Jones Lang LaSalle

Real value in a changing world

Review of Sudbury as a Retail Centre – Stage 1

Babergh District Council

6 September 2011

Contents

1 Introduction

1.1 Background

This report represents Stage 1 of the wider Retail Study on Sudbury. Stage 1 is entitled 'Review of Sudbury as a Retail Centre' and is more macro in scope than Stages 2 and 3, which focus more on the Development Brief Site ('Hamilton Road').

This report is an independent and objective appraisal of Sudbury as a retail centre. In essence, the report provides a 'healthcheck' on Sudbury's retail & leisure proposition, highlighting areas of strength and possible weakness. It is also forward-looking in scope, addressing the issue of how the town may be improved and how the Council could best support appropriate retail development in the town centre in the face of changing economic and social circumstances. It also provides context for the Development Brief Site.

The Study has been commissioned by Babergh District Council, with the support of the Haven Gateway Partnership. Although we have consulted with the Council and the Haven Gateway Partnership as part of the process, the report has been conducted independently.

1.2 Objectives

This report seeks to provide:

- A thorough review of the existing retail offer in the context of the town's wider catchment area
- An appraisal of macro retail trends/changing shopping patterns and assessment of how these may affect the town now and in the future
- The possible impact of changes in future supply
- A strategy for long-term retail health and vitality.

In more specific terms, we are addressing the following key questions;

1. Where does Sudbury currently sit within regional and national hierarchies?
2. What is the extent of the town's catchment area?
3. Which are the main competing centres?
4. What are the related retention and leakage rates/market shares?
5. How will proposed development in other centres change these dynamics?
6. What is the geo-demographic profile of the catchment?
7. What are the strengths and weaknesses of the existing retail offer?
8. Does the existing proposition meet the needs and aspirations of the catchment?
9. Is there a sufficiently balanced mix between independent traders and national multiples?
10. Which sectors are currently under- (and possibly over-) supplied?
11. How will changing shopping patterns (eg e-tailing) manifest themselves in terms of occupier demand?
12. Which retailers are currently absent from Sudbury and potential new tenants?
13. Which retailers are actively looking for space in Sudbury and what are their requirements?
14. What are current capital and rental values and how are these forecast to change?
15. What are the implications for potential new floorspace development?

1.3 Structure and Outputs

The report sub-divides into four interlinked and sequential stages.

Stage 1 – Macro Retail Market Overview

Stage 2 – 'Sudbury Now' – Ranking, Catchment and Demographics

Stage 3 – Comprehensive Retail and Leisure Audit of Sudbury

Stage 4 – Future Change and Development Potential

The key findings of the report are also presented as an Executive Summary.

2 Executive Summary

- Sudbury is a strong, localised retail centre. It is a rare example of a historic market town that has retained its identity and sense of diversity, whilst embracing the changing demands of modern-day retailing.

- Although retail market conditions remain very challenging at a macro level (and are likely to deteriorate further before they improve), our analysis highlights the fact that Sudbury is proving more resilient than other centres of a similar size.

- Despite its inherent strengths, there is nevertheless scope to improve the town's retail and leisure propositions. The provision of new floorspace could potentially be one of the conduits of this improvement, although current market conditions are not necessarily conducive to retail development.

- Sudbury came in at 310th in Javelin's 2010 national Venuescore retail ranking. In a regional context, this placed the town 10th in the Eastern GSR, behind Great Yarmouth (246th) and Lowestoft (246th), but ahead of Huntingdon (316th), Newmarket (349th) and Ely (415th).

- More significantly, Sudbury has improved its ranking over time, rising from 352nd in 2005 to its current status of 310th. This has been achieved without the aid of new floorspace development and is testament to the fact that the town has been able to maintain a healthy retailer line-up. Other centres that have been unable to do this have seen their respective rankings drift.

- Sudbury's catchment is understandably constrained by the three large centres that trade in relative proximity – Ipswich to the East, Colchester to the South and Bury St Edmunds to the North. The catchment is therefore a localised one, nevertheless extending to Hadleigh and Haverhill to the East and West respectively and including Glemsford and Lavenham to the North and Halstead and Bures to the South.

- A total of 84,618 people live within the parameters of Sudbury's catchment. Of these, over 25,000 fall into the Primary catchment. Our estimates suggest that the town has a shopper population (by definition, the number of people that use it for their primary comparison goods shop) of 29,863.

- It achieves a strong retention rate of 62.0% in its Primary catchment – including Sudbury Retail Park increases this figure to 71.7%. Colchester is the main 'competitive centre', accounting for 8.2% of trade, followed by Bury St Edmunds (4.8%) and Ipswich (3.7%).

- Outside the Primary catchment, shopper flows diminish. For the catchment as a whole, Sudbury's market share is 35.3% (increasing to 40.5% if Sudbury Retail Park is included). Leakage increases to Colchester (8.7%), Ipswich (7.3%) and Bury St Edmunds (6.4%), whilst Freeport at Braintree increasingly emerges as a competitive centre (8.4%)

- Rather than directly compete with these more regional centres, Sudbury's role is much more localised. It should play to its local strengths as a top-up destination through a convenient and attractive retail offer that sets it aside from the smaller nearby towns of Hadleigh, Haverhill and Halstead.

- The geo-demographic profile of Sudbury's catchment is a relatively diverse one. Five (out of 15) MOSAIC Groups emerge as more significant, collectively accounting for 67% of the catchment. The two key Groups are the community-based 'Small Town Diversity' (22.4%) and 'Rural Solitude' (17.6%) – both have vastly higher representation in Sudbury than the national average (more than double and four times, respectively).

- The other significant MOSAIC Groups are 'Professional Rewards' (12.9%), 'Industrial Heritage' (9.0%) and the more mature 'Active Retirement' (5.0%). Representation from all three is higher than national averages.

- There is an interesting polarity between the immediate town centre and the wider catchment. In broad terms, the latter is dominated by the more affluent 'Professional Rewards' and 'Rural Solitude' Group. The other, slightly less prosperous groups are located closer to the town centre.

- There are interesting skews in the MOSAIC profiles of the Catchment and Shopper Populations, with under-representation of both 'Professional Rewards' and 'Rural Solitude' in the latter.

- In simple terms, the town is perhaps not currently catering sufficiently for the more affluent geo-demographic groups in its catchment and many are consequently shopping elsewhere. We believe that 'reclaiming' these shoppers is a key challenge and opportunity for Sudbury.

- The 'Retail Audit' is a detailed 'root and branch' health check of Sudbury, derived through benchmarking the town against a peer group of 12 other centres of comparable retail scale and geo-demographics - in some cases, the centres are regionally competitive, whilst most also have a heritage status and are 'quintessential market towns'.

- Sudbury compares favourably to the benchmark centres on many retail measures. However, the Retail Audit nevertheless highlights some areas of weakness and aspects which may warrant improvement.

- In terms of overall supply, Sudbury currently has around 460,000 sq ft of retail and leisure floorspace. This is around 96,000 sq ft less than the benchmark average (550,000 sq ft). The shortfall is more pronounced in comparison goods (192,000 sq ft vs 236,000 sq ft) and leisure services (118,000 sq ft vs 132,000 sq ft) than it is in convenience goods, where there is virtual parity (84,000 sq ft).

- The inherent strength of Sudbury as a retail centre is manifest in exceptionally low vacancy figures. At the time of our audit (July 2011), just 5.9% of units were vacant. This is significantly lower than both the national (14.5%) and benchmark centre average (10.0%). Sudbury has the second lowest rate of the peer group behind Newmarket (5.3%).

- Sudbury's vacant stores are for the most part very small units. Expressed as a percentage of total retail floorspace, the town's vacancy rate is just 2.3%, by far the lowest of the benchmark centres (which average 8.1%).

- One of Sudbury's strengths is the balance between multiple operators and independents / local traders. The former account for 55% of floorspace in Sudbury, virtually on a par with the benchmark average (54%). However, the manifestation of this plays out most positively on the ground, with both intermingled across the town, rather than in contrasting pitches. A scenario whereby both national and small players trade alongside each other in a mutually-supportive way is a relatively rare occurrence.

- In terms of retail mix, the town is well-supplied in a number of key categories, particularly department and variety stores. Boosted by Roys and the multiple presence of Winch & Blatch, Sudbury has nearly three times the average number of department & variety stores and around 90% more floorspace. Other sectors where it exceeds averages include carpets & flooring, music & video recordings and photographic shops.

- Conversely, there are a number of retail sectors in which the town is currently 'under-weight'. These include ladieswear & accessories, footwear, jewellery/watches/silver, newsagents & stationers, telephones & accessories, crafts/gifts/china & glass, hardware & household goods and textiles & soft furnishings. We acknowledge that these categories are catered for in the department & variety stores, but the town has less specialist representation in these areas than the benchmark centres.

- Of these, ladieswear is perhaps the most significant. Sudbury has around 25% less womenswear space than the benchmark average and only around half the number of specialist womenswear outlets. Redressing this imbalance (particularly in the upper mass market) represents a major opportunity.

- In terms of leisure mix, there are a number of apparent contradictions. The town is ostensibly under-supplied in drinking establishments (pubs and wine bars), has more nightclubs than the benchmark average. Similarly, its apparent lack of provision in restaurants is counterbalanced by a larger than average number of fast food outlets and takeaways.

- Due to the historic nature of the retail supply base, some of the existing retail multiples in the town appear 'under-spaced' relative to the units they occupy in the benchmark centres. A total of 32 retailers fall into this category, although in all but nine cases the differences are only slight (<1,000 sq ft). Some retailers (Vodafone, Carphone Warehouse, William Hill, Toymaster, Co-op) trade from units less than half the size of their respective benchmark average.

- Despite these 'compromises', realistically there is only limited scope of re-locations and 'right-sizings' within the town. Most retailers are trading in units consummate with their requirements and only a few (eg the mobile phone operators) would upsize if suitable opportunities arose. If new floorspace were to be developed, we would anticipate only limited occupier displacement from the existing retail infrastructure.

- Our 'gap' analysis of missing retailers highlights a substantial pool of potential occupier demand. We are able to identify 81 'gaps' (by definition, operators that trade in at least two of the benchmark centres). Of these, 19 'gaps' trade in at least half of the benchmark centres and include key national multiples such as Clarks, Claire's Accessories, Peacocks, Marks & Spencer, H Samuel, The Body Shop and Sports Direct.

- This level of potential demand is tempered somewhat by actual retailer requirements. There are currently just two retailers with listed requirements for Sudbury. Although few in number the two requirements are relatively high in profile – Peacocks (4,000 – 10,000 sq ft) and Costa Coffee (1,200 – 1,500 sq ft).

- The level of retailer requirements probably understates actual occupier demand for the town. But at the other extreme, only a limited number of the retailers identified in the 'gap' analysis will actually want to open in Sudbury. For many, Sudbury may be too small to register on their respective radar screens.

- The chances of attracting new retailers is likely to increase if new floorspace is developed, in that newer floorspace is more accommodating to modern-day retailing needs. The 'gap' analysis (and retail audit generally) will therefore be a key feed in appraising the viability of the Hamilton Road site.

- Despite its inherent strength, Sudbury will not be immune to improvements in other centres. This reinforces the need to continue to invest in its own infrastructure if it is tom remain competitive.

- The catchment analysis highlighted Colchester as Sudbury's most competitive centre. Any new scheme in Colchester is likely to have to a negative impact on Sunbury. Our modelling suggests that if Colchester's Vineyard Gate scheme were to proceed as originally planned (550,000 sq ft), this would have diverted some £4.9m of existing comparison goods spend away from Sudbury. This would have represented spend erosion of around 5.4%.

- The recession has severely undermined the retail development pipeline. We understand that the revised proposals for Vineyard Gate have seen the scheme's potential new floorspace reduce to around 170,000 sq ft. If this scheme materialises, we estimate that £1.6m (1.8%) of Sudbury's comparison goods spend would gravitate to Colchester. Although not catastrophic, this could nevertheless be fairly damaging in the context of a very weak retail market generally.

- On a more positive not, our analysis suggests that Sudbury will be incubated from the competitive threat proposed by the new Stratford City scheme when it opens in September 2011.

- General property market conditions remain very challenging, both nationally and locally. As a general rule, Suffolk has historically out-performed the Eastern Region, but fallen slightly short of national averages.

- Retail property capital values in the Eastern region bounced back very strongly (+5.0%) in 2009 and grew by a further 4.4% in 2010 (versus a UK average of 7.8%). However, we are predicting a 'double dip' this year (-1.3%) before markets return to growth in 2012.

- Retail rental values continue to decline locally and nationally. In the Eastern region, they slipped back by a 2.8% in 2010, with a further decline of -1.9% forecast this year. A return to positive market growth is not forecast until 2013 (+1.3%).

- Although property markets have improved, performance is still very fragile. On a positive note, any new retail development currently at the conception or planning stage is likely to be delivered into the market at a time of sustainable growth. However, given that most schemes are still appraised at current values remains a major hurdle for new developments to be financially viable.

3 Macro Retail Market Overview

3.1 Background

This section provides an overview of the UK retail market as a whole, highlighting current market conditions, significant trends and key issues. It is macro in scope rather than particular to Sudbury. Although Sudbury is ultimately the solid focus of this Study, it would be short-sighted to explore local trends in total isolation from the national picture. This section is therefore provided primarily for context.

3.2 Retail Sales Performance and Trends

The recession and UK economic performance has been well documented. In very simple summary, the banking-induced credit crisis started to take root from mid 2007, before the actual economic downturn set in Q4 2008 in the wake of the collapse of Lehman Brothers. The UK officially went into recession in Q1 2009. GDP declined by 4.9% in 2009.

The country returned to economic growth in Q2 2010, but output for the year as a whole was just 1.3%. Despite a degree of recovery, many aspects of the economy remain fragile, not least the level of national debt. Oxford Economics is forecasting that UK GDP will grow by just 1.7% this year and by 2.3% in 2012.

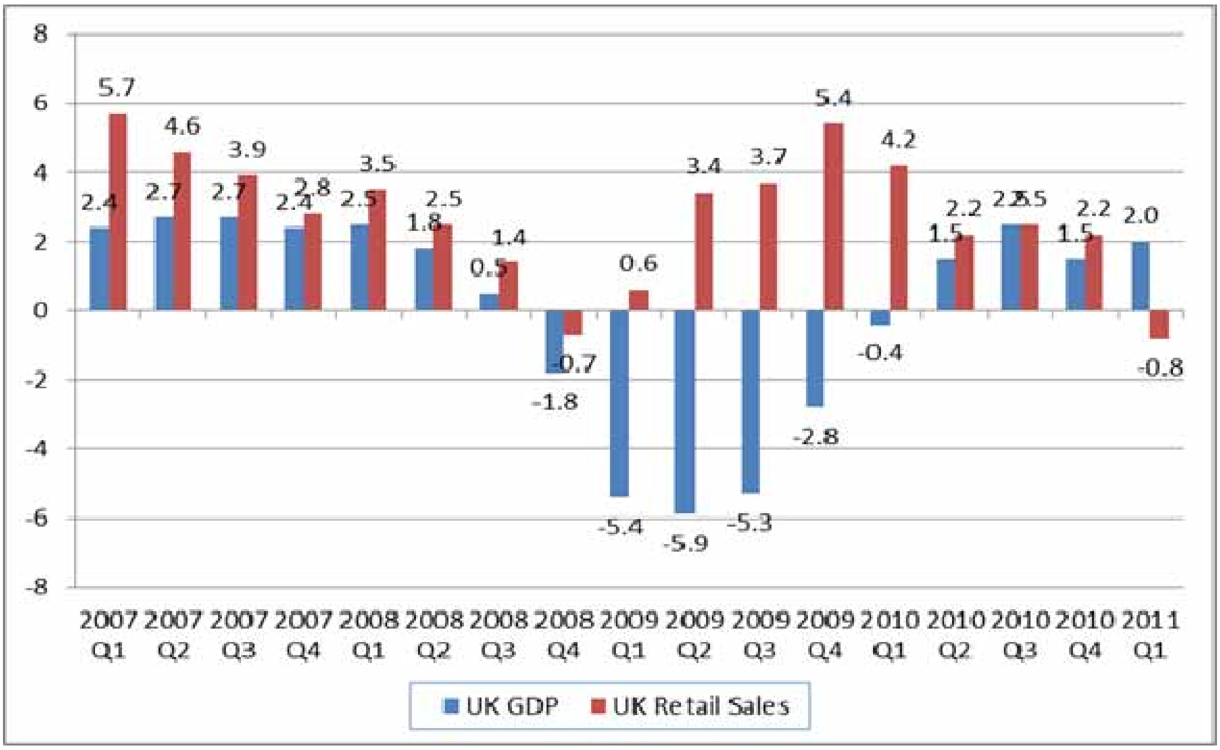
Interestingly, the retail market has not tracked the wider economy over this period (Fig 1). Economic wisdom suggests that as an integral part of the economy, retail sales performance would be closely wedded to that of GDP. This has simply not happened and for much of the recession, retail sales have seemingly defied gravity. In simple terms, there has not been a retail recession as such, as retail sales only contracted in one quarter (Q4 2008). In 2009 as a whole, whilst the overall economy shrunk by 4.9%, retail sales increased in both volume (1.2%) and value (0.8%) terms (source: ONS).

That is not to say that the last few years have been easy for retailers – on the contrary, there has been intense pressure on the high street and most retailers have severely felt the pinch. But the resilience of the sector has surprised most economists.

Why has the retail sector out-performed the wider economy to date? In many respects, this is due to the strength of the UK consumer, who has an uncanny ability to defy economic logic. One striking difference between this recession and ones that had gone before was the redefinition of 'essential' and 'discretionary' spend – what people must buy to live (eg food) and what are luxuries (eg fashion and homewares). Traditional economic wisdom dictates that 'discretionary' spend will diminish in times of hardship; however, in many cases, this has not necessarily proved to be the case (particularly in the clothing/'fashion' market). We would attribute this to fashion, for many people, now being an 'essential' rather than 'discretionary' item. In other words, people would sooner do without other things that give up clothes shopping.

What we have seen in many areas is a re-prioritisation of spending propensities. Retail has actually benefited more than other consumer spending categories. With less money in their pocket / bank balance, many consumers have opted to sacrifice spend in other categories such as leisure (drinking, eating out), cars, holidays etc in order to preserve their 'essential' retail purchases.

Fig. 1 – UK GDP Growth versus Retail Sales Growth 2007 - 2011



Source: ONS, BRC, KPMG

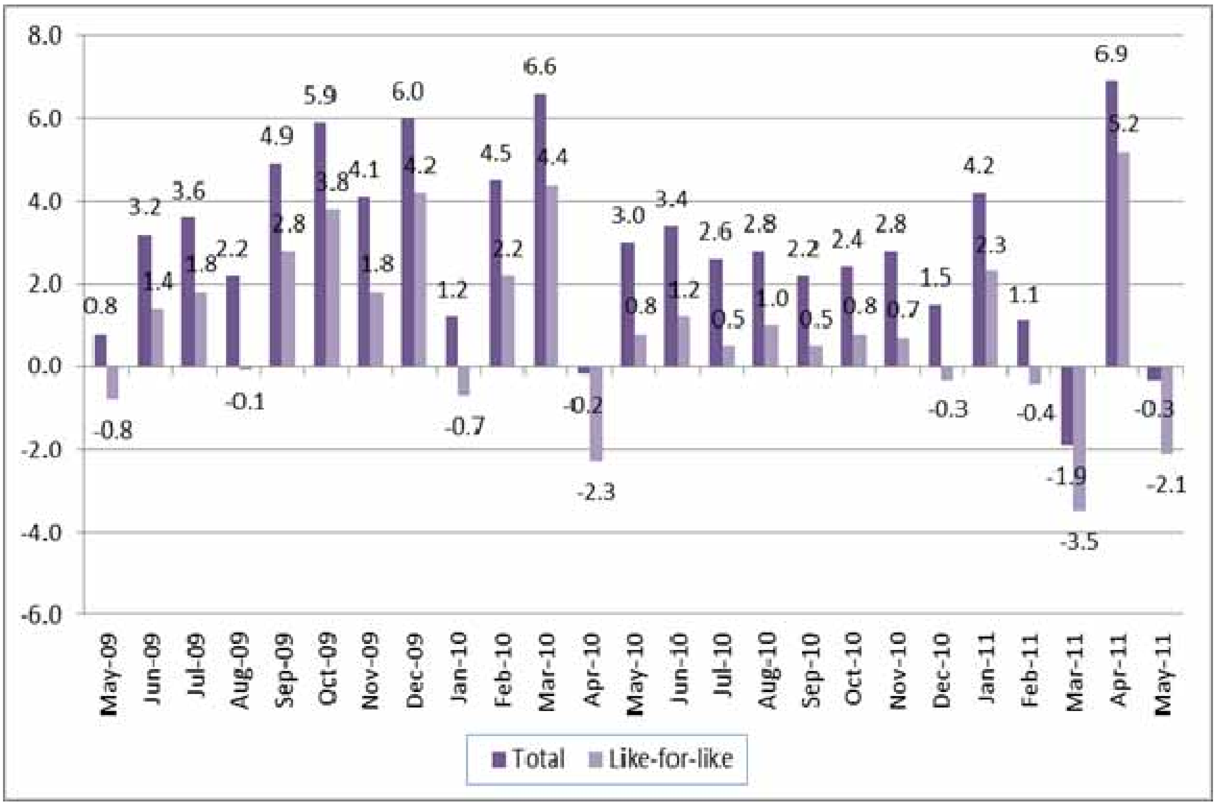
Similarly, it would be wrong to assume that all consumers' budgets have been squeezed. It is worth flagging that interest rates have kept very low (0.5%) since March 2009. This has clearly benefited consumers on variable rate mortgages who have seen their monthly payments substantially reduced and counterbalanced other pressures on disposable income.

However, time is rapidly catching up with the retail market. Having decoupled from the wider economy, it would be unreasonable to expect retail sales to suddenly re-track underlying GDP growth. Indeed, there is growing evidence to suggest that retail sales are starting to stall badly just as the wider economy recovers. This is hardly surprising given the multitude of new pressures that the consumer is facing – a higher rate of VAT, rising inflation and public sector job cuts to name but three.

The BRC proclaimed that March 2011 'was the worst sales fall for at least 16 years', with year-on-year like-for-likes down 3.5%. Even total sales (which include new space) declined 1.9%. However, the severity of these figures needs qualification on account of the timing of Easter. Last year, it fell in March, providing a sales spike and a very demanding comparative. With Easter this year falling in April (coupled with the additional Bank Holiday), there was an inevitable (but deceptive) 'bounce back' in April (+6.9% total, +5.2% like-for-like).

Without any distortion over the timings of Easter. May's figures were very sobering – total sales were down 0.3% and like-for-likes were down 2.1%. Early evidence points to further deterioration in June.

Fig. 2 – Monthly UK Retail Sales Growth 2009 - 2011



Sources: BRC, KPMG

The artificial spikes in recent months have detracted from the underlying picture, which is of a marked slowdown. Consumer confidence is weak and disposable income is being severely squeezed as inflation on goods and services significantly outweighs wage increases. For Q1 as a whole, like-for-like retail sales were down by 0.8%, with non-food declining by 1.1% and food by 0.3%. To compound matters, these figures are flattered by high inflation – in volume terms, retail sales are declining sharply.

Whatever the official figures say, the best barometer of the state of the market is usually retailer sentiment. And retailers are almost unequivocally cautious as to the short- and medium-term outlook. In recent weeks, many have reported faltering sales and a number have warned on profits. If there is any consolation, it is that retailers have had plenty of time to prepare for a downturn and most have battened down the hatches accordingly.

