West Midlands Regional Assembly

WEST MIDLANDS REGIONAL CENTRES STUDY - FURTHER UPDATE, MAY 2009

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1 BACKGROUND TO THE FURTHER UPDATE

The West Midlands Regional Centres Study, March 2006 (WMRCS)

1.1 In March 2006, Roger Tym and Partners produced the West Midlands Regional Centres Study (CD120), to form part of the evidence base of the Phase 2 Revision of the Regional Spatial Strategy (RSS). The Study aimed to identify:

i) the scale of comparison retail, office and leisure development that should be accommodated in the Region in the period to 2011, and in more broad indicative terms from 2011 to 2021;

ii) how any identified growth in demand for retail, leisure and office development should be distributed across the region, taking into account the provisions of adopted development plans;

iii) how any identified capacity can be diverted to those centres which will:

a) best promote accessibility and use of sustainable modes of transport;

b) be least likely to undermine vulnerable centres; and

c) best meet any gaps in retail, leisure and office provision across the Region; and

iv) the market's perceptions of the opportunities for major investment.

1.2 The West Midlands Regional Centres Study (WMRCS) was used to inform the preparation of the Spatial Options for the Phase 2 Revision, which was the subject of consultation between 8 January and 5 March 2007.

1.3 The WMRCS was also the subject of discussion at the Examination in Public into the Phase 1 RSS Revision in January 2007. The Panel Report was published in March 2007, and it made a number of observations in relation to comparison retail floorspace requirements. These were set out in paragraphs 7.4 to 7.7 of the Panel's Report, but the key issues were:

i) the need for the Black Country figures to be calculated on the same basis as those for the rest of the region;

ii) the need to take account of population projections arising from the Phase 2 housing proposals; and

iii) the need to take into account the most up-to-date information on e-tailing and other aspects of the floorspace projections.

WMRCS Update, November 2007 and Phase 2 Preferred Option

1.4 The Regional Assembly, therefore, commissioned Roger Tym & Partners to undertake an update of the WMRCS in so far as it relates to comparison retail floorspace needs, and this first update was published in November 2007 (CD121).

1.5 For the purposes of this first Update report, we were instructed that the network of strategic centres should reflect the Panel's recommendations in respect of the Phase 1 RSS Revision, so that Dudley was excluded, whereas Brierley Hill/Merry Hill was included. These changes in the network of strategic centres were confirmed when the Phase 1 Revision to the RSS was approved in January 2008.

1.6 The findings of the November 2007 Update were used as the basis for the comparison retail floorspace requirements set out in Policy PA12A of the Phase Two Revision Preferred Option, which was published in December 2007.

1.7 The consultation process on the Preferred Option ended on 8 December 2008, following receipt of representations from 680 respondents, including GOWM, who put forward its suggestions for the matters to be discussed in relation to strategic centres, as follows:

1. *Is there any evidence that there should not be a 5 year distribution of retail and office development in Policies PA12A and PA13A?*
2. *What is the evidence to support the high levels of growth in retail floorspace for the period 2021-2026, particularly in the light of comments in the supporting paragraphs regarding uncertainty of forecasting?*
3. *Are there any broad locations within or on the edge of non-strategic centres, which can be identified for the additional office development outside the network of strategic centres which can be included in Policy PA13B?*

1.8 In addition, the West Midlands Regional Assembly anticipated that the Panel would wish to be advised as to:

- *'Whether the credit crunch has any implications for the comparison retail and office floorspace proposals within the Preferred Option.*
- *The extent to which the retail and office floorspace proposals for the individual centres are sensitive to changes in the number/distribution of the new housing allocations.'*

Current Instructions

1.9 Thus, in order to be able to respond to these issues at the examination, should they arise, the Assembly appointed Roger Tym & Partners, in February 2009, to undertake a further review of the background data. Our specific instructions were as set out below:

'A1. Comparison Retail Floorspace

a) Provide the most up to date information on the key assumptions used in the projections, including:

- *Per capita comparison expenditure forecasts*
- *Estimates of changes in floorspace efficiency*
- *The growth of special forms of trading*

b) Provide a brief commentary on the implications of any changes in this information for the robustness of the comparison floorspace projections. This should include the preparation of a 'retail trajectory' to demonstrate how the projected retail requirements will emerge over the period of the RSS.

A2. Office Floorspace

Provide a commentary on the continued validity of the economic forecasts which underpin the office floorspace projections in the light of the credit crunch. Again this should include a trajectory showing how the requirements will emerge over time.

A3. Effects of Changes in the Distribution of New Housing

Consider the reviewed new housing distribution proposed in the GOWM response, and provide a commentary on the sensitivity of the retail and office floorspace projections to the changes proposed.'

Structure of Report

1.10 Thus, the remainder of our report is structured, as follows:

- Section 2 provides our review of comparison floorspace requirements, taking into account the latest expenditure growth forecasts from Pitney Bowes/MapInfo/ Oxford Economics and Experian and changes to other key data inputs;

- Section 3 provides our commentary on the current validity of the economic forecasts which underpinned the office floorspace projections used in the WMRCS;
- Section 4 provides our commentary on the sensitivity of the retail and office floorspace projections to the revisions to the quantum and distribution of housing that is proposed by GOWM in its response to the Preferred Option; and
- Section 5 provides our overall conclusions on the implications for the Phase Two Preferred Option.

1.11 We have not updated the February 2005 survey of households which established the pattern of comparison goods expenditure at that time. Nevertheless, we consider that the survey findings are sufficiently up-to-date to form a reliable assessment of the base position for comparison goods spending, as at 2006.

1.12 All retail floorspace figures in this report are expressed in terms of sq.m sales areas (net). In order to derive gross floorspace estimates, we recommend the application of a net to gross ratio in the range 70 per cent to 75 per cent.

1.13 All expenditure figures are expressed in year 2006 prices (except in Spreadsheet B, where several price bases are compared).

2 REVIEW OF COMPARISON RETAIL FLOORSPACE REQUIREMENTS

Introduction

2.14 There have been important changes in the UK economy since our first Update of November 2007. Indeed, it is now known that the UK's economy contracted by 2.1 per cent in the second half of 2008 and the 2009 budget forecast anticipates a fall in GDP in 2009 of around 3.5 per cent, but with some growth anticipated in 2010, at 1.25 per cent. As a consequence of the recession, the two major providers of data on retail spending have both published new forecasts for future growth in comparison goods spending per head in the period up to 2016, as follows:

Comparison Goods Retail Spending Forecasts – Per Cent, Per Capita, Per Annum

	Pitney Bowes/MapInfo/Oxford Economics		Experian	
Date of Forecast	October 2008	March 2009	September 2008	February 2009
Period of Forecast	2006-18	2008-2016	2008-2016	2008-2016
Rate of Forecast	4.0% pc, pa	2.31% pc, pa	3.2% pc, pa	1.3% pc, pa

2.15 Thus, it can be seen that both organisations have substantially reduced their forecast growth rates for comparison goods spending in the period 2008 to 2016; the current range is from 1.3 per cent, per capita, per annum (Experian) to 2.31 per cent, per capita, per annum (MapInfo).

