5. QUANTITATIVE RETAIL NEED: METHODOLOGY, DATA SOURCES AND ASSUMPTIONS

Objectives

5.1   The principal objective of this Update is to utilise the most recent and robust sources of data and re-estimate the need for additional retail floorspace within Portsmouth District through to 2026. The quantitative assessment has been undertaken for each of the two main categories of retailing – convenience goods and comparison goods - and for each of the main centres within the District.

5.2   Although the assessment is necessarily detailed and relatively complex, we have at all stages sought to achieve transparency in our calculations. We have followed a traditional approach to estimating quantitative retail need and have incorporated more recent data on consumer retail expenditure, retail floorspace and retail commitments. This should ensure that our new assessment is up to data, comprehensive and robust[1].

5.3   Section 6 of this report describes the quantitative floorspace need analysis that we have carried out and presents the results. In this section we introduce the methodology, summarise the role of the household telephone survey and (for convenience) set out in one place the main assumptions and definitions which we have used and our principal sources of data.

Quantitative Need Methodology

5.4   The quantitative need for additional retail floorspace within an area (or centre) is dependent on the future relationship between the demand for and supply of space, ideally after taking into account the extent (if any) of any over/under trading that is occurring at the base year. The demand for floorspace is then determined by assessing the likely growth in the volume of consumer retail expenditure, while an assessment of floorspace supply involves quantifying the extent to which proposed changes in the location, quality and quantity of retail floorspace will meet the forecast increases in expenditure. Any monetary shortfall of supply relative to

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[1] Later in this section we point out when we have used more recent and/or different sources of data in the Update compared to our previous December 2004 Portsmouth Shopping Study.

demand in the future indicates there is a need for more floorspace in quantitative terms. The scale of additional retail provision is then determined by converting any excess of consumer expenditure (or headroom expenditure) into a retail floorspace need by applying appropriate sales densities. In practice, because shopping patterns are complex and vary for different types of goods, the methodology utilises survey data to predict base year shopping patterns.

5.5 Our methodology for estimating quantitative need is presented diagrammatically in **Figure 5.1** (overleaf). The key steps set out below.

Step 1 Catchment Area Definition

5.6 The catchment area should be defined with regard to the study objective. For the Update it includes all of Portsmouth District and its shopping hinterland, and is the same as that used in our December 2004 Portsmouth Shopping Study.
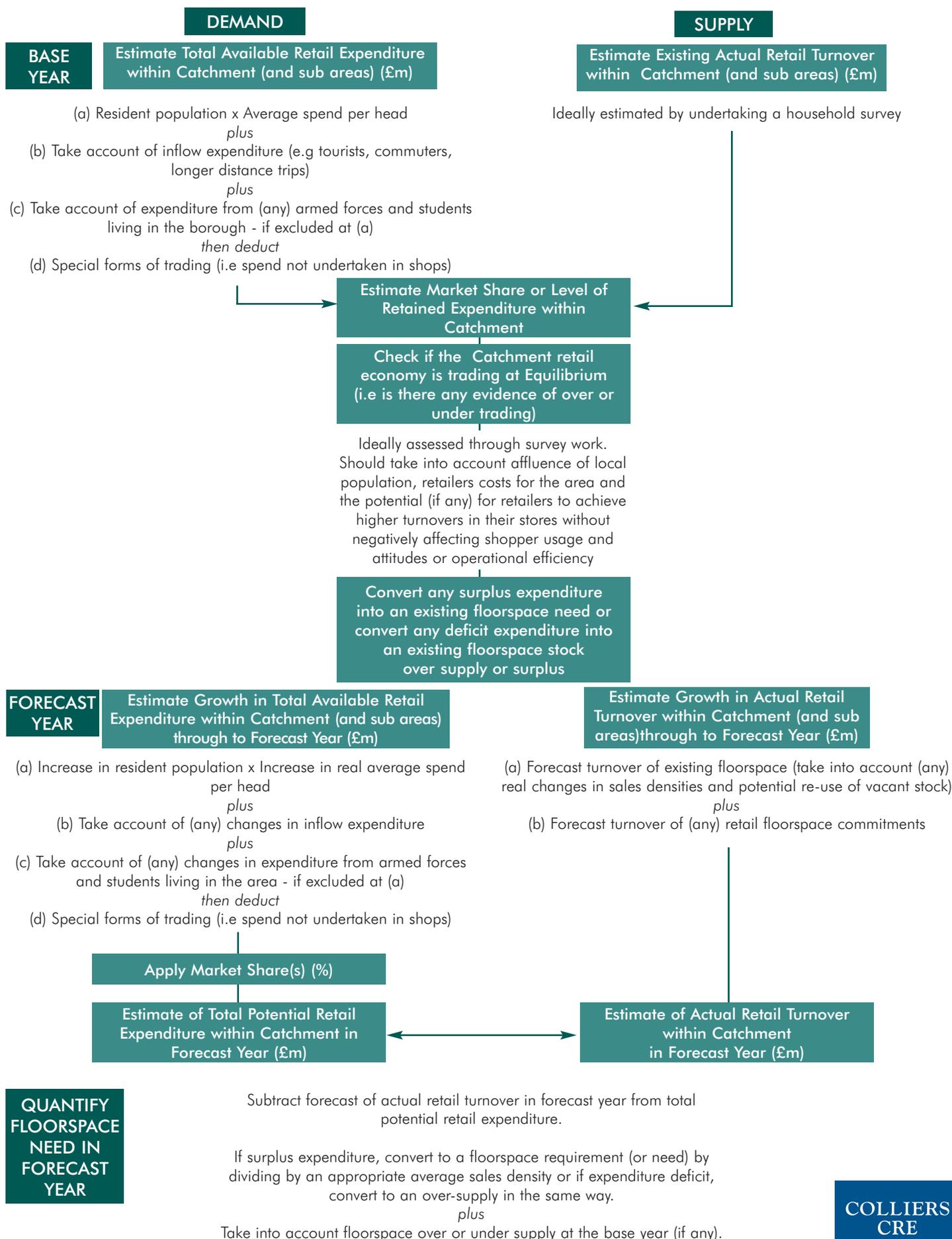
Step 2 Analyse Consumer Demand

5.7 This involves multiplying population by retail expenditure per head for the present and projected forecast year(s). This should include resident population, but also any in-flow retail expenditure from people living outside the catchment area. The main types of inflow expenditure come from long distance shoppers, commuters and tourists.

Step 3 Analyse Retail Supply

5.8 This step comprises an assessment of the turnover of the retail floorspace stock at the base year. This will involve a household survey to estimate the actual retail turnover of centres and stores and a comparison with benchmark turnover.

Step 4 Retail Demand Vs Retail Supply in the Base Year

5.9 At this stage, the adequacy of the existing retail provision within Portsmouth District in quantitative terms is assessed. For example, if actual turnovers assessed in Step 3 exceed the benchmark turnovers, it could be argued that the floorspace is over-trading and, therefore, there may be an existing need for additional retail floorspace. Alternatively, if actual turnovers are less than benchmark levels then the floorspace

QUANTITATIVE NEED METHODOLOGY

Fig. 5.1

DEMAND

BASE YEAR

Estimate Total Available Retail Expenditure within Catchment (and sub areas) (£m)

(a) Resident population x Average spend per head
plus
(b) Take account of inflow expenditure (e.g tourists, commuters, longer distance trips)
plus
(c) Take account of expenditure from (any) armed forces and students living in the borough - if excluded at (a)
then deduct
(d) Special forms of trading (i.e spend not undertaken in shops)

SUPPLY

Estimate Existing Actual Retail Turnover within Catchment (and sub areas) (£m)

Ideally estimated by undertaking a household survey

Estimate Market Share or Level of Retained Expenditure within Catchment

Check if the Catchment retail economy is trading at Equilibrium (i.e is there any evidence of over or under trading)

Ideally assessed through survey work. Should take into account affluence of local population, retailers costs for the area and the potential (if any) for retailers to achieve higher turnovers in their stores without negatively affecting shopper usage and attitudes or operational efficiency

Convert any surplus expenditure into an existing floorspace need or convert any deficit expenditure into an existing floorspace stock over supply or surplus

FORECAST YEAR

Estimate Growth in Total Available Retail Expenditure within Catchment (and sub areas) through to Forecast Year (£m)

(a) Increase in resident population x Increase in real average spend per head
plus
(b) Take account of (any) changes in inflow expenditure
plus
(c) Take account of (any) changes in expenditure from armed forces and students living in the area - if excluded at (a)
then deduct
(d) Special forms of trading (i.e spend not undertaken in shops)

Estimate Growth in Actual Retail Turnover within Catchment (and sub areas)through to Forecast Year (£m)

(a) Forecast turnover of existing floorspace (take into account (any) real changes in sales densities and potential re-use of vacant stock)
plus
(b) Forecast turnover of (any) retail floorspace commitments

Apply Market Share(s) (%)

Estimate of Total Potential Retail Expenditure within Catchment in Forecast Year (£m)

Estimate of Actual Retail Turnover within Catchment in Forecast Year (£m)

QUANTIFY FLOORSPACE NEED IN FORECAST YEAR

Subtract forecast of actual retail turnover in forecast year from total potential retail expenditure.

