Case Studies into the Impact of Out-of-Centre Retailing on Town Centres

Summary & Conclusions

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Introduction

This Stage 2 study examines the effects of out-of-centre retailing on town centres over the last 20-30 years using eight detailed case studies of representative towns. It builds on the Stage 1 study undertaken by GVA Grimley in 2007 which identified the factors affecting the performance of town centres and discussed the key ingredients to successful centres and the principal factors adversely affecting them.

The towns selected (Blackburn, Colchester, Doncaster, Horsham, Lincoln, Middlesbrough, Swindon and Tamworth) have varying levels and mixes of out-of-centre floorspace. The focus is on medium to large towns where the out-of-centre (comparison goods) retail warehousing potentially competes with the town centre.

It should be noted that the presence and development of out-of-centre retailing is not the only variable influencing the health of town centres. As concluded in the Stage 1 research there are a number of other factors that must be considered including wider economic trends, policy evolution, competing higher order town centres and more localised socio-economic catchment characteristics.

Summary & Conclusions – Stage 1

The Stage 1 study concluded that town centre vitality and viability is a complex issue and whilst the PPS indicators are important they can only tell part of the story and can easily be misinterpreted. There are many underlying influential trends including economic factors, retailer trends and trends within the property market. In the future new trends will evolve which the sector will need to respond to, although the exceptional retail expenditure growth of the last two decades is unlikely to be repeated over the next decade, so there will be lower overall demand for new floorspace.

The short case studies illustrated that numerous factors affect town centre vitality and viability with out-of-centre development being just one of these. The effects of such development are varied depending on its scale, type, composition and location, and edge/out-of-centre development does not affect all towns equally. It is just one contributory factor to the overall performance of a town centre, not the sole factor.

No clear correlation was found between the scale of out-of-centre development and the vitality and viability of the nearest town. The Stage 1 report found that it is the scale, combined with the type, composition and location of non-central development which is important. Some of the short case studies illustrated how out-of-centre developments have contributed to or exacerbated the decline of a nearby town centre whereas other examples show that if managed appropriately, edge/out-of-centre development can fulfil a need and be complimentary to the town centre retail offer.

The research found that past population and expenditure growth led to huge demand for new retail floorspace. If all new retail development had taken place in town centres the degree of change would have been enormous and probably unacceptable, particularly in historic town centres, as it was not only the retail space but the additional support/ancillary services and infrastructure that would have been required to facilitate such development. There was, therefore, a need for some edge and out-of-centre development and this will continue to be true in the future, although as expenditure growth is likely to be lower over the next 10 years than over the last 20 years the need for new development will be less.

It was also evident from the research that towns not only face competition from non-central developments, but from each other, with polarisation in the hierarchy as larger centres grow at the expense of smaller centres. Town centres need to respond to change but also plan for change and proactive town centre management is key to maintaining healthy, vibrant towns. If out-of-centre development is not managed correctly then town centres can suffer.

Summary & Conclusions – Stage 2

The detailed case study analysis clearly identified that the development of out-of-centre retail warehousing has had implications on the trading performance and market share of nearby town centres. Doncaster, for example, experienced a long period of out-of-centre development (1983-2006) at the expense of town centre investment, with subsequent analysis identifying a decline in town centre market share, particularly in the more 'bulky' goods categories. Likewise in Swindon, out-of-centre development has dominated retail investment since 1980, and analysis in 2004 identified substantial qualitative shortcomings for a centre of this scale and role in the retail hierarchy.

Like Doncaster and Swindon, the amount of out-of-centre retail warehousing in Middlesbrough and Stockton combined exceeds that in Middlesbrough town centre. The period 1985 to 1998 was dominated by substantial out-of-centre development, which coincided with the decline in the health of Middlesbrough town centre. In Tamworth, a Council report in 2010 highlighted the impact of out-of-centre retailing, with one of the larger retail parks occupying a higher position in the retail hierarchy than Tamworth town centre, with shoppers very critical of the town centre offer. The report also concluded that the cumulative amount of floorspace outside Tamworth town centre had a trade draw from a wider catchment area than the town centre.

