Leeds City Region
Strategic Employment Evidence - Land and Property

A Report by Hatch
February 2021

West Yorkshire Combined Authority

Leeds City Region
Strategic Employment Evidence – Land and Property

February 2021

www.hatch.co.uk

Contents Page

Executive Summary

i. The purpose of this study is to provide the West Yorkshire Combined Authority (WYCA) and its partners in the Leeds City Region (LCR) with an understanding of the commercial property market trends in the city region and the interventions needed to support economic growth. This includes an assessment of the current supply of strategic employment sites in the city region and whether this is adequate to meet the future growth of the city region economy.

Office market

Market Requirements and Challenges

ii. The LCR has a hierarchy of office market locations, with the dominant market being Leeds city centre, which accounts for roughly 60% of take-up and over 90% of demand for Grade A space. The other most significant office markets for meeting strategic demand are in business parks on the outskirts of Leeds and in York and Harrogate. Outside these areas, most demand is from small businesses serving a local market. Table 1 summarises the key characteristics of these markets and the key challenges in each location.

Table 1 Key office markets and challenges in Leeds City Region

Office market	Market characteristics	Market challenges
Leeds city centre	• Dominant office market, particularly for large scale and Grade A development, as well as small businesses. • Key strengths are its size and density, access to high level skills and connections to London • High prime rental values have encouraged speculative development in recent years and increased supply of Grade A space.	• Currently no major challenges but size and density mean it may be more vulnerable to a fall in demand following the recovery from Covid.
Outer Leeds business parks	• Strong demand from car-dependent sectors such as construction and engineering, attracted by the access to the road network • Poor accessibility by public transport likely to deter other occupiers. • High rental values have encouraged some spec development e.g. at Thorpe Park	• No major challenges
York and Harrogate	• Strong demand from high value SMEs and specialised sectors such as fintech. • Weaker demand from large businesses due to size of labour market • Key strengths are the high quality of life and access to high level skills.	• Insufficient supply of vacant space and available sites in central locations where demand is strongest. • Exacerbated by loss of office space to other uses due to changes in permitted development rights.

	• Viability of development is marginal but some speculative development coming forward.	
Other town and city centres	• Demand mostly for small, affordable space from SMEs and businesses serving local markets (with some exceptions). • Weaker demand from large businesses due to size of highly skilled labour market, particularly when compared to Leeds.	• Low vacancy rates in a number of locations where space is needed to meet the needs of local businesses and support the vibrancy of town centres. • Low rental values mean speculative development is not viable without public sector support.

iii. The study has shown that the role of offices is changing. Even before the Covid 19 pandemic there was evidence of a move away from long term leases towards more flexible use of space, including managed space, serviced offices and co-working. The look and feel of many modern offices are also radically different to the offices of the past. This is partly due to the changing nature of office work, which is less desk based and more collaborative. But also reflects the fact that offices are increasingly a means of attracting workers based on the 'experience' they can offer e.g. an inspiring and sociable environment. The pandemic is likely to accelerate this trend. Therefore, if offices have a role in the future it will increasingly be as social and collaborative spaces. This has implications for the way office quarters should be designed.

Future requirements for office space

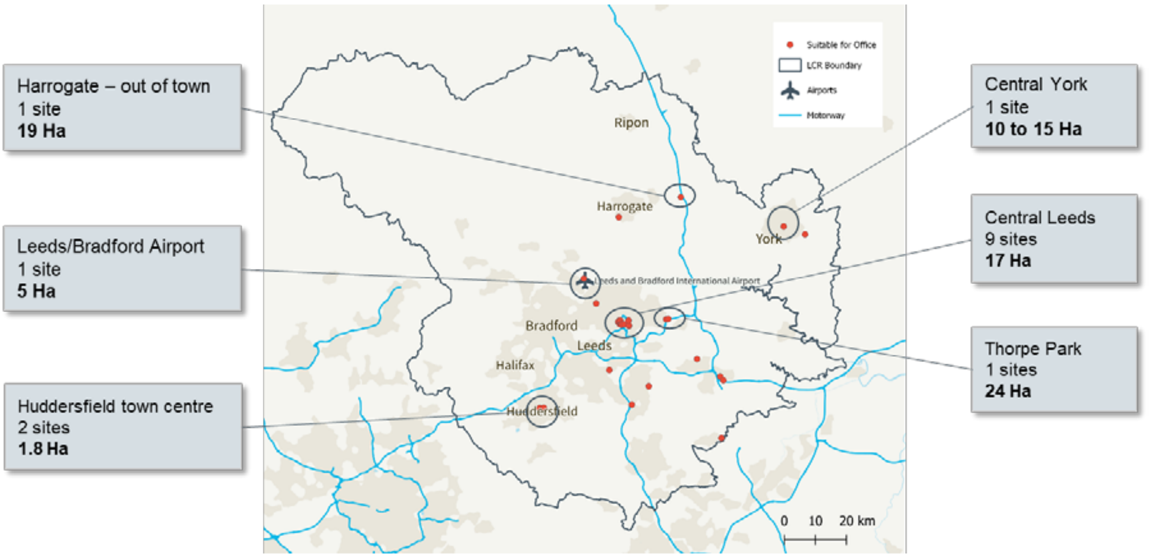
iv. The research for this study has been undertaken during the height of the Covid-19 pandemic, which has led to a significant increase in home working. It is too soon to be clear about whether these changes become permanent, but there is a strong likelihood of reduced demand for office space at least in the short run as companies rationalise their space, embed home-working arrangements and in some cases close offices all together. This means that any modelling of future requirements for office space and employment land is subject to significant uncertainty.

v. If take-up increased in line with past trends, we estimate that there would be demand for around 8.5m sq ft (788,000 sq m) of office space between 2018 and 2036. This could generate a requirement for around 108 Ha of employment land. In practice demand could be substantially lower than this.

Is there an adequate supply of land?

vi. The study has identified at least 113 Ha of land on strategic employment sites which are suitable for office development. This includes a large quantity of land on sites in the key office market locations described above (Leeds city centre, out of town business parks, York and Harrogate). We therefore conclude that the supply of employment land for office development is adequate to meet the growth needs of the LCR economy.

Figure 1: Location of strategic employment sites suitable for office development



Source BE Group Hatch

Recommendations

vii. WYCA and LCR partners need to ensure that the right type of office development comes forward, particularly given the way that the role of offices could change in future. There needs to be a specific focus on placemaking, public space and ensuring that new office developments that do come forward offer small units and are integrated with other uses, including residential and leisure uses. This will help to create the vibrant locations needed to attract workers.

viii. WYCA and local authorities should also be prepared for a change in the pattern of demand for office space, particularly growing demand in professional suburbs. If this does become an established trend, local authorities should identify opportunities to provide small amounts of floorspace as part of mixed use developments, particularly around transport hubs and close to existing amenities.

ix. The focus of this study has been on strategic demand and supply in the office market. However it has also identified constraints in supply in some of the smaller office markets where space is needed to meet the needs of local businesses and support the vibrancy of town centres. Local authorities may wish to consider the following recommendations further:

- **Understanding the nature of local demand**: there needs to be a clear understanding of requirements for office space in town and city centres so the planning authority can plan for what is needed. There is often too much emphasis put on the need for Grade A space when most demand is from local businesses looking for affordable space of a reasonable quality.

- **Use of public sector land and built assets**: there may be underused public assets which can be refurbished at reasonably low cost to provide good quality space, either managed by the public or private sector. This has happened in Harrogate, where the release of former council buildings are being refurbished and let as office space for SMEs.

- **Working with developers through town centre regeneration plans**: a large number of councils are drawing up regeneration plans for town centres, drawing upon funding from the Towns Fund or the Future High Street fund. As part of this process, local authorities should work with developers to explore how small quantities of office space could be delivered as part of a mixed use development, alongside more viable uses.
- **Reducing risk or helping developers access grant funding**: the main challenge to delivering office space in these areas is viability, linked to the high risks involved for the private sector to deliver new space. Local authorities should consider the use of various development incentives which can reduce this risk, including rental guarantees, put options and wrap leases.

Industrial and warehouse market

Market Requirements and Challenges

x. There has been record levels of take-up of industrial and warehouse space in recent years. This has been driven by the growth of online shopping which is created unprecedented demand for strategic warehouse space. Demand for industrial space has also been growing but is small in comparison, accounting for less than 20% of market activity. Covid-19 and Brexit are both likely to increase demand for warehouse space but dampen demand for industrial space over the next few years.

xi. Table 2 provides a summary of the key requirements, locations and market challenges for each of these markets.

Table 2: Market requirements and challenges for industrial and warehouse market

	Requirements	Locations	Market challenges
Industrial	• Wide variety of requirements depending on subsector • Access to specialised engineering skills • Loyalty to existing location • Access to R&D and HEIs for more innovative subsectors • Most demand for small industrial units (B1c/B2) up to 10,000 sq ft and grow on space (10 to 50,000 sq ft) • Affordability often more important than quality	• Leeds and M62 corridor, including Bradford, Calderdale, Kirklees and Wakefield	• Under supply of small and mid-size premises which is acting as barrier to growth • Limited supply of sites and high abnormal costs in western districts restricting new development • Strength of warehouse market encouraging development at expense of small industrial units
Warehouse	• Access to road network is key • Large flat sites • High quality space, increasingly hi-tech	• South Leeds for last mile logistics • M62 corridor between	• Few market challenges • Low vacancy rates in main market areas, but large amount of new

	Brighouse and A1(M)	speculative development coming forward

Future requirements for industrial and warehouse space

xii. If take-up increased in line with past trends, this would generate demand for around 48m sq ft (4.5m sq m) of floorspace between 2018 and 2036. This is equivalent to a land requirement of around 1,285 Ha. The split between industrial and warehouse space is uncertain but the majority of this is likely to be required for warehouse development (over 1,000 Ha).

xiii. These results should be treated with a degree of caution. Although we do expect the growth of online shopping to continue to drive demand for warehouse space, there are grounds to believe that the very high levels of take-up of recent years are being skewed by the need to adjust to changing shopping habits. Once the market has adjusted to this change, we expect demand to plateau, although the timescales for this are uncertain.

Is there an adequate supply of land?

xiv. The strategic sites include 1,005 Ha of land which is suitable for industrial/warehouse development. The pipeline of strategic sites would therefore not be sufficient to meet all of the requirement for industrial and warehousing land. However they could accommodate around over three quarters of it and should be sufficient to meet all of the demand from strategic occupiers. The remaining 23% would need to be accommodated on other non-strategic sites around the city region.

xv. There is a good supply of land and sites along motorway corridors and in each of the prime areas for strategic warehouse development which should be adequate to meet supply. However there is an undersupply of strategic sites in western districts where there is likely to be demand from manufacturing businesses, particularly Calderdale and Bradford[1] but also Kirklees. These are all adjacent districts, covering a large part of the M62 corridor which suggests there may be limited potential for growing businesses to relocate nearby if supply was constrained in future.

Recommendations

xvi. We recommend that, as a minimum, an additional 80 Ha of land is identified across Bradford, Calderdale and Kirklees. This would be sufficient to accommodate an additional five years of demand, based on past levels of take-up of floor space. This should prioritise:

- Large sites close to the motorway network
- Expansion of existing industrial estates to provide grow on space for existing businesses

xvii. To support this we recommend that WYCA establishes a dedicated fund for site assembly, preparation and infrastructure. The report has identified a clear justification for public

[1] It should be noted that there may be additional strategic sites in Bradford that were not included in the research due to the stage of development of the Site Allocations Plan

intervention where it is evidenced that the supply of employment land is constrained due to physical challenges and complex land ownership which acts as a barrier to growth.

xviii. To meet the needs of manufacturers WYCA should also explore the direct delivery and management of industrial schemes that can be made available wholly for manufacturing firms either on a leasehold or freehold basis. Developer-held sites are often retained for large scale leasehold transactions which can invariably result in a logistics/distribution focus.

xix. Other actions which should be considered by local authorities include:

- **Being stricter about permitted uses**: where it is clear that local manufacturers property needs are not being met, local authorities may need to be stricter about what type of development is permitted on employment sites. This could set minimum quantities for B1c/B2 space on large sites and ensure this is enforced, although we recognize that this is not always practical.
- **Providing a range of space requirements**: larger employment sites should include a mix of small, medium and large units with the aim of creating a property cycle. This will provide the small starter units in greatest demand from manufacturers. The medium and larger units may initially be taken by warehouse occupiers but could provide the second-hand grow-on space needed in a few years' time.

Areas for further research

Innovation Hubs

xx. The research has shown that advances in digital technology are likely to have major impacts on sectors such as advanced manufacturing by fundamentally changing the way we design and produce goods. In order to maximise the future benefits for the LCR, the public sector needs to ensure there is an environment for businesses from these sectors to interact and collaborate with each other and to harness the knowledge generated by the region's academic institutions.

xxi. An innovation hub based on a strategic site could provide one means of achieving this, and recent research in the city region has indicated that there is an appetite for such a facility among stakeholders in the city region. There are also numerous examples from elsewhere of where this approach has been successful.

xxii. However this is an area that would require further research. The study has not demonstrated strong market demand for such a facility, but this reflects the fact that these are emerging sectors and that the main focus of the research has been on current market priorities. In particular there is a need for wider engagement with HEIs and businesses in innovative sectors to assess the need for a hub and to understand the appropriate location and design of the facility.

Demand for a commercial property loan fund

xxiii. The research has shown that the availability of development finance is constrained in the LCR, and that this could be exacerbated by the Covid 19 pandemic in the next few years. Given the evidence of undersupply of commercial property in the LCR, particularly in the industrial market, there is potential for a public fund to step in to help fund viable schemes, particularly those which are considered to be a high economic priority. This is an approach which has been taken in a number of other areas with similar market conditions, including Greater Manchester, the Liverpool City Region and the Sheffield City Region.

xxiv. The research has not identified a strong need for a fund in the LCR, although this is likely to reflect the fact that we have not engaged with the small developers who would benefit most. We therefore believe there is value in WYCA exploring the potential to establish a commercial property loan fund further. WYCA should carry out further market engagement focusing particularly on smaller developers to understand the issues they face and the implications for the appropriate design of a fund. This should start by looking at the pipeline of projects with planning permission in the LCR and engaging the developers involved.

1. Introduction

Purpose of Report

1.1 The West Yorkshire Combined Authority (WYCA) and its partners across the Leeds City Region (LCR) wish to understand the challenges and opportunities facing the commercial and industrial property market in the city region. They have commissioned Hatch and BE Group to undertake a technical, evidence-led study which explores these issues and makes recommendations on potential land and property interventions to support economic growth. The study will inform the development of the Local Industrial Strategy (LIS) and Strategic Economic Framework and will also provide contextual information for partner councils in the preparation of local plans and strategies.

1.2 The objectives are to:

- review current market trends and identify the key drivers of demand for office, industrial and logistics premises in the city region.
- analyse recent trends in the supply of premises and land and the factors which prevent supply from meeting demand.
- provide an understanding the specific needs of sectors with significant growth potential and the market challenges facing these sectors.
- provide a high-level assessment of the potential future need for employment land in the city region.
- review the current strategic employment land supply including specific employment sites and assess whether this provides sufficient employment land of the right quality.
- make recommendations for how WYCA and partners can support the growth of key sectors and ensure that the supply of strategic employment land is aligned with demand.

Study methods

1.3 The research has involved the following key tasks:

- A review of economic development strategies and research documents to understand the main priorities and objectives for economic growth and the role of land and property.
- Analysis of a range of data sources, including economic and employment datasets (Companies House database, business register and employment survey among others) and property market datasets (CoStar, Valuation Office Agency). This has been used to understand market trends and drivers.
- Consultations with a wide range of stakeholders including local authorities (planning officers and economic development officers), developers, chambers of commerce, sector representatives and commercial property agents. These have been used to interpret and validate the data analysis of market trends and understand the key challenges facing certain sectors.
- Modelling of future employment land scenarios using a range of methods. These are described in more detail in the relevant sections of the report.

- A review of the current strategic employment land supply, including desk-based reviews and site visits. This included 94 sites in total, which were identified by WYCA and its partners.

Definitions

Land use categories

1.4 The focus of the study is on the following land use categories:

- **Office**: B1(a)
- **Industrial**: B1(c) and B2
- **Storage and distribution**: B8

1.5 From September 1st 2020 a new Use Class Order entered into force which creates a new 'E' use class. This brings together several of the previous A, B and D use classes within the new E use. Of particular relevance to the planning of future employment uses in the former B use classes is its inclusion B1a (offices), B1b (R&D space) and B1c (light industrial uses).

1.6 The implication of the new use class order is that changes of use within Class E will not require planning permission, and that different uses of the same building will be permitted, meaning that a gym unit during the day could be used for an alternative purpose such as a community use in an evening.

1.7 The intent behind the changes was to strengthen high streets by enabling greater flexibility to respond to changing consumer demand and market trends. For office uses, the changes represent another mechanism alongside permitted development rights for switches to residential uses that may put pressure on the stock of floorspace, although the nature of the alternative uses within the E use class means that large scale conversions of office buildings are less likely.

1.8 Commentary on the new E use class is provided in this study where its implications are relevant to the analysis. However, since it has only just entered into force, it is difficult to be certain how it is likely to affect West Yorkshire's supply of strategic employment sites, if at all.

