

Isle of Wight Council

Island-Wide Retail Capacity Study Update

November 2009

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| | | |
|-----------|--|-----------|
| 1. | Context | 1 |
| | Retail Expenditure Growth | 1 |
| | The Retail Market | 3 |
| | Updated capacity assessments | 3 |
| 2. | Background and Introduction | 4 |
| 3. | Review of the 2008 Drivers Jonas Study | 6 |
| | Convenience Capacity Forecasts | 6 |
| | Comparison Capacity Forecasts | 6 |
| | DIY / Bulky comparison Capacity Forecasts | 7 |
| | Site Allocations | 7 |
| | Projections to 2026 | 8 |
| 4. | Quantitative assessment methodology | 9 |
| | Catchment Area | 9 |
| | Population estimates and forecasts | 9 |
| | Expenditure per head estimates and forecasts | 9 |
| | Total potential expenditure estimates and forecasts | 10 |
| | Estimations of inflows and outflows of expenditure | 10 |
| | Total potential expenditure estimates | 11 |
| | Turnover of existing retail floorspace | 11 |
| | Future turnover requirements of existing retail floorspace | 12 |
| | Turnover of committed floorspace | 12 |
| 5. | Estimates of supportable floorspace | 13 |
| | Summary | 15 |
| 6. | Conclusions | 17 |
| | Recommended Strategy for Convenience Retail Development | 17 |
| | Recommended Strategy for Comparison Retail Development | 17 |

1. Context

- 1.1 Since the publication of the March 2008 Retail Study Update (hereafter referred to as the 2008 Study), major changes have occurred in the national economy and retail market. It is clear that these changes will have a significant impact in the initial years of the Plan period. However, we cannot predict accurately how these changes will impact upon the Plan period as a whole.
- 1.2 The two key factors that will impact on the findings of this Study in the initial stages of the Plan period are:
- n the rate of growth of residents' retail expenditure on convenience/food items and comparison/non-food items, and
 - n the general performance of the retail market/sector.

Retail Expenditure Growth

- 1.3 The retail expenditure forecasts are described in Section 4 of the Report and are based on the latest information available from Experian, published in August 2009 in the form of Retail Planner Briefing Note 7.1.
- 1.4 Experian advised in January 2009 that actual growth in retail expenditure per capita grew by +2.1% between 2006 and 2007 (Experian Retail Planner Briefing Note 6.1, paragraph 3.4.2).
- 1.5 However, Experian has most recently advised that the forecast growth rate in the short to medium term would be significantly lower owing to the profound global economic downturn and the major effect this is having on the UK's economy. Experian's forecast growth in retail expenditure in the period 2007 to 2026 is set out in the table below:

| | 2008 | 2009 | 2010 | 2011 | 2012-2016 | 2017-2026 |
|-------------------|------|------|------|------|-----------|-----------|
| Convenience Goods | 0.9 | -0.5 | -0.2 | 0.6 | 0.8 | 0.9 |
| Comparison Goods | 2.7 | 1.1 | -0.4 | 1.1 | 2.5 | 2.8 |
| "Bulky" Goods | 4.8 | -3.9 | -0.9 | 0.8 | 2.9 | 3.2 |

Source: Experian Retail Planner Briefing Note Update (August 2009) Figure 1.

- 1.6 These latest forecast growth rates are significantly lower than those applied previously and indicate that retail spending will have contracted between 2009-2010 as opposed to just slowing down. This has happened in previous challenging economic times. This dramatic change has a profound impact on the forecasts made in the 2008 Study which used expenditure growth rates of +5.3% per annum and +0.8% per annum for comparison and convenience goods, respectively. This dramatic fall in expenditure growth rates has had a clear and understandable impact upon the amount of expenditure available to support new retail floorspace in the short to medium term on the Island.

- 1.7 Experian provide the following commentary on the forecast for consumer spending in the short term:

Household spending fell in real terms by 3.2% in the four quarters to 2009. The pace of decline accelerated from -0.4% in 2008q2 to -1.3% in 2009 as higher unemployment and slow growth in earnings hit spending. We estimate that spending fell a further 1% in the second quarter, taking the decline since the recession began to 4.2%. Consumer expenditure on retail goods has been more resilient than total spending. The recession has been severe, but is entering a milder phase. However it is too early to confirm whether this improvement will be sustained while unemployment is rising and lending remains constrained. The upturn when it develops in 2010 will be gradual and patchy as investment and household spending remain weak and the global economy revives only slowly. In year-on-year terms, the implication is that consumer spending will shrink by 3.5% this year and contract by a further 0.6% in 2010.

(Note: The references to 2009 refer to Q1 of this year.)

