

1 Retail Market Review

1.1 This market paper provides the background to the value assumptions made in appraising the retail development typologies set out in the main report. The purpose of the overarching study is to test the viability implications of the City of Bradford Metropolitan District Council Emerging Local Plan policies and to advise on potential changes to the CIL Charging Schedule.

1.2 The structure of this Retail Paper is as follows:

2) UK Retail Market Review	Outlines where the trends in the UK retail market to provide context for the market analysis.
3) Existing Evidence Base	Provides a review of the existing retail market evidence including Bradford Community Infrastructure Levy Viability Evidence 2015.
4) Bradford Retail Market Evidence	An analysis of the retail markets, including deals done and availability for Retail (A1) units with a focus of the main retail areas of Bradford, Keighley, Ilkley, Shipley and Bingley.
5) Retail Value Assumptions	Summary of the value assumptions adopted within the appraisals.
6) Conclusions	Sets out the retail sectors to be carried forward for financial appraisal (as part of the CIL review).

2 UK Retail Market Review

2.1 We have reviewed the UK retail market below to provide context of the macro economics.

RICS UK Research

2.2 The RICS publishes a quarterly commercial market survey¹. The most recent edition at the time of writing is the Q2 2019 study and provides commentary on the retail market. In terms of the national picture, the report comments as follows:

- Struggling retail sector shows little sign of improvement,
- Occupier demand continues to fall sharply across the retail sector,
- Expectations are pointing to a further fall in both prime and secondary retail rents.

2.3 The RICS also publishes its UK Economy and Property Market Chart Book which provides economic commentary and research into the commercial property sector. The latest edition (at the time of writing) is Q2 2019.

2.4 It states that in the UK commercial property market, the troubles of the retail sector remain a key feature where rental values are now declining at the fastest pace since the financial crisis.

2.5 In relation to retail, the report comments as follows:

- As a result of a particularly downbeat outlook for rental values in the retail segment, the RICS headline rent expectations net balance has edged down slightly to -9% in Q1 2019, from -7% previously, pointing to a moderation of UK rental value growth over the coming quarters.
- A rise in the availability of retail space has prompted landlords to increase the value of incentive packages on offer to tenants sharply over the past year.
- In contrast, office rents are, however, projected to hold steady whilst rents in the industrial/logistics sector are expected to continue rising firmly.
- Preferences towards online shopping have resulted in strong demand from tenants looking to occupy industrial space.

¹ RICS UK Commercial Property Market Survey, Q2 2019

Carter Jonas Prime Property Outlook 2019

- 2.6 This paper outlines Carter Jonas's view of what will drive property markets in 2019 and provides an outlook for property performance.
- 2.7 Carter Jonas comment that Brexit has created a period of almost unprecedented uncertainty with politics affecting the economy. Economic growth is forecast to be 1.9% in 2019, however a 'no deal' Brexit would reduce projected growth whilst increased certainty may create a modest 'Brexit bounce'. Uncertainty over Brexit is holding back investment, decision-making and occupier demand. Businesses can adapt quickly to change and would rebound sharply if a clear direction of travel emerges. Related to Brexit uncertainty is the risk of a general election² and major shift in political direction under a Labour Government.
- 2.8 In terms of retail, the paper states that the relentless shift towards online retailing continues [nationally]. It adds that internet sales accounted for a record 21.5% of total retail sales in November (2018), compared with only 6% a decade ago. On the high street, this has meant a shift towards independent retailers, which do not sell generic goods easily bought online. More major retailers could go into administration or become online-only in 2019, spurring additional demand for distribution warehousing solutions. The relationship between online retail and 'bricks and mortar' retail is complicated by (amongst many other things): price of goods and services; the bandwidth of the internet; attractiveness of retail destinations; logistics and distribution and particularly returns; business rates; economic cycles etc. However, the data illustrates the pressure that the retail property market is under.
- 2.9 Carter Jonas state that there is a huge opportunity in repurposing unwanted retail property and underperforming shopping centres, and in reinventing town centres. However, local authorities need to be pragmatic, as well as ensuring responsible development. In this context, adding additional CIL and other S106 tariffs will only increase the costs of development and make viability even more challenging.

Supermarkets and Retail Warehouses

- 2.10 It should be noted that the only retail use which currently carries a CIL charge in the Bradford District are supermarkets and retail warehouses with large supermarket (>2000 sqm) at £50 psm and retail warehouses in central Bradford at £85 psm.
- 2.11 The convenience retail sector has seen a significant change since the financial crisis of 2007/08. In the years immediately following 2008, supermarkets appeared to have weathered the economic storm with most operators expanding. Operators were able to competitively bid for sites as they were able to take advantage of other sectors in the property market being much weaker.

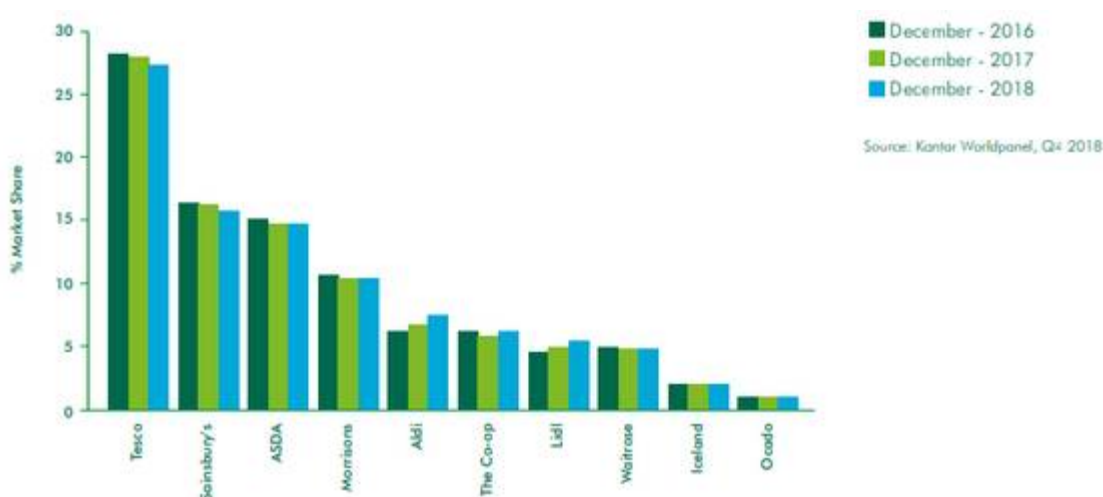
² Since writing, this is now confirmed for 12th December 2019.

During this period of growth there was a strong appetite from operators to open large format stores of up to circa 11,150 sqm - with this format of store providing a mixture of convenience and comparison retail.

2.12 In recent years, shopping patterns have changed significantly: there is more reliance for online shopping combined with customers supplementing a 'big' shopping trip with regular smaller shops during the week. Customers are also splitting their shopping trips between the big four supermarkets (Tesco, Sainsbury's, Asda and Morrison's) and discounters such as Aldi and Lidl.

