

A Strategic Options Analysis of Derby Markets

MARCH 2015 – DRAFT FINAL REPORT

PREPARED FOR DERBY CITY COUNCIL

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1 INTRODUCTION

1.1 THIS REPORT

This report is an assessment of strategic options for the two indoor markets in Derby, Derby Market Hall and the Eagle Market.

This report includes three architectural options for each of the markets – one a relatively minor enhancement, one a medium in enhancement and one a relatively major enhancement.

It also includes consideration of other options, including closing one of the markets.

The aim has been to give an idea of what could be done with an order of magnitude of the cost and the financial impact it might have. The detail of plans is beyond the scope of this study.

The objective has been to enable Derby City Council to reach an agreement about its strategy for the markets. The report makes recommendations to that effect.

A draft of this report was submitted to the Council in mid-February 2015. It was prepared following extensive research and consultation.

The conclusions were presented to meetings of officers, members and market traders in a series of meetings at the end of February 2015.

Those meetings showed that there was almost unanimous consensus in support of the strategy recommended in the draft.

Small changes were made to the draft report to reflect discussions during the final meetings and to incorporate further results from the research.

1.2 THE TEAM

This report has been prepared by a team of professionals.

Colliers International is a leading property services company. The Destination Consulting division specialises in advising organisations that are interested in attracting visitors. We do a lot of work on place making in towns and cities and on feasibility studies and business planning relating to attractions and cultural facilities, commercial and non-commercial, of different sort. We also do many studies of options for historic buildings.

WMC Retail is a leading operator of markets, including some of the most successful and innovative in the UK.

Buttress is a substantial architectural practice that, in particular, does considerable work on historic buildings. Buttress did the architectural work on the successful restoration and repositioning of the listed Victorian market hall in Stockport.

Appleyard&Trew are cost consultants with particular experience of historic buildings.

Spirul are a market research company.

1.3 ADDENDUMS

The report is accompanied by a number of addendums:

- A **Statement of Significance** of the Market Hall by Buttress.
- **Order of Costs Estimate** by Appleyard&Trew.
- A **Survey of Traders** in both markets, by Spirul.
- A **Shopper Survey**, by Spirul.
- An **Audit of the Markets**, by WMC Retail.
- A **Short Term Plan** for how the performance of the markets can be enhanced, by Colliers and WMC Retail.
- An **Indicative Business Plan** for the preferred medium term options by Colliers.

2 SUMMARY

This section is a summary of the main conclusions for the report, in the form of a S.W.O.T. analysis.

2.1 STRENGTHS

2.1.1 GENERAL

- Both markets have occupiers that have a good offer and trade well. Many have been present for a long time and have a loyal customer base.

2.1.2 MARKET HALL

- The building is a fine example of a Victorian Market Hall.
- There is a reasonably good fresh food offer.

2.1.3 EAGLE MARKET

- The building is spacious and adaptable.
- The market adjoins the city's main shopping centre.
- The main pedestrian route into the shopping centre from one of the main car parks serving it is through Theatre Walk, a shopping corridor that passes alongside the market.
- Theatre Walk is in good condition. It is brightly and attractively decorated.

2.2 WEAKNESSES

2.2.1 GENERAL

- There has been insufficient investment in both markets. They are both, as a result, tired and not of the standard expected of modern retail experiences.
- Both markets have high vacancy rates and are visibly in decline.
- Both markets appeal much more to older, relatively low spending people than younger, relatively high spending people.
- The markets are not been treated as business units. They do not have a reliable profit and loss account. No one is incentivised to make them more profitable or held accountable for their profitability. This has various negative effects:
 - Matters like health and safety and compliance with rules are given greater priority than the vitality and financial performance of the markets.
 - There is inadequate and misdirected investment because no-one focuses on whether investment will provide a good return on investment.
- The markets are not managed by someone (or a team) with retail experience and with retail nous.

- Management is not seen on the floor of the markets enough.
- The time taken to approve tenancies and leases is considerably too long, deterring potential tenants.
- Potential tenants are also deterred by the bureaucracy involved in taking space.
- There is a commonality in the type of offer between the two markets. They are not clearly differentiated.
- Neither market is departmentalised. Stalls of different type are scattered about. That means that they do not provide critical mass to attract customers.
- The “eat on the premises” food and drink offer is weak in both markets. That element of the retail experience has become increasingly important over time.
- Most of the tenants are protected under the Landlord and Tenants Act. This means that, although most tenancies end in 2016, it would not be easy to close either of the markets.

2.2.2 MARKET HALL

- Visibility of the building is poor. The market is concealed behind other buildings on two sides and is adjacent to a major highway, with a blank wall facing the street, on the third. The lack of prominence of the market’s entrances makes it hard to find the market and, to an extent, to appreciate that it is open.
- The number of access points to the market has been reduced over the years, reducing footfall. Closing the access from the former Marks and Spencer (now Primark) is said to have had a particularly negative effect.
- The ground floor stalls are so bulky that they detract from the architecture.
- It is difficult to attract shoppers to the upper level. None of the options for going up there are attractive. Many stalls at the upper level are closed as a result.
- Removal of bus stops from outside the market to the new bus station reduced footfall through the market.
- The market is too cold to be comfortable during the winter and too hot during the summer.
- Osnabruck Square, the main space in front of the market, is not attractive.
- The opportunity to eat at the market is limited to the Panorama café, which is on the upper floor balcony. It is unpleasantly cold during the winter.

2.2.3 EAGLE MARKET

- The market looks very tired. The freshness and vitality of the neighbouring shopping centre, and also Theatre Walk, exacerbates this impression.
- There is a wall between Theatre Walk and the rest of the market which deters people from going into the market.
- The Crown and Falcon pub makes the East Street entrance look ugly. This is exacerbated by the pub being in poor condition.

- A large level change between East Street and the market makes access difficult and deters people from using the market as a passage into the shopping centre.
- A whole row of stalls has few tenants and looks dead.
- Lighting is poor.
- The eating and drinking offer is very limited.
- The stalls are too big for many traders and are inflexible. They are not suited to businesses that do not need a lot of space and to start ups.
- The current appearance and general design of the stalls falls below shopper expectations.
- The roof structure is not particularly aesthetically pleasing. The hard surfaces cause some reverberation, increasing ambient noise levels.

2.3 OPPORTUNITIES

2.3.1 GENERAL

- Setting up the markets as independent business units, whether or not they continue to be managed by the Council, would immediately create an incentive to manage them in a more commercial manner.
- More variety of size and design of stall would enable both markets to attract more tenants.
- More variety and flexibility of lease terms could have the same impact.
- Reorganising the markets on the lines of a department store, with sections specialising in different types of merchandise and service, would give them more legibility and critical mass.

2.3.2 MARKET HALL

- Amendments to the main entrances could make the Market considerably more noticeable to passing pedestrians.
- Additional well-designed free standing signage in the Market Place and on Albert Street would help raise the visibility significantly.
- Improving the heating of the market could enable less bulky stalls that could, in turn, reduce their impact on the architecture. It would also make shopping and eating there a more pleasant experience.
- People working in the adjoining Council Offices are a major potential market, especially for food at lunch.
- The Heritage Lottery Fund is a potential source of funds for restoring the market.

2.3.3 EAGLE MARKET

- There is scope at the southern end of the market to improve the connectivity with the shopping centre and, in particular, the visibility of the market from Theatre Walk. This would ideally involve removing the wall between Theatre Walk and the market. There is potential for more limited

improvements if that is difficult to achieve in practice because of the impact on the retailers in that location.

- There is potential to substantially improve the northern end by removing the pub between the two entrances from East Street. This could create a double height foyer. That could improve the appearance of the market and accessibility into it. It could also form the main entrance to a leisure offer and possibly contain a leisure attraction such as a high ropes type of attraction and/or climbing wall.
- The centre is across the road from the new bus station. Some amendments to access may make it easier and more pleasant for bus users to walk through the market to the INTU centre.
- There is a trend worldwide to major shopping malls to have a larger amount of commercial leisure in the form of businesses providing activities like children's play, rock climbing, bowling and laser quest. The building is suited to this.
- An appropriate retail tenant might also generate good rent and attract footfall to the market.

2.4 THREATS

2.4.1 GENERAL

- Further decline is inevitable unless there is major change in both markets. That will result in them costing the Council a lot of money on an ongoing basis.

2.4.2 MARKET HALL

- The estimated cost of restoring the market and repositioning it is between £6 million and £6.5 million (excluding VAT), depending on the extent to which the areas surrounding it are improved. That is a large amount of money and will not be easy to raise.
- A large application has been made to the Heritage Lottery Fund for the Silk Mill Museum and the Council is considering applications for Friar Gate Bridge and Marble Hall. They could make it challenging to obtain an additional grant for the Market Hall.
- A closed Market Hall could be a major blight to the city centre, probably more so than a closed Eagle Centre, and threatens to undermine the Cathedral Quarter.

2.4.3 EAGLE MARKET

- The cost of closure is likely to be high, especially because of the need to compensate traders that are protected under the Landlord and Tenants Act.
- The estimated cost of refreshing the market is about £2.8 million, £6.2 million for a scheme that would represent the most improvement by replacing the Crown and Anchor pub and rebuilding the East Street entrance.

2.5 OPTIONS

Three broad options for changing each of the markets have been identified in this study. There are further options of closing them. The main estimated cost relating to that is of compensating traders are a result of their protected rights under the Landlord and Tenants Act.

Figure 1: Options for the Markets

	Option	Cost (exc VAT)	Annual financial improvement	Return on Investment
EAGLE MARKET				
	Closure	£300,000		
	Basic Maintenance	£403,000		
A	Opening up, bigger events space & café, redecorating stalls	£1,330,000	£240,485	18%
B	Section created for leisure facility or anchor store. Food court created.	£2,283,000	£534,890	23%
C	New East Street façade, replacing Crown and Anchor Pub	£5,200,000	£688,980	13%
MARKET HALL				
	Closure	£100,000		
	Basic Maintenance	£2,737,000		
A	Maintenance work plus minor improvements and redecoration of stalls	£3,579,000	£50,000	1%
B	Full restoration and improvements.	£5,910,000	£300,000	5%
C	Addition of improvements to Osnabruck Square and other outside areas	£6,482,000	£400,000	6%

2.6 RECOMMENDATIONS

2.6.1 MARKET HALL

- The strategy should be a major restoration of the building. This should be a flagship project in the continuing revitalisation of the city centre.
- DCC should seek funding from the Heritage Lottery Fund for this, although that is only likely to cover part of the cost. It should also seek other regeneration funding on the basis that the project would make a substantive difference to the performance of Derby City Centre and its effectiveness in attracting tourists.
- The revamped market should have a relatively up market positioning. It should operate in the same part of the market that Waitrose does.
- The restoration should include:
 - Installation of underfloor heating.
 - Glazed walls under the balconies to create attractive units there.
 - Lighter stalls at ground floor.

- A space at ground floor where specialist markets and other events can take place.
- Much more emphasis on food and drink, including a waiter service market restaurant and the ability for people to eat and drink at stalls.
- DCC should contract with an operator to oversee the planning of this and to manage the market on completion.

2.6.2 EAGLE MARKET

- The best strategy appears to be to start serious discussions with INTU about them taking over the market, either to redevelop it for retail or to take over the management and revitalise it.
- It appears to be unlikely that INTU will be interested in taking it over for redevelopment currently, in which case a substantial upgrade seems to be the best option, preferably to be implemented by INTU. The main reasons are:
 - there does not seem to be a viable alternative for a specialist market.
 - moving traders to Market Hall is not an attractive option and could only deal with a proportion of existing traders.
 - the cost of compensating the existing traders will be high, and there is a reasonable prospect of making the market a success again with refreshment.
- The medium term refreshment strategy would give more time for a redevelopment scheme to be put together in partnership with INTU should the revitalisation fail to fully restore the fortunes of the market.
- The strategy should be to substantially refurbish the building, aiming to repay any investment that is needed over a medium term period.
- A refreshment should feature:
 - A commercial leisure or retail anchor at the East Street end of the market.
 - An events space and food court in the middle.
 - A wider entrance from Theatre Walk and bold route from there to the events space.

3 CONTEXT

3.1 EAGLE MARKET

3.1.1 HEAD LEASE

- Derby City Council holds the market from the owners of the INTU shopping centre, for a peppercorn rent, under two 299 year leases from 19/8/1991.
- One lease covers the Eagle Market area, the other the Theatre Walk shops.
- The head leases have the same terms except:
 - The use of the market is restricted to “a market for the general public or retail within Classes A1, A2, or A3 of the Town and Country Planning (Use Classes) Order 1987”.
 - The use of Theatre Walk is restricted to “Theatre and retail within the meaning of Classes A1, A2, or A3 of the Town and Country Planning (Use Classes) Order 1987”.
- The Council is not permitted to use the premises “for any public exhibition or entertainment” except to promote the market.
- There is an internal repairing obligation.
- Alterations are allowed subject to Landlord’s consent, not to be unreasonably withheld.
- The Council can assign the whole of the lease only.
- The lease allows the Council to grant underlettings of stalls and groups of stalls.
- It allows the Council to sublet “parts” of the market, subject to agreement of the landlord and with a maximum of 15 “parts”.

3.1.2 OPENING

- Opening hours Monday to Saturday 9 am – 5:30 pm.

3.1.3 ACCESS

There are three entrances to the market.

One is from the INTU shopping centre. Theatre Walk forms a passage between the shopping centre and the Riverside Car Park. The entrance to the market is through two doors from that passageway.

The entrance to the market is not prominently promoted in the shopping centre.

Theatre Walk has been upgraded recently and looks fresh and pleasant. There is a marked contrast between that and the appearance of the market beyond.

Riverside car park is one of three car parks serving the shopping centre. It has 1,000 spaces. The Basement Car Park has 650 spaces. It is accessed from within the shopping centre, close to the entrance to the market. The main Centre Car Park, which has 2,000 spaces, is above the shopping centre. Access to it is on the opposite side of the centre from the market.

The two other entrances are from East Street. The façade here is broken by the Castle and Falcon pub, which is in poor condition. It is owned by INTU and held by a tenant on a long term lease. INTU say that they have had discussions in the past with the tenant about taking the lease back, but they have not been productive.

There is a big level change between East Street and the level that the market is on.

The entrances from East Street are located either side of the Castle and Falcon. The entrance to the left of the pub is visible from the main road and has an atrium, with doors at ground level that give access to stairs to the market level. The entrance to the right is more hidden, however does provide wheelchair access by means of a large accessibility slope along with stairs.

Derby Bus Station is across Morledge from the market, although a short diversion is needed to get to the entrance on East Street.

3.1.4 LAYOUT

There is a plan of the market at Appendix 1.

The building has about 75,000 sq ft interior space.

There are 143 stalls, all on the ground floor.

The main floor is on a significant slope, presumably to minimise the level change at the East Street entrance.

This has meant that individual stalls are on tapered raised plinths. This, generally, is not a problem but it does create a trip hazard in a number of places, particularly where the stalls do not have counters. It also makes reconfiguration of stalls a little difficult. A better solution might have been two or three level sections of floor with relatively small level changes, and less of a level change at East Street.

The building has a modern latticed roof structure.

3.1.5 CONDITION

A condition survey was undertaken by DCC in December 2009. It estimated that £403,000 of maintenance work was required.

3.2 MARKET HALL

3.2.1 THE BUILDING

The Market Hall opened in May 1866. It is listed Grade II.

It is situated behind the Guildhall, which fronts onto Market Place, and extends to Osnaburck Square.

It is constructed of stone/ brick under a cast iron roof which covers an area of 220 ft x 110 ft; a span of 86 ft with an apex at 64 ft.

Rowland Mason Ordish, the designer of the roof, is noted for his work on the Albert Bridge, London 1873; the Dome of the Albert Hall and his detailed work on the span roof of St Pancras Station, London.

The market has been refurbished on several occasions, the last being 1989.

The market hall has been completely stripped out in at least two previous refurbishments and, as such, there is no surviving historic fabric beyond the building structure itself.

A Statement of Significance has been prepared by Buttress Architects as an addendum to this report.

3.2.2 OPENING

The opening hours of the market are Monday to Saturday between the hours of 9am – 5:30pm.

3.2.3 ACCESS

- There are four entrances to the market. There is a door at the Guildhall side, with an additional stair and lift close to it in an extension added in 1989. There are doors to the Lock Up Yard, Osnabruck Square and Tenant Street. There have been additional entrances in the past, notably a door into the Primark shop, which was blocked when it was occupied by Marks and Spencer.
- Developments in the city centre seem to have had an adverse impact on footfall through the market. They include:
 - Pedestrianisation of Market Place, relocation of the Bus Station and the consequential changes in bus routes, which has, apparently, reduced the number of people accessing the market from the square and reduced the number of people using the Market Hall as a through route.
 - The extension to the Westfield Shopping Centre has shifted the centre of gravity of the city centre retail offer.
 - This has also been exacerbated to a lesser degree by the Assembly Rooms being taken out of use by fire.
 - There are no car parks in immediate proximity of the Market Hall. The closest are about 200 yards away.
- The Market does not have high visibility:
 - The approach from the Market Place is via an arch through the Guildhall. The principle archway is signed as the Guildhall. The two flanking arches, which are set back from the projecting principle entrance, are signed as the Market. The gates of the flanking entrances appear to be regularly closed, implying that it is closed when, in fact, it is open and trading.
 - The vista, on entering through the central archway, is a solid brick wall of the end of the Market Hall. This accentuates the impression that the visitor is not following the correct entrance route and creates uncertainty as to whether the visitor is actually entitled to be there at all.
 - The entrance from the south side (Osnabruck Square) is more prominent from close range. The signage is at a comparatively low level, however, and is not visible at a distance.
 - The market is clearly visible on the east side to one of the main vehicular routes through the city, but, as the elevation facing the road is a storage facility and signage is poor, it does not promote the presence of the market.
 - There is nothing to indicate the presence of the Market on Corn Market, which is the city's major pedestrian thoroughfare, either within the Covered Yard or beyond in the Market Hall itself.

3.2.4 LAYOUT

There is a plan of the layout in Appendix 1.

There are 80 stalls, mainly on the ground floor. Some are located on the balcony running around the inside of the building.

The internal layout of the main part of the ground floor of the Market Hall is generally satisfactory, with generous circulation aisles, although the lobby arrangements introduced in the 1989 refurbishment, presumably for draft and temperature control, tend to disrupt circulation routes rather than enhance them.

The links to the Poultry and Game market and the Fish Market are both poor and easily missed when walking down the principal aisles. This could easily be resolved by some local reconfiguring of the stall layout to create a focal area in front of the two side entrances.

3.2.5 CONDITION

A condition survey was undertaken by DCC in February 2014. It estimated that £2,737,000 of maintenance work was needed.

3.3 TENURE

Stalls are let on a mixture of leases and tenancy agreements. Figure 2 shows the mix in Eagle Market.

The tenancies can be terminated at any time by 3 months' notice of the tenant and 6 months' notice by the landlord.

Figure 2: Eagle Market - basis of occupation of stalls

	Units	% of Total
Lease	52	63%
Tenancy	27	33%
Service Charge Only	2	2%
Tenancy at Will	2	2%
Total:	83	100%

None of the leases granted to tenants in either market go beyond 2016.

DCC has undertaken a review of a cross section of the various lease agreement granted at the respective markets. It has concluded that all agreements are covered by the Landlord and Tenant Act 1954.

This means that tenants are entitled, when their lease ends, to:

1. Require their landlord to renew their lease on similar terms to their existing lease terms, apart from the level of rent paid which can be renegotiated. or
2. Remain in occupation of their unit until the landlord serves notice on them, proposing new lease terms or terminating their agreement.

The Landlord has, in the second case, a limited number of grounds on which to seek possession of the unit. These fall into three categories:

1. The tenant has not fulfilled their obligations under the lease (persistent non-payment of rent; failure to undertake repairs etc.)
2. The landlord has offered the tenant suitable alternative accommodation.
3. The landlord wishes either to occupy the premises for its own use or is seeking to redevelop the property.

The Landlord has to, in the latter case, prove their intent, through obtaining planning permission and identifying funding, to redevelop the premises or to occupy the premises for their own use.

If the landlord is successful in obtaining vacant possession under these grounds the Tenant is entitled to be paid compensation based on a multiplier of rateable value of the premises. The multiple is 1 x rateable value for businesses that have been present for 5 years or less and 2 x rateable value for businesses that have been present for 5 years or more.

3.4 CURRENT PERFORMANCE

3.4.1 OCCUPANCY AND RENTAL

Figure 3 shows the current occupancy and the rent and service charge that is payable by the tenants, and also would be payable if the vacant stalls were occupied.

About half the stalls in both markets are currently vacant. The average size of the stalls that are let is higher than that which is vacant. The proportion of lettable space that is vacant is 43% for the Eagle Market and 47% for the Market Hall.

Figure 3: Occupancy

	Eagle Market		Market Hall	
	Number	%	Number	%
Number of Stalls:				
Occupied:	81	51%	48	53%
Vacant:	78	49%	42	47%
Total:	159	100%	90	100%
Lettable Space (sq ft):				
Occupied:	19,807	57%	9,749	53%
Vacant:	15,213	43%	8,741	47%
Total:	35,019	100%	18,490	100%
Average Lettable Space (sq ft)				
Occupied:	245		203	
Vacant:	195		208	

Figure 4 shows the rent that is being paid and is being asked for vacant stalls.

Base rent is two thirds higher in Eagle Market than Market Hall. The service charge in Market Hall is almost as much as the rent, however. The service charge is, by contrast, about 40% of the rent in Eagle Market¹.

¹ There is a comparison with Luton and Watford Markets in Section 3.12

Figure 4: Rent

	Eagle Market		Market Hall	
	Number	%	Number	%
Rent payable:				
Occupied:	£544,512	57%	£175,160	54%
Vacant:	£413,695	43%	£146,520	46%
Total:	£958,207	100%	£321,680	100%
Rent per sq ft:				
Occupied:	£27		£18	
Vacant:	£27		£17	
Average rent per stall:				
Occupied:	£6,722		£3,649	
Vacant:	£5,304		£3,489	
Average of all stalls:	£6,026		£3,574	

Figure 5: Service Charge Payable

	Eagle Market		Market Hall	
	Number	%	Number	%
Service Charge payable:				
Occupied:	£247,185	57%	£154,426	53%
Vacant:	£189,852	43%	£137,943	47%
Total:	£437,037	100%	£292,369	100%
Service Charge per sq ft:				
Occupied:	£12		£16	
Vacant:	£12		£16	
Average Service Charge Per Stall:				
Occupied:	£3,052		£3,217	
Vacant:	£2,434		£3,284	

Figure 6 shows that the total rent and service charge payable is about £40 per square foot for tenants in the Eagle Market and £33 per square foot in Market Hall.

Figure 6: Rent and Service Charge Payable

	Eagle Market		Market Hall	
	Number	%	Number	%
Total Rent & Service Charge				
Occupied:	£791,697	57%	£329,586	54%
Vacant:	£603,547	43%	£284,463	46%
Total:	£1,395,244	100%	£614,049	100%
Average Rent & Service Charge Per Stall				
Occupied:	£9,774		£6,866	
Vacant:	£7,738		£6,773	
Total:	£8,775		£6,823	
Rent and Service Charge per sq ft:				
Occupied:	£40		£34	
Vacant:	£40		£33	

Figure 7 shows the size and asking rent of shop units that are currently available for rent in the city centre, ordered by the asking rent.

It shows that the markets remain the most obvious option for a retailer that wishes to trade from a small premises and can only afford a low rent.

Figure 7: Asking rent for city centre shops in Derby February 2015

	Size (sq ft)	Asking Rent	Asking Rent / sq ft	Previous Occupant
19 St Peters Street	3,176	£62,500	£20	Body Shop
10-12 St James St	1,806	£56,105	£31	Building Society
107-109 St Peter St	5,767	£50,000	£9	Shoe Zone
100 St Peters Street	1,791	£25,175	£14	Optician
6 Royal Buildings, Victoria St	1,283	£20,000	£16	Estate Agent
15a Sadler Gate	1,082	£20,000	£18	Shop
78-82 Babington Lane	851	£19,500	£23	Shop
7 Old Blacksmith's Yard	541	£17,312	£32	Café
51 Sadler Gate	569	£16,000	£28	Shop
56 Green Lane	1,758	£15,000	£9	Restaurant
40-42 Osmaston Road	1,888	£15,000	£8	Bank
119 Friar Gate	493	£15,000	£30	Café
15a Friar Gate	539	£14,000	£26	Shop
Babington Lane	785	£11,800	£15	Shop
57 Wardwick	904	£11,000	£12	Shop
Average Eagle Market	195	£5,304	£27	
Average Market Hall	208	£3,489	£17	

Source: www.estatesgazette.com

Figure 8 shows the same data, sorted by asking rent per square foot. It shows that the rent is mid-range on a per square foot basis.

