

BOLTON METROPOLITAN BOROUGH COUNCIL

Assessment of Town Centre Vitality and Viability
2006 Update

July 2006

DG/TD

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1. INTRODUCTION

- 1.1 CB Richard Ellis was instructed by Bolton Metropolitan Borough Council to update the ongoing periodic “Assessment of Town Centre Vitality and Viability”. This is the tenth update since the first report was carried out in 1995. This report monitors Bolton town centre’s recent performance compared to other competing centres. The key variations since our last report are the key focus of this document.
- 1.2 This update has been undertaken using CB Richard Ellis’ Retail Planning Information System (RPIS). The RPIS data has been collated for Bolton along with the following competing centres:-
- Bury
 - Manchester City Centre
 - Preston
 - Stockport
 - Wigan
- 1.3 Comparisons are also drawn with appropriate regional and national average trends.
- 1.4 This analysis is based upon the same indicators as used in the previous report. The continuity with previous indicators ensures a consistent approach that allows direct comparison between the performance of the town at different chronological stages. The emphasis remains upon the retail performance of the town centre. The indicators examined in Section 2, include:
- Prime shop rents
 - Prime shop property investment yields
 - Retail demand
 - Shop vacancies
- 1.5 Section 3 details our conclusions from the analysis of Bolton’s relative performance in the 12 months since our previous report.

STRUCTURE OF EACH CHAPTER

- 1.6 Each section of the report deals with the results for Bolton first, followed by a discussion of the relative performance of the competing centres. References to the appendices are also made, where appropriate, to draw your attention to the relevant detailed data.

2. VITALITY AND VIABILITY UPDATE

PRIME RETAIL RENTAL VALUES

- 2.1 Fluctuations in prime zone A shop rental values in each of the centres from February 1997 to November 2005 are tabulated in Appendix I, indicator 1, tables 1 to 6. Rentals in Bolton went up to £1,615 psm (£150 psf) in November 2005, the first increase in shop rental values since May 2003.
- 2.2 Bolton's prime zone A rental values are directly compared with competing centres in Graph 1, Appendix II. This comparison reveals that than Bolton, Stockport, Preston and Bury have all experienced rental growth since the time of our last update. Stockport and Manchester are still the only centres with a higher average zone A rent than Bolton. The growth experienced in Stockport is from £2,013 psm (£187 psf) to £2,045 psm (£190 psf); Preston from £1,399 psm (£130 psf) to £1507 (£140 psf); Bury from £1076 psm (£100 psf) to £1184 psm (£110 psf). Wigan is now the cheapest centre in which to locate following Bury's minor rental increase.
- 2.3 Graph 2, Appendix II shows Bolton's CB Richard Ellis National Retail Index, and compares it with the North West Region Index (which also includes Bolton). For the purposes of this report, prime rental values in Bolton have, as in previous reports, been converted to a comparable index, with February 1997 being the base point of 100.
- 2.4 Since the last report the national retail index has increased by nine points to 152, the Northwest's index has increased by 7 points to 144, and Bolton's index has increased by ten points to 143. Compared to 2004 this is a sharper upward trend of rental prices at all spatial levels, which nationally saw a rise of three points, the northwest one point, and Bolton by no points. Despite the difficult conditions being experienced by high street retail the higher rate of increase would suggest that prime retail rental values have continued to gradually grow throughout the country. However, the increase in rental price for Bolton was only over one quarter, and national and northwest trends were both gradual.
- 2.5 The growth of prime shop value in Bolton comes following a period of 27 months with no rental price increases. Bolton's town centre retail market still faces the same issues of uncertainty due to the continued growth of competing out of centre retail parks and developments in Manchester City Centre, and the continued growth of on line shopping. The proposed regeneration in the Central Street/Bark Street area and the Market Hall refurbishment have previously been expected to boost Bolton's rental values. Together with the national and regional growth experienced in the retail sector these proposals are also considered to be the driving force behind rental growth in Bolton town centre.

