailing strung out along Union Street. The arrival of Bon Accord concentrated the realm of mainstream multiples by raising the importance of the St Nicholas / George Street axis.
### Demographics

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<thead>
<tr>
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<tbody>
<tr>
<td>City of Bristol</td>
<td>397,000</td>
<td>380,615</td>
<td>-4%</td>
</tr>
<tr>
<td>Bath and North East Somerset</td>
<td>164,800</td>
<td>169,045</td>
<td>2%</td>
</tr>
<tr>
<td>North Somerset</td>
<td>179,800</td>
<td>188,556</td>
<td>5%</td>
</tr>
<tr>
<td>South Gloucestershire</td>
<td>223,200</td>
<td>245,664</td>
<td>10%</td>
</tr>
</tbody>
</table>

Source: National Statistics

### Retailing in Bristol

- **Overview**

  The retailing environment in Bristol is somewhat different in arrangement to cities of a similar size and regional importance elsewhere in the country. The main focus of retailing activity is the area of Broadmead, centred around the pedestrianised streets of Broadmead and Merchants Street, but also extending out to The Horsefair, Union Street and Penn Street. This whole area was a council-led post-war development to provide Bristol with new retail space. The area had been badly damaged by bombing, and the retail centre was in place by the early 1960s. Most major multiples can be found in Broadmead.

  There are other smaller concentrations of space in Bristol, most notably the West End along Park Street and Queens Road. Here there are leisure uses, particularly restaurants, and upmarket retailers. Until the late 1990s this part of the city was dominated by the Dingles department store. However, the store has now closed and House of Fraser, which operated the Dingles store, has now moved into the former John Lewis building in Broadmead.

  Since mainstream retailing activity is concentrated on the Broadmead site, this case study of Bristol is mainly concerned with this part of the city.

- **The Galleries Shopping Centre**

  The Galleries Shopping Centre is located within the Broadmead complex. With the exception of The Mall at Cribbs Causeway (the large regional shopping centre on the north of the city), The Galleries is Bristol’s only covered shopping centre.

  The Galleries site was originally a large Co-operative department store built in the same style as the rest of Broadmead. During the 1980s the store began to struggle for trade and by 1986 it had closed down. This presented a significant challenge for the city’s retail market. The store was dated, was too large for a single retailer to take on and had a poor configuration to be easily split into smaller units. In addition the Co-operative had great difficulty assigning the lease. Norwich Union eventually took on the lease, which was restructured to enable them to redevelop the site as a covered shopping centre.

  The Galleries had 320,000 sq.ft (29,700 sq.m) of retail space arranged over three levels. There is no individual large retailer within the scheme, although a number of major high-street multiples are prominently represented, including WHSmith, Boots The Chemist, Virgin Megastore, TK Maxx, Woolworths and Waterstones.
Future development plans

The Broadmead area is currently earmarked for major expansion plans which will add a substantial amount of new space to the existing provision. The development has emerged from the city council’s aim to regenerate the Broadmead area. A joint venture consortium, The Bristol Alliance, has been formed by Land Securities plc, Hammerson plc, Henderson Global Investors and Morley Fund Management.

The scheme itself is mixed use and will introduce additional land uses to the Broadmead area such as residential and leisure.

Figure 5.9 Bristol drive times

Floorspace in Bristol has been relatively unchanged over the years. Since the Broadmead development was constructed after the war, the total amount of space available has remained reasonably static. Due to physical contrasts in the immediate locality, it has been difficult to add to the current retail space, even through small scale developments.

Ultimately the construction of The Galleries, although bringing in a large number of new modern retail units, did not significantly add to the floorspace in Broadmead, as it was replacing and upgrading existing space. Indeed, the introduction of The Galleries, as Bristol’s first covered shopping centre, has meant an increase in total amount of managed space. However this only constitutes 28% of space in Bristol, much lower than our other case studies.

Rents and investment performance

Figure 5.10 shows the movement of prime Zone A retail rents in the Bristol Broadmead complex. In the late 1980s boom, rents rose dramatically within Bristol and peaked at the £150 level. Immediately after the opening of The Galleries there was a slight downwards adjustment. Rents subsequently levelled off at round £140 during most of the 1990s. More recently there has been a rise in rents, but at a much more conservative growth rate than in the late 1980s. This could be attributed to the opening of The Mall at Cribbs Causeway suppressing growth within the Broadmead market. This fallow period can also been seen in the figures for compound annual growth (see Figure 5.12) where, for the 10-year timeframe,
Bristol shows a negative annual growth rate. However, it should be stressed that the data in Figure 5.12 represents achievable rents and not actual reported rents\(^7\).

**Figure 5.10** Prime Zone A rents in Bristol Broadmead, 1987–2001

![Prime Zone A rents in Bristol Broadmead, 1987–2001](image)

Sources: FOCUS, PMA

Rental variations can also be seen across the Broadmead area (see Figure 5.11).

**Figure 5.11** Bristol Broadmead retail rents by location, 1988 and 1998

![Bristol Broadmead retail rents by location, 1988 and 1998](image)

Sources: PMA, FOCUS, Experian Goad

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\(^7\) The achievable rents data from Jones Lang LaSalle are all Estimate Rental Values. They represent JLL’s views of the ‘highest rent likely to be achieved taking into account current quoting rents and other market evidence’.
Investment performance in Bristol has closely tracked the UK average since the start of the 1980s. According to IPD data, rental growth has outperformed the UK average for standard shop units throughout this period (see Figure 5.13). Investment returns have averaged 5.3% over the period 1990–1996, slightly higher than the UK average of 5.11%.

Although there does appear to have been a slight adjustment in the parts of Broadmead that benefit from prime rents, the overall benefit in rental terms to the area is unclear. The Galleries opened at the start of the early 1990s recession and has helped to maintain the attractiveness of Broadmead over the last decade. However, the developments from the mid-1990s to the present day in the out-of-town retail market do appear to have been more influential on Broadmead rents.

Source: IPD
Employment

**Figure 5.14  Employment changes in the Bristol retail sector**

Our analysis of NOMIS data is shown in Figure 5.15. A number of themes stand out:

- During the period of analysis the total Bristol (local authority) workforce decreased from 208,245 to 197,101 in head terms.

- However, during the same period the share of retail trade employment in Bristol increased from 8.9% to 9.5%, with increases also occurring in the relevant postal districts and postal sectors.

- Most of the new retail jobs in central Bristol were created in the Galleries postal sector during this period. Outside the Galleries, but within central Bristol, retail jobs were lost.

- Full-time retail employment grew rapidly and male part-time retail work also grew strongly in the centre.

- During this period the total share of retail jobs in Bristol within BS1 increased from 23% to 26%.

- Outside retail and outside the centre, in both head and FTE terms, employment fell.

- The Galleries area also gained in retail outlets whilst the rest of Bristol suffered losses.

**After The Galleries**

Prior to the opening of The Galleries shopping centre there were no covered shopping centres within the Bristol area. Indeed, retailing provision concentrated on the Broadmead complex was considerably constrained by the physical environment. The existing space, although not as old as some space in other UK towns and cities, was not meeting the needs of retailers. There was a need for modern space provision. In addition the demand for space
in the boom period of the late 1980s was not being met by Bristol city centre and in particular within the Broadmead complex.

Another important issue for Bristol over the last fifteen years has been the planning, development and opening of The Mall at Cribbs Causeway, close to J17 of the M5, north of the city. It is considered that the Cribbs Causeway development has been the major catalyst for the new strategies that have been put in place to regenerate and enhance the Broadmead complex. There were fears that Cribbs Causeway would have a major detrimental impact on the city centre, and this was exacerbated by the decision of the John Lewis Partnership to relocate to the out-of-town scheme. The starting point for these changes was the development of The Galleries.

A significant post-Galleries initiative was the formation of the Broadmead Management Board in 1995, a partnership of public and private sector organisations including retailers, property investors, councillors and representatives from the local Chamber of Commerce, law firms, surveying firms and the public transport operator. It was born out of a increased recognition by the city council that the ‘prosperity of its centre was vital to the well-being of Bristol as a whole’ (URBED, 2002). Shutt et al (2000) outline the main achievements made by the Board. These include new additions to the physical environment, such as The Podium (new public open space at the intersection of Broadmead and Merchant Street), the introduction of CCTV, car park improvements, road signage enhancements, and a marketing campaign.

The development of The Galleries meant that a number of retailers were displaced. According to our interviews with council officials, almost half of these retailers left the area completely. This may appear drastic, but the impact affected around twelve retailers, including Woolworths. None of these retailers ultimately took space in The Galleries, with the exception of Woolworths. This is most likely due to the major increase in rents that would have been experienced. A number found vacant units within Broadmead, particularly around The Horsefair.

When new purpose-built centres open, it is common to find that there is a surge in vacancies elsewhere in the town as some retailers relocate. For Bristol, this trend appears to have been minimal. Some retailers, such as WHSmith, did close their existing store and reopen in The Galleries. However, others chose, in the short term, to trade from two locations. These retailers were then able to consolidate at a later date and close their non-Galleries unit. This meant that leases came on to the market in a more controlled manner and the migration of stores was well spread out.

The opening of The Galleries initiated a shift in prime pitch. Prior to The Galleries, prime pitch was considered to be very diluted, covering most of the street of Broadmead. Since opening, The Galleries has focused prime pitch into the western half of Broadmead, where the centre has two entrances. In turn this has meant that areas furthest away from the ‘new’ prime pitch have become secondary in nature (for example Penn Street and Broadweir).

In essence, the development of The Galleries was the starting point for the modern regeneration of this part of Bristol City Centre. Although more recent events, such as the opening of Cribbs Causeway and the subsequent move made by John Lewis, have added more impetus to regenerate Broadmead, much of this would not have been possible by the initial injection provided by The Galleries. Bristol Alliance’s plans to extend Broadmead and integrate more mixed uses into the concentration of retail land uses in the area is a continuation of this longer term regeneration strategy.
Figure 5.15 Employment and Business Impact: Galleries, Bristol, 1991-93
Retail Trade (SIC 52) Share of Total Employment (%)

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bristol</td>
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<td>9.5</td>
</tr>
<tr>
<td>BS1</td>
<td>8.3</td>
<td>9.9</td>
</tr>
<tr>
<td>BS1 3**</td>
<td>25.1</td>
<td>32.5</td>
</tr>
</tbody>
</table>

JOBS IMPACT
The total Bristol workforce decreased from 208,245 to 197,101 during 1991–93 in head terms. During the same period the share of retail trade employment in Bristol increased from 8.9% to 9.5%. Increases also occurred in BS1 and BS1 3**, the postal sector for The Galleries.