2.16 However, neither of the year 2009 forecasts goes beyond 2016, so we have to apply judgment in establishing the most appropriate growth rates for the periods 2016 to 2021 and from 2021 to 2026, as discussed later.

2.17 In addition to the changes to forecasts of growth in comparison goods spending, there have been other changes since our November 2007 Update which have implications for the assessment of comparison goods floorspace requirements and the trajectory of potential demand; these are:

i) the availability of the ONS 2006 – based sub-national population forecasts for each of the administrative areas in the West Midlands Study Area;

ii) the availability of new per capita expenditure data from MapInfo in relation to the 2006 base year; the first update being based on 2004 data in 2004 prices, but with this further update using 2006 data in 2006 prices;

iii) more recent information from Experian in relation to the projected future change in floorspace efficiency, as published in Retail Planner Briefing Note 6.1;

iv) more recent information from Experian in relation to projected change in the proportion of comparison goods expenditure accounted for by Special Forms of Trading (SFT); and

v) the potential effects of changes in the quantum and distribution of new housing proposed by GOWM (as discussed in Section 4 of our report).

2.18 Thus, we discuss each of these data input changes, in turn, prior to assessing the implications for the region-wide comparison goods floorspace requirements and the distribution of those requirements.

Data Input Changes

Comparison Goods Expenditure Growth Per Capita

2.19 The comparison goods per capita expenditure growth rates used in this further update are as set out in Table 2.1.

Table 2.1 Per Capita Comparison Goods Expenditure Growth (2006-2026)

Year	No of Years		Rate Per Annum	Source
2006-2007	1		4.910%	Oxford Economics Retail Briefings Update Revised March 2009
2006-2008	1		4.910%	Oxford Economics Retail Briefings Update Revised March 2009
2008-2016	8	Low	1.300%	Experian Retail Planner Briefing Note 6.1 February 2009 Changes, Table 3
		Med	1.805%	Midpoint of MapInfo/Experian
		High	2.310%	MapInfo, Retail Spending Outlook Revised Version March 2009
2016-2021	5	Low	5.600%	MapInfo Brief 08/02, medium term past trend, Table 3
		Med	5.850%	Midpoint of MapInfo/Experian
		High	6.100%	Experian Retail Planner Briefing Note 6.1, medium term past trend, Table 3.2
2021-2026	5	Low	3.900%	MapInfo Brief 08/02, ultra long term past trend, Table 3
		Med	4.250%	Midpoint of MapInfo/Experian
		High	4.600%	Experian Retail Planner Briefing Note 6.1, ultra long term past trend, Table 3.2

2.20 For the two year period 2006-2008 we use the actual comparison goods rate provided by Pitney Bowes/MapInfo/Oxford Economics Retail Spending Outlook of March 2009 (as revised); this equates to 4.910 per cent, per capita, per annum. For the eight year period 2008-2016 we use a range of the recent forecasts from the low figure of 1,300 per cent per capita, per annum, provided by Experian in February 2009, to the high figure of 2,310 per cent, per capita, per annum, provided by MapInfo/Oxford Economics in March 2009. The medium rate for 2008-2016 becomes a midpoint between the two forecasts.

2.21 However, as stated earlier, neither forecaster appears to be willing to go beyond 2016. Thus, in making judgments of the likely comparison goods growth rates in the five year period 2016 to 2021, and from 2021 to 2026, we have looked back at previous history, as set out in Table 1 of MapInfo Brief 08/02, as reproduced below..

Table 1: UK annual average consumer retail expenditure by goods type (2003 prices)

	Expenditure per capita (£) (percentage change from the previous year)			Price Indices (2003=100)		
	Convenience Goods	Comparison Goods	All Goods	Convenience Goods	Comparison Goods	All Goods
1981	1,422 -2.2%	886 -1.0%	2,308 -1.7%	43.3	62.3	50.6
1982	1,389 -2.3%	902 1.8%	2,291 -0.7%	47.2	66.1	54.7
1983	1,397 0.6%	945 4.8%	2,343 2.3%	49.8	70.0	58.0
1984	1,380 -1.3%	986 4.3%	2,365 1.0%	53.2	72.9	61.4
1985	1,385 0.4%	1,035 5.0%	2,420 2.3%	55.9	77.1	64.9
1986	1,409 1.8%	1,117 7.9%	2,526 4.4%	58.3	79.9	67.9
1987	1,433 1.7%	1,200 7.4%	2,633 4.2%	60.4	82.5	70.5
1988	1,452 1.3%	1,300 8.3%	2,752 4.5%	62.8	85.4	73.5
1989	1,470 1.2%	1,340 3.1%	2,810 2.1%	66.2	89.0	77.1
1990	1,466 -0.3%	1,359 1.4%	2,825 0.5%	71.4	93.3	81.9
1991	1,445 -1.4%	1,351 -0.6%	2,796 -1.0%	76.6	98.4	87.2
1992	1,435 -0.7%	1,392 3.1%	2,827 1.1%	79.4	100.6	89.8
1993	1,443 0.5%	1,451 4.2%	2,894 2.4%	81.5	101.6	91.6
1994	1,448 0.4%	1,550 6.8%	2,999 3.6%	82.7	101.4	92.3
1995	1,433 -1.1%	1,604 3.5%	3,037 1.3%	85.9	104.0	95.5
1996	1,468 2.5%	1,687 5.2%	3,156 3.9%	89.1	106.3	98.3
1997	1,480 0.8%	1,779 5.4%	3,259 3.3%	90.1	108.3	100.0
1998	1,477 -0.2%	1,877 5.5%	3,354 2.9%	92.1	109.3	101.7
1999	1,508 2.1%	2,013 7.3%	3,521 5.0%	93.7	107.9	101.8
2000	1,525 1.1%	2,175 8.1%	3,700 5.1%	94.4	105.4	100.8
2001	1,500 -1.6%	2,327 7.0%	3,827 3.4%	97.0	104.0	101.0
2002	1,527 1.8%	2,549 9.6%	4,076 6.5%	98.0	102.0	100.0
2003	1,548 1.3%	2,751 7.9%	4,299 5.5%	100.0	100.0	100.0
2004	1,581 2.1%	2,957 7.5%	4,538 5.6%	100.5	97.9	98.8
2005	1,593 0.8%	3,049 3.1%	4,642 2.3%	101.9	95.2	97.5
2006	1,609 1.0%	3,213 5.4%	4,822 3.9%	104.6	93.2	97.0
2007	1,648 2.4%	3,407 6.0%	5,055 4.8%	108.2	91.6	97.0

