

PACEC

Public and Corporate
Economic Consultants

**Lambert
Smith
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Employment Land Study

For Leicester City Council

July 2017

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1 EXECUTIVE SUMMARY

Leicester City Council is preparing a new Local Plan. To inform the new plan, the Council commissioned this employment land study to provide: a strategic assessment of economic development needs; an assessment of existing employment land and local information in respect of the Leicester office market, Cultural Quarter, Pioneer Park and textiles sector.

A. The Key Recommendations for the City Council concern:

1) New Local Plan

Use the study as part of the evidence base for:

a) *Economic development land allocations:*

For the period 2015 – 31, add to the existing development pipeline, provision for

- Offices: 45,000 sq m
- Light and general industry land 45 ha
- Strategic scale warehousing to be met mostly beyond the administrative boundary and elsewhere in Leicestershire and the Golden Triangle

b) *Existing employment land:*

This has been reviewed (see section D).

2) Economic Development Land Delivery

In partnership with the LLEP, make high level, long term institutional and budget commitments to retain, attract and meet the land and premises requirements of employers as follows:

a) Land Development Team

To assemble a team with the capabilities and capacities to make the economic development land and office markets work for developers, existing businesses and inward investors, property financiers and investors, supply chains, employees and the wider community and environment; and use these institutional capacities to:

- Promote large scale industrial land allocations on Council controlled land
- Facilitate refurbishment and upgrading of the existing office stock
- Bring forward and create investment ready city centre Grade A office sites
- Promote early development of Council owned land at the Space Park, Pioneer Park (6,700 sq m) and Phoenix site, Midland Street (4,000 sq m)

b) Maintain an Inward Investment Team

To promote Leicester as an industrial and office destination of choice for existing businesses and inward investors using a team wide approach to working with existing occupiers, potential inward investors and commercial property agents

c) Innovate in Funding and Investment

To enable land and property acquisitions and development to generate higher returns than costs of debt – measured in land and property development, income and capital, jobs and economic development

d) Invest in the City Centre

To build the city’s reputation as a destination for: office based businesses; higher education; comparison shopping; leisure and entertainment; arts; culture and tourism.

B. The Main Findings of the Study are:

1. Strategic and Local Policy Context: The National Planning Policy Framework (NPPF) states the purpose of the planning system is to contribute to the achievement of the three dimensions of sustainable development: economic; social and environmental. Under the economic role, the NPPF adds, planning contributes to:

Building a strong, responsive and competitive economy by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and identifying and co-ordinating development requirements including the provision of infrastructure

In practice, since 2008 credit crises market failure in investment in advance infrastructure required for new economic development sites combined with wider NPPF policies have weakened economic development land planning and delivery. To address this market and policy failure, in Leicester, the City Mayor has facilitated development and, out of town, developers have limited development to ‘investment ready’ plots that were mostly serviced before 2008. In parallel existing and new, but liquidity trapped, sites have been vulnerable to pressures for change of use to higher value, residential and retail uses. Contrary to the planning system’s economic role, businesses notably city centre office occupiers and large manufacturing firms have been left with limited choice at best and unmet needs at worst.

2. Economic Development Needs Assessment: In accordance with Planning Practice Guidance, the assessment identified requirements for office floorspace and industrial and warehousing land in the Leicester functional economic area (FEMA) for the period 2015 – 31. The FEMA, which is defined by commuting patterns, encompasses Leicester, Blaby, Oadby – Wigston and Charnwood. Whilst this provides a basis for statistical data, this area does not provide a perfect geographical fit with local commercial property sub markets. The Leicester office market comprises the city centre and edge of urban area ‘out of town’ sub markets; the industrial property market encompasses Leicester and its wider urban area and strategic scale warehousing



market is bounded by the M1, M42 and M6, an area known as the ‘Golden Triangle’. On the demand side, the assessment considered three key sources of demand.

a) Employment growth: The employment growth forecast was based on the HM Treasury and Office for Budget Responsibility (OBR) five - year forecast (2016/17 to 2021/22) and PACEC’s projection of this forecast to 2031. The OBR forecast, based on average GDP growth over five years, is for employment growth but at a slower rate than in recent years. This accounts for the impacts of the UK leaving the EU, slower growth in the population of working age people and, as a result, higher anticipated investment in productivity.

b) Stock renewal: Requirements for renewal of the existing stock of premises account for the largest source of demand for new economic development land in most of the UK’s functional economic market areas. The rate of renewal is determined by a complex combination of supply and demand side factors. Market failure on the supply side to bring forward investment ready sites in the Leicester FEMA is acting as a constraint on both renewal and inward investment.

c) Development pipeline: At the beginning of the plan period, the existing stock of economic development land provides a pipeline of allocated, consented and investment ready land. To provide for continuity of development after the end of the plan period, provision is required to replace this stock with a new pipeline of allocated, consented and investment ready land. This amounts to five times of average annual take up of new land.

To calculate the net requirements for new allocations for each B use, we deducted the supply of deliverable land as of 31st March 2015 from the gross demand requirements. Following a review of recent developments, it was concluded that an update to 2017 would not make sufficient difference to the recommendations to warrant further amendment.

The recommended requirements are adjusted to account for:

- i) Historic take up rates
- ii) Loss of floorspace and land identified in the development pipeline due to changes of use and market failure to bring forward the sites for development
- iii) Public policy priorities for regeneration, local and inward investment and job creation, taking into account:
 - Strategic allocations for large scale investment in knowledge based activities at Loughborough University Science and Enterprise Park
 - Market provision for large scale distribution centres elsewhere in Leicestershire
 - LLEP and City Council commitments to comply with NPPF requirements to make provision for inward investment and meet (existing local unmet) business needs by

facilitating Grade A office development in Leicester city centre and providing large scale economic development sites

C. Land and Floorspace Requirements and Recommendations 2015 - 31

Offices Table A

	Requirements sq m		
Location	Demand: Employment growth, renewal and pipeline	Supply: Existing pipeline	Recommended City Allocation: Supply demand gap, plus other requirements
City centre	62,240	37,425	45,000
Out of town (urban fringe)	52,600	47,014	

Industrial Table B

	Requirements ha		
Location	Demand: Employment growth, renewal and pipeline	Supply: Existing pipeline	Recommended City Allocation: Supply demand gap, plus other requirements
City	38.09	10.0	45
Rest of FEMA*	34.57	44.46	

* Rest of FEMA: Blaby, Charnwood and Oadby Wigston

Warehousing Table C

	Requirements ha		
Location	Demand: Employment growth, renewal and pipeline	Supply: Existing pipeline	Recommended City Allocation: Supply demand gap, plus other requirements
City	28	nil	nil
Rest of FEMA *	26.4	52.06	

* Rest of FEMA: Blaby, Charnwood and Oadby Wigston

a) Offices: The recommendation is to add 45,000 sq m to the existing supply of 37,425 sq m of offices in the development pipeline. This is sufficient to provide for:

- 46,680 sq m of forecast demand (at a take up rate 3,100 sq m per annum achieved in the period 2010 - 16)
- 15,500 sq m for the end of plan period pipeline
- the balance to allow for loss of sites from the existing supply

In the out of town market, new office development since 2008 has been limited to the now diminishing supply of 'investment ready' plots. This supply is not being replenished as the most viable sites, close to J 21, are of greater interest to developers of large scale warehousing. The issues for public policy in the rest of the FEMA concern investment in advance infrastructure and delivery of offices and industrial units to meet business needs.

b) Light and general industry: The recommendation is to add an allocation of 45 ha to the existing supply of 10 ha in the development pipeline. The combined provision of 45 ha plus 10 ha in the city and 10 ha in the rest of the FEMA. The resulting 65 ha is sufficient to provide for:

- take up of 45 ha in the plan period (a rate of 3 ha per annum in line with rates of 4.39 ha and 2.36 ha per annum in the periods 1995 – 2004 and 2010 – 16)
- 15 ha for the end of plan period pipeline
- the balance to allow for loss of sites from the existing supply

The recommendations are to create a strategic economic development site of Leicestershire wide significance by:

- allocating one or more strategic scale sites in public ownership in Leicester totalling 45 ha;
- investing in advance infrastructure; and
- focussing estate management and economic development practice on enabling existing firms to modernise and expand in Leicester and attracting inward investors.

In the rest of the FEMA, planning policy has been successful in bringing forward new sites. These sites though require investment in advance infrastructure, protection from pressures for change of use and, or, take up exclusively for large scale warehouses.

c) Warehousing: The recommendation is to not to provide to meet the forecast gross requirement for 28 ha for warehousing in Leicester as:

- the existing development pipeline in the rest of the FEMA is sufficient to address the identified local requirements for Leicester and the rest of the FEMA
- further provision to meet demand for large scale units (defined as more than 9,000 sq m) for regional and national markets is being brought forward by developers along the M1 corridor in the rest of Leicestershire and the wider Golden Triangle.

The key planning policy issue in the Leicester FEMA is to harness demand for warehousing in order to support delivery of offices and industrial units.

D. Housing Supply / Labour Market Balance

To check the demand assessment, we have considered the following:

a) Forecast employment demand and household formation balance: In the study, we compared two forecasts of household formation based on alternative forecasting methods. The first is based on the ONS Subnational Population Projections (SNPP) which accounts for growth arising from birth, deaths and aging and is adjusted to account for national and international migration and growth to make up for the slowdown in household formation following the 2008 credit crisis. The second forecasts that housing demand increases at the same percentage rate as employment demand. The two forecasts are for growth of 72,871 and 74,424 households in Leicester / Leicestershire for the period 2011 – 31.

b) Forecast employment demand and labour market supply: The employment forecasts for Leicester and the Leicester FEMA in the period 2015 – 31 are for increases of 7,500 and 14,700 workplace jobs respectively. This is less than the possible increase of 16,200 and 31,300 in economically active people for Leicester and the Leicester FEMA respectively. The latter forecasts are based on the assumptions that economic activity rates among 15 – 64 year olds will rise from 72 to 74% and among people aged over 64 from 10 to 16%. Under such conditions labour markets would adjust with lower activity rates and less national and international migration.

E. Review Existing Employment Land

i) Leicester Office Market Review Update

This study updates the 2012 Office Market Review to 2015. A key finding is that the Leicester office market (in common with other ‘non - core regional markets’) is subject to negative (mostly national) and positive (mostly local) structural market and policy pressures.

The significant negative pressures are the national trend for closure and centralisation of local branch offices into regional centres and non - viability of Grade A office development in non – core regional markets.

The significant positive pressures in Leicester are unmet demand for Grade A offices and narrowing viability gap. The first results from a growing preference among occupiers for city centre locations, the second is due to rising rents and hardening investment yields. The evidence for this is set out in comparative development appraisals from 2012 and 2015 for a Grade A office scheme in Leicester city centre. The most significant positive factor is the City Mayor’s strategic commitment to making the city centre into a focal point for: office development; comparison shopping; leisure and entertainment; arts and culture and tourism.

ii) Cultural Quarter

The St George's South conservation area was identified for development as a cultural quarter in 2002. The regeneration era, 2002 – 10, was defined by £70m of public investment delivered two arts venues, Curve and Phoenix, and two managed workspaces at LCB Depot and Phoenix. In parallel, private investment converted abandoned former flatted textile factories into apartments.

Following the credit crises and public sector austerity, a baseline assessment and sector study have identified new issues and approaches to provision of premises and business services for the cultural industries. The approaches concern measures to address market failure in provision of grow on space and public policy failure in provision of business support services for high growth firms, for example, accelerator programmes, with introductions to seed and growth investors. The study highlights the promotion of the Council owned Phoenix site, Midland Street, for Grade A offices as a high level strategic priority for the City Council. Updates are proposed to the key planning policy objectives for the area which are set out in existing Core Strategy Policy CS04.

iii) Pioneer Park

Pioneer Park was identified in the Abbey Meadows SPD (2007) as a science and technology park. To realise this vision, the public sector acquired and serviced land and secured the development of a B1b office building and DOCK, a managed workspace scheme.

In absence of occupier demand, the 'Pioneer Park Baseline Study and Development Strategy (2014),' identified as obstacles to development, the lack of links with a Higher Education Institution with a sector focus; a unique selling point and absence of a critical mass of firms. The baseline study recommended: development of DOCK 2 for grow on firms; works to make the former John Ellis site 'investment ready' and build out of further grow on units in response to demand.

More recently, the University of Leicester has secured funding for the first phase of the Space Park on the former John Ellis site. Facilities for University teaching and research, open innovation and satellite production are proposed. In 2017 the area was designated as part of the Loughborough and Leicester Science and Innovation Enterprise Zone. This study highlights the Space Park as a high level strategic priority for the City Council and LLEP and updates the key planning policy objectives for the area, set out in Core Strategy Policies CS04 and CS10.

iv) Textile Sector

Textile manufacturing, the wellspring of Leicester's industrialisation, has been in decline since the 1970s, due lower cost overseas production. Of the City's remaining 8,000 jobs in the sector, 5,500 account for 22% of UK jobs in the wearing apparel sub sector. In recent years there is evidence that the competitive position of the sector is improving due to demand, notably from e tailors, for fast fashion with shorter design to



production lead times and technical textiles from aerospace, automotive and advanced manufacturing sectors. This demand is in turn stimulating investment in high technology machinery, rising productivity and job growth.

The sector faces key constraints to realising a strategic scale opportunity to grow its share of global purchasing by UK retailers and e tailers. First, the sector remains the subject of low skills, pay and productivity. As a result, the sector has an aging workforce and attendant skill shortages. Second, the East Midlands Chamber of Commerce has identified the lack of available premises and resulting higher rental costs as a further threat to the sector's competitiveness. The evidence base for current employment land policies included a forecast for the continued decline of the sector (in the Leicester Employment Premises and Land Study (2006)). This informed policies recommending the redevelopment and change of use of premises within the city's 'textile quarter.' This now needs to be revised.

The study recommends for the textile sector measures to: address corporate governance and ethical standards; skills, pay and productivity; and planning policies to recognise the significance to the sector of the inner city employment areas and new employment land for high growth firms.

2 INTRODUCTION

2.1 Introduction

Leicester City Council commissioned PACEC in association with Warwick Business Management Limited and Lambert Smith Hampton to undertake the Leicester Employment Study. The purpose of the study was to provide a robust evidence base to help inform the preparation of the new Local Plan in compliance with the requirements of the National Planning Policy Framework (NPPF) and National Planning Practice Guidance (PPG), notably the NPPF economic sustainable development objective to contribute towards:

Building a strong, responsive and competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation

The new Local Plan will provide a policy framework and new employment land allocations in the most appropriate locations to meet the needs of the communities and business across all sectors of economic activity and jobs.

To secure prosperity and improve living standards in its communities, Leicester has a new economic vision and ambition to be a smart city and city of choice for inward investment. As a smart city Leicester will bring together digital technologies (ICT), government and local communities to improve the environmental, social and economic sustainability of the city. As an investment city Leicester will combine economic development land planning with proactive interventions in property, labour and business support markets. This study will support this vision by providing an evidence base for and new approaches to economic development land planning. These approaches include: making provision for large scale inward investment and relocation and growth of existing employers; unlocking new development through investment in advance infrastructure and property market interventions and effective development management of existing employment areas. Implementation will involve priority setting; project development and innovations in funding, public asset management and public private partnerships.

2.2 Objectives of the study

The objectives of the study were as follows:

1) *Strategic Employment Land Assessment*

- a) To provide in compliance with NPPF and PPG requirements a strategic assessment of the need for new economic development land in Leicester to 2031 (for the periods 2015 – 20, 2020 – 25, and with an extrapolation to 2031)

b) To make recommendations on the location and type of land for the relevant sectors and in particular the four sector hubs (offices, textiles, Pioneer Park, and Cultural Quarter)

c) To undertake an assessment of the balance in provision between the levels of proposed and existing housing and proposed and existing employment land, having regard to both the SEP and the SHMA

2) *Fitness For Purpose Of Existing Employment Land*

a) To advise on whether any other established criteria could be used to help better define ‘fitness for purpose’ to grade premises.

b) To update the grading system that is shown in the ‘Area Assessments Plan’ of the 2006 ELS.

c) To apply an updated grading system for all existing employment sites shown on the adopted proposals map in terms of their ‘fitness for purpose’ for future employment use.

d) To consider the merits or otherwise of a set of additional policy criteria for accepting non – employment development.

e) To make overall recommendations on how much (if any) currently allocated land is no longer ‘fit for purpose’ and does not need to be retained for future employment use taking into account the need for ‘neighbourhood’ employment provision.

3) *Provide Additional Local Information For Leicester.*

Policy Context

To provide additional local information in the context of the ‘Priorities’ section of Leicester’s Economic Action Plan which identifies four Business Investment Areas with strong potential for growth where a number of measures are proposed including investment in infrastructure and or new workspaces and accelerated planning process.

The areas and sectors are:

- North east of the city: Food and Drink Manufacturing
- Pioneer Park: Innovation and Technology (especially relating to space and environmental technologies)
- St George’s Cultural Quarter: Creative industries
- City Centre: Professional and business support services, existing retail and new leisure facilities



Local issues

- a) To make recommendations on how best to support business growth in the remaining gap sites in the Cultural Quarter in the face of successful new housing development reducing opportunities for the cultural industries
- b) To provide an analysis of recent changes in and future growth potential of the Leicester textile industry with reference to ‘on shoring’ and investment in high technology machinery
- c) To review the evidence informing the land allocations at Pioneer Park as Leicester’s hub for innovation and technology with special reference to space and environmental technologies

Offices

- a) An update on the Leicester office market and advice on whether sites outside the city centre should also be considered for future office development
- b) An assessment of the implications of Permitted Development rights for the change of use from offices to residential use.

2.3 Work Packages

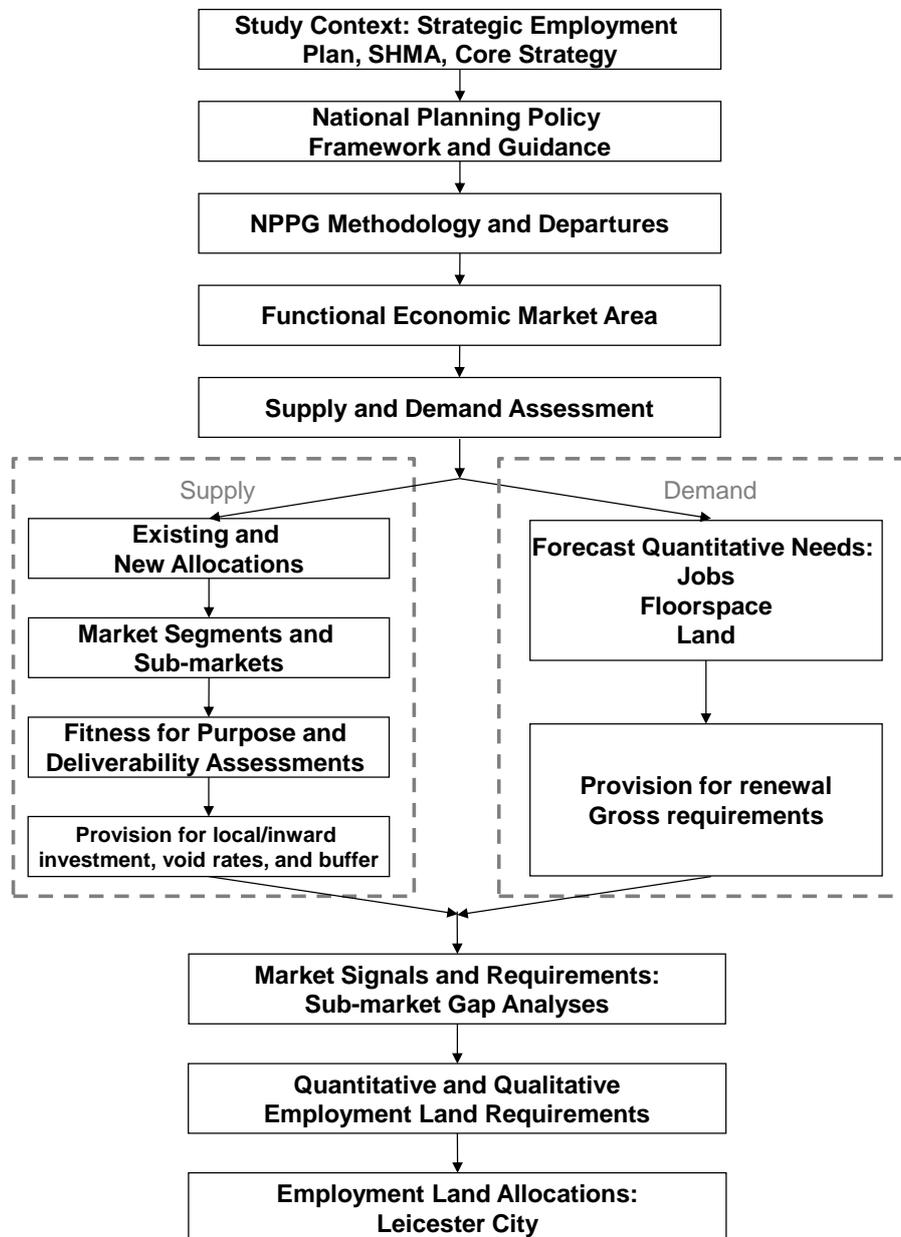
The service requirements were allocated to four distinct work packages, which are summarised below

Service Requirement	Work Package
1. Strategic assessment of employment land needs	1: Strategic Future Forecast
2. Balance in provision between housing and employment land	2: Labour Supply / Employment Demand Balance
3. Existing employment land, fitness for purpose and grading	3: Existing employment land
4. Leicester office market update and implications of permitted development rights	4: Property sub-markets
5. Cultural Quarter	
6. Pioneer Park	
7. Textile industry	

2.4 Employment Needs Assessment: Methodology

To address the study objectives and deliver the outputs, the following methodology was employed.

Figure 2:1 Conceptual Framework



2.5 Employment Land Needs Assessment

The methodology for the employment land needs assessment comprised five elements as follows:

Step 1: STRATEGIC AND LOCAL POLICY CONTEXTS

Below we consider the national strategic and local policy contexts for the study.

a) National Strategic Policy Context

The National Planning Policy Framework (NPPF) advises local planning authorities to:

- i) Have a ‘clear understanding of business needs within the economic markets operating in and across their area,’
- ii) Maintain a robust evidence base by working with partners including Local Enterprise Partnerships and the local business community to inform:
 - An assessment of the quantitative and qualitative needs for land and floorspace for ‘all foreseeable types of economic activity over the plan period, including retail and leisure development’
 - The existing and future supply of employment land and its suitability and to assess previously allocated land that may not be continue to be fit for purpose

b) Economic Development Needs Assessments: Planning Practice Guidance

The PPG set out guidance for economic development needs assessments. We have developed a practical methodology to comply with this guidance and provide a robust evidence base.

c) Local policy context

The following reports inform the local policy context for this study:

- i) Leicester Core Strategy: comprises adopted Core Strategy 2010, Core Strategy update of two policies 2014, saved policies of Local Plan 2006. We will also have regard to the replacement Local Plan Issues and Options consultation document 2014.
- ii) Previous Employment Land Studies:
 - Leicester Employment Land Study 2006
 - Leicester and Leicestershire HMA Employment Land Study 2012
- iii) LLEP Strategic Economic Plan (SEP): The LLEP’s plan of March 2014 sets out a growth strategy and priorities for Leicester and Leicestershire with an ambition by 2020 to create 45,000 new jobs, lever £2.5bn of private investment and increase Gross Value Added by £4bn (from £19bn to £23bn) by investing in infrastructure, business support and employment and skills initiatives.
- iv) Strategic Housing Market Assessment (SHMA): The purposes of the SHMA are to set out an objective assessment of housing need across the Leicester and Leicestershire HMA and assist authorities in carrying out their duty to co-operate in planning matters which cross authority boundaries.

The study also pays regard to the need to balance housing and employment in the city and the impact of the study findings may have on the need for future employment provision in Leicester.

Step 2: SUPPLY AND DEMAND SIDE ASSESSMENT

For the period 2015 – 31, forecasts of office floorspace and industrial and warehousing land requirements were prepared in accordance with the employment demand based forecast methodology set out in the Economic Development Needs Assessments Planning Practice Guidance with amendments to take into account non employment related sources of demand.

For the three - year period 2013 - 15, the study drew together evidence of demand for employment land since the last review (2008 – 12) comprising: investment in land promotion and advance infrastructure; development starts and completions and occupier trends. A review of more recent evidence to 2017 demonstrated that it would not make sufficient difference to the recommendations to warrant another amendment.

For the supply side, the study identified employment land allocations.

Step 3: SUPPLY SIDE DELIVERABILITY, ASSESSMENT OF DELIVERABILITY

The employment land allocations were classified as: -

- Tier 1, sites available for immediate development, and
- Tier 2, sites with one or more of the following land development issues: planning; advance infrastructure and funding required for advance infrastructure.
- Sites which are not available to the open market were excluded from the supply.

Step 4: MARKET BALANCE AND EMPLOYMENT LAND ALLOCATIONS

Supply demand gap analyses were undertaken by office (B1a and B1b), industrial (B1c and B2) and warehousing (B8) uses at the following levels: Leicester; the rest of the Leicester FEMA (Blaby, Charnwood and Oadby – Wigston) and the Leicester FEMA.

Step 5: STUDY CONCLUSIONS AND RECOMMENDATIONS

The study conclusions concern evidence of both market and policy successes and failures.

Market successes were evident in the supply of and demand for large scale distribution warehouses on large sites with good access to the M1 and, to a more limited extent, the supply and demand for pre – let and pre – sold Grade A offices and large industrial units.



Market failures were evident at both ends of the development pipeline. The first failure is to replace the diminishing supply of new employment sites. This is due to risk averse lenders viewing investment in advance infrastructure as speculative due to uncertainties over the scale and timing of demand. The second failure is to provide sufficient speculative offices, industrial and small warehousing units and workspaces. This is due to risk averse property investors requiring occupiers to provide long leases at rack rents secured by investment grade covenants.

Policy successes were evident from the LLEP's support for investment in advance infrastructure most notably at Optimus Point and City Council's planning and economic development programmes. The most notable of these are: the programme to enhance Leicester's physical and cultural environment; the inward investment service; regeneration of the Council's former offices at Welford Place and pipeline of ERDF supported workspace developments. The main policy failure is to bring forward sufficient 'investment ready' employment land to meet occupier market demand. Further, recent Government policy measures have left existing and new employment land allocations more vulnerable to pressures for change of use to housing and retail.

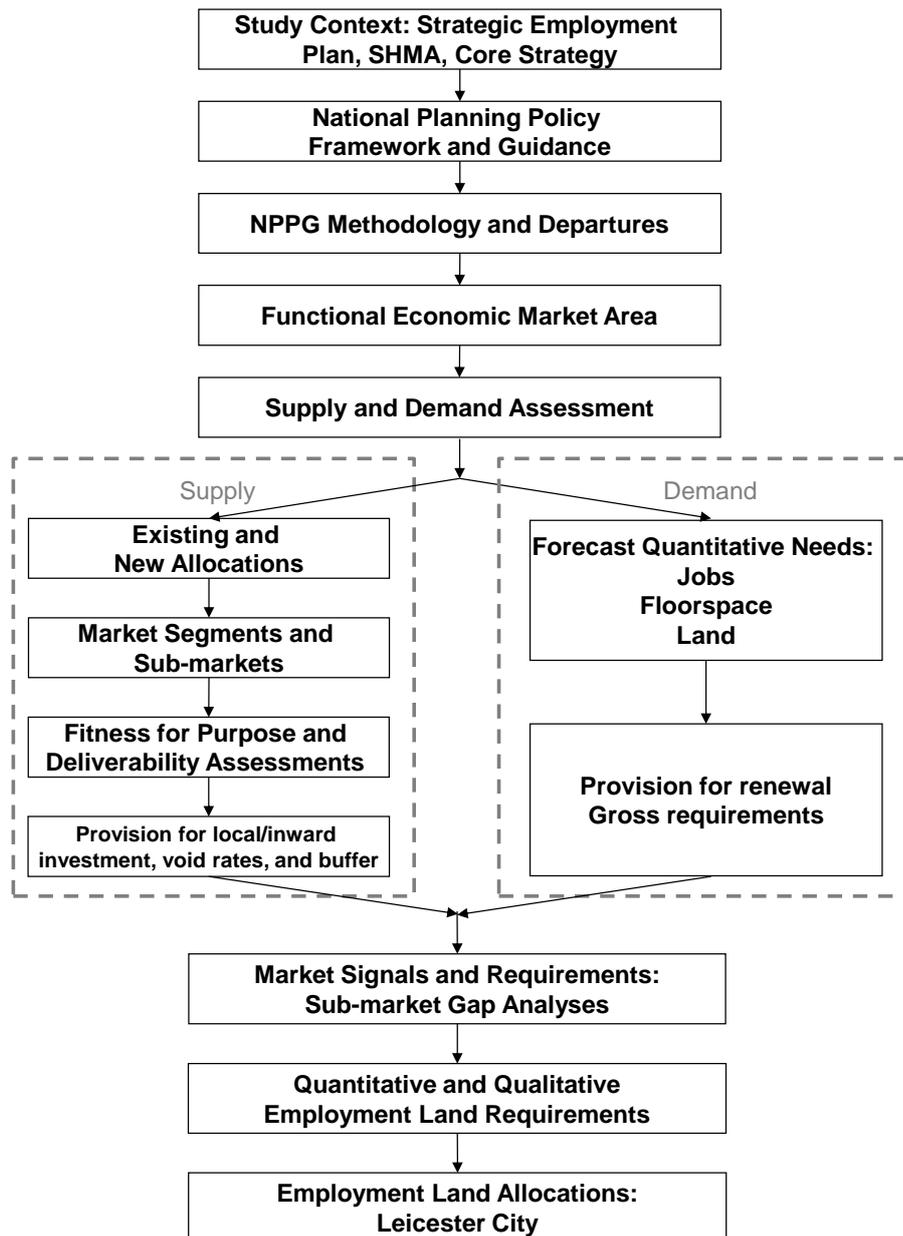
To attract further inward investment and enable new and existing firms to start and grow, the recommendations and action plan concern: the scope, scale, location and ownership of new employment land allocations; investment to make these allocations 'development ready' and wider supporting measures to make Leicester and the Leicester PUA more competitive for business.

3 STRATEGIC FUTURE FORECAST

3.1 The Conceptual Framework

We have developed an overall conceptual framework and methodology to undertake a strategic assessment of employment land needs. The methodology has been designed to comply fully with the requirements of the National Planning Policy Framework (NPPF) and the methodology for Housing and Economic Needs Assessments set out in the Planning Practice Guidance (PPG). This conceptual framework covers Work Packages 1 and 2.

Figure 3:1: Conceptual Framework



3.2 Economic Development Needs Assessment

The Planning Practice Guidance (PPG) for economic development needs assessments sets out the approach to assessing need, the scope of assessments, methodology (assessing economic needs) and core outputs and monitoring.

a) Approach to Assessing Need

The purpose of the PPG is to support local planning authorities (LPAs) in objectively assessing and evidencing development needs for economic development. The primary objectives of the assessment are to:

Identify the future quantity of land and floorspace required for economic development uses including both the quantitative and qualitative needs for new development; and

Provide a breakdown of that analysis in terms of quality and location, and to provide an indication of gaps in current land supply

The PPG adds, the quantity of economic development floorspace needed should be based on quantitative assessments and an understanding of the qualitative requirements of each market segment. The assessment needs to be proportionate with LPAs only considering future scenarios that could be reasonably expected to occur.

The PPG advises, that no one methodological approach or dataset will provide a definitive assessment of development need but recommends the use of the standard methodology set out in the guidance. LPAs may depart from the methodology provided they explain why their particular local circumstances have led them to adopt a different approach.

The PPG requires LPAs to assess development needs working with other LPAs in the relevant functional economic market area in line with the duty to cooperate. It adds, among others, that local communities, partner organisations, Local Enterprise Partnerships, businesses and business representative organisations and Higher Education Institutions should be involved in the preparation of the evidence base in relation to development needs.

b) Scope of Assessments

The PPG states, needs for economic uses should be assessed in relation to the functional economic area whilst identifying and recognising smaller sub-markets with specific features and ‘market segments.’

The PPG advises there is no standard approach to defining a functional economic market but notes the geography of commercial property markets should be thought of in terms of the requirements of the market in terms of the location of premises, and the spatial factors used in analysing demand and supply. The PPG adds it is possible to

define functional economic market areas by taking account of a number of factors. These provide for a range of possible geographical areas including: the LEP area; travel to work areas; housing market area; administrative area; and catchments areas for consumer markets and cultural and social well - being.

c) Methodology: Assessing Economic Development Uses

The PPG advises that LPAs assess the current situation in relation to economic uses by considering:

- The recent pattern of employment land supply and loss to other uses (to be based on an assessment of employment land by sub areas and market segments where there are distinct property market areas within the LPA area)
- Market intelligence, notably from property developers and agents
- Market signals to include changes in rental values and differentials between land values in different uses
- Public information on employment land and premises required
- Information in relation to infrastructure constraints
- The existing stock of employment land (to identify the supply of employment land and indications of demand as take up and revealed demand)
- The locational and premises requirements of particular types of business
- Identification of oversupply and evidence of market failure that prevent employment sites being used effectively

The PPG advised that employment land should be analysed as follows:

- Supply: based on a typology identifying market segments and sub areas with details of planning status of sites
- Take up: consider projections (based on past trends) and forecasts (based on future scenarios) and take up for specialist economic uses in order to understand underlying requirements for office, general business and warehousing sites and basis for appraising individual sites
- Supply and demand: identify whether there is a mismatch between the quantitative and qualitative supply of and demand for employment sites (and hence market segments in over – supply and undersupply)

Turning to how future trends should be forecast, the PPG states the key output should be an estimate of the scale of future needs, broken down by economic sectors. Plan makers should consider:

- Sectoral and employment forecasts and projections (labour demand)
- Demographically derived assessments of future employment land needs (labour supply techniques)
- Analyses based on past take – up of employment land and property
- Consultation with relevant organisations, studies of business trends and monitoring

of business, economic and employment statistics

The PPG advises, different types of employment land are needed to provide for the increasing diversity of employment generating uses as evidenced by the decline of manufacturing and rise of services and an increased focus on mixed use development. These require different policy responses and an appropriate variety of employment sites including rural employment.

The PPG adds, labour supply models are based on population and economic activity projections. Underlying population projections can be purely demographic or tied to future housing stock which needs to be assessed separately. These models normally make predictions. Plan makers should be careful to consider that national economic trends may not automatically translate to particular areas with a distinct employment use.

Turning to how employment land requirements are derived, the PPG advises there are four key relationships which need to be quantified and used to inform the assessment of land requirements. The relationships are:

- Standard Industrial Classification sectors to use classes
- Standard Industrial Classification sectors to type of property
- Employment to floorspace (employment density)
- Floorspace to site area (plot ratio based on industry proxies)

d) Core Outputs and Monitoring

The PPG advises plan makers to set out clear conclusions and any assumptions in reaching these conclusions on the levels of quantitative and qualitative predicted need. This will be an important input into assessing the suitability of sites, considering existing and emerging housing and economic strategy and the Local Plan preparation process more generally.

The PPG adds that local planning authorities should not need to undertake comprehensive assessment exercises although they should be updated regularly, looking at short term changes in housing and economic market conditions.

The PPG advises local planning authorities to put in place their own monitoring arrangements in relation to relevant local indicators which could include:

- Current stock of employment land and premises;
- Planning permissions for employment uses by type;
- Planning permissions for employment development where change of use is involved
- Recent completions by type, matched to allocated sites;
- Employment land and premises available and recent transactions
- Enquiries and known requirements for employment premises
- Market signals

3.3 The Area to be Assessed: Functional Economic Market Area (FEMA)

The PPG requires Economic Development Needs Assessments (EDNAs) to be undertaken in relation to the relevant Functional Economic Market Area (FEMA). The PPG states at Paragraph 012 that:

The geography of commercial property markets should be thought of in terms of the requirements of the market in terms of location of premises, and the spatial factors used in analysing demand and supply, often referred to as the functional economic market area

The PPG adds, ‘since patterns of economic activity vary from place to place, there is no standard approach to defining a functional economic market area (FEMA). The PPG advises LPAs to take into account a number of factors (see above). Of these approaches, the use of The Office for National Statistics (ONS)’s criteria for defining Travel to Work Areas (TTWAs) provides the most robust statistically based approach to defining a FEMA. These criteria – known as closure rates – require 75% of working people who live in an area to work in the same area and 75% of people who work in an area to live in the same area.

The current the ONS TTWAs, which are based on the 2011 Census, define a TTWA which corresponds roughly to the borders of the county of Leicestershire (and the LLEP area). The latest TTWA is slightly bigger than the 2001 census based TTWA as it now includes Hinckley. The 2001 Census data shows:

The Leicester and Leicestershire districts together comprise a TTWA with 390,000 workers and 386,000 residents in employment: 84% of people who work in the area, live in the area and 84% of people who live in the area, work in the area.

The Leicester and the surrounding districts of Blaby, Oadby – Wigston and Charnwood form a TTWA within which: 77% of people who work in the area, live in the area and 81% of people who live in the area, work in the area.

This data raises three methodological issues:

- i) The possibility of choice in the selection of TTWAs between areas meeting the ONS closure rates
- ii) The need to make such a choice with reference to another relevant approach, most notably the commercial property market area recognised by the majority of developers and occupiers
- iii) Acknowledge that alternative FEMAs based on a TTWA will be defined by district boundaries as these are the smallest geographical areas for which employment forecasting data are available

We have reviewed the commercial property market in the Leicester area and concluded no one single TTWA will fit all of the market segments. In this case, the ‘big

shed' B8 warehousing and logistics market has long been recognised within the 'Golden Triangle' bounded by the M42, M1 and M6. However due to recent development activity, this market area needs to be considered as one that extends further south along the M1. In the case of offices, Lambert Smith Hampton, the Leicester office market's leading agency, have advised this market is defined by the Leicester city centre and 'out of town' sub markets. The latter sub market is located within office parks that are contiguous with the Leicester built up area but located administratively within the PUA. The industrial and smaller warehouse market is similarly located within the older and newer employment areas of Leicester and the immediate PUA.

In this context, the most appropriate FEMA to be assessed is defined by the TTWA bounded by Leicester, Blaby, Oadby – Wigston and Charnwood. The selection of this area is robust as it both complies with the ONS definition of TTWAs and provides the best available fit between the district boundaries (for which economic and demographic data are available) and the effective commercial property market (for which the assessment of requirements is most relevant). Within this area, North Charnwood is least likely to meet the office and industrial and small warehousing needs of Leicester firms. Outside this area, the 'Golden Triangle' and M1 corridor is capable of meeting market requirements for 'big sheds.'

