

**RETAIL CAPACITY AND
RETAIL PROPOSALS AT NEWARK**

**ADVICE TO NEWARK AND
SHERWOOD DISTRICT COUNCIL**

MAY 2012

ALYN NICHOLLS
 **& ASSOCIATES** 
CHARTERED TOWN PLANNERS

140 Denby Lane Upper Denby
Huddersfield HD8 8UN

Tel 01484 860000
Fax 01484 860011

akn@alynnicholls.com
www.alynnicholls.com

INTRODUCTION

1. We have been asked to advise Newark and Sherwood District Council on the issue of retail capacity and proposals for retail development in the context of the emerging Local Plan Site Allocations Document.
2. The background is the District Council engaged GVA Grimley to undertake a Retail and Leisure Study in 2009 to provide an evidence base for the Local Plan (Local Development Framework) Core Strategy. With regard to comparison goods shopping, GVA Grimley advised that there would be a requirement in 2019 of around 5,000 square metres net additional comparison floorspace and this will increase to around 15,000 square metres net at 2024, and 18,500 square metres net by 2026. The Adopted Core Strategy indicates that locations for new shopping will be assessed and identified within the Allocations and Development Management Development Plan Document.
3. The Council anticipated allocating land at Northern Road, Newark (the NSK site) for a mixed use development, including retail development in order to meet the identified requirement for additional retail floorspace. Land at Northern Road falls outside Newark Town Centre (the site is a little under 1 kilometre to the east of the town centre). The proposed allocation was included within the Site Allocations Options Report and this was the subject of public consultation in October and November 2011.
4. Meanwhile, a planning application was submitted in August 2011 for a retail development of around 6,750 square metres gross on land at North Gate. This site is also outside the town centre, the boundary of the Primary Shopping Area is about 475 metres to the south. This scheme has been promoted by the applicants as meeting an identified need for bulky goods retailing. It also includes the possibility of a foodstore within the development. We have advised on the retail policy issues arising from this scheme. In summary, our advice was that there are no sequentially preferable sites on which to accommodate a development of the nature proposed and that in terms of impact, whilst the Applicants have under-stated trade diversion, on the basis on which the scheme is presented with restrictions on the goods sold from the development, it was unlikely to have a significant adverse impact. However, we advised that conditions should be imposed to ensure that the development did not harm the vitality and viability of the town centre. This application has not been determined and we understand that an appeal has been lodged against the failure of the Council to determine the application.
5. Representations were made on behalf of the Applicants for the North Gate scheme (Newark Property Developments Limited) arguing that the North Gate site should be preferred as a retail allocation to the NSK site. As a consequence of those representations, the Council has undertaken further consultation on additional sites which have been identified. The consultation period was from 20 March to 1 May 2012.
6. In light of this background we have been asked to address the issue of whether the Council can come to a decision on the suitability of the North Gate site for retail development in advance of completing the Local Plan Site Allocations process and bearing in mind that the Council has not yet come to a view as to whether the NSK site should be allocated. We have also been asked to address the issue of whether in retail terms, having regard to capacity and suitability, both North Gate and the NSK site could come forward within the Plan period without harming the vitality and viability of the town centre.
7. In discussions with Officers of the Council we have raised the issue of the performance of the retail market and retailer demand. Cheetham & Mortimer have provided a view which

is attached to this note. Their conclusions are that the bulky goods sector at Newark is likely to be limited and this is likely to be structural as opposed to a consequence of the current economic cycle. They are sceptical about the scope in commercial terms for the NSK site and the North Gate site to be developed for bulky goods retailing in the foreseeable future.

8. Before considering the issues we have been asked to address, it is appropriate to review the GVA Grimley Study as this identifies the requirement for additional retail development that the Local Plan (Local Development Framework) is seeking to satisfy.