Strategic employment sites

1.9 The study is strategic in nature and is not intended to provide a comprehensive assessment of the supply of employment land in the LCR. The aim is to draw broad conclusions on demand and supply of employment land which falls into each of the land use categories. To inform the assessment, WYCA provided a list of 94 sites which should be included in the research. These all meet one or both of the following criteria:

- Sites falling entirely or partly within a Spatial Priority Area and are 0.5ha or above in size
- Sites which are 15ha or above in size

1.10 Through its review of sites, the consultant team has carried out further analysis to define which sites can be considered to be strategic. This has considered the following:

- The **location** of the site and the geographical area that it serves. Sites located close to key transport infrastructure such as motorway junctions, major rail infrastructure or airports can usually be considered to be strategic as they offer access to regional or national markets (as opposed to local).

- **Scale and size**: large sites over 25 Ha are generally regarded as strategic as they offer the scale needed to attract large scale inward investment, however the definition is not limited to sites above this size as smaller sites can still play an important strategic role.
- **Sectors**: sites can be considered to be strategic if they meet the needs of high growth or priority sectors, support the expansion of key clusters, build on the region's existing strengths or have the ability to provide a range of flexible use classes within a high quality and well planned environment.

1.11 The consultant team has therefore not been constrained by a strict set of criteria about what constitutes a strategic site. It has considered the characteristics of each site and its potential role in growing the LCR economy, and used reasoned judgment to conclude whether it can be considered to be strategic.

Structure of report

1.12 The report is structured as follows:

- Chapter 2 provides a brief summary of the priorities of the LCR and their relevance to the provision of land and premises
- Chapter 3 analyses economic and employment trends in a number of priority sectors and draws out the implications for locational and property requirements.
- Chapter 4 focuses on the trends, drivers and challenges in the office market
- Chapter 5 focuses on the trends, drivers and challenges in the industrial and warehouse market
- Chapter 6 assesses the potential future requirement for strategic employment land
- Chapter 7 assesses the pipeline of strategic employment sites and analyses whether this will meet future demand
- Chapter 8 provides a summary of key findings and our overall conclusions and recommendations.

2. Strategic Priorities and the Role of the WYCA

2.1 The focus of the study is on the future provision of the strategic employment sites and premises which provide a critical part of the infrastructure to underpin the area's economy and its future growth. The report's findings will guide the WYCA's strategic approach and inform policies relating to the provision of land and property. Priorities identified in West Yorkshire's Strategic Economic Framework, its emerging Local Industrial Strategy and the existing Strategic Economic Plan are therefore essential context for the analysis in the report and the focus of its final conclusions and recommendations.

Strategic Economic Framework (SEF)

2.2 The vision for the Strategic Economic Framework points to several features of the area's future which are relevant to the focus of this study:

- Strengths: Emphasis on manufacturing (textiles, medical equipment) as a strength of the region; Recognition of the strong growth the area is experiencing in the digital sector, particularly in programming and broadcasting;
- Challenges: The need to increase the number of good quality and well paid jobs in West Yorkshire; the need to ensure the benefits of growth are experience across West Yorkshire; the importance of tackling climate change; the need to improve transport infrastructure.

2.3 These translate into strategic priorities including boosting productivity, delivering inclusive growth, tackling the climate emergency and delivering 21st Century transport.

Local Industrial Strategy

2.4 The emerging Local Industrial Strategy is one of the key policies and strategies that will deliver the vision and priorities identified in the SEF. Strengths and priorities outlined in the emerging LIS echo those of the SEF, pointing to West Yorkshire's growing digital sector, advanced manufacturing and health technologies as sector strengths, and to the need to generate new employment opportunities and improve productivity.

2.5 On the provision of sites and premises, the emerging LIS priorities identify an ambition to improve the quality, availability and affordability of business premises. The thrust of the SEF and the emerging LIS recognises that the provision of employment land and commercial property is an important factor in attracting, retaining and growing businesses and therefore needs to play a key role in the strategy.

Strategic Economic Plan (2016-36)

2.6 The SEP sets out a transformative vision "**to be a globally recognised economy where good growth delivers high levels of prosperity, jobs and quality of life for everyone**". This is supported by a joint ambition to deliver 35,700 jobs and 3.7 billion additional economic output by 2036.

2.7 The SEP puts an emphasis on the principle of 'good growth', in which improvements in productivity and business competitiveness go hand-in-hand with the creation of high quality, well-paid jobs. On both of these measures (productivity and wages) the LCR is below the national average and the gap has widened over time. The city region economy is also less exportoriented, has lower levels of investment in R&D and a lower business start-up rate than the national average.

2.8 In response, the strategy focuses on supporting **priority growth sectors** and the drivers of productivity (innovation, enterprise and higher level skills). The growth sectors are:

- Innovative manufacturing
- Financial and professional services
- Health and life sciences
- Low carbon and environmental industries
- Digital and creative industries, and
- Food and drink

2.9 Priority 4 of the SEP is focused on ensuring LCR has the infrastructure needed to support growth. Alongside investments in transport, digital and flood protection infrastructure, the strategy identifies a number of **Spatial Priority Areas** (SPAs) where investment will be prioritised. These SPAs have been identified as potential major areas of growth based on a range of evidence and were refreshed in December 2020. They include five categories:

- Core City
- Main Urban Centre
- Investment Locations
- Future Growth Locations
- Environmental Opportunity

Enterprise Zones

2.10 The LCR Enterprise Zone programme has been delivered in two phases:

- Phase 1: Leeds Aire Valley
- Phase 2: focused on the M62 corridor, including nine EZ sites in different parts of West Yorkshire (see Table 2.1).

2.11 In addition to these, there is one EZ site in York (York Central) which is part of the EZ programme for the York, North Yorkshire and East Riding LEP.

2.12 The M62 Corridor sites have a specific focus on supporting the growth of the **advanced manufacturing** sector, building upon the existing concentrations of manufacturing businesses and skills in this part of the city region. The Phase 2 programme has a target to deliver approximately 90 Ha of employment land and 330,000 sq m of manufacturing floorspace.

2.13 The other EZ sites do not have a specific sector focus. The Aire Valley EZ is already part developed with a mix of uses including logistics and distribution and manufacturing. The York Central site has permission for over 100,000 sq m of office space suitable for a range of sectors and uses.

Table 2.1 Phase 2 Enterprise Zone Sites

Bradford	• Gain Lane

	• Parry Lane • Staithgate Lane
Calderdale	• Clifton Business Park
Kirklees	• Lindley Moor East • Lindley Moor West • Moor Park Mirfield
Wakefield	• South Kirkby Business Park • Langthwaite Grange Extension

2.14 Progress with delivery of the Phase 2 programme has been slower than originally anticipated. To date 26,942 sqm of new floorspace has been delivered (8% of the target) and there is a further 11,186 sqm under construction. By April/May 2021, there will be 38,127 sqm of new completed floorspace (12% of the target). The programme is therefore a long way short of its original targets. Table 2.2 shows the current status of each of the nine sites.

Table 2.2 Current status of Phase 2 sites

	Status
Gain Lane	First phase units under construction. Site fully serviced
Parry Lane	Site works due to start 2021
Staithgate Lane	Stalled due to land ownership issues
Langthwaite	Site works due to start 2021
South Kirkby	Some units already built and occupied. Further units under construction. Further land to be developed
Lindley Moor East	Stalled due to site constraints
Lindley Moor West	Complete and occupied
Moor Park	Site fully serviced and part occupied,
Clifton Business Park	Delayed beyond timescales of Growth Deal period – alternative funding streams being identified

HATCH

3. Analysis of Key Sectors

3.1 The purpose of this chapter is to understand what the characteristics and recent performance of key sectors in LCR tells us about the location and property requirements of businesses. It draws upon analysis of business and employment datasets and insights from consultees.

3.2 The focus is on the following sectors[2]:

- Digital
- Professional and financial services
- Manufacturing
- Transport, logistics and storage

3.3 We focus on these sectors because of their alignment with the key land use categories which are the main focus of this study (office, industrial and distribution and storage), and with the priority sectors identified in the SEP[3]. The list of sectors was agreed with the steering group at the inception meeting.

Digital Sector

3.4 The digital sector provided around 57,000 jobs in the city region in 2018 (just under 4% of total employment). According to Companies House there are around 7,400 digital businesses in the city region. This is based on a SIC code definition for the digital sector, although it is noted that another study which used a more data science driven approach identified over 8,500 digital businesses, employing around 70,000 people[4]. The majority of jobs are in IT consultancy, programming and related activities.

3.5 The sector has experienced very strong growth in recent years, creating 16,000 new jobs between 2013 and 2018 (a 39% increase). This is more than three times higher than the growth rate for England (11%).

Key locations in Leeds, York and Harrogate

3.6 Figure 3.1 summarises the relative strength and recent performance of the digital sector in different parts of the city region. Each of the bubbles represents a local authority area in LCR. The chart shows the following information:

- The size of the bubbles represents the relative **size** of the digital sector in each local authority, as measured by the number of employees.
- The x axis shows the **importance** of the digital sector to the local economy based on the digital sector's share of total employment in each area.

[2] These use the following Standard Industrial Classifications: Professional and financial services: all sectors within broad industrial groups K and M; Manufacturing: all sectors within group C; Transport and Logistics: all sectors in group H. For the digital sector, the DCMS definition was used. See p10 onwards

[3] Transport, logistics and storage is not a priority sector in the SEP but logistics is one of the 'enabling capabilities' that will help to drive growth in the Northern Powerhouse Independent Economic Review

[4] https://odileeds.org/projects/digital-sector-mapping/

- The y axis shows the **recent growth performance** of the digital sector, as measured by the percentage change in sector employment between 2013 and 2018.

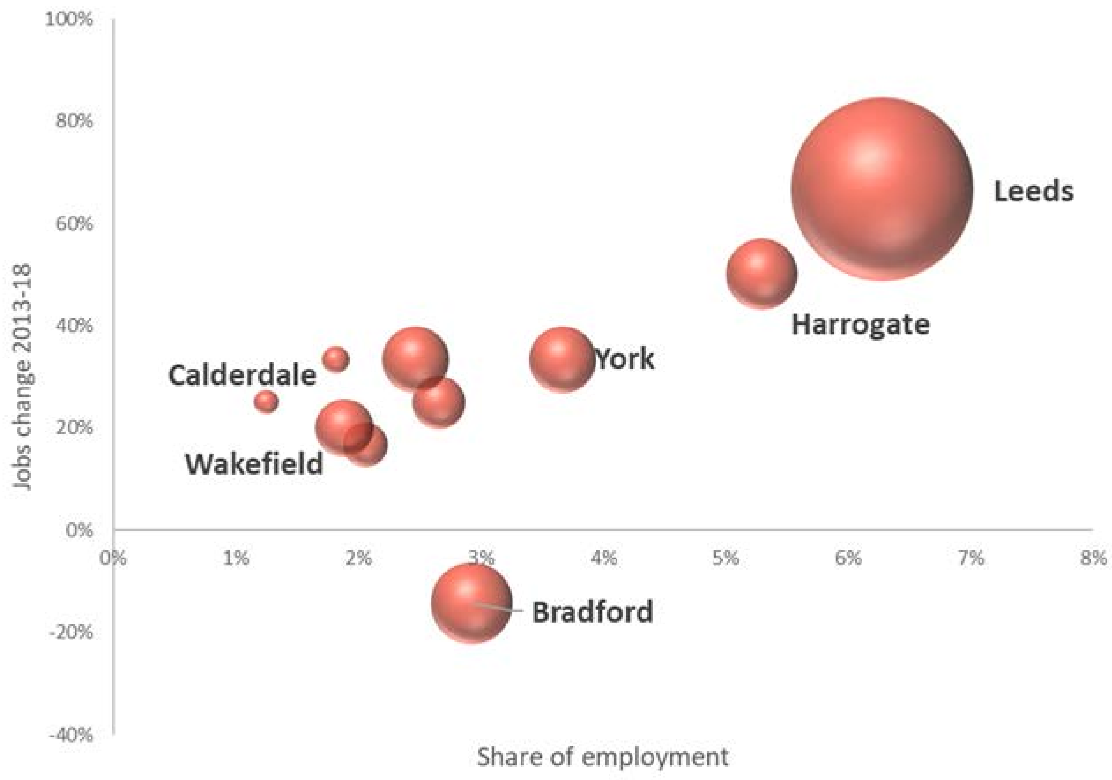
3.7 The chart shows Leeds's dominant role in LCR's digital sector. More than half of LCR's digital jobs are located in Leeds district. The sector also accounts for a higher share of jobs and is growing at a faster rate than elsewhere; 75% of the new jobs created in LCR since 2013 have been in Leeds. Leeds is the preferred location for the city region's largest digital employers, such as Skybet. Its main strength for these businesses is its size and density which offers a number of advantages, but most importantly access to a young and highly skilled labour market.

3.8 Ernst and Young's 2020 UK attractiveness survey also shows that cities are far better placed to attract foreign direct investment (FDI) from the digital sector than other areas. Digital technology was the highest performing sector for FDI in 2019, but 83% of new projects were in the major cities[5].

3.9 The digital sector in York and Harrogate is much smaller than Leeds, but is still an important source of jobs and has grown strongly since 2013. Both these areas have few large employers but have a strong base of digital SMEs and some clusters of high value activity such as fintech in Harrogate and creative and media in York. The key strength of York and Harrogate is that they are seen as attractive places to start and grow a business because of the quality of life and the availability of high-level skills. However the much smaller size of the labour markets compared to Leeds limits the size of businesses that are attracted to these locations, as recruitment becomes more difficult. Consultees reported that this was a key reason why SkyBet moved from Harrogate to Leeds when the company was growing rapidly.

[5] Data is not available for Leeds or the city region

Figure 3.1 Bubble chart for employment in the digital sector

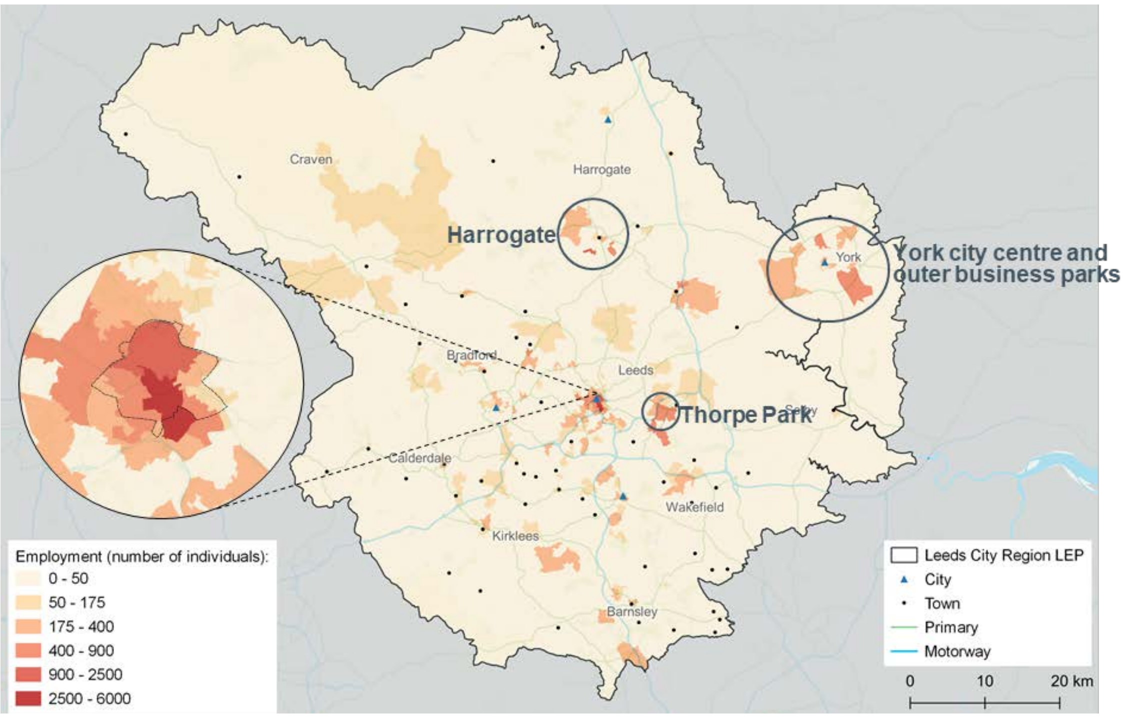


Source Business Register and Employment Survey

3.10 Further analysis of the locations of the digital sector shows a high concentration in Leeds city centre. There are 13,000 jobs and 500 digital businesses in central Leeds (defined as the area in the pop-out map in Figure 3.2). This is nearly a quarter of all digital jobs in the city region and around 5% of digital businesses, suggesting the city centre is particularly attractive for larger firms because of its access to a large workforce. There are also large numbers of firms and jobs just outside central Leeds, where accommodation is more affordable.

3.11 Other locations with concentrations of digital employment, albeit much smaller in scale, include Thorpe Park in Leeds, Harrogate and York. In York, jobs are located in the city centre but also at the University and in some of the outer business parks.

Figure 3.2 Employment in digital sector, 2018



Source BRES

Most demand is likely to be for general office space

3.12 According to BRES the majority of employment in the digital sector is in office-based sectors such as computer programming and consultancy, which have also been the main driver of growth over the past few years. There are a small number of jobs in warehouse and factory based sub-sectors but these are not large enough to be significant drivers of demand for premises. Within the programming and consultancy sector there may be some businesses that have more specialised requirements (e.g. access to R&D hubs). However. given the nature of most activities it is likely that the majority of demand will be for general office space, with a particular focus on city centre locations.

