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Date Originator Approved
18/08/2009 Richard Kitching Roger Young MRICS

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EXECUTIVE SUMMARY

GL Hearn has been commissioned by Melton Borough Council to carry out a site potential and viability study of 10 sites within the Melton Mowbray town centre area most of which were identified by the Taylor Young masterplan as offering development potential.

The study was required to establish a preferred combination of development options which will have the greatest potential to contribute to meet the Council’s accommodation needs as well as meeting the retail floor space requirement to 2026, in a way which will maximise the contribution to the vitality and viability of the town centre.

The study reviewed the retail capacity of the Borough to 2026; researched the food and non food retail demand; researched other uses which may be appropriate; and undertook a financial feasibility study of the potential development options for each of the sites.

The retail capacity study shows latent surplus expenditure for convenience (food) floorspace of between 17,000 sq ft and 38,000 sq ft depending on operator and format. This would increase to around 20,000-44,000 sq ft during the period to 2014 (five years hence), assuming ‘normal’ growth in expenditure. For comparison (non-food) goods, existing surplus expenditure could accommodate around 60,000 sq ft of bulky goods as well as around 14,000 sq ft of non-bulky goods (High Street) floorspace. Assuming ‘normal’ growth in expenditure, this would increase to around 84,000 sq ft and 36,000 sq ft respectively by 2014. This suggests that expenditure is either being retained by existing outlets in the town at a higher than normal sales density, or that it is being spent in alternative locations outside Melton Mowbray. In practice, it is likely to be a combination of the two.

The research into the retail requirements illustrated that there is a demand for both food and non food retail floorspace., both in and out of town.

From our studies, there is undoubtedly demand for food and non food retail space in Melton Town centre but the retail capacity, risk of legal challenge, and a comprehensive regeneration strategy will need to considered at length to ensure that the most suitable sites are brought forward for the most appropriate uses.

Nottingham Road site A and B, and the town station site offer the ability to accommodate both retail, new Council office accommodation as well as speculative office space, in a number of configurations in the short term, however there are risks associated with all 3 options when balanced again the market requirements, and risk of legal challenge. These are explained later in the report.

With regards to the remaining seven sites, there are a variety of factors which would make their immediate release extremely unviable, such as complicated ownership issues, location, no demand, and the lack of liquidity and funding within the marketplace.

Whilst they have been identified as possible opportunities with suggested uses, a ‘step change’ in rental levels is required in particular on the High Street to ensure the viability of sites being re-developed in particular The Bell Centre, and The Mall. This ‘step change’ will only happen by
taking a catalytic approach and ‘anchoring’ a large scale tenant to encourage consumers and other High Street retailers in to the town.

Nottingham Road A and B or the southern end of the Cattle Market all offer potential to accommodate a large scale ‘anchor’ store, but each have their constraints. The Cattle Market accommodates a number of uses and would therefore not become available for a comprehensive redevelopment in the short term; and Nottingham Road is poorly linked to the town centre and therefore may fail a sequential test approach outlined in PPS6 if a large scale development were proposed.

Taking a comprehensive redevelopment approach to both sites would offer the ability to negate their constraints by bringing forward Nottingham Road to provide an ‘anchor’, and the southern section of the Cattle Market to provide a mixed use development of larger format retail units of 3,500 sq ft 5,000 sq ft up to 7,000 sq ft units to match the retail requirements from operators [Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.].

This approach would provide a more coherent linkage to Nottingham Street and allow the ‘step change’ in rents required to bring more of the remaining town centre sites forward for redevelopment. To protect the future of Melton Mowbray as a Market Town a Food Heritage Building would provide an attractive centre to add to the attraction of the Cattle Market.

In order to promote new modern office accommodation in the town centre it may be necessary to consider alternative approaches. For instance the establishment of an ‘office quarter’ with an appropriate catalyst such as the Council taking the initiative of a pre-let and/or developing speculative office space on either the Town Station Site or adjoining their existing site on Nottingham Road.
1 INTRODUCTION

1.1 Context

G L Hearn (GLH) was commissioned in August 2008 by Melton Borough Council (“the Council”) to produce a report which assesses the potential and viability of a number of sites identified within the recent masterplan undertaken by Taylor Young to inform future land allocations in line with the Local Development Framework.

