

# GUILDFORD RETAIL & LEISURE STUDY ADDENDUM

Final Report

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## 1 INTRODUCTION

- 1.1 This report was commissioned by Guildford Borough Council (the 'Council') and updates the key findings of the *Retail and Leisure Study Update 2014* ('2014 RLSU') prepared by Carter Jonas in 2015. The findings of the update will be used to inform the emerging Guildford Local Plan.
- 1.2 Using the **CREAT**<sup>®</sup> Capacity and Impact Model developed by Carter Jonas (CJ) this update assesses the future need ('capacity') for new retail (convenience and comparison goods) floorspace over the development plan period (to 2034) and beyond to 2036. It also assesses the quantitative need for new commercial leisure facilities, focusing on opportunities for new cinema, food and beverage (A3-A5), and health and fitness provision.
- 1.3 The update is based on the study area (see Appendix 1) and market share analysis that informed the 2014 RLSU, which was informed by a household survey conducted in July 2014. Market shares have been adjusted to take account of new store openings since the household survey and their likely trading characteristics.
- 1.4 The capacity update also takes account of:
- the most recent population projections for the study area derived from the ONS's 2014-based Sub National Population Projections (SNPP);
  - the most up to date retail (convenience and comparison goods) expenditure per capita levels derived from the latest *Retail Planner Reports* produced by Experian;
  - the most recent forecasts of expenditure growth and 'non-store' retail sales (otherwise referred to as Special Forms of Trading)<sup>1</sup> based on Experian's latest *Retail Planner Briefing Note 14* (November 2016).
  - an update and overview of key retail trends and assumptions (see **Appendix 10**).
  - the current pipeline of committed new retail floorspace and implemented retail schemes in the Borough since the 2014 RLSU was published, as provided by the Council.
- 1.5 It should be noted at the outset that capacity forecasts carried out over a long period of time are inherently less certain and should be treated with caution. This is principally due to the impact of economic, demographic and market trends on the key assumptions and forecasts. As a result we advise the Council that greater weight should be placed on the short term forecasts carried out over a three-five year period in accordance with the NPPG. Notwithstanding this, account should also necessarily be taken of the forecast growth over the development plan period

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<sup>1</sup> SFT is made up of purchases that generally occur outside of shops such as, for example, via mail order, vending machines, telephone sales, market stalls and the Internet.

## 2 ECONOMIC CAPACITY MODEL AND ASSUMPTIONS

- 2.1 This section provides an update on the methodology and key assumptions and forecasts underpinning the quantitative need (capacity) assessment for new retail (comparison and convenience goods) floorspace in the Guildford Borough area up to 2034 (the 'plan period') and to 2036.

### METHODOLOGY

- 2.2 The update is based on CJ's **CREAT**<sup>9</sup> model and draws on the most up to date population and average retail (convenience and comparison goods) expenditure reviewed in **Section 2** and informed by key retail trends detailed in **Appendix 10**. The forecasts are presented for the Borough with a breakdown of the potential capacity for new floorspace in Guildford Town Centre.
- 2.3 The capacity forecasts will enable the local planning authority to test the strategic options for the spatial distribution of new retail-led development over the plan period, and make informed policy choices about where any forecast need should be met in accordance with the advice set out in the NPPF (para 23). The allocation of sites to meet any identified need over the next five years and over the lifetime of the development plan will depend on a range of key considerations, including the suitability, viability and availability of sites in or on the edge of existing centres, and the potential to expand existing centres to accommodate the forecast needs.
- 2.4 The capacity assessment is underpinned by market shares for stores and centres across the Borough, which was identified by a Household Telephone Interview Survey (HTIS) conducted by NEMS Market Research in July 2014 to inform the 2014 RLSU. As highlighted in Section 2, market shares have been adjusted for the purpose of this update to take account of key store openings in Guildford; namely Waitrose, York Place in Guildford Town Centre, and the out of centre Aldi on London Road.
- 2.5 It has necessarily been assumed for the purpose of the Borough-wide capacity assessment that the Borough's (convenience and comparison goods) retail market is in 'equilibrium' at the base year. In other words we assume that the Borough's existing centres and stores are broadly trading in line with appropriate 'benchmark' turnover levels at the base year and based on adjusted market shares for new store openings. Therefore, any residual expenditure available to support new retail floorspace within the study area over the development plan period is derived from the difference between the forecast growth in 'current' (survey-derived) turnover levels; and the growth in 'benchmark' turnovers based on applying year-on-year 'productivity' ('efficiency') growth rates to all existing and new retail floorspace<sup>2</sup>.
- 2.6 For all existing and new convenience floorspace we have assumed an annual average 'productivity' growth rate ranging from a low of -0.4% (2018) to 0.1% (2024 and onwards). Corresponding annual productivity growth for comparison floorspace is higher, ranging from 1.5% (2017) to an average of 2.2% (2019 and onwards). These growth rates have been informed by Experian's latest Briefing Note<sup>3</sup> and other research.
- 2.7 It should be noted that productivity growth rates applied to this update along with expenditure growth forecasts differ from growth rates applied in the 2014 RLSU<sup>4</sup>, which were informed by Experian forecasts at the time of reporting. The latest growth rates published by Experian take account of a different economic climate compared to forecasts published in 2014, such as the Brexit outcome and more current economic indicators. As such, the most recent growth forecasts will inevitably lead to differences in forecast retail capacity from those identified in the 2014 RLSU.

<sup>2</sup> The 'productivity' growth rates are based on Experian's latest Retail Planner Briefing Note 14 (published in November 2016). However, it should be noted that individual centres, stores and shopping facilities will be capable of achieving higher and/or lower annual 'productivity' growth depending on a range of trading factors (including the size, quality and type of retail floorspace).

<sup>3</sup> However, it should be noted that individual centres, stores and shopping facilities will be capable of achieving higher and/or lower annual 'productivity' growth depending on a range of trading factors (including the size, quality and type of retail floorspace).

<sup>4</sup> Experian's Retail Planning Briefing Note 12.1 (published in October 2014)

- 2.8 At the outset we advise that all capacity forecasts beyond a five year period should be treated with caution. This is because long term trends in the economy, consumer demand and retail property market could have a significant impact on the potential capacity and need for new retail floorspace. For example, as discussed previously, a higher growth in non-store retail sales (i.e. Internet sales) than forecast by Experian would reduce the capacity for new retail floorspace over time. Notwithstanding this, it should also be noted that this Borough-wide strategic capacity assessment is based on a standard constant market share approach. It does not therefore take account of any potential uplift in market shares and capacity that could occur within catchment areas due to the 'claw back' of expenditure to planned retail floorspace in more convenient and sustainable town centre locations. This differs from this capacity update, which has necessarily modelled the likely changes to market shares from new store openings based on the survey evidence and informed judgements.

## ASSUMPTIONS & FORECASTS

- 2.9 The 'baseline' capacity tabulations for convenience goods and comparison goods are set out in **Appendix 8** and in **Appendix 9**, respectively. The capacity forecasts are based on the population growth projections from Experian, which are derived from the Office of National Statistics' (ONS) 2014-based Sub National Population Projections.
- 2.10 The following describes the key steps and assumptions underpinning the retail capacity assessment.

### Population Projections

- 2.11 **Table 1, Appendix 2** sets out the base year (2015) population and projections sourced from the MMG3 GIS. It also shows the population projections over the plan period (up to 2034) and to 2036 based on Experian's 'demographic component model', which takes into account age, gender, birth rates, ageing, net migration and death rates.
- 2.12 Experian's population projections show a +12.7% growth for the study area as a whole between 2015 and 2034, from 641,070 to 722,705 (+81,635).