THE GVA GRIMLEY STUDY

9. The GVA Grimley Newark and Sherwood Retail and Town Centres Study was produced in March 2010. The estimates of floorspace capacity contained within the Study have regard to a household telephone shopping survey undertaken in July 2009. The estimates of the requirement for additional floorspace also had regard to advice on growth rates and non-store retail spending (mail order/internet shopping) available at that time from Experian Business Strategies. However, the economic conditions have been more difficult than anticipated by Experian in 2009 and growth in internet shopping has been higher than anticipated. As a consequence, the GVA Grimley Study over-states the amount of expenditure available to support new development.
10. Table 1 attached sets out a comparison between the assumptions adopted within the GVA Grimley Study and current guidance from Experian as set out in Experian Retail Planner Briefing Note 9.0 (September 2011). In respect of growth in per capita expenditure, the most recent guidance from Experian would result in estimates of expenditure being about 11% lower than those within the GVA Grimley Study. Taking account of non-store spending (essentially internet shopping), using current guidance from Experian, estimates of per capita expenditure would be about 15% lower than those set out in the GVA Grimley Study.¹
11. The key points made in support of the North Gate development proposals are the comments in the GVA Grimley Study that residents in Newark and Sherwood are using retail parks located in neighbouring authorities for bulky goods (paragraph 5.64), that residents are travelling to retail warehouse locations outside the District for their bulky goods shopping (paragraph 6.46), that the District's retail warehouse provision is performing poorly (summary to Section 4), and that the Council should explore options to improve the provision of home, furnishing, gardening and other bulky goods retailing in Newark and that given constraints at the town centre it may be appropriate to look at edge and/or out-of-centre sites (paragraph 7.58). In our opinion, the household telephone shopper survey does not support the conclusions drawn by GVA Grimley.
12. Table 2 attached to this note sets out our analysis of bulky goods expenditure arising from the household survey. The area comprising Zones 1 to 6 roughly equates to Newark and Sherwood District. However, a substantial part of Zone 6 falls outside of the District. This zone extends to Lincoln and in fact includes the south western quadrant of the Lincoln built-up area. Given the distribution of population within this zone, the strong likelihood is that the majority of those interviewed for the survey would live in Lincoln.

¹ The figure of per capita estimates being 15% lower is cumulative and takes account of the lower growth in per capita expenditure and higher growth in non-store spending.

13. Table 2 shows that the most significant destinations for bulky goods retailing are existing town centres (including Newark in respect of Zones 1 and 5). The most significant retail park is Tritton Retail Park at Lincoln which, within Zone 6 attracts about 27% of expenditure. Lincoln City Centre attracts about 57%. For reasons we have explained, this is unlikely to represent a flow of expenditure out of Newark and Sherwood District. It is more likely to represent Lincoln residents shopping locally. Consequently, the existing pattern of shopping as evidenced by the household survey does not in our view provide evidence of a leakage of expenditure from Newark and Sherwood residents to retail parks at other centres.
14. In addition, with the passage of time there have been changes in retail provision at Newark since the 2009 household telephone shopper survey. In particular, ASDA and the Potterdyke scheme are now trading (although this was anticipated in the GVA Grimley retail analysis). B & Q have occupied the former Focus unit and there have been changes at North Gate Retail Park. In view of the case presented in support of the North Gate planning application, the presence of B & Q at Newark improves the bulky goods retail offer.
15. Taking these factors into account, reliance on the GVA Grimley Study must be cautious and take account of changes in circumstances. However, notwithstanding these caveats, the GVA Grimley Study points to a requirement for additional comparison shopping which is significant, particularly in the latter part of the Plan period.
16. In considering the estimates of future floorspace requirements it should be noted that GVA Grimley have assumed the requirement is met by conventional high street comparison shopping and have applied a sales density of £5,000 per square metre (2009), increasing to £6,550 per square metre (at 2026). Bulky goods retailers are likely to have a lower sales density (for example, the sales density assumed for the bulky goods floorspace within the North Gate scheme was £3,250 per square metre). Using a lower sales density to reflect the performance of bulky goods retailers will have the effect of increasing the floorspace requirement arising from available expenditure.
17. It should also be borne in mind that the requirement identified by GVA Grimley is expressed in terms of net floorspace. An additional 15%-25% ought to be added (dependent on the type of retailing) to determine the gross floorspace requirement.

NSK EUROPE SITE, NORTHERN ROAD

18. The Site Allocations Options Report proposed an allocation on the NSK site at Northern Road for a mixed use development incorporating a retail development. The representations to the Site Allocations Options Report on behalf of NSK support the proposed allocation. The representations note the aspirations of NSK to secure a suitable site elsewhere within Newark and construct purpose-built premises for the continued operation of the business within the town funded through the release of the Northern Road Works for a mixed use redevelopment. The representations note that the aspirations will materialise when "practically possible" and "financially viable".
19. We also note that there is no indication of the amount of floorspace NSK require within a redevelopment scheme for their site. There is no indication of the total retail floorspace that might be incorporated within a mixed use scheme. Consequently, there is uncertainty about the timing and scale of retail development on the NSK land although there are assurances that the site is capable of being developed within the Plan period.