2.13 This has led to discount supermarkets gaining market share at the expense of the big four convenience retailers offering a more upscale product offer such as Waitrose. The value/discount retailers are, in particular, in the midst of a period of rapid expansion, having gained considerable market share (see Figure 2.1). Aldi is growing at a rate of 0.7% a year and Lidl 0.5% while the big four are experiencing market share erosion with Tesco (-0.6%), Sainsbury's (-0.4%) and Morrisons (-0.1%) losing ground, while ASDA remained flat on the previous year³.

Figure 2.1 - Gross Market Share of Supermarket Retailers, December 2016 to December 2018



Source: Kantar, World Panel 2018

2.14 From discussions with retail agents we are aware that Aldi and Lidl are the most active companies in this sector and the rent is typically linked to the build cost for the scheme and demand for the location. In addition, in September 2019 Aldi announced that they have plans to open a new store in the UK every week on average for the next two years.

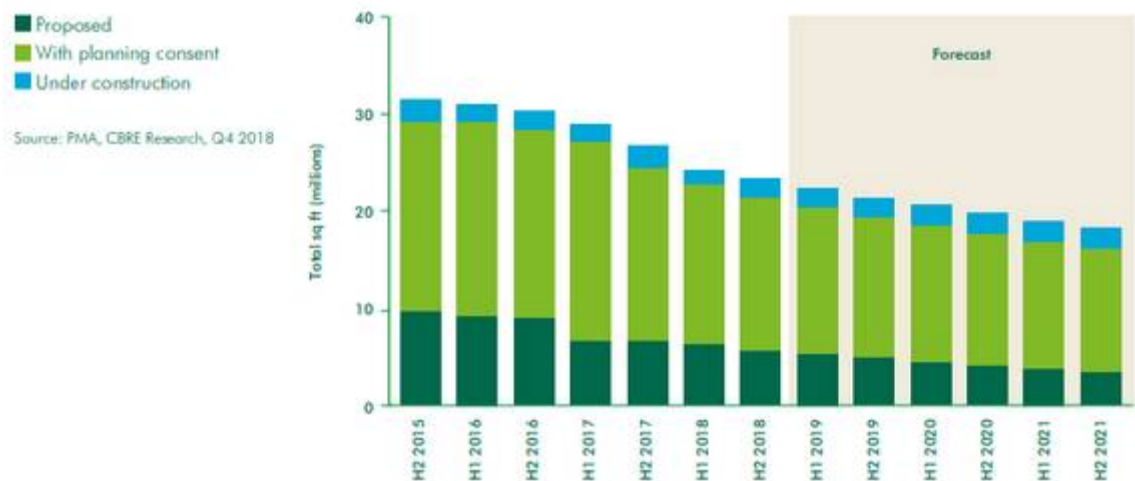
2.15 Within the North we are aware that there have been seven transactions by Lidl and Aldi over the last 4 years for premises with an average rent of £160 psm (£14.91 psf), the highest rent achieved

³ CBRE, The Property Perspective, 2019

was £197 psm (£18.31 psf) and the lowest £128 psm (£11.94 psf). In terms of yields, 5 to 5.25% have been agreed. Leases are generally for 15 to 20 years with 12 to 15 months' rent-free periods.

- 2.16 CBRE report that Supermarket development dropped 3.4% in H2 of 2018 as (Figure 2.2) as the market consolidates and the 'big four' focus on improving their existing assets.

Figure 2.2 - Supermarket development H2 2018



Source: CBRE, The Property Perspective, 2019

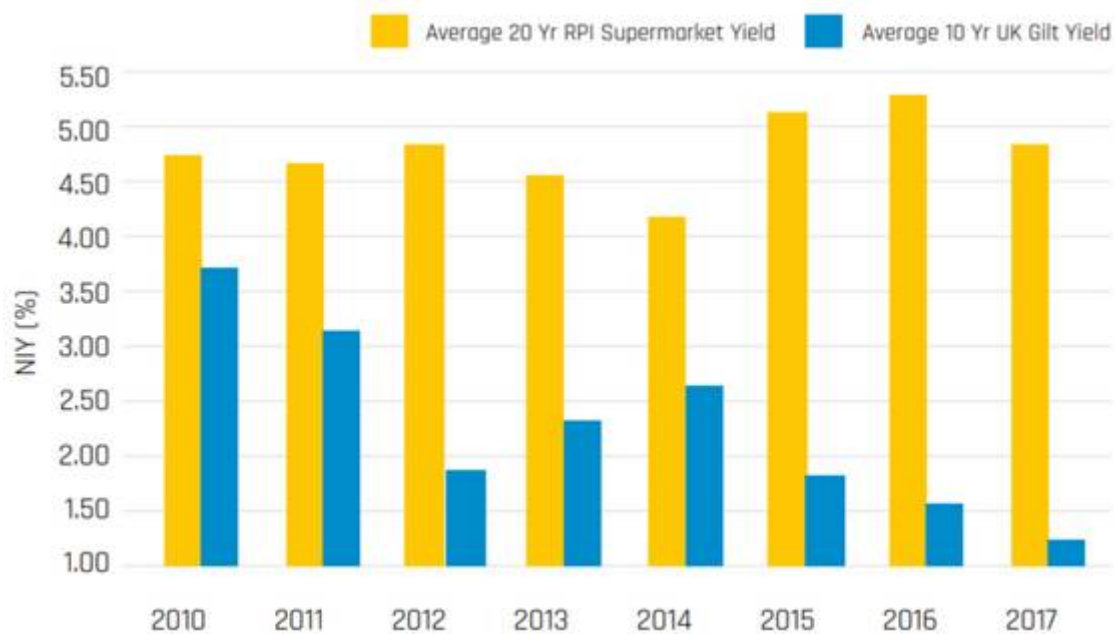
- 2.17 Figure 2.1 shows evidence of the big four's market share falling resulting in lower sales and reported lower profits. The combined effect of a weaker market for the top four has led them to scaling back new store openings, with Tesco, Sainsbury's and Morrison's all 'mothballing' a number of sites on which they had previously secured planning permission for new supermarkets (e.g. Tesco sold their expansion site in Ilkley, Bradford in 2017 for a mixed use older persons residential and office scheme). Furthermore in 2018, Sainsbury's and ASDA announced their potential merger but this has subsequently been blocked by the Competition and Markets Authority in April 2019 as it was ruled that the £7bn deal threatened to push up prices and reduce the choice and quality of products on sale in stores. In 2018 Tesco announced it's opening of a discount subsidiary Jacks. Tesco is expected to utilise poorly performing metro stores and existing floorspace which is not yet fitted out for the new Jacks stores. This is expected to be roughly 30-40 stores.
- 2.18 This trend is expected to continue into 2019 as discount stores such as Lidl and Aldi are expanding into the upper-end of the market through their premium ranges which are growing at

rate of circa 20% a year⁴. This is putting a squeeze on more upmarket rivals. In November 2018 The Sunday Times reported that a number of operators were in decline:

- Sainsbury's have underperformed those of competitors for 18 months despite its strong presence in the convenience store market.
- M&S's food sales has declined by 2.9%.
- Waitrose is cutting costs and cutting lower margin products from their stores in an attempt to rebuild profit which fell by £172m in 2017.