If surplus expenditure, convert to a floorspace requirement (or need) by dividing by an appropriate average sales density or if expenditure deficit, convert to an over-supply in the same way.
plus
Take into account floorspace over or under supply at the base year (if any).

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may be assumed to be under-trading, signalling a potential over-supply of existing retail floorspace.

Step 5 Changes in Retail Demand and Retail Supply through to Forecast Year(s)

5.10   This step projects forward total available expenditure in the catchment area and the turnover of existing and committed retail floorspace. In simple terms, the difference between the forecast totals of available expenditure and retail turnover gives a measure of the quantitative need for additional retail floorspace. If there is an expenditure surplus, this is converted into potential floorspace by dividing by an appropriate sales density. Similarly, if there is an expenditure deficit, a floorspace over supply may exist.

The Household Telephone Survey

Objectives of the Survey

5.11   This Update uses the <u>same</u> household telephone survey which formed part of our December 2004 Portsmouth Shopping Study.   The survey forms an important component of the Update, since it continues to provide important information on the pattern of shopping activity throughout Portsmouth District and surrounding areas. As such, it forms the foundation upon which the <u>new </u>retail need estimates are built.

5.12   A major aim of the survey is to generate quantitative data on consumer retail expenditure flows between areas or zones (where people live) and retail centres (where they spend their money). This has been carried out for the following three types of shopping:-

- convenience goods
- non-bulky comparison goods
- bulky comparison goods

although in our new quantitative need assessment the latter two categories have been amalgamated.

Definition of the Survey Area

5.13   We reached agreement with the City Council on the outer boundary of the household survey area. The survey area is shown in **Figure 3.1** (following page 22) and is the same as that defined for our previous study. It is relatively extensive, since it has been drawn to include the shopping catchment area of Portsmouth City Centre.

Definition of the Expenditure Zones

5.14   For the purpose of sampling and analysis the survey area has been divided into 17 zones. These zones are defined on the basis of ward boundaries and each zone comprises one or more wards. All of the zones are identical to those defined in our December 2004 Shopping Study. In broad terms they relate to natural shopping activity areas on the ground and to the size and distribution of retail centres. There are more zones within Portsmouth District than other districts because Portsmouth is the main geographical focus of the study.

5.15   **Figure 3.1** (following page 22) shows the locations and general configuration of the zones throughout the survey area.

Sampling

5.16   In consultation with the City Council an overall target sample of 1,500 completed interviews was agreed, sufficient to provide coverage of 88 interviews per zone.

5.17   Within each of the 17 zones, the interview sample was drawn randomly and in proportion to the distribution of population. This ensures the results of the survey reflect for each zone the density of population on the ground.

The Survey Questionnaire

5.18   The survey questionnaire was drafted in consultation with the City Council and their agreement was obtained prior to the commencement of interviewing.

Implementation, Analysis and Results

5.19   Fieldwork for the household survey was carried out during May 2004. In so far as we use the survey results to inform our assessment of retail need within Portsmouth District, the key data which the survey generates is the percentage market share (in terms of expenditure) of the town and other centres within each of the 17 zones. This is analysed separately for convenience goods and comparison goods shopping. Using this quantitative information, it is possible to build-up a picture of existing shopper behaviour within Portsmouth District and the survey area as a whole. In particular, the data allows the existing catchment areas and retail turnovers for main centres to be determined. It also forms the foundation for the updated retail floorspace need estimates, which are presented in full in Section 6.

Principal Data Sources

5.20   The quantitative retail need assessment which we present in Section 6 utilises five major sources of data. Three of the sources are **new** to this study and therefore supersede the data we used in our December 2004 Portsmouth Shopping Study. The data sources are as follows:-

- **Data on shopping trips patterns and consumer retail expenditure flows**

    Source: We have incorporated the results from the same household telephone survey that we used to inform our December 2004 Portsmouth Shopping Study. This has been described at paragraphs 5.11 to 5.19 above.

- **Data on population and population projections**

    Source: Populations have been produced for each of the 17 zones by Experian Business Strategies (EBS). Their figures relate to the years 2005, 2007 (our base year) and 2011. For longer terms forecasts through to 2016, 2021, and 2026, we apply district-wide projections to constitute zones prepared by Hampshire and West Sussex County Councils.

- **Data on consumer retail expenditure per head**

    Source: Bespoke data on average convenience goods and comparison goods expenditure per head for 2005 has been obtained from EBS for the population living within each zone. The data is set out in **Appendix 1A**. This expenditure data considerably updates that used in our December 2004 Shopping Study.

- **Data on existing retail floorspace**

    Source: In this study we adopt the retail floorspace estimates from our previous Portsmouth Shopping Study, which relate to the position as at May 2004, and then update, where necessary, by taking into account retail floorspace completions since then. Details of recent completions and the derivation of the current centre-based floorspace estimates are set out in **Appendices 1A and 2B**.

- **Data on retail commitments**

    Source: Portsmouth City Council has prepared a schedule of retail commitments throughout the District. These are schemes not trading but with planning consent as at May 2007 (details in **Appendix 2C**).

Interpretation and Definitions

5.21   In addition to the principal sources of data, there are a number of further definitions, assumptions and forecasts which we have adopted throughout this Update. Although many are referred to again in Section 6, we hope that by grouping them together below this will assist the reader in understanding the technical analysis which follows.

Study Centres

5.22   In this Update we assess the quantitative need for additional retail floorspace in those centres within Portsmouth District covered by our 2006 study namely:-

- Portsmouth City Centre
- Corsham
- Fratton
- Gunwhart Quays
- North End/London Road
- Southsea

Composition of Main Retail Goods Categories

5.23   In this Update we undertake separate quantitative need assessments for convenience goods and comparison goods floorspace.

Base Year

5.24   We adopt a base year of 2007.

Forecast Year (s)

5.25   The City Council has requested that we forecast quantitative retail need to 2011, 2016, 2021 and 2026.

Price Base

5.26   All monetary figures in this report are given in **constant 2005 prices**. This is the price base for the new consumer expenditure per head data obtained from EBS. Our December 2004 Portsmouth Shopping Study was prepared using constant 2003 prices.

Future Growth in Consumer Retail Expenditure Per Head

5.27   Future spending levels have an important bearing on the need for additional retail floorspace. The assumptions used are therefore critical to the validity of the overall

quantitative need assessment and it is vital that the most up to date, realistic and robust sources are used.

5.28   In this study, we adopt the latest 2005-based expenditure forecasts published by EBS in October 2006. These are set out in full at **Appendix 1B** and incorporate the move by the Office of National Statistics (ONS) in 2003 to an annual chain linking approach to producing constant price economic aggregates.

5.29   EBS's expenditure <u>forecasts</u> are estimates of <u>future</u> spending based on an economic model of disaggregated consumer spending. They differ from expenditure <u>projections</u> published by EBS (and also MapInfo) that are estimates of future spending based on the extrapolation of <u>past</u> trends. EBS advise that when carrying out longer term retail need assessments, the use of forecasts is preferred to projections. EBS state that:-

*   *"Projections of comparison spend per head based on past trends are currently considerably higher than forecasts based on econometric models. This is because most economic forecasters and commentators believe that, after a number of years of very strong growth, we have reached the top of the cycle for consumer and retail spending. This is reflected in very low household savings rates and high levels of household sector debt. Measuring trend growth rates from a point at the top of the cycle pushes up the projections. On the other hand, economists and forecasters believe this means that spending growth in the future is likely to be weaker as the economy and households' finances are rebalanced. We consider that the expenditure forecasts incorporate this important information in a way that projections cannot and therefore the economic forecasts are to be preferred over the projections for planning for future demand growth."* Source: Dr Neil Blake, Director – Economics and Forecasting.

5.30   The argument in favour of using forecasts rather than projections is further supported by the EBS data reproduced in **Appendix 1C**. This indicates that all three expenditure projections have far exceeded the expenditure forecasts for many years, since they have been inflated by the exceptional comparison goods expenditure growth that occurred between 2003 and 2005. Indeed, until very recently the 'gap' between historic expenditure growth (the projections) and what economists believe will actually happen in the future (the forecasts) was widening.

5.31   Following the advice of EBS, we therefore adopt their expenditure <u>forecasts</u> which are summarised in **Table 5.1**. We assume that the actual real annual increases in spend per head for the period 2006-15 will continue beyond the EBS forecast time frame and we therefore also apply these growth rates to the forecast years of 2021 and 2026.

