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# **Retail and Leisure Study**

## **Canterbury City Council**

### **Final report**



## Contents

1.	Introduction	2
2.	Retail and Leisure definitions	3
3.	Health of the city centre	6
4.	Key retail trends in context	24
5.	Property Market Baseline	29
	A General Retail Property Market Overview	29
	B Leisure Market Overview	34
6.	Quantitative Need for Retail Development	48
7.	Retail Development sites	70
8.	Towards a retail strategy	79
9.	Summary and conclusions	86
	Appendix 1	Map of Comparable retail letting Evidence
	Appendix 2	Household interview Survey Map
	Appendix 2A	Canterbury Household Survey 2010 – Main results table by zone
	Appendix 3	RECAP Model tables for Scenarios 1a and 2a
	Appendix 4	RECAP Model tables for Scenarios 1b and 2b
	Appendix 5	Map of possible Development sites, Canterbury City Centre
	Appendix 6	Map of Possible Development Sites and Regeneration Areas



## 1. Introduction

- 1.1 DTZ has been commissioned to undertake a retail and leisure study for Canterbury City by the City Council. The report focuses on three key areas, namely:
  - A desk top overview of the vitality and viability of Canterbury city centre and current and likely future retail and leisure trends;
  - A quantitative and qualitative assessment of retail and leisure needs; and
  - An assessment of sites, impact issues and evolving retail and leisure strategy for the city centre to feed into the LDF.
- 1.2 The report forms part of the LDF evidence base which underpins a comprehensive review of retail and leisure in the city centre leading to a strategy for retail and leisure development in and around the city centre.
- 1.3 We start by defining relevant retail boundary issues and go onto assess the city centre's vitality and viability by outlining Canterbury's socio-economic profile, by reference to the indicators set out in PPS4, by looking at evolving trends in the retail and leisure development markets and by providing a property baseline analysis of the retail and leisure market of Canterbury.
- 1.4 The report aims to highlight both the strengths and weaknesses of the city centre, thereby helping to direct follow up targeted research and policy implications.

## 2. Retail definitions

- 2.1 We start with consideration of some relevant definitions that will be important in assessing vitality and viability, matters of need and impact and how policy will need to respond. Our brief is to consider Canterbury city centre, in the context of its catchment area and indeed its competition further afield.

### Planning

- 2.2 The adopted Local Plan (July 2006) sets out development plan policy for the city centre. The Council's LDF is at an early stage with a Core Strategy options report having been prepared in January 2010 for consultation.
- 2.3 The Local Plan at Policy TC1 (and on the Proposal Map) defines a **city centre boundary** for the city centre. This includes the area within the walls and ring road, but also areas out including parts of St George Place, Northgate, and St Dunstan Street.
- 2.4 Within the city centre boundary, the Local Plan also defines at Policy TC5 a **retail core**. The retail core runs largely in a linear pedestrianised form from Whitefairs, along St George's Street, Parade, and High Street and onto St Peter Street, and also includes Burgate which runs parallel to St George's Street, Parade, and St Margaret's Street. TC5 seeks to retain and promote retail uses on the ground floor to retain a strong retail core.
- 2.5 In terms of PPS4, the retail core defines the primary shopping area and outside of this area, impact and sequential tests would be required for new retail development unless there are specific allocations in the development plan.
- 2.6 In this regard we note that the Local Plan contains a number of mixed use designations within and adjacent to the town centre boundary (Policy TC4).
- 2.7 In addition, the Local Plan designates **Regeneration Zones** at Canterbury West station (TC12), Kingsmead and Riverside (TC13), St Georges to Canterbury East station (TC14) and Wincheap (TC15).

### Commercial

- 2.8 Following development of the Whitefairs scheme, the retail core has undergone a transformation. The majority of national multiples (especially the fashion/lifestyle fascias) are to be found at the Whitefairs end of the city centre catering for the mainstream comparison shopping visits, whereas the St Peter Street end to the north-west has a different character with smaller shop units, focusing on the visitation market with more specialist retailers.
- 2.9 In commercial terms (as defined by types of retailer, footfall and rents paid) the traditional prime pitch may be defined as extending from the junction of Parade and St Margaret's Street as far as Superdrug on St George's Street on the corner of

Canterbury Lane; it includes some units in Longmarket (shopping centre) which front Parade. Whitefriars Street, within the redeveloped Whitefriars Centre, is now also considered prime. Retailers on this stretch are largely fashion multiples and include Monsoon/Accessorize, Esprit, and Zara, H&M and Republic.

- 2.10 High Street extends north-west from Parade. It accommodates a wide range of multiples including French Connection, Holland & Barrett, Paperchase and Bon Marche. Also along High Street, there are entrances to Debenhams and to the independent Nason's department store, which has a more limited range of fashion.
- 2.11 Debenhams has two satellite stores on Guildhall Street, which is located off High Street, one store sells homewares only and the other houses childrenswear; the main Debenhams store can also be accessed via Guildhall Street.
- 2.12 It is noticeable that High Street contains a high proportion of A2 units with the major banks and building societies having their branches here.
- 2.13 Moving further north into St Peter's Street the pitch in commercial terms becomes increasingly secondary. Leading up to Kings Bridge, a number of branded A3/A4 units can be found (e.g. Ask and Prezzo). Past Kings Bridge the offer becomes significantly different, with smaller units and more independent retailers occupying most of the units along St Peter's Street. However, there are also a number of "branded" restaurants/cafes such as Zizzi, Nandos and Brassiere Chez Gerard, intermingled with local offers such as Marlowes and Poppins restaurants.
- 2.14 Other important secondary areas include Burgate, which runs parallel to St George's Street to the north, Buttermarket and Sun Street, which are at the western end of Burgate and Palace Street and Northgate. Retailers on the pedestrianised stretch of Burgate/Buttermarket (opposite Canterbury Cathedral) include Steamer Trading Cookshop, Blacks and Edinburgh Woollen Mill, as well as some high end fascias such as Bang and Olufsen and Fire Earth. In addition, some stores in Longmarket also have frontages on Burgate including upmarket fashion retailers Rohan and Viyella.
- 2.15 Running off St George Street to the south is Rose Lane which is anchored by BHS, with a return to the Parade via Marlowe Arcade and St Margaret's street which contains a mixture of fashion such as Hobbs and Karen Millen and lifestyle such as HMV.
- 2.16 Within the central area of Canterbury convenience shopping provision is limited to a M&S foodhall on St Georges Street and a 2,242 sq m (gross) (24,132 sq ft) Tesco Metro in Whitefriars Centre. Outside the walls of the city centre an Aldi and Netto can be found on St George's Place. Main food shopping is found outside the city centre.
- 2.17 Taken together the city centre has a rich and vibrant set of retail frontages and circuits reflecting the city centre's diverse range of roles catering for mainstream destination shopping (comparison and fashion based), tourist and visitation/cultural



based which are increasingly important given the increasing numbers of tourists - especially European visitors.

- 2.18 There is also a night time economy in part reflecting the high student population as well as more family orientated cafe and restaurants.
- 2.19 A key question given Canterbury's historic fabric and limited room for growth in the retail core is what is the most appropriate frontages policy going forward and the extent to which new development is needed to maintain the city's role and vitality and viability. In the next section we set out our assessment of the health of the city centre and retail core in particular.

### **Leisure definitions**

For the purpose of this study commercial leisure the following uses will fall under this heading:

- Cinemas
- Restaurants/cafes
- Private health and fitness facilities
- Hotels
- Pubs/bars/nightclubs
- Bowling
- Theatres/music venues

To gain a comprehensive understanding of Canterbury's current commercial leisure market we will consider the following:

- Current occupiers with a presence in the city
- Current requirements from occupiers for space within the city
- Gaps that have been identified in the current offering
- Where possible we will identify who the key players are in the national market, their drivers and target areas in the UK,
- Possible future demand for space in Canterbury from occupiers

### 3. Health of the city centre

#### Socio-economic profile

- 3.1 Canterbury is an historic city with a national and international reputation for its heritage, culture, tourism and educational offers. In many ways Canterbury's peer group in the UK is with the likes of Chester, Bath, and York. These historic centres combine deep seated heritage, with a strong commercial focus to enjoy good reputations amongst resident and visitor populations and the commercial property market.
- 3.2 Whilst these historic "cathedral" cities enjoy strong brands and reputations, this often conceals a more complex set of social economic factors at the local level.
- 3.3 Looking at demographic and socio-economic indicators in Canterbury we note that:
  - There is a higher than average age profile compared with the rest of Kent or the UK (21% above 65);
  - Significantly higher level of young people than Kent as a whole, given the district's large student population (in the order of 25,000);
  - The area has undergone significant employment growth over recent years – though this has tended to be in the lower waged sectors (retail and tourism) with an underrepresentation in financial and business sectors and an over-reliance on public sector employers;
  - Within the public sector category, education is particularly important; major employers include the University of Kent and Canterbury Christ Church University. Other major public sector employers in the city include Canterbury City Council and the NHS Trust.
  - In December 2009, 2.6% of the workforce was unemployed, compared to the national unemployment rate at December 2009 of 4.1%.
  - The area might be described as "moderately affluent" reflecting regional and national averages, although slightly below average in younger professional groupings;
  - There is a higher concentration of more affluent AB<sup>1</sup> groups in the centre of the district;
  - Average levels of car ownership;
  - Higher than average level of owner occupied housing;

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<sup>1</sup> The British socio-economic groupings include **A: upper middle class**: senior managers, administrators, civil servants and professional people and **B: middle class**: middle-ranking managers, administrators, civil servants and professional people.

- The city centre is a regionally important retail centre performing a number of roles for both resident and visitor populations, with a large catchment area extending north to the coast and south as far as Ashford;
  - Traffic congestion on the inner ring road and radial routes into Canterbury city centre is a significant problem.
- 3.4 Thus in assessing the health of the retail and leisure sectors, the wider context is a complex set of indicators. On the one hand the local economy has grown in recent years, but it is still underrepresented in the areas of the economy (private sector and financial and business sectors) which have fuelled faster growth elsewhere in the south east.
- 3.5 There is however a moderately affluent population in the centre of the district around the city centre, with the benefits (and challenges) of large visitor and student populations, serving a wide catchment area.
- 3.6 At the same time there are considerable heritage, traffic and environmental issues to confront which raise fundamental questions for the future of sustainable development patterns in the city centre. The city walls act as a natural boundary and within them, the many old buildings provide numerous physical challenges. The current traffic congestion issues also present a problem with access and traffic flows being fundamental hurdles that have to be overcome when considering future development. In short Canterbury district is a mixed one, but at its heart Canterbury city centre is an attractive, strong and regionally significant centre.

### **Health check**

- 3.7 This section reviews the vitality and viability of Canterbury City Centre, against the key indicators set out in PPS4 in so far as data has been available; namely
- diversity of main town centre uses;
  - the amount of retail, leisure and office floorspace in edge-of-centre and out-of-centre locations;
  - the potential capacity for growth and change of centres in the network;
  - retailer representation and intentions to change representation;
  - shopping rents;
  - proportion of vacant street level property;
  - commercial yields on non-domestic property;
  - land values and the length of time key sites have remained undeveloped;
  - pedestrian flows;
  - accessibility;
  - customer and residents view's and behaviours;
  - perception of safety and occurrence of crime;
  - state of the town centre environmental quality.



### Diversity of main town centre uses

- 3.8 Canterbury city centre retail floorspace is estimated by the GOAD 2009 Canterbury Centre Report at 87,170 sq m (938,300 sq ft). This compares with around 140,000 sq m (1,506,960 sq ft) in Maidstone and 67,000 sq m (721,188 sq ft) for Ashford which are the nearest competitor towns within the region alongside Westwood Cross.
- 3.9 The city centre has broadly the expected volume and quantity of retail provision, given the size and affluence of the shopping population with the quality of the centre on the whole reflecting its position as a regional retail hub.
- 3.10 Canterbury city centre consists of a range of uses with the most dominant being retail, and food and drink uses coming second with these mainly made up of public houses and mid range multiple restaurants as well as a good number of independent restaurants.
- 3.11 There is a relatively low number of commercial family leisure uses with restaurants, a small cinema (Odeon) and a bowling alley making up the majority of the offer.
- 3.12 The amount of other commercial leisure uses is also limited with only a number of nightclubs, budget to mid market gyms and pubs on offer, suggesting that a number of gaps exist.
- 3.13 The city centre office market is very small with most being located above shops scattered around the city centre.
- 3.14 The below table summarises the mix of retail and service uses as recorded by GOAD in their survey of Canterbury town centre in 2009.

**Table 3.1**

Retail Trade Groups	No of Units	Floorspace (Sq ft)	Floorspace (Sq M)	Percentage of total no. of units	Percentage of total floorspace
Convenience	25	71,500	6,643	6%	8%
Comparison	205	558,200	51,858	50%	59%
Services	133	215,900	20,058	32%	23%
Vacant	46	92,700	8,612	11%	10%
<b>Total</b>	<b>409</b>	<b>938,300 sq ft</b>	<b>88,171 sq m</b>	<b>100%</b>	<b>100%</b>

### Comparison Shopping

- 3.15 As noted above Canterbury's commercial prime retail area is focused around the Whitefriars Shopping Centre and St George's Street and also includes the Parade to the west. The secondary area moves down from Parade and into the High Street and on into Burgate, Sun Street and the Kings Mile.
- 3.16 Comparison retailing accounts for approximately 51,858 sq m (558,200 sq ft) of the total floorspace in Canterbury City Centre (GOAD) which equates to 59% of the total floorspace. This is above the national average of 49% showing the dominance of comparison retail in the centre. This floorspace figure is different to the one we have used for the purpose of expenditure modelling – the figure here is a headline figure, whereas in the RECAP model we have added in additional floorspace for upper floors where appropriate.
- 3.17 This comprises a wide comparison retail offer which covers a variety of goods including clothes, jewellery, books, eyewear and health and beauty. There are a lower number of DIY and household goods shops and a high number of fashion retailers which suggests a healthy centre with demand from fashion retail brands.
- 3.18 Canterbury has five main department stores, namely Debenhams, the independent Nason's, Bhs, M&S and Fenwick which is located in the Whitefriars Centre. Fenwick's also boasts a large number of up-market fashion concessions including Country Casuals, Jaeger, Olsen, Max Mara and Eastex. A number of retailers traditionally found on the High Street also have concessions within Fenwick; these include Coast, Wallis, East, LK Bennett and Hobbs.
- 3.19 There are a good number of national retailers present including a number of upmarket and quality fashion retailers, for example Viyella, Jaeger, Karen Millen, Hobbs and Monsoon. In terms of fashion retailing, the 2010 PROMIS live report<sup>2</sup> ranks Canterbury at 35 in the Retail Score.
- 3.20 Canterbury city centre also boasts a number of speciality retailers aimed at the tourist trade such as Canterbury Pottery and the National Trust Shop.
- 3.21 The centre therefore has a good proportion of comparison units/floorspace which is in contrast to most other towns in the region, with the only other centres offering similar levels being Maidstone and Ashford.
- 3.22 There is a good range of both national and local independent retailers such as those found on High Street, Burgate and Kings Mile with the independent retailers having traded well over recent months, supported by a strong influx of day trippers coming from Europe to take advantage of the strength of the Euro.

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<sup>2</sup> PROMIS is a company that produces property market reports broken down by different sectors of the market and different towns across the country

- 3.23 This mix makes for a unique centre with two almost distinct retail markets operating well side by side, with the close proximity of the two helping to improve footfall for both. The national comparison fashion goods brands located at the Whitefriars end of the retail area do not compete, but work in synergy with the independent operators found on the High Street and King's Mile, where more of the cultural and special interest shops, and therefore tourist trade is located.
- 3.24 The quality of the retail offer is reflected in the key anchor being a full line Fenwick's department store (one of only 8 in the UK), which underlines the city's role as a regional centre. In comparison Ashford is "anchored" by Debenhams, Marks and Spencer and Bhs, and Maidstone by House of Fraser, Bhs and M&S. Of the traditional department stores only John Lewis and House of Fraser are missing in the city centre. The nearest John Lewis is to be found at Bluewater.

#### Convenience Shopping

- 3.25 The city centre itself has a limited convenience offering with the only major retailers present within the walls as being that of Tesco Metro and M&S.
- 3.26 Out of the centre Asda, Sainsbury's (Kingsmead) and Morrisons dominate the market, each having large stores. In addition, Aldi and Netto have stores on St George's Place. Lidl and Mark and Spencer Simply Food have stores on Sturry Road and there is an Iceland on the Wincheap Industrial Estate,
- 3.27 We understand there are currently a number of operators showing interest in opening up food stores in or around the city centre. These include operators looking for large and smaller format stores on edge/out of town sites, and an operator looking at a site within the City Centre itself.
- 3.28 We understand that one operator has been involved in high level negotiations but have not submitted a planning application as of yet.
- 3.29 The 2009 Canterbury GOAD Centre Report estimates that there is 6,643 sq m (71,500 sq ft) of convenience goods floorspace in the City which equates to 7.6% of the total floorspace in the City. This is significantly below the national average of 17.49%.

#### Food and Drink

- 3.30 The food and drink offer has been growing. There is now a good range of independents such as Café des Amis, Café Mauresque, Il Positano, Azouma, Olive Grove, The Farmhouse, Pinocchio's, and national brands comprising coffee houses and mid market chain restaurants such as Costa Coffee, Pizza Express, Nando's, and Wagamama. In addition there are relatively new higher end additions such as Carluccios in Fenwick's and Patisserie Valerie on High Street.
- 3.31 The drinking offer is also limited to more independent public houses that cater well for the large student population, but lack the presence of higher end bars and more family orientated establishments.

### Markets

- 3.32 There is no permanent market in the city centre, but there is a general market that operates twice a week and is based on the Parade and St George's Street. We understand that there is planning permission (2008 application) to move the Friday market from St. Georges Street to Iron Bar Lane and Link Lane, but there are no immediate plans to implement this consent.

### Services

- 3.33 The city has a good services offering, with 133 units comprising a range of services - banks, hairdressers, beauty salons and estate agents - including both national and local providers.

### Leisure and Entertainment

- 3.34 When considering commercial services such as hotels, health and fitness facilities and nightclubs there is an apparent under provision with a lack of hotels both at higher 4/5 star end and the budget end of the market.
- 3.35 There are currently no mainstream private health and fitness operators within the City walls, however there are a number of health and fitness facilities just outside the city centre boundary.
- 3.36 Canterbury has only one mainstream cinema, a small two screen Odeon. The Bowling Alley/ice rink is in St Georges Place /Lower Chantry Lane has been open a year.
- 3.37 There is an additional cinema and small theatre in the form of the Gulbenkian located at the University of Kent. We consider there would be opportunity for an additional in centre cinema, potentially of the type that we have seen open up by HMV Curzon making use of first floor erstwhile storage space. Although such use of the first floor space is somewhat constrained by unit size in Canterbury.
- 3.38 Perhaps the most exciting entertainment addition to Canterbury is that of the new Marlowe theatre, set to open in 2011. This will provide a main auditorium and a secondary space that will seat approximately 1200 and will be used for a broader range of productions and activities.
- 3.39 Canterbury's leisure market is considered in greater detail in section 5 of the report

## 5-9 Economy

- 3.40 Canterbury City centre's 5-9 economy is primarily made up with both mainstream and independent restaurants and pubs with a good number of mid market chain restaurants including Ask, Carluccios and Zizi's found here. In contrast to this, there is a limited number of higher quality bars leaving little choice for those looking to meet for a drink prior to attending any evening entertainment. Demand for this type of establishment is likely to increase in autumn 2011 with the opening of the Marlowe Theatre. A larger cinema would also help to boost this economy and would be supported well by the numerous restaurants. This 5-9 economy offers opportunities for potential operators; however the challenge will be to find available appropriate accommodation in the city centre.

### Community facilities

- 3.41 There are a number of community facilities providing badminton courts and exercise classes, along with Youth centres and Neighbourhood Centre. Kingsmead Leisure Centre and Kings School provide swimming and fitness facilities. Canterbury High School also offers fitness facilities.

## **Edge and out of centre retail and leisure**

### Retail Warehousing

- 3.42 Retail warehouse supply is estimated at nearly 1.5 M sq ft in the Canterbury catchment area by PROMIS. Overall, provision per household of retail warehousing floorspace is above the PROMIS average, although this varies across key goods categories. Most goods categories are over-represented in terms of provision per household, particularly DIY, Furniture and other bulky goods. In contrast, Child/Sport and Fashion/Other High Street goods are under-represented on this basis.
- 3.43 Retail warehousing in Canterbury itself is concentrated at two locations: Sturry Road, around a mile north-east of the city centre, and Wincheap, less than a mile south-west of the city centre.
- 3.44 Stour Retail Park in Canterbury is situated within an established commercial area, being accessed directly from the A28. The park comprises around 7,432 sq m (80,000 sq ft) of non-food and we understand benefits from an open A1 (non-food) consent, although the subdivision of stores into units of less than 929 sq m (10,000 sq ft) is not allowed. Occupiers on the park are Matalan, SportsDirect.com, Peacocks and TK Maxx.
- 3.45 Canterbury Retail Park, which is situated opposite Stour Retail Park, opened at the end of 1997 and comprises around 4,180 sq m (45,000 sq ft). We understand that the park has a bulky goods consent. Occupiers include Currys/PC World, Carpetright and Harveys and Toys R Us.

- 3.46 Maybrook Retail Park opened in 2006 opposite Canterbury Retail Park. The park comprises around 4,645 sq m gross (50,000 sq ft gross) in a terrace of four units. Occupiers include Marks and Spencer Simply Food, KFC, WD Sports, Halfords and Maplin.
- 3.47 Riverside Retail Park lies half a mile to the south-west of the city centre, close to the A28/A2 junction. We understand that the development benefits from open A1 consent. Occupiers include Boots, Mothercare World (including Clarks Shoes), Carphone Warehouse and, most recently, Argos Extra who replaced Halfords in 2008 following their relocation to Maybrook Retail Park. Completed in 1996, in conjunction with an adjacent Morrisons superstore, Wincheap Retail Park benefits from good parking provision and visibility from the A28.
- 3.48 Retailers at the park also include Staples and Pets at Home.
- 3.49 Further retail warehousing is located in the Wincheap Industrial Estate on Cotton Road, Maynard Road and Simmonds Road. This area includes a broad mix of retail/quasi retail, and more traditional light industrial accommodation.
- 3.50 The majority of free-standing retail warehouses within the Canterbury area are occupied by either DIY or furniture retailers. Exceptions include Argos and Comet, which occupy units just off Sturry Road. These stores are located next to Paul Simon and an Asda superstore. B&Q Warehouse occupies a sizeable store on Sturry Road, whilst Carphone Warehouse, Victoria Wine and Jessops trade from two modern adjacent units. Dunelm Mill, Carpet Right and Pine and Things occupy stores at the southwestern end of Wincheap.

#### Leisure parks

- 3.51 Canterbury has no specific leisure parks with the majority of commercial leisure facilities located in the town centre.

#### Convenience Goods

- 3.52 Canterbury currently has a wide range of main foodstores, as indicated in Table 1. In addition, to those stores listed, a Marks and Spencer Simply Food store has recently opened at Maybrook Retail Park and has a net area of approximately 880 sq m. Furthermore, there is a range of small specialist food retailers in Canterbury.
- 3.53 All the principal food retailers apart from Waitrose are therefore already represented in the city - in the case of Asda, in a very large food/non-food superstore on the Sturry Road, Sainsbury's at Kingsmead, and Morrisons at Wincheap. In terms of range and choice of retailers, there is no conspicuous gap in the retail offer, although it is noticeable that Tesco does not have a superstore in the immediate environs with the nearest large Tesco stores (Extra) being at Whitstable, Broadstairs and further afield at Dover.