- 1.8 In relation to medium term spending, Experian comment:

The medium-term outlook is for much slower growth than was seen during the past 10-15 years. We expect GDP growth to average 2.0% a year in 2011-16 and consumer spending to average 2.2%. These rates compare with an annual average of near 3% in 1995-2007 for GDP and 3.2% for consumer spending

- 1.9 Experian's views of the long-term outlook are that:

While the economy may return to a stronger growth path in the second half of the next decade, we do not believe that it will repeat the exceptional performance of the period 1995-2007 as some of the issues constraining the medium-term outlook remain unresolved. Environmental factors including much higher energy costs will also constrain growth. We forecast GDP growth between 2016 and 2026 to average 2.4% a year.

In conjunction with our medium-term projection for growth at 2.0% a year in 2011-16, this implies an annual average growth rate in the period to 2026 of 2.3%. This will be rather slower than the UK's long-term trend growth, but slightly faster than the rate forecast for the Eurozone.

- 1.10 It is also appropriate to consider the effect of changes in expenditure growth rates on estimates of turnover growth achieved by retailers on existing floorspace (sales density increases). It is reasonable to assume that increases in retailer sales densities are enabled by a growth of available expenditure. This being so, when available expenditure is static or limited, retailers are unlikely to be able to achieve sales density increases to any material degree. To some extent, this will offset the negative impact of declining expenditure growth on forecasts of new floorspace requirements, as less expenditure is absorbed by existing floorspace.

The Retail Market

- 1.11 Trading in the Island's town and local centres is likely to be difficult in the short to medium term. Experian has recently expressed its views on the changes afoot. In January 2009 it predicted that 'UK centre vacancy rates would rise to 15 per cent, or 135,000 outlets, by the end of 2009 - the highest ever recorded for the UK'. The August 2009 Experian update confirms that there has been a substantial rise from 7% to 11.5% over the past year in the number of vacant shops nationally. Some of the largest failures have been in the bulky goods sector, which has suffered from the downturn in the housing market. Lack of available expenditure as a result of the credit crunch has also played a key role.
- 1.12 Experian has portrayed graphically the testing financial environment within which retailers will be trading. In this difficult situation forecasts of long term growth and potential can be of limited relevance. Retailers' future may be determined more by immediate financial considerations.
- 1.13 Planning judgements and decisions will need to recognise this difficult situation, particularly as it affects independent retailers and services that have least access to the resources necessary to get through difficult times. The tools available to planning departments may be limited; but it is recommended that the Council should ensure that any 'need', sequential approach, and impact assessments, undertaken in support of planning applications for new retail floorspace, are realistic in the short term as well as long term.

Updated capacity assessments

- 1.14 This Update Report extends the forecasts provided in the 2008 Study to 2026, to be consistent with the Plan period.
- 1.15 Where appropriate, previously provided forecasts are updated using the most up-to-date Experian advice.
- 1.16 We provide advice on the interpretation of the theoretical capacity estimates for the purposes of planning policy formulation.

2. Background and Introduction

- 2.1 Drivers Jonas was instructed by the Isle of Wight Council (hereafter referred to as the Council) to prepare Island-wide retail studies in 1996, 1998 and 2005. The studies provided an estimation of the level of additional retail floorspace that could be supported on the Island.
- 2.2 The key purpose of the 2005 Study was to inform the review of the Adopted 2001 Isle of Wight Unitary Development Plan (UDP) and to respond to the guidance in the recently issued Planning Policy Statement 6: Planning for Town Centres (2005).
- 2.3 The 2005 Study was updated in 2008 to provide an updated assessment of quantitative retail capacity on the Island for different types of goods, to support the preparation of the Council's new Core Strategy and related Development Plan Documents.
- 2.4 In accordance with the requirements of PPS6 (2005) and the requirement that the development plan be supported by an up-to-date evidence base, the quantitative assessments examined the potential for the likely future demand for both new comparison and new convenience retail floorspace on the Island. .
- 2.5 Since the publication of the 2008 Study, consultation drafts for a revised Planning Policy Statement 6: Planning for Town Centres (PPS6) and a Planning Policy Statement 4: Planning for Prosperous Economies (PPS4) have been issued by Central Government. The Planning Act 2008 was also granted Royal Assent in November 2008. The key retail considerations of PPS4, which is intended to replace PPS6, can be summarised as follows:
 - n The need/capacity test is removed from the policy framework and replaced with a new impact test.
 - n A strong focus on the town centre first policy is maintained through the requirement for applicants to look for the most central sites (the sequential approach).
 - n Local planning authorities are required to proactively plan for consumer choice and promote competitive town centre environments through planning for a strong retail mix and recognising that smaller shops can make a valuable contribution to consumer choice.
 - n The guidance stresses that town centre policies should be flexible to respond to changing economic circumstances.
 - n Non town centre (i.e. out of centre) locations to be approved if there are no 'significant' adverse impacts and no available, viable or suitable town centre/edge of centre sites.
- 2.6 This Update Report has now been prepared to:
 - (a) Consider the impact of current economic conditions on the quantitative need for new floorspace; and,
 - (b) Present data in relation to one possible forecast of the need for new floorspace to 2026 so as to match the end of the proposed Core Strategy period.

