

Greater London Authority

LONDON SMALL SHOPS STUDY 2010



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EXECUTIVE SUMMARY

Introduction

1. This study is related to Policy 4.9: Small Shops in the Draft Replacement London Plan, which states that “In considering proposals for large retail developments, the Mayor will seek contributions through planning obligations where appropriate, feasible and viable, to support the provision of affordable shop units suitable for small or independent retailers”. The policy has given rise to a large number of representations.
2. The key objectives of this study are:
 - To provide a broad quantification of small shop provision in London, identifying any gaps and opportunities
 - To explore whether and how small shops can be supported through the planning system including the scope of planners to use Section 106 agreements.
 - To provide an independent assessment of the impact of the small shops policy on large new retail development and its role in addressing consumer demand, especially in terms of affordability.

Policy context

3. Planning Policy Statement 1: Delivering Sustainable Development (PPS1, 2005) states that suitable locations should be provided for retail development and that retail (and other developments that attract large numbers of people) should be focused in town centres.
4. Planning Policy Statement 4: Sustainable Economic Development (PPS4, 2009) requires an appropriate evidence base to enable the Mayor and local planning authorities (LPAs) to plan positively. It states that at the local level LPA’s should “define any locally important impacts on centres which should be tested”. We consider this can include the impact of development on affordable small shops.
5. Policy EC4 [Planning for consumer choice and promoting competitive town centres] encourages LPA’s to plan proactively. This supports local policies for the provision of small shops, based as they would need to be, on a regional planning policy framework for town centres and retail development. It is worth noting that the focus of all PPS4 policies is primarily on town centres, not just retail development.
6. Policy EC13 deals with determining applications affecting shops and services in local centres. Relevant considerations include:
 - a. The importance of the shop or service to the local community
 - b. Failure to protect existing facilities which provide for people’s day-to-day needs
7. Policy EC14 deals with supporting evidence for applications for main town centre uses. This will include a sequential assessment. Generally, for schemes over 2,500 sq m, which are not in an existing centre and not in accordance with an up to date development plan, Policy EC16.1 will apply, which requires an assessment of impacts.

8. Policy 4.9 of the Draft Replacement London Plan has given rise to a large number of representations. In general, the reaction from major retailers and property developers was against the policy, whereas the response from London Borough councils was very supportive of the policy, in principle if not in detail.

The small shops issue

9. There is a range of definitions of “small shops”. However, we suggest that a “small shop” be defined as one with 80 sq m gross floorspace or less, occupied by an independent retail or service outlet - one with nine units or less as per the Goad definition.
10. Local shops tend to be small and located in district and local/neighbourhood centres, and they are often independent outlets. Local shops have a range of benefits for their areas, including allowing people to shop locally on foot and thereby reducing carbon emissions. They provide easy access to shops for low income groups, the elderly and those without cars. They also provide local employment and keep money in the local economy. In addition, small shops often add unique character to an area, and can have commercial value to a developer.
11. Over recent decades, small shops have been in decline nationally, a trend also evident in London. As a result, it can be argued that the supply of small shops in parts of London is in short supply and that this is having an impact on choice generally and the vibrancy, economy, sustainability and character of some town centres.
12. This suggests that there may be a need to support and encourage small shops in London. There are a range of potential measures which could achieve this. The focus of this study is the potential provision of or support for affordable shop space and other service outlets through planning obligations.
13. A policy to encourage small shops in London could help to achieve greater choice, vitality and vibrancy in town centres within the context of a dynamic, competitive and diverse retail sector.

Small shop provision in London

14. We assess retailing in London to understand the current provision of small, affordable shops. We have undertaken:
 - A high level assessment of current provision using a sample of International, Metropolitan, Major, District, CAZ frontage and local centres in London
 - A more detailed assessment of four of these centres using Goad plans
15. As a starting point to our analysis, we have used the GLA London Town Centre Health Check Analysis Report (December 2009) Technical Annex data. We have supplemented this where necessary with Valuation Office Agency (VOA) information.
16. We have selected the following four key indicators for assessing small, affordable shop provision in London:
 - Proportion of multiples

- Average unit size
 - Occupancy rates
 - Rental levels
17. We have combined these indicators into a “Z score” for each retail centre assessed. This is a standard score which indicates how many standard deviations the centre is above or below the mean. This provides an index to rank the centres by equally weighting the scores from each dataset.
18. We would expect centres which could broadly have a low proportion of small, affordable units in comparison to the average to have a high Z score and centres which could broadly have a high provision of small, affordable units in comparison to the average to have a low Z score.
19. The size of centre appears to be a key determinant of the Z score. Unsurprisingly, the International centres of the West End and Knightsbridge are amongst the highest scoring centres, with high average unit sizes, proportion of multiples and prime Zone A rental values. Metropolitan and a significant proportion of Major centres have Z scores greater than zero. Whilst there is greatest variation amongst District centres, the majority have lower average unit sizes and prime Zone A rents, and many have a below average proportion of multiples. All but one local centre had a negative Z score, suggesting there is an above average proportion of small, affordable shops occupied by independents in these smaller centres.
20. Although there are also large differences in average Z scores by local authority, each LPA has a mixture of high and low Z score centres. Z scores therefore show no strong spatial pattern, other than the highest scores being largely located in central London.

Four centres: case studies

21. Our analysis of four individual centres has shown that the high level assessment provides a reasonable overall indication of small, affordable shop provision but that individual centres have differing issues.
22. For example, although Knightsbridge had the highest Z score there is still a significant proportion of shops smaller than 100 sq m and one area in particular off the main shopping street with small shops providing a distinct character and specialist services. In these centres, retaining this provision could be the key issue to address through the policy. However, Bromley is a more traditional town centre where the small shops are located in a secondary area which provides a relatively poor retailing environment.
23. Lower scoring smaller District centres such as West Hampstead have the majority of shops located on the main shopping street, with broadly uniform Zone A rents. With below average prime Zone A rents and a large proportion of small units, overall rents are affordable for independent retailers, as evidenced by the low proportion of multiples. Again, the issue in these centres may be to retain the character of small, independent shops.

24. Conversely, Edmonton Green is a larger District centre in transition. There is still a reasonable proportion of independents in the centre which is likely to reflect the relatively low Zone A rents. There are plans to refurbish and redevelop parts of the centre. This is likely to increase rents and the proportion of multiples in the centre.
25. This analysis shows that the supply of small shops is a complex issue. Although Policy 4.9 will provide boroughs with a framework, detailed work will need to be done at the local level to ensure that policy is applied appropriately.

Planning scenarios

26. Small retail units have been provided as part of larger developments in some cases. This can be either to improve the attraction of the development and wider area (for example St. Martins Courtyard in Covent Garden) or to improve and/or maintain local shop provision and local employment (for example Wards Corner in Haringey).
27. Small shops are usually provided as small units in secondary frontages, and so are suitable for independent operators. However, we have not found any examples where a Section 106 agreement or planning condition has stipulated that occupiers should be independent operators, or has stated what the level of rent should be or how the unit should be managed. A London-wide policy would help boroughs deal with the issue, and more consistently.

Affordability issues

28. There is no single accepted definition of what constitutes an “affordable” rent for small businesses/retailers. What a retailer will pay will depend on what it can afford, based on factors such as projected turnover.
29. As a result, affordable rental levels would need to be derived for individual centres. In 2008, some of the UK's largest property companies signed an agreement to allow small retailers to pay monthly rents (to help them through the recession), and this applied to retailers with three shops or less (and paying an annual rent of £50,000 or less on each property). Our research suggests that in some cases small, independent businesses will not be able to pay in excess of £50,000pa. But affordability is not about absolute levels.
30. As different types of retailers can afford different levels of rent, certain types of retailers can be “priced out”. In these instances, independents seeking retail space have to consider lower value areas of a centre and this can result in multiples and independents being located in separate areas.
31. The affordability of other smaller centres may need to be managed to retain current retail mixes and offer. For example, existing retailers may have higher rents on review due to interest from multiples. In some cases this may lead to existing retailers going out of business. Finally, some centres have significant current provision, but potential redevelopment plans could replace existing affordable units with more expensive ones.
32. Therefore local authorities will need to determine for individual centres what choice and mix of retail is sought, and where this needs to be located. From this, it can analyse

whether there is sufficient existing provision of small shops for independent retailers and at what level of rent these could be “priced out”.

Consideration of policy issues

33. Some respondents have questioned whether the policy should be in the London Plan at all; the underlying question is: “Is it a strategic issue?” From the results we have examined we have concluded that it is. While the issue is not common to all parts of London it is sufficiently far-reaching to warrant, in our view, a London-wide policy. It will also help those boroughs where the problem exists, or will arise, to have a common strategic policy basis to work under.
34. The rationale is that the number of small shops in parts of London is in short supply and that this is having an impact on choice generally and the vibrancy, economy, sustainability or character of some town centres. The outcome of the policy could be expressed as ensuring the achievement of greater choice and vital and vibrant town centres within the context of a dynamic, competitive and diverse retail sector and the maintenance of 'Lifetime Neighbourhoods' and walkable communities. The policy will achieve this, where it applies, by securing support for, or provision of, small affordable units.
35. The policy is complementary to the support for town centres and the priority they have in the plan. The policy is in no way intended to by-pass or undermine the sequential test, say by making large out-of-centre formats more attractive if they include small shops. Unacceptable developments (with or without small shops) would be expected to be refused.
36. The policy is currently set in the Economy chapter. This is an appropriate location, given it's a single topic dealing with what is often an economic issue; and it is logical if it is accepted that the primary context is the achievement, or safeguarding, of consumer choice; say due to the diversion of trade away from smaller affordable shops. But in the light of PPS4 it may be more appropriate to make town centre the primary focus of this policy.
37. If a town centre context is right, then a more logical place for the policy would be alongside the town centre policy, in Section 2. Extending that logic, then perhaps the policy should be expanded to deal with the effects of a wider range of developments (leisure or residential, for example) on affordable small shop provision.
38. The supporting text explains the policy will apply to large retail developments “typically over 2,500 sq m” (para 4.49). This size threshold is in conformity with the approach taken by PPS4 towards major retail developments. But some large retail schemes over 1,000 sq m (the category for Major Applications) could also need mitigation measures depending on more local circumstances.
39. We do not think that the policy will have unintended consequences, for example at existing parades. Given the purpose of the policy is to have a basis on which to mitigate undesirable effects in a town centre (or within a non-town centre retail development) - by either loss of small shops, or failure to meet a need for them - the role of an existing parade would be taken into account in the consideration of any planning application. Nor

do we believe the policy would undermine existing established centres. Again, the underlying rationale of the policy is to deal mainly with the mitigation of particular effects.

40. The question of viability remains relevant to practically all forms of development, especially where it has to bear additional costs imposed by the planning system. It is not possible to generalise about the exact impact on viability of the policy. However, it should be borne in mind that “small shops” requirements, whether on-site, off-site or a financial contribution, may not be the only obligation on the development. It is important that the decision-makers balance their own, and the Mayor’s, obligations priorities in the balance; the Mayor’s are set out in policies 8.2/8.6. Boroughs will have their local priorities.

Obligations issues

41. Planning obligations are the main mechanism for implementation and the most likely forms of mitigation are: provision on-site (including by protecting existing accommodation); provision off-site (e.g. to another appropriate site under the applicant’s control), or a financial contribution. Provided the policy makes this clear, then we consider the policy to be generally CIL Regs¹ compliant. We also consider that EU State Aid rules would not be breached because it is not intended that any monies be passed directly to any individual business. With regard to Circular 05/2005, we concur with Leading Counsel’s advice to GLA that the policy is in principle lawful and compliant with the Circular.
42. The forms of mitigation are various. It could be in the form of physical provision of new small shops on the same site, perhaps in a less prime position; or provision could be located off-site, possibly where a developer or investor has additional landholdings in a centre; or the applicant can provide a financial contribution so the LPA can provide the mitigation.
43. Where mitigation is to be achieved by financial support, contributions could be pooled to provide indirect support or provision. Indirect support could include public realm or town centre management initiatives which will themselves, indirectly, support the small units remaining in the centre, especially where these are affordable and accommodating independent retailers or other appropriate users.
44. In those cases where physical provision results, it is envisaged that is virtually every case the developer would build them; and in a suitable location, to be agreed as part of the scheme. However, this does not rule out transfer to a Development Trust, or another third party. Their size would be limited by condition or a clause in the obligation. Thereafter, a condition or clause in the obligations could restrict the range of uses and/or trades; it might also be restricted to convenience goods and other (specified) range of goods or operations.
45. Where off-site physical provision results, a developer could build new units or refurbish existing vacant units and retain ownership as anticipated with on-site provision.

¹ Community Infrastructure Levy Regulations 2010

46. There are a range of controls available. It may help boroughs if a “hierarchy” of such measures were used, to achieve the objectives of the policy. In any given case, only some of the measures are likely to be necessary. We suggest the hierarchy of controls might be along the following lines: (1) Size, (2) Location, (3) Users, (4) Independents, (5) Ownership and (6) Affordability.

Towards a policy framework for Boroughs

47. The supporting text promises supplementary guidance, to provide further advice on implementing the policy. We would encourage this. In framing local guidance we suggest using the analogous position of affordable housing policy.
48. Affordable housing starts with a local assessment of need; that assessment is then used as the basis for framing an appropriate policy; the policy applies to only specified types of application above a certain threshold; developments are expected to provide (by way of a number of options - on, off-site or financial contributions) the amount of affordable housing in the policy; if they can't applicants have to provide an assessment of viability to support a lower (or nil) figure.
49. This is a well-understood sequence, which has the support of Government and the Courts in relation to affordable housing. We believe it can be applied to the provision of affordable small shops. Taking this approach, it is suggested that the Mayor prepares an SPD on Affordable Small Shops which adapts the sequences above to the application of this particular policy.
50. Viability is an increasingly critical issue that needs to permeate through the plan making and development management process for local authorities. It will also be central to the implementation of the “small shops” policy.
51. An “open book” approach to negotiating the small shops policy is likely to be required. However, due to the individuality of retail development, standardised toolkits such as the Three Dragons affordable housing toolkit, may not be suitable for assessing viability. However, appraisals can be required in the form of industry standard packages. To be effective, a local authority is likely to require retail development expertise.

Conclusions

52. This study comes to the following conclusions:
- The definition of a “small shop” should be a unit with 80 sq m gross floorspace or less, occupied by an independent retail or service outlet - one with nine units or less as per the Goad definition.
 - Local shops tend to be small and located in district and local/neighbourhood centres, and they are often independent outlets. They have a range of benefits for their areas; for example, in terms of their contribution to local character and choice
 - Over recent decades, small shops have been in decline nationally, a trend also evident in London. As a result, it can be argued that the supply of small shops in parts of London is in short supply and that this is having an impact on choice and on the vibrancy, economy, sustainability and character of some town centres.

- Overall, our analysis has shown that the provision of small, affordable shops is unlikely to be isolated to just a few individual local authorities; all authorities are likely to face issues with all having a mixture of high and low provision.
- Some developers do provide small retail units as part of larger schemes. Small shops are usually provided as small units in secondary frontages, and so are suitable for independent operators.
- We have not found any examples where a Section 106 agreement or planning condition has stipulated that occupiers should be independent operators, or has stated what the level of rent should be or how the unit should be managed. A London-wide policy would help Boroughs deal with the issue, and more consistently.
- Affordability issues are complex. Different centres can have a range of rental values within them, and a range of occupiers. Therefore local authorities will need to determine for individual centres what choice and mix of retail is sought, and where this needs to be located.
- We support the principle of Policy 4.9 in the London Plan. While the issue is not common to all parts of London it is sufficiently far-reaching to warrant, in our view, a London-wide policy.
- The supporting text explains the policy will apply to large retail developments “typically over 2,500 sq m” (para 4.49). This size threshold is in conformity with the approach taken by PPS4 towards major retail developments. But some large retail schemes over 1,000 sq m (the category for Major Applications) could also need mitigation measures depending on local circumstances.
- Planning obligations are the main mechanism for implementation and the most likely forms of mitigation are: provision on-site, provision off-site (i.e. to another appropriate site under the applicant’s control), or a financial contribution.
- We consider the policy to be generally CIL Regs compliant. We also consider that EU State Aid rules would not be breached because it is not intended that any monies be passed directly to any individual business. With regard to Circular 05/2005, we concur with Leading Counsel’s advice to the GLA that the policy is in principle lawful and compliant.
- It seems to us, that provided the policy is worded sufficiently clearly, it can secure any of the three mitigation outcomes. The policy does not need to be prescriptive, as the solution to a local “affordable small shops” issue will be for the LPA to decide.
- There are a range of controls available. It may help boroughs if a “hierarchy” of such measures were used, to achieve the objectives of the policy. In any given case, only some of the measures are likely to be necessary.
- The supporting text promises supplementary guidance, to provide further advice on implementing the policy. We agree with this. In framing local guidance we suggest using the analogous position of affordable housing policy. We have set out some detail on how local authorities could approach this.
- We have recommended changes to Policy 4.9. In our independent view, it may be more appropriate to make town centres the primary focus of this policy, perhaps expanding the policy to deal with the effects of a wider range of developments (leisure

or residential, for example) on affordable small shop provision. However, in drafting the policy changes we have stayed with the existing focus on large retail development.

1 INTRODUCTION

Purpose of the study

- 1.1 This study is related to Policy 4.9: Small Shops in the Draft Replacement London Plan, which states that “In considering proposals for large retail developments, the Mayor will seek contributions through planning obligations where appropriate, feasible and viable, to support the provision of affordable shop units suitable for small or independent retailers”.
- 1.2 Using the planning system to support small shops was in both the Livingstone and Johnson manifestoes in 2008 - there is cross-party support for this approach.
- 1.3 The policy has given rise to a large number of representations (summarised later). Whilst there is support for the aims of the policy the representations do raise a number of important issues which this study seeks to address, including:
 - Whether a London-wide policy is needed on the topic
 - Its potential to have unintended affects
 - Its potential conflict with EU State Aid rules and Circ. 05/2005
 - Its potential adverse effects on the viability of development
 - The need for greater clarity in its drafting
 - How it will operate in practice
 - Questions and concerns about definitions

The brief

- 1.4 As set out in the brief, the key objectives of this study are:
 - To provide a broad quantification of small shop provision in London, identifying any gaps and opportunities.
 - To explore whether and how small shops can be supported through the planning system including the scope of planners to use Section 106 agreements.
 - To provide an independent assessment of the impact of the small shops policy on large new retail development and its role in addressing consumer demand, especially in terms of affordability.
- 1.5 Our broad quantification of small shop provision in London is based on the GLA Town Centre Health Checks 2009. This includes data on all International, Metropolitan, Major and District Centres, although data for District centres is limited. We have supplemented this with data available online from the Valuation Office Agency (VOA) and site visits to smaller, Local/Neighbourhood Centres.
- 1.6 We understand that the VOA will shortly provide a summary valuation list for 2010. Therefore, this report will be followed by an Addendum which updates the analysis for 2010.

This report

- 1.7 In the next section, we set out the policy context. We then consider the definition and role of small shops, and how they have been affected by retail trends both nationally and in London. We then provide our broad assessment of small shop provision in London.
- 1.8 To investigate whether and how small shops are currently provided as part of large retail schemes, we look at six planning scenarios in a range of schemes across London.
- 1.9 We then consider affordability, policy and obligations issues, before suggesting a policy framework for boroughs and finally setting out conclusions and recommendations

2 POLICY CONTEXT

Introduction

- 2.1 This section considers Policy 4.9: Small Shops, in the context of PPS1, PPS4, the Draft Replacement London Plan itself and the range of representations made to it.

Planning Policy Statement 1: Delivering Sustainable Development (PPS1)

- 2.2 PPS1 (2005) states that:

“Development plans should ensure that sustainable development is pursued in an integrated manner, in line with the principles for sustainable development set out in the UK strategy. Regional planning bodies and local planning authorities should ensure that development plans promote outcomes in which environmental, economic and social objectives are achieved together over time.”

- 2.3 It states that suitable locations should be provided for retail development and that retail (and other developments that attract large numbers of people) should be focused in town centres.

Planning Policy Statement 4: Sustainable Economic Development (PPS4)

- 2.4 The Draft Replacement London Plan was written before the publication of PPS4 in December 2009.

- 2.5 The context of the guidance is the Government’s overarching objective of sustainable economic growth (para. 9). To achieve this they set out their objectives in para. 10, which include to:

“promote the vitality and viability of town centres as important places for communities. To do this, the Government wants: - New economic growth and development of main town centre uses to be focussed in existing centres”

- 2.6 The PPS distinguishes between regional (in this case the Mayor’s) and local planning functions. London’s position is analogous to that of the previous regions - the London Plan has some characteristics of RSSs - but given its unique arrangements and status as a city region, they are not identical.

- 2.7 The PPS has two main parts, one related to plan-making, the other to development management.

Plan-making

- 2.8 Policy EC1 [Using evidence to plan positively] requires an appropriate evidence base to enable the Mayor and local planning authorities (LPAs) to plan positively. Such evidence is to be proportionate to the importance of the issue. At the regional level, there are four elements of the evidence base (EC1.2.a-d.), involving:

- a. An understanding of the economic markets
 - b. The overall need for land for, inter alia, main town centre uses
 - c. Identifying any deficiencies in the network of higher level centres
 - d. Identifying locations of deprivation to prioritise for remedial action
- 2.9 This enables, at the local level, the evidence base to be informed by regional assessments (EC1.3a.) and so help LPA's to, for example, *"identify any deficiencies in the provision of local convenience shopping and other facilities which serve people's day to day needs"* (EC1.3c.).
- 2.10 Policy EC3 [Planning for Centres] guides plan-making at the regional (in this case, the London Plan) and local level. This requires the Mayor to focus on higher level centres to provide a strategic framework for planning for centres at the local level (EC3.1). The Mayor and LPA's are therefore required to set flexible policies for their centres and define a network.
- 2.11 At the local level LPA's should *"define any locally important impacts on centres which should be tested"* (EC3.1.e). We consider this can include the impact of development on affordable small shops.
- 2.12 Policy EC4 [Planning for consumer choice and promoting competitive town centres] encourages LPA's to plan proactively including:
- a. Supporting a diverse range of uses
 - b. Planning for a strong retail mix ... *"recognising that **smaller shops** can significantly enhance the character and vibrancy of a centre"* (our emphasis).
 - c. Supporting shops, services and other important small scale economic uses in local centres
 - d. Identifying sitescapable of accommodating large format developments
 - e. Retaining and enhancing markets
 - f. Taking measures to conserve/enhance the established character and diversity of their town centres.
- 2.13 The above list certainly supports local policies for the provision of small shops, based as they would need to be, on a regional planning policy framework for town centres and retail development. It is worth noting that the focus of all PPS4 policies is primarily on town centres, not just retail development.

Development management

- 2.14 Policy EC13 deals with determining applications affecting shops and services in local centres. Relevant considerations include:
- c. The importance of the shop or service to the local community
 - d. Failure to protect existing facilities which provide for people's day-to-day needs
- 2.15 Policy EC14 deals with supporting evidence for applications for main town centre uses. This will include a sequential assessment. Generally, for schemes over 2,500 sq m, which are not in an existing centre and not in accordance with an up to date development plan,

Policy EC16.1 will apply, which requires an assessment of impacts. The requirements for an impact assessment include:

- a. The impact on investment in the centre
- b. The impact on the vitality and viability of the centre, including local consumer choice; and
- c. any locally important impacts (cross referenced to EC3.1e). This could, in our view, include the loss of small shops.

- 2.16 Policy EC19 deals with conditions. These can include “... to secure the provision of units suitable for smaller business, by specifying the maximum size of units” (EC19.1.a). Obviously the scope of Policy 4.9 in DRLP goes further than that of mere conditions.
- 2.17 These policies also provide some helpful guidance as to how Policy 4.9 could be applied in relation to the **scale** threshold. The supporting text to 4.9 (para 4.49) suggest “typically over 2,500 sq m” as the scale of development it will apply to. This chimes with PPS4’s use of the same figure in relation to impact tests (eg EC5.4.a, EC14.4 and EC14.5).

Draft Replacement London Plan

Policy 4.9: Small Shops

- 2.18 The policy states that:

A Planning decisions

In considering proposals for large retail developments, the Mayor will seek contributions through planning obligations where appropriate, feasible and viable, to support the provision of affordable shop units suitable for small or independent retailers.

B LDF preparation

In LDFs, Boroughs should develop local policies where appropriate to support the provision of small shop units.

- 2.19 The supporting text (paragraphs 4.49 and 4.50) states that the Mayor is committed to supporting a diverse retail sector including small and medium sized enterprises, and that the Mayor will, and boroughs are encouraged to, seek contributions via Section 106 agreements towards providing small affordable shop units where this is appropriate, feasible and viable and should secure the availability and affordability of the premises over time. It is recognised that the application of this policy will depend on local and other circumstances; examples of the factors to be taken into account include:
- Location
 - Supply (excess or shortfall)
 - Rental values
 - Vacancy rates
 - Design and layout considerations
 - Viability, and effect on development costs; and
 - Priority as against other planning obligations

- 2.20 The supporting text explains that the application of this policy should be weighed against other strategic priorities (including planning obligations priorities) and that supplementary guidance on its implementation will follow.