2.19 Investment transactions, which peaked in 2013 at £1.8bn and had reduced to under £1.2bn in 2015 started to increase in 2017. £1.42bn was transacted with yields of 4.25% for prime assets and 5.5% for secondary assets⁵. In January 2019, Knight Frank report food store yields to be 4.25% demonstrating that yields have remained stable.

Figure 2.3 - UK supermarket yield trends



Source: Colliers, UK supermarket investment review, January 2018, page 15

Retail Warehouse

2.20 In June 2018 Savills reported that the retail warehouse sector in the UK has delivered the strongest annual rental and capital value growth (4.3% pa and 4.6% pa respectively) of any property sector over the period 1980 – 2017.⁶

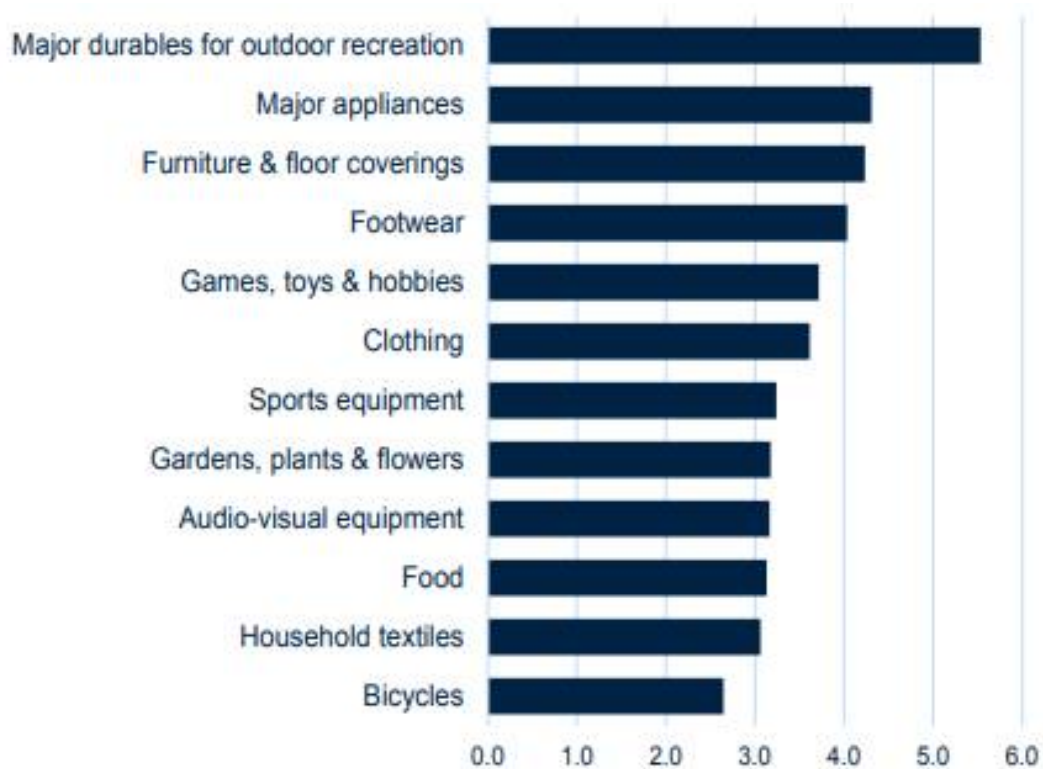
⁴ Sunday Times, My other supermarket is a Lidl, November 2018.

⁵ Colliers, UK supermarket investment review, January 2018, page 15

⁶ Savills, UK retail Warehouse Market, June 2018

- 2.21 Initially, this sector was predominantly driven by the needs of bulky goods and DIY retailers. However, other retailers were also attracted to the lower rents and availability of space and car parking compared to high street locations. Demand outstripped supply causing significant rental growth and attracting investors.
- 2.22 In common with the rest of the property market, activity fell and vacancy increased in the 2007 global financial crisis. Vacancy rate in this sector has since recovered, however investment activity has not and rental and capital growth has been slow (0.5% pa and 1.7% pa respectively).⁷
- 2.23 The negative perception of the retail market as a whole (due to the rise of internet shopping, weak sales and Brexit) has deterred investor interest. Growth has also been weak because the rental differential between warehouse parks and high streets that initially attracted occupiers has reduced. There has been a number of retail failures and CVAs (Company Voluntary Arrangements) that has also weakened market sentiment e.g. Carpetright and Mothercare.
- 2.24 Savills report that warehouse type goods have been less effected by internet shopping compared to high street stores. They are also set up to easily satisfy click and collect and internet-sourced returns. See Figure 2.4 for the projected growth in retail warehouse type goods.

Figure 2.4 - Projected % PA growth in sales of retail warehouse type goods (2018 – 2022)



⁷ Savills, UK retail Warehouse Market, June 2018

Source: Savills, UK retail Warehouse Market, June 2018

- 2.25 The investment market is showing slightly more confidence compared to other segments of retail, however in 2018 it is still 20% down on the five-year average, compared to 38% down for unit shops and 73% down for shopping centres.

High Street Retail

- 2.26 High street retail does not currently have an associated CIL charge as it was considered to be unviable. The assumption was that high street retail development will be in the town centre and on current retail land and therefore the existing use value will be high in the first place. There are also likely to be complex site assembly, utilities diversions and abnormal costs associated with town centre development. Finally, CIL is only payable on the net additional floorspace so realises less net funding in a town centre redevelopment context.
- 2.27 The Future High Streets Fund Prospectus (December 2018) describes the current structural changes facing high streets⁸. Change on high streets is not a new phenomenon. The Prospectus describes how over many years the ways in which people interact with their high streets and town centres have constantly evolved e.g. out-of-town shopping centres in the 1980's. However, the speed of change has increased dramatically in recent decades. The unprecedented growth of online shopping in particular has had a big effect on high streets. Between 2007 and 2018 online sales increased six-fold while the growth of in-store sales lagged behind. In 2000 online retailing accounted for less than 1% of total retail sales while in October 2018 almost a fifth of all retail sales took place online⁹.
- 2.28 As mentioned above, technological advances, including smartphone use and improvements to broadband have facilitated this rapid rise in online retailing. This has left a number of vacant or under-used spaces in town centres, with a proportion of the existing stock of retail stores on high streets becoming under-used. There is currently a mismatch between the supply of existing space and the demand for different types of space in town centres.¹⁰ Evidence shows that high streets with a wide choice of retail services alongside well-designed and planned residential and office space are more resilient to these changes and are adapting more successfully. In contrast, high streets that rely heavily on traditional retail without sufficient office space and housing surrounding the high street have found it harder to adapt to these changes and tend to be the ones that are struggling.^{11 12}