2.7 The structure of this Update Report is as follows:

- n Section 3 – the key findings of the 2008 Study are briefly reviewed ;
- n Section 4 – the methodology of the quantitative capacity assessment is described;
- n Section 5 – estimates of supportable new floorspace are provided; and
- n Section 6 – the conclusions of the quantitative capacity assessment are set out, together with a recommendation to the Council on how to respond to the forecasts.

2.8 Appendices to this document are as follows:

- n Appendix 1 – retail capacity tables.

3. Review of the 2008 Drivers Jonas Study

- 3.1 The 2008 Study provided assessments of the potential to support new convenience and comparison retail floorspace on the Island, based principally on anticipated growth in residents' expenditure on retail items and the turnover performance of existing retail businesses.
- 3.2 Drivers Jonas provided recommended strategies for delivering new retail development, in line with the quantitative capacity forecasts.
- 3.3 A brief summary of the key outputs of the 2008 Study is provided in this section.

Convenience Capacity Forecasts

- 3.4 A surplus of expenditure at 2014 of some £17m was identified in the 2008 Study.
- 3.5 As there are wide differences in the average annual turnover requirement of convenience businesses, to provide indications of convenience capacity, two scenarios were tested: firstly, applying the turnover average per sq m ratio of the 'quality' retailers ie Sainsbury, Tesco, ASDA and Morrisons. Secondly, applying the typical turnover per sq m of the discount retailers that are more focussed on the price-conscious shopper ie Aldi, Lidl, Netto and Iceland.
- 3.6 Taking into account the need to protect the turnover of existing convenience businesses, allowing for town centre business to increase their floorspace efficiency and convenience commitments on the Island, it was estimated that the "need" for net additional convenience floorspace that could theoretically be supported on the Island by 2014 could be met in one of two ways: either in the form of 1,791 sq m of floorspace occupied by a 'quality' retailer or 4,394 sq m occupied by a 'discount' retailer. Of course it is possible to meet the need with a combination of floorspace for both types of retailers as long as the turnover of the additional floorspace does not exceed £17m.
- 3.7 The 2008 Study advised that there is no pressing need for new convenience goods floorspace to be provided on the Island in the next five years. As national policy advises that projections should be in five year periods and land should be allocated to meet only the first five year projection, it was recommended that the Council did not need to plan to meet need for additional convenience floorspace before 2014.

Comparison Capacity Forecasts

- 3.8 Considerable growth in available expenditure was identified. A surplus (after commitments) of £12.5m of expenditure by 2008 was estimated, growing to £21.6m by 2011 and £79m by 2014. Even deducting the inflow allowance for tourists' expenditure, significant capacity levels existed.
- 3.9 Taking into account the need to protect the turnover of existing comparison businesses, allowing for town centre business to increase their floorspace efficiency, comparison commitments on the Island and tourists' expenditure, it was estimated that an additional 18,501 sq m of net additional comparison floorspace could theoretically be supported by 2014.

- 3.10 The 2008 Study concluded that the existing town centre comparison retail commitments at the time of the Study's preparation, which combined would create in the region of 7,300 sqm net of new comparison floorspace, needed to be allowed to come forward and for their trading patterns to settle. For the short/medium term therefore, we advised that planning policy should first be geared towards securing and bringing forward these planned investments before identifying new retail sites.
- 3.11 The expenditure forecasts indicated that if the then current growth trends continued, there would be capacity for major comparison retail floorspace on the Island by 2014. Much of this pressure was anticipated to be directed to Newport.
- 3.12 It was recommended that the Council planned to meet the identified need on sites in, and possibly on the edge of, the main centres.

DIY / Bulky comparison Capacity Forecasts

- 3.13 Considerable growth in available expenditure was identified. A surplus of £22.9m of expenditure by 2008 was estimated, growing to £31.1m by 2011 and £40.6m by 2014. These are significant levels.
- 3.14 Taking into account the need to protect the turnover of existing comparison businesses where supported by policy, allowing for town centre business to increase their floorspace efficiency and commitments on the Island, it was estimated that an additional 13,563 sq m of net additional DIY/Bulky floorspace could theoretically be supported by 2014.

