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Economic Development Needs Assessment

Leicester City Council

Final Report

June 2020

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“Erratum” – Error noticed and corrections made to tables 43, 45 & 46 and in subsequent text

EXECUTIVE SUMMARY

Introduction

- i) This report provides an Economic Development Needs Assessment for the City of Leicester. The Study has been commissioned to provide a robust evidence base which will determine the City's overall economic development land needs to 2036 as part of the new Local Plan. The study updates previous employment land evidence base documents for the City. The purpose of the study, as set out in the study brief, is to:
- *“Identify sites and broad locations with potential for economic development;*
 - *Assess their development potential;*
 - *Assess their suitability for development and the likelihood of development coming forward (the availability and achievability).”*
- ii) Also, to provide up-to-date and relevant quantitative and qualitative assessments of:
- *“The sufficiency and suitability of retaining the existing economic development areas in Leicester for all foreseeable types of economic activity in order to meet identified need;*
 - *The suitability for economic development and likelihood of economic development coming forward (the availability and viability /deliverability) on the few remaining sites in these existing areas; and of any recommended new potential allocations.”*

Methodology

- iii) A number of research methods have been used, including site visits and interviews with property market stakeholders such as developers, investors, and their agents. Major employers in the City have been individually consulted, as have key public-sector agencies. The property market in the local authority areas elsewhere in the Functional Economic Market Area (FEMA) has been reviewed through desktop analysis of employment and planning strategies, and consultations with officers from those local authorities. Conditions in the Employment Areas of the City and in the City Centre office and regeneration areas have been reviewed using quantitative and qualitative methods, identifying their current status, and providing a grading of long-term area viability. Finally, the land supply has been assessed against forecast data to understand future land need. The methodology follows Planning Practice Guidance on employment land reviews.

Findings

- iv) Leicester has a large and growing population and accommodates some 163,500 jobs. Local employment has declined slightly in recent years, but this decrease is highly focused in the '*Electricity, Gas, Steam and Air Conditioning*', '*Administrative Services*' and '*Health*' sectors, reflecting a mix of national and local issues.
- v) The City's dependence on public sector, and private education employment is well above the national average, with 36.0 percent of Leicester's workforce employed in '*Public Administration*', '*Education*' and '*Health*', in 2018. It reflects the City's strengths in '*Health*' and '*Education*', which will include the local hospitals and universities. These two sectors employed 50,500 in 2018, despite some losses in health employment.
- vi) Leicester also retains a strong local manufacturing sector, which employed 20,000 in 2018, although this is proportionately in line with East Midlands averages. The sector has experienced a strong increase of 5.26 percent over recent years.
- vii) 33,875 people were employed in private office sectors in 2018, with 42.8 percent of that total comprising employment in '*Business Administration and Support Services*'. The '*Professional, Scientific and Technical*' sector is proportionally underrepresented in Leicester, accounting for 4.9 percent of employment, against wider averages of 6-9 percent. However, it still accounts for 8,000 jobs locally and an 11.5 percent share of businesses within the City. Businesses employing professions such as architects and solicitors evidently have a strong role in the local economy but are mostly small or micro businesses.
- viii) City Centre office demand tends to be from smaller, local occupiers, requiring up to 500 sqm each. However, despite a limited critical mass of big firms, the view of Stakeholders was still that Leicester is of interest to larger regional and national businesses. Demand is from traditional financial services firms and companies who provide business to business services, plus the high-tech specialisms of the Enterprise Zone. London and Nottingham are common sources of large enquiries and one attraction of Leicester is its large body of skilled graduates.
- ix) Against this demand, stakeholders report strong shortages of supply of all types and sizes, but particularly larger suites, Grade A space and freehold options. The second-hand stock which remains available is trading well, with New Walk a focus for both local and national businesses.

- x) As the supply is overwhelmingly B/C Grade and second hand in nature, the maximum City Centre rent is around £17/ sqft (£183/ sqm). One Great Central Square, Vaughan way is successfully offering modern, Grade-A space for £20/ sqft (£215/ sqm). This is a rental level which, subject to other site issues, new development can become viable. It was the view of stakeholders that what is being achieved at One Great Central Square can be replicated elsewhere, with the right product.
- xi) Local industrial firms require units of up to 500 sqm, including some workshop options of 100 sqm or less, with healthy freehold demand. There is also strong evidence of demand for larger premises from major national firms. Stakeholders report demand up to 10,000 sqm, although requirements of 2,000-5,000 sqm are more common. Larger industrial demand is focused around the large established industrial estates in the west and north of the City.
- xii) Supply shortages, against demand, extend up to 10,000 sqm with a particular lack of 2,000 sqm units to accommodate growing firms. Overall, industrial floorspace in the City is 96.4 percent occupied, pointing to a lack of choice in supply for businesses.
- xiii) Rents have been steadily increasing over the last 10 years, with an average quoting rent of currently marketed units of £6.90/ sqft (£75.00/ sqm) and the best quality space achieving rents of £7-8/ sqft (£75.00-86.00/ sqm).
- xiv) Leicester's manufacturing sector is dominated by the textile industry based in the outskirts of the City Centre and to the east, in some 20 distinct Employment Areas. These businesses are in converted old mill properties/multi-storey warehouses, and whilst not of the best quality, are all found to be functional and with average occupancy rates of 97 percent.
- xv) The defined FEMA for Leicester includes the other local authority areas of Leicestershire.
- xvi) A diverse range of strategic B8 (plus some B2) logistics facilities are planned, and in many cases under development, in all of the FEMA local authority areas with links to the motorway corridors and the A5. For the most part these are serving a distinct regional and national market from more local scale facilities in Leicester, although some overlap and competition is likely with the delivery of Leicester's Strategic Development Sites, which are also aimed at a B2, and to a lesser extent B8, market.
- xvii) In the case of the various SUEs, Sustainable Extensions and Strategic Development

Areas proposed, delivery of employment uses is progressing slowly and, in most cases, large scale provision, again likely to be for larger B2/B8 uses, is around a decade away.

- xviii) The 2017 HEDNA Study has identified office needs of up to 48-56 ha for Blaby and North West Leicestershire, to 2036. Clearly development of even a portion of this would result in sizable new office parks in the County which would compete with the City. However, the authorities are sceptical about both the real level of market demand for offices in Leicestershire and the ability of developers to deliver office schemes at anything like this scale. North West Leicestershire is independently reviewing the local OAN for offices. Blaby accepts the identified need but is informally looking to Leicester to meet the identified requirement, 106,750 sqm of floorspace to 2031. Initial discussions have taken place between Blaby and Leicester about the City supporting Blaby's office requirement, which equates to 5.34 ha at City Centre densities. However, no formal commitments have been made on this, and any agreement would need to be progressed through the respective local plan processes.
- xix) Alongside the Leicester Enterprise Zone there are two other EZs in the County, at Loughborough and Hinckley (MIRA), alongside the Melton Manufacturing Action Zone. Although these focus on differing business sectors, there is still likely to be competition for requirements in advanced manufacturing and engineering sectors. Melton is seeking growth in food production industries, one of Leicester's strengths, which again will likely mean competition for strategic requirements.

Employment Areas

- xx) Despite the loss of 66.99 ha of designated employment land since 2006, 62 Employment Areas remain and are identified as active, well used and viable locations for B-Class employment, which should receive ongoing protection, for B1/B2/B8 and relevant ancillary uses in the Local Plan. 86 percent have occupancy rates of 90 percent or more. Areas in the Textile Quarter particularly have average occupancy rates of 96 percent.
- xxi) 18 Potential Development Areas (PDAs), totalling 88.27 ha, have also been reviewed to determine if they still provide opportunities for B-Class and mixed-use development in the City. 11 have been developed for/are in Non B-Class uses (i.e. regeneration has been enabled) while three are constrained by site conditions. Also removing re-allocation proposals, constrained sites and planning consents there appears little long-term availability in the PDAs to meet specifically B-Class needs.

Employment Land Supply and Need

- xxii) The existing employment land supply is 40.90 ha in seven sites, comprising:
- Strategic: 34.20 ha (83.6 percent), three sites
 - Local supply: 4.70 ha (11.5 percent), two sites
 - City Centre office supply: 2 ha, 40,000 sqm (4.9 percent), two sites
- xxiii) The outputs from all the Objectively assessed Needs (OAN) models are outlined in Table ES1.

Table ES1 – Leicester Forecast Models to 2036 – Summary

Model	Industrial/ Warehouse Land Need (inc. Buffer) (ha) Office Need, sqm	2019 Industrial/ Warehouse Supply (ha) Office Supply, sqm	Industrial/ Warehouse Supply minus Demand (ha) Office Net Need, sqm <i>Surplus or (Deficit)</i>
Model One: Historic Take-Up – Scenario 1: Gross Completions	123.2 46,112	38.90 40,000	(84.30) (6,112)
Model One: Historic Take-Up – Scenario 2: Net Completions (completions minus losses).	(102.85)* (66,708)*	38.90 40,000	141.75 106,708
Model One: Historic Take-Up – Scenario 3: Gross Adjusted Completions	65.12 46,112	38.90 40,000	(26.22) (6,112)
Model Two: Employment forecasts (growth only)	1.90 71,200	38.90 40,000	37.00 (31,200)

Source: BE Group, 2019

Note:- * Negative forecast does not include a buffer

- xxiv) The figures are inclusive of a five-year buffer in supply to reflect a choice of sites by size, quality, and location and to provide a continuum of supply beyond the end of 2036.
- xxv) The jobs based forecast model, Model Two, suggests that the City has an oversupply of employment land. This indicates that a portion of the current land supply may be surplus to requirements and could be used for other activities. However, the market assessment and a review of the historic trends in employment change and land take up (see Section 9.0) suggest that these forecasts underestimate land needs significantly.
- xxvi) In terms of the three take up scenarios, it is considered that Scenario 3: Gross Adjusted Completions is the most sophisticated and accurate forecast method. It assesses what new development recorded within the completions could be identified as the type of space that Leicester should be planning for looking forward to 2036, taking account of the nature

of the land that is currently available for development. This method only uses 299,776 sqm of completions which have taken place in either modern business park and industrial locations or the city centre office locations. This reflects the fact that future growth will likely occur in defined Employment Areas, namely, the emerging Strategic Development Sites, combined with City Centre investment. This scenario suggests that Leicester has a shortfall of some 26 ha to meet needs to 2036.

Recommendations

xxvii) This report has had full regard to the requirements of the NPPF and the PPGs to encourage and deliver growth through the planning system. The key recommendation is:

That Leicester City Council use the roll forward of historic take-up as the main measure of Leicester's future land needs for the period up to 2036.

This indicates a need of 65.12 ha over 2019-2036, and 46,112 sqm of offices, with a five-year buffer. Against this need, the City has a shortfall of 26.22 ha of industrial land and 6,112 sqm of offices. With the recent completion of the 3,020 sqm office building One Great Central Square, Vaughan Way, the outstanding B1(a) office requirement for the City, for 2020/21 onwards is 3,092 sqm

xxviii) The other recommendations of this study are:

- 11 Employment Areas, Graded A-B/C and defined as 'Primary Employment Areas' in this Study, should be identified as 'High Quality Economic Development Areas' in the Local Plan and receive protection as reflected in Policy EO2 of the Draft Local Plan
- 15 Employment Areas, graded B/C-C, and defined as Secondary Employment Areas in this Study should be identified as 'General Economic Development Areas' in the Local Plan and receive protection as reflected in Policy EO1 of the Draft Local Plan
- Council should continue to strongly protect the Operational Historic Employment Area/Textile Areas, particularly those Graded C or C/D in this Study
- The five identified Neighbourhood Employment Areas should be protected in line with Policy EO5 of the Draft Local Plan, as should the nine Mixed Use and Development Areas

- 98 City Centre office buildings, graded A-B1/B2 in this Study, should enjoy strong protection, i.e. subject to Permitted Development rights, only applications for B1 (a, b) Class use should normally be permitted. For the 400 C-D graded buildings a more flexible approach could be taken to help facilitate a broad range of economic development, which is vital for the future sustainability and development of the City Centre's economy
- The Local Plan should have a robust policy that requires a landowner, other applicant, etc. to demonstrate that there is true market failure, before an application for alternative uses is approved, outside of Permitted Development Rights. As a minimum this should require a landowner to provide evidence of a proper and sustained marketing of the area
- PDA Faircharm Trading Estate/Marlow Road is recommended for re-designation as an Employment Area
- It is recommended that Leicester look to its neighbours in the FEMA to meet the outstanding 28 ha industrial/warehouse OAN of the City
- The Council should work with neighbouring authorities on issues in which interests will overlap, such as Western Park Golf Course, various Enterprise Zones, SUE's and other strategic locations in the county
- Review and monitor the employment land and premises position and undertake the study again in about five years, as 2036 is a long time in the future and much will happen before then.

– End of Executive Summary –

1.0 INTRODUCTION

- 1.1 This report provides an economic development needs assessment for the City of Leicester. It has been carried out on behalf of Leicester City Council (the Council).
- 1.2 The Study has been commissioned to provide a robust evidence base which will determine the City's overall economic development land needs to 2036 as part of the new Local Plan. It provides a review of the economic performance of the City, to enable future jobs growth to be forecast to 2036 and informs a review of relevant policies within Leicester's Plan.
- 1.3 BE Group, economic development and property consultants, completed the Consultation Draft version of this Study during September-November 2019 and the Final Draft in May-June 2020. The study updates previous employment land evidence base documents for the City, notably the 2017 and 2006 Employment Land Studies, the older of which was also completed by BE Group.
- 1.4 The purpose of the study, as set out in the study brief, is to:
- *“Identify sites and broad locations with potential for economic development*
 - *Assess their development potential*
 - *Assess their suitability for development and the likelihood of development coming forward (the availability and achievability).”*
- 1.5 Also, to provide up-to-date and relevant quantitative and qualitative assessments of:
- *“The sufficiency and suitability of retaining the existing economic development areas in Leicester for all foreseeable types of economic activity in order to meet identified need;*
 - *The suitability for economic development and likelihood of economic development coming forward (the availability and viability /deliverability) on the few remaining sites in these existing areas; and of any recommended new potential allocations.”*

Background

- 1.6 Leicester City Council is preparing a new Local Plan, to shape the future development in the City up to 2036. This will replace the existing Core Strategy (2014) and saved policies from the 2006 Local Plan. The new Local Plan will set out a vision and objectives for the growth of the city over the next 15 years. It will include strategic policies, land use allocations and designations and development management policies for considering

development proposals. It is expected that this will be adopted in 2021.

Methodology

- 1.7 Research methods used include site visits, face-to-face and telephone interviews with property market stakeholders such as developers, investors and their agents. Consultations were undertaken with a number of the City's major private sector employers and key public sector agencies. Desktop analysis of national, sub-regional and local reports and strategies has been undertaken.
- 1.8 The property market in the local authority areas elsewhere in Leicester and Leicestershire, has also been reviewed. This has been undertaken through consultations with officers from the relevant Councils, as part of Duty to Co-Operate, combined with desktop analysis of the Employment Land Studies and Local Plans of those local authorities. Understanding the supply and demand of employment land and premises in neighbouring areas is important in assessing their impact on the City's land and property market.
- 1.9 Conditions in the Employment Designations of the City; and both in the City Centre's office and regeneration areas (called Potential Development Areas); have been reviewed using quantitative and qualitative methods, identifying their current status, and providing a grading of long-term area viability.
- 1.10 Finally, the land supply has been assessed against forecast data to understand the future need for any additional employment land. This is then developed into a series of economic development recommendations that cover not just land, but also premises.
- 1.11 A list of those consulted is provided at **Appendix 1**.

Employment Land Review Guidance

- 1.12 A key reason for undertaking the updated Economic Development Needs Assessment is to take account of recently published Planning Practice Guidance (PPG), which provides guidance on how local authorities should approach both housing and employment land reviews. Two guidance notes were produced in 2014 and updated over 2018/19 – *Housing and Economic Land Availability Assessment* which provides a methodology of reviewing suitable land, and *Housing and Economic Needs Assessments*, which provides guidance on how future needs can be determined. A third PPG *Effective Use of Land* provides advice on assessing whether existing employment allocations should be protected or reallocated for a more deliverable use.

1.13 The assessment process takes the form of a five-stage methodology under the following headings:

- **Stage 1: Identification of sites and broad locations** to provide an audit of available land of 0.25 ha and above. This is a review identifying as wide a range as possible of sites and broad locations for development (including those existing sites that could be improved, intensified or changed). Identification methods may include a public 'Call for Sites' exercised by the local authority. The outcome of this stage is to understand key employment land supply issues and generate a portfolio of potential employment sites to take forward for more detailed review.
- **Stage 2: Site/broad location assessment** to estimate the development potential. This will include a re-appraisal of the suitability of previously allocated land, and the potential to designate allocated land for different or a wider range of uses. This stage entails a qualitative review of all significant sites and premises for their 'suitability', 'availability' and 'achievability' in order to confirm which of them are unsuitable for/unlikely to continue in B1/B2/B8 employment use; to establish the extent of 'gaps' in the portfolio; and if necessary, identify additional sites to be allocated or safeguarded. This exercise will help to inform whether a site is 'deliverable', 'developable' or neither. In assessing the portfolio, factors which need to be considered include:
 - *"The best fit functional economic market area*
 - *The existing stock of land within the area - this will indicate a baseline for land in employment uses*
 - *The recent pattern of employment land supply and loss – for example based on extant planning permissions, planning applications and loss to permitted development*
 - *Market demand – sourced from market intelligence from local data and discussions with developers and property agents, recent surveys of business needs or engagement with business and economic forums including locational and premises requirements of particular types of business*
 - *Market signals – based on projected growth in the certain markets and demographic changes and*
 - *Oversupply and evidence of market failure – such as physical or ownership constraints that prevent the employment site being used effectively."*
- When considering whether there is a realistic prospect of an existing employment

site being developed for its intended use, PPG *Effective Use of Land* suggests that the following factors be taken into account:

- *“The length of time since the site was allocated in the development plan*
- *The planning history of the site including any planning applications or pre-application enquiries*
- *Whether there is evidence that the site has been actively marketed for its intended use for a reasonable period, and at a realistic price; and*
- *Whether there are any changes of circumstance that mean that take-up of the site for its intended use is now unlikely.*
- *Where an alternative use for the allocated site is proposed, it will also be relevant to consider the extent to which evidence suggests the alternative use would address an unmet need, as well as the implications for the wider planning strategy for the area and other development plan policies.”*
- **Stage 3: Windfall assessment** Not applicable as relates to housing only.
- **Stage 4: Assessment review** ascertaining the need for economic development uses. To understand the future quantity of land required across the main business sectors; to provide a breakdown of that analysis in terms of quality and location and provide an indication of ‘gaps’ in supply through economic forecasting, consideration of recent trends and/or assessment of local property market circumstances. Preferred forecast methods include:
 - *“Sectoral and employment forecasts and projections (labour demand)*
 - *Demographically derived assessments of future employment needs (labour supply techniques)*
 - *Analysis based on the past take-up of employment land and property and/or future property market requirements*

This is combined with *“consultation with relevant organisations, studies of business trends, and monitoring of business, economic and employment statistics.”*

The outcome of this stage is to provide broad quantitative employment land requirements across the principal market segments covering the City’s Local Plan period and an analysis of the likely ‘gaps’ in supply that need to be filled

- **Stage 5: Final evidence base**, the outcome of which will be the completion of the employment land review, to be taken forward in the Local Plan. The Review is prepared in line with this advice.

1.14 Table 1 shows how the Employment Land and Premises Study aligns with this Guidance.

The link between the report and the PPG methodology is not always clear cut, with different sections overlapping, indeed certain steps overlap.

Table 1 – Employment Land Reviews – PPG Guidance

Stage 1 – Site / Broad Location Identification	
Determine assessment area and site size	Undertaken by Leicester City Council
Desktop review of existing information	Review of the policy position, socio-economic position, local/sub-regional property market and the 2019 land supply (Covered in Sections 2, 3, 4, 5, 6, 7)
Call for sites / broad locations	Call for Sites were undertaken in July 2017 during the Issues and Options consultation; and again, in November-December 2018. Site assessment exercises have then been completed by Leicester City Council, (in accordance with HMA agreed methodology):- on the 250 sites included in the 2017 Issues and Options consultation; plus SHLAA sites; plus sites received in both call for sites. Relevant sites reviewed in section 7
Site / broad location survey	Review of available employment sites. Broad locations to meet future land needs completed in Conclusions and Recommendations. (Covered in Sections 6, 7, 10, 11 and Appendices)
Stage 2 – Site / Broad Location Assessment	
Estimating the development potential in parallel with assessing suitability, availability, achievability – including viability	Covered in Section 7 and Appendices
Overcoming constraints	Covered in Section 7 and Appendices
Stage 3 – Windfall Assessment	
Determine housing / economic development potential of windfall sites (where justified)	N/A
Stage 4 – Assessment Review	
Review assessment and prepare draft trajectory; enough sites / broad locations?	Section 6, 7
Stage 5 – Final Evidence Base	
Step 12 – Evidence Base and monitoring	EDNA produced by BE Group and monitoring undertaken by Leicester City Council

Source: BE Group 2019

2.0 STRATEGIC AND POLICY CONTEXT

Introduction

- 2.1 This section focuses on national, regional and local reports that have a relevance to the allocation of employment land and premises.

National

National Planning Policy Framework (NPPF) (Nov 2019)

- 2.2 The framework sets out planning policies for England, as made by the Government, and the ways in which they can be applied. The introduction states that it “*provides a framework within which locally-prepared plans for housing and other development can be produced.*” The NPPF must be taken into account when developing local authority development plans and is a material consideration in planning decisions.
- 2.3 Most substantive amendments to the 2012 NPPF focus on housing policy and practice rather than employment. In terms of Local Plans, the NPPF recommends plan reviews to be completed no later than five years after adoption (Para 33) and would require Local Planning Authorities to prepare a statement of common ground with neighbouring authorities (Para 27).
- 2.4 Key for employment, and other sites, will be Chapter 11 on making ‘Effective Use of Land.’ Para 120 encourages reallocating land where there is no reasonable prospect of an application coming forward for the allocated use, specifically Local Planning Authorities should:
- a) *as part of plan updates, reallocate the land for a more deliverable use that can help to address identified needs (or, if appropriate, deallocate a site which is undeveloped); and*
 - b) *in the interim, prior to updating the plan, applications for alternative uses on the land should be supported, where the proposed use would contribute to meeting an unmet need for development in the area.”*
- 2.5 “*Local planning authorities should also take a positive approach to applications for alternative uses of land which is currently developed but not allocated for a specific purpose in plans, where this would help to meet identified development needs. In particular, they should support proposals to ... use retail and employment land for homes in areas of high housing demand, provided this would not undermine key economic*

sectors or sites or the vitality and viability of town centres, and would be compatible with other policies in this Framework.” (Para 121).

- 2.6 Additionally, planning policy should *“promote and support the development of under-utilised land and buildings, especially if this would help to meet identified needs for housing where land supply is constrained and available sites could be used more effectively (for example converting space above shops, and building on or above service yards, car parks, lock-ups and railway infrastructure)” (Para 118).*

Strategic Policy

i) Strategic Economic Plan, 2014-2020 – Leicester and Leicestershire Enterprise Partnership (2014) (LLEP)

- 2.7 The SEP sets out the framework for achieving the vision for Leicester and Leicestershire to invest in Place, Businesses and People, with the aim that by 2020 it will:
- Create at least 45,000 additional jobs
 - Attract over £2.5 billion private sector investment
 - Increase Gross Value Added (GVA) by £4 billion to £23 billion.
- 2.8 34 projects and programmes were chosen to be priority projects for inclusion in the SEP. From 2015-2020, the Local Growth Fund (LGF) for these projects is £240.71 million.
- 2.9 The intention was to bring together the European Structural and Investment Fund Strategy, City Deal and Growth Deal to build upon the successes such as having the most advanced Enterprise Zone in the country and the City Mayor’s Economic Action Plan, which is investing £60 million to transform Leicester’s economy. This combination will tackle aspects of the economy such as:
- Lack of suitable employment land for the most land intensive priority sectors (logistics and manufacturing)
 - Inadequate transport infrastructure
 - 70 percent of SME’s have growth plans but need support
 - Lack of skills in key sectors.
- 2.10 The Investment in Place theme (previously included the ‘Leicester Launchpad’ programme), *“identified in the Leicester City Core Strategy as the Strategic Regeneration Area for housing and employment development as well as city centre investment and*

growth.” It focuses on the City Centre/Waterside/Abbey Meadows area and incorporated the following priority projects and programmes:

- Leicester North West Major Transport Investment Corridor – A50/A6
- Leicester Waterside Regeneration Fund – *“An investment and infrastructure led programme to unlock development sites through investment in essential infrastructure and land assembly in the Waterside and Abbey Meadows.”*
- Leicester City Development Investment Fund – *“An investment fund is proposed by the City Council to unlock office, general employment, leisure and residential schemes, mainly in the city centre. The investment fund will create a variety of financial instruments including a revolving loan and equity fund and small grants.”*
- Leicester Strategic Flood Risk Management Strategy and River Soar/ Grand Union Canal Access Programme
- Connecting Leicester Wave 2 Access and Public Realm Improvements
- North City Centre Access Improvement Area
- A5199 Welford Road Transport Investment Corridor
- Leicester College Skills and Innovation Village
- Saffron Lane and Uppingham Road Transport Investment Corridor
- Ashton Green Sustainable Urban Extension Infrastructure Programme – *“This is a £5m investment sought from Local Growth Fund LGF to unlock Phases 3 and 4 of a key employment and residential site at Ashton Green. This is essential to provide certainty of infrastructure to unlock investment and accelerate housing and employment delivery”*
- Leicester City Business Gateway Investment Programme Wave 2
- Great Central Railway Museum Leicester North

2.11 Stated outputs include:

- 20 ha land released
- 111,500 sqm workspace
- 120 businesses supported
- 600 training places
- 7,770 jobs
- 26 apprenticeships.

ii) Leicester and Leicestershire Local Industrial Strategy Prospectus – Leicester and Leicestershire Local Enterprise Partnership (2018)

- 2.12 This prospectus aims to deliver the ambitions of the Industrial Strategy and the Midlands Engine Vision for Growth in order to create priorities which will grow the economy.

A) Space Technology

- 2.13 Sectoral priorities with relevance to Leicester include Space Technologies. Here LLEP seeks to oversee development of *“a world-leading cluster of space technology businesses across the LLEP area including a hub for space industries in Leicester, translating space research and earth observation data into new commercial applications, services and businesses that will contribute to the AI and Data Economy Grand Challenge. These are clustered around Pioneer Park, (Abbey Meadows on A6) and co-located with the National Space Centre, which also hosts the National Space Academy Programme.*

- 2.14 *Immediately adjacent, (on the former John Ellis School site, Corporation Road,), Space Park Leicester (SPL) is a joint initiative led by Leicester City Council and the University of Leicester. The first phase to develop a new University Space Campus and associated business workspace was granted consent (“the Hybrid Permission”-part Reserved Matters and part Outline Permission; ref 20182094) in the summer of 2018 and local partners have already invested £23 million in the project which is located on one of our Enterprise Zone sites.”*

- 2.15 The sector contributes £186 million/year in GVA and employs up to 3,000 people in 95 businesses. The Space Park has the potential provide up 20,000 sqm of new R&D and manufacturing workspace for the space industry, creating a space technology cluster and supporting development of a low cost satellite manufacturing facility in the City.

B) Textiles – Design and Manufacturing

- 2.16 Another relevant sector is Textiles – Design and Manufacturing. *“The UK fashion and textiles sector is seeing a significant upturn and has considerable potential within a post-Brexit economy. Many national fashion retailers are keen to bring production back to the UK and to source more locally, exploiting consumer demand for “fast fashion” and “made in the UK” branding.“*

- 2.17 With its strong textiles heritage and extensive local expertise and supply chains, Leicester is well placed to benefit from this growth. Local assets include De Montfort University (DMU) Fashion department’s *“Contour Fashion”* Degree. (Established in 1947, to support

the local corset industry, this is the oldest degree of its kind and is quoted as “the most successful”. at. DMU is implementing an ‘Impact by Design’ initiative to support growth of SMEs by providing responsive and holistic support for design innovation.

- 2.18 Leicester is the UK’s second largest fashion textiles cluster, contributing £612 million/year in GVA and employing over 10,000 people in over 1,300 businesses. The Leicester textile cluster has vertical production capability, able to design, make and distribute products.
- 2.19 Proposals include a fashion and textiles Skills and Technology Hub to upskill the workforce and introduce and test new technologies. This was granted consent on the upper floors of 107-111 Bridge Road (ref. 20191327). Also, there are plans to establish a productivity investment fund to unlock business premises and enable the sector to invest in new technology and innovation to enhance productivity.

iii) Leicester and Leicestershire Housing and Economic Development Needs Assessment – Leicester and Leicestershire Authorities and Leicester and Leicestershire Enterprise Partnership (2017)

- 2.20 A Housing and Economic Development Needs Assessments (HEDNA) was commissioned jointly by all the local authorities within Leicester and Leicestershire to assess future housing needs, the scale of future economic growth and the quantity of land and floorspace required for B-class economic development uses between 2011 and 2031/36. *“The assessment provides an evidence base to inform the preparation of statutory local plans by individual local planning authorities, a non-statutory Strategic Growth Plan for Leicester and Leicestershire and a refresh of the LEP’s Strategic Economic Plan.”*
- 2.21 The HEDNA considered the need for B-class employment land (B1, B2 and B8 units up to 9,000 sqm in size) across the Functional Economic Market Area based on full-time equivalent employment growth arising from the Planned Growth Scenario. *“This is based on modelling which relates the 21 sectors in the economic forecasts to use classes and takes an average employment density (sqm floorspace per job) to estimate net growth in floorspace.” This then makes assumptions on plot ratios and includes a ‘margin’ (equivalent to 5 years’ past take-up) to take account of potential error margins in the modelling, provide a choice of sites and flexibility of supply.”* These assumptions are summarised in Table 2.

Table 2 – Overview of Modelling Assumptions

Scenario	Key Assumptions
Labour Demand	<ul style="list-style-type: none"> • Net growth in jobs in Planned Growth Economic Scenario • Employment densities (sqm per FTE job) from HCA Employment Densities Guide: 3rd Edition • Plot ratio assumptions of 2.0 for B1(a/b) offices in Leicester, and 0.35 elsewhere; with a ratio of 0.42 for B1(c) and B2 uses • Margin based to provide flexibility of supply based on 5 years' past take-up (gross completions).
Past Completions	<ul style="list-style-type: none"> • Projection of past gross completions based on local authority monitoring data.

Source: Leicester and Leicestershire Authorities and Leicester and Leicestershire Enterprise Partnership, 2017

2.22 The following summary, Table 3, draws together the various locally specified needs for employment land. This shows a total HMA (Housing Market Area; equivalent to County) need for between 177 and 215 ha of land for office development (B1a and B1b) to 2036. *“For office floorspace, the labour demand and completion trend scenarios should be considered together as providing an appropriate range for future provision.”* For Leicester the needs equated to up to 2-7 ha of B1(a, b) land, 45 ha of B1(c)/B2 industrial land and up to 19 ha of B8 land, for sub-9,000 sqm warehouses, over 2011-2031.

2.23 For industrial floorspace, there tends to be a poor correlation between past employment and floorspace trends, where job numbers have fallen but floorspace numbers may have not. The Planned Growth Scenario envisaged that manufacturing GVA grows strongly and the HEDNA concluded that greater weight should be given to the completions trend for B1c/B2 floorspace.

Table 3 – Employment Land Needs 2011-2036, ha

	Premises Type		
	B1a/b	B1c/B2	Small B8
Leicester	2-7	45	19
Blaby	47-48	19	12
Charnwood	17-40	26	13
Harborough	17-24	28	9
Hinckley and Bosworth	13-34	17	20
Melton	10-23	26	17

NWL	50-56	4	21
Oadby and Wigston	2	0	5
FEMA	177--215	165	117

Source: Leicester and Leicestershire Authorities and Leicester and Leicestershire Enterprise Partnership, 2017

2.24 Table 4 details the need for strategic B8 development (units of over 9,000 sqm). Taking into account growth in traffic/trade and replacement of out-dated supply, a minimum need for 472 ha of land is demonstrated. “Where this is met will be influenced by the availability of land at commercially attractive locations and policy choices.”

Table 4 – Need for Strategic B8 Distribution Development, 2011-2036

Year	To 2036
Replacement build ('000 sqm floorspace)	1,643
Growth build ('000 sqm floorspace)	244
Total ('000 sqm floorspace)	1,886
Land required (ha)	472

Source: Leicester and Leicestershire Authorities and Leicester and Leicestershire Enterprise Partnership, 2017

2.25 BE Group, with its experience of completing some 56 employment land studies since the 2006 Leicester Employment Land Study, including eight in Leicester and Leicestershire, has reviewed the HEDNA Study and has the following comments to make:

- Labour demand modelling uses Oxford Economics Forecasts dated 2016. Our experience is that forecasts from this period still account for recovery from recession. They can somewhat overestimate short term growth and underestimate longer term change. Forecasts will not account for Brexit, although the likely impacts of this macro-economic change still remain unclear today
- Overall, the modelling assumptions are reasonable, as is the decision to allow a five-year margin, to provide flexibility of supply and ensure a continuation of supply post 2036
- The approach of mixing Labour Demand and Past Completions methodologies in forecasting is not necessarily unreasonable and we accept that Past Completions are a better measure of industrial needs than Labour Demand (which invariably shows low or negative jobs growth in manufacturing, which is not translated in the real world into declines in floorspace).
- However, it is our experience that the two modelling methods give very different outputs which can be hard to reconcile. This is evident in the facts that for Leicester City, Table 3 shows far higher needs for B1(c)/B2 industrial than B1 offices and

research and development, a surprising outcome given that Leicester is the HMA's main office centre and home to an emerging science park. Conversely, North West Leicestershire District's B1(a, b) needs massively outweigh its industrial and warehouse requirements, despite its predominantly industrial character.

iv) Leicester and Leicestershire Strategic Distribution Study - Leicestershire Housing Planning and Infrastructure Group (2014)

- 2.26 It is noted that a 2020 update is in the process of being jointly commissioned on behalf of the HMA (Housing Market Area, equivalent to the County, led by Harborough District Council).
- 2.27 This document examined the strategic distribution sector in the County with the main objectives to '*determine future need, together with managing change and supporting sustainable economic growth*'. Overall in Leicestershire, 12 percent (51,300 jobs) of employment is accounted for in the distribution and logistics sector within 2.25 million sqm of floorspace in 89 warehouse units.
- 2.28 The key challenges included:
- Competing inland locations to the north and east of the 'golden triangle' which to date have not generally accommodated national distribution facilities
 - Rail-served sites in the golden triangle continue to offer the most competitive location for national distribution and so companies are expected to locate here
 - Continued development of commercially attractive sites is key in order to keep up with competition
 - Bringing forward new/ additional sites is key for accommodating the demand of the market. With reduction in usefulness for existing warehouse stock, market trends of on-line shopping and technological advances, requirements are for fewer but larger warehouse units.
- 2.29 Planning for growth:
- High replacement land use forecasts suggest 115 ha of new land rail-serviced sites will need to be brought forward by 2036
 - High replacement forecasts suggest 153 ha of new land at non rail-serviced sites will need to be brought forward by 2036
 - To be noted that the recycling of plots at existing sites may contribute towards the land use requirements

- Meeting these forecasts may generate around 7,000 full-time jobs, with an estimated £279 million contribution to LLEP Gross Value Added generated from the employment. However, 3,500-7,500 jobs would be lost from Leicestershire due to the inability to bring forward new sites in line with the land use forecasts. This would be a loss of £274-£548 million to LLEP Gross Value Added.

2.30 Six 'key opportunity areas' were identified where individual sites might be located which are attractive to the logistics market. These fall close to, but outside of the City boundary, including the 'Leicester to Hinckley Corridor' (M69), 'Midland Main Line North Corridor', and M1 North and South (of Leicester) Corridors.

Local Policy Context

i) 2006 City of Leicester Local Plan (CLLP) (1996-2016), Saved Policies Version – Leicester City Council

2.31 The plan aimed to '*facilitate the future development of Leicester in a sustainable way, a way which addresses the pressures and opportunities the City will face over the period to 2026 and seeks to resolve them successfully*'.

A) Regeneration

2.32 This Plan supported the wider work of the City Council and its partners under its "Regeneration Strategy" within the Strategic Regeneration Area, which had five main areas of intervention:

- *"The creation of a prime central office core around the railway station (the "New Business Quarter") – to provide at least 50,000 sqm of prime, new office floorspace, supporting leisure and retail, a hotel/conference centre, a re-orientated station, a new car park, a new bus/rail interchange and a re-alignment of the ring road;*
- *The creation of a new science and technology-based business park near the National Space Centre at Pioneer Park (Abbey Meadows);*
- *The creation of a strong City centre retail circuit and heart within the Central Shopping Core (Highcross);*
- *The creation of a major new residential and working community in St. George's North – This will include the provision of modern business accommodation including live/work accommodation for small businesses (The Cultural Quarter);*
- *The creation of a new waterside development reuniting the City with its waterfront."*

– Including high quality business accommodation space, well integrated with the residential property (Waterside). *“Office space should be smaller ‘own front door’ units to complement the proposal for New Business Quarter (NBQ) in the vicinity of the Railway Station.”*

2.33 The Plan identified a number of Potential Development Areas (PDAs) where, in order to encourage regeneration or development, a range and mix of possible land uses would be considered. The PDA locations reflect two of the major strands of the City’s physical regeneration strategy:

- *“The regeneration of old and outdated industrial and commercial sites and properties on the fringes of the City centre, particularly along the Central Ring Road*
- *The regeneration of Leicester’s waterways.”*

2.34 The PDAs are mainly located within the wider Strategic Regeneration Area. Although the majority of PDS’s have successfully been fully redeveloped, the PDAS, still of relevance in 2019 are considered in Section 6.0.

B) Various Employment Designations (2006 CLLP)

2.35 Policy E02: The ‘Key Employment Areas’ are recognised as areas separate from residential uses that are employment opportunities, and particularly of an industrial nature. *“Within the Key Employment Areas shown on the Proposals Map planning permission will only be granted for development of B1 (except major office development), B2 and B8 uses.”* These areas do not include City Centre uses and therefore major office developments are discussed in Policy E05.

2.36 Policy E03: ‘Primarily Employment Areas’ identifies that *“Within Primarily Employment Areas planning permission will be granted for development of B1, B2 and B8 uses as appropriate, and not for changes to other land uses unless it can be shown that:*

- *The land and buildings are no longer viable for employment purposes; or*
- *The use is ancillary or complementary to an existing or proposed B-Class Use; or*
- *The use would provide a significant number of jobs; or*
- *The redevelopment of the site would make an important contribution to improving the wider urban environment; or*
- *The use would be for housing on a site without a greater need to be retained for employment purposes*
- *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.”

- 2.37 Policy E04: ‘Business Parks’ focuses upon the development of B1 and B2 uses within Business Parks, and any other uses which may be complimentary will be considered. Large scale B8 uses would not be deemed suitable due to the levels of noise, fumes and heavy traffic which accompany these uses.
- 2.38 Policy E05: ‘Major Office Development’ (B1a), for development within the Central Office Core of the City Centre, over 1,000 sqm and typically employing at least 50 people. It then outlines the preference for the sequential location of office development; firstly at Abbey Meadows Research Business Park (Now called Pioneer Park), then in the other town centres (Hamilton & Beaumont Leys). Policy E6: ‘Primarily Office Areas.’ Within the Primarily Office Area, stretching between New Walk and the Cathedral, planning permission will be granted for the development of B1 offices only, with B1(b) and B1(C) uses being excluded, unless it can be shown that there will be no detrimental impacts.
- 2.39 Policy E15: ‘Abbey Meadows Research Business Park’: A science based business park is proposed at this location. Here planning permission will be granted for B1(b) research and development uses and for complimentary uses for the National Space Centre.

ii) Leicester’s Core Strategy – Leicester City Council, 2014

- 2.40 This document was intended to form the strategic part of the Local Development Framework, to replace the City of Leicester Local Plan, 2006, noted above, so only contains strategic policies. It provides a spatial planning strategy for the City to 2026. However, since then Local Plans have been re-introduced and the New Draft Local Plan will shortly be out for consultation early in 2010.
- 2.41 CS Policy 1: ‘Location Of Development’ identifies that significant new employment development will be focused at:
- City Centre offices
 - Abbey Meadows Science and Innovation Park
 - Up to 10 ha of land at Ashton Green.
- 2.42 More detail on this is provided in Policy CS10: ‘Employment Opportunities’ which identifies that:
- Major Office Development: At least 50,000 sqm of new grade ‘A’ office development

will be provided in the City Centre, in units of 100-1,000 sqm. Small offices of 100 and 1,000 sqm will be allowed between outside the City Centre in local and District Centres, or where they extend existing offices or where they are part of a mixed use scheme, including a Business Centre (B1(a) at Ashton Green, as part of the village centre.

- Professional Office Area: *“Within the existing professional office area between New Walk and the Cathedral, small Class B1(a) offices between 100 and 1,000 sqm and Class D1 uses (except places of worship) will be acceptable.”*
- Abbey Meadows: *“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 Institute (No Use Class), which can demonstrate a need either to be located within the park or to be near the National Space Centre.”*
- Enterprising Leicester: *“The City Council will foster the Design, Creativity and Space Science Hubs that are developing in Leicester and encourage networking opportunities between existing companies and with both Universities.”*
- General Employment Land: Employment land shown will be retained for B1(c), B2 and B8 uses. In lower quality employment areas, as defined by the existing Employment Land SPD, 2007 (discussed below) and then the revised Employment Land Study, 2017 (discussed below), 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.
- Business Parks: *“Within Business Parks, high quality B1(c) and B2 uses will be acceptable”*
- Ashton Green: *“The City Council will allocate up to 10 ha of new employment land within the proposed urban housing extension at Ashton Green, (B1(c), B2 and B8) development, with provision for a Business Centre (B1(a)), as part of the Village Centre.”*
- Strategic Development Sites Outside the City: The City Council will support the early delivery of strategic development sites beyond the City boundary which provide good connectivity with the City.
- Relocations: *“The City Council will work with partners, to support businesses to relocate from the Strategic Regeneration Area into appropriate property where it enables regeneration”*

2.43 Core Strategy employment allocations are summarised in Table 5.

Table 5 - New Employment Provision 2006-2026

Location	Area, ha	Floorspace
Ashton Green	Up to 10	~
Science Park	6.1	At least 30,000 sqm of B1(b)
City Centre	~	At least 50,000 sqm of B1(a)

Source: LCC, 2014

iii) Leicester Employment Land Study – Leicester City Council, 2006

- 2.44 Also completed by BE Group, it assessed the supply of and demand for employment land and premises in the City of Leicester.
- 2.45 It identified that in 2006, there was a healthy property market, but one at risk from a lack of immediately available land and a lack of modern premises. *“Demand has built up over the last two decades as a result of a constrained market supply, due to substantial market failure in the provision of sites and premises in the past, which is recognised by previous studies and research into the area. This problem is exacerbated by the tight City boundaries and the loss of employment land in the past to alternative uses which has not been replaced.”*
- 2.46 Private sector commercial property agents reported that industrial need outweighed need for offices. Requirements were for smaller sizes, up to 500 sqm for offices and around 200-1000 sqm for industrial development.
- 2.47 The 2006 employment land supply was 51 ha, although much of this was expected to be taken up in the short term, leaving a supply of only 16.33-33.5 ha. Needs were identified at 26 ha to 2016, although another 30 ha was needed to relocate companies displaced by its much-needed regeneration efforts. With a further allowance for the additional needs identified in the Study Business Survey, there was an identified total shortfall of 62.5 ha of employment land in Leicester.
- 2.48 Research included the inspection and mapping of the 2,275 B1, B2 and B8 properties and evidenced the perception of a lack of quality or modern properties. 80 percent of premises were industrial; over 90 percent were built before 1990; only five percent were classed as excellent in term of quality, (most of which were offices). In terms of vacant premises, there were shortages of:- very small space for micro businesses; units of above 5000 sqm; for both office and industrial. The existing employment designations , especially those connected with the City’s traditional industries frequently fall into densely packed

residential areas. Some are of very poor quality and badly located, dominated by buildings coming to the end of their economic life. The status of such employment designations is reviewed again in this Study.

iv) Employment Land Study, Supplementary Planning Document – Leicester City Council, 2007

2.49 This document worked alongside the various employment policies in the Leicester Local Plan 2006, to clarify the appropriate uses of employment land. It also follows on from the 2006 Employment Land Study (discussed below) which reported that the City had 564 ha of employment land, split between the following designations:-

- Business Parks – 7 ha
- Primarily Office Areas – 28 ha
- Key Employment Areas – 232 ha
- Primarily Employment Areas – 297 ha.

2.50 The land uses acceptable within each of the above employment allocations and their policy implications were discussed in regard to highway implications, complementary uses and overall type of B-Class allowed. Additionally, it is noted how any employment buildings within Primarily Residential Areas are under no employment use policy, and therefore would be included under housing policies.

v) Leicester Waterside, Supplementary Planning Document (Economic Aspects) – Leicester City Council, 2015

2.51 The Leicester Waterside Supplementary Planning Document (SPD) provides a spatial plan and vision for Waterside over the next 10-15 years. This mixed use area has a vision to support local businesses in creating '*A strong business core and attractive commercial gateways to the city along the A50 and A6, benefitting from improved local access and public transport*'.

2.52 The existing commercial buildings within the site have the opportunity '*to mature into vibrant new mixed use urban quarters*', which includes conversions of historic building, in-fill development and flexible working spaces.

2.53 This is supported by the section of the Council's Economic Action Plan (EAP) "Investment in the Waterside Area", sets out an investment strategy to 2020 for developing well paid and high skilled jobs. This is also supported in the 2014 Core Strategy with the aim to link

more with the universities in providing more service and knowledge based jobs. The plan wishes to achieve this by improving the City Centre Business Investment Area which included Waterside, (this has now been superseded by the creation of an Enterprise Zone). In particular, the development of good quality office space is supported at Friar's Mill. This provides move-on space, to accommodate existing small businesses who require slightly larger space than is currently available in the City Centre. Phase 1 of the scheme provides 1,670 sqm (1,486 sqm net) of floorspace in 15 workspace units and Phase 2, several 465 sqm offices (966 sqm in total so 2,452 sqm across both phases), completed in August 2019 and sold on to Brackley Properties.

- 2.54 Overall development shall be for office and workshop space for small-medium businesses, with market evidence suggesting units will be needed of 230-930 sqm. Market evidence for development shows both leasehold and freehold units would be required. Within the majority of the existing employment land areas within Waterside, mixed use development shall be allowed, whilst the areas adjacent to the River Soar at the western edge of Frog Island and south of Abbey Gate will be retained for employment uses.

Local Evidence Base – For Draft New Local Plan 2020

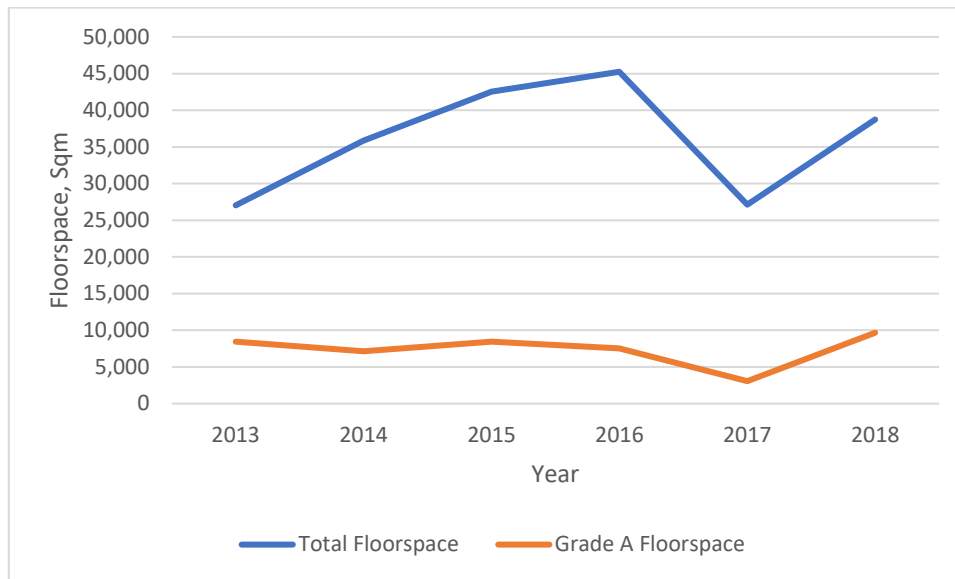
i) Leicester City Centre Offices Study – G.L. Hearne 2019

- 2.55 This study was produced on behalf of Leicester City Council to look at local, regional and national office markets in order to understand Leicester's position and the potential for future development.
- 2.56 The Leicester market analysis looks at the key occupiers within the City to identify sectoral strengths. Strong sectors include financial services, with occupiers Santander and Hastings Direct; the service sector (including IBM) along with the growth of businesses from the creative industries. The public sector is also key with two universities within the City Centre along with Leicester City Council.
- 2.57 As of January 2019, the available office supply was 32,735 sqm, of which 2,790 sqm was Grade A space. Of the Grade A space available, the average rent was £17.5/sqft (£188/sqm), compared with an average rent for all stock at £12/sqft (£129 sqm). Across the East Midlands only Nottingham is achieving higher Grade A rents of £20/sqft (£215/sqm)
- 2.58 Rents within Leicester are looking to rise with new Waterside development quoting £18.4/sqft (£199/ sqm) and a potential new development on Campbell Street which could

surpass £20/sqft (£215/sqm). However, without any new development occurring, there will be a limit on the rents which can be achieved on refurbished space.

- 2.59 Of supply available, 70 percent sits below 500 sqm, which accommodates demand from the local market, yet leaves little to no supply for any large occupier. No offices of more than 5,000 sqm were available at the time of writing and only two of more than 2,000 sqm.
- 2.60 There have been substantial losses of office space to residential use, through Permitted Development Rights, however much of this space was secondary and represented poorer quality stock that may have been difficult to bring to market. However, there are now few office buildings left, which would suit large scale refurbishment and few out of centre development sites, leading to urgent requirements for new build offices in the City Centre.
- 2.61 Over the last five years, office floorspace take up peaked at 45,243 sqm in 2016, before reducing to 27,127 sqm in 2017, and improving to 38,745 sqm in 2018 (see Figure 1 overleaf). Grade A floorspace take up has fluctuated between 7,000-9,000 sqm a year, although 2017 again was a weak year for take up with only 3,066 sqm occupied. Grade A offices are more commonly taken up in out-of-town locations. But this generally reflects more about the lack of supply in the City Centre, rather than great demand for the space in out-of-town locations. Additionally, there is now also a constraint in terms of available land, as no further sites are currently planned for development or allocation in other adjoining local authorities, outside of the City Centre.
- 2.62 2015-2017 experienced lower levels of demand than previous years, whilst 2018 saw improved demand levels. Requirements are recorded across the size ranges, with particular demand for 200-500 sqm units and 1,000 sqm+ stock. Q1 2019 has seen a problem of supply with three substantial requirements for space over 1,395 sqm recorded, yet little space available to meet such needs. A number of enquiries over the last 12 months have been for freehold opportunities over 3,715 sqm, however these have mainly been for the purpose of residential conversions.

Figure 1 – Floorspace Take-Up, Sqm (2013-2018)



Source: G.L. Hearne, 2019

2.63 Overall the need for Grade A space within Leicester is apparent. This is in order to meet occupier needs, albeit with some reduced demand expected in 2019 due to the current UK political and economic uncertainties. From past take-up figures and a view of the wider market (assuming stock becomes available), *'there is anticipated to be an average annual Grade A office market potential for the city centre to be in the order of 2,322-4,645 sqm per annum'*. This would allow a strong market presence to be created over the next 10 years. This is also in line with both 2017 study figures, (HEDNA and Employment Land Study), delivering c. 4,000 sqm/year of new space for the City Centre.

ii) Whole Plan Viability Assessment, Including CIL – HDH Planning, 2019

2.64 This Viability Assessment was commissioned by Leicester City Council, to assess 'Whole Plan Viability'; to consider all other standards and policy requirements including developer contributions; and consider the scope for Community Infrastructure Levy (CIL). The research was based on financial appraisals which used a residual valuation method:

$$\begin{aligned}
 &\textbf{Gross Development Value} \\
 &\text{(The combined value of the complete development)} \\
 &\quad \text{LESS} \\
 &\textbf{Cost of creating the asset, including a profit margin} \\
 &\text{(Construction + fees + finance charges)} \\
 &\quad = \\
 &\textbf{RESIDUAL VALUE}
 \end{aligned}$$

2.65 The commercial values used in the appraisals are noted in Table 6. These are partially based on research from this Study, combined with research from other studies and

CoStar. The land value assumptions in Table 7. Finally, the Existing Use Values (EUV, the value of the land before any increases in value resulting from a planning consent) for Brownfield Land are identified in Table 8. The study uses an approach of EUV plus 20 percent uplift to set a Benchmark Land Value.

Table 6 - Commercial Values, £/Sqm, 2019

	Rent £/sqm	Yield, percent	Rent free period		Assumption
Offices	£190	7.00	1.0	£2,537	£3,000
Industrial	£75	7.50	2.0	£865	£865

Source: HDH, 2019

Table 7 - Commercial Land Values, 2019

Industrial Land	£595,000 (£241,000/acre)
Commercial Land: Office Edge of City Centre	£1,240,000 (£502,000/acre)
Commercial Land: Office Out of Town – Business Park	£660,000 (£267,000/acre)

Source: HDH, 2019

Table 8 - Existing Use Value Land Prices £/ha

Brownfield Land	
City centres	£1,200,000
Elsewhere	£600,000
City Centre - Retail	£4,000,000
Greenfield Land	
Agricultural	£25,000
Paddock	£50,000

Source: HDH, 2019

- 2.66 Standard Building Cost information Service (BICS) costs (£644-959/sqm for industrial, £1,574-1,573 sqm for offices) were applied for the development costs and then adjustments for buyers fees (4 percent), site costs (15 percent), fees (8 percent), interest (6 percent) and developer's return (15 percent).
- 2.67 Against these criteria, the appraisals showed negative residual values of -£162,000 for Business Park offices up to -£1.4 million for larger industrial. Office and industrial development are thus shown as being unviable under this model, on both brownfield and

greenfield land, *“However, this is not just an issue within Leicester City, a finding supported by the fact that such development is only being brought forward to a limited extent on a speculative basis by the development industry. Where development is coming forward (and it is coming forward), it tends to be from existing businesses for operational reasons, or it is being promoted by the Council, taking a long-term view and as part of their wider regeneration initiatives.”*

2.68 The modelling also *“assumes that development takes place for its own sake and is a goal in its own right. It assumes that a developer buys land, develops it and then disposes of it, in a series of steps with the sole aim of making a profit from the development. [It] does not reflect the broad range of business models under which developers and landowners operate. Some developers have owned land for many years and are building a broad income stream over multiple properties over the long term. Such developers are able to release land for development at less than the arms-length value at which it may be released to third parties and take a long term view as to the direction of the market based on the prospects of an area and wider economic factors. Much of the development coming forward in the City is ‘user led’ being brought forward by businesses that will use the eventual space for operational uses, rather than for investment purposes.”*

2.69 There is no scope to introduce CIL for employment uses.

iii) Leicester Employment Land Study – PACEC, Lambert Smith Hampton and Warwick Business Management, 2017

2.70 The Study was commissioned 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.”*

2.71 The pipeline office supply was identified as being 37,425 sqm; the B1(C)/B2 industrial supply as 10 ha; with another 44.46 ha in Blaby, Charnwood and Oadby Wigston. Based on mixed jobs forecasting and employment land take up, with a ‘policy-on’ allowance, the future needs, over 2015-2031 were identified as:

- Offices: 45,000 sqm
- 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

2.72 The study market assessment identified unmet demand for Grade A offices and narrowing

viability gap. The unmet demand results from a growing preference among occupiers for city centre locations and the narrowing viability gap is due to rising rents and hardening investment yields.

