Colchester Borough Council

Retail Study on Colchester's Town Centre

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Contents

1 INTRODUCTION

1.1 Background

This Study represents an independent and objective appraisal of Colchester as a retail centre. In essence, the Study provides a 'healthcheck' on Colchester's retail & leisure proposition, highlighting areas of strength and possible weakness. It is also forward-looking in scope, addressing the issue of how the town may be improved and how the Council could best support appropriate retail development in the town centre in the face of changing economic and social circumstances.

The Study has been commissioned by Colchester Borough Council. Although conducted independently, we have sought to consult with key local stakeholders, including appropriate members of the Council, Colchester Retail Business Association (CoRBA) and the Major Retailers' Forum, all of whom are have been able to provide invaluable local market insight.

As part of the Study, we have also undertaken reviews of previous studies carried out on Colchester and the surrounding area, including:

- North Essex Retail Study, 2007 and 2009 Retail Capacity Update – GVA Grimley
- Local Investment Plan (LIP) Evidence Base 2010 – Colchester Borough Council
- Employment Land Study, 2007 – Lambert Smith Hampton

The key outputs of these studies have been incorporated into our thinking and analysis.

Perhaps more importantly, we have also incorporated the views of the most significant stakeholders of all – the very people that actually live and shop in Colchester, and also those that visit the town. To canvass local consumer opinion, we have drawn on the Destination Benchmarking and Residents' Benchmarking Opinion Surveys, undertaken by Colchester Borough Council's tourism service.

1.2 Objectives

This Study seeks to provide:

- A thorough review of the existing retail offer in the context of the town's wider catchment area
- An appraisal of macro retail trends/changing shopping patterns and assessment of how these may affect the town now and in the future
- The possible impact of changes in future supply both internal to Colchester and in competing centres
- A strategy for long-term retail health and vitality.

In more specific terms, we are addressing the following key questions;

1. Where does Colchester currently sit within regional and national hierarchies?
2. What is the extent of the town's catchment area?
3. Which are the main competing centres?
4. What are the related retention and leakage rates/market shares?
5. How will proposed development in other centres change these dynamics?
6. What is the geo-demographic profile of the current and future catchment?

7 What are the strengths and weaknesses of the existing retail offer?
8 Does the existing proposition meet the needs and aspirations of the current and future catchment?
9 Is there a sufficiently balanced mix between independent traders and national multiples?
10 Which sectors are currently under- (and possibly over-) supplied?
11 How will changing shopping patterns (eg on-line shopping) manifest themselves in terms of occupier demand and what this may mean for town centres and Colchester in particular?
12 What is the best way to drive synergy between retail and leisure?
13 What are the implications for potential new floorspace development?

1.3 Structure and Outputs

The Study sub-divides into five interlinked and sequential stages.

Stage 1 – Macro Retail Market Overview

Stage 2 – 'Colchester Now' – Ranking, Catchment and Demographics

Stage 3 – Undertaking of a Comprehensive Retail and Leisure Audit

Stage 4 – 'Colchester in the Future' – The Impact of Change

Stage 5 – Development Potential

The key findings of the Study are also presented as an Executive Summary.

We understand that the Retail Study will help inform town centre planning policy and the overall Local Development Framework.

2 EXECUTIVE SUMMARY

This section provides a synopsis of the key findings of the Study. These are provided in the form of a 'SWOT' analysis (Strengths/Weaknesses/Opportunities/Threats) and are subsequently fleshed out in a wider Summary. The structure of this Summary mirrors that of the Study itself. The detail and statistics that underpin the Summary are therefore available for reference and analysis in the main body of the report.

2.1 SWOT Analysis

- By most measures, Colchester is a strong retail centre. The town's **strengths** and positive 'retail fundamentals' are underpinned by:

    - A large catchment pool from which to draw
    - Robust population and spend growth
    - An extremely diverse geo-demographic base
    - A solid and rounded retail proposition
    - A healthy balance between national multiples and local traders
    - A compact retail pitch
    - A largely pleasant shopping environment.

- These are very difficult times for UK retail markets generally, with retail sales likely to remain under intensifying pressure for another 12 months at least. Media reports on the 'death of the high street' are un-illuminating and wide of the mark, but market conditions are extremely challenging.
- Although by no means immune from these challenges, most evidence would suggest that Colchester is weathering the storm better than many other centres elsewhere in the country.
- There is nevertheless considerable scope for improvement in both the retail and leisure propositions. Indeed, Colchester needs to continually enhance its retail standing if it is to remain competitive to other centres and to cater fully for the changing demands of its catchment base.
- There are still some fundamental **weaknesses** in Colchester's retail and leisure offers. The key ones include:

- A high street in need of re-vitalisation
- Areas of neglect / under-investment in need of regeneration (eg Queens Street, St Botolph's Street)
- Under-supply in some key retailing segments
- Absence of some major retail and leisure names
- A disjointed / un-co-ordinated independent / local trader proposition
- Some problematic large-scale vacant units (eg former Odeon, Co-op department store)
- Traffic and parking infrastructure issues
- Apparent negative perception amongst many local residents.

- It follows that the key **opportunities** for Colchester lie in addressing these shortcomings – doing so effectively will help the town capitalise on its full potential.
- The opportunities fall broadly into two camps – those purely at the mercy of market conditions / dynamics and those which may be driven and influenced by positive intervention by local stakeholders and the Council. An example of the former is retail occupier demand – if an identified retailer does not want to open in Colchester, there is little that can be done to force them. However, most of the opportunities fall more into the 'intervention' camp.
- We would highlight the following 'intervention-based' priorities:

  - A more integrated and pro-active approach to town centre management and marketing
  - Exploring the possibility of appointing a Town Centre Manager
  - More co-ordinated branding, management and promotion of the 'Independent Quarter'
  - Investment in and management of the traditional high street
  - Development of A3/Leisure uses to support the new Cultural Quarter
  - Using this to drive regeneration of the wider Queen Street and St Botolph's Street area
  - Review of car parking infrastructure.

- The proposed new retail development at Vineyard Gate should prove a major catalyst for positive change. The initial proposals for a 550,000 ft² scheme are no longer viable, but the developer has reappraised the scheme and is proposing a re-engineered, scaled down version.

- There are no 'tangible' **threats** to Colchester on the immediate time horizon. None of its competing centres have any new retail development in the pipeline and even the forthcoming Westfield scheme at Stratford City will have limited direct impact. Ostensibly, the main 'threat' to Colchester is the ongoing challenge of a depressed retail market generally.
- But there are more 'intangible' threats, the most significant being complacency and a failure to evolve. Consumers will invariably gravitate towards centres that most readily fulfil their needs. Those that fail to move with the times are likely to drift and become increasingly uncompetitive. It is essential that Colchester does not go down this path.

2.2 Summary

Colchester Now

- In Javelin's latest Venuescore listing (2010), Colchester ranked 74th nationally, alongside Canterbury in Kent and High Wycombe in Buckinghamshire. Although our favoured ranking system, this placing is slightly at odds with the other three rankings providers, which all put Colchester in or around the fringes of the Top 50.
- In a regional context, Colchester ranks above Chelmsford (90th in Venuescore) but below Ipswich (48th). Although the actual placings vary between the various ranking providers, this broad 'pecking order' is nevertheless consistent across all of them.
- Colchester's ranking has drifted downwards over time. In 1996, it ranked 62nd and reached a high of 58th in 2005. The slow decline does not suggest that Colchester is necessarily decaying, more that it has not benefitted from any major retail development / investment project for many years, in contrast to many other centres.
- Despite an extensive catchment area, Colchester operates in a competitive retail environment. The catchment is constrained to the South West by Chelmsford and to the North West by Ipswich. Geographically, the catchment extends further to the North, although this area is much more rural and far less densely populated. Centres of critical mass to sit wholly or partially within Colchester's catchment parameters include Clacton-on-Sea, Harwich, Hadleigh, Sudbury, Witham, Tiptree and Halstead.
- Nearly 450,000 people reside within Colchester's catchment area, of which around 125,000 live within the 'Primary' band. The town's shopper population (defined as the number of people that use Colchester for their main comparison goods shop) is around 162,000 – a figure high by most standards.

- Colchester has a dominant share of its Primary catchment, accounting for 70% of trade. Including the town's four retail parks increases this retention rate to around 90%. Of the 10% of trade that gravitates elsewhere, 4.1% goes to Ipswich and 1.2% to Chelmsford.
- The town's sphere of influence diminishes outside the Primary catchment. Its share reduces to 59% in the Secondary catchment and tails off to less than 20% in the Tertiary catchment. Taking the catchment as a whole, Colchester town centre's share is 36.1%, rising to 48.5% if the four retail parks are incorporated. Leakage rates to Ipswich and Colchester are 7.6% and 3.3% respectively.
- Lakeside and Bluewater both appear on the competition radar, each accounting for 0.2% of Colchester's catchment trade. Although seemingly very low, these figures probably understate the level of expenditure that may actually leak to the regional malls through high spend, destination-driven shopping trips.
- Colchester's geo-demographic base is extraordinarily diverse, with no single segment pre-dominating. The most heavily-represented MOSAIC group are the community-based 'Small Town Diversity' (18.2%), followed by the affluent 'Professional Rewards' (12.5%). In aggregate, 73% of the catchment population are covered by six MOSAIC groups.
- This diversity represents both an opportunity and a challenge. It is a challenge in that it is very difficult to balance the vastly conflicting needs and aspirations of different social groups in a common environment. But it is also an opportunity in that there is sufficient representation of each MOSAIC group to warrant a multi-dimensional offer that spans the full 'value – mass market – aspirational' spectrum.
- In simple terms, the diversity of the customer base needs to be reflected in the breadth and depth of the retail and leisure proposition. At present, the offer caters adequately for the value and mass-market sectors, but is maybe slightly lightweight in the more aspirational market.

Retail Audit

- The 'Retail Audit' is a detailed 'root and branch' healthcheck of Colchester, derived through benchmarking the town against a peer group of 12 other centres of comparable retail scale and geo-demographics – in some cases (eg Ipswich and Chelmsford) the centres are regionally competitive, whilst most also have a heritage status.
- Colchester compares relatively favourably to the benchmark centres on many retail metrics and performance measures. However, the Retail Audit nevertheless highlights some areas of weakness and aspects which warrant attention and improvement.
- Colchester's total retail floorspace (defined as convenience and comparison goods, retail and leisure services) is currently around 1,167,100 ft^2. This is around 200,000 ft^2 lower than the benchmark

average. Although Chelmsford has more floorspace than Colchester (1,312,000 ft²), it is a lower ranked centre nationally, underlining the fact that bigger is not necessarily better.

- Breaking the retail provision into its component parts, there is strong commonality between comparison and convenience goods and leisure services. In each case, the level of floorspace provision in Colchester is below the benchmark average. However, the number of outlets in each instance is actually very close to the benchmark average (or above in the case of convenience goods).
- By extension, Colchester can point to greater breadth of fascia and larger consumer choice than many of its peer group centres (a function, in part, of its high preponderance of independent and local traders). But on less positive front, this also highlights a relative lack of large-footprint, modern retailing facilities that are increasingly required by key national retailing multiples.
- Vacancy levels in Colchester are by no means out of the ordinary. Our detailed analysis of retail and leisure vacancy levels is at odds with figures released into the public domain by the Local Data Company (LDC). In terms of number of outlets, vacancy rates stood at 9.7% in May 2011. This is significantly below the LDC figure (15.8% at the end of 2010), but perhaps more tellingly, comfortably below the benchmark average (12.4%).
- Conversely, Colchester's vacancy rates as a proportion of floorspace are higher than the benchmark average (12.4% versus 10.7%). This highlights the fact that many of Colchester's voids are large-scale units. A number of these are unlikely to remain vacant indefinitely (the former Miss Selfridge/Currys.digital and Waterstone's units are likely to be re-occupied by other retailers in the near future, whilst plans are afoot to develop the former Waring & Gillow and adjacent footwear store on Queens Street).
- However, there are still a number of 'problematic' voids, which are likely to require significant intervention if they are to be returned to retail (or, indeed, alternative) use. These include:
    - The former Odeon in Crouch Street
    - The two adjacent vacant units on the high street near the junction with Head Street
- Independent and local traders constitute a major part of Colchester's retailing and fabric. They account for 41% of retail floorspace in the town. This figure is virtually the same as the average across the benchmark centres (40%) and reflects the heritage nature of all of these centres. Taking a 'less heritage-based' sample of centres would typically reduce this proportion to less than 30%.
- Colchester's independent and local traders do purvey a sense of diversity and uniqueness. However, the fact is that there are both quality and poor operators within the independent sector and

all retailers, big or small, do not have a divine right to exist. However romantically they are viewed, independent retailers have to be relevant to modern day retailing demands and be able to compete and trade effectively.

- In many respects, Colchester's independent sector is an under-utilised asset. We believe that the sector would benefit from a more cohesive strategy, underpinned by a more proactive management and marketing approach – part of this would involve adopting a single 'brand' for the area. Case studies of other town's that have successfully undertaken this include Brighton (The Lanes), York (The Shambles), Tunbridge Wells (The Pantiles) and, more recently, Exeter (Roman Walk).
- In terms of overall retail mix (taking account of both multiples and independents), Colchester has a fairly balanced retail proposition and is well-supplied in most retail sub-sectors. These include both mainstream sectors (eg toiletries/cosmetics/beauty products, greetings cards, mobile phones) and more 'niche' sub-sectors (eg crafts/gifts/china/glass, florists, music/music instruments). The town also has 80% more charity shops than the benchmark average.
- Sectors in which Colchester is currently 'under-supplied' include the following:
    - Childrenswear – the town has only around half the number of outlets and 63% less floorspace than the benchmark average
    - Jewellery – 22% fewer outlets and 42% less floorspace than the benchmark average
    - Ladieswear – slight under-supply (8% in outlets, 15% in floorspace), especially amongst upper mass-market operators
    - Leading convenience store formats
    - (branded) restaurants
- Our audit of existing multiple retailers trading in the town indicates that most are trading solidly, difficult macro-economic conditions notwithstanding. None that we surveyed expressed any major local concerns, nor any likelihood to withdraw from the market in the short- to medium term.

Local Opinion

- Canvassing local opinion has been a key feed into this Study – local stakeholders are, first and foremost, the lifeblood of Colchester and it is their needs and aspirations that the town has to satisfy.
- Key stakeholders fall into two broad categories – traders (national multiples, local operators and independents) and consumers (shoppers, residents, visitors). We have sought to gauge the opinions of both through consultation with appropriate representatives or representative bodies and analysing relevant surveys.

- Inevitably, there are differences in views between bodies and individuals. However, amongst the traders, there were a number of recurrent themes, which we would group as follows:
    - Infrastructure and car parking
    - Sunday trading
    - State of the high street
    - Marketing of the town
- Car parking is evidently a highly contentious issue. Traders generally expressed more concern about capacity and related signage, whilst parking tariffs are the major issue for many consumers. Interestingly, only a limited number of traders we canvassed supported the consumer view on car park pricing, some suggesting that it was nothing more than a perception issue.
- The 'Destination Benchmarking Survey' (which compares Colchester to a series of other historic towns in the UK) shows a distinct and consistent skew towards dissatisfaction with cost of parking. This would suggest that concerns over car parking tariffs are by no means particular to Colchester – complaints are common nationally.
- In the same survey, Colchester 'out-performs' the Historic Town average on a number of measures, including the upkeep of parks & open spaces, quality of the Tourist Information Centre and accommodation (quality and value for money).
- Where Colchester 'under-scored' and areas for possible improvement included general atmosphere, feeling of welcome and the availability and cleanliness of public toilets (although we understand that this has subsequently been addressed).
- These views are partially echoed amongst the traders, with the state of the high street perhaps best encapsulating the wider issues. Whilst Colchester is a strong retailing entity, its high street does not match up to other areas in the town, particularly the two managed shopping centres, in terms of cleanliness, environment and retailer line-up. The issues are deep-seated, but proactive intervention and policing is required.
- A whole host of sub-issues emerged from the consultation, many of them 'intangible' in the sense that they are very difficult to quantify, but they are nevertheless very real and pertinent to those that frequent the centres on a regular basis.
- Many of the issues raised are deeply complex and solutions or 'quick fixes' are understandably difficult to establish. However, there is a strong common denominator that the town would benefit for more proactive management. To this end, we would recommend that the Council re-evaluates the option of appointing a dedicated Town Centre Manager, even though this has proved unsuccessful in the past.

Colchester in the Future

- Retail hierarchies and shopping dynamics can be radically affected by 'step changes' in retail supply eg a new shopping centre. From a 'high water mark' in 2008 (when over 8.5 million ft² of new shopping centre floorspace came onstream), the development pipeline nationally has since slowed to a trickle. Many schemes that were proposed have become unviable – some have been 'mothballed', some will never reach fruition.

- There are two proposals external to Colchester that could impact negatively on the town – Stratford City (1.9 million ft², opening September 2011) and the potential expansion of Lakeside (indicative space increase of 350,000 ft², but planning proposals yet to be submitted). Colchester itself could potentially benefit from a new scheme (Vineyard Gate).

- Our estimates suggest that Colchester attracts annual comparison goods spend of around £498 million. Our gravity modelling shows that, on the surface, the town will not experience any negative impact from the new Stratford City scheme.

- This needs a degree of qualification in that it only reflects primary shopping patterns ie where people shop on a most regular basis. Stratford City will not 'convert' existing Colchester shoppers, but it will syphon some spend out of the catchment in the form of major, excursion-driven destination shopping trips (as are also currently made to Lakeside and Bluewater).

- If the proposed extension at Lakeside goes ahead, our modelling suggests it will have an impact on Colchester, albeit a very marginal one. We estimate that as much as £250,000 would divert from Colchester's town centre to Lakeside and a further £100,000 from the town's retail parks. However, this would represent just 0.05% and 0.11% of their respective existing spend levels – not enough to cause any discernible negative change.

- The original proposals for Vineyard Gate were for a scheme of 550,000 ft². If this materialised as originally conceived, our modelling suggests that Colchester would attract an additional £155m of comparison goods spend (£653 million). This uplift would be achieved at the expense of other centres. Nearly £40 million of the 'clawed back' spend would come from the town's four retail parks, whilst Ipswich and Chelmsford would see spend diversion of £23 million and £10 million respectively.

- As we establish in the course of this Study, the Vineyard Gate scheme as originally proposed is no longer viable. We understand that the developer has drawn up an alternative, scaled-down alternative. We would estimate that the revised proposals would see Colchester benefit from an inflow of comparison goods spend in the order of £50 million.

- Our analysis suggests that Colchester's position is the local hierarchy is under limited immediate threat. However, this should not rule out continued investment in the town's infrastructure, including the development of new retail space. Towns that are starved of investment tend to drift and fail to capitalise on their full trading potential and it would be dangerous for Colchester to fall into this trap.

Development Potential and Vineyard Gate

- Property market conditions (nationally and locally) remain very challenging. This makes it extremely difficult for new retail developments to be financially viable.
- Colchester's property market has 'under-performed' regional and national averages for some time. Retail property capital values have grown at an annual average of just 1.0% over the past 30 years, compared to 3.0% in the South East and 3.6% for the UK as a whole. The downturn of the past few years has also been more severe in Colchester than nationally. For example, retail property capital values in Colchester declined by 5.2% in 2009, compared to a UK average decline of just 0.4%.
- The town has similarly 'under-performed' in retail rents. Underlying rental values in Colchester have grown at an annual average rate of 2.5% over the last 30 years, lower than the national average of 3.9%. Average retail rental values started to decline in 2007 and are still in negative territory (-4.2% in 2010 and forecasts of -2.6% in 2011). Between 2007 and 2012, retail rents are expected to have cumulatively declined by around 14%, a very substantial correction.
- Although on the surface a slight blight on the health of Colchester's retail market, on a positive front easing of rents will provide some respite for the town's retailers, although not all may have benefitted to the same degree.
- Forecasts point to much more favourable property market conditions going forward. After something of a double-dip in 2011 and 2012, retail property capital values are forecast to return to positive and sustained growth from 2013. Retail rents are forecast to move back into positive territory the same year.
- Property market conditions are fundamental to any new retail development. In simple terms, if they are not favourable, a developer will not make a return and any proposals become financially unviable and the scheme will simply not materialise. Although the gestation period of any new shopping centre is a least three years (allowing for planning and construction), schemes are appraised at current values – in other words, future market conditions have limited bearing on viability.
- Any new scheme at Vineyard Gate would effectively be delivered at a time when property market conditions are more favourable. However, the fact that any proposals would be appraised at current (depressed) values is a major hurdle to any development being financially viable.
- On this basis, the original 550,000 ft² scheme is no longer viable. The original proposals have therefore been scrapped by the developer Caddick and a smaller scheme is under development.

- We would summarise the five key considerations that determine any new retail scheme's viability as:
    - Property Market Conditions
    - Consumer Demand / 'capacity' or floorspace need
    - Occupational Demand
    - Scheme / Site Specifics
    - Financing (development, construction and associated costs)
- The revised Vineyard Gate proposals would need to satisfy all these criteria. We are not in a position to fully appraise the financial elements in full detail. However, if the developer is keen to proceed, it would suggest that the development would stack up financially – in simple terms, they would not go ahead if this were not the case.
- On the planning side, the revised proposals sit comfortably within the parameters of floorspace need highlighted in earlier capacity studies undertaken by GVA Grimley. Note that the latest capacity study was produced in 2009 and took into account the severe economic downturn and related downward revisions in forecast spend growth. GVA's figures suggest comparison goods floorspace need of 137,241 ft² net (250,000 ft² gross) by 2014, rising to 395,491 ft² (719,000 ft²) in 2019 and 807,935 ft² (1,469,000 ft²).
- A smaller scheme would only absorb identified capacity for 2012/2013, meaning that further floorspace could potentially be developed over a longer time horizon. In other words, there is something of a 'capacity buffer' in that by the time any new scheme is delivered, new capacity would have arisen.
- The crux of the Vineyard Gate's viability is likely to be occupier demand. There is significant opportunity to attract retailers into the town that are not currently present (plus a handful of possible relocations). We doubt that there would have been sufficient demand to fill 550,000 ft² of space, but a smaller scheme is much more realistic.
- There are a couple of reservations on the occupier demand side. These concern the comparison goods anchor store and likelihood of securing a major foodstore operator:
- These reservations notwithstanding, we are broadly supportive of the revised proposals. It seems reasonable to assume that new space will help kick-start wider improvement in the town's wider retail proposition, rather than merely displace and disrupt what is already there. Most importantly, it should prove a catalyst for addressing some of the gaps / deficiencies, as identified in the Retail Audit.
- However, it would be a short-sighted to conclude that new floorspace is the sole solution to retailing issues and in this respect it would be dangerous to regard Vineyard Gate in isolation

from the rest of the town. The development of the new scheme should only proceed in harness with the other central issues highlighted in this Study.

3 MACRO RETAIL MARKET OVERVIEW

3.1 Background

This section provides an overview of the UK retail market as a whole, highlighting current market conditions, significant trends and key issues. It is macro in scope rather than particular to Colchester. Although Colchester is ultimately the solid focus of this Study, it would be short-sighted to explore local trends in total isolation from the national picture. This section is therefore provided primarily for context.

3.2 Retail Sales Performance and Trends

The recession and UK economic performance has been well documented. In very simple summary, the banking-induced credit crisis started to take root from mid 2007, before the actual economic downturn set in Q4 2008 in the wake of the collapse of Lehman Brothers. The UK officially went into recession in Q1 2009. GDP declined by 4.9% in 2009.

The country returned to economic growth in Q2 2010, but output for the year as a whole was just 1.3%. Despite a degree of recovery, many aspects of the economy remain fragile, not least the level of national debt. Oxford Economics is forecasting that UK GDP will grow by just 1.7% this year and by 2.3% in 2012.

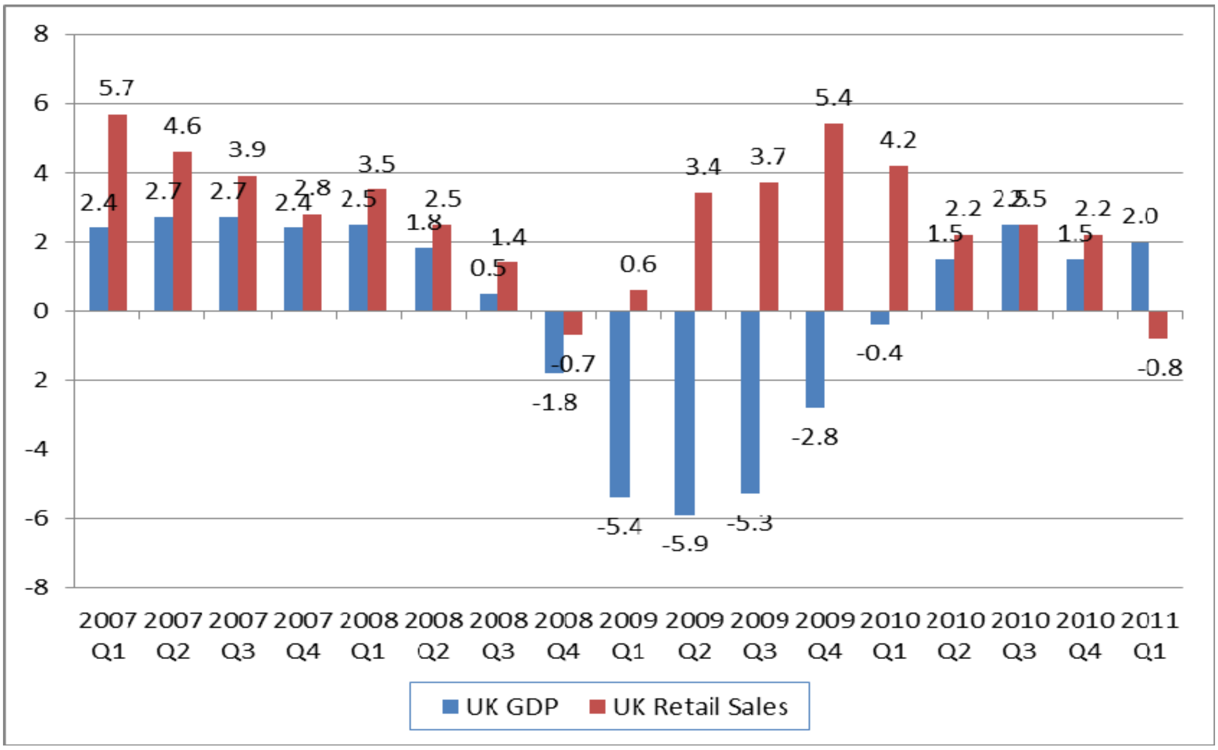
Interestingly, the retail market has not tracked the wider economy over this period (Fig 1). Economic wisdom suggests that as an integral part of the economy, retail sales performance would be closely wedded to that of GDP. This has simply not happened and for much of the recession, retail sales have seemingly defied gravity. In simple terms, there has not been a retail recession as such, as retail sales only contracted in one quarter (Q4 2008). In 2009 as a whole, whilst the overall economy shrunk by 4.9%, retail sales increased in both volume (1.2%) and value (0.8%) terms (source: ONS).

That is not to say that the last few years have been easy for retailers – on the contrary, there has been intense pressure on the high street and most retailers have severely felt the pinch. But the resilience of the sector has surprised most economists.

Why has the retail sector out-performed the wider economy? In many respects, this is due to the strength of the UK consumer, who has an uncanny ability to defy economic logic. One striking difference between this recession and ones that had gone before was the redefinition of ‘essential’ and ‘discretionary’ spend – what people must buy to live (eg food) and what are luxuries (eg fashion and homewares). Traditional economic wisdom dictates that ‘discretionary’ spend will diminish in times of hardship; however, in many cases, this has not necessarily proved to be the case (particularly in the clothing/’fashion’ market). We would attribute this to fashion, for many people, now being an ‘essential’ rather than ‘discretionary’ item. In other words, people would sooner do without other things that give up clothes shopping.

What we have seen in many areas is a re-prioritisation of spending propensities. Retail has actually benefited more than other consumer spending categories. With less money in their pocket / bank balance, many consumers have opted to sacrifice spend in other categories such as leisure (drinking, eating out), cars, holidays etc in order to preserve their 'essential' retail purchases. This trend is supported by information from bodies such as Visit Britain which points to the fact that consumers are 'downsizing' on leisure and holidays (eg staying in the UK rather than travelling abroad, and favouring lower cost options such as B&Bs and self-catering at the expense of 3* + hotels)

Fig. 1 – UK GDP Growth versus Retail Sales Growth 2007 - 2011



Source: ONS, BRC, KPMG

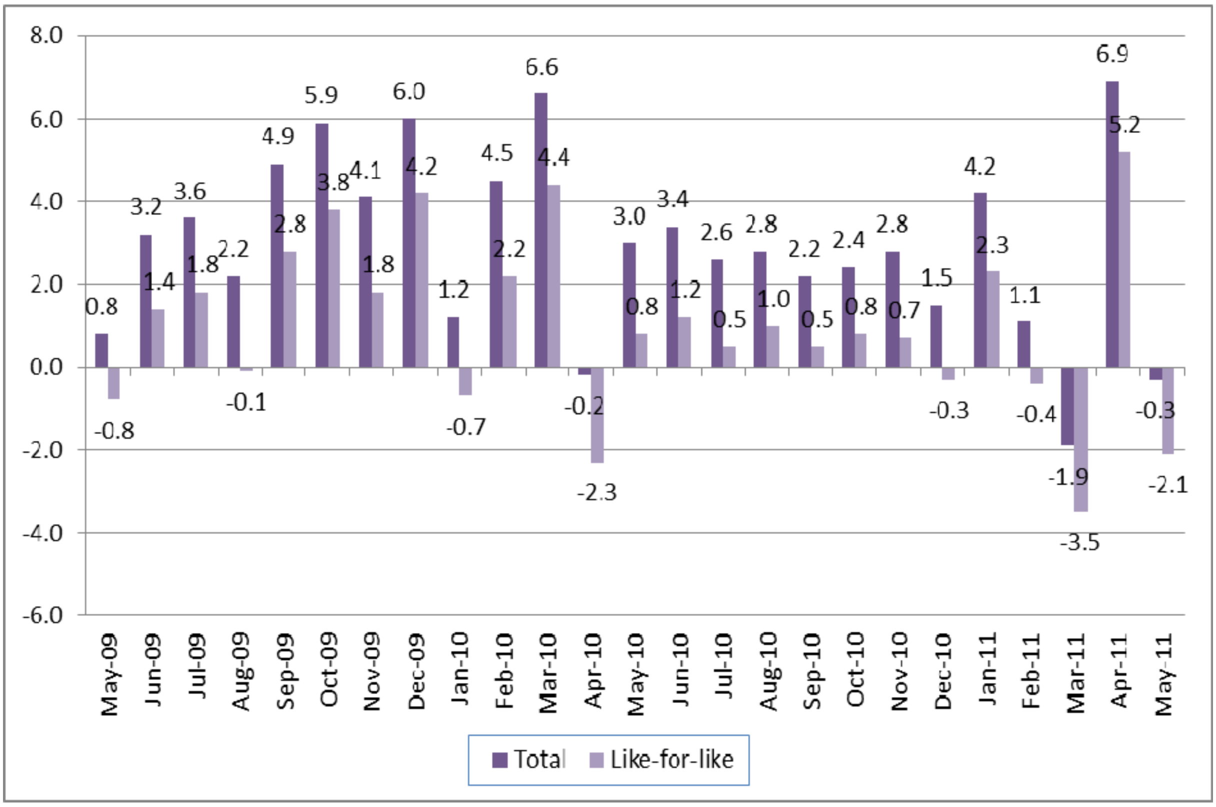
Similarly, it would be wrong to assume that all consumers' budgets have been squeezed. It is worth flagging that interest rates have kept very low (0.5%) since March 2009. This has clearly benefited consumers on variable rate mortgages who have seen their monthly payments substantially reduced and counterbalanced other pressures on disposable income.

However, time is rapidly catching up with the retail market. Having decoupled from the wider economy, it would be unreasonable to expect retail sales to suddenly re-track underlying GDP growth. Indeed, there is growing evidence to suggest that retail sales are starting to stall badly just as the wider economy recovers. This is hardly surprising given the multitude of new pressures that the consumer is facing – a higher rate of VAT, rising inflation and public sector job cuts to name but three.

The BRC proclaimed that March 2011 'was the worst sales fall for at least 16 years', with year-on-year like-for-likes down 3.5%. Even total sales (which include new space) declined 1.9%. However, the severity of these figures needs qualification on account of the timing of Easter. Last year, it fell in March, providing a sales spike and a very demanding comparative. With Easter this year falling in April (coupled with the additional Bank Holiday), there was an inevitable (but deceptive) 'bounce back' in April (+6.9% total, +5.2% like-for-like).

