

Progress Report on the Annual Statistical Survey (AAS) and the Town Centre Research Part 2

1. AAS

- 1.1 The Board will recall that, having approved a final draft at the October meeting, it was proposed to publish the first version of the AAS at the beginning of 2009.
- 1.2 A final pre-production meeting between the CEO and Experian was planned during November, but this was postponed due to the CEO's incapacity following an operation.
- 1.3 This meeting eventually took place in mid December, at which it was thought prudent to defer publication for a short period. The reasons for this were:-
 - (a) on reflection and after re-looking at the data AR submitted to the Treasury in a previous PPG6 submission, the CEO had reservations that the agreed data did not focus sufficiently on the out of centre sector, but contained too great an emphasis on the retail industry as a whole;
 - (b) in the light of the accelerating scale and speed of the downturn affecting the economy generally and the property industry in particular, Experian said that if publication was delayed until early in 2009, the company's most recent data could be used in the AAS including new forecasts up to 2012.
- 1.4 For both these reasons, a short delay was judged to be in the best interests of AR and its members and Experian undertook to submit a revised draft in the first part of January 2009 for presentation to the January Board meeting.
- 1.5 Progress, however, was slowed by the intervention of the Christmas/New Year period and by the CEO's re-admission into hospital.
- 1.6 The CEO is cleared to travel again from the end of January, but the first draft of the amended AAS is now not expected until the day before the January Board meeting.
- 1.7 Given this, the Board is invited to consider it at the February Board meeting when the CEO will be there to present it or, alternatively, it can be dealt with by email beforehand to speed up publication.
- 1.8 The scope of the data now being considered is set out in the Annex at the end of this report.

2. The Town Centre Research Part 2

- 2.1 Following the October Board meeting, the CEO had a further meeting with GVA Grimley at which the CEO indicated that the Board felt that great care had to be taken over which towns might form the case studies and that there were reservations at some of those which appeared on the initial list produced by the consultants. The CEO also indicated that he felt more thought needed to be given to the framework for Part 2, in particular, the formulation of the hypothesis to be tested which he believed would benefit from more clarification and focus.
- 2.2 It was agreed to give this further consideration before starting the work, but this, too, has been delayed by the CEO's incapacity.
- 2.3 The CEO now advises that the contract for the further work by GVA Grimley is deferred. This is because:-
- (a) given the down turn in the economy and the sector, members might consider it imprudent for AR to commit a significant sum to research at this time;
 - (b) retaining the money set aside in the Budget for this research will act as a reserve against any contraction in membership revenues or sponsorship etc;
 - (c) with the assistance of the Board, the CEO is able to undertake the clarification and focussing on this still very important research project from within the budget provided for his work.
- 2.4 Eventually, the project will require access to the data held by the consultants to complete the study, but AR can choose when to enter into this phase whilst still continuing to make progress towards it now.

ANNEX

Economic Benefits of the Sector

GDP Growth:

1. Retail sector output (inflation adjusted) has increased by 115% over the last 20 years.¹
2. Over the last 5 years, retail expenditure has grown by 5% p.a. to reach 40% of consumer expenditure (consumer expenditure now amounts to 65% of GDP).²
3. Retail spending has been responsible for 45% of GDP growth over the last five years.³

¹ Experian, Responding to the PPS6 Consultation, 2004, pp 11

² Experian, Responding to the PPS6 Consultation, 2004, pp 8

4. Retail expenditure is forecast to grow by 50% 2003-2016 (in the same period, consumer expenditure is forecast to grow by 35%).⁴
5. Bulky goods spend represents £54 billion p.a. or over 20% of all retail spend (up from 7% in 1980).⁵
6. Expenditure on bulky goods has been responsible for about 35% of the increase in retail spending and about 16% of the increase in GDP over the last five years.⁶
7. Bulky goods expenditure is forecast to grow by 60% 2003-2016.⁷

Inflation/Competitiveness:

1. Over the last 3 years, retail goods have deflated by around 2% p.a. (consumer prices have inflated by just under 2% in the same period).⁸
2. Out of centre retailers have seen volume growth exceed value growth over the last 10 years suggesting that they are a key contributor to this deflationary environment.⁹
3. Average retail floor space efficiency has improved by 1%-2% p.a. over the last 40 years.¹⁰
4. The period of most rapid productivity growth has been the last 20 years coinciding with the growth of retail warehousing.
5. Average out of centre sales densities are up to 25% higher than those in the high street.¹¹
6. This difference is especially apparent in bulky goods e.g. furniture & floor coverings retailers trade almost twice as productively out of centre than they do in-town with DIY retailers around three times.

Employment and Productivity:

1. At present retail employs over 3 million workers (10.6% of the working population) and is growing.¹²
2. Retail warehousing accounts for about 10% of this total.¹³
3. The anticipated growth in bulky goods retailing is expected to create 145,000 new jobs (based on current average employment per square foot ratios).¹⁴
4. Many of these new jobs will be with established companies which provide training, promotion, career paths, pensions, good health and safety etc and will be accessible to excluded groups (e.g. part time available to women with children, the elderly etc).

³ Ibid

⁴ Experian, Responding to the PPS6 Consultation, 2004, pp 16

⁵ Experian, Responding to the PPS6 Consultation, 2004, pp 12 & 13

⁶ Experian, Responding to the PPS6 Consultation, 2004, pp 14

⁷ Experian, Responding to the PPS6 Consultation, 2004, pp 17

⁸ Experian, Responding to the PPS6 Consultation, 2004, pp 19

⁹ Experian, Responding to the PPS6 Consultation, 2004, pp 21

¹⁰ Experian, Responding to the PPS6 Consultation, 2004, pp 23

¹¹ Experian, Responding to the PPS6 Consultation, 2004, pp 24

¹² Experian, Responding to the PPS6 Consultation, 2004, pp 9

¹³ Based on a preliminary study conducted by Accessible Retail and The Shopping Park Investors Forum

¹⁴ Based on Experian employment forecasts and estimates of current employment densities in retail warehousing

5. Retail productivity is rising. Since 1990, retail staff productivity (calculated as retail output divided by retail employment) has increased by £6,000 to £17,500 (2000 prices).¹⁵
6. This trend is expected to continue, with productivity increasing by £6,100 to £23,600 by 2016. This is equivalent to an increase of more than a third, bigger than the expected increase in productivity across the whole economy (28%).¹⁶

Investment:

1. Around £17.5 billion (IPD data) was invested in retail warehouses, at the end of 2003 (an increase of nearly £7 billion over the last five years).¹⁷
2. Funds with a high exposure to retail warehouses have outperformed funds with lower exposure, achieving annual returns over 11% over the last 10 years, compared to 10.5% for all funds.¹⁸
3. This gap has widened markedly in recent years (2001 to 2003), with funds with a high exposure enjoying annual growth of 10.3%, compared 9.2% for all funds.¹⁹
4. In addition, further property assets owned to support retail warehouses (distribution warehouses, HQ offices etc) are held in pension fund property portfolios, as are significant shareholdings of the leading owners and occupiers.

¹⁵ Experian, Responding to the PPS6 Consultation, 2004, pp 11

¹⁶ Ibid

¹⁷ Experian, Responding to the PPS6 Consultation, 2004, pp 43

¹⁸ Ibid

¹⁹ Ibid