Site Allocations

- 3.15 The 2008 theoretical expenditure forecasts indicated that, based on the then current patterns being held constant, there is sufficient available expenditure to support a significant amount of new retail floorspace on the Island over the period 2008-2014.
- 3.16 It is suggested that forecasts up to 2014 should be treated with an element of caution, since they only indicate the broad magnitude of retail capacity at those dates, if all current trends forecasts occur. Beyond this period, the forecasts must be treated with a high degree of caution.
- 3.17 In particular the floorspace forecasts should not be used as minimum targets nearing the end of the Plan period given the significant number of variables relied upon in the forecasts. For example, would the continuing high levels of expenditure growth on comparison goods be maintained, what level of leakage would occur to the mainland and what levels of expenditure taking place on the Internet might be achieved?
- 3.18 Furthermore, the rapid changes in the performance of the UK's economy over the last 5 years is evidence of why caution should be taken.
- 3.19 Much of the development that has taken place in Newport has been on the edge of the centre and it is evident that the dynamic of the centre has changed. The redevelopment proposals in East Cowes are expected to change how this centre operates. It is recommended that the Council review the extent of the defined town centre boundary of all of the main centres to provide a robust evidence base to guide pressures for development at these centres.

Projections to 2026

- 3.20 After the Update was completed, the Council sought clarification on the projections to 2026 and the degree to which the Council should rely upon these to inform the spatial development strategy for the Island.
- 3.21 We advised that:

At the local level, taking into account other relevant planning policy considerations, local planning authorities are encouraged to identify an appropriate range of sites to accommodate identified quantitative need for at least the first five years from the adoption of the Development Plan Documents. PPS6 advises that the need for further retail development should be kept under regular review.

At the time of the Study's preparation, it was estimated that the Isle of Wight Core Strategy would be adopted in 2009. The end test date of 2014 is a reference to a five year period post Core Strategy adoption.

The quantitative retail assessment undertaken as part of the Study provides forecasts of potential available expenditure for retail facilities on the Island to 2014. The full Plan period is to 2026. It is possible to provide theoretical capacity estimates, assuming the key factors remain constant, to cover this period and these are summarised in the table below:

| | 2008 (sq m net) | 2014 (sq m net) | 2020 (sq m net) | 2026 (sq m net) |
|-----------------------------|--------------------|--------------------|--------------------|--------------------|
| Convenience | 1,999 | (2,184) | 2,795 | 8,143 |
| Comparison - all goods | (826) | (16,247) | (7,346) | 6,814 |
| Comparison - core DIY/bulky | 13,149 | 12,931 | 17,597 | 22,487 |

When looking this far in to the future, it is important to be conservative as forecasts beyond a five year period, based on economic factors, should be treated with an element of caution.

It is not possible to accurately predict future potential capacity as this is dependent not only on knowing the future performance of the Island's retail space, but also what developments might be brought forward in competing town centres on the mainland.

4. Quantitative assessment methodology

- 4.1 This section describes the steps that were taken to prepare estimates of supportable floorspace on the Island up to 2026.

Catchment Area

- 4.2 The catchment area is the Island. Whilst a household shopping survey was not commissioned for the purposes of the 2008 Study or this Update Study, it has been assumed that the Island retains the majority of its residents' expenditure.

Population estimates and forecasts

- 4.3 Population estimates and forecasts for the period 2006-2026 have been provided by Experian and are set out in Tables 1a-3a of Appendix 2. The Experian Summary Demographics report was based on the Isle of Wight as a whole. The use of Experian population estimates was agreed with the Council. This input has not been updated at this time.

Expenditure per head estimates and forecasts

- 4.4 2006 average expenditure per head estimates for the catchment area have been provided by Experian. Estimates for spending on both comparison and convenience goods have been sourced. For the former, this figure has been broken down to allow the capacity model to provide estimates for 'core' comparison goods and 'DIY/Bulky' comparison goods separately.

- 4.5 Experian defines 'DIY/Bulky' goods as items falling within the following categories:

Materials for repair and maintenance of the dwelling
Small tools and miscellaneous accessories
Major tools and equipment
Gardens, plants and flowers
Furniture and floor coverings
10% of non-durable household goods
Major household appliances whether electrical or not
Audio-visual equipment

- 4.6 The average expenditure per head estimates by goods types are set out in Tables 1b-3b of Appendix 1.
- 4.7 To provide average expenditure per head estimates for the period 2008-2026, the 2006 figures have been grown by different rates, as recommended by Experian.
- 4.8 The forecast growth rates for the period 2007-2026 have been obtained from Experian Retail Planner Briefing Note Update 7.1 (August 2009) Figure 1. This shows minimal growth and some years of decline up to 2011.
- 4.9 Expenditure absorbed by non-store retail trade (NSRT) has been deducted according to the latest national Experian estimates in Retail Planner Briefing Note 7.1. The percentage reductions do not remain constant and increase from 2.5% in 2006 to 5.9% in 2026 for convenience goods, and 6.8% in 2006 to 9.1% in 2026 from comparison goods.