Table 5.1: Expenditure Per Head Growth Forecasts

Goods Category	Time Period	
	2006-2010[1]	2006-2015[2]
Convenience Goods	0.5% pa	0.7% pa
Comparison Goods	4.3% pa	3.8% pa

[1] We use these forecasts for estimating need at the design year of 2011.
[2] We use these forecasts for estimating need at the design years of 2016, 2021 and 2026.

In- Flow Expenditure

5.32   We have estimated the volume of consumer retail expenditure flowing into our survey area using information gained from similar studies that we have carried out and our work on the factory outlet sector. In addition, we have considered the retail offer available in different centres and the market shares generated by these centres throughout the survey area.   In-flow expenditure has been estimated separately for convenience goods, non-bulky comparison goods and bulky comparison goods for each centre within Portsmouth District.

Special Forms of Trading and E-tailing

5.33   It is normal practice in the preparation of quantitative retail need studies to make deductions from the consumer retail expenditure per person figures adopted to allow for expenditure by 'special forms of trading' (SFT). This is retail expenditure that does not take place in shops, such as that via mail order houses, door to door salesmen and stalls and markets. It also includes spending using digital TV and over the internet.

5.34   Recent evidence suggests that E-tailing sales are increasing as a proportion of total retail expenditure, although perhaps not at the rate many commentators forecast at the height of the dot.com boom a few years ago. Much of the initial growth in E-

tailing has been achieved through the cannibalisation of existing retail expenditure on traditional catalogue-based mail order. However, this cannot continue, so any further gains in E-tailing will directly feed through into an increase in retail sales through SFT. Accordingly, we feel it is prudent to take this into account in our quantitative need assessment.

5.35   In preparing this Update, we have examined a range of published material on the subject of E-tailing. However, in our view, the most comprehensive and forward-looking research paper available on the topic has been prepared by EBS[1] and it is reproduced in full in **Appendix 1D.**

5.36   EBS note that after a slow start, the UK now appears to be in the take-off phase of the spread of E-tailing, although growth will eventually plateau. The company publish separate projections of the future market share for SFT (including E-tailing) through to 2014 for convenience and comparison goods. EBS also publish two alternative projections for each goods category – a main case scenario and a lower case scenario. In this Update, we have taken a conservative approach and used EBS's lower case scenario, which takes into account the lower than expected growth in actual E-tailing spend in 2005 and the fact that much of the recent growth is a one-off result of the boom in broadband uptake meaning that we are much further along the 'S' curve than commonly assumed. We therefore assume that market shares for SFT will increase as set out in **Table 5.2**.

Table 5.2 Special Forms of Trading: Market Share Assumptions

Year	Convenience Goods (%)	Comparison Goods (%)
2005	2.5	5.7
2007	3.6	7.6
2010	4.2	8.6
2014/15*	4.3	8.7
Source: EBS Retail Planner Briefing, Note 2.3D, Table 6.4		
* We assume the market shares for 2015 will be the same as for 2014.		

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[1] Source: Experian Business Strategies, Retail Briefing Note 2.3D, Estimates and Projections of the Share of E-tailing in UK Retail Spending, December 2005.

5.37   It must be stressed that the EBS projections are only estimates, since it is very difficult to predict precisely what will happen, particularly over a long time frame. Obviously, if the actual growth in SFT is higher than that which we have assumed, then our estimates of additional retail floorspace need within Portsmouth District will be too high. In the December 2004 Portsmouth Shopping Study, we assumed that base year levels of SFT would remain constant through to 2010 and 2015.

Disaggregation of Consumer Retail Expenditure Between Non-Bulky and Bulky Comparison Goods Spending

5.38   Initially, prior to combining the two components, we undertake separate base year quantitative assessments for non-bulky and bulky comparison goods. Therefore, available consumer retail expenditure on comparison goods must be disaggregated between the two categories. In this Update, we have obtained from EBS estimates for each zone of average spend per head in 2005 for non-bulky and bulky comparison goods. The resulting percentage split between non-bulky and bulky comparison goods is then used in our quantitative assessment (**Table 5**) to apportion the "pools" of available comparison goods expenditure within each of our 17 zones.

Turnover Allocation for Existing Retail Floorspace

5.39   It would, in our view, be wrong to assume that all of the increase in retail expenditure within Portsmouth District is available to support additional retail floorspace. This is because it is appropriate that some of the forecast growth in expenditure should be allocated to existing retailers because the evidence confirms that existing retail shops, in fact, achieve real, and necessary, gains in sales productivities year on year. Rising sales densities are driven by a number of factors including growth in floorspace efficiency and changes in trading hours, net to gross ratios and the mix of goods. Rapidly rising costs also mean existing retailers must grow their sales densities in real terms to remain viable. PPS 6 (paragraph 2.34) confirms that quantitative need assessments should take forecast store productivity improvements into account, as discussed in Section 4.

5.40   Consequently, to avoid making a turnover allowance for existing retailers would, in our view, lead to a "double-counting" of future available retail expenditure and thus

an over-estimation of the need for additional retail floorspace (ie. the consumer spend soaked-up by existing retail floorspace would be used to justify the need for more retail floorspace).

5.41   EBS have recently published a Retail Planner Briefing Note on estimating and projecting sales densities (reproduced in full in **Appendix 1E**), which sets out the new research undertaken on the subject and its relevance to quantitative retail floorspace need assessments. EBS conclude as follows:

- *"The long-term (1975-2003) trend for **comparison goods** space is 2.5 per cent, although … there may have been a recent increase in the trend. Given the uncertainties … 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.*

- *"Similarly we would expect a slowdown in the observed 1.1 per cent per annum increase in **convenience** sales densities between 1986 and 1999. 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."*
(Retail Planner Briefing Note 2.2, April 2005, Pages 7 and 8).

5.42.   More recently, EBS have prepared a major research report on behalf of the British Council of Shopping Centres (BCSC)[1] that considers the need for more retail floorspace at a national level. As part of this work, EBS have updated their research on trends in store productivities. Their current (central case) view is that all types of convenience goods sales densities are likely to increase at 0.6% per annum in real terms, whilst the corresponding figure for comparison goods is 2.2%.

5.43   EBS further advise that for centres (or areas) where there is a material over-trading at the present time, it is likely that the potential for real gains in sales productivity in the future will be less than the national averages as set out in paragraph 5.42. Similarly, in centres (areas) where there is currently significant under-trading, there is likely to be potential for gains in sales productivity in excess of the national average. However, if the monetary effects of over-trading and under-trading in the

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[1] Future of Retail Property, How Much Space? BCSC, 2007.

base year are fully taken into account in the quantitative need assessment – as is the case in this study – then it brings the Portsmouth District retail economy into a retail equilibrium position akin to the national average scenario consistent with the EBS research on the growth in store productivities. This link is important and has been recently established in discussions we have had with EBS. Consequently, it is perfectly reasonable to apply the EBS store productivity recommendations in this Update.

5.44   Taking into account all of this evidence, we adopt the following estimates for real increases in floorspace efficiency from 2007 (our base year) through to 2026.

- Convenience goods   0.60% pa
- Comparison goods   2.20% pa

Forecast Sales Densities

5.45   Sales density measures the relative efficiency with which floorspace is used by retailers to convert sales floorspace into retail turnover. Retailers selling high value goods from a relatively small unit area generally achieve much higher sales densities than retailers such as DIY or bulky furniture operators selling lower value products from a large store.

5.46   We use forecast sales densities at two stages in our quantitative floorspace need assessment:-

- to estimate the turnover of retail commitments.

- to convert the available residual headroom expenditure at each of the forecast years into a need (or requirement) for additional retail floorspace.

5.47   In considering what are the most important sales densities to use it is necessary to bear in mind the following:-

- that sales densities relate to <u>new</u> retail stores or schemes which will open in the future; the densities may therefore be higher than those which apply to all of the existing retail floorspace stock in a town at the base year (2007);

- that sales densities vary widely between goods categories, retailers, and for different stores operated by the same retailers; in addition, average sales density performance also tends to vary between centres at different levels in the retail hierarchy - higher order centres generally achieve higher sales densities than lower order centres;

- that sales densities for both convenience goods and comparison goods will increase over time due to the real increases in floorspace efficiency which we apply to retail floorspace stock (see paragraph 5.44).

5.48   It is therefore necessary to adopt a range of sales densities in order to account for the variability in retail performance between different centres and the principal goods categories. In selecting what we consider to be the most realistic sales densities, we have had regard to the location of each centre, its size and the indicators of performance discussed in Section 4. Our assumed sales densities for each of the retail commitments at the forecast year of 2011 are set out in **Appendix 2B.** In order to determine the sales densities for the forecast years of 2016, 2021 and 2026, we grow the comparison goods sales densities by 2.2% per annum and those for convenience goods by 0.60% per annum (the real growth rates set out at paragraph 5.44).