THE CAPACITY FOR DEVELOPMENT AT NORTH GATE AND THE NSK SITE

20. One of the issues we have been asked to consider is whether in retail terms the North Gate site and NSK site could come forward within the Plan period without harming the vitality and viability of Newark Town Centre. The capacity for further retail development is addressed within the GVA Grimley Study. Notwithstanding the caveats we have identified arising from the changes in circumstances since the Study was prepared, there is a requirement for a significant amount of additional retail floorspace over the Plan period as a whole. The current North Gate application proposes 6,754 square metres gross floorspace. If the whole development is occupied by non-food retailers, the net floorspace is likely to be in the order 5,400 square metres. In broad terms, this equates to the identified requirement at 2019. This would leave a further requirement of around 12,000 square metres net (about 15,000 square metres gross) to be provided over the balance of the Plan period.
21. In our view, this indicates scope for development on the North Gate site and a substantial retail development on the NSK site in terms of the capacity assessment undertaken by GVA Grimley, notwithstanding that current guidance indicates the GVA Grimley capacity is too high, and setting aside the Cheetham & Mortimer advice that for the foreseeable future there is unlikely to be demand from bulky goods retailers for both schemes.
22. The GVA Grimley capacity analysis assumes that existing market shares will be maintained and allowance is made for existing shops to improve turnover to floorspace ratios. Consequently, the requirement which has been identified should, all other things being equal, have no material impact on the vitality and viability of the town centre in circumstances where all of the requirement is met in out-of-centre locations.
23. The timing of any proposal will be an important factor that affects the likely impacts of any new development on the town centre. The GVA Grimley Study shows that at 2014 there is no capacity for new floorspace and that the requirement emerges over the period 2014 to 2019. Our advice in respect of the North Gate proposal is that the proposed development has the potential to cause significant harm to the vitality and viability of the town centre if there are no controls over the type and nature of retail activity on the site. In simple terms, there is insufficient expenditure at present to support the North Gate proposals without impacting adversely on the town centre unless there are controls over retail activity on the site. Similar circumstances may arise if the NSK site comes forward for development in advance of the forecast growth in expenditure materialising.

PREMATURITY

24. We have been asked to advise on whether the Council could grant planning permission for the North Gate scheme in advance of completing the site allocations process. The emerging Site Allocations Development Plan Document will be a material consideration in the determination of a planning application. In advance of formal adoption, the weight to be attached to the Site Allocations Document will be a matter for the decision-maker to determine. We have explained that there is sufficient capacity identified within the GVA Grimley Study to support retail development at North Gate and on the NSK site within the Plan period. Consequently, a decision to approve development at North Gate should not preclude a retail development on the NSK site within the Plan period.

25. The advice of Cheetham & Mortimer is relevant in this context. Their view is that for the foreseeable future there is unlikely to be demand from bulky goods retailers to support both schemes. The floorspace requirement identified by GVA Grimley is not restricted to bulky goods floorspace. This issue raises the prospect of unrestricted comparison retailing being developed in an out-of-centre location. This is likely to be more attractive to the commercial market (retailers and developers) and subject to timing, should not lead to a harmful impact on the town centre. There may be a perceived threat to the town centre if uncontrolled retail development is allowed in an out-of-centre location. However, if the requirement has arisen through the growth in expenditure and there are no sequentially preferable locations where the requirement can be met, out-of-centre development would be justified, particularly if it would avoid the need for Newark residents to travel elsewhere.
26. In addressing the question of prematurity, we have confined ourselves to retail issues. We are mindful that the Council may consider other matters to be relevant such as regeneration, supporting the existing economic base of the town and the impact of development on heritage assets.

