Isle of Wight Council

Island-Wide Retail Capacity Study

June 2005

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1. Introduction

1.1 Drivers Jonas was instructed by the Isle of Wight Council (hereafter referred to as the Council) to prepare an Island-Wide retail study to support the review of the Unitary Development Plan (UDP), and to respond to the guidance in Planning Policy Guidance Note 6 - Town Centres and Retail Developments, that development plans should be based on an up-to-date assessment of retail capacity.

Background

1.2 The Council accepts that the retail hierarchy has changed since the Isle of Wight UDP was prepared (1997) and adopted (2001). There have been changes on the Island itself, and at the same time pressures have increased from retail developments in Southampton (West Quay) and Portsmouth (Gun Wharf).

1.3 The purpose of the study is to provide the Council with an estimate of retail capacity for the convenience and comparison sectors, and to provide guidance on how this could be accommodated on the Island.

1.4 The study will help to inform, and provide justification for, shopping policies and proposals in the Local Development Framework (LDF), particularly in terms of the need for floorspace change and how development could be accommodated.

Study brief

1.5 The aims of the study are to:

(i) Provide a quantitative Island-wide estimate of existing and proposed retail floorspace need, up to and including 2016; and

(ii) Assess the quantum and mix of retail that can be accommodated across the Island.

Format of the report

1.6 The structure of this report is as follows:

- In Section 2, the key findings and recommendations of our 1998 study are reviewed;
- In Section 3, the main changes in retail provision and development on the Island since 1998 are reviewed;
- In Section 4, a summary of national planning policy guidance issued since 1998 is outlined;
- In Section 5, the retail capacity assessment and appraisal of the potential for additional retail development on the Island over the plan period is set out;
- In Section 6, our strategy for convenience retailing is outlined, and
- In Section 7, our strategy for comparison retailing is outlined.

1.7 Our quantitative assessment is provided in Appendix I.

2. Review of the 1998 study

2.1 Drivers Jonas was instructed by the Isle of Wight Council in April 1998 to undertake a study of the capacity for additional retail development on the Island.

2.2 This study built on and up-dated the separate study completed by Drivers Jonas in 1995/96 assessing the broad levels and type of retail development which could be supported on the Island up to 2001.

2.3 The key findings can be summarised as follows.

Capacity forecasts and recommended strategies

(a) Comparison – town centres

2.4 We recommended that applications for town centre retailing be supported in principle. The capacity for additional town centre retail floorspace should be directed to the main centres, although we considered it was likely that the focus for development will be Newport. If development pressures exist in Newport, these should not be 'turned away' to other centres.

Table 1 – Summary of capacity (town centre floorspace)

	Turnover potential £m	Turnover requirement £m	Capacity £m	Potential floorspace ft^2 net
2001	161.12	146.35	5.79	14,905
2006	169.34	154.20	29.66	80,307
2011	177.98	162.46	59.88	170,386

(b) Comparison – retail warehouses

2.5 We recommended that the Council considers making limited provision for the development of additional retail warehouse facilities over the Plan period, possibly arising through redevelopment of existing facilities, rather than the releases of 'new' sites.

2.6 A sequential appraisal of possible retail development sites must be undertaken. Conditions restricting the range of goods that could be sold and controlling the sub-division of units will also be required.

Table 2 – Summary of capacity (retail warehouse floorspace)

	Turnover potential £m	Turnover requirement £m	Capacity £m	Potential floorspace ft^2 net
2001	19.14	21.12	1.98	9,738
2006	19.63	25.52	5.90	28,334
2011	20.12	30.87	10.74	50,344

(c) Convenience

2.7 We recommended that the Council makes no provision for the development of additional convenience facilities over the Plan period. Should proposals come forward, they should be considered in the context of national planning guidance and the policies in the emerging UDP.

Table 3 – Summary of capacity (convenience floorspace)

	Turnover potential £m	Turnover requirement £m	Capacity £m	Potential floorspace ft^2 net
2001	166.71	183.18	-16.46	-
2006	184.57	183.17	1.40	2,326
2011	204.47	183.17	21.29	35,486

Conclusions and recommendations

2.8 On the basis of the capacity assessments, we advised there would be capacity for additional development as follows:

- town centre comparison business floorspace of 15,000 ft^2 net by 2001, 80,500 ft^2 by 2006 and 170,500 ft^2 net by 2011;
- retail warehouse floorspace of approximately 10,000 ft^2 by 2001, 28,500 ft^2 net by 2006 and 50,500 ft^2 by 2011; and
- convenience floorspace of approximately 28,000 ft^2 by 2011 (based on a higher turnover/ft^2, if a lower figure is used the capacity increases to 35,500 ft^2).

Methodology used

2.9 There are two elements of our 1998 study that are “out of date” and would not form part of an up-dated retail capacity assessment.

2.10 First, business-based expenditure data was used. Since that time, and as we explain in the next Section, the Government has encouraged the use of goods-based expenditure data.

2.11 The main practical difference between the expenditure types is that growth rates are higher for the convenience sector using business-based data, and lower for the comparison sector using business-based data.

2.12 Second, our analysis considered the potential for additional “bulky goods” floorspace. Given the Government’s advice on this matter, it is no longer considered appropriate to specifically consider expenditure on this sub-group, and rather to consider expenditure on comparison goods as a single sector.

