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Maidstone Town Centre Assessment

Maidstone Borough Council

August 2013

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maintaining today
creating tomorrow

Contents

1 Executive Summary

1.1 This report considers the future for Maidstone town centre at a time of almost unprecedented change, particularly in terms of the uncertain economic climate for the global economy and the sweeping changes in the retail sector. The report has been written to inform Maidstone Borough Council's approach to the town centre in the future, through planning policies and other more direct tools to promote development and regeneration.

1.2 In responding to the Council's brief, the report sets out:

- the results of our Town Centre Audit;
- a Qualitative Retail Need Assessment;
- a Property Market View of Maidstone Town Centre;
- an analysis of potential Council Intervention Options and Implications; and
- our site-specific analysis.

1.3 The report has also drawn from a quantitative retail capacity study that we have carried out concurrently for the Council.

1.4 From our audit of the town centre's current performance, key findings of our analysis can be summarised as follows:

- Maidstone's rank within the Venuescore national hierarchy of shopping centres decreased between 2007 and 2013 (from 33rd to 52nd), due to the relative improvement of similarly-ranked shopping centres across the UK and a relative lack of investment in Maidstone Town Centre over this period.
- Whilst the town centre's composition of uses is broadly 'as expected' given its size, we consider Maidstone to be under-represented by A3/A4 leisure uses (relative to many of the principal competing/ comparator centres). This has implications for dwell time within the town centre.
- Our findings indicate that vacancy rates in Maidstone Town Centre, whilst higher than some of the principal competing/ comparator centres, have 'levelled out' since 2009.
- The majority of vacant units in Maidstone are concentrated in 'secondary' areas. The prime retail areas (i.e. Fremlin Walk and the southern end of Week Street) are 'healthy' and perform well in this regard.
- Maidstone Town Centre has a high representation of major retailers (28 out of 31). The presence of these major retailers drive footfall, and helps to define the town centre's most 'healthy' and prime retail areas, namely Fremlin Walk and the southern end of Week Street.
- The town centre has a 'bulky goods' retail offer to the immediate west of the river, which complements rather than competes with the retail core. The former area also comprises a strong leisure offer, predominantly focused within the Lockmeadow Entertainment Centre.
- The town centre office market is heavily subdued due to the dominance of nearby out of town business parks. Further, the stock of existing offices in Maidstone Town Centre is generally unsuited to modern occupier requirements. The public sector is a highly dominant town centre office occupier at present; this is likely to continue in the absence of private sector demand.

- Residential uses within the town centre are primarily supplementary to the commercial core, and are not generally considered to be the prime residential market within the Maidstone catchment.

1.5 Our assessment of Maidstone's qualitative needs and opportunities for improvement looks at deficiencies in existing retail provision (i.e. gaps in the retail offer and consumer choice) and the quality of existing retail provision (i.e. characteristics of provision against modern retailer requirements). We conclude that:

- There is a notable lack of large, modern and well-located shop units to attract those major 'anchor' retailers not currently represented in Maidstone Town Centre (e.g. Debenhams, John Lewis).
- The Mall lacks a high quality 'anchor'.
- Further qualitative improvements should focus on improving the pedestrian environment at the northern end of Week Street, an important 'gateway' to the town centre from Maidstone East Railway Station.
- There are currently some prominent vacant units in Maidstone, which serve to detract from the vitality and viability of the town centre. Notable examples include the former House of Fraser unit on Week Street (which we understand is soon to be occupied by Morrisons M Local) and the former Somerfield unit on King Street (which we understand is soon to be demolished with a view to future redevelopment). The use and occupation of these prominent town centre sites presents an opportunity to increase pedestrian flows and improve 'secondary' shopping areas.
- The town centre lacks a concentrated mid/ upper market A3 offer. The main focus of the 'evening economy' is currently Lockmeadow Entertainment Centre, Earl Street and, to a lesser extent, High Street. Further provision should be encouraged along Earl Street in particular.
- The western side of Maidstone Town Centre could be better integrated with the retail warehouses to the west of the River Medway, by means of a new pedestrian bridge. Whilst this represents a strategic opportunity for the town centre, funding is a challenge.

1.6 We have also looked at future property market trends and their potential impact on Maidstone town centre. These trends include:

- The reduction in multiple retailer representation across the UK, with a focus by brands on a smaller number of larger locations.
- Tied into this is the growth of internet shopping.
- The increased importance of A3 and leisure uses in terms of anchoring town centres and major new shopping centres.
- Changing store formats such as the growth in "pop up" stores.
- The importance of providing a high quality of experience (through the quality of the retail and leisure offer through to the quality of environment and accessibility) to shoppers in order to attract and retain their custom.
- The importance of achieving an appropriate balance between independent and multiple retailers.

1.7 Following our analysis, we set out a range of potential interventions open to the Council to work with its partners to build on the town centre's strengths, address weaknesses and take advantage of future opportunities. Potential interventions can be categorised as follows:

- Policy support – including what the Council could take forward in terms of developing its planning policies for the town centre.
- Funding to facilitate development – we have outlined potential sources of funding that the Council could consider in order to assist with unlocking potential development opportunities in the town centre.
- Town centre management – whilst Maidstone already has a successful town centre management scheme, we have identified potential ways in which the Council could work together with partners to examine the potential to broaden the town centre management agenda out so that safety, security, maintenance and marketing work is integrated with the consideration of future physical development opportunities.
- Direct role in development – since the market is not currently providing solutions to town centre development opportunities in the UK in general, we have outlined a number of ways that the Council could become directly involved in the development process, from engaging with partners to taking a stake in potential development projects.

1.8 At a further level of detail, we have carried out development appraisals in relation to a number of potential development sites in the town centre to illustrate the opportunities for regeneration and for the Council to influence future development at a site-specific level.

1.9 In summary, it is a real positive that Maidstone town centre has several strengths to build upon in an increasingly competitive environment. However, to exploit these to the full it is critical that the Council works with partners in a number of ways using its planning function, funding opportunities and its roles as an influencer and potentially direct promoter of development.

1.10 In this context, we consider that it is critical that in considering the findings of this report, the Council proceeds to develop a comprehensive strategy for the regeneration of the town centre. This could be incorporated into the emerging Local Plan, or sit beneath it with an appropriate level of 'weight' in planning terms, and should clearly identify:

- The Council's planning policies for each town centre use;
- Opportunity sites, together with a view of the Council's expectation in terms of the type of future development; and
- A delivery strategy, identifying who will be responsible for driving forward development, together with a clear assessment of costs and potential benefits.

2 Introduction

2.1 Maidstone Borough Council has commissioned DTZ to undertake a *Maidstone Town Centre Assessment*. This report responds to the Council's brief by setting out:

- the results of our Town Centre Audit (Section 3);
- a Qualitative Retail Need Assessment (Section 4);
- a Property Market View of Maidstone Town Centre (Section 5);
- an analysis of potential Council Intervention Options and Implications (Section 6); and
- our site-specific analysis (Section 7).

2.2 This report has been supplemented with the findings of the *Maidstone Retail Capacity Study* (as appropriate), which DTZ has been commissioned to undertake in parallel.

2.3 Throughout this report we refer to the *town centre boundary* and, for clarity, this relates to the boundary illustrated in the Core Strategy 2011 (refer to **Appendix A**). We also refer to the *retail core*, which reflects the main concentration of retail and leisure uses in Maidstone Town Centre as identified by Experian Goad (refer to **Appendix B**). Those areas within the town centre boundary but outside of the Experian Goad retail core comprise far fewer retail and leisure uses, and this is reflected through our analysis.

3 Town Centre Audit

3.1 This section considers the current performance of Maidstone Town Centre by way of comparison with principal competing/ comparator centres and an up-to-date 'healthcheck', therefore providing a sound evidence base for new planning policies for the town centre.

COMPARATIVE ANALYSIS

3.2 Maidstone is one of Kent's principal centres. In recent years, Maidstone Town Centre has improved its offer and attractiveness with the delivery of Fremlin Walk. Despite this, however, Maidstone is faced by strong and continued competition from other centres, including the Bluewater regional shopping centre.

3.3 This section benchmarks the performance of Maidstone Town Centre (in terms of its offer and attractiveness) with the principal competing/ comparator centres in Kent and the South East. This analysis will be used to identify any significant gaps in the Town Centre's offer which, if left unfilled, could lead to a decline in its attractiveness.

3.4 A number of principal centres are considered for the purpose of this comparative review, namely:

Competing centres –

- Ashford
- Bluewater
- Bromley
- Chatham
- Dartford
- Tunbridge Wells

Comparator centres –

- Canterbury
- Chelmsford
- Croydon
- Guildford

3.5 The 6 competing centres are those which 'compete' with Maidstone Town Centre on a like-for-like basis in terms of attracting retail expenditure, principally on comparison goods such as clothing and footwear, household appliances and soft furnishings. The results of the 2012 Maidstone Household Survey (commissioned for the purpose of the Maidstone Retail Capacity Study) demonstrate that Maidstone's catchment area overlaps with those of the competing centres. The 4 comparator centres selected for the purpose of our analysis are those which are of a similar size and comprise 'comparable' retail attractions, but do not compete with Maidstone Town Centre to the degree of the competing centres.

HIERARCHY OF SHOPPING CENTRES

3.6 A key indicator of the vitality and viability of a centre is its 'ranking' over time. Within the 2013 Venuescore national hierarchy of shopping centres[1], Maidstone Town Centre is ranked 52nd (down from 33rd in 2007 and 51st in 2010). It is likely that the opening of Fremlin Walk in 2005 was the primary factor behind Maidstone's rise to one of the UK's top 50 shopping centres. This retail-led town centre scheme attracted a number of 'multiple' and mid-range fashion retailers to Maidstone.

3.7 However, between 2007 and 2010, Maidstone's rank within the Venuescore national hierarchy of shopping centres declined to 51st. This may be attributable to the relative improvement of similarly-ranked shopping centres across the UK, as opposed to the lack of investment in Maidstone Town Centre over this period; or a combination of both factors. That said; the 2013 ranking indicates that Maidstone Town Centre's rate of decline has 'levelled out' since 2010, falling one place to 52nd.

3.8 **Figure 3.1** below measures the performance of Maidstone Town Centre against the principal competing/ comparator centres in 2007, 2010 and 2013:

	2013 Venuescore Rank	2010 Venuescore Rank	2007 Venuescore Rank	Movement (2007-2013)
Maidstone	**52**	**51**	**33**	**-19**
Ashford	188	162	207	+19
Bluewater	21	32	28	+7
Bromley	36	37	29	-7
Canterbury	75	74	79	+4
Chatham	168	197	181	+13
Chelmsford	72	90	111	+39
Croydon	24	25	31	+7
Dartford	287	206	197	-90
Guildford	33	26	19	-14
Tunbridge Wells	51	54	55	+4

Figure 3.1 Source: Venuescore Ranking Index (2010 and 2013 datasets)

3.9 Of the principal competing and comparator centres identified, Maidstone Town Centre is currently ranked behind Croydon, Guildford, Bluewater and Bromley. Furthermore, between 2010 and 2013, Tunbridge Wells overtook Maidstone in the national hierarchy of shopping centres. Those centres currently behind Maidstone in the rankings include Canterbury, Chelmsford, Ashford, Chatham and Dartford.

[1] Venuescore is a national ranking index based on the presence and nature of multiple retailers, characteristics of market positioning, age focus, attractiveness of retail offer and other factors.

3.10 Some of those centres which have risen most in the rankings have benefited from major retail development since 2007; namely Ashford with the 20,910 sq m extension to County Square in 2008 (which served to attract Debenhams and a number of other 'multiple' retailers). Whilst not all of the centres which have risen in the rankings have benefitted from major retail development or improvement in recent years (i.e. Canterbury and Chelmsford), by way of explanation, their performance may have been strengthened by the attraction or retention of key 'multiple' retailers and/or inflated by the relative decline of similarly-ranked shopping centres.

3.11 It should be added that planning permission has been granted for a 30,669 sq m extension of the Bluewater regional shopping centre, which will provide additional retail and leisure floorspace and further competition for Maidstone Town Centre. Other centres with pipeline proposals include Croydon (with the redevelopment of the Whitgift Centre) and Guildford (with an extension of the Friary Shopping Centre). These proposals, if delivered, would enhance the offer and attractiveness of the respective centres and their position in the national hierarchy of shopping centres.

TOWN CENTRE USES AND RETAILERS

3.12 **Figure 3.2** below compares the composition of 'town centre uses' in Maidstone Town Centre – namely the Experian Goad retail core – with those in the principal competing/ comparator centres (in regard to both units and floorspace[2]). This comparative analysis focuses on a number of Experian Goad categories[3], namely:

- Comparison Retail (e.g. furniture, clothing and footwear, jewellery, electrical goods, toys);
- Convenience Retail (e.g. butchers, bakers, supermarkets);
- Retail Services (e.g. dry cleaners, hairdressers and beauticians, travel agents);
- Leisure Services (e.g. cafes, bars, restaurants);
- Financial & Business Services (e.g. banks, estate agents); and
- Vacant.

[2] Accounts for all trading floors (i.e. lower floor, ground floor and/or upper floor).
[3] Experian Goad *Category Reports* (accessed in October 2012) account for the retail and service composition of a centre only; not for office and residential (and miscellaneous) uses. It is not therefore possible to benchmark the composition of office and residential uses in Maidstone Town Centre with the principal competing centres.

3.13 It is important to note that our comparative analysis in **Figure 3.2** excludes Maidstone's out-of-centre retail warehouses (including those to the west of the River Medway), and the leisure and entertainment facilities at Lockmeadow Entertainment Centre. This is because the analysis is based on Experian Goad Category Reports relating to the retail core, and thus each centre is assessed on a 'like for like' basis. The out-of-centre retail and leisure provision in Maidstone is accounted for in the *Composition of Town Centre Uses* sub-section below.

3.14 The main findings of this analysis are that around half (49.8%) of total floorspace in Maidstone Town Centre is occupied by Comparison Retail. Whilst this proportion is slightly below the principal competing/comparator centres of Bromley, Guildford and Tunbridge Wells, it is not materially less. We also note that those centres with a higher proportion of Comparison Retail floorspace are smaller than Maidstone Town Centre in floorspace terms; this serves to inflate the proportion of such floorspace. Given the role and function of the Bluewater regional shopping centre, it is unsurprising that Comparison Retail is the dominant use therein in floorspace terms.

3.15 The proportion of floorspace attributed to Convenience Retail in Maidstone Town Centre (8.3%) is slightly above the centres of Bromley, Canterbury and Croydon. Broadly speaking, the larger the centre the lower the proportion of floorspace attributed to Convenience Retail. In the larger centres, such as Maidstone and the principal competing/ comparator centres, Comparison Retail is the dominant retail category and far exceeds Convenience Retail. However, all centres require a 'healthy' balance of uses in order to encourage linked trips and to maintain their vitality and viability.

3.16 To that end, the comparative analysis indicates that Maidstone is under-represented by Leisure Services such as cafes, bars and restaurants. This has implications for dwell time within the town centre – and for its ability to compete with internet retailing since one cannot buy a coffee or a meal over the internet. Furthermore, internet retailing has prompted a structural change in the Financial & Business Services (as discussed further in section 5), which are currently under-represented in Maidstone Town Centre relative to many of the principal competing/ comparator centres. Such day-to-day services still, and will continue to, perform an important role in town centres like Maidstone in terms of attracting town centre users and generating footfall.

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	Town Centre Floorspace (000 sqft)	Comparison Retail		Convenience Retail		Retail Services		Leisure Services		Financial & Business Services		Vacant	
		Units (%)	Floorspace (%)	Units (%)	Floorspace (%)	Units (%)	Floorspace (%)	Units (%)	Floorspace (%)	Units (%)	Floorspace (%)	Units (%)	Floorspace (%)
Maidstone	**1,543**	**37.9%**	**49.8%**	**5.5%**	**8.3%**	**13.8%**	**5.8%**	**18.8%**	**16.5%**	**10.2%**	**5.8%**	**12.4%**	**11.7%**
Ashford	861	28.9%	46.3%	4.4%	4.3%	14.5%	9.8%	17.8%	17.2%	14.6%	8.0%	19.8%	14.4%
Bluewater	1,551	67.4%	82.2%	4.5%	0.7%	4.1%	1.4%	16.8%	12.2%	2.1%	0.9%	5.1%	2.6%
Bromley	1,451	45.2%	57.6%	4.3%	6.1%	11.3%	4.4%	17.7%	19.1%	11.8%	6.3%	9.7%	6.5%
Canterbury	1,085	42.8%	51.8%	4.9%	6.5%	9.5%	4.9%	25.5%	25.4%	8.2%	6.3%	9.1%	5.1%
Chatham	1,216	30.1%	44.1%	4.7%	11.1%	12.4%	6.7%	18.6%	15.5%	12.5%	8.2%	21.7%	14.4%
Chelmsford	1,455	34.3%	41.8%	4.9%	9.6%	15.6%	7.8%	23.6%	23.4%	13.8%	9.4%	7.8%	8.0%
Croydon	2,834	30.1%	50.9%	6.6%	6.6%	11.4%	5.5%	22.3%	16.8%	11.4%	6.9%	18.2%	13.3%
Dartford	994	25.8%	41.9%	6.3%	10.7%	10.8%	5.2%	20.6%	19.9%	13.2%	7.2%	23.3%	15.1%
Guildford	1,265	46.3%	55.1%	5.4%	3.2%	7.9%	4.0%	20.2%	21.4%	10.3%	9.4%	9.9%	6.9%
Tunbridge Wells	1,274	44.8%	55.0%	5.1%	3.7%	12.5%	7.7%	16.5%	14.4%	8.2%	7.2%	12.9%	12.0%

Figure 3.2
Source: GOAD Category Reports (2011)

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3.17 Maidstone Town Centre includes 28 of the top 31 'major retailers' defined by Experian Goad, namely:

Argos	**House of Fraser**	**TK Maxx**
BhS	**Marks & Spencer**	**Tesco**
Boots	**New Look**	**Topman**
Burton	**Next**	**Topshop**
Carphone Warehouse	**O2**	**Vodafone**
Clarks	**Phones 4U**	**Waterstones**
Clintons	**Primark**	**WHSmith**
Dorothy Perkins	**River Island**	**Wilkinsons**
H&M	**Sainsbury's**	
HMV	**Superdrug**	

3.18 All of these major retailers, with the exception of TK Maxx (St Peter's Wharf Retail Park), are situated within the retail core. Not all of these retailers occupy high quality accommodation and/or provide a full quality offer, however. Marks & Spencer, for example, operate from two split-stores on Week Street and, as a result, do not sell their full range of goods.

3.19 Of the 31 major retailers, those not represented in Maidstone Town Centre are Debenhams, John Lewis and Waitrose.

3.20 The table at **Appendix C** compares the representation of major retailers in Maidstone Town Centre with the principal competing/ comparator centres. It is apparent that Maidstone has the joint-highest number of major retailers (28), together with Bromley and Croydon, followed by Guildford (25) and Canterbury (24). Of these four centres, all are represented by Debenhams and none are represented by John Lewis (neither of these retailers are present in Maidstone Town Centre). Other principal centres represented by Debenhams include Chatham and Chelmsford. However we comment further below on the quality and size of the shops and stores in Maidstone, and their suitability to meet the needs of modern retailers.

3.21 Bluewater is represented by 22 of the major retailers. Notable exclusions include the convenience retailers (i.e. Sainsbury's, Tesco, Waitrose), reflecting the centre's predominantly comparison retail offer which includes House of Fraser, John Lewis and Marks & Spencer.

3.22 On the basis of the above, Maidstone Town Centre is relatively 'healthy' in that it is well-represented by major retailers, relative to other principal centres. Whilst each of these centres comprise strong retail offers and at least one of the mainstream department stores (i.e. BhS, Debenhams, Marks & Spencer), Maidstone is represented by a higher number of major retailers than some of those centres ranked higher in the Venuescore national hierarchy of shopping centres; namely Bluewater and Guildford.

3.23 The composition of 'town centre uses' and retailers in Maidstone Town Centre is discussed below in further detail, for the purpose of finer grain analysis of the performance of the town centre.

HEALTHCHECK ANALYSIS

3.24 We have undertaken an up-to-date 'healthcheck' assessment of the current performance of Maidstone Town Centre. We have utilised locally and nationally available data, based on selected indicators of town centre vitality and viability, namely:

- Composition of Town Centre Uses;
- Vacancy Rates;
- Retailer Representation;
- Pedestrian Footfall;
- Rental Levels;
- Commercial Yields and Investment Deals; and
- Land Values.

COMPOSITION OF TOWN CENTRE USES

3.25 **Figure 3.3** below details the current composition of 'town centre uses' in Maidstone Town Centre (against South East averages[4]). This reflects the town centre's retail core, based on survey data from Experian Goad (updated by DTZ in November 2012). A limited number of 'town centre uses' are excluded from the Experian Goad survey data and therefore our analysis, namely at the eastern end of Union Street and the southern end of Lower Stone Street. The majority of these 'town centre uses' are small-scale and comprise hot food takeaways, health and beauty services, and financial and business services.

Category	Units	Units (%)	Units - SE Average (%)	Floorspace (sqm)	Floorspace (%)	Floorspace - SE Average (%)
Comparison Retail	220	37.9%	43.1%	73815	49.8%	49.2%
Convenience Retail	32	5.5%	7.5%	12235	8.3%	16.0%
Retail Services	80	13.8%	10.0%	8640	5.8%	4.6%
Leisure Services	109	18.8%	15.5%	24410	16.5%	11.2%
Financial & Business Services	59	10.2%	10.6%	8610	5.8%	8.0%
Vacant	72	12.4%	12.2%	17290	11.7%	9.9%
Miscellaneous	8	1.4%	1.2%	3100	2.1%	1.1%
TOTAL	580	100.0%	100.0%	148100	100.0%	100.0%

Figure 3.3 Source: Experian Goad (DTZ Update, November 2012)

3.26 The main findings of our analysis are[5]:

1. Around half of the total quantum of floorspace in Maidstone Town Centre (49.8%) is attributed to Comparison Retail, which is comparable with the SE average. In terms of the total number of units, 37.9% are occupied by such uses (compared to the SE average of 43.1%).

[4] Whilst useful to benchmark Maidstone's current composition of uses against South East averages, the most important comparatives should be drawn against the principal competing/ comparator centres in Kent and the South East.
[5] Floorspace is Experian Goad gross floorspace.

2. Relative to the SE average, Maidstone has less Convenience Retail in terms of both units (5.5%) and floorspace (8.3%). This is particularly true in regard to floorspace and the SE average of 16%. However, importantly, Convenience Retail provision in Maidstone is broadly comparable with the principal competing/ comparator centres; the strength of such centres is underpinned by a 'critical mass' of Comparison Retail provision. Maidstone Town Centre's main foodstore is Sainsbury's (Romney Place).
3. The proportion of units and floorspace attributed to Retail Services in Maidstone Town Centre (13.8% and 5.8% respectively) is slightly above the SE average (10% and 4.6% respectively). These types of services – such as banks, dry cleaners and hairdressers – serve the day-to-day needs of town centre users (including office workers), perform an important role in providing for a balance of uses and, to a lesser extent, help to extend dwell time within the town centre.
4. Leisure Services, including 'evening economy' Use Classes A3 and A4, account for 16.5% of total floorspace in the town centre. This category accounts for Maidstone's entertainment facilities such as AMF bowling alley (King Street[6]) and Gala bingo (Lower Stone Street). Whilst higher than the SE average, the most important comparative to be drawn in this respect is that Maidstone is under-represented by Leisure Services relative to the majority of principal competing/ comparator centres.
5. In terms of the number of units occupied by Financial & Business Services (10.2%), Maidstone Town Centre is comparable with the SE average (10.6%).

3.27 Some retail provision outside of the retail core is not accounted for in the analysis above. This includes the out-of-centre retail warehouses to the west of the River Medway (i.e. Broadway Shopping Centre, St Peter's Wharf Retail Park). To that end, Maidstone's other provision within and outside of the town centre boundary – as defined in the Core Strategy 2011 – includes:

Within the town centre boundary (outside of the retail core)

Comparison Retail [7] –

- Homebase (St Peter's Wharf Retail Park; out-of-centre) – 3,967sqm
- TK Maxx (St Peter's Wharf Retail Park; out-of-centre) – 2,044sqm
- Hobbycraft (St Peter's Wharf Retail Park; out-of-centre) – 1,022sqm
- Asda Living (St Peter's Wharf Retail Park; out-of-centre) – 1,863sqm
- Wickes Extra (St Peter's Wharf Retail Park; out-of-centre) – 5,760sqm
- Matalan (Broadway Shopping Centre; out-of-centre) – 2,700sqm

Convenience Retail [8] –

- Lidl (Broadway Shopping Centre; out-of-centre) – 930sqm

[6] This facility, which measures 1,880sqm gross, is due to re-locate to Lockmeadow Entertainment Centre later in 2013.
[7] Floorspace figures (gross) sourced from Trevor Wood Database.
[8] Floorspace figures (net sales area) sourced from IGD Database.

Outside of the town centre boundary

Comparison Retail [9] –

- Argos Extra (London Road Retail Park; out-of-centre) – 936sqm
- Paul Simon (London Road Retail Park; out-of-centre) – 930sqm
- Dunelm Mill (London Road Retail Park; out-of-centre) – 2,785sqm
- Dreams (London Road Retail Park; out-of-centre) – 650sqm
- 99p Stores (London Road Retail Park; out-of-centre) – 1,221sqm
- Bensons for Beds (South Aylesford Retail Park; out-of-centre)[10] – 740sqm
- Harveys (South Aylesford Retail Park; out-of-centre) – 740sqm
- Pets at Home (South Aylesford Retail Park; out-of-centre) – 490sqm
- Dolphin Moben Sharps (South Aylesford Retail Park; out-of-centre) – 140sqm
- Carpetright (South Aylesford Retail Park; out-of-centre) – 940sqm
- Halfords (South Aylesford Retail Park; out-of-centre) – 1,010sqm
- Currys & PC World Megastore (South Aylesford Retail Park; out-of-centre) – 2,370sqm
- Homebase (South Aylesford Retail Park; out-of-centre) – 3,270sqm
- Paul Simon Curtain Superstore (South Aylesford Retail Park; out-of-centre) – 440sqm
- Eastern Crafts (Farleigh Hill Retail Park; out-of-centre) – 1,000sqm
- Ceramic Tile Distributors (Farleigh Hill Retail Park; out-of-centre) – 1,150sqm

Convenience Retail [11] –

- Aldi (Well Road; out-of-centre) – 990sqm
- Lidl (Farleigh Hill; out-of-centre) – 880sqm
- Morrisons (Sutton Road; out-of-centre) – 3,864sqm
- Tesco (Farleigh Hill; out-of-centre) – 1,768sqm
- Sainsbury's (South Aylesford Retail Park; out-of-centre) – 5,352sqm
- Tesco (Grove Green; district centre) – 3,014sqm
- Waitrose (Mid-Kent Shopping Centre; district centre) – 1,056sqm

3.28 Some out-of-centre leisure and entertainment facilities (excluding Use Classes A3 and A4) can also be found outside of the retail core, as follows[12]:

- David Lloyd Leisure Club (Lockmeadow Entertainment Centre) – 3,804sqm
- Odeon Cinema (Lockmeadow Entertainment Centre) – 3,284sqm
- LA Fitness (St Peter's Street) – Floorspace figure unknown
- TruGym (Broadway Shopping Centre) – 720sqm
- Wonderland Night Club (Lockmeadow Entertainment Centre) – 3,130sqm

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[9] Floorspace figures (gross) sourced from Experian Goad and Trevor Wood Database.
[10] Whilst South Aylesford Retail Park is outside of Maidstone Borough, it has significant implications for shopping patterns in Maidstone.
[11] Floorspace figures (net sales area) sourced from Experian Goad, IGD Database and Maidstone Borough Council.
[12] Floorspace figures (gross) sourced from Trevor Wood Database.

- West Coast Grill & Bar (Lockmeadow Entertainment Centre) – 573sqm
- Frankie & Benny's (Lockmeadow Entertainment Centre) – 368sqm

3.29 In addition to the aforementioned uses, offices are a defined 'town centre use' and should therefore form part of the 'health check' assessment. There is no readily available data on offices within the town centre boundary, however Promis data[13] indicates that the wider District has c. 214,000sqm of office floorspace; this compares to a South East average of c. 409,000sqm (per District). The quantum of office floorspace in Maidstone town centre is limited; however key occupiers include Kent County Council and Maidstone Borough Council. The provision and quality of office floorspace in Maidstone is discussed at section 5.

3.30 Research conducted by GVA (Employment Land Review)[14] identifies the issue of an over provision of dated office stock in the town centre unsuited to modern business requirements. Furthermore, an office viability study by GL Hearn (2008) indicates that refurbishment/ redevelopment for office use is unlikely to be viable in the current market.

3.31 We share these views. Furthermore, since the GL Hearn study, regional office occupational markets in towns such as Maidstone have not improved, and have if anything contracted further still. As we have outlined in other sections of the report (specifically paragraphs 5.34 to 5.38) the current condition and quality of the vast majority of existing office space in the town centre is insufficient to attract tenants and investment with the regional office markets in their current condition (i.e. highly subdued with minimal demand). It is unlikely, in our experience, that the costs required to refurbish this office space to a level to attract the tenants which may be in the market for space would be recoverable in terms of achievable rents and the subsequent investment value.

3.32 There are also issues with the competition provided by out of town business parks. These business parks have the flexibility to create larger, more useable floor plates, and also offer a substantial amount of free car parking, which cannot be provided in the town centre. Generally speaking, out of town offices are also cheaper to construct than town centre developments. This can be due to the space constraints in town centres leading to developments being built upwards (hence incurring greater construction costs). This is not always the case however, and some out of town business parks can end up being more expensive, especially if they require major road junctions or other substantial infrastructure costs.

3.33 In terms of residential uses, these are not 'town centre uses' and therefore the updated Experian Goad survey data does not record the full extent of such uses. However, based on site inspections and other research, the following observations can be made in respect of residential uses (existing and proposed) within and adjacent to the town centre boundary:

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[13] Promis Office Report (accessed in December 2012).

[14] It is important to distinguish between the work undertaken by GVA on the employment land studies and our work on this report. Employment land studies are inherently different from the type of work we are undertaking as they produce employment land requirements based on longer term economic/demographic forecasts, whereas our report attempts to provide a market view of employment uses and a site specific analysis. Furthermore, the GVA work is borough wide whereas our study is town centre focussed. The conclusions we draw from our work are therefore not directly comparable with those from GVA.

- The extent of residential uses within Maidstone Town Centre's retail core is mostly limited to self-contained flats/maisonettes above shop units and one or two bedroom apartments, such as those situated off Medway Street and the 'Iconica' scheme off Knightrider Street. The outer areas of the town centre comprise terraced dwellings, which are often adjacent to or intersected within 'secondary' shopping frontages (i.e. Brewer Street, Union Street). There are also the affordable housing towers delivered by Bouygues as part of the Kent History Centre next to the Countygate Office scheme.
- The town centre has a substantial walk-in catchment to the north and south; residential uses therein predominantly comprise high density terraced and semi-detached dwellings. The extent of Maidstone's walk-in catchment is lower to the east and west, partly as a result of distances to the town centre and/or physical barriers (i.e. the inner-ring road to the east and the river to the west).
- There are several extant planning permissions for residential uses within the town centre boundary, amounting to 383 units in total. Whilst some of these comprise conversions and changes of use, significant developments include:

  - Springfield Park, Royal Engineers Road – This mixed-use scheme is expected to deliver 192 residential units (flats); the development has commenced but is not currently being progressed[15].
  - Kent County Council Library Site, Sandling Road – This outline planning permission is for 114 residential units; reserved matters are yet to be submitted[16].
  - Church Street Site – This apartment block is expected to deliver 10 one bedroom flats and 16 two bedroom flats; the development is under construction[17].

3.34 Residential provision within the town centre boundary generally consists of flats above retail uses, apartment schemes on the west side of the River Medway (and on the east side at McKenzie Court), and some Victorian terraced housing.

VACANCY RATES

3.35 As shown in **Figure 3.3** above, there are 72 vacant units in Maidstone Town Centre's retail core[18]. The current proportion of vacant units (12.4%) is comparable with the SE average (12.2%).

3.36 The overall quantum of vacant floorspace within the retail core is 17,290sqm (11.7% of total floorspace).Whilst higher than the SE average (9.9%), the most important comparison in regard to vacancy rates relates to the overall 'health' of Maidstone Town Centre relative to the principal competing/comparator centres. The picture is mixed in this respect, in that Maidstone has lower vacancy rates than Ashford, Chatham, Croydon, Dartford and Tunbridge Wells; but higher than Bluewater, Bromley, Canterbury and Guildford.

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[15] Application ref. MA052350
[16] Application ref. MA090862
[17] Application ref. MA092333
[18] Accounts for all trading floors (i.e. lower floor, ground floor and/or upper floor).

3.37 In terms of the distribution of these vacant units[19] within the town centre's retail core, the following observations can be made:

- The Mall includes 11 vacant units. Whilst the majority of these are less than 200sqm, there are two larger vacant units (450sqm and 460sqm respectively).
- Week Street, Maidstone's main pedestrianised shopping street, has 8 vacant units. The majority of these, including the former House of Fraser unit (870sqm), are concentrated at the northern end of Week Street (i.e. furthest from Fremlin Walk).
- King Street has 4 vacant units including the former Somerfield unit (870sqm), although we understand that this unit – owned by the Council – is not currently available.
- Fremlin Walk has 2 vacant units measuring 500sqm and 80sqm respectively.
- Further vacant units can be found within Royal Star Arcade (6) and along Gabriel's Hill (7), Pudding Lane (6), Bank Street (5) and High Street (5).

