

EAGLE QUARTER II NEWBURY

ECONOMIC IMPACT ASSESSMENT

September 2023

LOCHAILORT



Economic Impact Statement
for the redevelopment of the Kennet Centre, Newbury
(planning application ref 21/00379/FULMAJ)

Prepared on behalf of
Lochailort Newbury Ltd

August 2022

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1.0 SUMMARY OF HEADLINE ECONOMIC IMPACTS

Proposed redevelopment of the Kennet Centre, Newbury

| | |
|---|---|
|  | Substantially in excess of £120m to be spent in the town centre |
|  | 360 FTE construction jobs |
|  | £130.8m indirect construction supply chain GDP |
|  | £90m induced expenditure via supply chain |
|  | £43.2m tax to the public purse from construction activity |
|  | Local procurement/jobs/training opportunities |
|  | Space for up to 560 ongoing (net additional) operational jobs |
|  | £7m pa ongoing town centre spending by new residents |
|  | Catalyst for growth of the local economy |
|  | A spur for visitor and business expenditure |
|  | New co-working space and offices for the town centre |
|  | Efficient use of resources and space; enhanced public realm |

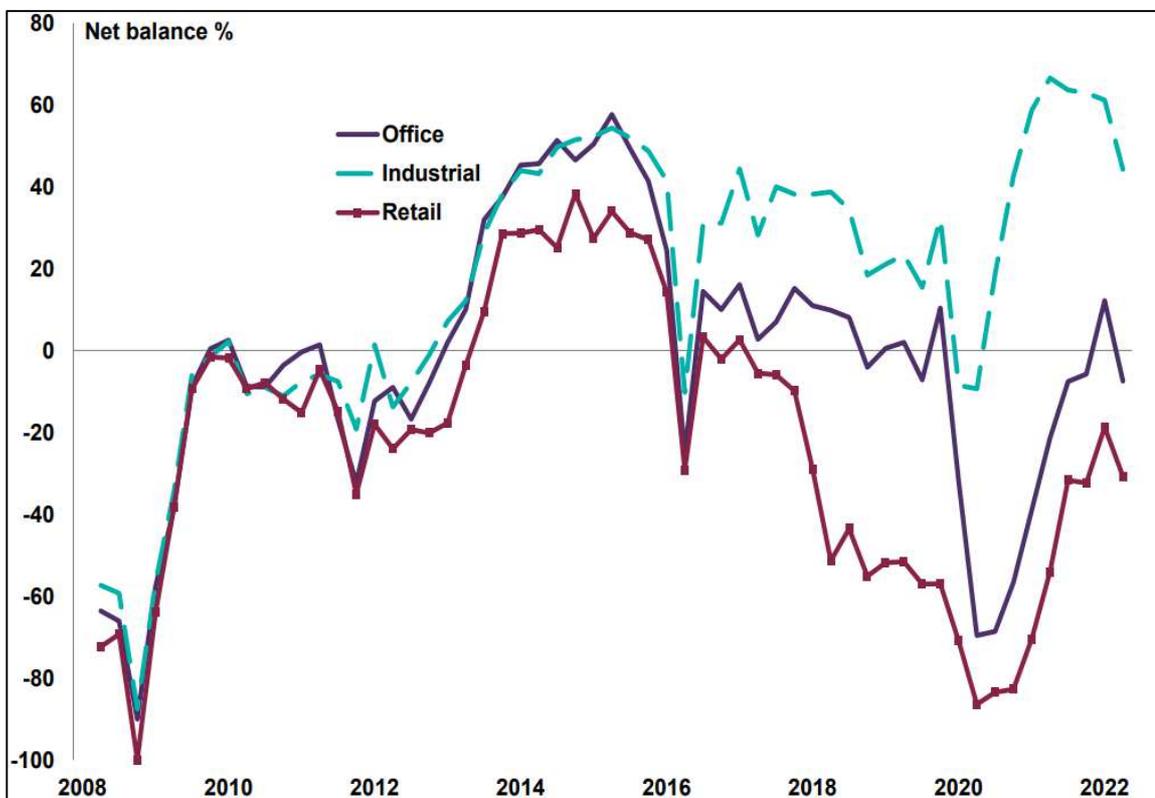
2.0 INTRODUCTION AND SCOPE OF REPORT

- 2.1 Propernomics specialises in property market research, socio-economics and economic development consultancy for public sector and private sector clients, including production of expert evidence to inform policies and development proposals.
- 2.2 Propernomics has been instructed by Lochailort Newbury Ltd (the Applicant) to prepare an “Economic Impact Statement” for their proposed redevelopment of the Kennet Centre, Newbury, RG14 5EN (planning application ref 21/00379/FULMAJ).
- 2.3 The formal description of the proposed development is:
- 2.4 “Full: Phased redevelopment of the Kennet Centre comprising (i) partial demolition of existing building (ii) flexible-use commercial space (iii) headquarters office building (iv) 402 dwellings plus residents’ ancillary facilities (v) access, car parking and cycle parking (vi) landscaping & open space (vii) sustainable energy installations (viii) associated works.”
- 2.5 We understand that the proposed development has since been modified in response to comments from the council and the number of dwellings has been reduced to 367.
- 2.6 Our report addresses the following topics:
1. The market and economic context of the proposed development.
 2. The employment capacity of the building following construction.
 3. The construction employment and supply chain activity to be created.
 4. The potential expenditure effects arising from the use of the new building.
 5. Comparisons between the baseline (do nothing) scenario and the proposed development.
- 2.7 We understand that the Applicant is engaged in ongoing dialogue with the Local Planning Authority (West Berkshire Council) and other stakeholders regarding the planning application. This may give rise to the need for us to modify our report or to produce additional evidence to reflect any changes.

3.0 MARKET TRENDS AND ECONOMIC CONTEXT

- 3.1 The planning application is accompanied by a “Retail Demand Report” which notes that whilst the impact of the pandemic has been devastating for many retail and leisure businesses, even a relatively prosperous market town like Newbury “has been adversely impacted by the changes to the retail market even before the impact of Covid-19”.
- 3.2 In other words, there are forceful trends at work which have led to the report’s findings that the Kennet Centre “is failing as a shopping centre and in need of significant investment and repurposing”; and the redevelopment “is not only inevitable but also long overdue”.
- 3.3 The difficulties of the retail sector in comparison to other forms of property are to be seen in research by the Royal Institution of Chartered Surveyors (RICS). The following chart shows a long running time series from a survey of market expectations (looking 12 months ahead) for the capital value of different forms of commercial property.

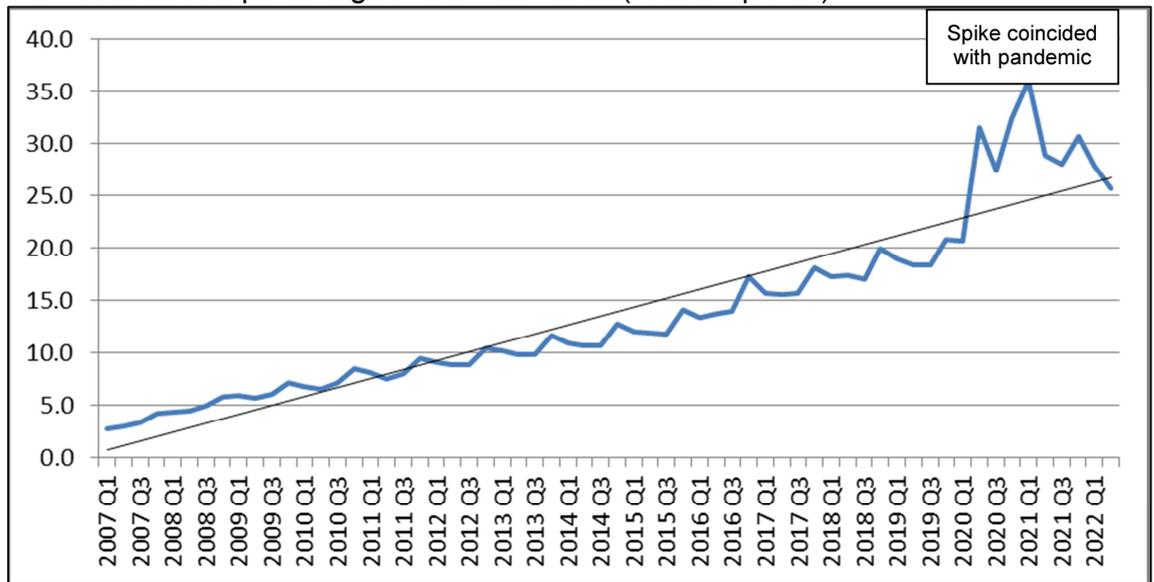
Capital value expectations for the year ahead



Source: RICS, “UK Commercial Property Market Survey”, Q2 2022

- 3.4 It is evident from the research that the retail sector has been lagging behind offices and industrial property since 2012 and the gap in performance has widened since 2017. The net balance of opinion for capital value expectations for the year ahead is positive for industrial property, has fluctuated lately between positive and negative for offices, but is persistently negative for retail. There has been some improvement for offices and retail property since 2020 but the overall performance of the commercial property sector continues to be dragged down by weak demand and low rents for retail property.
- 3.5 Research published by Capital Economics¹ into the outlook for commercial property said in respect of retail property: “Rental falls have slowed, but are expected to continue into 2022. Online sales remain stubbornly high, raising the concerns for the outlook, reinforced by near-term headwinds to the consumer upturn.”

