

Coventry & Warwickshire Sub- Regional Employment Market Signals Study



Based on Data Summer / Autumn 2018

Published July 2019

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Job number: 2756

Version: FINAL

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Status: FINAL

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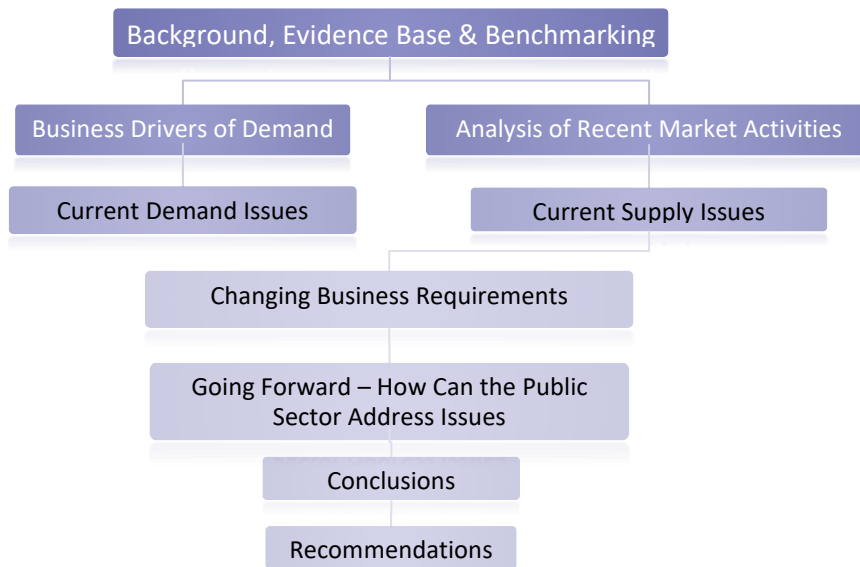
Glossary

Term	Definition
AME employment / logistics	Advanced Manufacturing and Engineering
BREEAM	Building Research Establishment Environmental Assessment Method
CPO	Compulsory Purchase Order
CWLEP	The Coventry and Warwickshire Local Enterprise Partnership
DPP	Development Partner Panel
EPC	Energy Performance Certificate
EPIC (in Nuneaton and Bedworth)	Eliot Park Innovation Centre
EZ	Enterprise Zone
FSB	Federation of Small Businesses
FT	The Financial Times
IE	Industrial Estate
IPD	Investment Property Databank
JLR	Jaguar Land Rover
JV	Joint Venture
LA Co	Local Authority Company
LEP	Local Enterprise Partnerships
LQ	Location Quotient
MIRA	Motor Industry Research Association
NNDR	National Non-Domestic Rates
NPPF	National Planning Policy Framework
PDR	Permitted Development Rights
PRS	Private Rented Sector
PWLB	Public Works Loan Board
R&D	Research and Development
SEP	Strategic Economic Plan
SME's	Small and medium-sized enterprises
SPV	Special Purpose Vehicle
Turnkey	Purpose built development to meet a company's specific requirements
VFM	Value for Money

1. Introduction

- 1.1 BBP Regeneration and Hardisty Jones have been jointly commissioned by the six Local Authorities within the Coventry and Warwickshire Housing Market Area (comprising Coventry City Council, North Warwickshire Borough Council, Nuneaton and Bedworth Borough Council, Rugby Borough Council, Stratford-upon-Avon District Council and Warwick District Council), along with Warwickshire County Council and the Coventry & Warwickshire Local Enterprise Partnership, to undertake an analysis and assessment of the market for employment land within the Coventry and Warwickshire sub-region.
- 1.2 The purpose of this high-level study is to assess the current and likely future demands of business for employment land and accommodation across the sub-region and understand how the current and anticipated future supply of employment land meets the needs of the market in terms of quality, type, specification, size and affordability as well as how general changes in the market for employment uses are impacting on property requirements in Coventry and Warwickshire.
- 1.3 This study provides an understanding of the sub-regional employment market, from a market perspective. Its findings will be used to both inform future discussions on potential public sector interventions and as part of the evidence to inform plan and policy-making to assist with the delivery of adopted and emerging plans as well as assist with the determination of planning applications. It will also feed into a full quantitative and qualitative assessment of employment land requirements to be undertaken under a separate commission once all the current round of local plans for the sub-region are in place. In the shorter term, the study identifies potential interventions for more immediate consideration and action.
- 1.4 The following diagram shows the adopted approach to the research, analysis and consultations underpinning this piece of work and the key questions that we are aiming to answer as part of the study.

Figure 1.1 Methodology



- 1.5 In summary, in order to provide an explanatory background / baseline for the Study, our initial work has been to examine the national, regional and sub-regional policies and trends that are influencing and shaping economic activity and therefore demand for land and premises, both now but more importantly

into the future. In particular the Strategic Economic Plan sets out the type of business activity that will dictate the type of property supply needed over the next 10+ years.

- 1.6 In particular we have examined in some detail the sub-regional Employment Land Review undertaken for the LEP in 2015, which was a critical piece of work at the time, and importantly provides a benchmark, against which we have considered the current demand and supply position, in order to identify whether any progress has been made in addressing the challenges identified at that stage, and if the conclusions drawn are still valid.
- 1.7 This was followed, by an analysis of the key business drivers (that ultimately lead to property demand), by looking at a range of data sources in order to understand the performance of the economy, business activity, employment, demographics / commuting patterns, and priority sectors going forward. We also undertook an internet based business survey into business needs, the results of which have been included in our analysis.
- 1.8 In parallel, we have also undertaken a review and analysis of recent market activities, both at a regional and sub-regional level, in order to highlight trends in property provision and performance. These have covered both industrial / logistics and office activities, and in each case, we have considered take-up, stock levels and rent / yield trends, and we have also compared performance today / over the last 3 years, and how that compares with the benchmarked position in 2015.
- 1.9 We have also articulated the feedback from our agent / developer consultations on the state of the market and importantly the current constraints, as viewed by those key players in the sector.
- 1.10 Following the above, our work programme considered the specific Demand issues for the sub-region, reporting on the land and property needs, as expressed by current businesses and in particular those business trends that are likely to impact most on property requirements over the next 5 plus years.
- 1.11 Supply issues have also been examined in detail, including a broad categorisation of the types of site required to meet different aspects of demand, and an analysis of this against the range of current sites and those allocated in the latest versions of Local Plans, across the area.
- 1.12 Our review of existing sites and accommodation and future land allocations has also supported our understanding of the sites which are servicing particular types of business activity and how the land supply chain is functioning both today and potentially, into the future. That has also enabled us to consider how best to match business requirements with the types of product that are being designed / delivered.
- 1.13 It is important to state that we fully recognise the current planning system does need to balance economic aspirations with social and environmental considerations and the latest versions of the Local Plans have been prepared in the context of current national planning guidance, which Authorities are required to implement.
- 1.14 Our commentary within this Report, however is designed to highlight any deficits / challenges in meeting the needs of continuing economic growth over the next 5 to 10 years, and to suggest how the public sector generally and the planning system in particular, can better, more effectively and efficiently, deliver business requirements and market aspirations.
- 1.15 We have also highlighted some of the supply issues raised through our range of consultations, and we have documented the current supply position that we have identified across a range of typical, existing industrial estates.
- 1.16 Our work has further highlighted the issues around current “change of use” practice across the sub-region and the challenges of achieving viability in many development situations, both of which have been impacting on the availability of suitable land / premises over recent years.
- 1.17 Our consultations and experience dealing with similar studies over the last couple of years, has enabled us to subsequently highlight some issues with regard to changing business requirements, and how these are going to impact both upon the type / location of land to be allocated, as well as the nature of

premises to be developed. In addition, we have commented on how employment property demand may be affected by significant changes in work patterns, which in turn are being influenced by the way people live, work and shop.

- 1.18 As a result of the work programme detailed above, we have then considered how the Public Sector might be able to address a number of the issues / constraints highlighted in our analysis and consultations. These have been articulated in outline at this stage, and in some cases further work / examinations would be required, to pursue.
- 1.19 We would highlight that our desktop research and analysis of the available evidence base has been backed up by site visits to the majority of sites referred to in the latest Local Plans and a range of consultations with the public sector (Local Authority representatives), local businesses and commercial agents and developers.
- 1.20 All of these sources of information have been analysed to establish the main business trends in terms of land and premises, and the key gaps in supply. This has also provided an insight into what public sector interventions might be required to resolve prevailing market failures and how the public sector can support the local economy and business growth in the future.
- 1.21 The majority of work on this project was undertaken during the summer / autumn of 2018, and the consultations / market analysis and the conclusions drawn, are based upon the data assimilated at that time. The Report has not however been agreed with the Client Group and published until April 2019.
- 1.22 Finally, we should state that it has not been a part of the Brief for this commission to do a detailed analysis of all existing and new sites (and premises) and to interrogate all sources of available information, in order to prepare a robust, sub-region wide database. We understand this will be the focus of a subsequent piece of work to Review Employment Land as a whole in the sub-region.

2. Background/ Evidence Base and Benchmarking Review

PURPOSE OF THIS SECTION

- To place the demand for employment land / premises in the context of national / regional economic trends
- To look at the sub-region in the context of key sectors, both now and going forward, and how their performance is impacting on land and property
- To “benchmark” the land / property position across the sub region in 2015, in order to gauge performance since that date, in 2018

National and Regional Policy and Trends

National Industrial Strategy

- 2.1 Some of the key policy strands of the most recent National Industrial Strategy, published in 2017, are to boost investment in R&D and innovation, encourage the development of science, technology, engineering and maths (STEM) skills, support electric vehicles through charging infrastructure investment, launch and roll-out Sector Deals through partnerships between government and industry aiming to increase sector productivity, including the transportation sector (automotive, aerospace, rail etc).
- 2.2 The UK's automotive Sector Deal in particular has created an ambition within the automotive sector, to increase its local output from 44% to 50% by 2022. The subsequent expansion in operations by various firms within the industry, may cause a further surge in the take-up of industrial and logistic floorspace throughout the UK over the next 5 years.
- 2.3 The Industrial Strategy sets out two key initiatives that are aimed at improving the transport infrastructure within the Midlands. This includes: the 'Midlands Connect Strategy', which will provide £6 million to support the delivery of rail and motorway projects in the Midlands; as well as the Devolution Deal with the West Midlands Combined Local Authority, which involves £250 million allocation to be spent on local intra-city transport¹.
- 2.4 Both initiatives will increase the accessibility of the region and provide improved facilitation of logistics operations. This may act as a pull factor to occupiers in both the logistics and manufacturing sector and cause a subsequent rise in take-up over the long term. Furthermore, the government's assignment of £2 million to the Coventry and Warwickshire sub-region from the Local Full Fibre Network Challenge Fund, will both increase and improve the fibre connections available to businesses in the area. This will therefore improve the suitability of the C&W LEP areas to firms looking for high levels of connectivity and to expand their operations in the Midlands over the long run.

The CWLEP & West Midlands Area

¹ HM Government (2017) Industrial Strategy: Building a Britain fit for the future

- 2.5 The Midlands' 'Golden Triangle' (area within M42, M1 and M6) is one of the leading areas in the UK, with high demand for space and regarded by the industry as the most optimum location in the UK. The area has key competitive advantages in advanced manufacturing and engineering (AME) and logistics.
- 2.6 The West Midlands region as a whole is highly competitive and schemes like UK Central and the proposed High Speed 2 rail link are expected to have major impacts on the regional economy with potential challenges and new opportunities for growth and diversification.
- 2.7 More locally, the Coventry and Warwickshire LEP area has seen the impacts of these patterns alongside a significant growth and concentration of AME and R&D sectors, and regional / national logistics. This is reflected not only in increases in overall job numbers, but through the increase in demand for the range of employment sites needed by these sectors in the West Midlands.
- 2.8 Previous iterations of policy at the regional level (Regional Spatial Strategy) identified the need for high quality employment locations to underpin the competitiveness of the West Midlands economy and serve the needs of the businesses located in the Coventry and Warwickshire sub-region.
- 2.9 A review of a number of published documents across the region over recent years, (property agent reviews, economic reviews / strategies, LEP SEP updates etc) have highlighted the scarcity of available land in the short term, and the potential impact of this to damage the economic prospects of the area by preventing investment opportunities to be fully delivered. Indeed there is the risk that unsatisfied demand could force the companies involved to consider alternative locations, in the Midlands or elsewhere in the UK.
- 2.10 In particular, these have also highlighted the need for additional strategic sites that are capable of accommodating the largest B8 requirements, as well as sites suitable for development as large-scale manufacturing and R&D sites, in order for the LEP to achieve its key targets in relation to the growth of the sub-region's automotive cluster².
- 2.11 A brief Policy and Strategy Review has been undertaken across the West Midlands area and the Coventry and Warwickshire sub-region, highlighting a number of key issues which relate to this current commission, including coverage of all Authorities within the CWLEP. This review is summarised in more detail in Annex A.

Coventry and Warwickshire Sub-Region

- 2.12 Today's Coventry & Warwickshire economic profile could be described as challenging, with multiple smaller economic geographies existing across the area. It has the complexity of an urban city economy mixed with areas of deprivation and prosperity and a diverse peripheral and rural county economy. It has generally higher levels of prosperity in the south within the districts of Stratford-on-Avon and Warwick, alongside challenges for skills, job creation and access to higher value jobs in the northern boroughs of Warwickshire.
- 2.13 The sub-region overall has a strong employment profile, but this highlights significant challenges within specific economic geographies. In particular, Coventry and Nuneaton & Bedworth both face issues of lower job densities, economic inactivity and employment rates, relative to the Stratford-on-Avon and Warwick districts (where the number of jobs exceeds the resident population) and national average. The north of the sub-region is more dominated by lower value manufacturing industries; transport & logistics; retail and wholesale, which are generally less productive and provide lower paid, lower level occupations.
- 2.14 Published in March 2014 and updated in 2016, the Strategic Economic Plan (SEP) presents CWLEP's vision for the sub-region as a recognised global hub in the advanced manufacturing and engineering (and associated) sectors, with business and research links across the world.

² CWLEP (2016) Updated Strategic Economic Plan

- 2.15 The LEP economic strategy is based on five strategic pillars to focus investment around clear priorities, including:

Figure 2.1 CWLEP SEP



Source: CWLEP (2016) Updated Strategic Economic Plan

- 2.16 Advanced Manufacturing and Engineering (AME) and particularly Automotive Technologies are identified as the foundations of CWLEP's Strategic Economic Plan. There are several internationally renowned companies based in the region including Jaguar Land Rover, BMW, General Electric, and Aston Martin Lagonda; together with a high concentration of jobs in these sectors (34,000 people in Coventry & Warwickshire are employed in Advanced Manufacturing); and higher recent growth rates than the UK as a whole.
- 2.17 In particular, Jaguar Land Rover (JLR) has been behind a significant amount of capital investment into the Midlands automotive sector in recent years. In March 2015, JLR revealed the expansion of the company's engineering and design centre at Whitley, Coventry. This involves a doubling of the footprint at this site and allows for JLR's development of ultra-low emission technologies. In September 2015, it also announced significant investment into its R&D facilities at Gaydon (near Stratford-upon-Avon) to further consolidate and expand its activities there.
- 2.18 Following this, in January 2016 JLR announced its proposed £500m expansion plans for Whitley South including the co-location of top level JLR suppliers alongside a business park and hotel development. JLR are also a partner in the £150m investment to create the National Automotive Innovation Centre at the University of Warwick alongside Tata Motors European Technology Centre.
- 2.19 In addition, the region is being widely recognised as an established leader in the design, development and deployment of low carbon vehicles and powertrain. This work has been a natural progression from the area's expertise in vehicle engineering. The area is home to a number of prestigious businesses and support organisations operating in the fields of electric, electric hybrid, fuel cells and hydrogen power systems and lightweight materials. Coventry has a network of publicly available third generation electric vehicle points and boasts the UK's first all-electric bus service.
- 2.20 This extensive Research & Development capability and capacity, positions Coventry & Warwickshire as the ideal test-bed for low carbon transport technologies.
- 2.21 More recently, it has been announced that a new engineering facility in the West Midlands will be set up on the Coventry and Warwickshire Gateway site to create world-leading battery technology. The facility has been awarded £80 million of Government funding to support its development. The new hub

will enable UK-based companies and researchers to come together to build and maintain "a world-leading position" in manufacturing technologies for batteries and their components to be used in vehicles and transportation.

- 2.22 The SEP's vision includes increasing direct AME employment by nearly 9,000 people and annual AME-related GVA by an additional £745m by 2025. The SEP states that CWLEP will work with the private sector to support growth and employment by increasing the sub-region's AME asset base in terms of site availability, necessary infrastructure and enhanced connectivity. The Strategic Economic Plan includes CWLEP's commitment to develop between 75,000 to 76,000 new homes across the Coventry & Warwickshire sub region. This is in alignment with the findings of the Joint Strategic Housing Market Assessment undertaken in 2013. The SEP states that by 2031 Coventry and Warwickshire will have increased in population by 203,000 people with half of the sub-region's population growth taking place in Coventry.
- 2.23 The prioritised geographical areas for investment and other support include:
- Transport Corridors: The A46 (from M40 Junction 15 to M6 Junction 2), A444 (from Coventry to Nuneaton), A5 (In North Warwickshire and Nuneaton and Bedworth) and the rail corridor from Warwick and Leamington Spa to Nuneaton via Coventry.
 - Key Urban Centres: Warwick/Leamington Spa, Kenilworth, Coventry, Nuneaton/Bedworth, Stratford-upon-Avon and Rugby.
 - Universities: Coventry University, University of Warwick.
- 2.24 The provision of quality infrastructure including employment sites, digital connectivity and transport connectivity is seen as a prerequisite to continued economic success and unlocking future growth potential. The availability of employment sites in particular is described as fundamental to attracting new investors, retaining / growing local businesses and 'bringing manufacturing home'. CWLEP's prioritised portfolio of sites (established in 2016) includes Ansty Park (in Rugby), Bermuda Park, Coventry and Warwickshire Gateway, Friargate, Lyons Park, Prologis Park (Ryton), Stoneleigh Park, Thickthorn, Whitley Business Park and Tournament Fields.
- 2.25 Strategically located near Coventry Airport and the intersection between three of the four priority corridors (A444/A45/A46), the Coventry and Warwickshire Gateway site is identified as the priority employment site for the delivery of the LEP's economic plan. The SEP highlights that the Gateway site is the largest potential readily-available employment site in the CWLEP area (121ha) and without its development, the CWLEP will be unable to meet its expected employment growth in the period to 2030 (94,500 jobs). When fully developed, the site has the potential to accommodate around 10,000 jobs by 2030 and 408,000 sq m of B1, B2 and B8 floorspace³.
- 2.26 Despite the national trend of declining manufacturing activity, this is not considered to be the case in the CWLEP area. There is however a view that manufacturing is limited by the lack of appropriate employment land and premises, and there is a consensus that there is a repatriation of advanced manufacturing activity in the area (as a result of higher transport costs and quality control issues) generating strong demand for suitable land and premises.
- 2.27 This is demonstrated by Aviva Investors' Lime Property fund, which has recently bought a £73.4m "super site" pre-let to aerospace engineering group Meggitt, in what is "touted" as one of the UK's largest manufacturing property deals in recent months. The site provides a 490,000 sq ft development, at Prospero, Ansty (within Rugby Borough) near Coventry (based around the long-standing Rolls Royce site and the major reconfiguration of their current facilities), let to Meggitt on a 30-year lease. The industrial park will be purpose-built for aerospace thermal management technology.
- 2.28 Furthermore, advanced manufacturing and engineering have a significant supply chain supporting them and are closely linked to logistics. It should be noted that as part of our consultations, some comments were made as to the economic value of logistics operations and the number / type of

³ CWLEP (2016) Updated Strategic Economic Plan

jobs they generate, especially in terms of the level of automation of large distribution centres. This clearly is a discussion which has been ongoing for some time, and will no doubt continue, however it should be noted that the scale of economic activity associated with this sector over the last few years, has been very significant, and the associated jobs have been a major benefit to the area as a whole.

- 2.29 This is reflected in the fact that property development in the last 10 years has mostly occurred on large / well located sites within Coventry and Warwickshire, largely delivering “big box” logistics premises and this trend is likely to continue as demand is increasing (in terms of both quantity and quality) while land supply is diminishing. Although a proportion of this provision has been to companies feeding the Transportation Sector supply chain, there has also been significant take-up from companies operating in the mainstream retail sector, which has absorbed considerable land areas over this period.
- 2.30 There is also an ongoing concern (expressed during our consultations) regarding the economic value of logistics operations and the number / type of jobs they generate, especially in terms of the level of automation of large distribution centres. This clearly is a debate which will continue.
- 2.31 Online retail is clearly likely to drive a number of different needs over the next 10+ years in the logistics sector. The significant growth in home delivery for superstores and multimodal logistics (train, rail and air) means that there is currently even more demand for (mid-sized) local delivery hubs, and this will inevitably mean that well connected places will continue to be an important resource for businesses and the future economy.
- 2.32 Previous studies have concluded that in terms of the future supply of employment sites, the sub-region needs to provide choice in the supply of sites, including location, size and developer (to allow better competition). There has also been a view that brownfield employment sites that are not viable (and not in demand) should be released for other uses and good quality, well located sites should be allocated to meet both existing and future demand.
- 2.33 Research carried out by the Federation of Small Businesses also identified shortages in industrial and workspace as a notable barrier to business growth that affects a range of sectors. Moreover, there is a particular need for additional strategic sites that are capable of accommodating the largest storage and distribution requirements as well as sites suitable for development for smaller companies and those wishing to establish R&D centres, in order for CWLEP to achieve its targets in relation to the growth of the local automotive (and wider based transportation) cluster.
- 2.34 In terms of other strategically important sectors in the regional economy, there is a globally-significant gaming cluster around Leamington Spa, Warwick and Southam, which has earned the title “Silicon Spa”. This has one of the largest clusters of gaming studios in the UK. Over 30 gaming studios are based in the area in and around Leamington Spa, including established names such as Codemasters, Exient, SEGA Hardlight, Full Fat and Freestyle Games.
- 2.35 However, the scale of the sector is frequently not recognised, and with other progressive digital clusters in the UK delivering significant investment in infrastructure, it is important that continued investment takes place to enable new studios to set up and retain the area’s competitive advantage in this sector by growing this cluster.
- 2.36 Questions remain as to the competitive advantage of these growing sectors in the sub-region. With technological advances, businesses are still coming to terms with the implications of this in respect of locations, accommodation and other support facilities, the most efficient ways of working and the needs of employees. This is creating changing demand patterns, across the sub-region, in particular an increasing demand for efficient / flexible floorspace that serves the needs of modern occupiers.
- 2.37 With the growing costs of accommodation, there is also a trend for occupiers to look very carefully at the specification and scale of floorspace that they really require, and this is significantly leading to a demand for more affordable accommodation at the small to medium scale of the market – a product which is high demand and not being developed at present.

- 2.38 Finally, reference must be made to the underlying trends in key parts of the sub region, which have seen higher value uses (primarily but not always residential) crowding out employment uses - resulting in a loss of employment sites to alternative uses. This has in effect removed an important part of the supply of employment accommodation and land, although the likelihood of such transactions will very much depend on the “value gap” between employment uses and residential. For example, the value of attractive, motorway corridor sites, is likely to be close to (or even exceed) housing values, whereas employment sites within / on the outer edge of more urban locations is likely to be the reverse of this.
- 2.39 Consequently, lower value locations which are currently providing “affordable” employment floorspace (suited to expanding businesses and non-conforming uses) and where rental levels are likely to be around £5 / £6 psf (or even lower), are likely to be more at risk of transferring to residential use, than larger sites on good communication routes.

CBRE Employment Land Use Study⁴ (June 2015) – Benchmarking the Key Issues

- 2.40 This important study undertaken by CBRE on behalf of the LEP in 2015, concluded that the existing supply of employment accommodation at that time was at a critical level with less than two years supply available across the area, much of it in smaller, aging and unsuitable units. Using the different Government recommended methodologies it was predicted that future demand to 2031 ranged from 353 ha (sectorial), through 405 to 570 ha (demographic/labour market) to 637 to 660 ha (take up). It was strongly recommended that the LEP plan for the higher end of this range.
- 2.41 By contrast the employment land stock at that time, and the immediate pipeline was exceptionally low. Only 64 ha was available on ‘oven ready’ sites to meet current occupier demand. A further 93 ha could come forward on secondary sites with development potential. However future supply was heavily reliant on new major strategic sites being brought forward at Coventry and Warwickshire Gateway and by means of an extension to Bermuda Park.
- 2.42 Even then those sites only totalled around 330 ha, below the bottom end of the forecast range and significantly below the recommended range based on take up. The report therefore recommended that it was necessary to consider whether (and when) additional strategic sites could be identified and brought forward. It suggested such sites would ideally be located in the Coventry Travel to Work Area (including Nuneaton and Bedworth) to meet local labour market needs and promote sustainable travel patterns with new household growth.
- 2.43 For the sake of clarity, ‘Strategic Employment Sites’ had previously been defined (by an Atkins Study (2014)⁵) as:
- At least 20 ha in size or likely to accommodate at least 80,000 sq m of floorspace.
 - With excellent access to the strategic road network.
 - Good levels of accessibility / located within, or close to, areas of greatest need.
 - Good strategic fit with the Strategic Economic Plan, primarily being capable of meeting the needs of the sub-region’s key growth sectors including advanced manufacturing and engineering, research and development and logistics.
 - Premier appeal to national and potentially international investors.
 - Feasible and deliverable (financially viable) and able to overcome any significant physical, environmental or infrastructure constraints.
- 2.44 With regard to Office availability, the study concluded that this was primarily concentrated in an area around Coventry with 24% of the available space in Central Coventry and 16.6% in Outer Coventry.

⁴ CBRE (2015) Employment Land Use Study

⁵ Atkins (2014) Strategic Employment Land Study

Most of this floorspace was available in smaller units, with over half in units of under 10,000 sq ft (c. 930 sq m).

Figure 2-1 Office Availability

Area/ Local Authority	Office Availability (sq m)	% of LEP area supply	ANNUAL AVERAGE TAKEUP (2005 – 2014) (SQ FT)	YEARS SUPPLY
Coventry	46,167	40.83	11,700	3.95
North Warwickshire	6,795	6.01	2,662	2.55
Nuneaton & Bedworth	9,521	8.42	1,312	7.26
Rugby	5,788	5.12	4,137	1.40
Stratford-upon-Avon	17,550	15.52	4,376	4.01
Warwick	27,263	24.11	7,914	3.44
TOTALS	113,084	100	32,101	
Data as at May 2015				

Source: CBRE (2015) Employment Land Use Study

- 2.45 This flagged significant variation in office supply across the sub-region, with Rugby and North Warwickshire having the lowest year's office supply of 1.4 and 2.6 years respectively. The three locations with the higher total availability had roughly 3.5-4.0 years supply (Coventry, Warwick and Stratford). Nuneaton & Bedworth stood out as the location with the highest levels of office supply, given historic take-up at that time.
- 2.46 It was also stressed that industrial activities and R&D were important economic sectors for the area, providing an important contribution to GVA (Gross Value Added) in the sub-regional economy and skilled jobs. They were also highlighted as important / strategic growth sectors for the LEP.
- 2.47 Available floorspace for those sectors was more broadly spread across the area (compared with offices); Nuneaton and Bedworth had the largest potential supply, whilst Coventry and Rugby accounted for slightly smaller shares. Warwick and Stratford-on-Avon on the other hand has less than 15% of the available total (together) (see figure below).
- 2.48 It was also highlighted that there had been a very strong take up of both specialist Science and Technology Park floorspace (with occupancy ranging from 80% to close to 100%) and new manufacturing and supply chain facilities for Jaguar Land Rover and the London Taxi Company.
- 2.49 Logistics floorspace constructed speculatively was either being "pre-let" during construction, or let very quickly after completion due to the acute shortage of supply. It was anticipated that this trend would continue where developers can offer fast track delivery on oven ready development sites with all necessary infrastructure and planning in place.

Figure 2-2 Industrial availability

Area/ Local Authority	Industrial Availability (sq m)	% of LEP area supply	ANNUAL AVERAGE TAKEUP (2005 – 2014) (SQ FT)	YEARS SUPPLY
Coventry	50,185	22.57	45,203	1.1
North Warwickshire	33,183	14.93	37,499	0.9
Nuneaton & Bedworth	60,133	27.05	30,860	1.9
Rugby	46,512	20.92	28,206	1.6
Stratford-upon-Avon	13,074	5.88	14,732	0.9
Warwick	19,233	8.65	17,556	1.1
TOTALS	222,320	100	174,056	
Data as at May 2015				

Source: CBRE (2015) Employment Land Use Study

- 2.50 With the exception of Nuneaton & Bedworth, there was very little variation across the LEP area. Most districts had close to one year of supply available, based on historic rates of take-up, with the lowest relative totals in North Warwickshire and Stratford-on-Avon.
- 2.51 Overall, logistics take-up across the LEP area had averaged approximately 1 million sq ft per annum. On that basis, and given available, ready-to-occupy B8 space, there was, in effect just three months' supply available within the sub-region at that stage.
- 2.52 With the sharp decline in supply in the years immediately preceding 2015, and take-up rates back at pre-recession levels and continuing to grow - there was therefore an emerging acute shortage of space. There were also clear signs that the shortage of suitable stock was leading to a substantial growth in rents.
- 2.53 Indeed, the lack of ready to occupy supply in many parts of the UK had led to the fastest growth in rents for around 15 years. The IPD Quarterly Index, produced by MSCI, provided an overview of average rates of rental growth for commercial real estate. The data was based on repeated valuation of properties, mainly those held within institutional funds. In the twelve months to the end of June 2015, industrial rents in the West Midlands had grown by 4.80% on average (only London is higher).
- 2.54 New build units had let at record rents (for example at Birch Coppice). There was therefore a real risk of a significant imbalance between supply and occupier demand, with the risk of rental growth, at rates well ahead of the then current levels of inflation. Such growth could have an impact on "occupier affordability" relative to other regions, and would also impact on those occupiers who are subject to upward only rent reviews.
- 2.55 According to the NPPF and Government growth expectations, the Employment Land Use Study (CBRE,2015) recommended that an appropriate range of between 500 and 660 hectares be allocated for employment, with sites being identified that had the potential to achieve the higher end of this range, and to provide appropriate choice and flexibility in the market place.
- 2.56 On the basis of the above analysis the report broke down the sites into four categories, which are set out in detail in the table at Annex B:
1. **Deliverable sites with immediate capacity** for B2 and / or B8 uses - comprising 64 hectares
 2. **Secondary potential sites** (all uses) but with infrastructure issues - comprising 93 hectares
 3. **Potential new strategic sites** to meet large scale needs across all employment uses (primarily Coventry and Warwickshire Gateway and extensions to Bermuda Park) - comprising 162 hectares

4. **Other sites where capacity has been exhausted** or significant constraints / lack of likely market interest - comprising 188 hectares

- 2.57 Together categories 1 to 3 represented the core sites portfolio for future employment land supply to meet strategic needs in the CWLEP area going forward. They accounted for approximately 307 hectares of land which was even at that stage insufficient to meet 'Objectively Identified Need' in the CWLEP area – representing only around half the required land to meet the 'take up' based assessment based on recent trends at that stage, in the area.
- 2.58 This suggested the need to identify at least one and, subject to an assessment of the prospects of Gaydon/ Lighthorne Heath, two additional large strategic sites. Any new sub-regional sites that came forward would also need to meet certain criteria on location (relative to labour markets, supply chain and delivery markets and strategic infrastructure).
- 2.59 The Study also highlighted that much of the recent industrial take up in the CWLEP area at that time, had either been in purpose built Science and Technology Parks or in bespoke high quality premises for specific occupiers. The Science Parks in the area (University of Warwick, Coventry Technology Park, Warwick Innovation Centre, Binley Innovation Centre) had very high levels of occupancy (80% to 97%).
- 2.60 The sub region was also home to several of the UK's most innovative companies and universities producing cutting-edge research, including a large concentration of R&D activity in Coventry and Warwickshire, and one of the highest rates of international patenting in the country. A range of initiatives and partnerships had built up around the area's assets aiming to further exploit its innovative potential but, despite some positive results, the Study considered that the diffusion of innovation could still be significantly improved.
- 2.61 Overall the notable increase in activity had seen a number of leading established sites effectively removed from the supply chain as they were fully occupied / committed. These "full" sites included:
- Ansty Park, Rugby
 - Prologis Park, Midpoint
 - Magna Park, Lutterworth
 - Whitley Business Park, Coventry
 - Birch Coppice, Tamworth (Phases 1 & 2)
 - Hinckley Commercial Park (Phases 1 & 2)
 - Rugby Gateway.

The CBRE report concluded that a significant level of employment land was required over the plan period, which should be of a suitable quality to meet sectoral needs and in the right location to respond to demographic and market-driven demand.

KEY CONCLUSIONS FROM THIS SECTION

- As part of the “Golden Triangle” the sub-region has experienced high demand from logistics (incl “mainstream” retailing) and AME operations
- Indications are that economic activity is being limited by lack of land and premises – across all business sizes and sectors. Higher value uses (not just residential) are crowding out employment uses
- Going forward - AME (particularly Automotive / Transportation Technologies) is identified as the foundation of CWLEP’s Strategic Economic Plan
- This includes R&D around new, low carbon technologies e.g. electric / electric hybrid vehicles, fuel cells and hydrogen power systems and lightweight materials. In parts of the sub-region, there is also real potential in the Gaming, Creative and IT sectors
- A key priority is to therefore increase C&W’s AME asset base – particularly in terms of sites / infrastructure / connectivity etc
- The 2015 sub-regional Employment Land Study highlighted less than 2 yrs employment stock available overall – in the next 15 yrs demand required up to 660 Ha, but only 330 Ha planned. Future success therefore relied on new, major, strategic sites coming forward
- The Study concluded there was an emerging, acute shortage of land and premises, which in the short term was leading to a significant rise in rents in some sectors

3. The Business Drivers of Demand

PURPOSE OF THIS SECTION

- To establish the characterisation / performance of C&W's business base – particularly recent trends
- To articulate the type of current employment and the shape of the labour force
- To examine demographic trends and commuting patterns
- To identify the key sectors that are likely to drive economic growth in future years
- To analyse the results of a Business Survey, in order to identify key, future business needs

3.1 In this Section we consider the state of the economy and labour market in Coventry and Warwickshire, and draw out some implications for the current and future demand for employment sites and premises. More detail on each of these areas is provided in Annexes C and D.

Current Business Base and Recent Trends

3.2 Data on the business stock, business births and business survival rates in Coventry and Warwickshire provides useful information on the drivers of demand for business premises.

Number of Businesses

3.3 The total number of businesses in Coventry and Warwickshire has been growing over the period from 2013 to 2017. The number of businesses of all sizes, from micro to large, has been growing i.e. business births are greater than business deaths. The rate of growth in micro businesses over this period is however higher than in other segments (i.e. greater than growth in small, medium and large businesses). Coventry has shown a particularly high rate of growth in micro businesses (+39% over the four year period). Micro business growth in Warwickshire is lower (+23%), but is notably high in Rugby (+38%). The net growth in business numbers by segment can be seen in the figure below.

Figure 3.1: Annual Net Change in Business Numbers

Area	Average Annual Change 2013 to 2017
Coventry	+630
Warwickshire	+1,160
North Warwickshire	+80
Nuneaton and Bedworth	+160
Rugby	+320
Stratford-on-Avon	+230
Warwick	+360

Source: Business Counts, ONS (N.B. Numbers may not sum due to rounding)

- 3.4 If these trends continue then an increasing number of businesses in Coventry and Warwickshire will provide continued demand for employment land and premises, particularly premises for new-start and micro-businesses.

Business Births

- 3.5 The number of business births in Coventry (+1,800 in 2016) is around half the number in Warwickshire (+3,800 in 2016). However, the change in the number of business births between 2011 and 2016 has been 62% in Coventry, compared to 49% in Warwickshire. Within Warwickshire, the largest number of business births in 2016 were in Warwick (+1,100), Stratford (+890) and Rugby (+860).
- 3.6 The increasing rate of business births in Coventry and Warwickshire means increased demand for employment land and premises. Whilst some new-start businesses will be based from home, others will generate demand for premises suitable for new start businesses e.g. small, flexible units.
- 3.7 Overall, the growth in the total number of businesses (especially micro businesses) and the increasing rate of business births means that there is an increasing demand for employment sites and premises throughout Warwickshire, with a particular emphasis on demand for premises suitable for new start businesses.

Business Survival Rate

- 3.8 The business survival rates for 2011 businesses for one, two, three, four and five years in Warwickshire are higher than the rates for the West Midlands and the UK. They are also higher than the business survival rates for Coventry. Coventry's business survival rates are closer to those of the West Midlands and the UK.
- 3.9 Of the approximately 2,500 businesses "born" in 2011 in Warwickshire almost 50% survived until 2016. Within Warwickshire there was some variation across the Districts, with Nuneaton & Bedworth having the lowest five year survival rate at 48% and Rugby the highest at 52% despite having equally high three year survival rates of 67%. Coventry had the lowest business survival rates for businesses born in 2011 of any of the Districts in Warwickshire from year two onwards.

Figure 3.2: Five Year Business Survival (Birth 2011)

Business Survival	Births	One Year	Two Year	Three Year	Four Year	Five Year
Coventry	1,125	93.8%	73.8%	60.0%	49.3%	41.3%
Warwickshire	2,525	94.3%	79.0%	64.8%	55.6%	49.1%
North Warwickshire	270	96.3%	76%	63%	54%	51.9%
Nuneaton & Bedworth	375	93%	80%	67%	53%	46.7%
Rugby	440	96%	82%	67%	60%	52.3%
Stratford-on-Avon	690	93%	77%	64%	54%	48.6%
Warwick	750	95%	80%	64%	56%	48.0%
West Midlands	19,555	93.4%	76.0%	60.8%	51.4%	44.4%
UK	261,370	93.1%	75.6%	60.5%	51.0%	44.1%

Source: Business Demography, ONS

- 3.10 The higher business survival rate in Warwickshire will mean less employment premises will be freed up as a result of failing businesses vacating their premises, and therefore potentially a higher demand for additional employment land and premises, particularly for new-start businesses.

Current Employment and Recent Trends

- 3.11 As well as the number and type of businesses, the number of people employed by those businesses will drive the demand for employment land and premises in Coventry and Warwickshire.

Total Employment

- 3.12 Both Coventry and Warwickshire have seen a growth in employment over the period from 2011 to 2015. The rate of growth in employment in Coventry has been above the West Midlands and UK rates, and the rate of growth in Warwickshire below these benchmarks.
- 3.13 Employment in Coventry has grown from 143,000 in 2011 to 156,000 in 2015 (+13,000) and employment in Warwickshire has grown from 270,000 to 283,000 (also +13,000). Within Warwickshire the largest growth has been seen in Stratford-upon-Avon (+7,000) and North Warwickshire (+4,000), whilst employment has declined in Warwick (-1,000).
- 3.14 The overall growth in employment in Coventry and Warwickshire is consistent with the growth in the business base in both areas. Whilst the increase in the number of businesses is lower in Coventry than in Warwickshire (over the period 2013 to 2017), the increase in total employment has been the same in both areas (over the period 2011 to 2015). Increasing employment in addition to increasing numbers of businesses will stimulate greater demand for employment sites and premises.

Employment Within the Sub-Region

- 3.15 The West Midlands region has a “*globally significant concentration*” of advanced manufacturing and engineering in the region⁶.
- 3.16 In **Coventry** the Manufacturing sector is large and has a high Location Quotient (LQ)⁷ of 1.5. Administrative and Support Services (1.2) and Education (1.4) are also relatively large and have high LQs. The key sectors in the Coventry economy identified in the latest Coventry Economic Growth and Productivity Strategy are¹⁸: Advanced Manufacturing and Engineering; and Digital & Creative. Other sectors within Coventry that also contribute to the local economy include: Admin and Support Services; Finance and Insurance; Education; Utilities; and Professional, Scientific & Technical.
- 3.17 In **Warwickshire** the Manufacturing sector is large and has a high LQ (1.5). Wholesale & Retail Trade is large and has an LQ greater than 1.0, and Transport & Storage is large and has an LQ of 1.8.
- 3.18 In **North Warwickshire** Manufacturing has an LQ of 1.7, Construction also has an LQ of 1.7, and Transport & Storage has an LQ of 4.4 – a notably high concentration. The close proximity to the MIRA centre to the East of the Borough, is regarded as a driver of future growth, particularly given current expansion plans for manufacturing.
- 3.19 In **Nuneaton & Bedworth** Manufacturing has an LQ of 1.4, Wholesale & Retail Trade has an LQ of 1.3, and Transport & Storage has an LQ of 1.9. The Council is working to promote the area for business through its online inward investment tool (NBBinvest.co.uk). Some of the key sectors in the area include Logistics & E-commerce, Aerospace (there is a cluster of 16 companies based around Bayton Road Industrial Estate who supply part for the Aerospace industry); Transport Machinery Manufacturing; and Digital. As with North Warwickshire, the close proximity to the MIRA centre to the North of the Borough, is regarded as a driver of future growth, particularly given current expansion plans for manufacturing.
- 3.20 In **Rugby** Construction has an LQ of 1.7, and Transport & Storage has an LQ of 2.8.

⁶ West Midlands Combined Authority Strategic Economic Plan

⁷ A Location Quotient is calculated by dividing the percentage of total employment in a sector in a local area by the percentage of total employment in the same sector nationally. A Location Quotient of less than 1.0 means a lower concentration of employment in that sector than nationally, and a Location Quotient of greater than 1.0 means a higher concentration of employment in that sector than nationally

- 3.21 In **Stratford-on-Avon** Manufacturing has an LQ of 2.1, and Accommodation & Food Services has an LQ of 1.3.
- 3.22 In **Warwick** it is notable that Manufacturing has an LQ of less than 1.0 – the only District in Warwickshire with a below average concentration of employment. Utilities has a high LQ (5.0) and also Public Administration & Defence (1.5). It is noted that the economy is growing rapidly, which is exposing a shortage of employment space and suitable labour. Public sector initiatives to deliver business incubation space have in part been successful, but there is a particular lack of grow-on or scale up space (i.e. units of 5,000 sq ft to 10,000 sq ft) for growing businesses. Key business sectors include the creative, digital, tech and gaming cluster, with many businesses based in town centre offices. The so called ‘Silicon Spa’ cluster of gaming businesses is regarded as the main driver, and is concentrated in and around Leamington, with over 2,500 employees.

Employment by Sector

- 3.23 Clearly, **Manufacturing** is concentrated throughout Coventry and Warwickshire, with the exception of Warwick District. With some notable exceptions, it is noted that traditional manufacturing is more prevalent in the north of the sub-region, with advanced manufacturing being more concentrated in Coventry and parts of the south. Wholesale & Retail Trade and Transport & Storage are also significant sectors in Warwickshire.
- 3.24 The **Manufacture of Motor Vehicles** has been identified as a sector of importance in the sub-region. It is strongly concentrated in both Coventry (LQ of 13.4) and Warwickshire (LQ of 11.0), with particular concentrations in North Warwickshire (7.9) and Stratford-on-Avon (42.1). The **Manufacture of Motor Vehicle Parts and Accessories** is strong in Coventry (LQ of 10.0) and Warwickshire (LQ of 4.6), with a particular concentration in Nuneaton & Bedworth (LQ of 14.9).
- 3.25 The **software and gaming sector** (Ready Made Interactive Leisure and Entertainment Software Development) is highly concentrated in Warwickshire (600 employees and an LQ of 6.1), with particular concentrations in Stratford-on-Avon (300 employees and an LQ of 13.0) and Warwick (350 employees and an LQ of 12.2). Computer Programming, which includes the above figures, employs 2,000 people in Warwickshire, with concentrations in Stratford-on-Avon and Warwick.
- 3.26 **Bioscience** (Research and Experimental Development on Natural Sciences and Engineering) is particularly concentrated in Rugby (600 employees and an LQ of 3.1). It is the only District in the sub-region with a concentration of employment above the national average.
- 3.27 The MIRA Technology Park, a transport-focused R&D enterprise zone and the only one in the UK⁸, is located in the adjoining district of Hinckley and Bosworth, on the edge of districts of Nuneaton & Bedworth and North Warwickshire. The Technology Park was started 2010. It has a significant number of high value test facilities, including test tracks and 40 laboratories all on the same site, with a large expert team of 350 researchers.
- 3.28 The owner, Horiba MIRA, has an option to buy 42 acres in North Warwickshire, opposite the existing research site to create a “Southern Manufacturing Sector”, to accommodate manufacturing that wants to be in proximity to the research function. The land is currently farmland, but is under option. Horiba MIRA is currently taking the site through the local plan process. It could create up to 1.5 million sq ft of manufacturing space, and will employ several thousand people, looking to attract manufacturing facilities such as lithium batteries and working with local authorities and inward investment agencies to attract investors. The owner will in all probability work with a development partner to deliver the manufacturing space.
- 3.29 Looking at the wider opportunities, R&D businesses have in the past experienced difficulties recruiting specialist engineers within the local labour market. In response, £10 million of funding has been awarded for the creation of the MIRA technology institute which will teach 2,000 students per year.

⁸ [MIRA Technology Park \(2019\) Why Here](#)

Located on the MIRA Technology Park, there are three university partners and one College partner delivering degrees, apprenticeships, and degree apprenticeships which are more appropriate than the offer previously promoted by the Universities and Colleges over recent years. The institute will also provide short courses for people in mid-career.

- 3.30 **Logistics** is a significant sector in the sub-region, shown in the prevalence of Transport & Storage in the county of Warwickshire and the more northerly districts of North Warwickshire, Nuneaton & Bedworth and Rugby. Good road and rail accessibility, linkages to the ports, and the ability to access northern Europe make this an attractive location for logistics businesses. Whilst some stakeholders have expressed concerns about the low value of this sector, the continued need to reduce costs and increase productivity has meant the introduction of technology and higher skills, albeit that employment density can be relatively low.
- 3.31 The **Business, Professional & Financial Services** sector is well-established in Coventry. It is more affordable than London and Birmingham and has good transport links to both. There are a number of office HQ functions in Coventry city centre and a number of the business parks in the wider hinterland.

