



Report of the Head of Scrutiny and Member Development

Scrutiny Board (City Development)

Date: 7th December 2010

Subject: Inquiry into Leeds Markets

Electoral Wards Affected:

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

1.0 SUMMARY

- 1.1. The purpose of this report is to provide evidence to the Scrutiny Board on the current issues facing Leeds Markets and particularly Kirkgate Market and on some of the ways in which the Council is responding to those issues and to inform debate about the future strategic direction for Kirkgate Market.
- 1.2. **Section 2.0** outlines some background information on Leeds Markets and some of the recent initiatives undertaken over the last 12 months or so to improve the markets and address some of the issues they face, including the development of a marketing strategy for the market.
- 1.3. **Sections 3.0 – 8.0** outline many of the issues facing the markets, particularly Kirkgate market and indeed the Council including rents, rental income and Kirkgate's asset value; the condition of Kirkgate market and investment by the Council and some tenants; footfall and usage at Kirkgate and parking facilities.
- 1.4. **Sections 9.0-13.0** explain the national, regional and local context in retail terms that Leeds Markets, and indeed markets generally are operating. This includes the possible impact of the Eastgate development.
- 1.5. **Section 14.0** sets out some conclusions and issues for consideration regarding the future of Leeds Markets.

2.0 BACKGROUND

- 2.1. Markets have played a crucial role in the development of Leeds city centre and many of Leeds satellite communities. Kirkgate Market is the oldest and largest retail destination in Leeds. It has survived and prospered through World Wars, the Depression and even a major fire in 1975. It is a central feature in the retail landscape in the city centre, and its importance goes beyond the historic to include a very significant impact on the economic life of the city. With over 2000 people employed and more than 400 businesses it is a significant contributor to the success of the city centre and the broader economy of Leeds.
- 2.2. However there is increasing evidence that whilst some tenants are continuing to trade well, others are struggling. Moreover, these difficulties cannot simply be attributed to the downturn in the economy, but rather reflect a broader historic decline in the market's traditional role as a key retail destination. The evidence supporting this view is drawn from both empirical and anecdotal sources. Over the last 10 years the market has suffered from decreasing footfall of 16%, and over the last 4 years its income has fallen on average 5%.
- 2.3. Given this evolving position over recent years, it is vital to reflect on where Kirkgate Market stands in providing a first class market facility and determine the direction to take now in order to maintain its relevance as an important retail destination. Of equal significance is the need to strike a balance between the financial return on the Market as an asset and the Council's economic and social objectives.
- 2.4. Over the last couple of years there has been a growing national debate about the role and future of traditional markets. Locally the vitality, viability and condition of Kirkgate market has been the subject of recent media, public and member discussion. Tenants have raised a number of issues which many of them believe are threatening the future of the market.
- 2.5. The historic district markets of Otley, Pudsey, Yeadon and Wetherby have also suffered from the overall decline of traditional markets, although Otley has undoubtedly been the most resilient. Whilst this report focuses primarily on Kirkgate market, many of the issues raised are also relevant to these districts markets too.
- 2.6. Before discussing Kirkgate Market in more detail it is useful to clarify what exactly we mean when talking about Kirkgate Market. Kirkgate Market covers both the indoor and outdoor market, and the shops on George St. It does not however, include the shops on Vicar Lane (Boots etc), or the shops on New York St, or the NCP car park, none of which are in council ownership.
- 2.7. Concerns over Kirkgate Market are not new. For example in 1904 "A deputation from the Tenants Association was received at the next committee meeting [of the Council]. They argued vociferously for a massive reduction in rents for the fixed stalls, and complained about the poor ventilation in the new market hall."¹ In 1996, in response to tenants' concerns, a strategy for Kirkgate Market was published and approved by the Council's City Centre Committee. That report examined a number of options for Kirkgate Market based on its position as a viable retail offer under threat at that time. The original Kirkgate Market Strategy was based on the expectation that within 5 years both the Quarry Hill and Eastgate developments would proceed and with them change the fortunes of the market. However this has not happened. A new strategy for Kirkgate Market is now required and a report will be made to Executive Board on 15th December

¹ Kirkgate Market: An Illustrated History by Steven Burt and Kevin Grady

to consider proposals for public consultation to inform the future strategy for the market.

- 2.8. Leeds City Council, through its Markets service, directly owns and manages a number of markets and licenses others. The Markets service is responsible for:
- the Council run traditional markets – Kirkgate and district markets including Otley, Pudsey and Yeadon;
 - farmers markets at Leeds, Pudsey, Otley (licensed) Wetherby (licensed)
 - street trading in the city centre and at Elland Road
 - trading from the highways in outlying areas
 - licensing commercial markets - e.g. Christkindelmarkt, Car boot markets

- 2.9. In December 2009 the Markets service transferred from Asset Management in to Economic Development, both within City Development. The move signified the importance of the Kirkgate and district markets to the economic development of their surrounding areas and of the potential impact of those areas on the markets.

2.10. **Some facts and figures:**

- There are a total of over 600 tenants/traders at our markets.
- Kirkgate Market alone generates direct employment for about 2000 people, not including suppliers, delivery companies, etc.
- In 2009 Kirkgate indoor market had about 10 million visitors, or 180,000 per week but this was down from about 12m less than ten years ago and part of a worrying downward trend which has only been bucked by increasing footfall on Wednesdays following the opening of a new specialist Asian themed outdoor market.
- Kirkgate indoor market is one of the largest in Europe.
- In 2010/11 projected income is approximately £4.2m. Expenditure and other charges equal £2.1m, leaving £2.1m to support LCC budgets.