PRIME RETAIL YIELDS

- 2.6 The changing pattern of prime retail yields is illustrated in indicator one, tables 1 to 6, Appendix I and Graph 3, Appendix II. The prime retail yields in Bolton town centre have continued to sharpen in the period since our last report from 5% in February 2005 to 4.75% in November 2005. Since the last report Preston's yield has improved and is now lower than Bolton's at 4.65%. Manchester is the only other competing centre performing better than Bolton, which has further improved to a level of 4%. This remains an indicator against which Bolton can be seen to have performed well.
- 2.7 Graph 3 also shows that retail yields continue to decline in all of the key competing centres since February 2005. As was the case with the last report, the indicator as a whole shows a general improvement in the market conditions of the retail sector for investment purposes across the region.
- 2.8 Graph 4 in Appendix II, demonstrates that Bolton's average All Shops Retail Yield is still below both the national average and the North West average (Bolton's prime average retail yield was 4.75% at November 2005 compared with the national average of 4.81%). The current North West average yield is 4.88%. Therefore Bolton is still regarded by investors as being an above average town centre to invest in.
- 2.9 The explanatory factors for the pattern of yield in Bolton may well be attributable to the increase in rents that have occurred, and the proposed redevelopments within the town centre. Retail property investment markets appear set, for the time being, to continue to perform strongly. The demand versus supply imbalance is such that prices for both prime and secondary centres are expected to rise in the short term. The continued weight of money over hanging the sector is meanwhile keeping yields down.

3. RETAILER DEMAND

- 3.1 The current and past levels of retail demand in the competing centres are illustrated by indicators 5 to 8 in tables 1 to 6, Appendix I. Graphs 5 and 6, Appendix II provide a visual representation of this data. The information for these indicators has been sourced from a combination of Focus Property Intelligence plc's 'Town Reports', and from Propertydata.com.
- 3.2 Retailer demand for town centre and out of centre locations increased in Manchester and Preston between April 2005 and October 2005, and fell in all the other centres, including Bolton, for the same period. Between October 2005 and April 2006 demand increased in Bolton and Wigan, and demand fell in all the other centres. Retailer demand in Bolton for town centre and out of centre locations at the time of the last report in April 2005 was 67; it fell to 62 in October 2005, and increased back to 67 in April 2006. Despite minor fluctuations retailer demand remains strong.
- 3.3 Graph 5 shows fluctuations in retailer demand for the competing town centres and out of centre locations between April 1997 and April 2006. The only centre to have greater demand in April 2006 than it did at the same time last year was Manchester. The number of retailers requiring space in Bury, Preston, Stockport and Wigan have all declined since our previous report. In terms of the Northwest market it appears that Bolton is retaining a similar level of interest and this is considered to be a good indicator that retail demand remains high for Bolton which is only outperformed by Preston and Manchester in this respect.
- 3.4 Graph 6 summarises the changes to the national ranking of each centre based on the retail requirement described above in town centres and out of centre locations. Bolton slipped to 116th in October 2005, before returning to 93rd in April 2006, no change from April 2005. Manchester is the only location to have improved since the last report, which has gone from 9th to 5th. All the other locations have fallen down the ranking, some quite considerably. Bury has gone from 137th to 164th, Preston from 65th to 75th, Stockport from 84th to 120th and Wigan from 137th to 147th. Bury is now ranked the lowest by a margin of 18 places.
- 3.5 The retailer requirements and rankings based on town centres and out of centre locations do not perform well compared to last years results, which would indicate that a higher number of retailers are enquiring about premises in other areas of the country. It is useful to therefore look at the demand for town centres alone to see how they are performing compared to last year.
- 3.6 Graph 7 shows the change in retailer demand for the town centres alone. Last year all six of the comparison centres improved in this indicator, this year only three centres show a marginal improvement. Demand in Bolton increased from 48 to 52, Manchester from 131 to 133 and Wigan from 34 to 38. Bury remains static at 43, demand in Preston decreased from 70 to 58 and in Stockport from 47 to 38. It is therefore encouraging that Bolton's town centre has shown

an improvement in this indicator over the last year. The likely reasons attributable to this sustained interest is retailer interest in the proposed developments that are coming forward in the town centre.