3.38 These vacancy rates are a key indicator of the vitality and viability of Maidstone Town Centre, and of variances in the performance of areas within the town centre. The majority of vacant units are focused in the 'secondary' areas of the town centre, which generally have fewer retail attractions, poorer connectivity with the retail core, lower pedestrian flows and smaller and lower quality shop units. Only 4 vacant units (c. 5%) are present within the prime retail areas of Fremlin Walk and the southern end of Week Street (i.e. closest to Fremlin Walk). This would suggest that Maidstone's prime retail areas are 'healthy' and perform well, benefitting from a number of retail attractions, higher pedestrian flows and larger shop units.

3.39 The Mall, however, has 11 vacant units (c. 21% of total units). This would suggest that Maidstone's main indoor shopping centre is not as 'healthy' as the prime retail areas, possibly due to the quality and size of shop units and their suitability for and attractiveness to modern retailers. To this end, Fremlin Walk is clearly the town centre's most attractive and desirable area for retailers. Subject to unit availability, most major retailers would overlook The Mall in favour of Fremlin Walk for the reasons described above.

3.40 Historic vacancy data for Maidstone Town Centre (refer to **Appendix D**) indicates that the proportion of vacant units increased by c. 5% between 2006 and 2009, before 'levelling out' thereafter. The increase between 2006 and 2009 reflects the economic downturn. As shown in **Appendix D**, this trend has also been apparent in the principal competing/comparator centres; Bromley, Canterbury, Chelmsford, Croydon, Guildford and Tunbridge Wells[20] all experienced a sharp rise in vacancy rates between 2006 and 2009. The 'levelling out' phase (since 2009) in Maidstone Town Centre possibly indicates that the town centre has reached a stable level of vacancy rates, at least for the time being. Whilst this trend is broadly apparent in the principal competing/comparator centres, most (including Bromley, Canterbury, Chelmsford, Croydon, Guildford and Tunbridge Wells) have seen a slight increase in vacancy rates between 2011 and 2012 – unlike Maidstone Town Centre.

[19] Vacancy data sourced from Experian Goad (updated by DTZ in November 2012) and includes all units not currently occupied.
[20] Historic vacancy data not available for Ashford, Bluewater, Chatham and Dartford.

RETAILER REPRESENTATION

3.41 As identified above, Maidstone Town Centre is represented by 28 of the top 31 major retailers. Some of these retailers occupy more than one unit within the town centre. For example; Boots, Clintons and Next operate from both Fremlin Walk and The Mall. Boots *Optician* also operates from Week Street. This is common for a town centre the size of Maidstone, and is a feature of all principal centres. Going forward, we view the continuation of 'double representation' by retailers as retailer-specific. A major retailer of fashion goods, for example, is likely to seek to consolidate their activities into one larger, modern unit as the trend for consolidation continues. Conversely, services (i.e. banks, travel agents, hairdressers and beauticians) and retailers of medical and beauty products, for example, benefit from a more 'localised' distribution of their activities and thus are likely to maintain representation at more than one unit within the town centre.

3.42 Around a third of Maidstone's major retailers – including H&M, House of Fraser, Next, Topman and Topshop – are focused within the prime retail area of Fremlin Walk. This retail area further comprises a range of other 'multiple' comparison retailers including the likes of Jane Norman, Laura Ashley, Schuh and Zara; in addition to the 'branded' coffee shops/ sandwich bars of Costa and Pret-A-Manger.

3.43 Beyond the 'critical mass' of major retailers within Fremlin Walk, the southern end of Week Street (near its junction with Fremlin Walk) is well-represented by major retailers including Burton, Marks & Spencer, Primark, River Island and WHSmith. This southern, prime end of Week Street – particularly between Union Street (to the north) and High Street/King Street (to the south) – is also well-represented by other 'multiple' comparison retailers (i.e. Millets, Monsoon, Mothercare) and a number of banks (i.e. Halifax, HSBC, Santander). The northern end of Week Street – namely north of Union Street – is not as 'healthy' and has a notably weaker retail offer by comparison.

3.44 The Mall – an indoor shopping centre to the east of the town centre – comprises a mix of major retailers including BhS, Boots, Clintons, New Look, Next and Wilkinsons. It also includes a limited number of other 'multiple' comparison retailers including Barratts and Sports Direct. The retail offer within this shopping centre is supplemented by retail services and independent retailers, and therefore provides an important sub-market and alternative to the prime retail area of Fremlin Walk. Maintaining a base level of multiples is important for The Mall in terms of sustaining its future health, given that such retailers create a 'destination' and attract pedestrian footfall.

3.45 Maidstone Town Centre has a strong independent retail offer, including arts and crafts, jewellers and kitchenware. These can be found within Royal Star Arcade and along Gabriel's Hill, Pudding Lane and Union Street. Maidstone's retail offer is further complemented by an outdoor, twice-weekly market at Lockmeadow to the west of the River Medway; this is detached from the retail core and therefore functions as a shopping destination on its own.

PEDESTRIAN FOOTFALL

3.46 During our site inspections in October 2012 (weekday morning), we observed levels of pedestrian footfall within the town centre. Footfall is a key indicator of prime (and non-prime) retail areas – in accordance with the extant *Practice Guidance on need, impact and the sequential approach* (December 2009) – and is one of the principal considerations for major retailers when identifying a pitch. The main findings of our observations in Maidstone Town Centre are:

1. The highest levels of pedestrian footfall were observed along Fremlin Walk; Week Street (between Brewer Street and High Street/ King Street); and King Street (between Week Street and the main entrance to The Mall).
2. Relatively high levels of pedestrian footfall were also observed within The Mall.
3. Moderate levels of pedestrian footfall were observed along Week Street (between Brewer Street and Station Road/ Maidstone East Railway Station); Union Street; Pudding Lane; Earl Street (between Week Street and the side entrance to Fremlin Walk); Gabriel's Hill; King Street (between Church Street and the main entrance to The Mall); and High Street (between Week Street and Mill Street).
4. Relatively low levels of pedestrian footfall were observed within other parts of the town centre, including Royal Star Arcade; Mill Street; Medway Street; Lower Stone Street; King Street (eastwards of Church Street); and High Street (between Mill Street and Bishops Way).

3.47 The abovementioned observations of pedestrian footfall broadly reflect the distribution of key attractions (such as major retailers and day-to-day retail services) in Maidstone Town Centre. Further, in the case of the northern end of Week Street in particular, pedestrian footfall is largely driven by transport nodes (i.e. Maidstone East Railway Station) and the presence of major office occupiers (i.e. Kent County Council's offices).

3.48 Those parts of the town centre with the lowest levels of pedestrian footfall have fewer or no key attractions and, in some cases, are affected by 'broken' frontages (i.e. those frontages which have a high proportion of non-'town centre uses' and/or vacant units).

RENTAL LEVELS

Retail

3.49 Since the year 2000, prime Zone A (ZA)[21] rents in Maidstone town centre have fluctuated between £140 per square foot (sq ft) and £150 per sq ft, before falling in late 2009 to £120 per sq ft ZA, where they have since remained steady (see **Figure 3.4** below).

[21] 'Zoning' is a method of apportioning the value of the floor area within a standard retail unit; it is founded on the principle that the floor area at the front of the ground floor of a unit (Zone A) is worth more than that at the rear/upper floors. It tends to only be used in small/medium sized retail units.

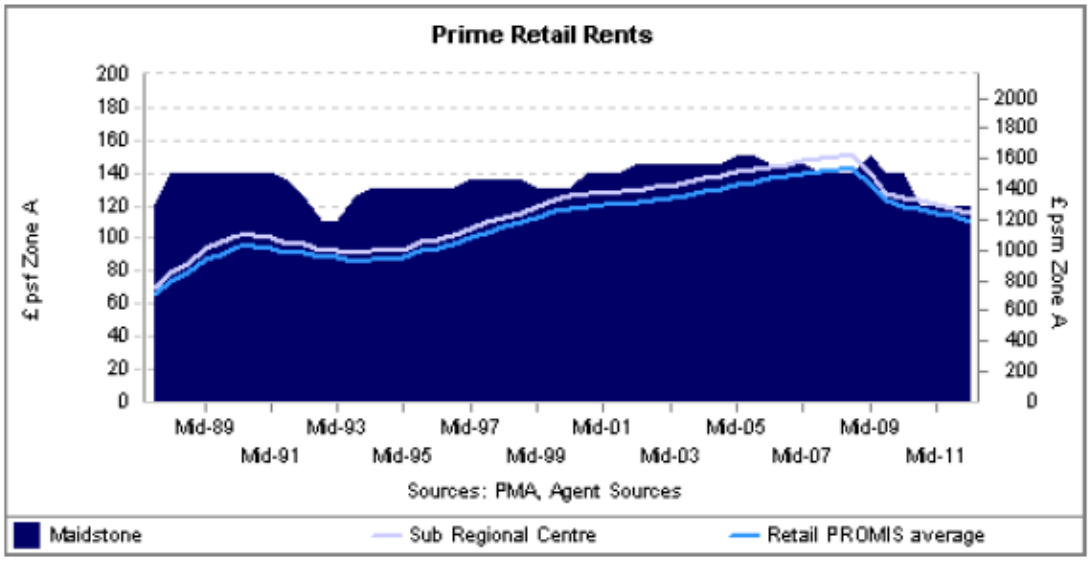

Figure 3.4 Source: Property Market Analysis

3.50 By comparison, we set out below some of the prime zone A rents in locations comparable to Maidstone in terms of 2013 Venuescore ranking:

- Tunbridge Wells (rank 51), Royal Victoria Place Centre, ZA's around £130-140 per sq ft since 2009
- Basingstoke (rank 53), Festival Place, ZA's circa £160 per sq ft
- Ipswich (rank 58), ZA's circa £105-115per sq ft
- Solihull (rank 43), Touchwood, ZA's circa £200 per sq ft (John Lewis anchored)

3.51 There is no proven correlation between retail centre ranking and the prime Zone A rents. Solihull, for example, has twice the level of ZA rent to both Wolverhampton and Ipswich, yet is a lower ranked centre. Zone A rents are generally not town/city specific, but scheme specific. As noted, Touchwood Solihull is anchored by a John Lewis, which is likely to be the reasoning behind the higher ZA rents.

3.52 It should be noted that 'Zoning' is becoming a less frequently used form of measurement for retail property. As retailers become more demanding of the types of units they occupy, DTZ see this method of retail measurement as becoming less and less relevant. Retailers wish to occupy "MSU" type units (medium sized units) which are rectilinear in shape, with constant glazed frontages. These types of units tend to be valued on an 'overall' rental basis, rather than one a Zone A method. Whilst a higher prime Zone A rent cannot be used to categorise health or decline within a retail centre overall, clearly high Zone A rents (with regard to their long term average) within a shopping street/centre would be considered a positive factor. However, a top performing shopping centre with relatively high Zone A rents may take up the prime pitch of a town, whilst the rest of the shopping environment is in decline due to the presence of this centre.

3.53 In mid 2012, prime rents for Fremlin Walk were estimated at around £120 per sq ft ZA, a similar level to that recorded at the end of 2011. Outside Fremlin Walk, the prime part of Week Street is estimated to be at rents in the region of £110-£120 per sq ft ZA. In mid-2010 River Island underwent a lease re-gear on their unit in this part of the town, at a rent equating to £105 per sq ft ZA net effective (after incentives).

3.54 Beyond prime Week Street, rents drop off fairly rapidly; a situation exacerbated by the opening of Fremlin Walk in 2005. As can be seen below (**Figure 3.5**), Deichmann occupied part of the former Woolworth's store on a new lease at a headline rent of £127 per sq ft ZA early in 2010. However, the retailer was given a large rent-free package, which meant this headline rent eventually broke down to around £77 per sq ft ZA. Poundland also received a large capital contribution and rent free period on the other part of the store.

3.55 At The Mall shopping centre, Zone A rents for the main upper level have fallen to around £102 per sq ft from around £110 at the height of the market. On other areas of The Mall, such as that leading to the King Street entrance, ZA rents are around £105 per sq ft.

3.56 Finally, at the Royal Star Arcade rents stand at around £40 per sq ft ZA and are on a downward trajectory.

3.57 In the rest of the town centre, such as Gabriel's Hill, there is a dearth of comparable open market evidence, which makes estimating ZA rents extremely difficult. However, given the current climate for secondary retail pitches we expect rents near the junction with High Street to be around the £50 per sq ft ZA level, with the southern end of the street dropping even further than this.

Address	Date	Size (sq m)	Tenant/Lease Terms
34 Fremlin Walk	Jul 2010	164	Pandora Base rent £65,000 p.a. or 10% turnover if greater
21 Fremlin Walk	Oct 2010	232	Office Shoes Base rent £65,000 p.a. + 9% turnover.
8 Fremlin Walk		140	Undisclosed Incentives Punky Fish
19-19a Fremlin Walk		325	Laura Ashley
Fremlin Walk			Apple Reseller £125-130 per sq ft ZA
21-25 Week Street	Jul 2010	-	River Island £160,000 p.a., £105 per sq ft ZA. Lease re-gear. 3

			months rent-free. Rent net effective Phones 4U
36 Week Street	Oct 2008	279	£150 per sq ft ZA, 6 months' rent free Jones the Bootmaker
28 Week Street	2007	222	£140 per sq ft ZA Carphone Warehouse
35-37 Week Street	Dec 2007	378	Assignment at c £232,000 p.a. Lumar Jewels
12 King Street	Mar 2010	62	£84 per sq ft ZA, £50,000 p.a., 12 months' rent free Poundland
52-56 Week Street	Feb 2010	-	£200,000 p.a., £200,000 capital contribution, 6 months' rent free Deichmann
52-56 Week Street	Jan 2010	-	£185,000 p.a. (£127 per sq ft ZA), 2 years rent free, net effective rent of £77.57 per sq ft ZA Cornish Bakehouse
20 Week Street	Dec 2007	91	£50,000 p.a. Cannons
38-40 Gabriel's Hill	May 2007	421	£55,000 p.a.

Figure 3.5

3.58 Over the last five years, underlying consumer caution about the economy and employment prospects has made trading conditions very challenging. There has been a spate of retailer administrations over the past year with Barratts[22], GAME, Clinton Cards, JJB Sports, Comet, Jessops and HMV to name a few. The duration and extent of goods discounting has placed a heavy strain on retailers. Consequently, smaller retailers are going into administration or restructuring, which will certainly increase void levels in weaker secondary town and city centres. The yield gap[23] between prime and secondary retail property has been steadily increasing to reach 4.4% in Q3 2012[24]

Office

3.59 Maidstone and the surrounding area is one of the main business districts within Kent, especially for the public sector, and the district has a total office stock of approximately 214,000 sq m.

[22] Still trading in Maidstone.
[23] A 'yield gap', in this instance, is the differential in yields between prime and secondary retail property.
[24] DTZ Property Times Q3 2012.

3.60 Out of town offices (at key junctions on the M20) are an important element of the local office market. We understand that there is consent for approximately 13,000 sq m at Eclipse Business Park at Junction 7 (M20) and approximately 16,000 sq m at Springfield Square.

3.61 Within the town centre boundary, we understand that there is consent for circa 13,000 square metres of office space at Springfield Square, split into three buildings, but this has not yet been built out. We understand from discussions with a potential developer of the site that they are hoping to convert planning consent for one of the buildings into a hotel and to then build out another office building for which they have preliminary interest for a substantial pre-let. The final large building is unlikely to be started before a substantial proportion can be pre-let, which is a common issue for regional office developments at present.

3.62 In 2012, total take-up in the Maidstone catchment (including out of town) was around 4,925 sq m, 25% below the 5 year average of around 6,600 sq m. Over the five years to Q1 2013, 86% of take up in the Maidstone catchment has been out of town, compared to the wider South East average figure of 61%. Further competition to the town centre is provided by the Eclipse and 20/20 business parks, although Kings Hill is the primary competition for the area. In these out-of-town locations, 2008 saw the highest level of take up in recent years with large lettings to Towergate Insurance, Rolex and Interroute. Over the following three years, take-up was limited, with just 729 sq m of deals achieved last year. The first half of 2012 has seen 9619 sq m of lettings, with 6970 sq m accountable to lease renewals at Kings Hill Business Park. 2012 levels are already above the five and ten year averages.

3.63 Rental levels for Maidstone offices have declined substantially since the financial crisis. Headline rents saw a fall of 24% in the year from end of 2008 to end of 2009 for example, and this does not include incentive packages, which will have the effect of driving net effective rents even lower still.

3.64 The following chart from Property Market Analysis (**Figure 3.6**) illustrates top rents for the Maidstone office catchment (where Kings Hill achieves the highest rents) compared to the wider Rest of South East market, and the national average (which includes central London).

Figure 3.6

Top Rents (£ per sq ft)

	£ per sq ft			£ per sq ft (% change)		
	Maidstone	Rest of South East average	Office average (inc C London)	Maidstone	Rest of South East average	Office average (inc C London)
2007	22.00	19.62	24.35	0.0	3.4	7.7
2008	23.00	19.56	24.09	4.5	-0.3	-1.0
2009	17.50	18.74	21.87	-23.9	-4.2	-9.2
2010	17.50	18.59	22.04	0.0	-0.8	0.8
2011	17.50	18.13	22.31	0.0	-2.3	1.3
Mid 2012	17.50	18.13	22.56	0.0	-0.2	1.1

Source: PMA and Local Agents. Last updated 21/11/2012

3.65 There is a paucity of larger, recent office rental deals in Maidstone Town Centre, with the majority of leasing activity at a larger scale occurring on out of town business parks such as Kings Hill. The town centre deals we have managed to source can be found below (**Figure 3.7**):

Address	Date	Size (sq m)	Tenant/Lease Terms
1st and 2nd, 25a Pudding Lane, Maidstone, Kent, ME14 1PA	Nov 2012	93	£7.50 per sq ft
Office 1, 62 College Road, Maidstone, Kent, ME15 6SJ	Aug 2012	39	£5.21 per sq ft
1st Floor, Kestrel House, Knightrider Street, Maidstone, Kent, ME15 6LU	Apr 2012	197	Liverpool Victoria Friendly Society, 10 yr lease £17 per sq ft
1st Floor, The Old Printworks, 3 Medway Street, Maidstone, Kent, ME14 1JS	Apr 2012	119	£7.50 per sq ft
1st Floor - Unit 2, County Gate, Staceys Street, Maidstone, Kent, ME14 1ST	Nov 2011	542	£21.50 per sq ft
7 Station Road, Maidstone, Kent, ME14 1QJ	Oct 2011	192	£5.82 per sq ft
2nd Floor, Carriage House, Mill Street, Maidstone, Kent, ME15 6YE	Aug 2011	215	£12 per sq ft
2nd floor, Kestrel House, Knightrider Street	Jun 2010	408	£17.50per sq ft Zenos Ltd on a 10 year lease, 5 year break, 6 months' rent free and a further 6 after the break.
1st floor, Miller House, 43-51 Lower Stone Street	Jun 2010	696	BPP Ltd on a 10 year lease

Figure 3.7 – Office Rental Deals

3.66 We do not consider there to be any parts of the town centre achieving rents at the same level as Kings Hill. The highest rents set at Kings Hill were around £23 per sq ft, and have since fallen to around £18 per sq ft. We believe town centre rents will be substantially below this, as there is no stock of a similar quality.

3.67 In terms of the town centre office core, we consider this to be the area south of King Street, Romney Place, Upper Stone Street and Knightrider Street.

COMMERCIAL YIELDS AND INVESTMENT DEALS

Retail

3.68 The main retail investment transaction in Maidstone recently has been the double sale of Fremlin Walk shopping centre (see **Figure 3.8** below). This 32,527 sq m Centros Miller developed scheme was forward funded by Land Securities in 2002. It was first sold to Europa Capital Partners in June 2009 for around £70m, reflecting a circa 8.75% yield. Land Securities were hoping to achieve closer to £100m when they brought the centre to market in late 2008, although a lack of interest meant that a deal in that price range was not achievable.

3.69 Europa brought the centre back to market in 2010 after conducting lettings and asset management work, and to capitalise on the renewed appetite for shopping centre investment in the market. They proceeded to detailed discussions with Aviva Investors in June 2010 regarding a circa £100m sale, reflecting around a 6.50% yield[25]. However, this transaction fell through. In early 2011 though, a sale was completed to Legal & General Property on behalf of their UK Property Income Fund for £91.5m, a circa 7.25% yield.

Figure 3.8 – Retail Investment Transactions

Address	Date	Size (sq m)	Tenant/Lease Terms (where available)	Sale Price/Yield
12-14 Week Street	Apr 2009	910		**£3.4m** 6.72%
Fremlin Walk	Jun 2009	32,527	Multiple	**£70m** 8.75%
31-33 Week Street	Jan 2010	334		**£2.4m** 7.00%
24 Week Street	Jun 2010	251	Thomson Travel 10yr FRI lease commencing 2009	**£935,000** 8.19%
Fremlin Walk	Jan 2011	32,527	Multiple	**£91.5m** 7.25%
52-56 Week Street and 48-49 Church Road	Feb 2011	3438	Deichmann and Poundland in 52-56 Week Street	**£6.035m** 6.53% initial yield

[25] A yield is a measure of investment return, being the ratio of the income from the property over the purchase price. There are different types of yield (initial, equivalent, reversionary) based on the income level that is used for the calculation (i.e. existing income, future income etc).

Office

3.70 We believe there is likely to be limited institutional investment appetite for town centre offices in Maidstone over the foreseeable future, due to the quality of stock available and the lease terms on offer. The last key town centre reported deal was for the acquisition of Miller House in 2007, when this 5762 sq m property achieved a yield in the region of 7.50%, reflecting a circa £4m lot size. The building was rented at circa £315,000 per annum.

3.71 This lack of appetite for secondary offices (which covers the majority of existing Maidstone town centre office market) is due to quality of building stock, occupational market weakness, short lease terms, high capital expenditure requirements, minimal prospects for rental growth and a lack of finance for these types of opportunity. This pattern is not specific to Maidstone, but is reflected in many regional office locations at present. There is a steady supply of secondary and tertiary regional office product coming to market as banks are continuing to de-leverage. This increase in supply and lack of buyers will contribute to keeping pricing down. We would consider it difficult to be able to remove these barriers for institutional investment on existing product, but new developments with strong covenant tenants on acceptable leases will still be desirable. There is likely to still be demand from opportunistic cash buyers and local developers and investors for one off existing lots in the town.

3.72 DTZ has recently completed the sale of the Countygate I & II development adjacent to Maidstone East station at a price of circa £7m, reflecting a yield of 10.60% (to a private investor). This 9 year old development was being marketed at a 9% yield, reflecting a lot size of £8.3m. Discussions with our investment team reveal that this opportunity attracted some interest, although this was all well below the price the vendor had in mind. Furthermore, the building is currently substantially over-rented, with an average passing rent of £19.75 per sq ft, against, by our agent's estimates, a headline rental value of £18 per sq ft, with a likely rent free package of 18 months per 5 year term. This would bring the "net effective rent" well down to around £13-14 per sq ft, for what would be considered the prime office space in the town centre.

3.73 We consider that the vast majority of town centre stock would achieve yields in this region, with the majority being worse (as Countygate is one of the best schemes in the town). Better yields could potentially be achieved on a long term lease to a strong covenant in a top quality specification new building, although the chances of achieving this kind of deal in the current regional office markets are minimal. As Countygate is one of the best town centre office schemes in the town, the fact it has recently sold at a yield over 10% shows the risk that investors are factoring in for this kind of product in the current market, and indicates that there are unlikely to be any office schemes in the town centre which would achieve south east regional prime office yields.

AUCTION DEALS

3.74 Numerous further investment deals have been completed at auction, which we list below (**Figure 3.9**).

Address	Type	Tenant, income, tenancy etc	Price achieved/yield	Date
Mill Meadow Yard, St Peters Street, ME16 0SX	Leisure	LA Fitness, 35 yr lease commencing 2006 £175,668 per annum	£1.225m 13.55% NIY 14.34% GIY	October 2012
42/44 Earl Street, ME14 1PD	Retail/Office	20 yr lease commencing 2012	£1.13m 5.44% NIY 5.75% GIY	July 2012
4-6 Lower Stone Street, ME15	Mixed use	Vacant amusement arcade, restaurant and ancillary space	£205,000	June 2012
28 Earl Street, ME14 1PP	Cafe and ancillary space	15 Yr, commencing 2009, £14,500 p.a.	8.06% NIY 8.29% GIY	October 2011
69 Bank Street, ME14 1SN	Retail and Residential	20 Yr, commencing 2008, £25,750 p.a.	Undisclosed	October 2011
1-13 Union Street & 68-72 Week Street, ME14 1RJ	Retail and Office	William Hill and Soft Furnishings Ltd £114,000 p.a.	£1.15m 9.37% NIY 9.91% GIY	May 2011
Globe House, 13 Pudding Lane, ME14 1PA	Retail and Office	£31,450 p.a.	Last bid £290,000	May 2011
96A-98 Week Street, ME14 1RL	Retail and ancillary	Blockbuster £50,000 p.a.	£660,000 7.16% NIY 7.58% GIY	March 2011
65 Week Street, ME14 1QU	Retail and ancillary	20 Yr lease, commencing 2009 £28,000 p.a.	£400,000 6.68% NIY 7.00% GIY	December 2009

Figure 3.9

3.75 Auction sites can provide good comparables for mixed use Town Centre properties, with retail at ground floor and either offices or residential units at upper floors. The above table illustrates some recent transactions of this type from auction houses.

GENERAL INVESTMENT OUTLOOK

In summary, we envisage the following trends in investment markets:

- Continued low levels of overall investment activity with vendors reluctant to suffer the current 'distressed' pricing for many assets
- Continued demand from Sovereign Wealth / Overseas purchasers for the very best prime & super prime schemes[26] due to a shortage of investment opportunities and the UK being seen as a secure and stable location, particularly having regard to the Eurozone uncertainties
- Selective demand for non-prime schemes based on underlying demand from investors chasing higher rewards
- Preference for south east locations
- Pricing of secondary assets will need to soften significantly to attract willing buyers in the current climate and an ongoing overall muted level of sales is in prospect

HIGH STREET RETAIL

3.76 59 lots, reflecting £252 million of investment stock were transacted in the UK High Street investment market in Q2 2012 – this is up from £185m (53 deals) in Q1. However, stripping out the largest two transactions, volumes were flat over the quarter. Retailer requirements remain increasingly selective and limited, mainly favouring top retailing centres. Yields for weaker secondary/tertiary assets is expected to continue to move out, as the market more appropriately 'prices-in' risk and a greater number of secondary assets are anticipated to be released. This is resulting in a polarisation of yields between prime assets which are remaining stable and secondary yields moving out.

"OUT OF TOWN" / RETAIL WAREHOUSE

3.77 In 2012, 49 Retail Warehouse parks exchanged for a total of £813 million. The average lot size is c. £16.6m. However, sentiment is changing. There is clear indication of outward yield movement including prime assets[27], though foodstores (despite the slowdown in development and investment activity) are an exception. The secondary[28] market is continuing to soften, with key issues including a widening of the "North South divide", pricing discounts on 'off prime' large lot sizes and tenant covenant risks. Sentiment in the occupier market has become more fragile and there are increasing concerns about the prospects for retailers, as has been witnessed recently by Comet. In rental terms, all stock has seen a drop in rental values (but this is stabilising) aside from supermarkets and A3 (restaurant and cafe) units, where rents remain resilient with upward pressure.

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[26] The definition of prime/super prime schemes differs based on asset class. Within shopping centres for example, whilst Fremlin Walk is the prime scheme of the town, it would likely only be considered dominant secondary on a national scale – prime and super prime are regionally dominant or London schemes, such as Bluewater, Lakeside, and the two London Westfield centres.

[27] For example, South Aylesford Retail Park (the prime bulky goods retail park for the Maidstone catchment) was purchased by the Crown Estate in 2011 at a yield of 5.75%.

[28] Parks with issues over catchment profile/size, tenant covenant risk (e.g. substantial income secured to risky retailers), accessibility and car parking issues, planning restrictions etc. Local examples for secondary are difficult to assess as no recent transactions are available in the Maidstone market. An example further afield would be Ravenside Retail Park, Erdington, Birmingham, which sold in December 2012 at a yield of 8.60%.

SHOPPING CENTRES

3.78 The continued uncertain economic outlook means that occupiers are reviewing their portfolios in terms of number of units and location – it is still very much a tenant's market for all but the very best locations and centres. Administrations continue, including United Carpets, Optical Express, Julian Graves, JJB, and Clinton Cards. Investment supply is currently very low with only one new major centre being formally marketed at present although new stock is being released. The outlook is for continued low levels of activity in the markets with vendors beginning to accept the current 'distressed' pricing for many assets resulting in double digit yields.

OFFICES

3.79 Demand for secondary assets[29] has fallen as many Opportunity Funds have spent their cash allocations. Debt has become increasingly difficult to source for these asset types and there are concerns over the occupational market. Investors such as L&G and Threadneedle and opportunistic investors/property companies including CarVal, Topland and Praxis are still in the market for secondary product. There is a continued high supply of secondary and tertiary offices as banks release more stock and UK institutions change strategies, although buildings with significant capital expenditure liabilities are becoming more difficult to sell.

LEISURE

3.80 Leisure property has had a strong recession, with mid market A3 restaurant operators and cinemas bucking the general trend and trading extremely well. Changing leisure habits are resulting in landlords looking to increase dwell times for shoppers, with the inclusion of cinemas, restaurants and other leisure attractions all crucial to enhancing the shopping experience and keeping shoppers within centres for longer. Cinemas are also becoming viable anchors for development projects, whilst before this role was the exclusive reserve of department store operators. This has all had a positive effect on investment appetite for leisure led schemes, even in regional locations. This was proven by PRUPIM's forward funding of developer Citygrove's 9293 sq m Southwater Square development in Telford. Leisure investment is particularly attractive due to the fixed rental uplifts it tends to provide, which provides guaranteed growth to property investors at a time of minimal reversionary potential.

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[29] For example, County Gate I&II, Maidstone (see 2.55), also 250 Brook Drive Reading (66,000 sq ft offices, 7.25 yrs unexpired to Logica UK, passing rent of £27 per sq ft, completed at 8.72% yield). Prime transactions include 1 Bell St, Maidenhead, a 20,000 sq ft building with 9 years remaining to Regus, which was under offer late last year at a yield of 7.65%.

LAND VALUES

3.81 Town centre land values are extremely difficult to gauge, especially for commercial uses such as retail and office, as the resulting figures can change markedly depending on what can be developed on the site. For example, a piece of land available for foodstore development will be worth substantially more than land which can be developed for high street retail and ancillary uses. We feel it would not only be extremely difficult to assess potential commercial land values but would also the results would not be relevant to this exercise.

3.82 In terms of residential land values however, we have undertaken numerous appraisals for work in the area for other projects, and have seen land values in the region of £500,000 to £750,000 per acre. It must be stressed that these have tended to be for housing schemes on larger brown field sites at fairly low development densities (30 to 40 dwellings per hectare). For smaller town centre sites, which are likely to be flatted schemes at higher densities, this number will not bear any relevance.

FINER-GRAIN ANALYSIS

3.83 Whilst the report to date has focused mainly on analysing the position and trends for Maidstone Town Centre as a whole, this section examines the performance of different parts of the town centre.

3.84 For the purpose of this finer-grain analysis, we have divided the town centre – namely the full extent of the town centre boundary – into 'blocks' based on our data analysis and site inspections (refer to **Appendix E**). These blocks broadly reflect the function(s) of different parts of the town centre and comprise:

- Block 1 (including the northern end of Week Street);
- Block 2 (including Fremlin Walk and the southern end of Week Street);
- Block 3 (including The Mall and King Street);
- Block 4 (including High Street and the retail core to the south);
- Block 5 (including Royal Star Arcade);
- Block 6 (including the area at the southern end of the town centre);
- Block 7 (including the area to the west of the River Medway, north of London Road/ Broadway);
- Block 8 (including the area at the northern end of the town centre); and
- Block 9 (including the area to the west of the River Medway, south of London Road/ Broadway).

3.85 Our analysis, which identifies variances in the performance of areas within the town centre and any location-specific needs and opportunities, is broadly underpinned by the following framework[30]:

- Attractions for shoppers and other town centre users;
- Amenities for users;

[30] Sourced from 'Vital and Viable Town Centres: Meeting the Challenge' (URBED, 1994). Whilst published in 1994, this framework remains valid and has not been superseded by later research.

- Accessibility by all modes of transport; and
- Actions needed for improvement.

3.86 In turn, it is possible to recommend the primary and secondary shopping areas[31] of Maidstone Town Centre.

BLOCK 1

3.87 Block 1 includes the northern, 'non prime' end of Week Street; specifically the linear, pedestrianised shopping street between Maidstone East Railway Station (to the north) and Union Street (to the south). It also includes provision to the east of Week Street (north of Union Street), and Brenchley Gardens off Station Road (west of Week Street).

3.88 The block contains few attractions but is accessible by public transport by virtue of its proximity to Maidstone East Railway Station. The northern end of Week Street comprises a mix of retail and service uses, including 'multiples' and independents. The former include Tesco Express, Blockbuster and Poundstretcher; in addition to the fast food restaurants of KFC and McDonald's. The wider block is characterised by a strong independent offer, with a diversity of independent retail and service uses focused along Brewer Street and the north-side of Union Street. In support, other important non-retail attractions (and generators of pedestrian footfall) close to Block 1 include Kent County Council's Offices, Kent History & Library Centre and Maidstone East Railway Station. The latter ensures that this block is highly accessible for shoppers and other town centre users.