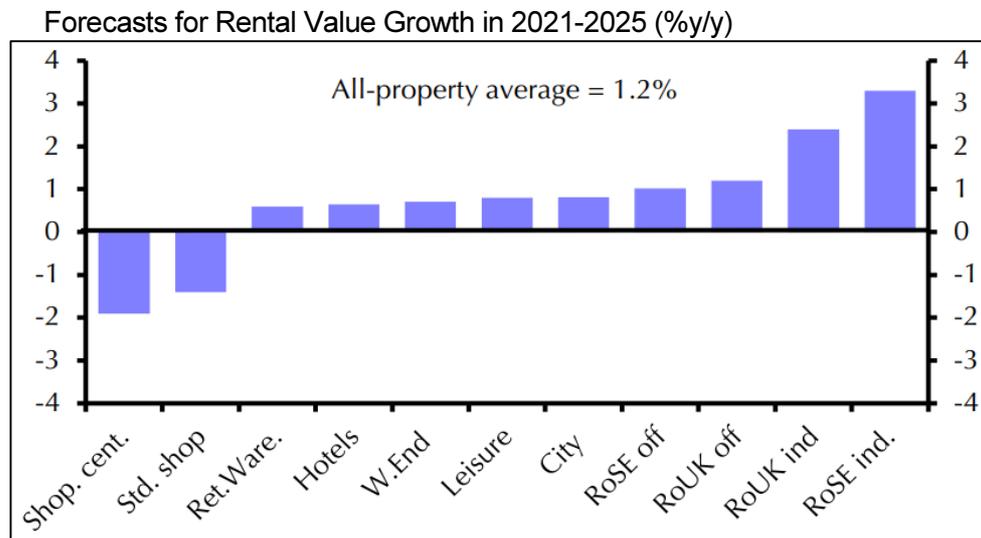
Internet sales as a percentage of total retail sales (% each quarter)



Source: Office for National Statistics

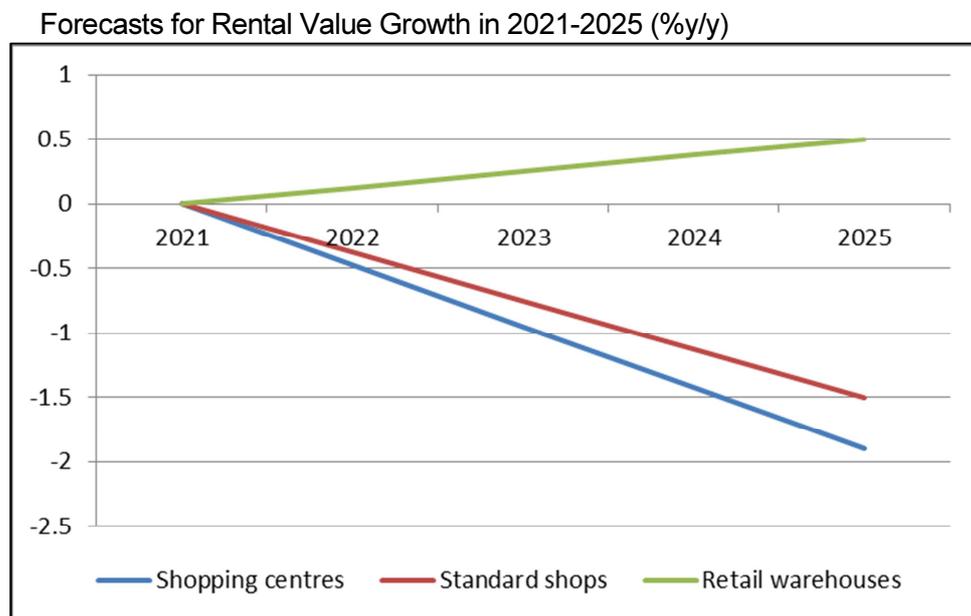
- 3.6 Nonetheless, Capital Economics is more positive about the retail warehouse subsector which “is predicted to deliver the highest rental value growth and returns over the forecast period.” So it is apparent that there are important differences within the retail property sector with, for example, retail warehouses (and all other property) performing better than shopping centres. This is illustrated by the following chart published by Capital Economics comparing forecasts for the rental growth of different forms of commercial property through to 2025.

¹ “UK Commercial Property Outlook” Capital Economics, November 2021

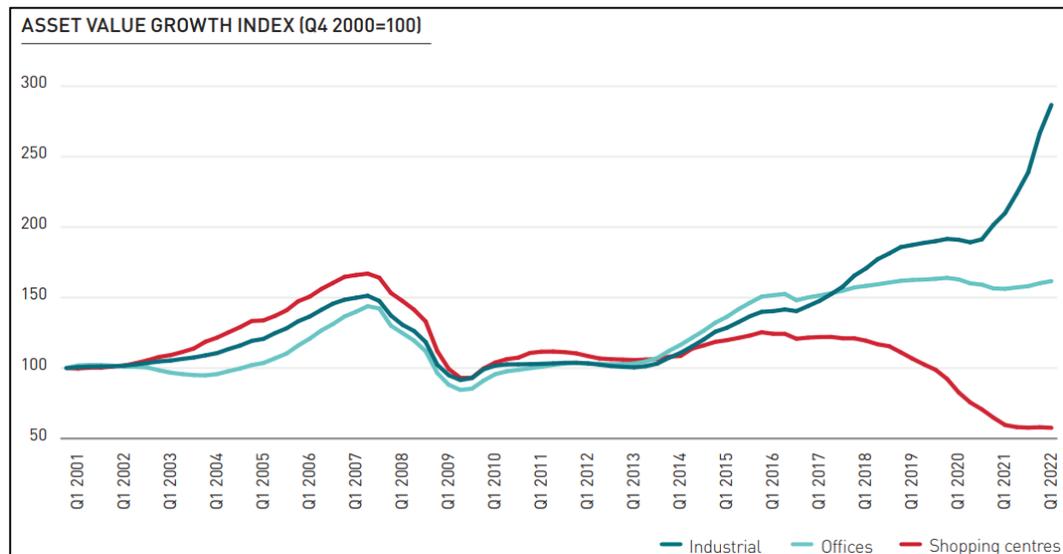


Source: Capital Economics

3.7 The following chart illustrates the direction of travel for the retail subsets of the commercial property market using the same data (indexed from 2021 and showing the forecast trend).



3.8 Looking at similar data comparing industrial property, offices and shopping centres, research by LSH (quoting MSCI), confirms a significant divergence in value between these asset classes, with shopping centres performing least well since 2014.



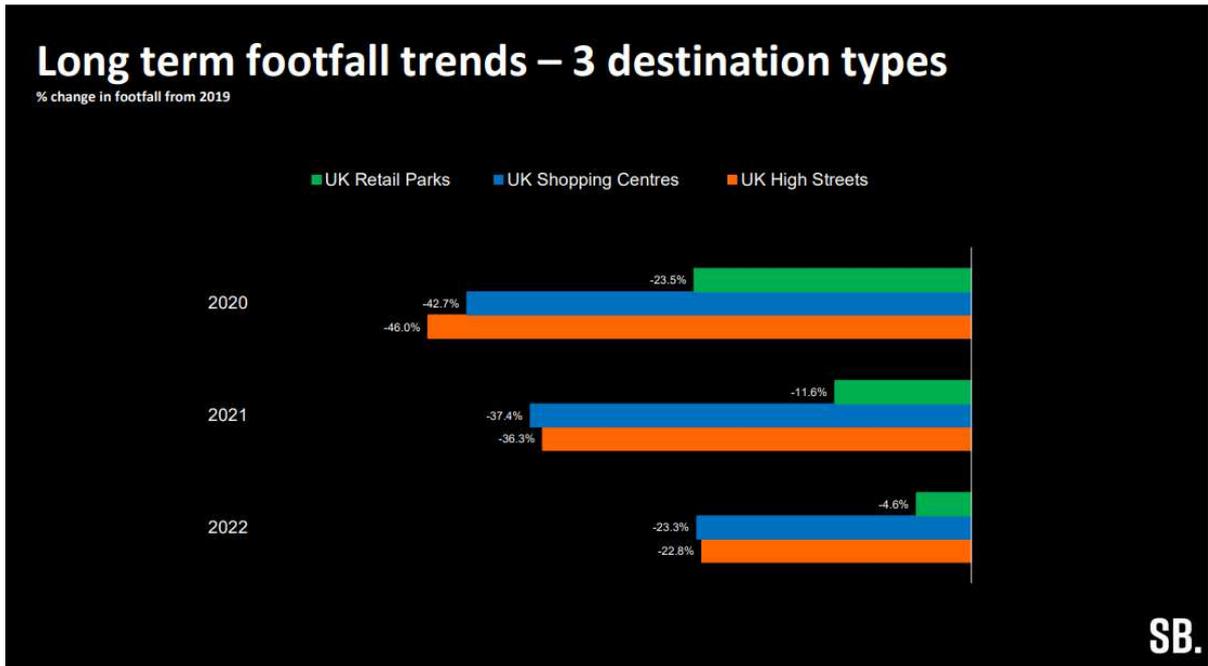
Source: “Shopping Centre Futures” 2022, LSH (quoting data from MSCI)

- 3.9 The British Retail Consortium has also identified that the vacancy rate for shopping centres in particular is especially problematic, despite some post-pandemic improvement. Quoting Local Data Company (LDC) data for Q2 2022, shopping centre vacancies averaged 18.9% compared to 14% for high streets and 10.2% for retail parks.
- 3.10 In its “Retail Property Outlook 2022”, Knight Frank reports “highly polarised performance between retail sub-sectors and huge variances between assets within the same sub-sector”. It states: “More than any other part of the retail market, shopping centres face mixed fortunes. There are certainly parts of the market where the short, medium and even long-term prospects appear bleak. Over-supplied mid-market towns which are trying to offer more than pure convenience but really fail to offer any kind of quality offer or appealing shopping environment have a long term battle on their hands.”
- 3.11 Given the downward trend in the utility and value of retail property, the LSH report states that “20-40% of retail space may need to be repurposed”². The report elaborates by saying: “The repurposing of large volumes of shopping centre space is increasingly a key part of regeneration activity across the UK. Shopping centres need to be transformed into mixed-use locations with a wide range of commercial, residential and community space. This will enable centres to forge new roles as living, working places at the heart of communities.”

