Office Locations Study

Advantage West Midlands

October 2007

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EXECUTIVE SUMMARY

The Office Locations Study was commissioned in order to better understand the drivers which influence the West Midlands Office Market, both in and out of centres. Past, present and potential future policies illustrate key questions in the debate about the centres first approach:

- Do some office users have a different set of needs giving rise to a separate market for out of centre space?
- Should policy recognise that need, and if so, how can it be measured, tested and influenced?
- How can out of centre sites meet sustainable economic development goals with the need to be sustainable? and
- What can be done to promote and develop the market for in centre development?

In order to evaluate these questions, this study has looked at historical, current and future planning policy, recent literature on office market trends and location preferences, evaluated regional markets and has considered recent transactions by office occupiers. Office occupier and developer case study interviews were conducted and inward investment market drivers analysed.

Policy

Policies which have historically created and encouraged an out of centre office market are now being challenged. Emerging national policy is supporting the centre based approach to development, with proposed amendments to PPS6 focusing very much on town centre locations.

In the West Midlands, existing policies are not seen to be negatively impacting on development; in fact, developers indicated that they seem comfortable with the sequential test and generally do not see the West Midlands as a less favourable place to work than any other Region. The review of all RSS in England illustrates that all regions have published a policy in line with PPS6. The key issue for the West Midlands is the delivery and implementation of this policy in seeking to compete with other regions to attract new inward investment and promote sustainable economic development.

Delivery and implementation of policy is also an issue for the local authorities. While all stated policy is to prioritise in centre development, this is not currently happening, with only 10% of

office floorspace completed in the last three years being in town centre locations.[1] Additionally, there is approximately 839,691 sq. m (9,038,359 sq. ft) of out of centre developments with planning consent that are not yet built.

Capacity

The West Midlands Regional Centre Study acknowledges town centres have limited ability to absorb predicted growth in the office sector and highlights additional obstacles to office development in town and City Centres. These include lower occupation costs for out of centre locations, and difficulties of land assembly in centres.

As the economic centre of the West Midlands, Birmingham City Centre it is a noticeable exception with record numbers of office developments coming forward. The Annual Monitoring report data illustrated this point; 95% of space under construction in centres and 82% of committed supply in centres was in Birmingham City Centre.

The lack of quality, suitable space within some of the smaller centres specifically, has led to the justification for out of centre development. This development has, importantly, helped attract inward investment to the West Midlands, most notably from telecoms, construction, IT, medical and financial firms as well as some public sector bodies.

Many centres are now beginning to address the key issues that would help to bring occupiers back to the centre;

- Improvements in infrastructure and public transportation;
- Land assembly to develop newer high quality office accommodation; and
- Promoting mixed used developments in the centres.

Sub-Regional Assessment

The West Midlands has a series of office sub markets, the development of which has been influenced by past and current policy. Typically, these are characterised by centres often having a lack of available new, high quality space and an out of centre market having developed in order to fill the gap in some instances, and to meet wider regional and regeneration needs. As a result, most smaller centres have not developed an office market beyond what has existed in the past 10 – 20 years.

[1] (RSS Feb 2007 Annual Monitoring Report).

Within the West Midlands, the key markets for office development are outlined below:

1. **Birmingham/Solihull** - seen as the leading centre with a growing amount of speculative office development indicating the strength of the City Centre market;

2. **The Black Country** - promoting the regions strongest centre first policy via the RSS Phase 1 Review. Although there are a number of schemes in the pipeline, it does not currently have the strong in centre office accommodation to balance the strength of developments such as the Waterfront[2] and Wolverhampton Business Park;

3. **Coventry** - a relatively strong centre, albeit with little new development as yet, and an out of centre market;

4. **Warwick -** has the benefit of a strong central location with good connectivity to London but has a constrained centre;

5. **Worcester** - in recent years little or no in centre development (also due to physical constraints) compared to a stronger out of centre market along the M5;

6. **Stafford** - little or no in centre development in recent years compared to stronger out of centre development;

7. **Telford** - as new town located on a Motorway junction, it does not have an entirely separate centre/out of centre difference but the market overall has suffered from an oversupply of available office space with limited demand; and

8. **Stoke-on-Trent**. - has struggled as an office location although in recent years demand has increased due to occupational cost economies and a readily available workforce. However, out of centre development has attracted the majority of large scale multinational occupiers.

The assessment of sub-regional markets presents a mixed picture. In some locations (particularly the north-west of the region), inward investment is generally weak and out of town space appears to have had a more direct and negative impact on centres. However in the south and east of the region many out of centre locations have been particularly adroit in attracting inward investment (Warwick and Worcester out of town locations as examples).

[2] Waterfront likely to become a strategic centre in light of RSS Phase 1 Modifications

It will be important that the Region continues to make sites available for inward investment in order to strengthen the economy of the West Midlands and help it compete with other regions. It should be noted, however, that demand for one sub-region is not easily shifted to another.

Influences on Decision Making

Influences on office location decision making continue to be:

- cost of accommodation;
- a good environment (including access to a range of services);
- access to qualified labour;
- good transportation links;
- the right type of available space in terms of quality and floorplate;
- parking; and
- a good image.

Whilst the evidence from the literature review is not conclusive, it appears that professional and financial services remain strongly focused upon centres where a premium is placed upon attracting employees and an interaction and trading with clients and other firms in the sector. In Birmingham in particular, the need to attract and retain young staff pulls firms to the City Centre. The telecoms and IT sectors appear to have focused outside centres although there is no clear indication that this is a deliberate locational preference, or a lack of suitable town centre stock.

The desire for large amounts of car parking is now balanced by recognition of the importance of general accessibility by all modes of travel. Increasingly influential is the ‘green’ agenda on both the future of buildings (including eco-friendly buildings) and on a corporate focus on increasing sustainability.

Conclusions

It is evident that a high quality product provided in centres can attract investment that would otherwise have located out of centre. It is important to recognise that centres have many facets which can, if addressed, make them desirable locations for office occupiers; these include:

- quality of buildings;
- the environment and cleanliness of the centre;
- cultural and entertainment facilities; and most importantly
- accessibility.

One key challenge for the region will be to create the conditions to help increase supply in town centres. Many centres are constrained either by geography, heritage or the age of existing stock. Until these constraints are addressed (if indeed they can be), out of centre developments will continue to perform an important economic function by filling the gap in supply within the identified sub-market. The public sector can play a key role in site assembly, promotion, infrastructure and policy which will help to bring more sites forward in the market. Transport improvements to centres would also help to attract inward investment and increase development in Centres.

Where centres are constrained, it may be possible to consider peripheral locations, slightly further from the centre, but with physical proximity derived by pedestrian links and/or public transport. In order for peripheral development to work, it must capture the advantage of being near to the centre, allowing employees access to the retail, cultural, leisure and transport infrastructure that this offers.

There will always remain a group of users, dependent on the extent to which they need mobility, which will need to be located near to motorway junctions. In contrast, there are users such as financial and business services which prefer to locate within centres. In general 'technology-orientated', cultural and creative industries also tend to focus on city locations. These businesses are more reliant on so called 'urban economies' where creativity and innovation are strengthened and enriched when key functions are located close together and in locations with high sectoral diversity. Office based functions seeking to locate near vibrant centres will progressively develop and upgrade the so called 'urban fringe', reducing any sharp distinctions between the town centre and out of centre office locations. Again, Local Authorities should prioritise making the appropriate sites available to encourage their retention.

In order to strengthen the region's economy and help it compete in the global market place, it will also be important that the right sites can continue to be made available for inward investment purposes to ensure investors/occupiers have the choice of location and quality of accommodation to meet their individual needs. This will require a range of options including town/city centre options as well as out of town sites.

The regional market assessments identified a pipeline of out of town development sites with planning consent. Whilst there is a large variability in the quality of these sites and their attractiveness to the market, there is still a quantum of office floorspace available in out of centre locations.

INTRODUCTION

1.1 The key issue identified in the client brief is:

"Phase Two of the partial revision of the RSS provides the opportunity to clarify the position with regard to the development of a quality office product needed to diversify the regional economy towards business services".

1.2 Therefore this study looks at historical, current and future planning policy which concerns the location of office development in the West Midlands Region and beyond. The study reviews recent literature on office market trends and location preferences. It considers recent transactions by office occupiers in the regional markets and details policies on specific sites.

1.3 Office occupier and developer case study interviews were conducted and inward investment market drivers analysed.

1.4 Following this introduction, the rest of this report is set out as follows:

- Chapter 2 – Policy Review
- Chapter 3 – Literature Review
- Chapters 4 -13 - Regional Market Descriptions, Occupier Search Patterns and Conclusions
- Chapter 14 - Developer Perspectives
- Chapter 15 – Inward Investment Drivers
- Chapter 16 – Conclusions

2. POLICY REVIEW

2.1 This section outlines historical planning decisions in the West Midlands Region, the impact of which is still felt today. It also considers current planning and economic policy driving office market locations in the West Midlands and other Regions. This section then goes on to look at potential future changes in policy and new market trends.

Planning History

Timeline of Employment Regional Policy since the 1980's

Pre 1980's

2.2 The key policy driver of office and industrial locations prior to 1980 was regional policy and the development of new towns. Regional policy had a significant potential impact particularly through the use of industrial and office development certificates which still applied in the West Midlands into the late 1970's. In terms of new towns nationally these were promoted as locations for investment including offices. In a West Midlands context Redditch and Telford were promoted as locations for investment through various agencies into the 1990's and in Telford's case to the present day.

The 1980's

2.3 The latter 1970's saw the introduction of the Government White Paper – Policy for Inner Cities. This was the initial point for the beginning of economic regeneration of the urban areas that had taken place as a direct result of the decentralisation of the past. The White Paper resulted in the introduction of Urban Development Corporations (UDCs) and the expansion of the urban programme.

2.4 The West Midlands began to, along with other parts of the country, see the development of urban regeneration and economic development policies and the first move towards regional planning policy with the introduction of Planning Policy Guidance Note 10 (PPG10) – Strategic guidance for the West Midlands in 1988. In terms of employment PPG10 sought to identify and release sites located just outside the larger urban areas, otherwise known as the conurbations. This type of regional planning concentrated on developing local economies through innovation, thereby attracting high technology employment and other such services. This policy was a direct response to the collapse of manufacturing industry in the West Midlands from the mid 1970's onwards.

2.5 Sites that were to be brought forward for these new opportunities were to be located where the potential of the site could be best utilised. In other words sites were to be accessible by transport infrastructures (i.e. motorways, and rail etc), be located in attractive and appealing locations and the sites were required to be preferably over 40 hectares in size. These sites took on the notion of being peripheral development, as they looked to revive old manufacturing areas, later becoming Premium Employment Sites (PES).

2.6 The PPG10 PES policy identified Birmingham Business Park (within Solihull) as the first site to be released, following the approval by the Secretary of State in 1986. Birmingham Business Park was seen as an established landscaped park for high quality office and development. Further sites to be brought forward through this policy were

- Blythe Valley Park, Solihull
- Wolverhampton Business Park, Wolverhampton
- Wobaston Road, Wolverhampton
- Pendeford Office Park, Wolverhampton
- Hilton Cross, South Staffordshire
- Trentham Lakes, Stoke on Trent
- Blythe Bridge, Staffordshire Moorlands

2.7 These sites formed a network of peripheral sites surrounding the major conurbations of the West Midlands. Whilst Trentham Lakes was brownfield all of the others were greenfield.

2.8 In response to regional guidance, many of the local authorities began preparing development plans to include peripheral development sites. The development of the Local Plan for local authorities was positioned towards policies that improved the range of employment sites so that the diversity of the local economy in both urban and rural areas could be improved. For example the Birmingham, Dudley and Wolverhampton UDP's specified a four tier classification very similar to one another (PES, best urban good, urban and other urban). The Birmingham UDP also acknowledged peripheral sites in the form of Woodgate and Bassetts Pole.

2.9 During the late 1980's, the introduction of the Business Use Class (B1), saw the merging of light industrial and office use, within the B1 use class. This was a key change in that it allowed much greater flexibility to change the uses between, light industry, office, and

research land uses. Its resulting effect at the local level, was that it presented the opportunity for development plans to provide positively for enterprise and investment in particular areas of the region. The merger of the two sectors into the B1 use class relaxed the planning systems control, therefore allowing office space to be pursued on what was previously considered light industrial sites in the cities and major peripheral sites as seen above.

2.10 Smaller local authorities such as Warwick and Rugby tended to focus much of their employment to the peripheral locations, within the former established manufacturing areas. By focusing employment to these specific locations, retention of existing employment sites was supported. This resulted in brownfield sites coming forward for development over new greenfield sites.

2.11 The introduction of the Government White Paper in 1989 “The Future of Development Plans” by the Department of Environment acknowledged the fact that there was a need and requirement to consider planning guidance on a wider regional scale, although the Government has previously attempted to force some counties and district local authorities to participate within a Regional Conference so that regional policy guidance could be formulated. However, when the publication of the Planning Policy Guidance 15 (PPG15) titled “Regional Planning Guidance, Structure Plans and the Content of Development Plans” was published in 1990, it was seen as a firm commitment for the production of Regional Planning Guidance. Paragraph 2.7 of PPG 15 states:

“The primary function of such guidance is to provide the necessary framework for the preparation of structure plans....Once regional guidance has been issued, county and district councils are expected to take the guidance into account in preparing their plans. Structure plan alterations are required to be consistent with national and regional policies. A structure plan which takes full account of up-to-date regional guidance will raise fewer major policy issues..."

2.12 The momentum reached its height in Circular 14/85 ‘Development and Employment,’ (now cancelled). It saw the first outline guide in planning legislation for employment uses. This emphasised ensuring that sufficient land was available for industrial use, which was seen within government as a key priority to be pursued through the planning system.

The 1990's

2.13 Regional governance began to take shape within the mid 1990's with the emergence of Government Offices for the Regions. The West Midlands has seen the emergence of three key institutions as a result, which have become the heart of regional governance. These were the Government Office for the West Midlands, the Regional Development Agency (Advantage West Midlands) and the West Midlands Regional Assembly.

2.14 The early 1990's saw the adoption of the revised Planning Policy Guidance Note 4 (PPG4) in 1992. Paragraphs 11-14 replaced the existing 1988 PPG4. The fundamental difference was the introduction of locational policies into local development plans. It was envisaged that development was encouraged in areas better served by transport networks (i.e. the larger urban areas). As a result extensive well planned out of town employment business parks were offered as proposals that would offer better economies of scale and consequent benefits to consumers and businesses.

2.15 Regional Planning Guidance (RPG11), published in 1998, continued the role of its predecessor PPG10, by focusing appropriate amounts of development towards the existing built up areas. RPG11 referred to employment sites being situated within the existing urban areas and that they should vary in quality and quantity so that they could accommodate future growth within the service industries. It was intended that RPG11 would guide development plans for the period up to 2011.

2.16 RPG11 established the importance of providing land to meet the needs of the Black Country and Birmingham/Solihull in terms of Premium Peripheral Sites. It recognised that 25 hectares of land had been granted planning permission at Greenfield lane (Wolverhampton/South Staffordshire) and Hilton Cross (South Staffordshire) close to the Black Country.

2.17 The 1998 version of the RPG sought to accommodate out-migration of housing and employment from the metropolitan area to towns within the surrounding zone, referred to as the 'Central Crescent', and including the towns of Warwick/Leamington, Stratford, Worcester, Kidderminster/ Stourport, Bridgnorth, Telford, Stafford, Lichfield and Tamworth. This previous approach underperformed in relation to the regeneration of the major urban areas (MUAs) and remoter rural areas, in relation to promoting development in the north and west of the Region. In particular, there was a growing concern that the continuing decentralisation of population from the West Midlands, North Staffordshire and Coventry conurbations was threatening the economic, social and physical environment of the Region.

The 2000's

2.18 Since the Planning and Compulsory Purchase Act 2004, the former system of unitary, local and structure plans have been replaced by the Regional Spatial Strategies (RSS) and Local Development Documents, to be prepared by local authorities. RSS (The West Midlands Regional Spatial Strategy) sets out to enable all parts of the region to sustainably meet their own requirements. The rationale behind this policy is being able to achieve urban renaissance in the four Major Urban Areas (MUAs) of Birmingham/Solihull, the Black Country, Coventry and North Staffordshire conurbation. The MUAs are the major economic driver and source of employment opportunities for the Region, containing over half its population. The central aim of the RSS is to reverse decentralisation from these areas to the more rural parts of the Region.

2.19 As a result the RSS looks to significant strategic sites, both regionally and sub-regionally, which have cross boundary implications.

2.20 Planning Policy Statement 6 states that large scale office developments (B1a) should be located within the network of strategic towns and City Centres. The RSS also looks to the MUAs for providing Regional Investment Sites and Major Investment Site (MIS).

2.21 Office development policy is further developed in RSS through policy PA11 'the Network of Town and City Centres'. Town and City Centres are viewed as the drivers of the regional economy and are crucial for the future of the Region's economic and social well-being. Centres should be the key focus for regeneration work, thereby encouraging the reversal of the decentralisation of the past. The policy requires that large scale office developments in excess of 5,000 sq. m (54,000 sq. ft) should be located within the strategic network of the towns and cities.

Current Policy

2.22 A detailed description of current policy affecting office developments is included at Appendix A. This section provides a summary of the key implications of this policy followed by a discussion of the current debates.

Sequential Approach

2.23 Planning Policy Statement 6 (PPS6) – Planning for Town Centres focuses growth and development in existing town and City Centres, encouraging a wide range of services, in a good environment, accessible to all.

2.24 Paragraph 2.44 of PPS6 sets out the sequential approach to site selection which states that all options in the centre (including, where necessary, the extension of the centre) should be thoroughly assessed before less central sites are considered for development for main town centre uses.

2.25 The sequential approach therefore impacts where office developments can be located, however this policy also states that the physical capacity of centres to accommodate new office development and the town centre's role in the hierarchy should also be relevant to planning for new office development.

West Midlands Regional Spatial Strategy (RSS) (formerly Regional Planning Guidance 11) - June 2004

2.26 Current policy in the West Midlands RSS is focused on locating economic growth in the four Major Urban Areas (MUA) of Birmingham/Solihull, the Black Country, Coventry and the North Staffordshire conurbation.

2.27 'Prosperity for All' policy PA11 focuses large scale B1a office developments (those of 5,000 sq. m (54,000 sq. ft) or more gross floorspace) in a network of 25 town and City Centres identified as strategic centres. Centres should be a key focus for future regeneration activities as well as investment in public transport. The policy draws support from Planning Policy Statement 6.

2.28 Policy PA7 deals with Regional Investment Sites (RIS) and states that two should be provided. The need for further sites is under review.

2.29 Regional Investment Sites are generally between 25-50 hectares; high-quality sites attractive to national and international investors; served or capable of being served by multi-modal transport facilities and broadband IT infrastructure; well related to the motorway and trunk road network; located within, or close to, the areas of greatest need; and accessible to effective education and training opportunities to ensure that the employment benefits are available to the local workforce. Regional Investment Sites can include a substantial element of office development.

2.30 The implications of the RSS are that local authorities should take a proactive approach through their town centre strategies to identifying potential sites and premises for development within these centres, including, where necessary and appropriate, the wider use of compulsory purchase powers. Priority should be given to encouraging balanced development of a wide range of town centre uses and thereby avoiding the vulnerability associated with excessive reliance on a single function.

RSS Review Phase One – The Black Country

2.31 The draft Phase One Revision: the Black Country Study, focuses on town centre development with policy UR1A proposing that B1a development should mainly be located in the four strategic centres of Wolverhampton, Walsall, West Bromwich and Brierley Hill/Merry Hill.

2.32 It also states that no offices should be located outside centres except commitments.

2.33 It notes that the challenge of accommodating the required scale of office development may include reversing the market trend towards business parks on greenfield sites, and overcoming the current lack of interest from the market for most town centre locations.

West Midlands Regional Centres Study (March 2006)

2.34 Roger Tym and Partners conducted technical work for Phase Two RSS Partial Review called the West Midlands Regional Centres Study. This identified that office users have different needs some of which cannot be met by centre-based locations. The Study's 'Baseline' forecast envisages 36% of office needs being met by the network of PA11 centres, plus Brierley Hill/Merry Hill. Scenarios two, three and four increase the proportion accounted for by the network of PA11 centres to 40-44%.

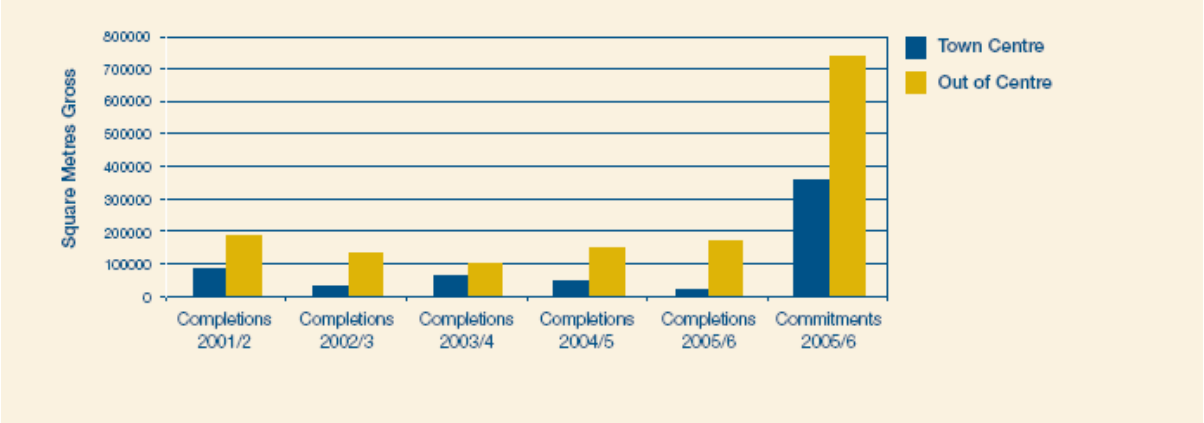
RSS Monitoring Report

2.35 The West Midlands RSS Annual Monitoring Report (AMR) 2004 (published February 2005) states that in the West Midlands Region only 31% of office floorspace completed in the last three years has been in town centre locations. In 2004/05 24% of office completions were in centre, mainly in Birmingham and Warwick. The 2006 AMR published February 2007 states that this reduced to 10%. Apart from Birmingham City Centre and to a lesser extent Coventry City Centre and Solihull town centre, most new office development in the Region has been concentrated in out-of-centre locations.

2.36 The 2004 report stated that only 28% which was under construction, or with planning permission was located in the Region's town centres, however this had increased to 32% in February 2007.

2.37 Figure 2.1 below shows the completions in centre and out of centre from 2001/02 to 2005/06 (reported in the February 2007 AMR). This shows how the proportion in centre from 2003/04 to 2005/06 has decreased. Figure PA10 also shows this in terms of the Major Urban Areas.

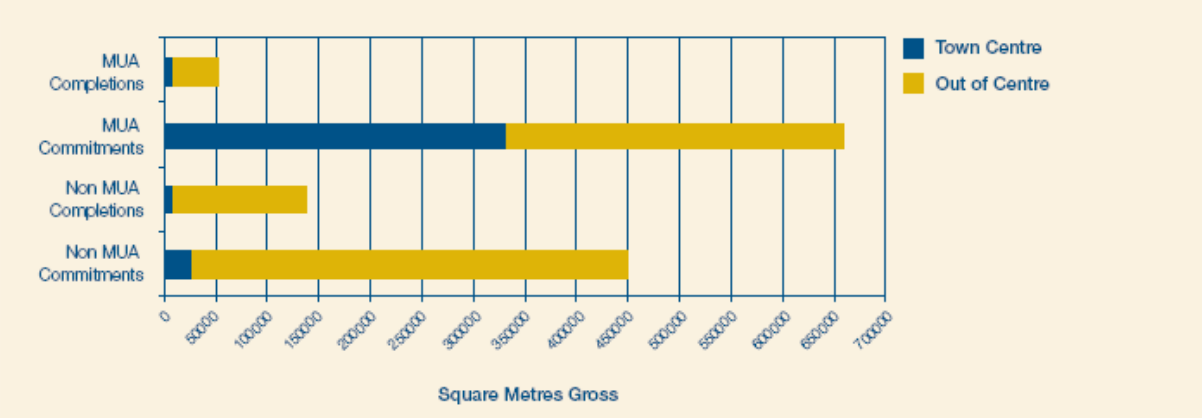
Figure 2.1 Office completions and commitments 2001-2005



Source: RSS Annual Monitoring Report 2007.

2.38 Figure 2.2 reflects the extent of centre and out of centre completions with the MUA's and none MUA areas.

Figure 2.2 Office completions and commitments within and outside the MUA's 2001-2005.



Source: RSS Annual Monitoring Report 2007.

2.39 The February 2007 Monitoring Report states that office development in 2005/2006 had reduced by 9% over the previous year. Rugby accounted for (29%) of the 181,365 sq. m. (1,952,197 sq. ft) of office development in this year. Elsewhere, 9% of development was in Solihull with significant levels of development also taking place at Birmingham, Nuneaton and Bedworth and Stoke-on-Trent.

2.40 The proportion of development in centres had reduced to 10%. 19% of this in centre development took place in Coventry (Coventry University Technology Park) with a further 16% each in Sandwell and Telford and Wrekin. Survey returns have provided more details of development outside centres. 15% of all development was on the edge of centre, particularly in Warwick District (Tatchbrook Road), and 49% on out of centre Business Parks.

2.41 Office developments in the pipeline, under construction and with planning permission, continue to show a significant in centre element (32%) albeit 68% is outside of centre. 34% of all office development in the pipeline is in Birmingham with significant other locations being Solihull and Rugby. 36% of office development under construction is in Birmingham and 27% in Solihull with 95% of in centre development under construction in Birmingham (reflecting how much the town centre market is focused upon Birmingham) and 42% of out of centre development under construction in Solihull.

2.42 Birmingham continues to dominate with 82% of in centre development with planning permission being within the city centre, including Priory Queensway and Snow Hill Station. The only other centre with permitted development of 10,000 sq. m. (107,639 sq. ft) or above is Telford (Hadley Park). Out of centre permitted development of 10,000 sq. m. (107,639 sq. ft) or more exists at Solihull(Solihull Business Park, Blythe Valley, The Green Shirley and Monkspath), Stratford (Gaydon Proving Ground), Bromsgrove (Whithall Green Business Park), Stafford (Prime Point), Telford and Rugby (Ansty)[3].

West Midlands Regional Economic Strategy, Consultation Draft (May 2007)

2.43 The consultation draft West Midlands Economic Strategy notes the growth in service sector industries, creative industries and research and development.

2.44 The Strategy sets out three primary areas for spatial focus – (1) Areas of multiple market failure; (2) Concentrations of knowledge assets; and (3) the regional centre in Birmingham.

[3] Source – GVA Agency

2.45 The strategy also identifies other areas for more limited investment to support sustainable communities which are growth areas and strategic centres, and market towns.