3.89 Our site inspections found that pedestrian flows increased towards the southern end of the block, partly driven by the 'critical mass' of major retailers within or close to Fremlin Walk. Other factors to influence pedestrian flows may include the poor quality amenities and broken frontages at the northern end of Week Street (closest to Maidstone East Railway Station) and, by contrast, the higher quality frontages and wider shopping street to the south (closest to Fremlin Walk).

3.90 We consider that improvement action within Block 1 should focus on bringing the former House of Fraser unit (69-77 Week Street) back into use. To that end, a Morrisons convenience store – M Local – is expected to occupy the ground floor of this large unit. This store, once opened, is likely to perform an 'anchor' role and enhance attractions and pedestrian flows in this part of the town centre. We further recommend that the pedestrian environment at the northern end of Week Street, in particular, is improved so as to provide a better 'gateway' to the town centre for users of Maidstone East Railway Station. Such environmental improvements could be delivered as part of, and/or help to integrate with the retail core, the redevelopment opportunity at the Maidstone East and adjacent Royal Mail Sorting Office site. This redevelopment opportunity is discussed further under *Block 8* below.

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[31] The primary and secondary shopping areas help to distinguish between the role and function of different parts of the town centre. Primary shopping areas are defined by the concentration of key retail attractions, prime rental levels and higher pedestrian flows. Secondary shopping areas are characterised by a broader diversity of uses (such as restaurants, retail services and businesses) and lower pedestrian flows.

3.91 In terms of designated shopping areas, we consider it reasonable to define Week Street as a primary shopping area as far north as Tesco Express (on the east-side) and the former House of Fraser unit (on the west-side). This reflects the vitality and viability of this section of Week Street, whereas the remaining parts of Block 1 are less 'healthy' and function as secondary shopping areas.

BLOCK 2

3.92 Block 2 covers Fremlin Walk, the southern end of Week Street and the north-side of Earl Street. This block comprises Maidstone's most vital and viable retail area and the majority of retail attractions, including 20 of the 28 major retailers present within the town centre.

3.93 Fremlin Walk offers a modern, outdoor shopping centre with high quality amenities and a substantial proportion of the major retailers (including the House of Fraser 'anchor' store). It has 2 vacant units (c. 5% of total units herein). The southern, prime end of Week Street also comprises a pleasant shopping environment, with its pedestrianised shopping street and good public realm (which integrates with King Street/ High Street to the south). It, too, has a number of the major retailers (including Marks & Spencer, Primark and River Island) and some day-to-day retail services.

3.94 To the north of Fremlin Walk is the Maidstone Museum & Art Gallery which has recently been extended, and some public gardens. The Council has also granted consent for two A3 restaurants adjoining Fremlin Walk and fronting St Faiths Street. These are potentially important attractions for the town centre and provide amenities for shoppers and other town centre users. Improved sight lines and pedestrian links to the public gardens would be advantageous however.

3.95 The north-side of Earl Street is characterised by a number of leisure and entertainment uses (i.e. cafes, bars, restaurants), including national chains such as Cafe Rouge, Pizza Express and Zizzi. These uses provide a focus for the 'evening economy' and serve to increase dwell time within the town centre, close to Fremlin Walk.

3.96 The number of vacant units in Block 2 is particularly low (6 in total), which is a key indicator of the vitality and viability of this part of the town centre. To that end, during our site inspections (weekday morning and afternoon,) the highest levels of pedestrian footfall were in Maidstone Town Centre were observed along Fremlin Walk and the southern end of Week Street. Whilst low levels were recorded along Earl Street, we would expect pedestrian footfall to increase during the 'evening economy' hours.

3.96 Block 2 is almost entirely pedestrianised and is therefore very accessible. By virtue of its central location within the town centre, the block is served by a number of bus stops (i.e. Earl Street, High Street, Pudding Lane) and town centre car parks, and is within easy walking distance of Maidstone East Railway Station.

3.97 With the exception of Earl Street – which is primarily a destination (albeit limited, as we comment elsewhere) for the 'evening economy' and related uses – Block 2 functions as a primary shopping area (namely Fremlin Walk and the southern, prime end of Week Street). This is supported by pedestrian flows and the 'critical mass' of major retailers, in addition to rental levels. That said, we consider that Earl Street's leisure offer has an important role in increasing dwell time and thereby supporting other retail uses. Overall, we conclude that this part of the town centre is the most 'healthy' in terms of vitality and viability.

BLOCK 3

3.98 Block 3 includes The Mall, King Street and the east-side of Gabriel's Hill; in addition to Sainsbury's at Romney Place.

3.99 The majority of attractions in this block are focused within The Mall. Whilst poorly 'anchored', this is Maidstone's main indoor shopping centre and has a range of major retailers (8 of the 28 major retailers present within the town centre) such as BhS, Boots, Clintons, Next and Wilkinsons. It also includes a number of other 'multiple' comparison retailers, retail services and independent retailers.

3.100 The Mall contains 11 vacant units (c. 21% of total units herein) and looks 'tired' and, as a result, does not compete with Fremlin Walk on a like-for-like basis, providing more of a 'value' offer. It is however an important shopping destination within the town centre and attracts high levels of pedestrian footfall, primarily driven by the major retailers, the adjoining multi-storey town centre car park and the adjacent bus station. The latter two facilities ensure that Block 3 is highly accessible for shoppers and other town centre users.

3.101 Sainsbury's at Romney Place, Maidstone Town Centre's main foodstore, is situated to the immediate east of The Mall. However, pedestrian links between The Mall are poor and slightly confusing, and in need of improvement.

3.102 King Street provides an important connection between The Mall and the main retail area of the town centre, and benefits from good public realm between Week Street and the main entrance to The Mall. However, King Street has a more limited retail offer and a higher proportion of service uses (both 'multiples' and independents) including cafes and estate agents. Gabriel's Hill and Lower Stone Street also comprise a high proportion of service uses (namely independents) including restaurants and hot food takeaways.

3.103 Other notable attractions within Block 3, which serve to supplement Maidstone's leisure and entertainment offer, include Gala bingo (Lower Stone Street) and AMF bowling alley (King Street); however we understand that the latter is re-locating to Lockmeadow Entertainment Centre in Summer 2013.

3.104 We understand that the former Somerfield unit (King Street), together with the multi-storey car park above, is to be demolished in Summer 2013 and resurfaced for a surface level car park; pending the redevelopment of the site when market conditions improve. It is owned by Maidstone Borough Council and, in our view, the redevelopment of the site for retail uses would potentially perform an 'anchor' role and enhance pedestrian flows on the north-side of King Street. The scale of this redevelopment opportunity could be larger, given that the adjacent AMF bowling alley is relocating to Lockmeadow Entertainment Centre in Summer 2013. In addition, The Mall would benefit from refurbishment and clearer wayfindings to/ from the multi-storey car park, Fremlin Walk and Sainsbury's. The latter improvement action would help to generate activity in this part of the town centre, and would – together with wider town centre actions such as bringing vacant units back into use and completing the public realm improvements along High Street – potentially enhance the prospects of attracting a developer and/or major retailer to the aforementioned King Street site.

3.105 Reflective of pedestrian flows and the composition of uses, we consider it reasonable to define The Mall as a primary shopping area. Notwithstanding current vacancy rates, we consider The Mall to be 'healthy' and one of Maidstone's most viable and vital shopping areas. The remaining parts of Block 3 (including King Street) function as secondary shopping areas.

BLOCK 4

3.106 Block 4 includes High Street (both sides), Bank Street and the west-side of Gabriel's Hill.

3.107 Most attractions are focused along the north-side of High Street, including several 'multiple' retailers such as Argos (one of the 28 major retailers present within the town centre) and Specsavers; in addition to a number of banks (i.e. Barclays, Cheltenham & Gloucester, Natwest). The remainder of this block contains few retail attractions, and this is reflected by the low to moderate levels of pedestrian footfall observed during our site inspections. There is a Post Office, a limited mix of retail uses (i.e. antiques, charity shops, jewellers) and a diverse mix of service uses (i.e. dry cleaners, hairdressers, tattooists). A considerable majority of these uses are operated by independents. Block 4 also includes Chicago Rock Cafe and a number of other cafes, bars and nightclubs. It therefore offers a focal point for the 'evening economy', particularly at the western end of High Street.

3.108 The eastern end of High Street benefits from good public realm, which integrates into King Street and Week Street (such improvement works are planned for the western end of High Street). High Street is also well-served by bus stops and town centre car parks. Bank Street comprises a short pedestrianised shopping street, running parallel with High Street and providing a number of services uses including hairdressers, betting offices and professional services. Bank Street has 5 vacant units.

3.109 Gabriel's Hill comprises a shared-surface for both pedestrians and one-way vehicles. This, together with the good quality street furniture, creates a pleasant shopping environment. Amenities elsewhere within the block are mixed quality; however the improvement works that are planned for the western end of High Street should benefit this part of the town centre. Other improvements should focus on bringing vacant units back into use.

3.110 Given the 'secondary' nature of the retail offer, we consider it reasonable to define Block 4 as a secondary shopping area. High Street is the most vital and viable part of this block, however it comprises few (if any) major attractions and lacks pedestrian footfall compared with the town centre's prime retail area.

BLOCK 5

3.111 Block 5 covers the area between Earl Street (to the north) and High Street (to the south), including Royal Star Arcade. Some main attractions are focused along the south-side of Earl Street. These include the national chain restaurants of Nando's and Prezzo; Waterstones (one of the 28 major retailers present within the town centre); and other 'multiple' retailers including Richer Sounds and Ryman Stationer. Earl Street, in particular, benefits from a cluster of 'evening economy' uses in proximity to Fremlin Walk.

3.112 The indoor shopping centre at Royal Star Arcade provides a strong independent retail offer, selling goods such as gifts, clothing and footwear. Such 'niche' retailers perform an important role in the 'secondary' areas of the town centre, often in locations that are unattractive to mainstream retailers due to reasons such as pedestrian footfall and the quality of the environment. This is reflected by lower rental levels at Royal Star Arcade (as outlined above) and more flexible leases. It also has 6 vacant units, which impacts upon the perceived health of Royal Star Arcade. A possible improvement action in this regard would be the provision of short-term, incubation accommodation for new independent businesses before moving into more permanent and sustainable space within the town centre.

3.113 In terms of accessibility, Earl Street and Pudding Lane are served by bus stops. Pedestrian flows, as observed during our site inspections, were relatively low within Royal Star Arcade and along Medway Street. Moderate levels of pedestrian footfall were recorded along Earl Street, Pudding Lane and High Street, although pedestrian flows along the latter decrease to the west of Mill Street.

3.114 This block would benefit from greater connectivity, and a new pedestrian bridge across the River Medway has been proposed, but funding has been lacking. There is a number of retail warehouses to the west of the river that could be better integrated with the town centre's retail core. This would potentially extend the main retail area of Maidstone Town Centre and, subject to routing, increase levels of pedestrian footfall and activity in Block 5.

3.115 Block 5 functions as a secondary shopping area. This is supported by pedestrian flows and the lack of a 'critical mass' of major retailers in this part of the town centre. Whilst we therefore conclude that Block 5 is under-performing in terms of its vitality and viability, there are opportunities to improve its 'health' given its proximity to and connections with the prime retail area (i.e. Fremlin Walk).

BLOCK 6

3.116 Block 6 covers the area to the south of Maidstone Town Centre's retail core. It comprises a limited number and diversity of attractions for shoppers. The majority of retail and service uses (predominantly independent) are focused along Lower Stone Street; this street also includes a high proportion of vacant units. Some other independent businesses can be found throughout the more 'tertiary' areas of the block.

3.117 The block comprises a number of large (and smaller) office premises, including Kent House and others situated between Romney Place and Mote Road. It further comprises concentrations of residential uses in the form of houses and flats, including the 'Iconica' scheme off Knightrider Street. Other attractions include the Baptist Church, All Saints Church of England and the Foster Street NHS Clinic.

3.118 Our site inspections found that pedestrian flows were highest along Lower Stone Street, where the majority of retail and service uses are focused. However, the quality of amenity along Lower Stone Street is poor; with narrow pavements, no seats or planters, heavy traffic and 'broken' frontages. The streetscene generally improves to the west of the block, closest to the river, with some buildings of architectural and historic quality (i.e. All Saints Church of England) and more open spaces.

3.119 In terms of accessibility, a pedestrian footbridge connects this part of the town centre with that to the west of the River Medway. Block 6 is very accessible by car, with the A249 dual-carriageway (an important traffic route into the town centre) and a number of surface car parks. It also includes bus stops along Lower Stone Street and College Road.

3.120 Improvement action should focus on improving the environmental quality of Lower Stone Street, which has goods links with the town centre's retail core and comprises a number of listed buildings that add to the character of this area. The aim should be to address vacancy rates and provide for new attractions, and hence increase pedestrian flows. In this regard, it may be appropriate for planning policies to permit a wide range of retail, leisure, service and community uses therein. This would potentially serve to improve the relative 'health' of this part of Maidstone Town Centre. For further information please refer to section 7 of this report where the Mote Road site is analysed in more detail.

BLOCK 7

3.121 Block 7 covers the area to the west of the River Medway and to the north of London Road/ Broadway, which includes a number of standalone retail warehouses. These – such as Asda Living, Homebase and Wickes Extra at St Peter's Wharf Retail Park – are major attractions and, given the nature of their 'bulky goods' retail offer, complement rather than compete with the town centre's retail core. Other, non-retail attractions in this block include LA Fitness and TruGym. There is also a Lidl convenience store at Broadway Shopping Centre, in addition to a Matalan store.

3.122 The block has some residential uses, including those at Scotney Gardens to the north of St Peter's Wharf Retail Park. It also borders Maidstone Barracks Railway Station, and includes the Powerhub business centre and Travelodge hotel.

3.123 This block to the immediate west of the river is very accessible by car. For this reason – and given that it predominantly comprises 'bulky goods' retail warehouses with surface car parks – shoppers generally drive in and out. As a result, there are few amenities for shoppers. Notwithstanding this, Lockmeadow Entertainment Centre to the immediate south (as discussed under *Block 9* below) offers a pleasant 'destination' for leisure activities at a riverside location.

3.124 This block lacks connectivity with the town centre's retail core to the east, as discussed in relation to Block 5 above. The block would therefore benefit from a further pedestrian bridge across the River Medway, which would serve to improve links and (potentially) extend the main retail area of Maidstone Town Centre. That said, this part of the town centre clearly functions well as a shopping destination in its own right; the retail warehouses are fully occupied and the results of the 2012 household interview survey (undertaken for the purpose of the Maidstone Retail Capacity Study) indicate that the retailers attract significant market shares of expenditure despite strong competition from the out-of-centre retail parks.

3.125 As an aside, we recommend that consideration is afforded to the re-location of the 'bulky goods' retail warehouses to existing out-of-centre retail parks, with a view to 'town centre type' retailers that would better integrate with the retail core and its attractions.

BLOCK 8

3.126 Block 8 covers the area to the north of the retail core beyond Maidstone East Railway Station. It comprises very little in the way of retail attractions; there are a few local independent retail (and service) uses on Sandling Road. Major occupiers of space within this block include Royal Mail (sorting office), HMP Maidstone (prison) and Kent County Council (offices). The latter offices include Sessions House, Invicta House and Cantium House. In addition, there is the Whatman/General Electric campus off Royal Engineers Road and Maidstone United's stadium off James Whatman Way.

3.127 The block is highly accessible by car and public transport, the latter by virtue of its proximity to Maidstone East Railway Station and the provision of bus stops along the A229. From our site inspections, this busy dual-carriageway clearly serves to divide the area in two and creates some traffic-related amenity problems for the area. The quality of amenity along Sandling Road (the main 'shopping' street within Block 8) is in need of attention, namely new or repaired street furniture and action to bring vacant units back into use.

3.128 In order to sustain the future health of this part of the town centre, it requires action to facilitate a 'critical mass' of town centre development. To this end, there are some development opportunity sites herein; notably the Maidstone East and adjacent Royal Mail Sorting Office site which is currently the subject of developer interest for retail uses. We consider that this combined site (next to the Maidstone East Railway Station) has the potential to accommodate a retail-led scheme of an appropriate scale and content. This would potentially extend or, as a minimum, improve connections with the town centre's retail core via Week Street. As discussed under *Block 1* above, the northern end of Week Street is in need of environmental improvements so as to provide a better 'gateway' to the town centre.

BLOCK 9

3.129 Block 9 covers the area to the west of the River Medway and to the south of London Road/ Broadway. The main attraction is the Lockmeadow Entertainment Centre, which accommodates Odeon Cinema, David Lloyd Leisure Club and a number of A3 restaurants. It therefore functions as a leisure destination in its own right. We understand that the AMF bowling alley will be relocating from King Street to the Lockmeadow Entertainment Centre in Summer 2013, thus adding to the leisure offer in this part of the town centre.

3.130 The notable retail attraction in Block 9 is B&Q and the numerous other 'bulky goods' retail warehouses. These supplement the substantial 'bulky goods' retail offer to the immediate north, at St Peter's Wharf Retail Park. The block has some residential uses, including the 'Blue Quarter' and 'Riverside Plaza' apartment schemes off Hart Street. It further includes Maidstone West Railway Station and some car dealerships.

3.131 Similarly to Block 7, this block to the immediate west of the river is very accessible by car. However, it lacks pedestrian connections with the town centre's retail core to the east. Better pedestrian connections would enhance linkages between the leisure offer within the retail core and that within the Lockmeadow Entertainment Centre.

OVERVIEW OF TOWN CENTRE AUDIT

3.132 Taking an overview of the above, we conclude on the relative health and performance of Maidstone Town Centre (and different areas within it). In the first instance, it is useful to summarise the key findings of our analysis, as follows:

- Of all the principal centres considered for the purpose of comparative analysis, Maidstone's rank within the Venuescore national hierarchy of shopping centres decreased the most between 2007 and 2010 (from 33rd to 51st) before 'levelling out' at 52nd in 2013. The decline of the town centre since 2007 may be attributable to the relative improvement of similarly-ranked shopping centres across the UK and, potentially, due to the lack of investment in Maidstone Town Centre over this period. The town centre is currently ranked behind Croydon, Guildford, Bluewater, Bromley and Tunbridge Wells in the national hierarchy of shopping centres.
- Whilst the town centre's composition of uses is broadly 'as expected' given its size, we consider Maidstone to be under-represented by A3/A4 leisure uses (relative to many of the principal competing/ comparator centres). This has implications for dwell time within the town centre.

Further A3/A4 leisure uses should be encouraged along Earl Street in particular, in light of existing provision and its proximity to the prime retail area (hence to maximise dwell time and opportunities for linked trips).

- Our findings indicate that vacancy rates in Maidstone Town Centre, whilst higher than some of the principal competing/ comparator centres, have 'levelled out' since 2009. In contrast, most centres considered for comparative analysis have seen a slight increase in vacancy rates between 2011 and 2012.
- The majority of vacant units in Maidstone are concentrated in the 'secondary' areas of the retail core, reflecting pedestrian flows, rental levels and the general quality of the environment. The prime retail areas (i.e. Fremlin Walk and the southern end of Week Street) are 'healthy' and perform well in this regard. That said, The Mall has a substantial number of vacant units, possibly due to the quality and size of shop units (which are unattractive to modern retailers).
- Maidstone Town Centre has a high representation of major retailers (28 out of 31). The presence of these major retailers drive footfall, and helps to define the town centre's most 'healthy' and prime retail areas, namely Fremlin Walk and the south end of Week Street. Whilst a number of major retailers are represented within The Mall, vacancy rates and the substantial presence of independent retailers would suggest that The Mall is not as 'prime' as the aforementioned areas.
- The town centre has a 'bulky goods' retail offer to the immediate west of the river, which complements rather than competes with the retail core. The former area also comprises a strong leisure offer, predominantly focused within the Lockmeadow Entertainment Centre.
- The town centre office market is heavily subdued due to the dominance of nearby out of town business parks. Further, the stock of existing offices in Maidstone Town Centre is generally unsuited to modern occupier requirements. The public sector is a highly dominant town centre office occupier at present; this is likely to continue in the absence of private sector demand.
- Residential uses within the town centre are primarily supplementary to the commercial core, and are not generally considered to be the prime residential market within the Maidstone catchment.

3.133 Despite the relative decline of Maidstone's rank within the national hierarchy of shopping centres between 2007 and 2013, other indicators of current status and performance indicate that Maidstone Town Centre is performing well in retail terms in the context of many of the principal competing/ comparator centres. These indicators include Maidstone's recovery in terms of vacancy rates and the considerable presence of major retailers. Notwithstanding this, pipeline proposals within the principal competing centres (e.g. Bluewater) would serve to enhance the attractiveness of these centres and result in further competition for Maidstone.

3.134 It is apparent that the most vital and viable retail areas in Maidstone Town Centre include Fremlin Walk and the southern end of Week Street; this is reflected by the 'critical mass' of major retailers therein, in addition to pedestrian flows, rental levels and the quality of the shopping environment. The Mall, however, requires investment and a sustained number of 'multiple' retailers in order to enhance its health relative to the prime retail areas. The more 'secondary' shopping areas within the retail core would benefit from environmental improvements, better linkages with the prime retail areas and action to address vacancy rates, such as greater flexibility for change of use.

3.135 The current ‘critical mass’ and diversity of major retailers in Maidstone’s prime retail areas (namely Fremlin Walk and the southern end of Week Street) drive town centre footfall and help to attract other, and indeed retain, major retailers. They also help to sustain the mid-size retailers, and the leisure/service businesses. The former are a particularly important ‘driver’ in a town centre the size of Maidstone, whilst the latter are increasingly important in successful and prosperous town centres. Therefore, key to maintaining and enhancing the health and attractiveness of Maidstone Town Centre is the retention of this ‘critical mass’ of major retailers.

4 Qualitative Retail Need Assessment

4.1 Our assessment of Maidstone's qualitative needs and opportunities for improvement looks at deficiencies in existing retail provision (i.e. gaps in the retail offer and consumer choice) and the quality of existing retail provision (i.e. characteristics of provision against modern retailer requirements). It also summaries the nature of Maidstone's qualitative retail needs and considers the performance of existing stores.

DEFICIENCIES IN EXISTING RETAIL PROVISION

4.2 Healthy town centres need a 'critical mass' and diversity of retail provision in order to remain competitive. This includes the provision of both 'multiple' and independent retailers, often complemented by a range of tourism, leisure and cultural activities.

43 As demonstrated by the analysis at section 3, Maidstone Town Centre is well-represented by a 'critical mass' of major retailers (28 of the top 31), many of which are concentrated within the prime retail areas of Fremlin Walk and the southern end of Week Street. This level of representation is comparable with Bromley and Croydon, and greater than all other principal competing/comparator centres. Notable exclusions from Maidstone Town Centre include Debenhams, John Lewis and Waitrose; although we understand that the latter does have a current requirement for space within the town centre.

4.4 Maidstone's retail offer is further complemented by a strong independent offer, an outdoor market and a local farmers' market, in addition to a cluster of 'evening economy' uses along Earl Street and, to a lesser extent, the south-side of High Street.

4.5 Maidstone has roughly the expected volume and quality of retail, given both its size and the level of available expenditure from its shopping population[32]. Taking this into account, and the fact that Maidstone is very well-represented by the major retailers, it is difficult to identify any gaps in the range and type of offer beyond current retailer requirements, which are detailed at section 5 below. We are aware that the 2010 Town Centre Study identified relatively strong middle market demand (particularly in comparison to the upper end of the market). We are not aware of any evidence to suggest that upper end retail is the correct fit for Maidstone town centre and its future prospects, and consider that middle market will (in general) continue to be a stronger fit.

4.6 The town centre also benefits from a strong independent retail offer, which should continue to be supported given that this complements Maidstone's mainstream retail offer.

4.7 The town centre lacks a concentrated mid/ upper market A3 offer. There are some individual operators on Earl Street but, collectively, these are of an insufficient quantum to create a true evening leisure destination.

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[32] The Maidstone Retail Capacity Study estimates that total catchment area expenditure available for shopping (i.e. retail goods) was £3.7m in 2012; rising to £4.2m by 2016, £4.9m by 2012 and £5.6m by 2026 due to population and expenditure growth over the forecasting period.

QUALITY OF EXISTING RETAIL PROVISION

4.8 Assessing the quality of existing retail provision (in terms of condition, format and size) is highly subjective. For instance, some retailers require large shop units with good servicing; others require smaller, more efficient shop units. Notwithstanding this, where the quality of existing retail provision does not meet retailer requirements, this is usually reflected within a town centre by vacancy rates and/or the 'leakage' of trade to competing centres.

4.9 Fremlin Walk is Maidstone's foremost and most recent town centre scheme which provides modern, flexible shop units and a range of floorplate sizes/ formats over one or two floors. The largest unit is occupied by the 'anchor' retailer, House of Fraser, whilst the smaller units provide for the likes of Jane Norman, La Senza and The Body Shop.

4.10 Week Street provides a mix of floorplate sizes/ formats, the largest of which are occupied by Primark and Marks & Spencer, however the shop units are generally dated and lack flexibility in terms of ease of extension and/or east of sub-division. The Mall also provides some larger shop units over two or three floors; however the shopping centre predominantly comprises smaller units and (again) these are somewhat dated and lack flexibility.

4.11 Against this background, it is useful to assess the size of shop units in Maidstone Town Centre (based on data from Experian Goad). This will enable us to consider the characteristics of existing provision in Maidstone against modern retailer requirements. Edge- and out-of-centre provision (including provision to the west of the River Medway) is not considered for the purpose of this exercise. The nature of retailing in such locations is traditionally characterised by retail warehouses, which may serve to skew the findings of our 'town centre' analysis.

4.12 Our analysis is based on the following shop[33] size bands:

- < 200sqm
- 200-500sqm
- 501-2,000sqm
- > 2,000sqm

4.13 **Figure 4.1** below presents a breakdown of the size bands of shop units in Maidstone Town Centre[34]. The largest shop units (over 2,000sqm), which are suitable for variety stores and supermarkets, account for only 1.4% of shop units in the town centre; these include BhS, House of Fraser and Sainsbury's. A further 7.3% of the shop units measure 501-2,000sqm, which are predominantly occupied by 'multiple' comparison retailers of clothing and footwear. Such retailers include H&M, New Look, Peacocks, Primark and Zara.

[33] The 'A' Use Classes only (i.e. retail and service uses).
[34] Floorspace is Experian Goad gross floorspace.

4.14 The highest proportion of shop units in Maidstone Town Centre are less than 200sqm. These small units cater for both national 'multiples' and independents, with a high proportion of retail services (i.e. banks, hairdressers) and leisure services (i.e. cafes, hot food takeaways) as well as a considerable share of Maidstone's vacant units. In terms of the location of small units, these can be found throughout the town centre, from the prime retail area of Fremlin Walk and to the outer 'secondary' shopping areas. Despite this observation, it is important to note that Fremlin Walk offers a mix of unit sizes to meet the diverse needs of modern retailer requirements; whereas secondary shopping areas are traditionally characterised by small units and occupied by independents.

4.15 Around a quarter of shop units in Maidstone Town Centre are mid-sized (200-500sqm) and are occupied by a range of retail and service uses.

Size Bands	No. of Units	% of Units
< 200sqm	384	66.8%
200-500sqm	141	24.5%
501-2,000sqm	42	7.3%
> 2,000sqm	8	1.4%

Figure 4.1 Source: Experian Goad (DTZ Update, November 2012)

4.16 Retailers are increasingly focusing on a smaller number of core locations due to weaker growth in town centre spending and an increase in e-commerce (i.e. internet shopping); these trends are discussed in detail at section 5 below. In these circumstances, it is important that town centres such as Maidstone continue to provide modern, efficient and regular floorplates to meet retailer requirements and remain competitive.

4.17 In this context, we consider there to be a lack of large, modern and well-located shop units in Maidstone Town Centre capable of attracting new, upmarket 'multiple' retailers. To evidence this, of Maidstone's 72 vacant shop units, none measure over 2,000sqm[35] and only four measure 501-2,000sqm. The larger shops units within the town centre are therefore well-let. It is these shop units (i.e. over 500sqm) that are most attractive to the modern retailers.

4.18 In terms of the location of the abovementioned vacant, larger shop units, none are situated within the prime retail areas (i.e. Fremlin Walk and the southern end of Week Street). However, those vacancies which may be suitable for modern retailers are the former House of Fraser unit on Week Street (which is expected to be occupied by Morrisons M Local); 1 King Street (opposite the main entrance to The Mall); and the former Somerfield unit on King Street (although this is to be demolished in Summer 2013). The other vacant, larger shop unit is situated on the 'secondary' shopping street of Bank Street; this unit may be more suitable for A2 or A3 uses.

[35] There is one vacant office premises (2,040sqm) off Fairmeadow, between High Street and Medway Street, however this is not suitable for modern retailers.

4.19 Requirements for units of greater than 2,000 square metres are generally from the major department store retailers such as JLP, Marks & Spencer, Debenhams or House of Fraser. JLP and Debenhams are not represented in Maidstone; JLP will only locate in more major centres and Debenhams are not in an expansionary phase. The Maidstone Retail Capacity Study identifies forecast capacity in the town centre to support substantial additional comparison goods floorspace which, in theory (subject to suitable, available and viable sites), could be provided in the form of a new department store. Maidstone Town Centre is represented by few department stores and there is scope to increase this. The main constraint on this currently is the relatively compromised space available in locations which are 'prime pitch', particularly when compared to the bespoke (and often purpose-built) units potentially available in out-of-centre locations.

4.20 In fact, all the major department store operators are now progressing out of centre formats, in response to the lack of supply in town centres (although as noted previously, the former House of Fraser unit is vacant in Maidstone). Major operators are also attracted to out of centre locations due to lower land costs and the prospect of large sites capable of accommodating new modern premises and free, surface car parking.

4.21 The next size group down in size consists of stores such as the Arcadia Group (Top Shop, Miss Selfridge etc), Next and the Inditex Group (Zara, Massimo Dutti etc) amongst others. These retailers will only locate on prime pitch – locations with an existing 'critical mass' of retail attractions and thus the highest levels of pedestrian footfall i.e. Fremlin Walk – and require units of 500 sq m plus.

PERFORMANCE OF EXISTING STORES

4.22 A new household interview survey of shopping patterns (2012) was commissioned for the purpose of the Maidstone Retail Capacity Study. This survey asked questions about households' shopping habits for main food and top-up food (i.e. convenience goods) shopping. It also asked questions about households' shopping habits for 8 different sub-categories of comparison goods shopping, namely:

Clothing and footwear; household textiles and soft furnishings; Furniture and floor coverings; household appliances; audio visual equipment; hardware, DIY goods and decorating supplies; chemist and medical goods, cosmetics and beauty products; books, jewellery, watches, china, glassware and kitchen utensils, recreational, personal and luxury goods.

4.23 The results of the 2012 Maidstone Household Survey thus provide a detailed picture of where households within Maidstone's catchment area do most of their shopping for both comparison and convenience goods. The results further indicate the performance of existing stores; for example, whether they are trading well (or otherwise).

4.24 Maidstone Town Centre (i.e. existing stores within the town centre boundary) secured an 18.3% market share of catchment area expenditure on comparison goods in 2012, and a 4.6% market share on convenience goods[36]. The remainder of market shares of catchment area expenditure were 'leaked' to out-of-centre shopping destinations and stores at Maidstone's principal competing centres, and (to a lesser degree) secured by Maidstone's district centres.

4.25 The overall performance of Maidstone Town Centre varies for the 8 different sub-categories of comparison goods shopping. In reference to the 'Retail Sector Analysis' set out in the Maidstone Retail Capacity Study, the town centre performs better in terms of expenditure retention on clothing and footwear (c. 26%) relative to, for example, household appliances (c. 8%) and audio-visual equipment (c. 9%). These market share findings indicate that Maidstone Town Centre has a strong clothing and footwear offer, which is principally focused within the prime retail areas (including Fremlin Walk). Conversely, the findings indicate that the town centre's choice and quality of stores selling household appliances and audio-visual equipment is relatively poor. Retailers of the latter sub-category of good (inter alia) are increasingly at risk in light of the growth of internet shopping. This is apparent following the recent closure of Jessops and Gamestation in Maidstone Town Centre.

4.26 Given the presence of retail warehouses such as B&Q, Homebase and Wickes Extra to the immediate west of the river, the town centre attracts a substantial market share of catchment area expenditure on hardware, DIY goods and decorating supplies (c. 11%). This figure is higher than that for the out-of-centre shopping destinations (c. 5% including South Aylesford Retail Park), which is atypical given that such goods are typically sold from accessible, out-of-centre locations.

4.27 In terms of convenience goods shopping, the 2012 Maidstone Household Survey indicates that Sainsbury's at Romney Place secures an overall main food market share of 2.8%; the Lidl store at Broadway Shopping Centre secures an overall market share of 0.4%. Whilst these figures may seem low, they do represent the proportion of *total* catchment area expenditure on main food shopping[37]. Our qualitative inspections of these two main foodstores in Maidstone Town Centre in October 2012 (weekday afternoon) found them to be performing well.

4.28 Sainsbury's had a busy car park (c. 400 spaces) and some queues at the checkouts; both of which are sound indicators of how the store is performing. It has a limited comparison goods offer, selling items such as stationery, kitchenware and small domestic appliances. It also has ancillary in-store services including a bakery, a hot-food deli and a fishmonger. However, in our view, the town centre would benefit from improved pedestrian linkages between Sainsbury's and the prime retail areas so as to encourage linked trips. Such action should take advantage of the store's proximity to the bus station and The Mall.

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[36] Store-specific market shares on comparison goods expenditure are not available from the results of the 2012 Maidstone Household Survey.