Town Centre policies

- 2.21 The main policy on Town Centres - Policy 2.15 - is to be found in chapter 2 on "London's Places". This policy and the supporting text - read together with Map 2.6 and Annex 2 - confirms that London's town centres are a key spatial priority of the plan. The supporting text to Policy 2.15 emphasises town centres' contribution to London's economic success, supporting London's polycentric structure, their accessibility, the wide range of uses they accommodate and their role in providing Londoners with convenient and sustainable access to a wide range of goods and services.
- 2.22 Whilst not cross-referenced to Policy 2.15, it is evident that there is no intention of Policy 4.9 undermining in any way the sequential test and the priority given to town centres. DRLP policies 4.7 [Retail and town centre development] and 4.8 [Supporting a successful and diverse retail sector] are directly relevant to Town Centre development.
- 2.23 Policy 7.1 [Building London's neighbourhoods and communities] is a Place-Shaping policy which is also relevant as it concerns access to services as well as neighbourhoods that provide a character that is easy to understand and relate to. And underpinning all policies is the overriding aim of achieving sustainable development. It also supports the 'Lifetime Neighbourhoods' concept

Responses to Submission Draft - summary

- 2.24 There was a wide range of respondents, including various London boroughs and other government departments several supermarkets, representatives of the retail, financial and property industries, small business associations, consumer groups, and various single-issue groups. In total there were 61 respondents, of which 23 broadly supported the policy, 23 broadly opposed it and 15 were broadly neutral. Stakeholders' responses to the policy varied widely both in scope and support; however it is important to note that the vast majority were concerned with the planning decisions side rather than the plan-making side.
- 2.25 In general, the reaction from major retailers and property developers was against the policy, whereas the response from London borough councils was very supportive of the policy, in principle if not in detail.
- 2.26 Broadly, the responses can be broken down into five sub-categories in terms of what they are concerned with:
- i) the principle of the policy;
 - ii) compliance with law;
 - iii) the implementation of the policy;
 - iv) the scope of the policy; and
 - v) the details of the policy.

- 2.27 We summarise the responses under these five categories, in that order. There were also some responses from single-issue special interest groups which are not directly affected significantly by Policy 4.9; these are briefly set out at the end.
- i) The principle of the policy
- 2.28 No respondent seems to directly challenge the policy's foundation that the replacement or requirement to meet a need for small shops is necessary, or that it is not the concern of the planning system - this seems to be broadly accepted, although one response does question the implicit assumption that 'small' shops are necessarily 'independent' and 'large' shops necessarily 'multiples'. However, some question whether the policy should be in the London Plan.
- 2.29 There are also questions as to whether the policy as drafted will protect small shops, and especially whether planning obligations are the most appropriate mechanism for doing so. One respondent, for example, considers that greater flexibility is needed which the policy is unable to provide, another that rents are not as great a problem for small businesses as business rates. Various respondents are concerned that there is insufficient evidence put forward to support the policy and whether it is a sufficiently strategic issue.
- 2.30 There are also several concerns with the precise wording, including lack of definition of key words - the key phrase "appropriate, feasible and viable" in particular, attracts much criticism. Respondents also express concerns about the terms "short supply" and "affordable".
- ii) Compliance with law, Circ. 05/05 and EU State Aid rules
- 2.31 There are two legal concerns brought up repeatedly by different stakeholders - its compliance with ODPM Circular 2005/05 on Planning Obligations; and compliance with EU rules on State Aid. While no respondent explicitly states that the policy doesn't comply with either, several suggest compliance is uncertain and should be looked into.
- 2.32 Circular 05/05 sets out five criteria which any planning obligation should meet to be acceptable - they must be relevant to planning, necessary, directly related to the proposal, of appropriate scale and nature, and "reasonable in all other respects". While various stakeholders independent of each other question whether Policy 4.9 meets these, none expresses a specific concern relating to any individual test.
- 2.33 The EU rules on State Aid are designed to help protect competition. State Aid (defined as "an advantage in any form whatsoever conferred on a selective basis to undertakings by national public authorities"²) is seen as damaging to competition and to the economy, so the EU rules seek to restrict it. Some respondents express concerns that the policy might breach these rules by "favouring occupiers of new stock". Concern is also voiced by some that the policy does not comply with national planning policy.
- iii) Implementation of the policy

² http://ec.europa.eu/competition/state_aid/overview/index_en.html

- 2.34 Many of the responses focus on the implementation of the policy, and on the anticipated impact of it. Many respondents question the general lack of guidance on how it will be implemented, and several raise specific concerns in this regard.
- 2.35 One dominant theme of concerns over the policy's impact is that it will unfairly prejudice competition, related to the concerns regarding EU state aid [see para 11]. Several respondents complain that the policy will necessarily be applied arbitrarily, and thus unfairly, since being located in one of these affordable units will guarantee commercial advantage.
- 2.36 Other stakeholders express concerns that, especially in the current climate, the policy will disincentivise investment, and some question whether the new obligations will mean other obligations (such as affordable housing) are overlooked. One respondent also worries that, rather than protecting small retailers, the policy could be used as an excuse for granting consent to more *large* retail development, with 'token' affordable provision.
- iv) The scope of the policy
- 2.37 The respondents raised various concerns regarding the scope of policy 4.9. Some felt that the scope is too narrow - one even suggesting it should be broadened to include all development of all types - but others felt it is too wide. One London borough, for example, stressed that S106 agreements are the responsibility of the borough council, not the GLA.
- 2.38 Some stakeholders thought the policy, as it stands, is too rigid, demanding, as they perceive it does that all major retail development include small units; they felt that the requirements are not appropriate for all development and the policy should allow for greater flexibility. Conversely, some thought the policy contains "too many caveats" or is "too heavily qualified", and developers could get round it too easily. One expressed concern that there is no allowance for assessing whether there is a local need for small units.
- v) Details of the policy
- 2.39 In addition to the summary of responses above, there were many concerns raised regarding specific details. The most relevant include:
- Does not ensure affordable units will remain affordable in perpetuity;
 - Not enough guidance for councils on how to plan for the new policy;
 - Too focussed on central London;
 - Secondary retail areas are better suited to providing for independents;
 - Providing the units does not guarantee they will be filled; and
 - No mention of Heathrow airport, despite its relevance.

Responses from single-issue special interest groups

- 2.40 Finally, certain special interest groups with a specific agenda expressed a range of opinions, including:
- Hammersmith & Fulham Disability Forum - recommend the Mayor develops a strategy to ensure these small units are accessible to disabled people;

- English Heritage - believe that such a policy could be beneficial in protecting conservation areas;
- Federation of small businesses - believes the obligations will be too location-specific and that *“large retail developments should support small ones, whether they are in the same location or not”*; and
- Race on the Agenda - stresses that small and independent shops are especially important to BME communities

3 THE “SMALL SHOPS” ISSUE

Introduction

3.1 In this section, we review the wide range of relevant research that has already been undertaken in relation to small shops, to set out the following:

- Definitions of “small shops”
- Benefits of small shops
- Recent UK trends and the reasons for these
- Current outlook / recession
- Potential measures to support small shops

What is a “small shop”?

3.2 There is no standard definition; factors used to define small shops are number of employees, size, operator and rent.

3.3 The GLA has previously defined a “small shop” as one that employs between one and 10 people³. CBRE, when referring to small independents, state that “over 150,000 businesses employ four or less staff”.⁴

3.4 The Competition Commission defines “smaller convenience stores” as shops with a floorspace of less than 280 sq m⁵. They state that stores below this size have a different retail offer both in terms of their product offering and their opening hours. It is important to note, however, that this threshold is used to differentiate between supermarkets and smaller format convenience stores (which include Tesco Express and Sainsburys Local), rather than to define affordable small shops. The Kensington & Chelsea Retail Commission’s narrower definition, of 80 sq m floorspace or less⁶, may be more appropriate across the board.

3.5 A “small shop” usually refers to an independent retailer. Experian Goad, national providers of retail data, define an “independent outlet” as one with nine units or less (this definition is also used by the GLA in their Health Checks 2009). CBRE, in their recent market reports, use a definition of ten or less⁷. The Local Data Company use five or less⁸. Finally, the 2008 agreement signed by some of the UK’s largest property companies including Land Securities, British Land, Capital & Regional, Liberty and Legal & General, to allow small retailers to pay monthly rents (to help them through the recession) applied

³ GLA Economics, Working Paper G: Small Retailers (March 2006)

⁴ CBRE Market View Multiple Expansion Activity, March 2010

⁵ Competition Commission, The Supply of Groceries in the UK Retail Market Investigation (30th April 2008)

⁶ RB Kensington & Chelsea, Response to Report from Retail Commission: A Balance of Trade (Cabinet 27th September 2007)

⁷ CBRE Market View Multiple Expansion Activity March 2010

⁸ Independents’ Day! Openings and Closures Report 2009, Local Data Company

to retailers with three shops or less (and paying an annual rent of £50,000 or less on each property)⁹.

- 3.6 In our view, a definition which combines size and occupier would be the most robust and useful. We suggest that a “small shop” be defined as one with 80 sq m gross floorspace or less, occupied by an independent retail or service outlet - one with nine units or less as per the Goad definition. We do not think that the number of employees should be part of the definition because it is difficult to monitor. Incorporating the amount of rent paid could be useful, although as clearly this would vary considerably across different parts of London, it may need to be defined as a certain proportion of the average. We consider this further in the later sections.

The benefits of small shops

- 3.7 The benefits of local, accessible shops and other service outlets to their communities are well known. Local shops tend to be small and located in district and local/neighbourhood centres, and they are often independent outlets. They frequently contribute to the local character of an area.
- 3.8 The Independent Retailers Confederation¹⁰ state that *“independent retailers provide added value which goes much wider than the purely economic. For example, small local shops allow many people to shop locally on foot, reducing carbon emissions created by driving to distant out-of-town stores; the services they provide are crucial to their local communities, often allowing the elderly to remain in their own homes rather than having to move to residential accommodation”*.
- 3.9 The Retail Enterprise Network¹¹ points out that *“small retailers are especially important to the disadvantaged consumer. In deprived areas where private and public transport links are poor, the local community relies on local shops to cater for their needs”*.
- 3.10 Friends of the Earth¹², as part of their Shop Local First Campaign launched in 2007 concurred with this view, stating that benefits from shopping locally include:
- Local shops are more likely to provide local food that hasn't been flown halfway across the world;
 - Local shops offer a much more personal service than big supermarkets;
 - Local shops keep money circulating in the local area so they support other local businesses;
 - Local shops and street markets often offer better value than big supermarkets for fresh fruit and vegetables;
 - Local shops are more energy efficient than huge superstores;

⁹ <http://www.telegraph.co.uk/finance/newsbysector/retailandconsumer/3534252/Property-and-retail-bosses-strike-monthly-rent-deal.html>

¹⁰ Independent Retailers' Federation, Submission to the Budget (March 2009)

¹¹ www.retail-network.org

¹² http://www.foe.co.uk/community/campaigns/healthy_planet/shop_local_first.html

- A diverse range of local shops provides more choice than one big supermarket.
- 3.11 In addition, small shops can add distinctiveness to town centres. According to the Retail Enterprise Network:
- “On many of the UK’s high streets they add diversity to what is becoming an increasingly bland retailing landscape for shoppers. Town centres are beginning to replicate each other with identical retail brands emerging in every major district”.*
- 3.12 This diversity is important in retaining and attracting customers. The British Consortium of Shopping Centres (BCSC)¹³ states that niche retailers, from premium to local value shops *“add real colour to the retail landscape benefiting entire shopping places... Retail formats will have to evolve to provide more of this sort of variety and the independent sector has a key role to play in this because the things that make shopping places different cover the whole mix of smaller, larger, more specialised and more wide-ranging offers”.*

Trends

Towards Larger Centres & Operators

- 3.13 In the comparison sector, there is a significant and long term trend towards larger schemes in larger centres - to the detriment of smaller centres - which is driven by a number of factors. Retailers recognise that greater efficiency can be achieved by having a strategic network of large stores offering a full range, rather than having a large network of smaller stores, and are therefore increasingly seeking to serve larger population catchments from larger stores. It is also driven by consumers, who are becoming more discerning, and are prepared to travel further.
- 3.14 There is therefore a concentration of comparison goods expenditure in a smaller number of larger centres. This has been reinforced over the past decade or so by new development particularly in shopping centres and malls.
- 3.15 Verdict¹⁴ state that, in the UK, *“retailers in neighbourhood locations have performed below total retail over the last ten years with growth of 30.0% compared to total retail growth of 56.5%. This underperformance of retailers in neighbourhood locations - traditionally small independent businesses - is due to the increasing attraction of other locations”.* They go onto state that *“in 1995 the neighbourhood location accounted for one in every five pounds spent on UK retail, but by 2005 this had fallen to one pound in every six”.*
- 3.16 GLA Economics research in 2006¹⁵ found that this trend is apparent in London, with large centres, in general, outperforming small ones in terms of retail employment levels and retail floorspace growth.
- 3.17 In the convenience sector, there has been a move towards larger stores. In 1993, ‘larger superstores’ in the UK accounted for just under 32 per cent of total convenience sector

¹³ Shopping Places for People 2007, BCSC

¹⁴ Verdict on Neighbourhood Retailing (2005, p23-25)

¹⁵ In Retail In London, GLA Economics (October 2006, p28)

sales, with 'smaller supermarkets and grocers' achieving a combined market share of 34 per cent. However, by 2003, 'larger superstores' accounted for 41 per cent of total convenience sector sales, compared to just over 30 per cent for 'smaller supermarkets and grocers'¹⁶. The Competition Commission final report¹⁷ confirms that the share of groceries being sold by large or regional grocery retailers has increased over the long term and states that this is explained both by the opening of new stores and the acquisition of other grocery retailers.

- 3.18 Supermarkets have been accused of bullish, though not illegal, competitive practices, such as lowering or raising their prices, depending on local competition, and selling bread and milk as 'loss leaders' ie very cheaply to win custom. They have also been accused of squeezing suppliers in ways not open to smaller competitors¹⁸. But even without this, large retail chains can offer much lower prices than local independent outlets.

Decline in the Number of Local Shops

- 3.19 The number of small shops in the UK has fallen over the past decade or so. BCSC state that "the number of businesses registered for VAT in the wholesale, retail and repair category has fallen from 434,000 in 1994 to 390,000 in 2005"¹⁹.
- 3.20 Verdict²⁰ state that, in the UK, *"the number of store closures has been far greater in the neighbourhood than any other location in both percentage and volume terms. Over the last ten years store numbers in the neighbourhood have fallen by 20.1%...neighbourhood locations traditionally featured many independent retailers and growing competition from multiple retailers in the high street and out-of-town has forced many to close down"*.
- 3.21 The New Economics Foundation²¹ cite that, across Britain:
- General stores are closing at the rate of one per day.
 - Between 1997 and 2002, specialist stores like butchers, bakers and fishmongers shut at the rate of 50 per week.
 - 1 in 10 of Britain's independent bookstores folded between 1996 and 2001 - according to the British Association of Booksellers.
- 3.22 Similarly, the Association of Convenience Stores (ACS) warned in September 2003 that competition from supermarket chains is making it increasingly difficult for independent shop owners to survive. The ACS warned that in the UK, 1,000 independent convenience stores have ceased trading every year for the past decade, leaving about 55,000 in business.

¹⁶ Derived from Verdict on Grocery Retailers, 2003

¹⁷ Competition Commission: The Supply of Groceries in the UK Market Investigation, 30 April 2008

¹⁸ From Chains to Partnership? Supermarkets and Regeneration, Gareth Potts, Journal of Urban Regeneration and Renewal Vol 1, p22-36 (2007)

¹⁹ Shopping Places for People 2007, BCSC

²⁰ Verdict on Neighbourhood Retailing (2005, p31)

²¹ Clone Town Britain (June 2005) New Economics Foundation

- 3.23 GLA Economics research²² indicates that there has been a decline in the number of small shops in London, illustrated by a decline in the number of self-employed in the retail sector.
- 3.24 Some of the stores that have closed have changed to other uses - Verdict states that, in the UK, *“the proportion of retail space in the neighbourhood has consistently fallen since 1995 with [approximately 440,000 sqm] disappearing from the neighbourhood”*.
- 3.25 Other stores which have closed will have been taken over by multiple retailers. The ‘Clone Town Britain’ survey²³ found that 48% of the London ‘villages’ surveyed were ‘clone towns’. The report defines a clone town as *“a place that has had the individuality of its high street shops replaced by a monochrome strip of global and national chains”*.
- 3.26 In particular, there has been a rise in the major superstore operators’ small foodstore formats. Tesco, through its Metro and Express models, and Sainsbury’s, via its Local fascia, have built up a significant portfolio of smaller convenience formats. This has been in response to the tightening of planning regulations which has made it more difficult to develop new stores in edge or out-of-centre locations.
- 3.27 GLA Economics²⁴ state that the recent move by retailers, predominately large grocery retailers, into small format stores in London’s high street locations together with extended opening hours has seen small retailers lose much of their previous comparative advantage of convenience (in terms of location and opening hours).
- 3.28 The problem can be that as a centre becomes more successful and rents rise, independents can become priced out. Property prices have risen faster than sales growth - and often rents increase to levels which small independent retailers are unable to afford.
- 3.29 This is exacerbated if not enough floorspace is provided. GLA Economics²⁵ state that: *“if sufficient sites are not available, it can be difficult for new retailers to enter the market or existing retailers to expand to new sites. This can lead to a less competitive environment in which incumbents benefit, rent seeking activities are encouraged and problems develop”*.

Outlook / recession

- 3.30 CBRE, in their recent report²⁶ state that during the recession, despite a significant number of high profile retailer administrations, retail multiples cumulatively continued to open more new branches than they closed. They go onto state that small independent retailers are the most vulnerable in a recession.

²² Retail in London, GLA Economics (October 2006, p32)

²³ Clone Town Britain, New Economics Foundation (2005)

²⁴ Retail in London: Working Paper G - Small Retailers, GLA Economics (March 2006)

²⁵ Retail in London: Working Paper G - Small Retailers, GLA Economics (March 2006, p44)

²⁶ CBRE Market View Multiple Expansion Activity (March 2010)

- 3.31 Recent research by The Local Data Company²⁷ however, suggests that independents are in fact less vulnerable than multiples. Overall the number of comparison retail businesses on the High Street (in Great Britain as a whole) grew by just over 3% in the second half of 2009, but this disguises an increase of 5.6% for independents and barely a rise at all in multiple retailer shops. Convenience retailing saw a similar pattern with independents rising in numbers by 5.7% and multiples rising by a lesser 3.5%. In the independent sector there was a net increase of nearly 10,000 shops while multiples rose by just over 1,200. It is in the comparison sector where the differences are most marked. They state that this may be because independents have had the opportunity to acquire units on good deals as landlords suffer from the empty business rates relief.
- 3.32 However, Greater London performed less well than other parts of the country in the second half of 2009 with a rise of under 2% in convenience stores and under 1% in comparison shops.
- 3.33 The Independent Retailers' Confederation²⁸ suggests that *"Independent retailers demonstrate significant flexibility and ability to survive short-term economic downturns".* But that *"independent retailers that have maintained sales and market share have often done so by cutting prices and profit margins. This is having a direct impact on employment - staff hours are being cut back - but also means that their long term survival is affected".*

Potential measures to support small shops

Provision of affordable small shop space

- 3.34 Where Councils own property, they can consider renting it at a reduced rate to specific users - some Councils, such as Islington, already do this. Private landlords can also do this, and again some already do, which we look at this in further detail in the planning scenarios section. BCSC suggest the creation of flexible lease structures, including turnover rents that encourage variety. The London First Retail Commission²⁹ suggests providing short lease units to enable independent retailers to break into the market.
- 3.35 A key question of this study is whether Councils could **require** developers to provide space for small retailers using Section 106 agreements. This is something suggested by the NEF³⁰, who call for S106 agreements to be used to require supermarkets to give 25% of their space to locally owned shops or to assist in training local businesses.
- 3.36 The RB Kensington & Chelsea Retail Commission recommends that in new retail developments, Councils require developers, through S106 agreements, to gift a proportion of small units to the Council to manage as affordable retail units. The Council

²⁷ Independents' Day! Openings and Closures Report 2009, Local Data Company

²⁸ Independent Retailers' Confederation Submission to Budget March 2009

²⁹ Reinvigorating the High Street: encouraging retail diversity and supporting town centres in London (October 2009) London First Retail Commission

³⁰ New Economics Foundation Election Manifesto 2005

supports this recommendation³¹. The IRC also recommend allocating space in new developments specifically for use by independent retailers, calling for *“clarity in planning policy and decisions by Government which will protect the role smaller retailers play in delivering a vibrant community”*.

- 3.37 There is no information, however, on what mix of units might be considered optimal either for private developers (to provide a unique and attractive offer) or by Councils (to provide a mix to meet the needs of local communities). We consider this further in the planning scenarios section, as well as looking at how it might work in practice.

Business support and training

- 3.38 GLA Economics state that *“there are ways in which small retailers can compete effectively with large retailers. These include increased specialisation and competing on quality of service”* (p33). Verdict agree, stating that differentiation is the key to prosperity for small retailers and that they can do this by tailoring their ranges and cultivating their strong local connections. Councils should consider offering business support to small retailers, as suggested by the Centre for Local Economic Strategies in their study of independent food retailers, markets and community food initiatives in local centres³². An example of this is the ‘Retail Survival Course’ run by Main Marketing³³, which started in 2001 as part of a strategy by Stockport Council to improve district centres. The course is run as workshops for groups of retailers and covers subjects such as marketing, promotion and organisation.
- 3.39 The London First Retail Commission recommends training, citing Ealing as one borough where this has taken place. The IRC agree, stating that *“the retail sector is a priority in terms of training needs”* and that innovative marketing methods are needed
- 3.40 The Friends of the Earth campaign launched in 2006, Shop Local First, worked with local shopkeepers to develop local shopping promotions, such a loyalty cards, discounts, posters and local shop directories. Several London Councils produce guides to their unique shopping areas, eg Tower Hamlets’ Quirky Shopping Guide³⁴. The London First Retail Commission cites Fulham and Kensington & Chelsea as areas where there are loyalty card schemes and Westbourne Grove where there is a magazine promoting the unique offer of the local area (funded by advertising revenue).

Public realm and accessibility

- 3.41 To ensure that people continue to shop in district and local centres, they need to be attractive, clean, secure and well-maintained. Environmental improvements and grants to

³¹ A Balance of Trade - The Royal Borough’s response to a report from the Retail Commission (2007) RB Kensington & Chelsea

³² The role of independent food retailers, markets and community food initiatives (undated), M. Jackson & S. Longlands, CLES, for Manchester City Council

³³ www.main-marketing.co.uk

³⁴ <http://www.ebpx.com/towerhamlets/quirkyshoppingguide/>

shops for refurbishment, can help³⁵. Some Councils already offer grants (for instance, for new shopfronts) to encourage businesses to invest (or stay) in an area. This is one of the actions identified by Islington Council in their Unitary Development Plan³⁶ policies to promote vitality and viability. The London First Retail Commission recommend that public realm improvements be prioritised in S106 agreements on retail development, extended to secondary shopping areas where possible (this is often where independent retailers are located).

- 3.42 GLA Economics state that *“the cost of retail crime appears to fall more heavily on small retailers when compared to large retailers”*³⁷. The Retail Enterprise Network agrees³⁸. Therefore investing in crime prevention measures may be appropriate in some areas. The London First Retail Commission recommends that partnerships are put in place to help prevent crime, and cites Enfield EBAC as an example.
- 3.43 To ensure that people continue to shop in district and local centres, they need to be accessible by both public and private transport and have an appropriate parking strategy. They also need good pedestrian access with well-paved, safe routes. The London First Retail Commission recommends that accessibility (especially for pedestrians and cyclists) is prioritised on high streets.
- 3.44 Finally, GLA Economics point out that disruptions to access can impact small retailers more than larger ones, as the latter are able to spread the cost over a greater level of sales. Both the London First Retail Commission and the RB Kensington & Chelsea Retail Commission recommend co-ordination of utility repairs and local authority roadworks to minimise disruption. The London First Retail Commission suggests that Town Centre Managers can help with this and other issues.

Potential Government Regulation

- 3.45 GLA Economics state that *“the costs of complying with government regulations, for example the Disability Discrimination Act, fall disproportionately on small retailers”*. Part of the business advice as discussed could be to advise small retailers on compliance with regulations.
- 3.46 The IRC³⁹ and Retail Enterprise Network call on the Government to look further at how credit, tax and VAT affect small retailers. Rates are also a key cost, and the London First Retail Commission suggests that Small Business Relief thresholds are reviewed and standardised *“to ensure they reflect higher property values in London and effectively support small businesses, whilst encouraging a fair rates burden for all London*

³⁵ From ‘chains’ to partnerships? Supermarkets and Regeneration, G. Potts, in Journal of Urban Regeneration and Renewal Vol. 1 22-36

³⁶ Islington UDP (2002) Policy 22

³⁷ Retail in London: Working Paper G, Small retailers (March 2006) GLA Economics

³⁸ Response to the Office of Fair Trading’s Proposed Decision to Make a Marketing Investigation for the Grocery Sector (April 2006) Retail Enterprise Network

³⁹ Independent Retailers’ Confederation Submission to Budget March 2009

businesses". The RB Kensington & Chelsea Retail Commission call for the applicability of this scheme to be widened.

- 3.47 Changing planning legislation to require planning permission for a merger of a ground floor unit of less than 80 sq m with another unit, may help to protect small affordable shop space. This is a recommendation made by the RB Kensington & Chelsea Retail Commission.
- 3.48 And finally, in 2009, the Competition Commission (CC) formally recommended the introduction of a competition test in planning decisions on larger grocery stores, to stop retailers consolidating strong positions in particular areas to the detriment of customers. It is now up to the Department of Communities and Local Government and the devolved administrations to decide if and how the recommendation should be implemented.