5.49   To convert available headroom expenditure within the comparison goods sector into a retail floorspace requirement, we adopt the same sales densities by centre that we use to estimate the turnover of the retail commitments at the forecast years. These are set out in the relevant tables in **Volume 2, Appendices 2A and 2B**. For convenience goods, we adopt a sales density of £8,000 sq m net (at 2011) which represents an average store productivity for the sector as a whole. Our assumed sales densities are projected forwards to the later forecast years by applying the real growth assumptions of 2.2% and 0.60% per annum for comparison goods and convenience goods respectively.

Net to Gross Ratios

5.50   Where actual gross and net floorspace figures have been provided by the City Council or other organisations we have used them. However, where such figures are not available we use a range of net to gross ratios. The ratios we have adopted

are the same as those used in our December 2004 Portsmouth Shopping Study and are as follows:

- Convenience goods   60:100 (All locations and formats)
- Non-bulky comparison goods   65:100 Town Centres
  85:100 Retail Warehouses (Out of Centre)
- Bulky comparison goods   65:100 Town Centres
  85:100 Retail Warehouses (Out of Centre)

Metric Conversion

5.51   Where necessary, we have converted square feet into metres (and vice versa) using the following formulae:

1 sq m = 10.764 sq ft
1 sq ft = 0.093 sq m

VAT

5.52   Expenditure and sales/turnover data used throughout the quantitative need assessment includes VAT.

6. QUANTITATIVE RETAIL NEED: ASSESSMENT AND RESULTS

Objectives

6.1 This section describes our approach to estimating the quantitative need for additional retail floorspace within Portsmouth District and its main centres. The quantitative assessment is carried out separately for convenience goods and comparison goods and has been undertaken in respect of **two scenarios**.

6.2 **Scenario 1** (the "benchmark" position) assumes that the market share of the Portsmouth District retail economy (as estimated at the base year of 2007) will remain constant through to the end date of 2026. Under this scenario, the market shares of all the centres within Portsmouth District also remain the same.

6.3 **Scenario 2**, acknowledges that Portsmouth City Centre is currently performing below an acceptable position in the retail hierarchy and that there are strong reasons to plan for an increase in its market share for comparison goods to an acceptable level. Under this scenario, we make a small (and realistic) upwards adjustment to the market share of the city centre by the forecast year of 2011 and then retain the market share at this higher level though to 2026. To balance this increase, we adjust downwards the market shares taken-up by centres outside of Portsmouth District; i.e we assume a reduction in the leakage of comparison goods expenditure.

6.4 Assessing quantitative need under both scenarios will provide the City Council with likely minimum and maximum requirements for additional comparison goods floorspace through to 2026. For convenience goods, we only assess floorspace need on the basis of a constant market shares approach, since there are no comparable arguments in support of enhancing the city centre's market share for this type of shopping. All monetary figures are given in **constant 2005 prices**.

6.5 The assessment provides the following information:

- Estimates of total available retail expenditure within the shopping catchment areas of centres within Portsmouth District at the base year of 2007 and the

forecast years of 2011, 2016 2021 and 2026 (these years having been agreed with the City Council);

- Estimates of the retail turnover likely to be 'retained' by the centres at each of the forecast years;

- Estimates of "headroom" expenditure and therefore retail floorspace need within the centres at the forecast years; and

- Quantitative retail floorspace need disaggregated into convenience goods and comparison goods retail floorspace.

6.6   Our understanding is that the results of the need assessment will be used by the City Council to inform future retail policies and strategies for Portsmouth District. The results should also assist the City Council in responding to any emerging retail proposals.

2006 Sub-Regional Town Centres Study and Floorspace Capacity Assessment

6.7   The brief for this Update indicates that we have regard to the sub-regional study undertaken by DTZ in 2006 in support of the South East Plan.[1]

6.8   DTZ was commissioned in July 2005 to develop a strategy for town centre uses in South Hampshire on behalf of the Partnership for Urban South Hampshire ("PUSH"). The objective was to inform SEERA and the Draft South East Plan as well as the LDF process in South Hampshire up to 2026. The study covered six districts (Southampton, Eastleigh, Fareham, Gosport, Havant and Portsmouth) and parts of New Forest, Test Valley, Winchester and East Hampshire. The report focused on the range of town centre uses, including retailing.

6.9   The study identified Southampton as the dominant regional centre in the PUSH sub-region having improved both its ranking and retail offer in recent years as a result of major new development and investment in the city centre, such as the West Quay Shopping Centre.

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[1] South Hampshire Town Centres: Sub-Regional Study 2005, DTZ, March 2006.

6.10   DTZ also define Portsmouth as a regional centre, but because of its lack of new retail investment during the past decade and its constrained catchment area due to the sea, they consider it is:-

- *"currently losing market share and shoppers to competing larger city centres (such as Southampton) as well as major out of centre shopping facilities in the sub-region, including the successful Gunwharf Quays". (paragraph 2.06).*

6.11   The DTZ study also acknowledges that the (then) proposed City North Development will:-

- *"help Portsmouth City Centre to maintain and enhance its overall vitality over the longer term, and increase its potential catchment, market share and trade draw".* (paragraph 2.07)*.*

6.12   In relation to Southsea the report notes that the centre "t*rades in the shadow*" of Portsmouth City Centre, but because of the presence of the John Lewis (trading as Knight and Lee) and Debenhams department stores currently "*punches above its weight*".   The report concludes that the centre is vulnerable should the John Lewis store close down in the light of the company's proposed new store at City North, and recommends that a clear vision and strategy is developed.

6.13   DTZ carry out a broad quantitative assessment of the potential economic capacity for additional comparison goods retailing in the PUSH sub-region up to 2026. However, all their forecasts are based on constant market shares over the forecast period. They accept this may:-

- "*not necessarily reflect commercial reality*" (paragraph 3.07).

as major schemes such as City North could result in increased market shares and a higher trade draw. In turn this would lead to higher residual spend and floorspace capacity. Their quantitative analysis is therefore inconsistent with their own view of commercial reality, since they accept that the new City North scheme:-

- *"will result in an increase in the city's overall market share and trade draw levels at 2011".* (paragraph 7.40).

6.14   DTZ's quantitative analysis also assumes that all PUSH centres, including Portsmouth, are trading at "equilibrium" at the base year of 2005, although they accept that their analysis:-

- *"does appear to indicate that there is some "pent-up" capacity available to some centres at the outset".* (paragraph 3.28).

6.15   We conclude that the DTZ report has materially under-estimated the quantitative need for additional comparison goods floorspace in Portsmouth City Centre[1]. This is because they have:-

- ignored the material levels of over-trading that currently exist in the comparison goods sector in the city centre; and

- have failed to compensate for their own conclusions that the city centre has been losing market share in recent years by adopting a constant market shares approach over all their scenarios.

6.16   DTZ acknowledge the shortcoming of their own analysis by concluding that:-

- "*the forecasts for Portsmouth City Centre …… will probably under-estimate ……. (its)…… potential capacity to accommodate new spend and floorspace*" (paragraph 3.37).

6.17   Our view is that the DTZ report is a very blunt instrument and provides a potentially misleading analysis of the quantitative need for additional comparison goods floorspace in Portsmouth. In our own assessment we take into account material levels of over/under-trading in centres at the base year and also provide an alternative (and more realistic) scenario to a constant market shares approach, which may be viewed as being particularly inappropriate for Portsmouth City Centre.

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[1] DTZ estimate a capacity for additional comparison goods floorspace within Portsmouth City Centre of 8,700-13,100 sq m net by 2011, rising to 44,500-66,900 sq m net by 2026 (their Table 3.7).

Our Approach to Retail Floorspace Need

6.18   Our broad approach to estimating retail need comprises of seven main steps, which in aggregate cover the three main stages of analysis:

(i)   Forecasting consumer demand;

(ii)   Forecasting retail supply; and

(iii)   The conversion of (any) surplus retail expenditure into a retail floorspace requirement.

6.19   We have sought to provide an analysis that is transparent and which, at the same time, seeks to be robust. The assessment is also presented in a way that enables it to be updated in the future as more up-to-date statistics become available and the emerging pattern of shopping activity becomes more established.

6.20   We carry out separate quantitative retail need assessments for comparison goods and convenience goods. Each is supported by a number of tables (spreadsheets) which are reproduced in **Volume 2, Appendix 2**. In addition, the assessment refers to a number of key assumptions and technical adjustments which have already been discussed in Section 5, and are reproduced as **Appendices 1A to 1E.**

6.21   In this study, although we estimate quantitative need for each of the main centres within Portsmouth District, we recommend that the City Council places most emphasis on the quantitative need for total for the District as a whole, since its geographical area is small and the centre catchments overlap considerably with each other. In the light of PPS 6, clearly the emphasis will be on accommodating any future need within centres.