3.13 Although much smaller in scale, creative sectors such as film, TV, radio and music production have also been growing which is likely to give rise to a need for specialised premises such as production facilities as well as office space. Growth in this sector is likely to be concentrated on Leeds city centre due to the arrival of Channel 4, but there are also other growth locations such as Production Park in Wakefield. This is a Live Events Campus bringing together rehearsal studios, accommodation and education centre as well as workspace for live events businesses.

Table 3.1 Employment in digital sub-sectors

	2013	2018	Change
Computer programming, consultancy & related	19,000	34,000	15,000
Film, tv, video, radio and music	2,000	4,000	2,000
Information service activities	1,250	3,500	2,250
Manufacturing of Electronics and Computers	1,250	1,750	500
Publishing (excl. transl. & interpretation)	5,000	1,250	-3,750

Repair of computers and comm equipment	700	250	-450
Software publishing	400	400	0
Telecoms	7,000	6,000	-1,000
Wholesale of computers and electronics	4,500	5,000	500

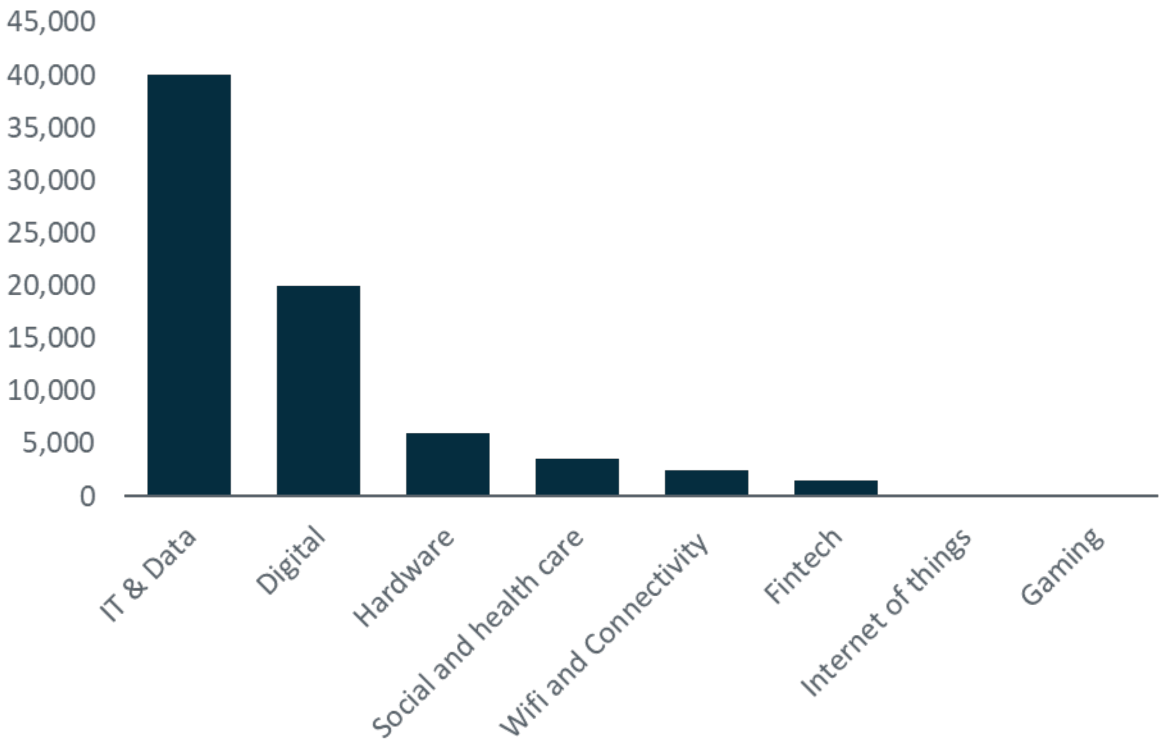
Source: BRES

Potential need for innovation hubs in the long term

3.14 A more detailed analysis of the digital sector by the Open Data Institute also found that the largest sector was IT and data, which includes many of the IT consultancy activities described above, followed by 'digital'[6]. More specialised and innovative sub-sectors such as fintech, Wi-Fi and connectivity, internet of things and gaming all accounted for a very low share of employment in the sector.

3.15 The small size of these sectors means they currently generate very little demand for premises which makes it difficult to determine their specific requirements and whether they are being met. These sectors do not appear in property market databases and consultees were unable to be specific about the needs of these sectors beyond general office space with access to high internet speeds and proximity to other similar businesses (see below).

Figure 3.3 Approximate number of employees



Source
http://static1.squarespace.com/static/557801d5e4b0e3cc12ffe5ec/t/56ba1a58e32140d234e1d5a2/1455037019232/LDC+INFO+V4.pdf

[6] The report does not explain what activities are covered by this subsector.

3.16 Although we have not found evidence that the needs of these more innovative sectors are not being met, there is still a role for the public sector to provide the conditions for these sectors to grow in future. Property interventions can play a part in this, but this needs to be part of an integrated strategy which considers other needs such as skills, business support and measures to improve business/HEI collaboration.

3.17 A 2019 study which explored innovation in West and North Yorkshire demonstrates the importance of this wider package of support but also emphasises the central importance of 'place' for driving innovation-led growth. Place based development is seen as having potential to drive clusters of businesses with the potential to innovate, accelerate innovation collaboration and promote the adoption of new technologies. It also found there was a patchwork of innovation hubs offering support and workspace across the sub regions but lacked "*a major hub in the region to act as a magnet for large and small innovative businesses, and the lack of a clearly articulated offer to businesses*" which was a major concern for many stakeholders.

3.18 This does not just apply to the digital sector but could apply to any of the hi-tech, specialised and innovative sectors in the LCR, including advanced manufacturing and health and life sciences. As we show below, advances in digital technology are expected to result in significant changes to the way we manufacture goods, which will mean the lines between the digital sector and other innovative sectors will become increasingly blurred. This could point to the need for innovation hubs that can bring together digital businesses with businesses in other sectors, HEIs and other actors in the innovation ecosystem.

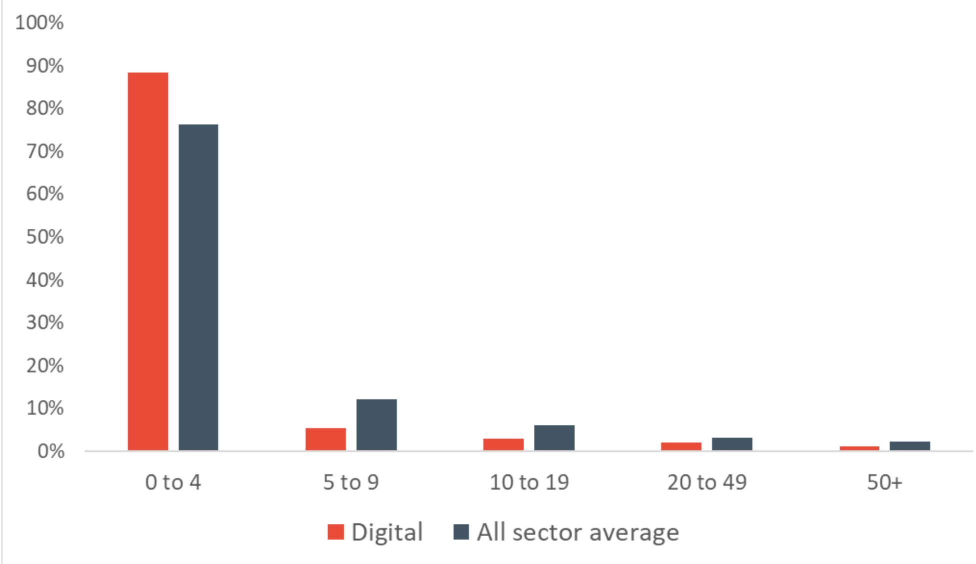
3.19 It should be emphasized that the need for such a facility was not specifically raised by any of the private sector consultees. This reflects the fact that most consultees were drawn from the development community and this is currently a fringe market issue[7]. There would therefore need to be further research to understand the level of demand and the specific requirements of any future innovation hub.

Need for small, flexible and collaborative workspace

3.20 Over 88% of businesses in LCR's digital sector employ fewer than five people. That is the highest of any sector and well above the LCR average of 76%. The low barriers to entry in the digital sector, coupled with the need for businesses to be flexible, adaptable and innovative means the sector has a higher concentration of freelancers and start-ups than other industries. This size profile explains the rise in demand for small, affordable, flexible and collaborative workspace (e.g. co-working) which has been a key property market trend in recent years, driven by the growth of the digital sector.

[7] There were only two consultees specifically from the digital sector

Figure 3.4 Size profile of digital businesses in the Leeds City Region.

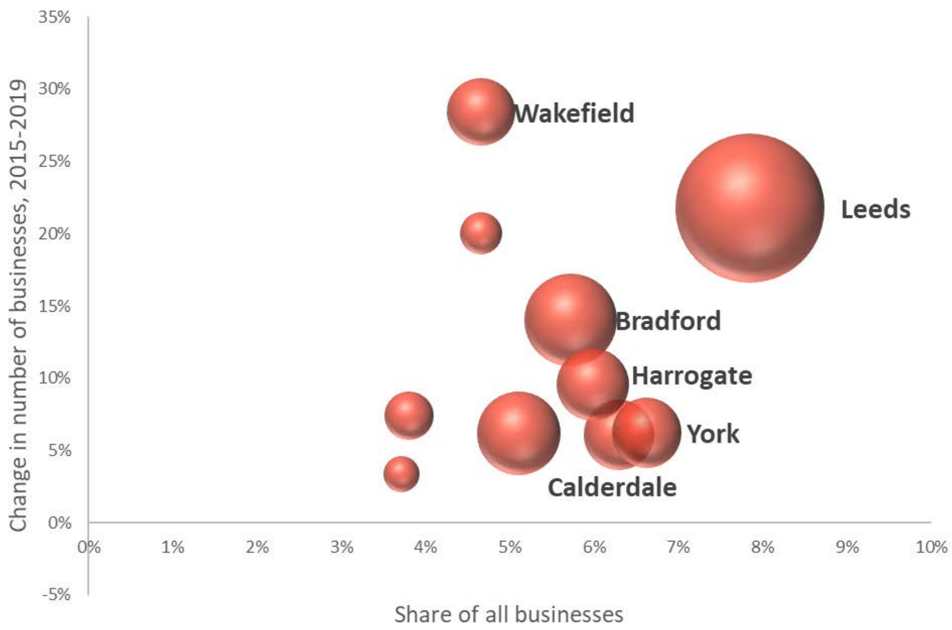


Source ONS UK Business Counts

3.21 These small digital businesses are highly concentrated in Leeds (see Figure 3.5). The size and density of Leeds offers advantages as it provides an environment for these small businesses and digital entrepreneurs to create new networks and relationships, which are critical for innovation and growth in this sector.

3.22 A number of other areas have growing concentrations of digital businesses. This includes Calderdale, Wakefield and Bradford as well as York and Harrogate. A large proportion of these are micro businesses employing fewer than five people, which suggests a need for small, affordable and flexible space throughout the city region.

Figure 3.5 Bubble chart for businesses in the digital sector



Source UK Business Counts

Professional and Financial Services

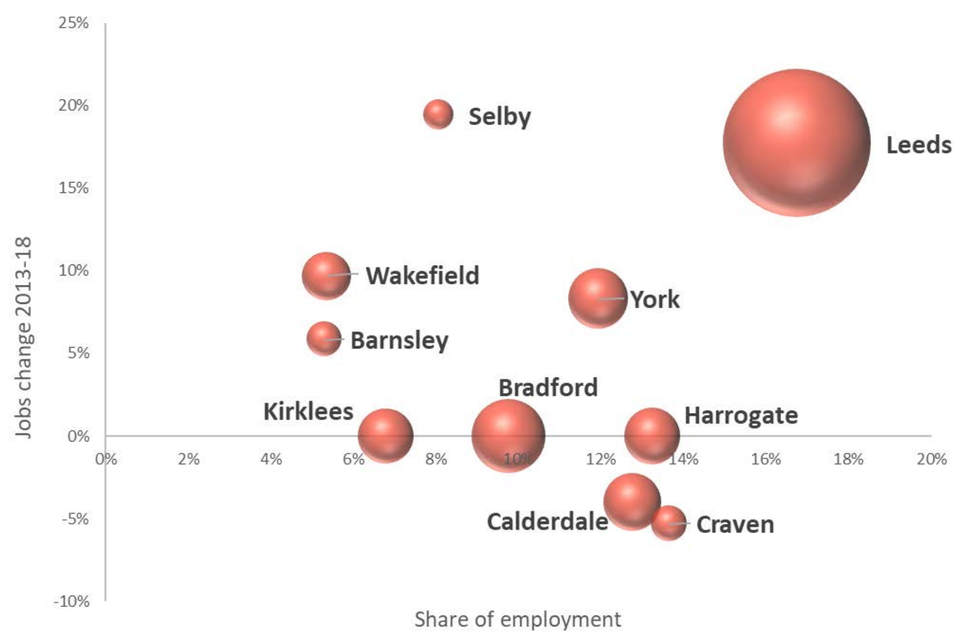
3.23 LCR is home to the largest professional and financial services (PFS) sector outside London. It employs around 168,000 people in the city region (12% of total jobs) and contains around 25,000 businesses (15% of the business base). LCR has a number of specialisms in the sector, including insurance and pension funding, monetary intermediation (banking), legal activities and advertising. Monetary intermediation is the largest sub-sector providing around 30,000 jobs.

Key locations in Leeds, York and Harrogate

3.24 The bubble charts in Figure 3.6 and Figure 3.7 show a number of similarities with those for the digital sector. Like digital, PFS is a highly skilled, service based sector. The ability to attract highly skilled workers is therefore a key determinant of location decisions. The key locations are as follows:

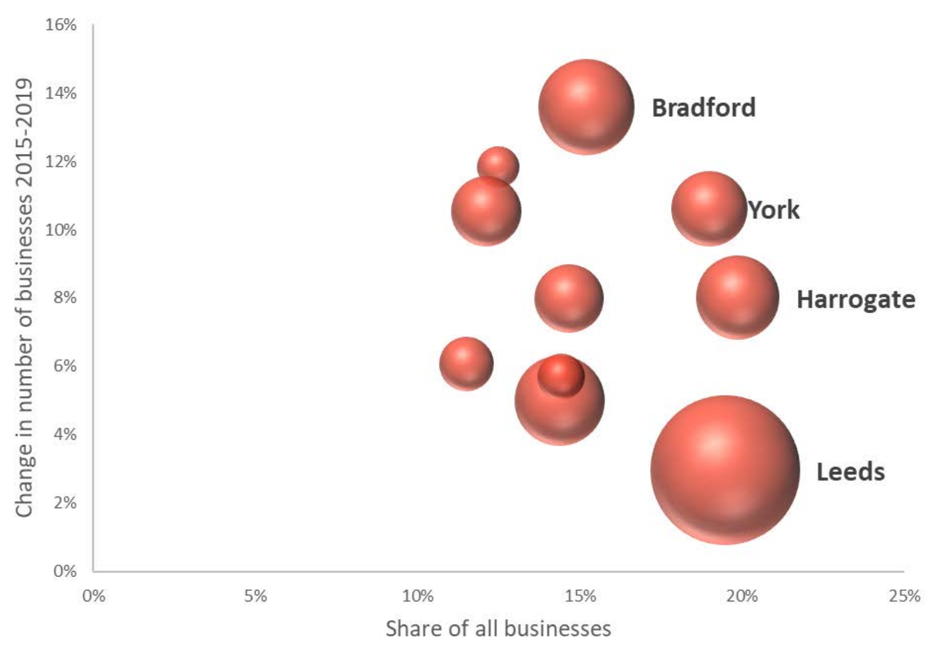
- **Head offices, banks and corporates in Leeds**: Leeds accounts for around half of jobs and a third of businesses in the PFS sector. As the largest city in Yorkshire and Humber, it is the main location for headquarters and large corporate firms looking to serve the regional market. This includes the UK HQs of Asda Walmart, Capita, Jet2 and Sky Limited and regional offices of all of the large consultancy firms. Leeds also has a large financial services cluster, including 30 national and international banks and a growing fintech sector. Amongst the key strengths of the city as a location for the sector are the availability of a large pool of graduate level skilled workers, and rail connectivity to London which has seen journey times reduced to 2 hrs 15 minutes.
- **Concentrations of high value SMEs in York and Harrogate**: York and Harrogate have few large companies in PFS but a number of medium sized businesses such as Hiscox Insurance in York, alongside a large concentration of small, specialised consultancies and legal practices. Again the key strength of these locations is the quality of life which makes them attractive place to live, work and run a business, as well as the good rail connections to London in the case of York. However the relative size of the labour market limits their attractiveness for large investors.
- **Smaller concentrations dominated by a single large employer**: Both Calderdale and Craven have a high concentration of employment in PFS, which in both cases is due to the presence of a large financial services employer with historic links to key towns (HBOS in Halifax and Skipton Building Society).