⁸ Ministry of Housing, Communities and Local Government, Future High Streets Fund - Call for proposals, December 2018

⁹ Office for National Statistics (2018), Retail Sales, Great Britain: October 2018

¹⁰ British Property Federation (2016), Town Centre Investment Zones: Getting Investment Back Into the High Street

¹¹ Public Health England (2018), Healthy High Streets

¹² British Property Federation (2016), Town Centre Investment Zones: Getting investment back into the high street

- 2.29 Brexit is also adding to uncertainty.
- 2.30 Cushman and Wakefield report that although there has been robust sales growth throughout the UK in 2018 averaging at 2.5%, footfall has reduced by 3%.¹³
- 2.31 CBRE report that UK high streets faced a particularly difficult year in 2018 with rising vacancies and a lack of investment placing a downward pressure on regional rents. Average prime rents outside of London fell by 4.4%¹⁴.
- 2.32 The second half of 2018 saw yields weaken as aptitude for investment, depreciation of rents and increasing vacancies result in negative market sentiment. Transaction volumes fell by 17% in 2018. Yields are currently at 4.5% for prime, 7.5% for good secondary and 10% for secondary.¹⁵
- 2.33 Cushman and Wakefield report that Brexit could weaken the sector further due to a weakening economic output, rising costs and friction in the supply chain.¹⁶
- 2.34 Knight Frank also predict further weakening of the market. In their 2019 retail property outlook they predict that there will be a further depreciation of capital values by -1.8% and rents by -0.7%. Yields have also weakened with prime shops moving out to 5.25% and regionally dominant shopping centres to 5.5%¹⁷.

Prime Rents and Yields Snap Shot (CBRE), Q1 2019

- 2.35 CBRE have reviewed the prime rent and yields across the UK. In terms of the retail sector they comment as follows:
- Industrials outperformed Offices and Retail with prime rents increasing 1.0%.
 - Falls in High Street Shop prime rents accelerated to -1.0% in the first quarter of 2019.
 - Prime yields at the All Property level increased slightly, ticking up 6bps.
- 2.36 The report provides a summary of prime yields and how yields are gradually being pushed out especially within the retail market.

¹³ Cushman & Wakefield, Retail Market Snapshot, Q4 2018

¹⁴ CBRE The Property Perspective Retail H2 2018

¹⁵ Cushman & Wakefield, Retail Market Snapshot, Q4 2018

¹⁶ Cushman & Wakefield, Retail Market Snapshot, Q4 2018

¹⁷ Knight Frank Retail Property Market Overview

Table 2.1 - Retail prime yields

	Prime Yields (%)			BPS	
	Q3 2018	Q4 2018	Q1 2019	Q/Q	Y/Y
All Property	5.3%	5.3%	5.4%	6	17
Shops	5.3%	5.4%	5.5%	12	46
Shopping Centres	5.2%	5.3%	5.4%	12	44
Retail Warehouses	5.9%	6.2%	6.4%	25	74
Offices	5.1%	5.1%	5.2%	1	0
Industrials	5.1%	5.1%	5.1%	0	-12

Source: CBRE 2019

Knight Frank Yield Guide, October 2019

2.37 Knight Frank produce a monthly yield guide for property across the UK. The latest guide, at the time of writing, is October 2019. We summarise some key yields below:

- Prime Shops 5.00% to 5.25%
- Regional Cities – 5.5%
- Good Secondary – 7%
- Foodstores (Annual RPI Increases (IY) (25-year income)) – 4.25%

3 Existing Evidence Base

3.1 We have undertaken a review of the existing evidence base in regards to retail values within the District, as follows:

- Retail and Leisure Needs Assessment 2007
- Area Action Plan Viability Draft Report 2015
- Bradford Community Infrastructure Levy Viability Evidence 2015
- Bradford Core Strategy Development Plan Document 2017

Retail and Leisure Needs Assessment 2007

3.2 It is noted that a new Retail and Leisure Study is currently being undertaken to update this report. However, this is not available at the time of writing.

Bradford

3.3 Bradford City Centre was identified as being of regional significance. The defined shopping area contains 473 retail outlets which together occupy 98,730 sqm of retail floorspace. The study found that a proportion of convenience provision within the City Centre was limited. Conversely, the study found that the comparison goods sector was the most significant in terms of floorspace, accounting for 53% of the total retail floorspace in the centre. In addition, the study found that the centre benefited from a significant range of civic and cultural services in and around the City Centre which added to the diversity of the city. It is important to note that the total amount of retail floorspace in the City Centre had actually dropped by approximately 100,000 sqm between the 2001 and 2007 period. This was attributed to the demolition of a number of retail outlets in the Broadway and Petergate area to help facilitate the new and proposed Broadway Shopping Centre redevelopment.

3.4 The study at that time noted that whilst Bradford can be seen to provide a strong comparison goods offer which is also enhanced by its leisure destination, its future growth will be restricted unless new high-quality large retail outlets can be brought in the City Centre.

3.5 Given the opening of Broadway in 2015 it is assumed that some of this identified demand has been satisfied.

Keighley

3.6 Keighley was identified as the second largest town in the District after Bradford and contains 76,690 sqm of retail floorspace. Due to its somewhat isolated location in the north- west of the District, it is a self-contained centre with a dedicated catchment. The representation of both comparison and convenience goods floorspace is above the national average, whilst retail

service, leisure service and financial and business service floorspace are all below the national average.

Ilkley

- 3.7 In 2007 Ilkley contained 37,380 sqm of retail floorspace, making it the third largest retail destination in the District. Convenience retail floorspace is above the national average and this sector is anchored by a Tesco food store and a Booths food store. Comparison retail floorspace is below the national average although the study found that the town centre had an adequate supply. The centre contains a variety of specialist comparison traders dominated by independent traders. The proportion of retail service, financial and business service floorspace is above the national average, with the proportion of leisure service floorspace being lower than the national average.

Shipley

- 3.8 Shipley was found to have 38,800 sqm of retail floorspace. The Town Centre is dominated by the large-format ASDA superstore off Manor Road which offers a range of comparison and convenience goods. The centre contains a permanent indoor market, as well as an outdoor market in the Market Square. The study found that the proportion of convenience, retail service and financial and business service floorspace is above the national average, whilst the proportion of comparison and leisure service floorspace is below the national average.

Bingley

- 3.9 Bingley is the smallest Town Centre with only 15,940 sqm of retail floorspace. The study found that Bingley has a limited shopping function and performs a role providing for the day to day needs of the local population. The study found that the proportion of both comparison and convenience floorspace is below the national average, whilst the proportion of leisure service, retail service and financial and business service floorspace are all above the national average.
- 3.10 We note that a new Retail Needs Assessment 2019 is currently being prepared.

