

North West Leicestershire District Council EMPLOYMENT LAND STUDY



ROGER TYM & PARTNERS
Planners and Development Economists

InnesEngland

Executive Summary
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ROGER TYM & PARTNERS

Fairfax House
15 Fulwood Place
London WC1V 6HU

t 020 7831 2711
f 020 7831 7653
e london@tymconsult.com
w WWW.TYMCONSULT.COM

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Introduction

- 1 This study was commissioned by North West Leicestershire District Council in November 2005, to inform the Council's forthcoming Local Development Framework (LDF). The Council's Project Brief (September 2004) notes that the study is to advise on:
- 2 'What would constitute an adequate supply of employment land, the quality, from a market perspective, of the existing and proposed employment land in the District, and whether the supply is adequate to meet the District's needs.'
- 3 In the brief, and throughout this report, employment land uses are defined as the Business (B) Class of the Use Classes Order, comprising factories, workshops, warehouses and offices.

The Policy Context

- 4 Strategic spatial priorities have changed considerably over the last few years. The Leicestershire, Leicester and Rutland Structure Plan, effectively completed in 2003, allocated the highest share of development land in its area to North West Leicestershire. Under the new planning legislation, this Plan is of limited relevance to the future of North West Leicestershire.
- 5 In contrast to the Structure Plan, the current regional strategy, RSS8, issued in final form two years later, firmly puts the major cities and Communities Plan Growth Areas first. The East Midlands Airport is the one place in North West Leicestershire that is recognised in the RSS as an area of strategic opportunity. But the development associated with the Airport so far as possible is to be diverted to larger centres outside the District. Coalville, the only settlement in North West Leicestershire which is named in the spatial strategy, is designated a second-tier centre, whose development is to be subordinated to the needs of the Principal Urban Areas.
- 6 Thus, the RSS suggests that over the period to 2021 no settlement in North West Leicestershire is to have a strategic role. The scale of development in the District is to be limited to fulfilling local needs, except possibly insofar as North West Leicestershire can receive overspill investment displaced from the Principal Urban Areas by the land shortages identified in the QUELS and RELPS studies.
- 7 In terms of the quality of development, as opposed to its scale, the strategic agenda is set by the overarching objective of the Regional Economic Strategy of higher income per head through higher labour productivity. One route to higher productivity is an upgraded industrial mix, which employment land policy can encourage by providing sites attractive to higher-value business activities.

The Local Economy

- 8 In many ways, North West Leicestershire is an economically advantaged area. Its residents and workers are especially well off in terms of employment opportunities, given that the District has recovered from the loss of coalmining jobs and now enjoys very low unemployment. Compared to surrounding Districts, it provides employment for a high proportion for its residents and also for many in-commuters from other Districts. The District also has high and rising birth rates of newly VAT-registered firms, pointing to a high level of entrepreneurship.
- 9 In terms of competitiveness and growth opportunities, North West Leicestershire enjoys a highly accessible position in the middle of the country, with good road links

and a fast-growing international airport. Partly because of its accessibility, it has proved attractive to inward investors, and in the last five years or so has seen high levels of employment growth (though in earlier years its performance was well below average).

- 10 On the negative side, North West Leicestershire, like the East Midlands as a whole, specialises in comparatively low-value-added activities, with many jobs in manufacturing (though not high-tech manufacturing) and logistics and few jobs in white-collar and knowledge-based sectors. Consistent with this industrial structure, residents' skills are comparatively low, and workplace earnings slightly below the national norm (though better than the East Midlands average). In recent years, logistics employment has been growing especially fast, adding to the area's 'blue-collar' specialisation.
- 11 In terms of policy objectives, this suggests that employment land policy should aim to contribute to an upgrading of the District's industrial structure, with a growing share of higher-value, higher-knowledge activities. At regional level, this as mentioned earlier is the key objective of the Regional Economic Strategy for the East Midlands.
- 12 Because North West Leicestershire consists of quite small settlements, with no major city or town centres and no higher education institutions, it may have limited opportunities to attract office and R&D development, unless there is further strategic office development close to the Airport. But it could and should build on its strengths by targeting higher-value, higher-knowledge activities in the sectors in which it specialises, manufacturing and logistics. It should also consider carefully its stance towards further growth in large-scale warehousing, to find the right balance between exploiting the growth opportunities this brings and allowing it too great a dominance of the employment and land markets.
- 13 A further possible problem area is travel to work. Residents of North West Leicestershire have long trips compared to people in other areas, and a high proportion of these trips are made by car.