Sectors Driving Future Economic Growth

- 3.32 There are a number of key sectors driving current and future economic growth. These are:
- **Transport** – automotive, especially electric, connected and automated vehicles; aerospace; and an emerging specialism in rail. Concerns have been expressed about the over-reliance on Jaguar Land Rover and its future expansion plans, as many businesses are engaged in its supply chain
 - **R&D**, in particular related to automotive and transport; but also university driven spin-ins (e.g. inward investment) and spin-outs
 - **Advanced Manufacturing and Engineering**, which includes all of the above, and more e.g. the new £80 million National Battery Manufacturing Development Facility, which will be located in the area. This is identified in the Strategic Economic Plan for Coventry & Warwickshire as a key sector
 - **Distribution and logistics** is well established in Coventry & Warwickshire and is growing. Being centrally located within England, Coventry and Warwickshire is a very attractive national location for this sector. With good links to ports, much of northern Europe is accessible within a single driver-shift, which makes it a good place to locate European-facing businesses. The increasing introduction of technology into the sector is driving up the need for higher skills in engineering and professional occupations
 - **Digital and creative**. ICT is also identified as a key sector in the Strategic Economic Plan for Coventry & Warwickshire. Virtual reality has been identified as part of this broader cluster of activity
 - **Legal, Professional and Financial** services, which is identified as a key sector in the Strategic Economic Plan for Coventry & Warwickshire
 - **Healthcare**, which is identified as a key sector in the Strategic Economic Plan for Coventry & Warwickshire
 - **Energy** – although this falls outside of the B Use Classes

Labour Market

- 3.33 The state of the labour market, and its recent change in Coventry and Warwickshire provides further contextual information about the recent growth trends and the implications of these for the future demand for sites and premises.

Economic Activity

- 3.34 The Economic Activity Rate⁹ in Warwickshire is consistently higher than in Coventry, the West Midlands and the UK over the period from 2013 to 2017. The Economic Activity Rate in Coventry is below the West Midlands and UK levels over the same period.
- 3.35 This is due to a number of compounding factors. Over the last few years students have accounted for up to 40% of the economically inactive in Coventry. However, Warwick has also seen high numbers of students amongst its economically inactive. As Warwickshire is more of a mix of urban and rural areas it is also likely that this will increase the economic active rate as inactivity in rural areas has been falling since 2011 whilst remaining relatively stable in urban areas¹⁰.

Economic Inactivity

- 3.36 Commensurate with the Economic Activity Rates (above), Economic Inactivity is higher in Coventry than in Warwickshire, the West Midlands and the UK. Warwickshire has a lower rate of Economic Inactivity than any of the benchmark areas.

Unemployment

- 3.37 The unemployment rate in Warwickshire is consistently lower than that in Coventry, the West Midlands or the UK over the period 2013 to 2017. In 2017 the Unemployment Rate was 2.5% in Warwickshire, compared to 5.4% in Coventry. It has fallen consistently over the period from 2013 to 2017, suggesting increasingly less spare capacity in the labour force.
- 3.38 The decline in spare capacity in the labour force could constrain future economic growth, which may be a limiting factor on the demand for employment sites and premises. For example, manufacturing businesses have anecdotally reported a shortage of good graduates in engineering, and the FSB has anecdotally reported that some members experience difficulty recruiting for higher skilled roles despite the increasing skills levels discussed in the next paragraph. This trend towards a tighter labour market and anecdotal evidence of skills shortages is mirrored across the UK.

Skills and Qualifications

- 3.39 The proportion of residents qualified to NVQ4+ has been rising in both Coventry and Warwickshire over the period from 2013 to 2017, in keeping with a national increase. The proportion of residents qualified to NVQ4+ is higher in Warwickshire (40.4% in 2017) than in Coventry (34.7% in 2017). Warwickshire has a higher proportion of well qualified residents than the UK, but Coventry has a lower proportion than nationally.

Jobs Density

- 3.40 Jobs Density¹¹ is higher in Warwickshire (0.97) than in Coventry (0.75). The UK figure is 0.84, and the West Midlands is 0.79. Jobs Density is particularly high in North Warwickshire (1.27), Stratford-on-Avon (1.12), and Warwick (1.07), where values greater than 1.0 suggest significant in-commuting to these areas.
- 3.41 There is more in-commuting to Warwickshire than Coventry, with particular in-commuting to the Districts of North Warwickshire, Stratford-on-Avon and Warwickshire. The supply of employment sites and premises in these places needs to be higher than would be suggested from their resident populations.

⁹ i.e. the percentage of the population who are economically active, which includes the unemployed

¹⁰ Department for Environment, Food & Rural Affairs (2018) *Statistical digest of rural England*

¹¹ A measure of the concentration of employment compared to resident working age population in an area, where 1.0 means one job for every resident of working age

Gross Value Added, Productivity and Competitiveness

- 3.42 Coventry and Warwickshire have double the UK average employment in foreign owned businesses, and evidence collected by HM Treasury shows that foreign owned businesses are between 25% and 50% more productive than domestically owned firms¹².

Gross Value Added

- 3.43 The GVA of Coventry in 2015 was £8 billion, and in Warwickshire it was £16 billion. Within Warwickshire, Warwick had the greatest GVA of the Districts, with £5 billion, followed by Stratford-on-Avon with £4 billion.
- 3.44 Growing GVA will lead to demand for new sites and premises as businesses need more or different premises to accommodate their workers and equipment. Within Warwickshire, Warwick and Stratford-on-Avon are the Districts where demand is likely to be greatest.

Productivity

- 3.45 GVA per job filled is greater in Warwickshire (£53,200 per annum in 2016) than in Coventry (£48,800). The Warwickshire figure is greater than the West Midlands (£46,300) and UK (£52,600). Coventry lies between these two benchmarks.
- 3.46 GVA per job filled is likely to be driven by the sector mix of employment in each District in Coventry and Warwickshire. This will affect the demand for the type and scale of employment sites and premises in each District.

Competitiveness

- 3.47 The UK Competitiveness Index¹³ is a proprietary measure of competitiveness produced by looking at a number of factors that can influence the competitiveness of an area such as business activity rates, GVA and productivity and, unemployment. See Annex D for more details.
- 3.48 According to the Index Warwick is the most competitive District in the Coventry and Warwickshire sub-region. Stratford-on-Avon and Rugby are also more competitive locations than the UK average, whilst the other Districts and Coventry are less competitive than the UK average. The competitiveness of Warwick and Stratford-on-Avon increased between 2013 and 2016, but it fell in Rugby.
- 3.49 The more competitive locations of Warwick, Stratford-on-Avon and Rugby are more likely to be attractive to future economic growth, hence will have greater demand for employment sites and premises.

Population, Housing and Commuting

Population

- 3.50 The resident population of both Coventry and Warwickshire has grown over the period from 2011 to 2016. The rate of growth in Coventry has been much greater than in Warwickshire, the West Midlands and England & Wales. The rate of growth in Warwickshire is below that in either of the benchmark areas.
- 3.51 Recent population growth in Coventry has been particularly high in the 0-64 age group, whilst growth in Warwickshire has been notably high in the 65+ age group. Warwickshire has seen a decline in working age population between 2011 and 2016.
- 3.52 Whilst the population of both Coventry and Warwickshire is growing, the growth in Warwickshire is not in working age population, which may constrain future economic growth, unless it is addressed through greater in-commuting or in-migration.

¹² HM Treasury (2006) Productivity in the UK 6: Progress and New Evidence

¹³ Huggins, R and Thompson, P (2016) UK Competitiveness Index, 2016

Housing Affordability

- 3.53 Houses are more affordable in Coventry and Warwickshire than in England & Wales. Coventry housing is more affordable than the West Midlands, whereas Warwickshire housing is less affordable than in the West Midlands.
- 3.54 Housing affordability is an important factor that can constrain workforce growth, with a subsequent effect on economic growth and the demand for sites and premises. However, housing is relatively affordable in Coventry, the main growth area in the sub region and therefore should not cause a significant problem.

Commuting

- 3.55 Coventry has the highest net in-flow of commuters on a daily basis, and also the highest level of self-containment in the sub-region. North Warwickshire, Warwick and Stratford-on-Avon also experience positive, daily net in-commuting. Nuneaton & Bedworth and Rugby on the other hand demonstrate overall, daily net out-commuting.
- 3.56 Figures 3.3 to 3.8 set out the top 5 origins for workers coming into each District and, the destinations of out-commuters from each District.

Figure 3.3: Coventry Commuting Data

Commute In		Commute Out	
Nuneaton & Bedworth	11,390	Warwick	9,250
Warwick	7,900	Nuneaton & Bedworth	4,880
Rugby	4,910	Birmingham	4,470
Birmingham	4,600	Rugby	3,810
Solihull	3,650	Solihull	3,070

Source: Census, 2011

Figure 3.4: North Warwickshire Commuting Data

Commute In		Commute Out	
Birmingham	5,150	Birmingham	4,240
Tamworth	4,860	Tamworth	2,320
Nuneaton & Bedworth	3,180	Nuneaton & Bedworth	2,060
Solihull	2,300	Solihull	1,700
Coventry	1,130	Coventry	1,610

Source: Census, 2011

Figure 3.5: Nuneaton and Bedworth Commuting Data

Commute In		Commute Out	
Coventry	4,880	Coventry	11,390
Hinckley & Bosworth	2,100	North Warwickshire	3,180
North Warwickshire	2,060	Hinckley & Bosworth	2,610
Rugby	800	Rugby	1,900
Birmingham	650	Warwick	1,870

Source: Census, 2011

Figure 3.6: Rugby Commuting Data

Commute In		Commute Out	
Coventry	3,810	Coventry	4,910
Nuneaton & Bedworth	1,900	Daventry	3,600
Daventry	1,580	Warwick	2,500
Harborough	980	Harborough	1,320

Hinckley & Bosworth	980	Stratford-on-Avon	1,030
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Source: Census, 2011

Figure 3.7: Stratford-on-Avon Commuting Data

Commute In		Commute Out	
Warwick	5,250	Warwick	5,880
Redditch	3,270	Birmingham	2,360
Wychavon	2,320	Coventry	1,850
Birmingham	2,090	Redditch	1,690
Coventry	1,980	Solihull	1,390

Source: Census, 2011

Figure 3.8: Warwick Commuting Data

Commute In		Commute Out	
Coventry	9,250	Coventry	7,900
Stratford-on-Avon	5,880	Stratford-on-Avon	5,250
Rugby	2,500	Birmingham	2,530
Solihull	2,330	Solihull	1,800
Birmingham	2,150	Rugby	960

Source: Census, 2011

- 3.57 The impacts of these characteristics, as discussed earlier, are that the Borough of North Warwickshire, and the Districts of Stratford-on-Avon and Warwick require a higher supply of employment sites and premises, than would be expected from their resident populations.

Business Survey

- 3.58 In order to supplement our data analysis and direct consultations with businesses, we agreed with the Client Group that we would undertake a wider digital survey, in order to try and access a broader range of businesses who do not normally feature on the usual list of “sectoral / representative consultees”, and may provide a different view on their accommodation experiences, and needs going forward.
- 3.59 We therefore prepared a questionnaire which was hosted on SurveyMonkey and distributed to members / subscribers of the sub-regional Chamber, the LEP and the Federation of Small Businesses.
- 3.60 The survey garnered 55 responses from businesses across Coventry and Warwickshire¹⁴. The number of responses from Rugby is a notable under-representation. However, the distribution of businesses across the rest of the Districts broadly matches the business profile of the region in 2017. The largest group of respondents were small businesses (10 to 49 employees). This does not match the general business profile for the area, which shows that micro businesses make up the majority of the business base.
- 3.61 The results and conclusions drawn from the Survey are included in Annex E.

¹⁴ Three businesses were excluded as they stated their location was outside the Coventry and Warwickshire Local Authority areas.

KEY CONCLUSIONS FROM THIS SECTION

Business Base

If the trends in business births and growth continue in Coventry and Warwickshire then the increasing number of businesses will provide continued demand for employment land and premises, particularly premises suitable for new-start and micro-businesses.

New-start businesses are often home-based initially, but will often look to move into small business premises as they grow in size and become successful. Providing small, flexible units will help to meet the demand that is generated by these businesses.

The higher business survival rates in Warwickshire generally, will also mean less employment premises being recycled when businesses fail, and therefore potentially an even higher demand for additional employment land and premises, particularly for new-start businesses.

Employment Trends

Across Coventry and Warwickshire, increasing employment in addition to increasing numbers of businesses will stimulate greater demand for employment sites and premises.

Conversely, the decline in spare capacity in the labour force could constrain future economic growth. This may be a limiting factor on the demand for employment sites and premises, particularly in Warwickshire which has a lower economic inactivity rate than Coventry, unless further in-commuting is achieved.

There is also expected to be growth in a number of key sectors such as Transport / Automotive, Logistics, Advance Manufacturing & Engineering, R&D / Bioscience, Energy / Battery, which are likely to generate significant demand for more industrial and warehouse uses (B1c/B2/B8).

While the anticipated growth in the digital, creative and professional services sector will be one of the main drivers in the “office based” market, this will not necessarily demand the traditional office product, prevalent in the past.

Gross Value Added, Productivity and Competitiveness

Growing GVA will lead to demand for new sites and premises as businesses need more or different premises to accommodate their workers and equipment.

Within Warwickshire - Warwick, Rugby and Stratford-upon-Avon (the most competitive locations) are likely to experience the greatest demand for employment sites and premises.

Population, Housing and Commuting

Furthermore, given the higher levels of in-commuting to the sub region as a whole, with particularly high levels to North Warwickshire, and the Districts of Stratford-upon-Avon and Warwick, the supply of employment sites and premises in these places will need to be increased to respond to these pressures and capitalise on the economic and wealth creating opportunities created by this phenomenon.

In parallel, whilst the populations of both Coventry and Warwickshire are growing overall, the analysis of anticipated growth in Warwickshire is not within the working age population, which may constrain future economic growth, unless it is addressed through greater in-commuting or in-migration.

4. Current Business Demand and Market Analysis

PURPOSE OF THIS SECTION

- To set out property specific evidence from business consultations
- To analyse how the character of business operations, is impacting on property “products” and how those are delivered
- To provide a commentary on how demand is impacting each LA area
- To articulate what businesses have identified as the key site / premises issues for the future

- 4.1 Having looked at the broad economic drivers of demand for employment sites and premises in the previous Section, we focus in on wider market demand and analysis, and in particular, property-specific evidence that has been provided by business consultations in this Section.
- 4.2 Nationally demand in the industrial and distribution sector has been strong with increasing demand and reducing supply, which has inevitably led to increasing rental levels. In terms of offices, the same is true within the main Cities around the country, with increased demand and constraints on supply, although this has not been replicated in other locations. Generally, there has however been a significant increase in demand for flexible workspaces (including schemes that contain “co-working” space) around the country.
- 4.3 In the West Midlands, the picture in respect of the industrial and distribution sector is the same, due to strong demand from the AME sector and logistics generally. However supply has fallen by 12% in 2018. Rental growth has also been apparent, and the imbalance between demand and available supply, and rental levels – may force companies to look elsewhere for their accommodation needs. In respect of offices, within City Centres there has been a rise in demand and take-up, but the size of the transactions has been very much for smaller areas of accommodation. Overall the shortage of supply of good, quality space (which has been growing steadily year on year for some time) has forced rents up.
- 4.4 A more detailed review of the above, is included in Annex F.
- 4.5 With regard to the C&W sub-region, according to the updated Strategic Economic Plan for Coventry and Warwickshire (2016), the “headline” challenge is that there has been strong growth in the demand for employment land and accommodation over the last few years, and there is now a real shortage of readily available land and suitable premises, and this is particularly being experienced in the availability of high-quality / well located sites.

Current Business Demand Issues

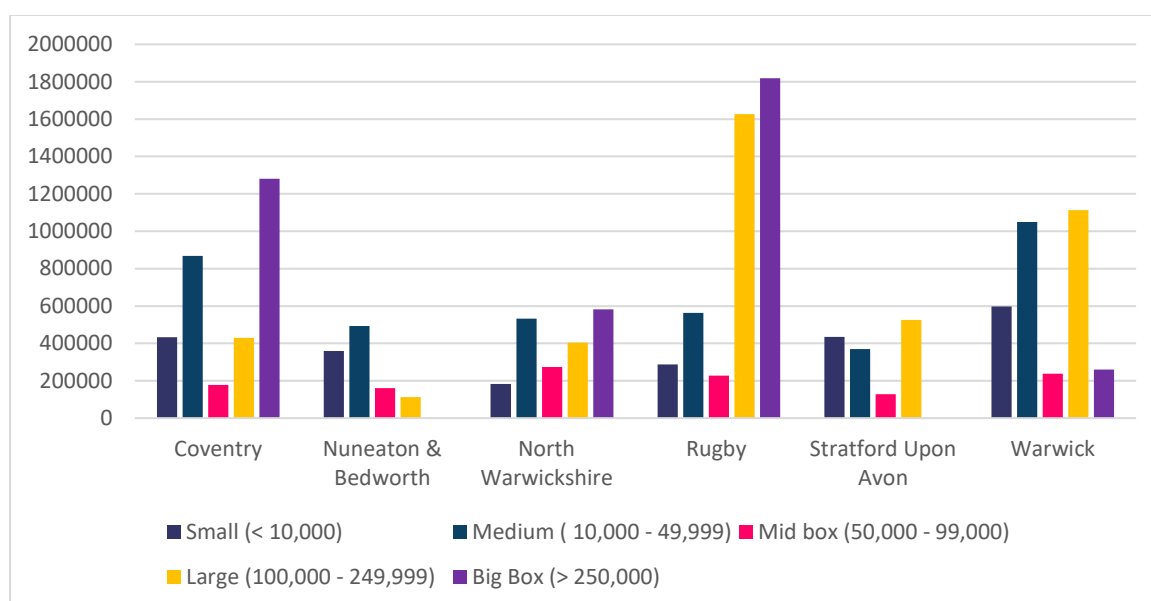
Land and Property Demand in CWLEP Area

- 4.6 The occupier market for larger buildings falling within the Use Class B2 and B8 categories has enjoyed a prolonged period of strong demand over recent years. Against a backdrop of a limited supply of suitable Grade A buildings and prime employment land to meet the demand, there is now a severe shortage of accommodation for these occupiers – both in terms of available, speculatively developed buildings or land for bespoke / pre-let opportunities, which is resulting in increased property costs, such that rent levels in the area generally have risen, particularly along the “motorway corridors”.

- 4.7 The UK market is 'hot' and particularly so within the West Midlands. A number of demand factors have influenced these market trends: The automotive sector has been resurgent, creating demand for manufacturing space, not only with the principal manufacturers but also those supply chain companies in Tier 1, 2 and 3 categories. Overall take-up of B2 / B8 space across the LEP area has averaged approximately 5 million sq ft over the last 3 years¹⁵. The majority of take-up in the LEP area has been in purpose-built R&D, Science and Technology parks, or bespoke high-quality premises.
- 4.8 According to EGi data, the majority of the large scale transactions occurred in Rugby, with some large deals in Coventry and Warwick as well. The size of the market is much smaller in the other three districts.
- 4.9 The high occupier take-up and the limited supply of industrial stock has resulted in a rise in prime rents for well-located / quality / modern accommodation across the sub-region. Average prime rents for industrial space within the Coventry and Warwickshire region range between £6.25 -£7.50 per sq ft for Mid – Big Boxes, and small box units are achieving rents as high as £10 per sq ft.
- 4.10 There is a common consensus amongst occupiers within the market that rents are expensive. However, high take-up levels persist despite this, as the majority of occupiers remain within the region due to historic ties to the area as well as the access to skilled labour.
- 4.11 Nevertheless, a small percentage of occupiers who deemed the rents unaffordable relocated to secondary markets. This may become more common in the long-term if the supply of good quality space is not increased to meet both existing and future demand. Likewise, the lack of industrial space may impair investments and stunt economic growth in the region.
- 4.12 Furthermore, our review of existing industrial estates across the sub-region shows limited availability of second-hand accommodation, to let at 'affordable rates'. Average rents that would typically be considered "affordable", are around £5 psf (or even lower in some locations), while new build rental values could be in excess of £8psf and as high as £10psf.
- 4.13 Due to the lack of such properties, occupiers tend to stay put, limiting the healthy level of churn in the market and preventing business growth. Local developers have also confirmed, that due to a number of viability issues, new space cannot be produced at an affordable level of rent or at realistic capital values.

¹⁵ BBP Analysis of EGi data (2018) Three-year Transactions and Current Availability

Figure 4.1 Industrial take up (over last 3 years)



Source: EGi data (2018)

- 4.14 Much of the sub-region's industrial economy remains largely dependent on a resurgent car industry, and particularly the growth of one company – Jaguar Land Rover (JLR). There are however other major automotive facilities in the area, including the BMW engine plant at Hams Hall near Coleshill, Warwickshire. The broad base of the West Midlands economy also means that the manufacturing demand and growth is from more than just the automotive sector, covering transportation more widely, including both aerospace and rail.
- 4.15 JLR has had a considerable direct impact on employment and R&D spending in the sub-region. But in relation to the property market JLR's indirect impacts have been more obvious, in that apart from its own requirements, it has boosted demand for space from expanding companies within its significant supply chain. Some of these companies are component manufacturers, some operate as distributors, and some are active across all areas.
- 4.16 Retailers are also driving up demand and take-up due to changing needs for a wide range of home deliveries, click and collect and returns. E-retailing is creating the need for very large units in nationally accessible locations such as the West Midlands (particularly the CWLEP area) coupled with a significant demand now for smaller units in urban areas for local delivery, where retailers can most easily access large populations.
- 4.17 Whilst planning policy distinguishes between industrial (Use Class B2) and distribution (Use Class B8), in market terms a clear distinction is not always possible or feasible. This is due to the requirements of manufacturers often including the need for substantial distribution floorspace, as an integral part of their operation. In effect there is a seamless pathway between manufacturing and distribution connected by the application of logistics which ensures raw materials and finished goods are delivered to manufacturers, retailers and consumers efficiently, on time and to cost.
- 4.18 Consequently, from a property perspective, and in many scenarios, manufacturing and distribution requirements are merging into one market, particularly in parts of the C&W sub region, and available floorspace, needs to reflect this demand. This is confirmed through discussions with a number of agents, who do not recognise the difference between distribution / industrial floorspace in many areas.
- 4.19 The consequence of this trend however, is having an impact on land values – as the significant rise in 'logistics' demand within particular geographies (e.g. along certain key motorway corridors), and the

rental levels which this commands, has led to an increase in traditionally accepted 'industrial' values, and therefore influences the type of businesses which can afford to be based in these locations.

- 4.20 Another major challenge is that occupiers often need space at short notice, so in these cases only speculative / "ready-made" buildings will provide the required accommodation. Speculative development of this nature is currently occurring in some parts of the sub-region (although this is a relatively small segment of the market), typically developing units of c.100 - 250,000 sq ft. Where such factors are prevalent however, this is creating serious pressures for existing land supply.
- 4.21 This is to some extent also being exacerbated by a number of fast-track, build to suit developments, where largely pre-designed accommodation (but capable of some adaptation to meet occupier requirements) can be ready for occupation within 6 to 7 months. Whilst introducing some flexibility for certain occupiers (in certain although not all parts of the sub-region), this again is largely related to large scale users, and is proving another restriction on the availability of unconstrained, development land.
- 4.22 Given the levels of demand in the above sectors at present, there are also few failures / "move-on" situations (as demonstrated by our range of consultations with site managers / agents and a number of site visits), which in turn is restricting business churn, and therefore the release of premises into the market, through the normal functioning of the business cycle. Demand for new sites and premises is therefore continuing to grow, with a limited and in some cases decreasing supply.
- 4.23 There is also evidence of large-scale occupiers who are unable to find space in the region, such as electronics specialists looking for 500,000 sq ft (46,450 sq m) of assembly and logistics space¹⁶ who are therefore looking further afield.
- 4.24 The situation is potentially even more difficult at the smaller end of the property market (units of between 20,000 and 50,000 sq ft (1,858 – 4,645 sq m)), with few speculative development examples and a limited number of investors, prepared to fund pre-lets given their views / requirements on covenant strength.
- 4.25 In terms of **office accommodation**, demand for space is less strong in the area with Birmingham being a major pull for occupiers in the office sector, with a range of opportunities and a buoyant market. The majority of recent take up remains in out-of-town business parks although agents believe this is mostly due to the lack of decent floorspace in town centres. The general view of the market is that modern occupiers (and employees) will increasingly prefer to be located in town centres with close proximity to transport and amenities, but clearly this depends on the availability of space.
- 4.26 The major exception is Coventry City Centre – where the Friargate proposals next to the rail station, are already beginning to deliver Grade A office buildings, which will provide significant new floorspace over the next few years.

Generally, the office market is a lot more cyclical than the industrial. Evidence from the Chamber of Commerce shows that office-based businesses are expecting growth in the next few years, while decent quality stock is depleting quickly without any speculative office development coming forward, and with the impact of Permitted Development Rights being seen in key town centres such as Coventry, Warwick and Leamington.

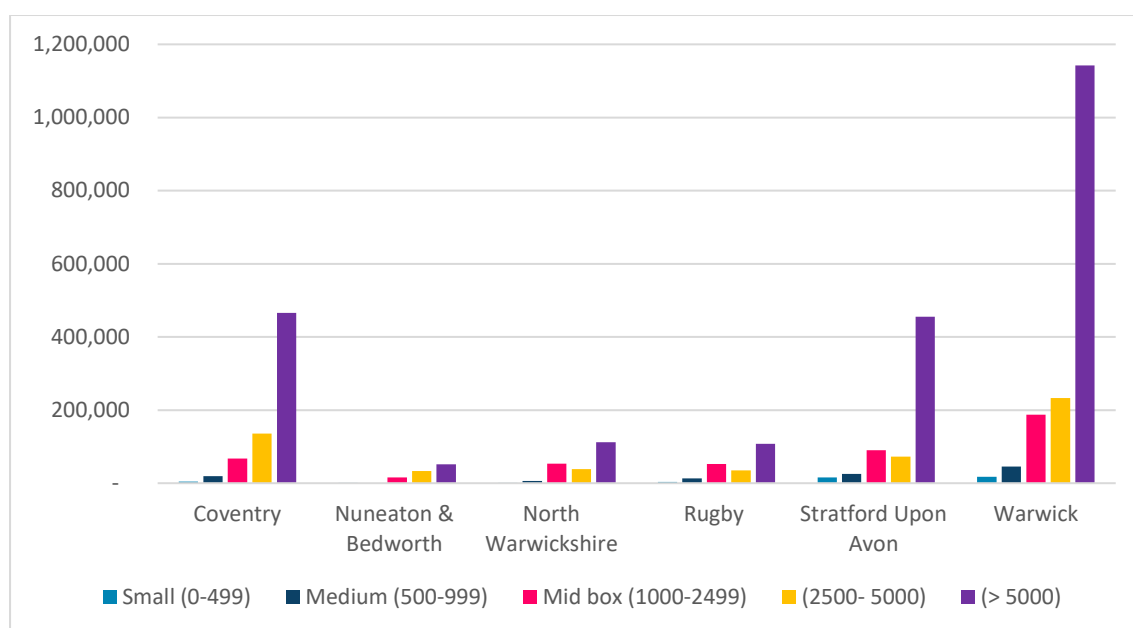
- 4.27 As a specific sub-sector, smaller offices on business parks adjoining the universities, are still performing well – and it is expected that, this type of space will continue to attract occupiers, attracted by the HE presence, but not conventional Grade A accommodation in out of town locations.
- 4.28 As an example, IM Property's development at Blythe Park remains successful because the developer has invested to create the right environment for business occupiers including amenities, events and branding. However, the general market commentary is that the 1990s business parks, located in edge of town / motorway locations are consistently reducing in popularity.

¹⁶ PBA & JLL (2015) West Midlands Strategic Employment Sites Study

- 4.29 There have also been very few new build Grade A offices in the area recently, with the exception of Coventry. Developers are not prepared to build speculatively because rental values are lower than £20 (generally rents should be in excess of £25psf for a viable Grade A scheme) and there is very little development finance for speculative schemes.
- 4.30 There is a view that modern Grade A space will need to be “supply led” in Coventry – if it going to have a prospect of securing the range of occupiers, that are needed. At the present time the private sector is unlikely to construct speculatively, as rents and letting risk, are simply too challenging.
- 4.31 In terms of the provision of accommodation for early stage, office based businesses - there are a number of incubation and innovation centres in the sub region, which is certainly satisfying parts of this market. However, there are very few grow on schemes to capture the next stage progression for local businesses, which is a real issue. This gap in the market is also not likely to be covered by the private sector due to a number of viability issues associated with the development of such uses.
- 4.32 It is important to note however that in some specific town centre locations such as Leamington, Warwick and Stratford, demand is for more flexible / “mid-spec” workspace (rather than traditional Grade A space) in order to accommodate the needs of companies in the digital, creative and design sectors. In this context, workspace includes elements of “co-working” accommodation, where that is seen as viable.
- 4.33 In many instances this is using second hand office and workshop space, which has been subject to various levels of refurbishment, however there are very few instances where new accommodation is being developed to meet this specification.
- 4.34 This is an important aspect, which needs to be examined further in terms of planning allocations and the viability of new workspace “products” (including “co-working” space), going forward (see Section 8).
- 4.35 Due to both the 14% employment growth in the IT sector across the region and the 33% rise in take-up of office space in the Coventry / A46 corridor, take-up within the CW LEP region has been robust. Average annual take-up of office space over the past 3 years across the region currently stands at 1,167,045 sq ft¹⁷. The district of Warwick has the largest annual take-up of 541,739 sq ft. The majority of deals done are over 5,000 sq ft, indicating the predominance of large-sized businesses within the market.
- 4.36 Although EGi data is fairly comprehensive, we expect that the majority of small deals (under 500 / 1,000 sq ft) may not be adequately recorded within the above figures and run the risk of falling “under the radar”.

¹⁷BBP Analysis of EGi data (2018) Three-year Transactions and Current Availability

Figure 4.2 Office take up (over last 3 years)



Source: EGi data (2018)

Business Demand Drivers for Property (by Local Authority Area)

Coventry

- 4.37 The city is fairly constrained in terms of development opportunities (due to a tight city boundary) and is heavily reliant on adjoining authorities to support its growth, both in terms of commercial and residential sites. A lot of land around the city is also Green Belt, which makes the area even more constrained in terms of development opportunities. There has however been a lot of development in the wider Coventry hinterland in the last few years, including Lyons Park, Middlemarch, Coventry Airport, and Ansty (within the Borough of Rugby), but most of these sites are now built-out.
- 4.38 There are a number of allocations coming through the Local Plan process and this is covered in the next Section. The main issue remains that brownfield land is prioritised for housing, while logistics and industrial development (and to a certain extent new office development) competes with residential uses for many of the available sites. The Local Plan has also had to take some key decisions to remove land from the Green Belt to enable development capacity within the City to be delivered, and this has applied to both residential and employment opportunities.
- 4.39 The conversion of city centre business premises into student residential accommodation has placed more pressure on the supply of offices in Coventry. Stripping out of second-hand office stock means a shortage of cheaper space for businesses, although the removal of secondary and tertiary office stock from the market, has had a positive effect in terms of removing low rental comparables from the market place.
- 4.40 Coventry is the main centre for offices, particularly large offices, in the sub-region. Coventry was named the City of Culture for 2021, which is seen as an opportunity. Strengthening of the cultural offering could help to attract business investment¹⁸. As mentioned above, the £100 million regeneration of Friargate will provide a “nationally significant” 37 acre (14.97 ha) mixed use new business district in Coventry. One building has been completed so far, housing the city council and the Financial Ombudsman Service, which has relocated from London.

¹⁸ Coventry’s Economic Growth and Productivity Strategy 2018-2022

- 4.41 The current masterplan for the area shows the potential for the delivery of 2.5 million sq ft (232,255 sq m) of office space over the next 20 years. The Council is also planning a £300m retail and leisure development, City Centre South, although completion may stretch into 2022. With strong local higher education facilities at Coventry University and the University of Warwick and relatively good graduate retention levels, the labour force has good levels of skills.
- 4.42 However, ensuring the delivery of adequate levels of flexible, appropriately specified, and yet affordable office and workspace (including “co-working” space) more generally, will be a key challenge for Coventry in the future.

North Warwickshire

- 4.43 In recent years North Warwickshire “has seen one of the largest growths in terms of logistics and support facilities in the West Midlands”¹⁹. There are concerns about low educational attainment and a limited skills base being a constraint on future economic growth. There is no college or university hub in the borough, although college provision has been established at MIRA (located at the extreme south eastern boundary of the council’s area and based in the adjoining district of Hinckley and Bosworth).
- 4.44 There are very few vacancies at the existing industrial estates. The area is booming as a result of the success of Hams Hall and Birch Coppice, the latter being the first speculatively built site with units over 100,000 sq ft outside London.
- 4.45 The area does not have an established office market, which tends to gravitate towards Birmingham and Coventry. Apart from Logistics, there are engineering specialisms in the area, including supply chain businesses for the large scale manufacturers in the region. Further growth is also expected with the delivery of HS2, with the potential to utilise new links and transport hubs.

Nuneaton & Bedworth

- 4.46 In Nuneaton & Bedworth a small amount of new employment land has been developed in recent years and office provision is limited even in the towns²⁰. With a significant amount of Original Equipment Manufacturing (OEM) in the Borough it is seen as “being within the heart of the automotive industry”²¹. The Borough also has excellent connectivity in the ‘golden logistics triangle.’
- 4.47 The MIRA Technology Park is a strong influence on the local economy – and is discussed in more detail below.
- 4.48 However, constraints to local economic growth have been identified, including out-commuting, a shortage of highly skilled labour, and the lack of grow-on space to allow for expansion of the predominantly small and medium-sized business base. There are good train links to London, but poorer links to the rest of region, with only one train to Coventry per hour. Commuting is car-dominated which increases traffic congestion locally.

Rugby

- 4.49 Rugby has excellent connectivity and is strong in the Transport and Logistics sector which is currently experiencing “growing inward investment”²². The “Rugby Gateway” is currently under development and will comprise 5,000 new homes and 35 Ha of employment land. The majority of this land has already been developed for a mix of uses, including offices, a number of large distribution units, smaller industrial complexes and even a new primary school, in an office pavilion setting.

¹⁹ North Warwickshire Local Plan 2018, p.43

²⁰ Borough Plan 2011-2031

²¹ Nuneaton and Bedworth Borough Council (2016) Economic Development Strategy

²² Rugby Economic Overview 2017

- 4.50 Demand is such that there are very few premises to let across the site as a whole and current occupations include a number of major companies such as Hermes, DHL, Amazon and H&M²³. Only one large unit of some 150,000 sq ft (13,935 sq m) remains to be let on the site.
- 4.51 Manufacturing has been declining in Rugby, but there are a lot of new-start and small businesses and therefore demand for appropriate premises is strong.

Stratford-on-Avon

- 4.52 The area is a very large authority, covering significant areas of rural countryside and a number of more “remote” market towns, with most of the businesses (primarily SME’s) spread out across the District. There is however virtually no unemployment, and Stratford-on-Avon has a high business start-up and entrepreneurship rate. The Council is supporting early stage businesses with its successful pilot project for an enterprise centre at Venture House, which was delivered on Council owned land with LEP funding, providing incubation space with business support.
- 4.53 Jaguar Land Rover remains a key business, with employment and supply chain opportunities at Gaydon. Some Creative and Digital sector spin off has been observed from the growing creative cluster in the adjoining district, located around Leamington. Also, the importance of the tourism and retail sector should not be under-estimated within Stratford itself, given the heritage and broader nature of the town and hinterland.
- 4.54 There are a number of very active industrial estates around Stratford-upon-Avon itself (Masons Rd / Avenue Farm) as well as Bidford, Shipston on Stour, Southam and Alcester, albeit the existing stock is generally old and, in some cases, inadequate for current purposes, with digital connectivity a key issue in the area.

Warwick

- 4.55 Warwick plays a key role in supporting the Automotive and Advanced Manufacturing & Engineering sectors that are strong in the sub-region²⁴. The area has a high business start-up rate - this is primarily driven by the “relatively abundant” technology and computing firms which don’t require much starting capital or business space. There are however few, new office / workspace developments in the key town centres where demand is strongest. The lack of available sites in the right locations is the most important impediment to development, rather than the viability of a scheme per se.
- 4.56 As discussed above, it has also been highlighted that local demand is not generally for Grade A space, given the type and scale of companies operating in the local economy, who are happy with “mid specification” accommodation, as long as it is well serviced (particularly with broadband – see below) and is available on flexible, short term letting arrangements, which enables them to rapidly grow and contract as workload and contracts, dictate. Businesses in the area suggest that landlords have not adapted to modern business requirements for agile and flexible spaces and shorter lease structures.
- 4.57 In addition, there are further constraints to growth including infrastructure issues around power. There is a need for several new substations within Leamington alone to support demand from the digital sector, as well as significant demand for high speed broadband for the increasing amount of cloud-based businesses. As most of these businesses are based in and around town centres, car parking and congestion also affects them.
- 4.58 Generally, planning policy is more flexible in town centres but there are very few development opportunities as sites tend to compete with other uses (e.g. residential, retail and student accommodation). Nevertheless, the Council is trying to intervene through releasing sites in public ownership.

²³ Rugby Gateway www.roxhill.co.uk

²⁴ Warwick District Local Plan 2011-2029

- 4.59 Outside of the town centres, there are a few large allocations of land, but most of them are longer term. The land currently allocated near the M40 motorway (Tournament Fields, and the longer term, adjoining Land at Stratford Rd) is suited for a variety of larger B1, B2 and B8 uses, but will probably not accommodate smaller businesses. Similarly land at Thickthorn, Kenilworth (adjacent to the A46) is a longer term proposition.
- 4.60 There is also an urban extension proposed at Kings Hill to the north of the District, however the current planning application does not include any employment allocations.

Key Sites and Premises Issues for Business

General

- 4.61 Our discussions with businesses and agents have highlighted a number of key issues / requirements in respect of the demand for available premises and land. These are set out below.
- 4.62 There is a significant demand for space for new-start businesses (short term, flexible, affordable) and particularly for grow-on space for small, yet growing businesses. This is evidenced by the lack of premises within the size band, between 3,000 sq ft and 10,000 sq ft (278 – 929 sq m).
- 4.63 The range of issues which have been highlighted by businesses include:
- A demand for good quality / well located, smaller industrial units
 - A demand for smaller freehold units. A number of smaller, “owner-occupied” businesses are keen to invest in freehold units, rather than be exposed to rising rental levels over time
 - A demand for more “secondary” sites and premises which do not command the higher costs associated with motorway / key “A” route locations

Logistics Sector

- 4.64 General occupier challenges in the logistics sector include a need for:
- reasonable cost locations (suitable accommodation in a well located site but not at premium rents / onerous tenure arrangements)
 - more readily available labour - the current ‘tightness’ of the labour market throughout the region is making it harder to find locations where there is a suitably skilled labour force available
 - sufficient power to sites. This is becoming an increasing challenge as greater automation and equipment is introduced into the logistics sector, and the use of electric vehicles becomes more prevalent
 - an increased supply of –
 - medium sized premises for logistics businesses
 - comprising both warehouse and office space premises with sufficiently large external yards to allow the manoeuvring of articulated lorries on sites that allow 24 hour working, given the need for distribution throughout the day and night
 - more thought to be given to the design of sites close to existing residential developments, or where residential development is likely to take place in the future - as residents regularly complain about 24 hour working, ultimately leading to restrictions on the use of the site.

Future Business Demand for Sites and Premises in Coventry and Warwickshire

- 4.65 Our consultations with businesses in the area, have highlighted a number of factors that are today, and will in the future, influence attitudes towards the demand for premises and sites, these are set out below.
- 4.66 Importantly, demand is not solely driven by logistics but also by the growing space requirements of the manufacturing sector. Generally speaking, large scale logistics and industrial occupiers look at the same locations with good access and away from residential areas.

- 4.67 There is high demand for units of 100-200,000 sq ft. Within this size bracket developers are happy to build speculatively as market demand absorbs such units quickly. Generally, there is a blurring between manufacturing and logistics uses but the logistics stock is likely to be much larger (with the exception of some of the region's large scale manufacturers including JLR etc).
- 4.68 The mid-range unit size of 50-75,000 sq ft is very popular for smaller scale manufacturers and distributors. Below this size bracket there is very little availability (and hence churn) as such units tend to let immediately when available. There is a particular lack of units in the 20-50,000 sq ft size bracket.
- 4.69 This demand for smaller units (less than 20,000 sq ft) is driven by growth in the general economy as well as the supporting economy - there is a real shortage of available secondary and tertiary properties, the development/ refurbishment of which is reported as generally unviable (without special circumstances e.g. a developer already owns land or existing premises beyond their useful life) due to higher build costs and management / letting risks.
- 4.70 Increasing automation and use of technology in the manufacturing sector is driving a demand for premises that are suitable for modern manufacturing (flexible, with the right floor loadings, clear working spaces, accessibility to markets and workforce, power provision and communication capacity). Anecdotal evidence suggests a shortage of supply of such, suitable premises, particularly for small and medium-sized businesses.
- 4.71 Warwickshire County Council has in particular undertaken research into the longer-term consequences of automation and calculates that over 100,000 jobs in the county are at risk of automation²⁵. This will inevitably impact on the future demand for the type and specification of appropriate employment sites and premises.
- 4.72 Generally, the quality of the existing stock is "decent" as occupiers expect good quality premises and developers respond to market requirements. The older stock has its place in the market but it is not energy efficient and not well serviced / configured (which is highly valued by the modern occupiers).
- 4.73 There is also significant latent demand from companies located within the old industrial trading estates - occupiers in 5 -10,000 sq ft units needing to upscale to 15 - 20,000 sq ft and beyond. As a result, the most obvious gap in the market is under 25,000 sq ft. At this size of the market, there is no frictional churn at present (limiting the business growth opportunities) as there is no new or speculative development at this level.
- 4.74 There is also reported to be significant demand for small industrial units (1,000-2,500 sq ft) and rental and capital values are beginning to reflect the high demand in the sector. Some small schemes have done very well recently, and prefer more inner urban locations (not necessarily requiring main motorway access) - as small occupiers can be more footloose.
- 4.75 On the other hand, there is limited demand for rural locations as these supply a very local market, and most occupiers need to be close to amenities and the logistics sector in particular needs access to motorway junctions. This is however less the case for smaller occupiers with a rural market, or for whom a good working environment is more important than physical connectivity. The same development challenges that are facing urban locations to deliver the size of property most in demand however, is also being reported as a key factor within rural areas.
- 4.76 It should also be stressed that building costs have risen considerably and the economy of building larger sheds is significant, which is prohibitive to the development of new, small schemes on a speculative basis.
- 4.77 Industrial/ warehouse rental values are in the region of £6.50-7 psf in some areas and likely to increase because of high demand and diminishing supply of land; in addition build costs keep increasing and land values are high so rental values are expected to rise as well over time. Commercial yields have also gone down, indicating a ripe investment market as well.

²⁵ Warwickshire County Council Economics (2018) The Risk of Automation in Warwickshire

- 4.78 There is demand and need for both pre-let and speculative development, which shows confidence in the development market. Larger and high-tech manufacturers need buildings designed to their specification; more footloose companies cannot wait for Design & Build (as this process normally takes some 12 months from start to completion due to design, site and planning issues delays – unless this has been pre-empted by a “fast track” build to suit package).
- 4.79 Hence both ends of the market need to be provided for; but on the other hand, care will need to be taken that overprovision of the same size / type of accommodation is not delivered by a lack of coordination across the various locations.
- 4.80 There is an increasing demand for flexible premises across a range of business sectors. This means both flexibility in the amount of space required, e.g. the ability use a single building for a mix of purposes, to take more or less or different types of space depending on turnover / demand; and also flexibility in the form occupational arrangements (short term leases / licences).
- 4.81 Businesses, especially new-start businesses with high growth aspirations, are struggling to find premises with suitably flexible leases, which will allow them to expand or move-on within a few years if they achieve their rapid growth aspirations. Contractual flexibility is needed to enable growing businesses to continue to expand in Coventry and Warwickshire.
- 4.82 High capacity / high speed broadband is needed to facilitate growth in almost all sectors, because of the increased use of data. Therefore, all employment sites will need access to high speed broadband, which is currently not available at all employment sites in Coventry and Warwickshire.
- 4.83 Good public transport links to employment sites are important, to enable workers to access the businesses located there. The cost of private transport and traffic congestion make the use of public transport very attractive to some workers, particularly in some of the more confined, inner urban estates.
- 4.84 Ancillary facilities such as retail, leisure and childcare are now an expected part of the workplace, and when provided will make industrial and employment sites much more attractive to employees, thus increasing businesses’ ability to attract good quality workers. This again is much more accessible in urban locations, unless specific provision has been made on the more remote or motorway corridor related developments.
- 4.85 Brexit is also likely to have several impacts on the Logistics sector, which have been highlighted as part of our consultations. The additional administration needed for customs clearance will increase the need for office accommodation associated with logistics sites. Slower customs clearances mean that businesses which currently operate on a just-in-time basis, with European suppliers, will need additional warehousing and storage space as they will need to stockpile some supplies.
- 4.86 In the short-term at least, the view has been expressed that Brexit is dampening investment in the Automotive sector in Coventry and Warwickshire, because of the uncertainty about future trade between the UK and Europe.
- 4.87 In addition, there have been a number of changes in the property market in recent years, in terms of how people use premises to live, work and shop, resulting in changes in demand for certain accommodation or new requirements for such premises to accommodate new working practices. We have provided more commentary on how these might affect the local market and future demand in Section 7.
- 4.88 Finally, the other issue raised consistently across all of our consultations, is the demand for affordability. Larger logistics businesses and corporates, are able to fund the higher rental and capital costs associated with prime sites along the key motorway and transportation corridors. Even if these were their preferred location, smaller companies (in the wider AME supply chain) as well as SME’s and smaller, growing businesses cannot, due to the fact that rental levels are typically some £3 psf higher than traditional IE locations.

4.89 Due to the growing levels of demand over recent years, and the relative shortage of supply coming forward (both land and premises), it is expected that these levels will be likely to rise further, in the future.