Without any distortion over the timings of Easter. May's figures were very sobering – total sales were down 0.3% and like-for-likes were down 2.1%. Early evidence points to further deterioration in June.

Fig. 2 – Monthly UK Retail Sales Growth 2009 - 2011



Sources: BRC, KPMG

The artificial spikes in recent months have detracted from the underlying picture, which is of a marked slowdown. Consumer confidence is weak and disposable income is being severely squeezed as inflation on goods and services significantly outweighs wage increases. For Q1 as a whole, like-for-like retail sales were down by 0.8%, with non-food declining by 1.1% and food by 0.3%. To compound matters, these figures are flattered by high inflation – in volume terms, retail sales are declining sharply.

Whatever the official figures say, the best barometer of the state of the market is usually retailer sentiment. And retailers are almost unequivocally cautious as to the short- and medium-term outlook. In recent weeks, many have reported faltering sales and a number have warned on profits. If there is any consolation, it is that retailers have had plenty of time to prepare for a downturn and most have battened down the hatches accordingly.

In short, 2011 may prove the toughest year yet for retailers, with little by way of respite in 2012.

3.3 On-line/Internet Shopping

E-tailing has undoubtedly been one of the most influential factors in the retail market over the last decade. The common belief (one usually perpetuated by the media) is that e-tailing has had a wholly detrimental effect on the traditional high street and that store-based retailers are slowly being killed off by lower-cost Internet-based operators.

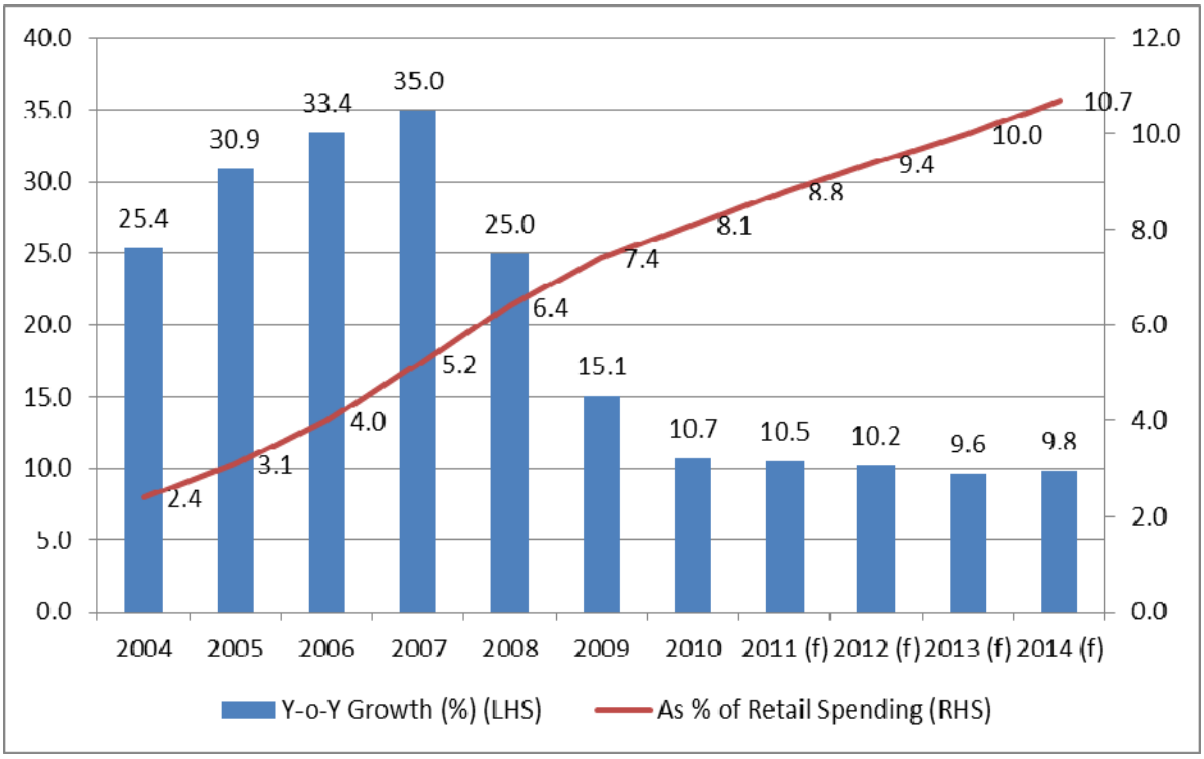
We believe this view to be far too simplistic. We would point to two key misconceptions in the way that e-tailing is commonly regarded:

- E-tailing actually accounts for a far lower proportion of retail spending than most perceive
- Most of the largest E-tailers are actually traditional store-based retailers with a multi-channel proposition, rather than Internet 'pure plays'

To develop the first of these misconceptions, there is no denying that Internet retailing has grown rapidly in recent years and that current and projected growth rates are comfortably above averages for the retail sector as a whole. Retail research houses Mintel and Verdict estimated respectively that e-tailing accounted for just 6.6% and 7.4% of all retail sales in 2009. By 2014, these shares are forecast to reach 9.9% and 10.7% respectively.

To counteract the second misconception, Mintel estimates that internet 'pure plays' actually only account for just 34% of all online sales. Stripping out the three largest 'pure plays' – Amazon, Dell and eBay – reduces this share to less than 20%. Mail order companies make up a sizeable share of the online market (23%), but the largest share (43%) is held by store-based operators, which include the major grocers. It is worth stressing that the largest e-tailer in the UK is, in fact, Tesco, with Argos ranking third and DSG, Sainsburys, Asda and Next all making the Top 10.

Fig. 3 – Online Spending 2004 – 2014 (f)



Source: Verdict Research

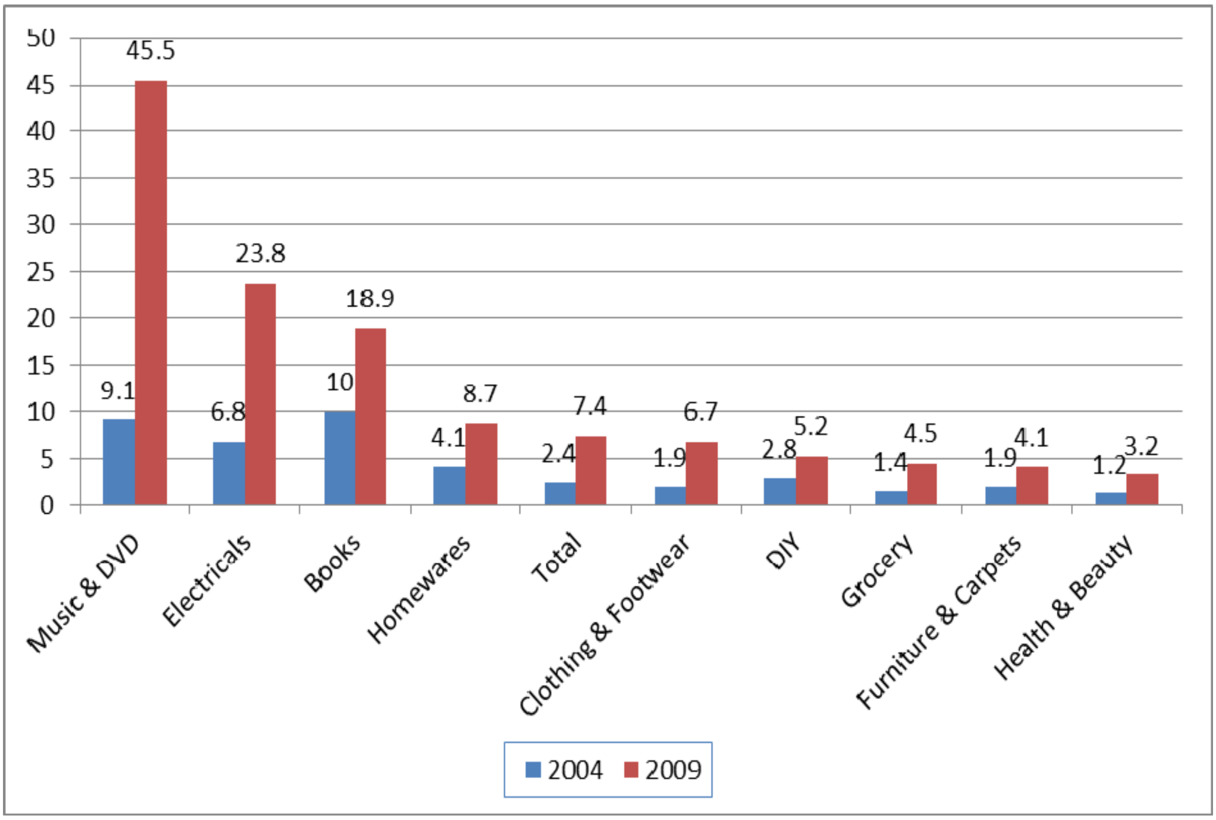
The point we are making is that the somewhat facile 'Internet versus high street' argument is misplaced. Most retailers are now multi-channel operators, with both a high street and online proposition. The reality is that retailers are committed to investment in both and are looking to leverage opportunity across a number of channels. But this has, in itself, intensified the competitive landscape.

The effects have also varied by retail sub-sector, with some feeling the influence much more than others. 'Commoditised' retail markets such as electricals (which is dominated by manufacturers' brands), books, CDs and DVDs (all driven by title) have witnessed the greatest level of change on the back of the Internet revolution. Verdict estimates that in 2009, 46% of music/DVD sales were conducted online, 24% of electricals and 19% of books.

In broad terms, the Internet is not simply supplanting the high street. Some sectors (eg music/DVDs, books, off-licences) are seeing their presence on the high street diminish, but this tends to be part of wider structural change.

To take the example of music and DVDs, the rise of Amazon and digital downloading is widely blamed for the demise of the specialist operator, HMV effectively being the last of a dying breed (itself experiencing difficulty). But there are other competitive factors in play, not least the incursion of the major grocers on a market increasingly dominated by major releases than any breadth of product. DVD sales are also declining as penetration (and influence) of SKY increases and lead-times from cinema to mainstream television are significantly reduced. Added to the fact that, regardless of channel (on-line or not), consumers are buying far less music now than they were a generation ago

Fig 4 – Online Share of Retail Spending by Sector 2009 vs 2004



Source: Verdict Research

E-tailing is not merely the preserve of the large multiples. Smaller operators and independents also have much to gain by establishing an on-line option in parallel to their store-based operations, in that it broadens their potential customer base beyond passing trade. However, the cost of doing so will inevitably be more tangible than for the large scale operators. Furthermore, a number of ‘high street’ sectors are relatively immune to the forces of the Internet, in that they cannot be replicated on-line. Many of these are retail service-based eg hairdressers, beauty salons, cobblers etc.

The two misconceptions we highlight aside, it is difficult to under-estimate the significance of e-tailing. It continues to have a profound effect on retailing, but the issues are a lot more complex than the widely-held view that it is merely ‘killing the high street’.

3.4 Retailer Implications

The last three years have undeniably been very challenging for retailers. As we will go on to discuss, for some the environment has proved too tough and a number of retailers have succumbed to administration. For virtually all retailers, there has been a drive to reduce debt and cut costs as market conditions have tightened.

Property costs are the single largest overhead that any retailer is likely to carry. The drive to reduce costs has therefore manifested itself in the retail property market, particularly in rental levels. As we discuss in depth later in this section, there has been a substantial ‘correction’ in retail rents and the balance of power has, in many cases, switched from the landlord to the tenant (perhaps much more so in the case of larger multiple operators than independents).

Against this backdrop, occupier demand for new retail space has not simply evaporated. Conventional wisdom suggests that a downturn in retail sales forces retailers to tighten their belts and scale back on their expansion programmes. Whilst the former assumption is undoubtedly true, in our experience, few retailers call an outright halt to expansion programmes in difficult times. Indeed, fall-out from other players may have created rare (and possibly cheap) expansion opportunities.

The example of Woolworths emphasises this point. The company’s collapse saw 800+ large units fall vacant just as the recession started to bite. In the media, much has been made of the fact that some of the stores still lie vacant two years on but the reality is that nearly four-fifths of the portfolio has now been reoccupied. That such a high proportion of vacated retail space could be re-absorbed back into the market within such a relatively short space of time and under such difficult economic circumstances is little short of remarkable. It certainly proved that occupier demand was not dead.

A whole host of retailers took on the former Woolworths stores. A large proportion of these were what are generically called ‘pound shops’ (eg Poundland, 99p Store etc) and such value formats remain highly expansive. Pound shops still carry a degree of stigma, unfairly so in our opinion, as most are very well-run retail organisations. Indeed, the store environments, product diversity and visual merchandising often put to shame their previous incarnations as Woolworths stores. In many other cases, the stores are now occupied by a higher profile fashion retailer. In this respect, Colchester is a very good case in point – for many, H&M is a much better customer draw than Woolworths and we would be surprised if the change in occupier placed any downward pressure on rents.

Occupier demand is not dead, but it is certainly not rampant. Retailers are increasingly selective in their new store requirements. This selectiveness extends to all aspects of their location planning strategies – the right town to target, the right site within that town and the right rental value. Understandably, there is a general reluctance to compromise on any of these aspects. Equally, in the type of unit they occupy in terms of pitch, size and configuration. In very general terms, this means that newer property stock tends to attract higher occupier interest, although there are also a number of retailers that prefer traditional units and the quirks that these may offer.

Most retailers remain on the expansion trail to some degree. Even those currently 'battening down the hatches' will consider opportunistic deals, as and when they arise. But at the same time, retailers are simultaneously reappraising their existing portfolio. Most multiple operators have a number of under-performing and loss-making stores within their respective estates and will seek to offload those when leases expire. Arcadia is currently a good case in point – leases on a substantial number of the group's 2,500+ stores are set to expire in the next couple of years. Where the group is unable to negotiate a more favourable rent position, stores are likely to close.

Arcadia's situation mirrors that of many other smaller multiples. On this basis, there is likely to be considerable 'churn' on the high street in the coming years. There tends to be a degree of local alarm when a major retailer closes a store. In many cases, however, rather than herald long-term decline, this is just part of natural evolution of the high street.

3.5 Administrations/Fall Out

Over the course of the recession, there were inevitably a number of retailer casualties – the highest profile of these being Woolworths, MFI and Baugur (which owned a number of high street brands, including Iceland, Goldsmiths, Julian Graves, Hamleys, Karen Millen, Oasis, Coast, Whistles). In terms of headline numbers, Verdict reported that in the period between January 2008 and March 2009, around 100 retailers went into administrations, representing over 9,500 outlets and 24.2 million ft² of floorspace.

The wave of administrations was at its most pronounced around Christmas 2008 (with Woolworths, MFI, Zavvi and The Pier failing in quick succession), largely coinciding with quarterly rent payment day. Over that period alone, around 30 retail multiples entered administration, collectively representing more than 3,200 retail outlets and more than 17 million ft² of floorspace.

After an initial wave (and reports of meltdown on the high street), the number of retail administrations subsequently slowed to little more than a trickle. Many commentators glossed over the fact that many of the failed retailers were in difficulty prior to the onset of recession, either through poor strategic positioning/execution or precarious financial position (notably high levels of gearing).

We would define the four root causes behind retailer failure as:

1. Collapse in Consumer Demand
2. Terminal Structural Change
3. Debt
4. Retailer Ineptitude

As we have already discussed, ‘Consumer Demand’ is not universally weak, although some sectors are more severely affected than others. Hardest hit have been bulky goods sectors - furniture, homewares, floorcoverings, DIY and electricals. Likewise ‘Structural Change’ can be equally terminal, be this a migration from the high street to out-of-town, switch away from generalists towards specialists, or the rising power of the Internet.

‘Debt’ is perhaps the most significant root cause. Gearing is a fundamental part of retailing, but excessive debt is particularly onerous in times of recession. Such strong cash-flow is needed to service debt that even a profitable business can fold. Private equity is certainly responsible for much higher debt levels amongst retailers nowadays. However, the private equity model (acquiring a retail business in a highly leveraged deal, extract cash/asset strip and then sell on/float a highly geared, cash starved remnant) is now broken. There is no longer an ‘exit strategy’ for private equity owners, such that non-retailers are left to manage a sophisticated and indebted retail enterprise. There is also the issue of respectable retail businesses that have been through the full private equity mill and are now struggling under the burden of the residual debt.

Of the four causes perhaps ‘Retailer Ineptitude’ is the most overlooked. The simple fact is that there are good and bad retailers, and strategic and operational shortcomings are more cruelly exposed in a downturn. Recession only accelerates the incumbent ‘Retail Darwinism’ that exists regardless.

The ‘headline’ figures (ca. 10,000 outlets and 25 million ft^2 of floorspace) may be alarming, but they are also misleading. As we have already discussed through the example of Woolworths, large proportions of the vacated space were quickly taken on by other retailers. Similarly, very few of the retailer administrations saw the retailer disappear completely from the high street (Woolworths, MFI, Zavvi and The Pier were exceptions, rather than the rule). Most of the retail casualties have re-emerged as leaner operations through pre-pack deals or Company Voluntary Arrangements (CVAs). In essence, therefore, not all these outlets have therefore come to the market and many of the brand names live on in streamlined form.

Figures from leading accountancy firms suggest that, after a relatively benign period, there is an uptick in retailer administration activity. Wilkins Kennedy has reported that there were 47 retailer CVAs in 2010, up from 41 in 2009. Meanwhile, PricewaterhouseCoopers (PwC) reported that there were 448 retail insolvencies in Q1 2011, an increase of 6% on the corresponding period the previous year. Although alarmingly high, it is worth stressing that this figure refers to retail businesses of all sizes and therefore includes independents and unit traders. The PwC figures are a sobering reminder of the intense pressures faced by independent traders and their need for support. Lacking the scale of the multiples, small operators sadly often have fewer defence mechanisms than their larger multiple counterparts.

In this respect, retailer fall-out has perhaps been less devastating than feared, certainly when the market was at its nadir at the end of 2008. But the spectre of further administrations still hangs over the sector. Q1 2011 saw British Bookshops & Stationers, The Officers Club and Oddbins file for administration, whilst JJB Sports was rescued by a second CVA, which saw the majority of creditors and shareholders agree to a move that will see up to 89 stores close over the next two years and rents on some properties cut by up to 50%.

A recent 'mini wave' of administrations in June (coinciding with quarterly rent payment day) has seen the media spotlight once again fail on the high street. Habitat, Jane Norman, TJ Hughes and Homeform (none of whom trade in Colchester) all succumbed in quick succession, once again prompting headlines of the high street's demise. But again, significant portions of these businesses have been salvaged through acquisition or CVA, so the fall-out is not 'wholesale'. Whilst underlining how difficult retailing conditions are, it also worth cross-referencing these latest victims against our identified root causes of retailer failure – debt brought about by private equity ownership is a very telling common denominator between the four.

There will inevitably be further retail casualties going forward, all the more so as retail sales stall further. However, we would anticipate that fall-out will be restricted to relatively small players – we do not anticipate a repeat of the late 2008 / early 2009 'bloodbath'.

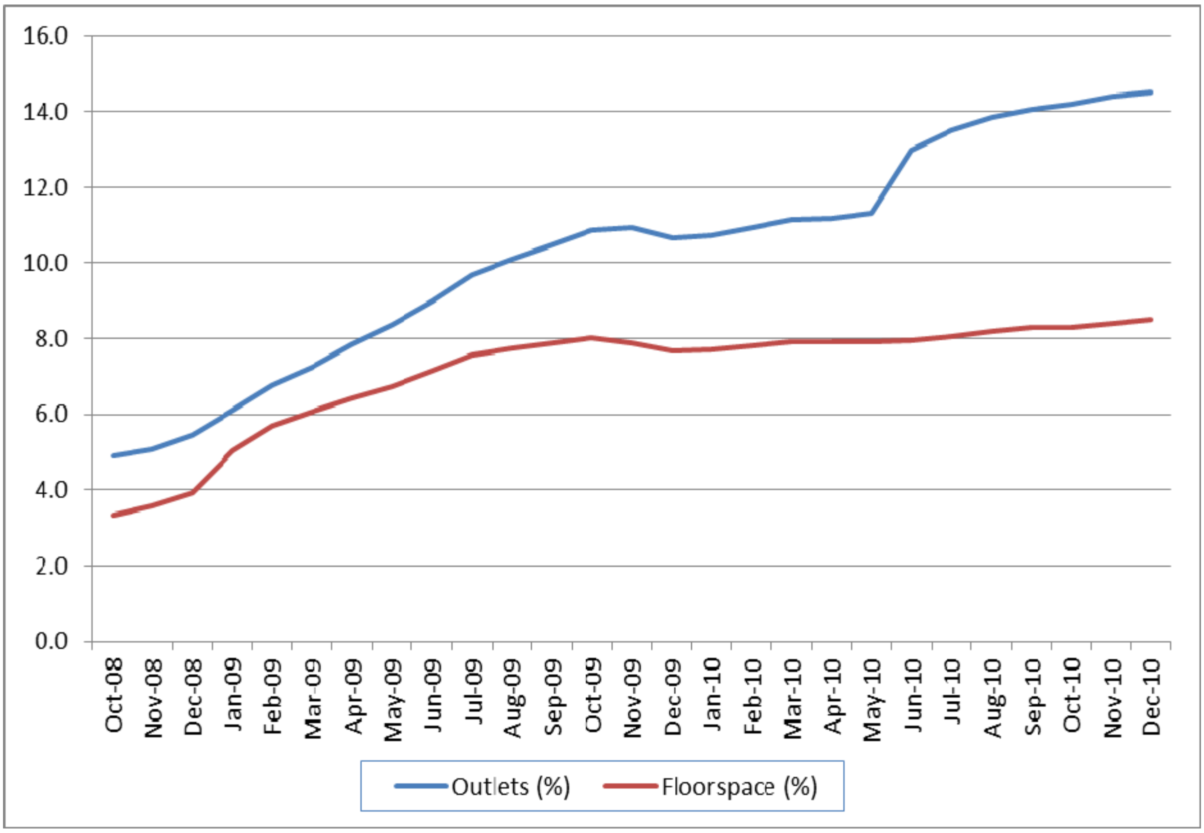
3.6 Retail Vacancy

Retail vacancy is an emotive theme and is often regarded as the ultimate barometer of the health of the high street. However, figures for vacancy rates in retail are notoriously suspect. The Local Data Company (LDC) has established itself as a leading authority in this area and their figures are most readily quoted by the media. However, we have encountered a number of instances where their data is inconsistent with more local sources. As we will explore in greater detail in the Retail Audit, LDC's figures for Colchester are at odds with those in a study produced locally by CoRBA.

From experience, there are two main reasons for discrepancies. On the one hand, the physical boundaries / parameters of a town may differ from one survey to another. On the other, as a very fluid and rapidly-changing market characterised by small units, in can be difficult to differentiate between transient and long-term vacancy. In the case of the former, the vacant unit may simply be undergoing refurbishment, or awaiting fit-out and occupation by a new tenant that has agreed terms. In this respect, it is not 'vacant' in a meaningful sense. LDC's policy is to assume any non-trading unit to be vacant, an approach which can inflate quoted vacancy rates (and the tone of LDC's accompanying literature / presentations can, in our opinion, be overly-negative).

According to LDC, the national vacancy rate stood at 14.5% at the end of 2010, up from 12% at the end of 2009. Within the national figure, there is a strong North – South divide, with average vacancy in Northern and Midlands regions around 17%, compared with around 12% in London and the South East. There are also considerable variances by centre, with Margate suffering the ignominy of having the highest vacancy rate in the country (37.4%).

Fig. 5 – National Retail Vacancy Rates (%) – Outlets and Floorspace



Source: LDC

Unfortunately, we believe that the debate over the veracity of the figures and the tendency to not look beyond national figures or facile North – South divides detracts from the real issues surrounding retail vacancy, namely why it has occurred and what measures can be taken to reduce it.

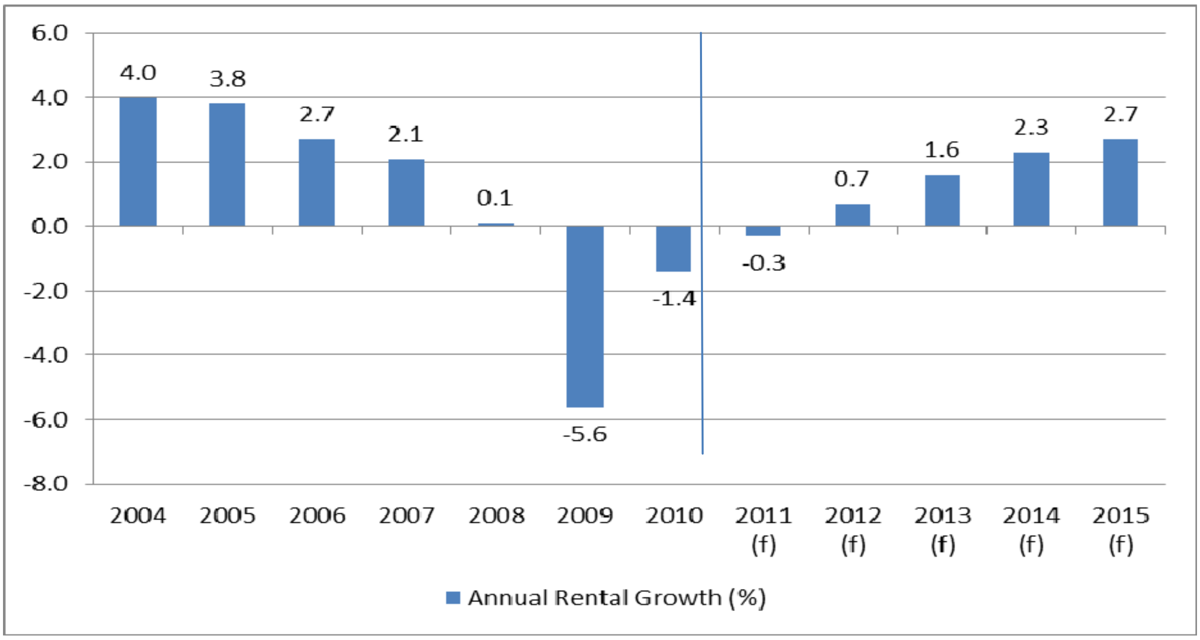
Taken at face value, vacancy rates do highlight regeneration need – centres with large numbers of empty shops are invariably failing and in need of significant investment in retail infrastructure. However, in most cases there is still an undeniable 'ugly tail' of retail vacancy. This is retail stock that is never likely to be re-absorbed back into the market because it is too old, poorly located and ill-configured for the demands of modern day retailing. Often, this takes the form of standard shops in very tertiary locations and largely redundant local parades. This is present in virtually every town and as we will go on to discuss in our Retail Audit, there is a degree of this in Colchester too.

This raises two issues and fundamental market needs. Firstly, if the tertiary empty shops are unlikely to be reabsorbed back into retail use, they are fundamentally obsolete and the onus is on planning to find more appropriate use classes for them. Secondly, it underlines the need for the retail market to continue producing more modern floorspace, either through recycling existing stock or new development. In short, contrary to popular belief, vacancy does not preclude new development.

3.7 Retail Property Market Trends and Performance

The upheaval in the retail occupier market has sparked significant changes in retail property markets. Generally speaking, there has been a shift in the balance of power away from the landlord in favour of the tenant. With greater availability of floorspace, more selective occupier demand and the unwelcome prospect of voids, many retailers have been able to strike a harder bargain on rents, lease terms and incentives. As evidence of this change, a number of retailers have successfully negotiated a shift to monthly (as opposed to quarterly) rent payments to ease cash flow.

Fig. 6 – Annual Retail Rental Growth 2004 – 2015 (f)



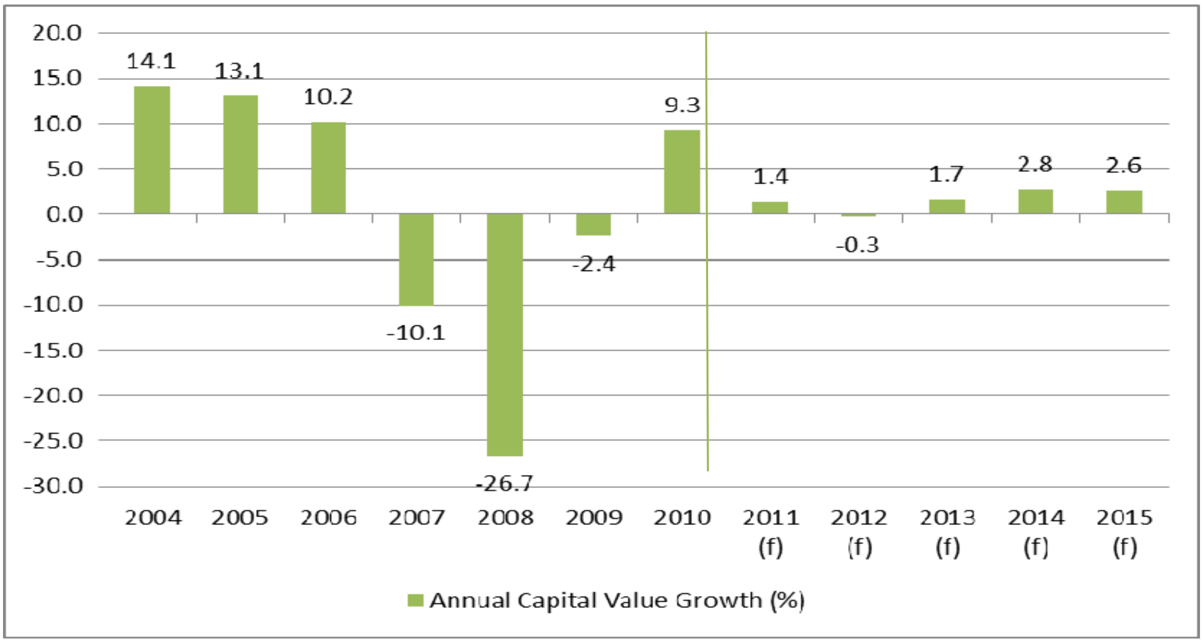
Sources: IPD, REFL, King Sturge

This shift in power is acutely manifest in national retail rental trends. According to industry standard data from Investment Property Databank (IPD), underlying retail rents started to decline in the latter stages of 2008 and went into freefall the following year. The annual decline of 5.6% in 2009 was the sharpest since IPD records began in 1981. As a general figure relating to all retail property types (eg standard shops, shopping centres, retail warehouses) across the whole country, this may not do justice to rental declines in individual towns and on individual assets. Anecdotal evidence suggests that rental declines of over 20% were not uncommon.

Perhaps more significantly, the retail rentals market has yet to recover. Rents declined by a further 1.4% in 2010. Our latest in-house forecasts (produced in conjunction with Real Estate Forecasting Ltd) suggest that rents will stay in negative territory this year (-0.3%), only returning to modest growth from 2012. More sustainable recovery is not forecast to set in until 2014. Even allowing for this, by 2016 retail rents will only return to the level they were at in 2008.

The performance in retail property investment markets has been even more volatile. Although indelibly linked to retail occupier markets, investment markets, by their nature, are also very much at the mercy of the banking sector. The credit crunch and subsequent collapse of Lehman Brothers caused the banks to effectively 'shut up shop' and cease lending, totally derailing the retail property investment market. This prompted a rapid collapse in retail capital values (-10.1% in 2007 and -26.7% in 2008).

Fig. 7 – Retail property Annual Capital Value Growth 2004 – 2015 (f)



Sources: IPD, REFL, King Sturge

Retail property investment markets have since recovered but remain volatile. The bounce-back in 2010 was initially strong (+9.3%), but much more modest growth is forecast this year (+1.4%). Our forecasts suggest a second dip in values in 2012 (-0.3%).

Institutional demand for retail assets remains fairly strong. Yields for shopping centres and prime retail units continue to compress, albeit at a slower rate than late 2009 / early 2010. From an investment perspective, there is still a lack of product in the market, particularly prime high street stock. The market is also highly polarised between prime and non-prime (secondary/tertiary). In general, there is still sufficient cash chasing the sector, although investment demand is very skewed to prime / good secondary assets.