Figure 8: Asking rent for city centre shops in Derby February 2015

	Size (sq ft)	Asking Rent	Asking Rent / sq ft	Previous Occupant
7 Old Blacksmith's Yard	541	£17,312	£32	Café
10-12 St James St	1,806	£56,105	£31	Building Society
119 Friar Gate	493	£15,000	£30	Café
51 Sadler Gate	569	£16,000	£28	Shop
Average Eagle Market	195	£5,304	£27	
15a Friar Gate	539	£14,000	£26	Shop
78-82 Babington Lane	851	£19,500	£23	Shop
19 St Peters Street	3,176	£62,500	£20	Body Shop
15a Sadler Gate	1,082	£20,000	£18	Shop
Average Market Hall	208	£3,489	£17	
6 Royal Buildings, Victoria St	1,283	£20,000	£16	Estate Agent
Babington Lane	785	£11,800	£15	Shop
100 St Peters Street	1,791	£25,175	£14	Optician
57 Wardwick	904	£11,000	£12	Shop
107-109 St Peter St	5,767	£50,000	£9	Shoe Zone
56 Green Lane	1,758	£15,000	£9	Restaurant
40-42 Osmaston Road	1,888	£15,000	£8	Bank

3.4.2 PROFIT AND LOSS

Figure 9 shows the income and expenditure that is expected of the two markets in 2014/5². There is more detail in Appendix 2.

Figure 9: Forecast P&L outturn for 2014/5

Figure 6: Forecast of Earnings for 2014/15

	Eagle Market		Market Hall	
INCOME				
Rents	585,593	61%	210,045	49%
Service Charges	259,787	28%	168,125	40%
Miscellaneous:	105,328	10%	47,450	11%
TOTAL:	950,708	100%	425,620	100%
EXPENSES				
Central Services	129,852	14%	58,043	11%
Cleaning	152,333	16%	122,500	23%
Depreciation	61,000	6%	0	0%
Direct employment costs	25,081	3%	43,833	8%
Insurance	53,415	6%	10,305	2%
Maintenance	96,067	10%	42,500	8%
Non domestic rates	127,195	13%	12,265	2%
Other	60,655	6%	122,786	23%
Security	80,185	8%	31,655	6%
Utilities	163,455	17%	88,646	17%
TOTAL:	949,238	100%	532,533	100%
Profit & Loss	1,470	7%	(106,913)	-20%

Source: Derby City Council. Data rearranged by Colliers International.

This shows Eagle Market breaking even and Market Hall making a loss. Almost certainly, however, the costs are higher than they would be if the markets were being run as independent businesses³. This is

²As at January 2015.

particularly true of Cleaning⁴ and Central Services. That money is, however, providing financial support to DCC.

Figure 10: Forecast 2014/5 compared to 2013/4 Figure 10 shows that the outturn for 2014/5 is expected to be worse than the results for 2013/4.

Figure 10: Forecast 2014/5 compared to 2013/4

	Eagle Market			Market Hall		
	Actual 2013/4	Forecast 2014/15	Change	Actual 2013/4	Forecast 2014/15	Change
Income:	1,003,095	950,708	-5%	457,045	425,620	-7%
Expenses:	930,988	949,238	2%	550,147	532,533	-3%
Profit & Loss:	72,107	1,470	-98%	(93,102)	(106,913)	-15%

3.5 NATURE OF TENANTS

Figure 11 summarises the type of business in each market. There is more detail in the Market Audit addendum.

It shows that food remains a major element of the offer in Market Hall, but is a considerably less significant part of the mix in Eagle Market.

A substantial number of businesses in Eagle Market provide services of different type, but there are no notable concentrations of businesses of any type.

Figure 11: Nature of occupiers of both markets

Category	Eagle Market	Category	Market Hall
Services	17%	Food - Produce	31%
Food - Produce	13%	Clothing	12%
Clothing	10%	Gifts / Home	10%
Textiles	10%	Hot Food	10%
Gifts / Home	4%	Books/ Newsagent	4%
Hot Food	4%	Mobile Phone accessories	4%
Jewellery	4%	Speciality	4%
Bags	3%	Service	2%
Books/ Newsagent	3%	Textiles	2%
Cards	3%	Jewellery	2%
Collectables	3%	Cards	2%
Electrical	3%	Collectables	2%
Footwear	3%	Footwear	2%
Leather goods	3%	Beauty	2%
Mobile Phone accessories	3%	Craft	2%
Underwear	3%	DIY	2%
Accessories	1%	Pet shop	2%
Babywear	1%	Flowers	2%
Beauty	1%		
Craft	1%		
DIY	1%		
Health Food	1%		
Mobility	1%		
Pet shop	1%		
Sportswear	1%		
Total:	100%	Total:	100%

³ This is demonstrated by comparison of costs at Luton and Watford Markets shown in Section 3.12

⁴ Which is done by Street Pride, DCC's in house cleaning service.

3.6 MARKET AUDIT

WMC carried out an assessment of the quality of both of the markets, both in terms of the offer of the traders and the quality of the trading environment. The results are contained in the Market Audit addendum. This section summarises them.

3.6.1 EAGLE MARKET

The market clearly serves a certain age demographic. The clothes, shoes and services are predominately targeted at the 60 plus customer.

Whilst this may generate income in the short term, it will do little to attract younger customers or families to the market. The offer is less relevant to these groups.

The key element affecting the look and feel of Eagle Market is the number of vacant stalls and the condition of those stalls.

The quality of stalls deteriorates the further you travel from the INTU centre.

There are strong businesses on Theatre Walk and at the INTU end of the market, with strong offerings and quality products.

The two cafés look run down and tired, serving basic, value food and drinks.

Many stalls are overcrowded, making it difficult to see the products.

3.6.2 MARKET HALL

Market Hall has a superior architectural structure and more visually pleasing stalls than Eagle Market.

The large roofs of the Market Hall stalls make the space feel smaller, however.

The empty units in Market Hall are less obvious than Eagle Market.

The signage and sightlines are poor and it is difficult to easily see the entrances from the high street.

The quality and appearance of the stalls and product offer is, overall, much stronger in Market Hall.

Stalls are less crowded with a better variety of product and less repetition.

The fresh meat and fish offer is excellent. The stalls all have a particular niche, complementing rather than competing with one another.

Some newer businesses - such as Kellenty Beers, Stall 25 and Pyclet, and Stall 1 - nicely bridge the gap between the old and new, offering products that the traditional customer recognises and will buy, whilst also appealing to new customers.

The French and Italian delis are both well-presented. They offer artisan product that is not widely available in Derby.

3.6.3 RATING

WMC assessed the stalls in the markets on a scale of 1 (poor) to 5 (excellent). Figure 12 summarises the scores.

Figure 12: Rating of different elements of the markets

	Average Score		5 Points		4 Points		3 Points		2 Points		1 Point	
	EM	MH	EM	MH	EM	MH	EM	MH	EM	MH	EM	MH
Stall Presentation	3.4	3.6	7%	6%	37%	59%	28%	24%	27%	12%	1%	0%
Uniqueness of Product	3.6	3.7	2%	12%	53%	51%	30%	33%	15%	4%	0%	0%
Quality of Product	3.0	3.6	1%	10%	44%	54%	33%	34%	22%	2%	0%	0%
Value for Money	3.7	3.9	0%	6%	72%	75%	21%	18%	7%	2%	0%	0%
Overall	3.4	3.7	3%	8%	52%	60%	28%	27%	18%	5%	0%	0%

The stalls in Market Hall are rated higher than Eagle Market on all criteria, but the biggest difference is in Quality of Product. Only a small proportion of all the units in either market are rated excellent.

3.6.4 CONCLUSIONS

WMC concluded that both markets offer goods and services that are difficult to find on a modern branded high street, particularly wool, fabric and haberdashery, watch repair and well sourced meat/ bread/ produce.

A clear lettings strategy, product zoning, marketing campaigns and a website could make all the difference to footfall in both of these markets.

Eagle Market is particularly in need of modernization – the environment has a detrimental effect on the perceived quality of the product and offer.

The stronger stalls are hindered by the weaker ones and the empty units

Clearer identities/ signage and marketing are needed for both markets

3.7 OPINIONS OF TENANTS

This study has involved various consultations with traders.

The most significant was a survey of all traders that was undertaken by Spirul. The results are contained in a separate report which is issued as an addendum.

Traders were invited to an open meeting on 20 January. About 60 attended. There were also two working sessions with representatives on 5 February.

The main themes of the responses were:

- Conviction that poor management is responsible for the decline in the markets. We asked the people at the open meeting to indicate whether they would like DCC to contract the management to a specialist operator and every person present voted in favour.
- They are particularly scathing about lack of day to day management presence and very slow response times to any problems. Traders would particularly like management with business acumen and retail experience.
- They are convinced that there would be less units vacant if the market management was less rigid in its approach, both in terms of amendments that it will allow to the layout of stalls and the amount and nature of rent, and also if it was more proactive in seeking tenants.
- There were many comments that the time taken to process applications from new tenants is far too long. There are stories of applications taking 12 months to agree, and, whether that is true or not, it is what they believe and, therefore, potential occupiers are likely to hear the same.

- There were lots of comments about rent being unreasonably high, and the need for better decoration and improvement of toilets, lighting etc.
- Eagle Market traders believe strongly that Theatre Walk should be opened up so it is not a barrier and increases visibility to shoppers. There was some suggestion also that the market should be reduced in size, with less stalls, and that INTU should be allowed to take over more of it. There is support for INTU as a management company because they would bring commercial acumen.
- They would like to see more promotion to get new tenants in and more initiatives to increase footfall. This could be through activities such as antiques fairs, farmers markets or events.
- None of the traders like the idea of moving to the other market if one of the markets was closed.

3.8 OPINIONS OF USERS OF THE CITY CENTRE

3.8.1 2008 CITY CENTRE SURVEY

A survey of 525 people visiting Derby City Centre was undertaken by NEMS Market Research on behalf of Roger Tym and Partners in early 2008.

Figure 13 shows the main reason given for visiting the city centre. Only 4 people, 0.8% of the total, said that their primary reason was to visit the market⁵.

Figure 13: Main Reason for visiting Derby City Centre

To buy non-food goods (e.g.shoes, clothes, jewellery)	32.6%
For personal services (e.g.bank, hairdresser, solicitor etc)	15.6%
To buy food and grocery items (not take-away / café/ restaurant / pub / bar)	13.0%
Work	6.7%
To meet someone	6.7%
No particular reason	5.5%
Other public services (library, museum, doctor, dentist, etc)	5.0%
To attend college / university	3.2%
As a day visitor to Derby	1.9%
Look for work / job interview	1.7%
To visit the Council's offices	1.3%
Passing through	1.1%
To visit a commercial leisure facility (casino, theatre, gym, bingo, etc)	1.0%
Eat out / drinking (e.g.restaurant / pub / bar)	1.0%
To visit the market	0.8%
As a staying visitor to Derby	0.8%
Other	0.8%
Visit family	0.8%
Browse shops	0.8%
Total:	100%
Base:	525

⁵ This should, technically, be "the markets".

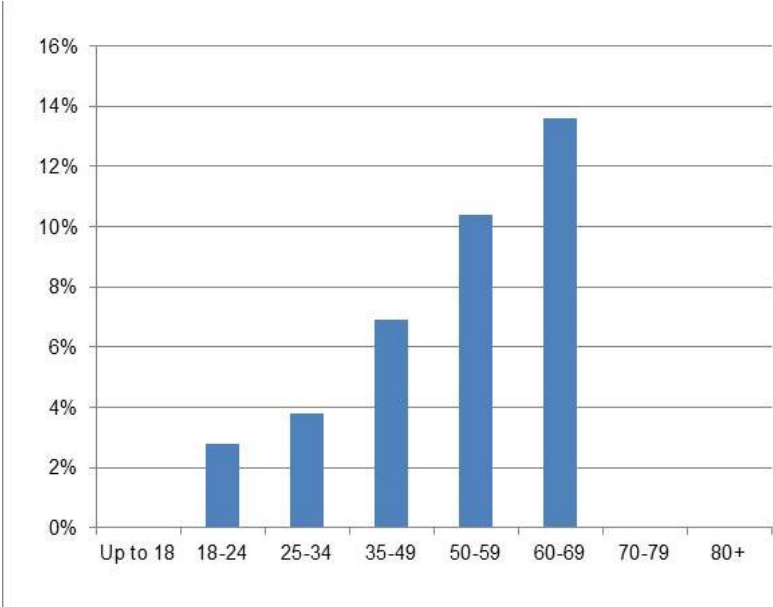
Figure 14: What do you LIKE most about Derby City Centre?

Near to home / convenient	17.7%
Nothing in particular	17.7%
Selection / choice of independent / specialist shops	16.8%
Quality of the shops in general	14.3%
Selection / choice of nonfood multiple shops (i.e. high street chains such as Next, Boots etc)	14.1%
New Westfield Shopping Centre	11.4%
Compact centre (i.e. shops close together)	9.3%
Good public transport links generally	7.6%
Range of places to eat	7.6%
General cleanliness of shopping streets	7.4%
Character / atmosphere	6.9%
Not too crowded	6.7%
The Market	6.3%
Range of pubs / bars	5.5%
Pedestrianised streets	5.0%
Parking is easy	4.0%
Convenient drop off / pick up stops for buses	3.6%
Historic buildings	3.6%
Other points of interest on shops / attractions	3.6%
(Don't know)	2.9%
Nice busy feel	2.7%
I like everything about Derby city centre	2.7%
Feels safe / absence of threatening individuals/groups	2.5%
Prices are competitive in shops compared to other town/district centres	2.5%
Close to work	1.9%
Friendly nice people	1.9%
Ease of access to all (with pushchairs, wheelchairs etc)	1.7%
Other environmental factor	1.7%
Not too noisy	1.3%
(No opinion)	1.3%
Convenient location of Derby Rail Station	1.1%
Little traffic-pedestrian conflict	1.1%
Quality of supermarket(s)	1.1%
Range of leisure facilities	1.1%
Well signposted route ways within the city centre	1.0%
Specified shops	1.0%
New modern buildings	1.0%
Parking is cheap	0.8%
Nice street furniture / floral displays	0.8%
Green space/area	0.8%
Variety of shops	0.8%
Lack of congestion on roads	0.6%
Range of public services (ie Council, library, health services and so on)	0.6%
Familiarity	0.6%
Good directional signs to the Centre	0.4%
Other access / transport factor	0.4%
Presence of police / other security measures (e.g. CCTV)	0.4%
Range of private services (banks, hairdressers, solicitors and so on)	0.4%
Under one roof	0.4%
Play area for children	0.0%
Base:	525

Figure 14 shows that the market fared a little better when people were asked what they most liked about Derby City Centre. 33 people, 6.3% of the total, quoted the market. Figure 15 shows that there is a marked age factor in this – the older that people are, the more they are likely to appreciate the market⁶. None of the 33 people under the age of 18 said they most liked it.

The results from this question suggest that, in general, the city centre is not perceived to have any notable “specialness”.

Figure 15: % of those saying that the Market was what they most liked about Derby



3.8.2 SHOPPER SURVEY FOR THIS STUDY

People were asked what they thought of different aspects of the experience at both of the markets. Figure 16 summarises their opinion about the Eagle Market. They are sorted according to the rating given by people who were interviewed at the Eagle Market. The items shaded relate to perceptions of the goods and services on offer by stallholders. It is noticeable that they get the worse ratings than factors that related to the general infrastructure of the market. The rating for overall range and quality of stores is particularly poor.

⁶ The sample for those over 70 was very small. It is likely that they have the highest propensity to like the market.

Figure 16: Opinion of Eagle Market (out of 5), sorted according to rating of people interviewed in the market

	PEOPLE INTERVIEWED AT EAGLE MARKET	PEOPLE INTERVIEWED AT MARKET HALL	PEOPLE INTERVIEWED ELSEWHERE
Friendliness of market	3.7	3.4	3.6
Cleanliness of market	3.6	3.5	3.4
Convenience of location	3.6	3.5	3.6
Quality of service	3.6	3.4	3.6
Value for money	3.5	3.3	3.8
Atmosphere	3.4	3.3	3.4
Upkeep of market	3.4	3.4	3.2
Architecture quality	3.3	3.6	2.8
Toilet provision	3.2	3	3.1
Quality of food products	3.1	3.2	3.4
Food goods not available elsewhere	3.1	3.2	3.2
Quality of non food goods	3.1	3	3.3
Non food goods not available elsewhere	3.1	3.1	3.4
Places to eat and drink	3.1	3.1	3.2
Range of non food goods	3.1	3	3.3
Range of food products	2.9	3.1	3.7
Overall range and quality of stores	2.7	2.9	3.2
Average	3.3	3.2	3.4

Figure 17 has the same data, but sorts it according to the rating given by people interviewed in neither market. It shows a different picture. People who do not use the market think of it having relatively good product, especially food and drink (although they still give a poor rating to the overall range and quality of stores), but think that the quality of the building itself is poor.

Figure 17 Opinion of Eagle Market (out of 5), sorted according to rating of people interviewed in neither market

	PEOPLE INTERVIEWED AT EAGLE MARKET	PEOPLE INTERVIEWED AT MARKET HALL	PEOPLE INTERVIEWED ELSEWHERE
Value for money	3.5	3.3	3.8
Range of food products	2.9	3.1	3.7
Friendliness of market	3.7	3.4	3.6
Convenience of location	3.6	3.5	3.6
Quality of service	3.6	3.4	3.6
Cleanliness of market	3.6	3.5	3.4
Atmosphere	3.4	3.3	3.4
Quality of food products	3.1	3.2	3.4
Non food goods not available elsewhere	3.1	3.1	3.4
Quality of non food goods	3.1	3	3.3
Range of non food goods	3.1	3	3.3
Upkeep of market	3.4	3.4	3.2
Food goods not available elsewhere	3.1	3.2	3.2
Places to eat and drink	3.1	3.1	3.2
Overall range and quality of stores	2.7	2.9	3.2
Toilet provision	3.2	3	3.1
Architecture quality	3.3	3.6	2.8
Average	3.3	3.2	3.4

Figure 18 shows the rating given by shoppers to Market Hall. It is a similar pattern to the ratings for Eagle Market, except that there is more consistency in the scoring between those interviewed at different locations. It is notable, also, that whereas people interviewed elsewhere see the architecture

of Eagle Market as being the weakest element of all, they rate the architecture and ambience of the Market Hall as being its strongest attributes after Friendliness.

Figure 18: Opinion of Market Hall (out of 5), sorted according to rating of people interviewed in the market

	PEOPLE INTERVIEWED AT EAGLE MARKET	PEOPLE INTERVIEWED AT MARKET HALL	PEOPLE INTERVIEWED ELSEWHERE
Friendliness of market	3.5	3.5	3.5
Architecture quality	3.2	3.5	3.4
Cleanliness of market	3.1	3.4	3.4
Convenience of location	3	3.4	3.4
Upkeep of market	3.1	3.4	3.2
Quality of service	3.5	3.3	3.6
Value for money	3.5	3.3	3.5
Places to eat and drink	2.9	3.2	3.1
Quality of food products	2.7	3.1	3.3
Food goods not available elsewhere	2.7	3.1	3.2
Quality of non food goods	2.8	3.1	3.3
Non food goods not available elsewhere	2.8	3.1	3.3
Range of food products	2.1	3.1	3.3
Atmosphere	2.8	3	3.4
Range of non food goods	2.6	3	3.2
Toilet provision	2.8	2.9	3
Overall range and quality of stores	2.7	2.9	3.2
Average	2.9	3.4	3.3

Figure 19 compares the opinion of shoppers interviewed at different locations of the two markets and INTU Shopping Centre and the Cathedral Quarter.

It shows that those interviewed outside the markets strongly rated INTU and the Cathedral Quarter as more “their type of place” than either of the markets. They give the Eagle Market a particularly high rating for Value for Money. The results indicate that Derby shoppers think of the Eagle Market as being a place to go for value for money, but not for other reasons which, for most of them, are likely to be more important when making a choice as to where to shop.

People interviewed at Eagle Market gave much higher ratings to Eagle Market than to INTU. This is indicative of the fact that a proportion of the population does not like the heavily branded, relatively youth orientated, offer of a modern shopping centre. They prefer the more independent and unique ambience of the market.

Figure 19: Opinions of the markets compared to INTU Shopping Centre and the Cathedral Quarter

	PEOPLE INTERVIEWED AT EAGLE MARKET				PEOPLE INTERVIEWED AT MARKET HALL				PEOPLE INTERVIEWED ELSEWHERE			
	Eagle Market	Market Hall	INTU	Cathedral Quarter	Eagle Market	Market Hall	INTU	Cathedral Quarter	Eagle Market	Market Hall	INTU	Cathedral Quarter
Value for money	3.5	3.5	2.5	3.3	3.3	3.3	3.4	3.4	3.8	3.5	3.7	3.6
Atmosphere	3.4	2.8	2.6	3.4	3.3	3	3.5	3.7	3.4	3.4	3.6	3.8
Quality of goods	3.1	2.8	2.7	3.4	3	3.1	3.5	3.5	3.3	3.3	3.7	3.7
Places to eat and drink	3.1	2.9	2.5	3.3	3.1	3.2	3.5	3.5	3.2	3.1	3.7	4
My kind of place	3.4	2.9	2.5	3.3	3.2	3.2	3.4	3.5	3.2	3.1	3.5	3.7
Average	3.3	3.0	2.6	3.3	3.2	3.2	3.5	3.5	3.4	3.3	3.6	3.8

There are differences in ratings by age of respondent. Figure 20 shows that both under 24 and 45+ age groups think that Eagle Market offers similar value for money to INTU, but the age groups in between believe that INTU offers considerably better value for money. All ages assess Market Hall as being less about value for money than Eagle Market or INTU.

Figure 20: Rating of the markets and INTU for Value for Money

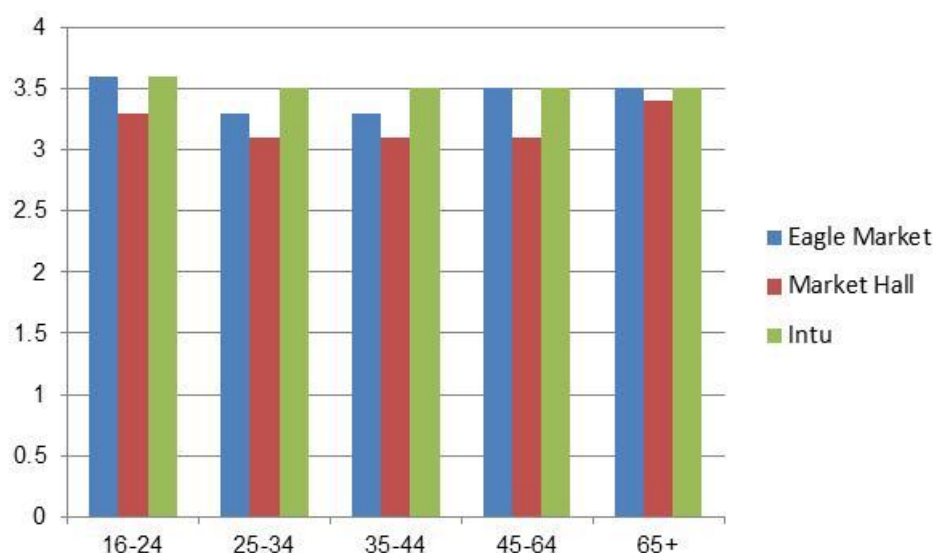


Figure 21 shows that all age groups consider INTU to be better in terms of quality of goods on offer. Eagle Market is perceived to offer slightly better quality by the under 24s and over 45s.

Figure 21: Rating of the markets and INTU for Quality of Goods

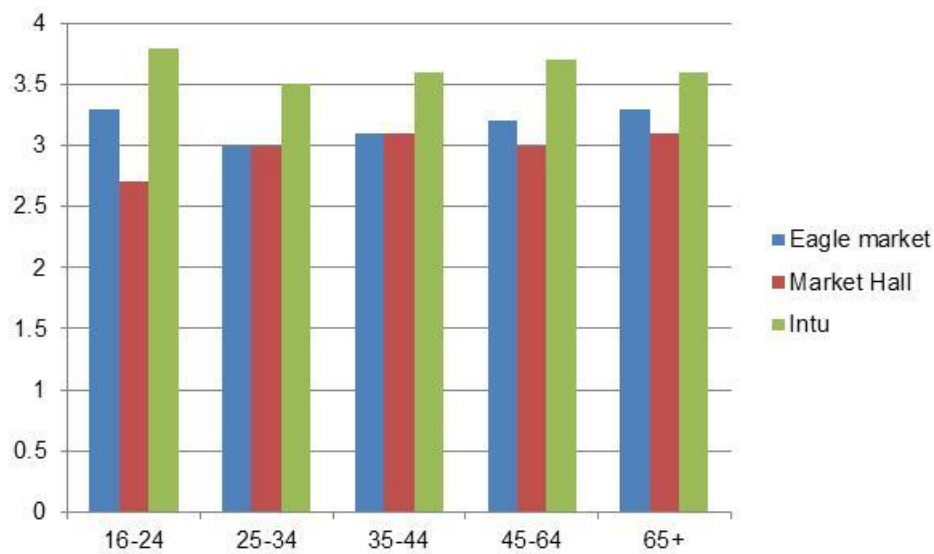


Figure 22 shows that, overall, all ages have a substantial preference for INTU compared to the markets as the type of place they like, except that over 65s give the same rating to Eagle Market as to INTU.

