

Appendix 2 – Retail Capacity

On Behalf of:

Derwent Holdings Ltd.

In Respect of:

Edge Lane Retail Park, Liverpool

Reference:

JB/MA/1003708/R003m APX 002

Date:

September 2010

Assessment of Capacity for Additional Comparison & Capacity Goods Floorspace

- 1.1 There is no longer a requirement to demonstrate the need or retail capacity for the development proposal as part of the PPS4 policy tests for retail development. However, one of the impact tests set out in PPS4 (Policy EC16.1 a) requires the impact of the proposal on existing, committed and planned public and private investment in a centre or centres in the catchment area of the proposal to be assessed.
- 1.2 As part of this assessment we have looked at the planned retail floorspace set out in the development, and retail commitments in the catchment area of Edge Lane Retail Park. Following this we have looked at the potential capacity for comparison and convenience goods floorspace within the study area by looking at the benchmark turnover of existing floorspace and retail commitments, to see how this compares with the level of available expenditure in the area.
- 1.3 We have also explored whether the development proposal would consume a level of expenditure that would significantly impact on the ability for the planned and committed retail floorspace to be delivered. The exercise demonstrates that this would not be the case.

Comparison Goods Capacity Assessment

Available Goods Based Expenditure

- 1.4 MapInfo were commissioned to provide a bespoke AnySite report which provides post code sector based population projections, and goods based expenditure estimates using a 2007 price base. The available comparison and convenience expenditure (by category) is then weighted to give an indicative scope of the shopping power by category taking account of special forms of trading (relying upon the guidance of the 2010 MapInfo Retail Expenditure Guide). Population figures are set out in Table 1 of **Appendix 5**.

- 1.5 Per capita expenditure figures for comparison goods have been projected forward to the 2010 base year and the design years, which is 2016 for phase 1 and 2019 for phase 2.
- 1.6 Actual growth rates, obtained from Table 1 of the latest MapInfo Brief Retail Expenditure Guide on retail goods expenditure, were used for 2008. For subsequent years, a growth rate of 4.5% for comparison goods and 0.6% for convenience goods has been used in line with the ultra long term trends within table 3.2 of the MapInfo Retail Expenditure Guide 2010/11.
- 1.7 Having established the Catchment Area's population and per capita spending figures, a simple mathematical calculation can then establish the level of available expenditure for comparison and convenience goods within the Study Area. This information is set out in Tables 1 - 3 at **Appendix 5**. Table 3a shows that comparison goods expenditure within the will increase from **£546.30m** at the base year of 2010 to **£719.44m** by 2016 and to **£822.11m** by 2019. Table 3b shows that convenience goods expenditure within the Catchment Area will increase from **£388.20m** at the base year of 2010 to **£406.91m** by 2016 and to **£414.85m** by 2019.

Turnover of Existing and Committed Comparison and Convenience Goods Floorspace

- 1.8 A capacity assessment is a theoretical exercise, which assesses the potential for a defined area to support additional retail floorspace for comparison and convenience goods. The next step is to identify all existing and committed floorspace within the Catchment Area.
- 1.9 The nature and extent of existing shopping provision within the Catchment Area is illustrated in geographical form at **Appendix 6**, and in tabular form at Table 4a and 4b to **Appendix 5**. This information is provided on a goods basis as required by PPS4. The extent of net retail floorspace for convenience and comparison goods is provided at column 4 of Tables 4a and 4b respectively.
- 1.10 The sales performance of the resultant goods-based floorspace for foodstores and retail parks is modelled upon a typical benchmark performance equivalent to their

company average sales density. In respect of generic comparison and convenience goods floorspace in smaller stores located in the defined district and local centres, generic sales densities are applied using professional judgment on the basis of their relative offer and vitality. Using the data and analysis contained within the Liverpool City Council District & Local Centres Study (November 2009) we have scored each unit on their offer and vitality (1 for good – 3 for poor), the score for each centre influences the sales density applied to the centre. The average sales density in 2010 for District Centres stores ranges from 2,000 £/sq m to 3,000 £/sq m and for Local Centres from 1,000 £/sq m to 2,000 £/sqm. Below is an example of this approach which took account of vacancy levels, number of multiple retailers and the presence of major foodstores.