- 2.73 Reviews of the Cultural Quarter, Pioneer Park and textiles sector are provided, but these are now some two years out of date, so the position of these areas is updated and provided in this Study.

Chapter Summary – Strategic and Policy Context

- 2.74 Leicester and Leicestershire Economic Partnership (LLEP) Sectoral priorities: a) Space Technologies. Space Park Leicester (SPL), on Corporation Road, has the potential provide up 20,000 sqm of new R&D and manufacturing workspace for the space industry. (This is the floorspace that has been approved to date, in the 2018 Hybrid consent), It will create a space technology cluster, with supporting adjacent development of a “low cost satellite manufacturing facility”. b) Textiles are taking advantage of Leicester’s position as the second largest fashion centre in the UK, and its proximity to London, combined with the advantage of having an existing skilled workforce.

- 2.75 Leicester and Leicestershire -wide HEDNA Study (2017) identified employment land needs, including for Leicester. These equate to up to 2-7 ha of B1(a, b) land, 45 ha of B1(c)/B2 industrial land and 19 ha of B8 land, for sub-9,000 sqm warehouses, over 2011-2036. Larger B8 uses would be expected to be accommodated outside of the City boundary. A review of this Study indicates that the figures are produced by differing forecast methods, which are difficult to reconcile or relate to a real-world market position of a lower t B1 office demand and much higher B2/B8 need, which is much more common in Leicester and Leicestershire.

- 2.76 The current Core Strategy identifies three foci for new employment:

- City Centre offices – 50,000 sqm of new grade ‘A’ office development will be provided in the City Centre, in units of 100-1,000 sqm.
- Abbey Meadows Science and Innovation Park – 6.1 ha and at least 30,000 sqm of offices
- Up to 10 ha of land at Ashton Green.

- 2.77 The 2019 City Centre Office Study identifies an available office supply, at January 2019, of 32,735 sqm, of which 8.5 percent was Grade A space. Of the Grade A space available, the average rent was £17.5/sqft (£188/sqm), compared with an average rent for all stock at £12/sqft (£129 sqm). Rents within Leicester are expected to rise, with new Waterside

development quoting £18.4/sqft (£199/ sqm) and a potential new development on Campbell Street which is hoped to surpass £20/sqft (£215/sqm). However, without any new development occurring, there will be a limit on the rents which can be achieved on refurbished space.

- 2.78 The City Centre Office report indicates a strong shortage of supply, particularly for larger suites and reflecting large scale losses of stock to other uses. From past take-up figures and a view of the wider market (assuming stock becomes available), *'there is anticipated to be an average annual Grade A office market potential for the city centre to be in the order of 2,322-4,645 sqm per annum'*.
- 2.79 The Whole Plan Viability Assessment, 2019 identifies viability gaps for both industrial and office developments based on identified rents and Existing Use Values for land, against standard costs. The negative values ranged from -£32,000 for offices up to -£2.8 million for larger industrial uses.
- 2.80 The previous 2017, Employment Land Study identified the City's needs over 2015-2031 as being:
- Offices: 45,000 sqm
 - 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
- 2.81 The 2006 Employment Land Study reported that designated land totalled 564 ha of employment land across the City, split between:
- Business Parks – 7 ha
 - Primarily Office Areas – 28 ha
 - Key Employment Areas – 232 ha
 - Primarily Employment Areas – 297 ha.
- 2.82 And that there was an identified total shortfall of 62.5 ha of employment land in Leicester.

3.0 SOCIO-ECONOMIC PROFILE

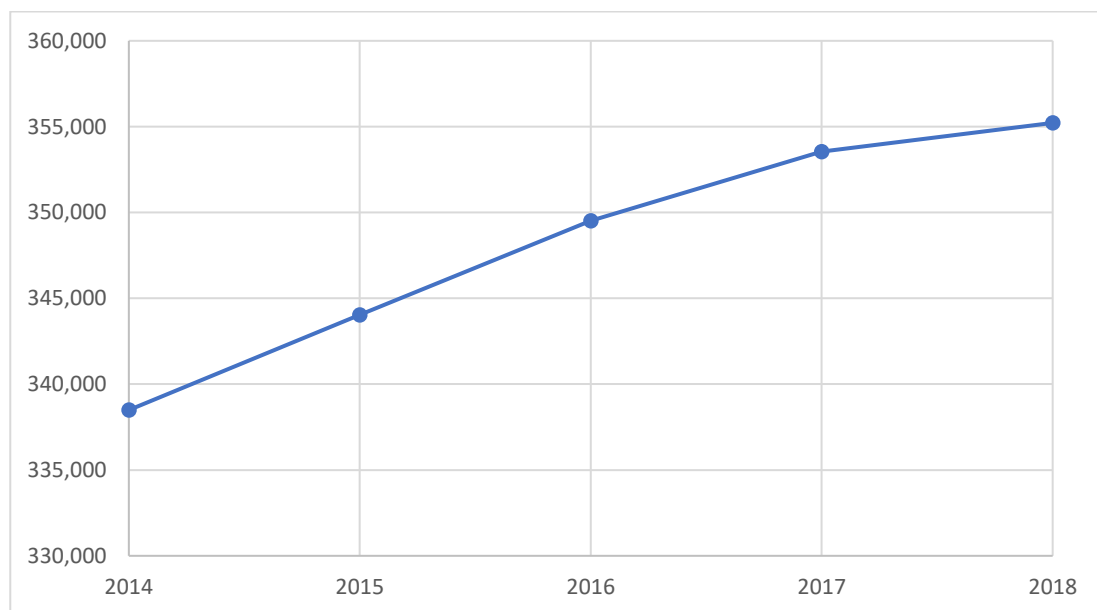
Introduction

- 3.1 This section provides a profile of the socio and economic conditions in the city of Leicester. It aims to provide the socio-economic context which shapes employment land demand and supply factors in the study area, to facilitate sustainable growth.
- 3.2 Reflecting both NPPF and PPG guidance, local planning authorities should have a clear understanding of needs and strong indication of performance against neighbouring areas, which in this case means the other authorities of Leicestershire, as well as regional and national averages.

Demographic Assessment

- 3.3 The population of the City was 355,218 at the 2018 ONS Population Estimates. This was 7.4 percent of the East Midlands total (4.8 million). Figure 2 below also shows how the population has changed over the last five years within Leicester. It can be seen that there has been an increase in population, with growth steadying since 2017.

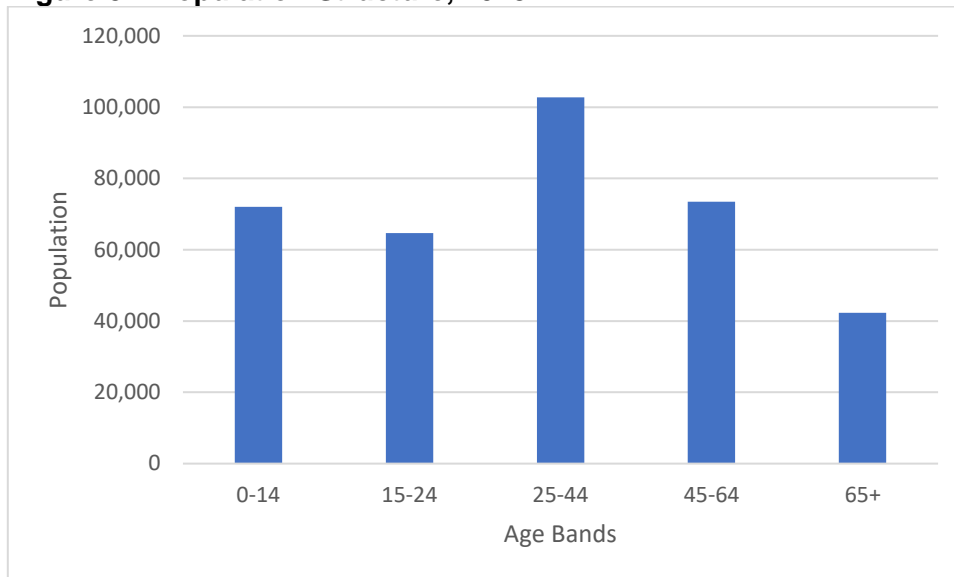
Figure 2 – Population Change, 2014-2018



Source: *Population Estimates, 2019*

3.4 The population as of 2018 is split into several age bands, as is displayed in figure 3.

Figure 3 – Population Structure, 2018

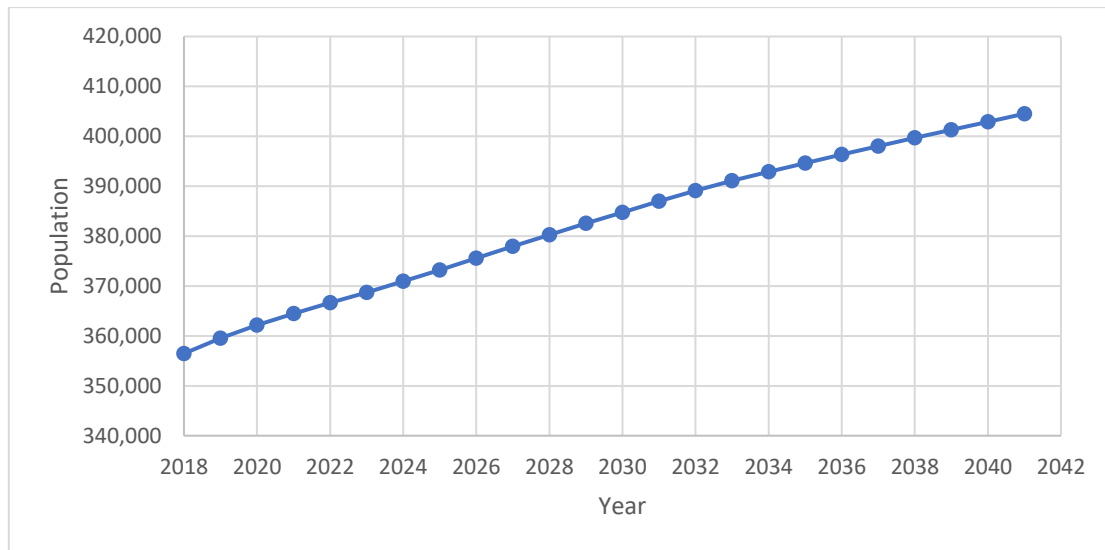


Source: Population Estimates/ Projections, 2019

3.5 As can be seen from Figure 3, Leicester’s age breakdown shows a strong representation of the young and working age population. Those residents of 65 and over represent the smallest age cohort within Leicester. When the age category of 15-24 years is broken down, 11.0 percent of the total population are represented by residents aged 18-22, the typical age of the student population. This is unsurprising given the presence of two universities within the City.

3.6 It is important to understand the future projections for the population of Leicester, as they will have an impact on jobs growth and thus employment land requirements. The link between forecast jobs growth and land needs is considered further in Section 9.0. Figure 4 overleaf shows the forecast population figures to 2041 (under 2016 based projections). The population is estimated to steadily increase over the next 22 years, reaching a figure of 404,523 in 2041 (or 396,341 to the end of the Plan Period, 2036). This is an increase of 13.5 percent on the 2018 figure (10.6 percent to 2036), and for reference over the same time period, the population for the East Midlands is set to increase by 11.0 percent. This would indicate a need for sustained job growth in order to accommodate this growing population.

Figure 4 – Population Projections, 2018-2041



Source: *Population Estimates/ Projections, 2019*

3.7 Looking at the whole population, the latest data available (July 2018-July 2019), shows that 68.4 percent of the City’s working age population was in employment (160,900 residents). This figure lies below the East Midlands average (76.0 percent) and the national average (75.8 percent). During the same time period, the unemployment rate within Leicester was 5.4 percent, this sits 0.7 and 1.3 percent higher than the East Midlands and national figures respectively. If the same proportion of employment is projected forward to 2036, then 271,097 local residents will be employed, under current projections.

Current Population

3.8 Table 9 overleaf displays unemployment data for the neighbouring authorities over the last three years from April 2016 to March 2019. Figure 5 shows unemployment rates between April 2016 – March 2017, (being the latest group of data showing all 10 areas and hence presented in Figure 5 overleaf). Leicester showed the highest unemployment rate compared to its neighbouring authorities up to March 2018, with figures for April 2018 - March 2019 seeing Blaby and North West Leicestershire with higher figures.

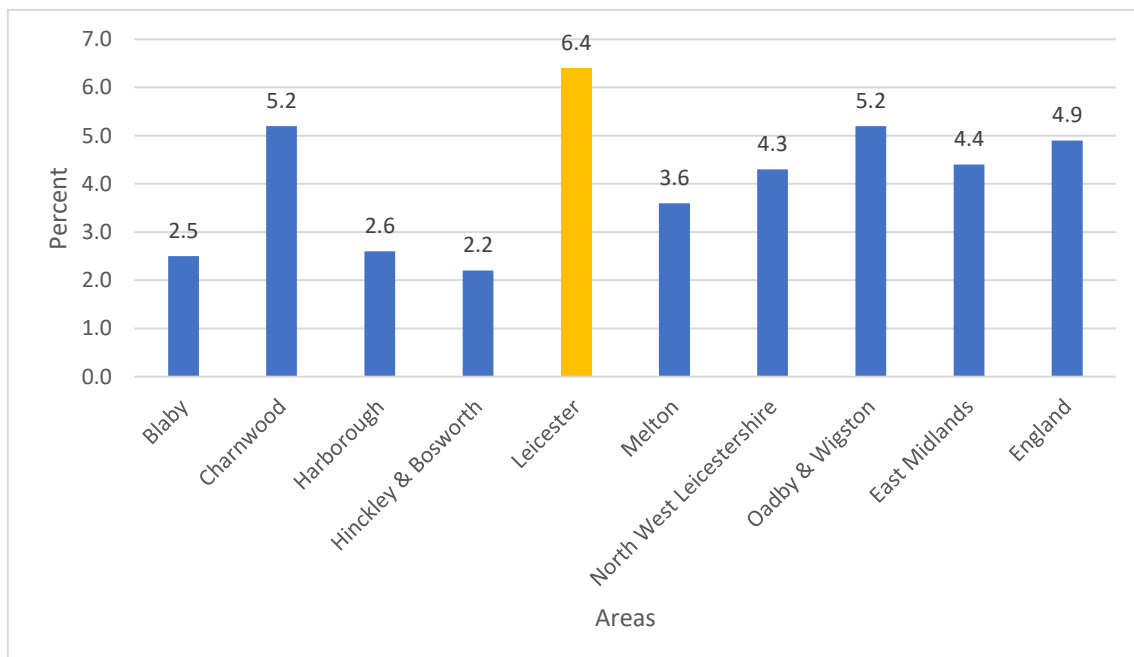
Table 9 – Unemployment Rates

Area	April 16- March 17	April 17-March 18	April 18-March 19
Blaby	2.5	5.7	6.8
Charnwood	5.2	5.1	5.2
Harborough	2.6	~	5.0
Hinckley & Bosworth	2.2	4.1	~
Leicester	6.4	6.5	6.2
Melton	3.6	4.2	6.0
North West Leicestershire	4.3	2.3	8.0
Oadby & Wigston	5.2	~	~
East Midlands	4.4	4.1	4.8
England	4.9	4.4	4.2

Source: ONS Annual Population Survey, 2016-2019

- 3.9 Comparing the data in Figure 5 below, Leicester had the highest unemployment rate compared with its neighbouring authorities during this time period, of 6.4 percent. Additionally this also lies above the East Midlands and National unemployment levels.

Figure 5 – Unemployment Rates (April 2016 – March 2017)



Source: ONS Annual Population Survey, 2017

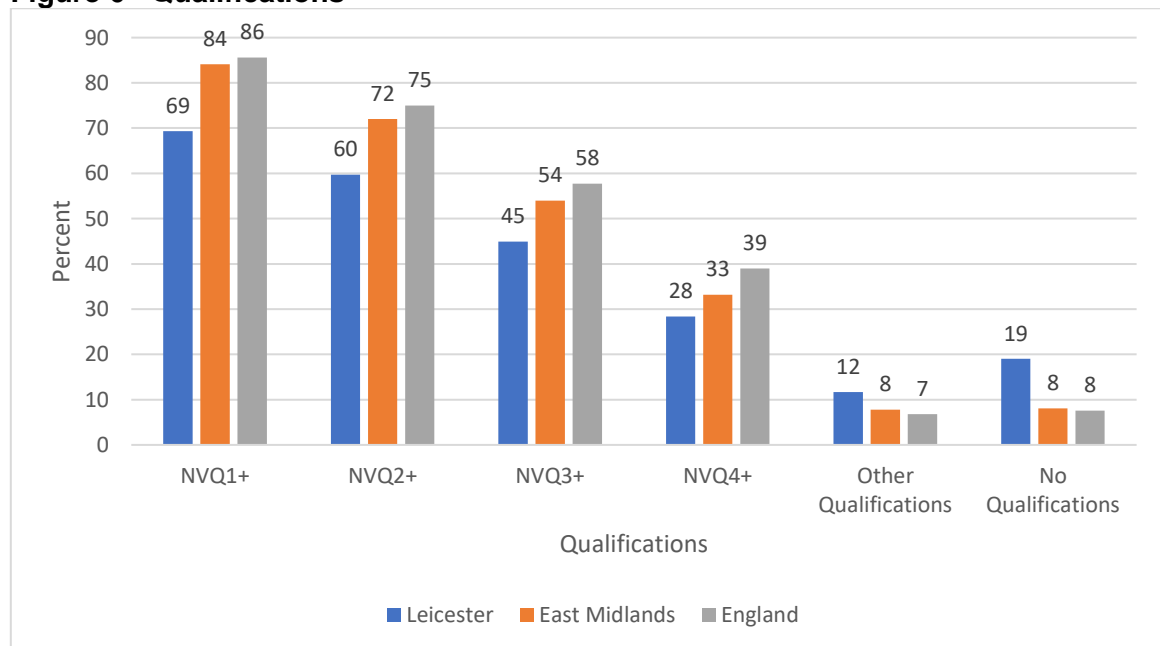
- 3.10 The national index of deprivation (IMD) 2019, ranks the City 22nd (out of 317 Local Authorities) most deprived local authority in England. This indicates quite a high level of deprivation within Leicester, sitting within the top 10 percent most deprived local authorities. A total of 181 Lower Super Output Areas (LSOAs) can be found within

Leicester. 39 of these LSOAs (22 percent) were amongst the 10 percent most deprived in England, whilst only one LSOA fell within the 10 percent least deprived in England.

3.11 Figure 6 below shows the National Vocational Qualifications (NVQ) level attained by the working age population of Leicester. It can be seen that the levels of NVQ1-4 qualifications all sit below the regional and national averages. This is surprising, considering the high numbers of students within Leicester. With the number of residents showing low numbers with degree level qualifications, it may be an indication that after university, students are not staying within Leicester.

3.12 The proportion of the working age population with no qualifications is 19.0 percent, over double the averages seen for the East Midlands and England of 8.0 percent. This again reiterates the need for encouraging more residents to pursue qualifications. However, Leicester does have a slightly higher average number of residents with “other qualifications”.

Figure 6 - Qualifications



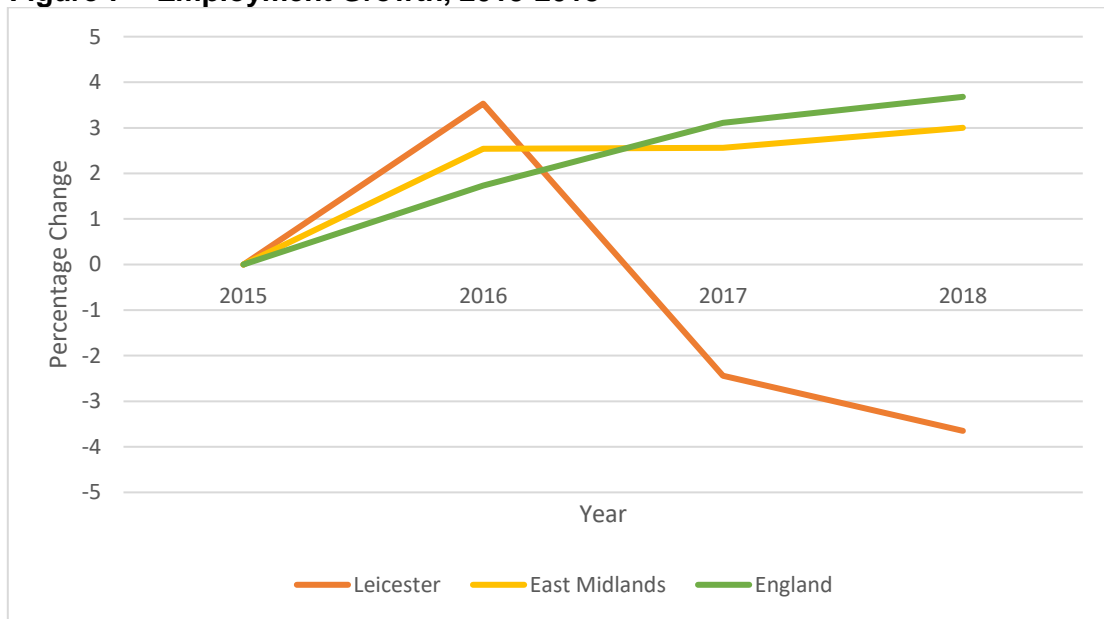
Source: ONS Annual Population Survey, 2019

Employment by Occupation

3.13 The Business Register and Employment Survey (BRES) data provides details on the number of jobs within differing industry sectors within a local authority area.

3.14 As of 2018 within Leicester, there were a total of 163,500 jobs split between 18 different industries. Over the last three years, growth has fluctuated, with 2016 experiencing a growth of 3.53 percent on 2015. However, a decline occurred in 2017 of 5.97 percent and again in 2018 of 1.21 percent. This decline saw employee numbers reduce from 170,000 to 163,500 jobs over the four years, as shown in Figure 7. During the same time period, employee numbers for the East Midlands and England increased (by 3.0 percent and 3.72 percent respectively).

Figure 7 – Employment Growth, 2015-2018



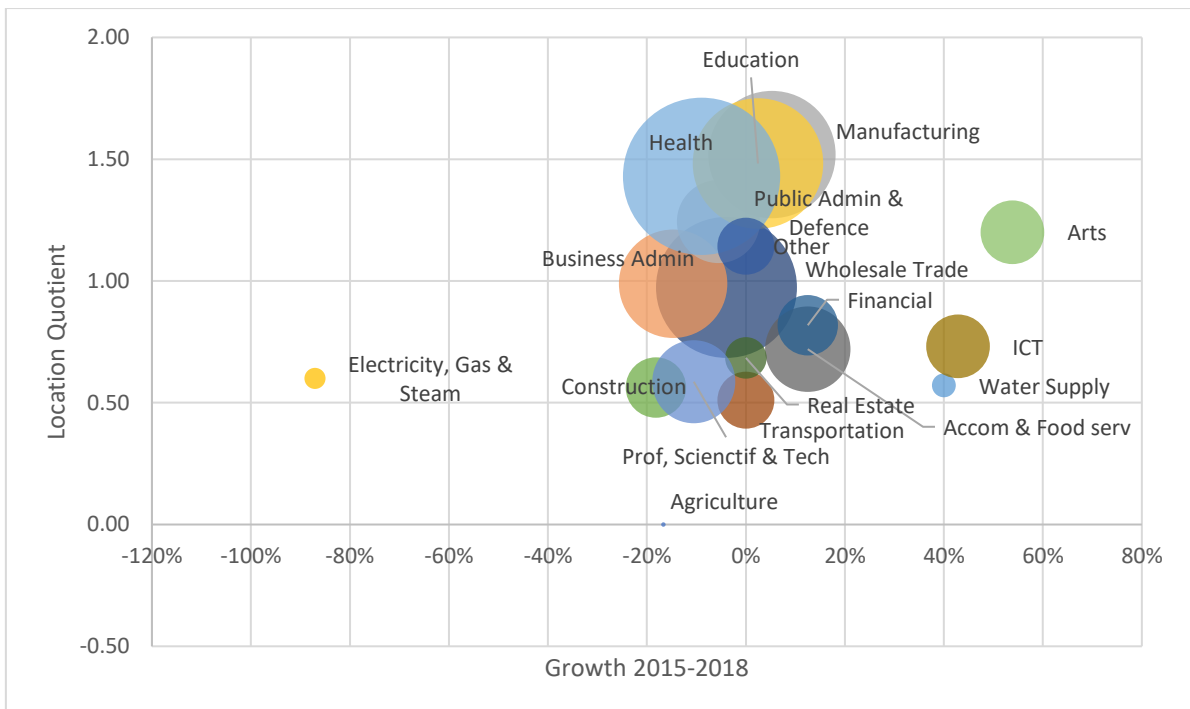
Source: BRES, 2019

3.15 This reduction within Leicester has mainly been driven by a large net decline in employment in “*electricity, gas, steam and air conditioning supply*” of 3,700 jobs, with 3,500 being lost in 2017 in the ‘*trade of as through mains*’ industry. Over this time, several large energy suppliers shed jobs nationally, blaming price caps and increasing competition. This appears to have hit Leicester hard, which is home to large facilities for British Gas and EON, amongst others.

3.16 Other sectors which also experienced declines include ‘*Administrative and Support Services*’ (of around 2,000 jobs) and ‘*Health*’ (around 3,500 less jobs, some of which will be accounted for by hospital restructuring although closures have not taken place yet). Some of sectors that have experienced growth are ‘*Accommodation and Food Services*’ (+1,000), ‘*Information and Communication*’ (+1,500) and ‘*Arts, Entertainment and Recreation*’ (+1,250).

3.17 Employment growth can also be measured by each individual sector over the same time period (2015-2018), which is represented in Figure 8 below and specifically by percent, on the horizontal axis. 'Arts and Recreation' has experienced 53.85 percent growth in three years, taking employment figures from 3,250 to 5,000. Additionally, 'ICT' and 'Water Supply' have also experienced growths of over 40 percent. The 'Electricity, Gas and Steam' sector has seen the largest decline from 2015, with figures reducing from 4,250 to 550, an 87.06 percent decline.

Figure 8 – Location Quotients vs Employment vs Growth, 2015-2018



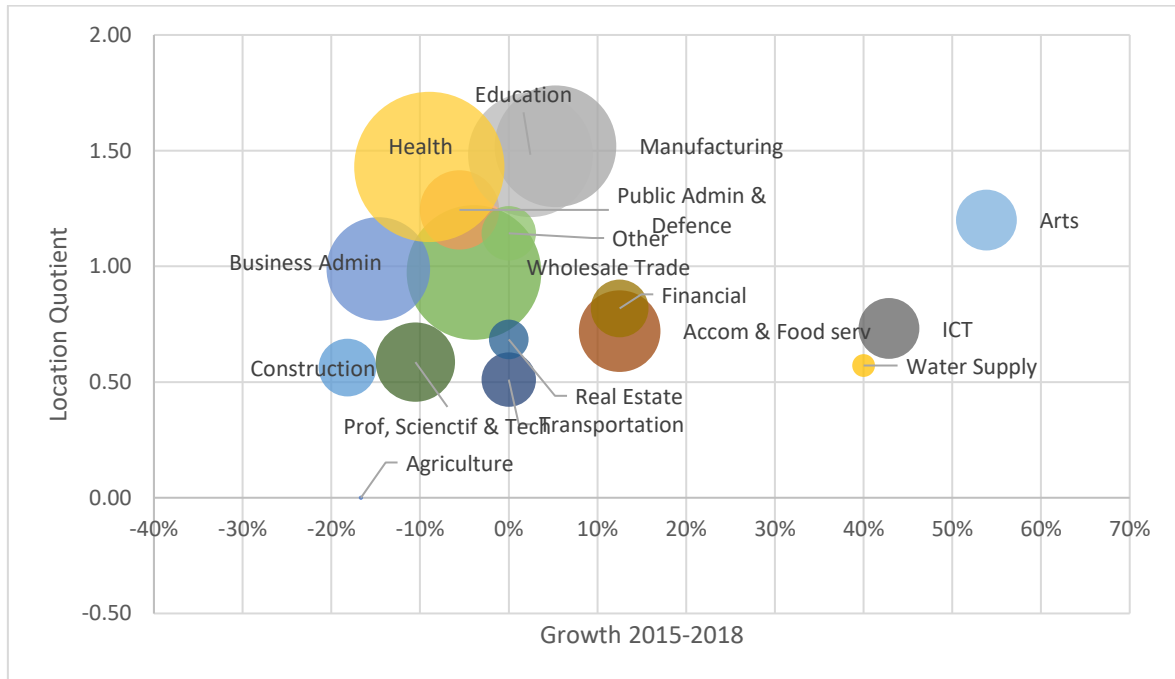
Source: BE Group, 2019

3.18 The strong decline in the 'Electricity, Gas and Steam' sector is evidently an outlier in the data, in regard to the employment growth factor and so the figure has been recreated to exclude this data. This can be seen in Figure 9 overleaf.

3.19 Location Quotients are displayed on the vertical axis, showing the employment sectors within Leicester against Great Britain (GB) in 2018. It is a measure of an area's specialisms i.e. if a certain employment sector is more prevalent in the area than in the country as a whole. A score of 1.00 shows a sector performing at the same level as seen in Great Britain which is shown in Figure 8 above by 'Business Administration' and 'Wholesale Trade'. Each sector is also represented by different sized bubbles, which indicates the size of that sector's employment in 2018. 'Wholesale Trade' however has the largest level of employment with 24,500 in employment, yet has experienced a decline

of 3.92 percent since 2015. The 'Business Administration' sector meanwhile contains 14,500 in employment, yet saw a decline of 14.71 percent, although it is still clearly a key sector for the City.

Figure 9 – Location Quotients vs Employment vs Growth, 2015-2018 (exc. Electricity, Gas and Steam Sector)



Source: BE Group, 2019

3.20 The sectors situated at the top of the diagrams (i.e. are at the top of the vertical axis) show the sectors which have a high degree of localised specialisation, compared to GB. 'Manufacturing' displays the highest degree of specialisation, being 1.52 times the average size of the manufacturing sector in GB, and containing the third highest amount in employment with 20,000. Manufacturing experienced a 5.26 percent growth increase over the period, clearly showing how important that industry remains to the City. The second highest degree of specialisation is in 'Education', (being 1.48 times the average size of the 'Education' sector in GB), and has seen a 2.44 percent growth. This is due to the two universities situated within Leicester which are a major source of employment within the City and have ongoing growth plans, as noted in Section 5.0.

3.21 'Transportation' is low down on the vertical axis at 0.51, meaning that the sector is half the average size of the sector in GB. It has also seen no change in employment since 2015.

3.22 Table 10 measures local economic activity within Leicester as of 2018.

3.23 The figures in Table 10 shown below, explain that the Health sector accounts for the largest number of employees in Leicester with 30,000 employees, equating to 18.3 percent of the total number within the City (163,500). This is despite some recent jobs losses. This is over 5.0 percent higher than the regional and national averages.

3.24 Similarly, Education employs the third highest number of employees, (another public sector), and lies at least 3.0 percent higher than regional and national averages. Overall, 36.0 percent of Leicester's employees are employed in both '*Public Administration and Defence*, plus '*Education and Health*'. This is much higher than wider averages of 25.9 and 25.6 percent respectively for the East Midlands and England, showing the strong dependence on public sector and university based employment within Leicester.

Table 10 – Economic Activity, Employees, 2018

	Employment Structure			
	Leicester		East Midlands	England
	No.	Percent	Percent	Percent
1: Agriculture, forestry and fishing*	15	0.0	0.9	0.6
2: Mining, quarrying and utilities	0	0.0	0.2	0.1
3: Manufacturing	20,000	12.2	12.8	8.0
4: Electricity, gas, steam and air conditioning	550	0.3	0.7	0.4
5: Water supply, sewerage and waste management	700	0.4	0.7	0.7
6: Construction	4,250	2.6	4.4	4.6
7: Wholesale and retail trade	23,500	14.4	16.6	15.3
8: Transportation and storage	3,750	2.3	5.5	4.9
9: Accommodation and food services	9,000	5.5	6.9	7.5
10: Information and communication	5,000	3.1	2.8	4.4
11: Financial and insurance	4,500	2.8	1.7	3.5
12: Property	1,875	1.1	1.3	1.7
13: Professional, scientific and technical	8,000	4.9	6.3	9.0
14: Business administration and support services	14,500	8.9	8.6	9.2
15: Public administration and defence	8,500	5.2	3.7	4.0
16: Education	20,500	12.5	9.1	8.9
17: Health	30,000	18.3	13.1	12.7

18: Arts, entertainment and recreation	4,500	2.8	2.6	2.4
19: Other Services	4,000	2.4	2.0	2.0
Total	163,500	100.0	100.0	100.0

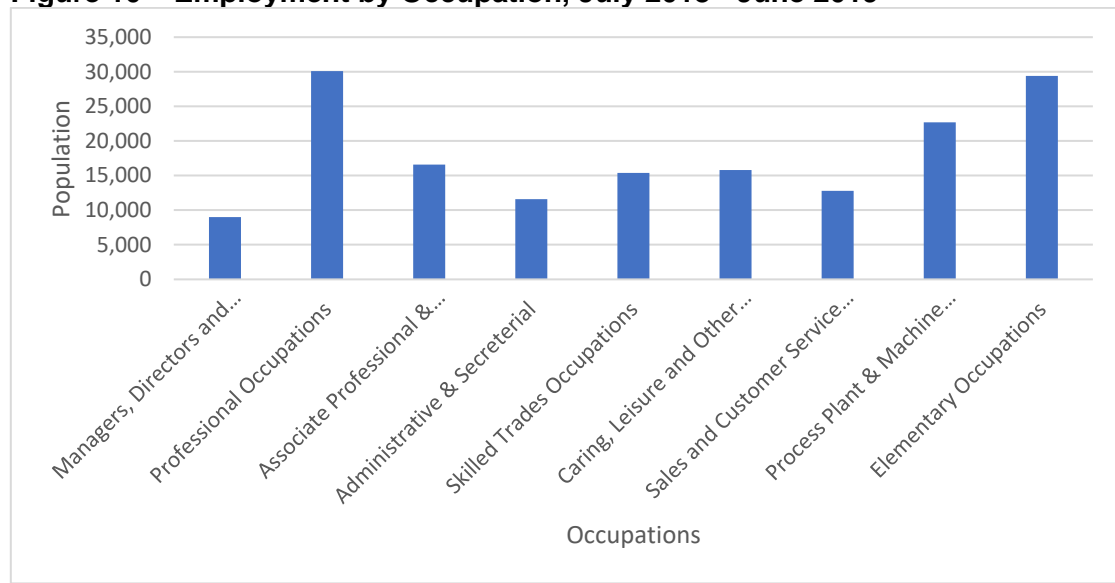
Source: Business Register and Employment Survey, 2018*Excludes Farm Based Agriculture

- 3.25 The 'Wholesale and retail trade' sector employs 14.4 percent of the workforce, the second highest proportion behind 'Health', and the largest employer within the private sector. This is closely followed by 20,000 employees in the 'Manufacturing' sector (12.2 percent) as noted previously.
- 3.26 Overall, there are not huge disparities between the averages found in Leicester, compared with the East Midlands and England. However, one surprising weakness is in the 'Professional, Scientific and Technical sector' as Leicester lies at 1.4, which is significantly 4.1 percent behind the regional and national averages. Other office-based sectors 'Business Administration and Support Services' and 'Information and Communication' (ICT), account for 8.9 and 3.1 percent respectively, in line with wider averages. Overall the various office sectors account for 16.9 percent of Leicester's employees, with 'Business Administration And Support Services' clearly dominating local office sector employment.
- 3.27 Overall, some 33,875 are employed in private office-based sectors, (businesses employing professions such as architects and solicitors), accounting for 20.8 percent of employment. This is very similar to the regional average of 20.7 percent although below the national average of 27.8 percent, indicating that proportionately at least, service sectors do not dominate employment in Leicester above sectors such as manufacturing and retail.
- 3.28 Several sectors have a comparatively weak role in the city. 'Electricity, Gas, Steam and Air Conditioning' along with 'Water Supply, Sewerage and Waste Management' account for less than one percent of local employment, although that is after the sizable jobs losses reported above.
- 3.29 Figure 10 overleaf, shows the split of employment by occupations of residents in Leicester from July 2018 – June 2019. Residents in professional occupations account for 18.4 percent of the workforce, the highest amount within Leicester. Collectively, along with occupations of managers and associate professionals, over a third (34.1 percent) of

residents within Leicester are employed within the top three occupations, in terms of skilled work and pay.

- 3.30 Residents employed within elementary occupations account for 18.0 percent of the population, the second largest amount. Almost a fifth of Leicester’s residents are working in jobs that consist of low skilled work.

Figure 10 – Employment by Occupation, July 2018 - June 2019



Source: Annual Population Survey, 2019

Number and Sizes of Businesses

- 3.31 ONS data identifies that there are 12,775 VAT and PAYE registered businesses operating in Leicester as of the latest 2019 data. This is an increase from 12,400 registered businesses operating in 2018, demonstrating a positive increase of 3.0 percent within the year (and a significant increase from the 7,795 businesses registered for VAT in 2004, see para 3.12 of 2006 Employment Land Study).
- 3.32 On a national scale, 89.5 percent of businesses in England employ less than ten people (micro businesses), whilst 97.9 percent are classified as small (up to 49 employees), as shown in Table 11. Leicester broadly follows the same patterns as the national averages, however, shows a slightly lower amount of businesses employing 0-4 people, and slightly higher in each of the other size bands.
- 3.33 In Leicester, the majority of businesses have 0-4 employees (76.0 percent), whilst 97.8 percent employ less than 10 people. At the other end of the scale, 55 businesses were identified as having more than 250 employees.

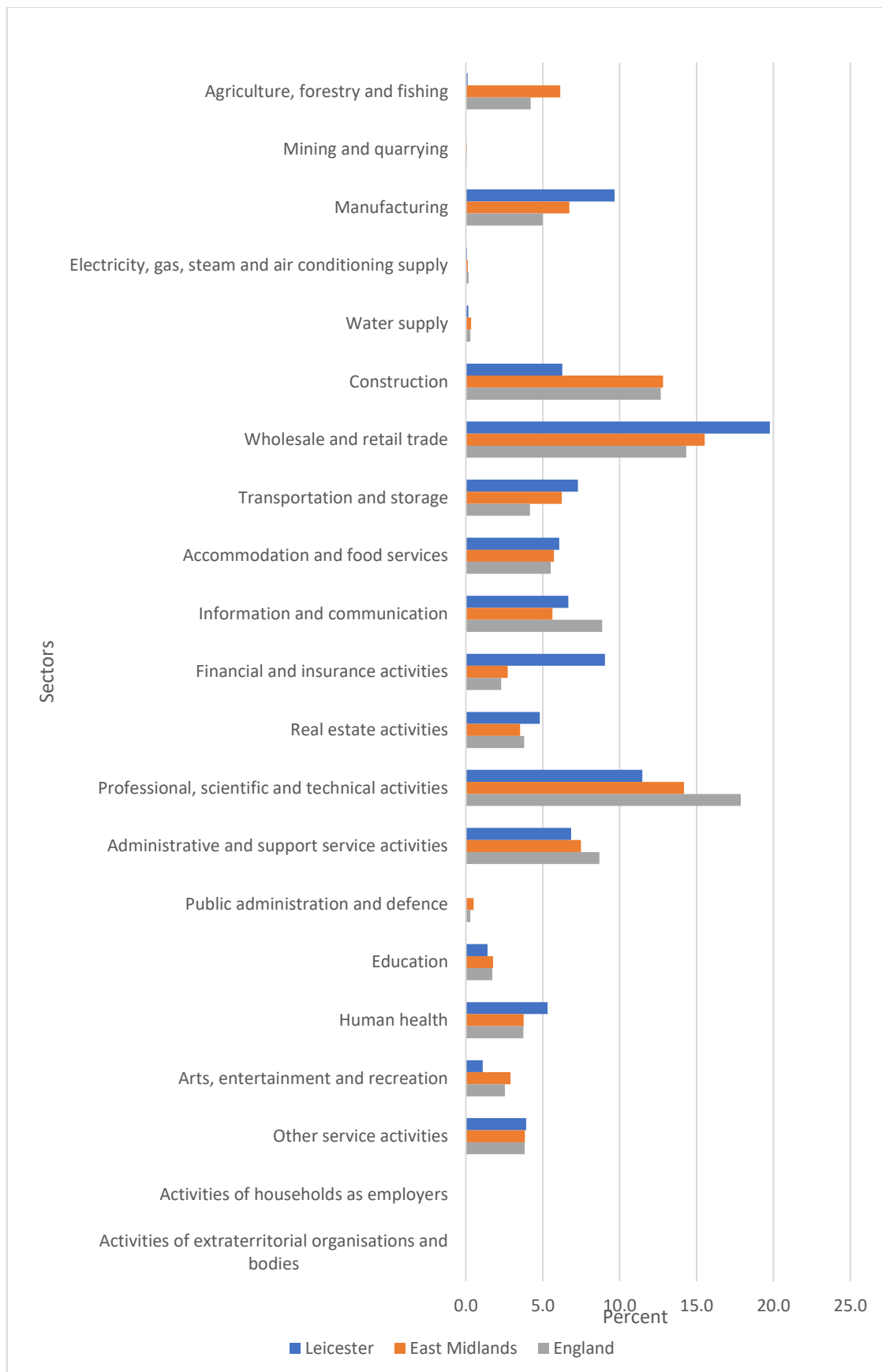
Table 11 – Business Sizes

Area	Number/ Percentage	Employees						
		Micro		Small		Medium		Large
		0-4	5-9	10-19	20-49	50-99	100-249	250+
Leicester	Number	9,705	1,555	785	450	170	60	55
	Percentage	76.0	12.2	6.1	3.5	1.3	0.5	0.4
East Midlands	Number	139,795	20,850	10,325	5,795	1,920	1,075	695
	Percentage	77.5	11.6	5.7	3.2	1.1	0.6	0.4
England	Number	1,854,115	260,850	130,720	69,345	23,350	13,150	9,250
	Percentage	78.5	11.0	5.5	2.9	1.0	0.6	0.4

Source: ONS UK Business Counts, 2019

- 3.34 The total number of businesses can be broken down further by industry sector, as seen in Figure 11, overleaf.
- 3.35 The highest proportion of businesses in the City can be found within the ‘*Wholesale and Retail Trade*’ sector (19.8 percent). This sector also, as noted above, contains the second highest number of employees, indicating that it is a dominant sector for the City.
- 3.36 ‘*Professional, Scientific and Technical*’ is the second most populous sector in terms of number of businesses, with an 11.5 percent share of businesses within the city. The number of employees in this sector, as stated above, is only 4.9 percent. Businesses employing professions such as architects and solicitors evidently have a strong role in the local economy but are mostly small or micro businesses.
- 3.37 ‘*Manufacturing*’ businesses account for 9.7 percent of the Leicester businesses, higher than the regional and national percentages by 3.0 and 4.7 percent (at 12.7 and 14.4 percent) respectively and again indicating the ongoing importance of local industry. As noted, this sector contains the fourth highest number of workers within the city with 12.2 percent, illustrating the strength of this sector within the City.

Figure 11 – Business Count by Sector, Percent



Source: ONS UK Business Counts, 2019

Premises Supply

- 3.38 Table 12 shows the supply of office and industrial premises (hereditaments identified by the Valuation Office for the purposes of business rates collection) by unit. The most recent Valuation Office data (VOA) available at the local authority level is from 2016.

Table 12 – Distribution of Premises, Number of Units

Area	Factories/ Warehouses	Offices	Percent of HMA Stock
Blaby	650	450	
Charnwood	1,550	620	38.2
Harborough	790	670	
Hinckley & Bosworth	1,150	410	
Leicester	4,050	1,910	39.6
Melton	530	180	
North West Leicestershire	1,050	670	
Oadby and Wigston	520	150	
East Midlands	43,480	23,580	
England	445,500	359,320	

Source: VOA, 2016

- 3.39 Unsurprisingly, Leicester has the highest volume of industrial and office space compared with its neighbouring local authorities. The second highest amount is found in Charnwood, containing 38.2 percent of the Leicester and Leicestershire stock. The number of industrial/ warehouse units in Leicester equates to 39.6 percent of the total of the county and 9.3 percent of the East Midlands industrial stock. For offices, Leicester is the only authority to have over 1,000 premises with 1,910, accounting for 37.7 percent of the collective group stock for the county and 8.1 percent of the regional stock.
- 3.40 Table 13 overleaf shows the supply of office and industrial premises by floorspace. Again, the city contains the highest amount of floorspace for both premise types. As of 2016 Leicester contained 2,539,000 sqm of industrial floorspace, 6.7 percent of the East Midlands total. Similarly for offices, Leicester has 456,000 sqm of office floorspace stock, 9.5 percent of the regional supply.

Table 13 – Distribution of Premises, Floorspace, Sqm

Area	Factories/ Warehouses	Offices
Blaby	686,000	197,000
Charnwood	1,132,000	140,000
Harborough	1,127,000	91,000
Hinckley and Bosworth	1,148,000	85,000
Leicester	2,539,000	456,000
Melton	491,000	50,000
North West Leicestershire	1,450,000	147,000
Oadby and Wigston	361,000	29,000
East Midlands	37,908,000	4,821,000
England	303,569,000	85,738,000

Source: VOA, 2016

Homeworking

- 3.41 In Leicester as of the 2011 Census, 3,996 were counted as working mainly at or from home. This remains the key data source for assessing homeworking. This figure comprises 2.5 percent of the working age population in active employment. This proportion is below both the levels seen in the East Midlands (4.98 percent) and England (5.1 percent), indicating that homeworking in 2011 only had a modest role in the City. If the increased use of homeworking by City Council staff is an indicator, since their move to new premises in 2012, this is likely to have significantly increased.

Earnings

- 3.42 Table 14 overleaf shows that in 2019, average weekly pay for a resident of Leicester was £457.50/ week and when measured by place of work was £495.10. This difference of £37.60 indicates the residents of Leicester are not taking full advantage of the higher paid employment opportunities that can already be found within the City's service sectors and are perhaps still somewhat focused on the also prevalent, lower paid industrial sectors. Additionally this means Leicester is experiencing a lot of in-commuting for higher paid work.
- 3.43 By place of work, average weekly pay in Leicester is third lowest when ranked against its neighbouring seven authorities and lower than the East Midlands and national average. By place of residence, it ranks as the lowest average wage compared with all of its comparative areas.

Table 14 – Average Weekly Earnings

Area	Gross Median Weekly Pay, £ (Analysis by place of work)	Gross Median Weekly Pay, £ (Analysis by place of residence)
Blaby	530.0	596.0
Charnwood	548.3	598.8
Harborough	485.8	607.0
Hinckley and Bosworth	580.1	567.9
Leicester	495.1	457.5
Melton	487.9	512.7
North West Leicestershire	542.7	596.8
Oadby and Wigston	502.0	554.8
East Midlands	535.1	547.4
England	591.4	591.3

Source: Annual Survey of Hours and Earnings

Chapter Summary – Socio-Economic Profile

- 3.44 As of 2018, the population of Leicester was 355,218, a figure which has been steadily growing since 2014. This has been influenced by the large number of 18-22 year olds, i.e. the student population in Leicester coming from its two universities and accounting for 11.0 percent of the 2018 population. Looking forward, the population is forecast to steadily increase by 13.5 percent up to 2041 (10.6 percent to 2036). This growing population is increasing at a rate higher than East Midlands, whose population is set to increase by 11.0 percent during the same period.
- 3.45 From July 2018-July 2019 the City's working age population that was in employment, was 68.4 percent, lower than wider averages. Additionally the unemployment rate of 5.4 percent was higher than neighbouring authorities, East Midlands and the national averages. This indicates potential problems for Leicester's resident population in gaining employment.
- 3.46 Leicester ranks as the 22nd most deprived local authority in England, sitting within the top 10 percent. This is a high level of deprivation, accounted for in certain factors such as education, with NVQ levels all below regional and national averages. Low NVQ level 4+, may be a suggestion the Leicester is not retaining enough of its student population upon completion of their university degrees.
- 3.47 Leicester had some 163,500 jobs in 2018. Whilst the East Midlands and England have grown since 2015, Leicester has declined in job numbers although this primarily reflects exceptional losses in 'Electricity, Gas, Steam and Air Conditioning'; 'Administrative' and

'Health' sectors. 'Manufacturing' employed 20,000 and saw a 5.26 percent increase in employment over recent years, clearly showing how important industry remains to the City.

- 3.48 In terms of office sectors, 'Business Administration' sector continues to dominate, employing 14,500, despite some declines, it is still clearly a key sector for the City. However, one surprising weakness is in the 'Professional, Scientific and Technical' sector which, at 4.9 percent of employment in 2018, is 1.4 and significantly 4.1 percent behind the regional and national averages. However, 'Professional, Scientific and Technical' is the second most populous sector in terms of number of businesses, with an 11.5 percent share of businesses within the City. Businesses employing professions such as architects and solicitors evidently have a strong role in the local economy but are mostly small or micro businesses. Overall, some 33, 875 are employed in private office-based sectors, accounting for 20.8 percent of employment. This does not exceed the regional average of 20.7 percent though and is below the national average of 27.8 percent, indicating that proportionately at least service sectors do not dominate employment in Leicester above sectors such as manufacturing and retail.
- 3.49 There are 12,775 businesses operating in Leicester as of the latest 2019 data. This is an increase from 12,400 registered businesses operating in 2018, demonstrating an increase of 3.0 percent within the year. Most, 97.9 percent are small, employing less than 49 staff. This partly confirms comments made by stakeholders in Sections 4.0 and 5.0 that the number of large employers, particularly in the City Centre, is quite modest for a regional City. However, there are still 55 businesses in Leicester which employ more than 250 staff, in line with wider averages.
- 3.50 With a difference of £37.60 between average weekly pay for a resident of Leicester, £457.50/ week, and for people who just work in the City, £495.10, residents of Leicester are not taking full advantage of the higher paid employment opportunities that can be found within the City's service sectors. Local residential employment is potentially still somewhat focused on the lower paid industrial sectors. Additionally this means Leicester is experiencing a lot of in-commuting for higher paid work. By place of residence, pay is below wider averages.

4.0 PROPERTY MARKET ASSESSMENT

Introduction

- 4.1 This section considers the demand for land and property within Leicester and issues of financial viability which are at least partly informed by that demand. In terms of demand assessment, commentary on national and regional market trends which will impact on the local demand for land and premises is provided. The local market is assessed through a quantitative review of the local supply of vacant premises, transactional data from the last decade, alongside up to date market intelligence derived from consultations with a range of developers, scheme managers and property agents. Enquiries data from the Leicester and Leicestershire Local Enterprise Partnership (LLEP) has also been reviewed.

National and Regional Property Markets

- 4.2 BE Group has long standing experience, operating in the commercial property market across the UK, as well as in the East Midlands, and understands market perceptions and the conditions facing the industrial, logistics and office sectors, along with the wider investment market.
- 4.3 Some brief comments on the wider market are therefore provided below, informed by existing research by key national and regional property agents.

<i>Industrial Market</i>
<ul style="list-style-type: none"> • As of Spring 2019, the UK's industrial market is the strongest property sector, with a particularly strong rental market (JLL, 2019) • Take-up, however, may be slow due to many occupiers taking a 'wait-and-see' approach due to Brexit (Cushman & Wakefield, 2019) • Supply has decreased 34 percent since Q4 2017 in the East Midlands and reflects a vacancy rate of just 3.8 percent. • Take-up in 2018 doubled what was transacted in 2017 in the East Midlands, in particular with the amount of Grade A space transacted increasing by 166 percent (Savills, 2019) • Take-up in Leicester specifically reached 204,000 sqm over 2018/19 and remained above the 10 year average for the sixth consecutive year. Prime rents have grown by almost 5 percent a year since 2013 reaching £6.75/sqft (£72.65/sqm) (Innes England, 2019)

<ul style="list-style-type: none"> Supply is dominated by larger units in Leicester, accounting for 81 percent of stock (Innes England, 2019).
<p><i>Warehouse/ Logistics Market</i></p>
<ul style="list-style-type: none"> Current supply in the East Midlands stands at 500,000 sqm, a rise of 64 percent from 2018, yet still maintaining a low vacancy rate of 5.4 percent. The amount of Grade A space has increased to 57.8 percent. (Savills, 2019) Take-up in 2018 was the best ever recorded for the East Midlands logistics market (Savills, 2019) Take-up in the East Midlands for Q1 2019 reached 290,000 sqm, 53 percent above the Q1 long term average take-up. In particular, built-to-suit options dominate the market (Savills, 2019) Overall take-up was 4 percent down on the five-year average, however only slightly below 2017's figures. This positively shows resilience given the growing anxiety around Brexit (Lambert Smith Hampton, 2019) LSH expects 1.1 million sqm of spec-development to come forward in 2019 across the UK, restoring supply for large space in the logistics market (Lambert Smith Hampton, 2019).
<p><i>Office Market</i></p>
<ul style="list-style-type: none"> The lowest levels of speculative development in three years were seen nation-wide, perhaps indicating a 'looming supply gap' (JLL, 2019) Within the UK, take-up totalled 139,000 sqm, despite the continued Brexit uncertainty and tight supply in the occupational market (Cushman & Wakefield, 2019) Q1 2019 saw rents reach £17.50 (£166.80/sqm) in Leicester, an increase of £0.50/sqft (£5.40/sqm) on the Q1 2018 figure (Lambert Smith Hampton, 2019) Take-up reached 2,500 sqm in Q1 2019 of purely B/C grade space, an increase of 9 percent from Q4 2018 (Lambert Smith Hampton, 2019), and an overall increase of 42 percent over the previous year (Innes England, 2019) Supply in Leicester remains at c. 56,000 sqm, in line with the previous three years figures, and with second-hand space accounting for 84 percent of supply (Innes England, 2019).