Average annual growth rates (calculated by fitting a log-linear regreesion line by the method of least squares to give a compound growth rate)

	Convenience Goods	Comparison Goods	All Goods	Convenience Goods	Comparison Goods	All Goods
1964-07	0.2%	3.9%	1.9%	7.3%	5.8%	7.0%
1973-07	0.3%	4.5%	2.4%	5.8%	4.2%	5.4%
1978-07	0.4%	5.0%	2.8%	4.3%	2.7%	3.8%
1983-07	0.6%	5.4%	3.2%	3.5%	1.6%	2.8%
1988-07	0.6%	5.6%	3.5%	2.8%	0.6%	1.9%
1993-07	0.9%	6.6%	4.2%	2.0%	-0.6%	0.7%
1998-07	1.1%	7.0%	4.7%	1.6%	-2.2%	-0.6%

2.22 Table 1 of MapInfo Brief 08/02 sets out the comparison goods per capita expenditure growth rate for every year going back to 1981 and so includes the two previous recessions of 1981 and 1991. Table 1 shows that there have only been two years out of the past 27 years where the comparison goods per capita expenditure change figure has been negative, these being 1981 and 1991. Furthermore, in only two further years has the comparison goods per capita growth rate dropped below 2 per cent, these being 1982 and 1990. Thus, both of the past two recessions have been followed by fairly rapid recovery in comparison goods retail spending, with the early 1980s recession followed by comparison goods growth rates which reached 7.9 per cent in 1986 and 8.3 per cent in 1988. Similarly the early 1990s recession was followed by comparison goods growth rates which reached 6.8 per cent in 1994 and 7.3 per cent in 1999.

2.23 Thus, the pattern of the two previous recessions has been for two years of low growth (one of which is negative) but followed in succeeding years by a return to short, medium and long term past trends. On the basis of this evidence, we consider that the latest projections from MapInfo and Experian for the eight year period 2008 to 2016 are cautious, even allowing for the apparent severity of the current recession.

2.24 Thus, we consider it reasonable to assume that comparison goods growth in the period 2016 to 2021 will be strong and we have therefore chosen to adopt the medium term past trends based estimates provided by MapInfo (in Table 3 of its information brief 80/02) and by Experian (as provided in Table 3.2 of its retail Planner Briefing Note 6.1); this provides a low rate of 5.6 per cent per capita, per annum, and the high rate of 6.1 per cent per capita, per annum, with the medium rate forming the midpoint between the two.

2.25 However, for the period 2021 to 2026 we feel it more appropriate to be cautious and we have therefore used the ultra-long term past trends which go back to 1964; this provides a low comparison goods expenditure growth rate of 3.9 per cent, per capita, per annum (from Table 3 of MapInfo Brief 08/02) and a high of 4.6 per cent, per capita, per annum (from Table 3.2 of Experian Retail Planner Briefing Note 6.1).

Revised Population Forecasts

2.26 In this Further Update report we have again used two population forecasts for each of the administrative areas in the West Midlands Study Area. These forecasts are set out in Spreadsheets ONSA and RSSA, at five yearly intervals up to 2026; they are derived from:

i) the ONS 2006-based sub-national forecasts for each of the administrative areas in the West Midlands Study Area; and

ii) the RSS forecasts as supplied to us by the West Midlands Regional Assembly for the purposes of our first update of November 2007 – we have not been supplied with any new population forecasts at local authority level as a result of the proposed changes to the distribution and quantum of new housing, as proposed by GOWM, in its response to the Preferred Option, although the potential impact of these proposals are discussed in Section 4.

2.27 Each of the 101 zones used in the telephone survey of households – which are based on postcodes – are allocated to the local authority area in which the zone is located (or largely located). Thus, the zonal level population forecasts at five yearly intervals up to 2026 are as set out in Spreadsheets ONS A and RSS A.

2.28 Under the 2006-based ONS forecasts, the overall Study Area population grows from 6.09 million in 2006 to 6.64 million in 2021, and to 6.82 million by 2026, a 20 year growth of 12.0 per cent. In contrast, the 2004-based ONS forecasts, which were utilised in the first update study, projected a gain from 6.08 million in 2006 to just 6.48 million in 2026. Thus, the 2006-based forecasts give a year 2026 projection which is 5.2 per cent above the 2026 projection that arises from the 2004-based forecasts

2.29 The alternative RSS forecasts project a growth from 6.09 million in 2006 to 6.43 million in 2026, which represents a lower growth over this 20 year period, of 5.6 per cent.

2.30 The administrative districts with the highest rates of population change from 2006 up to 2026, under the 2006-based ONS forecasts, are:

- South Derbyshire +35.2 per cent
- Daventry +33.5 per cent
- Warwick +26.3 per cent
- Stratford on Avon +21.1 per cent
- Hinckley & Bosworth +20.1 per cent
- West Oxfordshire +19.9 per cent
- Cherwell +19.4 per cent
- North Shropshire +19.2 per cent

2.31 The administrative districts for which the percentage population increase is anticipated to be least under the 2006-based ONS forecasts are:

- Wolverhampton +3.5 per cent
- South Staffordshire +3.5 per cent
- Dudley +4.5 per cent
- Stoke on Trent +4.6 per cent
- Newcastle under Lyme +4.6 per cent

2.32 In contrast, the administrative districts with the highest rates of population growth from 2006 up to 2026, under the RSS-based forecasts, are:

- Telford and Wrekin +25.6 per cent
- Rugby +18.4 per cent
- East Staffordshire +16.9 per cent
- Derbyshire Dales +16.9 per cent
- Coventry +16.8 per cent
- South Shropshire +13.7 per cent
- Worcester +13.4 per cent
- North Shropshire +11.9 per cent

2.33 The administrative districts for which a fall in population is anticipated from 2006 up to 2026, under the RSS-based forecasts, are:

- Wyre Forest -3.7 per cent
- Bromsgrove -3.4 per cent
- Bridgenorth -2.9 per cent
- Tamworth -2.9 per cent
- South Staffordshire -1.7 per cent
- Stoke-on-Trent -1.3 per cent

Per Capita Spending in the 2006 Base Year

2.34 For the purposes of this further update, we have used the year 2006 per capita spending levels identified in MapInfo's latest 2006 database, which are expressed 2006 prices. In contrast, the original West Midlands Regional Centres Study used MapInfo's year 2001 database in 2001 prices and the first update of November

2007 used MapInfo's year 2004 database in 2004 prices. Thus, the base year per capita spending levels are as set out in Spreadsheet Table B. The ratio of comparison goods expenditure per capita in the West Midlands Study Area, compared to the UK average, has fallen very marginally from 0.962 in 2004 to 0.957 in 2006, as set out in the final row of Spreadsheet Table B.