Local Property Markets

- 14 Over the last decade, North West Leicestershire has seen considerable growth in warehousing and distribution space, supported by access to an excellent road network and an expanding market. The availability of large tracts of greenfield land next to major roads has enabled the District to respond to growing demand in this sector, for instance at Interlink, Flagstaff 42, Willow Farm and Stephenson
- 15 The take up of land and premises for manufacturing has been less robust, reflecting national trends, although even in this sector the District has succeeded in attracting investment from neighbouring areas and also from further afield. A particular feature of this market is the extent to which the North West Leicestershire has attracted business from the cities of Nottingham and Leicester, where constrained supply of employment land has frustrated the relocation ambitions of a number of companies indigenous to those cities. Willow Farm and Bardon (Interlink, Hilltop) have been direct beneficiaries.
- 16 The office market has been more subdued. Although land supply has been significant, there is little depth to the local office market based in North West Leicester, and accordingly major growth in the sector is dependent on drawing inward investment from neighbouring areas or further afield. Supply includes a high quality business park at Pegasus and also Ashby Business Park (not as prestigious as Pegasus but still good quality). After a relatively strong start, neither of these two schemes has performed well in recent years with no new take up over the last two

years. At Pegasus, recent poor performance is, we would suggest, partly due to a change of developer following the dismantling of the former joint venture agreement. Increased competition beyond the District has also had an impact.

The Quantity of Employment Land

- 17 In our baseline scenario, our forecasts of floorspace and land demand are based on Experian Business Strategies' standard economic forecasts - in effect a 'business as usual' future for North West Leicestershire. In this scenario:
- Between 2004 and 2016, total jobs in the District grow by 9%. Office employment grows by around 700 jobs - a 10% increase. Industrial employment is virtually unchanged. Warehousing employment increases dramatically, by nearly 1,900 jobs, or 28%.
 - Between 2004 and 2021, total jobs grow by 12%. Office employment grows by around 900 jobs, or 12%. Industrial employment is stagnant. Warehousing employment rises, with 2,500 more jobs in the period - an increase of almost 40%.
- 18 The resulting forecasts requirements for employment land to 2016, including a generous margin for friction and choice, are:
- 5.9 hectares for offices;
 - 11 hectares for industry;
 - 57 hectares for warehousing.
- 19 We have compared these demand forecasts with planned land supply - the total land area identified by the planning system for employment uses. In purely quantitative terms:
- For offices, planned land supply is 27 hectares, as much as 80% of the District's modest stock of existing offices. This greatly exceeds the estimated requirement of 5.9 hectares to 2016. The estimated oversupply amounts to 21 hectares, nearly two thirds of the District's existing stock. It is mostly accounted for by Pegasus Business Park at East Midlands Airport; without Pegasus, the market to 2016 would be nearly in balance. Figures for 2021 are similar.
 - In the industrial/warehousing market, bearing in mind the margins of error that inevitably surround our calculations, market demand and planned supply both in 2016 and 2021 looks to be broadly in balance.
- 20 As an alternative to the baseline demand forecasts, we have constructed a high scenario, which incorporates the impact of proposed growth at the East Midlands International Airport, as forecast in the recent York Aviation study. Our high scenario, based on the most generous possible interpretation of the York Aviation figures, by 2001 produces an additional 1,800 jobs in North West Leicestershire over and above the baseline scenario. These extra jobs do not make a significant difference to the above broad conclusions on the balance and demand and supply.

The Quality of Land

- 21 We have made a qualitative assessment of the development sites identified for employment uses, comprising:
- Three major office sites, of which Pegasus Business Park at East Midlands Airport is the most attractive, but has been affected in recent years by poor take-up, which may be largely due to supply-side factors;

- 12 general industrial sites, providing a mix of good and average quality, with the single exception of 5 hectares at Swain Park, which we consider average to poor because of its remoteness;
 - Two sites dedicated to strategic distribution, East Midlands Distribution Centre and Interlink, both of good quality and attracting strong market interest.
- 22 We have also made a qualitative assessment of existing, occupied employment areas, to identify any areas which no longer match the market requirements for business occupiers and should be considered for transfer to other uses. Our conclusion is that most of the District's established employment areas are of good quality, providing largely modern floorspace in attractive locations, and should be safeguarded for employment uses. Poor quality employment areas, which could potentially be released for other uses, are few in number and relatively small in aggregate size. These poor quality areas typically comprise older properties close to housing and far from the main employment areas.