[37] To illustrate the point, Maidstone's main out-of-centre foodstores (Morrisons at Sutton Road and Tesco at Farleigh Hill) secure an overall main food market share of 4.7% and 2.5% respectively. These are large, accessible foodstores with free on-site car parking and full-product ranges.

4.29 At the time of our inspections, the Lidl store was fairly busy with some queues at the checkouts. It comprises a limited comparison goods offer, but no ancillary services. The store is very accessible by car. As outlined elsewhere in this report, we consider that the area to the west of the River Medway (including the Lidl store) could be better integrated with the town centre's retail core.

4.30 Other smaller-scale provision in the town centre (including Tesco Express on Week Street) does not specifically feature in the survey results. Notwithstanding this, we have no evidence to suggest that such provision is under-performing or under threat. To that end, the Maidstone Retail Capacity Study indicates that the town centre has the capacity to support substantial additional convenience goods floorspace over the forecasting period (this Study also identifies capacity for substantial additional comparison goods floorspace).

OVERVIEW OF QUALITATIVE RETAIL NEEDS

4.31 Drawing upon our assessment of deficiencies in and the quality of existing retail provision, together with the analysis presented at section 3, it is possible to set out some conclusions on the nature of qualitative retail needs and opportunities for improvement in Maidstone Town Centre. These include:

1. There is a notable lack of large, modern and well-located shop units to attract those major 'anchor' retailers not currently represented in Maidstone Town Centre (i.e. Debenhams, John Lewis).
2. The Mall lacks a high quality 'anchor' (at its east end in particular). There is Sainsbury's, however this is by nature a 'bulk food shopping' store and does not offer significant opportunities for linked trips with The Mall's comparison retail offer.
3. In addition, pedestrian links between Sainsbury's and The Mall are poor and slightly confusing; an opportunity exists to improve connectivity between these town centre attractions.
4. Further qualitative improvements should focus on improving the pedestrian environment at the northern end of Week Street, an important 'gateway' to the town centre from Maidstone East Railway Station. This would enhance the prospects of attracting new, major retailers at the northern end of Week Street, and would potentially serve to extend the focus of the 'prime' retail core.
5. There are currently some prominent vacant units in Maidstone, which serve to detract from the vitality and viability of the town centre. Notable examples include the former House of Fraser unit on Week Street (which we understand is soon to be occupied by Morrisons M Local) and the former Somerfield unit on King Street (which we understand is soon to be demolished with a view to future redevelopment). The use and occupation of these prominent town centre sites presents an opportunity to increase pedestrian flows and improve 'secondary' shopping areas.
6. A high proportion of Maidstone's vacant shop units are concentrated in the 'secondary' shopping areas. In order to maximise the number of occupied units and sustain a diverse composition of uses therein, it may be appropriate for the Council to afford greater flexibility for change of use within Use Classes A1 to A4.
7. The town centre lacks a concentrated mid/ upper market A3 offer. The main focus of the 'evening economy' is currently Lockmeadow Entertainment Centre, Earl Street and, to a lesser extent, High Street. Further provision should be encouraged along Earl Street in particular.

8. The western side of Maidstone Town Centre could be better integrated with the retail warehouses to the west of the River Medway, by means of a new pedestrian bridge. Whilst this represents a strategic opportunity for the town centre, funding is a challenge.. The area immediately to the west of the river potentially presents an option for retail expansion/ intensification, including more 'town centre type' retailers. Opportunities within the town centre's retail core are limited to minor infill, consolidation, and the reoccupation or redevelopment of vacant units.

5 Market View of Maidstone Town Centre

INTRODUCTION

5.1 This section of the report sets out an analysis of Maidstone Town Centre from a property market point of view. It assesses the strengths and weaknesses of each market sector (retail, leisure, office and residential) and sets out the likely future forces that will impact the performance of these sectors in Maidstone in the future.

RETAIL

5.2 Town centre retail floorspace is estimated at around 141,263 sq m (from Property Market Analysis LLP, PROMIS, October 2012), which is above the "Sub Regional Centre" average. Fremlin Walk contributed 32,527 sq m of comparison floorspace to this total when it opened in 2005, and it brought a number of mid-range fashion retailers to the town, which helped to boost Maidstone's reputation and ranking at the time.

5.3 Maidstone has roughly the expected volume and quality of retail, given both its size and the level of expenditure available from its shopping population. Breaking the retail offer down into categories, it does have a slightly above average representation of fashion retailers for a town of its standing, namely in the middle market band (e.g. Next, Miss Selfridge, River Island, Dorothy Perkins and Burton). Upmarket and speciality brands are predominantly found as concessions within the House of Fraser department store at Fremlins Walk, for example Ted Baker, Diesel, Firetrap, Hobbs, Phase 8 and Coast, Karen Millen, Austin Reed and Paul Smith. By means of comparison, Bluewater Shopping Centre provides approximately 162,639 sq m of retail floorspace.

PRIME RETAIL LOCATION

5.4 The prime pitch of Maidstone's retail offer was substantially increased with the opening of Fremlin Walk shopping centre. It can now be found on the pedestrianised area running from the House of Fraser department store at the western end of Fremlin Walk, up onto Week Street and down to the junction of Week Street with the High Street. The High Street has deteriorated as a prime shopping destination in the recent past.

5.5 Within this prime area are key occupiers such as:

- House of Fraser
- Marks & Spencer
- HMV
- Boots
- JJB Sports
- Schuh
- La Senza
- Topshop/Topman
- Republic

- Wallis
- Zara
- Next
- WH Smith
- Mothercare
- Monsoon
- River Island
- Burton/Dorothy Perkins

OTHER RETAIL

5.6 North of Fremlin Walk, Week Street continues up towards Maidstone East station. The retail on this stretch is predominantly secondary although there are some multiples, such as Primark, Superdrug, Maplin and Tesco Express.

5.7 High Street/King Street (and Bank Street) run from East to West, ending in the West at the river and in the East at a Sainsbury's Foodstore. These areas of the Town Centre are not pedestrianised and include retailers such as Argos, several high street banks, Boots and BHS (return frontages into The Mall shopping centre). Bank Street runs parallel with the High Street at the western end and contains a large number of bars, restaurants and public houses.

5.8 Week Street becomes Gabriel's Hill at the cross roads with High Street/King Street, and features a mixture of local stores and secondary chain stores, such as Robert Dyas and numerous charity shops. There is also a secondary entrance to the Mall from this street.

5.9 DTZ have recently been marketing a unit for freehold disposal on the High Street, namely the grade II listed 91 High Street, the ex Natwest building. This appears to be progressing towards a change of use to A3, with an occupier in early negotiations.

SHOPPING CENTRES

5.10 Maidstone has four shopping centres, namely Fremlin Walk, The Mall (formerly the Chequers Centre), Royal Star Arcade and Broadway Shopping Centre.

5.11 Fremlin Walk, as discussed, forms part of the prime pitch of the town and contains the majority of the mid-market retailers for Maidstone. The Mall is found south of King Street, and would not currently be considered prime (to the same degree of Fremlin Walk) in terms of location or tenant profile. That said, we acknowledge that it is – and should be – identified as part of the primary shopping area in the planning policy framework (in light of the key indicators of rental levels and pedestrian flows). The Mall is a fairly substantial centre however, covering over 52,973 sq m and has undergone numerous refurbishments and extensions in the recent past. It is predominantly pitched at the value end of the retail spectrum, with tenants such as BHS, New Look, Peacocks and Iceland. Royal Star Arcade is a small, covered mall of 28 units located off the High Street, and is mainly

pitched towards independent and local fashion operators and small coffee shops; it also provides a link through to the Market buildings, from which a number of specialist independent retailers operate.

5.12 The Mall Fund (owners of the Mall Shopping Centre) was established in 2002 by Capital & Regional plc (16.7% interest) and Aviva Investors. It is structured as a Jersey regulated unit trust and not open for new investment. Investors include/have included ISIS Property Asset Management plc, ING Real Estate, PRUPIM, SWIP, Hermes Real Estate, F&C Asset Management, Arlington Property Investors, Sparinvest and APG. The total fund size was over £2 billion at its peak, with 22 shopping centres, but has recently experienced a drop in values and has offloaded several sites to cut debts. Capital & Regional and Aviva have obtained consent from investors and bondholders to restructure the £1 billion of loans held by Fund to 65% loan to value by 2014 from the current 80%. In April 2012, the value of the Fund dropped 2% on a like-for-like basis during the first quarter to £952.3m (LTV of 69% based on debt level reported in Nov 2011). Current assets of the fund include Camberley, Sutton Coldfield, Blackburn, Uxbridge, Luton, Walthamstow, Wood Green and Maidstone. Based on the long term strategy to reduce gearing, it seems likely that the sale of assets from within the Fund would be welcomed by Capital and Regional and Aviva.

SHOPPING CENTRES – STAKEHOLDER CONSULTATION

5.13 We have undertaken consultations with the owners of the two key shopping centre assets in the town centre, The Mall Partnership (The Mall) and Legal and General (Fremlin Walk). The outcome of these consultations is below:

5.14 The Mall Partnership (owners of The Mall) raised the following points:

- They have owned the centre since 2005 as part of a joint venture with Aviva (control circa 20% and also manage the centre)
- Rents are currently below £100per sq ft Zone A
- They view the town as having too much retail space, particularly of sub 279 sq m units which have been difficult to let to tenants in the centre
- In recent times, they have upsized retailers The Entertainer, Sports Direct and Vision Express. These units trade well as do BHS, New Look and Boots
- There is more retailer demand in the 279-558 sq m range than for smaller units
- They consider that holders of stores in Fremlin Walk and the Mall will retain both
- Standard lease terms are currently 10 years with a 5 year break
- Void rate of the centre is fairly high for their portfolio
- Centre is one of their poorer performing schemes over the last 2 years
- Footfall has improved in the last year but is at the lower end of their portfolio of centres
- They have explored opportunities to link into the Sainsbury's but it is controlled by a different investor and major investment would have to create incremental income
- They are against the Next proposal at J7 of the M20 and believe it will damage the town centre

5.15 Legal and General (owners of Fremlin Walk) raised the following points:

- They bought the centre in December 2010

- The centre has good unit sizes relative to demand in the market (for example with a limited number of small units)
- Ideally, they would like to upsize Boots & Next
- Rents range from £110 per sq ft Zone A at the eastern end of the scheme, down to £90/£85 ZA near House of Fraser. Footfall is stronger at the eastern end of the scheme, something they are working to improve.
- They have planning permission to improve the amenity of the centre and for 2 restaurant units north of Fremlins. Aiming for mid market operators such as Jamie's Italian, Pub Chains, and Carluccio's
- The Waterstones unit is set to become a Wagamama – they consider there to be limited opportunity after this for units on Earl Street (where L&G have several ownerships) but the overall food and beverage offer would then be strong
- The scheme has a strong retailer line up, without any operators who are struggling in terms of their direction (e.g. New Look)
- The scheme was fully let at Christmas 2012 with two deals close to completing
- Standard lease terms are of 5 years or 10 years to larger operators, although gravity is towards the shorter leases
- They are against the Next proposal at J7 of the M20 and believe it will damage the town centre.
- River Island (on Week Street, not in Fremlin Walk) are in a compromised unit[38]
- House of Fraser store is poor to average in their portfolio

REQUIREMENTS

5.16 The current requirements listed on Promis for Maidstone town centre are:

- Fat Face
- Moda in Pelle
- River Island
- Poundworld
- Store Twenty One
- Wagamamas
- O'Brien's
- Gourmet Burger Kitchen
- Spar
- Sainsbury's Local
- Waitrose

[38] Whilst we are unaware of exactly how the unit is compromised for the tenant, it would normally be either through location, frontage, prominence and/or floor layout of the unit. River Island would likely prefer a more modern unit to trade from if one were available.

5.17 Whilst the majority of these retailers are small and are unlikely to shift the perception and reality of the retail environment in Maidstone, they would help to support and reinforce the existing retail offer. In particular the perception of a brand such as Waitrose can have a significant impact on town centres and their range of store size has become more flexible with the recent introduction of the 'Little Waitrose' store format.

RESIDENTIAL MARKET

5.18 Many regional housing markets have suffered during the financial crisis and subsequent recession since 2007. Maidstone has not been immune. In many areas the problems have been exacerbated by an oversupply of schemes which have an over-reliance on flats rather than family housing. This is a legacy of the peak of the market in 2007 when developers were building flats with a ready market of owner occupiers and investors to meet the supply. The types of units being delivered at that time were small efficiently sized flats ideal for investors and developers to generate a return, but on the small side for the owner occupier market. A combination of this oversupply, the significant fall in investor demand and the inappropriate units for those owner occupiers currently able to buy, has led to significant falls in values in such areas.

5.19 In the period from 2007-2009, several residential blocks in Maidstone have been rented, in a change to normal strategy for some developers; this was in order that they may have a better chance of protecting against loss. An oversupply of units had a significant impact on achievable values, with new build developments near the town centre achieving sales on 2 bedroom flats of £125,000 - £150,000 (equating to about £175-200 per sq ft (net) up to a maximum of around £225 per sq ft). Since this period, there have been a reduced number of developments and prices have stabilised. New houses tend to trade at a premium to apartments although there is limited supply in the town centre; values of circa £250,000 for four bed houses have been achieved (circa £250 per sq ft). Furthermore, there has been erosion in the oversupply of flats in towns such as Maidstone and a general rebalancing to provide more family housing.

5.20 DTZ have sold housing led development sites which have proved popular in the market in the last few years and achieved good offers; we understand that there is evidence of similar land deals of a small size in Maidstone. One of these sites was for 6 houses and achieved £320,000 in an unconditional disposal. The units have subsequently sold at £160,000 for the two bed houses and £180,000 for the 3 bed houses and this was not considered a prime location. DTZ also recently advised a major UK land owner on a potential 'infill' site in the area to the east of Maidstone. This had the potential for around 12 houses and our consideration was that a value of circa £200 per square foot on the private housing units was achievable with an average unit price of £170,000. We have further knowledge of three sites around Maidstone (all consisted of houses only, with no apartments) with marketed prices reflecting between £193 and £240 per square foot.

5.21 Despite the desirability of certain housing led sites highlighted above, this is for housing sites as opposed to high density flatted developments. If housing led schemes were delivered in the town centre then we consider that there would be relatively strong demand for them. The key reason that they are unlikely to be brought forward by the private sector in the short to medium term is that land values are too high to do this sufficiently profitably. The differential between residential and retail

land values in locations such as Maidstone town centre is such that even if the retail is secondary or tertiary, it typically drives more value. In order for residential land values to be higher than these retail values is for high density apartment schemes to be brought forward; as stated earlier, we consider that there is limited demand for new apartments from either developers or consumers to justify delivery of these units in the short to medium term.

5.22 Residential uses in the town centre are desirable from the perspective of sustaining the vitality and viability of the area. In particular, they help underpin demand for the provision of increased A3 operations which as highlighted elsewhere in the report, are increasingly important for town centres. There is also a benefit to the ambience of the area from the increased bustle and passive surveillance provided by having residents. Overall, residential uses should be seen as a benefit to the town centre where they can be added.

5.23 The role of residential uses within mixed use schemes is partly to provide an active consumer base to the rest of the development but also, crucially, to create the right environment for other uses (in terms of bustle and ambience as highlighted above). It can also be important in providing early receipts from affordable housing providers and hypothetically, pre sales of private receipts. However, developers can be wary of mixing uses within the same building due to the need for flexibility for operators in dynamic markets (i.e. retail) where the legal rights of residential owners can be an issue.

AFFORDABLE HOUSING

5.24 Our understanding is that Maidstone is an area which has considerable demand for affordable housing. A developer in the housing sector has suggested that a take up level of around 100 – 130 units per annum is achievable[39].

5.25 As a general rule, DTZ would anticipate affordable values to be around 45% (as an aggregate) of private sales values (this would drop further if social rent provision was included) although we have seen evidence of three active bids/ completed agreements on affordable housing with major house builders showing a range from circa 64%-75% of open market value for locations in Tovil (Maidstone) and Ashford. We consider that this relatively high percentage is due to strong demand dynamics in the area (particularly in the semi rural areas around Maidstone, similar in nature to the subject land). In terms of town centre specific analysis, affordable housing is generally delivered as part of private residential schemes, where a percentage of units is given over to affordable housing providers. As we consider private residential development unlikely in the near to medium term in the town centre, town centre affordable housing development is unlikely to come forward in these similar time scales. As highlighted above, we consider residential schemes unlikely to come forward in the short term in the town centre due to land values. For town centre affordable housing to come forward it is likely to have to be led by MBC and affordable housing providers. From our conversations with the key local provider (Golding Homes) we view this as unlikely as they are sceptical regarding apartment schemes in the town centre, and from our market assessment, we generally agree that apartment schemes are unlikely unless public sector funding can be sourced.

[39] From discussions with a developer.

FUTURE HOUSE PRICES

5.26 The chart below (**Figure 5.1**) presents Savills' forecasts for house price change in the South East and UK over the next 5 years. It is important to state at the outset that forecasting, particularly at this time, is beset with significant uncertainties. Indeed it is also important to note that no forecasting house has a history of accurately predicting house price change, other than the general direction of the market. This is because expectations explain a significant proportion of house price growth or falls and expectations of households and investors are difficult, if not impossible, to model.

Year	South East	UK
2012	-1%	-2%
2013	1%	0.5%
2014	4%	1%
2015	5%	2%
2016	6%	4.5%
2016 onwards (DTZ assumed)	***5%***	***3%***

Figure 5.1 Source: Savills Residential Property Focus Q4 2011

5.27 None of the forecasting houses produce house price forecasts beyond the next 5 years. Data from Nationwide suggests that the long term trend rate of house price growth is around 3% in real terms (adjusted for inflation). Crudely, this can be translated into 5% nominal growth (assuming inflation is at the 2% target rate).

5.28 It is important to bear in mind that there is scope for considerable variability in price changes at the local level. In practice, different localities may experience a faster recovery depending on how demand and supply varies across different housing markets. However, on the basis of house price change over the last 35 years, different regions are likely to follow the same path, even though the depth of up turns and down turn and the timing of these may vary slightly.

TRANSACTION LEVELS

5.29 DTZ held discussions with the development industry (and HBF) during the housing market downturn for a piece of research for the HCA. This research suggested that the long run average (largely pre-credit crunch market conditions) for sales rates per sales outlet on a development site is around 40 per annum (just less than 1 dwelling sold each week). Sales rates can be increased on large sites where more than one house builder is operating i.e. there is more than one sales outlet and they are selling different products, but it does not necessarily increase in proportion to the number of developers on a site.

5.30 In DTZ's experience, sales of 100-200 dwellings per annum are fairly typical on large strategic sites where there are likely to be multiple house builders operating and able to sell to different segments of the market from different sales outlets. One strategic site within Kent, which delivered over 2,000 homes over the last decade, has sustained sales of 100-130 dwellings per annum including in the years up to 2011. A number of different house builders/brands were present on site which is likely to have increased the size of the market. Whilst bearing these sales rates in mind, it is important to

note that we do not consider that schemes of this size are likely to be pursued or feasible in the Town Centre.

5.31 However, data on transactions from the Land Registry shows that the volume of transactions fell around 50% from the peak in 2007 and has remained at this reduced level since. Transaction levels in Maidstone have followed the same pattern. In each of the last 3 years, transactions have totalled around 1,800 per annum in Maidstone. This compares to levels of 2,500 - 3,500 in the decade up to 2007. Part of the explanation for this is that the volume of mortgage approvals has halved, which is unsurprising since, on average, half of UK banks' mortgage funding was raised from the money markets which have effectively been closed since the end of 2007. Transactions have also been affected by confidence amongst buyers and sellers and to this extent they may recover as house price growth is re-established in the long term.

5.32 In practice, sales rates may not fully return to historic levels even when house prices growth re-establishes itself. Sales rates will be critically dependent on two factors:

- The extent to which sales rates can be expected to return to pre credit crunch levels will depend on the mortgage market and whether the availability of credit improves. Many commentators do not expect the availability of mortgages to return to pre-credit crunch levels. However, with very depressed levels of activity in the market, there may be pent up demand in the market that comes forward when mortgage availability and confidence return.
- Sales rates also depend on whether investors (e.g. buy to let) return to the market. Anecdotal evidence suggests investors have purchased 60% of new properties on some sites prior to the downturn. The extent to which they return to the market will depend on their ability to secure finance and also their confidence in the market (since a significant motivation for investment has been capital gain) and this may take some time to improve.

5.33 For apartment type developments there is a different dynamic in operation. Generally, pre-credit crunch, developers expected to secure 30-40% pre-sales before starting to build out. This served to de-risk the development, since apartment developments have to be built out all at once, and allowed developers to secure funding from banks on the basis of healthy levels of pre-sales. The combination of falling house prices, oversupply in some areas, loss of investor confidence, rising interest rates and credit constraints has hit the economics of apartment developments.

OFFICE

5.34 We have had regard in this section for the previous work undertaken by GVA (Employment Land Study 2008) and GL Hearn (Office Viability Study 2009)[40]

[40] As mentioned in section 2 above, it is important to make the distinction between employment land reviews and our analysis, which is from a property market facing point of view. It is unlikely the same conclusions will be reached, as studies based on economic forecast data bear little resemblance to occupier demand, investment market demand and achievable rental levels and build costs. These factors all combine to determine viability of schemes.

5.35 We believe it unlikely that the market will see Maidstone town centre as a viable office development location for the immediate and potentially medium term future. Whilst there is some small scale demand for office space in the town centre, there are several factors constraining future office development in the town centre:

- Existing office stock is predominantly dated in both appearance and construction and would require significant capital expenditure to renovate. It is unlikely that the current rental levels achievable on renovated town centre 1960s/70s office stock would justify this capital outlay
- On a similar note, the prime rental levels achievable on office stock in the town centre are unlikely to make new build office development viable at present. The Countygate scheme is believed to be substantially over rented, with net effective rents on new 5 year leases here likely to be below £15 per sq ft. Unfortunately, office build costs do not follow similar patterns, and at the likely yields achievable on office schemes in Maidstone, this is also unlikely to be viable.
- Finally, car parking is an important requirement for office occupiers. This is far easier and cheaper to provide for staff at out of town office developments where space is not at such a premium. Whilst it is attractive for an office scheme to have multiple transport links (i.e. rail, bus and car) which is easier to provide in a town centre, this has a limited value outside of London and other prime regional cities.

5.36 Clearly, we cannot rule out all forms of office development being unviable. For example, smaller elements of office development as part of larger mixed use schemes may be feasible, but 100% office development in Maidstone Town Centre is unlikely to be viable in the current market and would not proceed without a substantial pre-let to a strong covenant on a long lease term – this should succeed in attracting investor developers.

5.37 The out of town business parks around Maidstone such as Eclipse (J7 of the M20), 20/20 (J5, including Nimbus Enterprise Park) and more widely, Kings Hill Business Park in West Malling, currently provide the requirements of national and international companies due to the greater supply of better quality floorspace with the ability to accommodate larger floor plates.

5.38 However, we are aware that Kent County Council is, as with many local authorities, undergoing strategic reviews of their built estate. They currently occupy a substantial listed building next to Maidstone East station, along with several other office premises around Maidstone Town Centre. Should a relocation requirement for the Council be released, a substantial pre-let for a town centre office scheme anchored by the public sector could well be the key to unlocking development which would otherwise be struggling to meet viability hurdles. Furthermore it would allow for a comprehensive mixed use development involving employment, retail and leisure uses.

KEY TOWN CENTRE CHALLENGES

5.39 This sub-section looks at broader trends in the relevant property market sectors and their potential implications for Maidstone. The economy remains in a weak position five years after the onset of the initial credit crunch and the subsequent double dip recession. One of the major representations of this economic slump and the way this has affected spending and leisure patterns is the retail market and the makeup of the UK's high streets. The major impacts include:

- The reduction in multiple retailer representation across the UK, with a focus by brands on a smaller number of larger locations
- Tied into this is the growth of internet shopping
- The increased importance of A3 and leisure uses in terms of anchoring town centres and major new shopping centres
- Changing store formats such as the growth in "pop up" stores
- The importance of providing a high quality of experience (through the quality of the retail and leisure offer through to the quality of environment and accessibility) to shoppers in order to attract and retain their custom
- The importance of achieving an appropriate balance between independent and multiple retailers

5.40 Further detail on the most important of these issues is set out below.

MULTIPLE RETAILERS

5.41 Retailers have always been evolving with old ones leaving the market and new ones entering. The major recent change has been the strategy of new retailers entering the UK market and their approach to expansion and store coverage.

5.42 International retailers are still entering the UK market but are becoming more selective about their store footprint. Major retailers to enter the UK in the last 3/4 years include Hollister, Forever 21, Victoria's Secret, J.Crew and Aeropostale and they have stores (or are seeking them) in London (often multiple stores including a flagship) and the next 10-15 major cities. At this point, they have looked to increase their geographical spread across Europe (to similarly major cities) as opposed to achieving more concentrated coverage in the UK. This contrasts with the typical strategy of international retailers 15-20 years ago who would seek coverage across the UK to a greater extent before moving to the next market.

5.43 These strategies can be witnessed in the example of the upmarket fashion retailer Banana Republic and its parent company, Gap (more of a mid market retailer). Banana Republic opened its first European and UK store with a flagship offering on Regent Street, in the heart of the West End of London, in 2008. Since then, only an additional 7 stores have been opened, 5 of which are in prime retail areas of London (3 prime shopping centres, Covent Garden and the Kings Road). The remaining two stores are in prime regional shopping locations, namely the centre of Bath and The Trafford Centre in Manchester. By comparison, Gap opened its first UK store in London in 1987. Since then, it has opened roughly 140 further UK stores, equating to around 5 stores per year, compared to circa 1 store a year for Banana Republic.

5.44 This example illustrates the wider trend of polarisation between prime and secondary. Existing UK retailers are either in the process of exiting large numbers of non-prime stores or are forming business plans for this strategy, in order to concentrate on stores with better catchment sizes/affluence and e-commerce. This structural change has been driven massively by the impact of the recession, where "cost is king". There is a large amount of secondary/tertiary quality high street retail space in the market that is no longer fit for purpose for modern multiple retailers.

5.45 Furthermore, services based retail uses (financial, travel agency etc) have seen a gradual contraction in store numbers since the onset of the recession and even before this, as internet retailing captures a greater number of the services these types of retail unit occupiers supply (for example online banking, holiday price comparison/last minute websites etc). Whilst the recession did not accelerate the onset of this structural change, it is likely that the dwindling footfall generated by these shops has had an impact on occupier estate strategies when it comes to lease events.

5.46 Some of the retailers who have downsized or are looking to downsize their store portfolios are:

- French Connection – store portfolio review with 12 leases "for sale" (May 2012)
- Mothercare plans to reduce its store portfolio by one third by 2015 (May 2012)
- Thomas Cook closed 149 stores in the 12 months from September 2011 to 2012 with a warning of more closures to come
- In December 2012 and January 2013, 1400 stores were at risk of closure, or closed, due to the administrations of Stead & Simpson, Jessops, Comet, HMV and Blockbuster. Around 45% of these are on the High Street.

5.47 This trend towards 'right-sizing' has lead investors to target the most defensive locations, where consumer spending is most resilient to economic changes, while there is growing uncertainty as to the sustainability of over-supplied secondary towns. Maidstone currently fits into the bracket of a secondary town which is at risk from such trends.

5.48 There is a limited new retail development pipeline, with only two new centres over 40,000 sq m due to open in 2013. Trinity Leeds will be the biggest new shopping centre to open in 2013 at 93,000 sq m. New Square, West Bromwich, anchored by Tesco, will be the second largest opening of 2013 at 43,900 sq m. However, a few in-town schemes are being reinvigorated, such as WestQuay Southampton and Hammerson's Eastgate Quarter in Leeds. An interesting development leading on from this is how schemes have changed in approach. There is a greater emphasis on extensions of schemes now, and whereas before the preference for a scheme was for one or two department store anchors, developments now are becoming more flexible in terms of anchorage, with leisure (cinemas and restaurants) and foodstore anchors becoming more common.

CHANGING STORE FORMATS

5.49 Flexibility (often at the expense of rental values) is key to freshening up tenant mix, driving footfall, sales, and ultimately rental growth. Retailers need to use technology and the physical space to build their brand image, and create an exciting lifestyle around the product. For comparison type goods 'brand pavilions' are one answer; these are showroom style stores that showcase the brand, in prime locations.

5.50 Pop up stores have become a regular feature of UK towns and cities and tend to operate at times of short term vacancies. Despite their growth, we are not aware of any major retail landlord seeking to have them as a permanent fixture instead of a standard lease term with a tenant. The issue for a town centre such as Maidstone is the lack of concentrated ownership which means that (outside The Mall and Fremlin Walk) there is limited incentive for landlords (apart from the interim income generated) to have a revolving element of pop up retail.

5.51 Land Securities recently announced an exclusive tie-up with Google Product Search to offer the web-based service across its UK shopping centre portfolio. This is a response to the move to greater online retailing. Land Securities' customer insight at its centres has shown that ROPO (Research Online Purchase Offline), is a consumer behaviour trend that is driving a significant proportion of retail sales, so it is introducing Google Product Search which allows customers looking for a specific item to see results showing which retailers in that centre sell the product – driving traffic directly to retailers at the centres.

5.52 The facility is now available in Exeter, Bristol, Leeds and Oxford amongst others. Land Securities are also rolling-out free Wi-Fi in their centres

THE IMPORTANCE OF A3/ LEISURE

5.53 There is clear evidence that whilst economic times have been tough over the last five years, consumers have largely protected the level of discretionary spend on eating out. Compared to say 15-20 years ago, eating out is no longer seen as such a luxury item. The options in the marketplace for mid market and higher quality chain dining have soared in recent years, particularly with the advent of television chefs and their branded restaurant chains. **Figure 5.2** below illustrates some of the major chains that have developed in recent years as the branded element of the market has grown substantially.

Figure 5.2 – Major Leisure Chains

5.54 The cinema industry has performed relatively strongly during the recession considering the economic headwind – the advent of digital and 3D movies has increased audience attendances whilst enabling operators to charge premium prices for the product. Cinema attendances were 35% higher year-on-year in April 2012, whilst Cineworld reported a 5% increase in revenue backed by an increase in ticket prices. Another Cinema success story is that of Everyman Cinemas, a premium cinema operator with licensed bars and hot food offerings for customers. Whilst they are predominantly London focussed, they have expanded recently, with further branches across the South East and most recently at Land Securities' Trinity Leeds scheme. At present, there is a single cinema operator within Maidstone town centre, being Odeon on the leisure scheme in the south east of the town It is worth noting that the ability to attract an additional cinema operator to a town centre location in Maidstone is likely to depend on a number of key criteria, primarily the availability of a non-compromised site of the requisite size, in a prominent town centre location with surrounding complementary uses as well as access to enough free parking close by. These requirements are clearly limited in existing town centres without a substantial redevelopment opportunity being available.

5.55 The majority of the circa 1 million square feet of leisure floorspace under construction is on cinema-anchored parks. Niche bowling operator All Star Lanes is looking to expand beyond London and has agreed terms for London & Regional's Great Northern scheme in Manchester, although their expansion programme is likely to be focussed on prime urban locations such as Manchester at present.

5.56 All this means that A3 and leisure uses are more important than ever to retail centres, particularly given their ability to increase dwell times (and therefore spending volumes). This is no more apparent than at Trinity Leeds (Land Securities new scheme) which will be the biggest shopping centre to open in Europe when the doors open in 2013. This 92,936 sq m centre is over 80% let, with some retailers opening their first store in the city and others opening their biggest stores in the UK outside of London. The most interesting aspect of this opening however, is the way its development has been adjusted to meet the modern retailer climate, with bigger units, links to e-commerce via large interactive screens and mobile phone apps, and crucially the expansion of the A3 restaurant and cafe and leisure offer. 12% of the centre was originally to be dedicated to food and leisure but due to soaring demand from operators this has increased to over 20%. Whilst rents on food, beverage and leisure units are typically lower than those achievable on retail units, it is crucial to create the right trading environment for retailers and the right experience for shoppers to increase dwell time.

GROWTH AND EFFECT OF INTERNET SHOPPING

5.57 It is estimated by the British Council of Shopping Centres (BCSC) that 25% of total UK retail sales will be conducted through online channels by 2020. This will mainly be driven by mobile phone e-retail sales, which have a two year growth rate of over 2,000%, after 8.2% of all e-commerce retail sales being through mobile phones in Q1 2012.

5.58 This is going to have an impact on retailer store portfolios. It is estimated by the BCSC that almost 20% of current retail space (circa 1.39m sq m) could be surplus to modern retailing requirements in its current form.

5.59 Whilst it is impossible to accurately predict how these forecasts may change retailers' estates in terms of a quantum of floor space, we can postulate as to what the impact may be:

- The impact of reductions in town centre spending and increasing e-commerce has been felt most by middle ranking and smaller towns, such as Maidstone
- As discussed, retail brands are likely to focus on a smaller number of core locations for their "bricks and mortar" estate, where they can attract the greatest catchment size, most affluent catchment profile and have flagship type stores
- Premises in secondary centres such as Maidstone could be higher up the list in terms of cost cutting so that retailers can divert capital into growing e-commerce and alternative methods of deriving sales
- It may be that secondary locations for retailers become more of a click and collect/logistics type destination, with a minimal requirement for display retail space and more for storage and distribution/collection of internet orders.

THE IMPORTANCE OF PROVIDING A HIGH QUALITY OF EXPERIENCE IN ORDER TO ATTRACT AND RETAIN SHOPPER'S CUSTOM

5.60 Town centres that can offer an excellent all-round experience to shoppers are likely to be better positioned than others in terms of countering the challenges of the changing retail environment. The quality of the physical environment is an important factor to consider here. Good urbanism, design and definitions of place are an essential pre-requisite to:

- Attracting investment – for homes and businesses
- Creating opportunities for interaction and exchange
- Growth in commercial/community/aesthetic value over time

5.61 In Maidstone, the Council have recently taken action to improve the High Street with significant public realm improvement. DTZ are aware of a number (and have advised on many) of recent developments which have involved infrastructure elements, where both mixing of uses and people has been crucial and the long term strategy has been to improve property values.