Change in Floorspace Efficiency

2.35 MapInfo provides no information on anticipated change in floorspace efficiency (change in retail sales per unit sales area). Experian's Retail Planner Briefing Note of October 2008, puts forward a central case for a change in comparison goods floorspace efficiency of 2.2 per cent, per annum (Page 29 of the Briefing Note). However, this was based on a past trends change in comparison goods sales turnover of 5.8 per cent per annum in the period 1987 to 1999. In our assessment, the significantly lower expenditure growth rates now projected for the period 2008 to 2016 and from 2021 to 2026 are not sufficient to support this 2.2 per cent rate of floorspace efficiency change in the future. Thus, for the purposes of this further update, we have adopted the floorspace efficiency changes set out in Table 2.2, which ties the rate of floorspace efficiency change to the medium expenditure projections for the various forecast periods used.

Table 2.2 Improvements in Comparison Goods Floorspace Efficiency from 2006 Level

Year	No of Years	Rate Per Annum	
2006-2008	2	1.85%	
2008-2016	8	0.68%	
2016-2021	5	2.20%	Experian
2021-2026	5	1.60%	

Special Forms of Trading

2.36 This Further Update report utilises low, medium and high forecasts for the proportion of comparison goods expenditure accounted for by Special Forms of Trading (SFT), as set out in Table 2.3. The 'low' scenario (where the proportion of SFT grows most, thereby leaving less for new floorspace) derives from the Experian forecast set out in Table 5.1 of its Retail Planner Briefing Note 6.1, which anticipates a growth in SFT to 13.9 per cent of comparison goods sales in 2013 and remaining constant thereafter. MapInfo again fails to provide any advice on projected change in SFT, but its 2006 base position suggests that SFT accounted for only 5.4 per cent of comparison goods expenditure at that date, compared to the corresponding figure produced by Experian for 2006 of 8.3 per cent. Thus, under the high scenario, we allow for a lower increase in the share accounted for by SFT, which peaks under this scenario at 11.0 per cent in 2016, remaining constant thereafter.

2.37 We acknowledge that there continues to be uncertainty with respect to future change in SFT. Indeed, the very definition of non-store retail sales is fraught with difficulty, so that data from organisations such as the Interactive Media in Retail Group (IMRG) bear no resemblance to estimates of e-commerce provided by ONS. A further difficulty arises in that many goods sold over the internet may still come from the shelves of conventional retail outlets, so that there is an additional uncertainty over e-tailing's precise impact on current and future retail space requirements. Thus, we have applied some sensitivity testing to assess the impact on the regional need for comparison goods floorspace of each percentage point change in the proportion of comparison goods sales accounted for by SFT (as discussed in Section 3).

Comparison Retail Commitments

2.38 For our first Update report of November 2007, the Regional Assembly provided a schedule of planning commitments for comparison goods developments that are located within and on the edge of the network of strategic centres. These commitments had an aggregate sales area of approximately 307,000 sq.m in March 2006, whereas they totalled just 203,000 sq.m sales area in the original study. Given that 2006 remains the base year and given the absence of major new retail commitments within the strategic centres since 2006, it has not been necessary to update the commitments schedule for the purposes of this Further Update.

Revised Region-wide Control Totals for Comparison Goods Floorspace Need

Introduction

2.39 There are two sets of region-wide control totals for aggregate need in the comparison goods sector. The first set utilises the ONS's 2006-based population forecasts and the second set utilises the RSS-based forecasts that were used in our first Update. Thus, the ONS spreadsheets have an ONS prefix and the RSS spreadsheets have an RSS prefix.

The ONS-Based Region-wide Control Totals

2.40 Spreadsheets ONS 1A, ONS 1B and ONS 1C replicate the spreadsheets with the same titles in the first Update report, but with the new data inputs discussed earlier in this section. The overall regional requirement from 2006 to 2021 (for those scenarios which do not involve convergence with the UK in terms of per capita expenditure) is in the range 807,863 sq.m sales area (Spreadsheet ONS 1C, for 'low' expenditure growth) to 1,341,676 sq.m sales area (Spreadsheet ONS 1A, for 'high' expenditure growth); this represents a slight reduction at the low end, but with little change at the upper end, for which the requirement remains at 1.3 million sq.m sales area in round terms; this is because the effects of lower expenditure growth in the period up to 2016 are offset by the higher population growth associated with the 2006-based ONS forecasts and because of a higher rate of growth in per capita spending in the period 2016 to 2021.

2.41 The power of exponential growth in expenditure can be seen in the region-wide quantitative need outcomes for the period up to 2026, which – for those scenarios which do not involve convergence with the UK in terms of per capita expenditure – is in the range 1,371,438 sq.m sales area (Spreadsheet ONS 1C, for 'low' expenditure growth) to 2,170,927 sq.m sales area (Spreadsheet ONS 1A, for 'high' expenditure growth). Thus, the control total range for the period 2006 to 2026 is over half as much again as the control total range for the period 2006 to 2021.

2.42 Spreadsheet ONS 1D presents the region-wide control total under Scenario 6b, which is based on a medium expenditure growth rate, but whereby per capita comparison goods expenditure in the Black Country Major Urban Areas (MUAs) converges to reach 98 per cent of the national average by 2021 and 99 per cent of the national average by 2026. The outcome for Scenario 6b is a region-wide control total in 2026 of 1,870,825 sq.m sales area (Spreadsheet ONS 1D); this is almost identical to the corresponding outcome for this scenario in our first Update report.

2.43 Spreadsheet ONS 1E presents the region-wide control total under Scenario 7, which is based on a medium expenditure growth rate, but whereby per capita expenditure in all of the Region's Major Urban Areas converge to reach 98 per cent of the national average by 2021 and 99 per cent of the national average by 2026. The outcome for Scenario 7 is a region-wide control total in 2026 of 1,974,540 sq.m sales area (spreadsheet ONS 1E); again this is almost identical to the first Update outcome for this scenario.

2.44 Spreadsheet ONS 2A summarises the regional floorspace requirements under each of the five ONS scenarios. Thus, the overall regional control total, as at 2021, varies from 807,863 sq.m sales area (for ONS Low) to 1,341,676 sq.m sales area (for ONS High). At 2026, the range is from 1,371,438 sq.m sales area (for ONS Low) to 2,170,927 sq.m sales area (for ONS High).

