

Appendix 1

Oxford Covered Market Leasing Strategy – November 2020

1. Background & Introduction

- 1.1 The aim of this Leasing Strategy is to set out the Council's direction and ambition for the leasing activity and tenant mix management for the Oxford Covered Market over the next 5 years. It builds on the 2015 and previous 2007 Leasing Strategies, plus the 2013 Future Retail Strategy & Business Plan.
- 1.2 A considerable amount of new and bespoke research has been undertaken to form the basis for this current Leasing Strategy, including survey of traders, survey of stakeholders across the city centre, review of the market offer and review of the evolving format / mix and leasing models employed at other leading markets and benchmark retail centres across the country. The results of the research are contained in the Leasing Strategy Findings and Conclusions Report, dated May 2020, and should be read in conjunction with this this report.
- 1.3 The Oxford Covered Market is a major asset for Oxford City Centre and Oxford City Council. Whilst it generates income through rents from the tenants, it is also recognised as an asset on a variety of levels. It is part of the heritage and history of the city centre core retail offer and has the potential to help to add to and differentiate the city centre, over and above the recently redeveloped Westgate Centre. In an age where city centres are increasingly needing to differentiate themselves in order to stand out from the retail crowd, the market has the potential to be the jewel in the crown of Oxford's retail offer.
- 1.4 The Council is committed to maintaining its unique and historic character through historic and emerging new planning policies and is also committed to enhancing its future performance and that of the tenant traders through maximising its appeal to all potential customer groups.
- 1.5 The market presents an opportunity for the Council to further deliver and achieve its corporate objectives, in particular:
 - Foster an inclusive economy
 - Support flourishing communities,
 - Pursue a zero carbon Oxford

2. Current Mix & Leasing Structure

- 2.1 The following four paragraphs are carried forward from the 2007 Leasing Strategy, as they still effectively set the historic context for the current unit sizes and retail offer provided.

The present building was rebuilt and enlarged throughout the 19th century and is now listed Grade II. Designed on a grid basis with 4 cross-sected north-south avenues, the Market comprises 152 individual shop units. These units are the subject of 55 separate leases, under which the tenants are responsible for the internal repair of their units and shop fronts.

The Council provides all other cleaning, maintenance and repair services to the avenues and structure, as well as providing porters who deal with housekeeping and low-level security issues.

Many of the units have been extended beyond their original building line into the Avenues and a large number have been annexed to form larger units. The result of these changes has produced a range of shop sizes ranging between 65 sq.ft. and 1,167 sqft. With a total ground floor retailing area of around 25,000 sqft, the average size of unit in the Covered Market based on its current configuration is 450 sqft.

The small size of the units provides space for many smaller, locally based, independent traders who would otherwise find difficulty in obtaining a retailing presence in the centre of Oxford. Originally designed as a meat market, the Covered Market now contains a highly diverse range of traders.

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2. Current Mix & Leasing Structure cont'd.

2.2 The current offer, summarised by retail product group, is as follows.

<u>Product Category</u>	<u>Number of Units</u>	<u>Unit Split</u>	<u>Floorspace (Sqft.)</u>	<u>Floorspace Split</u>
Comparison Goods / Service (clothing, gifts, soaps, poster frames, toys, sports gear etc)	24	38%	10,638	38%
Convenience Goods (meat, fish, cheese, flowers, bread, cookies, beer to take away etc)	16	25%	7,589	27%
Food & Beverage (cafes, food kiosks, restaurants, bars etc)	18	28%	6,413	23%
Vacant	6	9%	3,058	11%
Total	64		27,698	

2.3 When the previous (2015) Leasing Strategy was produced, the mix (by unit) in the market was 55% comparison goods / services, 20% convenience goods, 22% food & beverage and 3% vacancies.

2.4 As can be seen, the proportion of comparison goods / service operators has reduced, with convenience, food & beverage all increasing.

2.5 According to the Council's specialist advisors The Retail Group, this reflects recent city centre retail market dynamics, the market industry in general and the result of the redeveloped Westgate Centre opening which has a very strong comparison goods offer centre (particularly clothing) dominated.

2.6 The Retail Group also advise that the broader trend in town and city centres is for a reduction in the quantum of comparison goods shopping, and an increase in convenience, hospitality, services and other 'offers'. This reflects a trend of centres becoming multiple purpose destinations. This is also a reflection of much comparison shopping being concentrated in large specialist locations (Westgate Centre, Bicester Village etc), out of retail parks and increasing online usage (ASOS, BooHoo etc).