KEY CONCLUSIONS FROM THIS SECTION

- Demand from Companies like JLR (and their supply chain), and mainstream retailers – have had major impact on types of property being delivered recently – industrial and logistics
- Demand is pushing up land values and rents in key locations
- Offices are significantly influenced by the Birmingham market – Grade A demand is primarily in Coventry, but elsewhere demand is for flexible / mid-spec units
- Green Belt and delivering employment needs across LA boundaries, are important factors
- Sharp contrasts exist between demand in N and S of sub-region – which needs to be reflected in policies (type of use, property requirements and locational issues etc)
- Some specific issues identified –
 - Shortage of well located, small industrial estates and smaller freehold units for sale
 - Lack of flexible leases on offer
 - Strong demand for more “affordable” sites / premises – both large and small
 - Concern about out-moded premises being redeveloped for high value uses
 - Tightness of labour market – which is impacting on recruitment etc
 - The critical demand for higher levels of power provision / the highest comms speeds
 - Growing automation – requires flexible / well specified floorspace
 - Some sites located next to new residential – are causing operational conflicts
- A strategic approach is therefore required – in order to secure / release more of the right employment sites (through appropriate allocations but more importantly involving public sector intervention) AND ensure they deliver the right “product”

5. The Current Supply of Land / Accommodation

PURPOSE OF THIS SECTION

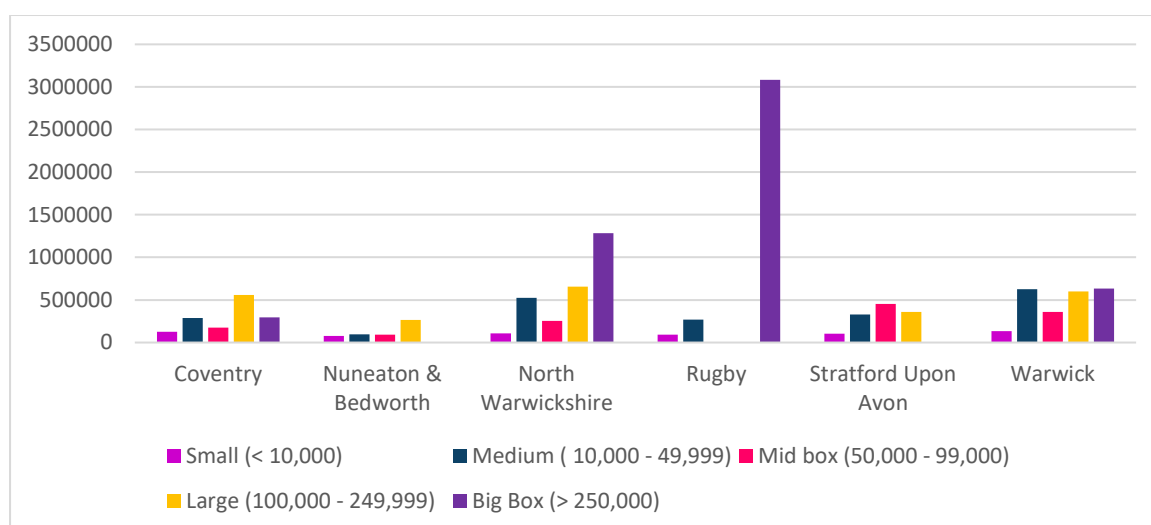
- To analyse supply performance of the sub-region and compare with the position in 2015 (the date of the sub-regional CBRE report) to understand market changes
- To research the current and future availability of employment site / premises (industrial and property), including existing sites and estates, expansion sites and allocated sites (in the latest Local Plans)
- Categorise sites to understand those which are servicing particular types of business activity and how the land supply chain is functioning both today and into the future.
- Analyse sites across categories and by location in order to identify - areas still available for development and their potential capacity to accommodate floorspace, the likely timing of site delivery, and whether such development is likely to be viable

What is required for a successful economy - in terms of land and premises supply.

- 5.1 In general terms, it can be claimed that one of the most important requirements to achieve a successful economy, is the availability of the **right** accommodation for companies. This includes such factors as –
- Type – ranging from requiring a certain specification to flexible / varied space
 - Size – from start-up to very large space
 - Satisfying key location requirements –
 - Access to workforce
 - Access to “customers”
 - Access to key communication routes / mechanisms
 - Fast access to a wide area
 - Fast access to a very local area
 - Access to technology, knowledge, R&D etc
 - Cost – what can specific businesses or sectors generally afford
 - Conditions of occupation (type of tenure, security, certainty, length of commitments, fully flexible etc)
- 5.2 In terms of the Industrial Supply market - high levels of take-up have created a substantial shortfall in the amount of existing readily available premises. The majority of available industrial properties are small in size; 66% are less than 10,000 sq ft, and 31% are between 10,000 and 49,000 sq ft²⁶.
- 5.3 The majority of big box units are available in Rugby, while Nuneaton and Bedworth have the lowest availability, both in terms of number of units and also overall amount of floorspace.

²⁶ CBRE (2015) Employment Land Use Study

Figure 5.1 Industrial availability



Source: EGi data (2018)

- 5.4 Growth across the main components of employment land demand in the CW LEP area, in advanced manufacturing and logistics, has caused a significant decline in available supply. Such constraints in supply has meant that occupiers seeking industrial or logistics space may have to consider alternative locations within the Midlands or elsewhere in the UK.

Comparison of the B2 / B8 Market Floorspace Market Position (2015 to 2018)

- 5.5 Using current market data from EGi, we have compared availability between now (2018) and 2015 when the last sub-regional Employment Land Use Study was produced. Although B2 / B8 floorspace availability has increased across the LEP area (with the exception of Nuneaton & Bedworth), overall the existing supply provides for about 2.25 years at the current rate of demand. This is consistent with the findings of the 2015 study, showing that there has not been any improvement in the market in terms of persisting imbalances.

Figure 5.2 B2/B8 Market Imbalances (by Local Authority)

Local Authority District	Current Availability (SQ FT)	2015 Availability (CBRE) (SQ FT)	Change in Space Available 2015 - 2018 (Q3)	Annual Average Take-Up (2015 - 2018 Q3)	Available Supply (years)
Coventry	1,439,450	540,185	899,265	1,063,102	1.35
Nuneaton & Bedworth	531,151	647,267	-116,116	375,180	1.42
North Warwickshire	2,828,760	357,179	2,471,581	658,313	4.30
Rugby	3,445,474	500,646	2,944,828	1,507,363	2.29
Stratford-on-Avon	1,244,244	140,726	1,103,518	486,380	2.56
Warwick	2,355,148	207,026	2,148,122	1,086,067	2.17
CWLEP Total	11,844,227	2,393,029	9,451,198	5,176,405	2.29

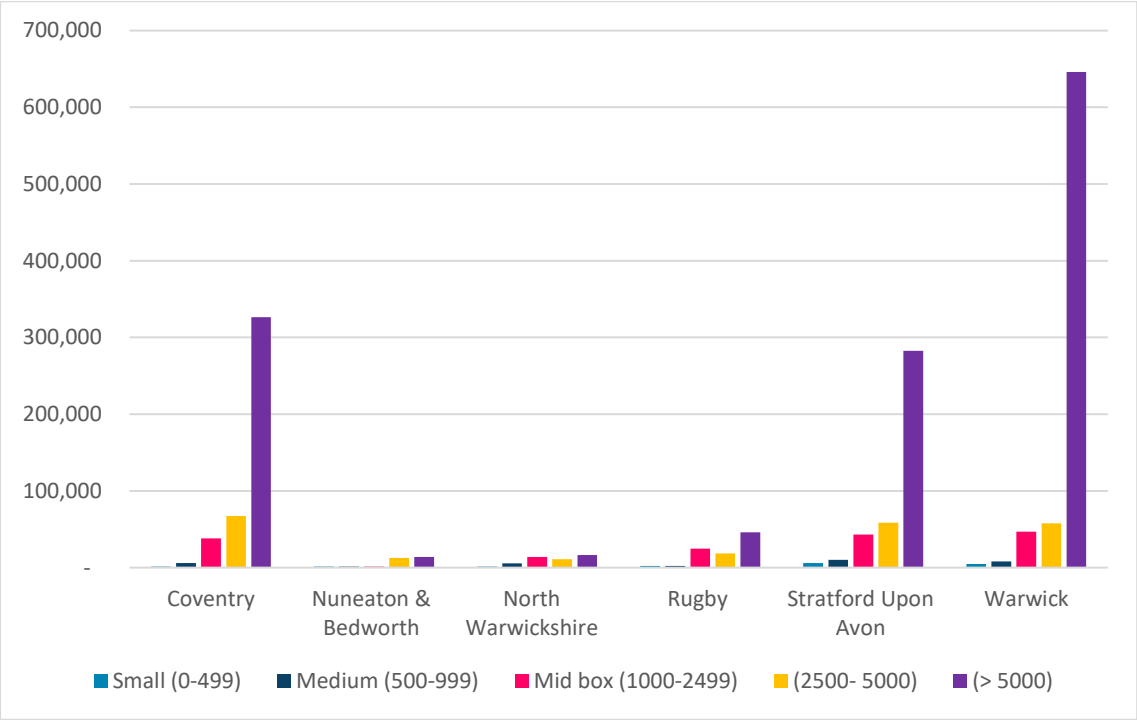
Source: EGi data (2018), CBRE (2015) Employment Land Use Study

- 5.6 With regard to supply in the Office market, despite increased take-up, there is still sufficient availability of office space on the market. Supply within the CWLEP region currently stands at 1,776,975 sq ft. However, variations exist between Districts: Warwick has the highest amount of office space available

at 763,543, followed by Coventry and Stratford-on-Avon. On the other hand, Nuneaton and Bedworth, North Warwickshire and Rugby have very low availability rates, that stand below 100,000 sq ft.

- 5.7 There is also a major “**quality**” issue which is inevitably hidden within these overall figures, and there is certainly a predominance of older, secondary and potentially tertiary stock within the availability statistics, which would be unlikely to be suitable for many occupiers, in future years.
- 5.8 Furthermore, in terms of size, the majority of office space available is above 5,000 sq ft. We expect that a large number of small units (under 1,000 sq ft in particular) will not be recorded on EGi and hence do not appear in the figures below.

Figure 5.3 Office availability



Source: EGi data (2018)

- 5.9 High take-up levels have led to increases in rents across the Coventry and Warwickshire sub-region, headline rents currently stand around £19.25 per sq ft for grade A space, whilst lower quality office spaces offices are achieving between £10 - £15 per sq ft.
- 5.10 Generally, market evidence therefore suggests that “at face value” there is no shortage of supply in the CWLEP office market as the current and planned supply appear sufficient to cover demand. However this is certainly not the case in reality, as testified through our consultations with agents.
- 5.11 It is also worth noting that the differentials in supply and quality between the six authority areas, and the squeeze on available sites across the sub-region, has the potential to create specific geographic or “product related” shortages, that will need to be addressed.
- 5.12 We would also highlight, that the structural changes in the office market discussed in earlier Sections, with workspace/ co-working spaces becoming increasingly popular, will also have an impact on the balance between supply and demand, and the use of existing stock.
- 5.13 This type of space is much more flexible and informal, hence there is both an opportunity to convert existing premises in areas of demand for such uses (say, Leamington, Warwick, Stratford) as well as to construct new “mid-spec” floorspace (possibly as part of a wider mixed use scheme), without incurring the high costs associated with new build Grade A space. Opportunities for conversions and

refurbishment schemes will all need to be examined and the potential of the market to deliver such schemes, proven.

How does Land supply in the C&W area, meet Business Needs and either aid or impede economic activities?

- 5.14 Over the last few months (analysis mainly undertaken in August / September 2018), we have been discussing the supply side of employment accommodation in the C&W area with a number of agents, developers and local authority representatives. We have also undertaken an examination / analysis of the information which is currently available about the strategic approach to the provision of employment sites – including:
- the latest employment land reviews (and any updates available), which are mostly quite dated
 - the latest version of published Local Plans / Core Strategies. Not all authorities have a recent, finally approved document but where not there are latest Publication Drafts and we have used those as our reference point
 - there are also a number of strategic sub regional employment land reports, undertaken by the LEP (including the CBRE report from 2015) and we have taken these into account.
- 5.15 In all our research, we have concentrated on all “B category” uses, including offices, R&D, industrial and distribution. From this analysis we have drawn out –
- the key sites across the authority areas, which are being newly allocated for primary employment purposes
 - those existing sites which are highlighted as having expansion potential into land which is already allocated or into adjoining sites
 - key sites where the commitment to sub regional / employment use is being reconfirmed and where further development potential has still to be realised
 - a selection of the main, traditional industrial estates, housing a range of businesses in terms of size, sector and quality, and which are referred to in the employment land reviews / Local Plans as key to the continuation of economic prosperity across the sub region.
- 5.16 Current allocations are based on evidence produced as part of the Local Plan process; the Employment Land Reviews’ methodology (as currently set by Government Guidance) provides four methods of calculating future land need. Each of these methods over recent years have been seen to produce figures which are too low to meet actual demand and do not appear to adequately capture market dynamics. These issues are discussed later in this Report.
- 5.17 It is also a fact, that the Local Plans considered as part of this commission were prepared in accordance with national planning policy and guidance published at the time. This has however been impacted by a revised National Planning Policy Framework which was issued by the Ministry of Housing, Communities and Local Government (MHCLG) at the end of July 2018, during the course of the Study.
- 5.18 Whilst it is acknowledged that this was primarily about housing allocations and residential development issues, there are a small number of issues that could pertain to this commission, and they are briefly referred to below.
- Local housing need is now to be assessed using the “standard method”, as set out by government
 - Subsequent local planning policies are no longer required to assess the actual need for employment floorspace as a result of their demographic and housing projections, but now need to “have regard to” local economic development and regeneration issues and to give “significant weight on need to support economic growth and productivity” (this can be seen as a watering down of the importance of economic activities, but there is no longer a direct link between housing and job numbers)

- Town Centre diversification has been highlighted as an important planning issue going forward, and that authorities should “support diversification and changes of use where town centres are in decline”. A number of the issues addressed in this report in respect of business space within urban centres, will be supported by this addition
- Employment is back in the list of Land Uses which require a Strategic Policy, in terms of patterns, scale, quality, and significant provision
- Warehousing and logistics requirements are specifically mentioned, and the need for planning policies to make provision “at a variety of scales and in suitably accessible locations”
- Authorities are being encouraged to use CPO powers in respect of land assembly. Whilst it is acknowledged this is primarily related to housing sites, if those include major urban extensions / growth areas, then the need for adequate employment land to help create an economically sustainable community, would presumably be a valid consideration
- Viability assessments for larger schemes are required to consider affordable housing and “other infrastructure” required to make a “sustainable community”. There may be an argument for this to include business provision / accommodation, where location and scale so dictate
- Plans are required to be reviewed every 5 years, or sooner if housing need changes substantially. Five years is seen as probably too long a period, for rapidly changing economic circumstances at present, and more frequent employment reviews could perhaps be considered, outside the normal Local Plan requirements

5.19 The above NPPF changes are also discussed in the Conclusions Section of our Report.

5.20 Having assembled the listing of current and future locations (referred to above), we have attempted to categorise these sites across a number of broad characteristics, in order to understand the sites which are servicing particular types of business activity and how the supply chain is functioning both today and into the future. That has also enabled us to match business requirements with the types of product that are being designed / delivered.

5.21 The broad categories that we have used in this analysis, are set out in Figure 5.4 below.

5.22 Clearly, there will always be some overlap in terms of the businesses that are going to occupy space within these various groupings, but because of the stark contrasts between the property requirements of some of the sectors prevalent within Coventry and Warwickshire at present, evidence on the ground suggests that these are clearly reflected in site and accommodation provision.

Figure 5.4 Site categories – Workspace, Industrial and Distribution



Source: BBP Regeneration (2018)

5.23 In terms of office sites / premises, there needs to be a different categorisation, to reflect the different range of demands that businesses have for such space, and what drives a location decision. In this respect we have therefore used the following categories.

Figure 5.5 Office Based Site categories



- 5.24 Applying these criteria across the sites which we have highlighted within the employment land reviews and the Local Plans, an analysis is provided in Annex G, which groups the industrial / logistics sites together within each category.
- 5.25 Clearly, we have had to make a number of key assumptions in analysing this data, as well as both interpreting a number of available sources of information, and supplementing this with consultations where possible, in order to inform the categorisations. We have also not been able to source precise information on land areas and in particular the variations between gross and net developable areas (although we have circulated our latest assumptions and have taken account of any feedback received).
- 5.26 We are however of the view that the approach we have adopted is helpful, in order to understand what land is available and how that might meet the demands of business.
- 5.27 As well as providing information as to the sites' location, we have also provided data where available on –
- Areas still available for development
 - What that might mean in terms of floorspace to be delivered
 - The likely timing of site delivery
 - Whether new development on the site is likely to be viable from a private sector perspective
- 5.28 A detailed schedule of the industrial / distribution sites and data described above, is set out in Annex G, which breaks down the sites by District, and under each of the suggested use categories.
- 5.29 A similar table for offices has also been produced, and this is included at Annex H.
- 5.30 It should be noted that this data only includes sites / allocations with available development land, both now and in future years (subject to delivery). It does not include the range of traditional industrial estates, a sample of which have been recorded separately (Annex I) and will be discussed in more detail below.
- 5.31 The above data has then been analysed further in order to compare –
- The available land areas per Authority (which we have assumed at this stage to represent the gross area available), broken down into the key categories articulated above
 - The likely floorspace which these areas will generate, by Authority and category. This calculation reflects a standard 50% site development density across all sites, and is used for indicative purposes only
 - Broken down per Authority, the likely delivery of serviced site areas, in accordance with a number of time periods, over the next 10 years. This assessment has been made following a review of employment land reviews and the latest Local Plans, site visits and development experience. We have not at this stage consulted owners / agents in respect of this information.
- 5.32 A copy of this more detailed analysis is included in Annex J. A summary of the timing of site delivery (gross hectares) by Authority is set out below.

Figure 5.6 Site delivery trajectories (by LA)

AUTHORITIES / SITE AREAS (hectares)	IMMEDIATE	1 to 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
COVENTRY	12.00	3.00	0.00	48.00	0.00	63.00
NORTH WARWICKSHIRE	26.50	6.90	0.00	0.50	42.00	75.90
NUNEATON & BEDWORTH	0.81	0.00	2.60	27.00	52.00	82.41
RUGBY	96.20	18.20	0.00	7.50	35.00	156.90
WARWICK	4.10	147.00	0.00	0.00	5.00	156.10
STRATFORD-UPON-AVON	11.12	56.00	14.30	118.60	0.00	200.02
TOTALS	150.73	231.10	16.90	201.60	134.00	734.33

- 5.33 As set out above, the information in the above figure has been used to make a number of assumptions about the likely ranges of floorspace that could be expected to be delivered on these sites over the next 10 years. An analysis of those floor areas is set out by authority and use category, in the figure below.

Figure 5.7 Potential Floorspace Delivery (by LA and Use Category)

Floorspace by Category - Sq M	COV	N WAR	N & B	RUGBY	WAR	S-u-A	TOTALS
Regional / sub regional importance - Over 9,290 sq m	15,000	132,500	220,000	440,000	398,060	0	1,205,560
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	170,000	0	130,000	0	0	274,000	574,000
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	40,000	34,500	0	37,500	128,500	44,000	284,500
District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m	12,000	0	47,240	25,600	42,400	71,200	198,440
Only Local based importance - up to 465 sq m	0	2,000	2,400	0	0	4,480	8,880
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH /	0	168,000	0	0	0	46,800	214,800
AREAS ALLOCATED AS PART OF URBAN EXTENSION	60,000	0	0	64,000	20,000	468,000	612,000
OVERALL EMPLOYMENT FLOORSPACE	297,000	337,000	399,640	567,100	588,960	908,480	3,098,180

5.34 Finally, it has been mentioned during discussions that these figures are skewed, in view of the inclusion of two key and very sizeable sites, the Coventry and Warwickshire Gateway site (which is currently underway) and the Gaydon site (close to the M40), which we understand is reserved for the expansion potential of a single occupier (JLR).

5.35 We have therefore re-run figure 5.6 again, with these sites removed, in order to understand the consequences on future supply.

Figure 5.8 Site delivery trajectories (by LA) (excluding Gaydon & C&W Gateway)

AUTHORITIES / SITE AREAS (hectares)	IMMEDIATE	1 to 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
COVENTRY	12.00	3.00	0.00	48.00	0.00	63.00
NORTH WARWICKSHIRE	26.50	6.90	0.00	0.50	42.00	75.90
NUNEATON & BEDWORTH	0.81	0.00	2.60	27.00	52.00	82.41
RUGBY	96.20	18.20	0.00	7.50	35.00	156.90
WARWICK	4.10	17.50	0.00	0.00	5.00	26.60
STRATFORD-UPON-AVON	11.12	56.00	14.30	14.60	0.00	96.02
TOTALS	150.73	101.60	16.90	97.60	134.00	500.83

5.36 The CBRE study in 2015 using the different Government recommended methodologies, predicted that future demand for employment land to 2031 ranged from 353 ha (sectorial), through 405 to 570 ha (demographic/labour market) to 637 to 660 ha (base on take-up). It was strongly recommended that the C&W area and the LEP plan for the higher end of this range.

5.37 Based on the analysis in the tables above (including the two strategic sites referred to) supply appears adequate (comparing 734 ha with the top end of the 2015 range - 660 ha). However, it should be noted that the figures in our analysis have used what we understand to be "gross" land areas and it could well be the case that significant areas will be undevelopable, once strategic infrastructure and other issues have been resolved and a net developable calculation undertaken.

5.38 On the basis that an assumption is made that only 80% of the gross land areas shown in the above figures would be developable, then the available overall land area would be 587 ha, which would fall below the upper end of the 2015 range, indicating the need for more employment land to be found over this 10 year period.

5.39 Removing the two strategic sites from the analysis (Figure 5.8 above) the overall levels of supply are falling short of the target range highlighted above (500ha compared with 660ha) indicating that overall there is a requirement for more land areas to be identified over the next 10 years.

5.40 There are also a number of distinct variations between districts and across potential timings and use categories which can be identified from the above, namely –

- Nuneaton and Bedworth – is showing low availability over the next 5 yrs

- Warwick – is showing very low areas overall, over next 10 yrs (on the basis that the C&W Gateway Site, which is to the extreme north of the district, is discounted)
- Rugby has over double the land allocations of any other district
- Overall there are very low allocations of sites for floorspace under 465 sq m
- Apart from N Warwickshire and Stratford, there are very few allocations for specific R&D, “science park” related development
- There are some “blind spots” – where sites suitable for “mid-range” units are not obviously available – e.g. Nuneaton and Bedworth, and Rugby for new development within the 1,858 sq m and 4,645 sq m category

- 5.41 The findings in this chapter suggest further demand for employment floorspace across the sub-region primarily arising from the fact that land has been taken-up at a faster rate than expected. However, it should be noted that the provision of employment land across Coventry and Warwickshire has been based on assessments of employment need and demand undertaken as part of the preparation of the current round of Local Plans. Across the sub-region, plans have either been adopted or are moving towards adoption.
- 5.42 The employment assessments were undertaken at a point in time and accorded with national policy and guidance and have, where plans have been adopted, been found sound. Importantly (and something that assessments do not consider), Local Plans also need to balance land demands with infrastructure provision and environmental considerations to ensure the achievement of sustainable development.
- 5.43 As such, further detailed quantitative and qualitative assessments of employment land requirements are still required to inform the next round of Local Plans but the recent changes to national policy and guidance appear to provide local planning authorities with greater flexibility to take into account local economic circumstances and the full range of factors that affect the market both locally and at the sub-regional level.

KEY CONCLUSIONS FROM THIS SECTION

- It is useful to categorise sites, to understand how supply meets the varying needs of business – industrial / logistics / offices; scale; nature of business “processes” etc. This should be considered as a means of planning appropriate allocations going forward
- An analysis of potential supply, phased over the next 10 yrs and by LA area, shows that the overall quantum of land is still barely meeting the levels forecast in 2015. Subject to the individual characteristics of each site, the conversion from gross to net developable areas, may reduce available site areas below the 2015 targets
- There are also some significant gaps in certain LA areas, in respect of certain of certain site categories and within particular time periods
- Most of the key locations that were seen as meeting future demand (in 2015), no longer have any (or very little) development capacity

Our overall conclusion is that additional employment land areas will need to be identified over the next 10 year period

6. Supply Issues Emerging from the Consultations

PURPOSE OF THIS SECTION

- To highlight the supply issues which have been raised in our various consultations
- To examine where “change of use” and viability issues are impacting on supply
- Affordability has also been examined, given shifts in rental levels over the last three years
- To summarise some key “constraints” on the market, highlighted by our consultations

6.1 Discussions with a number of organisations, involved in the day to day supply of employment floorspace, across the spectrum (agents / developers etc), have highlighted the following issues which are influencing how development is ultimately being delivered. We have grouped comments under the categories set out above, for convenience of interpretation.

Regional / sub regional importance - Large scale ("big box") accommodation - Over 100,000 sq ft (9,290 sq m)

6.2 Broadly there is significant demand in this sector, including premises well above the 100k lower threshold, ranging from 200k to 400k sq ft and even larger. These are primarily distribution units (although there are examples of industrial / manufacturing operations, particularly with locations closer to Birmingham) and the supply of such units is being readily delivered by the private sector across a range of locations within the sub region.

6.3 Generally, the M1 / M6 corridors are considered to be ‘peak’ areas (such as Rugby Radio Station / Rugby Gateway / DIRFT / Coventry North). Other motorway corridors are not quite so ‘hot’, but are nevertheless performing well (M40, M42, M69, M45 etc). For distribution operations of this size, companies are ideally requiring locations immediately adjacent to motorway junctions.

6.4 Development is taking place through a number of mechanisms, depending on location, the type / size of space and competing supply at any particular time. The main mechanisms are –

- Turnkey projects for high grade covenants, requiring specialist fitting out / facilities to meet their specific requirements
- “Build to suit” packages which are increasingly prevalent throughout the area, with developers / investors assembling “fast track” delivery mechanisms that include flexible planning consents (simply requiring reserved matter approvals), pre-prepared site works and infrastructure, pre-agreed local parameters with Local Authorities, local contracting arrangements, etc. Premises are claimed to be available within 6 or 7 months of signing a contract, on this basis, which potentially offers an alternative to speculatively constructed units, although the degree of “change” to pre-agreed planning criteria, would limit the scope to deliver entirely “bespoke” accommodation
- Speculative units, and there are a number of examples of this around the sub region at present, where incoming companies can be flexible in terms of their specific specifications

6.5 The result is that this has absorbed a lot of the spare land capacity that was available 2/3 years ago and this has not been replaced on a ‘like for like’ basis (if indeed at all in some cases) – during this period. Most of the key locations that were seen as meeting the above demand over this period, no longer have any (or very little) development capacity.

Sub Regional / Local based importance - Mid to Large scale accommodation - 50,000 to 100,000 sq ft (4,645 – 9,290 sq m)

- 6.6 Again, there is significant supply being delivered in this sector, particularly given the more locally based distribution facilities which a range of companies are looking to establish across the sub-region. The means of delivery again reflects the three options set out above, with some such space being provided speculatively.
- 6.7 Companies like Segro are reporting very strong interest from existing “clients” for additional space in this size band and are looking to supply such premises on a speculative basis, where they can find available land.
- 6.8 The majority of supply is of distribution units, however there are also examples of accommodation which is suitable for industrial operations, although the building specification may vary to reflect different requirements – e.g. lower eaves height, less yard space, less provision of docking facilities etc. From a locational perspective, the industrial premises are being supplied on sites that whilst still being well connected to the motorway corridors and other main highway networks, are not necessarily immediately adjacent to an access junction.

More locally based importance – Mid-scale accommodation - 20,000 to 50,000 sq ft (1,858 to 4,645 sq m)

- 6.9 Current supply is accommodating a range of companies in this category – comprising a mix of uses - industrial / manufacturing / storage. This includes a predominance of companies in the wider West Midlands “transport sector” supply chain. Operations entail a level of automation, but these do not generally involve significant production lines – therefore these companies do not need large areas of open floorspace.
- 6.10 Geographically, the supply of accommodation for these businesses can be found in a mix of locations – ranging from new speculative or bespoke provision in such locations as Tournament Fields (Warwick) or more dated accommodation, on the larger / traditional industrial estates (of which there are many) across the C&W area, such as the Swift Valley area in Rugby. The latter locations often have the benefit of cheaper rents, and it would not be uncommon for these to be half of the more modern equivalent (£3 to £4 psf compared to £6 to £7 psf).
- 6.11 Such premises are also often dated and disadvantaged with poor accessibility / communication issues and poor accommodation standards / image, and don’t provide many of the modern services and facilities found in modern developments.
- 6.12 With regard to new build, there seems to be significant activity in Stratford-on-Avon (both under construction and D&B opportunities), together with three units u/c on Tournament Fields (Warwick). Overall five of these units are over 25,000 sq ft, with the remaining comprising small units (under 2,500 sq ft) in Shipston.
- 6.13 In terms of availability, there are locations where modern premises of this size are being constructed speculatively (more likely at the bottom end of the range) or with the benefit of pre-lets (towards the top end of the scale). However, this size range is predominated by older accommodation of varying specifications / age.

Locally based importance - Range of accommodation for SME's - 5,000 to 20,000 sq ft (465 - 1,858 sq m)

- 6.14 This range of property is typically occupied by a wide range of SME’s, undertaking a complete mix of operations, but many of which are in the supply chain for larger automotive / aerospace / rail-based companies, and offering a range of engineering services. This range of property is also meeting the needs of companies in the construction, food and other sectors.

- 6.15 By far the majority of space is on established / traditional industrial estates and construction is dated (20+ years) and in some cases significantly older (40 / 50 years). There is very little new build speculative accommodation – although there are some exceptions such as Central Valley Drive or Swift Valley in Rugby.
- 6.16 There are also opportunities for bespoke development to be undertaken for companies, such as the Loades Ecopark in Exhall (BREEAM very good), where they are offering pre-let opportunities up to 30,000 sq ft (2,787 sq m).
- 6.17 There are also other sites that are advertising the potential for the construction of new space, but these often appear to have been “promised” for some time.
- 6.18 Accommodation at the lower end of the scale is normally located in terraces, however at the upper end, these could well form detached premises with their own yard and circulation space, although such properties are likely to be older buildings, in many instances of poor quality and specification.
- 6.19 Properties in this range are also likely to be located within the depths of an old / randomly laid out estate, with the associated difficulties of getting an acceptable level of goods access, limited public transport and local services.
- 6.20 Following consultation with local agents and developers, it has become clear that schemes of this size (particularly terraced units at the lower end of the size band – 5,000 sq ft) are not viable and do not provide competitive returns to the investors / developers. Such schemes have higher building costs and require active management as opposed to a single large unit. There are also perceived higher risks of vacancies and lower quality covenant strength.
- 6.21 In addition, consultees have particularly commented on the lack of development land for comparatively small schemes within this size band (2-10 ha) as most of the sites that come onto the market for development are large strategic sites, which tend to be developed for large scale occupiers and sold / let at institutional terms.
- 6.22 It is also clear that the developers of such large strategic sites, are not normally prepared to consider a mix of uses / sizes on such developments, seeking to maximise site coverage with a single “product”, rather than looking to introduce diversity and a “staircase” for smaller businesses.

Only Local based importance - Range of accommodation for SME's - up to 5,000 sq ft (465 sq m)

- 6.23 The supply of premises / land in this sector is extremely variable. Many of the characteristics set out above for the over 5,000 sq ft (465 sq m) category, equally apply here. For example, very dated construction, poor specification and quality, difficult access and support facilities etc.
- 6.24 Units are also available in a number of configurations, ranging from purpose built blocks / terraces (particularly for units above 2,500 sq ft (232 sq m)), to larger areas of old industrial space, specifically subdivided to produce a range of smaller sized units, and small areas of surplus accommodation being offered to the market by companies occupying the balance of accommodation.
- 6.25 In particular, agents have suggested that there is a reasonable supply of serviced office space across the sub-region, with many available on an all-in / flexible pricing structure. However, the Chambers of Commerce in Coventry and Warwickshire and the FSB have suggested that more generally there is a shortage of suitable premises for smaller and new-start businesses, particularly in respect of small workshops. There is also a real issue of “affordability”, with a shortage of available premises across the size spectrum, at low rents.
- 6.26 Occupational arrangements are also varied, with the larger accommodation available on longer leases (3 to 5 years, or longer if required) and the smaller space available on more flexible tenancy / licence arrangements

- 6.27 Over recent years there has also been a growing market within this category for freehold premises, with the Directors of businesses acquiring the premises through their pension funds and then sub-letting back to their business at a rent which provides them with an acceptable return. This is not just a C&W characteristic, and has been seen in a number of areas around the country, however it was specifically mentioned as part of our consultations on this commission.
- 6.28 The market for these opportunities has included a range of existing and dated premises, constructed some time ago, as well as new developments, where developers have seen this as a particularly attractive and niche market, which has provided them with a much more certain level and speed of return.
- 6.29 There has also been some involvement from Local Authorities in this arena, who have been keen to persuade developers to provide these products by entering into an arrangement where the developer constructs and lets, with a commitment from the LA to acquire the end investment at that stage, at an agreed yield figure.
- 6.30 This has been in part to encourage the commitment of companies to a particular area, and to secure long-term economic activity, as well as creating an alternative, long term income stream, at a reasonable rate of return. For example, development funding has been raised at interest rates around 3.5 to 4% with returns being secured long term at around 6 to 7%.
- 6.31 Authorities have also used such funding to initiate small unit / workshop / workspace schemes (including “co-working”) where a cocktail of public funding sources (potentially also including some private sector funding) has been used to stimulate supply in this category. Developments such as Lythalls Lane in Coventry have utilised mechanisms along these lines.
- 6.32 Generally, however there has been very little, private sector initiated, new, speculative accommodation within this category in recent years – although there are some exceptions such as Loades Ecopark in Exhall (BREEAM very good), where they have constructed some 7 units initially (on a 15-acre site), with sizes ranging from 1,400 sq ft to 3,000 sq ft (130 - 278 sq m). The investment / viability issues related to this phenomenon are discussed in more detail below.

Offices

- 6.33 The supply of sites available for future office development across the sub region is quite limited within the latest Local Plans under consideration. Exceptions are Coventry, where the Friargate allocation is part of a strategic approach to bring new, quality office provision back into the City Centre (as well as being immediately adjacent to the station), and Stratford-upon-Avon, where the Canal Corridor redevelopment strategy, will require the relocation of a number of office uses.
- 6.34 Apart from these, there is limited new provision within the other main urban / town centre locations (Nuneaton / Rugby/ Warwick / Kenilworth / Leamington etc).
- 6.35 Where potential sites are included, they are normally part of a wider mixed-use opportunity, such as the redevelopment of Nuneaton town centre, and are being considered as part of wider retailing, leisure and residential complexes.
- 6.36 The supply of inner urban offices has also not been supplemented by any significant new development in recent years, with the majority of accommodation either being floorspace above other uses (primarily retailing) on the “high streets”, or dated, purpose built space around the periphery of town centres, which is either providing secondary quality space, or has been refurbished into smaller office suites.
- 6.37 This is part of the structural reconfiguration of the majority of businesses, that previously required significant quantities of traditional office accommodation within town centre locations. As a result of major changes to the corporate business model (more out-sourcing of services and functions), the rationalisation of central / core and back office functions (i.e. more economic to organise / run remotely with lower overheads, particularly rent), changing work patterns (the home working ethic), transformed

communications and services – many businesses no longer require such locations or types / volumes of space.

- 6.38 These characteristics should also be considered alongside the increasing view from smaller, office based businesses (particularly those in the digital, design, creative sectors) that they do not have a need for the traditional Grade A office specification or the cost which is associated with such an offer. This is leading to the demand for (and in some cases supply of) basic (“mid-spec”) space, where “front of house” maintains a certain quality / image (reception, meeting rooms etc), services (comms etc) are of the highest quality / speed, but the operational space can be much lower specification and far more flexible (including co-working / hot-desking space).
- 6.39 There are some examples of where this is being provided, either through conversion of existing accommodation or new build, such as the Althorpe Enterprise Hub (in Leamington) and EPIC (in Nuneaton and Bedworth). Generally however, there are limited instances of current town centre premises (vacant retail and other commercial floorspace, out-dated office premises, underused mixed use property) being refurbished / converted into a new office / workspace provision. This is potentially because of a number of factors, such as –
- higher value uses, that would provide a more viable alternative
 - high refurbishment / conversion costs – which render proposals non-viable
 - a disparate mix of uses (some with occupiers still in situ), where achieving vacant possession is a challenge
 - landlords / owners reluctant to give up current income streams (some underwritten by good covenants for some years)
 - landlords / owners reluctant to work together and no means of achieving viable development parcels, without some form of “compulsory” site assembly
- 6.40 A strategic approach to change of uses / the establishment of viable development “parcels” within existing town centres, is therefore required, if the trends to attract more businesses back into these areas is to be delivered.
- 6.41 The other key component of the Office sector, is the prevalence of “out of town” developments / business parks, which have provided a significant proportion of the supply required by businesses over the last 30 years or so.
- 6.42 There are many examples around the sub region, including such schemes as Tachbrook Park, Westwood Business Park, Middlemarch Business Park, Elliot Park etc. It is important to note however that in a number of locations, where reasonably sized premises have been vacated by previous occupiers, there has been a need to refurbish / sub-divide the accommodation, to try and attract a range of new / smaller businesses, together with the provision of some local facilities (shops, cafes, gyms etc) to supplement the needs of staff.
- 6.43 There is a school of thought at present that businesses do not favour such locations and are taking the opportunity when leases expire etc, to relocate back into inner urban / town centre locations. This is borne out by some of the consultations which we have undertaken as part of this study. The reasons being cited including the need for better access to public transport, smaller / more flexible space and occupation terms, and the demand from staff for better retailing and leisure facilities. Digital and some professional businesses for example seem to prefer an inner urban location.
- 6.44 This is however not a comprehensive view and it has been stressed that a number of plc’s that have manufacturing / distribution facilities in the area would prefer an out of town location close to their other operations, and those that rely on gaining rapid access to the sub regional / regional highway network as part of their business (sales organisations, housebuilders etc) would also prefer such locations. This is not seen as sector specific, but rather dependent on the type of operation, the nature of the company’s market, and the spread of their customer base,

- 6.45 Clearly the presence of out of town business parks is going to continue, but there is likely to be an increasing demand for accommodation to be more flexible (both in terms of size and tenure arrangements) and that will dictate the need for refurbishment schemes and the provision of a wider range of support facilities in these locations.
- 6.46 An interesting, recent example is Tournament Fields, close to the M40 in Warwick, where a wide range of office and industrial (with linked distribution) facilities have been constructed and lettings / interest has been (and continues to be) good. This is however being developed alongside a considerable amount of new housing, together with support facilities, and motorway access is adjacent, creating a range of benefits for companies moving into this area.
- 6.47 Finally, our analysis of a sample of existing industrial estates, has highlighted the presence of a number of small, office based developments, which are located alongside a range of larger / sometime poor quality industrial accommodation, but which are clearly providing an important supply of space which is in demand (e.g. Temple Court and the Courtyard on the Coleshill Industrial Estate). This type of product, adds to the variety of floorspace which currently makes up the supply of office based accommodation within the sub region.

Flexible Workspace

- 6.48 In addition to the range of “office products” discussed above, flexible workspace (often used for a mix of office and workshop based activities – including “co-working” space) is becoming widely provided across the region (as well as the country, and also globally) as occupiers prefer this product compared to traditional offices, which come with long contract commitments and do not tend to accommodate business growth/ contraction.
- 6.49 Such schemes are sometimes marginally viable or take a few years to break even in locations where values are not very high. Hence, the public sector has been involved in this sector by investing in council-owned or community assets to run workspaces and improve economic development, skills and business creation/ growth and employment.
- 6.50 There are a number of such developments across the sub-region at present, and details of some of these “Council-run” schemes are provided in Annex K. Although such public involvement is clearly satisfying a strong demand for such units, evidence elsewhere in this report about the demand for “grow-on” accommodation, from businesses located in this type of property (below), is a real issue, and must be addressed, going forward.

Sites identified specifically for hi-tech / R&D uses

- 6.51 The allocation of new sites for specific use in connection with hi-tech or R&D activities, is limited and is very much linked to co-location with existing research institutions, centres of higher education and major, technology based businesses. The main, new opportunities for the next few years in Local Plans, are the Horiba MIRA Technology Park, Horticultural Research International (at Warwick University), the proposals for a rural innovation science park at Stoneleigh Park, and importantly developments that build on the activities of companies such as JLR, Meggitt and Rolls Royce (particularly Prospero Ansty (within the Borough of Rugby) with Manse and Opus Land which is of regional / national significance).
- 6.52 There is also some existing supply of accommodation that relates to high-tech companies / Science Park facilities, although new development opportunities on these schemes is very limited e.g. Warwick Technology Park, Coventry University Technology Park, Opus 40.

Employment areas allocated as part of a major urban extension / community

- 6.53 There are a number of allocations within the Local Plans, that identify the need for an employment area, as part of a much wider urban extension area. Areas highlighted under this category include Eastern

Green (Coventry), Kings Hill (Warwick), Gaydon/Lighthorne Heath, the Rugby Radio Station site and Long Marston Airfield (Stratford-on-Avon).

- 6.54 To help achieve well-designed places there is a growing view that employment uses should be considered as an integral part of the social and sustainability aspects for new communities, in particular, how employment relates to the development of education and skills.
- 6.55 Quite often, however, the housing element of this scheme creates the value to the developer/ owner and the employment allocation/ scheme is pushed back to later phases with delayed delivery and pressure to convert to residential based on viability grounds. The benefit of bringing in employment uses from the outset of such communities is that they bring in footfall helping in turn to create a sense of vibrancy and sustain other uses such as retailing e.g. shops and cafes.
- 6.56 This is a major, structurally important issue for the sub-region's economy over the next 10+ years and will need to be worked through at a policy level, in terms of the way in which future communities can be planned around skills development, economic growth and the expansion of the enterprise / entrepreneurial culture.
- 6.57 Planning policies should therefore encourage the delivery of integrated economic activities / opportunities within new residential developments from the outset, to achieve wider economic sustainability as well as delivering reduced out-commuting and the retention of local expenditure / investment. This topic is discussed later in this Report.

Traditional Industrial Estates – with no / very little development potential (except redevelopment)

- 6.58 We have as part of our analysis undertaken a closer examination of a “sample” number of more traditional “industrial estates”, which are located throughout the area in both inner and outer urban areas, as well as in rural areas. These are in essence the “power house” for the significant SME business base, which underpins the economic prosperity of the area, as well as providing the supply chain components / services for much of the larger companies operating across the sub region.
- 6.59 The sites selected were in the majority of cases referred to in both the employment land reviews and the latest Local Plans, and therefore are seen as the core components of the property infrastructure which supports a host of businesses in different sectors and geographic locations. We appreciate that this is not a comprehensive schedule of such sites, and there are a significant range of different use and location mixes, however it was thought important to benchmark some of the important / typical performance and market trends which are being experienced across the sub-region at the present time.
- 6.60 A schedule of the selected sites (by Authority area) is included in Annex I and are discussed in more detail below.
- 6.61 Our analysis of these typical / traditional industrial estates, has attempted to identify the current “supply and performance” issues – e.g. the type of accommodation / land areas present, the overall vacancy / letting position, any new development undertaken in the last 2 / 3 years, and the overall quality / age / configuration of the “offer”.
- 6.62 The exercise considered some of the existing estates which have been identified in the Local Plans for expansion, and also some of the locations identified within Annex I.
- 6.63 Clearly this covers a wide mix of locations, which differ considerably in terms of –
- Overall size
 - The different types of development within each estate, many covering all aspects of B1, B2 and B8
 - The age of premises within the estates
 - A wide mix of occupiers, from start-ups to large, established private companies and plc's

- 6.64 A number of the estates reviewed are in urban / inner urban locations and vary significantly in terms of scale, containing 50+ occupiers, across a wide spectrum of use types. Others were much more limited in the range of occupiers, and indeed in some cases were dominated by one or two, large scale operations (such as a manufacturing facility, a timber yard, a distribution facility and a caravan works).
- 6.65 We also covered a number of more rural locations (market towns etc), where the scale and diversity of the occupiers were very much more related to their local markets and circumstances.
- 6.66 Overall, however, there were some consistent aspects that were observed across the majority of estates, in that they appeared –
- vibrant, with high levels of activity
 - well occupied and used
 - relatively few “to let” and “for sale” boards evident
 - where there are vacancies, they often represent buildings / terraces that have been recently vacated and refurbished / sub-divided – and therefore there are a number of units of similar size, and “side by side” on offer
 - to be impacted by poor layouts, a lack of circulation space (and in many instances car parking space) as well as poor access to main thoroughfares / the main highway network / public transport
 - to be clearly providing an important economic function within the local areas
- 6.67 Two tables are provided below, which analyse those estates examined, where we found premises available for sale or to let, and show a breakdown of units vacant / available, by local authority area, by estate and by size band. We have also analysed the area of space available on each estate, together with the split down between premises on the market for rent, and those available for sale. Within those cohorts, we have calculated average sales and rental figures, by each estate, together with average figures across the individual districts.