2.13 Our updated capacity analysis set out in Section 5 addresses both of these matters.

3. Retail changes on the Island since 1998

3.1 Since our study was completed in 1998 there have been a number of changes that have to be included within this updated study, and it is important that we comment also on the general health of the retail market on the Island.

Retail developments and commitments

3.2 The main changes are:

(i) J Sainsbury, Newport – this store opened in April 1999. It has a net sales area of 2,717 sq m, with 75% of this used for the sale of convenience goods (this is based on national data for the sale of convenience goods with J Sainsbury stores).

(ii) Wm Morrison has purchased Safeway, and this means that the stores at Lake and Newport could be re-branded as Wm Morrison stores – we have allowed for this in our economic analysis by increasing the turnover of the existing stores to the levels achieved by Wm Morrison stores.

(iii) B&Q has opened a Warehouse at Newport (7,432 sq m net), and the former B&Q unit (3,066 sq m net) is now occupied by Matalan – we have allowed for the opening of the B&Q Warehouse and for the net increase in turnover between the B&Q Supercentre and the Matalan store.

(iv) Towngate Retail Park – this totals some 1,866 sq m net occupied by Brantano, Halfords and Blockbuster. We have not treated Blockbuster as a retail unit.

3.3 There are also a number of commitments that have not been built out, but have the benefit of a planning consent or are allocated for development in the Adopted UDP. These include:

(i) Redevelopment of Wakes – this scheme involves the redevelopment of an existing retail site, and this provides a net increase of 2,966 sq m of retail space.

(ii) The Fire Station site is allocated for development, and there are a number of planning applications before the Council. One scheme is for two units of 616 sq m in total (400 sq m and 216 sq m, respectively) and another is for 1,090 sq m. For these schemes, we have assumed a net to gross floorspace ratio of 70%. We are not aware of any retailers being linked to these schemes. It is possible that a larger comprehensive scheme could provide more retail space, but for the purpose of our analysis, we have not allowed for this.

(iii) The Council has granted consent for development at the Bus Station in Newport town centre. This totals some 7,056 sq m gross/4,586 sq m net (source: King Sturge retail study). We have assumed that all of this floorspace will be used for the sale of comparison goods, however as this is a town centre development, the possibility of convenience use cannot be ruled out.

3.4 It is also important to highlight the proposed inclusion of a small foodstore (15,000 sq m gross, 900 sq m net) in East Cowes town centre as part of

"The Cowes Waterfront Initiative" being promoted by Isle of Wight Council, SEEDA and English Partnerships. This is a major mixed-use regeneration project. It is anticipated that the foodstore would be included within the first phase of development and will be opened between 2006 and 2011.

3.5 These changes need to be included within this latest retail study, mainly in the quantitative analysis. Our approach to this is explained in Section 5.

Health checks

3.6 We have not been asked to undertake formal health checks of centres on the Island, rather we have been asked to outline generally our understanding of the health of the main centres.

3.7 Newport remains the dominant centre. It continues to be the main focal point for retail development activity on the Island. Since our 1998 study was completed, J Sainsbury, Matalan and B&Q have all developed at Newport, and the Towngate Retail Park has opened. Consent has also been granted for retail development on the Bus Station, and there is a planning application for development on part of the Fire Station site.

3.8 The remaining centres have all improved, most notably Ryde with the Somerfield development strengthening the town centre's offer. Ryde continues to face challenges because it is "over shopped" – too many shops on a linear layout – but it has improved since our last analysis.

3.9 Overall, the centres appear vital and viable and are trading well.

4. Updated national policy guidance on retailing

4.1 This section reviews national planning policy guidance on retailing that has been issued since 1998.

4.2 The main statements are:

(i) Caborn Statement (February 1999);

(ii) Parliamentary Statement on Town Centre Planning Policies (April 2003); and

(iii) PPS6.

(i) Caborn Statement (February 1999)

4.3 Former Planning Minister Richard Caborn added further guidance in February 1999 and reaffirmed the policy principles set out in PPG6 in relation to the interpretation of 'need' and application of the sequential approach.

4.4 As regards the application of the sequential approach to retail development, Caborn stated that:

> *"In applying the sequential approach, the relevant centres in which to search for sites will depend on the nature and scale of the proposed development and catchment that the development seeks to serve."*

(ii) Parliamentary Statement on Town Centre Planning Policies (April 2003)

4.5 A further parliamentary statement was delivered in April 2003 in response to increasing evidence of inconsistencies in the interpretation of the guidance in PPG6.

4.6 The statement reaffirmed the requirement to demonstrate need for new retail developments and apply a sequential approach to site selection. The statement also confirms that retail need must be demonstrated in terms of quantitative need and expressed in terms of capacity for additional floorspace.

4.7 The statement acknowledges that the regeneration qualities and job creation potential of a development, although not components of need, can be material considerations in the determination of a planning application.

(iii) PPS6

4.8 PPS6 was published on 21st March 2005 and replaces the former PPG6 (1996). Much of the guidance reproduces or is closely based upon the former PPG6.

4.9 The main town centre uses to which PPS6 applies include retail, leisure, and cultural/tourist facilities.

4.10 PPS6 states, at paragraph 3.4, that applicants should be required to demonstrate the following:

(a) the need for the development;

(b) that the development is of an appropriate scale;

(c) that there are no more central sites for the development;

(d) that there are no unacceptable impacts on existing centres; and

(e) that locations are accessible.