OTHER MATTERS

27. The National Planning Policy Framework ("the Framework") has been issued since the preparation of the Site Allocations and Development Management Policy Document. Compared to policies for development management within PPS4, policy within the Framework omits a number of matters to be taken into account when considering the likely impacts of proposals. We note that the Site Allocations and Development Management Document relied on policy within PPS4 to provide criteria for the assessment of retail proposals on sites outside town centres and which are not allocated. In our view, it would be appropriate to include within development management policies matters which are important to the assessment of impacts of retail developments in a local context. The matters which are excluded from the Framework are as follows:
- impact on the range and quality of the comparison and convenience retail offer (Policy EC16.1b);
 - the impact of the proposal on allocated sites outside town centres being developed in accordance with a Development Plan (Policy EC16.1c);
 - the reference to taking account of current and future expenditure capacity within an impact assessment (Policy EC16.1d);
 - the reference to the appropriateness of scale (Policy EC16.1e); and
28. Policy EC16.1 also referred to any locally important impacts on centres which may be identified. Given the qualities of Newark Town Centre it may also be appropriate to make reference to the following:
- the function of the town centre as a market town and the viability of the market;
 - the effect of development on independent retailers having regard to their role within the town centre; and
 - the impact of development on the role of the town centre in catering for tourism.

29. Development management policies should also consider the threshold above which impact assessments will be required for developments which fall outside a town centre and on land which is not allocated for retail development (sequential assessments are required for all proposals located outside a defined centre). The default position set out in paragraph 26 of the Framework is 2,500 square metres gross. In circumstances at Newark development below this threshold could have the potential to cause a material impact on the town centre, particularly bearing in mind the lack of capacity for additional comparison shopping early in the Plan period. We suggest a default threshold of 500 square metres gross.
30. In circumstances where the NSK site is allocated for a mixed use development incorporating retail use and the allocation is subject to a phasing provision with the effect that the site should not be developed for retailing until the latter part of the Plan period, it may be appropriate to improve provision that would enable the NSK site to come forward earlier in circumstances when it can be demonstrated the proposed retail development would not harm the vitality and viability of the town centre.

SUMMARY

31. We have been asked to address two matters arising in the context of the allocation of land for retail development at Newark. The first question is whether the Council can determine a planning application for retail development on land at North Gate before completing the Local Plan Site Allocations process, and secondly, whether in retail terms, land at North Gate and the development of the NSK site for a scheme including retail use could come forward within the Plan period without harming the vitality and viability of the town centre.
32. The GVA Grimley Study identifies capacity for additional comparison shopping. Economic conditions have been more difficult than envisaged at the time the GVA Grimley Study was prepared and the growth in internet shopping has been greater than anticipated. As a consequence of these two factors, we estimate that the requirement for additional floorspace is about 15% lower at 2026 compared to the figures in the GVA Grimley Study. However, the requirement remains significant at 2019, 2024 and 2026. Over the Plan period there is scope for the North Gate scheme and for a substantial retail development on the NSK site. However, this requirement arises in the latter part of the Plan period. Bearing in mind that additional expenditure needs to materialise through growth in per capita expenditure and growth in population in order to support new retail development, any site allocation should either include provision for phasing or require consideration of the impact of proposals on the town centre.
33. With regard to the issue of prematurity relative to the Site Allocations Development Plan Document, having regard to the requirement for additional retail development likely to arise over the Plan period, we consider that the Council is in a position to deal with the North Gate planning application bearing in mind the requirement which has been identified. In coming to this view we have taken account of the fact that the representations on behalf of NSK indicate that their proposals are unlikely to come forward in the short term at least.
34. Cheetham & Mortimer have provided advice on the Newark retail market. Their view is that demand for bulky goods retailing is limited and this is likely to be structural rather than because of current economic conditions. They are sceptical that North Gate and the NSK land could be developed for bulky goods retailing in the foreseeable future. However, the requirement identified by GVA Grimley is not confined to bulky goods

retailing. This raises the prospect of unrestricted comparison retailing being located outside of Newark Town Centre. In circumstances where growth in expenditure has materialised, development within the capacity identified is unlikely to have a harmful impact on the town centre. However, GVA Grimley indicate there is no capacity for additional comparison retail development in the short term and in respect of the North Gate scheme, it is our view that controls are necessary to ensure that development would not harm the vitality and viability of the town centre.

35. We have also considered other matters. The National Planning Policy Framework omits a number of considerations relevant to the impact of proposals compared to replaced policy within PPS4. In our view, it is appropriate to consider whether Development Management policies for Newark should include matters which are relevant to the local context. We have suggested that consideration should be given to include those matters within Policy EC16.1 of PPS4 which are omitted from the Framework and also to add local considerations concerned with the impact of development on the role of the market and Newark as a market town, the role of independent shops and the role of the town centre for tourism.

