



The Property People

SOUTH CAMBRIDGESHIRE DISTRICT COUNCIL

ADVICE ON WM MORRISONS

PLANNING REPORT

NOVEMBER 2013

Appendix 3

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1 INTRODUCTION

- 1.1 This report has been commissioned by South Cambridgeshire District Council (SCDC) into the effects of Wm Morrisons' revisions to the layout of its store in Cambourne, resulting in increases in the amount of convenience and comparison sales floorspace in the store.
- 1.2 This report follows earlier advice that Carter Jonas provided to the Council on this matter in a letter dated 7th March 2013. A copy of the advice is provided in Appendix 1.
- 1.3 Planning Committee requested that we undertake the following additional work:
- (a) Quantitative analysis/financial modeling of the additional turnover and what impact this will have on Cambourne town centre.
 - (b) Updated a health check of Cambourne town centre.
- 1.4 In the light of (a) and (b), it was requested that we advise on the effect of the changes on planned private sector investment in the centre. NewCrest agreed to participate in this process and to provide additional information.
- 1.5 We agreed that we would contact MCA – the developers of the centre – to understand the performance of the centre. We have contacted Andrew Wilson of Taylor Wimpey who are part of the MCA consortium, but no information has been forthcoming.
- 1.6 We understand that NewCrest has not submitted anything to the Council.
- 1.7 The structure of this report is as follows:
- Section 2 summarises our earlier advice;
 - Section 3 provides a quantitative assessment/financial modelling of the effects of the changes;
 - Section 4 contains a review of the health of the centre;
 - Section 5 sets out our updated findings; and
 - Section 6 sets out our conclusions.
- 1.8 Appendices to this report include a copy of the advice dated 7th March (1), marketing details of Site 3 (2) and a map of land uses in the centre (3).

2 PREVIOUS ADVICE

2.1 The main findings of our earlier advice were that:

I do not consider that the increase in the convenience sales area of 268 sq m will result in any material increase in the store's turnover and I do not consider that it will impact on other businesses in the centre to any material degree.

I reach a similar conclusion in relation to the proposed increase in the comparison sales area of 132 sq m.

Moreover, given the existing store is in a designated "town centre", the increase in the turnover of the store will lead to an overall increase in the turnover of the centre as a whole which is supported in principle by national planning policy guidance.

I note also that both retail studies (2008 and 2010) concluded that the centre is trading well and it is vital and viable. In my opinion, this is consistent with the decision made to secure planning permission for two separate retail developments in the centre.

In our opinion, this is evidence that the proposal has not impacted on planned investment in the centre. Had either applicant been concerned at the effects of Morrisons' application, they would not have submitted.

Overall, I conclude therefore that the proposal will not impact on the vitality and viability of the centre or undermine investment in the centre.

In quantitative terms, the proposal will not impact on the vitality and viability of the centre, indeed it will increase the overall turnover of the centre.

In qualitative terms, it will improve the store and it will not harm the centre. Together with recently approved proposals to extend the centre, the proposal will enhance the overall vitality of the centre

2.2 It was the finding in relation to harm to investment in the centre that was a concern to members of the Planning Committee following the presentation by Duncan Mason of NewCrest.

3 FINANCIAL MODELLING

- 3.1 This section models the implication of the changes in the comparison and convenience turnover of Morrisons, noting that this is necessarily broad brush because no information was provided in support of the application.
- 3.2 For ease of analysis, we have used the information on benchmark turnover contained within the NLP study. This suggests that the total theoretical turnover of the Morrisons store in Cambourne could be £30.1m based on a company average turnover figure of £11,173/sq m. The change in floor area increases the convenience floorspace by 268 sq m.
- 3.3 Evidence tested and accepted at planning inquiries suggests that extensions of existing stores increases the turnover by less than the company average and a discounted level, approximately half of the company's average, is normally applied. This is now an accepted approach to modelling changes in the turnover of a store because it does not follow that extending a store will mean it will trade in line with company average on the additional space. Often the extended floorspace will make the shopping environment more pleasant and less cluttered, and for a store that has established trading patterns it will mean some additional customers and changes in shopping patterns, but that will not be the same as would have occurred for a wholly new store opening in a catchment area/location.
- 3.4 Based on this approach, the turnover of the store could have increased by £1.5m.
- 3.5 There are no other convenience stores within the centre of Cambourne that could have been affected by the changes and so it is not possible to model the changes. Analysis of the results of the survey of households' shopping patterns within the catchment area reveal the catchment zones within which Morrisons draws most of its trade and this is Zone 4:

SOUTH CAMBRIDGESHIRE: MAJOR RURAL CENTRE STORES

**TABLE 10
CONVENIENCE GOODS ALLOCATION - % MARKET SHARE**

Catchment Zone	MORRISONS, CAMBOURNE			
	2008 (%)	2011 (%)	2016 (%)	2021 (%)
1	1	1	1	1
2	0	0	0	0
3	3	3	3	3
4	18	18	18	18
5	0	0	0	0
6	1	1	1	1
7	1	1	1	1
8	0	0	0	0
9	0	0	0	0
10	0	0	0	0
11	1	1	1	1
12	0	0	0	0
13	0	0	0	0
14	0	0	0	0
15	0	0	0	0
16	2	0	0	0
17	3	0	0	0
18	2	1	0	1
19	0	0	0	0
20	0	0	0	0

SOURCE: Household Survey, March 2008

- 3.6 Within Zone 4, the other dominant foodstore is Tesco at Bar Hill, and it is likely that the main effects of the changes will have been felt on that store.
- 3.7 This means that the overall effect of the changes in the convenience sector in Cambourne will have been positive because the turnover will have increased by £1.5m.
- 3.8 In the comparison sector, the increase in floorspace was 132 sq m. A turnover estimate is not provided within NLP's assessment and it is estimated to be around £10,000 sq m. Applying a discount of 50%, the total turnover of the extended floorspace could be around £660,000.
- 3.9 Within Cambourne, there are only two comparison stores. Massif Bikes can be omitted from this analysis because they do not compete with Morrisons. Lloyds Pharmacy does have the potential to compete with Morrisons because there is around 152 sq m of floorspace within the store selling chemists goods.
- 3.10 It is clear that there will have been some potential for impact by the change on the Lloyds Pharmacy store because the two stores are effectively opposite each other. However it is not possible to quantify what this level of diversion might have been. It is relevant to note also that this is competition and choice which is encouraged by the National Planning Policy Framework (the Framework).

- 3.11 The important point to note is that it is unlikely that the level of diversion would have been equal to the increase in turnover of Morrisons, and therefore the overall comparison turnover of the centre will have increased, with the additional comparison turnover coming from other stores in the surrounding area.
- 3.12 It is clear that the changes will have brought about a net increase in the turnover of the centre as a whole.

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4 UPDATED HEALTH CHECK

- 4.1 Two retail planning consultancies independently have assessed the health of Cambourne and found it to be performing well. The specific conclusions were:

“Cambourne has a total of 18 units, but not all of the floorspace in Cambourne has been built. All of the centres have a good range of convenience, comparison and service uses and vacancy rates are very low, which indicates that the centres are healthy” (GVA Cambridge Sub-Regional Retail Study, 2008, para 7.5)

“the centre is performing well and is still expanding” (NLP North West Cambridge Supplementary Retail Study, 2010, para 5.88).

- 4.2 The National Planning Policy Framework does not provide guidance on the measures to be used to assess the health of a town centre, and so we have used the ones previously set out in national planning policy guidance (PPS4).

Summary

- 4.3 Although there are no vacant units in Cambourne, it is dominated by Morrisons and it has a very high number of service uses. The committed development on Site 3 will bring about better balance of retail activity within the centre.

Diversity of Uses

- 4.4 At present there are 16 retail units in the centre and Experian GOAD estimate the total floorspace of the centre to be 84,300 sq ft. The table below summarises the mix of uses and compares to the national average:

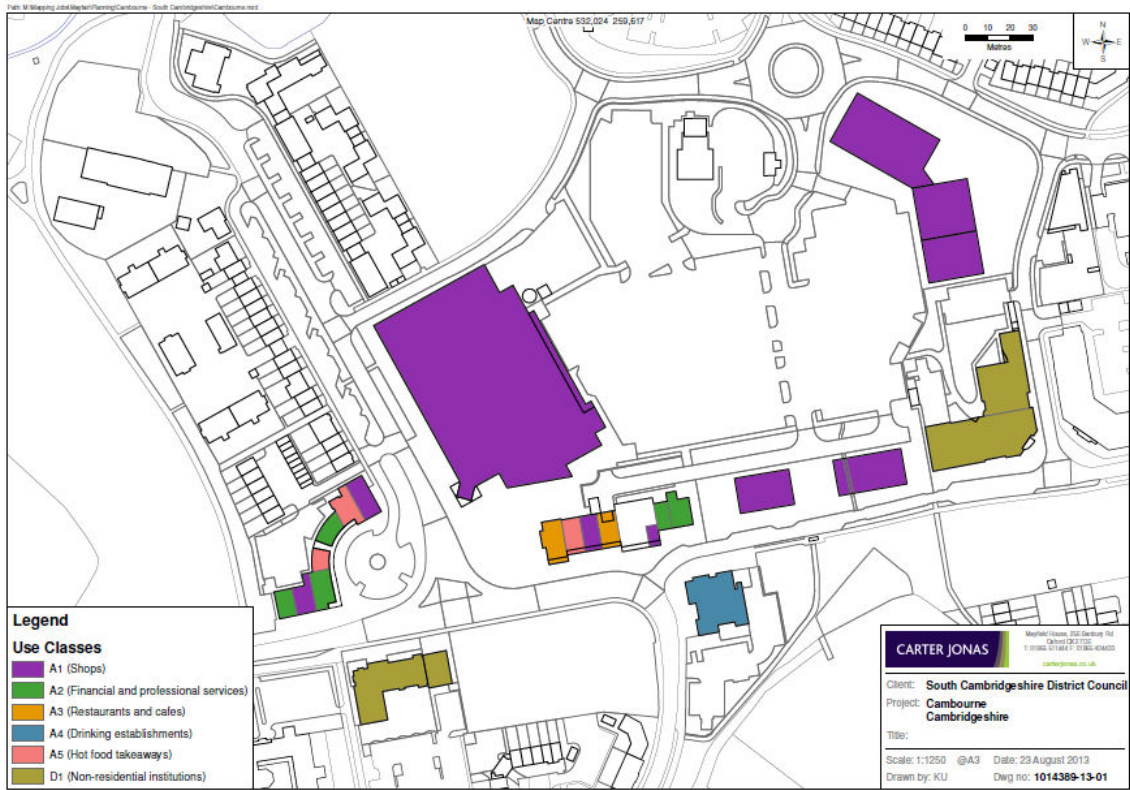
	Cambourne	National Average
A1 - Convenience	1 unit / 6%	12%
A1 - Comparison	2 / 13%	53%
A2-A5 (Service)	13 / 81%	33%
Miscellaneous/vacant	0	2%

Note: Although Experian GOAD classify a hairdresser and a dry cleaner as a service use, these are actually A1 Shops and have been classified for present purposes as a comparison use.

- 4.5 This analysis shows very clearly that the centre is under represented with retail uses and is over-represented with service uses.
- 4.6 Morrisons also dominates the centre with some 87% of the total floorspace in the centre in convenience use, contrasting to the national average of 25%.
- 4.7 There are proposals to extend the retail offer of the centre with additional retail stores planned on Sites 2 and Site 3 adjoining Morrisons's car park. On Site 2, pre-lets have been secured for an

Iceland store (5,963 sq ft), Home Bargains (11,430 sq ft) and Just for Pets (5,000 sq ft). A copy of the investment details of the site are provided in Appendix 2.

4.8 We show below the proposed mix of uses in the centre with the completion of developments on Site 2 and Site 3 (a larger version of this plan is available in Appendix 3).



4.9 This shows a strengthening of the retail offer of the centre. Based on the current pre-lets, the total retail floorspace of the centre would increase by 22,393 sq ft to 106,693 sq ft. This is an increase of 27%. The revised mix of units in Cambourne (19 units) based on the scheme for Site 3 can be summarised as follows:

	Cambourne	National Average
A1 - Convenience	2 units / 11%	12%
A1 - Comparison	4 / 21%	53%
A2-A5 (Service)	13 / 68%	33%
Miscellaneous/vacant	0	2%

4.10 When Site 2 is developed, even greater balance will occur in the retail offer of the centre.

The amount of retail, leisure and office floorspace in edge-of-centre and out-of-centre locations

- 4.11 This does not apply to Cambourne as it is a newly built centre to serve the new residential community.

The potential for growth or change of the centre

- 4.12 The centre has opportunities for further change. Construction will start shortly on Site 3 and Site 2 will be available for further development. There is also scope for change of use of the service uses to retail uses.
- 4.13 In our view, the main challenge facing the centre is that the physical layout is wrong, with Morrisons sitting behind the other retail units. It has long been acknowledged that desire lines and sight lines are important if linked shopping trips are to take place, and for shoppers visiting Morrisons, they see the back of retail units and the walk across to the crescent of shops is not a particularly welcoming one. More should be made to animate and activate the area between Morrisons and Chutney Joe (see below).