Summary

- 3.49 There is a range of definitions of "small shops". However, we suggest that a "small shop" be defined as one with 80 sq m gross floorspace or less, occupied by an independent retailer or service outlet - one with nine units or less as per the Goad definition.
- 3.50 Local, accessible shops have a range of benefits for their areas, including allowing people to shop locally on foot and thereby reducing carbon emissions. They provide easy access to shops for low income groups, the elderly and those without cars. They also provide local employment and keep money in the local economy. Local shops tend to be small and located in district and local/neighbourhood centres; and they are often independent outlets and frequently contribute to the character of an area.
- 3.51 In addition, small shops often add unique character to an area, and can have commercial value to a developer.
- 3.52 Over recent decades, small shops have been in decline nationally. This trend has been evident in London, as spend has become concentrated in larger stores and centres. Large new supermarkets across London, as well as large new developments such as Westfield, and shopping malls and superstores in outer suburban centres such as Bromley, will have contributed to this.
- 3.53 GLA Economics⁴⁰ state that the recent move by retailers, predominately large grocery retailers, into small format stores in high street locations (eg Tesco Metro and Sainsbury's Local) together with extended opening hours has seen small retailers lose much of their previous comparative advantage of convenience (in terms of location and opening hours).
- 3.54 The problem can be that as a centre becomes more successful and rents rise, independents can become priced out. Property prices have risen faster than sales growth - and often rents increase to levels which small independent retailers are unable to afford.
- 3.55 Nationally, short term trends are more positive and small independent retailers appear to be surviving the recession. But small independent retailers in Greater London have

⁴⁰ Retail in London: Working Paper G - Small Retailers, GLA Economics (March 2006)

performed less well in the recession than in other parts of the country. To ensure accessibility and choice, there may be a need to support and encourage small shops in London. There are a range of potential measures which could achieve this.

- 3.56 The focus of this study is the potential provision of affordable shop space through planning obligations. There is no information on what mix of units might be optimal or how agreements might work. We consider these points in detail in the planning scenarios section, where we look at examples of where and how small shop space has been provided across London.
- 3.57 Other potential measures to support small shops include providing small business support and training, marketing small shops, and investing in the public realm article 4 directions and access. There are many examples of London boroughs where this type of support has already been provided successfully. Changes to Government legislation regarding for example VAT and business rates, could also help small retailers.

4 SMALL, AFFORDABLE SHOP PROVISION IN LONDON

Introduction

4.1 In this section we assess retailing in London to understand the current provision of small, affordable shops. We have considered different spatial scales and levels of detail to build up this picture:

- A high level assessment of current provision using a sample of International, Metropolitan, Major, District, CAZ frontage and local centres in London
- A more detailed assessment of four of these centres using Goad plans

Methodology

Key indicators

4.2 As a starting point to our analysis, we have used the GLA London Town Centre Health Check Analysis Report (December 2009) Technical Annex data (the healthcheck data). This provides useful information for individual centres including the total retail floorspace, floorspace occupied by multiple retailers, number of retail units, vacancy rates and prime rental values. Much of this data is derived from Experian Goad information.

4.3 We have selected the following four key indicators from this dataset for assessing small, affordable shop provision in London:

- **Proportion of multiples** - based on the floorspace of multiples in comparison to independents, excluding department stores and banks/building societies
- **Average unit size** - based on the retail floorspace* in a centre, excluding department stores
- **Occupancy rates** - based on the percentage of occupied floorspace in a town centre**
- **Rental levels** - based on the estimated prime Zone A rental value for the centre from Colliers CRE

* *Comparison, convenience and service retail floorspace, including that which is vacant*

** *Retail floorspace + leisure floorspace.*

NB Charity shops are included as comparison shops. A concentration of charity shops often indicates that a centre is not doing well. So some centres with a high occupancy rate may appear to be thriving, but if a high proportion of the occupiers are charity shops this may not actually be the case. However, the purpose of this assessment is to take a broad overview.

4.4 It should be noted that information was not available for all centres, in particular the district centres. We have therefore taken a sample of up to three district centres per borough. We have also taken a sample of 20 local centres, a number of which were surveyed using OS plan information to estimate the size of units.

- 4.5 A full list of centres assessed and their corresponding values for the four indicators is attached at Appendix 1 and we set out a summary of the centres assessed (the sample centres) by hierarchy below:

Table 4.1 Summary of centres assessed by hierarchy

Classification	Number of centres assessed	Total no. of centres in London
International	2	2
Metropolitan	11	11
Major	32	35
District	85	145
CAZ Frontage	5	19
Local	20	1,200*
Total	155	1,412

* estimated number

Source: GLA/RTP

Rental value information for retail centres

- 4.6 To provide the sample of up to three district centres per borough and our sample of twenty local centres, we have needed to supplement the available healthcheck data on prime Zone A rental values with Valuation Office Agency (VOA) information.
- 4.7 The VOA is responsible for assessing all business and non-domestic property in England and Wales, giving each one a rateable value. In broad terms the rateable value is a professional view of the annual rent for a property if it was available on the open market on a set date. Current rateable values assume a valuation date of 1 April 2008 and are known as the 2010 rating list. The VOA provides summary valuations for the majority of properties online⁴¹ which include Zone A rental values where appropriate. We therefore investigated the summary valuations for a number of properties in the sample retail centre where Colliers CRE information was not available to broadly establish prime Zone A values.

⁴¹ <http://ratinglists.voa.gov.uk/irl2k5/mainController?action=InitialiseApp&listYear=2005&lang=E>

- 4.8 It should be noted that subsequent to our analysis, the VOA has made available all the 2010 rating list summary valuation information for properties by local authority in Excel table form. Previously, the VOA website only allowed the user to view summary valuation information for one property at a time. It is now possible to use the Excel table for all properties in a local authority to quickly identify the highest Zone A rental value it has on retail properties in a particular centre. The GLA has procured the full VOA 2010 rating list summary valuation for the London authority areas and therefore will be able to derive prime rental values for the district centres that were not included in our sample.
- 4.9 We understand that the GLA will publish a comprehensive 2010 assessment as an Addendum to this report.

Standard scoring (or “Z” score) approach for sample centres

- 4.10 We have combined the key indicators into a “Z score” for each retail centre assessed. This is a standard score which indicates how many standard deviations the centre is above or below the mean. This provides an index to rank the centres by equally weighting the scores from each dataset.
- 4.11 We would expect centres which could broadly have a low proportion of small, affordable units in comparison to the average to have a high Z score due to:
- High rents
 - Large units
 - High occupancy
 - High proportion of multiples
- 4.12 We would expect centres which could broadly have a high provision of small, affordable units in comparison to the average to have a low Z score due to:
- Low rents
 - Small units
 - Low occupancy
 - Low proportion of multiples

Findings

Overall average values for centres assessed

4.13 The average values of the indicators for the sample centres are set out below:

Table 4.2 Average values for sample centres

Indicator	Average across retail centre sample
Unit Size (sq m)	122
Multiples %	52%
Occupancy	92%
Indicative prime Zone A rental level (£/m ²)	£982

Source: GLA/RTP

Top and bottom centres by Z score

- 4.14 Tables 4.3 and 4.4 below show the top and bottom ten centres assessed by Z score. Beckton has the highest Z score due to a very high average unit size as the centre is comprised of a retail park; Thamesmead is third on the same basis.
- 4.15 Knightsbridge has the second highest Z score as it is significantly higher than the average on average size of unit, proportion of multiples and prime rental level, and has a marginally higher occupancy rate than the average. Conversely, Whitechapel has the lowest Z score as it is significantly below the average under all four indicators, in particular on average size of unit and proportion of multiples. The bottom ten centres are comprised of District and Local centres only.

Table 4.3 Top ten centres by “Z” scores

Centre	Borough	Classification	Average unit size (sq m)	Multiples	Occupancy	Indicative prime zone A rental level (£/m2)	Z SCORE
East Beckton	Newham	District	728	95%	92%	400	8.69
Knightsbridge	K&C/ Westminster	International	189	90%	97%	4,951	7.32
Thamesmead	Greenwich	District	502	95%	99%	300	6.99
Kings Road East	Kensington and Chelsea	Major	235	77%	97%	3,875	6.19
Kingston	Kingston upon Thames	Metropolitan	234	92%	95%	3,337	6.01
West End	Camden/ Westminster	International	120	66%	93%	5,705	5.35
Bromley	Bromley	Metropolitan	234	94%	95%	2,530	5.22
Uxbridge	Hillingdon	Metropolitan	230	86%	97%	2,260	4.80
Kensington High Street	Kensington and Chelsea	Major	190	79%	95%	2,960	4.35
Sutton	Sutton	Metropolitan	237	90%	98%	1,130	4.11

Source: GLA/RTP

Table 4.4 Bottom ten centres by “Z” scores

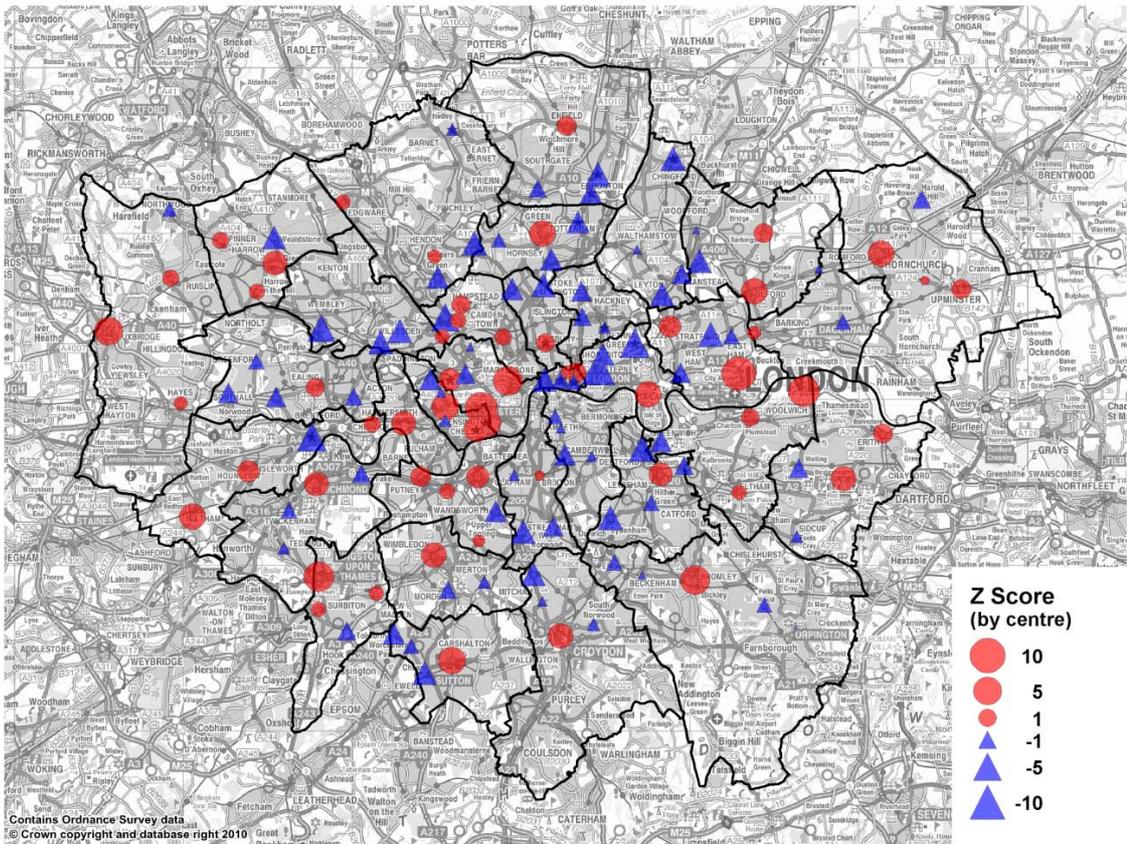
Centre	Borough	Classification	Average unit size (sq m)	Multiples	Occupancy	Indicative prime zone A rental level (£/m2)	Z SCORE
Whitechapel	Tower Hamlets	District	25	13%	65%	600	- 8.35
Brentford	Hounslow	District	83	48%	70%	225	- 5.53
Roman Road (east)	Tower Hamlets	District	35	13%	83%	400	- 5.26
Berrylands Road	Kingston upon Thames	Local	131	11%	76%	190	- 5.14
West Hampstead	Camden	District	51	27%	79%	700	- 4.82
Hanworth	Hounslow	Local	98	22%	80%	250	- 4.37
Ealing Road	Brent	District	82	9%	85%	700	- 4.15
Deptford	Lewisham	District	77	13%	90%	185	- 3.66
North Chingford	Waltham Forest	District	48	28%	88%	320	- 3.60
Ruislip Manor	Hillingdon	Local	102	11%	87%	250	- 3.51

Source: GLA/RTP

Z scores by centre

- 4.16 Figure 4.1 below shows the Z scores for all the sample centres (excluding local centres). The red circles show scores above zero (with zero being the average), and blue triangles show scores below zero.
- 4.17 This indicates that the provision of small, affordable shops for independent retailers in retail centres varies across London and high/low scores are not consigned to individual areas or local authorities.

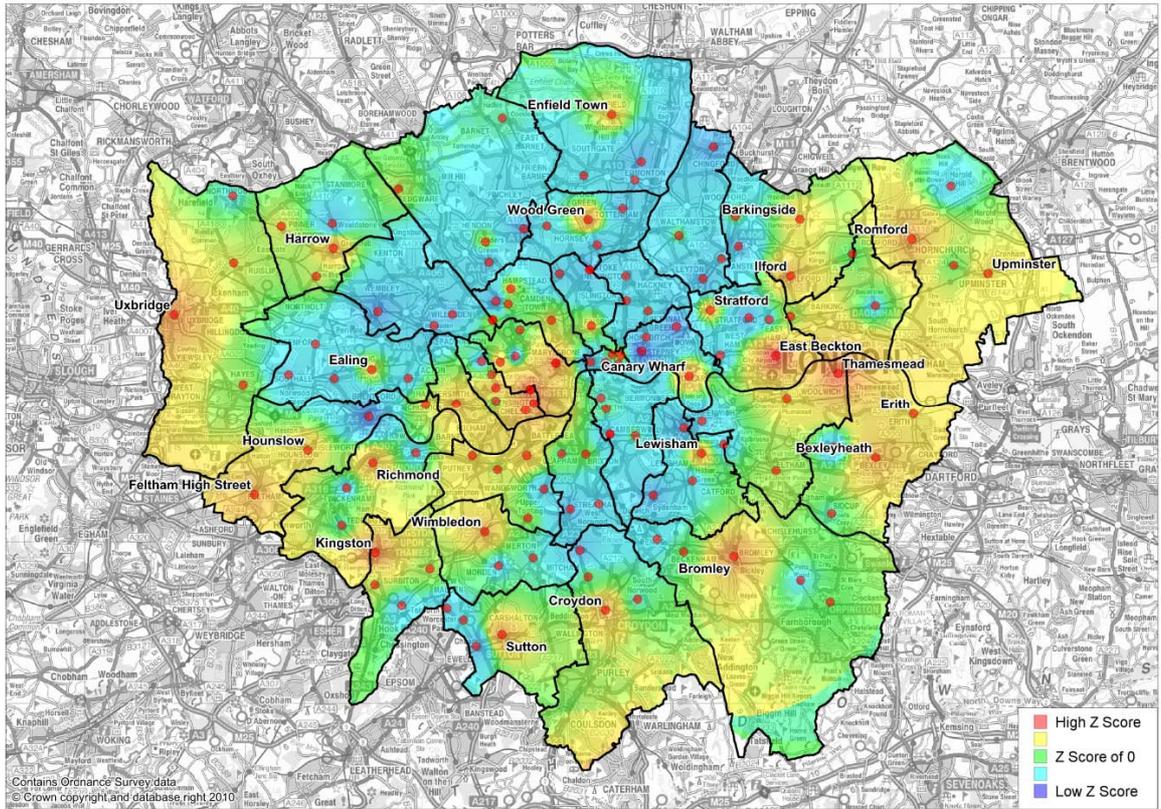
Figure 4.1 Z scores by retail sample centre



Source: GLA/RTP

- 4.18 We have also set out a “heat map” of the Z scores for the sample retail centres (excluding local centres). This again shows that, although there are some spatial patterns such as the centre, south west London and parts of outer London having high Z scores, high/low scores are not consigned to individual areas or local authorities. We have marked on some of the centres with high Z scores outside of central London. For example, part of the hot area in East London is explained by East Beckton and Thamesmead, which both have retail parks.

Figure 4.2 Z scores by retail sample centre



Source: GLA/RTP

Analysis by retail centre hierarchy

4.19 Table 4.5 below shows averages for the different indicators assessed by retail hierarchy classification. This shows of the four indicators, there are significant variations on average between the retail hierarchy classifications for three of these; unit size, percentage of multiples and indicative prime zone A rental levels.

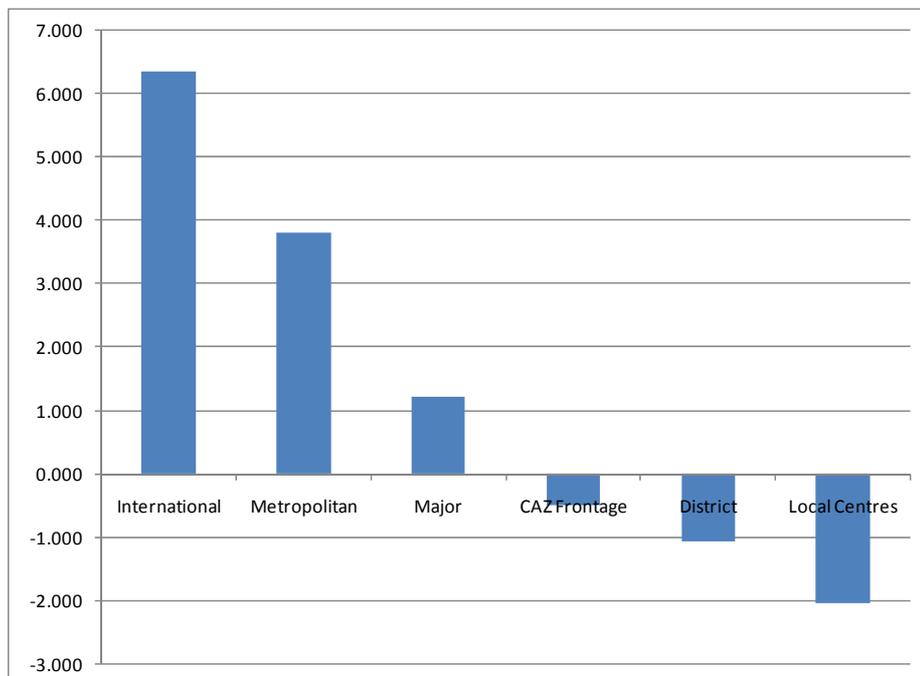
Table 4.5 Average indicators for London retail classification areas

Classification	Unit Size (sq m)	Multiples %	Occupancy	Average indicative prime zone A rental
International	124	70%	93%	£5,328
Metropolitan	179	84%	94%	£1,502
Major	129	63%	93%	£1,446
District	102	47%	93%	£563
CAZ Frontage	30	69%	93%	£2,737
Local	101	18%	92%	£470

Source: GLA/RTP

4.20 Again, we have combined these four indicators to obtain an overall Z score for the sample centres, and taken an average within the different hierarchies. As set out in Figure 4.3 below, the international centres have a high average Z score, whilst the district centres have a low average Z score.

Figure 4.3 Z scores by retail hierarchy



Source: GLA/RTP

Large differences within retail hierarchy categories

- 4.21 Although this may suggest that international centres may have a significant under provision of small, affordable shops whilst district centres have an over-provision, Table 4.6 below shows there are significant variations within the hierarchy classifications.
- 4.22 For example, the Z scores for the major retail centres vary between -3.0 and 6.1, whilst the variation for district centres is even wider at -8.3 to 8.5. This suggests that issues of under and over provision are not simply explained by retail hierarchy classifications, although there are large differences on average between them.

Table 4.6 Range in average indicators for London retail classification areas

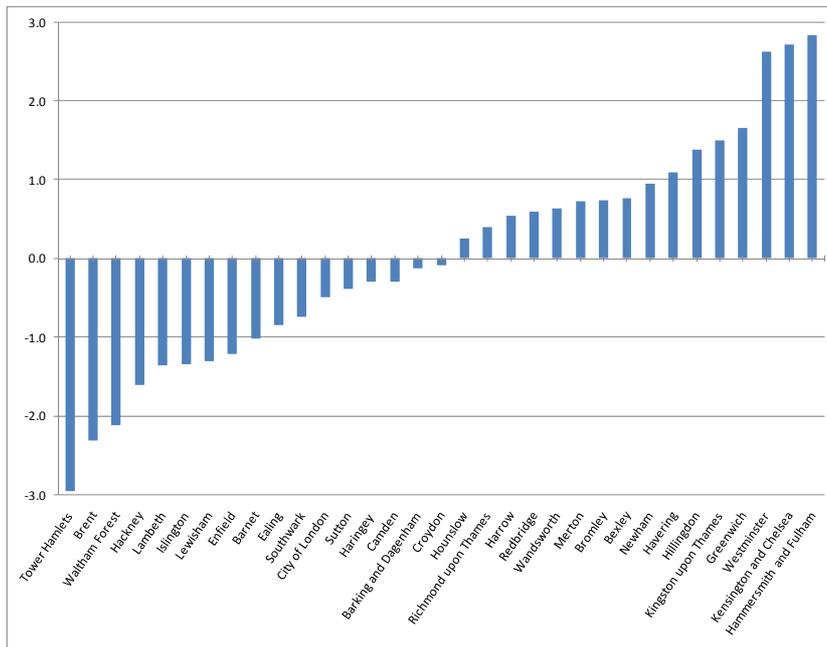
Classification	Unit Size (sq m)	Multiples %	Occupancy	Indicative prime zone A rental level (£/m2)	Z Score
International	120-189	66-90%	93-97%	£5,000 - £5,700	5.3 - 7.3
Metropolitan	61-237	59-78%	89-98%	£1,100 - £3,300	1.1 - 6.0
Major	79-235	11-88%	82-98%	£500 - £3,900	-2.9 - 6.2
District	25-295	6-92%	65-99%	£150 - £3,900	-8.3 - 8.7
CAZ Frontage	32-83	62-89%	71-89%	£1,600 - £3,000	-2.9 - 1.7
Local	68-192	0-52%	76-100%	£150 - £3,500	-5.0 - 0.8

Source: GLA/RTP

Analysis by local authority

- 4.23 We have assessed Z scores by local authority to understand at a high level if there are significant differences between authorities.
- 4.24 Firstly, we assessed the average Z score by local authority.
- 4.25 Figure 4.4 below shows that average Z scores (excluding local centres) vary considerably between local authorities. It should be noted that where retail centres cover two authorities, we have included the Z score for the centre in each authority, except for the West End which we have only included in Westminster.

Figure 4.4 Average Z score by local authority

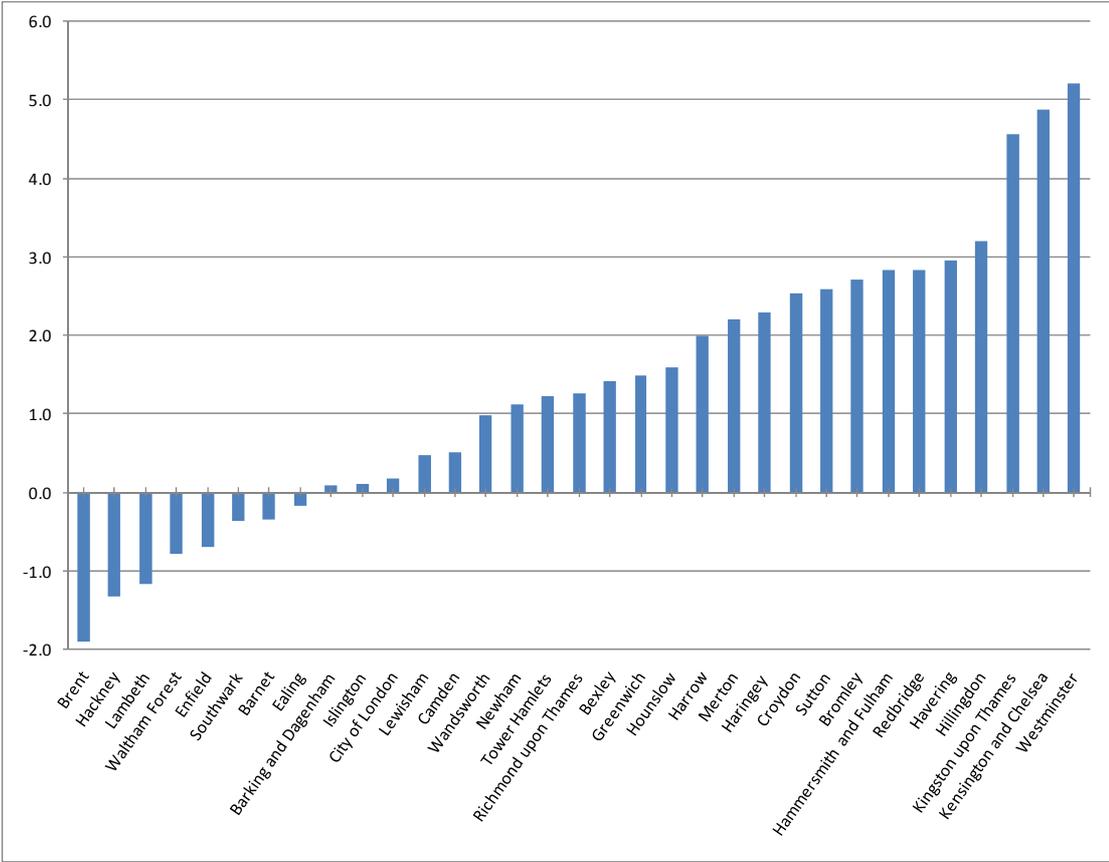


Source: GLA/RTP

- 4.26 Figure 4.4 shows that Westminster, Kensington and Chelsea, and Hammersmith and Fulham have a Z score of nearly 3; the latter is largely due to only having one relatively high scoring retail centre (Hammersmith) classified as a Major centre - its average is not reduced by lower scoring District centres.
- 4.27 At the other end of the spectrum, Tower Hamlets has the lowest Z score of nearly -3. This is due to a number of low scoring District centres, with only one high scoring Major centre (Canary Wharf). Brent and Waltham Forest have scores of less than -2.
- 4.28 Greenwich and Newham's average scores are relatively high due to the presence of very high scoring retail parks at Thamesmead and East Beckton respectively. We have therefore also calculated a weighted Z score for each local authority based on the size of the retail centre⁴².
- 4.29 Figure 4.5 below shows on a weighted basis Greenwich and Newham are ranked lower, with other authorities with large, high scoring centres such as in Sutton, being ranked higher. This again indicates the provision of small, affordable shops for local retailers varies across London and is not consigned to individual areas or local authorities.

