BASELINE REVIEW

Cinderford Northern Quarter, Forest of Dean

July 2009
## CONTENTS

1. INTRODUCTION ............................................................................................................. 3
2. ECONOMIC OVERVIEW ............................................................................................. 4
3. OFFICE BASELINE ..................................................................................................... 8
4. INDUSTRIAL BASELINE ............................................................................................. 13
5. RETAIL BASELINE ................................................................................................... 18
6. LEISURE BASELINE ................................................................................................. 21
7. RESIDENTIAL BASELINE .......................................................................................... 23
8. EDUCATION BASELINE ............................................................................................ 30
9. CONCLUSION ............................................................................................................. 31
1. INTRODUCTION

1.1 GVA Grimley has been instructed by Alan Baxter Associates to prepare a baseline review as part of a comprehensive Masterplan and statutory Area Action Plan for the Northern Quarter of Cinderford. The project is being run jointly by the Homes & Communities Agency (HCA) and Forest of Dean District Council (FoDDC).

1.2 This report reviews demand, supply, values and take-up in the office, retail, industrial, residential and leisure markets in the context of Cinderford’s competitive position relative to competing local centres and seeks to identify the strengths, weaknesses, opportunities and threats that the town must contend with if it is to secure a prosperous and sustainable future. As this is a baseline report, it does not provide a forward looking view on the emerging proposals for the Northern Quarter, which will be picked up later in the delivery strategy once more detailed masterplanning has been completed.

1.3 The following table illustrates distances from Cinderford to the main competing local centres. The town’s proximity to Gloucester is emphasised by data from FoDDC showing a large number of out-commuters from the Forest is to Gloucester, which accounts for 33% of the Forest’s out-commuting.

<table>
<thead>
<tr>
<th>Distances from Cinderford to nearest local centres</th>
<th>KM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gloucester</td>
<td>22</td>
</tr>
<tr>
<td>Bristol</td>
<td>64</td>
</tr>
<tr>
<td>Cardiff</td>
<td>80</td>
</tr>
<tr>
<td>Dursley</td>
<td>46</td>
</tr>
<tr>
<td>Chepstow</td>
<td>35</td>
</tr>
</tbody>
</table>
2. ECONOMIC OVERVIEW

2.1 This section provides commentary on the current economic position and trends for the UK, taken from GVA Grimley’s Economic & Property Market Review in April 2009.

2.2 Economic output fell -1.9% in Q1 2009, -1.6% in Q4 2008 and -0.7% in Q3 2008, a total decline of -4.2% from the Q1 2008 peak. This compares with an overall decline in the last recession of -2.5%. Although the speed and magnitude of the recession have been dramatic and the recession continued to worsen in Q1, the decline appears to be close to levelling out. Recent forward looking monthly survey data from CIPS even suggests some improvement has occurred in recent months, as the chart below shows.

2.3 Once again manufacturing showed the steepest decline of -6.2% in Q1, followed by construction at -2.4%, finance and business services at -1.8% and Services as a whole at -1.2%. The chart below shows the financial sector weakened noticeably in Q1, whereas construction output improved, but still shrank markedly and more so than the financial sector. The retail sector, in terms of the volume of retail sales, looks comparatively robust with positive growth of 0.9% in Q1, which no doubt reflects the effect of low interest rates, continuous in-store discounting and the growth of the internet.
2.4 The economic outlook for 2009 suggests we will see the largest fall in output of any year since the end of WW2, with most forecasts in the -3.5% to -4% range, followed by virtually zero growth in 2010. There are already some tentative signs that very low interest rates, quantitative easing, sterling’s depreciation and increased spending by the government are starting to turn the corner and that the recession will lessen progressively over the rest of the year. However, positive economic growth is unlikely until the second or third quarter of 2010.

2.5 In the budget the government took a much more optimistic view, expecting the recession to end in 2009, with fairly healthy economic growth in 2010 and strong growth from 2011 onwards. Due to the severe recession, borrowing is expected to increase to a massive £175 billion this year. Even with the strong economic growth expected by the government, combined with an equally optimistic halving in the rate of planned spending growth, the public finances are still not expected by the government to return to a comfortable level until 2017-18! A more realistic outlook suggests it will be much longer before a ‘normal’ situation returns and that the economic upturn will be relatively weak as a result.

2.6 Although the recession is very severe and is likely to be the worst since the 1930s, the latest IMF and OECD forecasts suggest that it will be even worse for many of our major competitors in 2009. The IMF expects -4.1% growth in the UK compared with -4.2% in the Euro area (for example -4.5% in Italy, -5.6% in Germany and -8% in
Ireland) and -6.2% in Japan. The IMF forecasts -2.8% in the USA, at odds with the OECD’s forecast of -4%.

2.7 Employment growth, a key indicator of occupier demand for property, is now falling year-on-year at -0.8% (December – February) compared to +1.5% 12 months previously. Claimant count unemployment increased by 74,000 (to 4.5% of total jobs) in March, slightly less than the increase in January, December and November and about half the increase recorded in February. This suggests a levelling off, or slight improvement in the underlying rate of decline. The latest consensus view is that employment growth will remain negative, falling by -2.9% in 2009 and by -1.6% in 2010, before positive growth returns in 2011. Allowing for a lag in property occupier demand, this suggests that rents will start to increase in 2012.

2.8 Interest rates are at an historic 0.5% – almost as low as they can go, and the Bank of England has moved to actively increase the money supply through a process of quantitative easing. In the short term it is hoped that this measure will increase the availability of credit in the system, however there are concerns that it could create inflation.

