Introduction & Context

CB Richard Ellis was instructed by the London Borough of Merton as part of a consultancy team to prepare a master plan for Mitcham Town Centre. CB Richard Ellis’ role was to provide strategic property advice to assist and inform the preparation of the plan. The purpose of this report is to provide a context for the master planning exercise and to help to understand the function of different land uses in the town centre.

We have reviewed, in broad terms, each of the relevant property sectors, including:

- Retail and commercial leisure uses;
- Office and employment uses and;
- Residential.

In this report we address each sector in turn briefly summarising the role each plays within the current town centre and the opportunities to enhance the current offer. We seek to analyse and interpret the various sectors to provide suggestions as to what role they may play in the future of the town centre. In addition we have also sought to identify which sectors may constitute key drivers for change in the future development of Mitcham.

Retail & Leisure

The Retail Sector

Mitcham is a London suburban centre located in the London Borough of Merton. It occupies parts of Merton’s most deprived wards and the immediate areas are estimated to have a resident population of approximately 8,000 people. It has a primarily locally based catchment area and is located within a predominantly residential environment of suburban character and density.

Although the focus for many bus services, the town has the lowest public transport accessibility of any of the Borough’s town or urban centre’s. It is notable that it is not served by rail, tube or tram services. The town centre is located at a busy road junction and consequently suffers from the negative effects of traffic congestion.

Before discussing Mitcham’s retail offer in detail it is useful to understand the wider influences that have affected district centre locations in recent years. We briefly summarise these trends below.

Retail Trends and District Centres

In recent years retail sales have grown in both the food and non-food sector, with non-food retail sales performing particularly well. While there has been a steady growth in the amount of retail floorspace, there has been a ‘polarisation’ in comparison goods sales, whereby the largest 200 or so UK shopping centres have become the most attractive location (and seen the greatest level of investment) to multiple UK retailers. This trend has considerable implications for secondary shopping destinations such as Mitcham.

As a result smaller centres are increasingly reliant on independent businesses and local catchment areas. While rental values have grown substantially in the large centres, they have fallen in real terms in most of the smaller centres, thus indicating a decline in the demand for secondary shopping locations from retailers.

Due to the low rental values and high yields, major new development is increasingly consolidating in
the larger centres. As a result many district centres have had very little recent investment.
Increasingly shopping developments have been predominantly large scale, and located in larger centres, reinforcing the trend of development activity away from the smaller centres.

National trends also indicate a continuing contraction in the number of shop units. In particular one aspect of this trend is that there has been a drop in the demand for small shop units which are a particular feature of many secondary shopping locations such as Mitcham. In tandem with this food stores market shares have increased considerably. Superstores now account for more the £2 out of every £5 spent on groceries in the UK.

Other sectors which were traditionally associated with district centres, have also been in decline. Post offices, banks and building societies and public houses have all reduced numbers in recent years.

**Mitcham's Retail Offer**

Mitcham is a shopping destination predominantly meeting the needs of the local population. The town has been in physical decline since the 1960's and has failed to compete with the nearby major centres of Wimbledon, Tooting and Streatham. In addition it has also suffered as a result of the development of the metropolitan centres of Kingston, Sutton and Croydon and the more recent development of out of town retail facilities at Colliers Wood.

The scale of the existing competition means that Mitcham's role and strategies to improve and strengthen the centre should be geared towards meeting the needs of its local residents, rather than competing head on against other major centres.

Mitcham's retail offer is primarily concentrated in an area bound by Holborn Way, Upper Green West and St Marks Road, with more secondary retailing extending out along the main arterial routes of Upper Green East and London Road.

There are few national multiple retailers located in Mitcham town centre. Superdrug, Peacocks, Boots, Lunn Poly and McDonalds are all located on Majestic Way. The remainder of the retail offer is secondary and tertiary and comprises many independent local retailers, with many of the units typically very small in size. There is an outdoor market currently located in a series of temporary structures along the southern end of London Road.

There are a large number of vacant units within the main retailing area. Experian GOAD records that there are currently 15 vacant units in and close to the town centre.

Mitcham's local food offer is provided by Somerfield on St Marks Road and Iceland on Upper Green West. There is a Sainsbury's Supersaver located at Colliers Wood. The Tesco's store located on London Road has recently closed and this is likely to have a detrimental effect on the retail trade in Mitcham. In the long term if not replaced the loss of a key retail anchor is likely to impact upon the strength and quality of the retailing offer.

We have collated information regarding the mix and diversity of retail uses in Mitcham from a variety of sources including Experian GOAD. Experian GOAD indicates that within the principle retail area of Mitcham there are 110 A1 units, 18 A2 units and 22 A3 units. Of the A1 units, 67 (over 50%) are less than 1,000 sq ft, 31 are between 1,000 and 2,000 sq ft. The remainder are between 2,000 and 6,000 sq ft and these include units occupied by Superdrug, Boots and Peacocks.