"A Study into the Future of Employment Land Provision in the West Midlands", GVA Grimley (March 2001)

2.46 This study contains conclusions on the role of greenfield sites and business parks in attracting office development. The key points are –

2.47 B1 users have largely occupied greenfield developments, close to the conurbation. As far as the main urban areas are concerned, there is evidence to contradict the accepted view that greenfield office based sites compete with activities in city and town centres. Property agents confirm that a distinct and separate market has become established. This fact should be recognised in regional planning policy.

2.48 The need for a quality environment has emerged as a key locational driver in terms of the expanding knowledge based economy (for example Westwood Business Park and Blythe Valley Park). They are also the preferred location for some types of mobile inward investment.

Other Regions

2.49 A key part of this study is to identify whether specific West Midlands policies are having an impact on the location of office developments in the Region. Therefore it is important to compare and contrast the West Midlands Region with the other English Region's policies to highlight whether the West Midlands policies are unique.

2.50 A full review of the other English Region's Regional Spatial Strategies are included in Appendix B. A summary of the key points is included below:

- **East Midlands** – The RSS promotes B1 and B2 uses especially. Policy 20 states that there should be an adequate supply of good quality land for office uses in sustainable locations.
- **Yorkshire and the Humber** – Focus on Major Urban Areas, and minimise the need for greenfield development. Focus on regeneration priority areas. Policy E1 and E2 focus business services and office development in town and City Centres.
- **North East** – Major office and employment uses should be located in the two City Regions, in particular the core areas of the conurbations. Renewal and reuse of

previously developed land and buildings will also be key and development at Prestige Employment Sites (Policies 12 and 24).

- **North West** – Focus on Major Urban Areas. Policy W3 focuses upon allocations for B1, B2 and B8 within the three City Regions of Manchester, Liverpool and Central Lancashire. Generally economic development is prioritised within City Centres and inner city areas, however specific key locations in the north, south east and west of the cities, set the Region's specific requirements for economic development, for example, in the vicinity of Manchester airport.
- **East of England** – Policy TG/SE2 focuses major retail, leisure and office developments in town and district centres. Norwich City Centre will provide a focus particularly for media and creative industries, finance and insurance, and ICT.
- **South East –** Policy TC1 states that a network of town centres will be the focal point for commercial development.
- **South West** – Policy TC1 encourages office development within town and City Centres in order to enhance their vitality and viability. However, recent development has been in out of centre locations, therefore a major challenge is to make town centre locations sufficiently more attractive to occupiers, particularly with regard to accessibility.

2.51 Generally speaking, the policies of other Regions are similar to those of the West Midlands, promoting office development in and around towns and centres. Clearly, urban regeneration benefits from office development in town and City Centres, and promoting development in the centre is essential to enhancing vitality and viability. Sustainability and the town centre first policy are strong messages coming from national policy, however it is important that all Regions are implementing this policy, as differing levels of enforcement may potentially draw office development away from some regions to others.

Forthcoming Policy Changes

West Midlands RSS Phase Two Revision Spatial Options (January-March 2007)

2.52 Phase Two Spatial Options on Employment asks whether in the revision of RSS, there should be more clarity on the type of uses to be located on Regional Investment Sites (RIS), and asks whether there is a need to change the policy on the control of uses on RIS. Currently PA7 restricts development to high quality uses within B1 and in some parts of the Region high quality B2 uses are also permitted.

2.53 On Major Investment Sites the current policy restricts occupation to a single user, therefore the Spatial Options consider introducing more flexibility to this policy.

2.54 In terms of the Regional Centres Study, the Spatial Options give the opportunity for this evidence base to be subject to practical and policy consideration, in particular incorporating employment need.

2.55 The Spatial Options ask if the sequential approach to out-of-centre office development is the best approach, whether the RSS should set out maximum percentages for out-of-centre office development or if criteria should be set for out-of-centre office development.

2.56 In AWM's Representations to the RSS Issues and Options Consultation the sequential approach was supported. There was limited support for the percentage policy for out-of-centre development, and while there was a greater level of support for the criteria based option, the sequential approach is still generally preferred.

2.57 Those that did support the criteria based approach stated that it would offer flexibility and support sustainable development The suggested criteria for determining suitable office locations includes:

- Accessibility by public transport, walking, cycling;
- Sequential test and capacity of nearest strategic centres;
- Proximity to labour markets;
- Sustainable development led criteria (design, energy, landscape, nature conservation);
- Opportunities for co-location with other uses;
- Demonstrate exceptional circumstances; and
- Availability of parking provision.

2.58 Whilst some respondents consider such development to be detrimental to the regeneration objectives of the WMRSS, others are of the view that a flexible approach to out-of centre locations has greater merit in terms of sustainability. For example, out-of-centre developments may be sustainable in instances where it reduces car journeys to major urban areas. There is also concern that if out-of-centre office developments are restricted by thresholds, investment by out-of-centre occupiers could relocate to other Regions. Office developments should be focused in town centre locations to prevent need for greenfield take up.

Planning White Paper

2.59 The Planning White Paper was published on 21 May 2007, by The Department for Communities and Local Government, Department for the Environment, Food and Rural Affairs, Department of Trade and Industry and Department for Transport. This paper proposes to streamline the planning system.

2.60 An article in Property Week (15/06/2007) states that the release of the planning white paper "has put issues of sustainability, carbon emissions and energy saving at the heart of government policy, by declaring war on out-of-town developments. "

Amendments to PPS6 – Planning for Town Centres

2.61 Chapter 7 of the Planning White Paper is "A Positive Framework for Delivering Sustainable Development". It describes how the town and country planning system will be reformed to improve the effectiveness of the town centre planning policy by:

- 'Replacing the need and impact tests with a new test which has a strong focus on our town centre first policy, and which promotes competition and improves consumer choice, avoiding the unintended effects of the current need test'.

2.62 The report states that in 1994 only a quarter of new development was in or around town centres. By 2004 it was up to 41%. Local authorities need 'robust, evidence-based plans and strategies that are up to date and which set out a clear and proactive vision for town centres, based on a sound understanding of both the need and demand for new facilities. Where development outside the town centre would not impact detrimentally on the town centre, and it is otherwise acceptable in planning terms, both plans and planning decisions should reflect this'.

2.63 It notes that the "need test" has been a blunt instrument in some cases and can have the unintended effect of restricting competition and limiting consumer choice. Kate Barker's Review of Land Use Planning (December 2006) called for the test to be removed, because of fears it prevented proper retail competition.

2.64 An article in Regeneration and Renewal (11/05/07) says DCLG are considering a broader test that will consider social as well as market factors.

2.65 Proposals in the White Paper will be consulted on in Summer 2007 and new guidance developed by working with the industry and other important stakeholders. Changes will be finalised by Spring 2008.

PPS4 – Economic Development

2.66 Another key recommendation of Barker's was to update national policy on planning for economic development (PPS4), to ensure that the benefits of development are fully taken into account in plan-making and decision-taking, with a more explicit role for market and price signals.

2.67 Recommendation 3 in Appendix B of the Planning White Paper is for a new PPS4 – Economic Development to replace PPG4 – Industrial, Commercial Development and Small Firms, by the end of 2007.

2.68 This should include:

- 'Emphasising the critical role economic development often plays in support of wider social and environmental goals, such as regeneration;
- Strengthening the consideration given to economic factors in planning policy, so that the range of direct and indirect benefits of development are fully factored into plan-making and decision-making alongside consideration of any potential costs.
- Emphasising the role that market signals, including price-signals, can play in ensuring an efficient use of land both in plan-making and in development management;
- Requiring a positive approach to applications for changes to use class where there is no likelihood of demonstrable harm, to provide greater flexibility of use in the context of rapid changes in market conditions;
- Making clear that where a Core Strategy is in place, decisions on commercial development should not be delayed simply on the basis of prematurity;
- Ensuring that development in rural communities is not unduly restrained and allows for a wide range of economic activity; and
- Ensuring that in general a more positive approach is taken to applications for tall buildings where they are of very high design quality and appropriately located, and where there is the transport infrastructure to support them'.

2.69 The Government propose to consult on the new planning policy statement in Summer 2007.

Planning for Economic Development Report for RDAs

2.70 The Regional Development Agencies (RDAs) commissioned Nathaniel Lichfield and Partners to establish the effectiveness of the current national planning policy framework

for enabling economic development schemes and comments on whether the policies allow for a responsive approach to economic development. This report was submitted to Barker in 2006.

2.71 The RDAs want economic development to be afforded the same weighting as other land uses within the national planning policy framework.

2.72 The RDAs would welcome a new PPS4 which promotes the need for up to date employment land reviews; sets criteria to safeguard high quality or economically important land from other uses; stresses the need for alignment between the Regional Economic and Regional Spatial Strategies; and allows local flexibility.

2.73 A comprehensive national statement on economic development is required to ensure that B use classes and other employment generating uses are balanced alongside other land uses to achieve sustainable development.

2.74 The RDAs set out the following key recommendations to inform the content of a new PPS on economic development –

- 'Provide a clear and succinct PPS4 that stresses the need to provide the right type and quality of land in locations which meets the needs of businesses both now and in the future including clusters, knowledge sector, livework, SMEs, mixed use, and creative industries. PPS4 should plug current policy gaps and signpost applicants and LPAs to existing policy and guidance notes that relate to the economy, but at the same time enable and encourage flexibility at a local level. This can be achieved through accompanying guidance notes and examples of best practice.
- Promote the importance of undertaking and maintaining up to date employment land reviews which should be considered alongside housing and retail needs assessments to inform the allocation of land for employment uses and policies for economic development.
- Provide clarity on how to maintain a balance of uses and what material considerations should be considered when allocating sites and formulating policies for economic development i.e. regeneration, strategic employment sites.
- Provide clarity on the application of the sequential approach for office development.
- Set out criteria to protect land that has been identified within employment land reviews as being of high quality or economically important from other uses.

- By signposting to existing guidance stress the need for alignment between the Regional Economic Strategy and Regional Spatial Strategy and how this should be achieved, via using a common evidence base, testing economic scenarios and balancing aspirations with planning for economic growth'.

Sustainability Checklist (Launched 14th June 2007)

2.75 The Sustainability Checklist is a new, easy-to-use online tool that has been developed by West Midlands Regional Assembly, AWM and BRE. Devised specifically to guide the design of new developments by making sense of current policy, the Checklist highlights best practice, complementing Ecohomes and the new Code for Sustainable Homes.

2.76 The Checklist covers regionally specific sustainability and planning issues, emphasising those of higher priority. It can also be adapted to reflect locally significant concerns.

2.77 Ecohomes/BREEAM and the Code for Sustainable Homes assess the sustainability of designs for individual new homes and buildings. The Checklist complements these by looking at issues relevant to the overall development scale, helping developers, local authorities and other interested parties to deliver sustainable communities.

2.78 The tool identifies a range of sustainability issues covered in the Regional Spatial Strategy for the West Midlands enabling users to assess to what extent a design proposal will deliver on each issue.

2.79 The Regional Assembly commends the use of the sustainability checklist as a useful tool for developers particularly for major applications where an SEA/SA is not required.

2.80 The web based checklist will be aimed at large mixed use schemes (in line with the Sustainable Communities Agenda), but will be versatile enough to be used to assess single use schemes. Trials on regional flagship developments such Longbridge and the i54 site have shown that the standards are achievable without any significant additional cost.

2.81 Prior to outline or full planning application, a Developer can check whether the design meets their own and their client's sustainability requirements. They can then reassess the design if required. Strengths and weaknesses relating to regional policy will also be apparent prior to the planning application.

2.82 The checklist includes questions and criteria under eight categories:

- Climate Change and Energy
- Community
- Place Making
- Buildings
- Transport and Movement
- Ecology
- Resources
- Business

2.83 The checklist will comprise of the following objectives (see **Table 2.1**):

Table 2.1 – Sustainability Checklist

Cooling	Reduce the impact of mechanical ventilation and cooling devices
Heat islands	Reduce the urban heat island effect through passive design measures
Sustainable energy	Increase the overall energy efficiency of development through energy efficient design and management
	Promote the use of renewable energy sources to reduce dependence on fossil fuels
	Increase the use of sustainable heating techniques
	Increase the integration of renewable energy technologies during the design stage
	Encourage the future use of renewable energy technologies
Site infrastructure	Allow for easy access to site-wide services to allow for future expansion of services
	Ensure that the masterplan considers the site wide distribution of on-site produced renewable energy
	Evolve an energy management scheme and to provide the public with easy access to information

2.84 There is an increasing focus on the importance of sustainability in development which will impact upon developers. Town Centre developments are likely to better connected to existing infrastructure, more able to support the community and to contribute to Place Making. One challenge of Centre developments will be to modernise existing infrastructure and update it to reflect modern sustainable energy requirements.

Conclusions

2.85 Policies which have historically created and encouraged an out of centre office market, have now been challenged and emerging national policy is further highlighting the importance of sustainability and the town centre first approach. This is evidenced in PPS6 and the West Midlands RSS Policy PA11 which both focus growth in a network of centres, to enhance their vitality and viability.

2.86 The Black Country takes this policy further and states that a centres focused office strategy relies heavily on a regional consensus to restrict greenfield office development within and beyond the Black Country itself, and overcoming the current lack of interest from the market for most town centre locations.

2.87 However, the Regional Centres Study acknowledges that town centres may have limited ability to absorb predicted growth in the office sector. The Study highlights additional obstacles to office development in town and City Centres. Including:

- 'The existence of major land allocations for B1, B2 and B8 uses in out-of-centre locations;
- The lower occupation costs for out-of-centre accommodation;
- The difficulties of land assembly in town and City Centres because of multiple land ownerships and lack of expertise in the CPO process; and
- The competition within town and City Centres from higher value land uses'.

2.88 The RSS Phase Two Revision of Spatial Options gives the opportunity to subject this evidence base to practical and policy considerations, in particular incorporating employment need.

2.89 National policy is giving every indication of supporting the town centre based approach to development, with proposed amendments to PPS6, focusing very much on town centre locations, and replacing the need test which may help to encourage town and City Centre developments.

2.90 The intended introduction of PPS4 will help focus local authorities and decision makers on economic development and ensure that 'B' use classes and other employment generating uses are balanced alongside other land uses to achieve sustainable development.

2.91 Past, present and potential future policies illustrate what are key questions in the debate about the centres first approach: Do some office users have a different set of needs

which give rise to a separate market for out of centre space, should policy recognise that need, and if so, how can it be measured, tested and influenced? How do we balance out of centre developments with the need to be sustainable? And finally, what can Government do to promote and develop the market for in centre development?

3. LITERATURE REVIEW

3.1 This section reviews recent literature on trends in office markets and highlights key factors, which influence office occupiers, investors and developers in their choice of development location.

Market Trends

West Midlands Regional Centres Study (March 2006)

3.2 The Regional Centres Study sets out national office market trends as follows:

3.3 'Occupier requirements for office space are becoming more sophisticated in terms of the accessibility, efficiency and sustainability of buildings and locations. This consequently impacts on the location and specification of new office development.

3.4 At present, the main ways in which the requirements of town/City Centre and out-of town users differ is that out-of-town users attach greater importance to on-site car parking and security and motorway accessibility, while town/City Centre occupiers may require a high-profile location and attach more importance to proximity to public transport nodes and access to amenities. Users requiring town/City Centre and out-of town accommodation will generally share a need for a good IT infrastructure (typically requiring raised floors) and comfort cooling or air conditioning.

3.5 Access to appropriate labour has become increasingly important, reflecting widespread labour and skill shortages at a UK-wide level. Indeed, for firms in the financial and business services sector, the cost of staff and Directors' salaries will typically amount to around 70% of total costs. For this sector property costs (rent, rates, and maintenance) will typically account for only around 10% of total costs, but property costs will often be the second largest cost element for such businesses. Furthermore, the quality of property occupied will become an increasingly important factor in enabling businesses to recruit and retain staff.

3.6 Occupiers are increasingly demanding enhanced levels of broadband connectivity, reflecting the greater use of electronic data – email, video, voice and so on. Moreover, the impact of IT in the office is changing working practices and creating a more flexible working environment. Practices such as hot-desking (for example, eight desks for every 10 employees) and home working are being used in part to improve workplace efficiency

with the expected outcome of more efficient use of office space. However this view – which suggests that employment densities are rising for all sectors – is not supported by statistical evidence thus far. The literature around this issue is piecemeal and very few studies have been undertaken that provide hard evidence on this issue'.

3.7 A survey conducted by DTZ Pieda for SEERA in May 2004 concludes that employment densities have not changed significantly since 1997. New working practices are expected to generate demand for more communal areas such as break-out rooms, meeting rooms etc. Therefore, it is unlikely that flexible working practices will impact significantly on demand for office space. Whilst it is possible that the average office density will increase, of more significance is the likelihood of increased demand for high quality workspace and the greater level of investment that will be required in the office product.

3.8 The current trend to outsource UK call centre activity overseas is potentially a threat to this sub-sector of the UK office market. A number of high-profile UK closures have occurred as companies, in particular major financial services and mobile communication organisations, move call centre activity overseas, typically to India, where both property and labour costs are significantly cheaper. However, research undertaken by the DTI found that it was difficult to quantify the impact of outsourcing (or offshoring) overseas and that the scale of the UK call centre market meant that the critical mass may exist to maintain the industry. In addition, one of the key recommendations of the Lyons Review of public sector relocation is that there is no justifiable reason why over 60 public sector call centres are based within the London and South East Regions and that they should be relocated to lower cost locations, which could potentially be within the West Midlands Region.

Sustainability – Towards Sustainable Offices, GVA Grimley (Spring 2007)

3.9 This report highlights the increasing importance of the Sustainability Agenda for offices. Sustainable offices are not just good for the environment. The legislative pressures, combined with an increasing awareness of Corporate Social Responsibility (CSR) in business practices, are rapidly making an economic case for sustainable offices beyond simply a moral one. Sustainable office development and refurbishment makes financial sense, for occupiers and investors alike. Academics have traditionally cited the 'circle of blame' between key players in the industry as a barrier to more sustainable commercial properties, but GVA Grimley Research indicates this will be overcome by a combination of increased knowledge, legislation and policy changes.

3.10 Demand for environmentally friendly offices is increasing among occupiers, particularly in light of higher energy costs and a growing commitment to the notion of Corporate Social Responsibility and socially responsible investment.

3.11 The build cost premiums associated with sustainable offices, such as achieving the BREEAM 'excellent' standard, can be minimal (and will fall). The small additional capital investment also brings longer term financial benefits to occupiers, which should justify a higher rent / capital value compared to a less sustainable building.

3.12 The tightening of legislative regulation and policy developments will have asset value implications, as environmentally inefficient buildings will experience increased obsolescence. Investors are also using their portfolios to demonstrate their own commitments to Corporate Social Responsibility through Socially Responsible Investment.

"Office Futures?" – Savills and BCO (March 2004)

3.13 This report reviews past predicted trends in office markets and then attempts to predict future trends in office markets.

3.14 In terms of the future they set out the following conclusions:

- The location of the office will become an increasingly powerful factor in attraction and retention of staff as well as being influenced by government policy. Both CBD and out of town office markets will evolve to suit certain types of companies. For example science related companies prefer rural locations, often in cheaper redundant agricultural buildings, in proximity to universities.
- It will be increasingly important for business parks to provide a full range of services to suit their occupiers – this will suit larger parks which have the critical mass to allow the provision of leisure and retail services. Smaller parks will tend to cluster around the fringes of towns and cities where they can capitalise on the existing infrastructure as well as transport links.
- The type of office space found within the CBD is still likely to be larger scale and involve taller buildings than those found on traditional business parks.
- Transport accessibility will become increasingly important, favouring public transport nodes and refocusing many office based businesses in or close to the city cores.
- Increased focus on design and layout of office space to facilitate old and new ways of working, including changing working practices.

- Technology – increasing home working, 'distributed working'. The study sees the needs of workers, demanding increased flexibility in the office environment and their working life as key to shaping the location and usage of the office over the next 20 years.
- There may be a change in the quantum of office space required, though not the collapse in demand predicted in the 1970s. As businesses and management structures continue to evolve to cope with an increasingly ideas based environment so will the size of companies. There could be an increase in sole traders and small businesses that form and reform on a project-by-project basis. These 'virtual companies' will need highly flexible office space, with a heavy focus on interactive areas, for short periods of time. This trend will benefit the serviced office sector in the next 20 years.
- The report predicts the future workplace will contain a mix of places for solo and group working, though the balance is likely to change towards the latter.
- Environment – more tenants will want green buildings.
- The report states that it is not unreasonable to suggest for some locations that some CBDs will become the location for back office functions where mass transit allows lower paid employees easier access into work. Areas with an oversupply of lower quality, lower rented office accommodation may become more attractive to large office occupiers.
- It also says that the issue of rent differential between the CBD and out of town markets may become less relevant as traditional theories of cost distance from CBD are increasingly dismissed.

"Faulty Towers: Is the British Office Sustainable?" (2006)

3.15 This study by Gensler considers whether poor commercial property is damaging the UK economy. Key points are:

- Increasing energy costs will increase firms' operating costs, and they believe this will force developers to commission more energy efficient buildings.
- More than half of property Directors consider energy efficiency and emissions when planning their property portfolio for the next 25 years.
- Cost cutting rather than environmental responsibility is the key driver for energy efficiency.
- Business is picking up the bill for badly designed, inefficient buildings and the office stock is damaging UK productivity.

- 78% of property Directors believe that sustainable, energy efficient buildings can command higher rent.
- 67% of developers believe legislation, regulation and penalties are the factors most likely to make them consider energy efficiency, but developers may only go as far as legislation demands.
- Regulating the energy performance of buildings will have little impact if the enforcement lacks teeth and 51% of developers believe the Government has unrealistic expectations of efficiency and sustainability in construction.
- 75% of developers believe that poor energy efficiency will have a negative impact on the value and transferability of commercial property in the future.

"These Four Walls - The Real British Office" (2005)

3.16 This Gensler study is similar to "Faulty Towers" above. It states that poorly designed offices could be costing British business up to £135 billion every year. A better working environment could increase employee productivity by 19% according to professionals surveyed.

3.17 58% of respondents do not believe their office has been designed to support their company's business and their own job function. A big factor in this is minimising office costs.

3.18 Open plan is the dominant office layout, with just 1% of respondents choosing to hot desk.

3.19 Flexible working options are growing in popularity, with 16% opting for flexible working as their preferred option.

Location Drivers of Office Markets

3.20 Many different factors determine where and why businesses locate in different areas including locational, space, infrastructure and cost requirements. For example in the case of Westwood Business Park and Blythe Valley Park a quality environment was the key influencing factor. Also some locations may be preferred for mobile inward investment.

3.21 Lambert Smith Hampton's Location Drivers report identifies staff costs, access/transport, availability of premises and the increasing problem of congestion as key factors determining choice of location.

"Office Occupier's Survey" - BCO and MORI (July 2005)

3.22 Key findings from this survey are that environmental concerns among office occupiers are coming to the fore, and the focus on sustainability in offices is expected to grow. 94% say that they think sustainability will be important to their organisation in the future and 67% say it will be very important. 62% are willing to pay a premium for more environmentally sustainable building solutions (84% of government organisations).

3.23 95% of occupiers state that the office environment is key in retaining staff.

Department for Transport – "The Importance of Transport in Business' Location Decisions" – February 2004

3.24 This report outlines the drivers of business location, and sets out a summary as follows:

- There is a wide body of literature on the theory of business location, stretching back to before the start of the 20th Century. Examples of models or approaches include: neo-classical; institutional; behavioural; economic base; location; cumulative causation; core-periphery; industrial district; innovative *milieu* and competitive advantage.
- Early neo-classical theories place importance on the need to minimise transportation costs to and from markets or inputs.
- The attractiveness of a region to business is influenced by factors such as: infrastructure quality; factor cost and supply (e.g. labour cost and quality); market demand; good communications; international links; stable political situation; entrepreneurial culture; technological development; and the nature of competition between firms. Attractive business locations are likely to score highly on a number of these measures.
- Empirical research in the UK has highlighted the access to markets and availability of skilled labour, sufficient business accommodation and transport links as key drivers of business location. Access to markets and skilled labour are generally the most important factors, especially for higher value adding firms, although transport can help this by improving local accessibility to a workforce.
- Porter's model of competitiveness highlights the interdependence of conditions necessary to attract and sustain competitive businesses, noting that the quality of the business environment, including transport infrastructure, is of high importance.
- Competitiveness theory also argues that transport provision in an area increases the effective market size of an area and therefore increases competition, thus attracting more businesses, and also increases competition.
- Transport can affect business location through: goods transport financial costs; relative time costs and savings; certainty/reliability of travel time; the need to physically meet customers and suppliers; and staff and customer travel costs.
- Empirical evidence from the UK suggests that perceived accessibility can be as important as actual accessibility.
- Empirical research shows that road infrastructure investment can increase commercial development.
- Other research highlights the limitations of transport in influencing location:
- labour quality issues can often outweigh the impact of transport;
- transactions costs of relocation can be too high to make a move economically viable;
- transport infrastructure primarily reduces variable costs, which can be small relative to fixed transport costs (e.g. vehicle depreciation).
- In summary, although transport factors are often less important than some other factors, they may still be of some significance in influencing location. Often both transport *and* non-transport factors are necessary to attract business to an area.

3.25 The study concludes that transport is a necessary, but not sufficient condition in determining business location. Other factors such as a skilled and/or cost of workforce, the quality of the local environment and cost of premises have been shown to be equally, if not more important when considered in isolation. Research has also shown that climate, business environment and government assistance may be magnets for business location.

3.26 When combined with other measures, such as up-skilling, and integrated into part of a business development programme, transport can help to influence location.

3.27 The evidence for road transport alone to attract business is mixed, however. Road investment is unlikely to compensate for poor quality labour and some research suggests road building can have negative effects in certain circumstances.

"Analysis of Office Letting Activity in Parks and Town Centres", Estates Gazette (November 2005)

3.28 This article included results from a survey of office movers over the past 6 years in the Reading area. This found that nearly all the out of centre movers were within the telecoms, media and technology sectors. None of the town centre movers were in these sectors, thus reinforcing the point that TMT firms, in this area, do not as a rule select town centre locations.

3.29 The majority of movers into town centre properties were in the financial, professional or public sector. Nine of the movers were companies new to Reading. Only 3 of these moved into town centre locations, one was an acquisition of a business already in the town centre; another moved close to an established parent company's town centre operation. The town centre movers were nearly all already in the town centre or had some specific connection with it.

3.30 For town centre companies, already in town centre locations prior to the move, established travel patterns of existing staff, built around a good rail link carried more weight than any inconvenience for those commuting in by car or doing business by car. In contrast, 8 of the 12 out of centre movers identified town centre traffic, poor town centre car access and car parking constraints as reasons for their decision to chose an out of centre location. Only 3 firms mentioned prior association with the out of centre location as a reason.

3.31 The survey also enquired about the attitude of movers in both locations to ascertain what would have persuaded them to consider an alternative location, either in the town centre,

or out of the centre, in preference to their actual choice. About half of the movers out of the centre consider the town centre unacceptable as a location, but other factors such as better road access, good parking, the right building and cheaper rents were also factors, which might entice them to consider a future relocation in the town centre.

3.32 By contrast fewer town centre movers (3 companies) suggested out of centre locations were not suitable for their needs, citing good access by rail, good car parking and high specification office buildings being some of the factors that might persuade them to consider out of centre locations.