- 2.4 There have been a number of **recent Initiatives** by the Markets service to seek to address the declining footfall, reduce the number of vacant stalls, and provide more support to new and existing tenants. These initiatives include:

- A new free website has been developed for traders and customers at www.leedsmarkets.co.uk which provides news and updates for customers and traders.
- Traders have been encouraged to participate in the Leeds Loves Food festival in July, and in the October Leeds Loves Shopping week, and Festive Leeds. Participation by traders has been variable. Both the new website and the festivals are two central aspects of our evolving marketing strategy which is outlined in more detail at Appendix 1. At present the markets service has about £35k available to spend on marketing and promotional activity each year but efforts are being made to boost this with in-kind contributions.
- Jamie Oliver recently opened his Ministry of Food venture in the indoor market.
- A new weekly Asian market, The Bazaar, has opened on Wednesdays on the outdoor market and now features 150 stalls. This has steadily increased from 102 at the opening.
- A regular tenant newsletter together with regular meetings with tenant associations help to keep traders up to date with the latest news, developments and initiatives.

- The How Bizzar quarter for new start up businesses has been set up with Local Enterprise Growth Initiative (LEGI) funding.
- A temporary Business Support Scheme to which tenants can apply for assistance was introduced providing independent business support, advice and financial assistance on a case by case basis for those businesses which have suffering from the economic downturn and need assistance to continue to trade.
- The vacant stall initiative, designed to reduce the number of vacant stalls, gives a 90% rent reduction to existing tenants who wish to take an additional stall
- Rent free start up period for new tenants investing in their stall.
- Full assignment rights on all leases
- The cost of space in front of stalls ('Yellow lines' areas) was reduced by 50% in July
- Cash point free access to cash
- Free car parking for Wednesday afternoon market customers.

3.0 RENTS, RENTAL INCOME AND ASSET VALUE

- 3.1. One of the issues raised by tenants in their delegation to full Council earlier in the year was the level of rents at the Market. Independent rent reviews have been carried out at Kirkgate market every three years since 2002 when, after a long period of stable rents, rents rose by between 0 – 90% depending on location. In 2005 rents rose from between 0% – 15%, but in 2008 there was no increase. Following the deputation by tenants, an independent rent review was carried out this autumn, a year ahead of schedule and the outcome of that review will be published shortly.
- 3.2. Rents for market stalls in Leeds Kirkgate Market vary from £28.75/sq.ft. plus £11.15/sq.ft. service charge in the 1976 building to £52.50 plus £11.15 service charge in parts of the 1904 building. It is extremely difficult to compare rental levels between markets as markets have different charging systems with some, like Leeds, separately charging for rent, service charges and Business Rates and others making a global charge for a stall. Rents in Nottingham for example range from £42.31/sq.ft. to £51.57/sq.ft., however these figures are inclusive of service charge and rates.
- 3.3. This compares for example with £153.85 per sq ft for a Kiosk in the St John's Centre (not including service charge), and £6,000 per annum for a stall in the centre of the Merrion Centre.
- 3.4. Trying to judge whether the cost of having a stall in Leeds is fair compared to the cost of having a stall at other markets is difficult. The independent rent reviews in 2002 and 2005 compared Leeds with a number of Markets in the UK and concluded that it was difficult to draw any conclusions because of the lack of common denominators - the Markets were all of different sizes; the types of leases varied considerably; some occupied prime positions and some poor secondary; and some towns were stronger retail centres than others. The only conclusion that the valuer could draw was that Leeds Kirkgate Market was the largest indoor market in the U.K. and that the retail market in Leeds City Centre was extremely vibrant. As a consequence he believed it must be capable of generating greater rents per square foot for its market stalls than other towns or cities.
- 3.5. Kirkgate Indoor Market **rental income** levels in 2009/10 were £3.2m. This compares to £2.7m in 2000/01, up half a million pounds during the ten year period. Income for the indoor market peaked at £3.5m in 2006/07, however during the last 4 years, there

has been a trend of an average year on year 5% decrease in income overall. This, together with the rising maintenance costs outlined below, means that the market's profitability is falling, so current levels of income cannot be guaranteed in the future.

- 3.6. Recently, some tenants have relied on business grants from the council to pay their rent, improve their premises or undertake marketing and on the additional stall scheme whereby they can rent an additional stall for 10% of the full rent. These arrangements are not a long term sustainable solution to the issues some tenants face.
- 3.7. **Asset Value.** A reduction in the markets profitability has to be understood in terms of the value of Kirkgate as an asset. The impact on capital values will be substantial: the council is already encountering this. Valuations completed since 2004 show that the whilst the value of the outdoor market has increased over time, the value of the indoor market has decreased. Based on rental figures, the indoor market was valued at £16,750,000 in 1994, £16,250,000 in 2001, £18,500,000 in 2006, and £15,430,000 in 2009, while the outdoor market was valued at £2,440,000 in 2004, £2,100,000 in 2001, £2,500,000 in 2006, and £3,116,264 in 2009. The impact of the current rent review is at yet unknown.