In short, 2011 may prove the toughest year yet for retailers, with little by way of respite in 2012.

3.3 On-line/internet shopping

E-tailing has undoubtedly been one of the most influential factors in the retail market over the last decade. The common belief (one usually perpetuated by the media) is that e-tailing has had a wholly detrimental effect on the traditional high street and that store-based retailers are slowly being killed off by lower-cost Internet-based operators.

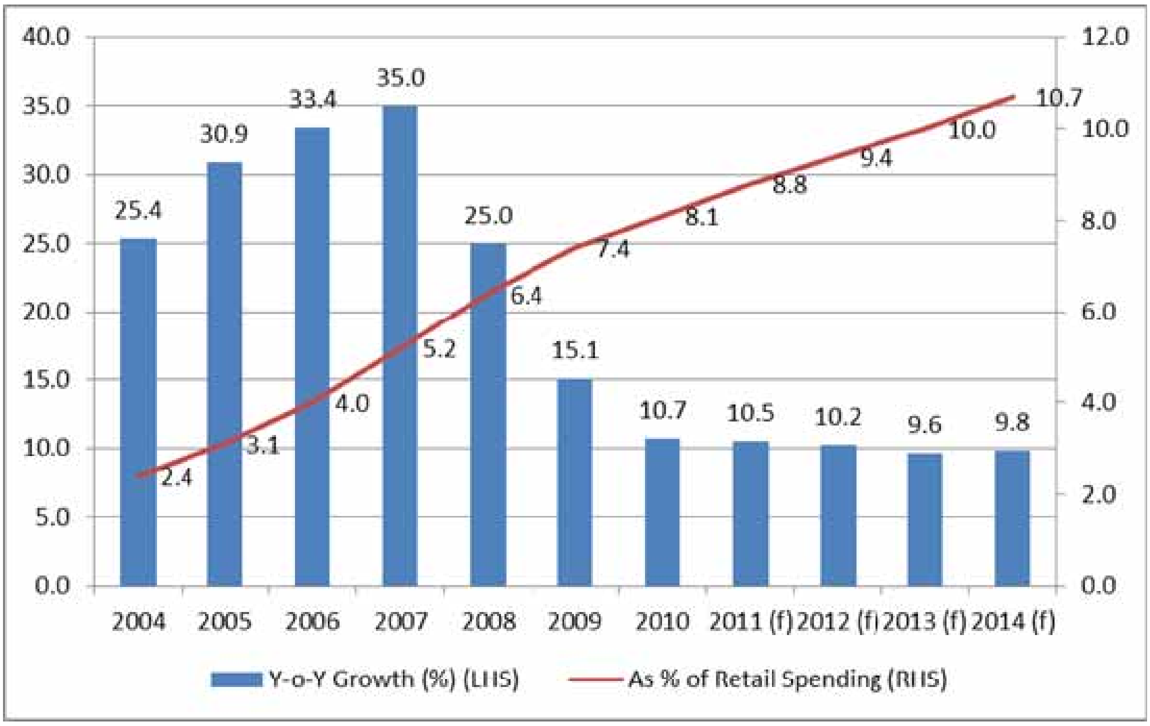
We believe this view to be far too simplistic. We would point to two key misconceptions in the way that e-tailing is commonly regarded:

- E-tailing actually accounts for a far lower proportion of retail spending than most perceive
- Most of the largest E-tailers are actually traditional store-based retailers with a multi-channel proposition, rather than Internet 'pure plays'

To develop the first of these misconceptions, there is no denying that Internet retailing has grown rapidly in recent years and that current and projected growth rates are comfortably above averages for the retail sector as a whole. etail research houses Mintel and Verdict estimated respectively that e-tailing accounted for just 6.6% and 7.4% of all retail sales in 2009. By 2014, these shares are forecast to reach 9.9% and 10.7% respectively.

To counteract the second misconception, Mintel estimates that internet 'pure plays' actually only account for just 34% of all online sales. Stripping out the three largest 'pure plays' – Amazon, Dell and eBay – reduces this share to less than 20%. Mail order companies make up a sizeable share of the online market (23%), but the largest share (43%) is held by store-based operators, which include the major grocers. It is worth stressing that the largest e-tailer in the UK is, in fact, Tesco, with Argos ranking third and DSG, Sainsbury's, Asda and Next all making the Top 10.

Fig. 3 – Online Spending 2004 –2014 (f)



Source: Verdict Research

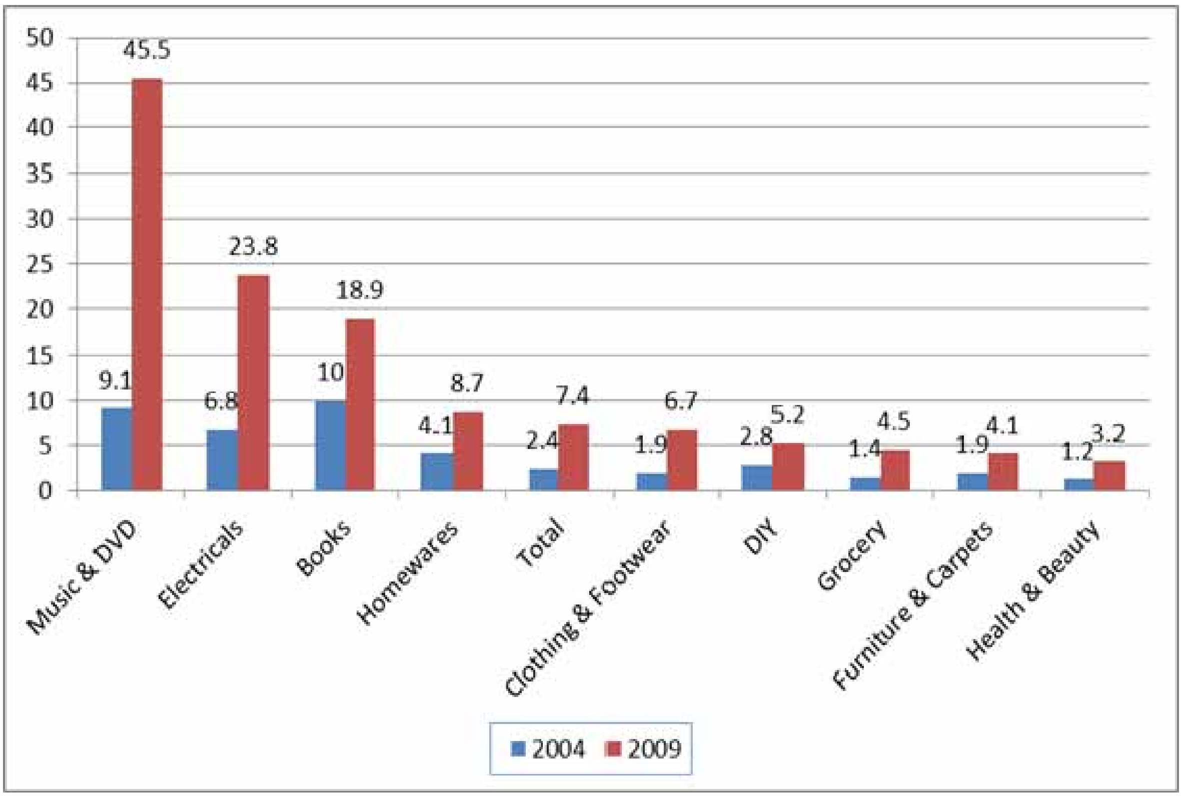
The point we are making is that the somewhat facile 'Internet versus high street' argument is misplaced. Most retailers are now multi-channel operators, with both a high street and online proposition. The reality is that retailers are committed to investment in both and are looking to leverage opportunity across a number of channels. But this has, in itself, intensified the competitive landscape.

The effects have also varied by retail sub-sector, with some feeling the influence much more than others. 'Commoditised' retail markets such as electricals (which is dominated by manufacturers' brands), books, CDs and DVDs (all driven by title) have witnessed the greatest level of change on the back of the Internet revolution. Verdict estimates that in 2009, 46% of music/DVD sales were conducted online, 24% of electricals and 19% of books.

In broad terms, the Internet is not simply supplanting the high street. Some sectors (eg music/DVDs, books, off-licences) are seeing their presence on the high street diminish, but this tends to be part of wider structural change.

To take the example of music and DVDs, the rise of Amazon and digital downloading is widely blamed for the demise of the specialist operator, HMV effectively being the last of a dying breed (itself experiencing difficulty). But there are other competitive factors in play, not least the incursion of the major grocers on a market increasingly dominated by major releases than any breadth of product. DVD sales are also declining as penetration (and influence) of SKY increases and lead-times from cinema to mainstream television are significantly reduced. Added to the fact that, regardless of channel (on-line or not), consumers are buying far less music now than they were a generation ago.

Fig 4 – Online Share of Retail Spending by Sector 2009 vs 2004



Source: Verdict Research

The two misconceptions we highlight aside, it is difficult to under-estimate the significance of e-tailing. It continues to have a profound effect on retailing, but the issues are a lot more complex than the widely-held view that it is merely 'killing the high street'.

3.4 Retailer Implications

The last three years have undeniably been very challenging for retailers. As we will go on to discuss, for some the environment has proved too tough and a number of retailers have succumbed to administration. For virtually all retailers, there has been a drive to reduce debt and cut costs as market conditions have tightened.

Property costs are the single largest overhead that any retailer is likely to carry. The drive to reduce costs has therefore manifested itself in the retail property market, particularly in rental levels. As we discuss in depth later in this section, there has been a substantial 'correction' in retail rents and the balance of power has, in many cases, switched from the landlord to the tenant (perhaps much more so in the case of larger multiple operators than independents).

Against this backdrop, occupier demand for new retail space has not simply evaporated. Conventional wisdom suggests that a downturn in retail sales forces retailers to tighten their belts and scale back on their expansion programmes. Whilst the former assumption is undoubtedly true, in our experience, few retailers call an outright halt to expansion programmes in difficult times. Indeed, fall-out from other players may have created rare (and possibly cheap) expansion opportunities.

The example of Woolworths emphasises this point. The company's collapse saw 800+ large units fall vacant just as the recession started to bite. In the media, much has been made of the fact that some of the stores still lie vacant two years on but the reality is that nearly four-fifths of the portfolio has now been reoccupied. That such a high proportion of vacated retail space could be re-absorbed back into the market within such a relatively short space of time and under such difficult economic circumstances is little short of remarkable. It certainly proved that occupier demand was not dead.

A whole host of retailers took on the former Woolworths stores. A large proportion of these were what are generically called 'pound shops' (eg Poundland, 99p Store etc) and such value formats remain highly expansive. Pound shops still carry a degree of stigma, unfairly so in our opinion, as most are very well-run retail organisations. Indeed, the store environments, product diversity and visual merchandising often put to shame their previous incarnations as Woolworths stores. In many other cases, the stores are now occupied by a higher profile fashion retailer.

Occupier demand is not dead, but it is certainly not rampant. Retailers are increasingly selective in their new store requirements. This selectiveness extends to all aspects of their location planning strategies – the right town to target, the right site within that town and the right rental value. Understandably, there is a general reluctance to compromise on any of these aspects. Equally, in the type of unit they occupy in terms of pitch, size and configuration. In very general terms, this means that newer property stock tends to attract higher occupier interest, although there are also a number of retailers that prefer traditional units and the quirks that these may offer.

Most retailers remain on the expansion trail to some degree. Even those currently 'battening down the hatches' will consider opportunistic deals, as and when they arise. But at the same time, retailers are simultaneously reappraising their existing portfolio. Most multiple operators have a number of under-performing and loss-making stores within their respective estates and will seek to offload those when leases expire. Arcadia is currently a good case in point – leases on a substantial number of the group's 2,500+ stores are set to expire in the next couple of years. Where the group is unable to negotiate a more favourable rent position, stores are likely to close.

Arcadia's situation mirrors that of many other smaller multiples. On this basis, there is likely to be considerable 'churn' on the high street in the coming years. There tends to be a degree of local alarm when a major retailer closes a store. In many cases, however, rather than herald long-term decline, this is just part of natural evolution of the high street

3.5 Administrations/Fall Out

Over the course of the recession, there were inevitably a number of retailer casualties – the highest profile of these being Woolworths, MFI and Baugur (which owned a number of high street brands, including Iceland, Goldsmiths, Julian Graves, Hamleys, Karen Millen, Oasis, Coast, Whistles). In terms of headline numbers, Verdict reported that in the period between January 2008 and March 2009, around 100 retailers went into administrations, representing over 9,500 outlets and 24.2 million sq ft of floorspace.

The wave of administrations was at its most pronounced around Christmas 2008 (with Woolworths, MFI, Zavvi and The Pier failing in quick succession), largely coinciding with quarterly rent payment day. Over that period alone, around 30 retail multiples entered administration, collectively representing more than 3,200 retail outlets and more than 17 million sq ft of floorspace.

After an initial wave (and reports of meltdown on the high street), the number of retail administrations subsequently slowed to little more than a trickle. Many commentators glossed over the fact that many of the failed retailers were in difficulty prior to the onset of recession, either through poor strategic positioning/execution or precarious financial position (notably high levels of gearing).

We would define the four root causes behind retailer failure as:

1 Collapse in Consumer Demand

2 Terminal Structural Change

3 Debt

4 Retailer Ineptitude

As we have already discussed, 'Consumer Demand' is not universally weak, although some sectors are more severely affected than others. Hardest hit have been bulky goods sectors - furniture, homewares, floorcoverings, DIY and electricals. Likewise 'Structural Change' can be equally terminal, be this a migration from the high street to out-of-town, switch away from generalists towards specialists, or the rising power of the Internet.

'Debt' is perhaps the most significant root cause. Gearing is a fundamental part of retailing, but excessive debt is particularly onerous in times of recession. Such strong cash-flow is needed to service debt that even a profitable business can fold. Private equity is certainly responsible for much higher debt levels amongst retailers nowadays. However, the private equity model (acquiring a retail business in a highly leveraged deal, extract cash/asset strip and then sell on/float a highly geared, cash starved remnant) is now broken. There is no longer an 'exit strategy' for private equity owners, such that non-retailers are left to manage a sophisticated and indebted retail enterprise. There is also the issue of respectable retail businesses that have been through the full private equity mill and are now struggling under the burden of the residual debt.

Of the four causes perhaps 'Retailer Ineptitude' is the most overlooked. The simple fact is that there are good and bad retailers, and strategic and operational shortcomings are more cruelly exposed in a downturn. Recession only accelerates the incumbent 'Retail Darwinism' that exists regardless.

The 'headline' figures (ca. 10,000 outlets and 25 million sq ft of floorspace) may be alarming, but they are also misleading. As we have already discussed through the example of Woolworths, large proportions of the vacated space were quickly taken on by other retailers. Similarly, very few of the retailer administrations saw the retailer disappear completely from the high street (Woolworths, MFI, Zavvi and The Pier were exceptions, rather than the rule). Most of the retail casualties have re-emerged as leaner operations through pre-pack deals or Company Voluntary Arrangements (CVAs). In essence, therefore, not all these outlets have therefore come to the market and many of the brand names live on in streamlined form.

Figures from leading accountancy firms suggest that, after a relatively benign period, there is an uptick in retailer administration activity. Wilkins Kennedy has reported that there were 47 retailer CVAs in 2010, up from 41 in 2009. Meanwhile, PricewaterhouseCoopers (PwC) reported that there were 448 retail insolvencies in Q1 2011, an increase of 6% on the corresponding period the previous year. Although alarmingly high, it is worth stressing that this figure refers to retail businesses of all sizes and therefore includes independents and unit traders. The PwC figures are a sobering reminder of the intense pressures faced by independent traders and their need for support. Lacking the scale of the multiples, small operators sadly often have fewer defence mechanisms than their larger multiple counterparts.

In this respect, retailer fall-out has perhaps been less devastating than feared, certainly when the market was at its nadir at the end of 2008. But the spectre of further administrations still hangs over the sector. Q1 2011 saw British Bookshops & Stationers, The Officers Club and Oddbins file for administration, whilst JJB Sports was rescued by a second CVA, which saw the majority of creditors and shareholders agree to a move that will see up to 89 stores close over the next two years and rents on some properties cut by up to 50%.

A recent 'mini wave' of administrations in June (coinciding with quarterly rent payment day) has seen the media spotlight once again fail on the high street. Habitat, Jane Norman, TJ Hughes and Homeform (none of whom trade in Sudbury) all succumbed in quick succession, once again prompting headlines of the high street's demise. But again, significant portions of these businesses have been salvaged through acquisition or CVA, so the fall-out is not 'wholesale'. Whilst underlining how difficult retailing conditions are, it also worth cross-referencing these latest victims against our identified root causes of retailer failure – debt brought about by private equity ownership is a very telling common denominator between the four.

There will inevitably be further retail casualties going forward, all the more so as retail sales stall further. However, we would anticipate that fall-out will be restricted to relatively small players – we do not anticipate a repeat of the late 2008 / early 2009 'bloodbath'.

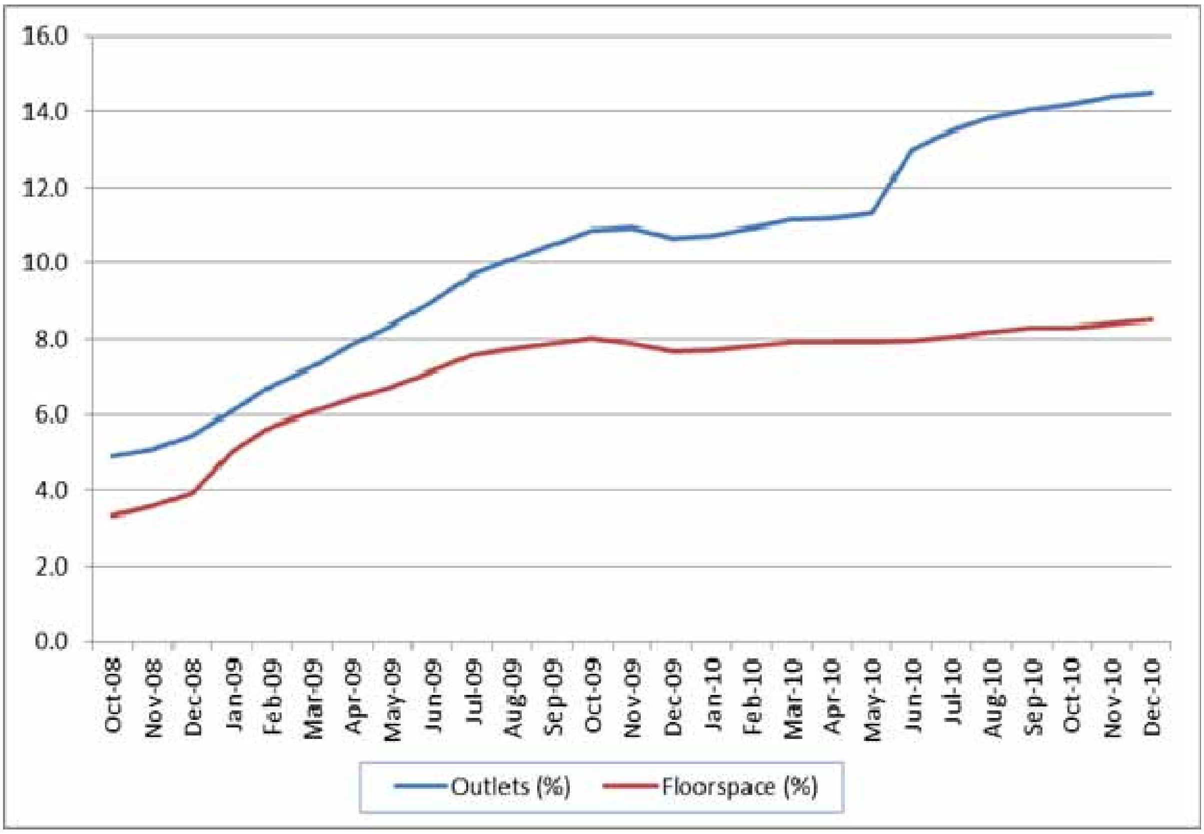
3.6 Retail Vacancy

Retail vacancy is an emotive theme and is often regarded as the ultimate barometer of the health of the high street. However, figures for vacancy rates in retail are notoriously suspect. The Local Data Company (LDC) has established itself as a leading authority in this area and their figures are most readily quoted by the media. However, we have encountered a number of instances where their data is inconsistent with more local sources.

From experience, there are two main reasons for discrepancies. On the one hand, the physical boundaries / parameters of a town may differ from one survey to another. On the other, as a very fluid and rapidly-changing market characterised by small units, in can be difficult to differentiate between transient and long-term vacancy. In the case of the former, the vacant unit may simply be undergoing refurbishment, or awaiting fit-out and occupation by a new tenant that has agreed terms. In this respect, it is not 'vacant' in a meaningful sense. LDC's policy is to assume any non-trading unit to be vacant, an approach which can inflate quoted vacancy rates (and the tone of LDC's accompanying literature / presentations can, in our opinion, be overly-negative).

According to LDC, the national vacancy rate stood at 14.5% at the end of 2010, up from 12% at the end of 2009. Within the national figure, there is a strong North – South divide, with average vacancy in Northern and Midlands regions around 17%, compared with around 12% in London and the South East. There are also considerable variances by centre, with Margate suffering the ignominy of having the highest vacancy rate in the country (37.4%).

Fig. 5 – National Retail Vacancy Rates (%) – Outlets and Floorspace



Source: LDC

Unfortunately, we believe that the debate over the veracity of the figures and the tendency to not look beyond national figures or facile North – South divides detracts from the real issues surrounding retail vacancy, namely why it has occurred and what measures can be taken to reduce it.

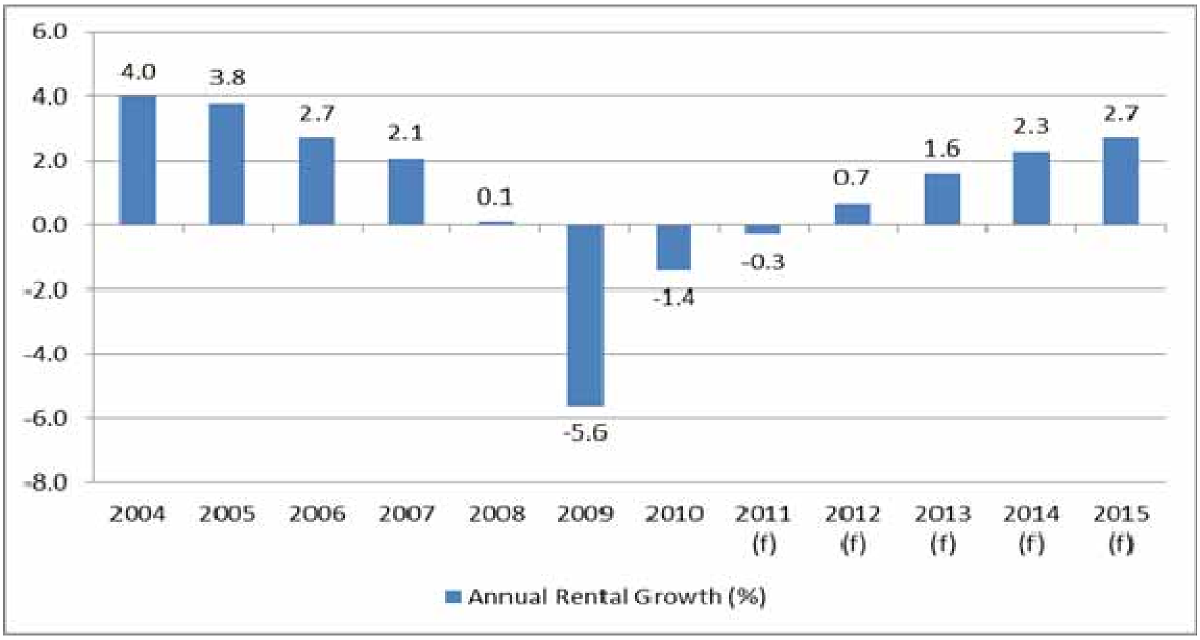
Taken at face value, vacancy rates do highlight regeneration need – centres with large numbers of empty shops are invariably failing and in need of significant investment in retail infrastructure. However, in most cases there is still an undeniable 'ugly tail' of retail vacancy. This is retail stock that is never likely to be re-absorbed back into the market because it is too old, poorly located and ill-configured for the demands of modern day retailing. Often, this takes the form of standard shops in very tertiary locations and largely redundant local parades.