2.9 Parts of the retail sector are hard hit nationally as consumers rein in their spending and the growing list of retailers going into administration is adding to the void rates, with Woolworths alone adding 1.1 million sq m of vacant space to the UK’s high
streets. IPD reports a fall in UK retail rents of -1.6% in the three months from December 2008 to February 2009.

2.10 Prime Industrial rents held broadly steady during Q1 2009, with weakening occupier demand being reflected in increasing incentives. On the IPD average measure rents are now clearly falling - the drop was -1.1% in the three months to February 2009.
3. OFFICE BASELINE

3.1 Although Cinderford is within reach of major employment and residential conurbations, the town and the Forest of Dean in general operate in a market that would be considered tertiary. There has been a lack of investment in the town for many years both in terms of new development and within the current built form. There are limited employment opportunities within the Forest, partly due to the relatively inaccessible location compared to settlements off the M4 and M5 corridors.

3.2 According to data from the FoDDC the average economic activity rate in recent years has been at a lower rate than the average for Gloucestershire, which implies a reduced capacity to create wealth in the area. A further indication of the Forest's current economic position is the high proportion of the Forest's residents who work elsewhere in Gloucestershire. Research (Marketing & Workplace Study, Peter Heath Consultancy, 2008) suggests that approximately 37% of full-time workers commute out of the Forest. The same research indicates that neighbouring areas experience similar out-commuting numbers, and goes on to present data showing that people in professional and managerial roles have a higher propensity to out-commute.

3.3 Whilst manufacturing has traditionally been a key economic sector for the Forest, the services sector now dominates (Nomis, Labour Market Profile (ONS), 2007) the Forest economy representing approximately 71% of all firms in the Forest. The Workplace Study also identifies under representation of Finance, Property and Business sectors and the office market is very biased to the local economy.

3.4 Small businesses dominate in the Forest and research from the Peter Heath Consultancy (ibid) shows that within the Forest of Dean almost 75% of businesses employ four or less staff, indicating that the forest has proportionally more SMEs (small and medium sized enterprise) than England (67%) and Gloucestershire (69%). The study also identifies that approximately 20% of residents work from home. This employment profile demonstrates the importance of providing suitably sized employment provision to meet extant demand, at least in the early phases of a regenerative process.
Supply

3.5 There is limited office provision in Cinderford and office space that has been available in the town has often been small, poor quality space compared to modern standards, at very low rentals. However, Vantage Point Business Village at Mitcheldean, three miles to the north of Cinderford, which occupies the site and buildings of the former Xerox Factory provides approximately 121,000 square metres of floor space. Vantage Point has the ability to provide flexible space of varying qualities, and therefore price, at speed, to suit a range of potential occupiers as most of the space is by conversion of existing buildings. Aside from Vantage Point, current evidence for available stock is hard to uncover, but most office accommodation in Cinderford is provided in small units.

3.6 Invest in Gloucestershire (the inward investment programme run by Gloucestershire County Council) maintains a register of available office accommodation in Cinderford. We have analysed the current (February 2009) availability in Table 1 below to show the supply of available office accommodation by size range.

<table>
<thead>
<tr>
<th>Size sq m</th>
<th>0 – 50</th>
<th>50 – 250</th>
<th>251 – 500</th>
<th>501 +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

3.7 This supply bias at the lower end of the size range is underlined in the report by the Peter Heath Consultancy (*ibid*, 2008) which shows 18 units of 20 units listed in the Forest of Dean commercial property database (90%) as being under 200 sq m.

3.8 We have used the same source to analyse the current availability of out of town office space, the results of which are shown in Table 2 below:

<table>
<thead>
<tr>
<th>Size sq m</th>
<th>0 – 100</th>
<th>1,00 – 500</th>
<th>501 – 1000</th>
<th>1001 +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>7</td>
</tr>
</tbody>
</table>

3.9 The majority of the office stock in the higher size ranges is located at Vantage Point; there is no discernible current alternative supply for larger requirements.
3.10 Other towns within the Forest of Dean are similar in market position to Cinderford for office provision. The area of Monmouth, situated to the west of Cinderford has a reasonable provision of office accommodation available. The office market in Monmouth is characterised by very small requirements for small businesses and consequently there are two serviced office centres that capture the majority of the demand on flexible terms. There are also small amounts of office provision in the smaller surrounding towns, eg. Highnam approximately 3.2 km north west of Gloucester, and Aylburton approximately 1.5 km south of Lydney on the A48.

3.11 There is also some new office space that has recently been released at Alton Business Park in Ross-on-Wye, providing space ranging between 40 -1100 sq m The associated property agent has indicated that a freehold sale has been achieved on 200 sq m at £1,346 per square metre and rents are quoted at £135 per square metre.

3.12 The office market in Gloucester has for several years, been characterised by weak demand. Discussions with local agents have not uncovered any significant requirements. In contrast, demand for office accommodation at out-of-town locations, which has been strong in recent years, remains, albeit at a reduced level.

3.13 Take up in Gloucester decreased to approximately 13,500 sq m per annum, with the largest single transaction of 2008 being that of the purchase of 940 sq m of office accommodation at Waterwells Business Park. Future demand is likely to remain focused on the out of town locations, however take-up is likely to drop further from the 2008 figure. Discussions with local agents reveal that the first quarter of 2009 has seen very reduced levels of transactional activity, with very few leasehold transactions taking place; discussions with Gloucestershire First indicate that lettings are proving difficult to secure even with significant rent free periods and other incentives. Despite this, confidence in continuing demand being directed at out-of-town locations remains due to accessibility, ease of access and quality of modern buildings.