3.33 In summary, during the period most firms new to the area have chosen an out of centre location. The majority of firms who chose the town centre were already established in the centre, or had strong links with the centre.

3.34 The conclusion was that Reading, to retain its role as a major growth centre in the Thames Valley, must offer choice; a dual supply of in and out of centre locations to satisfy the differing needs of individual businesses.

GVA Grimley Newcastle Office Market Study (December 2006)

3.35 Part of this study involved market research with a standard questionnaire for developers, investors and occupiers. Key findings are below;

- The need for new premises arose from the need for more modern premises appropriate for the business, the need for more efficient space, business growth and expansion and improving image.
- Generally professional services companies strongly preferred to be within the Central Business District
- Out of town locations attractive due to car parking and access to trunk road network but often discounted due to lack of public transport and facilities
- Public sector dominates moves to out of town locations
- Car Parking is a key factor to out of town occupiers
- City Centre occupiers accept limited parking ratios

"Business Parks", in Building (16 June 2006)

3.36 When looking for business parks to locate in organisations are looking for a building that balances quality, cost effectiveness and flexibility of the space set in landscaped surroundings.

3.37 Increasing limitations on car parking, changes in letting strategies, growing awareness of sustainability and a trend towards being part of a mixed use scheme are all combining to challenge and renew the business park model.

3.38 As a sign of the confidence in the market, an increasing number of developers are willing to speculatively build preliminary phases of parks in a bid to meet future anticipated need. The North currently has the most business park space under development, followed by the South East. One reason for the northern bias is the current lack of availability of grade A office space in those regions, whereas there is plenty of vacant space left from previous phases of development in the South East.

3.39 Factors which contribute to attracting occupiers to an out of town business park include:

- Transport – location adjacent to a major road intersection
- Amenities – on site such as retail and leisure reducing the need for travel at lunchtimes
- Location – fit with organisation's core business
- Catering for different needs – provide office space in different configurations
- Density
- Provision of car parking – new consents are in the range of one space per 50 sqm

3.40 Other issues of note are the new Part L Building Regulations on conservation of fuel and power and the Sustainability Agenda.

"Occupier 2000: Offices", Estates Gazette (11 March 2000)

3.41 This article states that occupiers' needs are becoming more of a factor in building design. Offices are increasingly being regarded as "products" to be marketed.

3.42 At Chiswick Park in London the focus has been on the quality of working life in the development. All the buildings are located around a central water feature.

3.43 E-commerce occupiers want City Centre locations, open plan space and room to expand. E-commerce companies need cabled flexible space that allows an ability to grow. Although possessing no covenant, many are cash rich.

Special Report "Business Locations" – CBI News (February 1996)

3.44 This report looks at where firms locate and on what criteria, and comments on the strengths and weaknesses of locations in England and Wales.

3.45 The CBI undertook a survey of 1,200 companies and found that the North West and South East figure prominently in terms of quality of communication links. The South West in terms of skilled labour and quality of life and the North and Wales are worth considering for quality development sites and premises.

3.46 The West Midlands was perceived as having a strong infrastructure base, and performed well on availability of suitable housing. The West Midlands also performed well with 6 out of 10 businesses seeing promotion of the region as a location for inward investment as a strength.

Economic Value of Urban Design – Amion and Taylor Young (May 2007)

3.47 This report sought to improve the understanding of the economic rationale for, and impact of, good design. It was produced for the North West Development Agency and RENEW Northwest.

3.48 The main conclusions were:

- Good design can add value by making successful places, spaces and buildings. The actual value added is difficult to quantify but there is growing evidence that economic social and environmental 'returns' do increase with better design.
- An increase of up to 15 – 20% in rental/capital value can be added by good urban design. It can also accelerate the lettings/sales rate of a scheme and reduce the whole life costs. In addition, design can have a significant impact on user performance. The latter can, for example, include benefits in use, as well as wider image effects.
- There is also evidence that good urban design can help to stimulate the wider regeneration of an area. Furthermore, it can improve an area's image.

Gibson, University of Reading - Evaluating Office Space Needs and Choices (2000)

3.49 The demand for and supply of office property in the UK has changed significantly in the last decade (1990-2000). Occupiers want greater flexibility in their accommodation and increasingly recognise the need for good quality support services to make a building both efficient and effective. The property market has responded by developing some innovative products, which seek to bundle the space with services. At the same time a wide range of new service providers have also emerged to offer packages of service to occupiers on a contract basis.

3.50 The aim of this study was to examine the extent to which corporate property managers are in a position to make informed choices. There appears to be a continuing problem of data availability. Although many of the survey respondents claimed to have much of the cost data required to calculate the total occupancy cost of a particular building, the underlying problem appears to be the lack of access to that data at the appropriate level or at the appropriate time.

3.51 The way new office requirements were evaluated reflected the growing importance of flexibility. The top three criteria identified in the survey were location, property costs and ability to exit. These were confirmed and supported by the focus group. However there were observations that property decision making was often not clear-cut. For instance, the business unit managers who required the space were often unclear about their own requirements, or the ultimate decision-maker, possibly the business unit manager, did not use any of the so called important criteria in the final selection. Additionally, choice in the market was often limited to making compromises and trade-offs necessary.

3.52 New products within the property market, such as serviced offices, were accepted and broadly welcomed. The vast majority of respondents to the survey claimed to consider a serviced office solution at least occasionally. However, there was concern that these products were expensive and some felt they could provide the same quality of environment and service more cheaply in-house. With greater transparency of the cost structure by the serviced office providers, the focus group felt that this sub-market would gain increasing acceptability.

3.53 The research uncovered a number of forces of resistance within occupiers to the changes in the market. The lack of available occupancy cost data within many occupiers undermines their ability not only to fully evaluate new requirements but also to assess their current performance. The fragmented way corporate property is often managed

makes if difficult to identify and co-ordinate activities, and to compare these to new property products on offer in the market. The short-termism within organisations leads to a tendency to focus only on annual costs and often over a short period distorting the risk exposure of any decision.

3.54 Occupiers want to gain a better understanding of the benefits of these new property packages but they also need a much clearer understanding of the costs. They want greater flexibility and are willing to pay but there is still a need to convince both providers and occupiers of the value (price) of transferring risk.

Summary

3.55 This review of recent literature has highlighted trends and future developments in the office market and set out factors which affect businesses in their location decisions. A summary of these is set out below:

Trends

- Occupier requirements are becoming more sophisticated in terms of the accessibility, efficiency and the sustainability of buildings and locations
- Access to appropriate labour has become increasingly important, reflecting widespread labour and skill shortages at a UK wide level
- Quality of property occupied will become an increasingly important factor in enabling businesses to recruit and retain staff
- Enhanced levels of broadband connectivity are demanded
- Impact of IT is changing working practices and creating a more flexible working environment e.g. hot desking and home working. This will affect design and layout of office space
- Companies are recognising the increasing importance of the Sustainability Agenda
- Transport accessibility and infrastructure are key to in centre locations
- Increasingly important for business parks to provide a full range of services to suit their occupiers
- Increasing energy costs are leading to interest in more ‘green’ buildings
- Companies recognise the increasing importance of design and quality of environment

Drivers

- Good IT infrastructure
- Specification and flexibility of new office space
- Comfort cooling or air conditioning
- Access to skilled labour
- Access to a range of services
- Access to customers/business community
- Locational and infrastructure requirements – access/transport – increasing problem of congestion
- Availability of car parking
- Proximity to public transport nodes
- Space/availability of premises
- Cost requirements – staff costs
- Density
- Specific out of centre requirements are: on-site car parking; security; motorway accessibility
- Town centre requirements include high profile location; proximity to public transport nodes; access to amenities

3.56 The literature review has highlighted that there are some trends and drivers which are taking the market away from the more traditional business park model, including sustainability and the green agenda which are becoming ever more important. Recognition of the benefits of being in centres and the attraction of mixed use environments is counteracted, however, by the constraints of lack of quality available space and in some cases, a lack of strong transportation and infrastructure in centres.

3.57 The critical issue of attracting and retaining employees is highlighted from several different perspectives. This is impacting on location decisions and providing a greater focus upon centres. However organisations requiring a very mobile workforce (high levels of sales occupations) appear to still focus upon out of centre locations.

3.58 Whilst the evidence from the literature review is not conclusive it appears that professional services remain strongly focused upon centres where a premium is placed upon attracting employees and an interaction and trading with clients and other firms in the sector. The telecoms and IT sectors appear to have focused outside centres although there is no clear indication that this is a deliberate locational preference of a lack of suitable town centre stock. The financial services sector seems to be split between both in centre and out of centre locations (again the extent of direct sales staff may be a factor here).

3.59 Car parking, whilst clearly and issue for some companies is now balanced by recognition of the need for general accessibility by all modes of travel rather than simply by car.

3.60 The following chapters evaluate the different markets (both in town and out of town) which make up the West Midlands office market. It also identifies key recent transactions in the West Midlands, looking at what drove the decision making process and why they have located where they have.

4. REGIONAL MARKETS - BIRMINGHAM

4.1 The following eight chapters set out the key regional markets in the West Midlands and their key out of centre sites. Please note, unless otherwise stated data has been provided by GVA Grimley Agents and refers to market conditions as of July 2007.

Birmingham City Centre, and Out of Town - M42 Corridor and Solihull

Geographical Description of Market

4.2 *In Town* - The office market is focused on central Birmingham City Centre areas including the CBD, Jewellery Quarter, St Paul's Square, Eastside, Brindleyplace and Edgbaston.

4.3 *Out of Town* - The office market is focused on the M42 (Junctions 1-6) corridor and M5 Junction 3.

Planning Policies influencing Market

4.4 *In Town* – Birmingham City Centre is primarily influenced by the Birmingham UDP 2005. Birmingham City Council welcomes office activity and growth. A portfolio of office development opportunities is to be maintained in the following areas:

- City Centre including Edgbaston
- City Centre Periphery
- Birmingham Heartlands
- Suburban Centres
- Campus Locations

4.5 The City Centre is the key economic driver and principal office location. Birmingham Heartlands provides potential sites but this must not affect the competitiveness of the City Centre. This area is suitable for market niches such as offices on larger sites, associated with high technology uses, campus style offices and small starter units.

4.6 Suburban centres have scope for complementary development to the City Centre, however priority should be given to centres where demand is already buoyant, where good transport links exist, and where there is scope for offices to be encouraged by other major proposals.

4.7 *Out of Town* - Office development will not be permitted in out-of-centre locations except as part of major campus-style developments; locations which must be well served by public transport. Office development will only be permitted on greenfield industrial sites where there are no other suitable development opportunities within the City's portfolio.

Stock

4.8 *In Town* – Approximately 1.39 million sq. m (15 million sq ft) with a vacancy rate of c12%.

4.9 *Out of Town* – Approximately 390,000 sq. m (4.2 million sq ft) with a vacancy rate of c15%.

Size and Type of Market

4.10 *In Town* – Birmingham is a mature City Centre market; predominantly incorporating dense high rise development typically in buildings ranging from new up to 30 years old.

4.11 *Out of Town* – This is a Business Park market incorporating low rise low density development with high parking provision.

Market Trends

4.12 *In Town* – The occupational market is predominantly professional, financial and business services which tend to cluster in a single location. There are also a small proportion of call centres, shared service centres and a smaller indigenous occupier market across a range of sectors which has seen limited investment.

4.13 *Out of Town* – The occupational market is largely IT, telecoms, utilities and business support services. The market has experienced reasonably high levels of inward investment over last 20 years due to availability of land and transport infrastructure.

Take Up

4.14 Table 4.1 below outlines the take up of office space in Birmingham City Centre from 1987-2005 and illustrates the historic trend of strong takeup outside of the early 1990's.

Table 4.1 –Birmingham Past Take-up Rates (sq.ft.)

Year	City Centre
1997	500,000
1998	660,000
1999	715,000
2000	570,000
2001	680,000
2002	813,000
2003	365,000
2004	495,000
2005	450,000
2006	523,000
TOTAL (sq.ft.)	**5,771,000**
Annual Average	**577,100**

Source: GVA Grimley (2006)

Under Construction

4.15 *In Town*:

- 11 Brindleyplace – 10,000 sq. m (108,000 sq. ft). Completion January 09.
- 45 Church Street – 11,500 sq. m (124,000 sq. ft). Completion September 2008.
- Mailbox – 10,000 sq. m (108,000 sq ft). Completion end 2009.
- Colmore Plaza – 28,600 sq. m (308,000 sq ft). Completion January 2009.
- 1 Snowhill – 23,700 sq. m (255,000 sq. ft). Completion Mid 2009.
- **Total – 83,800 sq. m (903,000 sq. ft)**

4.16 *Out of Town*:

- Remus, Solihull Business Park – 1,858 sq. m (20,000 sq. ft). Completion September 2007.
- Birmingham Business Park – 5,110 sq. m (55,000 sq ft). Completion January 2008.
- Portland House, NEC – 5,574 sq. m (60,000 sq. ft). Completion mid 2007.
- Cranmore, Solihull – 3,623 sq. m (39,000 sq. ft). Completion December 2007.
- **Total – 16,165 sq. m (174,000 sq. ft)**

Pipeline

4.17 *In Town* – There is currently 209,025 sq. m (2.25 million sq. ft) with outline planning consent and in excess of 278,700 sq. m (3m sq. ft) of future pipeline without planning consent.

4.18 Out of Town – There is currently in excess of 325,000 sq. m (3.5m sq ft) with outline planning consent.

Rental Values

4.19 *In Town* – Prime rents in the City Centre are £269.10 - £322.92 per sq. m (£25 - 30 per sq. ft) while secondary rents are £129.17 - £215.28 per sq. m (£12 – 20 per sq. ft).

4.20 *Out of Town* – Prime rents out of town are £193.75 - £226.04 per sq. m (£18 – 21 per sq. ft) and secondary rents are £161.46 – 193.75 per sq. m (£15 – 18 per sq. ft).

Yields

4.21 *In Town* – Prime floor space yields 4.75%; and Secondary 5.5%.

4.22 *Out of Town* - Prime floor space yields 5.5%; and Secondary 6.5%.

Case Studies – Out of Town Office Locations

Birmingham Business Park

4.23 Birmingham Business Park (which is home to not only b1a but also B1b and B1c uses, is accessible from junction 6 of the M42 and Junction 4 of the M6, has good accessibility by road and is located close to Birmingham International Airport and Railway Station. It is an urban periphery site divorced from the main built up area by a buffer zone between itself and North Solihull. There has recently been a refusal to grant a substantive new phase of development at Birmingham Business Park.

Occupiers

4.24 The current occupiers include Orange, IMI, Fujitsu, Forensic Science Park, and BT.

History

4.25 Birmingham Business Park has been developed by its owners Arlington since the late 1980's, when the original site was 53 ha net developable area. It has attracted a number of international, national and regional occupiers focusing mainly upon B1(a) uses, but with some B1(b) and B1(c) occupiers.

4.26 A summary of the key events and dates in relation to the development of BBP is set out below:

- 1982 – West Midlands County Structure Plan approved. This contained key policies including those that emphasised the need for economic regeneration and diversification. The principle of releasing peripheral sites for new technology industry was included in the former West Midlands County Structure Plan (1982 and 1986), that proposed the allocation of land close to the M6/M42 junction.
- 1985 – Planning application submitted for BBP which was intended to attract modern high technology industry needed in the sub-region in order to diversify its industrial land portfolio.
- 1986 (June) – Following a Public Inquiry, the then Secretary of State for the Environment granted outline permission for BBP subject to conditions. These conditions included a restriction on BBP occupiers to be 'new technology companies' only (condition 4).
- 1986 (December) – approval of 'Planning Support Document' (required by condition 18) which set out BBP's 'Master Plan Concepts and Proposals'. This was subsequently supplemented by 'the BBP Master Plan Document'. The key principles related to the

creation of a high quality landscaped parkland environment including central water feature, the creation of a single major entrance into the Park from Northway Roundabout with a central loop road and pedestrian access, and a landscaped area.

- 1988 (May) – The first phases of BBP were completed including infrastructure, roads, landscaping and approximately 10,000 sq. m (107,600 sq. ft) of buildings.
- 1990/91 - revised consent was issued for high quality Industrial, R&D and Offices. The approved car parking ratio was 1:30 sq. m., now 1:25-1:30 sq. m. on a voluntary basis.
- 2003 – Planning permission was granted on 12 June 2003 for works including engineering operations to create low mounds to raise the land by between 1 – 3.5 metres, with additional landscaping on part of the land the subject of this current outline application. The formalisation of a footpath link to Coleshill Heath Road was also approved, together with a new football pitch. This consent has been implemented.
- Up to 2006 – Subsequent reserved matters approvals for Class B1 units. To date, approximately 130,000 sq. m (1.4m sq. ft) of floorspace has been built at BBP.
- An outline application was registered with Solihull MBC on 27 November 2006 for expansion and regeneration proposals for the Park. This was refused on 31st July 2007.

What has driven this?

4.27 BBP initially received planning consent in 1985. This was the first business park of its kind in the West Midlands and was approved in response to the need to diversify the West Midlands economy which was undergoing significant structural decline, particularly in the manufacturing sector. Birmingham Business Park offered the potential to widen employment opportunities and compete for new inward investment with the south-east region.

How has the site influenced other developments?

4.28 BBP became the premier business park in the West Midlands and subsequently became the catalyst for further out of town parks along the M42 including Blythe Valley Park by demonstrating the potential of the area as a high quality office/business location.

Market context at the time

4.29 Over the past 20 years BBP has continued to provide and speculatively build Grade A office premises and, to date, over 139,350 sq. m. (1.5 million sq. ft) has been constructed.

How have 'out of centre' developments affected 'in centre' developments?

4.30 Historically, the Professional and Financial Services sector has remained in Birmingham City Centre, but Birmingham Business Park has attracted footloose enquiries including IT, Manufacturing HQs and High Technologies.

How has the City Centre responded to this?

4.31 The city continues to attract the professional and financial services, but is higher in terms of overall occupational costs.

Blythe Valley Business Park

4.32 Blythe Valley Business Park is situated at Junction 4 of the M42, Solihull. It is a 69 ha site (32 ha net developable) with direct access from Junction 4 of the M42. The site is surrounded by open countryside and is within 13kms of Birmingham International Airport and Railway Station.

History

4.33 The site is owned by British Land and there is a total capacity of 111,500 sq. m (1.2m sq. ft) on site. Planning application reference: WMR/P/5108/223/22 for top quality industrial, research and office uses Class B1. Approved 11 April 1995.

4.34 Reserved Matters planning application (2000/1861) for 6,503 sq. m (70,000 sq. ft) office block was approved in November 2000.

4.35 The site had outline consent for 111,480 sq. m (1.2m sq. ft) of B1 space. An additional 74,322 sq. m (800,000 sq. ft) is proposed on Phase II. Circa 55,742 sq. m (600,000 sq. ft) has been built to date, the majority of which is occupied.

What has driven this, how has it influenced other developments and market context.

4.36 Development activity has been driven by planning policy, a shortage of City Centre sites ready for development, motorway and air links, a strong labour pool, and specific requirements to be within a business park environment with high parking provision. The development was set up to seek to attract major corporate occupiers.

4.37 Principal occupiers include:

- Arup – relocated from Edgbaston, Birmingham. Preference to occupy accessible greenfield site where they could construct an environmentally friendly building.
- British Gas – relocation from central Solihull due to limited land availability in centre.
- Oracle – expansion from southeast. Required greenfield business park location offering expansion capabilities and good motorway / air links.
- Cameron Taylor – engineers who represented developers of park.
- Reed Smith – relocation from central Coventry. Required business park location easily accessible from London and Birmingham Airport.

4.38 The location experienced high levels of demand from inception in 1998 until 2002. Demand has been muted since 2002 resulting from economic conditions with limited inward investment, high availability on the wider M42 and some occupiers' current preference for more sustainable City Centre locations.

4.39 Many of the park occupiers are inward investors to the region. It is questionable whether these occupiers would otherwise have located to central Birmingham, if the park had not been developed, or would have favoured an alternative motorway orientated development situated elsewhere in the UK.

How have 'out of centre' developments affected 'in centre' developments?

4.40 Out of town developments have had an adverse effect on demand in the City Centre due to increased choice of office product for occupiers. This has lead to lower levels of speculative and pre-let development in the City Centre and a divergence of some occupiers to alternative locations.

How has the City Centre responded to this?

4.41 Birmingham City Centre has responded by bringing forward development sites within a 1 mile radius of the traditional core, capable of supporting low density lower rise development in an urban business style environment. Certain footloose occupiers which historically would have only considered out of town sites are now focussing on City Centre locations.

Quinton Business Park, Birmingham

4.42 Currently, in Phase I 4,645 sq. m (50,000 sq. ft) has been completed and sold. In Phase II 4,645 sq. m 50,000 sq ft has been constructed, 929 sq. m (10,000 sq. ft) building has been let and sold, and 2,787 sq. m (30,000 sq. ft) building has been half let (including new corporate headquarters of St Modwen). In Phase III; 4,645 sq. m (50,000 sq. ft) was completed in 2006. Total 17,651 sq. m (190,000 sq. ft).

Occupiers

- Fluor
- Genesys
- Wates Construction
- Serco
- St Modwen
- Highways Agency
- RPS

History

4.43 A Development agreement was drawn up in 1994, and the site was acquired following a Planning Inquiry in 1999. An outline application was submitted in July 1995 but refused by the Council. It was subsequently approved at Appeal for B1 uses.

4.44 The reserved matters application was approved in 2005 with conditions. In the 2001 UDP the area was allocated as an industrial site and environment area. In 2005 it was allocated as open space with an industrial area.

4.45 In order to decrease reliance on the private car and encourage the use of public transport, one of the conditions of the consent was to promote sustainable travel related to the site.

4.46 There have not been any changes of use at the Business Park.

What has driven this?

4.47 Development activity has been driven by the planning approval coupled with a shortage of development sites and poor quality existing buildings in the Edgbaston / South West Birmingham area.

How has the site influenced other developments?

4.48 Quinton Business Park has had a negative impact on other out of centre developments in less accessible locations, such as Parklands Business Park (Rubery) which has had a 1,858 sq. m (20,000 sq. ft) building standing vacant for almost 3 years.

Market Context at the time

4.49 There were a number of footloose requirements in the market needing good motorway access, such as Serco. Due to traffic congestion a number of City Centre occupiers do not wish to travel in to Birmingham City Centre, and Quinton, which is on the way to the City Centre, is seen as a viable alternative.

How have 'out of centre' developments affected 'in centre' developments?

4.50 Out of town developments have had an adverse effect on the City Centre especially the Edgbaston market. This has reduced demand for office accommodation.

How has the City Centre responded to this?

4.51 The Edgbaston office market has speculatively refurbished a number of buildings to offer better quality accommodation.

Conclusions

4.52 The comparison of the Birmingham in town and out of town market highlighted that planning policy directs office developments generally towards in centre locations apart from major campus style developments with good public transport connections.

4.53 Take up of office space has been strong since the mid 1990's and there is significant pipeline development both in centre and out of centre.

4.54 The offer is different in both locations with market trends predominantly for professional, financial and business services in the City Centre and largely IT, telecoms, utilities and business support services out of town.

4.55 Prime rents are higher in town while secondary rents are on much of a par in both locations. Yields in the centre are lower.

4.56 The case studies highlighted the key drivers of these out of town office developments as being: footloose firms such as IT, manufacturing and high tech wishing to locate there; lower overall occupation costs; planning policy; shortage of readily available City Centre sites and/or poor quality existing buildings; motorway and air links, availability of labour, specific requirements to be within a business park environment with high parking provision.

5. REGIONAL MARKETS – THE BLACK COUNTRY

The Black Country

Geographical Description of Market

5.1 *In Town* – Town centres in the Black Country include Dudley, West Bromwich, Oldbury, Wolverhampton and Walsall.

5.2 *Out of Town* – This area includes Junctions 1 and 2 of the M5, Junctions 9 and 10 of the M6, and Junctions 1 and 2 of the M54.

5.3 While Merry Hill is recognised in planning policy as being a strategic centre, the office agents refer to it as out of centre as it is not seen as being in a traditional centre. Thus in this work we have referred to Merry Hill Office development as out of centre.

Planning Policies influencing market

In Town

5.4 One of the policy documents influencing this area is the Walsall UDP 2005. Policy S1 in this UDP refers to town centre uses which include A2 and B1a uses. B1 offices and other uses which do not attract large numbers of visits from members of the public need not necessarily be close to the heart of a centre, but they should still have good pedestrian access to the centre's facilities and public transport links.

5.5 In Dudley, the Dudley UDP 2005 is the main guiding force, particularly Policy Ee4 on Office Development. The Council will promote appropriately scaled high quality office and business development in the town centres of Dudley, Stourbridge and Halesowen as defined on the Proposals Map.

5.6 The Sandwell UDP 2004 promotes office development in town centres.

5.7 The Wolverhampton UDP 2006; particularly Policy B6 regarding Offices, promotes the Wolverhampton City Centre which will provide the main concentration of office employment and will be the primary location for major new office development proposals. Office development of an appropriate scale will also be encouraged in the following locations:

- Identified key sites within the Stafford Road Corridor;
- Bilston Town Centre and Wednesfield Village Centre;
- District and Local Centres.

5.8 The draft Phase One Revision of the Black Country Study focuses on town centre development through policy UR1A proposing that B1a development should mainly be located in the four strategic centres of Wolverhampton, Walsall, West Bromwich and Brierley Hill/Merry Hill.

Out of Town

5.9 The Walsall UDP 2005 states that any out of centre or edge of centre developments must accord with the sequential approach.

5.10 The Wolverhampton UDP identifies that office development in other locations (ie. Outside centres and the Stafford Road corridor) will only be permitted where:

- the development is compatible with adjacent uses and is consistent with Policy B5 (Design Standards);
- it is ancillary to an existing or proposed production or storage / distribution use; or
- development will result in the retention of a building or group of buildings of architectural or historic interest or
- a need has been identified and a sequential approach to site selection has shown that an edge of centre or out of centre site is the sequentially preferred location; or
- there are no other suitable locations
- in or adjacent to a defined centre and the proposal will meet an identified local need as set out in Policy SH9.
- In such circumstances the site should be accessible by a choice of modes of travel
- including public transport, walking or cycling.

5.11 According to the Dudley UDP 2005, any other locations for out-of-centre appropriately scaled office development will only be considered acceptable where:

- no other suitable locations can be found in or near the town centre;
- the site is accessible by a choice of travel modes including public transport, walking and cycling;

- the development can create a high quality environment; and
- the development contributes to providing an appropriate mix of uses, including care facilities.

5.12 The Sandwell UDP 2004; in particular, Policy E2: Business Zones states that commercial and public offices, falling within Class B1 (a), will not be permitted in out-of-centre locations unless it can be demonstrated that there are no suitable sites available in, or on the edge of, established town centres and that the proposed location has a high degree of public transport accessibility.

Stock

5.13 *In Town* – The total stock is 1,243,000 sq. m (4,078,034 sq. ft) in the areas of Dudley, Sandwell, Walsall and Wolverhampton added together. (Source: DCLG Commercial and Industrial Floorspace and Rateable Value Statistics 2006 – 2005 Revaluation)

5.14 *Out of Town* – There is stock of circa 130,064 sq. m (1,400,000 sq. ft) located to the south of Wolverhampton, and around Junction 2 of the M5, and Merry Hill.