- 3.7 In Bolton's town centre there has been an increase in the number of comparison and service requirements from 23 to 28 and 14 to 17 respectively. The number of convenience requirements has declined from 11 to 7. Bolton is the only centre to show an increase in comparison interest. National trends over the last year show that high street comparison goods have suffered most with the growth of non-shop retail channels, and non-food sales have drifted from comparison to convenience goods markets over the last year. Wigan is the only centre to have an increase in convenience demand since last year with 4 retail requirements last year to 6 retailers showing an interest this year. Service requirements have increased in Bolton, Manchester and Wigan (14 to 17, 42 to 46, and 4 to 9 respectively). Bury and Stockport remained static with 13 and 12 respectively. Preston has seen a decrease from 22 to 20.
- 3.8 There are fewer requirements looking for large units in excess of 5,000 sq ft within Bolton town centre, 11 of the 52 requirements compared with 18 of 48 requirements last year. This is a smaller percentage than last year, but it is 21% of the overall requirements. The total number of requirements in excess of 5,000 sq ft compare similarly with the other centres. 10 of the 43 requirements in Bury were for units in excess of 5000 sq ft, in Manchester there were 19 of 133, in Preston 10 of 58, in Stockport 7 of 38 and in Wigan 6 of 38. There are still a much higher proportion of small retail requirements in all the centres, which is a similar situation to last year.
- 3.9 The most prominent new convenience retailer in Bolton is Iceland for a requirement of 4000 sq ft to 5000 sq ft. The Majestic Wines requirement for 2000 sq ft to 5000 sq ft remains un-satisfied, as does the Meat Mart requirement for 2500 sq ft to 5000sq ft.
- 3.10 The comparison goods retailers are still well represented in terms of requirements, a number of which have made enquiries about occupying space in the centre before. These include Zara, TK Maxx, Maplin, and Livingstones. The biggest requirement is TK Maxx for 20,000 sq ft to 45,000 sq ft. A new prominent comparison retailer is Bang & Olufsen with a minimum requirement for 650 sq ft.
- 3.11 As mentioned previously, it is important to provide a health warning in respect of this information. Retailer requirements remain a useful indicator of the health of town centres but it is only ever expected that a very limited number of these retailers expressing interest ultimately take space in Bolton (at least in the short term). This occupation remains dependent upon key factors including:
- The nature of accommodation available;
 - Location; and

- Rental levels.

3.12 It still holds true that a significant number of those seeking space within Bolton have been listed for a considerable amount of time and were outlined in previous reports. Whilst this indicator is regarded as being slightly weaker than many of the other indicators provided by the report it is helpful however to look at the overall level of interest in the town centre as compared with competing locations.

4. SHOP VACANCIES

- 4.1 An overview of the percentage of shops that are vacant in each centre are shown in indicator 9, tables 1 to 6, Appendix I. The percentages include units that are currently being constructed or undergoing alterations, as well as vacant properties. The most recent Experian Goad Reports were used to compile this data, which are from October 2005 for all the centres.
- 4.2 By unit number Bolton's vacancy rate has continued to improve, and now stands at 12.85% compared to 13.03% at the time of the last report. Still above the national average of 10.29%.
- 4.3 At the time of the last report vacancy rates by unit number dropped across all six centres, this has not been the case over the last year. Of the other centres, Manchester and Stockport have continued to improve to 16.75% and 14.77% respectively. The vacancy rates in Bury, Preston and Wigan have all increased to 9.86%, 16.7% and 18.79% respectively. Bury therefore is still the only centre with a lower vacancy rate by unit number than Bolton, but this margin is much more slender than at the time of the last report.
- 4.4 Vacancy rate by floorspace is an encouraging indicator for Bolton, the percentage of which has improved significantly from 10.92% at the time of the last report to 8.91% in October 2005. This is now only 0.28% above the national average which stood at 8.63% in October 2005. The only other centre to improve vacancy rates by floorspace was Manchester which improved from 14.9% in June 2004 to 13.2%. The other four competing centres all showed increased vacancy rates by floorspace since the last report. Most notably Preston has increased by 5.2% from 10.6% in April 2004 to 15.8% in October 2005. Bury still has the lowest vacancy rate by floorspace with 7.79%. Stockport has increased from 7.74% to 9.68%, and Wigan has increased from 12.06% to 13.39%. As with vacancy rates by unit numbers, Bolton is only being outperformed by Bury in this measure.