3.14 There are a number of new office schemes available in and on the outskirts of Gloucester, with the ability to supply a significant level of office and commercial accommodation. Rents in Gloucester are in the order of £172-183 per square metre.
on modern out of town properties, with rents around £108-118 per square metre in the city centre, with lower rents associated with secondary space.

3.15 The former nuclear power station at Berkeley, on the eastern bank of the River Severn 13 kilometres south of Cinderford, comprises approximately 30 ha (73.7 acres), is currently in the process of a protracted decontamination process. However having been Magnox Electric's headquarters, the site has a wealth of office accommodation. Part of the site occupied by these buildings is being cleared and delicensed to reduce regulatory restrictions on re-use, and in time this is expected to provide an opportunity to develop proposals for the sustainable use of the delicensed part of the site as an energy-focused business park. There is approximately 24,000 sq.m of office accommodation and 1,000 car parking spaces available. This demonstrates that there is a significant amount of low value office space available in the region located away from typical office locations, which could respond quickly to any demand.

Demand

3.16 Vantage Point attracts most of the significant demand for office accommodation in the Cinderford area, advantaged by its ability to soak up emerging demand with its available capacity.

3.17 The locality does have the ability to satisfy significant demand, as evidenced by the recent letting of 2,800 sq m to London & General, and the recent speculative development by Vantage Developments of a 7,700 sq m manufacturing and office unit.

3.18 We are aware of a potentially large and significant requirement which could be captured in the Forest of Dean, however we were unable to uncover any other significant office requirements for the location. Discussions with commercial agents did not reveal any evidence of demand, which was also the case in the research undertaken by Peter Heath Consultancy. It is clear that the office market in Cinderford is currently weak, primarily supplying small amounts of converted accommodation to local indigenous firms, or very large amounts of converted space to incoming firms keen to exploit the low rental values on offer at Vantage Point. This can be explained with reference to a number of factors: demographic, locational,
limitations on supply and infrastructural weakness. The retail and leisure context in which the current office supply exists is also unlikely to encourage corporate relocation.

3.19 The Marketing and Workplace Study indicated that the lack of quality, difficulty for SME’s to move up and lack of office interest generally, were barriers to growth in the Forest, which links in with the historic low demand for accommodation.

3.20 Rental values for office accommodation are currently £65 per square metre (town centre) to £86 per square metre in converted/modern accommodation out of town. Investment yields are difficult to discern given the lack of market activity. Our experience of similar locations and comparison with more active and better located commercial areas in the vicinity suggests 9-10% (NIY).

**Summary**

3.21 Demand for office accommodation nationally is currently falling across the UK as corporates retrench and rein in investment in an attempt to protect themselves from the recession. However, the consensus is that this will be a relatively short term period of inactivity and thereafter Cinderford will have an opportunity to exploit the prevailing low rental values and the plentiful and affordable employment pool on offer to attract corporate occupiers. The potential for success in attracting such occupiers is likely to be improved should the regeneration of the Northern Quarter include the Royal Forest of Dean College, with the accompanying increase in demand for supporting retail and leisure provision that this would create.

3.22 The nascent state of the office market in this location means that there will need to be flexibility in the type and size of accommodation provided, combining with workshop/industrial, so as to allow supply to match demand as it develops over the medium to long term. The Northern Quarter will have to compete with other areas which can offer cheap, flexible and immediate space, so there will be a need to differentiate any offer and also provide a strong marketing pitch that captures quality of environment, both built and natural, as well as the connections to the town centre (especially in light of SWRDA’s recent announcement of the £1.3 million cut in capital funding from the planned Cinderford Town Centre Regeneration).
4. INDUSTRIAL BASELINE

4.1 Whilst manufacturing has traditionally been a key economic sector for the Forest, the services sector now dominates the Forest economy representing approximately 71% of all firms in the Forest (Nomis, Labour Market Profile (ONS), 2007). However (ibid, 2007) the area is still heavily reliant on the manufacturing sector for employment with 18% against a South West average of 11%.

4.2 The context of where Cinderford sits currently within the industrial market and the future potential for growth, has to be considered against the accessibility of the area and the wider transport network. The Marketing and Workplace Study states that the Forest of Dean is over-represented in the sector of warehousing, distribution and transport businesses, despite the constraints associated with accessibility. It is likely that the low property values are a determining factor in this over-representation, together with the fact that many of these businesses are small, occupying less than 5,000 sq ft.

4.3 Nationally, prime industrial rents held broadly steady during the first quarter of 2009, with weakening occupier demand being reflected in increasing incentives. On the IPD average measure, rents are now clearly falling – the drop was -1.3% in the first three months of 2009.

Supply

4.4 According to discussions with local agents and also FoDDC Land and Property department most of the industrial accommodation in Cinderford and the immediate surrounding area consists of space of 1970s and 1980s construction, with the majority being in the size range 200 to 500 per sq m. The age and quality of industrial property is an issue, as many businesses are looking for modern and efficient space.

4.5 Most of the accommodation is located at the aforementioned Vantage Point offering a variety of grades and sizes of industrial accommodation, with the Forest Vale Industrial Estate providing a range of opportunities from modern industrial units through to open storage land. Vantage Point Developments also have a number of interests at the Forest Vale Industrial Estate, where some accommodation is available.
4.6 Invest in Gloucestershire maintains a register of available industrial accommodation in and around Cinderford. We have analysed the current (February 2009) availability in Table 3 below to show the supply of available accommodation by size range.

<table>
<thead>
<tr>
<th>Size sq m</th>
<th>0 – 250</th>
<th>251 – 1000</th>
<th>1001 – 2000</th>
<th>2001 - +</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supply</td>
<td>28</td>
<td>10</td>
<td>2</td>
<td>3</td>
</tr>
</tbody>
</table>

4.7 Table 3 illustrates the extent to which the Cinderford industrial market is weighted towards the supply of industrial accommodation at the smaller end of the size range.