Figure 3.6 Bubble chart for employment in professional and financial services



Source BRES

Figure 3.7 Bubble chart for businesses in professional and financial services



Source ONS UK Business Counts

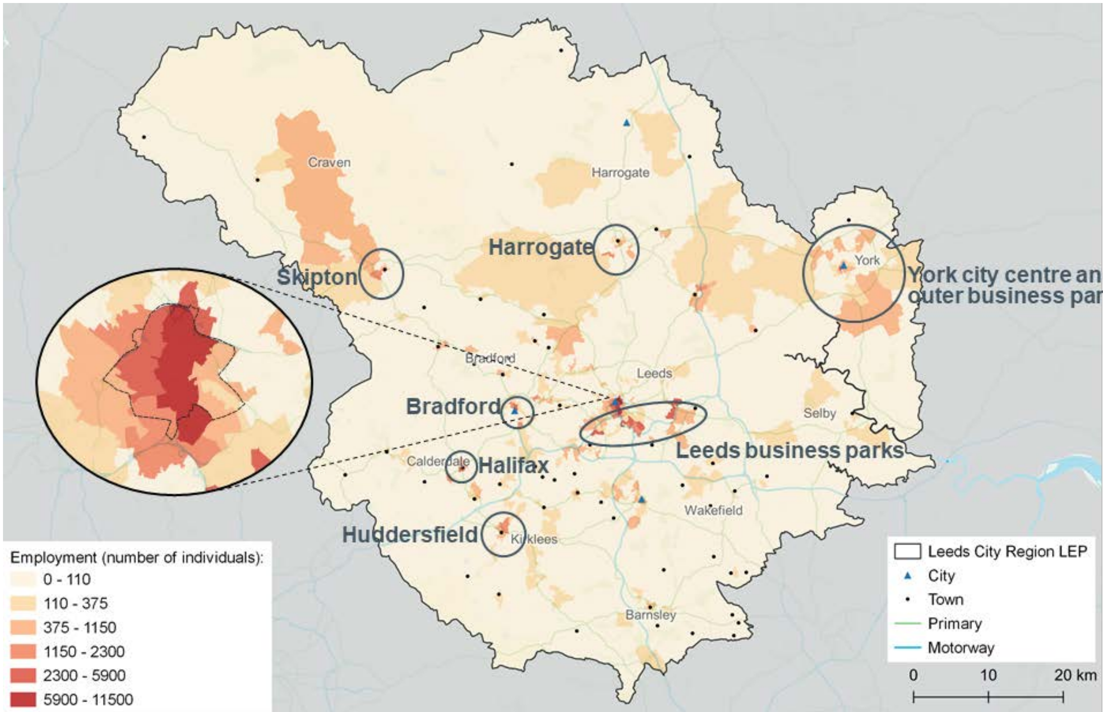
3.25 The map of employment in PFS shows concentrations in each of the town and city centres in the city region, reflecting their role as service centres for the local economy. A number of these also have very large employers such as the major banks and building societies noted above.

3.26 The largest concentration is Leeds city centre which 35,000 jobs (over a fifth of all PFS jobs in the city region) and 1,300 businesses (5% of businesses in LCR). Again this demonstrates the importance of a city centre location for its access to a large workforce with graduate level skills.

3.27 The other concentrations outside city and town centres are in businesses parks on the out skirts of Leeds and York. In Leeds this includes Thorpe Park, Leeds Valley Park and Leeds City West. The key advantage of these locations is their access to the strategic road network, which makes them an attractive base for HQs of car-dependent sectors that need to be able to access clients and sites in different locations (e.g. construction and engineering businesses). These sites are home to the HQ or back office functions of several large businesses including Capita, BAE Systems, Kier, Laing O'Rourke Atkins and National Grid.

3.28 In York, consultees reported the main reasons for PFS businesses being located in out-of-town business parks was the shortage of office space in the city centre.

Figure 3.8 Employment in professional and financial services



Source

HATCH

Manufacturing

3.29 LCR is home to the largest manufacturing[8] base in the UK[9]. The sector has a workforce of around 150,000 people (10% of employment, compared to a national average of 8%). The city region has distinct strengths in precision engineering, automotive, bio-science, turbo technology, advanced textiles, medical devices and food and drink.

3.30 LCR's manufacturing sector has performed well in recent years. The number of jobs increased by 9.5% between 2013 and 2018, more than double the UK average (4.3%). This was driven by strong growth in manufacturing of fabricated metal products (machining) and plastic products.

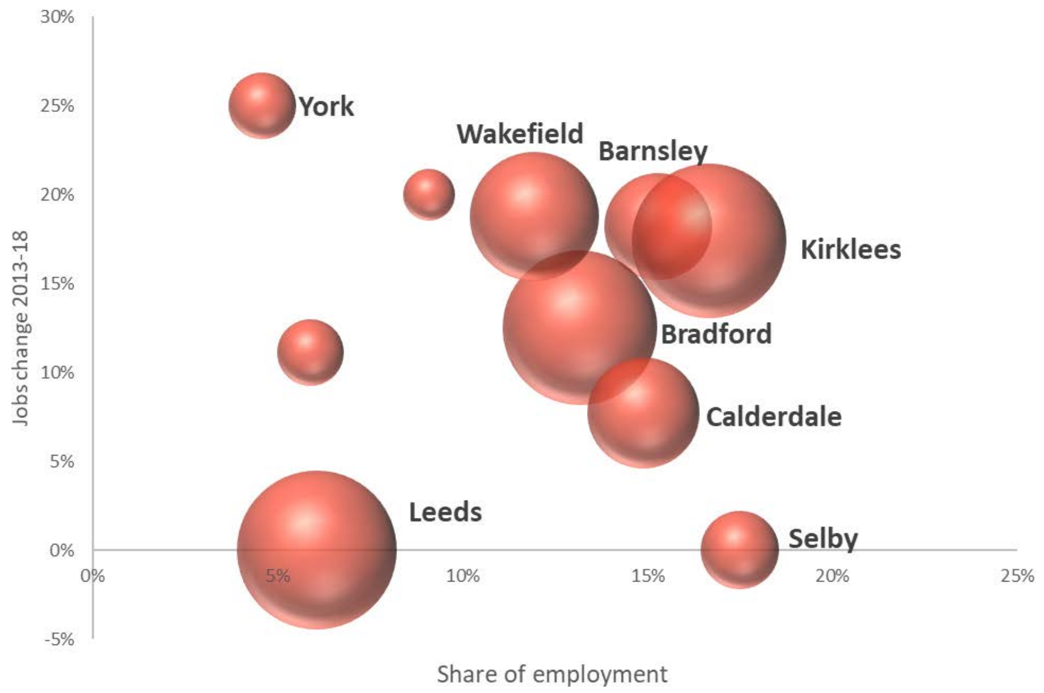
Growth focused on the M62 corridor

3.31 Figure 3.9 shows that the spatial distribution of manufacturing jobs is very different to the service sectors above. Employment is widely spread across the city region, but with particularly high concentrations in the western and southern local authority areas along the M62 and M1 corridor (Bradford, Calderdale, Kirklees, Barnsley and Wakefield). These have traditionally been the centres of manufacturing in the city region and continue to be the main focus of growth in modern and advanced manufacturing industries; nearly 90% of the jobs growth in manufacturing since 2013 has been in these five districts. Although the sector accounts for a much lower share of employment in Leeds, the city retains a large manufacturing base, with 29,000 jobs.

[8] The data analysis here focuses on the manufacturing sector as a whole, which was the approach agreed with WYCA. In many places in the report we use the term 'advanced manufacturing' which refers to the use of innovative technology to create new products or improve existing products. It is difficult to define advanced manufacturing using SIC codes because the range of manufacturing sub-sectors that apply innovative technologies in the production process is growing all the time. We refer to advanced manufacturing in the report because it is this advanced and innovative activity that is likely to drive growth in the future.

[9] Leeds City Region SEP

Figure 3.9 Bubble chart for employment in manufacturing



Source Business Register and Employment Survey

Need for local premises close to the existing skills base

3.32 Consultees reported that traditional manufacturing areas along the M62 corridor will continue to be the main focus of demand for premises. This was for the following reasons:

- **Workforce retention and attraction**: these areas provide access to highly specialised skills needed by manufacturers which can be difficult to source elsewhere. It was noted that businesses invest heavily in workforce development and do not wish to jeopardise this by moving outside the area. The availability of specialised skills also helps to attract new investors.
- **Place loyalty**: the businesses which are based in these areas tend to have a very strong connection to the local area. They are often proud of their heritage and association with the town or city, and have workers and owners who are embedded in the local community. Business founders and owners may be firmly rooted in specific locations.

3.33 These issues are often more important than other factors such as the need for motorway access or modern business premises. Consultees offered examples of cutting-edge, hi-tech manufacturers who were operating in former mill-buildings or poor quality premises because of the need to stay close to the existing skills base.

3.34 It is important to recognise that for other industrial uses including logistics and distribution and larger scale manufacturing operations, evidence from the Business Survey 2020[10] showed that businesses cited good motorway links, connections to customers and suppliers, easy access for employees by private vehicle, other transport connections and the attractiveness of the area as key advantages of their current locations. For these issues, 66% or more of respondents cited

[10] LCR Enterprise Partnership and West Yorkshire Combined Authority (2020) *Leeds City Region Business Survey*

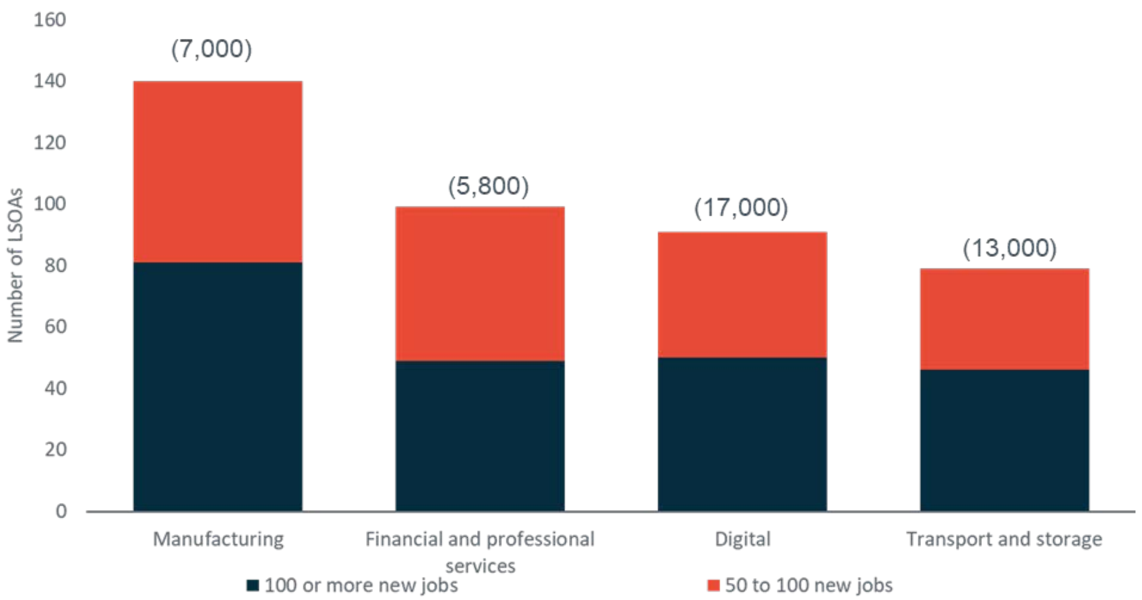
them as perceived advantages, although access to skilled workers stood at 58% and has increased in importance. Businesses also pointed to the size of premises and a lack of good rail and airport connectivity as disadvantages of some of their current locations, reinforcing messages about transport infrastructure

Need for grow-on space to support business growth

3.35 A notable feature of the recent growth in manufacturing jobs has been how widely dispersed it is compared to other sectors. There are 140 lower super output areas (LSOAs) where the number of manufacturing jobs increased by more than 50 between 2015 and 2018[11]. This is substantially higher than the digital or transport and storage sectors despite these sectors creating a lot more jobs overall.

3.36 This suggests that the recent growth in manufacturing is being driven by the incremental growth of a large number of existing businesses, or a combination of that and small-scale inward investment. This is supported by evidence from the 2020 Leeds City Region Business Surveys which showed 23% of manufacturing businesses had grown their workforce over the past year compared to 9% which said it had decreased.

Figure 3.10 Number of LSOAs with more than 50 new jobs



Source: BRES

3.37 The 2020 Leeds City Region Business Survey also showed that around 10% of manufacturing businesses report that their current premises do not meet their needs. This is the highest of any sector except primary industries (agriculture, mining and forestry) and is mainly due to the premises being too small.

3.38 This has been a consistent finding across a number of LCR business surveys. The 2019 survey found that 14% of manufacturers reported having inadequate premises, which was more than double the average for all businesses (6%). The 2015 survey found that the availability and cost

[11] Data is not available for LSOAs on a consistent basis before 2015

of land/premises was seen by respondents as the biggest disadvantage of their location, cited by 13% of manufacturers.

3.39 These surveys also show a large proportion of businesses want to move. The 2020 survey showed 31% of manufacturing businesses are likely to consider moving in next 5 years, compared to an average of 27% across all businesses.

3.40 There is therefore credible and consistent evidence that the current property offer has not been meeting the needs of a significant minority of manufacturers based in LCR, and there is demand for grow-on space from a number of these.

Threats to growth from Covid-19 and Brexit

3.41 Although LCR's manufacturing sector has performed well in recent years, the prospects for growth in the short term are more uncertain. The main threats are:

- the **Covid-19 pandemic**. This caused major disruption to manufacturing in the short term, with the largest ever fall in manufacturing orders and production. Although production has now stabilised, a national survey carried out in September 2020 by the manufacturing trade body Make UK[12] found that 42% of businesses have already made redundancies and almost two thirds are either planning to, or are considering, making redundancies over the next six months. The survey also showed businesses are not optimistic about a fast recovery from the pandemic, with around 37% of businesses expecting it to take more than 12 months.
- **Brexit**. There is still considerable uncertainty about the nature of the UK's future trading relationship with the EU. However there is a high risk that exporters will face increased barriers to trade. HMRC data shows Yorkshire and Humber's manufacturing base is particularly exposed to future trade barriers; 58% of exported goods from the region go to the EU, which was the second highest of the English regions behind the North East. The 2020 LCR Business Survey shows around 13% of manufacturers cite uncertainty about Brexit as a barrier to growth over the next three years.

3.42 Although there is still significant uncertainty about how both these threats are likely to play out, the risk is to short term growth potential and in turn this could result in dampened demand for premises. Beyond these short term risks, advanced manufacturing and the growth of the sub-sectors that comprise advanced manufacturing will continue to be a priority for West Yorkshire. Provision of the right mix of sites and premises in preferred locations for manufacturing businesses will be an important part of strategic planning to support the sector.

Long term trends affecting manufacturing

3.43 The property requirements of manufacturers in the future will be increasingly influenced by a number of trends, including technology and changes in the natural environment. So far there is limited evidence that these trends are a key factor influencing location and property decisions in the city region (based on feedback from consultees), but these are likely to grow in importance in future.

3.44 It is also notable that a number of these trends, although distinct, point in the same direction. They suggest that future growth in advanced manufacturing could increasingly be focused on urban areas which offer proximity to skills, customers, suppliers and academic institutions, while

[12] The survey had a sample size of 226 so the findings are subject to a margin of error

the premises themselves will be smaller, more hi-tech and energy efficient. There is significant potential for the blurring of lines between manufacturing and office based activity.

3.45 This could have implications for the way we plan for growth in future. In particular, there will be a need for:

- flexibility and agility in the planning system so that appropriate mixed use development is not discouraged.
- investment in digital infrastructure to support the requirements of advanced digital technologies
- innovation hubs which bring together innovative businesses from a range of sectors with HEIs and research assets.

Digitalisation and Automation

3.46 Advances in technology are likely to have a profound effect on the way in which we manufacture goods in future. A 2013 Foresight report for the Government Office for Science[13] describes a wide range of technologies which have the potential to cause fundamental shifts in how products are designed, made and ultimately used by consumers. Examples include:

- Rapidly reprogrammable machines will be able to manufacture multiple products according to different specifications based on digital modelling and simulation capabilities.
- The Internet of Things which is linked to advances in big data, cloud computing, machine-to-machine (M2M) communication and advanced sensors will help companies to produce and innovate more efficiently while at the same time reduce the 'time to market'.
- Additive manufacturing such as 3D printing are already used by designers to make prototype parts, but engineering firms will increasingly use them to make finalised products too.

3.47 When these technologies are integrated into future products and networks, it is expected that this will lead to far greater personalisation in the production process. Digitalisation will reduce the cost of small-volume production and allow for more personalised products and even manufacturing on-demand.

3.48 These trends could have a number of implications for the factories of the future. Whereas traditionally factories have been in 'legacy locations' which might be some distance from customers and suppliers, the report argues future locations will be far more diverse. Large scale capital-intensive factories like car plants will continue. But a lot of other manufacturing will be small scale and much closer to customers' homes. Urban manufacturing sites will become a lot more common as production will be smaller scale and less dirty and some production could take place in people's homes.

3.49 Many of the latest technologies will require fewer workers. This means manufacturing will not produce many new jobs, at least not directly on the factory floor. However, as manufacturing becomes increasingly agile, hi tech and knowledge driven the jobs that do remain will be highly skilled and the workplace culture will be more collaborative and innovative. "*Factories of the*

13 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/255922/13-809-future-manufacturing-project-report.pdf

future are likely to be centres of creativity and innovation, operating in networks of relationships, for example with suppliers and universities, where skilled people use world-class technologies and processes to create new ways of adding value".

3.50 This raises the prospect that location requirements for manufacturing could start to share some similarities with office-based sectors such as creative and digital, which locate in cities because of their access to skilled and creative workers. Indeed there could be a blurring of lines between manufacturing and creative and digital industries as production becomes increasingly digitised and outsourced, and a large proportion of the jobs that remain are likely to be in design and digital roles.