### Expenditure per Capita & Special Forms of Trading (SFT)

- 2.13 The revised per capita expenditure and growth forecasts for each study zone are set out in **Table 3, Appendix 2** for convenience and **Table 5** for comparison goods. The base year average expenditure figures have been derived from our in-house Experian MMG3 Geographic Information System (GIS) are derived from 2015 prices.
- 2.14 In identifying expenditure per capita, an allowance has been made for the market share of non-store retail sales (i.e. Special Forms of Trading) at the base year and over the forecast period. An allowance for SFT at the base year has been informed by the results of the household telephone interview survey. The market share analysis (**Table 1, Appendix 4**) shows that some 13.1% of all comparison goods expenditure in the defined study area was accounted for by internet and non-store sales (including mail order purchases). For convenience goods SFT accounted for 4.1% of total available expenditure in the study area (**Table 1, Appendix 3**).
- 2.15 The SFT forecasts have then been 'adjusted' to take account of goods sourced from traditional ('physical') retail space. Drawing on Experian's latest *Retail Planner Briefing Note 14* (November 2016), we have assumed that some 25% of SFT comparison goods sales and 70% of convenience goods sales are sourced from traditional ('physical') retail space. This reduces the survey-derived market share of SFT across the study area to 9.4% for comparison goods in 2015 and to 1.3% for convenience goods. Experian's national figures for 2016 show a higher market share for comparison and convenience goods of 12% and 3%, respectively.

- 2.16 Based on Experian's national forecasts and other research we have made a robust allowance for the growth in SFT for comparison goods over the study period from 9.4% in 2015 to 12.9% between 2016 and 2036, and from 1.3% to 2.3% for convenience goods over the same period.
- 2.17 It should be noted that the 2014 RLSU was informed by Experian's national SFT forecasts. However, we consider that for this update that the household survey derived SFT forecasts provide a more accurate assessment of expenditure in the study area. It also indicates that the take-up and growth in internet shopping is not as strong as national averages.

### Average Expenditure Growth Forecasts

- 2.18 The growth in average expenditure per capita levels over the plan period (up to 2034) has been informed by the forecasts set out in Experian's latest Retail Planner Briefing Note (Figure 1a). As described in more detail in **Appendix 10**, Experian's forecasts show for:
- **convenience goods** – negative forecast annual growth in the short term (-0.9% in 2018), with no growth forecast for the medium term (up to 2018) before averaging at 0.1% for future years; and
  - **comparison goods** - forecast annual growth averaging at 3% over the short to medium (up to 2023), with growth averaging +3.2% per annum for remaining forecast years. This forecast growth is lower than long-term historic (1997-2015) trends of +5.6%.
- 2.19 Growth in expenditure has changed since the previous evidence base was published. Experian forecasts used to inform the previous study predicted more positive levels of growth in convenience goods expenditure (i.e. +0.6%) over the medium to long term (2018 onwards). In addition, forecasts for comparison goods expenditure used to inform the 2014 study were marginally higher over the medium to long term at 3.3%.

### Total Available Expenditure

- 2.20 Total available retail expenditure in the study area is derived by multiplying the population and average expenditure per capita levels together. The forecasts for the plan period (2015 to 2034) show:
- a 12.9% (+£188.1m) growth in total **convenience goods** expenditure by 2034 (**Table 3, Appendix 2**); and
  - a 102.1% (+£2,325.9m) growth in total **comparison goods** expenditure between 2016 and 2034 (**Table 5, Appendix 2**).
- 2.21 The growth in comparison goods expenditure significantly outstrips convenience goods spend, which means that there should be greater capacity potential for new comparison goods floorspace over the forecast period than for convenience goods. This assumes no changes in the key forecasts (i.e. expenditure, population and special forms of trading) and before taking into account new commitments and an allowance for the increased 'productivity' of all existing and new floorspace

### Adjustment to Market Shares for New Store Openings

- 2.22 To provide a more robust assessment of forecast capacity, adjustments were made to existing market shares identified from the 2014 household survey (**Table 1a and Table 1, Appendix 5**) to take account of key store openings since the survey was completed. They include; Waitrose on York Road in Guildford Town Centre, and Aldi, on London Road, which is out of centre and adjacent to the Sainsbury's superstore at Clay Lane.
- 2.23 The table below provides a breakdown of the floorspace for each store:

**Table 2.1: Floor area of new store openings**

	Waitrose, York Road	Aldi, London Road
Convenience floorspace (sqm net))	1,756	778
Comparison goods (sqm net)	176	194
<b>Total Floorspace (sqm net)</b>	<b>1,951</b>	<b>972</b>

Notes: Floorspace is sourced from planning application documents for each store.

- 2.24 Consideration was given to store trading characteristics and information supplied in support of the planning application for each foodstore, such as trade diversion estimates (where available), floorspace composition, and turnover of each scheme at the base year (2015). Where information is not available we have used our professional judgement to estimate turnover and trade diversion.
- 2.25 Due to the limited provision of comparison goods floorspace for each store, adjustments to market shares are applied to convenience goods market shares only.
- 2.26 The table below sets out the estimated turnover in 2015 and estimated trade draw for each foodstore from existing centres and stores in the study area:

**Table 2.2: Estimation of Turnover and Trade Diversion for New Store Openings**

	Waitrose, York Road	Aldi, London Road
Estimated Store Turnover (£m):	£18.6	£6.6
Estimated Trade Diversion %:		
Stores in Guildford Town Centre	5%	5%
Tesco Ashenden	39%	40%
Sainsbury's Clay Lane	30%	20%
Other stores in Borough	0%	5%
Stores outside of the Borough	26%	30%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Notes: Estimates for store turnover and trade diversion for Waitrose are sourced from the Retail Impact Assessment (Table 3, Appendix 1) submitted in support the planning application (planning ref: 12/P/01020). Turnover for the Aldi store is based on an average sales density for Aldi store derived from Mintel Retail Rankings. Trade estimates for the Aldi are based on CJ's professional judgement.

- 2.27 It is assumed that the Waitrose foodstore draws the majority of its trade from the Borough's two out of centre foodstores; Tesco, Ashenden, and Sainsbury's, Clay Lane. It is also assumed that the distribution of turnover diverted from each store or centre by zone reflects the distribution of expenditure across the eight zones for those stores/ centres.
- 2.28 The market shares are then revised to take account of trade diversion from stores and centres in the study area associated with the opening of the two foodstores. **Table 2a, Appendix 5** sets out the revised percentage market shares and **Table 2b** identifies revised market shares in monetary terms (£m) for the base year (2015). The assessment estimates that Waitrose will attract a market share of 1.3% (£18.6m) of total study area convenience expenditure in 2015. The study area market share for the new Aldi store is estimated at 0.5% (£6.6m).
- 2.29 The revised market shares (%) set out in **Table 2b, Appendix 5** are then applied to forecast available expenditure to identify forecast turnover for each centre in 2020, 2025, 2030, 2034, and 2036, as shown in **Tables 3 to 6, Appendix 5**.