Figure 6.1 Traditional Industrial Estates – available accommodation

Local Authority	Site	Size < 5,000	Size 5,000 - 20,000	Size 20,000 - 50,000	Size 50,000- 100,000	Size >100,000
North Warwickshire	Netherwood Estate	2				
	Carlyon Road Industrial Estate		1			
	Coleshill Industrial Estate	2	8			
Summary/ Total	3	4	9	0	0	0
Nuneaton & Bedworth	Bermuda Industrial Estate	1	1			
	Attleborough Fields Industrial Estate	8	2			2
	Bayton Road Industrial Estate	3	4		1	
Summary/ Total	3	12	7	0	1	2
Rugby	Butlers Leap (including Arches and Avon) Industrial Estates	1				
	Glebe Farm Industrial Estate		1			
	Somers Road Industrial Estate		7			
Summary/ Total	4	1	8	0	0	0
Stratford upon Avon	Waterloo Park, Wellington Road	1				
	Shipston Industrial Estate	5				
	Wellesbourne Distribution Park (u/c)				2	
Summary/ Total	3	6	0	0	2	0
Warwick	Tournament Fields	1		1		
Summary/ Total	1	1	0	1	0	0

Figure 6.2 Traditional Industrial Estates – rental / sale terms of available premises

Local Authority	Site	Availability - Mixed / Unspecified		For Sale	Capital Value / Sq Ft	To Rent	Asking rent / Sq Ft	Commentary
		Units	Size (Sq Ft)					
North Warwickshire	Netherwood Estate	2	8,806	1	£67	1	£4.52	Second-hand Grade B
	Carlyon Road Industrial Estate	1	14,444	0		1	£1	Warehouse Unit , Second-hand Grade B
	Coleshill Industrial Estate	10	59,112			10	£6.54	Second-hand Grade B
Summary: Average/ Total		3	82,362	1	£61	12	£5.70	
Nuneaton & Bedworth	Bermuda Industrial Estate	2	19,366			2	£4.96	Second-hand Grade B
	Attleborough Fields Industrial Estate	12	300,887	1	£64	11	£5.07	Second-hand Grade B
	Bayton Road Industrial Estate	8	148,815			8	£4.79	Second-hand Grade B
Summary: Average/ Total		3	469,068	1	£64	21	£4.46	
Rugby	Butlers Leap (including Arches and Avon) Industrial Estates	1	3,270			1	£5.35	Second-hand Grade B
	Glebe Farm Industrial Estate	1	11,482			1	£4.50	Second-hand Grade B
	Somers Road Industrial Estate	7	68,665	3	£47	4	£3.68	Second-hand Grade B
Summary: Average/ Total		4	83,417	3	£47	6	£4.12	
Stratford upon Avon	Waterloo Park, Wellington Road	1	2,410	1	91			Second-hand Grade B
	Shipston Industrial Estate	5	10,856	3	£120	2	£7.08	Mix of - New Build (under construction), second hand and D&B
Summary: Average/ Total		2	13,266	4	£113	2	£7.08	
Warwick	Tournament Fields	2	26,980			2	£8.06	Second-hand Grade B
Summary: Average/ Total		1	26,980	0		2	£8.06	

- 6.68 Overall it can be seen that there is limited available floorspace across most of the local authority areas, except Nuneaton and Bedworth. However, this includes one unit of 132,000 sq ft and one of 93,000 sq ft. Without these vacancies, the quantum of available space would only be just over 110,000 sq ft.
- 6.69 There are also some areas available for sale, although the majority of space is on offer to rent. In this respect, rental levels do vary, however second hand rents are generally in the range £4 to £6 per sq ft, apart from the Tournament Fields development in Warwick (adjacent to the M40) where there is a second hand office unit available (£8/sf) and a 25,000 sq ft industrial / storage unit under construction for which a rent is currently not available.
- 6.70 Furthermore, apart from Rugby, where there are a mix of unit sizes available up to 20,000 sq ft (with all apart from one being over 7,000 sq ft, and of those four above 10,000 sq ft), the majority of premises in the other districts are 5,000 sq ft or less.
- 6.71 Finally, the analysis has highlighted the lack of refurbishment / new build which is going on within these estates at present. There are three units being refurbished in Coleshill, one in Attleborough (Nuneaton and Bedworth), and two in Somers Rd (Rugby).
- 6.72 This is also contributing to the lack of affordable premises which can be delivered by bringing second-hand accommodation (which is dated and unfit for modern occupation) back into use with a reasonable refurbishment; in addition new build accommodation should also be considered, as a replacement for dated properties - albeit there may need to be a public sector intervention required, particularly in the small end of the market, where viability issues are an issue - in order to encourage developers to provide premises for small and medium enterprises. Increasing availability of such accommodation will also reduce pressure on rental levels, positively impacting on affordability.
- 6.73 Whether existing stock is refurbished or redeveloped - the quality of the new product does not always need to be at the top level of the market - the aim is to provide decent quality specification available on flexible terms to cater for smaller businesses, which are footloose and may need more flexibility to grow or shrink over time, through different sized units.
- 6.74 A real trend for more landowners / developers to look to redevelop their existing secondary / tertiary assets for higher value uses, which could involve land being taken out of employment uses altogether, or redevelopment / refurbishment for high rental returns

- 6.75 Given some of the characteristics identified above within the more traditional estates, one important aspect that needs further consideration is the necessity for “churn” – and how important it is to the proper functioning of the property market, businesses and the economy generally. Is the lack of “churn” actually blocking the normal, market conditions and if so, what can be done to overcome these conditions?
- 6.76 Under a normal business “cycle” it could be expected that a company would broadly go through the following stages –
- Year zero – business formation – “start-up” accommodation (flexible licence etc)
 - Years 1 to 2 - first stage expansion (business “up and running”) - takes on limited, additional workforce – expands within the same building
 - Years 3 to 5 - second stage expansion – turnover / market share increasing, additional workforce, move to larger premises
 - Year 5+ - further expansion requirements – turnover / market share increasing further, expand workforce, move to larger rented premises (or potentially bespoke / freehold premises)
- 6.77 Clearly there is no standard pattern / timing for the above, and indeed some companies never get beyond “stage 2”, however for those that are able to progress through this cycle, then a key requirement is the availability of accommodation at each stage. This will not only enable companies to grow and fulfil their economic potential, but it will “free-up” space for smaller companies looking to move up the chain.
- 6.78 High levels of occupation at any stage of this process, without the capacity for creating the space for “churn” within the market, will result in blockages and potentially –
- Stagnation within the development / growth of current businesses
 - No opportunity for start-ups to become established
 - The risk of existing companies moving out of the area, in order to find expansion potential

A Summary of the Key Issues Emerging from Consultations

- 6.79 Our consultations and analysis have therefore identified that the relatively high levels of demand at present, the high occupancy levels within existing estates, and the lack of new land / accommodation / refurbishment projects coming through within the lower categories of employment provision (from “start-up” space to 20,000 sq ft) and potentially even the next category (20k to 50k sq ft) – are all acting as a barrier to the growth of economic activity at present.
- 6.80 The responses to our consultations, have suggested that the following are some of the key supply issues -
- There is a view that there is generally not enough supply in any sector, size or type. Current employment land figures do not reflect the real market factors and demand, focusing largely on population and employment growth, particularly as the last 5 years have largely outperformed expectations in both of these areas.
 - The relative shortage of vacant, second hand employment floorspace, across the majority of the sub-region.
 - The competition for new employment sites, particularly where owners feel that they may be able to secure a change of use (resulting in high land values).
 - In addition, some of the existing land supply is constrained in terms of delivery (ownership / infrastructure), particularly in the short to medium term. The planning system therefore needs to take a rigorous look at the range, type, quality and location of space which currently makes up the sub region’s supply base – and should consider providing more land than has traditionally been forecast, going forward - to allow for market growth.

- Space on more traditional estates is well occupied and the lack of “move on” space for companies right across the size spectrum, is therefore preventing the usual levels of “churn”, which would permit businesses to expand into larger space, whilst vacating their current space for other companies.
- Companies are therefore “holding onto what they have” and trying to create more capacity within their existing floorspace (mezzanine floors / temporary buildings etc) rather than looking further afield.
- Even buildings / plots which are beyond their useful life, command a value in this market, and there is therefore less incentive for owners / investors to run the risk of redevelopment, and retain their secure income stream, without significant values being available for other uses.
- There are some examples of where existing buildings are being sub-divided and / or refurbished, and then being let at reasonable rents, however this is more the exception, than the rule.
- The general lack of supply is also reported to be pushing rental levels higher, even for average, second hand stock, which in turn is reducing the available space for companies where accommodation / rental payments, cannot form a major part of their running costs.
- The biggest hurdle to commercial development (particularly of small and medium sized units) however is land values. Consultees have confirmed that there is very little difference between current residential land values (particularly in the central / northern parts of the sub region) compared with well-located employment land developed for large scale logistics units (around £900,000 per acre for logistics land compared to £1,200,000 per acre for residential land).
- On the other hand, small unit developments generate land values in the region of £300,000 per acre - not sufficient to incentivise a landowner or developer to deliver such schemes.
- In addition, land is usually allocated for development in large plots of 50-500 acres, suitable for large developers who deliver big box units to serve that end of the market, providing the highest returns for their investors. There is particularly a lack of small site allocations (2-10 acres), which can be brought forward by local developers for smaller scale schemes.
- We are however, beginning to see some encouraging support from the local planning authorities to deliver employment schemes (including small scale provision), where land is being allocated as part of larger residential-led growth strategies – and this needs to be seen as a major opportunity to deliver an enterprise culture within these communities, in particular through the speculative development of smaller units. The challenge here however, will be to ensure that developers actually deliver on their commitments to incorporate real employment activities within these schemes, rather than just retail uses, and authorities will need to consider ways in which to achieve these objectives.
- Discussions with a number of developers have highlighted that it is not an unwillingness on their behalf to invest in basic premises, which would fall within the “affordable” category; it is rather the lack of land supply, and even when land comes to the market, it commands such a high value, that the development returns for standard industrial units, is simply not viable.
- There have been a few examples of the public sector supporting developers in this standard market (across the wider West Midlands in particular), in order to reduce overall costs to a level where viability can be achieved (not necessarily just land value), however this requires a significant amount of negotiation / advance preparation, in order to reach an arrangement, by which time the site could well have been sold for other purposes (assuming it is not in the control of the LA).

Overall Constraints in the Market

6.81 Our various consultations have also highlighted a number of views on the key constraints that are impacting the functioning of the supply of employment land and property. These views have not been evidenced further, but are reported here for context and general information.

6.82 The constraints highlighted include –

- political pressure (nationally) to deliver high levels of housing, particularly on brownfield sites within town centres, is limiting the availability of commercial development opportunities
- the presence of the greenbelt close to most urban conurbations in the sub-region is another major constraint, impacting on suitable land allocations
- a view that employment land allocations do not in properly reflect the current needs of the market (as highlighted in the previous Section)
- the need for a different approach, that takes better account of the nature and scale of future economic growth, alongside the real accommodation / locational needs of business, and the appropriateness of the current stock of sites and premises – and whether these are going to properly satisfy demand in the market and play a meaningful contribution to the true supply position, within a LA area
- ensuring that land allocations are considered in parallel with the latest / robust strategic, economic growth strategies – which both reflect economic performance over recent years, and a strategic approach to economic growth over the next 5 to 10 years (key sectors and economic drivers)
- a view that as a result of the above, local planning policies lag behind the market and does not adequately reflect the level of commercial market demand
- some districts have had very little new development over recent years due to the lack of site allocations, which has prevented economic development
- key employment land allocations and major mixed use, growth opportunities are often located close to boundaries between two or more authorities and therefore a more strategic approach is required, to plan how these areas are developed and the mix of target uses can produce shared benefits
- local authorities need to have a more strategic and coordinated vision for their economic development plans in the sub region, i.e. to share the opportunities and the benefits
- the lack of electrical power capacity to a number of key sites is a big issue producing high costs and uncertain delivery timescales
- superfast and high capacity broadband is also a key issue in some parts of the sub-region - many developers have commented on the need for the public sector to provide advance infrastructure in key locations - highways, water, gas, electric, high speed internet access, drainage
- there is also a view that subsequent planning permissions should be “streamlined” and easier to obtain
- some consultees reported examples of 12 months+ to progress development on sites, therefore impacting on demand and churn
- larger strategic sites, have been known to take some 5 to 10 years to deliver
- the deficit in the supply of larger sites is seen as a result of there being no clear commitment to long term economic development strategies, with the focus on residential numbers aggravating these problems

- there is a view that the local authorities need to plan more proactively in advance of growing demand to reap the benefits of development; instead of dealing with pressures in the market once supply becomes too constrained
- 6.83 In addition to the above, some consultees have raised concerns over the continued growth in the provision of additional 'big shed' floorspace, which is typically associated with a smaller number of jobs (potentially some of them lower value jobs).
- 6.84 Feedback from the industry suggests that this is not necessarily the case with many of these units being fully computerised and equipped with latest technology, associated with upskilling of workers and higher value jobs. Agents and developers also argue consistently that modern occupiers tend to use sophisticated capital investment to fit out their units including the application of high tech / automated facilities, material handling equipment, and advanced computerisation.
- 6.85 One way of addressing this discussion, may be to undertake a rigorous investigation / analysis of a number of businesses, similar to those likely to be attracted to the sub region over the next 5 years. If this could gain a detailed understanding of their operations and the required skills level of their likely workforce, then it would provide a much more informed approach to this sector, and enable this debate and policy decisions to be better informed.
- 6.86 The issue of job density, is broader than just logistics based, and will vary considerably across the range of sectors being considered as priorities / major growth opportunities in the C&W area. This needs to be reflected in policy terms, as the job density associated with office and studio type uses (professional services / creative businesses etc), will be considerably higher (per sq ft / m) compared to distribution or many industrial operations.
- 6.87 This will in turn impact upon both the number of jobs available in the sub-region, compared to the working age population, as well as the commuting patterns into and out of the area on a daily basis. As stated earlier in the Report, a ratio of 1.00 represents 1 job to 1 working age resident, whereas by comparison, Warwickshire is 0.97, Coventry is 0.75, the UK 0.84, and the West Midlands is 0.79.
- 6.88 Job densities in three C&W Authorities are however particularly high, with North Warwickshire at 1.27, Stratford-on-Avon at 1.12 and Warwick 1.07. This suggests that there is significant in-commuting taking place in these areas. Obviously, a relative increase in economic activity across all of these Districts will potentially pull in more employees from adjoining areas, however if the job densities of the growing / incoming businesses are office based, rather than logistics based, the required level of in-commuting will be even higher.
- 6.89 These issues will require careful modelling and monitoring, on both a district and sub-regional basis, as an economic strategy for the area is developed, to understand the implications of continuing business growth.
- 6.90 The range of the above issues, implies that a strategic approach is going to be needed to both allocating / releasing more land for traditional employment / workspace development and to ensure that this land is actually secured / brought forward in the long term for such uses, therefore ensuring that land costs are kept within acceptable levels.
- 6.91 In parallel, it would also be advantageous to attempt to encourage owners / investors in outdated premises, on traditional estates, to consider refurbishment / sub-division projects, or even demolition and redevelopment options, where the future of the estate is secured in the long term, investment in common areas / facilities / maintenance is being undertaken, and the planning regime is not permitting alternative uses.
- 6.92 The intervention of the public sector in both of the above strategies, particularly in the short term, will probably be essential, and this aspect is discussed further in Section 8.
- 6.93 Finally, within this Section, two further supply perspectives are highlighted, the issues around "change of use" and viability.

Issues Around Change of Use

- 6.94 As has been highlighted by our consultees in various parts of this Report, there is seen to be significant pressure on employment land and premises throughout the sub-region, particularly where this is being reallocated for alternative uses, particularly housing and in some cases, retail. The local authority policies that govern such changes of use are therefore important in addressing these issues.
- 6.95 Within the Coventry and Warwickshire sub-region, increased diversification of employment and improvement of employment choice for locals, is often cited as a basis in policy for permitting the allocation of land for employment use, particularly where this is being released from Green Belt. This is the case within the districts of North Warwickshire, Nuneaton & Bedworth, Stratford-on-Avon and Warwick, as set out in Local Plans.
- 6.96 In contrast, the external impact of proposed employment development on surrounding landscape, services or amenities, is also cited as a pre-condition in policy terms, for permitting the reallocation of employment land to other uses, in the Warwick, Rugby and Coventry areas. Moreover, the importance of accessibility by various modes of transport to a site, is also a key policy requirement for the reallocation of employment land to other uses, put forward by both Warwick and Coventry authorities.
- 6.97 Across most districts within the sub-region, change of use of existing employment sites or buildings is generally excluded and such lands are thereby protected. In Rugby – employment is only permitted on sites within the urban area – and there are no provisions that set out the parameters for considering a change of use from employment.
- 6.98 In other councils, policy exceptions can be made in cases where sites are deemed unsuitable or unviable for commercial uses, and appropriate provisions are set out in Local Plans to govern this process of reallocation.
- 6.99 In Stratford-on-Avon, changes of use from employment are prohibited, unless it can be evidenced that such use is no longer viable. In Coventry, a change of use can be permitted, if it can be evidenced that the site is no longer suitable for employment uses (unacceptable access for example) or not viable; Warwick has similar provisions, however it also requires evidence that there are other, more suitable sites available for employment uses. In addition, it also has a complete bar on change of use from employment on one particular site (Thickthorn); N Warwickshire has similar provisions to Warwick, although it also requires evidence that the site has been marketed for at least 12 months, and no suitable user has been identified.
- 6.100 In contrast, Nuneaton & Bedworth District Council have a schedule of sites where change of use will be permitted (reviewed annually), and any site below 0.4 ha will not be deemed suitable for employment purposes.
- 6.101 Details of the appropriate policies are set out in Annex L to this report. Setting the “bar” for the reallocation of employment land has become an important aspect over the last 2 / 3 years. Considering further the implications of including suitable “change of use” policies, that impose much stricter conditions around when / if an existing employment site can be converted to alternative uses, particularly residential, should be taken into account, as the implications of the increasing demand for economic activities and the lack of suitable sites, is examined by authorities over the next 12 months.
- 6.102 Finally, it is worth mentioning that permitted development rights – to convert offices to residential – are still having a significant impact in some locations.

Issues Around Viability

- 6.103 Viability has already been highlighted earlier in this Report, as a critical issue, but it is also closely integrated with the discussions around planning policy in the preceding paragraphs, and can therefore be seen to have a number of important consequences.

- 6.104 The viability of development in the higher categories of employment accommodation provision (50,000 sq ft upwards), is good and the private sector is generally able to deliver the sites and floorspace required, assuming that land continues to be allocated, serviced and brought forward. The lower categories however (below 50,000 sq ft and particularly below 25,000 sq ft) are experiencing viability issues, which we believe are occurring for a number of challenging and sometimes linked reasons -
- A general reluctance from landowners and developers / investors (where they are in control of land) to release land at less than optimal value – for the lower categories of employment floorspace, this is simply unaffordable.
 - Evidence of demand for a wide range of accommodation types and sizes across the sub region is generally limited / not widely appreciated – within the development / investment / agency market
 - A variety of market related issues, that will adversely impact viability on the more secondary locations / development types e.g.
 - relatively low rental levels
 - lower rates of return
 - poor yields impacting on investment values
 - consequently, there is a preponderance of older, lower value premises, which creates a “tone of value” within a sector – which renders any new opportunities not viable without a significant step change in rental values, yields and demand
 - relatively rising construction costs
 - excessive levels of developer profit required
 - high interest rates on funding secured
 - Lack of funding – in many instances both of public and private sources. During our consultations, views have been expressed that there has never been so much investment funding available, BUT it has never been so difficult to get hold of it.
- 6.105 Although it is acknowledged that “affordable” development (“lower cost, lower specification”) has an important place in the market, and is in demand, the challenge is how to “protect” this product from higher value redevelopment uses.
- 6.106 Delivering new accommodation at what are commonly considered “affordable rents” (around £5/£6 psf or even lower in some places) is a real viability challenge, without the added liability of high land values, which will make the financial equation, impossible.
- 6.107 Development of this kind of accommodation is almost inevitably going to need to be speculative, however investors are normally looking for pre-lets (which is simply not feasible within these categories) – to overcome the risk of achieving lettings, to good covenants; if this is not available then their levels of return and profit are going to be too low to achieve viability.
- 6.108 This does not mean that there is no developer prepared to consider smaller / mid-range accommodation, under the right circumstances, and leading fund LaSalle Investment Management committed themselves to speculatively developing some 214,000 sq ft (19,880 sq m) of new accommodation in five units of between 30-50,000 sq ft at Lyons Park, Coventry (just off the A45). This however needs to be seen in the context of the much larger, successful lettings on this estate and is a rare example of much needed mid-range unit speculative development. These units are now (2018) fully let.
- 6.109 Investors are also often keen to develop a “build to sell” product, however smaller floorspace does not lend itself to this exit route – it requires a view to be taken on long term income with the focus being linked to flexible lease patterns / shorter terms etc. There are also generally fewer commercial developers at the lower end of the size categories in the market (since the recession) – linked with more profitable / less risky development propositions across the region and elsewhere in the country.
- 6.110 Put simply, why would they bother developing in less than optimum circumstances, when other opportunities are available? Agents have told us that they cannot think of a developer who would speculatively build a small unit scheme - even for offices – without some form of incentive. This does

depend on circumstances however, and developers who control land and the risks of direct development, are confident that in the right location, they can make smaller unit schemes viable.

- 6.111 One example, quoted by a local agent, referred to a local company, looking to seek funding to invest in a new facility, to enable them to grow their business and take on additional workforce etc. On the basis of a 15 year lease and 5 year rent reviews, they had managed to secure an institutional investor to agree a proposition, which would have enabled the new premises to be constructed and the company to relocate. However, in considering their business plan, they ultimately decided that they would only be able to offer a 10-year lease as security, which resulted in the institution backing out of the arrangement.
- 6.112 No other institutional funds could be persuaded to invest, and it required the introduction of a combination of high net worth individuals to eventually take on the proposition. Because such investors are primarily interested in up to £5m lot sizes, it required a combination of such investors to be identified, in order to finalise the transaction. Although the company ultimately achieved its objectives, the complexity and timing of the process resulted in considerable disruption to the functioning of the company over many months.
- 6.113 All of the above is therefore constraining economic development / inward investment and with end-users reluctant or mainly unable to develop themselves, this is resulting in a continued lack of supply being available. The ways in which viability issues can be overcome, are considered later in this report.

KEY CONCLUSIONS FROM THIS SECTION

- New, well specified, flexible premises are in very short supply
- There are some locations where modern premises in the 20k to 50k sq ft are being constructed speculatively (more likely at the top end of the range) or with the benefit of pre-lets, however, this size range is predominated by older accommodation
- By far the majority of space is on established industrial estates and construction is dated (20+ years) and potentially older (40 / 50 years). There is very little new build speculative accommodation – schemes of this size are generally not viable
- There has been very little, private sector, new, speculative accommodation within the <5,000 sq ft category in recent years
- There is very little new construction in the “traditional office” market – apart from Friargate, Coventry
- However, changed working practices, needs more flexibility & smaller, “mid-spec” units
- More companies are favouring town centre locations (good public transport / facilities) however out of town business parks are still in demand
- Flexible workspace / co-working space is increasingly in demand, some public sector run
- Specific sites for R&D / hi-tech activities are in short supply
- On existing IE’s – the relatively high levels of demand / occupancy levels, and the lack of new accommodation / refurbishment projects (particularly <20,000 sq ft) – all act as a barrier
- The reallocation of employment land (to other uses) has become an important issue over the last 2 / 3 years. Much stricter “change of use” policies, should be imposed
- The non-viability of new development, particularly <25k sq ft, is prevalent across the area – consultees think that speculatively building such a scheme - without incentive is unlikely

7. Changing Business Requirements and Property Impacts

PURPOSE OF THIS SECTION

- To analyse how future trends in both office based employment markets, as well as the industrial / logistics sectors are impacting on property requirements and the provision of different accommodation models
- To examine some current examples and consider how these might apply to the Coventry and Warwickshire sub-region

General and National Future Demand for Sites and Premises

Industrial and Manufacturing

- 7.1 Whilst there is a general, ongoing decline in employment in manufacturing across the country, output in the sector continues to grow (particularly in the West Midlands), and new processes and technologies are driving a demand for new premises that are suitable for modern manufacturing (with adequate power and comms facilities), as older premises become obsolete.

Distribution and Logistics

- 7.2 The continued rise in online retail demand has fuelled growth in large distribution centres, a trend which is set to continue as e-commerce increases its market share. Online grocery shopping in particular is set to be the primary driver of an increased demand for logistics assets and infrastructure. The changes in 'last-mile' logistics will place increased demand for smaller, localised distribution centres either on the periphery of towns and cities or located within urban areas.
- 7.3 Our consultations and analysis have shown that all of the above characteristics are being seen in the sub-region at the present time.

Offices

- 7.4 Developments in recent years have seen a market shift towards urban core office space. This is driven by a range of factors, including demographics; globalisation; significantly (and potentially irreversible) changing working practices; sustainability; national policy issues; and communication / transport improvements.
- 7.5 However, the strengthening of urban core areas as business centres, and the inevitable rising rents in those areas, will potentially also ensure a market for peripheral office / workspaces into the foreseeable future. With better land availability than in central cores, the increasing popularity of mixed-use developments (particularly including residential) should increasingly make "peripheral" workspace (including "co-working" space) a viable option.
- 7.6 Despite the trend towards urban core relocation, occupier demand for out-of-town office space has remained reasonably steady, although there is limited evidence of a decline in the demand for large premises in such business park locations, evidenced by a number of conversion / refurbishment schemes to bring vacated, single occupier buildings back into multi occupancy.
- 7.7 These locations do offer the larger, flexible floorplates that more central locations can't always provide, and importantly space to expand, which is also more problematic in urban centres. Their connectivity

to motorways and airports is also attractive, particularly for larger plc's and sales related firms, who operate on a regional / national basis.

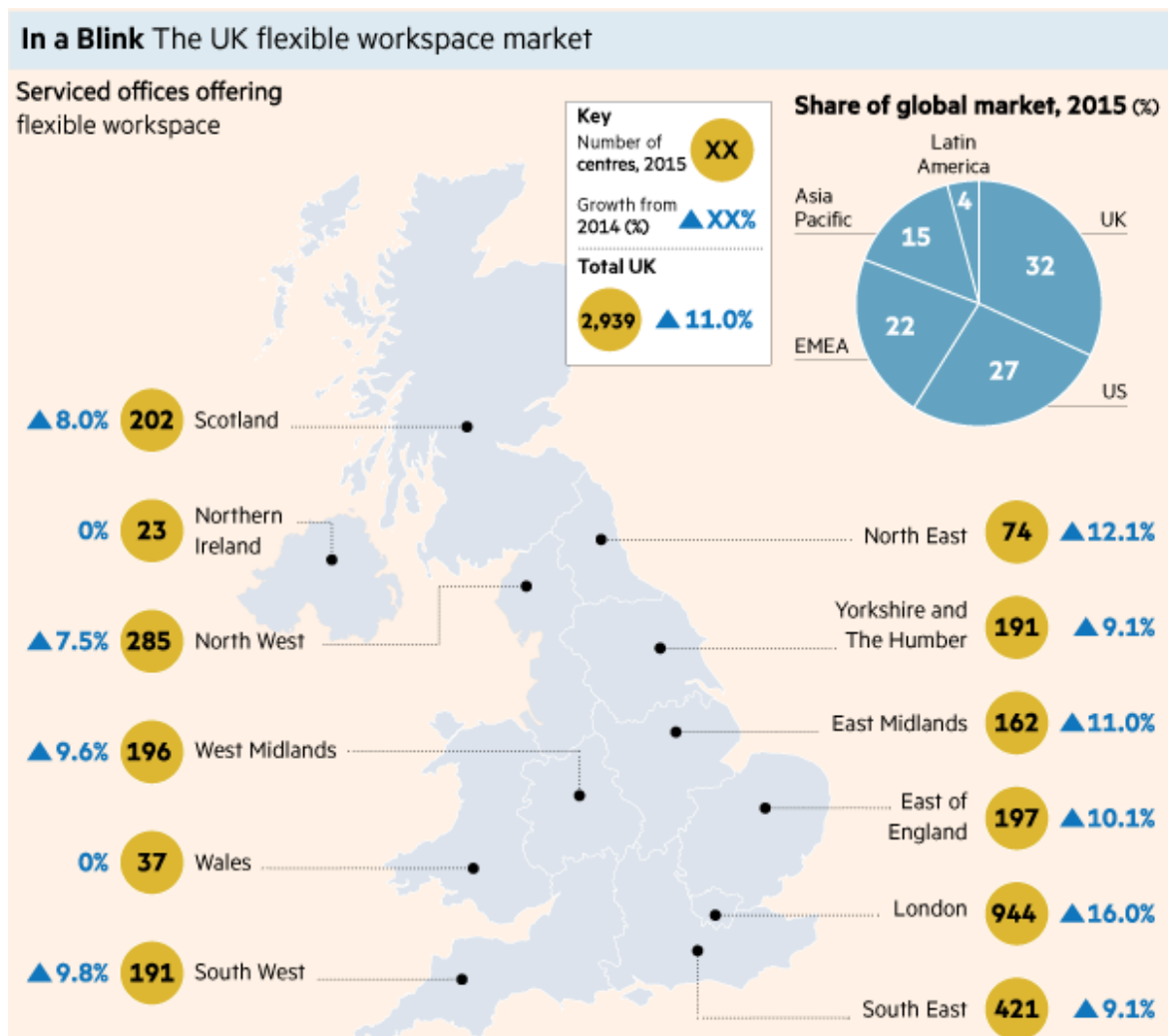
Changing Property Market Trends/ Demand

Office-based uses

- 7.8 One of the requirements of this commission, was to articulate how the changing requirements of business and emerging demand trends, are going to influence the planning and delivery of employment sites and premises over future years. In addition to the responses from consultees, we were also asked to consider how emerging trends elsewhere in the country, could impact upon the C&W sub-region.
- 7.9 Flexibility in the business accommodation market has become key as a result of a quantum change in working practices and the dynamism of current growth businesses. The practice of 'agile' working, home working and hot desking is becoming more prominent in an attempt to reduce business overheads and introduce a better life/work balance.
- 7.10 In addition, the impact from the recent prolonged economic recession is still evident (larger corporate businesses outsourcing more of their functions to "sub-contractors and looking to host a range of back office functions in cheaper, more remote locations), coupled with uncertainties associated with Brexit, making business planning and growth strategies more complex.
- 7.11 The homeworking trend has been growing exponentially over the last decade, however, recent research by London School of Economics and Political Science shows that the benefits of working from home disappear over time for both employees and organisations if it is a full-time arrangement. Some of the downsides of home working for example, are an increased sense of professional isolation and a decrease in sharing knowledge with colleagues. It's not for everyone but it is becoming entrenched into our working culture.
- 7.12 These disadvantages however, can be mitigated by the use of flexible/ co-working spaces, which are available not only to the self-employed / freelancers but also to corporate occupiers and their staff, who no longer need to be accommodated in permanent, Grade A accommodation, within a high profile business district.
- 7.13 Homeworking / flexible working practices are also impacting upon the design requirements for modern homes. Despite the popularity of fully integrated live/ work units since the 1990s (a joined / combined living module and work space), research is showing that in practice such units are difficult to sell for a number of reasons and demand is not proving strong enough to overcome the constraints associated with design, planning, lending criteria and tenure arrangements etc.
- 7.14 Although integrated 'live/work' is supported by some for simultaneously meeting employment and housing policy objectives, the vast majority of proposals have performed poorly against government policy objectives and are not leading to sustainable mixed communities. Genuine 'live/work' schemes also present a number of specific design challenges and difficulties in separating out the long term use of work space from living space, as family lifestyles change.
- 7.15 Nonetheless, home / flexible workers do, for some of the time, have a strong preference to work closer to where they live or vice versa, thus reducing commuting times and ensuring a good live/work balance. This has a wider impact on demand for workspace - less demand for corporate style office spaces and more demand for hot desks / co-working space, located close to (and sometimes in the same building as) residential units, and providing completely flexible layouts in a range of different locations. There are also wider urban design implications in terms of reducing parking space requirements and better utilising town centres (see below in this Section).
- 7.16 The starting point for a scheme therefore needs to ask the key questions - 'what kind of living?' and 'what kind of working?' and then to look at how to resolve the issues that arise from the proximity, integration and separation of these.

- 7.17 To some extent these less rigid live/work projects can be designed to alleviate the homeworking isolation:
- By requiring that such projects are designed to provide opportunities for spontaneous interaction among residents as they come and go in "interactive spaces" such as courtyards, atriums, etc.
 - By locating such projects in pedestrian-oriented neighbourhoods, on lively mixed-use streets (sometimes above shops) where there are easy opportunities for one to step outside and encounter others in an interactive public realm
- 7.18 This along with some other major "shifts" (retailing / the digital economy etc) is changing the face of some of our key places. The excessive pressures for housing growth across the country are also having significant impacts in terms of PDR, garden villages, urban extensions, garden cities, land allocations, green belt etc.
- 7.19 Current planning frameworks / local plans however, do not really account for economic sustainability as a key ingredient of any new place i.e. 1 job : 1 housing unit. In many areas, this imbalance is likely to result in over provision of housing, longer commuting or lack of job opportunities for local residents.
- 7.20 As described above however, the potential to co-locate apartments and workspaces within existing (and new) town centre locations, by animating the ground and even first floors of residential buildings - with commercial uses, is a growing trend which can be adopted in a number of different locations.
- 7.21 Developed further, this opportunity to create a buffer zone between more 'serious' commercial uses, and residential uses, by utilising new design practices to ensure that these functions can co-exist, is one that is being proven in other locations.
- 7.22 This same methodology should also be an essential ingredient in the development of new, major growth extensions or new settlements (garden villages, garden towns, urban growth extensions etc). Some of the more innovative designs that are being considered in locations elsewhere in the country, are set out below.
- 7.23 With regard to the complete "re-think" of what is considered a normal, urban based office space, expectations are that some 30% of all commercial office real estate will be redefined as 'flexible' by 2030 as shown in the FT graph below.
- 7.24 JLL's research shows that the square footage of flexible office space has grown at a rate of 22% over the last seven years versus a 1% growth rate of traditional office space during the same period. Across large regional UK cities, the average take-up of space by flexible office groups jumped to 7.5 per cent of all activity in 2017, up from 2 per cent the previous year.
- 7.25 There is clearly a strong demand for shorter and more flexible-term lease options, and in 2018 this trend was expected to accelerate as larger global enterprises committed to flexibility as a long-term real estate strategy. There are also an increasing number of players in the market - from workspace operators like WeWork, Oxford Innovation and Workspace Plc, through Local Authorities running schemes in existing community buildings, retail operators like Debenhams and John Lewis and even large investors and landowners like British Land and the Crown Estate, who are running their own workspace companies.
- 7.26 This trend is impacting upon demand for more traditional office space. While there is still demand for Grade A schemes for more corporate occupiers, many of the large office based users require more flexible space with plenty of amenities to attract and retain their staff. Hence, edge of town business park space is no longer an attractive offer and as mentioned several times in this Report, many occupiers are returning to town centres, where there is a vibrant environment and good transport links.
- 7.27 At the same time, there is a clear retail restructuring with online retail becoming more and more popular, not just among the younger demographic but also with the elderly who may be typically less mobile. As a result, there is a lot less need for physical retail space on the high street with many shops becoming vacant or in excess of an operator's / retailer's requirement.

Figure 7.1 The UK Flexible Workspace Market



Source: FT/ Instant Offices (2018)

- 7.28 The innovative retailers have started to provide a retail experience rather than just a shop floor to attract customers while the traditional retail floorplates are becoming inefficient and unprofitable. Shop closures are still being announced (including some large retailers such as House of Fraser), while the mix of uses on the high street and the presence of multiple uses within single units are becoming more prevalent, including large retailers such as John Lewis.
- 7.29 Generating footfall is key to re-vitalising town centres, which can be achieved through alternative uses: office, workspace, leisure, training facilities etc. Proactive planning of new major developments (urban extensions / garden villages) is therefore also needed to look to deliver a mix of uses to create successful schemes.
- 7.30 The High Street is a key consideration for Local Authorities following a number of government-backed reviews of Town Centre performance and the future of town centres is potentially a key driver for economic growth to support the planned increase in housing and provide jobs for a new demographic. A variety of flexible workspace (including “co-working” space) can support different business needs within the town centres - collaborative workspace containing co-working, hot-desk, touchdown space; serviced office; manufacturing space; virtual office.

- 7.31 An example of this is a recent development at City Gate West, close to Chelmsford station in Essex, where a mix of flexible workspace on the ground and some first floor accommodation, is mixed with residential uses on upper floors.

Figure 7.2 City Gate West



Industrial market

- 7.32 A challenge that all urban areas are facing is the increasing demand from competing uses for a diminishing supply of land. Space for industrial use, anything from urban logistics to trade counter, workshops and wholesale markets, has fallen victim to housing demand and other higher-value “cleaner” and more socially acceptable land uses.
- 7.33 But there is a growing recognition, particularly in London and other major cities, that there needs to be space for industrial uses in urban areas, particularly to fulfil the growing demand for online shopping deliveries. This trend is likely to impact upon other regional cities as well, with pressures to build more residential schemes and little land available to provide services for the newly emerging demographics. Indeed, in several locations around the C&W sub-region, there are already areas where new residential development is cheek by jowl with both new and existing employment uses.
- 7.34 This “co-location” if properly designed, in terms of sound insulation, the configuration of access roads, the positioning of open aspects within the development etc, - can provide satisfactory environments for all users / residents, however this needs to be carefully designed and implemented, as a number of our consultations highlighted schemes where resident’s complaints are growing about noise and traffic to such an extent that it is impacting upon the businesses located there.
- 7.35 Combining industrial development with other uses such as residential, student accommodation, leisure and offices seems the obvious answer but there is work to be done to change the perception of noise and pollution among other things.
- 7.36 A few solutions have already been proposed. Below are some examples of where schemes are being developed to combine serious employment and residential uses, within an urban environment; this has the impact of increasing both development densities and the efficiency of urban sites, from a mixed-use perspective.

Figure 7.3 Hawkins Brown Architects – Fast forward

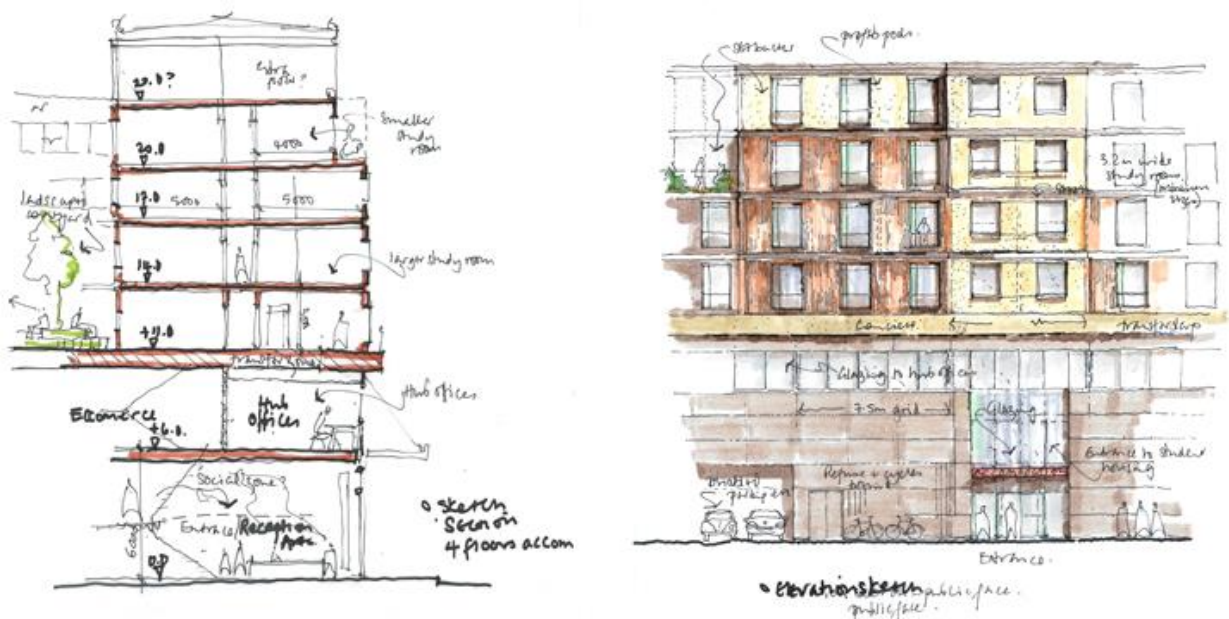


Source: Hawkins Brown

1. High Street frontage – Front of house showrooms; retail and high street uses. 9m clear ceiling height with optional mezzanine.
2. Urban logistics facility – 9m clear eaves; notional 20,000 sq ft.
3. Service yard – Level docking for articulated lorries, multiple van bays, access from secondary street. Notional 30m depth.
4. Residential building – Winter gardens for heat and noise insulation; rooftop amenity space.
5. Flatted factory – 4m clear ceilings; goods lifts; integrated open-air workspaces.

7.37 Noise and servicing are the big issues - where vehicles need to circulate has to be separate, so it can't be seen or heard by residents. In this scheme they face in different directions. Trucks go in one direction, cars and pedestrians go in another direction. The positive perception is key, highlighting the benefits to the industrial occupiers of potentially having food and retail offer on the doorstep, but also to residents who may have access to rooftop gardens or amenity space.

Figure 7.4 Stephen George & Partners Architects – Co-location



Source: Mixed use scheme sketches by Stephen George & Partners

- 7.38 James Nicholls, managing partner at Stephen George & Partners, says the rise in numbers of electric and hybrid vehicles will help the cause of co-locating urban logistics alongside residential and other commercial uses as it will help to mitigate the noise and pollution issues.
- 7.39 The success of such schemes will need to be proved by starting with uses such as offices, PRS, student accommodation and budget hotels before private residential is to be a more viable option. Multi-level mixed use will however work with the right combination.

Figure 7.5 dRMM Architects – Avoiding repetition



Source: dRMM’s Workstack scheme in Charlton

- 7.40 Patrick Osborne, associate, dRMM, says it is working on a “beds and sheds” scheme in the industrial heartlands of Hackney Wick and Fish Island, which includes 175 residential apartments wrapped around a proposed ground floor of light industrial and retail units, where a mezzanine has been added to a number of the industrial units to create flexibility and variety of space, and to help animate what would traditionally be a repetitive streetscape.

- 7.41 Some local authorities are also planning similar schemes, where pressures from residential uses have pushed out many industrial occupiers.
- 7.42 As part of its strategy to examine the intensification of industrial land, BeFirst have designed an innovative scheme, which comprises a modern day version of the “flatted factory”, with the development of a 5 storey structure, which comprises a significant double height space on the ground floor (with yard space, loading bays and HGV turning and carparking), ramped access to provide van access to units on the first floor, and then three further floors of entirely flexible accommodation, with large, clear spans to allow a variety of internal configuration options.
- 7.43 The concept envisages “industrial” operations throughout, and significant investment is being put into goods lifts and clear circulation space, to enable a variety of equipment and products to be easily moved around the floorspace.
- 7.44 Overall the building comprises some 20,000 sqm of accommodation and BeFirst will take responsibility for funding and constructing the development (through the IAS), subsequently retain ownership of the scheme and let / manage the site, as one of its key income earning assets. It also sees the floorspace providing the expansion opportunity that so many companies are looking for within this part of the Borough, and therefore a significant part of the wider redevelopment / intensification of the River Road area more generally.

Manufacturing / Logistics future

- 7.45 The industrial market has to a certain extent, been the one sector that has developed immunity from the economic turbulence surrounding commercial real estate since the Brexit vote. While the retail and office sub-markets both momentarily felt the cold shoulder from investors as the pound tumbled and market dynamics played out, the logistics market became the darling of investors in the UK.
- 7.46 However, in 2018 it is not just enough for developers to simply supply a large “empty shed”. Similar to the high street, advances in technology are moving very rapidly. The question is therefore - will occupiers be satisfied by the large modern sheds on offer over the next couple of years, or will they soon become outdated? How can occupiers future-proof themselves, without committing to exorbitant and long leases?
- 7.47 The desire from the market to build larger sheds has been evident over the past few years, with some titanic pre-lets in and around the Golden Triangle. But it is the more modest-sized contemporaries that occupiers are pivoting towards to sustain their business models.
- 7.48 One way to alleviate this conundrum, could be by making use of alternative assets such as vacant high street stores. Dependent on the planning strategy for such areas, they could-be-used for click-and-collect points. Another opportunity could be for their portfolio of standalone, urban “big-box” units to be transformed into a number of satellite warehouses or fulfilment centres. With over 15m sq ft already relinquished by retailers so far this year due to administrations, there is scope for major conversions, which could create a new opportunity for such accommodation²⁷.
- 7.49 It is fully recognised that there are some real, practical issues, which Local Authorities and portfolio holders are faced with - in terms of transforming the high street, including business rate differentials (between in town and out of town locations), landlords’ attitudes to lease terms, and existing unit layouts. However, following a number of Government-funded high street/ retail reviews, it now appears determined to support the radical high street changes required.
- 7.50 The Autumn Budget 2018 introduced a new funding stream available to regenerate underperforming town centres. In addition, the Government is considering an overhaul of the planning system for new permitted development rights to allow for greater flexibility for change of use. These include using airspace above existing buildings for additional new homes and extensions. Bringing in these new rights

²⁷ EGi (2018)

“could support new businesses and encourage further diversity on the high street”. It is also proposing to extend local authorities’ freedom to dispose of local authority land without seeking consent from the Secretary of State.

- 7.51 Despite all these advances - urban design will need to develop to make innovative schemes possible alongside the more general changes in the market and our urban environment. Furthermore, the fast pace of change in technology does not guarantee how and when the retail market will “shift” again as the use of drones, autonomous vehicles and fully mixed use town centres become more common - making policy planning a very difficult task for local authorities.

Over-arching Comments

- 7.52 Whilst it is appreciated that a number of the issues raised in this Section, are currently being addressed in an “outer London” context, it is considered that these are aspects of the employment market place, and its relationship to other uses, particularly residential, will need to be considered throughout the country, over the next few years.
- 7.53 In particular, development within and around Coventry and along the motorway corridors, are already needing to consider a number of these challenges, and also major urban extensions elsewhere in the C&W sub-region might gain advantages by seeing how some of these solutions can be adopted within a more local context.