4.0 CONDITION OF THE BUILDINGS AND INVESTMENT BY THE COUNCIL AS LANDLORD

- 4.1. **Building Improvements.** The indoor market covers four distinct sections – the 1904, 1875, 1976 and 1981 sections. Between 1992 – 2000 the Council invested £12m in Kirkgate Market: works included the refurbishment of the open market, the 1875/1904 markets, the relocation of the fish market and installation of CCTV and in the last ten years it has spent £1.4m on:
- New toilets £600k
 - Automatic doors £100k
 - new floor in 1976/81 £230k
 - vacant stall improvements £150k
 - cleaning / plant purchase £130k
 - Installation of safety line system, 1904 roof £118k
 - 1976/81 circulation improvements £55k
 - Installation of free cash machine
 - Improved recycling facilities – Kirkgate market now recycles a higher % of its waste than any other council building.
- 4.2. In addition, ongoing routine, planned and reactive maintenance is undertaken each year throughout the indoor market.
- 4.3. The 1976/81 structures were erected as temporary buildings following the market fire in 1975. Both buildings have now exceeded the fifteen to twenty year life expectancy for buildings of this type. Kirkgate Market now has a range of maintenance requirements, the extent of which means that 'doing nothing' is not a viable option. For example a significant and essential requirement is to strip and recover the 1976/81 roof – not to do this work will continue to result in periodic water ingress into the market which will continue to impact negatively on customer footfall.
- 4.4. The recommendations from recent condition surveys will be published shortly, however addressing the short term maintenance requirements of the market will not address the sloping floor, the cold in winter and the lack of adequate ventilation in the

summer, which affect both the life of products and the length of dwell time people are prepared to spend in the market. The necessary maintenance work will have little if any impact on consumer perceptions or comfort.

- 4.5. In terms of comparisons, works have started on refurbishing Accrington Market Hall. The £2.6 million project is jointly-funded by owners Hyndburn Borough Council and the Government's Local Enterprise Growth Initiative (LEGI) and the first phase of repairs to the roof is now well underway. The second phase to convert former storage space at balcony level into an Enterprise Haven started in August followed by the refurbishment of the sales floor in January 2010 after Christmas trading has ended. This refurbishment is for 70 stalls, and 11 kiosks. Traders are currently in dispute with the local council which, following the refurbishment, is seeking 6 days a week opening.
- 4.6. Glasgow markets have spent £6m on refurbishing their wholesale market. This is a predominately business to business market, with a small footfall and customers who have no expectations of 'experience.'
- 4.7. This year, despite the Council's difficult financial position, an extra £250k capital funding is being made available for environmental improvements over next 2 years, and a further £200k on maintenance at Kirkgate indoor market. There are likely to be further substantial maintenance requirements over the next 12 to 18 months which will be particularly challenging for the Council following the Comprehensive Spending Review and the Council's requirement to make significant savings over the next four years.

5.0 INVESTMENT BY TRADERS

- 5.1. Some traders have made significant investment in their stalls and businesses either with their own finance or with funding from the Council's Business Support Scheme. Others, however, have not even been prepared to erect a fascia with the correct name of their business identifying what they sell but instead have left the fascia of a previous tenant in place, sometimes for many years. Likewise some traders put a lot of effort into displaying their goods attractively, providing changing facilities, and keeping their stall clean, whilst others do not.

6.0 OCCUPANCY

- 6.1 Occupancy at the indoor market is about 85% overall but varies considerably between areas. Currently the 1976 section has the highest vacancy rate at 21%, followed by the 1875 section at 19%. The 1981 and 1904 sections both have a current vacancy rate of 8%. (see Table 1 below). However the outdoor market has been performing well overall with all 200 stalls let on some days. Occupancy at the Asian themed market on Wednesdays has grown from 102 stalls when it opened to 150 stalls.
- 6.1. Kirkgate Market's vacancy rates compare well with vacancy rates across the city centre where according to the Local Data Company the city centre's overall vacancy rate is 19.48%.²

² A Gathering Storm: Shop Vacancy Report', 2010, Local Data Company.

Table 1

Section	2005 %	2006 %	2007 %	2008 %	2009 %	2010 (current) %
1976	13	12	14	24	22	21
1981	10	10	24	17	12	8
1875	17	3	2	3	3	19
1904	10	5	5	7	7	8
Total (%)	12	9	14	16	14	14

6.2 More new traders joined Kirkgate Market (39) than left (37) in the 12 months to 31st March 2010. The market does actually receive enough trader applications to fill the vacant stalls. Up to five applications a week are received for nail bars, hairdressers and mobile phone stalls. However there are already a number of stalls trading these products and adding more is not a sustainable way forward for the market. The challenge is to fill the market in a sustainable way through attracting more ambitious tenants with a wider variation of product.

6.3 Occupancy at both Pudsey and Yeadon markets has been declining overall but Otley remains more vibrant and stalls are often fully let.

7.0 FOOTFALL AND USAGE AT KIRKGATE

7.1 There were over 10m visitors to the indoor market last year and approximately 160,000- 180,000 a week at present, a decline from 12m a year 10 years ago. This compares with weekly pedestrian flow in and out of the retail quarter in 2009 of 1,402,040, and with average weekly footfall in the St John's Centre of around 250,000 people, and 220,000 people in the Merrion Centre.

7.2 Kirkgate Market is open Monday to Saturday from 9am-5pm, with a new outdoor market on a Wednesday. Wednesday afternoon opening is a recent initiative and is still gaining momentum and footfall on Wednesdays is now around 14,000. A farmers' market operates the 1st and 3rd Sunday of every month, however despite this, there has still been an overall downward trend in terms of footfall.

7.3 Earlier this year a number of postgraduate students from Leeds Metropolitan University undertook some research about the Market and produced a report "Shopping at Kirkgate Market".