- 4.10 Experian defines NSRT as purchases via mail order (including purchases from wholly internet-based companies), purchases from market stalls and purchases from door-to-door salesman. It does not include internet sales of companies that also operate shop floorspace.
- 4.11 It is difficult to accurately predict the local uptake in this type of shopping behaviour. For example, since the non-store retailing figures include supermarkets that source internet goods sales from store space, the share of non-store retailing is over-stated from the point of view of those interested in physical retail outlets, particularly for convenience goods.
- 4.12 There is a high degree of uncertainty about future trends in internet usage and the Experian assumption that market share holds constant after 2015 could under-estimate the threat to shops. However, as the market share of this type of shopping behaviour is small, Experian advise that stronger growth in non-store retailing is unlikely to present a major threat.
- 4.13 All monetary figures in the model are shown in 2006 prices.

Total potential expenditure estimates and forecasts

- 4.14 Total potential convenience and comparison expenditure estimates for residents of the catchment area are set out in Tables 1c-3c of Appendix 1.
- 4.15 Total potential expenditure has been estimated by applying the average expenditure per head figures (Tables 1b-3b) to the population estimates (Tables 1a-3a) for each of the test years.

Estimations of inflows and outflows of expenditure

- 4.16 As the Isle of Wight is an important holiday and daytrip destination, 'inflow' expenditure in the form of retail spending by tourists is important in calculating the overall available expenditure on the Island.
- 4.17 As noted in Section 3, the Island experiences competition from mainland centres, for core comparison shopping trips in particular. We have therefore made an allowance for some outflow of expenditure to shopping destinations off the Island, such as Portsmouth and Southampton.
- 4.18 The inflow and outflow estimates are set out in Tables 1d-3d.

Inflows

- 4.19 It has been assumed that at 2006, there would be an annual inflow of approximately £9m of convenience goods expenditure. This figure was generated by applying an average annual spend per visitor estimate (£11) to the average number of staying visitors on the Island each year (821,000). These figures have been based on information sourced from the Southern Tourist Board, PA Cambridge Economic Consultants and the Council for the purposes of the Drivers Jonas 2005 Study.
- 4.20 To provide estimates of the level of convenience inflow at each of the test years, the 2006 figures have been grown utilising the forecast growth rates set out in Experian Retail Planner Briefing Note 7.1 (August 2009) Figure 1.
- 4.21 For the total comparison goods assessment, it has been assumed that at 2006 there would be an annual inflow of approximately £30m of expenditure. This figure was generated by applying an average annual spend per visitor estimate (£11.21) to the average number of visitors to the Island each year (2,700,000). These figures have been based on information sourced from the Southern Tourist Board, PA Cambridge

Economic Consultants and the Council for the purposes of the Drivers Jonas 2005 Study.

- 4.22 To provide estimates of the level of comparison inflow at each of the test years, the 2006 figures have been grown utilising the forecast growth set out in Experian Retail Planner Briefing Note 7.1 (August 2009) Figure 1.
- 4.23 It has been assumed that there would be no leakage of DIY/Bulky comparison goods expenditure from the catchment area. This assumption has been held constant over the test period. It was considered that the Island has a reasonable provision of retail outlets selling these types of goods and that Island residents were unlikely to travel to purchase items in this category on the mainland. It is possible also that high value electrical items which have been included in this category will be purchased over the internet. A deduction for internet shopping has been made later in the assessment.

Outflows

- 4.24 It has been assumed that there would be no leakage of convenience expenditure from the catchment area. People typically do not travel far to undertake a shopping trip for convenience items and it is unrealistic to assume that Island residents spend a significant proportion of their annual expenditure in foodstores on the mainland. This assumption has been held constant over the test period.
- 4.25 For the comparison goods assessments, it has been assumed that at 2006 there would be an outflow of expenditure, equating to 5% of the total catchment area residents' expenditure on each of the categories.
- 4.26 It has been assumed that at 2006 there would be an outflow of expenditure equating to 3% of the total catchment area residents' expenditure on DIY/Bulky comparison goods. These estimates are derived from the results of the household survey.
- 4.27 The estimate of 3% for the DIY/Bulky comparison goods sector was considered to be a low estimate, especially for a sector that included the categories of major household appliances and audio-visual equipment. It is anticipated that the actual extent of leakage, either to stores on the mainland and/or higher expenditure taking place on the Internet, suggests that the amount of retained expenditure is much lower. This is explained in more detail in Section 5.

Total potential expenditure estimates

- 4.28 Total potential expenditure figures for each category have been generated by applying the estimations of inflows and outflows to the estimated catchment area residents' total available expenditure. The figures are set out in Tables 1e-3e.