**Table 3.2: Principal Foodstores in Canterbury**

<b>Retailer</b>	<b>Gross Floorspace (sq m)</b>	<b>Sq Ft</b>	<b>Net Area (sq m)</b>	<b>Sales Sq Ft</b>
<b>Out-of-centre stores:</b>				
Asda	11,648	125,379	5,612	60,408
Sainsburys	4,723	50,838	3,174	34,165
Morrisons	5,760	62,000	3,252	35,005
Iceland	774	8,331	521	5,608
Aldi	1,645	17,707	1,069	11,507
Lidl (1)	1,250	13,455	750	8,073
Netto	957	10,301	545	5,866
<b>City Centre stores:</b>				
Marks & Spencer	n/a	n/a	1,413	15,210
Tesco Metro	2,242	24,133	1,457	15,683
<b>TOTAL</b>			<b>17,793</b>	<b>191,524</b>

Sources: IGD 2008; Canterbury City Council.

Notes: (1) Estimated by DTZ based on typical sizes for such stores.

### **Potential Capacity for Growth**

- 3.54 Following the development of Whitefriars shopping centre in 2005 there have been no further major retail developments in the Centre. The main challenge associated with undertaking any further retail led development in the centre is the lack of available and suitable sites.
- 3.55 There are some potential development sites but these tend to be relatively small, off-pitch, or poorly configured. Due to the restricted nature of the centre within the walls, with many listed properties and archaeological heritage, the city centre presents a challenging environment to develop in.
- 3.56 There are a number of regeneration sites/zones on the edge of town including Kingsmead and Wincheap but to develop any major retail uses on these would have to be carefully considered in terms of the impact on, and relationship with the city centre. We address these issues in more detail in section 8 of this report.

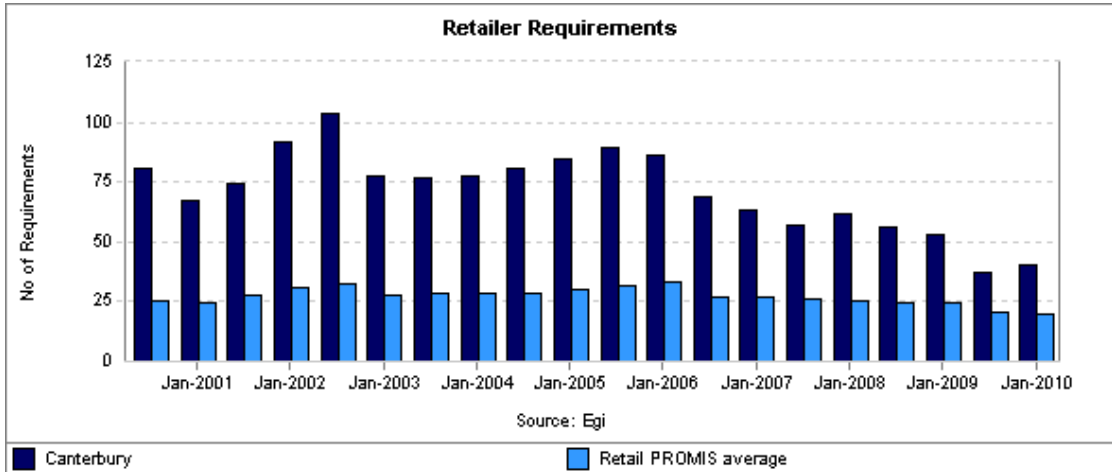
### **Retailer requirements**

- 3.57 In January 2010, PROMIS noted that there were 40 reported requirements for Canterbury, against an average of 20, ranking the city 29 of the PROMIS Centres<sup>3</sup>.
- 3.58 Canterbury has a relatively high level of demand for a city of its size and status.
- 3.59 Retailers that have reportedly expressed an interest in locating in Canterbury include fashion retailers Moda in Pelle and Suits You, as well as a number of specialist retailers including Neal's Yard Remedies and Lush.
- 3.60 Restaurant operators such as Giraffe, Gourmet Burger Kitchen and Jamie's Italian Kitchen have also reportedly expressed an interest in locating in Canterbury. Waitrose are also purportedly seeking a site in the city centre.
- 3.61 The figure below sourced from PROMIS shows how Canterbury's retailer requirements have comfortably outstripped the PROMIS average, but have declined since the peaks of 2002 and 2005.

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<sup>3</sup> PROMIS produces market reports for all the major centres in the UK and ranks them against each other on a number of different criteria

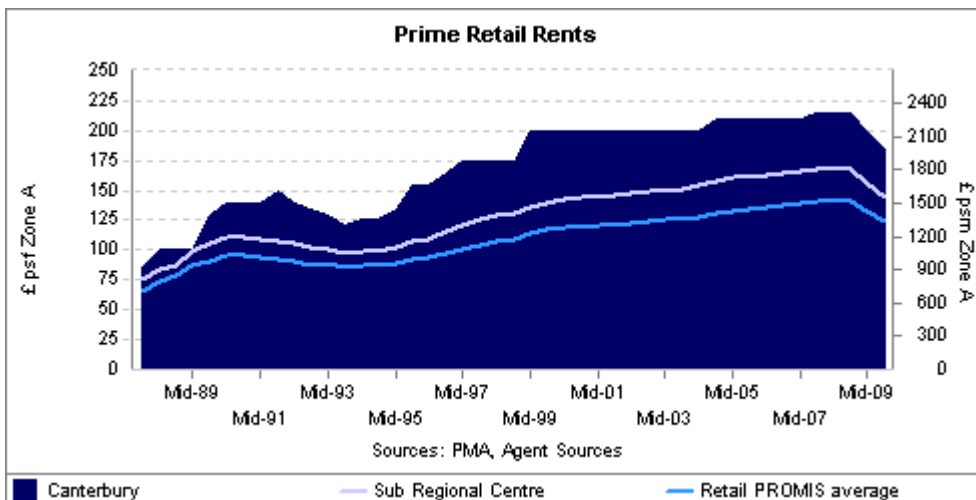




3.62 The FOCUS database records a similar level of requirements to PROMIS and records that in floorspace terms the aggregate figures are between 4,181 sq m (45,000 sq ft) and 8,361 sq m (90,000 sq ft) of requirements.

### Rents

3.63 PROMIS record prime rental growth in Canterbury to be slightly stronger than the Sub Regional Centres' and PROMIS centre's average over the period 1987 – end 2009, as illustrated in the figure below.



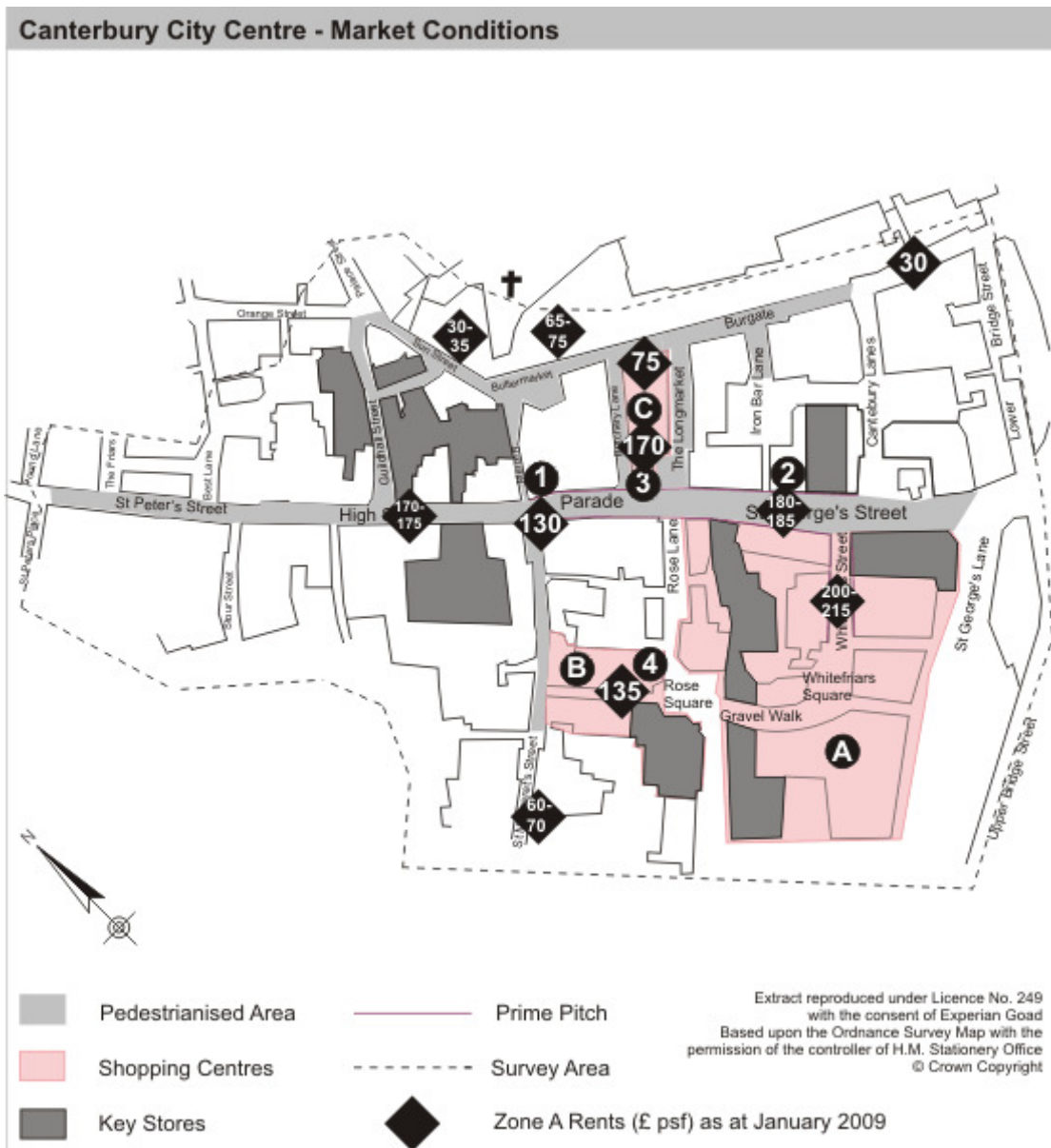
3.64 Although Canterbury has seen relatively strong rental growth depicting an attractive retail market, the city centre has by no means been immune to the recession with prime Zone A rents falling and vacancy rates having increased.

3.65 In speaking with local agents we understand that the highest prime Zone A rents are to be found in Whitefriars and St George's Street. At end 2009, agent sources estimated prime rents in Canterbury at £185 psf (£1,991 psm) Zone A. This itself represents a decline on the mid 2009 level of prime rents in the city. By way of



comparison, prime ZA rents are in the order of £140 psf (£1,507 psm) Zone A in Maidstone and £30 psf (£323 psm) Zone A in Ashford.

- 3.66 Our research has shown that whilst a number of deals have been going through recently, they have not been above around £120 psf (£1,292 psm) Zone A, which is a significant fall on the peak.
- 3.67 The Whitefriars Centre looks to have been slightly less affected than The Parade and The High Street which have been hit not only by the poor property market but also, to some extent by the opening of the Whitefriars scheme in recent years with prime rents sitting around £110 psf (£1,184 psm) Zone A. There are also more vacancies in these streets than the Whitefriars Centre.
- 3.68 Off the commercial prime pitch, rents can vary considerably depending on conditions, for example, in Burgate rents can vary between £30-£75 psf (£323 - £807 psm) ZA. The figure below from PROMIS illustrates the general tone of rents in different parts of the city centre at January 2009. However, as we have noted above rents have declined further since then.



### Vacancy rates and issues

- 3.69 Vacancies (expressed as a proportion of total outlets) provide a useful indicator of the relative health of centres. Large numbers of empty properties, particularly long term vacancies can point to problems with the town centre's vitality and viability and lack of significant investment confidence and market demand.
- 3.70 At the time of the 2009 GOAD Centre study, the vacancy rate as a percentage of number of units was 11% and 10% as a percentage of floor area. This is higher than in previous years and can be explained by the lack of backfilling after the opening of the Whitefriars scheme and also the recent recession. This number may have dropped at the beginning of 2010 due to a number of new deals having taken place.

- 3.71 Both of these figures are just below the UK averages of 12.3% and 10.9% respectively which indicates that the town is operating reasonably well, especially in recent market conditions and has a good level of demand. It does also provide opportunities for new businesses to locate in the City Centre and for existing businesses to move and upgrade premises. Traditionally, it has been the secondary retail areas which have seen the focus of vacancies in our town centres.
- 3.72 However, over recent years there have been signs of some decline with vacancies where higher quality brands have left being filled by lower quality, more budget retailers.
- 3.73 A September 2009 survey by the City Centre manager records a total of 34 vacancies in the city centre and 11 charity shops. The survey reveals an interesting pattern as to where the vacancies are occurring in the city centre.
- 3.74 We record below “in quotes” the city centre managers comments:
- Northgate – 6 vacancies and 1 charity shop: “slowly recovering with a good mix of cafes/restaurants/pubs”
  - The Borough – 2 vacancies “the area is getting a new lease of life”
  - Palace street – 2 vacancies and 2 charity shops – “Looking full and busy”
  - Orange street – 2 vacancies
  - St Dunstan’s – 2 vacancies – “area has really recovered from being really hard hit”
  - St Peter Street – 3 vacancies 4 charity – “Good mix of retail/catering offer and very few empties. Lively feel to the area”
  - High street – 10 vacancies - “Contrary to the normal established order in the City, the High St has been more damaged by the crisis than the secondary shopping areas”
  - Burgate – 1 charity 4 vacancies – “Looking at its healthiest for a long time”
  - Longmarket – 1 vacancies “once sterile and sad thoroughfare is now very well used and helping Burgate out with its footfall”
  - Butchery lane – no vacancies “atmospheric streets. Looking busy and full.
  - Mercery Lane – no vacancies
  - Sun street/Guildhall street – 1 charity and 1 vacancy – “a busy and, for the time being, healthy looking street “
  - St Margaret's street – 3 vacancies – “one of Canterbury most popular thoroughfares”

- 3.75 From our own observations and our experience around the UK, we would agree with the above comments that the recent recession has in many town centres had its greatest impact on hitherto prime areas, as a number of household names have gone to the wall.
- 3.76 In numerical or proportional terms these are still a minority of the total level of vacancy but they have a disproportional effect on people perceptions and are a very obvious reminder of the credit crunch and recession. In Canterbury's case the most obvious example, of this is the former Woolworth store opposite Whitefriars.

### **Commercial Yields**

- 3.77 Commercial yields on non-domestic property (i.e. the capital value in relation to expected market rental) demonstrate the confidence of investors in the long-term profitability of the centre for retail and other developments.
- 3.78 As PPS4 notes this indicator should be used carefully as very small fluctuations in the yield will have a massive impact on viability of potential projects. That said, considered over the longer term, it is a useful guide to how the market "value" a centre.
- 3.79 We consider that prime retail yields for the city are currently sitting at around 5.75% - 6%<sup>4</sup>, lower than Maidstone and Ashford, which reflect Canterbury being a more attractive proposition for investment.

### **Land Values and Vacancy of Key sites**

- 3.80 No info for Canterbury

### **Pedestrian Flows**

- 3.81 There is no specific data available for this indicator

### **Accessibility**

- 3.82 Canterbury is located approximately 55 miles south east of London, 12.5 miles to the north east of Ashford and 15 miles north of Folkstone. Road connections to the City are reasonably good with the A2/M2 route providing a direct link with London to the west and the A2 south, a direct route to Dover.
- 3.83 The road connections in town are struggling to cope with the increasing amount of traffic with resulting congestion problems in the centre, especially around the ring round which restricts movement around the city.
- 3.84 The city is served by good bus routes and rail networks with two mainline stations, Canterbury West and Canterbury East. The latest development in rail connections is

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<sup>4</sup> Source: DTZ Investment

that of a high speed rail link which has recently opened and runs from London St Pancras to Canterbury West in 55 minutes. A regular train services also runs from London Victoria, east across Kent to Canterbury East and takes 1hr 45 minutes.

- 3.85 There are 14 car parks in and around the City Centre, the biggest of them being Castle Street Multi Storey and Whitefriars multi storey, providing 538 and 530 spaces respectively. In total the car parks provide 2,615 spaces.
- 3.86 There are also three park and ride car parks located to the north east, the south east and the south west of the city with buses running approximately every 8 minutes into the centre of the city.

### **Customer Views and behaviour**

- 3.87 We set out below some summary findings from the household interview survey especially commissioned for this study. The household interview survey is discussed in more detail in section 7 of this study. (A summary of the questions and results can be found in Appendix 2A)
- 3.88 The Household Interview Survey (HIS) was undertaken by Research and Marketing Ltd in September 2010. In addition to providing information on shopping patterns in the study area, it also provides an overview of the current strengths and weaknesses facing Canterbury City Centre as a retail location.
- 3.89 The survey covered some 1,500 households across 14 zones (defined by ward boundaries) and included questions on what respondents particularly liked and disliked about using Canterbury City Centre for shopping and services. In addition, the survey asked respondents about their usage of cinemas and theatres.
- 3.90 A summary of the principal findings of the study is summarised below:
- Respondents generally considered Canterbury to have good mix of multiple and independent retailers and this was one of the most popular responses when respondents were asked what they most liked about the City Centre for shopping and services. For example, in zone 1 (Canterbury City Centre itself), some 11.4% identified this response. In addition, 'ease of getting around' the centre was cited by 14.4% of respondents in zone 1 as a particular attraction, as was 'easy to get to from home' (15.4% of respondents in zone 1). Indeed, proximity and ease of access considerations appear to be an important determinant for shoppers when deciding to use a centre.
  - Other frequently mentioned 'likes' of the City Centre included 'good non-food shops' and this was equally relevant for those living outside the immediate Canterbury area. Not surprisingly, 'attractive environment/nice place' was a common response both from people living in or close to Canterbury itself (e.g. zones 1 – 4) and those living further afield.
  - When asked what respondents disliked most about the City Centre for shopping and services, a significant number noted that there was 'nothing or very little' they

disliked. For example, in the core City Centre (i.e. zone 1) a quarter of all respondents (i.e. 25.4%) identified this response.

- However, less positive responses included the fact that the centre is considered to be 'too busy/overcrowded' (zone 1 – 14.9%). In addition, issues relating to the cost of car parking and difficulty in parking near to shops were recorded as the principal concerns.
- A limited number of responses related to the quality of the shopping available. For example, with regards to food shopping, despite the comparatively limited offer in the City Centre, only 2% of respondents in zone 1 identified this as a main 'dislike'. A slightly higher proportion identified 'poor range of non food shops' as an issue (i.e. 8% in zone 1). However, in our experience of undertaking these types of surveys this percentage is relatively low, suggesting a reasonable level of satisfaction with non food retailing generally in the City Centre. .

### **Perception of Safety and Occurrence of Crime**

- 3.91 Canterbury City Council takes a proactive approach to the prevention of crime. The Safer Canterbury District Partnership was set up in line with the Crime and Disorder Act 1998 to ensure that the public sector agencies, voluntary groups and businesses work together with local communities to reduce crime and improve safety.
- 3.92 Most recently in October 2008 Canterbury City Council produced The Safer Canterbury District Partnership plan 2009 to 2012 which identifies nine key priorities and assigns an agency to tackle each of them. Progress will be reviewed on a regular basis.
- 3.93 The KCC Town Centre Health Indicators report showed that between 2006 and 2008 there were year on year reductions in all forms of crime.

### **State of the Environment**

- 3.94 Canterbury City Centre's status as a regional retail hub is reflected in its environment. The overall feel of the environment is one of a clean well managed centre with only a few areas where maintenance and management could be improved.
- 3.95 Due to the Whitefriars shopping centre still being relatively new it has helped to add vitality to the area and improve the quality of the buildings.
- 3.96 The primary retail areas of Whitefriars, the Parade and St George's Street are all pedestrianised which helps to provide a well connected retail environment. The streetscapes on the whole are clean with a reasonable amount of street furniture, however, the southern end of the Parade requires investment due to the pavements and properties having all been built in 1960's/70's and are now quite tired.



- 3.97 The retail units themselves fall into two categories, the more modern larger units at the Whitefriars/ St George's Street end and the small converted period properties found down the High Street. The frontages to the period properties are much smaller but do provide character to the retailing environment.
- 3.98 Looking to the Kings Mile end of the Town Centre, recent significant public realm improvements have taken place. Alongside this, other planned environmental improvements are set to be undertaken on St George's Street in association with the Beaney redevelopment at Best Lane and also those associated with the Marlowe Theatre development. Further improvements are also being planned at Station Road West and St Dunstons.
- 3.99 Overall the centre is an attractive place to visit, especially due to its heritage and culture with the Cathedral located in the centre, along with many fine old buildings with the walls enclosing the central area.



## 4. Key retail trends in context

### Retail expenditure trends

- 4.1 Since the late 1990s, there has been very substantial growth in retail expenditure on comparison goods. Over the period 1999 to 2009, Pitney Bowes 'Retail Expenditure Guide 2010/2011' indicates that per capita expenditure on comparison goods in the UK grew at an annual average of 5.3% in real terms. This is just below the historic long term trend (1979 to 2009) of 5.4% pa, and just above the ultra-long term trend (1964 to 2009) of 4.5% pa. In 2002, growth actually hit 9.6%.
- 4.2 For convenience goods, the average annual growth has been much less, at 0.6% pa over the period 1999 to 2009, which is comparable with the ultra-long term trend which is also 0.6% pa. In addition, there has been some population growth. Over the period 2001 to 2008, for example, the UK population grew by almost 4%; and the accession of countries in Eastern Europe to the EU, appears to have accelerated growth as a result of increased immigration (although recent commentators have suggested that immigration is now falling, due to the recession).
- 4.3 The combined effect of population growth and growth in per capita expenditure has seen substantial increases in total retail expenditure, and hence sales, particularly for comparison goods. However, as recent events have shown much of this retail 'boom' was substantially debt-financed.
- 4.4 At the end of 2007 the 'credit-crunch' initiated a global economic downturn. As a result, the UK economy has suffered a severe recession, which continued throughout 2009. Commentators expect that growth in per capita expenditure during 2010 on both convenience and comparison goods will be around zero, and we have taken account of this in our retail capacity forecasts.
- 4.5 Oxford Economics (in Pitney Bowes 'Retail Expenditure Guide 2010/2011') forecast that over the period 2008 to 2010, growth in per capita expenditure on convenience goods will average 0.1% pa, and on comparison goods 1.3% pa. For the period 2009 to 2015, they forecast average growth of 0.4% pa and 3.7% pa respectively; and for the period 2009 to 2020, 0.4% pa and 3.8% pa respectively. Our use of these growth rates is explained below. These growth rates are well below the long and ultra-long term trend rates indicated above. It means that over the medium term, there will be less expenditure available to support new retail floorspace than in the last 10 years; and hence the capacity for new floorspace will be reduced.
- 4.6 As a result of falling consumer spending and difficulties of gaining credit, a number of well-known retailers have gone into administration including Woolworths and MFI. Furthermore, since 1998 there has been price deflation in comparison goods, largely owing to globalisation and outsourcing of manufacturing to China. The Pitney Bowes/Oxford Economics price index for comparison goods in 2009 was 18.5% below its 1998 peak. This has helped to maintain consumer spending. However, competition for scarce resources as a result of the rapid growth of the Chinese economy, and those of some other nations, may well end this trend once world economic growth resumes.