4.11 Paragraph 3.10 of the guidance advises that need assessments which are prepared in support of a planning application should, wherever possible, be based on the assessment carried out for the development plan document.

4.12 In the case of retail development, need assessments should relate directly to the class of goods to be sold from the development. The need for the development should normally be assessed no more than five years ahead.

4.13 In assessing the need and capacity for additional retail and leisure development, greater weight should be placed on quantitative need for additional floorspace for the specific types of retail and leisure developments. PPS6 does however acknowledge that account should also be taken of qualitative considerations.

4.14 The guidance states that the scale of proposed developments should relate to the role and function of the centre within the wider hierarchy of centres. Scale should also relate to the catchment population which the development proposes to serve.

4.15 PPS6 requires that a sequential approach to site selection should be applied to all development proposals for main town centre uses for sites that are not in an existing centre, nor allocated in an up-to-date development plan document. Developers and operators need to be able to demonstrate that, in applying the sequential approach, and considering alternative sites, they have been flexible about their proposed business model.

4.16 PPS6 states that the following material considerations may also be taken into account in assessing planning applications for a main town centre use:

(a) Physical regeneration;

(b) Employment creation;

(c) Economic growth; and

(d) Social inclusion.

4.17 Paragraph 3.29 provides guidance on planning applications for extensions of existing development in edge-of-centre and out-of-centre locations. It states that the impact on existing town centres of proposed extensions should be given particular weight, especially if new and additional classes of goods or services for sale are proposed.

4.18 As is the case with applications for new retail development, need assessments which accompany applications for extensions should relate directly to the class of goods to be sold from the development.

4.19 A sequential assessment is only required for extensions where the gross floor space of the proposed extension exceeds 200 sq m.

Summary

4.20 Since our 1998 study was completed, national guidance on retail development has affirmed the support for town centres, clarified the definition of retail need, explained how the sequential approach should be applied, and confirmed that retail studies should use goods-based data.

5. Quantitative need assessment

5.1 This section comprises a quantitative capacity assessment to forecast the scope for further retail development on the Island as a whole. Retail capacity can be defined as the total amount of retail floorspace that could be developed within a defined area without detriment to existing retail centres or their wider role. Maintenance of the vitality and viability of existing shopping centres is a key issue in national, strategic and emerging local planning policy.

5.2 The assessment provides guidance on the level of retail floorspace for which the LDF could make provision. It indicates the scope to increase the total amount of floorspace for the sale of non-food (or comparison) and food (or convenience) floorspace, primarily in relation to the growth of available expenditure. Separate capacity assessments have been prepared for convenience and comparison floorspace.

5.3 The tables relating to these analyses are set out in full in **Appendix I**, and summaries of this data are included in this section.

Methodology

5.4 A common approach has been used to assess the capacity of the Island to accommodate additional comparison and convenience retail development. This methodology involves four key steps which are summarised below:

Step 1 - define an area for comparison and convenience shopping trips to use as a basis for studying and assessing shopping patterns. In this case it is the boundary of the Island;

Step 2 - use existing and projected population estimates and average expenditure per head data to calculate total available expenditure. Calculate current levels of market share and apply constant or changed levels of market share and trade inflow to total available expenditure figures to assess the available expenditure on convenience and comparison goods at 2006, 2011 and 2016;

Step 3 - use several data sources to identify the total amount of comparison and convenience goods floorspace, including commitments, on the Island; and

Step 4 - compare forecast levels of available expenditure with existing turnover estimates based on national turnover figures, and translate the residual expenditure into floorspace requirements through the application of average turnover floorspace ratios.

5.5 The methodology that we have used is consistent with the approach that was used in our 1995 and 1998 studies, updated to allow for the use of goods based expenditure data and the latest floorspace and turnover data.

5.6 This analysis considers the capacity of the Island as a whole to respond to the growth in available expenditure, and concentrates on the provision of new floorspace in the main retail centres.

5.7 The use of a constant market share in these analyses reflects the assumption that the level of retained trade will not increase or decrease over time. In reality, the market share will adjust slightly over time, but this form of economic analysis is concerned only with changes in the market share that have implications for the turnover, and hence health, of individual centres.

5.8 For all centres on the Island to maintain their market share when the amount of available expenditure is increasing over time, they must increase their turnover, otherwise their market share will fall. This increase in turnover is achieved by existing businesses increasing their turnover, and also from the development of new retail floorspace.

5.9 The main data inputs relate to population (existing and projected); expenditure per head (existing and projected) and comparison and convenience retail floorspace (existing and committed). All monetary figures are expressed at 2002 prices.

5.10 The key data inputs and stages in this process are explained below, together with the main findings.

Base data

Study area and population

5.11 As before, the catchment area, and hence the study area, is the Island. The results of the household surveys of 1995 and 1998 demonstrate that the Island retains the majority of its residents' expenditure.

5.12 There is no leakage of expenditure on convenience goods and the leakage of comparison goods expenditure is relatively modest. We comment on this later.

5.13 The population figures for 2001 are based on the 2001 Census. The projections to 2002, 2006, 2011 and 2016 for the Island as a whole are summarised in the table below:

Table 4 - Population data and projections

	1998	2002	2006	2011	2016
Isle of Wight	126,989	134,500	135,828	139,707	144,458

Source/notes:
Isle of Wight Council

5.14 These figures demonstrate that the population of the Island is expected to grow steadily over the period between 1998 and 2016 by nearly 14%. The most significant change is in the period between 1998 and 2001, and this reflects the latest information available from the ONS. The suggested actual growth in this period is much higher than had previously been allowed for.