3.4 Market Review

Marked Recovery

The commercial property development and investment markets have been the subject of a marked recovery over the four years since publication of the Leicester and Leicestershire HMA Employment Land Study Update in April 2013. In this review we illustrate the impact of this recovery on the employment land development pipeline in the Leicester PUA. We describe the business models that have demonstrated the viability of development by willing developers, public sector interventions that have underpinned recent investment and issues of remaining market failure.

In the three years 2012 – 15, new commercial property has been developed on 13 sites across all property sub – markets in the PUA (geographical locations) and market segments (office, industrial/ small warehousing and strategic warehousing). The sites are located as follows:

Blaby, three sites: Grove Park, LE3 and Optimus Point

South Charnwood, three sites: Interchange Birstall, Watermead Business Park and Rothley Lodge

Leicester, (seven sites): two at Ashton Green; Bradgate Bakery; three sites at Gipsy Lane Brickworks, (Barkby Road, High View Close and Crest Rise;) and Pioneer Park on Exploration Drive.

Selected examples of developments in the market segments include:

New offices

- 3,223 sq m Grade A offices, Marlborough Court, Watermead Business Park, (part for owner occupation and speculative development)
- 2,100 sq m Grade A offices, Grove Park (pre let to Travis Perkins)

New industrial

- 10,000 sq m Bradgate Bakery (Samworth Brothers), 5 Bennion Road, Leicester (development by owner occupier)
- 3,368 sq m Crest Rise, Gipsy Lane Brickworks, Leicester (speculative development)
- 1,810 sq m Food Park, High View Close, Gipsy Lane Brick Works, Leicester (Council and ERDF funded speculative scheme)

New warehouses

- 48,748 sq m Optimus Point, Kirby Road / Ratby Road, Glenfield (speculative development of two units)
- 3,986 sq m Optimus Point, Kirby Road / Ratby Road, Glenfield (pre – sold to Everards for brewery storage and distribution)

Two further additions to the stock were made through the refurbishment of 6,038 sq m at The Podium, St George's Tower, Leicester for Hastings Direct call centre (pre – let) and 1,535 sq m at Friars' Mill, Leicester (ERDF supported speculative scheme).

Development on the new build sites is characterised by a number of business models. Prior to the 2008 credit crisis, developers typically promoted land through the planning system; invested in advance infrastructure; developed a mix of speculative and pre let buildings and sold the let and income producing investments to institutional property investors. In the post 2008 period, development has been brought forward almost exclusively on pre 2008 serviced land using the following business models:

- Pre – let developments, for example Grove Park
- Mixed pre – let and speculative developments, for example LE3
- Speculative development, for example Crest Rise, Gipsy Lane Brickworks (part to be sold freehold and part to be retained within the developer's investment portfolio)

Sale of serviced plots for owner occupier freehold development, for example Ashton Green (two sites) and Watermead Business Park.

Addressing Market Failure

Market failure in investment in advance infrastructure to service new employment land – reported for the period 2008 – 12 in the ELR 2013 – has continued to 2017. This market failure is due to the risk attached to the largely speculative and long term nature of such investments. The resulting shortage of finance has led to sites

remaining 'liquidity trapped' where investment in advance infrastructure remains dependent on large scale pre - sale and or pre let deals.

To address market failure, public sector policies and programmes have led to measures concerning:

Employment land promotion (defined by bringing employment land through the planning system): Blaby and Charnwood LPAs have allocated mixed use Sustainable Urban Extensions (SUEs) including two strategic scale employment sites at Lubbethorpe and North East Leicester, Thurmaston respectively. The planning policy concept is to address market failure to invest in advance infrastructure for free standing employment allocations by spreading investment over a large scale housing and employment land scheme. Land promoters have subsequently obtained planning permissions for mixed use schemes at: Blaby SUE, Lubbethorpe (21 ha employment land); North East Leicester SUE, Thurmaston (13 ha employment land) and Broad Nook Garden Suburb, North Birstall (15 ha employment land).

The first 10 ha phase of the Blaby SUE strategic employment site is understood to be the subject of interest from strategic scale warehousing developers. To bring forward employment sites at North East Leicester and Broad Nook, investment in advance infrastructure is planned by promoters for 2017/18 and 2020/21 with development envisaged over 13 and 11 years respectively.

Employment land development (defined as investment in advance infrastructure): To facilitate employment land development, the LLEP has awarded grants and since April 2012 advanced loans using the Regional Growth Fund and Growing Places Fund respectively. The four case studies illustrate and scope and extent of these funding regimes:

i) MIRA Technology Park, Hinckley: £17.2m grant to create a new access and highway capacity on the A5 and upgrade the power supply for the 132,000 sq m motor industries' R&D scheme and Enterprise Zone

ii) Optimus Point, Glenfield: Three loans totalling £4.7m advanced as follows:

a) £1.6m to Leicestershire County Council for highway capacity improvements (to be repaid by the developer, Wilson Bowden Developments, via a Section 106 obligation)

b) £1.6m to the developer for construction of a new roundabout and site access

c) £1.5m to the developer for provision of on - site services and utilities

iii) Crown Business Park, Old Dolby, near Melton Mowbray: £0.9m loan to Haywood Estates for engineering works needed to create development plateaus, to be repaid on the sale of the resulting 25 freehold plots for B1 / B2 uses

iv) Bennion Road, Leicester: £0.92m loan to Leicester City Council for construction of new access road required for serve 10,000 sq m development for Samworth Brothers

The LLEP's £12.5m revolving loan fund had £3.5m committed with approved loans in 2016/17. In 2017, the LLEP launched a fourth round of applications to its £12.6m Growing Places Fund.

In addition, Leicester City Council has taken a proactive approach to land development as follows:-

- i) Allocation, servicing and sale of a Council owned site at Ashton Green for development by Samworth Brothers of a 10,000 sq m bakery (alongside a similar long standing initiative by the Homes and Communities Agency at Ashton Close)
- ii) Creation and sale of a development plateau (on the site of Council offices at Welford Place) for a development of a 5,667 sq m Grade A office building for Mattioli Woods.

Overall, the commercial property market in the Leicester PUA is failing to meet occupier requirements across the office and industrial market segments. This is the result of market failures in funding investment in advance infrastructure to replenish the diminishing supply of pre 2008 serviced employment land and speculative development. In response to these market failures, the public sector is facilitating investment in advance infrastructure but this is currently insufficient to meet occupiers' requirements and hence fulfil the NPPF requirement for planning, under its economic role, to contribute to:

Building a strong and responsive competitive economy, by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation.

3.5 Demand Side Quantitative Assessment of Need

3.5.1 Workplace Jobs Forecast

Planning Practice Guidance advises plan makers to consider:

- Sectoral and employment forecasts and projections (labour demand);
- Demographically derived assessments of future employment needs (labour supply techniques)
- Analyses based on the past take up of employment land and property and / or future property market requirements

The study brief required an employment forecast that reflects the ambitions of the SEP and the various sector strategies, including the eight major sector growth plans, as well as the labour market forecasts presented in the SHMA. This presented two forecasting challenges. The first is that trend-based forecasts are blind to policies that

support economic development unless those policies are continuous and long-lasting and already contribute to the observed growth trend. The second is that the overwhelming factor affecting employment levels over the last decade has been the credit crunch, the ensuing recession, and subsequent recovery. Accordingly attributing any recent growth to particular sector policies or strategies would be very difficult when the dominant factor is likely to have been the marked recent return to growth in the wider economy, accompanied by increased access to finance, investment and job creation.

We have prepared a baseline employment growth forecast using PACEC's in – house forecasting model. This model is based on a 40-year dataset of employment by 101 industrial sectors and all UK local authority districts, and national GDP (as, measured by the ONS and forecast by the HM Treasury and the Office for Budget Responsibility). To forecast local employment by industrial sectors, the model is used by taking the following steps:

Firstly, the historic relationship between annual changes in GDP and changes in employment in individual industrial sectors are examined using regression analysis to determine the effect that the growing or shrinking national economy has on employment in each industry (taking into account a test for time lags, as some industries take 1 to 2 years to respond to changing economic conditions).

Secondly, these historic relationships are applied to GDP forecasts to project national employment by sector.

Thirdly, the changing share of national employment in each sector is projected forward in line with each district's share of employment by sector.

Fourthly, adjustments are made to reflect local conditions which may have distorted the trend analysis, for example a major local development which boosted local employment in a particular sector but which is unlikely to be repeated.

This forecast provides a "policy-off" baseline – or, more accurately, a baseline forecast assuming no change to current policy.

Our method for using the employment forecast to estimate the demand for floorspace reflects:

- a) the latest NPPF and associated guidance;
- b) published guidance on employment densities¹; and
- c) our professional practice which applies evidence-based approaches to take into account non employment related sources of demand that are not included within the employment forecast models and the methodology set out in the PPG.

¹ Primarily Homes and Communities Agency (2015) Employment Density Guide 3rd Edition

This method has been applied to employment land reviews, analysis of employment land reviews at Local Plan examinations, and economic impact assessments of proposed employment developments. It includes the following steps:

- i) Conversion of employment to full-time equivalent employment (using FT/PT ratios by industrial sector from the Business Register Employment Survey)
- ii) Conversion of industrial sector to use class (by assigning a percentage of employment in each industrial sector to the standard use classes – for example, pharmaceuticals manufacture can be assigned 50% to B1b R&D space and 50% to B2 industrial space)
- iii) Conversion of FTE employment by use class to gross external floorspace by use class (using standard densities and gross-to-net ratios from the HCA (2015) Employment Density Guide, augmented by estimates for classes not covered)
- iv) Conversion of floorspace to land use (using standard plot ratios from guidance and accompanying research).

3.5.2 The Jobs forecast

We forecast the number of workplace jobs for each Local Authority and by 616 industrial sectors, to account for the differing industrial composition and economic strengths of each area. We use data from the Business Register and Employment Survey, and predecessors, going back to 1971, and augmented by the Labour Force Survey and Census of Population. Workplace jobs include full time and part time jobs, and both employees and self-employed people.

The tables below show for Leicester, the districts outside Leicester that make up the rest of the FEMA, and the FEMA as a whole, the forecast in absolute numbers of workplace jobs and the changes in workplace jobs over 4 periods – 2012-15, 2015-20, 2020-25, and 2025-31.



Table 3:1: Workplace Jobs Forecast

Workplace Jobs, 000s			
	Leicester	Non-Leicester FEMA	FEMA
2012	173.8	144.8	318.6
2015	186.9	155.0	341.9
2020	192.5	160.8	353.4
2025	194.1	162.5	356.7
2031	194.0	162.6	356.6
Growth 2015–2031	7.1	7.5	14.7

Table 3:2 Workplace Jobs Forecast Growth

Workplace Jobs, Growth 000s			
	Leicester	Non-Leicester FEMA	FEMA
2012–2015	13.1	10.2	23.3
2015–2020	5.6	5.8	11.4
2020–2025	1.6	1.7	3.3
2025–2031	-0.1	0.0	-0.1
Total 2015–2031	7.1	7.5	14.7

To convert the employment forecast to employment land and floorspace requirements, we take the following four steps.

Step one: conversion of workplace jobs to full-time equivalent jobs (FTEs)

Under this step, we convert the forecasts for workplace jobs (which include both employees and self-employed people, and full time and part time jobs) to full time equivalent jobs (FTEs). This is because guidance on job densities is based on FTE jobs. We have applied sector and location specific conversion ratios as the proportion of part time workers varies between sectors and within sectors between locations. The conversion ratios, shown in the table below, are calculated from the current division between full time and part time employment in each sector.



Table 3:3 Sector-specific FTE Conversion Ratios

FTE Conversion Ratios		
	Leicester	Non-Leicester FEMA
Agriculture	0.75	0.94
Mining and Quarrying	0.99	0.98
Food Manufacturing	0.95	0.96
General Manufacturing	0.90	0.95
Chemicals	0.95	0.94
Pharma	0.95	0.95
Metals	0.96	0.95
Transport	0.98	0.96
Electronics	0.97	0.98
Utilities	0.97	0.91
Waste and remediation	0.98	0.97
Construction	0.95	0.93
Wholesale	0.94	0.93
Retail	0.71	0.70
Land Transport	0.91	0.89
Water and air transport	1.00	1.00
Hotels	0.73	0.77
Restaurants	0.67	0.68
Publishing and broadcasting	0.81	0.82
Telecoms	0.94	0.96
Computer related activity	0.93	0.93
Finance	0.89	0.89
Real Estate	0.82	0.80
Professional services	0.90	0.93
R+D	0.94	0.93
Business services	0.83	0.84
Employment activities	0.83	0.86
Public Administration incl land forces	0.86	0.85
Education	0.80	0.76
Health and care	0.81	0.79
Arts and entertainment	0.73	0.71
Other services	0.82	0.81

Source: Business Register Employment Survey

Table 3:4: Workplace Jobs to FTE Forecasts

FTE Forecasts, 000s						
	Leicester		Non-Leicester FEMA		FEMA	
	Workplace Jobs	FTEs	Workplace Jobs	FTEs	Workplace Jobs	FTEs
2012	173.8	146.0	144.8	122.7	318.6	268.7
2015	186.9	156.4	155.0	131.8	341.9	288.2
2020	192.5	161.1	160.8	136.6	353.4	297.7
2025	194.1	162.4	162.5	138.1	356.7	300.5
2031	194.0	162.3	162.6	138.1	356.6	300.4
Growth 2015–2031	7.1	5.8	7.5	6.3	14.7	12.2

Table 3:5 Workplace Jobs to FTE Forecasts - Growth

FTE Forecasts, Growth 000s			
	Leicester	Non-Leicester FEMA	FEMA
2012–2015	10.5	9.1	19.5
2015–2020	4.6	4.9	9.5
2020–2025	1.3	1.4	2.7
2025–2031	-0.1	0.0	-0.1
Total 2015–2031	5.8	6.3	12.2

Step two: conversion of FTEs by sector to use classes

To translate the FTE forecast into a forecast for jobs requiring B Use Class based jobs, we have estimated the percentage of jobs in each industrial sector (identified in the 2007 Standard Industrial Classification (SICs)) that are accommodated in B Use Class space.

Table 3:6: Leicester B Use Class FTE Forecasts, 000s

Leicester B Use FTE Forecasts, 000s					
	B1a	B1b	B1c/B2	B8	Non-B
2012	26.6	2.9	20.8	6.7	88.9
2015	28.4	2.6	19.3	6.6	99.5
2020	29.4	2.7	19.6	6.8	102.6
2025	29.7	2.7	19.6	6.9	103.5
2031	29.7	2.7	19.6	6.9	103.5
Growth 2015–2031	1.3	0.1	0.3	0.2	3.9

Table 3:7: Leicester B Use Class FTE Forecasts, Growth, 000s

Leicester B Use FTE Forecasts, Growth, 000s					
	B1a	B1b	B1c/B2	B8	Non-B
2012–2015	1.8	-0.3	-1.5	-0.1	10.6
2015–2020	1.0	0.0	0.3	0.2	3.1
2020–2025	0.3	0.0	0.1	0.0	0.9
2025–2031	0.0	0.0	0.0	0.0	0.0
Total 2015–2031	1.3	0.1	0.3	0.2	3.9

Table 3:8: FEMA B Use Class FTE Forecasts, 000s

FEMA B Use FTE Forecasts, 000s					
	B1a	B1b	B1c/B2	B8	Non-B
2012	49.4	7.2	37.1	13.8	161.2
2015	53.7	7.8	37.2	13.0	176.5
2020	55.8	8.1	37.9	13.4	182.6
2025	56.4	8.1	38.1	13.5	184.4
2031	56.4	8.1	38.0	13.5	184.4
Growth 2015–2031	2.7	0.3	0.8	0.5	7.9



Table 3:9: FEMA B Use Class FTE Forecasts, Growth, 000s

FEMA B Use FTE Forecasts, Growth, 000s					
	B1a	B1b	B1c/B2	B8	Non-B
2012–2015	4.3	0.6	0.0	-0.7	15.3
2015–2020	2.1	0.2	0.7	0.4	6.1
2020–2025	0.6	0.1	0.2	0.1	1.8
2025–2031	0.0	0.0	-0.1	0.0	0.0
Total 2015–2031	2.7	0.3	0.8	0.5	7.9

Step three: conversion of FTE to floorspace

Job density ratios – the amount of floorspace per FTE – are used to translate forecast FTE jobs into demand for floorspace. Floorspace is expressed in three ways as follows. Gross external area (GEA) is used among other things for planning applications and approvals. Gross internal area (GIA) is used among other things for calculating building costs, marketing, valuation, marketing and rating of industrial and warehousing premises. Net internal area (NIA) is used among other things for marketing, valuation and rating of offices. In broad terms the GIA is 95% of the GEA and the NIA is 80 – 85% of the GIA.

Given its role in planning, we have used a single standard measure - gross external area – to generate floorspace requirements. To calculate the GEA for different uses we have drawn on data in the HCA (2015) Employment Density Guide 3rd Edition. The guide advises that a GIA is 15 – 20 % larger than the NIA (we have applied 17.5%) and GIA is 5% smaller than GEA.

The guide provides the most up to date and a robust and consistent base for translating forecast jobs into floorspace requirements.

Turning to offices, the guide refers to the BCO (2013) Occupiers Density Study which identified distinct office sub sectors. These job densities (sq m per FTE) are:

- Corporate (13)
- Professional services (12)
- Public sector (12)
- Technology, media and telecoms (11)
- Financial and insurance (10) and sixth sub sector
- Call centres (8)

We have previously noted evidence of rising office employment densities due to the growth in flexible working and better utilisation of office space (Leicester and Leicestershire HMA Employment Land Study 2013 Update). To account for the

adoption of new working practices within existing, refurbished and new offices, we assumed office job density would rise from 18 sq. m (GEA) in 2010 to 12.2 sq. m in 2031. Following the 2015 edition of the HMA Employment Density Guide, we have adopted, as an average, a job density of 11 sq m per FTE (NIA), multiplied this by 1.175 to 12.925 sq m per FTE (GIA) and multiplied 12.925 sq m by 1.05 to 13.57 sq m per FTE (GEA). We have applied this density for the plan period pending evidence of further changes in job densities.

The Guide provides the first authoritative employment density guidance for B1 b R&D activities of 40-60 sq m NIA per employee. The lower end of this range provides for a density of 48 sq m GEA per FTE. To calculate growth in FTE R&D jobs we apportioned the following percentages of job growth in FTE jobs to R&D employment in the following R&D intensive sectors: hi-tech manufacture (50%), IT (20%) and telecommunications and professional services (10%). The growth of 300 R&D jobs, or 2.5% of all FTE employment growth in the Leicester FEMA 2015 – 31, is in line with forecast national growth. However, we applied an office employment density to these jobs as the higher density is observed in dedicated R&D establishments and labs. These establishments are not in evidence within the Leicester FEMA outside the Loughborough University Science and Enterprise Park.

The updated densities for light industry (B1c) and general industry (B2) are 47 sq m NIA and 36 sq m GIA respectively, which translate into 56 sq m (NIA x 1.15 = GIA x 1.05 = GEA) and 38 sq m respectively and an average of 47 sq m GEA per FTE.

For distribution, the guide sets out the following densities: ‘final mile’ warehouses 77 sq m GEA; regional warehouses 77 sq m GEA and national distribution 95 sq m GEA. In the absence of local evidence, we have applied an average density of 80 sq m GEA per FTE.

Table 3:10: Gross External Area per FTE

Gross External Area per FTE (sq m)	
Office: B1a	13.6 (based on average 11 sq m NIA)
R&D space: B1b	13.6 (as for B1a, due to lack of local evidence of R&D densities)
Industrial: B1c and B2	47 (based on 47 NIA for B1c and 36 GIA for B2)
Warehousing: B8	80 (based on a range from 70 – 95 GEA)

Source: HCA 2015 Employment Density Guide; PACEC. NB: GIA is 15-20% greater than NIA, GIA is 5% smaller than GEA

The FTE forecasts are multiplied by the gross external area job densities to generate floorspace forecasts.



Table 3:11: Leicester B Use Class Floorspace Forecasts, 000 sq m

Leicester B Use Floorspace Forecasts, 000 sq m			
	B1a/b	B1c/B2	B8
2012	401.8	934.6	539.9
2015	421.6	868.0	530.9
2020	435.9	881.1	546.5
2025	440.1	884.0	550.5
2031	440.0	881.9	549.9
Growth 2015–2031	18.5	13.9	19.0

Table 3:12: Leicester B Use Class Floorspace Forecasts, Growth, 000 sq m

Leicester B Use Floorspace Forecasts, Growth, 000 sq m			
	B1a/b	B1c/B2	B8
2012–2015	19.8	-66.6	-9.0
2015–2020	14.3	13.1	15.6
2020–2025	4.2	2.9	4.0
2025–2031	-0.1	-2.1	-0.6
Total 2015–2031	18.5	13.9	19.0

Figure 3:2: Leicester Floorspace Forecasts, 000 sq m, by Use Class

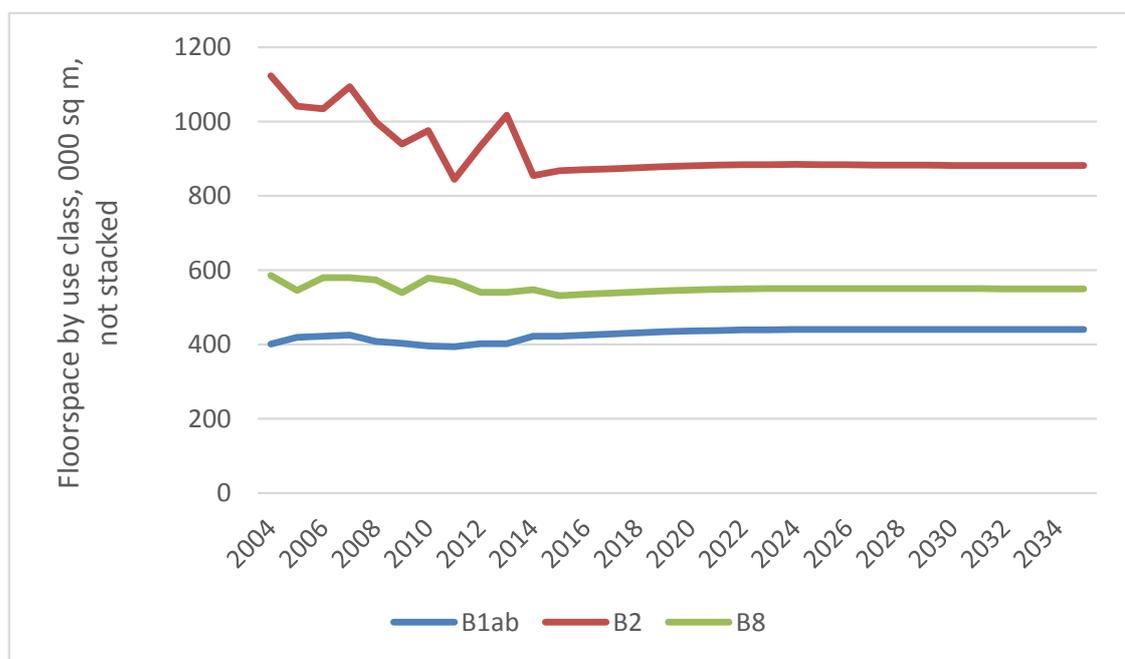


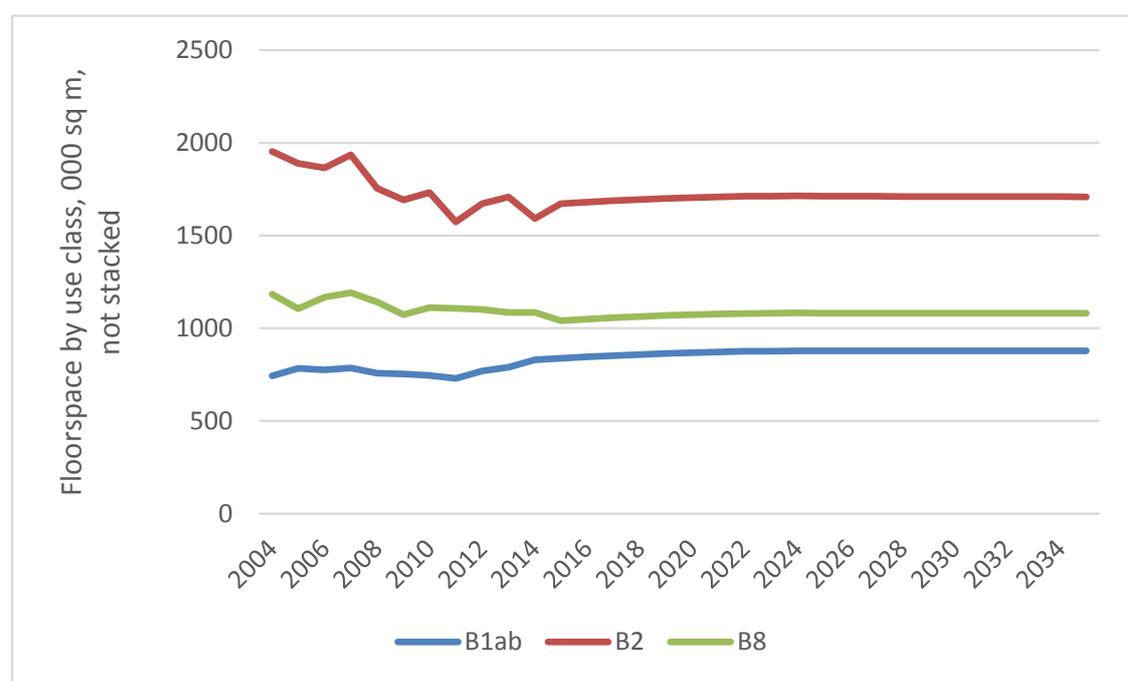
Table 3:13: FEMA B Use Class Floorspace Forecasts, 000 sq m

FEMA B Use Floorspace Forecasts, 000 sq m			
	B1a/b	B1c/B2	B8
2012	769.9	1671.2	1100.7
2015	837.4	1672.7	1040.8
2020	868.7	1705.0	1072.9
2025	877.7	1712.7	1081.7
2031	877.9	1709.8	1081.0
Growth 2015–2031	40.5	37.1	40.2

Table 3:14: FEMA B Use Class Floorspace Forecasts, Growth, 000 sq m

FEMA B Use Floorspace Forecasts, Growth, 000 sq m			
	B1ab	B1c/B2	B8
2012–2015	67.5	1.4	-59.9
2015–2020	31.3	32.3	32.0
2020–2025	9.1	7.7	8.9
2025–2031	0.2	-2.9	-0.7
Total 2015–2031	40.5	37.1	40.2

Figure 3:3: FEMA Floorspace Forecasts, 000 sq m, by Use Class



Step four: floorspace to land use

A further adjustment is made to convert from gross external area to land use plot sizes for B1c/B2 and B8 use classes.

Table 3:15 Plot Ratio by Use Class

Plot Area by Use Class	
Industrial: B1c and B2	4,200
Warehousing: B8	5,000

This allows the floorspace estimates to be multiplied up into land requirements.



Table 3:16: Leicester B Use Class Land (ha)

Leicester B Use Land (ha)			
	B1a/b	B2	B8
2012	62.2	222.5	108.0
2015	65.3	206.7	106.2
2020	67.5	209.8	109.3
2025	68.2	210.5	110.1
2031	68.2	210.0	110.0
Growth 2015–2031	2.9	3.3	3.8

Table 3:17: Leicester B Use Class Land, Growth, ha

Leicester B Use Land, Growth, ha			
	B1a/b	B2	B8
2012–2015	3.1	-15.8	-1.8
2015–2020	2.2	3.1	3.1
2020–2025	0.6	0.7	0.8
2025–2031	0.0	-0.5	-0.1
Total 2015–2031	2.9	3.3	3.8

Table 3:18: FEMA B Use Class Land (ha)

FEMA B Use Land (ha)			
	B1a/b	B2	B8
2012	174.4	397.9	220.1
2015	192.0	398.3	208.2
2020	199.4	405.9	214.6
2025	201.5	407.8	216.3
2031	201.6	407.1	216.2
Growth 2015–2031	9.6	8.8	8.0

Table 3:19: FEMA B Use Class Land, Growth, ha

FEMA B Use Land, Growth, ha			
	B1a/b	B2	B8
2012–2015	17.6	0.3	-12.0
2015–2020	7.4	7.7	6.4
2020–2025	2.1	1.8	1.8
2025–2031	0.1	-0.7	-0.1
Total 2015–2031	9.6	8.8	8.0

3.5.3 Assessment of additional sources of supply and demand

The next stage of the assessment of economic development land and floorspace needs, accounts for sources of supply and demand that are not included within the employment forecast models and the quantitative methodology set out in the PPG. Whilst the PPG is silent on these sources of supply and demand, it does allow for departures from the standard methodology provided LPAs explain why their particular local circumstances have led them to adopt a different approach.

These non – employment sources of supply and demand arise from:

New working practices: This additional source of supply follows rising job densities in the existing office stock, the product of new working practices. The resulting vacated space can therefore be deducted – at least theoretically – from additional requirements to meet forecast growth in office employment.

Vacant premises: Where the vacancy rate is around 7.5% the stock is generally held to be in equilibrium. Where the vacancy rate is more or less than 7.5% the market is in disequilibrium and adjustments need to be made to employment land requirements.

Renewal: This additional source of demand for new land and premises arises where policy and market demand combine to either refurbish or redevelop existing economic development floorspace for new higher value uses

Gross land requirements: The requirements for economic development land and floorspace need to be based on gross requirements. This because land forecast to be lost from economic uses in one use class is rarely developed to meet growth in demand from another use.

Pipeline: At the beginning of the plan period, the existing pipeline of sites is counted towards the supply of economic development land for the plan period. An addition is therefore made to the forecast land requirements to ensure there is a pipeline of land at the end of the plan period.

New working practices

The methodology in the PPG assumes that forecast growth in office employment will need to be accommodated in net additions to the office stock. This model does not account for market areas such as Leicester where the supply side is constrained. In the city centre, this is due to the lack of suitable sites and, where available, competition from higher value (mostly housing) uses. In both the city centre and out of town markets, development economics during the first half of 2016 limited development to mostly pre - sold schemes for owner occupiers and pre – lets on long leases to occupiers with strong covenants. In the context of rising employment densities, vacated space in the existing office stock could help to meet demand for offices arising from forecast jobs growth. In practice, some of the vacated space is subject to change of use to residential and student housing and redevelopment for lower density and mixed use development. Against this background, the historic rate of new office completions helps to inform a forecast for new office development requirements.

Vacant premises

It is widely accepted that voids in the existing stock enable businesses to meet their changing business requirements. In a study prepared by Roger Tym and Partners for Charnwood Borough Council (2006), it was noted ‘a certain level of vacant floorspace is generally required for the property market to function effectively.’ This equilibrium vacancy rate is generally held to be around 7.5% of the stock. Where the vacancy rate is higher or lower than 7.5% then the market is in disequilibrium and adjustments are made to employment land requirements as follows:

- A vacancy rate of more than 7.5% means the market is oversupplied. The surplus vacant space (between the actual and equilibrium vacancy rates) is added to the supply available to accommodate forecast requirements
- A vacancy rate of less than 7.5% means the market is undersupplied. The deficit of space (between the actual and equilibrium vacancy rates) is deducted from the supply available to accommodate forecast requirements

At March 2016, 97,640 sq. m out of a stock of 3,019,323 sq. m of industrial floorspace was vacant in Leicester, a vacancy rate of 3.23%. For the Leicester industrial property market to be in equilibrium, either 128,809 sq. m would need to be brought to the market or new stock would need to be developed on over 25 ha of economic development land.

Renewal

Demand for employment land from renewal arises where existing stock is lost to other uses and replaced by development on new land. The extent of this demand is determined by losses of existing stock, due to: -

- a) Rate of physical obsolescence (existing buildings no longer suitable for occupation);

b) Rate of employment market obsolescence (existing buildings no longer suitable for productive business activities but suitable for other uses);

c) Rate of change of use (existing, functional, buildings not as profitable as alternative uses)

Additions to the stock due to:

d) On the demand side: Effective demand for new employment premises (which cannot be met within the existing stock) arising from existing firms (due to a and b and c above) and inward investors

e) On the supply side:

- Availability of investment ready employment development land (allocated and consented land with advance infrastructure and access) and

- Viability of development where there is evidence of terms having been agreed for freehold purchases and leases

In Leicester and the Leicester FEMA the market dynamics of losses of and additions to the stock are evident. In Leicester, losses to the office stock are arising from changes of use to residential. In parallel, additions to the stock are being made through pre let and pre sold Grade A developments. In logistics, developers are responding to occupier demand for strategic scale warehouses to accommodate nationwide logistics operations, notably at Optimus Point and Braunstone respectively. In the industrial occupier market, businesses are seeking, and the City Council is providing, land for development of new factories to modernise production processes and accommodate business growth.

Forecasting requirements arising from renewal presents methodological issues on the following grounds: Firstly, there are neither national evidence bases nor guidance for calculating the rate of renewal of the stock and the rate at which this renewal takes place on previously developed and green field land. Secondly, data collection is problematic as renewal events arise directly (where an occupier relocates to a new site and the vacated site is redeveloped for housing) and indirectly (where an occupier closes, the site is redeveloped for housing and the resulting loss of stock directs requires businesses to meet their requirements through new development).

In this study, to calculate demand arising from renewal we have applied two assumptions as follows:

i) Rate of renewal as a percentage of the existing stock

Data from the Leicester Employment Land and Premises Study BE Group (2006), provides insights into the renewal process in Leicester. In the period 1995 – 2004, 45 ha of land was lost to employment uses (BE Group (2006) Table 55 p 105). During this period take up from all sources of demand – employment growth, renewal and inward

investment – amounted to 43.85 ha within Leicester (BE Group (2006) Table 38 p 79) with an unknown level of take up outside the city's administrative boundaries. In Leicester, this amounts to an annual rate of 4.39 ha or 0.76% of the 577 ha stock within the city. To reflect past take up and market realities, we have applied renewal rates of 0.5% of the office and industrial stocks and 0.75% of the warehousing stock. To convert the renewal requirements to industrial and warehousing land we have applied plot ratios of 4,200 sq m and 5,000 sq m per ha respectively.

ii) Percentage of renewal on new land

We have applied a 75% renewal rate on new land for offices, industrial and warehousing uses. This rate reflects the costs of preparing previously developed land for development and demand for higher value uses on such land, notably housing. Notwithstanding these constraints, renewal of previously developed land for economic uses occurs within large scale employment areas and sites subject to public investment.

Gross land requirements

In cases where the quantitative forecast is for the loss of say 15 ha of industrial land and requirements for 5 ha of offices and 10 ha of warehousing, the gross employment land requirement would be 15 ha for the plan period. This is because industrial land is rarely suitably located for offices in city centres and out of town business parks and warehouses in motorway linked distribution parks.

In this study the question of gross versus net employment land requirements does not arise as the forecasts for all of the uses are for growth.

Table 3:20: Leicester Floorspace/Land Requirements for Renewal

	2015		Requirement to 2025		Requirement to 2031	
	Stock sq. m (2008)	Renewal pa	Total	Of which new land	Total	Of which new land
Offices B1a/b (floorspace in sq. m)	584,000	2,920 sq. m 0.5%	29,200	21,900 75%	43,800	32,850 75%
Industrial B1c/B2 (land / ha)	1,950,000	2.32 ha 0.5%	23.2	17.4 75%	34.8	26.1 75%
Warehousing B8 (land / ha)	1,071,000	1.61 ha 0.75%	16.1	12.1 75%	24.1	18.1 75%

Table 3:21: Blaby, Charnwood and Oadby - Wigston Floorspace/Land Requirements for Renewal

	2015		Requirement to 2025		Requirement to 2031	
	Stock sq. m (2008)	Renewal pa	Total	Of which new land	Total	Of which new land
Offices B1a/b (floorspace in sq. m)	408,000	2,040 sq. m 0.5%	20,400	15,300 75%	30,600	22,950 75%
Industrial B1c/B2 (land / ha)	1,627,000	1.94 ha 0.5%	19.37	14.5 75%	29.1	21.8 75%
Warehousing B8 (land / ha)	986,000	1.48 ha 0.75%	14.8	11.1 75%	22.2	16.65 75%

Table 3:22: Leicester FEMA Floorspace/Land Requirements for Renewal

	2015		Requirement to 2025		Requirement to 2031	
	Stock sq. m (2008)	Renewal pa	Total	Of which new land	Total	Of which new land
Offices B1a/b (floorspace in sq. m)	992,000	4,960 sq. m 0.5%	49,600	37,200 75%	74,400	55,800 75%
Industrial B1c/B2 (land / ha)	3,577,000	4.26 ha 0.5%	42.6	31.9 75%	63.9	47.9 75%
Warehousing B8 (land / ha)	2,057,000	3.08 ha 0.75%	30.8	23.1 75%	46.3	34.7 75%

Sources: Valuation Office Agency Commercial and Industrial Floorspace Valuation Statistics 2008; ODPM Employment Land Reviews Guidance Note 2004; HCA Employment Densities Guide (3rd Edition) 2015; PACEC, WBML

Pipeline

At the beginning of the plan period, the existing pipeline of sites is counted towards the supply of economic development land for the plan period. An addition is therefore made to the forecast land requirements to ensure there is a pipeline at the end of the plan period. As stated in the 2013 ELR Update (section 3.7.1), Roger Tym and Partners have argued that (a pipeline) of five or more years is appropriate in circumstances where development is complex. The policy and market contexts underpin the case for a long pipeline of sites. In the NPPF, sections 6 and 7 require, ‘sufficient land of the right type is available in the right places and the right time.’ Turning to the market, the promoters of the SUEs have planned the delivery of employment land in later phases of their development proposals and elsewhere there is evidence of developers waiting for pre – sold and pre – let deals before committing to advance infrastructure and development.

The pipeline is calculated by dividing employment land requirements (where this is positive) by the number of years in the plan period multiplied by five years.

A further requirement may arise from attrition of the stock of previously undeveloped employment land due to LPA and Government decisions allowing for changes of use. In calculating the supply demand balance, we assume that all sites in the development pipeline will be developed in accordance with Development Plan allocations and policies and outstanding planning permissions. In practice, sites are lost due to changes of use and market failure. Therefore, in recommending allocations to address supply demand gaps, we account for the possible loss of sites from the development pipeline.