2.7 The diversity of offer is a recognised strength of the market.

2.8 All three main categories are well represented in regards sub-categories within them, with greater diversity than when the last Leasing Strategy was produced (2015). Services are underprovided, being a key growth category in markets across the country.

2.9 There is however need for a consistent and collective quality and market positioning across all categories to in order to help traders benefit from linked trips and critical mass.

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3. Leasing Strategy Framework

Purpose and Vision

- 3.1 The Leasing Strategy is part of the “toolkit” that the Markets Manager utilises to help deliver the defined vision for the market, which is:

‘A historic indoor market that provides an exciting and contemporary platform for independent, local businesses and dynamic start-ups. The market will offer a range of locally-produced, high-quality and sustainable goods, food and drink, and fresh produce, and host a variety of art and performance-based cultural activities, to provide an original destination that evolves to meet the changing needs of Oxford’s residents, workers and visitors, through the day and into the evening.’

Balance of Trade

- 3.2 In order for the Covered Market to improve its performance, individually and collectively, it is vital that the offer becomes and then remains in balance with consumer demand. Whilst the historic nature of the building is an asset, it would be inappropriate to retain outdated and historic offers that are no longer appealing to consumers and are not commercially viable and sustainable. The Covered Market tenants need to stimulate customer usage and footfall for their own business as well as for the collective good of the market. Therefore, the Council is committed to proactively manage and improve the market mix and offer.

Trading Style

- 3.3 The Council wishes to encourage the continuation of the boutique style and diverse mix of the market, with the emphasis on independent, specialist or otherwise good quality products, which differentiate the market from every day or mainstream high street or shopping centre operations.
- 3.4 The Council recognises that there has been a historic trend in the Covered Market towards dominance by individual traders or use classes, some of whom occupy more than one (enlarged) unit. Going forward the Council is keen to see more diversity / choice, new tenants and new offers not already represented in the market.
- 3.5 It is recognised that there are opportunities to improve the collective standards of presentation and service to meet those delivered by the better retailers in the market. The effective use and presentation of shop fronts is an area to improve upon. This will help to attract footfall into the market and to disperse it more effectively throughout the market. New and existing traders will be encouraged to externalise their displays, windows and entrances, so that they can be more visible and impactful. A continued and ongoing improvement of standards is a key aspiration for the market and the future leases / occupiers.
- 3.6 The previous 2013 Future Retail Strategy & Business Plan and 2015 Leasing Strategy both identified the need for more anchor status stores, more destination traders to drive footfall, more choice and variety in both food and non-food categories and improvements to the catering offer in terms of variety and customer appeal. The recent research and wide stakeholder engagement have strengthened the need for footfall drivers.
- 3.7 The Council is committed to providing a high-quality trading environment and location for best in class independent retailers that can demonstrate that the Covered Market is the right place for them to trade and that they are right for the Covered Market.

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Trading Hours

- 3.8 The Council is keen to see all traders open for business between the core hours of 10.00 and 17.30. If traders want to open earlier to cater for wholesale business customers, then this will be allowed and encouraged. Given that the market is busier in the afternoons (as stated by traders in the survey, as well as confirmed by footfall data), then equally if other businesses, especially those selling food & beverage, want to open until 19.00, this will also be encouraged.
- 3.9 Shopping patterns are changing across the UK, with many town and city centres becoming less reliant on pure retail trips and becoming multi-purpose destinations. This includes targeting the evening economy and linked trips between different forms of leisure and socialising activity. The Council is committed to trialling the opening of a small section of the market as a later opening zone, where bars, eateries and restaurants will be allowed to open till 22.00 or 23.00. The rest of the market will remain closed and out of bounds for customers. If the outcomes of the trial are successful, then the initiative will become a permanent customer facility. The long term ambition is to allow all traders to open late if they want to where practical.

Unit Sizes

- 3.10 The Council wishes to ensure that the Covered Market continues to offer a range of size of units, both larger and smaller. The recent trend towards greater annexation of individual stalls will be henceforth discouraged unless there are exceptional circumstances where clear benefits will accrue to the Covered Market overall. Single units within blocks are particularly vulnerable and should generally be protected.
- 3.11 Where appropriate the Council is amenable to a limited number of units being further sub divided into smaller units to enable more flexibility in managing the market mix. This will provide a greater variety of trading opportunities in particular for few short term and pop-up tenants, thus supporting the Council's growth agenda encouraging nurturing start-ups and entrepreneurship.