This raises two issues and fundamental market needs. Firstly, if the tertiary empty shops are unlikely to be reabsorbed back into retail use, they are fundamentally obsolete and the onus is on planning to find more appropriate use classes for them. Secondly, it underlines the need for the retail market to continue producing more modern floorspace, either through recycling existing stock or new development. In short, contrary to popular belief, vacancy does not preclude new development.

3.7 Retail Property Market Trends and Performance

The upheaval in the retail occupier market has sparked significant changes in retail property markets. Generally speaking, there has been a shift in the balance of power away from the landlord in favour of the tenant. With greater availability of floorspace, more selective occupier demand and the unwelcome prospect of voids, many retailers have been able to strike a harder bargain on rents, lease terms and incentives. As evidence of this change, a number of retailers have successfully negotiated a shift to monthly (as opposed to quarterly) rent payments to ease cash flow.

Fig. 6 – Annual Retail Rental Growth 2004 – 2015 (f)



Sources: IPD, REFL, Jones Lang LaSalle

This shift in power is acutely manifest in national retail rental trends. According to industry standard data from Investment Property Databank (IPD), underlying retail rents started to decline in the latter stages of 2008 and went into freefall the following year. The annual decline of 5.6% in 2009 was the sharpest since IPD records began in 1981. As a general figure relating to all retail property types (eg standard shops, shopping centres, retail warehouses) across the whole country, this may not do justice to rental declines in individual towns and on individual assets. Anecdotal evidence suggests that rental declines of over 20% were not uncommon.

Perhaps more significantly, the retail rentals market has yet to recover. Rents declined by a further 1.4% in 2010. Our latest in-house forecasts (produced in conjunction with Real Estate Forecasting Ltd) suggest that rents will stay in negative territory this year (-0.3%), only returning to modest growth from 2012. More sustainable recovery is not forecast to set in until 2014. Even allowing for this, by 2016 retail rents will only return to the level they were at in 2008.

The performance in retail property investment markets has been even more volatile. Although indelibly linked to retail occupier markets, investment markets, by their nature, are also very much at the mercy of the banking sector. The credit crunch and subsequent collapse of Lehman Brothers caused the banks to effectively 'shut up shop' and cease lending, totally derailing the retail property investment market. This prompted a rapid collapse in retail capital values (-10.1% in 2007 and -26.7% in 2008).

Fig. 7 – Retail property Annual Capital Value Growth 2004 – 2015 (f)

Sources: IPD, REFL, Jones Lang LaSalle

Retail property investment markets have since recovered but remain volatile. The bounce-back in 2010 was initially strong (+9.3%), but much more modest growth is forecast this year (+1.4%). Our forecasts suggest a second dip in values in 2012 (-0.3%).

Institutional demand for retail assets remains fairly strong. Yields for shopping centres and prime retail units continue to compress, albeit at a slower rate than late 2009 / early 2010. From an investment perspective, there is still a lack of product in the market, particularly prime high street stock. The market is also highly polarised between prime and non-prime (secondary/tertiary). In general, there is still sufficient cash chasing the sector, although investment demand is very skewed to prime / good secondary assets.

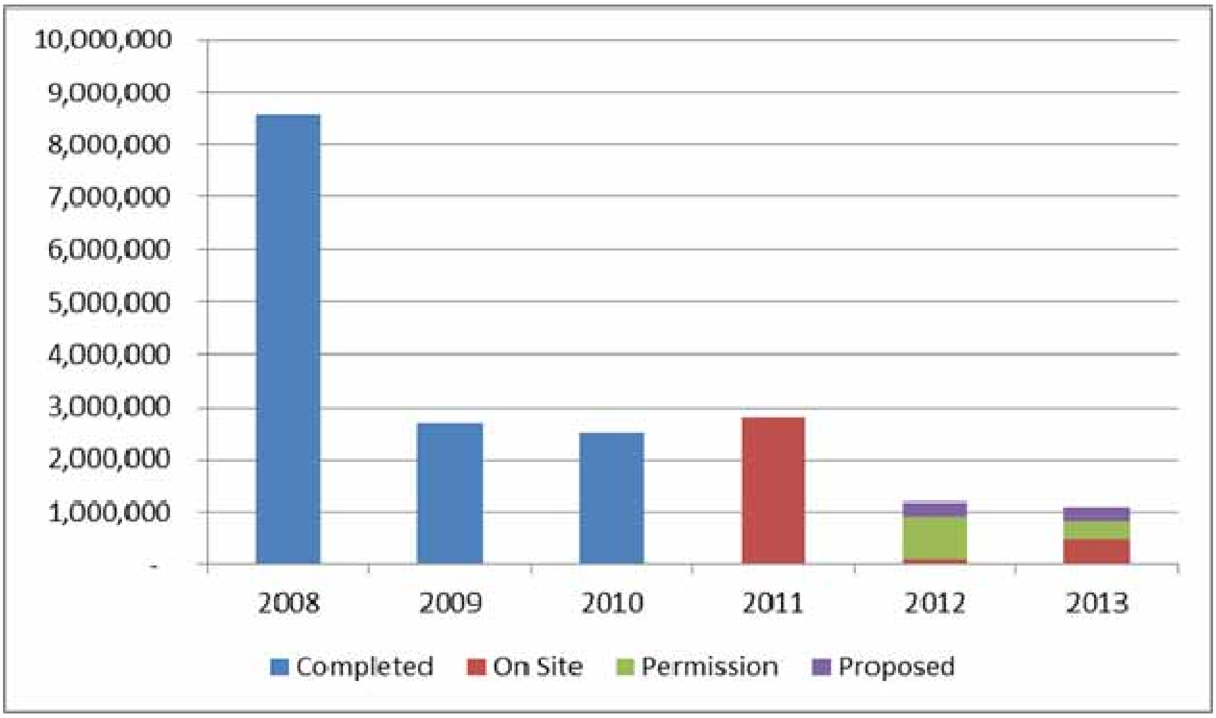
The IPD figures and REFL forecasts for Suffolk are analysed in depth in Section 6 of this report.

3.8 Development Pipeline

Funding constraints, rapidly fluctuating capital values and an uncertain occupier market have conspired to totally destabilise the retail delivery pipeline. In fact, the supply pipeline (or lack of) is one of the key issues currently facing the retail property market.

The development pipeline reached a 'high water mark' in 2008 when over 8.5 million sq ft of new shopping centre space was delivered to the market. This figure reduced dramatically in 2009 and 2010 when 2.7 million sq ft and 2.5 million sq ft of new space were developed respectively.

Fig. 8 – New Shopping Centre Development Pipeline 2008 – 2013



Sources: Jones Lang LaSalle

Only around 3 million sq ft of new shopping centre space is expected to open in 2011. In isolation, this figure may seem substantial, given current market conditions. However, this represents just three schemes and is dominated by a single one - Westfield's Stratford City (1.6 million sq ft), which is scheduled to open in September 2011.

The only other new pipeline schemes of any scale for 2011 are Trinity Walk in Wakefield and Parkway in Newbury. The former is scheduled to open in May and will be a 550,000 sq ft development salvaged by a consortium of Sovereign Land, AREA Property Partners and Shepherd Construction, following the collapse of original developer Modus. The latter is being developed by Standard Life and Shearer Property. At 295,000 sq ft and anchored by Debenhams and Marks & Spencer, the scheme is scheduled to start trading in October.

Beyond this year, the pipeline is very dry. Only a handful of the schemes that were originally proposed in the late 2000s are now likely to reach fruition. Very few have current planning consent, even fewer are actually under construction. One such scheme is the Land Securities' Trinity Leeds development, which will see an additional 460,000 sq ft delivered to the city centre. This is not due to come on-stream until Spring 2013, rendering 2012 an extremely barren year for new retail development.

Officially, there is as much as 35 million sq ft of new shopping centre space in the pipeline. However, the complex nature of town centre development, where land assembly, CPO, highways and planning risks (amongst other factors) can mean that the timescales involved from scheme conception to completion often extend beyond 10 years.

Consequently, many developers have put unviable developments 'on hold', whilst others have been scrapped altogether. Many schemes have been redesigned to reduce development costs, in order to increase viability and to place them in a position to start on site when the market improves. Due to the long lead-in periods for this type of development, we do not expect retail-led town centre development to return to any great degree in the next 3-5 years.

Even when the shopping centre development market returns, we believe it will be in a different guise. The 'traditional model', whereby a heavily-incentivised department store anchors the scheme and attracts other 'rent-paying' tenants, may no longer be financially viable in many instances. The fact that a number of the department store (eg House of Fraser and John Lewis) operators are themselves exploring different routes to market eg out-of-town stores, is perhaps also acknowledgement of this fact on their part.

We envisage three key alternatives to the existing model:

1 Department store anchors are retained, but on less incentivised and higher rent terms

2 Alternative anchors are established, such as foodstores or non-food formats of grocery operators eg Asda Living, Tesco Homeplus

3 Clustered MSUs (eg Next, New Look, Top Shop, H&M, Zara, Primark, TK Maxx) combine to form a quasi anchor.

These general issues will be fed into our appraisal of the development proposals for Sudbury, which we address in the later stages of this Study.

4 Sudbury Now

4.1 Background

This section analyses Sudbury in its current context. There are three key areas of focus:

1 National and local retail rankings

2 Catchment area and competing centres

3 Geo-demographics

It will establish Sudbury's role in the competitive retail landscape in which it lies, and highlight the extent to which the town is successfully drawing from its catchment and which centres it is possibly losing out to. Also, it will examine the socio-economics of the catchment area, as a means of understanding the propensities, needs and aspirations of the people it serves.

4.2 Sudbury's Retail Ranking

There are a number of retail centre rankings. Although methodologies may vary between providers, the premise is essentially the same – to provide a national hierarchy based on the relative quality and strength of the retail proposition.

The ranking we tend to used is Javelin's Venuescore on the basis that it is more transparent than other rankings, provides comparisons on a greater number of centres and has a more consistent time-series. It not only takes into account the level of retail floorspace and number of retail units, but also factors in tenant mix. Each town is allocated a score based on its retail mix, which is driven by the presence of key multiple retailers. The score attached to each retailer is weighted to reflect their overall impact of shopping patterns. For example, anchor stores such as John Lewis, Marks and Spencer and Debenhams receive a higher score than unit store retailers to reflect their sphere of influence.

The most frequent criticism of Venuescore is that it does not make provision for independent operators - indeed, none of the major ranking providers do to any degree. This is primarily because any scoring of independents and their relative quality would be entirely subjective rather than comparative.

In the 2010 Venuescore listing, Sudbury ranked 310th alongside Aldershot, Bicester Village, Elgin, Neath and Waterlooville. It is worth noting that at this level in the rankings there are only small differences between town centre scores, with many being attributed the same score (as with Sudbury and the five centres mentioned). As a result it is possible for a small change in the retailer line-up to considerably boost a centre's ranking

Table 1 – Sudbury in the 2010 Venuescore Retail Ranking

Rank	Centre
306=	Bridgwater
306=	Crystal Peaks, Sheffield
306=	Workington
310=	Aldershot
310=	Bicester Village
310=	Elgin
310=	Neath
310=	Sudbury
310=	Waterlooville
316=	Ashford (Kent) Designer Outlet
316=	Boscombe
316=	Bedminster
316=	Huntingdon
316=	Chingford
316=	Northallerton

Source: Javelin Group

Sudbury's Venuescore ranking is slightly higher than other providers - CACI and Experian rank Sudbury 357th and 414th respectively. However, it is important to note that both CACI's Retail Footprint and Experian's Retail Rankings are based on gravitated spend estimates – that is to say, estimates of spend levels that individual centres attract. Although seemingly a different methodology from Venuescore, it is worth stressing that these expenditure flows are driven by an 'attractiveness score' determined by the quality of the retail mix. The outputs may therefore be different, but there is more than a degree of commonality in the mechanics.

Table 2 – Regional Ranking of Centres in the Eastern Region

Centre	Regional Rank	National Rank
Norwich	1	9
Cambridge	2	39
Ipswich	3	49
Peterborough	4	64
Kings Lynn	5	118
Bury St Edmunds	6	159
Great Yarmouth	7	194
Lowestoft	8	246
Grafton Centre	9	283
Sudbury	10	310
Huntingdon	11	316
Newmarket	12	349
Ely	13	415
Felixstowe	14	458
East Dereham	=15	498
St Neots	=15	498
Wisbech	17	525
St Ives (Cambs)	18	628
Serpentine Green	=19	650
Thetford	=19	650

Source: Javelin Group, Jones Lang LaSalle

In a regional context, Sudbury is the 10th highest ranked centre in the Eastern Region (note that The Grafton Centre is recognised as a distinct entity from Cambridge). It ranks below Lowestoft but ahead of Huntingdon, Newmarket and Ely. Ipswich and Bury St Edmunds are the main large competitive centres to the town, and as would be expected, both rank ahead of Sudbury in the region (3rd and 6th places respectively). In the wider Eastern Region, Norwich is ranked as the top retail destination.

Given the town's geographic proximity to the boundary of the Eastern Government Standard Region, Sudbury also faces competition from centres located in the South East, as our catchment analysis will go on to quantify. For reference, Colchester ranked 74th in the 2010 Venuescore listing, placing it behind Ipswich and Peterbourgh, but ahead of Kings Lynn.

Table 3 – Sudbury's Venuescore Ranking 2005 - 2010

Year	Venuescore Ranking
2005	352
2006	312
2007	320
2008	340
2009	340
2010	310

Source: Javelin Group

Analysing Sudbury's historic performance, Table 3 tracks the town centre's ranking over time. Broadly speaking, it has more than maintained its position, moving up the rankings from 352nd in 2005 to 310th in 2010. In the absence of new floorspace development, this suggests that the town has a strong local presence and has maintained a healthy retailer line-up over time.

4.3 Sudbury's Catchment Area

Our in-house catchment areas are based on actual consumer data from Experian's 'Where Britain Shops' (WBS) survey. Conducted on a rolling basis, Experian collates around 1.5 million customer responses annually from their lifestyle surveys, which include questions as to where people undertake their main comparison goods shop. The raw data is cleansed and amalgamated into a national database of shopping patterns. From this, catchment areas can be derived by town and the shopper flows analysed upwards from postal sector level.

By way of definition:

- 'Primary' Catchment refers to the area from which 50% of the shoppers emanate
- 'Secondary' Catchment the areas from which the next 30% of shoppers emanate
- 'Tertiary' Catchment the area from which the next 10% of shoppers emanate.

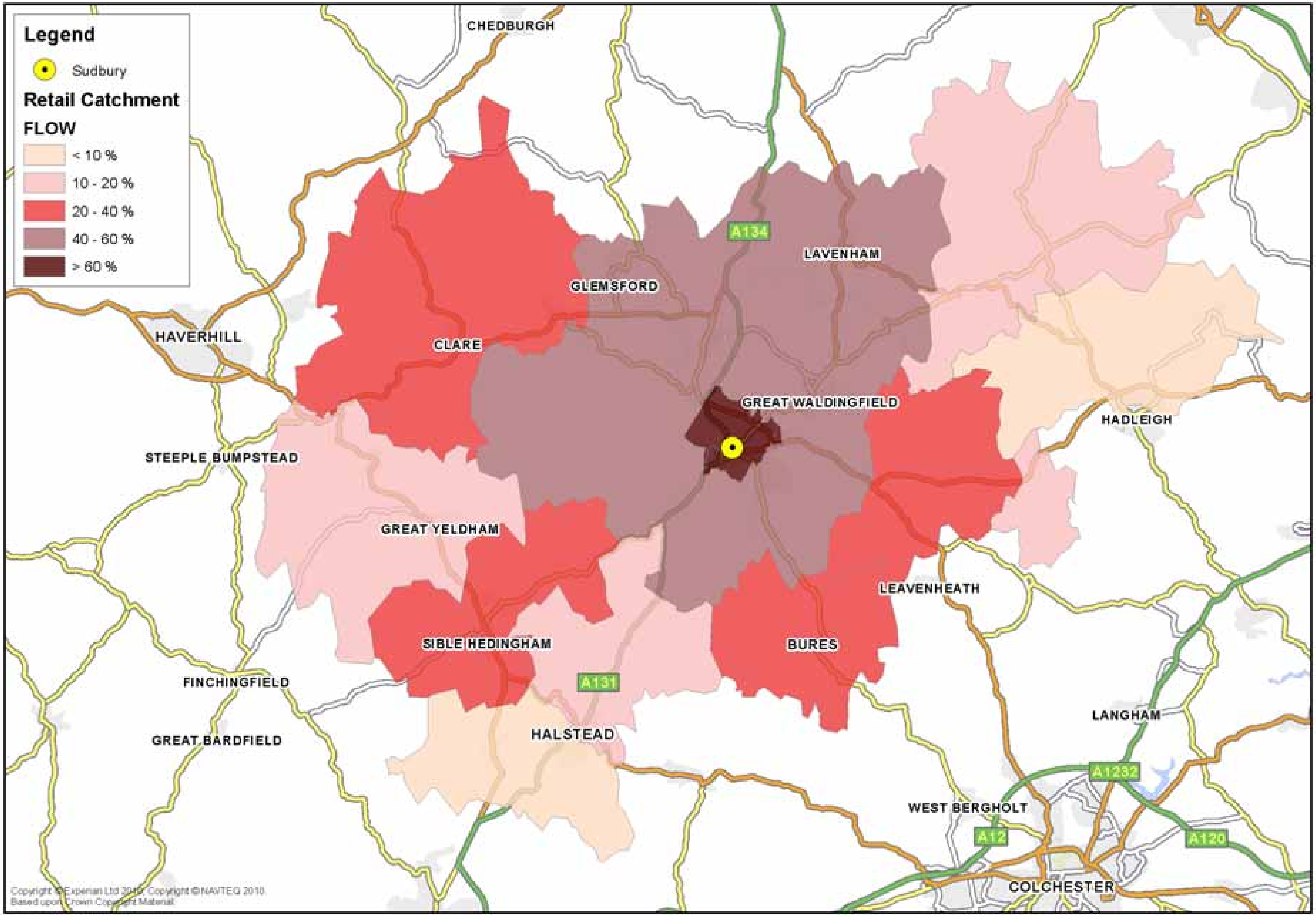
Sudbury's catchment is a localised one (Map 1). It stretches in the east towards Hadleigh and extends as far as Halstead in the south. To the west it is constrained by the competing centre of Haverhill, but in the north incorporates both Glemsford and Lavenham.

Map 1 –Sudbury's Catchment Area

On a wider geographical scale, Sudbury sits between three larger retail centres. It is flanked in the south by Colchester, to the east by Ipswich and in the north by Bury St Edmunds.

Rather than directly compete with these more regional centres, Sudbury's role is much more localised. It should play to its local strengths as a top-up destination through a convenient and attractive retail offer that sets it aside from the smaller nearby towns of Hadleigh, Haverhill and Halstead.

Map 2 – Sudbury's Catchment Area – Shopper Flows



Map 2 presents the same catchment in terms if shopper flows / catchment penetration. As logic would dictate, Sudbury achieves far greater penetration (>60%) in areas closer to the town centre. In the wider Primary and Secondary catchment it maintains flows of at least 20%, reflecting its strong local presence.

In much of the Tertiary catchment shopper flows drop below the 20% level as the local competing centres of Halstead, Haverhill and Hadleigh become more favourable destinations to local shoppers.

We understand that the town stands to gain from significant population growth over the next 20 years. Local plan allocations, plus potential further provision from the Local Development Framework (LDF) could see a further 2,500 – 3,000 homes being built across the catchment area. Depending on the mix of the housing stock, this could swell the catchment population by 5,000 – 7,500 people.

4.4 Retention/Leakage

The reported penetration levels can be quantified in population terms. Nearly 85,000 people reside within Sudbury's retail catchment, of which over 25,000 live within the 'Primary' catchment band. The town's shopper population (defined as the number of people that use Sudbury for their main comparison goods shop) is around 30,000.

Table 4 – Residential and Shopper Population of Sudbury's Catchment

Band	Residential Population	Shopper Population
Primary	25,476	15,792
Secondary	23,189	9,066
Tertiary	35,953	5,006
TOTAL	84,618	29,863

Source: Experian, Jones Lang LaSalle

Factoring in the potential population growth on the back of new housing development, the residential population could increase to around 90,000 over the next 20 years. Applying the existing shopper flows, this would increase the town's shopper population by around 2,000 to nearly 32,000.

In terms of existing market share (Table 5), Sudbury performs strongly within its primary catchment, retaining around 62% of trade (and implicitly, a similar proportion of spend).

Note, however, that 'Where Britain Shops' also includes retail parks as well as traditional town centres. It therefore includes Sudbury Retail Park which independently accounts for a further 10% of trade. Effectively, therefore, Sudbury retains around 72% of its Primary Catchment through the town centre and nearby retail park.

Due to the compact nature of Sudbury's primary catchment, there is only a relatively small amount of leakage to other centres. In total, the larger centres of Colchester, Bury St Edmunds and Ipswich collectively account for around 17% of the trade from Sudbury's Primary catchment. The smaller centres of Halstead and Braintree, together with the Freeport Outlet scheme, draw less than 8% of trade.

However, Sudbury fails to maintain this level of shopper flows throughout its wider catchment. Taking the catchment as a whole, Sudbury's town centre share is 35.2% (rising to around 40% if the local retail park is incorporated).

The figures suggest that Colchester is the main competitive centre to Sudbury, accounting for 8.7% of trade leakage. However, as previously suggested, Colchester should not necessarily be considered a direct competitor to Sudbury, in so far as it has a different function as a retail centre. Sudbury has a much more local role to fulfil and to benchmark it against Colchester, which serves as a regional centre, would be an unfair comparison. This is a similarly the case with Ipswich and Bury St Edmunds, to which Sudbury loses 7.3% and 6.4% of trade respectively.

More meaningful are the leakage figures to Halstead (7.3%), Haverhill (2.4%), Braintree town centre (5.27%) and Braintree Freeport (8.3%). As smaller centres within the local area, they compete directly with Sudbury for trade in what is a much more localised market.

Table 5 – Market Shares within Sudbury's Catchment Area

Centre	Market Share (%) – Primary Catchment	Market Share (%) – All Catchment
Sudbury	61.99	35.29
Sudbury – Sudbury Retail Park	9.69	5.22
Colchester	8.15	8.68
Bury St Edmunds	4.77	6.43
Ipswich	3.72	7.33
Halstead	3.18	7.34
Braintree – Freeport	2.71	8.37
Colchester Retail Parks	2.28	1.32
Braintree	1.63	5.27
Bury St Edmunds Retail Parks	0.86	1.17
Chelmsford	0.75	1.98
Ipswich Retail Parks	0.27	2.30
Haverhill	-	2.41
Colchester – The Tollgate Centre	-	1.63
Stowmarket	-	1.04
Cambridge – Central	-	1.03
Other	-	3.19

Source: Experian, Jones Lang LaSalle

In summary, Sudbury has a solid presence within its catchment. However, there may be scope for claw-back in its wider catchment from some of the local centres highlighted. An improved retail proposition will invariably be instrumental in driving this process.