Size and Type of market

5.15 *In Town* – This market predominantly is focused upon 1960's/70's buildings with limited, if any, new office development.

5.16 *Out of Town* – The market is characterised by a range of business park developments, the first of which was The Waterfront at Merry Hill where office space was first delivered in 1990, subsequently followed by Pendeford Office Park on the outskirts of Wolverhampton.

Market Trends

5.17 *In Town* - A wide range of local and regional financial and business services occupiers are represented within the various town centre locations.

5.18 *Out of Town* - The availability of better specified buildings with larger floor-plates attracted a number of Government Departments and major financial services companies to the Waterfront in the early 1990's. Call centre businesses were attracted by the availability of low cost accommodation and strong local demographics.

Under construction

5.19 *In Town* - No notable office buildings are currently under construction on a speculative or pre-let basis.

5.20 *Out of town* - Trinity Court at Wolverhampton Business Park (4,645 sq. m or 50,000 sq. ft) is nearing completion, with only circa 743 sq. m (8,000 sq ft) not pre-let. There is 94,200 sq. m (1.01m sq. ft) in Dudley, Sandwell, Walsall and Wolverhampton added together. (Source: Tyms Regional Centres Study and Wolverhampton figures taken from Wolverhampton City Centre and Stafford Road Corridor Investment Masterplan, 2007).

Pipeline

5.21 *In Town* - There is 56,400 sq. m (607,085 sq. ft) with planning consent in Dudley, Sandwell, Walsall and Wolverhampton Centres (Source: Roger Tyms Regional Centre Report) and Wolverhampton City Centre and Stafford Road corridor implementation masterplan. This is likely to be added to by proposals in Wolverhampton City Centre and Walsall.

5.22 *Out of Town* – Approximately 74,000 sq. m (800,000 sq. ft) at locations such as i54, Junction 10 of the M6 (Tempus 10), and Wolverhampton Business Park.

Rental Values

5.23 *In Town* – The rental value in town is £10.00 per sq ft, as a reflection of the current available stock.

5.24 *Out of Town* – The rental out of town is typically £16.00 - £17.00 per sq. ft.

Yields

5.25 *In Town* – Yields are 6-7%.

5.26 *Out of Town* – Yields are 5.5-7%

Case Studies – Out of Town Office Locations

The Waterfront, Merry Hill/Dudley

5.27 This is a collection of sites, rather than a single entity. It has relatively poor highway links, but good public transport links. It consists of an array of existing industrial and B1 occupiers, derelict vacant sites, retail and residential areas.

Occupiers

- Revenue and Customs (formerly Inland Revenue)
- Lloyds TSB
- Egg Banking (Prudential)
- Child Support Agency
- West Midlands Ambulance Service NHS Trust

History

5.28 Merry Hill is predominantly a retail area. B1a offices are included as part of the Waterfront Business Park development. Merry Hill/Brierley Hill is a unique location for offices in terms of the Black Country, attracting office development that would not normally consider the other three centres.

5.29 Brierley Hill Implementation Strategy (August 2006) - The Waterfront West Business Park is comprised of low rise buildings of relatively modest construction and short build-life. Originally intended for 'clean' industrial uses, a number of the units have already been occupied by more intensive office/education activities. This area is appropriate for redevelopment for more intensive, higher specification office buildings of the type found in the main Waterfront development.

5.30 The area to the north of Waterfront beyond the rail line (known as Harts Hill) is a long established industrial area now characterised by a degraded environment and ageing buildings. The regeneration of this area, as part of the Central Employment Zone within the Arc of Opportunity, is already a priority for the Council (as identified in the recently adopted Unitary Development Plan). With the implementation of Midland Metro (a stop will be located immediately adjacent) the potential for investment in this area will significantly increase and comprehensive upgrading for higher value business uses is sought.

5.31 There are areas of retail warehousing, most notably to the south of the Boulevard, which may be candidates for redevelopment before 2031. High value uses, including new office floorspace, are expected in this location in due course. This Strategy states that if more ambitious office growth is required in this area, there is sufficient flexibility in the Masterplan to respond.

What has driven this?

5.32 The Waterfront emerged as a speculative, office-led, mixed use scheme following the development of the Merry Hill Shopping Centre in the early 1990's, falling within the Round Oak Enterprise Zone.

How has the site influenced other developments?

5.33 From an office market perspective, The Waterfront had a notable effect on the Dudley office market, where limited activity occurred and rental levels remained static over a 10 year period.

Market Context at the time

5.34 The office market throughout the region was in recession in the early to mid 1990's, but the Waterfront offered large scale, brand new office accommodation on a low cost basis, with additional Enterprise Zone benefits. This resulted in the scheme attracting a number of Government Department relocations and major financial service sector occupiers focussed on low occupation costs and a pool of low cost labour.

How have 'out of centre' developments affected 'in centre' developments?

5.35 Over time, The Waterfront effectively led the way in creating the Black Country Office market, where traditionally, the service sector had been significantly outweighed by industry.

How has the City Centre responded to this?

5.36 Speculative and pre-let office development has more recently taken place at Castle Gate Park on the edge of Dudley town centre.

Swallowfield Courtyard

5.37 This site is at Birchley Island, Junction 2 of the M5 in Oldbury, Sandwell.

Occupiers

- Centrica
- Solo Service Group
- Broughton Financial Planning

History

5.38 This site was originally Birchley Playing Fields, Wolverhampton Road. It is proposal site M7 allocated for leisure and B1, B2 and B8 uses. The planning application reference DC/01/38494.

5.39 Permission was granted subject to conditions for 3 landmark office buildings with associated car parking and landscaping in May 2002.

What has driven this?

5.40 The increase in demand for office business parks immediately accessible from motorway junctions. Further development followed the pre-let of 10,219 sq. m (110,000 sq. ft) to Centrica.

How has this site influenced other developments?

5.41 The pre-let to Centrica enabled a courtyard scheme to be developed providing self-contained office premises to local business, bringing jobs into the Oldbury area.

Market context at the time

5.42 Swallowfield was kicked started by the Centrica pre let in 2002, at which time the demand for the freehold small courtyard schemes were becoming popular through the increase in Self Invested Personal Pensions and other investor vehicles. The first phase of the courtyard scheme was all prelet or pre sold prior to practical completion.

How have 'out of centre' developments affected 'in centre' developments?

5.43 The occupiers moved from within the Black Country including Dudley and Wolverhampton.

How has the City Centre responded to this?

5.44 The City Centre has not been able to compete in respect of offering self-contained freehold premises. However, competing business parks offer freehold opportunities in terms of Grade A office premises. Very little standing stock is available in the vicinity of Oldbury.

Wolverhampton Business Park

5.45 Wolverhampton Business Park is a relatively small site of 29.65 acres (12 ha) gross, 24.7 acres (10 ha) net owned by B & R Properties on the northern fringes of Wolverhampton, adjacent to Junction 2, M54. This site's development stems from the mid 1980's when the site was removed from the green belt. Development stalled until the mid 1990's due to the costs of upfront infrastructure. Surrounding uses include the motorway, residential and industrial space.

Occupiers

5.46 Persimmon Homes, Alfred McAlpine, Edeus, Bromford Housing Group, ODPM, Games Media, CIS Insurance, KGJ Insurance

History

5.47 Development activity in the Black Country sub region is focused upon B2 and B8 development with a relatively small proportion of land developed for B1 space. Policy B3 of the Wolverhampton UDP (2003) allocated Wolverhampton Business Park as a Business Development area.

- Original outline consent for 32,800 sq m (353,056 sq. ft) B1 with or without hotel (1993).
- Detailed consent granted for 2,800 sq m (30,139 sq. ft) offices, hotel, public house and health and fitness centre (all implemented).
- Application submitted for further B1 development.
- Masterplan for site adopted by Wolverhampton CC.
- Consent for high technology B1 business park.

What has driven this?

5.48 An existing client owned 12.14 ha (30 acres) of land immediately accessible from Junction 2 of the M54. Following receipt of outline planning consent for 41,806 sq. m (450,000 sq ft) for a mixed use development, a pre let to Esporta was agreed in 1998.

How influenced other developments?

5.49 Wolverhampton Business Park was the second out of town location on offer in Wolverhampton behind Pendeford Office Park. These parks offering an alternative to the largely 60's and 70's office buildings in the City Centre, providing office premises of a higher specification and ample car parking.

Market Context at the time

5.50 Following the pre let to Esporta, Whitbread Inns agreed to develop a pub and hotel to the front of the site providing the amenities on site to act as a catalyst for the speculative build of the first phase of offices providing 2,787 sq. m (30,000 sq. ft) over 2 buildings, known as Venture Court. Following the success of Venture Court the developer proceeded with Charter Court offering 2,787 sq. m (30,000 sq ft) over 3 buildings. The next phase of development Trinity Court will offer 4,645 sq. m (50,000 sq ft) over 3 buildings. In addition the ODPM have taken a pre-let of 2,787 sq. m (30,000 sq. ft).

How have 'out of centre' developments affected 'in centre' developments?

5.51 The majority of occupiers have been footloose requirements with several occupiers seeing the benefits of being located out of centre.

How has the City Centre responded to this?

5.52 Wolverhampton City Centre is going through a period of regeneration. In the coming years the centre will be able to compete with the Out of Town options offering Grade A office accommodation with good public transport links. 186,000 sq. m (just over 2m sq. ft) is the target in the Black Country Study to 2031.

Conclusions

5.53 The comparison of the Black Country in town and out of town market highlights that most recent development has taken place out side of centres. This is due to a number of reasons including lower quality city centre accommodation and a more general poor environment in centres. The Black Country Study is seeking to reverse this trend and is directing office developments towards in centre locations where there is a far higher amount of stock.

5.54 The offer is different in both locations with market trends for local and regional financial and business services in town and the availability of larger buildings out of town has attracted Government departments and major financial services firms. Call centre

businesses were attracted by the availability of low cost accommodation and strong local demographics.

5.55 In town rental values are significantly lower than out of town, due to limited current available stock in centres: Yields out of town are lower, reflecting the better quality premises in these locations.

5.56 The case studies highlighted the key drivers of these out of town office developments as being: low occupation costs and a pool of low cost labour; increase in demand for office business parks immediately accessible from motorway junctions. The Waterfront scheme effectively led the way in creating the Black Country office market, where traditionally, the service sector had been significantly outweighed by industry.

5.57 Specifically in the Black Country, these out of centre developments offer an alternative to the largely 60s and 70s office buildings in the City Centres, providing office premises of a higher specification.

6. REGIONAL MARKETS - COVENTRY

Coventry City Centre and Coventry Business Parks

Geographical Description of Market

6.1 *In Town* - Central Coventry includes areas within the Inner Ring Road and including Parkside to the south on the ring road.

6.2 *Out of Town* – The Coventry out of town area includes the Coventry business park on the A45, Binley Business Park on the A46, Walsgrave Triangle on the A46, and Prologis Park on Junction 3 of the M6.

Planning Policies Influencing Market

6.3 *In Town* – Coventry planning issues are influenced by the Coventry Development Plan 2001 particularly Policy E5 - Office Development.

6.4 Proposals for the development or expansion of business offices will be permitted subject to:

- compatibility with nearby uses;
- accessibility by a choice of means of transport; and
- compatibility with other Plan policies.

6.5 Proposals will be encouraged within or immediately adjacent to the City Centre, the Major District Centres or sites which are or can be made highly accessible by public transport.

6.6 *Out of Town* - The Development Plan states that the focus has switched from developments such as Westwood Business Park and Binley Business Park to the City Centre.

Stock

6.7 *In Town* – There is 594,000 sq m (6,393,763 sq. ft) in the city central area. (Source: DCLG Commercial and Industrial Floorspace and Rateable Value Statistics 2006 – 2005 Revaluation).

6.8 *Out of Town* – There is 300,000 sq m (3,229,173 sq. ft) in out of town areas.

Size and Type of market

6.9 *In Town* – This is a mature City Centre market incorporating low and high density development typically in buildings of up to 40 years old. The vast majority of stock is secondary or tertiary.

6.10 *Out of Town* – A business park market; incorporating low rise low density development with high parking provision.

Market Trends

6.11 *In Town* – The occupational market is predominantly local professional and business services. Large proportion of public sector and educational occupiers. An indigenous market which experiences limited inward investment within Centre Cores due to the lack of a good quality product.

6.12 *Out of Town* – The occupational market is largely IT, telecoms, utilities, call centres and business support services. Major finance sector occupiers including HSBC and Barclays. Experienced high historic levels of inward investment due to proximity to London, low occupational costs and availability of land.

Under Construction

6.13 *In Town* – There are no buildings currently under construction.

6.14 *Out of Town* – None known.

Pipeline

6.15 *In Town* – There is in excess of 185,873 sqm (2m sqft) with outline planning consent.

6.16 *Out of Town* – A total of approximately 152,974 sq. m (1,646,612 sq. ft) with outline planning consent including Prologue Park, Ansty UK and New Century Park.

Rental Values

6.17 *In Town* – Rental values are £15 per sq ft (£161.48 per sq. m) for prime accommodation and £7-10 per sq ft (£75.35 - £107.64 per sq. m) for secondary.

6.18 *Out of Town* – Rental values are up to £17 per sq ft (£182.99 per sq. m) for prime accommodation and £14 per sq ft (£150.69 per sq m) for secondary.

Yields

6.19 *In Town* – Yields are 5.5% for Prime and 6.5% for Secondary.

6.20 *Out of Town* – Yields are 5.5% for Prime and 6.5% for Secondary.

Case Studies – Out of Town Office Locations

Binley Business Village, Coventry

Occupiers

6.21 The Chamber of Commerce, Warwick University, and Oak Medical Group.

History

6.22 Coventry Development Plan 2001 allocates this site as a principal employment site. Binley Business Park was given consent for class B1 development.

What has driven this?

6.23 Development activity has been driven by planning policy coupled with a shortage of City Centre development site and poor quality existing buildings.

How has it influenced other developments?

6.24 Binley Business Village has attracted existing small and medium size companies, predominantly from within Coventry. The success of Binley has stunted the growth of other business parks in the area, especially Middlemarch Business Park.

Market context at the time

6.25 The location experienced a high level of demand from the early 1990's until 2002. In recent years this demand has muted due to competition from other new developments such as Oak Court and Coventry University Technology Park.

How have 'out of centre' developments affected 'in centre' developments?

6.26 Out of town developments have had an adverse effect on the City Centre and have reduced demand for office accommodation. This lead to an under investment in City Centre office development and a reduction in speculative a pre-let opportunities.

How has the City Centre responded to this?

6.27 The City Centre has now brought forward a number of redevelopment sites including 185,806 sq. m (2,000,000 sq. ft) of office accommodation at Friars Gate.

Westwood Business Park, Coventry

Occupiers

6.28 Barclays, TUI, Eon, Cable and Wireless and RICS.

History

6.29 Coventry Development Plan 2001 allocates this site as a principal employment site. Westwood Business Park was granted permission under an open B1 consent.

What has driven this?

6.30 Development activity has been driven by planning policy coupled with a shortage of City Centre development site and poor quality existing buildings.

How influenced other developments?

6.31 Westwood Business Park has focused in attracting large occupiers from outside the area. As a result of this other developments such as Binley and Middlemarch have been forced to focus on attracting smaller occupiers.

Market context at the time

6.32 The location experienced a high level of demand from the early 1990's until 2002, due to Westwood being able to satisfy large requirements. In recent years this demand has muted due to competition from other developments such as Abbey Park Stoneleigh and new edge of City Centre development sites such as Parkride/Coventry University Technology Park.

How have 'out of centre' developments affected 'in centre' developments?

6.33 Out of town developments have had an adverse effect on the City Centre which has experienced reduced demand for office accommodation. This lead to an under investment in City Centre office development and a reduction in speculative a pre-let opportunities.

How has the City Centre responded to this?

6.34 The City Centre has now brought forward a number of redevelopment sites including 185,806 sq. m (2,000,000 sq. ft) of office accommodation at Friars Gate.

Recent Transaction - The Budget Group

6.35 The Budget Group is an insurance company call centre specialising in motorbikes.

Requirement

6.36 The requirement was for 2,323 – 2,787 sq. m (25,000 – 30,000 sq. ft)

What drove this requirement?

6.37 Relocation from existing out dated accommodation in the City Centre, to slightly larger and better quality accommodation.

Search Area

6.38 The search area included Coventry, M42 corridor and Warwick with a focus on central Coventry.

Number of Employees

6.39 The Budget Group has 250 employees.

Change over time

6.40 The size of the requirement has stayed the same over time. The search area began with just Coventry. When the tenants became agent represented the search area widened; and then focused on two options in Coventry.

Where did the occupier end up?

6.41 Budget eventually acquired a 2,787 sq. m (30,000 sq. ft) self-contained building at Parkside Business Park. This building is within a 10 minute walk of the City Centre. Parkside provides some of the benefits you would expect from a business park, i.e good car parking, but is close to the amenities expected from a City Centre.

Other comments

6.42 Budget is South African owned. From a staff retention viewpoint Budget wish to stay in central Coventry, subject to finding suitable accommodation.

Conclusions

6.43 The comparison of the Coventry in town and out of town market highlighted that planning policy is now switching away from developments such as Westwood Business Park and Binley Business Park to City Centre developments. There is more stock in the city central area although much of it is dated.

6.44 The offer is different in both locations with market trends for predominantly local professional and business services, public sector and educational occupiers in town and largely IT, telecoms, utilities, call centres and business support services out of town. Major finance sector occupiers such as HSBC and Barclays have also located out of town.

6.45 In town prime rental values are slightly lower than out of town and secondary out of town rents are double the in town secondary rent. Yields are the same in both locations.

6.46 The case studies highlighted the key drivers of these out of town office developments as being: planning policy, shortage of City Centre development sites and poor quality existing buildings.

6.47 It is interesting to note that Binley Business Village has attracted existing small and medium size companies, predominantly from within Coventry, and has stunted the growth of other business parks in the area, especially Middlemarch Business Park. Out of centre development has had an adverse effect on the City Centre and resulted in a fall in demand for office accommodation in Coventry.

7. REGIONAL MARKETS - WARWICK

Geographical Description of Market

7.1 Warwick is a historic market town accessible from Junctions 13, 14 and 15 of the M40. The town benefits from two railway stations providing access to the national railway network offering quick links to Birmingham and London.

Planning Policies Influencing Market

7.2 The Warwick District Local Plan 2005 states that most development will be directed to the four main towns of Warwick, Leamington Spa, Kenilworth and Whitnash. Policy TCP 12 promotes the use of upper floors in town centres for offices.

7.3 POLICY UAP2: Directing New Employment Development states that major office development (use class B1(a)) will be permitted on previously-developed land within the town centres subject to the policies of the Town Centres Chapter. In all other circumstances, major office development will not be permitted unless there are no sequentially preferable sites or buildings, and the development accords with criteria b) to e) below. Employment development for small scale offices, research and development and light industry (B1) will only be permitted on previously-developed land in the following locations:- a) within town centres subject to the policies within the Town Centres Chapter; b) within established employment areas; c) within the upper floors of units in local shopping centres; d) within sites allocated under Policy SSP1; or e) adjacent to public transport interchanges or corridors as defined on the Proposals Map, in locations which are also highly accessible by walking and cycling.

Stock

7.4 *In Town* – There is stock of 373,000 sqm (4m sq. ft). (Source: DCLG Commercial and Industrial Floorspace and Rateable Value Statistics 2006-2005 Revaluation).

7.5 *Out of Town* – There is stock of 92,903 sqm (1,000,000 sq ft) consisting of Tournament Fields, Warwick Technology Park, Tachbrook Park and Opus 40.

Size and Type of Market

7.6 The Warwick market is largely made up of 4 principal business parks offering on the whole Grade A office premises. These are Tournament Fields, Warwick Technology Park, Tachbrook Park and Opus 40.

Market Trends

7.7 The market is characterised by the footloose relocations such as NGT to Warwick Technology Park providing 18,581 sq. m (200,000 sq ft) for immediate occupation. In May 2007 Telent signed to move from Coventry to Opus 40; providing 7,943 sq m (85,500 sq ft). Majority of occupiers searching for new premises are professional services and manufacturing.

Under Construction

7.8 *In Town* – None.

7.9 *Out of Town* – There are commitments of 54,200 sq m (583,404 sq ft). The phase 3 building at Opus 40 is currently being refurbished for the occupation of Telent.

Pipeline

7.10 *In Town* – Commitments with planning consent currently 3,000 sq. m (32,292 sq ft).

7.11 *Out of Town* – Total of 298,000 sq. m (3,200,000 sq. ft) including Tournament Fields, Opus 40, Warwick Gates, Tachbrook Park, Warwick Technology Park.

Rental Values

7.12 *In Town* – Rental values are £12 to £14 (£129.17 - $150.69 per sq m).

7.13 *Out of Town* – Rental values are £15 to £18 (£161.46 - £193.75 per sq m).

Yields

7.14 *Out of Town* – Yields are between 5.5% and 7.5%.

Case Study – Out of Town Office Location

Warwick Technology Park

Occupiers

7.15 NGT, McKesson, National Grid Wireless, Severn Trent Water, Accenture, Supporta, 1st Software, Smith & Nephew, Conoco Philips, and Allianz Medical.

History

7.16 This site was allocated as Warwick Technology Park. It was originally given consent for high technology uses, but this has later been amended to a general B1 consent.

What has driven this?

7.17 High Technologies emerging in the late 80's.

How has this influenced other developments?

7.18 The development of WTP did not appear to have any impact on the local market. Thus it can be assumed that if WTP wasn't developed Warwick would have missed out on inward investment.

Market context at the time

7.19 The first occupier on the park was BBC transmission, followed by Severn Trent. The most recent phase of development was the Iceni Centre, developed 6 years ago.

How have 'out of centre' developments affected 'in centre' developments?

7.20 Relocations from:

- London – Conoco, BBC Transmission, Warwickshire Computing
- Redditch – McKesson
- New facility – Severn Trent Water

How has the City Centre responded to this?

7.21 Warwick Town Centre is constrained and does not have the ability to respond by providing new offices.

Conclusions

7.22 The comparison of the Warwick in town and out of town market highlighted that planning policy states that development should be directed to the four main towns. Office development not in centre will not be permitted unless there are no sequentially preferable sites or buildings and it accords with various factors including being an established employment area and close to public transport interchanges. However the reality is that there is a strong out of centre market in Warwick.

7.23 The out of centre offer is predominantly 4 principal business parks and the majority of occupiers searching for new premises are professional services and manufacturing.

7.24 In town rental values are less than out of town reflecting the lesser quality of the stock. There is more stock in town than out of town, but there is a large amount of development in the out of centre pipeline.

7.25 There is massive pent up demand in Warwickshire; which, however, seems to not to see the extent of potential supply adjacent to the M42 as a potential location. This may be due to the area having a stronger relationship to the London/South East than most other West Midlands locations.

7.26 The case study highlighted the key drivers of these out of town office developments as being: the need for a suitable location for high technology and other service based occupiers which the constrained town centre cannot provide. In addition, the M40 corridor is strong and that has resulted in demand for locations in this market.

8. REGIONAL MARKETS - WORCESTER

Geographical Description of market

8.1 *In Town* – Worcester City Centre is a historic cathedral City with only one City Centre vehicular crossing over the River Severn. The office market is dispersed throughout the City Centre area with no 'prime' focal point.

8.2 *Out of Town* - The Worcester out of town market is concentrated between Junctions 6 and 7 of the M5 and surrounding areas (Droitwich/Evesham), with good road access to each junction and reasonable access to the City Centre.

Planning Policies influencing market

8.3 *In Town* – The City of Worcester Local Plan 2004 states offices should be located either in the Central Office Area or in areas allocated in policies E1, E2 and E4.

8.4 *Out of town* - Policy E7 on office development (outside the central office area) states that planning permission will only be granted for office development or for change of use to offices where the sequential approach has been followed and that:

- the development will not involve the loss of a ground floor retail use;
- the development will not jeopardise the balance and variety of services available in its vicinity;
- the development will not involve the loss of a residential use and will not be detrimental to residential amenity;
- the development is well served or has the potential to be served by public transport and is accessible by cycle and foot.

Stock

8.5 *In Town* – Stock of 205,000 sq m. (£2.2m sq ft) (Source: DCLG Commercial and Industrial Floorspace and Rateable Value Statistics 2006-2005 Revaluation).

8.6 *Out of Town* – Stock of circa 32,516 sq. m (350,000 sq ft.)

Size and type of market

8.7 *In Town* – Worcester predominantly has offices within period buildings and/or partially refurbished 1960's and 70's buildings.

8.8 *Out of Town* – The market is characterised by relatively new development which has predominantly been completed since 2000. Well specified buildings which have generally been well received by the market.

Market Trends

8.9 *In Town* - A 'home grown' market with limited scope for inward investment, characterised by local professional and financial services businesses.

8.10 *Out of Town* - Availability of better specified buildings with larger floor-plates has attracted a number of call centre businesses and major occupiers, particularly utilities companies.

Under Construction

8.11 *In Town* - No office buildings are currently under construction on a speculative or pre-let basis.

8.12 *Out of Town* - Wildwood Triangle (circa 3,700 sq m or 40,000 sq ft) has just been completed and included within the Stock figure above. Apex Phase One (circa 2,600 sq m or 28,000 sq ft) is currently under construction.

8.13 Tyms Regional Centres Study notes that there was 8,100 sq m (£87,188 sq ft) out of town as at 2004.

Pipeline

8.14 *Out of town* – Approximately 23,000 sq. m (250,000 sq. ft) focused on High Point and Apex. Worcester Business Park (Spetchley Estates) offers future potential for 36,000 sq. m (400,000 sq. ft) subject to planning.

Rental values

8.15 *In Town* - £12.00 per sq ft (£129,17 per sq m), as a reflection of the currently available stock.

8.16 *Out of Town* - Typically £16.00 per sq ft (£172.22 per sq m).

Yields

8.17 *In Town* – Yields are between 5.5% and 7%.

8.18 *Out of Town* – Yields are between 5.5% and 7%.

Case Studies – Out of Town Office Locations

Kings Court, Worcester

Occupiers

8.19 WS Atkins, Regional Fire and Rescue HQ, and Experian.

History

8.20 The site was formally part of the existing General Hospital next door to the site allocation. The Hospital then sold the area of land as it was no longer required. Due to the former use of the land, it was considered that High Technology use was to be continued on the site, and therefore justification of the site was for B1 use class.

8.21 The Kings Court site was allocated in the 1998 City of Worcester Local Plan as still part of the former General Hospital site.

8.22 The site came forward as a windfall site. A planning application was submitted for Class B1 office development comprising of 3 three storey blocks in November 1998. Planning permission was then granted in November 1999, whilst building regulations showed that the development was completed by July 2000.

What has driven this?

8.23 Kings Court was the first of a new generation of office buildings and the largest speculative office development progressed in Worcester, driven primarily by a lack of suitable accommodation within the City Centre.

How influenced other developments?