⁴² calculated by multiplying the Z score for the retail centre by the percentage of the total retail floorspace in the authority proportion found in the retail centre

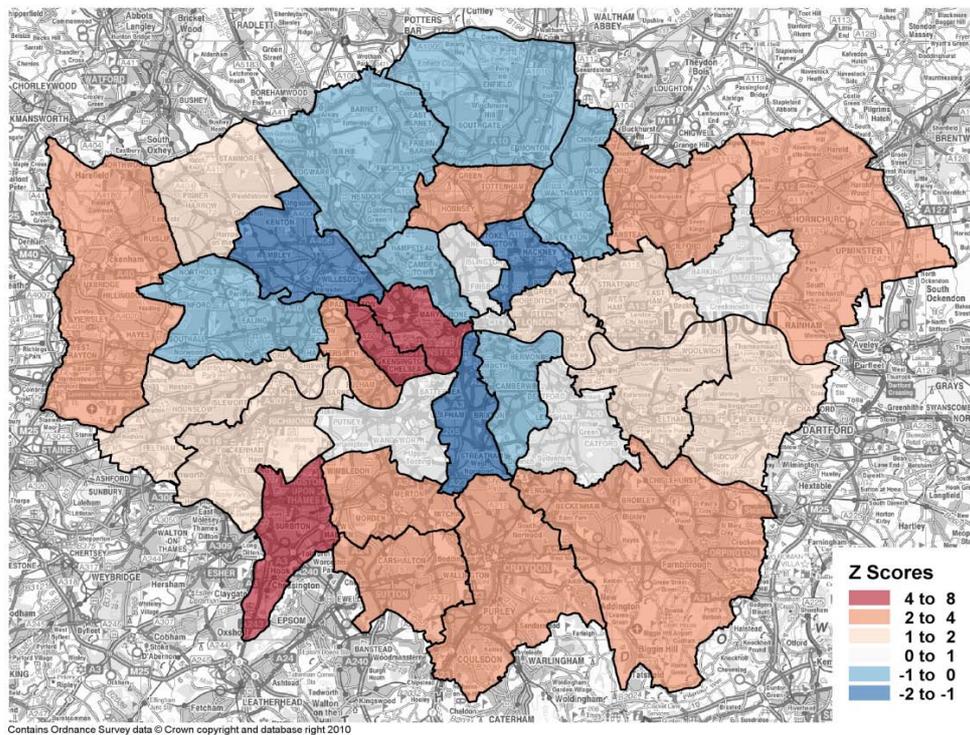
Figure 4.5 Weighted Z score by local authority



Source: GLA/RTP

4.30 Figure 4.6 below shows a map of the weighted Z score by local authority. This again indicates the provision of small, affordable shops for local retailers varies across London and is not consigned to individual areas or local authorities.

Figure 4.6 Weighted Z score by local authority



Source: GLA/RTP

Analysis by indicator

4.31 Table 4.7 below shows the correlations between the different indicators to see if any strong relationships exist. Our analysis shows that broadly as the average unit size increases, so do the proportion of multiples, occupancy rate and rental values. In addition, there is also a positive relationship between the proportions of multiples and rental values.

Table 4.7 Correlations between indicators

	Average unit size	Multiples as % of total retail sqm	Occupancy	Indicative prime zone A rental level
Average unit size		0.542	0.227	0.116
Multiples as % of total retail sqm	0.542		0.147	0.442
Occupancy	0.227	0.147		0.100
Indicative prime zone A rental level	0.116	0.442	0.100	

Source: GLA/RTP

Conclusions

Large differences in average unit size, prime Zone A rents, proportion of multiples and occupancy

- 4.32 We have looked at four indicators to establish at a high level the current provision of small, affordable shops in London; average unit size, prime Zone A rents, proportion of multiples and occupancy rate. Our analysis has shown vast differences in these indicators for retail centres in London. By combining the values for each of these indicators, we have derived an overall “Z score” to compare differences between centres, with a high Z score showing higher than average values for one or more of the indicators and a low Z score showing the opposite.

Size of centre appears to be key determinant

- 4.33 The size of centre appears to be a key determinant of the Z score. Unsurprisingly, the International centres of the West End and Knightsbridge are amongst the highest scoring centres, with high average unit sizes, proportions of multiples and prime Zone A rental values. Metropolitan and a significant proportion of Major centres have Z scores greater than zero. Whilst there is greatest variation amongst District centres, with some such as Kings Road (West) having relatively high Z scores, the majority have lower average unit sizes and prime Zone A rents, and many have a below average proportion of multiples. All but one local centre had a negative Z score, suggesting there is an above average proportion of small, affordable shops occupied by independents in these smaller centres.

Local authorities have both high and low Z score centres

- 4.34 Although there are also large differences in average Z scores by local authority, each LPA has a mixture of high and low Z score centres. For example, Kensington and Chelsea has one of the highest average Z scores, with high scoring centres such as Kingston and Kings Road. However, it also has centres with low Z scores such as Notting Hill and Portobello Road. Conversely, Tower Hamlets has a low average Z score with Bethnal Green, Roman Road (East) and Whitechapel having very low Z scores, but Canary Wharf has one of the highest Z scores with a high average unit size, proportion of multiples and prime Zone A rents.
- 4.35 Z scores therefore show no strong spatial pattern, other than the highest scores being largely located in central London.

5 FOUR CENTRES : CASE STUDIES

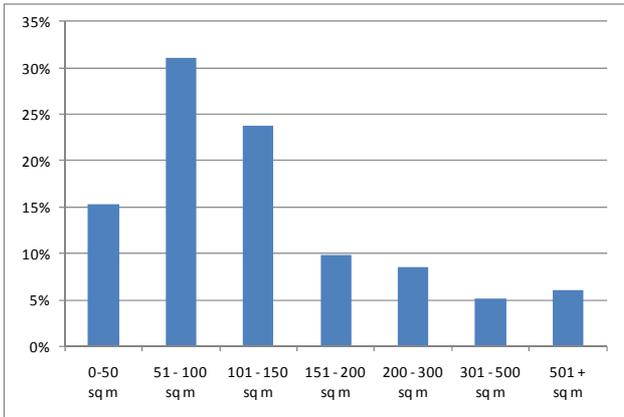
Detailed assessment of four centres using Goad plans

- 5.1 The analysis in Section 4 shows the broad differences, at a high level, in the provision of small, affordable shops by hierarchy, local authority and location. It also provides useful information on how inter-related the indicators used are.
- 5.2 To fully understand the current provision of small, affordable shops it is necessary to look in more detail at the spread of unit sizes and rental values as opposed to the average and prime values respectively used above.
- 5.3 We have therefore assessed four centres in more detail using Goad plans and information which provide a full breakdown of unit sizes and occupiers. We also used VOA rateable value information to understand rental levels for different areas of the centre.
- 5.4 We selected the following centres based on two that had high Z scores and two that had low Z scores:
 - Knightsbridge
 - Bromley Town Centre
 - West Hampstead
 - Edmonton⁴³

Knightsbridge

- 5.5 Knightsbridge is classified as an International centre and commanded a high Z score due to a high proportion of multiples, a high prime rental value and slightly higher than average unit size.
- 5.6 Figure 5.1 below shows that over 30% of retail units are 50 - 100 sq m, with nearly 25% 101 - 150 sq m.

Figure 5.1 Unit sizes - Knightsbridge (excluding department stores)

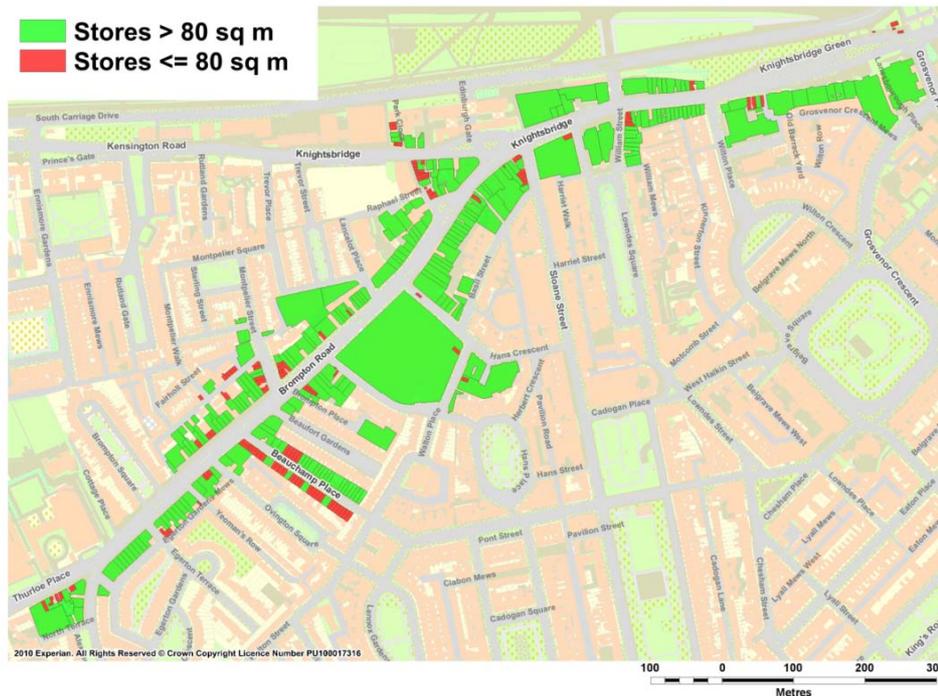


- Source: Experian/RTP

⁴³ comprising the two district centres of Edmonton Green and Angel Edmonton

- 5.7 Figure 5.2 shows that a large proportion of small shops (i.e. 80 sq m or less) are located in Beauchamp Place off the western end of Brompton Road.

Figure 5.2 Location of small shops - Knightsbridge



Source: Experian/RTP

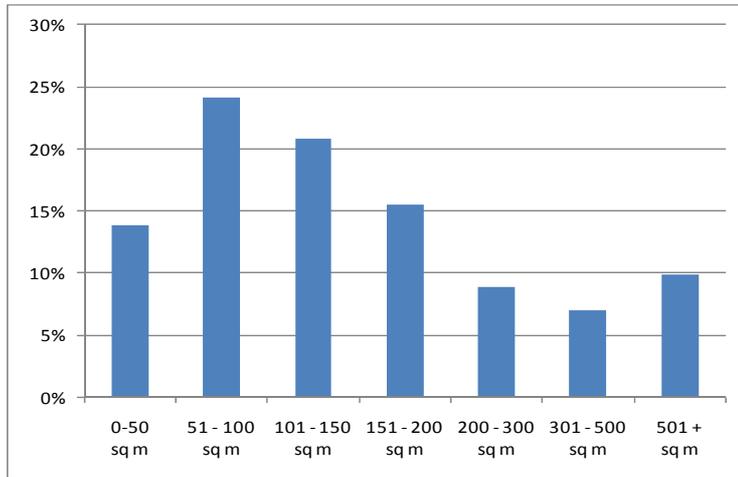
- 5.8 In terms of affordability the prime rental level of approximately £5,000 per sq m Zone A is found on the eastern end of Brompton Road, close to Knightsbridge underground station. The majority of units in this area are over 100 sq m and with high Zone A levels the average overall rents are therefore in the region of £250,000 - £500,000pa.
- 5.9 However, in addition to having relatively small shops, rents on Beauchamp Place are less than half the prime rents on Brompton Road at approximately £2,000 per sq m Zone A. With units in the region of 90 sq m on average, this means rents are much lower at approximately £50,000 - £150,000pa. Although there are some independents, it is debatable whether these rental levels are affordable for independent shops providing local/community services (such as dry cleaners, grocers etc). For example, although some shops are classified as grocers they could be niche retailing such as upmarket delicatessens.

Bromley Town Centre

- 5.10 Bromley is classified as a Metropolitan centre and commanded a high Z score due to a high proportion of multiples, high average unit size and a higher than average prime rental value.
- 5.11 Figure 5.3 below shows that less than 15% of the units are smaller than 50 sq m and less than 25% are 50 - 100 sq m. 10% of the units are also over 501 sq m, excluding department stores. These units include carpet retailers such as Allied Carpets and Carpet Right in units of approximately 500 - 1,500 sq m, a Sainsburys supermarket of

approximately 3,500 sq m and clothing retailers in large units over 2,000 sq m such as H&M, Primark and TK Maxx.

Figure 5.3 Unit sizes - Bromley (excluding department stores)



▪ Source: Experian/RTP

5.12 Figure 5.4 shows that the majority of small shops (i.e. 80 sq m or less) are located to the north of the town centre on the non-pedestrianised part of the High Street, East Street, close to the station to the south and in the Glades Shopping Centre.

Figure 5.4 Location of small shops - Bromley



Source: Experian/RTP

5.13 In terms of affordability, the prime rental level of approximately £2,500 per sq m Zone A from the GLA Healthcheck data is likely to be found in parts of the Glades shopping centre and the pedestrianised part of the High Street although the VOA only used Zone A rents of approximately £1,500 per sq m in its 2010 rateable value assessment.

5.14 Although there are small shops in the Glades, the VOA's Zone A levels of approximately £1,500 per sq m means that many units are likely to have overall rents above £50,000pa.

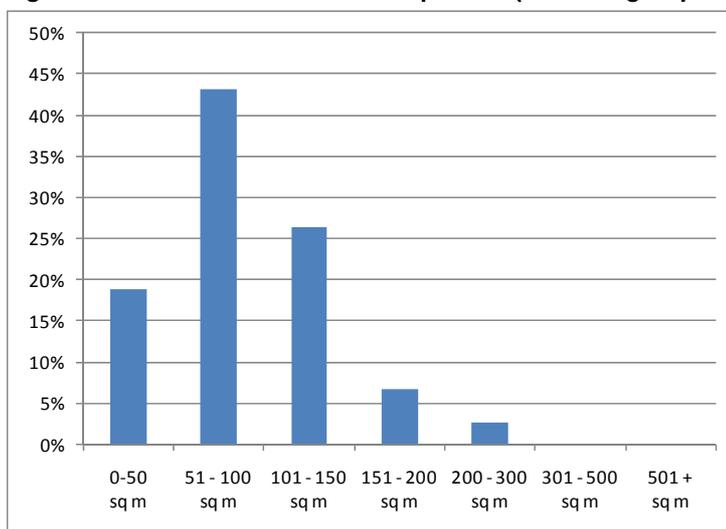
These units are occupied by multiple retailers such as Vodafone, The Body Shop, Whittard and Sony.

- 5.15 Smaller units on the northern end of the High Street and on East Street have much lower rental values; approximately £350 - £550 per sq m Zone A and overall rental values of approximately £10,000 - £30,000pa based on VOA information. These shops have a variety of occupiers including newsagents, chemists, fast food outlets and dry cleaners. The physical environment in this area is much less attractive than the prime retail area.
- 5.16 In conclusion, although there is a reasonable number of small shops in Bromley, those in the pedestrianised part of the town centre are in the shopping centre and occupied by multiple retailers, and those to the north of the town centre on the High Street and East Street are less attractive to shoppers as these areas are not pedestrianised. Bromley is therefore an example of a centre with distinct primary and secondary areas, with the small and affordable shops for independent retailers generally occupying the secondary locations.

West Hampstead

- 5.17 West Hampstead is classified as a District centre and commanded a low Z score due to a low proportion of multiples, low average unit size, a relatively low occupancy rate and a slightly lower than average prime rental value.
- 5.18 Figure 5.5 below shows that nearly half of the units are between 51 and 100 sq m, with no units larger than 300 sq m.

Figure 5.5 Unit sizes - West Hampstead (excluding department stores)



Source: Experian/RTP

- 5.19 Figure 5.6 shows small shops are located throughout the centre, with a number being located close to the underground station to the south and on the western side of West End Lane.

Figure 5.6 Location of small shops - West Hampstead



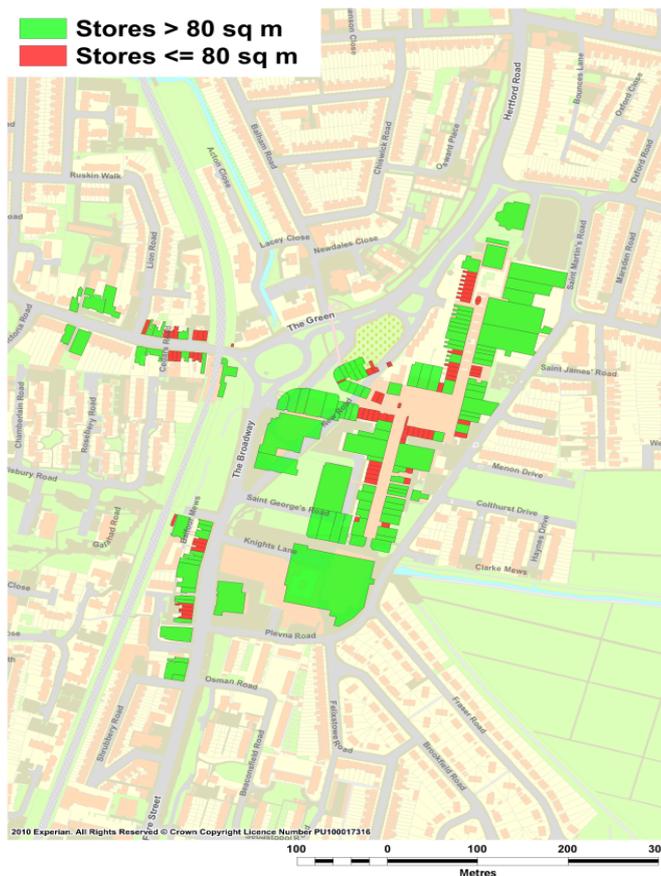
Source: Experian/RTP

- 5.20 Based on VOA information, the prime rental level of approximately £700 per sq m Zone A is found on the northern part of the main shopping street, West End Lane. Rental values do not vary significantly on this street, and therefore the main determinant of overall rental value is the size of the unit. Based on VOA information, the majority of units are likely to have overall rental values less than £50,000pa. There is a wide variety of occupiers, including local services such as florists, fishmongers, grocers and dry cleaners.
- 5.21 West Hampstead is therefore an example of a centre that has a large proportion of small, affordable shops, limited multiple retailers and a wide range of retail occupiers, many providing local services.

Edmonton

- 5.22 The Goad plan for Edmonton comprises the district centres of Edmonton Green and Angel Edmonton.
- 5.23 Edmonton Green is classified as a district centre and commanded a low Z score due to a below average occupancy and prime rental value. It has the largest enclosed shopping centre floorspace for District centres; based on Goad information, Edmonton Green Shopping Centre is approximately 41,000 sq m and represents the majority of retail floorspace in the overall centre, with small elements along Fore Street and Church Street.

Figure 5.7 Location of small shops - West Hampstead



- 5.24 The shopping centre has seen some redevelopment, and there are plans for further refurbishment and redevelopment in the future. Based on marketing material from the owners, St Modwen, the centre currently comprises:
- 164 existing retail units, a new 6,000 sq m ASDA and seven new retail units
 - Over 745 residential units located on site
 - In excess of 1,000 car park spaces
 - A market held daily
 - New 26 bay bus station, 6,000 sq m leisure centre and a new Primary Care Centre
- 5.25 Angel Edmonton district centre is located to the south of Edmonton Green, comprising approximately 1km of shops along Fore Street which crosses the North Circular. This centre had similar values for the four indicators as Edmonton Green, and therefore commanded a low Z score. We have therefore analysed the two centres together.

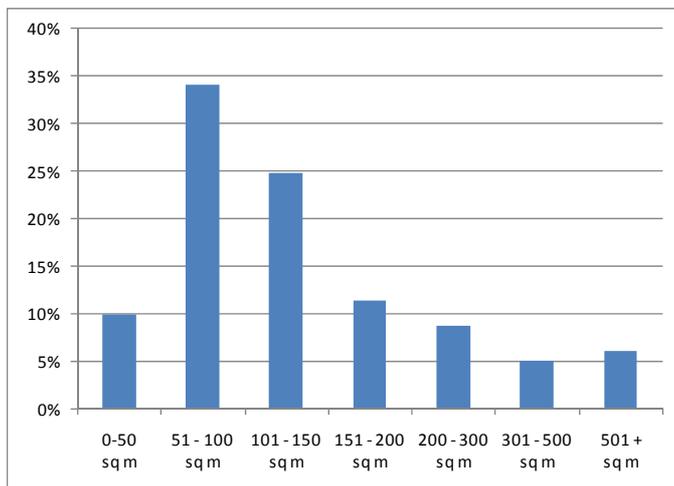
Figure 5.8 Angel Edmonton District Centre



Source: Experian/RTP

5.26 Figure 5.9 below shows that over 30% are between 51 and 100 sq m. The average unit size is higher than a number of district centres with 50% being over 100 sq m and 20 units in excess of 500 sq m, which includes six supermarkets.

Figure 5.9 Unit sizes - Edmonton (excluding department stores)



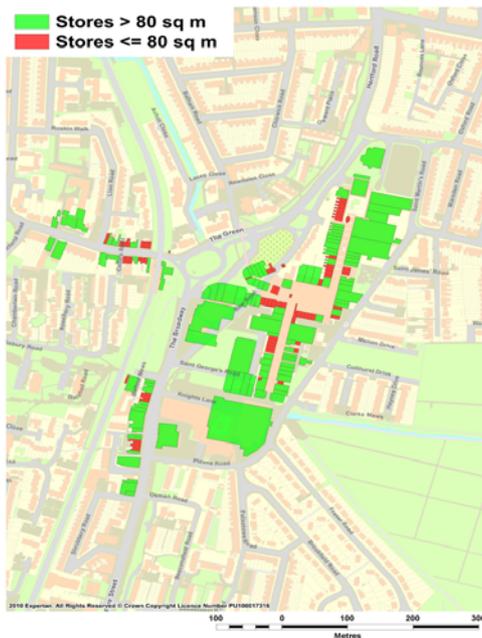
Source: Experian/RTP

5.27 Figure 5.10 below shows that approximately 50% of small units (i.e. less than 80 sq m) are located in the Edmonton Green shopping centre. Indeed 37-43 in the South Mall is

classified as a single 1,050 sq m unit, but contains 36 small units run by InShops which has a number of similar operations across the country⁴⁴.

- 5.28 As set out above, there are plans to refurbish and redevelop parts of the centre, which include the North Mall where there are currently a number of small, vacant shops.

Figure 5.10 Location of small shops - Edmonton Edmonton Green District Centre



Source: Experian/RTP

- 5.29 Based on VOA information, the prime rental level of approximately £435 per sq m Zone A is found in the Edmonton Green District Centre. Rental values are lower on the other main shopping streets; on Fore Street they vary from approximately £250 - £350 per sq m Zone A and on Church Street they are in the order of £200 per sq m Zone A. Based on these rental levels, a large proportion of overall rents are likely to be under £25,000pa.
- 5.30 Due to the size of the centre and relatively low rents, there is a wide variety of occupiers. Although the proportion of multiples is around the average of approximately 50% based on floorspace, it is likely to be lower in terms of unit numbers. The current relatively low occupancy rate reflects the number of units that were vacant in the shopping centre at the time of the survey; some of these are new units that are now let and others are where the owner, St Modwen, plans to redevelop part of the centre in the future.
- 5.31 Edmonton is an example of a relatively low value centre that currently has a large proportion of small, affordable shops occupied by independents. However, Edmonton Green in particular is a centre in transition with parts of the shopping centre already having been redeveloped and expanded, and further refurbishment and redevelopment planned.

⁴⁴ http://inshopsretail.com/nationalprofile.html#region_so

Conclusions

Individual centres have different small, affordable shop provision and potential issues

- 5.32 Our analysis of individual centres has shown that the high level analysis provides a reasonable overall indication of small, affordable shop provision but that individual centres have differing issues.
- 5.33 For example, although Knightsbridge had the highest Z score there is still a significant proportion of shops smaller than 100 sq m and one area in particular off the main shopping street with small shops providing a distinct character and specialist services. In centres such as these, retaining this provision could be the key issue to address through the policy. However, a more traditional retail town centre such as Bromley with a relatively high Z score has a lower proportion of shops smaller than 100 sq m than Knightsbridge. Some of these are in the shopping centre at relatively high Zone A rents, occupied by multiple retailers who require a small format shop, such as Sony, the Body Shop and Vodafone. The rest are located in secondary areas which provide a relatively poor retailing environment - the key issue in centres such as these may be public realm improvements.
- 5.34 Lower scoring smaller District centres such as West Hampstead have the majority of shops located on the main shopping street, with broadly uniform Zone A rents. With below average prime Zone A rents and a large proportion of small units, overall rents are affordable for independent retailers, as evidenced by the low proportion of multiples. Again, the issue in these centres may be to retain the character of small, independent shops.
- 5.35 Conversely, Edmonton Green is a larger District centre in transition. The existing shopping centre has been extended to include a large ASDA supermarket and six larger format shops of 300 - 560 sq m⁴⁵. There is still a reasonable proportion of independents in the centre which is likely to reflect the relatively low Zone A rents. There are plans to refurbish and redevelop parts of the centre. This is likely to increase rents and the proportion of multiples in the centre.
- 5.36 The remaining retail floorspace is spread over a relatively large area. There is a high proportion of small, affordable shops in these locations with an occupancy rate in line with the average (i.e. approximately 92%) suggesting they are performing reasonably well. Depending on the eventual scale and format of any refurbishment and redevelopment of the existing shopping centre, it could take trade away from these locations and lead to a more distinct two tier market as appears to have happened in Bromley. The issue in this centre could therefore be managing the long term improvement of the centre; on the one hand improving the quality of the retail offer through the continued redevelopment and improvement of the shopping centre, but still retaining the vitality and viability of the other

⁴⁵ Goad plan (survey 2009)

retail locations to provide small, affordable shops for independents providing a range of goods and services.