6.22   We begin with an assessment of the need for additional comparison goods floorspace.

Analysis: Comparison Goods

Step 1: Calculate Total Available Expenditure in the Survey Area

6.23   The household survey area is shown in **Figure 3.1** (following page 22) and is defined to encompass the shopping catchment areas of all the main centres in Portsmouth District. Within this area the quantum of comparison goods retail expenditure generated is derived by multiplying population by average annual expenditure per head (see **Appendix 1A** for the EBS spend per head data). This calculation is carried out for each of the 17 zones which comprise the survey area.

6.24   Population estimates by zone and for the survey area as a whole are set out in **Volume 2, Appendix 2A, Table 1**. In addition to estimates for 2007 (the base year), population forecasts for 2011, 2016, 2021 and 2026 are also included. These population estimates are a combination of EBS and County Council projections.

6.25   **Table 2** gives the average annual expenditure per person on comparison goods for residents living in each of the 17 zones comprising our survey area. These figures have been obtained from EBS. We have projected the per person expenditure estimates forward to the forecast years of 2011, 2016, 2021 and 2026 by adopting EBS's latest 2005 – based expenditure forecasts. (see **Appendix 1B**).

6.26   At **Table 3** we make deductions to the per person expenditure estimates to account for retail expenditure which does not take place in shops such as that on mail order shopping, door to door salesmen and market and road-side stalls. This form of expenditure also includes E-tailing and is generally known as "special forms of trading" (SFT).

6.27   In presenting expenditure forecasts through to 2026, we are aware that there are currently a number of electronic shopping formats which, should they become widely established, could reduce significantly the proportion of retail expenditure that is now spent in conventional shops. We have reviewed the recently published research on the future growth in **E-tailing** expenditure (details at paragraphs 5.33 to 5.37 inclusive in Section 5 and at **Appendix 2E**) and concluded that SFT is likely to increase as a proportion of total consumer retail expenditure over the next five years before levelling off. This important assumption is built into our quantitative need

assessment. However, we would stress that this assumption should be reviewed from time to time, since, were it to change significantly, it could have a material impact on future levels of retail floorspace by either reducing or increasing the need for additional shopping provision.

6.28   Our estimates of total available consumer retail expenditure on comparison goods at the base year (2007) are set out in **Table 4**. Forecasts are also given for the forecast years of 2011, 2016, 2021 and 2026. The increases in available expenditure are due to:

- The forecast growth in catchment population;
- Real annual increases in consumer comparison goods expenditure per head.

6.29   Available expenditure on comparison goods within each zone at the base year of 2007 is disaggregated into spend on non-bulky and bulky comparison goods by applying appropriate proportions reflecting expenditure by consumers on those detailed product categories which constitute each broader goods category. This sub-division of expenditure by zone is set out in **Table 5**. This disaggregation is necessary at this stage in order to take into full account the results of the household telephone survey of Portsmouth District and its shopping hinterland.

Step 2: Application of "Market Shares" to Determine Amount of Retained Expenditure

6.30   As a consequence of increases in the volume of consumer expenditure per head running in tandem with population growth, we estimate that the "pool" of available expenditure on comparison goods within the survey area will increase by some £2,375 million between the base year (2007) and the latest forecast year of 2026 (**Table 4**).

6.31   However, not all of this growth in consumer expenditure will be spent within Portsmouth District and is available to support new retail floorspace in its main centres. This is because competitor centres to those within Portsmouth District also lay claim to the same growing "pool" of expenditure. This requires us to quantify the "market shares" of the centres in Portsmouth District.

6.32 Existing "market shares" for non-bulky and bulky comparison goods shopping have been derived from the household telephone survey carried out by ourselves in May 2004. The survey provides useful information on the geographical extent of catchment areas and trade penetration around existing centres by quantifying the pattern and volume of retail expenditure flows from each of our defined zones (where people live and money is generated) to a range of centres and out of centre stores (where people spend their money). In preparing this Update, we assume there have been no material change in shopper behaviour since the survey was undertaken.

6.33 In addition, and of **critical** importance, our assessment also takes into account the distribution and volume of locally available consumer expenditure (or spending power) so as to ensure that **our retail turnover estimates are balanced against available retail consumer expenditure**.

6.34 The base year (2007) patterns of "market shares" are set out in **Tables 6A and 6B** for non-bulky and bulky comparison goods shopping respectively. These market shares have been taken directly from our household telephone survey. The "market shares" are then applied to the 2007 "pools" of available non-bulky and bulky comparison goods expenditure (as set out in **Table 5**). **Tables 7A and 7B** give the monetary amounts of non-bulky and bulky comparison goods expenditure flowing to Portsmouth District (and its main centres) by zone. The addition of these expenditure totals for each of the 17 zones gives the total amount of non-bulky and bulky comparison goods spend flowing to a centre from the survey area. For centres within Portsmouth District we make allowances for in-flow expenditure from outside the survey area. The in-flow figures in percentage terms are identical to those that we adopted in our 2004 Portsmouth Shopping Study and reflect the nature and format of the retail offer across the district and the emerging role of Portsea Island as a holiday/tourist destination. The monetary in-flows for non-bulky and bulky comparison goods are combined at **Table 8** in order to provide turnover estimates for each of the main centres for the comparison goods category as a whole.

Step 3: Determine Whether the Existing Retail Economy is Trading at Equilibrium

6.35 At this stage of the assessment we consider whether the existing comparison goods retail economy of Portsmouth District (and its main centres) is broadly trading at

equilibrium or not. This is important because if the amount of consumer retail expenditure flowing to the District is high in relation to the stock of available retail floorspace and this appears to be causing problems to retailers and / or shoppers, then the District's retail offer may be described as over-trading. Conversely, if the expenditure flows are low relative to available retail floorspace, then this can result in under-trading of the retail offer.

6.36   If over-trading is occurring in an area (or centre) then it is commonly assumed that the turnover in excess of the equilibrium position is potentially available to support new shopping provision. If this occurs, then this element of expenditure should be added to the headroom expenditure which we later estimate from the future growth in the retail economy. Conversely, if an area (or centre) is under-trading at present, then it is also logical to deduct the amount of turnover shortfall relative to the equilibrium position from the defined headroom expenditures associated with the future growth in the retail economy.

6.37   The problem with this kind of analysis is determining whether an area (or centre) is trading in equilibrium or not. There are two principal difficulties. First, retailers need to achieve a certain trading level to be viable. However, this trading level varies substantially for individual retailers and for the same retailers for different centres across the UK, reflecting differences in type of business, profit margins, site, costs (eg. rents), size, financial structure and other factors. Without detailed financial data on <u>all</u> individual traders in an area it is virtually impossible to determine what the average equilibrium trading level is. The second major difficulty is that even if it can be proven that an area is trading above its retail equilibrium position, this does not automatically mean that problems associated with over-trading occur; these may include retailer operating difficulties, in-store congestion, over-busy streets leading to pedestrian safety and security problems, and congested car parks.

6.38   In estimating whether the Portsmouth District retail economy (and its centres) is in retail equilibrium at present in relation to comparison goods shopping, we have been handicapped by the unavailability of sales floorspace and trading data on individual shops in each centre.   Nevertheless, we have attempted to be as robust as possible, since material conditions of over or under-trading in the base year do suggest there is an under or over-supply of retail floorspace already.   In theory, in order to provide an accurate "benchmark" average sales density for a centre, one would require knowledge of the appropriate sales per square metre of each shop

comprising the centre. Since this information is not available, we must derive broad estimates based on a range of criteria including:-

- Published company average sales per sq m for individual retailers;
- The breadth and depth of retailers in a centre;
- The number of multiple traders present;
- The size of a centre (retail floorspace) and its position in the retail hierarchy;
- Rental levels and
- Comparable sales density estimates adopted for centres elsewhere in the UK.

6.39   This suggests that a number of the suburban centres in Portsmouth District are trading poorly with low sales densities and that increases are needed in order for them to maintain store viability. In contrast, we estimate that the comparison goods sector in Portsmouth City Centre is over-trading to a significant degree and that there is already 'pent-up' consumer demand for additional retail floorspace. Our benchmark (or retail equilibrium) comparison goods turnover estimates for existing centres within Portsmouth District are set out at **Table 8**.

6.40   For comparison goods shopping, the results of the household telephone survey suggest that the retail floorspace in Portsmouth District as a whole is currently over-trading by around £218 million per year, indicating that the actual turnover is higher than that required for retailers in the area to achieve "benchmark" sales levels. This estimated expenditure 'surplus' (mainly in the city centre) is added to the forecast headroom expenditures later on in the assessment.