Conclusions

Offices

- 23 Based on our demand forecasts - which might be described as business-as-usual scenarios, reflecting the District's established economic profile and its recent performance - North West Leicestershire has a large oversupply of office development land. The forecasts are for minor growth in offices, measured in hundreds rather than thousands of jobs, generated by local demand. The District's planned land supply far exceeds this forecast growth, largely due to Pegasus Business Park, which is a strategic site and could only be filled over a reasonable period if it receives significant inward investment. If the remaining land at Pegasus is reassigned by its current owners to operational Airport use, the oversupply will largely disappear.
- 24 In this context, one policy option for the Council is to adopt our forecast requirement of some 6 hectares of net new office supply over the period to 2016 and aim to reduce planned land supply accordingly. This would mean encouraging the transfer of undeveloped land at Pegasus to other uses and probably being flexible about permitted uses at Ashby Business Park, so that some of the remaining land is allowed to be developed for industry/distribution rather than offices. In this option, the Council would accept that, in line with economic forecasts and the current RSS, office development in North West Leicestershire is to be modest, serving local requirements only.
- 25 Alternatively, and more radically, the Council could aim for the role of a strategic office location, in which North West Leicestershire would be home to major business park development, attracting occupiers from other parts of the East Midlands and beyond. In this option, planning policy would provide substantial land supply at the District's most promising office location - close to Junction 24 of the M1 and the East Midlands Airport. If some or all of the remaining land at Pegasus becomes unavailable, other land would be released in the locality for major office development.
- 26 In support of this second option, it could be argued that the Pegasus Business Park in the past has achieved this kind of strategic role to some extent, attracting footloose office operations displaced from the Principal Urban Areas by shortage of suitable sites, and perhaps attracting or retaining activity which otherwise would not be in the East Midlands at all. The planned growth of the Airport may be expected to create more opportunities of this kind.

- 27 There are two major lines of argument against the 'strategic office development' option:
- Firstly, as shown earlier there is now less scope for North West Leicestershire to attract office demand pushed out of the Three Cities by shortage of land, because of the new supply which has come forward in and around these cities in recent years. As the urban renaissance of Leicester, Nottingham and Derby progresses, the extent of overspill may be expected to shrink further.
 - Secondly, the promotion of strategic out-of-town office development at the Airport on the face of it would seem contrary to the letter and the spirit of the current Regional Spatial Strategy, as summarised in Chapter 2 above.
- 28 Should the Council wish to pursue the second option, it would have to be demonstrated that there is potential demand for large-scale office space close around Junction 24 and the Airport for which the Principal Urban Areas would not provide a realistic alternative and which would generate net additional activity for the region as a whole. To quantify the potential office land requirement based on the second option would require a wider regional analysis of office demand and supply, to see how footloose demand could potentially be redistributed between North West Leicestershire and other Districts by supply-led planning policy. These analyses are beyond the scope of the present study.

Industry and Distribution

- 29 Our quantitative analysis suggests that, based on business as usual scenarios (with or without high growth of the Airport), existing planning commitments in North West Leicestershire provide roughly the right amount of land for the planning period to 2016 to 2021.
- 30 Based on this analysis, the first policy option for the Council is to adopt our quantitative guidance on future land requirements, and manage land supply accordingly, with regard to both new allocations and the managed release of the worst existing sites. In this option, policy would also need to build in qualitative considerations, in two ways:
- i) To match the qualitative profile of demand and the policy objective of upgrading the mix of economic activity, the Council should give priority to the best development sites - those rated as 'good' by the quality assessments in the last chapter. Any managed release for other uses should be at secondary or 'average' sites. Furthermore, the take-up of the 'good' development sites should be monitored to make sure that supply keeps up with demand. Because of the qualitative mismatch of demand and supply, we suspect that some years into the planning period, perhaps from 2010 onwards, the supply of 'good' development sites may become exhausted, while there is considerable capacity left in the secondary or 'average' categories. The Council should be prepared at that stage to provide more 'good' sites, and perhaps reallocate some secondary or 'average' land to meet that eventuality.
 - ii) All the evidence suggests that a high share of industrial/warehousing demand is for logistics uses, not only in strategic distribution (Big Sheds) but also in general industrial property. Accordingly, if demand is to be met, priority should be given to the most accessible sites, most suitable for distribution.
- 31 As in the case of offices, there are alternative options in which the North West Leicestershire aims to fulfil a more strategic role, attracting footloose demand from other areas over and above the local demand which the forecast scenarios represent:

- For general industrial space (much of which is probably occupied by small-to-medium-scale distribution rather than industry), this would mean providing good-quality sites over and above the forecast requirement, which could attract activity pushed out of the Principal Urban Areas by land shortages. Such overspill is more likely for industry than for offices, because the Three Cities are probably still not providing enough industrial/distribution land to meet indigenous requirements.
- In the strategic distribution (Big Sheds) sector, demand is extremely buoyant at present, the most favoured locations in the East Midlands and beyond are running short of land, and much demand is highly footloose. Therefore, the District Council, if it wanted to, could attract demand over and above the forecast by providing more suitable sites, at least in the short to medium term (we do not know for how long the present Big Sheds boom will last).

32 Yet again, we have not attempted to quantify the land requirements implied by these alternative options. To do so would require regional or sub-regional assessments of supply and demand, beyond the scope of the present research.

Managing the Existing Stock

33 If the market demand for employment land is to be met, the District needs not only to allocate new developments sites, but also to control the loss of employment land to other uses. Given that much of North West Leicestershire's business stock is modern, fit for purpose and well occupied, the number of sites which could justifiably released for other uses is relatively low.

34 At Appendix 3, we provide a qualitative assessment of the District's employment areas, splitting them into three categories.

35 Table 1 lists good quality employment areas, which in our view should be safeguarded for business uses. The list includes the District's principal business and industrial areas, providing mainly modern space. It includes Bardon Hill Industrial Estate (Canister Farm, Hilltop, Bardon Lodge, Battleflat) Whitwick and Stephenson Business Parks, Trent Lane Industrial Estate, Pegasus Business Park, Willow Farm, Ashby Business Park, Flagstaff 42, Ivanhoe Business Park and Hermitage Industrial Estate, as well as three major single-occupier sites.

36 Table 2 shows employment areas of average quality. It includes small employment areas in rural locations that serve local demand, as well as large industrial estates such as South Leicester and Westminster, which cater successfully to secondary and bad neighbour uses. In general, these areas in our view should be safeguarded for employment, but could be released in exceptional circumstances, depending on the balance of supply and demand.

37 Table 3 lists poor quality employment areas which in our view are not equal to market requirements and should be considered for managed release. These areas typically comprise buildings surrounded by residential uses and far from the main industrial areas. One large site on this list, the McVities biscuit factory in Ashby, is currently vacant and hence could be released for alternative use in the short term. In Coalville, the area around Market Street/Baker Street, though currently occupied, is of such poor quality that it is likely to see significant vacancy in the near future. The other areas we have assessed as poor quality are mostly well occupied; we cannot predict how much land in these areas might come forward for redevelopment and over what time scale.

38 As well as policies for specific sites, the Council should consider setting general criteria on the release of employment land for other uses. Outside the key

employment areas listed at table 1, any permission for non-employment development in employment areas might be subject to:

- i) Demonstration that there is sufficient quantity and range of alternative employment sites available locally;
- ii) The proposal not inhibiting or prejudicing the activities of neighbouring businesses; and
- iii) The proposal being generally appropriate to the location, having regard to usual good planning principles.

Plan, Monitor and Manage

39 The Council should consider the following approach to monitoring and review of employment land polices:

- Review employment forecasts and the resulting land demand forecasts at 3-5 year intervals and when there are major step changes in the economy or strategic guidance.
- Continuous monitoring of the planned land supply, covering:
 - Actual development (completions) and commitments (the planning pipeline);
 - Both gains and losses of both floorspace and land;
 - Vacant floorspace;
 - And if possible splitting the B1 class into offices and light industrial sites.
- Based on these data, continuous monitoring of the demand-supply balance, using the calculation methods demonstrated in this report.

40 This information on the balance of demand and supply, as it changes over time, should provide a robust evidence base for individual planning decisions.

41 As well as these core data on demand and supply, it will be useful to monitor contextual data on the District's economy and property markets, including employment change, business relocations, inward investment enquiries, floorspace vacancy rates, rentals and land values.