8.24 Kings Court was very successful in attracting occupiers very close to practical completion and acted as a catalyst for further 'out of town' office development between Junctions 6 and 7 of the M5.

Market context at the time

8.25 At the time that Kings Court was developed (2002) the only notable out of town office provision comprised three buildings at Apex 6, Junction 6 of the M5 and the former MEB training facility at Whittington Hall, subsequently acquired by Pemberstone Group.

How have 'out of centre' developments affected 'in centre' developments?

8.26 Whilst out of centre developments have been very successful at attracting occupiers, there has not been a particularly adverse effect on the City Centre, which continues to be a focus for more businesses which do not specifically require buildings with large open plan floor plates and immediate motorway accessibility (Estate Agents, Accountants, Solicitors etc.). Out of centre occupiers attracted to this location to date have been particularly footloose and could have considered other locations within the region and beyond – eg Npower, Experian, Siemens etc.

How has the City Centre responded to this?

8.27 The City Centre market has not responded with any specific initiatives (it is constrained for example by topography and historic restrictions); but is, for example, now able to offer fully serviced office accommodation for smaller occupiers, which is not available 'out of town'.

Perdiswell Park, Worcester

Occupiers

8.28 CSCI (formerly NCSC), GCap Media (Wyvern FM), Namesco, British Security Industry Association, and Craegmoor Healthcare.

History

8.29 At present the site is allocated in the City of Worcester Local Plan 1996-2011 as permitted B1 use class.

8.30 The buildings on the site were classified as listed buildings by English Heritage and the previous use before the site became a Local Plan allocation was for residential. Due to the nature of the buildings being listed by English Heritage, Worcester City Council made the justification that the site should be allocated as B1 use class.

8.31 Perdiswell Park was categorised as an opportunity/windfall site. Planning Permission was first received in 1998 for the Change of Use (COU), erection of new buildings for office use application was given planning consent on 11/08/1999. Following the previous application, a revised office development planning application was received in January 2002. Planning approval was subsequently given in April 2002.

What has driven this?

8.32 A location immediately adjacent to the City's north side park and ride scheme, coupled with local leisure amenities. Reasonable access to Junction 6 of the M5 (3 miles) and to the City Centre (2 miles).

How has it influenced other developments?

8.33 Early letting success is perceived to have encouraged Pemberstone to progress speculative office development at Whittington Hall (close to Junction 7 of the M5), which is currently seen as direct competition to the last remaining 557 sq m (6,000 sq ft) suite at Perdiswell Park.

Market context at the time

8.34 There is limited, if any, quality out-of-centre office availability.

How have out of centre affected in centre developments

8.35 It has limited, if any, effect on prevailing stock of City Centre office accommodation.

How has the City Centre responded to this?

8.36 Occupiers for Perdiswell Park relocated from Droitwich, and from within Worcester (but outside the City Centre area – for example, Wyvern FM moved from Barbourne, only 1 mile from Perdiswell). The City Centre has not responded with any specific scheme, however there is the possibility of the Royal Worcester Porcelain mixed use scheme providing high quality office accommodation in the City Centre.

Conclusions

8.37 The comparison of the Worcester in town and out of town market highlighted that planning policy directs office development into the Central Office Area and that development out of these areas must follow the sequential approach. However, the

reality is that the majority of B1a development has taken place out of town. One reason is the limited availability of opportunities in the centre, given Worcester's constraints.

8.38 The offer is different in both locations with relatively new development out of town. Market trends in town are an indigenous market of local professional and financial services businesses. Out of town higher specification buildings with larger floorplates have attracted call centre businesses and for example utility companies.

8.39 In town rental values are lower than out of town reflecting the lack of available stock in town. Yields are the same in both locations.

8.40 The case studies highlighted the key drivers of these out of town office developments as being: lack of suitable accommodation within the City Centre; footloose firms that have also considered locations within the region and beyond; access to park and ride scheme, local leisure facilities and access to M5 and City Centre.

8.41 The view from agents that there has not been much of an adverse effect on the City Centre since it is a focus for smaller businesses which do not require buildings with large open floor plates and immediate motorway accessibility. The City Centre has also responded with specific initiatives such as the Royal Porcelain site offering fully serviced office accommodation for smaller occupiers, which is not available out of town. Worcester will need to identify other potential in centre opportunities (perhaps as part of mixed use developments) in order to help bring development forward in the centre.

9. REGIONAL MARKETS - STAFFORD

Geographical Description of Market

9.1 The market includes Stafford town centre and surrounding areas.

Planning Policies influencing market

9.2 The Staffordshire County Structure Plan (1986-2001) seeks to guide major office developments towards existing larger town centres in the County. This policy recognises the commercial and business function which is provided by a town centre.

9.3 Stafford Borough Local Plan 2001 **(**Policy EMP5 regarding Office Development) states that proposals for office development (Use Classes A2 and B1), whether for new development or change of use of an existing building, will normally be acceptable, within the defined town centre boundaries of Stafford and Stone except at ground floor level where the ground floors of the premises are identified as Core Primary or Primary shopping frontages on the Proposals Map.

9.4 Policy EMP6 B1 (regarding uses in primarily residential areas) states that within a primarily residential area, proposals for B1 uses will be permitted unless the introduction of the use either individually or cumulatively would have a detrimental effect on the character, environment or amenity of the area.

9.5 This Plan makes provision for B1 office development by providing a range of possible locations away from the traditional town centre, to meet a variety of market demands ranging from a small scale development within a mixed used area to opportunities for a major office park. A number of the sites allocated for employment purposes in this plan include B1 as an acceptable use.

Size and Type of Market

9.6 Stafford has a very limited traditional county town office market; the majority of occupiers occupy office accommodation above ground floor retail. There are local authority buildings and purpose built office accommodation next to the station. These buildings date from the 1960's.

9.7 Recent development has been focused on Stafford Technology Park, located two miles north east of the town centre.

Stock

9.8 *Town Centre* - There is a total stock of circa 60,430 sq. m (650,468 sq ft).

9.9 *Out of Town* - There is stock of 55,742 sq. m (600,000 sq. ft).

Market Trends

9.10 The majority of in centre occupiers are local professional and service businesses who have always been based in the town.

9.11 Stafford Technology Park has attracted occupiers from outside the town. The reasons for this are proximity to the M6 and new cost effective accommodation.

Under Construction

9.12 *In Town* – No commitments.

9.13 *Out of Town* – In 2004 there were commitments of 32,900 sq m (£354,133 sq ft) with Planning Permission. (Source: Tyms Regional Centres Study)

Capacity/Pipeline

9.14 Possibly redevelopment of the county councils office building and site in the town centre., also the 10.92 ha (27 acre) St Georges Hospital mixed use development site on the edge of the town centre.

Rental values

9.15 In Town - Rental values are £8 - £14.50 per sq ft (£86.11 - £156 per sq m).

9.16 Out of Town – Rental Values are £14.50 plus per sq ft (£156 plus per sq m)

Yields

9.17 In Town - Yields are from 5.5% to 7.0%.

9.18 Out of Town - Yields are from 5.5% to 7.0%.

Case Study – Out of Town Office Location

Stafford Technology Park, Stafford

Occupiers

9.19 NHS, CSCI, Mortgage Compliance Board, DEFRA, and Staffordshire Police.

History

9.20 The Stafford Local Plan 1998 allocated the site for employment uses. The Park is classified for B1 use – offices and high technology plus some ancillary uses.

What has driven this?

9.21 Development activity has been driven by planning policy coupled with a shortage of development sites and poor quality existing buildings in the town centre.

How has this influenced other developments?

9.22 Stafford Technology Park has reduced the number of other business park developments. The park has a virtual monopoly in the business park market. Beacon Business Park has focused on industrial and distribution which is nearby.

Market context at the time

9.23 When originally developed the technology park was the only out of town office development in Stafford. The park focussed on local and national R&D occupiers, although there was no strict occupation criteria.

How have 'out of centre' developments affected 'in centre' developments?

9.24 These developments (especially the technology park) have moved on the Stafford office market. This has resulted in a lack of investment in the town centre office market and no new developments in recent times.

How has the City Centre responded to this?

9.25 Until now there has been no response from the town centre. The county council currently occupy large outmoded accommodation in the centre. Initial plans have now been drawn up to redevelop this site. There is no further land available for development on the technology park, therefore this should help push any town centre redevelopment forward.

There is also the 10.92 ha (27 acre) St Georges Hospital site on the edge of the town centre, which is close to being approved pending acceptance of the S106 agreement. This is a mixed use scheme including medical, care and nursery facilities with a fairly substantial office component within it comprising a total of 12,906 sq. m (138,869 sq. ft) – 11,502 sq. m (123,762 sq. ft) at Foundation Court and 1,404 sq. m (15,107 sq. ft) at Queensway Court.

Conclusions

9.26 Stafford does not have such a developed out of town office market as the other areas we have studied. Recent development has been focused on Stafford Technology Park, two miles north east of the town centre.

9.27 Planning policy mainly directs office development towards town centres although a range of possible locations away from the town centre are also suggested, to meet a variety of market demands ranging from a small scale development within a mixed use area to opportunities for a major office park.

9.28 The offer is different in town and out of town with the majority of occupiers in the town occupying accommodation above ground floor. The majority of businesses in town are local professional and service firms that have always been based in the town or are public sector occupiers. Stafford Technology Park attracted occupiers from outside the town due to its proximity to the M6 and new cost effective accommodation.

9.29 The case study highlights the key drivers of this out of town office development as being: planning policy, shortage of development sites and poor quality existing buildings in the town centre.

9.30 The Technology Park has a monopoly in the market and has, it is argued, led to a lack of investment in the town and no new developments in recent times.

10. REGIONAL MARKETS - TELFORD AND WREKIN

Geographical Description of market

10.1 The area includes Telford town centre and Junctions 4 and 5 of the M54.

Planning Policies influencing market

10.2 Telford & Wrekin gained Enterprise Zone status between 1984 and 1994. This provided firms with incentives to set up and move there, and encouraged developers and occupiers to build space. The combination of these incentives attracted considerable amounts of foreign direct investment particularly from Japan.

10.3 Telford & Wrekin District Council's planning policies are orientated towards attracting high-value manufacturing occupiers to Telford. There has been growth in the Electrical & Electronic Engineering Industry particularly since the early 1980s due to relocation of Far Eastern firms into the town.

10.4 The Wrekin Local Plan 2000 (Policy TC6 re Office Development) states that proposed office developments within the retail and leisure areas defined on the proposal map will be permitted if they can be accommodated in a way that enables the Council's objectives to create a strong leisure and retail focal point to be realised. The proportion of non-retail frontage should not exceed 25% of the total A1 and A3 use in any development proposal.

Stock

10.5 There is current stock of 237,000 sq m (2.5m sq ft) (Source: DCLG Commercial and Industrial Floorspace and Rateable Value Statistics 2006 – 2005 Revaluation).

Size and type of market

10.6 As a former New Town, Telford does not have defined town centre and 'out of town' office markets. The two markets function together, with the town centre effectively being a motorway junction location.

10.7 The market is dominated by buildings constructed in the early to mid 1990's. These emerged as a glut of speculative development fuelled by the former Enterprise Zone benefits afforded to developers within the town, resulting in significant over-supply of office space over an extended period.

Market trends

10.8 A wide range of local and regional financial and business services occupiers are represented within the Telford area. Inland Revenue and the outsourcing organisation Cap Gemini are major occupiers.

Under Construction

10.9 No notable office buildings are currently under construction on a speculative or pre-let basis.

10.10 Tyms Regional Centres Study identifies office developments with planning permission in 2004 as 10,000 sq m (107,639 sq ft) in centre and 17,800 sq m (191,598 sq ft) out of centre.

Pipeline

10.11 Telford First & English Partnerships are looking to bring forward land adjacent to the Centre South Water for mixed use development which is likely to include office space.

Rental values

10.12 Rental values are between £10.00 and £14.00 per sq ft.

Yields

10.13 Yields are from 5.5% to 7.0%.

Conclusions

10.14 As a former New Town, Telford does not have defined town centre and 'out of town' office markets. The two markets are not clearly distinguishable, with the town centre effectively being a motorway junction location.

10.15 There was an oversupply of office space in the early to mid 1990s when the majority was built fuelled by incentives from the former Enterprise Zone status.

10.16 The vast majority of land in the town is owned by English Partnerships who impose strict development and disposal requirements on sites.

10.17 Mainly local and regional financial and business services firms are represented in Telford.

11. REGIONAL MARKETS – STOKE-ON-TRENT

Geographical Description of market

11.1 The area includes Stoke-On-Trent City Centre; and surrounding areas including Newcastle-under-Lyme and stretching east between the M6 junctions 15 and 16.

Planning Policies influencing market

11.2 Stoke-On-Trent City Local Plan 2001 Policy Ep8: Offices, states that planning permission for office development (A2 and B1) will normally be granted in or adjacent to town centres, except at ground floor premises on identified main shopping frontages.

11.3 In the case of use class B1 development will also normally be granted in employment proposal sites and areas zoned for industrial uses subject to significant office development having adequate access by public transport.

11.4 Outside town centres, large office developments may be appropriate where it is accessible by public transport making a significant contribution to the diversification of the local economy.

Stock

11.5 There is current stock of 294,000 sqm (3,164,590 sq ft) (Source: DCLG Commercial and Industrial Floorspace and Rateable Value Statistics 2006 – 2005 Revaluation).

Size and type of market

11.6 As a former industrial centre, Stoke has historically struggled as an office location although in recent years demand has increased due to the occupational cost economies available and the readily available workforce.

11.7 The Stoke City Centre market is dominated by buildings constructed in the 60's and 70's together with some older converted premises particularly in peripheral locations such as Fenton. Rents have been constrained by the quality of accommodation although significant redevelopment is proposed in Hanley with the East West Shopping centre and Stoke CBD projects which should provide a catalyst for further regeneration.

11.8 The out of town market is dominated by Etruria Valley and Festival Park (32.37 ha/80 acres) which has attracted the majority of the large national and international occupiers over recent years due to the modern nature of the accommodation available.

Market trends

11.9 The City Centre in the most part houses a mix of regional professional organisations such as surveying and legal firms while the out of town market at Festival Park houses occupiers including KPMG, Vodafone and Wardell Armstrong amongst others.

Under Construction

11.10 No notable office buildings are current under construction in Stoke, either on a speculative or pre-let basis.

11.11 Office Developments with Planning Permission, 2004 – 10,600 sqm (114,097 sq ft) out of centre *(Source: Tyms Regional Centres Study)*

Pipeline

11.12 Design and Build opportunities remain at Festival Park whilst significant City Centre office development is likely to come forward through the Stoke CBD scheme in Hanley in the near future.

Rental values

11.13 Rental values are between £12 and £16 per sq ft (£129.17 - £172.22 per sq m).

Yields

11.14 Yields are between 5.5% and 7.0%.

Conclusions

11.15 Stoke-On-Trent planning policy directs office development in or adjacent to town centres, but development may also be permitted outside town centres where it is accessible to public transport.

11.16 Stoke has a limited out of town market which is dominated by the successful Festival Park/Etruria Valley. This development provides new modern accommodation in comparison to the predominantly 60s and 70s properties in the City Centre which is generally of a lower specification/quality. It also has good access to the M6 and A50 and

as a result, has attracted large national and international occupiers such as Etruria Valley includes Vodafone, Royal Mail, Pierce Group and Wardell Armstrong.

11.17 The City Centre market in Stoke is dominated by dated premises and occupied primarily by local or regional professional organisations such as surveying and legal firms. The proposed Stoke CBD scheme is likely to provide a catalyst to regenerating the City Centre and providing better quality office accommodation.

12. OCCUPIER SEARCH PATTERNS

12.1 This chapter provides a summary of recent occupier search patterns within the West Midlands Region for most of our identified regional markets. They help to identify specific trends in occupational decision making.

Birmingham

Company Name	Forensic Science Service	Serco	Enterprise Inns	Cyril Sweett
Company Description	-	Outsourcing organisation, predominantly for Government occupiers	Pub Company	
Requirement	6,506 sq. m (70,000 sq. ft)	2,788 sqm (30,000 sq. ft) for an administration, research and development and traffic monitoring centre	3,159 sq. m (34,000 sq. ft) of prime offices	558 – 743 sq. m (6,000-8,000 sq. ft)
Requirement Driver	Company expansion and desire to consolidate all functions into a single building	The requirement was initiated by a Highways Agency contract and necessitated the chosen building being situated immediately adjacent to the motorway, partly due to fibre-optic connectivity	The client was expanding, and needed to consolidate two offices. Important factors in the relocation were; proximity to existing offices, high parking provision, and a new self-contained freehold building within a business park environment.	To relocate from 465 sq. m (5,000 sq. ft) in the City Centre to accommodate their growing Birmingham operation.
Search Area	West Midlands	M5 and M6 Motorway corridors	The company searched within a 6 mile radius of their existing premises which	Birmingham City Centre

			were situated in an out of town Solihull location.	
Number of Employees	400	150-200	240	60
Change To Requirement Over Time	No change	Serco changed their focus to the M5 Junctions 2 and 3 only	The original requirement amounted to 1,858 – 2,788 sq. m (20 – 30,000 sq. ft) The requirement settled at 3,159 sq. m (34,000 sq. ft) which was the floor area of the building acquired.	The initial search was to remain in the City Centre however it changed to provide Grade A specification within a 1 mile radius of City Centre.
Where did Occupier end up?	Units 6290, 6270, and 6280 at Birmingham Business Park were selected for their relocation	Quinton Business Park, Junction 3 of the M5	Solihull Business Park, which is within 1 mile of J4 M42 and within 0.5 miles of the occupier's former offices.	Fort Dunlop
Other Comments	This company chose to relocate into a non-City Centre location due to reasons of availability and needing to easily alter the accommodation to a laboratory		The location of the existing offices and Directors homes were a fundamental driver of location.	Cyril Sweett moved to an out of town location which could provide Grade A premises at low occupational costs and a suitable car parking provision of 1:35 sq. m (380 sq. ft).

12.2 The recent transactions note the need to expand, availability of premises, specific needs for the accommodation, proximity to motorway and fibre optic cabling, high parking provision, location of existing offices and Director's homes as requirement drivers.

Black Country

Company Name	Bromford Housing Group	Centrica
Company Description		Utilities Company
Requirement	1,394 sq. m (15,000 sq. ft) freehold offices, close to Wolverhampton.	The requirement was for 10,223 sq. m (110,000 sq. ft) for a West Midlands customer contact centre.
Requirement Driver?	The key drivers were to upgrade the nature of accommodation occupied by staff and to provide a motorway accessible location for a predominantly mobile workforce.	The requirement was driven by the need to vacate out-moded existing office buildings and co-locate existing staff based in Dudley and Halesowen within a single accessible location.
Search Area	The search area was the M54 (Junctions 1 and 2), and the M6 (Junctions 9 and 10) in Wolverhampton.	The search area was Dudley, Brierley Hill, Oldbury, Halesowen, Quinton and areas close to Junctions 1 to 4 of the M5 Motorway.
Number of Employees	125	Over 1,000
Change To Requirement Over Time	The search eventually focused on Junction 2 of the M54.	No change
Where did Occupier end up?	Venture Court in Wolverhampton Business Park, Junction 2 of the M54.	Swallowfield in Oldbury, Junction 2 of the M5.
Other Comments		Purpose built facility with large open plan floor plates and circa 1:20 sq m car parking allocation.

12.3 The recent transactions note the need to upgrade the nature of accommodation occupied by staff, provide a motorway accessible location for a predominantly mobile workforce, vacate out-moded existing office buildings and provide purpose built facilities as requirement drivers.

Coventry

Company Name	The Budget Group
Company Description	An insurance company call centre specialising in motorbikes
Requirement	2,323 sq. m – 2,788 sq. m (25,000 – 30,000 sq. ft)
Requirement Driver?	Relocation from existing out dated accommodation in the City Centre, to slightly larger and better quality accommodation.
Search Area	The search area included Coventry, M42 corridor and Warwick with a focus on central Coventry
Number of Employees	250
Change To Requirement Over Time	The search area began with just Coventry. City Centre. The search area widened; and then focused on two options in Coventry.
Where did Occupier end up?	Budget eventually acquired a 2,788 sq. m (30,000 sq. ft) self-contained building at Parkside Business Park. This building is within a 10 minute walk of the City Centre. Parkside provides some of the benefits you would expect from a business park, i.e good car parking, but is close to the amenities expected from a City Centre.
Other Comments	Budget is South African owned and Budget Insurance for almost 100 years. From a staff retention viewpoint Budget wish to stay in central Coventry, subject to finding suitable accommodation.

12.4 The recent transactions note the need to upgrade the nature of accommodation combined with a desire to remain in Central Coventry from a staff retention perspective. The lack of suitable city centre locations has led to their location at an edge of centre location.

Warwick

Company Name	National Grid Transco
Company Description	Utility Company
Requirement	23,234 sq. m (250,000 sq. ft) prime offices
Requirement Driver?	The merger of National Grid and Transco. Important factors: proximity to existing offices based in central Solihull and out of town Coventry, high parking provision, a self-contained building within a business park environment, labour pool, building availability.
Search Area	Between Coventry and Solihull and including Warwick but not actually in Coventry or central Solihull because of historic links.
Number of Employees	2,500
Change To Requirement Over Time	The original requirement amounted to 23,234 sq. m (250,000 sq. ft) The requirement settled at 18,952 sq m (204,000 sq ft) which was the floor area of the building finally acquired.
Where did Occupier end up?	Warwick Technology Park, Warwick. This is within 2 miles of Junction 15 of the M40.
Other Comments	The location of the existing offices was a fundamental driver of location. Only two buildings were available of the required floor area within the wider midlands region. No buildings of the target floor area were available in Birmingham City Centre or central Solihull.

12.5 The recent transaction notes proximity to the existing offices, high parking provision, a self-contained building within a business park environment, labour pool and building availability as requirement drivers. This requirement highlights the lack of availably for requirements of such large size 23,234 sq. m (250,000 sq. ft).

Worcester

Company Name	WS Atkins
Requirement	New 2,323 sq. m (25,000 sq. ft) administration centre
Requirement Driver?	Availability of a suitable pool of labour, quality of life issues for staff, availability of quality office accommodation at a cost saving to the existing base in Epsom.
Search Area	The search was footloose from Birmingham to London and surrounding areas
Number of Employees	200
Change To Requirement Over Time	The search changed to focus on Worcester and options along the south coast.
Where did Occupier end up?	Kings Court, Worcester (midway between junctions 6 and 7 of the M5).
Other Comments	Worcester's demographics and quality of life issues coupled with the availability of office buildings of suitable quality resulted in the city's selection to accommodate the requirement.

12.6 The recent transactions note availability of a suitable pool of labour, quality of life issues for staff, availability of quality office accommodation at a cost saving to existing premises and Worcester's demographics as requirement drivers.

Conclusions

12.7 All of the transactions listed above highlight the importance of being able to provide new and more flexible space for occupiers to upgrade to, the importance of remaining accessible to their existing labour force, car parking, and accessibility. Companies whose workforces need to be highly mobile specifically require out of centre locations as opposed to the Budget Group, for example, where staff needs influenced its decision to stay in Coventry (albeit in a slightly out of centre location).

12.8 Most of the requirements were able to be filled (on business parks) in the area which was originally specified illustrating a strong supply of business park accommodation in the West Midlands. However the case of National Grid/Transco highlights the lack of available space to accommodate large requirements of 23,234 sq. m (250,000 sq. ft) and the case of The Budget Group illustrates the difficulty of meeting requirements in Centre (in this case in Coventry).

13. REGIONAL MARKETS - CONCLUSIONS

13.1 Within the West Midlands, the key markets for office development are seen as Birmingham/Solihull, The Black Country, Coventry, Warwick, Worcester, Stafford, Telford and Stoke-on-Trent. While the regional markets have significant differences, each has a distinct in centre and out of centre market (with the exception of Telford). Despite planning policy which directs development to centres (and indeed national policy in the form of PPG6), all markets have seen out of centre office development taking place in the 1990's the impact of which has been felt in the centres with local occupiers in some cases moving out to peripheral locations to take advantage of more modern, flexible space.

13.2 Birmingham is seen as the leading centre with a growing amount of speculative office development indicating the strength of the City Centre market. Coventry follows with a relatively strong centre as well as out of centre market. The Black Country is promoting the regions strongest centre first policy via the Black Country Study, however it does not currently have the strong in centre office accommodation to balance the strength of its out of centre developments such as the Waterfront at Merry Hill and Wolverhampton Business Park, although there are a number of schemes in the pipeline.

13.3 Warwick has the benefit of a strong central location with good connectivity to London but has a constrained centre. Worcester and Stafford are similar with little or no in centre development in recent years compared to stronger out of centre development. Telford as a new town located on a Motorway junction does not have an entirely separate centre/out of centre difference but the market overall has suffered from an oversupply of available office space with limited demand. Stoke-On-Trent has struggled as an office location although in recent years demand has increased due to occupational cost economies and a readily available workforce. However, out of centre development has attracted the majority of large scale multinational occupiers.

13.4 The lack of quality, suitable space within some of the smaller centres specifically, has led to the justification for out of centre development, which has, importantly, also helped attract inward investment to the West Midlands, most notably from telecoms, construction, IT, medical and financial firms as well as some public sector bodies. Most centres, with the exception of Birmingham, are only just now beginning to address the key issues that would help to bring occupiers back to the centre; improvements in

infrastructure and public transportation, land assembly to develop newer high quality office accommodation and promoting mixed used developments in the centres.

13.5 Clearly, there has been a strong demand for prime office locations outside of centres, taking advantage of the West Midlands motorway links, car parking provision, desire for a business park environment, and labour pools. However, this development has often been at the expense of smaller centres which have not been able to compete. Thus it is not a surprise that the Centres study identifies only 44% of office development being able to be delivered in Centres.

13.6 Local Authorities have only recently undertaken the types of interventions that are been needed in order to support the Centres led policies. All of the regional markets highlighted in the previous chapters have policies in place which mirror the Regional desire to focus office development in the centres, yet the developments have not been occurring there. In other words, the policies are not being implemented. Land assembly, CPO, investment in infrastructure and other measures to help deliver suitable centre sites seem to have only been undertaken in Birmingham. Brindleyplace, the removal of the Ring Road barrier and the land assembly for the Eastside project all illustrate how Local Authorities can help to remove the barriers to creating a strong centres market.

13.7 The regional market assessments identified approximately 839,691 sq. m (9,038,359 sq. ft) of out of town development sites with planning consent which is not yet built. This highlights that there is still a great deal of sites to be built out in out of centre locations, therefore even if the in town office development policies are strictly adhered to, there is a large pipeline of development still to come forward before the situation in the town and City Centres can be reversed.

13.8 Table 13.1 below shows the breakdown of this pipeline per Regional Market, and where possible approximately by site.