5. CONCLUSION

- 5.1 Compared to the last vitality and viability report, the overview of the Northwest regional retail market is not positive as last year. However, Bolton has continued to experience gradual improvement as a retail centre since our last report of April 2005.
- 5.2 The increase in prime zone A rentals for the first time since May 2003 is an encouraging sign, one which has been predicted in previous reports. As the increase only occurred in the fourth quarter of 2005 it will be interesting to see if this will increase further, even though nationally rents are expected to remain stagnated with a national growth of only 1.9% estimated for High Street rents in 2006. The average yield for Bolton has continued to improve through 2005 despite a marked national reduction in retail sales growth during the year. Retail property investment markets (unlike housing markets) appear set, for the time being, to continue a positive trend of economic performance. Despite the bearish outlook for rents, yield compression still shows little signs of easing. Demand for both retail warehouses and shopping centre assets remains at very high levels. One of the more interesting aspects of recent investment performance has been the marked investor preference for High Street shops, which in spite of their low income return and the weakest rental growth prospects of the three retail sub-sectors, has been the favoured choice among investors. Prime yields on High Street shops have come down to 4.0% nationally and 4.75% locally for Bolton town centre. Reductions in retail warehouse yields were broadly similar for bulky goods park uses, but somewhat less for open user parks and shopping centres. If rents lose momentum, some softening of yields is expected, resulting in a reduction in returns over 2006.
- 5.3 Retailer demand for Bolton, in and out of the town centre, fluctuated from 67 in April 2005 to 62 in October 2006 and back to 67 in April 2006. This was reflected in Bolton's national ranking fluctuating down to 116th and back to 93rd. Although this is a concern, Bolton has performed well compared to the other comparable centres, with the obvious exception of Manchester which has strengthened its position to a position of 5th. Bury, Preston, Stockport and Wigan all fell by 17, 10, 36 and 20 places respectively. The smaller centres in the Northwest are clearly losing out to higher ranking centres in other areas of the country, therefore it is encouraging that Bolton has managed to maintain the same ranking it had in April 2005.
- 5.4 The vacancy rates by unit in Bolton improved slightly by 0.18% to 12.85%, and more significantly vacancy rates by floorspace improved by 2.01% to 8.91%. As with retailer demand the only other centre to improve its vacancy rates by unit number and floorspace was Manchester. Stockport saw an improvement in vacancy rates by unit number, but Bury, Preston and Wigan all saw increased vacancy rates by unit number and floorspace since the time of the last report.

- 5.5 The obvious decline in the Northwest's town centre retail market is of some concern, however it is encouraging that the vitality and viability indicators for Bolton show that the town centre has improved in terms of prime zone A rent, yield and vacancy rates against this trend. Retailer demand has remained at the same level for the town centre and out of centre locations, and improved slightly for the retailer requirements within the town centre. It is inevitable that the continued growth of Manchester City Centre will adversely affect the surrounding competing retail town centres. However Bolton is performing better than the other competing centres in respect of this, and also in respect of the difficult year retailers have had nationally. Bolton should continue to provide a plausible alternative to Manchester for local residents, and with yield levels currently holding, the authority should take advantage and continue to be proactive in developing the town centre as opportunities present themselves.
- 5.6 With the Market Hall refurbishment expected to commence in 2007, this will attract much needed smaller retailers to the centre. The Central Street/Bark Street development has yet to have a firm commencement date yet, but once works are commenced we would expect an uplift in all vitality and viability indicators to occur as a direct result of this and related town centre schemes.