Nevertheless, consistent with previous research findings including those in our Stage 1 report, this assessment does not conclude that the development of out-of-centre floorspace was the sole reason for the town centre decline or vulnerability in terms of vitality and viability. A wide range of influencing factors has been identified within both Stage 1 and Stage 2 reports.

In Doncaster, for example, the absence of any pro-active investment in the town centre between 1983 and 2006 was highlighted as a key reason for the centre's clear qualitative deficiencies during this period. Following a period of substantial investment made possible by pro-active planning and strong expenditure growth, however, the town centre has clawed back lost market share and now performs well alongside significant, primarily bulky, levels of out-of-centre development. The next phase of town centre investment is now being planned for. In Swindon, a complex range of issues has been instrumental in its performance, including a lack of investment of modern retail space, weak retail offer and trade leakage to competing centres. The development of out-of-centre retailing has had an impact on the town centre over the years, but is not solely accountable.

In Middlesbrough, our analysis indicates the absence of town centre investment over a long period of time (1985 to 1998) at the expense of major out-of-centre competing development. Since 1998, the focus has re-balanced towards the town centre with evidence suggesting a good performance and a dominant market share in the clothing and footwear category. Whilst there are some flexible trading consents in out-of-centre locations, the competition for the town centre is primarily in bulky goods, enabling the two destinations to trade alongside each other.

Tamworth is, however, an example where out-of-centre retail warehouse development has, to some extent, overwhelmed the role of the town centre which is of a smaller scale to other case study towns. Only now is policy seeking to reverse the trend in out-of-centre development back towards Tamworth town centre. Given the smaller scale of Tamworth town centre, there is a limited range of other town centre uses to support its performance in the absence of retail investment.

Scale is clearly an important issue for smaller town centres such as Tamworth and Horsham, with the larger sub-regional and regional centres more able to absorb the impact of larger scales of out-of-centre retail warehouse floorspace. Indeed, the amount of out-of-centre floorspace in Doncaster, Colchester, Swindon and Middlesbrough exceeds the level of comparison floorspace in each respective town centre. The same is the case in Tamworth, but the level of impact has been greater, and the centre has not benefited from a pro-active planning approach or investment.

In Horsham, however, our analysis identifies that the level of out-of-centre provision remains smaller in scale compared to Horsham town centre, and is also entirely restricted to bulky goods. The analysis concludes that the scale and nature of out-of-centre retailing is largely complementary to the town centre offer, and any substantial change in this equilibrium is likely to be a cause for concern for Horsham town centre which is not of a scale to absorb significant levels of impact like other case study centres.

Additional factors such as the range of town centre uses, economic profile and historic/physical environments have also been identified as having implications on the health of the case study towns.

In Lincoln, for example, the level of out-of-centre floorspace is not significantly lower than that found in-centre, but the two destinations are trading effectively alongside each other. The complementary relationship is largely attributed to the restricted bulky goods nature of out-of-centre floorspace and the strong mix of 'town centre' uses in the city centre, including the University, retail, leisure, the historic Cathedral quarter, quality environment and good range of niche/independent retailers. The historic and physical environment was highlighted as a restriction to town centre development, with the need having to be met elsewhere, i.e. the edge of centre St Mark's development which links reasonably well with the historic town centre.

Likewise, Horsham benefits from a prosperous catchment area and well above average levels of managerial and professional inhabitants, and although out-of-centre retail floorspace is relatively limited and restricted to bulky goods, the town centre also benefits from a good environment and strong mix of town centre uses. The 'healthy' town centre is a consequence of natural historic attributes, a prosperous catchment, a strong mix of national and independent/niche retailers, and a continued pro-active approach on the part of the local authority. Such assets have assisted Horsham in retaining trade despite the relatively close proximity to nearby Crawley and the strong network of out-of-centre retailing present there.