Onshoring

3.51 Another key trend affecting the growth of manufacturing is 'onshoring' or 'reshoring', which refers to the repatriation of manufacturing that was previously outsourced overseas. Commentators on onshoring provide a number of reasons why companies might want to bring production back to the UK:

- Increasing costs in emerging countries. For example, China has witnessed average wage increases of 15 to 20% per year which has started to erode its cost advantage in labour intensive activities.
- Growing digitalisation of manufacturing: it is argued that the increasing levels of automation and digitalisation in the production process are making labour costs less important for competitive advantage in a number of manufacturing industries.
- Proximity to the market and flexibility: as we describe above, it is predicted that the factories of the future will need to be faster, more responsive, and closer to customers. There are therefore likely to be a number of advantages from having production based in the UK rather than overseas.

3.52 Despite a lot of attention in the media, to date there has been limited quantitative evidence on reshoring, making it difficult to assess the strength and importance of this trend. A 2016 OECD report found that evidence is mostly anecdotal in nature and in many cases exaggerated or overestimated.

3.53 Nevertheless, there is some evidence to suggest that Brexit and the Covid-19 pandemic could lead to an increase in onshoring as UK manufacturers look to minimise the risk of supply chain disruption. The latest UK Attractiveness Survey from Ernst and Young found that 32 per cent of manufacturers were looking to onshore activity in the UK, a figure which is higher than historical trends. However it is too early to say whether this will translate in to increased demand for premises or whether it will be sufficient to offset any reductions in exports due to increased trade barriers.

Sustainability

3.54 The way we manufacture goods will be increasingly influenced by changes in the natural environment in future. Resources will become scarcer as a growing global population increases demand. Climate change will increase the vulnerability of global supply chains. Consumers will call for products that meet higher environmental standards, and governments will increase their use of environmental regulations.

3.55 In the short term, manufacturers will be increasingly focused on achieving improvements and efficiencies in their use of raw materials and other inputs such as water and energy.

Manufacturers' choice of premises will therefore be influenced by environmental considerations such as energy efficiency performance and use of resource efficient technologies. There is already evidence that this is happening. According to Savills investment in industrial properties rated BREEAM Excellent or Outstanding has almost doubled from £75m to £1.4bn since 2010[14], although this is still a lot lower than in the office sector. It can be expected that this will become increasingly important due to the UK Government's commitment to reduce carbon emissions by 68% by 2030.

3.56 In the longer term, the Foresight report argues that two key trends could result in a move away from global supply chains and towards greater self sufficiency within national borders:

- Increasing scarcity of resources will mean UK manufacturers need to embrace new systems of manufacturing which move away from the 'make, use and dispose' approach in favour of a 'circular flow' model where products are recycled or remanufactured. This concept of the circular economy is already well established in some firms but will become more mainstream as global resources become scarcer.
- The increasing incidence of extreme weather events and susceptibility of factories around the world will also increase the risks for UK businesses having global supply chains.

3.57 This has the potential to reinforce the trends described above, where digitalisation leads to manufacturing taking place much closer to the customer or to suppliers of materials. It is likely to lead to greater levels of onshoring and more factories in urban locations which offer proximity to suppliers, consumers, workers and academic institutions.

Transport, logistics and storage

3.58 The transport, logistics and storage sector provides around 80,000 jobs in the city region (5% of employment). The largest sectors are warehouse activities (35,000 jobs) and freight transport (15,000 jobs).

3.59 The sector has experienced strong growth over the last few years. Employment in the sector increased by 19.4% between 2013 and 2018, with over 80% of this growth occurring in warehouses and supporting activities. The growth in online shopping has been a key factor in this recent growth. Nationally, the percentage of total retail sales carried out online doubled between 2013 and 2018 (from 10% to 20%). This has led to a record increase in demand for warehouse space as businesses have had to adjust their warehouse and supply chain strategies in response to the shift in shopping habits (see Chapter 5).

Growth in transport corridors

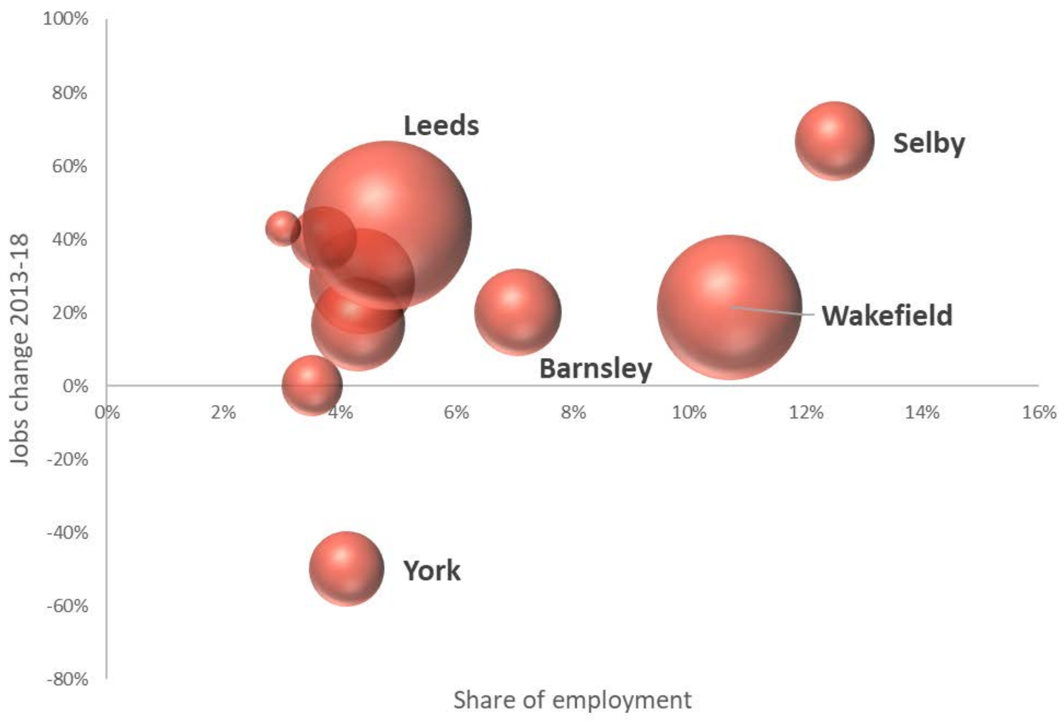
3.60 Transport connectivity is a key influence on location decisions in this sector, and this is reflected in the distribution of jobs in Figure 3.11. The sector has performed well in the local authority areas of Selby, Wakefield, Barnsley and Leeds which all offer good access to the M1 or M62 motorway.

3.61 The sector is not as concentrated in the western districts (Bradford, Kirklees and Calderdale). Although these areas have good access to the M62 corridor, the topography of the area makes it

[14] https://www.savills.co.uk/blog/article/298067/commercial-property/how-sustainability-is-influencing-the-value-of-real-estate.aspx

difficult (and prohibitively expensive) to provide the large, flat sites needed to accommodate large warehouses.

Figure 3.11 Bubble chart for employment in transport, logistics and storage

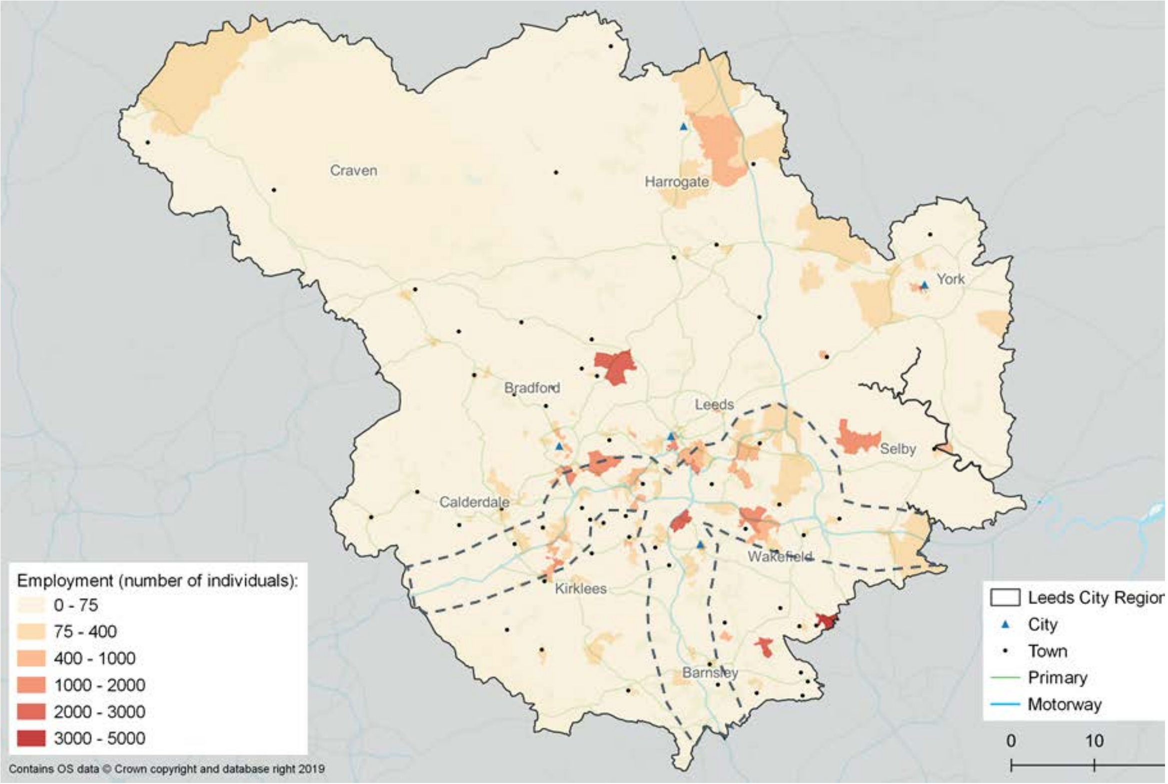


Source: Office for National Statistics, Business Register and Employment Survey

3.62 Figure 3.12 shows the locations of employment in this sector and its concentration around motorways. In total there are 50,000 jobs in this sector within the dotted area on the map. 65% of jobs in the sector are within this area and the number of jobs has increased by 30% since 2015 (double the average for LCR). The sector also has a strong presence around Leeds-Bradford airport.

3.63 The visibility of growth of logistics and distribution operations close to motorways and on key nodes on the strategic road network reflects trends in the sector in which the expansion of online retail (or e-commerce) has been a key feature. Examples highlighted to the study include the Crosspoint 33 development for TK Maxx (J. 33 M62) and a recently consented scheme at South Elmsall. A feature of these e-commerce operations is that very large scale hub operations (500,000 to 1 million sq ft) located on large, flat sites at strategic nodes on the motorway network feed smaller distribution operations elsewhere in the city region to channel goods to recipients. Evidence during the Covid-19 pandemic suggests that online purchasing has increased substantially as a result of movement restrictions. If this acceleration is part of a permanent trend, then demand for such facilities is likely to continue to be strong.

Figure 3.12 Locations of employment in transport, logistics and storage



Source: Office for National Statistics, BRES

Automation

3.64 Research carried out for the Leeds City Region put 34% of employment in the LCR at high risk of automation, a figure close to the national average.[15] Key sectors relevant to the focus of this study and which the LCR research identified as especially vulnerable include wholesale and retail (which generates some demand for B8 warehousing space), manufacturing (B1c, B2) and finance and insurance activities (B1a office).

3.65 However, the implications of digitalisation and automation for both employment and the demand for floorspace and land are not straightforward.

- First, the majority of employment assessed as being more exposed is in lower skilled occupations in manufacturing and services[16], although it is recognised that mid-skilled roles may also be vulnerable. This points to a reduction in the quantity of labour required, with implications for both the amount of space and the location of that space (e.g. if operations no longer need to be accessible to a sizeable pool of labour).
- Second, reductions in the need for lower skilled workers will be offset to some extent by increases in new occupations, including higher skilled roles, including software design

[15] WYCA and LCR Enterprise Partnership, Impact of Automation in Leeds City Region, https://westyorkshire.moderngov.co.uk/documents/s4600/Item%206b1%20-%20Appendix%201%20-%20Impact%20of%20Automation%20in%20the%20Leeds%20City%20Region.pdf

[16] See for example, House of Commons Business, Energy and Industrial Strategy Committee (2019) Automation and the future of work

and management, artificial intelligence and robotics and the technical engineering roles necessary to operate and maintain automated activities.

- Third, whilst the assumption might be that digitalisation and automation reduces the quantity of space required, this does not necessarily follow for all sectors. Modern logistics operations, including so-called dark warehouses, can be very large scale and land-hungry, despite relatively small workforces on site. It is perhaps in lower-skilled office-based activities, including call centre type operations, where digitalisation is most likely to reduce the need for space.

4. Office Market Trends and Prospects

4.1 This section focuses on the city region's office market. It identifies the key office market locations, reviews recent trends and the factors which are driving demand for office space. It also identifies the key market challenges in different parts of the city region and assesses potential impacts of the Covid 19 pandemic on the office market.

4.2 The section draws upon a number of data sources but relies particularly on CoStar, one of the largest databases of commercial property market data. This database captures the majority of property deals and available space, but does not provide comprehensive data on market activity and may miss some deals, although these are likely to be for smaller units.

Key market areas

4.3 The analysis in Chapter 3 helps to understand the key characteristics of the office market in LCR. Leeds is the dominant regional office centre and provides around 44% of office space in the city region (split between the city centre and out-of-town market). Leeds's key advantages include:

- Its **size and density**, particularly its large population of young people with high-level skills. This makes it highly attractive for employers in knowledge-based industries for whom talent attraction and retention is a key source of competitive advantage. Its size and density also helps to develop clusters in those sectors where businesses benefit from proximity to each to other due to networks, exchange of ideas and innovation (e.g. creative and digital industries).
- Its **direct connections to London**, making it an attractive location for national and regional HQ functions and back office functions of central government and large corporate investors.
- Its extensive **public transport and road network**, which means businesses can attract workers and serve markets in all parts of the city region. Public transport connections in the city centre are particularly important for attracting young workers, many of whom do not own a car. The access to the strategic road network is a key advantage of out-of-town businesses parks which tend to attract car-dependent businesses and those with an older workforce.
- The **lifestyle and city centre amenities** available in Leeds, particularly its cultural and leisure assets which are increasingly important for talent attraction and retention.

4.4 Outside Leeds, the other office markets tend to be focused on the city region's large town and city centres[17] (in addition to some out-of-town business parks around York and Wakefield). These are all small office markets in comparison to Leeds, but the centres are all sizeable urban settlements in their own right and have sufficient critical mass to attract and sustain office occupiers.

4.5 All of the town and city centres in West Yorkshire (Bradford, Halifax, Huddersfield and Wakefield) are in close proximity to Leeds and have reasonably good transport connections to the city, although it is recognised that connections between Leeds and Halifax/Bradford require significant improvement. This provides these areas with a number of advantages (e.g. access to a large market across the metropolitan area) but also means that they struggle to compete for

[17] Bradford, Halifax, Harrogate, Huddersfield and York

investment with Leeds, which is seen as a more established office market location with access to a much larger workforce. Most of the demand for office space in these locations is therefore from small businesses that serve a local market, although there are exceptions to this, particularly in Bradford, which reflects its characteristics as a city and the location of a number of HQs (e.g. Morrisons).

4.6 York and Harrogate are relatively small office markets but have distinctive characteristics which makes them attractive to certain occupiers. Their key strengths are their strong image and desirability as places to live due to their heritage assets, housing and leisure amenities. This helps to attract high value businesses looking for a prestigious business location and/or a certain lifestyle for the owner and employees. York city centre also benefits from its direct rail connections to London. As noted in Chapter 3, while these locations are attractive for small businesses, there is limited demand for office space from large occupiers due to the size of the labour market which makes it more difficult to attract and retain staff. The office markets in York and Harrogate therefore play a complementary role to Leeds as they can help to attract high value businesses which would otherwise not locate in the city region.

4.7 All of the smaller office markets outside Leeds also play an important role as a cradle for start-ups and high growth businesses in the city region. A number of consultees from local authorities reported how they struggle to retain businesses once they get to a certain size as they then choose to relocate to Leeds (a good example being Skybet which relocated from Harrogate). This is often a source of frustration for local authorities but illustrates how the different office markets play complementary roles in supporting the growth of the city region.