The masterplan identified a number of sites where retail and/or other development might be appropriate, and also contained information from B E Group which updated the White Young Green Retail Study completed in 2003, to identify the need for further retail floorspace in Melton Mowbray town centre beyond 2016 to 2026.

We have been instructed to focus on these 10 sites within the town, and to assess the potential and viability for retail and commercial development, and also to pay particular regard to the rebuilding of the councils office on the town station site, the Nottingham Road site, and Wilton Road which are considered in more detail in the main body of this report.

Since the completion of the above reports, The Councils offices were unfortunately badly damaged by fire and as a result have been partially demolished. As a result the Council are considering the rebuilding of their offices and are considering the most appropriate locations within the town.

Our study draws on the research from the BE Group, White Young Green, and Taylor Young, to assess the retail requirement, capacity, and the suitability of each of the sites identified, to recommend which sites have the ability to accommodate the Councils accommodation needs, and are also suited to meeting the retail requirements in the most commercially viable manner within the period 2026, in a priority order.

1.2 Process

We visited each site on numerous occasions, to establish the existing and surrounding uses, possible development constraints and opportunities; and have met with council officers, committee members, interested parties, developers, and retailers to understand the needs and demands of each, to inform what spatial and financial limitations each has, and the actual levels of ‘deliverability’ where appropriate.

We have critically analysed in detail, the information and raw data contained within both the White Young Green and BE Group’s report to establish the retail capacity of the town to 2026 having regard to the objectives of PPS6.

We have established the existing use value of each site through a data gathering exercise with the Valuation Office Agency (VOA).

We have undertaken a review of current market values by talking to local agents, and through general market research within the town centre for office, leisure, retail, residential, and
industrial uses to inform the financial appraisal process when considering the viability of alternative uses for each site.

Where alternative uses are appropriate, we have relied upon proposed schematic plans for each site where they have been available, or assumed an appropriate density and massing to physically suit the site and its surroundings.

Bringing together all of the above, has allowed us to take an informed decision as to the planning and commercial prospects of redevelopment where appropriate; and to also assess where and how the retail requirement might be met in the most viable manner, fulfilling the sequential approach required in line with PPS 6.

The report concludes by recommending a number of appropriate uses for each site, which take into account present market conditions, planning restrictions, land ownership issues, access, and financial implications, to illustrate how the retail requirement might be met, and also how the Council’s accommodation needs may be fulfilled.

The remainder of this report is structured as follows:

- Overview of each of the opportunities
- Overview of the wider and local property markets
- Planning Policy and capacity considerations
- Financial feasibility of redevelopment
- Conclusions and recommendations

The report is also supported by the following appendices:

- Appendix A - Retail requirements in the town centre

2 OVERVIEW OF THE OPPORTUNITIES

2.1 Location

Melton Mowbray is situated in the County of Leicestershire, approximately 15 miles north east of Leicester and approx 17 miles south east of Nottingham.

The town benefits from good road communications being situated at the intersection of the A606 and the A607, approximately 18 miles east of junction 23 of the M1 motorway.

Melton Mowbray is also located on the branch line of the Leicester to Peterborough railway which provides rail links to London St Pancras in approximately 1 hour 42 minutes.

Melton Mowbray is a historic market town, where street markets and the cattle market still play an important part of the weekly trading activities of the town.

The area of the masterplan is shown in figure 1 which encapsulates the main town centre nucleus.
2.1.1 The Sites

Within the town centre ten individual sites were identified by Taylor Young as being ‘a number of key interlinked projects which have the potential to transform the current central area into a vibrant, high quality and integrated Town Centre’. These sites are shown below in Figure 2.

Whilst we have not been provided with exact land boundaries for each site, in total the 10 sites total approximately 26 acres.
Site 1 – The Bell Centre/St Mary’s Way
Existing shopping centre currently owned by the Co-op fronting on to the prime retail pitch on Nottingham Street. There is a large pay and display car park to the rear on to St Mary’s Way.

Site 2 – The Town Station Site
Currently underused vacant land adjacent to the railway station, and part used for unregulated car parking. Planning permission has been granted for a major retail led mixed use scheme, which has not commenced.

Site 3 – Brooksby College/Wilton Road
College campus facility, with library and public pay and display car park.