### 'Inflow' and Base Year Turnover Estimates

- 2.30 In order to provide a complete picture of the current trading (turnover) performance of the Borough's main centres and stores we have necessarily made informed judgements with regard to the likely 'inflow' (trade draw) from outside the study area. In the absence of detailed turnover and trade draw information for the Borough's centres and stores, our judgements have been informed by previous studies and retail assessments, as well as the survey and health check evidence<sup>5</sup>. The 'inflow' assumptions also take account of:
- the scale, offer and location of all existing centres and stores in the Borough;
  - the likely extent of their catchment areas;
  - the competition from centres, stores and shopping facilities outside the Borough and Study Area; and
  - the likely retail expenditure derived from people who live outside the Study Area (including visitors and commuters) in the Borough's main centres and stores.
- 2.31 Although the assessment of 'inflow' is not a straightforward exercise, due to the complex nature of overlapping catchments and shopping patterns, it is reasonable to assume that for comparison goods retailing the Borough's main centres and larger shopping facilities will draw a proportion of their shoppers and trade from outside the defined study area. On the other hand the Borough's smaller stores, village centres and local centres will draw the majority of their shoppers and trade from within their more localised catchments, with limited or no 'inflow' from outside the study area.
- 2.32 For convenience goods it has reasonably been assumed that Guildford Town Centre will be the main recipient of expenditure 'inflow' from outside the defined study area due to the centre's draw as a shopping and visitor destination. Therefore, we have assumed that expenditure 'inflow' will uplift the centre's turnover by 10%. We have also assumed a net 'inflow' of expenditure of 5% for Guildford's out of centre foodstores; namely Sainsbury's (Clay Lane) and Tesco (Ashenden Road), and to a lesser extent, Aldi (London Road). Both stores are located along major road routes and are likely to attract passing trade and customers traveling to Guildford to visit other shopping facilities.
- 2.33 For comparison goods, we have assumed the same estimations for convenience goods expenditure 'inflow' (10%) for Guildford Town Centre, again based on the centre's role as a popular shopping and visitor destination. We have also assumed that the out of centre retail parks and standalone stores will attract a net inflow of 5% to account for linked trips with the shoppers from outside of the study area visiting the town centre and out of centre foodstores.
- 2.34 Based on the (survey-derived) market analysis and the 'inflow' assumptions, **Table 8, Appendix 5** sets out the revised turnover estimates for convenience across the Borough's main centres with estimates for comparison goods turnover presented in **Table 8, Appendix 6**.

### Planned Commitments & New Development Since 2015

- 2.35 In terms of retail commitments, **Table 1, Appendix 7** sets out planned retail floorspace identified for convenience goods and in Table 2 for comparison goods. This also includes retail floorspace associated with new store developments since the 2014 RLSU was published. Floorspace data has been provided from Guildford Borough Council and the evidence submitted in support of planning applications for each scheme.

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<sup>5</sup> This includes the market share and trade draw pattern identified by the Council's *2014 Retail and Leisure Study* and applied to the 2014 RLSU

2.36 The main commitments and new store developments include:

- **Wharf Road District Centre: Extension to existing Morrisons convenience store**, Ash Hill Road (ref: 15/P/00313): Planning permission was granted for an extension of the existing convenience store, currently occupied by Morrisons, to form an additional retail floorspace of 376 sqm gross.
- **Guildford Town Centre: Mixed use development**, 10 Sydenham Road (ref: 12/P/01502): The planned mixed use scheme residential units and one retail unit comprising a floor area of 343 sqm gross. The development is currently under construction.
- **Out of Centre: Development of a bulky goods unit**, former fire station building, Ladymead (ref: 15/P/02450): The scheme comprises the redevelopment to provide a non-food retail warehouse (Use Class A1) to be occupied by Barker and Stonehouse (furniture retailer).
- **Out of Centre: Change of use from nursery centre to garden centre**, The Vineries, Lower Road, Effingham (ref: 13/P/01290): The change of use from a nursery and retail garden centre to a garden centre retail use comprises a indoor and outdoor sales area totalling 6,500 sqm (gross) and includes a café. Net sales area is assumed at 80% of gross floorspace.

2.37 The turnover of the above schemes is set out in **Appendix 7** and is discounted from residual expenditure in order to estimate net residual expenditure from which forecast new retail floorspace is identified.

2.38 It is also worth considering the potential impact of major planned retail and leisure floorspace at competing centres. The most notable scheme we have identified is the development of the Eden Quarter, which will result in a significant uplift in retail floorspace for Kingston Town Centre. The scheme will provide 13,830 sqm gross of A1/A2 floorspace, 2,896 sqm gross of A3-A5 floorspace, and a multi-screen cinema. It is anticipated that the scheme will attract new anchor retailers to the centre and help strengthen Kingston's retail and leisure profile.

2.39 As a competing centre to Guildford, the Eden Quarter scheme is likely to strengthen Kingston's comparison goods market share particularly where the shopping catchments for both centres overlap. The potential implication is that the market share for Guildford Town Centre may fall slightly, which would in turn reduce forecast capacity for the Borough. Therefore, we advise the Council that an updated household survey is completed for any future evidence base update to identify changes to market shares, both as a result of new store openings in the Borough, but also the impact from schemes in neighbouring and competing local authorities areas.

### 3 RETAIL NEEDS ASSESSMENT UPDATE

- 3.1 This section sets out the results of the quantitative need (capacity) update for new retail (comparison and convenience goods) floorspace in Guildford Borough over the plan period to 2034 and projected to 2036. The results supersede the findings of 2014 RLSU following a review of population projections, expenditure forecasts, and the impact of new store openings on market shares. The assessment updates and supersedes the retail capacity findings identified in the 2014 RLSU (Section 7, paragraphs 7.46 to 7.75).

#### RETAIL CAPACITY FORECASTS

##### Convenience Goods Capacity

- 3.2 **Table 1, Appendix 8** sets out and explains the key steps underpinning the convenience goods capacity assessment based on residual expenditure. The 'baseline' expenditure and floorspace capacity forecasts are summarised in the table below:

**Table 3.1 Borough-wide Capacity Forecasts (sqm net) – Assuming 'Equilibrium' at 2015**

	2020	2025	2030	2034	2036
Residual Expenditure (£m):	£4.3	£13.3	£22.5	£30.0	£33.2
Floorspace Capacity (sqm net):					
Option 1: Foodstore Format:	357	1,102	1,869	2,503	2,774
Option 2: Supermarket/ Discounter Format:	672	2,077	3,523	4,717	5,228

Source: Table 1, Appendix 8.

- 3.3 In order to convert the residual expenditure into a net sales figure we have assumed that new floorspace occupied by the 'top 6' grocers (i.e. Tesco, Sainsbury's, Asda, Morrison's, Waitrose and Marks & Spencer) will achieve an average sales density of circa £12,250 per m<sup>2</sup> in 2016 (2014 prices).
- 3.4 As the table shows, after taking into account all known commitments (namely the Morrisons store extension in Ash) there is capacity to support 357 sqm net of additional foodstore format retail floorspace in 2020, increasing steadily over the plan period to 1,869 sqm net in 2030. By the end of the plan period (2034) forecast capacity is predicted to increase to 2,503 sqm net. The results indicate that the Borough could support a new foodstore by the end of the study period or the delivery of smaller format stores in the intervening term.
- 3.5 Alternatively, assuming the residual expenditure capacity is taken up by a supermarket (e.g. Co-Op, Budgens, etc.) and/or 'deep discount' retailer (e.g. Aldi, Lidl, Netto, etc.) trading at lower average sales levels of circa £6,500 per sqm in 2016, then forecast capacity increases to 4,717 sqm net by the end of the study period (up to 2034) which could support new deep discount foodstores and/ or multiple local supermarkets.
- 3.6 The quantum of forecast floorspace identified above represents an increase from capacity identified in the previous retail study (2014 RLSU) over a similar period. This is mainly attributed to less planned convenience floorspace than what was identified in the 2014 RLSU and adjustments to market shares to take account of the Waitrose and Aldi stores, which allowed for an increase in convenience expenditure retention for the Borough.
- 3.7 To further help inform the Council's assessment of the potential scale and optimum location for new retail (convenience and comparison goods) floorspace in the Borough, we have also assessed localised capacity for

Guildford Town Centre and the two district centres of East Horsley, and Wharf Road. However, it should be noted at the outset that any forecast capacity identified for a specific centre/area does not necessarily mean that all the retail floorspace can and/or should be provided within that centre per se. For example, there may be a lack of suitable and viable sites available in some centres, or there may be other policy, heritage, transport and physical constraints to development. Alternatively it may be more appropriate to locate the floorspace capacity in one centre over another to encourage more sustainable travel patterns and/or help to achieve specific policy, regeneration and/or investment objectives.