6.41   At **Table 9** the monetary figures for all comparison goods shopping are converted back into market shares.

Step 4: Calculate Growth in Retained Expenditure through to the Forecast Years

6.42   Having determined the base year (2007) "market shares" and levels of retained comparison goods expenditure within Portsmouth District as a whole and its constituent centres, we use the principle of market shares to calculate how much more spending or trade the District (and its centres) could expect to attract in the future as a result of the forecast growth in available catchment area expenditure.

6.43   Our quantitative need (retail capacity) assessment for comparison goods has been carried out for two different scenarios as follows:-

- Scenario 1 -   is based on the principle that the retail economy of Portsmouth City Centre will maintain its existing status (and level of attraction) relative to competing centres through to 2026. This constant market share approach provides an estimate of the quantum of additional comparison goods floorspace that will be required in the city centre to maintain its present role and level of attractiveness through to 2026;

- Scenario 2 -   accepts that there are sound planning reasons for Portsmouth City Centre to enhance its retail role and attractiveness over current levels in order for it to "win back" the prominence and ranking it once held. Under this scenario we make a small (and realistic) upwards adjustment (comparable to that in our 2004 Portsmouth Shopping Study) to the city centre's comparison goods[1] market share by 2011 and then retain it at the higher level through to 2026. (Note: The following commentary describes the methodology for Scenario 1, yet the same approach also applies to Scenario 2).

6.44   Under Scenario 1, for each of the forecast years we apply the **same** market shares to the increased "pools" of available expenditure in each zone. The calculations for the forecast years of 2011, 2016, 2021, and 2026 are set out in **Tables 11, 14, 17 and 20** respectively. Due to the increase in demand (as a result of population growth and rising consumer expenditure per head) the assessment produces at 2011 higher retail turnover potentials for Portsmouth District and its constituent

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[1] For convenience goods, we only estimate quantitative need using a constant market shares approach.

centres than in the base year (2007). Similarly, the turnover potentials are even higher for the forecast years of 2016, 2021 and 2026.

Step 5: Determine Level of Potential Headroom Expenditure in the Forecast Years

6.45 It would be wrong to assume that all of the increase in turnover potential within Portsmouth District (and its main centres) will be available by the forecast year(s) to support additional comparison goods shopping. This is because some of the forecast growth in expenditure must be allocated to existing retailers because the evidence confirms that they increase their sales productivities in real terms over time.

6.46 In **Table 12** the turnover allocation for existing retailers is deducted from the 2011 turnover potential for Portsmouth District as whole and each centre. This calculation produces an estimate of residual turnover potential for each town and the District as a whole. The base year (2007) turnovers are then subtracted from the 2011 residual turnovers to determine the quantum of potential headroom expenditure available in 2011 in each centre and for the whole District. Similar analyses are carried out in relation to comparison goods for the forecast years of 2016 (**Table 15**), 2021 (T**able 18**) and 2026 (**Table 21**).

Step 6: Determine Level of Residual Headroom Expenditure in the Forecast Years

6.47 **Table 13** sets out our calculations to estimate the residual headroom expenditure for Portsmouth District (and its constituent centres) at the forecast year of 2011 for comparison goods floorspace. The same assessment is carried out for the forecast years of 2016 (**Table 16**), 2021 (**Table 19**) and 2026 (**Table 22**).

6.48 The first stage is to adjust the potential headroom expenditures calculated for 2011 by taking into account the extent (if any) of any over or under-trading that is occurring at each centre and in Portsmouth District as whole at the base year (2007). This is necessary because the headroom expenditures set out so far assume that each centre and Portsmouth District as a whole are currently trading in retail equilibrium. We have already commented upon the fact that this assumption may be viewed as unlikely.

6.49   Despite the difficulties of determining the extent of any over or under-trading within Portsmouth District and its main centres, we consider that including such estimates makes our quantitative need assessment more reliable and robust than ignoring them. We use the over/under-trading estimates determined at **Table 8** to **"adjust"** our headroom expenditure totals. In practice, if an area (or centre) is estimated to be under-trading at the present time, this will reduce the quantum of headroom expenditure at the forecast year(s) since some of the growth in expenditure should be set-aside to bring the existing retail stock up to a retail equilibrium trading position. Alternatively, if an area or centre is over-trading, this will increase the quantum of headroom expenditure at the forecast year(s) since the 'surplus' sales are assumed to be available to support additional retail floorspace. **Table 13** sets out our calculation for making this adjustment to the 2011 headroom expenditures for comparison goods. **Tables 16**, **19 and 22** repeat the calculations for the forecast years of 2016, 2021 and 2026 respectively.

6.50   At this stage, in order to convert the adjusted headroom expenditures into residual headroom expenditures at the forecast years of 2011, 2016, 2021 and 2026, we make further (if applicable) deductions to account for that quantum of retail expenditure which is likely to be soaked up by retail floorspace commitments within Portsmouth District (commitments are retail developments in the pipeline, which are either under construction or have planning consent).

6.51   From information supplied to us by the City Council, we have produced a schedule of retail commitments within Portmouth District disaggregated by centre / location and broad category of goods. This schedule is reproduced in **Appendix 2C**. The schedule also gives our estimate of the retail turnover of each commitment – these are given for each of the forecast years.   These turnovers are then deducted from the adjusted headroom expenditure totals for each centre, as appropriate. This calculation is set out in **Tables 13, 16, 19 and 22** for the forecast years of 2011, 2016, 2021 and 2026 respectively.

6.52   The residual headroom expenditure totals for Portsmouth District as a whole and its main centres at the forecast years are summarised in **Tables 6.1** and **6.2** overleaf. **Table 6.1** sets out the residual expenditure totals for Scenario 1, whilst **Table 6.2** gives the residual expenditure totals for Scenario 2. We comment further on these results in Section 7.

Table 6.1   **RESIDUAL HEADROOM EXPENDITURE WITHIN PORTSMOUTH DISTRICT AT THE FORECAST YEARS: COMPARISON GOODS - SCENARIO 1**

a)   **Before Commitments**

Centre	Residual Headroom Expenditure Before Commitments (£m)			
	2011	2016	2021	2026
Portsmouth City Centre	272.3	338.7	451.5	597.8
Cosham	-3.6	-3.2	-2.0	-0.1
Fratton	-5.9	-6.3	6.3	-6.2
Gunwharf	8.9	14.8	26.8	43.1
North End/London Road	-19.0	-20.1	-20.6	-20.5
Southsea	-6.4	-3.1	4.8	16.1
Out of Centre Retail	66.8	84.9	115.3	155.2
Local Centres/Shops	0.6	1.1	2.2	3.6
Total for District	313.6	406.7	571.7	789.0

b)   **After Commitments**

Centre	Residual Headroom Expenditure After Commitments (£m)			
	2011	2016	2021	2026
Portsmouth City Centre	-79.6	-37.8	14.2	110.1
Cosham	-3.7	-3.3	-2.2	-0.3
Fratton	-5.9	-6.3	-6.3	-6.2
Gunwharf	2.1	7.2	18.4	33.7
North End/London Road	-19.8	-21.0	-21.6	-21.6
Southsea	-6.9	-3.7	4.2	15.4
Out of Centre Retail	37.9	52.4	79.2	115.0
Local Centres/Shops	0.6	1.1	2.2	3.6
Total for District	-75.4	-11.5	88.1	249.7

Table 6.2   **RESIDUAL HEADROOM EXPENDITURE WITHIN PORTSMOUTH DISTRICT AT THE FORECAST YEARS: COMPARISON GOODS - SCENARIO 2**

a)   **Before Commitments**

Centre	Residual Headroom Expenditure Before Commitments (£m)			
	2011	2016	2021	2026
Portsmouth City Centre	374.3	458.8	598.7	779.0
Cosham	-3.6	-3.2	-2.0	-0.1
Fratton	-5.9	-6.3	-6.3	-6.2
Gunwharf	8.9	14.8	26.8	43.1
North End/London Road	-19.0	-20.1	-20.6	-20.5
Southsea	-6.4	-3.1	4.8	16.1
Out of Centre Retail	66.8	84.9	115.3	155.2
Local Centres/Shops	0.6	1.1	2.2	3.6
Total for District	415.7	526.8	718.9	970.1

b)   **After Commitments**

Centre	Residual Headroom Expenditure After Commitments (£m)			
	2011	2016	2021	2026
Portsmouth City Centre	22.4	82.3	161.4	291.3
Cosham	-3.7	-3.3	-2.2	-0.3
Fratton	-5.9	-6.3	-6.3	-6.2
Gunwharf	2.1	7.2	18.4	33.7
North End/London Road	-19.8	-21.0	-21.6	-21.6
Southsea	-6.9	-3.7	4.2	15.4
Out of Centre Retail	37.9	52.4	79.2	115.0
Local Centres/Shops	0.6	1.1	2.2	3.6
Total for District	26.7	108.6	235.2	430.8

6.53   In our view these residual headroom expenditure totals are important because they provide an estimate of the amount of potential turnover which will be available to Portsmouth District as a whole and each of its constituent centres by 2011, 2016, 2021 and 2026. In Section 7, we describe the last step of the assessment, which is to convert these residual headroom expenditures into retail floorspace requirements. However, the output of this last step is dependent on the application of average sales densities and these, in practice, are likely to vary enormously depending on the type of development that is proposed. For example, town centre stores comprising non-bulky comparison goods shopping typically trade at much higher average sales densities than retail warehouse style developments selling mainly bulky comparison goods. We would therefore recommend that appropriate weight is attached to the **residual headroom expenditure** totals, since these are not open to the same levels of interpretation as are the retail floorspace requirements set out in Section 7.