7.4 As part of this research they undertook surveys involving traders, existing customers, and people who did not use the market. It was of a valid size for statistical purposes and reflected the diverse population of the City. The key findings were:

- The majority of shoppers in the market were over 50;
- the busiest day of the week is Saturday (as identified by 60% of vendors), followed by Friday, (by 18% of vendors; throughout the week, the busiest time of day was identified as being between 12pm and 1.30pm;

- the main reason why people liked to shop at Kirkgate was to 'have a look', followed by supporting local business. The lowest reasons were for 'ethical' reasons and the relationship to seller;
- Those interviewed chose to use the market because it was cheaper (top answer in all age groups), followed by product selection and the convenience of everything being in one place. (perception or reality – they didn't test this);
- 78% of people who were interviewed who don't shop at Kirkgate Market answered that they are aware of Kirkgate Market, and 91% stated that they would shop there. 58% of non shoppers had found out about Kirkgate Market through friends, family and word of mouth, rather than through any marketing or advertising.
- Of the non shoppers aged between 18 and 34, the main reason for not shopping was cleanliness at 35%, followed by accessibility of the market at 15%. General appeal and opening times came in at 12%, with product offer being insufficient and price of products coming in at 7%.
- Of the non shoppers aged between 35 and 54, the product offer being insufficient came in as top reason why people didn't shop at Kirkgate Market at 37%, followed by cleaning and quality of products both at 21%. Opening times and general appeal came in at 7%.
- a third of people questioned were not aware of Kirkgate Market or where it was and anecdotal evidence from the Leeds Loves Food stall on Briggate also indicated a surprising lack of awareness of the market. The Markets Service is currently working with both the Universities on further research focusing on patronage of the market by students and on understanding why city centre shoppers who know about the market choose not shop there. This information will help to inform our marketing strategy.

7.5 One of the issues cited for people using a market in national surveys are their vibrancy, and the sense of experience. Some people argue that Kirkgate has lost this over the years and that this is one of the reasons footfall has declined. Clearly as footfall has declined the market is likely to feel less lively; many of the comments about its lack of vibrancy originate from traders who remember the market from twenty or thirty years ago. Interestingly however, new visitors to the market often comment on how vibrant it is.

8.0 Parking Facilities

8.1 In terms of car access, there is both a council owned surface level car park and an NCP multi-storey car park adjacent to the Market, plus adjacent on street parking. With respect to the Council's car park, a discount is given to drivers who shop in the market on Wednesday afternoons and the car park is very well used throughout the week – it is frequently at full capacity. However this car park will be redeveloped as part of the Eastgate Quarter. The NCP car park was in fact created some years ago in anticipation of the temporary surface car park on George Street being redeveloped for retail and/or offices.

8.2 Any reduction in parking charges would impact negatively on the Council's budget. A global reduction would not guarantee that more drivers would use the market as the car park is well used by city centre shoppers. Also, at both Kirkgate Market and Bradford market (which has a large council owned car park adjacent to its market), the majority of market customers travel on foot or by bus.

8.3 Daily NCP Car Park tariffs range from £4.90 for 2 hours, £9.90 for between 2 and 4 hours, and £15 for between 4 and 15 hours. On a weekday and Saturday the council

car park charges £1.00 for 30 minutes, £1.70 for 1 hour, £2.60 for 90 minutes, £3.40 for 2 hours, £5.00 for 3 hours, and £7.80 for 5 hours. Sunday parking is free.

- 8.4 Given that the Council car park is often full, it is questionable what the rationale would be for lowering prices in this car park. This would likely lead to even more competition for spaces and more congestion. The postgraduate research study cited above found that most respondents visited by foot or bus. One of the city's main transport hubs, the bus and coach station, is adjacent to the market.

9.0 NATIONAL PICTURE - UK RETAIL SECTOR

- 9.1 It is helpful to consider the issues at Leeds markets within the context of the overall UK retail sector, retail trends and retail markets generally. There has been considerable investment in, and growth of shopping venues around the UK in the last 10 years. There are currently a total of 819 shopping centres in the UK, (21% are located in the South East, 12% are located in the North West.) and a total of 1,340 retail parks (20% are located in the South East, 11% are located in the North West and 10% are located in the West Midlands.) Over 2.4 billion visits are made to shopping centres across the UK every year.³
- 9.2 Many of the goods traditionally sold at markets are now available at discount prices at supermarkets and discount stores like Primark. In the case of supermarkets this comes with the added convenience of free parking, pleasant surroundings and card transaction availability.
- 9.3 The continued strong growth in non-food merchandising by leading supermarkets, predominantly the big four: Tesco, Asda, Sainsbury's and Morrisons, is also impacting on the retail sector. The share of non-food spending achieved by supermarkets has more than doubled over the last decade. 14% of non-food sales are expected to be via supermarket outlets in 2010 (source: Verdict), adding further pressure on many comparison and bulky goods retailers, especially electrical and entertainment specialists.⁴
- 9.4 UK Grocery retail value currently stands at £146.3b. Of this, £105.8b is Hypermarkets, Supermarkets and Superstores. Discounters take up £5.9b of the sector value, with online grocery retailing taking £3.7b share. Tesco's share of the market alone is 30.8%.⁵ The discount stores sector has seen significant growth over the past two years with the UK's top ten cities seeing an increase of some 60% in store numbers. Future prospects for the discount sector also look good. Keynote forecasts the entire UK discount retailing market to be worth £24.9b by 2011, with expected growth each year of around 9% (this includes a wider definition of discount retailers including food stores such as Aldi & Lidl, the non-food parts of Asda and Tesco and clothing discounters like Primark.) A report in 2009 identified 24 discount stores in Leeds, which compares to 25 in Manchester, 21 in Birmingham, 17 in Glasgow, and 13 in Bradford.⁶
- 9.5 The composition of the customer base for discount centres is also changing. Traditionally, the target demographic has been female, and drawn from the C2, D and E socioeconomic groups. This has changed during the recession with Poundland, for example, seeing a 22 per cent increase in the numbers of shoppers from the AB