Leicester's Property Market

- 4.4 The Leicester office market is split between the City Centre and out-of-town markets. Leicester's City Centre offices have been struggling in terms of quality of buildings and rents being achieved, compared with other UK cities for the past few years. A lack of new-build, Grade-A space has meant a reliance on the refurbishment of existing buildings to meet occupier demand for quality space. However, the modern quality achieved with a new-build office development cannot be reached to the same standard by the refurbishment of existing buildings and therefore keeps rents capped at around £13/ sqft (£129.18/ sqm). Therefore, a gap appears in the Leicester market of Grade-A space to meet occupier needs. However, development of No. 1 Central Square (just off Vaughan Way), which was due to be completed in December 2019, is working to change this and pushing rents up to £20/ sqft (£215.30/ sqm).
- 4.5 Specialist office sectors within the City Centre are appearing, such as around New Walk, creating specific office areas within the city. This area comprises good quality, refurbished space for occupiers within the financial and law sector, along with University buildings. This area is bringing in new occupiers such as IBM, and experiencing a high occupancy rate, showing the growth of Leicester's office market is strengthening. Additionally, the Station Quarter is offering good access to the railway and bringing in occupiers such as Hastings Direct to 1, St George's Way, creating another growing office market area within Leicester.
- 4.6 Leicester's industrial market is operational from the edge of the City Centre, to the outer areas of the city. The buildings within the City Centre are old factories and workshops, not of great quality, but can be found occupied by numerous businesses, many within the textiles industry. Heading out of town, businesses are also still residing within older stock, made up of trade uses. Additionally, policy has allowed trade counter uses to be in operation within these industrial uses and so these properties should be retained for these uses.
- 4.7 The outer areas of the city are the location of the new modern developments for industrial units, home to big occupiers such as Samworth Brothers and Walkers. Any new occupiers coming into the city looking for industrial space will likely look to these areas for modern units, close to the motorway network and giving occupiers the ability

to maximise Leicester's position in the middle of the country. Strong regional/ national occupiers will also help to entice businesses to the area.

- 4.8 Leicester's manufacturing sector is dominated by the textile industry based in the outskirts of the City Centre and to the east. These businesses are located in converted old mill properties, and whilst not of the best quality, are all found to be functional and in high occupancy. These businesses operate in a self-contained market.

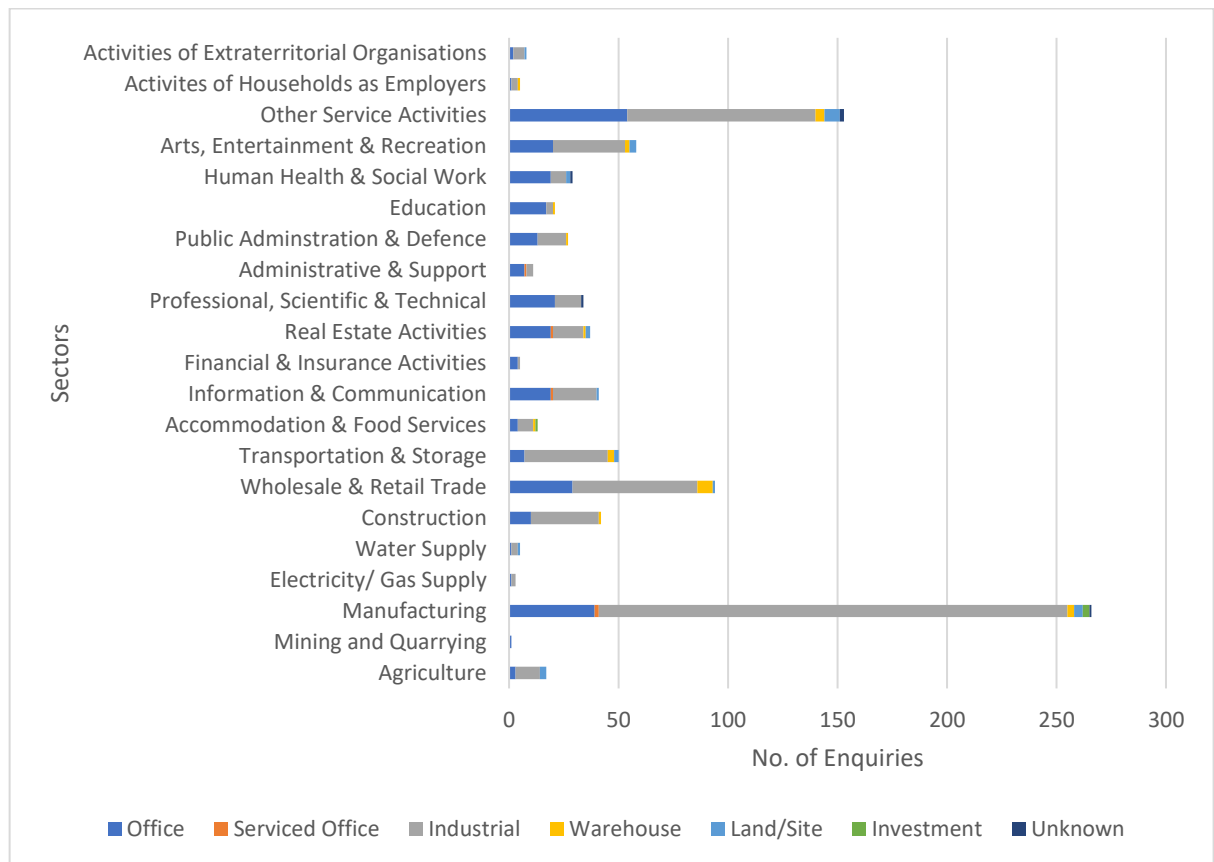
Public Sector Property Enquiry Analysis

- 4.9 Data has been received from the LLEP for property enquiries from 2014. This data provides enquiries categorised by use class of office or industrial, whilst also providing some detail on size of requirement and reason for enquiry.
- 4.10 However, there are caveats to the analysis of this data. The enquiries are derived from a mixture of sources and duplication is likely to occur when companies, completing online forms, have selected a preference for multiple property types, geographic locations and size ranges. Therefore this data should be taken as an indicative measure of local demand.
- 4.11 A total of 1,488 enquiries were logged in this time frame.

Company Sub-Sector

- 4.12 A percentage of the enquiries from 2014-2019 (61.9 percent) stated the nature of their business (see Figure 12 overleaf). This can give an indication for which sectors within Leicester are requiring property of B-Class use.
- 4.13 Companies from a wide range of sectors have been looking for space within Leicester, with 920 of the enquiries stating the sub-sector to which they belong. Of these, 29.0 percent were manufacturing businesses. Whilst these manufacturing businesses are enquiring over a range of space, unsurprisingly industrial space is most popular.
- 4.14 16.6 percent of the enquiries were from '*Other Service Activities*' businesses which may include companies in sectors such as personal training and hairdressing. Companies within this sector require a mixture of space from office to industrial/ warehousing. '*Wholesale and Retail Trade*' was another strong sector, with a total of 94 enquiries (10.2 percent) made for B-Class space over the past five years.

Figure 12 – Enquiries by Company Sub-Sector, 2014-2019



Source: LLEP, 2019

4.15 Enquiries were made from 21 different business sectors, so all but one sector had enquiries about a range of B-Class use space. The small number of companies in ‘Mining and Quarrying’ and ‘Agriculture’ enquiring for space in the City were generally looking for administrative office space rather than facilities to support their primary production activities.

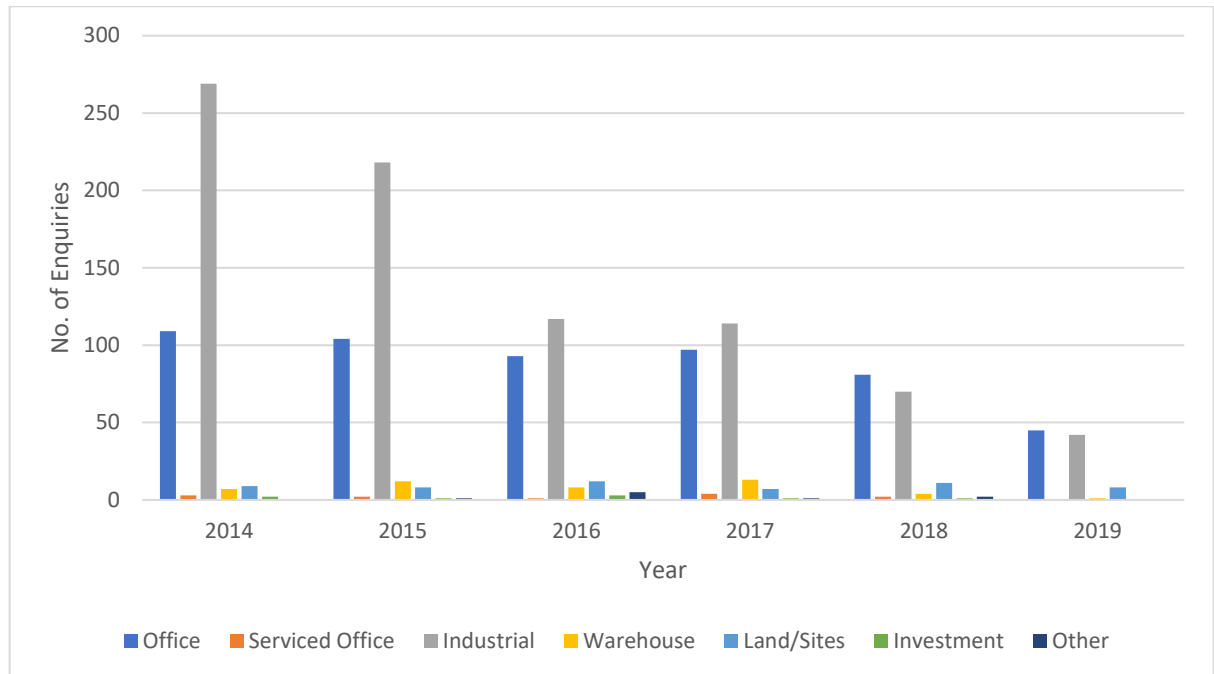
Type

4.16 Figure 13 overleaf sets out a year by year analysis of office / industrial / land enquiries by property type for Leicester.

4.17 Enquiries were made for six different types of property requirements, along with a category for ‘other’, which could include trade or hybrid options. Over the last five years, although to be noted that 2019 enquiries are only available until July, most enquiries were for industrial units (830), accounting for 56 percent of the total for all years. Within each individual year, the highest number of enquiries was always for industrial space, until 2018 and 2019 when office became proportionately more

popular. 2014 and 2015 saw exceptionally high demand for industrial space as industrial companies, which had held off on expansion plans during the preceding national recession, now sought growth.

Figure 13 – LLEP Enquiries by Type, 2014-2019



Source: Leicester City Council, 2019

- 4.18 Office enquiries accounted for 36 percent of the total for the five years. Figure 13 shows a general pattern over the last five years of the number of enquiries slowly decreasing. Overall the total number of enquiries has fallen year on year since 2014, falling from 399 to 171 in 2018 (the latest data for a full year). This is a fall of 57.1 percent in just four years.
- 4.19 Leicester has only a modest role as a logistics centre so it is unsurprising that only 45 warehouse enquiries were noted over 2014-2019.
- 4.20 Additionally, 55 enquiries were also made for 'Land/Sites', with 2016 and 2018 receiving 11 and 12 enquiries respectively. This could be an indication of the demand for space by businesses wishing to build their own property.
- 4.21 At the time of writing, data was only available up to July 2019. However, with 96 enquiries gained in half the year, it would be assumed that 2019 is set to follow this trend of reduced enquiry numbers compared with the previous years. Factors explaining this reducing enquiry level will include the fact that 2014-2015 saw the

release of a lot of pent up demand, post-recession, demand which has now been met, with further growth occurring at a lower rate. Ongoing economic and political uncertainties associated with Brexit may also have had some impacts on demand levels from 2017 onwards. Finally, if, as is suggested elsewhere, there is a supply shortage in Leicester for both industrial and office premises, companies will have less reason to enquire on properties they know are not available or to look to other avenues to satisfy their requirements.

Size

- 4.22 Table 15 shows the preferred size of space which enquiries are looking for. It is noted that 764 (51.3 percent) of all enquiries recorded since 2014 did not state a preferred size when registering interest.

Table 15 – Enquiries by Size, 2014-2019

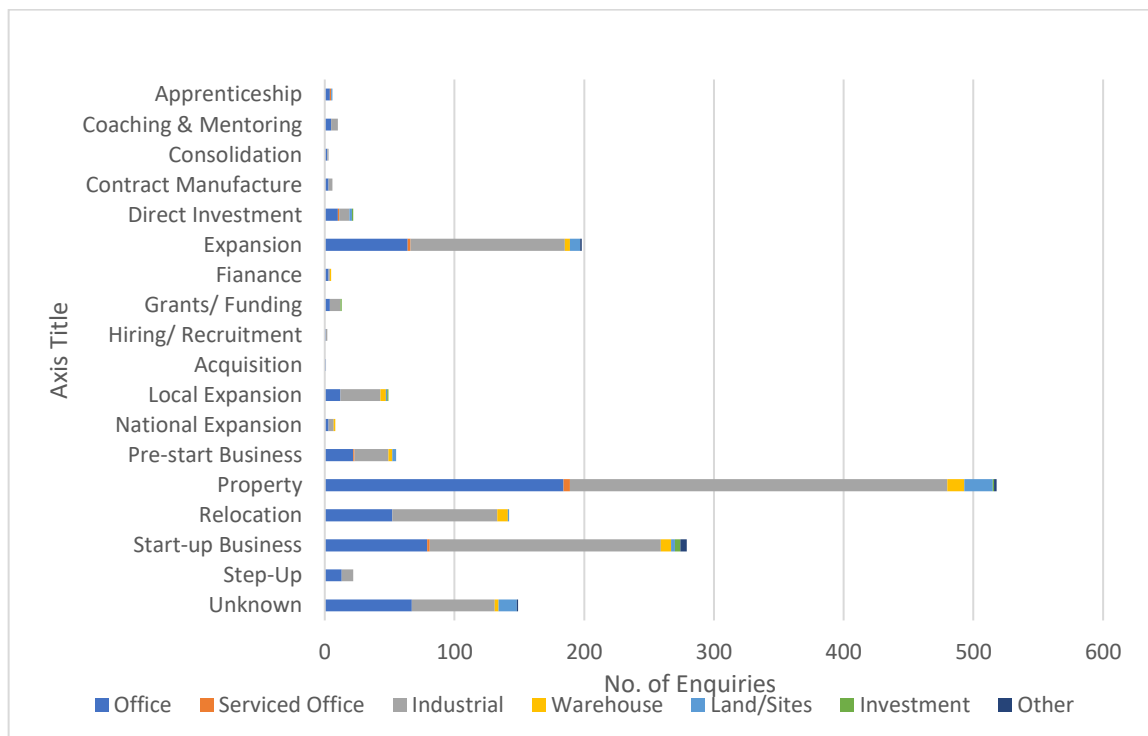
Size Range, Sqm	Office	Serviced Office	Industrial	Warehouse	Land/Sites	Investment	Other	Total
0-100	46	1	48	1	1	0	1	98
101-200	29	1	88	3	0	0	0	121
201-500	53	1	130	2	0	0	3	189
501-1,000	26	0	62	4	0	1	0	93
1,001-5,000	11	0	61	9	1	0	1	83
5,001-10,000	6	0	13	1	0	0	0	20
10,001+	32	0	73	8	6	1	0	120
Unknown	326	9	355	17	47	6	4	764
Total	529	12	830	45	55	8	9	1,488

Source: LLEP, 2019

- 4.23 Of the 529 enquiries regarding office space, 326 (61.6 percent) did not state a preferred size. When a preferred size was stated, operators were generally looking for units of less than 1,000 sqm (29.1 percent of the total office enquiries). The most popular size band under 1,000 sqm, was 201-500 sqm. However, Leicester has received 32 enquiries for units of 10,001+ sqm since 2014, an indication of reasonable interest from very large firms for major office facilities in the City.
- 4.24 Most operators looking for serviced office space (75 percent) were unsure of the size which they required.

- 4.25 42.8 percent of the industrial enquiries do not specify a size requirement. Of the requirements where a size is indicated, units of 201-500 sqm were most desired, although there is reasonable interest for properties in all size bands up to 5,000 sqm. Again, there is also a good level of market demand, equating to 15 percent of relevant enquiries, for industrial units of more than 10,000 sqm. Industrial units of this size will rarely come available in the City, something noted below.
- 4.26 Of the 45 enquiries for warehouse space, the focus was on 1,001-5,000 sqm units although again there was some interest in 10,001 sqm+ facilities. Additionally, 55 enquiries were made for land/sites, of which 85.5 percent stated no particular size required. Where noted, most popular size band was 10,000 sqm+, i.e. more than a hectare, with six of the enquiries.
- 4.27 Where possible, a reason for enquiry has been stated, with 1,339 of the responses detailing a motivation for their property requirement. Figure 14 below provides a breakdown of these reasons.

Figure 14 – Reason for Enquiry, 2014-2019



Source: LLEP, 2019

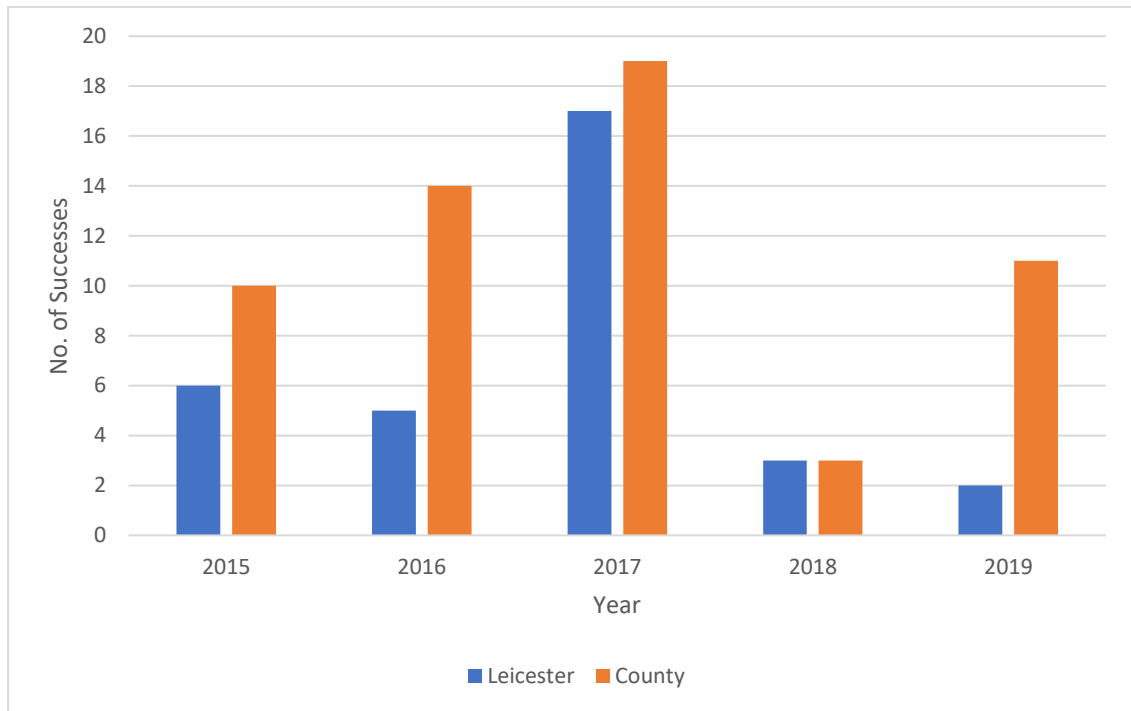
- 4.28 Of the reasons, 'Property' was listed as the main reason for enquiry for over a third of responses, particularly those seeking industrial space.

- 4.29 20 percent, or 279 enquiries, were looking for 'Start-Up space'. This shows Leicester as a sought after location for new businesses requiring their first premises.
- 4.30 With 'Expansion' being the reason that 13.3 percent of businesses gave for enquiring, this too shows a strong business community with growth occurring.

Inward Investment

- 4.31 LLEP also provided information on successful instances of inward investment into the City and County, for each of the individual years between from 2015-2019. It should be noted that the successes recorded by the LLEP are by no means all the inward investment which occurred in that year, rather those investments which specifically progressed with the assistance of the LLEP and national government business agencies. This may exclude smaller scale investments in the textile and food sectors if these were conducted more informally.
- 4.32 As Figure 15 overleaf shows, 90 investment successes were recorded by LLEP over 2015-2019 for Leicester and Leicestershire. 33 of these, 36.6 percent, went to Leicester and the City accounted for more than half of all successes in each year, apart from 2016 when the emphasis was on investment in logistics facilities in North West Leicestershire/Charnwood and R&D facilities at MIRA, Hinckley and Bosworth. So far, in 2019, Leicester has only attracted a modest share of recorded inward investment, with most successes representing investment by the Japanese auto industry into MIRA.
- 4.33 In terms of the successes, for the City, in 2015-2016 most investment was coming from financial services companies, including a £15 million investment from Santander, generating 200 jobs. Such companies set up data centres, call centres and innovation facilities and mostly required office space. Investment over 2017-2019 has been from a broader range of sectors, wanting mixed office and industrial space, with successes recorded for energy generation, including Octopus Energy; food production and marketing/creative. Overall, the recorded successes represent £47 million in investment and have generated 1,041 jobs.

Figure 15 – Recorded Inward Investment Successes, 2014-2019



Source: LLEP, 2019

Property Transactions

- 4.34 Transaction information has been sourced from Radius Data Exchange property database, for industrial/ warehouse units and offices, sold or let in Leicester in the last 10 years.

Industrial/ Warehouse

- 4.35 619 industrial deals have been completed within Leicester since 2009, of which a total of 1,007,242 sqm of floorspace has been transacted. A breakdown of these deals by year and size band can be seen in Table 16 below.
- 4.36 Industrial properties of 201-500 sqm saw the highest number of deals, accounting for 26.8 percent of the decade total. Most market activity occurred in the 201-5,000 sqm size ranges, however, there were a small but steady number of transactions for units of more than 5,000 sqm in each year apart from 2015.
- 4.37 2013 saw the highest number of deals occur within a single year, 89, 14.4 percent of the decade total. 2011 saw the largest amount of floorspace transacted during a single year of 156,139 sqm. The largest amount of floorspace transacted during a single deal

saw 76,100 sqm (7.61 ha) at GE Lighting, Melton Road in 2011 sold to IM Properties for an undisclosed price.

Table 16 – Industrial Transactions, 2009-2019

		0-100	101-200	201-500	501-1,000	1,001-5,000	5,001-10,000	10,000+	Unknown	Total
2019	Floorspace (sqm)	~	118	~	~	~	~	31,119	~	31,237
	No. of properties	~	1	~	~	~	~	1	2	4
2018	Floorspace (sqm)	1,056	1,370	4,733	6,092	21,337	21,630	87,413	~	143,631
	No. of properties	15	9	16	8	9	3	3	~	63
2017	Floorspace (sqm)	628	576	3,003	7,917	28,874	~	93,073	~	134,071
	No. of properties	10	4	10	11	12	~	5	2	54
2016	Floorspace (sqm)	582	615	3,525	5,268	23,415	~	17,649	~	51,054
	No. of properties	10	4	10	7	12	~	1	7	51
2015	Floorspace (sqm)	386	1,427	3,621	6,022	45,266	~	~	~	56,722
	No. of properties	5	10	12	9	19	~	~	1	56
2014	Floorspace (sqm)	186	1,091	7,785	8,422	31,158	14,317	34,780	~	97,739
	No. of properties	3	7	21	12	16	2	3	1	65
2013	Floorspace (sqm)	1,187	2,322	6,628	12,765	30,989	22,259	11,147	~	87,297
	No. of properties	17	15	21	18	13	3	1	1	89
2012	Floorspace (sqm)	438	639	5,671	8,121	17,838	19,680	10,582	~	62,969
	No. of properties	6	5	16	11	10	3	1	~	52
2011	Floorspace (sqm)	549	407	6,295	8,070	15,726	21,124	103,968	~	156,139
	No. of properties	7	3	18	11	8	3	2	~	52
2010	Floorspace (sqm)	215	740	6,666	7,383	25,769	29,807	39,428	~	110,008
	No. of properties	3	6	21	10	17	4	3	~	64
2009	Floorspace (sqm)	329	1,673	6,257	9,057	29,431	13,038	16,590	~	76,375
	No. of properties	7	12	21	12	14	2	1	~	69
Total	Floorspace (sqm)	5,556	10,978	54,184	79,117	269,803	141,855	445,749	0	1,007,242
	No. of properties	83	76	166	109	130	20	21	14	619

Source: Radius Data Exchange, 2019

- 4.38 The longest lease saw 25,566 sqm at Optimus Point let on a 20 year lease to J P Boden and Co for £5.00/ sqft (£53.83/ sqm) in 2017. Of the 619 deals, 72 percent were completed under a leasehold tenure and the remaining 28 percent as freehold sales.
- 4.39 Additionally, 77 investment deals were recorded during the decade of which, the largest amount of floorspace saw 44,757 sqm of units 205 and 276 at Optimus Point sold in an investment deal in 2016, for an undisclosed amount. Yields averaged 7.7 percent over the decade, with a sizable range from 4.9 - 11.78 percent. This range shows different risks being taken on property in Leicester, with yields of 4.9 percent indicating a low risk and 11.78 percent a high risk.

Office

4.40 Since the start of 2009, 642 office deals have been completed within Leicester, combining to 295,259 sqm of transacted floorspace. Table 17 below shows a breakdown by year and size band.

Table 17 – Office Transactions, 2009-2019

		0-100	101-200	201-500	501-1,000	1,001-5,000	5,000-10,000	10,000+	Unknown	Total
2019	Floorspace (sqm)	~	139	1,234	1,664	1,215	~	~	~	4,252
	No. of properties	~	1	3	3	1	~	~	1	9
2018	Floorspace (sqm)	948	1,269	4,194	4,498	9,477	7,362	~	~	27,748
	No. of properties	12	10	14	6	7	1	~	1	51
2017	Floorspace (sqm)	1,025	2,175	5,647	6,741	3,324	8,582	~	~	27,494
	No. of properties	14	16	18	9	2	1	~	2	62
2016	Floorspace (sqm)	883	2,101	3,611	6,991	12,970	~	~	~	26,556
	No. of properties	16	15	10	10	8	~	~	4	63
2015	Floorspace (sqm)	730	2,561	6,433	3,112	16,937	11,146	~	~	40,919
	No. of properties	13	18	23	5	7	2	~	~	68
2014	Floorspace (sqm)	1,393	1,840	8,272	5,911	4,430	~	~	~	21,846
	No. of properties	23	12	28	10	2	~	~	1	76
2013	Floorspace (sqm)	848	2,457	4,575	5,696	13,967	~	~	~	27,543
	No. of properties	14	17	14	9	7	~	~	~	61
2012	Floorspace (sqm)	418	3,587	5,145	6,463	3,838	10,760	~	~	30,211
	No. of properties	6	24	15	9	2	2	~	~	58
2011	Floorspace (sqm)	897	2,376	6,102	3,339	9,996	16,253	~	~	38,963
	No. of properties	15	16	20	4	6	2	~	6	69
2010	Floorspace (sqm)	763	3,099	6,926	4,256	11,374	5,283	~	~	31,701
	No. of properties	12	22	23	6	5	1	~	~	69
2009	Floorspace (sqm)	988	2,659	4,717	4,647	5,015	~	~	~	18,026
	No. of properties	14	16	15	7	4	~	~	~	56
Total	Floorspace (sqm)	8,893	24,263	56,856	53,318	92,543	59,386	0	0	295,259
	No. of properties	139	167	183	78	51	9	0	15	642

Source: Radius Data Exchange, 2019

4.41 Unsurprisingly smaller offices were the most popular, with 183 office deals completed of 201-500 sqm, accounting for 28.5 percent of the decade total. Transactions of less than 500 sqm accounted for 76 percent of all deals completed.

4.42 Very large office transactions, for more than 5,000 sqm in one deal, are rarer than for industrial, with only nine recorded over the decade and none for more than 10,000 sqm. The largest deal to occur across the decade came in 2011 with an 8,895 sqm building on Scudamore Road, Braunstone Frith Industrial Estate sold for £1.3 million to DCS 452 Limited.

- 4.43 2010 saw the highest number of deals completed during a single year with 69, whilst 2015 saw 40,919 sqm of floorspace transacted, the largest amount of floorspace during a single year, 13.9 percent of the decade total. The largest deal during 2015 saw 6,037 sqm at New Walk Centre, Welford Place sold to Mattioli Woods for an undisclosed price.
- 4.44 Six deals have been let on 13-year leases, the longest lease lengths to occur during the time period. Of the 642 office transactions, 78 percent were leasehold transactions and the remaining 22 percent as freehold sales.
- 4.45 Additionally, 70 investment deals were completed during the decade. 5,758 sqm at 60 Wellington Street was the largest investment transaction of the decade with the Local Government taking the space for £800,000. The average yield over the decade was 8.31 percent, with a range from 4.56 - 13.5 percent. Like industrial, these figures show a range of risks, with properties of a lower yield being low risk and higher yields of 13.5 percent being high risk properties. An anomaly occurred of the investment sale of Reynard House, Welford Road with a yield of 17.69 percent.

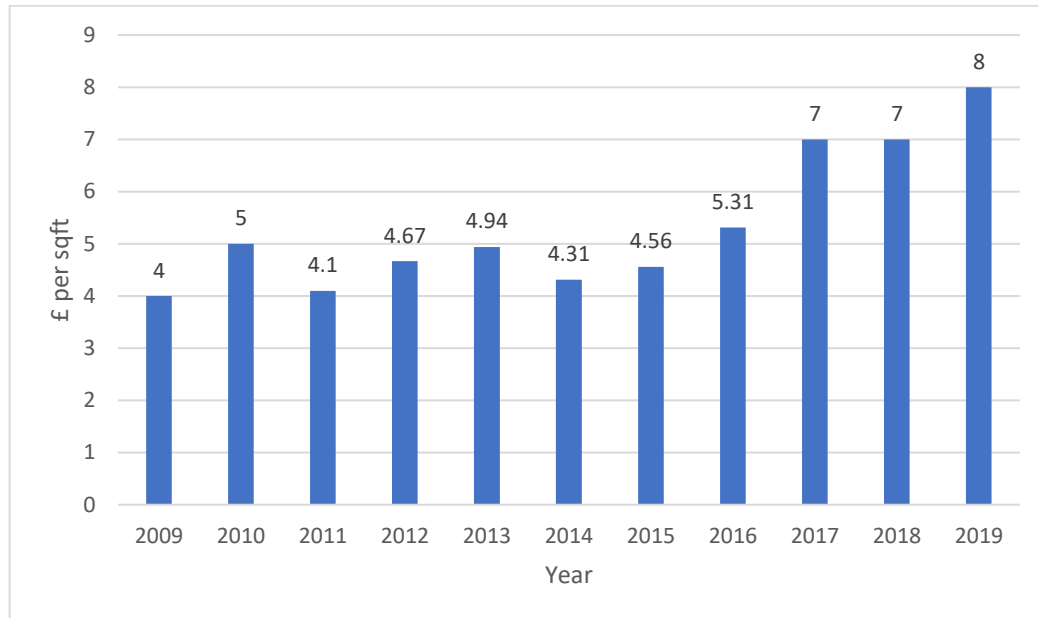
Rents

Industrial

- 4.46 Figure 16 overleaf shows the average rents being achieved for industrial units over the last decade, broken down by year. Of the 619 transactions, pricing information was available for 298 (48 percent).
- 4.47 Average rents have been increasing at a largely steady pace since 2009, apart from a slight dip in 2011 and then again in 2014. This trend has seen average lease rates of industrial units in Leicester double over a ten-year period.
- 4.48 Positively, the 2019 average is £8/sqft (£86/sqm), the highest seen over the last 10 years, although this data comes from only two transactions. The previous average for 2017 and 2018 was £7.00/sqft (£75/sqm) which still represents a strong improvement over previous years and therefore an improving market in terms of rents being achieved. Specifically, the highest rents have been achieved on Troon Industrial Estate, with five deals completed in 2018 of £14-23/ sqft (£150.71-247.60/ sqm). These deals will have been all-inclusive of rents, service charge and business rates.

Discounting these deals, an average rent was achieved of £5.00/ sqft (£53.83/ sqm) in 2018.

Figure 16 – Average Rents by Year, Industrial



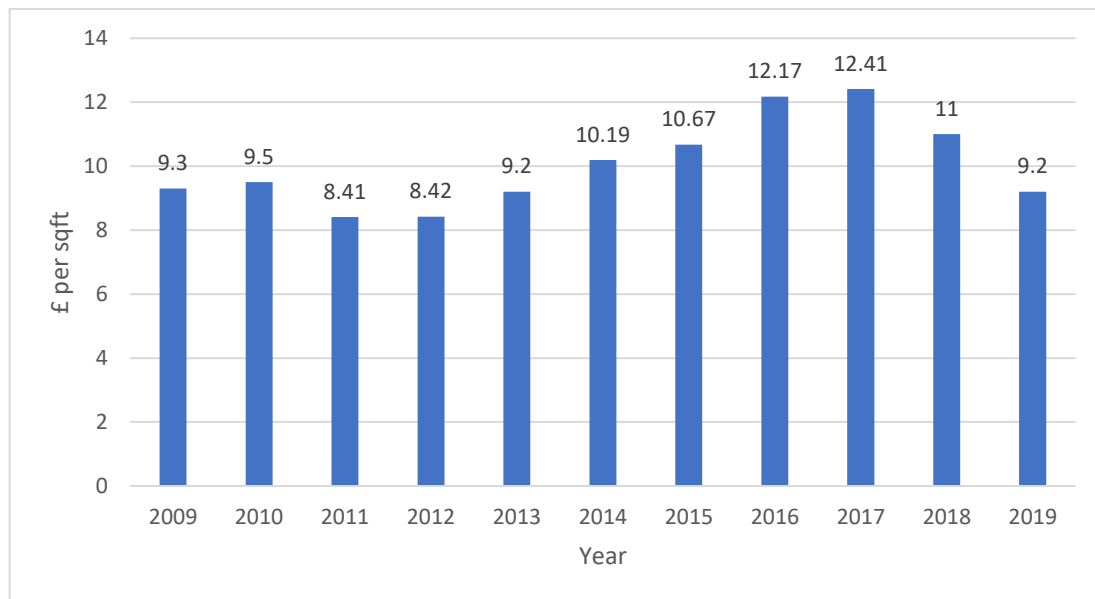
Source: Radius Data Exchange, 2019

- 4.49 To understand the level of rents being achieved on industrial units in Leicester which are not all inclusive, a unit of 10,000 sqft (930 sqm) has been achieving an average rent of around £4.10/ sqft (£44/ sqm).
- 4.50 Freehold transaction data is more limited, but the average freehold sale level, for the last three years was £112.26/ sqft (£1,208/ sqm). This comes from 44 number of occupational sales occurring, of which 35 provided the sale price.

Office

- 4.51 The average rents achieved for office units over the last decade have been broken down by year in Figure 17 overleaf. 642 office transactions were completed, with rental figures available for 323.

Figure 17 – Average Rents by Year, Office



Source: Radius Data Exchange, 2019

- 4.52 Office rents have not seen the growth that industrial rents have and now stand again as almost identical to the average of 2009. From a starting point of £9.52/ sqft (£102/ sqm), rents dipped during the recessionary years 2011-2012, before recovering in 2013 and peaking in 2017 at £12.41/sqft (£1383.60/ sqm). Since then rental levels have dropped back slightly to £11/sqft (£118/sqm) and £9.20/ sqft (£99.04/ sqm) in 2019 (albeit this is only from two deals within 2019).
- 4.53 Historically, the highest rents have been achieved at Colton Square, with deals in 2017 and 2018 achieving £17/sqft (£183/sqm) as this has been the prime office space within Leicester and is based in the 'Railway Station Character Area'. However, these rents are now seen to be reducing slightly due to the out-dated quality of existing buildings. However, the new development of One Great Central Square (Off Vaughan Way), is looking to push the city's rents up again with an asking price of £20/sqft (£215/sqm). Serviced office space with all-inclusive rents, service charge and business rates has been achieving rents up to £32.50/sqft (£349.82/sqm) in Alliance House, (Bishop Street) with a deal completed on 41 sqm of grade B space in 2014.
- 4.54 Freehold transaction data is more limited, but the average freehold sale level, for the last three years was £173.70/sqft (£1,870/sqm). This data comes from 17 sale prices given from the 25 occupational sales which have occurred in Leicester since 2017.

4.55 Just outside of the city boundary, rents at Grove Park were reaching up to £18.10/ sqft (£194.85/ sqm), on space of 1,502 sqm for modern, grade-A space.

City Centre Offices

4.56 Looking specifically at deals which have occurred within Leicester City Centre, a total of 397 office deals have been transacted over the last 10 years, totalling 193,171 sqm. This means city centre office transactions accounted for 61.8 percent and 65.4 percent of the total number of deals and floorspace transacted throughout Leicester during the decade. Table 18 below shows the breakdown of transactions by size band for leasehold deals.

Table 18 – Leasehold City Centre Office Transactions, 2009-2019

		Size Ranges, Sqm							Total	
		0-100	101-200	201-500	501-1,000	1,001-5,000	5,001-10,000	10,000+		Unknown
2019	Floorspace (sqm)	~	~	420	~	~	~	~	~	420
	No. of properties	~	~	1	~	~	~	~	1	2
2018	Floorspace (sqm)	618	603	2,550	3,012	3,819	~	~	~	10,602
	No. of properties	7	5	8	4	3	~	~	~	27
2017	Floorspace (sqm)	766	1,604	2,715	3,305	3,324	~	~	~	11,714
	No. of properties	10	12	9	4	2	~	~	1	38
2016	Floorspace (sqm)	358	816	2,119	2,460	7,829	~	~	~	13,582
	No. of properties	5	6	6	3	4	~	~	~	24
2015	Floorspace (sqm)	384	887	2,445	1,490	4,470	5,108	~	~	14,784
	No. of properties	7	6	9	2	2	1	~	~	27
2014	Floorspace (sqm)	1,134	1,236	4,165	2,438	~	~	~	~	8,973
	No. of properties	16	8	13	4	~	~	~	~	41
2013	Floorspace (sqm)	660	1,391	2,448	1,898	11,473	~	~	~	17,870
	No. of properties	11	10	9	3	5	~	~	~	38
2012	Floorspace (sqm)	300	1,240	1,549	4,563	~	~	~	~	7,652
	No. of properties	4	9	5	7	~	~	~	~	25
2011	Floorspace (sqm)	599	1,100	2,814	1,639	6,311	~	~	~	12,463
	No. of properties	9	8	9	2	3	~	~	5	36
2010	Floorspace (sqm)	682	1,120	2,250	1,162	10,502	~	~	~	15,716
	No. of properties	10	7	9	2	4	~	~	~	32
2009	Floorspace (sqm)	669	1,803	2,383	3,035	5,296	~	~	~	13,186
	No. of properties	8	11	7	5	4	~	~	~	35
Total	Floorspace (sqm)	6,170	11,800	25,858	25,002	53,024	5,108	0	0	126,962
	No. of properties	87	82	85	36	27	1	0	7	325

Source: Radius Data Exchange, 2019

- 4.57 The average leasehold deal which occurred during the last 10 years was for 391 sqm. Whilst the highest number of deals occurred for small space of 0-100 sqm, 87, properties of up to 500 sqm were popular. Overall deals of less than 500 sqm accounted for 78.1 percent of the total deals completed, a figure in line with the wider Leicester area.
- 4.58 One surprise is that only five of the ten deals for more than 5,000 sqm of space recorded, occurred in the City Centre (one leasehold deal noted above and four freehold, noted below). The leasehold deal comprised the First and Second floor of St George's Tower, 5108 sqm, was let in September 2015 for an undisclosed amount. The other five occurred in out of centre Employment Areas including Troon Industrial Estate and Braunstone Frith Industrial Estate.
- 4.59 2014 saw the highest number of transactions during a single year of 41, 12.6 percent of the decade total. However, 2013, saw the highest amount of floorspace transacted during a single year of 17,870 sqm. This accounted for 14.1 percent of the decade total.
- 4.60 Three deals have been let on 15-year leases, the longest lease lengths to occur during the time period. 3-5 years was the average lease length secured.
- 4.61 Table 19 overleaf shows the breakdown, by size band, of freehold transactions within Leicester's City Centre.

Table 19 – Freehold City Centre Office Transactions, 2009-2019

		Size Ranges, Sqm								Total
		0-100	101-200	201-500	501-1,000	1,001-5,000	5,001-10,000	10,000+	Unknown	
2019	Floorspace (sqm)	~	~	320	1,664	~	~	~	~	1,984
	No. of properties	~	~	1	3	~	~	~	~	4
2018	Floorspace (sqm)	89	255	801	~	2,374	7,362	~	~	10,881
	No. of properties	1	2	3	~	2	1	~	~	9
2017	Floorspace (sqm)	~	195	216	769	~	~	~	~	1,180
	No. of properties	~	1	1	1	~	~	~	~	3
2016	Floorspace (sqm)	~	~	581	2,683	1,237	~	~	~	4,501
	No. of properties	~	~	2	4	1	~	~	2	9
2015	Floorspace (sqm)	~	101	1,442	~	9,026	6,037	~	~	16,606
	No. of properties	~	1	5	~	3	1	~	~	10
2014	Floorspace (sqm)	24	~	1,470	613	3,001	~	~	~	5,108
	No. of properties	1	~	5	1	2	~	~	~	9
2013	Floorspace (sqm)	95	154	394	1,074	1,393	~	~	~	3,110
	No. of properties	1	1	1	2	1	~	~	~	6
20112	Floorspace (sqm)	75	147	265	780	2,352	~	~	~	3,619
	No. of properties	1	1	1	1	1	~	~	~	5
2011	Floorspace (sqm)	~	159	242	~	2,627	7,357	~	~	10,385
	No. of properties	~	1	1	~	2	1	~	~	5
2010	Floorspace (sqm)	~	392	616	~	1,417	5,283	~	~	7,708
	No. of properties	~	3	2	~	1	1	~	~	7
2009	Floorspace (sqm)	36	153	938	~	~	~	~	~	1,127
	No. of properties	1	1	3	~	~	~	~	~	5
Total	Floorspace (sqm)	319	1,556	7,285	7,583	23,427	26,039	0	0	66,209
	No. of properties	5	11	25	12	13	4	0	2	72

Source: Radius Data Exchange, 2019

- 4.62 The average freehold deal to occur over the time period was for 920 sqm, over twice the average size of a leasehold deal in the same location during the same time period. Most freehold deals, 25, were for offices of 201-500 sqm. This accounted for 35.7 percent of the total number of deals.
- 4.63 As noted, four freehold deals were for space of more than 5,000 sqm. The sale of New House & Wellesley House (Wellington Street), was the largest office sale to occur. In 2018 these buildings of collectively 7,362 sqm were sold for £9.25 million to the Department for Communities and Government.
- 4.64 2015 was the year which saw the highest number of deals and the highest amount of floorspace transacted during a single year. 10 office properties were sold, accounting

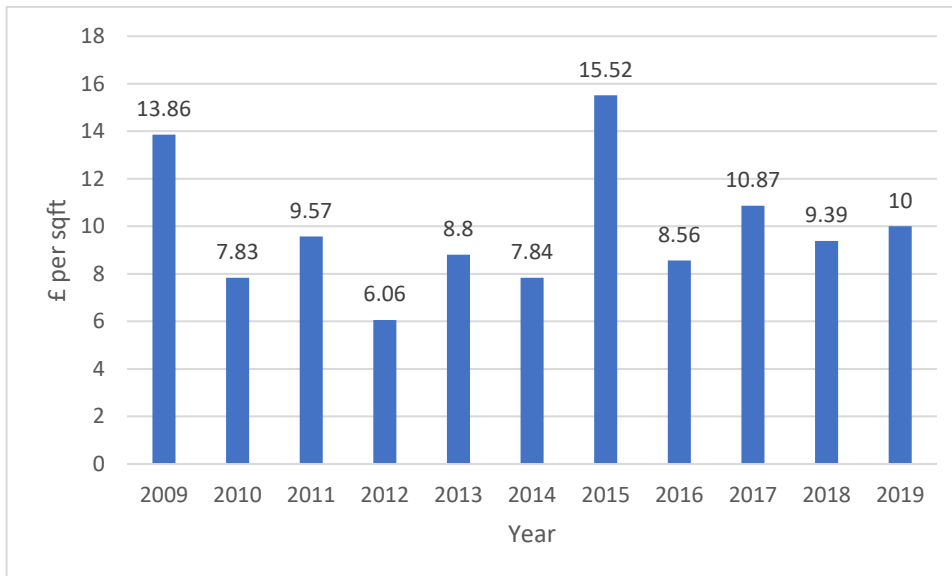
for 13.8 percent of the total, with 16,606 sqm of floorspace transacted. 25 percent of the total floorspace for the decade occurred during 2015.

- 4.65 The largest investment sale of occupied premises to occur over the last 10 years within the City Centre saw 17,025 sqm at St George's Tower sold to an undisclosed party. The sale was achieved for £48 million, at a yield of 3.26 percent. The average yield from deals, from available data was around 9 percent although this reflects considerable variation from 3-13 percent.

City Centre Office Rents

- 4.66 Average rents have been calculated for each year over the last decade for office units (see Figure 18 overleaf). This data has been gathered from deals with pricing information available. Of the 325 transactions, 66.1 percent (215) displayed this information.
- 4.67 Rents for offices within the City Centre have fluctuated more sharply than for Leicester as a whole. From 13.86/sqft (£149/sqm) in 2009, rents dropped sharply in the recessionary period, to only £6.06/sqft (£65/sqm) before recovering to peak at £15.52/sqft (£167/sqm) in 2015. This 2015 figure, however, reflects four lettings at Humberstone House, Humberstone Gate, for an exceptional £25/sqft (£269.13/sqm). Thus, average rents for the years which follow £8.50-10/sqft (£91-108/sqm) are likely to be more realistic. The current average of £10/sqft (£108/sqm) is actually lower than the City wide average of £11/sqft (£118/sqm), suggesting that, on an average basis at least, City Centre stock does not enjoy a rental premium over non city centre stock.

Figure 18 – Average Rents by Year, 2009-2019



Source: Radius Data Exchange, 2019

- 4.68 Radius does not allow identification of transactions specifically for Grade A stock. However, it is worth noting that the best rents achieved for City Centre offices, for the last three years range from £17-20/ sqm (£183-215/ sqft).
- 4.69 In terms of freehold sales, the average rate is £186/sqft (£2,005/sqm) for the last three years.

Property Supply

- 4.70 A schedule of the vacant floorspace being marketed in the study area (as at September 2019) has been compiled mainly from physical survey, a trawl of commercial property agent's websites and consultations with agents. The marketed space is taken to be a reasonably close approximation to that which is vacant – although there may be occupiers waiting for interest in their property before moving, and empty units not actually being marketed.
- 4.71 Across the City, a total of 222,463 vacant space is reported, comprised of 212 individual premises. 160,188 sqm from 94 premises (72 percent of the total supply) is industrial and 62,275 sqm in 118 premises (28 percent) is offices. Vacancy schedules can be found in **Appendix 2** for all industrial and office premises in Leicester.

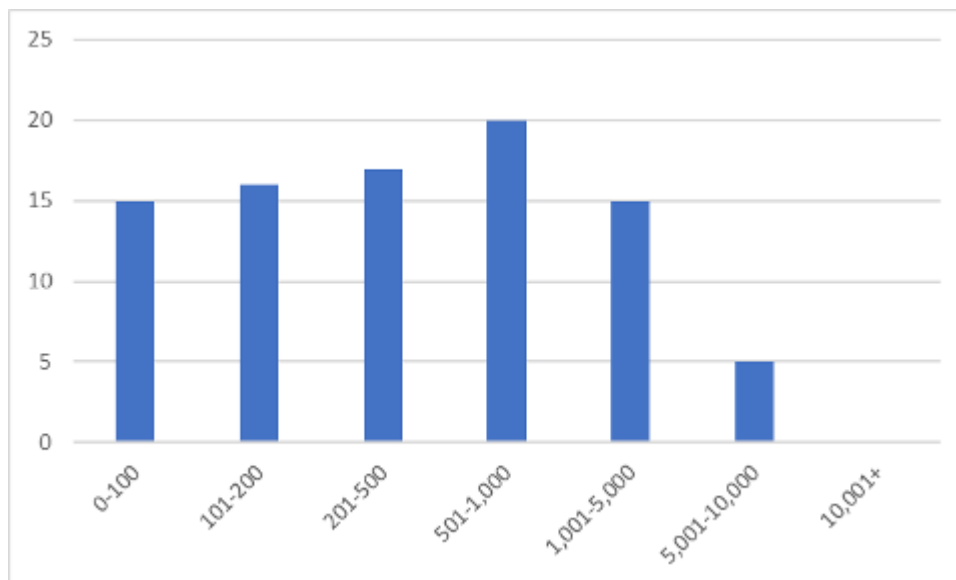
Industrial

4.72 88 industrial premises are currently being marketed as available within Leicester, comprising 91,491 sqm. The largest available units include three speculatively developed units at Leicester Distribution Park, Scudamore Road, Braunstone Frith Industrial Estate of 4,600-9,200 sqm. These recently completed properties are available for sale, with no price quoted, although all are now understood to be under offer and so will be taken up quickly. No very large industrial properties of more than 10,000 sqm are on the market, to meet the largest property enquiries noted above.

4.73 80 of these properties (91 percent) are being advertised as available for leasehold, with the remaining eight properties available to buy. 34 of the available units displayed pricing information, with an average quoting rent of £6.85/sqft (£73.69/ sqm).

4.74 Figure 19 below shows that 23 of the of the available units are 501-1,000 sqm in size, 24 percent. These comprise a mixture of singular units and ones on various industrial estates including Hamilton. There are five units of more than 5,000 sqm on the market, including two at Leicester Distribution Park together totalling 14,864 sqm. The other three are older factory premises, two at Braunstone Frith Industrial Estate, one at Troon Industrial Estate.

Figure 19 – Amount of Marketed Property, Industrial

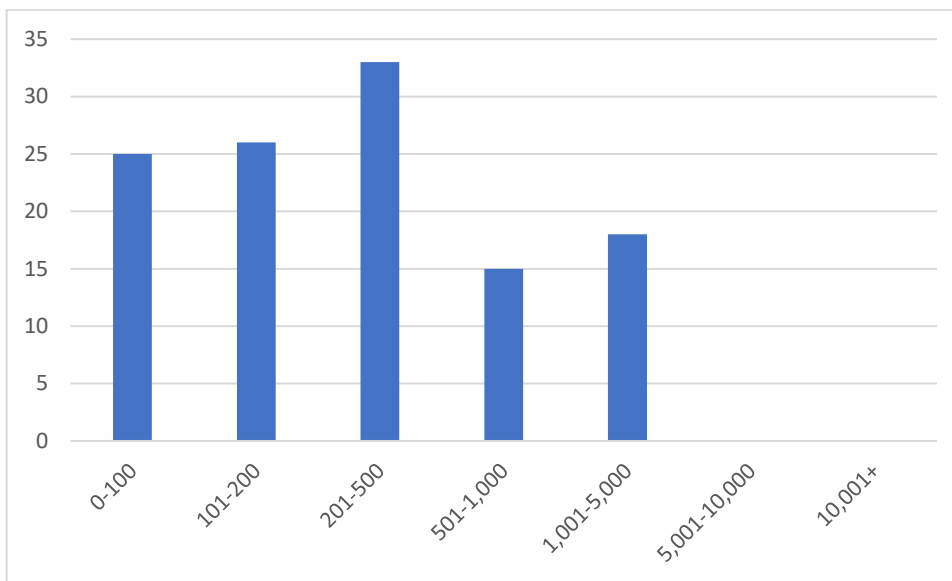


Source: BE Group, 2019

Office

4.75 There are currently 117 office premises being marketed within Leicester, totalling 57,600 sqm. As Figure 20 shows, there are no office premises in Leicester available of more than 5,000 sqm, which could meet larger property requirements. The largest availability of office space has only just been completed (5 floors, at One Great Central Square, Vaughan Way), with 3,020 sqm available, to be taken whole or split between different occupiers. This is grade-A quality space.

Figure 20 – Amount of Marketed Property, Office



Source: BE Group, 2019

4.76 106 of these properties (91 percent) are being marketed for leasehold, with the remaining 11 for sale. 36 percent of these freehold opportunities are for properties over 1,000 sqm. An average asking rent for an office within Leicester is £12.91/sqft (£139/sqm), from the pricing data available. Rents range from £5.29/ sqft (£57/ sqm) - £18/ sqft (£199/ sqm). There is limited high quality available space within the City, with just 11 offices, in ten buildings, both new and second hand (not necessarily all Grade A), marketed at £18/sqft (£194/ sqm) or higher, at the time of writing. Outside of Colton Square, most of these are serviced suites, with the additional management charges explaining the above average rents. These are:

- 1-2 Colton Square – Four suites on the market at the time of writing, at £18.5/sqft (£199/sqm)
- Suite at Friars Mill, Bath Lane – Serviced
- 98, New Walk
- Suite Orchards Avenue - Serviced

- 5, Museum Square - Serviced
- Suite, Upper King Street
- 108 New Walk - Serviced
- Suite, Ross Walk - Serviced

4.77 Figure 20 shows the majority of offices being marketed, 72 percent, are below 500 sqm with premises of 201-500 sqm being the dominant category. Marketed offices of this size band account for 27 percent of the total.

City Centre Office Supply

4.78 Three quarters of the office supply which is currently being marketed (87 units), comprising 38,962 sqm of space, is in the City Centre. This includes 17 suites in four large multi-let properties – Humberstone House, Humberstone Gate; Premier House, 29, Rutland Street; Rutland Centre, 56, Halford Street; and St Johns House, 30, East Street.

4.79 The average available suite size is 487 sqm and, reflecting wider trends most, 71 percent, are less than 500 sqm in size, with 27, a third in the 200-500 sqm range. Only nine sub-100 sqm suites are noted.

4.80 Of the 80 suites, only six are available freehold.

4.81 11 units of more than 1,000 sqm are on the market. Largest is One Great Central Square, Vaughan Way, 3,020 sqm (available at the time of writing) which is under development and close to completion. This is also the only Grade A space available at this time.

4.82 The average quoting rent is £13.45/sqft (£145/sqm) with a range from £5-18/sqft (£219/sqm). The high quality space is available at Colton Square, with rents reaching £18/ sqft (£194/ sqm), whereas the stock achieving low rents of £5/ sqft (£54/ sqm) are offices located above retail units on the high street and of poor-average quality.

Valuation Office Data

4.83 The Valuation Office Agency (VOA) provides data on the overall number of business premises (hereditaments) and overall floorspace by broad use type, including offices and industrial/ warehousing. According to the latest VOA statistics (2015-2016), there were 4,050 industrial hereditaments and 1,910 office hereditaments within Leicester at that time, totalling 2,539,000 sqm and 456,000 sqm respectively.

- 4.84 Comparing these VOA figures to the vacancy schedules above can provide an indication of the overall occupancy rate of the commercial premises. The occupancy rates calculated are estimates only due to the different timeframes of the two sets of data (VOA data and the vacancy schedules) and that some floorspace may be being sold off-plan (i.e. yet to be constructed). However, they do provide a reasonable indication of the overall performance of the market.
- 4.85 Occupancy rates of 90-95 percent can be considered a reasonable balance between a vibrant, active market, providing good returns to landlords and providing capacity for churn and growth in the market. A high occupancy rate is an indicator of a full market with businesses having difficulties in finding adequate premises. A low occupancy market indicates long-term unoccupied and derelict stock and poor business growth.
- 4.86 As at September 2019 there were some 91,491 sqm of industrial space and 57,600 sqm of office space on the market, which equates to occupancy rates of 96.4 percent for industrial and 87.3 percent for office space. These occupancy rates suggest a shortage of industrial space whilst offices are more readily available, although still with possible shortfalls, particularly for larger suites. Additionally, these low vacancy rates (particularly for the industrial buildings, of under 4 percent) indicates difficulty in businesses finding adequate space to meet their needs, in relation to the quality of the building they wish to let/ buy. For Leicester's office space, this is likely to relate to the shortage of high-quality grade-A space.