The chart shows that from 1991 to 1993 some 309 retail jobs (in 'head' terms) were lost at Bristol local authority level (excluding BS1). This compares with a net gain in head terms for BS1 of 507, of which 705 were created in BS1 3** (434 full time and 259 part time). In other words, outside BS1 3**, but within the rest of BS1, 198 retail jobs were lost (168 full time and 19 part time). The growth in jobs in retail within BS1 3** was fuelled by strong increases in part-time jobs (up 15%) and also full-time (up by 33%). In BS1 as a whole the figures were 10% and 12% respectively. Growth rates were highest in male part-time retail work within BS1 as a whole, albeit from a smaller base (33%), and this was true of Bristol as a whole (up by 45%). In BS1 (including BS1 3**) the total share of Bristol retail jobs increased from 23% to 26%. In BS1 1** the equivalent figures were 16.5% and 20%. The total share of all Bristol retail jobs (in head terms) in BS1 rose from 23% to nearly 26% during this period.

In non-retail, Bristol also lost 7368 jobs, and BS1, 3964. Of the 3954 lost, some 1287 were lost in BS1 3** (924 full time and 351 part time).

In FTE terms Bristol (excluding BS1) lost 299 retail jobs, with BS1 gaining 386 retail jobs. Non-retail losses were substantial: 8069 in Bristol and 3876 in BS1. There is strong evidence therefore that retail jobs in BS1 increased against the downward trend in retail and non-retail jobs throughout the rest of the city.

BUSINESS IMPACT
During the period of analysis the number of retail outlets declined by 171 in Bristol, outside BS1. A decline, at a lower rate, also occurred in BS1, but retail outlets increased in number in BS1 3**.

In non-retail, losses were substantial throughout the City, but again rates of attrition were lower in the City centre, especially in the shopping centre zone.
5.4.3 Norwich

Demographics

Mid-year population estimates suggest that in June 2000 there were some 123,800 residents of Norwich District. Figure 5.16 shows the age and sex distribution of the resident population in Norwich. Since 1991 Norwich itself has suffered a net loss of population of 2.7%.

Figure 5.16 Population by age and sex in Norwich

![Population by age and sex in Norwich](image)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Breckland</td>
<td>108,300</td>
<td>121,422</td>
<td>12.1</td>
<td>15.2%</td>
</tr>
<tr>
<td>Broadland</td>
<td>107,200</td>
<td>118,497</td>
<td>10.5</td>
<td>14.9%</td>
</tr>
<tr>
<td>Great Yarmouth</td>
<td>88,900</td>
<td>90,813</td>
<td>2.2</td>
<td>11.4%</td>
</tr>
<tr>
<td>Kings Lynn and West Norfolk</td>
<td>131,700</td>
<td>135,341</td>
<td>2.8</td>
<td>17.0%</td>
</tr>
<tr>
<td>North Norfolk</td>
<td>92,000</td>
<td>98,399</td>
<td>7.0</td>
<td>12.4%</td>
</tr>
<tr>
<td>Norwich</td>
<td>127,200</td>
<td>121,553</td>
<td>-4.4</td>
<td>15.3%</td>
</tr>
<tr>
<td>South Norfolk</td>
<td>104,100</td>
<td>110,708</td>
<td>6.3</td>
<td>13.9%</td>
</tr>
<tr>
<td>Norfolk</td>
<td>759,400</td>
<td>796,733</td>
<td>4.9</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Source: ONS Census data

During the 1990s the population of Norwich district actually fell by almost 3%. This contrasted with Norfolk as a whole, which experienced a 6% rise in population. Rural areas around Norfolk such as Breckland, Broadland and North Norfolk districts experienced the greatest growth in population, of between 10% and 13%.
Retailing in Norwich

The retail centre of Norwich is based around the historical medieval street pattern of the city. The prime retail area is along Gentleman’s Walk into Haymarket adjacent to the historic Market Place. There are a number of narrow streets that feed off these two pedestrianised roads leading into Castle Street and Back of The Inns. From here access is possible into the main covered shopping centre, Castle Mall. To the south of the prime retail pitch are streets such as Rampant Horse Street, St Stephens Street (dominated by discounters) and Timberhill (containing a number of upmarket boutiques). To the north is London Street, containing more upmarket retailers such as Habitat and specialist jewellers. There is also an area of narrow streets in this area (Dove Street, Little Goat Lane, Bedford Street and Pottergate) with many small retail units occupied by independent and specialist traders.

Leisure uses are focused in an area to the north and east of the main shopping area. In particular there is a strong ‘L-shaped’ stretch of major leisure and night-time uses along Magdalen Street, into Tombland and then eastwards along Prince of Wales Road towards the railway station.

In the central area there is only one covered shopping centre, Castle Mall, which forms the focus of this case study. Additionally there is Anglia Square, to the north of the city centre, and Riverside, adjacent to the railway station. The former centre dates from the 1970s and is dominated by convenience retailers. Current occupiers include Poundstretcher, Iceland, Budgens and Boots The Chemist. The Riverside scheme was constructed in the late 1990s and contains large warehouse units (including Big W, JJB Sports and Argos), and a supermarket (Wm Morrison). Additionally there are significant leisure uses within Riverside, including a bowling alley, multiplex cinema and nightclub, as well as various restaurants and bars.

Floorspace

In January 2001 Norwich City Council (2001) estimated a total of 190,209 sq.m (2,047,460 sq.ft) of A1 retail floorspace in the city centre. Due to the historic nature of the city centre, there is a high proportion of small units. As Figure 5.18 shows, some 82% of retail floorspace in Norwich is found within individual units of less than 2,500 sq.ft. Of this, over half are less than 1,000 sq.ft. This contrast with a centre such as Reading, where 74% of outlets are less than 2,500 sq.ft, of which just 40% are less
than 1,000 sq.ft. There has been a slight decrease in the number of smaller units since 1991. This will be due, in part, to the development of Castle Mall, but also to the reconfiguration of some sites. Although these latter developments make only a small difference to the total figures, the larger units have been created in the heart of the shopping area.

Figure 5.19 shows the changes in floorspace share for goods categories since 1991. Although all sectors show an increase in the absolute amount of floorspace, only a few increase their importance proportionally. Sectors that show a significant increase include restaurants (which include most A3 uses), banks and financial services and other comparison goods (of particular importance here are chemists and toiletries and sports goods).

**Figure 5.18 Norwich retail floorspace distribution**

![Norwich retail floorspace distribution](image)

Source: Experian Goad

**Figure 5.19 Percentage change in share of floorspace, by goods category (1991–2001)**

![Percentage change in share of floorspace](image)

Source: Experian Goad
Norwich Shopping Centres

- **Castle Mall**
  The Castle Mall Shopping Centre is an 85-unit centre with a total retail trading area of 33,445 sq.m (360,000 sq.ft). The centre comprises four levels and is located in the bailey of Norwich Castle. The centre opened on 23 September 1993 and was the first modern purpose-built shopping centre to open in Norwich city centre. Although not anchored by a department store, there are five major retailers located in the centre: Argos, Boots the Chemist, H&M, Mothercare and Virgin Megastore. There is also a multiplex cinema within the centre operated by Ster Kinekor, although this was ‘retro-fitted’ to the centre.

  Redevelopment of the site had been discussed as early as 1983 when Estates & General Investments were appointed as developers. Anchor tenants had been found and a start date of September 1986 was suggested for construction to begin. However, Prudential had a rival scheme for site, but Norwich City Council favoured the Estates & General scheme. By 1986 Friends’ Provident had agreed to fund the centre’s development. Following further redesign, construction finally began in January 1990.

  In September 1992 Estates & General wrote off its equity interest in the scheme and transferred its 20% stake in the centre to Friends’ Provident. When the centre opened in September 1993 around 50% of the stores had been let. However, this was in line with other major centres that had opened around the country at this time (Mills, 1993). By August 1994 60% of the centre had been let, although some agents were reporting that attention from new retailers to Norwich was focused on properties outside Castle Mall (Howarth, 1994). Indeed, for some retailers the prime areas of Haymarket and Gentleman’s Walk were seen as more exclusive.

- **Anglia Square**
  Anglia Square is an open shopping centre on two levels located to the north of the city centre. It contains around 50 retail units, as well as a public library, offices, cinema and fitness club. The centre dates from the late 1960s/early 1970s and has been particularly unsuccessful in attracting tenants, probably due to its peripheral location in relation to the city centre. The centre only became fully let in 1981, nearly 10 years after it opened. It is now dominated by downmarket retailers (Poundstretcher, What Everyone Wants), convenience stores (Iceland, Martin’s Newsagent) and charity shops. During the 1980s and 1990s Anglia Square was the subject of a number of redevelopment and extension plans, none of which took place. There are currently plans to add six units to the centre.

- **Riverside Retail Park**
  Norwich Riverside is located to the east of the city centre on Carrow Road, close to the railway station and Norwich City Football Club. It contains a mix of retailing and leisure uses, mainly houses in large retail warehouse units. Due to its location on the opposite side of the river from the city centre, it is not considered a major threat to the retail provision in Norwich city centre. The bulk of the Riverside scheme opened in October 2001, although a Morrisons supermarket had opened on the site two years earlier. The main anchor is Big W, the big-box arm of Woolworths. Argos, Boots and JJB Sports are also represented. Leisure facilities on the site include a 14-screen cinema, 26-lane bowling alley, restaurants, bars and a nightclub. 200 residential units are also being developed on the site.
**Rents and investment performance**

Figure 5.20 shows the movement of prime Zone A retail rents in Norwich city centre. Rents rose steadily during the second half of the 1980s, peaking at £135 per square foot in 1991. Rents fell during the early 1990s recession and did not begin to recover until 1994. By 1999 Zone A rents had reached £180 per square foot in prime areas such as Haymarket and Gentleman’s Walk. Rents have since stabilised at around £180 per sq.ft, although in 1999 it was suggested that there was the capacity for £200 per sq.ft on Gentleman’s Walk (Tinworth, 1999) and in 2001 Jones Lang LaSalle were reporting achievable rents of £190 per sq.ft ZA.

**Figure 5.20  Prime Zone A rents in Norwich (Source: FOCUS)**

**Figure 5.21 Norwich retail rents by location, 1988 and 1997 Sources: PMA, Experian Goad**
The maps in Figure 5.21 show the level of retail rents in different parts of the city centre. This demonstrates that rents have tended to be boosted immediately outside Castle Mall. The top rents are still to be found on Gentleman’s Walk and Haymarket. The streets between here and Castle Mall’s main entrance have seen improvements in rental levels. More peripheral locations, however, have experienced only small rental increases, and in the case of the north-eastern end of London Street a reduction in rental levels.