Figure 22: Rating of the markets and INTU for “My Kind of Place”

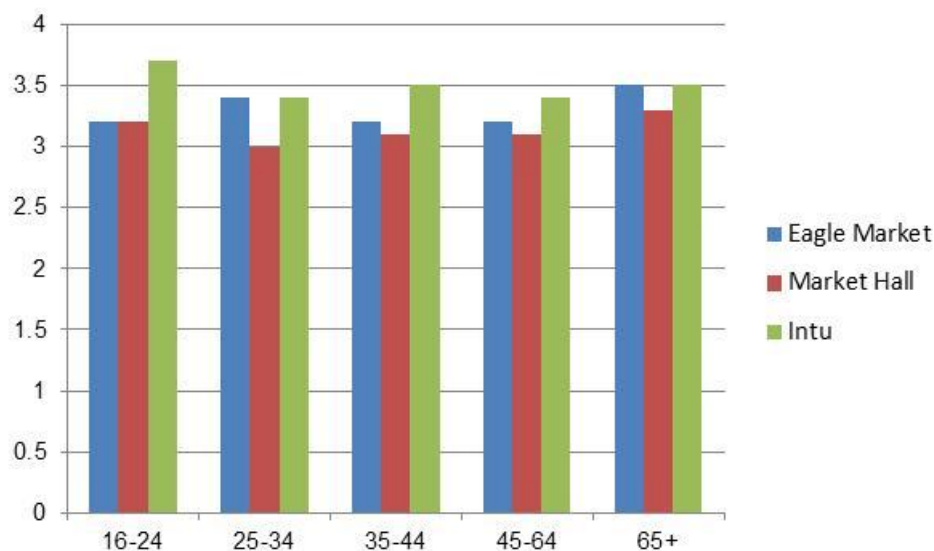


Figure 23 shows that there are some differences between different socio economic groups. People in the Professional, Administrative and Managerial group perceive the markets as being almost as much their “kind of place” as INTU, and give a higher rating to Market Hall than Eagle Market. This gives an indication of the potential of a refurbished Market Hall to appeal to that type of person.

Intermediate occupations have a greater preference for INTU than the markets, but also rate Market Hall higher than Eagle Market. The others give INTU a higher rating and rate Eagle Market as more their type of place than Market Hall.

Figure 23: Rating of the markets and INTU for “My Kind of Place” by Socio Economic Group

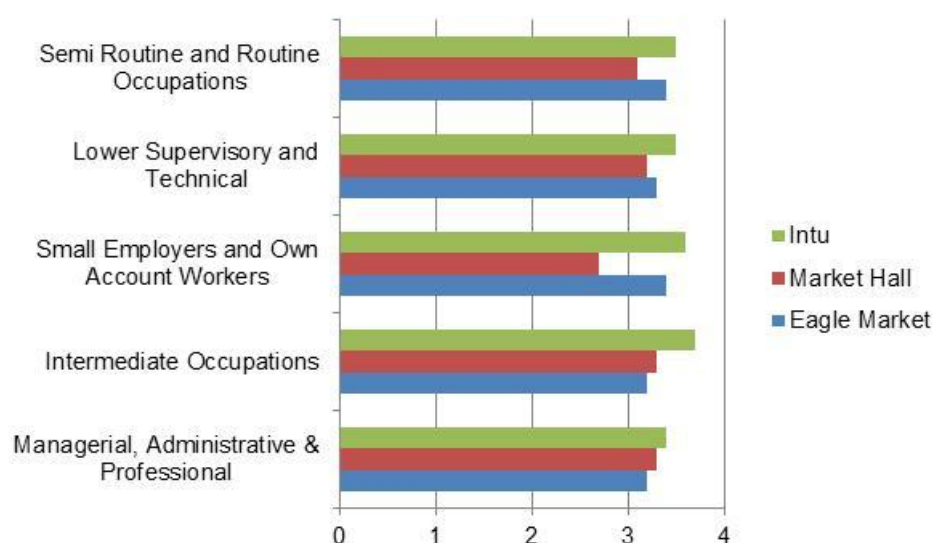


Figure 24 shows what the shoppers surveyed said they liked and disliked about Eagle Market. The number of empty stalls is, by a big margin, the biggest factor affecting their image of the market.

Figure 24: Things that shoppers liked and disliked about Eagle Market

What do you like most about Eagle Market?		What do you dislike most about Eagle Market?	
Base: (230)	%	Base: (277)	%
Warm	20	Empty stalls	59
Friendliness	13	Poor/dirty toilets	10
Local/location	13	Poor atmosphere/environment	8
Variety of products/produce	11	Run down/derelict	6
Indoors	7	Cold	3
Quality of products/produce	6	Poor layout of stalls	3
Building/architecture	6	Building/architecture	3
Value for money	6	Not enough stalls	2
Quality of service	5	Old fashioned	1
Cleanliness	5	Everything	1
Traditional	4	Lack of cleanliness	1
Local products/produce	3	Opening hours too short	1
Seating	*	Not like it used to be	*
		Lack of seats	*

The same is true of Market Hall. Coldness is also a major factor there, however, and the quality of the building is seen as more of a plus factor.

Figure 25: Things that shoppers liked and disliked about Market Hall

What do you like most about Market Hall?		What do you dislike most about Market Hall?	
Base: (147)	%	Base: (259)	%
Variety of products/produce	20	Empty stalls	46
Building/architecture	16	Cold	29
Friendliness	14	Poor/dirty toilets	7
Local/location	8	Poor atmosphere/environment	7
Indoors	8	Run down/derelict	7
Value for money	5	Not enough stalls	2
Quality of service	5	Old fashioned	2
Traditional	5	Poor quality products	*
Quality of products/produce	5	Poor layout of stalls	*
Warm	3	Building/architecture	*
Everything	3		
Good atmosphere/environment	3		
Cleanliness	3		
Local products/produce	*		

3.9 CITY CENTRE CONTEXT

The centres of all towns and cities – both in the UK and other parts of the world – form a “mosaic” of “experiences” of different type. The experiences are created by the nature of the property and the nature of the businesses that occupy them and are created by “clustering”.

Some of the clustering is on a functional basis. There are functional clusters in Derby city centre, for example, of fashion brands, restaurants, large pubs, estate agents and lawyers.

Businesses also cluster according to whether they focus most on quality or price.

The clustering is caused by a number of factors.

Businesses nearly always choose to locate in proximity to like-minded businesses. They, in other words, seek “adjacencies”.

The nature of the property also has a big impact. Businesses will only locate in units that are the right size and price for them, and property owners are often choosy about who they will let to. Big property companies, in particular, prefer to let to large companies that have strong “covenants” (i.e. are at low risk of going out of business and not being able to pay the rent).

There is always, as a result of these influences, a split between areas of towns and cities that are dominated by branded multiples and those that are dominated by independent businesses. Derby fits this pattern closely.

The branded businesses invariably occupy property that is large and owned by large companies whereas independent businesses invariably occupy property that is smaller and in multiple ownership.

Areas where there are many historic buildings are invariably dominated, as in Derby, by the independent sector. Areas where there are many historic buildings also invariably mix restaurants and bars with shops to a much greater extent than areas which are dominated by brands. That is because the nature of the property and the ambience in historic areas is conducive to leisure.

We have a model to illustrate this, shown in Figure 26. Parts of cities that are dominated by large companies and brands are on the left side of the model. Parts that are dominated by smaller, unique companies are on the right side. Areas where businesses compete largely on price are at the bottom of the model and areas where businesses compete largely on quality are at the top of the model.

The redevelopment of the Eagle Shopping centre by Westfield had a major impact in enhancing the high street offer in the city centre, moving it substantially upwards in the context of our model. It also shifted the centre of gravity of the city centre retail offer.

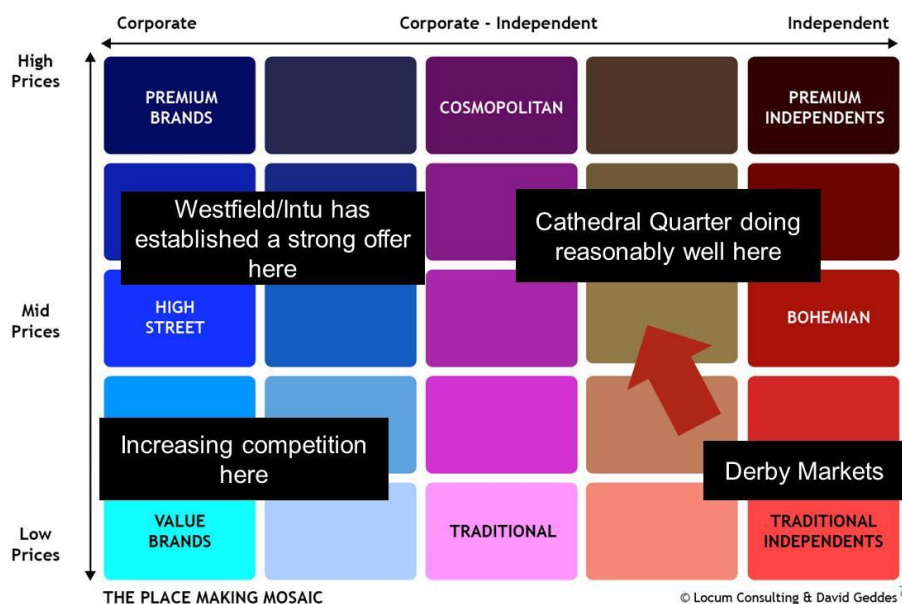
It opened up a gap with the Eagle Market, which now seems shabby and tired by comparison to the adjacent shopping mall. The contrast jars.

The Cathedral Quarter has, partly as a result of the work of the Business Improvement District, been successful in nurturing the independent-orientated retail and leisure offer that characterises a good heritage district.

There is also, however, an increasing disconnect between its quality and the quality of the offer in the Market Hall.

The upshot of this analysis is that the market(s) have to move out of the bottom right of our model to have greater focus on distinctiveness and quality, as indicated by the arrow on the diagram.

Figure 26: Derby City Centre shown on the Place Making Mosaic



3.10 GENERAL TRENDS

3.10.1 INCREASED IMPORTANCE OF FOOD AND DRINK OFFER

A striking trend of recent years, across many countries of Northern Europe and North America, has been revival of indoor food markets. This has accompanied increasing popularity of farmer's markets.

Colliers recently produced a city centre strategy for Cork (Ireland), a city of similar size to Derby. The English Market there, which is largely food, thrives. There are no vacancies. It is Cork's main tourist attraction.

We have come across thriving, recently built, modern food markets in places like Gothenburg, Rotterdam, Hannover, Cape Town, Toronto and the small city of Uppsala in Sweden. They typically occupy restored buildings like Tram Sheds (e.g. Uppsala and Gothenburg) and warehouses (e.g. Cape Town).

Borough Market in London, famously, goes from strength to strength and has had great regenerative impact in Southwark. It is, arguably, the most successful destination in London.

A quality food offer is central to the success of most the markets that WMC manages and has been thriving in places like Luton.

The difference between old style food markets and the new generation of food markets is that the new version are as much about eating on site – both formally and informally - as they are about buying food for use at home. This can be seen in the pictures below of the indoor food market in Hannover.

Figure 27: Food Market in Hannover, Germany



They also increasingly focus on locally produced produce, responding to consumer demand to know the provenance of the food they eat and for a more experiential retail experience.

They typically offer the option to informally eat and drink from stalls or from one or more formal waiter-service restaurants.

Figure 28: Possible model for food court in either of the markets

There is a model in the Water Tower Place development in Chicago that could be interesting to emulate. It is called Foodlife(www.foodlifechicago.com). It is arranged as a normal food court with a selection of booths where food of different type is made, interspersed with seating. Customers pick up a smart card at the entrance. It is swiped every time they buy something. They pay at tills on exit. That enables and encourages customers to buy different items from different stalls (a

sushi starter followed by an Indian curry for example) and reduces the complexity for the stall operators.

There is already a strong “foodie” element in the area, especially in the Cathedral Quarter. Businesses like Jack Rabbit Kitchen, the Derby Pyclet Company and the Bookcafé are indicative of this. There are good food vendors in the Market Hall.

Derbyshire also have good farmers markets, the most well-known of which are shown in Figure 29. The local markets are particularly well regarded, in part due to the high quality local produce available.

Figure 29: Farmers Markets in Derbyshire

	<i>Location of Market</i>	<i>Times</i>
1	Bakewell	Last Saturday every month
2	Belper	Second Saturday every month
3	Buxton	First Thursday of the month
4	Castleton	First Sunday of the month
5	Chesterfield	Second Thursday of the month
6	Matlock	Third Saturday of the month
7	Swadlincote	Third Saturday of the month
8	Whaley Bridge	Second Saturday every month
9	Wirksworth	First Saturday of the month

3.10.2 SPECIALIST MARKETS

There are also examples of specialty goods markets that are thriving.

WMC manage Old Spitalfields Market, which is a thriving specialty goods market. The photograph below shows how it is different in physical style from the Derby markets, with moveable stalls, which are set up on behalf of the traders every day. That allows the space to also be used for events of different type. The market has, in addition to the permanent exhibitors, a programme of speciality markets.

This approach reduces the cost overheads for stall holders and makes for a more interesting, vibrant environment.

Figure 30: Old Spitalfields Market, London



Another option is an approach more like Affleck's Palace, in Manchester's Northern Quarter, which is a little like a department store for quirky businesses and is a famous destination for people of an independent mind set.

That approach could theoretically work in a building like the old Debenhams store and could be a good anchor there for the St Peter's Quarter.

3.10.3 GREATER LEISURE IN SHOPPING CENTRES

There is a trend worldwide towards including more leisure in shopping malls. The INTU centre is already indicative of this with its cinema and range of restaurants. Those uses were not prevalent in previous generations of shopping centres.

There are other types of commercial leisure which often feature in shopping centres, especially in other parts of the world. They include indoor play, bowling and rock climbing.

3.10.4 OUTSOURCED MANAGEMENT

Many markets in Britain are run, as in Derby, by the local authority. Many are suffering from the same problems. Some have tackled this by outsourcing the management to companies that specialise in managing markets, in the same way that many councils now outsource the management of their leisure centres to companies that specialise in managing leisure centres. Section 3.12 describes the situation in Watford and Luton, where the markets are run by a specialist⁷ and are performing a lot better than the markets in Derby.

3.11 DEMAND FOR THE MARKET

Appendix 3 has a summary of the market for the Market Hall and Eagle Market.

It shows how the extension to Westfield extended the reach of Derby's catchment area and attracted more shoppers to the city.

The catchment is relatively affluent, although also relatively conservative.

There are some important local market factors.

One is that the Council offices, accommodating about 2,500 people, are across the road from the Market Hall. The canteen facilities are limited. They are a large potential market for an improved eating offer in the Market Hall, especially if it is a more pleasant temperature in winter.

There is also a substantial amount of student accommodation being built in the vicinity of the Market Hall which will provide demand for the same type of offer and also for a more evening orientated approach.

3.12 CASE STUDIES OF OTHER MARKETS

Appendix 4 has case studies of markets with which members of the team have personal experience of management of improvement.

⁷ WMC, who are on our team.

Stockport Market is a Victorian market hall with similar characteristics to the Derby Market Hall, including being physically separate from the main shopping centre in the more historic section.

It was fully refurbished as part of a programme to regenerate the historic core of the town. Buttress were the architects. A large portion of the funds came from the Heritage Lottery Fund. It has been successful and the revitalised market hall is now an attractive anchor in the historic part of the town.

Watford Market and Luton Markets are both managed by Wellington Market Company. They each have dedicated on-site management, supported by head office asset management, marketing and accounts.

Watford Market had a lot in common with Eagle Market. It was adjacent to the main shopping centre which was, as in Derby, owned by INTU.

It was of smaller size than the Eagle Market, with 100 stalls at maximum⁸, but suffered from the same problems. Lack of investment over a prolonged period meant that it was tired. Occupancy had fallen below 60%.

INTU had expressed a desire to use the space to expand the centre.

Watford Council decided that the best strategy was to move the market to a new location altogether. Having decided that they did not have the skills or experience to manage markets, they contracted the management to a professional company, WMC Retail Partners Ltd.

WMC took the lead in selecting an appropriate site and constructing a new market.

The market was built using shipping containers and was located in a prominent location under a motorway flyover.

Luton Market had, again, similar circumstances to the Eagle Market, and is of about the same size.

The Council there also decided that the key to revitalisation was contracting a specialist market operator to run it. They leased the market to WMC. WMC were required, under the terms of the lease, to invest in refurbishment of the market. It has traded successfully since. A key feature is an International Food Court.

Figure 31 compares the number of stalls, vacancies and rent/service charges payable between the two Derby markets and Luton and Watford markets.

It shows how Luton and Watford have less than 10% vacancy, albeit Watford has a relatively small number of stalls now.

It is notable that the average stall size for both is considerably less than in Derby. Watford, with its shipping container sized stalls, is achieving very high rent per square foot. The combination of rent and service charge at Luton is about 13% lower than Market Hall and 30% lower than Eagle Market.

⁸By comparison to Eagle Markets 159.

Figure 31: Comparison of Derby's Markets with Watford and Luton markets

	Eagle Market		Market Hall		Watford		Luton	
	Number	%	Number	%	Number	%	Number	%
Number of Stalls:								
Occupied:	81	51%	48	53%	40	91%	117	91%
Vacant:	78	49%	42	47%	4	9%	11	9%
Total:	159	100%	90	100%	44	100%	128	100%
Lettable Space (sq ft):								
Occupied:	19,807	57%	9,749	53%	5,280	89%	19,713	94%
Vacant:	15,213	43%	8,741	47%	640	11%	1,275	6%
Total:	35,019	100%	18,490	100%	5,920	100%	20,988	100%
Average Lettable Space (sq ft)								
Occupied:	245		203		132		168	
Vacant:	195		208		160		116	
All lettable space:	220		205		135		164	
Rent per sq ft:	£28		£17		£46		£12	
Service Charge per sq ft:	£12		£16		£39		£17	
Total charge per sq ft:	£41		£33		£85		£29	

Figure 32 compares the income and expenses of the markets. It demonstrates the extent to which Watford and Luton markets, managed as independent businesses, are operating on a much lower cost base and are able, therefore, to return a reasonable profit, even after the cost of paying a market management company.

Figure 32: Profit and Loss comparison⁹

	Eagle Market		Market Hall		Watford		Luton	
INCOME								
Rents	585,593	61%	210,045	49%	243,125	54%	235,141	41%
Service Charges	260,783	28%	171,673	40%	205,000	46%	337,273	59%
Miscellaneous:	105,328	10%	47,450	11%	0	0%	0	0%
TOTAL:	951,704	100%	429,168	100%	448,125	100%	572,414	100%
EXPENSES								
Central Services	129,852	14%	58,043	11%	0	0%	16,004	4%
Cleaning	152,333	16%	122,500	23%	0	0%	0	0%
Depreciation	61,000	6%	0	0%	6,500	2%	82,249	19%
Direct employment costs	25,081	3%	43,833	8%	82,500	23%	96,907	22%
Insurance	53,415	6%	10,305	2%	5,188	1%	12,720	3%
Maintenance	96,067	10%	42,500	8%	11,000	3%	20,742	5%
Non domestic rates	127,195	13%	12,265	2%	28,091	8%	9,929	2%
Other	60,655	6%	122,786	23%	195,466	55%	153,720	35%
Security	80,185	8%	31,655	6%	0	0%	0	0%
Utilities	163,455	17%	88,646	17%	25,625	7%	41,529	10%
TOTAL:	949,238	100%	532,533	100%	354,370	100%	433,800	100%
Profit & Loss	2,466	7%	(103,365)	-19%	93,755	21%	138,614	24%

⁹ Cleaning for Luton and Watford is included in Direct Employment Costs

4 OPTIONS – MARKET HALL

4.1 ISSUES

4.1.1 BASIC MAINTENANCE REQUIREMENT

The Market Hall requires substantial basic maintenance. We have taken the Condition Assessment as correct. We have not assessed what elements might be put off, but it will all have to be dealt with at some point in the not too distant future.

4.1.2 MAKING THE MOST OF THE SIDE SHOPS

Advances in glass technology means that attractive shop units could be created underneath the balcony of the market, as St Pancras Station has illustrated.

Figure 33: St Pancras Station



4.1.3 LAYOUT OF THE STALLS AT GROUND FLOOR

Advantages of the current layout are:

- Traders are able to operate from large units.
- Several of those who have prime units have been in the same position for generations and would be reluctant to move.
- People walk through rows of market stalls.

Disadvantages of the current layout are:

- The stalls diminish the impact of the architecture.
- Stalls are not secure without lockable shutters.
- Main entrances lead directly towards a stall or other barrier rather than encouraging shoppers to follow the main circulation.
- They make the units in the middle more attractive than the units at the side, making it more difficult to let those units.
- There is no space that can be used for day markets, events and entertainment.

Our opinion is that the market would benefit from space where special markets and other events can take place, and also that the building would be more effective if the stalls were not so bulky, and they were organised, as originally, with a clearer route through the middle.

4.1.4 USE OF STORAGE AREAS

Much of the storage is currently taken up by Derby City Council as archive storage. Capacity can be achieved by relocating this to more appropriate locations.

4.1.5 GREATER FOOD AND BEVERAGE ELEMENT

As discussed in Section 3.10.1, eating and drinking on the premises is a feature of most successful modern markets. There is already a nucleus of good food businesses in the market, but the on-site eating and drinking offer is poor. A main reason for that is that the market is too cold in the winter.

Our view is that:

- There should be a good quality market restaurant, probably waiter service. The area occupied by the first floor stores, the attractive space at the (marked Shop 5 on the plan at Appendix 1) seems to lend itself best to this, with tables and chairs also on the balcony.
- There would be tables and chairs at ground floor level and/or built into the stalls which allow people to purchase from stalls and eat and drink on the premises.
- There should ideally be an extensive al fresco seating area as part of a revamped Osnabruck Square to provide a continental ambience.

A key consideration will be maintaining fire exit routes and ensuring adequate means of escape. This should be a fire engineered solution appropriate to the listed building rather than a straight forward application of the Building Regulations and will need to be considered holistically with the rest of the building.

Any such development will require improved wc facilities both at balcony level and at ground floor.

4.1.6 MECHANICAL AND ELECTRICAL SERVICES

The Market requires some form of heating to be successful during the winter months. Heating such a large space is difficult because the heat rises to roof level, leaving lower levels cold. Radiant heating would resolve this but is often uncomfortable and nearly always visually intrusive.

One successful way to provide a degree of low level heating would be by underfloor heating, but this can only be done if the stalls are removed.

It would only work successfully at ground level and will still leave some issues to be resolved at balcony level.

4.1.7 THE COVERED YARD

There is potential to make much more of this area. There are already restaurants fronting onto the access route from the Corn Market and this space could be landscaped to provide external seating areas which could support food outlets either within the Covered Yard or within the Market Hall itself. Removal of the small stalls on the north side would enhance this use.

It would also be feasible to provide a free standing glass canopy to part or all of this area to allow a more flexible use of this space.

4.1.8 SIGNAGE / WAYFINDING

Although there is a need to minimise street clutter there is a need to provide free standing signage at all three principle entrances (Market Place, Osnabruck Square and Corn Market) irrespective of how the Market is developed.

4.1.9 OSNABRUCK SQUARE

There is definitely potential to enhance this area. It should be the centrepiece of the city centre.

It is essential, however, that the view of the sandstone pedimented entrance remains uninterrupted.

English Heritage have indicated that they would not look favourably upon any extension to the historic market building itself, which limits the possibilities of any extension that extends into Osnabruck Square.

It may be possible for the shop units to the east side to be adapted to work in conjunction with the market. Using them for a bar restaurant with outdoor seating on the square seems to have the most potential.

4.1.10 GENERAL POSITIONING

The restoration of buildings of similar style to the Old Market, such as St Pancras Station and, to an extent, Stockport Covered Market, shows how stylish and sophisticated they can be.

The location of the market, adjacent to the Cathedral Quarter, also suggests that it should ideally be positioned towards the upper end of the market.

Many references were made in the consultation to Jack Rabbits. That business perhaps encapsulates the “brand” that we think the market should ideally aim for.

The building lends itself, as another way of thinking about it, to position itself to the same type of people who like Waitrose.

The traders we consulted with were in agreement with that assessment.

4.2 OPTION 1: RELATIVELY SMALL RENEWAL

This concept involves undertaking the required maintenance work and smartening up the current offer. Indicative plans are shown in Figure 34.

4.2.1 CONCEPT

- Do maintenance work as outlined in the Condition Survey.
- Remove a number of smaller stalls, one at the entrance from the Guildhall, one at the entrance from the Fish Market / Covered Yard and the creation of more space around the more modern stairs / lift.
- Create a space for temporary events.

- Use an interior designer to develop a new scheme for redecorating the stalls and shops. Redecorate them in conjunction with the traders.