Site 4 – Nottingham Road A
Pay and Display Car Park, associated with Cattle Market, and disused railway embankment

Site 5 – Nottingham Road B
Site of partially demolished and existing council offices with associated parking facility.

Site 6 – Cattle Market South
Multi purpose exhibition facilities and food hall, store facility, and fire station.
Site 7 – The Mall/Wilton Road

Barclays Bank with associated car park, Undertakers and accountancy office with furniture store to the rear, with part retail store with nightclub above fronting on to Nottingham Street.

Site 8 – Chapel Street Car Park

Pay and display car park with 18 no. lock up garages to New Street elevation.

Site 9 – Snow Hill

Large parking area with multi-storey building to the rear with 3 telecommunications masts on. Currently in use by Jeld-Wen.

Site 10 – Charlotte Street

Numerous interlinking buildings which are multi tenanted including business complex – The Old Diary, Elster-Instronet engineering, Good Life Health Club, graphic printers, and hand car wash pitch.

In order to illustrate each site’s surrounding existing land uses typologies, Figure 3 below illustrates the context of each of the 10 sites, and their position within the town centre which are material considerations in the suitability for redevelopment for retail and/or mixed use redevelopment.

In the above figure, it is apparent that the main retail elements to the town centre are concentrated around Nottingham and Sherard Street extending out along Burton Street towards the railway station. The Bell Centre is positioned centrally within the core primary shopping area.
3 PLANNING POLICY AND RETAIL CAPACITY

3.1 Retail Context and Hierarchy

Melton Mowbray is a relatively self-contained town in a predominantly rural area acting as a service centre for surrounding villages, although it is surrounded by larger centres in each direction. The larger regional city centres at Nottingham and Leicester are some 15-20 miles to the north/south-west, and the large town centres at Grantham and Stamford are each around 15-20 miles to the north/south-east. Loughborough and Oakham are slightly closer to the west and south-east respectively.

As a result, there are a number of choices of higher order shopping destination available to residents in Melton Mowbray, and Melton Borough generally.

Nevertheless, Melton Mowbray town centre is reasonably healthy, with a range of independent shops and a smaller number of national multiples concentrated around Nottingham Street, High Street and the Market Place/Sherrard Street. The town centre forms the principal comparison shopping location in the borough along with other cultural/civic attractions including banks/building societies. National retail operators include Argos, Boots, Superdrug & Wilkinson’s (as well as a wider range of specialist independent retailers). Levels of vacancy are not excessive, and with the exception of the former Woolworths store on Sherrard Street (at the time of writing) are predominantly in secondary locations.

On the edge of the town centre, Halfords, Carphone Warehouse and a Magnet kitchen showroom are located on the northern side of Norman Way, and a Focus DIY store is located on Leicester Road, approximately 1km to the south-west of the town centre.

In terms of food stores, the town is served by a Morrison's on Thorpe End in the town centre (where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.), and a number of independent butchers, bakers and grocers shops. There is also a small Iceland freezer centre on High Street. A Co-op Superstore lies on Scalford Road, some 500m to the north of the town centre (where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.) and until recently a small M&S Simply Food store (where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.) net sales) was situated on the edge of the town centre, however this has recently been identified for closure.

Further beyond the town centre, a Tesco Superstore (where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.) net sales) is located off Thorpe Road, approximately 1km to the north-east, and a Tesco Express convenience store and petrol filling station (where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.) net sales) at Nottingham Road, approximately 1km to the north-west.
There are no other defined district or local centres in the town, and a very limited number of individual convenience stores and corner-shops catering for day-to-day top-up shopping requirements.

3.1.1 PPS6 – Planning for Town Centres (2005)

The key objective of PPS6 is to promote the vitality and viability of town centres. This involves planning for growth and focussing new development, including a wide range of services, in existing centres with a good quality and accessible environment. Providing a range of shopping, leisure and local services should enhance consumer choice to meet the needs of the entire community, and support an efficient, competitive and innovative retail sector. New development should be accessible and well-served by a choice of means of transport.