³ 'The Retail Review: Consumer Insight into changing habits and shifting patterns', 2009, Deloitte

⁴ 'UK Retail Outlook', June 2010, CB Richard Ellis

⁵ IGD, 2010 www.igd.com

⁶ 'Discount Stores Report', 2009, Local Data Company

group. This underpins the move to prime pitch and to locations such as Stratford upon Avon.⁷

- 9.6 The retail landscape has significantly changed in the last 10 years. Gone are the big high street names of Woolworths, Safeway, and Dixons, and in their place a new shopping landscape with names such as Superdry, Hollista, and Claus Olson, many of whom are international retailers. Many of the retailers who failed on the high street have adapted their business model and re-launched as online only retailers, Zavvi and Dixons being two examples. This just serves to demonstrate how dynamic the retail sector is.
- 9.7 Independents struggle to compete on price with low cost alternatives like Primark and ebay while online retailers such as Amazon provide relatively low cost products with an easy returns facility. So, unless independents can compete effectively on customer service and product it is inevitable that the more marginal independent traders will not be able to survive in the current economic climate – indeed some were struggling even during the retail boom.

10.0 Retail Trends

- 10.0 UK consumer spending contracted sharply in 2009 but retail sales volumes held up remarkably well and have continued to show positive year-on-year growth over the early months of 2010.⁸ Year on year, the volume of retail sales in June 2010 was 1.3 per cent higher than in June 2009. Predominantly food stores decreased by 0.2 per cent while predominantly non-food stores increased by 4.4 per cent. Within predominantly non-food stores there were rises across all sectors apart from other stores which decreased by 0.2 per cent. The largest rises were non-specialised stores at 10.3 per cent and household goods stores at 6.1 per cent, driven by an increase in electrical stores. This was the largest rise in household goods since May 2008 when it was 6.5 per cent. Non-store retailing increased by 14.8 per cent.⁹
- 10.2 However, retail sales fell for the second month in a row in September, reinforcing evidence of an economic slowdown as consumers steel themselves for significant cuts in government spending and tax rises. Growth in the economy, which had bounced back strongly this year from an 18-month recession, is expected to slow as the government tackles a record budget deficit.¹⁰
- 10.3 According to research in retail trends by Deloitte, the balance of power has shifted from government, to manufacturer to retailer in the last 50 years, but now the customer has 'reclaimed the crown'. Control is back with the 'smart shopper' and retailers will need to adjust the way they interact and serve this empowered person and the multi dimensional communities that these people live in.¹¹
- 10.4 Deloitte suggests that shoppers today may be interested in a retailer's carbon footprint, ethical supply chains or simply local product, and now demand this before they make a purchase decision. These more informed customers are demanding good corporate citizenship from the retailers they shop with and want to know that the

⁷ 'Discount Stores Report', 2009, Local Data Company

⁸ 'UK Retail Outlook', June 2010, CB Richard Ellis

⁹ 'UK Retail Outlook', June 2010, CB Richard Ellis

¹⁰ 'Retail sales fall as economy weakens,' October 2010, Reuters

¹¹ 'The Retail Review: Consumer Insight into changing habits and shifting patterns', 2009, Deloitte

retailers values align with their own. Retailers need to be mindful of how they interface with the smart shopper be it in the market place or market space.¹²

- 10.5 During this recession, 51% of consumers agree that they have changed their shopping habits now and buy cheaper or non branded products. Changes in behaviour like this has resulted in some grocers changing their strategies and even developing additional ranges to their portfolios, for example, Tesco's discount brand, making it even harder for independents to compete.¹³
- 10.6 Customer expectations over recent years have also risen. Consumers today expect clean, pleasant surroundings and excellent customer service. The expectation to be able to use debit/credit cards has become the norm, to return goods without quibble and to try goods on before buying.
- 10.7 According to the Local Data Company, town centre vacancy rates in Great Britain have risen from just over 12% at the end of 2009 to 13% at the end of June 2010. This research highlights the weak state of retail in many large northern and Midland cities with only three southern centres in the top 25 highest vacancy towns and cities: Watford in at number 17 with a vacancy rate of 16.70%, Bristol at number 23 with a vacancy rate of 14.35% and Reading at 24 with a vacancy rate of 14.17%.¹⁴
- 10.8 In terms of Northern Cities, Blackpool ranks number one with a vacancy rate of 28.93%, Bradford comes in 2nd with 24.64%. Manchester is in at 9, with a vacancy rate of 20.39%, with Leeds following at number 10 with 19.48%.¹⁵

11.0 Retail Markets

- 11.1 A national survey carried out in 2004 found that there were over 1,150 retail markets with over 150,000 stalls available each week in the UK. There were over 46,000 retail market traders and an estimated 95,000 people employed in the retail markets industry, however average stall occupancy rates are around 75% and falling. There were over 435 million shopping visits per year, with over £1.1b spent each year.¹⁶
- 11.2 A further survey in 2009 found a decline of 17% in the number of traders standing on traditional retail markets in the past 5 years. However, despite the decline in trader numbers, traditional retail markets still accounted for 83.6 % of all market businesses and 93.5% of the market business turnover.¹⁷ Research in 2009 found there were 1124 retail markets in the UK, 109 of which were in Yorkshire and Humber.¹⁸
- 11.3 Research has looked at how retail markets have performed during the recession in comparison with the 'High Street' in general. The results suggest that the nine large urban markets (taking part in the customer footfall study including 3 in Bradford, 2 in Birmingham, 1 in Manchester, 2 in Sheffield and 1 in Stoke), have largely out-performed the High Street during the recession.¹⁹
- 11.4 However, consideration of 'snap-shot' results from other markets across the country showed a much more mixed response, with a number of markets performing

¹² 'The Retail Review: Consumer Insight into changing habits and shifting patterns', 2009, Deloitte

¹³ 'The Retail Review: Consumer Insight into changing habits and shifting patterns', 2009, Deloitte

¹⁴ A Gathering Storm: Shop Vacancy Report', 2010, Local Data Company.