Table 13.1 – Out of Town Sites in the West Midlands with Planning Consent but Not Yet Built – Source GVA Grimley Agents as of July 2007

REGIONAL MARKET	FLOORSPACE
Birmingham	Blythe Valley Park, Solihull (J4 M42) – 74,320 sq. m (800,000 sq. ft) plus expansion Birmingham Business Park Solihull (J6 M42) – 92,900 sq. m (1m sq. ft) Solihull Business Park, J4 M42 – 26,012 sq. m (280,000 sq. ft) Trinity Park, J6 M42 – 4,645 sq. m (50,000 sq. ft) The Green, Solihull (J4 M42) – 27,870 sq. m (300,000 sq. ft) Aspire, Solihull (J4 M42) – 15,793 sq. m (170,000 sq. ft) **TOTAL – 241,540 sq. m (2,600,000 sq. ft)**
Black Country	Wolverhampton Business Park - c. 18,582 sq. m (200,000 sq. ft) i54 (not an open B1 consent) c. 27,871 sq. m (300,000 sq. ft) potential Tempus 10 – 7,432 sq. m (80,000 sq. ft) **TOTAL – 53,885 sq. m (580,000 sq. ft)**
Coventry	Ansty UK – 100,000 sq. m (1,100,000 sq. ft) Prologis Park – 37,175 sq. m (400,000 sq. ft) New Century Park – 15,799 sq. m (170,000 sq. ft) **TOTAL – 152,974 sq. m (1,646,612 sq. ft)**
Warwick	Tournament Fields – 65,056 sq. m (700,000 sq. ft) Opus 40 – 35,781 sq. m (385,000 sq. ft) Warwick Gates – 37,160 sq. m (400,000 sq. ft) Tachbrook Park – 33,457 sq. m (360,000 sq. ft) Warwick Technology Park – 93,680 sq. m (1,008,000 sq. ft) **TOTAL – 265,043 sq. m (2,853,000 sq. ft)**
Worcester	High Point – 9,294 sq. m (100,000 sq. ft) Apex – 13,941 sq. m (150,000 sq. ft) **TOTAL – 23,235 sq. m (250,101 sq. ft)**
Stafford	Tollgate Park – approx 3 ha B1 – 8,100 sq. m **TOTAL – 21,006 sq. m (226,108 sq. ft)**
Stoke	Design and Build opportunities at Etruria Valley – 75 acres net – equates to 82,008 sq. m (882,734 sq. ft)
TOTAL	**839,691 sq. m (9,038,359 sq. ft)**

Source – GVA Grimley Analysis (2007)

14. DEVELOPER THOUGHTS

14.1 In the study period, GVA Grimley undertook interviews with the following Developers:

- OPUS Corporation
- Langtree Group
- Nurton Developments
- Strutt and Parker
- Argent Group
- Stoford Commercial Property Development

Difference Between In Town and Out of Town Markets

14.2 When characterising the difference between in and out of town markets, as perceived by developers, this was found to have changed significantly in Birmingham in the last 10 years. The City Centre space offer has changed in terms of quality of space and management of environment. So much so that only businesses needing exceptional mobility needs would want to be out of town. The big plus in favour of City Centres is the overall offer for example culture/City Centre buzz. Car parking is not the issue it once was for instance. Brindleyplace started out trading on its level of car parking as a big plus, but this is not so much the case now.

14.3 Birmingham City Centre is dominated by financial and professional services, while out of town there are very few financial services. The general perception of the M42 corridor is of manufacturers headquarters, Utility firms and telecoms. Examples of firms in these locations are the Government Forensic Service, Vodafone, Orange, technology, software and training firms. Out of town occupiers are generally more footloose. Smaller centres are seen as providing for a more local/regional occupier.

Location Drivers

14.4 Initial feedback from developers has focused on the changing drivers in the market, primarily the importance of recruitment (availability and quality of staff) as a locational driver (given low levels of unemployment) as well as the influence of the emerging

sustainability agenda and what that is going to mean for developments going forward. Staff and access to markets were seen as the main drivers in the decision making process.

14.5 Other key issues are adaptable buildings, accessibility by public and private transport, location of customers, location of competitors, location of directors homes, clustering of businesses of like mind close to each other, overall offer of location and sustainability.

14.6 It was noted that the drivers will not change but there is a big shift back to City Centre, since more people are living there – young people/professionals are leading the urban living trend. However this is currently focused on Birmingham, and other centres have yet to develop this product in a significant way.

Areas of Operation

14.7 Developers were supportive of Birmingham, Solihull and of other Councils, although perhaps more for larger developments, and no one indicated that the West Midlands was any more difficult to work in than other regions. Within the West Midlands, it was mentioned that Solihull Council were positive thinking and easier to work with, however on the whole there were no notable differences by authority or region, where it was seen as easier or more challenging to work.

14.8 Manchester is however seen as a shining example of developing City Centre office market. The fact that it is connected to Atlantic ports not European ports has been a massive challenge for the area but the work of Howard Bernstein got the City through this. Birmingham must operate similar tactics, otherwise it will always be catching up with Manchester when it should be way ahead because certainly location wise and from most other points of view, it most certainly is.

14.9 Manchester was also highlighted as an example where the public sector worked hand in hand with developers to help build the market. Investment in both infrastructure and transportation was highlighted as a lesson that could be learned in the West Midlands.

Policy

14.10 The RIS Policy in the West Midlands is seen to have been a sensible policy, although none of the developers interviewed had specific experience of its operation.

14.11 The sequential test was not seen as having a negative impact on economic development in the West Midlands. Rather existing planning policies were seen as a positive influence upon development activity. Comments were focused on what, specifically, local and regional government can be doing in order to support policy. For example the lack of new transportation initiatives in the West Midlands (especially as compared to other regions) was highlighted as a restraining factor. Cities such as Manchester were used as a comparison, where inward investment was seen as a priority and thus more was being done to facilitate development.

Use Classes Order

14.12 In general, developers did not consider the use classes order to be an issue.

14.13 However, some developers consider open B1 consents to be very important, siteing the question, why should there be a restriction? For Business Parks to be successful they need to attract more occupiers therefore restricting use to, for example B1c, can be difficult. Successful schemes need to have the ability to attract a range of high quality tenants. Open B1 consents have a benefit to certain sectors of the market and as technology increases it may become more important.

Location Decisions

14.14 Many developers felt that companies were interested in locating in centres and would in fact prefer that to out of centre locations, however the product in smaller centres like Worcester, Warwick and Stafford does not exist. As a result, companies are forced to look to out of centre developments in order to expand, or upgrade their premises. Again, developers highlighted the need for local and regional government to aid delivery of higher quality office premises within centres in order to help deliver the sustainability agenda. Developers did not see out of town dominating into the future unless there is a significant external change such as congestion charging.

14.15 A challenge of the sustainability agenda will be the desire for more green eco friendly buildings, which will be easier (and less expensive to develop) out of centre. In the past two years, there has been a change of opinion with regards to green buildings and the importance of corporate social responsibility. It is possible that out of centre 'green' buildings will challenge the City Centre in terms of sustainability. The most sustainable option would of course be a carbon neutral building within the City Centre, but it is likely that that will be cost prohibitive. Again, this was mentioned as an area that Government will need to consider in delivering the policy agenda.

Solutions

14.16 In terms of encouraging office developments that are appealing to the West Midlands market, developers would welcome lower entry costs into the market which make it difficult if you are trying to service R&D/Science/offer flexibility. There is not much that can be done about the private sector but the public sector could look at better ways of being involved such as Joint Ventures, not just cash up front.

14.17 It was noted that the transport infrastructure needs improving and there is a move towards more integrated and complimentary developments with additional services. It is key that local authorities release sites with comprehensive masterplans so if the site is under multiple ownership, the final development will be joined up and easier to deliver.

14.18 Working together as a more unified voice is seen as a key change which needs to be made. The West Midlands must be marketed as a holistic Region with no one City/town being more important than others. For example in the North West Greater Manchester is referred to and they include all the counties around it and all the markets around and they talk about it with equal encouragement.

14.19 Birmingham should invest in its centre (specifically in infrastructure and transport) to help support the development of the office market. Developers indicated that the centre was an attractive location but that the public sector needed to be doing their part to support growth. Manchester was mentioned as an example where the public and private sectors have worked together successfully and comprehensive improvements to public realm, infrastructure and transport in the city have helped to transform its market. Birmingham needs to be led by a strong vision, as Manchester has.

15. INWARD INVESTMENT

15.1 This section has been informed by a discussion with Richard Butler of Advantage West Midlands.

15.2 Policy, in and of itself, is not seen as having much of a positive or a negative impact on inward investment, what is the largest contributing factor is the supply of land. The inward investment market in the West Midlands is a two tier market. Birmingham, Solihull, Coventry, Warwick and Worcester are seen by the market as strong areas with good connectivity, links to London and with available supply. The North West of the West Midlands (The Black Country, Stoke-on-Trent and North Staffordshire) are seen has having very little provision for quality office space and are not perceived as strong markets.

15.3 Inward investment is driven by the ability to deliver the type of space which the client demands, despite labour, quality of life, university links and other influences, if the type of space is not able to be delivered, the client will go elsewhere. It seems, although is not proven, that competing Cities such as Bristol, Manchester, Cardiff and Leeds have a greater supply of offices.

15.4 Birmingham City Centre, where there has historically been a dearth of availability for 4,600 sq. m (50,000 sq ft) requirements, is now seeing an increase of supply.

15.5 Supply, in the wider West Midlands is limited in the short term and there is concern that there will not be enough supply coming through in the pipeline. In some areas, such as Coventry, there is only one site that can meet the requirements of the demands of a current client. Once that has gone, there are no suitable alternatives, which will inhibit the ability to attract inward investment.

15.6 There are certain types of businesses which are leaning towards City Centre locations, such as a current inquiry from BMW who are looking for a Financial Service Call Centre. The need to attract younger staff is driving them to a central location. As the nature of the employment means there is no need for company cars, the key influence is labour supply, rather than car parking. IT companies are also changing requirements as they look at younger staff that are more likely to be located in urban centres.

15.7 There are, however, occupiers who will not be suited to an centre office location, such as energy service and pharmaceuticals where the need for the staff to be highly mobile, often in company vehicles, make key motorway locations with large parking allocations desirable. If the sites are not available in the West Midlands, they will locate elsewhere.

15.8 The Sustainability agenda has not yet filtered through to influence the inward investment market. The three top markets in inward investment are The United States, India and China which are significantly behind the United Kingdom in promoting environmental sustainability. Some companies have indicated that they would like to be 'greener' but are still requesting sites that are only accessible by car. While a company may be interested in altering the form of the building, they are not yet interested in altering the location of the building in order to be more sustainable.

15.9 Successful inward investment depends on having a supply of sites suitable for the needs of foreign investors, including both the in centre and out of centre markets. It is clear that firms are highly mobile and will locate where they can fill their requirements. In order for the West Midlands to be able to compete against other Regions and to benefit from the economic benefits of inward investment, policies which restrict out of centre development need to be balanced with the realities of continuing demand for out of centre locations.

15.10 National Statistics has data on Direct Inward Investment Project Successes. The most recent data is Regional Trends 38 which provides data up to 2002/03. The West Midlands had 35 non-manufacturing project successes out of 489 for the UK in 2002/03, while the East Midlands had 13, North East 33, North West 40, South East 97 and South West 26. Whilst the data is limited as it is based on only one year it does suggest that the West Midlands has been able to attract inward investment likely to occupy office space.

16. CONCLUSIONS

16.1 The West Midlands operates as a series of office sub markets, the development of which has been influenced by past and current policy. All markets essentially have an in centre and an out of centre office market (although Telford is an exception to this). Typically these are characterised by centres often having a lack of available new, high quality space and an out of centre market having developed in order to fill the gap. As a result most centres smaller than Birmingham has not developed an office market beyond what has existed in the past 10 – 20 years.

16.2 Birmingham as the economic centre of the West Midlands is a noticeable exception with record numbers of office developments coming forward. Drivers Jonas Crane Survey has identified that works are currently on going on 8 sites (74,322 sq m/800,000 sq ft of development) in the centre for offices. Together with other commercial centre developments, this is the highest number since the firms records began in 2001. The majority of new office space will come from Snow Hill, Colmore Plaza, 45 Church Street and 11 Brindleyplace. This is seen as positive for Birmingham and its desire to continue to attract Blue Chip Companies to the MUA.

16.3 The office location decision making influences continue to be: cost of accommodation, a good environment (including access to a range of services), access to qualified labour, good transportation links, the right type of available space in terms of quality and floorplate, parking and a good image. One new trend is the influence of the 'green' agenda on the future of buildings (including eco-friendly buildings) and the increasing desire to help increase sustainability.

16.4 The current policies which are influencing development are outlined in chapter 2, and the planning white paper has given an indication of the future direction of planning policy. Sustainability and the continued support for the town centre first policy is a key message. The importance of sustainability and the green agenda has also been highlighted by developers. Providing eco-friendly buildings in sustainable locations might be one method to help attract new inward investment as corporate responsibility and having a positive 'green' image are seen as potentially powerful emerging drivers.

16.5 Current policies do not seem to be negatively impacting development in the West Midlands; in fact developers seem comfortable with the sequential test and generally do not see the West Midlands as a less favourable place to work than any other Region. The review of Regional policies illustrates that the other regions have published policy which

is in line with that in the West Midlands. It is the enforcement of this policy that is the key issue, with all Regions vying to attract new inward investment.

16.6 The impact of restricted B1 consents is felt very strongly in the investment market. Investors are taking a long term view of potential developments and restricted consents (B1b) provide a stronger argument to limit rental growth at rent review due to the restricted demand for the space. While the investment market has recently had a very strong run, it is perceived to have peaked and with the increase in finance rates due to interest rate rises as well as the change in investor sentiment (with more investors looking to diversify) the market is changing. It is likely that in the next few years investors will be increasingly interested in fundamentals and restricted consents will be increasingly less palatable. In terms of the investment market, open consents balanced with grants to attract specific users are a much more effective tool to manage and target sector growth than restricted consents.

16.7 Adherence to policy is also an issue for the local authorities. While all stated policy is to prioritise in centre development, this is, in fact, it is not currently happening, with only 10% of office floorspace completed in the last three years being in town centre locations (RSS Feb 2007 annual monitoring report). The Roger Tyms work has highlighted the difficulty in delivering the type of space which is in demand within centres and has also illustrated that not all users are suited to centre locations. The evidence in the West Midlands is that Regional and National Policy has been relatively weak in driving the location of office investment.

16.8 It is clear that if policies are to be implemented a more effective method for promoting development within centres in needed. Clearly there remains a need for an improved quality and range of office space in centres which are constrained. As long as this is the case, out of centre developments will see demand to help fill that gap in the market.

16.9 Whilst planning policy has a role to play in directing investment as vital, if not more so are positive actions in centre to bring forward sites/opportunities for office development coupled with wider initiatives to enhance centres as a whole. Whilst it has the advantages of being a regional centre; recent trends in Birmingham illustrate that investment in the public realm, developing the cultural/entertainment offer, managing the environment, and improving public transport play a major role in creating the conditions of office occupiers as well has having sites for developers to bring forward. Other centres have begun to invest in similar ways but radical measures are needed to turn centres around if they are to be able to exploit their natural advantages as office location and compete effectively with out of centre locations.

16.10 Where centres are constrained, it may be possible to consider peripheral locations, slightly further from the centre, but linked via pedestrian walk ways or other public transport. In order for peripheral development to work, it must capture the advantage of being near to the centre, allowing employees access to the retail, cultural, leisure and transport infrastructure.

16.11 The West Midlands has yet to deliver economic development within its stated policies of a centres first approach. The AMR illustrates this point with only Birmingham having had greater in-centre development than out of centre development between 2002/2003 and 2005/2006. There is 839,691 sq. m (9,038,359 sq. ft) of out of centre developments with planning consent that are not yet built. The West Midlands is today, facing the issues that policies of the past have created.

16.12 It is very telling that according to the Annual Monitoring report 95% of space under construction in centres and 82% of committed supply in centres was in Birmingham City Centre.

16.13 It is clear that, in terms of policy, the Centres approach will need to be more clearly supported by local authorities, though helping to bring forward the land and opportunity sites to plan for growth within centres is equally as important.

16.14 Where a centre office market is strong both in and out of town there is a clear occupation cost differential between prime grade A space in centres and a peripheral business park. The higher rates of assembling land, building taller buildings etc within centres have to be reflected in rents particularly as the evidence does not point to a marked difference in yields. For instance Grade A rents for new build stock in Birmingham City Centre are circa £269.10 - £322.92 per sq m (£25-30 per sq. ft) while in the M42 corridor the equivalent is £193.75 - £226.04 per sq m (£18-21 per sq. ft). There are going to be occupiers who will be drawn to the quality of space that can be provided in such locations. Where markets are less strong particularly in centres a reverse picture has emerged where rents are higher out of town than in town. This presents a difficulty in that centre schemes have to compete in cost terms with established out of centre locations making it more difficult to generate the higher rents required to build in urban areas.

16.15 There will always remain a group of users, dependent on the extent to which they need mobility, that will need to be located near to motorway junctions. Evidence in this report suggests that telecom, and utilities, for example, prefer strong motorway links and that sites will also need to be made available for inward investment in order to help keep the economy of the West Midlands strong.

16.16 The assessment of sub-regional markets presents a mixed picture. In some locations particular in the north west of the region where inward investment is generally weak and out of town space appears to have had a more direct and negative impact on centres. However in the South and East of the region many out of centre locations have been particularly adroit in attracting inward investment (Warwick and Worcester out of town locations are good examples of this).

16.17 It is important to note that demand cannot simply be shifted from one part of the region to another. The occupier search patterns illustrate that generally, companies have a requirement related either to accessibility or to labour pool which means that they are already focused a sub regional area when they begin their searches. Companies which, for example, cannot find appropriate space in Warwick are not naturally going to consider, for example Stoke. There are real and perceived differences between these markets and space in one market is not interchangeable with space in another market.

16.18 It remains a mute point as to whether such inward investment could have located in centres since outside Birmingham there has been very limited product provided in centres. One key challenge for the region will be to create the conditions to help increase supply in town centres. Many centres are constrained either by geography, heritage or the age of existing stock. As discussed, the public sector can play a key role in site assembly, promotion, infrastructure and policy which will help to bring more sites forward in the market.

16.19 There is some evidence that urban business parks (such as Coventry University Technology Park) can compete and attract firms that might consider peripheral locations. More recent evidence, particularly in Birmingham is that strengthening centres can more than compete with out of centre business parks. It is potentially telling that the M42 Corridor have seen limited investment in the last 5 years, possibly because of other competing out of centre locations close to Warwick but also due to the strength of the offer in Birmingham City Centre. If other centres can deliver a high quality product then they too can attract investment that would otherwise locate out of town.

16.20 Nevertheless peripheral business parks have contributed to attracting inward investment and enabling local economies to attract additional employment. If these sites had not been available the region would have missed out on additional investment.

16.21 There are users such as financial and business services which prefer to locate within centres. In general technology-led, cultural and creative industries also tend to focus on city locations. These businesses are more reliant on so called ‘urban economies’ where

creativity and innovation are strengthened and enriched when key functions are located close together and in locations with high sectoral diversity. Office based functions seeking to locate near vibrant centres will progressively develop and upgrade the so called 'urban fringe', reducing any sharp distinctions between the town centre and out of centre office locations. Again, Local Authorities should prioritise making the appropriate sites available to encourage their retention.

16.22 Business and professional services are a West Midlands Business Cluster, and significant employment growth is forecast (150,000 new jobs as outlined in detail below). As a result, the office accommodation will need to be anticipated and delivered.

16.23 Roger Tyms (2006) West Midlands Regional Centres Study calculates the projected change in employment in the period 2001 to 2021 for each district within Financial and Business Services. We have broken this down according to our broadly defined Regional Markets as follows – all figures are additional jobs by 2021.

Birmingham

Birmingham – 32,000

Solihull – 22,700

Black Country

Dudley – 19,200

Walsall – 9,800

Sandwell – 4,800

Wolverhampton – 3,100

Coventry– 12,200

Warwick– 8,600

Worcester

Worcester – 3,600

Wychavon – 4,800

Malvern Hills – 3,600

Telford

Telford/ Wrekin – 12,900

Bridgnorth – 1,400

Stafford– 3,800

Stoke

Stoke-on-Trent – 2,400

Newcastle-under-Lyme – 4,300

16.24 Much of this growth, following recent past trends, will focus on Birmingham, Solihull and to a lesser extent Dudley, Warwick, and Telford. There appears to be a relationship between the extent of office provision and development in this sector with the development of Birmingham City Centre, M42 Corridor, Warwick Business Parks, Waterfront, Dudley and Telford Centre playing a role in the past which suggests further growth in the future. Those areas with limited growth potential based on these forecasts

are Wolverhampton, Sandwell, and Stoke; having been relatively unable to develop a meaningful modern office product in or out of town.

16.25 Other key office occupiers such as IT and Telecoms are also likely to see expansion. As with financial services the dynamic expansion of these sectors has often seen them locate on business parks although in some cases because of lack of available product in centres rather than at least in some cases a desire to be located out of town.

16.26 The extent of remaining committed out of centre pipeline supply is a particular issue as it extends to 839,691 sq. m (9,038,359 sq. ft). This is extensive, particularly in locations such as Warwick and Solihull and questions whether policy changes implemented today could impact on the market in the near future.

16.27 Given the differential costs of in centre and out of centre development, but a preference for in centre space, the development of urban business parks close to centres (including suburban centres) is likely to be a developing trend.

16.28 The direction of travel in terms of office trends points favourably to those centres and urban areas which can provide a suitable product, this is not simply about office buildings (although without quality buildings other benefits will be less effective) but about quality of the environment, cultural offer, and accessibility. This reflects the fact that staff recruitment and retention is very important and will continue to remain so. The trend in the business park sector to develop more mixed use environments with amenities which provide employees with opportunities outside work reflects this but centres, if they can provide the office product and general environment can more than compete.

16.29 Examples of this are already coming forward such as Parkside Coventry and Venture East Birmingham offering space at rentals more comparable with out of centre accommodation but closer to amenities and public transport hubs than out of town business parks.

Appendix A – Organisations Consulted & References

Organisations Consulted

GVA Grimley, Office Agency, Investment

OPUS Corporation

Langtree Group

Nurton Developments

Strutt and Parker

Advantage West Midlands – Inward Investment

Argent Group

Stoford Commercial Property Development

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WMRA - West Midlands Regional Spatial Strategy, June 2004

WMRA – West Midlands Regional Spatial Strategy Phase Two Revision, Spatial Options, 8th January-5th March 2007

West Midlands Regional Observatory and University of Birmingham, “The Functioning Economic Geography of the West Midlands”, August 2006

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Appendix B – Current National and West Midlands Planning and Economic Policy

Planning Policy Statement 6 (PPS6) – Planning for Town Centres

PPS6 relates to the planning of town centres. The Government's key objective for town centres is to promote their vitality and viability by:

- Planning for the growth and development of existing centres; and
- Promoting and enhancing existing centres, by focusing development in such centres and encouraging a wide range of services in a good environment, accessible to all.

A hierarchy and network of centres should be developed and the need for further main town centre uses should be assessed to ensure there is the capacity to accommodate them.

Part of Section 2 of PPS6 deals with Site Selection and paragraph 2.44 sets out the sequential approach to site selection as follows:

A sequential approach should be applied in selecting appropriate sites for allocation within the centres where identified need is to be met. All options in the centre (including, where necessary, the extension of the centre) should be thoroughly assessed before less central sites are considered for development for main town centre uses. The sequential approach requires that locations are considered in the following order:

- first, locations in appropriate existing centres where suitable sites or buildings for conversion are, or are likely to become, available within the development plan document period, taking account of an appropriate scale of development in relation to the role and function of the centre; and then
- edge-of-centre locations, with preference given to sites that are or will be well-connected to the centre; and then
- out-of-centre sites, with preference given to sites which are or will be well served by a choice of means of transport and which are close to the centre and have a high likelihood of forming links with the centre.

In considering alternative sites with similar locational characteristics in terms of the sequential approach, and having regard to the strategic objectives for the network and hierarchy of town centres set out in their development plan documents, local planning authorities should give weight to those locations that best serve the needs of deprived areas.

Local planning authorities should, where appropriate, include policies and proposals in development plan documents for the phasing and release of development sites over the

development plan document period to ensure that those sites in preferred locations within centres are developed ahead of less central locations.

In terms of making efficient use of land, paragraph 2.21 notes that subject to other planning considerations, residential or office development should be encouraged as appropriate uses above ground floor retail, leisure or other facilities within centres.

Paragraph 2.39 deals with offices and other main town centre uses. An assessment of the need for new office floorspace over the development plan document period should be carried out as part of the plan preparation and review process, and updated regularly. At regional level this should involve the forecasting of future employment levels and the identification in regional spatial strategies of suitable broad locations where regionally significant office development should be located. The physical capacity of centres to accommodate new office development and the town centre's role in the hierarchy should also be relevant to planning for new office development.

Where it is argued that otherwise sequentially-preferable sites are not appropriate for the particular development proposed, applicants should provide clear evidence to demonstrate why such sites are not practicable alternatives in terms of:

- Availability: the sites are unavailable now and are unlikely to become available for development within a reasonable period of time (determined on the merits of a particular case). Where such sites become available unexpectedly after receipt of the application the local planning authority should take this into account in their assessment of the application; and
- Suitability: with due regard to the requirements to demonstrate flexibility the sites are not suitable for the type of development proposed; and
- Viability: the development would not be viable on these sites. (Paragraph 3.19)

This Office Locations Study needs to assess the compatibility of the sequential approach and identified office developer requirements.

West Midlands Regional Spatial Strategy (RSS) (formerly Regional Planning Guidance 11) - June 2004

Current policy in the West Midlands RSS is focused on locating economic growth in the Major Urban Areas (MUA). There are four MUA's in the West Midlands – Birmingham/Solihull, the Black Country, Coventry and the North Staffordshire conurbation.

'Prosperity for All' policy PA11 focuses large scale B1a office developments (those of 5,000 sqm or more gross floorspace) in a network of 25 town and City Centres identified as strategic centres. The policy draws support from Planning Policy Statement 6.

POLICY PA7: REGIONAL INVESTMENT SITES (RIS)

A. Within the portfolio of employment sites, provision should be made for a series of Regional Investment Sites (RIS) the purpose of which will be to support:
i) the diversification and modernisation of the Region's economy; and in particular
ii) the development of the Region's cluster priorities as identified in the Regional Economic Strategy.
B. Regional Investment Sites will be identified within development plans. The RPB should be consulted on such proposals. Sites should generally be:
i) between 25-50 hectares;
ii) high-quality sites attractive to national and international investors;
iii) served or capable of being served by multi-modal transport facilities and broadband IT infrastructure;
iv) well related to the motorway and trunk road network;
v) located within, or close to, the areas of greatest need; and
vi) accessible to effective education and training opportunities to ensure that the employment benefits are available to the local workforce.
C. In identifying such sites, account should be taken of provision of existing Premium Employment Sites (PES), the needs of the High Technology Corridors (PA3), and the potential of existing major sites to fulfil this role.
D. Taking account of current Premium Employment Sites, at least one RIS should be made available within or linked by public transport to:
i) each of the Urban Regeneration Zones; and
ii) each of the High-Technology Corridors.