Property Market Stakeholders

- 4.87 This section provides qualitative evidence of the demand, activity levels in relation to spatial and size differences, key market interests and weaknesses in the market for industrial and office property within the study area. This data was gained through consultations with active commercial property agents and developers in Leicester.
- 4.88 To protect anonymity of individuals and organisations, names of commentators are not revealed. These views are the opinions of the representatives of the consulted organisations at the time of the consultations and they are not the views of Leicester City Council or BE Group, (the consultants).
- 4.89 The views have been summarised in a series of tables. Tables 20 and 21 overleaf provide a breakdown of the general comments received regarding industrial and offices in the city.

Table 20 – Property Market Comments, Industrial

Contact	Comment
National Agent	<ul style="list-style-type: none"> • A lot of the stock is situated close to the M1 for access reasons • Not much vacant stock in the City Centre or elsewhere • Any new development gets taken up very quickly • The City Centre needs micro business workshops of 100 sqm whilst the motorway corridors will meet demand for big box developments. • Demand is strong and most City industrial and mill schemes are functioning well. The quality of supply varies, but is mostly of reasonable quality and enjoys good access • Small units will always be in demand from local occupiers, but experience with Samworth Brothers shows this to be an area which can attract the big named occupiers.
Regional Agent	<ul style="list-style-type: none"> • Limited supply, with particular shortages of larger 2,000-10,000 sqm, against demand. This is evidenced by the success of Leicester Distribution Park, which offers units of 4,645, 5,574 and 9,289 sqm, all under offer. • Little stock of small units and any new builds let quickly • Anything below 1,400 sqm is letting at £7.25/ sqft (£78/ sqm) • Large space of 4,000 sqm or more is letting for £6.50-6.75/ sqft (£70-73/ sqm) • New build freehold units (small & big) can sell at £130-135/ sqft (£1,400-1,453/ sqm) • Strong owner-occupier market and reasonable demand for land for self-build/Design and Build options • Pressure on the old stock for alternative uses, especially residential/student accommodation in the City Centre. • Overall quality of the older stock is poor, these units should go, but not at the expense of losing all industrial stock in the centre. Should keep second-hand stock with high values which is performing well. • Land values are £865,000-£1.5 million/hectare (£350,000-625,000/ acre) • Yields for good quality space are reasonable, long leases have hardened • However, viability is still an issue for average lease lengths – 10 years/ 5 year break – low yields.
Regional Agent	<ul style="list-style-type: none"> • New instruction of a workshop in the City Centre, received three lots of interest in just one week for a 186 sqm property at £7.5/ sqft (£80/ sqm). • Good demand is being received overall, particularly for sub-465 sqm units • Rents are pretty basic at £4-5/ sqft (£43-54/ sqm) increasing to £7-8/ sqft (£75-86/ sqm) for the best space. • Overall, there is just not enough supply against demand, particularly for small units.
National Developer	<ul style="list-style-type: none"> • Has mainly developed industrial space in Blaby, not Leicester, but would like to work in the City • Believes there are sites which would be suitable for industrial development which should be released

	<ul style="list-style-type: none"> • Demand is strong but supply is weak. Companies are forced to go to neighbouring authorities e.g. Blaby as they can't find the space in Leicester.
Sub-Regional Agents	<ul style="list-style-type: none"> • The small industrial estates close to the City Centre perform well, with demand for average quality units of 200-500 sqm. • Larger schemes in the west of the City, up to the boundary with Blaby are performing well and enjoy good access • Demand for mills is user specific, from businesses within the textiles industry • There is a lack of supply to meet this demand, in Leicester and across Leicestershire • In terms of larger units, there is availability for Design and Build if an occupier wished for up to 10,000 sqm, but ready built mid-sized units of up to 2,000 sqm are difficult to obtain • Any development that does occur is snapped up quickly, particularly of the smaller units. New development should be focused on smaller sized units.

Source: Various, 2019

Table 21 – Property Market Comments, Office

Contact	Comment
National Agent	<ul style="list-style-type: none"> • Marketing the new development at One Great Central Square. Rents will be at £20/sqft (£215/ sqm). • This will form part of a mixed-use scheme including two hotels and leisure facilities. Its clients have confidence in the area and the market to do this risky development • They have taken a different view on the rent. Believe they can justify development as the value of the land is not being taken into account as it is under long term ownership. • Someone has to do a big quality development like this in order to push the market forward and lift rents • Due for development completion in November. Have received some demand and conducted some viewings – lost one potential occupier due to lack of car-parking. Majority of viewings and interest coming from existing occupiers within the city who are curious about seeing the new development • Marketing will be ramped up when development is complete • There has been nothing built of this high quality in years – since Colton Square • Colton Square was achieving £17/ sqft (£183/ sqm) but now rents have lowered and become stagnant • Overall, it is not that big of a market, small amount of supply available at any one time • Majority of stock is from 1970's/80's which gets refurbished. Difficult to achieve grade A space from refurbished stock.
National Agent	<ul style="list-style-type: none"> • Lack of supply • Rents are low compared with other cities because of the quality of the existing stock. The current stock is older premises which just get refurbished – there is little opportunity to push rents higher because of the quality of that supply • Need new buildings to be developed to produce higher rents.

	<p>The problem is that there isn't much available land to build on. Derby has similar issues</p> <ul style="list-style-type: none"> • Like in Loughborough, the City has demand from businesses associated with and comparable to the University, i.e. technology/ science related • Businesses within the City Centre are in premises below 500 sqm. Many of these fall into the financial sector e.g. accountants, typical sectors found within cities
Regional Agent	<ul style="list-style-type: none"> • Rents at Great Central Square are the only ones to achieve £20/ sqft (£215/ sqm) at present • When Colton Square was first built it was achieving £17/ sqft (£183/ sqm), now £18/ sqft (£194/ sqm) which when additional charges such as service charge and business rates are removed, rents come out as £14/ sqft (£151/ sqm) • City Centre/ Out-of-town, there isn't much difference in rents • Have seen growing City Centre demand over the last five years, but tends to be from smaller occupiers, with limited interest from the big firms • Leicester doesn't have one big occupier that drives the market and then drives sub-market • The largest private business in the City has about 300 employees • These trends have held true for the last 30 years • The current uncertainties around Brexit do not appear to be impacting on demand. Perhaps enquiries and deals have slowed down a bit in the last 3 months. • Specific sites: <ul style="list-style-type: none"> ○ Phoenix – not a traditional site, also like Great Central Square. Long way from train station ○ Waterside – small offices being developed for owner occupier market – this is the particular occupiers they want here.
Regional Agent	<ul style="list-style-type: none"> • Overall, not receiving much demand for the older stock it markets • In the City Centre, parking is a major issue • Highest rents here would be reaching £10/ sqft (£108/ sqm) • Outskirts around the M1 is seeing offices letting well, offices in business parks are popular and doing better than singular units.
National Developer	<ul style="list-style-type: none"> • Have developed in the Waterside Regeneration Quarter: <ul style="list-style-type: none"> ○ 519 sqm Riverside building has been sold to United Union ○ 459 sqm Fabric building is under offer to an owner occupier ○ Achieved sale prices at £250/ sqft (£2,691/ sqm). • Strong freehold demand which needs to be allowed for • Development is needed to stop occupiers from going out-of-town. People need to have confidence in the area and the markets • Believe the Leicester market is improving and is now performing better than Nottingham • Having an active Local Authority is helping to improve the office market, especially with their keen revamp of Waterside • Waterside is mixed use scheme which is working well

	<ul style="list-style-type: none"> • Working with Keepmoat on 350 houses and 4,645 sqm of offices. Are about to secure a 1,300 sqm Design & Build development for an occupier currently located within Leicester who is looking to grow its business. Development is due to begin in early 2020 • More often, demand is received from out-of-town occupiers.
Sub-Regional Agents	<ul style="list-style-type: none"> • There isn't much stock available, particularly good quality units. Demand is low leading to limited pressure for new stock • Out of town stock can push £14/ sqft (£151/sqm) and City Centre may reach just a little above this • Developers cannot justify good quality space as will not be able to achieve the best rents in the City – developers would need £20/sqft + (£215/ sqm+) – to justify Grade A space • Unsure as to why demand isn't coming to Leicester City Centre for that Grade A quality space • Demand seems to be for out-of-town leasehold space in Business Parks.

Source: Various, 2019

- 4.90 In a strong owner-occupier market, local industrial firms require units of up to 500 sqm, including some workshop options of 100 sqm or less. Centrally located industrial schemes are performing well, as are larger schemes in the west of the City, but there is a significant limited availability of supply, and therefore not all demand is being met. Any new releases get snapped up quickly. However, some of the older supply in the City Centre is experiencing demand for a change of use to residential/ student accommodation.
- 4.91 Supply shortages, against demand, extend up to 10,000 sqm with a particular lack of 2,000 sqm units. Recent schemes which have developed such large space have performed well, in the outer areas of the city. Demand for mills is user specific, from businesses within the textiles industry and the textile quarter is performing well. Rents for basic secondary space £4-5/sqft (£43-54/ sqm) increasing to £7-8/sqft (£75-86/ sqm) for the best space and around £6/sqft (£65/sqm) for larger good quality units.
- 4.92 Office demand has been growing over the last five years, for the City Centre and out of centre estates, but tends to be from smaller occupiers, requiring up to 500 sqm each, with limited interest from the big firms. Demand is from traditional financial services firms, plus the high-tech specialisms of the Enterprise Zone. Whilst there have been some large occupiers such as IBM coming into the area taking a 3,000 sqm office in New Walk, it was felt there is a lack of critical mass of large occupiers that might draw in other big firms. Demand includes freehold requirements which can be hard to satisfy, and freehold options at Waterside have been in demand.

- 4.93 There is a lack of good quality supply in the City Centre and the quality of available space is impacting on rental levels, which are lower than in other regional cities. One Great Central Square is being offered at £20/sqft (£215/ sqm), £17-19/ sqft (£183-194/sqm) is a more usual upper average, with deals at Colton Square having been completed for £17/sqft (£183/sqm) but are now becoming stagnant. Limited difference is being seen between City Centre and out of centre/business park rental levels. Rental levels are inhibiting development prospects and space has normally been provided through refurbishment of the secondary stock.

Chapter Summary – Property Market Assessment and Viability

- 4.94 National economic uncertainty may be discouraging some possible requirements, but it does not seem to be having a major impact upon the take-up of premises. There are regional shortages of space with supply decreasing by a third since 2017, in the East Midlands. Take-up in Leicester specifically reached 204,000 sqm over 2018/19, above the 10 year average for the sixth consecutive year. Prime rents have grown by almost 5 percent a year since 2013 reaching £6.75/ sqft (£72.65/sqm).
- 4.95 Over 2018/19, in the UK nation-wide, the lowest levels of speculative development in three years were seen, perhaps indicating a 'looming supply gap' Q1 2019 saw rents reach £17.50 (£166.80/sqm) in Leicester, an increase of £0.50/sqft (£5.40/sqm) on the Q1 2018 figure. Supply in Leicester remains at c. 56,000 sqm, in line with the previous three years figures, and with second-hand space accounting for 84 percent of supply.
- 4.96 Public sector enquiries logged by LLEP since 2014 are primarily for industrial space and with just over a third seeking office space. The number of enquiries received is declining but based on other evidence this seems to reflect reduced usage of the LLEP website, where these enquires are logged, rather than diminishing market evidence. The most popular size required by industrial businesses is 201-500 sqm. However, Leicester has received 15 enquiries for units of 10,001+ sqm since 2014, an indication of reasonable interest from very large firms for major facilities in the City. Office requirements are for units of less than 1,000 sqm. Again, Leicester has received 32 enquiries for units of 10,001+ sqm since 2014, an indication of reasonable interest from very large firms.
- 4.97 In terms of completed property deals, most transactions were for 200-5,000 sqm units, accounting for 90.5 percent of all deals. 200-500 sqm was the most popular individual size range. Leasehold deals were most common. Most office transactions were for

small suites of 0-500 sqm. Average achieved rents were £7/sqft (£75/sqm) for industrial, £11/sqft (£118/sqm) for offices.

- 4.98 City Centre office deals were similarly focused on 0-500 sqm offices. The current City Centre average rent is £10/sqft (£108/sqm). The best rents achieved for City Centre offices, for the last three years range from £17-20/sqft (£183-215/sqft).
- 4.99 As of September 2019, a total of 222,463 vacant space is reported, comprised of 212 individual premises. 72 percent of this is industrial. The largest marketed industrial units are at Leicester Distribution Park, Scudamore Road, Braunstone Frith Industrial Estate of 4,600-9,200 sqm. These are reported to be under offer. There are no office premises in Leicester available of more than 5,000 sqm. Thus there is nothing currently on the market which could meet the largest reported requirements of 10,000 sqm or more.
- 4.100 Overall, occupancy rates are at 96 percent for industrial floorspace in the City, which suggests a lack of choice amongst businesses looking for accommodation. For offices, the occupancy rate is lower at 86 percent by floorspace and premises, meaning there is a slightly higher level of availability in the stock, to meet needs.
- 4.101 Following consultations with local commercial property agents and developers, local industrial demand is noted as being for units of up to 500 sqm. There is limited available supply. However, supply shortages, against demand, extend up to 10,000 sqm with a particular lack of 2,000 sqm units. Rents for basic secondary space £4-5/sqft (£43-54/sqm) increasing to £7-8/sqft (£75-86/sqm) for the best space and around £6/sqft (£65/sqm) for larger good quality units.
- 4.102 Office demand has been growing over the last five years, for the City Centre and out of centre estates, but tends to be from smaller occupiers, requiring up to 500 sqm each. There is a lack of good quality supply in the City Centre, and the quality of available space is impacting on rental levels, which are lower than in other regional cities. Rental levels are inhibiting development prospects and space has normally been provided through refurbishment of the secondary stock. Whilst some secondary stock, such as at New Walk, is performing well and enticing large occupiers such as IBM, the city is still in need of Grade-A modern stock, it is hoped that the new development of One Great Central Square would contribute to meeting this need.

5.0 STAKEHOLDER CONSULTATIONS

Introduction

- 5.1 This section provides commentary about the City, drawn from consultations with the public sector, University of Leicester, key developers, and major businesses. It should be noted that each organisation's comments are their perception of the situation, and may well reflect their role and involvement, rather than being the complete picture. Discussions with private sector developers and property agents are outlined in section 4.0, Property Market Assessment. Discussions with neighbouring local authorities are included in Section 8.0, Functional Economic Market Area. A list of the organisations, businesses and commercial property agents spoken to within the study is listed in **Appendix 1.**

Public Sector

Leicester and Leicestershire Enterprise Partnership (LLEP)

- 5.2 Strategy and Programme Managers of LLEP were consulted on demand for land and premises in the City, the Enterprise Zone and other programmes. LLEP officers report healthy demand for small industrial units for start-ups/micro firms across the City and the County, along with a need for grow on space up to about 1,000 sqm. This demand extends across a broad range of industry sectors, with no strong focus on one specific sector.
- 5.3 The City has strong shortages of industrial and warehouse space. LLEP gets a lot of enquiries from companies with space issues through its Business Gateway service. The Gateway has dealt with some 5,000 enquiries, a high proportion of which are property related.
- 5.4 It was also the view of the LLEP that while the ongoing uncertainty over Brexit is impacting on the short-term investment decisions of larger companies, it is not inhibiting demand from micro businesses.
- 5.5 LLEP discussed the Loughborough and Leicester Science and Innovation Enterprise Zone. It noted that Leicester's element of the Enterprise Zone is very different from Loughborough's. The latter focuses on life sciences. However, it is likely the two parts of the Zone will compete for general high technology businesses.

- 5.6 The other Enterprise Zone of Leicester and Leicestershire, MIRA, has a focus on the automotive sector so does not compete with Leicester Waterside. The main competition for MIRA is the Land Rover automotive cluster in Coventry and Silverstone, rather than any facilities in Leicester.
- 5.7 Melton Mowbray is now home to one of the first East Midlands Manufacturing Zones, which will have a focus on food production. The Melton Manufacturing Zone is still in early stages, so it is difficult to be clear on what impacts this will have for Leicester. However, it was the view of the LLEP that the food sector is a key and growing sector for the county and that market demand exists to support sectoral growth in both Leicester and Melton Mowbray.
- 5.8 In terms of relevant funding opportunities, the LLEP manages a Business Rates Fund of £23 million for the county. Local Authorities can bid for funds to support property developments. Other funding is from the European Structural Investment Funds Programme (ESIF) and subject to change post Brexit. It is also focused on skills development rather than property.

Leicester City Council

- 5.9 Inward investment and development officers were contacted for a discussion on the scale and nature of demand.

Office Demand

- 5.10 Demand is focused in the City Centre. In part, this reflects the lack of out of centre opportunities, especially now that most sites in Blaby have been developed. However, this also represents a preference amongst modern office workers for centrally located sites, close to services and accessible from a range of transport modes.
- 5.11 The City Centre has a modest supply of Grade A offices overall, as noted in sections 4.0 and 6.0, while some 5,000 sqm of secondary space has been redeveloped for housing or student accommodation. As a result of this the Council has identified a lot of growing City Centre businesses which are struggling to find both freehold and leasehold space. In some cases, needs have only been met because public sector organisations have relocated within, or out of, the City Centre, freeing up second hand space.

- 5.12 Local growth and relocation requirements are for modern floorplate and design offices of 200-1,000 sqm. In addition to traditional office sectors there is growing demand for 'Advanced Call Centres' which provide business handling services with a higher level of client interaction than traditional call centres. These require graduate level staff, and so are drawn to Leicester with its two universities.
- 5.13 The Council has also received enquiries in the 3,000-5,000 sqm range, which are very hard to meet given supply constraints. Leicester is drawing firms from London and Nottingham, again partly due to the large body of skilled graduates within the City.
- 5.14 Rents are around £16/sqft (£172/sqm) for Grade A space but can go up to £20/sqft (£215/sqm) for the best new build options. There is massive variation in secondary space rents, all the way down to under £5/sqft (£55/sqm).
- 5.15 Land values for offices are around £130,000/acre (£320,000/hectare) for offices, and up to £200,000/acre (£494,000/hectare) for cleared and serviced office sites. With remediation, office land can cost £1 million/acre (£2.5 million/hectare) which is a significant barrier to achieving viable new build developments. Sites for student accommodation can achieve significantly higher land values giving landowners an obvious incentive to favour this use.
- 5.16 Serviced office schemes have had a strong role in helping smaller firms get a foothold in the City or helping those in lower quality space find better quality options quickly.
- 5.17 The Council is receiving interest from micro businesses for space in the emerging Space Park. It expects to get larger requirements once the bigger buildings are in the pipeline. Presently there are strong commitments from Airbus Intelligence

Industrial

- 5.18 Council officers report strong demand for industrial space in Leicester, especially from the food sector. One driver behind this sectoral demand is the uncertainties of Brexit which is pushing the major production companies to look for UK sources of ingredients and products, in case access to international sources are endangered.
- 5.19 Again, there is a shortage of available space across the City. Large requirements of 5,000-10,000 sqm are difficult to satisfy in the City boundary without relocation from an existing occupier due to limited new build.

- 5.20 Further development is inhibited by the high land values sought by landowners on industrial development sites. Industrial land values have traditionally been at £350,000/acre (£865,000/hectare). However, the scarcity of land and strong demand from companies seeking land to develop owner occupied premises have pushed values up to £500,000-600,000/acre (£1.2-1.5 million/hectare) at the early stages of negotiations.
- 5.21 Reflecting the lack of openly marketed space a lot of informal trading of units goes on between businesses, so it is hard to gauge the real scale of the market.
- 5.22 The textile sector is particularly self-contained, with lots of informal trading of space. The sector appears to be thriving in the east of the City, but the Council do not receive many textile enquiries for new expanded space.
- 5.23 Getting skilled staff is a real issue for all types of companies, given high national employment rates. This makes Leicester with its big student/graduate population very attractive.

Key Development Projects

- 5.24 Several City Centre development projects were discussed:
- Royal Mail Building (Railway Station) – a 14,864 sqm Royal Mail Sorting Office, proposed for 10,000 sqm of offices, and a 165-bed hotel, in a partial refurbishment/partial new build scheme. At present, this scheme has a large gap funding issue. The Council is considering options on how it might assist to secure delivery of this scheme. Station Car Park (Railway Station) – This land is owned by Network Rail, while East Midlands Rail has a 10-year operating lease on the site. It is proposed for 20,000 sqm of offices, to be developed in phases. Monies from the Transforming Cities Fund are being sought to make major transportation improvement to the Railway Station. Because of these works some of the existing car park land may become surplus to requirements for the rail industry and available for office development.
 - Waterside – The wider Waterside area incorporates some 40 ha of older industrial uses, proposed for residential-led redevelopment, which has been an identified Regeneration Area since the 1990s. Since that time, a lot of sites have been traded or held by landowners looking to secure the highest values, but little has been built. The key scheme is Friars Mill, a historic mill complex which burned down in 2012. The Council bought the site from the Bank of Ireland and has been pursuing a scheme in two phases. Development included

some 1,486 sqm (net) of managed workspace in Phase 1, delivered with ERDF funding. The Council also found evidence of demand for freehold offices, from businesses seeking owner occupation, so it built several 465 sqm offices in Phase 2 (966 sqm in total), completed in August 2019 and sold on to Brackley Properties.

- Waterside – The Council has a development agreement with Keepmoat Properties on 6.88 ha. Proposals are for housing and three office buildings of 1,858 sqm each, 5,574 sqm total, on the A50 frontage, which Brackley Properties are building. The first has been sold to a call centre as a Design and Build option, the second also close to sale. The development agreement stipulates that all three offices must be completed by 2023. The whole project is being supported with £25 million in grant funding.
- The Phoenix Site/Midland Street (St Georges Cultural Quarter) – Plans for further development for a 1.2 ha scheme around the Phoenix Cinema.

5.25 Recent private sector led developments also include One Great Central Square which has been successfully developed for a 3,020 sqm speculative office, underwritten by the Council. Also, the adjacent Central Viaduct, has the potential for up to 31,500 sqm of offices, to be delivered in phases as market conditions permit. The Council is reviewing options of how it might support the developer to secure delivery of the scheme.

Private Sector/Other

The University of Leicester / Bowmer and Kirkland

5.26 The University of Leicester is home to 20,000 students and provides £729 million in added value for the Leicester economy. It is estimated that a quarter of the University's undergraduates with stay in the City to work and around half of its medical students will be retained in the County.

5.27 The Leicester Campus comprises 22,000 sqm of net floorspace, with a further estate of accommodation and sports facilities in Oadby. New developments being progressed include Freeman's Common Student Village which will provide residences for around 1,200 students; a new 550-space multi-storey car park; a Teaching and Learning Centre; as well as the refurbishment and extension of the Grade II-listed Freeman's Cottages as the centrepiece of the scheme. A new £80 million Business School will be completed in 2019 Brookfield, to be completed in 2019.

Start-Up Accommodation

- 5.28 Leicester Innovation Hub is based at 128 Regent Road (330 sqm). It was created with ERDF funding. It provides support to start-ups, with a dedicated support team, and provides hot desking space. It is not suited for long term business occupation. The University have undertaken research, in partnership with the City Council and De Montfort University, around creating a shared workspace facility. Pilot House, 41 King Street has been considered previously to house this.

Space Park Leicester

- 5.29 To be developed in three phases, by Bowmer and Kirkland, all now consented:
- Phase I (5,000 sqm) - Focused on Earth Observation, including relocating the National Centre for Earth Observation, run by University of Leicester. There will also be new teaching and laboratory facilities and some business hosting (hot desking options), allowing industry partners to collaborate and innovate with University researchers. Development is expected to commence in 2019 and be completed by spring 2021.
 - Phase II (5,000 sqm) – The Manufacturing, Engineering, Technology and Earth Observation Research Centre (METEOR) – Will be an R&D Centre which will help with design new satellites to replace the kinds of big, bulky spacecraft currently orbiting the earth. Lockheed Martin, Thales Alenia Space, Hewlett Packard, Airbus and Amazon have all signed up as partners. Development is expected to commence in 2019 and be completed by autumn 2021.
 - Phase III (15,000 sqm) - Low Cost Access to Space (LOCAS) production space for space-focused manufacturers. Will include space for SMEs and larger firms. Still at the early stages of design and funding.
- 5.30 Programme funding coming from a range of sources including LLEP Local Growth Funding, the National Earth Observation Council and Research England as well as private sector and University Funding. The University will acquire 2.83 ha of land at Pioneer Park from the City Council for development. Overall, the scheme is expected to deliver 2,545 jobs and £715.4 million in GVA.

De Montfort University

- 5.31 The University is home to around 28,000 students and employs 2,900 members of staff. From a recent study completed in May 2019, the university contributes £500 million to the UK economy each year and 1 in 10 working age residents in Leicester can be traced back to having studied at DMU.

- 5.32 The University was originally spread across 11 campuses throughout the East Midlands but at the turn of the century decided to focus on a campus within Leicester City Centre. In 2003 a 15-year masterplan was created incorporating 10,000 sqm of mixed-use space, which was included in the Local Plan. Additionally, in 2012, another 10-year masterplan was created upon the securement of a long-term bond for £90 million. This money has been used as part of £190 million spent on the recent developments around the estate that have resulted in an increase in floorspace by 25 percent over the last 7 years.
- 5.33 The university is working with the University of Leicester and the Council to bring forward a workspace facility in the former 'Fenwick' department store to offer co-working space. Offering space for businesses is key for the links between students and businesses in the city, with incubator space on the estate able to provide support for start-ups. This has led to De Montfort producing the 8th highest number of graduate start-up businesses, more than any Russell Group university. Additionally, the University is involved in the Science Park incubator space, however students are finding that location too far away from the actual campus.
- 5.34 With student numbers increasing as the number of 18 years old is set to rise nationally in the next 3-5 years, development is important. Whilst 2,000 additional student accommodation beds have been created, numbers are increasing. 3-4 years ago there was ample space to house around 4,000 first year students, however numbers are now up to 6,000, additionally with 3,000 international and post-grad students to accommodate as well. Any future development is a challenge for the University due to the campus nature, meaning all the buildings are in the same location and meaning future properties must be in the surrounding area too.

Local Businesses

- 5.35 Consultations have taken place with several major employers located in, and around, the City Centre. All sought Leicester as a regional hub for their operations and noted that office space was far more affordable in Leicester than in London, while the capital is a short commute by rail. Leicester's huge pool of graduate labour, including graduates trained in STEM subjects, is a further attraction. Having located to the City, all signalled their intention to remain and grow here over the long term, assuming they can find the accommodation.

- 5.36 Not all the businesses needed Grade A space, but those that did struggled to acquire it, particularly space large enough to accommodate major employers with 200 plus staff.
- 5.37 None of the businesses reported issues with recruiting the appropriately skilled staff they need.

Chapter Summary – Stakeholder Consultations

- 5.38 The LLEP, through the Business Gateway programme, receives regular business complaints about shortages of available properties. The need is for small industrial units for start-ups/micro firms across the City and the County, along with a need for grow on space up to about 1,000 sqm. This demand extends across a broad range of industry sectors. LLEP has provided further evidence on this in the form of property enquiries data, which is reviewed in Section 4.0. These show office and industrial demand for units up to 1,000 sqm and for industrial units up to 5,000 sqm. Although the number of individuals enquiring through the LLEP website is decreasing, this does not necessarily mean that overall demand is going down.
- 5.39 While the high-tech focus of the Leicester Enterprise Zone may overlap somewhat with that of the Loughborough part of the Enterprise Zone, leading to competition for enquiries, there is generally strong difference in the sectoral focus of Leicester and Leicestershire's Enterprise Zones.
- 5.40 The City Council reports that office demand is focused in the City Centre. This reflects both business preferences for accessible, well serviced sites and the lack of out of centre opportunities. Against demand there is a shortage of, freehold and leasehold space, while some 5,000 sqm of secondary space has been redeveloped for housing/student accommodation. Local growth and relocation requirements are for modern offices of 200-1,000 sqm, while inward investors require offices of 3,000-5,000 sqm, which are rarely available. Rents are around £20/sqft (£215/sqm) for Grade A space, with £16/sqft (£172/sqm) a standard for reasonable lower grade options. Land values for offices are around £130,000/acre (£320,000/hectare) for offices, and up to £200,000/acre (£494,000/hectare) for cleared and serviced office sites.
- 5.41 Council officers report strong demand for industrial space in Leicester, especially from the food sector. Again, there is a shortage of space across the City and officers feel Leicester is losing requirements to its neighbours in Leicestershire, particularly larger

requirements, although this sentiment is not endorsed by officers in neighbouring local authorities (see Section 9.0). Industrial land values can be £500,000-600,000/acre (£1.2-1.5 million/acre) at the early stages of negotiations. Reflecting the lack of openly marketed space a lot of informal trading of units goes on between businesses, especially in the textiles sector.

- 5.42 Space Park Leicester will be developed in three phases:
- Phase I (5,000 sqm) – Focused on Earth Observation, includes business hosting (hot desking options)
 - Phase II (5,000 sqm) – The Manufacturing, Engineering, Technology and Earth Observation Research Centre – An R&D Centre
 - Phase III (15,000 sqm) – Low Cost Access to Space (LOCAS) production space for space-focused manufacturers.
- 5.43 De Montfort University is working with the University of Leicester and the Council to bring forward a workspace facility in the former 'Fenwick' department store to offer co-working space.
- 5.44 Large employers are attracted to the City Centre because of the affordability of space, the ease of commuting to London and the large pool of graduate labour, including graduates trained in STEM subjects. Not all the businesses needed Grade A space, but those that did struggled to acquire it, particularly space large enough to accommodate major employers with 200 plus staff.

6.0 EMPLOYMENT AREAS ASSESSMENT AND VIABILITY ISSUES

Introduction

6.1 The City Council needs to review all of the existing 2006 Local Plan employment designations. This Study has made recommendations on how to update this, which will be included in the Draft Local Plan, with the title of “*The Employment Land Map*” (see Figure 21). A link to this on-line map of the recommended changes is here: - https://maps.leicester.gov.uk/map/Aurora.svc/run?script=%5CAurora%5Cw3%5CPLANNING%5Cw3LDF_EDAS.AuroraScript%24&nocache=2b4eb44e-b20d-a183-871a-4ec6a4b22d7a&resize=always

6.2 On this map, four new types of “Economic Development Areas” are proposed: -

- General Quality - Policy E01
- High Quality - Policy E02
- Neighbourhood - Policy E05
- The Science Park - Policy E04 (Pioneer Park).

Figure 21 - Map Extract – “*The Employment Land Map*” – see link above



Source: LCC, 2019

Methodology

6.3 BE Group has reviewed all the individual “designated areas” in the 2006 adopted Local Plan (see examples shown in the map extract above) for both Employment and Offices across Leicester, to consider their current economic value, viability and suitability for ongoing protection in the emerging Local Plan. In addition, the Potential Development

Areas (PDAs), (another designation, from the 2006 adopted Local Plan) have also been reviewed to determine if they still provide opportunities for B-Class and mixed-use development in the City. This updates previous surveys of Leicester's developed employment land supply, completed for the 2006 and 2017 Employment Land Studies. The Section also considers more general factors of viability in existing premises as well as the condition of the stock of City Centre offices.

6.4 The 93 Employment / Office / PDA Areas (in 2006 CLLP), plus two Science Park Sites, have been appraised and assessed through a combination of site visits, completed in September 2019, local intelligence, desk top data sources such as LandInsight, consultations with some owners and the views of those involved in the local property market. **A database on each Area, PDA, etc. has been completed and is included at Appendix 3.**

6.5 Some key points to note about the database are:

- Area Definition 2006, is how the Area, etc. was defined in the 2006 Employment Land Study, relating to Local Plan policy at that time
- Area numbering. Three Area numbers are provided, the number given in the 2006 Employment Land Study, the number assigned in the winter 2020 consultation and the new mapping number assigned for this Study.
- The 'Designation' in the new Draft Local Plan Designation, for Areas to be retained in that Local Plan
- A brief 'Description' is provided in the form of the BE Group's comment on the site
- Area Definitions, is BE Group's categorisation of Areas by scale and type/quality of uses (see Table 22). This categorisation is new to the 2019 EDNA Study.

Table 22 – Area Definitions

Type No.	Name	Description
1	Primary Employment Area	<p>Either:</p> <ul style="list-style-type: none"> • Large, high quality industrial estate/business park, home to a range of national, regional and county scale businesses and offering premises that would be specifically attractive to such large established firms • Good quality City office areas, offering high grade suites or whole buildings to a range of national, regional and county scale businesses, potentially alongside serviced suites and start-up accommodation for local firms <p>Normally Graded A or B i.e. High quality, prestigious, flagship business areas due to their scale, location and setting. Capable of competing for investment in the regional market place. These are prime sites for marketing to a cross section of users including new inward investors. They can also meet the needs of image-conscious, aspirational companies already in the City.</p> <p>Will include land within the Local Plan Policy Categories:</p> <ul style="list-style-type: none"> • <i>'High Quality Economic Development Areas</i> • <i>Professional Offices in New Walk and Old Town'</i>
2	Secondary Employment Area	<p>Established industrial estate/business parks or City office areas, with a good quality property offer which is primarily aimed at local/county firms. Most occupiers are SMEs, including some established micro businesses</p> <p>Normally Graded B/C or C.</p> <p>Will include land falling in the Local Plan Policy Category, <i>'General Economic Development Areas'</i></p>
3	Operational Historic Employment Area/ Textile Area	<p>Older factory, warehouse, mill or office premises which are still fully used by B-Class businesses. Although the quality of premises may be low-moderate there is limited evidence of attempts to convert property to alternative uses and the location continue to make a visible contribution to the local economy. They provide property to companies who might struggle to afford options elsewhere.</p> <p>Prominent examples are likely to be found in the <i>'Textile Area'</i></p> <p>Will include land falling in the Local Plan Policy Category, <i>'General Economic Development Areas'</i></p>
4	Neighbourhood Employment Areas	<p>The smallest lower quality neighbourhood employment areas, home to only a few businesses. The overall economic value of the area is limited, but the location continues to support some B-Class business activity including local businesses such as motor mechanics who may struggle to find premises elsewhere. As noted in draft policy, regeneration could be encouraged, but some sites are not suitable for housing, due to existing constraints.</p> <p>Will include land falling in the Policy Category, <i>'Neighbourhood Employment Areas'</i></p>
5	Mixed Use Areas	<p>Areas accommodating a mix of uses, including a significant proportion of non B-Class uses</p>
6	Development Areas	<p>Areas where a significant proportion of the land or property is vacant or underused and redevelopment would be desirable</p>

Source: BE Group, 2019

6.6 'Grade' refers to the BE Group's conclusion on the ranking that should be afforded to the Area. This has been based on a number of factors – critical mass of the area, companies like to be together; accessibility, the closer to the motorway and ring roads the better (conversely one way streets and speed bumps are not looked on favourably); prominence, to main roads; servicing and car parking area, the extent and quality of this; and environment. Combining this data leads to an overall hierarchical assessment, banded A to E. These are described in Table 23 and reflect a comparable grading provided to areas, PDA's etc. in the 2006 Employment Land Study.

Table 23 – Grades A to E Definitions

Grade	Definition	Action
A	High quality, prestigious, flagship business areas due to their scale, location and setting. Capable of competing for investment in the regional market place. These are prime sites for marketing to a cross section of users including new inward investors. They can also meet the needs of image-conscious, aspirational companies already in the City.	Protect strongly Support and expand
B	Good employment sites due to their scale, location and setting. Capable of competing for investment in the sub-regional market place. These are prime sites for marketing to a cross section of users, B1, B2 and B8, including some new inward investors.	Protect strongly Support and expand
B/C	Key employment sites with an influence over the whole City, but primarily geared towards local businesses and B1 light industrial, B2 and B8 uses.	Protect Support
C		
C/D	Lower quality locations in residential areas suffering from poor accessibility and massing.	Continue to protect/review through the Local Plan
D		
D/E	Very poor-quality areas. Widespread vacancy and dereliction in poor environments.	Promote alternative uses if possible
E		

Source: BE Group, 2019

6.7 Additional categories which the areas and sites have been judged against include:

- The 'Total Number of Units' is based on the physical site survey, updating the 2006 research, as is the number of 'Vacant/Derelict Units'. The proportion between these two equates to the 'Occupancy Rate'.
- A list of 'Major Occupiers' in the scheme and categorisation of 'Occupiers by Type'
- Given that most of the areas are industrial, the 'Number of Offices' (which is usually quite low), is a simple way of illustrating the nature of the Areas.

- The 'Number of Units in Non-B-Class Use' such as retail, hot food, D1/2 uses is recorded as is the 'Percentage of Non B-Class Uses' in each Area
- The age of property is broken down into the number of units in each of the four categories assessed in 'Buildings Age' – Pre 1945, Post 1945, Post 1990 and New. Most properties are either pre 1945 or post 1945, there are usually few in the post 1990 and new categories
- The 'Area Size' (hectares) and the 'Total Floorspace' (sqm) are provided, updating the 2006 Study. In **Appendix 3**, recommendations are made regarding the exclusion of specific premises/land no longer in B-Class use; or which are Locally Listed buildings; or are otherwise not operational parts of the industrial estates, business parks and factory/mill complexes. The Size figures are adjusted to reflect these amendments.

Employment Areas

6.8 This section considers all the individual “designated areas” in the 2006 adopted Local Plan. Conditions in these Areas have changed since 2006 and it is considered that 20 of the Areas, totalling 36.40 ha of land, no longer represent viable and effective employment locations and should not be protected in the emerging Local Plan. The reasons for these recommended exclusions are set out in the Area Assessment Database, in **Appendix 3** and summarised in Table 24 overleaf. A link to an on-line map of the recommended changes is included in paragraph 6.1.

Table 24 – Areas No Longer in Viable B-Class Use

Area	Reason for Exclusion	Land Excluded, ha
Recreation Ground Opposite 112 Hockley Farm Road	Excluded on biodiversity grounds	1.30
Loughborough Road	Location is a wholesale/retail centre rather with little premises in true B-Class use. Not recommended as B-Class allocation in Local Plan	1.30
Victoria Road North	B-Class uses limited to small car garages, mixed with Sui Generis motor trade. Not recommended as B-Class allocation in Local Plan. As part of the review of this area it was considered if the boundary should extend west to include premises currently in a retail allocation. This is not recommended as there is only one possible B-Class unit in this area, off Little Avenue, occupied by a wholesaler (ERF).	0.80
Ross Walk/Holden Street	Includes one large office in a D1 educational/place of worship use, and one small unit used by the Sea Cadets (D1). Remaining occupier, BPX Electro Mechanical is in a trade use. Assuming this mix continues, area not recommended as a B-Class allocation in the Local Plan.	1.90
Ross Walk/Bruin Street	Area below minimum size, exclude.	0.30
Marjorie Street/Hildyard Road	Areas in use for non B-Class Uses. The remaining area below minimum size, exclude.	1.10
St Saviour's Road/Nottingham Road	Exclude locally listed buildings and place of worship (1.65 ha). Remainder is sub 0.5 ha in size. Remaining elements of site, fronting Copdale Road, could be included in adjacent Area - St Saviour's Road/Benson Street/Temple Road/Elizabeth Street. Other elements in the west, fronting Nottingham Road are too small to make a viable independent Employment Area and should be excluded from future Employment Area designations.	2.00
Blackbird Road/Devonshire Road	Premises are in retail, trade or motor trade use and the area should be re-designated to link to adjoining retail areas.	2.00
Navigation Street/Charter Street	Low grade area, in B-Class use but including sizable area of locally listed buildings. Emerging policy aspirations are for housing led regeneration here, making long term retention of B-Class uses unlikely.	4.40
William Street/Constitution Hill	Only one building, accommodating Fashion UK in the South, is in B-Class use, other properties in A1, Sui Generis or D1 uses. Recommend area be re-designated to reflect this. Also includes one locally listed building, 21 Samuel Street.	1.40
Eastern Boulevard/Ullswater Street/Rydal Street	Now an area of student accommodation, with negligible B-Class uses. The area should be re-designated in the emerging Local Plan to reflect this.	1.30
Walnut Street	Area comprises a gym and Sui Generis car dealership. The Area should be re-designated in the emerging Local Plan to reflect this.	0.20
Welford Road	Premises in Sui Generis Car Showroom uses, not B-Class uses. The area should be re-designated in the emerging Local Plan to reflect this.	2.80

Bisley Street/Adjacent to former railway line/Western Road	0.28 of land at the southern terminus of Western Road (now Blue Fox Close) redeveloped for housing and should be excluded. Remainder is below the 0.50 ha threshold.	0.60
Raw Dykes Road/ E-ON/National Grid Site	Buildings in B-Class use, but dominant land use is Football Club parking. Area also identified for the further development of Leicester City FC. For these reasons do not protect the area in the Local Plan for B-Class use.	4.50
Grace Road	Land around Grace Road/Knighton Lane includes a pub and housing, which should be excluded (0.59 ha). This results in a site of 0.31-0.46 ha, depending on whether the telephone exchange building in between these uses is also excluded. However, the remaining area is less than 0.50 ha in size and should not be protected.	0.90
Aylestone Road (South)	Mixed area, but dominant uses include Sui Generis motor trade, motor repair and trade, rather than traditional B-Class uses. Any Local Plan designation should reflect this.	1.00
Aylestone Road (North)	Occupier is large motor repair business, rather than traditional B-Class uses. Any Local Plan designation should reflect this.	1.30
Disraeli Street/Granby Road/Canal Street	Previously derelict sites north and south of Disraeli Street have been redeveloped (or are in the process of being redeveloped) for housing, some 1.92 ha in total. Land north of Granby Road is in retail uses, including Aldi, another 1.89 ha should be excluded. Land south east of Disraeli Street has also had pre-application discussions for housing (0.37 ha). The remaining low value B-Class uses are strongly dispersed and surrounded by housing/retail/school. It is difficult to argue for their retention when so much of the site has been lost to other uses. Do not protect the remainder in the Local Plan, for B-Class uses.	6.20
Saxby Street/London Road	Dominant use is A2 financial services, plus a number of ancillary uses. True B-Class uses are negligible here. Any Local Plan designation should reflect this.	1.10

Source: BE Group, 2019

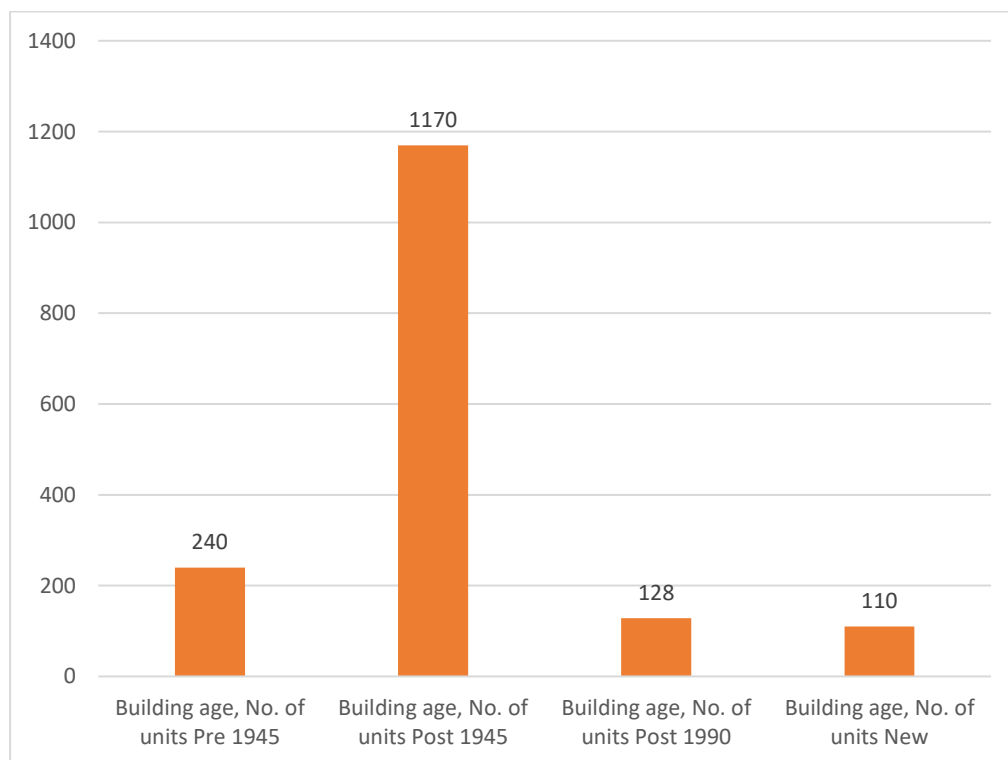
- 6.9 Of the 20 Areas excluded, 12 (60 percent) are excluded because the bulk of the premises is in Non-B Class commercial uses, particularly Sui Generis motor retail uses. Perhaps surprisingly, only four Areas, totalling 9.00 ha, have been fully/partially lost to housing, with only one lost to student accommodation. Two sites are also now recommended to fall within “Other Regeneration Areas”, in the draft new Local Plan. These are Navigation Street/Charter Street, which is expected to see housing led regeneration and the E-ON/National Grid Site, which is expected to see mixed use regeneration.
- 6.10 Reflecting PPG/NPPF policy, the Council should avoid protecting areas which are not viable employment locations. One interpretation of this is to avoid protection of very small locations, which lack a critical mass of resident businesses, and may be dependent on single occupiers who could relocate, close down, etc., and are in isolated positions bounded by other uses. To reflect this, any Areas occupying less than 0.5 ha of land are not recommended for protection in the Local Plan. Only one Area, Ross Walk/Bruin Street (0.30 ha) falls into this criteria specifically, although another small area, Walnut Street (0.20 ha), is also in non B-Class use. Others become too small once land in no B-class use had been excluded.
- 6.11 In some cases, Areas have been amalgamated or split up from their 2006 form, to better reflect the real spread of B-Class uses in the City, in 2019/2020. Where relevant, Area addresses have also been updated to better indicate their locations in Leicester. This results in 62 Employment Areas, plus New Walk; Cultural Quarter and Railway Station Character areas within the City Centre for offices, (using new office grading in Figure 24, Character Areas are also shown in the Map in **Appendix 4**), identified as active, well used and viable locations for B-Class employment, which should receive ongoing protection, for B1/B2/B8 and relevant ancillary uses in the Local Plan.
- 6.12 Together these 62 Areas comprise 512.61 ha of developed employment land. 505.91 ha, 98.7 percent, of this comprises land within the existing (2006 CLLP) Designated Employment Areas specifically. Another **66.99 ha** of land has been excluded from these 62 Areas (see **Appendix 3**) for reasons including, sites being too small (1.18 ha) and flooding/biodiversity or regeneration reasons (10.77 ha). 8.91 ha (13.30 percent) was excluded as comprising Locally Listed buildings.
- 6.13 Three quarters of the excluded land, 46.13 ha, comprises land and property identified as being in non B-Class use. Primarily the excluded land was in use/proposed for

- housing, 15.6 ha or just under a quarter of the excluded land; A1-A4 retail uses, 15.74 ha or another quarter; or Sui Generis motor trade, 10.95 ha or 16.3 percent of the excluded.
- 6.14 The 62 Areas comprise 1,921,806 sqm of B-Class floorspace in 1,640 units. 60 of those units are vacant or, more rarely, derelict. This gives an overall occupancy rate, for only stock in the Employment Areas, of 96.4 percent.
- 6.15 As can be seen in **Appendix 3**, two thirds (41) of the 62 Areas are fully occupied, with 12 of the rest, 19.0 percent, seeing occupancy rates of 90 percent or higher. This supports evidence, provided in Section 4.0 of this Study and elsewhere, that there is a limited supply of available industrial and office premises to meet identified business needs, and that this issue is found across the City.
- 6.16 The Textile Area is particularly well occupied, with an average occupancy rate of 96 percent recorded across all the relevant Areas in the east of the City.
- 6.17 Within this portion of the City, only one Area, Weymouth Street/Bardolph Street, has an occupancy rate significantly below 80 percent (63 percent) which may be indicative of low demand although, in practice, this only means that two out of eight units in this small scheme are vacant.
- 6.18 Within the employment designations, there are only 151 offices, approximately 9 percent of the total stock of 1,640 units in these 62 Areas. This highlights the strongly industrial character of Leicester's B-Class stock, outside of the City Centre.
- 6.19 In terms of Non B-Class uses, 108 units are identified as being in uses other than B1/B2/B8, (6.6 percent). In the modern economy, most industrial estates, business parks, etc. will incorporate some service uses, such as gyms, motor trade, etc. which could struggle to find affordable premises elsewhere, particularly in a dense City such as Leicester, with its many competing requirements for space. Such uses can enhance the commercial offer of an employment location, ensure the ongoing use of older properties, and serve the needs of the local workforce. Thus, having a small number of Non B-Class uses in and Employment Area is not necessarily an issue but rather only when those uses begin to crowd out B-Class businesses.
- 6.20 As is, discussed further below, this Study has taken the view that only when Non B-Class uses exceed 20 percent of the total do they become evidence of viability issues in the Area. As is noted above, 12 Areas are not recommended for ongoing Local Plan

protection as they are dominated by Non B-Class uses. Of the 62 that are recommended for protection, 55 (88.7 percent) comprise 20 percent or less Non B-Class uses and 27 (43.5 percent) contain no Non B-Class uses.

6.21 In terms of the age of the developed stock, Figure 22 shows 71.0 percent of the stock was developed Post 1945. 14.6 percent comprises older, pre-war accommodation including historic mills. These latter are spread throughout the City and not particularly focused in the Textile Quarter. Only 110 new, post-2000, buildings are recorded, 6.7 percent of the stock. 64 (58.2 percent) of these comprise new build options around Lewisher Road, Troon Industrial Estate.

Figure 22 – Age of Employment Units

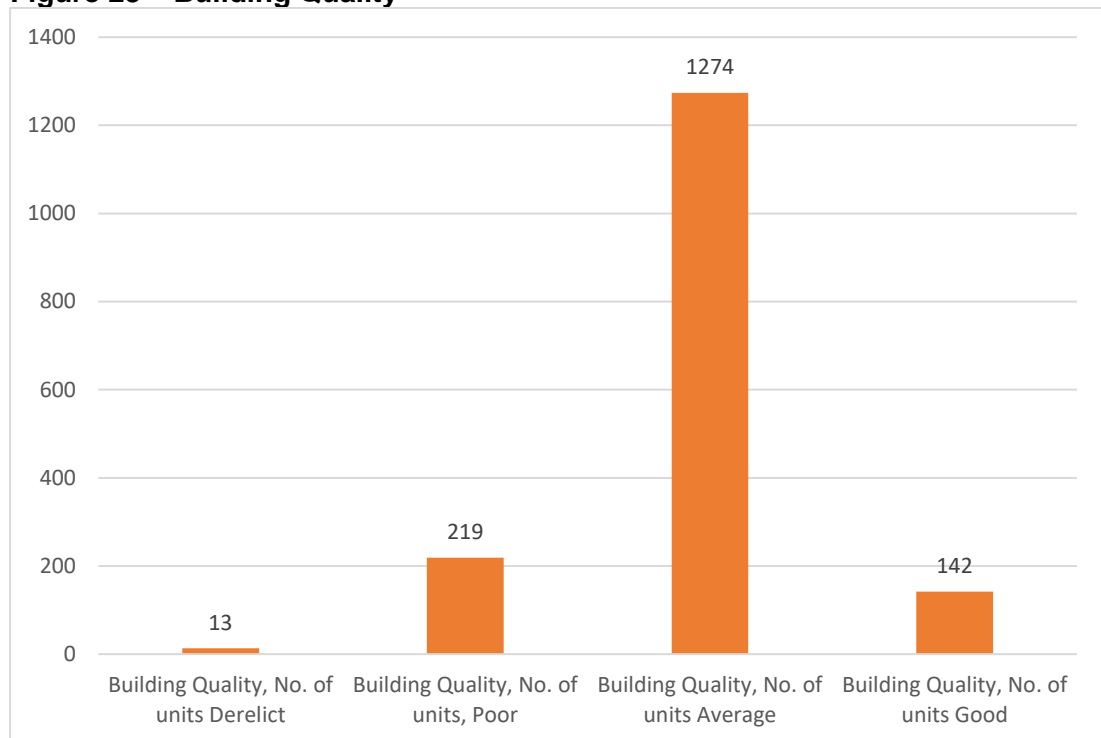


Source: BE Group, 2019

6.22 As Figure 23 overleaf shows, over three quarters of the built stock is of average quality. Only 13.3 percent of the stock is of poor quality and only 13 units appear derelict from an initial visual inspection. Poor quality/derelict units are dispersed throughout the Areas, with only Rolleston Street/London Street comprising predominantly of poor-quality space. Of the 142 good quality units, nearly half, 70, are found in Troon Industrial Estate south of Troon Way/Thurmaston Lane, west of A6030 (includes Barkby Road; Highmeres Road; Lewisher Road; and Ireton Road), which can be

identified as the focus for modern, high quality accommodation outside of the City Centre

Figure 23 – Building Quality



Source: BE Group, 2019

6.23 Table 25 overleaf summarises the Grading applied to the 62 relevant locations. It should be noted that all Grading is updated from the 2006 Employment Land Study. Amongst other things, revised categories reflect the fact that many of the older industrial complexes in the Textile Quarter, which received low grades in 2006, have endured over the following 14 years and continue to be well occupied and used, notwithstanding the physical quality of properties.

6.24 Research has identified 11 Employment Areas, graded A-B, which are of particular value to the City and should enjoy strong protection in the Local Plan. Only the small trade/motor trade site, Humberstone Road, receives a low D/E Grading.