Analysis: Convenience Goods

6.54   Our retail need assessment for convenience goods floorspace follows the same approach as that for comparison goods. The detailed calculations underpinning the analysis are reproduced in full in **Volume 2, Appendix 2B, Tables 1 to 19** inclusive.

Step 1: Calculate Total Available Expenditure in the Catchment Area

6.55   At **Tables 1 to 4** inclusive, the total available convenience goods expenditure by zone is determined for the base year (2007) and the forecast years of 2011, 2016, 2021 and 2026. The analysis incorporates EBS's estimates of average annual spending per head on convenience goods within each zone, together with their latest expenditure growth forecasts. We again exclude expenditure by "special forms of trading", although the EBS allowance is much less than for comparison goods shopping.

Step 2: Application of "Market Shares" to Determine Amount of Retained Expenditure

6.56   Using the results of the household telephone survey we derive the base year (2007) market shares for Portsmouth District and its main centres within each of the 17 zones[1]. This assessment is set out in **Table 5**. Applying the market shares to the total "pools" of available expenditure within each zone in the base year (2007) (**Table 6**), gives the monetary flows of consumer spending from each of the 17 zones to Portsmouth District and its main centres. Unlike for comparison goods, we do not make any allowance for in-flow expenditure into Portsmouth District from people living outside our survey area. This is because food shopping is undertaken more locally than that for comparison goods and our survey area is sufficiently extensive to capture all such trips to Portsmouth District. The addition of the flows from each zone gives the total estimated convenience goods turnover of Portsmouth District as a whole and its constituent centres at the base year of 2007.

Step 3: Determine Whether Existing Retail Economy is Trading at Equilibrium

6.57   For convenience goods shopping, we now replicate the analysis carried out earlier in relation to comparison goods, and calculate the extent of any over or under-trading within Portsmouth District and its main centres at the base year (2007). In estimating the equilibrium convenience goods retail turnover in the base year we have taken into account the overall quantity, quality and location of the existing retail offer in each centre. Clearly without having detailed information on the allocation of convenience goods floorspace our benchmark turnovers are based mainly on professional judgement.   **Table 6** confirms that, on our estimates, convenience goods floorspace in Portsmouth District as a whole is over-trading by some £11.5 million in the base year (2007).

Step 4: Calculate Growth in Retained Expenditure through to the Forecast Years

6.58   As for comparison goods (under Scenario 1) we adopt constant market shares for each centre and for Portsmouth District as a whole. **Table 7** therefore replicates the centre market shares in **Table 6**, which in turn have been derived from the household telephone survey. We apply the same market shares to the higher pools of available expenditure within Portsmouth District and its main centres at each

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[1] This involves grouping together the expenditure flows to individual named food stores in order to establish the overall market share of a centre.

forecast year. These calculations are set out in **Tables 8,11, 14** and **17** for the forecast years of 2011, 2016, 2021 and 2026 respectively.

Step 5: Determine Level of Potential Headroom Expenditure in the Forecast Years

6.59   At **Tables 9, 12, 15** and **18** we determine the levels of potential headroom expenditure within Portsmouth District and its constituent centres at the forecast years of 2011, 2016, 2021, and 2026 respectively. As for comparison goods, it is necessary to set aside a little of the expenditure growth for existing retailers to account for their real gains in sales productivity over time.

Step 6: Determine Level of Residual Headroom Expenditure in the Forecast Years

6.60   To convert the potential headroom expenditure figures into residual headroom expenditure estimates, we first take into account any under/over-trading that currently exists in Portsmouth District and its constituent centres in the base year (2007). Where under-trading exists, some of the expenditure growth is set aside to bring the existing retail offer up to a retail equilibrium trading position. For any over-trading, the surplus spend is added to the headroom expenditure determined later on in the assessment.

6.61   The adjusted headroom expenditure totals for Portsmouth District as a whole and each constituent centre for the forecast years 2011, 2016, 2021 and 2026 are set out in **Tables 10, 13, 16 and 19** respectively.

6.62   Lastly, we take into account any existing convenience goods retail commitments within Portsmouth District. Full details of the retail commitments including their turnover estimates are set out in **Appendix 2C**. The calculations to produce the residual headroom expenditure totals for the forecast years of 2011, 2016, 2021 and 2026 are also set out in **Tables 10, 13, 16 and 19** respectively.

6.63   The residual headroom expenditure totals for convenience goods at the forecast years of 2011, 2016, 2021 and 2026 are summarised in **Table 6.3**.

Table 6.3   **RESIDUAL HEADROOM EXPENDITURE WITHIN PORTSMOUTH DISTRICT AT THE FORECAST YEARS: CONVENIENCE GOODS**

a)   **Before Commitments**

Centre	Residual Headroom Expenditure Before Commitments (£m)			
	2011	2016	2021	2026
Portsmouth City Centre	-10.4	-9.7	-8.9	-7.7
Cosham	-1.3	-0.9	-0.5	0.0
Fratton	30.2	32.5	34.9	37.8
Gunwharf	-0.6	-0.6	-0.6	-0.6
North End/London Road	-8.3	-8.1	-7.9	-7.6
Southsea	-10.9	-11.0	-11.1	-11.1
Out of Centre Retail	14.3	16.6	19.9	24.0
Local Centres/Shops	0.3	1.2	2.1	3.3
Total for District	13.3	20.0	27.9	38.0

b)   **After Commitments**

Centre	Residual Headroom Expenditure After Commitments (£m)			
	2011	2016	2021	2026
Portsmouth City Centre	-10.4	-9.7	-8.9	-7.7
Cosham	-1.3	-0.9	-0.5	0.0
Fratton	30.2	32.5	34.9	37.8
Gunwharf	-0.6	-0.6	-0.6	-0.6
North End/London Road	-8.3	-8.1	-7.9	-7.6
Southsea	-10.9	-11.0	-11.1	-11.1
Out of Centre Retail	13.1	15.3	18.6	22.6
Local Centres/Shops	0.3	1.2	2.1	3.3
Total for District	12.1	18.7	26.6	36.6

Step 7: Estimate Capacity for Additional Retail Floorspace in the Forecast Years

6.64   In Section 7 we convert these adjusted residual headroom expenditures into retail floorspace requirements (step 7) but, as with comparison goods, these floorspace estimates are entirely dependent on the average sales density applied to the floorspace. For this reason, we therefore recommend that appropriate weight is attached to the forecast quantums of residual expenditure available at the forecast years in relation to convenience goods.

<u>Summary</u>

6.65   The main purpose of this section has been to assess in quantitative terms the likely retail expenditure capacity within Portsmouth District and its constituent centres through to 2026. It must be stressed, however, that any quantitative analysis over such a long time-period (19 years from the base year of 2007) may be subject to a significant margin of error, particularly in the later years, since it is based on a number of assumptions which are difficult to forecast accurately. In addition, there are two further key assumptions which have a material bearing on the forecast levels of residual headroom expenditure. These are as follows:

- **Special forms of trading** – we have assumed EBS's 'lower case' forecast for the growth in non-store retail sales through to 2026. However, if actual growth were to exceed this rate, which is entirely possible, then the projected levels of retail floorspace need would be **less** than those forecast in this report.

- **Over / Under Trading at the base year** – our household survey results (Section 3) indicate that Portsmouth District as a whole is currently over-trading in both comparison goods and convenience goods, and we have taken this into account in our quantitative need assessment. We accept that it is difficult to establish what the true retail equilibrium position is. However, we do not feel it is appropriate to ignore an existing quantitative over or under supply of retail floorspace. Clearly if we have over-estimated the amount of over-trading, for example, the retail expenditure capacity estimates will be lower than those set out above; conversely, if we have under-estimated the amount of over-trading the capacity estimates will be higher.

7.   CONCLUSIONS

Introduction

7.1   In this final section we present our conclusions on the quantitative need for additional convenience goods and comparison goods retail floorspace in Portsmouth District as a whole and its main constituent centres. Need estimates are produced for the (agreed) forecast years of 2011, 2016, 2021 and 2026.