E. In some circumstances, a particular RIS may serve the needs of more than one Zone/Corridor.
F. New RIS will be required to meet the needs of the following High-Technology Corridors/Regeneration Zones:
i) Birmingham to Worcestershire HTC;
ii) Coventry and Nuneaton RZ; and
iii) South Black Country and West Birmingham RZ
G. Additional provision may be required in the Coventry, Solihull and Warwickshire HTC.
H. The potential for bringing forward proposals within the Regeneration Zones should be considered first. Development proposed on the edge of MUAs or on other greenfield sites should meet the criteria set out in policy PA1.

The RSS highlights that developments on RIS will be strictly controlled to ensure that they support the objectives of the Spatial Strategy. In particular, large-scale speculative development, which can be more appropriately accommodated within town centres, and warehousing-only developments will not be permitted.

Policy PA7 states that in respect of the RIS serving the following areas: Coventry, Solihull and Warwickshire HTC, Birmingham to Worcestershire HTC, Coventry and Nuneaton RZ and the East Birmingham and North Solihull RZ, development should be restricted to high-quality developments falling within Class B1. High-quality developments falling within Class B2 uses will be permissible on the RIS identified to meet the needs of the following areas; Wolverhampton to Telford HTC, North Staffordshire RZ, North Black Country and South Staffs RZ and the South Black Country and West Birmingham RZ.

PA7 notes that the following areas are currently considered to be adequately served by RIS; the North Staffordshire RZ; North Black Country and South Staffs RZ; Wolverhampton to Telford HTC; East Birmingham and North Solihull RZ.

POLICY PA8: MAJOR INVESTMENT SITES

A. Within the portfolio of employment sites, provision should be made for two Major Investment Sites (MIS) the purpose of which will be to meet the need for accommodating very large-scale investment by single users with an international choice of locations in order to help diversify and restructure the Regional economy.
B. The MIS will be identified within development plans. The RPB should be consulted on such proposals. Sites should generally be:
i) in the order of 50 hectares;
ii) high-quality sites;
iii) served or capable of being served by multi-modal transport facilities and broadband IT infrastructure;
iv) well related to motorway and trunk road network, but avoiding sites immediately adjacent to motorway junctions where this is likely to exacerbate congestion problems;
v) located in areas close to a large pool of labour with employment needs;
vi) accessible to effective education and training opportunities to ensure that the employment benefits are available to the local workforce; and
vii) supported by the RPB.
C. The Region should at all times have two sites readily available for development in order to respond quickly to demand. Development proposed on the edge of MUAs or on other greenfield sites should meet the criteria set out in policy PA1.
D. Three MIS have already been identified in development plans at Peddimore (Birmingham), Wobaston Road (north of Wolverhampton), and Ansty (to the north east of Coventry) and the Regional priority will be to direct suitable investments to these locations.

The document states that the need for further sites, including a MIS in North Staffordshire, should be considered in a subsequent review. In all cases, MIS should be located within or close to the MUAs and have good quality existing or potential public transport links to areas of employment need.

Development on MIS will be strictly controlled to ensure that they support the objectives of the Spatial Strategy. In particular, large-scale, speculative development, which can be more appropriately accommodated within town centres and warehousing-only developments will not be permitted.

POLICY PA11: THE NETWORK OF TOWN AND CITY CENTRES

A. A network of strategic town and City Centres will be developed across the Region as set out below:

- Birmingham; Kidderminster; Shrewsbury; Walsall; Burton-upon-Trent; Leamington Spa; Solihull; West Bromwich; Cannock; Lichfield; Stafford; Wolverhampton; Coventry; Newcastle-under-Lyme; Stratford-upon-Avon; Worcester; Dudley; Nuneaton; Sutton Coldfield; Hanley (Stoke-on-Trent); Redditch; Tamworth; Hereford; Rugby; and Telford.

B. This network of 25 town and City Centres will be the focus for:
i) major retail developments (i.e. those of more than 10,000 sqm gross floorspace, excluding floorspace dedicated to the retailing of convenience goods);
ii) uses which attract large numbers of people including major cultural, tourist, social and community venues (see also PA10 and UR3); and
iii) large scale leisure and office (Class B1a) developments (i.e. those of 5,000 sqm or more gross floorspace).
C. There are many other centres within the Region that meet local needs and development plans should identify and develop policies for such centres within their respective areas which best meet local needs. Local authorities should be proactive in encouraging appropriate development to maintain and enhance their function as town centres (UR3, RR3).

The network of town and City Centres in policy PA11 should be seen as a network within the polycentric concept of complementary centres rather than one of centres competing with each other.

Town and City Centres are the drivers of the Regional and sub-regional economies and are of crucial importance to the Region's economic and social well-being and to the achievement of a sustainable pattern of development. Centres should be a key focus for future regeneration activities as well as investment in public transport.

The RSS notes that further work should be undertaken to inform an early review of the strategy for town and City Centres. This should identify the centres where major new retail, leisure and office investment should be focused in order to achieve a balanced network, taking into account where investment could be accommodated without significant harm elsewhere, where it would assist the regeneration of vulnerable centres and where it would support sustainability objectives. In doing so it should also indicate where further significant development would not be appropriate for the health of the network.

Local authorities should take a proactive approach through their town centre strategies to identifying potential sites and premises for development within these centres, including, where necessary and appropriate, the wider use of compulsory purchase powers. Priority should be given to encouraging balanced development of a wide range of town centre uses and thereby avoiding the vulnerability associated with excessive reliance on a single function. It is not intended to impose a formal hierarchy of distinctive roles for the strategic centres – other than to recognise the unique character of Birmingham as the Regional capital and an international city (PA12).

The following factors are of particular importance in developing strategies for individual centres:

- The ten centres in the network within the MUAs (Birmingham, Coventry, Dudley, Hanley, Newcastle-under-Lyme, Solihull, Sutton Coldfield, Walsall, West Bromwich and Wolverhampton), have a key role to play in achieving Urban Renaissance;
- Strategies for all the major town and City Centres within the Regional network will be expected to have regard to their potential complementary roles in providing supporting services and activities for each other; and
- A number of centres inside and outside the Regional network, including Dudley, Newcastle-under-Lyme, Bromsgrove, West Bromwich, Kidderminster and Stourbridge are

highlighted as particularly vulnerable. These centres should be identified in development plans for targeted improvements to the range and quality of services they offer in order to rejuvenate their vitality and viability and fulfil their regeneration potential.

A centres working group has been established by the RPB. This group should oversee the review of the Region's strategic centres and in particular advise on the appropriateness of large-scale development proposals for all key town centre uses as set out in PPG6. Where large-scale developments (PA11) are proposed, the views of the RPB should be sought and its view should be an important consideration.

The RSS discusses the important role that the City of Birmingham plays. It sits at the heart of the West Midlands Region and provides many important facilities and services for the wider Region. It is recognised that, as a Regional capital, it has a special role to play in the network of centres and should continue to be developed as a major Regional capital of European and World standing.

West Midlands RSS Phase Two Revision Spatial Options (January-March 2007)

Phase Two Spatial Options on Employment ask whether in the revision of RSS, there should be more clarity on the type of uses to be located on Regional Investment Sites (RIS), and asks whether there is a need to change the policy on the control of uses on RIS. Currently PA7 restricts development to high quality uses within B1 and in some parts of the Region high quality B2 uses are also permitted.

On Major Investment Sites the current policy restricts occupation to a single user, therefore the Spatial Options consider introducing more flexibility to this policy.

In terms of the Regional Centres Study, the Spatial Options give the opportunity for this evidence base to be subject to practical and policy consideration, in particular incorporating employment need.

The Spatial Options ask if the sequential approach to out-of-centre office development is the best approach, whether the RSS should set out maximum percentages for out-of-centre office development or if criteria should be set for out-of-centre office development.

In AWM's Representations to the RSS Issues and Options Consultation the sequential approach was supported. There was limited support for the percentage policy for out-of-centre

development, and while there was a greater level of support for the criteria based option, the sequential approach is still generally preferred.

Those that did support the criteria based approach stated that it would offer flexibility and support sustainable development The suggested criteria for determining suitable office locations includes:

- Accessibility by public transport, walking, cycling;
- Sequential test and capacity of nearest strategic centres;
- Proximity to labour markets;
- Sustainable development led criteria (design, energy, landscape, nature conservation);
- Opportunities for co-location with other uses;
- Demonstrate exceptional circumstances; and
- Availability of parking provision.

Whilst some respondents consider such development to be detrimental to the regeneration objectives of the WMRSS, others are of the view that a flexible approach to out-of centre locations has greater merit in terms of sustainability. For example, out-of-centre developments may be sustainable in instances where it reduces car journeys to major urban areas. There is also concern that if out-of-centre office developments are restricted by thresholds, investment by out-of-centre occupiers could relocate to other Regions. Office developments should be focused in town centre locations to prevent need for greenfield take up.

Black Country Study (May 2006)

The draft Phase One Revision: the Black Country Study, focuses on town centre development with policy UR1A proposing that B1a development should mainly be located in the four strategic centres of Wolverhampton, Walsall, West Bromwich and Brierley Hill/Merry Hill.

It notes that the challenge of accommodating the required scale of office development may include reversing the market trend towards business parks on greenfield sites, and overcoming the current lack of interest from the market for most town centre locations.

The key centres focus reflects Government policy to concentrate office development in town centres under PPS6 and as the most sustainable location, combining offices with other town uses – retail, homes, leisure and potentially further and higher education and administration.

The Black Country Study states that the 1995 planning restriction on retail growth at Brierley Hill/Merry Hill had a detrimental effect on office investment and occupier confidence in that centre.

Thus a centres focused office strategy in the Black Country, and at the scale proposed, relies heavily on a regional consensus to restrict greenfield office development within and beyond the Black Country itself.

The initial apportionment of growth between the four key centres on a 25:25:25:25% basis allows for all four centres to grow B1a office employment in accordance with PPS6. It is expected that a small proportion of growth may in due course be identified through LDDs for district centres and key public transport interchanges.

Dudley Town centre will be repositioned to focus on residential and tourism growth, while Brierley Hill/Merry Hill has become one of the most important retail and office locations in the Black Country.

In addition to the focus of office development on strategic centres, provision of high quality, accessible employment land required for knowledge-led businesses will be made in four employment land investment corridors – Black Country North, Black Country Central, Black Country West and Black Country East.

West Midlands Regional Centres Study (March 2006)

Roger Tym and Partners conducted technical work for Phase Two RSS Partial Review called the West Midlands Regional Centres Study. This identified that office users have different needs some of which cannot be met by centre-based locations. The Study's 'Baseline' forecast envisages 36% of office needs being met by the network of PA11 centres, plus Brierley Hill/Merry Hill. Scenarios two, three and four increase the proportion accounted for by the network of PA11 centres to 40-44%.

For the four Black Country Districts, the forecast is a total office need from 2001 to 2021 in the range of 610,000 sqm to 1,130,000 sqm, whereas the draft Phase One Revision identified 845,000 sqm. Up to 745,000 sqm of this will be in strategic centres. The centres are the focus of offices which it is felt is deliverable and the key to growth.

The West Midlands RSS Annual Monitoring Report (February 2005) states that in the West Midlands Region only 31% of office floorspace completed in the last three years has been in town centre locations (The February 2007 report states that this reduced to 10%); and only

28% which is currently under construction, or with planning permission is located in the Region's town centres (February 2007 this has increased to 32%).

Apart from Birmingham City Centre and to a lesser extent Coventry City Centre and Solihull town centre, most new office development in the Region has been concentrated in out-of-centre locations, such as the Waterfront/Merry Hill, and along key trunk road corridors such as the M42, M54, M6, M45/M1 and M40 corridors; and there are new office markets emerging in the M5 and M6 toll road corridors.

The Regional Centres Study highlights that current obstacles to office development in town and City Centres include:

- The existence of major land allocations for B1, B2 and B8 uses in out-of-centre locations;
- The lower occupation costs for out-of-centre accommodation;
- The difficulties of land assembly in town and City Centres because of multiple land ownerships and lack of expertise in the CPO process; and
- The competition within town and City Centres from higher value land uses.

Whilst town and City Centre locations are likely to play an increasingly important role in office development in the future – because occupiers increasingly require sustainable and efficient buildings, good infrastructure in terms of both public transport and IT connectivity, and a working environment which is conducive to attracting and retaining labour – most of the Region's existing major office markets, with the notable exception of Birmingham City Centre, are associated more with transport corridors than with particular strategic centres.

Tyms undertook a qualitative assessment of the physical capacity of the office market using market representatives, which finds that just four of the 26[4] centres have good prospects for achieving office growth above past trends. Three of these centres are the most physically attractive – Leamington Spa, Solihull and Stratford-upon-Avon. No single centre was classified as 'green'[5] in terms of both physical capacity and market outlook. This finding suggests that proactive planning strategies will need to be pursued and realised if in-centre office development at, or in excess of, past trends is to be achieved.

The quantitative assessment is based on a simple conceptual approach, with three steps as follows:

[4] Includes the network of 25 centres plus the Waterfront at Merry Hill.
[5] Each centres physical capacity in assessed under a 'traffic light system' – Green: Optimistic, Amber: Achievable, and Red: Difficult, in terms of its physical capacity to accommodate office development.

- Use Cambridge Econometrics' Multi-Sectoral Dynamic Model (MDM) to produce a forecast gain in office jobs across the West Midlands Region, of 207,900 from 2001 to 2021;
- Convert the office employment forecast to office space requirements (the net gain in occupied office stock), through the application of an average floorspace density for office employment of 18 sqm per worker, so as to provide a fixed control total for the uplift in occupied office stock in the Region, of 3.74 million sqm in the period from 2001 up to 2021; and
- Distribute the total net gain in occupied office stock to different parts of the Region, taking into account past trends, physical constraints, market demand and most importantly policy goals.

Cambridge Econometrics use growth rates in the finance and business service sectors as a proxy for the totality of office development and current distribution as the basis for allocating the forecasts.

The resultant baseline forecast is the average of four 'runs' of the data. Under this, the 25 strategic centres, plus the Waterfont at Merry Hill, are projected to absorb 36% of the Region's gain in office jobs in the period up to 2021, with the remainder absorbed by smaller centres outside of PA11 network and out-of-centre locations. Therefore the 25 centres plus the Waterfont at Merry Hill are projected to absorb 1.34 million sqm of the identified need for office floorspace.

The levels of provision set out in this work are ambitious and trend based. They do not fully take into account physical or policy constraints that might limit a centre or local authority's ability to accommodate such levels of development or economic aspirations of particular centres or authorities.

Regional Centres Update Brief

A brief has recently been produced to update the regional centres work, in relation to comparison retail floorspace needs. The objectives are to address the issues raised in the Options Consultation response and the Phase 1 Panel Report, and more fully consider policy implications.

"Delivering Advantage" - West Midlands Regional Economic Strategy (2004-2010)

The West Midlands Regional Economic Strategy focuses upon the following objectives:

- **Develop a diverse and dynamic business base –** this supports businesses to enable them to succeed in a globally competitive marketplace;
- **Promoting a learning and skilful region –** this aims to raise basic and higher level skills in the Region's workforce;
- **Creating the conditions for growth –** this seeks to provide the transport, property and communications infrastructure without which private firms and individuals will choose to invest elsewhere; and
- **Regenerating communities –** this seeks to provide deprived communities with training, employment and cultural opportunities.

In the West Midlands manufacturing is continuing to decline therefore we would expect lowering demand for industrial premises for these kinds of activities. On the other hand, there is evidence of considerable high technology/knowledge-based business activity which is leading to a different type of demand for B1 offices e.g. start up units and research and development facilities.

They key delivery mechanisms of this strategy are Regeneration Zones, Business Clusters and High Technology Corridors. The Strategy highlights that delivering good quality sites and buildings is a key challenge in the Region.

As part of the five strands of evidence underpinning the Regional Economic Strategy, the West Midlands Royal Observatory and University of Birmingham produced "The Functioning Economic Geography of the West Midlands" in August 2006.

The Regional Economic Strategy identifies three market segments in the Professional and Business Services Sector:

- Heavily localised small firms service a local need by providing generic or general expertise, for example small local accountancy firms, predominately targeted at individuals as well as small and medium-sized enterprises (SMEs).
- Cross-region (or regionalised) firms operating from more than one site within the West Midlands.

- National/international firms provide services from the West Midlands to regional, national and international markets. A significant proportion of these organisations are branch offices which exposes the Region to risk related to external control.

The report concludes that a new spatial patterning of production is occurring in the West Midlands:

- Development of Business and Professional Services within Birmingham City Centre as well as in the E^3I belt surrounding the conurbation.
- R&D capacity in the South West and South East of the Region is especially pronounced and is centred on Warwick, Stratford, The Malverns, and adjacent districts.
- Within the E^3I belt there is an important differentiation of activities from centre to centre. This means that the Region has developed an increasingly polycentric structure. This structure is being extended by innovative activity beyond the E^3I belt.
- The future competitiveness of the West Midlands will be partially based around a set of new and emergent industries as well as established industries.

ODPM Employment Land Reviews Guidance Note – December 2004

Ensuring that there is a sufficient and suitable supply of employment land and premises is a key component of robust regional and local economic development strategies. The employment land reviews guide provides RPBs and individual planning authorities with the basis for undertaking systematic employment land reviews. These will enable individual LDF authorities to examine their existing portfolio of sites and identify those sites to be released, assess their future employment land requirements (in conjunction with RPBs) and adopt a new balanced portfolio of sites in their LDFs.

It will be important both to protect existing employment areas of continuing value and deliver an appropriate mix of new sites and premises to meet the diverse needs of different market segments and specialised employment land requirements over an appropriate time horizon. High quality and strategic sites may need to be protected beyond the immediate plan period. Coherent and robust employment land reviews are a valuable set of tools for RPBs and individual LDF authorities to deliver economic growth and regeneration in ways which are an integral part of a broad and sustainable spatial development strategy.

"A Study into the Future of Employment Land Provision in the West Midlands", GVA Grimley (March 2001)

This study contains conclusions on the role of greenfield sites and business parks in attracting office development.

Greenfield sites may become less important in the longer term (10 years +) as comprehensive urban regeneration initiatives bring forward brownfield employment sites of the right quality and in the right location to attract private sector investment. However, in the meantime, the complementary role of greenfield sites in the portfolio of employment land should be recognised as critical, particularly in terms of securing knowledge-based business investment in the Region. Speculative development should be directed towards City Centres as part of redevelopment schemes (e.g. Brindleyplace).

B1 users have largely occupied greenfield developments, close to the conurbation. As far as the main urban areas are concerned, there is evidence to contradict the accepted view that greenfield office based sites compete with activities in city and town centres. Property agents confirm that a distinct and separate market has become established. This fact should be recognised in regional planning policy.

The need for a quality environment has emerged as a key locational driver in terms of the expanding knowledge based economy (for example Westwood Business Park and Blythe Valley Park). They are also the preferred location for some types of mobile inward investment.

The Study notes that there are some questions over how successfully growth can be located in some urban centres in the short to medium term given the lack of available quality brownfield sites and problems of congestion.

The case studies examined a number of brownfield sites across the Region, mostly within the major conurbations. Some key issues which emerged are:

- The vital role of public sector funding and/or the importance of including high value uses i.e. retail as a catalyst to unlock brownfield development sites.
- The commitment of developers to brownfield sites which present good development opportunities (i.e. those which are accessible and where land values are reasonably high).
- The importance to occupiers on these sites of access to the motorway network.

- The lack of alternative sites considered – suggesting strong ties to local areas and possibly an absence of real alternatives.
- The positive contribution these sites have made to the competitiveness/profitability of firms.

These factors point to the importance of brownfield sites to the regeneration process and the economic wellbeing of the Region. Public sector funding and appropriate mechanisms to support landowners/developers are ever more necessary if the supply of brownfield sites is to be maintained.

The conclusion to be drawn from this is that comprehensive renewal involving reclamation, assembly of development sites and major infrastructure improvements will provide the greatest benefit in the longer term. Of course, such an approach does not come without a considerable cost and demands a long lead-in time.

Appendix C - Other Regions' Policies

East Midlands Regional Spatial Strategy (RSS) 2005 (formerly the Regional Planning Guidance RPG 8)

The current RSS for the East Midlands provides broad development strategies up until the year 2021. The East Midlands RSS identifies five Principal Urban Areas (PUAs) that could and are believed to develop into sustainable communities where people will invest. These five PUAs are – Derby, Leicester, Lincoln, Northampton and Nottingham.

A number of regional studies have been carried out in recent years, by the Regional Planning Body and East Midlands Development Agency (EMDA). The general level of consensus was that there appears to be significant decline in demand for industrial floorspace over the coming 10-15 years. There is an expectation of a migration away from traditional employment space into retail, education and health care. As a result of this changing nature, the RSS identifies increased density levels and therefore the increased demand for additional employment land. The RSS stipulates B1 and B2 uses especially. Policy 20 set out below details the regional priorities for employment land: -

POLICY 20 – Regional Priorities for Employment Land

Local Authorities, EMDA and Sub-Regional Strategic Partnerships should work together in Housing Market Area groupings to undertake and keep up to date Employment Land Reviews in order to:
• ensure that there is an adequate supply of good quality land for office and industrial uses available for development (B1, B2 and B8 land) in sustainable locations allocated in Local Development Frameworks;
• bring forward good quality allocated employment sites to meet the specific requirements of potential investors; and
• review current employment land allocations to ensure that they are relevant to current and likely future requirements, and that surplus employment land is considered for beneficial alternative use; and

In addition, Local Authorities should:

• ensure that any additional strategic distribution centre's over 25,000 square metres maximise potential for rail freight and generate at least 10% of their energy requirements from on-site renewable sources; and
• monitor gains and losses in the overall supply of good quality office and industrial sites and assess the floorspace capacity of allocated sites.

The RSS for the East Midlands provides policy guidance on spatial aspects of economic development, it emphasises the need to provide sufficient employment land to promote growth by including regeneration of areas of greatest identified need.

The RSS policy highlights the increasing importance for employment sites to be situated in sustainable locations. However the policy does not include any specific requirements for employment floorspace, and assumed density. The RSS will allow a range of different sites to be provided, which can enhance the marketability by means such as the provision of essential infrastructure, remediation and attractiveness. However, whilst the quality and location of

existing employment land designations may not always be consistent with the market demands or reflect principles of sustainable development, this is accepted.

Regional Spatial Strategy (RSS) for Yorkshire and the Humber 2004 (based on the selective review of RPG12)

The RSS for Yorkshire and the Humber falls upon the economic policies aiming to achieve secure urban and rural renaissance whilst minimising development of Greenfield sites. Therefore the RSS focuses on the Region's Major Urban Areas (MUAs) economic competitiveness and innovation.

Policy P1 Strategic Patterns of Development Locational Principles

a) Policies should be developed which minimise the need for Greenfield development and the need to travel. Land use and transport policies should be integrated and development located where it is accessible to a range of transport modes. Development plans and, where appropriate, local transport plans, should include policies and proposals which support the delivery of urban renaissance, regeneration and the concentration of development.
b) Wherever possible development should be located within urban areas. Development plans should adopt a sequential approach to meeting development needs which should start with the re-use of suitable previously developed land and buildings within urban areas.
c) Where suitable sites to meet the range of identified needs cannot be accommodated within urban areas, consideration should be given in development plans to integrating provision of transport, housing and industry within urban extension sites accessible by good public transport, and then if necessary around nodes in good quality 'public transport corridors' radiating from within main urban areas.
d) Where such public transport corridors cross local authority boundaries, detailed proposals should be worked out in cross boundary 'corridor studies', for which key criteria will include:-

i) Potential or committed development sites compatible with other RSS policies;
ii) Spare public transport capacity, especially rail, or the potential to develop new facilities and services;
iii) Scope for re-balancing resultant demand for road capacity so as to permit additional development without compromising the functions of national and regional strategic routes.

e) Measures to secure the economic base and sustainable development of rural and coastal areas should be included in development plans, whilst ensuring that development respects the built and natural environment, and maintains local distinctiveness and diversity in accordance with Policies S4, N1, N2 and N3. In implementing the regional spatial strategy through their development plans, local authorities should develop a clear vision for the integrated and sustainable development of their rural and coastal areas, recognise the different roles and functions of their settlements, the areas in between them and the links to larger urban centres and:-

i) ensure that market and coalfield towns are the main focus for developing local services, employment and sustainable transport in the rural, coastal and coalfield areas whilst supporting appropriate small-scale developments to maintain the viability and vitality of other rural settlements;
ii) Support proposals for development of the local economy of coastal towns in a sustainable manner, with particular regard to the changing nature of tourism, and the need to secure a diverse economic base to support coastal communities;
iii) provide for small scale housing growth in and around smaller towns and villages where this is of a type which will contribute to meeting local needs (including the provision of efficient affordable housing, especially in pressure areas), supporting local services and will not lead to increased long distance commuting;
iv) Recognise the important role played, and pressures faced, by the agricultural industry, and set out policies for accommodating the needs of farming and for supporting sustainable farm diversification schemes in line with policy E2.

Regionally Significant Locations

In applying the locational principles set out above, development plans, local transport plans and other strategies and programmes should, where relevant, also reflect the following principles:
f) Developments related to meeting employment needs, the regeneration of existing settlements, and improved public transport accessibility will be promoted in the Dearne Valley Development Zone.
g) Port and related activities, together with targeted infrastructure investment, will be promoted in and around the ports at Immingham, Hull, Grimsby and Goole (the Humber Trade Zone).
h) The potential for the West Yorkshire/Barnsley area to accommodate plan-led growth should be examined as an integral part of the preparation of revised draft RSS.

The RSS takes the view that in developing a policy framework for strategic patterns of development it is best served by an overarching regional policy as above. Areas identified as MUAs serve the following sub-regions North Yorkshire, West Yorkshire, South Yorkshire and the Humber. These include the large areas such as Bradford, Halifax, Harrogate, Huddersfield, Hull, Leeds, Scarborough, Sheffield and York etc. The Spatial Strategy across the sub-regions highlights the requirement of sustainability, and that employment should be focused on MUAs, whilst particularly emphasising the potential of unlocking appropriate sites within areas known as regeneration priority areas.

Policy E1 Town and City Centres

a) Existing city and town centres (including market and coalfield towns) will continue to be the main focus for shopping, cultural, social, leisure and business services. Development Plans should make adequate provision for this and require proposed developments to reflect the scale and character of the centres to which they relate; where a development represents a variation in these terms a full appraisal of sustainability will be required.

b) Existing centres will be the focus of efforts to upgrade environment, attractiveness and accessibility, especially in the regeneration priority areas (Policy S2). Opportunities for central area living should be integrated into central area improvement schemes wherever feasible.

The document states that the need for competitive sites will improve the Region's ability to retain indigenous growth as well as attracting inward investment. It therefore highlights that good quality sites are needed to meet more of the local regional needs.

Policy E3 Planning the Overall Provision of Employment Land

a) Regional Employment Land Survey
A regional employment land survey should be co-ordinated and managed to common standards by the Yorkshire and Humber Assembly. It will assess the maximum market potential of employment sites, after necessary site preparation and the cost and time constraints of achieving this. As well as providing baseline information, it will be a tool for managing change. Y&HA should use the survey to provide further draft guidance on the broad location and number of employment sites to meet requirements at regional and sub-regional level and feed this into future reviews of RSS.