² Source: LSH/REVO Survey 2022

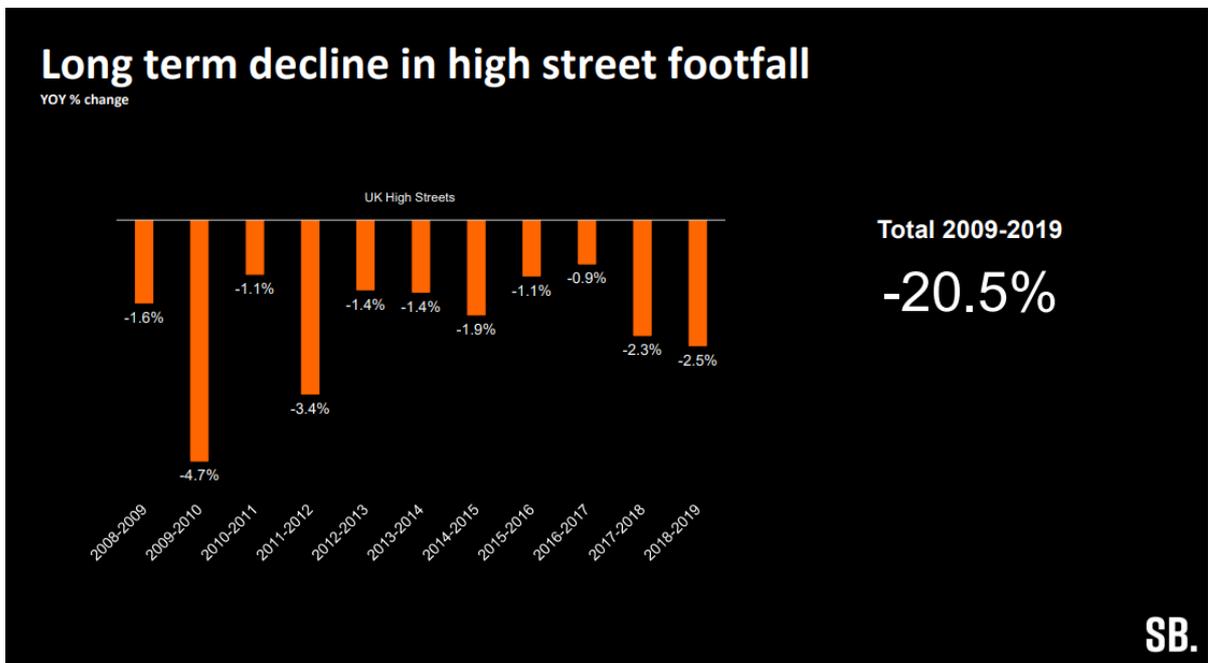
- 3.12 As might be expected, the research identifies that trading conditions have improved since the recent pandemic “lockdowns” but notes that underlying trends mean that in many places there is an oversupply of retail floorspace. The report states that “it is clearer than ever that the UK’s towns and cities have more retail space than they need. Innovative ideas are needed to reimagine the country’s shopping centres so that they are fit for the post-pandemic world, with significant volumes of space being repurposed to non-retail uses”.
- 3.13 Looking ahead, the authors of the report also commented on the need to reconfigure shopping centre sites with a mix of uses to enable the regeneration of town centres: “Though demand for retail space is in freefall, shopping centres are often uniquely located to deliver a range of other uses from education through to healthcare and housing. The repurposing and redevelopment of shopping centres should be a central pillar of the regeneration of the UK’s towns and cities, supporting economic growth and the government’s levelling-up agenda.”
- 3.14 Research by Springboard for the High Streets Task Force³ has also identified that footfall for retail premises has been in decline, especially for shopping centres and high streets. The following chart shows the change in footfall for different types of retail premises since 2019.

³ “The High Streets Task Force is an alliance of place making experts working to redefine the high street. We provide guidance, tools and skills to help communities, partnerships and local government transform their high streets.” www.highstreettaskforce.org.uk



Source: www.highstreetstaskforce.org.uk / Springboard

3.15 The same source shows long term (pre-Covid) footfall data for high streets in particular each year since 2008/09. This confirms that there has been a significant, structural change with a persistent, downward shift in high street footfall.



Source: www.highstreetstaskforce.org.uk / Springboard

3.16 The Local Data Company (LDC) identified five key trends in their “GB Retail and Leisure Market Analysis, H1 2021”:

“1. *Independent resilience continues*”. LDC’s research shows that whilst high streets have suffered from the widespread closure of retailers, the first signs of recovery since the pandemic have included “independent businesses” taking advantage of “a large supply of vacant units”. This chimes with other research suggesting that independent retailers can appeal to the public and add interest to town centres. For example:

- Propernomics conducted research for Winchester City Council which distinguished between “cheap and cheerful” and “chic and cheerful” traders, identifying that independent shops are not confined to low cost products but also offer sophistication and market appeal at a time when some of the multiple retailers are failing or becoming jaded.
- Research for the Grimsey Review⁴ said: “There are many reasons why independent businesses have such an important role on our high streets. The shift to ‘artisanal values’ away from a one-size-fits-all approach of chains is one – and many niche food, craft and clothing shops are fulfilling an important need here. The desire for authentic experiences and distinctive places is another. But, arguably, the most important reason why they have such an enduring appeal is their strong community roots.”

“2. *Shopping centres face a tough road ahead*”. LDC report: “Shopping centres continue to be the location type under the most pressure, with vacancy rates rising by 3.8% since H1 2020. High streets and retail parks both fared better with increases of 2.7% and 2.0% respectively. Shopping centres have been the most exposed to at-risk categories during the pandemic, with fashion and general clothing units making up nearly 1 in every 5 shopping centre units. The loss of significant anchor stores has also had a knock-on effect for other occupiers, causing some to vacate space in areas where footfall has taken the biggest hit.”

⁴ “Against all odds. How independent Retail, Hospitality and Services Businesses have adapted to survive the pandemic.”

“3. Growth in fast-food and food delivery”. The research found that mobile food “has been boosted by the growth in delivery, driven by the closure of the casual dining sector.” We would expect the dining sector to gain strength post-pandemic, potentially aided by imaginative concepts such as street food.

“4. Vacancy rates continue to rise, but at a slower pace”. LDC report that GB retail vacancy rates were “14.5% at the end of Q2 2021, up 2.1% on the previous year”. The trend is said to be easing but “there is likely to be some more voids, however relaxation of planning restrictions will result in older units being taken out of the market, helping to reduce the impact of future closures.” This suggests that town centres need to consider how they can adapt their high streets, including a reduction in retail floorspace to optimise their overall offer to consumers.

“5. City centres hit hard by working from home”. Despite the easing of the pandemic and social distancing measures, the report comments that “a swift return to the office may have been expected, but this has yet to materialise with new hybrid working models likely to be the short to medium term future. Central London has been hit much harder than regional town centres as the huge volume of workers have spent more time and money in local residential areas”. This highlights an opportunity for towns like Newbury to retain more retail expenditure spent by people working from home or from regional offices.

3.17 The Planning Statement submitted with the planning application summarises the planning history and decline of the Kennet Centre as a shopping centre. Key points include:

- How the site has evolved over time, including a period of industrial use in the 18th century.
- Proposals for development of a shopping centre on this site emerged in the 1960s, followed by several phases of development through to the opening of the cinema in 2009. Notably it is recorded that two of the proposed restaurants have remained unused since they were developed at that time.

- Significant competition in the 1990s and 2000s from the Parkway development (c.300k sq ft) and Newbury Retail Park (c.180k sq ft), together with new premises for Sainsbury's, undermined the Kennet Centre's retail function.
- Other out-of-town development, including the relocation of Vodafone from the town centre, caused a substantial reduction in the customer base located in the town centre. Added to this, Bayer and Sovereign Housing also left the town centre.
- The dramatic shift in the retail sector in favour of online shopping at the expense of high street retailing.
- Since 2020 these pressures upon the retail sector have been compounded, particularly within town centres, by the Covid-19 pandemic which created a public health crisis and the compulsory closure of retail and leisure premises.

3.18 With this "perfect storm" of market forces acting against the Kennet Centre it has become evident that the building is very much at a turning point in its lifecycle.

3.19 From a recent site visit we particularly noted the following characteristics of the Kennet Centre and its competition, plus related aspects of the Newbury economy that help to explain the rationale for the proposed development.



- a) The sheer size of the Kennet Centre offers many possibilities. E.g. the depth of the site means that large elements (like the service yard) can be located at height and remain out of sight.
- b) Although the shops are sheltered from inclement weather, the atria are relatively small so the ground floor shops have limited daylight and can feel cramped and uninviting.





c) The internal design of the Kennet Centre offers limited daylight and headroom.





d) Blank frontages create “dead space”; the design is functional but lacks flair; some shops are underutilised (15 vacant units at the time of writing).





e) The “Parkway” shopping centre off Northbrook Street has a more contemporary, animated and magnetic appeal but could also benefit from more footfall in the town centre.