Table:3:23: Leicester Floorspace / Land Requirements for Pipeline

	New land requirements for demand and renewal		Pipeline requirement (five years)		Total requirements	
	2015 - 25	2015 - 31	2015 - 25	2015 - 31	2015 - 25	2015 - 31
Offices B1a/b (floorspace in sq m)	35,780	46,680	17,890	15,560	53,670	62,240
Industrial B1c/B2 (land / ha)	20.25	28.57	10.12	9.52	30.37	38.09
Warehousing B8 (land / ha)	15	21	7.5	7	22.5	28

Table:3:24: Blaby, Charnwood and Oadby-Wigston Floorspace / Land Requirements for Pipeline

	New land requirements for demand and renewal		Pipeline requirement (five years)		Total requirements	
	2015 - 25	2015 - 31	2015 - 25	2015 - 31	2015 - 25	2015 - 31
Offices B1a/b (floorspace in sq m)	31,720	39,450	15,860	13,150	47,580	52,600
Industrial B1c/B2 (land / ha)	18.77	25.93	9.38	8.64	28.15	34.57
Warehousing B8 (land / ha)	14.3	19.8	7.15	6.6	21.45	26.4

Table:3:25: Leicester FEMA Floorspace / Land Requirements for Pipeline

	New land requirements for demand and renewal		Pipeline requirement (five years)		Total requirements	
	2015 - 25	2015 - 31	2015 - 25	2015 - 31	2015 - 25	2015 - 31
Offices B1a/b (floorspace in sq m)	67,500	86,130	33,750	28,710	101,250	114,840
Industrial B1c/B2 (land / ha)	39.02	54.5	19.5	18.16	58.5	72.66
Warehousing B8 (land / ha)	29.3	40.8	14.65	13.6	42.95	54.4

3.6 Supply Demand Balance

Under the last stage of the assessment, we calculate the balance between the demand for new economic development land (arising from employment forecasts, calculated as gross land requirements, renewal and pipeline) and the existing supply or pipeline of economic development land.

As a first step, we assessed sites according to their availability to the open market. Sites not available to the open market, such as those held by owners as a strategic reserve for their own occupation, were excluded from the supply.

Under the second step we allocated sites to the uses to which they are most likely to be developed. These uses are: offices (with research and development identified as B1 b); light industry, general industry and finally warehousing. In cases where large scale employment sites are planned the division between uses has been estimated.

Under the third step, we allocated sites according to three categories of availability for development. It is a reasonable to assume viability and delivery of development outside serious downturns in the property cycle where:

- A developer has promoted and purchased land for economic development uses;
- There is recent (during the last three years) evidence of comparable development within the local (geographical) sub markets and market segments (uses) for either leasehold or freehold sale
- There is evidence of unmet effective occupier demand for lease (defined in terms of rent, covenants and lease terms) and purchase (defined in freehold values)
- Either there are no significant and substantiated physical constraints to development or public funding has been sought and allocated to address such constraints

The availability categories are:

i) Tier 1 availability for development:

Site allocated and where either planning permission has been granted or where planning permission would be straightforward,
Site has highway access and service connections,
Site has no abnormal physical and environmental constraints or public funding has been sought and allocated to address such constraints
Reasonable assumption of viability and deliverability during the plan period (see above)

ii) Tier 2 availability for development:

Sites that are allocated and where either planning permission has been granted or where planning permission would be straightforward but are subject to one or more of the following constraints to development that a willing developer can be reasonably expected to address during the plan period:

- Investment in advance infrastructure notably highway improvements, sites access and service roads and service upgrades and connections,
- Investment to address site specific physical and environmental constraints

iii) Sites excluded from the supply:

Sites that are allocated but where investment in development is unlikely to be viable during the plan period due to the scale and scope of the physical, environmental and economic constraints

Sites that are held in strategic reserve by owner occupiers and are not expected to be made available to the market

Sites that are allocated but where development is planned for beyond the end of the plan period. These sites contribute to the requirement for the end of plan period pipeline.

Under the final steps we identify the gaps between requirements and provision and make recommendations to address any gaps by sub markets (locations) and market segments (uses). In the context of large scale warehousing (defined as units of more than 9,000 sq m), planned provision in the Leicester and Leicestershire functional economic market area (including the recently consented East Midlands Gateway Rail Freight Interchange) is taken into account.

a) Offices

Table 3:26: Leicester City Centre Office Market (sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015 - 31	62,240
Tier One Supply	13,329
Tier Two Supply	24,096
Total Supply	37,425
Balance	(24,815)

Leicester T1: TOTAL 13,329 sq m Welford Place 5,667 sq m; Exploration Drive: 4,782 sq m; DOCK II 1,858 sq m; Friar's Mill, Bath Lane 1,022 sq m

Leicester T2: TOTAL 24,096 sq m Campbell Street 4,645 sq m; Phoenix, Midland Street 4,000 sq m; St Augustine's Road 3,251 sq m; Space Park, Corporation Road 6,700 sq m and Waterside 5,500 sq m

Table 3:27: Leicester Out of Town Market (sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015 - 31	52,600
Tier One Supply	18,893
Tier Two Supply	28,124
Total Supply	47,014
Balance	(5,586)

Leicester Out of Town T1: TOTAL 28,121 sq m: Optimus Point 4,885 sq m; Grove Park 2,718 sq m; LE3 2,880 sq m; Watermead Phase 1 4,645 sq m; Interchange 2,765 sq m; Rothley Lodge 1,000 sq m

Leicester Out of Town T2: TOTAL 28,121 sq m: Blaby SUE 7,600, 4,600 and 2,000 sq m; Blaby Business Park 1,524 sq m; Everards Meadows 675 sq m; Ashton Green 2,435 sq m; Watermead Phase II 9,290 sq m

Table 3:28: Leicester City Centre and Out of Town markets (sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015 - 31	90,133
Tier One Supply	25,559
Tier Two Supply	25,925
Total Supply	52,484
Balance	(37,649)
Requirements and supply by tier	Square metres
Forecast requirements 2015 - 31	114,840
Tier One Supply	32,222
Tier Two Supply	52,217
Total Supply	84,439
Balance	(30,401)

The floorspace requirements for offices are for 62,240 sq m in Leicester city centre. To meet these requirements, the stock of Tier 1 and Tier 2 sites provides 37,425 sq m.

To address the city centre shortfall, the recommendation is to add an allocation of 45,000 sq m to the existing supply (of 37,425 sq m) in the development pipeline. The combined provision of 82,425 sq m provides for:

- i) 46,680 sq m of forecast take up (at a rate of 3,100 sq m per annum) which is in line with take up 2012 – 15 and development under construction
- ii) 15,560 sq m provision for the end of plan pipeline (based on five years take up at the rate of 3,100 sq m per annum)
- iii) 20,000 sq m to make up for loss of sites in the development pipeline which is vulnerable to changes of use

The floorspace requirements for offices are for 52,600 sq m in the out of town market. To meet these requirements, the stock of Tier 1 and Tier 2 sites provides 47,014 sq m.

In this market, new office development since 2008 has been limited to the now diminishing supply of 'investment ready' plots on three sites. Market failure in bringing forward new sites may continue as the most viable sites for office development, close to M1 J 21, are currently more profitable for large scale warehousing development. Issues for public policy in the rest of the FEMA will be to bring forward investment ready land and secure delivery of a mix of B class uses and occupiers.

There is however a strategic scale supply of land sites at the Loughborough University Science and Enterprise Park to attract UK and overseas R&D activities and accommodate the future development of Loughborough University.

b) Industrial Market (including small warehousing)

Table 3:29: Leicester Industrial (B1c / B2) Market (sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015-31	38.09
Tier One Supply	8.5
Tier Two Supply	1.5
Total Supply	10.0
Balance	(28.13)

Leicester T1: TOTAL 8.5 ha East of Ashton Green 3.78 ha; Land next to the new Sainsburys 1.76 ha; Crest Rise 0.8 ha; High View Close 1.59 ha and Ashton Close 0.57 ha

Leicester T2: TOTAL 1.5 ha Belgrave Park 1.34 ha and Former Wadkins, Green End Lane 0.185 ha

Table 3:30: Blaby Charnwood and Oadby – Wigston Industrial (B1c / B2) Market (sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015-31	34.57
Tier One Supply	13.66
Tier Two Supply	30.8
Total Supply	44.46
Balance	9.9

Leicester Out of Town T1: TOTAL 13.66 ha Optimus Point 7.11 ha, Loughborough (two sites) 0.9 ha, The Warren 3.95 ha and Interchange Birstall 1.7 ha

Leicester Out of Town T2: TOTAL 30.8 ha Lubbesthorpe SUE 4.9 ha, Everards Meadow 1.4 ha, Blaby Business Park 1.0 ha; West of Loughborough SUE 10.0 ha; Watermead Business Park Phase III + Broad Nook Suburb + North East Leicester SUE 11 ha and South East Wigston 2.5 ha

Table 3:31: Leicester FEMA Industrial (B1c / B2) Market (sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015-31	72.66
Tier One Supply	22.16
Tier Two Supply	32.3
Total Supply	54.46
Balance	(18.2)

The floorspace requirements for light and general industrial development are for 38 ha in Leicester. To meet these requirements, the stock of Tier 1 and Tier 2 sites provides 10 ha.

To address the shortfall, the recommendation is to add an allocation of 45 ha to the existing supply of 10 ha in Leicester and 10 ha in the rest of the FEMA. The combined provision of 65 ha provides for:

- i) 45 ha of forecast based on a take up rate of 3 ha per annum (against the forecast rate of 1.9 ha). This higher rate reflects past take up rates of 4.39 ha per annum in the period 1995 – 2004 and 2.36 ha per annum in the period 2010 – 16, provides for a higher renewal rate than the assumed rate of 0.5% per annum and some warehousing uses for which no provision is proposed
- ii) 15 ha of provision for the end of plan pipeline (based on five years take up at the rate of 3 ha per annum)
- iii) 5 ha to make up for loss of sites in the development pipeline which is vulnerable to changes of use

A further recommendation is to address market failure to bring forward investment ready sites for industrial occupiers. This will require the creation of a strategic economic development site of Leicestershire wide significance by:

- allocating one or more strategic scale sites in public ownership in Leicester totalling 45 ha;
- investing in advance infrastructure; and
- focussing estate management and economic development practice on enabling existing firms to modernise and expand in Leicester and attracting inward investors

In the rest of the FEMA, the existing supply of 44.46 ha exceeds forecast demand for 34.57 ha leaving 9.9 ha to contribute towards requirements arising from Leicester. This supply is the result of planning policy success in bringing forward new sites. However,



70% (30.8 ha) of this new land will require investment in advance infrastructure and may come under pressure for large scale warehousing development and changes of uses to housing.

Provision of large scale warehousing over 9,000 sq m is set out in Appendix 1 on page 155 of this report.

3.7 Appendices to Chapter 3

Appendix 3A: Employment Land Supply, in a) Leicester; b) Blaby; c) Charnwood and d) Oadby - Wigston: January 2016

a) Leicester

Table 3:31: Leicester Tier one sites

LEICESTER TIER ONE SITES	Offices R&D (sq m)	/ B1(c)/B2 Small (ha)	B8	Strategic B8 (ha)	A: Allocation E: Existing PP: Consented
i) East of Ashton Green		3.78			A
Site subject of negotiations for sale to local occupier for 14,760 sq. m factory					
ii) Land next to the new Sainsburys, Troon Way / Melton Road		1.76			PP
Scheme on part of retail development resulting in net loss of 5.84 ha of employment land					
iii) Crest Rise, Gipsy Lane Brickworks		0.8			PP
Speculative B1c / B2 / B8 scheme proposed					
iv) High View Close, Gipsy Lane Brickworks		1.59			PP
Site acquired by local firm for part owner occupation and pre – let development					
v) Aston Close		0.57			A
Site to be sold owner occupier subject to planning permission					
vi) Pioneer Park, Exploration Drive	4,782 B1b (1.03)				PP
Site owned by HCA but not being offered to the market					
vii) Pioneer Park, Exploration Drive	1,858 (0.41)				PP
Site subject to City Council proposal for DOCK 2 on 0.4 ha to provide grow on space for technology knowledge based firms					
viii) Welford Place	5,667				PP
Pre – sold scheme for local occupier under construction					
ix) Friar's Mill, Bath Lane	1,022				A
Scheme for two offices under construction					
Total	13,329	8.5		nil	

Table 3.32: Leicester Tier two sites

LEICESTER TIER TWO SITES	Offices R&D (sq m)	/	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation E: Existing PP: Consented
i) Waterside	5,500				PP
Site subject of CPO for mixed use scheme including offices					
ii) Campbell Street	4,645				A
Former post office sorting depot, emerging proposals for mixed use redevelopment including offices					
iii) Midland Street	4,000				
Cleared site with potential for land mark scheme overlooking St George's Way					
iv) St Augustine Road	3,251				A
Developer and occupier interest in pre – let scheme subject to site acquisition and planning					
v) Ashton Green, Village Centre	2,435				PP
Site to be sold for small business incubator as part of Phase 5 Bundle 8 of the Ashton Green development					
vi) Space Park (Former John Ellis School), Corporation Road	6,700 (3.61)				A
Funding confirmed for Phase 1 of development for Leicester University teaching, research and open innovation facilities					
vii) Belgrave Park, Belgrave Road			1.34		PP
Development compromised by existing occupier's leasehold interests, planning permission for 8,575 sq m B1c/B2/B8					
viii) Former Wadkins, Green Lane Road			0.185		
Development linked to housing scheme					
Total	26,531		1.525	nil	



Table 3:33: Leicester Excluded sites

LEICESTER EXCLUDED SITES	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation E: Existing PP: Consented
i) Dover Street / Granby Street	9,500			PP
Development subject to acquisition of adjoining buildings / relocation of existing businesses				
ii) Vaughan Way, Great Central Street	4,600			A
Site subject of emerging proposals for wider regeneration scheme subject to relocation of existing businesses, remedial works and highway improvements				
iii) Vaughan Way, Highcross Street	4,000			PP
Site subject of planning permission for residential and retail scheme				
iv) Progress Way, Gipsy Lane Brickworks		1.8		
Owner's purported development appraisal claims development for B uses is non - viable due to cost of engineering works to create development plateaus and uncompetitive rate of return on development costs due to low rental and investment values				
Total	18,100	1.8		

b) Blaby

Blaby: Employment Land Supply, January 2016

Table 3:34: Blaby Tier one sites

BLABY TIER ONE SITES	Offices R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
Optimus Point, Kirby Road / Ratby Road: Completions and under construction *	2,640 * (0.72)	1.13 (3,986)	9.7 (44,762) 4.52 * (23,560)	
Optimus Point, Kirby Road/ Ratby Lane: Remaining	2,245 (0.61)	7.11	2.8	PP: outline for 22,732 sq. m 10.52 ha
<p>Consent for 97,680 sq m on 26.59 ha, of which: 62,515 sq m on 17.02 ha for B8, 30,280 sq m on 8.24 ha for B1c/B2/small B8, 4,885 for B1a on 1.33 ha. Developer focus is on strategic scale warehouses and large scale industrial occupiers:</p> <ul style="list-style-type: none"> - 44,762 sq. m on 9.7 ha: Two recently completed speculative large scale warehouses (with occupier interest from distributors and retailers) - 3,986 sq. m on 1.14 ha: Recently completed for Everards Brewery - 23,560 sq. m warehouse with 2,640 sq m offices on 5.24 ha: Development under construction for Boden - 1,000 sq m light industrial small unit scheme: Planning permission <p>Of the original consent 10.52 ha remains available to occupiers</p>				
Grove Park, Enderby: Plots 3B and 4C	2,774			PP
Two pre let office buildings under construction				
LE3, Oak Spinney Park, Ratby Lane: Unit G	2,880			PP
Last phase on 0.43 ha subject to pre - lets				
Total	10,539	7.11	2.8	

Table 3:35: Blaby Tier two sites

BLABY TIER TWO SITES	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
Optimus Point, Kirby Road/ Ratby Lane: Intensification				
Remaining balance of planning permission provides for 22,732 sq. m on 10.52 ha. Subject to planning, potential to add further 25 - 30,000 sq m of development				
Blaby SUE, Strategic Employment Site, Lubbethorpe (east of the Warrens, south of M69, north Leicester Lane) (21 ha)	7,600	4.9 (19,700)	14.2 (56,700)	PP
10 ha site being offered to the market: developer interest for large scale B8				
Blaby SUE, Gateway Business Centre	4,600			PP
Blaby SUE, District Centre, Lubbethorpe	2,000			PP
Everards Meadows	675 (B1b)	1.4 (3,390)		PP
Development linked to proposed relocation of Everards Brewery from existing site (loss of 4.97 ha) to Meadows (3 ha) and Optimus Point (1.13 ha)				
Blaby Business Park, Lutterworth Road, Blaby	1,524	Add 1.0 (4,726)		PP: Subject to 106
Net additional development from redevelopment / intensification of existing 3 ha employment site				
Total	16,399	7.3	14.2	

Table 3:36 Blaby Excluded sites

BLABY OFF MARKET	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
Carlton Park, Coventry Road, Narborough (3 ha)	12,000			A
Santander retain site for its own occupation				
Everards Meadows, B4114/ Soar Valley Way, Enderby	1,600	0.67 (1,600)		PP
Everards Brewery to develop site for its own occupation				
New Council Depot, Enderby Road, Whetstone (1.1 ha)	525	0.39 (1,661)		PP
Total	14,125	1.06	nil	

c) North and South Charnwood Employment Land Supply, January 2016

Table 3:37 North Charnwood Tier one sites

NORTH CHARNWOOD TIER ONE SITES	Offices R&D (sq m) /	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation E: Existing PP: Consented
Science Park (Phase 2), Ashby Road, Loughborough	32,748 (7.1 ha) B1 (b)			PP
Advance infrastructure completed 2015, 4.1 ha remains available subject to University of Loughborough Gateway Policies				
Charnwood Campus, Bishop Meadow, Loughborough	5,318 (B1b)			E
Former CBC site, Bishop Meadow, Loughborough		0.4		A
Messenger Close, Weldon Road, Loughborough		0.5		A
Total	38,066 B1(b)	0.9		



Table 3:38: North Charnwood Tier two sites

NORTH CHARNWOOD TIER TWO SITES	Offices R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
Science Park (Phase 3), East of Snells Lane, Loughborough	106,500 (21.3 ha) B1 (b)			A
Site subject to University of Loughborough's Gateway Policy				
Science Park (Phase 4), West of Snells Lane, Loughborough	126,000 (25.2 ha) B1 (b)			A
Phases 2, 3 and 4, subject to emerging masterplan Development of Phase 4 subject to completion of highway improvements for West of Loughborough SUE planned for 2021/22				
West of Loughborough SUE (Phase 1)	6.4 ha			PP
Developer masterplan: development subject to completion of above link road 2022				
West of Loughborough SUE (Phase 2)	9.6 ha			PP
Developer masterplan: balance of allocation planned from 2028 onwards				
Loughborough / Shepshed proposed mixed use schemes	To be agreed			Emerging allocation
Proposal subject to emerging Allocation DPD, potential 6 ha allocation for development from 2020/21				
Totals	232,500 B1(b)			
Assign SUE development	30,000 sq m B1a 10 ha B1a/c B2			

Table 3:39: North Charnwood Excluded sites

EXCLUDED SITE North Charnwood	Offices R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation E: Existing PP: Consented
Dishley Grange, Hathern (9.5 ha)	3,790	14,398	20,179	PP - outline
Development unviable due to costs of access and flood risk mitigation measures				
Total	3,790	14,398	20,179	

Table 3:40: South Charnwood Tier one sites

TIER ONE SITES South Charnwood	Offices R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation E: Existing PP: Consented
Watermead Business Park (Ph 1) a) Last small plots b) 2.07 ha sold to owner occupier	929 (a) 3,716 (b)			PP
Rothley Lodge Extension	1,000	1.3 (4,700)		PP
Consent for 14,397 sq m on 3.99 ha, of which 5,202 sq m B 8 completed for APAC Packaging, a further 3,395 sq m on 0.98 ha held for APAC				
The Warren, East Gosgate		3.95 (10,194)		PP
Jelsons building out small light industrial units				
Interchange, Hallamfields, Birstall (4.39)	2,765 (1.0)	1.7 (6,927)		PP
Jelsons building out small offices and light industrial units				
Thurmaston Industrial Estate, Melton Road, Thurmaston		3.36		E
Pre – lets of two large units in legals				
Total	8,410	10.31		

Table 3:41: South Charnwood Tier two sites

TIER TWO SITES South Charnwood	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation E: Existing PP: Consented
Watermead Business Park, Syston (Phase 2)	9,290 1.75 ha			A
Developer proposing advance infrastructure 2016/17 for office park subject to planning				
Watermead Business Park, Syston (Phase 3)	16.25 ha gross			PP
Developer requires substantial pre – let / pre – sold scheme to fund advance infrastructure				
Broadnook Garden Suburb, North Birstall	15 ha			PP
Land promoter has projected first employment development 2017/18				
North East Leicester SUE, Thurmaston	13 ha			PP
Council anticipating first employment land development from 2020/21				
Total:	46 ha comprising 4.6 ha B1a 11 ha B1c/B2 30.4 ha B8			

Table 3:42: South Charnwood Excluded sites

EXCLUDED SITES South Charnwood	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
Rothley Lodge Commercial Park, Mountsorrel		5.9	PP - part	Rothley Lodge Commercial Park, Mountsorrel (5.9 ha)
Site held by Samworth Brothers as strategic reserve (located alongside 41,806 sq m paper converting plant)				
Rothley Lodge Extension			0.98 (3,395)	
Site held for possible extension to APAC Packaging warehouse				
Granite Way, 251 Loughborough Road, Mountsorrel		0.86		PP
County Council owned land reserved for extension to waste site				
Total		6.88		

d) Oadby – Wigston: Employment Land Supply, January 2016

Table 3:43: Oadby – Wigston Tier one sites

TIER ONE SITES	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
None				
Total				

Table 3:44: Oadby – Wigston Tier two site

TIER TWO SITE	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
South East Wigston		2.5		PP
Development will require substantial pre – let, pre – sale prior to investment in advance infrastructure				
Total		2.5		

Table 3:45: Oadby – Wigston Excluded sites

EXCLUDED	Offices / R&D (sq m)	B1(c)/B2 Small B8 (ha)	Strategic B8 (ha)	A: Allocation PP: Consented
Wigston Town Centre	9,000			A
Oadby Town Centre	800			A
Development unlikely outside the prime Leicester City Centre and out of town business park sites				
Land off Magna Park, South Wigston		0.55		A
Allocated in the 1999 Local Plan, development is constrained by ground conditions				

4 HOUSING SUPPLY / LABOUR DEMAND BALANCE

4.1 Strategic Housing Market Assessment

4.1.1 Household projections

The 2014 Leicestershire Strategic Housing Market Assessment follows the requirements of the National Planning Policy Framework and DCLG guidance on assessing housing and economic development needs. It does so by taking account of the available evidence on population and household growth, starting with the household projections published by DCLG and the Office for National Statistics Subnational Population Projections (SNPP) which underpin these.

A caveat with the population data, which is acknowledged explicitly in the SHMA, is that while it is relatively straightforward to model population demographics by assessing births, deaths, and ageing from year to year, population migration (national or international) is difficult to measure accurately, let alone predict.

The SHMA takes the DCLG household projections to 2021 and extends these to 2031. The table is reproduced below.

Table 4:1: SHMA Extended Household Projections to 2031

	Households 2011	Households 2031	Change in households	% change from 2011	Housing Requirement	Housing Requirement (per annum)
Leicester	123,105	136,213	13,107	10.6%	13,566	678
Blaby	38,777	46,200	7,423	19.1%	7,609	380
Charnwood	66,567	82,832	16,265	24.4%	16,948	847
Harborough	35,021	42,839	7,818	22.3%	8,092	405
Hinckley & Bosworth	45,464	52,924	7,460	16.4%	7,713	386
Melton	21,533	25,104	3,571	16.6%	3,693	185
NW Leicestershire	39,189	44,802	5,614	14.3%	5,805	290
Oadby & Wigston	21,307	24,406	3,099	14.5%	3,266	163
Leicester & L'shire	390,963	455,320	64,357	16.5%	66,691	3,335

Source: CLG 2011-based household projections and JGC

The measurement of the components of change used in the preparation of the SNPP (natural change, net national and international migration) is not exact. As a result there is a district-by-district population discrepancy when the population is measured as accurately as possible by the Census every ten years (most recently in 2011). The SHMA has examined the so-called “unattributable population difference” between the 2011 figure in the SNPP and the 2011 Census, and has produced an updated population projection by assuming that the discrepancy is brought about by errors in the net migration data (which is harder to measure than natural change and carries a higher margin of error) and projecting this discrepancy into the future. The updated



household projections, including this adjustment, are shown below. The impact of this adjustment is to transfer housing demand into Leicester from the surrounding FEMA districts.

Table 4:2: Updated SHMA Household Projections to 2031

	Households 2011	Households 2031	Change in households	% change from 2011	Housing Requirement	Housing Requirement (per annum)
Leicester	123,105	144,380	21,275	17.3%	22,020	1,101
Blaby	38,777	45,259	6,482	16.7%	6,644	332
Charnwood	66,567	81,149	14,582	21.9%	15,195	760
Harborough	35,021	42,576	7,555	21.6%	7,820	391
Hinckley & Bosworth	45,464	52,297	6,833	15.0%	7,065	353
Melton	21,533	25,252	3,719	17.3%	3,845	192
NW Leicestershire	39,189	44,064	4,875	12.4%	5,041	252
Oadby & Wigston	21,307	22,428	1,121	5.3%	1,181	59
Leicester & L'shire	390,963	457,405	66,442	17.0%	68,810	3,441

Source: DCLG, JGC, 2014

A final adjustment to the household projections is made by estimating the extent to which the 2007-8 financial crisis and ensuing recession may have lowered the household formation rate (on the grounds that mortgage finance was harder to come by than in previous years) and adjusting the growth trend upwards on the assumption that growth would return to previous levels. This has the effect of increasing household demand further. The final estimate of household demand from the SHMA using this procedure, which is considered to be the most robust projection of future housing needs based on the demographic evidence, is reproduced below.



Table 4:3: Updated SHMA Household Projections to 2031 with reduced household formation constraint

	Households 2011	Households 2031	Change in households	% change from 2011	Housing Need	Housing Need (per annum)
Leicester	123,105	147,235	24,130	19.6%	24,974	1,249
Blaby	38,777	45,724	6,947	17.9%	7,121	356
Charnwood	66,567	82,195	15,629	23.5%	16,285	814
Harborough	35,021	43,039	8,018	22.9%	8,299	415
Hinckley & Bosworth	45,464	52,711	7,247	15.9%	7,494	375
Melton	21,533	25,444	3,911	18.2%	4,044	202
NW Leicestershire	39,189	44,674	5,486	14.0%	5,672	284
Oadby & Wigston	21,307	22,811	1,503	7.1%	1,584	79
Leicester & L'shire	390,963	463,834	72,871	18.6%	75,473	3,774

Source: DCLG, JGC, 2014

Finally, and for comparison, an alternative method of projecting demand for household formation is presented. This examines a district-level job forecast provided, by Experian in autumn 2013, and modelling the effect on local housing demand if housing increased at the same percentage rate as jobs. The implied housing need on this basis is set out below. The result is a very slightly higher demand for housing than that based on the demographic projections above. This suggests that even in conditions of continuing low employment growth that prevailed in 2011 projected employment growth was sufficient to put pressure on the demand for housing.

Table 4:4: Updated SHMA Household Projections to 2031 with reduced household formation constraint

	Households 2011	Households 2031	Change in households	% change from 2011	Housing Need	Housing Need (per annum)
Leicester	123,105	139,244	16,138	13.1%	16,703	835
Blaby	38,777	46,640	7,863	20.3%	8,060	403
Charnwood	66,567	79,518	12,951	19.5%	13,495	675
Harborough	35,021	46,684	11,663	33.3%	12,071	604
Hinckley & Bosworth	45,464	55,074	9,610	21.1%	9,937	497
Melton	21,533	25,948	4,415	20.5%	4,566	228
NW Leicestershire	39,189	48,430	9,241	23.6%	9,555	478
Oadby & Wigston	21,307	23,849	2,542	11.9%	2,679	134
Leicester & L'shire	390,963	465,388	74,424	19.0%	77,066	3,853

Source: DCLG, JGC, 2014

In order to establish the potential constraint that the local labour force has on employment growth, we will examine the latest underlying population data from the

SNPP below. We have used the unadjusted population data from the SNPP but note the discrepancy between the 2011-based population projections and the 2011 Census.

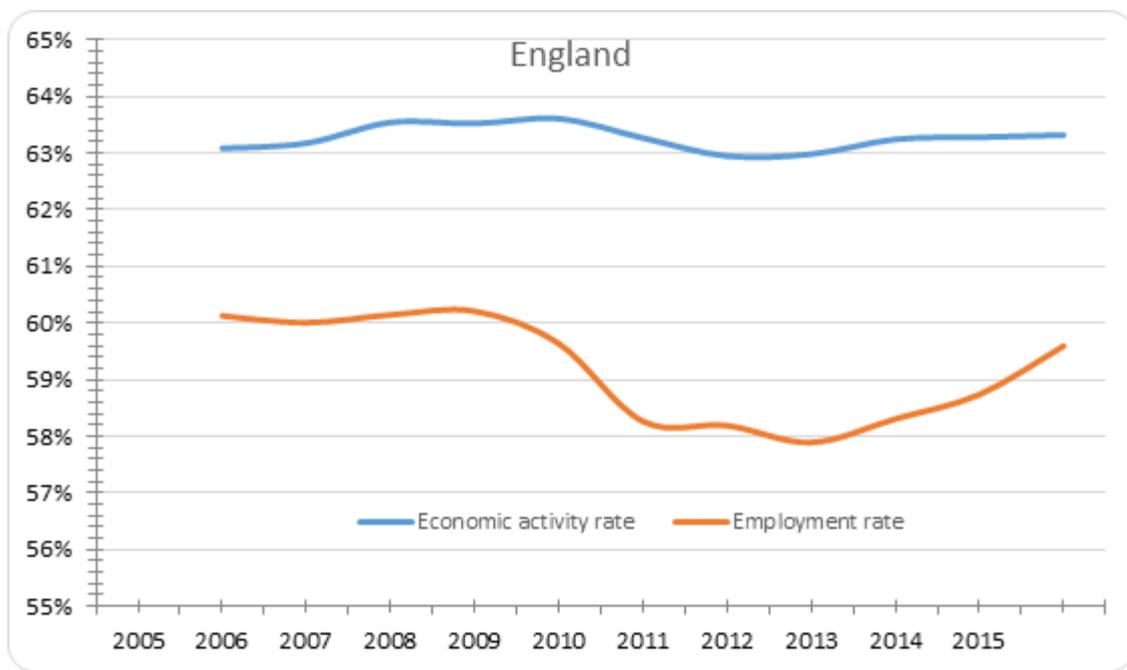
4.2 Labour Force Projections

4.2.1 Overall Economic Activity and Employment Rates

The Office for National Statistics conducts an Annual Population Survey which is the best annually-updated source of population and labour market statistics for the UK. The number of people interviewed in each local authority in each survey year is guaranteed to be at least 500, but even so, the margin of error for statistics for individual local authority districts is subject to random sampling error from year to year – particularly for small subsets of the population such as people who are unemployed or aged over 65. As a result, it is necessary to examine the data for the whole of England to discern the underlying trends before comparing with the situation in the LLEP area, the FEMA, or Leicester City itself.

The **employment rate** is the share of the population aged 16 or over who are in employment. The **economic activity rate** is the share of the population aged 16 or over who are in work or looking for work (that is, it includes unemployed people, but not full-time students and people who are retired and long-term sick). For England, the economic activity rate has remained broadly unchanged over the last decade; employment has more or less recovered from a dip in the recession. Leicestershire has

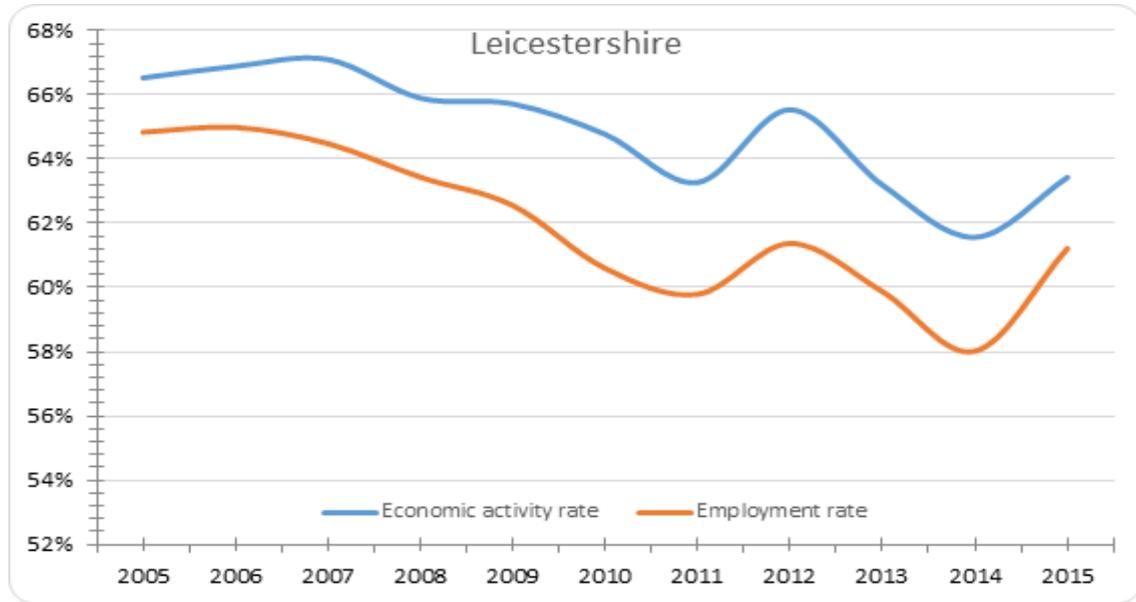
Figure 4:1 Overall England figure: population base is 16+



Source: Annual Population Survey; PACEC

has fared worse, but from a stronger starting position. Economic activity and employment are both currently slightly above the English average, despite an incomplete recovery from the recession.

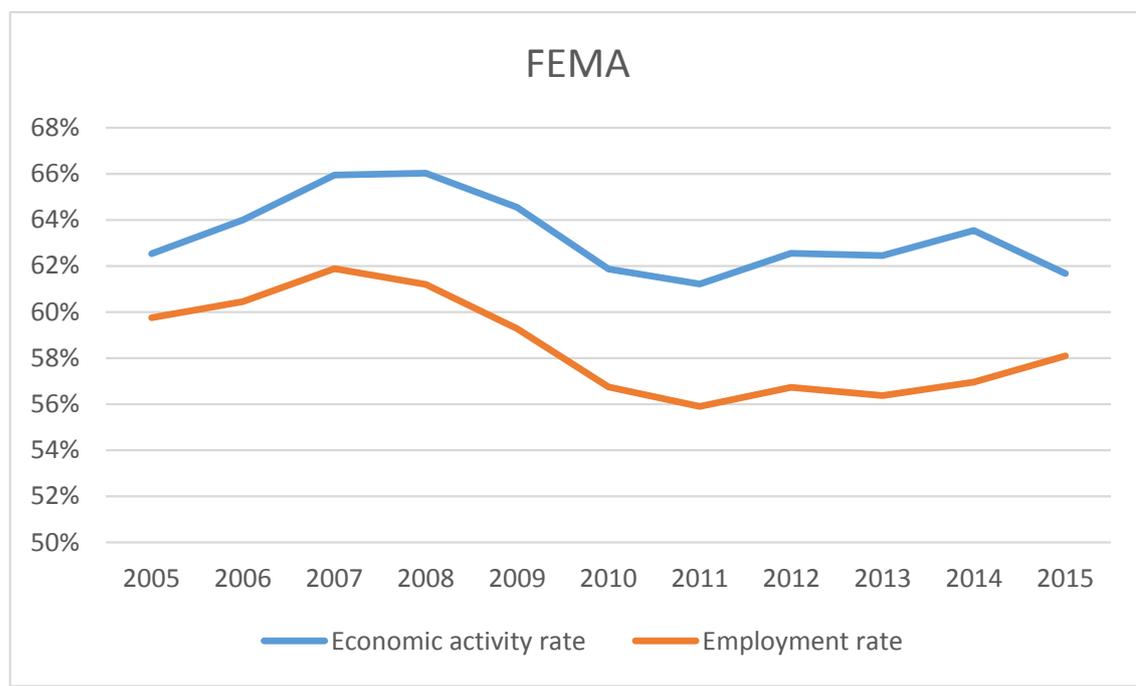
Figure 4:2 Overall Leicestershire figure



Source: Annual Population Survey; PACEC

The FEMA figures are slightly below the Leicestershire figures on both measures.

Figure 4:3 Overall FEMA figure

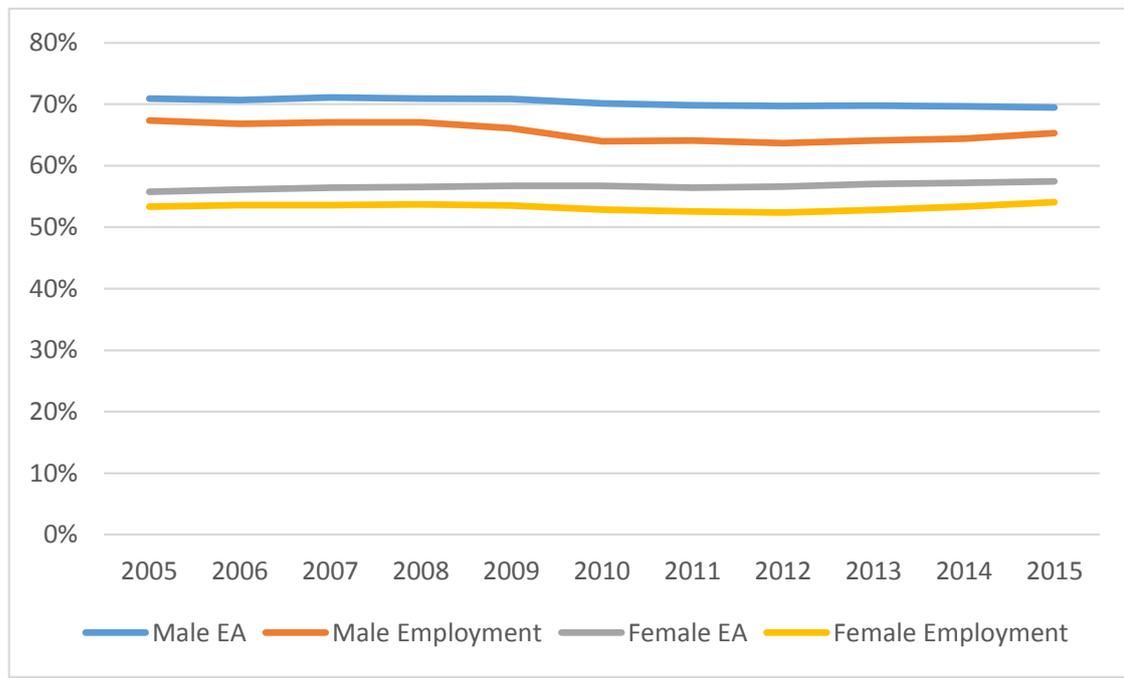


Source: Annual Population Survey; PACEC

4.2.2 Sex ratios

At the national level, we looked to see whether there was a significant difference between male and female employment rates and economic activity levels. There has been a very slight convergence between male and female economic activity and employment rates.