Policy E3 Planning the Overall Provision of Employment Land (Continued)

b) Amount of Employment Land

In preparing development plans, local authorities should undertake a rigorous assessment of the amount of employment land needed based on:-

i) Past rates of development and projected needs;
ii) The need to provide a range of size and type of sites for businesses which meet the locational criteria set out in Policies E4 and T1;
iii) Regeneration requirements and policies;
iv) National and regional measures to improve the regional economy;
v) The regional employment land survey.

c) Regionally Significant Sites

Development plans and economic development strategies and programmes should ensure that locations are reserved for the types of regionally significant employment listed below and protected from inappropriate or piecemeal development.

All sites must be realistically attractive to the international or national market and be located in accordance with the criteria in Policies E4 and T1. Recommendations will be made by the Yorkshire and Humber Assembly and Yorkshire Forward on those locations to be included in development plans. There will be a preference for meeting these site requirements from within existing employment land allocations. Additional guidance will be provided on where, if any, new land should be identified.

Single-user site

One location for a major single user capable of accommodating a development in the range 25-50+ha, accessible by public transport from the major urban concentrations of South and West Yorkshire; no development permitted which does not require the whole site (including direct suppliers of the major user and expansion space).

Estuary-related sites

Major locations on the north and south banks of the Humber well related to the ports. These will comprise one site on the south bank of up to 100 ha and a limited number of key sites on the north bank which will in aggregate provide up to 100ha. The normal minimum individual development should be of 10 ha. These sites are part of the Humber Trade Zone initiative as proposed in Policy P1 and described in paragraphs 4.77-4.80.

Premium sites

Up to 12 general locations for major employment projects with a national or international choice of location, generally within the size range 15-40 ha, designed to meet the needs for high-tech products and processes and service sector growth. (An indicative distribution is for up to five relating to the South Yorkshire conurbation and four to the West Yorkshire conurbation, two in relation to Humberside and one in relation to Greater York.). The normal minimum individual development should be 5 ha, including provision for later expansion.

d) Sub-Regional and Local Development

There will be a good (but not excessive) range of sizes and qualities of general employment land for sub-regional and local development, well integrated with urban industrial areas, their workforces and supply chains. These would not be subject to the minimum scale requirements of the regionally significant locations above, but will be the subject of development briefs to secure coherent layout and focus site preparation efforts.

Land distribution for economic development is identified as a core element of the RSS. In terms of quantity, the majority of employment land will fall within Policy E3 part d). Policy E3 part c) is an indicative estimate based on the RSS's objectives in achieving the importance of polycentric patterns of development within the Region. The RSS hopes that this will therefore steer development to regeneration priority areas and build on the success of the more economically dynamic sub-regions.

Policy E4 Employment Site Selection and Development Criteria

a) Locational Criteria:-

i) In making development plan provision for employment land and responding to development proposals, preference should be given to land within urban areas (particularly previously developed land), subject to being able to deliver a continuing supply of sufficient quantity and quality across the portfolio identified in Policy E3. Provision made should take account of preparation costs identified by the regional employment land survey (Policy E3a), the targets for availability (Policy E5) and the likely level of resources for site preparation purposes and infrastructure provision available to partners in the development process established by monitoring (Chapter 11);

ii) Where land outside urban areas is required to ensure a balanced portfolio, preference should be given to land on the urban periphery accessible by good public transport (Policy T2), but taking account of Green Belt constraints, followed if necessary by consideration of sites at nodes within public transport corridors. Subject to this, re-use of previously-developed land will be favoured.

b) Development type: Major: production industries

Provision should be made in locations with good access to the major north-south and east-west inter-regional transport corridors, within the terms of Policy E3c (single user and estuary related sites). Sites suitable for such uses will be protected from inappropriate or piecemeal development.

Business Clusters

High-value-added activities should be encouraged, including the location of such activities in business clusters where this is compatible with sustainable development principles. Development plans should analyse the functioning of any existing or emerging cluster in their area to identify and resolve any constraints on its development.

To encourage science-based clusters, one or more of the 'premium' sites identified under E3c should provide for a science and technology park including incubator units in accordance with the 'centres of excellence' concept set out in the RES.

Business parks, offices and high tech uses

Development plans should ensure that wherever possible pure offices should be located in town and City Centres in accordance with Policy E2. Where needs are anticipated for such uses that could not be accommodated in commercial centres under Policy E2, alternative locations within premium sites (E3c) or general industrial (E3d) land should be assessed against the following criteria (as part of the Sustainability Appraisal encouraged under Policy S1): -

i) The likely effect on future private investment in town centres;

ii) The extent to which such development would put at risk the strategy for the town centre set out in the local plan;

iii) The accessibility of such sites to the workforce by a range of transport modes and accessible by good public transport (Policy T2);

iv) The impact of such development on travel patterns, including minimising journey distances and protecting the function of the strategic highway network. Business parks containing a mix of B1 uses will only be supported if they fall into the terms of Policy E3 and can be justified against the same locational criteria as for pure office uses above.

Warehousing and distribution

Provision should be made for activities with high goods volume and low labour content (within the terms of E3d) close to major inter-regional road/rail/water transport nodes, ports and airports, integrated wherever possible with freight access and transport improvements under Policies T4 andT11.

Policy E4 notes that uses falling within B1 of the Use Class Order should therefore be located in town and City Centres wherever possible, the RSS notes that offices in out of centre locations can undermine the viability of the existing MUAs by inhibiting the growth of secondary services.

Regional Spatial Strategy (RSS) for the North East 2005 (Formerly Regional Planning Guidance RPG1)

Theme 3a: 'Delivering Economic Prosperity and Growth' takes note of the importance of sustainable economic development, and focusing economic growth towards the two City Regions, in particular the core areas of the conurbations, to achieve this. In between these areas, the main towns should also be a focus for economic development and investment as it is assumed the greatest economic and social benefits can be achieved, while avoiding environmental costs.

Major office and employment uses should fill these areas, whilst being allied to their central retailing functions (i.e. the town centre), however, Policy 25 – Urban and Regional Centres makes no connection to employment and office use other than retail and leisure class uses.

Policy 12 – Sustainable Economic Development

Strategies, plans and programmes should focus the majority of new economic development and investment:

a) in the conurbations and main towns within the Tyne and Wear and Tees Valley city regions, particularly the core areas;
b) at regional brownfield mixed-use developments; and
c) at Prestige Employment Sites, particularly for employment uses of regional and sub-regional significance

New economic activity of an appropriate sale and nature should be encouraged:

d) in the towns serving the regeneration areas within the city regions acting as the stimulus for their regeneration and surrounding areas, with a particular emphasis on improving access to skills and training, education and employment opportunities; and
e) in the rural service centres, and to a lesser degree in other local rural centres, to provide a framework for integrated rural development of an appropriate scale to support sustainable, rural communities and diversified economies.

Economic development proposals should prioritise the renewal and reuse of previously developed land and buildings, particularly within town and City Centres and established industrial and commercial estates.

Proposals for new economic investment should be imaginative to promote 'green businesses in terms of self sufficiency, locally producing goods and services. High quality development in high quality settings, aided by the provision of 'green infrastructure' should be sought.

To enhance the economic performance, and promote sustainability within existing business premises, strategies, plans and programmes should seek improvements to existing road and rail networks, footpaths and cycle routes; and at the region's airports and ports. These improvements will enable opportunities for the region's businesses to:

f) operate within the regional, national international marketplace;
g) allow their workforce to travel to and form work more efficiently, particularly by public transport; and
h) reduce the fear of crime and improve the safety of employees travelling to and from the workplace.

The RSS highlights that new forms of development that are unique opportunities within specialist sectors of the economy will be maximised to ensure that they assist in the region's accelerated economic growth plans of the Spatial Strategy. In particular the existing brownfield

sites within the city and town centres may not be the most suitable to accommodate such economic investment, so these should be directed away towards Prestige Employment Sites.

POLICY 19 – Prestige Employment Sites
Strategies, plans and programmes should focus investment towards the following Prestige Employment Sites to enable the accelerated growth in the regional economy to be maximised:

- West Hartford, Cramlington
- Newcastle Great Park
- Newburn Riverside, Newcastle
- TyneWear Park, South Tyneside
- Baltic Business Park, Gateshead
- North East Technology Park, Sledgfield
- Wynyard
-

In making provision for the above Prestige Employment Sites, Local Development Frameworks should:

a) prepare a detailed master plan prior to the commencement of development;
b) accommodate major investors and prestige business development of national or regional significance;
c) ensure high levels of public transport accessibility and use;
d) provide a parking approach that mangers private car use, whilst promoting sustainable transport modes;
e) secure any necessary improvements to the strategic and local road and rail networks required to accommodate traffic generated by the development, taking account of the likely use of public transport to the site;
f) maximise the employment opportunities for residents of surrounding wards, particularly from the more deprived wards;
g) ensure that the necessary infrastructure is coordinated with new development;
h) employ sustainable construction and design methods, which deliver biodiversity benefits and foster local distinctiveness;
i) protect and enhance major environmental, historic and resource assets; and
j) ensure that the integration of the development with the landscape meets high environmental standards.

South Tyneside Local Development Framework should define the area of Green Belt to be excluded for the TyneWear Park Prestige Employment Site.

The Spatial Strategy states the proposed potential uses for the Prestige Employment Sites. These include, Bioscience Park, Digital Based Business Sector, General Industry and Warehousing Sector, Knowledge-based Industry Sector, International Centre, University and College Research Sector, and Electronics and High Technology Sector. For all instances, accessibility and the infrastructure of the sites are key.

The North East Region has a Polycentric City Region, as the City Region exhibits a polycentric settlement pattern based around two core areas within Tyne and Wear conurbations. Newcastle and Sunderland offer a further major centre for population and employment, other areas include Durham, and the regeneration areas of Northumberland and Wearside/County Durham.

Town and City Centres are the main drivers of the Regional and Sub-Regional economies, and are of critical importance to the Region's economic and social well-being and to the

achievement of a sustainable pattern of development, centres should be at the key focus for all the future regeneration behaviours as well as investment in public transport.

POLICY 20 – Reserve Sites

Development Plans and Local Development Frameworks should reserve the following sites for one or two large-scale inward investments and safeguard from piecemeal development:
• Faverdale Reserve, Darlington
• Heighington Lane West, Sedgefield/Darlington; and
• South of Seaham

These sites should only be considered for development if:
a) employment sites within the conurbations and main towns cannot accommodate the proposed large-scale development.
b) No larger single site is available on a Prestige Employment Site or a Regional Brownfield mixed-use site

The RSS, despite the generous amount of employment land still available feel Greenfield allocations are necessary. The reserved sites are strictly controlled to ensure that they support the objective of the RSS Theme 3a: '*Delivering Economic Prosperity and Growth'.*

Submitted Draft Regional Spatial Strategy (RSS) for the North West of England 2006

Current policy for this Region of the country is focused on strengthening the regional economy focusing upon its Major Urban Areas (MUAs). The Region requires a range of influential sites in order to support growth potential. Regionally there are limited numbers of sites that will hold a significant role, due to the type of development and location of the sites. The sub-regional role is seen as complementary to the Region's significant economic development sites, but will contribute to growth in the economy.

Policy W1 – Strengthening the Regional Economy

Plans and strategies should promote opportunities for economic development (including the provision of appropriate sites and premises, infrastructure and clustering where appropriate) which will strengthen the economy of the North West by:

• Building on the Region's strengths, particularly the three City Regions of Manchester, Liverpool and Central Lancashire. This should reflect the following growth opportunities:
  - Manchester – advanced manufacturing and engineering, financial and professional services, media, creative and cultural industries, biomedical, ICT/digital and communications;
  - Liverpool – advanced manufacturing and engineering, financial and professional services, media, creative and cultural industries, biomedical, ICT/digital, tourism, maritime and communications;
  - Central Lancashire - advanced manufacturing and engineering, environmental technologies and biomedical, tourism and conferencing.
• Continuing the recent success of attracting high value added knowledge based industries in Cheshire, particularly focused around Chester and developing links with North East Wales;
• Giving positive support to the sustainable diversity and development of the rural economy through the growth of existing businesses and the creation of new enterprise, particularly within Cumbria where there is a need to both develop high value business and sustain traditional economic activities.

- Prospects for growth in tourism, food and nuclear sectors should be developed, including promoting links between regional and agriculture and production and retail facilities to reduce food miles and support local businesses;
- Ensuring the safe, reliable and effective operation of the Region's transport networks and infrastructure in accordance with the policies and priorities of the Regional Transport Strategy;
- Supporting growth in service sectors, which will continue to act as significant employers within the Region, and in which the greatest improvements in productivity can be made;
- Improving the skills base of the Region, including tackling skills deficiencies and concentrations of unemployment, particularly within parts of the three City Regions;
- Providing sufficient and appropriate housing to support economic growth (Policies L2 – L5); and
- Linking areas of opportunity and need.

Policy W2 – Broad Locations for Regionally Significant Economic Development

Plans and Strategies should encourage regionally significant economic development in specific locations for:
• Regional Investment Sites meeting the requirements of the region's key growth sectors identified by the Northwest Regional Development Agency;
• Knowledge nuclei sites focusing on knowledge-based sectors which require specific links to the region's Higher Education Institutions, research and development facilities, existing knowledge-based industries and major hospitals. Close physical proximity is desirable; however it is the links between knowledge nuclei sites and key knowledge infrastructure that are most important. In some cases those links may be facilitated by ICT;
• Inter-modal freight terminals facilitating the transfer of freight from road to rail and/or water (Policy RT5). These should only be allocated where the Local Authority is satisfied that this is the prime purpose;
• Reserve sites to provide a readily available supply of land for the purposes of accommodating investment which would otherwise be lost to the region. Large-scale manufacturing investment should be accommodated on Regional Investment Sites and headquarter functions on knowledge-nuclei sites.

There should be only one site in each broad location identified, with the exception of Knowledge Nuclei sites. A Reserve Site may be part of a larger Regional Investment or Knowledge Nuclei site.

The document states the need to have a ready supply of land that is sufficient of quality and quantity in order for the region to experience economic growth. However the RSS clearly states that the supply must reflect the implications of creating a more productive economy. Regionally significant economic development is that which will have a recognised impact on the growth and development of the region.

Policy W3 – Supply of Sub-regional and Local Employment Land

Plans, strategies, proposals and schemes should seek to provide for a supply of sub-regional and local employment land for each sub-area. This should be done through a comprehensive review of sub-regional and local commitments (alongside Urban Potential Studies where possible) to secure a portfolio of sites that ensures:
• The most appropriate range of sites, in terms of market attractiveness and social, environmental and economic sustainability, are safeguarded for employment use, ensuring that they can meet the full range of local needs and are actively marketed;
• An appropriate balance between B1/B2/B8 uses are allocated;
• That at least 30% of sites are available, so that all new and existing businesses have the ability to grow successfully;
• The amount of brownfield land used for employment

Policy W3 focuses upon allocations for B1, B2 and B8 land use within the three City Regions of Manchester, Liverpool and Central Lancashire. However, as the economy of the Region

has begun and continues to restructure, there is a demand for different land uses, noticeably the decline of B2 uses and significant increase for B1 uses.

Within the content of the North West RSS there are particular sub-regional policies relating to the three city areas: Manchester (policies MCR1, 2, 3, 4 and 5), Liverpool (policies LCR1, 2, 3, and 4) and Central Lancashire (policies CLCR1, 2, and3). All of these policies provide an overview of priorities for the three City Centres. Generally economic development is prioritised within the City Centre and inner city areas, however specific key locations in the north, south east and west of the cities, set the Region's specific requirements for economic development. One important site includes the south of Manchester close to the airport.

The Inner Areas have enormous potential, so by centering economic activities in the Inner Areas, this will boost overall economic growth in the City Region, reduce local inequalities and deprivation and provide a clear alternative to further decentralisation.

Draft East of England Regional Spatial Strategy (RSS) 2004 (formerly known as East of England Regional Planning Guidance)

Regional policy for the East of England focuses employment and economic growth towards sub-regional policy frameworks. The East of England Region identifies three main sub-regions; the first is Thames Gateway/South Essex sub-region.

Policy TG/SE1: Zones of Change and Influence

Local development documents will make provision to secure the development of three complementary regeneration hubs and associated zones of change and influence. These are:

- Thurrock as a world leading logistics hub and exemplar for community development, learning and enterprise, with a focus on:
  - Thurrock Riverside – developing a new urban focus between Purfleet and Tilbury to provide 7,600 additional homes and 2,400 new jobs through regeneration of previously used sites, associated with revitalisation of existing town centres, a new ring road and railway station in West Thurrock, a strategic transport interchange at Grays and improved local transport networks
  - London Gateway – reuse of a former refinery site to provide a new container port facility together with a business park, together supported by strategic rail freight handling facilities and providing 16,500 jobs, will be supported, subject to evidence of long term demand and its making full contribution to provision for infrastructure and environmental mitigation needs generated by its wider impacts.
- Basildon and Castle Point as a business hub, with a focus on:
  - Basildon Town Centre – regenerating the existing town centre to secure a full range of quality sub-regional services and facilities, providing 500 new jobs and 1,500 additional homes, with upgrading of strategic and local passenger transport accessibility, including development of strategic transport interchange
  - Gardiner's Lane South – a major mixed use development providing 8,000 new jobs, 500 additional homes and leisure facilities, supported by improved access to the A127 and to passenger transport accessibility
  - Canvey Island – development of employment opportunities and revitalisation of South West Canvey and the town centre supported by improved accessibility to the strategic transport network by all modes.

Southend and Rochford as a cultural and intellectual hub and a higher education centre of excellence, with a focus on:

- Southend Town Centre – regenerating the existing town centre, led by the development of the University campus, to secure a full range of quality sub-regional services and facilities providing 6,500 new jobs and 1,650 additional homes, with upgrading of strategic and local passenger transport accessibility, including development of Southend Central and Southend Victoria stations as strategic transport interchanges
- Shoeburyness – development of a major mixed use scheme, providing 3,000 new jobs consolidating R&D strengths on a 'high- tech' business park and 1,400 additional dwellings, linked to improved access.

The regional framework is very much implemented from these sub-regions being designated. The first sub-region is the Thames Gateway South Essex (TGSE). This sub-region is an area of regional and national priority for regeneration and growth. The framework focuses on complementary locations within the sub-region. Areas of land that have been left derelict and its availability surplus to labour and proximity to central London international transport hubs, are some of the factors that the RSS will focus on so that these can become areas of unique opportunity.

The approach in Policy TG/SE2 identifies key areas that will be the focus of change within this sub-region and the catalysts for the delivery of the planning framework for the region.

Policy TG/SE2: Employment Generating Development

Local development documents will provide for not less than 30,000 net additional jobs up to 2011 and not less than 55,000 net additional jobs by 2021, distributed as follows:

Area	**2001-2011**	**2011-2021**	**2001-2021**
Basildon	7,000	4,000	11,000
Castle Point	1,000	1,000	2,000
Rochford	1,000	2,000	3,000
Southend	5,000	8,000	13,000
Thurrock	16,000	10,000	26,000
Total	30,000	25,000	55,000

The local authorities, supported by regional and local partners, will deliver additional jobs by promoting a competitive sub-regional business environment, to be secured through:

• A range of sites and premises suitable for the needs of existing and future businesses
• Provision of innovation centres within the three regeneration hubs of Basildon, Southend-on-Sea and Thurrock
• Improvement of opportunities for small and medium enterprises in all economic sectors, especially transport and logistics, environmental technologies, healthcare, and tourism and leisure
• raising skill levels at NVQ Level 2, 3 and 4 to national averages, through enhanced provision of further and higher education, to ensure that local residents share in economic success
• focusing major retail, leisure and office developments in town and district centres.

The second identified sub-region is the Haven Gateway sub-region. The focus of this sub-region is the strategic transport network, the region is also heavily influenced by London Stansted airport, Cambridge and the Midlands.

Significant developments are proposed to the ports of Felixstowe and Harwich, as well as other developments concentrated within and around Colchester and the Ipswich areas and the strategic planning policy framework will co-ordinate the future economic growth of the sub-region.

Policy HG1: Economic Development

Economic growth of the sub-region will be supported to deliver a more sustainable and spatially concentrated pattern of development. Local development documents (individual and joint) will promote economic opportunities in the sub-region that will:

• recognise the sub-region as a major economic growth point, through the concentration of the ports, maritime and related activities
• build on the diverse economies of Ipswich and Colchester in order to reduce economic vulnerability
• provide for the demands of the expanding tourism sector
• deliver adequate opportunities to develop employment linked to information communications technology, research and training
• promote opportunities for economic development within the Harwich/Clacton part of the priority area for regeneration
• provide for at least 49,700 net additional jobs in the sub-region in the period 2001 to 2021 distributed as follows:

Babergh 3,400
Colchester 14,200
Ipswich 18,000
Suffolk Coastal 8,000
Tendering 6,100

The RSS highlights the fact that a significant amount of growth will soon come from the longer-term roles of Colchester and Ipswich as the main sub-region centres, as a result the RSS expect the results to reflect the maturing of the sub-region's economy.

Policy HG2: Regeneration

Regeneration of under-performing parts of the sub-region will be supported. Local development documents will promote:
• Major joint regeneration initiatives in East Colchester and St Botolph's, Ipswich Waterfront and Village
• New Government funded investment within the Harwich/Clacton part of the priority area for regeneration to address unemployment and deprivation through neighbourhood management and renewal
• The regeneration of other smaller scale sites that are located throughout the area.

The RSS highlights regeneration development opportunities within the Haven Gateway sub-region. Policy HG2: Regeneration in particular, large scale regeneration development can be more appropriately accommodated within Colchester and Ipswich waterfront areas.

Finally the last sub-region is the Norwich area. The spatial strategy highlights the fact that a sub-regional policy is required here so that co-ordinate planning of the area to secure economic and social growth and regeneration.

Policy NSR1: Promoting Clusters and Strategic Sites

Strategic employment sites will be identified in local development documents and allocations will be protected from non-employment uses. The following strategic locations are of particular significance for the future development of the sub-region:
• Norwich City Centre – providing a focus particularly for media and creative industries, finance and insurance, and information communications technologies
• Thorpe St Andrew and Longwater, Costessey for business park use
• Colney/Cringleford area – significant expansion of research park facilities will be required, reserved for research and development, higher education and hospital related uses
• Norwich International Airport – land will be identified to accommodate uses benefiting from an airport related location
• Sites facilitating high tech development in the A11 corridor, particularly around Wymondham, Attleborough and Snetterton (with the additional possibility of distribution uses taking advantage of the railhead).

The RSS realises the powerful economic influence that Norwich holds over the whole of the region, however, the RSS highlights the pockets of deprivation found within Norwich, and therefore finds it necessary to concentrate its sub-regional planning policy framework on regeneration of the economy, with a big emphasis on investment. It is therefore perceived that this framework will contribute to the development of a sub-region that is, *'economically robust, building on the strength of Norwich and the potential of the surrounding area.'*

The South East Plan 2006-2026

Current regional planning policy for the South East differs from other Regions since the Region is large and diverse, and the RSS concentrates on locating future economic growth around urban areas.

POLICY TC1: DEVELOPMENT OF TOWN CENTRES

Accessible, attractive and vibrant town centres are fundamental to the sustainable development of South East England and will continue to be the focal point for development of a mixture of uses including leisure, services, retail, residential and commercial. A network of town centres will be promoted to create a sustainable distribution of facilities across the region. In appropriate cases, LDDs will seek to promote good quality development where it is desirable to regenerate and renew town centres. They will ensure that centres are accessible by public transport.

The RSS supports growth and development within appropriate urban centres, these include 'Growth Areas', such as Milton Keynes and Ashford. The planning framework of the document highlights the special relationship with those metropolitan centres of west, east and south London, which need to be specially addressed.

Policy TC1 mentions it is desirable to regenerate, whilst the support text indicates that new investment of an appropriate level and scale should be promoted in vulnerable centres in need of regeneration, as town centre regeneration offers a real opportunity to achieve exemplar development.

The regional planning policy also takes on the notion that all town centres need to develop as multi-use nodes. It is therefore implied that the urban areas across the Region should be the prime location for new development and redevelopment. They should enable economic growth to take place and a wider range of uses will enhance vitality and viability, encouraging the development of 'living centres'.

The Draft Regional Spatial Strategy (RSS) for the South West 2006 – 2026 (Formerly Regional Planning Guidance 10)

The South West Region aims its policies towards enhancing the economic prosperity and ensuring quality employment opportunities are made, through revamping the existing office building stocks. The RSS notes the diversity of the Region and gradient of productivity within the Region, highlighting the pronounced east to west 'productivity lag'. 'Promoting Successful and Competitive Businesses' draws a line under the clear relationship between productivity and time/distance from key economic hubs within and outside of the Region, e.g. London.

TC1 City and Town Centres

In order to meet the needs of local communities within the Region, local authorities and other agencies will work together to ensure that the vitality and viability of the region's existing network of towns and City Centres is maintained and enhanced. In doing so, it will be important to ensure that such centres are not adversely affected by inappropriate development elsewhere and that provision is made for a mix of uses within town centres, including retail, cultural facilities, offices, other employment and housing.

The central areas of the Strategically Significant Cities and Towns identified in Development Policy A will be the main focus for new investment in retail and other major facilities requiring high levels of accessibility to the communities they serve, recognising their function as focal points for extensive catchment area populations. The sub-regional policies provide the strategic direction for these places.

Within those settlements identified in the context of Development Policy B, the range and quality of central area facilities will also be maintained and enhanced to meet future needs. In all settlements, measures should be introduced to improve accessibility by sustainable modes, and to enhance the public realm and quality of the town centre environment. In doing so, local authorities and other agencies must recognise the role of central area investment in supporting regeneration objectives.

The scale of new investment in retail and other facilities within town centres should take full account of changing patterns of behaviour and future levels of population growth. The development of major new regional shopping facilities outside these centres will not be supported.

The Spatial Strategy believes the Region performs relatively well in terms of office stock and employment land availability when compared with other Regions nationally. Bristol is considered the 'Office Capital' for the Region, with over one million square metres of floorspace, and is by far the largest of the other centres for office employment within the South West, such as Swindon, Bournemouth, Poole, Exeter, Plymouth, Cheltenham and Gloucester.

The RSS sees much of the office stock in the existing Strategically Significant Cities and Towns comprise of old stock. The RSS highlights the possible problems this may cause in attracting potential occupiers, which may require more modern and adaptable stock, therefore creating a suffering effect on the economy. The new stock within the Region is all located out-side of the town locations.

All in all the RSS takes the approach that provision will need to be made for additional office space within the regional and sub-regional locations of Bristol, Bath Weston-super-Mare, Gloucester, Cheltenham, Swindon, Bournemouth, Taunton, Exeter Torbay and Plymouth. The RSS anticipates a new total of 2.7 to 3.2 million square metres of additional floorspace.

Whilst having a policy framework which encourages centre locations for development, one of the main challenges will therefore be in making town centre locations sufficiently more attractive to occupiers, particularly with regard to accessibility to these centres being perceived as ‘poor’. The next highlighted issue will be attracting new business into the more modern accommodation; the need to achieve net gains in office accommodation within the regional and sub-regional centre locations will be key in enhancing the viability and economic performance of the overall Region.