KEY CONCLUSIONS FROM THIS SECTION

Office based opportunities –

- The practice of ‘agile’ working, home working and hot desking is “here to stay”
- Recent research by London School of Economics shows the benefits of working from home potentially disappear over time for both employees and organisations – some downsides are - increased sense of professional isolation / decrease in knowledge sharing
- These disadvantages can in part be mitigated through flexible/ co-working spaces, locally available not only to the self employed but also to corporate occupiers and their staff
- This is fuelling a complete “re-think” of what is considered a normal, urban office space - expectations are that some 30% of all commercial offices will be ‘flexible’ by 2030
- Many occupiers are returning to town centres, where there is a vibrant environment and good transport links – flexible workspace could be a major component here
- Proactive planning of new major developments (urban extensions / garden villages) is also needed - to deliver an economically sustainable mix of uses including workspace

Industrial based opportunities –

- Combining industrial development with other uses such as residential, student accommodation, leisure and offices is emerging as a real solution (whether integrated or co-located), however there is work to be done around noise and pollution issues
- Such schemes will have the impact of increasing both development densities and the efficiency of urban sites
- The recent market in C&W has been to build even larger sheds, however there is a clear sign that occupiers are pivoting towards smaller, more local space for part of their market
- This could involve alternatives to motorway related boxes – e.g. by making use of alternative assets such as vacant high street stores as more permanent click-and-collect points

8. Going Forward – How Can the Public Sector Help Address These Issues

PURPOSE OF THIS SECTION

- To identify growth opportunities in the C&W economy and where there are barriers in the supply of land and property, to meet business needs
- To articulate these deficits and –
 - Where they can be addressed by LA policy changes / decisions – what are the options
 - Where they can't be overcome by the private sector - then how can they be tackled
- Examine some of the direct intervention mechanisms that the public sector (individually or as a “group”) may want to pursue
- Examine examples of public intervention, from elsewhere

Policy Priorities

- 8.1 The overall conclusions from our analysis and consultations, conducted as part of this Study, have shown that the current property market evidence and feedback from the development industry suggests that little has changed (with the exception of one key site being brought forward) from the reported shortage of employment land and accommodation in the last sub-regional Employment Land Study (2015).
- 8.2 Demand, particularly in the AME industrial sector and the retail logistics sector, have been robust and the existing supply is thought to be insufficient to provide for the expected further growth in these sectors. Several large companies (and developers) are already reported to have started to look elsewhere, where development land is more readily available.
- 8.3 The Sub Region needs to maintain a varied supply of employment sites that includes both high quality sites / premises and a wide mix of more affordable premises – that enables new businesses to start up, existing businesses to grow and established businesses to move to the area. This importantly includes large scale logistics space, which has seen particularly high demand over the last 4 years.
- 8.4 Inevitably, if the growth in economic activity is to be encouraged, this will require the allocation of more employment land over the next 5 to 10 years, particularly in sought after locations in close proximity to transport hubs/ major motorway junctions. This needs to be driven by demand, reflected in the type and levels of take-up / performance over the last 3 {5} years and projected economic activity within the key sectors over the next 3 to 5 years.
- 8.5 It is clear that the private sector is having no difficulty providing both speculative and bespoke premises within the “big box” category, across the sub-region at the present time, however it does require the right quantum of adequately located sites to be allocated in accordance with a consistent programme, in order to deliver on this objective. In particular this strategy needs to provide -
- Sufficient land to meet demand, and
 - To spread demand across the key demand corridors and other focal points within the sub-region

- Such that supply shortages do not drive up rents and other occupational costs, and
 - That allocations are made sufficiently in advance to allow ownership, infrastructure and other constraints to be dealt with
- 8.6 Our analysis in Section 5 however suggests that there is likely to be insufficient land currently allocated within the current Local Plans to accommodate the levels of demand / take-up expected over the next 10 years.
- 8.7 This is not the only area of need however. Previous sections have established a real gap in the market for small and medium size premises, both in the 1,000-5,000 sq ft category, as well as in the larger 5,000 to 25,000 sq ft category (and in some cases up to 50k sq ft), for growing companies. Due to a number of reasons outlined in this report, the private sector is not currently delivering such units or at least, not a sufficient quantum of such spaces to meet the present levels of demand and to provide for a healthy churn and expansion of the local business base.
- 8.8 This is again in part a land allocation issue – the right sites, at the right price, in the right location. Given the shortage of available vacant sites or redevelopment opportunities on traditional industrial estates across the sub-region, and the fact that many new allocations are on key transport corridors and therefore expected to be developed for large scale, industrial and distribution uses, demonstrates the need for more locally focussed allocations to be considered.
- 8.9 Some commentary has been received during the course of this study, that “big box” sites should be required (in terms of policy) to allocate some parcels of land to permit smaller, industrial / business units to be constructed for SME’s etc. Whilst this might be feasible in certain locations (and should therefore be explored further), many of these sites are outside urban conurbations, with limited public transport and little by way of facilities, which is not ideal for an integrated, mixed use industrial / workspace location.
- 8.10 Alternatively, consideration should be given to some form of “use it or lose it” conditions – which could result in a more proactive approach to delivering employment use allocations, rather than sitting on permissioned land until such time as a change of use can be negotiated.
- 8.11 Consequently, it would seem that further work needs to be undertaken to consider the potential for both more employment allocations to be made in inner urban locations, as well as the opportunity for larger employment allocations to be made within the urban growth / new garden village proposals coming forward, particularly where these can be brought forward in advance of (or as a first phase of) the adjoining residential development.
- 8.12 Finally, it has been suggested by a number of consultees that one of the key issues, is that there is insufficient employment land being brought forward by the current round of Local Plans, in order to accommodate the range of growth issues raised within this report. Significant additional allocations would potentially open up the market, provide a much wider range of development opportunities and have an impact on costs and values.
- 8.13 Land pressures are not only acting as a constraint on indigenous businesses (start-ups, those looking to grow or rationalise) but also the ability to bring other businesses into the area, that are part of the supply chain of existing companies. Constraints on supply are also forcing up land values and rental values, which in turn is making it more difficult for the majority of SME’s in the area to find suitable accommodation at the right price. However, to be effective additional employment land availability, would need to be in the right locations (to address the demand issues articulated above), be tightly controlled in terms of alternative uses, and be clearly deliverable / viable (to avoid land banking until barriers to development are resolved).
- 8.14 Clearly there are issues around the ways in which the demand for employment land / premises is calculated, within Employment Land Reviews and Local Plans, such that these are continually under-estimating the needs of business and actual performance in the market. However, this does need to be examined carefully and a robust evidence base drawn up in terms of recent performance, known

business demand going forward, and the development of a robust economic growth strategy around forecasts for key sectors / drivers, such that there is a much stronger case for justifying employment allocations.

- 8.15 In parallel there should also be stronger parameters around the conditions under which it is possible to allow an employment site to be reallocated to alternative uses (as discussed in Section 6). Some of the more stringent controls adopted by North Warwickshire for example, might form the basis for a wider consensus on these issues.

Public Sector Direct Interventions

- 8.16 As set out above, this report has highlighted a real gap in the market for small and medium sized premises, in the 1,000-5,000 sq ft and the larger 5,000 to 25,000 sq ft categories, for growing companies. The private sector is not currently delivering such units (either at all or in places not an adequate quantum of space). This could be both refurbishments or new build, both of which would introduce a healthier level of churn to the market and enable expansion of the local business base.
- 8.17 This is one area of the property market where the public sector is potentially able to intervene through a number of mechanisms to tackle the market failure issues set out earlier. Viability and letting risk remain amongst the key reasons which disincentivise the development market from delivering such accommodation.
- 8.18 Intervention could take a number of forms, from the public sector deciding to assist the private sector to undertake the scheme (by taking on some of the scheme risks, or some form of investment or gap funding), to some form of JV with the private sector, to the public sector deciding to undertake the development direct, itself.
- 8.19 A fundamental issue is understanding what range of factors influence a private sector decision to develop – and how those can be tackled to overcome the barriers, blocking development. The basic premise for a development appraisal to “stack up” is that receipts from selling all components of a development must exceed all the costs of undertaking the development plus a reasonable developer’s profit. If the development is to be held as a long term investment, then the annual (net) income level from letting a completed scheme must provide a reasonable annual return on all costs expended.
- 8.20 If the above performance criteria do not work – then the key question is – how much is it going to take to vary the appraisal criteria to ensure that the development is now commercially viable. This could be any one or a combination of the following interventions by the public sector:
- Provide the developer with better / robust information that will enable a more “bullish” approach to aspects of the appraisal and therefore produce a more informed decision such as real time enquiries data and take-up data to aid an assessment of likely letting performance
 - Resolve land issues –
 - one major challenge identified during our consultations has been the lack of available land parcels, either at all, OR at an economic cost (i.e. one that will allow a viable development to be configured)
 - public sector intervention to enable private developers to secure land for development, is therefore a key issue
 - there are a number of ways in which this can be tackled e.g. –
 - bringing forward public sector land for such purposes
 - the public sector acquiring land from third parties, and subsequently making this available for specific employment schemes (including the use of CPO powers if appropriate)
 - the public sector imposing certain “Section 106” obligations on developers to make land for specific employment purposes available, as part of a much wider development

- the public sector taking a much longer, strategic approach to land availability, and seeking to make key purchases (at existing use value) well in advance of immediate need
- Reduce direct costs –
 - land costs – as above or through subsidising the costs of acquisition
 - reduce overall site preparation or infrastructure costs by public sector undertaking elements of the works
 - reduce planning requirements
 - reduce uncertainty over long term costs – empty property rates, etc
- Reduce timescales and therefore exposure to uncertainty and holding costs –
 - reduce planning uncertainty and processing periods
 - negotiate land / building swaps - to meet an individual company's growth plans by facilitating the identification / development of new space and the resolution of exiting commitments (potentially with the public sector helping to bring forward a new site / building, which the company will own / lease, and in exchange taking the vacated premises, which are re-let, sold or redeveloped for new purposes)
- Reduce risks – and therefore reduce costs and increase returns / receipts, by means of some intervention in order to reduce some / a combination of the following -
 - void periods – by public sector guaranteeing a %'age of the rent
 - letting uncertainty – through public sector taking a head lease on all / parts of the space
 - market issues – as above (public sector rent guarantee or overriding head leases) will offset - relatively low rental levels / unknown demand levels / limited or unpredictable demand / long initial rental voids / poor covenant strength / the demand for more flexible lease terms (short term - less than 10 years) / and non-indexed reviews / early “get out” clauses
 - off-site issues – infrastructure / utilities / sec 106 requirements
 - on site issues – contamination, utility diversions, protected areas / species, other abnormalities etc
 - the variation of onerous planning conditions
- Addressing Financial issues – public loan to overcome unavailable funding sources / high interest rates / poor investment yields / poor letting covenant strength
- Underwriting Developer returns – developers in the market place are looking for high profit levels, to reflect opportunities available elsewhere

8.21 The impact which the above interventions have on a new development can make the difference between a scheme proceeding or not, and a typical / indicative development appraisal is demonstrated in the table below. This shows a standard industrial development (which we have classified as not being deliverable at present) that could be considered under this initiative (a 20,000 sq ft industrial unit, with an element of office accommodation), developed in a “good” location and a “poor” location in terms of demand and viability.

8.22 The impact of public investment in underwriting the void period and providing land at a reasonable value (in total a maximum £350k) and the additional “savings” which this creates within the overall appraisal (some £170k), would potentially unlock such a development in a good location. The level of public investment required in a poor location is significantly higher, where the public sector would need to cover the broader viability gap, to secure delivery.

Industrial / office - 20k sq ft Good location		Industrial / office - 20k sq ft Poor location	
Median Decile		Median Decile	
PUBLIC INTERVENTION		PUBLIC INTERVENTION	
COSTS		COSTS	
Void Period	£102,102	Void Period	£76,309
Land Value	£250,000	Land Value	£250,000
PUBLIC CONTRIBUTION TO COSTS	£0	PUBLIC CONTRIBUTION TO COSTS	£815,000
POTENTIAL INVESTMENT	£352,102	POTENTIAL INVESTMENT	£1,141,309
SAVINGS		SAVINGS	
Developer's Profit	£111,585	Developer's Profit	£147,292
Finace Costs	£57,853	Finace Costs	£67,493
TOTAL SAVINGS	£169,439	TOTAL SAVINGS	£214,785

8.23 Public involvement will in many instances need to be considered on a “horses for courses” basis, and will be dependent on a range of factors, including the type of development, geographic location, likely security of tenure offered by ultimate occupiers, market conditions (rental and yield levels etc).

8.24 A potential decision making mechanism could be based around a RAG rated intervention analysis, that considers –

- viability appraisal evidence
- market conditions / failure
- economic benefits
- direct outputs
- the indirect outputs of developing a broader economy / more sustainable economic activities

8.25 There is also the potential to develop a VFM calculator around the above, to benchmark interventions / investment.

8.26 As a result of the above considerations, we have identified a number of barriers to development and how the public sector can contribute to resolve these specific issues in order to ensure that development occurs. The figure below reviews these options, “grading” them in accordance with a scale of magnitude from a fully viable proposition that a private developer will be well able to deliver at the one end - to an unviable scheme, where there is a clear market failure and no private interest.

Figure 9-1 Development Viability - Barriers and Interventions

Barriers to Development/ Viability position	Public sector intervention
Developments where the scheme is close to being viable / deliverable by the private sector with no direct financial intervention required from the Public Sector	<ul style="list-style-type: none"> • LA's maintain enquiries and demand analysis / database; • Planning protocols to be better developed / promoted for particular sites; • Key site information / database to be developed to aid developers
Sites / developments where the Private Sector needs to overcome key market risk factors	<ul style="list-style-type: none"> • Public sector Rent Guarantees - fixed sum & length; • Business Rate exemption initiatives on certain sites;
Developments which need to close a low level financial gap in the appraisal (say <20% of overall cost) through "non-equity" Public	<ul style="list-style-type: none"> • Bring forward public sector sites;

Barriers to Development/ Viability position	Public sector intervention
support, in order to move the development appraisal from negative to positive (capital or revenue)	<ul style="list-style-type: none"> • LA's acquire sites at existing use value and offer to developers at economic value; • LA's review / relax Section 106 / planning conditions; • Public sector fund elements of infrastructure provision
Developments which need to close a more significant (medium level) financial gap in the appraisal (say <35% of overall cost) through financial support and potentially some "risk" taking by the public sector (non-equity), in order to achieve a viable development appraisal with acceptable levels of risk –	<ul style="list-style-type: none"> • Bid for other funding sources (for infrastructure etc); • Rent & lease term guarantees; • Offer public development loan funding; • Public funding of key infrastructure components
Developments which need a significant element of public sector funding [up to say 50% of overall cost], which would suggest some form of JV and equity stake in the development – to reflect the level of investment to be made	<ul style="list-style-type: none"> • Public head lease on specific floorspace; • Public investment in key strategic infrastructure and other development costs - structured through an equity based JV / SPV (or equivalent); • Bid for other funding sources (for infrastructure etc)
Developments which need the public sector to take such a major stake in the scheme, that it is not worth involving the private sector at all - 100% Direct Public Sector Funding	<ul style="list-style-type: none"> • Public sector, direct development role (land acquisition, planning, construction, letting and management)

Source: *BBP Regeneration (2018)*

A Range of Wider Potential Interventions

- 8.27 In addition to the broadly site specific interventions described above, there are a number of additional interventions that could be considered by a "grouping" of public sector partners within the C&W area, in order to facilitate the functioning of the development process and overcome some of the delivery barriers / problems that have been outlined in this Report.
- 8.28 These will require further investigation and discussions between the client group, however they have been / are being developed elsewhere in the country in order to tackle the same range of issues discussed in this report. Options include:
- Setting up a sub-regional Development Fund, with a combination of public sector investments to create the funding required to undertake a number of schemes (with key criteria / objectives agreed by the partners), with returns being recycled into the fund for re-investment into a range of similar schemes going forward
 - Considering "gap" funding grants on a wider basis, through some form of competitive process, which seeks schemes meeting specific criteria
 - Making available a portfolio of public land (either within current ownership or acquired for the purpose) on "preferred terms" to meet the viability needs of a defined employment use –

marketing the portfolio on a competitive basis and the preferred development partner being selected on both commercial and deliverability terms

- Establishing a Coventry and Warwickshire DPP – through which employment development opportunities can be placed with a view to selecting development partners (who have been pre-procured), who would particularly be interested in forming Joint ventures / SPV's etc
- “Part” Direct investment this could be arranged within an individual LA area, or alternatively across two or more Authorities (in partnership) which would entail -
 - Sharing the risk through a JV (via a LA Co)
 - Creating a “blended” portfolio for development with a private partner
- Full Direct investment – as above this could involve two or more Authorities (in partnership) covering both land & / or infrastructure investment and including the securing of -
 - PWLB / other loans / bonds on the strength of -
 - future returns / receipts
 - future development value
 - future business rates

8.29 Coventry City Council has already taken the initiative through its role in placemaking and economic development and supported the Friargate scheme in the centre of Coventry (amongst others). The scheme had stalled due to lack of development finance, which encouraged the Council to intervene through providing finance and taking space within the first phase of the development, thereby sharing the development and market risk with the developer.

8.30 We understand the Council's intentions are to create a joint venture with a developer(s) for the future phases of the scheme with PWLB borrowing against anticipated income receipts in order to ensure that the floorspace will be delivered to regenerate the city centre and provide new employment opportunities. There are also a number of other examples involving other public sector bodies, that are briefly articulated below.

Examples from elsewhere

8.31 BBP has recently held discussions with a number of local authorities and commercial developers, looking at different delivery models or partnership arrangements between the public and private sectors.

London Borough of Barking and Dagenham (LBBD)

8.32 LBBD is investing and encouraging new development through an innovative mechanism with two main strands:

- urban regeneration company wholly owned by LBBD, but operating independently of the authority - BeFirst, and
- Investment and Acquisition Strategy (IAS), with an initial £250m investment / development fund and a £100m land and property acquisition fund, to support the delivery of relevant projects (funded from the Public Works Loan Board (PWLB), other sources and from cash balances)

8.33 BeFirst encompass all aspects of regeneration and place-shaping for the borough, including not only housing, but also commercial buildings and the provision of key infrastructure. LBBD exerts strategic control over BeFirst via a Shareholder Executive Board, comprising 3 / 4 elected members drawn from the council's Cabinet, together with key officers.

8.34 Separate consortia or special purpose vehicles (SPVs) are being considered to deliver specific projects e.g. stand-alone public sector, joint ventures between BeFirst and the private sector. Alternatively, BeFirst has decided on a number of occasions to develop directly.

8.35 LBBD's Investment and Acquisition Strategy includes 44 potential schemes in the “pipeline” regeneration programme, to be developed on behalf of the Council by BeFirst. LBBD has created a new Investment Panel (which does not include any Members), which influences the work of BeFirst, including oversight and funding of new development opportunities identified.

- 8.36 Some of BeFirst's current projects include:
- Provision of industrial premises for an existing pipette manufacturing company on Thames Road, who own and occupy their own (dated), freehold premises at present and need to move in order to achieve their expansion as a business.
 - a vacant site (0.75 ha), which the Council has previously acquired, on Long Reach Road (close to River Rd) in the Creek Side area of Barking – close to Thames Road and designated Strategic Industrial Land and a Preferred Industrial Location. BeFirst have designed an innovative scheme, which comprises a modern day version of the “flatted factory”, with the development of a 5 storey structure.

Ashford Borough Council

- 8.37 The Council has a multi-faceted approach to property investment and development, with the nature of the “deal” and the mechanism adopted, relying on the characteristics of the scheme to enable either –
- the private sector to be prepared to commit funds and take on the main development responsibilities, or
 - the Council needing to take control and act in a “direct development” capacity
- 8.38 Aside from a wholly owned development company A Better Choice for Property Ltd investing in acquiring residential properties to transfer any surplus income back into the Council, the Council has (in its own right) pursued an investment strategy in commercial property, in order to trigger key developments around the town and to create an income earning portfolio into the future:
- Providing some 35,000 sq ft of new quality industrial accommodation, with units configured so that a maximum unit of some 15,000 sq ft or sub-division down to units of some 3 / 4,000 sq ft (nearing completion) through acquiring part of the site freehold. The benefits to the Council in this respect, are that the contractor does not require a Developer's Profit as part of its consideration for the development (which would normally be between 15% and 20% of all development costs) and there is no allowance for initial void periods, which would be part of a traditional investment deal.
 - Underwriting the base rental on two floors (24,000 sq ft) of the new 80,000 sq ft office block, currently being constructed adjacent to the International Station by Kent based developers Quinn Estates and George Wilson Holdings. This is the first new office building to be constructed in Ashford for decades (which would not have come forward without the Council's involvement), and some 6,000 sq ft has already been pre-let.
- 8.39 As part of a wider consortium, Ashford Council are currently working up proposals with the other East Kent Authorities (Canterbury, Dover, Folkestone and Hythe and Thanet) to establish a Joint Development Company, in order to undertake commercial schemes across the area.

SEGRO in partnership with the Greater London Authority (GLA)

- 8.40 Segro is GLA's industrial development partner for the redevelopment of 86 acres of industrial land owned by the Greater London Authority in London Riverside, boroughs include Newham, Barking & Dagenham and Havering. This is not a JV agreement, but it requires Segro to bring forward development propositions, in accordance with a broad programme of activity that was agreed at the start of the process, and the way in which schemes are considered / approved and land drawn down for development, are set out in the agreement. Process:
- As development schemes are brought forward on specific sites, Segro submit “open book”, detailed appraisals and full scheme details to the GLA
 - Once approved, Segro are then responsible for achieving a planning permission, working up detailed designs, placing an appropriate construction contract, drawing down the land and completing the construction of the units. Segro are responsible for all letting and future management activities on the sites
 - The land value is based on the appraisals approved by the GLA on each site and is paid as set out in Segro's propositions.

- An example of a scheme brought forward over the last 12 months within the above arrangement, is Segro Park in Rainham (East London), where Segro have constructed speculatively, 5 large industrial / warehousing units (ranging from 17,000 sq ft to 70,000 sq ft), and a range of 42 small units, from 500 sq ft to 3,300 sq ft

- 8.41 Segro were happy to discuss their views on development outside of the M25 at present. From their perspective, Essex is interesting – particularly Basildon, Grays, Tilbury, and the key road corridors – A13 / A12 / A127.
- 8.42 They are also very happy to consider a number of more integrated employment and housing schemes at present – such as a development in Hayes, where they have entered into a JV with London Borough of Hillingdon.

KEY CONCLUSIONS FROM THIS SECTION

- The sub-region does need to maintain a varied supply of sites and accommodation – both high quality and affordable in the right locations
- This means addressing this now – to enable growth within the next 5 to 10 years
- There is a particular range where the private sector is not delivering – 1,000 to 25,000 sq ft (and in some cases up to 50,000 sq ft)
- More allocations are needed, but consider whether planning “conditions” would help e.g. –
 - “big box” development must include provision of some smaller units
 - “use it or lose it” requirements
 - Some allocations must include inner urban locations
- Ensure that ELR’s / Local Plans tackle land allocations in concert with more robust economic growth strategies – articulating clearly forecasts for key sectors economic drivers and strategies to deliver these
- There are a range of direct public sector interventions to assist the private sector invest –
 - Resolve land availability issues
 - Reduce costs
 - Reduce timescales / uncertainties
 - Reduce risks
 - Overcome financial constraints
- There are also potential “wider” interventions – across a “group” of public bodies e.g. –
 - Sub-regional development fund
 - Portfolio of land opportunities / development schemes
 - JV’s and SPV’s with the private sector
- There are examples of other public sector bodies doing this

9. Conclusions

Business Conclusions

Industrial / Logistics

- 9.1 Economic activity has been strong over recent years and seems to be on course to retain this position.
- 9.2 If the significant trends in increased business births and growth continue across a range of sectors, then the lack of flexible premises suitable for new-start and smaller SME's, will be a real issue. The higher business survival rates in C&W generally, will also mean less employment premises being recycled when businesses fail.
- 9.3 Conversely, the decline in spare capacity in the labour force in some specific sectors, could constrain future economic growth., which could limit the demand for employment premises, unless is this addressed by higher levels of in commuting from neighbouring areas. Industrial / Logistics
- 9.4 Increased economic activity is not only within some of the area's key sectors (AME, logistics etc), involving large corporates, but also appears right across the business strata from start-ups to smaller grow on businesses, SME's and larger organisations, many in the automotive and manufacturing supply chain
- 9.5 Many businesses are also showing overall growth in GVA, which will also lead to demand for new sites and premises as businesses need more or different premises to accommodate their workers and equipment
- 9.6 All of the above, have resulted in a growing and continuing need for employment accommodation, across the whole size spectrum, and has required in many instances companies to search far and wide, in order to identify potential options. The lack of any new sites or speculative developments coming forward to meet business requirements, is another factor that requires further examination.
- 9.7 There is already evidence of large-scale occupiers who are unable to find space in the region, and as such are then searching further afield, However, the situation is potentially even more difficult at the smaller end of the property market (units of between 20,000 and 50,000 sq ft (1,858 – 4,645 sq m)), and also in units below 20,000 sq ft, and particularly in the category less than 5,000 sq ft (465 sq m) - with few speculative development examples and a limited number of investors, prepared to fund pre-lets given their views / requirements on covenant strength.
- 9.8 Our consultations across the area, have also highlighted the business need for premises that are suitable for modern manufacturing (flexible, with the right floor loadings, clear working spaces, accessibility to markets and workforce, power provision and communication capacity (see below).

Offices

- 9.9 In terms of office accommodation, business demand for space is less strong and the majority of take up remains in out-of-town business parks, although agents believe that this is mostly due to lack of decent / appropriate floorspace in town centres. The major exception is Coventry City Centre – where the Friargate proposals next to the rail station, are already delivering Grade A office buildings, which will provide significant new floorspace over the next few years.
- 9.10 There is however strong demand within the digital, creative and professional services sector, which will be one of the main drivers in the “office based” / workspace market going forward, although the demand here is not normally for Grade A floorspace, and companies are looking for “mid-spec” flexible floorspace within town centres, as their preferred approach.

- 9.11 There are some examples of where this is being provided, either through conversion of existing accommodation or new build. Generally however, there are limited instances of current town centre premises (vacant retail and other commercial floorspace, out-dated office premises, underused mixed use property) being refurbished / converted into a new office / workspace provision. This is potentially because of a number of factors, such as high alternative use values, complex ownership and vacancy patterns, owners reluctant to give up current income streams etc.
- 9.12 Strategic approaches are therefore required to bringing new uses and occupiers into Town Centres, including the establishment of more flexible use frameworks, ways of persuading a mix of owners to work together, or compulsorily assembling the various sites required for a viable scheme.
- 9.13 Consultees have also raised the almost complete lack of small freehold premises for sale (both industrial and office based), which they would find very attractive to meet their business planning requirements.

General Employment Floorspace Issues

- 9.14 Within all employment accommodation markets (particularly for businesses looking to adopt increased automation in their processes), there is an increasing demand for flexible premises. This means both flexibility in the amount of space required, (e.g. the ability to use a single building for a mix of purposes, to take more or less or different types of space depending on turnover / demand); and also, flexibility in the form of occupational arrangements (short term leases / licences).
- 9.15 Businesses, especially new-start businesses with high growth aspirations, are struggling to find premises with suitably flexible leases, which will allow them to expand or move-on within a few years (or even sooner) if they achieve their rapid growth aspirations. The provision of small scale flexible office accommodation within inner urban areas across the sub-region, should be a priority going forward.
- 9.16 High capacity / high speed broadband is also an essential ingredient to facilitate growth in almost all sectors, because of the increased use of data and speed of transmission. There is also an expressed need for high power supplies, not just for manufacturing businesses, but also for logistics companies, where electrification of their substantial fleets is going to require servicing in future years. Good public transport links to employment sites are also important, to enable workers to access the businesses located there.
- 9.17 Finally, the other issue raised consistently across all of our consultations, is the problem of affordability. Larger logistics businesses and corporates, are able to fund the higher rental and capital costs associated with prime sites along the key motorway and transportation corridors. Even if these were their preferred location, smaller companies (in the wider AME supply chain) as well as SME's and smaller, growing businesses cannot, due to the fact that rental levels are typically some £3 psf higher than traditional Industrial Estate locations.
- 9.18 That does not mean however that smaller, more central urban / rural locations, are offering significant volumes of floorspace, at the right price. In fact, the responses to our consultations, suggest that the reverse is true, caused by a number of factors.
- 9.19 Due to the growing levels of demand over recent years, and the relative shortage of supply coming forward (both land and premises), it is expected that these "gaps" are likely to rise further, in the future.
- 9.20 The above, implies a strategic approach is needed to meet the critical needs of business - both in terms of releasing more land for traditional employment / workspace development and ensuring that this land is secured in the long term for such uses, and at an acceptable cost level.
- 9.21 In parallel, employment floorspace must be delivered on the right sites (certain businesses have expressed concern about employment uses being immediately adjacent to new housing schemes, and the tension that this seems to have created), available on the right terms, and at a viable cost (rental or

capital cost) – either through new build initiatives, or refurbishment / extension projects, capitalizing on existing accommodation.

- 9.22 For example, it would be advantageous to attempt to encourage owners / investors in premises at the “end of their useful life”, on traditional estates, to consider refurbishment / sub-division projects, or even demolition and redevelopment options, where this is going to help ensure that the future of the estate is secure in the long term. This same objective also applies to owners / occupiers of highly under-used sites.
- 9.23 This should be structured alongside a strong planning policy, not to permit alternative uses, and further investment in common areas / facilities / maintenance, to maintain the attractiveness of the area as a whole.
- 9.24 The intervention of the public sector to ensure that the above strategies can be delivered, both in policy terms (setting the right framework for action) and in terms of financial intervention, particularly in the short term, will probably be essential.

Property Demand Conclusions and Underlying Issues

- 9.25 The broad consultations on demand, across businesses, agents and developers, has drawn out a number of important conclusions, as follows
- There is clear evidence of existing and future demand for both industrial land and premises in the Coventry and Warwickshire area, above and beyond existing levels of supply
 - There is also strong and continued demand from the logistics / distribution sector, particularly for units in excess of 100,000 sq ft (in some cases well in excess of this figure), and from developers and owner occupiers, looking for significant land take
 - Demand across the manufacturing sector is both strong and growing, particular from Advanced Manufacturing and Engineering and the automotive sector - from global brands and their supply chains (although the latter is relatively uncharted at present as the sector moves towards electrification and automation). Take-up of B2 / B8 premises over the last three years has averaged at 5m sq ft per annum, and the importance of “build to suit” arrangements as part of this total, should not be under-estimated
 - There is particularly strong demand for start-up and “move on” accommodation, within the size band of less than 25,000 sq ft, and particularly in the less than 10,000 sq ft category
 - These levels of strong demand, have had the effect of pushing up rental levels and values generally, particularly in some key locations
 - In terms of offices, these are significantly influenced by the Birmingham city centre market – and as a result Grade A demand is primarily found in Coventry. However, it is important to highlight that demand is reported elsewhere for flexible / mid-spec units in other town centres
 - Generally, consultees have highlighted the problems of ageing industrial stock throughout the Coventry and Warwickshire area (and how poor specifications impact upon their business activities and performance) – and concerns as to what circumstances will encourage refurbishment / redevelopment to take place
 - Concern was also expressed as to the impact of Green Belt designations, on the ability to “keep up with the market” and the need to recognise “cross LA boundary” demand issues, recognising that business does not recognise borders in this way
 - Demand is also being adversely affected by the high levels of occupation across the more traditional industrial estates throughout the sub region and therefore the low rates of “churn”

Property Supply Conclusions and Underlying Issues

- 9.26 It is useful to categorise the range of available sites, to understand how potential supply meets the varying needs of business – categorised by use (industrial / logistics / offices) by scale and by nature timescales.
- 9.27 An analysis of potential supply, set out in accordance with an indicative phasing over the next 10 years and by LA area, shows that the overall quantum of land is still barely meeting the levels forecast in 2015 by the CBRE Employment Land Use Study, and there are some significant gaps in certain LA areas and in particular time periods.
- 9.28 However, that study was one consideration in the preparation of local plans and as noted below, the local plans have been prepared in accordance with national planning policy and guidance published at the time. Moving forwards, recent changes to national policy and guidance appear to provide local planning authorities with greater flexibility to take into account local economic circumstances and the full range of factors that affect the market both locally and at the sub-regional level.
- 9.29 These changes, along with the findings of this study, will need to be factored into further detailed quantitative and qualitative technical assessments of employment land requirements. In the shorter term, the study identifies potential public sector interventions for more immediate consideration and action.
- 9.30 Similarly, our broad consultations on the supply issues, across businesses, agents and developers, have also drawn out a number of important conclusions, as follows:
- There is a relative shortage of good, well located and vacant, affordable employment floorspace. Overall stock levels are high but premises are generally of poor quality and there are low levels of availability. Specific sites for R&D / hi-tech activities (adjacent to universities or similar research bodies) are in short supply
 - Two LA's (Coventry and Nuneaton and Bedworth) have less than 2 yrs stock available; most other LA's have just over 2 yrs worth of stock available
 - By far the majority of current floorspace is on established industrial estates which form a vital source of employment accommodation across the sub-region. However construction is dated (20+ years) and **potentially** older (40 / 50 years)
 - Furthermore, available space on these traditional estates is limited (very limited in a number of estates examined) – with the consequence that this phenomenon is “blocking” the chance for businesses to move up and down the accommodation ladder and particularly to expand into larger floorspace
 - The competition for new / undeveloped employment sites (and those where redevelopment is the primary option), is strong, particularly where owners feel that they may be able to secure a change of use (resulting in higher land values)
 - Companies are therefore “holding onto what they have”
 - Even buildings / plots which are “beyond their useful life”, command a value in this market, either because demand levels continue to generate an income stream, or because owners believe there is an opportunity for a future change of use
 - There are some examples of existing buildings being sub-divided and / or refurbished, and then offered to let on reasonable / affordable rents, however this is more the exception, than the rule
 - The development market is delivering speculative and pre-let space for 50,000sqft and above – in a number of locations (but not all) AND in those cases supply is generally only constrained by land availability

- The market failure identified for less than 50,000 sq ft units (and particularly less than 20,000 sq ft units) is attributable to a variety of factors including availability of / strong competition for land in higher rental / yield areas, and lower returns in non-traditional areas, all of which lead to a non-viable development. There has been very little, private sector, new, speculative industrial accommodation within the <5,000 sq ft category in recent years
- With regard to traditional offices – apart from Friargate, Coventry, there has also been very little new office construction across the sub-region. However, our consultations have highlighted that many modern businesses do not require such space, preferring flexible, “mid-spec” units - due to changed working practices, and the need for flexibility in terms of tenure / accommodation
- There are also significant geographic variations across the sub region, with motorway and other key highway corridors for example, being over dominated by large shed logistics and industrial, and the southern part comprising largely rural communities with limited employment opportunities in “market towns”
- Discussions with a number of developers have highlighted that it is not an unwillingness on their behalf to invest in basic premises, it is rather the lack of land supply. Their experience is that when land comes to the market, it commands such a high value, that development (or redevelopment) is simply not viable
- In terms of land supply allocations within the Local Plans (over the next 5 to 10 yrs) these should reflect longer term, strategic economic development goals / priorities, real demand levels and carefully forecast growth in key sectors / economic drivers going forward

The Issues Around Affordability

9.31 Our Brief for this Study required a particular focus on the problems of “affordability” in the employment land / premises market at the present time. We have considered this aspect from a number of perspectives during the Study and the main conclusions are as follows –

- The overall shortage of available land, and specifically premises, has inevitably led to a rise in rental levels in a number of areas, both for some existing stock and particularly for new accommodation, which has exacerbated the issues of “affordability”
- Even some secondary and tertiary locations there is evidence of higher (unaffordable) rents
- The expected levels of growth in a number of key sectors across the sub region in the medium term (Transport/ Automotive, Logistics, Advance manufacturing and Engineering, R&D/ Bioscience, Energy/ Battery) will generate additional pressure on availability and affordability
- Development viability is a real challenge for new schemes – and the rent levels required by investors / developers (even if they are prepared to develop) to generate an acceptable return (circa £8-10psf) are not affordable to many new companies / expanding companies
- Average workshop / industrial rents which are typically considered “affordable” around the sub-region are pitched around £5/£6 psf (even lower in some locations). The rental levels for similar new build accommodation however, would be significantly higher (to reflect land and new build costings etc) and this would require rental values for such schemes to be in excess of £8psf and in many instances as high as £10psf
- Similar differentials are also found in the office market, where many locations would barely support rental levels around £10 to £12 psf (even lower in some locations), compared to new build office rentals, which would need to be above £20 psf (£25 psf in the case of Grade A space) in order to establish a viable development, in which developers would be prepared to invest

- This significant jump in rents from unimproved traditional space to the levels required for new build accommodation, is a key, underlying factor in preventing churn
- The respondents to the business survey also highlighted the lack of available / affordable land and competing higher-value uses, as a major concern
- There was also a view that even new employment land allocations will still be subject to market pressures (high-value uses / rents & yields vs development costs)
- The above issues are in reality, going to require some form of public intervention to overcome the barriers to development of affordable accommodation, and deliver adequate levels of floorspace, in future years (see below)

Changing Business Requirements

9.32 The Brief required an examination of any significant changes in the demand for land / premises from our consultations with businesses and from an examination of developments elsewhere in the country. The following summarises the main issues raised –

Office based opportunities –

- The practice of ‘agile’ working, home working and hot desking has become the “norm” for many businesses and needs to be reflected / accommodated in the type of floorspace planned in the future
- Recent research by London School of Economics shows the benefits of working from home can potentially reduce over time for both employees and organisations e.g. an increased sense of professional isolation / reduced sharing of knowledge
- These disadvantages are already in practice beginning to be mitigated through initiatives such as locally based, flexible/ co-working spaces, available not only to the self-employed and home workers, but also to “corporates” and their staff, who are establishing small, local teams in order to tackle specific aspects of their business
- These experiences are fuelling a complete “re-think” of what is considered a normal, urban based office space; expectations are that some 30% of all commercial office real estate will be redefined as ‘flexible’ by 2030
- In addition to the above, many companies are returning to town centres (from out of town centres / business parks), where there is a vibrant environment, extensive local facilities and good public transport links
- Generating footfall is key to re-vitalising town centres, which can be achieved through alternative uses: office, workspace (including “co-working” space), leisure, training facilities etc.
- Additionally, proactive planning of new major developments (urban extensions / garden villages) is also needed to deliver an economically sustainable mix of uses including workspace

Industrial based opportunities –

- New developments in a small number of inner, urban areas, are combining industrial development with other uses such as residential, student accommodation, leisure and offices as a solution to limited land availability and a desire to co-locate mixed uses, in a more innovative way. There is however more work to be done around noise and pollution issues, although the move to electric powered HGV’s will assist in the medium term

- Such schemes will have the impact of increasing both development densities and the efficiency of urban sites
- Examples in Outer London are developing schemes to take a significant industrial area, and redevelop it such that the current quantum of employment floorspace is retained (albeit mainly redeveloped), however the redevelopment includes a wide mix of other uses (particularly residential) such that the ultimate scheme delivers a 50:50 mix (residential : commercial)
- The recent market in C&W has been to build even larger sheds, however there is a clear sign that occupiers are pivoting towards smaller, more local space for part of their market
- This could involve alternatives to motorway related “boxes” – e.g. by making use of alternative assets such as vacant high street stores as more permanent click-and-collect points

Public Sector Intervention to Address Development Challenges

9.33 The analysis within this Report, has examined a range of issues which impact the demand for and supply of employment land and premises, across the C&W sub-region.

9.34 It has concluded that from a Policy perspective, the sub-region does need to maintain a varied supply of sites and accommodation – both high quality and affordable in the right locations, if the area is to fulfil its potential for economic performance and growth. It is not achieving this at the present time, and needs to consider the means by which more land and premises can be brought forward, i.e. more and different land allocations within the Local Plans to meet the scale of development required, but in the right location and meeting the quality / specification criteria required by businesses.

9.35 It is a fact, that the Local Plans considered as part of this commission were prepared in accordance with national planning policy and guidance published at the time. This has however been impacted by the revised National Planning Policy Framework, issued by MHCLG in July 2018. Whilst it is acknowledged that this is primarily about local housing need and allocation issues, there are some of the provisions that relate to employment land / premises, which could have an influence on how these issues are handled going forward –

- Local housing need is to be assessed using the “standard method”, as set out by government
- Subsequent local planning policies are no longer required to assess the actual need for employment floorspace as a result of their demographic and housing projections, but now need to “have regard to” local economic development and regeneration issues and to give “significant weight on need to support economic growth and productivity” (this can be seen as a watering down of the importance of economic activities, but there is no longer a direct link between housing and job numbers)
- Town Centre diversification has been highlighted as an important planning issue to “support diversification and changes of use where town centres are in decline”
- Employment is back in the list of Land Uses which require a Strategic Policy, in terms of patterns, scale, quality, and significant provision
- Warehousing and logistics are specifically mentioned, and the need for planning policies to make provision “at a variety of scales and in suitably accessible locations”
- Authorities are being encouraged to use CPO powers in respect of land assembly. Whilst this is primarily related to housing sites, if those include major urban extensions / growth areas, then the need for adequate employment land could be included – which would address the land availability issue flagged throughout this Report
- Viability assessments for larger schemes are must consider affordable housing and “other infrastructure” - to make a “sustainable community”. Could this include business space

- 9.36 Given the timing of this announcement, this Report has not been able to assess how any of these issues will have begun to impact upon the structuring of future Local Plans, but it should certainly be kept under review.
- 9.37 It has also highlighted the type and level of demand, which has been generally, consistently growing over recent years, however it has also identified a significant number of circumstances where the private sector is not able to meet the demand coming from existing businesses as well as those looking to move into the area. This means addressing these issues now – to enable growth to occur within the next 5 to 10 years. There is a particular range of accommodation, where the private sector is not delivering – namely 1,000 to 25,000 sq ft industrial / distribution space (and in some cases up to 50,000 sq ft), which would be a good starting point.
- 9.38 The allocation of more land is needed within the local planning framework (some allocations must include inner urban locations), however the LA’s also need to consider whether “conditions” attached to any permissions would help e.g. –
- “big box” development must include provision of some smaller units
 - “use it or lose it” conditions in relation to employment permissions
- 9.39 If the deficits within the private sector’s delivery capabilities are to be addressed, then there are a range of direct public sector interventions which would assist the private sector to invest, such as –
- Initiatives to reduce costs – use public sector land / take-on the delivery of key off-site infrastructure etc
 - Reduce timescales / uncertainties (pre-planned and expedited planning permissions)
 - Reduce risks (guarantees or head leases)
 - Overcome financial constraints (public sector loans etc)
- 9.40 There are also potential “wider” interventions – which could be established and administered across a “group” of public bodies e.g. –
- A sub-regional development fund
 - A portfolio of land opportunities / development schemes (potentially based on publicly controlled land)
 - JV’s and SPV’s with the private sector
- 9.41 There are currently a number of examples of other public sector bodies doing this, so there is an established set of mechanisms and best practice from which to draw

[NB It should be noted that the list of main Consultees approached in respect of this Commission, is included in Annex M]

10. Recommendations

Moving to Some Recommendations

- 10.1 From our consultations and analysis, it is clear that there is no single reason, why Coventry and Warwickshire is facing the employment land / premises challenges it is – and certainly there is no single solution.
- 10.2 It should also be highlighted, that this is not unique to the Coventry and Warwickshire sub region, and is being experienced in other locations around the country, where we have been working over the last 12 months.
- 10.3 Furthermore, there is a growing understanding around the country that the public sector is going to have to get involved, if these problems / issues are going to be addressed, at least in the short term.
- 10.4 The recommendations in this Section are therefore set out under a number of headings, in order to “group” sets of similar actions.

Planning Policies - Allocations and Prioritisation

- 10.5 The levels of Demand identified in this report, suggest that one solution is the allocation of significantly more / new employment land across the sub region, to both provide more choice as well as potentially reduce values. However, this is by no means the total solution (although it certainly is one component) and indeed may well not create a sustainable, long-term solution.
- 10.6 Even if large land areas were to be allocated, landowners may well still not progress development in the hope that planning policy may change (be challenged) over time and that they can achieve higher values in the future. This “hope value” needs to be removed as a possibility, potentially through the introduction of more stringent planning permissions / conditions / controls that prevent any further change of use.
- 10.7 Current allocations are based on evidence produced as part of the Local Plan process; the Employment Land Reviews’ methodology (as currently set by Government Guidance) over recent years has been seen to produce figures which are too low to meet actual demand and do not appear to adequately capture market dynamics.
- 10.8 There is therefore a need to consider a different approach to calculating future employment land and premises requirements, that takes better account of the nature and scale of future economic growth, alongside the real accommodation / locational needs of business, and the appropriateness of the current stock of sites and premises – and whether these are going to properly satisfy demand in the market and play a meaningful contribution to the true supply position, within a LA area
- 10.9 We are aware that discussions are being held with government in these respects, and any changes in guidance and the approach of Inspectors to Local Plan examinations in public, would be a necessary next step in changing the way in which employment land is given a long term strategic perspective.
- 10.10 Given the above, and the fact that within the parameters of the Local Plan process, there is in essence a finite land supply, then the strong levels of demand identified in this report (particularly from competing uses), means that land allocations **must be prioritised / more nuanced** across the range of “B” land use classes.
- 10.11 In particular allocations should ensure that Employment Land Reviews / Local Plans are worked up in parallel with recent / robust strategic, economic growth strategies – which have been prepared on the basis of both an analysis of detailed economic performance over recent years, and a clear / strategic approach to economic growth over the next 5 to 10 years, examining the key sectors and economic drivers for the sub-region and plans to develop these going forward.