4.5 Geo-demographics

Understanding the socio-economic make up of Sudbury and its hinterland are obviously central in analysing the town's role as a retail centre. The key question is whether the existing proposition caters sufficiently for all key consumer segments within its catchment.

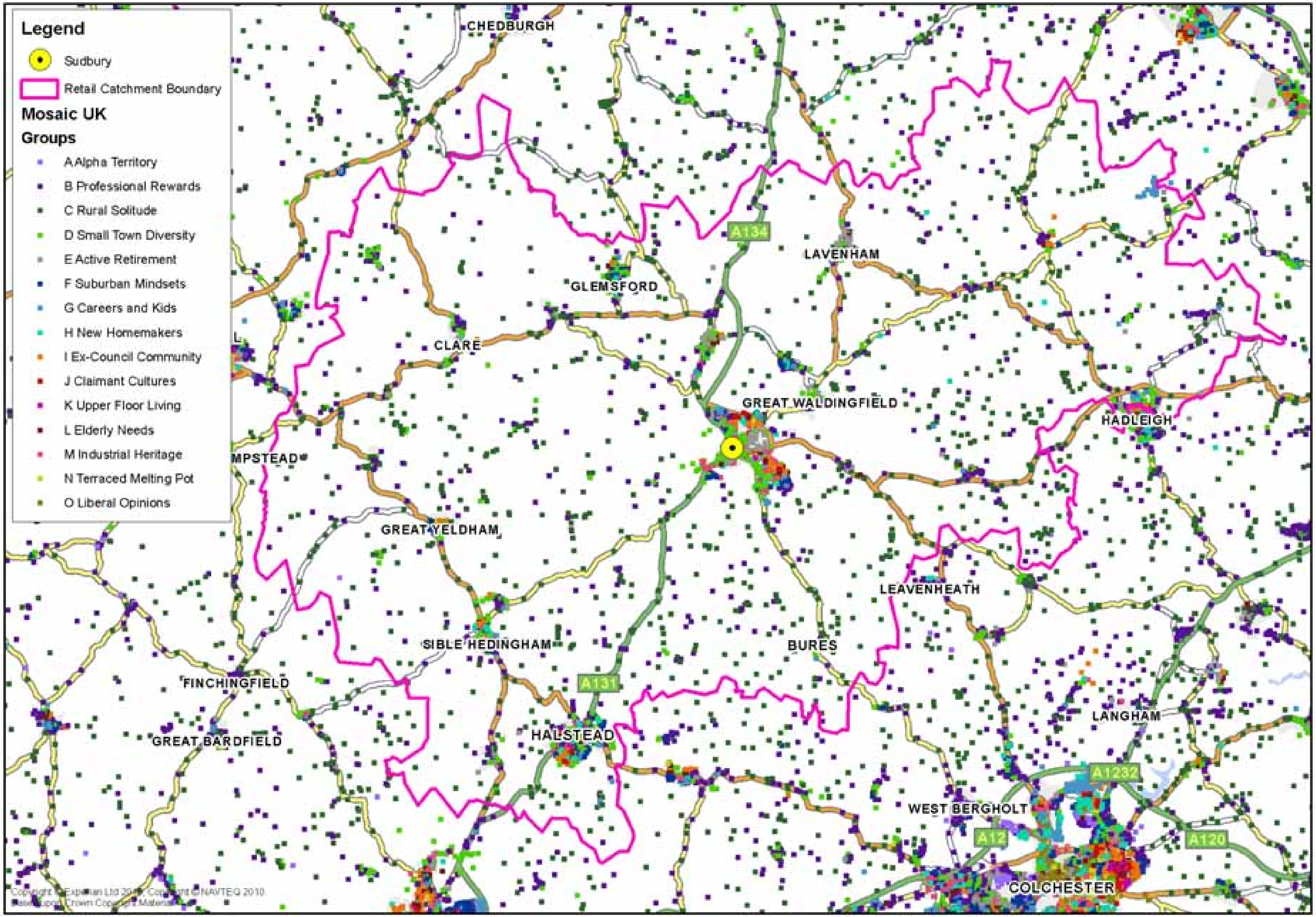
For our analysis of geo-demographics, we use Experian's MOSAIC classification. The premise of MOSAIC is to segment every consumer in the country into one of 67 Types, which are aggregated into 15 Groups (which we use in this report). Types and Groups are differentiated in terms of their socio-demographics (eg age, lifestage, family constitution, education, employment, income, house/dwelling, car ownership), lifestyles, culture, life aspirations and consumer behaviour.

In terms of input, MOSAIC is built through a blend of around 400 datafeeds. 62% of the data is sourced from Experian's proprietary Consumer Dynamics database, which includes the edited Electoral Roll, Council Tax property valuations, house price sales from the Land Registry, self-reported lifestyle data and other compiled consumer data. The remaining 38% is sourced from the 2001 Census, with the variables updated to reflect change since it was carried out. The whole data is refreshed twice a year.

Note that MOSAIC contains a strong retail element and is therefore widely used by retail and leisure operators in their location planning strategies and town level assessments. In this respect, MOSAIC often works as 'a common currency' between Local Authorities, retailers and the property community (developers, landlords, investors and asset managers).

The points in Maps 3 and 4 refer to individual postcodes and the colour-coded dominant MOSAIC group for that postcode. Logically, there is greater clustering of points towards town centres, reflecting higher population density in these areas.

Map 3 – Geo-demographics of Sudbury and its Catchment Area



Sudbury's MOSAIC profile is fairly diverse, but an initial observation is that outside of the town centre, two MOSAIC groups predominate – 'Professional Rewards' (represented by dark purple dots) and 'Rural Solitude' (dark green dots). Both groups are relatively affluent which suggests that much of the wealth lies in Sudbury's wider catchment, away from the immediate town centre.

It is possible to make other broad-based observations about the wider catchment. The MOSAIC group 'Small Town Diversity', represented by the bright green dots, has a significant presence in many of the local centres throughout Sudbury's catchment. Pockets of turquoise and light blue dots also exist, particularly in Hadleigh and Halstead, signifying the presence of 'Careers and Kids' and 'New Homemakers' in these towns. Furthermore, Lavenham has a proliferation of grey dots which reflects a high representation of the 'Active Retirement' MOSAIC group in this area. To the south east (but outside of Sudbury's retail catchment) Colchester has an extremely diverse MOSAIC profile.

Zooming into Sudbury's core town centre area (Map 4) provides a much clearer picture, with some defined clusters and / or divisions.

There is a distinct clustering of 'Small Town Diversity' (bright green dots) in the very core of Sudbury town centre. This MOSAIC group spreads slightly to the north and south but diversifies somewhat in the north/south-east into 'Industrial Heritage' and perhaps more significantly 'Ex-Council Community'. Throughout the town centre there are small clusters of 'New Homemakers' and 'Careers and Kids', possibly the product of relatively new housing developments. There are also pockets of 'Professional Rewards' and 'Suburban Mindsets' towards the outskirts of the Sudbury, reinforcing the notion that a large proportion of the affluence is away from the immediate town centre.

Map 4 – Geo-demographics of Sudbury Town Centre

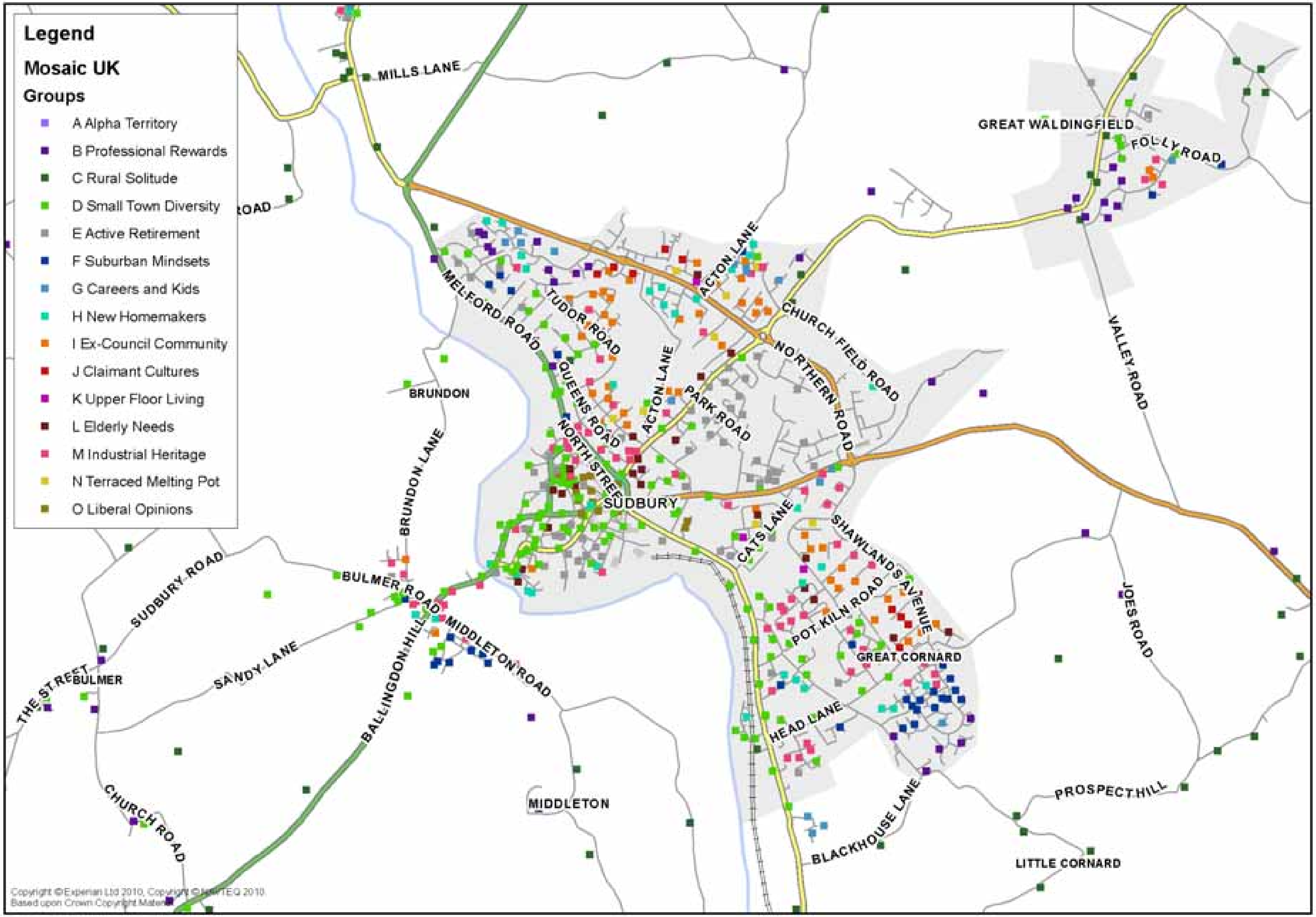


Table 6 – MOSAIC Breakdown of Sudbury's Catchment vs UK

Group	Sudbury: Resident Catchment (Pop)	Sudbury Resident Catchment (%)	UK (%)	Index: Sudbury vs. UK
A Alpha Territory	54	0.06	3.50	2
B Professional Rewards	11,081	12.90	8.58	150
C Rural Solitude	15,111	17.59	4.32	407
D Small Town Diversity	19,278	22.44	8.65	259
E Active Retirement	4,331	5.04	3.62	139
F Suburban Mindsets	6,052	7.05	12.01	59
G Careers and Kids	3,462	4.03	5.76	70
H New Homemakers	2,563	2.98	4.58	65
I Ex-Council Community	7,552	8.79	9.68	91
J Claimant Cultures	1,208	1.41	5.79	24
K Upper Floor Living	199	0.23	4.98	5
L Elderly Needs	4,056	4.72	4.32	109
M Industrial Heritage	7,755	9.03	7.67	118
N Terraced Melting Pot	710	0.83	7.61	11
O Liberal Opinions	407	0.47	8.29	6
Population	84,616	100	100	100

Source: Experian, Jones Lang LaSalle

The fairly diverse nature of Sudbury's catchment is reflected in the data that sits behind the maps. No single MOSAIC group predominates. The community-based 'Small Town Diversity' account for the single largest share (22.4%). With 'Rural Solitude' making up the second largest share (17.6%), some 40% of the catchment is concentrated over two MOSAIC Groups.

A number of other Groups are still very significant. 'Professional Rewards' and the more mature 'Active Retirement' make up 12.9% and 5.0% of the catchment respectively, and 'Industrial Heritage' constitute a further 9.0%. Combined, the five key MOSAIC Groups (highlighted in Fig. 9) account for 67% of the catchment.

This by no means should distract from any of the other MOSAIC Groups. For example, the more economically-challenged 'Ex-Council Community', although under-represented in Sudbury when compared to the national average, still account for over 7,500 people.

The four MOSAIC Groups with very limited representation in Sudbury's catchment area are the ultra affluent 'Alpha Territory', the inner city socially-deprived 'Upper Floor Living' and 'Terraced Melting Pot' and the student and young professional 'Liberal Opinions'.

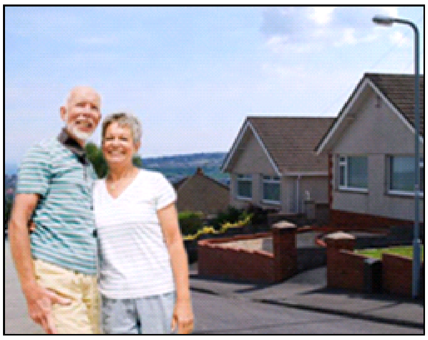
Fig. 9 - Key Mosaic Groups in Sudbury's Catchment

'Small Town Diversity' (22.44% / Index of 259 vs UK)

- Live in small-medium sized towns in neighbourhoods of older housing.
- Strong roots in the local community where their lives are mostly played out.
- A diverse income distribution – some are quite will off but others struggle – unlikely to find people at either extreme.
- Tastes and consumption patterns are broadly focussed on the mass market.

'Rural Solitude' (17.59% / Index of 407 vs UK)

- Enjoy a traditional way of life and live in small villages or isolated cottages/farmhouse (eg SW England, E Anglia, Wales, Scotland).
- Farming and tourism are the mainstay of the local economy
- Many are home-owners that have deliberately retired to a community with strong roots and a slower pace of life.
- Traditional weekly market day visit to the local market town is now replaced by a weekly visit to the principle supermarket, whence a lot of non-food purchases are also made.



'Professional Rewards' (12.90% / Index of 150 vs UK)

- Well-set in their careers often in managerial or executive positions, if not an owner of a small-medium sized business.
- Tend to have significant income that is far above the upper income tax range, live in large, spacious and well-equipped family homes.
- Typically married with grown-up children that are either at university or embarking on their own successful career.
- Seek value for money rather than the lowest prices and will therefore pay a premium for reliable brands.

'Industrial Heritage' (9.03% / Index of 118 vs UK)

- Traditional and conservative people who live in communities that historically have been dependent on mines, mills and assembly plants for their livelihood.
- Most are married and approaching retirement age.
- Any children have moved out and left the family home larger than required.
- Typically any mortgage is nearly paid off

'Active Retirement' (5.04% / Index of 139 vs UK)

- Mostly over-65 with grown up children.
- Retired home-owners who have down-sized in favour of life in retirement communities among people of the same age/income.
- Often benefit from an occupational pension and have access to savings
- Financially secure, socially active. As consumers, more likely to favour 'traditional' and independent retailers.

Source: Experian, Jones Lang LaSalle

To put the MOSAIC data into wider context, we have also compared Sudbury's profile with national averages (Table 6). These comparisons are expressed as an index – a figure of 100 indicates that Sudbury is in line with the national average, a figure above 100 indicates that Sudbury has above average representation from this MOSAIC Group in its catchment, a figure below 100 below average representation.

Groups with significantly higher representation than UK averages are highlighted in bold. On this measure a similar story emerges. 'Rural Solitude' and 'Small Town Diversity' remain the most significant groups with representation over four times the national average in the former and more than double in the latter. Further emphasising their dominance in Sudbury's catchment, 'Professional Rewards', 'Active Retirement' and 'Industrial Heritage' also emerge as over-represented versus the UK. Despite accounting for a relatively low percentage of the catchment, there is also a slight skew towards 'Elderly Needs'.

The lack of 'Alpha Territory', 'Upper Floor Living' and 'Liberal Opinions' in Sudbury's catchment is reinforced on this measure. All three are heavily under-represented relative to national averages.

Table 7 – Sudbury MOSAIC – shopper vs. residential catchment

Group	Sudbury: Shopper Population (%)	Sudbury: Resident Population (%)	Index: Shopper vs. Resident
A Alpha Territory	0.02	0.06	34
B Professional Rewards	11.36	12.90	88
C Rural Solitude	14.08	17.59	80
D Small Town Diversity	23.58	22.44	105
E Active Retirement	6.10	5.04	121
F Suburban Mindsets	7.41	7.05	105
G Careers and Kids	2.74	4.03	68
H New Homemakers	3.72	2.98	125
I Ex-Council Community	9.88	8.79	112
J Claimant Cultures	1.74	1.41	124
K Upper Floor Living	0.30	0.23	131
L Elderly Needs	5.37	4.72	114
M Industrial Heritage	11.14	9.03	123
N Terraced Melting Pot	1.12	0.83	135
O Liberal Opinions	0.87	0.47	184
Population	100	100	100

Source: Experian, Jones Lang LaSalle

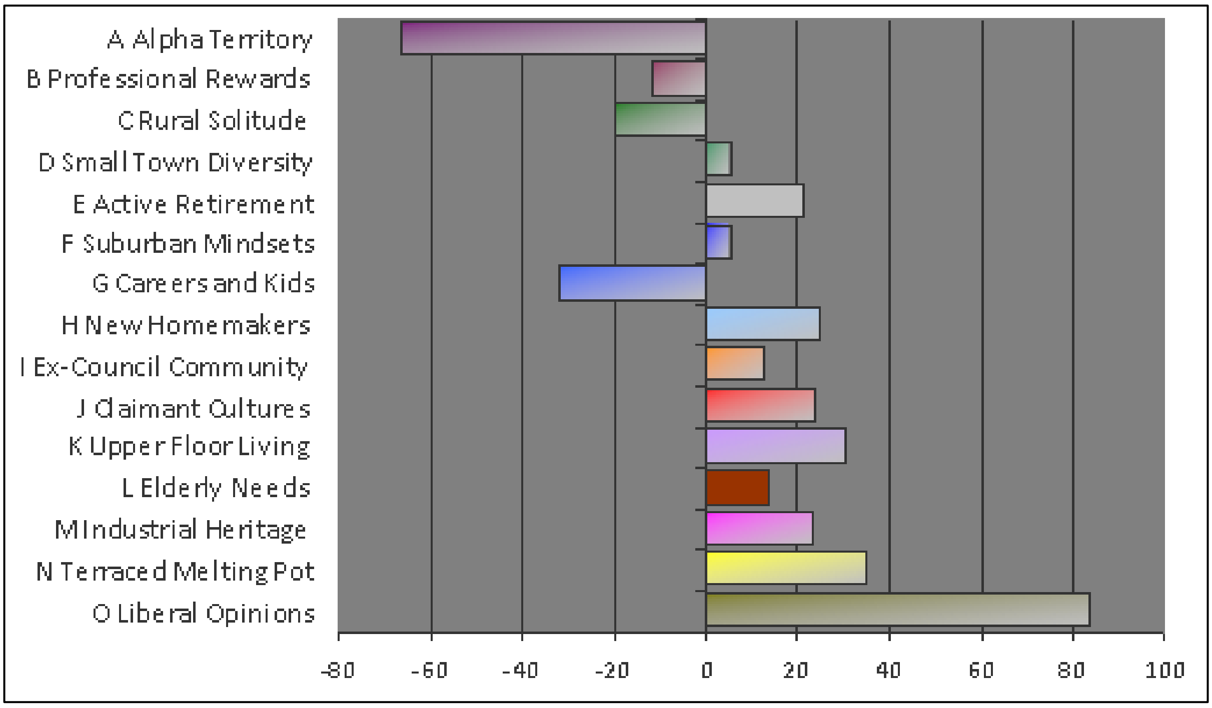
The MOSAIC Profile refers to the whole of Sudbury's catchment ie everyone that lives within the boundaries of the catchment. However, as our analysis on the catchment and shopper flows has shown, not everyone that lives within the catchment actually shops in Sudbury. Applying the same shopper flows to the MOSAIC data, we are able to define a separate MOSAIC profile for the town's shopper population.

Comparing and contrasting the Residential MOSAIC Profile with that of the Shopper Population can be very telling. In simple terms, it provides a barometer of which MOSAIC Groups the existing proposition is attracting, and, by implicit extension, which ones it is catering best for. Conversely, it may also show which Groups it is failing to attract and where opportunities are being missed. The two profiles are compared in Table 7 and the outputs again expressed as an index. In this instance, a figure above 100 indicates much higher proportional representation in the shopper population versus the residential population.

There are some interesting skews in the data. The most 'over-represented' group is 'Liberal Opinions', but in percentage terms this is still less than 1% of Sudbury's shopper population. More tellingly is that the more economically challenged groups 'Ex-Council Community', 'Claimant Cultures', 'Upper Floor Living', 'Industrial Heritage' and 'Terraced Melting Pot' are all over-represented in the shopper population. In contrast, the more affluent groups of 'Alpha Territory', 'Professional Rewards' and 'Rural Solitude' are all under-represented and by extension, are perhaps not sufficiently catered for in Sudbury's existing proposition.

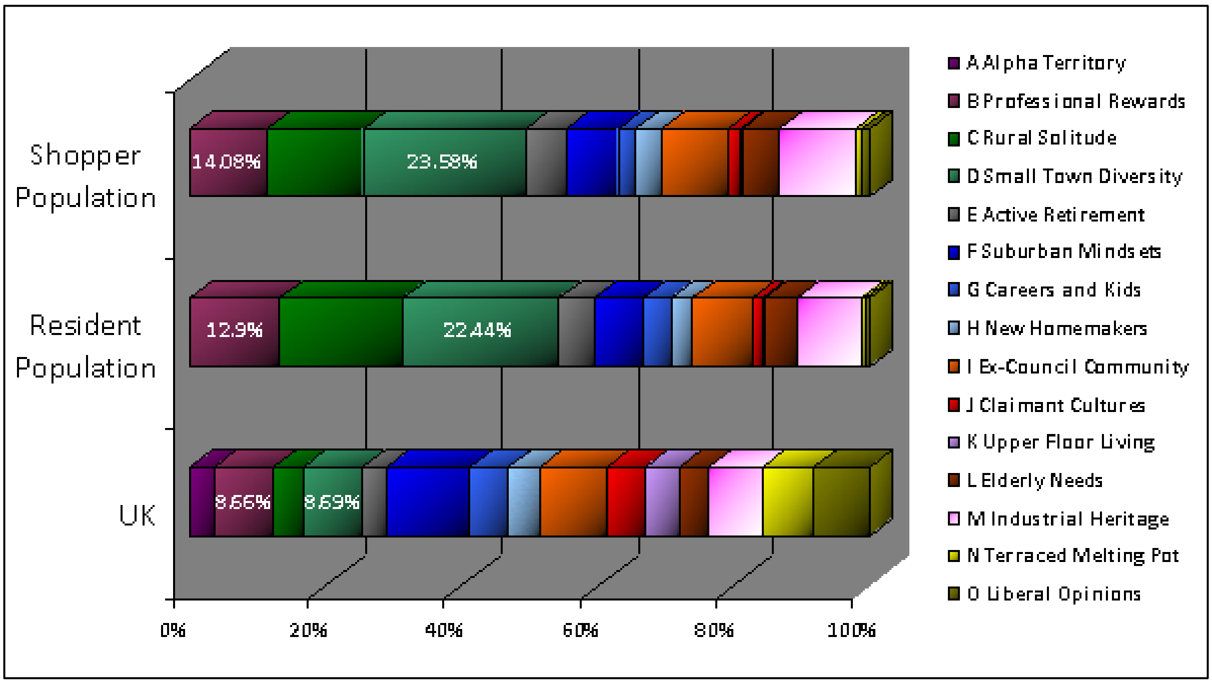
As highlighted in the earlier analysis, much of the affluence is away from the town centre and located in the outer areas of Sudbury's catchment. Affluent and consumer-driven by nature with an ability to travel, they require a compelling reason to visit Sudbury over the other local centres. The onus is on Sudbury to provide this compelling reason, be it through the right tenant mix or presence of key retailers, the right environment, or a joined-up leisure trip (eg combination of shopping and eating out). Either way, we believe there is an opportunity for Sudbury to develop its existing offer and draw some of the peripheral affluence into the town centre.