Area Action Plan Viability Draft Report 2015

- 3.11 Cushman and Wakefield were commissioned by City of Bradford Metropolitan District Council to prepare a Viability and Delivery Strategy for the emerging Bradford City Centre Area Action Plan (AAP).
- 3.12 The AAP identifies six neighbourhood areas and a number of key development sites within each of these. The scale and nature of potential viability and delivery constraints for these varies according to the physical and ownership characteristics of the sites as well as market demand

characteristics. This Delivery Strategy makes a number of recommendations around potential funding and delivery mechanisms which are most suitable and relevant to addressing the identified development viability issues and constraints identified.

- 3.13 A series of viability appraisals were produced to test the Area Action Plan policies and proposals based on a combination of hypothetical sites derived from analysis of development proposals, and sampling of actual AAP sites. Viability is tested by the relationship of residual site values of hypothetical schemes against a benchmark. The site value was benchmarked against the threshold site value to determine viability (see our Land Value Paper).
- 3.14 The report states that in respect of the retail and leisure market, the City Centre has undoubtedly been buoyed by the (at 2015) recent opening of the long-awaited Broadway Shopping Centre which is expected to drive considerable increases in footfall in the City Centre. Although further comparison-based retail development is not envisaged, the development of leisure related schemes in particular the eating / drinking sector, are expected with several schemes currently in planning.
- 3.15 The report concludes that the evidence base suggests that there are likely to be a range of factors impacting upon site development viability and that with the imposition of policy standards (e.g. CIL/affordable housing) on development in the current market, there will be challenges to delivery in terms of both residential and commercial development.

Bradford Community Infrastructure Levy Viability Evidence 2015

- 3.16 DTZ (now Cushman and Wakefield) was appointed by Bradford Council to develop the viability evidence base for the Community Infrastructure Levy (CIL) in Bradford District, to undertake comprehensive analysis of development viability and make recommendations for the charges that should form the basis of a Preliminary Draft Charging Schedule.
- 3.17 Their approach was to test development viability at two levels:
- Area wide viability testing – using hypothetical development typologies that tested in different value area locations of the District,
 - Site specific viability testing – detailed analysis of a sample of strategic ‘real world’ development sites from the various locations.
- 3.18 The results of the viability testing confirm the significant variation in market conditions across the District with different locations and property types displaying a varied ability to withstand a CIL tariff. Residential and retail are the only core property classifications that are considered generally capable of carrying a CIL tariff at that time.
- 3.19 For the retail sector, only supermarkets and retail warehousing are demonstrated to be capable of carrying a CIL tariff. Shopping centre development and smaller parades of shops are more

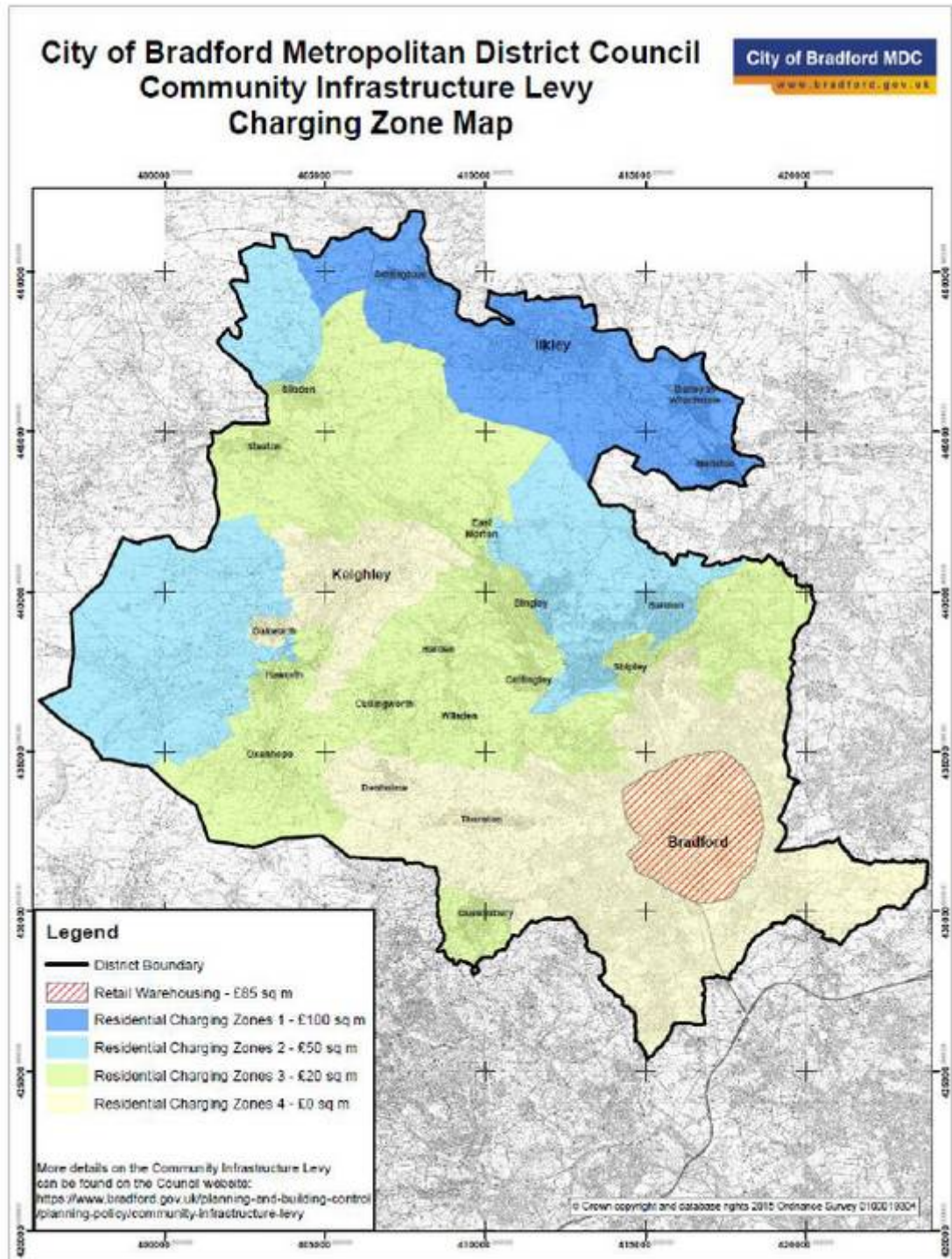
marginally viable due to a range of factors including high site preparation and development costs, incentive package requirements and competition from other established centres affecting occupier demand. The headroom for CIL on supermarkets and retail warehousing is indicated to range from £70 to £290 per sqm.

- 3.20 The report provides evidence of rents and yields and states as follows. Prime retail rents at Forster Square Retail Park are in the region of £322 psm (£30 psf) with prime zone A rent for the Kirkgate Shopping Centre in the region of £1,076 psm (£100 psf), down from approximately £1,400 psm (£130 psf) at the peak of the market (2007). In terms of other town centre locations recent retail developments are achieving low rental levels of between £108 - £130 psm (£10-12 psf). Tenant incentives packages vary, depending on the location and specification of accommodation amongst other factors but for new, prime retail accommodation the equivalent of 18 – 24 months rents free is generally commensurate with the market.’