Table 1 – Centres Generic Sales Densities

Centre	Type of Centre	DPP Score	Sales Density (£/s qm)
Broadway	District Centre	2	£2,500
Edge Hill	District Centre	3	£2,000
Old Swan	District Centre	1	£3,000
Wavertree	District Centre	3	£2,000
Kensington Fairfield	Local Centre	3	£1,000

- 1.11 The details of this assessment are shown on tables 4a and 4b at **Appendix 5**. From this it can be seen that the existing comparison goods floorspace in Zone 3 has a benchmark turnover of approximately **£120.04m** (comparison) and **£89.38m** (convenience) at 2010 (2007 prices). In Zone 6 the benchmark turnover of comparison goods floorspace in the stores and centres is **£27.09m** (comparison goods) and **£29.16m** (convenience goods). In Zone 7 the benchmark turnover of retail floorspace is **£13.82m** (comparison goods) and **£33.43m** (convenience goods). In Zone 8 the benchmark turnover of retail floorspace is **£70.23m** (comparison goods) and **£95.74m** (convenience goods). Combined, the benchmark comparison turnover for the catchment is estimated at **£231.17m** for comparison goods and **£247.71m** for convenience goods at 2010.
- 1.12 However, most of the stores and centres will not attain their entire turnover from people living within the defined Study Area. It is reasonable to assume there will be customers that travel to the retail facilities from outside the Catchment Area from surrounding parts of the city. Edge Lane Retail Park will also draw its trade from the wider area. This type of custom and expenditure is known as inflow.

- 1.13 Table 4a and 4b accommodates for inflow by estimating the proportion of the benchmark turnover derived from the Catchment Area for each store and centre. Where available the extent of inflow has been taken from the results of the Household Survey (November 2006) which underpinned Tesco mixed use proposals in Kirkby (Call in Ref: APP/V4305/V/08/1203375), which looked at shopping patterns across Liverpool and the surrounding conurbations. For the centres where this data is unavailable the inflow has been calculated based on the household survey from the original Cushman and Wakefield Liverpool Quantitative Retail Assessment and the updated household survey commissioned by DPP for the zones within our catchment area.
- 1.14 Based on this assessment, of the benchmark comparison goods turnover of **£231.17m** in 2010, some **£175.83m** is generated from residents of the catchment area, meaning the level of inflow for comparison goods expenditure is in the region of **£55.3m**. Of the benchmark convenience goods turnover of **£247.71m**, some **£178.66m** is generated from residents of the catchment area, meaning the level of inflow for convenience goods expenditure is in the region of **£69.0m**.
- 1.15 It is recognised that there will inevitably be a degree of outflow expenditure, due to the nature of the competing offer in locations such as Liverpool City Centre, Aintree Retail Park and New Mersey Retail Park. A similar assessment of outflow for comparison goods and convenience goods is also presented in **Table 7a and 7b of Appendix 5** (respectively) to the main retail facilities and centres surrounding the Catchment Area. Again, this is informed by the household survey results. It is estimated that existing comparison goods retail facilities located outside the Catchment Area draw **£370.47m** from the Catchment Area at 2010 whilst existing convenience goods retail facilities located outside the Catchment Area draw **£140.50m** from the Catchment Area at 2010. As such, the study area is a net exporter of comparison and convenience goods expenditure.

Design Year Benchmark Turnover from Catchment

- 1.16 In order to ascertain the likely turnover to be attracted to these facilities at the phase 1 design year of 2016 and phase 2 design year of 2019, an annualised turnover efficiency of 1.5% per annum for comparison goods and 0.2% for convenience goods have been applied to the base year turnover. As such, the Catchment Area derived comparison turnover of existing floorspace increases from **£175.83m** at 2010 (base

year) to **£192.26m** at the phase 1 design year of 2016 and to **£201.04m** at the phase 2 design year of 2019.