- 3.8 Against this background, **Tables 1-4, Appendix 8** disaggregate the Borough-wide ‘global’ capacity for the three centres based on their relative trading performance and market shares at the base year, and the forecast growth in available expenditure and floorspace ‘productivity’ over the plan period (up to 2034) and longer term (2036). The results are summarised in **Table 6, Appendix 8** and reproduced in the tables below.

**Table 3.2 Main Shopping Locations: Capacity for Foodstore-Format Floorspace**

	2020	2025	2030	2034	2036
Guildford Town Centre	167	365	566	731	802
Wharf Road/ /Ash District Centre	10	23	36	48	53
East Horsley District Centre	21	46	73	95	104
All other stores in the Borough	159	668	1,194	1,630	1,815
<b>Total Borough</b>	<b>357</b>	<b>1,102</b>	<b>1,869</b>	<b>2,503</b>	<b>2,774</b>

Source: Table 6, Appendix 8

Note: figures may not add up due to decimal rounding

**Table 3.3 Main Shopping Locations: Capacity for Local Supermarket/ Deep Discount Format Floorspace**

	2020	2025	2030	2034	2036
Guildford Town Centre	314	688	1,066	1,377	1,512
Wharf Road/ /Ash District Centre	18	43	69	90	100
East Horsley District Centre	40	88	137	178	195
All other stores in the Borough	299	1,259	2,251	3,071	3,420
<b>Total Borough</b>	<b>672</b>	<b>2,077</b>	<b>3,523</b>	<b>4,717</b>	<b>5,228</b>

Source: Table 6, Appendix 8

Note: figures may not add up due to decimal rounding

- 3.9 The assessment shows relatively limited forecast capacity for new foodstore floorspace in the Borough’s centres, particularly Guildford Town Centre with 731 sqm net identified over the plan period (up to 2034) increasing to 802 sqm net by up to 2036. If based on a lower sales density to reflect local supermarket/ deep discount floorspace then forecast capacity for the town centre increases to 1,377 sqm net over the plan period which could support a new deep discount foodstore.
- 3.10 Forecast capacity for Guildford Town Centre is higher than what was identified in the 2014 RLSU. For example, the 2014 study identified no forecast need for new floorspace over the study period. This was influenced by planned retail floorspace recorded at the time of reporting. The current forecasts take account of committed schemes that are now trading (including Waitrose), from which we have allowed an uplift in market

share/ retention for the town centre. As a consequence, this increases the quantum of residual expenditure generated for the town centre as a whole, and in turn increases forecast capacity for new convenience floorspace.

- 3.11 The two district centres account for a smaller quantum of forecast capacity, which reflects the limited convenience expenditure retained by these centres. The balance of forecast capacity is diverted to the ‘rest of the Borough’ which includes out of centre foodstores. This is influenced by relatively low market shares achieved by foodstores in the town centre and district centres compared to out of centre foodstores, where there is greater convenience provision, both in terms of choice and scale of offer.
- 3.12 Should the Council consider the potential for a new convenience floorspace within the Borough development then this should be located in a sustainable and sequentially preferable location - preferably located either in or on the edge of an existing town centre in accordance with national and local plan policy. This is particularly relevant to Guildford Town Centre where strengthening new convenience provision could help to attract new shoppers to the centre and support footfall for the town centre as a whole.

**Comparison Goods ‘Baseline’ Capacity**

- 3.13 **Table 1, Appendix 9** sets out the detailed steps in the comparison goods capacity assessment. The residual expenditure and floorspace capacity forecasts are summarised in the table below. As for convenience goods this approach assumes ‘equilibrium’ at the base year and constant market shares over the forecast period.
- 3.14 The forecast residual expenditure capacity has been converted into a net retail sales area based on an assumed average sales density for all new non-food floorspace of circa £5,500 per sqm at 2016. This is broadly equivalent to an average sales density for retail units in prime shopping locations. However, average sales levels inevitably vary between different locations, different retail formats, and different operators<sup>6</sup>. Where this is the case it will have implications for assessing the capacity for, and impact of new retail floorspace. The local planning authority will therefore need to take this into account when assessing and determining applications for different operators and different types of retail floorspace in different locations (such as, for example, ‘bulky goods’ retail warehousing).

**Table 3.4 Borough-Wide Capacity Forecasts – Assuming ‘Equilibrium’ at 2015**

	2020	2025	2030	2034	2036
Residual Expenditure (£m):	£7.5	£81.2	£234.0	£296.9	£357.6
<b>Floorspace Capacity (sqm net):</b>	<b>1,130</b>	<b>10,965</b>	<b>28,202</b>	<b>32,665</b>	<b>37,595</b>

Source: Table 1, Appendix 9 (Steps 5 & 6)

- 3.15 As the table above shows, there is considerable Borough-wide capacity for new comparison goods floorspace over the study period. In the short term (up to 2020) there is limited short term capacity for 1,130 sqm net of new comparison goods floorspace. However, capacity emerges in 2025 for 10,965 sqm net of new comparison goods floorspace in 2026 and steadily increasing to 32,665 sqm by the end of the plan period to 2034. Projections to 2036 identified capacity for 37,595 sqm net.

<sup>6</sup> This includes the type of goods sold by the retailer, the location and quality of the retail floorspace, and the size and affluence of the catchment population. For example, published trading figures show that ‘bulky goods’ retailers in the DIY, carpet and furniture sectors generally achieve lower average sales levels of between £1,500 and £4,000 per m<sup>2</sup>, whereas large format electrical goods retailers can achieve much higher average sales levels of £7,000 per m<sup>2</sup> and above.

- 3.16 The updated capacity forecasts for the Borough are lower than what was identified in the 2014 RLSU. For example, the 2014 study identified 46,409 sqm net of comparison goods floorspace up to 2033 compared to 32,665 sqm net identified in this update for 2034. The principal reason for the reduction in forecast capacity is associated with changes to productivity growth forecasts identified by Experian. As highlighted in Appendix 10, Experian’s latest forecasts on productivity growth are higher than previous forecasts and reflect a different economic climate. In addition, the reduction in capacity forecasts is also influenced by lower expenditure growth forecasts than what was forecasted and applied to in the 2014 study. When combined, an increase in productivity growth and reduction in expenditure growth will lead to a reduction in residual capacity to support new comparison floorspace, particularly when constant market shares are applied<sup>7</sup>. However, there still remains significant capacity to support new comparison goods floorspace over the plan period.
- 3.17 The assessment also considers forecast capacity for Guildford Town Centre, which allocates ‘global’ capacity based on the centre’s relative trading performance and market shares at the base year. The results are set out in the table below, which also identifies residual capacity for the rest of the Borough.

**Table 3.3 Borough-Wide Capacity Forecasts – Assuming ‘Equilibrium’ at 2015 (sqm net sales)**

	2020	2025	2030	2034	2036
Guildford Town Centre	3,313	11,812	26,699	30,551	34,811
Rest of Borough	-2,183	-847	1,503	2,114	2,783
<b>TOTAL</b>	<b>1,130</b>	<b>10,965</b>	<b>28,202</b>	<b>32,665</b>	<b>37,595</b>

Source: Table 5, Appendix 9 (Steps 5 & 6)

- 3.18 As the table shows, Guildford Town Centre accounts for most of the Borough’s forecast need for new comparison goods floorspace. This reflects the centre’s strong market share of comparison goods expenditure and strength of comparison retail offer. Capacity for the town centre increases from 3,313 sqm net in 2020 and 11,812 sqm net in 2025. By the end of the plan period, capacity increases to 30,551 in 2030. Projections to 2036 identify capacity for 34,811 sqm net of new comparison goods floorspace.
- 3.19 The capacity results set out above are lower than those identified for the town centre in the 2014 RLSU. The same reasons apply as those for Borough-wide capacity results; namely that the updated capacity results are based on lower expenditure growth and higher productivity growth forecasts than what informed the 2014 study.
- 3.20 For the rest of the Borough, which is generated from growth in residual expenditure from stores in smaller centres and out of centre retail locations, forecast capacity for new comparison floorspace is relatively low with up to 2,114 sqm identified over the plan period (up to 2034).
- 3.21 Given the scale of forecast comparison floorspace for the Borough and Guildford Town Centre within, the Council is faced with the challenge of identifying sites in existing town centres to accommodate the identified floorspace capacity in full over the development plan period. Some of the identified floorspace capacity could support comparison goods retail offer in the District Centres, subject to market demand and for new local centres serving key housing areas in the Borough. However, market demand for new comparison goods floorspace within new neighbourhood centres is likely to be limited.