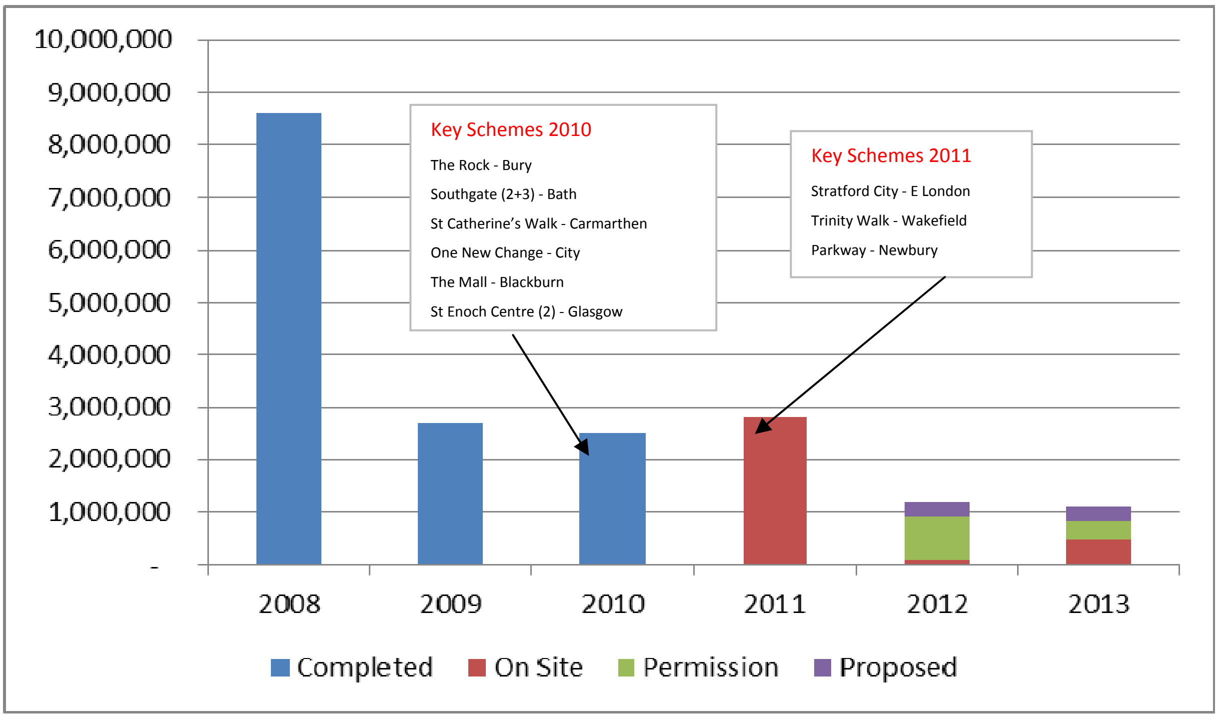
The IPD figures and REFL forecasts for Colchester are analysed in depth in Section 7 of this Study.

3.8 Development Pipeline

Funding constraints, rapidly fluctuating capital values and an uncertain occupier market have conspired to totally destabilise the retail delivery pipeline. In fact, the supply pipeline (or lack of) is one of the key issues currently facing the retail property market.

The development pipeline reached a ‘high water mark’ in 2008 when over 8.5 million ft² of new shopping centre space was delivered to the market. This figure reduced dramatically in 2009 and 2010 when 2.7 million ft² and 2.5 million ft² of new space were developed respectively.

Fig. 8 – New Shopping Centre Development Pipeline 2008 - 2013



Source: King Sturge

Only around 3 million ft² of new shopping centre space is expected to open in 2011. In isolation, this figure may seem substantial, given current market conditions. However, this represents just three schemes and is dominated by a single one - Westfield's Stratford City (1.6 million ft²), which is scheduled to open in September 2011.

The only other new pipeline schemes of any scale for 2011 are Trinity Walk in Wakefield and Parkway in Newbury. The former is scheduled to open in May and will be a 550,000 ft² development salvaged by a consortium of Sovereign Land, AREA Property Partners and Shepherd Construction, following the collapse of original developer Modus. The latter is being developed by Standard Life and Shearer Property. At 295,000 ft² and anchored by Debenhams and Marks & Spencer, the scheme is scheduled to start trading in October.

Beyond this year, the pipeline is very dry. Only a handful of the schemes that were originally proposed in the late 2000s are now likely to reach fruition. Very few have current planning consent, even fewer are actually under construction. One such scheme is the Land Securities' Trinity Leeds development, which will see an additional 460,000 ft² delivered to the city centre. This is not due to come on-stream until Spring 2013, rendering 2012 an extremely barren year for new retail development.

Officially, there is as much as 35 million ft² of new shopping centre space in the pipeline. However, the complex nature of town centre development, where land assembly, CPO, highways and planning risks (amongst other factors) can mean that the timescales involved from scheme conception to completion often extend beyond 10 years.

Consequently, many developers have put unviable developments 'on hold', whilst others have been scrapped altogether. Many schemes have been redesigned to reduce development costs, in order to increase viability and to place them in a position to start on site when the market improves. Due to the long lead-in periods for this type of development, we do not expect retail-led town centre development to return to any great degree in the next 3-5 years.

Even when the shopping centre development market returns, we believe it will be in a different guise. The 'traditional model', whereby a heavily-incentivised department store anchors the scheme and attracts other 'rent-paying' tenants, may no longer be financially viable in many instances. The fact that a number of the department store (eg House of Fraser and John Lewis) operators are themselves exploring different routes to market eg out-of-town stores, is perhaps also acknowledgement of this fact on their part.

We envisage three key alternatives to the existing model:

1. Department store anchors are retained, but on less incentivised and higher rent terms
2. Alternative anchors are established, such as foodstores or non-food formats of grocery operators eg Asda Living, Tesco Homeplus
3. Clustered MSUs (eg Next, New Look, Top Shop, H&M, Zara, Primark, TK Maxx) combine to form a quasi anchor.

Although there are increasing synergies between retail and leisure and hybrid schemes are increasingly commonplace, leisure-anchored retail schemes are unlikely to prove a viable alternative. Leisure-based schemes mirror the traditional shopping centre model, whereby the anchor (eg cinema, large sports facility etc) generate the footfall that attracts the other, high rent-paying tenants. The leisure anchor therefore has very favourable terms, as department stores often have in retail schemes. New schemes that allocate large proportions of space to low rent-paying operators are simply not going to be financially viable going forward.

These general issues will be fed into our appraisal of the development proposals for Colchester, which we address later in this Study. In particular, we will link these alternative models to any development proposals at Vineyard Gate.

4 COLCHESTER NOW

4.1 Background

As the title suggests, this section analyses Colchester in its current context. There are three key points of focus:

1. National and local retail rankings
2. Catchment area and competing centres
3. Geo-demographics

This analysis establishes the competitive retail landscape locally and Colchester's role within it. Also, to what extent the town is successfully drawing from its catchment and which centres it is possibly losing out to. It will also examine the socio-economics of the catchment area, as a means of understanding the propensities, needs and aspirations of the people it serves.

4.2 Colchester's Retail Ranking

There are a number of providers of retail centre rankings. Although the methodologies may vary between providers, the premise is essentially the same – to provide a national hierarchy based on the relative quality and strength of the retail proposition.

Colchester's retail ranking varies between different data providers. We tend to use Javelin's Venuescore ranking on the basis that it is more transparent than other rankings, provides comparisons on a greater number of centres and has a more consistent time-series**.** Each town is allocated a score based on its retail mix, which is driven by the presence of key multiple retailers. The score attached to each retailer is weighted to reflect their overall impact on shopping patterns. For example, anchor stores such as John Lewis, Marks & Spencer and Debenhams receive a higher score than unit store retailers to reflect their sphere of influence.

The most frequent criticism of Venuescore is that it does not make provision for independent operators – indeed, none of the major ranking providers do to any degree. This is primarily because any scoring of independents and their relative quality would be entirely subjective rather than comparative.

Table 1 – Colchester in various Retail Centre Rankings

Rank	Venuescore (2010)	PROMIS (2010)	CACI (2010)	Experian (2010)
45	Doncaster	Middlesbrough	Cheltenham	Stockport
46	Northampton	Preston	**Colchester**	Cambridge
47	Middlesbrough	Peterborough	Preston	York
48	Lakeside	Chichester	Watford	High Wycombe
49	Ipswich	Bournemouth	Coventry	Middlesbrough
50	Wolverhampton	Swansea	Peterborough	**Colchester**
51	Maidstone	**Colchester**	Chester	Maidstone
52	Solihull	Salisbury	Fenchurch Street	Northampton
53	Coventry	Crawley	Wolverhampton	Dundee
54	Tunbridge Wells	Warrington	Solihull	Swansea
55	Romford	Taunton	Maidstone	Oxford
56	Dundee	Richmond	Huddersfield	Cheltenham
57	Harrogate	Carlisle	Bradford	Swindon
58	Southend On Sea	Southport	Middlesbrough	Lincoln
59	Salisbury	High Wycombe	Worcester	Wolverhampton
60	Livingston	Windsor	Tunbridge Wells	Blackpool
61	Worcester	Bolton	Chelmsford	Sutton
62	Bournemouth	Inverness	Dundee	Tunbridge Wells
63	Basingstoke	Lincoln	Doncaster	Romford
64	Peterborough	Huddersfield	Stoke On Trent	Bradford
65	Bolton	Shrewsbury	Northampton	Worthing
66	Grimsby	Stoke On Trent	Broadgate	Walsall
67	Stoke On Trent	Stirling	Grimsby	Bath
68	Swindon	Sutton	Crawley	Chelmsford
69	Blackpool	Sunderland	Canterbury	Cribbs Causeway
70	Huddersfield	Swindon	Silverburn	Harrow
71	Crawley	Blackpool	Luton	Ilford
72	Darlington	Sheffield	Harrogate	Slough
73	Knightsbridge	Ilford	Lincoln	Solihull
74	Canterbury	Truro	Blackpool	Leeds - White Rose
75	**Colchester**	East Kilbride	Taunton	Crawley
76	High Wycombe	Northampton	Basingstoke	Hemel Hempstead
77	Ealing	St Albans	Hereford	Canterbury
78	Chelsea (Kings Rd)	Hereford	Darlington	Gloucester
79	Sutton	Wolverhampton	High Wycombe	Shrewsbury
80	Taunton	Livingston	Braehead	Worcester

Sources: Javelin Group, PMA, CACI, Experian

In the 2010 Venuescore listing, Colchester ranked 74th, alongside Canterbury in Kent and High Wycombe in Buckinghamshire. This placed it just behind a diverse group of centres which include Ealing, Blackpool, Huddersfield, Crawley, Darlington and Knightsbridge and just above Sutton, Taunton, Carlisle and Chelsea's King's Road.

Venuescore's ranking of Colchester is slightly at odds (unfavourably so) with the other three providers, which provide a more consistent picture. In each of these, Colchester ranks around the 50th mark. Note that both Experian's Retail Rankings and CACI's Retail Footprint are based on gravitated spend estimates – that is to say, estimates of spend levels that individual centres attract. Although seemingly a different methodology from Venuescore, it is worth stressing that these expenditure flows are driven by an 'attractiveness score', determined by the quality of the retail mix. The outputs may therefore be different, there is more than a degree of commonality in the mechanics.

Expenditure-driven rankings (as embraced by Experian and CACI) tend to possibly favour more affluent centres in the South East and we would suggest that this is probably the case with Colchester. That aside, there may also be positives to be drawn from the discrepancy, albeit at a very high level. If Colchester is drawing in more spend that its retail provision suggests it should, the signs are that it may well be punching above its weight as a retail centre.

Table 2 – Regional Ranking of Centres in the South East Region

Centre	Regional Rank	National Rank
Brighton	1	8
Southampton	2	14
Reading	3	15
Guildford	4	26
Oxford	5	31
Bluewater	6	32
Milton Keynes	7	35
Watford	8	43
Lakeside	9	48
Maidstone	10	51
Tunbridge Wells	11	54
Southend On Sea	12	57
Basingstoke	13	63
Crawley	14	71
Canterbury	15=	74
Colchester	**15=**	**74**
High Wycombe	15=	74
Uxbridge	18	86
Chelmsford	19	90
Slough	20	91
Basildon	21	94
Portsmouth	22	98
Worthing	23	99
Aylesbury	24	104
Eastbourne	25	107
Woking	26	110
Banbury	27	114
Chichester	28=	115
Luton	28=	115
St Albans	28=	115

Source: Javelin Group

In a regional context, Colchester is the joint 15th highest ranked centre in the South East. Within Essex it ranks behind Lakeside and Southend, but above Chelmsford and Basildon. Chelmsford is an obvious competing centre to Colchester. The various ranking providers are all united in placing Chelmsford around 15 – 20 places behind Colchester (Venuescore has Chelmsford at 90th, Experian at 68th, CACI at 61st).

Given the town's geographic proximity to the boundary of the Eastern Government Standard Region, many of its competing centres are located in East Anglia, as our catchment analysis will go on to quantify.

Ipswich ranks above Colchester in each of the hierarchies. In Venuescore, it comes in at 48th, some 24 places above Colchester. In both Experian's and CACI's rankings, Ipswich is eleven places higher at 39th and 35th respectively. In the wider East Anglia area, despite the opening of the Arc retail development and an attractive shopping environment generally, Bury St Edmunds nevertheless ranks a relatively lowly 159th in Venuescore. In contrast, Norwich ranks as highly as 9th nationally, ahead even of Newcastle and Bristol.

Table 3 – Colchester's Venuescore Ranking 2004 - 2010

Year	Venuescore Ranking
1996	62
...	...
2000	65
...	...
2003	60
2004	59
2005	58
2006	66
2007	64
2008	70
2009	76
2010	74

Source: Javelin Group

Local hierarchies aside, it is interesting to track Colchester's ranking over time. Broadly speaking, it has drifted downwards very slowly, from 62nd in 1996 and a high of 58th in 2005. This slow decline is more a function of other centres being redeveloped or having new schemes and moving up the rankings, rather than any sense of Colchester itself decaying.

That said, it does underline the fact that Colchester has not had any major retail development / investment project for many years, with the exception of the recent refurbishment of Lion Walk. Only through new development is there any prospect of Colchester rising significantly up the retail hierarchy. In many respects, this endorses the proposals to regenerate the town centre. If the Vineyard Gate site is developed (which we discuss in depth in the final section of the Study), we would expect it to elevate Colchester significantly in the retailing hierarchy, with a Top 50 placing a realistic objective.

4.3 Colchester's Catchment Area

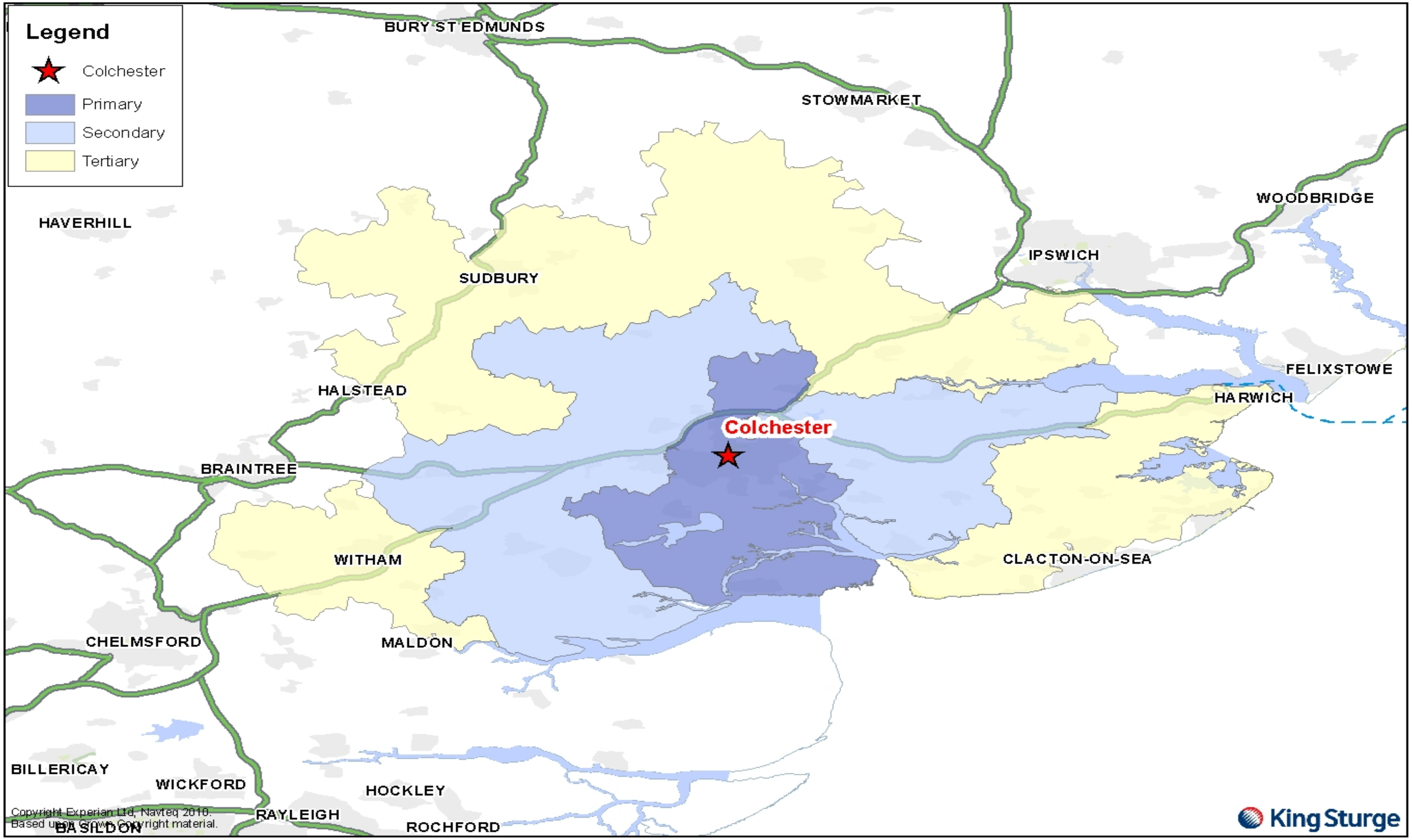
Our in-house catchment areas are based on actual customer data from Experian's 'Where Britain Shops' (WBS) survey. Conducted on a rolling basis, Experian collates around 1.5 million customer responses annually from their lifestyle surveys, which include questions as to where people undertake their main comparison goods shop. The raw data is cleansed and amalgamated into a national database of shopping patterns. From this, catchment areas can be derived by town and the shopper flows analysed upwards from postal sector level.

By way of definition:

- 'Primary' Catchment refers to the area from which 50% of the shoppers emanate
- 'Secondary' Catchment the area from which the next 30% of shoppers emanate
- 'Tertiary' Catchment the area from which the next 10% of shoppers emanate

Colchester's catchment area is logical (Map 1). It is flanked to the South West by Chelmsford and to the North West by Ipswich, it two main competitive centres. Both these towns act as competitive constraints to Colchester's catchment, with Braintree fulfilling a similar role to the West.

Map 1 – Colchester's Catchment Area

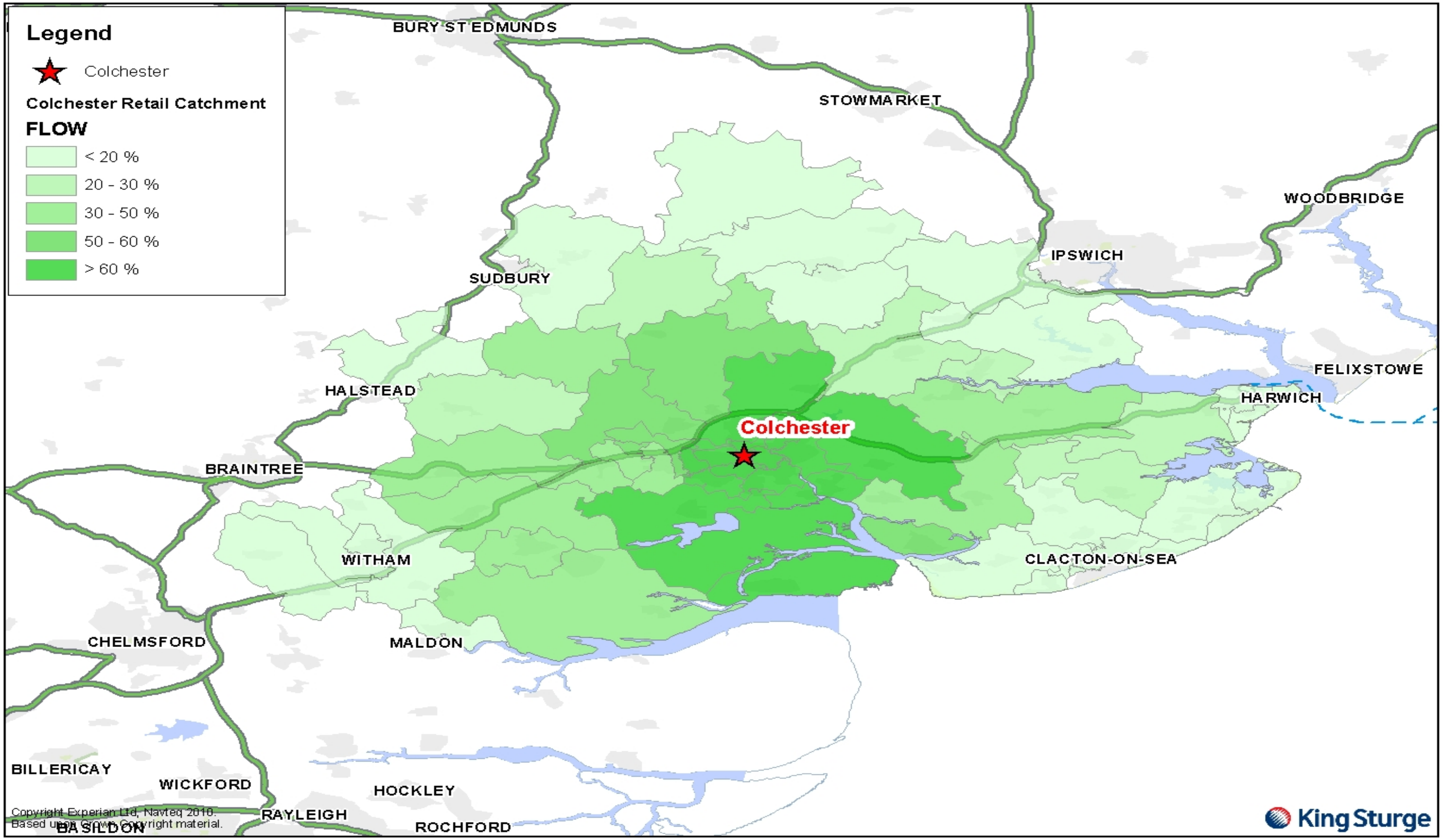


Source: Experian, King Sturge

Geographically, the catchment extends a fair distance to the North, although this area is more rural and less densely populated. The A131/A134 and A14 broadly frame the Northern parameters of the catchment. To the South and West, the coast acts as a natural boundary, but draws in both Clacton-on-Sea and Harwich into the catchment.

Other centres of critical mass to sit wholly or partially within the catchment include Hadleigh, Sudbury, Halstead, Tiptree and Witham.

Map 2 – Colchester's Catchment Area – Shopper Flows



Source: Experian, King Sturge

Map 2 presents the same catchment in terms of shopper flows / catchment penetration. As logic would dictate, it achieves far greater penetration (>60%) in areas closer to the town centre.

Colchester draws much more heavily from the South than it does to the North. Indeed, shopper flows diminish considerably to the North of the A12. The A12 is pivotal in the competitive landscape in that it provides fast access to other centres, notably Chelmsford and Ipswich. People living close to the A12 effectively have a choice of where to go for their main comparison goods shop and will opt for the centre that best serves their needs.

Colchester's catchment is by no means a captive one. It will always have to work hard to retain custom, but competition is healthy in that it often deters complacency and reluctance to change.

As we will discuss in much more detail in the Retail Audit, consumers will naturally gravitate towards the centre which most readily corresponds to their aspirations, even if that means travelling further. Localism and convenience are just two considerations in shopping patterns. There are a whole host of other drivers, the most significant usually being the retailer line-up in that centre. But there are also many other, 'softer' issues, including the aesthetics of a town, ease of access and cost of car parking, amongst many others. These issues are 'soft' in the sense that they are very difficult to quantify, but they are nevertheless very real and pertinent to those that frequent the centres on a regular basis.

Note that all these factors are only implicit in the 'Where Britain Shops' data that underpins our catchment areas and shopper flows. Whatever the underlying issues, customers will always 'vote with their feet' – WBS effectively counts these 'votes'. The motivations that actually drive these 'votes' are more difficult to decipher, but may become clearer through more in-depth analysis on the retail proposition and the Destination and Residents' Benchmarking Opinion Surveys.

4.4 Retention/Leakage

Quantifying these penetration levels in population terms, nearly 450,000 people live within Colchester's catchment area, of which 125,000 live within the 'Primary' band. The town's shopper population (defined as the number of people that use Colchester for their main comparison goods shop) is around 162,000. These figures are high by most standards.

Table 4 – Residential and Shopper Population of Colchester's Catchment

Band	Total Residential Population	Shopper Population
Primary	124,971	87,642
Secondary	100,314	45,556
Tertiary	223,707	28,793
Total	**448,992**	**161,991**

Source: Experian, King Sturge

In terms of market share (Table 5), Colchester has a fairly dominant share of its primary catchment, accounting for 70% of trade (and implicitly, a similar proportion of spend).

Note, however, that 'Where Britain Shops' also includes retail parks as well as traditional town centres. The four key ones around Colchester (Tollgate Centre, Colne View, Peartree Road and Colchester Retail Park) collectively account for a further 20% of trade (a figure that is largely typical of a town of Colchester's size). Effectively, therefore, Colchester retains around 90% of its Primary Catchment through the town centre and the surrounding retail parks, a very high figure by most standards.

Table 5 – Market Shares within Colchester's Catchment Area

Centre	Market Share (%) - Primary Catchment	Market Share (%) - All Catchment
Colchester	70.13	36.08
Colchester - The Tollgate Centre	7.40	5.66
Colchester - Colne View Retail Park	6.65	3.61
Ipswich	**4.10**	**7.63**
Colchester - Colchester Retail Park	2.85	1.46
Colchester - Peartree Road Retail Park	2.75	1.65
Braintree - Freeport	1.22	3.45
Chelmsford	**1.19**	**3.29**
Clacton-on-Sea	1.06	9.19
Witham	0.75	2.57
Ipswich - The Interchange Retail Park	0.45	0.98
Clacton-on-Sea - Brook Retail Park	0.37	2.51
Ipswich - Anglia Retail Park	0.34	0.89
Braintree	0.25	1.34
Ipswich - Ransomes Europark	0.19	0.60
Sudbury	0.14	3.58
Harwich - Harwich Gateway Retail Park	0.05	2.14
Clacton-on-Sea - Waterglade Retail Park	0.04	2.13
Maldon	0.04	0.81
Southend-on-Sea	0.04	0.51
Frinton-on-Sea	-	2.98
Dovercourt	-	1.53
Halstead	-	0.79
Sudbury - Sudbury Retail Park	-	0.61
Chelmsford - Cuton Hall Lane Retail Park	-	0.47
Bury St Edmunds	-	0.46
Chelmsford - Chelmer Village Retail Park	-	0.44
Ipswich - Suffolk Retail Park	-	0.30
Stowmarket	-	0.30
OTHER	-	2.03
TOTAL	100	100

Source: Experian, King Sturge

As the Primary catchment relates to a relatively compact area close to the town centre, there is limited leakage to other centres – Ipswich secures around 4.1% of trade and Chelmsford around 1.2%.

Colchester's sphere of influence decreases elsewhere in its catchment. Its share reduces to 59% in the Secondary catchment and tails off to less than 20% in the Tertiary catchment. Taking the catchment as a whole, Colchester town centre's share is 36.1%, rising to 48.5% if the four retail parks are incorporated.

The main competitive centre is ostensibly Clacton-on-Sea, to which Colchester 'loses' 9.2% of trade. However, this figure is largely geography-driven – Clacton sits squarely within Colchester's catchment, rather than outside or on the fringes (effectively, this 9.2% is virtually all of Clacton's trade – if this figure were 0%, it would mean that the town hypothetically did not exist at all). However, Clacton's trade is more localised, such that it is not really a competitive centre to Colchester.

More meaningful are the leakage figures to Ipswich (7.6%) and Chelmsford (3.3%) The former has more catchment overlap with Colchester and there is correspondingly more of a 'competitive battleground'. Interestingly, there is more of a catchment divide between Colchester and Chelmsford, to the extent that smaller centres such as Sudbury (3.6%) and Braintree – Freeport (3.5%) make more inroads into Colchester's catchment than Chelmsford.

Two other centres that feature lower down the competitive list are Lakeside and Bluewater – both account for around 0.2% of Colchester's catchment (and are included in 'Other' in table 5). Although these figures are seemingly very low, in spend terms their share may be significantly higher. Trips to either Lakeside or Bluewater tend to be very destination-driven and as such, spend per visit tends to be much higher than a routine shopping visit to a more local centre. Also, the 'Where Britain Shops' data may understate the influence of the likes of Lakeside or Bluewater in that consumers may regard Colchester as their main shopping centre, but periodically they will still make a larger 'blow out' shopping trip to one of the regional malls.

In summary, we would conclude that Colchester has both a sizeable catchment and a large shopper base to cater for - this includes a substantial visitor element from the East Anglia region, attracted by the mix of multiple retailers and smaller specialist stores in an accessible environment. The town's penetration and retention rate of its primary catchment is solid. However, it is losing out somewhat in the wider catchment and there is some scope for 'claw back', particularly in the Tertiary catchment. A more compelling retail proposition will invariably be instrumental in driving this process and this issue is addressed in detail in our Retail Audit.

4.5 Geo-demographics

Understanding the socio-economic make up of Colchester and its hinterland are obviously central in analysing the town's role as a retail and leisure centre. The key question is whether the existing proposition caters sufficiently for all key consumer segments within its catchment.

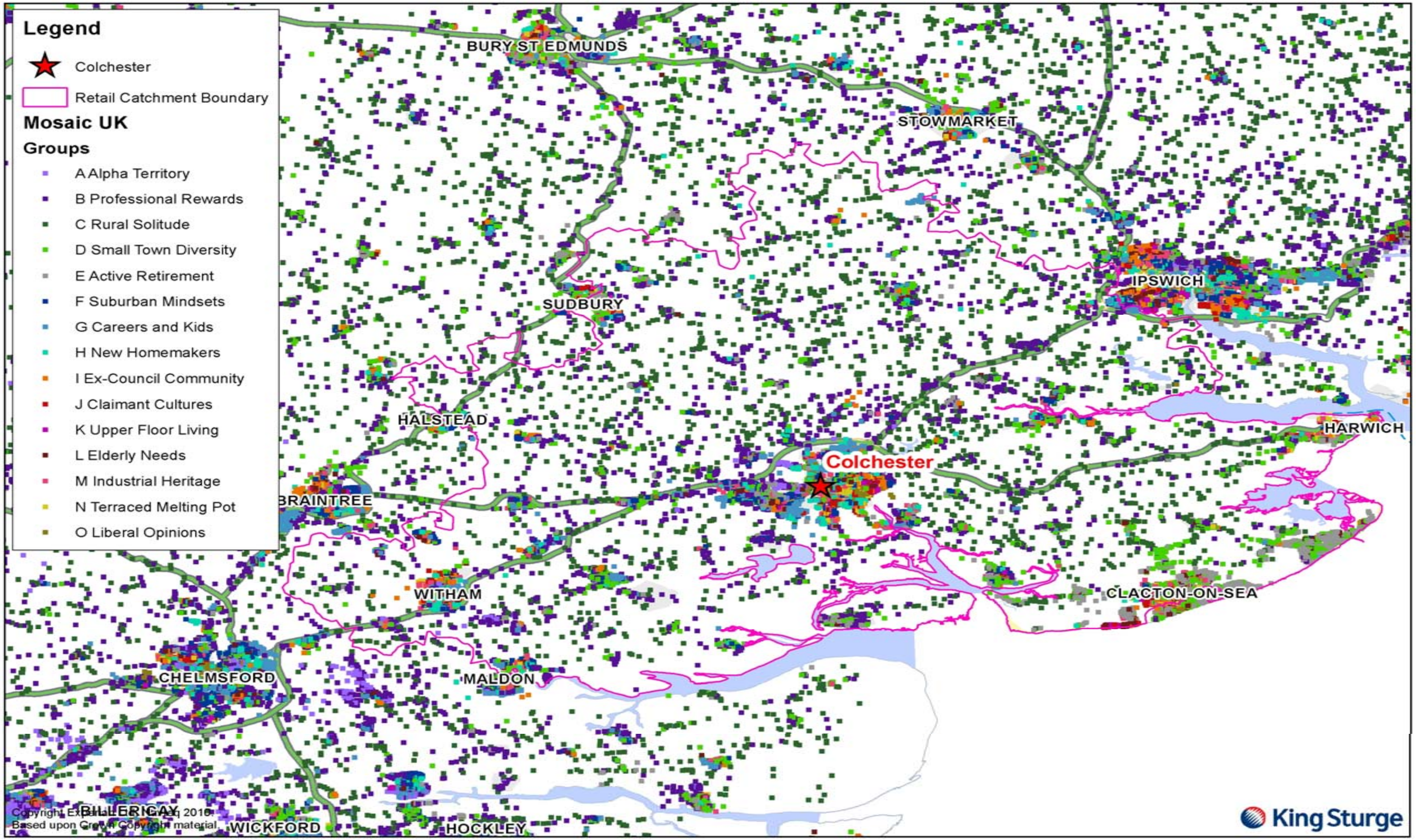
For our analysis of geo-demographics, we use Experian's MOSAIC classification. The premise of MOSAIC is to segment every consumer in the country into one of 67 Types, which are aggregated into 15 Groups (which we use in this Study). Types and Groups are differentiated in terms of their socio-demographics (eg age, lifestage, family constitution, education, employment, income, house/dwelling, car ownership), lifestyles, culture, life aspirations and consumer behaviour.