¹⁵ A Gathering Storm: Shop Vacancy Report', 2010, Local Data Company.

¹⁶ 'Markets 21', 2009, The Retail Markets Alliance.

¹⁷ 'Markets 21', 2009, The Retail Markets Alliance.

¹⁸ Julie Smith in 'Markets 21', 2009, The Retail Markets Alliance.

¹⁹ 'Markets 21', 2009, The Retail Markets Alliance.

significantly worse than the national average.²⁰ According to the Retail Markets Alliance, Newcastle and Coventry were the only two to report an increase with both identifying a 10 percentage point increase. Burnley (-0.4%), Wakefield (-10.2%), Nottingham (-1.3%), Derby (-14.6), and Maidstone (-19.1%) all reported a (sometimes significant) decrease in footfall. The Retail Markets Alliance has suggested that retail markets do not appear to have capitalised as much as they could have on the opportunities created by the economic downturn.²¹

- 11.5 A sample of market managers/operators was asked for their impressions about current trends on their markets since the start of the economic downturn in September 2008. The figures reveal that 28% reported a decrease in trader numbers; 42% reported a decline in shopper numbers and 53% reported a decline in average spend.²²
- 11.6 Between 2004 and 2009, there was a 14% reduction in the number of traders operating from traditional retail markets. In contrast, over the past decade, there has been a steady growth in the success of specialist niche markets: farmers' markets, craft markets, Christmas markets, French and German markets, and, in London, Borough Market (*The Economist*, 2003). For example, it was reported that from 1998-99 to 2003-04 there was a 250% increase in farmers' markets and a 233% increase in stalls, and that shoppers visiting these events increased by 574%.²³
- 11.7 A survey in 2008 by the National Association of British Market Authorities showed that across a range of 13 items, markets are on average 6% cheaper than supermarkets, and in relation to fresh produce, markets are 32% cheaper than supermarkets.²⁴ These figures back up a survey by the New Economics Foundation in 2005, which found that in Lewisham a shopping basket of food cost £4.74 from the market compared to £7.18 from a supermarket.²⁵
- 11.8 International markets such as Barcelona's La Boqueria market is an example of a highly successful retail market, a covered market with hundreds of stalls devoted to nothing but food. "In the age of big box stores, where stores...are a short metro ride away and many grocery stores dot the city centre, the market not only persists, it thrives." The market attracts a broad range, from tourists to well known chefs stocking up on produce. The market has achieved a role as the 'heart of the city', a destination in its own right.
- 11.9 Borough Market is an example of a thriving successful UK market. Open only 3 days a week, its focus is on a quality food offer. Visitors range from sightseers who do little actual shopping to regular London shoppers. It's a place to explore, to ask questions, to discover new flavours and to savour a unique atmosphere.
- 11.10 In September 2010, DCLG published 'Retail Markets: A Best Practice Guide,' which identifies examples of good practice from markets which have made them more relevant and attractive to their customers and the local community.²⁶ Its sister document, 'Retail Markets: Management models'²⁷ was published at the same time, and a series of training modules for market traders will be launched in October 2010.

²⁰ 'Markets 21', 2009, The Retail Markets Alliance.

²¹ 'Markets 21', 2009, The Retail Markets Alliance..

²² Julie Smith in 'Markets 21', 2009, The Retail Markets Alliance.

²³ 'Markets as sites for social interaction', 2006, Joseph Rowntree Foundation.

²⁴ 'Markets 21', 2009, The Retail Markets Alliance.

²⁵ 'Trading Place', 2005, New Economic Foundation.

²⁶ 'Retail Markets: A Best Practice Guide', 2010, Department for Communities and Local Government

²⁷ 'Retail Markets: Ownership models', 2010, Department for Communities and Local Government

Retail Markets and their future success is an issue gaining attention at a national level.