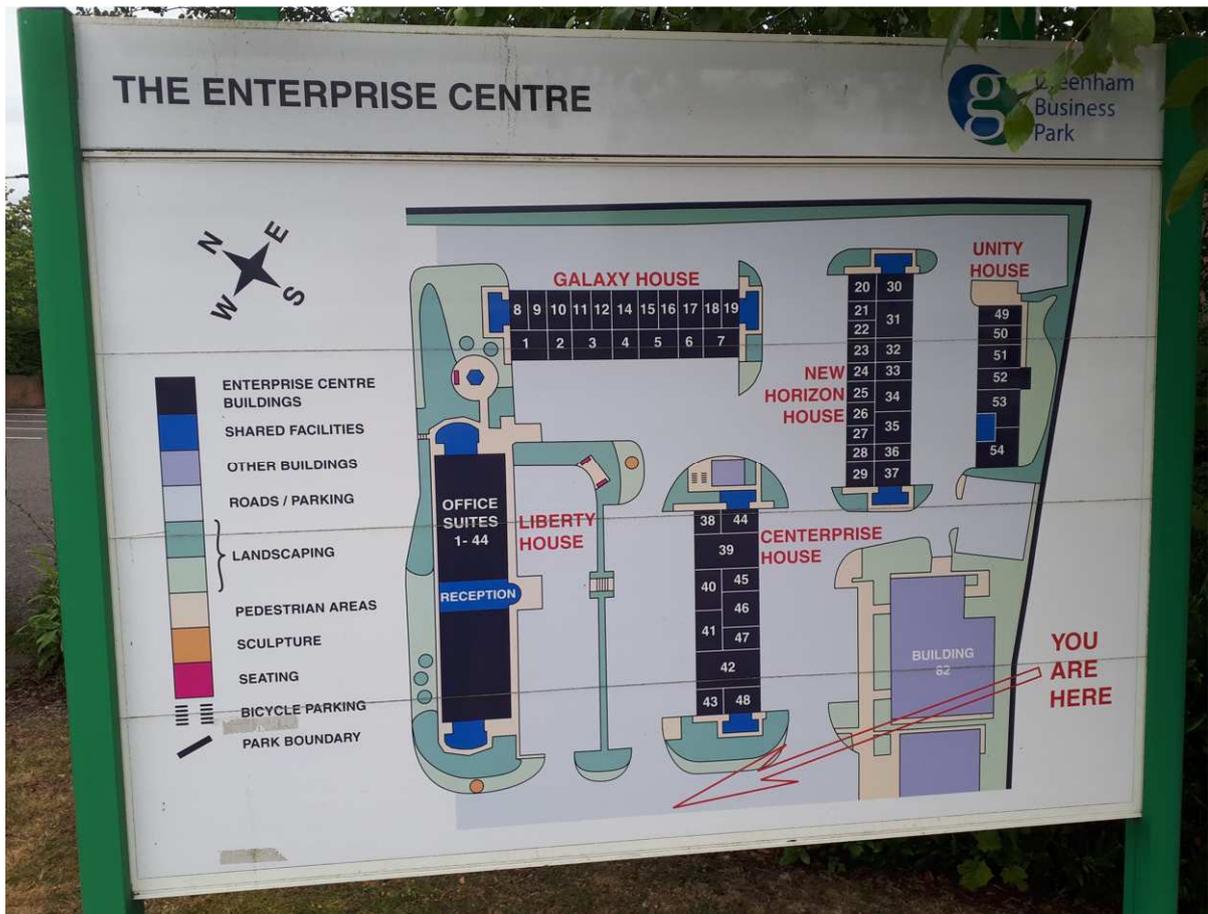
f) Like other edge of town shopping centres, Newbury Retail Park is well provided with car parking and modern, functional units but represents added competition for retail expenditure.





g) A notable trend has been the development of out-of-town business parks – the departure of Vodafone from central Newbury centre reduced the presence of office staff in the town centre. Ironically, the area adjacent to Vodafone now includes new housing - another source of retail expenditure that, unlike the proposed development, is separated from the town centre.





h) Another important dimension of the economy is business formation and growth.

Following the closure of Greenham Common Airbase on the edge of Newbury, buildings have been converted/developed for a variety of business uses, including some that might reasonably be expected to thrive in the town centre such as serviced offices on “easy in, easy out” licences, plus gallery space and artists’ studios.

- 3.20 Given the scale of the Kennet Centre, its redevelopment represents a major opportunity for Newbury if it can be repositioned in the market. Consistent with recent trends and current circumstances, the strategy for the proposed development is to reduce the quantity and raise the quality of the retail/leisure floorspace whilst creating new homes which will increase the footfall and retail expenditure available to the town centre as a whole.
- 3.21 The Retail Demand Report recommends the following solutions which are consistent with our views:

- Recognise the need for town centres to offer a more “experience-based” shopping and leisure scene.
- Be more inclusive of a wider range of occupiers, including independent traders and fledgling businesses to add interest and to stimulate grass roots demand.
- Create more attractive and animated spaces that are “carefully curated”.
- Landlords and local authorities should be more proactive about “place-making” and should share risk through turnover rents and flexible letting terms.
- Incorporate a mix of uses in town centres, including homes and offices, to attract footfall.

3.22 In the absence of the proposed development we would expect the Kennet Centre to make little progress and to catalyse little or no meaningful change for the town centre economy. It is to be hoped that as the adverse impacts of the Covid-19 pandemic recede further, there will an uplift in retail expenditure to support further lettings and rental growth to enable planned maintenance. However, without a reduction in retail floorspace, this appears optimistic in the light of other economic headwinds. Furthermore, compared to the proposed development, a “do nothing” scenario would have no spin-off benefits for the remainder of the town centre such as expansion of the resident customer base that is now proposed.

3.23 In the light of our analysis, the following table compares the contextual trends and prospects for the baseline (“do nothing”) scenario versus the proposed development scenario.

| Indicators and trends | Baseline do nothing scenario | Proposed development scenario |
|---------------------------------------|---|---|
| Capital and rental value expectations | Weak for the retail sector, with negative expectations, especially for dated shopping centres. | Mixed-use development enables reinvestment, diversification and town centre business growth. |
| Footfall trends | Trend of declining footfall, especially for high streets and shopping centres followed by retail parks. | Rising footfall attracted by new buildings and public realm with a more curated, animated and interesting retail/leisure experience, as well as new office space to match demand. |
| Independent shops | Vacant units remain vacant or let to charity shops and low value ("cheap and cheerful") independents. | Steady take-up of space to combine good value with better quality, including more vibrant ("chic and cheerful") independents. |
| Food/leisure sector | The long term vacant restaurants (never occupied) are likely to remain vacant; the cinema and two restaurants are trading steadily. | Higher quality setting and enlarged customer base (including >1k residents on site) for restaurant/leisure trade, supported by proactive centre initiatives such as pop-up shops/ business start-ups and street food. |
| Office demand | Hampered by working from home trend and rise of hybrid working (albeit some signs of support for regional offices compared to commuter destinations). | Entirely aligned with the "WFH" trend; also facilitates hybrid working with modern co-working space and offices available on-site for the first time. |
| Use of space | Excessive retail space at present; the quality of the shopping experience and the built environment is below market expectations. | Efficient use of land with higher quality floorspace and public realm; optimised balance of uses (type/quantity/quality); with enlarged customer base generated for the town centre. |

3.24 In the following chapters we examine the employment effects and other economic impacts of the proposed development to add to this analysis of the baseline compared to the proposed development. The combined results are tabulated in the final summary chapter.

Chapter summary

3.25 The "Retail Demand Report" submitted with the planning application is consistent with property market research by the RICS, ONS, Propernomics, leading property agents and others in noting adverse impacts to the retail property market (especially shopping centres) due to embedded trends irrespective of the pandemic. Shopping centres like the Kennet Centre now need rationalisation and fresh investment.

3.26 The concept for the proposed development resonates with independent research that signals: an upward trend in internet sales; a shift towards independent traders; a need to re-evaluate the role and function of shopping centres; renewed (post-pandemic) interest

in restaurants and more experiential concepts like street food; ongoing vacancies are easing due to changes of use and adaptation of town centres; a shift towards working from home and potentially greater interest in regional offices could help town centres attract more footfall and localised retail expenditure.

- 3.27 The history of the site shows how it has evolved over time, with a variety of uses prior to development of the Kennet Centre. The status quo need not define the future of the site and market trends, including significant competition in the retail property market (in the town centre and out-of-town), show that it needs to change.
- 3.28 The Kennet Centre has also suffered from the loss of office staff based in the town centre due to the understandable but adverse effects of out-of-town office development. Similarly, out-of-town housing separates residents from the town centre, whereas the proposed development brings them together.
- 3.29 The proposed development has the further advantage of including curated space for serviced offices, start-ups and creative businesses which we would expect to operate successfully in the town centre given more attractive accommodation.
- 3.30 The dated appearance and large scale of the Kennet Centre means that its redevelopment represents a major opportunity for Newbury. Not only could the site operate more successfully, but the mixed-use proposed could also generate more footfall and retail expenditure for the town centre as a whole.
- 3.31 A “do nothing” scenario focused on the status quo would be a major opportunity lost, evidenced by the contextual trends and the economic benefits of the proposed development set out above and below.

4.0 OPERATIONAL EMPLOYMENT

4.1 The employment supported by the Kennet Centre has fallen significantly in the last decade. We understand from the Applicant that the site currently hosts 242 operational staff compared to 481 in 2012. This represents a decline of about 50% (or 57% in the case of part time staff).