## Shopping Centre Development Pipeline

- 4.7 As at March 2007 shortly before the start of the 'credit crunch', the UK shopping centre development 'pipeline' comprising schemes of over 4,645 sq m (50,000 sq ft) gross with planning permission or under construction totalled 3.62 million sq m (39 million sq ft). This is higher than had been seen since the early 1990s. The majority of this was expected to be delivered in existing town and city centres between 2008 and 2011. Most of this floor space was in large schemes in the larger centres.
- 4.8 However, in 2008 many of the planned developments became financially unviable as development values fell, largely due to a downturn in the property market. Loan finance for retail development also largely dried up. As a result, almost all developers of schemes which had not started on site postponed or scaled back the development, re-configured masterplans, or sought extensions of time to planning permissions so their schemes can be implemented when the market recovers. There are a number of examples of schemes with planning and CPO consented, but where construction has not yet started as a result of viability issues.
- 4.9 Retail schemes that have not been built yet have potential for delay and/or reconfiguring plans. However, some of those that have recently opened or are nearing completion are facing a difficult early life as letting prospects have become difficult. It is not surprising that because of the economic slowdown, there are fewer schemes now in the pipeline.
- 4.10 However, lengthy development cycles for town centre schemes mean that preparations need to continue now, in terms of getting supporting planning policies in place, so as to ensure delivery of new schemes in time to benefit from the next upswing in the retail development cycle, as the economy recovers from recession.
- 4.11 Even before the onset of the economic downturn, there were comparatively fewer schemes committed or under construction in smaller town centres and district centres. It is often more difficult to make development financially viable in smaller centres, owing to lower rental values for retail floor space there.
- 4.12 Furthermore, the traditional 'anchor' stores, such as Debenhams, House of Fraser and John Lewis will often only consider acquiring the right stores, in the right locations and on their terms – which have tended to be the larger and successful town and city centres (although all keep their trading formats under review). There are other retailers, such as Next, Primark, Top Shop, River Island, H&M, New Look, which can be very significant "secondary anchors" but these too are cautious in the current market.
- 4.13 This is not to say there has been no development in the smaller or heritage centres. For example, in 2009 the ARC centre opened in Bury St Edmunds anchored by a Debenhams store in a joint venture between the Council (which DTZ advised) and Centros Miller.

- 4.14 We have seen a long term trend towards polarisation of comparison goods retailing into the largest town and city centres. Thus, whereas in 1971 the 200 largest centres in the country accounted for about 50% of all comparison goods sales, by 1996, this proportion has risen to about 75%<sup>5</sup>.
- 4.15 There is little evidence since that this trend has halted or been reversed. Indeed, much of the 'pipeline' or recently opened space for new shopping centres described above is in the larger centres, e.g. Westfield London, Stratford City, Birmingham Bull Ring, Liverpool One, Leicester Highcross, Bristol Cabot Circus, and Belfast Victoria Centre.
- 4.16 Although in the world of town centre development times are still challenging we have started to see an increased level of investment which suggests the market is improving. We have also started to see values increasing in certain areas of the country which is helping to improve the viability of such schemes.
- 4.17 However, the landscape has changed and it is highly likely that the schemes of the future will differ quite significantly from the major mixed use schemes of recent years. Schemes are likely to be much smaller and simpler, maybe anchored by food retailers or following the model of 'Total Place' a 'whole area' approach incorporating public services into new development to create better value for the community. The risks will need to be reduced to give schemes a greater chance of getting off the ground.
- 4.18 It is too early to say at what point town centre development will become viable again or indeed what the nature of the next wave of retail led schemes will be. However, given the long lead in times of town centre schemes, what is clear is that at the point of opening any new scheme we will be facing a very different economic and retail landscape. For example, whilst it is helpful to review current gaps in the retail offer by the time any developer is seeking agreement to lease with a retailer there may well be a whole new range of retailers which currently simply do not exist.
- 4.19 However, reflecting on the last round of town centre developments there are some reasons to expect that the next round will consider medium and smaller towns favourably.
- There are clear signs that the investment lot sizes and costs of the bigger schemes built over the last 10 years are unlikely to be duplicated due to their risk profile and the need to assume high and fast rental growth to deliver required profits;
  - Smaller simpler schemes, potentially anchored by a range of stores, or a food retailer, leisure, civic uses etc may fit better physically into smaller and heritage centres and be more manageable in terms of development finance;

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<sup>5</sup> Sources: Census of Distribution 1971, and 'National Survey of local Shopping Patterns 1996' Hillier Parker.

- Greater certainty in the planning environment as DPD documents are increasingly adopted around the country, thus reducing planning risk and cost; and
- Growing acceptance by local authorities that town centres schemes cannot fund all planning obligations and requirements if they are to be viable and deliverable.

4.20 Lastly, what has also been clear from the last round of retail led mixed use development in our towns and cities, is that in most cases they have brought significant and demonstrable regeneration and benefits in physical, economic and community terms.

### Internet Shopping

4.21 Internet and other forms of online shopping have increasingly becoming a major feature of the retail landscape. For the UK, based on detailed data on 'e-retail' (mainly the internet, but including other forms of electronic shopping such as interactive TV) published in April 2010 by Verdict Research Limited, we estimate that on-line sales of comparison goods amounted to 9.5% of all retail sales of such goods; and that this will rise to 15.4% by 2014.

4.22 Some of the recent growth has been at the expense of traditional non-store sales, in particular mail order shopping. However, Verdict estimated in 2008 that *'four out of five online purchases are made at the expense of another retailer.'* Internet spending has not been isolated to so-called 'easy to mail' goods. Many consumers admit to browsing products on sale in 'high street' stores, before ordering the same goods online at discounted prices.

4.23 In order to combat the browsing but not buying phenomenon, increasing numbers of traditional retailers are 'internet price matching' as well as diversifying their channels of product distribution to embrace the internet in parallel with continuing store sales. Many trusted brands which also have traditional 'bricks and mortar' stores are now embracing 'clicks and mortar'. This is also the case with the major food retailers, all of which (apart from Morrisons) have internet shopping channels, and in some cases sourced from local stores (e.g. Tesco).

4.24 The recession has given a boost to online shopping by offering traditional retailers the potential for cost savings. Verdict comment, *'Unfavourable economic conditions are forcing retailers to scale back their physical portfolios, but by investing in their online operations they can reach a wider customer base.'* Thus for example, John Lewis has only a small number of department stores, but by means of John Lewis Direct can cover the entire country.

4.25 The opportunity to reach a wider customer base also applies to small independent retailers as to national multiples, and perhaps more so. An independent specialist retailer located in low cost accommodation in a small market town or a secondary shopping area, for example, can build a substantial business by means of the internet.

- 4.26 The impact of internet shopping varies between different retail sectors. Verdict estimates that in 2009, the lowest penetration was in health and beauty goods (3.2% of all retail spending), and the highest, music and video (45.5%) and electrical (23.8%). Food and grocery stood at 4.5% in 2009, forecast by Verdict to grow to 4.8% by 2014 (with much being sourced from superstores rather than central warehouses, so contributing to local store sales).
- 4.27 In the medium term, the growth will also be uneven. For example, digital downloads have transformed the music and video industries. Thus the 'high street' retailer of recorded music, Zavvi, was forced to close in 2008. Indeed, Verdict expects that internet sales of music and video will soar to 76.7% of all retail sales in this category of goods by 2014.
- 4.28 Verdict now expects continued strong growth, albeit with a flattening of the trend as the online market matures, a substantial part of which will be at the expense of traditional retail shops and stores, despite traditional retailers embracing multi-channel selling. When the recession ends, Verdict predicts a '*a jump in big-ticket purchases online*' owing to deferred replacements, leading to growth in online sales of furniture and floor coverings (which so far have achieved low online market penetration). The trend to online retailers offering free delivery will also help growth.

## 5. Property Market Baseline

### A. General Retail Property Market Overview

- 5.1 After what some observers consider to have been the worst recession since the war, we have in recent months seen some positive signs emerging in the UK property market suggesting that recovery may be underway. Indicators of note include a slow in prime rental negative growth to zero, an increase in investment activity towards the end of 2009, creating yield compression and increasing total returns at December 2009. Since this point things have stabilised with investment activity and yield compression levelling out, although no negative trends have been observed.
- 5.2 Whilst most observers consider we are past the worst, no one is complacent and there is a real concern that we could see a “double dip” in the economy brought about by national sovereign debt (most notably Greece at the time of writing).
- 5.3 There is also a sense that whilst we have seen some yield compression (i.e. capital values for prime investment improving) this may be a factor of available capital chasing a limited supply of prime property at the right price, and that until we see a return to rental growth (in turn basically reflecting an upturn in market demand), we cannot be sure of future directions.
- 5.4 When focusing on the retail market, this has been a difficult year for retailers; they have recognised the need to adapt to the challenging market conditions, cutting costs with adjustments to the supply chain, reducing stockpiles, staff reduction, discounting and the shedding of poor performing stores.
- 5.5 There are however some positive signs of strength in the market with a number of the fashion, discount and food retailers having performed remarkably well in the last year and other retailers having shown considerable resilience in adversity. The recession also appears to have brought strong retailers to the fore, with the polarisation between the strong and weak widening.
- 5.6 There have been, however, a good number of retail casualties during 2009 with a wide range of names across the market going into administration, but to date those have broadly been those that were already vulnerable, due to the weakness of their offer, financing, or those with direct links to the housing market.
- 5.7 Looking at 2010 we did not see the deluge of administrations that many expected, the demise of Borders and D2 over the 2009/2010 Christmas period serve as a reminder that there are still multiple retailers in trouble. The sectors particularly at risk are those of entertainment and furniture, whilst the fashion market also appears still to be somewhat crowded.
- 5.8 Looking forward to 2011, UK retail sales figures continued to show weak growth at the end of 2010. Following October's like-for-like sales growth of 0.8% according to the BRC's measure, November saw a similar 0.7% rise. Both sets of results were against very poor comparables last year.

- 5.9 In terms of sector performance, food continues to show marginal growth, although this partly reflects the supermarkets successfully passing on their inflationary pressures to customers. Clothing and footwear recovered slightly in November, helped by colder weather. Homewares slowed further in November, showing a larger year-on-year decline than in October. The household goods sector is suffering from the renewed housing slowdown. The Nationwide house price index showed a drop of 0.3% during November, and a 0.7% fall in October.
- 5.10 In general terms, there is little consistency in retail sales performance across either regions or sectors. The general trend appears to be that stronger retailers are pulling the general health of retail upwards, but many more, particularly big ticket retailers (furniture, carpets, white goods and electrical) are pulling strongly in the opposite direction. Retail is 'patchy' (see Figure 7 for trading updates released during Q4) with few consistent trends. The state of health continues to edge in a positive direction but it is still significantly below where it was before the credit crisis.
- 5.11 Many of the larger non-food retailers have reported higher than expected gross margin increases in recent months, and food retailers' gross margins remain solid. Ongoing tough negotiations with suppliers will continue to aid the strongest in the High Street, at the expense of the weaker ones.
- 5.12 Looking forward, whilst consumers have so far been reasonably resilient in light of the current economic climate, the market is cautious about consumer behaviour in 2011. A drop-off after the January sales is expected, as the VAT rise and the Government's Comprehensive Spending Review, with the related public sector job losses, adversely affecting consumer sentiment.
- 5.13 According to the BRC's Retail Prospects for 2011 survey, nearly two thirds of retailers expect retail sales to worsen compared with 2010, due to weak consumer demand and inflationary pressures. However, an encouraging proportion intends to increase investment and create jobs, which hints at longer term health.

#### **Area Overview**

- 5.14 Canterbury falls under the jurisdiction of the Canterbury City Council and is located approximately 55 miles to the south east of London and 12.5 miles to the north east of Ashford. A high speed rail link has recently been opened that runs from London St Pancras and takes 55 minutes. A regular train service also run from London Victoria and take 1hr 45 minutes. The latest population estimate (KCC's Population estimation as at September 2009) put the population of Canterbury at 148,500 in 2011.
- 5.15 Canterbury has a strong identity with its combination of a heritage and history, and a large student population. All of these factors combine to create a healthy and vibrant city with a reasonably strong economy and a comprehensive retail offering.

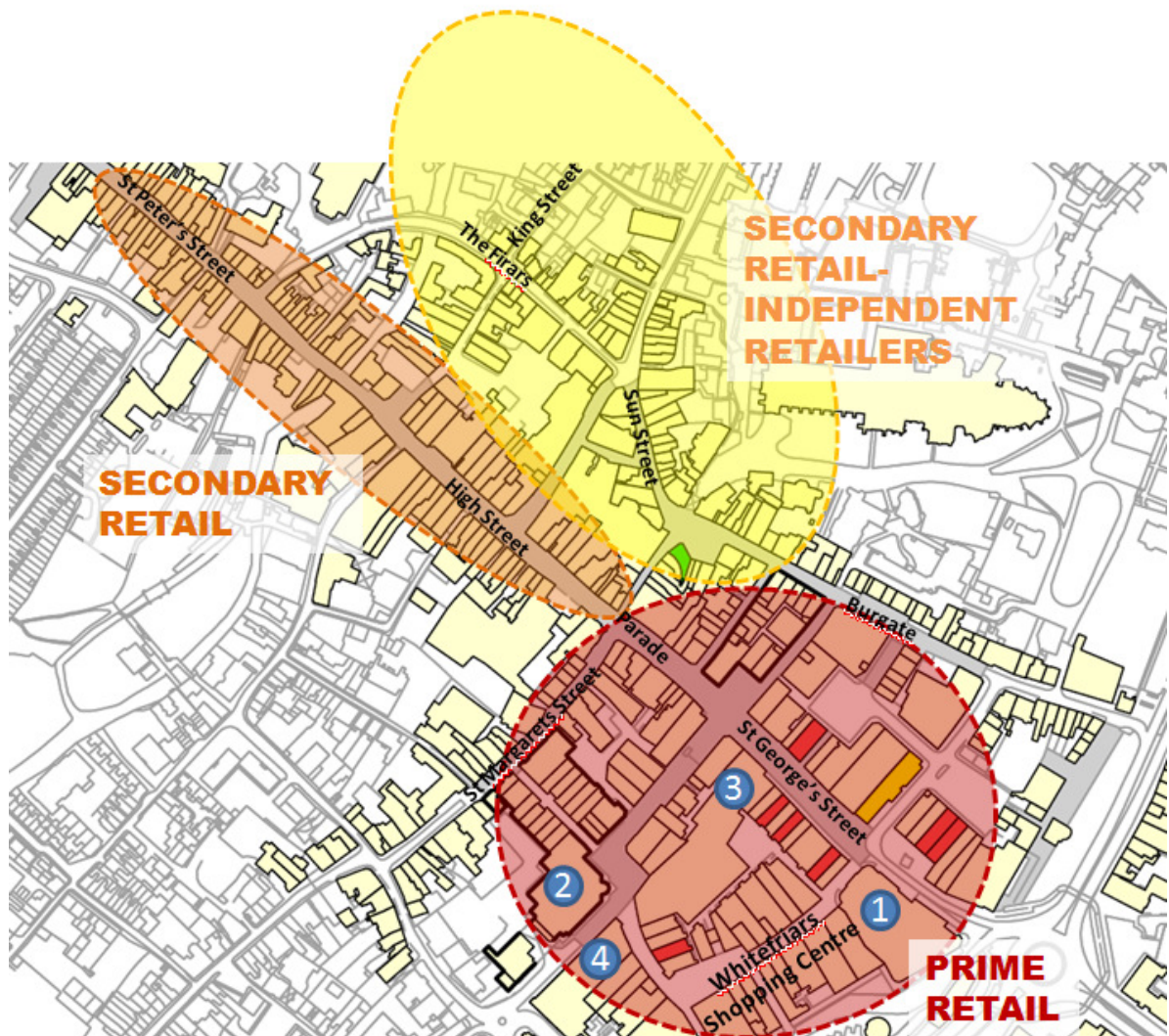
- 5.16 The retail offering combines a selection of both national and independent retailers and both tourist and local focused shops. The Whitefriars Centre was opened in 2005 and offers a modern shopping environment, is well anchored by Fenwick's and acts to focus the prime retail area around it.
- 5.17 The leisure offering of Canterbury is not as comprehensive as would be expected, although it has a number of key treasures such as the Marlowe Theatre, currently under construction and its famous heritage and landmarks, most notably the Cathedral.
- 5.18 For a City of its size and population, however, it seems to have obvious gaps in its standard commercial leisure offering with fewer higher end bars and family entertainment than might be expected such as a modern large cinema. The Canterbury leisure market, along with the wider leisure market is examined in more detail later in this section.

#### **Canterbury Retail Market**

- 5.19 The city centre falls into two distinct areas with the more mainstream retailing area located in and around the Whitefriars Centre and St George's Street to the south, and the more independent retailing area located in and around the Kings Mile area to the northern end of the centre.
- 5.20 The Whitefriar's Centre was originally built in the 1970's but has undergone a comprehensive redevelopment and extension in two stages with the final phase completed in September 2005. Here, a good number of national retailers have a presence including Fenwick, Marks and Spencer, Bhs, Next, Top shop and Zara. St George's Street and the Parade are made up of more dated 1960's/1970's properties, however, moving down the High Street and St Peter's Street the majority of the properties are old period properties which provide the area with character and help to make it a very distinctive city centre. A large proportion of the City Centre is pedestrianised.



**Current Retail Provision**



1. Fenwick
2. Debenhams
3. Marks & Spencer
4. Tesco Metro
- 5.

**Source:** Goad

5.21 Outside of the primary retailing area of Whitefriars and the surrounding streets, the more secondary retail area is focused around the area known as ‘The King’s Mile’ which extends from Guildhall Street and Sun Street in the South up to the Northern end of Northgate in the north. This area offers numerous smaller independent shops including jewellers, music shops, confectioners, arts and crafts shops and cafes. Due to the different type of occupiers located here, this area works in synergy with the more commercial areas of Whitefriars and the surrounding streets. The area offers both locals and tourists alike the opportunity to shop and spent their leisure time in a shopping district that offers a different experience and different goods. In terms of footfall both the primary and secondary areas are likely to benefit from the presence of the other with those who visit one area likely to continue on and walk round the centre to visit the other area. Overall this mix creates a strong retail offering.



5.22 The above graph shows the quality of fashion retailers in Canterbury in comparison to an average centre and a sub regional centre. (Source: PMA)

5.23 The closest competing town is that of **Ashford**, approximately 20 Km to the South West where there are 136 comparison retail units as opposed to 205 in Canterbury and only 58 service units compared to 133.

5.24 A currently more competitive town to Canterbury is that of **Maidstone**, located just under 40 Km to the west with a reasonably new shopping centre, Fremlins Walk which opened in 2005 providing 27,870 sq m (300,000 sq ft) of new retail. This significantly improved the retail offering of Maidstone with a wider selection of brands including Marks & Spencer, House of Fraser, Next, Zara, H&M and Top shop. Westwood Cross, a shopping and leisure park located between Broadstairs and Margate is also a competing centre. Further detail on these centres is provided in section 6 of the report.

- 5.25 What helps Canterbury to stand well apart from other centres is its heritage creating a strong tourist economy. This helps to make it a destination centre with many people making the trip from across the Country and further afield.
- 5.26 As noted above in the health check, Canterbury is well catered for with out of centre supermarkets with Asda, Sainsbury's and Morrisons dominating the market, each having large stores on the outskirts of the city. Tesco, unusually only has Metro store in the Whitefriars Centre and Aldi and Netto also have a stores on the edge of the city centre. Waitrose are currently looking to enter the city and searching for an appropriate site and have considered a site on Pound Lane which is at the northern end of St Peters Street.
- 5.27 In terms of retail rankings Canterbury's Venuescore rank has slipped from 79 in 2007 to 82 in 2009. This ranking is calculated by looking at the retail offering of each shopping venue in the UK using a scoring system which takes account of the presence in each location of multiple retailers – including anchor stores, fashion operators and non-fashions retailer. The score attached to each operator is weighted to reflect their overall impact on shopping patterns.
- 5.28 Although Canterbury has a relatively strong retail market, it has not been immune to the recession with prime Zone A rents falling and vacancy rates having increased. As noted above, from speaking with local agents prime Zone A rents, found in Whitefriars and St George's Street have recently fallen to a level of around £1,292 psm (£120 psf) Zone A from levels of around £1,991 psm (£185 psf) Zone A.
- 5.29 A number of deals have been going through recently but have not been above this level. The Whitefriars Centre is the least affected with both The Parade and The High Street having been hit not only by the market but also, to some extent by the opening of the Whitefriars scheme in recent years with prime rents sitting around £1,184 psm (£110 psf) Zone A.
- 5.30 As noted above there have been a number of deals done with some more under offer, the details of which are below.

**Table 5.1**

Property	Zone A rent (Per Sq M)	Zone A rent (Per sq ft)	Agent	Comments
38 High Street	£1,098 ZA	£102 ZA	CBRE	Currently Under Offer
12-13 High Street	£168 ZA	£95 ZA	CBRE	Deal completed in April 2010
Unit 29 Whitefriars Centre	£1,098 ZA	£102 ZA	Cushman and Wakefield	Currently under offer
Unit 9 Whitefriars Centre	£1,098 ZA	£102 ZA	Cushman and Wakefield	Currently under offer



*Please see Appendix 1 which shows the location of the above properties on a map*

5.31 There are still a number of retailer requirements in the market with the number currently sitting at approximately 20 including occupiers such as The White Company, Joules Clothing, Neal's Yard Remedies and Culpepper which are all strong brands.

## **B. Leisure Market Overview**

5.32 The UK leisure industry has had a tough time in recent years, with different sectors being hit worse than others by the recession. Market experts believe that consumer confidence, although less negative than in 2008/9, still remains elusive with them not expecting to see a sustained recovery till at least the beginning of 2012.

5.33 The below commentary looks at the main commercial leisure sectors and how they have been performing over the last year. It also covers the leisure development pipeline and how that is shaping up over the next few years.

## **Hotels**

5.34 During 2009, the Regional UK hotel market (ex London) recorded a 12.2% decline in RevPAR (Revenue Per Available Room), this was the result of a 8.4% drop in achieved room rate and a 4.3 pts drop in occupancy, as demand became more scarce and price sensitive. 2010 also began with further operational challenges as forward bookings remained slow and companies continued to tighten their expense accounts, limiting discretionary spending on items such as travel, hotel accommodation, entertainment and training.

5.35 The latter half of 2010 however proved more positive with occupancy being the main contributing factor to a positive trend in RevPAR performance as at Nov year to date. However regional cities which had experienced recent new supply were not able to capitalise as well on returning demand. The November year to date 2010 figures show that compared to last year, London RevPAR (Revenue per available room) was up 12.5%.

5.36 The average occupancy for the London market has now been consistently in excess of 80% since 2006 and looks set to continue this trend leading up to 2012. Outside of London the strongest rebound in performance was witnessed at the airport markets with RevPAR growth in excess of 5% at Heathrow, Gatwick and Birmingham.

5.37 It is anticipated that in 2011 the UK market (outside London) will see a marginal decrease in AARR with occupancy levels predicted to stabilise. The fear is that the new coalition government's plans for public spending cuts will continue to restrain RevPAR growth, as the cuts will undoubtedly lead to lower hotel roomnight demand, which is a significant portion of many hotels' business in certain provincial markets. London has remained the focus, with opportunities outside of the capital having remained less than appealing to investors, both domestic and international.

## Restaurants

5.38 2010 proved a better year for restaurants with consumers attracted by new offers and the growing use of discount vouchers and promotions, continued to eat out. The majority of the chains performed well in a highly competitive environment with very few losses reported and flat or slightly positive results making up the majority of results. The established casual dining market, including the well known names of Pizza Express and Prezzo led the market with the smaller independent restaurants have had a more challenging time and finding it harder to compete. They have been unable to rely on high profile promotional campaigns and have therefore had to rely on their unique selling points such as the use of local, organic produce. Turning to the fine dine dining market, they too have been reliant on promotional campaigns in the national newspapers with reduced trade, especially from the business sector.