12.0 LEEDS CITY CENTRE – THE REGIONAL SHOPPING CENTRE

- 12.1 Leeds is the regional shopping centre for Yorkshire and the Humber with an estimated 1.9 million people living within 30 minutes drive of the city centre and a total shopping catchment population of nearly 3.2 million people. In 2009 over £1.7bn was spent annually in Leeds retail centre.²⁸
- 12.2 Leeds City Centre is ranked the 6th UK retail shopping destination by industry favourite Venuescore (8th by Experian). Excluding London's West End, number one is Glasgow, followed at number two by Manchester. In at three and four are Birmingham and Liverpool respectively, with Edinburgh at number five. For a regional comparison, Bradford City Centre comes in at 98th, The White Rose Centre at 171st, and York City Centre at 22nd.²⁹ Venuescore 2010 predicts that with the planned new developments of Trinity Leeds and the Eastgate Quarters, Leeds ranking will rise to three from six.
- 12.3 30% of retail spend by Leeds City Region residents is spent in Leeds Centre, compared to 11.5% at the White Rose Centre, 6.9% in Bradford Centre, and 6.7% in York Centre.³⁰ Leeds residents contribute to 52% of the retail spend in Leeds, whilst Kirklees and Wakefield residents contribute 13% each in Leeds. Bradford contributes 11%, whilst Calderdale and Barnsley contribute 4% and 2% respectively.³¹
- 12.4 In 2008, almost 133,000 people were employed in Leeds City centre, 31.8% of the metropolitan district's 417,618 employees, a 9.7% increase from 2002. During the same period, those employed in retail in the city centre fell by 5.6%, from 10,320 to 9,735. This is partially down to new developments such as Trinity, where buildings have been demolished in preparation for new developments.³²
- 12.5 The percentage of people entering the prime retail quarter on a Sunday between the hours of 10-6 has increased by 84.6% between 2000 and 2009; this is despite a 3% fall between 2008 and 2009.³³
- 12.6 There are six managed shopping centres in Leeds City Centre, which account for 41% of the total floor space in the City Centre, including: The Merrion Centre (500,005 sq ft), Leeds Shopping Plaza (314,898 sq ft), St John's Centre (89,997 sq ft), The Core (200,000 sq ft), the Victoria Quarter (217,753 sq ft), and The Light (346,124 sq ft).³⁴ Average weekly footfall in the St John's Centre is around 250,000 people, and 220,000 people in the Merrion Centre.
- 12.7 Most of these currently benefit from high pedestrian flows due to their gateway locations around the central area. Indeed the Merrion Centre reported in September 2010 its fifth consecutive year of growth: "its focus on discount retailing continues to beat the downturn."³⁵

²⁸ '9th Leeds City Centre Audit', 2010, Leeds City Council.

²⁹ 'Venuescore 2010', 2010, Javelin Group

³⁰ Yorkshire Forward Economic Seminar August 2010

³¹ Yorkshire Forward Economic Seminar August 2010.

³² '9th Leeds City Centre Audit', 2010, Leeds City Council.

³³ '9th Leeds City Centre Audit', 2010, Leeds City Council

³⁴ 'Eastgate Retail Statement', 2006, CB Richard Ellis.

³⁵ 'Town Centre Parent hails resilience of retail mall', 15/09/10, Yorkshire Post.

- 12.8 In addition, The White Rose Centre outside of the city centre offers over 680,000sqft of indoor retail space and is home to over 100 retailers in addition to 23 retail merchandising units.³⁶ For the year to March, footfall at the White Rose shopping centre rose by 1.5% to 13.0m. Shoppers are spending around £75 each on non-food per visit, up £17 on last year.³⁷
- 12.9 Leeds City Centre also faces stiff competition from an extensive retail warehouse provision. Major concentrations include that at Birstall to the south of Leeds, which includes the Birstall and Junction 27 retail parks plus a number of freestanding stores, including IKEA, and enjoys excellent access to the motorway network. Other key retail warehouse parks include the Crown Point, Tulip, Junction 1 and Aireside retail parks to the south of the City Centre, with further substantial provision to the east, including the Colton and Killingbeck retail parks.

13.0 LEEDS CITY CENTRE - EASTGATE QUARTER DEVELOPMENT

- 13.1 The future of Kirkgate Market is also bound up with the proposals for the Eastgate redevelopment scheme. This area currently consists mainly of open surface car parking, a significant amount of which has lain undeveloped since the 1960s, and a number of buildings that are underused and in a state of disrepair. Typically the area lacks a 'sense of place', activities which attract visitors, public open space and pedestrian integration into the rest of the city centre.
- 13.2 The objective of the Eastgate development is to regenerate the Eastgate Quarter of Leeds City Centre through the provision of a retail led mixed use scheme which combines appropriate features of the historic environment with a series of new streets, squares and public spaces as a seamless extension to the city, rather than in a conventional "shopping centre" format. The development will provide new retail, café, and restaurant uses alongside new primary and secondary anchor department stores which will act as the main anchors of the scheme on both sides of Eastgate.
- 13.3 The new shopping streets of the Eastgate Quarter and Quarry Hill redevelopment, will reinvigorate and revitalise lost routes to the area, increase levels of activity, and promote new connections between northern, southern and eastern retail quarters. Proposals for Quarry Hill, the emerging cultural quarter, will see large scale development help re-establish it as a major focal point east of the city centre.
- 13.4 It is important that the level and quality of retailing in Leeds City Centre including Kirkgate Market enables it to act as a regional anchor.³⁸ It is also essential to ensure that the "offer" of the city centre – including Kirkgate Market - matches the needs and wants of users otherwise shoppers will choose to go elsewhere to cities with a broader retail offer. It is anticipated that these two developments will all serve to significantly increase footfall in the eastern area which will have a positive effect on Kirkgate Market.
- 13.5 However, whilst the developments in the Eastern part of the City Centre will be significant and positive for Kirkgate Market in the long term, in the short term there will be a significant amount of disruption to the area and a risk that due to the disruption and uncertainty this will generate, footfall and the number of traders in the market may actually fall further during this development phase. The City Council will work closely

³⁶ 'White Rose Centre Study Guide', White Rose Shopping Centre

³⁷ 'Leeds Economy Bulletin', Autumn 2010, Leeds City Council

³⁸ 'Eastgate Retail Statement', 2006, CB Richard Ellis.

with traders, customers and the developers to minimize the impact. (see also 13.9 below).