<sup>7</sup> Constant market shares do not allow for any changes to shopping patterns or market shares identified from the household survey, which can be influenced by new retail floorspace/ store openings in the Borough or major retail schemes in competing locations. Whilst changes in market shares have been identified for convenience goods to take account of new foodstore openings, no changes have been applied to comparison goods market shares

- 3.22 If forecast floorspace cannot be accommodated within existing or proposed town centres policy consideration may be required to support out of centre retail facilities. However, new out of centre floorspace should only be directed to existing locations that are well served by public transport and other sustainable travel modes, and where it can be demonstrated that there will be no 'significant adverse impact' on the vitality and viability of existing centres in accordance with the NPPF (paragraph 26).

## 4 LEISURE ASSESSMENT UPDATE

- 4.1 This section updates the leisure assessment contained in the 2014 RLSU and focuses on forecast need for new cinema, food and beverage (Use Classes A3 to A5), and health and fitness provision. The assessment also takes account of recent trends across the leisure sector.

### CINEMA NEED

- 4.2 Although cinema audiences grew significantly during the 1990s, the UK cinema market has traditionally been dominated by a handful of operators namely Cineworld, Odeon/UCI; Vue (who operate the multiplexes in Westfield's Stratford and White City schemes); and Showcase (the UK arm of National Amusements of the USA). There was significant consolidation in the UK market in 2012 when Odeon acquired the BFI Southbank and a site from AMC, Vue acquired the Apollo cinema chain and Cineworld acquired Picturehouse. From its beginnings in 1995 Cineworld now operates over 100 cinemas in the UK (including Picturehouse) and accounts for more than one quarter (25.9%) of the cinema box office market. Its most recent openings include an 11-screen cinema in Telford, a 6 screen site in St Neots and a 9 screen cinema in Wembley (all opened in 2013/14).
- 4.3 According to research by Dodona (a specialist market research consultancy in the cinema industry) there are 750 cinemas in the UK with a total of 3,909 screens, of which approximately three-quarters are multiplexes. It should be noted that the number of cinemas has fluctuated, and has decreased between 2013 and 14 by six, yet the number of screens has risen by 42 due to the increase in the number of multiplex screens and the loss of 'traditional' cinemas. The rest of the market is mainly represented by smaller multiplex operators and independents which tend to operate non-multiplex cinemas (i.e. less than five screens) and screens in mixed-use venues (such as arts centres).
- 4.4 The cinema industry has not been immune from the recession and there have been some closures since 2008, although the majority have been smaller art centre venues rather than the larger chains. Notwithstanding this, the industry generally appears to be in good health and the UK is the second largest consumer market for filmed entertainment in the world after the USA. The latest research shows that box office revenue in 2014 in the UK exceeded £1bn for the fourth year in succession, based on 157.2m admissions, which although lower than in 2013 (165.5m admissions), maintained the flat trend that has been apparent since 2002. Overall the cinema sector has remained relatively resilient in the prevailing economic and consumer environment.
- 4.5 In recent years, cinema operators have also introduced changes to the cinema experience, including premium seating areas and better quality refreshments, such as alcohol and higher quality food. For example, Vue Cinemas introduced their 'Evolution' concept which provides a mix of seating types comprising bean bags and sofas, as well as regular seats. Cineworld has also introduced the 'Screening Room' concept, characterised by leather chairs and table service. The first 558 sqm 'Screening Room' cinema opened in June 2011; in the Brewery, Cheltenham.
- 4.6 Research by Dodona indicates there has been a growth in smaller (Digital) cinemas to serve smaller catchment areas. These Digital cinemas are more flexible and less "space-hungry" as they do not require the large sloping auditoriums needed to accommodate traditional projectors. There are therefore opportunities for the modern cinema offer to be provided in existing buildings. Examples include the HMV in Wimbledon which has a small Curzon cinema above the store.

**Existing Provision and Projected Demand**

- 4.7 Guildford Borough has one cinema facility, namely Odeon located on Bedford Road in the town centre. The cinema has nine screens and is well used based on the results of household telephone survey. Based on a cinema catchment area that reflects Zones 1, 2 and 8, the survey showed that 62.2% of all cinema goers in Zone 1 visit the Odeon cinema, increasing to 66.2% for Zone 8 and 79.4% for Zone 2. Based on the study area as a whole, some 34.6% of cinema goers visit Odeon in Guildford. The nearest competing facility is Cineworld in Aldershot and the Ambassadors Cinema in Woking, which account for 13% and 14.6% of visits from the study area as a whole.
- 4.8 The latest evidence from Data from Dodona indicates that the average screen density for cinema provision in the South East is 6.4 screens per 100,000 people (British Film Institute, Statistical Yearbook 2016). Based on this average screen density and the cinema catchment population for the Borough (Zones 1, 2 and 8), the table below shows the requirement for additional cinema screens.

**Table 4.1 Potential Capacity for New Cinema Screens**

	2020	2025	2030	2034	2036
Cinema Catchment Area Population (Zones 1, 2 & 8)	190,874	198,666	205,435	211,573	216,549
Cinema Screen Density (screens per 100,000 persons)	6.7	6.7	6.7	6.7	6.7
Cinema Screen Potential	12.8	13.3	13.8	14.2	14.5
Existing and proposed screen provision	9.0	9.0	9.0	9.0	9.0
<b>Net Screen Potential</b>	<b>3.8</b>	<b>4.3</b>	<b>4.8</b>	<b>5.2</b>	<b>5.5</b>

Source: Screen density for South East of England derived from British Film Institute Statistical Yearbook 2016

Notes: Screen density is used to measure screen provision in a given area. Existing cinema screens account for key cinema facilities only.

- 4.9 The results of our assessment indicate that there is potential quantitative capacity for new cinema screens in the Borough based on the market share of cinema goers to the Borough from the study area. This indicates the potential demand for a multi-screen cinema in Guildford in the future. It should be noted that the demand for new screens is based on market shares remaining constant and does not take account of the potential to attract more cinema users
- 4.10 Current trends show that most major cinema operators are currently expanding their venue portfolios across the UK, with particular focus on town centre locations. Given the popularity of Guildford as a retail and leisure destination, there is likely to be demand by cinema operators to locate within in the Borough. In particular, there may be opportunity for a ‘boutique’ style cinema (e.g. Everyman, Picturehouse, The Light Cinema, etc.) that offers a different customer experience to multiplex facilities. This type of cinema venue is typically found within a town centre locations and require smaller sites compared to multiplex venues. As such, a boutique cinema could be promoted for Guildford Town Centre. However, any potential for additional new cinemas in either centre would need to consider the impact on the viability of the existing cinema operators, and on the town centres as a whole.