5.62 Whilst it is very difficult to isolate the impact of improving the local environment on property values, there are some examples. "The Cut" in Southwark, London, saw a £3m public realm renovation in 2007/2008 which included:

- Widening and resurfacing of footways
- Improved lighting
- Planting trees
- New pedestrian signs

5.63 Research on these improvements concluded that, via changes to the four elements above, around £9.5m had been added to the value of private property in the area. Simplistically, this is a circa 200% return on investment which shows the potential impact.

5.64 A larger scale example is The Arc, in Bury St Edmunds. This circa £100m mixed use, retail led scheme included a regeneration of the civic core of the town and resulted in an increase in footfall through the existing town centre, due to new development and a restaurant offer supported by a public venue and an increase in town centre values with significant uplift in revenues though car parking. As well as public realm improvements the centre included a public arts venue which has been important in improving the experience.

5.65 Funding for these initiatives is challenging in the current environment. Within a closed environment of single ownership such as a shopping centre, public realm improvements can be funded through service charges. But in high streets and town centres, where ownerships can extend to hundreds of parties, the solution is far more problematic.

5.66 The current financial position of the public sector needs to be recognised. It is going to be difficult to find public sector funding for projects unless they can demonstrate significant economic and community benefits such as the creation of new jobs or community facilities. Primarily, the masterplan will need to be delivered by the private sector, supplemented with partnerships with the public sector on the provision of public sector facilities which are not commercially viable and/or where the relevant public sector body cannot pay the market price for the facility.

5.67 However, there are a number of funding mechanisms which are available to the public sector in order to aide development and make it more attractive if key goals of the public sector can be demonstrated to be achieved by it (e.g. jobs and physical regeneration). The following sources (refer to **Figure 5.3**) should be considered for their potential to assist in delivering an improved quality of environment in Maidstone town centre. They are discussed in further detail in section 6 of this report.

Type of Funding	Sources
Capital reserves	• MBC
Grant	• Central Government/HCA/LEP/DfT • Lottery pots
Business rates	• Business Improvement District (BID) • Local Authority Business Growth Incentive • Business Rate Supplement
Borrowing	• Prudential Borrowing • Public Works Loan Board • Bonds • TIF
Planning gain	• S106 • CIL
Asset Values	• Land in public sector ownership
Private sector investment	

Figure 5.3 – Potential Funding Mechanisms

BALANCE BETWEEN INDEPENDENT AND MULTIPLE RETAILERS

5.68 It is important to ensure that any town centre has an appropriate balance, or mix, between multiple retailers (those with either a strong local or national presence, trading from multiple outlets) and independent retailers (those who tend to trade from a single store).

5.69 Multiple retailers offer substantial benefits to a town centre, including:

- The ability to offer shoppers the products and goods that they require at the most competitive prices
- The ability to drive substantial levels of footfall, especially with department store operators and popular fashion/technology operators (Apple, Hollister etc)
- They help to increase investment levels and potential by offering landlords a greater security of income than that offered by independent retailers

5.70 The main issue with having too many multiple retailers is that of identity. Town centres and high streets can almost become carbon copies of one another, with the same rows of shops, with no discernable difference and no character. It is important for town centres and high streets to differentiate themselves, to aim to provide a unique experience for shoppers, in order to increase the vitality of the centre. A careful mix of chain and independent retailers should help to assist with this.

6 Intervention Options/Implications Analysis

INTRODUCTION

6.1 This section of the report builds on the previous assessment of Maidstone town centre. It outlines the trends that are likely to impact upon future town centre performance, and sets out potential interventions that the Council and partners could implement to assist in improving the performance of the town centre in the future. In doing so, we set out and describe:

- A summary of the **trends at play**
- The range of **actions/interventions** that could be taken
- **Outcomes** that could result

THE TRENDS AT PLAY

6.2 The table below summarises the key trends at play and the position within Maidstone town centre, structured within a SWOT analysis.

Strengths	**Weaknesses**
• Strong presence of major retailers in comparison to competing/comparator centres • Environmental assets (e.g. river) • Relatively low vacancy rates • Key Kent town, in South East location with good catchment • Good independent retail offer • A good environment on the High Street	• Under-representation of leisure compared to competing towns resulting in reduced dwell time • Limited size of office market, several vacant office blocks and over-provision of dated office stock unsuitable for modern requirements • High level of retail vacancies in secondary areas and some prominent individual vacancies • Limited level of Council ownership which limits enabling role • Limited availability of medium/large modern retail units to accommodate the needs of retailers • Significant out of centre retail provision • Linkage weakness between the two sides of the town centre separated by the river
Opportunities	**Threats**
• Growing leisure demand, especially from mid-market restaurateurs and cinemas - associated benefits in terms of increased dwell time • Commuter location with strong long term growth prospects for residential • Concentrated ownerships on King	• Pipeline schemes and improvements in competing retail centres • Competition from neighbouring out of centre office parks providing superior accommodation at a cheaper build cost • Out of town retail development • Continuing trend of retailers rationalising their

Street and in and around the Mall • Foodstore close to the town centre • Retail units in the medium sized bracket which meet modern requirements • Potential increased demand for "secondary" investment assets in the near term future	operations into fewer centres with smaller "bricks and mortar" estates • Whilst there is an increased relevance in development terms for houses as opposed to apartments in town centres, this will be difficult to achieve, as existing land values are too high for lower density housing schemes to meet.

ACTIONS/INTERVENTIONS

6.3 Potential interventions open to the Council to build on the town centre's strengths, address weaknesses and take advantage of future opportunities can be categorised as follows and are discussed in further detail below:

- Policy support
- Funding to facilitate development
- Town centre management
- Direct role in development

POLICY SUPPORT

6.4 The Council can use planning policy to guide, ease and quicken development within the Borough. Currently, Maidstone Borough's development plan – together with the National Planning Policy Framework (NPPF) which is underpinned by the presumption in favour of sustainable development – is the basis for decision-making on development proposals.

6.5 Maidstone Borough's development plan currently, and principally, comprises:

- the 'saved' policies of the Maidstone Borough-Wide Local Plan 2000 (as 'saved' in 2007);
- the adopted Affordable Housing DPD (2006); and
- the adopted Open Space DPD (2006).

6.6 The Council is at an advanced stage in the preparation of their new Local Plan which, once adopted, will form a key part of the development plan. This will establish the general principles of, and strategic locations for, new development in the Borough. It will also set out a strategy for Maidstone town centre.

6.7 We consider below how policy support can be used to sustain and improve the health and performance of Maidstone's main town centre uses:

Retail

6.8 DTZ recently undertook a borough-wide Retail Capacity Study for the Council, which identifies substantial capacity for additional retail floorspace in Maidstone, most of which should be directed to the town centre in accordance with the sequential approach. This 'town centre first' policy (as re-stated by the NPPF) is key in terms of the securing the future health and performance of Maidstone town centre, and enhancing its status as a principal retail destination. Whilst within this report we have discussed other town centre uses, retail drives such a disproportionate amount of property revenue and value. Thus, the impact on investor and developer confidence of a failure to implement the 'town centre first' policy for retail development is likely to have significant consequences for the town centre.

6.9 The Council should therefore pro-actively promote town centre sites for retail development, and consider how and when these would be brought forward by the Council and its partners. As well as accommodating some of the forecast capacity for additional retail floorspace, the allocation of sufficient sites for new town centre development is vital in order to enhance the health and performance of Maidstone town centre. Further, identifying opportunities in the town centre would provide the market with a credible alternative to out of centre development.

6.10 That said, we have obviously identified the changes and general downsizing of the retail market; therefore, some flexibility in relation to other property uses (as appropriate) should be considered in order to adapt to change and sustain the town centre. As noted, retail values are significantly higher than other property uses in the town centre and we consider that is will only be economically worthwhile to change use in secondary areas with very limited retail value. It may also be appropriate for the Council to consider more flexible change of use policies within the retail use classes (i.e. A1 to A5) in the more secondary areas, in order to help to improve unit occupation and provide for a diverse mix of uses. However, the Council should seek to sustain a concentration of A1 retail uses within the prime retail areas of Fremlin Walk and the southern end of Week Street.

Offices

6.11 The Council's ability to influence development and land use in the town centre through planning policy is also particularly relevant in another sector; that of employment uses. We consider that overall, based on our market view of employment uses, there is limited opportunity to increase the total office stock within the town centre and if anything, the pressure (in terms of market demand) is to reduce this.

6.12 We consider that action should be taken to address the imbalance in the quality of the town centre's office stock. To that end, the predicted market change is such that to maintain investor/developer/occupier confidence, it may be appropriate in some parts of the town centre for the Council to adopt change of use policies for the conversion of employment uses to suitable, alternative uses.

Residential

6.13 In terms of policy support for residential uses, the Council should avoid over-provision for high density residential development in the town centre. This is because the viability of such schemes is likely to be challenging for the foreseeable future.

6.14 Further, it may be appropriate for the Council to re-consider policy relating to sites on the edge of Maidstone town centre (i.e. Springfields) and promote for medium density, town-house style residential development.

Leisure

6.15 This report discusses the increasing role and importance of leisure uses in achieving successful and prosperous town centres. Such uses help to increase both dwell time and opportunities for linked trips, thereby supporting other town centre uses (including retail).

6.16 We consider that Earl Street, close to Fremlin Walk in Maidstone town centre, has an important 'evening economy' leisure offer. This offer should be encouraged and nurtured and, where possible, complemented by additional A3/A4 leisure uses. In particular, the Council should adopt planning policies which restrict the loss of A3/A4 uses along Earl Street.

Overview

6.17 A number of the intervention options open to the Council have significant cost implications. The benefit of using the planning system to direct development is that it does not involve any capital outlay from the Council. Whilst there are limitations as to what can be achieved through planning policy (for example, it cannot foster market demand), it can very effectively be used as a proactive tool which actively promotes town centre sites for development, and sets out a framework for investors/developers to 'buy in' to. The planning system can therefore be used to maintain and improve the vitality and viability of Maidstone town centre.

6.18 In this context, we consider that it is critical that, in considering the findings of this report, the Council proceeds to develop a comprehensive strategy for the regeneration of the town centre. This could be incorporated into the emerging Local Plan, or sit beneath it with an appropriate level of 'weight' in planning terms, and should clearly identify:

- The Council's planning policies for each town centre use;
- Opportunity sites, together with a view of the Council's expectation in terms of the type of future development; and
- A delivery strategy, identifying who will be responsible for driving forward development, together with a clear assessment of costs and potential benefits.

FUNDING TO FACILITATE DEVELOPMENT

6.19 Funding can help support and unlock schemes in a number of ways:

- Providing funds to unlock necessary infrastructure work to enable the development
- Providing gap funding by way of a grant to plug a viability gap
- Providing cheaper funding than is otherwise available through private sector sources to aid the viability of a scheme

6.20 Our experience suggests that Councils can play a key role in securing funding with which to kick start town centre development schemes. Below provides further information on the variety of different funding mechanisms that are available:

Capital reserves

6.21 Councils carry capital reserves for a range of purposes including managing risk and funding future spending plans. Given the challenges in regenerating the town centre as set out in this report, we consider that – as part of the process of setting the next Council budget – the potential for capital reserves to be allocated in the future to unlocking key town centre development sites (for example through funding infrastructure provision, land assembly, etc.) is assessed.

Prudential borrowing

6.22 The Local Government Act 2003 introduced new freedoms and flexibilities for local authorities with one of the powers allowing local authorities to borrow to invest in capital works and assets so long as the cost of that borrowing was affordable and in line with principles set out in a professional Prudential Code, endorsed by the Chartered Institute of Public Finance and Accountancy.

6.23 The low cost debt is made available to local authorities by the Public Works Loans Board (PWLB) and the rates are determined each night. As on 12th March 2013 the interest rate for a 5 year Prudential loan was 1.38%, whilst longer term loans (25 yrs +) will be for higher interest rates, at 3%+.

6.24 In considering the option of Prudential Borrowing, the Council needs to take account of their capital finance regulations and in particular the specific requirements to allow for repayment of the loan principal, known as 'minimum revenue provision' (MRP). The effect of this is to slow down the rate at which the Council's outstanding debt position increases. MRP has to be calculated based on capital expenditure (financed by borrowing) and incurred to the previous 31 March is not required to be produced from within the redline that the money is being borrowed for and can be from other sources. If available, other funding sources can be utilised to help achieve this, such as the Growing Places fund.

6.25 The key elements of the Prudential Code (which the Council would have to comply with) are **strategic focus, affordability and value for money**. When taking borrowing decisions for capital investment, a Council is now required to have regard to:

- Compliance and corporate objectives

- Value for money
- Affordability
- Prudence and sustainability
- Deliverability or practicality
- Best Practice in Asset Management

6.26 Prudential Borrowing will assist if the Council is seeking to undertake a project in its own right but also to assist with third party developments; it is not grant funding but helps both the cashflow of a project and the viability due to its lower rates. It can also help enable a Tax Increment Finance (TIF) mechanism to be utilised.

New Homes Bonus

6.27 The new homes bonus is paid to local councils from central government based on the additional council tax revenue raised for new-build homes, conversions, affordable homes and empty homes brought back into use. The scheme pays annually over a 6 year period, and allocations for 2013 to 2014 are around £670m.

6.28 The year 3 payment for Maidstone is around £1.15m[41]. Key issues for the Council to address when considering New Homes Bonus funding include:

- Has this current New Homes Bonus funding been allocated for expenditure elsewhere?
- The Council should focus any available New Homes Bonus funding on key sites that can be brought forward in the immediate future and the potential infrastructure requirements for unlocking these sites.
- Are there stalled housing schemes which can be brought forward to increase further funding from this process?

Community Infrastructure Levy (CIL)

6.29 The Community Infrastructure Levy came into force in 2010 through the Community Infrastructure Levy Regulations. Local authorities can choose to set a CIL charging schedule which outlines what forms of development will be liable to pay the charge and specify the relevant charge rates.

6.30 Revenue from CIL can be used to carry out a wide range of infrastructure projects which support growth, and provides greater transparency and comfort to developers about the planning costs they are likely to have to pay.

6.31 It is crucial for the Council to adopt a CIL as soon as possible, particularly since the pooling of Section 106 contributions will be limited from 1 April 2015.

[41] From New Homes Bonus Final Allocation 2013/2014 (www.gov.uk).

6.32 We are aware that Maidstone resolved to become a charging authority in early 2012, and at present a preliminary draft charging schedule is aimed to be out for consultation towards the end of 2013.

Business rate retention

6.33 The legislation for this was introduced in the Local Government Finance Act 2012 which was given Royal Assent on 1 November 2012.

6.34 The revised arrangements for business rates will provide a direct link between business rates growth and the amount of money Councils have to spend on local people and local services. Overall, Councils will now get to keep 50% of business rate growth, giving them a real incentive to go for growth and encourage enterprise and job creation. This will provide a strong financial incentive for Councils to promote economic growth.

6.35 At the beginning of the scheme, the Government has made calculations to ensure that Councils with more business rates than their current spending (baseline funding level) will make a tariff payment to government. Similarly, where Councils have greater needs than their business rates income, they will receive a top-up payment from the Government. The total sums of these payments will equal each other.

6.36 The levels of tariff and top-up payments will remain fixed each year, apart from changing in line with the Retail Price Index. They will not change until the system is reset (due to be in 2020 at the earliest).

6.37 In addition, safety net payments will be available if a Council's business rates income falls by a certain amount. This will provide support if, for example, a major local employer closes. It will be funded by a levy paid by those Councils whose business rates revenue increases by a disproportionate amount compared to their needs.

6.38 As part of this reorganisation of the business rates system, Councils will also have much greater flexibility to pool their business rates to encourage growth across their areas. The scheme also enables Councils to borrow money against future business rate growth to fund infrastructure projects in their area.

Issues with the current system

6.39 The resetting of the tariffs and top-ups in relation to the baseline funding level in 2020 may be a significant hurdle for Councils where schemes are completed in the few years before 2020 putting them at risk of losing some of the increased rates. Representations to central Government may be required to agree an exemption or amended deal to ensure that the Councils do not lose out.

Key Issues/Questions for MBC:

1. Does MBC have an idea of what potential there is for growth in business rates over the next 5/10/15 years to help analyse the ability of this to find something like a TIF loan?
2. Does MBC have a plan as to how and where they will direct any increase in business rates?

Tax Increment Financing (TIF)

The basics: How it works

6.40 The UK TIF model is based on reinvesting a proportion of future business rates from an area back into infrastructure and related development. It applies where the sources of funding available for a scheme to deliver economic growth and renewal cannot cover the cost of infrastructure required by the scheme.

6.41 A lead agency – a local authority, private sector partner or some combination – raises money upfront to pay for infrastructure, on the basis that the increased business rate revenues generated by the scheme can be used to repay that initial investment. The upfront funding may be borrowed from public or private sources, or it may be provided by the developer from capital available to it.

6.42 The Treasury may enjoy the wider fiscal benefits of the scheme – higher stamp duty revenues resulting from rising property values, higher income and corporate tax revenues due to more economic activity, and lower health, security and benefits costs as the community enjoys the social benefits of regeneration.[42]

6.43 The TIF structure that has been introduced in the UK is different to that seen in other countries and in Scotland with the UK version being a watered down version and to date only being set up in very specific locations.

UK legislation framework

6.44 Royal Assent was given in November 2012 to the Local Government Finance Act 2012, which allows the creation of the tax increment financing (TIF) schemes that allow borrowing of this kind.

Option 1 and Option 2 TIF

6.45 The Government proposes that TIF will take the form of one of two options:

6.46 Option 1 TIF (TIF1) allows local authorities to use their prudential borrowing powers to borrow against Local Authority-wide growth, taking advantage of the new local business rate retention scheme. While this power is a welcome flexibility, on its own it will not provide the long term legal certainty required to finance essential infrastructure, as even in the best case it can only ensure business rate growth is available to support investment for a comparatively few years (particularly in light of the first expected reset in 2020). TIF1 cannot, therefore, provide finance for significant infrastructure led projects. In the absence of such support, TIF1 is unlikely to deliver much infrastructure because the cash flows on which it relies can be lost on a reset of local government rate retention.

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[42] House of Commons Library Paper, 24 April 2012 [SN/PC/05797].

6.47 As described above, reset risk means that TIF1 is virtually useless as a mechanism to finance essential infrastructure – but until the Government allocates more money to TIF2 - it is all we have.

6.48 Option 2 TIF (TIF2) is much more the genuine article, providing the certainty needed to enable infrastructure provision to be funded from ring-fenced rate revenues over many years. We agree with Government that TIF2 schemes must have a clear economic framework against which they should be judged. However, the very limited way in which TIF 2 is being introduced (just £150m has been allocated to TIF2, and this been used to underwrite just three schemes) will mean that this is a good idea which is in danger of failing to reach its potential.

6.49 Although a lot of work has been done on TIFs in the UK, the actual structure and implementation of them is still currently very fluid with further guidance and a more robust framework required from the Government.

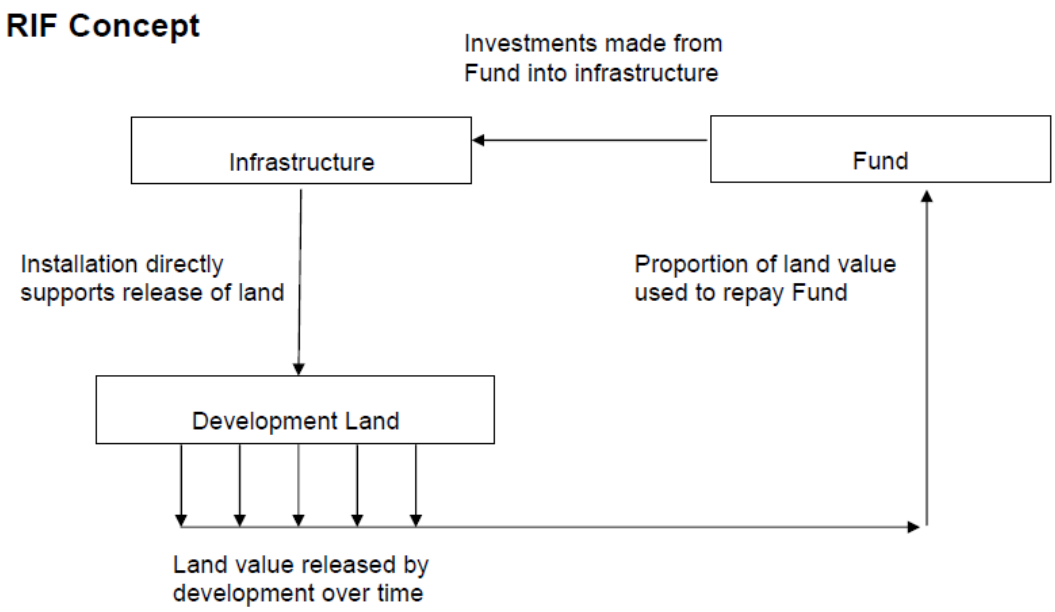
Growing Places Fund

6.50 The Growing Places Fund was set up by the Government in late 2011 as a fund to provide seed capital for Local Economic Partnerships (LEPs) to establish Revolving Infrastructure Funds (RIFs). The fund is to be used to pay for infrastructure projects that facilitate development, releasing land value, a portion of which can then be recycled into the fund to pay for further infrastructure projects.

6.51 The Government allocates the funds to Local Authority (LA), the fund can be used:

- to generate economic activity in the short-term by addressing immediate infrastructure and site constraints to promote the delivery of jobs and housing;
- to allow local authorities to prioritise the infrastructure they need, empowering them to deliver their economic strategies;
- to establish sustainable revolving funds so that funding can be reinvested to unlock further development and lever private investment.

6.52 There is an opportunity for the Council to work with partners to bid for future GPF funding to assist with the regeneration of the town centre. The GPF is almost entirely capital and has been allocated in response to bids submitted by LEPs and local authorities, to distribute in line with local priorities. The precise amount of the allocation has been made on a formula basis.



6.53 The above diagram shows how a Revolving Infrastructure Fund could work. The basic proposition is for the RIF to provide cash to pay (in whole or in part) for the installation of key items of physical infrastructure, which in turn enables associated land to be released for development over time. Through use of RIF funding, key infrastructure can be delivered early in the development process and hence contribute to making the related development more sustainable. This is the investment phase, with money being paid out to fund infrastructure.

6.54 A proportion of the value of the development land released is used to pay back the RIF for its outlay (potentially plus a commensurate return). This is the repayment phase, with receipts coming back in to the RIF. Value is typically released either through sale of land to a third party for development or through the proceeds of development itself (e.g. sale of houses).

6.55 In order for the GPF funds to be revolving, funding needs to be returned. Hence, a RIF is a means of providing finance to projects, not grant or subsidy.

6.56 Once it has generated sufficient receipts, the RIF is then able to re-invest amounts returned to pay for infrastructure on further projects.

TOWN CENTRE MANAGEMENT

6.57 Responsibility for town centres has traditionally been divided between the public and private sectors – the private sector concentrating on individual properties and business interests, while local authorities look after the public realm. This relationship is now beginning to change and Planning Policy recommends that local authorities, in partnership with the private sector and the local

community, should develop town centre management strategies to co-ordinate improvements. The guidance recognises that the effective management and promotion of individual town centres can help to enhance their vitality and viability, with both sectors and the local community working together and pooling resources to achieve sustainable development and tackle the physical, economic and social exclusion problems.

6.58 Effective town centre management can be a key tool in helping to secure the future economic success of a town centre. Maidstone already has town centre management arrangements in place and this has achieved notable successes in the areas of cleanliness, safety and promotional events, such as securing Purple Flag status, the Urban Blue community bus and the MaidSafe initiative.

6.59 The above types of initiatives are key components of any town centre management initiative and should continue to be pursued in the future. In addition, the Council should work with the town centre management partnership and town centre businesses to integrate physical development objectives into this agenda. This will help to secure partner buy in and support for physical regeneration projects as well as demonstrating the proactive role that the Council can take as planning authority, funder and with landowners to promote development for the benefit of the town centre as a whole. Town centre management mechanisms can, for example, be effective mechanisms for encouraging pooled contributions from the public sector and a wider group of businesses and landlords to fund initiatives such as environmental improvements in the town centre.

6.60 In combination with this, it would also be productive to consider more powerful initiatives such as a Business Improvement District (BID) in the future. Whilst we understand that BIDs have been considered before in the town centre, we think that they continue to offer the most sustainable funding mechanism for town centre management. As such, they should be kept on the agenda as a potential future tool for managing the town centre in the future.

DIRECT ROLE IN PROMOTING DEVELOPMENT

6.61 Given the economic challenges in sustaining and improving the health of town centres through promoting new development by relying on the private sector alone, our experience is showing that increasing numbers of local authorities are taking a direct role in promoting development, stepping in to address market shortfalls. We consider that the same approach is applicable in Maidstone in order to promote new development, with the market at present not taking forward a solution that will secure a step-change in terms of the town centre's performance. Set out below is a range of potential approaches that the Council could take in order to kick-start development in the town centre. Each of these carry different implications for the Council in terms of the role the Council plays, the resource implications and the potential risks and benefits. We therefore recommend that further work is carried out to develop and test the business case to determine where, when and how the Council could best intervene.

Facilitation and coordination

6.62 The Council is in a unique position to encourage and facilitate coordination of effort from landowners in order to help promote new town centre development. This is because of the following two factors:

- The Council's breadth of responsibilities and stakeholder relationships; and

- The Council's key role as an occupier and owner of property.

6.63 An example of how these factors could operate in a development context is in relation to the area around The Mall. We consider that this is an area where development opportunity exists, yet to be realised we think there is a key role for the Council to play given:

- Its role as an occupier of Maidstone House. Given that occupier demand for space in the town centre is challenged and that its covenant is very strong, the Council has a strong card to play with landowners.
- Its role as an influencer to coordinate action – for example its ability to influence bus service providers (particularly Arriva) operating at the site through the Quality Bus Partnership in which Kent County Council is also involved.
- Its role as a landowner.

6.64 Given these roles, we recommend that the Council engages proactively with landowners and other stakeholders in this area to – firstly – fully understand all parties' objectives and positions and – subject to the results of these discussions – producing with partners a potential development concept with an underpinning strategy for implementation.

Direct development

6.65 Under current market conditions where the private sector can be unwilling to take town centre development forward, there is an increasing level of activity from local authorities playing a more direct role in development. Examples of this approach could include the Council assembling land (potentially using CPO powers if required) and taking on development risk, acting as development manager and appointing their own contractor and professional team. The Malls in Basingstoke is a recent example of a Council taking a direct approach to promoting development. Basingstoke and Deane Council owned the freehold of this 300,000 sq ft centre which was originally developed in the 1970s, as well as having a 35% stake in the centre. In 2010, the Council purchased the remaining 65% stake from a private sector investor and then funded a £6.25m refurbishment of the centre, a key part of which was the improvement of the gateway into the town centre from the rail station. The refurbishment works have now been completed and the Council is taking 100% of the rental income from the centre.

Utilising Council Assets

6.66 **Figure 6.1** below shows MBC's ownerships (edged in red) within the town centre.

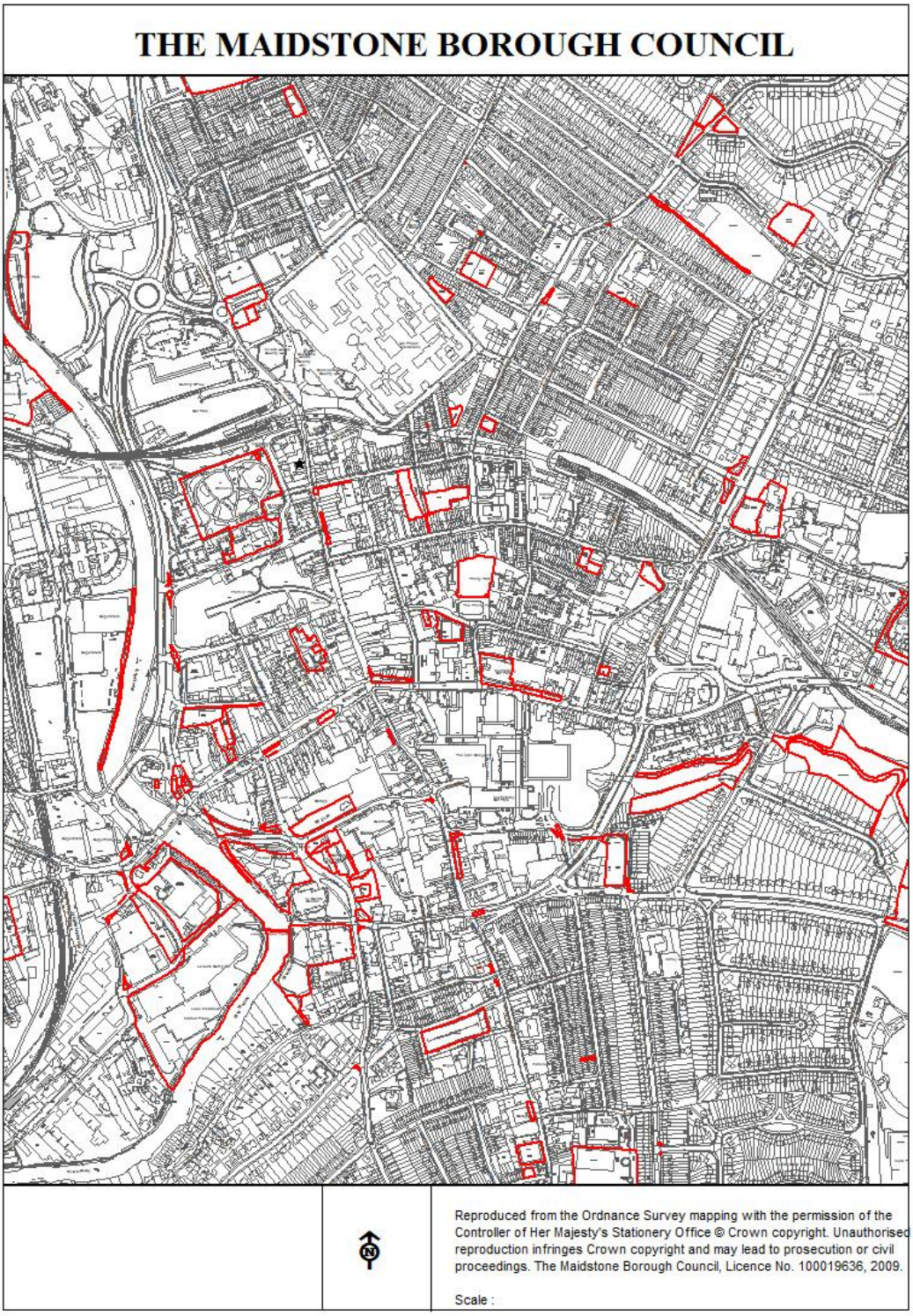


Figure 6.1 Source: MBC's ownerships (Maidstone Borough Council)

Ownerships in Maidstone

6.67 MBC's ownerships are limited, particularly in comparison to other Councils who have freehold/ long leasehold control over strategic sites. The key sites controlled by MBC include:

- The Hazlitt Theatre;
- Multistorey Car Park site opposite the Mall (King Street); and
- Medway Street Car Park.

6.68 There are a number of other sites, however, those with significant land areas generally relate to open space as opposed to developable land in the short to medium term. A strategy that DTZ have utilised with a number of Council clients in recent years is to market for a development partner for either individual opportunities or a portfolio of sites. This allows Councils to secure private sector investment whilst maintaining control over design and content which they would not have if they sold the sites unconditionally; this can also generate returns, either upfront, or through a long term, geared income stream. The benefit of such as approach is that MBC could respond to market change and the potential impacts on the town centre. We do not consider that MBC controls sites of a sufficient quantum or quality to follow such approach apart from potentially the King Street car park site.

6.69 The greatest opportunity for utilising MBC assets to meet changes in the wider market is likely to be through infrastructure and public realm improvements. Section 5 of this report highlighted the impact on values (and pedestrian flow) of a number of public realm schemes, particularly, near Waterloo Station in London. If such works are undertaken on standard roads (as opposed to significant elements of public realm, such as Brenchley Gardens) then this moves from being a case of MBC utilising its assets, to a potential scenario of other land owners contributing to the cost through other mechanisms. This latter scenario is something that could potentially be achieved through the town centre management proposals outlined earlier in this report, with landowners contributing to an agreed programme of environmental improvements. This has been successfully delivered via BID mechanisms in other locations, such as the Heart of London BID in relation to environmental improvements at Leicester Square.

6.70 We have talked about the increasing importance of the food, beverage and leisure offer in town centres in order to achieve a vibrant and sustainable mix. Whilst we have not undertaken analysis of the Hazlitt Theatre, it position at the core of Maidstone's food and beverage centre makes it an important element of MBC's control. We consider that any additional food and beverage offer is likely to be built on the consumer offer on Earl Street (i.e. in close geographical proximity) and therefore, utilising this asset, and the public realm surrounding it, will be important.