**Table 5.2**

Operator	2010/11	2009/10
<b>The Restaurant Group</b> Frankie & Benny's Chiquitos Garfunkels Bluebeckers	35 units to be split between shopping centres, leisure parks and standalone units for F&B's and pub sites.	15
<b>Tragus</b> Strada Bella Italia Café Rouge	20+	15
<b>Gondola</b> Pizza Express Ask Zizzi Byron	50 units – 95% High Street	30
<b>Prezzo</b> Prezzo Chimichanga Café Uno *	15 units (8 already in legals). Mix of all good locations.	30
<b>Nandos</b>	20 units – High Street and Central London	25
<b>Las Iguanas</b>	6 – 10 units – Shopping Centres and good town centre / edge of town Leisure Parks	5
<b>Cote</b>	10 units – High Streets only and opportunity lead	5
<b>Total</b>	160	125

**Source:** Savills UK Commercial Leisure Bulletin Q4 2010

- 5.39 One of the biggest trends in the restaurant market is that of evolving presence of restaurants, opposed to fast food operations, at shopping centres. There is a great synergy between the two with each helping to increase the footfall of the other. Some leisure operators have noticed that the London phenomenon of eating out and having some drinks after shopping is catching on around the country with catering having been a key strong performer of the recessions.
- 5.40 In terms of requirements in the market, on the whole they have been from the established brands but new entrants such as Jamie's Italian and Cote have also been actively acquiring units. The table below sets out the requirements that were in the market at the end of 2010:

### **Pubs and Bars**

- 5.41 2010 proved to be a slightly more positive year for this market with the majority of operators reporting an upturn in sales during the year; after a flurry of casualties over the previous 18 months. Although most operators focused on maintaining their current operations, a number of operators did look to increase their market share with established operators such as Mitchells and Butlers and JDW seeking out new opportunities in the market.
- 5.42 The high-street bar sector has also experienced a challenging few years with the sector continuing to suffer, as youth unemployment and the squeeze on consumer spending having an impact on operators. There were only a couple of occupiers who looked to expand their enterprises.
- 5.43 The overall condition of this sector is still fragile with trading performance still likely to be affected by public sector cuts, rises in VAT and further Government legislation. However, many operators have proved their ability to be resilient and will continue to do so.

### **Cinemas**

- 5.44 Cinemas are one sector that has been resilient through the recession, admissions have grown for the last three years with Cineworld reporting an 8.5% increase in revenue for the 42 weeks to 21st October 2010. The relatively cheap form of entertainment has been a good option for a society more cautious of spending money. This money saving attitude, combined with the good product that has been seen over recent years and the investment by cinema operators in new digital technology, makes it unsurprising that they have been doing well. A new trend that is becoming apparent is that customers are less likely to choose their cinema on which is closest to their home but more on which provides them with the best experience.

## **Nightclubs**

- 5.45 The late night sector has had the toughest time of all the leisure sectors recently with nightclubs continuing to experience a decline in income and the challenging conditions that took their toll on a number of operators in 2010.
- 5.46 Luminar, the UK's largest nightclub operator, continued to seek ways to turnaround performance, and agreed tie-ins with Jongleurs, the Ministry of Sound and HMV. However in its latest 12 week trading statement to 6 January 2011 it announced a further fall in like for like sales across the period of 19.4 per cent.
- 5.47 On the whole nightclubs are able to adapt themselves to fit available vacant space in town centres and also on out of town leisure parks, however, typically, nightclub operators will require a large multiple level structure to allow for separation of areas, and high ceiling space in part of the area. Floor area requirements for nightclubs start at 6,500 Sqft.

## **Health and fitness**

- 5.48 This sector has also seen both challenges and opportunities with the more established operators such as Virgin Active and Fitness First finding the recession a challenging time with growth having been put on hold and focus turning to their current operations. For Example, Virgin Active announced in August 2010 year that they had no further gym openings in the UK and that they were going to focus on their aggressive international expansion.
- 5.49 There were however new entrants to this market with the new concept of the budget gym arriving in the UK in 2010. These operators offer their customers cheap but well-equipped gyms for a much lower price than the main operators. One example is The Gym Group, who have secured £20m extra capital to help fund their expansion. It is unsurprising that this type of product has appeared in recessionary times and is starting to thrive. Operators have been finding it relatively easy to fund property to occupy with them willing to consider the reasonable amount of unoccupied less desirable stock available in central locations. Occupiers will consider anything that is cheap and available including space in office blocks and car parks. Although this growth has affected the established market, it has not been as devastating as one might think with these budget gyms creating their own market, much like the budget hotel market.

### **Leisure development market**

- 5.50 The second half of 2010 saw the first signs of life after a long barren period. Large scale development had been at a virtual standstill through 2008 and 2009 as banks continued to restrict lending, especially to the leisure market. The leisure development has occurred has been primarily in the hotel sector with the continued expansion of Travelodge and Premier Inn having underpinned this, driven by the easier funding available for both development and investment. Both operators offer long term (25 – 35 years) finance leases which banks have continued to support during the recent period of restricted debt liquidity.
- 5.51 2010 saw the initial signs of resurrection of the development market mainly driven by occupational demand and the willingness for the institutional market to provide competitive forward funding. There are currently circa 2.5 million sq ft of supply now in the pipeline, 75% of this will be cinema anchored, adding at least 80 new screens and at least 75 new restaurants. It is interesting to note that 90% of these new schemes are to be town centre schemes therefore closely linked with the retail environment. Some pipeline schemes of note include the following:

### **Venture Fields scheme, Widnes near Warrington**

- 5.52 This scheme is being jointly developed by St Modwen Developments and Halton Borough council and will include:
- A five-screen 3D enables cinema operated by Reel cinemas
  - A bowling alley run by Widnes Superbowl
  - A children's activity centre
  - An ice rink operated by Planet Ice
  - A Frankie and Benny's restaurant
  - A 60 room hotel with a an adjoining restaurant
- 5.53 Work on the site was due to start at the end of 2010 with a £10 million deal to build the centre having been signed with Morgan Sindall and the scheme is looking to welcome its first visitor in the autumn on 2011.

### **Westgate Retail and Leisure scheme, Aldershot**

- 5.54 This scheme, which will be located in the town centre, was approved unanimously by Councillors in the summer of 2010. The aim is to have to have it open in time for the Olympics. It is set to provide:
- A 91 room hotel
  - A Cineworld cinema
  - Eight restaurants
  - A supermarket
  - A public square



- 5.55 It is hoped that this upward trend will continue through 2011. One of the features of this type of development which helps to make it more appealing to developers and funders alike is the level of pre-letting which can be achieved. When a cinema anchor has been signed up the key driver of footfall is in place which therefore helps to attract other occupiers to the scheme. On the whole these other occupiers, namely restaurants and bars are the key drivers in value to a scheme with a cinema on its own unlikely to be financially viable.

### **Canterbury Leisure Market**

- 5.56 Canterbury's commercial leisure market is not as comprehensive as would be expected for a City with Canterbury's population structure, affluence and heritage. Although it is well catered for in some areas of leisure, in others there are obvious gaps.

#### **Hotels**

- 5.57 When considering the hotel market, for a City with such a strong tourist economy there is a lack of both budget and high end hotels. When looking at the budget end of the market there are very few with only a Best Western and Holiday Inn found to the South East and North West respectively, with none located in the City Centre. At the 4/5 star level there are also only a few with The Ebury and the Abode hotel currently making up the offer. The former is an independently operated hotel and the later is one of a chain of boutique hotels that are found in a number of cities across the country. When considering the development pipeline for hotels Hotel du Vin acquired a site on Stour Street, on the western side of the city in 2008 but is yet to develop it out.
- 5.58 Mid market hotels make up the substance of the offering with a number of independently run hotels including the Swallow Chaucer hotel located on Ivy Lane, the Castlehouse hotel located at the southern end of Castle Street and The Thanington Hotel on Wincheap.
- 5.59 In terms of known requirements in the city, Travelodge are currently requiring a city centre opportunity for between 50 – 100 beds.
- 5.60 The Council is currently attempting to promote a number of sites for hotel redevelopment to address the gap and is also trying to improve the conferencing facilities in the city which would be likely to have a knock on effect on the demand for hotels in the city.

### **Restaurants**

- 5.61 The relative strength of the restaurant market is illustrated in Canterbury through its good selection of mainstream chain restaurants and cafes with many of the well known names present including Pizza Express, Nando's, Strada, Wagamamas and Cafe Rouge. There are also a number of chain cafes with three Starbucks, two Costa Coffees and one Cafe Nero located in the centre. In terms of requirements, Cafe Nero are looking to open at another location and Mr Bean Coffee House, Gourmet Burger Kitchen and Chiquito restaurant are all looking to enter Canterbury.
- 5.62 There are a good number of mid-market independent restaurants such as Deasons on sun Street and the Old Weavers Restaurant, St Peters Street, however there very few high end establishments. As set out above, the UK independent restaurant market has been struggling in recent years with this set to continue for the near future. The strong tourist market in Canterbury is likely to have kept these operators going during these challenging times. When the market does strengthen a city such as Canterbury is likely to be attractive to more operators such as this with both the local catchment and the tourists providing customers.

### **Pubs and Bars**

- 5.63 Unlike restaurants there are not as many mainstream bars but there are however a large number of local pubs which fits with the history and heritage of the town. There are currently no requirements from any of the major bar operators in the city.

### **Nightclubs**

- 5.64 There are two main nightclubs in Canterbury which are mainly aimed at the student population, Chill on St George's Place and Club Chemistry on Station Road. A third nightclub, Studio 41 was recently closed due to redevelopment. As mentioned above, this sector has been particularly hard hit by the recession and it therefore not surprising that this has been felt in Canterbury. There are also likely to be limited possible locations for further nightclubs to open in the city centre due to restricted available space and the fact that much of it is in older buildings.

### **Cinemas and Bowling**

- 5.65 In regard to other commercial leisure uses including cinemas and bowling alleys Canterbury's offer is very limited at present with only one mainstream cinema, an Odeon on St Georges Place which has had little investment over recent years. It offers only 2 screens with a combined seating capacity of 783. There is more of an "arts house" cinema in the form of the Gulbenkian located at the University of Kent but is only open during student term times. The household interview survey, undertaken showed that a reasonable high proportion of respondents from zones 1,2,3,4 travel to Ashford and Westwood Cross to go to the cinema as opposed to staying in Canterbury. Given the differential between what these centres have to offer in terms of cinemas this is perhaps not surprising. Empire and Vue cinemas were unable to comment on any potential future plans for the area. There is also one bowling alley 'Bugsy's which also has a small ice rink.

### **The Marlow Theatre**

- 5.66 The most important development in the leisure market in Canterbury is the development of the new Marlowe Theatre which is set to open in autumn 2011. This will provide a main auditorium which will seat 1,200 along with a secondary space which will be used for a broader range of productions and activities. This new addition to the city will help to strengthen the leisure offer and is likely to attract more complimentary uses such as restaurants and bars.

### **Health and Fitness,**

- 5.67 Another gap in the commercial leisure offering is in the health and fitness market. Many towns and cities across the country now have the main commercial operators present in the form of LA Fitness, Fitness First and Virgin Active to name but a few. Canterbury had lacked a large health and fitness operator until January 2010 when DW Sports Fitness (formerly JJB Fitness) opened a new sport and fitness gym on the Maybrook Retail Park to the eastern edge of the city.
- 5.68 There are a number of independently or publically run facilities outside the city centre including the Body and Mind Leisure Centre on Knight Avenue to the West of the centre and the Kingsmead Leisure Centre to the north west.
- 5.69 The budget gym market has also entered Canterbury in the form of Fit for Less by Energie which is located on the eastern side of the city centre, on lower Bridge Street.
- 5.70 Mainstream operators such as LA Fitness, David Lloyd and Fitness First have premises in Maidstone, Tunbridge Wells and Ashford. Currently it is unclear whether these operators have any intentions to open new facilities in the Canterbury area for the foreseeable future. However, the reasonably affluent nature of the catchment population suggests a demand is likely to be present for a mainstream full-line operation.

### **Canterbury Retail & Leisure Survey: Summary of Responses**

- 5.71 As part of this study we have undertaken a limited survey of the primary foodstore retail and leisure operators (September 2010) with regards to their current activities and future interests in Canterbury. The purpose of this survey was to identify any intentions to expand current facilities and/or for new retailers to open up a branch.
- 5.72 It must be noted that a proportion of foodstore and leisure operators in the city were unable to be contacted or did not respond to our survey.

Summary Table of Responses

**Table 5.3**

<b>Supermarkets</b>	
Waitrose	They currently have no presence in Canterbury but are in long-term negotiations with Canterbury City Council to locate a new store in the city. The main site being discussed is that on Pound Lane to the northern edge of the city centre but others have been raised.
Sainsbury's	Sainsbury's have expressed an interest to the council in creating a new store on the other side of Kingsmead Road (opposite to where they are located now) to create a larger store which would introduce a comparison element. They are currently expanding existing stores in Faversham and Margate. Any opportunities for new stores will be assessed on their specific merits at the time.
Tesco	No current plans to extend Metro store in Whitefriars Shopping Centre. There is an on-going requirement for a full line store to serve the Canterbury area (it is one of Tesco's principle requirements countrywide). Their representation within the catchment is currently poor. Full planning permission to expand superstore in Faversham and Extra store in Westwood in Pre-app.
Co-Op	No plans to extend existing store in Sturry or look for additional stores in Canterbury.
Lidl	No plans to expand current 13,000 sq ft store on Sturry Road. Always looking to expand or open new sites in the area. If there was an opportunity to open in the city centre then it would have to be considered seriously.
Aldi	No plans to expand current premises on St Georges Place.
ASDA	Unable to make contact
Morrisons	There is potential on-going interest in an extension to their existing store located on Wincheap.
<b>Gyms/Health Clubs</b>	
DW Sports Fitness	Opened a new 25,000 sq ft multipurpose gym and pool at Maybrook Retail Park to the eastern edge of the city in January 2010.
Livingwell	LivingWell is part of Hilton Worldwide - sites are only located within Hilton Hotels. Therefore there are no plans to open in Canterbury.
Virgin Active	Virgin Active are currently not looking to expand their operations in the UK

<b>Cinemas</b>	
Odeon	No plans to expand or refurbish current premises on St Georges Place.
Vue Cinemas	Unable to contact them

5.73 Most of the supermarket retailers occupy premises in Canterbury with the exception of Waitrose who are currently engaged in discussions with the Council regarding site towards the northern end of the High Street (Pound Lane). All of the food retailers questioned commented that they had no intention of expanding their premises at present. Most of the retailers did however comment that they are regularly reviewing capacity in the area and opportunities to build new stores where sites become available.

5.74 It is clear from our survey that current foodstore and leisure occupiers are largely content with their levels of occupancy in Canterbury. In order to encourage these activities in the future, respondents emphasised that Canterbury City Council should endeavour to promote and support the allocation of sites for such uses wherever possible.

### **C. Competing and Comparable Centres**

5.75 There are a number of competing and comparable centres in the region which we have reviewed to help to contextualise Canterbury and its city centre offering.

**Table 5.4**

Town	Retail Floorspace (Source: PMS)	Main development	Future Development Potential	PROMIS retail rank (Source: PMS)
Canterbury	92,902 sq m (1.0 m sq ft)	Whitefriars Centre	None	Joint 35 with Maidstone
Ashford	66,890 sq m (720,000 sq ft)	County Square	Elwick Place	107
Maidstone	141,211 sq m (1.52 m sq ft)	Fremlin Walk	None	Joint 35 with Canterbury
Westwood Cross	44,129 sq m (475,000 sq ft)	Westwood Cross	None	N/A

## **Maidstone**

### **Retail**

- 5.76 Maidstone, with a population of 138,948 (2001 census) is of a similar size to Canterbury and currently has a slightly superior retail offering. Fremlins Walk shopping centre, which was developed by Centros Miller and completed in 2005, provides the main focus of the retailing offering in Maidstone with a good number of retailers present including House of Fraser, Zara, Next, Top shop and Apple. This strong retail offering is reflected in its retail rank of joint 35 with Canterbury with both providing a very similar selection of retailers.
- 5.77 In regard to new development in the town, Kier is the preferred development partner with Network Rail to redevelop Maidstone East train station with an application thought to be submitted soon. Possible uses that have been raised are retail, leisure, office and residential. This development would help to improve the centre further and is likely to improve the access to the centre.
- 5.78 There are currently fewer requirements for Maidstone than for Canterbury with only about 10 retailers having requirements in the market. These include names such as Joy, Fat Face, Yours and the Fragrance Shop.

### **Leisure**

- 5.79 Maidstone's leisure offering is reasonable with a good number of mid-market restaurants on offer including Zizzi's, Prezzo and La Tasca. It lacks higher end restaurants and bars but does have a number of independent restaurants to broaden the offer. In regard to wider leisure it has both an Odeon cinema and bowling with an ice rink located nearby in Gillingham, just to the north of the town.
- 5.80 The town also has a reasonable selection of hotels with a number of four star hotels including a Marriott and a number of budget hotels including a Premier Inn and a Travelodge.

## **Ashford**

- 5.81 Ashford, with a population of 102,661 (2001 census) is located to the south west of Canterbury. Following being identified as one of the four key growth areas in the South East by the Government in 2001, Ashford has been working towards achieving this growth in a number of ways.
- 5.82 Most recently The Ashford Town Centre Area Action Plan was adopted in February 2010 and runs until 2021. This blueprint has proposals for 3,100 homes, 8,000 jobs, 69,677 sq m (750,000 sq ft) of retail and leisure space and around 92,902 sq m (1m sq ft) of offices over the next 10 years.

- 5.83 Following the adoption of this plan, developers Stanhope were selected in March 2010 to develop a 2.69 Hectares (6.65 acre) brownfield site in the Town Centre with the aim of delivering a mixed use scheme providing retail, leisure, residential and business space with the potential to create up to 500 jobs.

#### **Retail**

- 5.84 In regard to the town's current retail offering the main shopping centre is County Square which underwent an extensive refurbishment and extension programme by ING completing in March 2008 and offering 50 shops and a total of 46,451 sq m (500,000 sq ft) of retail space. A number of key retailers have a presence including Debenhams, Bhs, Marks and Spencer and H&M, however, a good number of the units in County Square are currently vacant.
- 5.85 There are currently very few requirements for space in the market with those that there are coming from the more budget retailers including Poundland and Phone House. This lack of extensive retailer presence and demand from mainstream retailers is summarised in the town's current retail ranking of 107, which is considerably lower than Canterbury and Maidstone's joint 35th position.

#### **Leisure**

- 5.86 Although the aspirations for the town's future are big with growth underway and more set to follow, the current commercial leisure offering is not that strong. The town has relatively few restaurants and bars, with both very few higher end restaurants and mid –market chain restaurants including Pizza Express. The town does however have a good number of pubs.
- 5.87 The hotel offering is relatively strong, especially in comparison to Canterbury with a number of both budget and high end hotels on offer. This offering is not surprising considering the rail links that now exist, especially the Eurostar. Tourists and business customers alike using these services will have helped to boost demand.
- 5.88 In terms of wider leisure the town has a bowling alley and a Cineworld but little beyond that. The publically run Stour Leisure Centre has recently undergone redevelopment.

### **Westwood Cross**

#### **Retail**

- 5.89 Westwood Cross is a shopping centre located on the edge of Westwood in the furthest eastern corner of Kent between Broadstairs and Margate. The development was completed in 2005 and created 44,129 sq m (475,000 sq ft) of retail accommodation. It is anchored by Debenhams and Marks and Spencer and also houses H&M, Next and Top shop along with other lower level retailers.

## Leisure

- 5.90 The scheme also boasts a leisure park which was developed by Land Securities and opened in November 2007, adjacent to the shopping centre. The scheme comprises a 10 screen Vue multiplex, Travelodge hotel, Mecca Bingo, Grosvenor Casino and several restaurants including Chiquitos and ASK.
- 5.91 There is also a concentration of four retail parks located on sites adjacent to Westwood Cross Shopping Centre, at the junctions of Westwood Road (A256), Haine Road (A256) and Margate Road (A254). These are East Kent Retail Park, Westwood Gateway Retail Park, Westwood Retail Park and Broadstairs Retail Park.

## Retail and leisure market summary

- Canterbury's main commercial retail area is made up of the Whitefriars Shopping Centre, St George's Street and the Parade.
- The retail offering is strong and is characterised by a national names dominating but with smaller independent retailers also having a strong presence. The combination of these two types of retail create a centre with a strong draw with both offerings working in synergy with each other and helping to attract a higher footfall to the centre
- The centre acts as a regional hub due to there being no major competing centre within a 20 Km radius. The closest competitive retail centres is that of Maidstone and Westwood Cross. Maidstone has a strong retail offering focused around the Fremilin's walk scheme. It also should be noted though that Ashford, which is much closer to Canterbury is set for growth in both retail and leisure terms in the near future.
- The retail market has not been immune to the recession with prime Zone A rents dropping to £1,291 psm) (£120 psf) Zone A from around the £1,991 psm (£185 psf) Zone A in recent years.
- The level of vacancies is still just below the national average
- There have been a few more transactions taking place in recent months which suggests the retail market is starting to pick up.
- Canterbury's commercial leisure market is characterised by the more common commercial leisure uses of mainstream restaurants and mid-market hotels.
- There gaps in the commercial leisure offering appear to be in number of areas.
- Both the budget and high end hotel market could be strengthened in light of the strong tourist economy of Canterbury. However if the Hotel de Vin site is developed out this will significantly help to strengthen this market.



- Canterbury appears to be almost saturated with mainstream restaurants but lacks the presence of higher end bars which would help to strengthen the 5-9 economy and compliment the opening of the Marlowe theatre this year.
- A mainstream full-line health and fitness operator would be likely to succeed in the city with only DW Fitness for direct competition.
- Finally, the family orientated leisure sector has been strengthened with the opening of Buggy's bowling and ice skating however, a better quality, larger cinema would do a lot to strengthen this sector and again strengthen the 5-9 economy
- Compared to its regional competitors, Canterbury has a lower volume of leisure activities in terms floorspace volume:

**Table 5.5**

	<b>Total Leisure Floorspace</b>	
	<b>Sq Ft</b>	<b>Sq M</b>
<b>Ashford</b>	139,000	12,913
<b>Canterbury</b>	96,000	8,919
<b>Maidstone</b>	143,000	13,285
<b>Ramsgate</b>	96,000	8,919
<b>Tunbridge Wells</b>	101,000	9,383
<b>Westwood Cross</b>	96,000	8,920

## 6. Quantitative Need for Retail Development

### Introduction and Background

- 6.1 This section provides a full and current assessment of retail capacity forecasts for Canterbury City Centre and out-of-centre retail locations in Canterbury. The forecasts have been informed by a specially commissioned telephone based Household Interview Survey (September 2010) of some 1,500 households in Canterbury's catchment area, providing an up to date review of shopping patterns in the area. Based on the retail capacity forecasts and market demand for new retail floorspace, follow on sections in this study consider the broad development opportunities in the city centre and in non central locations having regard to the advice detailed in PPS4. This quantitative and qualitative assessment will contribute to the evidential base to assist in the preparation of the City Council's Local Development Framework (LDF).
- 6.2 Canterbury City Council is currently in the process of preparing a Local Development Framework (LDF) to replace the existing Local Plan which was adopted in July 2006. The main document of the LDF is the Core Strategy, which sets out the spatial vision and strategic policies for the area up to 2026, including strategic sites for development within the City that will deliver social and economic regeneration. It is important therefore that the Council has a robust retail evidence base to support its strategy both for the City and for the District as a whole, particularly in light of changed economic conditions as a consequence of the recession.
- 6.3 In 2006 Kent County Council (hereafter referred to as KCC) prepared retail capacity forecasts for the whole county, basing the forecasts on a specially commissioned Household Interview survey undertaken in 2006. The forecasts were subsequently updated in December 2009 utilising the household survey data from 2006. The new retail capacity forecasts set out in this study therefore supersede and replace the earlier forecasts prepared by KCC. The current forecasts are based both on the latest survey data of shopping patterns (September 2010) and take account of recent changes in retail expenditure and the potential for improvement in the productivity (sales density) of existing shop floorspace. The output from this forecasting work is a set of forecasts of the capacity for additional retail floorspace in the City Centre and the out-of-centre food store and retail warehouses in Canterbury at 5-yearly intervals from 2010 to 2026.
- 6.4 This study, therefore, includes the preparation of updated forecasts of the capacity for additional retail floorspace in the City, which will be supportable by increases in the population and expenditure of the catchment area residents and visitors. In this section, we describe our RECAP Retail Capacity Forecasting Model, and set out our forecasts of the additional retail floorspace which will be supportable by growth in available expenditure in the period up to 2026.