**EATING & DRINKING OUT**

- 4.11 The food and beverage sector, including restaurants, cafes, bars and pubs (Class A3, A4 and A5), provide an increasingly important part of a town centre’s wider offer and economy. They also complement other town centres uses, particularly shops, offices and cinemas, helping to lengthen ‘dwell times’ (the time people spend in centres) and increase expenditure as part of the same trip. Research shows that average household spending on leisure services in the UK is largely dominated by eating and drinking out. Even in the context of

the current economic recession this sector has remained buoyant and the year-on-year forecasts for growth by Experian are strong:

**Table 4.2 Forecast year-on-year growth in leisure expenditure per capita**

	2011	2012	2013	2014	2015	2016	2017	2018	2019-23	2024-35
Retail Spend	-0.4	1.3	1.1	3.6	2.5	2.1	0.9	0.3	2.0	2.3
Leisure Spend	0.7	1.1	2.3	2.1	1.3	1.9	0.5	0.2	1.3	1.5

Source: Experian Retail Planner Briefing Note 14 (November 2016); Figures 1a and 1b.

4.12 The following provides a summary of some of the key trends driving changes in the food and beverage sector over recent years:

- **Pubs and Wine Bars** - pub operators have widened their food and non-alcoholic beverage offer, resulting in the growth of so-called “gastro-pubs” in competition with more established restaurants, and the rise in ‘micro pubs’. Notwithstanding this the sector has also been characterised by increasing consolidation and closures. According to the Campaign for Real Ale (CAMRA) there have been 5,800 pub closures since 2008<sup>8</sup>. Recent research by CAMRA also suggests that on average around 29 pubs closed every week in the UK between June and December 2014<sup>9</sup>. The sale of pubs for conversion to alternative uses has also increased over recent years, particularly for convenience retailing (e.g. Tesco Express and Sainsbury’s Local).
- **Restaurants** – this sector has also experienced mixed fortunes during the economic downturn. Some of the key trends driving change in this sector include an increase in ‘eating at home’, which has increased sales for take-aways and deliveries. At the same time customers are increasingly basing their decisions to eat out on ‘value for money’, but not at the expense of quality in terms of service, food and the overall experience. Recent successes include Jamie’s Italian, Bill’s and Cote, with branded restaurants increasing their share in the market. There has also been a growth in ‘all-you-can-eat’ style restaurants which are aimed at offering value for money (examples include the Taybarns brand owned by Whitbread).
- **Cafés/Coffee Shops** – This sector has experienced strong growth over the last five years. The branded coffee chains dominate the market with some 6,495 outlets in 2014 and a £3.3bn turnover. Of these, the three leading multiple chains are Costa Coffee (1,821 outlets), Starbucks Coffee Company (824) and Caffè Nero (590), representing a combined 56% of the branded chain market by outlet numbers<sup>10</sup>. Costa Coffee has a recorded £878m turnover alone. Notwithstanding the rise of the multiples, there has also been growth in independent and specialist cafés and coffee houses, particularly those serving a more luxury or specialist offer (e.g. organic and Fairtrade). The strong independent coffee sector has fuelled many new start-up businesses in local centres. While many forecasters considered the café market to be saturated a few years ago, a recent study by management consultancy Allegra Strategies predicts that the total UK coffee shop market still has potential for strong growth, and there is forecast to be over 20,500 outlets by 2018, with a total turnover of £8.7 billion. There would therefore appear to be potential for further growth in the café market, driven mainly by branded coffee chain expansion and non-specialist operator growth. Meanwhile, the independent café and coffee shop market is growing from strength to strength, with approximately 6,500 coffee shops recorded in the UK in 2015.

4.13 For regional centres such as Guildford, there is likely to be strong market demand for new food and beverage outlets, particularly given the town centre’s attraction as a tourist and shopping destination. As the role of

<sup>8</sup> Source: Article published by CAMRA on 20th March 2013, www.camra.org.uk

<sup>9</sup> Source: Published results from the CGA-CAMRA Pub Tracker published in January 2015

<sup>10</sup> Source: Allegra Strategies

leisure becomes more important in sustaining town centres there are likely to be more opportunities to invest in the town centre's food and beverage sector.

## Existing Provision and Forecast Demand

- 4.14 This update does not review food and beverage (Class A3, A4, and A5) provision for the Borough. Based on the findings of the 2014 RLSU, the majority of food and beverage provision identified for the Borough in 2014 is accommodated in Guildford Town Centre. This reflects the centre's role as a regional shopping and leisure destination. Key restaurant operators identified in the 2014 RLSU include Five Guys, Jamie's Italian, Loch Fyne, Bill's, Café Rouge, Yo Sushi, Gourmet Burger Kitchen, Nandos, Wagamama, Giraffe, and Pizza Express. We understand that since the 2014 RLSU was published a number of new restaurant operators have opened in the town centre including Bill's, Thaikhun, and Turtle Bay. It should be noted that despite good representation from branded restaurants, the overall provision (based on number of units) identified for the town centre in 2014 was just below the UK average for town centres. However, provision is likely to be on par with the UK average when taking account of new restaurant openings since the survey was completed.
- 4.15 The household telephone survey confirms that Guildford Town Centre is popular for eating out, with over three quarters of respondents from Zone 1 (Guildford) choosing to visit restaurants and cafes in the town centre. The centre is also the most popular location for those living in Zone 2, and the second most popular destination for eating out in Zone 3. In terms of nightlife (pub / bar / nightclub / music venue), the survey findings show a lower level of retention for the Borough's evening/night-time venues compared to eating out. Guildford Town Centre is still the most popular destination for those living in Zone 1 (69%) with retention falling for other zones. This may reflect a preference for respondents to visit venues closer to where they live.
- 4.16 Evidence from other centres in the UK shows that improving a town centre's food and beverage offer can significantly increase the attraction of daytime and evening economies for different customer profiles, as well as generating higher footfall, dwell times and increased expenditure in centres. In summary the qualitative 'gap' analysis shows in response to the question as to what improvements could be made to commercial leisure offer that would encourage people to participate more 1% of respondents to the household survey (from the core catchment area of Zones 1 and 2) stated that they would like more pavement cafes (0.3%) and quality restaurants (0.7%).
- 4.17 In order to assess the potential economic capacity for new Class A3-A5 floorspace we have used a standard and robust approach based on the assumption that between 15%-20% of the forecast capacity for new comparison goods floorspace (as identified in Section 3) could support a mix of new leisure services including cafes, restaurants, takeaways, pubs and wine bars. This assumption is supported by research that specifically identified that the hospitality industry, in its widest sense, "...forms an important and sizeable proportion of premises averaging 24% of ground floor stock"<sup>11</sup>. Furthermore Experian GOAD's centre reports show that on average cafes, restaurants, bars, pubs and takeaways account for over 14% of floorspace and 18% of outlets in the 2,500 shopping areas that they cover.
- 4.18 The table below summarises the capacity for new Class A3-A5 floorspace assuming that the forecast need represents 15%-20% above the comparison goods capacity forecasts (gross floorspace) for the Borough identified in Section 3. The table shows capacity for between 2,350 sqm gross to 3,133 sqm gross in 2025 increasing to 7,000 sqm gross and 9,333 sqm gross by the end of the plan period (2034).

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<sup>11</sup> The Streetscape of major UK cities', Savills (Winter 2004, pg.3).

**Table 4.3: Forecast Food and Beverage Floorspace (sqm gross)**

	2020	2025	2030	2034	2036
Projected Comparison Floorspace ( <u>gross</u> sqm)	1,614	15,664	40,289	46,664	53,707
15% of Comparison Floorspace to A3/A4/A5 Uses	242	2,350	6,043	7,000	8,056
20% of Comparison Floorspace to A3/A4/A5 Uses	323	3,133	8,058	9,333	10,741

Source: Forecast comparison goods floorspace sqm gross) sourced from Table 1 Appendix 9.