POTENTIAL OUTCOMES

6.71 We consider that the above initiatives would assist with the achievement of the potential outcomes:

Action/intervention	Contribution
Policy support	Protect existing core retail provision Promote town centre site(s) to accommodate additional retail capacity Promote a better balanced portfolio of office space Encourage additional leisure (& protect existing provision) Deliver additional residential units but with an appropriate balance between houses and apartments
Funding to facilitate development	Enable new development by funding infrastructure Fund environmental improvements which in turn will assist in improving town centre performance, property values and help promote development
Town centre management	Ensure that forward strategy on marketing and promotion is linked to physical regeneration initiatives Deliver more sustainable sources of funding in the future for town centre management, for example through a BID
Direct role in promoting development	Delivery of key development schemes such as the potential redevelopment of the Mall Centre and surroundings

7 Site Specific Analysis

7.1 Following the general assessment of potential interventions in section 6, this section focuses on the stalled opportunity sites in Maidstone. We provide commentary on the schemes we have modelled, including elements on barriers to delivery and recommendations on what the Council's actions should be to secure regeneration.

7.2 This has been informed by undertaking financial appraisals to provide indications as to the financial viability, quantum and value of the proposed development. These appraisals quantify the project residue or deficit assuming a reasonable developer's profit is included as a cost to the scheme. The residual sum represents the value of the land under the scheme appraised. This sum therefore represents the amount (£) a developer undertaking the proposed scheme could afford to pay for the site (including land assembly cost, relocation of existing occupiers etc.) at the outset of the development. We used benchmark assumptions on costs from the Building Cost Information Service (BCIS), and our assumptions on values were derived from the research undertaken in carrying out the remainder of this project for the Council as well as from our experience in this type of work.

7.3 We have subsequently compared these residuals to a high level informal opinion of existing use value (EUV)[43] for each site, and conclude as to whether the residual value is sufficiently higher than the existing use value that redevelopment is an attractive opportunity.

7.4 We have appraised seven potential opportunity sites as requested by the Council, using the Argus Circle Developer Valuation programme. Sites have been assessed to identify the most commercially viable use for the site to give the Council information on what the likely market priority would be for each site. The content of site allocations in the Local Plan will also be driven by a balance of wider considerations including the overall spatial approach to development in the town centre.

7.5 It should be noted that the appraisals do not currently identify the ability of the proposed development options to bear the cost of community or transport contributions (for example Section 106 contributions).

7.6 Assumptions that we have used in carrying out our appraisals are set out below.

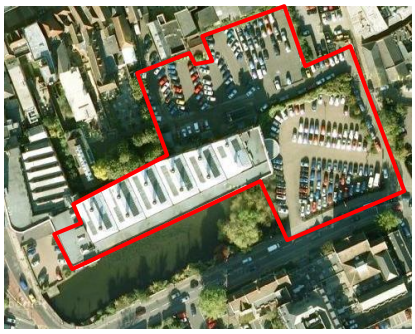
[43] We have not undertaken any valuations to discern the EUV of each site, rather applied a high level informal view compared to the redevelopment value.

Key General Assumptions (across all appraisals)	• **Developer Profit** – this variable ranges by scheme. For example, residential developers will want to achieve a profit of 20% of GDV (gross development value) whereas commercial developers may take a profit on cost of between 10-20% depending on the project risk. We have specified in the site by site tables below what profit percentage we have assumed • **Finance rate** (the cost at which the developer can borrow money) is fixed at 7% for all appraisals. This is a standard market assumption • **Stamp duty** – the percentage rate depends on the value of the site, we have assumed standard HMRC non residential bands • **Town planning fees** – we have assumed a high level cost based on similar planning exercises undertaken in our team. See individual appraisals for the costs assumed • **Agent and legal fees for land acquisition** – we have not included a fee for these agents at present because we anticipate there will be a mixture of negative and positive values which would therefore not necessarily attract fees. • **Contingency** – we have assumed a standard construction contingency of 5% of build costs • **S106 and/or CIL** - we have not included any allowance for S106 or CIL in the appraisals as previously mentioned. • **Marketing costs** – 2% of project GDV has been taken as an assumed cost required to market the potential scheme to buyers/occupiers • **Leasing fees** – 10% of annual rent for letting agent fees and 5% for letting legal fees. On commercial property only • **Purchasers costs** – 5.8% on commercial elements only which consists of 4% stamp duty, 1% agency fees, 0.5% legal fees and 0.3% VAT • **Sales fees** – 1% for sales agents and 0.5% for sales legal

<u>*Disclaimer*</u>

These are "desktop" overviews provided for guidance only. They are not intended to be and must not be relied upon as a substitute for the valuation conclusions that would be reached by DTZ following a valuation commissioned and carried out on DTZ's standard terms and conditions on a fee basis. Such conclusions may well be materially different.

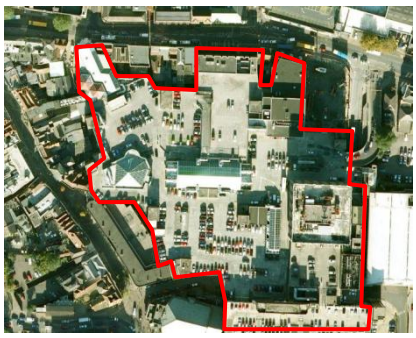
We have not inspected these sites nor have we undertaken full verification or research. The opinions detailed in this report are totally dependent on the adequacy and accuracy of the information supplied and the assumptions made. It should be noted that should these prove to be incorrect; the accuracy of this opinion will be affected.

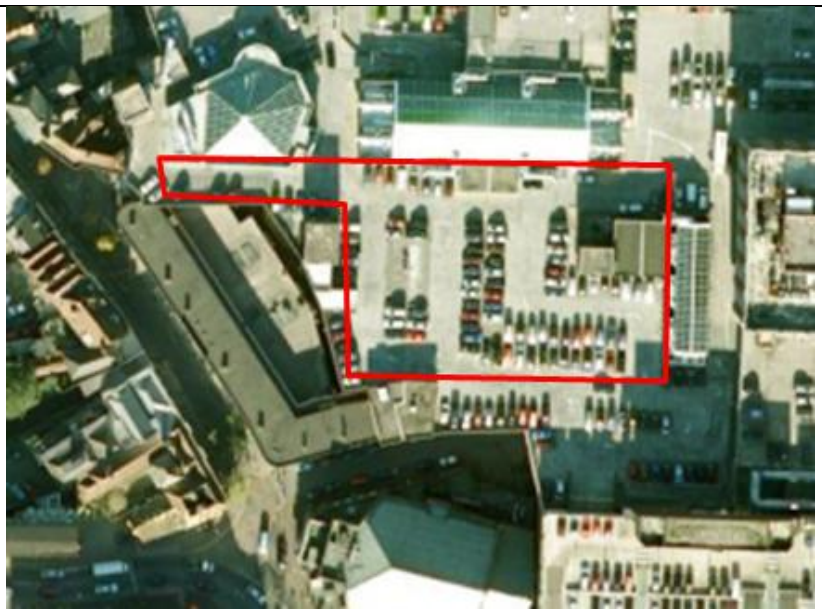
Site	Len House
Site Images	 
Site Area	2.85 acres
Content of Appraisal	Len House is an attractive Art Deco style building which is Grade II listed. As such there is a little prospect of comprehensive redevelopment. We consider that there is minimal value in converting this property to office use and the conversion costs would not justify the achievable rents on the finished space, since occupiers in Maidstone are generally seeking cheaper space than would be achievable or higher specification new offices. Other commercial users, such as gym or retail occupiers, may be interested in the property. However, the value that, for example, a gym or restaurant/retail use would be able to drive would likely be insufficient to meet the EUV of the site. The increased costs of converting a historic listed building into these uses which meets requisite standards would make these appraisals unviable. Despite our assertion that flatted town centre schemes have been badly hit during the recession, particularly in Maidstone, the character of this building and the features it contains are likely to make flats here more desirable than a standard site. We have therefore assumed a conversion of the red line portion of the building indicated by the 2010 Town Centre study and assumed that the open space on the site (currently car parking) would provide both amenity space for the flats (such as communal gardens, tennis court etc) and parking spaces. This would go some way to addressing the general preference for houses as opposed to flats (i.e. by providing a significant element of outdoor space.)
Sector Market Commentary	During 2012 the mainstream residential housing market in the UK remained weak. The Nationwide House Price Index reported that UK house prices rose by 0.2% in February 2013 and are broadly unchanged from a year ago.

	The RICS January 2013 housing market survey reports that, at a national level, the price picture remains stable. The survey also indicated that whilst transactions have increased, new buyer enquiries and new instructions dipped slightly, partly due to the bad weather seen in January. The survey indicates that the price outlook continues to improve, especially over a 12-month period and the regional price picture remains fragmented with London and prime South East locations continuing to record positive price balances. Given the poor outlook for the UK economy and the broader position across Europe, it is predicted that house prices will remain broadly flat, with some commentators expecting prices to fall and others, such as the RICS, expecting prices at a national level to increase by 2%. There will, however, be significant regional variations. We believe that price levels for the next year or so will remain static across a large majority of Kent, including Maidstone, with specific prime locations such as Sevenoaks/Royal Tunbridge Wells seeing more prominent upwards movement. However moving into the period from 2014-2017, some commentators see prices in the south east increasing by around 3-4% per annum. Whilst it is very difficult to get specific Kent statistics, a large proportion of the county lies in the outer commuter belt for London so is likely to see some growth over this period. However it is important to remember these statistics are region-wide (incorporating the whole of the south east) and include high value pockets as well as low value pockets.
Appraisal Inputs	• **Area** - building footprint of circa 2,500 sq m (as measured on Promap) split over 2 storeys, equating to 5,000 sq m GEA of redevelopment. Assumed a 95% GEA to GIA ratio, then an 85% GIA to NIA ratio. • **Build Costs -** £150 per sq ft conversion costs on the GIA space. • **Professional Fees** – 10%. As the site would be a conversion we have assumed a lower level of fees due to the presence of an existing building • **Revenues** - £250 per sq ft on private housing and £125 per sq ft on affordable, equating to a blended rate (assuming 25% affordable housing) of £220 per sq ft. We have assumed an uplift on private values to £250 due to the product that can be delivered (e.g. up market art deco conversion) • **Timescale** – 12 month build period • **Profit** – 20% on GDV

Barriers to Delivery – Scoring **(1 = Low Barrier, 5 = High**	**Barrier**	**1**	**2**	**3**	**4**	**5**
	Leasing market demand			N/A		
	End product investment demand				✔	

Barrier)	Development funding availability				✔	
	Physical constraints – e.g. topographical, land locked				✔	
	Ownership issues, CPO requirement etc			✔		
	Scale of site (lot size)			✔		
Barriers to Delivery - Commentary	We are unaware of the specific ownerships of this site and whether the red line boundary contains more than one land owner. As such we have allocated a midway risk score. Should the site be split by numerous ownerships then our score would increase to reflect the greater risk to delivery of bringing together numerous land owners and potentially requiring a CPO					
Council Actions	Clarify extent of ownerships within red line boundary Initiate discussions with owners of site to establish long term intentions and whether the outside spaces of the site are required for ongoing operation of the business (potential to develop on them if not)					
Planning Commentary	The site is currently occupied by Peugeot (car dealership) and is allocated for employment uses. It includes a Grade II listed building and thus we do not consider the comprehensive redevelopment of the site, involving the demolition of this building, to be appropriate. However, a case could be supported for the conversion of the Grade II listed building to residential uses; subject to justifying the loss of land allocated for employment uses.					
Impact on Maidstone	In our opinion this site is unlikely to have a sizeable impact on Maidstone, either in terms of initiating a step change in the core of the town centre or driving footfall and investment to new areas of the town. The listing of the main building prohibits any form of comprehensive redevelopment of the site and whilst the location is good from an existing town centre core perspective this factor will prohibit this site from a financial and planning point of view. On the plus side, should development be forthcoming, it could be a catalyst of increased town centre living.					
Appraisal Results	Residual Land Value £ Negative This means this scheme is unlikely to come forward in the short to medium term, until residential values begin rising again. Even at an affordable housing rate of 15% (in line with council plans for town centre sites) the appraisal is still unviable, as the cost of converting a listed building is not recovered through the revenues achievable.					

Site	The Mall
Site Images	 
Site Area	5.96 acres
Content of Appraisal	Feedback from the owners of the Mall centre have revealed that Maidstone is currently lacking modern, medium sized (MSU) retail units which can accommodate the demands of retailers in the current leasing market as well as unit shops in the 300 – 600 sq m range. The issue with the vast amount of Maidstone's retail space is that the units are historic spaces which are compromised in terms of footprint/layout, frontage and access. Fremlin Walk succeeded in bringing a large amount of new modern retail space to the town, but multiple retailers who may wish to take new store space in Maidstone or open a new store will struggle to do so with the existing stock available. With this in mind we have taken a portion of the Mall centre and assumed conversion into circa 5 x 500 sq m units and 1 x 1000 sq m unit to replace a selection of 100 – 300 sq m units. We have assumed development of the ground floor, southern flank of the centre as per the plan below. We are not considering a wholesale redevelopment of the Mall at this stage, as the existing asset value would still need to drop significantly before redevelopment became an option.

	
Sector Market Commentary	At the end of Q4 there were 12 shopping centres being openly marketed totalling £650m; a significant increase on previous quarters throughout the year. Eleven centres had exchanged at year end, totalling £211m, and a further 11, totalling £890m, were under offer. This upsurge in activity at the end of Q4 is likely to bolster Q1 2013 figures, as up to £1bn worth of assets could complete. Investment yields were stable this quarter, except for Secondary District Shopping Centres, where yields have moved out 100 basis points to 11.00%+ as investors concerns have mounted over weak tenant demand for these locations, and in some cases their future viability as retail destinations. We believe that Prime centres will continue to stimulate keen interest creating competition and maintaining pricing, especially as supply will remain tight. But the secondary market will continue to be heavily influenced by the tough conditions in the occupational market and as such we expect yields to continue to remain under pressure. This has an impact on the Mall in Maidstone as this would be considered a secondary centre, and whilst it would not be priced as poorly as the Secondary District Centres mentioned above (at 11%+) there will still be continuing pressure on pricing. <u>Retail Sales</u> Volumes fell by 0.1% month-on-month in December, implying a quarterly fall of 0.6% in Q4 2012. This suggests that the retail sector is running out of steam, but this was to be expected given the ongoing pressure on UK's household finances.

	The volume of retail sales excluding internet transactions has been quite low for some time, at an average of 1.8% growth year on year since the end of 2009. This compares with nearly 18% for internet sales value growth. At the same time, however, the rate of growth of internet retailing has been falling, this being especially noticeable over the last five months. Internet sales have in the past reached an annual peak share in November and then fallen off in December. This year proportion of sales made online in December did not follow this normal pattern. Retailers have suggested that sales made via the internet helped to boost overall sales and provided a much greater proportion of sales in December than they were expecting. The rising share of internet retailing continues to adversely impact weaker retailers, especially those who have not been willing or able to adapt to the new world of multichannel retailing. This is especially true of sectors cannibalised by internet sales and unable to adjust their branch networks. The spate of retailer administrations over the past year has continued in Q4, and early 2013 saw the administration of Blockbuster, Jessops and HMV. 2012 saw a record number of companies failing, but rather fewer stores affected than 2009. 2008 and 2009 had an impact on voids, but up to late 2011 this measure was declining, at least as far as prime stock was concerned. However, since then void levels in standard shops, and even more so in shopping centres, have been increasing again. As the secondary centre in the town, this will likely have an appreciable impact on the Mall from an occupational perspective. Retailers reducing store footprints and the competition from out of town retailing and internet shopping are further issues impacting on any centres considered below prime. This has been discussed at length in the initial sections of our report.
Appraisal Inputs	• **Area** – 1 x 1000 sq m MSU and 5 x 500 sq m units (GIA areas) • **Build Costs -** £40 per sq ft, assumed a refurbishment cost of 50% of full rebuild costs of £80 per sq ft • **Professional Fees** – 12.50% • **Revenues** - £40 per sq ft capitalised at an 8.50% yield • **Tenants Costs** - 18 months' rent free • **Timescale** – 12 months • **Profit** – 20% on cost

Barriers to Delivery – Scoring	**Barrier**	**1**	**2**	**3**	**4**	**5**
	Leasing market demand		✔			

(1 = Low Barrier, 5 = High Barrier)	End product investment demand		✔			
	Development funding availability			✔		
	Physical constraints – e.g. topographical, land locked				✔	
	Ownership issues, CPO requirement etc		✔			
	Scale of site (lot size)		✔			
Barriers to Delivery - Commentary	Beneficial aspects of this site are that the whole red line boundary is within a single ownership, and also that small portions of the mall could be redeveloped in phases, whilst keeping the remainder of the centre open for trade, as our appraisal is doing. A key issue with this would be the logistics behind getting a full row of units available for redevelopment without tenants in situ. This would require substantial forward planning, activation of available break clauses and potential compensation payments to tenants in order to convince them to leave units. Furthermore there is the loss of rent from the vacant units. None of these costs have been factored into our appraisal as we do not have the information readily available by which to make these calculations. These costs could quickly erode residual value.					
Council Actions	There is little the council can do to bring this scheme forward other than being supportive in planning terms, as the main barrier is that of residual value, which is dictated by the market. It will require secondary values to decrease further still before the redevelopment hits the "tipping point" of being viable. The scheme would then succeed in adding units of the type required by Maidstone.					
Planning Commentary	The Mall forms part of the town centre's Core Shopping Area. It is an established location for prime retail uses and therefore proposals for larger unit(s) would be acceptable in planning terms.					
Conclusions / Impact on Maidstone	This would be a worthwhile site pursuing; as the full site is in a single ownership and the required work could easily bring forward the kind of retail space the town needs (namely larger 300 sq m plus units). There is an issue in terms of whether this would provide the sort of retail step change that is required in order for new retailers to come into the town as the Mall is currently outside what would be considered 'prime' within the town centre.					
Appraisal Results	Residual Land Value c. £6.7m Whilst this appraisal creates positive value, it is unlikely that this					

	would be additional to the existing use value of the centre. We consider the "tipping point" for redevelopment to be when the existing use values of the centre drop further still, making the redevelopment a more viable option.

Site	Haynes Ford, Ashford Road
Site Images	 
Site Area	5.19 acres
Content of Appraisal	This is a sizeable site currently in use as a car dealership. It is currently just outside the town centre, surrounded by a mixture of commercial and residential uses. The site is being marketed by a firm of surveyors for sale, who we have spoken to regarding the sale. They have shortlisted several parties who they have interviewed, who are all planning slightly different types of scheme, although these are mainly mixed use foodstore led schemes containing further ancillary uses such as residential and other retail. Whilst we believe the site could accommodate a medium sized foodstore, we are aware there are proposals for foodstore sites in other parts of the town, so we have not modelled this in the appraisal. Instead, we consider that the site could suit a residential scheme of town houses as it is fringe to the town centre so a lower density residential scheme will be more viable than in the town centre core. As identified within our Town Centre Audit, flatted schemes have limited demand compared to houses but the limited densities available from housing schemes can often make them unviable. With this in mind, we have applied a density of 75 dwellings per hectare across the site and assumed that a policy compliant 40% affordable housing will be provided.
Sector Market Commentary	During 2012 the mainstream residential housing market in the UK remained weak. The Nationwide House Price Index reported that UK

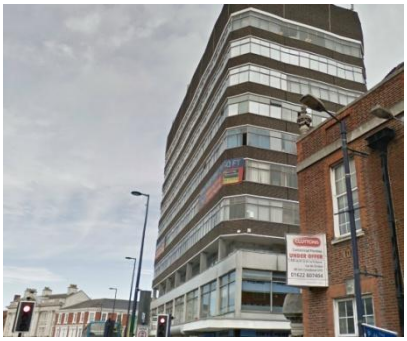
	house prices rose by 0.2% in February 2013 and are broadly unchanged from a year ago. The RICS January 2013 housing market survey reports that, at a national level, the price picture remains stable. The survey also indicated that whilst transactions have increased, new buyer enquiries and new instructions dipped slightly, partly due to the bad weather seen in January. The survey indicates that the price outlook continues to improve, especially over a 12-month period and the regional price picture remains fragmented with London and prime South East locations continuing to record positive price balances. Given the poor outlook for the UK economy and the broader position across Europe, it is predicted that house prices will remain broadly flat, with some commentators expecting prices to fall and others, such as the RICS, expecting prices at a national level to increase by 2%. There will, however, be significant regional variations. We consider that price levels will remain static across the majority of Kent, including Maidstone, with specific prime locations such as Sevenoaks being one of the locations seeing upwards movement.
Appraisal Inputs	• **Area** – 95 private houses and 63 affordable. We have assumed a gross area of 93 sq m per house and a 95% gross to net ratio. • **Build Costs** -£110 per sq ft • **Professional Fees** – 12.50% of costs • **Revenues** - £225 per sq ft on private units and £112.50 per sq ft on affordable • **Timescale** – 24 month build period. Affordable revenues are phased on the "golden brick" method, with revenue split into 3 slices, one at build start, one at midway and one at PC. Private revenues phased over a 24 month period starting 12 months into construction. • **Profit** – 20% on GDV
Barriers to Delivery – Scoring **(1 = Low Barrier, 5 = High Barrier)**	

Barrier	1	2	3	4	5
Leasing market demand			N/A		
End product investment demand			✔		
Development funding availability				✔	
Physical constraints – e.g. topographical, land locked				✔	
Ownership issues, CPO requirement etc			✔		
Scale of site (lot size)				✔	

Barriers to Delivery -	• Assuming there are no title issues with the plot of land (as is being

Commentary	sold), there would be little in the way of boundary issues as the whole red line boundary of the opportunity site is within one ownership. • The site sits on the side of a major junction with the town centre and there are likely to be significant infrastructure costs required to link into the road network. We have not included such costs within the appraisal at this stage.
Council Actions	As this site is being sold for mixed use redevelopment, there is little in the way of action required/available to the Council, other than having an open dialogue with the successful purchaser on their plans for the site.
Planning Commentary	The site is currently in use as a car dealership, a Sui Generis commercial use. We consider the comprehensive redevelopment of this site for residential uses to be appropriate; subject to justifying the loss of employment uses and the provision of an appropriate density and tenure of dwellings.
Conclusions / Impact on Maidstone	This is a sizeable site which could provide a decent sized development of houses (as opposed to flats) which is a product for which there is market demand at present. We are aware that several developers are interested in buying the site for a foodstore led scheme although due to the number of other foodstore sites in the town we feel it is more beneficial to appraise the site for a residential scheme. To be clear, a foodstore development will have a far higher value than a residential development on the site. The site is on the cusp of the town centre and has the ability, if developed sensitively, to provide a link between suburban areas and the town centre although obviously the railway line provides a barrier to the north east. The specific design of the site will be key in providing an attractive environment when there are major roads adjacent.
Appraisal Results	Residual Land Value £Negative (@ 40% affordable) Residual Land Value c. £0 (@ 25% affordable) At both levels of affordable provision the residual value is either negative or approaching £0. Neither of these will be near the existing use value as a car show room, making this an un-viable scheme in a residential format. Whilst we have spoken to the agents selling this site they were unable to divulge any details of the pricing of the offers they were looking at due to client confidentiality. Although based on the fact that they were predominantly Foodstore led schemes, they would have a substantially higher value than a residential scheme (for this location) and as such would create added

	value over the EUV of the dealership. At an affordable housing rate of 15%, viability of the site would be improved and a residual value of around £250,000 is produced. However, it is extremely unlikely this figure will meet the EUV of the car dealership and will be substantially below the residual values driven by a foodstore led scheme.

Site	Coleman House
Site Images	 
Site Area	0.22 acres
Content of Appraisal	Based on the limited value associated with offices in Maidstone, we do not believe there to be any value in appraising either a refurbished office scheme or a redevelopment of the entire site for a new office block with associated retail underneath. The office demand that does exist is for either affordable space (which a redevelopment scheme will not be able to justify) or higher specification offices in more accessible locations. The current over-supply and limited demand for flatted town centre schemes means a residential refurbishment or redevelopment is also unlikely to be a viable option. Based on the core town centre location we have assumed a comprehensive refurbishment of the office property above to provide individual en-suite student accommodation units and a refurbishment and re-letting of the retail space below.
Sector Market Commentary	<u>Retail</u> High Street Prime yields remained stable in Q4, with continued outward pressure on weaker secondary/tertiary assets with re-letting issues and inflated rents. Retail sales volumes fell by 0.1% month-on-month in December,

implying a quarterly fall of 0.6% in 2012Q4. This suggests that the retail sector is running out of steam, but this was to be expected given the ongoing pressure on UK household finances.

The volume of retail sales excluding internet transactions has been quite low for some time, at an average of 1.8% growth year-on-year. This compares with nearly 18% for internet sales value growth. At the same time the rate of growth of internet retailing has been falling, this being especially noticeable over the last five months.

Internet sales have in the past reached an annual peak share in November and then fallen off in December. This year proportion of sales made online in December did not follow this normal pattern. Retailers have suggested that sales made via the internet helped to boost overall sales and provided a much greater proportion of sales in December than they were expecting.

The rising share of internet retailing continues to adversely impact weaker retailers, especially those who have not been willing or able to adapt to the new world of multichannel retailing. This is especially true of sectors cannibalised by internet sales and unable to adjust their branch networks. The spate of retailer administrations over the past year has continued in the fourth quarter, and early 2013 has seen the collapse of Blockbuster, Jessops and HMV into administration. 2012 saw a record number of companies failing, but rather fewer stores affected than in 2009

Since 2011 void levels in standard shops, and even more so in shopping centres, have been increasing again especially for secondary units.

Whilst the retail units at ground floor here have a good prominence for Maidstone, being on the cross roads just south of the prime pitch, they are still compromised, old style retail units, and whilst they would re-let eventually we believe it would be a difficult task. Due to this we have applied a substantial rent free period to these units.

Student Accommodation

Total applicants fell 6.6% for 2012-2013 based on UCAS figures, but although Scotland saw a rise in acceptances by 1.9%, due to Scottish and EU domiciled students not paying tuition fees.

The student accommodation property market has been strengthening over recent years with investors willing to pay more for the right type of investment; however it is quite specific with long leases to Universities with good covenant strengths being vital - any

	variations away from this start to impact the yield that is achievable and therefore the value. "Direct let" product (where the owner of the scheme lets beds on yearly contracts direct to students) is currently of little interest to the "annuity" type life funds that are currently active in this market (L&G, Aviva, Prudential) due to the lack of security of income. However, research still suggests that top tier regional cities, with a good supply/demand dynamic and an established university can achieve net initial yields in the range of 6.50% for direct let product (where the owner lets rooms directly to the private market). This is more likely to push out to around 7.5 to 8% for a location such as Maidstone. On the other hand, low yields are being achieved on long term annuity style leases (25 years plus) that are direct to the University, with index linked guaranteed uplifts. These yields can drop substantially (either with a full university lease or a nominations agreement) to 5.50% and below for top tier regional towns and cities. For example, Legal & General have recently completed an innovative "income strip" type transaction like this with the University of Southampton, where a 1,100 bed scheme was forward sold for £93.2m reflecting a 4.15% NIY. The entire block is prelet to the University of Southampton, a member of the Russell Group of Universities, on a 38-year lease with annual RPI uplifts. This represents one of the best possible investments in this class and therefore one of the strongest yields achievable in the market at present. It is unlikely this level of yield would be achieved at Maidstone, as the covenant grade provided by Southampton University would not be achievable; also the lease structure agreed to at Southampton would not be in place. Also the fact this scheme would be a redeveloped office property rather than a new build block would have a negative impact on the achievable value. Whilst there are no notable Universities in Maidstone there are, as far as we can discern, two establishments offering tertiary level education, namely MidKent College and UCA Maidstone. Any value derived from this appraisal is dependent on the student demand from these establishments (or any others we may have missed) as investors will require a high amount of latent demand for student beds before attempting the conversion of this site.
Appraisal Inputs	• **Area** – office NIA of 4074 sq m (areas taken from the EGi building report on Coleman House). We have converted this to 350 en-suite student units at 12 sq m per unit. The retail space is taken as 1138 sq m NIA, again from the EGi building report.

	• **Build Costs** -£50 per sq ft refurbishment cost on retail and £120 per sq ft full refurbishment cost on offices to convert to student residential • **Professional Fees** – 15%, as this will be a fairly complex scheme • **Revenues** - £3,500 per annum rent per student unit (from comparables) and a 7.5% yield. Retail rents of £20 per sq ft overall and an 8% yield, with 18 months' rent free • **Timescale** – 18 month build period • **Profit** – 20% profit on cost

Barriers to Delivery – Scoring

(1 = Low Barrier, 5 = High Barrier)

Barrier	1	2	3	4	5
Leasing market demand				✔	
End product investment demand		✔			
Development funding availability		✔			
Physical constraints – e.g. topographical, land locked				✔	
Ownership issues, CPO requirement etc			✔		
Scale of site (lot size)			✔		

Barriers to Delivery - Commentary

The key issues on this scheme are finding viable (in financial and demand terms) alternative uses for this site, the demand from students for the finished product (as there is no major tertiary education establishment in the town) assuming student conversion, the appetite for student accommodation in the town centre from a planning perspective, and the potential investment demand for the conversion of a dated office block.

Other than student accommodation there is little in the way of alternative uses for this site. An opportunistic private investor purchasing the property in order to try and make short term gains cannot be ruled out, but there is little in the way of alternative uses which will be viable in the current market. Whilst student accommodation may be unlikely in the short term, this advice aims to provide longer term strategic analysis about what may be required in the future, and with current trends indicating more of a trend towards work-based experience and placements, cheaper "student" like accommodation may be a sector for the future. These uses will help to vitalise the town centre with young occupiers with disposable income.

From a planning perspective, the Council would need to take a pragmatic view in terms of change of use to student accommodation.

Council Actions

Explore longer term promotion of poor secondary office sites for conversion to cheap accommodation in partnership with local firms offering work placements and internships.

Planning Commentary	Given the apparent lack of market demand for this office space, it is our view that a case could be supported for conversion to alternative uses (in accordance with the NPPF), including student accommodation units. Proposals would need to demonstrate that such uses could co-exist with the retail space below.
Conclusions / Impact on Maidstone	This is a relatively small site which we do not believe has the potential to provide any form of step change in the town centre layout. The majority of the built space for this site is through the office tower rather than through the site footprint. There is little to no value in renovating or demolishing the existing office stock to be replaced by offices, as the values achievable will not justify the capital outlay. Student housing is an effective way to enliven town centres and provides an attractive investment. It provides a ready consumer market for A3 operations in particular.
Appraisal Results	Residual Land Value c. £4.1m This land value is likely to exceed the existing use value of this site, so has the potential to be brought forward. The main caveat to this point is that of student demand, and we would recommend a demand study is undertaken to establish the market for purpose built student residential accommodation in the town.

Site	Miller House/Medvale House/Kent House and Lower Stone Street frontage and 27 Mote Road – Scheme 1
Site Images	 
Site Area	2.47 acres (+1.03 acres 27 Mote Road)
Content of Appraisal	This site encompasses the two large office blocks on Mote Road / Lower Stone Street along with the retail units fronting onto Lower Stone Street. The car park to the east forms the next site, 27 Mote Road, although we feel the two sites would be best appraised as one

combined site, creating a circa 3.50 acre island site just to the south of the existing core town centre.

The retail units fronting onto Lower Stone Street are poor in appearance and would require renovation in the short to medium term. Longer term it may be that this section of the site can be entirely cleared and re-developed, although the retail pitch of the town centre would need to extend to Lower Stone Street before this would be a financially viable solution. It may be that the plans for the back of the site (27 Mote Road, Medvale House and Kent House) would succeed in drawing trade and investment to this part of the town centre.

Miller House is a 5669 sq m, 11 storey office building (source: EGi building report). Whilst it would not be considered grade A office space it is certainly acceptable quality and would likely require only minimal refurbishment to bring it up to a good standard of condition. We believe this building should stay in-situ and simply benefit from some capital expenditure.

Medvale House is an 8 storey circa 4647 sq m building and is of inferior quality to Miller House. Kent House is another large, poor quality office building situated behind Lower Stone Street. We believe these buildings should be cleared to provide a sizeable remaining development opportunity, with frontages onto Romney Place and Mote Road.

We propose to model two schemes for this site. Firstly we propose to model a cinema with associated food and beverage units along with parking. This scheme would leave Miller House and the Lower Stone Street retail units in situ and remove Medvale and Kent House, as described above. We believe there would be demand from operators for another cinema in Maidstone, although it would require soft market testing to ascertain whether this is likely to be a town centre or out of town requirement. Furthermore this is likely to be of the more “aspirational” market, which is seeing a high level of interest at the moment, and crucially this would differentiate from the lower price point offer from Odeon at Lockmeadow.

Whilst there is currently a vacant Cinema site in the town centre (occupied by Gala Bingo) we do not see the potential for renovation and upgrading of this site for a new cinema. In top quality catchments, cinema operators may compromise on certain aspects (e.g. Odeon on High St Kensington in London who occupy a converted historic building) to have a presence, but in this instance an operator will not consider being in an old, converted unit, as technologies and standards have moved on so much in the last few

	decades and there isn't the draw of a top quality location on offer. Our report has identified demand from several mid market food and beverage operators who we believe would take space around a new cinema. This list includes operators such as Wagamama, Gourmet Burger Kitchen and O'Briens. Secondly a John Lewis at Home/Waitrose combined store with associated parking. We have experience with this format in other locations and it is known to be a format that the John Lewis partnership is keen to progress to further sites due to outperformance on their other locations. This scheme would require the clearance of the whole site and would not be able to accommodate any further retail due to the parking space requirements and size of the JLP development. It must be stressed that at this stage we have no definitive evidence to suggest that JLP would consider Maidstone as a location for this format. We are, at present, simply saying that the JLP Home/Waitrose combined store is known in the market to be a successful format, and that the historic Waitrose requirement for the town could mean that this is a potential option to explore. Furthermore, any future foodstore scheme for the town centre may well soak up any latent demand from this kind of operator, which would further decrease the likelihood of this scenario.
Sector Market Commentary	See commentary on Coleman House and the Mall but also the following: <u>Foodstores</u> Historically, the food store sector has not been subject to a large number of investment transactions due to operators preferring to occupy stores on a freehold basis. However, there have been a number of notable transactions in recent years due to investment demand from Property Companies and particularly Funds for long term stable income with guaranteed rental growth. Tesco and Sainsbury's have undertaken sale and leasebacks of relatively substantial tranches of their portfolios recently, and in 2012 there was around £1 billion in supermarket investment transactions recorded. Already in Q1 2013, there has been almost £800 million of supermarket investment deals. This is mainly as a result of Tesco completing a £685m-sale-and-leaseback transaction. With regards to the sale and leaseback market for supermarkets, as mentioned above

food retailers have been taking advantage of the strong investment market demand for "annuity style" income requirements. Sale & Leasebacks have been common place from two of the leading UK supermarkets, namely Tesco & Sainsbury's. The other two major retailers (Asda & Morrisons) have so far been less active with this format, preferring to either own outright or take occupational leases from developers.