5.15 We have continued to use a base date of 1998 because this is the date of the household surveys that provide empirical evidence on comparison and convenience shopping patterns. It also allows us to track the changes in retail provision on the Island since 1998, and hence to understand how the capacity that had previously been identified has been absorbed (or not).

Local expenditure estimates

5.16 Experian GOAD (hereafter referred to as Experian) was commissioned to provide an estimate of average comparison and convenience goods expenditure per head for residents of the Island as a whole.

5.17 Experian has produced estimates and forecasts of retail spending for over 15 years. Accordingly, they have a thorough understanding of consumer and retail data sources.

5.18 The most recent year for which such information is available for the Island is 2003. In 2003 the comparison and convenience goods expenditure per head of residents on the Island was £2,407 and £1,584, respectively (2002 prices).

5.19 This estimate is required to be adjusted to take account of expenditure by "non-store activity" (market stalls) and "special forms of trading" (mail order, vending machines and sales from roadside stalls). Experian provide guidance on the allowances to make for this (Retail Planner Briefing Note 1.2, Chapter 7), and the adjusted comparison and convenience goods expenditure estimates are £2,330 and £1,584, respectively.

5.20 The adjusted expenditure estimate in 2003 has been projected back to the start date of 1998, and forward to the test dates of 2006, 2011 and 2016 in order to forecast the growth in expenditure on comparison and convenience goods.

5.21 Experian provides detailed information on trends in consumer retail expenditure over the period from 1965 to 2003 (Retail Planner Briefing Note 2.0, Chapter 3).

5.22 For comparison goods expenditure, for the period 1998-2016 we have assumed a growth rate of 4.8% per annum which reflects Experian's long term growth projections for this sector (Retail Planner Briefing Note 2.0, Table 4).

5.23 For convenience goods, for the period 1998-2016 we have assumed a growth rate of 0.7% per annum which reflects Experian's long term growth projections for this sector (Retail Planner Briefing Note 2.0, Table 4).

5.24 The expenditure estimates and projections to the forecast dates are set out in the table below:

Table 5 - Growth in consumer spending

	1998 (£)	2003 (£)	2006 (£)	2011 (£)	2016 (£)
Comparison	1,843	2,330	2,682	3,390	4,286
Convenience	1,529	1,584	1,617	1,675	1,734

Source/notes:
(1) The projections to 2006, 2011 and 2016 exclude expenditure by special forms of trading.

5.25 Combining population and expenditure per head gives the total comparison and convenience goods expenditure on the Island. Tables 3a and 3b of Appendix I set out the growth in spending over the period 1998-2016, and demonstrate that there will be robust growth in available spending in both sectors. In the convenience sector, between 1998 and 2011 the growth is £39.7m, rising to £56.3m by 2016. Over the same period in the comparison sector the growth is £239.6m and £385.1m, respectively.

Table 6 - Total consumer spending on the Island

	1998 (£m)	2002 (£m)	2006 (£m)	2011 (£m)	2016 (£m)
Comparison	234.0	299.0	364.3	473.6	619.1
Convenience	194.2	211.5	219.7	234.0	250.5

Source/notes:
Tables 3a and 3b.

5.26 It is worth commenting that the growth in comparison spending is significant, and more than doubles between the period 1998 and 2016.

5.27 It is important also to highlight that the estimates of residents' expenditure in 2003 are higher than for 2002. This reflects the significant increase in population revealed by the updated population estimates for the Island based on the 2001 Census, as well as updated national statistics on the volume of spending, changes in prices and revisions to the expenditure data/categories.

5.28 Although comparisons between years is difficult, the conclusion that can be drawn from this is that in 2003 the expenditure of residents' is much closer to the national average, whereas in the past residents' spending was significantly below the national average.

Tourist expenditure

5.29 As the Island is an important tourist destination, expenditure by tourists at convenience and comparison businesses is important in calculating the overall available expenditure on the Island. In our 1995 study, we estimated convenience and comparison business tourism expenditure based on research undertaken by PA Cambridge Economic Consultants Limited. On the basis of that material, we made an allowance for expenditure by tourists and our estimates of the capacity for additional retail floorspace on the Island rely, in part, on tourist expenditure.

5.30 In preparing our 1998 study, we discussed this matter with the Council, and concluded that it was no longer appropriate to continue to allow for tourism expenditure in the same way. The main reasons for this were that:

- Comparison business expenditure will almost certainly all at present go to town centres. We anticipated that tourist expenditure to out-of-centre or retail warehouse facilities will be insignificant. Since expenditure is already likely to be going to town centres, it is benefiting the vitality and viability of those centres by maintaining and enhancing them, and this is in accordance with national planning guidance. Therefore, in our opinion there is no requirement to make special provision for it;
- Expenditure by tourists is seasonal. Therefore, if floorspace is provided to accommodate expenditure by tourists, it will be under utilised during the off-season period - the winter months;
- Tourism expenditure is also prone to fluctuation and there are a number of factors which can influence this. For example, if there is a wet summer, tourism to the Island is likely to fall significantly, particularly from day-trippers and casual visitors. If floorspace is provided to serve tourists' expenditure, and then tourist numbers decline, this could lead to an over-supply of retail floorspace which will be detrimental to retailing on the Island. If the Island has a good summer and existing businesses trade strongly, and possibly over-trade, we consider this to be beneficial because it will maintain the vitality and viability of town centres; and
- If new floorspace is provided to meet the perceived demand generated by tourists' expenditure, it is likely that commercial pressure will mean that a significant amount of new retail floorspace will be provided at Newport. This would be away from the main tourist destinations and therefore away from where the 'demand' will be. This would lead to a mismatch of supply and demand.