Figure 4:4 England: Male and Female

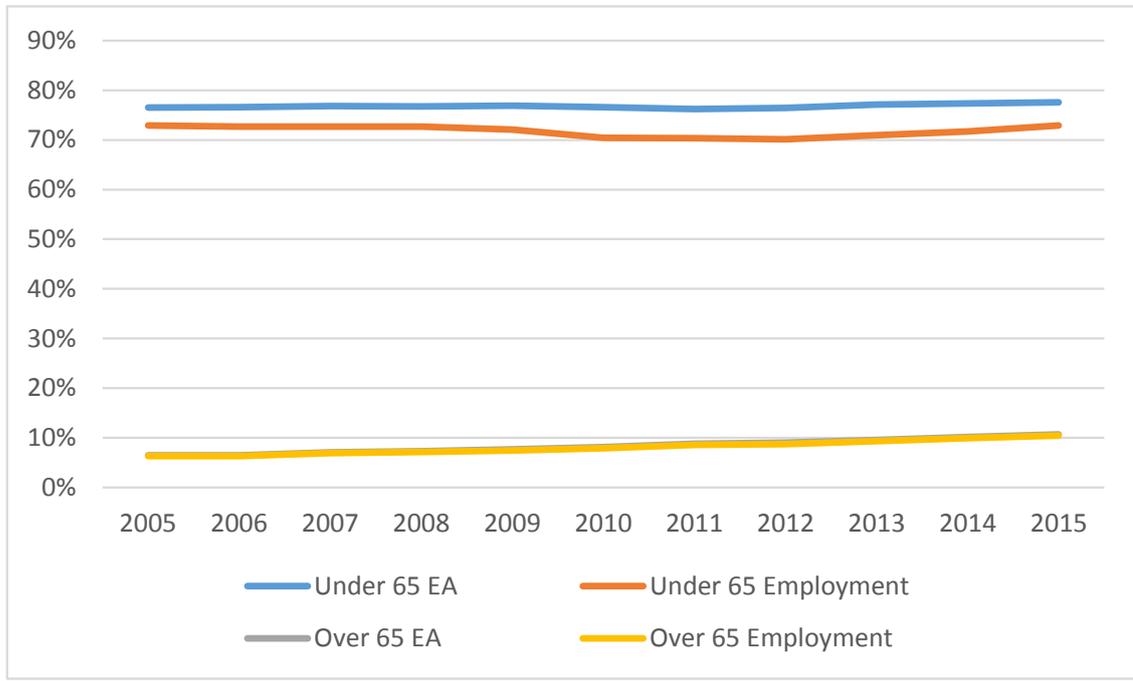


Source: Annual Population Survey; PACEC

4.2.3 Over-65s

There has been a small but sustained increase in economic activity amongst the over-65s in the last decade. Economic activity has risen from 6% to 11%, and employment has risen from 6% to 10%.

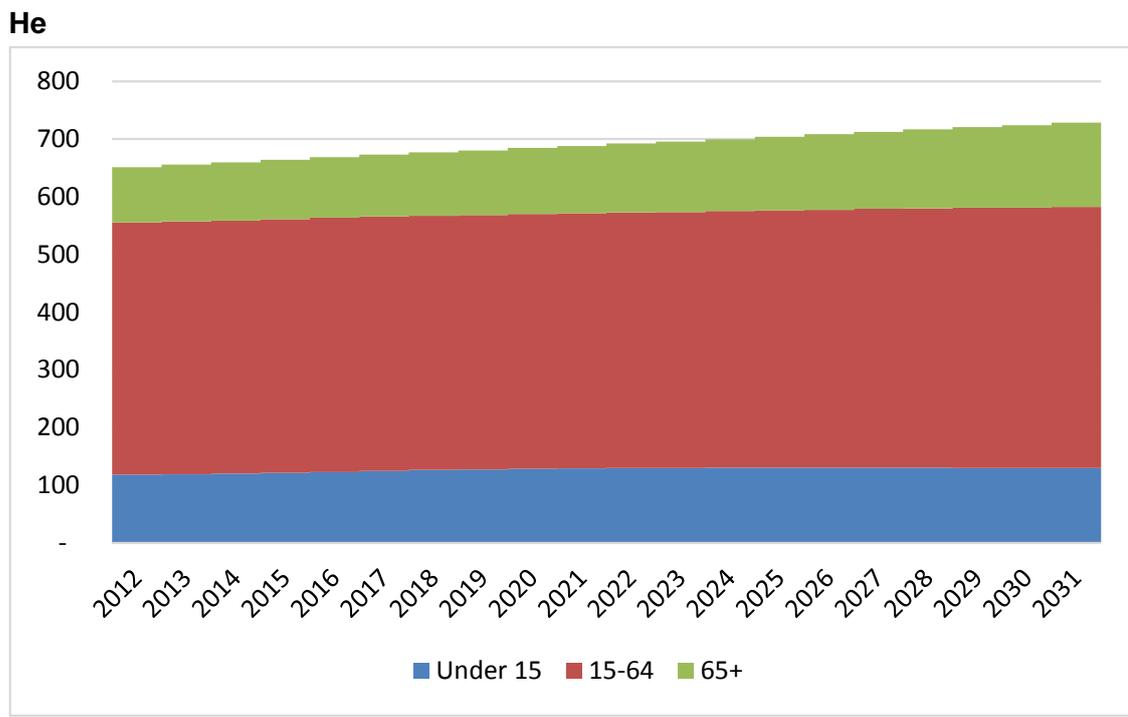
Figure 4:5 England: Over 65s



Source: Annual Population Survey; PACEC

The sub-national population projections show a 2015 population of 103,000 over-65s in the FEMA, rising by 40% to 146,000 in 2031. Over this same time period the population of those aged fifteen to sixty-four rises by 3% from 440,000 to 452,000.

Figure 4:6 FEMA Population Projection



Source: Sub National Population Projections, ONS; PACEC

If the proportion of over-65s working continues to rise at four percentage points per decade, we would expect it to be 16% in 2031. This points to the number of over – 65s working in the FEMA increasing from 7,500 to 23,360 in 2031.

4.2.4 Overall increase in employed residents

Leicester’s population aged 15+ was 270,000 in 2015 and is forecast to rise to 296,000 by 2031 – an increase of 26,000. Of this growth 18,000 is to be accounted for by those aged 65 and over (rising from 40,000 in 2015 to 58,000 in 2031).

The economic activity rate of those aged 15-64 in Leicester is around 72% and historically has been as high as 74% pre-recession. For people aged 65 and over, the economic activity rate nationally is forecast to rise by 6% points to 16% in 2031. to is rising at 4 percentage points per decade. If it continued to rise at this rate, it would reach 16% by 2031.

If the population increases as set out above, the economic activity rate at age 15-64 rises by 2 percentage points (to 74%) by 2031, and the 65+ economic activity rate rises as forecast above, then the economically active labour force in Leicester would increase as follows:

- 4,600 more economically active people aged 15-64 as a result of the uplift in economic activity rate among the existing population

- 6,300 more economically active people aged 15-64 as a result of the increase in population
- 2,400 more economically active people aged over 64 as a result of the uplift in economic activity rate among the existing population
- 2,900 more economically active people aged over 64 as a result of the increase in population
- 16,200 more economically active people in total.

The employment forecast for Leicester was for an increase of 7,500 workplace jobs.

The equivalent estimates for the whole FEMA are as follows:

- 8,800 more economically active people aged 15-64 as a result of the uplift in economic activity rate among the existing population
- 9,500 more economically active people aged 15-64 as a result of the increase in population
- 6,200 more economically active people aged over 64 as a result of the uplift in economic activity rate among the existing population
- 6,800 more economically active people aged over 64 as a result of the increase in population
- 31,300 more economically active people in total.

The employment forecast for the FEMA as a whole was for an increase of 14,700 workplace jobs.

For both Leicester and the FEMA, the increase in local labour force is sufficient to meet employment demand. However, the labour force can adjust in the following ways:

- Lower economic activity rates (than the projections made above)
- Less national and international migration into Leicester and the FEMA
- Increased out commuting from Leicester and the FEMA.

5 EXISTING EMPLOYMENT LAND

5.1 Introduction

In this chapter, we consider existing employment land in Leicester, previous assessments of its fitness for purpose and, in the context of current national planning policy, appropriate policies for development management.

In the *BE Group's (2006) "Employment Land and Premises Study"*, a system was devised and applied to assess the 'fitness for purpose' of existing employment sites. The findings were used to grade sites and inform Local Plan policies.

This study's brief calls for the previous system to be updated and re-applied, to reassess the 'fitness for purpose' of existing employment sites. It also requires advice on policy criteria for consideration of planning applications for non - employment uses within these sites. It further requests recommendations on land that does not need to be retained for future employment use taking into account the need for 'neighbourhood' employment provision.

In response to the brief, we review the 'fitness for purpose' of the 2006 land assessment and grading system as follows:

- Review the methodology used by BE Group to assess economic development needs;
- Review the assumptions made in defining criteria for assessing and grading sites;
- Consider the links between the assessment of needs and 'fitness for purpose' of employment land.

To update the assessment system, we:

- Set out employment land policies in the old Local Plan (that were informed by the study) and
- Highlight the new policy imperatives of the National Planning Policy Framework and related Planning Practice Guidance.

The study concludes that the National Planning Policy Framework calls for a more flexible approach to development management of employment land which it has redefined as economic development land. In this policy context, recommendations are made for a simpler land assessment framework and policies for:

- a) Protection of high quality economic development land for mostly B1c / b and B2 and B8 uses
- b) Protection of other economic development land for B1c / b and B2 and B8 uses and other economic and community uses

c) Release of economic development sites that are subject to high rates of long term vacancies and dereliction where there is no realistic prospect of redevelopment for economic development uses

5.2 Background

The *BE Group's (2006) "Employment Land and Premises Study"* assessed the supply of and demand for employment land and premises in Leicester to 2016.

The study comprised:

- i) Economic needs assessments to inform the amount, location and type of employment land and premises required to facilitate economic growth;
- ii) A review of the current portfolio of employment land and premises;
- iii) Recommendations on the future allocation of employment land and premises.

The methodologies for the economic needs assessments to identify employment land requirements for B1, 2 and 8 uses to 2016 were:

- Historic take up projection: Identified a requirement for 55 ha based on a ten year take up rate of 4.39 ha per annum
- Employment based forecast: Identified the loss of 64.4 ha
- Labour based forecast: Identified a requirement for 1.4 ha
- Regeneration: Confirmed a requirement for 30 ha for relocation of firms from regeneration areas
- Company survey: Extrapolated a requirement for 106 ha from 203 respondents to a 400 firm (5.7%) sample survey of 7,000 firms

The 2006 study noted that the methodologies for the employment and labour based forecasts are 'seriously flawed' as 'they take no account of pent-up demand, historic demand or the array of failures in the property market and are overwhelmingly contradicted by empirical evidence generated by this study' (BE Group 2006, p6).

The 2006 study did not address a key source of demand for employment: renewal of the existing stock. Our analysis suggests the renewal of the stock is determined by a combination of losses driven by physical and economic obsolescence and gains driven by effective supply and demand.

Data from the study provides insights into the renewal process in Leicester. In the period 1996 – 2005, 45 ha of employment was lost and 43.85 ha taken up, (BE Group 2006, Table 55 p105; & Table 38 p79). Take up within and outside the city's administrative boundaries arose from renewal as well as from growth and inward investment. Whilst we do not have data on take up met outside the city, it is reasonable to conclude that take up of new employment land in the City at a rate of

4.39 ha or 0.76% of the 577 ha stock per annum was insufficient to both renew Leicester's stock and meet other sources of demand.

The study noted a shortage of employment premises and unmet demand for new employment land and premises and concluded 'with such a shortfall of employment land and premises, the City Council cannot afford to lose any of its existing employment areas.' It accordingly made two recommendations:

i) The allocation of 62.5 ha of new employment land for the period 2006 – 16. This sum was calculated as follows:

On the demand side: a requirement for 96 ha (to provide for 66 ha of requirements projected from the company survey and 30 ha for relocation of firms from regeneration areas) less

On the supply side: a stock of 33.5 ha of employment land (a 'mid - range estimate' calculated by deducting existing commitments, short term take - up and constrained sites from the stock of 55 ha).

ii) To protect the existing stock of employment land and premises by 'making planning policy stronger to prevent the loss of employment land to higher value uses,' and consider 'which of its Potential Development Areas should be protected more strongly for employment use rather than released for alternative higher value redevelopment.'

5.3 Review of the employment land and premises portfolio

5.31 Turning to the review of the existing stock of employment sites and premises, the brief required the *BE Group's (2006) "Employment Land and Premises Study"* to:-

- i) Advise on the suitability of sites for employment development
- ii) Identify sites with premises no longer suitable for employment uses
- iii) Inform policy for development management of employment sites and premises

The study's "Area Assessment Template" (shown in Table 5.1 overleaf) was used to assess the fitness for purpose of 82 existing employment sites *and premises*. It added a description and grading of each site and identified baseline information including:-

- Site location (address); area (ha) and total floorspace (sq m);
- Planning policy status, for example primarily employment area and key employment area;
- Number of buildings (including the number of offices, vacant / derelict units and percentage occupancy rate of buildings);
- The age of buildings (pre 1945, post 1945, post 1990 and new) and their quality (derelict, poor, average and good).

5.3.2 The grades are shown in the background of the "Location of Textile Firms Map" on pages 147 & 148). The grades were as follows:-

Table 5:1: Site grading template

Grade	Definition	Action
A	High quality, prestigious, flagship business areas due to their scale, location and setting. Prime sites for marketing to a cross section of users including regional users and new inward investors	Protect strongly support and expand
B	Good employment sites due their scale, location and setting. Prime sites for marketing to a cross section of users (B1, B2, B8) in the sub regional market and some new inward investors	As above
B/C	Key employment sites with an influence over the whole City, but primarily geared towards local businesses and B1c, B2 and B8 uses	Protect and support
C		
C/D	Lower quality locations in residential areas suffering from poor accessibility and massing	Continue to protect/ review through LDF
D		
D/E	Very poor quality area, widespread vacancy and dereliction in poor environments	Promote alternative uses if possible
E		

Source: Table 53 BE Group (2006) Leicester Employment Land and Premises Assessment Study p104

5.3.3 The study graded the 82 employment sites on a total of 606.9 ha as follows:

- Grade A: Four city centre office areas totalling 29.7 ha
- Grade B: Six mostly large (average 44.7 ha) urban fringe sites located off the ring road totalling 267.1 ha. The sites include Troon Industrial Estate (106 ha), Braunstone Frith Industrial Estate (76 ha) and Bursom Industrial Estate (53 ha)
- Grade B/C and C: Thirty - seven small (average 5.9 ha) urban sites located mostly along city centre to ring road arterial routes totalling 220.4 ha. The sites include Freeman’s Industrial Estate (23.9 ha) and Haremead Business Park (19.7 ha)
- Grade C/D and D: Twenty - two smaller (average 3.16 ha) urban sites totalling 69.6 ha with several located on sides street in the Spinney Hills and North Evington areas
- Grade D/E and E: Thirteen very small (average 1.5 ha) urban sites totalling 20.1 ha with several located on sides street in the Spinney Hills and North Evington areas

5.3.4 Of the 1,551 premises on 78 sites (excluding the four Grade A office sites):

- 1,215 or 78.3% were graded B, B/C and C
- 1,107 or 71.4% were built 1945 – 1990 and
- 1,205 or 77.7% were judged to be in average condition
- 163 or 10.5% were void, slightly above the market norm.

Table 5:2: Leicester Land and Premises Assessment Study 2006: Totals

Grades	B	B/C & C	C/D & D	D/E & E	Total
No. Sites	6	37	22	13	78
Area (ha)	267.1	220.4	69.6	20.1	577.2
Buildings					
i) No.	469	746	259	77	1,551
ii) Voids	29	82	39	13	163
ii) Age					
Pre 45	17	107	129	35	288
45 - 90	348	597	124	38	1,107
Post 90	93	32	6	0	135
New	11	10	0	0	21
iii) Condition					
Derelict	0	13	11	13	37
Poor	25	101	101	13	258
Average	414	614	144	33	1,205
Good	30	18	3	0	51

Source data: BE Group (2006) Leicester Land and Premises Assessment Study

Table 5:3: Leicester Land and Premises Assessment Study 2006: Percentages

Grades	B	B/C & C	C/D & D	D/E & E	Total
No. Sites	6	37	22	13	78
Area (ha)	267.1	220.4	69.6	20.1	577.2
Ave (ha)	44.5	5.9	3.2	1.5	7.4
Buildings					
i) No.	469	746	259	77	1,551
ii) Voids	6.1%	11%	15%	16.9% **	10.5%
ii) Age					
Pre 45	3.6%	14.3%	49.8%	45.5%	18.6%
45 - 90	74.2%	80%	47.9%	49.3%	71.4%
Post 90	19.8%	4.3%	2.3%	5.2%	8.7%
New	2.4%	1.3%	0%	0%	1.3%
iii) Condition					
Derelict	0%	1.7%	4.2%	16.9%	2.4%
Poor	5.3%	13.5%	39%	40.3%	16.6%
Average	88.3%	82.3%	55.6%	42.8%	77.7%
Good	6.4%	2.4%	1.2%	0%	3.3%

Source data: BE Group (2006) Leicester Land and Premises Assessment Study

NB: - * Void rate falls to 7.7% when 24 buildings on one site are excluded

**** Void rate falls to 11% when 6 occupied buildings described as derelict are excluded**

5.3.5 Whilst the study did not provide and apply a scoring regime, it notes that grading was based on the following factors:

- I. Critical mass of the area (as companies 'like to be together')
- II. Accessibility, the closer to the Motorway and ring roads the better, conversely one way streets and speed bumps are not looked on favourably
- III. Prominence to main roads
- IV. Servicing and car parking areas, extent and quality
- V. Environment (undefined)

Source: - BE Group (2006) page 101

5.3.6 Drawing on the base data and the above factors, we have undertaken comparative analyses to identify the data and judgements used to grade sites with premises into four of the five categories. These were: B; B/C and C; C/D and D; and D/E and E.

i) **Grade B:** The 6 sites account for 30% of the total buildings on 46% of the total employment land, they are characterised by:

- a) Largest sites: Average site size 44.5 ha with 'prominence' and 'critical mass'
- b) Largest and best buildings: Buildings overwhelmingly developed post 1945 (96%) and in average condition (88%)
- c) Best location: Self – containment and separation from residential areas against integration within high density residential areas
- d) Best geography and road access: Located in proximity to the outer ring road

ii) **Grade B/C and C:** The 37 sites account for 48% of the total buildings on 38% of the total employment land, they are characterised by:

- a) Small sites: Average site size 5.9 ha
- b) Smaller buildings of average age and condition: Buildings built predominantly developed post 1945 (86%) and in average condition (82.3%)
- c) Good location: Larger sites providing separation from residential areas
- d) Good geography and road access: Located in proximity to arterial roads between the city centre and outer ring road

iii) **Grade C/D and D:** The 22 sites account for 16.7% of the total buildings on 12% of the total employment land, they were characterised by:

- a) Smaller sites: Average site size of 3.3 ha



b) Older buildings in poorer condition: Just over half of the buildings developed post 1945 (50.2%) and in average condition (55.6%)

c) Poorer location: Smaller sites integrated in high density residential areas

d) Poor geography and road access: Located distant from the strategic highway network

iv) **Grades D/E and E:** The 13 sites (for which the study recommended alternative uses to be promoted, if possible), account for 4.9% of the total buildings on 3.5% of the total employment land, they were characterised by:

a) Smallest sites: Average site size of 1.5 ha

b) Older buildings in poorer condition: Over half of the buildings developed post 1945 (54.5%) and less than half in average condition (42.8%)

c) Poorer locations: Smallest sites integrated in high density residential areas

d) Poorer geography and road access: Located distant from the strategic highway network with access through inner city residential streets

5.3.7 The 2006 ELS Grading system provided data for judgements on the utility of sites – defined by the town planning concept of separation of land uses – and utility of buildings - defined by market preferences for modern buildings with access to the strategic highway network. Judgements based on these definitions of utility combine to privilege and attribute higher grades to ‘*large sites*’ that have modern buildings, on a large, dedicated industrial estate, in close proximity to the strategic highway network. The sites with premises attributed with lower grades are those that do not conform to this norm. These ‘*neighbourhood sites*’ have older buildings, on small sites, within dense residential areas, remote from arterial roads and the strategic highway network.

However, the study found that buildings within both the ‘*large*’ more modern sites and the smaller older ‘*neighbourhood sites*’ were all in strong demand with building occupancy rates below and only slightly above the market average. Whilst occupier demand did not appear to carry weight in the grading system, the study recognised the importance of the ‘*neighbourhood sites*’ to local businesses:-

“Areas of low quality buildings, providing important local small business accommodation irrespective of the fact that some are coming to the end of their economic life. In dense residential area which suffers from poor access. Lacks prominence and critical mass”.

5.3.8 Issues for this study arising from this review of the 2006 land and premises assessment concern:

i) *Sustaining renewal of the aging stock:* In 2006 of Leicester’s stock of employment buildings, 18.6% was more than 60 years old and 71.4% was between 16 and 70



years' old. *Issue:* provision needs to be made to sustain renewal of the stock over the long term.

ii) Providing sites for inward investment: The study did not identify any industrial areas as attractive to inward investors. *Issue:* provision needs to be made for high quality sites attractive to inward investors as well as regional and local firms

iii) Protecting businesses and jobs in 'neighbourhood' sites: The study grading system favoured the large homogeneous industrial estates on the urban fringe and promoted extinguishment of some of the small non – conforming sites. *Issue:* it needs to be recognised that these small non – conforming 'neighbourhood' sites still have utility, as places of work for local residents and business environments for a wide range of enterprises. These range from start - ups, to micro firms to dynamic, labour intensive, firms, particularly in Leicester's textile cluster.

iv) Meeting business needs: *Issue:* Meeting the full range of business occupier requirements means making provision 'bad neighbour' industries, low cost spaces for start-ups and businesses operating at the margins of viability as well as Grade A city centre offices and large scale business parks. *Issue:* policy needs to be aligned with and supportive of heterogeneity in the economy, meeting the full range of business occupier requirements.

5.4 Policy Context

To test the relevance of grading employment sites for policy and development management purposes we have reviewed the relevant local and national planning policies and planning practice guidance. This comprises: Leicester Core Strategy 2010 including saved policies; National Planning Policy Framework and National Planning Practice Guidance for economic development needs and land availability assessments.

The City of Leicester Local Plan 2006

The Local Plan 2006 introduced a multi – tier policy approach to existing employment land based on the 'fitness for purpose for future employment use.' The twin policy objectives were to provide for:

- Stronger protection for B use class uses in the higher quality 'key employment areas'
- Flexibility to accommodate non B use class uses in the lower quality 'primarily employment areas'

The Plan identified the 6 largest 'key employment areas' on a total of 232 ha or 41% of the City's employment land. These sites were developed from the late 1960's / early 1970's on large self - contained estates in edge of city locations in close proximity to the outer ring road.

The Plan identified 63 ‘primarily employment areas’ on a total of 297 ha or 53% of the City’s employment land. Developed historically on small sites in central locations alongside canals, railways and housing, these sites were said to be subject to traffic congestion, site specific access constraints and inconvenient to the outer ring road and main highway network.

Leicester Core Strategy 2010

The employment land planning policies in the adopted Core Strategy and saved policies from the City of Leicester Local Plan 2006 continued the multi - tiered approach to the existing employment areas. This is identified on the Core Strategy Proposals Map as: Key Employment Areas; Primarily Employment Areas; Business Parks; Primarily Office Areas and the Central Commercial Zone.

Table 5:4: Leicester Core Strategy 2010 Employment Land Policies

Policies	Designation	Use Classes
CS 10	i) Business Parks	B1c and B2 High quality design and landscaping
	ii) General employment land - Lower quality employment land	Flexible approach to include day nurseries, places of worship, car showrooms
	- Land to be released (see EO 3 below)	Housing and other uses
	iii) Offices: City centre, professional offices area, Waterside and St George’s See EO 4 below for sequential test	B1a
	iv) R&D: Abbey Meadows Science and Innovation Park	B1 b
EO 2	Key employment areas (6 sites totalling 232 ha)	B1 excluding offices, B2 and B8
EO 3	Primarily employment areas (63 sites totalling 297 ha, 51% of total employment land including 12 sites no longer needed for employment use)	B1, B2 and B8 with six criteria to allow limited non B - uses
EO 4	Business Parks	B1c and B2 uses, B1a subject to sequential test
EO 6	Primarily office areas	B1 a

Details of these policies are set out in Appendix A to this chapter.

5.5 Employment Land Assessment Framework

National Planning Policy Framework and Planning Practice Guidance

The National Planning Policy Framework (NPPF) sets out the Government’s planning policies for England and how these are expected to be applied. It states ‘the purpose of the planning system is to contribute to the achievement of sustainable development. The policies in (NPPF) paragraphs 18 to 219, taken as a whole, constitute the

Government's view of what sustainable development in England means in practice for the planning system (paragraph 6).

Two sets of Planning Practice Guidance (PPG) provides local planning authorities (LPAs) with guidance in respect of economic development land planning as follows:

- Housing and Economic Development Needs Assessments PPG: Provides guidance to LPAs in objectively assessing and evidencing development needs for housing and economic development (Paragraph: 001).
- Housing and Economic Land Availability Assessment PPG: Provides guidance to LPAs to identify 'a future supply of land which is suitable, available and achievable for economic development uses over the plan period.'

Relevant details of the NPPF and PPG are set out in Appendix B to this chapter.

5.6 Findings and Recommendations

The National Planning Policy Framework (NPPF) and PPGs emphasise the need for LPAs to ensure that sufficient land of the right type is available in the right places and at the right time. The PPGs provide advice to LPAs in respect of the NPPF requirement of LPAs to assess the future supply of land available for economic development and its sufficiency and suitability to meet identified needs *for all foreseeable types of economic activity* over the plan period.

These policy imperatives require Local Plan policies to ensure there is sufficient provision to meet business needs. This requires, on the one hand, for policy to protect B use class uses which are subject to pressure for changes of use to residential and retail uses and, on the other hand, to provide for other economic uses. In this context, the study recommendations are for three policies to:

High Quality Economic Development Areas

Land and premises within the City's highest quality, best located economic development areas will be retained to ensure that sufficient land and purpose built premises are available for B use class inward investors and local occupiers.

In these areas, to be identified on the policies map, light industry (B1 c) and general industry (B2) and storage and distribution (B8) uses with ancillary offices will be permitted, protected and retained.

General Economic Development Areas

Land and premises within the general economic development areas will provide primarily for light and general industrial and storage uses.

Within the general economic development areas as identified on the policies map:-

Light industry (B1 c) and general industry (B2) and storage and distribution (B8) uses with ancillary offices will be promoted and retained

Car showrooms and other uses which do not have a use class but are commonly found in industrial estates. [These would include uses such as warehouse club, cash & carry, builder's merchant, haulage yard, MOT testing station and bus garage]

D1 and D2 uses will be acceptable where it can be demonstrated there is adequate parking provision for these uses, so that parking associated with the change of use is not expected to result in any detrimental effect on the operation of the surrounding business and residential areas

Wholesale uses, plus some limited retail of bulky goods will be acceptable, where it can be demonstrated that there are no suitable properties in existing shopping centres, there is not such a concentration of these uses to ensure that employment no longer remains the primary use on any particular road, within an economic development and there is adequate parking provision.

Neighbourhood Employment Areas

Within the neighbourhood employment areas as identified on the policies map:

B class uses will be encouraged to continue and redevelop for industrial uses

D1 and D2 uses will be acceptable, where it can be demonstrated: there are no suitable properties in existing shopping centres; there is not such a concentration of these uses to ensure that employment no longer remains the primary use on any particular road within the neighbourhood employment area; there is adequate parking provision for these uses, so that parking associated with any change of use or redevelopment is not expected to result in any detrimental effect on the operation of the surrounding business and residential areas.

Housing will be acceptable where it can be clearly demonstrated that existing constraints can be mitigated and it is not expected to result in any detrimental effect on the operation of the surrounding business.

In the City's Textile Areas support will be given for new development that assists the City's reviving textile industry.

Map of New Areas

A map of the recommended replacement grading system is included overleaf, in the "**Economic Development Areas**"- **Grading Map**.

A "zoomed in" extract of the City Centre, Neighbourhood Employment Areas and the Property Sub Market Sector Areas is also included on page 81.



Economic Development Areas (EDA's)

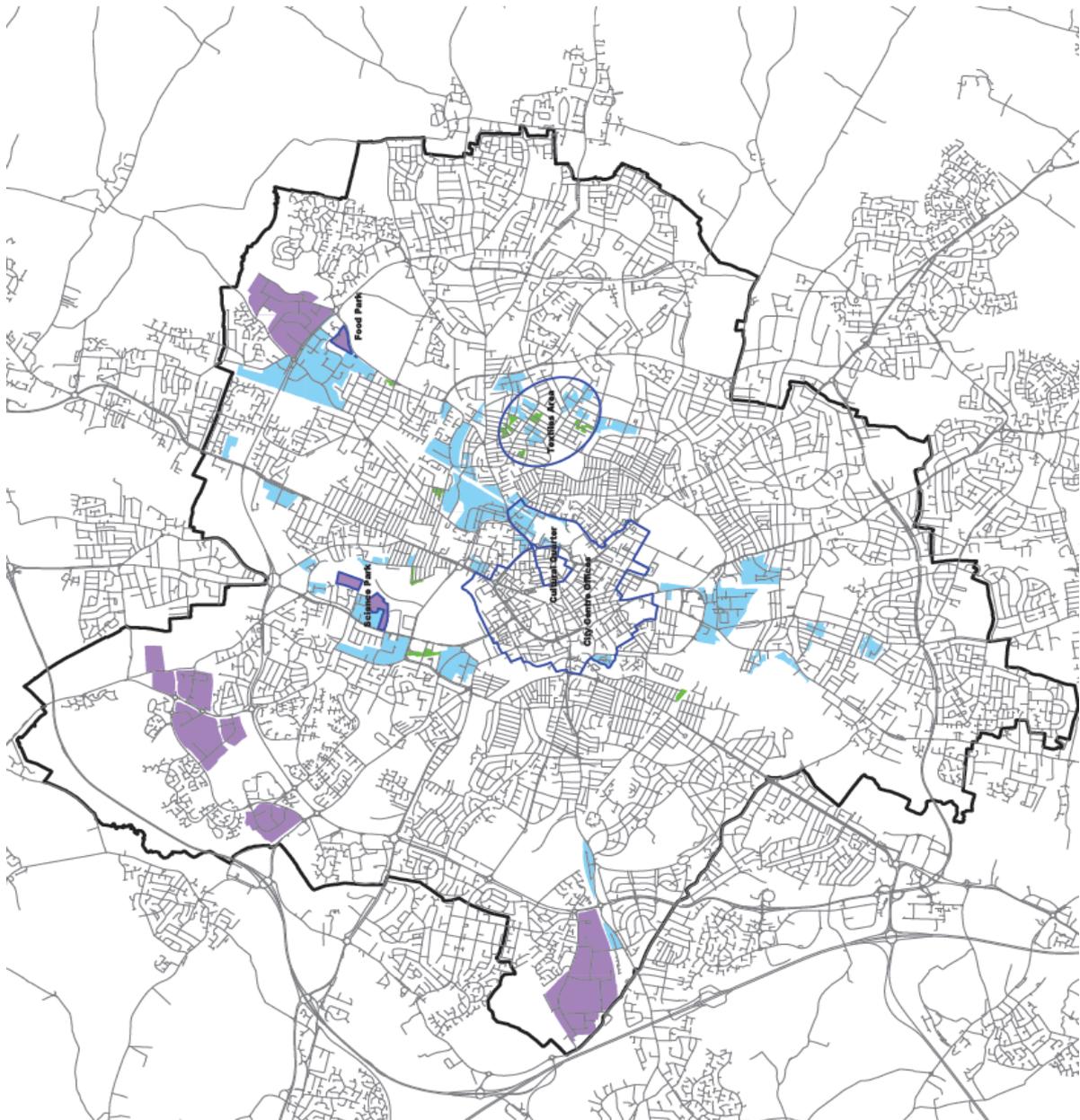
Grading Map

High quality EDA's

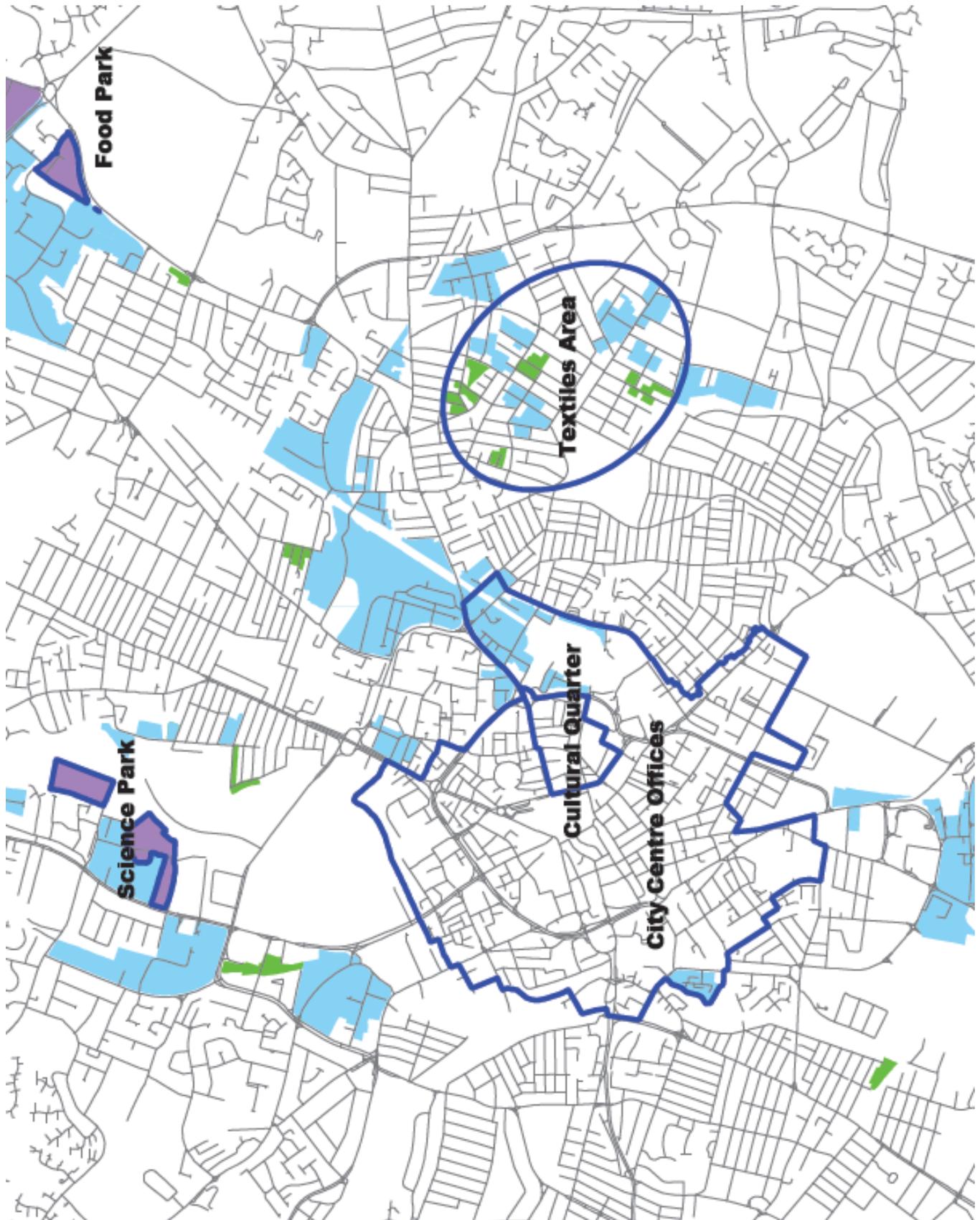
General EDA's

Neighbourhood EDA's

Sector - property sub-market areas



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CHAPTER 5 – APPENDICES: -

APPENDIX A - Local Policy

LEICESTER CORE STRATEGY 2014 EMPLOYMENT LAND POLICIES

Core Strategy Policy CS 10 Employment Opportunities

This policy states, ‘The City Council will work with partners to ensure that Leicester has a thriving and diverse business community that attracts jobs and investment to the City.’ In adds the City Council will also take actions concerning general and location specific policies. The general policies concerned:

General Employment Land: To retain land shown on the Proposals Map for B1c, B2 and B8 uses with:

- Lower quality employment areas as defined in the Employment Land SPD (2007) and the revised Employment Land Study, day nurseries, places of worship, car show rooms and other uses that do not have a use class but are commonly found in industrial estates will be acceptable in principle
- Land to be released from employment use was to be identified in the then proposed Site Allocations and Development Management Policies DPD

Business Parks: High quality B1c and B2 uses will be acceptable with 2006 Local Plan Saved Policy E04 adding major office development in Business Parks will be subject to a sequential test and other uses complementary to a Business Park will be considered on their merits. A high level of design and landscaping will be expected within Business Parks

The location specific policies concerned the location of: offices in the City Centre, Waterside, St George’s and the Professional Office Area; premises for research, development and technology based businesses at the Abbey Meadows Science and Innovation Park and new allocations at Ashton Green.

The saved employment policies from the City of Leicester Local Plan 2006

The saved policies - five general employment land policies and one location specific policy – are:

E02: Key Employment Areas: Planning permission will only be granted for development of B1 (except major office development), B2 and B8 uses

E03: Primarily Employment Areas: Planning permission will be granted for development of B1, B2 and B8 uses as appropriate, and not for change of use to other land uses unless it can be shown that:

- a) The land and buildings are no longer viable for employment purposes; or
- b) The use is ancillary or complementary to an existing or proposed B-Class use; or

- c) The use would provide a significant number of jobs; or
- d) Redevelopment of the site would make an important contribution to improving the wider urban area; or
- e) The use would be for housing on a site without a greater need to be retained for employment purposes; or
- f) The use proposed is a local community facility for which there are no alternative sites available, for which there is a demonstrable need in the area and which will not have unacceptably adverse effects on existing businesses.