## The DTZ RECAP Model

- 6.5 The retail capacity update has been prepared using our RECAP retail capacity forecasting Model, which has evolved over a number of years for retail capacity forecasting. One of the main inputs to the RECAP Model is the data on shopping patterns derived from the household interview survey. Thus the data from the earlier DTZ commissioned household survey has been fed into the RECAP Model. The RECAP Model allocates available retail expenditure for convenience and comparison goods from each catchment Zone to the City Centre and to non central locations in Canterbury, on the basis of the results of the household interview survey. It then compares inflowing expenditure (and hence retail sales) with existing shop floorspace to assess the capacity for additional floorspace, taking account of growth in population and expenditure and future changes in retailers' sales densities.
- 6.6 The effectiveness of the various existing forecasting methods varies considerably. Conventional gravity models base the extent of the trade draw of different centres on their size, and on theoretical measures of attractiveness and accessibility. In reality, other important factors, including the type and quality of retailers, shoppers' perceptions, the level of parking provision, and the retail environment, can also influence the trading pattern.
- 6.7 Forecasts based on driving time isochrones to determine catchment areas rely heavily on assumptions and judgement rather than measures of the actual pattern of shopping visits from residential areas to shopping centres, food stores and retail warehouses. Overall market share based methods are inherently unreliable because they rely on estimates derived from one location being applied to another with different catchment area characteristics; and because the result depends substantially on the assumptions about the extent of the catchment area in each location.
- 6.8 To overcome these and other problems of such approaches, DTZ uses its RECAP retail capacity forecasting Model. The main difference between this approach and conventional gravity models is that the RECAP Model uses the results of a Household Interview Survey (HIS) to inform our view of shopping patterns in the catchment area. By this means, it is possible to model more realistically existing flows of catchment area expenditure to town/city centres, food stores and retail warehouses; as the basis for predicting the existing and future capacity for further retail development. Using the current Household Interview Survey (2010) to inform shopping patterns for convenience and comparison goods, our work updates key data inputs used in the 2009 KCC update to prepare new capacity forecasts for convenience and comparison goods floorspace. In doing so, we have updated the following variables:
- Population growth
  - Per capita expenditure forecasts

- Expenditure growth rates
- Allowance for Special Forms of Trading (SFT)
- Existing retail floorspace
- Retailers' and town/city centre sales densities
- Committed retail developments

6.9 In summary, the RECAP Model uses the results of a Household Interview Survey (in this case the survey commissioned by DTZ in September 2010), as described in more detail below) as guide to the 'baseline' scenario, using a conventional and widely accepted step by step approach, to complete the following tasks:

- Calculate the total amount of convenience and comparison goods expenditure which is available within the 14 survey Zones comprising Canterbury City's catchment area, and forecast future growth in this expenditure;
- Allocate the available expenditure to each City Centre and non-City Centre main food stores and retail warehouses, using the results of the Household Interview Survey of shopping patterns as a guide; so as to obtain estimates of current sales and forecast future sales in each; and
- Compare the estimated sales in the City Centre and non-central main food stores and retail warehouses with existing floorspace (and in the case of main food stores and retail warehouses, with sales based on estimated company average performance); so as to assess the current trading performance of each shopping destination, and the capacity to support further growth in floorspace, allowing for already committed developments.

6.10 The RECAP Model is a useful tool for retail planning and has been used and refined in a large number of retail studies on behalf of public sector clients. In particular, forecasts made using the method on which the RECAP Model is based have been accepted by Planning Inspectors and the Secretary of State at many Public Inquiries.

6.11 When using the RECAP Model capacity forecasts as a guide to future planning policy, it is also important to remember that the further ahead the forecasting date, the less certain the forecast. Thus the forecasts for 2016 are more reliable than those for 2021 and 2026. In particular for these later dates, we suggest that forecasts such as these should be treated with some caution, since they only indicate the broad order of magnitude of retail capacity at those dates, if all of the forecast trends occur. For this reason we recommend that the forecasts should be reviewed and revised at regular intervals (of not more than about 5 years) in the light of events, based on a new Household Interview Survey of shopping patterns, to take account of the effects of any development that has occurred in the meantime. Furthermore, the long term growth in the use of internet shopping is as yet unknown (although it has to a substantial degree been taken into account in this report), and reinforces the need to revise the forecasts of retail floorspace capacity well in advance of 2016.

- 6.12 The detailed RECAP Model tables are set out in Appendices 3 and 4, and this section should be read in conjunction with those Appendices.

## **Principal Data Inputs**

### Catchment Area and Household Interview Survey

- 6.13 In line with PPS4 (December 2009) requirements to use the most up-to-date survey data, DTZ has commissioned a new Household Interview Survey (September 2010) to inform our retail capacity forecasts. The catchment area was informed by the earlier county wide Household Interview Survey undertaken by Kent County Council in 2006 with specific reference to where centres within Canterbury District drew their trade for convenience and comparison goods. The resultant survey area was defined by reference to ward boundaries and covered some 14 survey zones. A survey area map is provided in Appendix 2. The survey area extends to the coast to the north and east; to Maidstone in the west; and to New Romney in the south. The core Canterbury area is defined by Zones 1- 4. The telephone interviews for the survey took place during August and September 2010.
- 6.14 The survey covered a total of 1,500 telephone interviews split between the 14 survey zones with a minimum of 100 interviews for each survey zone. Each zone was subject to age profiling to ensure that the eventual sample of interviewees was representative of the age profile in that zone and the results were not skewed towards a particular age group. The survey results provide a detailed and current assessment of where the residents of the survey area shop for convenience goods shopping and for comparison goods shopping.
- 6.15 For convenience goods, separate questions were asked of interviewees as to where they went for their main food and top up shopping. In the case of comparison goods, eight separate questions were asked of interviewees to ascertain where they shopped for various sub categories of comparison goods.

### Catchment Population

- 6.16 Updated population forecasts for each of the 14 Zones were provided by Kent County Council. These have been prepared on a ward basis and for Canterbury District (i.e. Zones 1-6) cover two scenarios. The two scenarios are detailed below:
- 6.17 Scenario 1a - A strategy-based forecast based on building an additional 9,200 dwellings between 2006 and 2026 in Canterbury District (i.e. Zones 1-6). This forecast looks at the future population growth of the District if this quantity of housing is built.

- 6.18 Scenario 1b - A strategy-based forecast based on building an additional 10,200 dwellings between 2006 and 2026 in Canterbury District (i.e. Zones 1-6) as was set out in the South East Plan. This forecast looks at the future population growth of the District if this quantity of housing is built.
- 6.19 For the remainder of the survey area (i.e. Zones 7-14), the population forecasts are the same in both scenarios 1a & 1b.
- 6.20 For Scenario 1a, the resulting catchment area population forecasts by Zone are set out in RECAP Model Table 1 in Appendix 3. Table 1 shows the population of the Canterbury District (i.e. Zones 1-6) increasing from 143,832 in 2010 to an estimated 145,446 by 2016. A long term trend projection shows that the population could reach 149,226 by 2026. In terms of the catchment area as a whole, Table 1 also shows the population increasing from 1,056,076 in 2010 to an estimated 1,094,086 by 2016. A long term trend projection shows that the population could reach 1,158,883 by 2026. This is an increase of 9.7% over the period 2010 to 2026.
- 6.21 By contrast, for Scenario 1b (appendix 4), the resulting catchment area population forecasts by Zone are set out in RECAP Model Table 1 in 4. Table 1 shows the population of the Canterbury District (i.e. Zones 1-6) increasing from 143,832 in 2010 to an estimated 146,367 by 2016. A long term trend projection shows that the population could reach 151,670 by 2026. In terms of the catchment area as a whole, Table 1 also shows the population increasing from 1,056,076 in 2010 to an estimated 1,095,007 by 2016. A long term trend projection shows that the population could reach 1,161,331 by 2026. This is an increase of 10 % over the period 2010 to 2026.

#### Forecasting Dates

- 6.22 We have prepared base year estimates of retail sales as at 2010 (the current year). Our forecasts have been prepared for the years 2016, 2021 and 2026 We would, however, reiterate that the latter forecasts (i.e. in particular those post 2016) are necessarily less reliable as shopping patterns can change in the intervening years for a number of reasons (e.g. for example, as a result of new facilities in competing centres). We therefore recommend that retail capacity forecasts are reviewed and updated on a regular basis.

#### Price Basis

- 6.23 All monetary values in this report are in 2008 prices, unless otherwise indicated.

## Per Capita Expenditure

- 6.24 We obtained from Pitney Bowes average per capita expenditure on convenience and comparison goods in the catchment area in 2008. The average per capita expenditure for the catchment area as a whole before deducting expenditure on special forms of trading is £1,889 for convenience goods and £3,123 for comparison goods. These base figures are set out in RECAP Model Table 2 in Appendix 3. Table 2 indicates the breakdown of the comparison goods figure into the eight different categories of comparison goods expenditure covered by questions in the Household Interview Survey (September 2010).
- 6.25 The base figures for the year 2008 in Table 2 have been increased to allow for actual and expected growth over the forecasting period to 2026. These increases are based on the forecasts by Oxford Economics set out in Table 3.3 of 'Retail Expenditure Guide 2010/2011' by Pitney Bowes, and are thus compatible with the 2008 figures. Oxford Economics' forecasts are for the periods 2009 to 2010, 2009 to 2015 and 2009 to 2020. They take account of the recent recession, and forecast slow but accelerating growth in the next few years. We have therefore interpolated them for our base year of 2010 and intermediate forecasting date of 2016. For our longer term forecasts to 2021 to 2026, we have projected forward the forecast by Oxford Economics. In doing so, we have assumed that after 2020, growth in per capita convenience goods expenditure will have reached 0.4% pa; and for comparison goods growth will have reached a level of 3.8% pa.
- 6.26 This growth profile assumed indicated the growth rates set out in Table 7.1 and used in RECAP Model Table 2. We consider that these growth profiles are realistic. However, periodic review of the forecasts will enable the assumed growth rates to be adjusted as necessary in the light of actual growth in overall per capita expenditure, and the forecasts revised accordingly.

**Table 6.1: Average annual growth in per capita expenditure**

Period	Average Annual Growth Rate	
	Convenience Goods	Comparison Goods
2009 to 2010	0.1%	1.3%
2009 to 2016	0.4%	3.7%
2009 to 2026	0.4%	3.8%

*Source: Pitney Bowes/Oxford Economics 'Retail Expenditure Guide 2010/11', with interpolation and projection by DTZ.*

## Special Forms of Trading

- 6.27 We have made deductions from the per capita expenditure figures supplied by Pitney Bowes to allow for expenditure via special forms of trading (SFT). This includes mail order, vending machines, party plan retailing, on-line shopping via the internet or interactive TV, and expenditure at temporary market stalls, and is therefore expenditure not made in or available to retail shops.

6.28 Over the past decade forecast growth in internet sales has provoked some debate. This new and quickly evolving market has made it inherently difficult to predict the future growth of SFT market shares. RECAP Model Table 2 shows the growing deductions which we have made, based on information for the UK published by Verdict on growth in internet shopping and forecast trends. Table 7.2 below shows Verdict's estimates for the proportion of all retail sales in the UK in 2009 accounted for by internet shopping, and its trend-based forecasts for 2014. This shows the proportion of sales taking place via the internet growing substantially over the 5 years to 2014. For some categories of comparison goods, the internet proportion is already substantial and is expected to become much more so. Based on these, we have judged the deductions for SFT shown in RECAP Model Table 2. Our deductions:

- Assume a flattening of the growth trend after 2014;
- Allow for the fact that some internet purchases of food are sourced and delivered from food stores rather than separate warehouses (and should therefore be included in the Model);
- Allow for the fact that internet shopping sales are included in the retail sales densities of some retailers which operate multi-channel retailing;
- Allow for internet shopping to supplant traditional mail order retailing to some degree; but include other SFT apart from the internet, in particular sales from temporary markets such as Farmers' Markets and other periodic street markets.

**Table 6.2: UK Internet Shopping Estimates and Forecasts**

Goods Type	Online sales as proportion of all UK retail sales (%)	
	2009	2014
Food & grocery	4.5	4.8
Comparison goods:		
Music & video	45.5	76.7
Electrical goods	23.8	38.3
Books	18.9	33.7
Homewares	8.7	12.2
DIY & gardening goods	5.2	5.6
Clothing & footwear	6.7	12.2
Furniture & floor coverings	4.1	5.2
Health & beauty	3.2	5.6
Other comparison goods	6.6	12.2
All Comparison Goods	9.5	15.4

Source: 'UK e-Retail 2010', Verdict Research Limited (2010)



- 6.29 Thus in the case Scenario 1a (i.e. additional 9,200 dwellings in Canterbury District between 2006 and 2026), the combined effect of the forecast growth in population and in per capita expenditure (minus SFT expenditure) is that we expect total catchment area expenditure on convenience goods (set out in Table 3 in Appendix 3) to increase by about £264m (14.3%) over the period 2010 to 2026; and total catchment area expenditure on comparison goods to increase by £2,580m (i.e. 86%) over the same period. This compares with growth in total catchment area population of just under 10% over the period. This means that the retail capacity forecasts for convenience goods are only moderately sensitive to the population growth assumptions. For comparison goods, the capacity forecasts are very insensitive to the population growth assumptions and much more sensitive to the assumptions about growth in per capita expenditure, particularly in the later part of the forecasting period.
- 6.30 In the case Scenario 1b (i.e. additional 10,200 dwellings in Canterbury District between 2006 and 2026), the combined effect of the forecast growth in population and in per capita expenditure (minus SFT expenditure) is that we expect total catchment area expenditure on convenience goods (set out in Table 3 in Appendix 4) to increase by about £269m (14.5%) over the period 2010 to 2026; and total catchment area expenditure on comparison goods to increase by £2,592m (i.e. 86%) over the same period. This compares with growth in total catchment area population of 10% over the period.
- 6.31 We note that in the 'Canterbury Futures Study' (2006) produced by Experian Business Strategies for the City Council, the issue of additional housing was considered as an important component in realising the future vision for the city (i.e. a higher value local economy). From a quantitative perspective, the population scenarios described above take account of this issue and sections 8 and 9 of this study consider in more detail the specific type of retailing required and how best this retailing can be accommodated in Canterbury. As the 'Canterbury Futures Study' notes, improving the district's retail, leisure and entertainment offer is an important part of the process of creating a higher value economy.

#### Shopping Patterns in the Catchment Area

- 6.32 We have used the results of the recent Household Interview Survey (September 2010) as a key input to our RECAP Model. Within the RECAP Model we have combined the results of the question about main food shopping with those of the question about top up food and convenience goods shopping, to provide a weighted average market share of total convenience goods expenditure in each Zone which is attracted to main food stores and other convenience goods shops in each of the town and district centres observed within this study (Tables 5, Appendix 3 and 4). These weighted averages are then rounded to the nearest integer and used (with a market share correction factor described below) in Tables 7 (Appendix 3 and 4) to indicate the pattern of attraction of convenience goods expenditure to shops and stores in Canterbury City Centre. A similar approach has been used for the main food stores in the non central stores in Canterbury (Tables 15, Appendix 3 and 4).

- 6.33 In the case of comparison goods, for Canterbury City Centre we have applied the results of the Household Interview Survey for each of the eight categories of comparison goods, weighting the market shares for each according to per capita expenditure on each category (as indicated by Pitney Bowes); to provide a weighted average market share of all comparison goods expenditure which is attracted from each Zone by shops and stores in the City Centre. The market shares for each individual goods category and the weighted averages are set out in Tables 6 (Appendix 3 and 4); the final column (weighted average), of which is rounded to the nearest integer, and applied (with the market share correction described below) in Table 7 (Appendix 3 and 4) to indicate the market shares of all comparison goods expenditure attracted from each Zone by shops in Canterbury City Centre. Similar tables apply to the out of centre stores in Canterbury (Tables 14 and 15, Appendix 3 and 4).

#### Market Share Corrections

- 6.34 In some cases we have deemed it necessary to apply modest market share correction factors to the results of the 2010 Household Interview Survey. The market share correction factors correct anomalies which occur as a result of respondents' interpretation of the Household Interview Survey questions. The application of the correction factors bring sales densities of shops and stores to more realistic levels than those which are obtained from applying uncorrected results of the Household Interview Survey.
- 6.35 We have not considered it necessary to make any adjustments to the market shares for convenience goods for either the City Centre or non central locations. In the case of City Centre comparison goods, a modest adjustment has been made by applying a market share correction factor of 90% (from the default 'no change' factor of 100%) (RECAP Model Table 7). We consider that this adjustment reflects a more accurate assessment of shopping patterns. Our visits to the City Centre and non central stores concerned have also informed these judgements.
- 6.36 In the case of comparison goods, using the results of the household interview survey for Canterbury City Centre in the RECAP Model without any adjustment would result in an unrealistically high sales density for the City Centre, which in our view would be above the sales densities which we would expect for a location like Canterbury. There is an approximate correlation between centre size and average sales density, with larger City Centres generally having higher sales densities than smaller centres. This is the main reason why shop rental values are higher in larger centres than in smaller. To arrive at average sales densities for Canterbury City Centre which are broadly in line with those we would expect for a City Centre of this size therefore, we have reduced accordingly the market shares indicated by the Household Interview Survey.

- 6.37 The wording of the questions also means that all such surveys tend to over-represent shopping in larger centres and under-represent it in the smaller centres. In addition, the limited sample sizes of all such surveys mean that they do not pick up all users of the smaller centres, because of the lesser numbers of such users than users of the larger centres.

#### Visitor Expenditure

- 6.38 For comparison goods shopping we have allowed for 5% additional expenditure to account for the net inflow of expenditure in Canterbury City Centre by visitors who live outside the catchment area covered by the Household Interview Survey. We have also allowed for a 5% increase in expenditure to account for visitor expenditure on convenience goods. Based on our experience of undertaking studies in similar centres, we feel that this is a realistic level of net additional expenditure from visitors.

#### Existing Shop Floorspace

- 6.39 For main food stores in Canterbury City Centre and non-City Centre main food stores, we have used updated floorspace data published by the Institute of Grocery Distribution (IGD), supplemented where necessary with information from Experian Goad and from Kent County Council's and Canterbury City Council's latest surveys. For example, details of the shops and stores in Canterbury are set out in RECAP Model Table 10 (City Centre) and Table 18 (non-central).
- 6.40 For comparison goods floorspace we have used the results of the most recent Experian Goad surveys, together with the latest centre surveys from Kent County Council. To this we have included upper floors where appropriate (e.g. department stores) and added the net comparison good sales area in the relevant main food stores. The resulting total comparison goods shop floorspace in Canterbury City Centre is estimated as 77,433 sq m (833,489 sq ft) net. This figure is included in RECAP Model Table 12, Appendix 3.
- 6.41 In the case of the main retail warehouses that we modelled for non-central Canterbury, we have used floorspace data provided by Kent County Council. The resulting total comparison goods shop floorspace in these stores is estimated to be 60,619 sq m (652,806 sq ft) net. As appropriate, we have sought to exclude retail warehouse floorspace used for trade and other non-retail sales (e.g. Halfords). Such adjustments were especially appropriate for some of the quasi retail uses at Wincheap industrial and retail park.

### Sales Densities for Main Food Shops and Retail Warehouses

- 6.42 For the existing main food stores in Canterbury City Centre and the non-central stores, we have applied estimated company average space allocations and convenience goods sales densities based on information published by Verdict Research Limited. In the case of retail warehouses, we have used estimated company average sales densities obtained from The UK Retail Rankings 2010, published by Mintel. Where these are not available for individual operators, we have made our own estimates, based on the figures for similar companies and retail sectors in Retail Rankings. The 'benchmark' company average sales densities are set out in Tables 10 and 18 respectively.

### Development Scenarios Assessed

- 6.43 We have assessed two scenarios in order to assess the retail capacity position within the study centres. The two scenarios are as follows:
1. Scenario 1a & 1b – The 'baseline' scenario (using both population forecasts, as detailed earlier in this section), which assumes that there will be **no change in the market shares** of available expenditure attracted from the catchment area throughout the period to 2026. For reasons discussed below, given the already high existing market shares enjoyed by Canterbury, we consider this to be the most relevant.
  2. Scenario 2a & 2b – Again using both population forecasts, as detailed earlier in this section, this scenario is based on Canterbury City Centre being able to **increase its trade retention** for comparison goods by approximately 5% within the core Canterbury catchment area (Zones 1-4). This has been undertaken for explorative purposes and is not necessarily deemed to be a likely, or even a recommended, strategy upon which to plan for additional comparison goods floorspace in the context of Canterbury.
- 6.44 Scenarios 1a & 1b sets a useful baseline position which establishes in broad terms how much additional floorspace could be supported assuming no uplift or diminution in the city's market shares. Scenario 2 explores the implications for shopping patterns of a more substantial City Centre development on the basis that a site existed to accommodate such a development.
- 6.45 Scenarios 2a & 2b assume that this proposed new development affects once and for all changes in shopping patterns, which persist thereafter. In practice, some settling down and rebalancing of market shares may occur in the years following the initial impacts, as population and expenditure grows and shopping destinations find new natural levels.

## Format of the RECAP Model Table

- 6.46 The detailed RECAP Model Tables for all scenarios are set out in Appendix 3 (i.e. population increase for Canterbury District set at 9,200 dwellings) and in Appendix 4 (i.e. population increase for Canterbury District set at 10,200 additional dwellings). Aside from this different assumption in respect of population levels, both sets of RECAP tables are exactly the same in Appendix 3 and 4. Table 1 sets out the population forecast for each of the 14 survey Zones. Table 2 indicates per capita expenditure, and growth in that expenditure. Table 3 shows total catchment area expenditure by Zone for convenience and comparison goods over the period 2010 to 2026. Table 4 indicates total catchment area expenditure by Zone in 2010 on each of the 8 categories of comparison goods, based on the average per capita expenditure for each category for the catchment area as a whole.
- 6.47 In Scenario 1a & 1b, for Canterbury City Centre, Tables 5 and 6 set out the pattern of weighted average market shares of catchment area convenience and comparison goods expenditure respectively, which is attracted from the catchment area to that destination. These market shares exclude 'Don't do', mail order and internet sales responses to the Household Interview Survey. The market shares in Table 7 are based on the detailed results by goods category obtained from the Household Interview Survey in Tables 5 for convenience goods and 6 for comparison goods – after application of the market share adjustments described above. Table 8 is the product of Tables 4 and 6. It shows the attraction of expenditure on each of the 6 comparison goods categories by the City Centre (taking account of the market share correction factors); together with the resulting overall market shares of such expenditure currently attracted by the City Centre. Table 9 is the product of Table 3 (catchment area expenditure) and Table 7 (corrected market shares). It indicates the convenience and comparison goods expenditure attracted from each catchment Zone by Canterbury City Centre at each date. Table 10 sets out the sales potential of the existing main food stores at estimated company average levels. Table 11 indicates the sales potential of any committed developments in the City Centre.
- 6.48 Table 12 compares the expenditure attracted by Canterbury City Centre and hence sales, with existing shop floorspace and the sales potential of any committed development, indicating the resulting capacity for additional shop floorspace. The top line of Table 12 (spending by catchment area residents) is taken from the bottom line of Table 9. As appropriate, an allowance is made for the average comparison goods sales density of the existing shops to increase in real terms from 2010 onwards, following the long term trend towards higher comparison goods sales densities in City Centres. In Table 12, the retail capacity forecast for comparison goods is for further floorspace additional to any committed developments included in Table 11.
- 6.49 A similar arrangement of tables for Scenario 1a & 1b applies to non-central main food stores and retail warehouses in Canterbury (Tables 13 to 21 in Appendices 3 and 4).

- 6.50 The Tables for Canterbury City Centre in Scenario 2a & 2b are simpler. Tables 22 in both population forecasts (Appendices 3 & 4) indicate the revised pattern of market shares of convenience and comparison goods expenditure attracted, taking account of the committed developments outlined above (and indicated in the table heading). Table 23 is the product of Table 3 and Table 22, and indicates the revised amounts of expenditure attracted to Canterbury City Centre at each date. Table 24 compares this with existing and committed shop floorspace (in a similar way to Table 12 in Scenarios 1a & 1b) to indicate the revised capacity for additional shop floorspace in the City Centre.
- 6.51 Table 28 summarises the market shares of catchment area expenditure on each sub-category of comparison goods attracted by each shopping location in the base year of 2010. Tables 29 and 30 indicate the total market shares of convenience and comparison goods expenditure attracted by all the shopping locations combined under Scenarios 1 and 2 respectively.