4.8 It is worth noting the St. Modwen and SWRDA scheme at Littlecombe, Dursley, where they have just completed the first phase of the new business park. The former 92 acre Lister Petter site, provides 16 units totalling approximately 2,000 sq m and consisting of units ranging in size 100 – 650 sq m, over half of which have already been sold to light industrial and warehousing operators. Further phases are planned to provide a further 17,000 sq m of employment space together with approximately 600 residential dwellings although, according to the agent handling the first phase it may be that two remaining occupiers on the old industrial site (Lister Shearing, Lister Petter) will move into new bespoke accommodation, therefore taking up almost all the remaining potential supply. This is a good example of a mixed use regeneration scheme on the edge of the town centre, which has similarities to Cinderford in terms of market position.

Demand

4.9 This supply bias towards lower unit sizes is matched by the predominance of demand for smaller unit sizes. Table 4 below shows enquiries (recorded by FoDDC) for specified amounts of industrial space in the forest of Dean in the months January to June 2008.
Table 4: Enquiries for industrial accommodation

<table>
<thead>
<tr>
<th>Demand</th>
<th>Enquiries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unit size (sq m)</td>
<td></td>
</tr>
<tr>
<td>0 – 250</td>
<td>4</td>
</tr>
<tr>
<td>251 – 1000</td>
<td>3</td>
</tr>
<tr>
<td>1001 +</td>
<td>2</td>
</tr>
</tbody>
</table>

Gloucestershire First, Quarterly Schedule of Enquiries for Commercial Accommodation

4.10 It can be seen from Tables 3 and 4 above that there is an oversupply of industrial accommodation in the lower size ranges against the discernible demand, and local agents concur that the area is subject to very limited demand for B8 storage/distribution space as a result of the area’s poor communications. The extant demand for industrial accommodation focuses on warehousing and light industrial uses, and this has been moderately robust in the buoyant economic conditions that prevailed until recently.

4.11 The data from the Enquiries Schedule produced by FoDDC provides limited information on preferred tenure in terms of industrial space. However, discussions with local agents suggest that the demand for smaller unit sizes often comes from indigenous firms seeking freehold accommodation. The demand at the larger end of the size spectrum tends to come from larger businesses willing and able to take on lease liabilities.

4.12 The Peter Heath Consultancy study surveyed the business needs for 76 industrial organisations in the Forest of Dean and approximately 20% felt that their premises were not adequate in the short term. The survey also noted that a third had considered relocating but were unable to find suitable premises and cost was a deterring factor.

4.13 Local property agents have indicated reasonable demand and activity in the industrial sector, although demand was mostly for small requirements and locally based companies. The lack of freehold properties has been highlighted by agents as an issue, which was also highlighted by the Peter Heath Consultancy Study.
4.14 Demand in other areas in the Forest has been similar to that of Cinderford, with the exception of Churcham, which has seen greater interest for industrial space from outside the area, which we believe is due to the road network and location off the A40.

4.15 GlaxoSmithKline has recently announced plans for a new £50 million bottling factory at its existing site at Rock Lane, Coleford which will produce one billion bottles a year for the Ribena and Lucozade brands. The investment will assure the future of the existing 550 strong workforce while also reinforcing the profile of the Forest of Dean as a location for manufacturing industry.

4.16 The lower quality stock achieves rents of approximately £27 - £32 per square metre, while the good quality accommodation transacts in the range £38 - £46 per square metre, although the achieved rental values for slightly smaller, more modern starter units rises to approximately £54 - £59 per square metre. There is very little demand from external investors due to the predominantly low rents and therefore investment yields are difficult to discern.

4.17 We understand that FoDDC is aware of a significant requirement in the Forest, (as highlighted in section 3), for which the Steam Mills site has been confirmed as a suitable location. The requirement would be for commercial space of approximately 7,500 sq m and would provide good quality jobs for the area. This would clearly be a one-off requirement if secured anywhere in the Forest.

Summary

4.18 Due to the likely provision of the new link road there could be an opportunity for small units within the scheme to complement the mix of employment provision. As with the office market, there is a limited number of national or large regional developers that would consider Cinderford as a location, preferring locations with better communications along the M4 and M5 motorway corridors.

4.19 The type of industrial space appropriate to meet the type and level of potential demand in Cinderford is likely to be a combination of light industrial and quasi-office accommodation, similar to that currently being developed at the St Modwen site in Dursley. This is likely to produce units in the 100 – 320 sq m range, similar to the
Network Villages model being successfully used by the HCA at Allerton Bywater in Yorkshire.

4.20 This would cater for SME and start-up companies with a reasonable degree of skilled workers, while not conflicting with the residential component of the site that is so important for creating the value required to make the site viable.
5. RETAIL BASELINE

5.1 Cinderford suffers from the same consumer spending trend that has affected many small market towns across the UK: more demanding consumers able and willing to travel greater distances to satisfy their increasing desire for higher value goods and experiences. In Cinderford’s case this has resulted in an ever increasing leakage of consumer spending to the larger and more comprehensive sub-regional retail centres of Gloucester and Cheltenham, and the regional retail centre of Bristol, especially in the case of comparison goods. As no significant new retail accommodation is being proposed in any of the three options presented in the emerging Cinderford AAP there is no risk of it presenting a challenge the town centre provision.