Local Planning Authorities should actively plan for growth and manage change in town centres, such that they perform an appropriate role to meet the needs of their catchments. They should seek to ensure that the number and size of sites identified for development are sufficient to meet the scale and type of need identified. In selecting sites for development, local planning authorities should: assess the need for development; identify the appropriate scale of development; apply the sequential approach to site selection; assess the impact of development on existing centres; and ensure that locations are accessible and well served by a choice of means of transport.

3.1.2 Adopted Melton Local Plan (June 1999)

The Melton Local Plan was adopted in June 1999, prior to the publication of the government’s latest retail planning policy in PPS6 which was issued in March 2005.

The Plan aims to maintain existing shopping facilities in Melton Mowbray town centre, and sustain its role as the main shopping centre in the Borough. Only small scale shopping facilities will be encouraged in villages and residential neighbourhoods.

Policy S1 is a “saved” policy in accordance with the Planning and Compulsory Purchase Act 2004, and identifies land off Burton Street (the Town Station Site) for retail or other commercial development which would contribute to the vitality and viability of the town centre. Planning permission for mixed use development has since been granted on the site, but has yet to be implemented. Policy S2, relating to out-of-centre retail development, has not been “saved” however policies relating to the protection of shopping frontages and Village and Neighbourhood Centres remain in force.

3.1.3 Melton LDF Core Strategy (Preferred Options) (January 2008)
The LDF Core Strategy has been refined following an initial Issues and Options stage which was published in April 2006. The Strategy continues to direct development which attracts a large number of people, including shopping facilities, to the town centre, in order to promote its vitality and viability, social inclusion and more sustainable patterns of development. It is anticipated that a Town Centre Area Action Plan will be produced in due course.

A Borough wide Retail Study was undertaken in 2003, which was used to inform the Options set out in the emerging LDF Core Strategy. Utilising a Household Telephone Survey, it provides an indicative floorspace requirement of 8,000 to 9,000sqm for general comparison goods; and 5,000 to 6,000sqm of bulky goods over the period to 2016. Applying a constant market share approach, the Study estimates that there is only a limited need for convenience floorspace provision in the study period.

### 3.2 Quantitative Need Assessment

#### Study Area

The study area in the 2003 Retail Study comprised six zones based upon postcode areas, broadly equating to the Borough boundary. For the purposes of consistency, the same postcode areas have been utilised for the updated assessment. A plan showing the study area is attached.

#### Study Area Population

The 2006 - 2026 population levels for the study area are summarised in Figure 4 below. Base levels were obtained from Experian, and were projected forward at rates derived from Dwelling-Led Projections undertaken by Anglia Ruskin University for the Draft East Midlands Regional Plan (October 2006). This is consistent with other parts of the evidence base to support Melton Council’s emerging LDF Core Strategy.

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*Figure 4 - Population*

#### Expenditure

Average expenditure per capita figures for each sector within the study area in a base year of 2006 were provided by Experian for Convenience Goods and separately for Bulky and Non-bulky Comparison Goods. These are summarised in Figure 5 below. A deduction for special forms of trading has been made at 3.6% for convenience goods and 8.8% for all comparison goods as recommended by Experian. In recent years, the rate of growth in internet sales has been matched by growth in high street sales, and there is no evidence as to whether, or if so how, this will change over time. Growth has also involved a significant level of financial and e-commerce services such as banking/bill payments, insurance and holidays/travel etc.

Experian’s latest Retail Planner Briefing Note (2008) provides expenditure growth rates based on medium, long and ultra-long term trends. It advises that rates based on the medium-term (20-year) trend show the highest growth, reflecting the surge in retail expenditure during the 1980s and 1990s. For the purposes of this study, the long-term growth rate has been utilised to 2016, and the ultra-long term rate for the period 2016-2026. For convenience goods, these are 0.8% and 0.7%; and for comparison goods, 5.2% and 4.8%.
The use of trend-based projections is considered preferable to forecast based projections, because they reflect actual growth rates over time, rather than attempting to estimate how expenditure will perform based on a model or unverifiable assumptions. The long and ultra-long term trends take account of previous peaks and troughs in expenditure, representing a robust projection which is not affected by short-term economic circumstances, including the present downturn in the economy. Extreme caution must be exercised, however, in making decisions based upon trend-based projections over the longer term, i.e. to 2026. It will be necessary to review expenditure projections regularly, in order to avoid over-estimation, and to take account of ongoing trends. Figures 5 and 6 provide estimated study area expenditure per capita, and total expenditure.