Retail Commitments

- 1.17 Prior to establishing the level of surplus expenditure available to support additional comparison and convenience floorspace, it is necessary to allow for committed schemes which are likely to come forward. In this case, there are a number of committed schemes located within and beyond the catchment which are built into my exercise (see plan **Tables 7a and 7b at Appendix 5**).
- 1.18 There are currently three commitments within the catchment area which include a proportion of comparison and convenience goods floorspace. These commitments are as follows:
- Aldi foodstore on Broad Green Road, on the edge of Old Swan District Centre (app ref. 09F/1776). This permission includes 1,162m² of net floorspace, of which 824m² is expected to be convenience goods floorspace with an expected turnover £4.03m in 2016. The remaining floorspace (338m²) will be used for the sale of comparison goods floorspace with an expected turnover of 0.56m in 2016.
 - A 1,147m² extension to the existing Asda foodstore on Breckfield Road South within the Breck Road District Centre. These proposals will create an additional 642m² of convenience goods floorspace and 505m² of comparison goods floorspace resulting in an expected combined £13.26m in 2016 (£9.28m convenience goods and £3.98m comparison goods).
 - A new 1,143m² retail unit on the site of the former Kwik Save within Old Swan District Centre. The unit is to be over two floors with the upper floor being used for storage and staff facilities. With only the ground floor being used for the sale of retail goods we have calculated the net floorspace for the unit to be approximately 572m² (net to gross 50%). The application (ref 10F/1756) is for an open A1 unit including food. As this site was formerly in use as convenience goods store we have therefore calculated the turnover of this unit as a convenience goods unit using a benchmark figure of for local trader/discounters of £4,000 per sqm which results in a turnover of £2.61m in 2016 with 90% of this turnover coming from the Study Area (£2,18m).

- 1.19 In aggregate form, the benchmark comparison goods turnover of these commitments located within the Catchment Area is calculated to be **£4.92m** and **£5.14m** at the design years of 2016 and 2019 respectively. Of these it is estimated that **£1.68m** (2016) and **£1.76m** (2019) will be derived from the Catchment Area, with **£3.24m** (2016) and **£3.38m** (2019) representing inflow.
- 1.20 The benchmark convenience goods turnover of the commitments is calculated to be **£15.92m** and **£16.12m** at the design years of 2016 and 2019 respectively. Of these it is estimated, based on current trading patterns, that **£8.55m** (2016) and **£8.69m** (2019) will be derived from the Catchment Area, with **£7.37m** (2016) and **£7.43m** (2019) representing inflow.
- 1.21 Beyond the catchment, whilst there are extant consents which have implications for trade diversion, these are not strictly applicable to a closed system capacity-based assessment.

Turnover of the Proposals

- 1.22 The estimated turnover of the proposals for Phase 1 is **£89.9m** (£75.7m comparison goods and £14.2m convenience goods) at the design year of 2016 and at the phase 2 design year of 2019 (phase 1 & 2 combined) in the order of **£162.6m** (£148.3m comparison goods and £14.3m convenience goods). For this assessment, it is assumed that (80%) **£130.0m** (£118.6m comparison goods and £11.4m convenience goods) of this 2019 expected turnover will be derived from the Catchment Area. This 80% figure replicates the existing retail park's trading pattern of 80.2% at 2010 as set out in **Table 5a** of **Appendix 5**.
- 1.23 As the existing retail units provide trading floorspace this capacity assessment has therefore been based on the uplift in turnover created by the proposals. The estimated uplift in comparison goods turnover created by the proposed development is set out at **Table 8c** of **Appendix 5** a summary of which is included below. The uplift of the comparison goods turnover has been calculated based on the survey derived turnover of the existing retail park and equates to £25.6m at 2016 (phase 1) and £92.8m at 2019 (phase 1 and 2 combined).
- 1.24 As there is no existing convenience floorspace on the retail park this capacity

assessment is based on the expected turnover of the convenience goods floorspace proposed. The amount of convenience floorspace proposed is relatively minor and has an expected turnover of £14.2m at 2016 and £14.3m at 2019. For this assessment, it is assumed that **£11.4m** (80%) of this 2019 expected turnover will be derived from the Catchment Area. As this convenience goods floorspace will be ancillary to a comparison goods retailer the 80% figure that replicates the existing retail park trading pattern has been used.