In terms of input, MOSAIC is built through a blend of around 400 datafeeds. 62% of the data is sourced from Experian's proprietary Consumer Dynamics database, which includes the edited Electoral Roll, Council Tax property valuations, house price sales from the Land Registry, self-reported lifestyle data and other compiled consumer data. The remaining 38% is sourced from the 2001 Census, with the variables updated to reflect change since it was carried out. The whole data is refreshed twice a year.

Note that MOSAIC contains a strong retail element and is therefore widely used by retail and leisure operators in their location planning strategies and town level assessments. In this respect, MOSAIC often works as 'a common currency' between Local Authorities, retailers and the property community (developers, landlords, investors and asset managers).

The points in Maps 3 and 4 refer to individual postcodes and the colour-coded dominant MOSAIC group for that postcode. Logically, there is greater clustering of points towards town centres, reflecting higher population density in these areas.

Map 3 – Geo-demographics of Colchester and its Catchment Area



Source: Experian, King Sturge

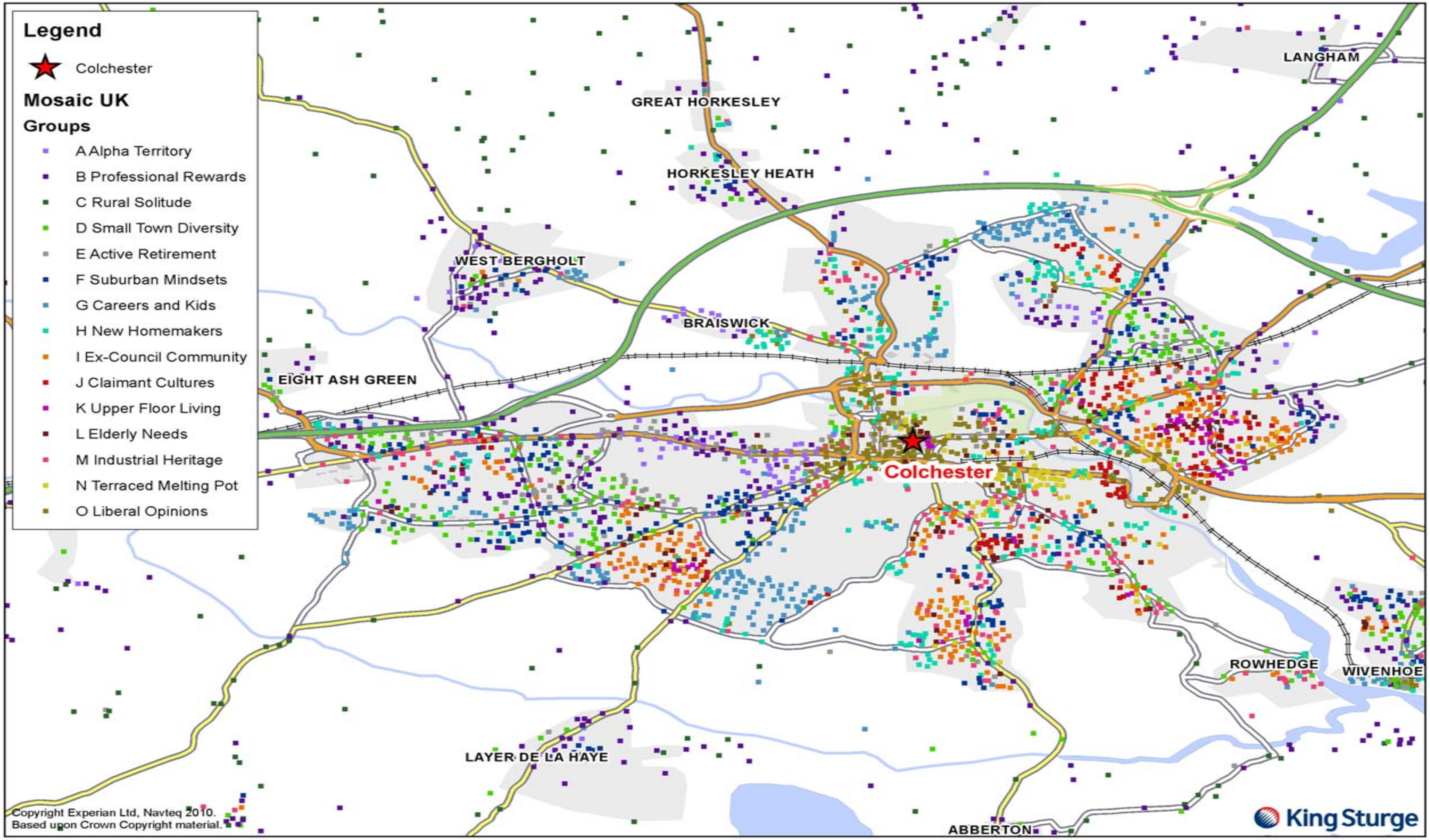
The most striking aspect of the Colchester's MOSAIC profile is the sheer geo-demographic diversity. The only logical pattern is that away from the town itself and other built-up areas, two MOSAIC group's predominate – 'Rural Solitude' (represented by dark green dots) and 'Professional Rewards' (dark purple dots). This reinforces the intuitive notion that a large proportion of the affluence in the wider catchment area lies in the surrounding villages.

This diversity extends to other centres in the region, although it is possible to make some 'high level' observations. Note the higher proliferation of grey dots around Clacton, reflecting higher representation from the 'Active Retirement' MOSAIC group. In Ipswich, orange and pink represent higher representation of 'Ex-Council Community' and 'Industrial Heritage'. Turquoise and light blue dots in Chelmsford signify more 'Careers and Kids' and 'New Homemakers'. But note that these are only very broad-based observations.

Zooming into the core town centre area (Map 4) usually provides a much clearer picture, with very defined clusters and / or divisions. But, interestingly, with Colchester this is not really the case.

There is a distinct clustering of 'Liberal Opinions' (olive dots) in the immediate town centre, diversifying more into 'Terraced Melting Pot' going eastwards. There is a loose 'east versus west' geo-demographic divide, the former comprising high volumes of 'Ex-Council Community', 'Claimant Culture' and 'Upper Floor Living', the latter more affluent 'Alpha Territory', 'Professional Rewards' and 'Small Town Diversity'. There are a number of pockets of 'Careers and Kids', possibly the product of relatively new housing developments. But we would stress again that it is unusual to see such a diverse mix within a relatively small geographic area.

Map 4 – Geo-demographics of Colchester Town Centre



Source: Experian, King Sturge

Table 6 – MOSAIC Breakdown of Colchester's Catchment vs UK

Groups	Colchester: Resident Catchment (Pop)	Colchester: Resident Catchment (%)	UK (%)	Index: Colchester vs. UK
A Alpha Territory	5,277	1.1	3.5	33
B Professional Rewards	57,595	12.5	8.7	145
C Rural Solitude	33,948	7.4	4.3	170
D Small Town Diversity	83,450	18.2	8.7	209
E Active Retirement	41,635	9.1	3.6	251
F Suburban Mindsets	41,168	9.0	12.2	74
G Careers and Kids	27,654	6.0	5.7	105
H New Homemakers	23,968	5.2	4.3	122
I Ex-Council Community	38,517	8.4	9.7	86
J Claimant Cultures	13,175	2.9	5.8	49
K Upper Floor Living	5,029	1.1	5.0	22
L Elderly Needs	19,688	4.3	4.3	100
M Industrial Heritage	36,506	7.9	7.7	103
N Terraced Melting Pot	14,417	3.1	7.6	41
O Liberal Opinions	13,006	2.8	8.1	35
Population	**459,469**	**100.0**	**100.0**	**100**

Source: Experian, King Sturge

This diversity is borne out in the data that underpins the maps. No single MOSAIC Group predominates. The more community-based 'Small Town Diversity' account for the single largest share (18.2%). With 'Professional Rewards' making up the second largest share (12.5%), just over 30% of the catchment is concentrated over two MOSAIC Groups.

A number of other Groups are still very significant. 'Suburban Mindsets' and the more mature 'Active Retirement' each constitute 9% of the catchment, the more economically-challenged 'Ex-Council Community' and 'Industrial Heritage' a further 8% each, with 'Rural Solitude' making up an additional 7%. In aggregate, the six largest MOSAIC Groups account for 73% of the catchment.

This is not to sub-ordinate any of the other MOSAIC Groups. For example, 'New Homemakers' or 'Elderly Needs' may account for a seemingly low percentage (5.2% and 4.4% respectively), but in absolute terms, this still equates to around 20,000 population in each case. The only two MOSAIC Groups with very limited representation in Colchester's catchment area are the ultra affluent 'Alpha Territory' and the inner city socially-deprived 'Upper Floor Living'. For all its diversity, Colchester only has limited exposure to these two social extremes.

Fig. 9 – Key MOSAIC groups in Colchester's Catchment UK

'Small Town Diversity' (18.2% / Index of 209 vs UK)

- Live in small-medium sized towns in neighbourhoods of older housing.
- Strong roots in the local community where their lives are mostly played out.
- A diverse income distribution – some are quite will off but others struggle – unlikely to find people at either extreme.
- Tastes and consumption patterns are broadly focussed on the mass market.

'Professional Rewards' (12.5% / Index of 143 vs UK)

- Well-set in their careers often in managerial or executive positions, if not an owner of a small-medium sized business.
- Tend to have significant income that is far above the upper income tax range, live in large, spacious and well-equipped family homes.
- Typically married with grown-up children that are either at university or embarking on their own successful career.
- Seek value for money rather than the lowest prices and will therefore pay a premium for reliable brands.

'Active Retirement' (9.1% / Index of 251 vs UK)

- Mostly over-65 with grown up children.
- Retired home-owners who have down-sized in favour of life in retirement communities among people of the same age/income.
- Often benefit from an occupational pension and have access to savings
- Financially secure, socially active. As consumers, more likely to favour 'traditional' and independent retailers.

'Rural Solitude' (7.4% / Index of 170 vs UK)

- Enjoy a traditional way of life and live in small villages or isolated cottages/farmhouse (eg SW England, E Anglia, Wales, Scotland).
- Farming and tourism are the mainstay of the local economy
- Many are home-owners that have deliberately retired to a community with strong roots and a slower pace of life.
- Traditional weekly market day visit to the local market town is now replaced by a weekly visit to the principle supermarket, whence a lot of non-food purchases are also made.

'Suburban Mindset' (9.0% / Index of 74 vs UK)

- Married people of middle age, living with children in family homes
- Live in 1930s – 1960s housing in residential areas, often commuting to work by train, car or bus
- Hard working – typically middle class or skilled working class
- Tastes are middle of the road and unpretentious
- As consumers, amongst the most likely to purchase mainstream brands and to shop at national, well-known retail chains.

NB These are key MOSAIC Groups in terms of either overall volume or representation versus UK averages (or both)

Source: Experian, King Sturge

To put the MOSAIC data into wider context, we have also compared Colchester's profile with national averages (Table 6). These comparisons are expressed as an index – a figure of 100 indicates that Colchester is in line with the national average, a figure above 100 indicates that Colchester has above average representation from this MOSAIC Group in its catchment, a figure below 100 below average representation.

Groups with significantly higher representation than UK averages are highlighted in green. Interestingly, this provides a slightly different perspective. On this measure, 'Active Retirement' and 'Small Town Diversity' emerge as the most significant Groups, with representation more than double the national average in both cases. There are also significant skews towards 'Rural Solitude' and 'New Homemakers'. Although 'Suburban Mindsets' account for a relatively high percentage of the catchment (9%), this is fairly low compared to the UK average (12.2%). Note that 'Professional Rewards' are very significant both in absolute terms (12.5%) and compared with the UK as whole (index of 145).

Table 7 – Colchester MOSAIC – shopper vs residential population

Mosaic Group	Shopper Population %	Resident Population %	Index (Shopper vs Resident)
A Alpha Territory	1.7	1.1	152
B Professional Rewards	13.2	12.5	105
C Rural Solitude	6.3	7.4	85
D Small Town Diversity	16.1	18.2	88
E Active Retirement	5.3	9.1	59
F Suburban Mindsets	10.0	9.0	112
G Careers and Kids	7.1	6.0	117
H New Homemakers	6.4	5.2	124
I Ex-Council Community	8.0	8.4	95
J Claimant Cultures	1.2	2.9	41
K Upper Floor Living	3.6	1.1	330
L Elderly Needs	8.1	4.3	189
M Industrial Heritage	3.5	7.9	44
N Terraced Melting Pot	4.5	3.1	144
O Liberal Opinions	1.5	2.8	54
Total Population	100.0	100.0	100

Source: Experian, King Sturge

The MOSAIC Profile refers to the whole of Colchester's catchment ie everyone that lives within the boundaries of the catchment. However, as our analysis on the catchment and shopper flows has shown, not everyone that lives within the catchment actually shops in Colchester. Applying the same shopper flows to the MOSAIC data, we are able to define a separate MOSAIC profile for the town's shopper population.

Comparing and contrasting the Residential MOSAIC Profile with that of the Shopper Population can be very telling. In simple terms, it provides a barometer of which MOSAIC Groups the existing proposition is attracting, and, by implicit extension, which ones it is catering best for. Conversely, it may also show which Groups it is failing to attract and where opportunities are being missed. The two profiles are compared in Table 7 and the outputs again expressed as an index. In this instance, a figure above 100 indicates much higher proportional representation in the shopper population versus the residential population.

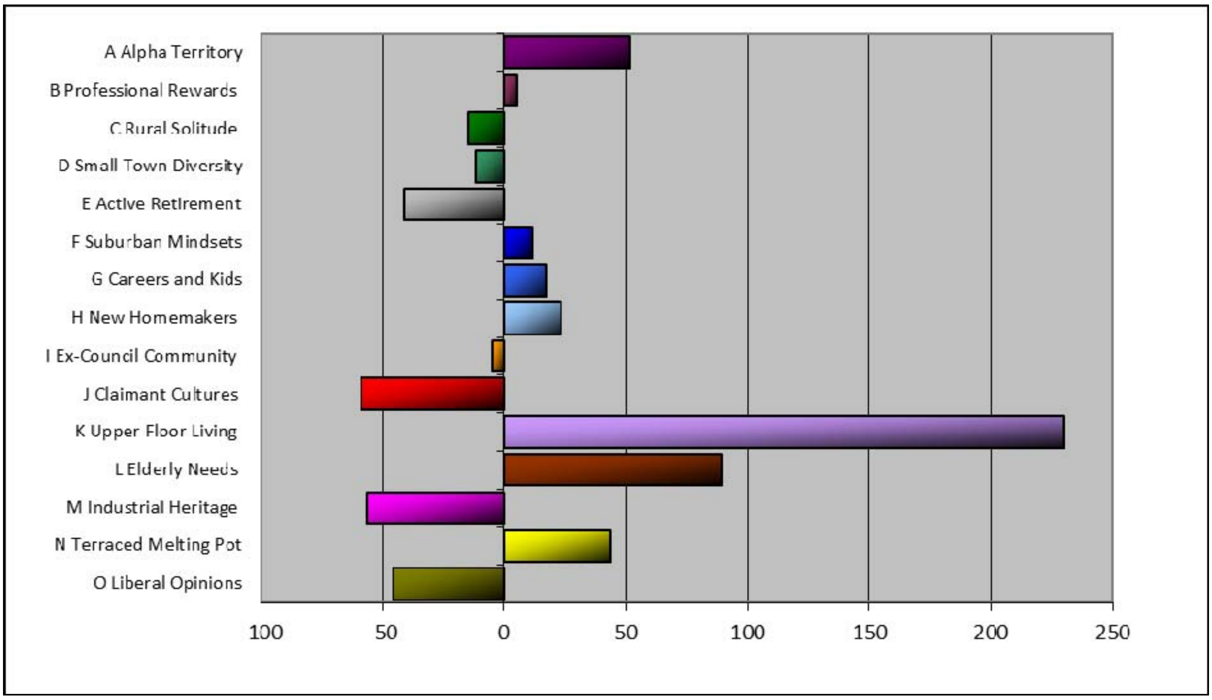
There are some interesting skews in the data. The most 'over-represented' Groups in the shopper population are 'Upper Floor Living' and, perhaps more tellingly, 'Elderly Needs'. We would suggest that this reflects the more limited mobility of these Groups – car ownership is very low and many people are dependent on public transport. This also acts as a constraint on their choice, in that they are less able to make a car-borne trip to an alternative shopping destination. Despite being a captive audience, the town still has a duty to ensure that their retail needs are met.

There are positive skews towards other MOSAIC Groups, including 'Terraced Melting Pot', 'New Homemakers', 'Careers and Kids', 'Suburban Mindsets' and perhaps most encouragingly of all, 'Professional Rewards' (13.2% Shopper, 12.5% Residential).

Negative skews indicate under-represented Groups and by extension, those that the existing proposition is failing to attract in sufficiently high volumes. 'Liberal Opinions', 'Active Retirement' and 'Rural Solitude' all fall into this bracket, although the aspirations and dynamics of each of these Groups are very different. Note that 'Liberal Opinions' are very likely to live close to the town centre. However, they are often the most 'promiscuous' of shoppers and will naturally gravitate to the centres that have the retailers and / or brands they aspire to. They are more likely to spend in centres away from Colchester such as Bluewater, Lakeside or the West End.

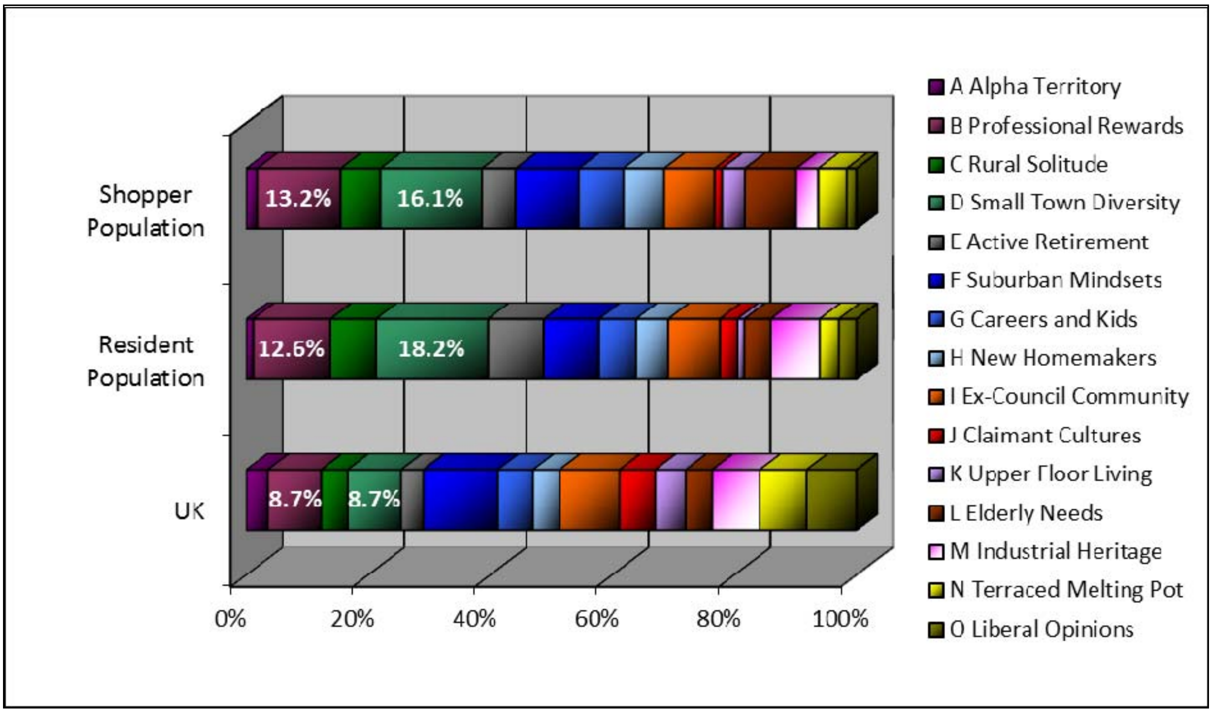
In contrast, 'Active Retirement' and 'Rural Solitude' may live in the outer areas of Colchester's catchment. Affluent and consumer-driven in their own way, they nevertheless need a compelling reason to travel into Colchester. The onus is on the town to provide this compelling reason, be it the right tenant mix or presence of key retailers, the right environment, or a joined-up leisure trip (eg combination of shopping and eating out).

Fig. 10 – Colchester MOSAIC – shopper vs residential population



Experian, King Sturge

Fig. 11 – Colchester Shopper and Residential Profile vs the UK



Source: Experian, King Sturge

4.6 Implications

A diverse customer profile has two broad connotations:

- Opportunity to capitalise on a wide range of customer segments
- Challenge in balancing the very differing needs and aspirations of these customer segments

To develop the second (and more negative) of these two connotations, it is exceptionally challenging to define a single retail strategy that caters for the needs of everybody. One person's needs and aspirations will differ radically from another's and the two may actually contradict. A retailer favoured by one consumer may be reviled by another. In cliched terms, it is supremely difficult to please all of the people all of the time. A more realistic objective would be to please as many people as possible, as much of the time as possible.

However, this diversity does provide a solid platform for a retail proposition. Effectively, there is sufficient representation of each MOSAIC Group to warrant a multi-dimensional retail offer that spans:

- The value sector
- The mass-market
- The upper mass-market
- The aspirational market

The only area we do not believe there is an opportunity is the very top of the luxury goods market (eg Bond Street, 'The Village', Westfield London). To be fair, this is fairly niche market and tends to be the preserve of London and the major UK cities (eg Edinburgh, Manchester). Some provision may be made for this sector through department store concessions, but it would be unrealistic to expect retailers of this ilk to move into standalone stores in Colchester.

This aside, the social boundaries are virtually unlimited. Likewise, there are few boundaries in terms of age. Colchester is neither an exclusively 'young person' nor 'old person' town. It is both and this provides dimension on both sides. By the same token, the diversity of the customer base warrants diversity within the retail proposition. This endorses the importance of both the multiple-led tenant mix and the independent sector and the cross-fertilisation between the two.

In summary, a diverse customer base needs to be reflected in a broad-based and authoritative retail offer. Our Retail Audit will explore possible miss-matches, under-representation and areas of opportunity.

5 RETAIL AUDIT OF COLCHESTER

5.1 Background

This section of the report represents an objective retail and leisure audit of Colchester. In very general terms, it is a detailed 'root and branch' health check of the town in the context of its catchment and the changing dynamics of the UK retailing market generally. In essence a benchmarking exercise, the retail audit highlights the strengths and weaknesses of the current retail offer and provides significant insight into how the centre could be improved. The analysis is both quantitative and qualitative and is designed to provide guidance as to how the Council can best support appropriate retail development and improvement.

We have devised an underlying methodology for Retail Audits, which we have successfully applied in a number of towns across the UK. Although the parameters of the audit are consistent, the approach is more bespoke and the outputs are very much individual to the centre under review – there is no 'one size fits all' outcome.

Specifically, any Retail & Leisure Audit is always mindful of the unique characteristics and distinctive features of individual towns. We also address the issue of local operators and independents, as the aim is not simply to supplant smaller operators with national operators, but to achieve a healthy balance that benefits all aspects of the retail community.

Key inter-linked stages in the analytical process include:

1. *Identification of Benchmark Centres*

This involves selecting centres that are comparable to Colchester in terms either of their catchment geo-demographic mix or level of retail provision, or preferably both. The third key consideration is whether the centres are regionally competitive to Colchester.

2. Headline Retail Data

This entails providing 'top line' retail statistics (floorspace and outlets and associated breakdowns, vacancy rates and multiple vs independent mix) for Colchester and comparing them with the benchmark centres. Amongst other things, this serves as a very macro view on capacity.

3. Outlet and Floorspace Provision by Sector

Drilling down a level, we analyse Colchester's existing provision by product sector (eg clothing, department/variety stores, health & beauty etc). This provides a top-level indicator of sectors where Colchester's existing retail offer may be underweight.

The quantitative processes behind the audit are essentially desktop-based. However, the qualitative processes are much more broad-based. We have spent considerable time in Colchester itself, ratifying the outputs and deriving an ‘on the ground’ view.

Perhaps more importantly still, we have sought to engage with a number of key local stakeholders. These have included appropriate members of the Council, the Major Retailers’ Forum and CoRBA. The views of those external parties have been incorporated into our analysis and thinking. To gauge local opinion amongst residents and visitors, we have also reviewed the Destination and Residents Benchmarking Surveys undertaken on behalf of the Council’s Enterprise and Tourism Development department.

5.2 Benchmark Centres

For the purposes of the retail and leisure audit, we have selected 12 benchmark centres on the basis of three key criteria:

- Centres with similar retail provision (towns which rank close to Colchester in Javelin’s Venuescore retail centre ranking)
- Centres with similar demographics (towns elsewhere in the country which have a similar MOSAIC customer profile to Colchester)
- Centres that are regionally competitive to Colchester or trade within relative geographic proximity.

We have also factored heritage into the selection process and favoured towns with a strong tourist / visitor base. The 12 benchmark centres are listed in Table 8.

Table 8 – Colchester's benchmark centres

Centre	Region	Venuescore Ranking	Ranking Match	Demographic Ranking	Demographic Match	Shopper Population	Prime Zone A Rent (£/ft²)	Regional ?
Cheltenham	South West	27	**	24	*****	158,371	175	No
Cambridge	East Anglia	39	**	190	**	179,535	240	(Yes)
Lincoln	East Midlands	40	**	92	***	209,303	130	(No)
Ipswich	East Anglia	49	***	3	*****	201,747	135	Yes
Maidstone	South East	51	***	111	**	155,641	120	(No)
Tunbridge Wells	South East	54	***	164	**	122,100	120	(No)
Salisbury	South West	59	****	20	*****	105,277	120	No
Worcester	West Midlands	60	****	17	*****	121,625	145	No
Bournemouth	South West	62	****	75	***	103,208	185	No
Peterborough	East Anglia	64	****	23	*****	156,927	180	(No)
Colchester	**South East**	**74**		**1**		**161,991**	**155**	
Canterbury	South East	74	*****	63	***	155,272	200	(No)
Chelmsford	South East	90	****	47	****	127,439	185	Yes

Source: King Sturge, Experian, Javelin Group

The **rankings** all refer to Javelin's Venuescore. The 'Ranking Match' column is an assessment of the relative similarity of this ranking to Colchester's. In assessing benchmark centres on the basis of ranking, we have tended to favour centres ranked above Colchester, rather than below. The rationale for this is that Colchester is proactively trying to improve its retail proposition and is therefore 'aiming up'. We have therefore focussed on comparable centres in the 25 – 90 ranking bracket (with the majority ranked in the relatively tight 50-75 band).

'Demographic Ranking' is an output of King Sturge's 'Centre Benchmarker Model'. This compares and correlates the MOSAIC **demographic** catchment profiles of over 1,300 centres across the country. These centres are then ranked according to their MOSAIC similarity to Colchester (the lower the number, the higher the correlation). All the benchmark centres are within the top 200 centres to correlate with Colchester. Not surprisingly, Ipswich has the closest geo-demographic match to Colchester, followed by Worcester, Salisbury and Cheltenham (which all correlate more closely than Chelmsford). The 'Demographic Match' column is a subjective assessment of the similarity.

In terms of **regionality**, the benchmarks include Colchester's two most competitive centres, Ipswich and Chelmsford, whilst Cambridge and Peterborough are both within a 70 mile radius (as the crow flies), as are Maidstone, Canterbury and Tunbridge Wells, albeit to the south of Thames. The only benchmarks that are a considerable distance from Colchester are Cheltenham, Bournemouth, Worcester, and Salisbury.

Cambridge stands out as the strongest tourist draw. However, most of the other benchmarks can nevertheless lay claim to a degree of **heritage**, be it by virtue of having a major cathedral (Lincoln, Worcester, Canterbury, Peterborough), being a spa town (Tunbridge Wells, Cheltenham) or a coastal resort (Bournemouth). All the benchmark centres have a common denominator of having an historical element and associated individuality (contradictory as this may sound).

For additional information and comparison, we have also appended shopper populations and prime Zone A retail rental figures to each centre. Rents are discussed in much greater depth in Stage 7 of this Study. Although a measure most commonly used by property agents for commercial valuations and transactions, Zone A rents are nevertheless a good barometer of the health of a retail centre in that they usually reflect the level of occupier demand.

The prime Zone As across all 13 centres in 2010 ranged from £120 - £240/ft^2, with an average of £160/ft^2. Colchester is very much in line with this average (£155/ft^2). Likewise, on the shopper population front (Colchester - 161,000 versus an average of 150,000). This further validates the choice of benchmark centres.

In summary, Ipswich and Chelmsford are the obvious regional benchmarks to Colchester. However, they are also similar on many other metrics beyond geography. Regionality aside, our analysis suggests that Peterborough, Worcester, Salisbury and Canterbury are perhaps the closest benchmarks to Colchester, if all aspects are taken into consideration. Most importantly, we believe that the group as a collective whole is a good basis for benchmarking and comparison.

5.3 Headline Retail Data

The source of all our spatial analysis and retail audit data is Experian's GOAD system. GOAD is a widely-used town centre and retail park supply system, comprising plans (physical and electronic) and a database of all the information that sits behind the maps. Covering over 3,000 wider 'shopping areas' (which includes retail parks and neighbourhood parades), GOAD incorporates a core of around 1,300 town centres across the UK.

The towns are surveyed and the data refreshed on a rolling cycle. The larger centres (including Colchester and all the benchmark centres) are all updated on an annual basis. Note, therefore, that the data is not 'live', but refers to a point in time ie the date of the last survey. For reference, the date of the last GOAD survey was 1 June 2010. However, King Sturge has undertaken a much more recent survey of the town (10 May 2011) and verified / refreshed the GOAD data accordingly. All reference to supply/retailer presence in Colchester is therefore accurate as of that date.

The boundaries of the GOAD plan are determined by Experian's surveyors, but are designed to capture all of the main town centre area of the respective centres. For reference, the GOAD plan for Colchester is included on the following page (Fig. 12). Note that the GOAD plan basically encapsulates Colchester town centre, but excludes nearby retail developments, such as out-of-centre retail warehousing (eg Colchester Retail Park) and supermarkets. This approach will be consistent across the benchmark centres.

In this instance, we noted that the GOAD plan excluded a number of predominantly A3 operators at the lower end of North Hill (eg Strada, ASK, La Tasca etc). We have adjusted the data accordingly to redress these omissions.

The information in the database includes the occupier name, parent company, address, retail sub-category (eg comparison goods, retail service, leisure service etc), primary activity (eg bookseller, clothing, giftware etc) and store size. Note that the store sizes refer to gross area (ie the total space enclosed within the walls) rather than actual selling space. This does not tend to be a major issue in inter-town comparisons and general benchmarking exercises, as the approach is consistent throughout. If required, however, we can also apply standard metrics to convert gross to net floorspace to derive sales area estimates.

Fig. 12 – GOAD plan of Colchester

Source: Experian, King Sturge

To put the benchmarking process into context, we have provided 'headline' retail data for Colchester and all 12 peer group centres (Table 9). By 'headline' we mean:

- Total retail and leisure floorspace
- Floorspace and outlets broken down by use class (eg comparison, convenience, leisure etc)
- Balance between independent operators and multiples ('national chains')
- Vacancy rates.

Over the course of the Retail Audit, we will drill down below these 'headline' figures. However, a number of interesting conclusions can already be drawn, even at this high level.