Demand has continued to escalate in an investment market primarily characterised by a zero appetite for risk. This is demonstrated in the fact that institutional investors have continued to dominate the investment market. In 2012, funds accounted for around 90% of all food store purchases. With the limited levels of debt available in the market there has been an increase in the number of funding deals between Developers and Institutions.

Despite the current market volatility, pricing has remained fairly resilient by comparison to the outwards shift that has been witnessed across other sectors over the last year. This has largely been due to the long leases, strong covenants and fixed or index linked rent reviews being offered by vendors in this market, coupled with the anticipation of rental growth in the food store sector. On the demand side, annuity style funds are continuing to have large amounts of money to place in to deals. The exacting nature of their requirements has put upward pricing pressure on all suitable available transactions. Crucially, the food store market is more resilient to market conditions and is complemented by the fact that food is an essential purchase for consumers.

Cinemas

The cinema industry has performed relatively strongly during the recession considering the economic headwind – the advent of digital and 3D movies has increased audience attendances whilst enabling operators to charge premium prices for the product. Cinema attendances were 35% higher year-on-year in April 2012, whilst Cineworld reported a 5% increase in revenue backed by an increase in ticket prices. Another Cinema success story is that of Everyman Cinemas, a premium cinema operator with licensed bars and hot food offerings for customers. Whilst they are predominantly London focussed, they have expanded recently, with further branches across the South East and most recently on the Kings Road in London and at Land Securities' Trinity Leeds scheme, due to open in 2013. It is worth noting that the ability to attract a Cinema operator to a town centre location in Maidstone is likely to depend on a number of key criteria, primarily the availability of a non-compromised site of the requisite size, in a prominent location with surrounding

	complimentary uses as well as access to enough free parking close by.
Appraisal Inputs	•Areas Cinema Scheme - 5669 sq m existing office GIA. 80% gross to net ratio - 1324 sq m existing retail GIA (measured from Promap). 80% gross to net ratio. - 3531 sq m GIA Cinema, assumed 92% gross to net - 465 sq m restaurant units (x3) - 139 sq m coffee shops (x2) •Areas JLP Scheme - 6505 sq m GIA (50/50 split between Waitrose/Home) •Build Costs Cinema Scheme - £140 per sq ft cinema - £100 per sq ft on restaurant and coffee shops - £25 per sq ft on retail and office for refurb •Build Costs JLP Scheme - £80 per sq ft •Professional Fees Cinema Scheme – 12.5% •Professional Fees JLP Scheme – 12.5% •Revenues Cinema Scheme - £15 per sq ft on the Cinema, 12 months' rent free, £1m capital contribution. Offices at £7.50 per sq ft, retail at £15 per sq ft •Revenues JLP Scheme - £20 per sq ft and 4.75% yield •Timescale Cinema Scheme – 24 months •Timescale JLP Scheme – 24 months •Profit – 20% on cost for both schemes

Barriers to Delivery – Scoring

(1 = Low Barrier, 5 = High Barrier)

Barrier	1	2	3	4	5
Leasing market demand			✔		
End product investment demand			✔		
Development funding availability				✔	
Physical constraints – e.g. topographical, land locked		✔			
Ownership issues, CPO requirement etc			✔		
Scale of site (lot size)				✔	

Barriers to Delivery - Commentary

Due to the multiple elements of these appraisals the scoring points above have been taken as a blended score across all elements of the schemes.

JLP anchored schemes are in significant demand from investors, as are well let leisure schemes.

Council Actions	Establish ownerships of site Soft market test opportunity with retailers/developers who are known to be interested in Maidstone
Planning Commentary	It is our view that a case could be supported for the comprehensive redevelopment of this B1 employment site for alternative uses (as described above). The site is not 'in centre' as defined by the NPPF and DCLG Practice Guidance, and therefore proposals would need to satisfy the impact and sequential tests.
Conclusions / Impact on Maidstone	We believe this site has the potential to extend the retail core of the town centre further south and to drive increased footfall into this part of the town. It would require a destination redevelopment, focussing around something which will create a draw for the town centre, such as a new cinema and restaurant quarter or a John Lewis Home/Waitrose combined store. If these uses were to come forward then the retail uses along Lower Stone Street, including those not specified within this site, could begin to improve as the core of the retail offer is pushed further south. The design of the scheme would need to be such that it did not 'turn its back' on the town centre.
Appraisal Results	Cinema Scheme Residual Land Value c. £0 JLP Scheme Residual Land Value c. £6.3m As can be seen there is a substantial differential in land values between these 2 options. It is unlikely that even with the £6.3m value being returned for the JLP option, that the existing use value for all of the properties on the site would be below this figure. This means values of secondary office and retail property still needs to drop further to bring development forward. Whilst the residual on the Cinema scheme is negligible at present, this is the type of enabling scheme that can bring forward further food and beverage units and eventually begin to refresh the immediate surroundings of the site. At present it has the same issue as the JLP scheme in that the EUVs of the existing buildings outweighs the development benefits, but again this could be a situation that reverses over time, for both schemes.

NOTE: We have assumed a comprehensive redevelopment of the combined sites as this is likely to deliver higher values and make for a more viable development scheme

Site	Whatmans
Site Images	
Site Area	17.00 acres
Content of Appraisal	Due to its scale we see this site as a residential housing extension, rather than a commercial scheme. We have commented throughout this report on the challenges facing the office market and the quantum of potential space here is so significant that for a scheme to come forward, it would need a number of major operators to relocate to the town. From a housing perspective, the site is attractive: •Green surroundings, meeting the demands of potential residents •Ability to provide family housing as opposed to flats, as site is on the edge of the town centre •Close proximity to railway stations and arterial roads We have applied a density of 75 dwellings per hectare across the site and assumed a policy compliant 40% affordable housing percentage is delivered.
Sector Market Commentary	Main residential commentary is available in this section of the Haynes Ford appraisal. However, we believe this is likely to be a superior site to Haynes Ford, as it is closer to the station and is a more sizeable opportunity, allowing for a greater quality of urban planning, landscaping and place making, to create a more complete residential scheme. We have thus differentiated the values (higher on this site) and the take up rate of the sales to reflect the superior location.
Appraisal Inputs	•**Area** – 75 dwellings per hectare provides for 500 homes. Same area assumptions as Haynes Ford scheme •**Build Costs** – £110 per sq ft •**Professional Fees** –12.50% •**Revenues** - £250 per sq ft private and £125 per sq ft affordable •**Timescale** – 36 month build then revenues phased on the golden brick method for affordable and at circa 1.25 per week on private,

	commencing 9 months into the construction period •**Profit** – 20% on GDV
Barriers to Delivery – Scoring **(1 = Low Barrier, 5 = High Barrier)**	

Barrier	1	2	3	4	5
Leasing market demand			N/A		
End product investment demand		✔			
Development funding availability			✔		
Physical constraints – e.g. topographical, land locked				✔	
Ownership issues, CPO requirement etc				✔	
Scale of site (lot size)					✔

Barriers to Delivery - Commentary	Due to the substantial size of this site we have deemed the risks from physical constraints, ownership issues and "lot size" to be at the higher end of the scale. The actual end product demand could be high in this location if the houses are developed to a good standard.
Council Actions	Ascertain ownership(s) of the site Open discussions with the current owner/occupier to gauge long term ambitions for the town – would they be interested in occupying space on a redeveloped mixed use scheme Implement soft market testing in conjunction with owners with mixed use developers and house builders. Consider tactics available to help fund infrastructure on site
Planning Commentary	Despite the established employment uses at this site, we consider the comprehensive redevelopment of the site for residential uses to be appropriate; subject to justifying the loss of employment uses and the provision of an appropriate density and tenure of dwellings.
Conclusions / Impact on Maidstone	This is a substantial site and one that cannot be reflected entirely accurately via a single residual development appraisal. In reality, a 17 acre opportunity site such as this would undoubtedly be delivered in phases, and would contain a mixture of uses such as residential, retail, commercial and leisure. This site is different to the Miller House/Mote Road opportunity, in that it would form an entirely new branch of the immediate town centre. We feel it is likely to be too far north of the existing retail core, which has been set by Fremlin Walk and Week Street, to be

	considered a town centre extension, and this is why we have considered it a residential led development, which would in reality be accompanied by elements of commercial uses which would be needed for the 500 homes that could be built on the site. This is the sort of site that can deliver significant housing and begin to reposition the town centre as a residential location.
Appraisal Results	Residual Land Value c. £1.7m (@ 40% affordable) Residual Land Value c. £5m (@ 25% affordable) These results show land values between £100k and £300k per acre. We would expect residential development land in Maidstone centre to achieve at the higher end of these estimates. Assuming the Council's 15% affordable housing percentage this value would be increased further still and would enhance viability. As its present use is for manufacturing, it is likely that the higher range estimates of value from these appraisals may be approaching or exceeding existing use value, which could mean development is becoming a viable solution. For such a large site we would recommend a more detailed piece of work which includes the preliminary block design of the site and the phasing of plots within an appraisal, as it is unlikely that more than 100-150 units would be delivered in one tranche.

8 Conclusions & Recommendations

8.1 From our audit of the town centre's current performance, key findings of our analysis can be summarised as follows:

- Maidstone's rank within the Venuescore national hierarchy of shopping centres decreased between 2007 and 2013 (from 33rd to 52nd), due to the relative improvement of similarly-ranked shopping centres across the UK and a relative lack of investment in Maidstone Town Centre over this period.
- Whilst the town centre's composition of uses is broadly 'as expected' given its size, we consider Maidstone to be under-represented by A3/A4 leisure uses (relative to many of the principal competing/ comparator centres). This has implications for dwell time within the town centre.
- Our findings indicate that vacancy rates in Maidstone Town Centre, whilst higher than some of the principal competing/ comparator centres, have 'levelled out' since 2009.
- The majority of vacant units in Maidstone are concentrated in 'secondary' areas. The prime retail areas (i.e. Fremlin Walk and the southern end of Week Street) are 'healthy' and perform well in this regard.
- Maidstone Town Centre has a high representation of major retailers (28 out of 31). The presence of these major retailers drive footfall, and helps to define the town centre's most 'healthy' and prime retail areas, namely Fremlin Walk and the south end of Week Street.
- The town centre has a 'bulky goods' retail offer to the immediate west of the river, which complements rather than competes with the retail core. The former area also comprises a strong leisure offer, predominantly focused within the Lockmeadow Entertainment Centre.
- The town centre office market is heavily subdued due to the dominance of nearby out of town business parks. Further, the stock of existing offices in Maidstone Town Centre is generally unsuited to modern occupier requirements. The public sector is a highly dominant town centre office occupier at present; this is likely to continue in the absence of private sector demand.
- Residential uses within the town centre are primarily supplementary to the commercial core, and are not generally considered to be the prime residential market within the Maidstone catchment.

8.2 Our assessment of Maidstone's qualitative needs and opportunities for improvement looks at deficiencies in existing retail provision (i.e. gaps in the retail offer and consumer choice) and the quality of existing retail provision (i.e. characteristics of provision against modern retailer requirements). We conclude that:

- There is a notable lack of large, modern and well-located shop units to attract those major 'anchor' retailers not currently represented in Maidstone Town Centre (e.g. Debenhams, John Lewis).
- The Mall lacks a high quality 'anchor'.
- Further qualitative improvements should focus on improving the pedestrian environment at the northern end of Week Street, an important 'gateway' to the town centre from Maidstone East Railway Station.
- There are currently some prominent vacant units in Maidstone, which serve to detract from the vitality and viability of the town centre. Notable examples include the former House of Fraser unit on Week Street (which we understand is soon to be occupied by Morrisons M Local) and the former Somerfield unit on King Street (which we understand is soon to be demolished with a view to future redevelopment). The use and occupation of these prominent town centre sites presents an opportunity to increase pedestrian flows and improve 'secondary' shopping areas.

- The town centre lacks a concentrated mid/ upper market A3 offer. The main focus of the 'evening economy' is currently Lockmeadow Entertainment Centre, Earl Street and, to a lesser extent, High Street. Further provision should be encouraged along Earl Street in particular.
- The western side of Maidstone Town Centre could be better integrated with the retail warehouses to the west of the River Medway, by means of a new pedestrian bridge. Whilst this represents a strategic opportunity for the town centre, funding is a challenge.

8.3 We have also looked at future property market trends and their potential impact on Maidstone town centre. These trends include:

- The reduction in multiple retailer representation across the UK, with a focus by brands on a smaller number of larger locations.
- Tied into this is the growth of internet shopping.
- The increased importance of A3 and leisure uses in terms of anchoring town centres and major new shopping centres.
- Changing store formats such as the growth in "pop up" stores.
- The importance of providing a high quality of experience (through the quality of the retail and leisure offer through to the quality of environment and accessibility) to shoppers in order to attract and retain their custom.
- The importance of achieving an appropriate balance between independent and multiple retailers.

8.4 Given the analysis set out in the preceding sections of the report, we then set out a range of potential interventions open to the Council to work with its partners to build on the town centre's strengths, address weaknesses and take advantage of future opportunities. Potential interventions can be categorised as follows:

- Policy support – including what the Council could take forward in terms of developing its planning policies for the town centre.
- Funding to facilitate development – we have outlined potential sources of funding that the Council could consider in order to assist with unlocking potential development opportunities in the town centre.
- Town centre management – whilst Maidstone already has a successful town centre management scheme, we have identified potential ways in which the Council could work together with partners to examine the potential to broaden the town centre management agenda out so that safety, security, maintenance and marketing work is integrated with the consideration of future physical development opportunities.
- Direct role in development – since the market is not currently providing solutions to town centre development opportunities in the UK in general, we have outlined a number of ways that the Council could become directly involved in the development process, from engaging with partners to taking a stake in potential development projects.

8.5 At a further level of detail, we have carried out development appraisals in relation to a number of potential development sites in the town centre to illustrate the opportunities for regeneration and for the Council to influence future development at a site-specific level.

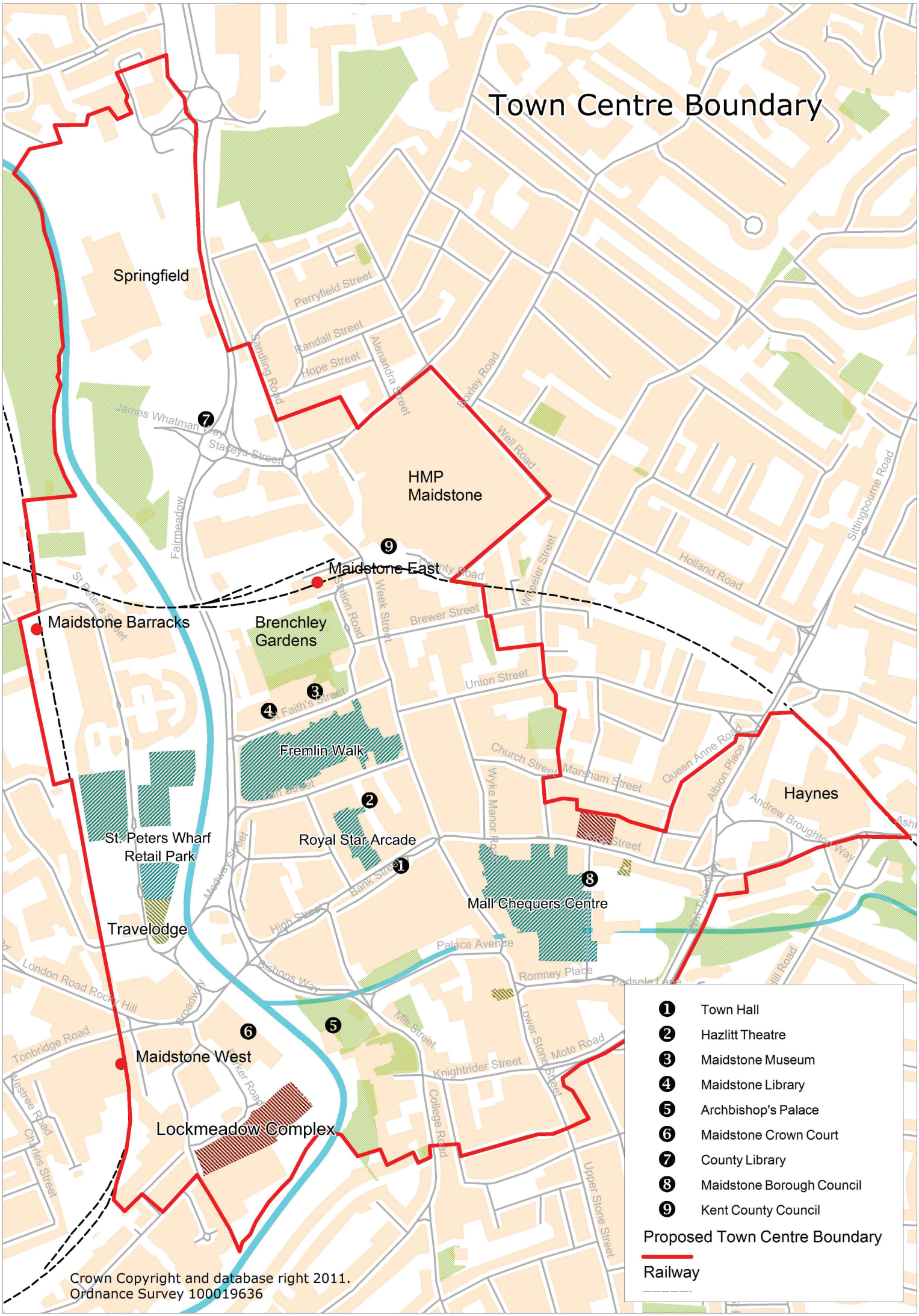
8.6 In summary, it is a real positive that Maidstone town centre has several strengths to build upon in an increasingly competitive environment. However, to exploit these to the full it is critical that the Council works with partners in a number of ways using its planning function, funding opportunities and its roles as an influencer and potentially direct promoter of development.

8.7 In this context, we consider that it is critical that in considering the findings of this report, the Council proceeds to develop a comprehensive strategy for the regeneration of the town centre. This could be incorporated into the emerging Local Plan, or sit beneath it with an appropriate level of 'weight' in planning terms, and should clearly identify:

- The Council's planning policies for each town centre use;
- Opportunity sites, together with a view of the Council's expectation in terms of the type of future development; and
- A delivery strategy, identifying who will be responsible for driving forward development, together with a clear assessment of costs and potential benefits.

Appendix A – Plan of ‘town centre boundary’

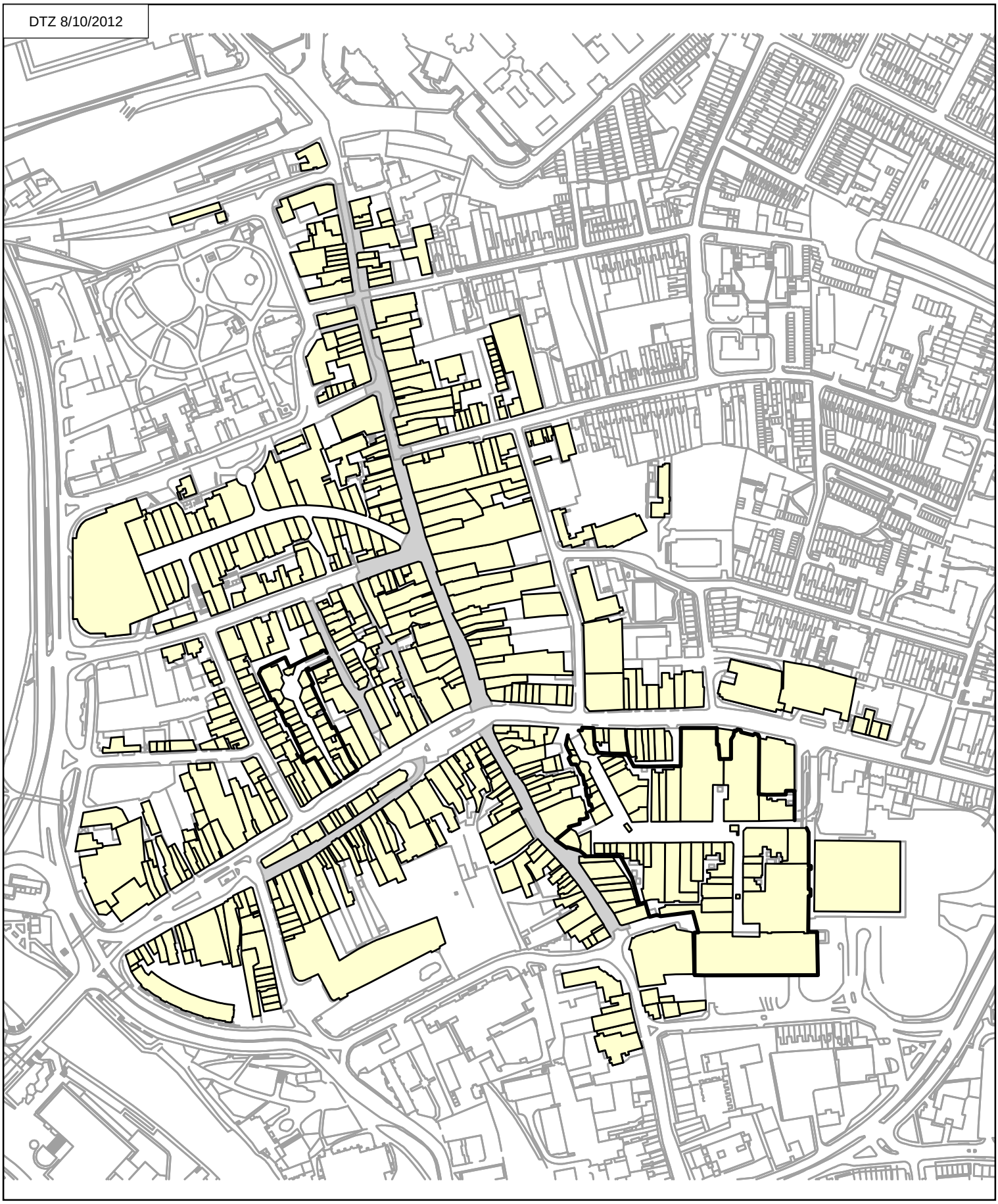
Town Centre Boundary



Appendix B – Plan of ‘retail core’

Maidstone

DTZ 8/10/2012



200 metres

Appendix C – Comparative retailer representation

APPENDIX C

	TOTAL 'MAJOR RETAILERS'	Argos	BhS	Boots	Burton	Carphone Warehouse	Clarks	Clintons	Debenhams	Dorothy Perkins	H&M	HMV	House of Fraser	John Lewis	Marks & Spencer	New Look
Maidstone	**28**	■	■	■	■	■	■	■	□	■	■	■	■	□	■	■
Ashford	21	▒	▒	▒	▒	▒	▒	▒	□	▒	▒	▒	□	□	▒	▒
Bluewater	22	□	□	▒	▒	▒	▒	▒	□	▒	▒	▒	▒	▒	▒	▒
Bromley	28	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	□	□	▒	▒
Canterbury	24	□	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	□	□	▒	▒
Chatham	20	▒	□	▒	▒	▒	□	▒	▒	▒	□	▒	□	□	□	▒
Chelmsford	23	▒	▒	▒	□	▒	▒	▒	▒	□	▒	▒	□	□	▒	▒
Croydon	28	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	□	▒	▒
Dartford	16	▒	□	▒	▒	▒	□	▒	□	▒	□	□	□	□	▒	▒
Guildford	25	▒	□	▒	□	▒	▒	▒	▒	□	▒	▒	▒	□	▒	▒
Tunbridge Wells	23	▒	▒	▒	▒	▒	▒	▒	□	▒	▒	▒	□	□	▒	▒

	Next	O2	Phones 4 U	Primark	River Island	Sainsbury's	Superdrug	TK Maxx	Tesco	Topman	Topshop	Vodafone	Waitrose	Waterstones	WHSmith	Wilkinsons
Maidstone	■	■	■	■	■	■	■	■	■	■	■	■	□	■	■	■
Ashford	▒	▒	▒	□	▒	□	▒	□	□	□	□	▒	□	▒	▒	▒
Bluewater	▒	▒	▒	□	▒	□	▒	□	□	▒	▒	▒	□	▒	▒	□
Bromley	▒	▒	▒	▒	▒	▒	▒	▒	□	▒	▒	▒	▒	▒	▒	▒
Canterbury	▒	▒	▒	□	▒	□	▒	□	▒	□	▒	▒	▒	▒	▒	▒
Chatham	□	▒	▒	▒	□	▒	▒	▒	▒	□	□	▒	□	▒	▒	▒
Chelmsford	▒	▒	▒	□	▒	□	▒	□	▒	▒	▒	▒	□	▒	▒	▒
Croydon	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	□	▒	□
Dartford	▒	□	□	▒	□	▒	▒	▒	□	□	□	□	▒	□	▒	▒
Guildford	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	▒	□	▒	▒	□
Tunbridge Wells	▒	▒	▒	□	▒	□	▒	□	▒	▒	▒	▒	□	▒	▒	□

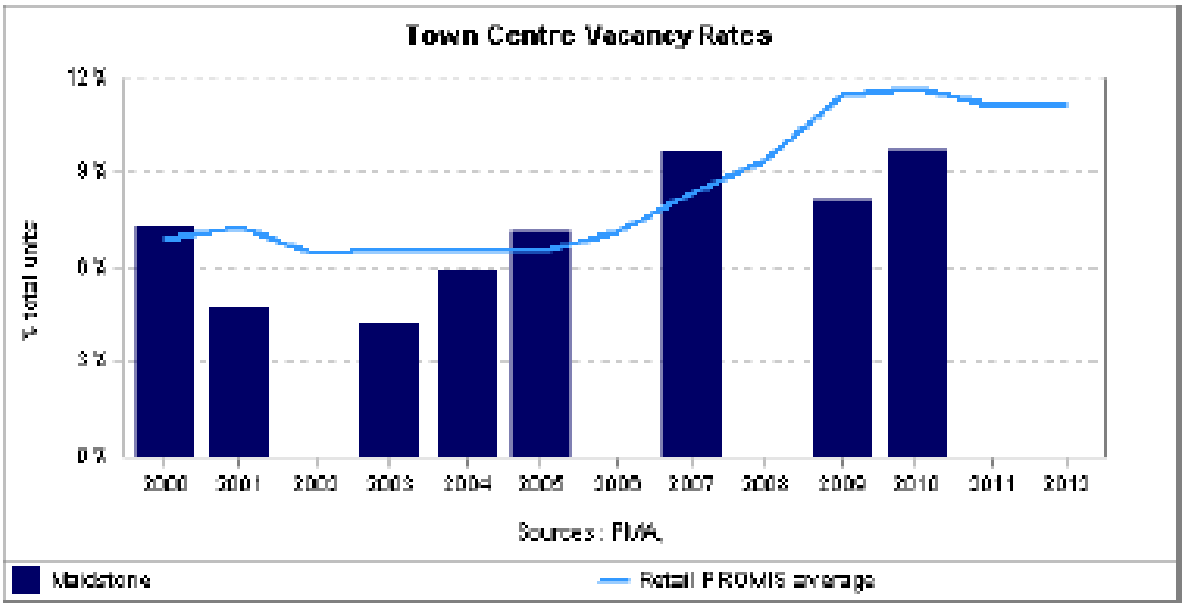
Source: GOAD
Centre Reports (2011)

Appendix D – Historic vacancy rates

APPENDIX D

Source: Promis Retail Reports (2013)

Maidstone



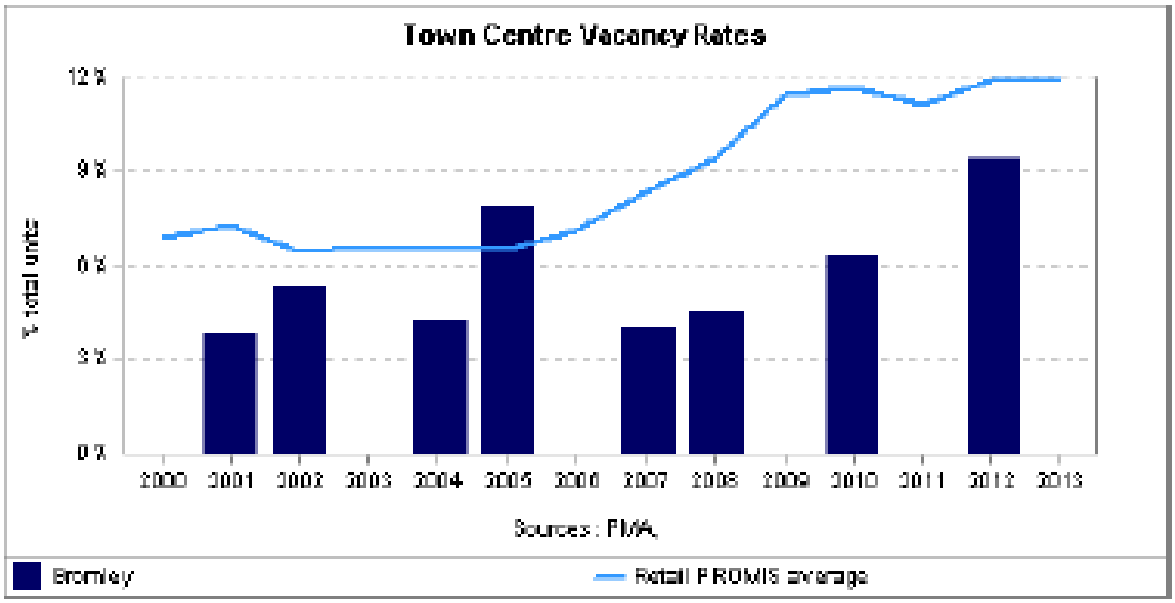
Ashford

Historic vacancy data not available.

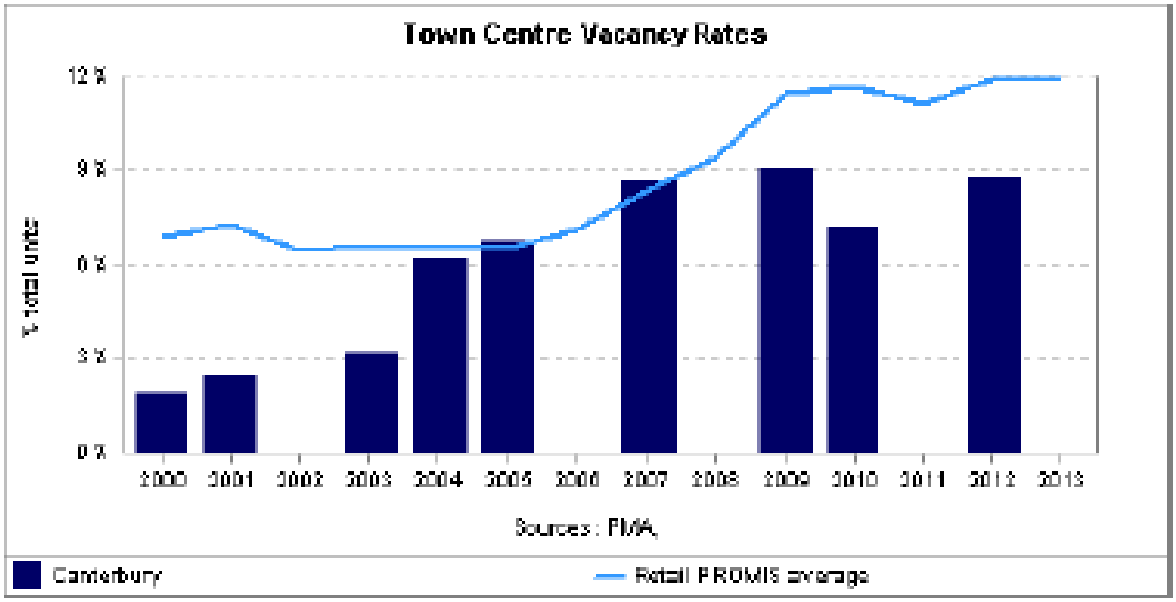
Bluewater

Historic vacancy data not available.