Turnover of existing retail floorspace

- 4.29 Tables 4 and 6 provide estimates of the turnover of existing convenience and comparison floorspace within the catchment area at 2006.

Convenience stores

- 4.30 The analysis of existing convenience businesses has involved the use of Council and recent Inquiry data to establish the range of stores currently on the Island and their respective total net floorspace figures.

- 4.31 Using data from Retail Rankings 2009 and Verdict 2009, we have made assumptions as to the proportion of each business that is used for the sale of convenience items and the proportion used for the sale of comparison items.
- 4.32 Retail Rankings 2009 and Verdict 2009 have been used to source average annual turnover per sq m ratios. Where data was not available for some businesses, Drivers Jonas has estimated a typical turnover per sq m ratio.
- 4.33 The turnover of existing convenience stores at 2006 has been calculated by applying the turnover per sq m ratios to the relevant floorspace figures. For ease of analysis, we have assumed that the Sainsbury's stores in Freshwater and Cowes were open in 2006 which is the start of the analysis.
- 4.34 An allowance for the over-trading of any of the Island stores has not been made in the model.

Comparison stores

- 4.35 Floorspace figures for comparison stores from the Drivers Jonas 2005 Study updated in 2008 have been used.
- 4.36 Turnover per sq m ratios for each town centre and each out-of-centre comparison retailing business have been guided principally by the 2005 Drivers Jonas Study estimates, and converted to 2006 prices.
- 4.37 The turnover of existing comparison stores at 2006 has been calculated by applying the turnover per sq m ratios to the relevant floorspace figures.
- 4.38 An allowance for the over-trading of any of the Island stores or centres has not been made in the model.

Future turnover requirements of existing retail floorspace

- 4.39 Tables 5 and 7 provide estimates of the turnover requirements of existing convenience and comparison floorspace within the catchment area over the period 2008-2026.
- 4.40 In order to generate future turnover figures, the 2006 figures were grown by rates recommended by Experian set out in the latest Experian Retail Planning Briefing Note (Note 7.1, August 2009).

Turnover of committed floorspace

- 4.41 Floorspace information has been sourced on commitments for both new convenience and new comparison retail developments at 2006 from the Council.
- 4.42 Company average turnover figures for the convenience commitments have been sourced from Retail Rankings 2009 and Verdict 2009. Turnover figures for the comparison commitments have been estimated by Drivers Jonas.
- 4.43 In order to generate future turnover figures, the 2006 figures were grown by rates recommended by Experian set out in the latest Experian Retail Planning Briefing Note (Note 7.1, August 2009).
- 4.44 We have assumed that all of the commitments set out in Table 8 will be fully trading by 2011. We are not aware of any additional commitments since our Study was last updated in 2008, however it is now known that Waitrose will occupy the consented foodstore in East Cowes.

5. Estimates of supportable floorspace

- 5.1 Estimates of supportable floorspace for each of the test goods categories are set out in Tables 9-11.
- 5.2 At the local level, taking into account other relevant planning policy considerations, local planning authorities are encouraged to identify an appropriate range of sites to accommodate identified quantitative need for at least the first five years from the adoption of the Development Plan Documents. PPS6 advises that the need for further retail development should be kept under regular review.
- 5.3 At the time of the 2008 Study's preparation, it was estimated that the Isle of Wight Core Strategy would be adopted in 2009. The end test date of 2014 in the 2008 Study is a reference to a five year period post Core Strategy adoption. It is now expected that adoption will be in 2011. The end test date in the 2009 Update Study is therefore taken to be 2016.
- 5.4 The quantitative retail assessment undertaken as part of the 2008 Study provides forecasts of potential available expenditure for retail facilities on the Island to 2014. The Plan period is to 2026. The 2009 Update provides theoretical capacity estimates, assuming the key factors remain constant, to cover this period and these estimates are set out below.
- 5.5 When looking this far in to the future, it is important to be conservative as forecasts beyond a five year period, based on economic factors, should be treated with an element of caution, particularly taking current economic circumstances into account.
- 5.6 It is not possible to accurately predict future potential capacity as this is dependent not only on knowing the future performance of the Island's retail space, but also what developments might be brought forward in competing town centres on the mainland.