These latter figures would suggest that Norwich has experienced a slight dip in maximum prime rents over recent years. This is borne out by growth rates over the last five years. JLL data shows that the compound annual growth rate for achievable retail rents in Norwich was –2.29%. This compares with 1.63 for the last 10 years and 2.14% for the last 18½ years (Figure 5.22).

**Figure 5.22 Compound annual growth rates of achievable rents in Norwich**

Since the start of the 1980s, IPD data shows that rental growth in Norwich has outperformed the UK average for standard shop units (Figure 5.23). Investment returns averaged at 5.06% over the period 1990 to 1996, very similar to the UK average of 5.11%. This data would suggest that although Norwich suffered a downturn in rental values around the time of Castle Mall opening, it was in line with the national trend. Despite the downturn, rental growth continued to outpace the UK average and only fell back to a level last seen during the fast growth in 1988/89.
Figure 5.23  Total return for Norwich standard shops

Employment

Source: IPD
When Castle Mall was built it was on the basis that Norwich City Centre has less retail space per head of population than the national average. There was also at least one ‘predator’ company which was looking to build an out-of-town centre and was being ‘courted’ by two local authorities on the basis of job creation. Also at that point in time many of the additional expenses retailers in this area faced (i.e. the need for storage space and increased stock holding due to poor infrastructure) were outweighed by lower than average wage rates. The out-of-town scheme did not go ahead, apparently because of the additional footage to be provided through Castle Mall shopping centre, and a recession which saw a number of proposals put to one side. Since then,
relatively low unemployment and higher than average wage costs have seen an expansion of total wages in the Centre.

From information obtained from the shopping centre manager at Castle Mall it was estimated in 1999, through a tenant and contractor survey, that there were 978 full-time and part-time employees at Castle Mall. All these lived within the catchment of Castle Mall and their overtime/bonuses were a little over £5.1mn. This income was obviously spent in local economies.

Our analysis of NOMIS data is shown in Figure 5.25. A number of themes stand out:

- During the recession of the early 1990s the total employment in Norwich fell from 90,374 to 86,753.
- Despite this, the share of retail employment rose from 9.7% to 9.9% in Norwich and the City centre, although in real terms employment also fell in areas outside the City centre.
- In the Castle Mall postal district 178 retail jobs (in head terms) were gained. Part-time growth fuelled this, and, perhaps surprisingly, growth amongst male retail jobs was stronger (albeit from a lower base) than female.
- When equivalent FTE figures are used, NR1 shows a job loss in retail, reflecting the predominance of part-time work.
- From 1991 to 1993 there was also some sign of growth in construction jobs in NR1, up by 413 in head terms.
- There is evidence of a growing concentration of retail jobs in NR1: up by 2% during the period 1993–95.
- Job losses outside retail were severe in both head and FTE terms during this period.
- Retail outlets increased in number in all three localities, but there were also substantial gains in non-retail.
Figure 5.25 Employment and Business Impact: Castle Mall, Norwich, 1993-95

Retail Trade (SIC 52) Share of Total Employment (%)

<table>
<thead>
<tr>
<th></th>
<th>1993</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norwich</td>
<td>9.7</td>
<td>9.9</td>
</tr>
<tr>
<td>NR1</td>
<td>7.1</td>
<td>8.6</td>
</tr>
<tr>
<td>NR1 3**</td>
<td>12.8</td>
<td>14.2</td>
</tr>
</tbody>
</table>

JOBS IMPACT

The total workforce in Norwich fell from 90,374 in 1993 to 86,753 in 1995. From 1993 to 1995 retail trade employment share increased from 9.7 to 9.9% in Norwich as a whole. NR1 and NR1 3** also saw substantial increases.

The chart shows that in head terms, from 1993 to 1995 some 279 jobs were lost in retail in Norwich (excluding NR1). Some 87 retail jobs were created in NR1 (of which 178 jobs were based in NR1 3**, the postal sector that includes Castle Mall: i.e. the rest of NR1 lost 91 retail jobs). Only part-time retail job growth was relatively strong and that appears to be focused in NR1 3** (up by 339 or 26% from 1993 to 1995). In NR1 male part-time growth was strongest in percentage terms (up by 28%) from a relatively small base (843). The same picture was true of Norwich as a whole. In 1993 NR1 (including NR1 3**) contained 33% of all retail jobs in Norwich in head terms; by 1995 the figure was 35%. Equivalent figures for NR1 3** were 28% and 31%. There is some sign of construction jobs growth also from 1991 to 1993: up by 413 jobs in NR1.

During the same period Norwich gained 2951 jobs outside retail but NR1 lost 6380 non-retail jobs, of which 1268 were lost in NR1 3**.

In FTE terms Norwich lost 319 retail jobs and NR1 80 retail jobs. In fact NR1 lost 247 full-time retail jobs but gained 334 part-time retail jobs. Norwich (excluding NR1) gained 2190 non-retail jobs and NR1 lost 4785 non-retail jobs.

BUSINESS IMPACT

During 1993–95 Norwich gained 189 retail outlets of which 42 were in the NR1 postal area. Some 32 of these were in the NR1 3** area. There were even more substantial gains in non-retail, ranging from 49% in the shopping centre area to 41% in the rest of Norwich (excluding NR1).
The effects of Castle Mall

The development of Castle Mall was part of an overall strategy for the centre of Norwich. Since the late 1980s Norwich City Council has had a strategic vision for the city centre, and retailing (and commercial leisure) has been seen as a significant economic driver for regeneration. The strategy was put in place for a number of reasons:

- Response to the competition from other centres such as Peterborough, Ipswich and Cambridge that were planning to develop major covered shopping centres;
- A need to revitalise the city centre that had suffered during the late 1980s as traditional industries in the area closed down; and
- A need to improve the retail offer in the city centre to fight against the threat from out-of-town retail.

Prior to Castle Mall, Norwich had no covered shopping centre within the main retail core. There was a dominance of small retail units built around the historic street pattern of the city centre. As a demonstration of this, Table 5.7 shows the total and average floorspace areas for various parts of the principal shopping area. This shows that units to the north of Market Place and to the west of the Castle are particularly small.

Table 5.7 Retail floorspace in Norwich

<table>
<thead>
<tr>
<th>Frontage group</th>
<th>Total retail floorspace (net) (sq ft)</th>
<th>Total number of units</th>
<th>Average retail floorspace per unit (sq ft)</th>
</tr>
</thead>
<tbody>
<tr>
<td>North of Market Place</td>
<td>288,770</td>
<td>155</td>
<td>1,863</td>
</tr>
<tr>
<td>Gentleman’s Walk/Market</td>
<td>162,660</td>
<td>53</td>
<td>3,069</td>
</tr>
<tr>
<td>Timberhill/West of Castle</td>
<td>150,400</td>
<td>105</td>
<td>1,432</td>
</tr>
<tr>
<td>St. Stephens/Westlegate</td>
<td>507,160</td>
<td>55</td>
<td>9,221</td>
</tr>
<tr>
<td>Castle Mall – main retail units (excl. units CM4, LU01, TU01-04)</td>
<td>214,980</td>
<td>62</td>
<td>3,467</td>
</tr>
</tbody>
</table>

Source: Norwich City Council (2001)

The strategy has taken the form of a series of major retail developments, with infill regeneration and renewal between the schemes. The strategy came to fruition with the development of Castle Mall. Subsequently a large former industrial site adjacent to the railway station was earmarked for retail and leisure use in the local plan. This site is now home to the Riverside Retail Park. Castle Mall and Riverside are effectively linked by King Street, an important historic street in Norwich. The regeneration plans include a footbridge of the River Wensum to the Riverside scheme, which has yet to be built.

King Street was closed to traffic and the streetscape improved in order to impart confidence to developers and investors. The street is now the focus of investment activity in the form of new housing (private and housing association stock).

The strategy has evolved in recent years following the closure of the Nestlé chocolate factory. This site is now to be redeveloped by Lend Lease as the Chapelfield Shopping Centre. In fact the council now view:
‘... Riverside as one end of the dumbbell, the Nestlé factory site as the
other with Castle Mall in the middle and all the links that go in between.’

However, although Riverside is close to the railway station, it has been considered to
some extent as separate from what would be regarded as ‘city centre retail’. In a
Norwich City Council survey of retailers in 2000, only around 3% of respondents
considered Riverside to be part of the city centre – the lowest rank for all the streets put
forward for consideration in the survey. In addition, local agents were reported to be
sceptical about the linkages of Riverside to the principal shopping area (Tinworth,
1999).

There is evidence to suggest that the development of Castle Mall increased confidence
in Norwich as a retail centre. Mills (1992) reports that Bonds department store (John
Lewis) was extended on the basis that Castle Mall would go ahead. In addition, just
before Castle Mall was due to open, WHSmith moved to new premises on Gentleman’s
Walk in order to increase their floorspace in the city centre. This represented a 500%
increase on their rental costs in Norwich.

Following the opening of Castle Mall, the impact was reported to have been limited.
Considering that Norwich was in need of modern retail space, Howarth (1994) reported
that:

‘... the focus of attention remains outside the scheme rather than inside it.
Retailers will continue to look outside Castle Mall until it demonstrates its
success’.

Howarth also gives details of footfall surveys in Norwich that were conducted before
and after Castle Mall opened. They showed increases in footfall in Gentleman’s Walk
and White Lion Street. There was also a significant increase in pedestrian numbers on
Timberhill, which had be rejuvenated by the opening of Castle Mall and its subsequent
pedestrianisation.

St Stephen Street’s potential has changed the most since the opening of Castle Mall.
The street has now become dominated by ‘value’ retailers, but it is also one of the few
important shopping streets that is still open to traffic. The street may ultimately benefit
from the development of Chapelfields which will back on to St Stephens Street.

Overall Castle Mall integrated well into the Norwich city centre. It did not harm the
status of the traditional retail areas. Indeed, it could be said that it added a type of
space that was much needed within Norwich and enabled retailers not previously
represented in Norwich to move into the city (for example Hennes & Mauritz). In turn
this allowed small units and tight sites to be reconfigured. These included WHSmith’s
premises on Gentleman’s Walk, but also buildings on Castle Street and Back of the
Inns, such as units currently occupied by Ottakars, Waterstones and Schuh. In
addition, as larger units outside Castle Mall became available, large name multiples
were able to expand. A good example is HMV. Some of these benefits were slow to
materialise, primarily because of the time in the economic cycle that Castle Mall
opened (Freedman, 1996, reports that it was only 82% let three years after opening).
5.5 Outline Case studies

5.5.1 Bromley

Overview

With nearly 1.2mn sq.ft (Goad Area) of town centre retail floorspace, Bromley is one of the largest retail centres in south London, ranking third after Croydon and Kingston-upon-Thames.