5.31 Tesco is proposing the redevelopment of the existing out-of-centre store at Ryde, and their consultants (DPP) have raised again the issue of tourists' expenditure in support of the proposal. This form of expenditure is also included within a retail study by RPS in support of proposals for a foodstore at Landguard Manor Road, Shanklin.

5.32 We continue to maintain that because of its seasonal nature and unreliability, there are robust reasons why the Council should be cautious in making provision for retail floorspace based on inflows of expenditure from this source. However, we have agreed to include expenditure by tourists on convenience and comparison goods within our analysis.

5.33 In our previous studies, we estimated that there were approximately 2.3 million visitors to the Island each year. Updated information from the Council suggests that by 1999 this figure had risen to 2.7 million visitors. The information for 1999 is not broken down between the same categories as the 1992 data, and therefore we have applied the same split of the 1992 data to the 1999 data, and assumed that the numbers of visitors to the Island will remain at this level – tourist numbers in 1992 were recorded during a recession, and by 1999 the economy had recovered. Our analysis of visits by tourists is summarised in the table below:

Table 7 – Estimates of expenditure by tourists

		1992	1999
Long Stay Visitors	Serviced Accommodation	231,000	275,000
	Non-Serviced Accommodation	469,000	558,300
Short-Break Visitors	Serviced Accommodation	125,400	149,300
	Non-Serviced Accommodation	204,600	243,600
Visiting Relatives etc	Serviced Accommodation	213,900	254,600
	Non-Serviced Accommodation	16,100	19,200
Day Visitors		1,071,000	1,200,000
TOTAL		2,331,000	2,700,000

Source/notes:
(1) Southern Tourist Board and PA Cambridge Economic Consultants.
(2) Isle of Wight Council

5.34 In 1999 there were some 1.2 million day trips, and 1.5 million staying visits. In 1999, this breaks down between serviced accommodation (678,900) and non-serviced accommodation (821,100). Non-serviced accommodation refers to holiday lets.

5.35 Based on an average spend per head of Island residents on convenience goods of £1,573 and using this as a proxy for levels of spend by tourists, this is equivalent to weekly spend of £30.24/head. However, as this is expenditure on all types of convenience goods and includes some spending on household cleaning items which is unlikely to take place on a weekly basis, this should be excluded. Allowance should also be made for tourists bringing a reasonable proportion of convenience items with them. Also, on holiday, a higher proportion of people will eat out, and we would expect the levels of expenditure on convenience goods to be much lower. Therefore, we have reduced this to £10/head.

5.36 Therefore, we estimate that the total convenience goods expenditure from tourists staying in over-night accommodation could be some £8.2m in 2004 (see Table 4b). We have allowed for this to rise at the same rate as convenience spending generally, and so by 2006 this is £8.3m, £8.6m by 2006 and £8.9m by 2016 (see Table 7a).

5.37 In the comparison sector, we have relied upon survey work by Canterbury City Council. The Council undertook a detailed survey of tourists' expenditure within the City *(The Economic Impact of Tourism in Canterbury, 1999).* This survey identified total tourist expenditure of £151.2m in 1999, with the retail sector receiving 28% of this (£42.3m). The total number of visitors was 4.2m (556,000 overnight visitors and 3.6m day visitors), which is equivalent to spending of just over £10/head.

5.38 Based on the results of the Canterbury survey and our estimate of visitor numbers, this is equivalent to an additional £27m of expenditure each year (see Table 4c). We have assumed this will increase by 4.8% per annum at the same rate as comparison spending generally, and so by 2006 this is £29.7m, £37.5m by 2006 and £47.4m by 2016 (see Table 7b).

5.39 It should be noted that both estimates are broad-brush. Also, no allowance is made for leakage of expenditure by Island residents as tourists to other parts of the UK.

Leakage of expenditure from the Island

5.40 In assessing the market share of the Island for convenience and comparison goods expenditure, it is possible to identify the amount of trade that is leaking from the Island (see Table 4a).

5.41 This is based on the results of the 1998 household survey which revealed that there was very little leakage of expenditure on food, but that leakage of spending on comparison goods accounted for 4.9% of all spending in this sector.

5.42 This is summarised below:

Table 8 - Expenditure leaking from the Island (1998)

	Retained (£m)	Total available expenditure (£m)	Leakage (%)
Comparison	222.6	234.1	4.9

Source/notes:
(1) Table 4a.

5.43 In all probability, we would expect leakage in the form of "Internet based" shopping to have increased, although we acknowledge there are delivery difficulties for larger items.

5.44 No allowance has been made in the study for possible 'claw-back' of expenditure leaking to centres/facilities off the Island.

5.45 We consider that even if retail facilities are improved greatly within the Island, leakage will not be significantly reduced because leakage of residents' expenditure will be occurring for a number of reasons:

- as part of a combined work or social trip; and
- trips to 'higher order shopping centres', such as Southampton or Portsmouth, and these shopping trips will not change unless high quality shopping facilities are provided on the Island, including a department store.