Small, affordable shops is a London wide issue, but complex issues need to be considered by individual authorities

- 5.37 Overall, our analysis has shown that the provision of small, affordable shops is unlikely to be isolated to just a few individual local authorities; all authorities are likely to face issues with all having a mixture of high and low scoring centres based on our high level analysis.
- 5.38 However, our more detailed analysis of individual centres suggests these issues are complex. Their extent, and potential solutions, need to be considered in detail by individual authorities.

6 PLANNING SCENARIOS - SIX CASE STUDIES

Introduction

6.1 In this section, we discuss six schemes where small shops have been or will be provided, and set out how this was dealt with (or will be dealt with) by the planning system. The schemes are:

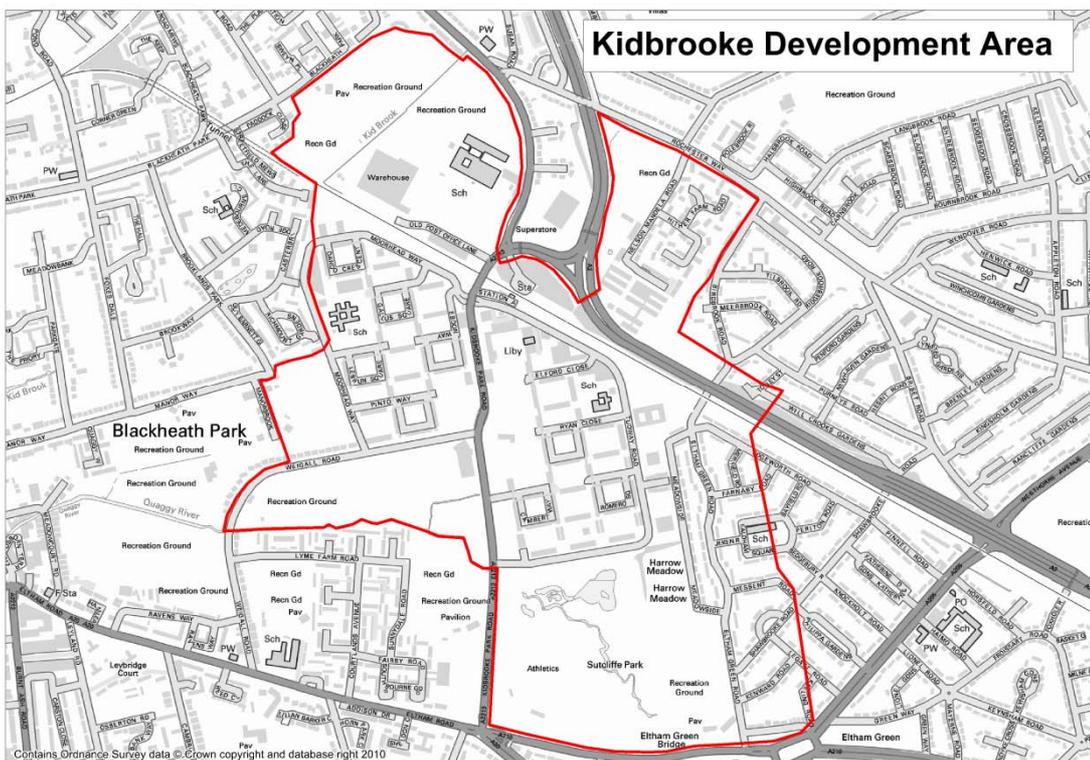
1. Kidbrooke Development Area, Kidbrooke
2. Wards Corner, Seven Sisters (LB Haringey)
3. Elephant & Castle (LB Southwark)
4. Westfield (LB Hammersmith & Fulham)
5. Tesco Highams Park (LB Waltham Forest)
6. St. Martin's Courtyard, Covent Garden (LB Westminster)

1. Kidbrooke Development Area, Kidbrooke (LB Greenwich)

Location

6.2 The Kidbrooke Development Area is located between Kidbrooke to the north, Eltham to the east and Blackheath and Lea Green to the west. The planning application covers an area of 48.2 hectares including the existing Ferrier Estate, an area of open space and an area of land to the southeast.

Figure 6.1 Kidbrooke Development Area, Kidbrooke



Proposals

- 6.3 The concept for the Kidbrooke Development Area was born out of the Kidbrooke Vision Masterplan 2004 (Supporting Documents No. 9). It was developed through analysis of the problems, constraints and opportunities of the area. Consultation was undertaken with residents of Ferrier and the surrounding areas.
- 6.4 The Unitary Development Plan (UDP - 2006) designates the Kidbrooke Development Area for redevelopment and regeneration. One of the objectives is to provide a local shopping centre which acts as a commercial hub for the area. In June 2008, the Kidbrooke Development Area Supplementary Planning Document (SPD) was adopted, to support the UDP.
- 6.5 The Council has a Comprehensive Development Agreement with Berkeley Homes (East Thames) Ltd. The Council and Berkeley Homes are also working with The Homes and Communities Agency and the housing associations Southern Housing Group and ASRA.
- 6.6 The proposal (application number 08/2782/0) is for a hybrid application for outline planning permission for the whole development and detailed permission for Phase 1. The outline proposal includes 4,000 residential units and a mix of other uses including retail. The retail elements of the proposal are intended to provide for local needs whilst not impacting negatively on other centres. The “hub” will provide the commercial focus of the scheme, with retail, leisure, hotel and office space. Planning permission was granted on 24 June 2009.

Retail Provision

- 6.7 The outline application proposes 3,100 sq m of retail floorspace (A1-A5) in addition to a 2,785 sq m supermarket. The provision of retail floorspace within the Kidbrooke Development Area is intended to meet the needs of local residents and not to act as a destination in its own right or compete with existing centres.
- 6.8 The Council owns most of the land and has served a Compulsory Purchase Order (CPO) on all parties who have an interest in land in the area.
- 6.9 The Section 106 agreement does not specify requirements in relation to the delivery of small shops within its heads of terms. The application proposals contain no details of any mechanism for the setting or management of rents on completion, nor does it specify requirements in relation to business support or training.
- 6.10 The site is currently under development and therefore there are no occupiers at present. However the proposals indicate that the retail space will be targeted at a mix of small shop occupiers providing for local needs.

2. Wards Corner, Seven Sisters (LB Haringey)

Location

- 6.11 The Wards Corner site is bounded by Tottenham High Road, Seven Sisters Road, West Green Road and Suffield Road in Tottenham, London, and is in a prominent location above the Seven Sisters underground station.

Figure 6.2 Wards Corner



Proposals

- 6.12 The proposed Wards Corner scheme comprises the demolition of the existing buildings and the erection of a mixed-use development comprising residential units, a replacement market, new retail units and restaurants, and a new public square on Tottenham High Road incorporating public realm improvements.
- 6.13 The Wards Corner site sits within the overlapping section of two identified regeneration areas - Tottenham High Road regeneration area and The Bridge New Deal for Communities Area. A development brief for Wards Corner/Seven Sisters Underground area was adopted in January 2004, which covers the Wards Corner site.
- 6.14 Permission was granted for the scheme on 24 December 2008 (planning application reference HGY/2008/0303). However, the scheme is currently under judicial review and the permission has not been issued yet. The case is due to be heard at the Court of Appeal in May 2010.

Retail Provision

- 6.15 In total, 3,792 sq m of retail floorspace will be provided in a combination of units aimed at national multiples, local retailers and a market. Within this offer, 7 larger units will be aimed at national multiple retailers, 7 smaller units will be aimed at local retailing, and a 876 sq m market will be provided for market stalls.

- 6.16 The existing accommodation on the site currently provides 3,182 sq m of retail floorspace, comprising a number of local independent retailers and a specialist (latin/spanish) indoor market containing some 36 units. The surrounding area is also predominantly made up of local independent traders. However, health checks of the Seven Sisters area conducted by Chesterton, and a further update in early 2008 undertaken by Cushman and Wakefield, identified a lack of national multiple retailers in the area.
- 6.17 The Wards Corner/Seven Sisters development brief requires any scheme to include retail uses to promote the vitality and viability of the centre. The replacement of the market is not a particular requirement, being outside the scope of the development brief, although the brief specifies that this 'would be welcomed'.
- 6.18 Extensive consultation on the future of the Wards Corner site was undertaken, which include a survey of local residents. The provision of a combination of local and high street retailing was favoured by the majority of respondents, and very few respondents specified that keeping the market was important. However, it was recognised that as a specialist market, the market does have a role within the local community as well as a wider role.
- 6.19 Urban Space Management was commissioned by The Bridge New Deal for Communities to assess whether the existing market should be incorporated into the Wards Corner scheme or relocated elsewhere. It considered that the higher rents associated with the proposed scheme would be unaffordable to the current market traders and that an indoor market hall would not attract a high enough footfall to make the businesses viable. Urban Space Management concluded that it would be inappropriate for the market to be incorporated into scheme.
- 6.20 As such, initial proposals for the retail element of the Wards Corner scheme did not include any provision for the market, although the scheme was revised to include six kiosk units along the West Green Road frontage to allow for the location of uses similar to that provided in the existing market. However, following negotiations with GLA officers, revised plans proposed the provision of twelve kiosk units along the Seven Sisters Road frontage, providing a total of 627 sq m specifically allocated for local retailing (within six units and twelve kiosks).
- 6.21 The GLA considered that this concept of the redevelopment was 'generally consistent with London Plan policies' and that 'the level of re-provision of space for the market and local retailers [was] acceptable'.
- 6.22 However, the application is referable under Category 1B of the Schedule to the Order 2000 and the Mayor is allowed an opportunity to decide whether to direct the Council to refuse permission. At this stage, the (deputy) Mayor expressed a view that the market should be replaced in its entirety within the development and that any scheme that fails to do so, and to provide temporary accommodation whilst the site is redeveloped, will not comply with policy 3D.3 of the London Plan and will therefore not be acceptable.
- 6.23 Following subsequent discussions between the applicant, Haringey Council and Sir Simon Milton (deputy mayor for planning and policy), the scheme was amended to provide for accommodation suitable for the re-provision of the existing market in response to the Mayor's concerns.

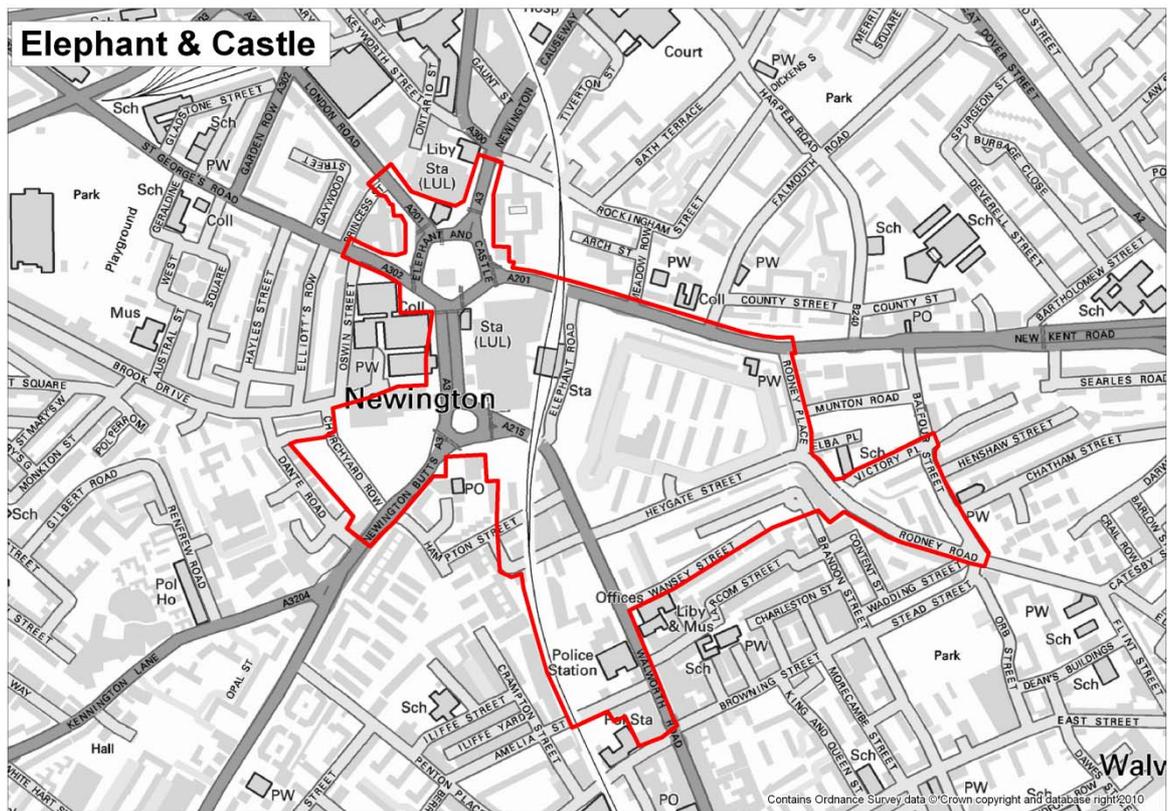
- 6.24 The retail units will be located on the Tottenham High Road, West Green Road and Seven Sisters frontages. Tottenham High Road frontage is aimed primarily at high street multiples and the other frontages are aimed at local retailers. In particular, the units fronting West Green Road and a further unit on Seven Sisters Road will be aimed at smaller independent retailers and the market will also be located with frontage onto Seven Sisters Road.
- 6.25 The site is in multiple ownership, although it is predominantly owned by Grainger (the developer), with TfL and Haringey Council both having significant land holdings. The development is expected to be owned and managed by Grainger.
- 6.26 The Section 106 agreement sets out the provisions for the replacement of market, almost like for like in space terms along the Seven Sisters Road frontage. It requires a new market area totalling 876 sq m to be provided within the scheme subject to certain conditions in respect of the market conditions and the market lease being met. These conditions stipulate that the developer must receive an offer from an experienced indoor market operator, accompanied by expressions of interest in taking a stall in the new market area from at least 60 per cent of the existing market traders, and that the market operator is able to satisfy a financial test. If these conditions are not satisfied at least 12 months before the completion of the development, or if the market lease has not been entered into with a market operator by 6 months before completion, there is no requirement for the developer to enter into a market lease or provide a new market area. In this scenario, it is expected that the area allocated for the market (units 2-6) would instead provide five units aimed at local retailers.
- 6.27 Existing rents within the market are considerably below those in nearby markets, reflecting the poor condition of the existing building and the prospect of redevelopment, and it is expected that the rents in the proposed scheme will be more expensive than the existing rents.
- 6.28 The S106 agreement sets out the outline Heads of Terms for the Market Lease, subject to variation or amendment as agreed between the developer and the market operator. This stipulates that the term will be a minimum of 10 years, the rent will be 'the aggregate of current open market rent for individual units 2-6 assuming an open A1 (with ancillary A3) use and a ten year term', the rent free period will be equivalent to normal market terms at the timing of the agreement, and the rent will be reviewed every fifth year to the higher of passing rent and open market rent.
- 6.29 The S106 agreement does not, however, include any specific conditions regarding occupiers of the small units.
- 6.30 The S106 agreement obliges the Council and the developer to endeavour to gain the support of the LDA to provide business support and advice to traders.

3. Elephant & Castle (LB Southwark)

Location

- 6.31 Elephant & Castle is located in LB Southwark and the regeneration area covers 25 hectares.

Figure 6.3 Elephant and Castle



Proposal

- 6.32 The vision for the redevelopment of the Elephant and Castle centre as set out in Part One of the Southwark Plan is of: “A vibrant, thriving and successful new mixed use town centre, accessible from a highly integrated public transport system establishing a place where people will want to live, to work and to visit for shopping and leisure.”
- 6.33 The Elephant and Castle Development Framework 2004 provides for approximately 650,000sqm of mixed-use development, arranged around an integrated network of pedestrian orientated streets and spaces, served by a high quality new public transport ‘hub’.
- 6.34 Within the Framework Area the following will be permitted: “Up to 75,000 sq m of new retail and leisure uses together with complementary town centre uses to include cultural/entertainment, hotels and public facilities arranged around a new high street extension of the Walworth Road.”

- 6.35 The scheme has been split into six phases. Detailed planning consent for Phase 1 will be sought by the end of April 2011.
- 6.36 The area is split into character areas. A proposed linear extension of the Walworth Road will form a continuous High Street through to the existing northern roundabout and will provide a focus for new town centre activity. The new Market Square will provide space to accommodate an open market during the day and for restaurants, cafes and speciality shops.
- 6.37 Lend Lease (Europe) was selected by Southwark Council as commercial development partner in July 2007. The current timetable for development sets 2014 onwards for the demolition of the Elephant and Castle shopping centre, construction of a new Civic Square and shopping centre and the redevelopment of the Heygate Estate sites.
- 6.38 The Council approved the Heads of Terms agreement with Lend Lease (Europe) in November 2009. The Council Executive was informed in March 2010 that the principal commercial term of the Regeneration Agreement had been agreed between the Council and Lend Lease (Europe). The final Regeneration Agreement will be put to the Executive for final decision in June 2010.

Retail Provision

- 6.39 Within the Framework area there will be up to 75,000 sq m of new retail and leisure uses together with complementary town centre uses to include cultural/entertainment, hotels and public facilities arranged around a new high street extension of the Walworth Road. There will be further shops and restaurants around the Market Square. However, there are no details available yet regarding the size of these units or the expected type of occupiers.

Obligations

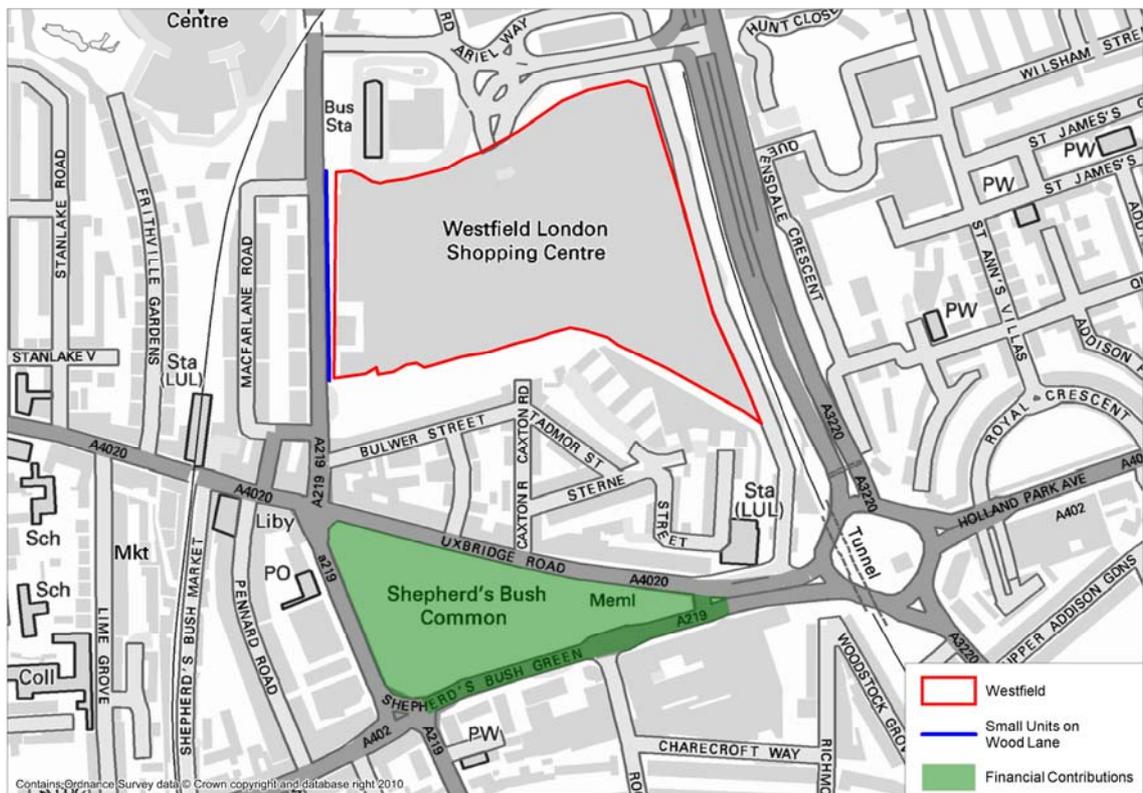
- 6.40 The Council has identified a number of measures and facilities that will be required to support the development envisaged by the Framework. This includes support for jobs and training services, particularly for local people, and a local business support strategy.

4. Westfield, Shepherd's Bush (LB Hammersmith & Fulham)

Location

- 6.41 Westfield London is a shopping centre in Shepherd's Bush, London, which opened in October 2008. The site is bounded by Ariel Way to the north, Westway (A40) to the east, Wood Lane (A219) to the west, and the residential streets of Bulwer Street, Tadmor Street and Shepherd's Bush Place to the south.

Figure 6.4 Westfield



Proposals

- 6.42 Outline planning permission was granted on 29 March 1996 (application reference 1993/01830/OUT) for Phase 1 of the redevelopment of the site (then called White City) to provide a shopping centre (including A1, A2 and A3 uses) along with leisure and other uses. Between 2000 and 2006, several further applications were permitted to increase the amount of floorspace. Westfield London was developed by the Westfield Group.

Retail Provision

- 6.43 In total, a maximum of 131,243 sq m gross lettable floorspace for use within Class A1, A2, A3, A4, and A5 was permitted. Of this, gross lettable A1 retail floorspace is 105,606 sq m
- 6.44 The Westfield London development is located within Shepherd's Bush town centre, where there are already numerous properties suitable for small shops. The shopping centre is targeted at upmarket and national multiple tenants, and although there is a significant number of small units within the shopping centre, rents are high and unlikely to be affordable to small local operators. As such, Westfield London is not seeking to attract local tenants and small shops are not specifically catered for by the development.
- 6.45 However, a handful of small units fronting on Wood Lane, which would be suitable for local operators, were provided as part of the development. These units are not directly accessible from within the shopping centre and were included following a request from the Council to activate the frontage along this section. However, footfall on Wood Lane is low

and these units have proved difficult to let. They have now been let, but to non-retail uses - including a creche and doctors surgery.

- 6.46 There is also some provision for small shops within the Southern Interchange, although this is linked to, rather than within the Westfield development. The Southern Interchange is a public transport interchange which links to the shopping centre and forms the main entrance to Westfield London. Both Westfield London and the Council were keen to provide visual interest and activate the intermediate area linking the interchange and the shopping centre. A number of small kiosk type units have been provided here, which have been let to small operators. Larger units were not considered due to the limited space available in this area.

Other Obligations

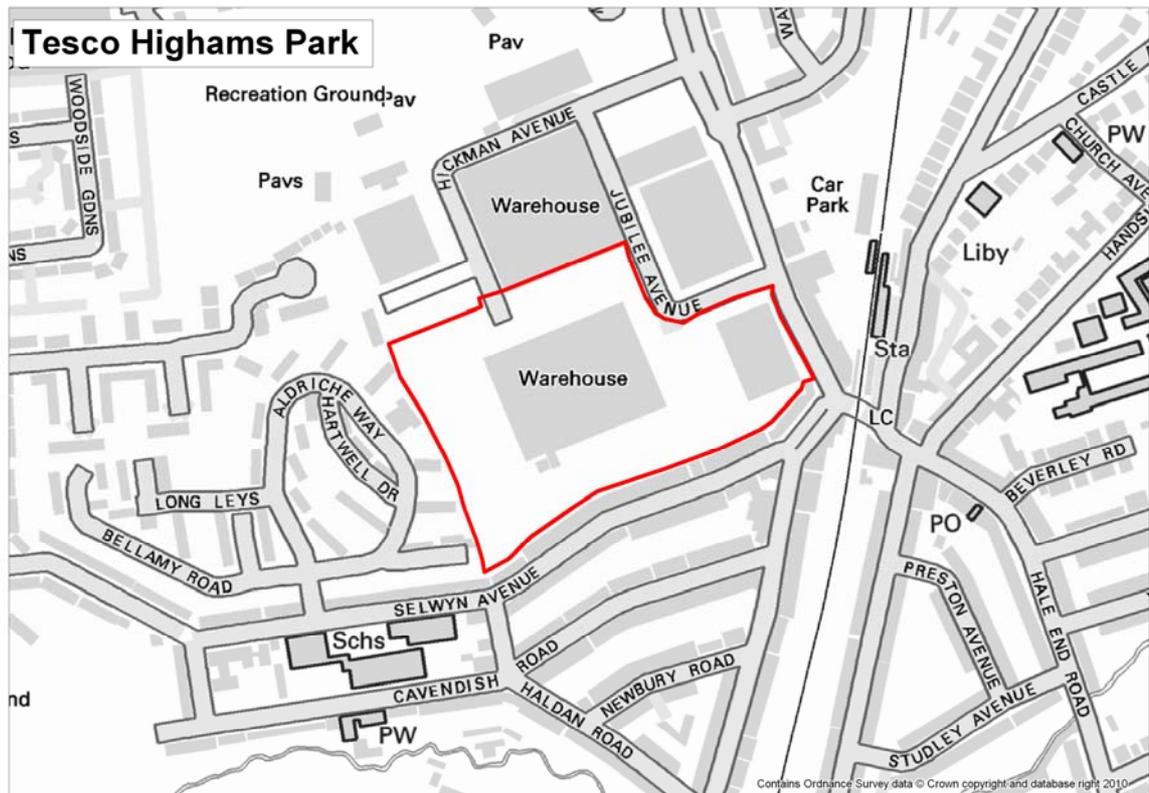
- 6.47 In addition, the developer provided a financial contribution to improve the appearance of Shepherd's Bush Green. The motivation for this was the fact that Shepherd's Bush Green is seen as a 'gateway' to Westfield. The developer contributed towards the landscaping of the green itself, and also a grant scheme, available to shopkeepers to improve their shopfronts. Thus far, take up of the grants has been slow - possibly because many of the shops are charity shops and other low value uses. As Westfield becomes increasingly popular, this road may attract higher value occupiers who may have more interest in investing in their properties.