Lease Types

- 3.12 The Council is keen to use this Leasing Strategy as a tool to enable it to more closely and actively manage the mix of the Covered Market, in order to improve its performance for the benefit of all traders. The extensive research that is contained in the supporting report and underpins this Leasing Strategy, is clear that retail market dynamics have changed extensively over the last few years and that rate of change is accelerating.
- 3.13 It is abundantly clear that retail leases in the retail industry have also had to evolve and adapt. Many leases now typically operate on shorter timescales i.e. 3 – 5 years, with more flexibility and greater mutual sharing of performance information. The availability of shorter and varied lease formats will enable the Covered Market to be quicker and nimbler in identifying and accommodating growth sectors and format.
- 3.14 Going forward the Council will offer three types of leases for new operators in the market:
- A. 5 year or longer leases within the Landlord and Tenant Act for anchor status (i.e. main / bigger / established) operators, i.e. circa 20% of tenants
 - B. Fixed 3-5year licence-based leases for the majority of operators, i.e. 60 – 70% of most tenants
 - C. A variety of short-term leases of 3 months to 2 years licences targeted at new and start-up business, i.e. 10 – 20% of tenants.
- 3.15 New leases in described above will also include the option to be turnover based, where the rental is based on an agreed percentage of the turnover achieved. This model is becoming increasingly popular and requires sharing of trading information using a communal / confidential EPOS system where appropriate. As existing operators come to the end of their existing leases and / or a break points, they will also be given the option to migrate onto the new lease types.
- 3.16 It is also the intention of the Council to introduce a service charge payable with new leases, for tenants to contribute towards (but not limited to) maintenance of the building, cleaning, security, shared epos / management information system and enhanced consumer marketing.

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Rents

- 3.17 It is not the intention or purpose of the Leasing Strategy to set rental levels. It would not be appropriate for this Leasing Strategy, being as it is focussed on the long-term management, benefit and performance of the Covered Market, to determine rental levels in the market. Rental levels are determined by a variety of inputs including market demand and recent rental precedents.
- 3.18 The Council does acknowledge however that rental levels are a key tool in helping to keep the market occupied, healthy, sustainable and a positive experience for the consumer.
- 3.19 The Council will take a balanced view when setting asking rents for units as and when they become available, including considering research, information and professional advice. Factors that the Council will take into consideration in setting rents for units will include (but are not limited to):
- A. Location within the Covered Market
 - B. Importance of product category to the market (e.g. anchor status and priority rated / target category)
 - C. Lower initial rents for start-up or emerging businesses
 - D. Impact and visibility of the unit
 - E. Local independent retail sector rental levels for appropriate categories, user types and trading location.

Planning Uses

- 3.20 The City Council recognises the importance of the Covered Market in adding to the range of shopping provision in the heart of Oxford, as well as for its unique heritage. It is a Grade II Listed Building dating from the 1770s and extensively re-built and enlarged in the 19th century.
- 3.21 The Council wishes to maintain, enhance and promote the character and established diversity of offer for the Covered Market and this Leasing Strategy forms part of a toolkit to be used by the Market's Manager to deliver the vision and objectives for the Covered Market.
- 3.22 Planning permission will only be granted for alterations to or extensions of the Covered Market when it can be demonstrated that their design is informed by an understanding of the unique qualities and heritage interest of the Covered Market itself and its setting.

4. Guidelines

Future Products and Mix

- 4.1 Based on the research that has been undertaken, and the conclusions and recommendations of The Retail Group, the future target mix of the Covered Market (by unit) is:
- A. 34% Comparison / Service Goods
 - B. 33% Convenience Goods
 - C. 33% Food and Beverage.
- 4.2 It will be prudent and logical of course to accommodate flexibility of plus or minus 5%. This will be subject to regular reviews of other similar markets and comparable retail centres, to ensure the mix is valid, up to date and in tune with customer demand.
- 4.3 A core principle for the ongoing management of the Covered Market is that new uses should complement and enhance the existing character, mix, quality and offer of the market offer. Whilst existing anchor offers should be retained, flexibility is encouraged to facilitate the offer and appropriate unit sizes / trading style of new entrants. This includes the provision for more anchor status offers / operators.

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Future Products and Mix cont'd.