5.2 The 2008 Retail Study (GVA Grimley, 2008) quotes the preceding health check (Hannah Reynolds Associates, 2003) which concluded that indicators gave concern as to the town’s ability to fulfil its potential in its current form, and established that its competitive position in relation to Coleford and Lydney was precarious. The GVA Grimley study uses 2007 data from FoDDC to show that while the convenience and service provision in the town centre are marginally above the national average, the comparison offer in the town centre is well below the national average (33% in Cinderford, against 46% nationally). This indicates that Cinderford may not be a key destination for comparison shopping trips.

5.3 Research undertaken over the longer term illustrates the extent to which the current situation is the result of a long term trend rather than short term macro economic factors: the 2004 Economic Development Strategy (FoDDC) made clear that over the first half of the current decade Cinderford fell behind its local competitor centres of Lydney, Coleford and Newent, recording a significant drop in shopper footfall since a previous survey undertaken in 1999.

5.4 Supply

Retail provision in Cinderford is characterised by small, local businesses occupying town centre premises in converted period stock. The town’s main food retailing outlets are the Co-op and Lidl supermarkets in the High Street, with general retailing provided until recently by Woolworths (Woolworths’ Lydney branch has also closed) and a local general store, Westgate, the largest comparison retailer unit in the town centre selling a range of home, garden and electrical goods.
5.5 There is currently only limited out-of-town retail accommodation in Cinderford including a number of quasi-retail premises with the Forest Vale Industrial Estate. Cinderford is also adequately served by the broad retailing offer located at the out-of-town retailing locations in Gloucester approximately 14 miles to the east at St Oswald’s Retail Park (c. 20,000 sq m GIA); Quedeley (c. 4,500 sq m); Gloucester Retail Park (c. 11,400 sq m); Eastern Avenue (c. 11,200 sq m); Peel Centre (c. 14,700 sq m); and Eastern Avenue Retail Park (c. 6,000 sq m).

5.6 We are aware that Tesco has recently re-submitted an application to locate a flagship store on the site of the rugby club in Dockham Road to include a petrol station, recycling centre and 367 parking spaces. Tesco’s offer of food retail and, increasingly, comparison goods will soak up a broad range of the latent local demand that remains unsatisfied by the retail offer in nearby competing centres.

**Demand**

5.7 The GVA Grimley Retail Study (2008) stated that at the time of survey the proportion of vacant premises was 15% of the total number of units in the centre, well above the national average of 11%. Our discussions with local agents revealed no national or regional requirements for retail accommodation in Cinderford, although both Greggs and Subway are seeking accommodation in Lydney. Therefore any consideration of further retail accommodation should take this into account if the Tesco planning application is successful.

5.8 The new Gloucester Quays discount outlet centre will be a significant draw for retail demand from Cinderford due to the area’s low income demographic. As a result of the retail provision outlined above, there is likely to be limited requirement for additional retail accommodation in or around Cinderford in the short to medium term.

5.9 As confirmed by discussions with the Council’s surveyor, retail rental evidence is hard to uncover as many of the units are owner occupied and, where they are held on leases, rent reviews and lease renewals are often agreed without recourse to professional advice. However we are aware of a lease renewal from May 2007 at 17 Pyart Court in Coleford at £126 per square metre ITZA, and a 2005 rent review of the A2 accommodation occupied by Richard Butler estate agents at 24 Market Place, Coleford agreed at £18 per square metre ITZA (a nil increase).
Summary

5.10 The market for retail accommodation in Cinderford is likely to remain stable but limited to convenience shopping accommodation as a result of the local populace’s propensity to use the local convenience offer, as well as the town’s proximity to both its local competitor centres and the large retail centres of Gloucester, Cheltenham and Bristol with their significant supply of comparison goods retailers. Demand growth for more convenience shopping, especially out of town, could be catalysed by an influx of students caused by the possible relocation of the Royal Forest of Dean College to the Northern Quarter, and any accompanying commercial accommodation, as well as by an increase in the area’s ability to attract tourism. This should however be moderated to support other uses developed in the Northern Quarter and to provide active frontages, so as to compliment the town centre provision. Improved linkages to the town centre will be important in order to draw residents, students and employees into the retail offer in the centre. It should also be noted that the marketing of the Northern Quarter is likely to be adversely affected by the recent cancellation of the planned public realm improvements to the town centre shopping environment.
6. LEISURE BASELINE

6.1 According to the Forest of Dean District Draft Economic Development Strategy 2009-2011 (FoDDC) tourism was worth £110 million in 2007-2008 and supports approximately 3,000 jobs representing 7% of the Forest’s workforce. The report notes that many of these are part-time/seasonal and at the lower end of the wage levels and according to the Economy of Gloucestershire (GCC, 2008), tourism is ranked fourth out of nine key business sectors identified in Gloucestershire. The same source contends that tourism is set to grow to by approximately 20% over the course of the period 2006-2020. Also, in light of the current market conditions and the fall in the value of the pound against the euro, many households are likely to spend holidays in the UK, which will provide a welcome boost the tourism economy.

6.2 According to data from the Value of Tourism Study (South West Tourism, 2007) the Forest receives approximately 1.5 million day visitors a year, and 250,000 staying visitors a year, focused on recreational/outdoor activities such as cycling and walking.

Supply

6.3 In line with the picture presented above, Cinderford does not currently have a coherent leisure offer sufficient to attract the higher value, staying visitors that would generate the demand necessary to justify a chain type hotel/restaurant operator. This limited quality offer is matched by a paucity of good quality shopping and dining facilities in the district.

6.4 The town’s existing leisure offer is comprised of pubs (of which there are several) and locally owned restaurants. There are no chain restaurants or bars and, according to local agents, no discernible requirements for accommodation for either.