The Glades, which opened in 1991, gave a considerable boost to retail provision in Bromley and attracted a number of new high quality multiples to the town. The Centre is situated to the east of the High Street, with an entrance on the corner of the High Street and Elmfield Road. It provides 421,000 sq.ft (gross) of retail space. On completion, the Centre incorporated existing Littlewoods and Marks and Spencer stores, whilst Debenhams moved in from the southern end of the High Street. In 1995, The Glades began to trade on Sundays, in line with Croydon.

Other points to note are:

- Bromley’s main competitor is now Croydon (1.6mn sq.ft floorspace)
- Whitgift Centre is Croydon’s principal centre, where the third phase of redevelopment is currently under way. Other schemes planned include the redevelopment of Grants department store and the extension of the Drummond Centre. But there is little representation of high quality fashion and speciality traders compared with Bromley.
- Lakeside attracts shoppers from north and east of Bromley’s catchment area, and Bluewater also poses serious competition. There is estimated to be 5% to 6% of trade lost to Bluewater, and Bluewater continues to expand.

Table 5.8 provides an overview of the floorspace pattern in 1994.

Table 5.8 Bromley floorspace, 1994

<table>
<thead>
<tr>
<th>000 sq.ft Goad Area</th>
<th>000 sq.m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total floorspace 1994</td>
<td>1,196</td>
</tr>
<tr>
<td>Total comparison flsp</td>
<td>798</td>
</tr>
<tr>
<td>Total managed floorspace</td>
<td>372</td>
</tr>
<tr>
<td>% managed floorspace</td>
<td>31%</td>
</tr>
<tr>
<td>Number of managed centres</td>
<td>2</td>
</tr>
<tr>
<td>Number of multiples</td>
<td>249</td>
</tr>
<tr>
<td>Extent of prime frontage (no. units)</td>
<td>43</td>
</tr>
</tbody>
</table>

Source: PMA

Employment/Business impact

Our analysis of NOMIS data is shown in Figure 5.26. A number of themes stand out:

- This was fuelled by strong growth in male and female part-time employment.
A greater proportion of retail jobs became concentrated in Bromley centre: up from 35% to 41%.

During the same period Bromley lost 1837 non-retail jobs.

Property impacts

The main points to note are:

- The majority of managed floorspace is in The Glades.
- Bromley’s prime pitch is located on the lower level of The Glades, between the High Street entrance and the central body of the scheme by M&S. Retailers on this stretch include French Connection, River Island, Oasis and Ravel.
- A number of retailers defected from the High Street to The Glades when it opened (e.g. Benetton, ELC). The northern section of High Street has proved resilient to competition, aided by recent pedestrianisation. A number of large stores located here (Bhs, C&A, Allders, The Gap, Principles, Monsoon, Russell & Bromley).
- The southern end of High Street has suffered some deterioration in tenant mix with the completion of The Glades. The principal retailer is Army & Navy (House of Fraser). Bromley Mall is also located in this secondary area and is largely occupied by local independents. National multiples are limited to Argos, Dillons, Going Places and Tandy.
- Rents fell faster than national average rate during the recession in the early 1990s, primarily as a result of the major increase in space created by The Glades (see Figure 5.27 and Figure 5.28).
- Data from Goad shows the long-term trends in retail mix within Bromley, reflecting trends towards out-of-town retailing, the development of the Glades and restructuring within the retail industry. As Figure 5.29 shows, the proportion of comparison floorspace has declined in Bromley throughout the early 1990s.
- The Glades is planning to extend. The Food court is to be converted to retail to provide some 30–35,000 sq.ft of additional retail space. This will be made up of 1 unit of 17,500 sq.ft, pre-let to Zara, plus 4 smaller units in the remainder. This will be the largest Zara in the country when it opens.
- One area that suffered the most was Bromley North. There was a concentration of small independent retailers, a lot of which have disappeared.
JOBS IMPACT

The total workforce in Bromley fell from 84,624 to 79,666 between 1991 and 1993. In the same period retail trade employment share increased from 14.2% to 15.3% in Bromley as a whole. BR1 and BR1 1** (where The Glades is located) also saw very substantial increases.

The chart shows that in head terms some 665 jobs were lost in retail in Bromley excluding BR1. Some 878 jobs were created in BR1, of which 622 (46 full time and 576 part time) were based in BR1 1**. Retail part-time jobs grew strongly in NR1 as a whole (up by 29%) and in BR1 1* (up by 32%). In contrast, full-time retail jobs growth was lower, at 12% and 2% respectively. In BR1 growth was strongest amongst male part-time retail workers (up 42%) from 349, although female part-time employment grew by 26% (from a base of 1903 jobs). In 1991 BR1 contained 35% of retail jobs in Bromley: by 1993 the figure was 41%. The equivalent figure for the shopping centre district (BR1 1**) was 29% and 33%.

During the same period, Bromley also lost 1837 non-retail jobs. The figure was much higher in BR1 (3334 jobs of which 486 were in BR1 1*).

In FTE terms Bromley lost 478 jobs but BR1 gained 554 jobs. The non-retail jobs change was 591 and 2288 jobs respectively.

BUSINESS IMPACT

During the period of analysis Bromley (excluding BR1) lost some 11% of its retail outlets. However, BR1 gained 40%. Of the increase in retail outlets, some 60 were based in BR1 1*. Losses occurred in non-retail in both BR1 and the rest of Bromley.
Figure 5.27 Prime Zone A rents in Bromley

Figure 5.28 Bromley and UK Retail Rental Growth (after IPD)
5.5.2 Leicester

Overview

Leicester is a well situated retail centre in the centre of the country on motorway and British Rail networks. London is some 90 miles away and the East Midlands Airport is readily accessible. The City is therefore well placed to benefit from national economic growth and to attract relocations for the South East. Although the manufacturing sector, which has traditionally formed the economic backbone of the area, is still in decline, an expanding service sector is likely to promote future prosperity.

Following the failure of the proposed Centre 21 regional shopping centre to obtain planning permission, retail development in 1989 centred on Leicester’s established shopping area. It was generally accepted that the city was currently undershopped and
the two major schemes then in the pipeline (one of which was The Shires) went some way to rectifying the shortfall in supply. Demand for space in the prime pitch was considerable and rents had grown rapidly since 1987. It is likely that the lack of space in the centre contributed to the successful letting of the two major out-of-town retail parks at that time.

Employment and business impact

Our analysis of NOMIS data is shown in Figure 5.32. The key points to emerge are:

- Leicester suffered a large decline in employment during 1991–93 and the retail labour force as a percentage of total employment also fell from 10.2% to 8.2%. Central Leicester and the postal sector in which the Glades was located bucked this trend.
- Retail only grew in head terms in LE1 and much of this was focused in the LE1 4** postal sector. Part time retail employment grew strongly and male employment in retail was strong.
- Central Leicester increased its share of falling retail employment from 39% to 50%.
- Non-retail jobs fell in the centre but grew outside the centre.

Property impact

As Figure 5.30 shows, retail growth in Leicester has been consistently strong compared with the rest of the UK. The evidence from 1990 to 1996 suggests that growth was stronger in this centre than before 1990, perhaps attributable to The Shires Centre. This is also borne out by retail demand data.

Figure 5.30 Leicester and UK Retail Rental Growth (after IPD)
Figure 5.31 Change in Proportion of Floorspace in Leicester (source, Goad)
**Figure 5.32 Employment and Business Impact: The Shires, Leicester, 1991-93**

**Retail Trade (SIC 52) Share of Total Employment (%)**

<table>
<thead>
<tr>
<th></th>
<th>1991</th>
<th>1993</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leicester</td>
<td>10.2</td>
<td>8.2</td>
</tr>
<tr>
<td>LE1</td>
<td>10.4</td>
<td>10.6</td>
</tr>
<tr>
<td>LE1 4**</td>
<td>12.2</td>
<td>22.5</td>
</tr>
</tbody>
</table>

**JOBS IMPACT**

The total workforce in Leicester fell from 152,203 in 1991 to 149,140 in 1993. During the same period the retail labour force fell from 10.2% of total employment to 8.2%. LE1 saw a marginal increase but the postal district for The Glades saw a more dramatic increase.

The chart shows that, in head terms, from 1991 to 1993 some 3402 retail jobs were lost in Leicester excluding LE1. In LE1 as a whole, some 57 jobs were gained, and in LE1 4** 587 retail jobs were gained, comprising 211 full time and 376 part time. This implies a net loss in the rest of LE1 of 530. The growth in part-time retail employment was particularly strong, and bolstered employment in the retail sector. Growth was strongest in male full-time employment (up by 13%) in LE1, although in Leicester as a whole net losses occurred in both male and female groups. Whilst non-retail jobs grew in the rest of Leicester (up by 1023), in LE1 there was a net loss of 741. In 1991 LE1 contained 39% of all Leicester retail jobs: by 1993 the figure was 50%. This reflects the decrease in retail employment in Leicester as a whole from 15,546 to 12,201, a fall of 22%.

In FTE terms Leicester lost 3271 retail jobs and LE1 lost 66 retail jobs. The non-retail equivalents were +869 and -1248.

**BUSINESS IMPACT**

During 1991–93 the number of outlets in retail fell in both LE1 and the rest of Leicester, reflecting the fall in employment in retail and the general recession. Non-retail falls were all prominent, especially in the LE1 postal sector.
Figure 5.31 shows the trends in floorspace mix within Leicester during the early 1990s and up to the present day. This shows an upward trend in comparison goods.

5.5.3 Worcester

Overview

Worcester is a sub-regional shopping centre within the West Midlands, situated on the River Severn and adjacent to the M5 motorway. In 1989 before the development of Crowngate, Worcester was ranked fifth in West Midlands shopping centres. By 1994 after the development of Crowngate it was ranked fourth in terms of floorspace and equal first with Coventry in terms of number of department stores. The Crowngate scheme, which was opened in April 1992, won a British Council of Shopping Centres Town Centre Environment Improvement award in 1994. The high quality of the scheme impressed the award panel, who felt:

‘There is nothing piecemeal about the Crowngate development. New structures blend harmoniously with restored heritage sites, vigorous commerce sits comfortably alongside culture, and its broad bold vision is underpinned by careful attention to every detail.’

Evidence from the Annual Retail Monitor (City of Worcester, 1995) suggests that in the period after Crowngate was opened vacancy levels declined.