2.45 Table ONS 2B reveals that for each percentage point change in the proportion of comparison goods sales accounted for by SFT (mainly e-tail), there is an impact on the regional control total for 2021, under the ONS Medium scenario, of approximately 39,600 sq.m sales area. Thus, if the share of comparison goods sales accounted for by SFT was to increase to, say, 14 per cent as opposed to the mid range assumption of 12.45 per cent, there would be a reduction in the overall regional control total of approximately 61,400 sq.m by 2021 and by approximately 71,700 sq.m by 2026.

The RSS-Based Region-wide Control Totals

2.46 Spreadsheets RSS 1A, RSS 1B and RSS 1C set out the region-wide control totals for comparison goods need, utilising the RSS-based population projections and high, medium and low expenditure growth rates, respectively. The need is assessed at five-yearly intervals from 2006 up to 2026 The overall regional requirement from 2006 to 2021 (for those scenarios which do not involve convergence with the UK in terms of per capita expenditure) is in the range 632,853 sq.m sales area (Spreadsheet RSS 1C, for 'low' expenditure growth) to 1,141,908 sq.m sales area (Spreadsheet RSS 1A, for 'high' expenditure growth); this control total range represents a substantial reduction compared to the ONS region-wide control totals and this reflects the fact that we have retained the same RSS population change as in the first update of November 2007, whereas these further revisions incorporate the lower expenditure growth rates assumed up to 2016.

2.47 Once again, however, the power of exponential growth in expenditure can be seen in the region-wide quantitative need outcomes for the period up to 2026, which – for those scenarios which do not involve convergence with the UK in terms of per capita expenditure – is in the range 1,125,198 sq.m sales area (Spreadsheet RSS 1C, for 'low' expenditure growth) to 1,881,005 sq.m sales area (Spreadsheet RSS 1A, for 'high' expenditure growth). Thus, as was the case for the ONS-based assessment, the control total range for the RSS assessment, for the period 2006 to 2026, is over half as much again as the control total range for the period 2006 to 2021.

2.48 Spreadsheet RSS 1D presents the region-wide control total under Scenario 6b, which is based on a medium expenditure growth rate, but whereby per capita comparison goods expenditure in the Black Country Major Urban Areas (MUAs) converges to reach 98 per cent of the national average by 2021 and 99 per cent of the national average by 2026. The outcome for Scenario 6b is a region-wide control total in 2026 of 1,598,185 sq.m sales area (Spreadsheet RSS 1D), which is some 13 per cent below the corresponding outcome for the First Update.

2.49 Spreadsheet RSS 1E presents the region-wide control total under Scenario 7, which is based on a medium expenditure growth rate, but whereby per capita expenditure in all of the Region's Major Urban Areas converge to reach 98 per cent of the national average by 2021 and 99 per cent of the national average by 2026. The outcome for Scenario 7 is a region-wide control total in 2026 of 1,696,475 sq.m sales area (Spreadsheet RSS 1E), which again is 13 per cent below the outcome of the first Update.

2.50 Spreadsheet RSS 2A summarises the regional floorspace requirements under each of the five RSS scenarios. Thus, the overall regional control total, as at 2021, varies from 632,853 sq.m sales area (for RSS Low) to 1,141,908 sq.m sales area (for RSS High). At 2026, the range is from 1,125,198 sq.m sales area (for RSS Low) to 1,881,005 sq.m sales area (for RSS High).

2.51 Table RSS 2B reveals that for each percentage point change in the proportion of comparison goods sales accounted for by SFT (mainly e-tail), there is an impact on the regional control total for 2021, under the RSS Medium scenario, of 37,700 sq.m sales area. Thus, if the share of comparison goods sales accounted for by SFT was to increase to 14 per cent from the Medium assumption of 12.45 per cent, the impact on the regional control total is a reduction of 58,500 sq.m sales area by 2021 and a reduction of 67,700 sq.m by 2026.

Distribution of Identified Need

ONS-Based Distribution

ONS Need in the Period up to 2021

2.52 Spreadsheets ONS 4 to ONS 8 distribute the regional requirement of up to 2021 for Option 1 (status quo), Option 3 (focus on MUA centres), Option 6B (per capita expenditure convergence in Black Country MUAs and focus on Walsall, West Bromwich and Wolverhampton), Option 7 (per capita expenditure convergence in all MUAs) and Option 10 (focus on MUA centres and sub-regional foci centres). For Options 3 and 10 we use the ONS medium expenditure control total for floorspace derived from Spreadsheet ONS 1B; for Option 6B we use the control total set out in Spreadsheet ONS 1D; and for Option 7 we use the control total set out in Spreadsheet ONS 1E.

2.53 We have made three refinements to the methodology employed in the original WMRCS. First, we ensure that the minimum requirement for the 15 year period from 2006 up to 2021, in each of the strategic centres (before commitments), is 15,000 sq.m sales area. This represents a reduction from the 20,000 sq.m threshold used in our first update on the grounds that the aggregate floorspace requirements under the 'low' and 'medium' ONS scenarios are lower than in 2007. The second adjustment is to allow the model to calculate floorspace figures for each of the four Black Country Centres, so as to derive a sub-total for the Black Country, but with that sub-total then distributed pro-rata to the RSS Phase One Revision recommendations. Thirdly, we have placed a cap on Solihull at 40,000 sq.m sales area, which compares with its status quo share in Spreadsheet ONS 4 of 44,157 sq.m sales area; the cap reflects capacity constraints which exist in Solihull town centre and its relatively recent expansion.

2.54 We have used the same schedule of commitments, as at March 2006, that was used in our first Update report of November 2007. If we ignore the status quo Option 1 (Spreadsheet ONS 4), the only centre for which the residual requirement up to 2021 is negative, after commitments, is Wolverhampton (see final column of Spreadsheets ONS 5 to ONS 8).

2.55 Thus, Table 2.3 summarises the range in the comparison goods sales area requirements, before commitments, for each of the strategic centres, up to 2021. The range for each centre is derived from Spreadsheets ONS 5 to ONS 8, having rejected the status quo scenario set out in Spreadsheet ONS 4. The final column of Table 2.3 gives the mid-point in the ONS-based sales area requirement up to 2021, prior to allowing for commitments.