By way of definition, 'Total Retail Floorspace' comprises four categories – convenience goods (predominantly foodstores, from small niche delis to large scale supermarkets), comparison goods (non-food sectors, such as clothing, department stores, health & beauty etc), retail service (eg hairdressers, opticians, travel agents, cobblers etc) and leisure service (eg cinemas, restaurant, cafes, pubs, nightclubs etc). Excluded are non-retail uses such as offices, public buildings (eg libraries), transport services (eg bus stations, car parks) and churches.

As a very general observation, Colchester is broadly in line with the benchmark average across most of the variables and in some, it is better than its peers.

Colchester's total retail floorspace (as defined above) is 1,167,100 ft², around 200,000 ft² less than the benchmark average. Given that the town is one of the lower ranked centres in the group, this is to be expected. On this measure, Colchester is the 11th largest centre, which is commensurate with its Venuescore ranking within the group.

Note that there are some disparities. Lincoln is the largest centre in terms of floorspace, but ranks lower than Cheltenham, inferring that the latter has a better overall retail proposition. At the other end of the scale, although Chelmsford ranks below Colchester in Venuescore, it actually has more floorspace (1,312,000). In terms of retail quality, bigger is not necessarily better.

The Vineyard Gate development proposals and their viability are assessed in detail in Stage 7 of this Study. Any viability issues aside, if delivered as originally proposed, the new scheme would add a further 550,000 ft² of space to Colchester, bringing the total retail floorspace to a hypothetical 1,717,100 ft². This would elevate the town to become the largest retail centre in the peer group – larger even than Lincoln, Cambridge and Cheltenham. Assuming (again, hypothetically) that the space if fully let to good quality operators, it would seem fair to assume that it could lift Colchester into the top 30 of the Venuescore ranking. Hypothetical as this may be (and as we go on to appraise), it is nevertheless interesting context.

Table 9 – Headline Retail Data for Colchester and its Benchmark Centres

Benchmark Centre	Total Retail Floorspace (ft²)*	% Multiple Floorspace	Comparison Goods Floorspace (ft²)	Comparison Goods Outlets	Convenience Goods Floorspace (ft²)	Convenience Goods Outlets	Leisure Floorspace (ft²)	Leisure Outlets	Vacancy (Floorspace) %	Vacancy (Outlets) %
Lincoln	1,690,400	68	958,000	263	116,800	46	379,700	152	8.5	11.2
Cambridge	1,684,600	55	934,800	339	70,800	47	457,300	179	7.6	12.0
Cheltenham	1,666,000	60	825,700	282	82,000	40	392,800	166	14.6	15.6
Peterborough	1,585,300	70	868,200	198	182,500	32	349,300	109	6.7	11.4
Bournemouth	1,534,200	54	532,800	170	53,700	39	711,000	203	11.8	15.3
Ipswich	1,491,900	61	811,700	231	82,900	47	311,000	115	13.7	15.4
Maidstone	1,437,200	65	825,300	230	97,900	30	263,500	110	12.1	14.2
Chelmsford	1,312,000	61	597,900	198	142,700	34	316,800	123	11.9	13.4
Worcester	1,214,300	51	555,700	280	58,500	36	364,900	131	11.9	13.9
Tunbridge Wells	1,168,700	55	705,600	329	48,800	40	188,000	120	11.0	9.5
Colchester	**1,167,100**	**59**	**579,000**	**241**	**73,900**	**43**	**274,600**	**131**	**12.4**	**9.7**
Salisbury	1,048,400	59	474,300	223	105,400	33	326,100	104	6.9	8.1
Canterbury	1,033,900	63	541,000	195	72,800	27	268,000	120	9.6	11.1
Average	**1,387,231**	**60**	**708,462**	**245**	**91,438**	**38**	**354,077**	**136**	**10.7**	**12.4**

Source: Experian, King Sturge

Breaking down the total floorspace figure into its component parts, Colchester has some 579,000 ft² of comparison goods floorspace, around 130,000 ft² less than the benchmark average. This is nevertheless more than Canterbury, Salisbury, Worcester and Bournemouth and only just less than Chelmsford (598,000 ft²). But it is around 230,000 ft² less than Ipswich (812,000 ft²).

However, Colchester scores much more highly in its count of comparison goods outlets (241 versus a benchmark average of 245). This places it above seven of the 12 benchmark centres, including both Chelmsford (198) and Ipswich (231). Although the town's two most competitive centres have slightly more comparison goods floorspace (and larger average floorplates / average store sizes), Colchester can legitimately point to greater breadth of fascia and wider customer choice.

This disparity in floorspace and number of outlets carries through to convenience goods. At 74,000 ft², Colchester's in-town convenience floorspace is around 17,500 ft² lower than the benchmark average (but nevertheless higher than four of the benchmark centres). However, at 43, its count of convenience goods outlets is higher than benchmark average (38) and surpassed only by Lincoln, Cambridge and Ipswich in the peer group. This bears testament to the large number of small-scale food specialists in Colchester, such as butchers and bakers.

The comparisons in leisure are slightly more opaque, particularly on the floorspace side. The figures can be heavily skewed by the in-town presence of large-scale facilities, such as theatres, concert halls, bingo halls, ten pin bowling alleys, ice rinks etc (note how Bournemouth's figure is heavily bolstered by the Pavilion Theatre and a number of large-scale hotels). Colchester will see a similar fillip in leisure floorspace when the Firstsite contemporary visual art gallery and social space opens later this year. However, it is dangerous to read too much into 'headline' leisure floorspace figures.

The count of leisure outlets is slightly more telling as a top line indicator of choice and diversity. Colchester scores relatively well on this measure (131 versus a benchmark average of 136). Colchester's total is higher than seven of the benchmark centres, including both Chelmsford (123) and Ipswich (115).

There are two other outputs from the 'headline' comparisons – Multiple Floorspace and Vacancy Rates. The issues of independent / local traders and vacancy rates are particularly pertinent to Colchester and warrant more in-depth analysis.

Multiples versus Independents

The issue of independents and multiples in the retail sector is a perennially contentious one, attracting significant (but not always informed) media attention. The debate is epitomised by the concept of 'Clone Town Britain' - coined by Nef (New Economics Foundation), the phrase has been readily adopted by the media and has inveigled its way into the public psyche as a reflection (and indeed, indictment) of the UK retail industry and general poor health of the high street.

Those that embrace the notion of 'Clone Town Britain' tend to decry the increasing influence of multiple retailers on the national retailing landscape and champion the cause of independent traders as purveyors of diversity on the high street. Although we are sympathetic to the ethic of the 'Clone Town Britain' movement, namely preservation of the quality of UK high streets, we believe the direction and findings of the report to be severely misguided.

One of the key flaws of the 'Clone Town Britain' report is its vast oversimplification of the structure of the UK retailing market. The David vs Goliath allegory, whereby small shops and local businesses are championed without question, whilst multiples are pilloried as the depressing embodiment of 'big business' (big, underhand, uncaring and evil), is far too broad-brush.

Multiple retailers obviously have a much higher presence on the high street than they did 50 years ago. But does this mean that high streets are 'cloned'? Clearly, we would expect to see some of the very largest multiple retailers (eg Marks & Spencer, Next, Boots, WH Smith) represented on every high street above a certain size, but does that mean that '*all high streets are the same'* or that all towns '*contain the same depressing mix of retailers*' (to paraphrase two of the most common complaints)?

To put this into some perspective, the UK comparison goods chain with the most number of stores is Boots the Chemist, with around 1,500. Excluding duplicate sites (towns which have more than one store) and out-of-town stores reduces these numbers to around 940. The GOAD database includes over 1,300 town centres across the UK (this won't include a large number of villages, hamlet and suburbs). So, the most 'cloning' multiple isn't even present in 360 centres identified by GOAD. In other words, the number of centres far exceeds the number of stores of the very largest multiples – high streets are therefore a far cry from being 'cloned'.

In fact, according to the GOAD database, there are a massive 2,750+ multiple players in the retail (comparison and convenience) market, far more than most people would envisage. Including leisure and retail service expands this figure to more than 4,000 Multiples may be taking ever larger proportions of high street space, but with so many multiples out there, this trend cannot necessarily be tantamount to 'cloning'. We would prefer to use the term 'mixing' than 'cloning' – achieving the right tenant line for that particular location or town centre. Independent operators and local traders are an equally fundamental part of this wider mix.

We are supportive of the independent retail community and acknowledge the challenges that smaller operators face without the economies of scale of the large multiples. But at the same time, we recognise that there are both quality and poor operators within the independent sector and all retailers, big or small, do not have a divine right to exist. They must have a 'raison d' tre' and be relevant to modern day retailing demands. To be able to compete and trade effectively, we would suggest they can do this in one (or more) of five ways:

- Product – selling something that is unique to that marketplace
- Experience – providing the consumer with an environment that they might not encounter in a larger store
- Service – 'old school' familiarity and helpfulness
- Convenience – being in the right location and being open at the right times
- Price – undercutting the multiples (not necessarily on all products, but selectively)

Rather than clichéd adversaries, independents and multiples are often mutually supportive. Independents can effectively trade off the higher footfall that multiples tend to generate, rather than simply be driven out of business. In many instances, we would see multiples as 'tools of regeneration, rather than destruction'. We would venture that for every one high street Tesco has supposedly 'killed', there are around one hundred which would 'die' if it were not there to boost footfall.

Clearly, the issue centres on achieving the right balance. We believe that Colchester has achieved a very healthy balance between independents and multiple operators – this is borne out both qualitatively and quantitavely. The GOAD data shows that multiple operators (national and regional chains) in Colchester account for 59% of retail floorspace. By implication, independent traders make up the balance of 41%. This is virtually in line with the benchmark average (60% multiples, 40% independents).

Nationally, this balance varies significantly. In very large centres and regional shopping malls such as Bluewater and Lakeside, multiples tend to predominate (often occupying 90% of space). Small centres tend to have higher independent representation. However, rather than the romanticised vision of diversity, very high representation from the independent sector is often a reflection of retail decay and is often matched by high vacancy rates.

As a very general rule of thumb, we would probably expect to see an average medium-large market town have a broad 70%:30% multiple : independent balance. The fact that the benchmark centre average is skewed slightly more towards independents reflects the fact that most of the constituent towns are heritage centres which lend themselves more to local operators. Amongst the towns, the spread is fairly narrow – Peterborough has the greatest multiple representation (70%) and Bournemouth the lowest (54%). Colchester sits healthily within these parameters.

Independents and local traders are clearly a very important element of Colchester's retail proposition. Having spent time 'on the ground' assessing the independent offer and canvassing opinion locally, we would offer the following qualitative observations:

- Whilst the local traders are one of the unique characteristics of Colchester as a town centre, the operators themselves are of very variable quality.

- Some offer genuine diversity, principally through having one or more of the attributes for success previously identified. Others are far less competitive and do not adhere to strong retailing standards eg in store presentation (internal and external), merchandising, and having erratic opening times. It is beyond the scope of this Study to single out individual operators, as much of this assessment is subjective.
- Although independent and local traders are scattered throughout the town, the heaviest concentrations are on Short Wyre Street, Eld Lane, Sir Isaacs Walk and St John's Street (St Botolph's Street and Queen Street also have relatively high independent representation, but a large proportion of this is A3/Leisure use, rather than retail).
- There are positives in both the critical mass of this area ('an independent / local trader quarter') and the fact that it forms part of the retail core of the town, rather than an isolated outpost. It marries up well with the more multiple-dominated Culver Square and Lion Walk shopping centres, and the High Street.
- There are fairly distinct areas of strength and relative weakness within the 'independent quarter'. In very broad terms, the quality tails off to the east as the pedestrianised area approaches Queens Street/St Botolph's Street . This is reflected in vacancy figures (as we will go on to discuss). The 'middle section' (Sir Isaac's Walk) is ostensibly the strongest area.
- A number of multiple operators (eg Karen Millen, Lush, Animal, Phase Eight) have opened in areas dominated by independents. It is probably no coincidence that these are now ostensibly the strongest areas of the 'independent quarter'.
- Rather than 'encroachment' we would view this as a positive trend, as it cements the cross-fertilisation of multiples and independents. We believe there is a limit to which other multiples will follow into the area, principally because most of the retail units themselves are two small / 'quirky' for most mainstream multiple retailers. Only those with a similar slant, or niche operators are likely to follow, so it is by no means 'the beginning of the end' for local traders.
- The area is characterised by relatively heavy 'churn' – one retailer going / closing down and being replaced by a new tenant. Such is the nature of independent trading generally, with small retailers more prone to administration. From a holistic point of view, 'churn' is relatively healthy, but can become an issue if insufficient new demand arises, with the net effect of rising vacancy rates.
- Although the location of 'the independent quarter' is good, it remains a difficult pitch in that it is linear (a function of it tracing the old city wall). Linear pitches are notoriously difficult for retaining consistent and uniform footfall – in simple terms, few shoppers are likely to walk the entire length, as they may in a circular pitch.

Colchester's independent sector and local traders are worthy of attention and promotion. However, we would re-iterate that there is still an onus on the operators themselves to adopt good retail practices and remain competitive – uncompetitive operators cannot simply be subsidised.

A common grievance amongst local traders is likely to be unsustainable rental levels and excessive increases. Whilst we recognise that rent may be tipping factor for many traders, the property assets of the 'independent quarter' are under a multitude of ownerships. A fragmented ownership structure makes it very hard to monitor and standardise rents in any way. And without substantial landholdings in this area, the Council has very limited powers to act. Rental tones are very much determined by individual landlords, both private individuals and funds. Agents invariably seek to achieve what the landlords want – a tenant with good covenant strength willing to pay as much rent as possible. Regrettably, this does not always favour independent operators.

That said, our view is that there is scope for positive intervention that could significantly enhance the area as a whole. The most positive intervention is likely to take the form of devising a more cohesive strategy for the area, underpinned by a more proactive management and marketing approach. As a vision of what the area may aspire to, we would flag the following districts in other towns:

- The Lanes in Brighton
- The Shambles in York
- The Pantiles in Tunbridge Wells
- Royal Star Arcade in Maidstone

All these districts are dominated by independent and local traders, and have their own distinct identities. Projecting as a unified whole, they enjoy significant destination appeal from both local shoppers and tourists.

Seemingly less comparable, there are nevertheless areas of London that warrant mention in the same context. Carnaby Street, Covent Garden and Camden are all examples of areas that have benefited from a coherent and collective management and marketing strategy. All previously traded on their name and history alone for many years, but in recent years have been re-juvenated though a more proactive and joined-up approach.

In the case of Colchester, this would clearly be a long-term initiative. Issues to address are likely to include:

- Adopting a single 'brand' for the area
- Reinforcing this through signage etc
- Appropriate investment in the built environment eg paving, street furniture
- Co-ordinated marketing of the area (locally and nationally)

- A more co-ordinated leasing strategy
- A more collaborative approach from the retailers themselves and a common desire to work together and see themselves as a group.

These are suggestions at this stage rather than outright recommendations, but we believe these issues should be investigated if the potential of the area is to be maximised to the full.

Vacancy

We have articulated our views on national retail vacancy in Stage 1 of this Study, particularly the way that 'headline' numbers are often used as a damning indictment of the state of the UK high street, overshadowing wider issues. In this section, we explore the theme of retail vacancy specifically in the context of Colchester.

For the reasons outlined earlier, there are conflicting figures for vacancy rates in Colchester. The figures quoted most readily are those from the Local Data Company (LDC). These have been disputed by CoRBA on the basis of their own survey. As part of the full update of the GOAD data undertaken in May 2011, we have also produced our own figures.

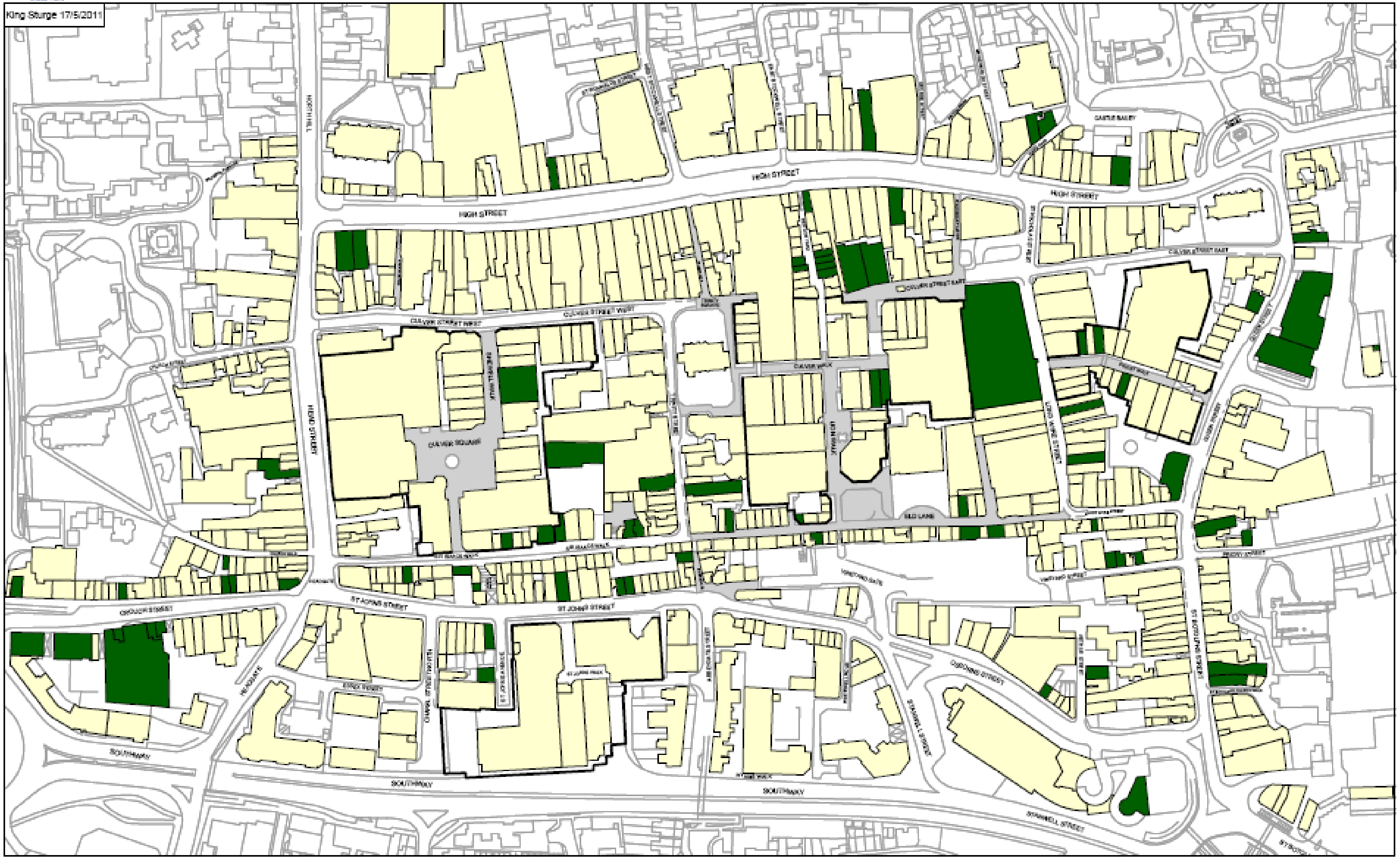
In their 'End of Year Vacancy Report' for 2010, LDC quoted a vacancy rate of 15.8% for Colchester. Not only was this above the national average (14.5%), it also showed a marked deterioration over the preceding six months, increasing from 10.2% at the end of June 2010. This gave Colchester the fifth highest vacancy rate in the Eastern region, behind Dunstable (26.5%), Ellenbrook (20.4%), Luton (19.1%) and Northampton (16.8%). On this measure, Colchester is worse than Ipswich (14.7%) and Chelmsford (which did not rank in the worst 20 towns in the region). Taken at face value, these figures do not make positive reading.

But as we are keen to stress, it is misleading to take vacancy figures at face value without exploring the detail. Our survey in May 2011 yielded a more transparent picture. Those units that were vacant at the time of our survey are highlighted on the GOAD plan in Fig. 11.

The 'top line' figures to emerge from our survey are considerably lower than LDC's. Our survey showed that 9.7% of retail and leisure units were vacant in Colchester, six percentage points lower than LDC's. Expressed in floorspace terms, Colchester's vacancy rate was 12.4%, according to our data. The difference between the outlet and floorspace vacancy rates is quite significant and is the reverse of the general / national trend (the outlet vacancy rate tends to be higher than the floorspace one as many of the voids are small units unsuitable for modern day retail use).

The discrepancy stems from the fact that a number of large scale outlets lay vacant in Colchester at out time of audit, notably the former Co op department store, the former Waring & Gillow furniture store on Queen Street (and the adjacent former footwear store) and the old Odeon cinema on Crouch Street. These will be placed in context in due course, but for the time being, they explain the difference.

Fig 11 – Vacant Retail and Leisure Units in Colchester (May 2011)



Source: Experian, King Sturge

Cross-referencing our figures against those from CoRBA's September 2010 survey, there is a strong degree of consistency. With slight variation in geographic coverage CoRBA's vacancy rate for the town was 8.5% (6.9% if North Hill, North Station Road, Middleborough are excluded).

To put our figures into wider context, we can revert to the 'headline statistics' benchmarking exercise. In terms of retail vacancy by outlets, Colchester is healthily below the benchmark average (9.7% versus 12.4%). Of the benchmark centres, only Tunbridge Wells (9.5%) and Salisbury (8.1%) have lower vacancy rates by units. The large-scale voids mean that Colchester's vacancy rate in terms of floorspace is higher than the benchmark average (12.4% versus 10.7%). Only Ipswich (13.7%) and Cheltenham (14.6%) rate lower than Colchester on this measure

'Top-line' figures do not do justice to the full picture. Having full transparency of the data gives a much wider perspective, particularly in differentiating between temporary and long-term vacancy, the latter obviously being more serious.

Of the vacant units identified, we believe a number are unlikely to remain in their current state for long. These include:

- The **two adjacent units in Culver Square East** (formerly occupied by Miss Selfridge and Currys Digital). These are currently vacant as the site is being re-developed. We understand that terms have been agreed with value operator 99p Store, who will occupy the unit when the redevelopment has been completed.
- The **two large-scale units in Queen Street** (formerly occupied by Waring & Gillow and a footwear store). We understand that these are poised for re-development and the site transformed into a hotel. As well as reducing vacancy, this development should serve as wider catalyst for improvement in the Queen Street area close to the Firstsite development and wider Cultural Quarter.

More problematic are some of the other units and areas. These include:

- The former **Odeon in Crouch Street** (and the two units to the West). Becoming increasingly derelict, this site in its current guise is only likely to suit large-scale leisure use (such as a nightclub). However, we understand that this would give rise to a number of planning sensitivities. The site is only likely to become 'marketable' if it is subject to substantial or total re-development.
- The former **Co op Department Store** in Long Wyre Street. Since our audit, we understand that a local operator called Townrow is trading in the store, albeit on a temporary basis. There is some potential for new department store provision in Colchester. But the Co op department store does not meet the needs for modern day, large scale retailing, even allowing for re-development. Even if the store is re-developed and divided up, it is hard to envisage demand from MSUs. Longer term,

a joint re-development with the abutting Bhs store may prove the only viable option of bringing this space back into retail use. Even this would be fairly speculative.

- The **two vacant units on the high street** near the junction with Head Street (formerly occupied by Bottoms Up and a temporary pound store). With a prominent location, these are very conspicuous voids, but we doubt there will be significant demand from suitably high profile retailers for the units as they are currently configured. If feasible (much will depend on who the landlords are), demand may increase if the two units were combined, reconfigured and updated.
- **Red Lion Yard.** There are a large number of vacant units for which we would anticipate limited occupier demand (the units are certainly too small for most multiple occupiers). Although a pleasant walk-through area, the yard suffers from something of a catch-22 situation – footfall is not currently sufficient to entice new retailers, but new retailers are probably needed if footfall is to increase.

As we have already discussed, there are clusters of vacancies along the Sir Isaac's Walk, Eld Lane and Short Wyre Street. It would be unreasonable to expect that this could be eradicated completely, but our suggestion of a more proactive and cohesive asset management and marketing strategy for the area would help keep voids to a more manageable level.

In terms of vacancy, the other areas that warrant attention are Queen Street and St Botolph's Street. This area contains what we referred to earlier as an 'ugly tail' of retail floorspace – old-fashioned, traditional 'high street' units in secondary locations, ill-configured for the demands of modern day retailing. This is not necessarily reflected in excessively high vacancy figures (CoRBA quotes a combined figure for the two streets of 16.9%), although on-the-ground evidence would suggest that a lot of would-be vacant floorspace is being absorbed by fast-food operators. In this instance, relatively low vacancy figures may actually belie regeneration need.

This underlines our view that Queen Street and St Botolph's Street is one of the town's few 'problem areas'. We believe the area would benefit from positive intervention, as 'problem areas' tend to decay further rather than re-generate themselves. There will be opportunities to address Queen Street on the back of the Firstsite facility and proposed development of a hotel at the site of the former Waring & Gillow store. We would envisage that regeneration in this area would be A3 / restaurant-led.

Ideally, regeneration would also sweep up from the bottom of St Botolph's Street. The likelihood of this being realised will depend largely on the outcome of the proposed Vineyard Gate development.

In summary, the vacancy rate in Colchester is nothing untoward. The town has not been totally insulated from fall-out in the retail market generally over the last two years, but much of the vacated space has been re-absorbed back into the market – a positive reflection of the town's general health. As retail market conditions remain difficult, further tenant fall-out cannot be ruled out completely. Although certain vacant sites (eg the former Odeon and Co op sites) and areas (eg Queen and St Botolph's Street) warrant investigation and possible intervention, there is little evidence to suggest irreversible and long-term decay.

5.4 Outlet and Floorspace Provision by Sector

This stage of analysis entails benchmarking Colchester's current retail provision by trading activity (eg clothing, books, music & video, footwear, electricals etc) against the peer group averages, both in terms of floorspace and count of outlets. The analysis provides a top-line overview of retail sectors where Colchester is currently under-supplied or possibly over-shopped.

The process behind this involves aggregating the number of outlets and calculating the total gross floorspace in each product category for Colchester and the benchmark centres. Colchester is then compared against the average of the benchmark centres.

The full datasets are incorporated in Appendix xxx. For the purposes of summary, the comparisons are best expressed as indices:

- an index of 100 indicates that Colchester is in line the benchmark average
- an index of more than 100 indicates that Colchester has more outlets or floorspace than the peer group average
- an index of below 100 indicates that Colchester is under-supplied in this category relative to its peers.

We have sub-divided the analysis into comparison goods (Table 10), convenience goods (Table 11) and leisure (Table 12). Sectors that emerge as being 'under-supplied' in both outlet numbers and floorspace are highlighted in red.

Generally, Colchester has a fairly balanced retail proposition and is well supplied in most retail sub-sectors. The offer is only slightly deficient in some areas. In many, its level of supply is greater than the benchmark average in terms of both floorspace and the number of outlets. These include a number of 'mainstream' **comparison goods** retail categories (eg toiletries/cosmetics/beauty products, greetings cards, mobile phone shops) and more 'niche' sub-sectors (eg crafts/gifts/china/glass, florists, music/music instruments, repair/alteration shops, cycles & accessories, secondhand goods). In part, this bears testament to the strength of Colchester's independent traders, which tend to predominate in these more niche sectors.

Table 10 – Retail Provision Benchmarking by Product Category – Comparison Goods

Category	Colchester Floorspace (ft²)	Average Benchmark Floorspace (ft²)	Colchester Outlets	Average Benchmark Outlets*	Outlets Index	Floorspace Index
Antique Shops	1,000	2,208	2	2	100	45
Art & Art Dealers	1,400	6,592	2	6	33	21
Booksellers	6,900	12,058	3	6	52	57
Carpets & Flooring	0	3,625	0	2	-	-
Catalogue Showrooms	12,600	9,425	1	1	100	134
Charity Shops	28,800	16,250	20	11	180	177
Chemist & Drugstores	15,400	25,225	4	4	109	61
Childrens & Infants Wear	4,000	10,767	2	4	55	37
Clothing General	89,100	89,867	23	16	142	99
Crafts, Gifts, China & Glass	16,200	12,617	16	10	155	128
Cycles & Accessories	6,000	4,025	2	2	100	149
Department & Variety Stores	131,300	177,375	6	5	122	74
DIY & Home Improvement	8,800	8,708	5	4	125	101
Electrical & Other Durable Goods	9,300	25,675	8	10	81	36
Florists	3,500	1,992	6	3	218	176
Footwear	15,900	18,250	11	11	105	87
Furniture	2,600	39,100	4	11	36	7
Gardens & Equipment	0	217	0	0	-	-
Greeting Cards	10,000	8,950	5	5	103	112
Hardware & Household Goods	37,800	30,500	4	5	75	124
Health & Beauty	37,200	43,792	53	42	125	85
Jewellery, Watches & Silver	9,400	16,108	14	18	78	58
Ladies Wear & Accessories	55,900	65,667	34	37	92	85
Leather & Travel Goods	1,200	2,817	1	2	46	43
Mens Wear & Accessories	10,700	14,792	9	8	107	72
Music & Musical Instruments	5,000	2,867	3	2	138	174
Music & Video Recordings	5,200	7,425	2	2	104	70
Newsagents & Stationers	11,100	12,267	9	4	220	90
Opticians	11,600	12,817	9	9	106	91
Photo Processing	400	992	1	1	75	40
Photographic & Optical	1,400	2,508	2	2	86	56
Repairs, Alterations & Restoration	1,900	1,042	3	2	171	182
Secondhand Goods, Books, etc.	900	733	1	1	120	123
Sports, Camping & Leisure Goods	20,400	22,625	6	6	103	90
Telephones & Accessories	13,500	12,992	13	11	121	104
Textiles & Soft Furnishings	2,400	6,767	2	4	52	35
Toiletries, Cosmetics & Beauty Products	17,400	14,567	7	7	106	119
Toys, Games & Hobbies	14,700	16,783	10	9	113	88

* These figures are averages and the numbers quoted in the table are rounded. The index is calculated on the unrounded figure.

Source: GOAD, King Sturge

Charity shops are another category of which Colchester has an abundant supply – 80% more than the benchmark average, with a similar level of 'over-supply' in floorspace terms. Some would regard this as a negative factor as charity shops do still carry a degree of stigma, often unfairly in our view. On a base level, a charity shop is always preferable to a void. We believe that charity shops are only a negative factor when they trade in isolation or amidst a parade or centre surrounded by vacant units. In this instance, they do epitomise decay. But as a component within a much broader retail proposition, they are as 'valid' as any other retail channel.

The sectors highlighted in red bear testament to areas where the town is possibly currently 'under-supplied'. In many cases we would not necessarily regard this as a weakness, particularly in the case of what are classified as 'bulky goods' – carpets/flooring, electricals/other durable goods, furniture, garden centres and textiles/soft furnishings. We would argue that the logical habitat for all these product categories is out-of-centre, be that edge-of-town or on out-of-town retail parks. The need to display products in a large-scale, lower cost environment with easy car-borne access has seen most of these sectors move away from town centres. This migration has clearly manifested itself in Colchester and in-town 'under-supply' in bulky goods is actually a positive factor – residual high supply in these categories tends to be unsustainable.

More telling is apparent 'under-supply' in more mainstream comparison goods categories. This is most acute in childrenswear, where Colchester has only around half the number of outlets and 63% less floorspace than the benchmark average. The town is ostensibly slightly under-weight in the core ladieswear sector (8% in outlets, 15% in floorspace) and we believe there are opportunities to improve this area of the retail offer, particularly in the upper mass-market.

In the other two core clothing categories, Clothing General (ie unisex) and Menswear, Colchester scores well in terms of outlets, but is slightly below the benchmark average in terms of floorspace (by 1% and 28% respectively). This trend carries through to department and variety stores – Colchester slightly exceeds the benchmark outlet figure, but has 26% lower floorspace. This underlines our view that the town has a very solid clothing proposition through its department stores, generalist and specialist clothing shops, but that there is scope to maybe sharpen the offer.

The other 'under-supplied comparison goods sector we would flag is jewellery. Colchester has 22% fewer jewellery outlets than the benchmark average and 42% less floorspace.

In **convenience goods**, Colchester is evidently very well supplied in some of the more 'traditional' / specialist categories, such as bakers, butchers, greengrocers and fishmongers. The town has greater supply of all these categories than the benchmark average. This is particularly true of butchers, where it has almost three times the number of outlets and four times the level of floorspace. Of the 12 benchmark centres, only one other (Tunbridge Wells) includes a specialist fishmonger.

On the other hand, off-licences are ostensibly 'under-supplied'. But (as with books and recorded music in comparison goods), this sector is currently undergoing substantial structural change, the net result being a reduction in high street presence generally. Rather than a weakness, Colchester may actually be ahead of its peer centres in this respect.