Table 1 - Proposed Turnover – Summary of table 6b

	2016	2019
Existing Trading Floorspace	£55.91m	£58.47m
Retained Floorspace	£2.82m	£2.94m
Proposed Floorspace Turnover	£89.93m	£162.55
Uplift in Turnover	£36.83	£107.03m

Capacity Conclusions

- 1.25 **Table 9a** in **Appendix 5** summarises the outcome of the overall comparison goods assessment. It demonstrates that at the design year of 2016, there is residual comparison goods capacity of **£527.18m** by 2016 and **£621.07m** by 2019 prior to commitment schemes, structural outflow, and the application proposal.
- 1.26 At the design years of 2016 and 2019, taking account of available expenditure, commitments and the application proposal, there is still residual comparison capacity of **£507.74m** and **£545.49m**. Whilst it is expected that a large proportion of expenditure within the catchment area will be lost to outflow due to the proximity of Liverpool City Centre this clearly demonstrates there is more than sufficient capacity for the development proposal based on a benchmark approach.
- 1.27 The proportion of comparison goods expenditure that is lost to outflow to Liverpool City Centre as set out in table 7a of Appendix 5 has been calculated using the survey derived turnover at the base year of 2010. In order to model outflow in future design years we apply annualised turnover efficiencies to do so. In effect this reduces the proportionate outflow to the city centre from its base year position of 46.1% (of available catchment expenditure) at 2010 to 35.5% at 2019.

- 1.28 This equates to resultant capacity of **£232.5m** at 2016 (Phase 1) and **£257.6m** (Phase 2) at 2019 taking into account commitments in the Catchment Area and the proposals. Using an average sales density of £5,000 per sq m this equates to capacity for future floorspace of 46,500m² at 2016 and 51,520m² at 2019. This demonstrates that there is more than sufficient capacity for the proposed development whilst also ensuring that there is available capacity for future comparison goods retail development. This is summarised in table 5 below.
- 1.29 For the sake of clarity, if the existing level of structural outflow to the city centre were to continue (i.e. 46.1%) then there would still be available capacity to support circa 32,500m² and 31,900m² at 2016 and 2019 using the same approach as above.
- 1.30 **Table 9b of Appendix 5** summarises the outcome of the overall convenience goods assessment. At the design year of 2016, there is residual convenience goods capacity of **£226.1m** and **£233.0m** by 2019 prior to commitments and the application proposals.
- 1.31 At the design years of 2016 and 2019, taking account of available expenditure, commitments in the study area and the application proposal, there is still residual convenience capacity of **£206.2m** and **£222.9m**.
- 1.32 The proportion of convenience goods expenditure that is lost to outflow to Liverpool City Centre as set out in table 7b of Appendix 5 has been calculated using the survey derived turnover at the base year of 2010. In order to model outflow in future design years we apply annualised turnover efficiencies to do so. In effect this reduces the proportionate outflow to the city centre from its base year position of 3.7% (of available catchment expenditure) at 2010 to 3.5% at 2019.
- 1.33 This equates to resultant capacity of **£191.6m** at 2016 (Phase 1) and **£198.2m** (Phase 2) at 2019 taking into account commitments in the Catchment Area and the proposals. Using an average sales density of £10,000 per sq m which assumes a worst case scenario where the majority of new floorspace is taken up by a major food retailer, this equates to capacity for future floorspace of 19,160m² at 2016 and 19,820m² at 2019. This clearly demonstrates that there is more than sufficient capacity for the relatively small amount of convenience floorspace proposed whilst allowing for future retail development. This is summarised in table 5 below.

Table 2 - Summary of Resultant Capacity

	2016		2019	
	Convenience	Comparison	Convenience	Comparison
Resultant Capacity (£m)	191.6	232.5	198.2	257.6
Floorspace (m ²)	19,160	46,500	19,820	51,520

- 1.34 It is therefore demonstrable that there is still very significant residual expenditure (comparison and convenience goods) after taking into account the trade draw of Liverpool City Centre, commitments within the catchment area and the proposals. This demonstrates that there will be no harm on any planned or committed investment in centres within the catchment area in accordance with PPS4 Policy EC16.1(a).