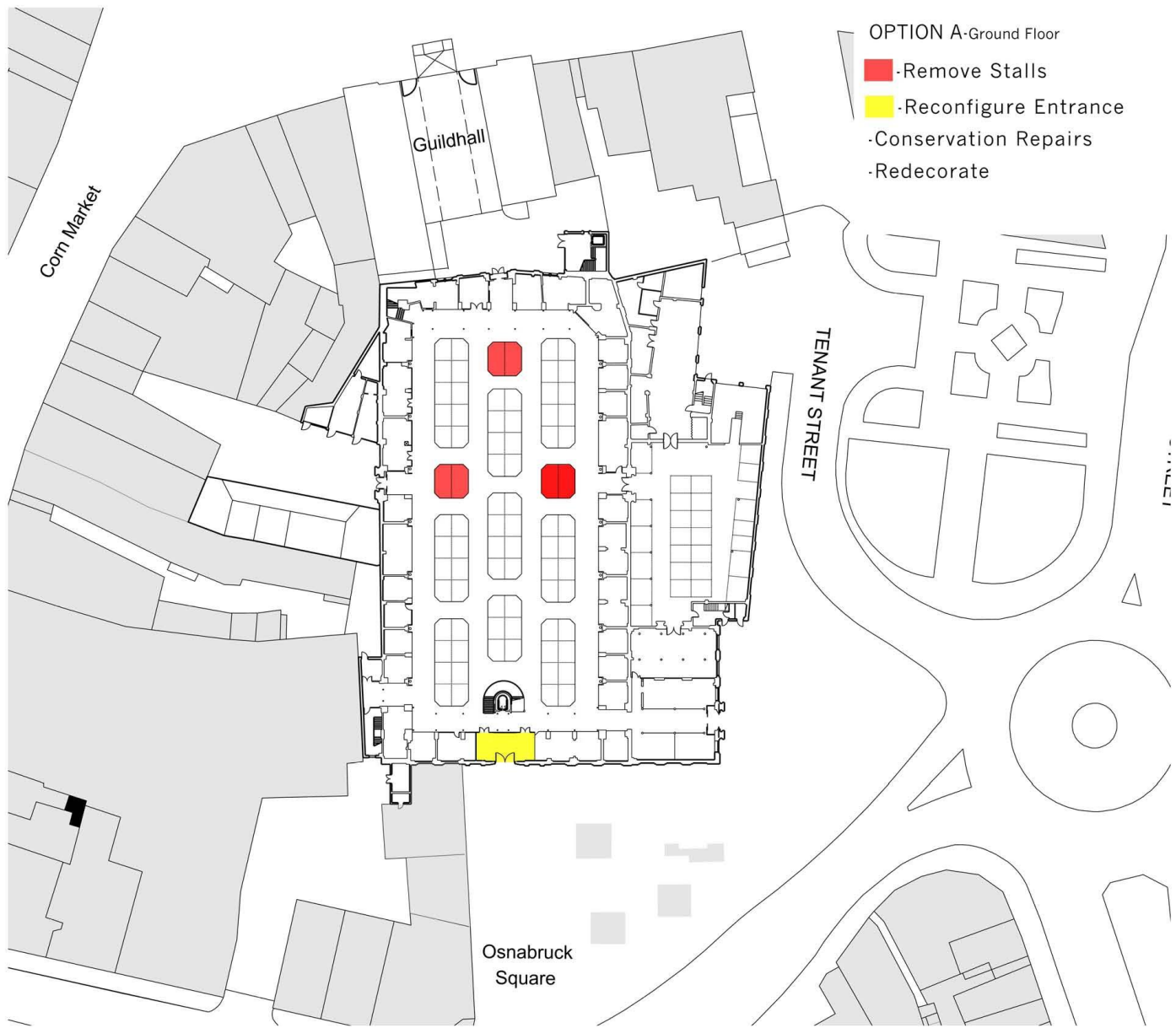
4.2.2 **ADVANTAGES**

- Removal of small stalls would facilitate orientation of shoppers by highlighting routes and thus resolving the current 'invisibility' of some of these routes.
- This option would not involve the same degree of upheaval as the others.

4.2.3 **DISADVANTAGES**

- This would not address the main failings of the market. It would only be a short term sticking plaster.
- It would, nevertheless, come with a high cost.

Figure 34: Indicative Plan for Relatively Small Renewal of Market Hall



OPTION A-Ground Floor

- -Remove Stalls
- -Reconfigure Entrance
- Conservation Repairs
- Redecorate



Note:
Do not scale from this drawing
Dimensions are to be checked on site.
If in doubt please ask.

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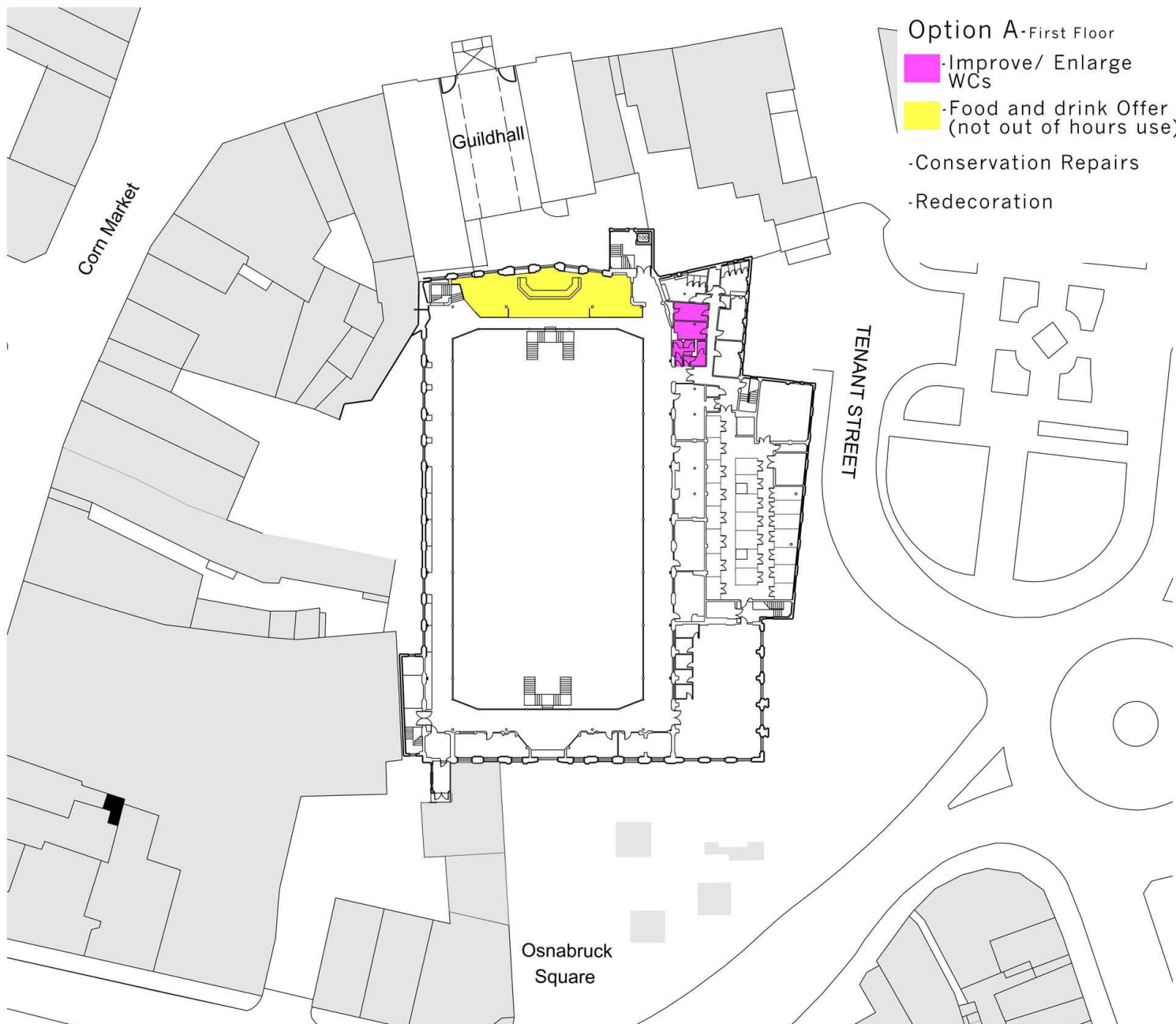
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4.3 OPTION 2: MEDIUM RENEWAL

This concept involves fully restoring the market hall building itself, with little or no intervention in the area surrounding it.

4.3.1 CONCEPT

- Replace the existing stalls with a new layout which reinforces the key access points, as the original layout of the market stalls did with its central circulation spine aligned with the principle entrances.
- Install underfloor heating.
- Refurbish the stalls to the perimeter (i.e. under the balcony) to make them more attractive. Use glazed frontages. Add glazing to create an attractive temperature controlled unit where the Panorama Café is currently.
- Create a substantial section for food stalls where people can either purchase food for use at home or for eating on the premises.
- A restaurant installed to replace the current storage area and Store 5, with seating also on the balcony.
- Create a central open space which can accommodate a variety of events at different times of the day. These could range from specialist market (antiques fairs etc.) to music / drama.
- A repositioning of the market to be in “Waitrose” territory.

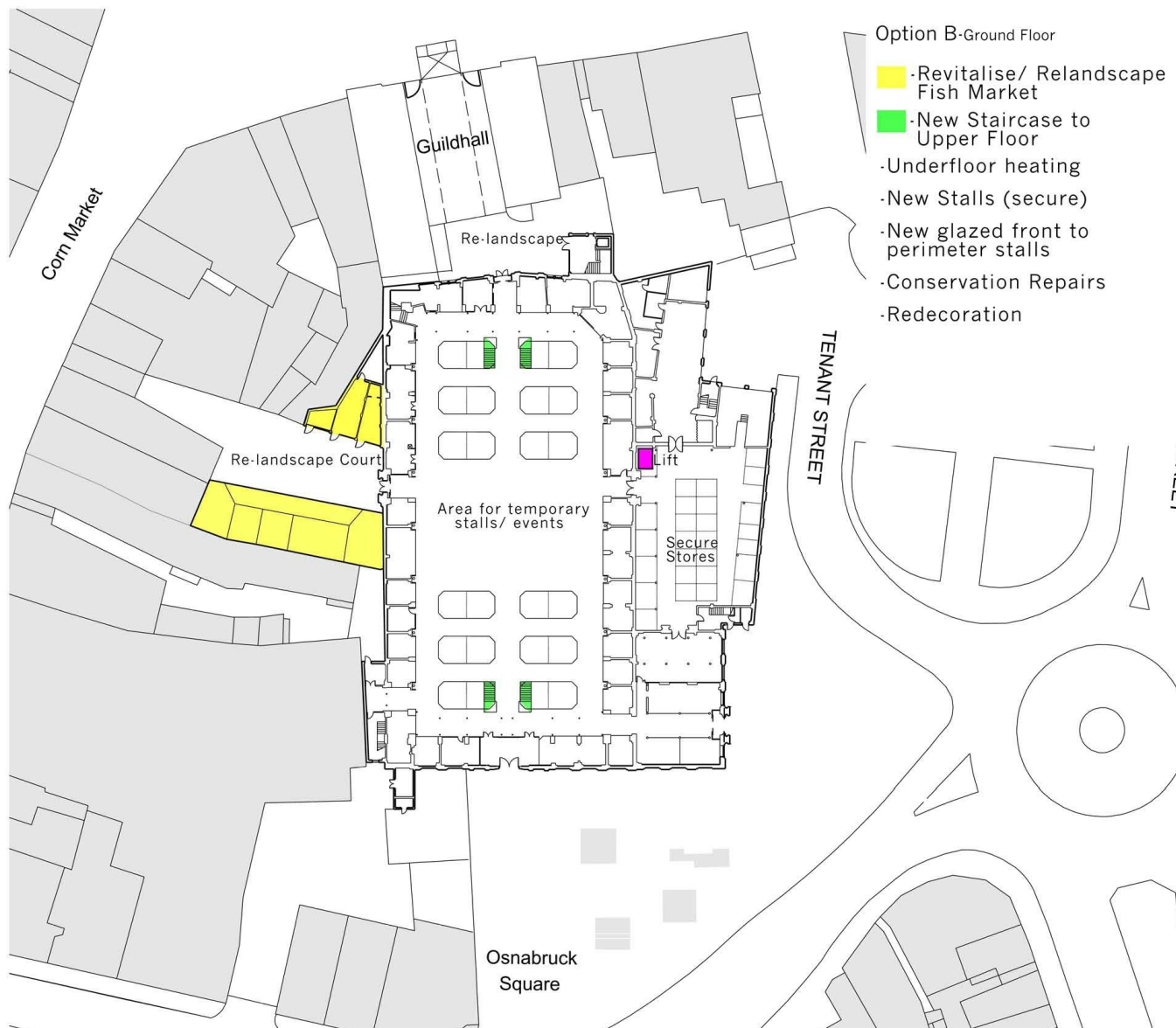
4.3.2 ADVANTAGES

- This would be of the scale to make the most of the heritage asset and fully revitalise the market.
- It would probably be very popular and a major anchor for the city centre.
- The cost is likely to be reasonable in relation to the impact that it would have.
- It would have a positive impact on the city’s night time economy, and would be a good fit with the cultural offer in the area.

4.3.3 DISADVANTAGES

- There would be a lot of disruption to traders while the work is taking place. There would be a difficult decision to make as to whether it is optimal to keep the market open during works or to relocate the traders to Eagle Market for an interim period.
- It would not address the unsatisfactory entrance areas to the market and make the most of the opportunity by improving Osnabruck Square

Figure 35: Indicative Plan for Medium Renewal of Market Hall



Option B-Ground Floor

- Revitalise/ Relandscape Fish Market
- New Staircase to Upper Floor
- Underfloor heating
- New Stalls (secure)
- New glazed front to perimeter stalls
- Conservation Repairs
- Redecoration



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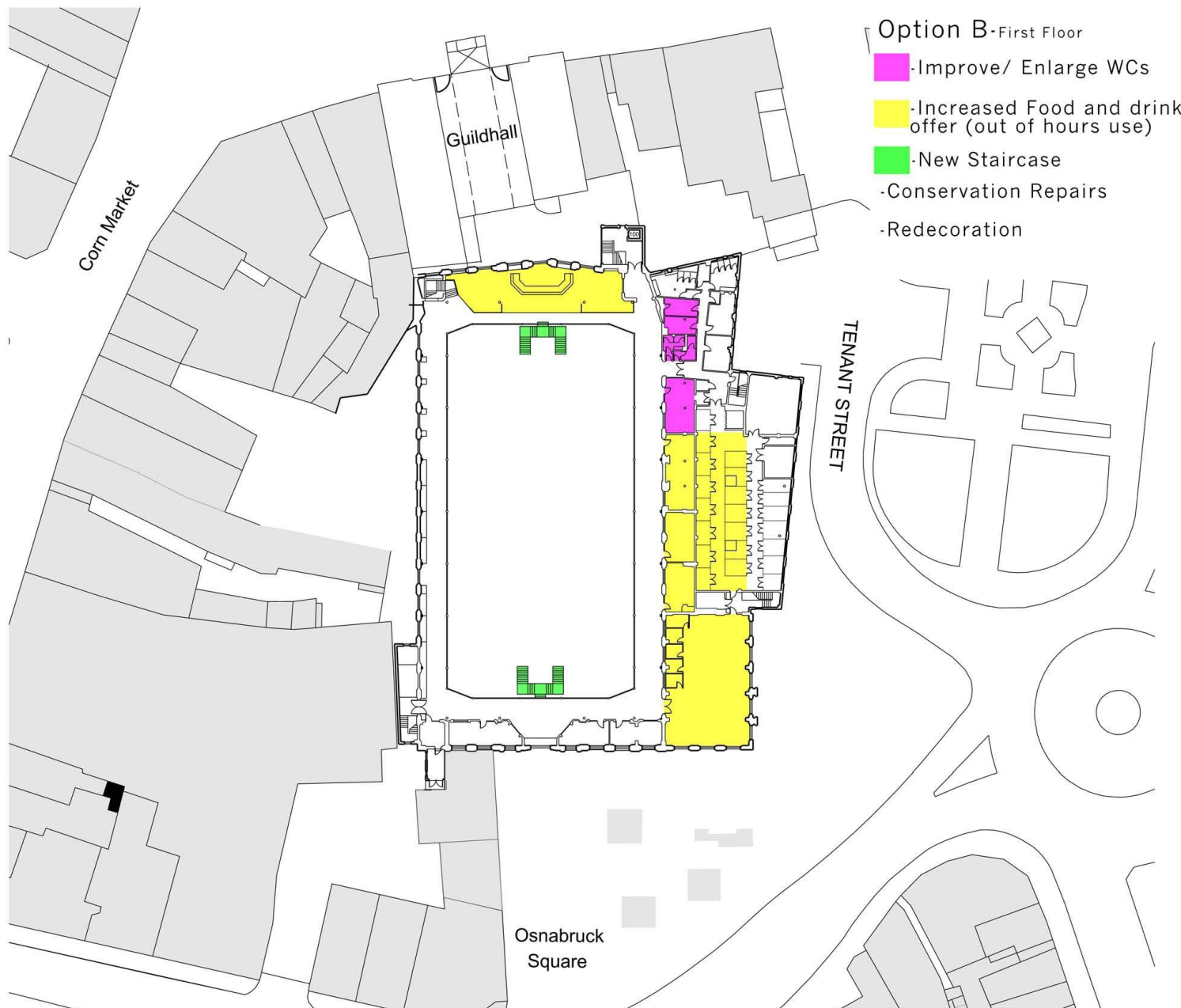
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Option B

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Option B-First Floor

- Improve/ Enlarge WCs
- Increased Food and drink offer (out of hours use)
- New Staircase
- Conservation Repairs
- Redecoration



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Drawing Title Market Hall
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4.4 OPTION 3: RELATIVELY MAJOR RENEWAL

This would involve full restoration of the Market Hall itself, and also of the areas outside it.

4.4.1 CONCEPT

As option 2, with the addition of:

- Landscaping of Osnabruck Square.
- Use, preferably, of the shops adjoining the entrance for food and beverage, with a large al fresco eating area on the Square.

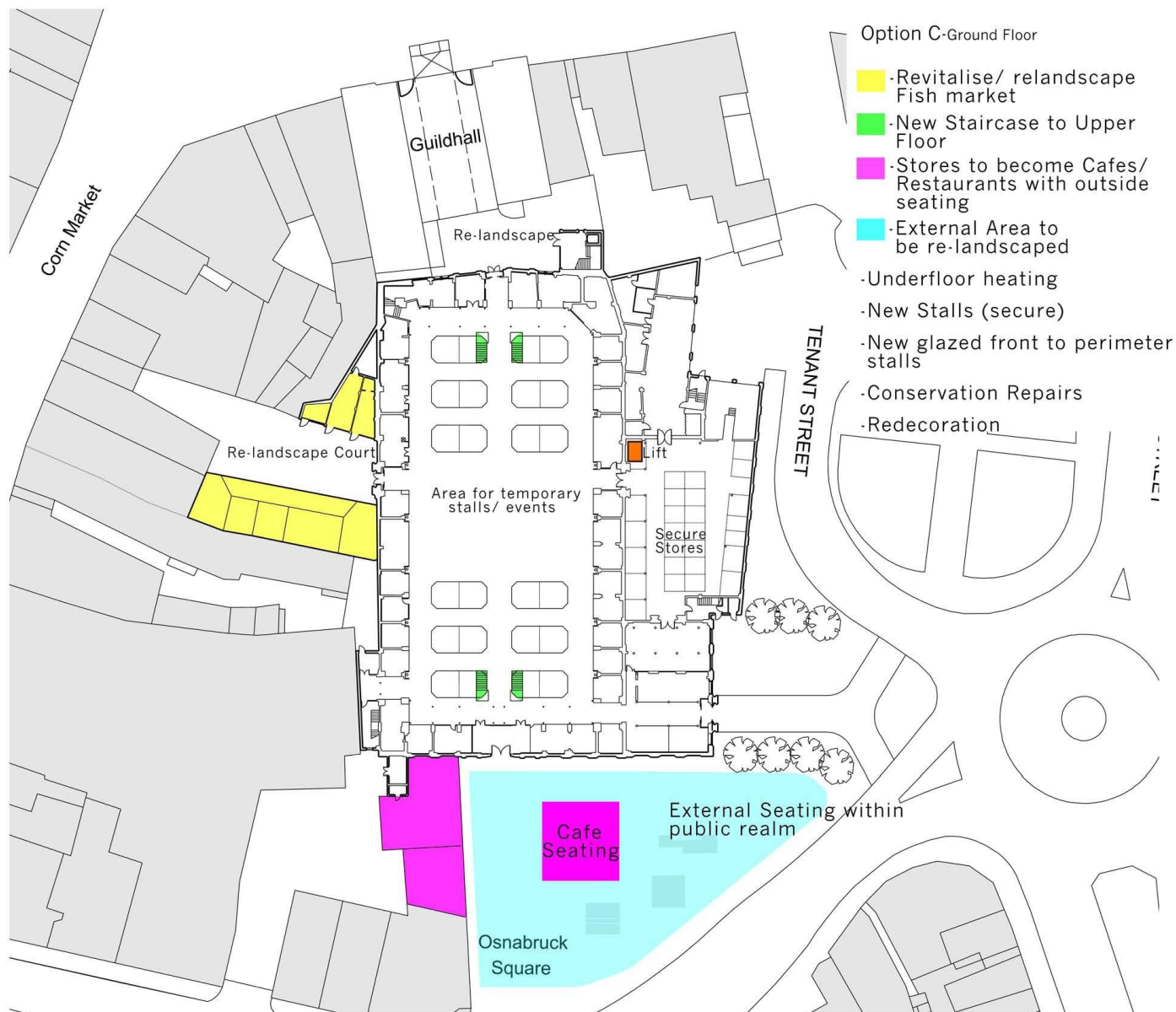
4.4.2 ADVANTAGES

- This would optimise the investment in the Market Hall in terms of regenerating and improving the city centre. It would create an appropriate setting for the market hall and a public space of true quality.

4.4.3 DISADVANTAGES

- The additional cost.
- Impact on the businesses currently operating on the Square.

Figure 36: Indicative plan for Relatively Major Renewal of Market Hall



Option C-Ground Floor

- Revitalise/ relandscape Fish market
- New Staircase to Upper Floor
- Stores to become Cafes/ Restaurants with outside seating
- External Area to be re-landscaped
- Underfloor heating
- New Stalls (secure)
- New glazed front to perimeter stalls
- Conservation Repairs
- Redecoration



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A 18/02/2015 addition of outside cafe seating

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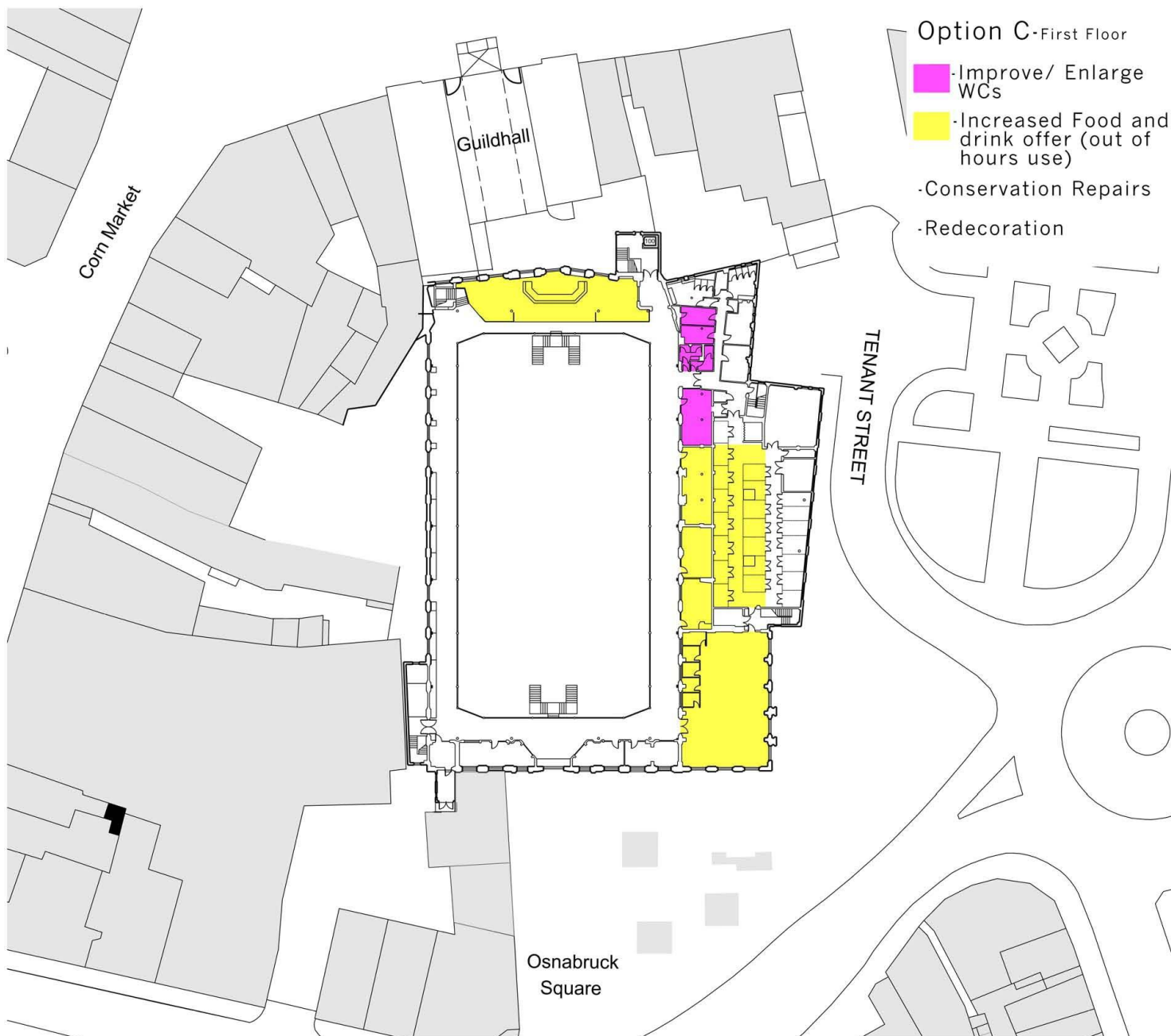
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Drawing Title Market Hall
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Option C

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Option C-First Floor

- Improve/ Enlarge WCs
- Increased Food and drink offer (out of hours use)
- Conservation Repairs
- Redecoration



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Drawing ref	Job No	Drawing No	Revision
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4.5 ESTIMATED COST

Figure 37 shows Appleyard&Trew's indicative estimate of the cost of the options.