5.46 Facilities for certain types of comparison shopping are stronger in competing centres and opportunities for the Island's towns - mainly Newport - to increase market share in this sector are limited. However, the potential for the Island's market share to fall in response to developments in competing centres, such as West Quay Phase 3 in Southampton, should not be under estimated, although this would have to be balanced against the improved retail provision on the Island.

5.47 It should be accepted that some leakage from the Island is inevitable. It may be possible to achieve a modest reduction with the development of modern retail facilities at Newport, but as this is unlikely to be significant, we do not consider it reasonable to plan for this to happen and for this to be used as a justification for the provision of new floorspace.

Turnover of existing retail floorspace

5.48 To assess the sufficiency of existing comparison and convenience retail floorspace against available expenditure, it is necessary to adopt a 'benchmark' level of turnover for individual shops and stores which could generally be regarded as a reasonable level of turnover.

5.49 In accordance with widely accepted practice, where the information is available, our assessment applies company average levels of turnover to existing floorspace. In practice, this is only available for larger national comparison and convenience retailers and these figures have been obtained from the Corporate Intelligence document 'Retail Rankings' (2004).

5.50 However, this can be used as a guide to the likely turnover level of independent and local businesses. Accordingly, where no published turnover information is available we have estimated turnover based on Retail Rankings' data and our experience of retail facilities in comparable centres.

5.51 Our estimate of the turnover of existing convenience stores is set out in Tables 5a and 5b, and is mostly based on company average data taken from a combination of Retail Rankings and Verdict. Estimates of the turnover of independent convenience stores are based on studies completed in other centres.

5.52 Our estimates of comparison turnover ratios in centres and retail warehouses are set out in Table 5b. For retail warehouse businesses, information on turnover is taken from Retail Rankings. For comparison businesses in town centres, this is based on a combination of Retail Rankings data and studies of other centres, and the ratios that have been used are set out below.

Table 9 - Turnover ratios of comparison retailers

	Turnover (£/m²)
Newport	4,306
Ryde	3,498
Cowes, Shanklin, Ventnor and Sandown	2,960
Other centres	2,153-2,691

Source/notes:
(1) Table 5b.

5.53 It is usual to allow for the turnover efficiency of town centre comparison and convenience retail businesses to increase. An assessment of the extent to which sales densities for existing retail space can be expected to increase in the future is a key element of the assessment of the adequacy or otherwise of retail capacity. The most up-to-date analysis of this is provided by Experian (Retail Planning Briefer Note 2.2, October 2004).

5.54 In relation to comparison goods floorspace, Experian state:

> *"The long-term (1975-2003) trend for comparison goods space is 2.5 per cent, although Figure 1 and Figure 2 suggest that there may have been a recent increase in the trend. Given the uncertainties outlined above, an assumption that sales densities are likely to increase at somewhere in the range of 2.0 per cent (the 'moderate' assumption) to 2.5 per cent (the 'historical' trend) appears appropriate."*

5.55 We have applied a mid point of 2.25% pa for an increase for all town centre comparison goods sales floorspace. The turnover of out of centre retail warehouses is not assumed to increase.

5.56 In the convenience goods sector, Experian's conclusion is that:

> *"Similarly, we would expect a slowdown in the observed 1.1 per cent per annum increase in convenience sales densities between 1986 and 1999. This is especially true if we consider only pure convenience floorspace rather than the mix of convenience and comparison found in many supermarkets and superstores. Nonetheless, we still expect future increases to be well above the old URPI figure of 0.15 per cent - we suggest that 0.75 per cent might be more suitable."*

5.57 This suggested rate of 0.75% pa contrasts with projections of 0.7%pa (long term and ultra-long term) and 1.1% pa (medium term). Most forecasts are based on the long term or ultra-long term because these remove the effects of short-term changes in shopping patterns caused by recession or other economic effects. We have used a growth rate of 0.7% pa for expenditure on convenience goods which is less than the suggested increase in sales densities for comparison floorspace.

5.58 We consider this rate is too high. Experian acknowledges the distorting effect of comparison sales floorspace within convenience stores, but do not attempt to quantify this.

5.59 We do not have hard data to adjust Experian's suggested rate. However, based on the approach in the comparison sector which applies a sales density increase (2.25%) that is about half the suggested growth rate for this sector (4.8%), we have applied a convenience sales density growth rate of 0.375%pa.

Existing retail floorspace and commitments

5.60 The information on existing retail floorspace is based on information produced by the Institute of Grocery Distribution (IGD), Experian GOAD, Isle of Wight Council and our own surveys (1995 and 1998). The Council has provided information on extant consents and commitments and these are shown in Tables 6a and 6b.

5.61 The Council undertook a survey of convenience shops within centres but not within identified shopping areas or stand-alone stores. This survey was completed in 2004. This information is set out in Table 5b in Appendix 1.

Capacity for additional convenience floorspace on the Island

5.62 Tables 1, 2a and 3a in the assessment outline the population growth on the Island, and expenditure estimates at different test dates are applied to identify the total available expenditure on convenience goods. On the Island, the available expenditure is forecast to increase from £194.2m in 1998 to a total of £250.5m in 2016. This represents a growth of £56.3m.