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<td>(Non-Bulky)</td>
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*Figure 5 – Average Expenditure per Capita*

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<tr>
<td>(Non-Bulky)</td>
<td>£106.48</td>
<td>£137.84</td>
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*Figure 6 – Total Expenditure (£m)*

Existing Floorspace Turnover

Surveys and research have been used to identify existing convenience and comparison goods floorspace in Melton Mowbray (including the element of each in large food stores). Estimated turnover (assuming normal trading conditions) for identified stores is drawn from published sources where available, and aggregated for the town centre based on a range of high street operators, including independent retailers.

The estimated convenience and comparison goods turnover of existing floorspace drawn from the study area is set out in Figure 7. This shows that when an allowance is made for increasing floorspace productivity, total turnover is expected to rise between 2008 and 2026 by £1.99m for convenience goods, and £13.83m overall for comparison goods.

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<td>(Non-Bulky)</td>
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<td>£45.30</td>
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*Figure 7 – Existing Turnover (£m)*
The Household Telephone Survey undertaken by R&M for the Melton Retail Study, although dating from 2002, continues to provide a useful analysis of shopping habits in Melton on the basis that there has been little change in the retail profile of the town. The Kwik Save store has closed, but accounted for few shopping trips. The rebranding of the Safeway store following acquisition of the group by Morrison’s is likely to have improved its attractiveness, allowing it to compete more effectively with the Tesco. Given their limited floorspace, the new Tesco Express and the Marks and Spencer’s Simply Food store are likely to have diverted expenditure from other stores in Melton, rather than clawed-back significant amounts of expenditure from larger foodstores in surrounding towns. The survey illustrates, however, that residents of the two most northerly zones, (NG13_0 and NG32_1) tend to use Grantham as a shopping centre rather than Melton Mowbray, and accordingly there is only a very limited inflow of expenditure from these zones.

**Surplus Floorspace Capacity**

PPS6 advises that in identifying sites, local authorities should seek to meet needs for five years ahead of adoption of their Development Plan Documents. It also advises that needs assessments in support of planning applications should normally look no more than five years ahead. Nevertheless, in order to fully inform the emerging LDF, arithmetic projections of surplus capacity based on growth and increased market share assumptions have been undertaken for the period to 2026 for convenience and bulky/non-bulky comparison goods.

For convenience goods, it is assumed that retention is maximised from Melton Mowbray and adjacent postcode sectors, but that only a limited inflow of expenditure (20%) is recovered from the two most northerly zones. For all comparison floorspace, limited inflow (20%) is also assumed from the two most northerly zones, and an aspirational 50% retention of all expenditure will be maintained, with the remainder continuing to be spent in surrounding higher order centres.

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<td>(Bulky Goods)</td>
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<tr>
<td>(Non-Bulky)</td>
<td>£7.12m</td>
<td>£18.08m</td>
<td>£23.40m</td>
<td>£38.20m</td>
<td>£58.41m</td>
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*Figure 8 – Surplus Capacity (£m)*

This capacity exercise has identified latent surplus expenditure in the study area which is expected to increase over time, in the absence of any further floorspace provision. The amount of floorspace which should be provided to meet this expenditure will depend on the type, format and even the operator, of any retail provision. Not all stores have the same sales density, or typical turnover per square foot.

Foodstores typically vary from between around £5-6,000 per sq m for discount operators, to more than double that for the major superstore operators. Individual non-food operators vary much more widely, but it is generally the case that retail warehouse, particularly bulky-goods, operators tend to trade at around £2,500 per sq m, whilst non-bulky or high street stores average at around £5,000 per sq m.
3.3 Conclusion

This capacity assessment therefore demonstrates a surplus of expenditure in the study area which is either being retained by existing outlets in the town at a sales density which is higher than that which would normally be expected, and is manifested by the 'overtrading' of certain retail units, or is being spent in alternative locations outside Melton Mowbray. In practice, it is likely to be a combination of the two.

In either case, the remedy is to provide additional floorspace which will be attractive to local residents, and give additional choice and quality to reduce the outflow of expenditure or overtrading of existing floorspace.