TABLES

Table 1: Forecasts in expenditure growth and non-store spending**Forecasts in growth in expenditure:**

	Annual growth per capita		Cumulative Difference
	GVA Grimley Study	Experian Brief 9.0 (Sept 2011)	
			0%
2008	3.7%	3.9%	0%
2009	1.1%	-0.5%	-1%
2010	1.7%	0.1%	-3%
2011	1.7%	0.5%	-4%
2012	1.7%	1.6%	-4%
2013	1.7%	2.1%	-4%
2014	1.7%	3.0%	-3%
2015	2.9%	3.0%	-2%
2016	2.9%	3.0%	-2%
2017	2.9%	3.0%	-2%
2018	2.9%	3.0%	-2%
2019	2.9%	3.0%	-2%
2020-2024	4.7%	3.0%	-8%
2025-2026	4.7%	3.0%	-11%

Forecasts of non-store spending:

	Percentage of non-store expenditure		Cumulative Difference*
	GVA Grimley Study	Experian Brief 9.0 (Sept 2011)	
2007	6.2%	6.2%	0%
2009	6.3%	7.5%	-3%
2014	6.5%	12.3%	-9%
2019	8.5%	12.6%	-6%
2024	8.5%	12.2%	-12%
2026	8.5%	12.1%	-15%

Notes:

The cumulative difference for non-store spending also takes account of the difference in per capita expenditure growth rates.

GVA Grimley estimates: Appendix 6, Table 2 - Comparison goods retail expenditure

Experian (Retail Planner Briefing Note 9.0, Sept 2011):

Growth rates: Figures 1a and 1b

Non-store spending: Appendix 3 - Adjusted for special forms of trading from stores

Retail Capacity and Retail Proposals at Newark

Table 2: Existing pattern of expenditure: All Bulky Goods						
	Total Bulky Goods: Market Share					
	Zone 1	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6
Newark TC	47.9%	5.4%	3.0%	2.3%	35.2%	5.1%
Nottingham CC	13.5%	49.0%	16.9%	6.4%	5.4%	1.9%
Lincoln CC	16.5%	0.0%	1.0%	0.6%	16.4%	56.8%
Mansfield TC	0.0%	2.4%	54.7%	57.5%	4.3%	0.0%
Grantham TC	5.8%	0.6%	0.4%	0.0%	4.0%	0.7%
Retford TC	0.0%	0.0%	0.0%	4.0%	12.6%	0.0%
Southwell TC	0.5%	10.8%	2.4%	0.0%	0.9%	0.2%
Arnold TC	0.0%	3.1%	0.3%	0.0%	0.0%	0.0%
Sheffield CC	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Ollerton & Boughton TC	0.0%	0.0%	0.1%	13.1%	2.0%	0.5%
Worksop TC	0.0%	0.0%	0.0%	4.6%	4.6%	0.0%
Newark Retail Park	7.9%	0.4%	0.2%	0.0%	3.6%	1.0%
Beacon Hill RP, Newark	1.3%	0.0%	0.2%	0.3%	1.2%	0.0%
Tritton RP, Lincoln	2.0%	0.0%	0.0%	0.0%	2.7%	26.6%
Carlton Centre, Lincoln	0.0%	0.0%	0.0%	0.0%	0.7%	0.9%
St Marks Sq, Lincoln	0.0%	0.0%	0.1%	0.0%	0.0%	0.2%
Lincoln West RP	0.0%	0.0%	0.0%	0.0%	0.5%	4.5%
Valentine RP, Lincoln	0.0%	0.0%	0.0%	0.0%	0.0%	1.1%
Victoria RP, Colwick	0.0%	7.4%	0.0%	0.0%	0.0%	0.0%
Daybrook RP, Nottingham	0.0%	11.1%	0.0%	0.5%	0.3%	0.0%
Riverside RP, Nottingham	0.0%	1.4%	1.7%	0.0%	0.5%	0.0%
Four Seasons RP, Mansfield	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%
St Peters RP Mansfield	0.0%	0.0%	4.0%	2.2%	1.9%	0.0%
Portland RP, Mansfield	0.0%	0.0%	3.6%	0.7%	0.0%	0.0%
B&Q Mansfield	0.0%	0.0%	0.5%	0.9%	0.0%	0.0%
Dysart RP, Grantham	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%
Augustin RP, Grantham	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Grantham RP, Grantham	1.3%	0.0%	0.0%	0.0%	1.4%	0.0%
Castle RP, Radford	0.5%	2.5%	0.0%	0.0%	0.0%	0.0%
Ikea, Nottingham	0.5%	1.3%	0.1%	0.6%	0.0%	0.0%
Meadowhall	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%
Elsewhere	1.7%	4.7%	9.9%	6.3%	1.4%	0.4%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes
Market shares are derived from the household telephone shopper survey informing the GVA Grimley Newark & Sherwood Shopping Study and which is included in the Study at Appendix 9. In analysing the survey results don't know/don't do and internet responses have been discounted.