6.5 The Value of Tourism study illustrates the extent to which domestic tourist expenditure in the Forest is directed at lower value supply: 21% (£5.2 million) was spent on serviced (hotels, B&B) accommodation while 61% was spent on self catering and camping. In terms of overnight stays 8.7% of the total spend was in serviced accommodation while 66% was in self catering and camping. Of the 63 hotels and bed and breakfasts registered with the Forest of Dean Tourist Information database in 2008 the vast majority offered rooms priced in the range £25 -£75 per person per night, with only very few (7) offering rooms at £100 per room per night or above.
Demand

6.6 Due to the lack of activity it is difficult to tell whether there is demand for various leisure uses in the development area. If the new development is successfully stitched into the town there could be potential to build on the tourism trade with the provision of a small independent new budget hotel with restaurant/public house. This would have to be tested through marketing of the opportunity once proposals regarding the scheme are more advanced.

Summary

6.7 In light of the existing offer, and the demographics, location and limited passing trade, it is doubtful that there would be demand from the national or large independent chains for a hotel/restaurant. However, it is possible that the town could exploit its forest location and its proximity to the national motorway network and the large regional centres of Gloucester, Bristol and Cardiff to generate business from outward bound/adventure based tourism of the sort that already exists in the Forest in the shape of the ‘Go Ape’ forest climbing centre. The regeneration of the area would need to have progressed, with any leisure components developed in the final phase.

6.8 It must be noted that the recently announced cut in capital expenditure on the Cinderford Town Centre Regeneration project will have a negative impact on the town’s ability to market itself as a leisure destination.

6.9 The Draft Economic Development Strategy anticipates that the current economic downturn will drive tourist expenditure to sites like the Forest of Dean as consumers rein in their expenditure on overseas travel. This provides a window of opportunity for the Forest to establish itself as a domestic tourism location, using its proximity to the motorway network, and its terrain and aesthetic and historic appeal to capture tourist expenditure.
7. RESIDENTIAL BASELINE

7.1 In terms of housing tenure the proportions of owner occupied residential property in Cinderford East and Cinderford West are both below the Forest of Dean average of 81.7%, at 74.1% and 73.5% respectively. Of the balance, Cinderford as a whole (East and West averaged) shows 19.9% made up by social rented, against a national average of 20%, and 6.4% made up of private rented, against a national average of 9.1%.

7.2 Price growth in the Forest of Dean over the last five years has been significant. Data from the 2008 Housing Strategy published by FoDDC shows price growth across all property types in the Forest of Dean at 36.6% between Q2 2003 and Q2 2006 against a Gloucestershire figure over the same period of 24.3%. The bulk of this growth has been experienced by flats/maisonettes and terraced houses which have experienced growth of 40.5% and 41.8% respectively over the same period.

7.3 Even in light of the current fall in prices, local agents reveal that affordability is still a concern due to the prevailing limited availability of credit. The local price-to-earnings ratio is 5.7 based on the average annual per capita earnings of Forest of Dean residents of £25,840 (ONS, 2007) and the average price of a terraced residential property of £147,908. The growth of average earnings nationally has remained consistently between 3-4% in recent years, however since December 2008 the rate of growth has been falling and is expected to fall further. Also, lenders are increasingly seeking to lend on reduced earnings multiples and with falling loan-to-value ratios, potential local buyers will find it increasingly difficult to raise sufficient equity to enter the private market at prevailing price levels.

Supply

7.4 Local agents report that much of the available housing stock is comprised of terraced and semi-detached housing in the 2-3 bed range, with a current dearth of flats available. The surrounding area has seen some development in recent years, we summarise the key developments below:
Princess Royal, Bream – Chelbury Homes

Bream is located approximately 5 miles south west of Cinderford. Chelbury have developed a scheme of 37 units on the north eastern edge of the town consisting of two bed bungalows and three and four bed houses.

Price range: £150,000 - £180,000
Sales revenue: Circa £1,940 per square metre (achieved)
Comments: A significant proportion was recently sold to a local RSL; the balance is in the hands of local agents and achieving discounted prices.

Forest Edge, Mormon Close, Drybrook - Bloors

The scheme is located on the outskirts of the village of Drybrook on the edge of the Forest of Dean approximately four miles to the west of Cinderford. Bloors developed a scheme of 21 consisting of two bed bungalows and four bed family houses.

Price range: £209,950 - £284,950
Sales revenue: approximately £1,940 per square metre (achieved)
Comments: Almost completely sold out. The most recent sales were done on quite significant discounts of c. 20% to list price.

The Squirrels, Drybrook – Bell Homes

Price range: £145,000, - £290,000
Sales revenue: approximately £1,940 per square metre (achieved)
Comments: Of the 20 market units all but two were sold for prices close to or at the asking price. The two bed units sold particularly well and quickly, and the two remaining units are both four bed houses.

7.5 Most of the evidence above is based upon sales completed before the full effects of the credit crunch and price corrections in the market. Residential developers in the region are having to provide discounts of 10-30% from peak prices.
7.6 Based upon this, we would apply a discount of 20%, which would provide a sales revenue range of £165 - £185 per square foot for the Steam Mills area. Potential unit pricing for housing would be approximately as follows:

- 2 bed starter home £120,000
- 3 bed house £150,000 - £170,000
- 4 bed house £185,000 - £220,000

7.7 Apartments in any proposals coming forward should be limited as this is an area of the market that has been hit the most and developers are reluctant to take on schemes with a high proportion. Three storey housing is also being closely reviewed by developers as this has become less attractive to purchasers and also carries a discount per square foot compared to two storey accommodation. The mix of units should be flexible and capable of changing according to market conditions at the time the scheme is delivered. A mix of family housing and small first time buyer housing, with efficient unit sizes, is more saleable in the current market conditions.