4.2 The following table shows the change from 2012 to 2022 with an estimate for Full Time Equivalent (FTE) staff based on one part time job equating to 0.5 FTE. The current headcount (excluding the construction workers using part of the building as a temporary site office for separate building work nearby) is 114 part time staff plus 128 full time (242 total staff) which equates to 185 FTE.

| <u>Baseline employment now and in 2012</u> | 2012 | 2022 | Change | % |
|--|------------|------------|-------------|---------------|
| Centre management staff | 18 | 12 | -6 | -33.3% |
| Staff employed by occupiers | 463 | 230 | -233 | -50.3% |
| Total staff | 481 | 242 | -239 | -49.7% |
| <u>Analysis of Full Time Equivalent staff (if 1 part time employee is 0.5 FTE)</u> | | | | |
| Part time staff within total | 264 | 114 | -150 | -56.8% |
| At 0.5 FTE | 132 | 57 | -75 | -56.8% |
| Plus full time staff within total | 217 | 128 | -89 | -41.0% |
| Total Full Time Equivalent (FTE) staff | 349 | 185 | -164 | -47.0% |

4.3 In addition to new homes, the proposed development entails a reduction in retail space and an increase in office space. The additional homes and offices will increase the footfall available to the shops. We understand that the existing cinema and the adjoining restaurants are to be retained and that the proposed development has the support of those tenants.

4.4 The following table (on the landscape page below) shows the estimated number of jobs supported by the site now compared to the employment capacity of the completed development. This is based on:

- Indicative floor areas provided by Collado Collins, the Applicant's architects, as at July 2022.

- Best practice guidance on employment densities (sq m per worker)⁵ published by the Homes and Communities Agency for Forward Planning purposes.
- An estimate of jobs in 2012 and 2022 provided by the Applicant/centre manager as at July 2022.

⁵ “Employment Density Guide”, Homes and Communities Agency, 3rd edition, 2015

Estimated employment before and after development

| Description of space | Baseline jobs (2022) | | | | Jobs proposed (FTE) | | | | Additional jobs (FTE) |
|----------------------------------|----------------------|---------------|---------------|---------------|--------------------------|-------|-----------|---------------|-----------------------|
| | Full time | Part time | Total | FTE | Area (sq m) | Basis | Sq m/ job | Jobs capacity | |
| Site management | 12.00 | - | 12.00 | 12.00 | Slight increase proposed | | | 15.00 | 3.00 |
| Retail units | 96.00 | 79.00 | 175.00 | 135.50 | 1,922.80 | NIA | 17.50 | 109.87 | -25.63 |
| Vue cinema | 5.00 | 15.00 | 20.00 | 12.50 | Assume to be the same | | | 12.50 | - |
| King Fu restaurant (unit V3) | 7.00 | 3.00 | 10.00 | 8.50 | Assume to be the same | | | 8.50 | - |
| Nandos restaurant (unit V4) | 8.00 | 17.00 | 25.00 | 16.50 | Assume to be the same | | | 16.50 | - |
| Restaurant unit V1 | Not yet occupied | | | - | 353.60 | NIA | 17.50 | 20.21 | 20.21 |
| Restaurant unit V2 | Not yet occupied | | | - | 305.10 | NIA | 17.50 | 17.43 | 17.43 |
| Gym | See proposed | | | - | 233.00 | GIA | 100.00 | 2.33 | 2.33 |
| Co-working offices/meeting rooms | See proposed | | | - | 845.84 | NIA | 12.50 | 67.67 | 67.67 |
| Cycle workshop | See proposed | | | - | 55.25 | NIA | 32.25 | 1.71 | 1.71 |
| Library of Things hire shop | See proposed | | | - | 29.25 | NIA | 17.50 | 1.67 | 1.67 |
| Office unit | See proposed | | | - | 4,070.20 | NIA | 12.00 | 339.18 | 339.18 |
| Office unit | See proposed | | | - | 1,600.50 | NIA | 12.00 | 133.38 | 133.38 |
| Total | 128.00 | 114.00 | 242.00 | 185.00 | | | | 745.95 | 560.95 |

Average employment densities have been used where guidance shows a range can apply.

Actual employment will depend on occupiers' requirements.

We have made no allowance for existing jobs in the Covid vaccination centre, nor voluntary staff based at the Kennet Centre, nor the construction workers using part of the building as a temporary site office (during construction work elsewhere in the town centre).

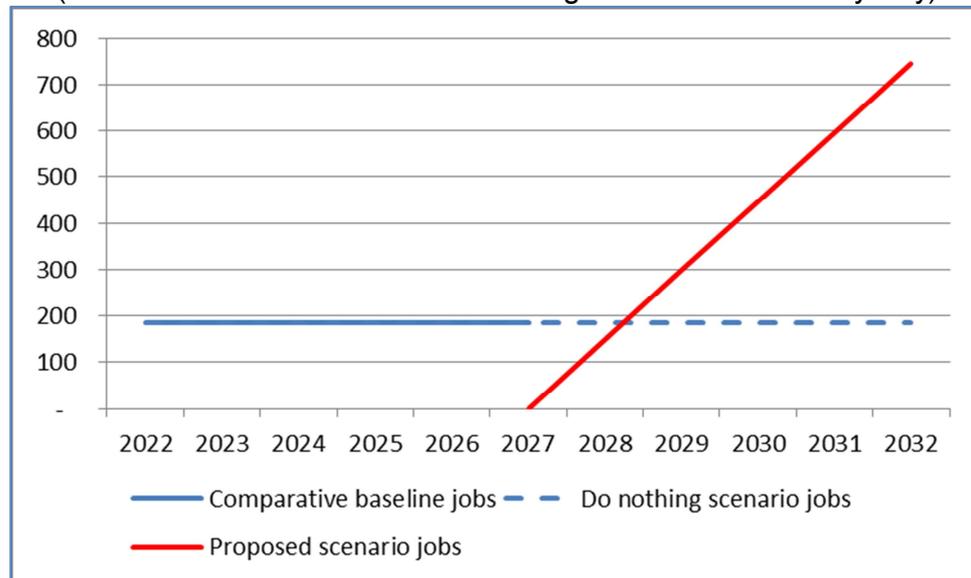
4.5 This analysis shows the proposed development has capacity for about 560 additional jobs above the baseline position. We comment on the sources of this employment as follows:

1. Site management. There will be a slight increase in the number of site management jobs. Given the vision for the proposed development set out in the Design and Access Statement and Planning Statement, including the importance attributed to the quality of service to be provided to Build to Rent customers as well as the way that the commercial space will be “curated”, we would expect the standard of these jobs to be relatively high compared to the baseline.
2. Retail. The rationalisation of retail space means there will be fewer retail jobs than at the present time but this reflects market forces, professional advice and government guidance which recommends diversification of high streets to include more residents and other land uses that support the shops that remain.
3. Cinema/restaurants. We have assumed that the existing cinema and adjacent restaurants will continue to employ the same number of staff. However we would expect their trading position to improve as a consequence of the proposed development. Similarly, we would expect the vacant restaurants (Units V1 and V2) to come into productive use at last. We understand from the Applicant that these have never been occupied - symptomatic of the problems facing the Kennet Centre which the proposed development aims to resolve.
4. Gym, cycle workshop and equipment hire. These facilities will generate extra amenity for the residents as well as employment in their own right. They also have a part to play in the health of residents and the sustainable use of resources.
5. Co-working/meeting space. As a consequence of modern working practices we would expect to see more people working from home at least some of the time. Hence there is strong alignment between the residential and commercial elements of the proposed development as the residents could be a spur for demand.
6. Offices. The employment capacity of the proposed development is especially sensitive to the amount of office space provided. An important economic development opportunity for Newbury is to take advantage of the mixed-use

format of the proposed development as a catalyst to help deliver modern office floorspace according to demand.

- 4.6 We cannot be certain of the timing of the occupiers’ recruitment plans but the different directions of travel for the baseline (do nothing) scenario and the proposed development scenario are clear. This is illustrated by the following graph which shows the baseline employment, which is not expected to improve, compared to the potential increase in operational jobs over time from the proposed development.

Illustrative projection for employment with and without the proposed development (the timescales for construction and letting are indicative and may vary)



- 4.7 We understand that the proposed development also includes 4,155 sq m of public realm within the site which will be managed and curated as animated space. Conservatively, we have not quantified the employment that this could create but potential uses include pavement cafés, pop-up stalls, street food, street theatre and so on to enrich the retail experience. This could create employment in its own right (including start-ups) and be a support to footfall for other businesses.

Comments on net additionality

- 4.8 Baseline position: We have set out the baseline position based on current employment numbers provided by the manager of the Kennet Centre. We have noted that some of

the existing employment generating space will be retained (cinema and restaurants). The Design and Access Statement sets out the Applicant's vision for how the development could be used in contrast to the baseline; this includes increasing the quantity of employment generating floorspace, its employment capacity, specification and the quality of the jobs.

- 4.9 Leakage effect: The proposed development will create fresh business and labour market opportunities for local people and local businesses to exploit. However, Newbury is within commuting distance of other locations across the West Berkshire border so it would be natural for some of the benefits (e.g. job opportunities) to “leak” to residents outside Newbury who may choose to work here. However, this is part of the normal interchange of commuters between boroughs/districts and any “incoming” workers are likely to spend some of their earnings locally during work days. Importantly, the proposed development includes 367 residential units which could be a source of local labour.
- 4.10 Displacement effect: The proposed development may attract businesses or staff that move within the area. This “displacement” is hard to quantify but if it occurs then the motivation to relocate may be a positive one (e.g. to obtain better quality space or jobs) and will enable churn in the local market so that any vacated floorspace or jobs become available for others, enabling further regeneration or career progression.
- 4.11 Multiplier effect: The direct jobs are likely to stimulate indirect and induced employment through additional supply chain activity and economic multipliers (although we have not quantified this effect pending discussions with any particular occupiers).
- 4.12 Persistence effect: The proposed development offers substantial, new investment in the local built environment with effects that will persist for the long term.