Table 25 – Employment Areas’ Appraisal by Category

Category	Number of Areas	Total ha	Comments
A	4	59.96	<p>Comprise:</p> <ul style="list-style-type: none"> • Leycroft Road and Knights Road (Bursom Industrial Estate) • Hoods Close • Samworth Bakery, 5 Bennion Road • Pioneer Park, Exploration Drive (Abbey Meadows, adjacent to National Space Centre) <p>All categorised as Primary Employment Areas Accommodate many of the City’s major employers, especially I food production, as well as active areas of the Science Park.</p>
B	7	129.9	<p>Comprise:</p> <ul style="list-style-type: none"> • Scudamore Road (Braunstone Firth Industrial Estate) • Boston Road, Gorse Hill Industrial Estate • Tollwell Road • East of Thurcaston Road (existing Consent, Ashton Green Employment Land) • Pioneer Park (Leicester Science Park) Corporation Road; Abbey Meadows, former John Ellis School Site • Western Boulevard • Triangle, north of A6030; Offices and Food Park on High View Close and industrial units on Crest Rise and at 30 Lewisher Road. <p>Primary Employment Areas, plus two prime development sites, at Ashton Green and the Science Park Braunstone has an emphasis on food production, packaging and distribution/wholesale. Tollwell Road on distribution/wholesale. Gorse Hill Industrial Estate an emphasis on electrical, engineering and parts manufacturing. Western Boulevard/ Triangle, north of A6030 support financial services firms.</p>
B/C	10	182.43	<p>Includes on Mixed Use Area, Abbey Lane/Corporation Road, two Primary Employment Areas, including Troon Industrial Estate and seven Secondary Employment Areas. Generally mixed areas with a diverse range of uses including food, textiles, mixed manufacturing, printing, recycling and engineering.</p>
C	15	92.43	<p>Includes six Operational Historic Employment Area/Textile Areas, seven Secondary Employment Areas, one Neighbourhood and one Mixed Use Area. Dominant uses include food production, textiles and construction/engineering.</p>
C/D	17	32.51	<p>Includes:</p> <ul style="list-style-type: none"> • One Development Area, Land North of Sainsburys, Melton Road/Troon Way • Two Mixed-Use Areas • Two Neighbourhood Employment Areas • 11 Operational Historic Employment Area/Textile Areas • One Secondary Employment Area, Loughborough Road/Palmer Street <p>The Areas generally mix textiles, motor repair and trade uses.</p>

D	8	13.98	Includes: <ul style="list-style-type: none"> • One Mixed-Use Area • Two Neighbourhood Employment Areas • Four Operational Historic Employment Area/Textile Areas • One Secondary Employment Area, Whitefield Road The Areas generally mix textiles, motor repair and trade uses.
D/E	1	1.40	Comprises Humberstone Road, a Mixed-Use Area in trade/motor trade use
E	-	-	-
TOTAL	62	512.61	

Source: BE Group 2019

Potential Development Sites

- 6.25 Table 26 overleaf considers the 18 Potential Development Sites (PDAs) and their ability to meet future employment redevelopment/redevelopment, or mixed use, regeneration requirements. They are parts of the oldest employment land in the city generally within the City Centre, which were re-designated to their existing PDA designation (in 2006 CLLP), to enable regeneration and it has generally been a very successful re-designation, as the following analysis shows.
- 6.26 The 18 PDAs comprise 88.27 ha of former, historical employment land (and therefore may still have some employment potential). However, site surveys have shown that ten PDAs, comprising 41.50 ha, have been re-developed for/are now in Non B-Class uses and no longer relevant to meet B-Class needs (i.e. regeneration has been enabled). In three PDA's totalling 21.67 ha site conditions and surrounding uses, made development for B-Class uses unlikely.
- 6.27 Faircharm Trading Estate/ Marlow Road is recommended for re-designation as an Employment Area, and accordingly has been included in 59 Employment Areas reviewed above. This historic textile employment area is 5.7 ha in size and contains 32,681 sqm of floorspace, comprising 65 units with an estimated occupancy rate of 91 percent. The area accommodates a diverse range of occupiers from engineering businesses to shop fitters and similar services. Any redevelopment on the site would be a complex and expensive endeavour and appears unlikely.

Table 26 – Potential Development Areas

Area	Area Size, ha	Recommendations
Beaumont Way	0.80	Ongoing development opportunity site. Would suit a B-Class use such as an office or light industry, but development for local services is more likely. Still a Potential Development Area. Some land expected to be taken up for the expansion of the adjacent Depot.
Lower Keyham Lane/Manor Farm Site	5.40	Now under development for a place of worship, no longer Potential Development Area. Any allocation in the Local Plan will need to reflect this.
Gipsy Lane	8.50	Residential area, no longer Potential Development Area. The emerging Local Plan should reflect this.
Evington Valley Road	2.47	South of site is in use as a School and should be excluded from the area (1.93 ha). The rest is a low grade area, in increasing state of vacancy and dereliction, refurbishment or re-use would be desirable here. However, given the likely high costs of redeveloping such a large complex building, B-Class uses are unlikely to be a viable replacement use. Higher value uses are more likely here. Thus the area remains a Potential Development Area, but one unlikely to be redeveloped for B-Class options.
Abbey Park Street/Ross Walk (South)	2.60	Much of area lost to housing. Remaining B-Class premises is the half-cleared Abbey Mill. Loss of the remainder to housing is highly likely. For these reasons the area should not be protected, for B-Class uses, in the Local Plan.
Burley's Way/St Margaret's Way/Friday Street/St John's Street	9.80	Older premises including areas of development land. East of the site comprises a number of heritage assets. Broadly remains a Potential Development Area rather than Employment Area. Is expected to be re-allocated for mixed use housing led regeneration, as part of the St Margaret's Character Area, as part of the Draft Local Plan.
Archdeacon Lane	3.80	Mixed area, with true B-Class uses a minority use in the area. Remains a Potential Development Area rather than Employment Area. Is expected to be re-allocated for mixed use housing led regeneration, as part of the St Margaret's Character Area, as part of the Draft Local Plan.
Bedford Street North	1.90	All land in non B-Class use. Redesignate.
Burley's Way/Mansfield Street	4.80	Overall, B-Class uses have a negligible role here. Backland property increasingly in leisure use, redesignate.
Vaughan Way/St Peters Lane/Freeschool Lane	6.90	B-Class uses are negligible here, with retail and leisure dominating. This should be reflected in the Local Plan.

Friar Lane/Peacock Lane/Southgates	2.30	Residential area, the emerging Local Plan should reflect this
Duns Lane	5.00	West of area comprises older employment premises, of mixed quality but well occupied, along with trade uses. Also includes medical buildings. A Local Plan designation for mixed use thus appears reasonable.
Western Road	3.40	Student accommodation is the dominant use here. It is unclear if the remaining single storey factory/warehouse units can also be converted, but their value is low. Redesignate the area for residential, etc.
Duke Street/Welford Road/Oxford Street/Newarke Street	3.90	B-Class uses are negligible here, with retail and leisure dominating. This should be reflected in the Local Plan.
East Street/Albion Street/Calais Street/Chatham Street	1.80	B-Class uses are negligible here, with retail and leisure dominating. This should be reflected in the Local Plan.
Former Granby Halls Site	1.50	The NCP Car park is very well positioned to serve Welford Road Stadium, the Hospital and other nearby uses. Thus, the mostly likely outcome is this site stays in car parking uses. If it is developed, it would most likely be for retail/hot food/service uses which complement the Stadium and its position on the A594. Alternatively, for D1 medical uses. B-Class options are unlikely. Thus, while area could remain a Potential Development Area it is unlikely to provide employment uses.
Faircharm Trading Estate/Marlow Road	5.70	Although quality is low, this area is well used, accommodating a diverse range of occupiers. Redevelopment would be a complex and expensive endeavour and appears unlikely. The area should be designated as a developed Employment Area, reflecting the position on the ground.
British Gas/Transco Site	17.70	Ongoing development opportunity site. Would suit a B-Class use such as an office or light industry, but development for local services is more likely. Still a Potential Development Area.

Source: BE Group, 2019

- 6.28 Additionally, Duns Lane is a mixed-use area and is expected to be allocated as such but is recommended to include significant employment uses, in the new Draft Local Plan
- 6.29 The remaining three PDAs which could, over the long term at least, have met some B-Class requirements, are:
- Beaumont Way – 0.80 ha
 - Burley's Way/St Margaret's Way/Friday Street/St John's Street – 9.80 ha
 - Archdeacon Lane – 3.80 ha
- 6.30 But the latter two are again proposed to be re-allocated for mixed use housing led regeneration, as part of the St Margaret's Character Area, in the Draft New Local Plan and Beaumont Way is small and a planning application has now been submitted for expansion of the adjacent depot site. Thus, there appears little long-term availability in the PDAs to meet specifically B-Class needs.

Viability

- 6.31 Viability is considered in the context of the existing sites in two ways. Firstly, the Area Assessments, provided in **Appendix 3**, look at the ongoing viability of the existing designations, as they are drawing on several market indicators to assess the likelihood of the areas continuing to serve the business community. Secondly, where relevant, a commentary is provided on the potential for the redevelopment of sites, should the existing uses and buildings reach the end of their current economic life within those area.
- 6.32 Six criteria have been used to assess the current and future viability of sites, based on factors that a property company or developer may consider when looking at options for an estate's future:
- **Area Definition** – The nature of the Employment Area and its current function – i.e. is it an active Primary, Secondary or Operational Historic Employment Area/ Textile Area, as defined above. If it is not, is its loss likely to affect the wider supply of business premises that are serving a particular function
 - **Grading** – Does it fall in the Grading A-C, above, as measure of the attractiveness of the location, the condition and quality of the premises and area as a whole and its strength within the wider City property market

- **Occupancy** – a minimum occupancy level of 70 percent has been set which is relatively high. A property owner would be concerned if occupancy falls below this level for any length of time, as this will impact on financial viability resulting from loss of rental income, service charge revenue and business rates which the owner will be responsible for in the longer term. Long term vacancy may be a symptom of market failure of the area, but also it may be a symptom of a wider economic issue, and the assessment needs to take account of the performance across the wider property market
- **Dereliction** – How much of the estate has fallen into disrepair or dereliction?. A dereliction threshold of 10 percent has been set which allows for short term disuse and would set aside individual buildings that may have been neglected by solus owners within an otherwise successful larger estate. Should the level of dereliction start to increase, this again is a signal of possible market failure, but the symptoms need to be examined to understand why an area contains levels of dereliction
- **Non B Class uses** – This identifies areas that have already begun to change in the nature of the uses, and sets a threshold of 20 percent Non B-Class uses as the level at which the loss of B1/B2/B8 property, to other uses, may become a concern. An Area that comprises less than 80 percent B Class uses, without other issues of concern, is not necessarily suffering from viability issues. The Council's own policies allow for changes in use to retail and quasi retail uses, which will happily sit alongside other employment uses. The criteria seeks to identify a loss of the traditional uses because they are no longer relevant, and whether the area can no longer fulfil its employment (B Class) use
- **Constraints** – looks at current constraints to businesses operating or being attracted in the future, and also whether constraints will impact on the future redevelopment for employment uses

6.33 Each of the 62 Employment Areas have been assessed against these criteria. Of those, 33 are considered viable and continue to function and deliver premises for the business community and no change is envisaged in the foreseeable future.

6.34 19 fail on a single category, generally the Area Definition or Grading, but continue to serve the business community today. 10 others fail in two or more categories, as shown in Table 27 overleaf. Again however, this primarily relates to judgements about the physical quality of premises. The Areas continue to enjoy reasonable occupancy

rates, little or no dereliction and a low percentage of premises on Non B Class use. Only one Area has an occupancy rate slightly below the 70 percent threshold, Weymouth Street/Bardolph Street at 63 percent. Only one small Area, Cottesmore Road/Spence Street, has a high proportion of Non-B Class uses, a third, after other Areas with high Non B-Class have had their borders amended or excluded from designation as future industrial/office areas for the City. Thus, by practical measures the Areas continue to show good evidence of ongoing viability.

Table 27 – Areas Failing One, or More, Viability Criteria

Address	Viability Criteria 1: Area Definition (Within categories 1-3)	Viability Criteria 2: Grading (Graded A-C)	Viability Criteria 3: Occupancy (70% threshold)	Viability Criteria 4: Dereliction (10% threshold)	Viability Criteria 5: Percentage of Non B-Class uses (20% threshold)	Viability Criteria 6: Constraints
Humberstone Road/Crafton Street East	No	No	Yes	Yes	Yes	None
Humberstone Road/Kent Street/Graham Street/Nedham Street	No	No	Yes	Yes	Yes	None
Humberstone Road	No	No	Yes	Yes	Yes	None
Weymouth Street/Bardolph Street	Yes	No	No	Yes	Yes	Very poor access. South of area is in Flood Zone 2.
Spence Street/St Barnabas Road	No	No	Yes	Yes	Yes	Most of area is in Flood Zone 2. Poor access. In dense residential area.
West of Bridge Road/Spence Street	No	No	Yes	Yes	Yes	Most of area is in Flood Zone 2. Poor access. In dense residential area.
Cottesmore Road/Spence Street	No	No	Yes	Yes	No	Most of area is in Flood Zone 2. Poor access. In dense residential area.
Prospect Road	No	No	Yes	Yes	Yes	Poor access. In dense residential area.
South of Greenhithe Road	No	No	Yes	Yes	Yes	Surrounded by high density residential area. In Flood Zone 2.

South of Dartford Road, North of Batten Street	No	No	Yes	Yes	Yes	Surrounded by high density residential area. In Flood Zone 2.
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Source: BE Group, 2019

- 6.35 The failure of different areas needs to be understood and it does not follow that an employment use cannot be retained in the future. Reasons for high vacancy or dereliction need to be explored and understood. There may be real market failure that cannot be remedied without capital injection, or a change to the nature of the estate, but equally, the failure may be as a result of poor management or an owner actively running down the occupancy to attempt to demonstrate no long term demand prior to seeking alternative uses.
- 6.36 If the latter is the case, the Local Plan should have a robust policy that requires a landowner to demonstrate that there is true market failure. This may require a landowner to provide evidence of a proper and sustained marketing of the area. A board on the property is not sufficient evidence, and should include brochure, appointment of agents, web based and other advertising within a marketing campaign. This is considered further in Section 11.0, Recommendations.
- 6.37 Whilst the nature of the occupiers and the buildings that sit within the areas may reach an end of their economic life there, the land remains. Therefore, as part of any assessment, the redevelopment potential of sites for future employment use through development appraisal is the next step in the process of determining viability.

Viability Testing

- 6.38 Stakeholders have indicated in discussions with BE Group that development viability is an issue in Leicester. This is due to the high level of cost to redevelop sites today when set against the rents and capital values that can be achieved.
- 6.39 **Offices** – Within the City Centre it is generally accepted that new multi-storey offices need to achieve rents in the region of £20.00/sqft (£215/sqm), which in turn should generate capital values of £250-275/sqft (£2,691-2,960/sqm) in order for developments to be viable. Even at that level, site specific issues, such as site assembly, site clearance, provision of services and ground remediation can render sites unviable without financial assistance.

- 6.40 Out of centre, the levels are not dissimilar. Whilst overall build costs may be lower, site capacity is reduced affecting overall values that can be achieved.
- 6.41 **Industrial** – Prime, high quality industrial space in accessible out of town business park locations are now achieving rental levels and capital values that start to make industrial development viable. Rental levels are touching £8.00/sqft (£86/sqm), and capital values are achieving £130/sqft (£1,399/sqm) in prime locations. Set against a base construction cost of between £55.00 and £78.00/sqft (£592-840/sqm), depending on size, development can deliver the profit to enable a developer to build.
- 6.42 But this is not the case away from those prime areas. The sensitivity is largely a result of lower values rather than costs, although site clearance of existing areas will increase development costs. Developers will need to come close to the values outlined for prime property. In secondary locations, rents can vary greatly, and even new or modern space will be impacted by the location and environment. If rents remain at the level seen across the secondary estates of below £6.00/sqft (£65/sqm), speculative redevelopment today is likely to be marginal. This can be seen from the city-wide viability assessment.
- 6.43 Development appraisal should not be based on a generic approach, rather each area needs to be considered and assessed, in terms of uses, occupiers and market attractiveness. A development plot may not support mid-sized speculative development, but it may be suitable for other types of development. Land for owner occupation is scarce and companies building for their own use do not need to carry any cost for premises standing empty or deliver a developer profit of 15-20 percent on top of the development costs. Small workshop units for purchase have been found to work financially where a capital value is not dependent on assessing a long-term investment yield, rather a business will pay a premium to own its own property.
- 6.44 Thus, the Council should ensure that viability is tested to its fullest as part of any application for alternative use.

City Centre Offices

- 6.45 Alongside this Study, the City Council has reviewed and graded the 498 identified offices of the City Centre, A-D (Figure 24). This will guide the protection of the City Centre office stock from changes of use.

6.46 Separately, BE Group surveyed the City Centre office stock, in September 2019, looking at physical quality and occupancy rates. Additionally, rental levels (another indicator of quality) across the City Centre were reviewed. From this, this Study was able to confirm the accuracy of the Council's stock grading.

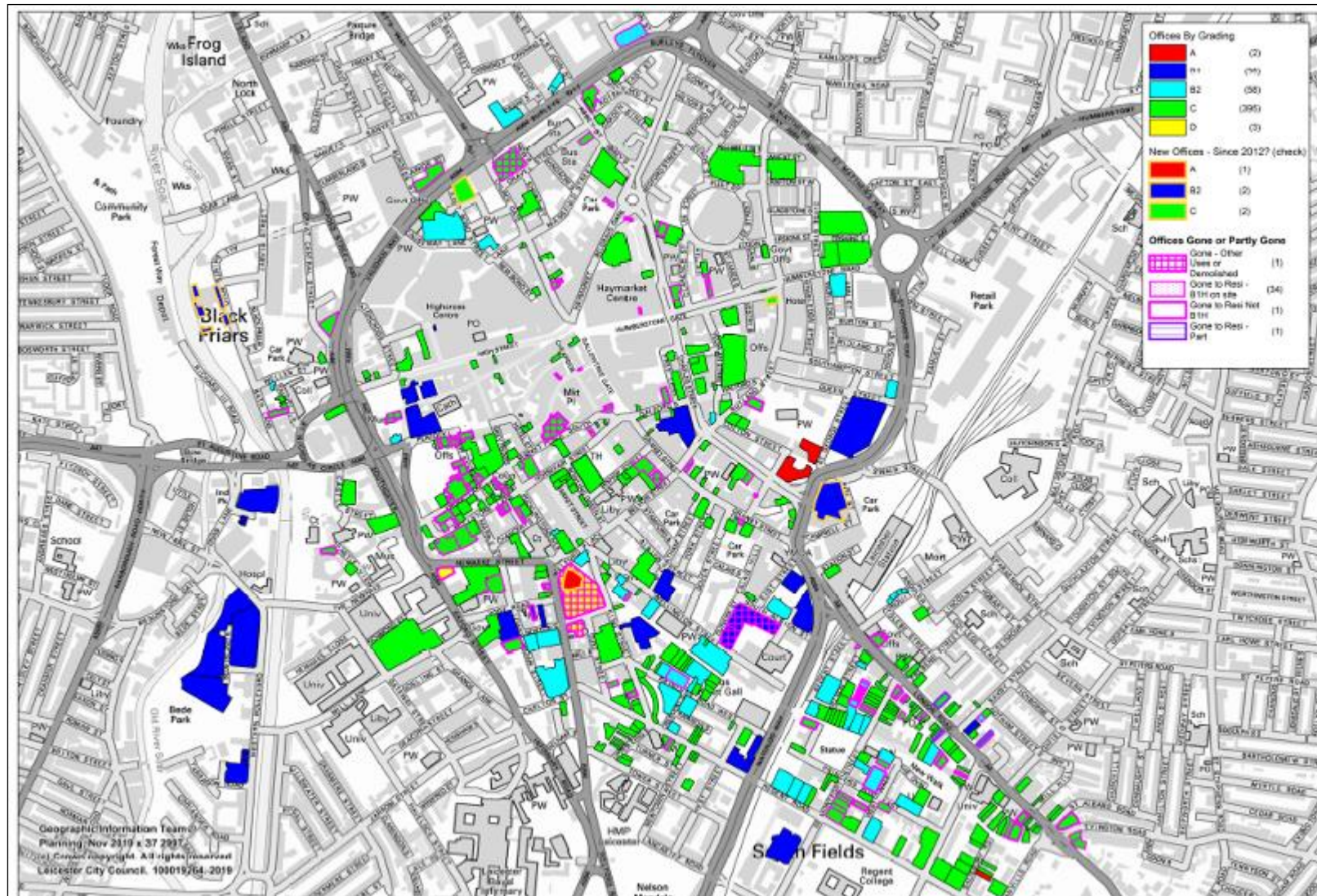
6.47 This Study endorses this map and approach and makes the following comments:

- Figure 24 overleaf confirms one finding of this Study, that there is little Grade A office property in Leicester City Centre. Only four existing A Grade buildings are identified, including the Mattoli Woods Building (1 New Walk Place) and the two Colton Square buildings, (Colton Street,) which include high quality refurbishments of a historic property (the former Listed police station). Also, One Great Central Square, (Vaughan Way), which is being offered at £20/sqft (£215/sqm). Evidence that these are the high-grade office of the City, includes:
 - The achieved rentals for these buildings, which consistently reached £17.50-£20/sqft (£188-215/sqm), the highest in the City in recent years (excluding some serviced properties)
 - The modern, high quality nature of the buildings which are of a noticeably better built quality than the older/refurbished stock which surrounds them
 - The quality of the occupiers, which include Mattoli Woods wealth managers. Colton Square similarly contains a range of high value financial services companies such as Berkeley Insurance Group UK.
- Development of new offices generally, is infrequent with only five new offices recorded as completed since 2012, against 37 recorded losses
- There are a number of high value large office buildings in edge of centre locations, including Western Boulevard (which was originally a former business park designation. This site is still within the City Centre designation, in both the adopted Local Plan 2006 CLLP and the proposed draft New Local Plan 2020). In addition to being good quality properties, these accommodate many of the City's large service sector employers, both private and public, including HM Land Registry, Natwest and the Universities in the west and PPL/PR, Barker Ross Group. In addition to supporting key local employers, these are the buildings which, at present at least, could support major inward investment. Their protection is thus a priority and they are therefore graded B1 in Figure 24.
- The B2 graded buildings are generally focused in New Walk, confirming that this area is still a valid focus for the city's supply of office stock. There are also several

B2 graded buildings fronting Vaughan Way. Evidence for why these buildings have been given a higher grading than their neighbours includes that:

- The B2 buildings generally comprise modern units which stand out from the surrounding refurbishments of historic housing stock
- Average achieved rents for such stock are £13-14/sqft (£140-150/sqm). While lower than the Grade A space, this remains above the wider City Centre average of £10/sqft (£108/sqm) as noted in Section 4.0.
- The 20th Century terraced offices/houses comprise the bulk of the supply in both the New Walk and Old Town proposed Character Areas, accordingly, receive a lower grading of C. The vast majority of the stock, 79.3 percent, is graded C in the remainder of the City Centre and is of average quality. The quality of this stock is variable and evidence that it should have an 'average' grading includes the:
 - The nature of achieved rents which range from £5/sqft (£54/sqm) to £10/sqft (£108/sqm), i.e. at, or somewhat below, average
 - A concentration of C Grade stock can be seen in the Old Town proposed Character Area, comprising historic terraced units. This stock is of reasonable quality and incorporates a range of Listed buildings. It is a focus for the City's legal sector. However, the nature of the stock would also suit a range of other uses the City Centre requires including pub/restaurants, hotels, flats and student accommodation. Evidence is that changes of use amongst these buildings are common and this needs to be reflected in the Grading.
 - Similar points can be made regarding the concentration of C Grade buildings in New Walk, east of University Road, although here the competing use is education.
- Although protection of the bulk of this supply remains desirable, to provide local employment and maintain Leicester's position as a regional office centre, other competing requirements for land and property will need to be considered in the dense City Centre.
 - Only three very low quality, D Grade buildings are noted, evidenced by their low physical quality. Thus, while Leicester may have little Grade A Stock, it also now has very little which may be considered immediately surplus to requirements. This is likely to be due to the very high level of conversions to residential use (from offices under permitted development), as is debated earlier in Section 5.0.

Figure 24 – City Centre Office Market Grading



Source: LCC, 2019

Summary

- 6.48 BE Group has reviewed 95 Employment / Office / PDA /Science Park Areas across Leicester, to consider their current economic value, viability, and suitability for ongoing protection in the emerging Local Plan.
- 6.49 Of all the “designated employment areas” in the 2006 adopted Local Plan, only 20 no longer represent viable and effective employment locations and should not be protected in the emerging Local Plan. Excluded areas have predominantly already been converted to alternative uses, such as Places of Worship or Car Showrooms, which were acceptable in principle, in adopted policy (CLLP 2006). Or new build re-development has taken place. New build tended to include several retail uses – for example, Sainsburys/ ASDA/ Aldi/ Lidl stores. Overall, **66.99 ha** of land has been excluded.
- 6.50 In some cases, Areas have been amalgamated or split up from their 2006 form, to better reflect the real spread of B-Class uses in the City, in 2019/2020. Where relevant, Area addresses have also been updated to better indicate their locations in Leicester. The resulting 62 existing Employment Designation Area are active, well used and viable locations for B-Class employment, which should receive ongoing protection, for B1/B2/B8 and relevant ancillary uses in the Local Plan. Most are well occupied, with two thirds enjoying full occupation. This supports the view that there is a limited supply of available industrial and office premises to meet identified business needs in Leicester.
- 6.51 Reflecting the modern property market, most areas incorporate some Non B-Class uses. Only in mixed city centre/edge of centre areas do No B-Class uses generally comprise sizable proportions of the total stock. Most stock now dates from Post 1945 and is of average quality.
- 6.52 New build accommodation comprises a modest element of the supply at Troon Industrial Estate (identified as the Employment Area ‘Triangle, north of A6030; Offices and Food Park on High View Close and industrial units on Crest Rise and at 30 Lewisher Road’) and the other sites surrounding the ring road, (e.g. on either side of Beaumont Leys Lane; Bennion Road; and around Sunningdale Road), can be identified as the focus for modern, high quality accommodation outside of the City Centre.

- 6.53 Research has identified 11 Employment Areas, graded A-B, which are of particular value to the City and should enjoy strong protection in the Local Plan.
- 6.54 The 18 PDAs (potential development area designations 2006 CLLP), comprise 88.27 ha of potential employment land. However, site surveys have shown that ten PDAs, comprising 41.50 ha, have been re-developed for/are now in Non B-Class uses and no longer relevant to meet B-Class needs (i.e. regeneration has been enabled). Also removing re-allocation proposals, constrained sites and planning consents there appears little long term availability in the PDAs to meet specifically B-Class needs.
- 6.55 Viability is considered in the Area Assessments, provided in **Appendix 3**, which assess the relevant Areas against six criteria for viability. Although, of the 62 relevant areas, only 33 meet all six criteria, the failures tend to relate to judgements about physical quality of premises. The Areas continue to enjoy high occupancy rates, little or no dereliction and a low percentage of premises on Non B Class use. Thus, by practical measures they continue to show good evidence of ongoing viability.
- 6.56 Stakeholders have indicated in discussions with BE Group that development viability is an issue in Leicester. This is due to the high level of cost to redevelop sites today when set against the rents and capital values that can be achieved. Within the City Centre, and outside of it, new multi-storey offices need to achieve rents of £20.00/sqft (£215/sqm), which should generate capital values of £250-275/sqft (£2,691-2,960/sqm) for developments to be viable.
- 6.57 Prime, high quality industrial space in accessible out of town business park locations is increasingly viable, with rental levels at £8.00/sqft (£86/sqm), and capital values are achieving £130/sqft (£1,399/sqm) in prime locations. Away from prime locations, viability remains marginal. Development appraisal should not be based on a generic approach, rather each area needs to be considered and assessed, in terms of uses, occupiers and market attractiveness.
- 6.58 Alongside this Study, the City Council has separately reviewed and graded the 498 identified offices of the City Centre. This research confirms the very limited supply of Grade A office space in the City, but also the range of larger offices available which meet the needs of major national businesses. Overall, the City Centre office supply is of average quality ('C' grade), with the more modern, better 'B2' grade supply focused around New Walk. There are only four top quality office buildings ('A1' grade), as well as only a handful of high quality ('A2' grade).

7.0 DEVELOPMENT LAND ASSESSMENT

Introduction

- 7.1 This section looks at the portfolio of employment land which will be available for the development of new B1/B2/B8 premises to 2036.
- 7.2 The City needs a balanced portfolio of land to accommodate a sustainable, growing economy that can respond to dynamic market conditions, changing business needs and working practices. By initially establishing how much land there is, the second task is to consider how much land is needed in the future (to 2036), which is picked up in the forecasting section later in the report.

Land Supply

- 7.3 The Council is progressing three Strategic Development Sites, which will include B-Class employment land:
- Western Park Golf Course
 - Ashton Green East
 - Beaumont Park.
- 7.4 Two further local scale employment sites have been identified as having potential to meet B-Class needs:
- Land at Mountain Road – 2 ha
 - Hadrian Road Open Space, West of Thurcaston Road – 2.7ha
- 7.5 In terms of offices, future City Centre development is expected to focus around the Railway Station and on land around Phoenix Square, providing some 20,000 sqm of B1(a) premises at each site, to 2036. These seven locations are considered further in Table 28 and summarised below.

The realistic supply of Leicester City, as of December 2019 is **40.90 ha in seven sites**, comprising:

- Strategic: **34.20 ha** (83.6 percent), three sites
- Local supply: **4.70 ha** (11.5 percent), two sites
- City Centre office supply: **2 ha, 40,000 sqm** (4.9 percent), two sites

Table 28 – Employment Sites Schedule

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
Western Park Golf Course	20.50 ha (70,000 sqm)	<p>72.6 ha site with the City and Blaby District, owned by Leicester City Council.</p> <p>Approximately 72 percent of the site is with the City.</p> <p>Development opportunity for a mixed-use employment land (28.6 ha) and residential land (44 ha).</p> <p>Estimated net land areas in the City; employment land (20.5 ha) and residential land (31.5 ha).</p> <p>Indicative development proposals include protecting a substantial element of on-site ecology within the centre of the site with new employment land to the west accessed from Ratby Land and residential land on the eastern edge of the site.</p> <p>Opportunities for a range of employment units, subject to market demand from 100 m2 to 25,000 m2</p> <p>Next steps include options for developer procurement and delivery strategies, masterplanning and preparation for a site wide outline planning application.</p>	<p>The Council as land owner promoter has received unsolicited interest in the site from a number of commercial and residential developers.</p> <p>Development of neighbouring development sites; Optimus Point (Wilson Bowden) and Glenfield Park (Barratts/David Wilson Homes) also demonstrate market demand for this site as a mixed-use development opportunity.</p> <p>The Council has also commissioned development appraisal financial modelling to demonstrate that the site is financially viable and deliverable for an indicative scheme of development proposals.</p>
Beaumont Park	8.80 ha (25,000 sqm)	-	<p>The Council as land owner promoter has undertaken soft market testing and received interest in the site from a number of commercial developers.</p> <p>The Council has also commissioned development appraisal financial modelling to demonstrate that the site</p>

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
			could potentially be financially viable and deliverable for an indicative scheme of development proposals, however, it is likely that some form of grant funding may be required to address the costs of historic land contamination.
Ashton Green East	4.90 ha (19,000 sqm)	<p>Ashton Green East is a proposed extension to the consented 130 ha Ashton Green development that is being delivered by the Leicester City Council as land owner and strategic land promoter.</p> <p>Ashton Green East includes both residential and employment land development opportunities.</p> <p>The consented development includes 10 ha of employment land of which 50 percent is already built out.</p> <p>The new proposal of 13.36 ha includes both new land unallocated land and the change of use of a consented secondary school site allocation.</p> <p>Indicative land use options suggest a further 47,500 m2 could be added to the consented development.</p> <p>Next steps include options for developer procurement and delivery strategies, masterplanning and preparation for a site wide outline planning application.</p> <p>The masterplanning will also include a review of opportunities to incorporate the additional 13.36 ha within the remaining 5 ha of the consented development.</p>	<p>The Council as land owner promoter has received unsolicited interest in the site from a number of commercial developers and owner occupier requirements.</p> <p>5 ha of the consented development has already been delivered since 2013.</p> <p>The Council has also commissioned development appraisal financial modelling to demonstrate that the site is financially viable and deliverable for an indicative scheme of development proposals.</p>
<i>Sub-Total</i>	<i>34.20</i>		

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
	(114,000)		
Local Employment Land Supply			
Land at Mountain Road	2.00 (7,800)	<p>Land owned by Sofidel SPA who also own and occupy the large unit to the north.</p> <p>The land has a historic consent, from 2009, now lapsed by then owner Leicester Paper Company for a De-inking plant to provide pulp for the paper mills on nearby Waterside Road (App. No. 20070346, earlier 2002 consent: 20001938), now part of the Sofidel complex.</p> <p>Historic Employment Land from previous Local Plan (previous employment 'proposal'.)</p> <p>Land comprises expansion land for Sofidel facility, with no current development plans.</p> <p>However, site is also prominently located on the Mountain Road access, off Barkbythorpe Road and could meet other business requirements.</p> <p>The land could provide some 7,800 sqm of floorspace at 3,900 sqm/hectare. Constraints:</p> <ul style="list-style-type: none"> Melton Brook runs north west of the site, some land in North West in Flood Zone 2. 	<p>Land is not being actively marketed. However, it is a well-positioned and accessible plot within Troon Industrial Estate (around Cannock Street). a focus for recent development, both for offices and industrial uses, outside of the City Centre.</p> <p>The site is owned by a key employer and will likely be held to meet the future needs of that business. However, its frontage position means it could be made available to other companies, if needed.</p> <p>Located in an industrial estate and bounded by other industrial uses, it would not suit other non-B class uses.</p>
Northern part of Hadrian Road open space, West of Thurcaston Road	2.70 (10,530)	<p>LCC owned Currently in use as green space.</p> <p>Identified in Council sites analysis as better suited for B-Class employment rather than housing.</p> <p>No development plans at this time.</p>	<p>There are no development plans here at present and therefore no history of marketing for B-Class uses.</p> <p>However, the land sits adjacent to the Hoods Close area of Bursom Industrial</p>

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
		<p>The land could provide some 10,530 sqm of floorspace at 3,900 sqm/hectare</p> <p>Constraints:</p> <ul style="list-style-type: none"> • Land bounded by a waste facility to the west and by housing to the east, but is well screened by trees from both • Land historically used as playing pitches, it has been confirmed that this use is now surplus to requirements • Only the northern part of the site will be included (see Consultation sites map ref 687). Below this, south of site includes two active uses, a play area accessed off Bewcastle Grove and a hut, accessed of Hadrian Road which is in use by Leicestershire, Northamptonshire and Rutland Army Cadet Force (Hindoostan Detachment). 	<p>Estate. As noted in Section 6.0 Bursom is a key industrial estate for the City, the only large industrial estate to be Graded A for its quality and accommodating major employers in food production, distribution and engineering sectors. It has seen recent investment from Samworth Brothers and others.</p> <p>Hadrian Road represents a logical expansion site for this Employment Area, with linkages north on Thurcaston Road to the wider Ashton Green Strategic Development Site to the north.</p> <p>Although Local in Scale, the land could still meet individual requirements up to 10,000 sqm reflecting the shortages of industrial premises up to this size range, identified in Section 4.0.</p>
<i>Sub-Total</i>	4.70 (18,300)		
Sub Total – Industrial/Warehouse Land	38.90 (132,300)		

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
Office Supply			
Around Railway Station	1 (20,000)	<p>Land Comprising the former Sorting Office, on Campbell Street and the Station Car Park. Network Rail own the car park, while East Midlands Rail has a 10-year operating lease on the site. Proposal for 20,000 sqm of offices, to be developed in phases.</p> <p>Part of a wider £100 million improvement to the Station area. Monies from the Transforming Cities Fund are sought to support this. Council and third-party funding also expected, but not yet agreed.</p> <p>Other changes to include:</p> <ul style="list-style-type: none"> • Moving the London Road entrance to the station to Station Street • Moving the pick-up/drop off area and taxi rank from the porte cochere to the Station Street area and opening up of this space, for the development of a potential food court and shops. • Building a multi-storey car park on the current station car park; freeing up the adjacent site for a large office and commercial development, while maintaining the number of spaces. • Public realm improvements. <p>Constraints:</p> <ul style="list-style-type: none"> • Development partners and funding to be secured • Site in active car park use • Network Rail consent to be secured, which may prove a complex and expensive procedure. 	<p>Office provision here would be part of a wider regeneration programme that needs to be fully funded, masterplanned and to secure both developer and landowner buy in.</p> <p>However, site is well located off the A594, with good access to the station; and builds on the existing office provision nearby, including the established New Walk office quarter, as well as the high-grade Colton Square office development.</p> <p>New office provision in the City Centre is supported by demand, which has been growing over the last five years. Demand is for sub-500 sqm units although larger suites would help build up the City's critical mass of larger employers and help attract in more large firms. Against this need there is a lack of high-grade office space, with only three A Grade office buildings identified in Council research (see Section 6.0), plus one under development. Other high-quality buildings are generally fully occupied by the City's larger employers. Only five new City Centre office developments have been recorded since 2012 and stakeholders report that few options remain for refurbishment.</p>

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
			<p>As the viability assessment in Section 6.0 notes, new multi-storey offices need to achieve rents in the region of £20.00/sqft (£215/sqm) to secure viability, although this is without an allowance for the sort of land assembly/redevelopment issues faced by this location. Experience at One Great Central Square (Vaughan Way) suggests that £20.00/sqft (£215/sqm) can be achieved, in the present market, but a viability gap may still occur which will need to be addressed.</p>
Land Around Phoenix Square	1 (20,000)	<p>Land south and east of the Phoenix Centre.</p> <p>Multiple ownerships, approx. seven. Land assembly needed.</p> <p>The main private sector owner aspires to develop 200 residential units, although its holding sits in the middle of the site making a workable development difficult.</p> <p>The Council are considering a land swap, allowing residential to be developed on the edge of the site and protecting a core area for 20,000 sqm of offices.</p> <p>There is no development partner yet for this scheme, and there will be a need to acquire the relevant land, possibly by CPO.</p> <p>The funding for the development is not agreed. The Council are considering different methods for supporting the development.</p>	<p>The site has several obstacles to overcome before delivery including land assembly, securing development partners and funding. However, the Council is working to progress the development under its leadership and is considering different methods for supporting the scheme, both practically and financially. A mixed-use scheme is likely here, with higher value residential uses potentially available to cross fund the offices.</p> <p>The site is well located off the A594, with good access to the station and the established New Walk office quarter, as well as the high-grade Colton Square office development.</p>

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
		<p>Constraints:</p> <ul style="list-style-type: none"> • Adjacent and links to St George's Conservation Area • A sizable number of ownerships to be assembled • Funding and development partners to be agreed • Details of development mix to be agreed. 	<p>New office provision in the City Centre is supported by demand, which has been growing over the last five years. Demand is for sub-500 sqm units although larger suites would help build up the City's critical mass of larger employers and help attract in more large firms. Against this need there is a lack of high-grade office space, with only three A Grade office buildings identified in Council research (see Section 6.0), plus one under development. Other high-quality buildings are generally fully occupied by the City's larger employers. Only five new City Centre office developments have been recorded since 2012 and stakeholders report that few options remain for refurbishment.</p> <p>As the viability assessment in Section 6.0 notes, new multi-storey offices need to achieve rents in the region of £20.00/sqft (£215/sqm) to secure viability, although this is without an allowance for the sort of land assembly/redevelopment issues faced by this location. Experience at One Great Central Square (Vaughan Way) suggests that £20.00/sqft (£215/sqm) can be achieved, in the present market, but a viability gap may still occur which will need to be addressed.</p>

Site Name	Available Employment Land, ha (Floorspace, Sqm)	Comments	Evidence of Deliverability/Viability
Sub Total – Office Land/Floorspace	2 (40,000)		
Total	40.90 (173,300)		

Source: LCC and BE Group, 2019

- 7.6 The Strategic Supply comprises three large sites in the north and west of the City. All comprise Council owned land, on key transport routes and near the City's key Employment Areas – Bursom Industrial Estate, plus the existing Ashton Green allocation, and Braunstone Firth Industrial Estate. These Areas are home to a critical mass of large businesses and have seen much of the City's recent development of larger industrial and warehouse premises.
- 7.7 These Strategic Sites will form the bulk of the City's supply of industrial and warehouse land, to 2036, to meet the OAN identified in Section 9.0. In addition to meeting OAN, the goal of allocating these large sites is to meet demand and reduce Leicester's dependence on its neighbours in its Functional Economic Market Area (see Section 8.0) to meet its requirements.
- 7.8 In the Market Assessment (Section 4.0) of this Study, it is noted that supply shortages against demand, in the industrial and warehouse market, extend up to units of size 10,000 sqm, with a particular lack of 2,000 sqm sized units. The largest, 10,000 sqm requirements will need some 2.60 ha each, a sizable area of land in densely developed Leicester. Sites of this size rarely become available through organic brownfield redevelopment. The one recent occasion where an old, large site did become available for industrial/warehouse development is land off Scudamore Road, Braunstone Firth Industrial Estate. That land has rapidly been developed for larger units of 5,000-35,000 sqm (Leicester Distribution Park) which are seeing good market interest.
- 7.9 Previously, Leicester has looked to neighbours Blaby and Charnwood, to meet its industrial/warehouse needs. An additional 25 ha each; specifically, *'to meet the City's need'* was agreed and allocated outside, but just adjacent to the City's boundary, in each of their Plans. (This having been identified in both previous HMA wide Employment Land Studies by PACEC in 2008 and update in 2013). However, in practice, for the reasons outlined below, no B1c/B2 industrial facilities, which the City needed and still desperately needs, have been delivered outside the city's boundaries.
- 7.10 An analysis of the existing supply of employment land in the City, completed in Section 6.0 of this Study suggests the existing stock of employment land and premises in the City's Employment Areas is nearly fully occupied, with few brownfield redevelopment opportunities which could be provided in addition to, or instead of, the Strategic Sites. Employment Areas judged no longer viable as industrial estates/business parks, etc. have been lost to other uses rather than standing vacant.

- 7.11 Market demand differs between the City and the rest of the County. Land in Blaby, allocated to meet both City and Local needs, has been developed for large scale logistics facilities, needed on the motorway corridors. (It is widely recognised that there is insufficient room, for these to be provided within the City). The allocated land in Charnwood, is associated with the NE of Leicester SUE and is still not expected to be brought forward until 2031 (the end of their plan period). It is also now expected to solely meet local needs. Therefore, by proposing these three modest scale (and two very small) employment allocations in the City, it allows it to finally meet a good proportion of its long recognised, Objectively Assessed Need.
- 7.12 An analysis of the existing supply of employment land in the City, completed in Section 6.0 of this Study suggests that the existing stock of employment land and premises in the City's Employment Areas is nearly fully occupied, with few brownfield redevelopment opportunities which could be provided in addition to, or instead of, the Strategic Sites. Even the employment Areas which have been judged '*no longer viable*' as industrial estates/business parks, etc. have been lost to other new uses rather than standing vacant (e.g. Places of Worship, gyms and retail development).
- 7.13 As shown in Section 6.0, there is limited long term availability in the PDAs. There is 2.46 ha of land at Melton Road/Troon Way which also might be available, in the long term, for B-Class development although it adjoins retail and housing, making non B-Class development more likely.
- 7.14 Sites research has only identified two further very small plots, totalling 4.70 ha, which have the capacity to meet some OAN. Again, these are lightly constrained sites, which link to existing key industrial estates and are large enough to meet significant requirements.
- 7.15 Two City Centre office sites are identified in the supply, to meet office OAN identified in Section 9.0, with the capacity to provide 40,000 sqm of B1(a) floorspace to 2036. Although both projects are in the early stages, making it difficult to talk definitively about deliverability, both enjoy strong public sector support and at least the prospect of public funds to overcome viability gaps. Mixed use development is also an option to allow cross funding from higher value uses. Both sites sit on main transport routes and link well to existing office clusters, including New Walk.
- 7.16 Demand supports new office provision in the City Centre, with requirements for sub-500 sqm units; although larger suites would help build up the City's critical mass of larger employers and help attract in more large firms. Against this need there is a lack

of existing high-grade office space, with only three A Grade office buildings identified in Council research (see Section 6.0), plus one under development. Other high-quality buildings are generally fully occupied by the City's larger employers. Only five new City Centre office developments have been recorded since 2012 and stakeholders report that few options now remain for refurbishment, given the large number of offices converted under 'Prior Approval' development.

- 7.17 Experience at One Great Central Square (Vaughan Way), suggests that £20.00/sqft (£215/sqm) can be achieved for high quality office schemes in the present market, which while it may not be enough by itself, to ensure viability, given the site constraints, would encourage developers to consider these schemes.
- 7.18 In terms of alternative/additional options, there are several possibilities in the pipeline, including further development in Waterside and a possible scheme at Central Viaduct (Great Central Street). However, these are complex proposals which, are proceeding under private sector leadership with far less certainty over if, when, and under what circumstances delivery might occur, as well as the scale of any offices provided. While they could provide windfall opportunities over the Local Plan period they cannot be relied upon as formal Local Plan allocations.
- 7.19 As is noted in Section 5.0, Space Park Leicester has the potential to provide 25,000 sqm of floorspace, in three phases. However, this will comprise specialist accommodation, including B1(b) research and development uses and specialist manufacturing focused on space industries. It will not support the general B1/B2/B8 requirements in the City.

Chapter Summary – Development Land Assessment

- 7.20 The identified baseline land supply, to meet OAN as identified in Section 9.0, 40.90 ha in seven sites, comprising:
- Strategic: 34.20 ha (83.6 percent), three sites
 - Local supply: 4.70 ha (11.5 percent), two sites
 - City Centre office supply: 2 ha, 40,000 sqm (4.9 percent), two sites.
- 7.21 The Strategic Supply comprises three large sites in the north and west of the City. All comprise Council owned land, on key transport routes and in close proximity to the City's key Employment Areas. The land is under Council ownership and masterplanning to address constraints and plan delivery has commenced. Initial

financial appraisals suggest viable schemes can be delivered, meeting identified needs for large industrial units of up to 10,000 sqm and reflecting successful deliveries on the nearby Employment Areas. Development here will allow Leicester to meet a large proportion of its OAN locally, given that previous dependence on neighbouring authorities has not delivered (for the reason explained above), . the B1c/B2 industrial facilities, which the City needed and still desperately needs, on the edge of, but just outside the city's boundaries.

- 7.22 An analysis of the existing supply of employment land in the City, completed in Section 6.0 of this Study suggests the existing stock of employment land and premises in the City's Employment Areas is nearly fully occupied, with few alternative/additional brownfield redevelopment opportunities and none of the scale required.
- 7.23 Two City Centre office sites are identified in the supply, to meet office OAN identified in Section 9.0, with the capacity to provide 40,000 sqm of B1(a) floorspace to 2036. Although both projects are in the early stages both enjoy strong public sector support and at least the prospect of public funds to overcome viability gaps. Demand research suggests strong requirements for more space against negligible supply. While, there are several other possible schemes in the pipeline, these are complex proposals, led by the private sector, with far less certainty over if, when and under what circumstances delivery might occur.

8.0 FUNCTIONAL ECONOMIC MARKET AREA

Introduction

8.1 This section defines and reviews the functional economic market area of the City. It also looks in more detail at some of the neighbouring local authority areas in Leicestershire which may compete with the City for strategic level property requirements. This is undertaken in recognition that the City's economy does not operate in isolation, but rather it has intricate and important relationships with neighbouring areas.

Functional Economic Market Area – Quantitative Evidence

8.2 Planning Practice Guidance emphasises that local authorities should look beyond the local property market, to prepare a robust evidence base and to understand existing business needs. The broader strategic property market in which companies operate, is referred to as a Functional Economic Market Area (FEMA).

8.3 FEMA's *"can overlap several administrative areas, so strategic policy-making authorities may have to carry out assessments of need on a cross-boundary basis, with neighbouring authorities within their functional economic market area. Local Enterprise Partnerships (and county councils) can play a key role in this process."* (PPG: Housing and Economic Needs Assessment. Para 25).

8.4 Planning Practice Guidance, as of Autumn 2019, no longer provides guidance as to how FEMA's can be identified, but general methods for defining a common market area, used by BE Group and others in Employment Land Studies include the:

- Administrative area
- Extent of any Local Enterprise Partnership within the area
- Travel to work areas
- Housing market area
- Transport network, Service market for consumers, Flow of goods, services and information within the local economy.

8.5 All definitions of a functional economic market area are approximations of the interrelationships of a local economy with areas outside the local authority. The functional economic market area cannot account for all relationships in the economy, rather it is a representation of the key economic, workforce and consumer flows for the local economy.

- 8.6 The City's economy clearly does not operate in isolation. The quantitative evidence base that influences the definition of the FEMA is considered here.

Local Enterprise Partnership

- 8.7 The City of Leicester falls within the Leicester and Leicestershire LLEP, which also covers the whole of the County of Leicestershire.

Travel to Work Area

- 8.8 The commuting patterns of the working residents of the City and the workforce employed in the City are important in understanding the housing and employment role of the City in the context of the broader region.
- 8.9 Table 29 overleaf summarises the in and out commuting patterns for the City as at the time of the 2011 Census. Unsurprisingly, this shows that Leicester's strongest commuting relationships are with the other local authorities of Leicestershire and particularly its more immediate geographic neighbours of Blaby (25,357 commuter movements in 2011); Charnwood (20,855 commuter movements in 2011); and relative to its smaller population, Oadby and Wigston (15,498 commuter movements in 2011).
- 8.10 Overall, 55,906 Leicestershire residents commuted into the City in 2011, while 30,875 commuted out from the City to the County. This gave Leicester a positive commuting flow of some 25,000.
- 8.11 Further afield, Leicester has smaller, but still reasonable commuting relationships with most other Midlands cities. In 2011, except for Derby, these flows were negative, with more people commuting out from Leicester to these locations than commuting into Leicester. It is also worth noting that, as of 2011, 276 Leicester residents made the longer distance commute to Westminster and the City of London.
- 8.12 Overall, 53.8 percent of Leicester's workforce also resided in the City in 2011. Conversely, 65.7 percent of the employed residents in the City also work in it. This is a relatively strong level of self-containment given the City's tightly defined borders and strong transport links with its neighbours.

Table 29 – In and Out flows of Leicester Commuters

	Origins of Leicester Workers	Work Locations of Employed Residents of Leicester	Net Flow of Workers into Leicester
Leicester	78,479	78,479	-
Blaby	13,849	11,508	2,341
Oadby and Wigston	9,930	5,568	4,362
Charnwood	15,359	5,496	9,863
Harborough	6,397	3,737	2,660
Hinckley and Bosworth	6,251	1,962	4,289
North West Leicestershire	2,318	1,620	698
Melton	1,802	984	818
Nottingham	620	731	-111
Coventry	497	647	-150
Birmingham	460	563	-103
Northampton	200	416	-216
Daventry	216	412	-196
Rugby	252	319	-67
Derby	427	316	111
Corby	154	284	-130
Westminster, City of London	19	276	-257
Kettering	381	249	132
Nuneaton and Bedworth	462	232	230
Rutland	640	229	411
<i>Rest of UK</i>	<i>6,957</i>	<i>5,458</i>	<i>1,499</i>
Total	145,670	119,486	26,184

Source: ONS 2011 Census

Housing Market Area

- 8.13 The 2017 HEDNA study identifies Leicester and Leicestershire as a well-defined Housing Market Area. 84 percent of people moving to the area will move within it and 91 percent of those moving from a location within the area will stay within it. Around 78 percent of county commuting flows are contained within the Leicester and Leicestershire authorities.

Services and Infrastructure

- 8.14 As a key Midlands city, Leicester is the focus of a range of strategic transport routes. The City is accessible from the M1 Motorway at junctions 21 and 21a, (the former including the eastern terminus of the M69), although the carriageways fall outside of the City boundary. Other cross-country routes which pass through the City include the A6, A47 and A50, while the A607 joins up with the A46 north of Leicester. More regional routes include the A426 which runs south to Rugby and the M6/M45 Motorways; the A5199 to Northampton as well as the A563 ring road around the City. Leicester also has a rail station on the Midlands Main Line.
- 8.15 The City Centre is a focus for services in Leicester alongside a range of local/neighbourhood facilities. Fosse Park located south west of the City, in Blaby District, is the largest edge of settlement shopping centre in the County. Town Centre facilities, in the towns which adjoin the City, particularly Wigston and Oadby towns, will also meet some retail needs.
- 8.16 Based on the above evidence, the FEMA for Leicester is strongly focused in Leicestershire. As a large city, Leicester clearly has an economic influence which extends much further afield, but those linkages, as demonstrated by commuting data, are much smaller than linkages with the other local authority areas of Leicestershire. The FEMA should incorporate the key relationships, rather than all relationships.

Neighbouring Areas – Leicestershire

- 8.17 Having initially defined the FEMA for the City, the remainder of this section considers the districts which fall within that area on an individual basis.

District of Blaby

- 8.18 The District Local Plan (Core Strategy) was adopted in February 2013. A Local Plan Delivery DPD was adopted in February 2019.
- 8.19 BE Group completed the Blaby Employment Land Study refresh in November 2011. This updated the 2006 Blaby District Employment Study also undertaken by BE Group and identified a need for some 68 ha of employment land in the District to 2029. Of that some 25.38 ha remains outstanding as of the 2019 DPD.

- 8.20 HEDNA indicates needs to 2036, of:
- B1(a, b) – 47-48 ha
 - B1(c)/B2 – 19 ha
 - Smaller B8 – 12 ha.
- 8.21 To meet the outstanding requirement, Land West of St Johns (B4114), Enderby is allocated for B-Class uses. The gross site area is some 33 ha. The proposed use of the site is for storage and distribution (B8).
- 8.22 Other key sites, likely to have cross boundary impact, include:
- Glenfield Park, Glenfield – The employment element is now referred to as Optimus Point and extends to 26.3 ha of Junction 21a, M1. Four large units B2/B8 are developed, 2,787-25,315 sqm, with full consent for a further 11,774 sqm. Undeveloped land can accommodate B2/B8 units of 3,000-10,000 sqm. Occupiers include Boden, Geodis and Mattel.
 - New Lubbesthorpe sits off the M1 between Leicester Forest East and Enderby, south east of Hinckley and Bosworth. It includes a 21 ha Strategic Employment Site, located south west of the M1/M69 interchange. Now known as Leicester Commercial Park, it is developed for two Grade A distribution units of 31,274 sqm and 8,916 sqm, the larger of which is let.
 - Developer DB Symmetry is bringing forward proposals for the Hinckley National Rail Freight Interchange (HNRFI) at Junction 2 of the M69, to the east of Hinckley Town. The scheme is a Nationally Significant Infrastructure Project (NSIP). Assuming consent, this will deliver 1.05 million sqm (gross) of rail and road related logistics which will serve the wider economy of the County and the region.
- 8.23 Blaby and Leicester have a strongly interconnected property market. Blaby Council note that ten years ago demand in Blaby was primarily for offices, which meant that Blaby District's office parks were in direct competition with Leicester for requirements. Today requirements are for modern industrial and warehousing space from companies that will consider available B-Class premises across the Leicester Conurbation.
- 8.24 Council officers see little evidence that Leicester based companies are moving into Blaby District because of a lack of appropriate premises in the City. However, this may simply reflect the fact that Blaby also has a constrained supply of available modern B-

Class units. The District particularly lacks good quality start-up and grow-on industrial units of less than 1,000 sqm in size. Schemes around Junction 21, M1 remain popular, despite the traffic congestion, for their accessibility to both the Motorways and the City.

- 8.25 Leicester and Blaby City have had informal discussion as part of the Duty to Co-Operate, regarding a Statement Common Ground for sharing identified (Objectively Assessed Needs) OAN between the two authorities. In any agreement, Blaby would look to Leicester to meet its office needs, which are (based on HEDNA requirements), need, less supply for 106,750 sqm of floorspace to 2031 (or 5.34 ha of land based on a 200 percent site coverage, considered standard in Leicester City Centre). Although it is considered that this additional provision could in theory be met within the 285 ha City Centre area, a further review of this evidence for their Local Plan is needed, particularly given the relative shortage of B1(a) office space to meet Leicester's own OAN, as noted in Section 9.0.