In identifying sites or assessing planning applications, however, it will be necessary to ensure that the sequential approach outlined in PPS6 is followed, and that proposals which meet the identified need are of an appropriate scale to the catchment they are seeking to serve. Whilst it is less likely in cases where there is surplus capacity, it is also necessary to demonstrate that any proposals would not have an unacceptable adverse impact on the existing town centre.

Failure to follow these principles gives rise to a risk that planning permission may be refused, or if granted, may be subject to challenge by interested parties - such as existing retail operators in the town centre. Furthermore, the Competition Commission's final recommendations on their inquiry into the Supply of Groceries in the UK has yet to be brought into force, and at the time of writing is still subject to an outstanding challenge to the potential legality of any such legislation. Nevertheless, it should be borne in mind that additional control may in future be exercised over the operation of any particular retail foodstore, if it would lead to an excessive market share by any single operator in a particular vicinity.

4 OVERVIEW OF THE WIDER AND LOCAL PROPERTY MARKET

4.1 General Wider Market Considerations

The credit crunch is potentially a significant influence on development activity directly and indirectly. It has reduced the availability of debt for property investment and made its cost more closely related to risk.

The credit crunch and illiquidity in the financial markets is impacting on property investment, development and occupational markets and until its effect upon the wider economy is fully unwound the result for property markets is uncertain.

The credit crunch turmoil in 2007 hit the property investment market which was already experiencing some reduction in liquidity and a peak in capital growth. The effect of the sharp dislocation in debt markets was to accelerate a sharp adjustment in both activity levels and re-pricing in the property investment market, with a large and sudden shift in investor sentiment against the sector.

Downward pricing adjustments and significant falls in transaction levels have already occurred in office, residential and retail markets. However, in all markets there are many reasons to believe the current environment is more favourable than at a similar stage in previous downturns;
The recent fall in the cost of borrowing aligned with the outward movement in yields have made debt-financed investment easier than in the recent past, although tighter lending conditions have offset this to some extent.

Tighter credit conditions are impacting the availability and cost of finance for development. This not only includes debt, but also the readiness of institutional investors to commit resources to new development schemes in present market conditions and greater risk sensitivity.

Across the market generally, lending conditions have tightened and loan-to-value ratios have reduced. Fewer banks wish to expand their property loan books and in general banks have become more selective with respect to the borrowers they will support.

The contraction in investor demand was accompanied by a sharp fall in property investment values affecting all sectors of the UK market and both prime and secondary property. On the CBRE Monthly Index, capital values were down by 14.9% at the end of February 2008 compared to the previous June. Investment yields have risen sharply in virtually all sectors of the market and the current trend for most segments is towards further weakening.

The assumptions used in appraising potential developments in financial terms will be changed in light of the credit crunch and its wider impacts. Rental projections will be more cautious in the context of greater uncertainties over the strength of occupational demand, as will the assumptions about voids before letting and the extent of rent-free periods that will be needed. At the same time, assumptions about the end value of completed developments will need to reflect the upward movement in investment yields, and these impacts will also have a negative effect on development land values.

To put this into context, the effect that the credit crunch has had on the property sectors varies from region to region, however in general, ‘High Street’ retail, non food retail, bulky goods retail, residential, offices, and employment uses have all been badly affected and as such the demand for new sites and upbeat trends in values have significantly fallen away in the last 6 – 12 months.

Office led developments in general are not proceeded without any pre lets, and residential developers and house builders interests have converted into long term strategic criteria which protract capital expenditure and exposure to current uncertain market conditions – i.e. option agreements to purchase.

There are operators within the care home, sheltered residential, and education sectors that still have active requirements in specific areas, although the number of players has reduced slightly.

In addition there are still some acquisitive players in the market in general which include budget hotel operators, and food retailers – whom albeit still acquisitive, still remain selective on location, basis of acquisition, and site criteria.

In conclusion there is still market activity in certain sectors, however the companies with access to funding, are being more selective about the nature of deals and their exposure to market
conditions. There are more long term option agreements and subject to planning deals occurring, and up to 40% discounts being sought on land.

4.2 Local Market Considerations

In line with Planning Policy Statement 6 (PPS6) Planning for Town Centres, appropriate town centres uses include retail, leisure, offices, arts, culture and tourism. Planning Policy Statement 3 (PPS3) also refers to housing and an important element in most mixed use elements.