- 4.4 Consumer demands continue to change at pace. The expectations and required high service levels of shoppers, residents, tourists and visitors for high quality, experiential and essential retail, catering and services to the thousands of workers, residents, visitors and students in the city centre continue to rise. Furthermore, it is a shared asset for all those traders that operate within it as well as other retail, service and food & beverage businesses near it.
- 4.5 Existing and new tenants are encouraged to diversify and extend their offers to include logical product extensions, new services and additional retail theatre, for instance click and collect and regular events that drive footfall such as visits and 'evenings with' suppliers, demonstrations, VIP customer pre-launch events, seasonal and multi trader promotions. All businesses will be encouraged to demonstrate clear and ideally local provenance, to differentiate the market and its offer from the strong multiple line up available elsewhere in the city centre.
- 4.6 Businesses that can demonstrate good sustainability and/or inclusive employer credentials will be encouraged. This includes a focus on local supply chains, reduced food miles and packaging, paying Oxford Living Wage, supporting apprenticeships and so on.
- 4.7 There are opportunities to enhance the comparison goods offer with more handmade, artisan, quality goods, especially those which provide visible alteration & tailoring and / or making on the premises. By way of illustration, this could include (but not limited to) art / pottery, contemporary fashion / accessories, eco-home cleaning products (refillable packaging), household goods, jewellery, quality garden & tools, quality pets apparel / accessories, specialist fashion, specialist sports apparel, stationers / pens, sustainable clothing, toiletries and perfumery, toys and board games, vinyl music specialist, vintage / pre-owned clothing & upcycling, and so on.
- 4.8 The services offer could be improved to include bike repair and servicing, blow dry bar, spa / beauty services, children's hairdresser, contemporary men's grooming, fancy dress hire, gallery retail hybrid, haberdashery / makers collective, opticians, podiatry, pottery / art café, tailoring / repairs and so on.
- 4.9 There could be more variety in convenience food goods. The priority requirement is for a delicatessen / farm shop. Further additional requirements include an artisan baker, cupcakes, gin / whisky specialist, larder treats / essentials (nuts / spices / olives / oils), tea specialist, traditional / specialist confectioners / sweet shop (not franchised), and so on.
- 4.10 The future food & beverage requirement could include more world street food styles such as tapas, ceviche, gourmet burger specialist, Japanese noodle / ramen, Korean, Vietnamese, Indian, Mexican, Israeli, Moorish, Lebanese, seafood bar, salad bar, sourdough pizza, sushi as well as gin / vodka bar, whiskey lounge, craft ale / cider, cocktail bar, and so on.
- 4.11 To encourage new starter businesses and pop-up operators, it is the intention that a small number of starter units will be provided where possible, available on a short term basis, with rent payable calculated as a percentage of (openly shared) turnover. Priority will be given to local businesses to contribute to the inclusive economy agenda which has a stated aim of supporting local businesses.
- 4.12 The Markets Manager will identify priority target uses to expand the offer, complement existing uses and to optimise customer appeal, in response to the evolving and changing retail and customer trends. A priority target category list will be maintained and used to direct leasing activity, advise agents and help existing traders.
- 4.13 Uses which detract from the Market's special character will be discouraged, for example, electrical / white goods, mobile phones, travel agents, estate agents, nail bars, cheap souvenirs and other 'high street' type operators.
- 4.14 New specialist food product shops in trades not already represented would generally be welcomed subject to the wider balance of trades issue between food and non-food uses.

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Occupiers

- 4.15 The Council has identified a variety of criteria that new tenants will need to satisfy a selection of in order to successfully trade in Oxford Covered Market. The criteria include:
- A. Be an identified target use and either be, or have the potential to be, skilled and professional operators
 - B. Complement existing uses, and / or expand the choice / offer and add to the appeal of the market mix
 - C. Provide additional “retail theatre” and experience
 - D. Open, dynamic and engaging with customers
 - E. Trade extended hours (i.e. till 19.00 or beyond), as well as open Sundays
 - F. Be based locally or source much of their product locally
 - G. Demonstrate good sustainability and inclusive employer credentials
 - H. Actively and continually trying to improve service levels and retail presentation / delivery
 - I. Established and proven, either as operators or for the proposed use
 - J. Good and effective self-promoters / skilled in use of social media and other marketing tools
 - K. Best in class status, either proven or by design and delivery of shop fit / environment
 - L. Award winners
 - M. Independent with limited (typically less than 10) other shops
 - N. Supply a quality business plan and sustainable trading forecast, and have a clear marketing plan
 - O. Help to deliver the ambitions and targets of the Retail Strategy Report.
- 4.16 The Council wishes to encourage occupation by sole traders, independents and local retailers. Proposed tenants, who meet these criteria, will generally be accepted on assignment, subject to receipt of satisfactory references / financial investigations and completion of the necessary Licences. The provision of acceptable surety (i.e. guarantors and / or rent deposits) will always be sought from incoming tenants before consent is given in principle.
- 4.17 Applications for change of use where the lease is to be assigned to a high street multiple will generally not be permitted unless there is a real and positive benefit to the balance of trades / diversity.
- 4.18 No Tenant (including family members) should own or control more than 3 separate leases / units within the Market, nor more than 10% of ground floor area.
- 4.19 The Council will seek to market and fill any vacant units that revert to its control in a timely manner. Applications for meanwhile (pop-up and short term) uses will be encouraged providing they deliver the criteria identified above in section 4.16.