Table 11 – Retail Provision Benchmarking by Product Category – Convenience Goods

Category	Colchester Floorspace (ft²)	Average Benchmark Floorspace (ft²)	Colchester Outlets	Average Benchmark Outlets*	Outlets Index	Floorspace Index
Bakers & Confectioners	9,600	7,992	10	9	112	120
Butchers	5,700	1,442	3	1	257	395
Confectionery, Tobacco & News	900	4,500	2	5	39	20
Convenience Stores	16,000	8,408	8	4	204	190
Fishmongers	1,100	67	1	0	1200	1650
Frozen Foods	6,400	6,100	1	1	120	105
Greengrocers	500	708	1	1	171	71
Grocers & Delicatessens	2,600	5,675	3	5	55	46
Health Foods	5,200	4,217	7	4	200	123
Off Licences	1,300	4,000	1	3	39	33
Shoe Repairs & Key Cutting	1,700	1,417	5	3	182	120
Supermarkets	22,900	40,883	1	2	48	56

* These figures are averages and the numbers quoted in the table are rounded. The index is calculated on the unrounded figure.

Source: GOAD, King Sturge

The situation in the non-specialist convenience arena is an interesting one. On the surface, lower supply in larger supermarkets is counterbalanced by higher-than-average supply in convenience stores. As with bulky goods, the mainstay of destination/'one stop' food shopping is now out-of-centre and Colchester is evidently well-served by a host of out-of-town superstores.

Sainsbury's in Priory Walk is the one residual supermarket in the town itself (with Marks & Spencer obviously also having a foodhall). Seemingly an anachronism, the foodstore market has since turned full-circle, with the major operators since renewing interest in town centre sites. In this environment, the Sainsbury's store is actually now a valuable asset and fulfils the role of footfall-driver in what would otherwise be one of the less attractive parts of town.

Although seemingly well-supplied in convenience stores, smaller-store formats of the leading multiples are largely conspicuous by their absence. The one exception is the Tesco Express store on Crouch Street. We are somewhat surprised that there are not more such outlets within the town centre and would expect the major operators (Tesco, Waitrose, Sainsbury's, Asda and the Co op) to be currently appraising the town for possible new sites for their respective c-store formats.

The picture is less transparent in **leisure**, especially in terms of floorspace (in leisure premises, there can be tangible differences in gross and trading floorspace, on account of upper floors, basements etc). It would therefore be wrong to read too much into the fact that Colchester has less floorspace than the benchmark average in every leisure floorspace category except nightclubs and bingo halls/amusements.

The GOAD figures suggest that the town centre is 'undersupplied' in pubs (28% fewer outlets, 24% less floorspace). However, this is partially offset by higher than average provision of bars/wine bars (9% more outlets). The reality is that dividing lines between these two categories have become increasingly blurred and in many cases, there are only nuances of difference. Taken as a collective, it is probably fair to conclude that Colchester has a balanced supply of drinking establishments.

Table 12 – Retail Provision Benchmarking by Product Category – Leisure

Category	Colchester Floorspace (ft²)	Average Benchmark Floorspace (ft²)	Colchester Outlets	Average Benchmark Outlets*	Outlets Index	Floorspace Index
Bars & Wine Bars	45,700	54,450	17	16	109	84
Bingo & Amusements	28,300	11,633	3	3	120	243
Cafes	23,900	29,767	26	23	114	80
Casinos & Betting Offices	8,100	9,108	6	6	106	89
Cinemas, Theatres & Concert Halls	16,200	33,575	2	3	80	48
Disco, Dance & Nightclubs	13,800	13,733	4	3	155	100
Fast Food & Take Away	25,900	31,150	27	29	93	83
Hotels & Guest Houses	17,700	26,225	3	3	116	67
Public Houses	39,400	51,983	12	17	72	76
Restaurants	49,500	64,025	28	30	92	77
Sports & Leisure Facilities	2,000	20,058	1	2	55	10

* These figures are averages and the numbers quoted in the table are rounded. The index is calculated on the unrounded figure.

Source: GOAD, King Sturge

More tangible is the marginal 'under-supply' in restaurants (8% in terms of outlets, 23% in terms of floorspace). Although a number of branded operators have opened in the town in recent years, we still believe there are opportunities in this area, as our subsequent 'gap' analysis will address.

In summary, we would conclude that Colchester benefits from a balanced retail mix, with more than adequate supply in many product categories. Areas of possible slight imbalance (and opportunity) include:

- clothing (especially womenswear and upper mass-market operators)
- childrenswear
- jewellery
- leading c-store formats
- (branded) restaurants

5.5 Local Opinion

The Retail Audit has supplied a detailed 'healthcheck' of the town's retail and leisure proposition. By its nature, the key focus is the retail proposition itself and the existing / potential tenant mix. Although qualitative as well as quantitative, it does not address some of the 'softer' issues. These are some of the more intangible factors that although difficult to quantify or measure, nevertheless have a significant bearing to key stakeholders in the town itself.

The other key stakeholders subdivide into two broad categories – traders (national multiples, local traders, independents) and consumers (shoppers, residents, visitors). It would obviously be impractical to consult with each and every stakeholder, but we have sought to gauge the opinions of appropriate representatives or representative bodies.

Traders

There have been two strands to canvassing opinion amongst the traders:

- Speaking to store managers of key outlets, the centre managers and local bodies
- Speaking to appropriate head office representatives / contacts (eg property director, estates manager etc)

The first of these strands obviously provides invaluable local insight from stakeholders that form part of Colchester's very fabric and have exposure to the town on a daily basis. The views from head office are obviously less ingrained in Colchester, but the detachment is nevertheless equally valuable – they are able to put their respective Colchester store in the context of their national portfolio.

As property agents and consultants, we have established contacts at most of the national retailers. For this Study, we have spoken to **head office** contacts at Marks & Spencer, Debenhams, TK Maxx, Boots, Argos, H&M,New Look, Wilkinsons, Arcadia (Top Shop, Burton, Dorothy Perkins), Bhs, Tragus (Café Rouge) and Odeon. These conversations are essentially confidential, but we are able to summarise the basic tone and anonymously highlight any key issues to emerge.

The feedback from the various head offices was remarkably consistent, if not hugely enlightening. With no real exceptions, all the retailers canvassed were happy with their Colchester stores. All were trading either in line with the chain average, or in many cases slightly above average. One key national retailer (>500 stores) reported that Colchester was 'one of the top town centre stores in the portfolio'. None reported poor trading performance, other than difficult retail market conditions generally.

None of the retailers canvassed expressed any immediate plans to relocate, although some were considering additional stores at potential out-of-town schemes. A number of retailers had recently undertaking store refurbishments, whilst others are poised to undertake similar exercises – evidence of ongoing commitment and belief in Colchester.

In summary, most national retailers generally seem to trade solidly (if unspectacularly) in Colchester and will continue to invest in their stores in the town.

Local trader stakeholders have been able to give a more 'on the ground' and three-dimensional view. For reference, we have spoken to representatives of the Major Retailers' Forum (including store managers/representatives of the major department stores in the town and the shopping centre managers) and a representative from CoRBA, providing a voice for the smaller businesses and traders in the town.

We would stress that our position is unbiased and our role is to consult objectively – our function is not to represent any one body, nor support any particular agenda. Our objective is to canvass opinion, analyse the issues raised and derive objective recommendations that will benefit the town as a whole.

Understandably, there are a whole host of opinions and views across all parties canvassed. However, there were a number of recurrent themes, which we would group as following:

1. Infrastructure and car parking
2. Sunday trading
3. State of the high street
4. Marketing of the town

In many respects, the four themes are interlinked.

Car parking appears to be a perennially contentious issue – from our experience, this is by no means particular to Colchester. The two main concerns relate to the level of capacity and parking tariffs – in simple terms, there isn't enough and what there is is too expensive. We are by no means transport consultants, but are willing to offer the following 'high level' observations.

The universal opinion of those consulted was that existing car parking provision was at full capacity and at peak trading times (eg Saturday) there was insufficient supply to meet demand, leading to heavy congestion. Hypothetically, if the Vineyard Gate scheme were delivered as planned, this would increase retail floorspace capacity to the detriment of car parking provision. Either way, there is a strong case to suggest that parking capacity needs to increase in the medium term.

The concept of 'park and ride' schemes is a potential option and one that we understand is being explored. We understand from the council that planning permission for a park and ride scheme has now been granted, with an anticipated completion date of December 2012. As a general observation, our experience is that these are not always the solution they promise to be. It is hard to deny the premise and logic of 'park and ride' schemes in that they direct traffic away from the town centre core, and offer shoppers cheaper parking and easy access to the town. In reality, however, the practicality is sometimes not matched by use – whatever they may say, shoppers are notoriously set in their ways. Whilst some may adopt the new schemes, many would stick to their car-borne habits and the net gain may be limited.

There is also the issue of location – one ‘park and ride’ scheme would probably not suffice and it has been suggested that three (one to the North, East and West of the town) would be necessary to alleviate congestion and car parking issues to any significant degree. There are a myriad of issues in play, but we do not believe a single ‘park and ride scheme’ will solve all the problems.

Others suggested that capacity would be increased more effectively by opening up and promoting sites closer to the town centre eg by the castle, by the station. This certainly warrants further investigation. We understand that the Magistrates Court development on St Botolphs Street will have a new multi-storey car park and there are two new smaller surface car parks being built in Napier Road and the south side of Southway.

It was acknowledged by some that the issue of car parking and capacity was well served on the council website, but this did not carry through to the town itself, with car parking signage fairly poor. Some suggested that digital signage boards (showing the availability of spaces by car park) in strategic locations within the town and on key approaches would help shoppers and direct traffic to the right location and alleviate unnecessary congestion. In response to this point, the Council has highlighted that such a system has been in place since 2005, installed on main roads into the town by Essex County Council.

The issue of car parking costs is something of a moot point. There is definitely a perception amongst many shoppers that car parking in Colchester is overly-expensive – most of the traders we canvassed acknowledged this, but were not necessarily at pains to agree with it. We are not able to undertake detailed price comparisons between charges in Colchester and all other centres in the local area (eg Chelmsford and Ipswich) but would offer the following observations.

Two of the town’s central car parks are operated by NCP, not the local council. This includes the car park closest to the high street. As a privately-owned company which generates its income through car parks, NCP are at liberty to charge whatever rate they believe to be commercially viable in any given location. Often, this is at a premium to publicly-owned facilities. So, the NCP car parks may be expensive, but there are alternatives. This is the classic free-market economy situation, whereby the operators need to balance price between consumers ‘voting with feet’ (or in this case, cars). Prices are only likely to be reduced if capacity is made available elsewhere at much more competitive rates.

The other four car parks are operated by the council. We understand these operate on a promotional approach, with a different set of tariffs according to purpose of visit. As we stressed, we have not conducted local price comparisons, but the traders themselves we spoke to implied that they were not out of kilter with comparable competing centres (eg Ipswich, Chelmsford). Some suggested that the common view of shoppers was little more than perception – prices were deemed to be higher in the past and this perception has stuck in the minds of many to the point of perpetuation. Also, views of car parking generally were tainted by the higher-than-average NCP charges. Clearly, it is difficult to break such perceptions.

A number of traders pointed to the success of concessionary parking rates on Sunday (fee before 12.30 and 50p all day). Indeed, **Sunday trading** as a whole (and the opportunity it represents) emerged as a recurrent theme amongst a number of the traders. Generally speaking, Colchester as a town appears to have been slow to adopt Sunday trading. For many other towns, Sunday in now firmly entrenched as the second busiest trading day of the week. Often, it is more of a 'family day-out' and is therefore worthy of promotion.

When introduced back in the 1990s, Sunday trading was initially a controversial concept but has prompted a change in shopping dynamics. It has spread week-end shopping over two days, rather than have everything concentrated on one, with all the associated congestion (traffic, in-town and within shops themselves). However, the issue is more complex than merely displacing six days shopping over seven. Towns that did not embrace Sunday trading suffered leakage to those that did ie by not trading seven days a week, they actually attracted less money than they would have in six. However, we also acknowledge that Sunday trading can be difficult for small traders and independents as it adds stress to staffing issues (and maybe owners not having any days off).

By all accounts, Colchester appears to be playing catch-up on Sunday trading, but car parking concessions is a positive way of addressing this. Promotion as a 'family day' may be also have a positive influence.

The opportunity presented by Sunday trading feeds into the third recurrent theme – the state of the high street. Colchester evidently benefits from a vibrant 'night-time' economy, particularly on a Saturday night. One of the negative by-products of this is that the high street is strewn with various remnants from the preceding night come Sunday morning. Clearly, this does not create a pleasant shopping environment for shoppers and is particularly at odds with any move to make Sunday a 'family' shopping day.

Feedback from traders (especially those located on the high street itself) is that more could be done to ensure that the high street is fit for trading on Sunday morning. This obviously hinges on having an appropriate number of street rangers / cleaners deployed, at the right times (ie before the first shoppers arrive).

For the high street as a whole, this covers a much deeper issue. Without exception, the traders expressed disappointment at **the state of the high street** and we would support this view. Whilst Colchester is a strong retailing town, its high street does not match up with other areas in the town, particularly the two managed shopping centres, in terms of cleanliness, environment and retailer line-up.

On the last issue, the tenant mix is ostensibly less strong on the high street than in the two managed schemes – indeed, without Williams & Griffin and Marks & Spencer, the high street would be struggling. We would hope that Primark do indeed take on the JJB Sports store as this will breathe new life into the offer and ensure that there is a good balance between a strong operator at either end (Williams & Griffin and Primark) and one in the middle (Marks & Spencer). However, this change is natural rather than intervention-based.

The other negative aspects of the high street do require more proactive intervention. The environment is fairly poor, as summed up by one quotation that 'the whole thing needs a damn good scrub'. Other traders have expressed a desire that the high street moves more towards 'continental pavement-culture'. We would suggest that this remains a 'blue sky' rather than realistic vision, but more fundamental building blocks need to be established first.

One of the keys to kick starting improvement to the high street is better housekeeping and management generally. Some retailers have grievances with the level of littering on the high street, yet much of this is a product of retailers themselves – many leave stock (obsolete or otherwise), packaging and waste outside their store on the pavement. This clearly does not create a good impression and is likely to have a knock-on effect – other retailers may follow suit and shoppers may also feel less compelled to dispose of rubbish in the appropriate receptacles. The issue needs to be appropriately policed, as, indeed, it would be in one of the managed shopping schemes.

Only through more concerted 'tender loving care' (TLC) can the state of the high street be improved. This is a fundamental, upon which more conspicuous improvements (eg investment in signage, better street furniture, refurbishment of buildings and facilities) can be added.

The final recurrent theme is that of **marketing**. This is by far the most abstract of the four common themes, but is nevertheless very significant. Most of the traders canvassed acknowledged and were appreciative of the progress that has been made by the tourist office in promoting Colchester to visitors. However, there are still some question marks as to whether the town is marketing itself well enough to its inhabitants and local residents. There is perhaps a general feeling that the marketing of Colchester could perhaps sell the benefits of the town more and possibly be more strategic. However, as the most abstract of the themes, it is difficult to pinpoint immediate solutions.

A number of sub-issues emerged, which we list below:

- Unhelpful conflicts and mixed messages from the County and Borough councils
- Uncertainty over the future of the bus station
- Fragmentation of the market, rather than a unified offering
- Effects of 'de-trafficing' the high street
- Effects of banning steel-roller blind / grills

We are not sufficiently qualified to pass judgement on any of these issues other than recognise both sides of any argument. For example, steel-roller blinds are obviously unsightly, but they evidently serve a purpose – only if deeper issues are resolved do they become redundant. Similarly, 'de-trafficing' benefits pedestrian flows and ostensibly the retailers themselves, but the process needs to be sensitive to their delivery requirements and timings.

Many of the issues raised are deeply complex and solutions or 'quick fixes' are understandably difficult to establish. However, there is a strong common denominator that the town would benefit from more proactive management. To this end, we would recommend that the council re-investigates the option of appointing a **Town Centre Manager**. We acknowledge that there have been three unsuccessful attempts at this in the past and also that retailers and businesses in Colchester voted against becoming a BID. However, the fact remains that many other towns have an officer who fulfils this function and in many cases (particularly when the right individual fulfils the role), there can be very tangible benefits.

Some general points we would make regarding a Town Centre Manager are as follows:

- Although employed by the Council, the Manager would be independent from the Council
- The Manager would have no 'agenda' or landholdings in the town
- Have experience in a similar role in another town
- May well have been a retailer by trade / worked for a retailer in the past
- Would have responsibility for the housekeeping of the high street
- Would work closely with the shopping centre managers at Culver Square and Lion Walk
- Would liaise regularly with the Major Retailers' Forum and CoRBA.
- Would be instrumental in effecting and managing the proposed improvements to the independent and Cultural quarters
- Has an active role in marketing the town.

This list is not exhaustive. However, we firmly believe that a good town centre manager can bring about positive and long-term change and would recommend that the matter is re-explored.

Consumers

The key stakeholders in Colchester are ultimately those people that live and shop there and those that come as visitors. The very thrust of this Study is to bring improvements to Colchester's retail proposition that benefit as many of this audience as possible.

Rather than undertake face-to-face or telephone interviews (which are both labour-intensive and costly) we have drawn on surveys carried out by the Enterprise & Tourism department to gauge the opinions of both residents and visitors to the town. The two surveys we have analysed are the Residents' Benchmarking Survey from 2009 and Destination Benchmarking Surveys (1999 – 2009).

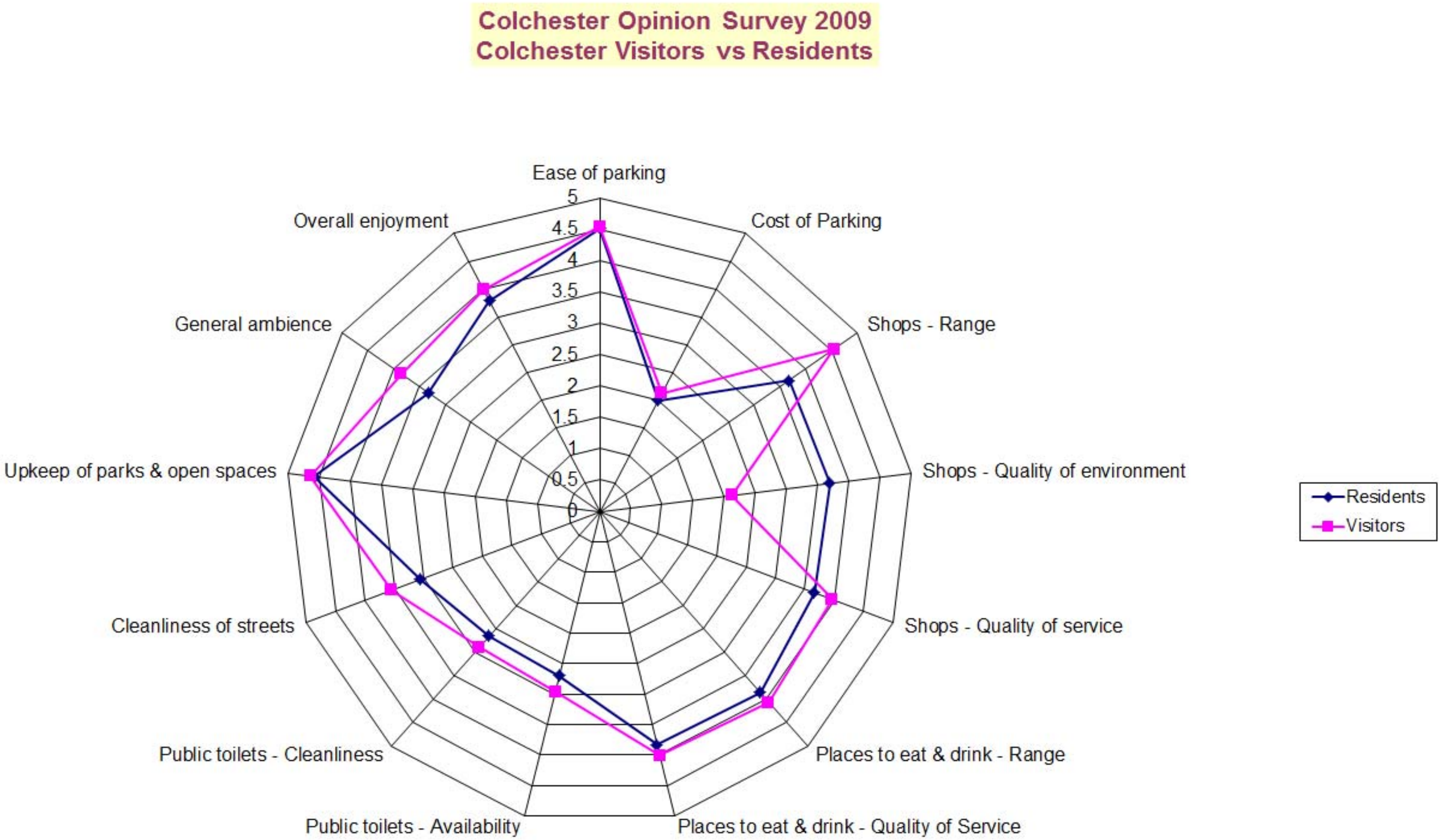
The latter is a national research package with a standard questionnaire aimed at assessing the experience of visitors in a given location. The survey involves an on-street, face-to-face interview with around 400 people in Colchester town centre. Various key visitor sites are used on a variety of dates over the summer period. Filter questions are used both to ensure that the respondent is a ‘visitor’ and that they have had a ‘significant visit’ by the time they are surveyed. The collated information is analysed to give a picture if the visitor experience to the town and can also be compared against other ‘historic towns’. These are other ‘historic towns’ that have partaken in the survey and typically include the likes of Oxford, Lincoln, Winchester, Salisbury etc (this list of towns changes year-on-year as different places have chosen/have the budget to participate or not).

A series of questions are asked in both surveys, covering a both the quality and range of retail and leisure provision, car parking and traffic issues, facilities, environment and generic ambience / enjoyment. A detailed list of the questions posed is evident from Figs. 12 - 13 and Table 21. The questionnaires employ a 1- 5 scoring system, whereby

1= Very poor   2= Poor   3 = Average   4 = Good   5 = Very good

Fig. 12 compares the ratings from both the Residents’ and Vistors’ survey in the form of a radar chart.

Fig. 12 – Colchester Opinion Survey 2009: Visitors vs Residents



Source: Colchester Enterprise & Tourism

There are two clear conclusions to be drawn from this comparison:

- The underlying pattern of strengths and weaknesses is very consistent between both
- Visitors view Colchester slightly more favourably than its residents do

To develop the second of these conclusions, it is not unusual for visitors to have a higher opinion than residents in any survey of this kind – the former may have a more objective eye and take less for granted. Nevertheless, this message reinforces our belief that the town needs to market itself slightly better, as much to an internal audience as to potential visitors.

Visitors rated Colchester higher than its residents on nine of the questions posed and equal on a further three (cost of parking/ease of parking/upkeep of parks and open spaces).

The only question where Residents scored Colchester higher than Visitors was in 'Shops – Quality of Environment' (Residents – 3.7, Visitors – 2.1). Interestingly, this is the reverse of the other significant skew, namely in 'Shops – Range' (Residents – 3.2, Visitors – 4.5). Clearly, visitors are impressed with the breadth and choice of the retail offer in Colchester, but slightly less so with the actual environment within the shops themselves. However, it is worth stressing that a number of key operators have since undertaken refurbishment programmes, particularly on the back of the wider upgrade to Lion Walk.

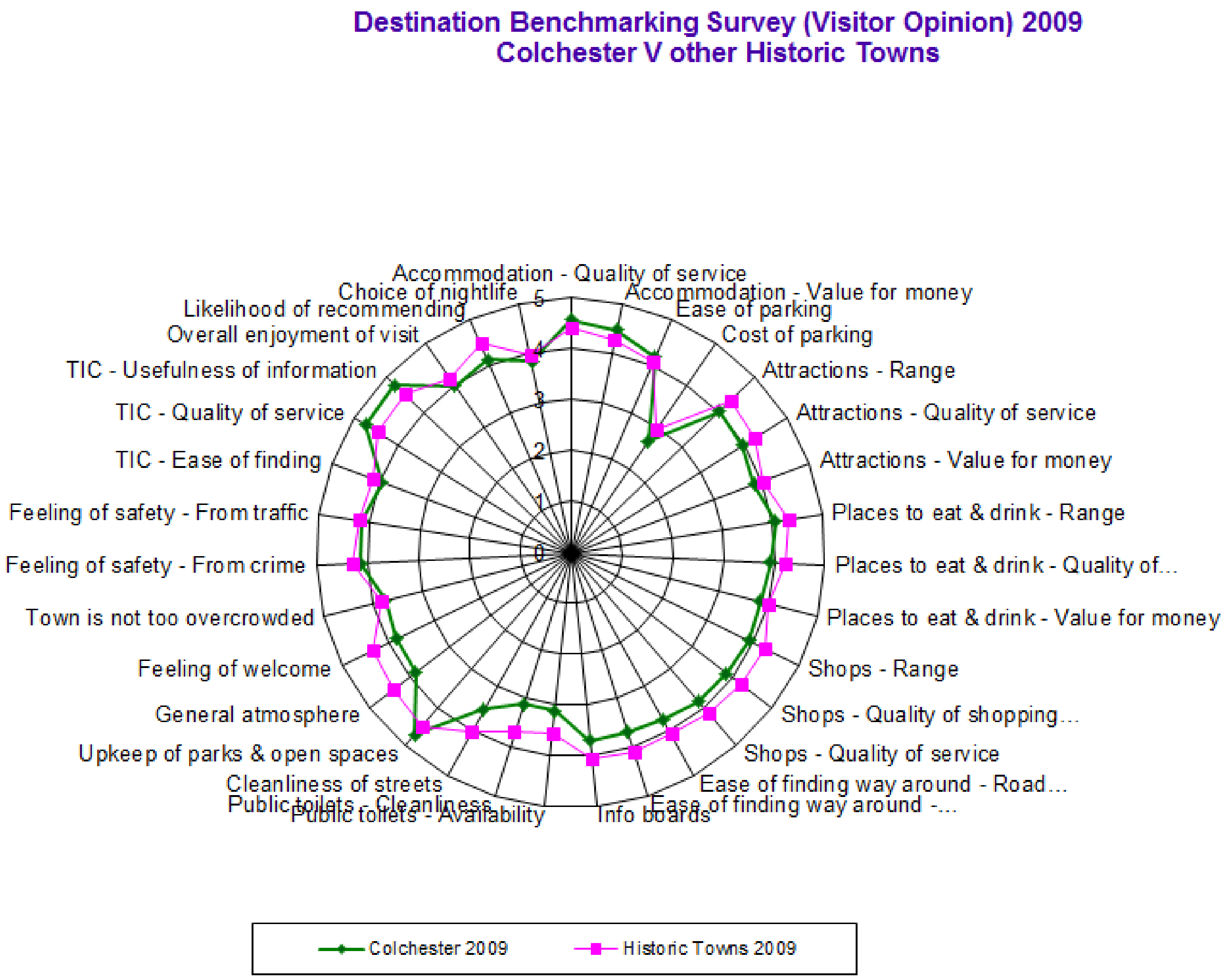
These two variances aside, there is a strong degree of consistency between the respective response patterns. The area where Colchester was scored best by both Residents and Visitors was in 'Upkeep of parks & open spaces' (4.4% on both counts).

Conversely, 'cost of parking' was a concern to both groups (scoring 2 on both counts). Since the survey was conducted in 2009, we understand that the council has endeavoured to address certain areas of weakness highlighted by the Study – this has included introducing a variety of car parking charges aimed at different types of visitor. However, as we highlighted earlier, negative perceptions take a long time to break down – whilst improvements may be appreciated by visitors to the town, they may not enter the consciousness of those that are there on an everyday basis.

Fig. 3 places Colchester in a wider context. The radar chart plots the Destination Benchmarking Survey (ie Visitors') scores against those of the Historic Towns – effectively, a benchmarking exercise. The range of questions is slightly broader than the Residents' Survey.

Again, the actual pattern between Colchester and the other Historic Towns is very similar. Note above all else the consistent skew towards dissatisfaction towards cost of parking. This reaffirms our earlier statement that concerns over car parking tariffs are by no means particular to Colchester – complaints are common nationally. That is not to dismiss a contentious issue, but it does put the matter into some perspective.

Fig. 13 – Destination Benchmarking Survey 2009: Colchester versus Other Historic Towns



Source: Colchester Enterprise & Tourism

To draw on the positives, Colchester 'out-performs' the Historic Town average on a number of measures, including:

- Upkeep of parks & open spaces
- Tourist Information Centre – Quality of Service
- Tourist Information Centre – Usefulness of Information
- Accommodation – Quality of Service
- Accommodation – Value for money.

On a less positive front, Colchester ranks below the Historic Town average on virtually all of the other measures, albeit only fairly marginally in each case. Categories where there is more of a substantial (>50bps) gap include:

- General atmosphere
- Feeling of welcome
- Public toilets – availability
- Public toilets – cleanliness

Since the survey was conducted in 2009, we understand that the council has proactively addressed some of these perceived shortcomings. For example, we understand that the town centre toilets have since been upgraded and one in particular has been subject to unique treatment from a variety of artists (and anecdotal feedback has been very strong).

But above all else, these shopper surveys highlight the dangers of complacency. As in any town, there is on-going scope for improvement in Colchester and the town needs to evolve if it is to remain competitive. A large new development is one way to cut through some negative perceptions and help people re-discover the town.

When the Colchester Gazette reported on the fact that this Study had been commissioned, there were around 15 responses on the Internet from the general public. Most questioned whether the Study represented value for money, but some were more enlightening. One in particular seemed to embody most of the public's issues:

'Expensive parking

No Park and Ride

The town is dirty with litter about,

Many chain stores are missing from Colchester,

Let's be honest, Colchester is between Ipswich and Chelmsford and both knock the spots of Colchester'

We would hope that this Study and the Retail Audit in particular has sufficiently addressed all of these issues.

6 COLCHESTER IN THE FUTURE – THE IMPACT OF CHANGE

6.1 Background

Retail is a constantly changing market. Much of this change is evolutionary and general trends in retailing, current and longer term, have been discussed at length in Stage 1 of this Study.

Some change is more revolutionary. This tends to entail significant change in floorspace supply, such as the opening of a new shopping centre, or development of an out-of-town retail scheme. A new development will significantly change local shopping patterns, with shoppers increasingly gravitating towards newer and better retailing facilities. In simple terms, a town with a new scheme is likely to witness an uplift in footfall and spend, which comes at the expense of other towns in the area. Whilst the town with a new scheme will see higher overall spend, this may not be distributed evenly – the new scheme may suck in disproportionately high levels of trade, to the detriment of the historic retailing core. There are many balances to be struck.

In this section, we assess the likely changes that new floorspace provision will have to shopping dynamics in the wider area over the next five years (and beyond). This analysis covers potential development within Colchester itself and in external centres. For each scenario, we quantify the potential uplift or negative impact on Colchester.

As outlined in Stage 1, the credit crisis and subsequent recession has seriously derailed the retail development pipeline. Many of the schemes proposed prior to the recession (even those will full planning consent) became unviable. Some have consequently been 'moth-balled', whilst others will never be resurrected. There are just three schemes opening in 2011. Two (in Wakefield and Newbury) will have no bearing on Colchester. However, the third, Westfield's **Stratford City**, may on account of both its location and scale.

None of the other schemes under construction are likely to influence shopping patterns in Colchester. However, there are outline proposals to extend Capital Shopping Centre's **Lakeside** scheme at Thurrock. Although far more provisional than Stratford City, we can nevertheless assess any impact the extension may have.

The impact of the proposed **Vineyard Gate** scheme in Colchester itself can also be quantified. Although there are doubts that the original scheme will be developed as originally proposed (certainly on the same scale), we can nevertheless assess the hypothetical uplift it would have for the town as a whole. Assessing changes *within* the town in terms of customer flows and footfall are harder to quantify, but could nevertheless by appraised qualitatively. Similarly, we can re-run the process when greater clarity emerges as to the developer's intentions.

Note that these three developments can be assessed in isolation (ie as individual developments) or in unison as 'blended scenarios' eg Vineyard Gate and Stratford City, or all three schemes together.

6.2 Introduction to Gravity Modelling

The key tool in assessing the impact of step change in retail supply is a gravity model ('GM'). Our gravity model ('Scenario Manager') has been devised by Experian, thereby dovetailing with the '*Where Britain Shops*' catchment areas, as used in Stage 2 of this Study.