Table 2.3 ONS-Based Range of Comparison Sales Area Requirements up to 2021, Before Commitments

Tier	Centre	Minimum Sq.m sales (net)	Maximum Sq.m sales (net)	Mid-point Sq.m sales (net)
1	Birmingham	164,000	182,000	173,000
2	Brierley Hill/Merry Hill	42,000	52,000	47,000
2	Coventry	63,000	72,000	68,000
2	Hanley	55,000	62,000	58,000
2	Wolverhampton	44,000	56,000	50,000
3	Solihull*	40,000	40,000	40,000
3	Worcester	32,000	41,000	36,000
3	Shrewsbury	31,000	39,000	35,000
3	Walsall	37,000	46,000	41,000
3	Telford	27,000	33,000	30,000
3	Hereford	24,000	30,000	27,000
3	Burton-on-Trent	26,000	33,000	30,000
3	Leamington Spa	24,000	33,000	29,000
4	Stafford	19,000	25,000	22,000
4	Redditch	19,000	24,000	21,000
4	Sutton Coldfield	22,000	26,000	24,000
4	Kidderminster	15,000	20,000	18,000
4	Stratford-upon-Avon	15,000	19,000	17,000
4	Tamworth	16,000	20,000	18,000
4	Nuneaton	15,000	19,000	17,000
4	Rugby	15,000	18,000	16,000
4	Newcastle under Lyme	15,000	16,000	16,000
4	Cannock	15,000	16,000	16,000
4	West Bromwich	29,000	36,000	32,000
4	Lichfield	15,000	15,000	15,000

* Solihull is capped to a maximum of 40,000 sq.m sales area (net) because of capacity constraints and relatively recent expansion.
Source: Spreadsheets ONS 5 to ONS 8

ONS Need in the Period up to 2026

2.56 Spreadsheets ONS 9 to ONS 13 replicate Spreadsheets ONS 4 to ONS 8, but roll forward a further five years to 2026. Given the exponential impact of some key data inputs, such as expenditure growth rates, we would urge that the projections to 2026 are treated with a degree of caution. In rolling forward a further five years to 2026, we have increased the minimum requirement in each centre (before commitments) to 25,000 sq.m sales area (to be delivered over the 20 year period 2006 to 2026) and the cap for Solihull is increased to 50,000 sq.m sales area.

2.57 Thus, Table 2.4 summarises the range in the comparison goods sales area requirements, before commitments, for each of the strategic centres, up to 2026. The range for each centre is derived from Spreadsheets ONS 10 to ONS 13, having rejected the status quo scenario set out in Spreadsheet ONS 9. The final column of Table 2.4 gives the mid-point in the ONS-based sales area requirement up to 2026, prior to allowing for commitments.

Table 2.4 ONS-Based Range of Comparison Sales Area Requirements up to 2026, Before Commitments

Tier	Centre	Minimum Sq.m sales (net)	Maximum Sq.m sales (net)	Mid-point Sq.m sales (net)
1	Birmingham	267,000	312,000	290,000
2	Brierley Hill/Merry Hill	68,000	85,000	76,000
2	Coventry	104,000	117,000	111,000
2	Hanley	89,000	100,000	94,000
2	Wolverhampton	72,000	90,000	81,000
3	Solihull*	50,000	50,000	50,000
3	Worcester	54,000	65,000	60,000
3	Shrewsbury	52,000	63,000	57,000
3	Walsall	60,000	75,000	67,000
3	Telford	44,000	52,000	48,000
3	Hereford	40,000	48,000	44,000
3	Burton-on-Trent	43,000	54,000	49,000
3	Leamington Spa	40,000	54,000	47,000
4	Stafford	32,000	40,000	36,000
4	Redditch	31,000	39,000	35,000
4	Sutton Coldfield	37,000	42,000	39,000
4	Kidderminster	25,000	32,000	28,000
4	Stratford-upon-Avon	25,000	32,000	28,000
4	Tamworth	26,000	33,000	29,000
4	Nuneaton	25,000	30,000	28,000
4	Rugby	25,000	29,000	27,000
4	Newcastle under Lyme	25,000	26,000	25,000
4	Cannock	25,000	26,000	26,000
4	West Bromwich	47,000	58,000	52,000
4	Lichfield	25,000	25,000	25,000

* Solihull is capped to a maximum of 50,000 sq.m sales area (net) because of capacity constraints and relatively recent expansion.

Source: Spreadsheets ONS 10 to ONS 13

RSS-Based Distribution

RSS Need in the Period up to 2021

2.58 Spreadsheets RSS 4 to RSS 8 distribute the regional requirement of up to 2021 for Option 1 (status quo), Option 3 (focus on MUA centres), Option 6B (per capita expenditure convergence in Black Country MUAs and focus on Walsall, West Bromwich and Wolverhampton), Option 7 (per capita expenditure convergence in all MUAs) and Option 10 (focus on MUA centres and sub-regional foci centres). For Options 3 and 10 we use the RSS medium expenditure control total for floorspace derived from Spreadsheet RSS 1B; for Option 6B we use the control total set out in Spreadsheet RSS 1D; and for Option 7 we use the control total set out in Spreadsheet RSS 1E.

2.59 As was the case in the ONS-based assessment, we have made three refinements to the methodology employed in the original study. First, we ensure that the minimum requirement for the 15 year period from 2006 up to 2021, in each of the strategic centres (before commitments), is 15,000 sq.m sales area. The second adjustment is to allow the model to calculate floorspace figures for each of the four Black Country Centres, so as to derive a sub-total for the Black Country, but with that sub-total then distributed pro-rata to the RSS Phase One Revision recommendations. Thirdly, we have placed a cap on Solihull at 40,000 sq.m sales area, which compares with its status quo share in Spreadsheet RSS 4 of 35,743 sq.m sales area; the cap reflects capacity constraints and relatively recent expansion.

2.60 We have used the same schedule of commitments, as at March 2006, that was used in our first Update report of November 2007. If we ignore the status quo Option 1 (Spreadsheet RSS 4), the only centres for which the residual requirement up to 2021 is negative, after commitments, are Wolverhampton and Hanley (see final column of Spreadsheets RSS 5 to RSS 8).

2.61 Thus, Table 2.5 summarises the range in the comparison goods sales area requirements, before commitments, for each of the strategic centres, up to 2021. The range for each centre is derived from Spreadsheets RSS 5 to RSS 8, having rejected the status quo scenario set out in Spreadsheet RSS 4. The final column of Table 2.5 gives the mid-point in the RSS-based sales area requirement up to 2021, prior to allowing for commitments.