CHEETHAM & MORTIMER ADVICE
NON-FOOD RETAIL ANALYSIS, NEWARK

Non Food Retail Analysis - Newark

1. Introduction

- 1.1 Cheetham & Mortimer were commissioned by Alyn Nicholls & Associates on behalf of Newark and Sherwood District Council to advise on non food retail demand, with a specific reference to bulky goods users, for Newark town centre with regard to the proposed developments on Northern Road (NSK Europe Site) and The Former Brewery site on North Gate.
- 1.2 In considering our overview of demand we have given consideration to current market conditions both on a macro and micro scale, the location of the subject site and its relationship to the wider conurbation, recent and foreseeable consumer and retailer trends and existing retailer representation and competition.
- 1.3 Due to the nature of these proposals, although we have predominantly relied on our market knowledge, due to time constraints, we have engaged with a small number of key national multiple retailers with a view to establishing likely demand and subsequently the likely economic viability of any proposed developments. Evidently, if a more detailed analysis of demand is required going forward then this can be provided in due course.

2. Retail Overview – Newark

- 2.1 Newark is the principle shopping centre within Newark and Sherwood District being defined as a sub regional centre in the East Midlands regional spatial strategy. In terms of retail, there are two principle centres which influence the current shopping higherarchy within which Newark

town centre operates being Nottingham, approximately 20 miles to the North West and Lincoln, approximately 15 miles to the East.

- 2.2 Although Newark forms an attractive, historic market town with a high quality environment it will be perceived by the majority of comparison retail providers as a finite market serving as the principle convenience and comparable spend destination for its core catchment.
- 2.3 As indicated, the two main competing centres are Nottingham and Lincoln. Although a more comprehensive bulky goods/non food retail offer would enable Newark to more readily compete with these centres in this regard, this is still only likely to comprise the mid range, more value led sectors again looking to service a core catchment where they currently perceive they are underrepresented. With regard to high end comparable spend these types of operators e.g. John Lewis and IKEA tend to focus their acquisition strategy on large regional centres or out of town major road network hubs with a view to providing ease of vehicular access, thereby servicing a wider catchment population. This trend is now prevalent with the majority of comparable goods retailers who believe national coverage is achievable from larger more efficient premises within a significantly reduced estate, supported by the internet.
- 2.4 Although the internet was historically acknowledged as a possible threat to the high street, it was often dismissed until recent years, where it has now become the fastest growth sector for the majority of retailers who are therefore adjusting their trading formats accordingly, as indicated. It is still unknown what long term impact this will have on demand for traditional high street/shopping centre accommodation and ultimately what functions it will serve. However, on the assumption that demand for the flagship/regional centre stores will remain, due to the enhanced retail/leisure experience they offer, it is likely that the negative impact of

these retailing formats will predominantly be on demand/values for the small to midsized towns similar to that under consideration.

- 2.5 Giving consideration to its form and location, it is likely that Asda's Beaumont Cross Development, currently under construction, will predominantly attract more traditional high street type occupiers e.g. Lloyds Pharmacy and Greggs. There are some midsized units that could possibly sate some of the latent discount demand for the town e.g. Poundworld, Poundland etc, which will obviously dilute demand for this type of accommodation in both high street and out of town locations. Furthermore, giving consideration to the quantum of current demand for this type of accommodation and current availability within the town it is unlikely that there will be a requirement for additional development of this type of accommodation in the short to medium term.

3. Values/Demand

- 3.1 With the exception of a number of solus sites the towns current out of town provision is focused on the Northgate Retail Park. This comprises a terrace of five retail warehouse units where a relaxation of the planning consents has enabled the sub division and "softening" of the park to accommodate the retailers Pets at Home, Curry's, Carpet Right, TK Maxx, Peacocks, Poundstretcher, Boots, Dreams and Next. Homebase are situated to the North East of the terrace on North Gate.
- 3.2 Evidently a relaxation of the planning restrictions would indicate a lack of demand for bulky goods and we are also advised that the sub-division of the former Woolworths Big W unit also satisfied any latent open A1 non food demand, with the final unit being let to Dreams. Although the head line rents achieved equated to approximately £18 per sq ft, significant incentives were required to entice retailers to commit equating to a minimum of two year packages with Next

being paid a capital inducement in the order of £500,000. Therefore, the net de-valued rents are closer to £12-£14 per sq ft meaning that rents have remained relatively static, further indicating limited demand.