Bromley



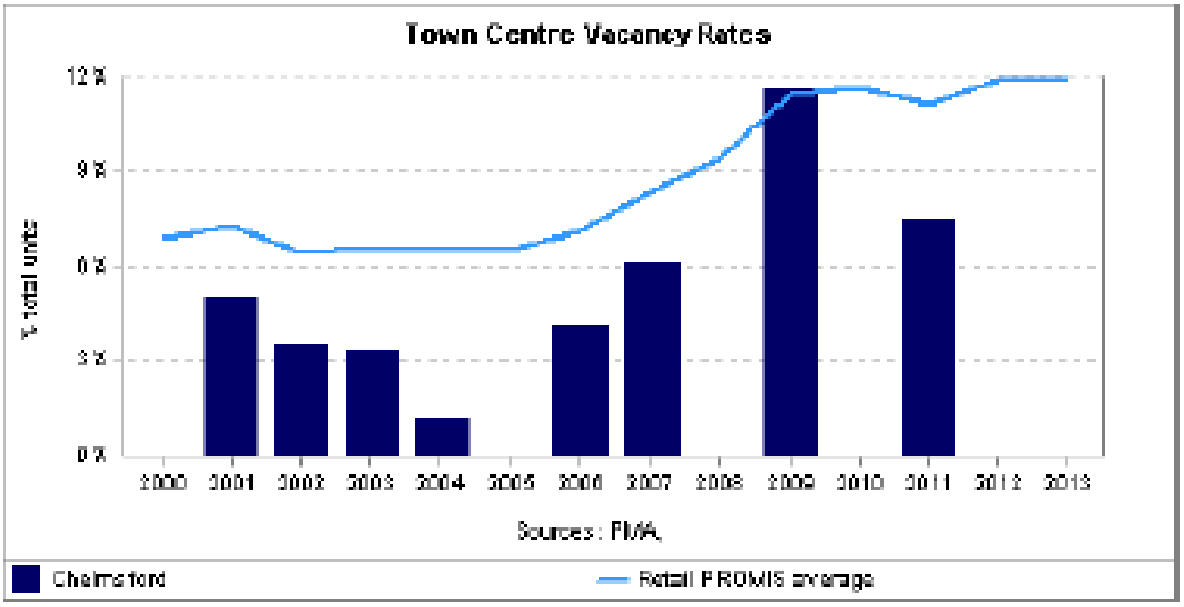
Canterbury



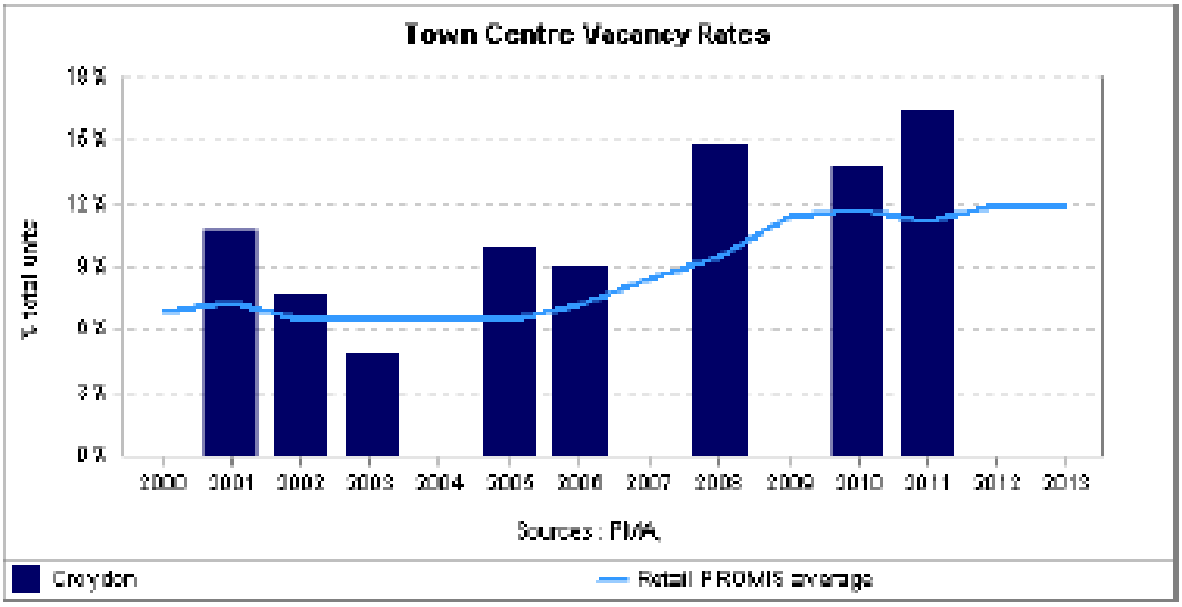
Chatham

Historic vacancy data not available.

Chelmsford



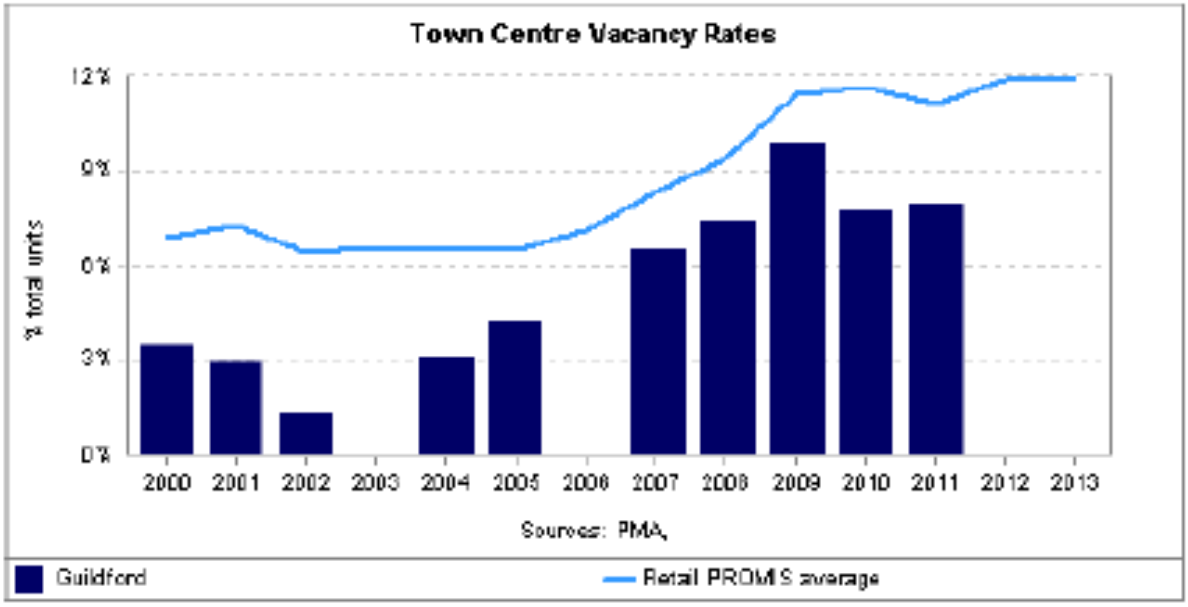
Croydon



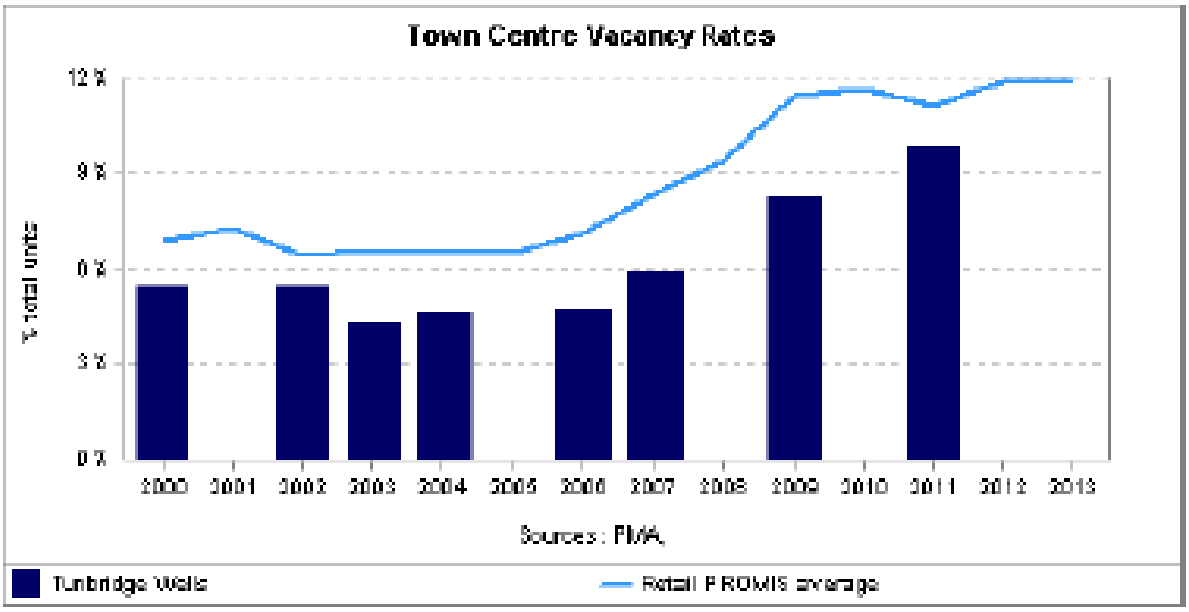
Dartford

Historic vacancy data not available.

Guildford



Tunbridge Wells



Appendix E – Maidstone town centre 'blocks'


8
1
7
2
5
3
4
6
9

Appendix F – Len House Appraisal

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency
Purchaser's Costs are based on Net Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on GDV

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	12	Mar 2013	Feb 2014	Pre-Construction	End	0
Sale	12	Mar 2014	Feb 2015	Income Flow	End	0
Phase End		Feb 2015				
Phase Length	**24**					

Project Length	**24**	**(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Len House Conversion	1	43,444	220.00	9,557,570	9,557,570
NET REALISATION				**9,557,570**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			(1,908,464)		
Town Planning			20,000		
				(1,888,464)	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Len House Conversion	51,110 ft²	150 pf²	7,666,500	**7,666,500**	
Contingency		5.00%	383,325		
				383,325	
PROFESSIONAL FEES					
Professional Fees		10.00%	804,983		
				804,983	
MARKETING & LETTING					
Marketing		2.00%	191,151		
				191,151	
DISPOSAL FEES					
Sales Agent Fee		1.00%	95,576		
Sales Legal Fee		0.50%	47,788		
				143,364	
FINANCE					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Land			(103,840)		
Construction			273,190		
Other			175,848		
Total Finance Cost				345,198	
TOTAL COSTS				**7,646,056**	
PROFIT					
				1,911,514	
Performance Measures					
Profit on Cost%		25.00%			
Profit on GDV%		20.00%			
Profit on NDV%		20.00%			
IRR		40.33%			
Profit Erosion (finance rate 7.000%)		3 yrs 3 mths			

Appendix G – The Mall Appraisal

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

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Expenditure

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Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
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Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
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Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
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Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

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Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

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Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	12	Mar 2013	Feb 2014	Pre-Construction	End	0
Phase End		Mar 2014				
Phase Length	**12**					

Project Length	**13**	**(Includes Exit Period)**

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Large MSU	1	8,500	40.00	340,000	340,000	340,000
Medium Units	1	4,250	40.00	170,000	170,000	170,000
Medium Units	1	4,250	40.00	170,000	170,000	170,000
Medium Units	1	4,250	40.00	170,000	170,000	170,000
Medium Units	1	4,250	40.00	170,000	170,000	170,000
Medium Units	1	4,250	40.00	170,000	170,000	170,000
Totals	**6**	**29,750**			**1,190,000**	**1,190,000**

Investment Valuation					
Large MSU					
Market Rent	340,000	YP @	8.5000%	11.7647	
(1yr 6mths Rent Free)		PV 1yr 6mths @	8.5000%	0.8848	3,539,284
Medium Units					
Market Rent	170,000	YP @	8.5000%	11.7647	
(1yr 6mths Rent Free)		PV 1yr 6mths @	8.5000%	0.8848	1,769,642
Medium Units					
Market Rent	170,000	YP @	8.5000%	11.7647	
(1yr 6mths Rent Free)		PV 1yr 6mths @	8.5000%	0.8848	1,769,642
Medium Units					
Market Rent	170,000	YP @	8.5000%	11.7647	
(1yr 6mths Rent Free)		PV 1yr 6mths @	8.5000%	0.8848	1,769,642
Medium Units					
Market Rent	170,000	YP @	8.5000%	11.7647	
(1yr 6mths Rent Free)		PV 1yr 6mths @	8.5000%	0.8848	1,769,642
Medium Units					
Market Rent	170,000	YP @	8.5000%	11.7647	
(1yr 6mths Rent Free)		PV 1yr 6mths @	8.5000%	0.8848	1,769,642
					12,387,493

GROSS DEVELOPMENT VALUE			**12,387,493**
Purchaser's Costs	5.80%	(679,088)	
			(679,088)
NET DEVELOPMENT VALUE			**11,708,406**
NET REALISATION			**11,708,406**

OUTLAY

ACQUISITION COSTS			
Residualised Price (5.96 Acres 1,127,901.17 pAcre)		6,722,291	
Stamp Duty	4.00%	268,892	
			6,991,183

CONSTRUCTION COSTS

Construction	**ft²**	**Rate ft²**	**Cost**	
Large MSU	10,000 ft²	40 pf²	400,000	
Medium Units	5,000 ft²	40 pf²	200,000	
Medium Units	5,000 ft²	40 pf²	200,000	
Medium Units	5,000 ft²	40 pf²	200,000	
Medium Units	5,000 ft²	40 pf²	200,000	
Medium Units	5,000 ft²	40 pf²	200,000	
Totals	**35,000 ft²**		**1,400,000**	**1,400,000**
Contingency		5.00%	70,000	
				70,000

PROFESSIONAL FEES			
Professional Fees	12.50%	183,750	
			183,750
MARKETING & LETTING			
Marketing	2.00%	247,750	
Letting Agent Fee	10.00%	119,000	
Letting Legal Fee	5.00%	59,500	
			426,250
DISPOSAL FEES			
Sales Agent Fee	1.00%	117,084	
Sales Legal Fee	0.50%	58,542	
			175,626
FINANCE			
Debit Rate 7.000% Credit Rate 0.000% (Nominal)			
Land		459,419	
Construction		50,776	
Total Finance Cost			510,195
TOTAL COSTS			**9,757,004**
PROFIT			
			1,951,402

Performance Measures

Profit on Cost%	20.00%
Profit on GDV%	15.75%
Profit on NDV%	16.67%
Development Yield% (on Rent)	12.20%
Equivalent Yield% (Nominal)	8.50%
Equivalent Yield% (True)	8.97%
IRR	31.55%
Rent Cover	1 yr 8 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Appendix H – Haynes Ford, Ashford Road Appraisals

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency	
Purchaser's Costs are based on Net Capitalisation	
Purchaser's Costs Deducted from Sale (Not added to Cost)	
Sales Fees are based on Net Capitalisation	
Sales Fees Added to Cost (Not deducted from Sale)	

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on GDV

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	24	Mar 2013	Feb 2015	Pre-Construction	End	0
Sale	12	Mar 2015	Feb 2016	Income Flow	End	0
Phase End		Feb 2016				
Phase Length	**36**					

Project Length	**36**	**(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Houses	95	90,250	225.00	213,750	20,306,250
Affordable Houses	63	59,850	112.50	106,875	6,733,125
Totals	**158**	**150,100**			**27,039,375**
NET REALISATION				**27,039,375**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			(1,819,607)		
Town Planning			50,000		
				(1,769,607)	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Houses	95,000 ft²	110 pf²	10,450,000		
Houses (Parking Spaces)	95	5,000.00	475,000		
Affordable Houses	63,000 ft²	110 pf²	6,930,000		
Affordable Houses (Parking Spaces)	63	5,000.00	315,000		
Totals	**158,000 ft²**		**18,170,000**	**18,170,000**	
Contingency		5.00%	908,500		
Demolition			250,000		
Road/Site Works			250,000		
				1,408,500	
PROFESSIONAL FEES					
Professional Fees		12.50%	2,384,812		
				2,384,812	
MARKETING & LETTING					
Marketing		2.00%	540,787		
				540,787	
DISPOSAL FEES					
Sales Agent Fee		1.00%	270,394		
Sales Legal Fee		0.50%	135,197		
				405,591	
FINANCE					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Land			(202,445)		
Construction			639,178		
Other			54,683		
Total Finance Cost				491,417	
TOTAL COSTS				**21,631,500**	
PROFIT					
				5,407,875	
Performance Measures					
Profit on Cost%		25.00%			
Profit on GDV%		20.00%			
Profit on NDV%		20.00%			
IRR		63.85%			
Profit Erosion (finance rate 7.000%)		3 yrs 3 mths			

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency
Purchaser's Costs are based on Net Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on GDV

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	24	Mar 2013	Feb 2015	Pre-Construction	End	0
Sale	18	Mar 2015	Aug 2016	Income Flow	End	0
Phase End		Aug 2016				
Phase Length	**42**					

Project Length **42** **(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Houses	122	115,900	225.00	213,750	26,077,500
Affordable Houses	36	34,200	112.50	106,875	3,847,500
Totals	**158**	**150,100**			**29,925,000**
NET REALISATION				**29,925,000**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price			(173,756)		
Town Planning			50,000		
				(123,756)	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Houses	122,000 ft²	110 pf²	13,420,000		
Houses (Parking Spaces)	122	5,000.00	610,000		
Affordable Houses	36,000 ft²	110 pf²	3,960,000		
Affordable Houses (Parking Spaces)	36	5,000.00	180,000		
Totals	**158,000 ft²**		**18,170,000**	**18,170,000**	
Contingency		5.00%	908,500		
Demolition			250,000		
Road/Site Works			250,000		
				1,408,500	
PROFESSIONAL FEES					
Professional Fees		12.50%	2,384,812		
				2,384,812	
MARKETING & LETTING					
Marketing		2.00%	598,500		
				598,500	
DISPOSAL FEES					
Sales Agent Fee		1.00%	299,250		
Sales Legal Fee		0.50%	149,625		
				448,875	
FINANCE					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Land			(22,436)		
Construction			822,241		
Other			253,264		
Total Finance Cost				1,053,069	
TOTAL COSTS				**23,940,000**	
PROFIT					
				5,985,000	
Performance Measures					
Profit on Cost%		25.00%			
Profit on GDV%		20.00%			
Profit on NDV%		20.00%			
IRR		32.77%			
Profit Erosion (finance rate 7.000%)		3 yrs 3 mths			

Appendix I – Coleman House Appraisal

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency	
Purchaser's Costs are based on Net Capitalisation	
Purchaser's Costs Deducted from Sale (Not added to Cost)	
Sales Fees are based on Net Capitalisation	
Sales Fees Added to Cost (Not deducted from Sale)	

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on Cost

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	18	Mar 2013	Aug 2014	Pre-Construction	End	0
Phase End		Sep 2014				
Phase Length	**18**					

Project Length	**19**	**(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Student Accommodation	350	43,832	27.95	3,500	1,225,000	1,225,000
Retail	1	12,232	20.00	244,640	244,640	244,640
Totals	**351**	**56,064**			**1,469,640**	**1,469,640**

Investment Valuation					
Student Accommodation					
Current Rent	1,225,000	YP @	7.5000%	13.3333	16,333,333
Retail					
Market Rent	244,640	YP @	8.0000%	12.5000	
(3yrs Rent Free)		PV 3yrs @	8.0000%	0.7938	2,427,539
					18,760,872

GROSS DEVELOPMENT VALUE				**18,760,872**
Purchaser's Costs		5.80%	(1,028,479)	
				(1,028,479)
NET DEVELOPMENT VALUE				**17,732,394**
NET REALISATION				**17,732,394**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (0.22 Acres 18,948,171.87 pAcre)			4,168,598	
Stamp Duty		4.00%	166,744	
				4,335,342
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Student Accommodation	54,790 ft²	120 pf²	6,574,800	
Retail	15,290 ft²	50 pf²	764,500	
Totals	**70,080 ft²**		**7,339,300**	**7,339,300**
Contingency		5.00%	366,965	
Demolition			100,000	
				466,965
PROFESSIONAL FEES				
Professional Fees		15.00%	1,155,940	
				1,155,940
MARKETING & LETTING				
Marketing		2.00%	375,217	
Letting Agent Fee		10.00%	146,964	
Letting Legal Fee		5.00%	73,482	
				595,663
FINANCE				
Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			448,016	
Construction			435,768	
Total Finance Cost				883,784
TOTAL COSTS				**14,776,994**
PROFIT				
				2,955,399

Performance Measures	
Profit on Cost%	20.00%
Profit on GDV%	15.75%
Profit on NDV%	16.67%
Development Yield% (on Rent)	9.95%
Equivalent Yield% (Nominal)	7.58%
Equivalent Yield% (True)	7.95%
IRR	27.97%
Rent Cover	2 yrs
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Appendix J – Miller, Kent & Medvale House Appraisals (inc 27 Mote Road)

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency
Purchaser's Costs are based on Net Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on Cost

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	24	Mar 2013	Feb 2015	Pre-Construction	End	0
Phase End		Mar 2015				
Phase Length	**24**					

Project Length	**25**	**(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
Cinema	1	34,960	15.00	524,400	524,400	524,400
Retail Refurb	1	11,400	15.00	171,000	171,000	171,000
Office Refurb	1	48,800	7.50	366,000	366,000	366,000
New F&B Units	1	12,000	25.00	300,000	300,000	300,000
Totals	**4**	**107,160**			**1,361,400**	**1,361,400**

Investment Valuation					
Cinema					
Current Rent	524,400	YP @	6.5000%	15.3846	8,067,692
Retail Refurb					
Market Rent	171,000	YP @	10.0000%	10.0000	
(1yr Rent Free)		PV 1yr @	10.0000%	0.9091	1,554,545
Office Refurb					
Market Rent	366,000	YP @	10.0000%	10.0000	
(1yr Rent Free)		PV 1yr @	10.0000%	0.9091	3,327,273
New F&B Units					
Market Rent	300,000	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	4,333,694
					17,283,205

GROSS DEVELOPMENT VALUE				**17,283,205**
Purchaser's Costs		5.80%	(947,472)	
				(947,472)
NET DEVELOPMENT VALUE				**16,335,732**
NET REALISATION				**16,335,732**
OUTLAY				
ACQUISITION COSTS				
Residualised Price (2.47 Acres 17,139.21 pAcre)			42,334	
Stamp Duty		4.00%	1,693	
				44,027
CONSTRUCTION COSTS				
Construction	**ft²**	**Rate ft²**	**Cost**	
Cinema	38,000 ft²	140 pf²	5,320,000	
Retail Refurb	14,250 ft²	25 pf²	356,250	
Office Refurb	61,000 ft²	25 pf²	1,525,000	
New F&B Units	15,000 ft²	100 pf²	1,500,000	
Totals	**128,250 ft²**		**8,701,250**	**8,701,250**
Contingency		5.00%	435,062	
Demolition			500,000	
				935,063
PROFESSIONAL FEES				
Professional Fees		15.00%	1,370,447	
				1,370,447
MARKETING & LETTING				
Marketing		2.00%	345,664	
Letting Agent Fee		10.00%	136,140	
Letting Legal Fee		5.00%	68,070	
				549,874
DISPOSAL FEES				
Sales Agent Fee		1.00%	163,357	
Sales Legal Fee		0.50%	81,679	
				245,036
Additional Costs				
Cinema Capital Contribution			1,000,000	
				1,000,000
FINANCE				
Debit Rate 7.000% Credit Rate 0.000% (Nominal)				
Land			6,265	
Construction			761,149	
Total Finance Cost				767,414
TOTAL COSTS				**13,613,111**
PROFIT				
				2,722,622

Performance Measures	
Profit on Cost%	20.00%
Profit on GDV%	15.75%
Profit on NDV%	16.67%
Development Yield% (on Rent)	10.00%
Equivalent Yield% (Nominal)	7.54%
Equivalent Yield% (True)	7.91%

IRR	29.09%
Rent Cover	1 yr 12 mths
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency
Purchaser's Costs are based on Net Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on Cost

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Phase End		Mar 2014				
Phase Length	**0**					

Project Length	**12**	**(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE

Rental Area Summary	**Units**	**ft²**	**Rate ft²**	**Initial MRV/Unit**	**Net Rent at Sale**	**Initial MRV**
JLP Home/Waitrose	1	63,000	20.00	1,260,000	1,260,000	1,260,000

Investment Valuation					
JLP Home/Waitrose					
Market Rent	1,260,000	YP @	5.0000%	20.0000	
(1yr Rent Free)		PV 1yr @	5.0000%	0.9524	24,000,000
GROSS DEVELOPMENT VALUE				**24,000,000**	
Purchaser's Costs		5.80%	(1,315,690)		
				(1,315,690)	
NET DEVELOPMENT VALUE				**22,684,310**	
NET REALISATION				**22,684,310**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (2.47 Acres 2,569,712.09 pAcre)			6,347,189		
Stamp Duty		4.00%	253,888		
				6,601,076	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
JLP Home/Waitrose	70,000 ft²	80 pf²	5,600,000		
JLP Home/Waitrose (Parking Spaces)	300	5,000.00	1,500,000	**7,100,000**	
Contingency		5.00%	355,000		
Demolition			1,000,000		
Road/Site Works			1,000,000		
				2,355,000	
PROFESSIONAL FEES					
Professional Fees		15.00%	1,118,250		
				1,118,250	
MARKETING & LETTING					
Letting Agent Fee		10.00%	126,000		
Letting Legal Fee		5.00%	63,000		
				189,000	
DISPOSAL FEES					
Sales Agent Fee		1.00%	226,843		
Sales Legal Fee		0.50%	113,422		
				340,265	
Additional Costs					
Capital Contribution			1,200,000		
				1,200,000	
TOTAL COSTS				**18,903,591**	
PROFIT					
				3,780,719	

Performance Measures	
Profit on Cost%	20.00%
Profit on GDV%	15.75%
Profit on NDV%	16.67%
Development Yield% (on Rent)	6.67%
Equivalent Yield% (Nominal)	5.00%
Equivalent Yield% (True)	5.16%
IRR	Infinite
Rent Cover	3 yrs
Profit Erosion (finance rate 7.000%)	2 yrs 8 mths

Appendix K – Watmans Appraisal

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency
Purchaser's Costs are based on Net Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on GDV

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	36	Mar 2013	Feb 2016	Pre-Construction	End	0
Sale	33	Mar 2016	Nov 2018	Income Flow	End	0
Phase End		Nov 2018				
Phase Length	**69**					

Project Length	**69**	**(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Private Houses	300	285,000	250.00	237,500	71,250,000
Affordable Houses	200	190,000	125.00	118,750	23,750,000
Totals	**500**	**475,000**			**95,000,000**
NET REALISATION				**95,000,000**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (17.00 Acres 98,842.11 pAcre)			1,680,316		
Stamp Duty		4.00%	67,213		
				1,747,528	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Private Houses	300,000 ft²	110 pf²	33,000,000		
Private Houses (Parking Spaces)	300	5,000.00	1,500,000		
Affordable Houses	200,000 ft²	110 pf²	22,000,000		
Affordable Houses (Parking Spaces)	200	5,000.00	1,000,000		
Totals	**500,000 ft²**		**57,500,000**	**57,500,000**	
Contingency		5.00%	2,875,000		
Landscaping etc			1,000,000		
				3,875,000	
PROFESSIONAL FEES					
Professional Fees		12.50%	7,546,875		
				7,546,875	
MARKETING & LETTING					
Marketing		1.00%	950,000		
				950,000	
DISPOSAL FEES					
Sales Agent Fee		1.00%	950,000		
Sales Legal Fee		0.50%	475,000		
				1,425,000	
FINANCE					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Land			317,504		
Construction			1,842,006		
Other			796,086		
Total Finance Cost				2,955,597	
TOTAL COSTS				**76,000,000**	
PROFIT					
				19,000,000	
Performance Measures					
Profit on Cost%		25.00%			
Profit on GDV%		20.00%			
Profit on NDV%		20.00%			
IRR		30.75%			
Profit Erosion (finance rate 7.000%)		3 yrs 3 mths			

DTZ Debenham Tie Leung

Development Appraisal

Report Date: 07 June 2013

ASSUMPTIONS AND DEFAULTS — DTZ DEBENHAM TIE LEUNG

Assumptions

Expenditure

Professional Fees are based on Construction including Contingency
Purchaser's Costs are based on Net Capitalisation
Purchaser's Costs Deducted from Sale (Not added to Cost)
Sales Fees are based on Net Capitalisation
Sales Fees Added to Cost (Not deducted from Sale)

Receipts

Show tenant's true income stream	On
Offset income against development costs	Off
Rent payment cycle	Quarterly (Adv)
Apply rent payment cycle to all tenants	On
Renewal Void and Rent Free apply to first renewal only	Off
Growth starts from lease start date	Off
Deduct Ground Rent from Stepped Rent,	On
Initial Yield Valuation Method	Off
Default Capitalisation Yield	0.0000%
Apply Default Capitalisation to All Tenants	Off
Default stage for Sale Date	Off
Align end of income stream to Sale Date	Off
Apply align end of income stream to all tenants	On
When the Capital Value is modified in the cash flow	Recalculate the Yield
Valuation Tables are	Annually in Arrears
Deduct Post-Sale TI Costs & Lease Comm. from Cap. Value	Off
Rent Free method	Defer start of Tenant's Rent

Finance

Financing Method	Basic (Interest Sets)
Interest Compounding Period	Quarterly
Interest Charging Period	Monthly
Nominal rates of interest used	
Calculate interest on Payments/Receipts in final period	Off
Include interest and Finance Fees in IRR Calculations	Off
Automatic Inter-account transfers	Off
Manual Finance Rate for Profit Erosion	Off

Calculation

Site Payments	In Arrears
Other Payments	In Arrears
Negative Land	In Arrears
Receipts	In Advance
Initial IRR Guess Rate	8.00%
Minimum IRR	-100%
Maximum IRR	99999%
Manual Discount Rate	Off
IRR Tolerance	0.001000
Letting and Rent Review Fees are calculated on	Net of Deductions
Development Yield and Rent Cover are calculated on	Rent at Sale Date(s)
Include Tenants with no Capital Value	On
Include Turnover Rent	Off
Net of Non-Recoverable costs	On
Net of Ground Rent deductions	On
Net of Rent Additions/Costs	On
Leasing Commissions are calculated	After Non-Recoverable cost deductions For the First Term of the lease only

Value Added Tax

Global VAT Rate	0.00%
Global Recovery Rate	0.00%
Recovery Cycle every	2 months
1st Recovery Month	2 (Apr 2013)
VAT Calculations in Cash Flow	On

Residual

Land Cost Mode	Residualised Land Value
Multi-Phasing	Separate Land Residual for each phase
Target Type	Profit on GDV

Phase Number	Target Value	Locked Value	Treat Neg Land as Revenue
Phase 1	20.00%	No	No

Distribution

Construction Payments are paid on	S-Curve
Sales Receipts are paid on	Single curve
Sales Deposits are paid on	Monthly curve

Interest Sets

Interest Set 1

Debit Rate	Credit Rate	Months	Start Date

Assumptions

7.000%	0.000%	Perpetuity	Mar 2013

Loan Set 1

Debit Rate	Credit Rate	Months	Start Date
0.000%	0.000%	Perpetuity	Mar 2013

Inflation and Growth

Growth Sets

Growth Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

Inflation Sets

Inflation Set 1
Inflation/Growth for this set is calculated in arrears
This set is not stepped

Rate	Months	Start Date
0.000%	Perpetuity	Mar 2013

TIMESCALE AND PHASING

DTZ DEBENHAM TIE LEUNG

Timescale (Duration in months)

Project commences Mar 2013
Phase 1

Stage Name	Duration	Start Date	End Date	Anchored To	Aligned	Offset
Phase Start		Mar 2013				
Construction	36	Mar 2013	Feb 2016	Pre-Construction	End	0
Sale	48	Mar 2016	Feb 2020	Income Flow	End	0
Phase End		Feb 2020				
Phase Length	**84**					

Project Length	**84**	**(Includes Exit Period)**

APPRAISAL SUMMARY DTZ DEBENHAM TIE LEUNG

Summary Appraisal for Phase 1

Currency in £

REVENUE					
Sales Valuation	**Units**	**ft²**	**Rate ft²**	**Unit Price**	**Gross Sales**
Private Houses	375	356,250	250.00	237,500	89,062,500
Affordable Houses	125	118,750	125.00	118,750	14,843,750
Totals	**500**	**475,000**			**103,906,250**
NET REALISATION				**103,906,250**	
OUTLAY					
ACQUISITION COSTS					
Residualised Price (17.00 Acres 290,096.77 pAcre)			4,931,645		
Stamp Duty		4.00%	197,266		
				5,128,911	
CONSTRUCTION COSTS					
Construction	**ft²**	**Rate ft²**	**Cost**		
Private Houses	375,000 ft²	110 pf²	41,250,000		
Private Houses (Parking Spaces)	375	5,000.00	1,875,000		
Affordable Houses	125,000 ft²	110 pf²	13,750,000		
Affordable Houses (Parking Spaces)	125	5,000.00	625,000		
Totals	**500,000 ft²**		**57,500,000**	**57,500,000**	
Contingency		5.00%	2,875,000		
Landscaping etc			1,000,000		
				3,875,000	
PROFESSIONAL FEES					
Professional Fees		12.50%	7,546,875		
				7,546,875	
MARKETING & LETTING					
Marketing		1.00%	1,039,062		
				1,039,062	
DISPOSAL FEES					
Sales Agent Fee		1.00%	1,039,062		
Sales Legal Fee		0.50%	519,531		
				1,558,594	
FINANCE					
Debit Rate 7.000% Credit Rate 0.000% (Nominal)					
Land			1,076,007		
Construction			2,721,346		
Other			2,679,205		
Total Finance Cost				6,476,558	
TOTAL COSTS				**83,125,000**	
PROFIT					
				20,781,250	
Performance Measures					
Profit on Cost%		25.00%			
Profit on GDV%		20.00%			
Profit on NDV%		20.00%			
IRR		19.20%			
Profit Erosion (finance rate 7.000%)		3 yrs 3 mths			