Chapter summary

- 4.13 The Kennet Centre's ability to support employment is in decline, halving in the last decade. This is symptomatic of retail trends which include a shift to online retailing, shrinkage of demand towards prime pitch (e.g. Northbrook Street and Parkway) as well as out-of-town retail parks, and demand for a better quality, “experiential” retail/leisure offering.

- 4.14 Unsurprisingly therefore, the proposed development advocates a reduction in retail space and an increase in footfall from new residents and office occupiers, according to demand. The existing cinema and adjoining restaurants are to be retained and improved, potentially improving their trading position and employment prospects.
- 4.15 The proposed development has capacity for about 560 additional jobs above the baseline, driven mainly by office and retail employment. New residential units will increase the town centre's customer base and help to enable the required investment.
- 4.16 Prudent trade-offs include the loss of old, low grade retail space in return for less space of better quality and more market appeal. This is consistent with professional advice and government guidance.
- 4.17 A more proactive management style is proposed so that the space is more "curated" and animated than before. This foretells a close alignment between better quality space and better quality site management jobs, as well as improved opportunities for tenants, including independent retailers.
- 4.18 Other elements that add amenity, as well as employment, health and sustainability benefits include a gym, cycle workshop and equipment hire business.
- 4.19 There is an established trend of more people working from home at least some of the time. The proposed new homes will enable this, especially in combination with the co-working space, adding to the level of activity in the town centre.
- 4.20 Office space has a relatively high density of employment and its inclusion in the planning application is an important economic development opportunity for Newbury to promote, especially as it relies on the viability afforded by a mixed-use development and will be specified according to demand.
- 4.21 Further economic development opportunities arise from plans to enhance the public realm within the site and to make it available for business purposes and Town Centre Management type initiatives.

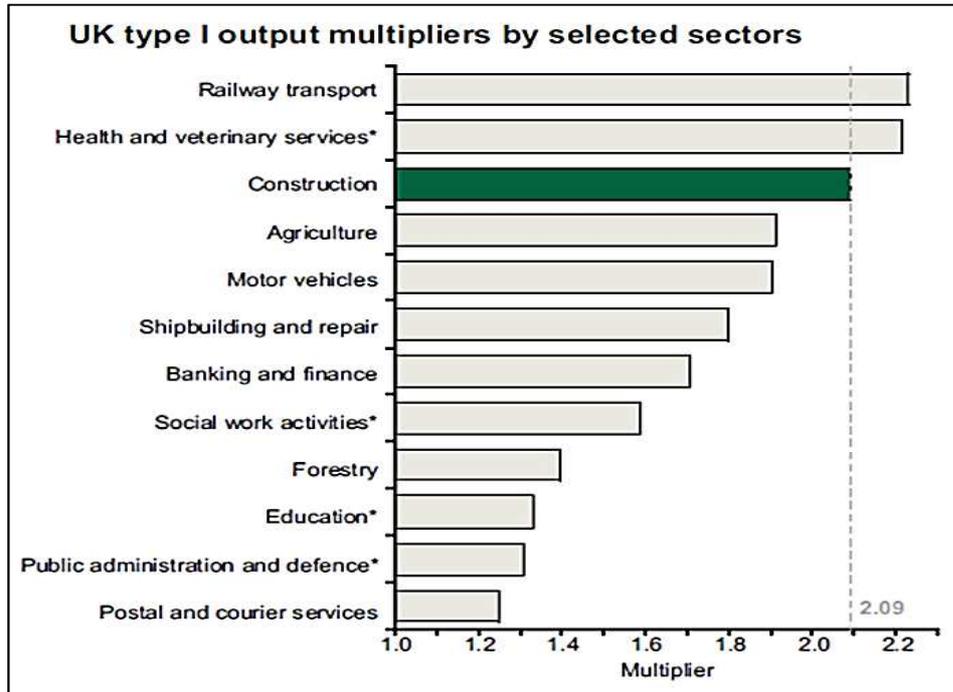
5.0 CONSTRUCTION EMPLOYMENT

- 5.1 This chapter deals with the employment generated by the construction of the proposed development.
- 5.2 The government gives strong endorsement to the construction sector. For example, in its policy paper, the “Construction Sector Deal” (2019)⁶, it said: “Construction underpins our economy and society. Few sectors have such an impact on communities across the UK or have the same potential to provide large numbers of high-skilled, well-paid jobs.”
- 5.3 We understand from the Applicant that subject to final tenders the proposed development will have a construction cost substantially in excess of £120m.
- 5.4 The exact labour requirements of the project are not yet known so we have to make an estimate using benchmarks. According to the UK Contractors Group⁷ and the Confederation of British Industry (CBI)⁸ every £1 spent on construction activity generates a total of £2.84 in total economic activity (i.e. GDP increase) and £0.36 in benefits to the public purse.
- 5.5 The indirect and induced economic impacts of construction are especially strong because the construction industry uses a wide range of inputs from many industries to produce its goods and services. The UKCG and CBI reports recommend an indirect (Type I) multiplier of 2.09 (1 + 1.09) for the construction sector which is higher than many other sectors that they have studied. This is illustrated by the following chart from the research:

⁶ <https://www.gov.uk/government/publications/construction-sector-deal/construction-sector-deal#contents>

⁷ “Construction in the UK Economy – the Benefits of Investment” (2013) - LEK Consulting

⁸ “Construction bridging the gap” (June 2012) – Confederation of British Industry (CBI)



5.6 When applied to the proposed development the impacts arising from the construction cost break down as follows:

| Economic activity (£ GDP) arising from construction | Multipliers | £ (min) | Nature of impact |
|---|-------------|-------------|---------------------------------|
| Direct economic impact | 1 | 120,000,000 | Materials, wages & profits |
| Indirect economic impact | 1.09 | 130,800,000 | Supply chain impacts |
| Induced economic impact | 0.75 | 90,000,000 | Increased incomes & expenditure |
| Total economic activity | 2.84 | 340,800,000 | Increase in GDP |

5.7 Whilst we cannot be precise about the tax receipts that will arise from the construction project, the same research shows that every £1 spent on construction activity provides significant financial returns to the Treasury in tax income and benefit savings. This is summarised for the proposed development in the following table:

| Public sector income | Multipliers | If applied to construction spending of £120m |
|----------------------|-------------|--|
| Income tax and NI | 0.12 | 14,400,000 |
| Benefits savings | 0.23 | 27,600,000 |
| Corporation tax | 0.01 | 1,200,000 |
| Total | 0.36 | 43,200,000 |

5.8 Benefits to the public purse from construction of the proposed development therefore include £43.2 m from tax receipts and benefits savings. Other examples of public sector income arising from construction projects include VAT generated within the supply chain, Community Infrastructure Levy (CIL) payments and then taxes upon occupation of property.

New employment from construction

5.9 According to research by the Homes & Communities Agency⁹ on the number of on-site and off-site jobs to be associated with construction projects, £1m of construction investment in private commercial developments requires 16.6 person years of work.

5.10 Whilst the actual outcome will be determined by a tender process and the appointed contractors' working practices, this nonetheless provides some guidance on potential construction employment. This benchmark may be conservative in the case of the proposed development because the same research suggests that residential development requires 19.9 person years of work per £1m of cost.

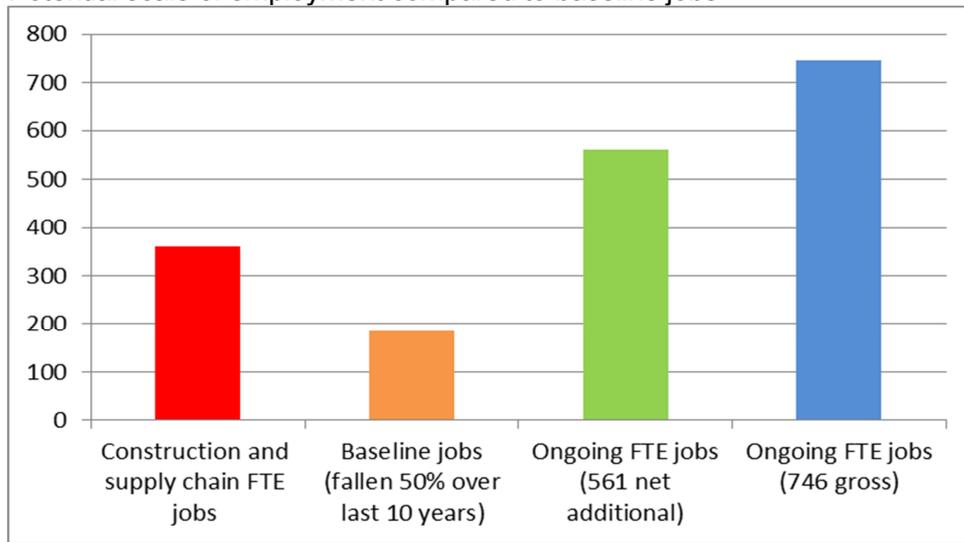
5.11 Hence, on conservative assumptions, a construction cost of £120m would generate 1,992 person years of construction work but if divided by 5 to 10 years to better represent a Full Time Equivalent job this represents 199 to 398 FTE jobs, say 300 jobs on average.