Borough of Charnwood

- 8.26 The Charnwood Local Plan was adopted in November 2015. The Local Plan Review is now underway with issue of a Draft Preferred Option in November 2019. An Employment Land Study was completed in 2018, although identified needs are as set out in the 2017 HEDNA, to 2036:
- B1(a, b) – 17-40 ha
 - B1(c)/B2 – 26 ha
 - Smaller B8 – 13 ha.
- 8.27 Charnwood's Adopted Local Plan proposes the delivery of at least 13,940 homes and up to 46 ha of employment by 2028. Employment land will be focused in four key locations:
- The North East of Leicester SUE at Thurmaston is allocated to deliver a community of some 4,500 homes. 13 ha of employment land will be provided to meet strategic and local employment needs. A planning application for the site was approved in November 2014, with further masterplanning now completed. Development of the employment land will be for smaller B-Class premises, to be marketed at local micro/mid-sized businesses. Initial estimates suggest that some 4,900 sqm of B1(a) offices, 3,900 sqm of B1(b) research and development, 19,500 sqm of B1(c) light industrial, 5,500 sqm of B2 general industry and 8,000 sqm of (smaller) B8 warehousing will be developed, post 2024

- A Direction for Growth is identified for land to the north of Birstall for a SUE. This will deliver 1,950 homes (increased from 1,650 in 2016) and 15 ha of employment land post 2024, comprising 1.5 ha is for office and 13.5 ha for industrial and small warehouses. There were Council objections to the inclusion of B1(b) uses here to avoid any competition with the Enterprise Zones of Leicester and Loughborough. Now referred to as the Broadnook Garden Suburb it is at the detailed planning, financing and land acquisition stage.
- Watermead Regeneration Corridor – Direction for Growth. Development here will provide up to 8,750 sqm for offices and around 16 ha for employment land
- A further SUE is allocated to the west of Loughborough, now named Garendon Park, to deliver a community of 3,200 homes. 16 ha of employment land will be allocated to meet strategic and local employment needs and support the regeneration of Loughborough and Shepshed. The scheme received outline consent in July 2018. The main 16 ha employment area would be delivered in the north west of the area, in four main blocks adjacent to the M1 carriageway. Opening up this site for development is not anticipated until after 2024. It is expected that the 16 ha site could provide for some 62,000 sqm of employment floorspace, of which half will be B8 space and the remainder mixture of B1 and B2 space.

8.28 As of February 2017, facilities in and around Loughborough University form part of the Loughborough and Leicester Science and Innovation Enterprise Zone. The new Enterprise Zone will focus on science and hi-tech manufacturing with targets of 25,000 new jobs and £180 million in investment over the next 25 years through the creation of a 'zone of excellence' to support new and growing businesses to bring their innovative ideas and products to the market.

8.29 Enterprise Zone facilities in Charnwood are:

- Charnwood Campus (former Fisons/AstraZeneca Campus), Loughborough: 28 ha research and office campus supporting bio-medical and pharmaceutical industries
- Loughborough University Science and Enterprise Park: One of the largest science parks in the UK. Situated just one mile from the M1, this 106 ha site is an established location for knowledge-based businesses specialising in advanced engineering and manufacturing, high value research and development, energy and low carbon. The current development phase extends

to 8 ha of serviced plots, which can support some 14,000 sqm of new floorspace. Work has also begun on the new National Centre in Combustion and Aerothermal Technology, with Rolls-Royce. Overall 77 ha of further development land exists here.

- 8.30 The science facilities of Loughborough and Leicester operate as a common Enterprise Zone, with overlaps in things such as administration and marketing. However, there are sectoral differences between the focus of facilities in Charnwood (bio-medical, pharmaceutical, energy, advanced engineering) and Leicester (space technology, responses to climate change, high tech manufacturing, general office uses) which should minimise competition between the two for occupiers.
- 8.31 Charnwood Council officers feel that, on occasion businesses which are unable to meet their property needs in Leicester, either because of the cost of City property or the absence of premises of the right size/quality, are displaced to Charnwood. However, this is an infrequent occurrence due to the limited supply of available premises in Charnwood.

District of Harborough

- 8.32 Harborough adopted its Local Plan in April 2019. Its employment land requirement is derived from HEDNA, which indicates employment land needs to 2036, of:
- B1(a, b) – 17-24 ha
 - B1(c)/B2 – 28 ha
 - Smaller B8 – 9 ha.
- 8.33 Harborough has ample land to meet this need, with supply focused in Market Harborough and Lutterworth, particularly:
- Airfield Business Park (6 ha) – Partially developed allocation. Includes the serviced Harborough Innovation Centre which serves a large rural catchment
 - Airfield Farm (13 ha) – No B-Class planning consents at present although links to a 1,500 home Strategic Development Area which is progressing
 - Compass Point Business Park (3 ha remaining)
 - Lutterworth East Strategic Development Area – Housing, schools, shops and 10 ha for B1/B2 uses, 13 ha for B8. A planning consent is under consideration for land under multiple ownerships, including County Council land
 - Kibworth (6 ha) – Outline consent achieved; preparation work underway.

- 8.34 Magna Park, Lutterworth is Europe's largest dedicated distribution park. Magna Park is largely full, providing some 700,000 sqm of warehouse and distribution space. It accommodates 28 major distribution operators including Asda, Nissan, Toyota, Argos, DHL and Lidl. In April 2019, consent was granted, at Appeal, for a further 280,000 sqm of B8 warehousing here, with 100,000 sqm under construction.
- 8.35 This facility comprises road related strategic B8 warehousing with an offer distinct to the mostly B2 production facilities of Leicester. Thus, the economic overlap is limited. Elsewhere, there are plans for larger B2 facilities which will compete for strategic occupiers with equivalent facilities in the City and elsewhere.
- 8.36 Stakeholders feel that while Harborough has ample B8 logistics space, there are shortages of B1 starter and grow on facilities. Several local businesses are struggling to find the growth space they need. It is not felt that many of this firms are moving to Leicester though, as the City has similar shortages of sub-1,000 sqm industrial units. It helps that Harborough's employment areas are some distance from the Leicester Conurbation.
- 8.37 Harborough District Council have also undertaken high level discussions with Blaby District Council over a possible new Garden Village, Whetstone Pastures. This would overlap the two local authority areas and is likely to include a B-Class employment site close to the City. However, any allocation would be subject to further studies of need and would only occur in a future Local Plan Review.

Borough of Hinckley and Bosworth

- 8.38 BE Group is currently completing an Employment Land and Premises Study for Hinckley and Bosworth Borough Council, however, this study has yet to be finalised. The previous, 2013, Employment Land Study for Hinckley and Bosworth, also completed by BE Group, identified needs of 53.20 ha based on past take-up rates of 3.80 ha/year between 1996/97 and 2011/12. Hinckley and Bosworth Borough Council has not relied on HEDNA as a measure of needs.
- 8.39 Some 53 ha is currently being developed in two strategic B2/B8 sites in the Bardon area, accessible to Junction 22, M1 and the A50 into Leicester. These are Mountpark Bardon II and Former Nailstone Colliery, Nailstone (Interlink South). Alongside the

more distant Hinckley Park (31 ha, 121,033 sqm of consented space), at the A5/M69 Junction, these make a significant contribution to the emerging strategic B2/B8 supply on Leicestershire's key transport routes.

- 8.40 Hinckley and Bosworth has two identified Sustainable Urban Extensions (SUEs), in Barwell and Earl Shilton, but delivery of employment uses is only likely on the Barwell SUE.
- 8.41 In Barwell, a consortium of developers, including Taylor Wimpey, Ainscough Strategic Land and Barwood, received outline planning consent, in 2013, to bring forward the SUE, subject to a Section 106 agreement. The consent allows the in-principle delivery of up to 24,800 sqm of B2 and B8 accommodation, on a 6.2 ha area immediately west of Barwell Industrial Estate.
- 8.42 Since that time discussions have been ongoing with the landowners to get them to sign up to the Section 106 (which amongst other clauses, commits the relevant parties to deliver an employment element). It expected that all parties will be signed up by the end of 2019, allowing stronger progress towards delivery in 2020. Delivery is on a 10-15 year programme but no employment land is expected to be brought forward until later in the programme, around year ten.
- 8.43 The Motor Industry Research Association (MIRA) facility on the A5. MIRA was awarded Enterprise Zone status in August 2011 and subsequently secured a £19.5 million Regional Growth Fund Grant. Since that time some 12,386 sqm of B-Class floorspace has been developed, with some 31 ha of land remaining. MIRA now has 36 tenant companies, providing some 800 jobs, including a number of Tier One automotive manufacturers such as Aston Martin. Occupancy within the Enterprise Zone will be limited to companies in a range of transport sectors including automotive, aerospace, rail and defence. These will overlap with requirements for the Leicester Enterprise Zone, generating some competition, but the focus of MIRA is on the automotive sector, which links more to facilities in Coventry than in Leicester.
- 8.44 Hinckley and Bosworth Borough Council report limited movement of businesses between Hinckley and Bosworth and Leicester. Leicester does not have premises which compete for the largest B2/B8 requirements, or to allow constrained Hinckley and Bosworth businesses to grow, while Hinckley's office market is local, and not comparable with that of Leicester City Centre.

- 8.45 Broadly the eastern settlements of Hinckley and Bosworth – Groby, Ratby, Desford and Markfield – are strongly linked to the City, with high rates of in commuting to Leicester. Western settlements, including Hinckley town, have stronger economic links to Warwickshire.

Borough of Melton

- 8.46 Melton's Local Plan was adopted October 2018. The Council are completing Supplementary Planning Documents to support the main Plan. Reflecting the latest employment land review for Melton Borough, which was completed by BE Group in summer 2015, land needs of 42.25 ha (inclusive of a five year buffer) were identified to 2031. Against the 2015 realistic supply, a further 14.34 ha was required.
- 8.47 Further employment land provision, to meet this need, is allocated to the west of Melton Mowbray along Leicester Road and at Asfordby Hill Business Park. The former, 20 ha, part of a SUE, is seeing demand but needs substantial road investment (the funds for which are partly tied up in a Homes England funding bid) to unlock. Land at Asfordby Hill Business Park is still relatively unknown in the market and not attracting market interest, despite a relatively accessible location in the Melton context. Viability issues are also reported here.
- 8.48 Melton is also now the focus for a Manufacturing Zone (MAZ), aimed at opening up these and other sites for development. The MAZ will concentrate on food production which does overlap with the Leicester economy.
- 8.49 Melton has several large employers in the food production – Samworth Brothers, Mars – and furniture/windows manufacturing – Jed-Wen, Tru Frame – plus a wide variety of smaller firms in sectors including tourism, agricultural services and road freight (although on a smaller scale than elsewhere in the County).
- 8.50 Food production is the most significant sector locally, employing some 2,500 in Melton Borough. There is commuting between the Samworth Brothers facilities in Leicester and Melton Mowbray, but overall Melton Borough has been successful in retaining its skilled food production staff locally. However, it is felt that the Borough is losing highly skilled professional sector staff to both Leicester and Nottingham which offer a more diverse range of opportunities.
- 8.51 Melton Borough's large employers are well established and relocation, to Leicester and elsewhere, appears unlikely. Smaller firms are more mobile, but there is not felt to be

an incentive to local firms to relocate to Leicester as property costs are higher in the City. There are also shortages of good quality industrial units, particularly in the 1,500-2,500 sqft (139-232 sqm) range across the County.

- 8.52 In discussions, Melton Council officers particularly highlighted the strength of Pera Business Park in Melton Mowbray. This good quality, multi-let scheme provides 11,585 sqm of mostly office floorspace and accommodates some 100 businesses. It is felt to have attracted businesses from Leicester in the past, who could not find affordable City accommodation. Pera Business Park is achieving £19/sqft (£204.5/sqm).

District of North West Leicestershire

- 8.53 The North West Leicestershire Local Plan was adopted in November 2017. It sets out a strategy for delivering the homes, jobs and infrastructure needed in the district between 2011 and 2031. It is now at an early stage of review, with a partial review expected to be completed by February 2019 and a full Local Plan Review to be completed over 2019-2022.

- 8.54 The Local Plan identifies a total land requirement of 66 ha over 2011-2031, plus 10 ha to allow for land losses. Against this, North West Leicestershire has starts/commitments of 36.67 ha, leaving a supply shortfall of 39.33 ha. This shortfall will be met by a further land allocation in Land north of Ashby de la Zouch (Money Hill) of 16 ha, plus 51.58 ha of land with pre-existing consents.

- 8.55 HEDNA indicates needs to 2036, of:

- B1(a,b) – 50-56 ha
- B1(c)/B2 – 4 ha
- Smaller B8 – 21 ha.

- 8.56 North West Leicestershire Council have questioned these findings and particularly the very high B1(a,b) requirement which is felt to be out of character with the mostly industrial and logistics nature of the District and the dominance of Leicester in the County's office market. Consultants are independently reviewing these findings for the District Council. Their findings are pending.

- 8.57 Major local office schemes include Pegasus Business Park, Ashby Business Park and Boundary Court. All three schemes are in the north of the District and support the Derby/Nottingham property market rather than competing with Leicester. Pegasus Business Park the main source of larger HQ offices, which would compete on a sub-

regional and regional market, has also seen little new development in recent years.

- 8.58 Elsewhere in the District, schemes of larger than local significance mostly comprise strategic logistics facilities including the East Midlands Distribution Centre (EMDC), Bardon Employment Area, Mountpark Bardon I and II, East Midlands Airport Sites and Aldi, Land at Sawley Crossroads. Strategic Rail Freight Interchange (East Midlands Gateway) is also nearing completion for 557,414 sqm. Jaguar Land Rover is also progressing plans for a global parts distribution base on 92 ha at J11 of the M42, south of Ashby, to be operational by 2023. The facility is intended to form part of a larger logistics park of some 330,000 sqm.
- 8.59 The above includes some of the largest logistics schemes in Leicester and Leicestershire, and these will inevitably impact on demand for storage and distribution premises across the county, particularly when considered alongside other proposed and existing schemes in Hinckley and Bosworth, Blaby and Harborough. However, such strategic, motorway linked B8 facilities form a largely separate market from the urban B2/B8 facilities of Leicester.

Borough of Oadby and Wigston

- 8.60 The Oadby and Wigston Local Plan was adopted in April 2019, following Examination in Public in the first half of 2018. In terms of employment land, the Plan reflects the Employment Land and Premises Study, completed for Oadby and Wigston Council in 2017, by BE Group. This identified needs of 8.25 ha to 2031, against a land stock of 8.52 ha.
- 8.61 Only one land allocation in the Borough can be said to be of larger than local scope, that is the Wigston Direction for Growth, which now extends to 5 ha of B-Class land. Market interest in this allocation, which falls within a wider mixed-use development by David Wilson/Barratt Homes, has been modest to date. The site is constrained by access issues, but David Wilson/Barratt have now put forward a proposal for 50 homes in the area which would also provide a roundabout and improved access link to the A5199 Welford Road.
- 8.62 Developed employment uses in this small suburban local authority are primarily of a local scale. Overall Oadby, Wigston and South Wigston contain 354,312 sqm of developed B1/B2/B8 accommodation in 352 properties.
- 8.63 Industrial stock is focused in Wigston/South Wigston, where demand, against available

supply is high, particularly for units larger than 500 sqm in size. The market is characterised by local interest, however some occupiers from Leicester City, will often look to the Borough of Oadby and Wigston for its lower occupational costs, with local rents at £4-6/sqft (£43-65/sqm) against up to £8/sqft (£86/sqm) in the City. Conversely, higher costs in Leicester mean that existing local firms have little incentive to move to Leicester

- 8.64 The Borough's office market is again characterised by reasonable local demand, mainly for suites of up to 150 sqm. Shortages of office space across the Leicester Conurbation are encouraging some larger occupiers to look away from the City Centre and motorway accessed sites to more peripheral locations such as the Borough of Oadby and Wigston. However, Oadby and Wigston/South Wigston have little available stock to meet needs, with older buildings in Oadby Town Centre increasingly surplus to modern requirements and being converted for housing.
- 8.65 One overlapping feature of Leicester and Oadby and Wigston is Leicester University, with, Oadby town accommodating a 'Student Village' and a range of sports facilities. There have been high level discussions about the expansion of facilities in Oadby, including the transfer of some University administrative staff from the Leicester Campus. However, this would be subject to masterplanning and particularly consideration of car parking issues in Oadby.
- 8.66 Overall, Oadby and Wigston is felt to be on the 'wrong side' of the Leicester Conurbation from the M1 Motorway corridor. A trip west to the Motorways can be 20-30 min and this is a barrier to inward investment, with companies likely to favour sites in the west of Leicester or in the west Leicestershire local authority areas. Oadby and Wigston Borough Council favour the A46 Expressway proposal put forward in the Leicester and Leicestershire Strategic Growth Plan, which has the potential to greatly improve accessibility west across Leicester.

Chapter Summary – Functional Economic Market Area

- 8.67 Based on a mix of market evidence and commuting data, it is concluded that the functional economic market area for Leicester includes the other authorities of Leicester and Leicestershire. As a large city, Leicester clearly has an economic influence which extends much further afield, but those linkages, as demonstrated by commuting data, are much smaller than linkages with the other local authority areas of Leicestershire.

- 8.68 A diverse range of strategic B2 and B8 facilities are planned in the FEMA local authority areas with links to the motorway corridors and A5. For the most part, these are serving a regional and national market, which is distinct from more local scale facilities in Leicester, although some overlap and competition is likely with the delivery of Leicester's Strategic Employment Sites, which are also aimed at a B2/local B8 market.
- 8.69 In the case of the various SUEs, Sustainable Employment Extensions and Strategic Development Areas proposed, delivery of employment uses is progressing slowly. In most cases, large scale provision, (for larger B2/B8 uses), is around a decade away.
- 8.70 In terms of the office market, Leicester overshadows its neighbours and most office schemes in the Leicestershire towns are meeting local needs only. Several out of town business parks exist across the County, but for the most part these are developed to capacity, with little available premises which could compete with the City Centre for larger B1(a) requirements.
- 8.71 The 2017 HEDNA Study has identified large B1(a, b) office needs for several local authorities, up to 48-56 ha in the case of Blaby and North West Leicestershire. Clearly if these authorities were able to deliver new office uses to this scale, the result would be sizable new office parks in the County which would compete with the City. However, the authorities are sceptical about both the real level of market demand for offices in Leicestershire and the ability of developers to deliver office schemes at anything like this scale. North West Leicestershire is independently reviewing the local OAN for offices. Blaby accepts the identified need but is informally looking to Leicester to meet the identified requirement, 106,750 sqm of floorspace to 2031. Initial discussions have taken place between Blaby and Leicester about the City supporting Blaby's office requirement, which equates to 5.34 ha at City Centre densities. However, no formal commitments have been made on this, particularly given the City's own supply shortfalls, and any agreement would need to be progressed through the respective local plan processes.
- 8.72 However, constrained the supply of B-Class premises is in Leicester, the surrounding local authorities do not feel that businesses are moving out of the City to find space in the County. Nor do they feel that they are losing companies to the City. The view is that while some companies might look to out of city locations for more affordable accommodation, with better strategic road access, the supply of premises, particularly start-up/grow-on industrial space, is limited across Leicester and Leicestershire giving

companies little capacity to move within the sub-region even if they should wish to.

- 8.73 Alongside the Leicester Enterprise Zone there are two other EZs in the County, at Loughborough and Hinckley (MIRA), alongside the Melton Manufacturing Action Zone. Although these focus on differing business sectors, there is still likely to be competition for requirements in advanced manufacturing and engineering sectors. Melton is seeking growth in food production industries, one of Leicester's strengths, which again will likely mean competition for strategic requirements.

9.0 OBJECTIVELY ASSESSED NEEDS

Introduction

9.1 Planning Practice Guidance states that the assessment of future land needs should be determined by looking at both past trends and future forecasting methods and highlights that these should include historic land take-up and future employment and population change. The methodology employed in this study considers three potential scenarios and two different models. Three potential outcomes are concluded not to be sufficiently reliable and therefore cannot provide definitive answers, but they shed light on the baseline position, from which adjustments can be made. Trends and forecasts must reflect market signals and they are considered in the context of the market overview undertaken as part of this study

9.2 The two models are:

- Historic land take-up forecast

This reviews the actual take-up of employment land in the City over a period of time. The method recognises that there will be peaks and troughs and that different time periods taken can also result in different outcomes. For example, a period of sustained growth may show a high average take-up, whereas looking over a recessionary period could well reflect low or even nil take-up. Furthermore, of relevance to this study, is employment floorspace that has been demolished or converted to other uses (i.e. employment “losses”). This will result in a negative employment land take-up figure, which could influence the average historic land take-up level.

- Employment based forecast

This relies on the econometric forecasts which use a local economic model, that projects the likely jobs growth in different industry sectors. The jobs figures are then translated to land needed, using a formula based on jobs to floorspace density, which in turn can be translated into the projected land need. This scenario uses as its base Oxford Economics forecasts for 2019, which account for the most recent national and regional socio-economic and political changes. Oxford Economics forecasts were used in the Leicester and Leicestershire wide HEDNA Study in 2017 and by BE Group in several local employment land studies in the adjoining local authorities of Leicestershire, including neighbouring Oadby and Wigston and Hinckley and Bosworth.

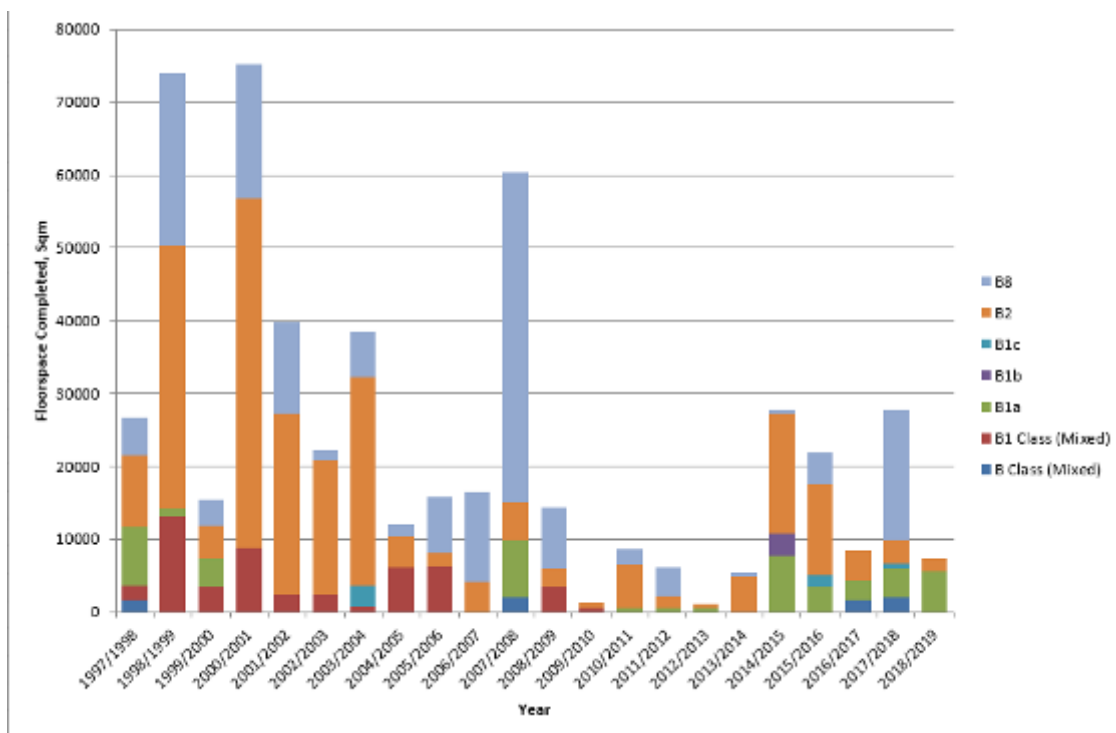
- 9.3 Econometric forecasts have several limitations. They are based on national and regional trends with some local adjustments for some industry sectors, which means, at a local level, economic activity is not always accurately represented. Also, merely translating jobs to land needs will not always reflect local property trends. Sensitivity testing against actual land take-up is undertaken, to assess how the two trends in Leicester are related.
- 9.4 The econometric forecasts are useful, in that they analyse each industry sector and in conjunction with other market data, the forecasts can identify where sectors may be growing or shrinking, which in turn can inform land and property needs.
- 9.5 It should be noted that these are 'policy-off' scenarios in that they do not account for any strategic policy initiatives in Leicester and Leicestershire which seek to boost jobs growth and may impact on the City.
- 9.6 In some forecast methodologies, a Resident Workforce forecast model is used. This uses the same method of forecasting as the employment-based methodology but takes forecast changes in the working resident population (i.e. labour supply), rather than jobs growth (labour demand).
- 9.7 However, in completing previous Employment Land Studies BE Group has found that labour supply figures do not accurately predict future employment land needs. Amongst other flaws, there is no allowance either for the impact of in-commuting, or for companies' aspirations for growth. The relevance of the figures is more related to evaluating the relationship between economic and housing needs. The labour supply method is thus not utilised in this study.
- 9.8 The methods used in this Study, bring together all the forecasts and compares them with historic trends through the sensitivity testing. To do this, actual land take-up and building completions over a period from 1998 to 2019 are compared with land needs that would have been generated from jobs change during the same period. The resultant land figures show that actual take-up is many times the assumed need when compared with the employment based forecast calculation for that period.

Model One: Historic Land Take-up

Scenario 1: Gross Completions

9.9 Employment floorspace take-up has been recorded by the City Council, between 1997 and 2019 (see Figure 25). All recorded completions are for developments of more than 500 sqm of floorspace, (the City Council does not record completions of less than 500 sqm). These figures are also gross completions, i.e. new floorspace developed, and do not account for any floorspace lost to other uses.

Figure 25 – Leicester’s Employment Floorspace Take-Up 1997-2019 (Completions Greater than 500 sqm in Size)



Source: LCC, 2019

9.10 In total, over that period 526,723 sqm of floorspace has been completed or 23,942 sqm/year. Of this 8.8 percent (46,101 sqm) comprised B1(a) office uses, 46.6 percent (245,466 sqm) comprised B1(c)/B2 industrial development and a third comprised B8 storage or distribution (175,759 sqm). 10.7 percent (56,325 sqm) comprised mixed B-Class developments. Completions of B1(b) research and development space were negligible and only occurred in 2014/2015.

9.11 Reviewing the recorded data, it is noted that there have been peaks and troughs in take up over the full 22-year period recorded. Broadly, completions were strongest in

1998/99 and 2000/01. The period 1997/98 to 2007/08 saw a period of national economic growth, peaking again, in 2007/08 with 60,310 sqm of mostly B8 floorspace completed. Completions dropped off sharply after that point, reflecting the onset of the national recession and the resulting lower levels of property investment. Completions recovered somewhat from 2014/15 onwards but have not returned to pre-2008 levels.

9.12 Leicester saw little office development in the first decade of the century and onwards to 2013/14. Since then, however, regular completion rates of 3,000-8,000 sqm/year have been recorded, suggesting renewed confidence in the office sector.

9.13 The available past data on completions, does not include the land consumed for the floorspace developed. Therefore, to assess employment land needs, the floorspace completions are converted into land (hectares) using standard plot ratios (see Table 30). For industrial and warehouse uses, a standard plot ratio of 3,900 sqm/hectare is applied. BE Group has used this same ratio in nearly 60 employment land reviews, (that it has completed across England and Wales since the 2006 Leicester Employment Land Study) and the ratio, along with the wider forecasting models used, have been accepted in multiple Local Plan Examinations in Public (EIPs), including in Charnwood and Melton in Leicestershire.

**Table 30 – Leicester’s Employment Floorspace/Land Take-Up 1997-2019 –
Converting Floorspace (sqm) to Land (ha)**

Year	Use Class							Total
	B Class (Mixed)	B1 Class (Mixed)	B1(a)	B1(b)	B1(c)	B2	B8	
Total Completions 1997-2019, Sqm	7,155	49,170	46,101	3,072	5,142	240,324	175,759	526,723
Average Floorspace/ Year, Sqm	325	2,235	2,096	140	234	10,924	7,989	23,942
Assumed Developable Floorspace per Hectare, Sqm/ha	3,900	3,900	20,000	3,900	3,900	3,900	3,900	-
Total Land Take-Up, ha	1.83	12.61	2.31	0.79	1.32	61.62	45.07	125.55
Land Take-Up/Year, ha	0.08	0.57	0.10	0.04	0.06	2.80	2.05	5.70

Source: LCC, BE Group, 2019

9.14 3,900 sqm/hectare is also applied to the mixed B-Class completions recorded. This reflects the assumption that in any development which mixes office and

industrial/warehouse space, the industrial/warehouse element is likely to be physically larger.

- 9.15 In terms of offices, whilst there has been a single development (under two consents), which provided a 30 unit office B1(a) development (on either side of High View Close, Troon Industrial Estate), at business park densities closer to 3,900 sqm/hectare, it is assumed that this is an exception. Most offices completed have been in, or around the City Centre and this trend is expected to continue to 2036. City Centre B1(a) completions will be delivered at a much higher density than business park schemes. A ratio of 20,000 sqm/ha is therefore applied, this is consistent with past research including the 2017 HEDNA Study which applied the same ratio for offices in Leicester.
- 9.16 Using the above assumptions, the average annual take-up rates are:
- Average Annual Take-Up Rate for Offices = 0.10 ha/year
 - Combined Average Annual Take-Up Rate for Industrial/Warehouses = 5.60 ha/year.
- 9.17 Table 31 uses gross annual average floorspace and land figures and applies them to the period 2019-2036 (17 years). This gives a total land requirement of 96.90 ha or:
- OAN for B1(a) Offices = **35,632 sqm (1.70 ha)**
 - OAN for B1(c)/B2/B8 (and mixed) Industrial and Warehouses = **371,399 sqm (95.2 ha)**

Table 31 – Leicester Employment Land Need Modelling 2019-2036

Use Class	Floorspace/ Year, Sqm	x17 (Years)	Hectares/Year	x17 (Years)
B Class (Mixed)	325	5,525	0.08	1.36
B1 Class (Mixed)	2,235	37,995	0.57	9.69
B1(a)	2,096	35,632	0.10	1.70
B1(b)	140	2,380	0.04	0.68
B1(c)	234	3,978	0.06	1.02
B2	10,924	185,708	2.8	47.60
B8	7,989	135,813	2.05	34.85
Total	23,943	407,031	5.70	96.90

Source: BE Group, 2019

- 9.18 The City should also have a buffer of land need to provide a choice of sites by size, quality and location and to provide a continuum of supply beyond the end of the 2036 period.
- 9.19 There is no set guidance on how large a buffer should be. However, in the 60 employment land studies completed by BE Group over the last 14 years, a buffer equivalent to five years of demand has usually been applied. This has been identified as an acceptable margin in the EIP's in which BE Group's employment needs assessments have been appraised.
- 9.20 For example, in the EIP for Sefton, in the Liverpool City Region the 'Report on the Examination into Sefton Local Plan' by Inspector Martin Pike (14th March 2017), relating to BE Group's Sefton Employment Land and Premises Study Update (2015) stated that: "*The buffer has been calculated on a consistent basis and I accept that an additional 5 years' supply is reasonable to provide flexibility and choice in the employment land market.*" [Paragraph 113, Page 30]. The Local Plan was found sound with modifications and adopted 20th April 2017. Five-year buffers have also been applied and found acceptable in Studies completed by BE Group for many of Leicester's neighbours, including Blaby, Charnwood, Oadby and Wigston (two studies), Hinckley and Bosworth (four studies since 2005) and Melton. It is also consistent with the approach taken (5 year buffer added) in the HEDNA.
- 9.21 Table 32 overleaf therefore applies a further five years of take-up, across B Use Classes. It shows a gross need of **125.4 ha (123.2 ha not including the B1(a) office requirement) incorporating a need for 46,112 sqm of offices.**

**Table 32 – Leicester Employment Land Need Modelling, 2019-36 Growth Plus
a Further 5-Year Buffer**

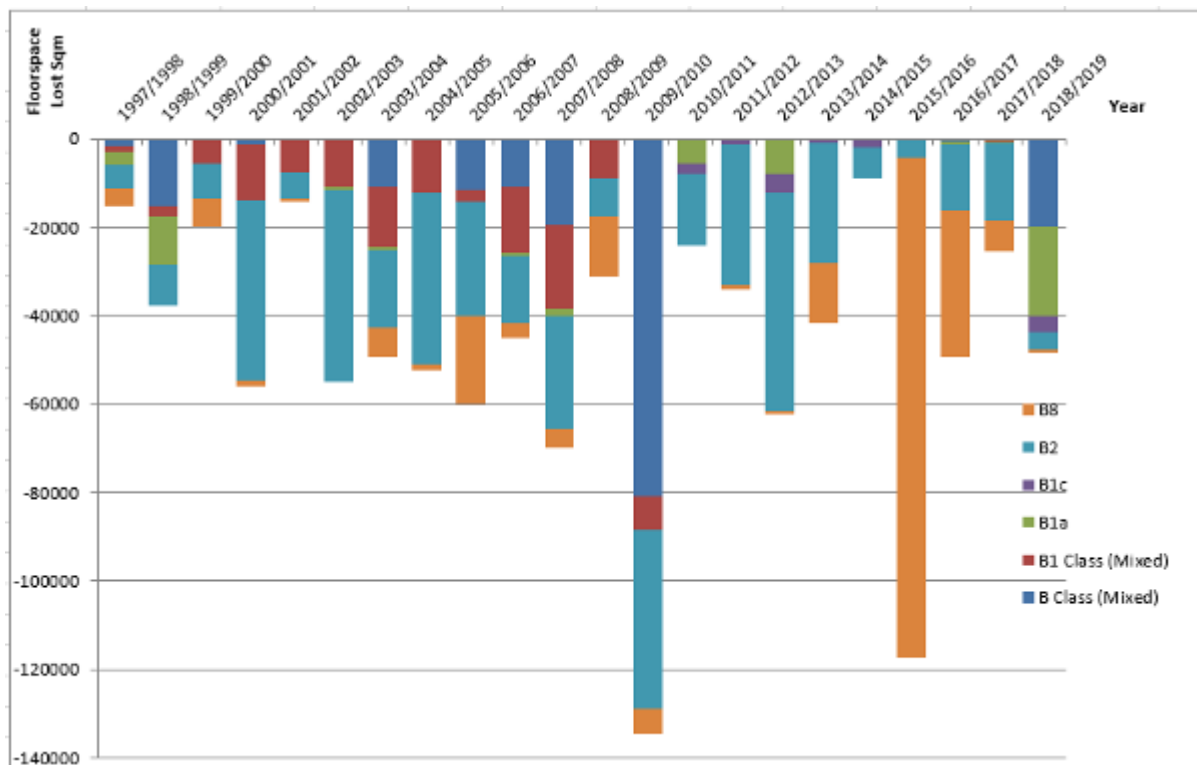
Use Class	Floorspace /Year, Sqm	x17 (Years)	x5 (Years), Buffer	Total Need, Sqm	Hectares /Year	x17 (Years)	x5 (Years), Buffer	Total Need, ha
B Class (Mixed)	325	5,525	1625	7,150	0.08	1.36	0.4	1.76
B1 Class (Mixed)	2,235	37,995	11175	49,170	0.57	9.69	2.85	12.54
B1(a)	2,096	35,632	10,480	46,112	0.10	1.70	0.50	2.20
B1(b)	140	2,380	700	3,080	0.04	0.68	0.2	0.88
B1(c)	234	3,978	1,170	5,148	0.06	1.02	0.3	1.32
B2	10,924	185,708	54,620	240,328	2.80	47.6	14.0	61.6
B8	7,989	135,813	39,945	175,758	2.05	34.85	10.25	45.1
Total	23,943	407,031	119,715	526,746	5.7	96.9	28.5	125.4

Source: BE Group, 2019

Scenario 2: Net Completions (Allowing for Losses)

- 9.22 Whilst Table 32 identifies land need based on ‘completions’ only, over the period 1998-2019, it is recognised that during that same period, a very significant amount of floorspace was also ‘lost’ from employment use, to other uses. In a historically industrial location such as Leicester, where there is a predominance of old mills, it is inevitable that land uses regularly evolve and properties either reach the end of their economic life altogether, or the end of their life for a particular use, and can no longer meet the needs of modern business.
- 9.23 Thus, it is prudent to look at the losses of employment floorspace over recent years. The City Council has recorded losses, greater than 500 sqm, since 1997 and these are recorded in Figure 26 and Table 33 overleaf.
- 9.24 Although a relatively small proportion of the losses will have resulted in displacement of businesses to new accommodation and which would therefore have been included in the completions figures, the extent of this cannot be quantified from the available annual monitoring.

Figure 26 – Leicester’s Employment Floorspace Losses 1997-2019 (Losses Greater than 500 sqm in Size)



Source: LCC, 2019

Table 33 – Leicester’s Employment Floorspace Losses 1997-2019, Total Losses

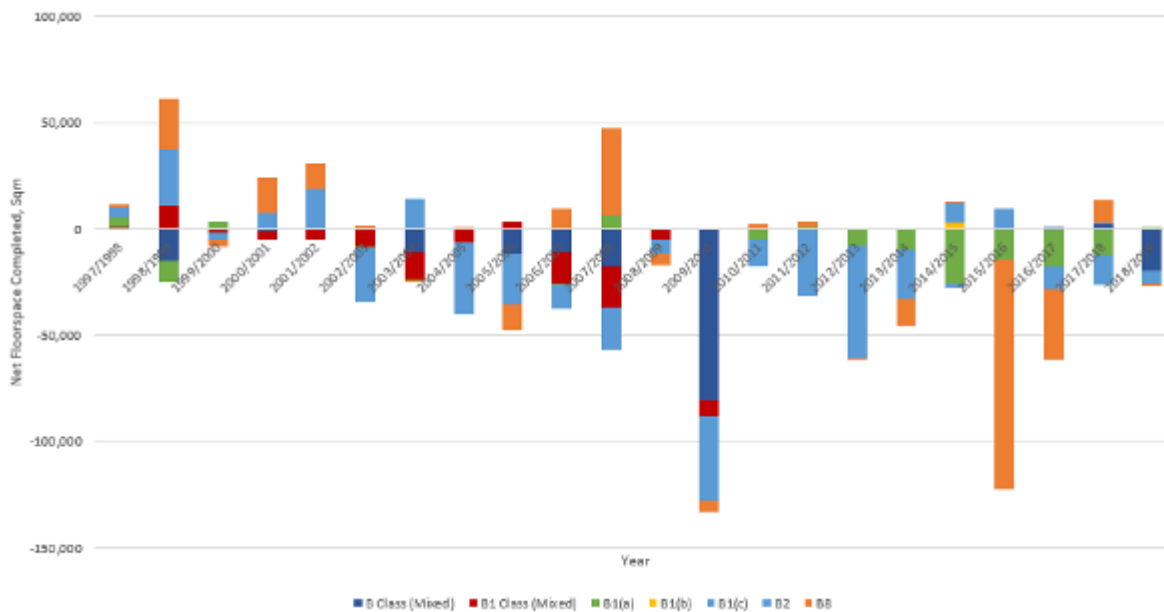
Year	Use Class						Total
	B Class (Mixed)	B1 Class (Mixed)	B1(a)	B1(c)	B2	B8	
Total	(172,583)	(119,543)	(132,434)	(14,699)	(457,575)	(235,610)	(1,132,444)
Average Floorspace/ Year	(7,845)	(5,434)	(6,020)	(668)	(20,799)	(10,710)	(51,475)

Source: LCC, BE Group, 2019

9.25 Figure 27 and Table 34 overleaf shows the total completions compared with the total losses to give the net change in the employment floorspace (completions minus losses). This has been converted to estimates of employment land losses using the same methodology as for the gross floorspace earlier in this chapter.

9.26 Critically, this shows that there have been more losses of employment floorspace over the period 1997-2019 than gains, with negative net levels for all types of B1/B2/B8 floorspace and land, apart from B1(b).

**Figure 27 – Leicester’s Net Employment Floorspace Gain 1997-2019
(Growth Less Losses)**



Source: LCC, 2019

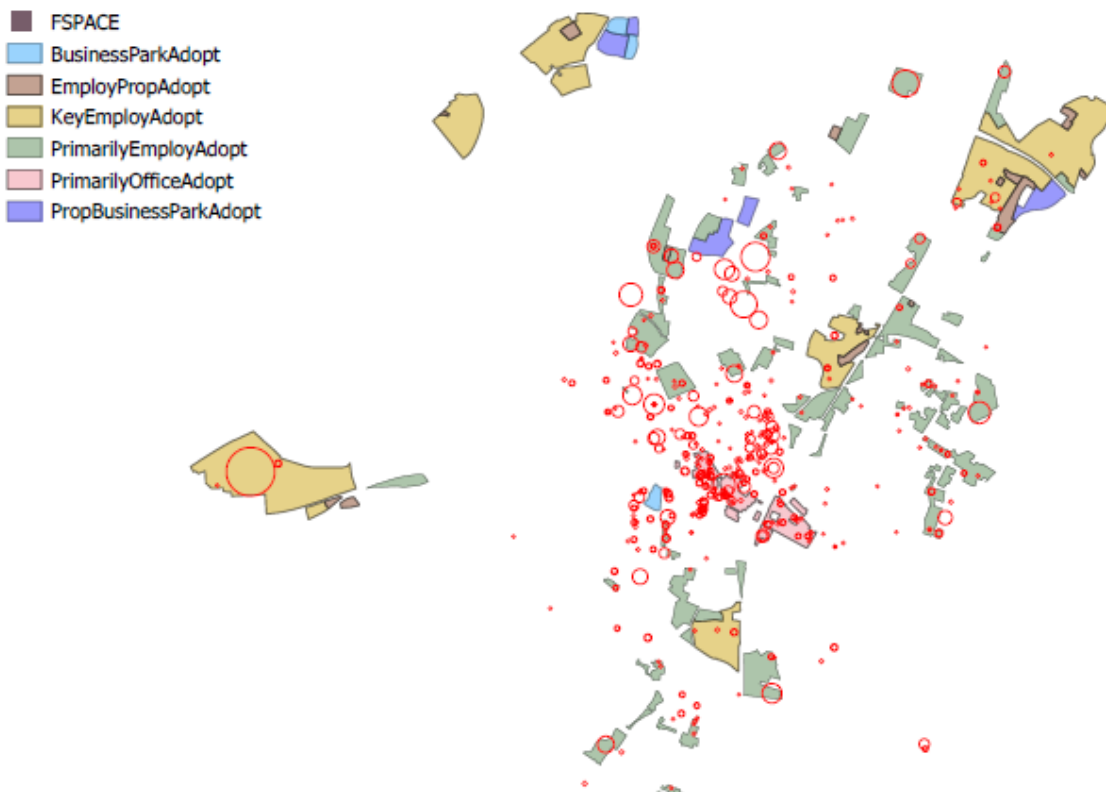
Table 34 – Leicester’s Net Employment Floorspace/Land Take-Up 1997-2019 – Converting Floorspace (sqm) to Land (ha)

Year	Use Class							Total
	B Class (Mixed)	B1 Class (Mixed)	B1(a)	B1(b)	B1(c)	B2	B8	
Total Net Completions 1997-2019, Sqm	(165,428)	(70,373)	(86,333)	3,072	(9,557)	(217,251)	(59,851)	(605,721)
Average Floorspace/Year, Sqm	(7,519)	(3,199)	(3,924)	140	(434)	(9,875)	(2,721)	(27,533)
Assumed Developable Floorspace per Hectare, Sqm/ha	3,900	3,900	20,000	3,900	3,900	3,900	3,900	-
Total Land Take-Up, ha	(42.42)	(18.04)	(4.32)	0.79	(2.45)	(55.71)	(15.35)	(137.49)
Land Take-Up/Year, ha	(1.93)	(0.82)	(0.20)	0.04	(0.11)	(2.53)	(0.70)	(6.25)

Source: LCC, BE Group, 2019 * brackets in above table denotes negative value.

- 9.27 If this trend were to be projected forward to 2036, then the assumption would be that Leicester needs far less employment land than it has in 2019. This is a difficult assumption to make for a strong city economy which, as emphasised in other parts of this Study, is still growing and successful. With this in mind it is worth looking in more detail at the large scale losses the City has seen since the late 1990s.
- 9.28 In Leicester, the majority of the historic, mixed use areas in, and around, the City Centre were removed from employment designations around 15 years ago, in the early drafts of the 2006 adopted plan, with the introduction of the ‘*Strategic Regeneration Area (SRA)*’. Some had been removed as early as in the 1994 Local Plan, when numerous ‘*Potential Development Areas (PDAs, see Section 6.0)*’ were first introduced. It is therefore no surprise to show that around 60 percent of losses recorded between 1997 to 2019 are former employment buildings, in central Leicester, which have long been outside designated employment land. Figure 28, which maps losses against current employment designations illustrates this.

Figure 28 – Loss of B class Floorspace v Employment Designations, (Losses shown proportionally, by circle size) 1997 to 2019

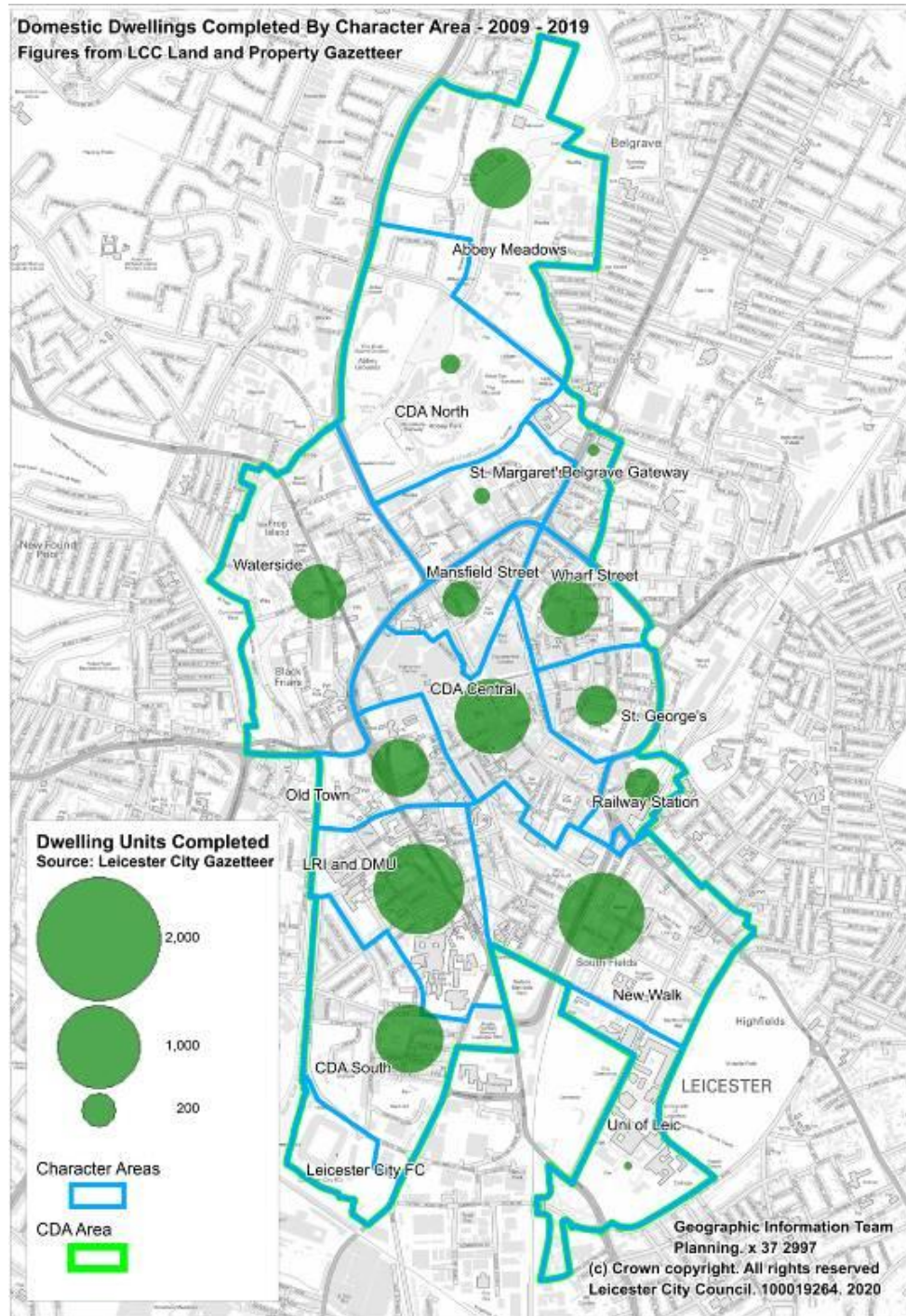


Source: LCC, 2020

- 9.29 It is notable, that there have been no losses from the best quality 'Business Park' designations (light blue) and few from the Key Employment Land (light brown). The redevelopment on Scudamore Road, (shown as a large loss in the west, within Key Employment land), is therefore worth commenting on, as in this case, premises were redeveloped to provide new B2/B8 units at 'Leicester Distribution Park' so the land remains in employment use.
- 9.30 The 'Primarily Office Area' shown on map in pale pink, (now within the proposed New Walk and Old Town Character areas in the draft Local Plan), has also seen a lot of losses. This reflects the fact that it is a complex inner urban mixed-use area. A lot of the properties were originally built as houses and converted to office use. Some have since been converted again to a mix of uses, including education facilities reflecting the expansion of the Universities and particularly housing/student accommodation, reflecting the growth of city centre living.
- 9.31 The work on The Area Assessments (in Section 6.0 and Appendix 3), demonstrates that this Primarily Office Area has high Non B-Class proportions of up to 58 percent. This is reflected by the new proposed New Local Plan designation for this area as Character Areas. These support office provision, but also allow a diverse range of uses which support the wider City economy, including the growing City Centre residential population.
- 9.32 The acceptability of residential use here and the acknowledgement of the mixed use nature of the area was formalised in the 2014 Core Strategy, which stated in paragraph 4.4.71, that "*there is demand for both residential and D1 uses in this area*" and that residential use is acceptable in principle "*where premises are unsuitable for modern office uses*", (Professional Office Area paragraph of Core Strategy Policy CS10). The area has delivered 1,000 new houses over 2009-2019 and accordingly will be called the "New Walk and Old Town" Areas in the draft Local Plan, rather than just the Office Area.
- 9.33 Overall, most employment losses in, and around, the City Centre, have been to provide new housing. Figure 29 overleaf shows the proportion of housing provided within each of the new Character Areas, illustrating how city centre living has expanded in Leicester. Together, over the last 10 years, these areas have provided over 6,700 new dwellings and this is a fundamental contribution, to the housing need of the city. Alongside housing there has also been significant retail development, particularly for

foodstores to support the new inner urban population. Developments include, Sainsbury's Melton Road /Troon Way (formerly B2 use by G.E.Lighting Company); Aldi, Gipsy Lane (brickworks site); Lidl, Frog Island (Former Premier Screws manufacturer); and Asda, on Exploration Drive (former Abbey Meadows LCC Depot).

Figure 29 – Completed Dwellings in the Character Areas



Source: LCC, 2020

9.34 Thus, most of Leicester's losses have comprised the redevelopment or conversion of

obsolete industrial space (usually former mill buildings) in the City Centre or the city centre fringe, plus some office conversions, again mostly in the City Centre. This has mostly occurred in areas, which have become, or are now proposed to become, the new residential quarters of the City, which have not been designated for employment for some time. It also includes most of the 18 Potential Development Areas discussed in Section 6.0.

- 9.35 Thus, while there has been a huge loss of floorspace, of what were originally employment buildings, primarily from the City Centre and surrounding area (the Strategic Regeneration Area), this was actually a fundamental part of the central regeneration strategy of the City, stemming from not only the 2006 Local Plan, but also from the first regeneration initiatives (PDA's), way back in 1994. Although some further such losses may be expected in the emerging Character Areas and four new Other Regeneration Areas, but overall, not at anything like the scale of the previous 25 years.
- 9.36 On this basis, it is concluded that this pattern of losses, reflects the 'once in a lifetime regeneration' of a specific area "*The Strategic Regeneration Area*", (covering over 470ha of land). This explains the scale of this loss, that will never be replicated again and inclusion of the full range of past losses in forecasting, is not therefore suitable to use as a method of forecasting future employment land need, for Leicester.

Scenario 3: Gross Adjusted Completions

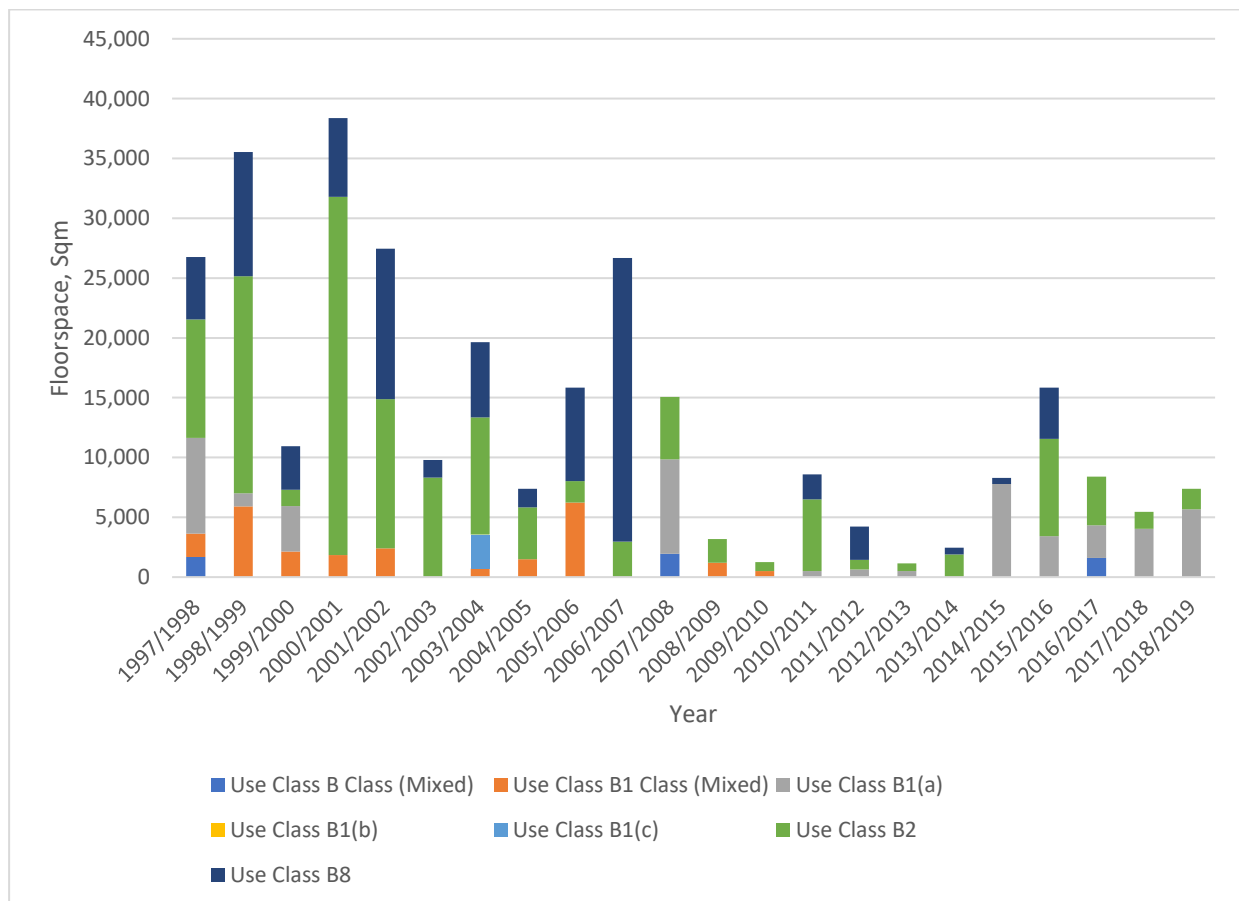
- 9.37 Scenario 3 provides a forecast for employment land and premises that reduces the impacts of the historic losses recorded by the Council, recognising that the future employment land market is unlikely to see such losses again, due to the "one off" nature of large scale regeneration initiatives, which have taken so much of the older stock out of the market.
- 9.38 It is reasonable to assume that some of the losses have resulted in the displacement of businesses, and that these need to be accounted for in the forecasts based on the historic completions. This is because a business moving from an older unit that is taken out of the supply to a newly developed unit of the same size also within Leicester does not result in a net gain in occupied floorspace. As noted previously, data is not available to accurately identify the level of displacement from old premises to new in order to adjust the historic take-up to account for this.
- 9.39 Alternatively, a further method to adjust the gross completions is to assess what new development recorded within the completions could be identified as the type of space

that Leicester should be planning for looking forward to 2036, taking account of the nature of the land that is currently available for development.