- 3.3 Although the Peacocks unit has not been identified on the initial disposals list, as with the rest of the remaining portfolio, it is likely they will be seeking a re-gear of the existing terms at a substantially reduced rent. At this stage we have been unable to establish any details but obviously, the outcome of these negotiations will provide a good barometer of latent demand, both non food and bulky goods, for the town. Furthermore, Curry's are currently undertaking a review of their portfolio where a significant reduction in stores is envisaged. At this stage the mechanism for achieving this is unknown but it should again provide a clear indication of the performance of, and future demand for, this type of operator for the town.
- 3.4 Notwithstanding the above, the lack of rental growth and the fact that Poundstretcher form a recent letting within the scheme, (who would usually be associated with relatively low rents and flexible lease terms in addition to being of questionable covenant standing), would again indicate limited demand for the town.
- 3.5 Whilst there is a perceived lack of bulky goods retail accommodation provision within the town, this sector along with the high street has been the most detrimentally affected by the recent economic downturn and as such demand remains limited. Nevertheless, as can be seen in Appendix 1, it is possible that some demand for the type of development under consideration could exist. Furthermore, and if the calibre of national multiple occupiers indicated could be secured, thereby achieving a critical mass, then this in turn could stimulate additional retailer demand. In the current market, the majority of acquisitive retailers now tend to be "deal led" analysing opportunities on a national basis and subsequently focusing where the most attractive terms can be secured. Due to the significant over supply of sites and accommodation

evidenced in most towns and cities on a national basis, the change in empty rates legislation and service charge liabilities have meant that landlord's priorities often tend to be focused on securing tenants and maintaining income rather than underpinning rental values. On this basis the majority of acquisitive retailers are able to "trade up", focusing on much stronger retail destinations where they would not previously be considered or indeed been able to afford. Therefore any new scheme would be competing on this basis and the subsequent lease terms, rents and likely incentives may render any proposals economically unviable.

- 3.6 One of the most aggressive sectors of the market remains the value/discount retailers where both landlord and consumer perceptions have shifted which, together with improving and fundable covenants mean they are now often targeted to facilitate development. However, Family Bargains and B&M Bargains have now secured representation within the town with Poundland currently considering a number of opportunities and as such, it is likely that demand from this sector will be sated and evidently this type of operator could not be accommodated under a bulky goods consent.
- 3.7 With reference to Appendix 1, there are a number of published requirements or, occupiers who have indicated a possible requirement for the town or maintain a selective acquisition programme where Newark may be considered. However, we have endeavoured to clarify where possible and would conclude that in the majority of cases it is unlikely that they will forward commit to a development in the short to medium term. In addition it is likely they would be seeking favourable terms and incentives that would make any proposals economically unviable or unfundable due to current constraints on borrowing.
- 3.8 It is also noted that the form of development proposed would be unable to accommodate a number of the requirements indicated unless some aggregation of the proposed units could be achieved.

4. Conclusion

- 4.1 We have not considered the development in detail but merely undertaken an initial analysis of its scale, form and design and to this end would concur with the comments made by Alyn Nicholls & Associates in that the scheme would not appear to give consideration to specific end users detailed requirements in terms of store design, scheme layout and servicing.
- 4.2 Newark's bulky goods and non food provision is in line with the towns retail standing as a mid ranking retail destination servicing the core catchment. For higher end spend, consumer leakage will continue to the competing larger regional centres of Nottingham and Lincoln. The higher end or aspirational comparison spend providers will perceive adequate market penetration without the need for "in fill stores" in mid ranking centres such as Newark. Therefore, demand for this type of accommodation within Newark will be finite, a situation exacerbated by the internet and the current economic downturn. Furthermore, it is likely that this trend is structural rather than a result of the current economic cycle and as such is likely to remain for the foreseeable future.
- 4.3 The most acquisitive value/discount retailers would now appear to have satisfied there requirements for the town and their representation is likely to have a negative impact on similar occupiers seeking representation due to the perceived competition. Furthermore, it is unlikely that this type of operator would consider trading under bulky goods consent.
- 4.4 There are evidently a small number of national multiple operators who are of a suitable covenant standing and who may have an active requirement for the town on terms that could make development economically viable. Notwithstanding, it is unlikely that the developments proposed could accommodate the size of some of the requirements indicated and in some instances, again a bulky goods consent would not suffice. Furthermore, their acquisition

strategies remain selective, being opportunity driven and “deal led” and as such it may be difficult to get them to forward commit to a development opportunity, assuming economically viable terms.