- 4.19 This forecast need should be directed to Guildford Town Centre as a priority to help increase competition and choice, and to help underpin the centre's daytime/evening economy in accordance with national and local policies. New provision could form part of a new retail or leisure scheme for the town centre. Opportunities for new food and beverage provision in the Borough's smaller centres, such as the two district centres should also be promoted. This would help to increase dwell times and attract new town centre users.
- 4.20 A review of requirements from restaurant operators seeking space in Guildford confirms that there is very strong interest in Guildford Town Centre. Requirement information from CoStar ShopProperty and The Requirement List identify interest from 21 food and beverage operators. Key interested operators include Taco Bell, Carluccio's, Pepe Piri Piri, Pitcher and Piano, Marstons, McDonald's, KFC and Hotcha. The registered requirement equate to a potential need for circa 8,000 sqm gross of A3-A5 floorspace, which would absorb indicative forecast need for new food and beverage floorspace for the Borough. This suggests that there may be further demand from other operators who are considering locating to Guildford or existing operators that may wish to expand or open second outlets in the future. As such, we recommend that the Council monitor take-up of A3-A5 floorspace and may wish to consider allocating additional food and beverage floorspace on top of what is forecasted. When considering sites for new A3-A5 floorspace, the Council should focus allocations on sites located in areas that are commercially viable and attractive to food and beverage operators.
- 4.21 However the need for new cafés, restaurants and bars is highly dependent on the level of market demand and confidence in town centres as trading locations. In simple terms the more successful, vital and viable a centre is, the more likely it will be that café and restaurant operators will want to locate there. While new investment in Guildford Town Centre should be a priority given the centre's prominence as a shopping destination, the quality of the eating and drinking offer should also be improved in the district centres at an appropriate scale to meet local demand, but subject to market demand.

## HEALTH & FITNESS NEED

- 4.22 The health and fitness market has generally performed well during the economic downturn. The latest statistics from the *Leisure Database Company*<sup>12</sup>) show that over the twelve month period to March 2016, the industry has grown its total market value by 5.3% to £4.4 billion, and its member base by 5.3%. According to LDC there were an estimated 6,435 private health clubs and public fitness centres facilities in the UK in 2016, which represented a small +1.9% net increase from the 6,312 facilities the previous year<sup>38</sup>. The main operators in the market currently include:
- Esporta, Greens & David Lloyd Leisure – at the premium end of the market focus on health, racquet and tennis clubs;
  - Virgin Active & Nuffield Health (previously Cannons) – dominate the mid-range family-oriented health and fitness market;

<sup>12</sup> LDC is a market research specialist for the leisure industry

- LA Fitness, Fitness First and Bannatyne's Health Clubs – operate smaller in-centre clubs at the more value end of the market; and
- Within London smaller 'boutique' gyms are popular, such as Soho Gyms, which have facilities across the City

- 4.23 However, the most significant growth in the sector in recent years has been fuelled by value and budget operators. The new wave of ("no frills") fitness clubs is growing steadily and lead by Pure Gym, which opened 60 clubs across the UK in 2015. Other popular low cost brands include EasyGym, Fitness 4 Less, Fitspace, TruGym and SimplyGym. The low cost business models is based on 24-hour opening, discounted monthly subscriptions (of between £10 and £20 on average) and 'pay as you go' membership. According to LDC, the low cost gym sector now accounts for 12% of total private clubs and 32% of private sector membership.
- 4.24 Overall, the proportion of the population in 2016 with a gym membership was estimated at 14.6%, up from 13.7% in 2015. According to LDC, the average number of members per club in the UK is estimated to be 1,426, which takes into account the average for independent venues (726 per club) and leisure chains (2,198 per club). For the larger fitness chains (e.g. David Lloyds, Virgin, LA Fitness, etc.) the average club membership increases to 2,897, while budget chains are even higher at 3,452 members<sup>13</sup>.
- 4.25 The rapid growth of this sector has also been characterised by a marked shift in the location of clubs from out-of-centre locations to town centres, often as part of wider mixed use developments. This is helping to create a wider range of attractions and activity in town centres, particularly in the evenings and at weekends. More flexible planning policies will therefore need to be introduced which help to encourage an element of such uses within existing buildings or as part of mixed use schemes.
- 4.26 The 2014 RLSU provided an overview of representation from national, regional, independent, privately-owned operators as well as Council-owned leisure centres across the Borough. The majority of provision is located within Guildford Town Centre with two national operators (LA Fitness and Virgin Active) identified in 2015. The Borough is currently served by two Council-owned gyms: Guildford Spectrum (Parkway, Guildford) and Ash Manor Sports Centre (Manor Road, Ash).
- 4.27 In terms of fitness/ health activity participation rates, the household survey results show that 67.7% of respondents visited a gym, health club or sports facility from Zones 1. Guildford Spectrum Leisure Complex is the most popular attracting a market share of 22.6% from Zone 1, followed by other venues in Guildford Town Centre (14.6%).
- 4.28 The household survey results also indicate a relatively low level of leakage to facilities outside the Borough. As highlighted in the 2014 RSLU, the strong level of retention indicates demand for health and fitness facilities in the Borough, which highlights the potential opportunity to invest in new provision.
- 4.29 In terms of supporting new facilities, there is likely to be demand for new provision given that the population of Zone 1 is forecast to increase over the plan period by 15,830 from 2015 to 2034. When applying the participation rate for gym and health club activities identified for the study (7.5%), this equates to 5,192 potential new gym members. This highlights the potential opportunity to support new gym provision in the Borough. Based on average membership numbers for key gym operators such as David Lloyd and LA Fitness (2,897 per facility), forecast population growth could support two new commercial facilities or two new budget gyms (3,452 average members per facility).

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<sup>13</sup> Sourced from the 2014 State of the UK Fitness Industry, the Leisure Database Company.

- 4.30 As for the other leisure sectors, attracting new health and fitness facilities will be determined by the level of market interest and demand. However, given that only two of the larger chain operators are represented in the Borough, there may be scope for a new provision.

## **SUMMARY**

- 4.31 Our review of the Borough's commercial leisure sector focuses on updating the quantitative need for new cinema screen, food and beverage provision, and health and fitness facilities. The update takes account of the household survey that informed the 2014 RLSU and current leisure market trends. The participation rate for certain leisure activities is particularly high (e.g. restaurants and cinemas) and this offers the potential to enhance the overall offer, subject to market demand.
- 4.32 The household survey found that a high proportion of respondents across the Borough area visit the cinema, and the majority of these respondents visit the Odeon cinema in Guildford Town Centre. As highlighted in the 2014 RLSU, due to the popularity of this activity and the relative lack of alternative multi-screen provision in the area, there may be an opportunity to increase the cinema provision in Guildford; with a priority for new screens in Guildford Town Centre. Market trends point to continued growth in cinema development, particularly for the "boutique" cinema market. As such, there may be demand for this type of cinema facility for Guildford Town Centre, which would complement existing provision.
- 4.33 There is potential to improve and strengthen food and beverage offer in the Borough's main centres, particularly Guildford Town Centre, to help stimulate their evening economies and increase "dwell times" during the day to the benefit of other shops, businesses and facilities. Demand for food and beverage provision will be dependent on market interest and it is likely that operator requirements, particularly national brands, will be focused on seeking premises in Guildford Town Centre where there is higher footfall. The update has identified interest from a number of food and beverage operators that would help to strengthen the centre's leisure economy. Consideration could be given to additional floorspace on top of what is forecasted where there is market demand. When considering sites for new A3-A5 floorspace, they should be located in areas that are commercially viable and attractive to food and beverage operators.
- 4.34 The assessment indicates that there is potential to support two new branded health and fitness leisure facilities (depending on the size and type) based on projected population growth in the Borough catchment area. A new operator could assist in improving the Borough's market share of gym/health fitness memberships and increasing participation rates in this particular leisure activity.