Utilising data from the Melton Annual Monitoring Report 2007, the town centre local indicators, summarise that the performance of the town centre is relatively healthy and stable. It states that Class A1 retail uses continue to dominate the town centre, although on the whole there is a healthy mix of uses. In addition, it states that the vacancy rates of commercial property within the town centre in 2007 fell to its lowest level since the survey started in 1996. In addition, 61.4% of the population are of working age, and 78% of the workplace population live and work in the Borough.

In order to ascertain the actual ‘deliverable’ level of interest in Melton Mowbray when considering how the retail capacity might be met, we have held a series of discussions, telephone interviews, and meetings with a variety of mixed use developers and retail operators to assess their requirements for the town centre to ascertain what historic interests they have held to date, and which are still active requirements. Our findings are appended at Appendix A.

4.2.1 Retail

Within the town centre area, Melton Mowbray currently offers a limited range of multiple retailers, which include 50% of the top 20 retailers [Focus Report for Melton Mowbray August 2008], a number of specialist and independent retailers, and a number of non food multiples on the outskirts of the town centre such as Magnet, Halfords, and Focus Do It All for example.

Similar to many Market Towns the existing High Street units are predominantly less than 1,000 sq ft - with units typically 750 sq ft - interspersed with a "handful" of larger units that have been assembled from smaller units either by conversion or re-development. The smaller units are not ideal for the majority of major High Street names. Nottingham Street is the primary retail pitch comprising principally independent retailers, banks and normal High Street retailers.

4.2.2 Retail Requirements

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.].

4.2.3 Retail Rental Levels

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

4.2.4 Leisure
The town centre does not have any major dedicated leisure parks, with most of the leisure uses being located in and around the town centre. There are community and sporting facilities within the town centre, and a number of small independent hotel and guest houses. There is a local cinema; a number of restaurant chains and independents within the town centre; a community leisure pool complex on the outskirts, and a small theatre within the College campus.

4.2.5 Leisure Requirements

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

4.2.6 Leisure Values

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

4.2.7 Offices

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

Melton Mowbray is not a major office location, with the majority of the existing office stock accommodating local needs within the town centre in small units usually above shop premises, or converted former residential buildings. There is a couple of edge of centre more modern facilities such as the Melton Mowbray Building Society headquarters, and a specialist incubation office development known as the Pera Innovation Park.

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

4.2.8 Office Demand

From the Melton Employment Land Study undertaken by Roger Tym & Partners in 2006, the take-up of office floorspace depth of demand has been for relatively small suites (under 5,000 sq ft or 465 sq m).

They state that demand is limited to small scale local occupiers as opposed to significant inward investors seeking good quality new development on a larger scale. Demand for larger sized units is much more limited, as occupiers which require city centre accommodation or good connectivity to the M1 will naturally locate closer to Leicester or other competing locations in the County.

However, from their discussions with local agents, they state that if good quality, modern specification office accommodation was available it would be taken up.
[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

4.2.9 Office Values

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]

4.2.10 Residential

Within the Melton Mowbray borough the majority of housing stock is made up from detached, and semi detached housing, with just over a quarter of the stock being made up from terraces and flats. The majority of the stock is also owner occupied [Office for National Statistics – April 2006] with just under 3% being rented through a private landlord [Melton Annual Monitoring Report 2007].

4.2.11 Residential Demand

From Knight Franks 2007 report, they report from their discussions with local estate agents that the main thrust of demand is for 2 and 3 bedroom townhouses, with a smattering of 4 and 5 bed semi and detached houses, and a limited number of apartments. This supports the statistics from the ONS, and the proportions of sales in the table below in Figure 9 over the year 2008 to date.

The credit crunch has badly affected the house building industry with the majority of the national volume house builders halting any new land acquisitions, and referring back to longer term strategic housing sites.