- 4.5 A number of the charity organisations e.g. BHF and Barnados are currently up sizing to larger edge of town /out of town locations and are of a covenant standing that could make development viable but again, they are opportunity driven and are unlikely to commit to lease terms or rents sufficient to underpin new development.
- 4.6 In conclusion although there are a limited number of potential requirements that could be suitable for the type of development proposed. We are sceptical as to the veracity of some of the requirements indicated and that sufficient quantum exists to facilitate both or even one of the developments in question.

I trust the above to be satisfactory for your requirements however, if we can be of further assistance or indeed you require clarification on any of the point herein please do not hesitate in contacting us.

Yours sincerely

Justin Mortimer

Tel: 0161 832-3375

Email: jmortimer@cheetham-mortimer.com

Appendix 1

<u>Retailer</u>	<u>Requirement sq ft</u>	<u>Comments</u>
Xercise for Less	18,000 -30,000	Currently actively acquiring. They have confirmed potentially interested in either ground floor or part first floor accommodation although rent sensitive and subject to competition.
Dunelm	20,000 -25,000	Although currently represented in Grantham, they did confirm that they may have a requirement for Newark subject to opportunity and terms.
Matalan	20,000 + mezzanine	Although currently represented in Grantham they have previously had a published requirement for Newark and confirmed selective acquisition programme, focused on larger conurbations. Did confirm that subject to the right opportunity and terms they may consider Newark further.
Fit 4 free	15,000 - 25,000	Currently actively acquiring. They have confirmed potentially interested in either ground floor or part first floor accommodation although rent sensitive and subject to competition.
Pure Gym	15,000 - 25,000	Currently actively acquiring. They have confirmed potentially interested in either ground floor or part first floor accommodation although rent sensitive and subject to competition.
The Gym	15,000 - 25,000	Currently actively acquiring. They have confirmed potentially interested in either ground floor or part first floor accommodation although rent sensitive and subject to competition.
Home Bargain	10,000-20,000	No active requirement with any decision likely to be affected by the B&M Bargains and Family Bargains representation.
Harvey's	10,000 -15,000	No active requirement although remain acquisitive however, predominantly opportunity driven and concentrating on larger conurbations.
Staples	10,000 - 12,000	Advised rationalising portfolio due to poor trading but were still considering some acquisitions although opportunity driven. Subject to mid-range rents and incentives.
A Wynsors World of Shoes	6,000 -12,000	Not an active requirement but subject to opportunity and terms may consider further.
D&M Furniture	6,000 – 10,000	Confirmed requirement for single store leasehold opportunity within the Midlands on established or new build retail park with similar adjacencies.
Hobbycraft	7,500 -10,000	Confirmed Newark too small a catchment for further consideration at this stage.
Wren Kitchens	7,500 + 5,000 mezzanine	Confirmed requirement for Nottingham but Newark considered too small a catchment and therefore not a requirement at this stage.

Appendix 1

Deichmann	4,000 - 6,500	No active requirement but may consider, although confirmed would be deal led and opportunity driven.
YTC Ltd	5,000	Although confirmed requirement for Newark limited acquisition strategy at present and opportunity driven/"deal led". Unlikely to pay rents to make development economically viable.
Bensons for Beds	3,000-5,000	Confirmed active requirement for the town although again likely to be opportunity driven/deal led. Currently considering Giltbrook Retail Park.
Tile Giant	3,000 - 6,000	Limited acquisition strategy at present with Newark considered unlikely.
Majestic Wine	3,000 – 5,000	Remain acquisitive, and we would envisage demand in this instance. Can trade on a bulky goods consent.
Vets 4 Pets	1,500 -2,500	No active requirement for the town but confirmed were acquiring and were opportunity driven.
White Cross Vets	1,500 -2,500	No active requirement for the town but confirmed were acquiring and were opportunity driven.