Major office development will not be allowed in Primarily Employment Areas outside the Commercial Zones of the City Centre, Beaumont Leys and Milton Town Centres

E04: Business Parks: Within the Business Parks planning permission will be granted for appropriate high quality B1 and B2 uses.

Major office development in Business Parks will be subject to a sequential test (see Policy E05).

Other uses which are complementary to a Business Park will be considered on their merits.

A high level of design and landscaping will be expected within Business Parks

E06 Primarily Office Areas: Planning permission will be granted for the development of B1 offices.

B1 light industry and research and development will not be allowed unless it can be shown that:

- a) There will be no detrimental impact in terms of traffic generation, loading and unloading on the character and function of the Primarily Office Area; and
- b) There will be no loss of viable office or residential units

Development of B2 general industry and B8 storage and distribution will not be allowed.

Planning permission will be granted for residential use where premises are or land is underused or redundant.

Other uses will not be allowed unless there are ancillary or complementary to the main office use.

The area specific policy concerned:

E05: Major Office Development: Planning permission will be given for office development over 1,000 sq m floorspace within the Central Office Core (New Business

Quarter) of the City Centre and the Abbey Lane Research Business Park. In the latter, office development must satisfy the criteria set out in Policy E15.

If there are no suitable or available sites within the Central Office Core or Abbey Lane Business Research Park, planning permission will be given for sites in the remainder of the City Centre as shown on the Proposals Map.

If there are no suitable or available site within the City Centre or Abbey Lane Research Business Park planning permission will be given for sites within Beaumont Leys and Hamilton Town Centres

All other sites will be out of centre in terms of a sequential test and will only be considered if there are no suitable sites within the City Centre, the Town Centres or Abbey Lane Research Business Park. Any out of centre sites should be well served by public transport.

The expansion of existing offices in out of centre locations into major 'stand - alone' office developments will not be permitted unless they are well served by public transport.

Chapter 5 - APPENDIX B - National Policy

NATIONAL PLANNING POLICY FRAMEWORK AND PLANNING PRACTICE GUIDANCE

The NPPF continues, the three dimensions to sustainable development: economic, social and environmental...give rise to the need for the planning system to perform...

An economic role, contributing to building a strong, responsive and competitive economy by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation; and by identifying and coordinating development requirements, including the provision of infrastructure

A social role, supporting strong, vibrant and healthy communities, by providing the supply of housing required to meet the needs of present and future generations; and by creating a high quality built environment, with accessible local services that reflect the community's needs and support its health, social and cultural well – being; and

An environmental role, contributing to protecting and enhancing our natural built and historic environment; and, as part of this, helping to improve biodiversity, use natural resources prudently, minimise waste and pollution, and mitigate and adapt to climate change including moving to a low carbon economy' (paragraph 7).

The NPPF advises further, 'These roles should not be undertaken in isolation, because they are mutually dependent.... Therefore, to achieve sustainable development, economic, social and environmental gains should be sought jointly and simultaneously through the planning system.... (paragraph 8).

The NPPF advises LPAs to prepare and maintain a robust evidence base for a 'clear understanding of business needs within the economic market operating in and across their area (paragraph 160). It further advises LPAs to use this evidence base to assess:

- The needs for land or floorspace for economic development
- The existing and future supply of land available for economic development and its sufficiency and suitability to meet identified needs for all foreseeable types of economic activity over the plan period (paragraph 161).

Advice to LPAs on needs and availability assessments are set out in the following Planning Practice Guidance (PPG) documents.

Housing and Economic Development Needs Assessments

The 'Housing and Economic Development Needs Assessments' PPG supports local planning authorities in objectively assessing and evidencing development needs for housing and economic development (Paragraph: 001).

The PPG privileges the market. It advises assessments should consider:

i) On the demand side:

- Quantitative need
- Qualitative requirements by location (market sub areas) and premises (market segments) informed, among other things, by market signals including recent take up of sites and rental evidence

ii) On the supply side:

- The existing stock of employment land and evidence, within it, of over and under supply
- Evidence of market failure (for example physical or ownership constraints that prevent employment sites being used effectively)

Housing and Economic Land Availability Assessment

The ‘Housing and Economic Land Availability Assessment’ PPG sets out advice to local planning authorities to identify ‘a future supply of land which is suitable, available and achievable for economic development uses over the plan period.’

The four stage methodology concerns:

i) Identification and analyses of sites to include: site size; location and boundaries; current land use and character; physical and potential environmental constraints; development progress and initial assessment of site suitability

ii) Assessment of site development potential to address:

- Suitability of the site or broad locations for development in terms of: development plan, emerging plan policy and national policy and market and industry requirements in the functional economic market area;

- Availability: legal and ownership issues and landowner / developer interest;

- Achievability: a judgment about economic viability, capacity of the developer and hence whether the site can be considered deliverable over the plan period

iii) Assessment review to provide a trajectory of economic development that can be provided and by when and a supply demand balance between the trajectory and identified needs and best ways for planning for any shortfall

iv) Evidence base to provide a list and assessment of each site (as set out in ii) above) and potential type and quantity of development that could be delivered on each site / broad location, including a reasonable estimate of build out rates, setting out how barriers to delivery could be overcome and when.

6 PROPERTY SUB-MARKETS – OFFICE REVIEW

This chapter includes:-

Section 6.1 Introduction

Section 6.2 Background

Section 6.3 : National Planning Policy and Market Contexts

Section 6.4: Demand Side

- Employment based office floorspace forecasts
- Leicester office market take up
- Occupiers' unmet requirements

Section 6.5: Supply Side

- Development economics
- Office completions and commitments 2008 - 17
- Development pipeline

Section 6.6: Supply Demand Balance

Section 6.7: Findings, Recommendations and Action Plan

And Appendices:

- A: Leicester City Centre Office Market Area
- B: City Centre Offices: Recent Completions, Commitments and Pipeline
- C: City Centre Occupiers' Unmet Requirements
- D: City Centre Offices: Permitted Development
- E: City Centre Offices: Development Economics
- F: Leicester Office Market Transactions

6.1 Introduction

In this chapter we update the 2012 Leicester Office Market study. Following updates to the national policy and market contexts, we update, on the demand side, office floorspace requirements for the new Local Plan period 2015 – 2031. On the supply side, we update to January 2016 the development pipeline, completions and commitments, occupiers' unmet requirements, permitted development rights and Grade A development economics. We have reviewed more recent developments and concluded an update to 2017 would not a make sufficient difference to the recommendations, to warrant further amendment.

The chapter concludes with a supply demand balance between the forecast requirements to 2031 and a deliverable pipeline of suitable sites and buildings. Recommendations are made concerning interventions required to deliver forecast requirements in Leicester city centre and the strategic regeneration areas.

6.2 Background

The 2012 study considered approaches to creating the planning policy and market conditions to encourage the development of Grade A offices in Leicester city centre. It comprised:

- A demand side assessment based on a high level review of likely future growth and demand from office employment sectors, analyses of recent market transactions and research into occupiers' requirements;
- A supply side assessment based on a review of the office development pipeline and advice on suitability and deliverability of sites nominated by the market for potential office development;
- An assessment of the balance between the supply and demand sides;
- A review of the factors that enable and inhibit office development and on the basis of the above evidence;
- Advice for a review of office policy and delivery mechanisms, addressing the barriers and factors critical to stimulating office development; and finally
- Recommendations on roles for the Council in engaging potential occupiers, developers and investors in stimulating new office development and demand in the city centre.

The context for the update to this study is provided by an overview of the national policy and market contexts. The policy context is defined by the National Planning Policy Framework and introduction in May 2013 of permitted development rights for change of use of offices to residential use. The market context refers to findings from national research into office market trends.

On the demand side, the assessments to calculate office floorspace requirements to 2031 include:-

- An employment based forecast for office based employment sectors to 2031; and
- An estimate for renewal of the existing stock to meet demand arising from requirements for better quality Grade A space and displacement due to loss of offices following changes of use

On the supply side, the assessment of public and private sector capacities to deliver development include:

- An update to the development economics of Grade A office development in Leicester city centre;
- A review of the interventions required to secure additions to the stock in the period 2012 – 17;
- A site by site review of potential city centre office development sites

The evidence has been used to calculate the supply demand balance: the difference between the forecast for new office floorspace requirements for the plan period 2015 - 2031 and the pipeline of suitable sites and buildings to meet these requirements. To

check the reliability of the forecast requirements we have presented evidence of recent take up, commitments, unmet requirements and development appraisals.

The analysis concludes with recommendations notably for the Council to scale up its determining role in making the city centre Grade A office market work for developers, occupiers, employees and the wider local community.

Officers from the City Council’s Information Services provided invaluable support in collecting data on the office stock and outstanding planning permissions. Lambert Smith Hampton undertook analyses of office transactions from 2012 to H2 2015, and updated the assessment of the development economics of a city centre Grade A office development. PACEC updated the demand side assessment. Warwick BML undertook analyses of the market data and development pipeline, public sector interventions and drafted recommendations on the roles of the Council in planning and delivery of development.

6.3 National Planning Policy and Market Contexts

6.3.1 The National Planning Policy Framework

The Government published the National Planning Policy Framework (NPPF) in March 2012. The underlying message of the NPPF is that of the “*presumption in favour of sustainable development*” which is considered to be “*the golden thread running through both plan-making and decision making*”. Therefore, the NPPF advises, when taking decisions, local authorities should approve developments that meet with the local plan.

The NPPF sets out a series of core land–use planning principles which should be at the forefront of local planning authority’s decision making. These include the following aims:

“Proactively drive and support sustainable economic development to deliver the homes, business and industrial units, infrastructure and thriving local places that the country needs ... taking account of market signals, such as land prices and housing affordability, and setting out a clear strategy for allocating sufficient land which is suitable for development in their area, taking account of the needs of residential and business communities.”

“Always seek to secure high quality design and a good standard of amenity for all existing and future occupants of land and buildings.”

“Encourage the effective use of land by reusing land that has been previously developed (brownfield land), provided that it is not of high environmental value.”

“Actively manage patterns of growth to make the fullest possible use of public transport, walking and cycling, and focus significant development in locations which are or can be made sustainable.”

The NPPF also confirms the Government’s commitment to ensuring that the planning system secures sustainable economic growth, which will in turn create jobs and prosperity. As such, local planning authorities are required to proactively meet the development needs of business and support the economy, removing potential barriers to business and planning positively for the location, promotion and expansion of networks of knowledge driven, creative or high technology industries.

The guidance also requires that Local Plans positively promote competitive town centres, recognising that town centres are at the heart of their communities and thus their continued viability and vitality should be supported. In doing so local authorities are required to ensure that retail, leisure and office uses are met in full and are not compromised by limited site availability.

In October 2015, the Government introduced permitted development (PD) rights which approved the principle of change of use from B1 (a) offices to C1 residential. These rights also prevented local planning authorities from imposing Section 106 requirements including affordable housing provision. The Government has subsequently introduced PD rights to allow for demolition of offices and their replacement with new build residential use, subject to prior approval by local planning authorities. The Government’s objective of these PD rights is to realise the potential of underused offices to contribute to the housing supply.

6.3.2 National Office Development and Occupier Trends

In ‘Activating the Workplace: Office Market (April) 2015,’ Lambert Smith Hampton reported on the office market in 2014 and trends in occupier requirements.

The market review highlighted key points from the UK economic recovery and the office market in 2014 as follows:

- Business investment was a record £175.5 billion, an increase of 8% on 2013
- UK – wide workforce grew by 2%
- Take up outside London was 14.5m sq. ft, an increase of 5% on 2013 and 6% above the previous cycle high in 2007 (25 of the 34 regional office markets recorded take up above their ten year annual averages)
- Office availability outside London fell from over 14 to 12% of stock due to take up and loss of stock to other uses

Looking at a breakdown of activities across the UK’s five office markets (which are made up of thirty-eight sub markets), Central London and the Big Six regional centres (of Birmingham, Bristol, Edinburgh, Glasgow, Leeds, Manchester) dominate the UK market. In 2014 these markets accounted for:

- 76% of UK wide office take up of 27.5m sq. ft (Central London 13.4m sq. ft and Big Six 7.5m sq. ft); and

- 81% of UK wide speculative office development of 9.4m sq. ft (Central London 5.3m sq. ft and Big Six 2.3m sq. ft).

Of the remaining 1.8m sq. ft of speculative development, 1.3m sq. ft (55%) was accounted for by: four Thames Valley locations (Reading, Uxbridge, Staines and Heathrow) 900,000 sq. ft; Cambridge 235,000 sq. ft and Cardiff 140,000 sq. ft. The remaining 525,000 sq. ft of speculative development was located in thirteen sub markets including Leicester.

Lambert Smith Hampton and GVA have previously predicted a decrease in the total UK stock of offices in the decade 2011 – 21, Lambert Smith Hampton (2010) Workplace Strategy and GVA (2011) ‘What will influence UK occupier requirements in the next decade?’ In their most recent study Lambert Smith Hampton has suggested that UK has reached ‘peak office,’ noting 9.4m sq. ft of speculative development was mostly comprised of the refurbishment and in situ redevelopment of existing buildings – as opposed to gross additions to the stock - and 6.8 m sq. ft was lost to other uses.

Table 6:1: Leicester Office Market in UK Context

Markets	Take up	Spec Dev	Headline Rents
	millions sq. ft		per sq. ft
Central London (West End, Mid Town, City, Canary Wharf)	13.4	5.2	£40 - 155
Big Six: Birmingham, Bristol, Edinburgh, Glasgow, Leeds, Manchester	7.5	2.3	£27 - 35
Mid Seven: Belfast, Cambridge, Cardiff, Newcastle, Nottingham, Sheffield, South Coast	3.2	0.6	£15 - 34
Thames Valley: Aldershot, Bracknell, Guildford, Heathrow, Maidenhead, Newbury, Oxford, Reading, Slough, Staines, Uxbridge	1.5	1.2	£17 - 33
Rest of UK: Chelmsford, Derby, Hemel Hempstead, <u>Leicester</u> , Luton, Northampton, Milton Keynes, Reading, Swansea, Watford	1.9	0.15	£14 - 24
TOTAL	27.5	9.4	

The Leicester (city centre and out of town) office market has a ten-year annual average take-up of around 250,000 sq. ft. In 2014, benefiting from the positive pressures of economic growth, rising business confidence and availability of low cost

space, take up in Leicester was 115% above this average. This was the best relative performance in the UK.

Turning to occupier requirements, the report noted that occupiers are seeking to use space more efficiently and effectively. In dealing with efficiency, occupiers are capitalising on agile working to save on property costs. Over the last decade staff density levels have increased from 15 sq m per person to around 11 sq m per person (net internal area). To achieve this, businesses are placing increasing importance on the quality of space they occupy. In this context the most progressive workspaces are those which provide a multiple of work settings. These include: desk spaces; formal and social meeting spaces and quiet working areas and, outside of the building, access to a range of amenities. Looking at effectiveness, the study draws on three schemes (located in London (370,000 sq. ft) and the South East (82,000 and 60,000 sq. ft)) that have been designed with staff well-being in mind. The report identifies five shared characteristics of these schemes:

- *Amenities:* From bike racks and showers to cafes and restaurants
- *Shared Spaces:* To provide a high quality environment and informal seating areas
- *Flexibility and Adaptability:* To provide for a wide range of fit out choices
- *Sustainability:* To build BREEAM standards to reflect occupiers' aspirations for the environment to their staff and clients
- *Building as a Community:* To provide personal services through a concierge and bringing tenants together through events

6.4 Demand Side

The assessment of future office demand comprises: employment based office floorspace forecasts to 2031; reviews of recent office transactions and findings from interviews concerning occupier requirements.

6.4.1 Employment Based Office Floorspace Forecasts

The forecasts of office floorspace are based upon the methodological requirements of the National Planning Policy Framework (NPPF) and the Planning Practice Guidance (PPG) Housing and Economic Needs Assessments. The three steps of the forecasting methodology are as follows:

1. Conversion of forecast employment to full time equivalent employment (using FT/PT ratios by industrial sector from the Business Register Employment Survey)
2. Conversion of industrial sector to use class (by assigning a percentage of employment in each industrial sector to the standard use classes)
3. Conversion of FTE employment by use classes to gross external floorspace by use class using up to date densities and gross to net ratios from the HCA (2015) Employment Density Guide

To these steps we account for sources of supply and demand that are not included within the employment forecast models and the quantitative methodology set out in the PPG. These sources arise as follows: where vacancies in the existing stock are either above or below the market norm; renewal of the existing stock and need to provide for a pipeline at the end of the plan period.

The relevant information from the Strategic Future Forecast (Work Package 1) has been reproduced and developed here for the purposes of the Office Market Update. Under steps one and two, the forecast of FTE office workplace jobs in Leicester and the FEMA over the period 2015 - 2031 is set out in Table 6.2 below.

Table 6:2: Leicester and Leicester FEMA FTE Office Job Forecasts, 000s

	Workplace jobs (000s)					Growth 2015– 2031
	2012	2015	2020	2025	2031	
FTE B1a/b Office jobs – Leicester	29.5	31	32.1	32.4	32.4	1.4
FTE B1a/b Office jobs –FEMA	56.6	61.5	63.9	64.5	64.5	3

Source: Office for National Statistics (Census of Population, Business Register Employment Survey, Labour Force Survey, and respective antecedents, 1971-2014), PACEC

Under step three, the forecast FTE jobs are translated into demand for floorspace (as Gross External Area) (see Table 6.3 below). The methodology uses a standard ratio of net internal floorspace per employee. This is then converted from net to gross internal floorspace and then from gross internal to gross external floorspace in line the HCA (2015) Employment Density Guide.

Table 6:3: Gross External Area per FTE

Gross External Area per FTE (sq m)	
Office: B1a	13.6 (based on average 11 sq m NIA)
R&D space: B1b	13.6 (as for B1a, due to lack of local evidence of R&D densities)
Industrial: B1c and B2	47 (based on 47 NIA for B1c and 36 GIA for B2)
Warehousing: B8	80 (based on a range 70 – 95 GEA)

Source: HCA 2010 Employment Densities Guide; PACEC. NB: GIA is 15-20% greater than NIA (17.5% used); GIA is 5% smaller than GEA

Table 6:4: Leicester and Leicester FEMA Office Floorspace Forecasts, Growth, 000s sq m

	Floorspace (/000 m ²) on New Land		
	Stock	2015 - 2025	2025 - 2031
B1a/b Office floorspace – Leicester	584,000	13,880	13,880
B1a/b Office floorspace –FEMA	992,000	30,300	30,380

Source: Office for National Statistics (Census of Population, Business Register Employment Survey, Labour Force Survey, and respective antecedents, 1971-2014), PACEC

The employment forecast identified requirements for 18,500 sq m of office in Leicester and 40,500 sq m in the FEMA. Assuming that 25% of these requirements are met on previously developed employment land (for example, through intensification), then the requirements fall to 13,880 sq m and 30,380 sq m on new land. To these requirements we need to consider sources of supply and demand that are not included within the forecast models and PPG quantitative methodology. We assume that vacancy rates will be neither in over nor under supply during the plan period as a whole. We do however add a requirement for renewal of the stock. In this step we estimate an annual rate of renewal of 0.5% of the existing stock to reflect current and forecast market conditions. It is further assumed that 75% of renewal is undertaken on new land.

Table 6:5: Leicester and Leicester FEMA Office Floorspace Requirements for Renewal (sq m)

	2012		Requirement 2015 - 2025		Requirement to 2015 - 2031	
	Stock	Renewal p.a.	Total	Of which new land	Total	Of which new land
B1a/b Offices (floorspace /m ²) - Leicester	584,000	2,920 0.5%	29,200	21,900	43,800	32,850
B1a/b Offices (floorspace /m ²) - FEMA	992,000	4,960 0.5%	49,600	37,200	74,400	55,800

Source: Office for National Statistics (Census of Population, Business Register Employment Survey, Labour Force Survey, and respective antecedents, 1971-2014), PACEC

For the period 2015 – 31, the requirements on new land arising from renewal are for 32,850 sq m in Leicester city centre and 55,800 sq m for the FEMA (combining the Leicester and the out of town markets). We now combine the requirements arising from employment growth and renewal to calculate provision for the end of plan period pipeline and hence the overall requirements. The end of plan period pipeline is required to replace the existing pipeline of sites as it is assumed these will be developed during the plan period. This provision complies with the NPPF (Sections 6



and 7) requirement of LPAs to ‘ensure sufficient land of the right type is available in the right places and the right time.’ The pipeline is calculated by dividing employment land requirements (where this is positive) by the number of years in the plan period multiplied by five years.

Table 6:6: Leicester and Leicester FEMA Office Floorspace Requirements for Pipeline (sq m)

	New land requirements for demand and renewal		Pipeline Requirement (five years)		Total Requirements	
	2015 - 25	2015 - 31	2015 - 25	2015 - 31	2015 - 25	2015 - 31
B1a/b Offices (floorspace /m ²) - Leicester	35,780	46,680	17,890	15,560	53,670	62,240
B1a/b Offices (floorspace /m ²) - FEMA	67,500	86,130	33,750	28,710	101,250	114,840

The total requirements for the Leicester city centre office market are for 62,240 sq m for the plan period 2015 – 31 and for 114,840 sq m for the Leicester FEMA. For Leicester this comprises 46,680 sq m to accommodate 75% employment growth and renewal on new land and 15,560 sq m for the end of plan period pipeline.

6.5 Supply Side

We now consider the sites available to meet the forecast requirements. To do this we update the pipeline of office city centre development sites identified in 2012 review and add a pipeline of out of town sites (shown in Appendix B to this chapter). We then assess the sites in terms of their suitability and deliverability and allocate them into the following categories:

Tier One: ‘Investment ready’ sites, typically with consent and no constraints to development

Tier Two: Sites requiring land promotion and development

Excluded Sites: Sites unlikely to be brought forward due to physical, legal and financial constraints

In 2012 the pipeline for city centre offices comprised eight sites and one building. Of the adjusted capacity of 45,144 sq m, 10,085 sq m has been completed / refurbished and 6,038 sq m was refurbished and let to a D1 occupier. Of the balance, tier one ‘ready to develop’ sites provide for 15,530 sq m of development. The remaining three sites are unlikely to be developed.

Taking into account these changes and new additions at 2015, the city centre office development pipeline of four tier one and five tier two sites amounts to 37,425 sq m. Of this stock, 13,389 sq m is committed to schemes at Welford Place (Mattioli Woods), Pioneer Park (National Space Park) and Waterside (Friars’ Mill). Of the balance there

are no investment ready city centre sites to meet known requirements for 15,700 sq m of city centre Grade A offices. A detailed breakdown of the nine sites by investment readiness, location (between city centre and wider strategic regeneration area) and ownership shows the need for the City Council to continue to take a proactive approach to both direct and facilitation of development. Of the 37,425 sq m

i) Investment readiness:

Tier one (investment ready) 13,329 sq m on four sites;

Tier two (requiring land promotion and development) 24,096 sq m on five sites

ii) Location:

- City centre core 17,563 sq m comprising one Tier one site (for Mattioli Woods) and three Tier two sites

- City centre strategic regeneration areas: 19,862 sq m comprising three Tier one sites and two tier two sites

iii) Ownership:

- Public: 29,529 sq m on seven sites have been or will be in public ownership or subject to some form of public sector intervention

- Private: 7,896 sq m on two city centre core Tier two sites.

The out of town development pipeline of five tier one and seven tier two sites at 2015 amounts to 47,017 sq m. The breakdown of these sites by deliverability reveals an acute shortage of investment ready sites. Of this total space:

i) 18,893 sq m sq m is investment ready of which 9,047 sq m is committed

ii) 28,124 sq m is allocated and consented but requires investment in advance infrastructure.

This position serves to reinforce the need for the local authorities and LLEP to address continued market failure to replenish the diminishing pipeline of investment ready sites.

6.6 Supply Demand Balance

On the demand side, the requirements for offices for B1a and B1b uses in the Leicester city centre and out of town markets for the plan period 2015 – 31 amount to 62,240 sq m and 52,600 sq m respectively. To meet this demand, the supply side comprises sites with potential for 37,425 sq m and 47,017 sq m of office development in the city centre and out of town markets respectively.

**Table 6:7: Leicester and Leicester FEMA Office Requirements (sq m) 2015 – 31:
Supply Demand Balance**

	Leicester City	Out of Town	FEMA
Forecast	62,240	52,600	114,840
Tier One Supply	13,329	18,893	32,222
Tier Two Supply	24,096	28,124	52,220
Supply	37,425	47,017	84,442
Balance	(24,815)	(5,583)	(30,398)

Supply demand balances identify requirements for 24,815 sq m in the city centre and 5,586 sq m in the edge of city out of town markets respectively. To inform recommendations for new allocations we first check market capacity to deliver the forecast requirement for development during the plan period. We do this by comparing recent and forecast annual take up rates and the viability of development (see Appendices B and E). We then check the past losses of sites from the pipeline of development. These losses are due to planning policy and practice and the market privileging higher value, mostly residential uses.

To meet the NPPF requirement of LPAs to ensure that office use requirements are met in full and not compromised by limited site availability, we make provision for possible loss of offices by adding to the overall requirement. This market / policy supply side tension reinforces the need for the City Council with the LLEP to continue to be proactive in bringing forward and preparing sites for development. For the out of town market, further strategic opportunities are required close to J21 where office development is most viable and in greatest occupier demand.

Having identified office needs for the plan period, we set out evidence in the appendices of the deliverability of office development in the city centre (shown on the map in Appendix A).

In Appendix B, we first consider recent completions of and commitments to new office development in the city centre and out of town markets and present the development pipelines for both markets. This evidence supports the forecast city centre requirement for 46,680 sq m for the plan period at a rate of 3,100 sq m per annum.

In Appendix C, we review occupiers' known unmet requirements for Grade A offices in the city centre. These requirements provide further market evidence in support of the forecast requirements.

In Appendix D, we review evidence of developer interest in and take up of Permitted Development rights for change of use of offices to residential use. It is anticipated this will remove older stock from the market, reduce supply and add to upward pressure on rents and hence viability of new development.

In Appendix E, we consider the development economics of new Grade A city offices. A comparative analysis of development appraisals prepared in 2013 and 2015, for the same office building, demonstrates that rising rents and hardening yields are closing the viability gap.

In Appendix F, a review of office transactions in the city centre and out of town markets highlight the dynamism of these markets and notably the shortages of and demand for Grade A offices.

6.7 Findings and Recommendations

The key findings from the 2015 Office Market Review update are:

- i) The overall amount of office floorspace in the UK is forecast to continue to decline. It is though currently subject to a higher rate of renewal. This is due to the loss of stock through conversion to residential use, under Permitted Development rights introduced in May 2013, and renewal through new Grade A stock being developed mostly in London and the ‘Big Six’ regional office centres

The ten ‘non – core regional markets,’ which include Leicester, face negative structural market pressures:

- a) Closure and centralisation of branch offices into single large offices;
- b) Location of these centralised offices in regional centres (evidenced by high levels of new development in Central London and the Big Six regional centres);
- c) Increasing job densities flowing from agile working; and
- d) Non viability of Grade A office development in non – core regional centres and hence a severe shortage of such stock that is required to retain existing occupiers and attract inward investors in these locations

The Leicester city centre market though has the benefit of positive structural market and policy factors:

- a) In common with the rest of the UK, a growing preference among occupiers for city centre locations
- b) A strategic commitment to make the city centre, through place making, a focal point for office based services (public realm, Colton Square and Welford Place), shopping (Highcross, Leicester Market), culture and the arts (de Montfort Hall, Curve, Phoenix and festivals) and visitors (Cathedral, King Richard III visitor centre)
- c) A strengthening demand side for renewal of the city centre stock due to:
 - Accumulating unmet requirements from existing occupiers for high quality Grade A offices to meet requirements for efficiency (through higher job densities), and

effectiveness (through the provision of multiple work settings and access to city centre amenities for staff well - being)

- Loss of poorer quality city centre secondary offices through conversion to residential uses under Permitted Development rights

- d) Rising rents and hardening yields for Grade A offices which are combining to close the viability gap

- e) A pro-active regeneration partnership between the City Council and LLEP which has taken a determining role in new additions to the stock

- ii) In common with national trends, Leicester city centre's office (workplace) employment grew very strongly in 2014, and is forecast to grow to 2031, a net increase of 1,400 FTE workplace jobs between 2015 and 2031.

- iii) Demand for new city centre offices in Leicester is forecast to be 46,680 sq m on new sites for the period 2015 – 31 driven by the needs to accommodate job growth and provide for renewal of the stock

- iv) The supply side is supported by two new business models.

In the city centre, the first model, adopted by the public sector, is based on a repertoire of innovative interventions for facilitating development, direct development and refurbishment of existing buildings. This model has been an outstanding success in delivering new stock and attracting inward investors to the city centre. However unmet requirements from existing occupiers are accumulating and availability of offices to attract inward investors diminishing. The challenge is to scale the scope and extent of interventions to build sufficient critical mass to create a recognised office investment market

In the out of town market, the second model, adopted by developers, is to develop low risk developments on pre 2008 serviced sites. This has involved land sales (to owner occupiers and private developers), pre – let design and build and, in a limited number of cases, speculative development. This model is facing a crisis as the supply of pre 2008 serviced out of town sites is nearing exhaustion. To address market failure in investment in advance infrastructure, the public sector through the LLEP made loans to Wilson Bowden Developments for highway improvement works at Optimus Point, a large scale warehousing scheme.

6.7.1 Conclusions

This study has identified the crucial role of office based firms in the future growth of the local Leicester economy. It has highlighted:

- i) The NPPF requirement of local authorities to ensure that office uses are met in full and are not compromised by limited site availability

- ii) On the demand side, an accumulating level of unmet requirements for high quality city centre Grade A offices
- iii) On the supply side, constraints on development of new stock to address these requirements and attract inward investors
- iv) A highly innovative, flexible and successful public sector intervention model that has addressed supply side constraints by taking a determining role in:
 - *Facilitating development*: through a range of interventions including Local Plan strategic employment land allocations and support for investment in advance infrastructure and creation of development plateaus, and
 - *Direct development*: through site acquisition, planning, site clearance and preparation, funding, procurement and development
- v) The opportunity for the public sector partners (most notably the LLEP and City Council) to scale and scope the extent of this model to maintain the supply of new offices in the city centre and adjoining strategic regeneration areas and hence build sufficient critical mass to create a recognised office investment market

6.7.2 Recommendations

The nine recommendations for the City Council concern:

- i) New Local Plan*: To add 45,000 sq m of city centre offices to the existing sites in the development pipeline. This is sufficient to provide for:
 - 46,680 sq m of forecast demand (at a take up rate of 3,100 sq m per annum achieved in the period 2010 – 16)
 - 15,500 sq m for the end of plan pipeline
 - allow for loss of sites from the pipeline due to change of use.
- ii) Delivery of New Office Development*: To retain and enable growth of existing occupiers and attract inward investors, act in partnership with the LLEP and private sector developers and occupiers to ensure delivery of city centre Grade A offices by:
 - Identifying and bringing forward through planning and site preparation a pipeline of 'investment ready' Grade A office development plateaus; and
 - Building out these sites through both direct development and a repertoire of interventions to facilitate development
- iii) Existing Office Stock*: To upgrade the stock of city centre offices by:
 - Identifying Council owned offices with potential for high quality refurbishment and provision of large floor plates for lease to the market;
 - Identifying private owned buildings and working with owners to establish the feasibility and business cases for refurbishment and provision of small offices and workspaces

iv) City Council Development Programme: To promote a development programme of offices on Council owned land, act in partnership with the LLEP and private sector developers and occupiers on applications to the Growing Places Fund and other funding sources. The initial priorities to include:

- National Space Park, Pioneer Park, Corporation Road: Potential for up to 6,700 sq m mixed D1 / B1b research and development of open innovation centre for Leicester University and corporate occupiers
- Phoenix, Midland Street: Potential for a freestanding 2,044 – 5,202 sq m Grade A office scheme with an extension to the existing Phoenix Cinema to provide two further screens, and expansion of the café and visitor facilities

v) Land Development Team: To act in partnership with the LLEP to bring together a land development team with the capabilities and capacities to make the employment land and office development markets work for developers, existing businesses and inward investors, property financiers and investors, supply chains, employees, the wider community and environment

vi) Inward Investment Team: To promote Leicester as an office destination of choice for inward investors by building on the team approach to working with existing occupiers, potential inward investors and commercial property agents to identify and address existing and emerging office requirements

vii) Innovations in Managing Capital Reserves: Build on innovations in funding land and property acquisition and development, for example by investing capital reserves in a revolving fund for development and sale of completed, let and income producing offices and reinvestment of the proceeds in further schemes

viii) Car Parking: Maintain a case by case approach to determining car parking provision for:

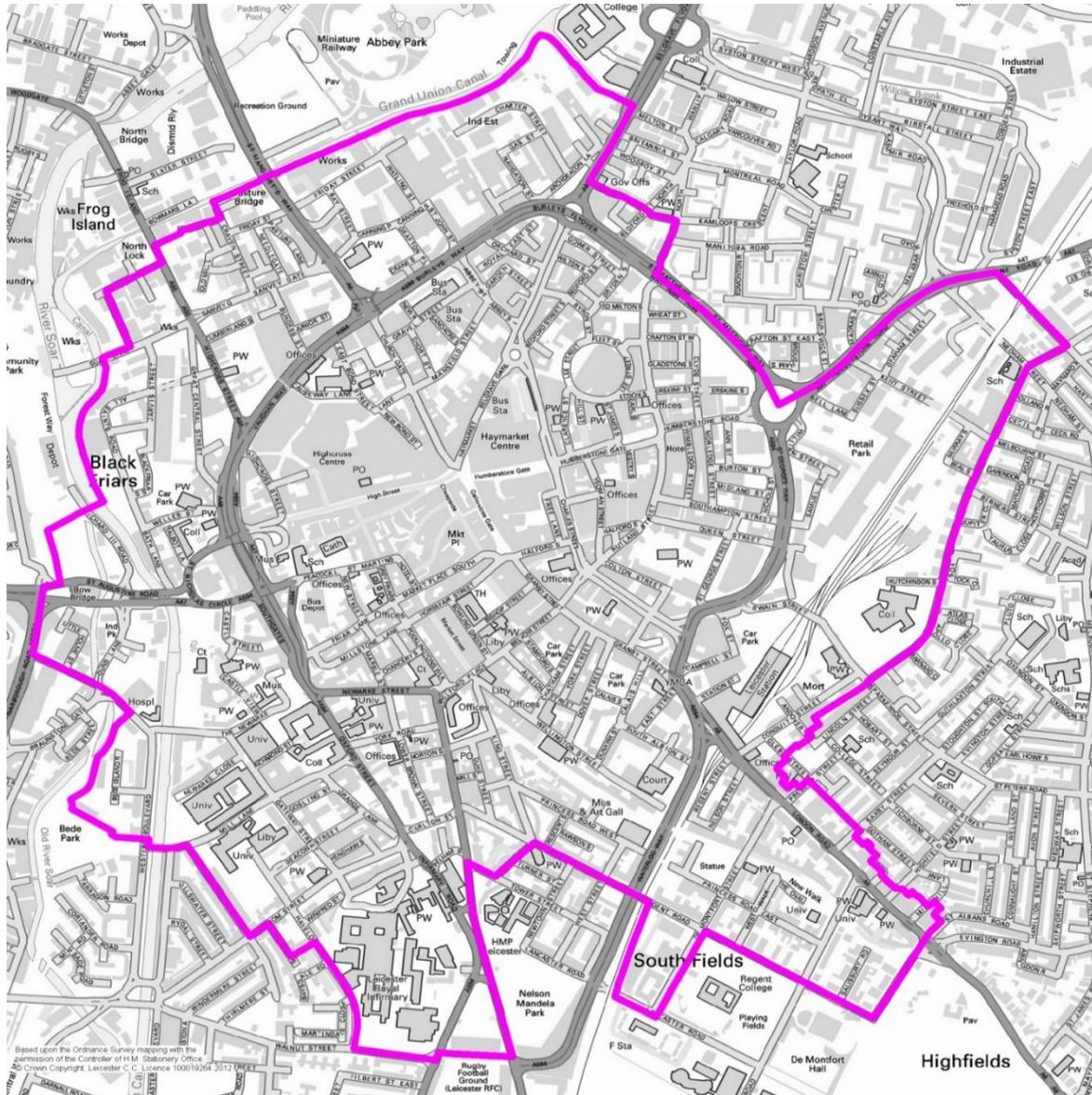
- sites being brought forward through the city centre development pipeline and
- existing space subject to refurbishment for retention of existing occupiers and attraction of inward investors

ix) Public Realm: Act to align the city centre public realm investment programme in support of measures to unlock investment in high profile sites and buildings



Chapter 6 APPENDICES:-

Appendix 6A: LEICESTER CITY CENTRE OFFICE MARKET AREA



6.8 The map above shows the extent of the City Centre office market area. The central business district of a city like Leicester, at the centre of a traditional shire county with a self-contained economy (the Functional Economic Market Area described in the introduction to this study), would typically contain a high concentration of office-based employment to serve the county’s business community. However, the employment structure of the Leicester economy is under represented in high value added office activities (ICT, financial and professional, scientific and technical). The only office sectors in which Leicester is over-represented are in low added value office activities (“administrative and support service activities”) and the vulnerable “public administration and defence; compulsory social security” sector. Table 6:8 below shows employment in each sector and uses Location

Quotients (LQ) to show how this employment compares with the national average. For example, 5.8% of Leicester’s employment is in the “public administration and defence; compulsory social security” sector. 4.5% of Great Britain’s employment is in this sector. As 5.77 divided by 4.51 is 1.28, Leicester’s Location Quotient (LQ) in this sector is 1.28.