Other points to note are:

- Worcester has a pleasant, largely pedestrianised shopping environment with a broad mix of retail accommodation. It has emerged as a sizeable ‘sub-regional’ centre, with just under 1.2mn sq.ft (GOAD area) of retail floorspace, and ranks 47th of the 100 PROMIS Centres in terms of overall size.

- Worcester has a broad retail offer, with a wide range of multiples and good department/variety store representation. In addition to Debenhams, the city has three other department stores: a 78,000 sq.ft (gross) Beatties store within Crowngate’s Chapel Walk, a smaller and more downmarket Russell and Dorrell within the Lychgate Centre, plus a Co-op Living situated off-pitch to the north east of the High Street.

- The main shopping street, the High Street, is pedestrianised throughout most of its length, as are more secondary shopping streets such as The Shambles, Broad Street and Friar Street. The city has a mixture of modern floorspace and older, smaller arcades and shop units, housing some speciality trader and up-market fashion retailers.

Employment and business impact

Our analysis of NOMIS data (Figure 5.33) highlights several key issues:

- Retail trade employment share fell within a declining overall workforce.

- Retail jobs losses occurred throughout Worcester, including central Worcester.

- Despite this, central Worcester retained a relatively high proportion of retail staff at the end of the period of analysis (46% in head terms in 1995).
JOBS IMPACT

The total workforce in Worcester fell from 41,755 in 1993 to 41,592 in 1995. During the same period retail trade employment share in WR1 fell by 1.3% and in the rest of Leicester by 2.7%. In the Crowngate Postal district retail share increased by 4.4%.

The chart shows in head terms that from 1993 to 1995 some 1113 jobs were lost in retail (765 full time and 348 part time) in Worcester (excluding WR1). Job losses of 58 also occurred in WR1 as a whole and in WR1 3**. Part-time jobs failed to recover and both Worcester and WR1 show net losses in retail part time and full time jobs. In WR1 as a whole, growth was strongest amongst part-time male workers (up by 14%) although in Worcester as a whole net losses occurred in both male and female groups. Overall retail jobs in Worcester as a whole fell by 14% whereas non-retail jobs grew by 3%. Despite this, WR1 contained 46% of all Worcester retail jobs in head terms in 1993: by 1995 the figure was 52%.

In FTE terms retail also performed less well than non-retail over the period in question. WR1 lost 57 jobs: the rest of Worcester 939 jobs. A total of 574 non-retail jobs were added in WR1 and in the rest of Worcester 76 jobs.

BUSINESS IMPACT

During 1993–95 Worcester (excl WR1) gained a large number of retail outlets, up by 93.5%. Gains in WR1 were less dramatic: 18.5%. Non-retail outlets also increased in number in both geographic areas.
Property impact

Rental growth in Worcester has followed national trends very closely (see Figure 5.34). During the 1980s it slightly under-performed compared to the picture for the UK as a whole, but more recently it has shown slightly higher growth rates than the UK average.

Figure 5.34 Worcester and UK Retail Rental Growth (after IPD)

![Graph showing unit shop rental value growth index, 1980 = 100, for Worcester and UK retail rental growth from 1980 to 1996.]

Figure 5.35 Change in Proportion of Floorspace in Worcester (source, Goad)

![Graph showing the percentage of total floorspace for different categories from 1993 to 2000. Categories include Convenience, Comparison, Services, and Miscellaneous.]
Figure 5.35 shows the changes in floorspace over the early 1990s as comparison and convenience stayed relatively constant whilst services increased. This is very much similar to patterns seen elsewhere in the country.

5.6 The impact of ecommerce – future issues

5.6.1 Changes in context

This research is also concerned with future changes to the case study centres. As indicated in Chapter 2 of this report, ecommerce poses particular issues for shopping in the 21st century.

Indeed, the threat of ecommerce in the high street comes at a time when the retail floorspace landscape has changed dramatically and investors are posing serious questions about retail property performance. The key trends that were highlighted earlier in this report have certainly impacted on floorspace patterns in the UK. The retail landscape of 2002 in the UK is very different from that of more than 20 years ago. Changes in lifestyle, cycles in economic growth, a tightening of the planning regime (through PPG6 and PPG13), and the recent store closures of leading retailers have all combined to create a changed landscape. Consolidation in the retail sector has also reduced the number of stores but increased store size. This also reflects the decline in neighbourhood stores versus out-of-town superstores (Figure 5.36).

Overall retail floorspace has increased from 38.8mn sq.m (418mn sq.ft) in 1980 to currently some 60mn sq.m (646mn sq.ft) of mainstream retail stock in the UK (which includes high street stock, managed shopping centre malls, district and neighbourhood centres, retail parks, superstores and factory outlets). This represents an increase of 1mn sq.m (10.8mn sq ft) per annum over almost 20 years.

However, this masks a marginal fall in the high street share of floorspace over the same period, with nearly 28mn sq.m (300mn sq.ft) in 1980 (75% of total space) to 27mn sq.m (290mn sq.ft) in 1998 (45% of total space). As Figure 5.36 shows, falling sales densities and the competition from out-of-town has led to a decline in relative sales share from 54% in 1990 to 49% in 2000.

Despite this, the growth of town centre shopping malls has more than made up for this erosion of town centre trading. Managed shopping malls in town centres totalled 6.5mn sq.m (70mn sq.ft) in 1980: today they total 10.55mn sq.m (a rise of more than 60%). As a result, 18% of all retail space in the UK is found in shopping malls located in town centres. In turn this represents a rise of 9% from 35mn sq.m (377mn sq.ft) in 1980 to 38mn sq.m (409mn sq.ft) today.

Taken together with new shopping centres that use space more efficiently, these figures show that the so-called ‘decline’ of the town centres needs careful scrutiny.

Nevertheless, the boom of out-of-town centres does put this growth into perspective. In 1980 only 1.08mn sq.m (11.6mn sq.ft) of out-of-town centres existed. Since then this has grown to 4.6mn sq.m (49.5mn sq.ft), 7.7% of retail stock, supported by growth in out-of-town centres, regional malls, district centres and factory outlet centres.

DTZ (1999) suggested that in 2000, on the basis of retail sales, expected trends in sales productivity and retail sales in the pipeline, the high street (as a whole) would still account for 46% of retail space, with a further 18% taken up by in-town centres. This would occur despite a fall in traditional high street space between 1998 and 2000.

Polarisation between prime and secondary locations is likely to continue as the planning regime bites. For example, at a town level in the 1960s, 50% of non-food sales came from the largest 200 locations; in 1997 the same 50% came from just 80
locations. Verdict estimate that the top 100 high street locations account for 58% of non-food spending.
Figure 5.36 UK retail floorspace changes

There is increasing consolidation of retail space......

Although the high street is still important.....

..it faces stiff competition from out-of-town locations....

..as its relative share of total sales declines

Note: Data based on DTZ (2000) and Verdict (2000)
Most commentators also now believe the White City regional shopping centre will be the last of its kind, thus reinforcing restructured supply trends (i.e. new retail completions in 1998–2000 were around 50% of the rate recorded over the last 18 years) as the effect of PPG6 begins to bite.

5.6.2 Analysis of Goad data

Our analysis of the data must be viewed against this background of shifting balance between in town and out of town. To investigate the potential threat to various towns from ecommerce, we used floorspace data from Experian Goad.

Floorspace profiles\(^8\) were built up for five of our case study towns for key ‘at risk’ property types\(^9\) in the comparison and services sectors (Figure 5.37):
- Worcester;
- Norwich;
- Reading\(^10\);
- Leicester;
- Bromley; and
- Aberdeen.

Figure 5.37 The impact of eCommerce: the extent of ‘at risk’ property

![Bar chart showing floorspace profiles for different towns](image)

(based on Experian Goad data)

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8 Goad data is based on the footprint of the building and does not reflect the number of floors in a building. However, it remains a valuable source of data.
9 Based on our own research results (i.e. travel agents and banks/financial services) and other research. Convenience categories do not form part of this analysis.
10 We do not have sufficient data on Bristol to include it for comparison so we have included Reading as an additional example, although it does not feature in the main part of the study. This part of our study is based on Dixon and Marston (2001).
In what may be termed an ‘historic town’ (Worcester), the proportion of bookshop space is relatively high. The spread of other types of use is broadly consistent across the towns selected, but in Norwich the amount of floorspace is more than twice the national GB average, reflecting the strong financial and banking base of the city.

In total space terms, within the categories shown, some 17% of floorspace is ‘at risk’ from e-commerce nationally in Britain. Interestingly, Worcester and Norwich are potentially most at risk in terms of total floorspace. These are two important historic centres which would expect to maintain their positions as attractive shopping environments.

It is also interesting to note the changes in ‘at risk’ floorspace proportions over time. Data from Goad indicates that nationally, although the overall balance has stayed relatively constant between convenience and comparison, there have been changes within these broad categories, and between 1991 and 2001 the amount of space devoted to ‘services’ increased by nearly 2%.

Figure 5.38 National floorspace changes

![National floorspace changes](image)

(\textit{Source: Experian Goad})

Within categories the balance has shifted, however. As Figure 5.38 shows, floorspace falls (in proportional terms) occurred in estate agents, building societies, and video/music. Gains were made in banks/financial, travel agents and books. Clearly e-commerce is one of a number of forces impacting on retail space, and in fact the overall ‘at risk’ floorspace fell from a total of 18.2% to 17.5% over the period 1991–2001, with only the latter 3 years of this period coinciding with e-commerce growth. Finally, over the same period nationally, the proportion of restaurants, cafes, fast food and takeaways increased from 6.19% in 1991 to 7.81% in 2001\textsuperscript{11}.

\textsuperscript{11} Recent statistics from DTLR (2001) suggest A3 uses comprised 6% of floorspace in England and Wales in 2000.
Figure 5.39 Total ‘at risk’ floorspace in Great Britain

Source: Experian Goad

Figure 5.40 Total ‘at risk’ floorspace, 1991–2001, Great Britain

Source: Experian Goad

Such an admittedly simple analysis does, however, reveal that these centres need to monitor the health and vitality of their shopping centres as ecommerce continues to grow. CACI (2001) have carried out some interesting work which examines the impact
of Internet penetration on retail centres. As can be seen in Table 5.9, the five major City shopping centres with greatest online activity amongst their shopping catchments are London (West End) followed by Reading, Cambridge, Bristol and Birmingham. These centres all rate highest in terms of Internet penetration, recentness of online purchases and propensity to book online for holidays and CDs.