7.2   Due to the potential inaccuracies that come into play when preparing projections over very long time periods, we recommend that caution is attached to he retail need estimates for the forecast years of 2021 and 2026. Nevertheless, the figures in this report provide an indication of the broad quantums of need that will come about in Portsmouth District over the next 20 years.

Conclusions on Quantitative Need

7.3   The last stage of any quantitative assessment of retail need is to convert available residual headroom expenditure at the forecast years into a requirement for more retail floorspace. The results of our floorspace need assessment for the District as a whole are summarised in **Table 7.1** overleaf. Details for individual centres are set out in the appropriate tables in **Volume 2**. For the sake of clarification, the retail floorspace need estimates represent the "net additional" floorspace required within Portsmouth District (over that available in 2007) by goods category and are non-cumulative. Moreover, it is important to stress that although the capacity tables in **Volume 2** show a floorspace need in relation to out of centre, this is merely a reflection of our methodology, which adopts a 'constant market shares' approach for each existing centre and location category. In practice, <u>all</u> the retail floorspace need identified should, wherever possible, be located within existing centres as advised by PPS 6.

Table 7.1   Indicative Retail Floorspace Need Estimates (Sq M) for Portsmouth District as a Whole

Goods Category	Forecast Year							
	2011		2016		2021		2026	
	Sq M Net[1]	Sq M Gross[1]	Sq M Net[1]	Sq m Gross[1]	Sq M Net[1]	Sq M Gross[1]	Sq M Net[1]	Sq M Gross[1]
Convenience	1,520	2,530	2,270	3,780	3,130	5,220	4,180	6,970
Comparison (scenario 1)	(10,890)	(16,250)	2,170[2]	3,340	20,100	30,920	43,260	66,550
Comparison (scenario 2)	5,440	8,370	19,400	29,850	39,040	60,060	64,180	98,740

[1] Gross retail floorspace estimated by applying the following net to gross ratios: convenience goods 60:100; comparison goods 65:100 (This assumes all comparison goods shopping is located in-centre; in practice, some comparison shopping may be provided in the format of retail warehouse, in which case the gross floorspace total will be lower).

[2] There is a small need for additional comparison goods floorspace at 2016 at the District wide level even though there is likely to be a small expenditure deficit throughout the city as a whole at that year. This is due to the application of variable centre specific sales densities in translating headroom expenditures into floorspace need.

Comparison Goods (See Tables 6.1 and 6.2)

7.4   By the forecast year of 2011 we estimate that there will be an additional £314 million of expenditure available to support new comparison goods retail floorspace in Portsmouth District under Scenario 1. However, existing retail commitments will soak up an estimated £389 million of expenditure (assuming all commitments are trading by 2011), resulting in an expenditure deficit in 2011 of c.£75 million. Under Scenario 2, the growth in available comparison goods expenditure by 2011 will be £416 million. Deducting the £389 million of retail commitments provides a small "surplus" of £27 million by that year enough to support an additional 5,400 sq m net of comparison goods floorspace.

7.5   By 2016, there will be an estimated additional £407 million of expenditure available to support new comparison goods floorspace within Portsmouth District as a whole under Scenario 1. However, with commitments generating an estimated turnover of £418 million by 2016, there will still be a small expenditure deficit of £12 million. Under Scenario 2, the higher total of available headroom expenditure at 2016 of

£527 million will generate an expenditure "surplus" of £109 million even after the turnover of retail commitments has been deducted. This will be sufficient to support c.19,400 sq m net of additional comparison goods floorspace.

7.6   At 2021, we estimate an available headroom expenditure of £572 million under Scenario 1, which after a deduction for commitments of £484 million produces a "surplus" spend within Portsmouth District of £88 million, equating to a need for 20,100 sq m of new floorspace. For Scenario 2, the additional headroom expenditure by 2021 rises to £719 million, which generates a much higher "surplus" of £235 million after commitments, enough to support 39,000 sq m net of additional comparison goods floorspace.

7.7   Lastly, at our end date of 2026, the quantum of additional available expenditure under Scenario 1 rises to £789 million. Deducting commitments of £539 million, results in an expenditure surplus of £250 million by 2026. This equates to a need for c.43,300 sq m net of additional comparison goods floorspace. For Scenario 2, the resulting figures are a headroom expenditure of £970 million in 2026, minus £539 of commitments, producing a surplus spend of £431 million, sufficient to support some 64,200 sq m net of new retail space.

7.8   Our quantitative need assessment highlights the dominance of Portsmouth City Centre within the district retail economy. Under Scenario 1 (constant market shares) the city centre's existing commitments will account for the growth in potential expenditure available to it until c.2021. However, if the city centre were to soak-up the growth in available spend across the whole district then a close to equilibrium position is reached by 2016.

7.9   However, in our view there are sound and compelling reasons to plan for a realistic upwards shift in Portsmouth City Centre's market share and our Scenario 2 builds in an uplift from 21.2% to 25% of available study area comparison goods expenditure, i.e an increase in market share of 3.8%. This is the same level of uplift as we assumed in our December 2004 study. The main basis for this uplift is that it is very likely that the city centre's market share will have declined in recent years as the lack of new retail development will have only maintained turnover levels, whilst the 'pool' of available spend will have grown in real terms. This assessment is borne out by the PUSH study (see Section 6). Moreover, the existing market share of the city centre is not huge so that there is real potential for it to be increased a little in

our view. Under this scenario, there is a small "surplus" of spend available to the city centre as early as 2011.

7.10   Taking a long term perspective, even assuming constant market shares, more than £100 million of expenditure will be available to the city centre to support additional comparison goods floorspace by 2026. For Portsmouth District as a whole, the "surplus" spend will be £250 million. Assuming an uplift in market shares, the available spend in the city centre alone will reach almost £300 million by 2026, whilst that for the District as a whole will be £431 million.

7.11   Clearly, there will be a need to actively plan for further material amounts of comparison goods floorspace in Portsmouth City Centre over the long term in addition to all existing retail commitments. If this additional retail provision is not forthcoming beyond 2021, then we would expect Portsmouth City Centre to once again be in danger of losing its level of retail attraction and status relative to other major competitor centres. With consumer comparison goods expenditure expected to continue to grow in real terms over the next 20 years, then to "stand still" in terms of retail development is to leave a centre open to a potential decline in its retail ranking.

7.12   In the light of the need to accommodate material amounts of additional comparison goods floorspace within the District over the next 20 years, the Council should actively plan to identify appropriate sites for this new provision. Clearly, in these circumstances, in certain locations, such as their city centre, there may be pressure for space.

7.13   Although local authorities should clearly comply with planning guidance set out in PPS 6 regarding the sequential approach to retail location, in practice, town centre sites for large retail formats may be scarce or unavailable. In these circumstances, we believe that large stores which display bulky goods in showrooms which are subsequently delivered to customers are probably more appropriate for town centre locations than large stores selling bulky goods which are purchased and immediately taken away by customers. This latter category particularly relates to stores (retail warehouses) that cater for the trade as well as shoppers.

7.14   **Table 6.1** sets out the full results under Scenario 1, whilst **Table 6.2** gives the results for Scenario 2[1]. Scenario 2 increases the levels of future available expenditure at Portsmouth City Centre. The differences between Scenarios 1 and 2 grow the further one forecasts into the future.

Convenience Goods (See Table 6.3)

7.15   At the forecast year of 2011, we estimate there will be a small expenditure surplus in convenience goods of £13 million within Portsmouth District as a whole. Including retail commitments decreases the surplus marginally to £12 million, which equates to an approximate need for 1,500 sq m net of additional convenience goods floorspace.

7.16   By 2016, we estimate there will be an expenditure surplus of £20 million in Portsmouth District before commitments are taken into account. With commitments the expenditure surplus will be £19 million, which will support around 2,300 sq m net of additional convenience goods floorspace throughout the District.

7.17   At the forecast year of 2021, the residual available expenditure after commitments will be an estimated £27 million, equating to a need for some 3,100 sq m net of additional convenience goods shopping.

7.18   Lastly, by 2026 we forecast that the residual available spend within Portsmouth District as a whole will increase to £37 million, after taking into account existing commitments. This will support some 4,200 sq m net of additional convenience goods shopping floorspace, which is equivalent to a single major superstore of c.7,000 sq m gross.

7.19   We forecast relatively modest levels of need for additional convenience goods floorspace within Portsmouth District, because the real annual growth in spend per head on this category of shopping is low. Moreover, it is virtually cancelled out by the real growth in store productivities of the existing retail floorspace provision. Thus, there is little to increase the pool of available spend in real terms other than the modest growth in population.

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[1] Both tables follow page 88.