Figure 37: Indicative Cost Estimate for Market Hall Options

SUMMARY		OPTION A		OPTION B		OPTION C
Condition Costs	£	2,736,731	£	2,736,731	£	2,736,731
Construction Cost (refer to breakdowns)	£	251,936	£	2,013,374	£	2,445,832
Decant/Phasing Costs (Provisional Sum) say 5%	£	150,000	£	238,000	£	260,000
Furniture Fittings & Equipment (excluded)	£	-	£	-	£	-
Professional Fees (15%)	£	37,790	£	302,006	£	366,875
Surveys & Investigations	£	50,000	£	50,000	£	50,000
Planning and Building Regulations	£	20,000	£	20,000	£	20,000
Legal Fees (excluded)	£	-	£	-	£	-
Sub - total	£	3,246,457	£	5,360,111	£	5,879,437
Client Direct Costs (5% allowance)	£	162,323	£	268,006	£	293,972
Sub - total	£	3,408,780	£	5,628,116	£	6,173,409
Inflation (5% - allowance programme tbc)	£	170,439	£	281,406	£	308,670
Sub - total Excluding VAT	£	3,579,219	£	5,909,522	£	6,482,079
VAT (20%) - rate tbc	£	715,844	£	1,181,904	£	1,296,416
OVERALL COST	£	4,295,063	£	7,091,426	£	7,778,495

Basis of Estimate:

Refer to Buttress Feasibility Study Drawings

Condition Costs based on Priced Condition Survey information provided by DCC dated February 2014, with an addition of 5% for inflation. No further adjustments made for further deterioration in building condition or maintenance carried out since

Refer to attached breakdown of costs

Excludes fit out by others

Refer to notes on basis / exclusions

4.6 FINANCIAL

There is no obvious reason why Option A would substantially improve the financial performance of the market. It might, optimistically, result in a 25% increase in the rent from a combination of additional space let and a slightly higher average rent. That would produce additional revenue of about £50,000 per annum.

Figure 38 is an estimate of the financial results that might result from Option B. It, again, assumes similar costs to current although, in reality, the costs are expected to be substantially lower. It suggests that Option B might result in an improvement in profit-loss of about £300,000 per annum compared to the current situation.

Figure 38: Indicative estimate of improvement to financial results that might be generated by Option B

	Stalls (count)				Total
	Ground Floor		First Floor		
	Regular	Large	Large	F&B (sq ft)	
Units/Space Available	45	19	3	12,000	67
Occupancy	85%	85%	85%	100%	
Units/Space Occupied	38	16	3		
Rent & Service Charge (Note 1)	£7,300	£8,500	£8,000	£18	£6,521
Revenue	£279,225	£137,275	£20,400	£216,000	£652,900
Miscellaneous Revenue (Note 2)					£100,000
Total Revenue:					£752,900
Cost:					-£559,650
Profit/Loss:					£193,250
Current Profit/Loss:					-£104,000
Improvement:					£297,250
Estimated cost:					£7,000,000
Return on investment:					4.2%
Note 1: 10% increase on current					
Note 2: double current					
Note 3: 5% increase on current					

It is very difficult to assess the financial impact that the additional investment in public realm surrounding the market would have. It is complicated by the fact that the buildings adjacent to the entrance to the market are not in DCC's ownership.

It is reasonable to expect that some additional revenue would be generated from that and other activities on the square. That might perhaps be of the order of £40,000 per annum. Improvements to the outside could also be expected to improve the financial performance of the interior of the market. It might be reasonable to assume an 8% increase in revenue versus Option B, equivalent to about £60,000 per annum. The total additional benefit might be of the order, therefore, of £100,000.

Figure 39 shows, in crude terms, the scale of return that might be expected from each option.

Figure 39: Indicative Return on Investment of Options

Option	Capital Cost (Exc VAT)	Profit/Loss vs Current	Return on Investment
A	£3,579,000	£50,000	1%
B	£5,910,000	£300,000	5%
C	£6,482,000	£400,000	6%

4.7 FUNDING

The scale of return shown above is not enough the project to be undertaken on a commercial basis.

The core underlying problem is that there is **conservation deficit**. This is a technical terms which refers to the added costs involved in restoring a historic building in order to make development of it commercially viable.

The Heritage Lottery Fund is the main source of funding in situations like this. There is a description of it Appendix 5. We think there could be potential to apply under the Heritage Enterprise Scheme with a

more commercially orientated approach. The main barrier to obtaining a grant seems to be the likelihood of the Silk Mill being successful in a current application for a very large grant.

Funding could be sought from HLF for Option A, but we suspect that the chances would not be as great as for other options. HLF is keen that its money is used not just to restore old buildings but to create a sustainable long term financial solution.

We believe that Option B or Option C would be a more attractive proposition to Heritage Lottery Fund. An application for the sum needed to cover the maintenance (i.e. £2.74 million) might be appropriate.

That would require substantial additional capital funding, but the additional revenue that could be anticipated is likely to provide a reasonable rate of return.

Prudential borrowing is a possibility for funding all or part of the gap. It is described in Appendix 5.2.

There might be a possibility of involving a commercial partner.

5 OPTIONS – EAGLE MARKET

5.1 ISSUES

The market requires less basic maintenance than Market Hall, but is clearly in decline and requires major change if it is to survive.

Our view is that the decline probably could be reversed and that the market could be successful again. Luton is an illustration of how it can be done.

To do that, however, would require:

- A much higher standard of decoration. The whole market should be of the same standard that Theatre Walk is now.
- Improved toilets and facilities for the public.
- More flexibility in terms of size of units and the terms they can be let on.
- A larger and better eating on the premises offer.

It might be assisted also by an anchor at the East Street side of the market to draw people into the market, especially from INTU. The best options for that seem to be commercial leisure use, such as kids play and/or bouldering, and/or a value orientated shop like B&M. Some traders would probably oppose the idea of having a shop like that, but it would generate footfall.

Our view is that a refurbished market should be positioned to the type of customer that likes Asda – i.e. bright and cheerful, offering a good selection of good and services and good value for money.

5.2 OPTION 1: RELATIVELY SMALL RENEWAL

5.2.1 CONCEPT

- A larger open space is created at the centre of the market for day traders and for weekly markets, including barrows, and events. It is overlooked by a new café, which has extensive seating overlooking the events space.
- A line of stalls are removed to create a clear and inviting route from Theatre Walk to the event space. One is removed at the entrance to make the opening larger and more inviting.
- The market is redecorated to be of similar standard to Theatre Walk.
- Stalls are adapted so that there is a greater variety of sizes and formats on offer.
- There is a programme to redecorate all stalls. A revised format is created by an interior designer. The designer works with each tenant to create new fascia.
- There is new signage at the entrances and way finding.

5.2.2 ADVANTAGES

- This could be done quickly at relatively low cost. It is likely to offer a good return on investment in terms of boosting the number of units that are occupied.

5.2.3 DISADVANTAGES

- It is likely that there will still be a lot of vacant units.
- Basic flaws in the market, such as weak food and drink offer, would not be addressed.

5.3 OPTION 2: MEDIUM RENEWAL

5.3.1 CONCEPT

Everything in Option 1 plus:

- A section of the market is partitioned off to create flexible retail units. These are let to leisure operators (examples of possibilities shown in Figure 40) and possibly a shop that have synergy with the market and could act as an anchor to attract footfall.
- A food court area is created. This lines a new main entrance route into the market and the event space. This could perhaps be called something like “International Street Food Market”.

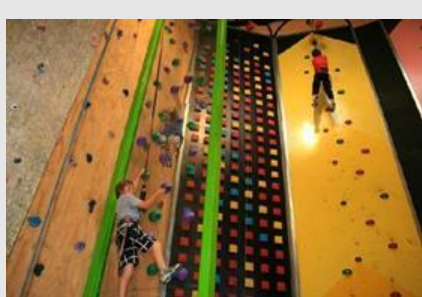
5.3.2 ADVANTAGES

- This should make it possible to restore high occupancy of the space.
- The leisure/retail anchor would stimulate footfall and create an anchor on the East Street side.

5.3.3 DISADVANTAGES

- The main façade of the market on East Street would remain ugly.
- It depends on being able to secure an occupier for the leisure/retail space.

Figure 40: Examples of possible Leisure Uses

Clip n Climb		<p>Product: Recently developed, safe and fun indoor climbing centre with new ‘clip & climb’ technology. Very different to a regular climbing wall – much more accessible, easy and fun.</p> <p>Example: Clip n climb, Exeter</p>
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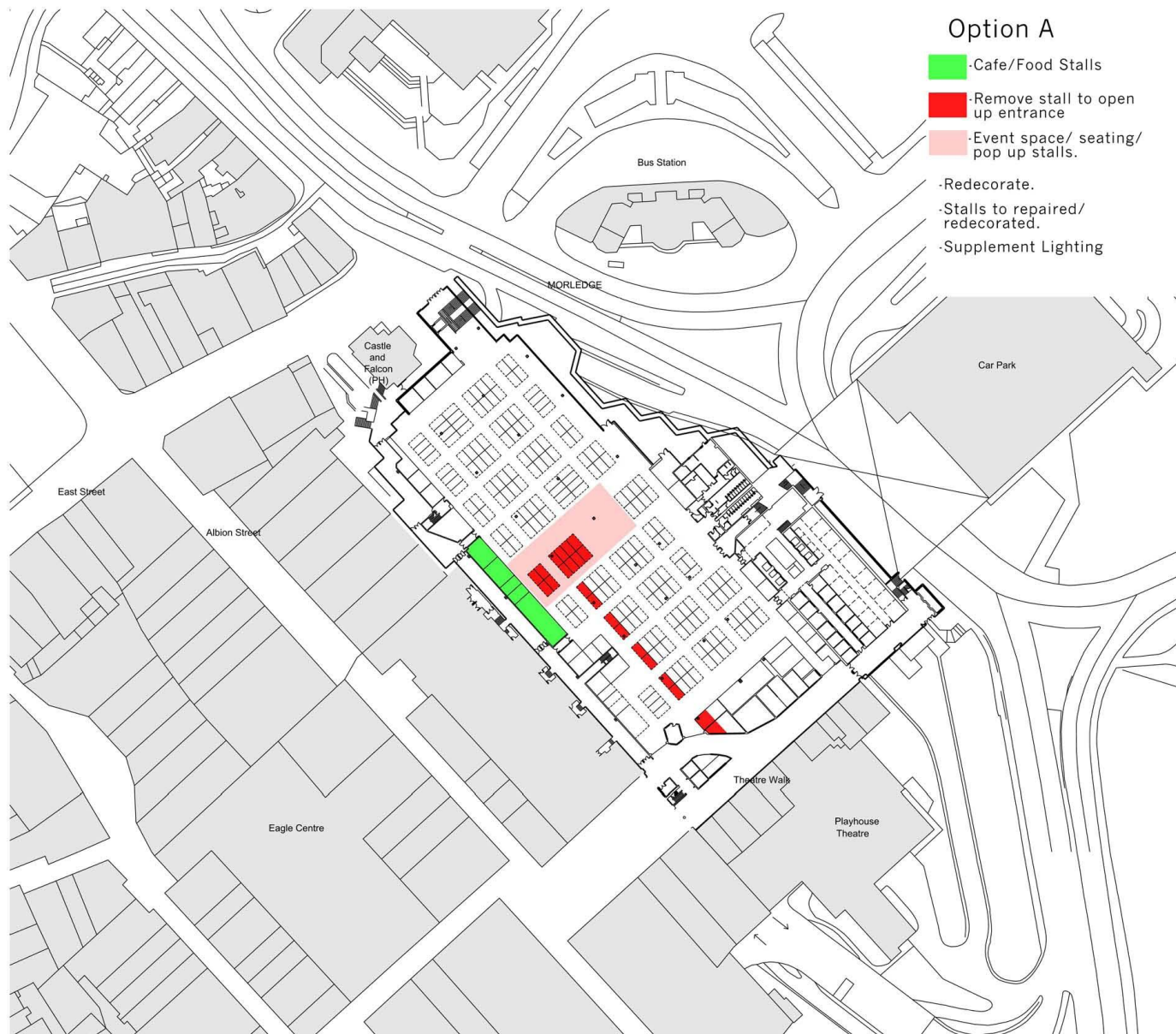
Bouldering		<p>Product: Indoor harnessless climbing over thick safety matting. No PPE required, maximum wall height 4.5m.</p> <p>Example: Vauxwall</p> <p>Possible competitors: The Climbing Unit</p>
Adventure Play		<p>Product: Mini cave, mini climbing walls, mini ropes course and large soft play area.</p> <p>Example: www.adventurevalley.co.uk Indoor Play Town ~1,600 sq m.</p> <p>Potential competitors: HickeryDickory's Playhouse</p>
Indoor Skate Park		<p>Product: Indoor, wooden skate ramps with associated retail.</p> <p>Example: Unit 23, Dunbarton 5,200 sq m (largest in UK).</p>
Trampoline Park		<p>Product: Indoor trampoline park. Offers casual trampoline sessions, fitness classes, basketball, dodgeball and foam pits.</p> <p>Examples: AirHop, Gravity Force, Gravity, Xscape Yorkshire (Gravity ~ 1,600 sq m)</p>

Figure 41: Indicative Plan for Relatively Small Renewal of Eagle Market



Note:
Do not scale from this drawing.
Dimensions are to be checked on site.
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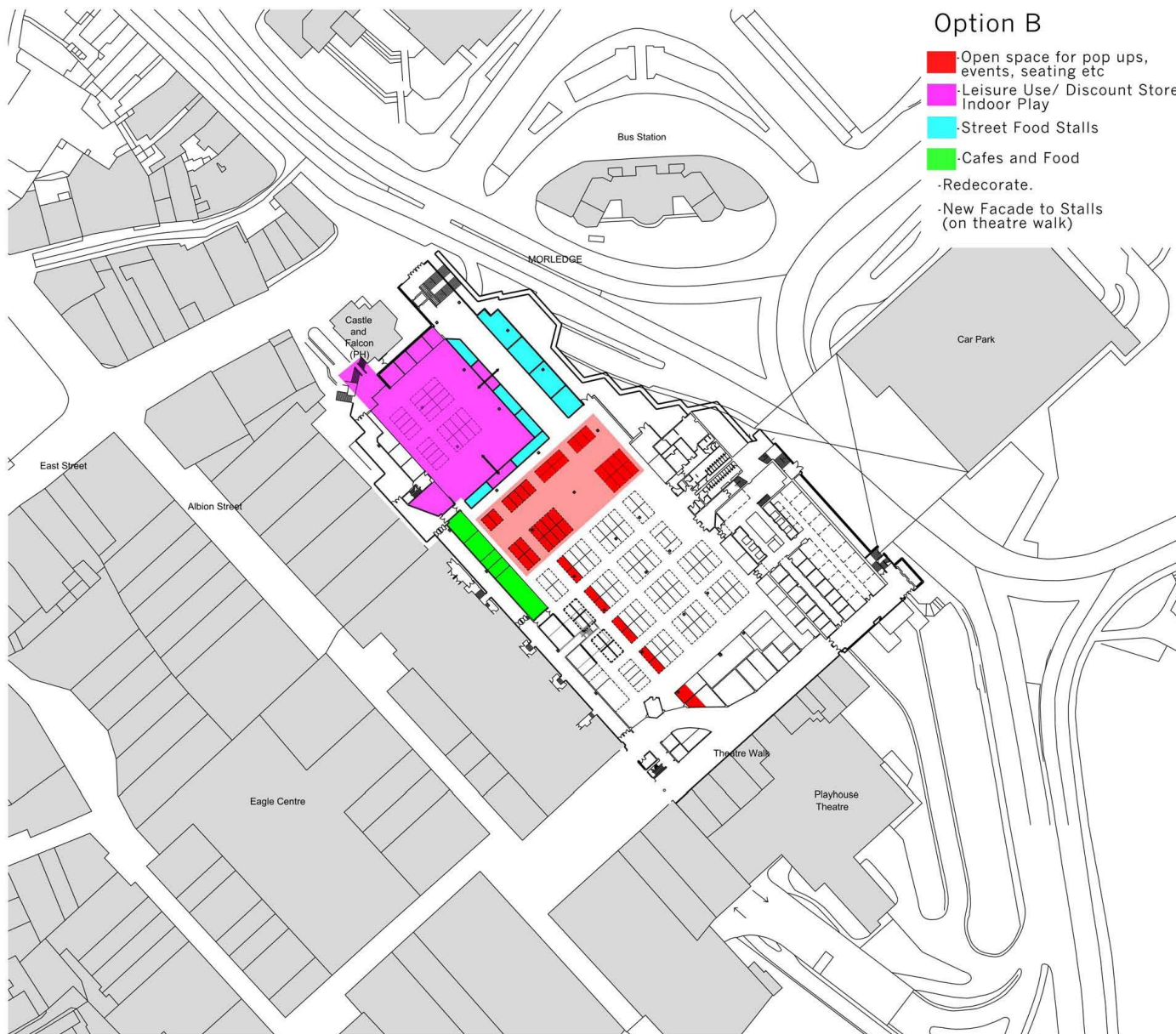
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Date	18/02/2015	Scale	1:1000
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		Status	PRELIMINARY
Drawing ref	Job No	Drawing No	Revision
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Figure 42: Indicative Plan for Medium Renewal of Eagle Market



Option B

- Open space for pop ups, events, seating etc
- Leisure Use/ Discount Store/ Indoor Play
- Street Food Stalls
- Cafes and Food
- Redecorate.
- New Facade to Stalls (on theatre walk)

B

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Drawing Title Eagle Market Hall
Ground Floor Plan
Option B

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Scale 1:1000
Orig Paper Size A3

Status PRELIMINARY

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5.4 OPTION 3: RELATIVELY MAJOR RENEWAL

5.4.1 CONCEPT

Everything in Option 2 plus:

- The pub is removed from the front of the building and replaced with a glazed atrium.
- The atrium contains a leisure attraction such as high ropes and/or climbing wall.

5.4.2 ADVANTAGES

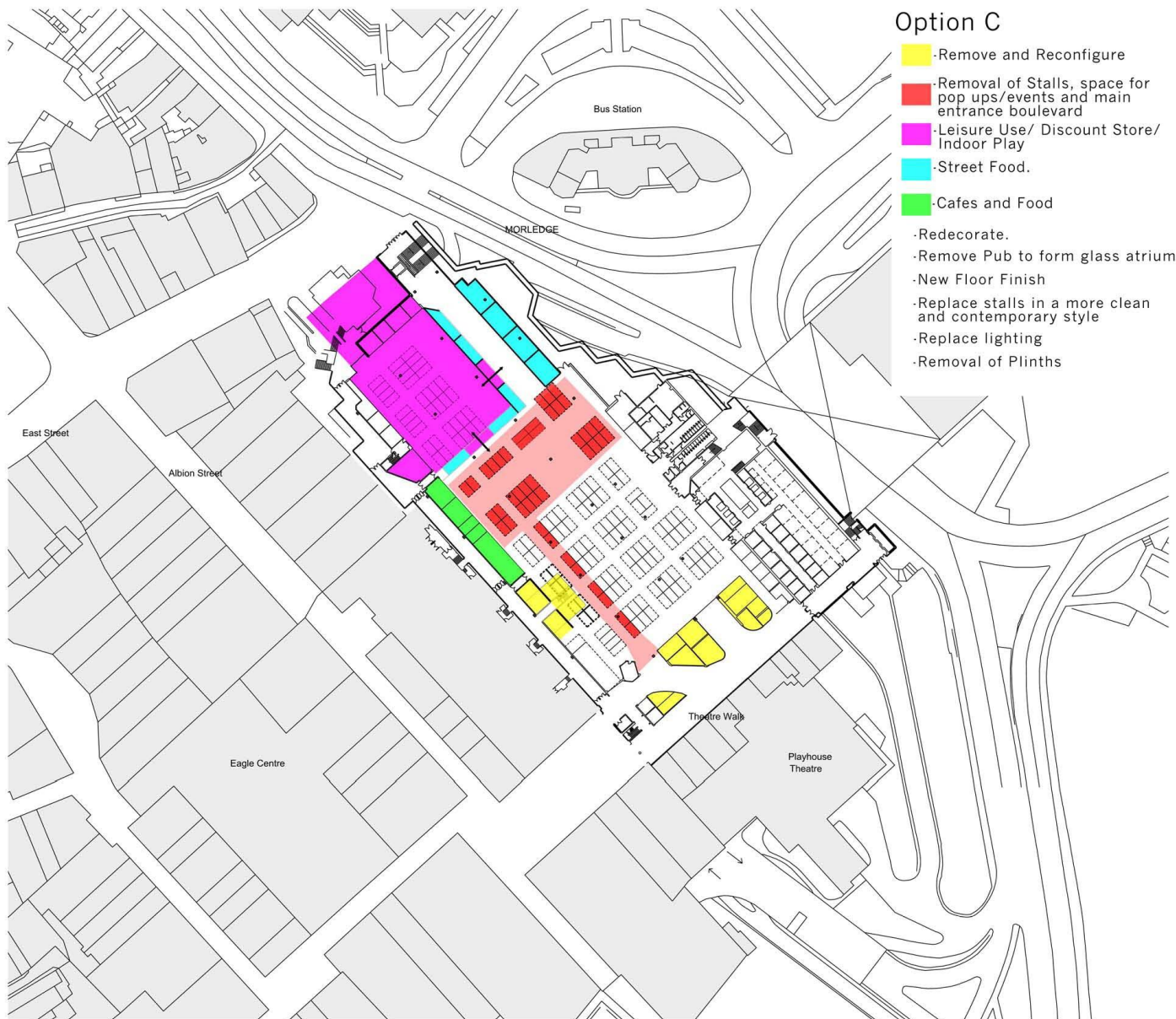
- The market would be completely revitalised and there would be a reasonable prospect of it trading successfully over the medium-long term.

5.4.3 DISADVANTAGES

- This involves the challenge and cost of acquiring the pub¹⁰.

¹⁰ That is not included in the estimated costs shown below.

Figure 43: Indicative Plan for Major Renewal of Eagle Market



Option C

- -Remove and Reconfigure
- -Removal of Stalls, space for pop ups/events and main entrance boulevard
- -Leisure Use/ Discount Store/ Indoor Play
- -Street Food.
- -Cafes and Food
- Redecorate.
- Remove Pub to form glass atrium
- New Floor Finish
- Replace stalls in a more clean and contemporary style
- Replace lighting
- Removal of Plinths



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5.5 ESTIMATED COST

Figure 44 shows Appleyard&Trew's indicative estimate of the cost of the options.

Figure 44: Estimated Cost of Options for Eagle Market

SUMMARY		OPTION A		OPTION B		OPTION C
Condition Costs	£	402,904	£	402,904	£	402,904
Construction Cost (refer to breakdowns)	£	592,943	£	1,314,697	£	3,519,834
Decant/Phasing Costs (Provisional Sum) say 5%	£	50,000	£	86,000	£	197,000
Furniture Fittings & Equipment (excluded)	£	-	£	-	£	-
Professional Fees (15%)	£	88,941	£	197,205	£	527,975
Surveys & Investigations	£	50,000	£	50,000	£	50,000
Planning and Building Regulations	£	20,000	£	20,000	£	20,000
Legal Fees (excluded)	£	-	£	-	£	-
Sub - total	£	1,204,788	£	2,070,805	£	4,717,712
Client Direct Costs (5% allowance)	£	60,239	£	103,540	£	235,886
Sub - total	£	1,265,027	£	2,174,346	£	4,953,598
Inflation (5% - allowance programme tbc)	£	63,251	£	108,717	£	247,680
Sub - total Excluding VAT	£	1,328,279	£	2,283,063	£	5,201,278
VAT (20%) - rate tbc	£	265,656	£	456,613	£	1,040,256
OVERALL COST	£	1,593,934	£	2,739,676	£	6,241,534

Basis of Estimate:

Refer to Buttress Feasibility Study Drawings

Condition Costs based on Priced Condition Survey information provided by DCC dated December 2009, with an addition of 20% for inflation. No further adjustments made for further deterioration in building condition or maintenance carried out since survey.

Refer to attached breakdown of costs

Excludes fit out by others

Refer to notes on basis / exclusions

5.6 FINANCIAL IMPACT

Figure 45 is an estimate of the revenue that might be generated from each of the options. Main assumptions are:

- Option A would result in an increase in the proportion of stalls occupied from current 51% to 73%, but the average rent/service charge per occupied stall would fall by 5%.
- The average rent obtained in Option B would be about 5% higher than currently, and for Option C would be about 10% higher. The average occupancy, of a reduced number of stalls, would be 90%.

Figure 45: Indicative Return on Investment of the Options

Option	Stalls (count)		Leisure (sq ft)	Other	Total
	Regular	Large			
Units/Space Available					
Current	136	23			159
A	127	21	0		148
B	93	12	15,000		105
C	93	12	18,000		105
Occupancy					
Current	50%	55%			51%
A	75%	60%			73%
B	90%	80%	100%		89%
C	90%	80%	100%		89%
Units/Space Occupied					
Current	68	13			81
A	95	13			108
B	84	10	15,000		93
C	84	10	18,000		93
Rent & Service Charge Per Unit (sq ft for leisure/retail box), incorporating storage					
Current	£10,000	£13,000			
A	£9,500	£12,350			
B	£10,500	£13,650	£15		
C	£11,000	£14,300	£17		
Revenue					
Current	£680,000	£164,450	£0	£107,000	£951,450
A	£904,875	£155,610	£0	£150,000	£1,210,485
B	£878,850	£131,040	£225,000	£200,000	£1,434,890
C	£920,700	£137,280	£306,000	£225,000	£1,588,980
Expenses					
Current					£950,000
A					£970,000
B					£900,000
C					£900,000
Profit/Loss					
Current					£1,450
A					£240,485
B					£534,890
C					£688,980
Investment Required					
A					£1,329,000
B					£2,283,000
C					£5,201,000
Return on Investment					
A					18%
B					23%
C					13%

- Expenses are assumed to be slightly higher for Option B than currently because of the larger number of occupiers and more proactive marketing, but are assumed to be about 5% lower for Options B and C because of the proportion of space taken by a single occupier.