Table 5.9 Major shopping centres ranked by ecommerce activity (after CACI, 2001)

<table>
<thead>
<tr>
<th>Centre</th>
<th>% Online</th>
<th>Internet days/week</th>
<th>Number of purchases in last 2 weeks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. West End</td>
<td>58.5</td>
<td>4</td>
<td>0.2</td>
</tr>
<tr>
<td>2. Reading</td>
<td>45.1</td>
<td>3.9</td>
<td>0.3</td>
</tr>
<tr>
<td>3. Cambridge</td>
<td>42.7</td>
<td>3.9</td>
<td>0.3</td>
</tr>
<tr>
<td>4. Bristol</td>
<td>39</td>
<td>3.8</td>
<td>0.2</td>
</tr>
<tr>
<td>13. Aberdeen</td>
<td>32.5</td>
<td>3.9</td>
<td>0.3</td>
</tr>
<tr>
<td>16. Norwich</td>
<td>30.7</td>
<td>3.8</td>
<td>0.2</td>
</tr>
</tbody>
</table>

Although 5 of the 6 centres (with the exception of Bon Accord) have their own dedicated websites, these are information sites and do not enable web-based purchases in the same way that some shopping centre mall portals do in the USA (Figure 5.41).

The ODPM Property Advisory Group (2002) report suggested that larger towns would be affected by ecommerce less than smaller towns, and more research is needed in this area to address such issues as:

- The extent to which convenience goods are under threat;
- The extent to which town centre floorspace patterns are changing over time and what role ecommerce may play in this;
- How a typology of towns at risk from ecommerce can be developed;
- The extent to which online consumer demand may impact on retail catchment areas; and
- How ecommerce is affecting retailing at an individual store and shopping centre level in terms of profitability, turnover and rent.
Figure 5.41 Websites of Case Study Shopping Centres
6 Conclusions

6.1 Overview
This chapter draws together the main trends emerging from the literature discussed in the report, and the new research covered in previous chapters, and also provides conclusions to the study.

6.2 Key contextual issues
Our literature review and analysis of statistics nationally highlights several key contextual issues for the current research.

6.2.1 The importance of the retail industry at a national level
There is no doubt that nationally the retail industry is a very important contributor to UK economic growth:

- Retailing is one of the UK’s top service sectors in terms of gross value output added (over 5% in 2000)
- Between 1980 and 1999 the real output of retail services in the UK economy increased at a faster rate than the growth of the whole economy (3.4% compared with 2.4%).
- In 2000 retail employed 2.7 million (in head terms), which represented 10.8% of the British workforce. Strong growth in retail from 1981 to 2000 has been underpinned by rapid female part-time employment growth (up from 34% of jobs to 45%).
- Regionally, our location quotient analysis shows a strong retail presence in the South West and Eastern regions, fuelled by seasonal part-time work and by population growth.

However, change has characterised the retail landscape in the UK since the 1960s. Such forces for change include changing work and leisure trends; demographic changes; consolidation; squeezing of margins; and the impact of ecommerce. The impact of ecommerce is likely to have a growing influence on retailers’ margins as online sales grows, and this will affect the demand for conventional store space.

6.2.2 Policy context
It is against this backdrop of change that planning policy and guidance has evolved in the UK and the rest of Europe. Faced with increasing trends towards decentralisation, fuelled by car ownership and greater levels of affluence and consumer choice, governments have struggled to come to terms with how to maintain the vitality and viability of town centres.

In the UK the 1996 PPG6 revisions are seen by many as a seminal point in the history of retail development. There is certainly evidence to suggest that PPG6 has slowed the decentralisation trend towards out-of-town retailing. Moreover, recent policy from the current government has been structured in such a way as to focus attention on areas that have been squeezed between central and marginal developments: namely the inner city areas. The Neighbourhood Renewal Strategy is a centre point of this policy and town centres themselves have been strengthened by the renewed vigour of town centre management schemes. More recently BIDS have been vaunted as a way of
improving town centres still further through the direct involvement of local business in
town centre improvement and maintenance.

6.2.3 Property and employment dimensions to UK retail

If retail is to be an important core to regeneration programmes, it is important to assess
the contribution retail development makes to economic growth in town centres. Previous research by PMA (2000) has highlighted the fact that shoppers, retailers and
investors all seek key attributes to success. For example, investors seek a large
catchment; stable economy; strong retail presence; shortage of space; competition and
dominance in a scheme. New schemes may shift prime pitch and undermine existing
areas, leading to falling values and lack of investment in weaker parts of town. Moreover, there may be issues with whether the new in-town scheme links effectively
with the core retail area; whether the opening of the new centre is in a town which is
relatively weak in retail demand terms; or whether the scheme is occurring at a time
when weaker occupier market conditions will be severe.

In terms of employment, previous research has been fairly ambiguous in its findings. Shortage of good quality data has often hampered attempts to provide cogent and
robust measurement of the employment impact of superstores, for example. Yet there
is little doubt that retail developments provide the opportunities for economic growth
through the multiplier effect in local economies. Knock-on or multiplier effects are
recognised as comprising two types of economic interaction:

- Indirect effects: particular industries purchase goods and services from other
  sectors to support their own activity and thus stimulate those industries as well.
  These supplying industries make purchases from other suppliers in order to fulfil
  the orders and they also make purchases, so there is a ‘ripple’ effect.

- Induced effects: industries pay wages and salaries to their employees, who spend
  income on consumer goods and services. This creates wage income for employees
  in other industries who spend their income, again causing a ripple effect.

6.3 What does the new research show?

6.3.1 Retail multipliers

Our analysis of multipliers for UK retail in 1995, the latest data available in basic price
format, reveals the following:

- Type I Employment multiplier: 1.2;
- Type II Employment multiplier: 1.5.

Multipliers can be used to examine the impact of a specific event in the UK economy –
for example a shopping centre opening. To illustrate this, consider a hypothetical
opening of a shopping centre employing 400 people on a full-time basis in retailing.

In considering the impact on the economy we can use multipliers to estimate:

- Effects on suppliers of the shopping centre; and
- Effects on the economy due to an increase in the spending of the new employees.
Effect on suppliers (Indirect employment effect)

Total FTE Jobs 400 x 1.2 = 480 direct and indirect new FTE jobs. This is equivalent to 400 direct FTE retail jobs and 80 new indirect FTE jobs.

Effect of increased household expenditure (Induced employment effect)

We would also expect to see an increase in household expenditure among those who have gained employment through direct and indirect employment effects. This is the induced effect and is estimated using Type II multipliers (i.e. 1.5).

Our example gives us:

Total FTE Jobs 400 x 1.5 = 600 direct, indirect and induced jobs. As we have already calculated a direct and indirect increase in employment of 80 (FTE), it is estimated that a further 120 jobs (FTE) are created as a result of induced demand.

We can also calculate other multipliers for retail:

- Output Multiplier: 2.2 (i.e. a secondary effect of £113.4bn in sectors outside retail in 1995); and
- Income Multiplier: 1.9 (i.e. £34.95bn worth of household spending in other sectors in the UK in 1995).

Surprisingly, more up-to-date multipliers are available for Scotland. In the UK, the ONS has not updated its 1995 input–output tables in terms of either basic prices or the derivation of Leontief matrices, making it difficult to calculate the equivalent 1998 multipliers.

6.3.2 Case studies

In general, our case studies reveal two main findings:

- During a period of recession and overall job losses, shopping centre developments in our six centres appeared to create jobs against the trend.
- In some towns rental growth was bolstered as a result of the new development, but in others the size of the development and adverse economic conditions appeared not to provide the momentum to power sufficient property performance growth.

Although it is difficult to cast forward the multiplier effects at a national level into the local economy, there were certainly signs that in the postal sectors in question retail jobs had been created. This was difficult to corroborate because of the lack of employment data from schemes which were built in the 1990s. Only in Norwich could we find sufficient historical evidence to add another layer to our description. It is also likely that construction jobs will be created as a secondary effect in the local economy.

However, two provisos need highlighting:

- Many of the jobs created were part-time jobs, and headcounts can over-inflate the impact of retail developments.
- There is evidence to suggest that retail and non-retail employment in inner city areas may well have been squeezed in the case study centres.

The latter point was raised as an issue by Dunham et al (1994) in relation to Leicester. They argued for a sector-based approach to retailing at a local level in Leicester and were quite scathing about the impact retail had at that time in terms of job creation:
‘Low pay, de-skilling, the increased use of part-time and flexible contracts and the erosion of employment rights contrast sharply with the high profitability of many of the retail multiples. Within retailing there is a division between the often low paid, locally based and largely female sales staff and the managers, who tend to be male and recruited on a national rather than a local basis. New retail developments are not, therefore a panacea for local (especially male) unemployment, with many of the retail jobs taken by people who do not appear in the unemployment statistics.’

In fact, NOMIS data for the centres concerned, including Leicester, showed a surprising growth in male part-time and full-time employment, albeit operating from a smaller base. Nationally over a 20-year period it is certainly true that female and part-time employment has driven retail employment, although the early 1990s do seem to have seen some growth also in male employment (full- and part-time) in retailing, perhaps reflecting some of the concerns of Dunham et al.

There were also signs from the case studies that the trends towards development of out-of-town retailing were perhaps squeezing local authority level retail employment, except in the centre. The centres show a greater consolidation of retail employment, reflecting a decline in inner city areas perhaps, but from a smaller base (i.e. in some cases a diminished workforce). Certainly at this time out-of-town developments in Leicester (e.g. Fosse Park) and other towns and cities were occurring. We did not examine data outside the local authority boundaries, however, so it is not possible to highlight the importance of out-of-town retail employment beyond the local authority boundary.

At the same time we also found evidence of increasing numbers of retail outlets in our case study centres over the period of analysis. In a number of centres this was accompanied by the decline in the number of non-retail outlets. It is difficult to establish cause and effect in such complex and small localities, however.

The Norwich case study suggests that developing centres during a downturn can succeed if the development improves the retail offer and is well integrated with the rest of the town’s shopping facilities. Norwich (Box 2) shows that retail jobs were a valuable contributor and that in property terms rental growth held up well and appeared to be boosted in adjacent areas. Bromley, on the other hand, experienced some deterioration in rents in marginal areas. Worcester also appeared to continue to underperform other centres in terms of rental growth, despite the rebuilding of the centre.

There is a trade-off here, of course. If Worcester had incorporated a much larger shopping centre this may have changed the retail landscape dramatically and provided a step change to retailing in the town. However, demand may be slack especially in times of recession and that must have been an issue for planning authorities during this period. Moreover, the shopping centres that appear to be successful are the ones that are appropriate in size and retail offer for the town in question. To that extent rental growth performance is just one measure of a scheme’s impact.
Background
The retail centre of Norwich is based around the historic medieval street pattern of the city. The only covered shopping centre, Castle Mall, was built in 1993. The Castle Mall centre is an 85-unit centre with a total trading area of 33,445 sq.m. Built on 4 levels, it has five major retailers together with a multiplex cinema.