Fig 10 - Sudbury MOSAIC – shopper vs. residential population



Source: Experian, Jones Lang LaSalle

Fig 11 - Sudbury Shopper and Residential Profile vs. UK



Source: Experian, Jones Lang LaSalle

5 Comprehensive Retail Audit of Sudbury

5.1 Background

This section of the report represents an objective retail and leisure audit of Sudbury. In very general terms, it is a detailed 'root and branch' health check of the town in the context of its catchment and the changing dynamics of the UK retailing market generally. In essence a benchmarking exercise, the retail audit highlights the strengths and weaknesses of the current retail offer and provides significant insight into how the centre could be improved. The analysis is both quantitative and qualitative and is designed to provide guidance as to how the Council can best support appropriate retail development and improvement.

We have devised an underlying methodology for Retail Audits, which we have successfully applied in a number of towns across the UK. Although the parameters of the audit are consistent, the approach is more bespoke and the outputs are very much individual to the centre under review – there is no 'one size fits all' outcome.

Specifically, any Retail & Leisure Audit is always mindful of the unique characteristics and distinctive features of individual towns. We also address the issue of local operators and independents, as the aim is not simply to supplant smaller operators with national operators, but to achieve a healthy balance that benefits all aspects of the retail community.

There are five key inter-linked stages in the analytical process:

1 . Identification of Benchmark Centres

This involves selecting centres that are comparable to Sudbury in terms either of their catchment geo-demographic mix or level of retail provision, or preferably both. The third key consideration is whether the centres are regionally competitive to Sudbury.

2. Headline Retail Data

This entails providing 'top line' retail statistics (floorspace and outlets and associated breakdowns, vacancy rates and multiple vs independent mix) for Sudbury and comparing them with the benchmark centres. Amongst other things, this serves as a very macro view on capacity.

3. Outlet and Floorspace Provision by Sector

Drilling down a level, we analyse Sudbury's existing provision by product sector (eg clothing, health & beauty, etc). This provides a top-level indicator of sectors where Sudbury's existing retail offer may be underweight.

4. Unit Size Analysis

This compares the space occupied by individual multiple retailers in Sudbury with the average unit size of that retailer's sister stores in the benchmark centres. It identifies which retailers may be trading from under-spaced units and could potentially be candidates for re-location within the town, if suitable opportunities arose.

5. Gap Analysis

This process identifies retailers that trade in the benchmark centres but are currently absent from Sudbury. As such, these are potential new tenants to Sudbury, either as part of the existing infrastructure or potential new floorspace. Identified 'gaps' are compared with data on specified requirements from retailers themselves, in order to assess the likelihood of attracting those retailers to the town.

The quantitative processes behind the audit are essentially desktop-based. However, the qualitative processes are much more broad-based. We have spent time in Sudbury itself, ratifying the outputs and deriving an 'on the ground' view.

5.2 Benchmark Centres

For the purposes of the retail and leisure audit, we have selected 12 benchmark centres on the basis of three key criteria:

- Centres with similar retail provision (towns which rank close to Sudbury in Javelin's Venuescore retail centre ranking)

- Centres with similar demographics (towns elsewhere in the country which have a similar MOSAIC customer profile to Sudbury)

- Centres that are regionally competitive to Sudbury or trade within relative geographic proximity.

The 12 benchmark centres are listed in Table 8.

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Table 8 – Sudbury's benchmark centres

Centre	Region	Venuescore Ranking	Ranking Match	Demographic Ranking	Demographic Ranking	Shopper Population	Prime Zone A Rent (£ sq ft)	Regional ?
Grantham	East Midlands	170	**	8	*****	43,286	55	(no)
Kendal	North	197	**	177	**	61,190	65	no
Lowestoft	East Anglia	246	***	296	**	54,020	55	(yes)
Cirencester	South West	249	***	47	*****	46,339	60	no
Dorchester	South West	256	****	79	****	36,896	65	no
Clacton-on-Sea	South East	298	*****	81	****	44,602	60	yes
Bridgwater	South West	306	*****	43	*****	36,078	40	no
Sudbury	**East Anglia**	310		1		29,863	60	
Northallerton	Yorkshire & Humberside	316	*****	68	****	24,773	85	no
Huntingdon	East Anglia	316	*****	128	***	33,488	65	yes
Newmarket	East Anglia	349	***	32	*****	42,862	60	(yes)
Braintree	South East	388	***	29	*****	29,080	55	yes
Ely	East Anglia	415	**	103	***	37,437	50	yes

Source: Jones Lang LaSalle, Experian, Javelin Group

The rankings all refer to Javelin's Venuescore. The 'Ranking Match' column is an assessment of the relative similarity of this ranking to Sudbury's. In assessing benchmark centres on the basis of ranking, we have tended to favour centres ranked above Sudbury, rather than below. The rationale for this is that it is always best to factor in 'upside' (provided, of course, that this is realistic).

We have therefore focussed on comparable centres in the 170 – 415 ranking bracket. This may seem an extensive band, but the reality is that lower down the rankings, the relativities between centres become much smaller. In simple terms, this means that small changes in retail mix (eg the arrival of three or four new retailers) may propel a centre 50 places up the ranking. The majority of the benchmark centres sit in the relatively tight 250 – 350 band.

'Demographic Ranking' is an output of Jones Lang LaSalle's 'Centre Benchmarker Model'. This compares and correlates the MOSAIC demographic catchment profiles of over 1,300 centres across the country. These centres are then ranked according to their MOSAIC similarity to Sudbury (the lower the number, the higher the correlation). Most of the benchmark centres are within the top 100 centres to correlate with Sudbury, the only real outliers being Kendal (177th) and Lowestoft (296th). Grantham has the closest geo-demographic match to Sudbury, followed by Braintree and Newmarket. The 'Demographic Match' column is a subjective assessment of the similarity.

In terms of regionality, the only benchmark which is truly competitive to Sudbury is Braintree. The town's key 'competitive centres' of Colchester, Ipswich and Bury St Edmunds are too large to include in this process. The list incorporates four other Eastern towns (Lowestoft, Huntingdon, Newmarket and Ely), plus nearby Clacton in the South East. The only benchmarks that are a considerable distance from Sudbury are Grantham, Kendal and Northallerton in the North and Bridgwater, Dorchester and Cirencester in the South West.

The physical nature of the towns has also been factored into the selection process. All the centres are relatively rural (a factor that is in any case implicit in the demographic analysis) and most have a degree of 'heritage' status – for want of a better phrase, most are 'nice', quintessential English market towns.

For additional information and comparison, we have also appended shopper populations and prime Zone A retail rental figures to each centre. Rents are discussed in much greater depth in Stage 4 of this report. Although a measure most commonly used by property agents for commercial valuations and transactions, Zone A rents are nevertheless a good barometer of the health of a retail centre in that they usually reflect the level of occupier demand.

The prime Zone As across all 13 centres in 2010 ranged from £40/sq ft- £85/sq ft, with an average of £60/sq ft. Sudbury is exactly in line with this average (£60/sq ft). On the shopper population front, Sudbury is below the average of 40,000, reflecting its relative proximity to more major centres such as Colchester and Ipswich.

In terms of shopper population, Sudbury is below average. Only Braintree and Northallerton (25,000) have lower shopper populations than Sudbury (29,000). Even allowing for Sudbury's likely increase in population over the next 20 years on the back of proposed new housing, we would estimate that the town's shopper population will actually only increase by 2,000 – 3,000, keeping it short of the benchmark average (40,000). In this respect, the benchmarks implicitly factor in growth and upside.

Regionality aside, our analysis suggests that Bridgwater, Cirencester, Braintree and Newmarket are perhaps the closest benchmarks to Sudbury, if all aspects are taken into consideration. But most importantly, we believe that the group as a collective whole is a good basis for benchmarking and comparison.

5.3 Headline Retail Data

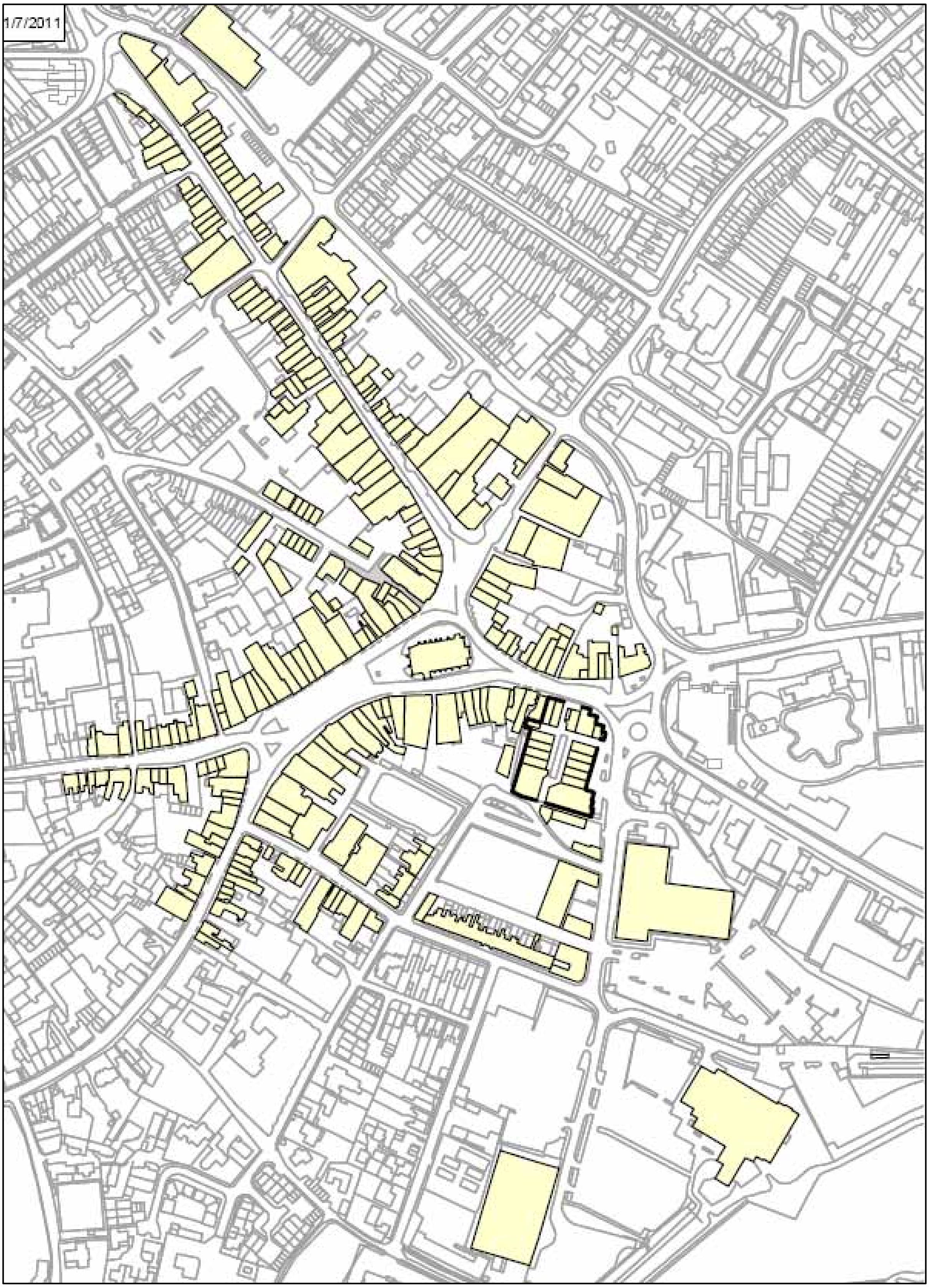
The source of all our spatial analysis and retail audit data is Experian's GOAD system. GOAD is a widely-used town centre and retail park supply system, comprising plans (physical and electronic) and a database of all the information that sits behind the maps. Covering over 3,000 wider 'shopping areas' (which includes retail parks and neighbourhood parades), GOAD incorporates a core of around 1,300 town centres across the UK.

The towns are surveyed and the data refreshed on a rolling cycle. The larger centres (eg Colchester and Ipswich) are all updated on an annual basis, whilst the smaller centres (Sudbury and most of the benchmark centres) on an 18 to 24 month cycle. Note, therefore, that the data is not 'live', but refers to a point in time ie the date of the last survey. For reference, the date of the last GOAD survey on Sudbury was 11 June 2010. However, Jones Lang LaSalle has undertaken a much more recent survey of the town (11 July 2011) and verified / refreshed the GOAD data accordingly. All reference to supply/retailer presence in Sudbury is therefore accurate as of that date.

The boundaries of the GOAD plan are determined by Experian's surveyors, but are designed to capture all of the main town centre area of the respective centres. For reference, the GOAD plan for Sudbury is included on the following page (Fig. 12). Note that the GOAD plan basically encapsulates Sudbury town centre (including the Waitrose, Aldi and Roys stores and the Kingfisher Leisure centre), but excludes nearby Sudbury Retail Park. This approach will be consistent across the benchmark centres.

The information in the database includes the occupier name, parent company, address, retail sub-category (eg comparison goods, retail service, leisure service etc), primary activity (eg bookseller, clothing, giftware etc) and store size. Note that the store sizes refer to gross area (ie the total space enclosed within the walls) rather than actual selling space. This does not tend to be a major issue in inter-town comparisons and general benchmarking exercises, as the approach is consistent throughout.

Fig.12 – GOAD plan of Sudbury



Source; Experian, Jones Lang LaSalle

To put the benchmarking process into context, we have provided ‘headline’ retail data for Sudbury and all 12 peer group centres (Table 9). By ‘headline’ we mean:

- Total retail and leisure floorspace
- Floorspace and outlets broken down by use class (eg comparison, convenience, leisure etc)
- Balance between independent operators and multiples (‘national chains’)
- Vacancy rates.

Over the course of the Retail Audit, we will drill down below these ‘headline’ figures. However, a number of interesting conclusions can already be drawn, even at this high level.

By way of definition, ‘Total Retail Floorspace’ comprises four use classes – convenience goods (predominantly foodstores, from small niche delis to large scale supermarkets), comparison goods (non-food sectors, such as clothing, department stores, health & beauty etc), retail service (eg hairdressers, opticians, travel agents, cobblers etc) and leisure service (eg cinemas, restaurant, cafes, pubs, nightclubs etc). Excluded are non-retail uses such as offices, public buildings (eg libraries), transport services (eg bus stations, car parks) and churches.

Sudbury’s total retail floorspace (as defined above) is 460,000 sq ft, around 96,000 sq ft less than the benchmark average (555,000 sq ft). This makes Sudbury the 10th largest (or 4th smallest) of the 13-strong benchmark group. This is slightly at odds with its Venuescore rank (8th highest within the group). The fact that its ranking is slightly disproportionate to its level of floorspace is a positive sign that Sudbury is punching above its weight as a retail centre.

On the same basis, there is both consistency and discrepancy amongst the other centres. Grantham is both the largest and highest ranked centre, Ely the smallest and lowest ranked. Equally, there is consummate balance on both measures in Kendal, Lowestoft, Dorchester, Clacton and Braintree. Those, like Sudbury, who punch above their weight are Cirencester and Huntingdon. Those that perhaps punch slightly below their weight are Bridgwater and Newmarket.

The Hamilton Road development site is appraised in much more detail in Stages 2 and 3 of this Study. However, it is worth making the point that at a very ‘headline’ level, new floorspace of the broad scale proposed (ca. 50,000 – 100,000) would bring Sudbury very much into line with the benchmark average.

Breaking down the total floorspace figure into its component parts, Sudbury has some 192,000 sq ft of comparison goods floorspace, around 44,000 sq ft less than the benchmark average. Of the benchmark centres, only Braintree and Ely have less (178,000 sq ft and 154,000 sq ft respectively). This carries through to number of comparison outlets, with Sudbury around 26 short of the benchmark average.

A different picture emerges in convenience goods. Boosted by Waitrose and Aldi, Sudbury’s provision of 84,000 sq ft is exactly in line with benchmark average. The town’s count of convenience goods outlets (24) is actually slightly higher than the benchmark average (21), reflecting the strength and breadth of the town’s food proposition (with strong representation for the independent sector).

Table 9 – Headline Data for Sudbury and its Benchmark Centres

Benchmark Centre	Total Retail Floorspace (sq ft)*	% Multiple Floorspace	Comparison Goods Floorspace (sq ft²)	Comparison Goods Outlets	Convenience Goods Floorspace (sq ft)	Convenience Goods Outlets	Leisure Floorspace (sq ft)	Leisure Outlets	Vacancy (Floorspace) %	Vacancy (Outlets) %
Grantham	1,021,900	54.4	315,100	147	242,100	28	244,800	102	11.4	14.7
Bridgewater	702,900	53.3	248,800	101	101,200	21	194,400	70	12.6	16.7
Kendal	681,100	52.3	319,400	173	65,600	35	175,200	89	9.6	14.1
Lowestoft	643,400	48.3	325,900	128	45,300	15	101,900	52	17.4	12.7
Newmarket	511,700	58.3	201,300	92	62,100	18	174,100	61	4.8	5.3
Dorchester	510,800	38.7	243,000	125	58,300	21	137,700	58	5.0	8.7
Clacton-on-Sea	506,700	54.6	215,500	113	45,800	22	152,600	77	6.3	7.4
Northallerton	503,800	61.3	212,800	97	114,100	20	77,500	43	6.7	7.5
Cirencester	501,100	40.9	260,500	161	46,700	24	101,900	46	8.7	7.5
Sudbury	**459,800**	**55.0**	**192,000**	**87**	**84,200**	**24**	**118,400**	**53**	**2.3**	**5.9**
Braintree	447,400	61.0	178,400	88	108,400	19	90,000	52	7.4	10.3
Huntingdon	411,200	66.1	205,400	73	82,900	13	67,500	37	6.6	12.4
Ely	324,500	51.5	154,300	79	40,300	16	79,000	38	6.9	6.9

Source: Experian, Jones Lang LaSalle

The figures for leisure (particularly floorspace) need to be treated with slightly more caution, in that they can be heavily skewed by the in-town presence of large-scale facilities, such as hotels, theatres, concert halls, bingo halls, leisure centres, ten pin bowling alleys, ice rinks etc. This caveat notwithstanding, Sudbury has 13,500 sq ft less leisure floorspace than the benchmark average. Excluding the Kingfisher centre would widen this gap further. In terms of outlets, the shortfall is more marginal (53 versus a benchmark average of 60).

There are two other outputs from the 'headline' comparisons – Multiple Floorspace and Vacancy Rates. The issues of independent / local traders and vacancy rates are invariably very sensitive and warrant more in-depth analysis.

Multiples versus Independents

The issue of independents and multiples in the retail sector is a perennially contentious one, attracting significant (but not always informed) media attention. The debate is epitomised by the concept of 'Clone Town Britain' - coined by Nef (New Economics Foundation), the phrase has been readily adopted by the media and has inveigled its way into the public psyche as a reflection (and indeed, indictment) of the UK retail industry and general poor health of the high street.

Those that embrace the notion of 'Clone Town Britain' tend to decry the increasing influence of multiple retailers on the national retailing landscape and champion the cause of independent traders as purveyors of diversity on the high street. Although we are sympathetic to the ethic of the 'Clone Town Britain' movement, namely preservation of the quality of UK high streets, we believe the direction and findings of the report to be severely misguided.

One of the key flaws of the 'Clone Town Britain' report is its vast oversimplification of the structure of the UK retailing market. The David vs Goliath allegory, whereby small shops and local businesses are championed without question, whilst multiples are pilloried as the depressing embodiment of 'big business' (big, underhand, uncaring and evil), is far too broad-brush.

Multiple retailers obviously have a much higher presence on the high street than they did 50 years ago. But does this mean that high streets are 'cloned'? Clearly, we would expect to see some of the very largest multiple retailers (eg Marks & Spencer, Next, Boots, WH Smith) represented on every high street above a certain size, but does that mean that 'all high streets are the same' or that all towns 'contain the same depressing mix of retailers' (to paraphrase two of the most common complaints)?

To put this into some perspective, the UK comparison goods chain with the most number of stores is Boots the Chemist, with around 1,500. Excluding duplicate sites (towns which have more than one store) and out-of-town stores reduces these numbers to around 940. The GOAD database includes over 1,300 town centres across the UK (this won't include a large number of villages, hamlet and suburbs). So, the most 'cloning' multiple isn't even present in 360 centres identified by GOAD. In other words, the number of centres far exceeds the number of stores of the very largest multiples – high streets are therefore a far cry from being 'cloned'.

In fact, according to the GOAD database, there are a massive 2,750+ multiple players in the retail (comparison and convenience) market, far more than most people would envisage. Including leisure and retail service expands this figure to more than 4,000 Multiples may be taking ever larger proportions of high street space, but with so many multiples out there, this trend cannot necessarily be tantamount to 'cloning'. We would prefer to use the term 'mixing' than 'cloning' – achieving the right tenant line for that particular location or town centre. Independent operators and local traders are an equally fundamental part of this wider mix.

We are supportive of the independent retail community and acknowledge the challenges that smaller operators face without the economies of scale of the large multiples. But at the same time, we recognise that there are both quality and poor operators within the independent sector and all retailers, big or small, do not have a divine right to exist. They must have a 'raison d'être' and be relevant to modern day retailing demands. To be able to compete and trade effectively, we would suggest they can do this in one (or more) of five ways:

- Product – selling something that is unique to that marketplace
- Experience – providing the consumer with an environment they may not encounter in a larger store
- Service – 'old school' familiarity and helpfulness
- Convenience – being in the right location and being open at the right times
- Price – undercutting the multiples

Rather than clichéd adversaries, independents and multiples are often mutually supportive. Independents can effectively trade off the higher footfall that multiples tend to generate, rather than simply be driven out of business. In many instances, we would see multiples as 'tools of regeneration, rather than destruction'. We would venture that for every one high street Tesco has supposedly 'killed', there are around one hundred which would 'die' if it were not there to boost footfall.

Sudbury is the epitome of a balanced centre, where local traders and national multiples blend together seamlessly. This is borne out both qualitatively and quantitavely. The GOAD data shows that multiple operators (national and regional chains) in Sudbury account for 55% of retail floorspace. By implication, independent traders make up the balance of 45%. This is on a par with the benchmark average (54% multiples, 46% independents).

The average belies considerable differences between the individual benchmark centres. Dorchester has the lowest penetration of multiple retailers (39%), followed by Cirencester (41%). At the other end of the spectrum, the corresponding figure for Huntingdon and Northallerton are 66% and 61% respectively.