5.12 With the addition of 20% for indirect supply chain and induced employment (60 jobs) this equates to 360 FTE jobs related to the construction sector activity.

5.13 The following diagram compares the baseline position with the potential construction and operational jobs together on one chart. The actual level and timing of the new employment depends on the recruitment plans of the employers involved but it is clear that the upside potential exceeds the baseline position by a significant margin.

⁹ HCA - "Calculating Cost Per Job, Best Practice Note"

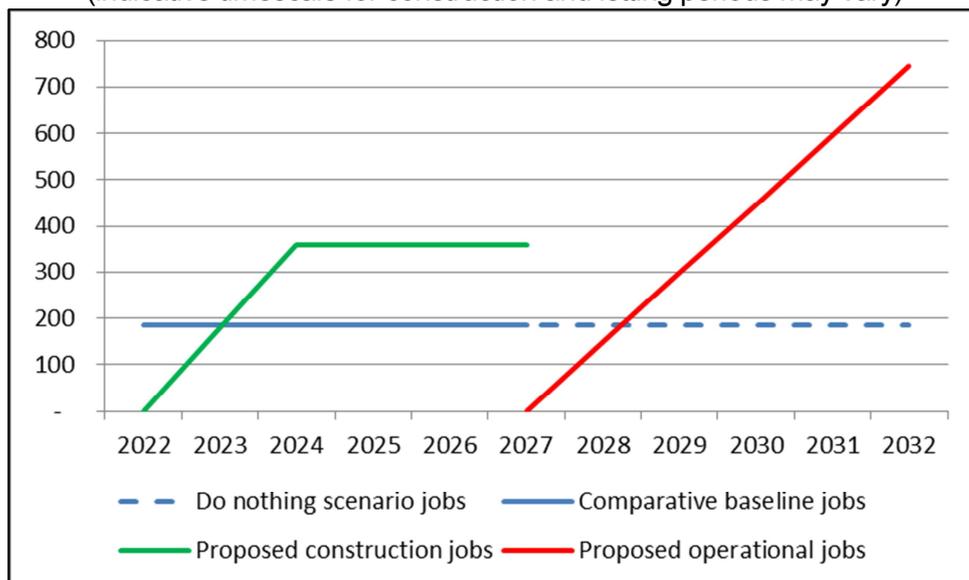
Potential scale of employment compared to baseline jobs



5.14 The proposed development could catalyse twice as many FTE construction sector and supply chain jobs than the present number of operational jobs in the Kennet Centre, which have halved in the last decade. Furthermore, the proposed development will have capacity for four times as many ongoing, operational jobs as it currently supports.

5.15 The following chart shows how the construction jobs and operational jobs may play out over time depending on the start and finish of the construction and letting periods. In reality the baseline jobs have been on a downward trend rather than a plateau (halving over the last decade).

Potential employment trajectory compared to baseline jobs
(indicative timescale for construction and letting periods may vary)



Comments on net additionality

- 5.16 **Baseline position:** The site is partly occupied and will be largely vacated to enable the proposed demolition and development work. Parts of the building will be retained (e.g. the cinema, adjoining restaurant units and multi-storey parking). Although the baseline construction employment (e.g. maintenance and caretaking work) will cease, it will be more than replaced by the proposed construction work and the ongoing maintenance and Facilities Management roles required to operate the proposed development.
- 5.17 **Leakage effect:** The construction process will generate local employment and supply chain opportunities; the balance of workers will come from further afield. The level of employment "leakage" outside the council area very much depends on the local labour supply available for this kind of work. If we were to assume 80% leakage this would suggest that there would be about 72 FTE jobs generated locally and 288 attributable to the wider construction sector. The uptake of local labour may be higher (less leakage) if it is available.
- 5.18 **Displacement effect:** The proposed development is not mutually exclusive of other development and does not prevent construction activity occurring elsewhere (i.e. no displacement is expected). If there is competition for construction labour then this may increase earnings for construction workers. (This would add to the cost of development; likewise any inflation in the cost of building materials may have an effect on viability and the sums available for contributions.)
- 5.19 **Multiplier effect:** Literature reviews and guidance indicate that the construction sector has above average "multiplier" effects for expenditure and employment effects compared to investment within other sectors; this has been reflected in the figures above.
- 5.20 **Persistence effect:** The construction period sets a time limit on the direct economic activity arising from the construction phase of the project. However, some of the multiplier effects will support the profitability and longevity of businesses in the supply chain as a long term consequence of the construction phase. Similarly, the development of construction skills amongst apprentices and others will have a strong persistence effect that will help establish long term careers and earnings.

Chapter Summary

- 5.21 Although the construction period is finite, the construction sector is an important segment of the economy and every project supports employment, very often generating apprenticeships for young people entering the industry, as well as supply chain activity.
- 5.22 Subject to final tenders the estimated construction cost is expected to be substantially in excess of £120m. Industry benchmarks suggest that this could be worth over £340m in turnover by companies in the construction supply chain and through induced expenditure, plus over £43m to the public purse.
- 5.23 Depending on the appointed contractors' working practices and their supply chain, the construction activity could support the equivalent of 360 FTE jobs. There is an opportunity for local workers and companies to participate in the project, although the benefits are likely to extend more widely. We have for the moment assumed that about 72 FTE jobs could be created locally, with an opportunity for more depending on the staff available.
- 5.24 The proposed development does not prevent other construction work from occurring but inflation in the cost of construction labour or materials may alter the outputs of the project.
- 5.25 The site is in need of fresh investment and the economic impact of the construction work will be catalytic and long lasting.
- 5.26 The proposed development could catalyse twice as many FTE construction sector and supply chain jobs than the present number of operational jobs in the Kennet Centre, which have halved in the last decade. Furthermore, as a consequence of the construction work, the proposed development will have capacity for four times as many ongoing, operational jobs as it currently supports.

6.0 ONGOING EXPENDITURE EFFECTS

- 6.1 We now consider the opportunities arising from the ongoing expenditure that will be generated by residents of the proposed development. Our assessment is based on data from the Living Costs and Food Survey published by the Office for National Statistics (ONS).
- 6.2 The survey is broken down into regions of the UK and we have analysed data in the South East category. The most recently available survey was skewed by the effects of the pandemic lockdown so we have used the previous ONS report for the financial year ending 2020; this was cut short in March 2020 but we would expect it to be more representative of current conditions than the 2020/21 data.
- 6.3 The survey identifies 14 main categories of weekly expenditure by average households from which we have deducted items that are unlikely to generate direct spending in the local economy. For example, housing costs and utilities, purchase of vehicles, transport fares, telephone and internet subscriptions, TV licences and similar subscriptions, holiday expenditure, insurance and banking costs.
- 6.4 Examples of items associated with local expenditure and included in our assessment are food, drink, clothing, footwear, furniture, houseware, cleaning, healthcare and optical products, hairdressing, servicing of any personal transport, recreation, books, stationery, restaurant and café meals. Although there is likely to be some natural expenditure leakage outside Newbury, the town centre also attracts visitors from outside which helps to counterbalance this effect. Furthermore, an important objective of the proposed development is to improve the appeal of the town centre for residents and visitors alike so that the town safeguards or improves its market share.
- 6.5 For the average household, the filtered list of local expenditure items amounts to £338.80 of spending per week. The proposed development has 367 households in a range of sizes so by this measure it represents an additional expenditure opportunity of up to £6.47m per annum.
- 6.6 The survey sample averaged 2.5 persons per household so this basket of items represents weekly expenditure of £135.52 per person. The population of the proposed development, based on bed spaces in the schedule of accommodation, is expected to be

1,076. By this measure the proposed development represents an additional expenditure opportunity of up to £7.58m per annum. The average of these two estimates is just over £7m per annum.

- 6.7 As a consequence of modern working practices we would expect to see more people working from home at least some of the time. This is an especially important opportunity for Newbury town centre which could capture a greater share of commuters' daytime spending. The proposed development will add to the economic pulse of the town centre in this way, as well as outside normal working hours/days.
- 6.8 Likewise, depending on the take-up of office space, there is an opportunity for Newbury to clawback some of the expenditure by town centre office workers that it once enjoyed. Furthermore, the proposed development is an added means by which the town centre can retain its due share of expenditure by the residents of other new housing being built in the town centre.

Comments on net additionality

- 6.9 Baseline position: There are no residents living on the site at present. Expenditure by the residents that will live in the proposed development is currently an opportunity cost waiting to be realised.
- 6.10 Leakage effect: The living expenses of residents will tend to be incurred close to their home as part of their day to day routine and this will put a natural cap on the "leakage" of retail expenditure. We have already filtered out expenditure that is unlikely to be local and have commented that spending outside the area will to some extent be counterbalanced by raising the quality of the retail/leisure experience available in Newbury to increase expenditure by visitors.
- 6.11 Displacement effect: The new residents may include people that are already living and shopping in the area so their expenditure would not be additional if they move into the proposed development. However, if their former homes in the community are taken by other tenants or house buyers, which seems likely, then their expenditure would be net additional.

- 6.12 Multiplier effect: There is likely to be a positive spin-off effect through other businesses from the residents' expenditure. This will support further employment, induced spending and economic activity. Furthermore, the presence of a new customer base may be of some encouragement to local shops to develop their businesses to take advantage of the additional trade.
- 6.13 Persistence effect: This form of expenditure is ongoing and is expected to persist for the long term because the proposed development will be a long lasting asset with a new operational strategy.
- 6.14 In addition, business occupiers of the development will have supply chain requirements and we would expect them to include locally sourced supplies. Staff working from the site will also be a spur for local expenditure on food, drink and leisure.