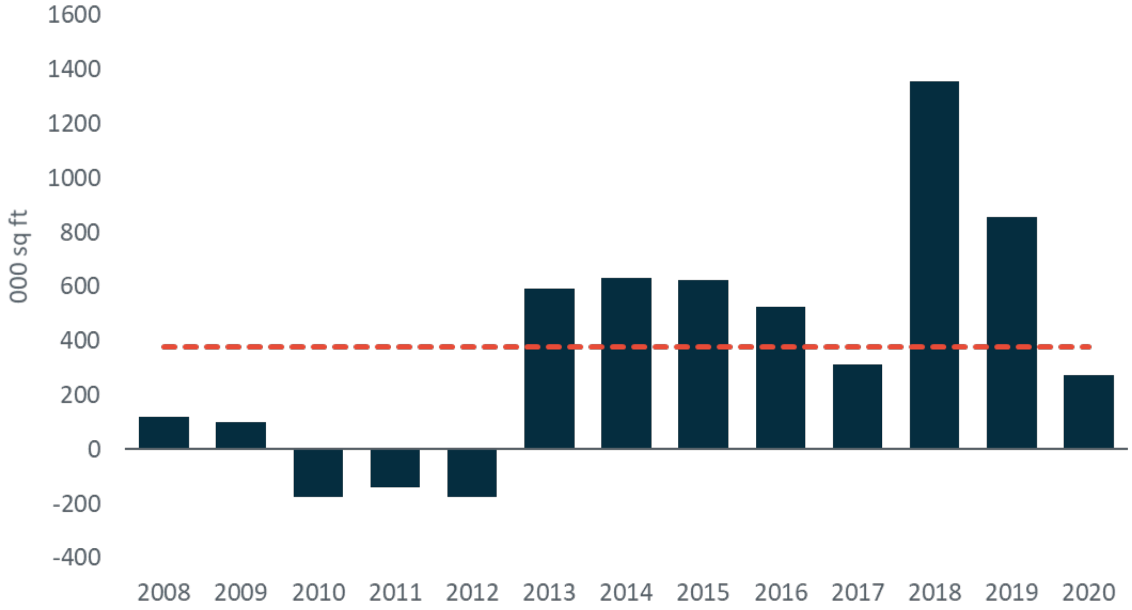
Office market trends

Large increase in demand for office space in recent years

4.8 Figure 4.1 shows that demand for office space was subdued for a number of years following the 2008/9 economic downturn but has recovered strongly since 2013 and reached very high levels in 2018 and 2019. This includes a very large deal for over 300,000 sq ft of space at Wellington Place in 2018. This is the location of a new Government Hub which will bring together a number of Government departments including HM Revenue and Customs and NHS Digital.

4.9 As well as showing the increasing demand for office space, the increase in take-up also reflects the increase in supply since 2013. Office rental values were slow to recover after the economic downturn which meant there was no speculative development of office space for several years. These reached viable levels in Leeds city centre in 2014, and this has been followed by a large number of developments since then.

Figure 4.1 Net take-up of office space in Leeds City Region, 2008-2020



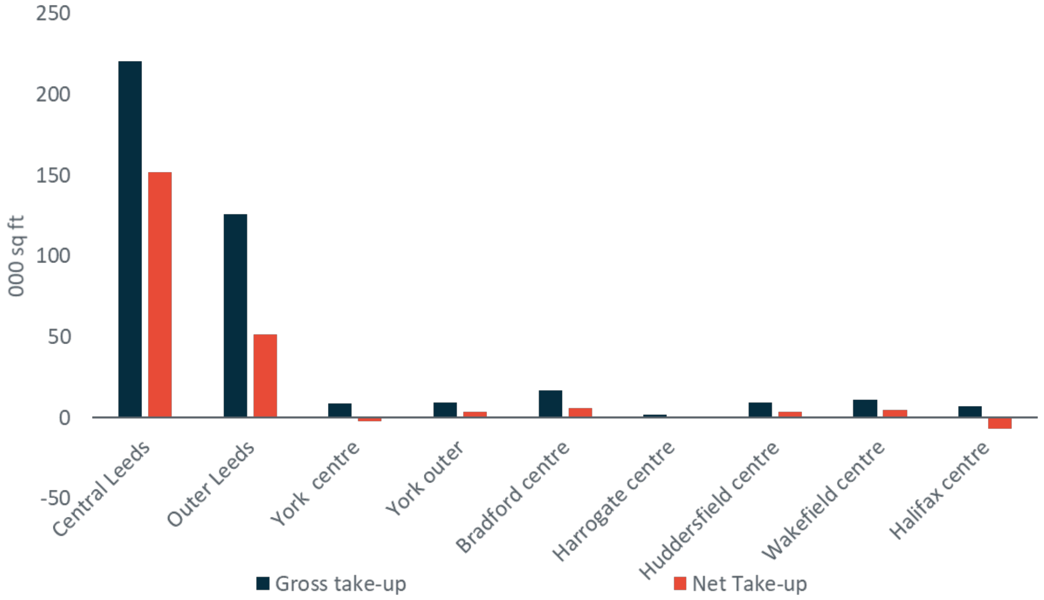
Source: CoStar

Demand focused on Leeds city centre and out-of-town business parks

4.10 The majority of demand for office space is in Leeds district. The city accounts for 65% of gross take-up and over 80% of net take-up. The main focus has been in central Leeds, but there has also been robust demand in outer business parks such as Thorpe Park (see Figure 4.2).

4.11 Outside these areas there has been relatively little market activity. In a number of areas the take-up of office space has been constrained by a lack of supply. This is particularly the case in York city centre, Bradford and Harrogate, where agents reported that there is latent demand for offices but the limited availability of office space and lack of new development has stifled take-up.

Figure 4.2 Gross and net take-up of office space, 2017 to 2020



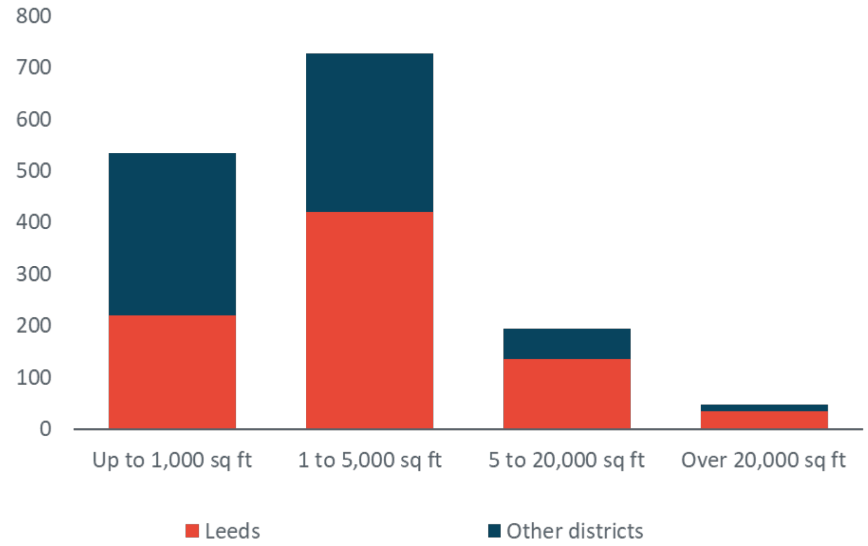
Source: CoStar

Requirements for large floorplates and Grade A space in Leeds

4.12 Demand from larger occupiers has been particularly focused on Leeds. The number of lease deals for units up to 5,000 sq ft is split fairly evenly between Leeds and the other districts in the city region. In contrast over 70% of the deals for units over 5,000 sq ft have been in Leeds. A number of the larger requirements outside Leeds were from the public sector. This reflects the fact that most demand for office space outside Leeds is from small businesses seeking smaller floorplates.

4.13 Although larger requirements over 20,000 sq ft account for a small proportion of deals, they make up over 40% of the total requirement for office space. Around 80% of this demand was in Leeds.

Figure 4.3 Number of lease deals for office space by size of unit, 2017-2020



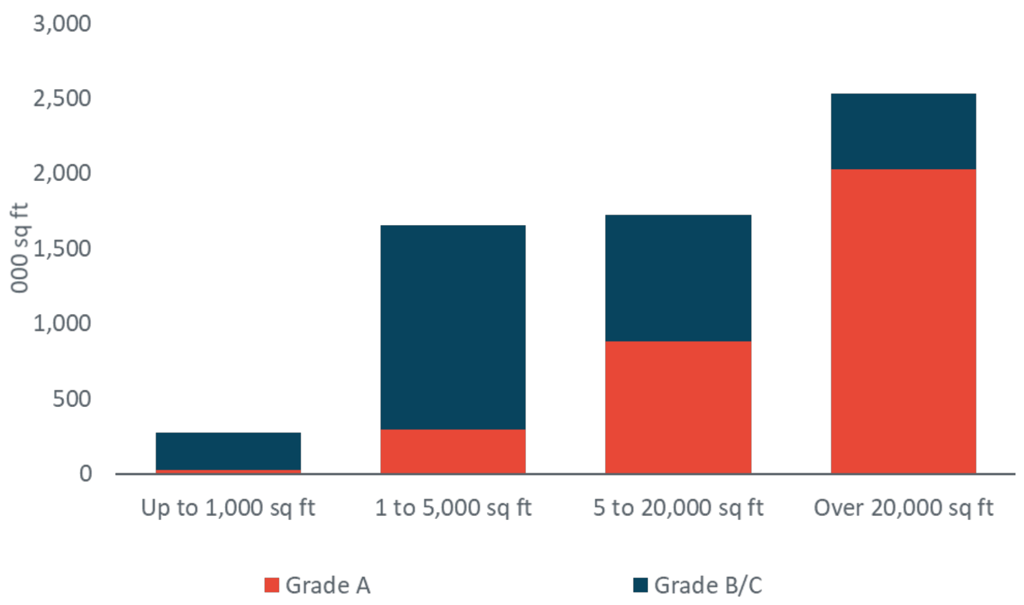
Source: CoStar

4.14 Demand for Grade A office space is also strongest in Leeds. The city accounted for 90% of take-up of Grade A space in the city region, with most of this in the city centre. This is partly due to supply-side factors since Leeds is the only area to have seen speculative development of new Grade A space. However, it is also a reflection of the nature of demand in Leeds which is driven by large corporate occupiers who are prepared to pay more for higher quality office space.

4.15 Figure 4.4 shows there is a strong correlation between demand for larger floorplates and Grade A space. 80% of demand for floorplates over 20,000 sq ft has been for Grade A space compared to only 17% for floorplates below 5,000 sq ft. This is due to demand for smaller units being driven predominantly by smaller businesses who are more cost-sensitive and therefore prioritise affordability over the quality of space. Given that most of the demand for office space outside Leeds is driven by small businesses, most demand is likely to be for affordable space of a reasonable quality as opposed to Grade A.

4.16 There are exceptions to this, including higher value SMEs that locate in York and Harrogate, where the limited availability of space means there is likely to be some latent demand for Grade A space. Bradford has also attracted investment from corporate occupiers such as PWC which opened a new office in 2019. There may be opportunities to attract similar investment opportunities in future although we would still expect the majority of demand to be for Grade B for locations outside Leeds.

Figure 4.4 Total leased office space by grade, 2017-2020



Source: CoStar

Rising demand for flexible space

4.17 One of the key trends in the UK office market in recent years has been the growth in demand for flexible workspace. The co-working/serviced workspace sector has grown rapidly. Initially this was driven in London where flexible workspace providers such as WeWork have become one of the key drivers of demand for office space, but it has now become an established trend outside the capital. This has been driven by a number of factors:

- **Growth of micro businesses and entrepreneurs**: there has been a rapid rise in self-employment, freelancing and micro businesses[18] in certain sectors such as digital and professional services. This has been driven in part by greater outsourcing by the public and private sector, but also reflects the low barriers to entry in these high growth sectors. These businesses cannot commit to longer leases so need workspace on a more flexible basis.
- **Changing working practices**: advances in technology and generational changes in the workforce and their lifestyles are combining to change the way people work. Even before the pandemic, a growing number of people were adopting flexible working patterns. This has created demand for more flexible workspace which better reflects people's lifestyles.
- **Agility and innovation**: larger companies are increasingly recognising the value of a flexible workspace model. Flexible leases allow them to respond quicker to changing economic conditions, and adopting a co-working model can lead to new collaborations, ideas and innovation.

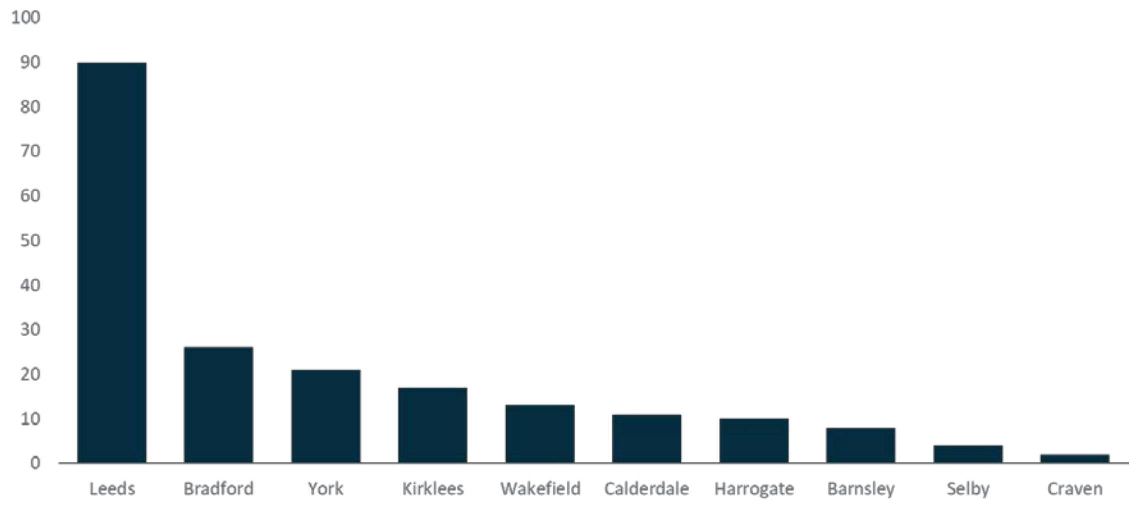
4.18 It is difficult to determine how much of the recent take-up in LCR has been flexible workspace as this is not consistently recorded in CoStar. Research by Cushman and Wakefield has found flexible space accounted for just under 5% of total take-up in Leeds between 2017 and 2018 and

[18] Businesses employing fewer than 5 employees

demand has more than doubled in the past five years. This did not include other parts of the city region, however consultees reported this is a growing trend across all areas because the growth of self-employment and micro-businesses is not confined to Leeds.

4.19 Research by Nesta showed there were just under 200 flexible workspaces in the city region in 2017. 90 of these were in Leeds but there are large numbers of workspaces in a number of other areas, particularly those with large number of small businesses (Bradford, York, Kirklees and Wakefield). This suggests the need for flexibility is a growing trend across the city region.

Figure 4.5 Number of flexible workspaces by local authority area, 2017



Source Nesta: The State of Small Business

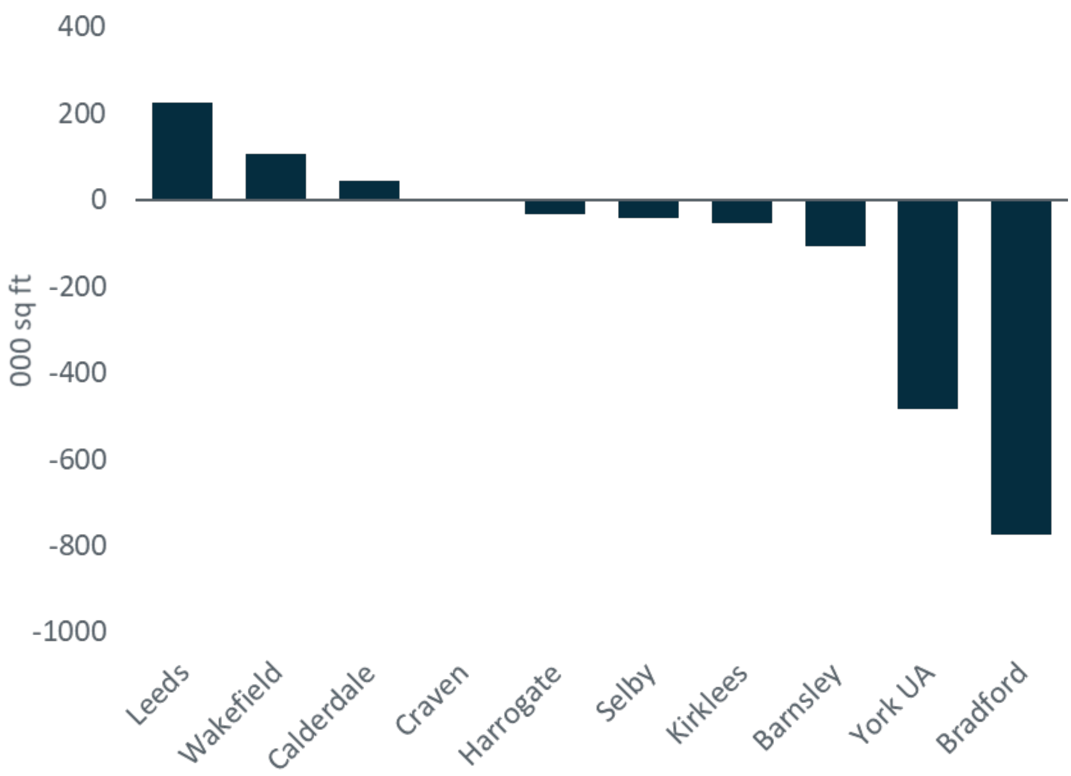
Permitted development rights have reduced supply of office space in some areas

4.20 Valuation Office Agency (VOA) data shows the total stock of office floorspace decreased by over 1 million sq ft between 2015 and 2020, with a large proportion of this being lost in York and Bradford (see Figure 4.6). The main reason for this was the change to permitted development rights introduced in 2014 which made it easier for landlords to convert offices into residential dwellings. The effects of this appear to have been felt quite differently in York and Bradford. Despite the large loss of office space in Bradford, it was reported that a lot of this was poor quality and did not meet occupier requirements (e.g. Forster Place). Therefore, the loss of space has helped to meet the need for housing without damaging the office market so far, although any further losses would increase this risk.

4.21 In York consultees described how much of the space that has been lost recently has been good quality, occupied space and has meant that tenants have been displaced. This is due to the very strong residential market and high house prices in the city which creates incentives for landlords to convert premises that are already providing a return. Given the very limited availability of office space in York city centre (see below), consultees reported this is resulting in some businesses having to move out of the city all together.