Impact
The development of Castle Mall was part of an overall strategy for the centre of Norwich, which the Council had developed since the late 1980s. The strategy was implemented to respond to competition from other centres such as Peterborough, a need to revitalise the centre, and a need to improve the retail offer to compete against out-of-town. The strategy has been to develop a series of major retail developments with infill regeneration and renewal.

Evidence suggests that Castle Mall increased confidence within Norwich as a whole. Footfall increases were recorded in adjoining areas which benefited from the scheme. The scheme did not harm the status of traditional retail areas and added much-needed retail space. Because of the recession, however, the scheme did take time to fully let (in 1996 it was 82% let). Rents were boosted in the adjacent areas of Castle Mall, although further out rental growth was slacker. During the 1980s and early part of the 1990s Norwich continued to outperform the UK standard shop rental value growth average.

In employment terms the NOMIS data suggests that Castle Mall was a valuable contributor to jobs, although much of the additional employment appears to be part time. This came at a time when job losses were severe outside retail.

The future
In 2002 Norwich is ranked 9th in the Experian retail rankings. It continues to flourish as an historic centre and retail destination. Nonetheless the new Chapelfield development is set to change the retail landscape once more. It will also be important to monitor the impact of ecommerce because Norwich has above average ‘at risk’ categories.
6.3.3 eCommerce

Our research in this project, which builds on the work we have carried out previously (Dixon and Marston, 2002), highlights the fact that in some towns and cities a high proportion of floorspace is ‘at risk’ from ecommerce. This is in the sense that it comprises categories where ecommerce has made substantial inroads into conventional store-based sales. Norwich and Worcester, for example, have above average proportions of floorspace in books and financial service categories. But are these towns under threat? It can be argued that their shopping centres are successful, they boast a rich cultural heritage and they have strong shopping centres. But these centres were built in the 1990s and ecommerce does pose a real threat, as witness the CACI statistics cited for these towns in Chapter 5.

Moreover, although Goad data can provide useful measures of gross floorspace (in footprint terms), richer levels of data are needed to be able to track floorspace changes. Recent data sources which help in this respect include:

- Commercial and Industrial Floorspace and Rateable Value Statistics, 2000 (DTLR)\(^{12}\); and
- Producing Boundaries and Statistics for Town Centres, 2002 (ODPM)\(^{13}\)

6.4 Data issues and limitations of the research

Our research is intended to provide the first part of a continuing study into the impact of retail on regeneration schemes. Although the evidence suggests that retail has a very real role to play, it is important to assess the jobs realistically in terms of FTEs. It may seem rudimentary to ‘value’ a part-time job as 0.5 of a full-time job, but FTEs can be argued to be more accurate descriptors of retail employment than ‘heads’.

Certainly the NOMIS data may also contain hidden traps for the unwary. As Thorpe (1999) pointed out in relation to the use of employment data from the Census of Employment, various inaccuracies can exist even in official statistics. These inaccuracies can operate at three levels:

- Data errors in returns to the Census. For example, temporary or part-time jobs may have been excluded from the returns made by firms.
- Data errors from the estimating procedures used by the Census authorities especially in local areas statistics.
- Geo-coding errors including unit postcode definition, unreferenced post codes and incorrect returns from multiple retailers.

In this report we used NOMIS (National Online Labour Market Statistics) to map employment changes during the period of analysis for the research. Because of differences in sampling and the conduct of surveys it is important not to ‘mix’ AES and ABI data. We have therefore used AES data for our analysis of 1990s shopping centres, all of which were developed during 1993–95.

We have used the SIC code of Retail Distribution (52) for our analysis The issue of how far to judge the impact of shopping centre development locally is important. As centres

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\(^{12}\) Available at [http://www.planning.odpm.gov.uk/frvcip/index.htm](http://www.planning.odpm.gov.uk/frvcip/index.htm)

\(^{13}\) Available at [http://www.planning.odpm.gov.uk/towncent/](http://www.planning.odpm.gov.uk/towncent/)
are likely to have an impact over quite a large area, we present employment statistics at three levels:

- Local authority level;
- Postal sector level; and
- Postal district level.

By disaggregating and unwrapping these three layers within each case study, our findings can be more easily compared over the geographic area in question. However, it should be noted that postal district level data may not always be accurate as they represent estimates within the AES sample base.

Moreover, we suggest that, for centres developed during 1995 or post-1995, ABI data and revised AES data should be used. This data is again available from NOMIS at a local level.

Nationally we were also constricted by the non-availability of up-to-date input–output (I–O) tables for the UK. Firstly, the latest UK I–O Analytical Tables are for the year 1995. Previously, ONS plans were to produce annual UK I–O Analytical Tables in line with the annual UK I–O Supply and Use Tables, and to develop UK Type II multipliers from 1998, also available on an annual basis. Since the publication of the 1995 UK I–O Analytical Tables, our plans have changed, and we will not be producing annual UK I–O Analytical Tables. This is due to the need to find resource to help e-engineering the National Accounts. As a result, the next set of UK I–O Analytical Tables may not be produced for at least another 3 or 4 years.

This is unfortunate and it would be useful to have access to more up-to-date basic price and Leontief matrices for the UK as in Scotland.

### 6.5 Policy implications

The research has a number of policy implications.

As Whysall (1995) pointed out, Britain’s inner city shopping centre problems are unlikely to be resolved solely by the addition of more modern retail floorspace.

> ‘The problem is not merely one of the inadequacy of the supply of modern retail space, but also concerns the nature of the historic retail stock, the physical environment of the centre, non-retail facilities, competing centres, demand in the traditional catchment area, and so forth. Often the problem of inner city shopping areas is an excess of supply of retail properties over a declining level of local demand, set in an increasingly competitive context. To respond to this by adding more attractive floorspace is surely a high risk strategy.’

In another context, Stathers (2002) has argued for a finer level of detail in retail planning to take account of the very different landscape we find in the 21st century. This is also important to bear in mind for retail regeneration strategies. There will be ‘winners’ and ‘losers’ in the town centre stakes (Figure 6.1).

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14 Information from a personal email from Sanjiv Mahajan, ONS.
It is also to be hoped that in addressing inner city problems the government’s Neighbourhood Renewal Policy will start to bear fruit. The government actively seeks to encourage Local Strategic Partnerships (LSPs) and Neighbourhood Management pathfinders to experiment with local retail strategies in order to regenerate deprived areas. Intermediate Labour Markets (ILMs) are also a growing labour market phenomenon in the UK. ILMs are based on the concept that there is a market for paid labour intermediate between unemployment and full employment. The Seacroft Partnership in Leeds is a very successful example of an ILM involving inputs from Leeds City Council, East Leeds Family Learning Centre, the employment service and a group of employers led by Tesco. Tesco’s development of a flagship store creating 450 jobs has been an important component of this model. Moreover, there is a growing recognition in Europe (Balsas, 2001) that retail should be stimulated in existing urban fabrics as an integral part of regeneration projects.

It will also be important, therefore, to incorporate retail within schemes that provide integrated regeneration in overall land use terms, and particularly in relation to existing retail provision. The retail landscape of today is very different from that of the early 1990s. Urban regeneration schemes must also recognise the importance of sustainable development which requires consideration of environment, transport and social inclusion issues. Factors to be considered include (Environment Agency, 2002):

- Resource consumption;
- Environmental capital;
- Urban design quality;
- Equity/social inclusion;
- Participation;
- Commercial viability; and
Integration of environment and quality of life.

Inevitably Internet shopping will also need to be considered and the linkages between employment and the local economy properly tracked. This has already been incorporated within the work of the ODPM's Planning Advisory Group (PAG, 2002). This group has undertaken work in four discrete areas where trends are already discernible:

- Geographical and spatial impacts;
- Infrastructure;
- Impact on the suburbs;
- Building use issues.

The group was careful to examine only the drivers for change and not the likely Government response to that change. In general, the Group sees the impact of ecommerce leading to further clustering but also marginalisation. As far as retail is concerned, cities’ spatial mix may be shaped in the following ways:

- City core – increased sales, pressure for accommodation, offset by disintermediation of some retailers. Some retreat to prime areas, contraction of secondary areas.
- Inner city – more abandonment on CBD borders as secondary retail retreats to prime.
- Suburbs and urban fringe – the effects of disintermediation might ease some of the pressures for growth.

The PAG also looked at the impact in different types of area. Again in relation to retail:

- Central London – Special location, hit less than most retail centres.
- Outer London and South East – Attractive and larger towns do better than more ordinary towns. Generally more penetrated than northern towns, given greater affluence (to purchase hardware) and more white-collar families.
- Metropolitan Areas (ex South East) – Larger choice of goods, therefore less badly affected than small towns.
- Towns (ex South East) – Unless these towns have other attractions, such as a pleasant environment, could lose trade to larger towns.
- Country towns – Could find ecommerce particularly attractive. However, probably already have more of a (less affected) convenience role.

These and developments in other property sectors have implications for Government policies:

- Planning – ecommerce renews the need for policy changes which have already become apparent, particularly to resolve the tensions between conservation and development; to plan for technology-led growth and new patterns of living and working. This is particularly true of the development plan system to make it more flexible with regular updating.
- Regeneration – urban areas at the margin and locations within those areas are likely to become more marginalised. Opportunities to use ICT-led developments for regeneration exist, but trends towards online retailing will have an impact on the suburbs and smaller town centres. Travel agents and estate agents supplanted by online services will produce vacancies in prime areas which will be filled with new office types or relocated secondary businesses moving up. Secondary locations...
may deteriorate further as businesses move out to relocate or themselves are impacted by ecommerce.

- Sustainable development – the impact on sustainable development is complex. On the one hand, the ability of the economy to grow more rapidly without inflationary constraints is likely to result in a higher trend rate of economic growth, but on the other hand this growth may be less resource-intensive and more sustainable than before. Transport patterns will also be affected, with teleworking and online retailing potentially reducing and changing some types of traffic flow.

6.6 Further research

The current research has shown how important retail is at a national level in terms of employment and gross value added. Multipliers are valid and robust measures of its impact at a national level, but the impact at local shopping centre level is complex because of possible problems with data sources.