- 13.6 Views are divided as to the impact which the Eastgate development will have on Kirkgate Market; in reality it probably presents both opportunities and challenges. For example during the construction period car parking in the area will be reduced but construction workers will undoubtedly use the Markets' takeaways and cafes. Current proposals place the anchor store John Lewis opposite to Kirkgate Market potentially bringing new customers right to the market's doorstep.
- 13.7 The Council is working closely with the developers Hammersons and anchor tenant John Lewis to ensure that the Eastgate development ultimately benefits the market. Indeed some changes to the configuration of the layout of John Lewis and the positions of pedestrian crossings have already been made to help ensure greater cohesion between Eastgate and the market. In respect of the car parking it is important to remember that the NCP car park at the back of the market was built to replace the temporary George Street car park some years ago when the Council was working on an earlier scheme to redevelop this area, which never came to fruition. In terms of the overall development and the wider eastern area of the city centre the NCP car park and the new proposed car park will provide parking at both sides of the Kirkgate/Eastgate area and clearly John Lewis wants its customers to be able to park very close to its store.
- 13.8 It should be noted that the redevelopment of the Eastgate quarter is expected to commence in 2012 at the earliest and will take approximately three years to be complete. Close working between all parties will be essential during this period.

14.0 CONCLUSIONS AND ISSUES FOR CONSIDERATION

- 14.1 Kirkgate Market is Europe's largest indoor market and unique in its sheer size and scale, but, with the exception of niche markets, this is a struggling industry. The Market has been a key asset to the City for many years. However, given the evidence detailed above, Kirkgate Market needs to adapt and change to ensure it continues to be a key attraction and generator of wealth and opportunity.
- 14.2 If Kirkgate market is to become more successful in terms of being a retail anchor for the city centre, having more successful businesses making more money and giving more potential independent entrepreneurs the opportunity to start a business, then it needs more customers to shop on the market, or for the current number of customers to spend more money or both.
- 14.3 For this to happen tenants and the Council need to ensure that Kirkgate Market:
- sells what customers want to buy;
 - is open when they want to buy;
 - allows them to buy items in the way they want to (eg with debit cards, with a guarantee etc) and
 - provides an environment in which they wish to buy good and services.
- 14.4 Kirkgate Market is not working as well as it could. Our vision is for it to **be the best market in the UK**. But 'best' means different things to different people. Is it somewhere that:

- is the cheapest place to shop? Offers quality products you can't easily find elsewhere? Is a "foodie's" paradise? Has great vintage clothes and affordable fashion? You can get your mobile phone unlocked or get your hair done? Sells food that the supermarkets don't stock?
- Offers fantastic customer service that has knowledgeable traders who can advise on the best way to prepare a dish or what's in season, or what will work best with a colour scheme or what's the best buy? You can pay with a credit card? Get a receipt? Has a no quibble returns policy?
- Is open in the late afternoon or early evening or on a Sunday?
- Is cool in summer and warm in winter? Is a relaxing place to meet friends and have a cuppa or a bite to eat? There's noise and bustle with traders calling out what they have on offer? Has stalls selling the same goods or services located very close together?
- Has a social role in supporting vulnerable people and marginal businesses?

What, if anything, would our customers like to change - see more of, or less of? What would make people who don't shop here do so? What would make more people tell their friends and family to come here?

- 14.4 The success of any new strategy for the market must be judged against agreed measures which might include:
- demand for stall units and the right mix of goods and services;
 - number of new business starts;
 - traders taking up training packages and business support;
 - tenants staying in business either on the market or elsewhere;
 - tenant turnover; footfall; rental income; and customer satisfaction.
- 14.5 The Retail Markets Alliance has identified several critical success factors for retail markets: Critical mass; Good management; Accessibility & permeability; Marketing & PR; Safety & security; Integration with surrounding retail offer and community; and Partnership working.³⁹
- 14.6 There is no doubt this is a critical moment for both the markets industry and Kirkgate Market, and it is important to appreciate that Kirkgate Market is not alone in its situation. There clearly exists a long term opportunity but short term challenges have to be carefully considered. Clarity and consensus is required on how the market can maximise opportunities and minimise challenges surrounding its offer.
- 14.7 NABMA (The National Association of British Market Authorities) argues that authorities have two options to deal with struggling markets. They can either allow their markets to continue to decline or they can be decisive and bold. Those deciding to be bold may have to take a hit in terms of income – which is extremely difficult decision to make in the current climate – but the argument follows that authorities would at least be guaranteed an income for a period.
- 14.8 There are four questions which Members may wish to consider if the Market is to move forwards: is Kirkgate Market the right size; does Kirkgate Market have the right 'offer'; thirdly what is the right ownership model for Kirkgate Market?, and fourthly, how can the capital investment needed be financed?

³⁹ 'Markets 21', 2009, The Retail Markets Alliance.

14.9 In answering these questions in order to create a vibrant market that is unquestionably the best in the UK, it might be useful for members to consider these points:

- does the Council has the necessary resources in the current climate to invest in the buildings to bring them up to a much higher standard and to promote the market effectively;
- is the Council, on its own, able to respond quickly enough to develop and maintain a competitive edge in such a dynamic sector as retail?
- is the current offer right to attract new customers or do opening hours need to be longer or different?
- do some tenants need business advice and training in customer care from expert 'consultants' to help them maximise their offer?
- do more tenants need to develop an on-line shopping facility?
- is increased marketing needed to attract more ambitious tenants, residents and visitors and if so how will it be funded?

15.0 Further reports

15.1 Additional reports will be brought to the January meeting of Scrutiny on the outcome of the rent review, the findings of the condition surveys and the proposed consultations to develop the future strategy for Kirkgate market.