7.8 Of the existing housing stock in the immediate vicinity, a period one bed terraced cottage is on the market at £102,995, while a one-off, town centre, detached, four bed new build house is listed at £216,000, equating to around £233 - £241 £180 per square foot asking prices. However, the agents contacted revealed that while hitherto demand from both the upper end of the market and from first time buyers has been relatively strong with much sourced from outside the area, in recent months demand has weakened significantly. As a result the most recent second quarter sales were done on discounts of 10% - 15%.

**Demand**

7.9 Demand across the market has weakened significantly in the last quarter and sales are slow and achieving, on average, prices at approximate 10% discounts to current list prices which have in any case already been reduced by approximately 5% over the course of the last quarter.
7.10 Nevertheless, there is still demand from first time buyers for property at the lower end of the value/size spectrum (1-2 bed flats; 2 bed terraces), while demand has been strongest from ‘downsizing’ buyers moving into the Forest from outside who are seeking to buy larger, family sized semi-detached and detached 3-4 bed homes.

Affordable & Housing Need

7.11 The FoDDC Housing Strategy 2008 – 2010 states that population in the Forest of Dean will grow by 5.3% between 2006 and 2026, rising to 85,600 by the end of the period. Furthermore, the number of households during this period is projected to increase by 20.6% from a total of 34,000 to 41,000 households, i.e. an annual increase of 400 households each year over the next two decades.

7.12 The Gloucestershire Strategic Housing Market Assessment (SHMA) 2009, shows the Forest of Dean’s age structure is similar to the rest of Gloucestershire, with a higher proportion of the population over 45. The age structure of the Forest of Dean is shown below;

<table>
<thead>
<tr>
<th>Age Structure</th>
<th>Percentage of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>16-24</td>
<td>2.3</td>
</tr>
<tr>
<td>25-34</td>
<td>14.5</td>
</tr>
<tr>
<td>35-44</td>
<td>21.1</td>
</tr>
<tr>
<td>45-54</td>
<td>23.9</td>
</tr>
<tr>
<td>55-60/65</td>
<td>17.6</td>
</tr>
<tr>
<td>60/65-74</td>
<td>20.6</td>
</tr>
</tbody>
</table>

Source: ONS, 2001

7.13 Forecasts are that over the same period the number of single person households will rise by 53% as a result of a variety of demographic factors, principally the increasing proportion of the population falling into the 65+ age group, and the increase in lone-parent and other multi-person households.

7.14 This increase in the numbers of single person, low income households will have an impact on the demand for affordable housing due to the above households’ ability to enter the open market. The Forest of Dean Housing Strategy 2008-1010 contends that as a result of the projected growth in one person and multi-person households,
approximately 72% of new dwellings will need to be smaller housing units to cater for one person households. The same study shows a total net annual housing need for 301 affordable properties per annum in the Forest of Dean.

7.15 There are a number of RSLs active in the Forest of Dean, of which the largest is Two Rivers Housing which inherited the Forest of Dean Council housing stock in 2003 and now owns and manages approximately 3,500 homes across Gloucestershire. Two Rivers aims to develop a total of 800 dwellings over the next two to three years, sufficient to grow their managed stock to c. 4,000 homes by 2010.

Land

7.16 The Strategic Housing Land Availability Assessment (SHLAA), March 2009, completed by FoDDC, explores the potential availability of land in the Forest of Dean. There is a requirement for the Forest to provide 310 dwellings per year over the Local Development Framework period. Existing allocated sites in the local plan can provide 809 dwellings in 5 years, with a further 399 dwellings on large, unallocated sites with planning permission. Small sites with planning permission can provide a further 681 dwellings.

7.17 The SHLAA indicates that additional sites in the settlement boundaries are available for development to provide 1207 dwellings and that there is the ability to deliver land that will provide housing numbers substantially in excess of the Regional Spatial Strategy requirements.

7.18 There is limited information available on residential land transactions in the Forest of Dean. However, we are aware of the following activity in the Forest and also transactions from surrounding areas to provide some form of context. It is also worth noting that land values have typically fallen by around 55% from the peak in Q3 of 2007.

St White's Farm, Cinderford - Allocated site for 150 residential units. Bloor have a contract for part of the site, but have indicated that the scheme has capacity for 180 units on c. 5.9 ha (including on-site open space); a detailed planning application is shortly to be submitted for circa 100 units. The site is in a good location, with good views, and is likely to be considered better than most
areas within Cinderford. There are a number of abnormal costs associated with the scheme, which make comparison on a value per acre basis very difficult. We are informed that abnormal costs are in the order of £2.6m and the deal with the land owner is in the order of £3m, after abnormal costs. We are informed that this value was in the order of £1.5m more before the change in the market conditions.

**Nailbridge, Cinderford** - An allocated site close to the redevelopment area, which was marketed last year. The site was formerly used as a saw mill and has a culvert running through it, which reduces the developable area to around 1 ha. We are informed that offers for the site in early 2008 were in the region of £400,000 per acre, although a sale did not proceed.

**Morman Close, Drybrook (Forest Edge)** - An irregular shaped site currently being developed by Bloor Homes for 21 units, including 8 affordable units, on approximately 0.8 ha. The development is located at the rear of a 1970s housing estate, providing some elevated views over the forest. We are informed that Bloor Homes purchased the site in 2006 in the order of £950,000, equating to a net land value of approximately £475,000 per acre.