- 10.12 Employment land and property policies should therefore flow from this strategy, recognising the particular needs of businesses in these core sectors and how accommodation / facilities are going to be required to retain businesses in the area, encourage companies to grow, and attract new inward investment into the area.
- 10.13 To facilitate this approach, consideration should be given to using the “site categorisations” set out in Section 5 of this Report, to ensure that appropriate and sufficient site allocations have been made for the range of businesses requiring accommodation to meet their growth plans and to meet the needs of inward investment activities.
- 10.14 There is also a view that local planning policies lag behind the market and the level of proposed development land is aligned with housing growth as opposed to the level of commercial market demand. The focus on economic growth and priorities set out above, should therefore be reviewed more regularly than has been the case over recent years (say every three years) to ensure that the needs of businesses in the area are always being recognised and addressed.
- 10.15 In parallel with the above, Authorities should also consider -
- More stringent policy criteria around the restriction of certain sites to specific employment purposes – e.g. “restrict” new B8 allocations / or insist that new B8 development is more mixed and diverse (Section 106 requirements re smaller / “affordable” floorspace – not necessarily on same site)
 - The quality / characteristics of different types of Employment – B1/B2 v B8 (manufacture v logistics)
 - The importance of Employment densities – specifically recognising the variations between use classes and the current levels of in-commuting necessary across the area
 - Obviously, a relative increase in economic activity across the whole of C&W, will potentially need to pull in more employees from adjoining areas, however if the job densities of the growing businesses are office based, rather than logistics based, the requirement for in-commuting will be even higher. These issues will require careful modelling and monitoring, on both a district and sub-regional basis
 - The potential to introduce “use it or lose it” criteria in certain circumstances, with permissions lapsing if appropriate employment development is not commenced within a defined period
 - The Geography / Sustainability of sites – making sure the right sites are allocated (urban v suburban v motorways); recognising the reality of travel-to-work areas; and where possible building on existing industrial clusters, i.e. B8 only in key transport corridors, new / flexible “industrial” allocations only close to public transport and existing / future population centres
 - The importance of good infrastructure / transportation – by prioritising accessible, suitably “serviced” and well connected (i.e. transport & comms) sites. The significant importance of sufficient power supplies and excellent broadband availability / speeds, was highlighted throughout our consultations and these should not be under-estimated as absolutely critical to the provision of employment sites going forward
 - Considering the balance of uses within High Population areas – particularly new / major housing growth areas – where there is a real need to ensure their long term economic sustainability - plan in up-front the new dynamics between the enterprise culture, working from home, out-sourcing, business support etc
 - The importance of certain uses being proximate to University campuses / research and further education organisations etc – in order to better foster R&D and new business formations and growth
- 10.16 It is also important to consider the longer-term potential changes to occupier needs / business patterns – in terms of types of space and locations and the required specifications. Some of these have been

considered in earlier Sections. In this respect, more research should be considered, in order to overlay the real needs of business with sites and accommodation “products”.

- 10.17 With regard to the re-allocation of sites, whilst it is recognised that there could be a small number of instances where employment uses going forward are wholly inappropriate, in the majority of cases the development of some form of sequential test could be explored, that considers a number of criteria, before agreeing to an alternative, particularly a non-employment use.
- 10.18 For example, this could include strengthening the rules such that policies across all Authorities would prohibit a change of use from employment, unless it can be evidenced that –
- such use is no longer viable AND
 - that the site is no longer suitable for employment uses (unacceptable access for example), AND
 - requires evidence that there are other, more suitable sites available for employment uses, AND
 - evidence that the site has been marketed for at least 12 months (or preferably 24 months to ensure that every effort has been made to find an occupier), on both a freehold and leasehold disposal basis, and no suitable user has been identified.
- 10.19 Consideration should also be given to improving / expanding existing estates, rather than a change of use, and in circumstances where the existing permission is for a specific “B” category, then a change to all / any form of “B-use” could be the “base position”, before any other uses are considered.

Affordability – possible solutions

- 10.20 As discussed earlier in this Report, affordability is a key issue for the sub region and we have outlined below some specific issues to be pursued, if this is to be addressed, for example -
- The margins of affordability need to be better understood across the sub region and across different types and scale of property (what is the tipping point?)
 - In many instances, getting control of land is a key issue – i.e. making it available and at the right price
 - Council owned sites could potentially be “in-fill” developed by the public sector or in a JV with the private sector and subsequently let at “affordable” rents
 - The potential to influence lease terms – ensuring that they meet company requirements in order to offer flexible, easy-in-out arrangements which may help to address some issues of affordability for specific businesses
 - Focus any public sector activity on more ‘affordable’ locations, rather than high value areas
 - Undertake an audit of available premises, unused and under-utilised sites, in order to catalogue the opportunities available for affordable refurbishment, conversions or redevelopment
 - As a result of the above, examine whether existing estate owners / investors could be incentivised to develop available / underutilised land through public sector financial incentives or planning incentives
 - Adopt a “Carrot & Stick” policy, including tougher planning enforcement to prevent loss of employment land plus financial stimulants to address ‘gaps’ in viability or to deliver affordable rents.
 - Consider the use of “Section106” obligations on strategic residential growth / expansion consents and B8 consents to deliver small / affordable business accommodation.

- Encourage existing occupiers to be more space efficient / to expand existing facilities rather than relocate.
- Encourage / incentivise modal shift to key estates – by reducing car-parking and unlocking sites for redevelopment.
- Finally, is there an opportunity to consider the potential for “pop-up / meanwhile” premises to address immediate availability / churn issues and any concern over future market uncertainty

Potential Public Interventions

10.21 There are potentially a range of public interventions that can help address the development barriers which have been identified during the course of this Report. The types of intervention to be used and the scale of necessary involvement, will depend on individual circumstances, and on what is required to create a viable / deliverable development proposition.

10.22 At the simplest level, one critical component could be -

- Partnership working (across all LA's / public agencies in the sub region) to develop and maintain a reliable evidence base for the whole area
- This would cover such issues as enquiries / demand / availability of floorspace and land on the market at any time / any evidence on rental and freehold values
- It should concentrate on land and premises separately – so that it could meet the particular requirements of owner occupiers / investors, as well as potential tenants
- It should also cover, who is looking for what / and on what terms – and capture such issues as affordability / rental / lease terms etc

10.23 Where there might be issues around development timing and the risk of securing occupiers, another component might be working with the private sector / developers to undertake the pre-production of planning evidence – to aid the acceptability of development proposals, and the progress and speed of applications.

10.24 There are also a range of other public intervention options to be considered, including:

Financially based interventions -

- Rent guarantees – on a part or all of the accommodation
- Public sector head lease – for a period / until let
- Gap funding grants
- Development Loans – on “preferred” terms
- Specific business rate exemption schemes – local EZ's
- Public sector funded infrastructure components

Land supply based initiatives -

- Make available public land on “preferred terms” (site by site or across a portfolio)
- Acquire land / make available to private developers (including use of CPO powers)
- Adopt a much longer term / strategic land acquisition policy, by looking at sites well ahead of need
- Make the provision of the right kind of employment land a condition of much wider development initiatives
- Land / building “swaps” – to meet company growth plans. This is potentially a vital component of any strategy, to retain key businesses within the Sub Region – with the public sector

potentially facilitating the identification / development of a new site / building which the company will ultimately own / lease, and in exchange transferring the vacated premises to the public sector, which are then re-let, sold or redeveloped for new purposes

- 10.25 The impact which these interventions have on a new development can make the difference between a scheme proceeding or not, and would need to be considered at least on a scheme by scheme basis, in order to determine the most effective means of “pump priming” new development.
- 10.26 If schemes were to be considered on a “portfolio” basis, then there may be an opportunity to consider interventions on a combined basis, looking at the performance of the portfolio as a whole, rather than individual properties.
- 10.27 Public involvement will in many instances need to be considered on a “horses for courses” basis, and will be dependent on a range of factors, including the type of development, geographic location, likely security of tenure offered by ultimate occupiers, market conditions (rental and yield levels etc).
- 10.28 A potential decision making mechanism could be based around a RAG rated intervention analysis, that considers, scores and ranks such criteria as –
- viability appraisal evidence
 - market conditions / failure
 - economic benefits
 - direct outputs
 - the indirect outputs of developing a broader economy / more sustainable economic activities
- 10.29 To rank highly, the viability gap would need to be evidenced and proven, as would the conditions of market failure. The resulting benefits and outputs would need to be demonstrated and justification provided as to how these would be delivered and any risks involved.
- 10.30 There is also the potential to develop a VFM calculator around the above, to benchmark interventions / investment. Hence the higher the ratio calculated between the value of the benefits and outputs generated, set against the viability gap / level of financial intervention required – the higher the justification for the public sector deciding to intervene.

10.31 An initial indication of the varying types of employment floorspace, together with associated market conditions and the types of appropriate intervention required, are set out in the Table below.

Figure 10-1 Employment Floorspace, Market Conditions and Intervention

Size	Market commentary	Intervention
>50,000 sq ft	Mostly B8 user/market delivering speculative and pre-lets. Prime corridor locations and 'last-mile' locations.	<ul style="list-style-type: none"> ➤ Little or no intervention. ➤ Limited to major strategic sites ➤ Rental guarantees where kick-start necessary
20,000 – 50,000 sq ft	Broad range of B users within this scale. High demand but limited market response and ageing stock. Development land price competition from Residential and B8. Business retention issues as well as inward investment attraction.	<ul style="list-style-type: none"> ➤ Estate renewal programmes. ➤ Land allocation for Extensions in key sites and sustainable locations ➤ Business Gateway grant allocation for premises refurbishment/expansion ➤ Rent guarantees / head lease arrangements ➤ Gap Funding
<20,000 sq ft	High demand but poor market response. Competing land values and lower rents is less attractive for investors. Issues around affordability even for old stock. Start-ups and move on space lacking. Flexible occupation terms required.	<ul style="list-style-type: none"> ➤ Direct Intervention ➤ JV with developers ➤ S106 obligations ➤ Gap funding ➤ Pop-up space

Wider Based Public Intervention Initiatives

10.32 We have also considered the potential for wider based initiatives – with the intention of dealing with the land / accommodation challenges on a broader canvas, than simply on a site by site arrangement

10.33 There are a range of alternatives which we suggest the Client Group should consider, mainly based around the following -

- A **C&W-wide Development Fund**, where a number of LA's contribute funding to a “revolving” fund (e.g. £5m per participant) – which is then used for either direct development or JV / equity investment in a range of schemes that meet certain, commonly agreed criteria
- The fund could be managed through in-house resources, by recruiting a new development management team, or through the appointment of a private manager
- A **portfolio based Joint Venture** with a selected developer, to identify sites (both in public ownership and to be acquired) and bring forward a range of development priorities (to be specified by the public sector) - based around a set of investment criteria/ rates of return / funding sources etc.
- The development “partner” would be expected to “make the running” and provide resources to site find and progress developments – but the overall development strategy would be set out by the public sector and schemes would be subject to individual approval
- Such an arrangement could be configured around a number of potential development sites / redevelopment scenarios, pre-identified by the public sector (including some publicly owned land)
- A **Coventry and Warwickshire Development Partner Panel (DPP)** through which sites / development opportunities can be placed on a “fast track” basis
- The terms and conditions for being a member of the DPP could be established as part of the procurement process, and it would be possible for projects to be promoted on the basis of selecting a straightforward developer, or alternatively to seek bids for the scheme to be taken forward on a Joint Venture or SPV basis
- **“Part” Direct investment** initiatives on a site by site basis
- This could be established with an existing landowner, a developer (in situ or procured for the purpose), or another Local Authority. It assumes that the other party would also be able to introduce “part funding” into the initiative
- Such an arrangement could be established by -
 - Sharing the risk via a LA Co
 - Establishing a corporate JV / SPV
 - Entering into Joint Development Agreements
- Alternatively, the LA's could take on a **Full Direct Development / Investment role** – dealing with all aspects of the proposition, including land acquisition, the provision of infrastructure and ultimate development
- This could be structured through internal resources, or alternatively through loan structures such as PWLB / other loans on the strength of future income / bonds etc
- The development of schemes (possibly across more than one site) which generate NNDR relief – this is tantamount to developing an “unofficial EZ”

- 10.34 Finally, in this context, **the “returns” that the LA’s and public sector generally is likely to achieve** as a result of its involvement in the delivery of more / better quality employment land and floorspace, will need to be considered as part of its “justification” for investment.
- 10.35 At the simplest level, any such activity is seeking to both secure current economic activity, as well as to produce growth in indigenous companies, create start-ups and secure new “inward” economic business into the area from elsewhere (jobs / GVA / improved skills etc).
- 10.36 Where a financial investment is to be made, then the public sector will want to consider whether it is likely to recoup such investment, or establish an income stream (with an acceptable return).
- 10.37 A further consideration will be whether such investment is able to generate **other sources of income**, for example longer term Business Rates, and how that is “scored” in terms of an overall return on investment.
- 10.38 Finally, the benefits of the public sector having (in-house or access to) an **experienced development “team”** – to spot / appraise opportunities, negotiate deals, provide the link with developers and landowners / look after the public sector’s best interests, is something that should be considered seriously if Public Intervention initiatives are to be pursued.

Annex A - Policy and Strategy Review

West Midlands²⁸

We have firstly considered in this Annex the drivers of growth in the wider region.

Recent Changes

The economy of the combined authority has grown faster than the national economy in the period 2010 to 2013 and the area “*is a national leader in attracting inward investment*” (p.6). Coventry and Warwickshire have double the UK average employment in foreign owned businesses. A second devolution deal has been agreed ‘in principle’ in November 2017 and will provide:

“£6 million for a housing delivery taskforce, £5 million for a construction skills training scheme and £250 million from Transforming Cities fund to be spent on local intra-city transport priorities”²⁹

Key Sectors

There is a “*globally significant concentration*” of advanced manufacturing and engineering in the region (p.17)

There is a “*particularly significant*” cluster of Medical and Life Science businesses in Birmingham (p.44)

Creative and digital is an emerging sector with important locations at Innovation Birmingham Campus, Leamington Spa and Wolverhampton City Centre. Birmingham City University has also been awarded HM Treasury funding to establish a new creative and digital cluster there.

Whilst not seen as key sectors, the visitor economy brings a significant amount of money to the region, and Birmingham is the “*leading centre for financial services outside London*” employing around 220,000 people in 21,000 different firms (p.16).

Drivers of Future Demand

Major improvements to connectivity across the region will provide a number of opportunities for growth. Projects include: High Speed 2 (HS2) which will cut journey times between London and Solihull to 38 minutes; and further development of Birmingham Airport to include increasing the number of long haul flights.

The region already has significant support for research and development (R&D) and innovation but the Midlands Engine Science and Innovation Audit will guide future investment and help more businesses in the area to capitalise on the local R&D and innovation. Environmental technologies have also been chosen as a priority area by the Combined Authority and there will be a WMCA European Social Innovation Funding provided for this sector, to build on the existing strength of the area in the design and manufacture of low carbon vehicles. (p.42).

²⁸ West Midlands Combined Authority Strategic Economic Plan

²⁹ A Second Devolution Deal for the West Midlands www.gov.uk

Coventry & Warwickshire³⁰

Recent changes

There has been growth in the demand for employment land and there is now a shortage of readily available land, in particular high-quality sites. Skills attainment and higher level skills attainment has increased above the average for England during the period 2011-2014.

Key Sectors

The key sectors identified by the LEP in the region are:

- Advanced Manufacturing & Engineering. This is the “*foundation*” of the area (p.15). The area is “*at the forefront*” of the development of technologies related to Connected and Autonomous Vehicles, with a global presence in the sector
- ICT. There is a “*key micro-cluster*” of computer gaming at Leamington Spa (p.39)
- Digital & Creative Industries
- Logistics
- Culture & Tourism
- Professional & Financial Services
- Healthcare

Drivers of future growth

The award of Growth Deal funding has led to support for a number of projects for improving the strategic road and rail network of the area. The improvements to transport links in the area will help “*unlock new sites for industry*” (p.15) and will also help people and business connectivity.

The sectors that are forecast to contribute to GVA growth in the area include: Automotive, Construction, ICT, Architecture/Civil Engineering and Logistics with the Culture & Tourism sector also anticipated to play a role.

Businesses in Coventry and Warwickshire spend an average of £15,000 on R&D, which is more than double the UK average³¹.

Coventry

Recent Changes

Coventry is a young city and has become younger in recent years. The number of students in the city has almost tripled in the last decade³². Coventry was named the City of Culture 2021. Strengthening of the cultural offering could help to attract business investment³³.

Key Sectors

The key sectors in the Coventry economy are¹⁸:

³⁰ Coventry & Warwickshire Strategic Economic Plan Update: 2016

³¹ A Jobs and Growth Strategy for Coventry 2014-2017

³² Coventry Economic Review 2016

³³ Coventry's Economic Growth and Productivity Strategy 2018-2022

- Advanced Manufacturing and Engineering. Strengths come from the University and the Manufacturing Technology Centre
- Digital & Creative

Other sectors within Coventry that also contribute to the local economy include **Error! Bookmark not defined.**:

- Admin and Support Services have a higher than average concentration and growth in employment
- Finance and Insurance. Decline in employment numbers, but higher than average concentration
- Education. Decline in employment numbers but higher than average concentration
- Utilities. Decline in employment numbers but higher than average concentration
- Professional, Scientific & Technical. Has seen the largest growth of any sector in recent years.

Drivers of growth¹⁸

The £100 million regeneration of Friargate will provide a “*nationally significant*” 37 acre mixed use new business district in Coventry (p.4).

Civil engineering projects and house building are helping to boost the Construction sector.

Warwickshire

Output per worker in Warwickshire has increased significantly in recent years “*placing it in the top ten fastest growing local authorities in the UK and the fastest in the West Midlands*”³⁴(p. 2).

North Warwickshire

Recent Changes

In recent years “*North Warwickshire has seen one of the largest growths in terms of logistics and support facilities in the West Midlands*”³⁵ (p.43).

Key sectors³⁶

The District has a small number of large employers across a narrow range of sectors¹⁹. There has, however, been an increase in businesses moving into the area in recent years in high skilled sectors.

The industry with the highest share of businesses is Wholesale & Retail, but the Borough has an above average share of Professional, Scientific & Technical activities compared to the County. These jobs are in the management consultancy and architectural & engineering sectors.

Drivers of growth¹⁹

North Warwickshire is surrounded by growing urban areas such as Birmingham and Coventry which is putting pressure on the Borough. In particular, North Warwickshire and Lichfield are required to provide 14ha of employment land as per the Tamworth Local Plan.

Demand for Manufacturing employment land is declining but is growing for Logistics.

³⁴ Van de Schootbrugge, S. 2017. Productivity Boost in Warwickshire

³⁵ North Warwickshire Local Plan 2018

³⁶ North Warwickshire Economic Overview Summary (2017)

There are a number of regionally and nationally strategic road and rail connections passing through the District.

Nuneaton & Bedworth

Recent Changes³⁷

There has been a 4% increase in SMEs between 2014 and 2017 which has been driven largely by growth in the Transport & Storage sector. The number of business deaths has increased between 2014 and 2015 which is unique among the Districts of Warwickshire. A small amount of new employment land has been developed in recent years and office provision is limited even in the towns³⁸. There have been increasing levels employment in Manufacturing, Transport & Storage and Administrative & Support Services sectors, which are businesses that tend towards larger unit sizes³⁹.

Key Sectors²⁰

The area has a higher concentration of Manufacturing employment than the UK average and Advanced Manufacturing is one of the priority sectors for the District. Other significant employment is in: Wholesale & Retail, Health & Social Work, and Transport, Storage & Communication. Going forward the Local Plan has prioritised the Professional Services and R&D sectors.

Drivers of growth

With a significant amount of Original Equipment Manufacturing (OEM) in the District it is seen as “*being within the heart of the automotive industry*”**Error! Bookmark not defined.** (p.29). The District has excellent connectivity in the ‘golden logistics triangle’ and is also home to the MIRA Technology Park which is a transport-focused R&D enterprise zone and the only one in the UK**Error! Bookmark not defined.**

Rugby

Recent Changes⁴⁰

Business births in the past year have been double the average for the County. The District has seen GVA per job fall by 10% per annum since 2015 which is in contrast to the rest of Warwickshire. Employment in Architectural & Engineering Activities has grown 13% in the past year.

Key Sectors

The main employment sector is Services, but the District does have a higher concentration of employment in Construction than regional and national averages⁴¹.

Drivers of growth**Error! Bookmark not defined.**

The District has a high proportion of 0-15 year olds relative to the rest of the County, and currently has a high self-containment rate.

Rugby has excellent connectivity and is strong in the Transport and Logistics sector which is currently experiencing “*growing inward investment*” (p.4).

³⁷ Nuneaton & Bedworth Economic Overview 2017

³⁸ Borough Plan 2011-2031

³⁹ Nuneaton & Bedworth Economic Development Strategy

⁴⁰ Rugby Economic Overview 2017

⁴¹ Rugby Borough Council Local Plan 2011-2031

The “Rugby Gateway” is a currently under development and will comprise 5,000 new homes and 35 Ha of employment land. Some of this land has been developed and currently occupied by Hermes, DHL and H&M⁴².

Stratford-on-Avon⁴³

Recent Changes

Growth in businesses in Management Consultancy and Architecture & Engineering since 2013. The District has a high business start-up/entrepreneurship rate.

Key Sectors

The largest employment sectors in the District are⁴⁴:

- Wholesale & Retail
- Tourism
- Professional, Scientific & Technical services
- Manufacturing. 50% of all employees in the Automotive sector across Warwickshire work in the District

Drivers of growth

The number of business births per capita is higher than national and sub-regional averages. This is alongside an above average fall in the number of business deaths.

Warwick

Recent Changes⁴⁵

Residents’ wages have grown by 10% between 2014 and 2017, which is the fastest growth of any District in Warwickshire.

Key Sectors

Warwick plays a key role in supporting the Automotive and Advanced Manufacturing & Engineering sectors that are strong in the sub-region⁴⁶.

Drivers of growth

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The area has a high business start-up rate-this is primarily driven by the “*relatively abundant*” technology and computing firms which don’t require much starting capital or business space.

⁴² Rugby Gateway www.roxhill.co.uk

⁴³ Stratford-on-Avon Economic Overview Summary 2017

⁴⁴ Stratford-on-Avon District Core Strategy 2011 to 2031

⁴⁵ Warwick Economic Overview Summary 2017

⁴⁶ Warwick District Local Plan 2011-2029

Annex B – Sites and Land Availability

Figure 1: Site and Land Availability

SITE / LAND AVAILABILITY		
GROUP 1 - DELIVERABLE SITES	ACRES	HA
Lyons Park	26	11
Tournament Fields	33	13
Stratford Road, Warwick	20	8
Holly Lane, Atherstone	20	8
Prologis Central Park, Rugby	10	4
Prologis Park, Ryton	24	10
Rugby Gateway	25	10
Sub-Total	158	64
GROUP 2 - SECONDARY POTENTIAL		
Daw Mill	100	41
Gorcott Hill	20	8
Winyates Green Triangle	30	12
Hams Hall	50	20
Middlemarch Business Park	29	12
Sub-Total	229	93
GROUP 3 - POTENTIAL NEW STRATEGIC		
Bermuda Park Extension 1	40	16
Bermuda Park Extension 2	100	41
Coventry & Warwickshire Gateway	260	105
Sub-Total	400	162
GROUP 4 - OTHER		
Whitley Business Park	7	3
Birch Coppice	0	0
Ansty Business Park, Rugby	10	4
Codemaster, Southam	15	6
Gaydon / Lighthorne Heath	220	89
Thickthorn	20	8
Stoneleigh Park	50	20
Friargate	37	15
Arden Road, Alcester	20	8
Bishopton Lane, Stratford	15	6
Wildmoor	45	18
Fen End	25	10
Sub-Total	464	187
TOTAL Groups 1 TO 3	787	319
TOTAL ALL	1,251	506

Source: CBRE (2016) Employment Land Use Study

Annex C - Economic Data Review

1.1 Current Business Base and Recent Trends

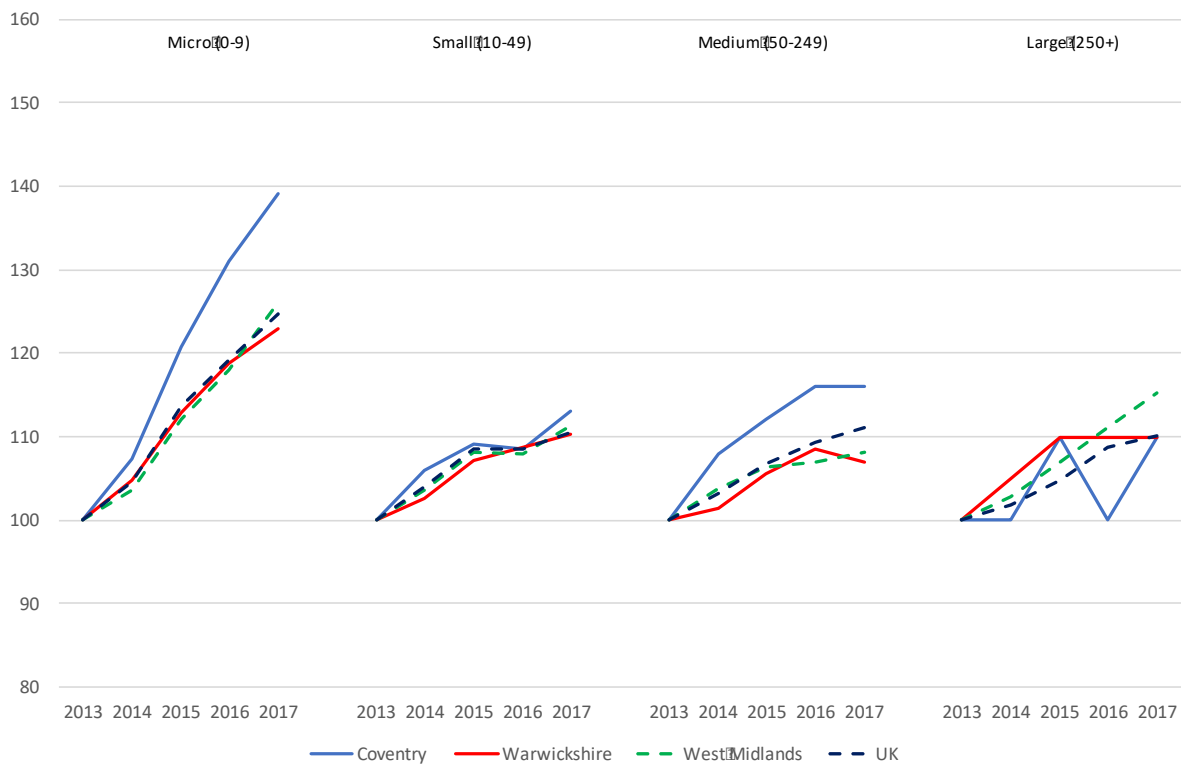
Data on the business stock, business births and business survival rates in Coventry and Warwickshire provides useful information on the drivers of demand for business premises.

1.1.1 Number of Businesses

The total number of businesses in Coventry and Warwickshire has been growing over the period from 2013 to 2017. The number of businesses of all sizes, from micro to large, has been growing. The rate of growth in micro businesses over this period is higher than in other segments (i.e. greater than growth in small, medium and large businesses).

Coventry has shown a particularly high rate of growth in micro businesses (+39% over the four year period). Micro business growth in Warwickshire is lower (+23%), but is notably high in Rugby (+38%).

Figure 2: Indexed Business Counts (2013)



Source: Business Counts, ONS

The absolute growth in business numbers by segment can be seen in the figure below.

Figure 3: Annual Change in Business Numbers

Area	Average Annual Change 2013 to 2017
Coventry	+630
Warwickshire	+1,160
North Warwickshire	+80

Nuneaton and Bedworth	+160
Rugby	+320
Stratford-on-Avon	+230
Warwick	+360

Source: Business Counts, ONS (N.B. Numbers may not sum due to rounding)

Therefore, if these trends continue then an increasing number of businesses in Coventry and Warwickshire will provide continued demand for employment land and premises, particularly premises for new-start and micro-businesses.

1.1.2 Business Births

The number of business births in Coventry (+1,800 in 2016) is around half the number in Warwickshire (+3,800 in 2016). However, the change in the number of business births between 2011 and 2016 has been 62% in Coventry, compared to 49% in Warwickshire. Within Warwickshire, the largest number of business births in 2016 were in Warwick (+1,100), Stratford (+890) and Rugby (+860).

The increasing rate of business births in Coventry and Warwickshire means increased demand for employment land and premises, with a particular demand for premises suitable for new start businesses e.g. small, flexible units.

Overall, the growth in the total number of businesses (especially micro businesses) and the increasing rate of business births means that there is an increasing demand for employment sites and premises throughout Warwickshire, with a particular emphasis on demand for premises suitable for new start businesses.

1.1.3 Business Survival Rate

The business survival rates for 2011 businesses for one, two, three, four and five years in Warwickshire are higher than the rates for the West Midlands and the UK. They are also higher than the business survival rates for Coventry. Coventry's business survival rates are closer to those of the West Midlands and the UK.

Figure 4: Five Year Business Survival (Birth 2011)

Business Survival	Births	One Year	Two Year	Three Year	Four Year	Five Year
Coventry	1,125	93.8%	73.8%	60.0%	49.3%	41.3%
Warwickshire	2,525	94.3%	79.0%	64.8%	55.6%	49.1%
North Warwickshire	270	96.3%	76%	63%	54%	51.9%
Nuneaton & Bedworth	375	93%	80%	67%	53%	46.7%
Rugby	440	96%	82%	67%	60%	52.3%
Stratford-on-Avon	690	93%	77%	64%	54%	48.6%
Warwick	750	95%	80%	64%	56%	48.0%
West Midlands	19,555	93.4%	76.0%	60.8%	51.4%	44.4%
UK	261,370	93.1%	75.6%	60.5%	51.0%	44.1%

Source: Business Demography, ONS

The higher business survival rate in Warwickshire will mean less employment premises being recycled when businesses fail, and therefore potentially a higher demand for additional employment land and premises, particularly for new-start businesses.

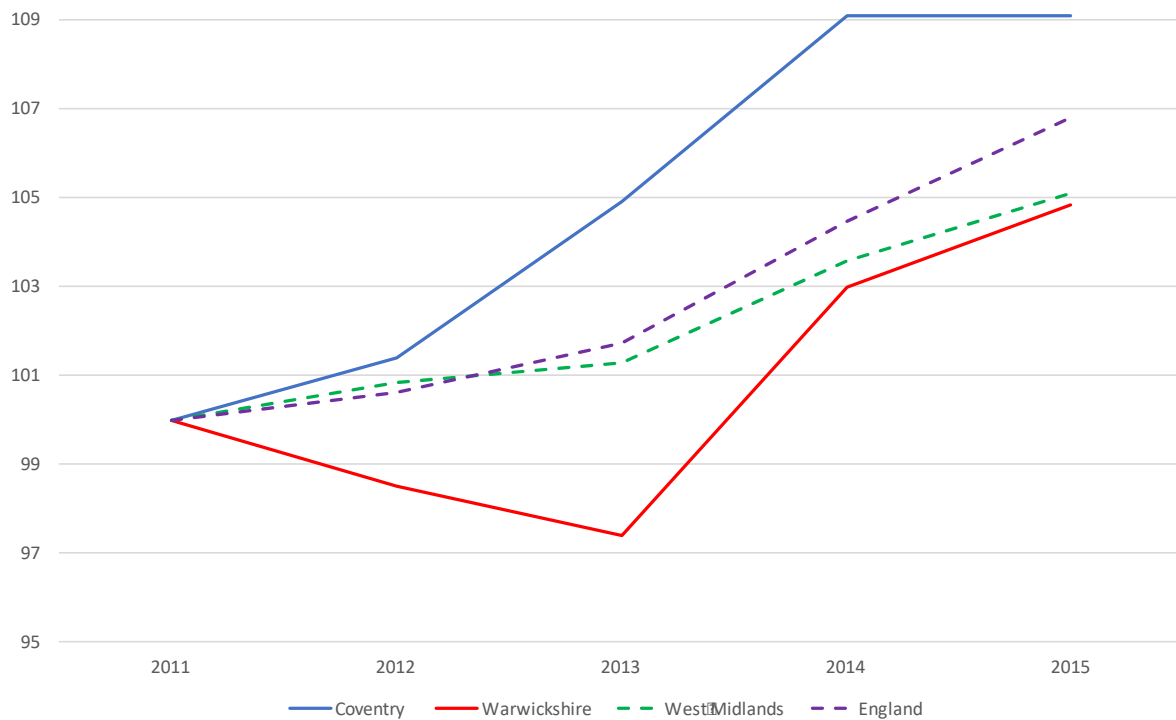
1.2 Current Employment and Recent Trends

As well as the number and type of businesses, the number of people employed by those businesses will drive the demand for employment land and premises in Coventry and Warwickshire.

1.2.1 Total Employment

Both Coventry and Warwickshire have seen a growth in employment over the period from 2011 to 2015. The rate of growth in employment in Coventry has been above the West Midlands and UK rates, and the rate of growth in Warwickshire below these benchmarks.

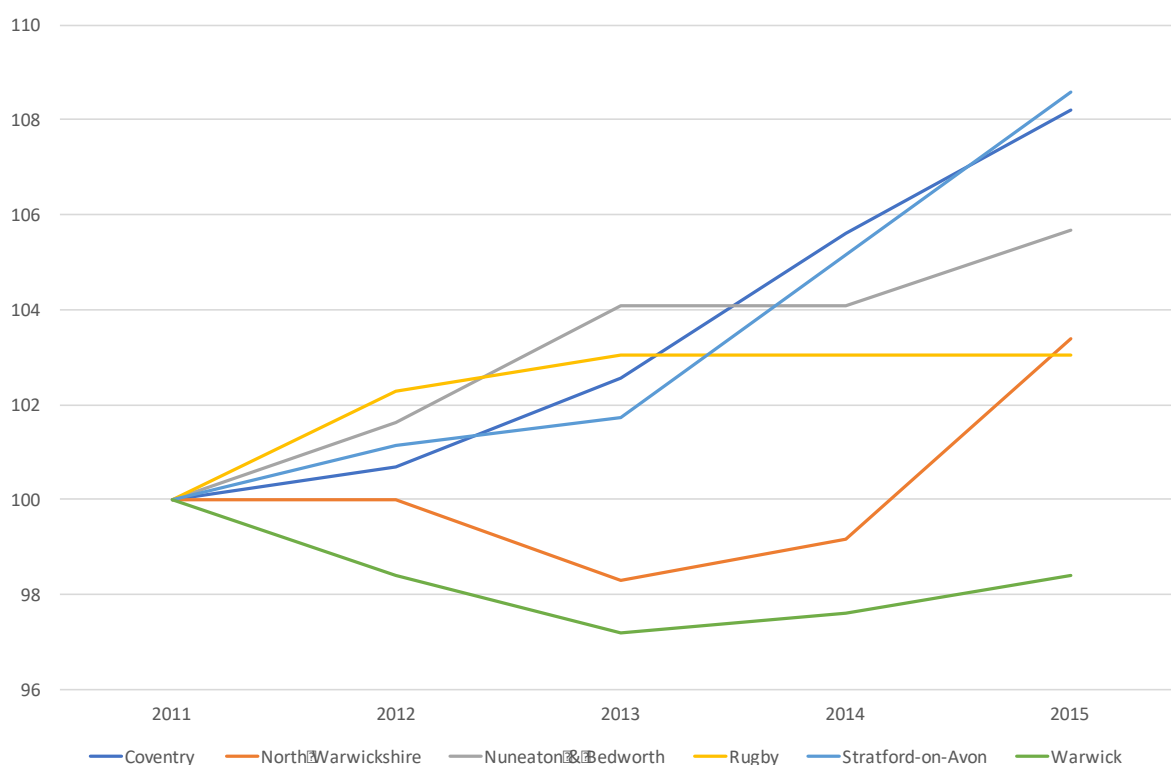
Figure 5: Total Employment Indexed to 2011



Source: Business Register and Employment Survey, ONS

Employment in Coventry has grown from 143,000 in 2011 to 156,000 in 2015 (+13,000) and employment in Warwickshire has grown from 270,000 to 283,000 (also +13,000). Within Warwickshire the largest growth has been seen in Stratford-on-Avon (+7,000) and North Warwickshire (+4,000), whilst employment has declined in Warwick (-1,000).

Figure 6: Total Employment across Districts Indexed to 2011 (3 Year Rolling Average)



Source: Business Register and Employment Survey, ONS

The overall growth in employment in Coventry and Warwickshire is consistent with the growth in the business base in both areas. Whilst the increase in the number of businesses is lower in Coventry than in Warwickshire (over the period 2013 to 2017), the increase in total employment has been the same in both areas (over the period 2011 to 2015). Increasing employment in addition to increasing numbers of businesses will stimulate greater demand for employment sites and premises.

1.2.2 Employment by Sector

In **Coventry** the Manufacturing sector is large and has a high Location Quotient (LQ)⁴⁷ of 1.5. Administrative and Support Services (1.2) and Education (1.4) are also relatively large and have high LQs.

In **Warwickshire** the Manufacturing sector is large and has a high LQ (1.5). Wholesale & Retail Trade is large and has an LQ greater than 1.0, and Transport & Storage is large and has an LQ of 1.8.

In **North Warwickshire** Manufacturing has an LQ of 1.7, Construction also has an LQ of 1.7, and Transport & Storage has an LQ of 4.4 – a notably high concentration.

In **Nuneaton & Bedworth** Manufacturing has an LQ of 1.4, Wholesale & Retail Trade has an LQ of 1.3, and Transport & Storage has an LQ of 1.9.

In **Rugby** Construction has an LQ of 1.7, and Transport & Storage has an LQ of 2.8.

⁴⁷ A Location Quotient is calculated by dividing the percentage of total employment in a sector in a local area by the percentage of total employment in the same sector nationally. A Location Quotient of less than 1.0 means a lower concentration of employment in that sector than nationally, and a Location Quotient of greater than 1.0 means a higher concentration of employment in that sector than nationally

In **Stratford-on-Avon** Manufacturing has an LQ of 2.1, and Accommodation & Food Services has an LQ of 1.3.

In **Warwick** it is notable that Manufacturing has an LQ of less than 1.0 – the only District in Warwickshire with a below average concentration of employment. Utilities has a high LQ (5.0) and also Public Administration & Defence (1.5).

Clearly, Manufacturing is concentrated throughout Coventry and Warwickshire, with the exception of Warwick District. Wholesale & Retail Trade and Transport & Storage are also significant sectors in Warwickshire.

The **Manufacture of Motor Vehicles** has been identified as a sector of importance in the sub-region. It is strongly concentrated in both Coventry (LQ of 13.4) and Warwickshire (LQ of 11.0), with particular concentrations in North Warwickshire (7.9) and Stratford-on-Avon (42.1). The **Manufacture of Motor Vehicle Parts and Accessories** is strong in Coventry (LQ of 10.0) and Warwickshire (LQ of 4.6), with a particular concentration in Nuneaton & Bedworth (LQ of 14.9).

The **software and gaming sector** (Ready Made Interactive Leisure and Entertainment Software Development) is highly concentrated in Warwickshire (600 employees and an LQ of 6.1), with particular concentrations in Stratford-on-Avon (300 employees and an LQ of 13.0) and Warwick (350 employees and an LQ of 12.2). Computer Programming, which includes the above figures, employs 2,000 people in Warwickshire, with concentrations in Stratford-on-Avon and Warwick.

Bioscience (Research and Experimental Development on Natural Sciences and Engineering) is particularly concentrated in Rugby (600 employees and an LQ of 3.1). It is the only District in the sub-region with a concentration of employment above the national average.

1.3 Labour Market

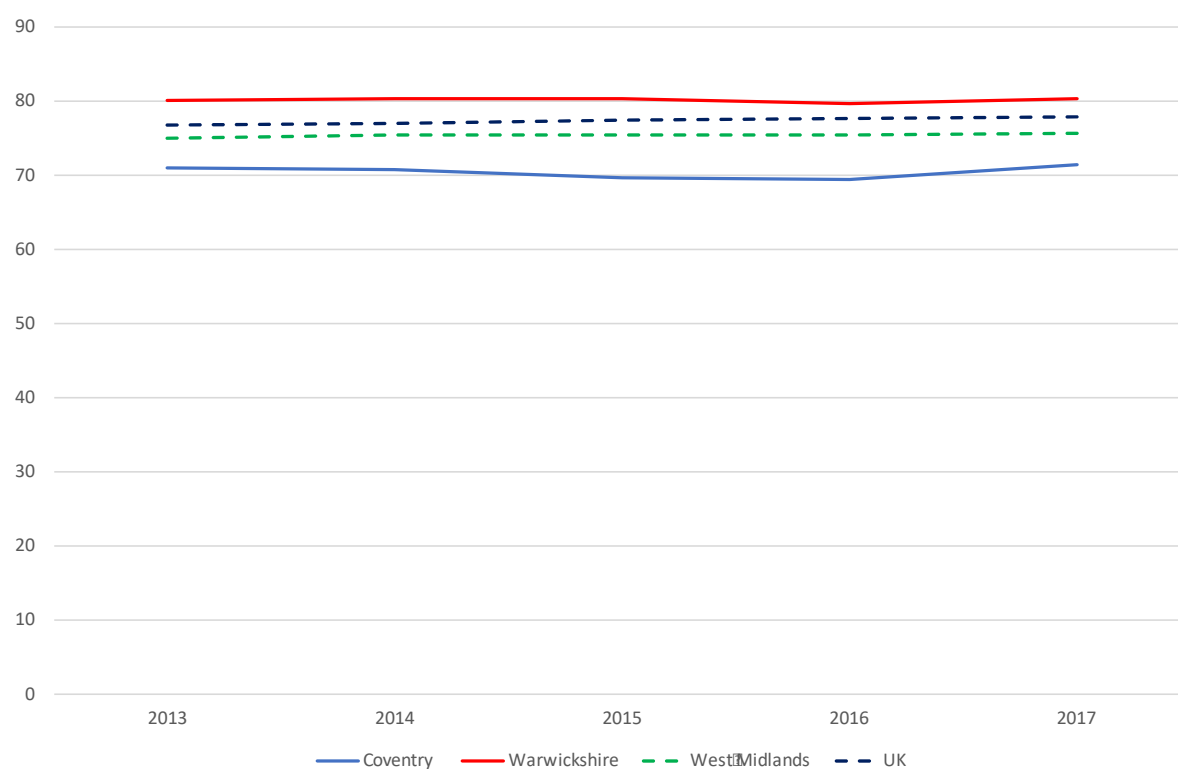
The state of the labour market, and its recent change in Coventry and Warwickshire provides further contextual information about the recent growth trends and the implications of these for the future demand for sites and premises.

1.3.1 Economic Activity

The Economic Activity Rate⁴⁸ in Warwickshire is consistently higher than in Coventry, the West Midlands and the UK over the period from 2013 to 2017. The Economic Activity Rate in Coventry is below the West Midlands and UK levels over the same period.

⁴⁸ i.e. the percentage of the population in economic activity, which includes the unemployed

Figure 7: Economic Activity Rate for Residents (Smoothed to 3-Year Average)



Source: Annual Population Survey, ONS

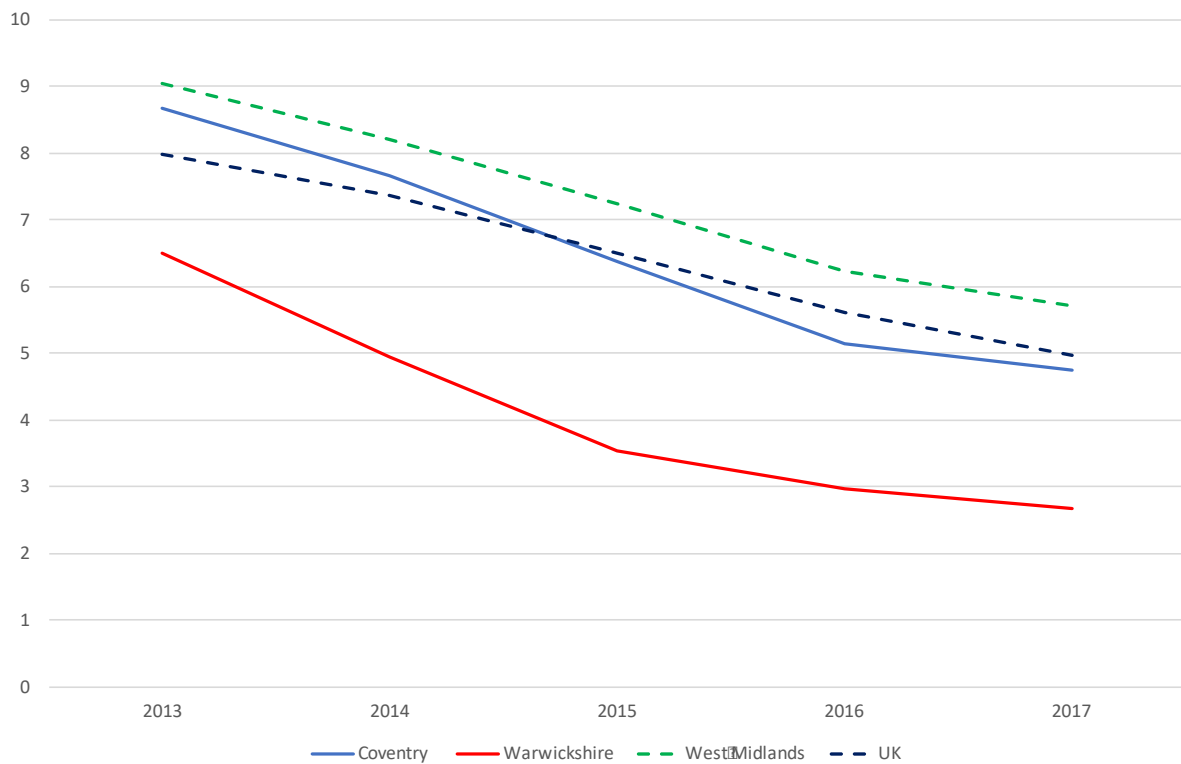
1.3.2 Inactivity

Commensurate with the Economic Activity Rates (above), Economic Inactivity is higher in Coventry than in Warwickshire, the West Midlands and the UK. Warwickshire has a lower rate of Economic Inactivity than any of the benchmark areas.

1.3.3 Unemployment

The unemployment rate in Warwickshire is consistently lower than that in Coventry, the West Midlands or the UK over the period 2013 to 2017. In 2017 the Unemployment Rate was 2.5% in Warwickshire, compared to 5.4% in Coventry. It has fallen consistently over the period from 2013 to 2017, suggesting increasingly less spare capacity in the labour force.