Table 2.5 RSS-Based Range of Comparison Sales Area Requirements up to 2021, Before Commitments

Tier	Centre	Minimum sqm sales (net)	Maximum sqm sales (net)	Mid-point sqm sales (net)
1	Birmingham	131,000	151,000	141,000
2	Brierley Hill/Merry Hill	35,000	44,000	40,000
2	Coventry	55,000	65,000	60,000
2	Hanley	45,000	53,000	49,000
2	Wolverhampton	37,000	46,000	42,000
3	Solihull	36,000	40,000	38,000
3	Worcester	27,000	35,000	31,000
3	Shrewsbury	26,000	34,000	30,000
3	Walsall	31,000	39,000	35,000
3	Telford	24,000	30,000	27,000
3	Hereford	20,000	26,000	23,000
3	Burton-on-Trent	21,000	28,000	25,000
3	Leamington Spa	17,000	26,000	21,000
4	Stafford	16,000	21,000	19,000
4	Redditch	15,000	20,000	18,000
4	Sutton Coldfield	18,000	21,000	19,000
4	Kidderminster	15,000	16,000	16,000
4	Stratford-upon-Avon	15,000	15,000	15,000
4	Tamworth	15,000	17,000	16,000
4	Nuneaton	15,000	16,000	15,000
4	Rugby	15,000	15,000	15,000
4	Newcastle under Lyme	15,000	15,000	15,000
4	Cannock	15,000	15,000	15,000
4	West Bromwich	24,000	30,000	27,000
4	Lichfield	15,000	15,000	15,000

* Solihull is capped to a maximum of 40,000 sq.m sales area (net) because of capacity constraints and relatively recent expansion.
Source: Spreadsheets RSS 5 to RSS 8

RSS Need in the Period up to 2026

2.62 Spreadsheets RSS 9 to RSS 13 replicate Spreadsheets RSS 4 to RSS 8, but roll forward a further five years to 2026. Given the exponential impact of some key data inputs, such as expenditure growth rates, we would urge that the projections to 2026 are treated with a degree of caution. In rolling forward a further five years to 2026, we have increased the minimum requirement in each centre (before commitments) to 25,000 sq.m sales area (to be delivered over the 20 year period 2006 to 2026) and the cap for Solihull is increased to 50,000 sq.m sales area.

2.63 Thus, Table 2.6 summarises the range in the comparison goods sales area requirements, before commitments, for each of the strategic centres, up to 2026. The range for each centre is derived from Spreadsheets RSS 10 to RSS 13, having rejected the status quo scenario set out in Spreadsheet RSS 9. The final column of Table 2.6 gives the mid-point in the RSS-based sales area requirement up to 2026, prior to allowing for commitments.

Table 2.6 RSS-Based Range of Comparison Sales Area Requirements up to 2026, Before Commitments

Tier	Centre	Minimum Sq.m sales (net)	Maximum Sq.m sales (net)	Mid-point Sq.m sales (net)
1	Birmingham	221,000	259,000	240,000
2	Brierley Hill/Merry Hill	60,000	74,000	67,000
2	Coventry	95,000	109,000	102,000
2	Hanley	76,000	87,000	81,000
2	Wolverhampton	63,000	78,000	71,000
3	Solihull*	50,000	50,000	50,000
3	Worcester	48,000	58,000	53,000
3	Shrewsbury	46,000	56,000	51,000
3	Walsall	53,000	65,000	59,000
3	Telford	41,000	50,000	45,000
3	Hereford	35,000	43,000	39,000
3	Burton-on-Trent	39,000	47,000	43,000
3	Leamington Spa	33,000	42,000	38,000
4	Stafford	29,000	35,000	32,000
4	Redditch	27,000	33,000	30,000
4	Sutton Coldfield	30,000	34,000	32,000
4	Kidderminster	25,000	26,000	26,000
4	Stratford-upon-Avon	25,000	25,000	25,000
4	Tamworth	25,000	27,000	26,000
4	Nuneaton	25,000	26,000	25,000
4	Rugby	25,000	26,000	25,000
4	Newcastle under Lyme	25,000	25,000	25,000
4	Cannock	25,000	25,000	25,000
4	West Bromwich	41,000	51,000	46,000
4	Lichfield	25,000	25,000	25,000

* Solihull is capped to a maximum of 50,000 sq.m sales area (net) because of capacity constraints and relatively recent expansion.
Source: Spreadsheets RSS 10 to RSS 13

Indications for the Phase 2 Revision

2.64 The gross comparison retail floorspace requirements set out under Policy PA12A of the Phase 2 Revision Preferred Option were based on the RSS ranges set out in

Tables 4.3 and 4.4 of our first Update of November 2007, but converted to gross floorspace from sales area using the ratio of 75 per cent, and rounding to the nearest 5,000 sq.m.

2.65 Thus, for each of the Tier 4 centres, apart from West Bromwich, the gross floorspace requirement is in the range 20,000 sq.m to 25,000 sq.m. In contrast, the range for Tier 4 centres in the Preferred Option document is from 25,000 sq.m to 35,000 sq.m gross. However, by 2026 the gross floorspace requirement for the Tier 4 centres, apart from West Bromwich, is in the range 35,000 sq.m to 45,000 sq.m, which is not too dissimilar to the outcome of our first Update.

2.66 For the Tier 3 centres the gross floorspace need up to 2021 is in the range 30,000 sq.m to 50,000 sq.m, whereas in the Preferred Option the range up to 2021 for Tier 3 centres is from 35,000 sq.m gross to 60,000 sq.m gross.

2.67 By 2026, however, the gross floorspace requirement for Tier 3 centres is in the range 50,000 sq.m to 80,000 sq.m, which again is not too dissimilar to the outcome of our first Update, but slightly lower nevertheless.

2.68 For the Tier 2 centres, the gross floorspace need up to 2021 is in the range 55,000 sq.m to 80,000 sq.m. Whereas in the Preferred Option the range up to 2021 for Tier 2 centres is from 65,000 sq.m to 95,000 sq.m gross.

2.69 However, by 2026 the gross floorspace requirement for the Tier 2 centres ranges from 90,000 sq.m to 135,000 sq.m, which yet again is not too dissimilar to the outcome of our first Update.

2.70 For Birmingham City Centre, the requirement up to 2021 reduces to 190,000 sq.m gross, compared to the 225,000 sq.m figure used in the Preferred Option and by 2026 the gross floorspace requirement is 320,000 sq.m, which compares to the figure of 355,000 sq.m in the Preferred Option.

2.71 The most fundamental point to make, however, is that even under the RSS scenario the retail needs which are identified in the Phase Two Revision will arise by 2023 at the latest, so that the reduced requirements identified in this further Update merely assist in the Plan, Monitor and Manage process.