On a more qualitative level, the independents and local traders bring a sense of uniqueness and diversity that befit the aesthetics of the shop units themselves – in many cases, quirky on both counts. There is also discernible 'churn' amongst the independents – some may close, but others take their place. This is a healthy situation which points to ongoing diversity – independents are not simply fighting a rearguard action against the onslaught of the multiples.

Another feature of Sudbury is the fact that independents are dispersed between multiples across the town. This is a relatively rare (but welcome) phenomenon in that in many centres, the offer can polarise, with multiples dominating certain parts (usually the prime pitch) and independents being relegated to secondary and tertiary areas. With lower footfall, the latter often struggle and the areas tend to decay rather than thrive.

One of the key manifestations of this decay is retail vacancy. As we will go on to discuss, the positive inter-mingling of the multiple and independent operators is probably one of the key supporting factors for Sudbury's low vacancy rates.

Vacancy

We have articulated our views on national retail vacancy in Stage 1 of this report, particularly the way that 'headline' numbers are often used as a damning indictment of the state of the UK high street, overshadowing wider issues. In this section, we explore the theme of retail vacancy specifically in the context of Sudbury.

As we are keen to stress, it is misleading to take vacancy figures at face value without exploring the detail. Our survey in July 2011 yielded a more transparent picture. Those units that were vacant at the time of our survey are highlighted on the GOAD plan in Fig. 13.

The 'top line' figures for Sudbury make very positive reading. Just 5.9% of all retail units were vacant at the time of our audit. This compares to a purported national vacancy rate of 14.5% by LDC (which we do not fully endorse). More tellingly, this is the second lowest rate of all the benchmark centres, behind only Newmarket (5.3%). The average across the benchmark centres is 10.0%.

Expressed in terms of floorspace, the metrics are even more favourable. Just 2.3% of Sudbury's retail floorspace was vacant at the time of our audit, by far the lowest of the benchmark centres (the benchmark average was 8.1%). It is commonplace for the proportion of vacant units to exceed the proportion of vacant floorspace, as small, dated shops in secondary/tertiary locations tend to attract much more limited demand from occupiers. This trend is true of Sudbury.

'Top line' figures do not necessarily do justice to the full picture. Having full transparency of the data gives a much wider perspective, particularly in differentiating between temporary and long-term vacancy, the latter obviously being more serious.

Cross-referencing and updating the GOAD data from June 2010 proved a particularly illuminating exercise. As a general point, overall vacancy has receded over the intervening 13 months, in contrast to the national trend. A number of vacant units from June 2010 had been re-absorbed back into the market by both multiple and independent operators. As examples of the former, Toni & Guy has taken the vacant outlet on Market Hill (formerly occupied by Dollond & Aitchison) whilst Card Factory have taken the unit on North Street formerly occupied by Thorntons. The re-locations of The Movie Shop on Gainsborough Street and Rafi's Spice Box on North Street, plus Javelin re-opening a second store (now trading as Javelin Outlet, formerly as Javelin For Less, but vacant at the time of the June 2010 audit) on Friars Street are all examples of local traders absorbing vacancy. There have also been a number of independent 'in movers' since June 2010, including Retro-Time, Jack's Barbers and Bagel Box.

We would stress that this is, however, a two-way process with a number of units falling vacant over the last year, including the two adjacent units on Friars Street (formerly occupied by Best Wishes and Janine at Fenellas) and Soap Shack on North Street. But these instances were still outweighed by the number of in-movers, so the net result in overall vacancy was positive.

This level of 'churn' is an important indicator of Sudbury's retail health. Centres that struggle invariably lose more retailers than they gain and units stay vacant for a long period of time. To lose both a Woolworths and M&S Simply Food store would be severely damaging for many centres. However, Sudbury has effectively re-absorbed this space through 99p Stores and Iceland – maybe not such high profile names, but infinitely preferable to large-scale, long-term voids.

Fig. 13 – Vacant Retail and Leisure Units (excluding public houses) in Sudbury (July 2011)

Source: Experian, Jones Lang LaSalle

For all these positives, there is a degree of an 'ugly tail' of vacancy in Sudbury (as there is in most towns) – essentially voids that will always struggle to be re-absorbed into retail use. To our mind, these include the two vacant units towards the very top of North Street, the three voids at the edge of retail pitch on Friars Street and the vacant unit on the corner of Station Road and Bank Buildings. The latter is on the fringe of the Development Site and can potentially be re-engineered as part of any proposals (possibly not as retail use). Likewise the other units could return to their original residential use, if planning allowed.

Potentially more problematic are the two vacant public houses in the town (which we have excluded from our retail vacancy figures), if other operators are not forthcoming to take them over.

5.4 Outlet and Floorspace Provision by Sector

This stage of analysis entails benchmarking Sudbury's current retail provision by trading activity (eg clothing, books, music & video, footwear, electricals etc) against the peer group averages, both in terms of floorspace and count of outlets. The analysis provides a top-line overview of retail sectors where Sudbury is currently under-supplied or possibly over-shopped.

The process behind this involves aggregating the number of outlets and calculating the total gross floorspace in each product category for Sudbury and the benchmark centres. Sudbury is then compared against the average of the benchmark centres.

For the purposes of summary, the comparisons are best expressed as indices:

- an index of 100 indicates that Sudbury is in line the benchmark average
- an index of more than 100 indicates that Sudbury has more outlets or floorspace than the peer group average
- an index of below 100 indicates that Sudbury is under-supplied in this category relative to its peers.

We have sub-divided the analysis into comparison goods (Table 10), convenience goods (Table 11) and leisure (Table 12). Sectors that emerge as being 'under-supplied' in both outlet numbers and floorspace are highlighted in red.

A very mixed picture emerges. In a number of categories, Sudbury is evidently very well supplied, principally department and variety stores. Boosted by Roys and Winch & Blatch's heavy representation in the town, Sudbury has nearly three times the average number of department & variety stores and around 90% more floorspace. Other sectors where the town exceeds the benchmark average on both number of outlets and floorspace include carpets & flooring, music & video recordings and photographic shops.

Sectors of relative balance (largely in line with the benchmark average in terms of both outlets and floorspace) include menswear & accessories, florists, cycles & accessories and catalogue showrooms.

In several other sectors, there is a disparity between outlets and floorspace provision. The only one where supply is proportionally higher than average but the number of outlets lower is greeting cards. By extension, there are fewer operators in Sudbury than average, but those that are there (eg Clinton Cards and Card Factory) trade from larger than average floorplates.

Conversely, there are far more sectors where the opposite is true ie the count of outlets is higher than average, the level of floorspace below. These include booksellers, chemist & drugstores, furniture, toiletries/cosmetics & beauty products, toys, games & hobbies and vehicle & motorcycle sales. The implication of this imbalance is that many of the retailers in these sectors are trading from smaller than average stores and that some of the units may be compromised. But to draw on the positives, there is considerable breadth of choice in these sectors and consumers have a healthy number of options of fascia in which to shop.

Table 10 – Retail Provision Benchmarking by Product Category – Comparison Goods

Category	Sudbury Floorspace (sq ft)	Average Benchmark Floorspace (sq ft)	Sudbury Outlets	Average Benchmark Outlets*	Floorspace Index	Outlets Index
Antique Shops	0	1,358	0	1	-	-
Art & Art Dealers	3,300	2,267	2	2	146	89
Booksellers	2,800	4,017	3	2	70	133
Carpets & Flooring	9,200	2,525	3	1	364	212
Catalogue Showrooms	7,500	6,592	1	1	114	100
Charity Shops	12,900	13,008	8	10	99	79
Chemist & Drugstores	8,200	9,125	3	2	90	124
Childrens & Infants Wear	1,200	2,217	2	1	54	141
Clothing General	16,300	23,783	6	10	69	60
Crafts, Gifts, China & Glass	600	4,225	1	4	14	23
Cycles & Accessories	1,500	1,675	1	1	90	100
Department & Variety Stores	47,300	25,225	5	2	188	261
DIY & Home Improvement	1,100	2,742	1	2	40	48
Electrical & Other Durable Goods	4,100	7,908	4	6	52	70
Florists	2,800	2,550	3	3	110	103
Footwear	3,900	7,392	3	4	53	73
Furniture Fitted	0	1,833	0	1	-	-
Furniture General	6,100	9,767	4	3	62	133
Gardens & Equipment	0	733	0	0	-	-
Greeting Cards	6,000	5,733	3	4	105	82
Hardware & Household Goods	11,200	22,867	2	4	49	48
Jewellery, Watches & Silver	1,900	5,817	2	6	33	31
Ladies Wear & Accessories	15,600	19,950	7	13	78	56
Leather & Travel Goods	0	700	0	1	-	-
Mens Wear & Accessories	4,100	3,792	2	2	108	100
Music & Musical Instruments	0	475	0	1	-	-
Music & Video Recordings	900	667	1	1	135	171
Newsagents & Stationers	5,600	7,400	2	2	76	86
Office Supplies	0	108	0	0	-	-
Other Comparison Goods	1,600	4,850	2	3	33	63
Photographic & Optical	1,000	750	1	1	133	133
Secondhand Goods, Books, etc.	0	917	0	1	-	-
Sports, Camping & Leisure Goods	1,300	9,267	2	3	14	62
Telephones & Accessories	1,800	6,908	3	5	26	60
Textiles & Soft Furnishings	2,200	5,742	2	3	38	63
Toiletries, Cosmetics & Beauty Products	5,100	7,275	3	3	70	113
Toys, Games & Hobbies	2,800	4,550	3	3	62	109
Vehicle & Motorcycle Sales	2,100	2,367	2	1	89	200
Vehicle Accessories	0	958	0	1	-	-

* These figures are averages and the numbers quoted in the table are rounded. The index is calculated on the unrounded figure.

Source: GOAD, Jones Lang LaSalle

Equally, there are a number of sectors in which Sudbury is potentially ‘under-supplied’. A number of sectors have no specialist representation in Sudbury (although these product categories may be supplied through non-specialist channels, such as department & variety stores). Sectors that fall into this category are antique shops, leather & travel goods, music & musical instruments, secondhand goods, books etc (as distinct from charity shops), vehicle accessories, fitted furniture, gardens & equipment and office supplies. The first four of these are fairly niche categories and their absence is perhaps surprising rather than a barometer of deficiency. The last four of these sectors are perhaps more akin to larger town centres and also retail parks. Again, their absence from Sudbury is not necessarily a weakness.

DIY and electricals both emerge as under-supplied in terms of both outlets and floorspace. We would argue that the natural habitat of these categories in modern-day retailing is out-of-town. More significant is the under-supply in other sectors, notably:

- Ladieswear & Accessories
- Footwear
- Jewellery, watches & silver
- Newsagents & stationers
- Telephones & accessories
- Crafts, gifts, china & glass
- Hardware & household goods
- Textiles & soft furnishings

Sudbury is seemingly ‘underweight’ in all these categories. Of these, ladieswear, footwear, jewellery and telephones are perhaps the most telling, as they are all mainstays of the high street. Statistically, ‘under-supply’ is greater in jewellery and footwear, but womenswear is perhaps the most telling. Sudbury has nearly 25% less womenswear floorspace than the benchmark average and only around half the number of specialist womenswear outlets. Although we acknowledge that provision is made for this in non-specialist channels (notably Winch & Blatch), the relative lack of womenswear specialist stores is nevertheless one of the imbalances and weaknesses in Sudbury’s retail proposition.

In convenience goods, the picture is somewhat different. The breadth of choice and diversity in specialist foodstores (butchers, greengrocers, delicatessens, healthfoods and frozen foods) is one of the town’s inherent strengths. In each of these categories, Sudbury has more outlets and floorspace than the benchmark average.

Despite the presence of Waitrose, Aldi and the Co-op, Sudbury has 10% less supermarket floorspace than the benchmark average, although it has more outlets than average (note that these figures exclude Roys as this is classified as a variety store). But the town is seemingly underweight in smaller convenience stores.

Other ‘under-represented’ convenience goods sectors include Bakers & Confectioners, Fishmongers and Confectionery, Tobacco & News (CTNs).

Table 11 – Retail Provision Benchmarking by Product Category – Convenience Goods

Category	Sudbury Floorspace (sq ft)	Average Benchmark Floorspace (sq ft)	Sudbury Outlets	Average Benchmark Outlets*	Floorspace Index	Outlets Index
Bakers & Confectioners	4,000	5,425	4	5	74	83
Butchers	2,100	1,567	2	2	134	133
Confectionery, Tobacco & News	900	2,333	2	2	39	92
Convenience Stores	2,100	2,500	1	1	84	92
Fishmongers	0	425	0	1	-	-
Frozen Foods	12,600	4,775	1	1	264	150
Greengrocers	600	392	1	0	153	400
Grocers & Delicatessens	5,000	2,783	3	2	180	138
Health Foods	3,000	3,008	3	3	100	109
Off Licences	1,800	1,492	1	1	121	86
Shoe Repairs & Key Cutting	1,600	1,350	3	2	119	180
Supermarkets	50,500	56,258	3	2	90	157

* These figures are averages and the numbers quoted in the table are rounded. The index is calculated on the unrounded figure.

Source: GOAD, Jones Lang LaSalle

On the leisure side, there are a number of mixed messages. The Kingfisher Centre heavily skews supply on sports & leisure facilities. However, there is no provision in Sudbury of cinemas, theatres & concert halls and bingo & amusements. This is largely a function of its size – there is little provision of these sectors across any of the benchmark centres.

In terms of 'night time' economy, there are a number of apparent imbalances. The town has below average representation of pubs and no bars & wine bars. Conversely, it has more nightclubs than the benchmark average. Similarly, its apparent lack of provision in restaurants is counterbalanced by larger than average number of fast food outlets and takeaways.

Table 12 – Retail Provision Benchmarking by Product Category – Leisure

Category	Sudbury Floorspace (sq ft)	Average Benchmark Floorspace (sq ft)	Sudbury Outlets	Average Benchmark Outlets*	Floorspace Index	Outlets Index
Bars & Wine Bars	0	7,700	0	4	-	-
Bingo & Amusements	0	5,625	0	2	-	-
Cafes	10,800	11,217	11	10	96	115
Casinos & Betting Offices	4,600	5,825	4	4	79	100
Cinemas, Theatres & Concert Halls	0	4,175	0	1	-	-
Clubs	4,300	11,592	1	3	37	31
Disco, Dance & Nightclubs	6,800	3,808	2	1	179	218
Fast Food & Take Away	16,700	13,033	19	14	128	138
Hotels & Guest Houses	4,400	14,242	1	3	31	40
Public Houses	27,800	29,883	5	9	93	55
Restaurants	12,400	20,683	8	11	60	73
Sports & Leisure Facilities	30,600	5,267	2	1	581	343

* These figures are averages and the numbers quoted in the table are rounded. The index is calculated on the unrounded figure.

Source: GOAD, Jones Lang LaSalle

In summary, although Sudbury as a whole is a strong retail centre, there are slight imbalances in its overall retail mix across all three component sectors (comparison, convenience and leisure). Redressing these imbalances would improve the overall retail proposition.

5.5 Unit Size Analysis

Moving to a more micro level still, our audit also examines retailers that already trade in Sudbury and compares the floorspace they occupy against their sister stores in the peer group centres (NB by its nature, this exercise can only be applied to multiple retailers). The key application of this exercise is to understand which retailers may currently be trading from outlets that are either too small or possibly too large. These often emerge as candidates for re-location if suitable opportunities arise, particularly in the event of a new scheme being developed. However, the downside risk of 'right sizing' is that the vacated units are not re-occupied and therefore the 'churn process' has to be managed effectively.

Note that these outputs are based purely on GOAD data and therefore refer to gross floorspace rather than net selling area. Another possible distorting factor could arise where units trade from multiple floors and this is not picked up in GOAD floorspace numbers.

By way of clarification:

- 'Frequency' refers to the number of stores that retailer has across the benchmark centres, giving an indicator as to the size of the comparison sample

- 'Average unit size' refers to the gross floorspace that retailer occupies in the benchmark centres where it trades

- 'Sudbury unit size' gives the GOAD gross floorspace of that retailer in Sudbury

- 'Difference (sq ft)' provides the absolute differential between the Sudbury unit and the benchmark average

- 'Difference (%)' provides the same differential in percentage terms

- The operators highlighted in red have more than one store in the town.

Taking the figures at face value, a total of 32 retailers in Sudbury emerge as being 'under-spaced' to some degree (Table 13). However, this figure needs qualification. Most of these shortfalls are relatively minor (<1,000 sq ft). There are still ten operators where the difference is more than 1,000 sq ft, although of these, one is the smaller WH Smith bookstore, which is compensated for by the larger full-line outlet nearby. 99p Stores and Toymaster are around 5,500 sq ft and 4,500 sq ft 'under-spaced' respectively, whilst the two restaurant brands Prezzo and ASK are both around 1,500 sq ft smaller than their peer average (although in the latter case, this is against a limited comparison base).

In this instance, the percentage differences are probably more significant than the absolute figures. A total of eight retailers trade from units less than half the size of the benchmark average (-50% or lower in the 'Difference' column). Of these, six qualify on both counts (more than 50% and 1,000 sq ft under-spaced) , although discounting WH Smith for the reasons already outlined reduces this list to five (Co-op, Toymaster, Vodafone, William Hill and Carphone Warehouse).

The key candidates for re-location amongst this list would be the mobile phone operators – Vodafone, Carphone Warehouse and Phones 4U all trade from units far smaller than the benchmark average (the comparison base for each also being very robust). The Vodafone store is only around one quarter the size of the benchmark average, Carphone Warehouse and Phones 4U significantly less than half. If suitable opportunities arose (larger stores becoming available either within the existing infrastructure or as part of any new floorspace), we would expect these operators to be at the forefront of demand.

Table 13 – 'Under-Spaced' Retail Units in Sudbury

Fascia	Frequency	Av. Unit Size Benchmarks (sq ft)	Sudbury Unit Size (sq ft)	Difference (sq ft)	Difference (%)
Co-op	1	26,700	10,600	-16,100	-60
99p Stores	3	12,367	6,800	-5,567	-45
Toymaster	2	6,350	1,900	-4,450	-70
WHSmith	13	4,638	800	-3,838	-83
Prezzo	4	3,875	2,200	-1,675	-43
Superdrug	13	4,523	3,000	-1,523	-34
ASK	1	3,800	2,300	-1,500	-39
Vodafone	10	1,580	400	-1,180	-75
William Hill	8	1,450	400	-1,050	-72
The Carphone Warehouse	10	1,830	800	-1,030	-56
Phones 4u	9	1,511	600	-911	-60
Savers	2	2,600	1,700	-900	-35
Stead & Simpson	7	2,600	1,700	-900	-35
Lloydspharmacy	6	1,833	1,100	-733	-40
Jenningsbet	1	1,700	1,000	-700	-41
British Heart Foundation	13	2,200	1,500	-700	-32
Barnardo`s	7	1,086	500	-586	-54
Julian Graves	8	1,263	700	-563	-45
Impressions	2	1,850	1,300	-550	-30
Shoe Zone	9	1,822	1,300	-522	-29
Bonmarche	8	3,975	3,500	-475	-12
Favorite Chicken & Ribs	1	1,100	700	-400	-36
Wimpy	3	1,567	1,200	-367	-23
Holland & Barrett	11	1,445	1,100	-345	-24
Millets	5	2,500	2,200	-300	-12
Greggs	8	1,950	1,700	-250	-13
Subway	9	1,333	1,100	-233	-18
Domino`s Pizza	4	1,325	1,100	-225	-17
New Look	1	3,900	3,700	-200	-5
Caffe Nero	2	1,550	1,400	-150	-10
pdsa	2	1,300	1,200	-100	-8
Cancer Research UK	8	1,250	1,200	-50	-4

Figures in red denote that the operator has more than one site in Sudbury.
Source: GOAD, Jones Lang LaSalle

At the other end of the spectrum, a number of retailers also emerge as being 'over-spaced' relative to the benchmark average. Only on rare occasions is this an issue and instances of retailers 'down-sizing' are less common than the other way round. 'Down-sizing' occurs most frequently amongst very established high street retailers (eg Bhs, Boots, Arcadia and Woolworths pre-failure) whose historic floorplates are too large (and expensive) for their modern-day business models.

The benchmarking process suggests that 20 operators are 'over-spaced' in Sudbury (Table 14). But in only five of these cases is the differential greater than 1,000 sq ft. Seven operators trade in units more than double the size of the benchmark average – Iceland, Salvation Army, Edinburgh Woollen Mill, Fat Face, CC and Cartridge World.

Table 14 – 'Over-Spaced' Retail Units in Sudbury

Fascia	Frequency	Av. Unit Size Benchmarks (sq ft)	Sudbury Unit Size (sq ft)	Difference (sq ft)	Difference (%)
Iceland	7	7,614	12,600	4,986	65
Waitrose	4	21,725	26,500	4,775	22
Salvation Army	5	1,200	4,700	3,500	292
The Edinburgh Woollen Mill	10	2,270	3,900	1,630	72
The Silkworm	1	4,700	5,900	1,200	26
Fat Face	4	1,525	2,500	975	64
Argos	12	6,592	7,500	908	14
Thing-Me-Bobs	3	3,600	4,400	800	22
Oxfam	10	1,510	2,300	790	52
Burton	6	2,650	3,400	750	28
Dorothy Perkins	10	2,350	3,100	750	32
M&Co	6	4,000	4,700	700	18
CC	5	1,120	1,700	580	52
Coral	8	1,400	1,800	400	29
Cartridge World	3	667	1,000	333	50
Meat Inn	2	800	1,100	300	38
Aldi	1	13,200	13,400	200	2
WHSmith	13	4,638	4,800	162	3
Clinton Cards	12	2,383	2,500	117	5
Card Factory	11	1,764	1,800	36	2

Figures in red denote that the operator has more than one site in Sudbury.
Source: GOAD, Jones Lang LaSalle

We would not read too much into this - none of the operators appear 'onerously over-spaced' and there are no obvious candidates for down-sizing. It is actually a positive reflection on Sudbury that key national operators such as Edinburgh Woollen Mill, CC and Fat Face are happy to commit to larger than average stores.

In summary, we believe that there is limited scope for significant 'right sizing' amongst retailers in Sudbury. Most retailers are trading in units consummate with their requirements, although some may upsize if suitable opportunities arose. Likewise, if new floorspace were to be developed, there may be some demand from a few existing operators, but displacement would be limited.

5.6 Gap analysis / Retailer Requirements

There are two key desk-top exercises to assess potential occupier demand for Sudbury:

- Retailer Requirements
- Gap' analysis

Both can be ratified through retail agency experience and contacts.

Retailer Requirements are available through independent third-party property data suppliers / portals, such as Estates Gazette Interactive (EGi) or FOCUS. These portals constantly monitor 'requirements lists' issued by retailers or their appointed agents. These are basically specific towns or locations identified by that retailer as potential expansion targets for new stores. As the requirements are constantly monitored and delivered by portal, the data is 'live', although the reality is that changes of location strategy on the part of the retailer are not always fed through, nor is the fact that a requirement for a certain town may have been fulfilled. In other words, the data is 'live' but it is not wholly up-to-date.

Although useful, Retailer Requirements data do come with two key caveats. On the one hand, not all retailers issue requirements lists nor make their expansion targets public knowledge, so the data never reflects the entire 'retailer universe'. On the other, even listed requirements are subject to the retailer being able to secure the right site in terms of location, pitch, configuration, adjacency etc, for the right rent. So, there are often considerable bridges to cross before a requirement can be met.

'Gap' analysis is one of the key outputs of the Retail Audit process. It is essentially an analysis of 'missing' retailers, highlighting operators that trade in the benchmark centres but are currently absent from Sudbury. As such, they are potentially new tenants to the town, either as part of the existing infrastructure or potential new floorspace. In each case, the 'gap' operators are ranked by the frequency they appear in the peer centres, giving an indicative sense of priority. We have also included the average unit size (gross sq ft) that each retailer occupies across the benchmark centres – this gives the process more dimension than being just a list of retailer names.