9.40 This considers development that has taken place in either **modern business park and industrial locations** or the **city centre office** locations, reflecting the fact that future growth will likely occur in defined Employment Areas, namely the emerging Strategic Development Sites, combined with City Centre investment.

9.41 The result of these changes is a reduction in the gross floorspace completed by 43 percent, from 526,723 sqm to 299,776 sqm (see Figure 30 and Table 35).

Figure 30 – Leicester’s Employment Floorspace Gains 1997-2019 (Completions Greater than 500 sqm in Size) – Take Up in Employment Areas/City Centre Only



Source: LCC, 2019

Table 35 – Leicester’s Employment Floorspace Take Up 1997-2019 – Take Up in Employment Areas/City Centre Only *Source: LCC, BE Group, 2019*

Year	Use Class							Total
	B Class (Mixed)	B1 Class (Mixed)	B1(a)	B1(b)	B1(c)	B2	B8	
Total	5,233	24,386	46,101	0	2,835	131,747	89,474	299,776
Average Floorspace/Year	238	1,108	2,096	0	129	5,989	4,067	13,626
Total Land Take-Up, ha	1.34	6.25	2.31	0.00	0.73	33.78	22.94	67.35
Land Take-Up/Year, ha	0.06	0.28	0.10	0.00	0.03	1.54	1.04	3.06

9.42 Using the above assumptions, the average annual take up rates are:

- Average Annual Take-Up Rate for Offices = 0.10 ha/year
- Combined Average Annual Take-Up Rate for Industrial/Warehouses = 2.96 ha/year.
- **Total 3.06ha/year**

9.43 Table 36 uses the above adjusted annual average land figure of 3.06 ha to project take-up for the period 2019-2036 (17 years). This gives a total land requirement of 52.02 ha or:

- OAN for B1(a) Offices = **35,632 sqm (1.70 ha)**
- OAN for B1(c)/B2/B8 (and mixed) Industrial and Warehouses = **231,642 sqm (50.32 ha).**

Table 36 – Leicester Employment Land Need Modelling *Source: BE Group, 2019*

Use Class	Floorspace/Year, Sqm	x17 (Years)	Hectares/Year	x17 (Years)
B Class (Mixed)	238	4,046	0.06	1.02
B1 Class (Mixed)	1,108	18,836	0.28	4.76
B1(a)	2,096	35,632	0.1	1.7
B1(b)	0	0	0	0
B1(c)	129	2,193	0.03	0.51
B2	5,989	101,813	1.54	26.18
B8	4,067	69,139	1.04	17.68
Total	13,626	231,642	3.06	52.02

- 9.44 From this adjusted scenario, the projection forward of employment land need, including a five-year buffer is **67.32 ha, (65.12 ha less the B1(a) office requirement) incorporating a need for 46,112 sqm of offices (see Table 37).**

Table 37 – Leicester Employment Land Need Modelling, 2019-36 Growth Plus a Further 5-Year Buffer

Use Class	Floorspace /Year, Sqm	x17 (Years)	x5 (Years), Buffer	Total Need, Sqm	Hectares/Year	x17 (Years)	x5 (Years), Buffer	Total Need, ha
B1(a)	2,096	35,632	10,480	46,112	0.1	1.7	0.5	2.2
B1(b)	0	0	0	0	0	0	0	0
B1(c)	129	2193	645	2838	0.03	0.51	0.15	0.66
B2	5,989	101,813	29,945	131,758	1.54	26.18	7.7	33.88
B8	4,067	69,139	20,335	89,474	1.04	17.68	5.2	22.88
Total	13,626	231,642	68130	299,772	3.06	52.02	15.3	67.32

Source: BE Group, 2019

Model Two: Employment Based Forecast (Policy Off)

- 9.45 This scenario uses as its base the Oxford Economics forecast modelling, referred to previously. The forecasts project employment change over 2019-2036 and include annual employment figures for the City from 1991. The forecasts can be used to calculate the future need, and the past jobs change can be used to calculate the assumed land need over that period for comparison with the historic take-up over the same period.
- 9.46 This section deals with calculation of future needs.
- 9.47 The forecasts break down employment to the level of 19 industry sectors (Table 38 overleaf) although not all are relevant to this Economic Development Needs Assessment and, unsurprisingly little or no employment is recorded for rural sectors such as agriculture, forestry and fishing or mining and quarrying.
- 9.48 The Oxford Economics modelling shows strong growth in a select number of primarily service sectors, these outweigh forecast losses in manufacturing, utilities, and, to a lesser degree, public administration and finance and insurance.
- 9.49 Total employment is forecast to grow, with a gain of 9,508 jobs to 2036. During the period 12 of the 19 sectors are predicted to grow, producing 16,096 jobs to 2036.

Conversely, seven sectors, led by manufacturing, are forecast to see a reduction of 6,588 jobs over 2019-2036.

Table 38 – Employment Change by Employee Numbers 2019-2036

Sector	Jobs 2019	Jobs 2036	Jobs Total Change	Jobs Change (percent)
Agriculture, forestry and fishing	18	18	0	0
Mining and quarrying	-	-	-	-
Manufacturing	23,944	18,146	(5,798)	(24.2)
Electricity, gas, steam and air	583	501	(82)	(14.1)
Water supply	574	472	(102)	(17.8)
Construction	5526	6281	755	13.7
Wholesale and retail trade	22,671	23,579	908	4.0
Transportation and storage	4,450	4,506	56	1.3
Accommodation and food service	9,593	10,359	767	8.0
Information and communication	6,039	6,191	152	2.5
Financial and insurance	4,055	3,916	(139)	(3.4)
Real estate activities	2,092	2,314	222	10.6
Professional, scientific and technology	8,576	10,406	1,830	21.3
Administrative and support	16,565	19,928	3,363	20.3
Public administration and defence	9,363	8,896	(467)	(5.0)
Education	21,389	22,268	879	4.1
Human health and social work	34,081	39,886	5,805	17.0
Arts, entertainment and recreation	4,215	5,168	953	22.6
Other service activities	5,441	5,848	406	7.5
Net growth/decline	179,176	188,684	9,508	5.3

Source: Oxford Economics, 2019

- 9.50 The highest growth sector is human health and social work. Leicester is forecast to gain 5,805 health sector jobs by 2036, just over a third of the gross jobs growth forecast over 2019-2036. Administrative and support is forecast to gain 3,363 jobs, 20.9 percent of the forecast growth, while professional, scientific and technology will gain 1,830 jobs, or 11.4 percent of the growth.

- 9.51 Outside of the service sectors, construction is forecast to see growth of 755 jobs, 4.7 percent of forecast growth. Transportation and storage will only gain 56 jobs, a modest rate of improvement, reflecting the fact the most of the major logistics schemes, planned for the county, are being developed outside of the City boundary. In reality, such large warehousing schemes will draw labour from a wide sub-regional catchment, which includes the City.
- 9.52 To test the validity of the Oxford Economics forecasting, the forecasts for a period which has taken place has been compared to jobs survey data over that period. The 2009-2015 period is compared to Business Register and Employment Survey (BRES) data (see Table 39 overleaf). While the figures shown do not match exactly – Oxford adjusts data to reflect a number of regional factors while BRES data is rounded to protect the anonymity of individual companies responding – the broad trends are comparable. Both datasets show strong declines in manufacturing employment of 1,500-1,600 jobs. Although consideration of later BRES data, 2015-2018, in Section 3.0 suggests that some growth has since occurred in this sector, it is unclear how durable this new trend is. Both datasets also show a sharp fall in real estate activities employment, as well as a reduction of 2,000 jobs in public sector/defence. In addition to growth in retail and health/education, although health employment has since declined somewhat, the office based professional, scientific and technical activities gained 1,000-1,400 jobs in both datasets.
- 9.53 The main differences in the two sets of data are in administrative and support service activities, which was forecast to gain 4,678 jobs over 2009-2015, but only gained 3,000 jobs according to the BRES data. Also, Other service activities, forecast to gain 324 jobs but, losing 250 based on the BRES information. Overall, however, the data comparison suggests that the Oxford Forecasts are grounded in real world trends in jobs change.

Table 39 - Forecasting/BRES Comparison 2009-2015

Industry	BRES			Oxford		
	2009	2015	Change	2009	2015	Change
Agriculture, forestry and fishing	0	10	10	0	14	14
Mining and quarrying	0	0	0	0	0	0
Manufacturing	20,500	19,000	(1,500)	21,261	19,639	(1,621)
Electricity, gas, steam and air conditioning supply	3,500	4,250	750	3,452	4,216	763
Water supply; sewerage, waste management and remediation activities	650	475	(175)	730	514	(216)
Construction	5,500	5,500	0	7,956	7,885	(71)
Wholesale and retail trade; repair of motor vehicles and motorcycles	23,000	24,500	1,500	24,851	26,440	1,589
Transportation and storage	3,500	4,000	500	3,906	4,454	548
Accommodation and food service activities	7,000	7,500	500	7,907	8,497	589
Information and communication	3,500	3,500	0	4,195	4,259	63
Financial and insurance activities	4,250	4,000	(250)	4,746	4,404	(342)
Real estate activities	3,000	1,875	(1,125)	,3195	2,160	(1,035)
Professional, scientific and technical activities	7,500	8,500	1,000	9,028	10,450	1,422
Administrative and support service activities	13,500	16,500	3,000	15,360	20,038	4,678
Public administration and defence; compulsory social security	11,000	9,000	(2,000)	11,048	9,038	(2,010)
Education	18,500	20,500	2,000	19,183	21,814	2,631
Human health and social work activities	26,000	33,500	7,500	27,575	35,928	8,354
Arts, entertainment and recreation	4,000	3,250	(750)	4,564	4,211	(353)
Other service activities	3,750	3,500	(250)	5,957	6,281	324
Column Total	158,000	169,000	11,000	174,913	190,242	15,329

Source: Nomis/Oxford Economics, 2019

9.54 Not all employment growth would result in an increase in demand for B-class employment land or premises. Only certain industry sectors are typically located on B-class land, such as manufacturing, transport and storage and professional services. The next stage of this analysis projects the likely proportions of sectoral employment growth to be located on B-class employment sites.

9.55 Using the Oxford Economics forecasts, the BE Group has forecast employment floorspace and employment land requirements for Leicester to 2036. The methodology of calculating this requirement is as follows:

- Identify which industry sectors are likely to take up employment land, including the proportion of that sector's employment on B-class employment land

- Adopt the Homes and Communities Agency’s (HCA) employment densities as outlined in the Employment Density Guide Third Edition (2015) to convert employment numbers to floorspace requirements (see Table 40). The model assumes that not all employees will be located within B class premises, and adjustments are shown accordingly.
- Adopt a plot ratio. As with Model One, ratios of 20,000/ha are used for offices and 3,900/ha for industrial/warehouse uses, to convert floorspace to employment land requirements.

Table 40 – Model Assumptions *Source: HCA, 2015, BE Group 2019*

Sectors	Employment		
	Percentage Occupying B-Class, space	Floorspace per person, sqm	Comments
Agriculture	5	12	Managerial, admin
Manufacturing	100	36	HCA gives a range from 36-47 sqm/job. Higher density reflects largely B2; a lower density can be applied to B1 light industry. Given the manufacturing mix in Leicester, the general industrial density has been adopted (36 sqm/job)
Utilities	26	12	Managerial, admin components of sector taking office locations
Construction	26	12	Managerial, admin components of sector taking office locations
Distribution	48	70	Warehouses, offices-non large scale/high bay facilities. HCA provides a range of 70-95 sqm/job. Range reflects final mile distribution centres (70 sqm/job), regional distribution centres (77 sqm/job) and national distribution centres (95 sqm/job). Assume 70 sqm/job for this analysis.
Transport	48	70	Warehouses, offices-non large scale/high bay facilities. Same range as Distribution and same assumed level adopted.
Financial and Business	100	10-12	HCA guide reports higher job densities in finance and insurance sector (10 sqm/job) than other office based sectors (12 sqm/job)
Government and Other Services	22	12	Local Government, Public Administration

9.56 Using the above assumptions, applied to the Oxford Economics forecasts, the B-class floorspace and land requirements have been calculated by sector, summarised in Tables 41 and 42 for Leicester to 2036. The large projected decline in employment in the manufacturing sector is heavily influencing the forecast of floorspace and land demand.

Table 41 – Forecast Employment Land and Floorspace Overall Demand based on Oxford Economics Forecasts 2019-2036

Sector by SIC Group	Workforce Growth 2019-36	Percentage Occupying B1/2/8 Space	Growth Number of Jobs on B1/2/8 Space	Floorspace Per Job, sqm	Floorspace Required, sqm
Agriculture, Forestry and Fishing	0	5	0	12	0
Mining and Quarrying	0	5	0	12	0
Manufacturing	(5,798)	100	(5,798)	36	(208,728)
Electricity, Gas, Steam and Air Conditioning Supply	(82)	26	(21)	12	(252)
Water Supply, Sewerage, Waste Management and Remediation Activities	(102)	26	(27)	12	(324)
Construction	755	26	196	12	2,352
Wholesale and Retail Trade	908	5	45	70	3,150
Transportation and Storage	56	48	27	70	1,890
Accommodation and Food Service Activities	767	0	0	-	-
Information and Communication	152	100	152	11	1,672
Finance and Insurance	(139)	100	(139)	10	(1,390)
Real Estate	222	100	222	12	2,664
Professional, Scientific and Technical	1,830	100	1,830	12	21,960
Administrative and Support Service	3,363	100	3,363	12	40,356
Public Administration and Defence	(467)	22	(103)	12	(1,236)
Education	879	0	0	-	-

Sector by SIC Group	Workforce Growth 2019-36	Percentage Occupying B1/2/8 Space	Growth Number of Jobs on B1/2/8 Space	Floorspace Per Job, sqm	Floorspace Required, sqm
Human Health and Social Work	5,805	5	290	12	3,480
Arts, Entertainment and Recreation	953	0	0	-	-
Other Service Activities	406	22	89	12	1,068
Total	9,508	-	128	-	(133,338)

Source: BE Group, 2019

Table 42 – Forecast Employment Land and Floorspace Demand, 2019-2036 – shown as Growing and Declining Sectors

	Floorspace Resulting, Sqm	Assumed Developable Floorspace per Hectare, Sqm/ha	Equivalent Employment Land Needed, ha
Growth Sectors			
Growth Sectors - Offices	71,200	20,000	3.56
Growth Sectors – Industrial/Warehouse	7,392	3,900	1.90
Growth Sectors – Total	78,592	-	5.46
Declining Sectors			
Declining Sectors – Offices	(2,626)	20,000	(0.13)
Declining Sectors – Industrial/Warehouse	(209,304)	3,900	(53.67)
Declining Sectors – Total	(211,930)	-	(53.80)
Net Change			
Offices	68,574	20,000	3.43
Industrial/Warehouse	(201,912)	3,900	(51.77)
Total	(133,338)	-	(48.34)

Source: BE Group, 2019

9.57 When the land needs from both jobs growth and jobs reduction are brought together the net land requirement based on employment change can be calculated:

- From sectors predicted to grow: 78,592 sqm of floorspace or 5.46 ha of land (Including 71,200 sqm of offices or 3.56 ha of land)
- Less those sectors predicted to decline: (211,930 sqm) of floorspace or (53.80 ha) of land (Including (2,626 sqm) of offices or (0.13 ha) of land)
- Gives a net overall loss anticipated of **(133,338 sqm) or (48.34 ha)**. (When taking into account the growth of 68,574 sqm offices on 3.43 ha of land.)

- 9.58 One surprise is the very low forecast of floorspace and land need for industrial sectors, only 1.9 ha is required, on a growth only scenario, for a large City. In practical terms, this reflects the fact that:
- Most sectors which require industrial/warehouse floorspace, especially manufacturing, are forecast to lose jobs to 2036.
 - The only industrial sector forecast to gain jobs is Construction, with a gain 755 jobs to 2036, of which only 26 percent, 196 jobs, will be accommodated in B-Class premises.
- 9.59 One comparison to make is with the Leicester and Leicestershire wide HEDNA, 2017 report which, based on Oxford Forecasts from 2015 suggested that the County as a whole would gain 7,600 Construction jobs to 2036 (with declines in other industrial sectors). Thus, comparison with the 2019 forecast suggests that Leicester is only forecast to get around 10 percent of the relevant growth in the County, despite accounting for around a third of the working age population and with reasonable population growth forecast generally (see Section 3.0).
- 9.60 This trend for modest industrial growth is difficult to either recognise, when compared to actual take up, or to reconcile; both with the scale of the local authority population and due to the prospects for growth and market demand for industrial space noted in Section 4.0, which points to a current shortage in industrial space. As is noted in Section 3.0, manufacturing has also seen a modest 5.26 percent growth in employment over 2015-18, although this may be a short-term trend. This highlights two issues. It raises a question over the accuracy of the Oxford Economics forecasts and how the change in employment numbers translates to the need, or lack of need for land and premises
- 9.61 The former is addressed to a degree by the comparison made with BRES data from recent years, which suggests that the Oxford Forecasts are largely following the movement in employment that is now occurring in Leicester, even if there may be some deviation in recent trends in manufacturing employment. The model that Oxford uses also takes account of population projections and other local regional and national factors to further reinforce the projected trend in employment change.
- 9.62 The second issue raised is the relationship between employment numbers and land provision, i.e., whether land need will be generated in the way shown. It is certainly

the case that businesses will need premises to accommodate an increase in employees, and that the densities provided by the HCA (now Homes England) are reasonable, based on past surveys of business occupation.

9.63 However, there are other factors that will also influence the land requirement and it is necessary to understand the market signals to predict a more accurate employment land requirement. These factors include:

- Whilst a need to accommodate a growing workforce may see a direct effect on premises and land need, will the decline in jobs actually lead to the release of land and premises? Experience suggests that even where businesses are contracting, some will continue to hold on to sites and premises for different reasons, which may be anticipation of future market improvements; the nature of the business changes which may see the premises used in a different way for example, where jobs are being lost to automation, those new automated processes will still require land on which to operate; property costs are not a major element in a decision making process and the suitability and need for the premises, or the cost of moving, outweigh the cost of holding onto the existing premises.
- Land take-up/property needs can be for other different reasons, such as modernisation or geographic relocation, or land banking for future needs.
- Whether the latest growth in office employment is taking place in city centre locations, at higher densities, rather than in low-density business parks. In practice, some office development may take place in the Strategic Development Sites or in industrial/estate business park locations such as Troon Industrial Estate, at lower densities, and as a result a much greater land take would be required compared to the city centre requirement.

Preferred model

9.64 **In conclusion, if Leicester is to plan for a continued employment and business growth and reflect the very clear property signals for additional premises, the most appropriate model that best reflects past trends and future need is the adjusted historic take-up forecast providing for 67.32 ha of additional employment land for the period 2019-2036 (65.12 ha less the B1(a) office requirement for 46,112 sqm of offices).**

Chapter Summary – Objectively Assessed Need

9.65 Alternative forecast options have been produced (see Table 43 below). They have

been considered for the period of 2019-2036, for Leicester. The figures allow for a minimum five-year buffer to provide for choice and potential change in needs during the period.

Table 43 – Leicester Forecast Models to 2036 – Summary

Model	Industrial/ Warehouse Land Need (inc. Buffer) (ha) Office Need, sqm	2019 Industrial/ Warehouse Supply (ha) Office Supply, sqm	Industrial/ Warehouse Supply minus Demand (ha) Office Net Need, sqm <i>Surplus or (Deficit)</i>
Model One: Historic Take-Up – Scenario 1: Gross Completions	123.2 46,112	38.90 40,000	(84.30) (6,112)
Model One: Historic Take-Up – Scenario 2: Net Completions (completions minus losses).	(102.85)* (66,708)*	38.90 40,000	141.75 106,708
Model One: Historic Take-Up – Scenario 3: Gross Adjusted Completions	65.12 46,112	38.90 40,000	(26.22) (6,112)
Model Two: Employment forecasts (growth only)	1.90 71,200	38.90 40,000	37.00 (31,200)

Source: BE Group, 2019

Note:- * Negative forecast does not include a buffer

- 9.66 Clearly there are substantial differences in the projected demand for employment land to 2036, depending on the underlying assumptions, which result in significant differences in the calculated supply and demand balance as at 2036.
- 9.67 Under Model One (Historic Take-Up), three scenarios are put forward reflecting whether need is measured from gross or net completions and show varied outcomes.
- 9.68 Historic Take-Up – Scenario 1: Gross Completions gives requirement of 123.2 ha, resulting in a shortfall compared to current supply of approximately 84.30 ha (plus 6,112 sqm of office floorspace). However, this would be seen as an absolute maximum and as discussed earlier in this Section, the large losses in the past do need to be accounted for to some degree and thus it is not recommended that Scenario 1 is adopted at the Local Plan target.
- 9.69 Historic Take-Up – Scenario 2: Net Completions (completions minus losses) forecasts a significant net loss of floorspace/land which, if taken forward as the forecast target, would provide no land/premises for future economic growth, to meet

the aspirations of local firms looking to grow or support inward investment. It also reflects very large losses which resulted from major regeneration programmes in central Leicester, which are unlikely to be repeated in the future. For these reasons it is not recommended the Council adopt this forecast as its Local Plan target.

- 9.70 Historic Take-Up – Scenario 3: Gross Adjusted Completions is an attempt to allow for some losses to be accounted for in the forecasting, but as it is considered that the losses would not be as substantial in coming years (and thus not be a continuation of past trends) it is considered that only a portion of the losses should be accounted for. Looking at this from two perspectives (1. only considering areas outside the City Centre and 2. only considering past completions in modern business park or industrial locations or the City Centre) resulted in similar levels of reduction on the gross forecast. It is considered that this scenario represents a reasonable and moderate balance between the forecasts, and it is recommended that this approach is adopted. Under this scenario, it is forecast that the requirement for employment land to 2036 is 65.12 ha, which equates to a shortfall of 26.22 ha (plus 6,112 sqm of office floorspace).
- 9.71 If employment-based forecasts (Model Two) are taken, then Leicester has enough land to meet Objectively Assessed Needs. Even just looking at the growth sectors, there would be a surplus of some 37 ha to 2036 (plus 31,200 sqm of office floorspace). However, it is considered that this approach considerably under-represents the growth potential and local strength of the manufacturing sector. While employment numbers in manufacturing may decrease over the forecast period, this is likely to be due to efficiency improvements and automations, rather than through an overall decline in the sector and most importantly its land and floorspace requirements.
- 9.72 In conclusion, it is considered that the most appropriate forecasts is **Model One: Historic Take-Up – Scenario 3: Gross Adjusted Completions. This scenario suggests a supply shortfall of 26.22 ha, against needs to 2036 combined with a further office requirement of 6,112 sqm.**
- 9.73 *N.B. While this Study was being finalised the 3,020 sqm office building One Great Central Square, Vaughan Way was completed. Assuming this is identified as an office completion, for Leicester, in 2019/20 then the remaining B1(a) office requirement for the City, for 2020/21 onwards is 3,092 sqm.*

10.0 CONCLUSIONS

Introduction

- 10.1 This study has included a wide-ranging look at the factors affecting the City of Leicester's economy, with reference to those that are likely to affect the future need for land and property within the City. This section draws together the main issues that will need to be addressed as a preliminary to the more detailed recommendations set out in Section 11.0.
- 10.2 The study has been undertaken in line with both the National Planning Policy Framework and relevant Planning Practice Guidance. The study updates previous employment land evidence base documents for the Borough, notably the 2017 and 2006 Employment Land Studies, the latter of which was also completed by BE Group.

The Functional Economic Market Area

- 10.3 In the view of this study, the Functional Economic Market Area (FEMA) for Leicester includes the other local authority areas of Leicestershire. As a large city, Leicester clearly has an economic influence which extends much further afield, but those linkages, as demonstrated by commuting data, are much smaller than linkages with the other local authority areas of Leicestershire. As of the 2011 Census, 91.9 percent of all commuting to, and from, Leicester was confined to the City and County, 243,739 commuter movements. All the local authorities within this FEMA have been consulted.
- 10.4 A diverse range of strategic B2 and B8 facilities are planned in the FEMA local authority areas with links to the motorway corridors and A5. For the most part, these are serving a regional and national market, which is distinct from more local scale facilities in Leicester, although some overlap and competition is likely with the delivery of Leicester's Strategic Employment Sites, which are also aimed at a B2/local B8 market.
- 10.5 In the case of the various SUEs, Sustainable Employment Extensions and Strategic Development Areas proposed, delivery of employment uses is progressing slowly. In most cases, large scale provision, (for larger B2/B8 uses), is around a decade away.

- 10.6 The 2017 HEDNA Study has identified office needs of up to 48-56 ha for Blaby and North West Leicestershire, to 2036. Clearly development of even a portion of this would result in sizeable new office parks in the County which would complete with the City. However, the authorities are sceptical about both the real level of market demand for offices in Leicestershire and the ability of developers to deliver office schemes at anything like this scale. North West Leicestershire is independently reviewing the local OAN for offices. Blaby accepts the identified need but is informally looking to Leicester to meet the identified requirement, 106,750 sqm of floorspace to 2031. Initial discussions have taken place between Blaby and Leicester about the City supporting Blaby's office requirement, which equates to 5.34 ha at City Centre densities. However, with a current maximum pipeline of 77,000 sqm of office space, it is unlikely the City could meet such a large requirement in its entirety, alongside its own office OAN (discussed below). However, no formal commitments have been made on this, and any agreement would need to be progressed through the respective local plan processes.
- 10.7 As is noted below, there are clear shortages of both industrial and office floorspace across Leicester, against needs. Despite this, the surrounding local authorities do not feel that businesses are moving out of the City to find space in the County., nor do they feel that they are losing companies to the City. The view is that while some companies might look to out of city locations for more affordable accommodation, with better strategic road access, the supply of premises, particularly start-up/grow-on industrial space, is limited across Leicester and Leicestershire giving companies little capacity to move within the sub-region even if they should wish to.
- 10.8 Alongside the Leicester Enterprise Zone there are two other EZs in the County, at Loughborough and Hinckley (MIRA), alongside the Melton Manufacturing Action Zone. Although these focus on differing business sectors, there is still likely to be competition for requirements in advanced manufacturing and engineering sectors. Melton is seeking growth in food production industries, one of Leicester's strengths, which again will likely mean competition for strategic requirements.

Economic Profile

- 10.9 The socio-economic profile of Leicester reveals a population of 355,218 in 2018 that has been steadily growing since 2014. The population is set to increase by 13.5 percent to 2041, with the East Midlands population set to increase by 11.0 percent during the same period.

- 10.10 From July 2018-July 2019, 64.4 percent of the working age population was in employment, lower than wider averages. At the same time unemployment, at 5.4 percent, was higher than neighbouring authorities, East Midlands and national averages.
- 10.11 Whilst East Midlands and England have experienced population growth since 2015, Leicester has experienced a decline in job numbers, of around 7 percent, over 2017-18, from 170,000 to 163,500 jobs. However, the reduction in employment is strongly focused in set sectors, including electricity, gas, steam and air conditioning (likely reflecting national restructuring in the sector, which impacted on Leicester's big employers), administrative services and health (reflecting closures/contractions in big local health facilities) sectors. Manufacturing however has an employment population of 20,000 and has experienced a strong increase of 5.26 percent over recent years. This shows the ongoing strength of industry in the City's economy.
- 10.12 33,875 people were employed in private office sectors in 2018, with 42.8 percent of that total comprising employment in business administration and support services. The proportion of local labour employed in office sectors, 20.8 percent, is not much different from the regional average of 20.7 percent, which will reflect the influence of the East Midlands cities. The professional, scientific and technical sector is proportionally underrepresented in Leicester, accounting for 4.9 percent of employment, against wider averages of 6-9 percent. However, it still accounts for 8,000 jobs locally and an 11.5 percent share of businesses within the City. Businesses employing professions such as architects and solicitors evidently have a strong role in the local economy but are mostly small or micro businesses.
- 10.13 The public sector, comprising public administration and defence, education and health employed 36.0 percent of the labour force in 2018. This compares to wider averages of around a quarter of employment. It reflects Leicester's strengths in health and education, which will include the local hospitals and universities. These two sectors employed 50,500 in 2018, despite some losses in health employment.
- 10.14 Weak employment sectors within Leicester, unsurprisingly include agriculture and mining. The property sector which mainly comprises real estate activities, only accounts for 1.1 percent of employees and contains less than 5.0 percent of businesses within the City. It still employed 1,875 in 2018 though.

- 10.15 The number of VAT and PAYE registered businesses in Leicester was 12,775 in 2019, an increase of three percent from 2018. 97.9 percent of the companies were 'micro' and 'small' firms, with less than 49 staff members. This supports the view of stakeholders that Leicester is underrepresented by large employers, for a regional city. There are still 55 businesses in the City which employ more than 250 staff, however.
- 10.16 Average weekly pay in the City is higher by place of work than residents who live in the City. The difference of £37.60/ weeks reflects residents within Leicester are potentially not taking advantage of the higher paid employment opportunities that can be found within Leicester and are perhaps still somewhat focused on the lower paid industrial sectors also prevalent. Additionally, this means Leicester is experiencing a lot of in-commuting for higher paid work. Against wider averages, weekly pay by place of residence, in Leicester, is the lowest in the county.

Property Market Assessment

Office Market

- 10.17 The national office market remains strong despite macro-economic uncertainties over issues such as Brexit and tight supply in the occupational market. The UK saw 139,000 sqm of office take-up in 2018. However, speculative development in 2018 was at its lowest in three years, suggesting a growing supply gap.

City-Centre Office Market

- 10.18 Office demand has been growing over the last five years, but tends to be from smaller, local occupiers, requiring up to 500 sqm each. Overall transactions of less than 500 sqm accounted for 78.1 percent of the total deals completed in the City Centre, since 2009. Demand is from traditional financial services firms and companies who provide business to business services, plus the high-tech specialisms of the Enterprise Zone. Demand includes freehold requirements.
- 10.19 Although some stakeholders argued that Leicester lacks a critical mass of larger employers and big anchor occupiers who may generate their own sub and supply chain markets, the view was still that Leicester is of interest to larger regional and national businesses. This is evidenced by the successful investments of IBM and Octopus Energy. Public sector agencies report infrequent inward investment

enquiries in the 3,000-5,000 sqm range. London and Nottingham are common sources of large enquiries and one attraction of Leicester is its large body of skilled graduates.

10.20 New Walk is a focus for market interest given its critical mass of businesses, diverse premises offer and variety of nearby services. Additionally, the Station Quarter is offering good access to the railway and bringing in occupiers such as Hastings Direct to 1, St George's Way, creating another growing office market area within Leicester.

10.21 Against this demand, stakeholders report strong shortages of supply of all types and sizes, but particularly:

- Larger units to meet the major inward investment enquiries noted above. At the time of this Study, the largest available office was 3,020 sqm, comprising five floors of One Great Central Square, Vaughan Way. 11 units of 1,000-3,000 sqm are on the market. Only ten deals for more than 5,000 sqm of B1(a) space are recorded in Leicester over the last decade, with only five of these in the City Centre
- One Great Central Square is also the only Grade A office on the market at present and, when completed, will be one of only four Grade A buildings in the City
- Freehold options. Of the 80 suites on the market in the City Centre, totalling 38,962 sqm of space, only six are available freehold. Freehold options offered at Waterside have been taken up rapidly.

10.22 The second hand stock which remains available is trading well, with New Walk a focus for both local and national businesses, such as IBM.

10.23 As the supply is overwhelmingly B/C Grade and second hand in nature, the maximum City Centre rent is around £17/ sqft (£183/ sqm). An average rent for an office in the City Centre is £10/sqft (£118/ sqm). One Great Central Square is successfully offering modern, Grade-A space for £20/sqft (£215/ sqm). This is a rental level which, subject to other site issues, new development can become viable. It was the view of stakeholders that what is being achieved at One Great Central Square can be replicated elsewhere, with the right product. In terms of freehold sales, the average rate is £186/sqft (£2,005/sqm) for the last three years.

Out-of-Centre Offices

- 10.24 Leicester's office market is dominated by the City Centre, over the last decade only 38.2 percent and 34.6 percent of the total number of deals and floorspace transacted throughout Leicester have occurred outside of the Centre. 31 of the 56 Employment Areas of the City (55.4 percent, see below) contain some office premises, but these are mostly smaller suites linked to industrial premises. Outside of the City Centre/Edge of Centre environment only Troon Industrial Estate has significant office stock, 52 suites in terraced/multi-storey buildings on Lewisher Road.
- 10.25 Historically, competition with the City Centre has come from business parks which fall outside of the City boundary, in Blaby and to a lesser degree Charnwood and Hinckley and Bosworth. However, these are developed to capacity, and have been for some years, with little available premises which could compete with the City Centre for larger B1(a) requirements.
- 10.26 Out of Centre office demand is similar to that in the Centre, with transactions of less than 500 sqm accounting for three quarters of all deals completed since 2009. Inward investment activity is focused in the City Centre but requirements for larger suites do occur, with five deals for more than 5,000 sqm recorded, since 2009. These are generally linked to investments by larger industrial companies. Demand again comes from financial and legal services, along with some ICT and health sector companies, potentially seeking a larger self-contained office than might be available in the City Centre. As with City Centre stock there are reported shortfalls of supply for space and particularly freehold options.

Industrial Market

- 10.27 Whilst the industrial market was the UK's strongest property sector as of Spring 2019, take up has slowed somewhat nationally as major occupiers have delayed growth decisions in the face of continuing uncertainties over Brexit. However, the regional industrial market remains robust with recorded take up in 2018 more than doubling that of 2017.
- 10.28 Local industrial firms require units of up to 500 sqm, including some workshop options of 100 sqm or less, with healthy freehold demand. However, there is strong evidence of demand for larger premises from major national firms. This includes

recent investment by Samworth Brothers at Leicester Distribution Park, Braunstone Frith Industrial Estate. LLEP received 73 enquiries for units of 10,001+ sqm, in Leicester, since 2014, and another 74 for units of 1,000-10,000 sqm. Stakeholders similarly report demand up to 10,000 sqm, although requirements of 2,000-5,000 sqm are more common.

- 10.29 Larger industrial demand is focused around the large established industrial estates in the west and north of the City, with requirements for modern units close to the strategic road network and giving occupiers the ability to maximise Leicester's position in the middle of the country. Demand comes from sectors including food, textiles (see below), and mixed engineering.
- 10.30 Supply shortages, against demand, extend up to 10,000 sqm with a lack of 2,000 sqm units to accommodate growing firms. Overall, industrial floorspace in the City is 96.3 percent occupied, pointing to a lack of choice in supply for businesses. 92 industrial premises are currently being marketed as available within Leicester, comprising 94,865 sqm. However, only 6.5 percent of the current availability is for premises of 5,001 sqm or more, with mid-sized units of 501-1,000 sqm.
- 10.31 Rents have been steadily increasing over the last 10 years, with an average quoting rent of currently marketed units of £6.90/ sqft (£75.00/ sqm) and the best quality space achieving rents of £7-8/ sqft (£75.00-86.00/ sqm). The average freehold sale level for the last three years was £112.26/ sqft (£1,208/ sqm).

Textiles Quarter

- 10.32 Leicester's manufacturing sector is dominated by the textile industry based in the outskirts of the City Centre and to the east, in some 20 distinct Employment Areas (see Section 6.0). These businesses are located in converted old mill properties/multi-storey warehouses, and whilst not of the best quality, are all found to be functional and with average occupancy rates of 97 percent. These businesses operate in a self-contained market with a lot of premises trading informally, so transactions are not necessarily picked up in the data sources or by commercial agents.
- 10.33 Those stakeholders who were able to comment indicated an active market. Textile companies may be limited in the rents they can pay, at around £4-5/sqft (£43-54/sqm), but those rents are appropriate to the quality of space they offer. Textile

companies want affordable space and are happy to occupy, and make full use, of older industrial properties which might otherwise have ceased to have a viable use.

Stakeholder Engagement

- 10.34 Consultations with various stakeholders were conducted as part of the market research, which comprised key employers, University of Leicester, De Montfort University and public-sector organisations including relevant neighbouring local authorities.
- 10.35 Large employers are attracted to the City Centre because of the affordability of space, the ease of commuting to London and the large pool of graduate labour, including graduates trained in STEM subjects. Not all the businesses needed Grade A space, but those that did struggled to acquire it, particularly space large enough to accommodate major employers with 200 plus staff.
- 10.36 A key theme of the consultations was the shortage of premises locally, particularly industrial premises. LLEP, through the Business Gateway programme, identified start-up/grow-on requirements of up to 1,000 sqm, although enquiries data provided by LLEP suggests needs extend up to 5,000 sqm or more. Leicester City Council officers felt that the City is losing businesses to other parts of the County where affordable property options may be available. Several examples were cited. However, after consulting with officers in the other Leicestershire local authorities for this Study and completing employment land studies for most County local authority areas, over the last five years, it is the view of BE Group that most of Leicester's neighbours also have constrained property supplies, limiting their ability to meet the requirements of companies constrained in the City. This does not mean the City is not losing large regional/national property requirements to other regional Cities, beyond Leicestershire, however.
- 10.37 Industrial land values can be £500,000-600,000/acre (£1.2-1.5 million/ hectare) at the early stages of negotiations. Reflecting the lack of openly marketed space a lot of informal trading of units goes on between businesses, especially in the textiles sector.
- 10.38 Despite some B1(a) development at Troon Industrial Estate, office demand is focused in the City Centre. This reflects both business preferences for accessible, well serviced sites and the fact that most out of centre business parks, notably those

around Junction 21, M1, in Blaby District, are at capacity. Local growth and relocation requirements are for modern offices of 200-1,000 sqm, while inward investors require offices of 3,000-5,000 sqm. Against demand there is a shortage of freehold and leasehold space.

10.39 Rents are around £20/sqft (£215/sqm) for Grade A space, with £16/sqft (£172/sqm) a standard for reasonable lower grade options. Land values for offices are around £130,000/acre (£320,000/hectare) for offices, and up to £200,000/acre (£494,000/hectare) for cleared and serviced office sites.

10.40 There are a number of opportunities for new high-grade office provision in the pipeline, which may address some office sector shortfalls. These include two options around the Station, Station Car Park and Royal Mail building (providing some 20,000 sqm of new B1(a) floorspace), the Phoenix Site/Midland Street (another 20,000 sqm), Central Viaduct (Great Central, capacity for up to 31,500 sqm although it is unclear what portion of this will ultimately be delivered) and ongoing regeneration at Waterside (current proposals include three further offices of 1,858 sqm each, 5,574 sqm total). If all brought forward it could provide a sizable 77,000 sqm of office space, which could give an oversupply of new B1(a) space. However, site constraints and the need for gap funding/public sector input mean that only a portion of this is likely to come forward to 2036. 25,000 sqm of specialist accommodation, focused on space sectors will also be brought forward, in three phases at Leicester Space Park.

Employment Areas

10.41 Updating the 2006 and 2017 Employment Land Studies, BE Group has reviewed 93 Employment and Office Areas across Leicester, to consider their current economic value, viability and suitability for ongoing protection in the emerging Local Plan.

10.42 20 of the Areas, totalling 36.40 ha of land, no longer represent viable and effective employment locations and should not be protected in the emerging Local Plan. For the most part these Areas which have seen the bulk of the stock converted or redeveloped for non B-Class uses, particularly Sui Generis motor retail uses. Only four Areas, totalling 9.00 ha, have been fully/partially lost to housing, with housing-led regeneration expected in a fifth.

10.43 Adjustments to Area boundaries have also been made to exclude parcels of non-relevant premises and land and reflect the geographic position in 2019/20. This identifies that a sizable **66.99 ha** of previously designated employment land has been lost to other uses (46.13 ha or around two thirds), designated as locally listed (8.91 ha or 13.3 percent) or lost due to flood risk/biodiversity or regeneration programmes (10.77 ha or 16.07 percent). 62 Employment Areas remain.

10.44 The remaining 62 Employment Areas are identified as active, well used and viable locations for B-Class employment, which should receive ongoing protection, for B1/B2/B8 and relevant ancillary uses in the Local Plan. The 62 Areas comprise 512.61 ha of developed employment land, or 1,921,806 sqm of floorspace in 1,640 units. 86 percent have occupancy rates of 90 percent or more. Areas in the Textile quarter particularly have average occupancy rates of 96 percent. The built stock is predominately post-war in age and of average quality.

10.45 Non B-Class uses account for an average of 7 percent of the premises across the 62 Areas. In the modern economy, where industrial estates, etc. will routinely accommodate uses such as gyms, which can struggle to find space elsewhere, this is not excessive. As noted above, a number of Areas have become excessively dominated by non B-Class uses, and are now not viable as B- Class Employment Area allocations. However, comparison with the same Areas in the 2006 Employment Land Study suggests this has been a long term process and that some such areas have always been of mixed use.

10.46 Table 44 overleaf summarises the Employment Areas by Grading.

Table 44 – Employment Areas’ Appraisal by Category

Category	Number of Areas	Total ha	Comments
A	4	59.96	<p>Comprise:</p> <ul style="list-style-type: none"> • Leycroft Road and Knights Road (Bursom Industrial Estate) • Hoods Close • Samworth Bakery, 5 Bennion Road • Pioneer Park, Exploration Drive (Abbey Meadows, adjacent to National Space Centre) <p>All categorised as Primary Employment Areas Accommodate many of the City’s major employers, especially I food production, as well as active areas of the Science Park.</p>

B	7	129.9	<p>Comprise:</p> <ul style="list-style-type: none"> • Scudamore Road (Braunstone Firth Industrial Estate) • Boston Road, Gorse Hill Industrial Estate • Tollwell Road • East of Thurcaston Road (existing Consent, Ashton Green Employment Land) • Pioneer Park (Leicester Science Park) Corporation Road; Abbey Meadows, former John Ellis School Site • Western Boulevard • Triangle, north of A6030; Offices and Food Park on High View Close and industrial units on Crest Rise and at 30 Lewisher Road. <p>Primary Employment Areas, plus two prime development sites, at Ashton Green and the Science Park</p> <p>Braunstone has an emphasis on food production, packaging and distribution/wholesale. Tollwell Road on distribution/wholesale. Gorse Hill Industrial Estate an emphasis on electrical, engineering and parts manufacturing. Western Boulevard/ Triangle, north of A6030 support financial services firms.</p>
B/C	10	182.43	<p>Includes on Mixed Use Area, Abbey Lane/Corporation Road, two Primary Employment Areas, including Troon Industrial Estate and seven Secondary Employment Areas.</p> <p>Generally mixed areas with a diverse range of uses including food, textiles, mixed manufacturing, printing, recycling and engineering.</p>
C	15	92.43	<p>Includes six Operational Historic Employment Area/Textile Areas, seven Secondary Employment Areas, one Neighbourhood and one Mixed Use Area.</p> <p>Dominant uses include food production, textiles and construction/engineering.</p>
C/D	17	32.51	<p>Includes:</p> <ul style="list-style-type: none"> • One Development Area, Land North of Sainsburys, Melton Road/Troon Way • Two Mixed-Use Areas • Two Neighbourhood Employment Areas • 11 Operational Historic Employment Area/Textile Areas • One Secondary Employment Area, Loughborough Road/Palmer Street <p>The Areas generally mix textiles, motor repair and trade uses.</p>
D	8	13.98	<p>Includes:</p> <ul style="list-style-type: none"> • One Mixed-Use Area • Two Neighbourhood Employment Areas • Four Operational Historic Employment Area/Textile Areas • One Secondary Employment Area, Whitefield Road <p>The Areas generally mix textiles, motor repair and trade uses.</p>

D/E	1	1.40	Comprises Humberstone Road, a Mixed-Use Area in trade/motor trade use
E	-	-	-
TOTAL	62	512.61	

Source: BE Group 2019

Viability

10.47 Each of the 62 Employment Areas have been assessed against six criteria which review area quality, occupancy, dereliction levels, proportion of non B-Class uses and other constraints. Of those, 33 are considered viable and continue to function and deliver premises for the business community and no change is envisaged.

6.59 19 fail on a single category, generally the Area Definition or Grading, but continue to serve the business community today. 10 others fail in two or more categories. Again however, this primarily relates to judgements about the physical quality of premises. The Areas continue to enjoy reasonable occupancy rates, little or no dereliction and a low percentage of premises on Non B Class use. Only one Area has an occupancy rate slightly below the 70 percent threshold and only one small Area has a high proportion of Non-B Class uses, a third, after other Areas with high Non B-Class have had their borders amended or excluded from designation as future industrial/office areas for the City. Thus, by practical measures the Areas continue to show good evidence of ongoing viability.

10.48 More generally, Stakeholders have indicated that development viability is an issue in Leicester. This is due to the high level of cost to redevelop sites today when set against the rents and capital values that can be achieved. Offices need rents of £20.00/sqft (£215/sqm), equating to capital values of £250-275/sqft (£2,691-2,960/sqm) to be viable, although site conditions may still generate viability issues. Experience at One Great Central Square suggests that new build Grade A stock can achieve £20.00/sqft (£215/sqm) although it remains exceptional, even in the City Centre.

10.49 Prime, high quality industrial space in accessible out of town business park locations can achieve £8.00/sqft (£86/sqm), and capital values of £130/sqft (£1,399/sqm), a rate which makes industrial development viable. In secondary locations, rents can vary greatly, while costs may be the same, or higher, depending on site conditions. If rents remain at the £6.00/sqft (£65/sqm) seen in this Study, prospects of

speculative redevelopment will be marginal. However, while traditional multi-occupancy industrial scheme may not be viable, sites may still suit development for owner occupation, which has fewer risks associated with it, and for which developers may accept lower profit levels. Small workshop units for purchase have been found to work financially where a capital value is not dependent on assessing a long-term investment yield, rather a business will pay a premium to own its own property. Such other options need to be considered in any viability appraisal.

Potential Development Areas

10.50 18 Potential Development Areas (PDAs), totalling 88.27 ha, have also been reviewed to determine if they still provide opportunities for B-Class and mixed-use development in the City. 11 have been developed for/are in Non B-Class uses (i.e. regeneration has been enabled) while three are constrained by site conditions. Also removing re-allocation proposals, constrained sites and planning consents there appears little long term availability in the PDAs to meet specifically B-Class needs.

City Centre Offices

10.51 Alongside this Study, the City Council has separately reviewed and graded the 498 identified offices of the City Centre, A-D (see Figure 24, Section 6.0). This identifies that while there are only three A Grade buildings in the City Centre, with others in the pipeline, there is a more substantial stock of good quality large buildings, on edge of centre locations which accommodate the City's major public and private sector employers. At the opposite extreme, only three very low quality, D Grade buildings are noted. The vast majority of the stock, 79.3 percent, is graded C and of average quality. This stock is focused in the New Walk and Old Town Areas.

Current Employment Land Supply

10.52 Leicester's current potential employment land resource amounts to 40.90 ha in seven sites, comprising:

- Strategic: 34.20 ha (83.6 percent), three sites
- Local supply: 4.70 ha (11.5 percent), two sites
- City Centre office supply: 2 ha, 40,000 sqm (4.9 percent), two sites.

10.53 The Strategic Supply comprises three large sites in the north and west of the City. Evidence of deliverability here includes that:

- All comprise Council owned land, allowing the City Council to be involved in the development process

- All are on key transport routes and in close proximity to the City's key Employment Areas – Bursom Industrial Estate, plus the existing Ashton Green allocation, and Braunstone Firth Industrial Estate. These Areas are home to a critical mass of large businesses and have seen much of the City's recent development of larger industrial and warehouse premises
- Masterplanning is looking to mitigate site constraints
- Financial appraisals have been completed on all three sites indicating viability
- As noted, there are supply shortages against demand, in the industrial and warehouse market, for units up to 10,000 sqm with a particular lack of 2,000 sqm units. The largest, 10,000 sqm requirements will need some 2.60 ha each, a sizable area of land in densely developed Leicester. Recent experience at Braunstone Firth Industrial Estate, suggests that where large areas of land can be made available for B2/B8 uses they will be taken up.

10.54 Previously, Leicester has looked to neighbours, Blaby and Charnwood, to meet much of its industrial/warehouse needs. However, this increases pressures on suburban greenfield land, while allocated land is regularly taken up for larger logistics facilities which meet regional rather than City needs. Large allocations in the City allows it to meet a high proportion of OAN locally while taking pressure off the rest of the County.

10.55 Given the high occupancy rates in the City's Employment Areas, there are few brownfield opportunities available to meet needs and none of the scale needed to meet OAN. Sites research has only identified two further plots, totalling 4.70 ha, which have the capacity to meet some OAN. Again, these are lightly constrained sites, which link to existing key industrial estates and are large enough to meet significant requirements.

10.56 Two City Centre office sites are identified with the capacity to provide 40,000 sqm of B1(a) floorspace to 2036. Although at early stages of development planning, both enjoy strong public sector support and at least the prospect of public funds to overcome viability gaps. Mixed use development is also an option to allow cross funding from higher value uses. Both sites sit on main transport routes and link well to existing office clusters, including New Walk. They have the potential to meet identified demand and deliver at least some Grade A accommodation, attracting rental levels high enough to deliver the value developer partners will be looking for.

Future Land Requirements

- 10.57 There is no definitive model for forecasting future employment land needs. Two 'policy off' based models have been used to assess future employment land provision. These are the projection forward of historic land take and a forecast based on employment sector change.
- 10.58 Historic take up and loss data has been reviewed and three scenarios for change produced.
- 10.59 *Scenario 1: Gross Completions* – Council monitoring indicates that 526,723 sqm of floorspace was taken up over 1997-2019, including 46,101 sqm of offices, which equates to 125.55 ha of land at standard ratios, or 5.70 ha/year. Projected forward to 2036 this gives a requirement of 96.90 ha. Including a five-year buffer to provide a choice of sites by size, quality and location and to provide a continuum of supply beyond the end of 2036, generates a gross need of 125.4 ha (123.2 ha not including the B1(a) office requirement) incorporating a need for 46,112 sqm of offices. However, this would be seen as an absolute maximum and makes no allowance at all for past losses to other uses.
- 10.60 *Scenario 2: Net Completions (Allowing for Losses)* – 1,132,444 sqm, or around 290 sqm of land at standard ratios, of B-Class uses has been lost to other uses since 1997, as identified by Council monitoring. This equates to 13.20 ha/year of losses. As losses exceed gains, the model for Net Completions (Allowing for Losses) gives an annual requirement for 6.25 ha/year less land than at present. If this trend were to be projected forward to 2036, the overall net loss would be 106.25 ha (102.85 ha not including the B1(a) office requirement) or a reduction of the current stock of employment premises of 23.03 percent. Losses would include some 66,708 sqm of offices.
- 10.61 However, a model which incorporates the recorded losses is not recommended for the following reasons:
- *Regeneration* – Losses strongly reflect ongoing regeneration in the 470ha Strategic Regeneration Area (SRA), (in and around, the City Centre), replacing older obsolete B-Class stock with new uses, such as housing, retail, etc., with industry moving to newer more accessible locations within the City and in out of centre business parks and industrial areas. This is evidenced by a review of the losses which indicate that around 60 percent

of all floorspace lost was within the SRA and not from within designated Employment areas (in the 2006 CLLP).

- *The Nature of Leicester* – Leicester is a dense urban settlement with a tightly defined administrative boundary. Planning policy must meet a lot of competing needs – including housing growth, economic growth and the requirements of two universities. Given the limited space, the City cannot realistically look to replace all B-Class losses with new employment
- *Allowing for Market Demand* – NPPF and PGGs identify that planning policy must allow for market signals when considering needs and land allocations. Market demand, as noted above, clearly shows ongoing requirements for modern space and shortages of supply, even as older stock is being lost
- *Allowing for, and Retaining, Forecast Jobs Growth* – As noted below, Leicester is forecast to gain 9,508 jobs to 2036, mostly in office-based sectors. This gives, modest, land/property requirements which need to be accounted for if the new labour is to be retained in the City
- *Reflecting Growth on the Ground* – Although losses may exceed gains overall, Leicester has still seen employment completions equating to 125 ha of new employment land since 1997. Thus, growth has occurred and is continuing to occur with considerable City Centre and Enterprise Zone regeneration activity proposed, which needs to be catered for.

10.62 Reflecting this a third scenario is provided which excludes all losses but adjusts completions to consider local market trends.

10.63 *Scenario 3: Gross Adjusted Completions* – Some of the losses have resulted in the displacement of businesses, and these need to be accounted for in the forecasts. This is because a business moving from an older unit that is taken out of the supply to a newly developed unit of the same size also within Leicester does not result in a net gain in occupied floorspace. Based on available data, it is assumed that approximately 200,000 sqm of the 390,000 sqm of central area losses, may have been in locations that could be redeveloped for alternative B class space. Taking out this completed floorspace reduces the completion level to 51.28 ha over 1997-2019, or 3.37 ha/year.

10.64 The 'Policy Off' employment-based forecasting indicates that Leicester will gain 9,508 jobs to 2036, net of losses, or 15,957 gross of projected losses. Around a

third of the gross gain, 5,567 jobs, will be in private sector office sectors, with another third in health sector growth. Projected jobs reductions, -6,588 to 2036, are focused in sectors which will require industrial accommodation, with only construction forecast to see even limited growth of 755 extra jobs to 2036.

10.65 Although the forecast is for modest jobs growth, particularly in industrial sectors, forecasts do broadly reflect recent trends in employment change in the City, as identified in Section's 3.0 and 9.0.

10.66 Converting the jobs to premises/land provision suggests the following in terms of OAN to 2036:

- From sectors predicted to grow: 78,592 sqm of floorspace or 5.46 ha of land (Including 71,200 sqm of offices or 3.56 ha of land)
- Less those sectors predicted to decline: (211,930 sqm) of floorspace or (53.80 ha) of land (Including (2,626 sqm) of offices or (0.13 ha) of land)
- Gives a net loss anticipated of **(133,338 sqm) or (48.34 ha)**. (Including 68,574 sqm of offices or 3.43 ha of land)

10.67 Against both forecasts, Leicester has a surplus of land supply.

10.68 However, in addition to questions about the scale and nature of projected jobs growth, the employment methods of forecasting make no allowance for issues such as the extent that growth in office employment takes place in city centre locations at higher densities, rather than in low-density business parks (Leicester will likely see growth in both locations). Also, that land take-up/property needs can be for different reasons such as modernisation or geographic relocation or that expansion may also be within existing premises or on expansion land not accounted for in land allocations. Experience also suggests that even where businesses are contracting, they will continue to hold onto areas in anticipation of future improvements. Also, where jobs are being lost to automation, those new automated processes will still require land on which to operate, and improved productivity could lead to additional need.