3 THE ECONOMIC FORECASTS USED IN THE ASSESSMENT OF OFFICE FLOORSPACE REQUIREMENTS IN THE WMRCS

3.72 The employment forecasts that we used in assessing the office requirements in the WMRCS derived from Cambridge Econometrics' Multi Sectoral Dynamic Model. In particular, we utilised Cambridge Econometrics' forecasts of change in employment in the Financial and Business Services (FBS) sector in each of the region's districts from 2001 to 2021. These forecasts produced a region-wide growth rate in this FBS sector of approximately 2.1 per cent, per annum and an absolute growth in jobs in the FBS sector from 2001 to 2021 of approximately 208,000. In turn, this growth in FBS jobs translated into a region-wide office requirement of approximately 3.7 m sq. m (see Appendix 3 of Technical Paper 6 of the WMRCS and Table 6.10 of the Main Report).

3.73 However, these Cambridge Econometrics forecasts derived from earlier versions of its macro-economic model and the brief for this current update requires a commentary on the continued validity, or otherwise, of these forecasts, given the implications of the credit crunch and current recession. As a consequence, we have referred to Cambridge Econometrics' February 2009 publication, entitled 'Economic Prospects for the Nation and the Regions of the UK February 2009'. This publication suggests that the West Midlands Region will suffer a marginal decline in total employment in the period 2007 to 2020 and that growth in the FBS sector from 2010 to 2020 will be reduced to a rate of 0.5 per cent, per annum, whereas the 2005 version of this publication produced a growth in the FBS sector between 2004 and 2015 of 1.9 per cent, per annum.

3.74 Thus, although the forecast periods overlap only in part, it is possible that the growth rate in the FBS sector in the West Midlands up to 2026 might be significantly lower than that envisaged in the WMRCS. Indeed, Cambridge Econometrics anticipates that the West Midlands will recover from the recession at a slower rate than the UK, and the main reason is that Cambridge Econometrics considers that the more competitive UK markets in the South East will recover first, with a tendency to pull labour away from other areas such as the West Midlands. Another factor is that the current recession – contrary to some earlier predictions - has directly influenced the manufacturing sector which remains concentrated in the region. In turn, the direct impact on the manufacturing sector has had spill over impacts on those office related services which are dependent on manufacturing.

3.75 What then are the implications for the office floorspace requirements incorporated in Policy PA13A of the preferred option document? We have three broad comments, as follows:

i) It is likely that the requirements set out in Policy PA13A will prove challenging, but that the main impact of the current recession is on the trajectory of requirements so that demand is delayed until later in the RSS lifetime or a few years beyond it and that this can be dealt with through the plan, monitor and manage process;

ii) Cambridge Econometrics' gloomy prognosis for the West Midlands Region makes it even more imperative to support growth in the Financial and Business Services sector, through the provision of quality office stock in those locations within the region that remain competitive; and

iii) As in the retail sector, we consider there is a risk that the economic forecasters have been slow to react to the recession, but have then over reacted.

3.76 In these circumstances, we recommend that there is a recognition in the explanatory wording to Policy PA13A to the effect that much of the demand projected for the period up to 2026 will occur towards the middle and later parts of the RSS lifetime and mainly after 2016 and that there should be strong emphasis on monitoring and management.

4 THE POTENTIAL IMPACT OF GOWM'S PROPOSALS IN RELATION TO THE QUANTUM AND DISTRIBUTION OF HOUSING

4.77 In this section we provide commentary on the sensitivity or otherwise of the retail and office projections to the revisions proposed by GOWM in relation to the overall quantum and distribution of housing. In summary, the Government Office is advocating up to an additional 80,000 dwellings above the level proposed in the Preferred Option, using the distribution proposed under NLP's Scenarios 2 and 3, as set out on pages 63 and 64 of its representation on the Preferred Option.

4.78 The first point to note, is that retail spending and labour supply are influenced by changes in population, and not by changes in households. In turn, it has to be recognised that the higher household numbers advocated by GOWM will not necessarily result in a higher overall regional population; this is because of the continuing reduction in average household size. Thus, the impact of GOWM's proposals would be to affect the distribution of population compared to that which would result from the Preferred Option and not necessarily the overall regional population.

4.79 In these circumstances, areas such as the Black Country - where no additional housing allocations arise under NLP's Scenario's 2 and 3, compared to the preferred option - would secure a lower population over the lifetime of the RSS. Conversely, those districts such as Solihull, Stratford-upon-Avon and Warwick, for which higher housing allocations are proposed, would achieve a higher population.

4.80 In turn, the revised distribution of population is likely to have some impact on the distribution of comparison goods retail needs and on the pattern of demand for offices. However, such changes in distribution of population should not be over emphasised and the primary driver of demand for comparison goods floorspace is the projected increase in per capita spending, rather than the marginal impacts of the geography of distribution. Likewise, in the office sector it is the perceptions of the market, infrastructure considerations and proximity to customers that can be as, or even more important than proximity to labour supply, particularly in the context of the densely developed Major Urban Areas where labour markets are contiguous.

4.81 Thus, we set out in the table below an indication of the likely direction of change in relation to the retail and office demands in each of the strategic centres. However, in no case do we anticipate such an impact as to materially alter the distribution that appears under Policies PA12A and PA13A and, in most centres, the impact on both retail and office floorspace demand is anticipated to be less than 5,000 sq.m in each sector.

The Potential Impact of GOWM's Proposals for Housing on the Demand for Retail and Office Floorspace in the Region's Network of Strategic Centres

	NLP Scenario 2	NLP Scenario 3
Birmingham	Increase	Increase
Brierley Hill	Reduction	Reduction
Burton-on-Trent	No Change	Increase
Cannock	Reduction	Reduction
Coventry	Reduction	Reduction
Hereford	No Change	No Change
Kidderminster	No Change	Increase
Leamington Spa	Increase	Increase
Lichfield	Reduction	Reduction
Newcastle-under-Lyme	No Change	No Change
Nuneaton	Reduction	Reduction
Redditch	No Change	No Change
Rugby	No Change	Increase
Shrewsbury	No Change	No Change
Solihull	Increase	Increase
Stafford	No Change	Reduction
Stoke-on-Trent	Increase	Increase
Stratford-upon-Avon	Increase	Increase
Sutton Coldfield	No Change	No Change
Tamworth	Reduction	Reduction
Telford	Increase	Increase
Walsall	Reduction	Reduction
West Bromwich	Reduction	Reduction
Wolverhampton	Reduction	Reduction
Worcester	No Change	Increase

4.82 Nevertheless, some tentative conclusions that can be drawn from the GOWM proposals for housing are that there would be:

i) some shift in the focus in investment away from the Major Urban Areas;

ii) some shift towards the South Eastern part of the region;

iii) some beneficial impact on centres with aspirations of higher levels of growth , such as Telford; and

iv) some further difficulties for centres facing physical constraints such as, Solihull, Stratford-upon-Avon and Leamington Spa.