5. Tesco Highams Park (LB Waltham Forest)

Location

- 6.48 The Tesco Highams Park site is in LB Waltham Forest, and is bounded by Junction Road and some large industrial units to the north, residential properties fronting Selwyn Avenue to the south, properties fronting Aldriche Way to the west and Larkshall Road to the east. The site is 4.63 hectares and contains a large distribution warehouse that was previously occupied by C&A stores and four smaller single-storey industrial units.

Figure 6.5 Tesco, Highams Park



Proposals

- 6.49 The proposal is for a Tesco superstore of 5,523 sq m gross, seven independent shop units for retail and restaurant uses, and residential, employment and community space.
- 6.50 The Council refused the first outline permission in 2005, and another application was then submitted, providing for a more intensive use of the site. Planning permission was granted in principle in 2005 following support from the GLA as strategic authority on first stage referral. The application was then referred to the Government office by virtue of shopping direction and as a departure from the provisions of the then Local Development Plan and was 'called-in' for a decision by the Secretary of State. The application was refused by the Secretary of State in 2007.

Retail Provision

- 6.51 The small retail units would be located on the Larkshall Road Frontage. The shops in Highams Park are generally small (less than 200 sq m gross) therefore small shops included in the larger scheme will help it to fit in with the centre. Larger shops would be out of keeping with the character of the centre.
- 6.52 A retail study undertaken by Nathaniel Lichfield and Partners in 2009 found that there were high proportions of A3, A5 and A2 units in the centre and a low proportion of comparison retailers. A study undertaken by GL Hearn in support of the Tesco application also found that the centre needs to improve its convenience and comparison retail provision if it is to strengthen its performance. The inclusion of small shops within

the larger scheme could insure that the centre's comparison goods retail provision is improved.

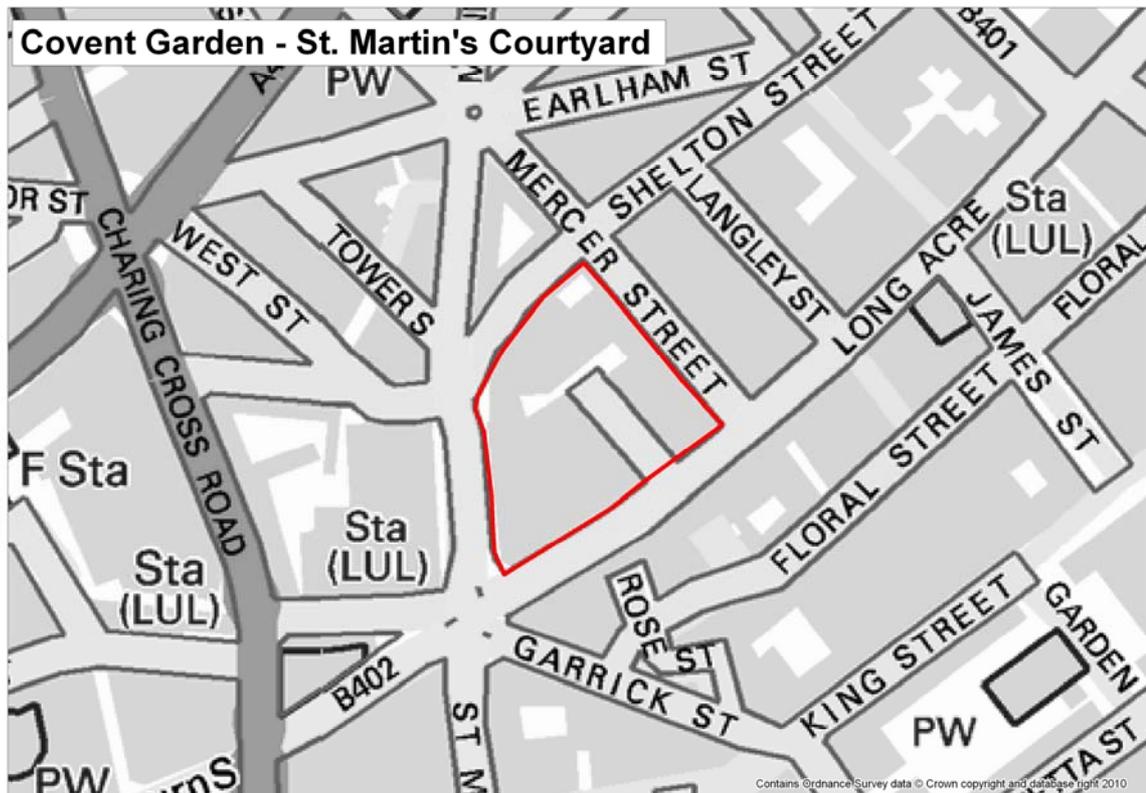
- 6.53 The shops will also act as a link between the current shopping centre and the new supermarket, ensuring that it integrates well. This is important as the retail study states that the current shopping parades in the centre do not relate to each other very well and that the centre lacks a focus. By including small shops to link the Tesco scheme with the centre will ensure that there is not further separation of the different shopping parades. The foodstore will also provide a focus for the centre.
- 6.54 The committee report also states that a number of conditions should be placed on the proposal, including restricting the independent commercial units within the scheme to Class A1, A2 and A3 uses within the Town & Country Planning (Use Classes) Order, with no usage within Classes A4 and A5. This is to prevent an overconcentration of hot food take aways and public houses, to ensure compliance with the Waltham Forest SPD 'Hot Food Take Away Shops' March 2009 and to reduce the likelihood of a loss of local amenity arising from anti social behaviour.
- 6.55 In addition, the independent commercial units should not be merged together to benefit one or more occupiers but shall remain with the individual floorspaces shown on the approved plans unless otherwise agreed in writing by the LPA. This is to ensure that the development does not affect the vitality and viability of the designated Highams Park Neighbourhood Centre and to comply with Policy TRL1 of the adopted Waltham Forest Unitary Development Plan (2006).
- 6.56 The shops are not yet built so there are no details as yet but the Highams Park Forum have called for there to be leasehold arrangements for the small shops to benefit local shopkeepers.

6. St. Martins Courtyard, Covent Garden (LB Camden)

Location

- 6.57 St. Martins Courtyard in Covent Garden fronts Long Acre and is bounded by Mercer Street, St. Martins Lane and Shelton Street.

Figure 6.6 St. Martins Courtyard



Proposals

- 6.58 When completed, St. Martins Courtyard will be a mixed use development comprising residential, offices, retail and restaurant uses. Phase 1 - larger retail units along Long Acre, occupied by multiples - has already opened. Phase 2 will include the Courtyard itself, which will be occupied by small boutique retailers. Planning permission was granted in January 2008.
- 6.59 The development is a joint venture between Shaftesbury PLC and Mercers, and is expected to open in Summer 2010.

Retail Provision

- 6.60 The development as a whole will provide 22 retail units, as well as restaurant units. St. Martins Courtyard itself will provide 15 retail units, ten of which will be small with ground floor areas of less than 80 sq m gross. The remaining five will have ground floor areas of 110-120 sq m gross. The Courtyard will include boutique shops which fit in with the surrounding area. The Long Acre units, which have already opened and are occupied by multiples, are larger with most between 100 and 250 sq m gross.
- 6.61 Both Shaftesbury and Mercers are known for their investment in popular niche locations close to prime retail West End streets, and are responsible for choosing occupiers and setting appropriate rents.

Summary

- 6.62 In summary, small retail units have been (or are being) provided as part of larger developments in some cases. This can be either to improve the attraction of the development and wider area (for example by the developers themselves of St. Martins Courtyard) or to improve and/or maintain local shop provision and local employment (for example Wards Corner).
- 6.63 Small shops are usually provided as small units in secondary frontages, and so are suitable for independent operators and marketed as such. However, we have not found any examples where a Section 106 agreement or planning condition has stipulated that occupiers should be independent operators, or has stated what the level of rent should be or how the unit should be managed. However, the case of the market at Wards Corner shows that these types of stipulation **could** be included if necessary.
- 6.64 In conclusion:
- The property market will provide small shops where it suits them (but will not guarantee the units are “affordable”)
 - The process of planning negotiations will produce some small shops; but not often with much control
 - It seems to be an increasing issue for boroughs, but there is no strategic policy context at present
 - A London-wide policy would help boroughs deal with the issue, and more consistently.

7 AFFORDABILITY ISSUES

- 7.1 This section considers affordability issues for small shops based on the findings in the previous sections. Firstly we consider the factors determining rental levels. Secondly we assess affordable levels of rent in London and then finally how affordability can affect small shops.

What are the key factors in determining rents?

Tenant factors

- 7.2 The rent a tenant pays can broadly be divided into two categories; firstly, when a tenant signs a new lease for a retail unit and secondly any changes during the lease.
- 7.3 In terms of the rent agreed when a tenant initially takes on a property, assuming it is not an owner-occupier, this will reflect negotiations with the landlord. The rent a retailer can pay will depend on what it can afford to make its required profit margin. A key factor will be the turnover/sales it can make from a unit, which in turn will depend on factors such as footfall, spend profile of customers, profit margins on products etc. As a rule of thumb, property costs represent approximately 10% of turnover for a unit.
- 7.4 Sales densities (i.e. the total volume of sales that can be delivered by a given area of floorspace) have increased significantly. According to the BCSC, *“comparison goods sales space increased at an average annual rate of 3% between 2000 and 2005 (including space for comparison goods sales in convenience stores) but sales volumes rose at an annual rate of 7% over the same period, implying that net sales density is rising by 3.9% per year to accommodate this (allowing for rounding errors)⁴⁶”*.
- 7.5 It should be noted there are other property costs in addition to rent that a tenant will need to pay, such as fit out, rates, utilities etc. Consideration of these property costs are outside the scope of this study but are important considerations for tenants.

Landlord factors

- 7.6 The other side of the equation is the demand for premises in the locality. A key factor will be what rents have been achieved locally and elsewhere; if high rents have been agreed on the open market in similar units, this is likely to be a strong influence on a landlord's expectations.
- 7.7 The type of tenant is also likely to impact on the lease terms and risk, as a landlord will not just be looking for as high a rent as possible. The rent required will also need to be balanced against certainty of income. The lease terms, particularly lease length and any break clauses, can affect the rent required; a short lease or one with an early break does not provide certainty of income and therefore a landlord may require a higher rent in return. The strength of covenant from the tenant is also critical in terms of certainty of

⁴⁶ BCSC (2007) Future of Retail Property Report 8: How Much Space? (p.38)

income. A tenant may be prepared to pay a higher rent than others, but if it has a weak covenant then a landlord may wish to let a unit to a stronger tenant at a lower rent.

- 7.8 The type of landlord can also be a factor. Many landlords are institutional investors, such as pension funds, which have specific target returns to achieve and different holding periods for property as an investment; some may require shorter term returns, whereas others may be seeking to hold a property as a long term investment.

General market factors

- 7.9 Retail is experiencing something of a comedown after a heady few years being one of the main beneficiaries of a booming economic climate. The shockwaves sent through the retail sector following the high-profile collapse of High Street stalwarts such as Woolworths and Zavvi demonstrated the fragility of the sector.
- 7.10 The impact of the recession was clear to see on most High Streets, with almost one in six units vacant at the height of the recession, and the impact on smaller market towns particularly noticeable. The downturn in consumer spending has seen more value-based retailers such as Primark, H&M and New Look perform strongly.
- 7.11 Retail appears to be fast becoming a survival of the fittest, and existing retailers must adapt and develop the parts of their business performing the most strongly, often diversifying away from their core markets. Many retailers are considering, and in some cases already implementing, different retail formats. For example, John Lewis is currently trialling smaller 'At Home' stores.
- 7.12 Another impact of the recession has been an increasing use of turnover rents. Rather than a traditional rent set in the lease, some landlords and tenants have agreed that all, but usually part, of the rent is based on the tenant's turnover. Another response has been varying payment terms. As set out in Section 3, a 2008 agreement signed by some of the UK's largest property companies allowed small retailers to pay monthly rents to help them through the recession.

What is an affordable level of rent in London?

- 7.13 There is no single accepted definition of what constitutes an "affordable" rent for small businesses/retailers. As set out above, what a retailer will pay will depend on what it considers it can afford, based on factors such as projected turnover.
- 7.14 The property companies which signed the 2008 agreement applied it to small retailers paying an annual rent of £50,000 or less. Our research in Section 4 indicated some small retailers could afford rents in excess of £50,000. For example, an independent fashion retailer or niche upmarket delicatessen may be able to afford a rent in excess of £50,000pa for a small shop in an area such as Knightsbridge where footfall is relatively high and the spend profile of potential customers means profit margins on goods is also high.
- 7.15 However, our research suggested lower margin retailing such as dry cleaning or a standard grocer in a lower value area such as West Hampstead may only be prepared to

pay less than £25,000pa due to lower footfall and less than £10,000pa in an area such as Edmonton where the spend profile of potential customers is low.

- 7.16 Our research suggests that in some cases small, independent businesses will not be able to pay in excess of £50,000pa. It is not a question of identifying an affordable 'level' for London. As a result, affordable rental levels would need to be derived for individual centres.

How does affordability affect retailing in London?

- 7.17 Our analysis in Sections 4 and 5 shows that many retail centres have relatively large units and high Zone A rents leading to high overall rental levels, almost full relative occupancy and a high proportion of multiples. There was a positive correlation between these factors, indicating they are linked e.g. in high rent centres there are likely to be more multiple retailers.
- 7.18 Our analysis in Section 3 set out the decline in small shops. Certain types of retailers can be "priced out" or become undesirable for landlords. For example, a small shop in a shopping centre where Zone A rental values are relatively high is likely to price out some independents in lower margin businesses where multiple retailers that operate from a small format, such as mobile phone and health & beauty retailers, can afford higher rental levels. In addition, independent shops will normally not be perceived by landlords as having a lower covenant strength, which will affect the investment yield for the property and therefore its overall value.
- 7.19 In these instances, independents seeking retail space will have to consider lower value areas of a centre which are not considered suitable by multiple retailers. This can create segregated markets, such as evidenced in Bromley town centre in Section 5. The vitality of secondary retail areas in such centres can be under threat where the retail environment, accessibility and linkages with the prime retail areas are poor.
- 7.20 The affordability of other smaller centres may need to be managed to retain current retail mixes and offer. For example, the introduction of multiple retailers being prepared to pay higher rents in some centres can have a detrimental affect on the provision of affordable space for independent retailers. For example, multiples such as Starbucks have taken space on Portobello Road and been prepared to pay higher than previous market rent levels. This may lead to landlords seeking new increased rental levels when letting units, thereby pricing out smaller, independent retailers. In addition, existing retailers may have higher rents on review⁴⁷ due to higher rental levels being set in the centre, leading to existing independent retailers going out of business.

⁴⁷ A large proportion of UK leases are currently on a 5-yearly, upward only review basis

Policy implications

- 7.21 Controlling affordability is likely to be difficult in most cases. Also there is no London-wide generalisation; affordability will need to be determined locally. But location, size, trade restrictions and other controls will directly affect affordability

Conclusions

Affordability issues need to be determined locally

- 7.22 Our more detailed analysis of four retail centres in Section 5 shows the range of rental values for different centres, and the types of occupiers in different rental value bands. It also shows that the provision of small, affordable shops for independent retailers is a complex issue that will depend on the individual circumstances in the centre.
- 7.23 In some instances there maybe a reasonable current provision of affordable shops, but independent retailers are potentially being “priced out” such as on Portobello Road. In other centres this process may have already happened with very limited small, affordable shop provision occupied by independent retailers, such as in Knightsbridge.
- 7.24 In other centres there may be small affordable shop provision, but this has been marginalised to secondary areas; this has arguably occurred in Bromley. Finally some centres, such as Edmonton Green, have significant current provision of small, affordable units occupied by independent retailers but potential redevelopment plans could replace existing affordable units with less affordable units and/or multiples could “price out” independent retailers.
- 7.25 Therefore local authorities will need to determine for individual centres what choice and mix of retail is sought, and where this needs to be located. From this, they can analyse whether there is sufficient existing provision of small shops for independent retailers and at what level of rent these could be “priced out” due to affordability.
- 7.26 We have set out in Section 10 in more detail how local authorities can assess affordability for individual retail centres.

8 CONSIDERATION OF POLICY ISSUES

Introduction

- 8.1 The policy has attracted comment and criticism on a range of aspects, including the principle of such a policy, its mechanics, potential unintended effects and its drafting.

The principle

- 8.2 Some respondents have questioned whether it should be in the London Plan at all; the underlying question is: "Is it a strategic issue?" From the results we have examined in earlier sections we have concluded that it is. While the issue is not common to all parts of London it is sufficiently far-reaching to warrant, in our view, a London-wide policy. It will also help those boroughs where the problem exists, or will arise, to have a common strategic policy basis to work under and to be able to apply it consistently (which will help developers and investors). There will also be the benefit of a single set of London-wide guidance.

Purpose

- 8.3 The current drafting does not, in our view, make the purpose of the policy sufficiently clear. Essentially the drafting should answer two questions: what is the reason for it and what is the intended outcome? So, we recommend that the policy makes it clear why it is necessary; and that the supporting text makes clear the intended outcome of the policy - including the forms of mitigation.
- 8.4 The *rationale* is that the number of small shops in parts of London is in short supply and that this is having an impact on choice and character; also on the vibrancy, economy, sustainability or accessibility of some town centres. The *outcome* of the policy could be expressed as ensuring the achievement of vital and vibrant town centres within the context of a dynamic, competitive and diverse retail sector, the achievement of greater local choice and the maintenance of 'Lifetime Neighbourhoods' and walkable communities. The policy will achieve this, where it applies, by securing protection, support for, or provision of, small affordable units.
- 8.5 The policy is complementary to the support for town centres and the priority they have in the plan. The policy is in no way intended to by-pass or undermine the sequential test, say by making large out-of-centre formats more attractive if they include small shops. Unacceptable developments (with or without small shops) would be expected to be refused.

Context

- 8.6 The policy is currently set in the Economy chapter. This is an appropriate location, given it's a single topic dealing with what is often an economic issue; and it is logical if it is accepted that one of the primary contexts is the achievement, or safeguarding, of consumer choice; say due to the diversion of trade away from smaller affordable shops. But in the light of PPS4 it may be more appropriate to make town centres the primary

focus of the policy. Using this approach, it would be more overtly concerned with the contribution of small shops to town centre policy (not just retail), in relation to factors such as character, vibrancy and vitality, as well as choice and range of facilities; and plugging into the wider sustainability and walkable communities agenda.

- 8.7 If a town centre context is right, then a more logical place for the policy would be alongside the town centre policy, in section 2. Extending that logic, then perhaps the policy should be expanded to deal with the effects of a wider range of developments (leisure or residential, for example) on affordable small shop provision - see below.
- 8.8 The availability of affordable small shops also has a relationship to other policy themes, such as place-shaping [Policy 7.1]. The supporting text could helpfully make this link by a cross-reference. It already has a cross-reference to obligations policy, as it is itself an obligations policy.

Application

- 8.9 Policy 4.9 currently applies to large retail developments anywhere, if they are over 2,500 sq m. That is likely to focus its application on large retail formats (mainly supermarkets), certainly in the short-term, while shopping development remains depressed. That may be a narrower focus than is intended.
- 8.10 However, if the main thrust should be to support town centres then two questions need to be addressed: could or should it apply to *any* large development in town centres (ie of any land use); and is it meant to encourage small shops being provided as part of *any* large retail development, even in an out of centre location (where they may not be appropriate)?
- 8.11 In relation to the first question we would point out that it is quite possible for a large leisure or residential scheme in a town centre to lead to the total or partial loss of small shop units that need protection or require mitigation. At present the policy would not apply to such developments. If the intention is to allow the impacts on shopping provision (whether by loss or failure to meet a need) to be mitigated and managed then it would seem sensible to make the policy apply to a wider range of large developments within a town centre. It would continue to apply to all large retail developments.
- 8.12 In relation to the second question, the answer must be, generally, no. Whilst we see merit in the policy being capable of application to all large retail developments, including those out of centre, it should not automatically mean that new small shops would have to be provided as part of large retail schemes, as there may be no "need" to be met. Nor should it be used - as we have said earlier - to undermine the sequential test.

Thresholds

- 8.13 The supporting text explains that the policy will apply to large retail developments "typically over 2,500 sq m" (para 4.49). This size threshold is in conformity with the approach taken by PPS4 towards major retail developments. But some large retail schemes over 1,000 sq m (the category for Major Applications) could also need mitigation measures depending on more local circumstances.

- 8.14 The difference in thresholds is less significant an issue if the policy is adapted to apply to all types of development in town centres (including leisure and residential schemes, though the latter could also be expressed in numbers of units).

Definitions

- 8.15 A range of definitional points have been raised (see Section 2).

i. Contributions

- 8.16 As drafted the policy is focussed on securing “contributions”. This could suggest a form other than actual provision and could be interpreted to mean mainly financial contributions. We do not believe this is how the policy is intended to be operated. The policy, as we understand it, is seeking to achieve a range of outcomes, which could include protection of existing facilities, on- or off-site provision, or other measures to support affordable small shops which would include financial contributions.
- 8.17 In our view the policy wording should be amended to make clear that the policy’s key *mechanism* is an obligation; while the *outcomes* (mitigation) could include protection, on-, or off-site provision, as well as financial contributions.

ii. Appropriate, feasible and viable

- 8.18 This is a qualification to the policy to ensure it is not applied in a rigid or an inappropriate way, as for example, to make a development unviable, or to require provision in circumstances where small shops are not physically feasible. This, to us, seems a sensitive and an entirely proper qualification to the policy.

iii. Affordable shop unit

- 8.19 Where affordability is regarded as important to safeguard, then the borough can choose an appropriate mechanism - discussed later - or simply rely on the, location, size and trade restrictions reduce rents.

iv. Independent

- 8.20 In Section 3 we concluded that an independent retailer (or service provider) was one with nine or less outlets.

Unintended effects?

- 8.21 Some respondents have raised concerns that the policy could have some unintended effects, including the emergence of a two-tier market. Some representations have expressed concern that the policy would have unintended consequences, for example at existing parades. We don’t think that will happen: Given the purpose of the policy is to have a basis on which to mitigate undesirable effects in a town centre (or with a non-town centre retail development) - by either loss of small shops, or failure to meet a need for them - the role of an existing parade would be taken into account in the consideration of any planning application. The SPG is designed to guide boroughs on how to conduct local

studies of need, which again, would take into account the role and contribution of existing parades, either within the centre or nearby.

- 8.22 Nor do we believe the policy would undermine existing established centres. Again, the underlying rationale of the policy is to deal with the mitigation of particular effects. Where there is a loss of small shops that needs to be rectified (to make the development acceptable) then their re-provision would be seen as necessary to support - not undermine - that centre. The same logic applies to a centre where there is an identified need for more small shops, in a centre currently short in supply of them but where the application does not include them. The objective would be to support not undermine that centre. Where physical provision is not appropriate, feasible or viable, financial contributions would be negotiated.

Viability

- 8.23 The question of viability remains relevant to practically all forms of development, especially where it has to bear additional costs imposed by the planning system.
- 8.24 The policy's supporting text explains that it will not be expected to be applied to schemes in a way that makes them unviable. Where on-site provision results, the impact on viability could be two-fold. First, the market rent for units where restrictions apply on size and use could be lower than would otherwise be achieved. There will be an "opportunity" cost in this respect, both on the rent and the yield applied, as the covenant strength of independent retailers will be less than multiple retailers.
- 8.25 Secondly, there could be a negative impact on the value of the rest of the development. For example, if restrictions result in retailers that would not be part of an optimal commercial retail mix, the value of the other units in the centre could be lower than would otherwise be achieved. However, as noted in the planning scenarios section, some retail developments have actively sought independents to add character and diversity.
- 8.26 Due to the potential differences in mitigation and needs that could result from the policy, in addition to the individual characteristics of retail centres and potential retail developments, it is not possible to generalise about the exact impact on viability of the policy.
- 8.27 However, it should be borne in mind that "small shops" requirements, whether through protection, on-site, off-site or a financial contribution, may not be the only obligation on the development. It is important that the decision-makers balance their own, and the Mayor's, obligations priorities in the balance; the Mayor's are set out in policies 8.2/8.6. Boroughs will have their local priorities.

Guidance to boroughs

- 8.28 The supporting text explains that "*Supplementary guidance will provide further advice on implementing this policy*". We support this approach as it will benefit the development and retail industries to have clear guidance which can be operated across London consistently, much like the affordable housing policy. In drafting such guidance it may be helpful to identify more clearly in the supporting text, at least in outline, the factors boroughs should take into account, particularly until such time the SPD is adopted. DRLP

para 4.50 has the ingredients of these. Section 10 outlines a way forward, including initial guidance on issues such as viability.

9 OBLIGATIONS ISSUES

Introduction

- 9.1 Policy 4.9 is to be implemented through obligations, hence the cross-reference to 8.2 in supporting paragraph 4.50. But a number of representations raise questions as to whether the policy breaches EU rules, its lawfulness, and/or whether it is in conflict with Circular 05/2005. Others are more concerned with its practical outworking as a Section 106 policy. This chapter addresses those concerns.