The premise of any gravity model is to provide a tool that mimics people's shopping patterns, both presently and in the future. The assumption is that an individual's expected level of expenditure at a given centre is proportional to the attractiveness of that centre, and inversely proportional to a measure of distance to that centre (cf. weight and distance in the laws of gravity.)

The base data is actual customer data from Experian's '*Where Britain Shops*' customer data. The raw data is cleansed and amalgamated into a database of actual shopping patterns. This forms the basis of a forward-looking gravity model. There are two key areas of 'flex' within the model:

- people's likelihood to travel relative to their travel time to the retail centres ('decay')
- people's likelihood to travel relative to different centres' attractiveness scores

For the purposes of this Study, we have kept the decays at a constant level. Impacts are assessed by modification of 'attractiveness scores'. Each centre within the model is allocated its own 'attractiveness score', which reflects the depth and quality of the retail proposition (in much the same way Javelin derives its Venuescore retail ranking). The shopper flows (at postal sector level) are calibrated against these scores.

A new scheme will increase the 'attractiveness score' of that centre. The scale of the development is input into the model and assumptions are made as to the likely constitution of that floorspace (based on observed averages for other new schemes). The 'attractiveness score' of that centre increases proportionally. In turn, this realigns all the shopper flows that underpin it. From this, it is possible to calculate and quantify impacts to all centres, both positive and negative. The outputs can be derived in three ways:

- maps, showing changes in catchment areas and shopper flows ('before and after')
- impacts, expressed in terms of shopper population gains/losses by centre
- impacts, expressed in terms of comparison goods spend gains/losses by centre

In practice, there is very strong correlation between the second and third of these outputs. For the purposes of this Study, our analysis focuses on the third (spend).

6.3 Scenario 1 - Stratford City

Stratford City will be the largest shopping centre to open in the UK this year. When it starts trading in September, it will offer 1.9 million ft² of retail and leisure floorspace, in addition to 1.1 million ft² of office space, three hotels and more than 16,000 new homes. Anchored by John Lewis, Marks & Spencer and Waitrose, the scheme will house around 300 retail units and 50 restaurants and bars. Although adjacent to the Olympic Park and forming the 'gateway to the Olympic Games', it is interesting to note that the whole scheme was actually conceived independently from the ultimately successful Olympic bid and would have proceeded regardless of outcome.

Such is the scale of Stratford City that it will inevitably draw from a wide area. For reference, the development is just over 50 miles away from Colchester, but with an estimated drivetime of 92 minutes (according to the AA). Train journey time is around 45 – 50 minutes.

Table 21 - Scenario 1 Impacts

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
Stratford City	0	829,401,919	829,401,919	100.00%
Lakeside	686,345,890	669,210,103	-17,135,786	-2.50%
Brentwood	142,074,949	140,761,827	-1,313,122	-0.92%
Chelmsford - Chelmer Village Retail Park	45,931,744	45,667,880	-263,863	-0.57%
Chelmsford	413,885,184	412,071,185	-1,813,998	-0.44%
Billericay	47,091,404	47,075,647	-15,757	-0.03%
COLCHESTER	498,054,757	498,054,757	0	0.00%
Centres Outside Colchester's Catchment	-	-	-808,859,392	-

Source: Experian, King Sturge

By way of explanation:

- 'Existing Comparison Goods Spend' is the estimate for expenditure that is currently made in that centre ie before any of the new floorspace is factored in
- 'Modelled Comparison Goods Spend' recalculates these expenditure flows on the back of the proposed new floorspace (in this Scenario, Stratford City in isolation)
- 'Spend Difference (£)' is the impact, expressed in absolute (ie £) terms
- 'Spend Difference (%)' is the same impact, expressed as a % of that centre's existing spend
- In the respective output tables, the centres are ordered according to the % impact

Note that, primarily for the sake of presentation, Tables 21 – 26 only list the centres that feature within Colchester's wider catchment (Primary/Secondary/Tertiary) or show up as influential in the town's existing shopper flows (see Table 5). Those centres outside of this area are aggregated up as a single entity ('Centres Outside Colchester's Catchment').

Our gravity modelling suggests that Colchester will be outside Stratford City's key sphere of influence. The model suggests that when it opens, Stratford City will attract comparison goods spend of £829m. However, the vast majority of this (£809m, or 97%) will come from centres outside of Colchester's catchment.

In cash terms, the centre within Colchester's wider catchment predicted to feel the most impact is Lakeside. Some £17m of Lakeside's existing spend will gravitate to Stratford City. However, given Lakeside's scale, this represents a relatively modest percentage impact of just 2.5%.

Both Billericay and Chelmsford will see some degree of spend erosion, albeit fairly minor. Colchester is sufficiently resilient (and geographically distant) to withstand the competitive threat of Stratford City – our gravity modelling suggests that it will have no impact on trade in the town. In practice, this will not be totally the case, as some local shoppers will travel the extra distance to Stratford. However, these shopping trips are likely to be one-offs / infrequent excursions, rather than weekly or regular trips (which are essentially what *Where Britain Shops* and the gravity model monitor).

In essence, therefore, Stratford City will not 'convert' existing Colchester shoppers, but it will divert some degree of excursion-driven trade and spend. A good existing parallel in this respect is Bluewater. Lakeside is a genuinely competitive centre to Colchester. Anecdotally, however, a certain number of Essex-based shoppers will, on occasion, by-pass Lakeside to travel to the more distant (but more upmarket) Bluewater scheme. We would expect Stratford City to embody a similar sort of threat.

6.4 Scenario 2 – Lakeside Extension

The situation is less clear-cut at Lakeside. Thurrock Thames Gateway Development Corporation has prepared a Master Plan for the Lakeside-West Thurrock area. This includes the regional shopping centre and neighbouring retail and leisure parks, in an area collectively known as Lakeside Basin. A Master Plan has been approved by the Development Corporation, with provision for an extra 1 million ft² of retail and 1.2 million ft² of leisure floorspace, as well as a sports venue and a hotel. The Master Plan provides a framework for growth for the area up to 2021.

Within this wider framework, Capital Shopping Centres (CSC) is known to be keen to extend Lakeside shopping centre. To this end, in February 2011 it made public a tentative expansion figure of 350,000 ft². Although CSC has yet to submit formal planning proposals, it is currently negotiating with the council on this basis. Although much may yet change, an additional 350,000 ft² seems a reasonable assumption to make in our scenario-testing exercise.

Table 22 - Scenario 2 Impacts

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
Lakeside	686,345,890	875,311,872	188,965,982	27.53%
Brentwood	142,074,949	137,543,976	-4,530,974	-3.19%
Billericay	47,091,404	45,828,300	-1,263,104	-2.68%
Chelmsford - Retail Parks	114,482,672	112,734,597	-1,748,074	-1.53%
Wickford	42,549,864	41,644,157	-905,707	-2.13%
Chelmsford	413,885,184	408,067,557	-5,817,626	-1.41%
Southend-on-Sea	410,871,228	406,040,489	-4,830,738	-1.18%
Witham	51,153,135	50,660,125	-493,010	-0.96%
Maldon	27,397,774	27,134,758	-263,016	-0.96%
Braintree - Freeport	154,483,270	153,945,905	-537,365	-0.35%
Braintree	88,973,273	88,682,514	-290,759	-0.33%
Colchester - Retail Parks	101,090,160	100,981,122	-109,038	-0.11%
Halstead	25,442,285	25,424,577	-17,708	-0.07%
COLCHESTER	498,054,757	497,824,143	-230,614	-0.05%
Centres Outside Colchester's Catchment	-	-	-167,928,248	-

Source: Experian, King Sturge

The extension would see Lakeside's comparison goods spend increase by over a quarter, or £189m in cash terms. The impact of this would be more widely felt within Colchester's catchment area than Stratford City, although a large proportion of this gravitated spend would still be from outside (£168m, or 89%).

In terms of total spend, the two most impacted centres are likely to be Chelmsford (£5.8m) and Southend (£4.8m). However, given that these are both large centres, the relative impacts in percentage terms would be fairly minor (1.4% and 1.2% respectively). Smaller centres such as Brentwood (3.2%) and Billericay (2.7%) would see a slightly higher percentage impact.

Colchester would not be totally immune to an extension at Lakeside, with the town centre possibly seeing as much as £250,000 diverting to Lakeside, with a further £100,000 gravitating away from the town's retail parks. However, this would represent just 0.05% and 0.11% of their respective existing spend levels - not enough to cause any discernible negative change.

6.5 Scenario 3 – Stratford City and Lakeside Extension

This scenario fuses the previous two. In other words, it assumes that Stratford City and the Lakeside extension proceed, but there is no further development within Colchester. On this basis, this is the most 'damaging' scenario for Colchester ie no internal development, maximum external.

Table 23 - Scenario 3 Impacts

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
Stratford City	0	824,717,100	824,717,100	100.00%
Lakeside	686,345,890	855,084,184	168,738,294	24.59%
Brentwood	142,074,949	135,831,289	-6,243,660	-4.39%
Billericay	47,091,404	45,818,771	-1,272,633	-2.70%
Chelmsford - Retail Parks	114,482,672	112,729,725	-1,752,947	-1.53%
Wickford	42,549,864	41,671,248	-878,616	-2.06%
Chelmsford	413,885,184	406,731,021	-7,154,163	-1.73%
Southend-on-Sea	410,871,228	406,049,558	-4,821,670	-1.17%
Witham	51,153,135	50,660,125	-493,010	-0.96%
Maldon	27,397,774	27,134,758	-263,016	-0.96%
Braintree - Freeport	154,483,270	153,945,869	-537,401	-0.35%
Braintree	88,973,273	88,679,465	-293,808	-0.33%
Colchester - Retail Parks	165,564,655	165,428,590	-136,065	-0.08%
Halstead	25,442,285	25,424,577	-17,708	-0.07%
COLCHESTER	**498,054,757**	**497,824,143**	**-230,614**	**-0.05%**
Centres Outside Colchester's Catchment	-	-	-969,360,084	-

Source: Experian, King Sturge

Given that Stratford City and the Lakeside extension in isolation would have limited negative impact on Colchester, it follows that the collective influence is also slight. Under this scenario, less than £250,000 comparison goods spend would be diverted away from Colchester, which equates to only 0.05% of the town’s existing spend levels.

Other towns in the area are less insulated. Over £7m of spend would gravitate away from Chelmsford town centre and a further £1.8m from its retail parks. Southend would also suffer an outflow of nearly £5m and Brentwood over £6m. Although not devastating initially, if not addressed over time, the impact on these centres could be damaging in the longer term.

6.6 Scenario 4 – Vineyard Gate Development (in isolation)

This scenario assumes that the Vineyard Gate scheme hypothetically proceeds as initially planned. It assumes that the Stratford City and the Lakeside extension do not happen. On this basis, it is the most ‘positive’ scenario for Colchester ie maximum internal development, zero external. It is obviously hypothetical as Stratford City will materialise, but nevertheless shows what degree of uplift Colchester would witness in isolation from external developments.

The original Vineyard Gate proposals were for 550,000 ft² (gross) new retail accommodation, including a significant retail anchor tenant. Given the change in level, the scheme proposals were spread over two floors.

Table 24 - Scenario 4 Impacts

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
COLCHESTER	498,054,757	653,174,805	155,120,048	31.15%
Colchester - Retail Parks	165,564,655	126,107,697	-39,456,958	-23.83%
Harwich - Harwich Gateway Retail Park	23,895,143	20,873,285	-3,021,858	-12.65%
Witham	51,153,135	45,346,755	-5,806,380	-11.35%
Clacton-on-Sea - Retail Parks	60,841,421	54,281,584	-6,559,837	-10.78%
Clacton-on-Sea	123,791,523	110,745,206	-13,046,317	-10.54%
Halstead	25,442,285	23,170,684	-2,271,601	-8.93%
Dovercourt	15,146,537	13,801,104	-1,345,433	-8.88%
Sudbury - Sudbury Retail Park	12,957,422	11,960,154	-997,268	-7.70%
Frinton-on-Sea	35,529,351	33,057,405	-2,471,947	-6.96%
Braintree - Freeport	154,483,270	144,561,189	-9,922,081	-6.42%
Braintree	88,973,273	83,797,999	-5,175,274	-5.82%
Sudbury	90,293,718	85,403,462	-4,890,256	-5.42%
Maldon	27,397,774	25,927,377	-1,470,396	-5.37%
Ipswich - Retail Parks	203,150,405	193,015,072	-10,135,333	-4.99%
Ipswich	535,639,369	512,513,625	-23,125,743	-4.32%
Chelmsford - Retail Parks	114,482,672	110,866,026	-3,616,646	-3.16%
Chelmsford	413,885,184	403,458,300	-10,426,884	-2.52%
Stowmarket	69,042,785	67,694,027	-1,348,757	-1.95%
Felixstowe	71,905,223	70,825,708	-1,079,515	-1.50%
Wickford	42,549,864	42,072,831	-477,033	-1.12%
Bury St Edmunds	252,429,186	250,013,832	-2,415,353	-0.96%
Brentwood	142,074,949	141,369,599	-705,351	-0.50%
Billericay	47,091,404	46,880,373	-211,032	-0.45%
Basildon	341,894,898	340,880,753	-1,014,145	-0.30%
Southend-on-Sea	410,871,228	410,229,113	-642,115	-0.16%
Lakeside	686,345,890	685,276,013	-1,069,876	-0.16%
Centres Outside Colchester's Catchment	-	-	-2,416,659	-

Source: Experian, King Sturge

This ‘baseline’ scenario would see attracted spend to Colchester rise by £155m to £652m, an increase of 31% on existing spend estimates. Whilst obviously positive for Colchester, this uplift would be achieved at the expense of other centres.

Nearly £40m of the ‘clawed back’ spend would come from the town’s retail parks – nearly one quarter of their collective spend. Individually, the Tollgate Centre would see the largest negative impact (-£17m), followed by Colne View (-£12m).

Colchester’s key competing centres, Ipswich and Chelmsford, would see spend diversion of £23m and £10m respectively. This would obviously impinge upon the retail health of both towns, but not to a catastrophic degree. Perhaps more unsustainable is the trade diversion that some of the smaller centres closer to Colchester would suffer. Clacton-on-Sea and Witham would lose estimated spend of £13m and £6m respectively. Although at face value not large numbers, in both cases this represents more than 10% of existing spend. Clearly, this would have detrimental effects and would provoke a number of sensitive issues.

6.7 Scenario 5 – Vineyard Gate and Stratford City

This scenario assumes that Stratford City and Vineyard Gate (as originally planned) are realised, but that the Lakeside extension is not. As we will go on to discuss, this is perhaps the most realistic of all the scenarios, in that Stratford City definitely will materialise and we would expect some development at Vineyard Gate, albeit on a smaller scale than originally proposed.

Table 25 - Scenario 5 Impacts

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
Stratford City	0	829,401,919	829,401,919	100.00%
COLCHESTER	498,054,757	653,174,805	155,120,048	31.15%
Colchester - Retail Parks	165,564,655	126,107,697	-39,456,958	-23.83%
Harwich - Harwich Gateway Retail Park	23,895,143	20,873,285	-3,021,858	-12.65%
Witham	51,153,135	45,346,755	-5,806,380	-11.35%
Clacton-on-Sea - Retail Parks	60,841,421	54,281,584	-6,559,837	-10.78%
Clacton-on-Sea	123,791,523	110,745,206	-13,046,317	-10.54%
Halstead	25,442,285	23,170,684	-2,271,601	-8.93%
Dovercourt	15,146,537	13,801,104	-1,345,433	-8.88%
Sudbury - Sudbury Retail Park	12,957,422	11,960,154	-997,268	-7.70%
Frinton-on-Sea	35,529,351	33,057,405	-2,471,947	-6.96%
Braintree - Freeport	154,483,270	144,561,153	-9,922,117	-6.42%
Braintree	88,973,273	83,797,999	-5,175,274	-5.82%
Sudbury	90,293,718	85,403,462	-4,890,256	-5.42%
Maldon	27,397,774	25,927,377	-1,470,396	-5.37%
Ipswich Retail Parks	203,150,405	193,015,072	-10,135,333	-4.99%
Ipswich	535,639,369	512,513,625	-23,125,743	-4.32%
Chelmsford - Retail Parks	114,482,672	110,853,337	-3,629,334	-3.17%
Chelmsford	413,885,184	402,307,299	-11,577,884	-2.80%
Lakeside	686,345,890	668,127,854	-18,218,036	-2.65%
Stowmarket	69,042,785	67,694,027	-1,348,757	-1.95%
Felixstowe	71,905,223	70,825,708	-1,079,515	-1.50%
Brentwood	142,074,949	140,147,959	-1,926,990	-1.36%
Wickford	42,549,864	42,069,754	-480,110	-1.13%
Bury St Edmunds	252,429,186	250,013,832	-2,415,353	-0.96%
Basildon	341,894,898	339,352,047	-2,542,851	-0.74%
Billericay	47,091,404	46,742,326	-349,078	-0.74%
Southend-on-Sea	410,871,228	409,159,180	-1,712,048	-0.42%
Centres Outside Colchester's Catchment	-	-	-809,545,292	-

Source: Experian, King Sturge

Scenario 1 suggested that Stratford City and Colchester will be mutually exclusive, certainly in terms of primary / regular shopping trips. A scenario whereby both benefit from new development will therefore have a largely neutral effect on Colchester. Indeed, our model would suggest that comparison goods expenditure in Colchester would still rise by £155m (+31.2%).

Although Colchester's output figures do not actually change compared to Scenario 4, the underlying shopper flows in the surrounding area change considerable when Stratford City is also factored in. Not surprisingly, those centres sandwiched between the two will experience the greatest loss. Chelmsford is estimated to see spending erode by nearly £12m, nearly 3% of its existing total. Assuming that the Lakeside extension does not happen but those in Stratford and Colchester do (ie this Scenario) would see Lakeside take an estimated hit of £18m, some 2.65% of its current total.

6.8 Scenario 6 – Vineyard Gate, Stratford City and Lakeside Extension

This scenario is the most 'competitive', in that it assumes all three developments materialise.

Table 26 - Scenario 6 Impacts

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
Stratford City	0	824,717,100	824,717,100	100.00%
COLCHESTER	498,054,757	652,930,993	154,876,236	31.10%
Lakeside	686,345,890	853,640,832	167,294,943	24.37%
Colchester - Retail Parks	165,564,655	125,780,153	-39,784,502	-24.03%
Harwich - Harwich Gateway Retail Park	23,895,143	20,873,285	-3,021,858	-12.65%
Witham	51,153,135	44,736,846	-6,416,289	-12.54%
Clacton-on-Sea - Retail Parks	60,841,421	54,281,584	-6,559,837	-10.78%
Clacton-on-Sea	123,791,523	110,745,206	-13,046,317	-10.54%
Halstead	25,442,285	23,150,237	-2,292,048	-9.01%
Dovercourt	15,146,537	13,801,104	-1,345,433	-8.88%
Sudbury - Sudbury Retail Park	12,957,422	11,960,154	-997,268	-7.70%
Frinton-on-Sea	35,529,351	33,057,405	-2,471,947	-6.96%
Braintree - Freeport	154,483,270	144,020,759	-10,462,511	-6.77%
Braintree	88,973,273	83,480,472	-5,492,801	-6.17%
Maldon	27,397,774	25,796,713	-1,601,061	-5.84%
Sudbury	90,293,718	85,403,462	-4,890,256	-5.42%
Ipswich - Retail Parks	203,150,405	193,015,072	-10,135,333	-4.99%
Brentwood	142,074,949	135,497,697	-6,577,252	-4.63%
Chelmsford - Retail Parks	114,482,672	109,451,169	-5,031,503	-4.39%
Ipswich	535,639,369	512,513,625	-23,125,743	-4.32%
Chelmsford	413,885,184	396,911,137	-16,974,047	-4.10%
Wickford	42,549,864	41,055,841	-1,494,023	-3.51%
Basildon	341,894,898	330,270,735	-11,624,162	-3.40%
Billericay	47,091,404	45,617,888	-1,473,516	-3.13%
Basildon - Mayflower Retail Park	71,100,999	69,469,436	-1,631,563	-2.29%
Stowmarket	69,042,785	67,694,027	-1,348,757	-1.95%
Southend-on-Sea	410,871,228	403,453,919	-7,417,309	-1.81%
Felixstowe	71,905,223	70,825,708	-1,079,515	-1.50%
Bury St Edmunds	252,429,186	250,013,832	-2,415,353	-0.96%
Centres Outside Colchester's Catchment	-	-	-958,178,076	-

Source: Experian, King Sturge

Not surprisingly, this scenario polarises spend around the three beneficiary centres. Collectively, their combined uplift would be an estimated £1,150m. However, only £190m (17%) of this figure is expected to come from within the parameters of Colchester's existing catchment area. The residual £958m is extsernal (generated primarily by Stratford City).

Against a more competitive backdrop, the influence of Stratford City is muted very slightly (£825m versus £830m without Vineyard Gate and the Lakeside extension). Colchester would still be expected to achieve a spend uplift in the order of £155m (+31%) in this 'most competitive' environment.

6.9 Summary

Colchester's standing as a retail centre is seemingly under no immediate external threat on two accounts:

- There is very limited new pipeline development across the country
- Even significant developments that are in the pipeline (and in relative geographic proximity) are expected to have limited impact on Colchester town centre

Our analysis suggests that there will bevirtually no overlap between Colchester and Stratford City when the latter opens later this year. Similarly, if the Lakeside extension materialises, this will see only minimal (-0.05%) spend diversion from Colchester. In broad terms, there is not a compelling case for new floorspace in Colchester as a 'defensive' measure ie to nullify potential trade diversion that may arise from new development in competing centres.

However, we would warn against complacency. Despite limited external threats, this should not preclude continued investment in Colchester's own infrastructure – failure to do so could see the town drift rather than capitalise on its full potential.

Also, the impact assessment is a scientific exercise which may not reflect the full breadth of consumers' shopping propensities. The one caveat of all this impact analysis is that it refers to primary, comparison goods shopping habits ie where consumers go for their main / most regular non-food shop. By its nature, it will not take into account either secondary shopping (often called 'top up' shopping) nor 'destination shopping' (infrequent 'blow-outs'). The risk is that 'one- off' destination shopping trips to large-scale facilities such as Lakeside, Bluewater and Stratford City escalate. For example, for certain shoppers Colchester may remain their primary shopping centre – for every 20 trips into town, they may only make one to Stratford City. However, the one to Stratford City may command a significantly higher proportion spend. This will not be picked up nor quantified in gravity modelling exercises, but will be felt 'on the ground' in the form of reduced trade / spend.

There are other, non-consumer issues in play. If new floorspace is being developed externally, it may affect Colchester's ability to attract new retailers to the town. Faced with the choice of a second hand, possibly compromised unit in Colchester or new, well-configured space in a nearby town, many retailers would invariably opt for the latter. This could supplant any requirements for Colchester, limiting the town's ability to improve its retail offer. Again, these occupier issues will not be picked up in any gravity model, but would play out negatively over time.

The scenarios factoring in the original Vineyard Gate proposals highlight the positive benefits of new development – the gravity modelling exercise shows that the town could increase its spend levels by nearly a third. However, this is only a hypothetical situation and assumes the scheme is delivered as originally planned, is fully let to good quality tenants and does not cause significant occupier displacement elsewhere in the town. In the current retail environment especially, these would be very bold assumptions to make.

In the final section of this Study, we move away from the hypothetical and more towards the feasible as we appraise the scope for new floorspace in the town in more depth.

7 DEVELOPMENT POTENTIAL

7.1 Background

In this final section, we explore the viability of new retail floorspace provision within Colchester town centre. This focuses predominantly on the Vineyard Gate site and reviews the proposals issued to date. The original proposals (as available in the public domain) were for a 550,000 ft² (gross) scheme over two levels, anchored by a new LSU. However, in common with many other proposed new schemes elsewhere in the country, the economic crisis has put the original proposals 'on hold' indefinitely. We will examine the feasibility of the original proposals in the light of current and future economic and property environments and explore possible alternative proposals.

As part of the process, we have also consulted with the developer, Caddick Developments. This has eradicated much of the uncertainty around the development proposals and provided considerable insight as to how they intend to re-engineer their original plan in the light of changed market dynamics.

As a generic list, there are five key considerations that determine a new retail scheme's viability. These are indelibly inter-linked:

1. Property market conditions
2. Consumer demand / 'capacity' or floorspace need
3. Occupational demand
4. Scheme / site specifics
5. Financing (development, construction and associated costs)

The last of these is the least transparent, but is usually dependent on the other four (plus the banks' underlying willingness to lend). We have addressed the issue of occupational demand in depth in the earlier retail audit. The key focus in this section is the other three considerations – property market conditions, consumer demand/'capacity' and scheme/site specifics.

7.2 Colchester – Property Market Performance and Forecasts

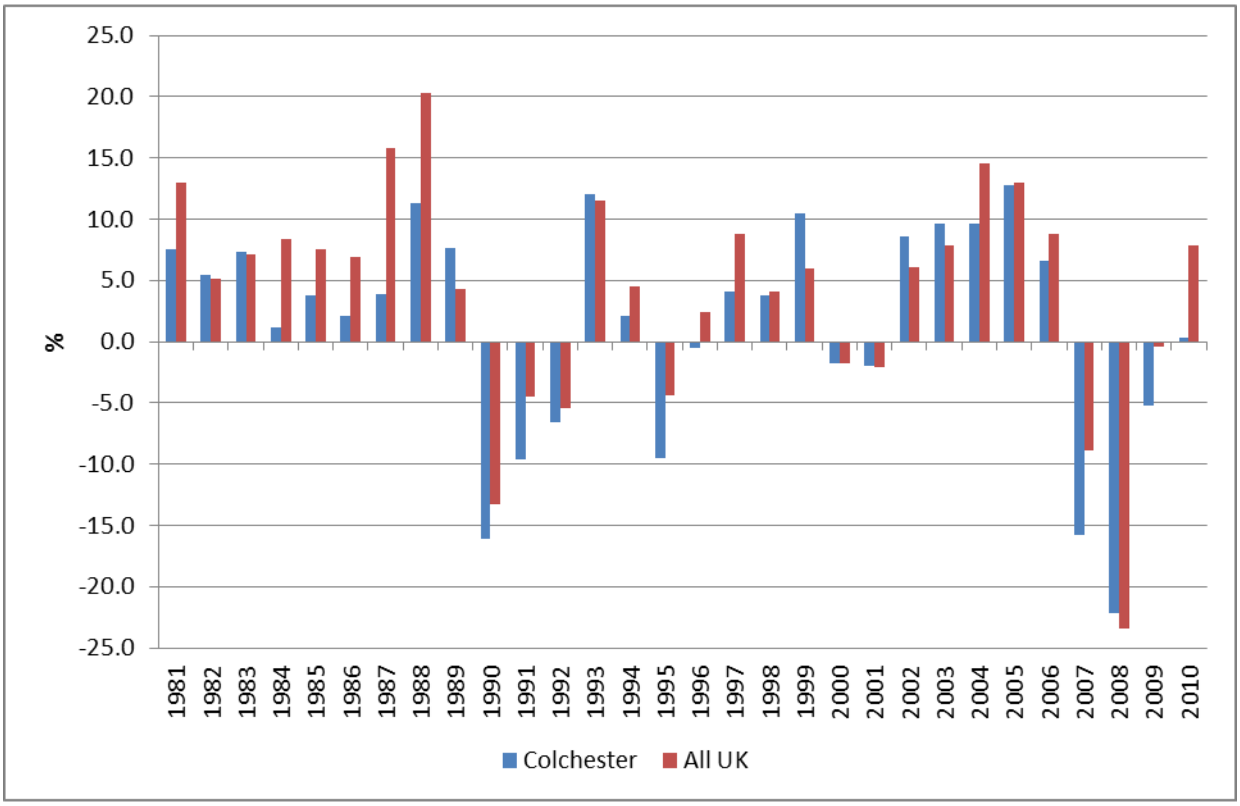
Property market conditions are a key determinant in a scheme's financial viability. The key barometer of property market performance is Total Return, a weighted combination of Income Return and Capital Value Growth. These are underpinned by other key metrics, most notably Rental Value Growth, whilst the key 'currency' of property development and investment markets are Yields (essentially a metric of rental and income value combined, divided by capital value).

While the mechanics are relatively simple, they may not be transparent to the wider public. In very simple terms, if capital values are falling and rents are not growing either, the developer will not make a return on his investment. If he can't make a return, he won't commit to developing the scheme in the first place. In basic terms, property market conditions must be right if a new scheme is to proceed and be financially viable.

As we discussed in our earlier macro retail market overview, the UK property market has been massively destabilised by the credit crunch and subsequent recession. In this section, we focus more on how this has played out in Colchester, using more localised data. The focus is on two key variables – capital values and rents. As well as historical performance, we will also provide our market forecasts to 2015.

In terms of **capital values**, the broad pattern between Colchester and the country as a whole (Fig. 16) has been largely consistent over the last 30 years – strong growth in the late 1980s, a sharp downturn in 1990 – 1992, a negative blip in the mid 1990s, gentle correction again in 2000, rampant growth in the mid 2000s, before the credit crunch set in in 2007 and the market fell off a cliff in 2008.

Fig. 16 – Historic Annual Growth (%) in Retail Property Capital Values

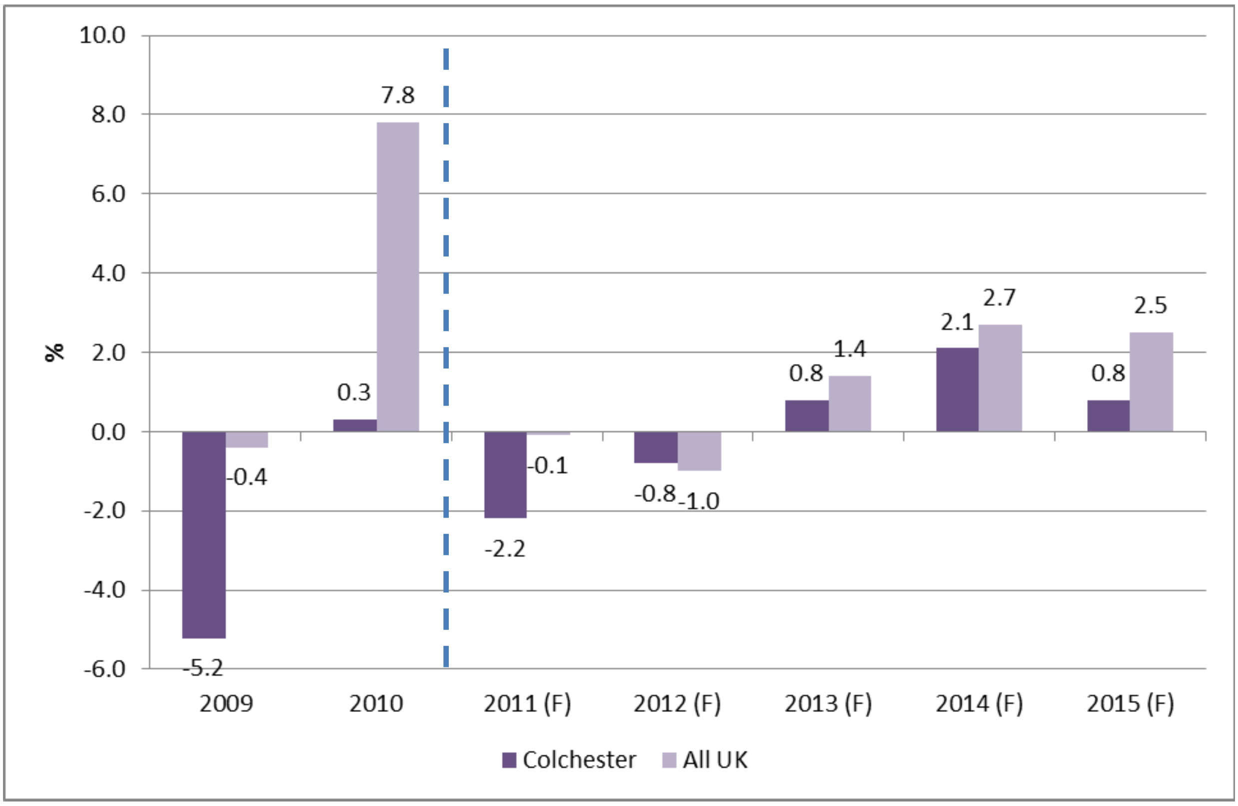


Source: IPD UK Local Centres 2010

Although Colchester has broadly tracked the national trend over this period, it has always marginally under-performed. According to industry standard figures from IPD (who collate actual asset and fund data for all types of properties across the country), capital values in Colchester have increased at an annual average of just 1.0% over the last 30 years. This compares to a UK average of 3.6%. Taking a more regional view, the equivalent figures for both the South East and Eastern England were 3.0% over the same period.