The current expenses are taken as a baseline to provide like for like comparison, but we expect that they could in reality be substantially reduced.

5.7 FUNDING

The calculations suggest that both Options A and B offer prospect of a good return on investment that could justify investment by DCC and/or INTU.

6 CONSOLIDATION OPTIONS

6.1 ISSUES

It is an option is to close one of the markets and attempt to consolidate the traders into the other. Either requires consideration of what would happen to the building that is vacated.

It is also theoretically an option to close one of the markets and move the traders into a new market, as they have done in Watford.

We have not been able, however, to identify a suitable location for that. The Watford site has the benefit of good visibility and footfall. The site suits the solution – a market created from shipping containers – that has been adopted.

The one building that we are aware of that we think could have potential is the former Debenhams Department Store, which is owned by INTU. That would probably, however, suit a different type of market to either Market Hall or Eagle Market – a market that is like Affleck's Palace in Manchester. It might, therefore, fill a gap for a market, but not deal efficiently with the basic problem of where to locate existing traders. There would also be high cost involved in acquiring the building and converting it to a high standard. That option does not seem realistic, therefore.

6.2 CLOSE EAGLE MARKET

6.2.1 CONCEPT

The Market Hall would have a comprehensive refurbishment in line with the medium or major enhancement outlined in Section 4.4.

Traders that are willing to move and can match the quality standards of the new market would be given space. They could be given financial assistance to move.

The Eagle Market building would be sold back to INTU for development. That could be for one or a combination of:

- Additional shops;
- An additional anchor store such as John Lewis or House of Fraser;
- Leisure facilities like children's play, bowling etc.

There are about 80 occupied stalls at Eagle Centre, but only 42 vacant stalls at Market Hall. It would not be possible to accommodate all the businesses.

Figure 46 is a crude estimate of the compensation that could be payable under the Landlord and Tenant Act, assuming that 50% of traders have to be compensated¹¹.

¹¹ It would be advantageous for this to be estimated carefully if closure is considered a serious possibility.

Figure 46: Indicative estimate of compensation for Eagle Market traders

Rateable Value of 65 stalls (info from DCC):	£236,475
Approx rateable value of 81 occupied stalls:	£294,684
Average compensation factor:	1.5
Tenants requiring compensation:	50%
Total compensation:	£221,013

6.2.2 ADVANTAGES

- The Market Hall unquestionably has the attributes, as an architectural form, to be a very fine market.
- It is probably more difficult to find a viable alternative use for the Market Hall than it is for the Eagle Market because of its listed status and its more secondary location in the city centre. Alternative uses of the Eagle Market could, by contrast, provide a useful addition to the city's retail and leisure offer.

6.2.3 DISADVANTAGES

- INTU have told us that it is not likely that a department store could be interested in taking space in Derby currently. That could change, but the prospects of it doing so in the medium term are not high. While John Lewis would have a major positive impact on the city centre and be welcome by many people, they have stores at Nottingham and Leicester and are soon to open a huge new store at Birmingham Bullring. House of Fraser are also in both Nottingham and Leicester.
- Traders in the Eagle Market benefit from the footfall there. It is likely that many would not be willing to move. They were categorical in our consultations that they would not want to.
- Many of the businesses trading in the Eagle Market would probably not find it easy to adapt to the type of offer which we think Market Hall must aspire to if it is to be a success.
- There would be high cost in compensation under the Landlord and Tenant Act.

6.3 CLOSE MARKET HALL

6.3.1 CONCEPT

Eagle Market would have a comprehensive refurbishment, as described in Section 5.4.

Market Hall would be used for another purpose. It is not clear what that could be.

Possibilities are:

- An entertainment venue, perhaps to replace the Assembly Rooms.
- A more straightforward shopping centre.

6.3.2 ADVANTAGES

- The Eagle Market has enough space to be able to accommodate all the traders.

6.3.3 DISADVANTAGES

- We doubt if the Market Hall has the right characteristics to be the type of mid-range performance arts venue that Derby lacks and needs.
- It could not be reused for a commercial purpose such as a shopping centre without a large grant to pay for the conservation deficit. That would be harder to secure if the aim is to restore it as a conventional shopping centre than it would be to restore it for the purpose for which it was built.
- There is high prospect of Market Hall being empty and deteriorating for a long time before a viable use can be found for it.
- The traders would be very opposed.

7 MANAGEMENT OPTIONS

The following are alternatives to the Council managing the markets itself.

7.1 PRIVATE SECTOR MARKET OPERATOR

There are several companies that specialise in managing markets and many markets that were formerly managed by councils are now managed in this way. Watford and Luton markets, featured in the case studies, are examples.

This is much the same situation as with the management of Council owned leisure centres. Many leisure centres are now managed by private companies, which are typically set up as charities so that they have relief from business rates and tax. Those companies have become large groups as they have taken over more and more formerly council-run leisure centres. Those companies commonly make substantial investment when they take on a management contract.

Appendix 6 has alternative models that could be adopted.

ADVANTAGES

- These companies have in house expertise that enables them to manage markets in a professional manner.
- They learn what works and does not work from experience elsewhere.
- They may be able to contribute capital to refurbishment.

DISADVANTAGES

- They require a profit and, therefore, the additional revenue gain/expenses reduction that is expected must be more than enough to pay for that.

7.2 NON-PROFIT ORGANISATION

A non-profit organisation, perhaps a charitable trust, could be established to manage one or both of the markets.

ADVANTAGES

- This could have financial advantages, particularly avoiding business rates.
- Profits would be reinvested to the benefit of the markets.

DISADVANTAGES

- This would require a new organisation to be created from scratch. It would not have the accumulated expertise of an existing organisation.

7.3 PARTNERSHIP FOR BETTER BUSINESS

Partnership for Better Business run the Cathedral Quarter and St Peter's Quarter Business Improvement Districts.

ADVANTAGES

- They have retail expertise.
- They have management infrastructure in place.

DISADVANTAGES

- There could be a conflict of interest between their role in promoting the Business Improvement District areas and promoting the market(s).

7.4 DERBY LIVE

Derby Live, a company owned by Derby City Council that runs the council's entertainment venues and puts on events on behalf of the Council, including specialist markets, would take over the management of the markets.

They would probably employ a management team with requisite experience.

ADVANTAGES

- Derby Live is owned by the Council, so it may be easier to transfer the markets to them and it could be easier from a political perspective.
- They already organise and manage specialist markets and events that could take place in the markets.

DISADVANTAGES

- Derby Live does not currently have expertise in retail or market management.

7.5 COUNCIL OWNED BUSINESS UNIT

This would be like Derby Live, but with responsibility for developing and running the markets.

ADVANTAGES

- It would not involve moving the markets out of Council management.
- It could recruit people with requisite experience.

DISADVANTAGES

- It would have to be set up fresh.
- It might not be able to escape from the traditional ways of doing things.

7.6

INTU

They would take over the management of the Eagle Market and reposition it.

ADVANTAGES

- INTU have the commercial nous to be able to up the performance of the market.
- They would be incentivised to do things to encourage people to go from the shopping mall to the market.
- They have a management team in place so that there would be efficiencies.
- They would probably be better positioned than other organisations to make a significant investment.
- They could also potentially take a lease, which could provide reassurance to DCC that they will have income to cover prudential borrowing.

DISADVANTAGES

- None that are obvious.

8 CONCLUSIONS

8.1 NEED FOR CHANGE

There will have to be substantial change to both markets in the relatively near future. There are high voids in both, they are both tired and in need of refreshment, they are heading to a situation where they lose serious sums of money, and there is a large maintenance backlog.

The status quo is not sustainable.

There is also need to make a decision about what to do quickly. Uncertainty stops traders from investing in their stalls and hastens the decline.

8.2 THERE IS A FUTURE FOR INDOOR MARKETS

It would be wrong to assume that, just because the two Derby markets have been in decline, there is not a role for markets in modern life.

The opposite is perhaps true. People continue to love the ambience of markets and the contrast they represent to standard supermarkets and high street shops. Markets thrive when they get the offer right.

The problem for Derby's markets at the moment is that they are competing largely (not entirely) on value as opposed to quality and/or distinctiveness.

This is partly a function of the nature of the goods being sold and partly a nature of the environment of both markets that has resulted from insufficient investment and inadequate asset management.

They have, as a result, failed to remain fresh and interesting.

There is no future in this.

Competing largely on price has exposed the markets to severe competition from supermarkets and value retailers like pound shops and low cost retailers like Primark and Wilkinson. It is difficult for independent retailers to compete with these companies because of the buying power that large companies have.

The answer for the markets has to be to shift to an offer that is more focused on distinctiveness and quality, offering products and services that are different to those found in mainstream shops, in an environment that is attractive, interesting and also different to that found in mainstream shops.

They have to be more effective, in other words, as destinations with special character that differentiates them from stores.

It is more difficult to be sure whether there is a long term future for two indoor markets in Derby.

We can perhaps be most confident of the success of Market Hall if it was fully refurbished because, although it is in a less satisfactory location in terms of footfall than Eagle Market, it is easy to envisage from examples in other places what it could be like and how attractive it could be.

It is less easy to differentiate Eagle Market from competition from the High Street and from supermarkets, but our judgement is that there is a reasonable prospect of being able to do so and reversing its fortunes.

8.3 CLEAR POSITIONING

Each of them should have a clear “brand”, and those brands should be different from the other, if they are to thrive in the future.

While, therefore, they both should ideally be upgraded substantially, it should be to position them in different parts of the market.

Customers should be able to clearly perceive the difference between the two.

Our judgement is that, to put the matter in shorthand, Market Hall should be positioned in the “Waitrose” part of the market and Eagle Market should be positioned in the “Asda” part of the market.

8.4 MANAGEMENT

Our judgement is that the main reason the markets are in decline is because they have not been managed well.

They are businesses, operating in a cut throat retail environment.

They are not treated as such by DCC, however. It is hardly surprising, therefore, that they are in long term decline.

Numerous unsatisfactory circumstances result from the dysfunctional management arrangements, including:

- No one is incentivised to maximise profitability.
- Potential investments are not considered in terms of their return on investment which, de facto, results in investment not being made.
- More attention is given to following rules than improving the bottom line.
- The staffing structure is not appropriate to the circumstances. There is, in particular, inadequate management and maintenance staff on the premises.
- Management does not have the experience to run a competitive retail business.
- It takes too long to get everything done, whether that be processing new tenants or doing repairs.

The core problem is that the markets are treated as conventional cost departments rather than businesses.

We recommend that, immediately, the Council changes this and sets the markets up as business units, under the management of a team that has accountability for making them profitable.

We also recommend that the Council invites expressions of interest in taking on the management of them.

There are a number of options for who might manage the markets, as outlined in Section 7.

There would be advantages in them being managed by different organisations, so expressions could be invited for managing either one or both.

INTU is, in our opinion, the best option for Eagle Market. They are planning to take over the management of markets in similar circumstances in Stoke and Nottingham, so it appears there is a reasonable prospect of them being willing to do so in Derby.

A specialist private sector operator that can deliver a much higher quality and vibrant offer at Market Hall would perhaps be the best option there, but Derby Live and others might also be able to make a strong case.

8.5 RESTORATION OF THE MARKET HALL SHOULD BE A “SIGNATURE PROJECT” IN THE MASTERPLAN

We believe that the historic Derby Market Hall could be, and should be, a stronger asset for the city centre.

It could, with restoration, be fantastic and truly the hub of the city centre.

It could form the transition between the multiple orientated area of the city centre, around INTU, and the independent- and leisure-orientated section in and around the Cathedral Quarter.

It could be the “icon” that many people think the city centre would benefit from.

It is also the key to transformation of Osnabruck Square and linking the main civic spaces in the city centre.

This is because of the inherent quality of the architecture, the beautiful internal space which it creates, and the external space it could dominate.

It also has the advantage of an obvious source of funding, the Heritage Lottery Fund, either from HLF’s normal grants scheme or from their new Heritage Enterprise Programme which provides funding in situations where there is a focus on using historic buildings to create business and employment opportunities. Heritage Enterprise, unlike other HLF funds, allows commercial developers to make a profit from the work, which could provide interesting options for how the restoration of the Market Hall might be delivered.

The impact that restoration of buildings like St Pancras Station, Old Spitalfields and Stockport’s Victorian market show how attractive the Market Hall could be if restored in a thorough and imaginative way, especially if the restoration is accompanied by a revamp of the nature of the retail offer.

The project would probably be very popular with ratepayers. We suspect, from experience, that it would be more popular than perhaps any other project that might be put forward.

A restored market hall could be a major attraction by day and night, adding to the vitality of the heart of the city at all times. There is a particularly good example of this in Brixton, South London, called Brixton Village.

It is clear that major change is needed to the market.

Option A is unlikely to suffice, despite the relative cost. If that amount of work has to be done, it makes more sense to do it properly and have a long term solution.

The additional investment that would make the most of the market would probably have a high return on investment.

Our view is that Option B is the minimum that is required. It should be the top priority.

Option C is likely to be the optimal solution in terms of revitalising the market and impact on Derby City Centre.

8.6 A STRONGER FOOD OFFER SHOULD BE A FEATURE OF THE REFURBISHMENT OF THE MARKET HALL

This is for a variety of reasons:

- Food markets, as discussed above, are very popular.
- The architecture is conducive to it.
- It could open in the evenings, creating a major enhancement to the night economy; which is largely located in its vicinity. Space could be provided for live entertainment.
- It would fit with a large al fresco eating and drinking offer, which people particularly like these days.
- It would probably be the most effective thing that Derby could do in terms of attracting tourists.
- It is a good “brand fit” with the Cathedral Quarter and would be a major anchor that would make the Quarter a more effective destination.

8.7 EAGLE MARKET SHOULD BE REVAMPED

There would be a stronger case for closing Eagle Market if there was a realistic prospect of it being replaced by an extension to INTU, especially if that provided a new department store like John Lewis or House of Fraser. That does not, however, seem to be a realistic prospect currently.

Trying to move the traders from Eagle Market to Market Hall does not seem to be a good option because there would only be space for some of them and the future success of Market Hall would be compromised.

Our view is that there is a good chance that a scheme along the lines of Option B that we have outlined would be a success and would deliver a good return on investment.

The estimated cost is about £2.7 million.

8.8 SHORT TERM

Discussions with INTU and work to improve Eagle Market should ideally take place quickly, preferably with a view to implementation by the end of 2015.

Planning improvements to Market Hall and securing funding will take longer. It would not be a good investment to spend much money in the interim.

The following are short term measures that could be taken to improve the performance of both markets. They largely relate to management.

- Management should be reorganised so that there is someone managing each market who has the authority to vet potential tenants and to agree the paperwork, ideally this person would have retail experience and able to support traders to develop their business
- Maintenance arrangements should be reorganised so that there are individuals assigned specifically to each market that are able to deal with issues immediately.
- A suite of agreements offering different terms should be prepared. This should offer a wider range than currently, including daily, weekly and monthly licenses. These should be agreed between each of the relevant council departments, therefore reducing the 'sign off' process and empowering the onsite manager to fill the void units in timely fashion.
- A new trader incentive strategy should be established and implemented. This would give new traders a discounted rent for a limited period, giving them the opportunity to trial their product within the market and become established within the market.
- A programme of cleaning and decorating the current void units in both markets should be initiated, along with ensuring each unit is 'open', clean and tidy. We suggest a pop up banner advertising the trading opportunity is clearly placed within each unit, detailing the newly established flexible rents and license terms. Units could also be used to display products available from within the market.
- A commercialisation strategy could be developed. Given the footfall, particularly at Eagle Market, the opportunity for value brands to promote themselves could be appealing. This can be instigated via agencies such as Brandspace and Space and People.
- Place day stalls within the void areas/public space. Develop relationships with local college and community groups to have local people selling product from these stalls on affordable terms at the weekend.
- Setup a consumer focus group to get regular feedback on the market, feeding back their comments and suggestions to traders with a view to them developing their business and yourselves in terms of new retailers that should be targeted.
- Prepare a summer holiday season events and marketing plan, with the planning and engagement with traders commencing now. Good opportunity to demonstrate to the traders how the council are committed to working with them and supporting their business during a key trading period. This could include a rolling events programme via Derby Live, the theatre and other community groups, supported by enhanced local advertising and promotions to drive footfall and profile of each market.

APPENDIX

1 MARKET LAYOUT

Figure 47 on the next page has a plan of the Eagle Market. Figure 48 and Figure 49 show the ground floor and first floor respectively of the Market Hall.

Figure 47: Layout of the Eagle Market

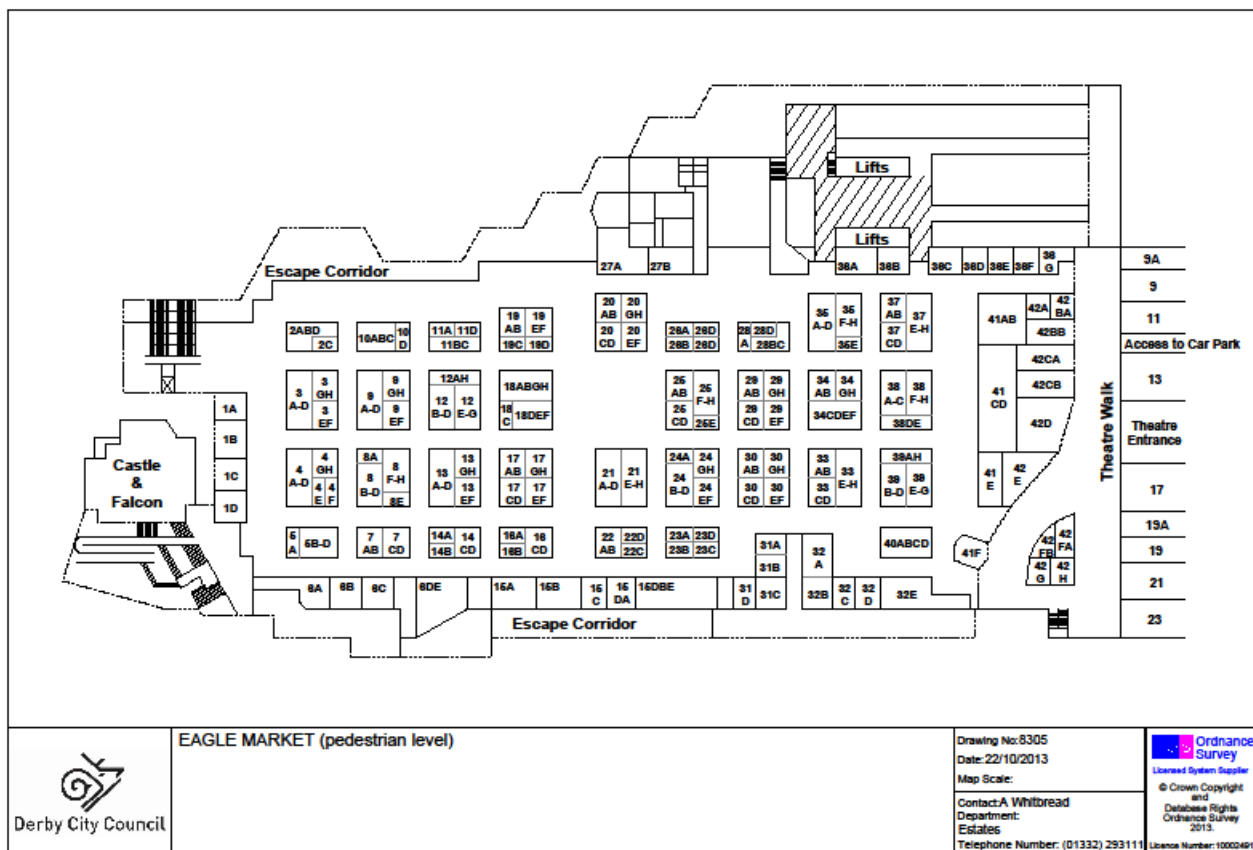


Figure 48: Market Hall Ground Floor

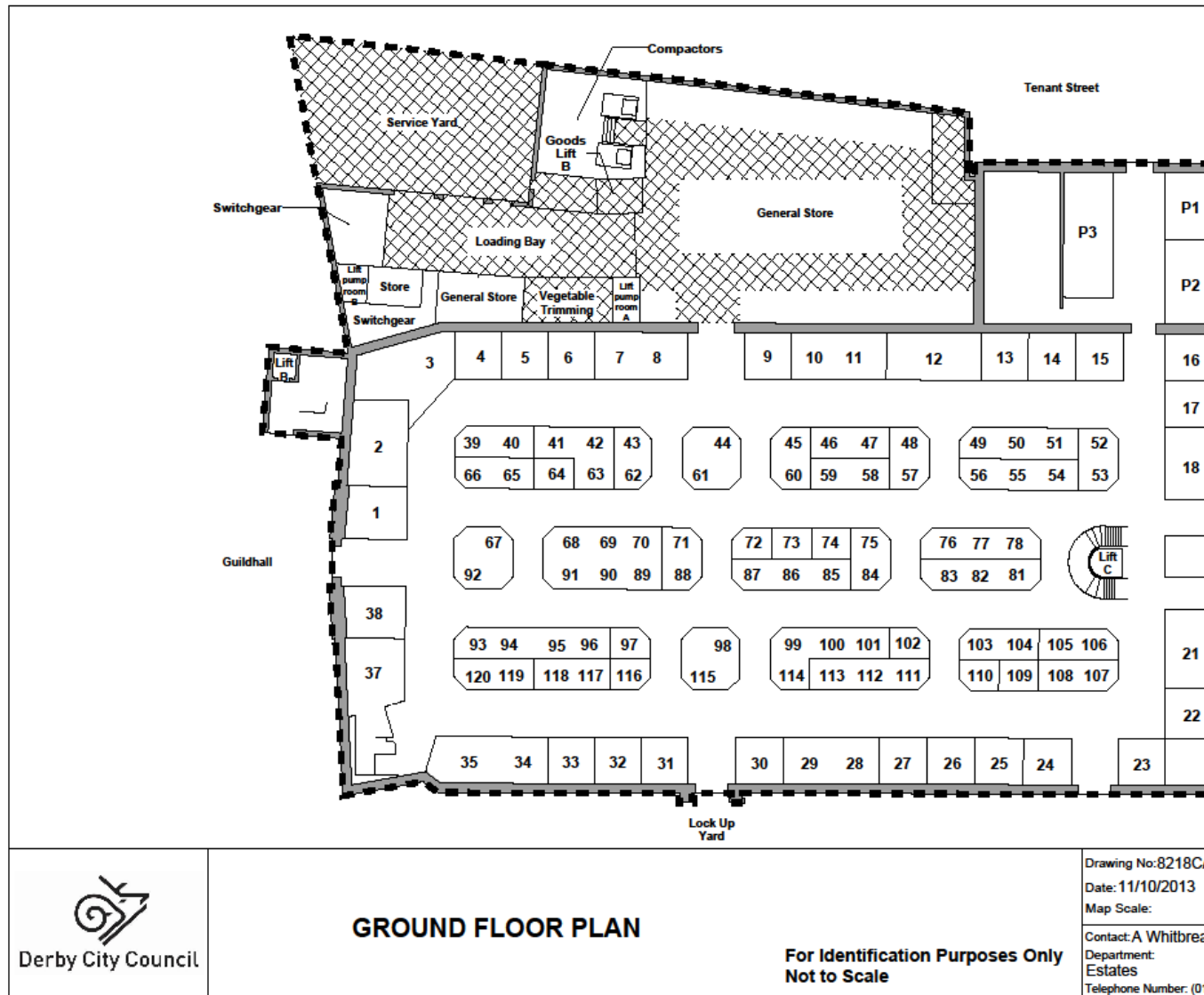
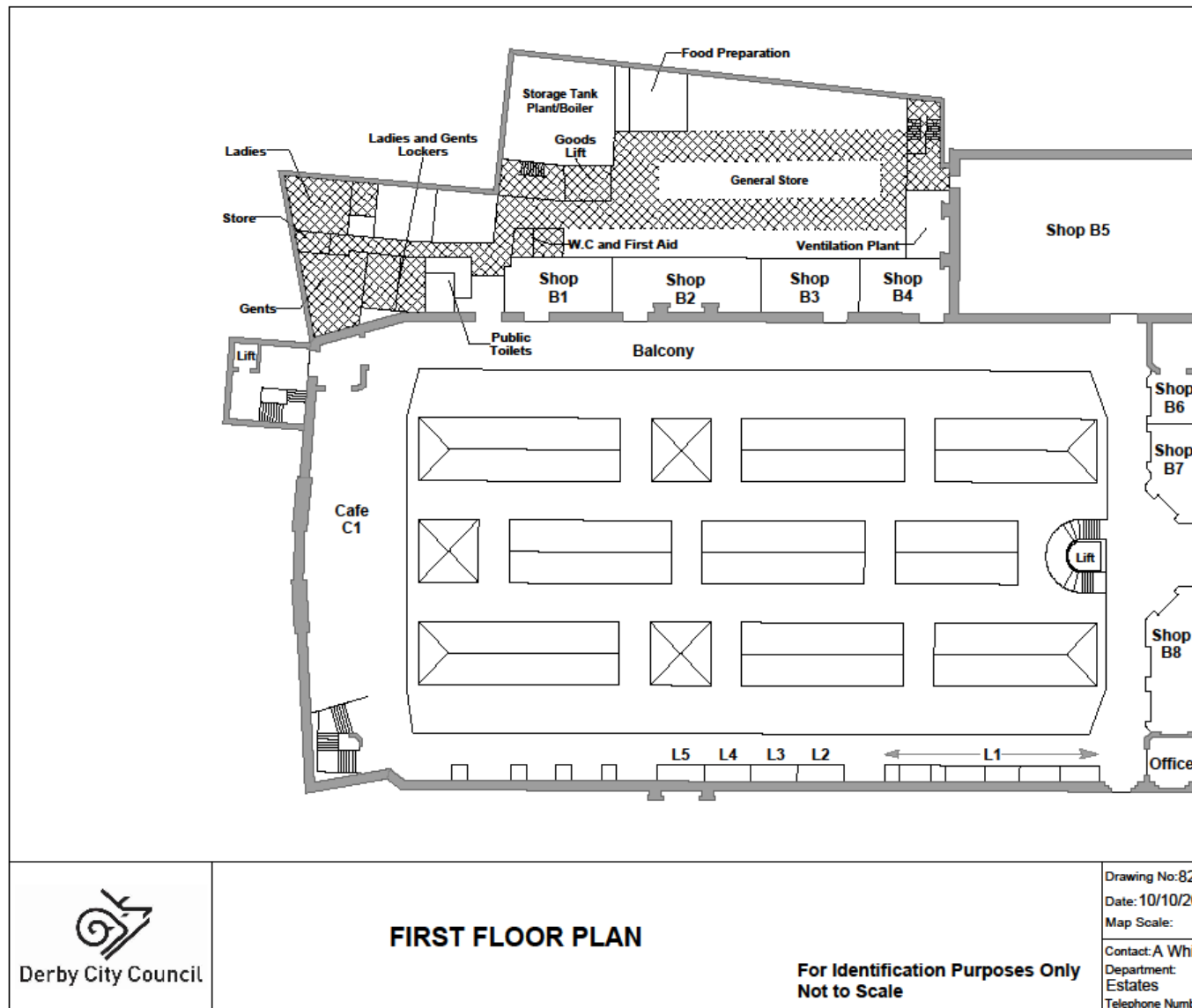


Figure 49: Market Hall First Floor



2 CURRENT P&L

Figure 50 shows the income and expenditure generated by Eagle Market in 2013/4, and that forecast for 2014/15.