#### **The RECAP Model Retail Capacity Forecasts**

- 6.52 In the remainder of this section, we set out our retail capacity forecasts for Canterbury City centre and the non-central stores in Canterbury. The forecasts are summarised in Table 7.3 for Scenario 1a & 1b and Scenario 2a & 2b. In setting out our forecasts, we distinguish between convenience goods and comparison goods, defined as follows:
- Convenience goods: Food, alcoholic drink, tobacco products, newspapers and periodicals, non-durable household goods.
  - Comparison goods: Clothing and footwear; household textiles and soft furnishings; Furniture and floor coverings; household appliances; audio visual equipment; hardware, DIY goods, decorating supplies; chemist and medical goods, cosmetics and beauty products; books, jewellery, watches, china, glassware and kitchen utensils, recreational, personal and luxury goods.

**Table 6.3: Summary of Retail Capacity Forecasts (sq m net)**

<b>Goods/Scenario/Location</b>	<b>2016</b>	<b>2021</b>	<b>2026</b>	<b>RECAP Model Table (Appendix 3 and 4)</b>
<b>Scenario 1a:</b>				Appendix 3:
<i>Convenience Goods:</i>				
Canterbury City Centre	550	650	750	12
Non central stores in Canterbury	200	500	800	21
<i>Comparison Goods:</i>				
Canterbury City Centre	10,850	21,950	35,650	12
Non central stores in Canterbury	2,950	9,000	16,500	21
<b>Scenario 1b:</b>				Appendix 4:
<i>Convenience Goods:</i>				
Canterbury City Centre	550	650	800	12
Non central stores in Canterbury	250	600	950	21
<i>Comparison Goods:</i>				
Canterbury City Centre	11,050	22,400	36,300	12
Non central stores in Canterbury	3,150	9,350	17,100	21
<b>Scenario 2a:</b>				
<i>Comparison Goods:</i>				
Canterbury City Centre	16,750	28,550	43,050	Appendix 3: 24
Non central stores in Canterbury	850	6,650	13,900	27
<b>Scenario 2b:</b>				
<i>Comparison Goods:</i>				
Canterbury City Centre	17,000	29,000	43,800	Appendix 4: 24
Non central stores in Canterbury	1,050	7,050	14,450	27

Source: RECAP Model Tables in Appendices 3 and 4 as indicated, rounded to the nearest 50 sq m net.

Notes: The forecasts in Table 7.3 are cumulative, i.e. the forecasts for each date include the forecasts for the previous dates and are not additional to those earlier forecasts.

## Convenience Goods

- 6.53 Before we comment on the convenience goods retail capacity forecasts in Table 7.3, some general points should be noted. First, the forecasts are all based on the assumption that where retailers are shown by the RECAP Model to be trading at above or below the level based on estimated company average levels, their sales densities will fall or rise to that company average based level. This is a conventional assumption in retail studies of this type. However, some stores may well continue to trade successfully at above or below their company average sales density. The retail capacity forecasts should therefore be seen as realistic maxima, rather than targets which must be achieved through new development.
- 6.54 Second, the convenience goods forecasts are all on the assumption that potential new floorspace will be provided in the form of new food superstores, trading at a 'generic' average sales density for such stores of £12,000 psm net. Some food superstore operators trade above this level (Asda, Tesco and Morrisons) and some below (Waitrose). Further, other types of supermarket, in particular discount supermarkets, trade at far below £12,000 psm net. Thus the format in which new floorspace is provided will affect the amount of such floorspace which can be supported in terms of retail capacity. If it is provided only in the form of discount supermarkets, for example, the forecast growth in expenditure would be sufficient to support substantially more floorspace than indicated in Table 7.3. It is of course not possible to predict over a 16 year period the format in which potential food store developments might come forward. It will therefore be necessary to review the implications for retail capacity in each location when specific proposals for new stores come forward, taking account of the format of the proposed stores and their likely occupiers and sales densities.
- 6.55 Third, we have made no allowance for increases in sales densities of convenience goods floorspace over the forecasting period. This is because convenience goods sales densities have not been rising across the board over the last few years. For some retailers they have risen but for others they have fallen. However, at the next review of the forecasts, the most up-to-date sales densities should be used, so as to take account of any changes in real terms.
- 6.56 Fourth, although we have forecast capacity for additional non-central convenience goods floorspace in some cases, this has been calculated separately from that in the identified centres merely for forecasting reliability and convenience. It does not mean that any such capacity should be accommodated in the form of out-of-centre development. Rather, the sequential approach should be applied, and new developments to accommodate any of the forecast need should be located in or on the edge of the centres, in preference to out-of-centre locations, if at all possible.



### Canterbury City Centre

- 6.57 Scenario 1a, Recap Model Table 12 shows that in 2010, we estimate that the main food stores and other conveniences goods shops in Canterbury City Centre were achieving combined sales of approximately £36.7m; at a combined average sales density of £8,200 psm net. Table 10 shows that based on estimated 2008 company average sales densities, the combined sales density of these stores in 2010 was £8,254 psm net. Thus, these stores as a group are estimated to be trading very much in-line with the level based on published company averages.
- 6.58 In Table 12, we have allowed for sales in the existing convenience goods shops as a group, to maintain at the level based on estimated 2008 company averages. This is a conventional approach in retail studies of this type and on this basis summary Table 7.3 above shows that there will be a very modest theoretical capacity for approximately 550 sq m net at 2016, to be replaced by capacity for 650 sq m net by 2021, and by 750 sq m net by 2026. These comparatively low levels of capacity reflect the low levels of expenditure growth forecast for convenience goods over the forecasting period and that there does not appear to be any significant overtrading on the part of existing convenience goods stores in the City Centre.
- 6.59 The equivalent capacity figures for scenario 1b (i.e. the slightly higher population forecast) suggests only a very modest increase in capacity over and above that highlighted in scenario 1a for convenience goods and only then will this become apparent in 2026 when forecast capacity is for 800 sq m net. Again, these low levels of capacity reflect the low levels of expenditure growth forecast for convenience goods over the forecasting period.

### Canterbury Non-central Stores

- 6.60 For non-central stores in Canterbury, in scenario 1a, RECAP Model Table 21 shows that in 2010, the main non-central food stores were estimated to be achieving combined sales of almost £123m; at a combined average sales density of £13,808 psm net. This is slightly above the level based on published 2008 company average sales densities of £12,925 psm net, indicated in Table 18. Thus, these stores are estimated to be collectively trading reasonably well which was evidenced also by our site visits to each of the stores in question.

- 6.61 Again, using the same process as for the City Centre, as described above, Table 21 allows sales in the existing convenience goods shops to fall to the level based on estimated 2008 company averages. On this basis, summary Table 7.3 above shows that there will be capacity for about 200 sq m net additional floorspace in 2016. In 2021 the forecast capacity for new floorspace is estimated to be 500 sq m net, and rising to 800 sq m net by 2026. Similarly, for scenario 1b, the equivalent forecasts are as follows – there will be capacity for about 250 sq m net additional floorspace in 2016; by 2021 this will have increased to 600 sq m net; and rising to 950 sq m net by 2026. These comparatively low capacity forecasts for non central convenience goods reflect the fact that M&S Simply Food recently opened a new store at Maybrook Retail Park on Sturry Road and the existence of an extant planning permission to allow the sale of discounted convenience goods from unit 3 at Riverside Retail Park.

### **Comparison Goods**

#### Canterbury City Centre

- 6.62 Scenario 1a, Table 12 (RECAP Model) shows that we estimate Canterbury City Centre to be achieving an average sales density for comparison goods in 2010 of about £6,260 psm net. Based on our retail studies of a number of other City Centres, we consider that this is a broadly realistic sales density for a centre the size and nature of Canterbury, and indicative of a strong trading position. On this basis, Table 7.3 shows that in Scenario 1a (i.e. constant market shares), the capacity for additional comparison goods floorspace in Canterbury City Centre will be about 10,850 sq m net by 2016, rising to about 21,950 sq m net by 2021 and to about 35,650 sq m net by 2026, if forecast trends occur.
- 6.63 For scenario 1b, the equivalent forecasts are as follows – there will be capacity for about 11,050 sq m net additional floorspace in 2016; rising to 22,400 sq m net by 2021, and increasing to 36,300 sq m net by 2026.
- 6.64 Within its core catchment area (loosely defined as being Zones 1-4), Canterbury City Centre retains about 50% of comparison goods expenditure in all of these zones with the exception of zone 4 (i.e. 43%). This is a healthy level of trade retention, and when coupled with the non central retailing in Canterbury, equates to very high retention levels for Canterbury as a whole. Even outside the core catchment area, the City Centre draws a reasonable amount of comparison goods trade. For example, in four of the remaining survey zones Canterbury City Centre achieves a retention level in excess of 20%.

- 6.65 Given the already high retention levels, especially when Canterbury is considered as a whole (i.e. City Centre and non central locations – see Table 29 in Appendix 4), we consider that opportunities to increase retention levels much beyond that already achieved are likely to be limited. Coupled with the fact that opportunities to accommodate a significant addition of retail floorspace within the City Centre are strictly limited for physical and heritage reasons, For these reasons, Scenario 2 takes a tentative approach to exploring the implications for additional comparison goods floorspace if the City Centre was able to secure an increase of approximately 5% in its market shares in the core catchment area (i.e. Zones 1-4) (see RECAP Model Table 22 in Appendix 4) and more modest increases (i.e. 1 or 2%) elsewhere in the Canterbury's catchment area.
- 6.66 In Scenarios 1 and 2, we have allowed for sales in the existing shops to increase at 1.5% per annum from 2010 onwards, before forecasting capacity for additional retail floorspace in Canterbury City Centre. On this basis, in Scenario 2a, there would be capacity for about 16,750 sq m net by 2016 rising to about 28,550 sq m net by 2021, and 43,050 sq m net by 2026. Under the slightly higher population scenario (i.e. Scenario 2b), the forecasts increase marginally to 17,000 sq m net by 2016; to 29,000 sq m net by 2021, and increase to 43,800 sq m net by 2026. These Scenario 2 forecasts show even with a relatively modest uplift in trade retention levels this can generate reasonably high amounts of additional capacity over and above that detailed in the 'baseline' scenarios (i.e. Scenario 1a and 1b).
- 6.67 However, as noted earlier it has to be considered whether in the context of Canterbury whether these uplifts are likely or indeed appropriate. First, Canterbury already retains a very high proportion of comparison goods expenditure within the core catchment area. For example, if the City Centre and non central locations are combined, it can be seen from Table 29 that in each of Zones 1-4, Canterbury retains at or above 80% of available comparison goods expenditure. Second, and as detailed elsewhere in this study, it should be borne in mind that Canterbury City Centre does not have an abundance of sites within the defined City Centre area to accommodate a significant amount of new retail development.
- 6.68 It is our view, therefore, that actively planning to increase Canterbury's share of comparison goods expenditure is not an appropriate basis to construct a retail strategy. Indeed, even assuming Canterbury maintains its existing market retention will generate sizeable amounts of capacity for new comparison goods floorspace. It is our view, therefore, that efforts should be expended on ensuring that Canterbury maintains its current market share, and that the identified need (see constant market share Scenarios 1a & 1b) is met either within or in the most appropriate edge-of-centre locations in the City Centre.

### Non Central Canterbury Stores

- 6.69 Table 7.3 shows that under Scenario 1a, i.e. no increases in the market shares of catchment area expenditure attracted to non-central food stores and retail warehouses in Canterbury, there would be a theoretical capacity of about 2,950 sqm net of comparison goods floorspace in 2016, rising to 9,000 sq m net by 2021, and to 16,500 sq m net by 2026. Similarly, the equivalent forecasts for Scenario 1b would be approximately 3,150 sq m net of capacity for comparison goods floorspace in 2016, rising to 9,350 sq m net by 2021, and to 17,100 sq m net by 2026. In other words, the slightly higher population forecast of Scenario 1b does not generate significant additional floorspace capacity over and above that identified in Scenario 1a.
- 6.70 In the event that a site comes forward in the City Centre and it is deemed appropriate to increase Canterbury City Centre's market share for comparison goods, we have assumed that there would be a modest loss of trade from some of the non central retail warehousing in Canterbury (see Table 7.3). The effect on capacity is summarised in Table 7.3.
- 6.71 It should be noted that the above capacity figures take account of existing vacant retail units (e.g. the ex Allied Carpets unit at Wincheap and now vacant Land of Leather unit at Riverside Retail Park). In addition, the capacity figures also take account of various extant planning permissions; although we understand that a number of these have now lapsed (e.g. sub division of the previously occupied MFI unit at Stour Retail Park). These have not, therefore, been treated as commitments (see Table 20, Appendix 3).
- 6.72 It is also important to note that the capacity for non-City Centre floorspace was forecast separately from that for the City Centre merely for forecasting convenience. In deciding how these forecast needs should be accommodated therefore, the sequential approach should be applied as indicated in PPS4 (December 2009). This gives priority to City Centre and edge-of-centre locations over out-of-centre locations. Thus some or all of the forecast capacity for additional non-central floorspace should wherever possible be accommodated by means of City Centre or edge-of-centre development, if a suitable site or sites exist or could be assembled. However, it should also be noted that out-of-centre capacity cannot simply be added to the City Centre capacity to produce a global figure because lower sales densities have been used for out-of-centre retail floorspace. In other words, should out-of-centre capacity be delivered in the format of City Centre floorspace, that floorspace will be likely to operate with a higher sales density, meaning that it will absorb more expenditure thus reducing forecast capacity.

## Effects of Applying the Sequential Approach

- 6.73 We stress above that new convenience and comparison goods retail development for which we have forecast capacity under the heading of non-central shops and stores in Canterbury City should in fact be located in accordance with the sequential approach wherever possible, and in retail formats appropriate to City Centre or edge-of-centre locations. For convenience goods, sales densities between retailers and store formats vary widely, and as discussed above, the format of new stores affects forecast capacity. For this reason, our forecasts are all on the basis of a 'generic' sales density for new superstores of £12,000 psm net. For comparison goods, City Centre formats typically have higher sales densities than those applicable to retail warehouses, which we assumed for the non-central forecasts. Thus if the comparison goods capacity which we have forecast as non-central (at low sales densities) is developed in or on the edge of the City Centre (at higher sales densities), the amount of comparison goods floorspace which will be required for the same level of sales will be less.
- 6.74 In Table 7.4, we indicate how much new convenience and comparison goods floorspace would be supportable in or on the edge of Canterbury City Centre, if all capacity for new convenience and comparison goods floorspace, forecast as City Centre and non-central, is in fact located in or on the edge of the City Centre, in City Centre format shops and stores.
- 6.75 The Scenario 1a and 1b 'baseline' convenience goods forecasts are lower than those set out within the 2009 Kent County Council report entitled Retail Need Assessment Study for the District of Canterbury (December 2009), which identified a broad range of capacity figures. With regard to comparison goods expenditure, the forecasts in this current study fall between the range of capacity figures identified in the KCC study. The figures included below are taken from Table 4a of the aforementioned document on page 4, and have been adjusted from gross areas to net areas to ensure comparability with those prepared in this study:

### Convenience Goods (net)

<b>2016</b>	-	1,850 sq m– 1,950 sq m
<b>2021</b>	-	2,650 sq m– 3,000 sq m
<b>2026</b>	-	3,450 sq m – 4,250 sq m

### Comparison Goods (net)

<b>2016</b>	-	9,000 sq m – 23,450 sq m
<b>2021</b>	-	20,700 sq m – 49,550 sq m
<b>2026</b>	-	34,750 sq m– 81,750 sq m

*Source: Table 4a of KCC's Retail Need Assessment Study for the District of Canterbury (December 2009)*

*Notes: Assumed net to gross ratio of 65%. Rounded to nearest 50 sq m.*

6.76 The difference in forecast capacity is due to various differences in the forecasting inputs (as set out in the section above) and a generally more pessimistic economic outlook brought on by the global recession. Generally speaking the main factors that have affected the forecast capacity in the current study include:

- Lower expenditure per head growth forecasts.
- Higher assumed sales densities for new floorspace which reduce floorspace capacity.
- Higher internet and other special forms of trading allowances.

**Table 6.4: Canterbury City Centre and Non Central Combined Maximum Capacity (sq m net)**

Scenario	2016	2021	2026
Convenience Goods (sq m net)			
Scenario 1a:	750	1,150	1,550
Scenario 1b:	800	1,250	1,750
Comparison Goods (sq m net)			
Scenario 1a:	13,800	30,950	52,150
Scenario 1b:	14,200	31,750	53,400
Comparison Goods (sq m net)			
Scenario 2a:	17,600	35,200	56,950
Scenario 2b:	18,050	36,050	58,250

Source: RECAP Model Tables in Appendices 3 and 4 as indicated, rounded to the nearest 50 sq m net.

**Notes:**

1. The forecasts in Table 7.4 are cumulative, i.e. the forecasts for each date include the forecasts for the previous dates and are not additional to those earlier forecasts
2. The convenience goods forecasts assume that all new floorspace trades at a 'generic' average sales density for superstores of £12,000 psm net throughout the forecasting period.



### **Use and Review of the Forecasts**

- 6.77 Finally, and in accordance with our usual practice, we must emphasise that all expenditure based forecasts of future shop floorspace capacity are based on imperfect data and contain a number of assumptions. Our forecasts set out in this report are based on the most up-to-date and reliable information currently available to us. However, they are intended as an indication of the likely order of magnitude of future shop floorspace capacity (if forecast trends are realised) rather than as growth targets or rigid limits to future growth. The forecasts should be periodically revised as necessary in the light of actual population and expenditure growth, and as development proceeds and its effects become measurable.

## 7. Retail Development sites

### PPS 4 requirements

- 7.1 Policy EC1.3 of PPS4 requires local authorities in preparing plans to assess in detail the need for all main town centre uses over the plan period.
- 7.2 Having identified need, Policy EC2 requires local authorities to “safeguard” land from other uses and identify a range of sites to facilitate economic development, noting that existing allocations for economic development (such as the Regeneration Zones) are reassessed against PPS4 policies rather than simply being carried forward from one version of the development plan to the next. PPS4 also notes that if there is no reasonable prospect of a site being used for the allocated economic use, the allocation should not be retained.
- 7.3 Policy EC3 requires local authorities to define the extent of the centre and primary shopping frontages.
- 7.4 Policy EC5 requires that local authorities identify a range of sites to accommodate identified need and that:
- The approach is based on identified need;
  - The scale of sites and traffic generation are in keeping with the role and function of the centre;
  - The sequential test to site selection is applied;
  - The impact of sites (particularly for development over 2,500 sq m (26,910 sq ft) on existing centres is assessed; and
  - Other material considerations such as physical regeneration benefits, employment opportunities or social inclusion, in the choice of appropriate sites is considered.
- 7.5 Policy EC5.5 requires local authorities to allocate sufficient sites in redevelopment plans to meet at least the first five years of identified need.

### The identified capacity

- 7.6 Section 7 deals with future retail capacity over the plan period.
- 7.7 Two market share scenarios are tested (scenario 1 – constant market share and scenario 2, which assesses a 5% market share increase); and two population scenarios are tested (a and b) and to forecast convenience and comparison retail capacity growth over the plan period.
- 7.8 It can be seen in the table below (which combines central and non-central capacities), that the different population projections make comparatively little difference to the retail forecasts.



**Table 7.1 Canterbury City Centre and Non Central Combined Maximum Capacity (sq m net)**

Scenario	2016	2021	2026
Convenience Goods (sq m net)			
<i>Scenario 1a:</i>	750	1,150	1,550
<i>Scenario 1b:</i>	800	1,250	1,750
Comparison Goods (sq m net)			
<i>Scenario 1a:</i>	13,800	30,950	52,150
<i>Scenario 1b:</i>	14,200	31,750	53,400
Comparison Goods (sq m net)			
<i>Scenario 2a:</i>	17,600	35,200	56,950
<i>Scenario 2b:</i>	18,050	36,050	58,250

*Source: RECAP Model Tables in Appendices 3 and 4 as indicated, rounded to the nearest 50 sq m net.*

*Notes:*

- 1)The forecasts in Table 8.1 are cumulative, i.e. the forecasts for each date include the forecasts for the previous dates and are not additional to those earlier forecasts*
- 2)The convenience goods forecasts assume that all new floorspace trades at a 'generic' average sales density for superstores of £12,000 per sq m net throughout the forecasting period.*

7.9 It is evident that only modest additional convenience capacity is available in the city centre or non-central areas over the plan period. However, looking at comparison retail, even on a constant market share basis, a significant amount of capacity is forecast for the city centre and non-central areas in 2016 (up to 14,200 sq m ) and to 2021 (up to 31,750 sq m ).

7.10 As noted in section 7 we have modelled a market share increase scenario, but given the high existing level of trade retention, the good vitality and viability of the city centre and the limited availability of sites in the city centre, we do not consider this to be an appropriate basis on which to build a retail strategy.

7.11 We now look at sites. Appendices 5 and 6 set out the sites on a plan.

### **City Centre sites**

7.12 From inspection of the City Centre and its immediate surrounding area, and in discussion with the Council's planning officers, we note that there are few sites in or on the edge of the City Centre which could potentially accommodate substantial new retail development together with its servicing requirements. The only possible sites of which we are aware are described below.

#### Bus Station site

7.13 This site is immediately adjacent to Whitefriars and the Retail Core (as designated in the Local Plan), and although somewhat long and narrow, could potentially accommodate an extension to Whitefriars, if the Bus Station could be relocated. It is the only site in the City Centre which is immediately adjacent to the primary retail area; and in PPS4 locational terms is therefore the most suitable site for new prime comparison goods retail development.

7.14 However, with the possible exception of land within the St George's to Canterbury East Station Regeneration Zone described below, there are no obvious sites for relocation of the Bus station, which acts as an important 'anchor' for Whitefriars. It is therefore very unlikely that this site could be made available for new retail development.

#### Watling Street Car Park

7.15 This is a surface car park to the rear (south-west) of Whitefriars, but separated from it by modern residential development, Whitefriars multi-storey car park, and by Watling Street which provides vehicular access to Whitefriars car park.

7.16 The site is too far away from the retail frontage in Whitefriars for new prime retail development on the site to be able to connect to it; and Watling Street would be a substantial barrier to integration and easy pedestrian flow between the two. Being inside the city walls, the site would be insufficiently visible to be suitable for any other form of retailing.

7.17 Finally, the site would be likely to suffer from strong constraints on the design of new buildings, because it is adjacent to St Andrews church and public open space which is a scheduled ancient monument. It is therefore very unlikely that the site would be suitable and available for substantial retail development, either for convenience or comparison goods.

#### Westgate Hall area

7.18 This area is on the north-west side of the city centre, inside the ring road. It comprises a vehicle showroom, Westgate Drill Hall TA Centre, and a surface car park behind to the north. The site has a short frontage to St Peters Street, but the bulk of the site is not visible from this shopping street.

7.19 The car park, which forms the largest part of the site, is surrounded on three sides by residential development, rendering it almost invisible from any of the surrounding roads. The site is at the far north-western end of St Peters Street, where the retail frontages are

secondary shopping and service businesses; and the site is somewhat distant from the prime retail areas, albeit connected to them by a pedestrian street.

- 7.20 Because of distance from the prime retail areas and lack of visibility from any main road, the site is unlikely to be suitable for prime fashion goods based retailing. It is also unlikely to be suitable for any large free-standing non-food stores. However, a food retailer might be interested in the site, which might be a suitable use of the site.
- 7.21 We understand that the Council has taken a decision to demolish the hall, but there is as yet no redevelopment plan. Substantial conservation / archaeology issues would also need to be considered further. We understand there is also the possibility of intact archaeology due to the light structure of the existing building. This would have significant redevelopment implications.