CIL Charging Schedule, July 2017

- 3.21 Subsequently the Bradford CIL Charging Schedule was approved following examination in public (EIP) and charges implemented from 1 July 2017.
- 3.22 The CIL Charging Schedule includes the following rates for retail development:
- Retail warehousing – Central Bradford £85 psm
 - Large supermarket (>2,000 sqm) £50 psm [District-wide]
- 3.23 The Central Bradford retail zone is illustrated on the map below (Figure 3.1 - Bradford CIL Charging Zone Map).

Figure 3.1 - Bradford CIL Charging Zone Map



Source: Bradford District Community Infrastructure Levy (CIL), Charging Schedule, July 2017

Bradford Core Strategy Development Plan Document (Adopted July 2017)

- 3.24 This document reiterates that the role and performance of the City, District, Town and Local centres is important to a prosperous District. Town centres are at the heart of their communities and are centres of economic activity including retail, leisure, residential and community provision with accessible public transport connections.
- 3.25 Policy EC5 sets out the network and hierarchy of centres and the role each will play including the type and scales of development appropriate in each centre and seeks to ensure the continued vitality of town centres beyond just retail.
- 3.26 The policy defines a hierarchy of centres and sets local threshold when assessing the impact of planning application for retail, leisure and office development in an edge of centre or out of centre locations. Continued regeneration of existing city and town centres across Bradford District is a Council priority as highlighted in the Bradford Community Strategy 2011-2014.
- 3.27 Policy EC5 will therefore support town centre regeneration programmes in order to create a prosperous district.

Core Strategy Partial Review (CSPR), Preferred Options (July 2019)

- 3.28 Policy EC5: City, Town, District and Local Centres has been updated as part of the CSPR. The policy is to seek to sustain and enhance the vitality and viability of a network and hierarchy of centres in the Bradford District... *'by ensuring that new, appropriate scale of retail, leisure and office development is encouraged in sequentially preferable locations'*.
- 3.29 Allocations, designations and associated development management policies on centre boundaries, primary shopping areas, primary and secondary shop frontages and sites (expansion areas) to meet at least the first five years of identified need will be determined by the Allocations DPD, Bradford City Centre Area Action Plan DPD and the Shipley and Canal Road Corridor Area Action Plan DPD – see the Policy Matrix (appended to the main Local Plan and CIL Viability Assessment report).

4 Bradford Retail Market Evidence

- 4.1 This section provides an overview of the recent available evidence of retail developments in Bradford and our analysis of the retail markets, including deals done and availability for Retail (A1) units with a focus of the main retail areas of Bradford, Keighley, Ilkley, Shipley and Bingley. This is to update the retail values and typology assumptions from the previous Community Infrastructure Levy Viability Evidence in 2015 and to inform our modelling.

Retail Development Overview

- 4.2 In November 2015, Bradford Broadway the new shopping centre opened in Bradford City Centre. The building also includes the Light cinema, assisting in evolving the shopping centre into a more leisure destination in Bradford. The Centre continues to flourish outperforming the national trend. That said, we understand that the centre still has some vacancies. This scheme took many years to bring to fruition and partnership working between the Council and the developer, Westfield. This highlights the complexity and marginal financial viability of major city centre regeneration schemes.
- 4.3 There is new retail development coming forward in Shipley. There will be a major new retail park located at the Airedale Mills site on Salts Mill Road in Shipley which was granted outline planning permission in December 2018. The proposed scheme consists of a food store, 2 x A1 retail units and a coffee shop with drive thru. The scheme will create 3,227 sqm (34,735 sqft) (of floorspace).
- 4.4 In addition, the Council are working in partnership with Bradford Bulls and the Rugby League to redevelopment the stadium and surrounding area with a flagship sports, leisure and commercial scheme. The scheme will include ancillary retail, food and beverage facilities and hotel accommodation.
- 4.5 As part of the New Bolton Woods Regeneration Area¹⁸ there is a new scheme being brought forward consisting of a 1,579 sqm (17,000 sqft) Aldi supermarket, a Costa coffee drive thru and an additional 929 sqm (10,000 sqft) unit. This scheme is located on the corner of Stanley Street and Canal Road, Bradford. This unit is marketed by Lamb and Swift at £140 - £151 psm (£13 - £14 psf). This unit will be available from Q1 2020.
- 4.6 However, it is noted that in 2019 there have been challenges faced by the Aire Valley Shopping Centre, a £30 million scheme to bring new shops, restaurants and a cinema to Keighley, close to Asda, Sainsburys, Morrisons, Aldi and Cavendish Retail Park. Original developers Stainsby Grange cleared much of the large site on East Parade, but was then unable to sign up enough retailers to move ahead with the plan. U+I purchased the land over two years ago and began

¹⁸ Shipley and Canal Road Corridor Area Action Plan Adopted 2017 - new neighbourhood centre to support large mixed-use communities New Bolton Woods NBW1

talks with retailers. However, it is reported that retailers that had planned to be based at the Centre have pulled out with U+I now seeking new potential tenants.

- 4.7 An Aldi supermarket 1,245m² (13,400 sqft) has opened in January 2019 alongside Home Bargains, Heron Foods, Greggs, a drive-through Starbucks café, a Marstons family pub and Sue Ryder unit at Lidget Green.
- 4.8 In addition, in 2015 a Lidl supermarket of 1,325 m² (14,262 sqft) was opened at Bingley and a Lidl at Eccleshill in is due to open before the end of 2019.
- 4.9 Furthermore, at Busfield Retail Park on Wakefield Road there are two proposed units being marketed consisting of 37,071 - 38,815 sqm (3,444 - 3,606 sqft). These units are being marketed by Walker Singleton and rents are expected in the region of £161 psm (£15 psf). It is worth noting that the scheme has currently not yet secured planning permission.
- 4.10 There is clearly therefore development activity which is taking place for convenience shops and retail warehousing (but limited new development in the existing centres and high streets). There may also be a requirement for District and Local retail centres as part of the strategic site allocations.