4.2.12 Residential Values

The average house prices and sales for the LE13 area to date are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Semi-Detached</th>
<th>Detached</th>
<th>Flat</th>
<th>Terraced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Sales</td>
<td>80</td>
<td>57</td>
<td>29</td>
<td>46</td>
</tr>
<tr>
<td>Average Price</td>
<td>£149,980</td>
<td>£210,782</td>
<td>£118,082</td>
<td>£119,452</td>
</tr>
</tbody>
</table>

Figure 9: Table to show recent house price data [Right Move 28 October 2008]

[Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]
5 FINANCIAL FEASIBILITY OF REDEVELOPMENT

We carried out a financial appraisal using traditional valuation models for all of the sites. To measure viability we initially carried out an existing condition valuation for each of the properties. We then assumed that this would constitute a fixed land price for any developer interested in refurbishing or redeveloping the buildings. This meant our valuations then showed a profit or loss to the developer for each proposed scheme.

Our valuations have assumed rent and yield levels which we feel are maintainable rather than those shown by the current depressed market or by the inflated market of 2006 / 2007.

Taking each in summary:

6 CONCLUSIONS AND RECOMMENDATIONS

6.1 Conclusion

The Sites

We have been instructed to focus on these 10 sites within the town, and to assess the potential and viability for retail and commercial development, and also to pay particular regard to the rebuilding of the council’s office on the town station site, the Nottingham Road site, and Wilton Road which are considered in more detail in the main body of this report.

The sites studied have many differences between them and a number of possible uses however present market conditions, land ownership issues, surrounding uses, planning policy and retail capacity, and market demands must be borne in mind when considering the most appropriate use for each site, and their availability for redevelopment.

Within section 6.2 we have taken each site in isolation and colour coded each suitable use on a traffic light system. This helps to explain and relate each use to both opportunities and constraints bearing in mind the issues mentioned above.
The retail capacity study shows latent surplus expenditure for both convenience (food) and comparison (non-food) floorspace, including both bulky and non-bulky goods. This suggests that expenditure is either being retained by existing outlets in the town at a higher than normal sales density, or that it is being spent in alternative locations outside Melton Mowbray. In practice, it is likely to be a combination of the two.

Planning policy is an important factor within the study and in line with PPS6 we have analysed the town’s retail capacity to 2026 to understand how much requirement there may be a need to fulfil in the longer term, and how and where are the best and most appropriately located sites to meet this requirement, which will fulfil all the aims of PPS6 to ensure the vitality and viability of the town centre.

Demand

As part of the research for this report direct contact was made with all known and possible retailers whom have listed a requirement for space within the town, alongside those whom had previously expressed an interest through developers or direct to the council.

The results of our telephone and interviews illustrate that there is a latent demand for in and out of town retail space in both high street and edge of town locations, which may be suited and able to be accommodated on a number of the smaller sites within our report. There is also a high demand for food retailers who have a long standing requirement for representation in Melton.

In general there have been many responses which cited market conditions would prevent them from pursuing their interest in the town at present; however there would be requirements in the future.

In order to promote modern offices in the town centre it may be necessary to consider alternative approaches. For instance the establishment of an ‘office quarter’ with appropriate encouragement, whether through policy alone or financially, may secure the long term availability of quality town centre accommodation. A focused commercial setting with a density of quality employers is likely to be more attractive than piecemeal development on a building by building basis. The latter can create a disjointed feel whilst the former can have a magnetic effect is it is well promoted and correctly focused.

A further alternative may be mixed use schemes with a greater variety of contributing uses and possibly a lower level of office accommodation. This can make schemes more viable by including a greater proportion of more profitable uses such as residential, retail and leisure uses. This adheres to sustainability criteria but the appropriateness of different uses in particular locations is paramount to the success of schemes.

There are underlying strengths to the town which ties in a number of large and loyal occupiers who would be keen to commit further into the future is the setting is right.

6.2 Recommendations
Figure 10 summarises the suitability of each site for a number of uses, and states their constraints and reasoning behind each colour.

Taking cognisance of market conditions, surrounding land uses, availability of land, retail capacity, and the financial feasibility of the most suited uses the table below illustrates the suitability of each site for other uses, and colour codes those uses utilising a traffic light system to show where the opportunities exist for being brought forward for development.

Figure 10 and Appendix A: [Redacted under the Environmental Information Regulations 2004 (SI2004:3391) Regulation 12 (5) (e) where disclosure would adversely affect the confidentiality of commercial or industrial where such confidentiality is provided by law to protect a legitimate economic interest.]