4.22 Leeds's office market has also come under pressure from changes in use. Although the city has experienced an increase in office space since 2015 (driven by a large number of speculative developments), the net change is still quite low (around 200,000 sq ft). This is due to the loss of a number of office buildings due to residential conversions.

Figure 4.6 Change in office space between 2015 and 2020



Source Valuation Office Agency Business Floorspace Statistics

Limited availability of office space in all areas

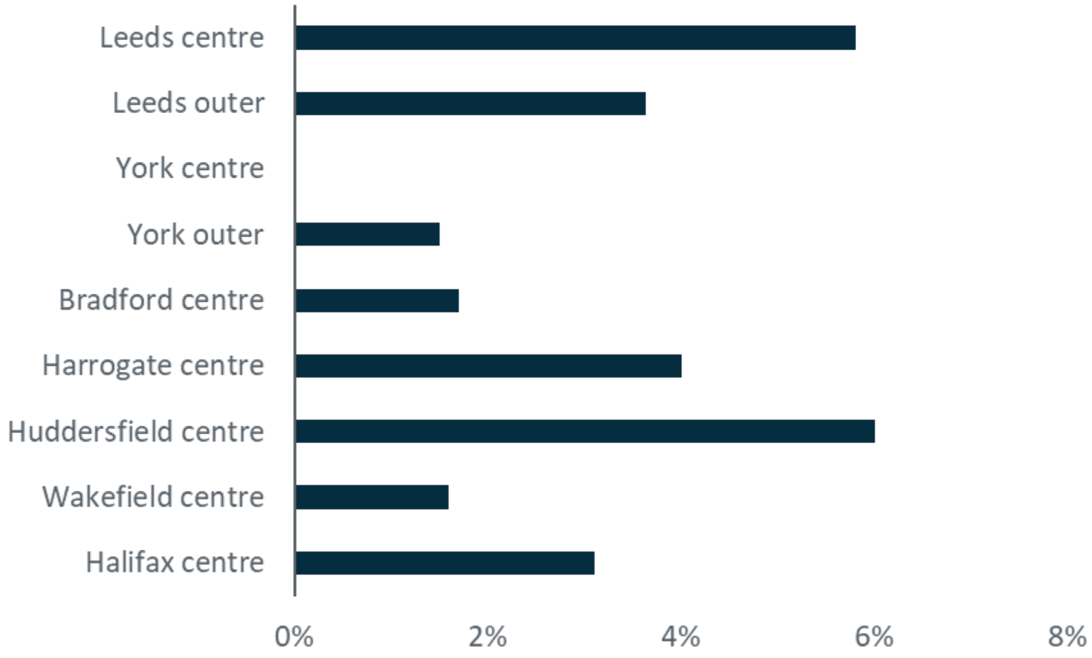
4.23 All of the main office markets had a vacancy rate below 6%, as of June 2020[19], and several areas have a rate below 2% indicating a severe undersupply of office space (including York city centre which currently has no vacant space according to CoStar). All areas have seen large falls in vacancy rates in the past five years which is due to a combination of rising demand and the loss of office space to other uses.

4.24 The undersupply of space applies to all sizes of floorplates and both Grade A and Grade B space. There is currently less than 200,000 sq ft of Grade A space in Leeds city centre, which has been the focus of demand in recent years.

4.25 Economic development officers from a number of local authorities reported that this limited supply is constraining growth of local businesses and has made it harder to attract investment. The low vacancy rates also suggests there is limited scope for any further loss of office space to residential uses without damaging the local economy, as there is very little unoccupied stock remaining.

[19] Employment Land Reviews tend to assume that vacancy rates below 7.5% sows the market is undersupplied

Figure 4.7 Office vacancy rate in key office markets



Source: CoStar

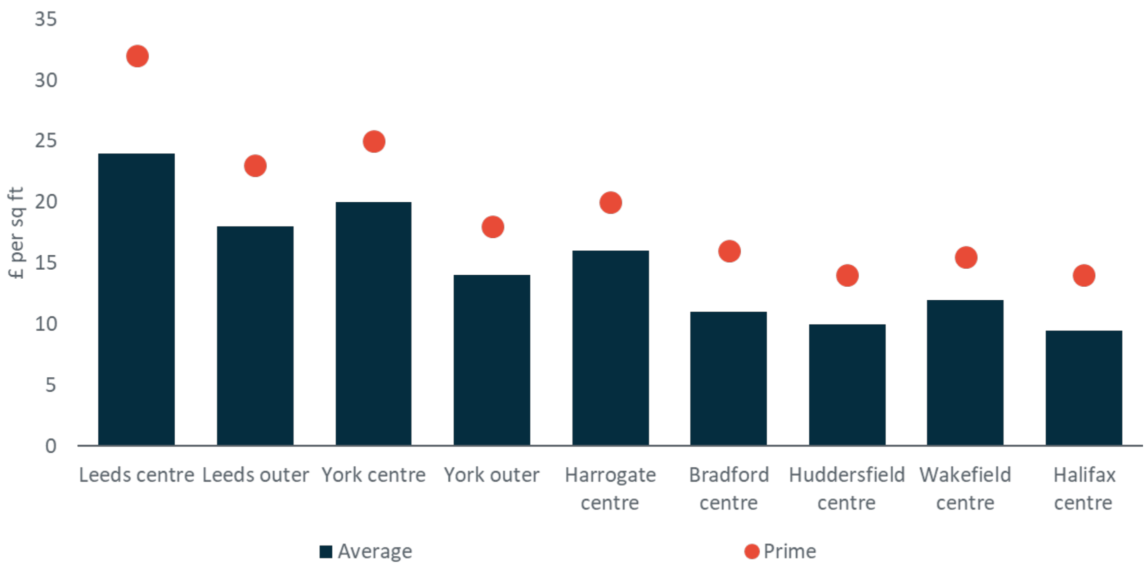
Speculative development is viable in Leeds, and marginal in York and Harrogate

4.26 All of the speculative development of new office space in recent years has occurred in Leeds city centre and out of town business parks. Recent completions in the city include several new buildings at Wellington Place, Broad Gate, Central Square and Platform. New developments are now also in progress in York with the Hudson Quarter due for completion in 2020, although the Covid-19 crisis may delay its completion, and are also planned in Harrogate with the redevelopment of Crescent Gardens.

4.27 Speculative development is only possible in these locations because the achievable prime rental values are high enough to make new development commercially viable. The viability threshold is dependent on the specific nature and location of each development, but agents reported a minimum prime rental value of £25 per sq ft is generally required. Based on current prime rental values that would suggest new development is only definitely viable in Leeds city centre and is marginal in out of town business parks and York city centre. Harrogate's prime rental value of £20 is below the viability threshold, although there is some uncertainty about this figure as the lack of new Grade A development means the market has not been tested. It was also noted that the planned speculative developments in Harrogate are refurbishments rather than new build developments so have lower development costs which could make development viable.

4.28 Other office markets in town and city centres fall well below the viability threshold. In conditions of this type, new speculative development is only likely to come forward with public sector grant funding to address what are typically substantial viability gaps. Whilst there are numerous examples of such schemes operating around the UK, decisions to provide public sector grant funds need to be rooted in strong evidence about the rationale for such investment (for example, pump priming sites and sending positive market signals when there are good prospects for values to strengthen and development activity to increase; achieving regeneration priority objectives) and recognition of the risks of committing scarce public sector resources.

Figure 4.8 Average and prime rents in key office markets, 2020



Source CoStar and feedback from commercial agents

Note: it is not possible to provide more spatial analysis of rental values. As part of the study we undertook heat mapping, however there was insufficient data points for prime office space to produce a map for the city region. It was therefore necessary to supplement CoStar data with feedback from commercial agents about achievable rental values.

Evidence of market failure

4.29 The fact that speculative development is not viable in many parts of the city region is not evidence of market failure. The HM Treasury Green Book states that market failure occurs where the market mechanism alone cannot achieve economic efficiency (the state in which nobody can be made better off without someone else being made worse off). One potential cause of inefficiency is when the private returns to an individual or firm from carrying out a particular activity differ from the returns to society as a whole, meaning there are external costs or benefits which are not factored into the decision by the individual or firm.

4.30 There may be some instances where this applies in the LCR office market. For example, private developers may be reluctant to deliver flexible co-working space or incubation facilities targeted at digital start-ups and SMEs because of the higher risks involved, which means it does not represent a viable commercial proposition. This ignores the fact that the co-location of these businesses can generate additional economic benefits to society (e.g. through the sharing of knowledge which can stimulate innovation) which are not factored into the private developer's investment decision. These benefits are referred to as **positive externalities**, a type of market failure. This would also provide the market failure rationale for intervention in an innovation hub (as described in the previous chapter) if there was sufficient support for such a facility.

4.31 However, the viability challenges for office development in most cases are likely to reflect the fact that demand is not strong enough at the rental values needed for development to be viable, which reflects the fact that most demand is from occupiers engaged in lower value activities. The market is therefore likely to be acting rationally when development returns do not justify investment in a particular site.

Incentivising speculative development

4.32 An important caveat here is that there may be instances in LCR where development is almost viable or marginally viable, but where development may not proceed because of the perceived risk of development. This is caused by developers and investors having **imperfect information** about levels of occupier demand, continuity of income and future asset values. In perfect market conditions, developers would have access to all of this information, enabling them to make rational and informed decisions on their lending decisions, leading to an efficient allocation of resources. In the real world there is always some degree of uncertainty about future market conditions, which presents risks for investors.

4.33 This is not strictly an example of market failure but a function of the high level of uncertainty that exists about future demand (the market could be acting rationally). Nevertheless, there may be a case for public intervention on the grounds that the public sector is often willing to accept a higher level of risk than the private sector in order to stimulate development. This role can be particularly valuable in periods when there is a shortage of available office space (which could be acting as a barrier to growth or investment) but a lack of development activity.

4.34 Where development is almost viable it may be possible to encourage development without the need for grant funding but offering incentives which reduce the risk for the developer. The types of incentives required will vary depending on the characteristics of the specific development and the developers' attitude to risk, but could include:

- **Wrap leases**: this involves a public sector organisation (that is legally accountable) taking a head-lease on a property, then sub-letting the individual units to tenants. The public sector becomes liable for all costs for the term of the lease irrespective of whether the building is fully let or not, thereby underwriting the risk of the investment. These are the most popular types of incentives for developers, although this is not surprising given that it significantly reduces the level of risk they are exposed to.
- **Rental guarantees**: these guarantee the payment of a fixed level of rent to the developer or investor for a fixed period of time. This reduces the letting period risk to the investor/developer.
- **Put-options**: these ameliorate risk by providing the developer with a guaranteed exit from the investment. A public sector organisation or fund could agree a put option that would entitle the developer to sell the property to the public organisation at a pre-agreed price and time in the future (i.e. at the end of the marketing period).
- **First-loss loans**: This is where there is an inequitable return within a co-investment arrangement in which the funders invest pari passu (equal in right of security or charge over the property) but the first repayments go to the private sector lender and the second (and or last) goes to the public sector. This helps to de-risk the investment for the private sector lender.

4.35 Given the current rental values in LCR, it may be possible to encourage speculative development using light touch incentives in locations such as York, Harrogate and outer Leeds business parks. There may also be scope to use these incentives in some of the other town and city centres, although it is more likely to require higher risk options such as wrap-leases.

4.36 In our view these tools are most effective in areas where the market needs to be 'nudged' to viable levels. We would caution against WYCA offering these types of incentives in those areas where market values are well below the levels needed for speculative development because of the risk of market distortion. This is particularly the case if the proposed development is Grade

A space where there is a high risk of displacement from other more viable locations. These risks are lower in locations such as York and Harrogate because of the distinct characteristics of these office markets and the fact that rents are much closer to viable levels.

Covid-19 impacts on the office market

Short term impacts of the Covid-19 pandemic

4.37 The research for this study has been undertaken during the height of the Covid-19 pandemic, which has the potential to cause a significant departure from the recent office market trends in LCR.

4.38 The announcement of the lockdown in March 2020 meant that many office workers were forced to work from home, leaving the majority of offices empty for several months. This period has demonstrated to employers that a home-working model is viable and could potentially reduce property costs without affecting worker productivity[20]. It has also demonstrated to many office workers that their quality of life can be improved by working from home. This has raised a number of questions about whether there is a continued need for office space, or how offices' role might change in the economy of the future.

4.39 The long term effects of the pandemic are still uncertain, but there is already some evidence that the pandemic is affecting the office market. Most notably, take-up of office space in Q2 2020 was 90% below the 10 year average in Leeds. This is due to the practical difficulties of conducting viewings and due diligence, with occupiers either delaying or putting their requirements on hold.

4.40 Agents also provided anecdotal examples of firms in Leeds who had already decided to reduce the amount of office space they occupy, in some cases by very large amounts. The names of these businesses could not be shared, although there are a number of examples of national firms who have reassessed their space requirements:

- Outsourcing firm Capita has announced it is to close over a third of its offices in the UK permanently.
- National law firm Slater Gordon has closed a number of its offices, including Leeds, in favour of a remote working model.
- The Royal Institution of Chartered Surveyors has also closed a number of its offices, including Leeds, saying they "do not give us the type of space we will need for the new future of work"[21]. This suggests it may be considering a model based on more flexible workspace.
- Lloyds Banking Group has stated it is reviewing its office space needs after concluding that most of its 65,000 staff have worked from home effectively.

4.41 The pandemic has also affected market confidence. It was reported that speculative developments which were in the pipeline (including new development at Wellington Place and the South Bank) have been paused, and will be revisited once the pandemic has stabilised and the longer term effects of the crisis on office demand become clearer.

4.42 Despite the large fall in demand in Q2, the data available at this juncture do not yet point to a fall in prime rents in Leeds. Savills actually reported an increase in prime office rents of 6.7% in the

[20] It has been claimed by some that productivity has actually increased

[21] https://www.leeds-live.co.uk/news/leeds-news/what-future-holds-offices-leeds-18591179

first half of 2020 which it attributed to the continued lack of Grade A office space in the market[22]. However other agents reported that landlords are offering greater incentives and they expect headline rents to come under pressure over the next year.

4.43 There is typically a lag between changes in demand and rental levels, in part the result of leasing agreements tying occupiers into multi-year deals which limit the potential for rapid adjustments of rental prices. However, whilst rents appear to have held up in the first half of 2020, the prolonged nature of the Covid-19 crisis (see also point below) is likely to be at best a short term brake on demand, and in this situation a dampening of prime rents might follow.

High risk of lower demand for office space in future

4.44 There is still significant uncertainty about the long term implications of Covid for demand for offices. Although some businesses have already made decisions to change their working practices and permanently reduce their office requirements, most occupiers were reported to be waiting until after the pandemic has stabilised before they make these decisions. It was noted that, although technology has been a useful tool for maintaining relationships and collaboration between staff during lockdown, it is not yet clear that this is a long term solution for many businesses.

4.45 A number of agents are optimistic about the future prospects for Leeds's office market:

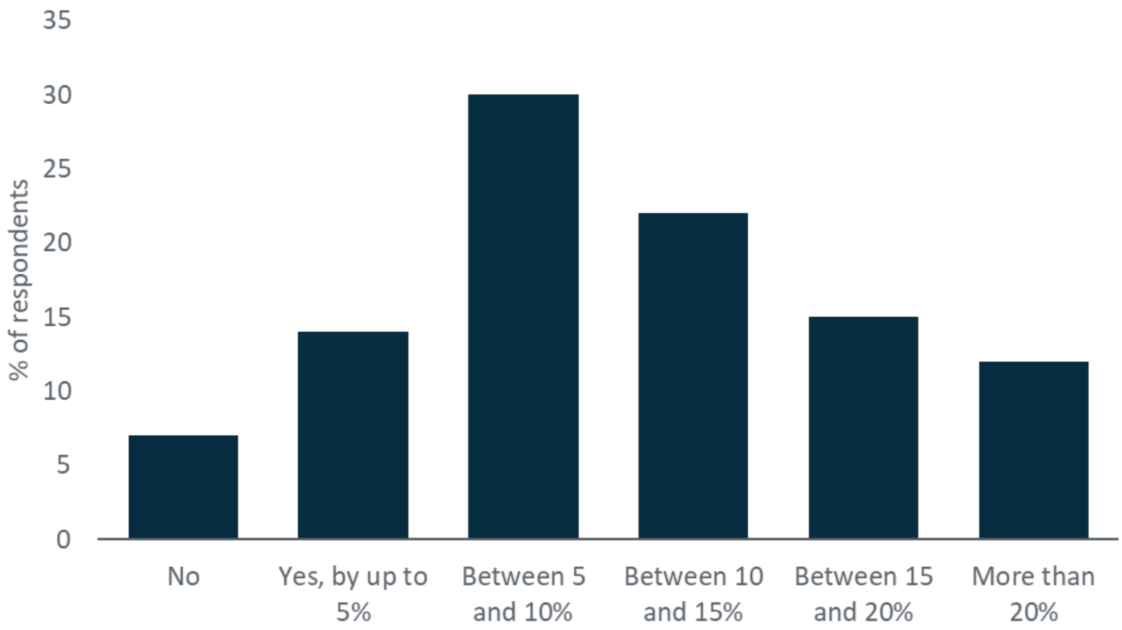
- Savills have reported that the long term prospects in Leeds are strong due to continued growth of high performing sectors such as creative and digital and life sciences. This is being supported by moves by Channel 4 and Sky which is building confidence in Leeds as a place to do business.
- Offices.co.uk anticipate some reduced demand from firms reducing their office requirements, but believe this will be outweighed by growing demand from 'north-shoring'. This refers to companies expending their operations out of London into northern cities, in response to growing numbers of young professionals relocating from the capital.