Figure 50: Eagle Market Actual 2013-4 and Forecast 2014-5¹²

	Actual 2013/4		Forecast 2014/5		% of Total
INCOME					
<u>Rents:</u>					
Stalls	570,030		544,512		
Warehouses	46,373	616,403	41,081	585,593	62%
<u>Service Charges:</u>	281,549	281,549	259,787	259,787	27%
<u>Miscellaneous:</u>					
Electricity - receipts from tenants	45,184		45,184		
Miscellaneous Income	39,000		42,417		
Other Miscellaneous Income	12,924		9,693		
Water Recharges	5,230		5,230		
Parking Fees	2,804	105,143	2,804	105,328	11%
TOTAL:		1,003,095		950,708	100%
EXPENSES					
<u>EXPENSES NOT ALLOCATED TO SERVICE CHARGES</u>					
Non Domestic Rates (Note 4)	79,569		127,195		
Electricity	51,311		51,310		
Security Services	4,640		4,640		
Other Hired & Contracted Services	1,950		1,583		
Telephones - BT Phones	1,211		1,290		
Miscellaneous	681		1,450		
Provision For Bad & Doubtful Debt	(10,432)	128,930	4,254	191,722	20%
<u>EXPENSES ALLOCATED TO SERVICE CHARGES</u>					
Cleaning (Contracted)	177,333		152,333		
Collection & Disposal of Refuse	510		2,000		
Debit Bal Trfd Out	(22,938)		11,323		
Electricity	45,384		45,384		
Equipment Repairs & Maintenance	24,707		16,067		
Gas	47,600		47,600		
Miscellaneous	9,649		(498)		
Non-Recruitment Advertising	27,036		27,036		
Other Hired & Contracted Services	1,575		2,825		
Pest Control	1,848		1,000		
Property Insurance	27,556		27,556		
Security Services	68,646		80,185		
Telephones	2,609		3,752		
Wages (in Employers National Insurance)	43,380		25,081		
Water - Metered	19,805	474,700	19,161	460,805	49%
<u>UNCONTROLLABLE CENTRAL SUPPORT RECHARGES</u>					
Property maintenance incurred centrally	118,336		80,000		
Depreciation - MCC's	60,000		61,000		
Departmental Support - Administration	54,153		83,335		
Property Related Insurance	25,809		25,859		
Corporate costs not recharged	18,183		21,512		
Support Services - Valuation	17,274		0		
Support Services - Business Support	11,162		11,170		
Support Services - Administration	4,986		7,674		
Support Services - Accountancy	4,673		5,808		
Support Services - Carbon Reduction Levy	6,432		0		
Support Services - Marketing & Communication	2,883		0		
Support Services - Other Departments	3,467	327,358	353	296,711	31%
TOTAL EXPENSES:		930,988		949,238	100%
PROFIT/LOSS:		72,107		1,470	0%

Figure 51 shows the same information for Market Hall.

¹² Miscellaneous income is contribution by Theatre Walk shops to the service charge.

Figure 51: Market Hall Profit and Loss Actual 2013-4 and Forecast 2014-5

	Actual 2013/4		Forecast 2014/5		% of Total
INCOME					
Rents					
Stalls	159,359		147,610		
Shops	27,550		27,550		
Warehouses	18,744		19,738		
Outside Stalls	13,808	219,462	15,147	210,045	49%
Service Charges	174,772	174,772	168,125	168,125	40%
Miscellaneous:					
Electricity Receipts	32,532		32,532		
Other Miscellaneous Income	12,480		7,114		
Weighing Machine	169		116		
Telephone - Pay Phones	(20)		10		
Debit Bal Trfd Out	7,386		1,774		
Other Miscellaneous Income	4,336		4,323		
Provision For Bad & Doubtful Debt	3,925		0		
Parking Fees	1,411		1,411		
Water Recharges	593	62,811	170	47,450	11%
TOTAL:		457,045		425,620	100%
EXPENSES					
CONTROLLABLE EXPENSES					
Electricity	36,003		36,003		
Service Charge Relief	18,978		21,865		
Non Domestic Rates	17,321		12,265		
Expenses Of Operational Buildings	13,325		13,325		
Provision For Bad & Doubtful Debt	5,345		2,864		
Other Hired & Contracted Services	4,550		2,800		
Equipment - Repairs & Maintenance General	2,240		0		
Telephones - BT Phones	580		679		
Materials - General	450		0		
Land Registry Fees	6		3		
Collection & Disposal of Refuse	0		184		
Professional Charges (Note 4)	0	98,798	30,000	119,988	23%
EXPENSES ALLOCATED TO SERVICE CHARGES					
Cleaning (Contracted)	147,640		122,500		
Wages & Salaries (inc NI and pension)	43,521		43,833		
Electricity	29,021		29,021		
Security Services	27,261		31,655		
Corporate uncontrollable costs not recharged to cost centre	22,142		22,767		
Water - Metered	16,630		14,622		
Equipment - Repairs & Maintenance General	11,340		2,000		
Non-Recruitment Advertising	10,154		10,000		
Gas	8,782		9,000		
Miscellaneous Services	7,788		0		
Departmental Support - Administration (Note 3)	4,274		6,577		
Other Hired & Contracted Services	2,975		4,708		
Pest Control	2,184		1,951		
Window Cleaning	1,547		2,000		
Support Services - Carbon Reduction Levy	1,183		0		
Miscellaneous	2,422	338,864	3,063	303,697	57%
UNCONTROLLABLE CENTRAL SUPPORT RECHARGES					
Property maintenance costs incurred centrally for Market Hall	53,477		40,500		
Departmental Support - Administration	34,640		53,307		
Property Related Insurance	9,840		10,305		
Depreciation - MCC's calculation	4,860		0		
Support Services - Carbon Reduction Levy	2,332		0		
Support Services - Accountancy	2,008		2,496		
Support Services - Business Support	1,999		2,109		
Support Services - Marketing & Communication	1,239		0		
Support Services - Quality	773		0		
Support Services - Systems	584		81		
Support Services - Cash Office	409		1		
Support Services - Procurement	279		42		
Support Services - Financial Services	45	112,485	7	108,848	20%
TOTAL EXPENSES:		550,147		532,533	100%
PROFIT/LOSS:		(93,102)		(106,913)	-25%

3 MARKET AUDIT

3.1 OVERVIEW

This section assesses the nature of the market segments for an enhanced markets offer in Derby. It divides this into three categories:

- The resident market in Derby – those people who are likely to form the basis of local visits/day visits within the city and county as users of much of the available tourism product;
- The resident market in the Peak District and Derbyshire – similarly day visitors who are likely to use the tourism product which is available locally;
- The day visit market – this section looks in more detail at the volume of day visitors and their characteristics and activities they undertake;
- Staying visitors to Derby – this section looks at the volume, value and characteristics of both domestic and overseas tourists staying overnight in the city;
- Staying visitors to the Peak District and Derbyshire – an analysis of the volume, value and characteristics of both domestic and overseas tourists staying overnight in the Peak District National Park and Derbyshire.
- Special interest and niche visitor markets – an analysis of specific groups visiting the area such as coach tourists, for example.

The aim of the market audit is to pull together all of the available data on tourism within the region to produce a more comprehensive picture than has been achieved previously to inform the later stages of the work.

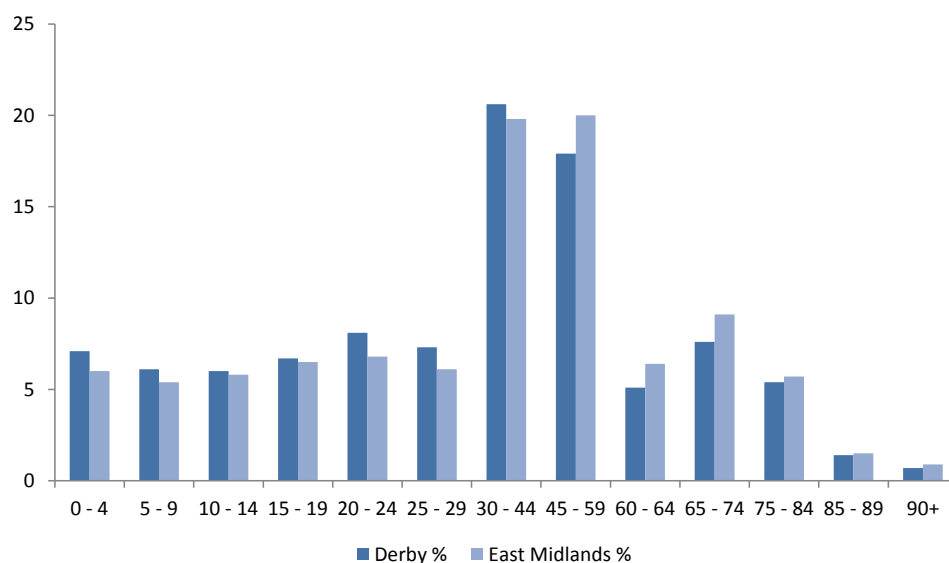
3.2 LOCALS

3.2.1 OVERALL

Derby has a resident population of **248,752** people which is about 32% of the total population of Derbyshire and c. 5% of the total population of the East Midlands.

Derby has a youthful population compared to the wider East Midlands area with particularly high numbers of those ages between 30 and 59.

Figure 52: Age Profile of Derby Residents



Source: ONS 2011

The resident population is predominantly white, but there is a significant minority of Asian origin.

Figure 53: Ethnicity in Derby

Ethnic Group (2011)	Derby %	East Midlands %	England %
White	80.2	89.3	85.5
Asian/Asian British	12.6	6.4	7.7
Black/African/Caribbean/Black British	3.0	1.7	3.4
Mixed/Multiple Ethnic Groups	2.9	1.9	2.2
Other	1.3	0.6	1.0

Source: ONS 2011

A slightly lower percentage of the population is in the ABC1 categories than for the region as a whole.

Figure 54: Socioeconomic Grade in Derby

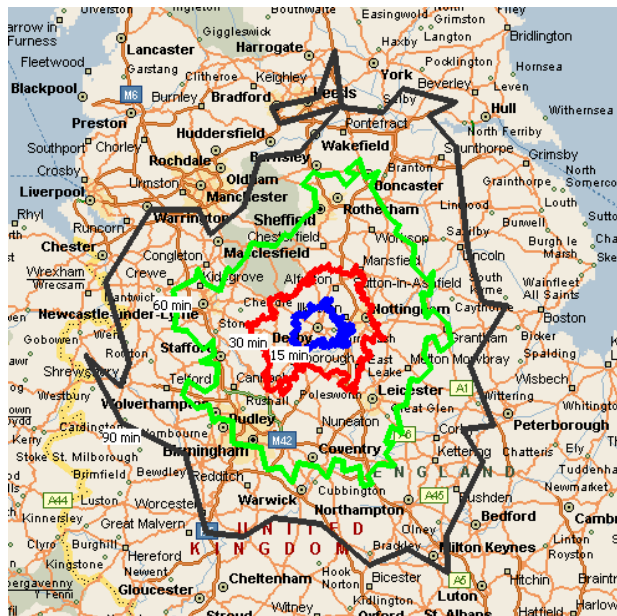


Source: ONS 2011

7.3% of the population is full time students, a little higher than the national average of 6.6%.

An analysis of the population within a number of key drive times of Derby shows that there is a total cumulative resident population of over 11 million people within 90 minutes' drive of Derby and 4.9 million households.

Figure 55: Map showing population within 15, 30, 60 and 90 minutes of Derby



Source: Mappoint Europe 2013

Derby has a sizeable resident catchment and even within the smaller drive times the population is large.

Figure 56: Population within key drive times of Derby

Drivetime (mins)	Population	Cumulative Population	Households	Cumulative Households
0-15	297,219	297,219	130,219	130,219
15-30	954,136	1,251,355	412,502	542,721
30-60	5,242,219	6,493,574	2,222,039	2,764,760
60-90	4,893,213	11,386,787	2,097,128	4,861,888

Source: Mappoint Europe 2013

In terms of income within key drive times the 0-30 minute drive time is the most affluent whilst at the same time containing high number of households earning under £10K per annum.

Figure 57: Income within key drive times

Drivetime (mins)	Household Income under £10K	Household Income £10K- £19,999	Household Income £20K- £29,999	Household Income 30K +
0-15	14%	28%	39%	20%
0-30	13%	26%	26%	35%
0-60	15%	29%	39%	17%
0-90	14%	28%	39%	18%

Source: Mappoint Europe 2013

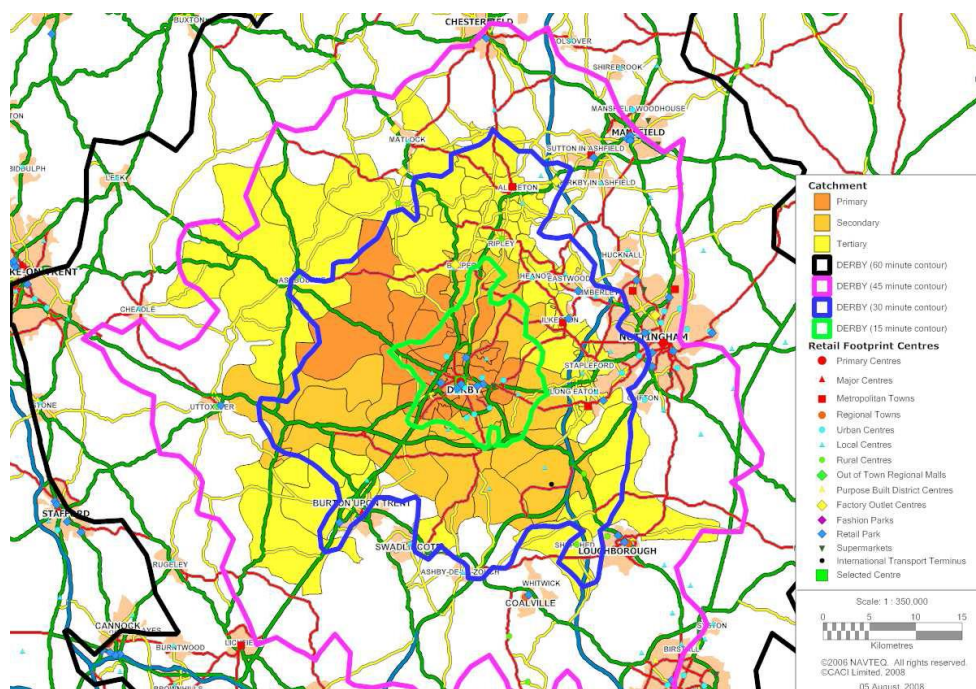
Derby City Council commissioned the retail consultancy company CACI to make an assessment of the strengths, weaknesses, opportunities and threats of the city centre retail offer in 2008, one year after the opening of the extended Westfield Shopping Centre.

The study is now dated and, in particular, predates the opening of Leicester's Highcross Centre, but it nevertheless provides useful information about the nature of the catchment area and of people currently shopping in the city centre.

Figure 58 shows the areas that CACI estimated were the main sources of shoppers for the city centre. The Primary area accounts for about 50% of spend in the city centre, the Secondary area accounts for about 25% and the Tertiary area accounts for about 15%.

About 90% of the expenditure in the city centre, in other words, originates from the coloured areas of the map. CACI call this area the Major Catchment.

Figure 58: Main Retail Catchment Areas for Derby City Council



CACI concluded that Derby's MajorCatchment¹³ had substantiallyexpanded followingthe opening of theWestfield extension and nor is roughly a 45 minutedrivetime of Derby.

The Core Catchment(Primary & Secondary)is contained within a30 minute drivetime.To the south andsouth-east of Derby,the major catchmentis contained within 30minutes, due to theinfluences of Burton-On-Trent andLoughborough.To the east and northeastthe catchment issimilarly contained,due to Nottingham,just 30 minutes away.There is lesscompetition to thewest, meaning thecatchment extendsfurther.

¹³i.e. the area where 90% of spend comes from.

3.4 STAYING VISITORS

The data shows that in 2009-11, there were about **513,000 trips** made each year to Derby. 30% of these were holiday trips (156,000).

In 2009-11 total spend of domestic staying visitors was **£66 million** with 45% of this spend coming from those on holiday trips (£30 million).

Figure 59: Volume of staying visits to Derby

Trend Type	Derby (thousands)				% Change 2006-2011
	2006-8	2007-9	2008-10	2009-11	
Total Trips	469	459	472	513	9%
Total Holiday Trips	136	163	135	156	15%
Total Nights	1,105	1,125	1,206	1,215	10%
Total Holiday Nights	332	433	375	390	17%

Source: Visit England GBTS

Interestingly, the number of holiday trips has risen in recent years and staying visitors are also increasingly staying for longer in the city.

Holiday makers are also spending more over time as are other types of visitors.

Figure 60: Visitor Spend

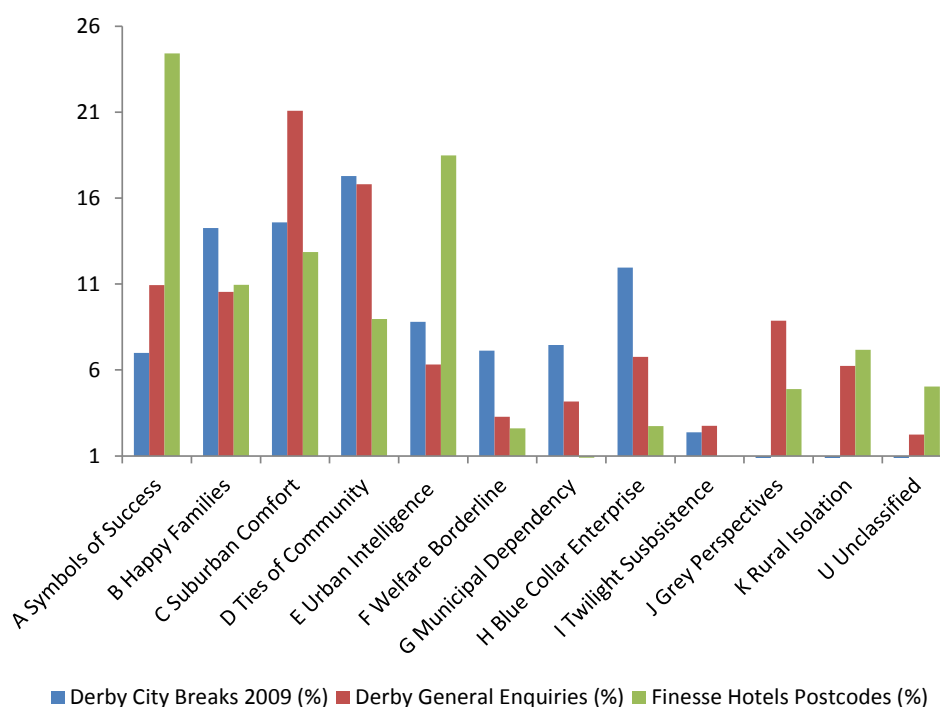
Spend	Derby (millions)				% Change 2006-2011
	2006-8	2007-9	2008-10	2009-11	
Total Spend	58	55	61	66	14%
Holiday Spend	15	23	26	30	100%

Source: Visit England GBTS

In Derby, the average length of a trip is 2.4 nights whereas holiday makers to the city spend an average of 2.5 nights which is longer than for other types of trips. Total average spend in the city is around £128.70 per person.

The Destination Derby Visitor Economy Strategy published in 2011 uses consumer segmentation model MOSAIC to profile visitors by type. Data has been taken from a number of sources including hotels and also presumably the TIC.

Figure 61: MOSAIC Analysis Derby



Source: Destination Derby Visitor Economy Strategy 2011

The analysis gives an interesting insight into the types of visitors which Derby attracts from different segments. For example, those visitors most likely to go on a city break in Derby are 'Ties of Community', 'Suburban Comfort' and 'Happy Families'. However, the lower income segments such as 'Blue Collar Enterprise' are also likely to be city break visitors.

In contrast the hotel visitors come primarily from the higher income segments like 'Symbols of Success'. General enquiries about Derby come from all segments but mainly from middle income segments like 'Suburban Comfort' and 'Ties of Community'.

3.5 TOURISM OPPORTUNITIES STUDY

Colliers undertook a study of tourism development opportunities across Derbyshire and the Peak District for the Local Economic Partnership D2N2¹⁴ in 2013. It highlighted the Market Hall as a primary development opportunity.

Figure 62: Recommendation in D2N2 Tourism Opportunities Study

Derby Market Hall is a particularly fine building which currently houses a mix of food, fashion and bric-a-brac stalls.

The market Hall presents an opportunity to build on an emerging local food and drink offer within a beautiful building. With some modification to the current offer, the Hall could be developed into a stunning 'buy and eat' market, with a regional reputation for local and speciality foods. This could be a stronger project if extended to include the Guildhall rooms and theatre.

¹⁴ "Tourism Impact Study", Colliers International for D2N2, 2013

4 CASE STUDIES

4.1 STOCKPORT MARKET HALL

4.1.1 CONTEXT AND HISTORICAL BACKGROUND

Stockport Market is situated on a raised promontory above the River Mersey to the east of the current town centre in the historic centre of the town. The current Market Place was originally the outer defence enclosure of Stockport Castle (which stood on the present site of the Castle Yard to the northern end of the market area) with traders setting up stalls within these outer defences. This market received its market charter in 1260 from Prince Edward, Earl of Chester.

The current market comprises 3 components, the Produce Hall, The Covered Market and the Outdoor Market.

The Produce Hall on the north-western side of the Market Place was built in 1851 and used for the sale of fresh farm produce. For 38 years the top floor was the site of the Town's free library. Election speeches and Royal proclamations were later made from the balcony; the last known announcement was made in 1910 when George V was proclaimed King.

In 2001, this Grade II listed building, one of Stockport's best known landmarks, was transformed to provide a high quality trading environment for both new and established food retailers.

In 1860, the Stockport Advertiser announced that the Manorial Tolls Committee had unanimously selected the design by that of Mr. James Haywood, jun., Phoenix Foundry, Derby, for covering in the open Market-place. The design showed a mode of enclosing the sides and ends of the Market at any future time if required and estimated costs were £2770.

The Market Hall was originally open at the sides which resulted in it being referred to as 'The Glass Umbrella'. Compared to the traditional building types which surrounded the Market Place the building would have looked remarkable. It was constructed with the most modern methods and materials available at the time. With the Hall's wrought and cast iron framework and large areas of glass the Market Hall would have had a very light and modern appearance. The first stalls to be allocated were for the butchers, but soon they were joined by earthenware dealers, ironmongers, greengrocers and confectioners. In 1898 one stall holder, Ephraim Marks, one of the founders of Marks & Spencer, closed the sides of his grocery stall to help shield customers from the cold, and the whole market was enclosed within two years.

The tapered Market Hall was reduced in length by one bay in the 1930's to accommodate the turning radius for the trolley busses.

The Market Place, although at the historic heart of Stockport, became somewhat detached from the main retail area when the Merseyway and Mersey Square development was constructed in the 1960's bridging the river to form a new pedestrianized shopping precinct but linked to the Market Place by a steeply inclined street via Great Underbank. With the relocation of the major retail focus the market went into a steady decline.