Note that Retailer Requirements and 'gap' analysis seldom tally, although there is some degree of overlap. The former will always understate actual occupier demand for the reasons outlined. 'Gap' analysis will always highlight more retailers than can be accommodated, plus not all will want to open in Sudbury (although it could be argued that the 'gap' analysis is compelling evidence that they should). An accurate picture of occupier demand lies somewhere between the two.

As at July 2011, FOCUS listed two retailer requirements for Sudbury (Table 15). Although few in number, these requirements are high in profile, namely coffee chain Costa and value clothing operator Peacocks.

Table 15 – Retailer Requirements for Sudbury

Retailer	Sector	Class	From (sq ft)	To (sq ft)
Costa	Café	A1	1,200	1,500
Peacocks	Ladies Wear & Accessories	A1	4,000	10,000

Source: FOCUS, Jones Lang LaSalle

As ever, 'gap' analysis provides a much richer view of potential (on both the retail and leisure side).

- There are 81 identified 'gaps' (by definition, operators that trade in at least two of the benchmark centres)
- Of these, 41 trade in at least three of the benchmark centres

- A total of 19 ‘gaps’ trade in at least half of the benchmark centres

- Three ‘gaps’ trade in ten or more of the benchmark centres

The identified ‘gaps’ are split between comparison goods, convenience goods and leisure and listed in Tables 16 – 19.

We would re-iterate that the ‘gap’ analysis refers purely to the town centre, as defined by the GOAD plan. It does not take into account any of the out-of-town retail park developments.

Looking at the ‘high frequency’ (>5) comparison goods ‘gaps’, the two highest profile names are undoubtedly Marks & Spencer and Next. Whilst attracting either of these would be a major coup for the town, realistically Sudbury is probably too small to be on either retailer’s radar screen for expansion. M&S has experience of the town through its former Simply Food store – even without this experience, we doubt they would target Sudbury on the non-food side.

Other ‘high frequency gaps’ that can effectively be discounted are Waterstone’s and Game. Due to well-documented trading difficulties and underlying market conditions, both retailers are retrenching, rather than expanding. Until relatively recently, Yours, did trade in Sudbury (in the unit now occupied by CC). Whether they would return would depend largely upon their previous trading experience in the town.

But on a more positive note, we see no reason why any of the other retailers identified would not open in Sudbury, other than the right unit not being available.

Table 16 – ‘Gap’ Comparison Goods Retailers (Frequency >5)

Fascia	Frequency	Category	Average Floorspace (sq ft)
Clarks	10	Footwear	2,350
Claire`s	9	Ladies Wear & Accessories	1,030
Peacocks	9	Clothing General	5,600
Game	8	Toys, Games & Hobbies	2,250
O2	8	Telephones & Accessories	1,810
RSPCA	7	Charity Shops	971
Scope	7	Charity Shops	1,260
H Samuel	6	Jewellery, Watches & Silver	2,020
Marks & Spencer	6	Department & Variety Stores	15,800
Sports Direct	6	Sports, Camping & Leisure Goods	5,300
Sue Ryder Care	6	Charity Shops	1,350
The Body Shop	6	Toiletries, Cosmetics & Beauty Products	1,300
Yours	6	Ladies Wear & Accessories	1,830
Next	5	Ladies & Mens Wear & Acc.	3,520
QS	5	Clothing General	5,280
The Works	5	Booksellers	1,840
Waterstone`s	5	Booksellers	4,160
Wilkinson	5	Hardware & Household Goods	17,500

Source: Jones Lang LaSalle, GOAD

Table 17 lists the '**lower frequency**' (2-4) 'gaps'. Of these, the only ones we would dismiss outright are Mothercare, JJB and Currys/Currys.digital. All three retailers are currently rationalising their store portfolios, with a definite reorientation away from the high street.

Table 17 – 'Gap' Comparison Goods Retailers (Frequency 2 – 4)

Fascia	Frequency	Category	Average Floorspace (sq ft)
3 Store	4	Telephones & Accessories	1,050
Help The Aged	4	Charity Shops	1,100
Orange	4	Telephones & Accessories	1,600
Ryman	4	Newsagents & Stationers	2,400
F Hinds	3	Jewellery, Watches & Silver	1,170
Gamestation	3	Toys, Games & Hobbies	1,300
Jessops	3	Photographic & Optical	1,770
La Senza	3	Ladies Wear & Accessories	900
Monsoon	3	Ladies Wear & Accessories	1,800
Mothercare	3	Childrens & Infants Wear	3,870
Select	3	Ladies Wear & Accessories	1,930
Yeomans	3	Clothing General	1,400
YMCA	3	Charity Shops	1,330
Accessorize	2	Ladies Wear & Accessories	1,200
Boyes	2	Hardware & Household Goods	8,900
Co-operative Pharmacy	2	Chemist & Drugstores	1,150
Currys	2	Electrical & Other Durable Goods	4,000
Currys.Digital	2	Electrical & Other Durable Goods	2,900
Evans	2	Ladies Wear & Accessories	2,550
Gilesports	2	Sports, Camping & Leisure Goods	3,800
Greenwoods	2	Mens Wear & Accessories	1,450
Hallmark	2	Greeting Cards	1,350
Home Bargains	2	Hardware & Household Goods	9,850
Intersport	2	Sports, Camping & Leisure Goods	4,750
JD	2	Sports, Camping & Leisure Goods	1,550
JJB Sports	2	Sports, Camping & Leisure Goods	4,450
Lakeland	2	Clothing General	1,750
Laura Ashley	2	Ladies Wear & Accessories	1,600
Marie Curie Cancer Care	2	Charity Shops	650
Mind	2	Charity Shops	450
Past Times	2	Crafts, Gifts, China & Glass	1,200
Ponden Home	2	Textiles & Soft Furnishings	2,100
QD Stores	2	Department & Variety Stores	6,600
Robert Dyas	2	Department & Variety Stores	1,950
Store Twenty One	2	Clothing General	2,800
The Aga Shop	2	Electrical & Other Durable Goods	1,600
T-Mobile	2	Telephones & Accessories	1,550
White Stuff	2	Clothing General	3,200

Source: Jones Lang LaSalle, GOAD

Taking the two lists as a collective whole, there are a number of 'gaps' that could help redress imbalances in retail mix, as highlighted earlier in the audit:

- Womenswear – Claire's, La Senza, Monsoon, Select, Accessorize, Yours, Evans, Laura Ashley, White Stuff
- Jewellers – H Samuel, F Hinds
- Mobile phones – O2, Orange

Perhaps the most striking (and positive) output of the process is the breadth of sectors covered and the dimension of the operators (value – upper mass market, younger brands to more mature).

Table 18 – 'Gap' Convenience Goods Retailers

Fascia	Frequency	Category	Average Floorspace (sq ft)
Thorntons	7	Bakers & Confectioners	857
Timpson	7	Shoe Repairs & Key Cutting	900
Martin's *	5	CTN	2,000
Sainsbury`s	4	Supermarkets	39,400
Asda	2	Supermarkets	68,400
Bargain Booze	2	Off Licences	1,600
Majestic Wine Warehouse	2	Off Licences	2,150
Marks & Spencer Simply Food	2	Convenience Stores	5,450
Morrisons	2	Supermarkets	42,100
Oddbins	2	Off Licences	1,500
Somerfield *	2	Supermarkets	17,100
Tesco	2	Supermarkets	35,600
Tesco Metro	2	Supermarkets	21,600
Thresher Wine Shop	2	Off Licences	800

* Company does currently trade in Sudbury, but under a different fascia

Source: Jones Lang LaSalle, GOAD.

On the convenience side, the 'gaps' include all the 'Big 4' operators (Tesco, Sainsbury's, Asda, Morrisons). Tesco is obviously present away from the town centre, at Woodhall Business Park. As we will go on to discuss in Stage 2 of this Study, Sainsbury's is currently looking to develop a 60,000 sq ft store in Sudbury, although its favoured location is an out-of-centre site.

A number of the other convenience 'gaps' can effectively be discounted. Both Marks & Spencer Simply Food and Thorntons have previously traded in the town, but have withdrawn. For Thorntons, this probably formed part of a national retrenchment programme. We do not profess to know the full reason behind M&S Simply Food's withdrawal, other than it took the retailer some time to establish its convenience store model generally and it initially opened too many stores too quickly. As it re-assessed its position, stores that did not fit the final model were offloaded – Sudbury is likely to have fallen into the category.

Of the other names, Somerfield was also in the town, before the store was re-branded under its parent Co-op banner. Similarly, Martin's continues to trade in the town, albeit under its sister brand McColls. The two off-licence chains Oddbins and Thresher have both succumbed to administration. Although the brand names live on, they do so through vastly rationalised store portfolios. The focus for both retailers is consolidation, rather than expansion. Of the off licence operators, only Majestic is really in acquisition mode.

The 'Big 4' grocers aside, the only viable convenience 'gaps' are therefore likely to be Majestic and the shoe repair chain Timpsons.

Table 19 – 'Gap' Leisure Operators

Fascia	Frequency	Category	Average Floorspace (sq ft)
Ladbrokes	16	Casinos & Betting Offices	1,450
Costa	13	Cafes	1,900
PizzaExpress	7	Restaurants	2,510
Betfred	6	Casinos & Betting Offices	1,450
KFC	5	Fast Food & Take Away	1,620
The Conservative Association	4	Clubs	4,130
McDonald`s	3	Fast Food & Take Away	4,130
Starbucks	3	Cafes	1,800
Freemasons	2	Clubs	5,400
Mark Jarvis Racing Service	2	Casinos & Betting Offices	1,150
ToteSport	2	Casinos & Betting Offices	2,200

Source: Jones Lang LaSalle, GOAD

There are some high profile 'gaps' on the leisure side. Two of the key ones are the coffee chains Costa and Starbucks. The former trades in every one of the benchmark centres (with two sites in Cirencester) so it comes as little surprise that it also has a requirement for Sudbury.

Pizza Express stands out on the restaurant side. However, parent company Gondola does trade in Sudbury through Pizza Express' sister brand ASK. Possibly more contentious in the context of a rural market town are the global fast-food brand 'gaps' of McDonalds and KFC (although both currently trade away from the town centre on Sudbury Retail Park)..

In summary, our 'gap' analysis provides confidence of ongoing interest from retailers currently not present in Sudbury. We stress again that there is no guarantee that the retailers and leisure operators identified would necessarily take space in the town – for some, it may be a case of not being able to find the right store in terms of size, pitch, configuration at the right rent, for others, Sudbury may simply not be on their target list. For all its inherent strengths, one of the key stumbling blocks may be the town's size and the fact that it is under many retailers' radar screens.

As we discussed in our catchment area analysis, the town could potentially see significant population growth over the next 20 years. With an indicative range of 2,500 – 3,000 new homes, population could potentially increase by around 5,000 and 7,500. Whilst this will have implications on retail capacity and implied retail floorspace need, it is unlikely to materially impact on retailer demand directly. From our experience, retailers tend to only focus on current demographics in their site appraisal process, rather than focus on longer-term growth and change. The knowledge that there are a number of new homes in the pipeline is therefore likely to hold limited sway in influencing occupier demand.

In the subsequent stages of this Study, we will place the Retail Audit in the context of the proposed development site. The outputs will inform the following key issues:

- Viability of a foodstore-anchored development
- Viability of a comparison goods dominated scheme
- Possibility of a mixed-use scheme
- Potential mix of any new scheme
- Whether there would be sufficient occupier demand to achieve critical mass
- Whether rents would be sufficiently high to make any scheme commercially viable.

6 Future Change and Development Potential

6.1 Background

The retail audit is based largely upon current market and shopping dynamics. However, as we discussed at length in Stage 1 of this report, retail is a rapidly changing market, subject to both evolutionary and more immediate change.

This final section in Stage 1 is more forward-looking in scope. It explores the following:

- Changes in competition
- Changes in local property market conditions

Changes in competition are immediate in that they result from changes in supply eg a new shopping centre/retail scheme. Although immediate, their effects play out over a long time period. Local property market conditions are more evolutionary but nevertheless are equally important drivers. Having provided macro market forecasts in the first section of this report, here we drill down to give a more local picture. Both provide a framework for which any new development in Sudbury would be delivered.

6.2 Competitive Change

A new development (eg shopping centre or out-of-town retail scheme) will significantly change local shopping patterns, with shoppers increasingly gravitating towards newer and better retailing facilities. In simple terms, a town with a new scheme is likely to witness an uplift in footfall and spend, which comes at the expense of other towns in the area.

In this section, we assess the likely changes that new floorspace provision will have to shopping dynamics in the Sudbury area. The analysis covers potential development external to the town and quantifies the potential negative impact.

As outlined in Stage 1, the credit crisis and subsequent recession has seriously derailed the retail development pipeline. Many of the schemes proposed prior to the recession (even those will full planning consent) became unviable. Some have consequently been 'moth-balled', whilst others will never be resurrected. There are just three schemes opening in 2011. Two (in Wakefield and Newbury) will have no bearing on Sudbury. However, given its location and scale, this may not be true of the third, Westfield's Stratford City. In a similar vein, there are outline proposals to extend Capital Shopping Centre's Lakeside scheme at Thurrock. Although far more provisional than Stratford City, these are the two 'large scale' supply changes in the wider area.

There is limited new supply planned for Sudbury's core competing centres (Braintree, Bury St Edmunds, Cambridge, Ipswich and Norwich). A number have only recently benefitted from large-scale new developments, particularly Cambridge (Grand Arcade in 2008) and Bury St Edmunds (The Arc in 2009). The effects of these are already implicit in our earlier shopper flow and market share analysis (Table 5).

Colchester is the one exception. Colchester is Sudbury's main competitive centre and also has key new scheme in the development pipeline, namely Vineyard Gate. The original proposals were for a scheme of 550,000 sq ft. However, these were placed on hold as property market conditions deteriorated. Through working with Colchester Council on a similar Retail Study, we have consulted with the developer, Caddick Developments. We understand that the developer has completely revised the Vineyard Gate plans and is likely to submit proposals for a scaled-down scheme of around 170,000 sq ft. We will undertake modelling of both sets of proposals in assessing their potential impact on Sudbury.

6.3 Introduction to Gravity Modelling

The key tool in assessing the impact of step change in retail supply is a gravity model ('GM'). Our gravity model ('Scenario Manager') has been devised by Experian, thereby dovetailing with the 'Where Britain Shops' catchment areas, as used in Stage 2 of this report.

The premise of any gravity model is to provide a tool that mimics people's shopping patterns, both presently and in the future. The assumption is that an individual's expected level of expenditure at a given centre is proportional to the attractiveness of that centre, and inversely proportional to a measure of distance to that centre (cf. weight and distance in the laws of gravity.)

The base data is actual customer data from Experian's 'Where Britain Shops' customer data. The raw data is cleansed and amalgamated into a database of actual shopping patterns. This forms the basis of a forward-looking gravity model. There are two key areas of 'flex' within the model:

- people's likelihood to travel relative to their travel time to the retail centres ('decay')
- people's likelihood to travel relative to different centres' attractiveness scores

For the purposes of this report, we have kept the decays at a constant level. Impacts are assessed by modification of 'attractiveness scores'. Each centre within the model is allocated its own 'attractiveness score', which reflects the depth and quality of the retail proposition (in much the same way Javelin derives its Venuescore retail ranking). The shopper flows (at postal sector level) are calibrated against these scores.

A new scheme will increase the 'attractiveness score' of that centre. The scale of the development is input into the model and assumptions are made as to the likely constitution of that floorspace (based on observed averages for other new schemes). The 'attractiveness score' of that centre increases proportionally. In turn, this realigns all the shopper flows that underpin it. From this, it is possible to calculate and quantify impacts to all centres, both positive and negative. The outputs can be derived in three ways:

- maps, showing changes in catchment areas and shopper flows ('before and after')
- impacts, expressed in terms of shopper population gains/losses by centre
- impacts, expressed in terms of comparison goods spend gains/losses by centre

In practice, there is very strong correlation between the second and third of these outputs. For the purposes of this report, our analysis focuses on the third (spend).

Note that the gravity model is based purely on comparison goods shopper flows ie it is not sensitive to convenience goods / supermarkets. Likewise, small comparison goods retail developments (<50,000 sq ft) are unlikely to register any impacts.

6.4 Stratford City and Lakeside Extension

We have assessed the wider impacts of the two 'large scale' pipeline developments as part of our Retail Study on Colchester. We are able to revisit the outputs to assess any potential impact on Sudbury.

Stratford City will be the largest shopping centre to open in the UK this year. When it starts trading in September, it will offer 1.9 million sq ft of retail and leisure floorspace, in addition to 1.1 million sq ft of office space, three hotels and more than 16,000 new homes. Anchored by John Lewis, Marks & Spencer and Waitrose, the scheme will house around 300 retail units and 50 restaurants and bars.

Such is the scale of Stratford City that it will inevitably draw from a wide area. For reference, the development is just over 60 miles away from Sudbury, but with an estimated drivetime of 1 hour and 30 minutes (according to the AA). Train journey time is around 80 minutes.

The situation is less clear-cut at Lakeside. Thurrock Thames Gateway Development Corporation has prepared a Master Plan for the Lakeside-West Thurrock area, with approval for an extra 1 million sq ft of retail and 1.2 million sq ft of leisure floorspace, as well as a sports venue and a hotel. Within this wider framework, Capital Shopping Centres (CSC) is known to be keen to extend Lakeside shopping centre. To this end, in February 2011 it made public a tentative expansion figure of 350,000 sq ft, although formal planning proposals have yet to be submitted.

Having revisited the outputs for both scenarios, Sudbury does not register as one of the centres likely to be impacted directly. The likes of Brentwood, Billericay and Chelmsford are likely to see some degree of spend erosion, whilst Colchester would only be very marginally impacted by the Lakeside extension.

Although Sudbury will experience no direct impact from either scheme, it is worth flagging that it may lose some trade indirectly. The one caveat of all this impact analysis is that it refers to primary, comparison goods shopping habits ie where consumers go for their main / most regular non-food shop. By its nature, it will not take into account either secondary shopping (often called 'top up' shopping) nor 'destination shopping' (infrequent 'blow-outs'). The risk is that 'one- off' destination shopping trips to large-scale facilities such as Stratford City, Lakeside and Bluewater. Such destination trips account for a disproportionately high level of spend.

Although the regional malls (of which Stratford City will be one) are very different shopping entities from traditional market towns such as Sudbury, they have a common denominator in their need to attract consumer spend. Whilst the regional malls may be both different entities and a considerable distance away, it would be short-sighted to remove them from the radar completely.

6.5 Colchester

Colchester is more tangible. It is Sudbury's key competing centre and there is considerable catchment overlap. Many shoppers may indeed use both – Sudbury for more regular, localised shopping, Colchester for more destination trips.

It follows that Sudbury would be negatively impacted by any large scale improvement to retail supply in Colchester. Table 20 models the original (550,000 sq ft) proposals:

Table 20 – Impacts of Original (550,000 sq ft) Vineyard Gate Proposals

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
Colchester	498,054,757	653,174,805	155,120,048	31.15%
Colchester - Retail Parks	165,564,655	126,107,697	-39,456,958	-23.83%
Harwich - Harwich Gateway Retail Park	23,895,143	20,873,285	-3,021,858	-12.65%
Witham	51,153,135	45,346,755	-5,806,380	-11.35%
Clacton-on-Sea - Retail Parks	60,841,421	54,281,584	-6,559,837	-10.78%
Clacton-on-Sea	123,791,523	110,745,206	-13,046,317	-10.54%
Halstead	25,442,285	23,170,684	-2,271,601	-8.93%
Dovercourt	15,146,537	13,801,104	-1,345,433	-8.88%
SUDBURY - RETAIL PARK	12,957,422	11,960,154	-997,268	-7.70%
Frinton-on-Sea	35,529,351	33,057,405	-2,471,947	-6.96%
Braintree - Freeport	154,483,270	144,561,189	-9,922,081	-6.42%
Braintree	88,973,273	83,797,999	-5,175,274	-5.82%
SUDBURY	90,293,718	85,403,462	-4,890,256	-5.42%
Maldon	27,397,774	25,927,377	-1,470,396	-5.37%
Ipswich - Retail Parks	203,150,405	193,015,072	-10,135,333	-4.99%
Ipswich	535,639,369	512,513,625	-23,125,743	-4.32%
Chelmsford - Retail Parks	114,482,672	110,866,026	-3,616,646	-3.16%
Chelmsford	413,885,184	403,458,300	-10,426,884	-2.52%
Stowmarket	69,042,785	67,694,027	-1,348,757	-1.95%
Felixstowe	71,905,223	70,825,708	-1,079,515	-1.50%
Wickford	42,549,864	42,072,831	-477,033	-1.12%
Bury St Edmunds	252,429,186	250,013,832	-2,415,353	-0.96%
Brentwood	142,074,949	141,369,599	-705,351	-0.50%
Billericay	47,091,404	46,880,373	-211,032	-0.45%
Basildon	341,894,898	340,880,753	-1,014,145	-0.30%
Southend-on-Sea	410,871,228	410,229,113	-642,115	-0.16%
Lakeside	686,345,890	685,276,013	-1,069,876	-0.16%
Centres Outside Colchester's Catchment	-	-	-2,416,659	-

Source: Experian, Jones Lang LaSalle

By way of explanation:

- 'Existing Comparison Goods Spend' is the estimate for expenditure that is currently made in that centre ie before any of the new floorspace is factored in
- 'Modelled Comparison Goods Spend' recalculates these expenditure flows on the back of the proposed new floorspace (in this Scenario, Stratford City in isolation)
- 'Spend Difference (£)' is the impact, expressed in absolute (ie £) terms
- 'Spend Difference (%)' is the same impact, expressed as a % of that centre's existing spend
- In the output tables, the centres are ordered according to the % impact

This hypothetical' scenario would see attracted spend to Colchester rise by £155m to £652m, an increase of 31% on existing spend estimates. Whilst obviously positive for Colchester, this uplift would be achieved at the expense of other centres.

Our gravity model estimates that attracted comparison spend levels to Sudbury are currently £90.3m. If the original Vineyard Gate scheme were to be developed, this would reduce these annual spend levels in Sudbury to £85.4m – a decrease of £4.9m in absolute terms.

Expressed in percentage terms, the negative impact on Sudbury town centre is perhaps more damaging. The model suggests that Sudbury would lose 5.4% of its existing retail trade. Although not catastrophic, this would nevertheless be fairly destabilising to the existing local retail economy, particularly in times of difficult trading generally.

However, we would stress that these proposals have since been revised. The latest proposals are for a scheme of 170,000 sq ft (although this has yet to receive planning consent). The impacts that a scaled-down scheme in Colchester would have are provided in Table 21.