#### Other locations

- 7.22 There appear to be no other locations in the City Centre which could potentially accommodate substantial new retail development.
- 7.23 However, there may well be some opportunities for increasing retail floorspace by extensions to existing buildings, changes of use, and minor infill developments. Collectively, whilst they could perhaps deliver some new retail floorspace, they are unlikely to be able to accommodate the scale of need identified by our quantitative retail assessment over the plan period.

#### **Regeneration zones**

- 7.24 Canterbury's inward investment has traditionally been founded upon retail, tourism, religion and education within the city centre. This has created a vital and vibrant centre, but given the centre's heritage and environmental constraints, this has also created a number of challenges for siting and accommodating new development.
- 7.25 The city council considers that this "traditional" investment needs to be nurtured and diversified. However, it is also conscious that the need to protect the historic core has at times created a negative perception towards new development in Canterbury.
- 7.26 As a result the Local Plan promotes opportunities for new development whilst preserving the City's historic and quality urban fabric. Key to this is the designation of four Regeneration Zones. These are identified on the Proposals Map and appendix 6. The areas are also considered to perform poorly, not optimising their potential to contribute to the regeneration of the City.
- 7.27 All four regeneration zones are large areas comprising a mix of existing uses, with many underutilised sites. All the zones are predominately outside the designated city centre boundary and all are outwith the designated retail core, thus in PPS4 terms they are edge or out of centre.

### Canterbury West Station

- 7.28 The Canterbury West Station Regeneration Zone includes Canterbury West Station, car parks, and properties bordering Station Road West and Roper Road, and a frontage to St Dunstan's Street. The area is an important gateway to the City around the railway station and along St Dunstan's Street itself. The railway station is an historic building and the Regeneration Zone falls within the Canterbury West Conservation Area. The area comprises a mix of uses and developments associated with the railway line and also other uses which are emerging, particularly along Roper Road.
- 7.29 Policy TC 12 states that *".....the allocations on the Proposals Map should be brought forward in accordance with the provisions of a Development Framework for this Regeneration Zone. All residential development in this Regeneration Zone shall make contributions towards on-site or off-site affordable housing, access improvements to the town centre and environmental enhancements, as set out in the Brief"*.
- 7.30 In PPS4 terms the site is technically edge of centre given it has a frontage onto St Dunstan's Street and its secondary retail frontages. However, the bulk of the zone would be out of centre in retail terms.
- 7.31 The Station building is currently under refurbishment and the passenger bridge completed. We understand long term aspirations for the car park remains for office accommodation. The Council is working with Network Rail and South East Trains to bring mixed use redevelopment. Given the evolving plans, the operational uses and its location at the opposite end of the prime retail area of the city centre, we do not consider the site available or suitable for major comparison retail development.

### St George's to Canterbury East Station

- 7.32 This Regeneration Zone covers an area along the outskirts of the southern side of the City from Lady Wootton's Green including St George's Place, Old Dover Road and as far as Canterbury East Station. The mix of uses in this area includes the railway station and ancillary land; car showroom and storage; police and fire stations; a cinema; offices and shopping on St George's Place; the Chaucer Hotel; educational uses; and shops and offices along Broad Street. The railway station forms an important entrance to the City and links directly to the City Walls and the enhanced Dane John Gardens.
- 7.33 The area has been identified as a Regeneration Zone because of its important impact on perceptions of the City along Pin Hill, Rhodaus Town, Upper Bridge Street, Lower Bridge Street and Broad Street. This area is directly opposite the historic City Walls and forms the backdrop to the redevelopment of the Whitefriars area. Many of the sites within the central part of this Regeneration Zone have large open areas which could form potential redevelopment sites and could also contribute significantly to the economic, cultural and housing needs of the District on previously developed land.
- 7.34 Policy TC 14 states that *"...apart from those sites allocated on the Proposals Map, development appropriate to this area includes offices, retail, leisure, hotels, cultural facilities, education and housing"*.

- 7.35 Local Plan policy envisaged retail use in part of the regeneration zone. The site area would depend on which existing properties have to be retained.
- 7.36 The Police and Fire Stations are both undistinguished buildings which appear to be approaching the end of their economic lives. Both might be capable of being relocated elsewhere in the city. The site does have good visibility and direct access from the ring road. In principle therefore, it could potentially be attractive for large free-standing retail stores with car parking. However, much improved pedestrian crossings to Whitefriars and St George's Street in the City Centre would be needed. Alternatively, the site could perhaps be suitable for a multi-level integrated comparison goods development of prime shops and stores, with a high quality new pedestrian bridge link over the city walls to Whitefriars.
- 7.37 The financial viability of either such new development would need to be assessed, but could be questionable, in view of the need to relocate the Police and Fire Stations. Without further study, it is therefore difficult to conclude that this site would be viable or available for new retail development, other than perhaps for a new food store and car park.
- 7.38 We understand that interest has been expressed by a national food retailer for part of the zone, but the acceptability of any future scheme raises a number of highways as well as PPS4 issues, in particular the introduction of additional traffic to the Rheims Way. We also understand there is ongoing discussion with student housing provider to the rear of the site.
- 7.39 A further possibility for this site could be use for a relocated Bus Station, so as to release the existing Bus Station site for new prime retail development in the form of an extension to Whitefriars. This would require much improved pedestrian crossing facilities across the ring road. At this stage, we are unable to say whether such a use of the site would be practicable.
- 7.40 We therefore consider that highway issues may be a concern therefore a more detailed study of this zone should be undertaken looking at operational uses and the viability of their relocating.
- 7.41 This is particularly important given that under the sequential test this zone is arguably edge of centre being within 300 m of the designated retail core, although given the severance factor of Rheims Way, it could also be argued that the zone would act as out of centre, putting it on an equal footing with the other regeneration zones.

#### Kingsmead and Riverside

- 7.42 This area covers the riverside between St Radigund's Street and the Asda superstore off Sturry Road. It includes a variety of uses - industrial/warehousing premises off Parham Road; Barton Mill and surrounding industrial premises; car showrooms and storage; the Kingsmead ex-Stadium site; a depot; a coach park, food store, leisure centre, primary school and Adult Study Centre; and significant areas of open space.
- 7.43 The City Council considers the Kingsmead site a significant opportunity to regenerate the immediate area and the City as a whole through a planned and comprehensive approach to development. This is set out in a Development Brief adopted November 2004.

Policy TC13 states that *"...apart from specific areas that are allocated on the Proposals Map, development appropriate for this Regeneration Zone includes a mix of cultural, leisure and*

*recreation facilities, housing, business, open space and education, and the relocation of existing uses already in the Zoned area.*

- 7.44 We understand that with the loss of BSF funding for the re-siting of Kingsmead School, the need for a decision on the SERCO site, and the uncertain future of Sainsbury's future plans for their store, there are delays to the implementation of regeneration masterplan, although housing development is likely to continue to be the lead use.
- 7.45 In PSS4 terms the zone is out of centre. Given the evolving plans, the operational uses and its location at the opposite end of the prime retail area of the city centre, we do not consider the site available or suitable for significant comparison retail development, although large format free standing retail and leisure units maybe attracted to the site, but would need to be subject to all PPS4 tests.

#### Wincheap

- 7.46 This area is an important entrance to the City from the A2/A28 and was originally developed as a 'medieval suburb' of the City. The area covers Wincheap itself and adjoining properties, a large trading estate (from Simmonds Road through to Ten Perch Road), the area adjoining Wincheap Green Roundabout and St Andrew's Close and the important natural habitats adjoining the Great Stour.
- 7.47 Traffic congestion is a major issue within this area, both for the quality of life of local residents and the economic vitality of this part of the town. Congestion caused on Wincheap affects air quality and perceptions of those seeking to invest within the area.
- 7.48 Policy TC 15 states that *"...Unless already allocated on the Proposals Map, development appropriate within the Wincheap Estate includes retail, housing, transport infrastructure, business, leisure and recreation and open space"*.
- 7.49 In 2006 Canterbury City Council selected Capital and Counties as its preferred development partner to work up a masterplan for the area with the intention of adopting a development brief in for the area in 2008 as SPD.
- 7.50 The draft development brief required that there would be no increase in retail floorspace at Wincheap (existing A1 space is in the order of 40,000 sqm (430,560 sq ft) gross), but that new replacement retail space would be permitted to be developed as part of mixed use scheme and subject to all PPS4 tests, not least an assessment of impact on the city centre.
- 7.51 In the event the Development Brief was not adopted pending further consultation on the scope to locate the City's 4th Park and Ride site inside the Estate boundaries, which in turn had been promoted by Government's decision in principle to allow new slip roads to be built at Wincheap on the A2/A28 crossing.
- 7.52 This also coincided with the onset of the credit crunch and recession whereby CCC and Capital and Counties agreed to dissolve their partnership.
- 7.53 Whilst the site is in PPS4 terms out of centre, it already contains a significant amount of retail development, mainly of a large format and bulky goods nature as well as foodstore. The zone would therefore be suitable for additional retail development and with the council owning



significant parcels of land could be made available. DTZ has recently been commissioned to review the viability of potential future schemes for Wincheap, including retail as a potential future element of any redevelopment.

## 8. Towards a retail strategy

- 8.1 This study has reviewed the health of the city centre, retail and commercial trends, the need (quantitative and qualitative) for future retail and leisure development in the district and city centre in particular, and the availability of sites to accommodate the majority of the identified need.
- 8.2 The health check has indicated that in most regards the city centre is a vital and viable centre. Whilst there is room for improvement, it has generally withstood the worse effects of the recession and compares favourably with its main competitors at Maidstone and Ashford.
- 8.3 Canterbury as an historic cathedral city also has the considerable benefits of visitor, education, religion and specialist markets alongside mainstream retailing. In this context we see Canterbury as amongst a limited number of towns and cities in the country which have the “X-Factor” – being genuinely attractive to residents, visitors and the commercial property sector alike. This creates the destination or “experience” trip (and with it the potential for higher spend in the local economy) that many towns and cities are trying to achieve, as opposed to serving only a functional shopping trip role.
- 8.4 However with such opportunities come challenges, namely greater competition for scarce city centre sites for a wide range of uses (entertainment, hotels, leisure, food and drink offers as well as retail uses), congestion and traffic issues and the need to balance sustainable economic growth with protection of the urban fabric and heritage.
- 8.5 Our retail surveys demonstrate that Canterbury’s existing market share from its primary catchment areas is relatively high. Whilst there is a need to monitor the development of other centres such as Ashford, Maidstone and Bluewater to ensure Canterbury’s position in the hierarchy is not weakened, the surveys illustrate a strong market position.
- 8.6 Based on a constant market share provision (which we consider to be the more appropriate scenario in the case of Canterbury), there is significant capacity for additional comparison retail over the plan period, but much less so for additional convenience goods.
- 8.7 For comparative purposes we have modelled an increased market share or “clawback” scenario, but given Canterbury existing high level of market share, its generally good vitality and viability and limited site opportunities, we do not consider the clawback scenario to be appropriate or suitable for basing a retail and leisure strategy for Canterbury city centre.
- 8.8 We noted in section 8 that there are few sites within the designated retail core or city centre boundary that are capable of accommodating the significant amount of new comparison retail forecast over the plan period. In practice the only sites that could accommodate significant new retail development are the regeneration zones set out in the Local Plan, and these are all in PPS4 terms either edge or out of centre.
- 8.9 The question therefore arises as to what objectives does further significant retail development serve in Canterbury, if this can only be accommodated in an edge or out of centre location?
- 8.10 We consider this question against the tests as set out in PPS4 Policy EC5. We note that local authorities should base their allocation of sites to meet need on the range of factors set out below rather than any one in particular.



### **Is the approach based on identified need?**

- 8.11 As we have noted, PPS4 requires LPA's to allocate sufficient sites in development plans to meet at least the first five years of identified need. However, in practice and in our experience the timescale for planning and delivering a significant town centre comparison based retail scheme is more likely to be in the 5 – 10 year range, particularly in sensitive locations such as Canterbury city centre.
- 8.12 Given the constant market share scenario primarily reflects forecast population and expenditure growth (as opposed to seeking to increase current market shares), then in our view it follows that the LPA should seek to accommodate the identified need in the LDF in order to maintain Canterbury's current role and competitive position in the retail hierarchy.
- 8.13 Thus on the constant market share scenario, this means allocating a site or sites sufficiently large enough to accommodate comparison retail in the order of up to 14,200 sq m by 2016 or up to 31,750 sq m by 2021 ( the latter being perhaps the more likely timescale for major new development), or up to 53,400 sq m (net) by 2026.
- 8.14 Whilst some of this capacity may be accommodated within the prime retail area, e.g. on smaller sites or infill development, it is apparent that much of the identified need will need to be met outwith the city centre boundary on edge or out of centre sites. This effectively means revisiting the Regeneration Zones as set out in the Local Plan.
- 8.15 We note that comparatively little additional convenience capacity has been identified over the plan period. It therefore follows that the on the basis of identified need, the focus should be on delivering good quality comparison retail in the city centre or sequentially preferable sites, rather than food based retailing.

### **Appropriate scale of development**

- 8.16 PPS4 requires that LPA's identify the appropriate scale of development, ensuring that the scale of the sites identified and the level of traffic/travel they generate, are in keeping with the role and function of the centre within the hierarchy of centres and the catchment served.
- 8.17 The soon to be revoked South East Plan designates within the sub-region Canterbury, Maidstone and Ashford as Primary Regional Centres (for the purposes of retailing), with Folkestone and Dover lower down the hierarchy as Secondary Regional Centres.
- 8.18 Whilst the Regional Strategy is set to be been revoked, the analysis underpinning it remains a material consideration in preparing the LDF. Thus all things being equal, Canterbury should expect to plan for significant new retail development to maintain its place in the retail hierarchy, particularly given that retailing is a highly dynamic sector and others such as Ashford are looking to significantly improve their offer.
- 8.19 But this also needs to be conditioned by the traffic generated and sustainability of proposals. Given Canterbury's existing congestion problems and that major new retail development could be in the regeneration zones, then an assessment needs to be made as to whether additional new retail development in the Regeneration Zones would exacerbate or reduce congestion.

- 8.20 The St Georges to Canterbury East zone is physically closest to the prime retail area. However, it is separated from the retail core by Rheims Way where there already congestion issues, and retail development could create significant additional traffic capacity issues on the network at this point. That said it is also close to the bus station and Canterbury East station.
- 8.21 In the case of Wincheap, the regeneration zone is further from the retail core and there are existing congestion issues in the area. However the area is also pivotal in addressing strategic transport issues for Canterbury city centre as a whole.
- 8.22 We understand that Highways Agency has in principle decided to allow new slip roads to be built at Wincheap on the A2/A28 crossing, recognizing the need for additional capacity on this key gateway to the e city centre. This in turn has thrown into sharp focus the issues of future park and ride for the city centre.
- 8.23 The City Council currently operates three Park & Ride schemes at Wincheap Road (A28), New Dover Road (A2050) and Sturry Road (A28). As part of the Canterbury District Transport Action Plan, the Council has recognised the need for a further Park & Ride scheme to serve traffic approaching from the north-west of the city centre, and has considered a number of options including locating the City's 4th Park and Ride site inside the Wincheap Estate boundaries.
- 8.24 In this context any major retail development in the regeneration zones would need to be assessed against its ability to help minimise congestion in the area and whether the proposals can help deliver regeneration objectives.

**Apply the sequential site approach?**

- 8.25 We have noted that Canterbury city centre has few sites within the defined retail core or immediately adjacent to its which it could accommodate major new retail development.
- 8.26 Westgate Hall could accommodate a limited amount of development (most probably a convenience offer, given it is poorly connected to prime retail circuits for comparison retailers). Watling Street car park is within the designated city centre, but is relatively small, poorly connected to the retail core and has major heritage/conservation issues.
- 8.27 Thus there is a need in considering allocating additional sites to consider the sequential test as set out in PPS4. Given the regeneration zones are a collection of sites, some operational, then consideration of the available, suitable or viable tests is more complex than usual.
- 8.28 On the face of it, the most sequentially preferable site is St George to Canterbury East railway station regeneration zone. Located immediately opposite the walls next to Whitefriars, the zone fronting Upper Bridge Street is in a prominent location. The zone is within 300 metres of the Canterbury retail core and thus technically edge of centre, although given its severance from the town centre by Rheims Way/Upper Bridge Street, in its current form it might arguably act as out of centre.
- 8.29 Looking at St Georges/Canterbury east we consider parts of the zone (e.g. car show room) are suitable for retail development. We understand food retailers have expressed interest in parts of the zone and thus we conclude parts of the zone are available. We are unaware whether proposals would be viable to develop, but given current economic conditions, we

would doubt whether anything other than the highest land value generators such as food stores could carry substantial land assembly costs.

- 8.30 Canterbury West is also technically edge of centre, but would also in our view act as out of centre. Moreover, given its ongoing operational needs, the developable land is relatively small. Canterbury West has frontages onto St Dunstan's, but we do not see the zone as suitable for significant retail development. Owned primarily by Network Rail we also understand the site is primarily intended for housing and business space.
- 8.31 The Wincheap and Kingsmead regeneration zones are further from the defined retail core and in PPS4 terms in out of centre locations.
- 8.32 Kingsmead already contain one major foodstore and could in principle be suitable for further retail development. We understand parts of the site are available, but given public sector funding cut backs the site is difficult to unlock.
- 8.33 Wincheap already contains significant food and non-food retail, especially bulky goods and thus we consider it is suitable for future retail development. There are a number of land ownerships, including the Council, and whilst some of the zone is in economic use, large parts are underutilised and in our view at least in part available for redevelopment. The viability of development is being reassessed by DTZ.
- 8.34 Thus given the identified need cannot be accommodated in the retail core or city centre itself, the application of the sequential test would suggest that St George's, Canterbury West, Wincheap and Kingsmead would all need to be considered for future retail development.
- 8.35 We recommend further detailed site specific analysis is undertaken of the four regeneration zones to compare them in terms of their suitability, availability and viability for further retail development.
- 8.36 We are aware that a number of food retailers have expressed an interest in developing or extending stores. Should the Local Authority consider any additional convenience goods floorspace in the City, it is important that any provision should be made in accordance with the sequential approach, in retail formats appropriate to City Centre and edge-of-centre sites wherever possible, rather than developed as out-of-centre stores.

#### **Assess impact of sites on existing centres**

- 8.37 Our retail capacity exercise has identified the quantitative and qualitative need for further retail development in the city centre and non-central areas. This shows there is significant additional capacity for comparison retail. but limited capacity for convenience based growth.
- 8.38 Looking at comparison goods over the next 10 years there is capacity for in the order of 31,000 sq m (net sales) to meet projected population and expenditure growth in the catchment area. Given the sequential test demonstrates that to accommodate much of this need would require the consideration of edge or out of centre sites, the question of impact on the city centre is particularly important.

- 8.39 Given the identified need and our other findings concerning the health of the centre, we consider that there should not be a severe or protracted adverse impact upon Canterbury City Centre, provided that new retail floorspace is appropriately conditioned to restrict the range of goods sold to those more typically associated with bulky goods and large format retailers. Additionally, we would recommend that existing non central retail warehouses with restricted user conditions (i.e. limited to bulky goods) should remain restricted and not be allowed to broaden the range of goods sold. Any proposal that seeks to extend the range of goods sold would need to be subject to the tests set out in PPS4.
- 8.40 In this context, and given the historic city centre is more constrained than most centres, we consider that the evolving retail and leisure strategy should focus on the higher quality and specialist retail and leisure operators within the city centre, with the concept of a “satellite” centre emerging which is complementary to the city centre, catering more for bulky goods and large format retailers and leisure operators (conditioned appropriately) in an edge or out of centre location in accordance with the sequential test.
- 8.41 This approach could have a particular virtue in Canterbury, relieving the historic core of some car borne traffic seeking to drive into the city centre, protecting the historic fabric and environment and letting the city centre develop a multi dimensional destination offer for residents and visitors who are interested not simply in shopping, but also the cultural, tourist and education offers that the city centre has to offer. To a degree this satellite approach can be seen operating in other cathedral/university town such as Cambridge (Grafton Centre), and Chester (retail Park).
- 8.42 On the basis of limited identified need, a large superstore may have a substantial adverse impact on the existing main foodstores in the city and other centres. In contrast, a smaller foodstore is likely to have only a modest impact on existing food stores in Canterbury District and surrounding towns. In terms of qualitative need, a food retailer not yet in Canterbury would increase competition and consumer choice.

**Other material considerations such as physical, economic or social regeneration benefits**

- 8.43 Whilst regeneration benefits of proposals are not factors determining need, regeneration benefits maybe material considerations in determining allocations and planning applications.
- 8.44 In the case of the regeneration zones, by definition these areas require considerable intervention to address current problems such as traffic congestion, optimising brownfield land, infrastructure provision and job creation.
- 8.45 In a world of limited public sector resources it is likely the regeneration zones will need to increasingly rely on private sector funding if they are to secure regeneration benefits.
- 8.46 Retail development has demonstrated that it in certain circumstances it can generate significant residual land values and development contributions to regenerate areas. It is equally clear that at the current time many traditional town centre retail led mixed use schemes are struggling to achieve viability. However, food store operators are still active in the market and can help pump prime regeneration in certain situations.

- 8.47 All the regeneration zones have their particular issues to confront and it is for the Council to consider the regeneration priorities within and between the regeneration zones.
- 8.48 It would not be our advice to attempt to spread elements of retail in all of the zones to help pump prime regeneration. We consider this would send mixed messages to the market and would dilute the “satellite” strategy we have set out above.
- 8.49 In this regard the Council needs to have clear objectives for each of its regeneration zones which reassesses within the LDF process if the current zones remain useful allocations and whether they should remain or be added/amended/deleted and what key uses should be focused there.
- 8.50 Thus for example, if the Council considered that improving the slip roads on the A2/A28 and delivering a fourth park and ride at Wincheap was a strategic priority, it may consider there are sufficient material considerations to allocate additional retail development within Wincheap. It would however have to do this in the context of balancing all the factors set out in PPS4 (need, scale, sequential and impact tests, material considerations).

#### **Current mix and retail frontages**

- 8.51 The health check has reviewed the current mix of uses in the city centre. It is evident that in parts of the retail core, most notably St Peter’s Street, that there has been a loss of A1 units in favour of A3/A4. Other parts of the centre also have high concentration of A2 units..
- 8.52 Whilst we have not reviewed particular cases in Canterbury, we know from our experience elsewhere that there are widespread examples of coffee shops and sandwich bars moving into Class A1 premises and displacing previous retail uses, without applying for planning permission. The record of success by LPAs in taking enforcement action is mixed. Often the result is that permission is granted for A3 use or hybrid A1/A3 use, and the coffee shop remains.
- 8.53 However, on balance we do not consider the growing presence of non-A1 units in parts of the city centre is significantly undermining the centre’s vitality and viability. Indeed it can be argued that those parts of the centre are responding well to market opportunities to theme themselves to perform more diverse functions which accord with Canterbury status as a multi faceted destination centre rather than a one stop shopping experience.
- 8.54 The most obvious example is the growth of A3/A4 units along St Peter Street which are responding to the visitor market and finding uses for units which many national retailers would not occupy given their small size and historic fabric.
- 8.55 The adopted Local Plan promotes mixed use development in the city centre, but Policy TC3 notes that within the retail core mixed use development should not result in the overall loss of retail floorspace at ground floor level. As such the city council does not run a specific “percentages” retail frontage policy, but draws a line over no absolute loss of retail frontage (either by numbers of units or length of retail frontage).
- 8.56 A number of local authorities operate percentage polices. These are usually based on the balance between A1 and non-A1 uses at the time the plan was prepared. Such policies can be weak in terms of efficacy, difficult to enforce and can become increasingly out-of-date in

that specified thresholds have often already been breached. That said some local authorities still consider a quantitative policy to be useful when it is necessary to protect certain corner units or refuse applications which would break up an important retail frontage or circuit.