The location of development outside town centres also has varying degrees of impact for a town centre, i.e. whether the development is edge or out-of-centre. In Lincoln, for example, the St Marks scheme represents past difficulties in bringing forward more central development as a consequence of the constrained physical environment. Nevertheless, the edge-of-centre location does generate linked trips which are more beneficial to the town centre than out-of-centre destinations.

Likewise, most retail warehouse development in Horsham is located in edge-of-centre locations, again generating linked trips; and the case is the same with the Tesco foodstore in Doncaster town centre. Such trends are widely recognised in policy and commercial terms, with the next major phase of strategic retail development in Middlesbrough being planned for Cannon Park, a town centre extension/growth area.

The Stage 2 analysis also reviews some of the key PPS4 health check indicators across the eight case study towns, and found no absolute conclusive results in terms of the impact of out-of-centre development on town centre vitality and viability.

Whilst for some of the case study towns, the PPS indicators appeared to show a 'drop' in performance following significant out-of-centre development, it often also coincided with wider influences such as an economic recession. For example in both Doncaster and Colchester rents declined in the early 1990s coinciding with the openings of the Wheatley Centre and Tollgate Retail Park, but also with the early 90s recession.

Similarly, there were examples where despite substantial out-of-centre development, there was no apparent impact on performance indicators, which were perhaps being boosted by a buoyant economy at that time. For example in Blackburn, where despite the opening of the large Peel Centre, town centre rents were unaffected, buoyed by the strong economic climate of the mid-late 1980s.

What it is impossible to measure is how much better the town centre performance might have been had the out-of-centre development not occurred.

The scale and type of out-of-centre development are also key in terms of the apparent impact on town centres, with for example vacancy rates in Horsham town centre improving significantly over the study period despite out-of-centre development activity, perhaps reflecting its more limited scale and typically bulky nature. In contrast the rental performance in Tamworth, despite showing growth in rental values overall was significantly below national or regional trend rates of growth.

Overall the detailed analysis reiterates the conclusions from the Stage 1 report that town centres are complex and measuring their vitality and viability is a complicated issue. To avoid misinterpreting the results, a whole range of variables need to be considered and analysed in the right context, alongside wider influences. Whilst out-of-centre development is one contributory factor, the economy is also highly influential and activities in neighbouring/competing towns are also significant.

Other key factors include the nature of goods sold in out-of-centre locations, with bulky consents providing greater protection to town centres; the location of development, i.e. edge or out-of-centre; the scale of the town centre and nearby out-of-centre retailing; and the level of pro-active planning and investment in town centres. When assessing the health of town centres, and reasons for the findings, a wide and complex range of issues must be considered to ensure an accurate analysis.

The detailed case study analysis suggests that extensive out-of-centre development may over time affect a nearby town centre, particularly where un-restricted A1 development is permitted. These effects can be reversed however by pro-active town centre management and expansion/new investment in the town centre. It is not possible to conclude how any of the case study centres would be performing in the absence of any town centre investment. Similarly it is impossible to know how they might have looked or been performing had there been no out-of-centre development nearby.

Factors such as strong expenditure growth have also previously assisted in preserving the fortunes of town centres to some extent, although this benefit is unlikely to be available to the same extent in the future given the economic climate. Over the next ten years, with lower expenditure growth expected, major new development in town centres may be more difficult to achieve. Local authorities will, therefore, have to be particularly vigilant about the amount, type and location of non town centre development permitted.

Overall we have concluded that there are numerous factors affecting the health of town centres and out-of-centre retailing is just one of these. What is clearly evident is that town centre investment has helped reverse the declining fortunes of most of the case study centres over the past 10-15 years, and without the new retail/town centre schemes they would be less healthy and more vulnerable to competition, not solely from out-of-centre developments but also improving competing centres.