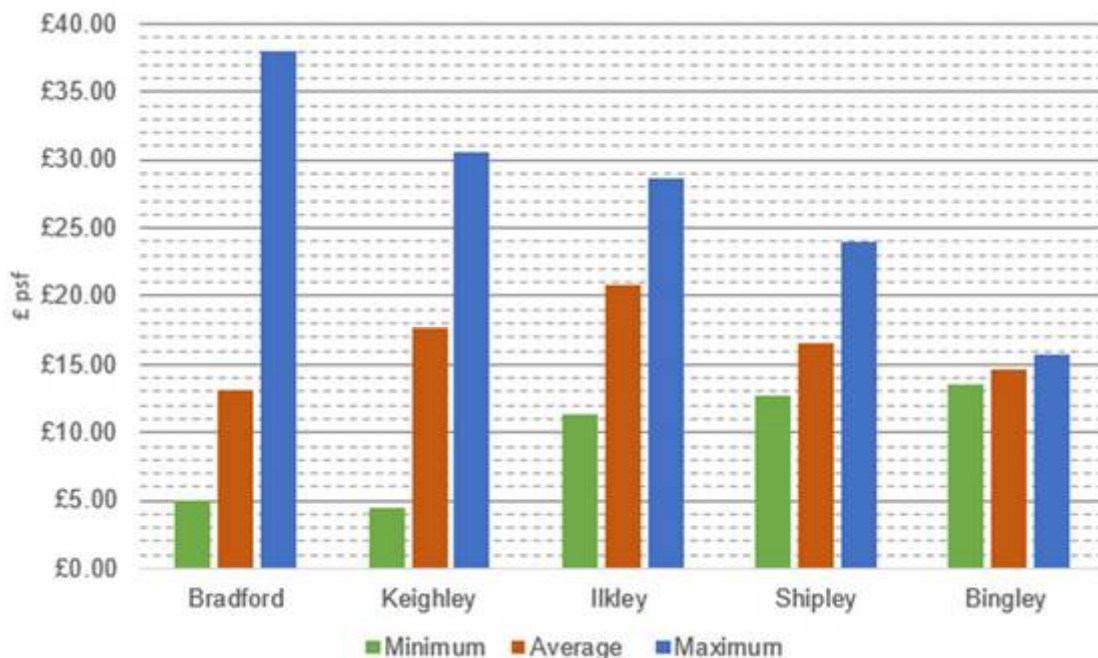
Retail (A1) Market Evidence

- 4.11 This section provides evidence for (A1) retail transactions and availability taken from CoStar. It should be noted the CoStar data is treated with caution given that it is often not explicit as to whether the rents are Zone A or an average rent across the whole floorplate.
- 4.12 It should be noted that the majority of transactions registered on CoStar will be for second-hand space, and thus will have a downwards impact on the values presented within this section. In our summary, we make note to the values in the most recent deals and where possible, identify any deals for new-build space.

Retail Transactions (Achieved)

- 4.13 We have reviewed the achieved rents for retail units in Bradford, Keighley, Ilkley, Shipley and Bingley from 2017 to 2019 recorded on CoStar. We have specifically reviewed the unit sizes, rental values and any yield data that is available.
- 4.14 Figure 4.1 provides a summary of the leasehold transactions. We provide the minimum, average and maximum rental values psf in each of the five towns.

Figure 4.1 - Achieved Rents - Leasehold



Source: CoStar (June 2019)

- 4.15 The highest rents achieved are those in The Broadway in the City Centre at £409 psm (£38 psf) for a retail unit of 332 sqm (3,571 sqft).

4.16 Table 4.1 below provides evidence for freehold transactions for high street retail units within the last two years located in Bradford City

Table 4.1 - Achieved Values – Freehold

Sale Date	Address	Zone	sqm	sqft	Freehold Price	£ psm	£ psf
22/03/2018	71-75 Kirkgate, Bradford, BD1 1PZ	Bradford City	476	5,123	290,000	£609	£57
25/06/2018	The Wool Exchange, Hustlegate, Bradford, BD1 1RE	Bradford City	2,924	31,473	1,600,000	£547	£51
08/05/2018	7 Hustlegate, Bradford, BD1 1RE	Bradford City	638	6,867	520,000	£815	£76
24/05/2018	Unit 41-43, Duckworth Lane, Bradford BD9 5ET	Bradford City	139	1,500	195,000	£1,399	£130
02/02/2018	20-22 Highgate, Bradford, BD9 4BB	Bradford City	70	751	105,000	£1,505	£140
19/12/2018	1 Towngate, Bradford, BD12 9NT	Bradford City	113	1,218	95,500	£844	£78
19/10/2018	28 Towngate, Bradford, BD12 9NT	Bradford City	193	2,078	205,000	£1,062	£99
05/11/2018	Duckworth Lane, Bradford, BD9 5EZ	Bradford City	100	1,076	£220,000	£2,201	£204
01/07/2018	8, Darley Street, Bradford, BD1 3HH	Bradford City	226	2,429	£130,000	£576	£54
Min					£95,500	£547	£51
Average					£684,125	£1,062	£99
Max					£4,600,000	£2,201	£204

Source: CoStar (June 2019)

4.17 From the above transactions we can see that the average sales price for a retail unit is £1,062 psm (£99 psf). However, there is a significant range of values and a retail unit in Bradford transacted at the end of 2018 for a significantly higher price of £2,201 sqm (£204 psf). This was for a unit on Duckworth Lane in Bradford.

4.18 We have identified one transaction for a retail warehouse in Bradford City. This sold for £1.33m and had a floor area of 3,010 sqm (32,396 sqft) which equates to £444 psm (£41 psf) and is currently occupied by Buzz Bingo.

4.19 We have also identified two transactions (high street retail) in Keighley and one retail warehouse transaction in Shipley which are summarised in the table below.

Figure 4.2 - Achieved Values - Freehold

Sale Date	Address	Zone	sqm	sqft	Freehold Price	£ psm	£ psf
01/08/2018	18-18B Cavendish Street, Keighley BD21 3RG	Keighley and Worth Valley	97	1,040	£150,000	£1,552	£144
13/01/2018	33 Low Street, Keighley BD21 3	Keighley and Worth Valley	175	1,886	£99,000	£565	£52
01/03/2018	Unit 1-3, Baildon Bridge Retail Park, Otley Road	Shipley	3,480	37,457	£4,600,000	£1,322	£123

Source: CoStar (June 2019)

4.20 In Menston, 102 Bradford Road was sold for £1,440,000. The property consists of ground floor retail premises let to Sainsburys and residential accommodation on the first floor. This equates

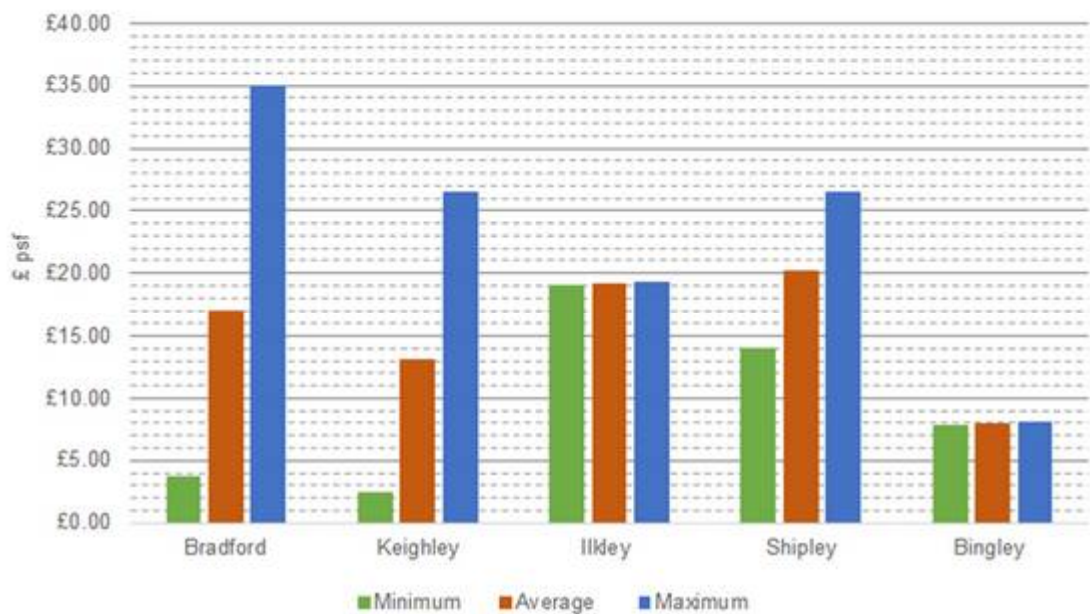
to £360 per sqft and a yield of 5.24%. The annual rent was reported as £80,000 and retail rent of £20 per sqft.