Of course, these 30 year growth figures have been severely depressed by precipitous declines since 2007. Figures from IPD show that over the last three years, retail property capital values in Colchester have declined by an annual average of -9.5%, compared to -6.3% in the UK as a whole (South East -5.1% and Eastern -8.4%). In simple terms, capital values on retail property in Colchester started to decline earlier than in many other areas of the country and have also been slower to recover.

Fig. 17 – Forecast Annual Growth (%) in Retail Property Capital Values



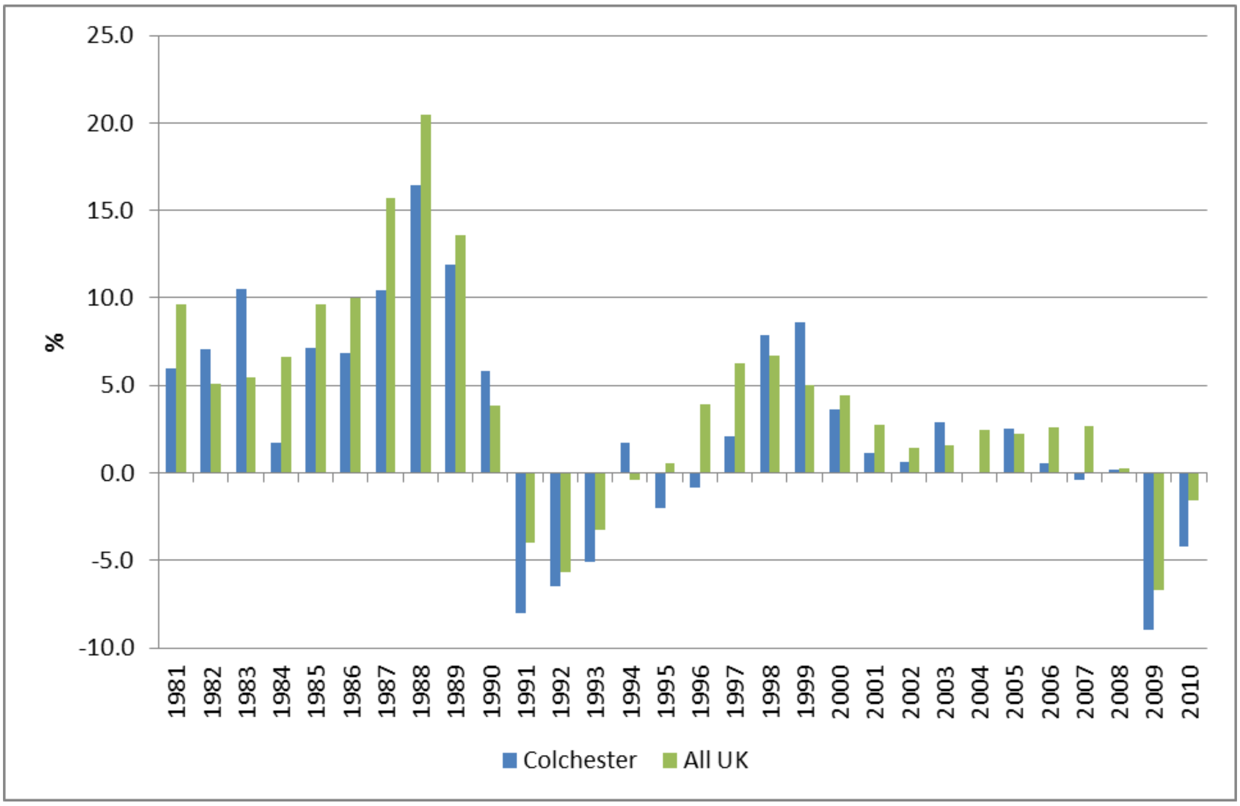
Source: IPD UK Local Centres 2010 (Historic), REFL (Forecasts)

This 'underperformance' is destined to continue (Fig. 17). Recovery in Colchester in 2010 (0.3%) was more sluggish than the national average (7.8%) and Real Estate Forecasting Ltd (REFL) predict that the double-dip this year will be more severe (-2.2% versus -0.1% nationally). More encouragingly, the Colchester retail property market is forecast to return to sustainable growth from 2013. The level of this growth may continue to lag the national average, but on a positive front, it means that any new scheme is likely to be delivered to the market in a time of capital market growth (allowing for a minimum 2-3 year gestation period).

As is usually the case, these trends are also manifest in **rental** performance. Generally, retail rents tend to lag slightly behind capital values and changes tend to be less volatile. Whilst the performance curve tends to mirror that of capital values, the peaks and troughs are less severe.

Retail rental values in Colchester have grown at an annual average rate of 2.5% over the last 30 years, lower than the national average of 3.9%. Colchester's rental growth is also lower than the regional averages of the South East (3.9%) and Eastern England (3.5%).

Fig. 18 – Historic Annual Growth (%) in Retail Property Rental Values

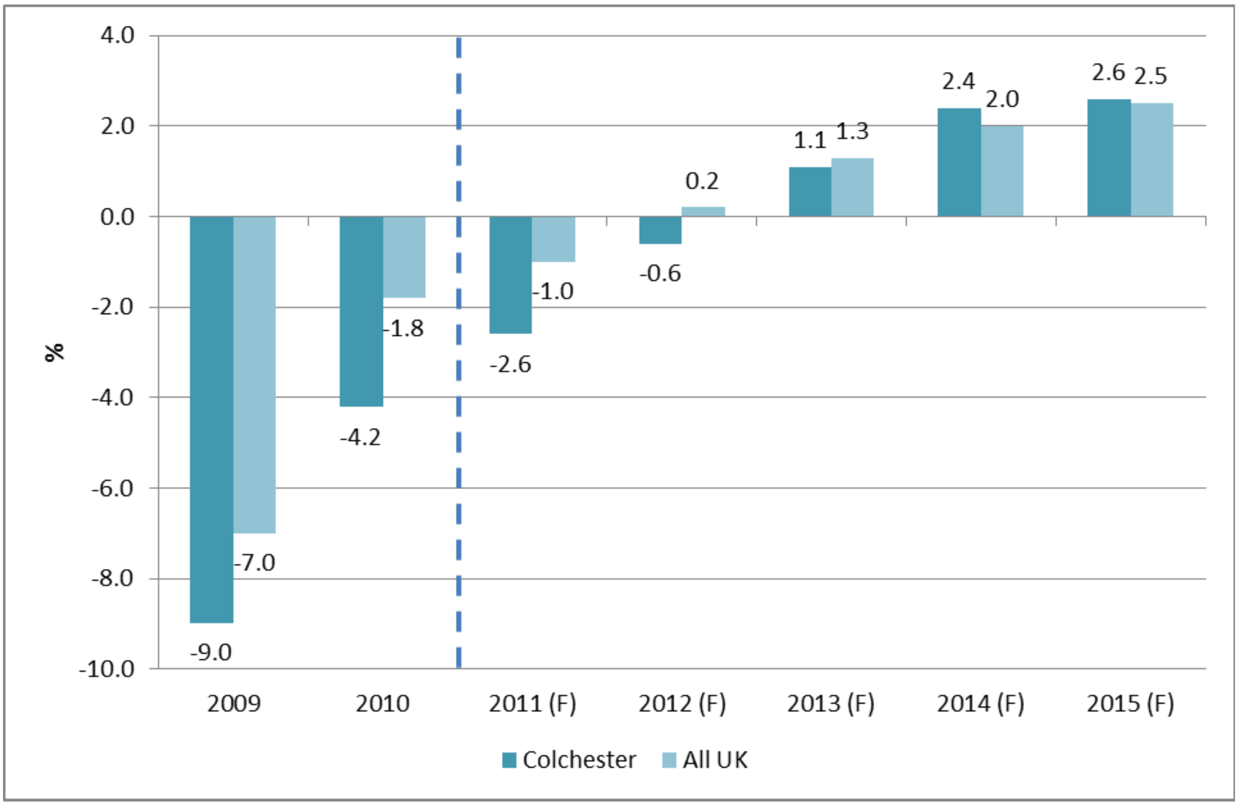


Source: IPD UK Local Centres 2010

Retail rents have eased considerably in Colchester in recent years. The IPD figures show that rental growth in the town moved into negative territory as long ago as 2007. The decline of 9.0% in 2009 was also significantly higher than the national average (-6.7%), as was also the case in 2010 (-4.2% versus -1.6%). In 2011, rents continue to decline and REFL forecasts that the town will not see a return to underlying retail rental growth until 2013. However, by 2014, the town's rate of growth is expected to exceed national averages.

Between 2007 and 2012, retail rents in Colchester will cumulatively have declined by around 14% - a very substantial correction. Although on the surface a negative factor and a blight on the town's retail health, on the positive side, it should have provided some degree of respite for the retailers trading in the town. It may even have been an implicit factor in the town's relatively refined vacancy rates, which we have already discussed in depth.

Fig. 19 – Forecast Annual Growth (%) in Retail Property Rental Values



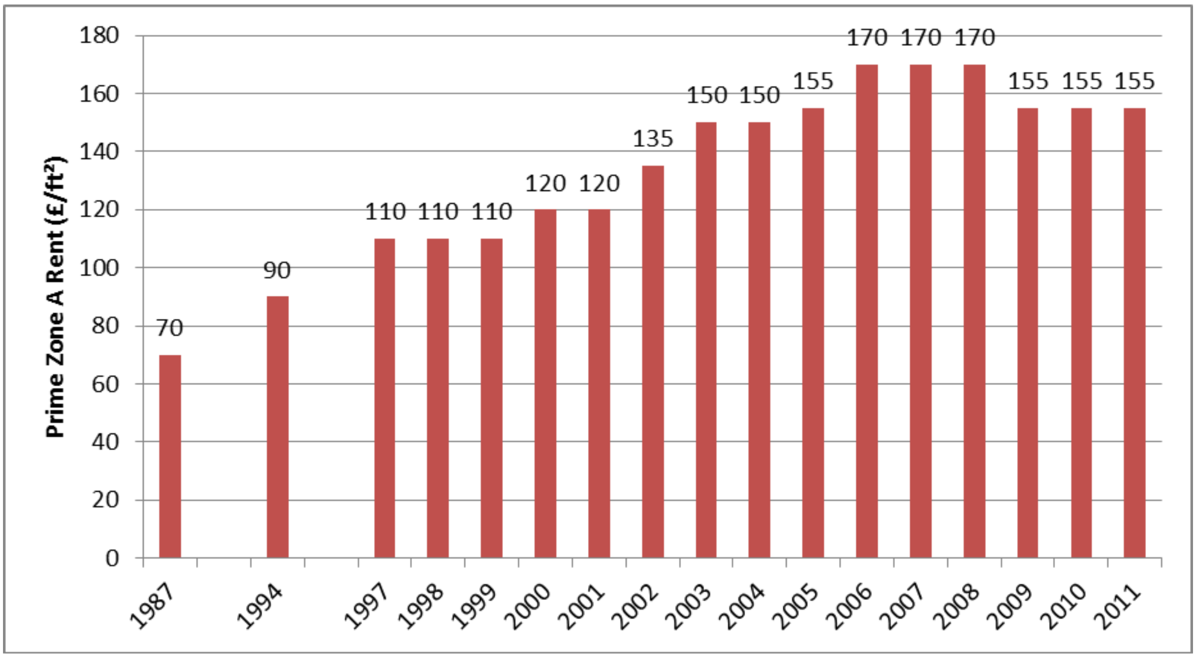
Source: IPD UK Local Centres 2010 (Historic), REFL (Forecasts)

Of course, these figures are underlying averages and will not be reflective of every retail outlet in Colchester. Some may have seen rental levels plummet even more. Conversely, some traders may bewail the fact that despite the recession and very difficult retail trading conditions, they have not experienced any respite on rent (some may even have been unlucky enough to see rental levels rise).

IPD only provides growth figures and indices, as opposed to 'absolute' or 'actual' rental figures. Although not a wholly transparent market, we are able to establish rental tones (Zone A rents) from agency sources.

'Headline' / Prime Zone As have grown steadily rather than spectacularly since the 1980s (Fig. 20), peaking at £170/ft² in 2006. This figure was based on a prime letting to mobile phone operator 3-Store. Since then, in common with the trend in most towns, prime Zone As have slipped backed to around 2005 levels. Lettings to Topshop and iStore achieved 'headline' rents of £155 - £160/ft² in 2010, although both deals were on incentivised terms. Zone A's on nearby Trinity Square are still believed to be around £135/ft² (first achieved with Perfume Shop in 2007).

Fig. 20 – Prime Zone A Rents in Colchester 1987 - 2011



Source: King Sturge

Away from prime pitch, there is very limited evidence to suggest anything other than static rents. The Zone A rental tone at Culver Square is in the order of £127/ft², compared to a peak of ca. £145/ft² (Orange in 2007, Paperchase in 2008). Smaller units fronting Sir Isaac's Walk at the rear of the scheme typically achieve Zone As of £60 – 65/ft².

The tone of Zone A rents on Culver Street West is around £100/ft² (based on a letting to Cornish Bakehouse in 2009). On the high street, the tone is closer to £70/ft² (based on a letting to Andrew's Panasonic in 2009), although this tails off to an estimated £40/ft² away from the central pitch

Market evidence for Priory Walk suggests Zone A rents of around £30 – 40 ft², although 'headline' figures for units fronting Long Wyre Street may be as high as £60/ft² (eg William Hill in 2010). Zone A rents for units on Eld Lane range from £35/ft² to around £60/ft² for those closest to Lion Walk. On Sir Isaac's Walk they are typically £45 – 50/ft², tailing off to £30 – 35/ft² on the central area of Short Wyre Street.

This gives some dimension to the overall rental profile of Colchester. As a general observation, we would suggest that rents are moderate rather than aggressive (although not all the traders would necessarily agree) and they have shown signs of easing over the last three years in response to very difficult market conditions. Also, a 'recovery' in rental growth is forecast to lag the UK average – good news for retailers, less so for landlords.

On the retail investment side, the last publicly-available transaction recorded in the town was the purchase of the Next unit on the high street. CBRE Investors bought the store from Prudential for £2.62 million in November 2010. This reflected an initial yield of 6.68%. We would suggest that prime retail yields in Colchester have now compressed to an indicative 6.25%.

In the context of new development, the signs are positive. The property market is currently in a depressed state, both in terms of capital values and (especially) rents. However, allowing at least three years for planning and construction, the market will be very much in recovery mode. In simple terms, if any new retail scheme were hypothetically to open in the town to-day, it is unlikely to be financially viable. However, the level of viability will increase over the next five years and the likely delivery framework / timetable of Vineyard Gate should ultimately be a favourable one.

7.3 Consumer Demand / Capacity / Floorspace Need

Consumer demand is likewise a key determinant in any viability assessment. As a term, it is slightly misleading in that it does not reflect the wishes or desires of local consumers, but is an empirical quantification of actual floorspace need. The process is an established one used by retail planners to analyse retail capacity and translate this into floorspace requirements. The key metrics are to:

- Establish existing spend levels
- Quantify retail floorspace
- Calculate existing sales densities (£/m²)
- Incorporate projected increases in population
- Forecast related changes in retail expenditure
- Factor in changing forms of retail provision and increases in productivity
- Calculating 'residual' spend
- Translating 'residual' spend into actual floorspace need.

Although there are a large number of retail planning practitioners, the process employed is a largely standardised one, aligned to Government requirements. There is are also relatively few data suppliers for local level population and spend forecasts, the key ones being Experian, CACI and Pitney Bowes Business Insight (PBBI).

GVA Grimley has already undertaken detailed studies of retail capacity in North Essex. The original study was commissioned in August 2005 and published in 2006. In the light of rapidly changing economic market conditions, the original study was revisited and fully revised using more current market data in September 2009. We have fully reviewed both reports as part of this Retail Study.

Rather than undertake our own retail capacity study, we are happy to accept the outputs from GVA Grimley. GVA Grimley are recognised as one of the leading practitioners in retail planning and having reviewed both studies in detail, there is little we would challenge either by way of methodology, assumptions or data employed. However, we recognise that the core datasets used (Experian's E-Marketer spend and population forecasts) have been updated since September 2009, so the outputs may not reflect the most up-to-date economic outlook. But in the context of assessing the broad parameters of the Vineyard Gate proposals, we believe they nevertheless provide adequate guidance.

The full GVA Grimley studies are available for review on Colchester Council's website. Table 27 provides a summary of the key floorspace needs highlighted by the original (2006) study.

Table 27 – Retail Floorspace Need in 2006 North Essex Retail Study

	2011	2016	2021
CONVENIENCE GOODS			
Residual Convenience Spend (£m)	35.8	55.5	76.8
Future Floorspace Capacity (m² NET)	3,585	5,546	7,676
Future Floorspace Capacity (ft² NET)	38,589	59,697	82,624
COMPARISON GOODS			
Residual Comparison Spend (£m)	90.7	231.5	428.8
Future Floorspace Capacity (m² NET)	16,039	36,164	59,220
Future Floorspace Capacity (ft² NET)	172,644	389,269	637,444

Source: GVA Grimley

In very general terms, GVA concluded that Colchester's comparison goods floorspace was trading at £12,220 m² net which they (and we) 'consider a particularly strong trading level'. This, coupled with high population and expenditure growth, provided a strong basis for additional retail floorspace capacity. By 2011, this was calculated to be nearly 39,000 ft² in convenience goods and 173,000 ft² in comparison goods.

Note that these figures are net, as opposed to gross. Applying net : gross ratios, GVA projected that Colchester could support additional gross comparison goods floorspace of 314,000 ft² by 2011, 710,000 ft² by 2016 and 1,162,000 ft² by 2021.

The original proposals for Vineyard Gate of 550,000 ft² gross clearly sit very comfortably between these parameters. Comparison goods floorspace need was projected to surpass this threshold by 2014, with demand for a similar quantum of new floorspace arising again by 2021. Taken at face value, the original findings fully supported the case for the new development.

These figures have been superseded by the second study (September 2009). The update took into account the drastic deterioration in economic market conditions and revised expenditure forecasts. Annual expenditure growth rates for comparison goods were reduced to 1.4% (from 3.7% previously) for the period 2009-2014 and 2.8% for 2014-2019. 'Ultra-long' rates of 4.8% were used for the period post 2019. The other key downgrading focussed on forecast productivity growth – this was previously assumed to be a uniform 2.5% per annum. The revised study assumed 0% growth between 2009 and 2014, 1% between 2014 and 2019 and 2% between 2019 and 2024.

Although the bleaker economic backcloth prompted these downgrades, there were also some positive drivers. Revised population figures showed a significant degree of upside. The revised projections showed growth of ca. 5% over each five year time period, with cumulative growth of 15% between 2009 and 2024. In the previous study, the applied growth rate was 8% between 2006 and 2021. This partially counterbalanced the downward revisions in spend.

Table 28 – Updated Retail Floorspace Need in 2009 North Essex Retail Study

	2014	2019	2024
CONVENIENCE GOODS			
Residual Convenience Spend (£m)	0.7	27.7	52.9
Future Floorspace Capacity (m² NET)	71	2,770	5,288
Future Floorspace Capacity (ft² NET)	764	29,816	56,920
COMPARISON GOODS			
Residual Comparison Spend (£m)	63.8	193.1	435.5
Future Floorspace Capacity (m² NET)	12,750	36,742	75,059
Future Floorspace Capacity (ft² NET)	137,241	395,491	807,935

Source: GVA Grimley

The updated floorspace need figures are undoubtedly more conservative. There is still a degree of capacity for new floorspace in the short term (to 2014). Taking into account current commitments, this is relatively limited in convenience goods (764 ft^2), but is still fairly substantial in comparison goods (137,000 ft^2). In general terms, the 'correction' has effectively 'put back' floorspace need by around two three years. For example, the latest comparison goods capacity figures for 2019 are very similar to those previously calculated for 2016 (ca. 390,000 ft^2).

The figures quoted in Table 28 are again net. Applying the same metrics as before, the net comparison goods figures gross up to 250,000 ft^2 (2014), 719,000 ft^2 (2019) and 1,469,000 ft^2 (2024). It is against these parameters that the viability of Vineyard Gate is best measured.

Against these more conservative guidelines, there would be insufficient consumer demand to support the scheme as originally proposed (550,000 ft^2) in the short term (before 2014). In many respects, this scenario is academic in any case. Even if it proceeded as originally proposed, allowing for planning and construction, it would still be inconceivable for a scheme of this scale to be delivered within a three year timeframe.

The revised GVA figures suggest that comparison goods capacity will reach the 550,000 ft^2 threshold by around 2017. This would be a more realistic timeframe for a delivery of a scheme this size, allowing for planning delays and any construction issues. Accelerating floorspace need after 2017 will ensure that the Vineyard Gate scheme will not absorb all capacity requirement for years beyond its inception ie additional new developments could still be viable in the longer term.

There is obviously a tremendous amount of detail in the data, but the underlying figures do provide confidence of ongoing retail capacity need in Colchester, despite more measured forecasts of expenditure growth going forward. The figures suggest that the original Vineyard Gate proposals would be viable over a medium-term timeframe (2015 – 2018). However, this viability would evidently increase if the floorspace proposals were to be revised downwards.

However, we would stress again that consumer demand is just one facet of the viability appraisal. A perennial criticism of the planning-based assessment of floorspace need is that it is not allied to commercial considerations. The planning approach may highlight spend-based floorspace need, but this may not necessarily match occupier demands. In simple terms, retail floorspace with perceived consumer demand but with no retailer interest is not viable. For a scheme to be truly viable, consumer and occupier demand must operate in harmony.

7.4 Vineyard Gate - Site Appraisal

The identified site for substantial new retail development is in Vineyard Street. We understand that the site is bounded by St Botolphs Street to the East, Vineyard Gate to the West, the Town Wall to the North and Stanwell Street to the South. The proposed site includes the council-owned car park, as well as additional properties within both Caddick's and third party ownership. We understand that the Council has in principle agreed to use its compulsory purchase powers, if required.

We understand that Caddick Developments are negotiating a development agreement with the Council, having long held ambitions to redevelop this area of the town. Publicly-available information suggests that the company was initially proposing a retail development of 550,000 ft² (gross), although the company maintains that this figure was actually closer to 480,000 ft². We understand that the plans for this development were exhibited to the public in September 2007 and comment invited on the public open space, the department store façade and the bridge. English Heritage and the Council for Architecture and the Built Environment (CABE) were also consulted.

The well-documented downturn in both the economy and property markets prompted a re-evaluation and subsequent re-desgin of the whole scheme. Architects Benoy were appointed to create an alternative design, with a reduced floorspace capacity of 400,000 ft². However, ongoing difficult market conditions meant that these proposals never reached fruition and as a result, the viability of the scheme's proposals has remained surrounded by uncertainty for some time.

Recent (June 2011) consultation with Caddick Developments has provided greater clarity. The developer is currently drawing up proposals for a third smaller scheme design. Although reduced in scale, the proposals are still for a two-level scheme, incorporating at least one anchor store and preferably also a large (>20,000 ft²) foodstore, although this space remains flexible and could allow additional space for a MSU. Significantly, the latest proposals will see the NCP car park remain in situ in its current use, thereby significantly reducing land assembly costs.

The overall **location** is a positive one. Vineyard Gate is an integral part of the Colchester's retailing core, as opposed to an edge-of-town or disconnected site. One of the key facets of Colchester as a whole its relatively compact nature – most of the town's retail core sits within a broad rectangle, framed by the High Street, Head Street, St Johns Street/Osborne Street, St Botolph's/Queen Street. Many other towns are characterised by either a 'linear' lay-out ie one long thoroughfare providing the main core, or a fragmented one, whereby there is little continuity or logic to the town.

Vineyard Gate sits within the boundaries of the existing 'retail core' and is therefore likely to consolidate it further, rather than fragment or displace the existing infrastructure. Furthermore, it is likely to shore up one of the 'corners' of the retail core which is at present, somewhat weak in its proposition. If executed effectively, it should also drive synergy with other areas of the town. In a 'blue sky scenario', it would serve a catalyst for regeneration on St Botolph's Street, an initiative that would dovetail with a similar move down Queen Street on the back of the Cultural Quarter regeneration.

The new scheme would adjoin the 'Independent Quarter' of the town, notably Eld Lane. As we discussed at length earlier in this Study, we believe there is considerable potential in developing a more proactive and cohesive strategy for the 'Independent Quarter' (South Wyre Street, Eld Lane, Sir Isaacs Walk) and making it much more of a unified whole. The prospect of Vineyard Gate should give this opportunity added impetus, as the 'Independent Quarter' would effectively be the bridgehead between the new scheme and the established retail hubs of Lion Walk and Culver Square. The town as a whole stands to benefit if Vineyard Gate and the 'Independent Quarter' are complementary and mutually-supportive.

Another positive of the site is the relative proximity to key **transport** hubs, such as the railway station and the temporary bus station. Indeed, ultimate delivery of the Vineyard Gate scheme could indeed prove a key determinant in where the permanent bus station is established. The site could also potentially benefits from adjacent parking, provided, of course, some of the existing facilities are maintained.

The Vineyard Gate site circumvents many of issues faced by new retail developments in historic towns, namely **preservation of heritage**. Although some degree of CPO may be necessary within the developable area, this would not involve significant historical assets. Indeed, a substantial proportion of the existing site is largely un-developed as it is a surface car park (although we would note that the Council is currently taking some income from this asset).

These strong positives aside, there are a number of challenges that will need to be addressed. A key one is the fact that the site is on a **gradient**, with the 'Independent Quarter' considerably more raised than Vineyard Gate and Vineyard Street themselves. Obviously, this will mean that any scheme design will have to cover two levels and whilst this is in itself not issue, it complicates issues such as shopper flows and customer movement. Solutions can obviously be established through the design process, but this will inevitably lead to some compromises.

Similarly, complications may arise through **adjacencies to the Town Wall**. Heritage concerns obviously dictate that re-development of the wall itself will be limited. Likewise, any new development must be sensitive to the existing wall and is unlikely to abut it directly - in addition to heritage issues, this will compromise the shop units themselves and could give rise to whole raft of servicing and logistical issues. A good example of a scheme that has failed in this respect is the Bargate Shopping Centre in Southampton. However, on the flipside, this could actually be an asset through innovative and imaginative design.

Although the Town Wall will present challenges, it should also be regarded as a major opportunity. In our opinion, the Town Wall around Vineyard Gate is currently very under-stated as a heritage asset. A new retail scheme could / should redress this and re-emphasise its significance. This would obviously entail clever design, particularly around the public realm spaces. We would hope that any architectural design for a new retail scheme would embrace this opportunity, rather than treat it as an inconvenience around which to compromise.

The other negative issue we would flag concerns **car parking**. As we have discussed at various points in this Study, car parking remains a key issue for many residents and visitors to Colchester, both in terms of the level of provision and perceived high tariffs. The site includes two of the town's existing car parks, one owned by the council, the other operated by NCP. Whatever scale of development is proposed, car parking capacity is likely to be reduced rather than increased. This could fan the flames of what is already a sensitive issues and reinforces the need to address car parking in the town from a holistic perspective.

In summary, our general observations in appraising the site are that it is a strong one, particularly in its ability to dovetail with other parts of the central retail core. However, at the same time, it is not without its challenges and an innovative approach will be needed in the both the way the scheme is designed and executed.

7.5 Feasibility Appraisal

As previously highlighted, there are five 'banner' factors which determine the feasibility of a new retail development in Colchester. There is the generality of **'property market conditions'** – as discussed, at the present time these are unfavourable. However, by the time planning has been agreed, construction has been completed and any scheme is delivered (probably 2015 at the very earliest) property market conditions will have improved considerably. Whilst we would hope that the market will improve over time, appraisals are reliant on current day market conditions. Although challenging, the developer is confident that they have a viable scheme that can progress when conditions have been met.

'Scheme/site specifics' are likewise generic. Again, we do not foresee any constraints that impact directly on feasibility, other than the issues and concerns we have already raised.

Similarly, '**consumer demand**'. The various proposals are all comfortably within the parameters of capacity established in earlier needs tests, even the most ambitious original plan of 550,000 ft². We concede that market conditions have changed since the studies were originally undertaken and forecasts of spend may now be more conservative and hence, floorspace need may actually be lower than originally calculated. But even allowing for a degree of 'over-statement', we believe that there will be ample population and spend growth to support the levels of floorspace proposed within Colchester.

In our opinion, the real feasibility of the Vineyard Gate scheme centres on **'Occupational Demand'** and '**Financing'**. In simple terms, are there enough retailers wanting to take space at the anticipated rental tones. This is the crux of the issue.

The fact that the original proposals have not been delivered reflects the fact that they were not viable. The scheme was originally conceived in the mid 2000s, a buoyant time for the retail and retail property markets. Had those market conditions prevailed for longer, we would speculate that occupier demand may have been sufficient to support a scheme of this scale. However, the rapid deterioration of the wider economy since 2008 has prompted not just a collapse in property markets, but also a major review of retailers' expansion strategies. Whereas before occupier demand was very strong, now it is very measured – retailers are much more sensitive and selective in their site selection criteria.

Our Retail Audit explored the issue of occupier demand in considerable depth. Although we were able to highlight a large number of opportunities, we do not believe that there would be sufficient demand to satisfy 550,000 ft² of space within this 'more pragmatic' environment. The initial revision to 400,000 ft² was probably still too large to be feasible.

We were not surprised to learn that Caddick were submitting revised proposals for a substantially smaller scheme.

The viability of the scheme will ultimately hinge most on '**occupier demand**' – the ability to attract sufficient and appropriate retailers at the right rental levels. The reduction in proposed floorspace obviously increases the likelihood of this being achieved and is more in keeping with Colchester's trading potential. However, filling and effectively 'mixing' the scheme are not without their complications.

7.6 Conclusion

We do not believe that the 550,000 ft² Vineyard Gate scheme as originally proposed was viable in the current environment. Viability has been undermined on two key counts, namely finance and insufficient occupier demand. In simple terms, in a weakened economic and property market environment, the financial numbers did not stack up, nor would there be sufficient demand from retailers to fill this level of space.

We are, however, supportive of the revised proposals for a smaller scheme. In broad terms, the five key 'hurdles' look to be satisfied:

- Property market conditions are improving (and the scheme would ultimately be delivered in a period of property market growth)
- There is sufficient latent 'capacity' and consumer demand will increase further if major new housing projects proceed as planned

- We believe that there would be sufficient demand from retailers ensure that the scheme is fully occupied
- Although not without its challenges, the site is a logical one, forming part of the town centre core and being in a currently under-developed state
- The financing parameters of the scheme in terms of rental tone and yield are ambitious but achievable.

If delivered successfully as planned, we would venture that Vineyard Gate would help consolidate Colchester's position as a retail centre. In very general terms, there is an ongoing need to provide more modern retail facilities, be this through refurbishment of existing stock or provision of new floorspace. This enables the proposition to remain fresh and appeal most readily to changing consumer demands.

We would also expect a new scheme to propel Colchester up the retail rankings. We would speculate that a scheme of the scale proposed would lift Colchester into the Venuescore Top 50 (a position it already holds in other centre rankings eg CACI's Retail Footprint). On the one hand, this is little more than shallow kudos. But on the other, it could provide more tangible benefits in that it will put Colchester on more retailers' radar screens in assessing towns for new sites. We would re-iterate that of all the factors that influence shopping patterns, all evidence points to the presence of key retailers as the key drivers of customer footfall.

New floorspace should prove the catalyst for addressing some of the gaps / deficiencies in the town's overall retail proposition, as identified in our earlier Retail Audit. The key opportunity is to build a much more authoritative offer in the upper mass market clothing sector and redress current supply imbalances in other segments, such as jewellery, health & beauty and childrenswear. Our analysis suggests the town is under-supplied in these areas relative to the geo-demographics of its wider catchment.

However, there is a worrying tendency nationally to assume that new floorspace is the sole solution to retailing issues. This is not the case – to build ill-conceived new schemes as a direct response to under-performance may often compound these problems, in that they can create further imbalances in quality, fragment footfall and increase vacancy levels. A large degree of sensitivity and balance is therefore needed.

In this respect, it is important that Vineyard Gate in not regarded in isolation from the rest of the town. The development of the new scheme should proceed in unison with other central issues identified in this Study, namely:

- A more integrated and pro-active approach to town centre management and marketing
- More co-ordinated management and promotion of the Independent Quarter
- Investment in and management of the traditional high street
- Development of A3/Leisure uses in support of the Cultural Quarter
- Regeneration of the wider St Botolph's and Queen Streets.

The more 'joined up' these initiatives are, the greater the benefit to Colchester as a town.

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