EU State Aid rules

- 9.2 The charge is made that the policy breaches EU competition rules by creating unfair support to businesses. This is not our reading of the policy nor its intended application, though it might possibly have such unintended consequences if badly applied. The supplementary guidance on implementation should ensure this does not happen.
- 9.3 The question is outside our competence to answer. But we are reassured by advice given by Leading Counsel that it is highly unlikely that the competition authorities, whether at UK or EU level, would consider the policy unacceptable from their perspective.
- 9.4 Where financial contributions are to be made, they are normally to be collected by the borough. It is envisaged that such contributions can be pooled for a locality (town centre or other affected location, such a housing renewal scheme) and would be directed to supporting the enhancement of that location - to meet economic, place-making or sustainability objectives - where small shops make a contribution.
- 9.5 It is not intended that any monies be passed directly to any individual business, so EU State Aid rules would not be breached. In circumstances where new small units are passed to a third party, say a Development Trust, it is important that no 'subsidy' is given to an individual business.

Circular 05/2005

- 9.6 Another strand of representation concerns compliance with Circular 05/2005. Again, the points are mainly legal and we concur with Leading Counsel's advice to the GLA that:
- The policy is in principle lawful; and
 - The policy is in principle compliant with the Circular.
- 9.7 It should be noted that the Government is currently consulting on fresh guidance, so the policy basis for Section 106 contributions may change. Certainly the Community Infrastructure Levy (CIL) will cause changes; and the new CIL Regulations already have.
- 9.8 Later in this section we outline how the fulfilment of the policy tests in Circ 05/2005 might be made clearer in the policy and supporting text.

CIL Regulations

- 9.9 Since Leading Counsel gave his Opinion, the CIL Regulations came into force (6th April); these enshrine three of the five tests in law, for the first time. In essence, the Regulations allow local planning authorities (including the Mayor) to secure general “tariff style” infrastructure payments. The CIL payments, unlike Section 106 payments, do not have to have any direct link to the proposed development. The CIL payment cannot be charged by a local planning authority until it has adopted its charging schedule (which has been through the proper consultation processes).
- 9.10 This means that local planning authorities should not now be charging generalised pooled charges or tariffs in respect of developments and should only use planning obligations where the obligation meets all the tests. The government has confirmed that:
- “The statutory tests [as set out in the CIL Regulations] are intended to clarify the purpose of planning obligations in the light of CIL, improve the effectiveness of their use and negotiation and provide a stronger basis to dispute planning obligations policies, or practice, that breach these criteria’.*
- 9.11 In order to try to force take-up of the Community Infrastructure Levy, the Government has restricted the scope of Section 106. By virtue of Regulation 122, a planning obligation can now *only* be taken into account where it meets the three tests (which essentially requires that the obligation is (a) necessary, (b) directly related to the development, and (c) is fairly and reasonably related in scale and kind to the development).
- 9.12 The translation of the key tests into law, by virtue of the CIL regulations, is not considered to change the basis of the policy, provided any obligation is related directly to the matter being mitigated (ie through a direct relationship). If the obligations achieve this, and provided the policy makes this clear - and we have recommended some text changes to achieve this - then we consider the policy to be generally CIL Regs compliant. It will then be for the boroughs to apply it in a compliant way.

Relating the tests to the policy

- 9.13 Circular 05/2005 sets out the Secretary of State’s tests for planning obligations. These include three main areas:
- i) Prescribing the nature of the development to achieve planning objectives
 - ii) Mitigating the impact of development
 - iii) Compensating for loss or damage caused by a development
- (a) Prescribing the nature of the development to achieve planning objectives**
- 9.14 Obligations can be used to secure a required element, necessary to make the development acceptable. The examples given are mainly related to affordable housing. As this is analogous to the provision of small shops, it is considered that a similar approach can be applied. It is considered that the policy sets out its objectives well; though we have recommended minor changes.

(b) Mitigation

9.15 The two most relevant situations to be mitigated are considered to be the *loss* of small shops and the failure to meet the *need* for small shops in a location. The most likely forms of mitigation are: provision on-site, provision off-site (ie to another appropriate site under the applicant's control), or a financial contribution.

i. Loss

9.16 We can see a need to secure the replacement - in whatever form - of small shops lost or impacted due to amalgamation or redevelopment; see also (c) - Compensating for the loss. Thus the policy would be applied in an area where such a loss was seen as an objection to a scheme. In such circumstances the LPA will need to demonstrate the need for mitigation (by reference to a policy and identified harm) so as to be able to negotiate, where relevant, some appropriate mitigation of that loss.

9.17 A primary reason for an obligation is to make an otherwise unacceptable development acceptable.

ii. Need

9.18 There will be instances, we foresee, where the type of development being brought forward by applicants will be in locations where local studies will have identified (or an application has highlighted) a need for small shops and where the scheme is not itself presently meeting that need. The borough will require, in those circumstances, policy support to negotiate mitigation. The kind of situations that give rise to this form of mitigation could be in-centre, edge-of-centre, in locations such as part of an estate renewal scheme, or where a new (large) out-of-centre retail format is planned. In these circumstances appropriate mitigation would be negotiated.

(c) Compensating for loss or damage caused by a development

9.19 The guidance explains that an obligation might be used to “...*offset through substitution, replacement or regeneration, the loss of, or damage to, a feature or resource present or nearby...*”[B16]. The examples given are environmental but it can equally apply to the loss of small shops. The key factor is that there must be “... *Some relationship between what is lost and what is to be offered*”. We consider that the policy is well related to this test.

Types of Obligation

9.20 The type of mitigation will vary.. It could be in the form of protection of existing stock, or physical provision of new small shops on the same site, perhaps in a less prime position; or provision could be located off-site, possibly where a developer or investor has additional landholdings in a centre; or the applicant can provide a financial contribution so the LPA can provide the mitigation.

9.21 Where the obligation requires financial support, contributions could be pooled to provide indirect support or provision. Indirect support could include public realm or town centre

management initiatives which will themselves, indirectly, support the small units remaining in the centre, especially where these are affordable and accommodating independent retailers or other appropriate users.

- 9.22 Financial contributions are likely to be made to a local centre renewal 'pot' which will enhance the attractiveness of the centre as a whole to the point where existing small vacant or run down units can attract more customers and become sustainable in an economic sense. The aim is to complement rather than compete with the offer of the large new development. This should avoid competition issues associated with funding specific private-sector retailers and hopefully addresses the problem of occupiers being dependent on continuing subsidy. It also supports the 'Lifetime Neighbourhood' concept.
- 9.23 The actual choice of mitigation will be very much dictated by the circumstances of the location and the opportunities presented by the development.

Implementation issues

- 9.24 Quite a number of representations - including those in support - are concerned about how the policy might work in practice. Some are questions about definitions (dealt with in section 8), others are about practical mechanisms to deliver the objectives of the policy. This section addresses the mechanics of implementing the policy.

i. On- or off-site, or financial contribution?

- 9.25 It seems to us, that provided the policy is worded sufficiently clearly, it allows the boroughs to operate it to secure any of the three main obligations. The policy does not need to be prescriptive, as the solution to a local "affordable small shops" issue will be for the LPA to decide, based on local circumstances, the extent of the opportunities thrown up by the particular application and viability issues. Any of the three forms of mitigation outlined above are available.

ii. On-site physical provision - practical considerations

- 9.26 In those cases where physical provision results, it is envisaged that the developer would build them; and in a suitable location, to be agreed as part of the scheme. This could involve, in some cases, retention. But it may sometimes be more appropriate to pass the units on to another party for long term management, such as a Development Trust.
- 9.27 Sizes would be limited by condition or a clause in an obligation. Thereafter, a variety of means can secure their continued availability to the independent sector: a condition or clause in the obligations could restrict the range of uses and/or trades; it might also be restricted to convenience goods and other (specified) range of goods or operations. This kind of approach is familiar in other retail development scenarios like superstores and retail parks.
- 9.28 Some of the practical issues raised include:
- a. Ownership
- 9.29 We do not expect that the policy will be prescriptive on ownership of units. However, where on-site provision results we expect the developer will retain ownership of the units.

This is because the overall value of the development and practical issues such as control over leasing terms could be compromised if a third party owns units. But it does not rule out the passing of ownership into another vehicle such as a Development Trust.

b. Eligible uses

9.30 The most likely range of acceptable uses include convenience goods and community services. A restriction on convenience goods is likely to ensure support for a more local service. Community-oriented services can include retail as well as other uses; it would include post offices, laundrettes etc.

c. Eligible occupiers

9.31 A number of respondents have asked about eligible occupiers. Given the main restriction would be on the size and use of any new provision, we only see the restriction on occupiers to secure *independent* representation (the recommended definition is any occupier with less than 9 units).

d. Length of time for support

9.32 Some representations ask for how long support will be given. However, given that no "support" is envisaged for any occupier, the more pertinent question is how long do the restrictions apply? In our view, there is no reason for them not to apply indefinitely. But this does not mean forever: there is right to make an application to vary Section 106 agreements after 5 years and then appeal if refused, for example, if the developer believes they are no longer necessary.

e. What happens afterwards?

9.33 The question has been asked, what happens afterwards? The simple answer is not much. It is anticipated that the units would be held by the developer/investor in the normal way, as part of the larger scheme. They would be traded in the investment market as part of the scheme in the normal way. The estate management regime would be no different, save that the restrictions would need to be complied with and monitored (much as leasehold covenants are).

f. How monitored?

9.34 Most recent Section 106 agreements have a clause to allow for monitoring and the costs of this to be covered by an administrative charge. Boroughs will have only a few matters to monitor once the scheme has been implemented - mainly the class of user and the independence of the occupier. In those cases where the occupier has strayed outside the permitted user, the terms of the agreement would have to be enforced.

9.35 The spending of financial contributions will normally be carried out by boroughs or otherwise monitored.

iii. Off-site provision by developer - practical considerations

9.36 Where off-site physical provision results, a developer could build new units or refurbish existing vacant units and retain ownership as anticipated with on-site provision. In these instances, the same practical issues set out above would apply.

- 9.37 However, in some instances it may be appropriate or necessary to transfer ownership to another body, for example a Development Trust, subject to this not breaching State Aid rules. For example, a developer may not wish to retain ownership and, due to the obligations placed on the units, may not be able to sell them to another private developer/investor.
- 9.38 In these instances, the Section 106 agreement may not have the same extent of obligations. The ownership body could therefore be responsible for dealing with the practical issues of who the units are let to and lease terms (such as rent).
- 9.39 We would expect the ownership body to employ the same methodology as with on-site provision. This means the units could, for example, be targeted at independent convenience goods and community services providers. We would not anticipate the ownership body providing units, at a discount, to a particular business, as this could contravene EU State Aid Rules. The size and location of any off-site provision would therefore be critical to ensure the units are of a specification and rent that would be attractive and affordable for the occupiers required. We discuss in more detail in Section 10 how the LPA could assess these issues.

iv. Financial contributions - practical considerations

- 9.40 We set out above that the use for financial contributions could be wide ranging, and will depend on the needs of the area and issues relating to a proposed development. For example, an LPA may need to assess whether financial support to public realm or town centre management initiatives will best achieve the provision of small, affordable shops in comparison to, say, the acquisition of vacant units.
- 9.41 The key practical issues relating to financial contributions are likely to occur where they result in the ownership of units, such as the acquisition of vacant units. In these instances, the issues will be the same as those set out above where the developer transfers the ownership of off-site units. In all situations, it is important to avoid breaching the EU State Aid rules
- 9.42 The financial contributions must be directly related to the matter being instigated. But as individual contributions are unlikely to be able to mitigate a specific loss or need, they will usually be pooled. Circular 05/2005 anticipates such arrangements - see B.21ff. The pool should be focussed on the relevant centre; and be used for purposes which support the objectives of the policy, such as choice and accessibility, vibrancy and the other purposes referred to. The pool could be used on matters such as:
- public realm improvements
 - town centre management
 - shop front schemes
 - securing premises

Summary of controls

- 9.43 There are a range of controls available. It may help boroughs if a “hierarchy” of such measures were adopted, to achieve the objectives of the policy. We explore these in the

next section. In any given case, only some of the measures are likely to be necessary. We suggest the hierarchy of controls might be along the following lines:

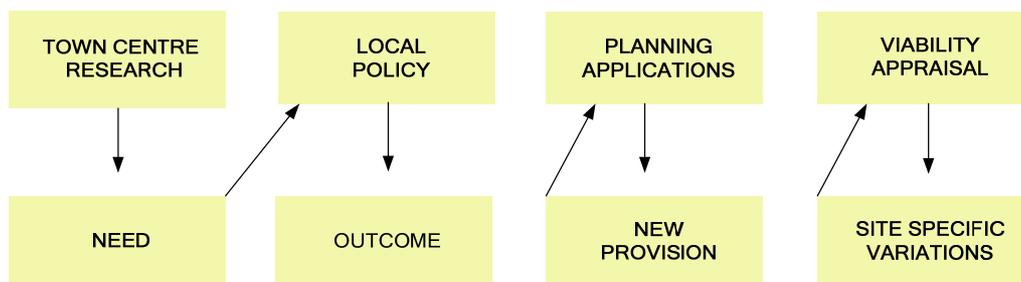
1. size
2. location
3. users
4. securing independents
5. affordability
6. ownership

10 TOWARDS A POLICY FRAMEWORK FOR BOROUGHES

- 10.1 The policy's supporting text promises supplementary guidance, to provide further advice on implementing the policy. We would encourage this. In framing local guidance we suggest using the analogous position of affordable housing policy.
- 10.2 Affordable housing starts with a local assessment of need; that assessment is then used as the basis for framing an appropriate policy; the policy applies to only specified types of application above a certain threshold; developments are expected to provide (by way of a number of options - on, off-site or financial contributions) the amount of affordable housing in the policy; if they can't applicants have to provide an assessment of viability to support a lower (or nil) figure. The steps are illustrated as follows:

Figure 10.1

SMALL SHOPS – A FRAMEWORK FOR BOROUGHES



- 10.3 This is a well-understood sequence, which has the support of Government and the Courts in relation to affordable housing. We believe it can be applied to the provision of affordable small shops. Taking this approach, it is suggested that the Mayor prepares an SPD on Affordable Small Shops which adapts the sequences above to the application of this particular policy.

A basis for local policies

- 10.4 In Section 4 we assessed the current provision of small, affordable shops at a high level, and in Section 5 we looked at some specific centres. Based on this analysis, relevant information could be derived to provide a comprehensive picture of current and potential future provision. Boroughs would thus, typically, follow this approach:
- i. Identify any local need through a local study of centres of concern(see table 10.1)
 - ii. Explain that planning applications may themselves demonstrate a need
 - iii. Set out the circumstances where the policy would apply (ie an identical need, or where a loss would arise, for example)
 - iv. Adopt a sequential approach
 - v. Draft an appropriate local policy for their centres, based on 4.9 and the factors set out in the SPD, such as those mentioned in para 4.50:

- *Location*
 - *Supply (excess or shortfall)*
 - *Rental values*
 - *Vacancy rates*
- vi. Define the measures to achieve mitigation and the circumstances in which each of the measures would apply:
- *On-site provision*
 - *Off-site provision; or*
 - *Financial contributions*
- vii. Clarify the obligations options, including the priorities:
- *Design and layout considerations*
 - *Viability, and effect on development costs; and*
 - *Priority as against other planning obligations*
 - *Identify the threshold that applies locally (default is 2,500 sqm), the classes of development that it would apply to, and in which locations it will apply.*
- viii. We would also expect the SPG to set out the definitions being used in the local policy, including the criteria for eligibility; and set out the basis for financial contributions and the measures they will be spent on, including local town centre or similar measures (such as town centre management initiatives, public realm improvements etc
- ix. Guidance would explain the circumstances where exceptions will be considered; where viability is the issue applicants will be expected to submit an assessment, which may need to be validated by an external valuer.
- 10.5 We have set out below some suggestions as to how local authorities could approach some of the above. We also elaborate on the “hierarchy” of controls:
1. Size - as stated, we consider that 80 sq m (gross) is a sensible maximum size for a “small” unit.
 2. Location - we would expect new small shops to be located on secondary, rather than primary, frontages.
 3. Users - occupiers could be restricted to uses which the LPA deems provide local benefits - for example convenience shops, launderettes, post offices.
 4. Independents - we suggest that the definition of an “independent” be a retailer with nine outlet or less (as per the Goad definition).
 5. Affordability - boroughs could consider what is an affordable rent in their local area - perhaps stating that the rent should be a percentage of local “prime” rents, or agreeing a fixed rent for a certain number of years.
 6. Ownership - it offers stronger control over the units if they are under another party’s ownership (subject to State Aid rules).

Table 10.1 Example analysis by local authority to identify need for affordable shops

Analysis	Comments
Overall average unit size	High level indicator
Analysis of unit sizes	More detailed analysis is required to understand the spread of unit sizes in a centre and identify the overall proportion of small shops in a centre. Unit size information, such as from the Valuation Office Agency (VOA) or Experian Goad can be broken down into size bands, such as set out in Section 5. This can be supplemented by the same analysis, but for different types of occupiers to understand which types of occupiers occupy small units e.g. is current convenience store provision in large or small units. Experian Goad provides occupiers and unit sizes.
Prime Zone A rental value (per sq m)	High level indicator
Analysis of Zone A rental value (per sq m)	More detailed analysis is required to understand how “affordable” current rents in a centre are. A starting point could be analysing the spread of Zone A rents in a centre. The VOA provides its opinion on Zone A rents for all retail properties to calculate rateable values. The most recent rating list is 2010, with an effective valuation date of 1st April 2008. The rating list is currently updated every 5 years. This information can be supplemented by discussions with local agents. High Zone A rental values may indicate areas are unaffordable and this information can be related to the types of occupiers to see if only certain types of retailers e.g. fashion multiples can afford such rents.
Analysis of overall rental values	Further analysis can be undertaken on overall rental values. VOA can again be used in this respect. The VOA’s rateable value is in broad terms is a professional view of the annual rent for a property if it was available on the open market on a set date. Again this information can be related to the types of occupiers to understand the level of rent independent retailers are able to pay in the centre.
Proportion of multiples	High level indicator
Occupancy rate	High level indicator
Analysis of vacant units	Analysis of which areas of a centre have relatively high vacancy rates can be used to understand vitality and viability issues. It can also help identify which types of small units are performing well in a centre e.g. are small units in prime shopping areas occupied by multiples well occupied, whereas other areas are struggling? Identifying the reasons for the vacancy from sources such as retail agents can also provide useful information e.g. are independent retailers struggling to pay rental levels?
Provision of local/community services	Identify floorspace providing local services such as dry cleaning, grocers etc. An Index can be used, such as used by Roger Tym & Partners in retail healthchecks, and then compared with other centres and monitored over time.
Yields	Yields are an indicator of investment value. Higher yields indicate higher risks, less institutional interest and greater potential for non-institutional ownership, with weaker covenants (often occupied by independents). Data is not always readily available outside prime areas.

Viability testing

- 10.6 Viability is an increasingly critical issue that needs to permeate through the plan making and development management process for local authorities. It will also be central to the implementation of the “small shops” policy.
- 10.7 Although there are parallels between the “small shops” policy and affordable housing policies, with potentially below market rent units being provided in both where there is on-site provision which has an “opportunity cost” to a developer, viability assessment for small shops is likely to be significantly more complex. This reflects the greater individuality of retail development in comparison to residential development.
- 10.8 An “open book” approach to negotiating the small shops policy is likely to be required. However, due to the individuality of retail development, standardised toolkits such as the Three Dragons affordable housing toolkit may not be suitable for assessing viability. The GLA work on viability to support the CrossRail contribution policy, where the varied nature of the developments concerned, confirms that a toolkit approach is not really appropriate. Therefore, appraisals can be required in the form of industry standard packages.
- 10.9 Another key consideration will be the stage in the development and planning process that viability considerations in relation to the policy are discussed. Again, due to the individuality of retail development we would recommend this is discussed at an early stage. To be effective, a local authority is likely to require retail development expertise to understand issues such as:
- where on-site provision is appropriate
 - how a scheme can be successfully designed to accommodate small, affordable shops to comply with the local authority’s requirements
 - the impact of any requirement, whether direct provision or financial contributions, and their effects on the overall viability of a scheme
 - how financial contributions can be most effectively used to be acceptable to both parties.

11 CONCLUSIONS AND RECOMMENDATIONS

Conclusions

- 11.1 We suggest that the definition of a “small shop” be a unit with 80 sq m gross floorspace or less, occupied by an independent retail or service outlet - one with nine units or less as per the Goad definition.
- 11.2 Local shops tend to be small and located in district and local/neighbourhood centres, and they are often independent outlets. They have a range of benefits for their areas, including allowing people to shop locally on foot and thereby reducing carbon emissions. They provide easy access to shops for low income groups, the elderly and those without cars. They also provide local employment and keep money in the local economy. In addition, small shops often add unique character to an area, and can have commercial value to a developer.
- 11.3 Over recent decades, small shops have been in decline nationally, a trend also evident in London. As a result, it can be argued that the supply of small shops in parts of London is in short supply and this is having an impact on choice generally and the vibrancy, economy, sustainability and character of some town centres.
- 11.4 This suggests that there may be a need to support and encourage small shops in London. There is a [wide] range of potential measures which could achieve this. For example, where Councils own property, they can consider renting it at a reduced rate to specific users - some Councils, such as Islington, already do this. Private landlords can also do this, and again some already do. BCSC suggest the creation of flexible lease structures, including turnover rents that encourage variety. The London First Retail Commission⁴⁸ suggests providing short lease units to enable independent retailers to break into the market.
- 11.5 The focus of this study, however, is the potential provision of affordable shop space through planning obligations. A policy to encourage small shops in London could help to achieve greater choice, vitality and vibrancy in town centres within the context of a dynamic, competitive and diverse retail sector.
- 11.6 Overall, our analysis has shown that the provision of small, affordable shops is unlikely to be isolated to just a few individual local authorities; all authorities are likely to face issues with all having a mixture of high and low provision.
- 11.7 Some developers do provide small retail units as part of larger schemes. This is either a) to improve the attraction of the development and wider area, or b) negotiated by the Council, to improve and/or maintain local shop provision and local employment. Small shops are usually provided as small units in secondary frontages, and so are suitable for independent operators and marketed as such, with rents set accordingly.

⁴⁸ Reinvigorating the High Street: encouraging retail diversity and supporting town centres in London (October 2009) London First Retail Commission

- 11.8 We have not found any examples where a Section 106 agreement or planning condition has stipulated that occupiers should be independent operators, or has stated what the level of rent should be or how the unit should be managed. A London-wide policy would help Boroughs deal with the issue, and more consistently.
- 11.9 Affordability issues are complex. Different centres can have a range of rental values within them, and a range of occupiers. In some instances there maybe a reasonable current provision of affordable shops, but independent retailers are potentially being “priced out”. In other centres there may be small affordable shop provision, but this has been marginalised to the secondary retail areas.
- 11.10 Therefore local authorities will need to determine for individual centres what choice and mix of retail is sought, and where this needs to be located. From this, it can analyse whether there is sufficient existing provision of small shops for independent retailers and at what level of rent these could be “priced out” due to affordability.
- 11.11 We support the principle of Policy 4.9 in the London Plan. While the issue is not common to all parts of London it is sufficiently far-reaching to warrant, in our view, a London-wide policy. It will also help those boroughs where the problem exists, or will arise, to have a common strategic policy basis to work under and to be able to apply it consistently (which will help developers and investors). There will also be the benefit of a single set of London-wide guidance.
- 11.12 The policy is currently set in the Economy chapter. This is an appropriate location, given it’s a single topic dealing with what is often an economic issue; and it is logical if it is accepted that the primary context is the achievement, or safeguarding, of consumer choice; say due to the diversion of trade away from smaller affordable shops. But in the light of PPS4 it may be more appropriate to make town centres the primary focus of this policy.
- 11.13 If a town centre context is right, then a more logical place for the policy could be alongside the town centre policy, in Section 2. Extending that logic, then perhaps the policy should be expanded to deal with the effects of a wider range of developments (leisure or residential, for example) on affordable small shop provision.
- 11.14 The supporting text explains the policy will apply to large retail developments “typically over 2,500 sq m” (para 4.49). This size threshold is in conformity with the approach taken by PPS4 towards major retail developments. But some large retail schemes over 1,000 sq m (the category for Major Applications) could also need mitigation measures depending on local circumstances. The difference in thresholds is less significant an issue if the policy is adapted to apply to all types of development in town centres (including leisure and residential schemes, though the latter could also be expressed in numbers of units).
- 11.15 Planning obligations are the main mechanism for implementation and the most likely forms of mitigation are: provision on-site, provision off-site (ie to another appropriate site under the applicant’s control), or a financial contribution. Provided the policy and supporting text makes this clear - and we have recommended some text changes to achieve this - then we consider the policy to be generally CIL Regs compliant. We also consider that EU State Aid rules would not be breached because it is not intended that

any monies be passed directly to any individual business. With regard to Circular 05/2005, we concur with Leading Counsel's advice to GLA that:

- The policy is in principle lawful; and
- The policy is in principal compliant with the Circular.