**Littlecombe, Dursley** – circa 2 ha site recently sold (c. February 2008) by St. Modwen with the benefit of an outline planning permission for 74 units of which 12 are affordable (16%) to Eco Homes ‘Excellent’ rating. The site was sold to Bloor Homes on a clean serviced basis with a requirement for open space provision elsewhere on the main site. This deal equated to approximately £1.27m per net developable area.

**Stroud College, Stratford Road, Stroud** – 2.4 ha site sold in 2006 to Barratt Homes who intend to build 149 units, incorporating 30% affordable housing. It is understood the land value achieved equates to £920,000 per net developable area.

**Newnham on Severn, Gloucestershire** – approximately 0.4 ha sold to Bell Homes for £1.53 million per net developable acre in early 2006. It is intended to provide 27 three and four bedroom homes.
**Stroud College, Nymphsfield, Nailsworth** – 0.9 ha sold to Redrow, who are constructing 47 units and incorporating 25% affordable housing. The transaction equated to a land value of approximately £790,000 per net developable acre. Deal done in 2006.

7.19 Demand for development land in the Forest of Dean has traditionally been low in comparison to surrounding areas and in the current climate national builders are not pursuing land to the same degree as they were even six months ago. Where they are actively seeking to acquire land it is tending to be in more traditional areas, such as Bristol, Exeter and Cheltenham, where end values are proving more robust and different terms or joint ventures are possible.

7.20 Those RSLs with cash are proactively seeking opportunities as they attempt to take advantage of the fall in residential values experienced over the last 12 months. However, those still in possession of significant amounts of shared equity stock are retrenching and withdrawing from the market.

7.21 We are aware that Bloor Homes have been seeking planning permission for a 180 unit scheme on land at St. White’s Farm on the south eastern edge of Cinderford. The scheme, which has been withdrawn, was for a mix of 1 and 2 bed flats, 1 and 2 bed coach houses, 2 bed semi-detached, 2 and 3 bed terraces and 4 and 5 bed detached dwellings totalling approximately 16,700 sq m (of which approximately 5,400 sq m were allocated to affordable).
8. EDUCATION BASELINE

Royal Forest of Dean College

8.1 The Royal Forest of Dean College currently provides both vocational and academic courses for the local population. The main campus is located at Coleford and there are also courses run from Vantage Point in Mitcheldean. There is much potential for the college to grow and the Northern Arc has been identified as a location that can help facilitate the growth of the college as well as assist in pulling together the college into one location and also improve the quality of the accommodation.

8.2 The college’s property strategy, undertaken by Tribal in July 2007, indicates that the relocation will enable growth of around 20% in student numbers by 2012/13. The Strategy also identifies the potential for the residential courses, conferences and a training hotel for catering students. The college has the potential to bring activity and vitality to the Northern Quarter, whilst also potentially forging links with other occupiers in the Northern Quarter, particularly businesses and any new hotel. The college could provide 10,000 square meters of educational accommodation with space for 1,500 students, but also providing recreational facilities that could have a dual community use.

8.3 The Royal Forest of Dean College has submitted an application to the Learning and Skills Council (LSC) for funding for a feasibility study which has been confirmed, but the college has indicated that they have not yet been provided with a date at which the required funds will be forthcoming. We are aware that the LSC is being forced to cut its allocations as funds are increasingly restricted.
9. CONCLUSION

9.1 Whilst the current economic climate is not favourable towards development, by the time proposals for Cinderford are progressed from masterplan through to planning permission, and the new link road completed, it is likely that market conditions will have improved, with stability restored and improved liquidity in the money markets filtering through. Despite this, Cinderford will always be viewed by the majority of development and occupier markets as a tertiary location. Therefore, the need for the public sector intervention and projects to be de-risked will be necessary (i.e. associated with ground conditions and provision of speculative commercial development). Commercial development with high sustainability standards and high quality design may require some ‘gap funding’ in order to facilitate. Improvements to the existing town centre will be necessary to lift the general perception of the town and help attract new investment and new residents.

9.2 There is likely to be significant impact on Cinderford’s town centre regeneration as a result of SWRDA’s budget cut. The cancelled improvements to the public realm surrounding the town centre shopping environment will have an impact on the marketing of the Northern Quarter. Furthermore, caution must be exercised in the use mix on the site, as while some retail provision is necessary it must not be to an extent that would compete with the town centre (especially in light of the recent announcement of the cut in capital funding for the planned town centre regeneration).

Royal Forest of Dean College

9.3 The redevelopment/relocation of colleges in other locations has demonstrated that they can act as catalysts to regeneration by generating footfall and driving demand for A1 and A3 uses, a model which could be applied here (although caution is required to ensure that it does not compete with the town centre).

9.4 The relocation of GlosCat to two sites at Gloucester Docks, Gloucester and Princess Elizabeth Way, Cheltenham provides recent evidence of the regenerative potential of higher education colleges on areas of deprivation/regeneration need. The Royal forest of Dean College’s property strategy argues that relocation to Cinderford is a superior option than redevelopment of the existing Coleford site, and states that this view is shared by the LSC as it would be both cheaper and likely to enable stronger growth in student numbers.
Procurement

9.5 The delivery and procurement of development opportunities need to be carefully considered against a limited level of demand for such opportunities. Joint venture agreements are likely to be more appropriate here in order for the public sector to deliver its objectives, whilst sharing risk with the development sector and providing an attractive proposition.

9.6 It is important that any regeneration process addresses the need to catalyse occupier demand for accommodation in the town. Using good design and good links to generate a sense of vibrancy will raise the town’s benchmark values to a level where commercial development becomes viable. This will create the demand necessary to attract the SMEs and other higher value employers crucial to cementing the town’s sustainable development.