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Assignment

- 4.20 Whilst the Leasing Strategy is set out to assist the continued improvement and performance of the market the principles and guidelines are equally applicable to the Assignment of Leases from existing tenants to new tenants.
- 4.21 It is the responsibility of the Assignor tenant to ensure that the prospective Tenant complies with the priority target tenant list as set out by the Market Manager. The Assignor tenant will need to contact the Markets Manager to ensure that a prospective new tenant meets the criteria for new occupiers, i.e. 4.13 above
- 4.22 Having established that the incoming tenant is suitable and appropriate in terms of trading style, offer, skills, permissions (planning or change of use etc) and experience, the assignor is then able to follow the existing and detailed procedure for assigning the lease, in conjunction with the Council's Corporate Assets team. For ease of reference the process is summarised below and further described in the Appendix of this document.
- 4.23 Assignor tenant applies to assign their lease, in full or in part with appropriate permissions from the Markets Manager; they then complete the Assignment Proforma and provide solicitors contact details.
- 4.24 On receipt of the completed Proforma, and any other required information such as undertaking to meet all costs etc, the Corporate Asset team then complete the assignment process and instruct solicitors to issue a draft Licence to assign and a Rent deposit Deed if required.
- 4.25 Solicitors are instructed to contact each party, references and / or guarantees are secured as appropriate. Once the legal documentation is agreed, the assignment can be completed.
- 4.26 The council is committed to enabling the swift and efficient assignment of leases from outgoing tenants and will make every effort to facilitate the process. It is the outgoing tenant's responsibility to ensure that the incoming tenant is of suitable calibre to meet the tenant and trading requirements of the Covered Market.

Physical Considerations

- 4.27 Notwithstanding planning policy and listed building restrictions, the annexation of adjoining units and / or the amalgamation of adjoining units to create large footprint retail premises will not be permitted other than in exceptional circumstances that offer a premium benefit to the balance of traders and the overall performance of the Market. The provision of new anchor status units and / or a shop with multi departments that are visibly different would be considered.
- 4.28 The splitting / redivision of large units to form small individual units will be considered providing that the resultant units are of sufficient size to be commercially viable. This could include the provision of shared servicing, washing up, storage and food preparation facilities.
- 4.29 Tenants will be encouraged to have more open and active trading frontages to the units so as to create stronger visible retail activity throughout the Market.
- 4.30 Tenants will be expected to comply with the direction of their lease at all times.

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General

- 4.31 The Markets Manager is the primary contact for all matters relating to the Leasing Strategy.
- 4.32 The Council is committed to helping the traders to improve their performance and the performance of the Covered Market as a whole.
- 4.33 The Markets Manager will annually prepare and publish an up-to-date list of priority target categories for the Covered Market. Potential new tenants will need to be capable of achieving the criteria identified in Section 4.13.
- 4.34 The mix of the Covered Market will be closely managed in accordance with the broad group targets set out in Section 4.1. Individual lease use clauses will more closely define what each trader is committed to sell.
- 4.35 Individual exclusivity of products cannot be provided as the Covered Market already contains multiple tenants selling similar products.
- 4.36 The Leasing Strategy is expected to be valid for 10 years, although it should be updated after 5 years.
- 4.37 This Leasing Strategy will replace the 2015 version upon formal adoption.
- 4.38 The Council will require new tenants signing new / resigning existing leases to
 - A. Adhere to the Market's code of conduct
 - B. Trade as a minimum from 10.00 in the morning to 17.30 weekdays, 10.00 to 17.00 Saturdays and 11.00 to 16.00 Sundays
 - C. Utilise a common EPOS system to be adopted for the market
 - D. Accept and process deliveries on Market Street outside of the core trading times as identified in B above
 - E. At all times display high levels of retail standards, including customer service, visual merchandising and window displays.

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Appendix: Oxford Covered Market Assignment Process

This diagram summarises the Assignment process detailed in July 2011, and brings it up to date with the overarching Leasing Strategy guidelines.