Table 21 – Impacts of Revised (170,000 sq ft) Vineyard Gate Proposals

CENTRE	Existing Comparison Goods Spend (£)	Modelled Comparison Goods Spend (£)	Spend Difference (£)	Spend Difference (%)
Colchester	498,054,757	553,110,610	55,055,853	11.05%
Colchester - Retail Parks	165,564,655	150,669,939	-14,894,716	-9.00%
Harwich - Harwich Gateway Retail Park	23,895,143	22,680,545	-1,214,598	-5.08%
Clacton-on-Sea - Retail Parks	60,841,421	58,240,667	-2,600,754	-4.27%
Witham	51,153,135	49,270,973	-1,882,162	-3.68%
Halstead	25,442,285	24,570,698	-871,586	-3.43%
Dovercourt	15,146,537	14,711,484	-435,053	-2.87%
Braintree - Freeport	154,483,270	150,790,139	-3,693,132	-2.39%
Frinton-on-Sea	35,529,351	34,716,626	-812,726	-2.29%
Clacton-on-Sea	123,791,523	121,101,136	-2,690,387	-2.17%
Maldon	27,397,774	26,853,929	-543,845	-1.98%
SUDBURY - RETAIL PARK	**12,957,422**	**12,702,538**	**-254,884**	**-1.97%**
Ipswich	535,639,369	525,648,249	-9,991,120	-1.87%
Braintree	88,973,273	87,366,081	-1,607,192	-1.81%
SUDBURY	**90,293,718**	**88,664,024**	**-1,629,694**	**-1.80%**
Ipswich - Retail Parks	203,150,405	199,609,245	-3,541,160	-1.74%
Chelmsford - Retail Parks	114,482,672	112,888,026	-1,594,646	-1.39%
Chelmsford	413,885,184	410,313,719	-3,571,464	-0.86%
Felixstowe	71,905,223	71,388,829	-516,394	-0.72%
Stowmarket	69,042,785	68,701,078	-341,707	-0.49%
Bury St Edmunds	252,429,186	251,986,379	-442,806	-0.18%
Wickford	42,549,864	42,497,559	-52,305	-0.12%
Billericay	47,091,404	47,034,566	-56,838	-0.12%
Lakeside	686,345,890	685,658,934	-686,956	-0.10%
Brentwood	142,074,949	141,962,493	-112,457	-0.08%
Southend-on-Sea	410,871,228	410,706,468	-164,760	-0.04%
Centres Outside Colchester's Catchment	-	-	-852,510	-

Source: Experian, Jones Lang LaSalle

Logically, the effects are more muted. Under this scenario, Sudbury would see an outflow of comparison goods spend of £1.6m (or 1.8% if expressed in percentage terms). Any spend diversion is unwelcome, but from a Sudbury perspective, this is by far the more palatable of the two scenarios.

More than anything, this exercise underlines the need for continued investment in centres. Sudbury has strengths that larger centres may not – a more local feel and easier (and cheaper) parking, to name but two. However, it needs to continue to invest in its retail infrastructure if it is to remain competitive and maximise the levels of spend that it retains from within its catchment.

6.6 Change in Underlying Property Market Conditions

Property market conditions are equally important, particularly in assessing the financial viability of new developments. The key barometer of property market performance is Total Return, a weighted combination of Income Return and Capital Value Growth. These are underpinned by other key metrics, most notably Rental Value Growth, whilst the key 'currency' of property development and investment markets are Yields (essentially a metric of rental and income value combined, divided by capital value).

While the mechanics are relatively simple, they may not be transparent to the wider public. In very simple terms, if capital values are falling and rents are not growing either, the developer will not make a return on his investment. If he can't make a return, he won't commit to developing the scheme in the first place. In basic terms, property market conditions must be right if a new scheme is to proceed and be financially viable.

As we discussed in our earlier macro retail market overview, the UK property market has been massively destabilised by the credit crunch and subsequent recession. In this section, we focus more on how this has played out in Sudbury and its hinterland, using more localised data. The focus is on two key variables – capital values and rents. As well as historical performance, we will also provide local market forecasts to 2015.

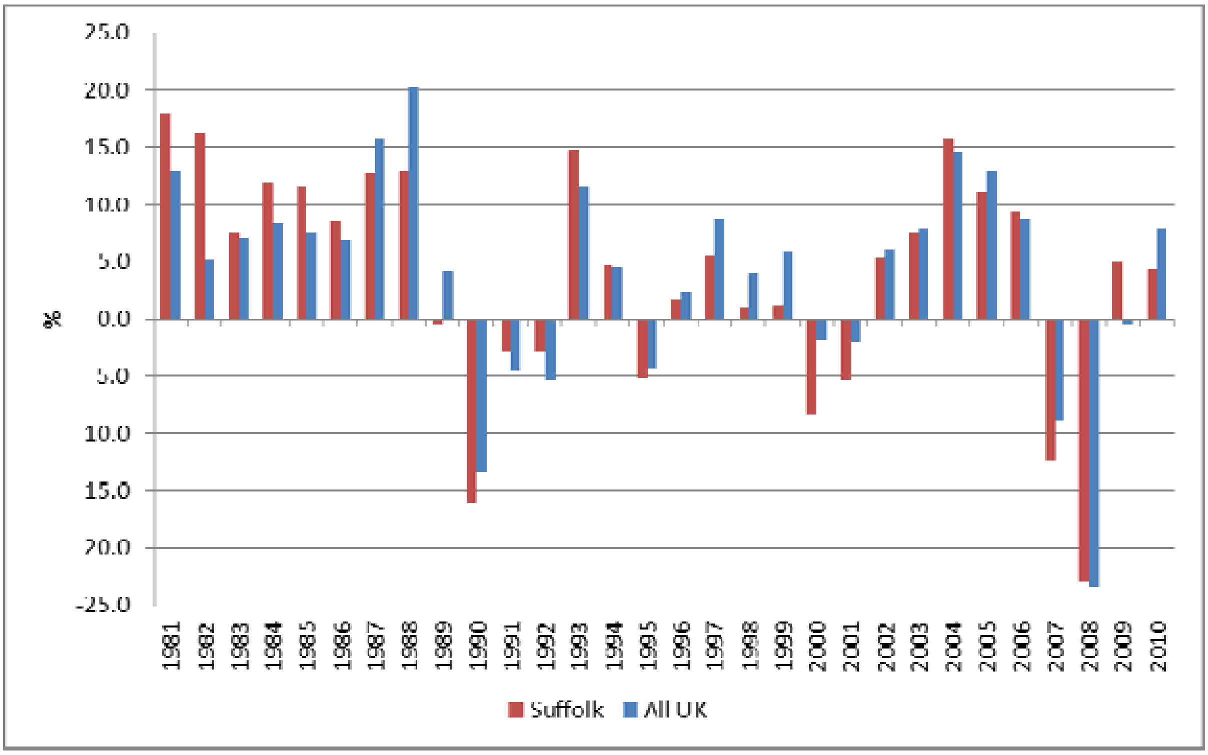
IPD (Investment Property Databank) is the 'official' source of property performance data. IPD figures also form the basis of our in-house forecasts, which are derived in partnership with Real Estate Forecasting Ltd (REFL) and driven by local level economic performance. Sudbury is too small to qualify as an IPD centre on its own – the county of Suffolk the closest proxy. The forecasts are only provided for the key IPD centres and the UK regions. The Eastern Region is therefore the closest proxy for the purposes of forecasts.

6.7 Capital Value Performance and Forecasts

In terms of capital values, the broad pattern between Suffolk and the country as a whole (Fig. 14) has been largely consistent over the last 30 years – strong growth in the late 1980s, a sharp downturn in 1990 – 1992, a negative blip in the mid-1990s, gentle correction again in 2000, rampant growth in the mid-2000s, before the credit crunch set in in 2007 and the market fell off a cliff in 2008.

Suffolk has followed the broad national trend, if anything proving slightly more volatile – hitting slightly higher peaks, but also experience more precipitous falls. Taking the last 30 years as a collective whole, capital values in Suffolk have grown at an annual average of 3.2%. Although this is marginally below the figure for the UK as a whole (+3.6% per annum), it is above the average for the wider Eastern region (+3.0% per annum).

Fig. 14 – Historic Annual Growth (%) in Retail Property Capital Values

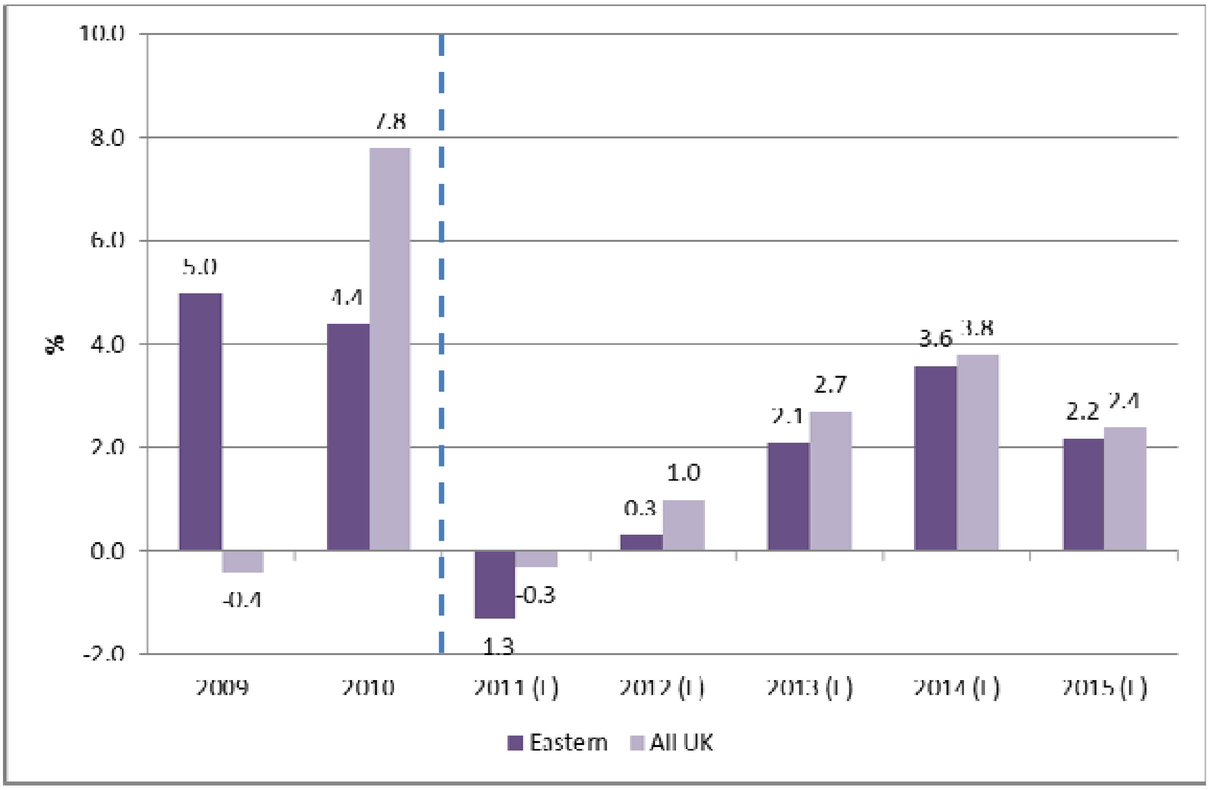


Source: IPD UK Local Centres 2010

Of course, these 30 year growth figures have been severely depressed by very sharp declines since 2007. Suffolk felt the brunt of the downturn sooner than many other regions of the UK, with capital values slumping by 12.4% in 2007 compared to a national average decline of 8.8%. However, the area has also been swifter to recover – capital values in Suffolk grew by 5.0% in 2009, whilst the country as a whole continued to see a decline in values (-0.4%).

This historic 'out-performance' is forecast to be slowly redressed in the coming years. The local market is expected to succumb to an inevitable double-dip this year (-1.3% versus -0.3% nationally). Despite a return to growth from 2013, capital values in the Eastern region are forecast to increase at a rate marginally below the national average for the next three years thereafter (Fig. 15)

Fig. 15 – Forecast Annual Growth (%) in Retail Property Capital Values



Source: IPD UK Local Centres 2010 (Historic), REFL (Forecasts)

6.8 Rental Performance and Forecasts

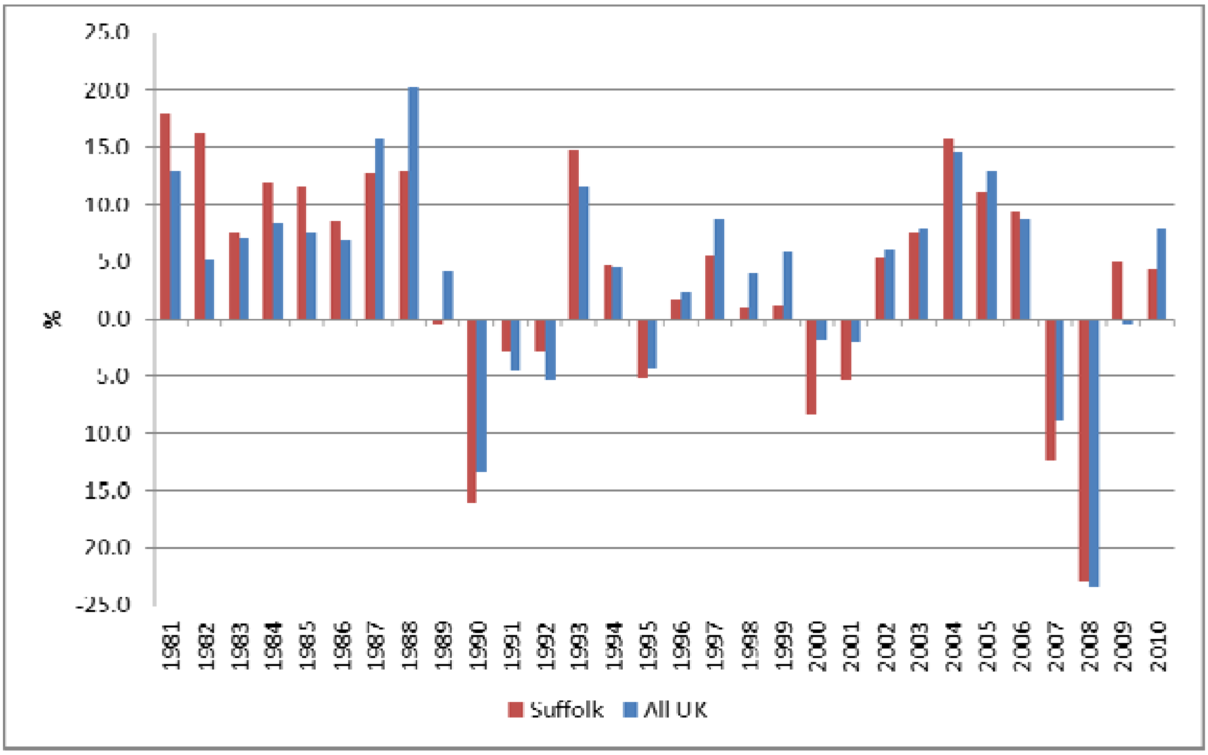
As is usually the case, these general trends are also manifest in rental performance. Generally, retail rents tend to lag slightly behind capital values and changes tend to be less volatile. Whilst the performance curve tends to mirror that of capital values, the peaks and troughs are less severe.

Retail rental values in Suffolk have grown at an annual average rate of 3.6% over the last 30 years. Again, this is slightly lower than the national average (3.9%) but marginally higher than the average of the Eastern region as a whole (3.5%). The 'correction' in retail rents has been very sharp – retail rents in Suffolk declined by 7.5% in 2009, compared to a national average of -6.7%.

The recovery in retail rents is expected to play out more slowly in the Eastern region than the UK as a whole. Regional rents are forecast to decline by a further 1.9% this year, compared to a national decline of 0.6%. Whilst many markets are expected to return to rental growth in 2012, rents in the Eastern region are not forecast return to positive territory until 2013.

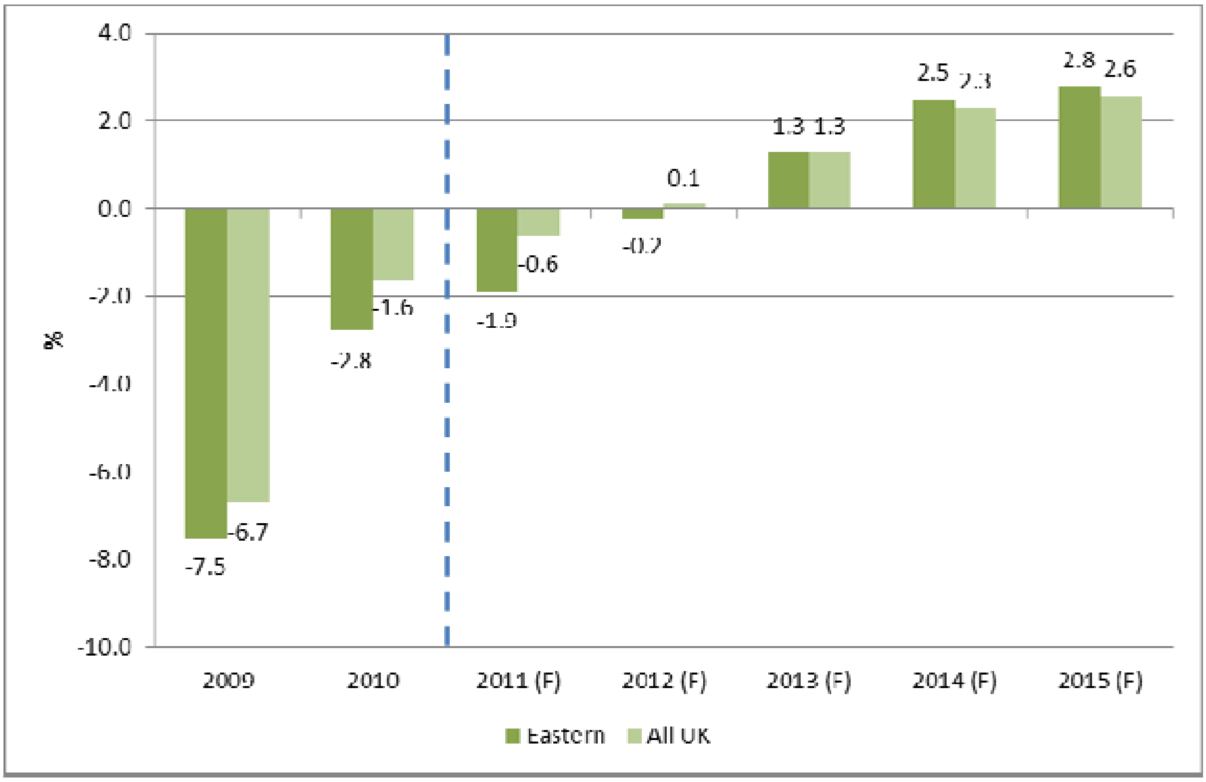
Between 2009 and 2012, retail rents in the Eastern region will cumulatively have declined by around 12% - a very substantial correction. Although on the surface a negative factor and a blight on the area's retail health, on the positive side, it should have provided some degree of respite for local retailers.

Fig. 16 – Historic Annual Growth (%) in Retail Property Rental Values



Source: IPD UK Local Centres 2010

Fig. 17 – Forecast Annual Growth (%) in Retail Property Capital Values

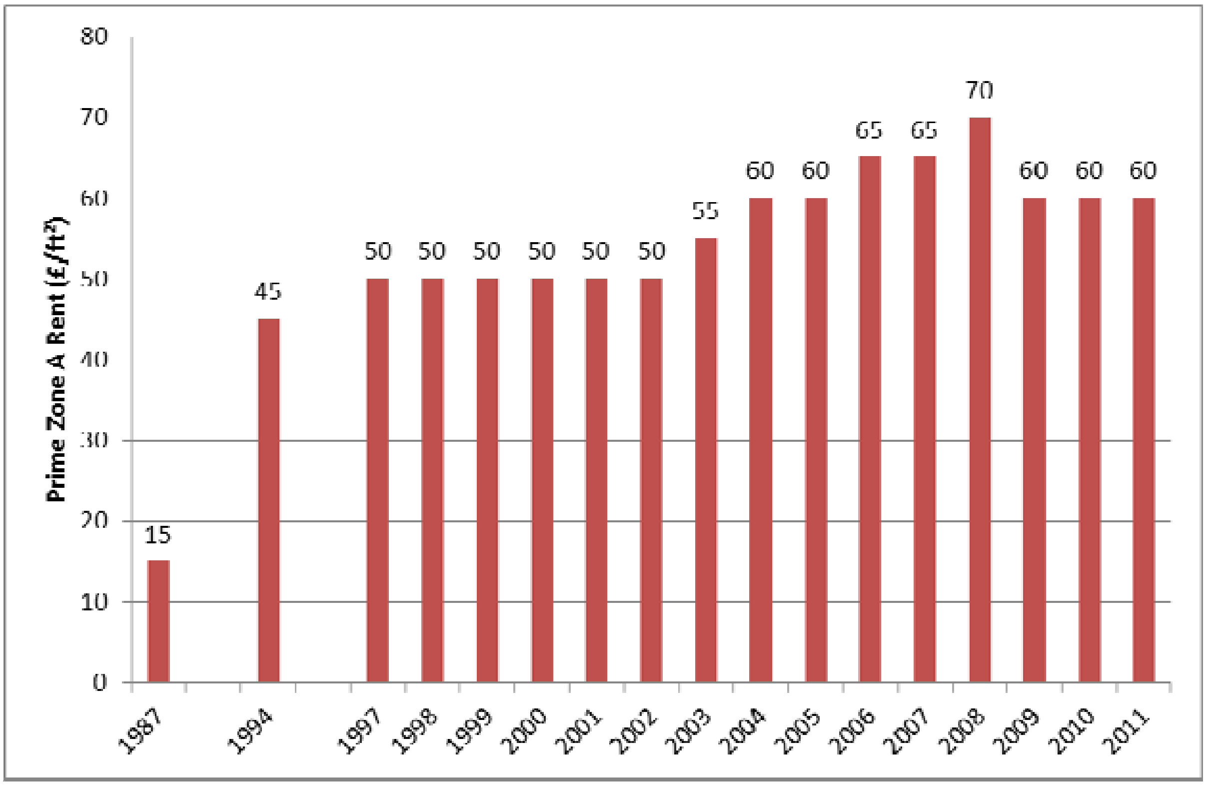


Source: IPD UK Local Centres 2010 (Historic), REFL (Forecasts)

IPD only provides growth figures and indices, as opposed to ‘absolute’ or ‘actual’ rental figures. Although not a wholly transparent market, we are able to establish rental tones (Zone A rents) from our local agency sources.

‘Headline’ / Prime Zone As grew fairly spectacularly in the late 1980s/early 1990s, although there has been limited upwards movement since the late 1990s. Rents hit a peak of £70 sq ft in 2008, before slipping back to their current level of £60 sq ft.

Fig.18 – Prime Zone A Rents in Sudbury 1987 - 2011



Source: Jones Lang LaSalle

Taking a negative view, rents are currently at the level they were as long ago as 2004. On a more positive note, they have not actually declined much from their peak and have been stable for three years – this is by no means commonplace and in some part bears testament to the relative strength of Sudbury’s retail market.

6.9 Implications

Sudbury is currently a strong retail centre, which responds well to its local catchment demands. Conditions in the UK retailing market remain very difficult, but the evidence points to Sudbury weathering the storm better than many other centres.

However, the competitive landscape is constantly changing. Sudbury may appear incubated from direct impacts from new large-scale schemes, such as Stratford City, but there are more tangible threats on the horizon. The most immediate of these is likely to be in Colchester, although any new scheme will realistically have a gestation period of three years as an absolute minimum.

The challenge for Sudbury is to consolidate its position of strength through continually improving its retail offer. New retail floorspace, if appropriate in scale, sensibly appraised and sensitively planned, could be a conduit to this wider improvement.

However, financial viability of any new retail floorspace is indelibly linked to underlying property dynamics. Although markets have improved, they are still not conducive to retail development, hence the on-going constraint in the delivery pipeline. On a positive note, any new scheme planned now would be delivered into a market very much in recovery mode. The issue, however, is that these positive forecasts will not necessarily be fed into market appraisals, which tend to be pegged to current conditions.

As a general backdrop, market conditions remain challenging but are not insurmountable. As a very general observation, the right scheme in the right location would be viable.

Real value in a changing world

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