- 11.16 It seems to us, that provided the policy is worded sufficiently clearly, it can secure any of the three mitigation outcomes. The policy does not need to be prescriptive, as the solution to a local "affordable small shops" issue will be for the LPA to decide, based on local circumstances, the extent of the opportunities thrown up by the particular application and viability issues.
- 11.17 There are a range of controls available. It may help boroughs if a "hierarchy" of such measures were used, to achieve the objectives of the policy. In any given case, only some of the measures are likely to be necessary. We suggest the hierarchy of controls might be along the following lines: (1) Size, (2) Location, (3) Users, (4) Independents, (5) Ownership and (6) Affordability.
- 11.18 The supporting text promises supplementary guidance, to provide further advice on implementing the policy. We agree with this. In framing local guidance we suggest using the analogous position of affordable housing policy.
- 11.19 The Boroughs would be expected to:
- i) Identify any local need through a local study of centres of concern.
 - ii) Explain that planning applications may themselves demonstrate a need.
 - iii) Set out the circumstances where the policy would apply (ie need, or where a loss would arise, for example); or where edge- or out-of centre retail schemes would be caught.
 - iv) Draft an appropriate local policy for their centres, based on 4.9 and the factors set out in the SPD.
 - v) Define the measures to achieve mitigation.
 - vi) Clarify the obligations options, including the priorities.
- 11.20 We have set out some detail, in Section 10, on how local authorities could approach some of the above.

Recommended policy changes

- 11.21 In our independent view, it may be more appropriate to make town centres the primary focus of this policy, perhaps expanding the policy to deal with the effects of a wider range of developments (leisure or residential, for example) on affordable small shop provision. However, in drafting the policy changes below, we have stayed with the existing focus on large retail development.

11.22 In the light of all the foregoing we recommend some drafting changes to the policy:

Policy 4.9 Small shops

A Planning decisions

In considering proposals for large retail developments, the Mayor will seek contributions through planning obligations where appropriate, feasible and viable, to provide or support affordable shops units suitable for small or independent retail and service outlets.

B LDF preparation

In LDFs, Boroughs should develop local policies where appropriate to support the provision of small shop units.

4.49 The Mayor is committed to supporting town centres and a dynamic, competitive and diverse retail sector and supporting small and medium sized enterprises. ~~It may be appropriate in some parts of Central London, for example where small shops are in short supply and affordability is a key concern, particularly for independent retailers and small enterprises. In considering proposals for large retail developments (typically over 2,500 sq m), the Mayor will, and boroughs are encouraged to, negotiate seek contributions via S106 planning obligations where appropriate, feasible and viable, to mitigate the loss of, and/or support the provision of, affordable shop units retail and service outlets suitable for small or independent traders retailers. Such obligations may secure on-, or off-site, provision or financial contributions. And secure the availability over time. The number and size of units should be determined on the merits of each case. To secure affordability in the longer term, the agreement should include a guarantee that the small units and the discounted rents remain in being over time.~~

4.50 The appropriateness of application of this policy will depend upon local circumstances and should be weighed against other strategic priorities; and see policies on place-shaping (Policy 7.1) and on planning obligations set out in Policy 8.2. ~~It may be appropriate in some parts of Central London, for example where small shops are in short supply and affordability is a key concern, particularly for independent retailers and small enterprises. However, the policy may be less appropriate in other parts of London, for example where there is an excess supply of small shop units, low rental values and high vacancy rates. Account should also be taken of site characteristics and practical considerations including design and layout. Viability is also a consideration, including its bearing on development costs and other priority planning obligations. The number and size of units should be determined on the merits of each case. To secure affordability in the longer term, the obligation could include measure to secure their affordability over time.~~

11.23 ~~Application of this policy should be weighed against other strategic priorities in planning obligations set out in Policy 8.2.~~ Supplementary guidance will provide further advice on implementing this policy.

APPENDIX 1

Sample of centres - key indicators and Z scores

Sample Centre

Key indicators

Z Scores

Centre	Borough	Classification	All retail sq m	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Z SCORE
West End	Camden/Westminster	International	995,392	120	66.32%	92.6%	£5,705	-0.061	0.552	0.137	4.722	5.350
Knightsbridge	K&C/Westminster	International	162,470	189	90.35%	97.1%	£4,951	0.790	1.660	0.918	3.956	7.324
Bromley	Bromley	Metropolitan	122,444	234	93.76%	95.0%	£2,530	1.349	1.817	0.559	1.496	5.221
Croydon	Croydon	Metropolitan	211,476	173	81.67%	89.7%	£2,906	0.597	1.260	-0.364	1.878	3.371
Ealing	Ealing	Metropolitan	91,510	61	72.41%	92.2%	£2,045	-0.799	0.833	0.077	1.003	1.115
Wood Green	Haringey	Metropolitan	95,532	217	81.62%	98.1%	£1,561	1.139	1.258	1.099	0.512	4.007
Harrow	Harrow	Metropolitan	88,916	206	82.76%	93.7%	£1,561	0.996	1.310	0.338	0.512	3.155
Romford	Havering	Metropolitan	134,438	208	83.58%	94.4%	£2,260	1.021	1.348	0.453	1.222	4.045
Uxbridge	Hillingdon	Metropolitan	91,479	230	85.56%	96.6%	£2,260	1.294	1.439	0.840	1.222	4.795
Hounslow	Hounslow	Metropolitan	86,726	219	79.55%	90.1%	£1,130	1.157	1.162	-0.298	0.074	2.094
Kingston	Kingston upon Thames	Metropolitan	183,364	234	92.31%	95.3%	£3,337	1.344	1.750	0.603	2.316	6.013
Ilford	Redbridge	Metropolitan	146,053	220	78.18%	96.4%	£1,830	1.174	1.099	0.799	0.785	3.856
Sutton	Sutton	Metropolitan	123,279	237	89.97%	97.6%	£1,130	1.381	1.643	1.016	0.074	4.113
Barking	Barking and Dagenham	Major	34,030	114	62.95%	94.2%	£861	-0.138	0.397	0.413	-0.199	0.473
Edgware	Barnet	Major	39,767	118	59.84%	94.3%	£1,023	-0.088	0.254	0.430	-0.035	0.560
Bexleyheath	Bexley	Major	67,766	216	75.62%	97.0%	£1,561	1.127	0.981	0.906	0.512	3.527
Kilburn	Brent/Camden	Major	39,362	99	45.33%	92.1%	£2,260	-0.326	-0.415	0.047	1.222	0.527
Orpington	Bromley	Major	40,682	146	74.31%	87.7%	£592	0.253	0.921	-0.708	-0.473	-0.007
Camden Town	Camden	Major	56,602	99	48.31%	94.7%	£2,045	-0.330	-0.278	0.501	1.003	0.897
Southall	Ealing	Major	40,908	104	10.52%	94.7%	£1,130	-0.260	-2.020	0.499	0.074	-1.707
Enfield Town	Enfield	Major	41,632	154	86.06%	86.6%	£1,615	0.358	1.462	-0.908	0.567	1.479
Eltham	Greenwich	Major	37,333	154	68.89%	90.6%	£807	0.351	0.671	-0.212	-0.254	0.555
Woolwich	Greenwich	Major	51,948	171	70.54%	89.9%	£1,023	0.566	0.747	-0.322	-0.035	0.956
Dalston	Hackney	Major	43,933	112	42.84%	87.7%	£1,184	-0.166	-0.530	-0.710	0.129	-1.277
Hammersmith	Hammersmith and Fulham	Major	34,683	103	84.34%	96.6%	£1,938	-0.283	1.383	0.834	0.895	2.829
Chiswick	Hounslow	Major	38,181	105	55.40%	95.1%	£1,507	-0.250	0.049	0.568	0.457	0.824
Angel	Islington	Major	47,315	79	55.09%	94.5%	£2,368	-0.578	0.035	0.461	1.332	1.250
Kensington High Street	Kensington and Chelsea	Major	68,798	190	78.56%	94.7%	£2,960	0.797	1.117	0.506	1.933	4.352
Kings Road East	Kensington and Chelsea	Major	85,378	235	76.82%	97.1%	£3,875	1.360	1.036	0.928	2.863	6.187
Brixton	Lambeth	Major	49,320	117	49.26%	91.8%	£1,561	-0.109	-0.234	-0.003	0.512	0.166
Streatham	Lambeth	Major	38,727	89	41.52%	82.0%	£861	-0.456	-0.591	-1.702	-0.199	-2.947
Catford	Lewisham	Major	27,205	129	63.11%	87.1%	£538	0.046	0.404	-0.819	-0.528	-0.896
Lewisham	Lewisham	Major	69,168	184	74.50%	95.6%	£1,399	0.729	0.930	0.656	0.347	2.662
Wimbledon	Merton	Major	69,022	182	88.00%	95.4%	£1,722	0.706	1.552	0.631	0.675	3.564
East Ham	Newham	Major	36,778	134	47.89%	89.4%	£861	0.102	-0.297	-0.417	-0.199	-0.812
Stratford	Newham	Major	32,556	150	88.02%	89.0%	£1,615	0.303	1.553	-0.491	0.567	1.931
Richmond	Richmond upon Thames	Major	46,754	107	82.20%	96.9%	£2,153	-0.224	1.284	0.879	1.113	3.053
Peckham	Southwark	Major	55,585	152	42.60%	92.4%	£969	0.331	-0.541	0.097	-0.090	-0.203
Canary Wharf	Tower Hamlets	Major	59,087	176	60.14%	97.4%	£3,229	0.632	0.267	0.979	2.206	4.085
Walthamstow	Waltham Forest	Major	66,927	124	54.18%	91.2%	£1,076	-0.019	-0.007	-0.108	0.019	-0.116
Clapham Junction	Wandsworth	Major	51,294	126	73.68%	97.6%	£1,507	0.014	0.892	1.002	0.457	2.364

Sample Centre

Key indicators

Z Scores

Centre	Borough	Classification	All retail sq m	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Z SCORE
Putney	Wandsworth	Major	42,149	118	78.22%	95.7%	£1,130	-0.093	1.101	0.683	0.074	1.764
Tooting	Wandsworth	Major	56,810	139	46.76%	95.1%	£969	0.166	-0.349	0.571	-0.090	0.298
Wandsworth	Wandsworth	Major	35,722	167	78.36%	85.0%	£1,292	0.515	1.107	-1.180	0.238	0.681
Queensway/Westbourne C	Westminster	Major	38,194	109	69.61%	94.4%	£2,288	-0.200	0.704	0.450	1.250	2.204
Chadwell Heath	Barking and Dagenham	District	12,882	113	51.75%	97.4%	£250	-0.153	-0.119	0.975	-0.820	-0.117
Dagenham & Heathway	Barking and Dagenham	District	13,208	120	68.13%	87.7%	£484	-0.072	0.636	-0.717	-0.583	-0.736
East Finchley	Barnet	District	7,845	60	25.88%	87.5%	£440	-0.805	-1.312	-0.751	-0.627	-3.496
Golders Green	Barnet	District	14,856	83	38.33%	88.7%	£538	-0.530	-0.738	-0.539	-0.528	-2.335
New Barnet	Barnet	District	13,489	105	53.61%	93.2%	£807	-0.247	-0.033	0.236	-0.254	-0.299
Temple Fortune	Barnet	District	21,673	151	43.29%	97.5%	£750	0.312	-0.509	0.995	-0.312	0.486
Erith	Bexley	District	28,506	295	88.41%	83.9%	£150	2.098	1.571	-1.367	-0.922	1.381
Sidcup	Bexley	District	27,911	125	48.55%	95.6%	£320	0.002	-0.267	0.669	-0.749	-0.345
Welling	Bexley	District	31,513	95	44.76%	92.6%	£260	-0.379	-0.441	0.132	-0.810	-1.498
Ealing Road	Brent	District	4,147	82	9.16%	85.1%	£700	-0.532	-2.082	-1.168	-0.363	-4.145
Harlesden	Brent	District	26,678	99	22.80%	89.8%	£400	-0.324	-1.454	-0.339	-0.668	-2.785
Willesden Green	Brent	District	16,362	75	25.49%	89.7%	£538	-0.623	-1.330	-0.364	-0.528	-2.845
Beckenham	Bromley	District	24,309	114	63.37%	93.7%	£400	-0.146	0.416	0.335	-0.668	-0.062
Penge	Bromley	District	21,324	135	52.17%	92.1%	£225	0.120	-0.100	0.048	-0.846	-0.777
Petts Wood	Bromley	District	16,023	114	37.93%	97.7%	£275	-0.138	-0.756	1.031	-0.795	-0.657
Hampstead	Camden	District	12,398	68	60.56%	96.2%	£1,884	-0.709	0.287	0.759	0.840	1.177
Swiss Cottage/Finchley Roa	Camden	District	39,140	155	70.79%	91.4%	£750	0.364	0.758	-0.063	-0.312	0.747
West Hampstead	Camden	District	7,318	51	26.57%	78.8%	£700	-0.919	-1.280	-2.259	-0.363	-4.821
Addiscombe	Croydon	District	8,427	88	46.78%	98.9%	£225	-0.459	-0.348	1.233	-0.846	-0.421
Norbury	Croydon	District	13,114	90	23.40%	89.2%	£230	-0.432	-1.426	-0.457	-0.841	-3.157
Thornton Heath	Croydon	District	29,709	120	47.21%	98.4%	£185	-0.063	-0.328	1.150	-0.886	-0.127
Acton	Ealing	District	23,954	90	48.08%	92.2%	£700	-0.441	-0.288	0.071	-0.363	-1.022
Greenford	Ealing	District	15,885	109	35.06%	96.8%	£420	-0.198	-0.889	0.866	-0.648	-0.868
Hanwell	Ealing	District	13,958	91	41.39%	92.2%	£250	-0.430	-0.597	0.072	-0.820	-1.775
Angel Edmonton	Enfield	District	18,681	129	45.59%	87.1%	£285	0.050	-0.403	-0.811	-0.785	-1.949
Edmonton Green	Enfield	District	22,828	117	54.45%	76.8%	£400	-0.101	0.005	-2.607	-0.668	-3.370
Palmers Green	Enfield	District	20,240	112	51.40%	90.7%	£538	-0.167	-0.135	-0.196	-0.528	-1.026
Greenwich West	Greenwich	District	12,543	53	26.51%	94.1%	£969	-0.899	-1.283	0.401	-0.090	-1.871
Thamesmead	Greenwich	District	19,092	502	94.71%	98.9%	£300	4.673	1.861	1.229	-0.769	6.993
Finsbury Park	Islington/Hackney	District	16,416	91	8.31%	92.3%	£400	-0.423	-2.121	0.089	-0.668	-3.124
Mare Street	Hackney	District	23,040	110	54.48%	94.4%	£435	-0.192	0.007	0.453	-0.632	-0.365
Stoke Newington	Hackney	District	27,606	106	36.52%	91.3%	£538	-0.241	-0.821	-0.089	-0.528	-1.679
Green Lanes	Haringey	District	9,865	84	17.72%	95.2%	£430	-0.517	-1.688	0.590	-0.637	-2.253
Muswell Hill	Haringey	District	19,055	102	43.48%	93.7%	£969	-0.285	-0.500	0.329	-0.090	-0.546
Tottenham	Haringey	District	13,723	99	45.63%	86.1%	£390	-0.330	-0.401	-0.985	-0.678	-2.394
Pinner	Harrow	District	14,458	108	67.06%	98.4%	£420	-0.211	0.587	1.140	-0.648	0.867
South Harrow	Harrow	District	25,580	158	56.26%	96.7%	£400	0.409	0.089	0.846	-0.668	0.676

Sample Centre

Key indicators

Z Scores

Centre	Borough	Classification	All retail sq m	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Z SCORE
Wealdstone	Harrow	District	11,886	89	26.57%	91.7%	£278	-0.445	-1.280	-0.012	-0.792	-2.529
Harold Hill	Havering	District	7,783	116	49.81%	92.1%	£240	-0.119	-0.209	0.060	-0.830	-1.098
Hornchurch	Havering	District	21,588	115	54.11%	95.9%	£592	-0.125	-0.011	0.708	-0.473	0.100
Upminster	Havering	District	33,786	153	71.38%	97.1%	£355	0.345	0.786	0.918	-0.714	1.336
Hayes	Hillingdon	District	27,174	130	59.36%	96.3%	£431	0.061	0.232	0.775	-0.636	0.431
Northwood	Hillingdon	District	6,641	85	51.55%	96.5%	£345	-0.498	-0.128	0.813	-0.724	-0.537
Ruislip	Hillingdon	District	19,121	130	61.38%	96.5%	£700	0.053	0.325	0.810	-0.363	0.824
Brentford	Hounslow	District	10,921	83	48.08%	69.6%	£225	-0.528	-0.288	-3.863	-0.846	-5.525
Feltham High Street	Hounslow	District	31,395	280	92.42%	94.8%	£500	1.920	1.756	0.525	-0.566	3.635
Archway	Islington	District	12,070	76	25.81%	94.2%	£415	-0.606	-1.315	0.420	-0.653	-2.153
Earls Court Road	Kensington and Chelsea	District	6,078	54	60.59%	91.1%	£1,399	-0.887	0.288	-0.118	0.347	-0.370
Kings Road (west)	Kensington and Chelsea	District	21,100	121	48.02%	97.0%	£3,875	-0.048	-0.291	0.907	2.863	3.431
Notting Hill Gate	Kensington and Chelsea	District	15,063	60	41.63%	95.2%	£1,722	-0.815	-0.586	0.590	0.675	-0.136
Portobello Road	Kensington and Chelsea	District	35,435	70	20.15%	93.0%	£1,292	-0.687	-1.576	0.216	0.238	-1.808
New Malden	Kingston upon Thames	District	26,197	162	61.91%	93.4%	£550	0.458	0.349	0.271	-0.515	0.563
Surbiton	Kingston upon Thames	District	21,723	124	62.13%	95.1%	£753	-0.022	0.359	0.572	-0.309	0.600
Tolworth	Kingston upon Thames	District	13,454	83	48.13%	94.2%	£260	-0.522	-0.286	0.409	-0.810	-1.209
Clapham High Street	Lambeth	District	22,315	100	48.24%	95.3%	£780	-0.318	-0.281	0.602	-0.282	-0.278
West Norwood + Tulse Hill	Lambeth	District	15,720	120	43.32%	89.9%	£300	-0.061	-0.508	-0.333	-0.769	-1.671
Blackheath	Lewisham	District	4,571	52	36.05%	97.1%	£700	-0.911	-0.843	0.930	-0.363	-1.188
Deptford	Lewisham	District	16,881	77	12.97%	90.3%	£185	-0.602	-1.907	-0.261	-0.886	-3.656
Forest Hill	Lewisham	District	9,430	68	46.58%	82.8%	£275	-0.706	-0.358	-1.567	-0.795	-3.425
Mitcham	Merton	District	18,465	132	56.59%	92.5%	£300	0.081	0.104	0.116	-0.769	-0.468
Morden	Merton	District	14,370	91	53.60%	93.3%	£350	-0.428	-0.034	0.257	-0.719	-0.924
Canning Town	Newham	District	21,243	91	47.86%	91.5%	£240	-0.428	-0.299	-0.054	-0.830	-1.611
East Beckton	Newham	District	34,406	728	94.90%	91.9%	£400	7.468	1.870	0.025	-0.668	8.695
Upton Park	Newham	District	34,660	113	17.33%	85.4%	£580	-0.154	-1.706	-1.105	-0.485	-3.450
Barkingside	Redbridge	District	21,439	162	68.20%	98.1%	£400	0.460	0.639	1.098	-0.668	1.530
South Woodford	Redbridge	District	22,725	113	51.48%	97.2%	£350	-0.149	-0.131	0.933	-0.719	-0.066
Wanstead	Redbridge	District	9,584	75	25.20%	90.3%	£375	-0.629	-1.343	-0.257	-0.693	-2.923
East Sheen	Richmond upon Thames	District	24,525	120	33.24%	92.8%	£700	-0.064	-0.972	0.182	-0.363	-1.217
Teddington	Richmond upon Thames	District	19,737	111	48.02%	95.1%	£592	-0.182	-0.291	0.566	-0.473	-0.379
Twickenham	Richmond upon Thames	District	23,809	86	47.60%	93.1%	£807	-0.484	-0.311	0.226	-0.254	-0.823
Camberwell	Southwark/Lambeth	District	16,940	85	38.53%	91.0%	£360	-0.503	-0.729	-0.134	-0.708	-2.074
Elephant and Castle	Southwark	District	7,590	69	59.69%	95.0%	£400	-0.699	0.247	0.562	-0.668	-0.558
Walworth Road	Southwark	District	37,218	131	42.86%	94.0%	£969	0.072	-0.529	0.388	-0.090	-0.159
Cheam	Sutton	District	10,320	86	20.50%	90.3%	£325	-0.487	-1.560	-0.266	-0.744	-3.057
North Cheam	Sutton	District	14,919	153	57.20%	90.3%	£220	0.342	0.132	-0.265	-0.851	-0.642
Worcester Park	Sutton	District	17,972	120	38.04%	89.6%	£300	-0.068	-0.751	-0.385	-0.769	-1.974
Bethnal Green	Tower Hamlets	District	16,626	80	30.49%	91.9%	£425	-0.557	-1.099	0.015	-0.642	-2.284
Roman Road (east)	Tower Hamlets	District	10,976	35	12.60%	82.9%	£400	-1.115	-1.924	-1.550	-0.668	-5.257

Sample Centre

Key indicators

Z Scores

Centre	Borough	Classification	All retail sq m	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Average unit size excl. dept. stores (sq m)	Multiples as % of total retail sqm	Occupancy	Zone A rents (£/m2)	Z SCORE
Whitechapel	Tower Hamlets	District	4,141	25	13.24%	64.5%	£600	-1.248	-1.894	-4.743	-0.465	-8.349
Leyton	Waltham Forest	District	3,673	38	10.55%	96.1%	£300	-1.079	-2.018	0.749	-0.769	-3.118
Leytonstone	Waltham Forest	District	17,475	72	57.04%	90.5%	£210	-0.662	0.125	-0.221	-0.861	-1.620
North Chingford	Waltham Forest	District	7,702	48	28.39%	87.8%	£320	-0.964	-1.196	-0.691	-0.749	-3.600
Balham	Wandsworth	District	18,858	86	51.50%	84.9%	£969	-0.493	-0.131	-1.203	-0.090	-1.917
Praed Street/Paddington	Westminster	District	10,095	33	50.78%	90.3%	£950	-1.140	-0.164	-0.256	-0.109	-1.669
St John's Wood	Westminster	District	8,195	85	46.50%	91.9%	£1,785	-0.495	-0.361	0.017	0.739	-0.101
Cheapside	City of London	CAZ Frontage	11,577	51	83.86%	72.7%	£2,960	-0.916	1.361	-3.322	1.933	-0.944
Fleet Street	City of London	CAZ Frontage	4,909	36	73.51%	71.4%	£1,884	-1.112	0.884	-3.547	0.840	-2.935
Leadenhall Market	City of London	CAZ Frontage	6,759	32	62.44%	89.0%	£1,615	-1.152	0.373	-0.478	0.567	-0.690
Liverpool Street	City of London	CAZ Frontage	19,698	83	88.76%	87.6%	£2,422	-0.521	1.587	-0.725	1.386	1.728
Moorgate	City of London	CAZ Frontage	16,109	52	67.55%	86.7%	£2,583	-0.906	0.609	-0.878	1.550	0.374
Addiscombe	Croydon	Local	8,027	71	53.22%	98.5%	£250	-0.669	0.146	1.127	-0.752	-0.148
Andrews Corner	Barking & Dagenham	Local	2,660	78	8.11%	97.7%	£215	-0.575	-1.710	0.990	-0.788	-2.082
Balgores Lane, Gidea Park	Havering	Local	1,844	84	10.70%	84.8%	£250	-0.502	-1.603	-1.201	-0.752	-4.058
Bellevue Road	Wandsworth	Local	1,902	86	6.13%	91.0%	£775	-0.467	-1.791	-0.152	-0.212	-2.622
Berrylands Road	Kingston upon Thames	Local	1,841	131	10.89%	76.0%	£190	0.122	-1.595	-2.695	-0.813	-4.981
Biggin Hill	Bromley	Local	6,864	92	42.26%	96.2%	£250	-0.401	-0.305	0.735	-0.752	-0.723
Boleyn	Newham	Local	7,272	192	8.23%	93.6%	£250	0.917	-1.704	0.295	-0.752	-1.244
Bounds Green	Haringey	Local	1,895	86	10.34%	100.0%	£335	-0.472	-1.618	1.385	-0.664	-1.368
South Chingford	Waltham Forest	Local	16,831	92	52.28%	87.2%	£230	-0.395	0.107	-0.792	-0.772	-1.852
Dulwich	Southwark	Local	3,315	107	15.74%	100.0%	£550	-0.199	-1.396	1.385	-0.443	-0.653
East Acton	Ealing	Local	11,395	142	37.43%	97.8%	£250	0.265	-0.504	1.016	-0.752	0.027
Hanworth	Hounslow	Local	2,843	98	21.82%	79.9%	£250	-0.316	-1.146	-2.027	-0.752	-4.240
Kensal Rise	Brent	Local	7,690	92	3.63%	96.2%	£275	-0.401	-1.893	0.746	-0.726	-2.274
Lisson Grove	Westminster	Local	1,625	90	10.00%	89.1%	£450	-0.417	-1.631	-0.470	-0.546	-3.065
Mottingham	Greenwich	Local	1,420	84	20.30%	86.9%	£150	-0.506	-1.208	-0.848	-0.854	-3.416
Perivale	Ealing	Local	2,365	68	5.03%	92.8%	£375	-0.714	-1.836	0.160	-0.623	-3.013
Raynes Park	Merton	Local	5,498	128	35.13%	95.1%	£400	0.074	-0.598	0.548	-0.597	-0.573
Ruislip Manor	Hillingdon	Local	13,233	102	11.41%	87.4%	£250	-0.267	-1.574	-0.766	-0.752	-3.357
Westbourne Grove	Kensington & Chelsea	Local	7,937	102	1.74%	94.6%	£3,500	-0.267	-1.971	0.461	2.587	0.811
Poplar High Street	Tower Hamlets	Local	1,068	89	0.00%	100.0%	£200	-0.434	-2.043	1.385	-0.803	-1.895
Average			37,220	122	50%	92%	£982	-0.04	-0.17	0.01	-0.07	-0.26

Source: GLA/RTP