By 2000 the market had become very claustrophobic as stalls spilled out into the aisles, were extended and altered on an ad hoc basis reducing the circulation to a confused system of narrow

alleyways with a complete lack of cohesion or sense of place. As a result many of the stalls were offering a very down market retail offer.

4.1.2 IMPROVEMENTS AND ALTERATIONS.

The Hall had fallen into a poor state of repair and was overcrowded with small stalls inadequate for traders' needs. Internally, it had lost much of its original Victorian character. A full Condition Survey, Conservation Plan and Feasibility Study were undertaken to investigate ways in which the Market Hall could be improved and to see how trade could be increased. This involved not only site surveys but also consultation with the market management team, traders and adjoining businesses with local representatives of the National Market Traders Federation, through consultation with local businesses located in the Market area, with key community groups and with the shoppers, residents and public alike.

The main aim of the restoration project was to restore the historic Covered Market Hall building, maintaining its original function and character whilst vastly improving the facilities offered both for the public and traders alike. In terms of the wider area, this project was the final component in an extensive programme of works carried out by the Conservation Team to regenerate the historic market place. The project included the restoration and repair of the external envelope of the historic Hall and its interior. Careful restoration and redecoration of the structure has rejuvenated the original design and creates a striking interior.

One of the key issues was how to avoid a significant loss of trade to the market area as a whole whilst the Victorian Market Hall was refurbished. The remoteness from the shopping centre indicated that if the market was fully closed for a period it would be difficult to bring people back on completion and as such some degree of continuity was felt to be essential. Detailed analysis confirmed that it would be possible to refurbish the Market in two halves with minimal additional cost and thus keep a retail presence within the area throughout the refurbishment.

4.1.3 EXTERNAL FABRIC AND STRUCTURE

Several of the glazed timber screens were in very poor condition (with a number completely boarded over to prevent collapse) whilst others had varying degrees of timber decay. A complete overhaul of the timber framework was undertaken including the complete replacement of some.

Rainwater disposal from the roof was via the cast iron columns (which acted as rainwater pipes as well as structurally) and consequently all were inspected for any excessive corrosion and to check the integrity of the system as a whole. A number of later access plates were replaced and any obstructions within the pipes cleared.

Entrance doors to the Hall had been altered and some replaced with non-matching designs. Nearly all had been damaged by porters' trolleys etc. Original doors were retained and repaired with all others replaced to the original design. All those with level access were automated to facilitate wheelchair access and key ones provided with an override and hold open facility to allow access for restocking the stalls reducing the risk of damage.

The previous decoration scheme was quite cold and uninviting and a new scheme (based on historic precedents) was developed to make the Hall a more inviting prospect.

4.1.4 INTERNAL

The Market Hall had only some radiant heaters positioned along the main aisles at high level which were visually highly intrusive to the listed structure and were mounted so low that they were uncomfortable to walk beneath. These were removed and a new underfloor heating system installed beneath a York Stone floor. Given the historic nature of the site it was anticipated that some archaeology would be encountered with the likeliest place being the south end. Archaeology was encountered however this was at the north end. Fortunately the remains of earlier buildings were low enough in the ground to allow the new floor to over-sail the archaeology once this had been analysed and recorded.

In addition to the heating system some degree of ventilation was essential to avoid condensation issues to the iron frame and the glazed rooflights. The fixed louvres to the lantern lights were deemed to provide excessive ventilation and a number of scenarios investigated from providing a system of automatic dampers to the simply reducing the available ventilation area by a specific amount to ensure an optimum level (determined by computer modelling). Given the high level locations the latter approach was adopted to minimise the maintenance requirements.

The whole of the interior was redecorated using an appropriate Victorian colour palette to restore the vibrancy of the market.

4.1.5 LAYOUT

The cluttered nature of the market had to be rationalised to provide an attractive shopping experience. Two historic stalls were identified (one perimeter stall and one aisle stall) and full details of these taken. A more rationalised and spacious internal layout was developed to provide a smaller number of larger stalls. The triangular southern end (which had always been problematic in terms of space usage) was left with the central area open and with stalls limited to two sides. This provides a small but regularly used space for events, demonstrations and displays.

All the stalls in the new layout were based on the historical precedents (with the original stalls retained). A key factor was the 'house rules' discouraging stall owners' goods from spilling out and obstructing the aisles. The stalls were also zoned with different colour schemes within each to assist with 'orientation'. Some stalls were made with open sides with others having counters to suit a variety of trading methods. All were fitted with security shutters colour coordinated with the stalls.

The lower sections of the infill panels to the external walls were boarded in with vertical boarding which meant that there was very little visual contact from the outside to the inside and as such little to draw people into the Hall, this in contrast to the complete openness of the original design. It was decided to create links to the exterior by providing the facility for some stalls to trade both internally and externally thus reinstating some visual connections.

4.1.6 ACCESS

Way-finding signage has been improved from the main precinct and a free mini bus service from the end of the precinct linking this with the station and the market.

4.1.7 FUNDING

The project received a grant of just under £1m from the Heritage Lottery Fund against an overall construction costs of £1.3m

4.1.8 OUTCOMES

The project has resulted in a significantly better layout which has created a more attractive and inviting area for shoppers. As a consequence footfall numbers have increased and the market has been completely revitalised.

The project has won a Conservation Award under Stockport's Conservation & Design Awards and has been awarded commendations for Best Indoor Market (NABMA), Regeneration Project (Government Business Awards), NW Royal Town Planners Institute and won the RICS NW Award for Regeneration.

4.1.9 RELEVANCE TO DERBY

The project at Stockport Market has significant relevance to Derby as it centred on how to revitalise a Listed Victorian Market Hall which had become detached from the principal shopping centre. It achieved this by architectural design (improving the overall environment as well as improved orientation within), reviewing the 'offer' within, improved links to the outdoor market, improving the retail mix, introducing an events programme and by improved links with the wider retail area.

4.2 LUTON MARKET HALL

4.2.1 CONTEXT AND HISTORICAL BACKGROUND

The main shopping area in Luton is centred on The Mall Luton. It was built in the 1960s and opened as an Arndale Centre.

The shopping centre replaced a number of older buildings in the town centre including Plait Halls, a Victorian covered market with an iron and glass roof.

The market was relocated into the shopping centre, from where it has traded since.

The shopping centre had major construction and re-design work undertaken over the years. It now has a square used for leisure events, as well as numerous new food restaurants.

The Market has butchers, fishmongers, fruit and veg, hairdressers, tattoo parlours, ice cream, flower stall and T-shirt printing as well as takeaway food outlets.

Following an open tender process in late 2003, a market management company entered into an agreement with Luton Borough Council to acquire the operating rights of Luton's indoor market. The agreement was based on a 66-year leasehold interest in the indoor market.

4.2.2 IMPROVEMENTS AND ALTERATIONS

The core requirement of the agreement was a complete refurbishment of the market hall to create a market of which Luton could be proud.

The market consisted of around 40,000 sq ft of space, with 148 market stalls, plus a storage area and a loading bay of another 40,000 sq ft.

It suffered from a lack of investment over many years due to tight expenditure controls in the public sector.

A leading market design consultant planned the reorganisation.

A contract specification was agreed including:

- Asbestos removal and encapsulation.
- Replacement of heating, ventilation and cooling plant.
- Demolition of existing market stalls; provision of new stall structures.
- Refurbishment of the back of house areas, toilets etc.
- New market hall entrance signage and more attractive and welcoming entrances.

The works cost in excess of £2.5million.

The contract was undertaken in five phases. The market continued to trade throughout the works. Each phase had to be hermitically sealed. There was consultation with the traders before, during and after the contract. All traders were offered a new stall in the refurbished market. Traders with protected rights signed agreements to surrender their existing leases.

Over 80% signed an agreement to enter into a lease for a stall in the refurbished market and, following completion of the contract, entered into a new lease.

Temporary stalls were provided for all traders where interim moves were required to enable the works to be undertaken.

The retail mix has evolved since this work was undertaken, with the international food court being a particularly USP for the market.

4.2.3 EXTERNAL FABRIC AND STRUCTURE

Because the market is located within the shopping centre, the external areas are the responsibility of the shopping centre management.

The relationship between the market and the shopping centre management has improved over the years and ensured that the physical environment surrounding the market has improved.

This has been extremely important for the market, given that, originally, its entrances and public access points were hidden from view and created a disconnect between the shopping centre and the market.

Clearer signage and marketing positions were granted externally and within the public areas adjacent to the entrance to the market. This included demarking of a 'market car park' and poster sites adjacent to the main road and in communal areas leading into the entrance of the shopping centre.

There has been a significant enhancement in the branding and look and feel of the shopping centre over the last couple of years, in particular since The Mall took ownership of the centre.

This has led to the centre becoming a far more welcoming environment, with increased entrance points, marketing/promotional activities and higher quality of retail positioned externally.

All of these improvements have benefited the market and allowed the relocated market to become far more established in recent years.

4.2.4 INTERNAL LAYOUT

The original layout of the market created a less than attractive retail environment for the market traders and narrow dark corridors for visitors.

The whole retail experience was extremely negative and was a key factor in the poor overall performance of the market.

Particular issues were the quality of the market stalls, lack of accessible entrance points through to the shopping centre and the stall layout.

The redevelopment of the market provided the opportunity to address these issues, through consultation with market traders.

Bespoke stall structures were sourced and, as part of this process, a new layout designed to incorporate their size and trading requirements.

New zoned areas were created for food, homewares, fashion etc., with each trade benefiting from a bespoke unit.

The visitor experience and trading environment was experienced by widening the aisles and creating open spaces.

The internal entrance points through to the shopping centre were reviewed, with the objective of connecting the market through to the centre far more than it had previously. This resulted in more entrances being created, existing entrances widened and a decoration scheme initiated to provide a fresh and bright entrance points. This has been further developed in recent times with the installation of a commercialisation scheme, which has given the market electronic signage and rolling adverts/promotional points adjacent to the escalators transporting consumers in and out of the shopping centre

The £2.5million development took a 'root and branch' approach to introducing new heating, lighting, drainage, and servicing solutions for the market.

This was undertaken to fully futureproof the physical environment and provided a platform for the market management company to take the site forward.

4.2.5 ACCESS

Way-finding signage has been improved from the main precinct, trader access via the centres loading bay is now in place and there is greater visibility of the market for visitors to the centre.

4.2.6 FUNDING

The total project was wholly funded by the market management company.

4.2.7 MANAGEMENT

Luton (and Watford) Markets are managed by a dedicated onsite team, which is supported by the WMC Retail Partners Head Office finance, asset management and marketing teams.

The onsite team at Luton comprises – 1 full time manager, 1 part time assistant and 2 part time cleaners.

The scope of work includes:

- 1 To supervise, direct and control the collection of all income from the market and events.
- 2 Maximise the revenues from the market and optimise the yield of the market in accordance with the Business Plan.
- 3 Maintain appropriate accounting procedures for the Market including such books of account, records, and control systems as may be required.
- 4 To manage the estate management database and a fixed asset register for the equipment.
- 5 Implement the mix of user and lease types the Owner/Landlord requires to deliver a variety of products and themes in accordance with the Business Plan and agreed lettings policy.
- 6 Coordinate the marketing, advertising and promotional activities for the market, to ensure it is promoted as a leading retail location in the town.
- 7 Promote non-market income through events and other sources
- 8 Prepare tenders for all market suppliers and lead on contract negotiations
- 9 Prepare management accounts in a format that the Owner/Landlord agrees.
- 10 Prepare budgets and forecasts in a format that the Owner/Landlord agrees.
- 11 Prepare bank reconciliation statements on a monthly basis of the Bank Accounts
- 12 To be responsible for all day-to day maintenance matters and preparation of a planned maintenance programme for inclusion in the Business Plan.
- 13 Train and supervise all personnel required to properly manage and operate the market, including its employees.
- 14 Liaise with the Owners on all legal requirements including health and safety issues, fire regulations etc.
- 15 Collect in the name of the Owner/Landlord all rent, insurance rent, pitch license fees, service charges, arrears, and other monies due.
- 16 Engage with traders whom are in arrears to obtain immediate payment or develop an agreed repayment schedule.
- 17 Pay all subcontractors and suppliers
- 18 Pay employees and national insurance, pay as you earn deductions to HMRC

4.2.8 RELEVANCE TO DERBY

The project at Luton has significant relevance to Derby as it centred on how to re-develop a market situated within a shopping centre and address how the two sites engage far more with each other. As with Derby the importance of trader consultation was paramount, reflected in the 80% occupancy achieved post development. Equally the tired and dated building and market equipment at Luton is

comparable, with the investment bringing forward the required level of improvement. for the future success of the market.

4.3 WATFORD MARKET

4.3.1 CONTEXT AND HISTORICAL BACKGROUND

Watford indoor market was located in Charter Place, at the heart of Watford, adjacent to the INTU Shopping centre.

The market opened for three days a week. It housed, at its maximum, 100 traders selling a range of day to day items - meat, fish, fruit and veg, and anything from clothes and hats to greeting cards, handbags and hardware.

The market was on a single floor, with lift access to car parks, with a number of multi-storey car parks within easy walking distance.

With the markets occupancy levels decreasing to under 60% and wider strategic development plans for the town centre, the Council decided, in 2009/10, to consider moving the market to a new site (under new management) and therefore bring forward their development plans for the Charter Place scheme with the operator INTU.

This process, involving market traders, local stakeholders and developers, eventually, in late 2014, delivered the opening of the new market, housing existing traders and a new day stall market on the high street.

4.3.2 IMPROVEMENTS AND ALTERATIONS

With the impending further development of the INTU centre, the future of the market was paramount in the planning stage of this project.

Given its year on year decline and dwindling trader numbers, the council undertook to review its operation and put in place proposals to revitalise the market long time and release the current site to INTU.

As part of this undertaking the Council put out to tender the management of the market to private operators and took expert design and retail advice to devise a new scheme, with numerous sites within the town considered.

The site selected was a redundant car park, below the ring road flyover. It was chosen for its location close to the previous market, ability to link up the high street and the strong growing business district and flexibility of the space.

There were consultation sessions with traders through the whole process of planning the design, infrastructure and servicing requirements for the new site.

With the decision taken to move away from traditional market stalls and indeed from a fully covered/enclosed market, this represented challenges for the delivery team in putting their case to the traders and for traders to adapt their business model accordingly.

The entire consultation and build process took 18 months. In this time the whole operating dynamic of the market changed, as did the retail units and all associated operational procedures, to create a

brand new market with cargo containers. This has improved the look and feel of the site, the trading units provided to traders, visual merchandising of the stalls and the zoning of the market being more distinct than previously. For the first time the market will have private operators working to drive new footfall to the site, growing the day stalls on the parade and establishing steering groups with traders and local stakeholders. The modern adaptable design improves the visitor experience immeasurably and takes what was a failing market, into a new environment, which will attract new traders and visitors alike.

4.3.3 EXTERNAL FABRIC AND STRUCTURE

The two sites were radically different.

The old market was situated with the INTU shopping centre. It was housed in one of the centre's large retail units. There was little control over the external façade of the market.

Other than for a few poster sites and entrance points which connected the market to the communal areas of the centre,

The tired and dated decoration of the market and outside areas did not present consumers with a positive perception.

There was a big disparity in quality of the retail offer and trading environment between the market and the shopping centre. That market was in considerable decline.

The new site presents much greater opportunity and ability for the traders and market management to control of their physical environment and external structures.

The visibility of the location helps. It has 360° sightlines from the high street and main road. The quality of building structure that was procured by the Council also helps. The market now benefits, on the High Street façade, from pillar wraps, backlit signage either side of the flyover. The Council has committed to developing this even further.

A day stall market has been incorporated. These stalls provide increased visibility to lead consumers into the main market area.

Towards the other side of the market, leading away from the High Street towards the station and business district, the street furniture has been enhanced and clearly branded with the market logo to create a visual pathway to the market.

Large banners will be erected facing out towards the road. There are plans for a graffiti wall to be added.

The new site has a more urban edgy feel. It has a completely fresh look and feel compared to the previous site.

The signage and external communications strategy have been carefully drawn up to ensure the external areas of the market are used to their capacity.

4.3.4 INTERNAL LAYOUT

The layout of the old market was that of a traditional market, with aisles of stalls back to back running the length of the market hall.

Given the lack of investment and age of the market, the quality of the stalls and associated fixtures and fittings was very poor.

Given the market was at less than 60% occupancy, traders would 'spread' across multiple units, with other units empty for months at a time.

This led to 'dead areas' within the market and made for a threadbare look and feel for visitors to the market. The situation clearly was made worse when the original plan to move the market to a new location was announced, with more traders deciding to leave, rather than wait for what would be offered within the new facility.

The new market, located some 200 yards from the original site, provides a completely different environment and gives traders and consumers alike a 21st century retail experience. A mixture of 10ft, 20ft and 40ft containers were selected to act as the new retail structures, covered by a new roof structure and from the road by an eco-friendly 'green wall'. The cargo container doors were removed so that the 8ft wide opening space could later become the entrances for many of the retail units. Apertures were then cut in the sides of the containers, sometimes it was a section large enough to house floor to ceiling glass windows or roller shutter doors. Other times it was so 2 containers could be joined together to form extra-large retail units once on site. Conversion work continued in the workshop prior to installation including:

- Vents fitted to the container side walls for extra air flow.
- Inlet points were added for extraction fans, water and electricity to be supplied to the units.
- Roof apertures for an air ducting system which would be used in containers preparing hot food.
- Re-painting of the containers in matte black colour.

A steel structure was installed which would allow the containers to be positioned over 2 levels, with a staircase and elevator lift providing access to the upper level food court. One by one the containers were craned into position and over the course of 3 deliveries the market slowly started to take form. Around 30 containers were purchased and bespoke fitted out to individual trader requirements; the units sit adjacent to each other, creating 1 large corridor through to the high street.

4.3.5 ACCESS

The new site now brings a high street location, with covered entrances at either end linking the high street with the ever expanding business district in Watford. Drive on access now available for traders out of hours for deliveries.

4.3.6 FUNDING

The total project was funded by the Council, with a contribution from the market management company.

4.3.7 MANAGEMENT

Watford Market is, like Luton Market, managed by a dedicated onsite team, which is supported by the WMC Retail Partners Head Office finance, asset management and marketing teams.

The onsite team at Watford comprises – 1 full time manager, 1 full time assistant and 1 part time cleaner.

4.3.8 RELEVANCE TO DERBY

The project at Watford provides an example of how another local authority have addressed the challenges of an underperforming market, again adjacent to a successful shopping centre. It demonstrates that, unlike the previous Luton example, the solution is not always to redevelop the existing site. Here the Council took the bold step to relocate the market and create a completely different retail environment. The approach provides a new lease of life for the market, changes the often historic working practises of the market and creates an exciting new retail environment for consumers.

5 FUNDING

5.1 HERITAGE LOTTERY FUND

The Heritage Lottery Fund provides most of the funding that is available for restoring and improving the interpretation of historic buildings.

5.1.1 HERITAGE GRANTS FUND

The **Heritage Grants Fund** is HLF's main funding scheme.

It provides grants of more than £50,000.

Projects seeking less than £1 million must provide matching funding of at least 10% of project costs, and projects seeking £1 million or more must provide matching funding of at least 25%. In either case, at least 5% must come from the resources of the organisation making the application.

Applications for less than £5 million are decided at regional level. Applications of more than £5 million go into an annual national competition.

Grants cannot be used to generate profit for a private sector developer or operator, although there can be private sector tenants of buildings that are restored with HLF funding. The application needs to be made by a non-profit making organisation, therefore, and that organisation needs to have security of tenure.

5.1.2 HERITAGE ENTERPRISE SCHEME

This may also be an option, especially if the use is orientated to creating employment.

The uses must have a community value, but, unlike the main Heritage Grants scheme, the project can be led by a private sector developer, the developer can make a profit. It encourages use of the space by profit making enterprises.

The scheme provides grants of £100,000 to £5 million to enable historic buildings to be restored for purposes that will create employment opportunities.

HLF also says that it will take a secondary charge on the asset so that, if the project is not a success, commercial finance can have a first charge against the value of the asset.

The intention is that the grant will cover the "conservation deficit", which is the difference between the investment that is required to make a historic building a viable business and the amount it is worth someone investing on a commercial basis in that business.

The scheme is quite new. Recipients so far include a grant to convert the Harland and Wolff Drawing Offices, in the Titanic Quarter in Belfast, into a boutique hotel; to restore the St Peter and the Old Black Lion Pub in Northampton as a conference centre and pub-restaurant, and to convert the Northern Counties Club in Londonderry / Derry into a luxury hotel.

5.1.3 TIME

Applications are in 2 stages.

The first phase requires the scheme to be worked up to RIBA Stage 1 (which, in this case, has been done in this study). It requires detail of the work that would take place in the project planning stage in preparation for the second stage application, which requires the scheme to be worked up in detail.

It is possible to apply at that stage for a project grant for detailed work in preparing the second phase application, which requires the scheme to be worked up in detail.

GRANT REQUESTS OVER £100,000 AND UNDER £2MILLION (INCLUDING DEVELOPMENT FUNDING)

First-round applications are assessed within three months, after which funding decisions are made at the next quarterly decision meeting.

Second-round submissions must be received up to 24 months after the first-round decision. They are also assessed within three months, after which a decision is made at the next quarterly decision meeting for the region concerned.

GRANT REQUESTS OF £2M AND UNDER £5M (INCLUDING ANY DEVELOPMENT FUNDING)

First- or second-round applications and all supporting materials must be received by:

- 18 June 2015 for a decision in September 2015
- 6 August 2015 for a decision in November 2015

Second-round applications can be submitted up to 24 months after first-round approval.

GRANT REQUESTS OF £5M AND OVER

First-round applications and all supporting materials must be received by 1 December for a decision in April.

5.2 PRUDENTIAL BORROWING

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

“Prudential Borrowing” allows the Council to borrow at preferential rates from the government if it is certain that the savings/additional revenue that would be made as a result would cover the interest and repayment of the capital.

This seems to have potential for funding works to the market, especially if DCC leases them to an operator and can be sure of receiving enough additional revenue to pay the interest and repay the capital over a medium term.

Most loans taken out by local authorities are supplied by the Public Works Loan Board (PWLB). It is located within the government’s Debt Management Office and lends to local authorities and other public bodies.

It currently offers a fixed rate of 3.54% for a 25 year loan¹⁵. Provision has to be made for repaying the capital (this is called amortisation).

¹⁵[http://www.dmo.gov.uk/reportView.aspx?rptCode=D7A.2&rptName=787f73ac-cbe5-4231-9dfc-64b6006aabdd||PWLB%20\(2\)&reportpage=Current_PWLB_Fixed](http://www.dmo.gov.uk/reportView.aspx?rptCode=D7A.2&rptName=787f73ac-cbe5-4231-9dfc-64b6006aabdd||PWLB%20(2)&reportpage=Current_PWLB_Fixed)

6 MODELS FOR MARKET MANAGEMENT

WMC Retail Partners has, over many years, entered into market management contracts of different sorts with private landlords, pension funds, local authorities and property developers.

The structure of the contract, in terms of roles and responsibilities and remuneration, can vary.

They are determined by the size and scale of the market, historical working practices for the site in question and, increasingly, the desire to ensure that the operator is incentivised to deliver year on year income growth.

Three models are used most often within the market industry:

LEASE MODEL

The operator pays a fixed yearly rent for the market floor and any additional areas such as storage or office space. They also pay a service charge contribution.

The rent can be structured so that the landlord benefits from growth in market income and has a share of exceptional items such as event income.

The operator is responsible for all the costs associated with the market's operation, including rates and taxes.

The operator expects the flexibility to curate the market as they deem fit, with minimal input from the landlord.

The operator ordinarily seeks a lease term of a minimum of 10 years, longer where a significant amount of capital investment is required or significant development work is anticipated.

This is increasingly the least favoured option for operators, given the long term commitment to a fixed rental, particularly where a market has been in decline, has a history of bad debt or for a new site which has yet to be established.

LEASE & PROFIT SHARE MODEL

Whilst the operator is still required to commit to a fixed rent and service charge, the sum is appreciably lower.

The landlord takes less income up front but then benefits from the projected growth year on year and exceptional items such as event income.

The profit share mechanic is wholly down to negotiations; a typical structure is 60/40 or 70/30 in the operator's favour.

This model is often adopted when a market is going through development or significant change which could see new income streams being established.

It is crucial that a robust business plan with clearly defined phases is appended to the agreement, which are monitored and reviewed regularly.

This represents a more partnership orientated approach. Operational costs are shared and, if one party invests capital, they have the 'first call' on a % of income before the profit share mechanic is applied.

MANAGEMENT AGREEMENT

This model has become the standard way in which the management of markets are structured in recent years.

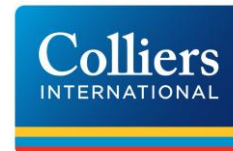
It gives the Landlord much greater ownership over the market, the ability to influence change quickly and retain control of the market.

These points are particularly important where the market sits within a mixed use scheme, is seen to be politically sensitive or where it is subject to significant landlord investment.

The operator will undertake all of the day to day operational functions of managing the market, with all the costs including onsite staff being recovered either from the market income or, where applicable, service charge contributions.

The operator will provide a fully integrated asset management and financial management package for the market for which they are paid a monthly fee.

The size of fee is dependent on the geographical location of the market, its size and scale and the level of head office resource that is required to meet the requirements of the landlord.



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