## 5 SUMMARY AND CONCLUSIONS

- 5.1 This report provides an update on the quantitative need for new retail (comparison and convenience goods) floorspace in Guildford Borough and its main centres over the emerging Local Plan period (up to 2034). The findings supersede the results of the 2014 RLSU.
- 5.2 The update has been informed by revised population projections for the Borough and study zones associated. In addition, the update takes account of revised expenditure data and expenditure growth forecasts as well committed retail floorspace and new retail development since the publication of the 2014 RLSU.
- 5.3 The capacity assessment update is underpinned by robust evidence and forecasts, including:
- the latest ONS-based population projections for the Study Area and study zones within;
  - the most recent base year estimates for convenience and comparison goods expenditure (2015 prices) by zone as derived from Experian;
  - the latest forecast growth rates for retail expenditure, Special Forms of Trading (SFT) and floorspace 'productivity' informed by the latest *Retail Planner Briefing Note* published by Experian Business Strategies (EBS);
  - the market share analysis of shopping patterns for different types of retail (convenience and comparison goods) purchases derived from the telephone interview survey (after making an allowance for Special Forms of Trading);
  - adjustments to market shares to take account of key store openings in the Borough since 2015; and
  - the estimated turnover of all known and extant retail schemes in the Borough.
- 5.4 Based on the key baseline assumptions that the retail market is in 'equilibrium' at the base year (2015) and that market shares remain constant over the study period, the table below summarises the Borough-wide capacity for new retail (convenience and comparison goods) floorspace over the plan period to 2034. Forecasts are also projected to 2036.

**Table 5.1 Borough-wide Retail Capacity**

	2020	2025	2030	2034	2036
<b>Convenience Floorspace Capacity (sqm net):</b>					
Option 1: Foodstore Format:	357	1,102	1,869	2,503	2,774
Option 2: Supermarket/ Discounter Format:	672	2,077	3,523	4,717	5,228
<b>Comparison Floorspace Capacity (sqm):</b>					
	1,130	10,965	28,202	32,665	37,595

Source: Table 1, Appendix 8 and Table 1 Appendix 9.

- 5.5 The headline forecasts show that for:
- **Convenience goods** - there is capacity for up to 2,503 sqm net of new (foodstore format) retail floorspace over the plan period (2034), increasing to 2,774 sqm net by 2036. This forecast capacity could support a new foodstore in the Borough. Forecast capacity increases to 4,717 sqm net over the plan period when based on a lower sales density that reflects local supermarket/ deep discount format floorspace.

- **Comparison goods** – while capacity is relatively limited in the short term (up to 2020), significant capacity emerges over the plan period to accommodate new comparison goods development with 32,655 sqm net identified by 2034; increasing to 37,595 sqm net in the longer term to 2036.

5.6 The capacity forecasts have then been disaggregated for Guildford Town Centre and for the District Centres to help identify where new convenience goods floorspace should be focused over the development plan period. The results are summarised in the table below:

5.7 In order to inform the most appropriate allocation of sites, the Borough-wide retail floorspace capacity forecasts have been further disaggregated on a centre-by-centre basis. For convenience goods capacity, table below shows that the majority of forecast need for new convenience floorspace is generated by out of centre foodstores reflecting higher market share compared to the town centres. .

**Table 5.2 Convenience Goods Retail Capacity by Centre**

	2020	2025	2030	2034	2036
<b>Option 1: Foodstore Format:</b>					
Guildford Town Centre	167	365	566	731	802
Wharf Road/ /Ash District Centre	10	23	36	48	53
East Horsley District Centre	21	46	73	95	104
All other stores in the Borough	159	668	1,194	1,630	1,815
<b>Total Borough</b>	<b>357</b>	<b>1,102</b>	<b>1,869</b>	<b>2,503</b>	<b>2,774</b>
<b>Option 2: Supermarket/ Discounter Format:</b>					
Guildford Town Centre	314	688	1,066	1,377	1,512
Wharf Road/ /Ash District Centre	18	43	69	90	100
East Horsley District Centre	40	88	137	178	195
All other stores in the Borough	299	1,259	2,251	3,071	3,420
<b>Total Borough</b>	<b>672</b>	<b>2,077</b>	<b>3,523</b>	<b>4,717</b>	<b>5,228</b>

Source: Table 6, Appendix 8.

5.8 Forecast need is relatively limited for Guildford Town Centre with up to 731 sqm net of foodstore format floorspace identified over the plan period (to 2034); increasing to 1,377 sqm net for supermarket/ discounter floorspace. Similarly, forecast capacity for the two district centres is limited and reflects lower market shares achieved for these centres.

5.9 The forecasts also show that the balance of convenience goods capacity is identified for the rest of the Borough, which is attributed to expenditure retained by out of centre foodstores. This identified floorspace should be directed to Guildford Town Centre and the two district centres, as well as supporting new convenience floorspace to serve housing growth areas.

5.10 For comparison goods, a considerable level of floorspace capacity is identified for the Borough, with up to 32,665 sqm net forecast over the plan period (up to 2034). The majority (30,551 sqm net) of this floorspace identified for Guildford Town Centre which reflects the level of comparison goods retail offer in the town centre and strong market share of expenditure. Consideration should be given to bringing forward sites in the emerging Local Plan to accommodate forecast need for new comparison goods floorspace. Forecast need is

limited for the rest of the Borough including the district centres. Market demand for new comparison goods floorspace is likely to be limited for the district centres, but should be promoted where opportunities are identified.

- 5.11 The capacity forecasts for new comparison goods floorspace in the Borough are lower than those identified in the 2014 RSLU. This is attributed to changes in forecasts for retail expenditure growth (lower growth) and productivity growth (higher growth) of existing and planned retail floorspace. Combined, these variables will impact on forecast capacity for new floorspace. For convenience goods floorspace, the update identifies a slightly higher forecast for new floorspace, particularly for Guildford Town Centre, which takes account of an estimated uplift in residual capacity associated with foodstore openings in the Borough.
- 5.12 This update considers forecast need for new commercial leisure provision, focusing on cinema, food and beverage, and fitness and leisure provision. The leisure assessment contained in Section 4 identified opportunities for additional cinema screens, which could support a new cinema venue for the Borough. A new/expanded cinema facility should be promoted in Guildford Town Centre, which would help to enhance the centre's leisure economy. There is also potential to support new food and beverage floorspace for the Borough over the plan period. Demand for new food and beverage floorspace is likely to be focused on Guildford Town Centre, where there is current interest from food and beverage operators to locate to the centre. The leisure assessment also identified the potential need for two branded gym facilities based on projected population and current participation rates in this leisure activity. Demand from branded gym operators is likely to be focused on Guildford Town Centre.
- 5.13 Meeting the need for the forecast new retail and commercial leisure floorspace in full over the lifetime of the development plan will clearly depend on the Council identifying suitable and viable sites and redevelopment opportunities in the Borough's town centres that are either available now, or will be available at some point in the next 5, 10 and 15 year periods. For the Council, demand for new retail and leisure floorspace will be focused on Guildford Town Centre. If appropriate sites and redevelopment opportunities are not likely to come forward over the development plan period, then consideration should be given by the Council to sites on the edge of these centres that are well connected to the primary shopping areas and are capable of reinforcing the pedestrian retail circuit and generating linked trip expenditure to the benefit of each centre's overall vitality and viability.
- 5.14 Finally, it is important to restate that capacity forecasts beyond five years should be treated with caution, as they are based on various layers of assumptions and forecasts with regard to the trading performance of existing centres and stores, the growth in population and retail spending, constant market shares, etc. For example, if the growth in Internet and multi-channel shopping is stronger than current forecasts suggest, then this could reduce the future demand and capacity for new 'physical' space over the long term. The Council should take into account these margins for error when assessing the need for new retail floorspace, particularly post 2025.