Convenience (Table 9)

- 5.7 Surplus available convenience expenditure has been derived by calculating the total available expenditure and subtracting from this, the increase in turnover of town centre stores and commitments from the increase in turnover of other stores/leakage to mainland and tourism expenditure combined at each of the test years (see Table 9).
- 5.8 The updated convenience model indicates that there is a deficit of convenience expenditure at 2008 of some £7.5m which does not become a clear surplus until 2026 (£16.3m). The 2008 figure shows a deficit of convenience expenditure arising from changes in provision across the Island, including the replacement of existing Somerfield stores by Sainsbury's stores and the opening of the new Tesco store at Ryde. These stores have higher company average turnover than Somerfield stores. It also shows the effects of reduced levels of growth through reduced spending on convenience food items.
- 5.9 The 2008 estimate falls further because it is assumed that all of the convenience commitments will be trading by 2011 and there will actually be a shortfall in available expenditure. The commitments are significant and by 2011 their turnover will total some £41m, including:
 - (a) Waitrose, East Cowes - £18.2m,
 - (b) Sainsbury, Sandown - £3.3m,

- (c) Tesco, Ventnor - £2.8m,
- (d) Sainsbury's extension, Newport - £11.6m, and
- (e) Tesco, Wootton - £4.9m.
- 5.10 In reality, if there is insufficient expenditure available to support these stores, they will not be able to trade at company average levels which is one of the fundamental assumptions in the retail model. Therefore, the stores will trade at levels below company averages for the foreseeable future and until consumer spending picks up again.
- 5.11 The convenience goods model indicates that there is a deficit of available expenditure to support any new convenience goods floorspace up until 2026 and this contrasts with the approach taken in the 2008 study which demonstrated how the identified need could be met by a discount of quality retailer.
- 5.12 The 2008 Study advised that the following levels of net convenience floorspace could theoretically be accommodated at 2011 and 2014.
- | | 'Quality' retailer | 'Discount' retailer |
|------|--------------------|---------------------|
| 2011 | 640 sqm | 1,571 sqm |
| 2014 | 1,791 sqm | 4,394 sqm |
- 5.13 The 2009 Update analysis shows that there will be no need for additional convenience floorspace before 2026.
- 5.14 In summary, the 2014 estimates are significantly lower than the forecasts in the 2008 update and this is explained by two factors. Firstly, the deterioration in the national economy and the contraction in real terms of levels of retail spending, together with the widely held view that retail spending will take time to recover and the initial recovery rate will be low. Secondly, the replacement of existing low turnover stores (eg Somerfield) by Sainsbury's stores and the scale of commitments that have been approved. This combination of reduced spending and increased turnover of existing/proposed stores has had a significant impact on the estimate forecasts.
- All comparison goods (Table 10)*
- 5.15 Surplus available comparison (all goods) expenditure has been calculated by subtracting the comparison turnover of towns on the Island, the comparison turnover of convenience stores, commitments and internet trading allowance from the expenditure retained on the Island figures, plus tourism expenditure at each of the test years.
- 5.16 The updated all comparison goods model indicates that there is a surplus of expenditure at 2011 of £21m, increasing to £78m by 2014, £151m by 2017, £241m by 2020 and £442m by 2026.
- 5.17 This approach assumes that some 10% of spending on all comparison goods is likely to take place on the Internet via online shopping. This reflects the latest estimates available from Experian which sets the national context. It is considered that the actual assumed figure will be higher given the relative paucity of shopping facilities on the Island. Island residents have the opportunity to visit mainland stores online to shop and may be more inclined to shop this way because it offers greater choice.

- 5.18 Allowance for Internet shopping has been made for the DIY/bulky goods sector which is explained later on in this section.
- 5.19 The 2008 Study advised that 18,501 sq m net of new comparison retail floorspace could theoretically be accommodated by 2014. This 2009 Update Study concludes that there is capacity for new comparison retail floorspace by 2014 of some 18,318 sq m, a similar figure to the 2008 Update, albeit an over-estimation as it includes spending on bulky goods which it is assumed will take place on the Internet.
- 5.20 It has been estimated that by **2026, 75,162** sq m of net comparison (all goods) floorspace could theoretically be accommodated.

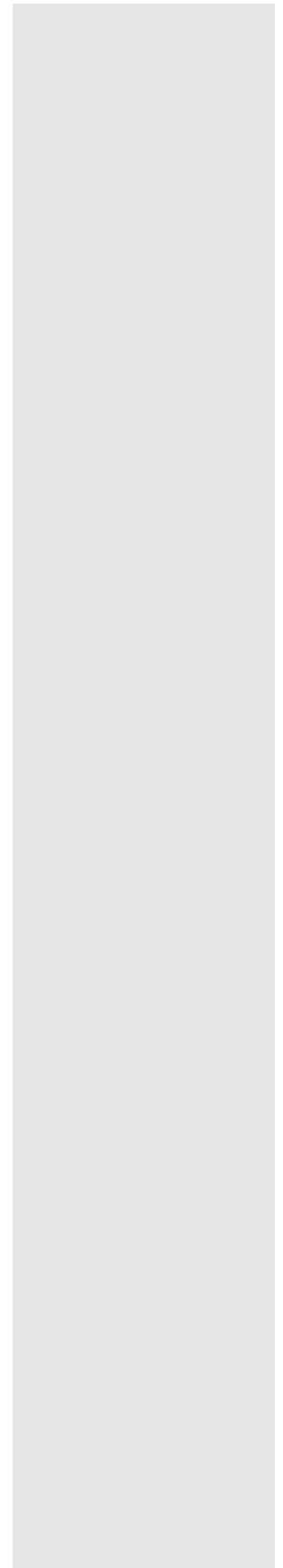
DIY/Bulky comparison goods (Table 11)