Table 6:8: Structure of employment in Leicester and the surrounding Functional Economic Market Area, 2014

	Leicester		Rest of FEMA	
	2014 employment (000s)	2014 Location Quotient	2014 employment (000s)	2014 Location Quotient
A : Agriculture, forestry and fishing*	n/a	n/a	n/a	n/a
B : Mining and quarrying	0.0	0.00	n/a	n/a
C : Manufacturing	18.6	1.35	16.3	1.45
D : Electricity, gas, steam and air conditioning supply	n/a	n/a	n/a	n/a
E : Water supply; sewerage, waste management and remediation activities	0.4	0.33	0.5	0.56
F : Construction	5.1	0.67	6.6	1.06
G : Wholesale and retail trade; repair of motor vehicles and motorcycles	24.6	0.93	24.2	1.12
H : Transportation and storage	4.4	0.59	5.3	0.88
I : Accommodation and food service activities	7.8	0.66	7.6	0.79
J : Information and communication	3.8	0.57	2.8	0.51
K : Financial and insurance activities	3.5	0.57	3.8	0.77
L : Real estate activities	2.0	0.66	1.6	0.64
M : Professional, scientific and technical activities	7.3	0.53	15.6	1.39
N : Administrative and support service activities	14.8	1.04	9.1	0.78
<i>O : Public administration and defence; compulsory social security</i>	<i>9.5</i>	<i>1.28</i>	<i>7.2</i>	<i>1.19</i>
P : Education	23.8	1.60	14.2	1.17
Q : Human health and social work activities	28.5	1.30	11.3	0.63
R : Arts, entertainment and recreation	3.4	0.83	3.4	1.03
S : Other service activities	3.5	1.04	3.1	1.14
Total	164.7	1.00	135.3	1.00

Note: * These statistics exclude farm agriculture and therefore significantly under-represent the agriculture industry. Statistics marked n/a cannot be disclosed for confidentiality reasons. The main office sectors are highlighted in bold; public sector offices are highlighted in bold italic.

Source: Office for National Statistics, Business Register Employment Survey; PACEC



Chapter 6 APPENDIX B:

CITY CENTRE OFFICES: COMPLETIONS, COMMITMENTS AND PIPELINE

Table 6:9: City Centre Completions 2012 - 15

Site	Site (ha)	Size (sq m)	Use	Occupiers Application Number /	Commentary
St George's Central Podium, St George's Way		6,038	B1a	Hastings Direct	Infrastructure Investments acquired the property from Ireland's National Asset Management Agency and granted 15 - year lease to Hastings Direct
DOCK, Exploration Drive Pioneer Park	0.51	1,394	B1a B1c	Workspaces for small firms	City Council direct development on own land with ERDF
2 Exploration Drive, Pioneer Park	0.36	1,167	B1b	Measom Freer	Developed to fulfil a planning obligation relating to the ASDA store. Occupier has bought freehold.
Friar's Mill, Bath Lane		1,486	B1a	Workspaces for small firms	City Council direct development on own land with ERDF
COMPLETIONS		10,085			



Table 6:10: City Centre Pipeline: Tier One Sites

Site	Site (ha)	Size (sq m)	Use	Occupiers Application Number /	Commentary
Welford Place		5,667	B1a	Mattioli Woods	City Council created development plateau and sold site subject to comprehensive development. Occupier relocating from Grove Park. Under construction
Friar's Mill, Bath Lane		1,022	B1a	Two new offices	City Council direct development on own land with ERDF. Under construction
Exploration Drive	1.03	4,782	B1b	Serviced land	HCA owned land. Consent for 5,950 sq m including completed 2 Exploration Drive site
DOCK II, Exploration Drive	0.41	1,858	B1b	Serviced land	HCA owned land. City Council proposal for 9 units 139 – 186 sq m
TOTAL		13,329			



Table 6:11: City Centre Pipeline: Tier Two Sites

Site	Site	Size	Use	Occupiers Application Number /	Commentary
Campbell Street		4,645	B1a	Vacant premises	Hind Properties emerging proposal for residential and office scheme in two towers
Phoenix, Midland Street		4,000	B1a	Cleared site	Council owned site. Potential for third screen extension to Phoenix and Grade A offices
St Augustine Road		3,251	B1a	Existing car park	Developer promoting scheme for possible pre let to a city centre occupier
Ashton Green, Village Centre	0.6	2,435	B1a		Small business incubator proposed for Phase 5, Bundle 8 development on City Council land
Sub Total		14,331			
Strategic Regeneration Area					
National Space Park, Corporation Road	3.61	6,700	B1b D1	Cleared site	Leicester University has secured funding for Phase 1 National Space Park: research, learning, open innovation and production hub
Waterside		5,500	B1a	Site subject to CPO	Council promoting CPO for mixed use scheme including offices
Sub Total		12,200			
TOTAL		26,531			

Table 6:12: City Centre Pipeline: Excluded Sites

Site	Site	Size	Use	Occupiers / Application Number	Commentary
Dover Street / Granby Street		9,500	B1a	Existing development	Oadby Estates not promoting scheme, which requires acquisition of adjoining buildings and relocation of existing businesses
Vaughan Way, Great Central Street		4,600	B1a	Mix of existing development and cleared land. Includes existing consent for 4,600 sq m offices	Charles Street Properties proposal includes 33,352 sq m of offices subject to relocation of existing businesses, remedial works and significant highway improvements.
Vaughan Way, Highcross Street		4,000	B1a	Serviced land	Cleared site subject to Council leasehold interests, office development unlikely due to consent for retail / residential uses.
TOTAL		18,100			

6.9 Leicester Office Market: Out of Town

In the out of town market, office completions since the 2008 credit crisis have been on five sites. These are: Carlton Park, Narborough (for Santander’s own occupation); Watermead Business Park (three developments); Grove Park (five developments); LE3 (two developments) and Interchange, Birstall (several small office units). To make development viable all completions have been on pre 2008 serviced sites and based on less risky transactions: for owner occupiers; covenant led pre lets and mixed pre – let and speculative developments.

In the period 2012 – 15, private developers and occupiers brought forward 11,871 sq m in four completions and three developments under construction.

Table 6:13: Out of Town Completions 2012 - 15

Site	Site (ha)	Size (sq m)	Use	Occupiers / Application Number	Commentary
Marlborough Court, Watermead Business Park	1.4	3,223	B1a	1,105 2,118	Marlborough Properties bought 1.4 ha site from Raynsway and developed two buildings for part occupation and part lease
Grove Park		2,100	B1a	BSS Industries Travis Perkins	Pre – let on 15-year lease. Relocation from Arnhem House and Lee Circle for motorway access and better quality space
LE3 Phase III Ratby Lane		760	B1a	151: Cowman and, 185: GMB 204: Cellfone 219: Nicholls Colton	One pre – let and three speculative units
LE3 Phase IV Ratby Lane		430	B1a	162: Reliance Hightec 267: Leicestershire Scouts	Pre – let to Leicestershire Scouts and one speculative unit
TOTAL		6,513			

Table 6:14: Out of Town Pipeline: Tier One Sites

Site	Site (ha)	Size (sq m)	Use	Occupiers Application Number /	Commentary
Optimus Park, Glenfield Road		2,640 2,245		Serviced land	Planning permission includes 4,885 sq m offices. Pre let warehouse for Boden to include 2,640 sq m offices
Grove Park		1,858 860	B1a B1a	Serviced land	Two pre lets under construction: one for My Home Move, the other for a local occupier
LE3 Phase V Ratby Lane		2,880	B1a	Serviced land	Last phase of LE3 on 0.43 ha, subject to pre - lets
Watermead Business Park		3,716 929	B1a	Serviced land	Local occupier has purchased 2.01 ha for own 3,716 sq m development, last plots being offered for sale or pre - lets
Interchange, Hallamfields, Birstall		2,765	B1a	Serviced land	Jelsons are building out serviced land for small offices and light industrial units for sale or lease
Rothley Lodge Extension		1,000	B1a	Serviced land	Consent for mixed B use development with potential for some offices
TOTAL		18,893			

Table 6:15: Out of Town Pipeline: Tier Two Sites

Site	Site (ha)	Size (sq m)	Use	Occupiers Application Number /	Commentary
Blaby SUE Strategic site Gateway site District centre		7,600 4,600 2,000	B1a B uses B1a		Proposals for mixed B uses
Blaby Business Park, Blaby		1,524	B1a		Proposed intensification of existing mixed B use site
Everards Meadows		675	B1b		Mixed use scheme including Everards Brewery and B1 use
Watermead Business Park Phase II	1.75	9,290	B1a		Proposed office park subject to planning, initial advance infrastructure planned for 2016
Watermead Business Park Phase III	16.25				B use allocation most suitable for large scale industrial and warehousing units. Investment in advance infrastructure is subject to pre – let development
North East Leicester SUE, East of Thurmaston	13 (part)		B class		SUE approved Delivery from 2020/21 and 50% completion by 2030/31
Broadnook Garden Suburb, North Birstall	15 (part)		B class		First development proposed from 2017/18 for 80% completion by 2030/31
TOTAL		25,689			



Table 6:16: Out of Town Pipeline: Excluded Sites

Site	Scheme	Size sq m
Carlton Park, Coventry Road, Narborough	Site held by Santander for own occupation	12,000
Everards Meadows, Soar Valley Way, Enderby	Site held by Everards Brewery for own occupation	1,600
Wigston Town Centre	Council owned site identified in Area Action Plan	9,000
Oadby Town Centre	Council owned site identified in Area Action Plan on Council owned site	800
TOTAL		23,400

Chapter 6 APPENDIX C

City Centre Offices: Occupiers' Unmet Requirements

The shortage of ready – to – occupy Grade A offices is a UK wide problem due to lack of credit to invest in land development and speculative development. In Leicester city centre unmet requirements for high quality offices are accumulating. This demand is being driven by occupiers who have or are about to reach lease events on their existing offices. Typically, these occupiers are seeking better quality and less space to accommodate agile working and, or, need to relocate due to conversion of offices to residential uses under PD rights. Given the lack of Grade A space, these occupiers are agreeing flexible leases to allow them to relocate once well located Grade A stock is brought to the market.

Table 6:17: Leicester City Centre Office Occupiers: Requirements and Lease Breaks / Expiries

Sector	Requirement (sq ft)	Details
Financial services	30 – 35,000	Existing offices subject to possible change of use, requirement for Grade A
Financial services	15,000	Agreed flexible lease due to lack of Grade A
Professional	15,000	Agreed flexible lease due to lack of Grade A
Professional	35,000	Flexible 3 - year lease to 2017 to allow for relocation to Grade A
Professional	10,000	On flexible rolling contract to allow for relocation to Grade A
Financial services	15 – 20,000	Lease break 2017: Requirement to consolidate into one office
Financial services	15,000	Lease expiry 2017 on secondary space
Financial services	10,000	Lease break 2017 on secondary space
Financial services	6,000	Lease break 2018 on secondary space
Professional	6,500	Lease break 2018 on secondary space
Financial services	11,500	Lease break 2018 on secondary space
TOTAL	169,000 sq ft	

Source: Lambert Smith Hampton

Chapter 6 APPENDIX D

City Centre Offices: Prior Approval

The existing stock of offices can be the subject of Prior Approval for the change of use from B1 (a) offices to C1 residential. Introduced in May 2013, the Government's objective was to realise the potential of underused offices to contribute to the housing supply. These rights also prevent local planning from imposing Section 106 requirements including affordable housing provision.

Table 6:18: Leicester City Centre Offices: Prior Notifications for Permitted Development [Excluding 9 notifications for alternative schemes]

Number of Units	1 or 2 units	3 to 20	21 to 40	41 to 60	61 to 100	> 100 units	TOTAL
Notifications approved	16	30	10	5	3	2	66
Total units	23	287	249	246	199	275	1279

The table shows that 66 prior approval notifications for around 1300 residential units have now been granted by the City Council. (This excludes another 9 approvals for alternative schemes i.e. which replace previous notifications). However, far less than half (only around 530 units, from 30 of these notifications) have been either started or completed to date. It is noted that the 2 largest notifications (over 100 units) provide a similar number of units to 30 smaller notifications (which provide between 3 and 20 units).

A review of some of these sites, found that the smaller buildings have generally not had high take up rates as office use and the larger buildings are unattractive to occupiers. This is because these buildings are subject of one or more of the following characteristics: older buildings with unsuitable layouts; high costs of refurbishment and renewal of services; poorly located and with limited or no car parking provision. As illustrated in the following case studies, where a new long leasehold interest can be established, prior approval is providing owners of these redundant offices with an opportunity for a cash exit.

Insurance House, Vaughan Way: The tenant was renting this 48,000 sq ft office building on a rolling annual contract as they only had a requirement for 13,000 sq ft of higher quality space due to new working practices. For the owner, refurbishment was not viable due to low rental values linked to the age and location of the building. The owner, an institutional investor, and City Council have sold their respective leasehold and freehold interests to the residential developer.

Abbey House, 56 Burley Way: The landlord refurbished a single floor of this 24,000 sq ft building after the last occupier left five years ago. This space - offered to the market



at a rent of £5 per sq ft along with a capped service charge - generated no interest from occupiers. The change of use to residential has provided the owner with an opportunity to sell their 57-year leasehold interest in the property and the City Council to sell a 150 - year lease to the new owner on completion of the works.

To stimulate further market interest, in October 2015, the Government announced PD rights would be extended to allow for demolition of offices and their replacement with new build residential use, subject to prior approval by local planning authorities. Whilst the details of this process are to be announced, it is possible this further deregulation will impact on efforts to stimulate private sector development of new city centre offices.

Chapter 6 APPENDIX E

City Centre Development Economics

The viability of Grade A office development in Leicester city centre was tested in the 2012 Leicester Office Market study. The appraisal (which has been adjusted to align with an appraisal for identical scheme in 2015) was based on a new build Grade 'A,' standalone 40,000 sq ft office scheme plus parking on a one-acre site for a single occupier (see appendix C). The appraisal assumptions were:

- A minimum 15-year lease term without breaks
- Upward only rent reviews
- Triple A covenant
- headline rent of £16.00 per sq ft
- 8% investment yield

The appraisal found that such a development was not viable for a developer requiring a 15% return. To make the development viable the land would need to be added at nil consideration and a £70,000 subsidy received. Changes to the assumptions to bring the development into viability faced the following barriers:

- i) A higher rent: occupiers unwilling to pay a higher rent without incentives
- ii) Mixed (higher value) uses: subject to planning considerations and, or, the incompatibility of additional uses for office occupiers and investors; and
- iii) Lower investment yield (and hence higher capital value): occupiers unwilling to enter into RPI linked reviews or a 25-year lease period.

A sensitivity analysis found that hardening investment yields would be critical to narrow the viability gap. For example, a 7% yield with land at nil consideration would provide a developer profit of 18.38% on costs. The study added the critical factors affecting yield were: investor perception of locality and sector; investment lot size/ quality and micro and macro-economic climate.

The study concluded 'at the local level, investor perception is the element which can be influenced most. This requires some form of enabling role to build, scheme by scheme, a recognised office investment market. Once a critical mass is achieved, the yield shift occurs and a self-sustaining, viable, investment market is established.'

In its recent research report, 'Activating the Workplace: Office Market (April) 2015, Lambert Smith Hampton noted the ten 'non – core regional markets' including Leicester (defined in the report makes up the 'Rest of UK' market) face negative structural market pressures of:

- i) Closure and centralisation of branch offices into single large offices;
- ii) Location of these centralised offices in regional centres (evidenced by high levels of new development in Central London, the Big Six regional centres and Thames Valley);

- iii) Increasing job densities flowing from agile working; and
- iv) Non viability and hence a severe shortage of Grade A office stock.

Commenting on market prospects, the report added four significant points for policy makers addressing the structural weaknesses of the Leicester office market:

- Market activity remains partly constrained by a shortage of ready to occupy Grade A space. While this may prompt an increase in pre – letting, the majority of occupiers seeking relocation will simply defer their decision until stock becomes available.
- The trend for development to be focused in the town centres and around transport interchanges will characterise the development cycle
- The withdrawal of obsolete office space for conversion to residential will continue
- Rates of rental growth for good quality stock are likely to outpace inflation for several years at least as the delivery of Grade A supply fails to keep up with demand. Indeed, meaningful rental growth will be vitally important in securing viability in the regional centres, having fallen significantly in real terms from twenty years ago

The latter point is particularly significant as Leicester ranks 31st for prime office rents in the UK's 34 regional markets (with Belfast, Derby and Swansea ranking 32nd to 34th). However, there are strong signals that the viability gap for Grade A office development in Leicester will continue to narrow as:

- i) UK – wide office rents are predicted to grow at an average of 5% per annum over the next five years;
- ii) Yields in regional markets are by historic standards at a relatively large discount to Central London (6.95% versus 4.43 – 4.94%) and downward pressure on yields is forecast (reflecting the low interest environment and widespread rental growth);
- iii) Leicester is well placed for rental growth as it ranks 14th lowest of 34 regional markets in terms of supply in relation to its ten-year average take up; and
- iv) Leicester continues to have an acute shortage of Grade A office stock

Commenting on the ten non – core regional markets, the report concludes

One trait shared by a number of the Rest of UK markets is a severe shortage of available Grade A space. This is certainly the case in the East Midlands, with Grade A making up approximately 11% of total availability in Leicester, Northampton and Derby and also applies to Chelmsford (6%) and Milton Keynes (11%). It is critical that new supply is delivered in these markets if activity is going to be sustained at robust levels.

In the light of improving occupier and investor demand, the development appraisal prepared for the 2012 study was updated to 2015. For the same new build Grade 'A,' standalone 40,000 sq ft office scheme plus parking on a one - acre site for a single occupier (see below). The appraisal assumptions were:

- A minimum 15-year lease term without breaks

- Upward only rent reviews
- Triple A covenant
- Current headline rent of £18.00 per sq ft
- Upward only rent reviews
- 6.75% investment yield

The notable changes to the assumptions made in 2012 concerned:

- i) Rent: an increase in prime rents from £16 - £18 per sq ft
- ii) Investment yield: a hardening of the yield from 8% to 6.75%

These changes in turn combined to increase the capital value of the let and income producing development and hence the developer's ability to produce a 15% return on costs including up to £468,119 for the site.

In practical terms, city centre Grade A offices are on the cusp of viability and public sector interventions will be required to close the viability gap. These gaps arise from

- i) Sites: Acute shortage of development ready cleared sites (just four sites)
- ii) Alternative uses: Land values will need to account for the opportunity cost of foregoing higher value – and less risky – developments, notably convenience retail and residential
- iii) Covenants: In Leicester not all occupiers can offer triple A 'investment grade' covenants

Leicester City Centre Office Development Appraisals (Lambert Smith Hampton) 2012 and 2015

2012: Development appraisal for new build 40,000sq ft Grade A office

INCOME

Annual Rental Income	640,000
Net Capital Value	7,698,004
Less Purchaser's Costs	(446,484)
Net Realisation	7,251,519

OUTLAY

Acquisition

Site Purchase Fees	(10,000)
Land Cost (1 acre)	(1,074,015)
Total Purchase Cost	(1,084,015)

Construction

Construction Costs	5,969,000
Demolition/Contingency	298,470
Professional Fees	447,675

Marketing/Letting/Sales

Marketing, Letting, Sales Fees	214,030
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Finance

Arrangement Fee	20,000
Project Length 16 months	
Debit Rates 7.000% Credit Rate 1.000%(Nominal)	
Land and construction finance	211,659

Total COST	6,096,819
-------------------	------------------

Profit	1,154,700
---------------	------------------

Profit on GDV %	15%
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Assumptions required to meet 15% return:

- Market Rent for new Grade A offices at £16.00psf
- 6 months rent free incentive (realistically this could be extended to 12 - 18 months)
- 6 months letting void (or rent free incentive for pre let)
- Gross yield on a straight 15-year lease at 8% (require triple A covenant for this yield)
- Build costs at £127.00psf
- Land cost of -£1,084,015 per acre.

NB appraisal for illustrative purposes only based on simplified market overview as at 2012



2015: Development appraisal for new build 40,000sq ft Grade A office

INCOME

Annual Rental Income	720,000
Net Capital Value	10,323,924
Less Purchaser's Costs	(598,788)
Net Realisation	9,725,136

OUTLAY

Acquisition

Site Purchase Fees	28,725
Land Cost (1 acre)	468,119
Total Purchase Cost	496,844

Construction

Construction Costs	6,345,000
Demolition/Contingency	317,270
Professional Fees	475,875

Marketing/Letting/Sales

Marketing, Letting, Sales Fees	271,503
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Finance

Arrangement Fee	20,000
Project Length 16 months	
Debit Rates 5.000% Credit Rate 5.000%(Nominal)	
Land and construction finance	250,056

Total COST	8,176,547
-------------------	------------------

Profit	1,548,589
---------------	------------------

Profit on GDV %	15%
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Assumptions required to meet 15% return:

- Market Rent for new Grade A offices at £18.00psf
- 6 months rent free incentive (tight)
- 6 months letting void (on rent free incentive for pre-let)
- Gross yield on a straight 15-year lease at 6.75% (require triple A covenant for this yield)
- Build costs at £135.00psf (costs are subject of upward pressure)
- Land cost of £468,119 per acre (maximum available to meet return)

NB appraisal for illustrative purposes only based on simplified market overview as at 2015

Chapter 6 APPENDIX F

Leicester Office Market Transactions

a) Transactions

To cross check the employment based forecast, in this section we review: transactions in the Leicester office market in the period 2012 to H1 2015, availability and unmet requirements.

The Leicester office market consists of both secondary and newer premises in the City Centre and out of town locations. The product mix and two locations combine to make a complementary market. Within this market there is evidence of firms relocating from the city centre to out of town and vice versa. However, there are some differences in occupier preferences between the two sub market areas. In the City Centre, (see market area map at section 5.8) the majority of larger occupiers (with offices over 5,000 sq. ft) are in three sectors: a) professional (i.e. accountants, solicitors and other professions); b) contact centres and c) the public sector. The Professional Office Area covers a small area (to the south east of the main shopping area) which extends from the Cathedral, along New Walk and up to Leicester Station. There is UK wide evidence of a shift in occupier preferences for city centres. In Leicester this shift is being reflected by:

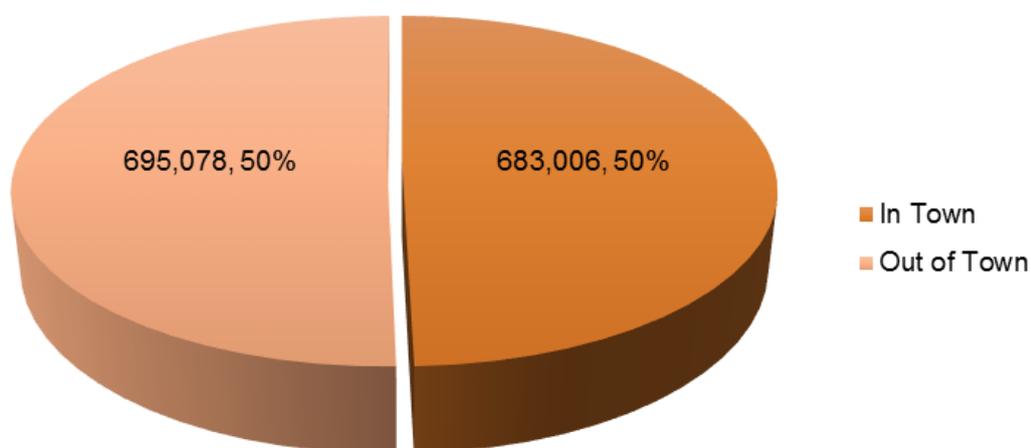
- i) Service centre operators, such as Hastings Direct, who require access to a large pool of labour
- ii) Knowledge based firms, such as IBM, seeking access to young graduate knowledge workers;
- iii) Financial and professional services firms that privilege contact with clients and access to inter - city train services to London; and
- iv) Creative, digital and technology start up and micro firms that benefit from co – location and are creating demand for ‘grow on’ space

The out of town market is defined as the part of the Leicester Principal Urban Area which is outside of the administrative boundary of Leicester. This market is served by business parks notably Grove Park and Meridian Business Park (in Blaby). Demand is mostly from regional occupiers who privilege close proximity to the motorway and local professional firms with requirements for modern premises and car parking. In the following analyses, the out of town market includes offices in Leicester located outside of the city centre.

The analyses of office transactions for the period 2012 to H1 2015 are based on transactions completed by Lambert Smith Hampton and other transactions known to Lambert Smith Hampton. It is estimated these transactions account for 80% of market activity by floorspace. The data are illustrated below.

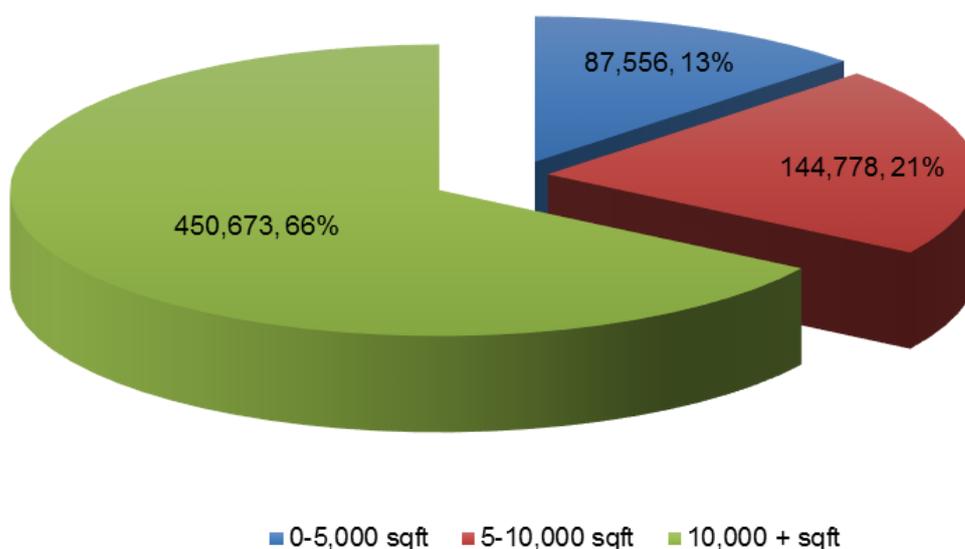


Take Up by Location (Sq Ft) 2012 - H1 2015



In the period 2012 – H1 15, 1,378,085 sq ft of offices were taken up in 263 transactions across the Leicester market. Of this space, 695,078 sq ft (50%) was taken up in the out of town sub market (in 168 deals) and 683,006 sq ft was taken up in the city centre market (in 95 deals).

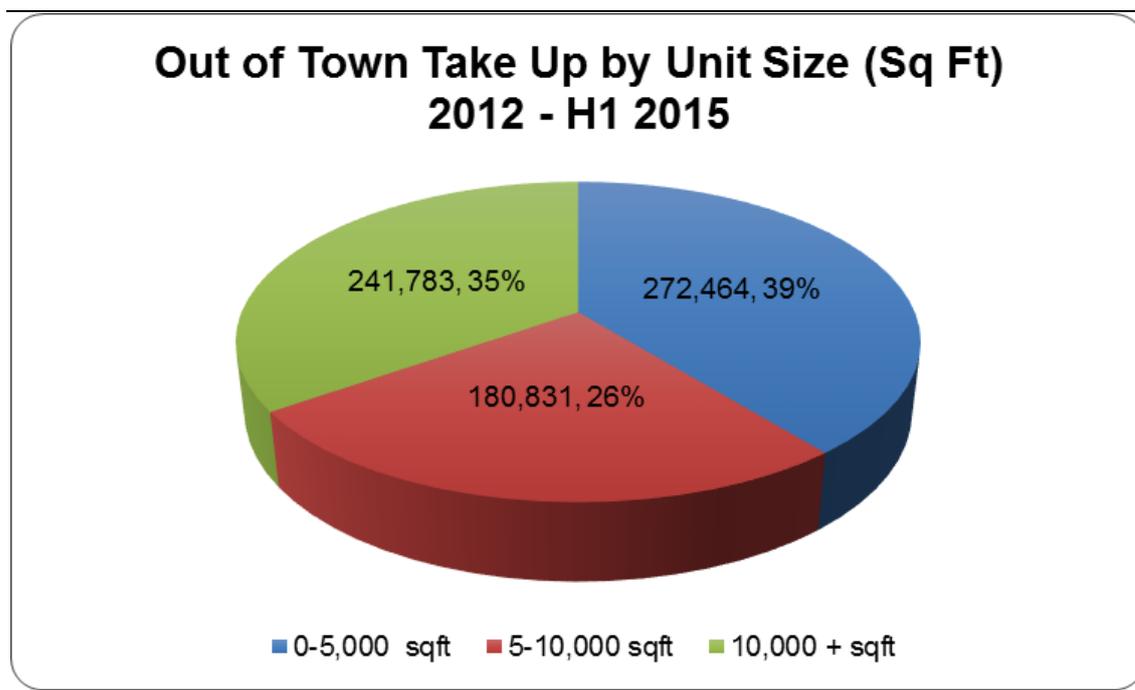
City Centre Take Up by Unit Size (Sq Ft) 2012 - H1 2015



Turning to unit sizes, city centre offices over 10,000 sq ft accounted for only 11 (12%) of the total deals but 66% of the space taken up. In contrast smaller offices less than



5,000 sq ft accounted for 71 (76%) of the deals but only 21% of the space taken up. The largest transaction was for 60,000 sq ft at St George’s Tower.

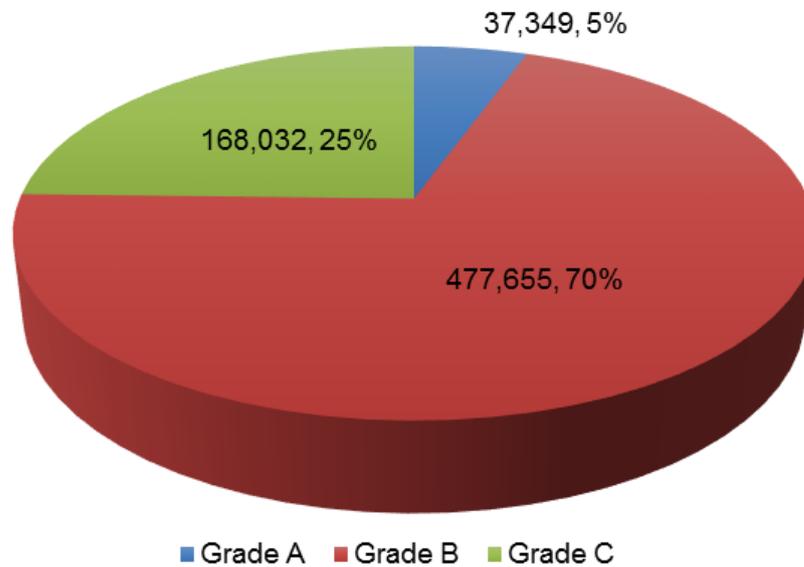


In the out of town market, smaller offices dominated the market. Offices of less than 5,000 accounted for 125 (77%) of the deals and 39% of the space taken up. Offices in the 5,000 – 10,000 sq ft size range accounted for 26 (16%) of the deals and 26% of take up. Offices over 10,000 sq ft accounted for only 11 (7%) of the total deals and 35% of the space taken up. The largest transaction was for 60,000 sq ft at Radar Road, Leicester.

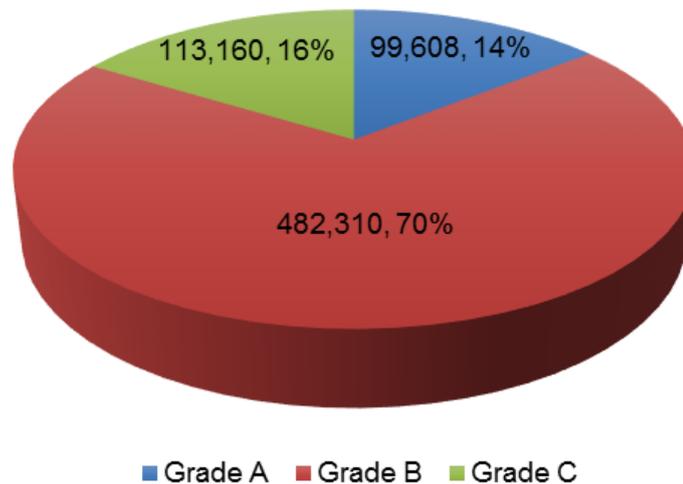
In both markets Grade B offices dominated accounting for 70% of take up in the city centre and 69% of take up out of town. With a newer range of stock in the out of town market, Grade A and Grade C accounted for 14 and 16% of take up. In the city centre, Grade A and C accounted for 5 and 25% of take up.



City Centre Take Up - By Grade (Sq Ft) 2012 - H1 2015



Out of Town Take Up by Grade (Sq Ft) 2012 - H1 2015



B) Availability

The level of availability is another measure of demand and a factor in estimating office floorspace requirements. In mid-2015 there was 641,000 sq ft of offices available to the market (against 561,000 sq ft in April 2012). Of this space, 440,000 sq ft or 69% was in the city centre, 201,000 sq ft or 31% was out of town.

Total Availability by Grade (Sq Ft) 2015

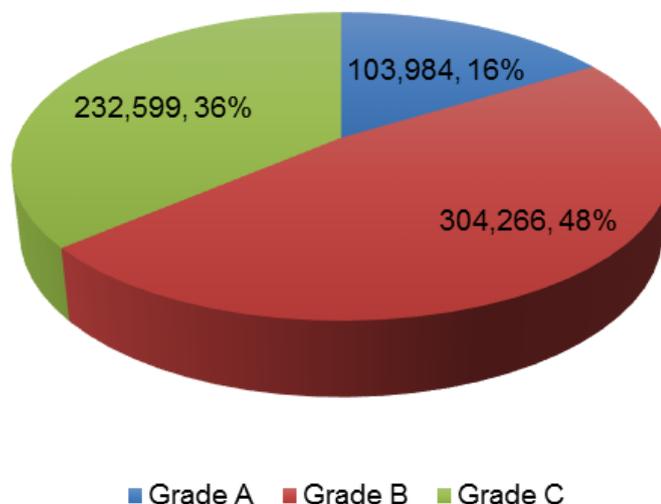


Table 6:19: Leicester Office Availability Mid 2015 sq ft

Grade	City Centre	Out of Town	Total
A	71,841	32,143	103,984
B	227,897	76,369	304,266
C	140,131	92,468	232,599
Total	439,869	200,980	640,849

These levels of availability reflect an overall shortage of stock as they provide 2.6 years of ten - year average annual take up against a UK average of availability of around 3.6 years of take up. The shortage is more acute when considered by grade:

- Grade A availability is 2.7 years of annual take up for the period 2012 – H2 2015 (although it should be noted this rate is suppressed due to the shortage of stock)
- Grade B: 1.3 years of annual take up for the period 2012 – H2 2015
- Grade C: 4.6 years of annual take up for the same period

Table 6:20: Leicester Office Availability Mid 2015 sq ft (properties)

Size	City Centre	Out of Town	Total
< 5,000	34,155 (14)	44,076 (16)	78,231 (30)

5 – 10,000	78,649 (21)	43,310 (7)	121,959 (28)
10,000 +	270,751 (4)	113,386 (3)	384,137 (7)
Total	439,869 (39)	200,980 (26)	640,849 (65)

At June 2015, there was limited availability of Grade A offices with just 4 offices in the city centre and 5 out of town at the recently completed Marlborough Court, Watermead Business Park. There was also a shortage of Grade B offices in the out of town market. These shortages are leaving existing office occupiers with requirements that remain unmet pending new development.

Table 6:21: Leicester City Centre Office Availability by Grade Mid 2015 sq ft (properties)

Size	Grade A	Grade B	Grade C	Total
< 5,000	7,705 (2)	11,651 (5)	22,504 (9)	41,860 (16)
5 – 10,000	7,218 (1)	46,615 (6)	32,034 (4)	85,867 (11)
10,000 +	56,522 (1)	169,859 (7)	85,573 (5)	311,954 (13)
Total	71,445 (4)	228,125 (18)	140,111 (18)	439,681 (40)

Table 6:22: Leicester Out of Town Office Availability by Grade Mid 2015 sq ft (properties)

Size	Grade A	Grade B	Grade C	Total
< 5,000	14,129 (3)	29,522 (10)	14,554 (6)	58,205 (19)
5 – 10,000	18,736 (2)	19,463 (3)	23,847 (4)	62,046 (9)
10,000 +	0	27,156 (2)	54,087 (2)	81,243 (4)
Total	32,865 (5)	76,141 (15)	92,488 (12)	201,494 (32)

C) Leicester Office Market: Take Up 2012 – H2 2015

In this section we set out data on office transactions for the period 2012 to H2 2015. The data are based on transactions completed by Lambert Smith Hampton and other transactions known to Lambert Smith Hampton. It is estimated these transactions account for 80% of market activity by floorspace. The data are illustrated in Section 4.

Table 6:23: By Location

Sub Market	Units	Floorspace sq ft	%
Out of Town	168	695,078	50.4
City Centre	95	685,965	49.6
	263	1,381,043	100

Table 6:24: By Unit Size

SIZE	City Centre		Out of Town		Total	
	Units	Sq ft	Units	Sq ft	Units	Sq ft
0 – 5,000	82	147,737	129	272,464	211	420,201
5 – 10,000	9	87,556	26	180,831	35	268,387
10,000 +	4	450,673	13	241,783	17	692,456
	95	685,966	168	695,078	263	1,381,043

Table 6:25: By Quality: City Centre

SIZE	GRADE A		GRADE B		GRADE C	
	Units	Sq ft	Units	Sq ft	Units	Sq ft
0 – 5,000	3	8,936	58	107,253	21	31,548
5 – 10,000	2	15,712	6	35,594	1	36,250
10,000 +	1	12,671	2	337,768	1	100,234
	6	37,319	66	480,615	23	168,032

Table 6:26: By Quality: Out of Town

SIZE	GRADE A		GRADE B		GRADE C	
	Units	Sq ft	Units	Sq ft	Units	Sq ft
0 – 5,000	15	31,624	100	217,871	14	22,969
5 – 10,000	7	44,725	18	117,172	1	5,585
10,000 +	2	23,259	9	147,267	2	84,606
	24	99,608	127	482,310	17	113,160

7 PROPERTY SUB-MARKETS - CULTURAL QUARTER

7.1 Brief

The St George's South area was identified for development as a cultural quarter in the 2002 masterplan for five regeneration areas in Leicester. The ambition was to see the area, 'thrive as a vibrant, attractive, sustainable focus for Leicester's cultural and creative sectors.'

The brief for this study requires 'a recommendation on how best to continue to support business growth in the remaining gap sites within the Cultural Quarter, as the level of success of new housing development is reducing future opportunities for creative industry.'

A typology of cultural quarters is used as an analytical lens to present and analyse: completed development; current issues and emerging visions of and narratives for the Cultural Quarter. The analyses identify gaps between aspirations for and realities of cultural consumption and property markets for cultural production in the area.

Recommendations are made to frame a new positive but realistic narrative for the Cultural Quarter and formalise intervention tools for the Council to deliver and facilitate property and business development for the area's cultural institutions and industries.

7.2 Background

In 1989, St George's North and South was designated as a conservation area with objectives of restoring and bringing into use the area's vacant and underused flatted former textile factories and warehouses.