There are a number of reasons which could be contributing to the high level of vacancies in Mitcham. Most importantly a large majority of units that are vacant are extremely small and are unlikely to appeal to multiple UK retailers.

There have been few recent lettings in Mitcham town centre that we are aware of however local commercial property agents view retail rents to be in the region of around £10-15 per sq ft. 4 Majestic Way is currently being marketed and is available on a lease expiring 2014 at rent of £17,500 which equates to approximately £9.20 per sq ft overall. A unit on Upper East Street, Mitcham is currently available at a rent of £24,000 per annum equating to approximately £9.50 per sq ft.

We understand yields of around 8% can be achieved for retail investments in Mitcham. This
Mitcham’s commercial leisure offer is limited. There are a number of small cafes and take-aways and with the exception of McDonalds located on Majestic Way, the restaurant offer in the town centre is predominantly independent with a large number of take-aways and small individual restaurants in the tertiary areas of the town centre. We are not aware of any published requirements for Mitcham from A3 operators, however there may be opportunities to secure additional A3 uses within a mixed use development.

There is a Fitness First located in Mitcham town centre. The unit is located in converted premises located above commercial premises and accessed from the rear via a public car park. Other leisure operators including Holmes Place, LA Fitness and David Lloyd are located in nearby centres including Wimbledon, Tooting and Streatham. Opportunities to secure an additional operator may therefore be limited as we understand many of the operators are currently consolidating and not expanding. There may however be an opportunity to provide a purpose built facility for Fitness First within a new development, which would improve the quality and range of facilities it currently provides. This will require further consideration.

Retailer and Commercial Leisure Demand

Research prepared by Estates Gazette detailing current occupier requirements does not identify any specific current requirement from retailer operators for units in Mitcham. Local agents have suggested that the strongest demand for retail units comes from independent operators. However, this may be a result of a lack of suitable units for better quality occupiers.

We are aware that Asda has recently acquired property within the town centre (the site comprising Somerfield and 1-10 Majestic Way). Following a meeting with its Asda and its advisors, we understand it has a potential requirement for a minimum sales area of 40,000 sq ft (70,000 sq ft.), which would include 25-30,000 sq ft of food sales.

A major new food store in Mitcham town centre would form a key anchor to a new mixed use development. In order to attract quality retail occupiers we believe a new development, constructed of quality design could provide modern retailing accommodation which will attract an improved range and quality of occupiers. We would expect that in a new scheme a smaller number of larger units should be provided.

Without undertaking a detail retail capacity analysis it is very difficult to determine the quantum of retail Mitcham can support. We would expect that a new neighbourhood centre could accommodate a new foodstore anchor along with additional supporting retail which will provide large, modern retailing units which would be attractive to national multiples.

While there are no published retail requirements for Mitcham we have looked to draw comparisons with similar district centres in the greater London area in order to consider the type of retailer which might be attracted into a new development in Mitcham. We are aware that occupiers such as Argos, Sports Soccer, Comet, Superdrug and Halfords have requirements in similar centres.

suggests a fairly weak centre in that stronger shopping destinations can usually achieve keener yields. The high yield also reflects the low investor confident in the centre and the generally weak tenant covenants available.
Employment Uses

The Office Market

In national terms, the office market has been performing poorly over the last 3-4 years. Vacancy rates are generally high, and take-up is at a low, largely due to global economic circumstances. There are signs that confidence is beginning to return to the market, and commentators have suggested that rents may begin to rise in 2005.

Regionally, the South East has been particularly badly hit by the office market slump. The sector is dominated by London, and it is anticipated that recovery in the West End, City and Docklands markets is a precursor to more successful market performance in the rest of the South East. Lettings in key regional office locations such as the West London and the M4 corridor have been at an all-time low, and the market is considered by some to be stagnant.

The Mitcham Office Sector

Mitcham does not offer a key suburban office destination and few companies have sought to locate in Mitcham. Part of this may be a reflection of the weaker transport linkages to the area when it is considered against other competing locations such as Wimbledon, Sutton and Croydon.

As a result Mitcham’s office market is week. The office stock is limited primarily to smaller office suites mostly accommodating professional service occupiers such as accountants and solicitors. Our discussions with local agents have indicated that the general demand in Mitcham is for small office suites usually of around 500 sq ft. to 1,500 sq ft. and typically demand comes from small local occupiers and public sector users. However overall the demand for space in Mitcham is poor and agents are struggling to find occupiers.

In terms of office rental levels, we understand that generally speaking £10-15 per sq ft is generally achievable in Mitcham depending on the quality of the space. We are aware that accommodation at the Mill Green Business Park is being let at £10-12 per sq ft. In addition space is currently available in Brook House, Cricket Green at rent of £13.50 per sq ft. Modern serviced accommodation is available in Connect House, Willow Lane at aren’t of £22.50 per sq ft. Investment yield for office stock in Mitcham is around 9-10%.