10.69 A summary of the various forecast scenarios is set out in Table 45. They relate to the period 2019-2036.

Table 45 – Leicester Forecast Models to 2036 – Summary

Model	Industrial/ Warehouse Land Need (inc. Buffer) (ha) Office Need, sqm	2019 Industrial/ Warehouse Supply (ha) Office Supply, sqm	Industrial/ Warehouse Supply minus Demand (ha) Office Net Need, sqm <i>Surplus or (Deficit)</i>
Model One: Historic Take-Up – Scenario 1: Gross Completions	123.2 46,112	38.90 40,000	(84.30) (6,112)
Model One: Historic Take-Up – Scenario 2: Net Completions (completions minus losses).	(102.85)* (66,708)*	38.90 40,000	141.75 106,708
Model One: Historic Take-Up – Scenario 3: Gross Adjusted Completions	65.12 46,112	38.90 40,000	(26.22) (6,112)
Model Two: Employment forecasts (growth only)	1.90 71,200	38.90 40,000	37.00 (31,200)

Source: BE Group, 2019

Note:- * Negative forecast does not include a buffer

10.70 The variation in the outcome figures demonstrates the uncertainty of forecasting. The outputs range from an oversupply of 141.75 ha to a shortfall of 84.30 ha. However, from the market assessment and reviewing the historic trends in employment change and land take up, the conclusion is that the employment-based forecasts underestimate land needs significantly. Unadjusted, gross or net historic take up scenarios either overestimate or underestimate needs based on available market evidence.

10.71 In conclusion, it is considered that the most appropriate forecasts is **Model One: Historic Take-Up – Scenario 3: Gross Adjusted Completions**. This scenario suggests a projection forward of employment land need, including a five-year buffer of 65.12 ha, resulting in a supply shortfall of some 26.22 ha, against needs to 2036 combined with a further office requirement of 6,112 sqm. With the recent completion of the 3,020 sqm office building One Great Central Square, Vaughan Way, the outstanding B1(a) office requirement for the City, for 2020/21 onwards is 3,092 sqm.

11.0 RECOMMENDATIONS

Introduction

11.1 This section sets out the consultants' recommendations arising from the Employment Development Needs Assessment. The recommendations in this report have had full regard to the requirements of the NPPF to encourage and deliver growth through the planning system.

Employment Land Supply

Recommendation 1 – Employment Land Provision Definition

11.2 It is recommended that the current available land supply in Leicester be defined as:

- **Strategic: 34.20 ha (83.6 percent), three sites**
- **Local supply: 4.70 ha (11.5 percent), two sites**
- **City Centre office supply: 2 ha, 40,000 sqm (4.9 percent), two sites.**

11.3 These total 40.90 ha and are discussed in Section 7.0.

Recommendation 2 – Employment Areas to be Retained

High Quality and General Economic Development Areas

11.4 The Employment Areas assessment (Section 6.0) identifies 62 Employment Areas as viable for ongoing protection in the Local Plan. 11 of these, Graded A-B/C are defined as 'Primary Employment Areas' by the Study (see **Appendix 3**). **It is recommended that these be identified as 'High Quality Economic Development Areas' in the Local Plan and receive protection as reflected in Policy EO2 of the Draft Local Plan, i.e. only applications for B-Class use should normally be permitted.**

11.5 Non-B Class uses should only be allowed if an applicant can demonstrate exceptional circumstances and that the proposals will not have a significant adverse impact on surrounding local uses. The use for employment purposes other than B class uses may be appropriate but only if it can be shown that the use provides on-site support facilities or demonstrates an economic enhancement over, and above, B class uses. Such development should however not prejudice the efficient and effective uses of the remainder of the employment site.

- 11.6 Leicester's large, edge of settlement industrial estates have been the focus of recent industrial and warehouse development, and through their links to the Strategic Development Sites, are likely to be the focus of future growth. These should enjoy particularly strong protection in policy. The key areas (west to east), are Braunstone Frith Industrial Estate, Sunningdale Road; Gorse Hill Industrial Estate; the different parts of Bursom Industrial Estate/Ashton Green; and Troon and Hamilton Industrial Estates.
- 11.7 16 Areas, graded B/C-C, are defined as Secondary Employment Areas in this Study. **It is recommended that these be identified as 'General Economic Development Areas' in the Local Plan and receive protection as reflected in Policy EO1 of the Draft Local Plan.** This means that the priority remains on accommodating B1/B2/B8 uses. However, exceptionally, uses which have trade links with employment uses or are un-neighbourly in character (such as car showrooms, tyre and exhaust centres, wholesale or trade counters) may be permitted on local employment sites which have good access to a range of sustainable transport options. As noted in the policy, D1 and D2 uses might be acceptable in buildings appropriate to their operation, i.e. not portal framed units. Modern industrial estates increasingly accommodate uses such as gyms, nurseries, places of worship and arts facilities, which provide services both to local workers and adjoining communities.

Textile/Neighbourhood Areas

- 11.8 21 Areas are defined in the Study as Operational Historic Employment Areas/Textile Areas and another five Neighbourhood Employment Areas. The 21 Historic/Textile Areas comprise older pre/post-War premises, of varying quality, but all are well used, with a 96 percent average occupancy rate and accommodating a diverse range active local employers. All are judged to be viable against the six tests set out (see Section 6.0). **It is therefore recommended that the Council continue to strongly protect the Operational Historic Employment Area/Textile Areas, particularly those Graded C or C/D in this Study.** As with the Secondary Employment Areas, some flexibility is needed in allowing complimentary D1, D2 or Sui Generis uses into locations, although ensuring such uses remain ancillary to the main operations. This reflects the fact that some of the textile, food, trade and related companies which dominate these areas do undertake wholesaling from their factories and warehouses. Also, that many of these Employment Areas sit in the

heart of communities which have needs for facilities such as nurseries or Places of Worship which may be difficult to accommodate elsewhere.

- 11.9 It is the view of this Study that five of the 62 Areas can be defined as Neighbourhood Employment Areas, distinct from the Operational (2017 ELS) Employment Areas/Textile Areas. All are smaller, moderate-low quality employment locations which continue to provide employment to local firms and pass the viability tests of this Study. **It is recommended that these are protected in line with Policy EO5 of the Draft Local Plan, i.e. with a view to encouraging regeneration while protecting core B1/B2/B8 operations and appropriate ancillary uses.**

Development Areas and Mixed Use Areas

- 11.10 Three Development Areas are proposed, two of which are key development sites for the City at Aston Green and the Science Park (the third is the employment land provided adjacent to the new Sainsbury's store). Six Mixed Use Areas are also identified, generally, these comprise a mixture of older industrial premises and trade/Sui Generis uses, frequently on main road locations. Again, quality varies, but occupancy rates are generally high, and the locations include some larger local employers as well as a range of trade business which serve the City. They continue to serve a purpose but do also offer some opportunities for regeneration over the long term. **It is therefore recommended that these are also protected in line with Policy EO5 of the Draft Local Plan.**

Recommendation 3 – Protecting City Centre Office Stock

- 11.11 This Study has demonstrated good demand for office space, particularly from local businesses, and a need for larger suites to compete in regional/national inward investment markets. Against this need a shortage of stock, particularly higher-grade stock is noted.
- 11.12 Figure 24 of Section 6.0 provides a grading of the 498 identified offices of the City Centre, A-D. Buildings graded A-B1/B2 represent the main stock of Grade A premises in the centre as well as larger buildings which accommodate major private and public employers, and it is **recommended that these enjoy the strongest protection i.e. subject to Permitted Development rights, only applications for B1 (a, b) Class use should normally be permitted.**

- 11.13 **For the 400 C-D graded buildings a more flexible approach could be taken to help facilitate a broad range of economic development, which is vital for the future sustainability and development of the City Centre's economy.** In this it is important to recognise the competing requirements for space in the City Centre, including the growth of the universities, who will need D1 education facilities and student accommodation, alongside offices. Additionally, prospects for mixed use development/refurbishment which may protect/provide some office space within a wider mix. One consideration when reviewing change of use applications should be to protect the wider critical mass of B1(a) offices which are found in the New Walk and Old Town areas of the City Centre.

Recommendation 4 – Testing Viability

- 11.14 The 62 Employment Areas, recommended for retention in B-Class use, have substantially met the six tests of viability set out in this Study, in terms of occupancy and ongoing provision of B-Class space, if not always for physical quality. More generally, occupancy rates across the City, and in City Centre office accommodation are high, with even older stock being well used, while stakeholders report shortages of stock across the industrial and office markets. Thus, there is no evidence of widespread market failure across any part of the City or broad property scheme.
- 11.15 Individual properties, or groups of properties, may still suffer from high vacancy or dereliction due to physical constraints, poor access, poor location or simply being of a type no longer required by modern businesses. Conversely, high vacancy/dereliction may result from poor management or an owner actively running down the occupancy to attempt to demonstrate no long-term demand prior to seeking alternative uses.
- 11.16 This Study argues that it is for the landowner, and their representatives, to prove that a property/scheme is no longer viable for B-Class uses in an otherwise successful City market. **It is recommended that the Local Plan have a robust policy that requires a landowner, other applicant, etc. to demonstrate that there is true market failure, before an application for alternative uses approved, outside of Permitted Development Rights. As a minimum this should require a landowner to provide evidence of a proper and sustained marketing of the area.** At Appendix 5 Developer Marketing Standards are set out that provide the template for delivering the evidence that premises or sites have been appropriately marketed without success. Whilst these are primarily directed

at B Use Class situations, they are equally applicable to other property types e.g. public houses, community facilities, etc.

- 11.17 The landowner/other applicant should also prove that there be a significant community and/or economic benefit to any scheme which outweighs the impact of losing the employment site/premises.
- 11.18 Whilst the buildings that sit within the Areas may reach an end of their economic life, the land remains. Thus, redevelopment applications should be accompanied by development appraisals, tailored to local circumstances, to demonstrate that B-Class uses, either on the whole site or as part of a mix of uses, are not viable. Tests of viability should consider different models of B-Class scheme design and occupancy, such as providing land for owner occupier development and small workshop development, alongside basic speculative schemes.

Recommendation 5 – Potential Development Sites

- 11.19 Of the 18 PDAs reviewed in this Study, there appears little availability to meet long term B-Class needs, although some will deliver B91/B2/B8 options within mixed use schemes.
- 11.20 **Faircharm Trading Estate/ Marlow Road is recommended for re-designation as an Employment Area.** This historic textiles Employment Area has an estimated occupancy rate of 91 percent and accommodates a diverse range of occupiers from engineering businesses to shop fitters and similar services. Any redevelopment on the site would be a complex and expensive endeavour and appears unlikely.

Employment Land Need

Recommendation 6 – Future Employment Land Provision

- 11.21 Three Scenarios based on the forward projection of Take Up have been developed, incorporating a buffer. These are identified in Table 46 overleaf.

Table 46 – Leicester Forecast Models to 2036 – Summary

Model	Industrial/ Warehouse Land Need (inc. Buffer) (ha) Office Need, sqm	2019 Industrial/ Warehouse Supply (ha) Office Supply, sqm	Industrial/ Warehouse Supply minus Demand (ha) Office Net Need, sqm <i>Surplus or (Deficit)</i>
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Model One: Historic Take-Up – Scenario 2: Net Completions (completions minus losses).	(102.85)* (66,708)*	38.90 40,000	141.75 106,708
Model One: Historic Take-Up – Scenario 3: Gross Adjusted Completions	65.12 46,112	38.90 40,000	(26.22) (6,112)
Model Two: Employment forecasts (growth only)	1.90 71,200	38.90 40,000	37.00 (31,200)

Source: BE Group, 2019

Note:- * Negative forecast does not include a buffer

11.22 Scenario 3 best reflects real world market conditions; patterns of redevelopment and the constrained nature of land uses in the City and is recommended as the preferred scenario of the three.

11.23 *Model Two* – The forecasts of industry sector activity (jobs), suggest land supply surpluses of 37.00 ha and 31,200 sqm of offices on a growth-only. However, BE Group does not recommend that the economic forecasts be the basis for defining employment land need. This is because the forecasts represent the absolute minimum amount of land required to accommodate the activities of different industry sectors. Other issues include:

- That within sectors expected to decline (particularly manufacturing) there will still be businesses that will grow and expand
- That there will be local market churn
- That there will be a need to maintain a choice of supply by size, type, location and quality of sites and premises for businesses at differing levels of their maturity
- That there should be a continuing forward supply to accommodate area development beyond 2036.

11.24 While not necessarily out of line with recent jobs change trends, Oxford Economics forecasting still appears pessimistic in that it suggests that the City will see little

economic growth in industrial sectors. Certainly, both stakeholder consultations and data sources indicate growth aspirations in the local manufacturing sector, while socio-economic assessment in Section 3.0 suggests reasonable growth in the working age population generally. The City should aspire to match (and exceed) the economic growth it has achieved in the recent past.

11.25 It is recommended that Leicester City Council use the roll forward of historic take-up as the main measure of the Leicester's future land needs for the period up to 2036 (see Table 37). Specifically, the Council should use Scenario 3: Gross Adjusted Completions.

11.26 This indicates a need of 65.12 ha of industrial/warehouse land and 6,112 sqm of B1(a) offices over 2019-2036. The figure is inclusive of a five-year buffer in supply to reflect a choice of sites by size, quality and location and to provide a continuum of supply beyond the end of the 2036.

11.27 With the recent completion of the 3,020 sqm office building One Great Central Square, Vaughan Way, the outstanding B1(a) office requirement for the City, for 2020/21 onwards is 3,092 sqm.

Recommendation 7 – Pursue a Cross Boundary Approach to Meeting Needs

11.28 Comparing OAN against supply suggests that Leicester has capacity to meet 70 percent of its industrial requirement, within its Strategic Development Sites, plus two smaller plots. The identified office schemes could meet 86.7 percent of the B1(a) requirement, leaving only 6,112 sqm of need. The completion of One Great Central Square (3,020 sqm) now meets half that net B1(a) office OAN, leaving only 3,092 sqm to find from other sources. Given the diverse range of City Centre regeneration and private sector development proposals identified in the pipeline – including Central Viaduct (Great Central, capacity for up to 31,500 sqm although only a portion of this may be delivered by 2036) and further regeneration at Waterside (current proposals include three further offices of 1,858 sqm each, 5,574 sqm total) – it is possible to have confidence that the final outstanding office requirement, 3,092 sqm, can be met in central Leicester by 2036.

11.29 It is less clear if the outstanding industrial and warehouse OAN, some 20 ha, can be met in the City Boundary. Expanding, B1/B2/B8 provision in the Strategic Development Sites by 28 ha could prove challenging given site constraints and

competing requirements for housing. Windfall redevelopments are possible, in the PDAs and elsewhere but cannot be relied upon.

11.30 Thus, even with the Strategic Development Sites meeting the bulk of the requirement, **it is recommended that Leicester look to its neighbours in the FEMA to meet the outstanding 26 ha industrial/warehouse OAN of the City.** In making this recommendation, it is noted that officers of Blaby District Council have already undertaken high level, non-binding, discussions with the City Council about the City supporting Blaby's B1(a) office needs. Blaby's office requirements, 106,750 sqm of floorspace to 2031, as of the 2017 HEDNA, are sizable. However, given that the City's pipeline of floorspace is a maximum of 77,000 sqm, based on schemes known at this time, of which 60 percent will be required to meet the City's own OAN, the identified B1(a) need could not be met entirely by the City.

11.31 One other concern regarding such an arrangement is that most recent development in Blaby District, and elsewhere on the M1 Corridor has been for strategic logistics uses, serving a regional/national market and of less direct benefit to Leicester which needs B2 industrial land. Evidence suggests that much future take up in the County will be for larger B8 uses as well. Thus, if land is provided, in Blaby or elsewhere, to meet City needs planning policy will need to ensure it's take up for industrial rather than warehouse uses.

Other Issues

Recommendation 8 – Maintain Awareness of External Influences

11.32 Reflecting the above it is **recommended that Leicester continue to recognise its role, together with the other Leicestershire authorities, in developing the HMA and FEMA's economy (equivalent to the County).** In this respect they are interconnected, to varying degrees, on several levels.

11.33 This includes consideration of common issues of land supply, including areas such as Western Park Golf Course where possible allocations overlap City boundaries. It also includes the major strategic B2/B8 schemes, and SUEs, etc. being delivered in the west of the county, which are of larger than local scope. Additionally, schemes such as the Melton Food Manufacturing Zone may compete with Leicester's key sectors.

11.34 Both Blaby and North West Leicestershire Districts, have extensive requirements for B1(a) office land, derived from the 2017 HEDNA. Delivery of office uses at the scale suggested, up to 56 ha to 2036, in peripheral locations such as North West Leicestershire appears unlikely, but if achieved, even in part, would provide significant competition for Leicester City Centre. North West Leicestershire is reviewing its HEDNA derived needs figures while Blaby is looking to direct its requirements towards the City. The City Council should continue to monitor this changing situation.

Recommendation 9 – Future Reviews

11.35 This report has shown how market conditions in Leicester are evolving, with a business base seeking growth but limitations on the local supply of land and premises. Recent development experience and discussions on the development pipeline indicate that there are prospects for growth in both the City Centre and industrial estate, although viability concerns may still inhibit some developments, without public sector support.

11.36 Across the county, strategic developments are proceeding, while two Leicestershire Authorities have big identified requirements for B1(a) office land which, if delivered would impact on Leicester as the County's office centre. Nationally, macro-economic conditions may change rapidly following Brexit. In view of these factors, the City should review its employment land portfolio at intervals of around five years. This is also in accordance with the NPPF which recommends Local Plan, and evidence base, reviews at least once every five years.

Appendix 1

List of Consultees

Appendix 1 – List of Consultees

Andrew and Ashwell
APB
Ashton Green Development
Blaby District Council
Brackley Property Developments
Cofresh
Charnwood Borough Council
Grafton Gate
HDH Planning and Development
Hinkley and Bosworth Borough Council
Innes England
JLL
Lambert Smith Hampton
Leicester City Council
Leicestershire County Council
Leicestershire Local Enterprise
Partnership
Leicester University
Melton Borough Council
Moores Commercial
North West Leicestershire District
Council
Oadby and Wigston Borough Council
Parke
PPL/PRS

Appendix 2

Vacant Property Schedules

Appendix 2 – Vacant Property Schedules

Table A2.1 – Industrial

Address	Tenure	Size		Rent (£/Sqm)	Price	Agent
		Sqft	Sqm			
B & S Business Centre, 505-507, Saffron Lane, Leicester, LE2 6JW	LH	365	34	~	~	Innes England
Unit 12, Clarendon Business Park, LE2 6AN	LH	500	46	157	~	Reign Commercial Ltd
Unit 132, Milligan Road	LH	500	46	143	~	Reign Commercial Ltd
Industrial Units, Maidstone Road, Leicester, LE2 0UA	LH	500	46	107	~	Kal Sangra - Shonki Brothers
Industrial Units, Maidstone Road, Leicester, LE2 0UA	LH	500	46	101	~	Kal Sangra - Shonki Brothers
Industrial Units, Maidstone Road, Leicester, LE2 0UA	LH	500	46	107	~	Kal Sangra - Shonki Brothers
Rear Of, 1-5, Beatrice Road, Leicester, LE3 9FH	LH	502	47	75	~	Shonki Bros
Light Industrial Unit at, Constitution Hill, Leicester, LE1 1PL	LH	615	57	~	~	Arch Company
The Beaver Centre, Putney Road West, Leicester, LE2 7TD	LH	672	62	121	~	APB Chartered Surveyors
2a Sheridan Street, LE2 7NG	FH	775	72	~	149,950.00	Hassan Gaffar
Unit 130, Milligan Road	LH	800	74	130	~	Reign Commercial Ltd
Manners Road, LE2 8ET	LH	925	86	105	~	Reign Commercial Ltd
Industrial Units, Maidstone Road, Leicester, LE2 0UA	LH	1,000	93	106	~	Kal Sangra - Shonki Brothers
Optimus Point, Enterprise Centre, Optimus Way, Leicester, LE3 8JS	LH	1,000	93	81	~	APB Chartered Surveyors
Wanstead Industrial Estate, Wanstead Road, Leicester, LE3 1TR	LH	1,000	93	~	~	Spencers Druce Naylor Parkes
Unit 4, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,248	116	~	290,000	Mather Jamie
Unit 5, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,248	116	~	290,000	Mather Jamie
Unit 6, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,248	116	~	290,000	Mather Jamie
Unit 7, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,248	116	~	290,000	Mather Jamie
Unit 1, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,334	124	~	395,000	Mather Jamie
Land At, Green Lane Road, Title Street, Leicester, LE5 4PB	LH	1,464	136	~	~	APB Chartered Surveyors
Unit 2, Optimus point, Enterprise Centre, Optimus Way, Leicester, LE3 8JS	LH	1,500	139	108		APB Chartered Surveyors
8, Ashford Road	LH	1,647	153	114	~	Peter Tew
Unit 2, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,668	155	~	376,000	Mather Jamie
Unit 3, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,668	155	~	376,000	Mather Jamie
Unit 8, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,765	164	~	~	Mather Jamie

497, Saffron Lane, Burgess Road, Leicester, LE2 6UG	LH	1,803	168	62	~	APB Chartered Surveyors
Unit 9, Glenborough Court, Station Road, Leicester, LE3 8BT	LH	1,840	171	~	~	Mather Jamie
Rear Of, 54, Thurcaston Road, Leicester, LE4 5PF	LH	1,879	175	69	~	Andrew & Ashwell
Industrial Units, Gladstone Street, Leicester, LE1 2BN	LH	2,030	189	~	~	APB Chartered Surveyors
Industrial Units, Gladstone Street, Leicester, LE1 2BN	LH	2,106	196	~	~	APB Chartered Surveyors
Land & Factory Building, Eastern Boulevard, Leicester, LE2 7HT	LH	2,200	204	~	~	Andrew & Ashwell
2, Pinfold Road, Leicester, LE4 8AS	FH	2,217	206	~	140,000	Andrew & Ashwell
Industrial Units, Highmeres Road, Leicester, LE4 9LZ	LH	2,536	236	64	~	Andrew & Ashwell
Industrial Units, Gladstone Street, Leicester, LE1 2BN	LH	2,559	238	~	~	APB Chartered Surveyors
Marlow Road Industrial Estate, Marlow Road, Leicester, LE3 2BQ	LH	2,757	256	~	~	APB Chartered Surveyors
Scotia House, 17, Ann Street, Leicester, LE1 1SR	LH	3,001	279	38	~	Innes England
111, Barkby Road, Leicester, LE4 9LG	LH	3,134	291	65	~	APB Chartered Surveyors
Faircharm Trading Estate, Evelyn Drive, Leicester, LE3 2BU	LH	3,637	338	19	~	Andrew & Ashwell
Unit 1, 14 Highcliffe Road, Hamilton Industrial Park	FH	3,660	340	~	450,000	Andrew Ashwell
Barkby Road	LH	3,800	353	96	~	Naylors
Hamilton Industrial Estate, High View Close, Leicester, LE4 9LJ	LH	3,877	360	~	~	APB Chartered Surveyors
Faircharm Trading Estate, Evelyn Drive, Leicester, LE3 2BU	LH	3,911	363	37	~	Andrew & Ashwell
Faircharm Trading Estate, Evelyn Drive, Leicester, LE3 2BU	LH	3,957	368	19	~	Andrew & Ashwell
Glenmore Foundry Industrial Estate, Pinfold Road, Leicester, LE4 8BR	LH	4,130	384	48	~	Andrew & Ashwell
12, Cannock Street, Leicester, LE4 9HR	LH	4,351	404	53	~	Innes England
Land At, Green Lane Road, Title Street, Leicester, LE5 4PB	LH	4,397	408	~	~	APB Chartered Surveyors
Industrial Units At, Saffron Way, Leicester, LE2 6UP	LH	4,404	409	~	260,000	Innes England
10, Oliver Road, Leicester, LE4 7GQ	LH	5,560	517	~	~	Spencers Druce Naylor Parkes
3, Oakland Road, Leicester, LE2 6AN	LH	5,565	517	77	~	APB Chartered Surveyors
66, Commercial Square, Leicester, LE2 7SR	LH	5,575	518	68	~	Lambert Smith Hampton
334-336, Humberstone Lane, Leicester, LE4 9JP	LH	5,721	531	~	~	Andrew & Ashwell
Hamilton Industrial Estate, High View Close, Leicester, LE4 9LJ	LH	5,836	542	~	~	APB Chartered Surveyors
Hamilton Industrial Estate, High View Close, Leicester, LE4 9LJ	LH	5,847	543	~	~	APB Chartered Surveyors
Parker Drive Trade Park, Parker Drive, Leicester, LE4 0JP	LH	6,000	557	~	~	Andrew & Ashwell
376-376b, Western Road, Leicester, LE3 0ED	LH	6,070	564	41	~	Kal Sangra

Oakland Road, LE2	LH	6,315	587	41	~	Oadby Estates
Freemens Common Industrial Estate, Chiswick Road, Leicester, LE2 7SX	LH	6,319	587	72	~	Innes England
Elizabeth Street, North Evington, LE5 4GR	LH	6,498	604	30	~	Seths Chartered Surveyors
Wharf Way Industrial Estate, Wharf Way, Leicester, LE2 9TF	LH	6,856	637	78	~	Andrew & Ashwell
128, Station Road, Leicester, LE3 8BR	LH	7,111	661	42	~	NG Chartered Surveyors
Hamilton Industrial Estate, High View Close, Leicester, LE4 9LJ	LH	7,145	664	~	~	APB Chartered Surveyors
113, Barkby Road, Leicester, LE4 9LG	LH	8,491	789	~	~	APB Chartered Surveyors
Wharf Way Industrial Estate, Wharf Way, Leicester, LE2 9TF	LH	8,713	809	78	~	Andrew & Ashwell
Wharf Way Industrial Estate, Wharf Way, Leicester, LE2 9TF	LH	8,881	825	78	~	Andrew & Ashwell
Troon Way Business Centre, Humberstone Lane, Leicester, LE4 9HA	LH	9,000	836	61	~	Andrew & Ashwell
120, Ross Walk, Leicester, LE4 5HH	LH	9,035	839	~	~	APB Chartered Surveyors
54-58, Friday Street, Leicester, LE1 3BW	LH	9,800	910	~	~	Andrew & Ashwell
Freemens Common Industrial Estate, Chiswick Road, Leicester, LE2 7SX	LH	10,077	936	49	~	Innes England
Industrial Units, Ross Walk, Leicester, LE4 5HH	LH	10,103	939	~	~	Andrew & Ashwell
350, Melton Road, Leicester, LE4 7SL	LH	10,525	978	38	~	Innes England
31, Percy Road, Leicester, LE2 8FP	LH	11,069	1,028	~	~	APB Chartered Surveyors
Wharf Way Industrial Estate, Wharf Way, Leicester, LE2 9TF	LH	11,869	1,103	75	~	Andrew & Ashwell
106, Grace Road, Kempson Road, Leicester, LE2 8AZ	LH	14,536	1,350	35	~	Andrew & Ashwell
Queens Road, Leicester	LH	17,457	1,622	~	~	Readings Property Group
35, Rydal Street, 30a Ullswater Street, Leicester, LE2 7DS	LH	18,701	1,737	~	~	Andrew & Ashwell
Warehouse 7, Mill lane Industrial Estate, LE3	LH	20,000	1,858	~	~	Glenfield Storage Solutions Ltd
Parker Drive Trade Park, Parker Drive, Leicester, LE4 0JP	LH	21,500	1,997	~	~	Andrew & Ashwell
111, Cannock Street, Leicester, LE4 9HR	FH	21,890	2,034	~	125,000	Andrew & Ashwell
Golden Gate Park, LE4 6AR	FH	26,803	2,490	~	~	JLL
301 Thurmaston Lane, LE4 9UX	FH	27,310	2,537	~	~	Andrew Ashwell
City Industrial Units, Crafton Street West, Leicester, LE1 2DE	LH	28,038	2,605	~	~	Phillips Sutton Associates Limited
2, Disraeli Street, Leicester, LE2 8LX	LH	33,068	3,072	~	~	Innes England
11, Pinfold Road, Leicester, LE4 8AS	LH	35,791	3,325	~	~	Knight Frank LLP
2, Pinfold Road, Leicester, LE4 8AS	FH	35,791	3,325	~	225,000	Andrew & Ashwell
Leicester Distribution Park, Scudamore Road, Leicester, LE3 1UR	LH	50,000	4,645	~	~	Innes England
86-90, Scudamore Road, Leicester, LE3 1UQ	LH	50,326	4,675	~	~	Innes England

Braunstone Frith Industrial Estate, Murrayfield Road, Elland Road, Leicester, LE3 1UW	FH	55,035	5,113	~	220,000	Spencers Druce Naylor Parkes
Booker Cash & Carry, Murrayfield Road, Leicester, LE3 1UW	LH	56,519	5,251	~	~	Allsop
Leicester Distribution Park, Scudamore Road, Leicester, LE3 1UR	LH	59,999	5,574	~	~	Innes England
429, Melton Road, Leicester, LE4 7SJ	LH	60,000	5,574	~	~	JLL
Leicester Distribution Park, Scudamore Road, Leicester, LE3 1UR	LH	99,999	9,290	~	~	Innes England

Source: Radius Data Exchange, Individual Property Agents Websites, 2019

Table A2.2 –Office

Address	Tenure	Size		Rent (£/Sqm)	Price	Agent
		Sqft	Sqm			
1 Sheene Road, Beaumont Leys LE4 1BF	FH	9366	870	~	~	Innes England
Toad Hall, 5, Frog Island, LE3 5AG	LH	1,700	158	54	~	Sturgis Snow and Astill
Unit 9 The Woodgate Centre	LH	2,969	276	54	~	Wells McFarlane
13-15 Belvoir Street	LH	7,445	692	54	~	Spencers Druce Naylor Parkes
6-8, Silver Street, LE1 5ET	LH	2,217	206	57	~	APB Chartered Surveyors
Troon Way Business Centre, Humberstone Lane, LE4 9HA	LH	4,235	393	59	~	Andrew & Ashwell
24-26, Market Place, LE1 5GF	LH	2,027	188	67	~	Phillips Sutton Associates Limited
81-83 Charles Street, Leicester, LE1 1FA	LH	1,806	168	68	~	Kal Sangra
78-80, Burleys Way, LE1 3BD	LH	2579	240	69	~	APB Chartered Surveyors
32, Cank Street, LE1 5GX	LH	1,827	170	74	~	Phillips Sutton Associates Limited
3/3a, Needham Avenue, LE2 9JL	LH	642	60	75	~	Faulkner & Co Commercial
Southgate House, 61, Millstone Lane, LE1 5JN	LH	10,982	1,020	80	~	Andrew & Ashwell
340, Melton Road, LE4 7SL	LH	6,481	602	83	~	Andrew & Ashwell
Saxby Street, LE2 0ND	LH	2,346	218	85	~	SmartMove
78-80, Burleys Way, LE1 3BD	LH	2,557	238	86	~	APB Chartered Surveyors
Linton Street	LH	750	69	87	~	Readings Property Group
Boston House, Boston Road, LE4 1AW	LH	10,916	1,014	89	~	Andrew & Ashwell
Fifth Floor, Rutland Centre, 56, Halford Street, LE1 1TQ	LH	10,014	930	92	~	APB Chartered Surveyors
Seventh Floor, Rutland Centre, 56, Halford Street, LE1 1TQ	LH	10,014	930	92	~	APB Chartered Surveyors
Sixth Floor, Rutland Centre, 56, Halford Street, LE1 1TQ	LH	10,014	930	92	~	APB Chartered Surveyors
60, Charles Street, LE1 1FB	LH	14,658	1,362	92	~	Kal Sangra - Shonki Brothers
St Martins House, 7, Peacocks Lane, Le1 1WB	LH	2,248	226	95		Andrew Granger & Company Limited
27, Bowling Green Street, LE1 6AS	LH	1,559	145	97	~	Innes England

Willow Court, 34, Thurmaston Lane	LH	2,783	259	97	~	APB Chartered Surveyors
Town Square, Syston	LH	1,057	97	98	~	Reign Commercial Ltd
Faraday Court, Conduit Street, LE2 0JN	LH	2,129	198	101	~	Phillips Sutton Associates Limited
Foundry Square, Archdeacon Lane, LE1 3WU	LH	3,716	345	101	~	APB Chartered Surveyors
De Montfort House, 1, De Montfort Square, LE1 7ER	LH	2,545	236	102	~	APB Chartered Surveyors
920, Melton Road, LE4 8GR	LH	7,765	721	104	~	Mather Jamie
St. Martins House, 7, Peacock Lane, LE1 5PZ	LH	3,946	367	105	~	Andrew Granger & Company Limited
The Crescent, King Street, LE1 6RX	LH	1,173	109	108	~	APB Chartered Surveyors
56, King Street, LE1 6RL	LH	1,297	120	108	~	APB Chartered Surveyors
Pegasus House, 17, Burleys Way, LE1 3BH	LH	21,028	1,953	108	~	Andrew & Ashwell
Start-up offices, Queniborough	LH	228	21	111	~	Moore's Commercial
33, Chandos Street, Leicester, LE2 1BL	LH	665	62	113	~	Kal Sangra
148, Upper New Walk, LE1 7QA	LH	2,154	200	113	~	Andrew & Ashwell
Newtown Street, LE1	LH	1,608	149	114	~	Peter Tew and Company
The Crescent, King Street, LE1 6RX	LH	458	43	116	~	APB Chartered Surveyors
Rowsley Street, LE5	LH	1,842	171	117	~	Parmars
Provincial House, 37, New Walk, LE1 6TU	LH	1,917	178	118	~	Innes England
1B, Salisbury Road, New Walk, LE1 7QR	LH	1,968	183	123	~	Andrew & Ashwell
Westbridge Court, 5-6, Westbridge Close, LE3 5LW	LH	1,067	99	129	~	APB Chartered Surveyors
Aylestone	LH	200	18	130	~	Moore's Commercial
Enkalon House, 92, Regent Road, LE1 7DD	LH	2,318	215	130	~	Phillips Sutton Associates Limited
St Johns House, 30, East Street, LE1 6NB	LH	1,774	165	135	~	Andrew & Ashwell
St Johns House, 30, East Street, LE1 6NB	LH	1,976	184	135	~	Innes England
24, De Montfort Street, LE1 7GB	LH	2,167	201	135	~	Andrew & Ashwell
St Johns House, 30, East Street, LE1 6NB	LH	2,806	260	135	~	Innes England
St Johns House, 30, East Street, LE1 6NB	LH	4,024	374	135	~	Innes England
St Johns House, 30, East Street, LE1 6NB	LH	15,176	1,501	135	~	Innes England
Bridge Park Plaza, Bridge Park Road, LE4 8PQ	LH	1,877	175	146	~	Andrew & Ashwell
First Floor Office, 14 Saffron Road	LH	505	47	149	~	Wells McFarlane
Bridge Business Park, Riverside House, Bridge Park Road, LE4 8BL	LH	11,895	1,105	151	~	Andrew & Ashwell
St Margarets Business Centre, Burleys Way, LE1 3BE	LH	11,008	1,023	157	~	Andrew & Ashwell

Unit 11, Narborough Wood Park	LH	1,867	173	162	~	Wells McFarlane
22-24 Horsefair Street, LE1	LH	1,326	132	166	~	Lambert Smith Hampton
87-89, Queens Road, LE2 1TT	LH	421	39	167	~	Innes England
10-12, Francis Street, LE2 2BD	LH	680	63	190	~	Phillips Sutton Associates Limited
Ground Floor, 2, Colton Square, LE1 1QH	LH	3,436	319	199	~	Innes England
First Floor, 1, Colton Square, LE1 1QH	LH	4,113	382	199		Innes England
1st Floor, 1, Colton Square, LE1 1QH	LH	5,274	490	199		Innes England
3rd Floor, 1, Colton Square, LE1 1QH	LH	10,388	965	199	~	Innes England-Phillips Sutton Associates Limited
98, New Walk, LE1 7EA	LH	608	56	213	~	Sturgis Snow and Astill
Friars Mill, Bath Lane, LE3 5BF	LH	942	88	213	~	Andrew & Ashwell
87-89, Queens Road, LE2 1TT	LH	310	28	214	~	Innes England
Orchardson Avenue, LE4	LH	548	50	288	~	Oadby Estates
5, Museum Square, LE1	LH	160	14	360	~	Exeid Ltd
Upper King Street, LE1	LH	1,500	139	453	~	Search Office Space (SOS)
108 New Walk, LE1 7EA	LH	112	10	462	~	Landmark Properties
Ross Walk, LE4	LH	1,500	139	583	~	Search Office Space (SOS)
Woodside House, 218, London Road, LE2 1NE	LH	190	18	~	~	APB Chartered Surveyors
6, St. George's House, LE1 1SH	LH	250	23	~	~	Regus
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	287	27	~	~	APB Chartered Surveyors
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	434	40	~	~	APB Chartered Surveyors
Woodside House, 218, London Road, LE2 1NE	LH	693	64	~	~	APB Chartered Surveyors
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	718	67	~	~	APB Chartered Surveyors
Woodside House, 218, London Road, LE2 1NE	LH	736	68	~	~	APB Chartered Surveyors
Sheridan Street	FH	775	72	~	149,950	Readings Property Group
9, Newarke Street, LE1 5SN	LH	1,372	127	~	~	Innes England
Premier House, 29, Rutland Street, LE1 1RE	LH	1,388	129	~	~	Phillips Sutton Associates Limited
Eagle Star House, 11, Friar Lane, LE1 5RB	LH	1,500	139	~	~	Search Office Space (SOS)
Premier House, 29, Rutland Street, LE1 1RE	LH	1,517	141	~	~	Phillips Sutton Associates Limited
24-26, Market Place, LE1 5GF	LH	1,827	170	~	~	APB Chartered Surveyors
Humberstone House, Humberstone Gate, LE1 1WB	LH	2,080	193	~	~	Andrew & Ashwell
24-26, Market Place, LE1 5GF	LH	2,120	197	~	~	Phillips Sutton Associates Limited
Horsefair House, 1-5, Horsefair Street, LE1 5BP	LH	2,136	199	~	~	Innes England

Severn Street, LE2 1BA	FH	2,192	203	~	350,000	Pattinson Estate Agents
42-44 Churchgate (Upper floors), LE1 3AL	FH	2,196	204	~	489,000	Innes England
Humberstone House, Humberstone Gate, LE1 1WB	LH	2,354	219	~	~	Andrew & Ashwell
17, Granby Street, LE1 6EJ	LH	2,409	224	~	~	Phillips Sutton Associates Limited
Kobe House, 18-30, Charles Street, LE1 3FG	LH	2,554	237	~	~	Johnson Fellows & Company
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	2,686	250	~	~	APB Chartered Surveyors
32-34, Charles Street, LE1 3FG	LH	2,754	256	~	~	Innes England
Humberstone House, Humberstone Gate, LE1 1WB	LH	3,946	367	~	~	Andrew & Ashwell
Humberstone House, Humberstone Gate, LE1 1WB	LH	3,946	367	~	~	Andrew & Ashwell
Unit 7 Saffron Way, LE2 6UP	FH	4,404	409	~	260,000	Innes England
Kobe House, 18-30, Charles Street, LE1 3FG	LH	4,688	436	~	~	Johnson Fellows & Company
Office Building, East Street, LE1 6NB	LH	4,800	446	~	~	APB Chartered Surveyors
Mercury Place, Saint George Street, LE1 1QG	LH	4,946	459	~	~	CBRE Ltd
Arnhem House, 31, Waterloo Way, LE1 6LR	LH	5,898	548	~	~	Innes England
2B Stoughton Drive, LE5 5UB	FH	6,061	563	~	~	PropList
7-11 Humberstone Gate LE1 1WA	FH	6,101	566	~	1,300,000	Barker Storey Matthews
Waterloo House, 71, Princess Road West, LE1 6TR	LH	6,434	598	~	~	Andrew & Ashwell
166-170, London Road, LE2 1ND	LH	6,526	606	~	~	Andrew & Ashwell
Premier House, 29, Rutland Street, LE1 1RE	LH	8,840	822	~	~	Andrew & Ashwell
1, Pocklingtons Walk, LE1 6BT	LH	9,892	919	~	~	APB Chartered Surveyors
Mansion House, 41, Guildhall Lane, LE1 5FR	LH	11,446	1,063	~	~	Phillips Sutton Associates Limited
Southgate House, 61, Millstone Lane, LE1 5JN	LH	13,258	1,232	~	~	Lambert Smith Hampton
St James Street, LE1 3SU	FH	14,843	1,379	~	725,000	Moores Commercial
Eastgate House, 19-23, Humberstone Road, LE5 3GJ	LH	15,370	1,428	~	~	Andrew & Ashwell
22-26 Horsefair Street. LE1 5BD	FH	18,694	1,737	~	2,100,000	Innes England
Waterside Office Park, Northgate Street, LE3 5BY	LH	20,000	1,858	~	~	Andrew & Ashwell
Gateway House, 4, Penman Way	LH	20,284	1,885	~	~	JLL
301 Thurmaston Lane, LE4 9UX	FH	27,917	2,594	~	~	Rapleys
LE3 Business Park, Oak Spinney Park, Ratby Lane, LE3 3AW	LH	30,000	2,787	~	~	Andrew & Ashwell
2 Disraeli Street, Aylestone, LE2 8LX	FH	33,068	3,072	~	1,050,000	Innes England
5 Floors, One Great Central Square, Vaughan Way, LE1 4NR	LH	33,192	3,020	~	~	JLL
86-90 Scudamore Road, LE3 1UQ	FH	50,326	4,675	~	2,500,000	Innes England

Source: Radius Data Exchange, Individual Property Agents Websites, 2019

Table A2.3 – Office, City Centre Availabilities

Address	Tenure	Size		Price (£/Sqm)	Price	Agent
		Sqft	Sqm			
22-24 Horsefair Street, LE1	LH	2,911	270	14	~	Lambert Smith Hampton
The Woodgate Centre	LH	2,969	276	54	~	Wells McFarlane
13-15 Belvoir Street	LH	7,445	692	54	~	Spencers Druce Naylor Parkes
6-8, Silver Street, LE1 5ET	LH	2,217	206	57	~	APB Chartered Surveyors
24-26, Market Place, LE1 5GF	LH	2,027	188	67	~	Phillips Sutton Associates Limited
81-83 Charles Street, Leicester, LE1 1FA	LH	1,806	168	68	~	Kal Sangra
78-80, Burleys Way, LE1 3BD	LH	2579	240	69	~	APB Chartered Surveyors
32, Cank Street, LE1 5GX	LH	1,827	170	74	~	Phillips Sutton Associates Limited
Southgate House, 61, Millstone Lane, LE1 5JN	LH	10,982	1,020	80	~	Andrew & Ashwell
78-80, Burleys Way, LE1 3BD	LH	2,557	238	86	~	APB Chartered Surveyors
Fifth Floor, Rutland Centre, 56, Halford Street, LE1 1TQ	LH	10,014	930	92	~	APB Chartered Surveyors
Seventh Floor, Rutland Centre, 56, Halford Street, LE1 1TQ	LH	10,014	930	92	~	APB Chartered Surveyors
Sixth Floor, Rutland Centre, 56, Halford Street, LE1 1TQ	LH	10,014	930	92	~	APB Chartered Surveyors
60, Charles Street, LE1 1FB	LH	14,658	1,362	92	~	Kal Sangra - Shonki Brothers
St Martins House, 7, Peacocks Lane, Le1 1WB	LH	2,248	226	95		Andrew Granger & Company Limited
27, Bowling Green Street, LE1 6AS	LH	1,559	145	97	~	Innes England
Foundry Square, Archdeacon Lane, LE1 3WU	LH	3,716	345	101	~	APB Chartered Surveyors
De Montfort House, 1, De Montfort Square, LE1 7ER	LH	2,545	236	102	~	APB Chartered Surveyors
St. Martins House, 7, Peacock Lane, LE1 5PZ	LH	3,946	367	105	~	Andrew Granger & Company Limited
The Crescent, King Street, LE1 6RX	LH	1,173	109	108	~	APB Chartered Surveyors
56, King Street, LE1 6RL	LH	1,297	120	108	~	APB Chartered Surveyors
Pegasus House, 17, Burleys Way, LE1 3BH	LH	21,028	1,953	108	~	Andrew & Ashwell
148, Upper New Walk, LE1 7QA	LH	2,154	200	113	~	Andrew & Ashwell
Newtown Street, LE1	LH	1,608	149	114	~	Peter Tew and Company
The Crescent, King Street, LE1 6RX	LH	458	43	116	~	APB Chartered Surveyors
Provincial House, 37, New Walk, LE1 6TU	LH	1,917	178	118	~	Innes England
1B, Salisbury Road, New Walk, LE1 7QR	LH	1,968	183	123	~	Andrew & Ashwell
Enkalon House, 92, Regent Road, LE1 7DD	LH	2,318	215	130	~	Phillips Sutton Associates Limited

St Johns House, 30, East Street, LE1 6NB	LH	1,774	165	135	~	Andrew & Ashwell
St Johns House, 30, East Street, LE1 6NB	LH	1,976	184	135	~	Innes England
24, De Montfort Street, LE1 7GB	LH	2,167	201	135	~	Andrew & Ashwell
St Johns House, 30, East Street, LE1 6NB	LH	2,806	260	135	~	Innes England
St Johns House, 30, East Street, LE1 6NB	LH	4,024	374	135	~	Innes England
St Johns House, 30, East Street, LE1 6NB	LH	15,176	1,501	135	~	Innes England
First Floor Office, 14 Saffron Road	LH	505	47	149	~	Wells McFarlane
St Margarets Business Centre, Burleys Way, LE1 3BE	LH	11,008	1,023	157	~	Andrew & Ashwell
Unit 11, Narborough Wood Park	LH	1,867	173	162	~	Wells McFarlane
Ground Floor, 2, Colton Square, LE1 1QH	LH	3,436	319	199	~	Innes England
First Floor, 1, Colton Square, LE1 1QH	LH	4,113	382	199		Innes England
1st Floor, 1, Colton Square, LE1 1QH	LH	5,274	490	199		Innes England
3rd Floor, 1, Colton Square, LE1 1QH	LH	10,388	965	199	~	Innes England-Phillips Sutton Associates Limited
98, New Walk, LE1 7EA	LH	608	56	213	~	Sturgis Snow and Astill
5, Museum Square, LE1	LH	160	14	360	~	Exeid Ltd
Upper King Street, LE1	LH	1,500	139	453	~	Search Office Space (SOS)
108 New Walk, LE1 7EA	LH	112	10	462	~	Landmark Properties
Ross Walk, LE4	LH	1,500	139	583	~	Search Office Space (SOS)
6, St. George's House, LE1 1SH	LH	250	23	~	~	Regus
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	287	27	~	~	APB Chartered Surveyors
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	434	40	~	~	APB Chartered Surveyors
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	718	67	~	~	APB Chartered Surveyors
9, Newarke Street, LE1 5SN	LH	1,372	127	~	~	Innes England
Premier House, 29, Rutland Street, LE1 1RE	LH	1,388	129	~	~	Phillips Sutton Associates Limited
Eagle Star House, 11, Friar Lane, LE1 5RB	LH	1,500	139	~	~	Search Office Space (SOS)
Premier House, 29, Rutland Street, LE1 1RE	LH	1,517	141	~	~	Phillips Sutton Associates Limited
24-26, Market Place, LE1 5GF	LH	1,827	170	~	~	APB Chartered Surveyors
Humberstone House, Humberstone Gate, LE1 1WB	LH	2,080	193	~	~	Andrew & Ashwell
24-26, Market Place, LE1 5GF	LH	2,120	197	~	~	Phillips Sutton Associates Limited
Horsefair House, 1-5, Horsefair Street, LE1 5BP	LH	2,136	199	~	~	Innes England
42-44 Churchgate (Upper floors), LE1 3AL	FH	2,196	204	~	489,000	Innes England

Humberstone House, Humberstone Gate, LE1 1WB	LH	2,354	219	~	~	Andrew & Ashwell
17, Granby Street, LE1 6EJ	LH	2,409	224	~	~	Phillips Sutton Associates Limited
Rutland Centre, 56, Halford Street, LE1 1TQ	LH	2,686	250	~	~	APB Chartered Surveyors
32-34, Charles Street, LE1 3FG	LH	2,754	256	~	~	Innes England
Humberstone House, Humberstone Gate, LE1 1WB	LH	3,946	367	~	~	Andrew & Ashwell
Humberstone House, Humberstone Gate, LE1 1WB	LH	3,946	367	~	~	Andrew & Ashwell
Office Building, East Street, LE1 6NB	LH	4,800	446	~	~	APB Chartered Surveyors
Mercury Place, Saint George Street, LE1 1QG	LH	4,946	459	~	~	CBRE Ltd
Arnhem House, 31, Waterloo Way, LE1 6LR	LH	5,898	548	~	~	Innes England
2B Stoughton Drive, LE5 5UB	FH	6,061	563	~	~	PropList
7-11 Humberstone Gate LE1 1WA	FH	6,101	566	~	1,300,000	Barker Storey Matthews
Waterloo House, 71, Princess Road West, LE1 6TR	LH	6,434	598	~	~	Andrew & Ashwell
166-170, London Road, LE2 1ND	LH	6,526	606	~	~	Andrew & Ashwell
Premier House, 29, Rutland Street, LE1 1RE	LH	8,840	822	~	~	Andrew & Ashwell
1, Pocklingtons Walk, LE1 6BT	LH	9,892	919	~	~	APB Chartered Surveyors
Mansion House, 41, Guildhall Lane, LE1 5FR	LH	11,446	1,063	~	~	Phillips Sutton Associates Limited
Southgate House, 61, Millstone Lane, LE1 5JN	LH	13,258	1,232	~	~	Lambert Smith Hampton
St James Street, LE1 3SU	FH	14,843	1,379	~	725,000	Moore's Commercial
22-26 Horsefair Street. LE1 5BD	FH	18,694	1,737	~	2,100,000	Innes England
2 Disraeli Street, Aylestone, LE2 8LX	FH	33,068	3,072	~	1,050,000	Innes England
5 Floors, One Great Central Square, Vaughan Way, LE1 4NR	LH	33,192	3,020	~	~	JLL

Source: Radius Data Exchange, Individual Property Agents Websites, 2019

Appendix 3

Area Assessment Database

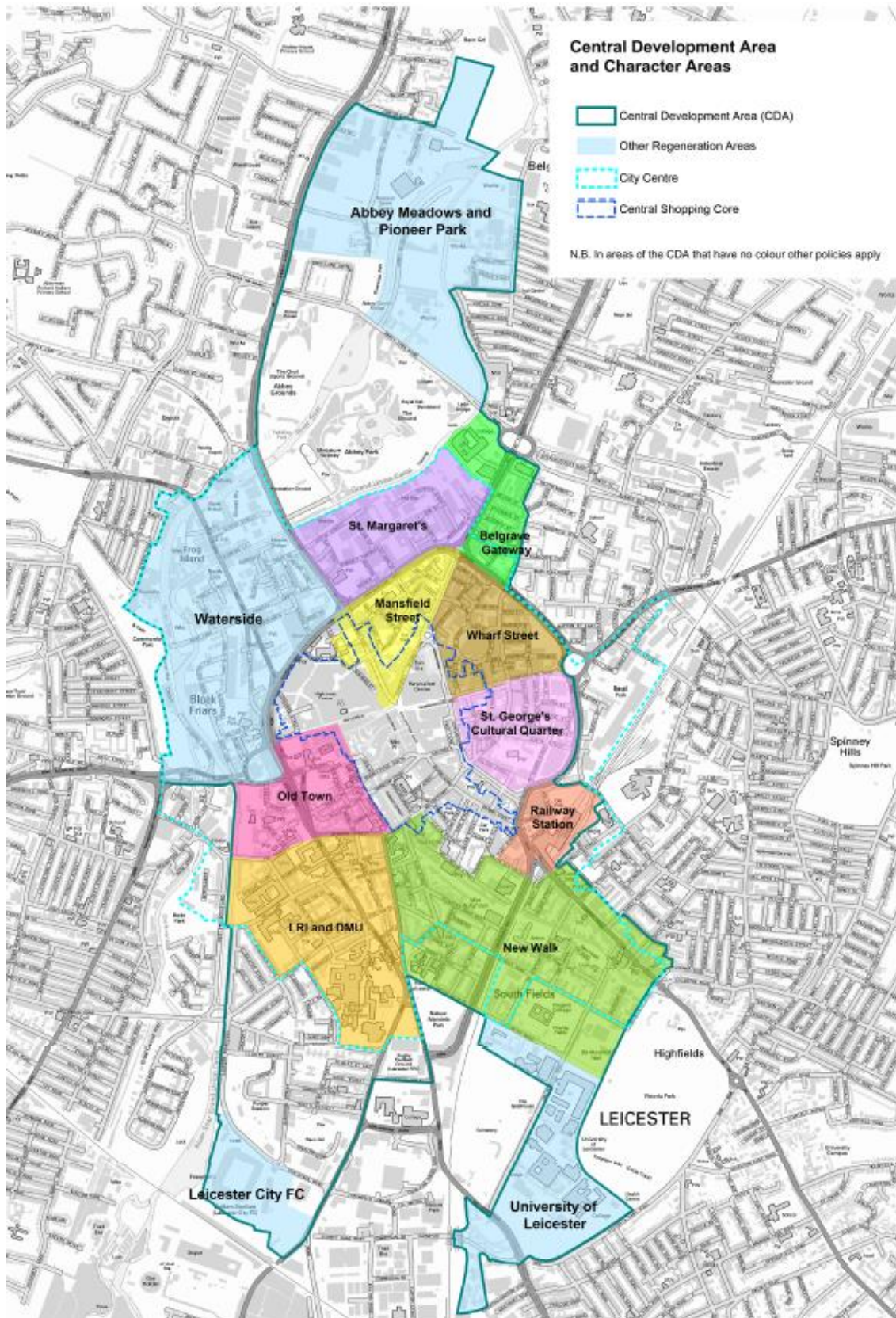
Appendix 3 – Area Assessment Database

See Separate Excel Database

Appendix 4

CDA and Character Areas

Appendix 4 – CDA and Character Areas



Source: LCC, 2020

Appendix 5

Developer Marketing Standards

Appendix 5 – Developer Marketing Standards

- A5.1 Where a sites' or premises' owner is applying to a Local Authority for change of use from employment to an alternative use, they have to prove there is a lack of demand for that site or premises.
- A5.2 This table itemises the various marketing tools that should typically be used to market the interest.
- A5.3 Should these tools fail to identify potential purchasers or occupiers then it may be considered that there is a lack of employment demand for the site or premises in question.

Table A5.1 – Developer Marketing Standards

Marketing Tool	Premises	Site, 0-2 ha	Site, 2+ ha
On-site Marketing Board in prominent position	✓	✓	✓
Local Property Agent	✓	✓	✓
Regional Property Agent (joint or sole)	✓		✓
Liaise with Leicester City Council/LLEP	✓	✓	✓
Produce Marketing Particulars (in hard copy/PDF)	✓	✓	✓
Targeted mailing to Local/County/Regional Property Agents (Internet)	✓	✓	✓
Targeted mailing to Local/County/Regional Property Developers/Investors (Internet)	✓	✓	✓
Targeted mailing to UK Property Agents/Developer/Investors (Internet/postal)			✓

Marketing Tool	Premises	Site, 0-2 ha	Site, 2+ ha
Targeted mailing to selected potential occupiers (large local companies) (Postal)	✓	✓	✓
Advertise in Local/County/Regional Business Press		✓	✓
Advertise in UK Property Press			✓
Website	✓	✓	✓
Internet Mailing to Targeted Business Sectors (e-shot type mailing)	✓	✓	✓
Marketing Period, months	6-12	6-12	9-18

Source: BE Group, 2019

End