In 2002 St George's South, an area bounded by Charles Street, Humberstone Gate and St George's Way, was designated as a cultural quarter as one of Leicester's five regeneration areas.

To realise this ambition, the Council attracted and co-ordinated a significant amount of public and private sector investments in the period 2002 to 2010. These investments transformed the area from one of abandonment into a distinct Cultural Quarter (see plans showing vacant buildings in 2003 and 2010 in Addendum to the July 2003 St George's Conservation Area Character Appraisal and Confirmation of Special Interest 2010).

This regeneration era was followed by private credit crises and public sector retrenchment. For this post regeneration era, the Cultural Quarter has been declared a Business Improvement Area in the Council's Economic Action Plan and a new vision and strategy have been formulated for the area. The Cultural Quarter Action Plan is being prepared and is due to be launched in Summer 2017.

7.2.1 The Regeneration Era

In the regeneration era, the public sector part funded three schemes with a gross development value of £70m. This delivered two arts venues (Curve and Phoenix) and two managed workspace schemes (LCB Depot and Phoenix) for creative and digital businesses. In parallel, the City Council improved the public realm in the main conservation area streets and the private sector converted and redeveloped a large proportion of the former textile factories and warehouses into apartments.

Applying a typology of four categories of cultural districts, the table below shows by 2010 Leicester’s Cultural Quarter had been developed as a hybrid district with strong institutional and industrial offers but a weaker metropolitan offer of alternative venues, live performances and night life.

Table 7.1 Leicester’s Cultural Quarter: Regeneration Era 2002 – 2010

District Types	Public	Private	Third Sector
i) Museum	-	-	-
ii) Institutional	Curve (2008)		Phoenix (cinema) 2009
iii) Metropolitan	-	Athena, bars, restaurants	-
iv) Industrial	LCB Depot (creative) (2004)	-	Phoenix (digital) 2009

i) Museum: for example, South Kensington

ii) Institutional: for example, London South Bank

iii) Metropolitan: for example, Temple Bar, Dublin (a dynamic mix of cultural institutions, and venues for night life, live performance and markets)

iv) Industrial: for example Sheffield Cultural Industries Quarter

7.2.2 The Austerity Era 2010 onwards

Following the credit crises and emergence of the austerity era, a baseline assessment of the area has been undertaken along with a community planning event held in 2013. Conclusions drawing from this work and twenty - four ‘necessary conditions and success factors’ are summarised in the table below (see John Montgomery: Cultural Quarters: Why Large is Less, Appendix 1 to City Mayor Briefing (2014) Cultural Quarter – Stock Take and Next Steps).



Table 7.2 Cultural Quarter: Baseline Assessment

Issues	Necessary Conditions and Success Factors	Strengths (S) and Weaknesses (W)
Institutional Assets		
	i) Extent and variety of cultural venues ii) Arts development agencies and companies iii) Arts and media education and training	S: High quality performance venues W: Lack of larger scale commissioning organisations
Metropolitan Assets		
	iv) Extent and variety of cultural venues v) Evening economy and cafe culture vi) Festivals and events	W: Lacks small venues and rehearsal spaces W: Lacks critical mass to provide sufficient range and choice in quality restaurants, bars and entertainment
Industrial Assets		
	vii) Economic development for small firm cultural industries viii) Access to education providers ix) Strong small firm economy x) Managed workspaces for office and studio users xi) Workspaces for artists and low cost producers	S: Healthy range and concentration of small creative businesses W: Lacks: grow on space, lower cost space, some sectors within spectrum of creative industries and sufficient involvement of educational institutions (FE and HE) that develop new creatives (See note 1)
Built Form		
	xii) Fine grain urban morphology xiii) Variety and adaptability of built stock xiv) Permeability of streetscape xv) Legibility xvi) Amount and quality of public space xvii) Active street frontages xviii) People attractors	W: Perceived disconnection with the city centre, W: Lack of announcement of and permeability through the area, informal gathering spaces, active street frontages and sense of safety
Property Markets		
	xix) Diversity of primary and secondary land uses	W: Market failure: key buildings remain vacant (see note 2) W: Market success: residential schemes crowding out cultural aspect of the area
Meaning		
	xx) Important meeting and gathering spaces xxi) Sense of history and progress xxii) Area identify and imagery xxiii) 'Knowledgeability' xxiv) Environmental signifiers	

Note 1: Under the baseline assessment, FE and HEI involvement was measured under the 'learn' theme as follows: presence of HE in the area; number of apprenticeships and graduates employed by local businesses; number of recent graduates setting up businesses in last 24 months and number of businesses engaged with Universities.

Note 2: The four key vacant buildings: Premier House, Rutland Street (listed); Carron Building, Rutland Street; Shashista House, Orton Square (listed) and Leicester International Hotel, Humberstone Gate.

The current working vision formulated by the Council and the Cultural Quarter Association (CQA) is for:

The Cultural Quarter to be a lively and creative environment for people to work, live and play and which offers quality entertainment, cultural and leisure experiences for everyone in the city.

This vision is for a three-legged hybrid combining institutional, metropolitan and industrial cultural districts. The proposed actions and priorities address eight of Montgomery’s twenty - four necessary conditions and success factors for a cultural quarter. They are presented below under the envisaged cultural quarter of institutional, metropolitan and industrial districts.

Table 7.3 Cultural Quarter:- Vision

Cultural Quarter:- Vision		
Issues	Necessary Conditions and Success Factors	Priority Actions
Institutional District		
	i) Arts development agencies and companies	i) Commission research to establish feasibility of / strategy for attracting larger scale commissioning organisations to the Cultural Quarter ii) Support if requested incorporation of CQA as a legal entity to gain access to funding
Metropolitan District		
	iv) Extent and variety of cultural venues v) Evening economy and cafe culture vi) Festivals and events	iii) Develop a programme of festivals and events iv) Promote the area as conference hub v) Include Curve and Ramada Hotel in packages to attract leisure tourists vi) Public realm: Investments in architectural lighting and church yard
Industrial District		
	viii) Access to education providers ix) Strong small firm economy x) Managed workspaces for office and studio users xi) Workspaces for artists and low cost producers	vii) Review with the two Universities scope for HE investment in the Cultural Quarter viii) Develop a flexible approach to bring priority empty buildings back into use, especially for creative workspaces and to support the night time economy: notably for Shashista House and Leicester International Hotel ix) Support third sector organisations to access funding for lower cost workspaces x) Consider future Growing Places Funding applications towards a broader vision for development

It is worth testing the aspiration for an institutional, metropolitan and industrial district against the realities of cultural consumption and property markets in the area. Turning to cultural consumption, Curve and the Phoenix have found audiences. However, there is a sense of failure that these audiences arrive and leave by car and do not linger in the area. The proposed solution to this issue is to promote a metropolitan district

characterised by a wide range of venues, bars and a vibrant night. In reality this vision is compromised by the area's location:

Cultural districts can fail because they are too far away from other active places: the important point for designers is that people walking will rarely go beyond 600 metres, and will only do so if the route is safe and interesting, and if there are places of interest (or attractors) at either end. That is if you can cross the road.' John Montgomery Cultural Quarters: Why Large is Less

In this context, it is worth considering measures to reinforce and build on the successes of Curve and Phoenix and let consumers and providers determine the scope and extent of the metropolitan mix in the area.

Turning to cultural industries, the three managed workspaces schemes – LCB Depot, Phoenix and Maker's Yard – are proving to be highly successful in their prime policy purpose of creating new jobs. This has been achieved by offering a range of specialist accommodation, attracting start - ups, nurturing micro businesses to grow and helping firms to move on to larger spaces.

Constraints to the job creation process have been identified in the Creative Industries Sector Growth Plan for Leicester and Leicestershire (2015) and in the baseline assessment.

The Growth Plan identified business support needs including:

- Access to market intelligence on new techniques such 3D printing and the business models and skills this is enabling / requiring
- Intelligence on emerging markets for example BRICs for trade and collaboration in design, software and fashion
- Information on collaborative technologies and investment mechanisms for example crowd funding, cross – sector working and R&D opportunities
- Access to specific creative skills
- Information on next and best practice – trends and market intelligence
- Dedicated advice on branding, market / audience development and innovation for cultural organisations / businesses (such a festivals and venues) – to improve productivity and excellence in this critical part of the value chain.

The Growth Plan set out opportunities to address these business support needs targeted at pre – start, start up, existing and high growth potential businesses. These included an accelerator programme for high potential, sector specific and business development activities together with a dedicated investment and investor readiness programme. There is much merit in these recommendations. They present a challenge to existing providers to move up the value chain along with the needs of growth businesses. In doing so, the Council and its partners could consider launching a UK High Growth Business Competition for start – up and early stages businesses (with less than 10 employees). Such a vehicle would serve to: attract knowledge intensive,

high growth business to Leicester; help build a collaborative network of specialists to deliver an accelerator programme, attract seed and growth investors and associate Leicester with enterprise.

The baseline assessment identified two constraints to the job creation process. These concern engagements with and involvement of the Universities in promoting and seeding start - ups by graduates and Universities and successful firms with unmet requirements for grow on space in the area. The latter issue reflects conflict between the needs of the business occupier and property supply side markets. In the latter, land and buildings are:

- Long standing, vacant and passive stores of value and sources of accumulating and transferring value; and
- Vehicles for adding value through change of use and development of which residential is the most straight forward, least risky and most profitable

To address supply side market failures in provision of premises for cultural institutions and industries, the Council has delivered a highly successful programme of delivering and facilitating company relocations and property refurbishments. Completions and schemes underway at 2017 are as follows:

i) Recent relocations

- Synety, a large communications company that has moved on from Phoenix Square to Colton Square
- A marketing firm and a design agency, both firms have received support to purchase their own premises in the Cultural Quarter

ii) Completed schemes

- SEED Creativity, 95 Humberstone Gate: start up workspaces and training rooms
- Leicester Print Workshop, 50 St George's Street: Studios, workspaces and training rooms
- 2 Queens Arts Collective, 2 Queen Street: a contemporary arts gallery
- Echo Factory Music Education Hub, 68 – 70 Humberstone Gate

iii) Current schemes

- Carron Building, Rutland Street, Opposite Curve: scheme for bar, restaurant, micro - brewery and workspaces
- Shahista House, 37 – 43 Rutland Street, faces Orton Square and Curve: residential
- LCC owned car park adjacent to Makers Yard, to be sold to provide a car park for Shahista House and street facing display workspace for Makers Yard
- LCC owned Phoenix car park, commercial development design and viability study underway

In addition, prominent buildings where investment is required to transform blight to enhancement of the area's physical and business environments are:

- Premier House, Rutland Street, next door to the LCB Depot, potential for mixed use scheme
- Leicester International Hotel, Humberstone Gate, potential for large scale scheme including a budget hotel, offices and workspaces and apartments

7.3 Local Plan Policy Update

Current Local Plan policies for the Cultural Quarter are as follows:

Core Strategy Policy 4: Strategic Regeneration Area

St George's South: St George's South lies to the south of Humberstone Road. It has the potential for encouraging small scale offices and workspaces where they are on key, safe, connecting routes and mixed City Centre uses, to support, reinforce and complement cultural and leisure attractions and City Centre living. Improvements to the public realm will support this transition.

Improved public open space and access to education and health care provision will be required to support any residential development.

Core Strategy Policy 10: Employment Opportunities

Offices: The Council will provide small offices between 100 and 1000 sq m in the City Centre on safe, key connecting routes at Waterside and St George's to the south of Humberstone Road.

The proposed Local Plan policies for the Cultural Quarter are as follows:

In the light of the development trends and need to plan for a mix of development for the arts, cultural industries and the city centre living, the following inputs to the new Local Plan are proposed:

Key planning policy objectives for the Cultural Quarter

- Encourage development to promote and protect the area's unique mix of cultural facilities and industries and city living, and encourage developments that create active street frontages including restaurants, cafes and shops along key connecting routes
- promote investment in the public realm to improve the key connecting routes

Proposed Policy - St George's South

The Cultural Quarter is Leicester's hub of cultural activities and creative industries. The area's unique architectural character and success is defined by the landmark Curve and Phoenix Square developments, dynamic creative industries and

sympathetic restoration and conversion of former textile mills and warehousing into housing.

To protect and promote the growth of the Cultural Quarter's unique mix of cultural facilities, creative industries and city living, proposals will be encouraged for schemes which combine sympathetic design and imaginative mixes of uses incorporating studios, workspaces and residential and contribute to active street frontages on key connecting routes.

To promote and facilitate the restoration and conversion of buildings and new building developments into mixed use schemes, the Council will offer a package of advice and support with inputs to design concepts, physical feasibility and market demand studies, development appraisals and access to development finance.

It is also recommended that:

- Reference in Core Strategy Policy 10 to small office development in the Cultural Quarter is deleted as offices development is encouraged in the city centre; and
- The boundary of the Cultural Quarter, shown on CS Diagrams 10 and 12, pages 69 and 75, be amended to include properties on the northern side of Humberstone Gate

8 PROPERTY SUB-MARKETS - PIONEER PARK

8.1.1 Brief

Pioneer Park located on Exploration Drive is planned to become Leicester's hub for knowledge economy businesses. This part of the study reviews and presents evidence to inform recommendations for planning policy and land allocations for the area in the new Local Plan.

8.1.2 Background

Leicester City Council initiated Pioneer Park to attract and support growth of knowledge intensive businesses and creation of high added value jobs. The area, which is located alongside the National Space Centre, comprises: serviced land (owned by the HCA); a managed workspace (owned by the City Council); and B1 (b) office scheme (owned by the occupier) and the former John Ellis School site (owned by the City Council).

8.1.3 SupplySide

On the supply side, the City Council formulated a vision for the area as a science and technology park. In support of this vision, the City Council and HCA (as English Partnerships) respectively:

- Adopted planning policies and made land use allocations;
- Acquired sites and built a new access road, Exploration Drive;
- Used planning powers to deliver 1,167 sq m of B1 (b) offices at 2 Exploration Drive;
- Developed with EU and Council funding, DOCK a 1,394 sq m of mixed office / workspaces for B1 (b) and ancillary B1 (a) and B1 (c) uses

In the absence of occupier demand, the City Council in 2014 commissioned the 'Pioneer Park Baseline Study and Development Strategy' to:

- i) Identify a shared vision for Pioneer Park to encourage investment and attract new businesses; and
- ii) Recommend a viable redevelopment option for the former John Ellis site in line with the Council's aspiration for the area as set out in the Abbey Meadows Supplementary Planning Document (SPD) adopted in 2007:

To create a highly attractive and successful Science and Technology Park; attractive residential and working environments and leisure destinations that deliver

benefits for existing and future residents of the city and to generate an essential boost to the economic and social prosperity of the City.

In reporting on demand, the study reported, ‘potential obstacles impacting upon the development of the Park.’ Most notable of these were:

- The lack of a strong functional link with a Higher Education Institution that serves to create a unique selling point; and
- The need to achieve a critical mass to create sufficient momentum for investment

Recommending further public sector interventions, the study proposed a development strategy with short, medium and long term actions.

Short term:

- Deliver DOCK 2 ‘grow on’ spaces
- Prepare the former John Ellis site for a ‘just in case’ investor inquiry through works to address physical constraints to development as follows: access improvements; ground contamination remedial works and flood alleviation works (to be undertaken by the Environment Agency in the area).

Medium term

- Deliver further phases of complementary ‘grow on’ spaces on the serviced land fronting Exploration Drive
- Consider possible acquisition of sites with frontages on Abbey Lane
- Consider the possible redevelopment of Abbey Court, the Council’s small industrial unit scheme, with B1(b) offices

Long term:

- Reserve the former John Ellis School site as the last phase of development to be defined by market demand.

In 2015, the ‘Business Innovation Workspace Demand Study’ for ‘grow on’ space identified in the 278 – 557 sq m unit size range:

- High levels of demand for general commercial properties with 33% of units on the market being sold, let or removed after three months;
- Poor provision of premises for knowledge and technology firms;
- Potential occupier preferences for at least half of the space for office accommodation with the balance for research and light industrial uses

Following these studies, the Council acting in partnership with the LLEP, Leicester University, HCA and others to create a unique selling point for R&D activities:

- Obtained planning permission for DOCK 2, a 1,858 sq m scheme to provide 9 ‘grow on’ 139 – 186 sq m units on 0.41 ha owned by the HCA and opened

discussions with the HCA concerning a 1.03 ha site with capacity for 4,782 sq m of B1 (b) development;

- Developed the concept of Space Park, a £75m hub for space research, learning and open innovation to be developed on the former John Ellis School site;
- Secured funding towards the first £20m phase of the proposed Space Park; and
- Secured in 2017 Enterprise Zone status for Pioneer Park as part of the Loughborough and Leicester Science and Innovation Enterprise Zone

To secure the focus on innovation and space, the DOCK letting ‘gateway’ policy, reserves workspaces for SMEs that ‘develop or exploit innovative technology and science products, processes or services, or can be identified as providing an important part of the supply chain to knowledge economy sectors.’

The DOCK tenant profile has been identified, as firms that are either:

- a) Operating primarily in one of the following knowledge economy areas:
 - Low carbon / environmental technologies/ renewable energy /resource efficiency;
 - ‘Downstream’ space sector - users of space technology, including the services enabled by the satellite network such as mobile telephony, satellite photography and satellite television;
 - Information Technology: developers and owners of IP based on software, internet, mobile communications, cloud management, embedded systems, back office systems;
 - High tech manufacturing;
 - Knowledge intensive services;
 - Innovations arising from research and development activities
- b) Providing a service that is important in the supply chain of the above sectors, where these markets account for the majority of the client group:
 - Marketing/ demonstrator facilities to raise the profile of innovative research;
 - Business support, training and consultancy services relevant to the development of businesses that fit within the tenant profile.

8.1.4 Demand Side

On the demand side, occupiers of the committed and completed schemes comprise:

- Space Park, former John Ellis School site: The first £20m phase is planned for completion in 2019. The anchor occupier, Leicester University will be bringing together businesses, R&D partners and international institutions to collaborate in space enabled research, education and innovation;

- 2 Exploration Drive: 1,167 sq m B1 (b) office building, freehold sold to Measom Group, innovators in dry wall lining systems; and
- DOCK, Exploration Drive: 1,394 sq m mixed offices / workspaces for B1 (b) and ancillary B1 (a) and B1 (c) uses, let to 42 technology businesses. One occupier, NPC Creative, which relocated from the National Space Centre, is a computer animation studio specialising in large format immersive experiences for Fulldome, Stereoscopic 3D and VR. It is the largest producer of high quality digital planetarium shows in Europe and has sold licences across the world in over twenty-four countries.

8.1.5 Local Plan Policy Update

Current Local Plan policies for Pioneer Park are as follows:

Core Strategy Policy 4: Strategic Regeneration Area

Abbey Meadows: Abbey Meadows is a key area for delivering economic growth in the City, to attract new jobs in science and technology and related knowledge intensive businesses linking especially to the City's two Universities, retaining graduates and building a skills and knowledge base for Leicester's new economy....Our strategy is to achieve the regeneration of Abbey Meadows by: the development of a Science and Innovation Park to create a centre for research, development and technology based business (Use Class B1b); Innovation Centre Building (Use Class B1a, b and c); Associated Educational Use (D1) and Associated Research Institutes (No Use Class), which can demonstrate a need either to be located within the park or to be near the National Space Centre.

Core Strategy Policy 10: Science and Innovation Park

'Land will be retained within the Abbey Meadows Science and Innovation Park for research, development and technology based businesses (Use Class B1 b); Innovation Centre Building (Use Class B1a, b and c); Associated Educational uses (D1) and Associated Research Institutes (No Use Class) which can demonstrate a need either to be located within the park or to be near the National Space Centre.

In the light of the development potential of Pioneer Park, the following inputs are to the new Local Plan are proposed:

Key planning policy objectives for Pioneer Park: Encourage development to meet the requirements of start - up, early stage, high growth knowledge economy firms and the National Space Park. This will include preparing serviced sites and in response to demand development of: hybrid 'grow on' research; innovation and production spaces; bespoke B1 (b) R&D facilities and accommodation for Higher Education Institutions and Associated Research Institutes for research and collaborative open innovation with firms.



The proposed updated Local Plan policy for Pioneer Park is as follows:

In accordance with NPPF requirements to provide for knowledge based firms and strategic sites for inward investment, land will be brought forward for development within Pioneer Park for start - up, local high growth and inward investors in knowledge economy sectors: the National Space Park; research and development intensive firms (Use Class B1b); knowledge economy advanced manufacturing (Use Class B1a, b and c); Science and Technology Educational Uses (D1); Associated Research Institutes (No Use Class) and other uses that can demonstrate a need to be located either within the park or near to the National Space Park

9 PROPERTY SUB-MARKETS - TEXTILES INDUSTRY

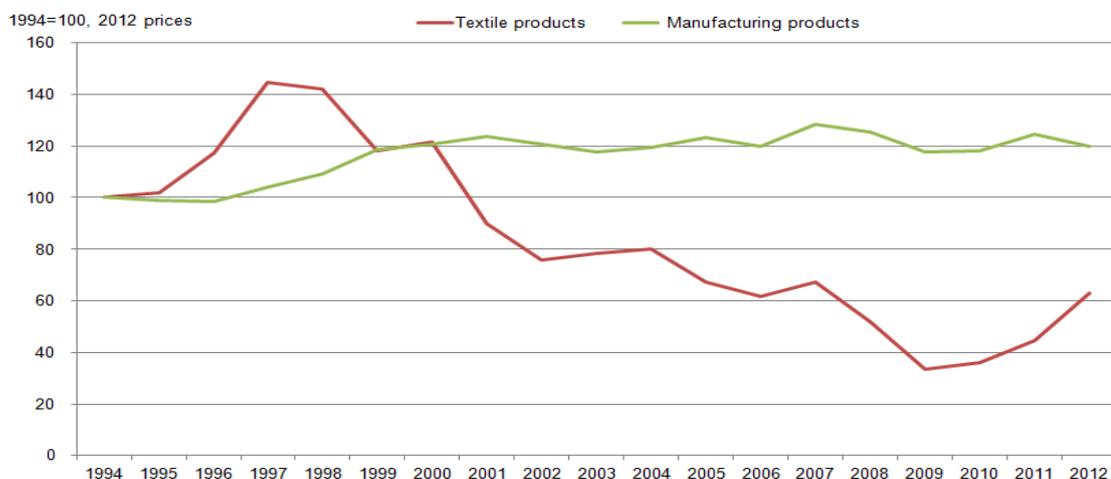
9.1 Introduction

Leicester and Leicestershire have a longstanding and continuing association with the textiles industry. The industry has adapted to major changes in industrial organisation and machine technology over the centuries and continues to adapt to the demands of a dynamic global market. Today, the industry has a vertically integrated supply chain. This includes: designers; fabric manufacturers; dyers; fabric finishers; cut, make and trim producers across a range of fabrics (notably jersey wear and knitted garments) and sub markets (for example hosiery, children’s wear and technical products such as webbing for the automotive sector); wholesalers and distributors.

9.2 Recent changes

Data up to 2015 was used in this study to identify the scope and extent of, and business trends in, the textile sector in Leicester and Leicestershire. The findings and evidence remain valid as identified trends have continued to 2017. The overall finding is that textile manufacture is enjoying a recent revival in Leicester and Leicestershire. After decades of stagnation and offshoring to low-cost jurisdictions in the developing world, employment and business activity have begun to improve in the region. In June 2015, LLEP data indicated that around 9,500 people worked in the sector across 1,480 businesses.² From 2009, investment in the sector rebounded both in Leicester and across the UK (see Figure 9.1). The revival is driven by a number of factors including: the emergence of fast fashion; growth in niche and high technology enterprises and changes in the nature of the sector supply chain.

Figure 9.1 – Rebounding UK textiles research and development (R&D) expenditure



² Trends Business Research / LLEP Textiles Sector Growth Plan

Source: For Fig 9.1 = ONS UK Business Expenditure on Research & Development (BERD), rebased constant prices

9.3 Sector trends

Early indications suggest that Leicester has comparative advantage in meeting growing demand for fast fashion. This advantage arises from: a core skills base; agile and responsive supply chain, and investment in high-tech capital goods which increase the efficiency of labour and materials inputs. By some accounts, garments and apparel in Leicester enjoy the fastest turnaround times in the world.³

A number of key textile industry trends are referred to in the study brief:

- On-shoring of production at the local and national level
- Rapid growth in niche areas of manufacturing such as technical textiles, composites, and intermediate textile goods for manufacturing
- Improvements in capital goods and high-technology machinery

We analyse these trends below, along with a discussion of employment trends at sectoral and sub-sector level and an assessment of the sector's growth strategy, including its impact on employment and floorspace demand in the city.

9.3.1 Onshoring

Manufacture repatriation (also known as 'onshoring' or 'reshoring') has helped drive business and employment growth in the British textiles sector in recent years. Onshoring refers to 'the repatriation of production from low cost locations, investment in onshore production to enhance capacity, and sourcing of components from onshore, rather than from overseas.'⁴

Offshoring is driven by differentials in factor inputs, the key driver in the case of textiles manufacture being cheap emerging market labour. However, a combination of increasing emerging market labour costs coupled with a growing emphasis on non-cost elements of production (e.g. lead times, quality control, supply chain management, heritage and design, speed and ease of transport to market) has improved the competitive position of the sector in Leicester and Leicestershire (see Figure 9.2). UK retailers' need for fast and responsive supply chains of five weeks compared to fifteen weeks offshore presents a number of opportunities for Leicester, which is home to a range of companies operating across different parts of the textiles supply chain.

³ Paula Coccozza, *Faster Fashion*, The Guardian, 7 April 2015
<http://www.theguardian.com/fashion/2015/apr/07/fast-fashion-online-labels-boohoo-misguided>

⁴ BIS / Gov't Office for Science, *The Future of Manufacturing: A New Era of Opportunity and Challenge for the UK* (2013)

A number of enterprises in the LLEP area have reported investing locally or have repatriated overseas operations, and business sentiment is considered to be buoyant.⁵

Figure 9.2: Drivers of textile manufacture repatriation

Factor	Detail
Supply chains / Fast fashion	Industry-wide demand for shorter – five week - product lead times (origination to market) putting pressure on firms with complex international supply chains
Unit cost convergence	Low cost jurisdictions in the developing world are becoming less competitive as a result of currency appreciation and wage convergence with developed countries.
Economies of scale	Declining importance of economies of scale in favour of smaller firms which emphasise responsiveness, small production runs and speed of manufacture.
Consumer trends	Greater consumer awareness of ethical issues and sweatshop labour. Growing appeal of British brands in the fashion world.
Manufacturing services	Greater hybridisation of manufacturing and services leads to demand for specialist services (design, customisation, marketing, logistics) that favour local production.

Source: Alliance Project, 'Repatriation of UK Textiles Manufacture', PACEC.

9.3.2 Technical textiles

Technical textiles firms focus on innovation in the function and use of textiles for consumer and industrial purposes rather than their aesthetic quality. In Leicester, technical textile manufacturers supply niche and higher value added technical products to the aerospace, automotive and advanced manufacturing sectors, among others (see Table 9.1). Several of the LLEP area's technical textile firms utilise a hybridised employment model, employing service sector workers in R&D and consultancy roles alongside traditional manufacturing roles. Digital textiles (also known as e-textiles or smart textiles) have also been identified as an area for considerable future growth.

⁵ LLEP Textiles Sector Growth Action Plan survey (2015). 88% of respondents said they anticipated growth in their business over the next three years.

Table 9.1 : LLEP area technical textiles firms

Firm	Location	Sub-sector	Products and Services
Formax	Leicester	Industrial	Reinforcement fibres/fabrics for use in renewable energy, aerospace and automotive sectors. The firm also carry out research and development.
Howfleet	Market Harborough	Protection, specialist clothing	Design and (offshore) production of military and sports garments.
Kempton Clothing	Leicester	Protection, specialist clothing	Specialist knitwear, thermal and protective clothing to Army, RAF and Navy.
Shelton Machines	Kibworth	Textile technology & testing	Defect detection machinery and consultancy for aerospace, medical, composite & textiles.
M Wright & Sons	Loughborough	Industrial	Webbing textiles for use in aerospace, military etc

Source: UKTI, Technical Textiles Directory

9.3.3 High-technology capital goods

The advent of high-tech machinery and precision goods are predicted to change textile manufacturing in Leicester and Leicestershire in a number of ways.

- Textile manufacture is a relatively labour-intensive industry, clothing assembly and manufacture particularly so. Both sub sectors have suffered in advanced economies as a result of lower labour costs in emerging-market countries. The reported investment in labour-saving high-tech machinery in many of Leicester and Leicestershire’s textile and apparel businesses will raise productivity and production capacities along with wider cost savings through reduced material inputs and waste.
- High-tech machinery helps to alleviate growing pressure on turnaround and lead times in the sector, permitting rapid production of made-to-order and bespoke items that can reach the market more quickly.
- The local knowledge base can play a major role in assisting the development of new machine technology, presenting opportunities for commercialisation and knowledge exchange. All three universities in the LLEP region have dedicated study programmes for apparel and textile manufacturing as well as special research groups specialising in industrial machinery and additive manufacturing.

9.4 Employment Trends

Estimates for UK-wide textile employment are found in the Office for National Statistics' Business Register & Employment Survey (BRES). The most recent estimates are from 2014, with some 90,000-100,000 persons employed in the industry (defined as employees, managers and sole traders) with a further 30,000-40,000 who are self-employed.⁶ As a result of fluctuations in response rates to the Survey and small sample sizes, it is not possible to produce reliable estimates of employment change over time at the local level (Table 9.2).

The contribution of Leicester and Leicestershire to British textile manufacture employment is strong, around 9,480 jobs within the LEP region (see Table 9.2 and Fig. 9.4).⁷ The definition combines three SIC classifications: 'Textile Manufacture', 'Apparel Manufacture', and 'Leather Manufacture'.⁸ Leicester is particularly strongly represented in apparel employment, accounting for 21.7 % of the UK's jobs in the sector, and 11.5% across textiles manufacture generally, making Leicester & Leicestershire the second largest contributor to jobs in the sector of any LEP area after Greater Manchester.⁹

Data from the Business Register & Employment Survey (BRES) shows the extent of change in textile and textile-related employment in Leicester over the last decade. The data indicate extremely high concentrations of employment in the area.¹⁰ This degree of localisation is partly driven by path dependency but also reflects the presence of skilled labour and research and innovation ecosystems in the area.¹¹

⁶ Alliance Project, *RGF6 – Evidence Analysis of Employment* (July 2014). The self-employment figure is estimated by Oxford Economics using Labour Force Survey data.

⁷ LLEP utilised data from Trends Central Resource (TCR), a research consultancy. TCR's figures differ from those of BRES, partly due to the latter not including self-employed manufacturers in their findings.

⁸ As with other fast-changing industries, the Standard Industrial Classification does not fully reflect the range of products and activities on offer and there is some debate as to which classifications should be combined to represent textile manufacturing as a whole.

⁹ BRES 2014

¹⁰ Manufacture of wearing apparel in Leicester city has a location quotient of over 30, the highest in the country.

¹¹ BIS / Govt Office for Science, *The competitiveness and evolving geography of British manufacturing* (2013), p.25

Table 9.2: Manufacture of finished wearing apparel articles – LLEP area employment

Leicester & Leicestershire (LEP area)	Employment by year					
Industry	2009	2010	2011	2012	2013	2014
Leather clothes and workwear	156	129	94	121	254	230
Outerwear manufacture	1,029	1,892	910	1,600	3,021	1,872
Underwear manufacture	525	858	183	184	291	139
Other Apparel	1,136	1,935	583	1,052	1,750	1,048
Crocheted Apparel	1,490	2,487	794	1,057	1,550	745
Footwear	222	161	109	117	79	187
Total	4,558	7,462	2,673	4,131	6,945	4,221

BRES 2009-14. Defined as all SIC 14 classifications (Manufacture of Wearing Apparel) and SIC 15200 (Manufacture of footwear)

9.5 Growth potential

The ability of textile manufacturing in Leicester and Leicestershire to grow sustainably depends on a number of factors, including customer demand and, on the supply side: worker skill development and availability; entrepreneurship and innovation; investment in labour saving technology and availability of premises.

9.5.1 Wages and Employment

Presently, the industry offers relatively low wages, with workers in apparel manufacture and textile manufacture paid 56% and 71% of UK manufacturing average pay respectively.¹² Questions remain over the ability of the industry to grow sustainably on a cost-competitive basis, due to low pay, high age profile of workers and some alleged disreputable labour practices.¹³

There is also a strong probability that some subsectors will experience jobless growth, productivity gains which result in improved export and GVA performance without attendant changes in employment. This is true of leather manufacturing, which has

¹² LLEP Textiles Sector Growth Action Plan using Annual Survey of Hours and Earnings data. Average gross weekly pay for apparel manufacturers is £291.3, textile manufacturers (£368.1), and manufacturing employees as a whole (£516.8).

¹³ [Supply Chain Relations and Working Conditions in UK Garment Manufacturing](#), University of Leicester

recently enjoyed substantial export gains in spite of declining employment.¹⁴ Gains in employment are expected to occur in knowledge-intensive roles such as research. There is potential for further employment growth due to growing demand for fast fashion garments made in Leicester and Leicestershire.

9.5.2 Geography

Leicester and Leicestershire’s textile firms are concentrated heavily in Leicester City. Maps on pages 146 and 147 show their location and the relationship to the former 2006 Employment Land Study Grading system.

There are also a number of clusters in Hinckley, Loughborough and Market Harborough (See Figure 9.3 and Figure 9.4 below). Companies in the area are suppliers to well-known UK brands including Burberry, River Island, Dorothy Perkins and Aston Martin, as well as the clothing lines at supermarkets such as Asda and Tesco.

Figure 9.3: Leicester (unitary authority) employment and LQ

Leicester (unitary authority area)	Number Employed		Location Quotient	
	2009	2013	2009	2013
Industry (SIC)				
Manufacture of textiles	1,317	2,441	3.85	8.15
Manufacture of wearing apparel	3,342	5,499	18.13	30.18
Manufacture of leather and related products	141	122	3.33	2.51
Total	4,800	8,062		

BRES 2013 provisional. Excludes self-employed.

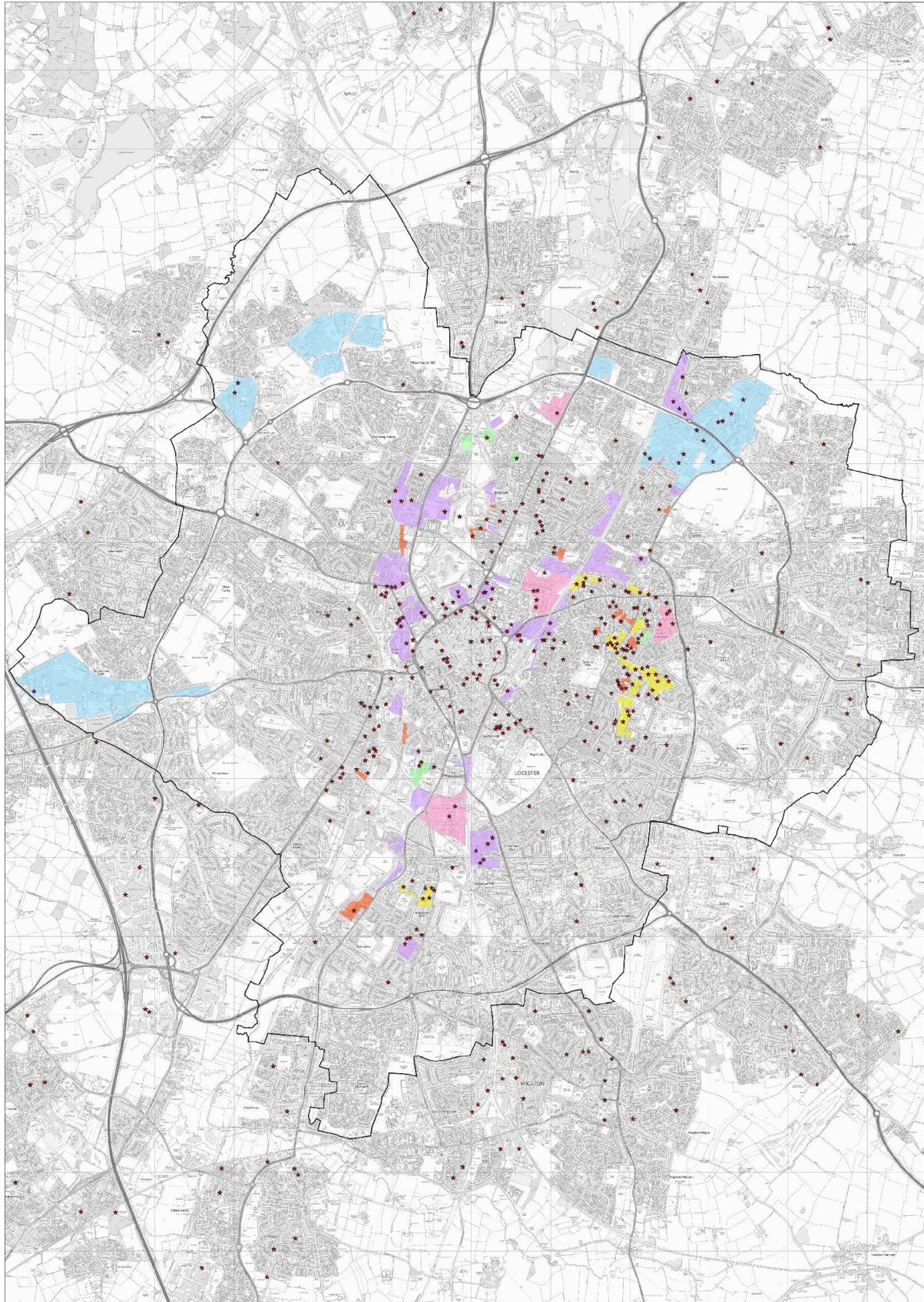
Figure 9.4: Leicester & Leicestershire (LEP area) employment and LQ

Leicester & Leicestershire (LEP area)	Number Employed		Location Quotient	
	2009	2013	2009	2013
Industry (SIC)				
Manufacture of textiles	2,150	3,681	2.30	4.49
Manufacture of wearing apparel	4,338	6,866	8.62	13.77
Manufacture of leather and related products	270	145	2.33	1.09
Total	6,758	10,692		

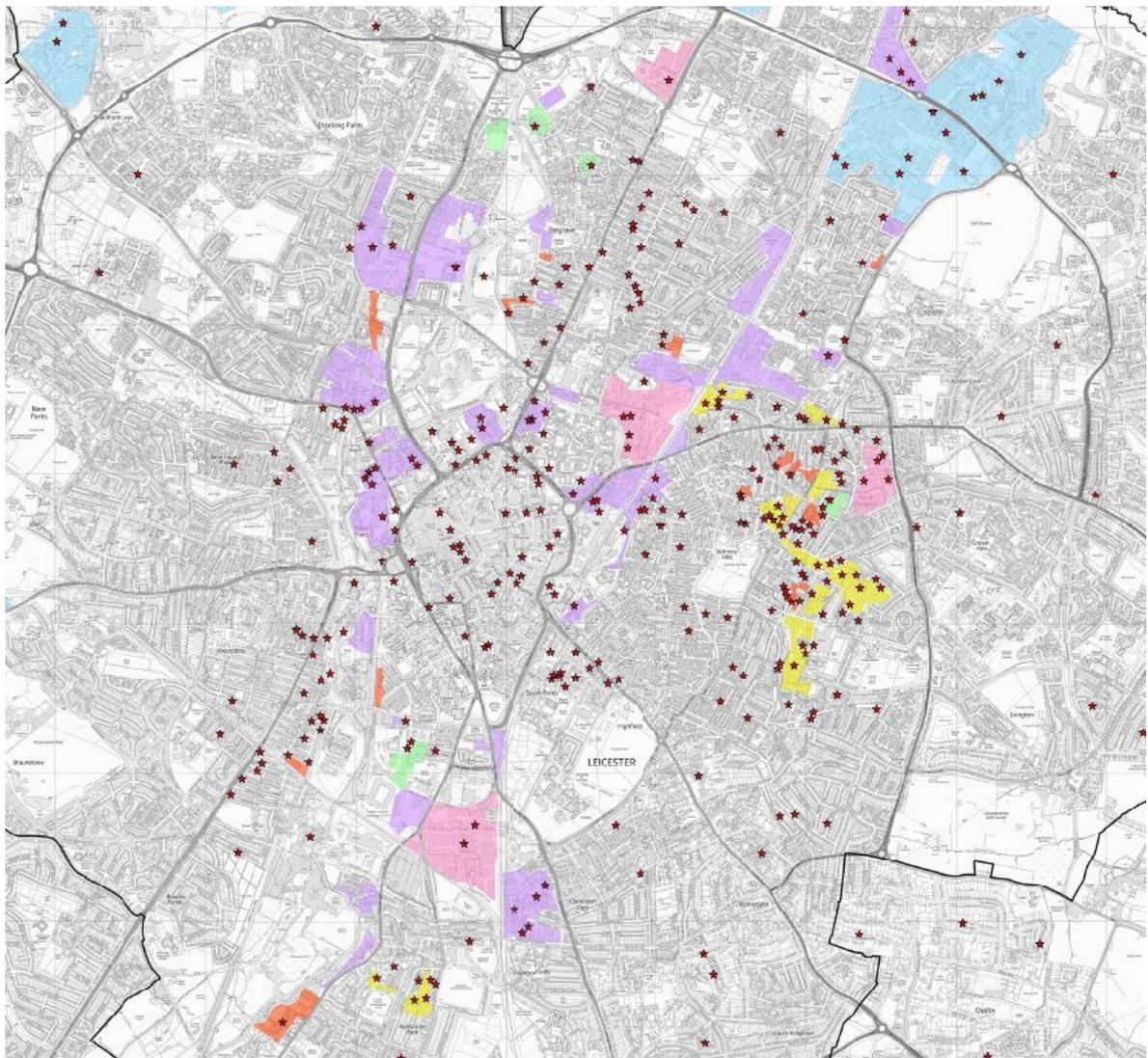
BRES 2013 provisional. Excludes self-employed. LQ Scale: <1 = no localisation, 1-1.5 = weak localisation, 1.5-3 = strong localisation, 3-6 = very strong localisation, >6 = extreme localisation

Maps of the location of textile firms are overleaf, showing both the city centre and the whole of the city’s administrative area:-

¹⁴ Between 2008 and 2010, leather manufacture (SIC 15) exports grew 45.8% despite a fall in employment of 19%. See BIS / Govt Office for Science, *The competitiveness and evolving geography of British manufacturing* (2013) p.5



LOCATION OF TEXTILE FIRMS - © Crown copyright and database rights 2017. Ordnance Survey 100019264.