- 8.57 More recently through their work on LDFs, we note LPAs are starting to formulate more sophisticated and disaggregated versions of retail frontage policies. These are based on designating different ‘quarters’ or areas of town centres for specific primary uses such as prime retailing, the evening economy, or ‘cafe culture’; or applying different acceptable change of use thresholds to different streets or street blocks. The latter can provide a finer grain of policy which respects and responds better to the specific needs of each individual sub-area. Many of these approaches are still in the formative stages, but they appear to represent emerging best practice.
- 8.58 By combining the “percentages” and “quarter” approach LPAs aim to retain high proportions of Class A1 retail shops in the prime retail areas so as to achieve or maintain a ‘critical mass’ of retail attractions in a concentrated area; whilst allowing more flexibility for change to other uses elsewhere in their town centres, where pedestrian flows are lower, or in the case of frontages like St Peter street which are fulfilling a different function, effectively cafe culture and meeting the visitor market.
- 8.59 We consider this joint approach will best achieve vital and viable town centres, which provide a wide range of shopping, retail-related services, and leisure facilities. Moreover, we consider that policies to control changes of use in town centres should reflect a commercially realistic future for each designated sub-area, as well as the LPA’s planning aspirations for the area. This would help to ensure support and implementation by the market. They should also allow some flexibility of application, for example in exceptional circumstances where shop vacancy would otherwise arise or persist.

## 9. Summary and conclusions

- 9.1 This study has examined the current state of Canterbury City Centre, prepared new retail capacity forecasts, reviewed development site potential and outlined an evolving retail and leisure strategy for the city centre.

### Health check

- 9.2 Overall the centre is a healthy one although not unaffected by the recession. Canterbury has a relatively broad retail offering with a comprehensive range of brands and a good proportion of comparison units/floorspace which is in contrast to most other towns in the region. However, the city has not been immune to the recession with Zone A rents falling, vacancies increasing and a number of value retailers taking space.
- 9.3 The most competitive centre is that of Maidstone, however, this is approximately 30 miles away so still a reasonable drive away. However, with further development planned at the station to further boost the centre and its connectivity Canterbury may well be affected to some extent.

### Canterbury's Commercial Leisure Market

- 9.4 The commercial leisure market, like most other commercial property markets has struggled over recent years which has resulted in little expansion by most occupiers in the sector and little commercial leisure development having occurred across the country. In Canterbury, although most existing leisure venues have survived, there has been very little new development and there are currently a number of obvious gaps. The main features of Canterbury's existing commercial leisure market are summarised below:
- In comparison to their main competitors Canterbury has the lowest level of leisure floorspace
  - The centre has a good selection of mainstream restaurants and cafes but lacks a substantive wider commercial leisure offering.
  - When considering the early evening economy there are very few bars and higher end restaurants to cater for professionals and families. There are however a significant number of pubs in the city. The lack of bars is also likely to become more obvious on the opening of the new Marlowe Theatre in 2011.
  - Other significant gaps appear to be in budget and high end hotels market, although the planned Hotel du Vin will help to address the higher end market.
  - The family leisure sector is also weak with a better quality, larger mainstream cinema and extended bowling offer being an obvious addition.
  - The health and fitness sector is an area that is also not fully represented in Canterbury. Although there are a number of public facilities, along with a new budget and mid- market gym the large full line health and fitness centres do not have a presence and are likely to succeed in such a location.

## Retail capacity

- 9.5 Over the last 2 years, the impact of the credit crunch and the subsequent economic downturn has affected investment, development prospects, consumer demand, and future planning. However, despite using lower recent actual expenditure growth rates, more conservative future expenditure growth estimates, and stronger internet shopping growth forecasts, the new retail capacity forecasts set out in this report demonstrate that:
- Modest convenience goods floorspace capacity is evident within the City, and will grow as population and per capita expenditure increase over the study period to 2026. That said there is no immediate and pressing requirement for further food store development in the City, capacity will exist at 2016 and beyond for some limited additional convenience goods floorspace (see Tables 7.3 and 7.4).
  - Capacity should emerge for new City Centre comparison goods floorspace over the forecasting period in Canterbury City Centre, which could be sufficient to support a significant new development(s).
- 9.6 The recent announcement of the closure of Pfizer's research and development facility in Sandwich with the loss of some 2,400 jobs over the next two years (and additional loss of jobs from contractor companies that service Pfizer) will clearly have an impact on the local economy in East Kent. The extent and longevity of this impact will clearly depend on how quickly these employees are able to find alternative employment. With regard to the retail capacity forecasts detailed in this study, it is considered that the Pfizer closure is unlikely to have a material impact on the floorspace forecasts, largely because of the underlying strength of Canterbury as a centre. However, as with all retail capacity forecasting of this kind, we recommend that the assessment is reviewed again in the next 3-5 years time to take account of changes in shopping patterns and also changes in the wider economy.
- 9.7 The retail capacity forecasts have been undertaken on the basis of two population forecasting scenarios. Scenario 1a assumes a strategy-based forecast based on building an additional 9,200 dwellings between 2006 and 2026 in Canterbury District (i.e. Zones 1-6). This forecast looks at the future population growth of the district if this quantity of housing is built. Scenario 1b - A strategy-based forecast based on building an additional 10,200 dwellings between 2006 and 2026 in Canterbury District (i.e. Zones 1-6) as was set out in the South East Plan. This forecast looks at the future population growth of the District if this quantity of housing is built.
- 9.8 In practice, the slightly higher population forecast for Canterbury District (i.e. 10,200 as opposed to 9,200 additional dwellings between 2006 - 2026) does not affect the broad scale of capacity, either for convenience or comparison goods.
- 9.9 In terms of convenience goods floorspace it is evident that there is no overriding need for new floorspace in the immediate future. This reflects in part the recent opening of the M&S Simply Food store at Maybrook Retail Park and the limited growth in per capita expenditure generally for convenience goods. Modest levels of capacity for new City Centre floorspace will emerge during the forecasting period, and when combined with capacity identified in respect of non



central areas (see Table 7.4), this suggests that there could be capacity of up to 800 sq m net of convenience goods floorspace by 2016.

- 9.10 Should the Local Authority consider any additional convenience goods floorspace in the City, it is important that any provision should be made in accordance with the sequential approach, in retail formats appropriate to City Centre and edge-of-centre sites wherever possible, rather than developed as out-of-centre stores.
- 9.11 The format in which new convenience goods floorspace is provided will affect the amount of such floorspace which can be supported by forecast growth in expenditure, because different types of food stores trade at very different sales densities. It is of course not possible to predict over a 16 year period the format in which potential food store developments might come forward; or how the Council may wish to accommodate the need for more such floorspace. This might be provided as an extension to an existing store or in other formats, as appropriate to the centre.
- 9.12 In the case of comparison goods, Canterbury City Centre currently retains a solid market share in the core Canterbury catchment area. As such there is limited scope to increase the level of trade retention. However, it is considered important for the City Centre to maintain its current position in the retail hierarchy and to do so will require the provision of additional comparison goods floorspace to meet the need identified through the constant market share scenario. However, we consider, that pursuing a strategy that seeks to maintain (rather than increase) Canterbury's current market share will itself be unlikely to be met in the city centre given the lack of sites and physical constraints within the City walls.
- 9.13 Assuming constant market shares, it is estimated that there could be capacity for 10,850 sq m net of City Centre comparison goods floorspace by 2016. This could rise to 21,950 sq m net by 2021 and to 35,650 sq m net by 2026. If the capacity identified in respect of non central locations is directed to the city centre, in accordance with the sequential approach, the total capacity figures (see Table 7.4) could increase to 13,800 sq m net by 2016; increasing to 30,950 sq m net by 2021; and to rising to 52,150 sq m net by 2026.
- 9.14 The non-central comparison goods floorspace in Canterbury appears to be trading broadly in-line with company average sales densities. Forecast capacity for additional floorspace at 2016 equates to approximately 2,950 sq m net and will grow to about 9,000 sq m net by 2021 and to about 16,500 sq m net by 2026 if forecast trends occur, assuming such floorspace is provided in the format of low sales density retail warehouses. If provided in the City Centre in a City Centre format at a higher sales density, the forecast capacity would be reduced pro-rata with the increase in sales density.
- 9.15 The capacity for additional non-central comparison goods floorspace in Canterbury has been forecast separately from that in the City Centre merely for forecasting convenience; and any such new floorspace should be located in accordance with the sequential approach.

#### **Development sites**

- 9.16 Development of the Whitefriars scheme was the last significant new retail development in the city centre. Given Canterbury's heritage within the city walls, it is not surprising to find that

there are very few development opportunities in or adjacent to the retail core for significant new retail development.

- 9.17 As set out above, using a constant market share approach, the identified needs could be in the order of 31,000 sq m (net sales) of comparison space by 2021. In our view an appropriate timescale in which to consider the delivery of major new retail development is in the 5 -10 year period, the actual delivery being dependent on factors such as market demand, viability, site assembly, heritage, infrastructure provision etc.
- 9.18 Whilst some of the identified need may be met by smaller sites and infill developments within the city centre, we consider that the majority would need to be accommodated outside the city walls and in accordance with the sequential approach.
- 9.19 We have considered the four regeneration zones allocated in the Local Plan. We are also aware that of the four zones, the City Council has previously favoured Wincheap as the location of major new retail development, although we note that in a development brief (which was not adopted but the Council) the intention was to see a redevelopment of the existing offer with no net increase in retail floor area.
- 9.20 In reassessing Local Plan sites for the LDF and in accordance with PPS4, the local authority needs to allocate a site or sites by reference to identified need, scale, sequential and impacts tests and other material consideration such as regeneration benefits.
- 9.21 We have concluded there is an identified need to allocate a site(s) for major comparison retail led development outside the city centre. We consider that suitably conditioned and targeted on uses complementary to the city centre (e.g. larger format retail and leisure units, bulky goods) the evolving strategy could be one of focussing the city centre on higher quality and specialist retailers and cafes and restaurants providing an holistic offer for resident and visitor markets, with a “satellite” centre catering more for mass market and large format retail and leisure operators.
- 9.22 In impact terms we do not consider there should be a significant adverse effect on the city centre. Indeed if suitably conditioned and controlled, this could have a positive impact on the city centre relieving it of demands for all operators to be in the city centre and for relieving congestion in the city centre. In the case of existing retail warehouses that are effectively limited to bulky goods, we consider that the Council should resist pressures to broaden out the range of goods permitted to be sold. This is to protect the vitality and viability of the city centre. If proposals come before the Council for relaxing the restrictions on the range of goods to be sold, then they should be accompanied by a full retail impact assessment, in accordance with the requirements of PPS4
- 9.23 We have reviewed the 4 regeneration zones in terms of the sequential test. In pure PPS4 terms St George and Canterbury West maybe classified as edge of centre whereas Kingsmead and Wincheap are out of centre.

9.24 However, the regeneration zones are large complex areas all with operational uses and different pros and cons for development. We note the Council has commissioned a viability review of Wincheap and we consider this should be extended to the other sites to ensure the sequential test has been properly discharged.

9.25 We have also reviewed the current mix and retail frontages policy for the city centre. Our findings are that whilst some streets and blocks - most noticeably St Peter Street have seen an increase in non- A1 uses, these have not substantially undermined the vitality and viability of the centre. Indeed, we consider that such areas are responding well to the diverse range of markets that Canterbury serves – visitation as well as mainstream shopping – and as such is developing into a themed or quartered approach to the city centre in keeping with beset practice. This said we recommend the council closely monitors change of use to be sure prime retail frontages or circuits are not undermined.

In summary the retail recommendations are as follows:

**Satellite Strategy:**

- An evolving retail and leisure strategy should focus on higher quality and specialist retail and leisure operators within the city centre with the concept of a “satellite” centre emerging which is complimentary to the city centre, catering more for bulky goods and large format retailers and leisure operators in an edge or out of centre location in accordance with the sequential test.

**Focused Retail Development**

- We advise against spreading elements of retail in all of the zones to help pump prime regeneration as this would send mixed messages to market and would dilute the “satellite” strategy
- Retail development also needs to be located where it will be complimentary to the city centre and help deliver policy objectives

**Restriction on change of bulky goods use**

- It is recommended that existing non central retail warehousing with restricted user conditions should remain restricted and not be allowed to broaden the range of goods sold.

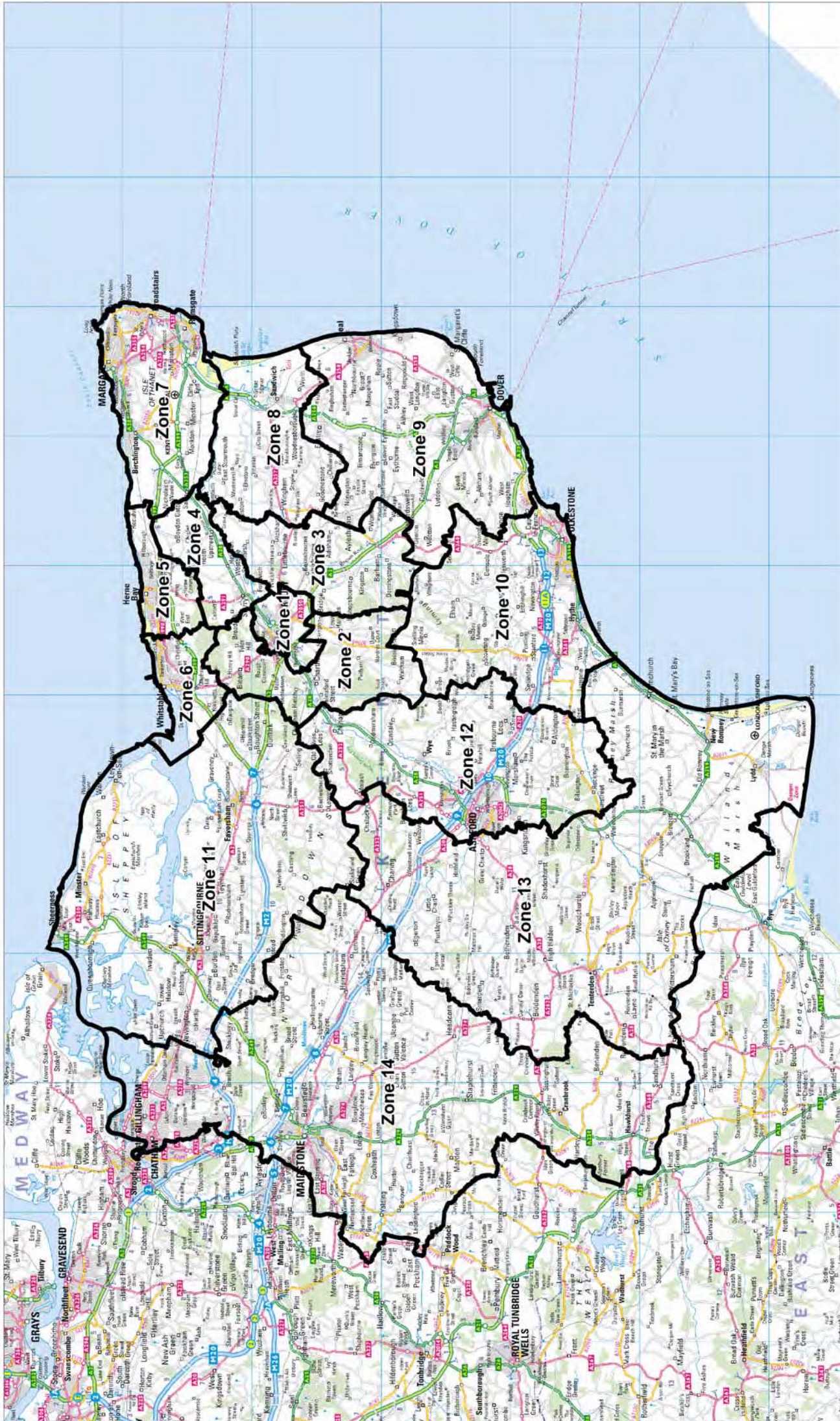
**Leisure**

- Leisure is becoming an ever more important to a successful town/city centre with the aim to have a strong evening economy and a managed night time economy. The family leisure sector was noted as being weak and opportunities to improve this should be sought. A mainstream cinema and extended bowling offer would be an obvious addition.

# Appendix 1

## Recent Retail letting deals in Canterbury City Centre



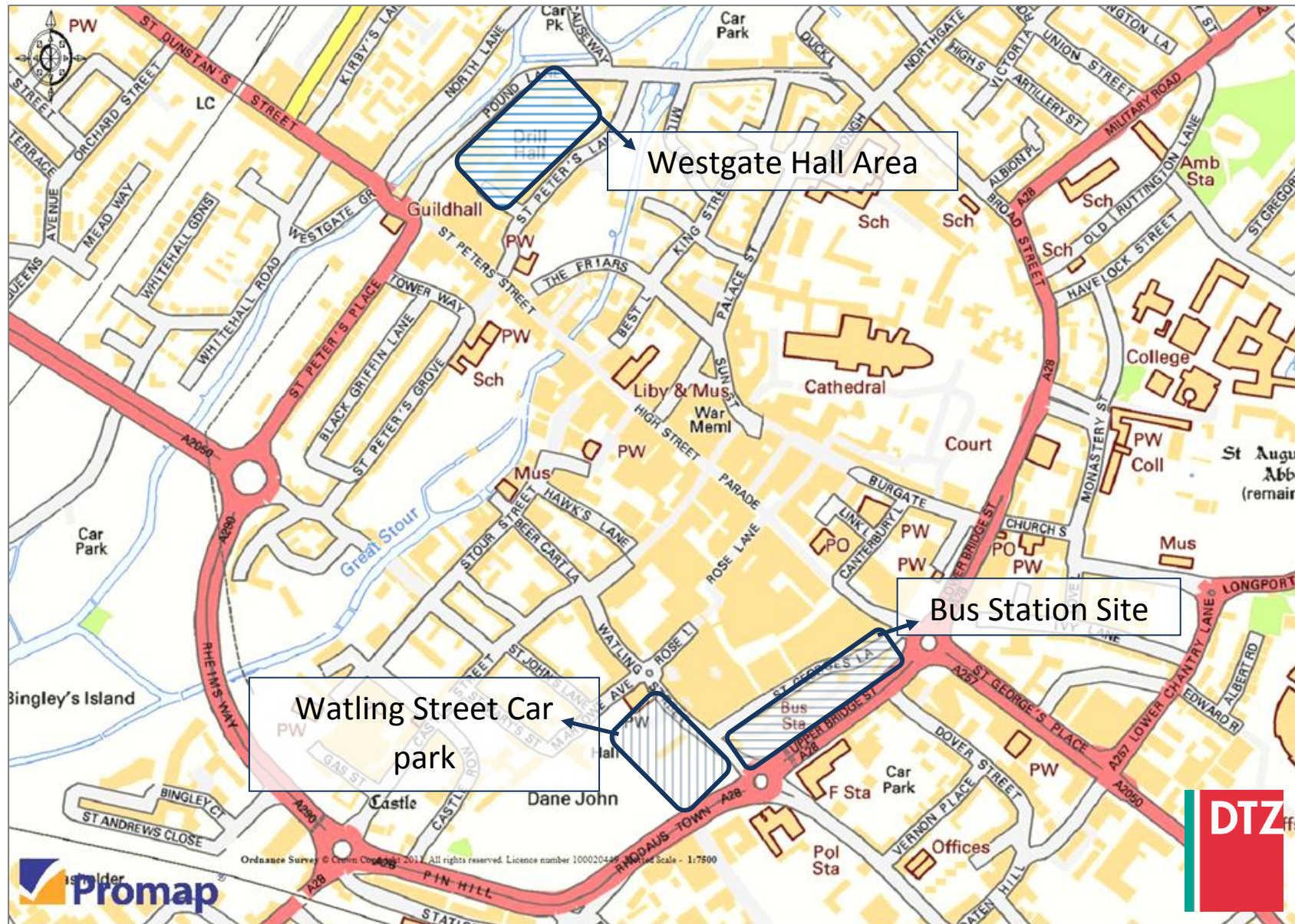


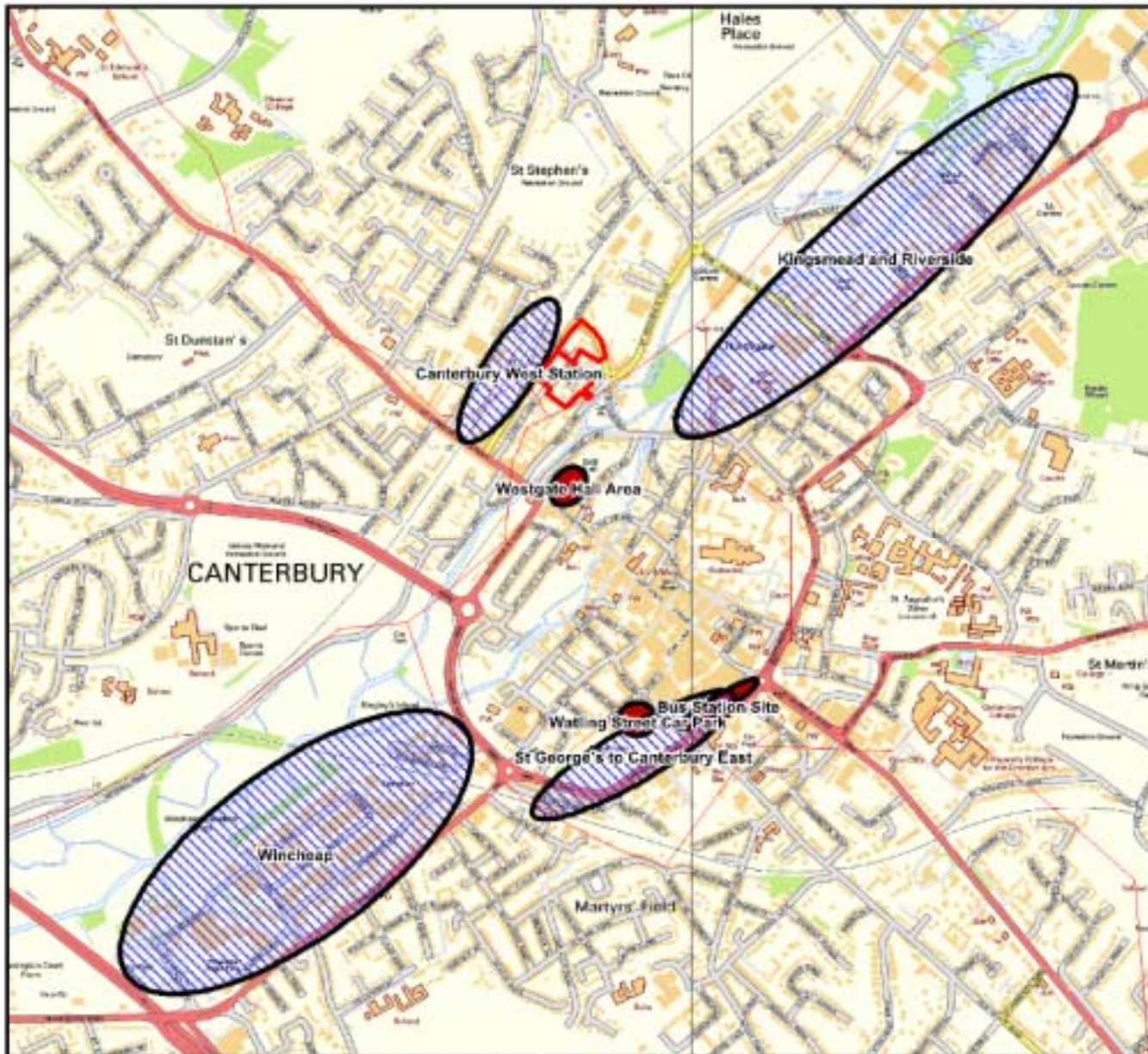
# Canterbury: Zones 1 -14

27/09/2010


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## Possible Development Sites, Canterbury City Centre





## CANTERBURY

Indicative Development Areas

- Possible Development Site (3)
- Regeneration Zones (4)

(Numbers in brackets = total data fields in band)



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