- 5.21 Surplus available DIY/bulky comparison goods expenditure has been calculated by subtracting the turnover of existing DIY/bulky comparison businesses on the Island, commitments and internet trading allowance from the expenditure retained on the Island figures, plus tourism expenditure at each of the test years.
- 5.22 The updated DIY/Bulky comparison goods assessment indicates that there is a surplus of expenditure at 2008 of some £5.3m, increasing steadily to £65.2m in 2026. These are significant levels of available expenditure which must be treated with caution because stores in the DIY/bulky comparison goods sector are experiencing difficulties. Simply, any surplus of expenditure in this sector must be spent, the question is how and where.
- 5.23 One of the main assumptions made in the Study concerns the amount of expenditure that is leaking to the mainland and the amount of spending on the Internet. Both were assumed to be 3% and 10%, respectively in the 2008 Study. If these had remained constant, the total available expenditure at 2008 would have been some £22.9m. This is not a believable estimate given the problems the sector is experiencing and even allowing for some of this to be spent at small trade counters within builders merchants or hardware warehouses (omitted from the Update), and there is no evidence of overtrading of existing facilities on the Island, the conclusion is that leakage to the mainland and/or levels of Internet shopping are higher.
- 5.24 In order to allow for this and reflecting the judgement that there probably was not a significant surplus in 2008, the level of spending that takes place on the Internet has been adjusted to 25%. One of the key recommendations to the Council is that an up-to-date household survey should be carried out for any future review of retail patterns on the Island.
- 5.25 The 2008 Study advised that 13,563 sq m of new DIY/bulky could be supported by 2014. It has been estimated in this Update Study that the following levels of net DIY/bulky comparison floorspace could theoretically be accommodated at each of the test years.

| | | |
|-------------|---------------|-------------|
| 2011 | 4,437 | sq m |
| 2014 | 6,884 | sq m |
| 2017 | 10,817 | sq m |
| 2020 | 12,447 | sq m |
| 2026 | 16,785 | sq m |

Summary

5.26 For ease of reference, all of the capacity forecasts are summarised in Table 12.



6. Conclusions

- 6.1 The 2008 Study was completed at the start of 2008 using baseline data collected during the latter part of 2007 when the economy was booming. Since then, the economy has since gone into a period of contraction and a slow recovery is now being forecast.
- 6.2 Using latest financial data provided by Experian, the quantitative assessments have been updated, and in all categories/sectors, the projections of the levels of retail floorspace that could be supported on the Island have fallen. This is to be expected.
- 6.3 It also demonstrates that caution should be applied in relying upon forecasts over a significant period of time because changes can happen quickly.

Recommended Strategy for Convenience Retail Development

- 6.4 There is no pressing need for new convenience goods floorspace to be provided on the Island during the Plan period and it is recommended that the Council does not need to allocate sites in the development plan for new convenience retail development.

Recommended Strategy for Comparison Retail Development

- 6.5 The dramatic decrease in expenditure on comparison goods has resulted in a significant reduction in the forecasts over the Plan period, although there is still a forecast rising from a small shortfall in 2008 to 75,162 sq m net in 2026. It is recommended that the Council does need to allocate sites in the development plan document for new comparison retail development. However, caution is urged in over-reliance on the forecasts to 2026 as it is considered that this is an over-estimate of the real potential of the Island to absorb additional comparison goods floorspace. The extent to which expenditure leakage to the mainland and/or Internet shopping is taking place is assumed to be much higher.
- 6.6 Within the comparison goods sector as a whole, there is a difference between the core comparison sector and the bulky goods sector. Within the latter, there is significant available expenditure that is theoretically available to support new floorspace and this is forecast to rise from 1,999 sq m net in 2008 to 16,785 sq m net by 2026. However, as with the core comparison goods sector, considerable caution is advised in reliance on the forecasts nearing the end of the Plan period.
- 6.7 Once the economy recovers and pressure returns for the requirement of all forms of comparison goods development, it is recommended that the Council plans to meet any future identified need on sites in, and possibly on the edge of, the main centres. It is also recommended that the Council commission an up-to-date household survey that examines in more detail the related issues of leakage of expenditure to the mainland and the extent of Internet shopping.

Drivers Jonas LLP
November 2009