Nonetheless the current research has shown that it is possible to assess the impact of shopping developments *ex post*. Today, impact analyses would provide a rich *ex ante* data source against which to judge subsequent economic and property impacts of the developments in question. We believe this research therefore should provide a foundation for other case study based research which seeks to compare more recent developments (in the late 1990s) with earlier developments so that contrasts over time may be more easily made, and further best practice examples highlighted.
Appendices

Appendix A: Location Quotients
To examine the importance of the retail sector for employment across the country location quotient analysis has been used. The location quotient is a measure of the degree to which any an area has a specialisation or concentration of a particular activity.

The location quotient for a given activity for area $i$ is the ratio of the percentage of the total regional activity in area $i$ to the percentage of the total base in area $i$. It can be represented as:

$$LQ_i = \frac{A_i / A_N}{B_i / B_N}$$

where $A_i$ is equal to the level of activity in area $i$ and $B_i$ is equal to the level of the base.

For this analysis of retail employment the base used is the total number employed. $A_i$ and $B_i$ represent the total number of people employed in retail respectively, in area $i$ and nationally. $A_N$ and $B_N$ represent the total employed across all sectors for both area $i$ and the country as a whole.

The location quotients can be interpreted as follows:

If $LQ > 1$, there is a relatively high concentration of retail employment in area $i$ compared with the nation as a whole.

If $LQ = 1$, retail employment in the area is in accordance with its share nationally.

If $LQ < 1$, there is a lower concentration of the retail employment in the area than nationally. In these circumstances retailing can be regarded as a ‘non-basic industry’ in employment terms (Hoover, 1975; Virtanen et al, 2001).

Location quotients by region

This map is based on data provided with the support of the ESRC and JISC and uses boundary material which is copyright of the Crown.
Our analysis shows that the bottom 20 districts (2000) in LQ terms are as follows.

<table>
<thead>
<tr>
<th>District</th>
<th>County</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of London</td>
<td>Greater London</td>
<td>0.114</td>
<td>0.124</td>
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<td>Tower Hamlets</td>
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<td>0.375</td>
<td>0.378</td>
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<td>South Cambridgeshire</td>
<td>Cambridgeshire</td>
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<td>0.455</td>
<td>0.408</td>
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<td>Islington</td>
<td>Greater London</td>
<td>0.457</td>
<td>0.490</td>
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<td>Warwickshire</td>
<td>0.480</td>
<td>0.493</td>
<td>0.432</td>
</tr>
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<td>Sedgefield</td>
<td>Durham</td>
<td>0.653</td>
<td>0.767</td>
<td>0.502</td>
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<td>Runnymede</td>
<td>Surrey</td>
<td>0.625</td>
<td>0.671</td>
<td>0.503</td>
</tr>
<tr>
<td>Daventry</td>
<td>Northamptonshire</td>
<td>0.878</td>
<td>0.630</td>
<td>0.525</td>
</tr>
<tr>
<td>Hackney</td>
<td>Greater London</td>
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<td>0.534</td>
<td>0.525</td>
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<td>South Ribble</td>
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<td>0.681</td>
<td>0.695</td>
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<tr>
<td>Teesdale</td>
<td>Durham</td>
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<td>0.556</td>
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<td>Lancashire</td>
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<td>0.711</td>
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<td>Wokingham</td>
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<td>0.827</td>
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<td>Greater London</td>
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<td>0.688</td>
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<td>South Northamptonshire</td>
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<td>0.636</td>
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<td>North East Derbyshire</td>
<td>Derbyshire</td>
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<td>0.498</td>
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<td>0.637</td>
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<tr>
<td>Hart</td>
<td>Hampshire</td>
<td>0.780</td>
<td>0.748</td>
<td>0.634</td>
</tr>
</tbody>
</table>

The top 20 districts (2000) comprise:

<table>
<thead>
<tr>
<th>District</th>
<th>County</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worcester</td>
<td>Worcestershire</td>
<td>1.867</td>
<td>1.615</td>
<td>2.003</td>
</tr>
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<td>Broxbourne</td>
<td>Hertfordshire</td>
<td>2.045</td>
<td>1.825</td>
<td>1.970</td>
</tr>
<tr>
<td>Thurrock</td>
<td>Essex</td>
<td>1.627</td>
<td>1.777</td>
<td>1.955</td>
</tr>
<tr>
<td>Hyndburn</td>
<td>Lancashire</td>
<td>1.151</td>
<td>1.386</td>
<td>1.828</td>
</tr>
<tr>
<td>Dartford</td>
<td>Kent</td>
<td>0.789</td>
<td>0.889</td>
<td>1.722</td>
</tr>
<tr>
<td>Canterbury</td>
<td>Kent</td>
<td>1.418</td>
<td>1.562</td>
<td>1.718</td>
</tr>
<tr>
<td>Kensington and Chelsea</td>
<td>Greater London</td>
<td>1.681</td>
<td>1.671</td>
<td>1.676</td>
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<tr>
<td>Eastbourne</td>
<td>East Sussex</td>
<td>1.769</td>
<td>1.597</td>
<td>1.632</td>
</tr>
<tr>
<td>Eastleigh</td>
<td>Hampshire</td>
<td>1.284</td>
<td>1.327</td>
<td>1.585</td>
</tr>
<tr>
<td>Sefton</td>
<td>Merseyside</td>
<td>1.661</td>
<td>1.578</td>
<td>1.578</td>
</tr>
<tr>
<td>Kingston-upon-Thames</td>
<td>Greater London</td>
<td>1.439</td>
<td>1.435</td>
<td>1.569</td>
</tr>
<tr>
<td>Bournemouth</td>
<td>Dorset</td>
<td>1.365</td>
<td>1.377</td>
<td>1.556</td>
</tr>
<tr>
<td>Mansfield</td>
<td>Nottinghamshire</td>
<td>1.455</td>
<td>1.356</td>
<td>1.553</td>
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<tr>
<td>Barrow-in-Furness</td>
<td>Cumbria</td>
<td>1.317</td>
<td>1.572</td>
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<tr>
<td>Bromley</td>
<td>Great London</td>
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<td>Kent</td>
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<td>1.532</td>
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<td>Cheshire</td>
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<td>Great Yarmouth</td>
<td>Norfolk</td>
<td>1.216</td>
<td>1.161</td>
<td>1.466</td>
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<tr>
<td>Weymouth and Portland</td>
<td>Dorset</td>
<td>1.505</td>
<td>1.680</td>
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<tr>
<td>Watford</td>
<td>Hertfordshire</td>
<td>1.343</td>
<td>1.419</td>
<td>1.448</td>
</tr>
</tbody>
</table>

The map overleaf shows the LQ pattern spatially at district level.
This map is based on data provided with the support of the ESRC and JISC and uses boundary material which is copyright of the Crown.
Appendix B: Input–Output Tables and Multipliers

The following is based on information in the Scottish Input–Output Tables and Multipliers for 1996 published on 27 October 1999. The purpose of this Appendix is to provide an overview of the derivation and use of multipliers from the input–output tables. Our analysis of the UK input–output tables for 1995 enables us to draw similar conclusions.

Input–output tables provide a complete picture of the flows of products and services in the economy for the year in question. They illustrate the flows between various industries and also between industries and the Final Demand sectors; namely consumers, government, investment, stocks, tourists and exports. These linkages allow estimates to be made of the extent to which UK industries contribute both directly and indirectly to the various Final Demand sectors within UK.

For example, if there is an increase in Final Demand for a particular commodity, there will be an increase in the output of that commodity, as producers react to meet the increased demand; this is the direct impact. As these producers increase their output, there will also be an increase in demand on their suppliers, and so on down the supply chain; this is the indirect impact. As a result of the direct and indirect impacts, the level of income throughout the economy will increase. A proportion of this increased income will be re-spent on final goods and services: this is the induced effect. The ability to quantify these multiplier effects is important, as it allows economic impact analyses to be carried out on the UK economy. Input–output models enable us to derive sets of disaggregated multipliers, recognising that the total impact on output (income or employment) will vary according to the sector which experiences the initial increase in demand. It should be noted that, when discussing the direct, indirect and induced effects calculated within the input–output framework, full displacement and crowding-out have not been assumed. Taking these issues into account is beyond the scope of the analysis in this paper.

Derivation of Multipliers

The main concept of the multiplier is based on the recognition that the various sectors that make up the economy are interdependent. This means that in addition to purchasing primary inputs, such as labour and imports, each sector will also purchase intermediate goods and services produced by other companies within the local economy, in this case the UK. Manipulation of the Input–Output tables allows estimation of different types of multipliers, depending on whether there is an interest in output, employment or income effects.

Leontief Inverse

The main building block for calculating multipliers is the Leontief Inverse matrix. This is derived from the symmetric industry-by-industry use matrix and shows how much of each industry’s output is required, in terms of direct and indirect requirements, to produce one unit of a given industry’s output.

Output Multipliers

Type I

The Type I output multiplier for an industry is expressed as the ratio of direct and indirect output changes to the direct output change due to a unit increase in final demand. Multipliers therefore represent marginal changes and cannot strictly be
applied to large changes. The multiplier is derived by summing the entries in the relevant column of the Leontief Inverse matrix.

**Type II**

It is also possible to calculate a **Type II** output multiplier. The Type II output multipliers are expressed as the ratio of **direct**, **indirect** and **induced** output changes to the direct output change due to a unit increase in final demand. These multipliers take into account increased consumption and therefore output which will be generated from higher personal incomes. Consumers’ spending is included in the calculation of the Type II multipliers by expanding the industry-by-industry matrix to include the income from employment row and the consumers’ expenditure column.

Although the output multiplier represents total requirements per unit of final output, it is not a particularly useful concept except as an indicator of the degree of structural interdependence between each sector and the rest of the economy. Consequently, when undertaking economic impact studies we are more interested in income and employment generating effects and for this we require income and employment multipliers, which are calculated as follows.

**Employment Multipliers**

The employment multipliers tend to be the most commonly used of the multipliers made available through extensions to the input–output tables. This is due to their use in economic impact analysis which is often preoccupied with the employment effects of either industrial expansion or company closure.

The employment multiplier which is analogous to the Type I output multiplier is the ratio of direct plus indirect employment change to the direct employment change. Similarly, there is a Type II multiplier which measures the ratio of direct, indirect and induced employment change to the direct employment change.

**Income Multipliers**

It is also possible to calculate both Type I and Type II income multipliers. These measure the change in income (wages, salaries, profits etc) which occur throughout the economy as a result of a change in Final Demand.

**The Use of UK Multipliers**

The input–output tables provide a wealth of information on the interactions between industries and Final Demand. Their structure allows us to analyse the effect on the economy of different types of changes in Final Demand, for example:

- the closure of a company
- the opening of a new company
- an increase in consumer spending due to a change in, for example, disposable income
- an increase in exports, due to perhaps a drop in the value of sterling.
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