Figure 8: Unemployment Rate 2013-2017 (Smoothed to 3-Year Average)



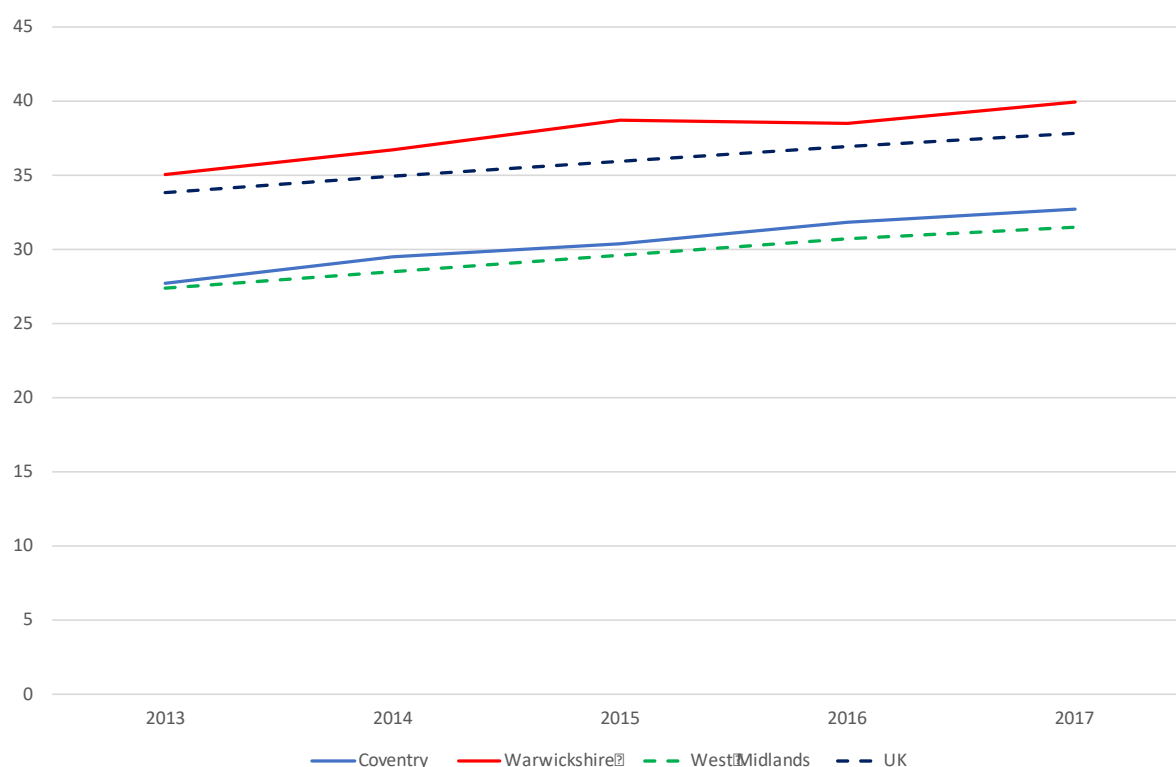
Source: Annual Population Survey, ONS

The decline in spare capacity in the labour force could constrain future economic growth, which may be a limiting factor on the demand for employment sites and premises.

1.3.4 Skills and Qualifications

The proportion of residents qualified to NVQ4+ has been rising in both Coventry and Warwickshire over the period from 2013 to 2017, in keeping with a national increase. The proportion of residents qualified to NVQ4+ is higher in Warwickshire (40.4% in 2017) than in Coventry (34.7% in 2017). Warwickshire has a higher proportion of well qualified residents than the UK, but Coventry has a lower proportion than nationally.

Figure 9: % of Residents Qualified to NVQ4+ (Smoothed to 3-Year Average)



Source: Annual Population Survey, ONS

1.3.5 Jobs Density

Jobs Density⁴⁹ is higher in Warwickshire (0.97) than in Coventry (0.75). The UK figure is 0.84, and the West Midlands is 0.79.

Jobs Density is particularly high in North Warwickshire (1.27), Stratford-on-Avon (1.12), and Warwick (1.07), where values greater than 1.0 suggest significant in-commuting to these areas.

There is more in-commuting to Warwickshire than Coventry, with particular in-commuting to the Districts of North Warwickshire, Stratford-on-Avon and Warwick. The supply of employment sites and premises in these places needs to be higher than would be suggested from their resident populations.

1.3.6 Earnings

Residence-based earnings are higher in Warwickshire (£29,300) than Coventry (£27,800), and workplace-based earnings are higher in Coventry than Warwickshire (£28,700 cf. £28,300). Both residence and workplace earnings in Coventry and Warwickshire are higher than the UK average (£28,200). The implication of this is that there are better quality workplace jobs in Coventry than Warwickshire. This will affect the demand for the type of employment premises.

⁴⁹ A measure of the concentration of employment compared to resident working age population in an area, where 1.0 means one job for every resident of working age

1.4 Gross Value Added, Productivity and Competitiveness

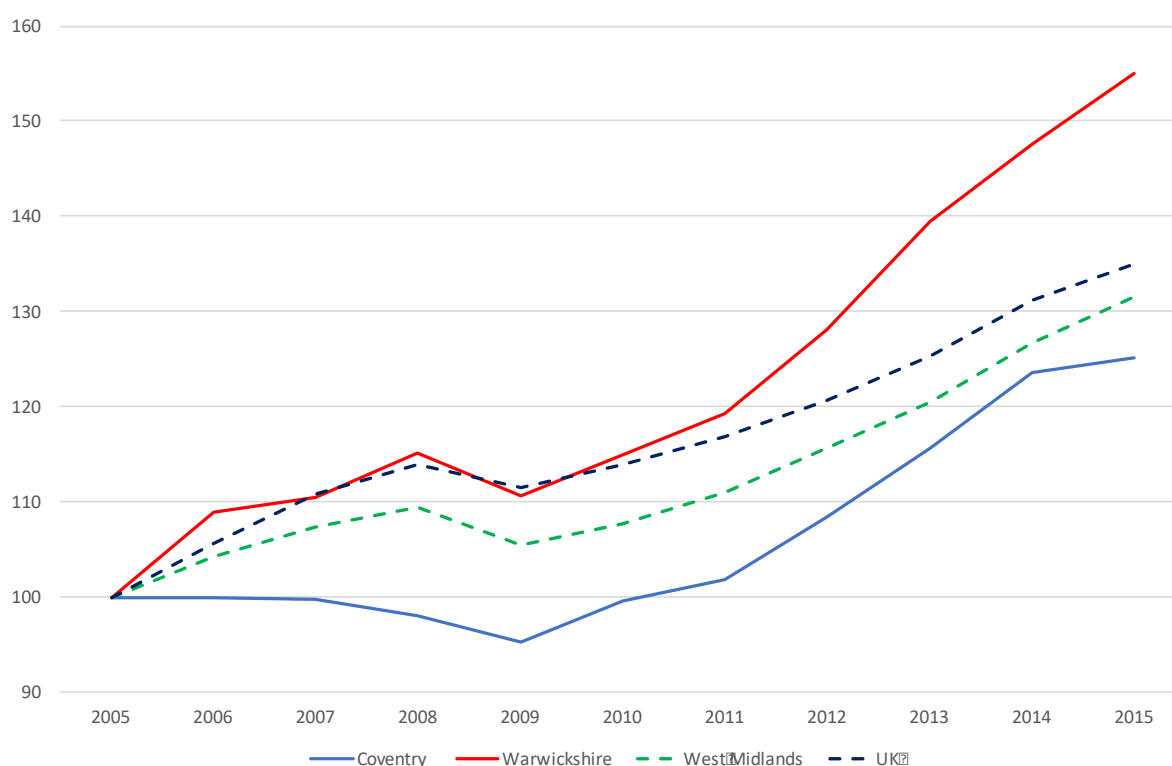
1.4.1 Gross Value Added

The GVA of Coventry in 2015 was £8 billion, and in Warwickshire it was £16 billion. Within Warwickshire, Warwick had the greatest GVA of the Districts, with £5 billion, followed by Stratford-on-Avon with £4 billion.

Despite a fall in total GVA in Coventry between 2005 and 2009, total GVA has grown in both Coventry and Warwickshire over the period from 2005 to 2010.

The rate of growth of GVA has been greater in Warwickshire than in Coventry over the period between 2005 and 2015. Warwickshire's rate of GVA growth is greater than that in the West Midlands and the UK, whilst the rate of growth of GVA is lower in Coventry than in either of the benchmark areas.

Figure 10: Total GVA Indexed to 2005



Source: UK Gross Value Added, ONS

Growing GVA will lead to demand for new sites and premises as businesses need more or different premises to accommodate their workers and equipment. Within Warwickshire, Warwick and Stratford-on-Avon are the Districts where demand is likely to be greatest.

1.4.2 Productivity

GVA per job filled is greater in Warwickshire (£53,200 per annum in 2016) than in Coventry (£48,800). The Warwickshire figure is greater than the West Midlands (£46,300) and UK (£52,600). Coventry lies between these two benchmarks.

GVA per job filled can be estimated for the Districts, but the figures are not directly comparable with the figures above. Estimated GVA per job suggests that it is highest in Stratford-on-Avon and Warwick, and lowest in Nuneaton & Bedworth.

GVA per hour worked is lower in Coventry and Warwickshire than in the UK. This, combined with the GVA per job filled data, suggests that workers in Warwickshire work longer hours than those in the UK.

GVA per job filled is likely to be driven by the sector mix of employment in each District in Coventry and Warwickshire. This will affect the demand for the type and scale of employment sites and premises in each District.

1.4.3 Competitiveness

According to the UK Competitiveness Index⁵⁰ Warwick is the most competitive District in the Coventry and Warwickshire sub-region. Stratford-on-Avon and Rugby are also more competitive locations than the UK average, whilst the other Districts and Coventry are less competitive than the UK average. The competitiveness of Warwick and Stratford-on-Avon increased between 2013 and 2016, but it fell in Rugby.

The more competitive locations of Warwick, Stratford-on-Avon and Rugby are more likely to be attractive to future economic growth, hence will have greater demand for employment sites and premises.

1.5 Population, Housing and Commuting

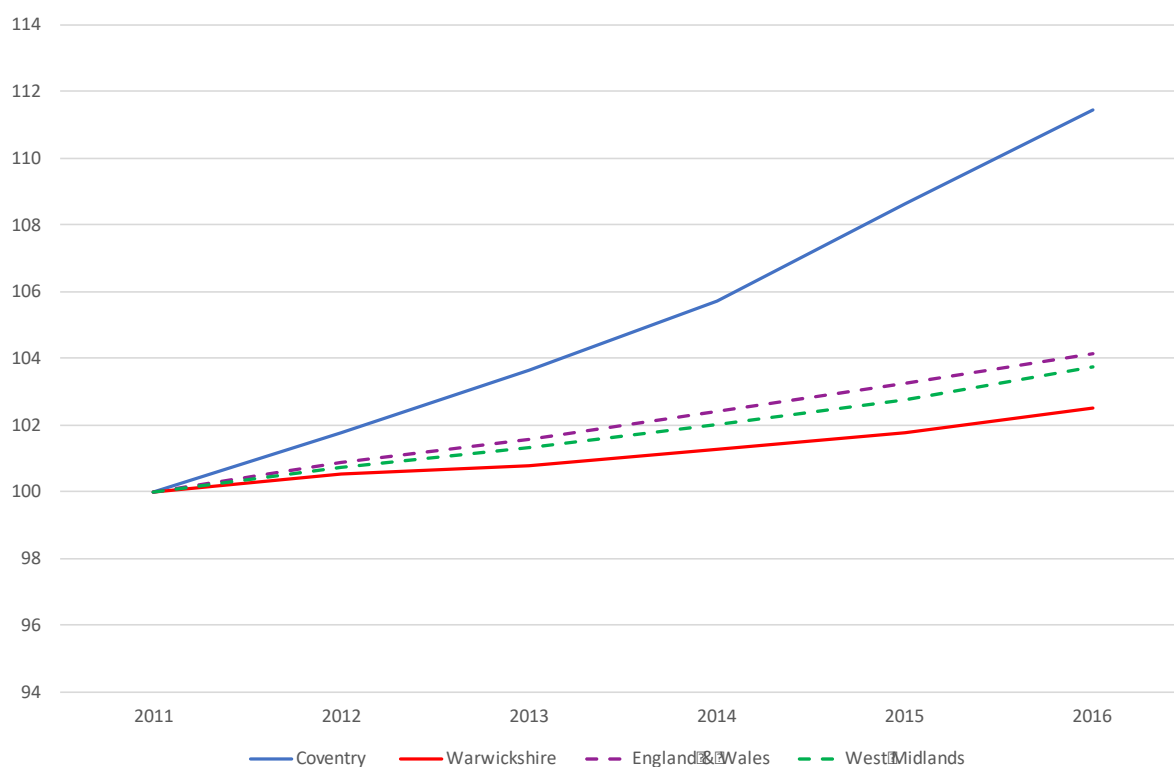
1.5.1 Population

Coventry had a population of around 350,000 in 2016. The population of Warwickshire was 560,000, with the greatest concentration in Warwick (140,000), Nuneaton & Bedworth (128,000) and Stratford-on-Avon (123,000).

The resident population of both Coventry and Warwickshire has grown over the period from 2011 to 2016. The rate of growth in Coventry has been much greater than in Warwickshire, the West Midlands and England & Wales. The rate of growth in Warwickshire is below that in either of the benchmark areas.

⁵⁰ Huggins, R and Thompson, P (2016) UK Competitiveness Index, 2016

Figure 11: Population Estimates Indexed to Census 2011



Source: Census 2011 and Population Estimates, ONS

Recent population growth in Coventry has been particularly high in the 0-64 age group, whilst growth in Warwickshire has been notably high in the 65+ age group. Warwickshire has seen a decline in working age population between 2011 and 2016.

Whilst the population of both Coventry and Warwickshire is growing, the growth in Warwickshire is not in working age population, which may constrain future economic growth, unless it is addressed through greater in-commuting or in-migration.

1.5.2 Housing Affordability

Houses are more affordable in Coventry and Warwickshire than in England & Wales. Coventry housing is more affordable than the West Midlands, whereas Warwickshire housing is less affordable than in the West Midlands.

Figure 12: Ratio of Median House Price to Median Gross Annual Residence-Based Earnings

	2013	2014	2015	2016	2017
Coventry	4.80	5.28	5.28	5.47	5.73
Warwickshire	6.29	7.11	7.38	7.74	7.73
West Midlands	5.84	6.19	6.29	6.40	6.59
England & Wales	6.73	6.95	7.37	7.60	7.77

Source: Ratio of house price to residence-based earnings

Housing affordability can constrain workforce growth, with a subsequent effect on economic growth and the demand for sites and premises. However, housing is relatively affordable in Coventry and Warwickshire, so should not cause a significant problem.

1.5.3 Commuting

Coventry has the highest net in-flow of commuters, and also the highest level of self-containment in the sub-region. North Warwickshire, Warwick and Stratford-on-Avon also have net in-commuting. Nuneaton & Bedworth and Rugby have net out-commuting.

Figure 13: Net Commuting within Warwickshire and Coventry

	Commute In	Commute Out	Net Flow	Self Containment
Coventry	50,577	39,493	11,084	67%
North Warwickshire	25,282	16,883	8,399	34%
Nuneaton & Bedworth	15,037	29,798	-14,761	43%
Rugby	17,523	20,443	-2,920	51%
Stratford-on-Avon	25,409	22,594	2,815	51%
Warwick	33,726	25,353	8,373	56%

Source: Census 2011

The commuting patterns set out above correlate with those suggested by the jobs density data discussed earlier.

As discussed earlier, in the Districts of North Warwickshire, Stratford-on-Avon and Warwickshire the supply of employment sites and premises needs to be higher than would be suggested from their resident populations.

Annex D – UK Competitiveness

Competitiveness is defined as “the capability of an economy to attract and maintain firms with stable or rising market shares in an activity, while maintaining stable or increasing standards of living for those who participate in it.” The index seeks to measure the relative competitiveness of an area by measuring variables in three areas: inputs, outputs and outcomes. The composition of each of these areas is:

Input Factors

- Economic activity rates
- Business start-up rates per capita
- Number of businesses per capita
- Proportion of working age population with NVQ4+ qualifications
- Proportion of knowledge-based businesses

Output Factors

- GVA per head
- Productivity
- Employment rate

Outcome Factors

- Gross weekly pay
- Unemployment rates

The outputs from this model are then indexed to the UK (where the UK=100) so that areas can be compared to each other and also across time periods.

Annex E – C&W Business Survey – Results and Analysis

Profile of Respondents

In order to supplement our direct consultations with businesses, we agreed with the Client Group that we would undertake a wider digital survey, in order to try and access a broader range of businesses who do not normally feature on the usual list of “sectoral / representative consultees”, and may provide a different view on their accommodation experiences, and needs going forward.

We therefore prepared a questionnaire which was hosted on SurveyMonkey and distributed to members / subscribers of the sub-regional Chamber, the LEP and the Federation of Small Businesses.

The survey garnered 55 responses from businesses across Coventry and Warwickshire⁵¹. The number of responses from Rugby is a notable under-representation. However, the distribution of businesses across the rest of the Districts broadly matches the business profile of the region in 2017. The largest group of respondents were small businesses (10 to 49 employees). This does not match the general business profile for the area, which shows that micro businesses make up the majority of the business base.

Figure 14: Location of Surveyed Businesses Compared with the Business Base in Coventry and Warwickshire

	Number of Respondents	% of Total Responses	Coventry and Warwickshire (ONS, 2017)
Coventry	16	29%	27%
Warwickshire	39	71%	73%
• North Warwickshire	5	9%	8%
• Nuneaton and Bedworth	9	16%	10%
• Rugby	2	4%	14%
• Stratford-on-Avon	10	18%	22%
• Warwick	13	24%	21%

Figure 15: Size of Surveyed Businesses Compared with the Business Base in Coventry and Warwickshire

	Number of Respondents	% of Total Responses	Coventry and Warwickshire (ONS, 2017)
Micro (0-9 employees)	16	29%	90%
Small (10-49 employees)	29	53%	8%
Medium (50-249 employees)	7	13%	1%
Large (250+ employees)	3	5%	<1%

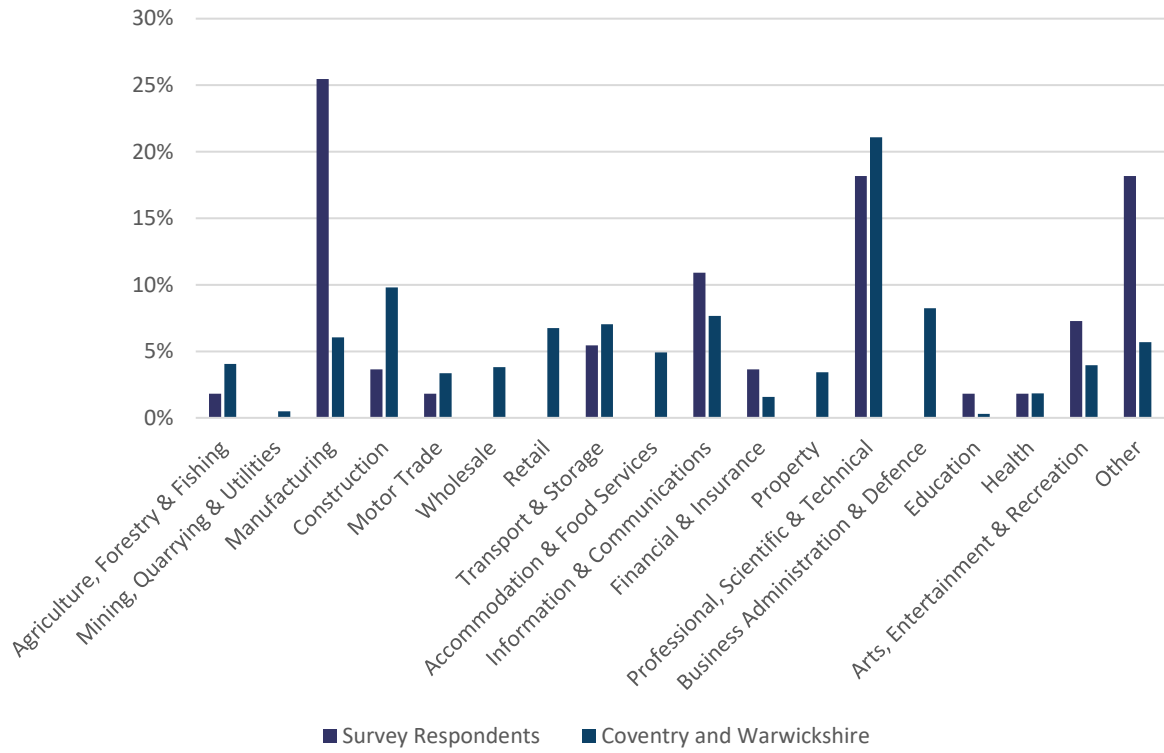
⁵¹ Three businesses were excluded as they stated their location was outside the Coventry and Warwickshire Local Authority areas.

The largest group of respondents by sector was Manufacturing (14 out of 55), followed by Professional, Scientific & Technical, and Other (both 10 out of 55). Both the Manufacturing and Other sectors are over-represented in the survey with many sectors not represented at all.

Figure 16: Business Sector of Surveyed Businesses Compared with the Business Base in Coventry and Warwickshire

	Number of Respondents	% of Total	Coventry and Warwickshire (ONS, 2017)
Agriculture, Forestry & Fishing	1	2%	4%
Mining, Quarrying & Utilities	0	0%	0%
Manufacturing	14	25%	6%
Construction	2	4%	10%
Motor Trade	1	2%	3%
Wholesale	0	0%	4%
Retail	0	0%	7%
Transport & Storage	3	5%	7%
Accommodation & Food Services	0	0%	5%
Information & Communications	6	11%	8%
Financial & Insurance	2	4%	2%
Property	0	0%	3%
Professional, Scientific & Technical	10	18%	21%
Business Administration & Defence	0	0%	8%
Education	1	2%	0%
Health	1	2%	2%
Arts, Entertainment & Recreation	4	7%	4%
Other	10	18%	6%

Figure 17: Business Sector of Surveyed Businesses Compared with the Business Base in Coventry and Warwickshire (ONS, 2017)



Current Premises

Characteristics

Half of the businesses surveyed are currently located in offices, and 17 are in industrial accommodation. Six of the businesses stated that their business operation spanned an office and industrial location. The most common premises size was 100-249 sq m (8 of 10 were offices) and 1,000 - 4,999 sq m (5 offices and 6 factories). Small and large offices were equally distributed across town centre and business park locations. 50 out of 55 respondents felt that their current premises were affordable, and 40 out of the 55 felt that their premises were of reasonable or high quality.

Figure 18: Current Premises Type⁵²

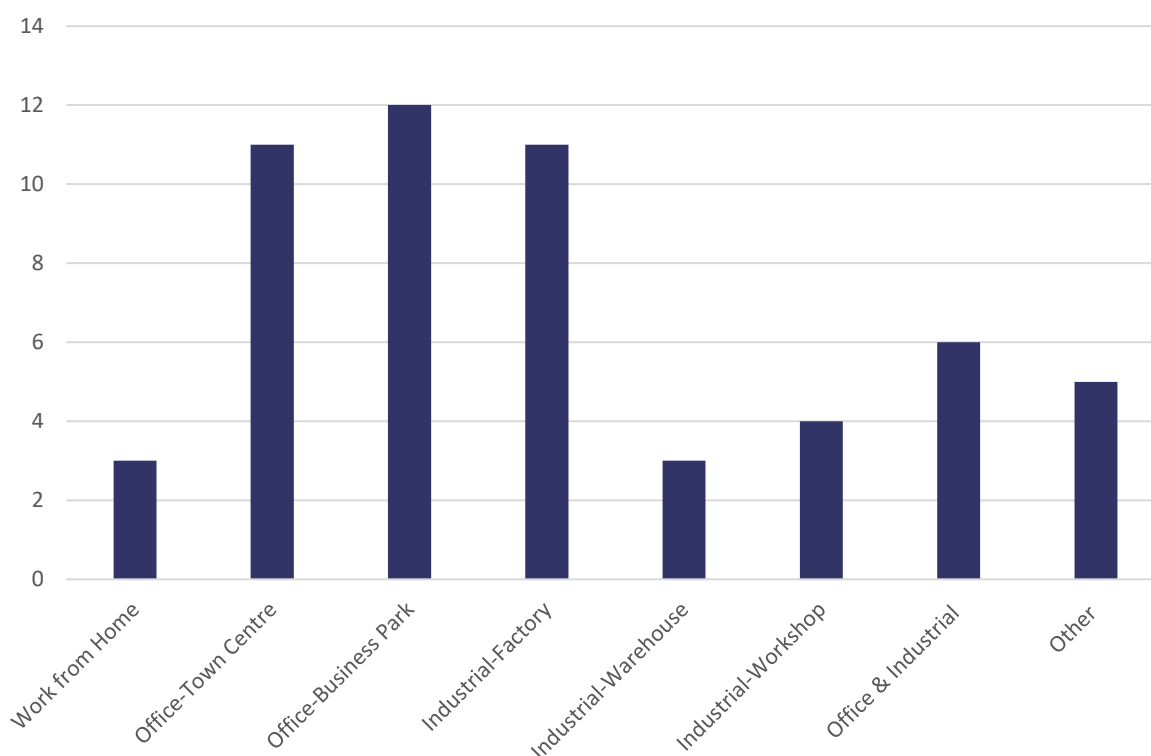
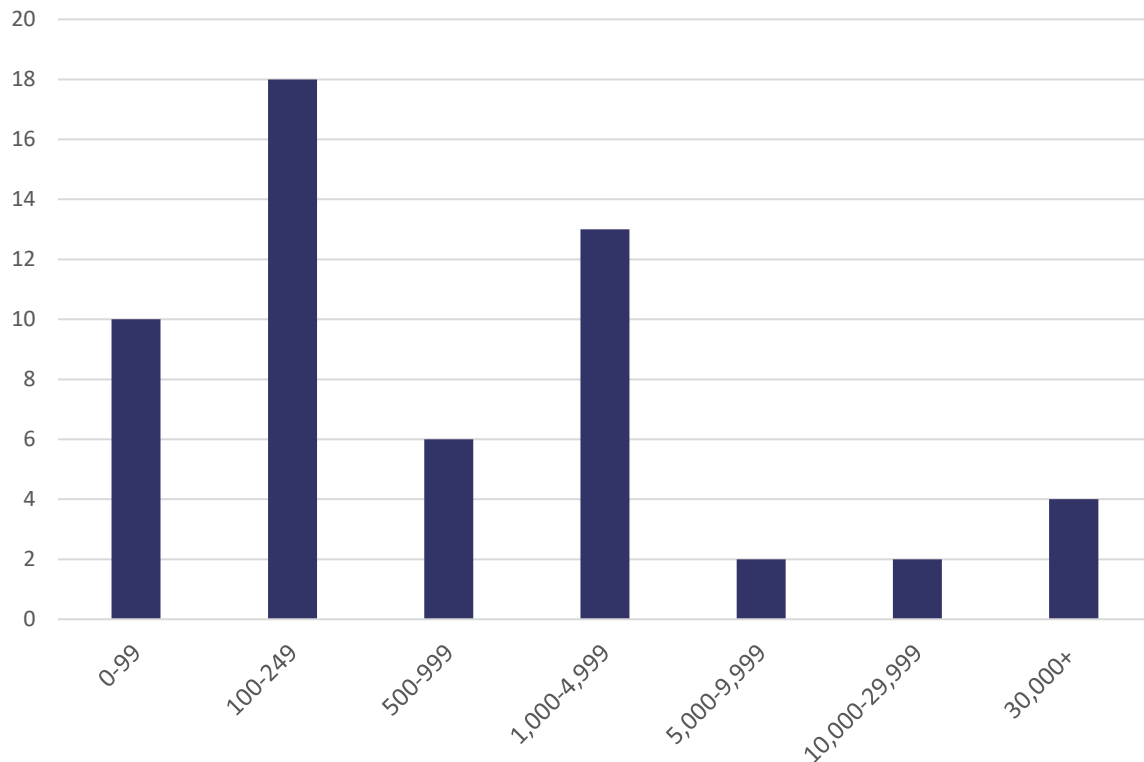


Figure 19: Current Premise Quality

Premises Quality	Number of Respondents	% of Total
In need of Improvement/Refurbishment	11	20%
Low	4	7%
Reasonable/Acceptable	21	38%
High	19	35%
Total	55	

⁵² The other category comprises one of each of the following types: flexible workspace/hot desk, agricultural land, farm shop, yard/open storage and a business that currently has no premises

Figure 20: Number of Businesses by Current Premises Size (Sq m)



Suitability

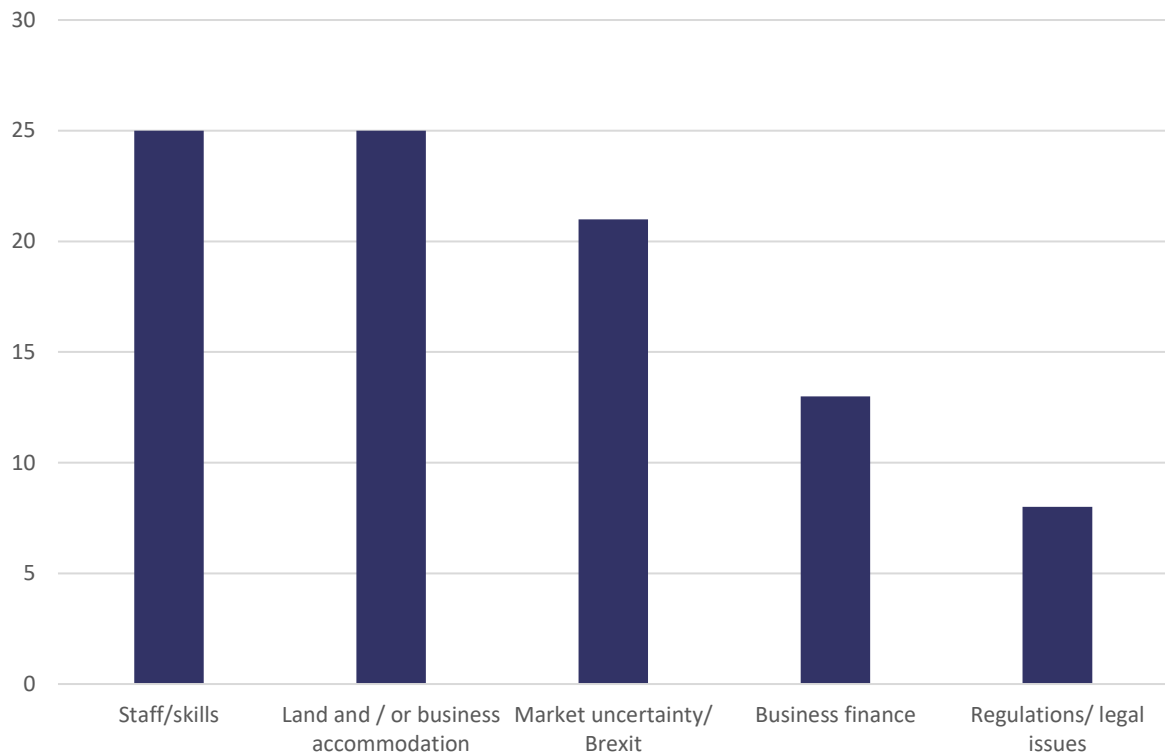
Just under half of the respondents (22 out of 55) felt that their current premises were not suitable for their current operation. Of these 22, 16 suggested that this was because their current location was too small.

When asked to comment on what could be improved about their current location the most common responses, apart from size, related to; improved parking and public transport links, improved access to surrounding road network, and the need to keep residential and student developments separate from employment land. Some respondents that had an office and industrial location were also hoping to combine these operations into one building.

Future Plans

Respondents suggested that one of the main limitations to their future growth was a lack of suitable land/accommodation in the area. This was equalled only by a lack of staff/skills.

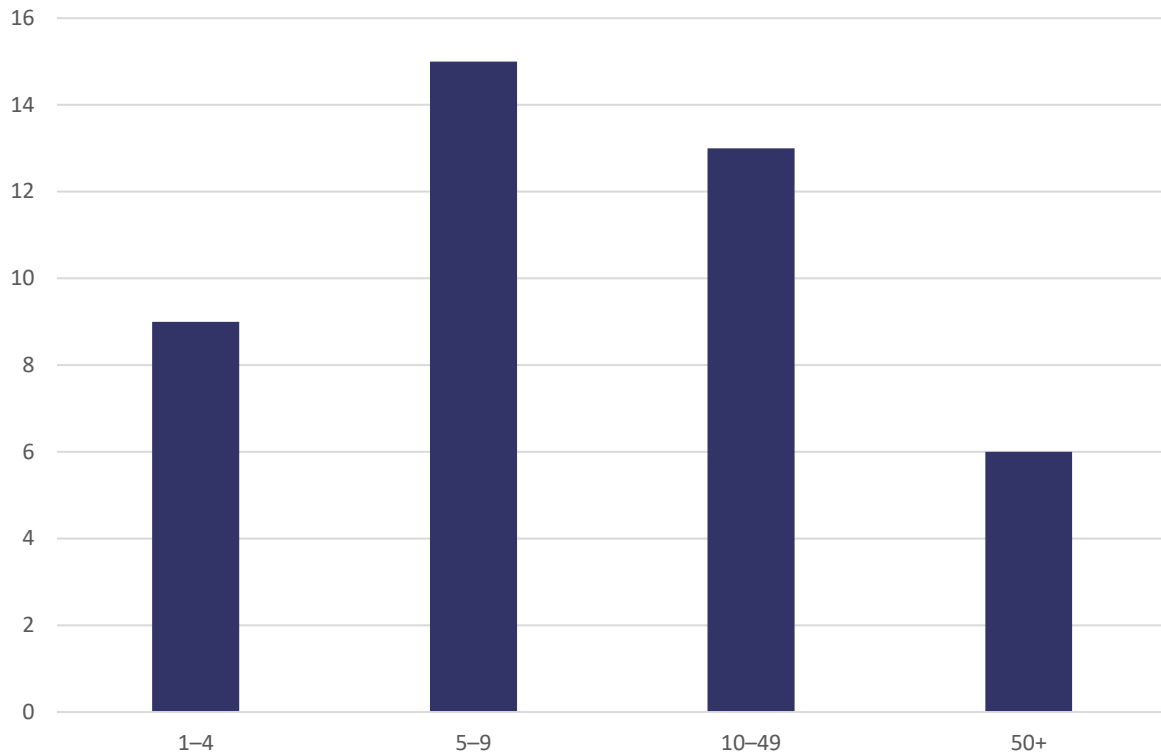
Figure 21: Factors Potentially Limiting Future Growth⁵³



⁵³ Note that respondents could select more than one factor so the total will not sum to 55

The majority of respondents (45 out of 55) stated that they expected their business to grow over the next two years. Twenty five (out of this 45) stated that they also expected to relocate their business during this period. For the majority of these businesses (43 out of 55) this growth is also expected to involve an increase in employee numbers as shown in figure 5.9.

Figure 22: Businesses' Expected Employee Growth



Of the 27 total businesses expecting to relocate, 20 were looking to increase their premises size. Eight (of this 20) are in industrial units and six (of this 20) are either in offices or in office and industrial premises (either in a mixed-use building or across business premises).

Figure 23: Businesses Expected Size Increase (Sq m)

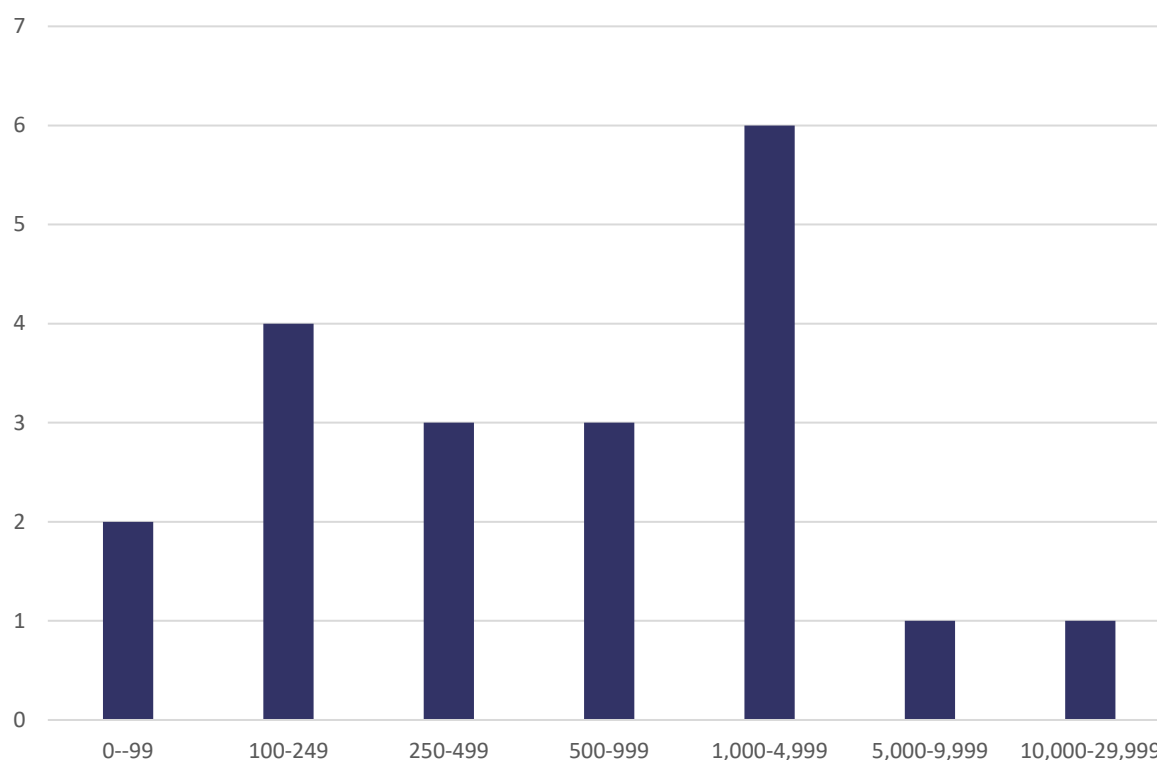


Figure 24: Number of Businesses Surveyed that want to Increase their Floorspace and the Type of Accommodation they Currently Occupy

	Offices	Industrial	Mixed
0-99 sq m	2		
100-249 sq m	1	2	1
250-499 sq m	2		1
500-999 sq m		2	1
1,000-4,999 sq m	1	2	3
5,000-9,999 sq m		1	
10,000-29,999 sq m		1	
Total	6	8	6

When asked if they could expand on their current site, 36 of 52 businesses surveyed said they could not, and 23 (of these 36) said they also couldn't find anything in the wider Coventry and Warwickshire area. Businesses that are unable to expand on their current site most commonly state that they have limited space to do so and then when looking at other space in the area they are struggling to find anything else suitable.

Figure 25: Issues with Expanding Current Premises⁵⁴

	Number of Respondents	% of Respondents
Lack of Space	15	42%
Affordability	2	6%
Suitability	6	17%
Planning Issues	3	8%
Total	26	72%

Those with planning permission issues were exclusively located in industrial business accommodation. These respondents suggest there is friction between residential development and employment land, either because they are located beside each other which is unsuitable or, that competition for land means that employment land availability is limited.

Figure 26: Issues Finding Alternative Premises in Coventry and Warwickshire⁵⁵

	Number of Respondents	% of Respondents
Affordability	7	25%
Suitability	12	43%
Planning Issues	2	7%
Total	21	75%

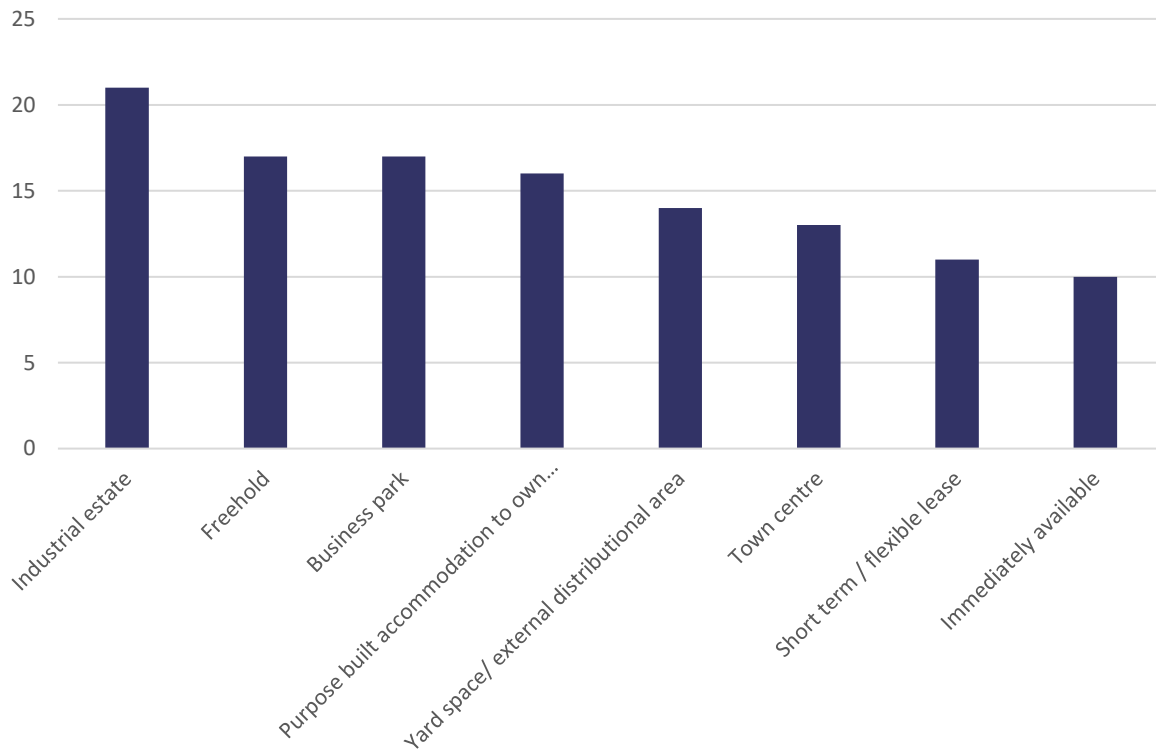
A total of 28 respondent said that they couldn't find suitable accommodation in Coventry and Warwickshire. In particular, respondents looking to locate in offices suggested there is a lack of anything suitable. These respondents suggest they are looking for something in a central / urban location that has suitable parking and is of good quality. One respondent looking for office accommodation suggested that if they could not find anything suitable as their team expanded that they would use remote working instead.

⁵⁴ The total number of respondents that said they had issues expanding was 36 but only popular reasons are included and so table does not sum to 36

⁵⁵ As footnote above ²³ except the total number of respondents that said there was nothing in the area was 28

When asked what type of premises they wanted, the most popular choice of respondents was an industrial estate location (closely followed by a business park location) and there was a strong interest from businesses in being able to own a freehold interest.

Figure 27: Desirable Features of New Business Premises **Error! Bookmark not defined.**



Annex F – Property Market Review / Market Signals

National overview

Industrial

As has been established in the economic analysis, earlier in this report, Logistics and Manufacturing are important sectors in the UK's economy; 710,000 people are employed within logistics companies⁵⁶, whilst manufacturing directly employs 2.6 million people⁵⁷. As a result, the occupier market for buildings falling within B2 and B8 categories have experienced a prolonged period of high demand over the last 4 years. This has largely been influenced by the growth in online retailing as well as the resurgence in the automotive and transportation sectors generally. In addition, growth in goods exports, which recently rose by 12.3% year-on-year⁵⁸, has further influenced the take-up of industrial / logistic space.

Developers are finding it more difficult to respond to the need for new industrial space as the availability of allocated land drops across the UK, despite considerable demand from retailers. Figures from Radius Data Exchange (EGi, 2018) suggest that in the year to the end of July'18 the levels of development activity coming through the planning process only reached 60m sq ft, 23% down on the same period last year, and 22% behind the five-year average.

Take Up

The growth in demand for industrial space has been evident in the strong take-up, which stood at 96.5 million sq ft in 2017, falling 1 % short of the UK's five-year annual average. In addition, Grade A space accounted for 30% of UK take-up, reflecting the increased appetite for quality space in the market. In terms of size, take-up of medium sized units (10,000 – 49,999 sq ft) surged by 58% year-on-year to 4.9 million sq ft. In contrast, take-up of units above 100,000 sq ft was 19% below 2016's total.

Take-up in the first half of 2018 however, dropped considerably against the previous five years, down to 19m sq ft, which is thought to represent a real lack of supply of the right type of stock, rather than a cooling off in business need. After a few years of concern surrounding levels of undersupply and the wrong type of space, it seems the market has reached a critical pinch point.

Despite faring well in the post-Brexit property lull, the reduction of secondary stock due to the implementation of EPC laws in April this year has also increased the need for more development and refurbishment in the sector.

At the top end of the market, sheds over 100,000 sq ft (9,290 sq m) remain a huge driving force, continuing to absorb more than a quarter of "over" take-up year-on-year, as retailers continue to "transform" more of their physical space into the logistics sector.

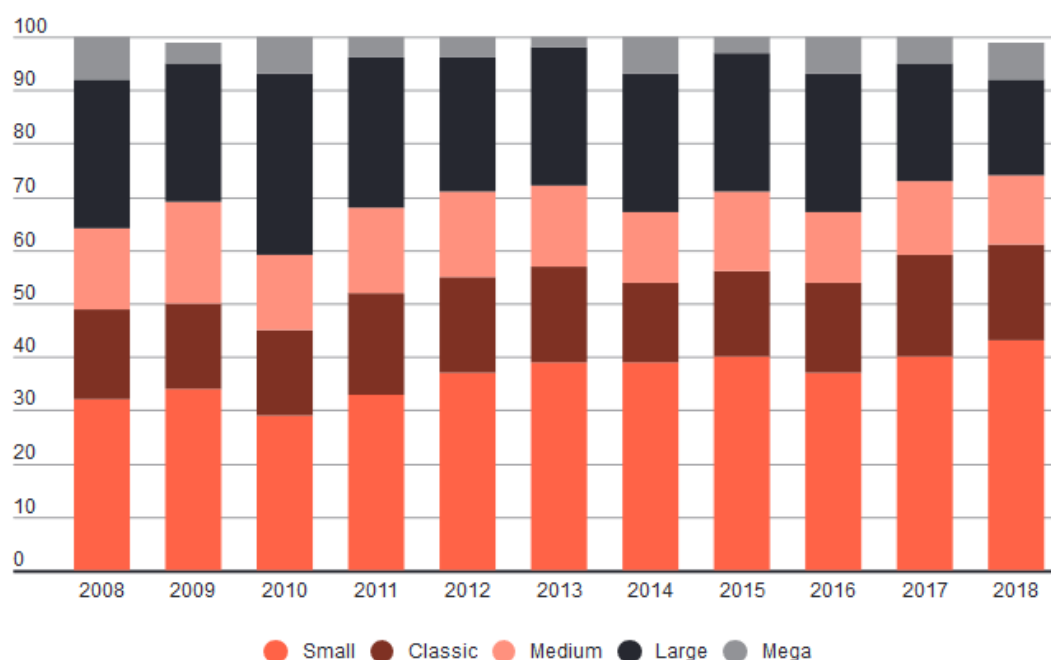
At the bottom end size-wise, there has been a resurgence in the demand for units under 45,000 sq ft (4,180 sq m) – due in part to the rise in urban logistics and last-mile delivery hubs in increasingly densified, populated areas.