5.63 In Table 5a, we calculate the total turnover of existing foodstores on the Island. It is first necessary however, to identify the total amount of convenience floorspace on the Island. At the study base date, we estimate that there is a total of 29,551m^2 net of convenience floorspace on the Island. In reality, some of this is actually used to sell comparison goods, and hence allowance needs to be made for this within the analysis. Table 5a sets out the convenience stores in the main centres and stores, and it includes 'Small shops' that are set out in Table 5b.

5.64 It is important to emphasise that this is an estimate of the convenience floorspace in main town centres - it excludes convenience floorspace in corner shops and petrol stations.

5.65 We have calculated the turnover of all foodstores on the Island based on the company national averages of the retailers represented in the centre (Retail Rankings 2004 and Verdict). Where the centres contain independent stores, we have made allowance based on the performance of similar independent stores in comparable centres (Table 5b).

5.66 Having regard to the findings of our inspection of these stores, we have not made allowance for over-trading. We acknowledge that this is a difficult judgement to apply, but we are satisfied this is a reasonable position to adopt.

5.67 We note that the Tesco store at Ryde is acknowledged by the company to be over-trading, but our model allows only for stores to trade at company average turnover levels.

5.68 The next stage in the model is to allow for commitments. These are identified in Table 6a, and include:

- Opening of J Sainsbury at Newport
- Tesco Express at Wootton
- Probable refurbishment of existing Safeway stores and re-branding as Wm Morrison stores
- Proposed foodstore in East Cowes (1,500 sq m gross, 975 sq m net) – this is assumed to open between 2006 and 2011. The turnover is estimated to be £9.34m by 2011.

5.69 We allow for the turnover of all existing town centre and edge-of-centre foodstores to increase by 0.375% pa, and the same approach has been applied to town centre commitments.

5.70 Table 7a draws together the material from the previous tables to identify the amount of additional convenience floorspace that could be developed at the various test dates. The model allows the Island's market share of available convenience goods expenditure to be maintained at the test dates of 2004, 2006, 2011 and 2016.

5.71 We estimate that by 2006, the turnover of existing floorspace and commitments will be some £163.15m, and this compares to total available expenditure of £219.7m. There will therefore be a surplus of expenditure of some £30.9m, and even if expenditure from tourists is excluded from this, the net surplus of expenditure is forecast to be £22.6m. This is significant.

5.72 By 2011, additional growth in available expenditure will occur that will be offset to some extent by the opening of the proposed foodstore in East Cowes. The turnover of this proposal is estimated to be £9.34m, and after allowance is made for this store, a slightly larger surplus of expenditure will exist [£33.9m including tourism expenditure and £25.3m without].

5.73 We comment on a strategy for convenience retailing on the Island in Section 6.

Capacity for additional comparison floorspace on the Island

5.74 Tables 1, 2b and 3b in the assessment outline the population growth on the Island, and as with the convenience assessment, expenditure estimates at different test dates are applied to identify the total available expenditure on comparison goods.

5.75 In Table 4a we estimate the leakage of expenditure on comparison goods from the Island. In our 1998 study we estimated that some 4.9% of comparison goods expenditure was leaking from the Island, and we consider this will not have changed.

5.76 Therefore, we estimate that some £11.5m of available comparison goods expenditure will leak from the Island, rising to £30.3m by 2016.

5.77 Our estimate of the collective comparison turnover of all of the main centres and out of centre retail facilities on the Island is shown in Table 5c:

Table 10 - Comparison floorspace turnover of facilities on the Island

Centre	Floorspace (m^2 net)	Turnover (£m)
Town centres	57,906	208.4
Out of centre stores	11,225	30.4

Source/notes:
(1) Table 5b.
(2) Excludes comparison turnover of foodstores.

5.78 Our estimate of the 'benchmark' turnover of the comparison floorspace in town centres is applied to the total available expenditure on the Island to determine market share (93.64%). This is necessary to enable future modelling of expenditure growth. Our assumptions about market share, and hence also their 'benchmark' turnovers, are supported by the absence of any clear evidence to suggest over-trading or significant under-performance within the centres.

5.79 The forecast of available expenditure to the agreed test dates of 2006, 2011 and 2016 illustrates the effects of the expected growth in comparison goods expenditure. In the comparison sector, the available expenditure is forecast to increase significantly by some £130.2m between 1998-2006, £239.6m from 1998-2011 and £385.1m from 1998-2016.

5.80 The requirement to provide new comparison floorspace on the Island is a function of the growth of available expenditure compared to the ability of existing floorspace, known commitments and proposals to absorb additional expenditure. This enables an assessment to be made of any surplus expenditure arising at future dates which might justify the provision of new comparison floorspace.

5.81 Our assessment of commitments is set out in Table 6b. These total some £70.1m at 2006, rising to £79.5m by 2016 with allowance made for increased sales densities of the town centre stores, and are identified in Section 3.

5.82 As we have explained, allowance has been made for existing town centre floorspace and town centre commitments to increase the amount of turnover these can absorb by 2.25% per annum. This is based on figures published by Experian (Retail Planner Briefing Note 2.0, Chapter 3). Our estimates for the centres on the Island reflect our expectation of their performance over the plan period.

5.83 Allowing for existing floorspace to increase its turnover level absorbs a significant proportion of the growth in available expenditure. We have only allowed for town centre floorspace to increase in turnover - out of centre facilities have not been allowed to absorb additional growth in expenditure.

5.84 However, over time, the growth in available expenditure is greater than the potential of existing/planned floorspace to absorb this, and this generates a surplus of capacity for additional comparison goods floorspace.