MAP OF LOCATION OF TEXTILE FIRMS - A “zoomed in” extract of the City

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9.5.3 Sustainability

A number of other issues threaten the sustainability of the sector in Leicester and Leicestershire in addition to the wage and employment issues referred to above.

- The sector has been heavily supported by the Regional Growth Fund (Textiles Growth Programme), ESF-supported Leicestershire Textiles Hub and ERDF assistance.
- Sector image: the sector has an ageing workforce due to low pay and reputation problems. Textiles are seen as less attractive to new entrants.

- Skills and workforce shortages in several areas. A number of qualifications have been introduced to ease passage into the industry, as well as an ESF sponsored programme, 'Skills support for the workforce'.¹⁵ Studies suggest a mixture of physical and service sector skills are needed to support technical textiles expansion.¹⁶
- Leicester is unable to compete with large-volume Asian manufacturers on cost, instead competing on responsive, fast delivery of low volumes and high quality products in market niches.

The policy challenges are to maintain existing growth at competitive prices whilst trading ethically and attracting new employees into the sector.

9.5.4 Premises in the city

The availability of employment land has been identified as a serious constraint to growth in the LLEP Sector Growth Plan, with greater supply needed to satisfy existing demand. The East Midlands Chamber of Commerce has warned that the lack of available premises and relatively high rental costs threaten the industry's competitiveness and long-term growth prospects in Leicestershire.¹⁷

In Leicester textile firms are to be found across the city with concentrations in the older, inner city employment areas. These areas provide a range of low cost accommodation types including: workspaces in flatted factories; larger units (created from the sub division of larger buildings) and free standing units.

In 2006 the decline in the sector was forecast to continue. This evidence informed the introduction of flexible planning policies for some central city employment areas. These provided for redevelopment for housing in others changes of use to wider commercial, leisure and community uses. Given the importance of the sector to local communities and its potential for growth, consideration needs to be given to policy protection of employment land and buildings in these central city 'textile quarter' locations.

9.5.5 LLEP Regional Growth Fund

Floorspace demand for the textiles sector in Leicester is highly dependent on the local growth environment and sector outlook. PACEC were given access to Leicester and Leicestershire Enterprise Partnership (LLEP) data on capital investment and employment delivered through the Regional Growth Programme, which terminated in March 2015. The data shed light on the sector's prospects in the context of both the textiles sector growth strategy and future employment land demand.

¹⁵ See LLEP Textiles Sector Growth Action Plan, Annexes 5 & 6.

¹⁶ DTI / Pera, Multi Sector Skills Study, Technical Textiles (2007), Table 3.4 Employment and Skills Needs

¹⁷ [East Midlands Chamber warns that lack of space for textile companies may halt growth](#), *Leicester Mercury*, (17th September 2015).

The Regional Growth Programme provided over £20m in capital grants to SMEs in Leicester and Leicestershire over two years. A key focus for Leicester and Leicestershire was clothing and textiles industries, with 28 firms in the sector receiving £2m in assistance to meet investment costs for capital goods such as plant and machinery items, as well as support in expanding warehousing floorspace.

Table 9.3: Regional Growth Fund contribution to investment costs

Firms Assisted	Total Cost	Fund Contribution	Fund contribution (as % of total)	Average amount received	Range (min – max)
28	£ 10,111,990	£1,966,384	19%	£65,546	£210,000 - £7,716

30 instances of support across 28 firms (two firms received multiple assistance). Average calculations are based on 30 instances of support.

Table 9.4: Regional Growth Fund net job creation effects

No Of Employees (National)	Forecasted jobs created	% change	Actual Jobs to be Created	% change	Forecasted jobs lost	Actual Jobs Safeguarded
953	246	25.8%	159	17%	143	240.5

The Regional Growth Fund grants accounted for an average of 18.5% of the total investment made by the recipient textile firms in the LLEP area. A key goal of funding was to facilitate job growth, rather than displace labour, a risk typically associated with capital goods investment. Strong improvements were reported both in gross job growth and in safeguarding of insecure jobs. Our data indicate that 159 new jobs have been created to date against an initial forecast of 261, an increase of 17%, whilst the number of jobs safeguarded across supported enterprises has been 240.5 against a forecast of 150.

Of the 28 assisted firms, the majority (17) were located in the Leicester City local authority area, with small clusters in Blaby, Charnwood, Oadby and Wigston and North West Leicestershire. The vast majority were small companies: 25 of the 28 had fewer than 50 employees and only one firm had more than 100 employees. All 28 of the assisted firms sought help with the cost of capital goods, and a further eight received support upgrading or expanding premises and warehousing.

Table 9.5: Profile of assisted firms

Subsector	Number of firms
Printing / Digital Printing	4
Fabrics, knitwear and garments	14
Sportswear	2
Technical textiles	8
Number of employees	Number of firms
0-20	11
20-50	14
50-100	2
100+	1
Investment purpose	Number of firms
Premises only	0
Machinery only	20
Premises and machinery	8
Firm location	Number of firms
Blaby	2
Charnwood	4
Leicester City	17
North West Leicestershire	2
Oadby & Wigston	3

9.5.6 Profile of assisted firms

The assisted companies had highly specific needs, suggesting increasing fragmentation and niche development in the sector. In most cases, a highly specialised piece of equipment was needed to support production of a new or differentiated product. There was also a recognisable trend of firms requiring larger or specially adapted premises to support productivity gains or expand trading volumes:

- One Leicester City-based clothing manufacturer received support of £190,000 (towards a total investment of £1.35m) to double its premises size, increasing capacity by 15,000 sq ft. The bespoke premises were specially designed to make all stock and production lines visible from within the same site, supporting the firm's

entire production operations under the same roof. The firm produces retail-ready items from concept.

- A small cottage industry firm received a grant of £7,700 for an embroidery machine to assist production of knitwear and scarves. Despite high demand for its products, the company had laid off around half of its staff in recent years because of limited capacity in its production lines. The support means the firm is better placed to mitigate seasonal spikes in demand.
- One rapidly-growing fabric manufacturer received assistance of 10% of the cost of its £2.1m investment. The company is involved in re-shoring textile and fabric production to Leicester from South and East Asia. It required additional floorspace and production machinery to assist expansion and ensure it could achieve a turnaround time of 5 weeks on new items (compared with an average of 13 weeks for South Asian manufacturers) in line with UK buyer demands. The firm has targeted a £5m increase in sales for 2015/16, suggesting growth of over 18%.

9.5.7 Trends of profiled firms

1. Several firms reported that, as a result of relatively recent increases in demand for UK-made items with a short turnaround time, they were struggling with order backlogs which in some cases stretched back several months. These companies therefore had difficulty meeting their customers' turnaround needs and were unable to take on new business because their equipment was out-of-date and did not provide sufficient production capacity.

'Previously, we have been in a position where the demands of our customers were not met, as we would have liked, because the production capacity on our old machinery is too slow to match the demands. With machinery being outdated, the time and resources spent on machinery maintenance has also hindered production [...] our investment in new machinery would encourage more employment opportunities and help contribute the economic growth and help bring down unemployment.'

2. Capital investment facilitates job growth rather than displacing labour as a result of high demand. Firms needed support with financing amid a difficult lending environment.

'If we had the new machinery then we would also take on at least two extra staff with a further four within the next 12 months.'

3. Firms looking to compete with low-cost countries or onshore/reshore operations that had been outsourced years ago. One knitwear manufacturer complained that business was labour-intensive and that more energy could be dedicated to expanding the business if processes were automated. Again, labour displacement by machinery would be compensated by a rise in overall production, protecting employment:

'We have been offered production which is currently being flown in from China, however with our existing infrastructure we would be unable to support this [...] we would capture a larger market share of both UK and global production due to enhanced productivity and versatility in the designs we can achieve [if capital investments occurred].'

9.6 Conclusions and Recommendations

9.6.1 Conclusions

The textile sector has been identified as a significant manufacturing employer in Leicester and Leicestershire with comparative advantage both in UK and global markets. This advantage arises from a combination of factors, notably:

- A vertical integrated supply chain that supports specialisation by SMEs in niche production and product markets along with production capabilities to take 'fast fashion' from origination to market in five weeks (against a thirteen-week lead in time from overseas producers);
- Availability of skilled and semi - skilled low cost labour;
- Local institutional support (including FE based training and skill development, HEI research and recent public funding towards investment in machinery);
- Availability of low cost premises; and
- A central UK location that enables rapid distribution to consumer markets.

The sector is enjoying positive pressure from the demand side, due in part to retailers and e tailers repatriating orders for fast fashion garments from overseas to Leicester producers. Leading figures in the industry are predicting that e tailers will continue to place a growing share of their global purchasing with UK firms in general and Leicester firms in particular. This presents a strategically significant market opportunity and potential source of new jobs.

The sustainability and growth of the sector is though subject to negative pressures from supply side concerning:

- *Corporate governance:* The sector has a damaged reputation due to some firms using illegal labour, paying below the minimum wage and failing to comply with health and safety regulations. It is known that one high profile retailer would place orders in Leicester if firms were more visibly ethical.
- *Skills, pay and productivity:* In general terms, the sector is characterised by low skills, low productivity and low pay. This business as usual model will not be fit for the purposes of: paying the living wage; recruiting and retaining labour from a slow growing and aging workforce and responding to the requirements of the fast fashion market
- *Premises:* The employment areas close to the workforce in central areas of Leicester are in some cases subject to policies allowing redevelopment for housing

and change of use to wider commercial, leisure and community uses. These areas, need greater policy protection and along with investment to facilitate improvements in productivity and production.

In addition, textile firms who are scaling their businesses to meet demand from retailers and e tailers are encountering difficulties in finding suitable sites and premises to accommodate their growth. There are currently three textile firms with unmet requirements for new premises of between 40,000 sq ft and 50,000 sq ft.

9.6.2 Recommendations

The textile sector in Leicester and Leicestershire is facing strategically significant market opportunities and constraints. The stakeholders need to meet to consider how best to address the constraints and realise the opportunities to scale the sector and create new jobs.

The agenda for discussion and action will need to include:

i) Corporate Governance: The LLEP's textile sector group to:

- Widen and strengthen its engagement with the national High Street retailers and e tailers with a view to defining and collaborating on delivery of an industrial production modernisation and growth agenda
- Deepen its engagement with the Ethical Trading Initiative Group and Fast Forward (an ethical procurement initiative on behalf of the big retailers) to promote adoption and marketing of ethical standards by firms to win the trust and confidence of retailers and their customers

ii) Skills, pay and productivity:

The LLEP's administration of the Regional Growth Fund has presented an enabling context for progressive firms in the sector to invest in advanced manufacturing and premises improvements in order to:

- Increase productivity, production and profitability; and
- Create more highly skilled, higher added value and better paid jobs

Under this grant regime, 28 textile firms received £2m in grants towards investments totalling £11m. These firms, which employed 1,050 people (or over 10% of the sector's employment in Leicester and Leicestershire), have created a further 261 jobs.

In order to inform future funding applications and administration of grant regimes, the stakeholders need to consider:

- Undertaking an in depth economic impact assessment of the grants and linked investment made under the LLEP RGF programme and subsequent programme to 2016 administered by the Manchester Alliance Project; and
- Using the findings to design and promote a model grant regime in applications to UK Government funding programmes

iii) Planning and premises: The new Local Plan to recognise:

- The significance of old central city employment areas to the textile industry
- The potential land and premises requirements from fast growing textile firms

iv) Research: The LLEP to identify and work with researchers, for example Manchester University, with a view to identifying constraints to growth and effective measures to address them

9.7 Bibliography

The Alliance Project. Funded by Greater Manchester Authority and BIS, aimed at 'repatriating' UK textiles. See:

Alliance Project, *Repatriation of UK Textiles Manufacture* (2015)

Alliance Project, *Evidence Analysis of Employment* (2014)

BIS / Govt Office for Science, *The competitiveness and evolving geography of British manufacturing* (2013)

LLEP, Textiles Sector Strategy (June 2015)

APPENDICES TO FULL REPORT - APPENDIX 1 STRATEGIC WAREHOUSING

Table A:1: Leicester Warehouse (B8) Market ('000 sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015 - 31	28
Tier One Supply	-
Tier Two Supply	-
Total Supply	-
Balance	(28)

Leicester T1: TOTAL NIL ha

Leicester T2: TOTAL NIL ha

Table A:2: Blaby, Charnwood and Oadby-Wigston Warehouse (B8) Market ('000 sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015 - 31	26.4
Tier One Supply	7.46
Tier Two Supply	44.6
Total Supply	52.06
Balance	25.66

Leicester Out of Town T1: TOTAL 7.46 ha Optimus Point 2.8 ha, Rothley Lodge Extension 1.3 ha and Thurmaston Industrial Estate 3.36 ha

Leicester Out of Town T2: TOTAL 44.6 ha Lubbethorpe SUE 14.2 ha Watermead Business Park Phase III + Broad Nook Suburb + North East Leicester SUE 30.4 ha

Table A:3: Leicester FEMA Warehouse (B8) Market ('000 sq m)

Requirements and supply by tier	Square metres
Forecast requirements 2015 - 31	54.4
Tier One Supply	7.46
Tier Two Supply	44.6
Total Supply	52.06
Balance	2.34

The floorspace requirements for warehousing development are for 29 ha in Leicester against which there is no supply.

10.0 Strategic Warehousing

10.1 Supply and Demand

The recommendation is not to make an allocation for warehousing in Leicester as:

- i) The existing supply of 52 ha in Tier 1 and Tier 2 sites in the rest of the FEMA is sufficient to meet forecast requirements arising from Leicester (28 ha) and the rest of the FEMA (26.4 ha)
- ii) Additional provision to meet demand for large scale units (defined as more than 9,000 sq m) to serve regional and national markets is being brought forward by developers along the M1 Corridor in the rest of Leicestershire and the Golden Triangle bounded by the M1, M42 and M6 and further south along the M1

A planning policy issue in the Leicester FEMA will be to balance the development benefits of large scale warehousing – notably investment to create development plateaus – with potential crowding out the development of new offices and light industrial units.

The scope and extent of this demand has been set out in a recently published study, MDS Transmodal & Savills (2014) Leicester and Leicestershire Strategic Distribution Study Part B Interim Report. This study has been demonstrated that the use of employment forecasts to establish land requirements for warehousing 'is unreliable and ultimately produces inaccurate results' MDS Transmodal & Savills (2014) page 47. This is because:

- The correlation between employment density and floorspace in the logistics sector is weak
- Demand for floorspace is related to cargo volumes and throughput
- Employment forecasts take no account of the continual need to replace old warehouse stock which is 'life expired.'

Addressing demand for net additions to the stock, MDS Transmodal and Savills reported the current volume of cargo delivered direct to distribution centres in the East Midlands is forecast to grow from 34.6 m tonnes in 2012 to 60m tonnes in 2036.

Turning to demand for the replacement of the existing stock with new large scale warehousing, MDS Transmodal and Savills identified the following market drivers:

- e commerce: subject of rapid growth, e commerce is leading to requirements for automated picking, handling and packaging solutions for direct home deliveries (which cannot be accommodated in traditional national distribution 'pallet level' operations from which goods are transferred to regional distribution centres)
- Economies of scale: Modern ICT inventory management and handling systems are enabling occupiers to merge operations and replace capacity at regional sites with larger scale national distribution centres

- Intermodal rail freight: growth in rail freight, which is underpinned on the supply side by low carbon policy and on the demand side by financial benefits, is leading to requirements linked to strategic rail freight interchanges

These drivers are of significant strategic importance to Leicester and Leicestershire as they are combining to create demand for replacement of and net additions to the stock of large scale warehousing stock *in new locations* and *on new sites*.

The preferred locations are linked to the rail freight, motorway and main highway networks. Within these locations, the site requirements are for *size* (to meet occupiers' requirements for larger scale buildings) and *separation* (to allow for 24 hours, seven days a week working without impacting on amenity of nearby housing).

On the supply side, investment is being made in: enhancing the rail freight network; bringing forward large scale sites; building out warehouses for lease to occupiers and sale of the resulting income producing assets to global investors.

10.2 Case Studies

East Midlands Distribution Centre, Castle Donington: M&S commissioned a new 93,000 sq. m national distribution centre at this rail freight connected site to handle e commerce and slower moving store lines. Overall M&S will replace 100 local and regional warehouses with two national distribution centres (MDS Transmodal and Savills 2014 page 56).

East Midlands Gateway, strategic rail freight interchange: Roxhill is promoting a proposal for 557,414 sq m of B8 on 139 ha, between M1 J24 and East Midlands Airport, with an intermodal freight terminal to accommodate up to 16 trains per day and trains up to 775 m long.

Optimus Point: Wilson Bowden Developments secured planning permission for a 97,680 sq. m B use scheme on 26.59 ha adjacent to M1 J 21a. Of this site 16 ha has been developed with a) two speculative large scale warehouses of 20,400 sq. m and 25,548 sq. m (which were forward funded by M&G and are attracting interest from national retailers and third party logistic providers (3PLs)) and b) a 3,986 sq. m development for Everards. A further design and build scheme of 26,200 sq m for Boden is under construction.

10.3 Economic Development Needs Assessment For Large Scale Warehousing Requirements (over 9,000 sq. m) 2014 – 36

To estimate large scale warehouse floorspace and land requirements for Leicester and Leicestershire, MDS Transmodal and Savills made the following assumptions:

- i) Existing stock: The existing stock of large scale warehouses (over 9,000 sq m) in Leicester and Leicestershire was estimated at 2.25 m sq in 89 buildings
- ii) High replacement scenario: A requirement for 1,643,000 sq m on 411 ha based on the assumption that the existing stock has a useful life of 30 years and would be replaced at the rate of 3.33% per annum over the 22 - year plan period in Leicester and Leicestershire (and demand for replacement stock would not arise from outside Leicester and Leicestershire)
- iii) Low replacement scenario: A requirement for 1,125,000 sq. m on 281 ha based on the assumption that the existing stock has a useful life of 40 years and would be replaced at the rate of 2.5% per annum over the 22 - year plan period
- iv) Demand due to growth: A requirement for 244,000 sq. m on 61 ha to accommodate Leicester and Leicestershire's share of forecast growth of 25.5m tonnes (from 34.6 in 2014 to 60m in 2036) in cargo delivered direct to large scale distribution centres in the East Midlands

To accommodate the forecast demand in Leicester and Leicestershire for 1,887,000 sq. m on 472 ha (high replacement scenario plus growth) and 1,369,000 sq m on 342 ha (low replacement scenario plus growth), MDS Transmodal and Savills made the following assumptions:

- i) Rail / Road and Road only: That 58% of the forecast demand would be for units more than 25,000 sq. m and 100% of these would be located within strategic rail freight interchanges. This leads to requirements for:
 - 274 ha rail linked and 198 ha road only under the high replacement scenario and
 - 199 ha rail linked and 144 ha road only under the low replacement scenario
- ii) Pipeline sites: Of the forecast requirements for road only sites, 45 ha would be accommodated within the pipeline as of late 2014 (but no provision was made for a development pipeline at the end of the plan period)
- iii) Regeneration sites: Of the forecast requirement for road only, 90 ha would be met through the redevelopment of existing large scale warehousing (a small proportion of the overall 472 ha required under the high replacement scenario but 45% of the road only requirement)
- iii) New sites: the balance to be met through the development of new sites
- v) Plot ratio: New development would be built at a plot ratio of 4,000 sq. m per ha

The forecast requirements for large scale warehousing prepared by MDS Transmodal and Savills under the high and low replacement scenarios for the period 2014 – 36 are for 472 ha and 342 ha respectively. After accounting for the development pipeline at 2014 of 159 ha road rail development, 45 ha road only and re – use of 90 ha of existing sites, the net requirements were as follows:

- i) High replacement scenario: 115 ha at rail linked sites and 63 ha of road only sites.
- ii) Low replacement scenario: 40 ha at rail linked sites and 9 ha of road only sites.

Table A:4 Leicester and Leicestershire Large Scale Warehousing: New – Build Floorspace and Land Requirements 2014 – 2036: High Replacement Scenario

	2014	2036					
		Replace	Growth	Total	In Situ	Pipeline	Net
000s sq m	2,250	1,643	244	1,887			
ha		411	61	472			
Rail (ha)				274		159	(115)
Road (ha)				198	90	45	(63)
TOTAL							(178)

Table A:5 Leicester and Leicestershire Large Scale Warehousing: New – Build Floorspace and Land Requirements 2014 – 2036: Low Replacement Scenario

	2014	2036					
		Replace	Growth	Total	In Situ	Pipeline	Net
000s sq m	2,250	1,125	244	1,369			
ha		281	61	342			
Rail (ha)				199		159	(40)
Road (ha)				144	90	45	(9)
TOTAL							(49)

MDS Transmodal and Savills selected the high replacement scenario as the preferred option for planning purposes due to the drivers of rapid obsolescence of the existing stock. These are: growth of e commerce; and economies of scale and shift to rail / road interchange locations.

MDS Transmodal and Savills further advised (2014: Page 85, section 6.18) that commercially attractive strategic logistics sites are considered to be ones which meet the following criteria:

- i) Good connection with the strategic highway network

- ii) Appropriately located relative to the markets to be served
- iii) Sufficiently large and flexible in its configuration so that it can accommodate the size of distribution centre warehouse units now required by the market
- iv) Accessible to labour, including the ability to be served by sustainable transport, and located close to areas of employment land
- v) Is located away from incompatible land uses

Additional criteria for rail – served strategic logistics sites are:

- i) Offers modal choice; is served by a railway line offering a generous loading gauge (minimum W9), available freight capacity and connects to key origins / destinations directly without the requirement to use long circuitous routes
- ii) Sufficiently large and flexible in its configuration so that it can accommodate an intermodal terminal and internal reception sidings

Applying these criteria, the development pipeline used by MDS Transmodal and Savills comprised the following :-

Table A:6: Rail Served Sites: April 2014

Sites	Size (ha)	Floorspace (sq m)
East Midlands Distribution Centre, Castle Donington	20	120,000
Permission for 230,000 sq. m on 60 ha: 93,000 sq. m completed for M&S, capacity for a further 120,000 sq. m		
East Midlands Gateway Strategic Rail Freight Interchange	139	557,414
Nationally strategic infrastructure project: Secretary of State granted development consent in January 2016 for 557,414 sq m B8 on 139 ha, between M1 J24 and East Midlands Airport, with an intermodal freight terminal to accommodate up to 16 trains per day and trains up to 775 m long.		
TOTAL	159	677,000 sq m

Excluded from supply: G Park, Ashby de la Zouch: proposal for 78,968 sq m scheme on 34.8 ha is located on the line of the HS2 route.

Table A:7: Road only sites with B 8 consents

Sites	Size (ha)	Floorspace (sq m)
Optimus Point: Kirby Road / Ratby Lane	12.5	62,400
New Lubbethorpe, Strategic Employment Site, Blaby	14.2	56,700 (outline)
Barwell West, Ashby Road, Barwell	3.1	12,400 (subject to S106)
Logix 2, Rugby Road, Burbage	3.2	15,800
Prime Link, Interlink Distribution Park, Standon, nr Bardon	2.75	11,000
Maximus 22, Interlink Distribution Park, Standon, nr Bardon	5.9	23,226 (outline)
Ivanhoe Business Park Ashby de la Zouch	3.5	15,800 (outline)
	45.15	197,326

Source Table 5.6 MDS Transmodal Savills 2014 Leicester and Leicestershire Strategic Distribution Sector Study: Part B Report

We now critique MDS Transmodal and Savills' needs assessment, update the development pipeline and consider the implications for economic development land planning in Leicester and Leicestershire.

For the needs assessment, MDS Transmodal and Savills replaced the employment based forecast model, advocated in the PPG, with a new methodology based on replacement rates of the stock of buildings and sites (ie renewal) and net growth in cargo volumes.

In developing and applying their new methodology, MDS Transmodal and Savills devised and applied seven assumptions for their preferred high replacement scenario as follows:

- i) Baseline for assessment of needs based on an existing stock of 89 warehouses of 9,000 sq m and above with a total floorspace of 2.25m sq m
- ii) Economic life of existing warehouses to be 30 years
- iii) Stock to be replaced at the rate of 3.33% per annum for 22 years 2014 – 36 (assuming the stock had an average age of 15 years at 2014)
- iv) 61 ha requirement arising from growth in cargo volume 2014 – 36 (assuming Leicester and Leicestershire retain its regional share of volume)

- v) 159 ha development pipeline for rail / road and 45 ha development pipeline for road only served sites respectively
- vi) 90 ha of existing large scale warehouse development to be redeveloped
58% of gross requirement to be for units of 25,000 sq m and above
100% of these requirements to be located at rail / road sites
- vii) Development plot ratio 4000 sq m per ha

We now consider whether the quantum, size and location of development forecast for the plan period fits with market evidence and the development pipeline. Under their preferred high replacement scenario, MDS Transmodal and Savills proposed 1,094,000 sq m (on 274 ha) of the gross forecast for 1,887,000 sq m (on 472 ha) be met through rail / road sites.

This forecast requirement equates to 49,700 sq m (in a maximum of 2 two units) per annum for the 22 years 2014 -2036. This predicts a structural shift in the large scale warehousing stock as there are currently only 7 units of 50,000 sq m and above in Leicester and Leicestershire.

To meet the requirement, there are currently proposals for two rail linked sites with capacity for 677,000 sq m on 159 ha. To address the shortfall of 417,000 sq. m on 115 ha, MDS Transmodal and Savills recommended consideration be given to bringing forward a second strategic rail freight interchange of 100 – 150 ha.

In turn, MDS Transmodal and Savills proposed the balance of 792,500 sq. m (on 198 ha) of the gross forecast be met through road only served sites.

This part of the forecast requirement equates to 36,000 sq. m (in units of 9,000 – 25,000 sq. m) per annum over the 22 years 2014 -2036. MDS Transmodal and Savills assumed the requirement would be met as follows:

- i) In situ redevelopment: 360,000 sq. m on 90 ha of existing large scale warehousing sites
- ii) Existing pipeline: 197,000 sq. m on 45 ha on seven commercially attractive sites
- iii) New sites: 235,500 sq. m on 63 ha of green field sites

To this requirement we have added, 180,000 sq. m on 45 ha to ensure there is a development pipeline of five years supply at the end of the plan period.

Table A:8:Leicester and Leicestershire Large Scale Road Only Warehousing: New – Build Floorspace and Land Requirements 2014 – 2036 and Pipeline: High Replacement Scenario

Road only	Total Sq. m (ha)	In situ Sq. m (ha)	Pipeline Sq. m (ha) 2014	Balance Sq. m (ha)	Pipeline Sq. m (ha) 2034	Total Sq. m (ha)
Forecast 2014	792,500 (198)	360,000 (90)	197,000 (45)	235,500 (59)	180,000 (45)	972,500 (243)
Update 2016		89,446 (17.74)	207,469 (49.5)	473,140 (210.32)	nil	770,055 (277.56)
Balance		- 270,554 - (72.26)	+ 10,469 + (4.5)	+237,640 + (151.32)		- 202,445 + (34.56)
Pending				825,442 (356.7)		

We have reviewed progress (shown in Table 2.39, Update 2016) against these assumptions as follows:

- i) In situ redevelopment: Consent for 89,446 sq. m on 17.74 ha
- ii) Existing pipeline: Consents for 207,469 sq. m on seven sites totalling 49.5 ha. Of this space, 106,905 sq. m on 24.65 ha is committed
- iii) New sites: Consents since April 2014 for 473,140 sq. m on eight new sites totalling 210.32 ha. Of this space 73,414 sq. m on 43.07 ha was committed
- iv) New balance: At April 2016 there were consents for 770,055 sq. m of large scale warehousing on 277.6 ha to meet MDS Transmodal and Savills' forecast requirement to 2036 for 793,000 sq. m on 198 ha.
To this we have added an end of plan period pipeline of 180,000 sq. m on 45 ha, leaving a shortfall of 202,445 sq. m on 34.56 ha (less additional capacity to be identified within the consented sites),
- v) Planning applications pending decision: Planning applications for 825,442 sq. m on 356.7 ha have been submitted for three schemes. If approved the road only served pipeline would be in oversupply for many years.
- vi) Take up rates: In line with the annual take up rate of 85,773 sq. m per annum on 21.45 ha, 180,319 sq. m had been committed on 67.72 ha over the two years to April 2016. This equates to almost 10% of the overall forecast requirements for 1,887,000 sq m on 472 ha.

However, in terms of modal split, take up has been exclusively road based as opposed to the forecast for 58% rail / road linked and 42% road only. It is anticipated that road rail linked warehouses will be available from 2018 at East Midlands Gateway Strategic Rail Freight Interchange (SRFI).

10.4 Planning for large scale warehousing 2014 - 36

MDS Transmodal and Savills have envisaged a sustainable and competitive supply of large scale warehousing for Leicester and Leicestershire's strategically significant logistics sector. The key planning and economic development planning issues arising from their seminal study concern:

- a) The policy and public and business investment cases for a significant shift from road to rail and road required for the low / zero carbon economy and business competitiveness
- b) Net additions to the stock required to accommodate forecast growth in cargo volumes
- c) The need to renew of 78% of the existing stock to accommodate changing business requirements driven in large part by e commerce
- d) Requirements arising from this demand total 2,250 sq. m on 472 ha to include 274 ha road rail linked (comprising the proposed 139 ha East Midlands Gateway SRFI together with a requirement for a second large scale (100 – 150 ha) SRFI 198 ha road only (comprising 45 ha of existing commitments, 63 ha on new sites and 90 ha through in situ renewal) and a further 45 ha required for the end of plan period pipeline)
- e) The need to anticipate and plan for the potential release of 382 ha from existing large scale warehousing uses

In the light of these issues, the LLEP and Leicester and Leicestershire LPAs are recommended to prepare a brief and commission a further study to:

- a) Identify and assess the political and physical feasibility and commercial viability of bringing forward a second Strategic Rail Freight Interchange in the period ending 2036 (against a background where developers are promoting road only served schemes into over supply)
- b) Assess the 89 existing large warehousing buildings to identify those buildings likely to be functionally obsolete by 2036
- c) Assess the potential for redevelopment of the above sites (and where appropriate the wider employment areas in which they are located) against the above criteria for commercially attractive strategic logistics sites and additional criteria for alternative uses
- d) Use the resulting data, from a) and c) to amend the assumptions made in the forecast and update the forecast and the supply demand balance

Planning for a sustainable and competitive logistics sector is of importance to Leicester City Council on a number of grounds, most notably:

- i) The sector is a significant direct and indirect employer in Leicester and the PUA
- ii) New large scale warehousing within the Leicester urban fringe will help to retain and support the growth of existing logistics and industrial firms, notably food manufacturers and clothing retailers
- iii) The presence of e commerce warehouses is a potential driver for Leicester's textiles sector as technology enables low cost production and distribution of bespoke fast fashion
- iv) The possible relocation of warehouse operators to new sites and buildings to edge of city sites may release a limited number of sites in the City for economic and other uses.

Table A:9: Road only sites with B 8 consents: Pipeline at April 2014 Update

Sites	Size (ha)	Floorspace (sq m)
i) Optimus Point: Kirby Road / Ratby Lane	16 10.59	74,732 45,000 subject to pp
Consent for 97,680 sq. m for B uses on 26.59		
a) 74,948 sq. m completed / under construction on 16 ha		
b) 22,732 sq. m balance on 10.59 ha (with potential for 45,000 sq m)		
ii) New Lubbesthorpe, Strategic Employment Site, Blaby	14.2	56,700 (outline)
Land promoter has received tender offers from developers for the site		
iii) Logix 2, Rugby Road, Burbage	4.05	15,800
15,800 sq. m design and build opportunity on market (15,329 sq m completed)		
iv) Barwell West, Ashby Road, Barwell	3.1	12,400 (subject to S106)
Proposal for 12,400 sq. m unit as part of Barwell SUE		
v) Maximus 22, Interlink Distribution Park, Standon, nr. Bardon	5.9	19,857
19,857 sq. m unit under construction		
vi) Prime Link, Interlink Distribution Park, Standon, nr Bardon	2.75	12,100
12,100 sq. m unit under construction		
vii) Ivanhoe Business Park Ashby de la Zouch	3.5	15,880 (outline)
15,880 sq. m design and build opportunity on market		
March 2014	45.15	197,326
March 2016	49.5 – 60.09	207,469 – 252,469

Sources Table 5.6 MDS Transmodal Savills 2014 Leicester and Leicestershire Strategic Distribution Sector Study: Part B Report and Leicester and Leicestershire LPAs monitoring data

Table A:10: Road only new sites with B 8 consents: April 2014 – 16

Sites	Size (ha)	Planning
Leicester and Leicestershire	210.32	473,140 sq m
8 schemes with allocations and consents, see below		

Source: Leicester and Leicestershire LPAs monitoring data

Table A:11: Charnwood

Sites	Size (ha)	Planning
West of Loughborough (part of SUE)	6.65	Planning permission subject to S106 26,600 sq. m
Assumes 50% of 13.3 ha employment land allocation will be for B8		
Watermead Phases II & III	7.85	Outline planning permission 31,400 sq m
Assumes 50% of 15.7 ha employment land allocation will be for B8		
Broad Nook Garden Suburb, Rothley	6.75	Pre application 27,000 sq m
Assumes 50% of 13.5 ha employment land allocation will be for B8		
TOTAL	21.25 ha	85,000 sq m

Source: Leicester and Leicestershire LPAs monitoring data

Table A:12: Harborough

Sites	Size (ha)	Floorspace (sq m)
Former George House, Hunter Boulevard Magna Park, Lutterworth	4.11	Planning permission 16,703 sq. m
16,703 sq. m development under construction		
Land at Mere Lane (adj Magna Park), Bittesby	55	Planning permission 100,844 sq. m B8
TOTAL	59.11	117,547 sq. m

Source: Leicester and Leicestershire LPAs monitoring data

Table A:13: Hinckley and Bosworth

Sites	Size (ha)	Planning
Nailstone Colliery Wood Lane Nailstone	55	Planning permission 93,109 sq. m
Consent for 93,109 sq m scheme		
TOTAL	55	93,109 sq m

Source: Leicester and Leicestershire LPAs monitoring data

Table A:14:North West Leicestershire

Sites	Size (ha)	Floorspace (sq m)
Sawley Crossroads North of A50, Castle Donington	38.96	Planning permission for 56,711 sq. m B8
Development for ALDI regional distribution centre		
Paragon Development Little Battlefield Farm Beveridge Lane Ellistown	36	Outline planning permission 120,773 sq. m
Potential rail connection		
TOTAL	74.96	177,484 sq m

Source Leicester and Leicestershire LPAs monitoring data

END