⁵⁶ Cushman & Wakefield (2016), Employment Land and Market Assessment Hams Hall, North Warwickshire

⁵⁷ The Manufacturer (2018), UK Manufacturing Statistics

⁵⁸ Lambert Smith Hampton (2018), Shed Hot Industrial and Logistics En Vogue

Figure 28 Size bands of sheds by percentage of overall take up



Source: EGi (2018)

Retailers continue to lead the way in the sheds market, occupying nearly 45% of all activity, driven by consumer demand for shorter delivery times and many retailers consolidating the type of space they need.

The reduction of occupier activity has pushed absorption rates up nationally, though the South East and West Midlands remain perpetually squeezed in terms of currently available standing stock compared with the rest of the country. Both regions recorded increases in percentage of overall take-up over the past five years, along with Yorkshire & Humberside.

In the future, we can expect to see larger industrial hubs move away from traditional areas like the Golden Triangle, as competition for land with the residential sector increases. At the same time, there will be a move toward smaller sheds in central urban (city and town) locations as the industry continues to reconfigure the types of sheds that are needed to cope with the demands from consumers⁵⁹.

Availability

The high level of take-up has resulted in a significant decline in the availability of space in the market, despite increased speculative construction. Overall, UK-wide availability fell for the seventh successive year to an all-time low of 56 million sq ft. Similarly, availability rates decreased to 4.4%, less than half of its peak level in 2011. However, there were variations in the changes in supply between size-bands; UK mid-box fell by 10% during 2017, whilst availability in the small and medium size-band (sub 50,000sq ft) fell by 3% year-on-year.

Rents

The disequilibrium between supply and demand has placed upward pressure on rental levels; for key markets, with average rental growth for prime stock standing at 4.9% in 2017. However, there were significant variations in growth between locations; in the North West, rental growth for secondary space

⁵⁹ EGi (2018)

averaged 2.4% at £4⁶⁰, prime rents grew by 8.2% in Greater London to reach £12.62**Error! Bookmark not defined.** and Enfield recorded the highest rental growth of 22% with rents reaching £11 in H2 of 2017**Error! Bookmark not defined.****Error! Bookmark not defined..**

Offices

Increased growth in key sectors such as Technology, Manufacturing and Renewable Technology, has led to the growth in demand for office space across the UK. This has sent positive signals to domestic investors as well as international investors, who currently account for more than 70% of purchasers in the UK's office market.

The robust demand for office space is made evident through the growth in UK-wide take-up. Central London take-up reached 5.7 million sq ft in H1 of 2018; representing a 5% increase over the 5-year H1 average. Similarly, take-up of office space across the 'big nine' markets in Q1 of 2018 (Birmingham, Bristol, Cardiff, Edinburgh, Glasgow, Leeds, Liverpool, Manchester, Newcastle) reached a total of 1,414,000 sq ft in the city centre and 867,999 sq ft in the out of town districts⁶¹. This represents a 13% and 16% increase in take-up compared to the ten years quarterly average**Error! Bookmark not defined..** This indicates increased activity by medium-sized enterprises in the UK office market.

The high take-up rates have resulted in increased constraints on office supply across most markets, which has been further exacerbated by pre-letting activity and permitted development rights. Consequently, vacancy rates in Q2 of 2018 remained low at 5.02% in the Central London market, and 7.9% within the regional centres.

In contrast, there has been growth in space available within the flexible workspace market across the UK, due to the number of flexible workspace centres rising by 10%, to 5,320 centres over the last 12 months, providing a total of 824,000 desks. As a result, it is likely that the flexible office market may meet the shortfall of space available within the traditional office market, as companies of all sizes increasingly adopt flexible work spaces as part of their portfolio. This is an important and potentially, long term trend.

Regional Market Overview – the Midlands

Industrial (including logistics)

The Midlands 'Golden Triangle' (area within M42, M1 and M6) is one of the leading areas in the UK, with high demand for Use Class B2, and B8 space; it is regarded by the industry as the most optimum location in the UK. The area has key competitive advantages in advanced manufacturing and logistics. This is largely due to the central location of the region and the excellent logistics access which minimises costs and makes it an attractive location to both the logistics and manufacturing sectors.

Take-up

Occupier demand across the Midlands region was high in 2017; take-up levels reached 4.22m sq ft in the West Midlands and 4.02m sq ft in the East Midlands⁶². The West Midlands also saw an increase in build-to suit deals; Of the 5.86m sq ft transacted over 2017 45% was classified as build to suit, compared to the long-term average of 32%**Error! Bookmark not defined..** Similarly, the take-up of speculative buildings rose and constituted 19% of all transactions; up from 16% in 2016**Error! Bookmark not defined.**

⁶⁰ Colliers International (2018), Industrial Rents Map 2017 H2

⁶¹ Cushman and Wakefield (2018), United Kingdom Office Market Snapshot Second Quarter | 2018

²⁸ GVA (2018) The Big Nine Quarterly Update of Regional Office Activity Q1 2018

³⁰ The Instant Group (2018), UK Market Summary - The evolution of flexible workspace

³¹ [Savills \(2018\) West Midlands 25 January 2018](#)

Aside from the increase in the amount of new take-up procured on a design and build basis, there has been a continuing trend for larger distribution units due to the greater economies of scale that it provides. The average size deal in 2017 was 277,000 sq ft, this further exacerbated the imbalance in supply by size range within the West Midlands **Error! Bookmark not defined.**

Availability

Industrial availability in the Midlands has been robust. The East Midlands has the most diverse offer of any region in terms of quality and size; 72% of all supply is over 200,000 sq ft⁶³. Recent rises in speculative completions resulted in availability reaching a peak of 5.05 million square ft from 0.79 million sq ft in Q1 of 2016³² **Error! Bookmark not defined.**

Similarly, in the West Midlands supply rose to 4.15 million sq ft up from 2.21 million in Q1 of 2016 **Error! Bookmark not defined.** Notwithstanding this, the region still has a significant imbalance in the size range available as more units above 200,000 sq ft are required³². Overall, there was an 11% rise in the total supply of logistics space in the East Midlands. **In contrast, despite increased speculative construction, supply fell by 12% in the West Midlands**, due to such buildings being taken up before completion of construction.

Rents

The shortage of supply combined with high level of take-up has resulted in increases in rental growth in the West Midlands; prime rental growth in 2017, averaged 6.1% across the key markets, with Stoke on Trent recording the highest rental growth rates of 15% which reached £5 **Error! Bookmark not defined.**

In contrast, given the increased supply in the East Midlands, prime rental growth was comparatively weaker, with Wellingborough and Lincoln being the only two locations to see growth during 2017. However, Rental growth in East Midlands was stronger for secondary stock, increasing by 3.7% on average year on year to reach £4.13 **Error! Bookmark not defined.**

Overall, the significant imbalance between supply and demand and the subsequent increase in rents, may have an impact on the occupiers' affordability perspective of the West Midlands, relative to other regions. Consequently, the current market situation could potentially restrict the ability of companies to either locate or expand within the region, due to both the lack of opportunity (available / allocated sites) and affordability. This may adversely affect growth in the Midlands over the long-run.

Some of the key statistics are summarised below –

- In 2017, 46% of the industrial take up in the Midlands was of units over 100,000 sq ft
- The average let unit in the Midlands in Q1 2018 was c.372,000 (across different sectors; not just logistics, but also e-retail, manufacturing etc)
- In the period 2012-2017, Birch Coppice had an average annual take up of 421,000 sq ft; take up occurred a lot quicker than expected
- 400,000 sq ft + units are difficult to find due to the success of the region - as units are taken, these are not replaced quickly enough to allow for growth and churn
- Major logistics operators require units of 500,000 sq ft or more for their distribution hubs. In addition, the market for c.50,000 sq ft of distribution depots for servicing the bigger urban areas is very active and growing.
- It is likely that very few new land allocations (with the exception of the Coventry / Warwickshire Gateway Site adjacent to Coventry Airport, for which infrastructure is currently being installed) will be able to accommodate very large units of 800,000+ sq ft
- In context, currently there is 2.2m sq ft availability across the wider Midlands, which is less than one year take up at the current rate.

³² CoStar (2018), West Midlands' Long-Term Average Industrial Take-Up Eclipses East Midlands for First Time

Offices

The diversity of the economic sectors in the Midlands underpins the demand for office space. Major sectors within the Midlands includes: Engineering, Automotive sector, Professional Service and Information Technology. Engineering employment in Derby is almost three-times the national average and 50% above the national average in Coventry. Employment within the Professional Services sector in Birmingham, is 26% above the national average⁶⁴. The Midlands is also one of the UK's leading IT employment hot-spots and is home to major tech forms such as Fujitsu, Virgin Media, and Specialist Computer Holdings. There has also been a 14% employment growth in the IT sector across the region⁶⁵.

Take-up

Both the high and the growing levels of employment within sectors dependent on office space for production, has contributed to the rise in take-up of office space within the region. Over the last 12 months take-ups have surpassed the ten-year average: take-ups rose by 10% in Birmingham's out-of-town market, 11% in Northampton and 33% in the Coventry / A46 corridor⁶⁶.

However, in terms of size, there has been a limited number of larger transactions across the Midlands. The largest deal of 85,000 sq ft occurred in Northampton, this was followed by 50,000 sq ft in Coventry and 19,448 sq ft in Birmingham city centre⁶⁷.

Availability

The rise in take-up across the region has led to a steady fall in availability over the last four years. At the end of Q1 of 2017, availability across the eight midlands market was 7.7 million sq ft, down 7% over the last 12 months and its lowest since 2006⁶⁸. Collectively, total availability across the region equates to 3.0 years of supply⁶⁹. However, variations exist across each sub-region: as of Q1 of 2017, Coventry and Northampton had less than one year of availability; whilst Nottingham, Derby and Leicester had just over a year of availability⁷⁰.

Rents

The shortage of supply combined with high level of take-ups has resulted in increases in rental growth across Midlands; prime rental growth in 2017, averaged 5% across the key markets of Coventry, Northampton, Birmingham's out-of-town and its city centre market⁷¹. Both of Birmingham's markets recorded the highest rental growth rates of 7% year-on-year⁷²;the Birmingham Out-of-Town Market reached £23, whilst the city centre market achieved £32⁷³.In contrast, rental rates remained stagnant in Derby, Leicester and Nottingham in the same period⁷⁴.

⁶⁴ Knight frank (2018), UK Regional Cities Office Market Review (2018)

⁶⁵ Lsh (2017) Midlands Engine Office Market Report

⁶⁶ Lsh (2017) Midlands Engine Office Market Report

⁶⁷ Lsh (2017) Midlands Engine Office Market Report

⁶⁸ Lsh (2017) Midlands Engine Office Market Report

⁶⁹ Lsh (2017) Midlands Engine Office Market Report

⁷⁰ Lsh (2017) Midlands Engine Office Market Report

⁷¹ Lsh (2017) Midlands Engine Office Market Report

⁷² Lsh (2017) Midlands Engine Office Market Report

⁷³ Colliers International (2018), Birmingham Offices Q1 2018

⁷⁴ Lsh (2017) Midlands Engine Office Market Report

Annex G – Local Plan - Land/ Site Supply Analysis

Area / Classification	Site	Land areas available (hectares)	Likely floorspace deliverable (on broad density assumptions) Sq M	Likely Delivery timescale	Likely viability (for private sector)
Regional / sub regional importance					
Large scale ("big box") accommodation - Over 100,000 sq ft					
Mainly logistics based, but some large scale industrial					
Key motorway proximity					
RUGBY					
	ANSTY PARK, RUGBY	7		Immediate	YES
	PRO-LOGIS RYTON, RUGBY	10	50,000	Immediate	YES
	Land south of Cawston Spinney (SOUTH WEST RUGBY GROWTH AREA)	35	175,000	5 TO 10 Yrs	POTENTIALLY
	Rolls Royce, Ansty - NOW KNOWN AS PROSPERO ANSTY	75	215,000	1 to 2 Yrs	POTENTIALLY
COVENTRY					
	Lyons Park	3	15,000	Immediate	YES
NORTH WARWICKSHIRE					

	Hams Hall, Coleshill – RAIL FREIGHT USERS TO BE ENCOURAGED	18	90,000	Immediate	YES
	Birch Coppice, Dordon including Core 42 – [Birch Coppice land is fully developed)	8.5	42,500	Immediate	YES
NUNEATON & BEDWORTH					
	Phoenix Way/Wilsons Lane, Longford	18	90,000	5 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)
	Bowling Green Lane	26	130,000	5 TO 10 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)
WARWICK					
	Land in the vicinity of Coventry Airport [Coventry Warwickshire Gateway)	129.5	398,060	1 to 2 Yrs	
TOTALS		330	1,205,560		
Sub Regional / District-wide importance					
Mid to Large scale accommodation - 50,000 to 100,000 sq ft					
Smaller footprint distribution / industrial					
Close to main highway network / good links to motorways					
COVENTRY					
	Whitley Business park	9	45,000	Immediate	YES - linked to JLR expansion
	Baginton Fields - SE of Whitley BP	25	125,000	5 Yrs	POTENTIALLY (infrastructure / Sec 106

					contributions to open up)
NUNEATON & BEDWORTH					
	Faultlands	26	130,000	5 to 10 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)
STRATFORD-ON-AVON					
	South of Alcester Road, Stratford-upon-Avon	23	85,000	2 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)
	Winyates Green/Gorcott Hill, near Redditch	19	189,000	2 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)
TOTALS		102	574,000		
Mainly District-wide importance					
Mid scale accommodation - 20,000 to 50,000 sq ft					
Mid Range industrial (including some distribution facilities)					
Reasonable access to highway network (mainly inner urban locations)					
RUGBY					
	Coton Park East, Castle Mound Way	7.5	37,500	5 Yrs	YES
COVENTRY					
	Whitmore Park in Holbrooks,	8	40,000	5 Yrs	POTENTIALLY
NORTH WARWICKSHIRE					
	Holly Lane, Atherstone	6.9	34,500	1 to 2 Yrs	POTENTIALLY

WARWICK					
	Tournament Fields, SW Warwick	6	30,000	Immediate	YES
	Land at Thickthorn, Kenilworth	8	40,000	5 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)
	Land at Stratford Road, Warwick	11.7	58,500	5 to 10 Yrs	POTENTIALLY (infrastructure / Ground Conditions / Sec 106 contributions to open up)
STRATFORD-ON-AVON					
	North of Arden Road, Alcester	11	44,000	2 Yrs	YES
TOTALS		59.1	284,500		
District / Locally based importance					
Range of accommodation for SME's - 5,000 to 20,000 sq ft					
Mix of industrial, workshops & storage					
Mainly inner urban (and some rural) locations					
COVENTRY					
	Durbar Avenue in Foleshill and	1.5	6,000	1 to 2 Yrs	POTENTIALLY
	Former Electric Power Station site at Aldermans Green / Sutton Stop.	1.5	6,000	1 to 2 Yrs	NOT KNOWN - Infrastructure / Ground Conditions / Sec 106 contributions to open up
NUNEATON & BEDWORTH					

	Coventry Road	9	36,000	5 Yrs	POTENTIALLY (infrastructure / Ground Conditions / Sec 106 contributions to open up)
	Longford Road [School Lane]	2	8,000	2 to 3 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)
	Bermuda Industrial Estate	0.81	3,240	Immediate	
RUGBY					
	Paynes Lane Industrial Estate	2.2	8,800	1 to 2 Yrs	YES
	Europark 0.4 ha of "Supply" land PLUS the HTA Precision site to the South which includes 3.2 ha	4.2	16,800	Immediate	YES
WARWICK					
	Tachbrook Park & Spa Park , Leamington Spa	4.1	16,400	Immediate	YES
	Land in the vicinity of Coventry Airport [Coventry Warwickshire Gateway)	6.5	26,000	1 to 2 Yrs	POTENTIALLY
STRATFORD-UPON-AVON					
	Atherstone Airfield, east of Shipston Road, Preston-on-Stour	10	40,000	2 to 3 Yrs	POTENTIALLY (infrastructure / Sec 106 contributions to open up)

	Southam - West of Banbury Road - Land between Banbury Road, Kineton Road and the industrial estate	1.6	14,000	2 Yrs	YES
	Holywell Business Park, Southam	2.4	9,600	2 to 3 Yrs	YES
	Shipston Industrial Estate, Tilemans Lane, Shipston-on-Stour	1.9	7,600	2 to 3 Yrs	YES
TOTALS		47.71	190,840		
Only Local based importance					
Range of accommodation for SME's - up to 2,500 sq ft					
Mix of small workshops - range of uses					
Mainly inner urban and rural town locations					
NORTH WARWICKSHIRE					
	Manor Road, Mancetter	0.5	2,000	5 Yrs	Likely to be Marginal
NUNEATON & BEDWORTH					
	Land at Caldwell Road Industrial Estate	0.6	2,400	2 to 3 Yrs	POTENTIALLY (infrastructure / Ground Conditions to open up)
STRATFORD-UPON-AVON					
	Waterloo Road/Bidavon, Bidford- on-Avon	1.12	4,480	Immediate	POTENTIALLY (subject to mix of uses)
TOTALS		2.22	8,880		
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES					
NORTH WARWICKSHIRE [included in Local Plan as expansion site - but main MIRA site outside the District boundary !!!]					

	Horiba MIRA Technology Park, an Enterprise Zone, south of the A5 primarily aimed at research and development	42	168,000	5 to 10 Yrs	POTENTIALLY (Subject to infrastructure / Ground Conditions / Sec 106 contributions to open up)
STRATFORD-UPON-AVON					
	Horticultural Research International (Warwick University)		0	Immediate	YES
	Codemasters, Leamington Road, Southam	3	6,800	2 Yrs	YES
TOTALS		42	168,000		

AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY (not included in analysis above)				
LA	Site	Size (ha)	Size (sq m)	Timing
COVENTRY				
	Eastern Green (urban extension)	15	60,000	5 Yrs
WARWICK				
	Kings Hill	5	20,000	5 to 10
STRATFORD-ON-AVON				
	Gaydon/Lighthorne Heath (M40, B4451 and B4100)	104	416,000	5 Yrs

	Long Marston Airfield - Land west of B4632 Campden Road	13	52,000	5 Yrs
RUGBY				
	Rugby Radio Station	16	64,000	1 to 2 yrs
OVERALL TOTALS		153	612,000	

Annex H - Office Land/ Site Supply Analysis

Area / Classification	Site	Overall Site Area	Delivery timescale	Likely viability (for private sector)
SITES - of Regional / sub regional importance/ High Quality (Grade A) accommodation/ City / town centre locations				
COVENTRY				
	Friargate, Coventry City Centre	7	Immediate	YES
SITES - of Sub regional importance/ Quality accommodation/ Out of Town / Business Park locations				
WARWICK				
	Tournament Fields, SW Warwick	4	Immediate	YES
	Tachbrook Park & Spa Park, Leamington Spa	2	Immediate	Potentially
	Stoneleigh Deer Park (Abbey Park), Stoneleigh	5	Immediate	Potentially
	Former Honiley Airfield, Oldwich	10	Immediate	Potentially
STRATFORD-ON-AVON				
	Land at Western Road, Wharf Road, Timothy's Bridge Road and Masons Road	2	2 to 3 Yrs	Subject to relocation package
	South of Alcester Road	10	2 to 3 Yrs	Subject to relocation package
Vacant premises / refurbishment opportunities				
COVENTRY				
	Westwood [Business Park – mainly existing office premises		Immediate	YES
WARWICK				
	Stoneleigh Park, Stoneleigh	5	Immediate	Potentially
	Warwick Technology Park, Warwick - mainly existing office premises	25	Immediate	YES
	Opus 40, Warwick - mainly existing office premises	8.6	Immediate	YES
High technology focused accommodation				

Area / Classification	Site	Overall Site Area	Delivery timescale	Likely viability (for private sector)
NUNEATON & BEDWORTH				
	Eliot Park, Nuneaton - recent development	6.18	Immediate	N/A

Annex I – Traditional Industrial Estate Analysis

Area / Classification	Site	Overall Site Areas (hectares)
TRADITIONAL URBAN INDUSTRIAL ESTATES - NO OBVIOUS / VACANT LAND BUT WITH "CHURN OPPORTUNITIES" FOR REDEVELOPMENT / REFURBISHMENT		
COVENTRY		
	Tile Hill industrial area	
	Aldermans Green Industrial Estate	
	Binley Industrial Estate	
NOTH WARWICKSHIRE		
	Carlyon Road, Ratcliffe Road and the Netherwood Estate, Atherstone	39
	Manor Road, Mancetter	2.82
	Coleshill Industrial Estate	63.78
	Kingsbury Road, Curdworth [also known as Fairview IE]	7
	Collier's Way, Arley [also referred to as the Springhill IE !!!]	7
NUNEATON & BEDWORTH		
	Pool Road Industrial Estate	8.12
	Whitacre Road	9.88
	Attleborough Fields Industrial Estate	31.66
	Hemdale Business Park	5.79
	Grovelands Industrial Estate	7.22
	Bayton Road Industrial Estate	72.33
RUGBY		
	Butlers Leap (including Arches and Avon) Industrial Estates	16.4
	Glebe Farm Industrial Estate	21.7
	Midland Trading Estate	
	Somers Road Industrial Estate	
	Swift Park, Swift Valley & Valley Park IE's	
	Dunchurch Trading Estate	3.8
WARWICK		
	Middlemarch Business Park, Coventry Airport	85
STRATFORD-UPON-AVON		
	Brookhampton Lane/ Plantagenet Industrial Estate, Kineton	3
	Birmingham Road, Studley (on the Redditch borders)	6.9
	Brickyard Lane, STUDLEY (ON THE BORDERS OF REDDITCH)	
	The Slough/Green Lane, STUDLEY (ON THE BORDERS OF REDDITCH)	
	Masons Rd / Timothy's Bridge Rd / Avenue farm, Stratford-on-Avon	
	Arden Rd, Alcester	
	Waterloo Road/Bidavon, Bidford-on-Avon	
	Kineton Rd, Southam	

Annex J - Land/ Site Supply Analysis by Local Authority

Categories		COVENTRY	NORTH WARWICKSHIRE	NUNEATON & BEDWORTH	RUGBY	WARWICK	STRATFORD -UPON- AVON	TOTALS
Regional / sub regional importance - Large scale ("big box") accommodation - Over 9,290 sq m	Hectares	3	26.5	44	127	129.5		330
	Sq M Floorspace	15,000	132,500	220,000	440,000	398,060		1,205,560
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	Hectares	34		26	0		42	102
	Sq M Floorspace	170,000		130,000	0		274,000	574,000
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	Hectares	8	6.9		7.5	25.7	11	59.1
	Sq M Floorspace	40,000	34,500		37,500	128,500	44,000	284,500
District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m	Hectares	3		11.81	6.4	10.6	15.9	47.71
	Sq M Floorspace	12,000		47,240	25,600	42,400	71,200	198,440
Only Local based importance - Range of accommodation for SME's - up to 465 sq m	Hectares		0.5	0.6			1.12	2.22
	Sq M Floorspace		2,000	2,400			4,480	8,880
	Hectares		42				13	55

SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES	Sq M Floorspace		168,000				46,800	214,800
AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY	Hectares	15			16	5	117	153
	Sq M Floorspace	60,000			64,000	20,000	468,000	612,000
OVERALL LAND FOR EMPLOYMENT PURPOSES		63	75.9	82.41	156.9	170.8	200.02	749.03
OVERALL EMPLOYMENT FLOORSPACE		297,000	337,000	399,640	567,100	588,960	908,480	3,098,180

COVENTRY		Immediate	1 TO 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
Regional / sub regional importance - Large scale ("big box") accommodation - Over 9,290 sq m	Hectares	3.00	0.00	0.00	0.00	0.00	3.00
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	Hectares	9.00	0.00	0.00	25.00	0.00	34.00
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	Hectares	0.00	0.00	0.00	8.00	0.00	8.00
District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m	Hectares	0.00	3.00	0.00	0.00	0.00	3.00
Only Local based importance - Range of accommodation for SME's - up to 465 sq m	Hectares	0.00					0.00
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY	Hectares	0.00	0.00	0.00	15.00	0.00	15.00
TOTALS		12.00	3.00	0.00	48.00	0.00	63.00

NORTH WARWICKSHIRE		Immediate	1 TO 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
Regional / sub regional importance - Large scale ("big box") accommodation - Over 9,290 sq m	Hectares	26.50	0.00	0.00	0.00	0.00	26.50
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	Hectares	0.00	6.90	0.00	0.00	0.00	6.90
District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
Only Local based importance - Range of accommodation for SME's - up to 465 sq m	Hectares	0.00	0.00	0.00	0.50	0.00	0.50
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES	Hectares	0.00	0.00	0.00	0.00	42.00	42.00
AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
TOTALS	Hectares	26.50	6.90	0.00	0.50	42.00	75.90

NUNEATON & BEDWORTH		Immediate	1 TO 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
Regional / sub regional importance - Large scale ("big box") accommodation - Over 9,290 sq m	Hectares	0.00	0.00	0.00	18.00	26.00	44.00
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	Hectares	0.00	0.00	0.00	0.00	26.00	26.00
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
	Hectares	0.81	0.00	2.00	9.00	0.00	11.81

District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m							
Only Local based importance - Range of accommodation for SME's - up to 465 sq m	Hectares	0.00	0.00	0.60	0.00	0.00	0.60
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
TOTALS	Hectares	0.81	0.00	2.60	27.00	52.00	82.41

RUGBY		Immediate	1 TO 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
Regional / sub regional importance - Large scale ("big box") accommodation - Over 9,290 sq m	Hectares	92.00	0.00	0.00	0.00	35.00	127.00
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	Hectares	0.00	0.00	0.00	7.50	0.00	7.50
District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m	Hectares	4.20	2.20	0.00	0.00	0.00	6.40
Only Local based importance - Range of accommodation for SME's - up to 465 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY	Hectares	0.00	16.00	0.00	0.00	0.00	16.00
TOTALS	Hectares	96.20	18.20	0.00	7.50	35.00	156.90

WARWICK		Immediate	1 TO 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
Regional / sub regional importance - Large scale ("big box") accommodation - Over 9,290 sq m	Hectares	0.00	129.50	0.00	0.00	0.00	129.50
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	Hectares	0.00	11.00	0.00	0.00	0.00	11.00
District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m	Hectares	4.10	6.50	0.00	0.00	0.00	10.60
Only Local based importance - Range of accommodation for SME's - up to 465 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY	Hectares	0.00	0.00	0.00	0.00	5.00	5.00
TOTALS	Hectares	4.10	147.00	0.00	0.00	5.00	156.10

STRATFORD-UPON-AVON		Immediate	1 TO 2 Yrs	2 to 3 Yrs	5 Yrs	5 to 10 Yrs	TOTALS
Regional / sub regional importance - Large scale ("big box") accommodation - Over 9,290 sq m	Hectares	0.00	0.00	0.00	0.00	0.00	0.00
Sub Regional / District-wide importance - Mid to Large scale accommodation - 4,645 to 9,290 sq m	Hectares	0.00	42.00	0.00	0.00	0.00	42.00
Mainly District-wide importance - Mid scale accommodation - 1,858 to 4,645 sq m	Hectares	0.00	11.00	0.00	0.00	0.00	11.00
	Hectares	0.00	0.00	14.30	1.60	0.00	15.90

District / Locally important - Range of accommodation for SME's - 465 to 1,858 sq m							
Only Local based importance - Range of accommodation for SME's - up to 465 sq m	Hectares	1.12	0.00	0.00	0.00	0.00	1.12
SITES IDENTIFIED SPECIFICALLY FOR HI-TECH / R&D USES	Hectares	10.00	3.00	0.00	0.00	0.00	13.00
AREAS ALLOCATED AS PART OF A MAJOR URBAN EXTENSION / COMMUNITY	Hectares	0.00	0.00	0.00	117.00	0.00	117.00
TOTALS	Hectares	11.12	56.00	14.30	118.60	0.00	200.02

Annex K – Local Authority Managed Workspace

Local Authority	Site	Management	Size	Use
Nuneaton & Bedworth	Centenary Business Centre	Warwickshire County Council	52 units ranging from 124 to 1,500 sq ft	Light industrial / office
	Hammond Business Centre	Warwickshire County Council	24 industrial units in sizes of either 540 sq ft or 820 sq ft	Light industrial workspace
	Pool Road Business Centre	Warwickshire County Council	11 industrial units and 2 compounds ranging in size from 500 sq ft to 2,000 sq ft	Light industrial
	Eliot Park Innovation Centre	Warwickshire County Council	Units in size from 269 sq ft to 1,927 sq ft Three meeting rooms (33 sq m / 355 sq ft and 51 sq m / 548 sq ft)	Fully serviced office space / Meeting rooms
Rugby	Church Lawford Business Centre	Warwickshire County Council	4 industrial units ranging in size from 668 sq ft to 2,400 sq ft	Light Industrial
	Sir Frank Whittle Business Centre	Warwickshire County Council	42 units ranging in size from 148 sq ft to 1,829 sq ft	Office / light industrial / warehouse space
Stratford upon Avon	Venture House Business Centre	Stratford-on-Avon District Council	7 Offices ranging from 100ft ² -198ft ² 34 workstations, Meeting room 52.2 x 67.1 sq ft	Office space / Workstation / Meeting room
Warwick	Court Street Creative Arches	Warwick District Council	Not available	Multi-use workspace for businesses in the creative arts and media sectors

Local Authority	Site	Management	Size	Use
	Althorpe Enterprise Hub	Warwick District Council	small office units, totaling 5,500 sq ft	Office
Coventry	Little Heath Industrial Estate	Coventry City Council	Industrial Units; 220 - 1493	Industrial / workshops
	Steeple House	Coventry City Council	N/A	
	Enterprise House	Coventry City Council	office suites from 186 – 412 sq ft	Office / Conference rooms

Annex L - Employment Land Re-allocation and Protection Policies

Local Authority	Criteria for land reallocation / Policy	Criteria for land protection / Policy	Source
North Warwickshire	<p><u>LP11 Economic Regeneration</u> The delivery of employment generating uses, including the redevelopment of existing employment sites and farm diversification, should reflect the need to broaden the employment base, improve employment choice and opportunities for local people.</p> <p>Proposals for limited infilling and the partial or complete redevelopment of existing employment land outside of development boundaries will be considered against Policy LP1 and LP2 in order to retain the rural character, appearance and openness of the countryside throughout the Borough.</p>	<p><u>LP11 Economic Regeneration</u> All employment land will be protected unless it can be demonstrated that there is no realistic prospect of the site being used for employment purposes. Evidence would need to demonstrate that:</p> <ul style="list-style-type: none"> ➤ The site is no longer commercially viable; and, ➤ It has been marketed for an appropriate period of time, usually no less than 12 months; and, ➤ There are no alternative employment uses that could use the site 	North Warwickshire Local Plan Draft for Consultation August 2016
Nuneaton & Bedworth	<p><u>Policy E1 – Nature of Employment Growth</u> Applications on the strategic employment sites and the portfolio of existing employment sites for economic uses, focusing particularly on use classes B1(b), B2 and B8 uses will be approved subject to meeting the following criteria:</p> <p>a). Inward investment development, providing high quality and high density employment opportunities (this will be supported by a Supplementary Planning Document).</p> <p>b). Sectors in line with those prioritised in the Economic Development Strategy, which include:</p> <ul style="list-style-type: none"> • Advanced Manufacturing • Professional Services • Research and Development <p>c). Applications generating permanent jobs that will help diversify the local economy</p>	<p><u>Policy E2b – Existing Employment Estates</u> There is no specific threshold determining what a new estate should be, however anything below 0.4ha will not be considered a sufficient size for a new employment estate.</p>	Nuneaton & Bedworth Borough Plan 2011-2031 Publication (2017)

	<p><u>Policy E2 – Existing Employment Estates</u> The redevelopment, and/ or expansion of existing employment sites listed in Table 11 for B use class employment purposes will be approved. This table will be subject to review annually to take account of monitoring, which will be reported in the AMR.</p> <p>Where existing sites become vacant or are unlikely to serve a role for employment, the Council will work in partnership to secure an appropriate alternative reuse. The partnership working will be driven by the Council's Economic Development Strategy.</p> <p>Where existing sites become vacant or are unlikely to serve a role for employment, the Council will work in partnership to secure an appropriate alternative reuse. The partnership working will be driven by the Council's Economic Development Strategy.</p>		
<p>Rugby</p>	<p><u>Policy GP3: Previously Developed Land and Conversions</u> The Council will support the redevelopment of previously developed land in consideration of the following:</p> <ul style="list-style-type: none"> •The visual impact on the surrounding landscape and properties; •The impact on existing services if an intensification of the land is proposed; •The impact on any heritage or biodiversity assets. <p><u>Policy ED2: Employment development within Rugby urban area</u> New employment development within use classes B1(b), B1(c), B2 and B8 will be permitted within the urban area boundary, including new land within an amended urban area boundary following new allocations made in this Local Plan.</p> <p>The priority location for new employment sites will be in and around the Rugby urban area. Policy ED2 aims to ensure that employment land is provided close enough to residential development to allow good access for the resident work force in the borough, without unduly, impacting on residential amenity. It also ensures employment development will be directed towards previously developed land as a priority.</p> <p>Policy ED2 is applicable to all new employment development whether new build, conversions, changes of use, or expansion.</p>	<p><u>Policy ED1: Protection of Rugby's Employment Land</u> All employment sites, including the major investment site at Ansty Park, existing strategically significant sites, Core Strategy allocations and new Local Plan allocations, as shown on the Proposals Map, will be retained for employment purposes in the following use classes: B1(a), B1(b), B1(c), B2 and B8. Proposals for new employment development (including expansion of established businesses and upgrading, improvement or redevelopment of existing premises) will be permitted within all employment areas subject to accordance with other policies in the Local Plan.</p> <p>The intensification of existing employment sites will be supported subject to the consideration of potential impacts to their surroundings against the relevant policies in the Local Plan and national policy, in particular those sites located in the Green Belt.</p> <p>All land currently or last used for employment purposes will be protected where a site continues to make a viable contribution to economic development within the borough. However, in order to ensure land used for economic development continues to provide jobs in the local economy, where a site is proven to be no longer viable for employment uses, a proposal for change of use to a non B use-class may be considered acceptable.</p> <p>For proposals that would involve the change of use or loss of any land used for employment purposes, evidence must be provided to demonstrate that the land or unit under consideration is no longer viable for a B-use class. It must be demonstrated that the site</p>	<p>Rugby Borough Council Publication Draft Local Plan, September 2016</p>

has been actively marketed according to the provisions of the explanatory text accompanying this Policy, and for the following periods of time:

- On designated employment land / site: 24 months
- For any other B use class land / site / unit: 12 months

Evidence must demonstrate that there has been no serious interest shown by a B use class occupier during the relevant period of marketing, according to the provisions of the supporting text to this Policy.

Policy ED3: Employment development outside Rugby urban area

With the exception of those sites allocated for employment purposes in this Local Plan, or with a current B use class, employment development will not be permitted outside the Rugby urban area except in the following circumstances:

- Conversion of a building for employment purposes, subject to its location and character;
- including historic or architectural merit, being suitable for the proposed use and it having been in existence for at least ten years;
- Redevelopment, at a similar scale, of an existing building or vacant part of an existing employment site for employment purposes, where this would result in a more effective use of the site;
- Small-scale expansion of an existing group of buildings for business uses where the site is readily and regularly accessible by means of transport other than the private car; or
- A building or structure related to agriculture, horticulture or forestry where it is genuinely required as an ancillary use for an existing rural employment development.

Policy HS3: Protection and Provision of Local Shops, Community Facilities and Services

Proposals that would result in a significant or total loss of site and/or premises currently or last used for a local shop, post office, public house, community or cultural facility or other service that contributes towards the sustainability of a local settlement or the urban area will not be permitted except where the applicant demonstrates that:

- alternative provision of equivalent or better quality, that is accessible to that local community, is available within the settlement or will be provided and made available prior to commencement of redevelopment or;
- there is no reasonable prospect of retention of the existing use as it is unviable as demonstrated by a viability assessment and all reasonable efforts to secure suitable alternative business or community re-use been made for a minimum of

		12 months or a period agreed by the Local Planning Authority prior to application submission.	
Stratford-on-Avon	<p><u>Policy CS.22 Economic Development</u> A flexible approach will be taken to accommodating a wide range of employment generating uses, including public and community uses, on existing industrial areas. This is subject to the specific provisions of other policies in the Core Strategy, including Policy CS.23 Retail Development and Main Centres. The exception to this approach is in relation to recently developed and proposed business parks where the primary uses are expected to be within Class B1 of the Use Classes Order.</p>	<p><u>Policy CS.22 Economic Development</u> An existing employment site should not be redeveloped or converted to non-employment uses unless it is no longer viable or appropriate for a business purpose. The same principle applies to a site with planning permission for employment uses that has not been implemented. A rigorous assessment of each proposal of this nature will be undertaken.</p>	Stratford-on-Avon District Core Strategy 2011 to 2031
Warwick	<p><u>EC1 Directing new employment development</u> New office development (within use class B1 (a)) will be permitted within the town centres. Outside of town centres, office development will be permitted in accordance with criteria i) and ii) below. Small-scale office development may be appropriate within the upper floors of local shopping centres. New employment development (within use classes B1 (b) and (c), B2 and B8) will be permitted in the following locations:</p> <p>i. Within the employment land allocated in policy DS9; ii. Within established and committed employment areas in policy EC3; iii. Within town centres, subject to the town centre policies or any subsequent area action plan coming into effect after this plan.</p> <p>Proposals for office development in locations at the edge of the town centres will also be considered if no suitable sites are available in any of the preferred locations above. Only if no suitable sites are available in an edge-of-centre location will out-of-centre locations be considered. An impact assessment will be required for out-of-town-centre proposals over 2,500 sq. m.</p>	<p><u>EC3 Protecting Employment Land and Buildings</u> Outside town centres, the redevelopment or change of use of existing and committed employment land and buildings (Use Classes B1, B2 and B8) for other uses will not be permitted unless:</p> <p>a) it can be demonstrated that there is an adequate supply of allocated employment sites in the district having regard to quantity and quality; b) it can be demonstrated that the use of the land or buildings for the existing or alternative employment uses would not be viable; c) it can be demonstrated that the site is not suitable for employment uses due to unacceptable and unavoidable impacts upon nearby residential uses; d) it is land identified as being suitable for other uses as part of the identified Canalside and Employment Regeneration areas (Policy DS8) or; e) the proposal is solely for affordable housing as defined in national guidance. The redevelopment or change of use of existing or committed employment land and buildings (Use Classes B1, B2 and B8) on the sub-regional employment land allocation (DS16) or the Thickthorn, Kenilworth allocation (E1) will not be permitted.</p>	Warwick District Local Plan

	<p>New employment development will be permitted in the rural areas in the following circumstances:</p> <ul style="list-style-type: none"> a) To promote sustainable development in the growth villages (identified on the policies map) b) For the diversification of agricultural and other land-based rural businesses in accordance with policy EC2 c) Within the major sites identified on the policies map in accordance with policy MS2. d) Within the allocated sub-regional employment site where it provides for sub-regional employment needs in accordance with DS16 e) To support the sustainable growth and expansion of existing rural business and enterprise <p>In all instances applicants will be required to demonstrate that:</p> <ul style="list-style-type: none"> ➤ The proposal would not generate significant traffic movements which would compromise the delivery of wider sustainable transport objectives, including safety, in accordance with TR2 ➤ The design and scale of the proposal would not have a detrimental impact on the landscape and character of the area. In the green belt proposals will be determined in line with national policy and policies MS1 and MS2 		
<p>Coventry</p>	<p><u>Policy JE4: Location of Office Development</u></p> <p>The Friargate site within Coventry city centre is the Council’s preferred location for new large-scale office development. This site is allocated for primarily B1 office development under Policy JE2.</p> <p>3. Proposals for new office development in other locations will only be permitted if the following criteria are satisfied:</p> <ul style="list-style-type: none"> a) Having regard to locational factors, there are no suitable sequentially preferable sites available within the city centre, another defined centre or in an edge-of-centre location (if no Defined Centre sites are suitable and available); or b) The proposal is for small scale rural offices; <p>4. In addition to at least one of the above criteria being satisfied it will also need to be demonstrated that:</p>	<p><u>Policy JE3: Non-Employment Uses on Employment Land</u></p> <p>1. Proposals for the redevelopment in whole or in part of employment land for non-employment purposes will not be permitted unless it can be demonstrated that the part(s) of the site where non-employment development is proposed are:</p> <ul style="list-style-type: none"> a) No longer suitable for employment use bearing in mind their physical characteristics, access arrangements and/or relationship to neighbouring land-uses and there is evidence of unsuccessful active and substantial marketing of the site for employment use using a variety of media which supports this; or b) It would not be financially viable to re-use or re-develop the land or buildings on the land in whole or in part for employment purposes; <p>or</p> <ul style="list-style-type: none"> c) The non-employment development proposed would be used for purposes which are clearly ancillary to and will support the operations of a primary employment use on the land; or 	

- a) The proposal would not have a significant adverse impact on the vitality and viability of defined centres and on existing, committed and planned public and private investment in office development within a defined centre; and
 - b) The site is accessible by a choice of means of transport or will be made accessible by a choice of means of transport as a consequence of planning permission being granted for the development; and
 - c) There is good access from the development to a primary route on the highway network and an acceptable impact on the capacity of that network; and
 - d) The proposals are compatible with other Plan Policies.
5. Proposals for new office development outside of Defined Centres shall be accompanied by a Sequential Assessment and where a proposal is for 2,500 square metres (gross) or more of office floor space an Impact Assessment shall also be provided

Policy JE5: Location of R&D, Industrial and Storage/Distribution Development

1. The Council's preferred location for new Research & Development (R&D), industrial and storage/distribution development are the sites allocated for such purposes under Policy JE2
2. However proposals for new R&D, industrial and storage/distribution development (including changes of use and the expansion of existing operations) on sites not allocated under Policy JE2 will be permitted provided that they are:
 - a) Accessible by a choice of means of transport or will be made accessible by a choice of means of transport as a consequence of planning permission being granted for the development; and
 - b) Have good access to a primary route on the highway network and an acceptable impact on the capacity of that network; and
 - c) The proposal would not significantly compromise the viability or deliverability of land allocated in this Plan for employment development; and
 - d) The development is compatible with other Plan Policies.
3. In addition to the above, proposals for new general industrial and

- d) The non-employment development would generate significant employment gains which are of sufficient weight to justify the loss of employment land.

2. In addition to at least one of the above criteria being satisfied it will also need to be demonstrated that:

- a) The potential of the site to contribute to the employment land requirements of the city over the plan period is not significant; and
- b) The proposal would not significantly compromise the viability or deliverability of other adjacent employment land or land allocated in this Plan for employment development; and
- c) The proposal will not have an unacceptable adverse impact on the continuing operation of any nearby existing businesses

<p>storage/distribution development (including changes of use and the expansion of existing operations) on all sites (including those allocated under Policy JE2) will also be required to demonstrate that the proposed development would not result in significant harm to the amenities of persons occupying nearby residential property or other land occupied by uses sensitive to environmental pollution</p>		
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Annex M - List of Consultees

Agent and Developers

Company	Type	Contact
Arbury Estates	Developer	Adam Weaver
AR Cartwright	Developer	Andrew Cartwright
IM Properties	Developer	David Smith, planning director
Deeley Group	Developer	Peter Deeley
Roxhill/ Segro	Developer	Charles Blake
Holt Commercial	Agency	David and Nick Holt
JLL	Agency	Pete Leaver - partner in Birmingham
Bromwich Hardy	Agency	Tom Bromwich and David Penn
Stephen Hemming	Agency	LSH Birmingham (NB LSH were part of the consultancy team working on this commission)

Local Authorities

Local Authority	Role	Contact
Warwick District Council	Economic Development	Sussie Laxton
Warwick District Council	Planning	Phillip Clarke
Nuneaton & Bedworth Borough Council	Economic Development	Chris Lawe
North Warwickshire District Council	Economic Development	Dorothy Barratt
Warwickshire County Council	Inward investment	Ian Flynn
Coventry City Council	Inward investment	John Norton
Stratford-on-Avon/ CWLEP	Area manager	Phil Peak
Stratford-on-Avon	Policy Manager (Planning & Housing)	John Careford

CWLEP	Planning and Development Adviser	William Blincoe
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Businesses

Company	Contact
Exact Logistics and Chair of Rugby Branch, Coventry & Warwickshire Chamber of Commerce	Karen Shuter
Horiba Mira	Terry Spall
Triton Showers	Dave Tutton
Federation of Small Businesses	Lee Osborne
George Elliott NHS Trust	David Eltringham and Joanne Guy
Subcon Laser, Made in the Midlands, and North Warwickshire Chamber of Commerce	Tom Mongan
Holland & Barrett	Lisa Garley Evans
Engineering Employers Federation	Charlotte Horobin
Mid Warwickshire Chamber of Commerce	David Myskow
South Warwickshire Chamber of Commerce	Larry Coltman
University of Warwick	Debbie Girdestone
North Warwickshire Chamber of Commerce	Paul Carvell
LEP SME Group Chair	Sean Farnell