5.85 Our assessment shows that by 2006, there will be a surplus of some £56.3m. This figure may actually be higher because we question whether retail development will take place on the Fire Station site at all, although for the purpose of this study, we have allowed for this. The projected surplus in expenditure will rise steadily over time to £242.6m at 2016.

5.86 We consider these estimates to be conservative because we have allowed for all comparison floorspace to increase in turnover by 2.25% pa – this is generous for smaller comparison shops in smaller centres, and if reduced allowance was made for this, the capacity would increase further.

5.87 We comment on a strategy for comparison goods retailing on the Island in Section 7.

Summary

5.88 Our updated capacity assessment accords with Government guidance in that it uses goods based expenditure data.

5.89 In the convenience sector, at 2006 there is a significant surplus of expenditure of some £30.9, including some £8.3m of expenditure by tourists. Even allowing for additional commitments by 2011 the expenditure surplus will increase to £33.9m including £8.6m of expenditure by tourists. If the re-branding of the Safeway stores as Wm Morrison stores does not take place, the forecast capacity would increase.

5.90 For the comparison sector, there is considerable growth in available expenditure, and even allowing for commitments and allowance for existing businesses to increase their turnover, there is a considerable surplus of expenditure by 2006 (£56.3m) and 2011 (£133.4m).

5.91 In formulating our advice to the Council, we have had regard to the guidance in PPS6 that *"in planning for growth in their town centres, local planning authorities should allocate sufficient sites to meet the identified need for at least the first five years …"* (paragraph 2.52)

5.92 This suggests that the forecasts should be applied over a 5-year period. We consider this is reasonable as forecasts over a 5 to 10 year period are unreliable.

6. Strategy for convenience retailing

6.1 Over the last 6 years the quality and range of convenience retailing on the Island has improved significantly:

- J Sainsbury has opened a store on the edge of Newport town centre
- Somerfield has developed a store in Ryde town centre
- Tesco has opened an Express store in Wootton.

6.2 There is also strong expectation that the acquisition of Safeway by Wm Morrison will lead to improvements in the quality of these stores – one of which adjoins Newport town centre and one of which is out of centre at Lake. Wm Morrison has disposed of a number of stores, but we understand that the company intends to keep these stores. This suggests that the company is confident these stores will trade well.

6.3 There is also a proposal for a medium sized foodstore within East Cowes. This is likely to open in the period between 2006 and 2011 as part of the proposed regeneration of East Cowes.

6.4 Over a relatively short period of time this constitutes significant improvement in the quality of convenience retailing on the Island. Our updated capacity analysis reflects this scale of development.

6.5 Our forecasts identify significant surpluses of expenditure on convenience goods at 2006 [£30.9m] and 2011 [£33.9m]. Our analysis allows for £8.3m of expenditure by tourists at 2006, rising to £8.6m by 2011, and we recommend that this is excluded from the capacity analysis. Whilst we acknowledge that this expenditure takes place, it only does so during a 30-week period from April-November, some 30 weeks a year. This is just under 60% of the year.

6.6 We question the extent to which the Council should make provision for additional retail floorspace based on expenditure that only takes place during these times. The consequence of not making provision for this is that existing stores could over-trade during these periods, and we do not consider that this would be harmful to the vitality and viability of these centres, especially as most of the convenience floorspace on the Island is within or adjoining town centres. This approach is entirely consistent with the thrust of national guidance to maintain the vitality and viability of town centres.

6.7 The net surplus of expenditure by 2006 [£22.6m] and 2011 [£25.3m] is significant, and the Council should make provision for this. This is equivalent to the turnover of a small superstore, or several medium sized stores. We are aware that the Council has received applications for an extension of the existing Tesco store at Ryde and for a new store in Shanklin, and has been approached on a number of small opportunities.

6.8 The forecast level of capacity is sufficient to support the current proposals, and may be enough to support the additional proposals that have been outlined to the Council.

6.9 We **recommend** that the Council makes specific provision to meet this need in line with the guidance in PPS6.

7. Strategy for comparison retailing

7.1 In the comparison sector, there has not been a significant level of development activity to meet the need identified in our 1998 study, and that which has occurred has been mainly on the edge of or away from town centres. The Towngate Retail Park, B&Q Warehouse and Matalan are examples of this.

7.2 There has not been significant town centre comparison development in any of the centres, and as we have previously identified, the main pressures for development remain at Newport.

7.3 However, there are proposals for development on the Fire Station and the Bus Station sites, and we have treated these as commitments. There is also an extant consent for “bulky goods” retail development at Riverway (Wakes). In practise, we consider that the only town centre development that will come forward is the scheme for the Bus Station.

7.4 Based on our updated capacity analysis, there is potential for additional retail development on the Island, in particular at Newport to provide a qualitative improvement in the shopping offer of the Island. By 2011, the forecast surplus of expenditure would support an additional 37,917 sqm gross of comparison floorspace.

7.5 However, as with the convenience sector, a significant element of this capacity is based on expenditure by tourists. By 2011, total tourism expenditure is forecast to be £37.49m.

7.6 As before, the main pressure for development is likely to be at Newport. We consider that the market is likely to wait to see the effect of the Bus Station scheme (and possibly the Fire Station) before other opportunities are considered.

7.7 We **recommend** that the Council makes specific provision to meet this need in line with the guidance in PPS6.