Retailer Requirements

- 4.14 The requirements of three retailers are proposed to be satisfied (Iceland, Home Bargains and Just for Pets). There are no known other requirements for Cambourne at this time.

Proportion of vacant street level property

- 4.15 There are no vacant units in the centre which is evidence that it is trading well.

Commercial yields on non-domestic property

- 4.16 There is no evidence of commercial yields on non-domestic property in Cambourne.

Pedestrian flows

4.17 There is no recorded evidence of pedestrian flows in Cambourne.

Accessibility

4.18 The centre is accessible by car, foot and public transport ().

State of town centre environmental quality

4.19 Cambourne is an attractive, modern town centre. The main problem is that Morrisons is not well integrated into the centre and there are large areas of paving which is "dead space".

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5 UPDATED FINDINGS

- 5.1 Our updated analysis is based on the findings of the updated financial modelling and an updated health check of Cambourne town centre.
- 5.2 This allows us to address the specific questions raised, namely whether the proposal accords with retail planning policy guidance and the impact of the proposal on existing, committed and planned public and private sector investment in the centre.

Effect on policy

- 5.3 Our previous conclusion on the extent to which the proposal complied with planning policy guidance was that it did.
- 5.4 In reassessing this point, it is important to highlight that there has been no change in national planning policy guidance. At a local level, the South Cambridgeshire Local Plan – Proposed Submission (July 2013) has been published. This identifies Cambourne as a Rural Centre (Policy S/8).
- 5.5 Draft Policy E/22 advises that proposals for new shops, redevelopment or extension will only be approved where this is of an appropriate scale. It states that in a Rural Centres proposals involving additional retail floorspace resulting in a retail unit of more than 500 sqm gross should be accompanied by a Retail Impact Assessment, and that proposals for retail developments up to this threshold will generally be regarded as being of a scale that would not result in significant adverse impacts. Proposals resulting in significant adverse impacts should be refused.
- 5.6 As a development taking place within a designated town centre in terms of the guidance contained in the Framework, there is support for the proposed development.
- 5.7 Although the increase in floorspace is 400 sqm net, this is equivalent to a gross floor area of around 600 sqm, therefore the provisions of draft Policy E/22 apply.
- 5.8 On the basis that our analysis demonstrates that the proposal will have resulted in a net increase in the turnover of the centre, which will increase further still with the opening of Iceland, Home Bargains and Just for Pets, we are satisfied that the proposed change will not have had an adverse impact on the centre.

Effect on investment in the centre

- 5.9 We have attempted to contact the MCA for guidance on the performance of the centre, but this has not been forthcoming.
- 5.10 Nor has any information been submitted by NewCrest with regards to the “psychological” effects of Morrisons on investment plans in the centre. Those concerns were articulated at Planning Committee in April.

- 5.11 It is relevant that since March when we reported and the matter was considered by Planning Committee, 3 national retailers have committed to open outlets in Cambourne. It is clear from the investment brochure that all of the retailers have signed leases to open stores in the centre, and therefore Morrisons' changes have not deterred this private sector investment in the centre.
- 5.12 We consider this is hard evidence of there being continued demand by retailers to establish a presence in the centre and these decisions were made in the certain and full knowledge of Morrisons' changes. It is important to highlight that two of these retailers – Iceland and Just for Pets – will compete directly with Morrisons.

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6 CONCLUSIONS

- 6.1 Neither the MCA nor NewCrest has provided additional information or evidence on the effects of Morrisons' changes on the performance of the centre or the effect on investors' "psychology".
- 6.2 The updated health check shows that the centre continues to enjoy full occupancy of units, albeit Morrisons continues to dominate in the centre and there is a high proportion of service uses. Since April 2013, 3 national retailers have committed to opening new stores in Cambourne and this will lead to a 27% increase in the size of the centre and a better balance between retail and service uses.
- 6.3 Morrisons' changes have resulted in a net increase in the comparison and convenience turnover of the centre, possibly by up to £2.1m (if no allowance is made for trade diversion from Lloyds Pharmacy). The only store in the centre that it could have competed with is Lloyds Pharmacy. This provides competition and choice within a centre which is encouraged by the Framework.
- 6.4 The proposal satisfies the policy guidance in the Framework and emerging development plan policy guidance for Rural Centres such as Cambourne (Policy E/22).

Appendix 3