It is unlikely that office development will form a major component of any development opportunity in the town centre. We are aware that the Council is promoting other sites such as the Gas Holder site for employment uses. We would anticipate that to match the market demand profile, offices would need to be self-contained smaller units, and potentially available on a freehold basis. Large scale office driven development in Mitcham is extremely unlikely to be either a viable proposition given the current rental levels nor marketable.
Appendix D

Residential

Residential uses are an appropriate part of many new developments in district and town centres. The inclusion of residential uses within a mixed used development scheme is in accordance with Government Planning Policies promoting Sustainable Development and can increase land use densities, improve footfall and enhance the overall vitality and viability of a scheme.

In common with many other areas in the South East, Mitcham has seen considerable growth in housing values in recent years. According to the Land registry average sales prices in the area have grown by some 38% since 2000 compared to a Greater London figure of 32%. The average house price in Mitcham in 2004 was £177,780, compared to £165,280, which represents a year on year increase on the previous year of 7%.

Housing in Mitcham is characterised by a mix of turn of the century terraced property and post war public housing stock. Local agents have indicated that the demand for residential property in Mitcham is strong. As one would expect one and two bedroom properties are the target properties for first time buyers and there is a notable trend to residents moving in to Mitcham from other areas of London. Agents have related this to the relative affordability of Mitcham’s residential Market in comparison to other more expensive London suburbs. From our research average property prices for existing housing stock in Mitcham are currently as follows:

<table>
<thead>
<tr>
<th>Type</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Bed Flat</td>
<td>£100,000 - £125,000</td>
</tr>
<tr>
<td>Two Bed Flat</td>
<td>£125,000 - £160,000</td>
</tr>
<tr>
<td>3/4 Bed Terrace</td>
<td>£200,000 - £250,000</td>
</tr>
</tbody>
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There are a number of new residential developments in the vicinity of Mitcham. These include a development by Crest Nicholson at Clandon Court, which comprises thirteen 3/4 bedroom houses. Plot 12, 3 bedroom units is currently been marketed there at £314,950. Another development by Divine Homes comprising eleven 2 bed 2 bath homes, located at North Point, Benhill Wood Road, Sutton is currently marketing units at £220,000. In addition a new development at Hamilton Gate, Morden is offering 2 bed apartments from £204,995 and 3/4 bed houses from £299,995. Another development in Morden, Aragon Place has a 2 bed flat on offer at £219,995 and a 4 bed house at £264,995. Finally Countryside Properties is currently developing a large scheme at Abbey Mills, Colliers Wood. A new phase of 1 & 2 bedroom apartments has just been released and 1 bed flats are currently available from £196,950 and 2 bed properties from £234,950.

It is clear that significant demand exists for residential properties in Mitcham and surrounding area and we would anticipate given the level of current values residential development may help to cross fund less viable developments including retail and in may assist in improve the overall viability and vitality of the scheme. Indeed there may some opportunities where residential development may be far more appropriate than a mix of retail and residential.

Within the town centre, residential development providing predominately apartments is likely to be most appropriate. We would also consider that it is essential that sufficient car parking can be provided to maximise the potential sales vales and attractiveness of such development opportunities to private residential developers. This is particularly relevant given the poor public transport links.
Conclusions & Recommendations

Our research suggests there is little demand for commercial business or employment space within Mitcham town centre. There may be limited opportunities to provide managed workspace or 'start up' units as part of a mixed use development, however we consider that given the current demand from occupiers and rental levels, it unlikely that such development would be viable in isolation.

We have identified the current demand for residential development opportunities in Mitcham and we consider that residential value will form a very significant part of any development proposals within the town centre. Our research would indicate that the most appropriate form of development would be relatively high density, providing predominately flats and some terraced or town houses properties. Opportunities to introduce a new and more diverse population to Mitcham will be key to creating a new catchment market for any future retail development.

New retail development should maximise visibility and prominence and it is essential that a new scheme be anchored by a good quality operator. In a district centre such as Mitcham this is most likely to be provided by a foodstore and we are aware of Asda's property interest in the town centre and ambition to open a new store.

Without detailed retail capacity modelling it is difficult to determine the quantum of retail Mitcham town centre can support. In addition to new foodstore anchor we would expect the provision of additional retail units which will provide a more modern retailing environment, which should be attractive to national multiples. We would also expect that commercial leisure and A3 uses could form an integral part of a mixed use development particularly given the quantum of residential development being considered.

In order to maximise the potential footfall in Mitcham town centre, further investigation is required to identify opportunities to locate council and other community facilities including potentially health facilities and the library. Such services act as an important draw act as a further anchor to a neighbourhood commercial centre.

We are also aware that the Council is supportive of the market currently located on London Road and we are aware of proposals potentially to relocate it to an area of open space on Mitcham Fair Green. While further work is required to consider the size and future management and operational issues associated with the provision of market stalls, we would anticipate a purpose designed space which will not conflict with the requirements of retailers warrants further investigation.

Fiona Morris, CBRE: February 2005
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