Chapter summary

- 6.15 Following completion of the proposed development there will be significant, ongoing expenditure by the occupiers (representing a new "customer base" of up to 367 households or 1,076 people).
- 6.16 Based on typically local expenditure identified in the ONS Living Costs and Food Survey the residents' living expenses alone could generate about £7m pa for the Newbury economy. This is a significant opportunity for the retail health of the town centre.
- 6.17 With more people living in the town centre, as proposed, there is also an opportunity to capture a greater share of commuters' daytime spending when they are working from home, adding to the economic pulse of the town centre.
- 6.18 As office space is absorbed, there will also be an opportunity for Newbury to clawback expenditure by town centre office workers.
- 6.19 The proposed development is also a reason for residents of other new housing to support activity and expenditure in the town centre. This in turn could encourage other local shops to develop their businesses to take advantage of the additional trade.

- 6.20 The business occupiers of the development will also have supply chain requirements, including demand for locally sourced supplies. We have not estimated the local/regional split for business expenditure as it is highly dependent upon the particular occupiers.
- 6.21 The expenditure benefits will be persistent over the long term, building up according to the occupation of the proposed development.

7.0 SUMMARY AND CONCLUSIONS

7.1 This report has been prepared to help inform planning application 21/00379/FULMAJ for the redevelopment of the Kennet Centre, Newbury. It examines the potential economic impact of the proposed development.

7.2 This section of the report carries forward the summaries from each chapter.

Market trends and economic context

7.3 The “Retail Demand Report” submitted with the planning application is consistent with property market research by the RICS, ONS, Propernomics, leading property agents and others in noting adverse impacts to the retail property market (especially shopping centres) due to embedded trends irrespective of the pandemic. Shopping centres like the Kennet Centre now need rationalisation and fresh investment.

7.4 The concept for the proposed development resonates with independent research that signals: an upward trend in internet sales; a shift towards independent traders; a need to re-evaluate the role and function of shopping centres; renewed (post-pandemic) interest in restaurants and more experiential concepts like street food; ongoing vacancies are easing due to changes of use and adaptation of town centres; a shift towards working from home and potentially greater interest in regional offices could help town centres attract more footfall and localised retail expenditure.

7.5 The history of the site shows how it has evolved over time, with a variety of uses prior to development of the Kennet Centre. The status quo need not define the future of the site and market trends, including significant competition in the retail property market (in the town centre and out-of-town), show that it needs to change.

7.6 The Kennet Centre has also suffered from the loss of office staff based in the town centre due to the understandable but adverse effects of out-of-town office development. Similarly, out-of-town housing separates residents from the town centre, whereas the proposed development brings them together.

- 7.7 The proposed development has the further advantage of including curated space for serviced offices, start-ups and creative businesses which we would expect to operate successfully in the town centre given more attractive accommodation.
- 7.8 The dated appearance and large scale of the Kennet Centre means that its redevelopment represents a major opportunity for Newbury. Not only could the site operate more successfully, but the mixed-use proposed could also generate more footfall and retail expenditure for the town centre as a whole.
- 7.9 A “do nothing” scenario focused on the status quo would be a major opportunity lost, evidenced by the contextual trends and the economic benefits of the proposed development set out above and below.

Operational Employment

- 7.10 The Kennet Centre’s ability to support employment is in decline, halving in the last decade. This is symptomatic of retail trends which include a shift to online retailing, shrinkage of demand towards prime pitch (e.g. Northbrook Street and Parkway) as well as out-of-town retail parks, and demand for a better quality, experiential retail/leisure offering.
- 7.11 Unsurprisingly therefore, the proposed development advocates a reduction in retail space and an increase in footfall from new residents and office occupiers, according to demand. The existing cinema and adjoining restaurants are to be retained and improved, potentially improving their trading position and employment prospects.
- 7.12 The proposed development has capacity for about 560 additional jobs above the baseline, driven mainly by office and retail employment. New residential units will increase the town centre’s customer base and help to enable the required investment.
- 7.13 Prudent trade-offs include the loss of old, low grade retail space in return for less space of better quality and more market appeal. This is consistent with professional advice and government guidance.
- 7.14 A more proactive management style is proposed so that the space is more “curated” and animated than before. This foretells a close alignment between better quality space and

better quality site management jobs, as well as improved opportunities for tenants, including independent retailers.

- 7.15 Other elements that add amenity, as well as employment, health and sustainability benefits include a gym, cycle workshop and equipment hire business.
- 7.16 There is an established trend of more people working from home at least some of the time. The proposed new homes will enable this, especially in combination with the co-working space, adding to the level of activity in the town centre.
- 7.17 Office space has a relatively high density of employment and its inclusion in the planning application is an important economic development opportunity for Newbury to promote, especially as it relies on the viability afforded by a mixed-use development and will be specified according to demand.
- 7.18 Further economic development opportunities arise from plans to enhance the public realm within the site and to make it available for business purposes and Town Centre Management type initiatives.

Construction Activity and Employment

- 7.19 Although the construction period is finite, the construction sector is an important segment of the economy and every project supports employment, very often generating apprenticeships for young people entering the industry, as well as supply chain activity.
- 7.20 Subject to final tenders the estimated construction cost is expected to be substantially in excess of £120m. Industry benchmarks suggest that this could be worth over £340m in turnover by companies in the construction supply chain and through induced expenditure, plus over £43m to the public purse.
- 7.21 Depending on the appointed contractors' working practices and their supply chain, the construction activity could support the equivalent of 360 FTE jobs. There is an opportunity for local workers and companies to participate in the project, although the benefits are likely to extend more widely. We have for the moment assumed that about 72 FTE jobs could be created locally, with an opportunity for more depending on the staff available.

- 7.22 The proposed development does not prevent other construction work from occurring but inflation in the cost of construction labour or materials may alter the outputs of the project.
- 7.23 The site is in need of fresh investment and the economic impact of the construction work will be catalytic and long lasting.
- 7.24 The proposed development could catalyse twice as many FTE construction sector and supply chain jobs than the present number of operational jobs in the Kennet Centre, which have halved in the last decade. Furthermore, as a consequence of the construction work, the proposed development will have capacity for four times as many ongoing, operational jobs as it currently supports.

Ongoing Expenditure Effects

- 7.25 Following completion of the proposed development there will be significant, ongoing expenditure by the occupiers (representing a new “customer base” of up to 367 households or 1,076 people).
- 7.26 Based on typically local expenditure identified in the ONS Living Costs and Food Survey the residents’ living expenses alone could generate about £7m pa for the Newbury economy. This is a significant opportunity for the retail health of the town centre.
- 7.27 With more people living in the town centre, as proposed, there is also an opportunity to capture a greater share of commuters’ daytime spending when they are working from home, adding to the economic pulse of the town centre.
- 7.28 As office space is absorbed, there will also be an opportunity for Newbury to clawback expenditure by town centre office workers.
- 7.29 The proposed development is also a reason for residents of other new housing to support activity and expenditure in the town centre. This in turn could encourage other local shops to develop their businesses to take advantage of the additional trade.
- 7.30 The business occupiers of the development will also have supply chain requirements, including demand for locally sourced supplies. We have not estimated the local/regional split for business expenditure as it is highly dependent upon the particular occupiers.

7.31 The expenditure benefits will be persistent over the long term, building up according to the occupation of the proposed development.

7.32 The following table summarises our comparison between the baseline (do nothing scenario) and the proposed development.

| Indicators and trends | Do nothing scenario | Proposed development scenario |
|---------------------------------------|---|---|
| Capital and rental value expectations | Weak for the retail sector, with negative expectations, especially for dated shopping centres. | Mixed-use development enables reinvestment, diversification and town centre business growth. |
| Footfall trends | Trend of declining footfall, especially for high streets and shopping centres followed by retail parks. | Rising footfall attracted by new buildings and public realm with a more curated, animated and interesting retail/leisure experience, as well as new office space to match demand. |
| Independent shops | Vacant units remain vacant or let to charity shops and low value ("cheap and cheerful") independents. | Steady take-up of space to combine good value with better quality, including more vibrant ("chic and cheerful") independents. |
| Food/leisure sector | The long term vacant restaurants (never occupied) are likely to remain vacant; the cinema and two restaurants are trading steadily. | Higher quality setting and enlarged customer base (including >1k residents on site) for restaurant/leisure trade, supported by proactive centre initiatives such as pop-up shops/ business start-ups and street food. |
| Office demand | Hampered by working from home trend and rise of hybrid working (albeit some signs of support for regional offices compared to commuter destinations). | Entirely aligned with the "WFH" trend; also facilitates hybrid working with modern co-working space and offices available on-site for the first time. |
| Use of space | Excessive retail space at present; the quality of the shopping experience and the built environment is below market expectations. | Efficient use of land with higher quality floorspace and public realm; optimised balance of uses (type/quantity/quality); with enlarged customer base generated for the town centre. |
| Employment | Staffing has halved since 2012 with weak prospects of reversing the trend. | Employment refocused to a mix of uses in modern space hosting up to 563 net additional jobs (746 gross) according to demand. |
| Construction work | Nominal – mainly confined to maintenance plus mothballing of empty space. | Substantially in excess of £120m of new investment (worth >£340m in direct, indirect and induced turnover and >£43m to the public purse) and catalysing 360 FTE construction sector jobs. |
| Expenditure by site based residents | None. | Circa £7m of typically local expenditure by the new resident customer base to become available to the town. |

Overall Conclusion

- 7.33 We conclude that the proposed development makes highly efficient use of its site and the mixed-use format proposed should be welcomed for its positive contributions to employment and the local economy.

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