Retail Availability (Asking)

4.21 We have reviewed current quoting rents for retail units in Bradford, Keighley, Ilkley, Shipley and Bingley on CoStar, Rightmove and Zoopla. We have specifically reviewed the unit sizes and rental values available and we have also liaised further with local agents where possible.

4.22 Figure 4.3 provides a summary of the available units. We provide the minimum, average and maximum values psf.

Figure 4.3 - Asking Rents - Leasehold



Source: CoStar (June 2019)

4.23 The graph highlights the range of asking rents in Bradford and this is due to the high range in properties from new, modern units in Broadway Centre to small secondary and tertiary grade stock.

Summary

- 4.24 Table 4.2 provides a summary of both achieved and asking (average) rents for retail units taken from the market evidence above.

Table 4.2 - Summary of Achieved and Asking Rents

Market Town	Average Achieved Rent psm (psf)	Average Asking Rents psm (psf)
Bradford	£140 (£13.01)	£181 (£16.89)
Keighley	£190 (£17.64)	£141 (£13.08)
Ilkley	£222 (£20.70)	£206 (£19.14)
Shipley	£177 (£16.53)	£216 (£20.13)
Bingley	£156 (£14.58)	£85 (£7.91)

Source: AspinallVerdi (June 2019)

- 4.25 In Bradford there is a wide range in rent per metre ft for retail properties and this is shown in figure 4.1 and figure 4.2. This is due to the wide range in the quality and location of properties in the city centre, whereas other towns do not have such a wide range of properties.
- 4.26 Although the average between the achieved and asking prices for rent have increased in Bradford it can be seen that maximum rents per sq metre have decreased for the Broadway shopping centre from what has been achieved. This is due to the lower demand for retail space at the current time due to issues such as the rise in internet sales and Brexit uncertainty. This pattern is also replicated when comparing the achieved and asking prices for the other towns in the Bradford Region. This is also being reflected across the Country and referred to in section 2 of this report.

5 Retail Value Assumptions

- 5.1 Having regard to the above national and local retail economic context; the existing available evidence; and our market research into the current retail property market sector in Bradford, we have adopted the following retail value assumptions for new retail units within our financial appraisals.

Table 5.1- Retail Value Assumptions

Typology	Rent £psf	Yield %	Rent Free
Supermarkets (>2,000 sqm)	£15.00	5.5%	12 months
Discount Supermarkets (1,700 sqm)	£15.00	5.5%	12 months
Medium Supermarket e.g. District Centre (500 sqm)	£20.00	5.5%	12 months
Express Store e.g. Local Centre (200 sqm)	£20.00	5.5%	12 months
Retail Warehouses (350 sqm) – Existing CIL Zone	£35.00	7%	12 months
Retail Warehouses (350 sqm) – Rest of District	£25.00	7%	12 months

Source: Aspinall Verdi (October 2019)

- 5.2 We have specifically sought to review the viability of retail units beyond the existing city centre CIL boundary (see **Error! Reference source not found.**) in order to test the scope of extending retail warehouse CIL to the wider District.
- 5.3 These values have been amended following the stakeholder consultation 9th September 2019 to 21st October 2019.

6 Conclusions

- 6.1 We have reviewed the retail market evidence across the Bradford District in the context of the previous CIL study and the Adopted CIL Charging Schedule.

Supermarkets

- 6.2 In recent years supermarket growth by the big-four chains has been limited, however there has been an expansion of discount retailers gaining market share. The established supermarket chains are consolidating existing stores whilst the discounters continue to develop new outlets. This can be seen in the District with a number of new Aldi and Lidl stores opening or coming forward in the short term. This trend is expected to continue into 2019 particularly given the additional pressures caused by Brexit.
- 6.3 In addition, we anticipate that there may be convenience retail development in smaller stores with District and Local centres within the strategic site (and potentially large site) allocations.
- 6.4 We have therefore re-appraised a range of supermarket typologies to determine whether the existing CIL charge is still valid and whether there is any scope to increase the range of CIL. This includes specific discount store format typologies and small 'express' stores (see the Typologies Matrix appended to the Local Plan and CIL Viability Assessment report).

Retail Warehouses

- 6.5 As discussed above, rental and capital growth for retail warehouses has been slow because the rental differential between warehouse parks and high streets that initially attracted occupiers has reduced. There is also wider negative market perception due to the rise of internet shopping, weak sales and Brexit. This has led to a number of retail failures and CVAs (Company Voluntary Arrangements). However, it is reported that that warehouse type goods have been less affected by internet shopping compared to high street stores.
- 6.6 As with supermarkets above, there are sporadic developments which have taken place in the last few years (e.g. Majestic Wine in Ilkley) or are currently proposed (see Retail Development Overview in section 4 above).
- 6.7 We have therefore re-appraised a range of retail warehouse typologies to determine whether the existing CIL charge is still valid and whether there is any scope to increase the range of CIL e.g. beyond the Central Bradford zone (see the Typologies Matrix appended to the main Local Plan and CIL Viability Assessment report).

High Street Retail

- 6.8 High street retail does not currently have an associated CIL charge as it was considered to be unviable on the assumption that high street retail development will be in the town centres on existing retail land and therefore the existing use value will be high.
- 6.9 General market sentiment regarding the high street is negative for a number of reasons including, inter alia: price of goods and services; the bandwidth of the internet; attractiveness of retail destinations; logistics and distribution and particularly returns; business rates; economic cycles etc. Ministry of Housing Community and Local Government has launched the Future High Streets Fund to tackle the structural challenges facing the high street.
- 6.10 Previously the DTZ report¹⁹ from 2015 stated that prime retail rents at Forster Square Retail Park were in the region of £322 psm (£30 psf) with prime zone a rents for the Kirkgate Shopping Centre in the region of £1,076 psm (£100 psf), down from approximately £1,400 psm (£130 psf) at the peak of the market (2007).
- 6.11 Although the Broadway has subsequently opened and there has been evidence of rents being slightly higher than those previously achieved at Forster Square, we do not consider there has been sufficient growth in this sector to introduce CIL and recommend that the CIL rate remains at £0 psm.

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¹⁹ Bradford Community Infrastructure Levy Viability Evidence