4.46 Although there are potential opportunities for growth in demand in LCR, these are uncertain, and the consensus in national surveys is that there is likely to be reduced demand for office space over the next couple of years. The RICS UK Commercial Property Market Survey[23] (Q2 2020) found that 93% of respondents envisage businesses scaling back their office footprint over the next two years as people move to home working. The largest share of respondents (30%) expect this scaling back will equate to between 5 and 10% of their current footprint. There was however a large range of responses with 12% expecting a reduction of over 20%. There is therefore a high risk of reduced demand for office space in LCR, although the potential scale of this is still uncertain.

[22] https://www.savills.co.uk/insight-and-opinion/savills-news/303495/leeds-office-rents-rise-despite-impact-of-covid-19

[23] https://www.rics.org/globalassets/rics-website/media/market-surveys/gcpm/rics-uk-commercial-property-market-survey---q2-2020.pdf

Figure 4.9 Survey response to: "do you envisage, within the next two years, businesses will scale back their office real estate footprint?"



Source RICS Q2 2020: UK Commercial Property Market Survey (sample size: 496)

A changing role for offices

4.47 A national survey of over 2,000 office workers by the British Council for Offices (BCO) has shown there is a strong appetite among office workers to continue to work flexibly, but also found that most are planning a return to the office, at least part of the time.

4.48 Asked about how they planned to work for the next six months[24], almost half of office workers (46%) intended to split their work between home and the office, while 30% were set for a full, five-day-a-week return to the office. Only 15% of respondents planned to only work from home.

4.49 The survey also highlighted the importance of the office to career development, with 71% stating that the office is important for developing networks and learning. 65% said their career has been helped by relationships forged in the office and 71% agreed the office is important for forming connections with colleagues. This leads the BCO to conclude "*this suggests remote working may cause difficulties for young employees who are yet to form networks and arguably gain most from seeing how their colleagues work*".

4.50 Alongside learning, consultees highlighted a number of other important roles for offices which will be particularly important in future:

- **Collaboration**: although some of this can be done online in video-conferences, this is not a replacement for the informal meetings and conversations that can take place in an office environment.

[24] The survey took place prior to new Government measures announced in September 2020

- **Socialising**: the social aspect of offices is particularly important for younger workers. Surveys have shown that Generation Z (people born in the late 90s to early 2010s) are far more likely to value a fun office environment than older workers. Gen Z workers are also twice as likely as older workers to think friendships with colleagues are important in a job[25].
- **Company culture**: an organisation's culture is an important part of why employees choose to work for a company and choose to stay there. Having staff work from home full time would make it difficult to nurture and maintain this culture and identity.

4.51 This suggests that there will be a continued need for offices, but that their role will change as more employees choose to adopt a mixed approach which combines remote working and time in the office. In particular there is likely to be less of a need for workstations and more space given up for communal areas.

4.52 It also suggests that the most successful office environments will be those which inspire employees and offer a fun working environment, which blends offices with leisure and retail facilities. This has implications for the way offices and office districts are designed as the boundaries between live, work and play become increasingly blurred. These changes were already underway before the pandemic, but are likely to accelerate.

Increased demand for flexible space in suburbs

4.53 The trend of growing demand for flexible office space is also expected to accelerate as a result of the pandemic and the change in working patterns. Although some flexible space providers are likely to face significant challenges in the short term due to enforced home-working and social distancing, the medium and longer term prospects for this market are much stronger as companies are likely to reassess the way they use office space.

4.54 A report by JLL[26] anticipates a move away from dense office buildings on long leases and a move towards smaller satellite offices in accessible locations, let on a flexible basis. This will allow companies to be more agile and better meet the needs and lifestyles of their staff. It forecasts that 30% of office space will be consumed flexibly by 2030.

4.55 This implies that the demand for large floorplates in city centres (which has been an established feature of office markets for the last 20 years) could weaken and pivot towards smaller flexible space in suburban areas, towns and business parks. Indeed there is already some evidence that this is happening:

- One of the largest providers of flexible workspace, IWG (formerly Regus), has reported a surge in demand for workspace in suburban areas since the start of the pandemic[27].
- A survey by another flexible workspace provider Workthere found that searches for suburban office space is currently the second greatest driver of demand for flexible space (after downsizing from a lease).[28]

[25] https://businessnewswales.com/generation-z-blurring-the-lines-between-work-and-play/

[26] https://www.us.jll.com/content/dam/jll-com/documents/pdf/articles/covid-19-and-flexible-space-report.pdf

[27] https://www.theguardian.com/business/2020/aug/04/uk-cities-suburban-covid-iwg-home-working

[28] https://www.propertyfundsworld.com/2020/06/11/286471/workthere-reveals-top-five-demand-drivers-uk-flexible-office-space-may

- The RICS UK Commercial Property Market Survey found that 64% of respondents think demand for suburban offices will increase in place of urban locations over the next two years.

4.56 Economic development officers from a number of local authorities were also optimistic that this trend could result in growing numbers of businesses establishing satellite operations in their area. They cited the lower density environments, affordable office space and connections to Leeds as key factors which could help them to attract new investment and develop their office based economy. Fast and frequent rail connections and locations which already send larger numbers of commuters in office-based service sectors to Leeds (or other cities) might be amongst those best placed to capitalize if this becomes a permanent shift.

4.57 While there is definite potential for growing demand for office space outside Leeds city centre, the areas that are most likely to benefit from this are those which are home to large numbers of higher skilled people who would otherwise commute to the city centre. This means the main focus of demand is likely to be desirable and vibrant suburbs of Leeds which are attractive to professionals, particularly if they are well connected to the city centre (e.g. Chapel Allerton, Horsforth, Roundhay). There may also be some benefits for well located business parks which are accessible by car, such as those in Wakefield.

4.58 However, whilst these areas of North Leeds have the resident workforce which gives them advantages as potential satellite-type office locations, they lack rail connectivity to central Leeds and high residential land values (relative to commercial development values) might work against them. Conversely, the potential of areas which have stations and rail connectivity to central Leeds (plus lower land values) might be limited by a lack of a substantial resident workforce geared to office-based sectors and living environments which might make such locations less appealing for businesses.

4.59 York and Harrogate could also both see increased demand for flexible space if the Covid pandemic increases the number of highly skilled professionals moving out of big cities in search of a better lifestyle.

Summary of key points

- Leeds is the dominant office market, particularly for large scale and Grade A development. Recent years have seen growth in demand for office space across all sizes and types in Leeds. There are positive signals for Leeds in the moves by Skybet and Channel 4, signaling that the city has the potential to further strengthen its position as a major location for office-based businesses.
- There is evidence of strong demand for office space in York and Harrogate, but less so in other locations. The key issue in York is insufficient supply in central locations and reliance on business parks to accommodate demand.
- Growth in the number of micro and small businesses, particularly in the digital sector, has fueled demand for small, flexible and affordable workspace across the City Region but particularly in Leeds.
- Low vacancy rates and under-supply has become an issue in some locations, the result of both the strength of demand and, in some cases, a limited supply. This includes a number of town and city centres where space is needed to meet the needs of local businesses and support the vibrancy of town centres.
- Rental values in a number of smaller town and city centres outside Leeds are not high enough to encourage speculative development. This does not represent market failure but

the fact that demand from high value occupiers is not strong enough at the levels needed for development to be commercially viable. In our view there is not a strong rationale for WYCA intervention in these areas because it would work against market forces and increase the risk of displacement from locations which are viable.

- Office-based employment and business is changing, accelerated by the impacts of Covid-19 and the shift to home-working. It is too soon to be clear about whether these changes become permanent, but there is a strong likelihood of reduced demand for space at least in the short run as companies rationalise their space, embed home-working arrangements and in some cases close offices all together.

5. Industrial and Warehouse Market

5.1 This section focuses on trends in the industrial and warehouse markets. As we show below, these two markets have distinct drivers and characteristics. However it is often difficult to separate them in property market datasets as they occupy similar buildings and in many cases can be used for either production or storage and distribution, or both. This makes it difficult to determine how premises are being used. We therefore present the property market data for both uses, but try to distinguish the characteristics of demand and supply for each use through the analysis. Again the key source of information is CoStar. Therefore the same caveats from the previous chapter also apply here.

Key market areas

5.2 The economic analysis in Chapter 3 helps to understand the key drivers of the industrial and warehouse markets in the city region.

5.3 The industrial market is linked closely to the manufacturing sector, which is well-established in many parts of the city region, but particularly in the West Yorkshire districts along the M62 corridor. The concentrations of manufacturing in these areas is for historical reasons rather than access to the motorway, although this does provide benefits for businesses. A number of these areas have a strong manufacturing heritage which was traditionally focused on textiles, but has diversified over time to include precision engineering, automotive, bio-science, turbo technology, advanced textiles, medical devices and food and drink.

5.4 As noted in Chapter 3, these sectors have strong attachments to the area in which they are located, based in part on supply chain relationships and access to specialised skills but also local pride and heritage. As such there no dominant employment sites or areas which are the focus for industrial demand. Premises are dispersed across a large area and include old, former mill buildings in traditional manufacturing areas alongside newer premises on purpose built industrial estates.

5.5 Demand for warehouse space is also spread across the city region, reflecting the need for space from a number of sectors but particularly transport and logistics, retail and wholesale. The city region's key advantage for strategic distribution is its location and connectivity. It is well connected by the M1 and M62 motorway networks, providing connections to markets in the south, east and west. The A1 also provides connections to the north although this is not a major driver of demand. Access to the Leeds conurbation is also a key driver of demand due to its size and the need to be able to distribute goods quickly to households and businesses in the city. There are therefore two key market areas:

- **Edge of Leeds** (particularly to the south of the city centre with its motorway connections): with most demand coming from last-mile logistics operators. Consultees reported that occupiers were often highly specific about the location they require in this market area.
- **M62 corridor:** consultees highlighted the area between Brighouse and the junction with the A1(M) as being the prime market area for strategic distribution.

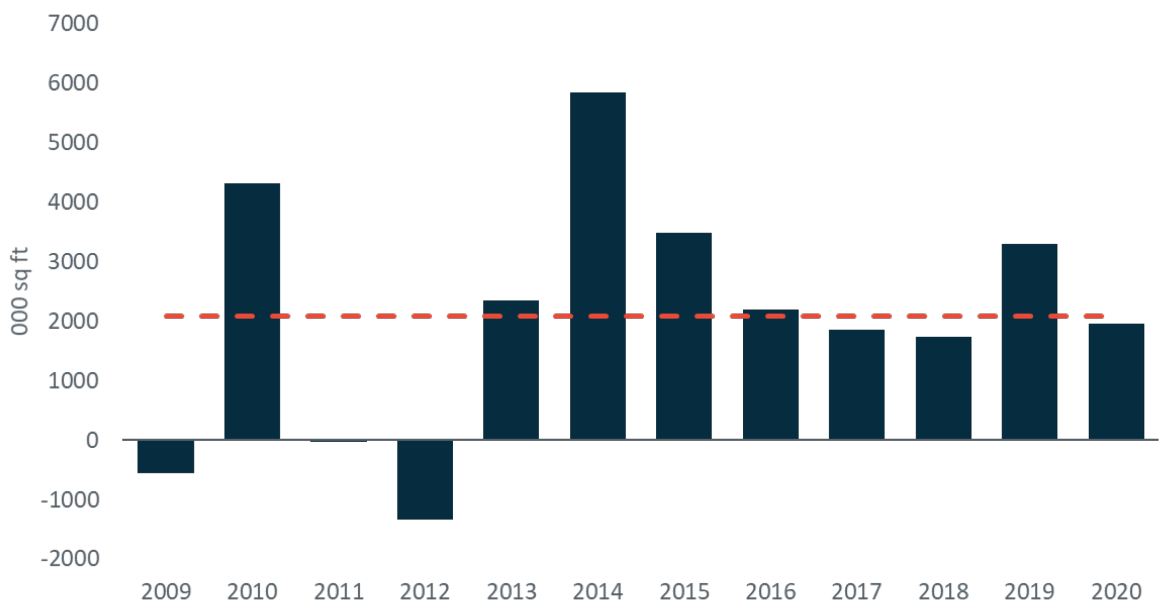
HATCH

Market Trends

Record levels of take-up

5.6 The last few years have seen very strong demand for industrial and warehouse space in the city region. On average, net take-up of space has been around 2 million sq ft per annum between 2009 and 2020, but has been higher than this since 2013. Data is not available before 2009, but consultees reported that take-up is at historically high levels, which has been driven by the growth of on-line retailing, which has created demand for warehouse space. This includes some very large requirements such as TK Maxx in Knottingley (over 600,000 sq ft), the Range in Normanton (550,000 sq ft) and Premier Farnell at Logic Leeds (361,000 sq ft).

Figure 5.1 Net take-up of industrial and warehouse space, 2009 to 2020

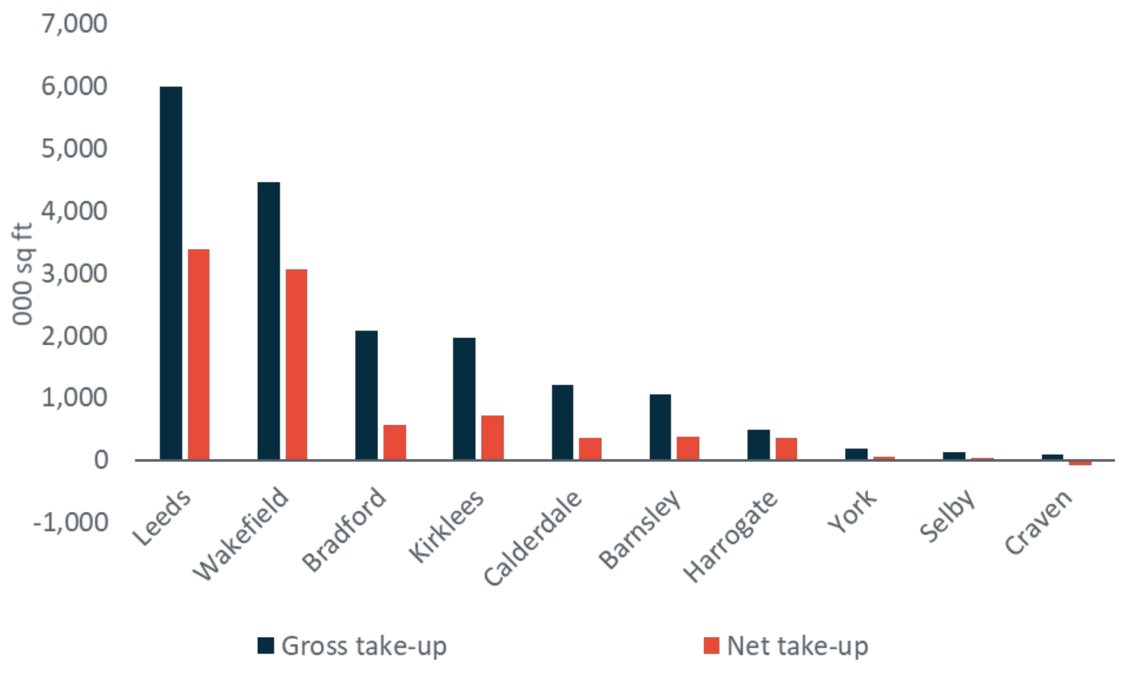


Source: CoStar

Highest take-up in Leeds and Wakefield

5.7 Leeds and Wakefield have been the location for all of the large strategic warehouse deals in the city region, including all of those above. This is reflected in very high levels of take-up in these two districts. Elsewhere demand has been more modest but positive in a number of areas including Bradford, Kirklees, Calderdale and Bradford. Deals in these areas are much smaller than Leeds and Wakefield and in some areas, the level of take-up has been constrained by very low vacancy rates and a lack of new stock being brought to market.

Figure 5.2 Gross and net take-up of industrial and warehouse space by local authority area, 2017-2019



Source CoStar

Which sectors are driving demand?

5.8 It is not possible to disaggregate the data above in to industrial and warehouse space, due to uncertainties about whether space is being used for production or distribution (or both). However, by analysing the industrial sectors of tenants who have taken-up space it is possible to derive some insights about the strength of demand for different types of space.

5.9 Figure 5.3 shows the largest drivers are the retail, wholesale and distribution sector, transport and logistics and manufacturing. If retail, wholesale and distribution is grouped with transport and logistics (since they are both likely to be using space for the same purpose), this sector accounts for 35% of deals and 55% of leased space[29]. The manufacturing sector accounted for 17% of deals and 18% of leased space.

5.10 All remaining sectors accounted for 48% of deals and 27% of space. It is difficult to draw strong conclusions about how space is being used by these other sectors as it depends on the specific characteristics of each business. However it is likely that a large proportion of demand from sectors such as construction, business and personal services is driven by the need for storage, and so most demand is likely to be for warehouse space. There may be demand for light

[29] An important caveat here is that it was only possible to identify the industrial sector for around 56% of deals (where the name of the tenant was known). This is not necessarily a representative sample because deals where the tenant was not recorded tend to be for smaller units than where the tenant was known: 84% of deals with an unknown tenant were for units smaller than 10,000 sq ft, compared to 71% where the tenant was known. Given that distribution and logistics sectors tend to have larger floorspace requirements than other sectors this means the sample is likely to overstate the share of demand from this sector. To address this, we allocated deals with unknown tenants to sectors based on the sector profile of deals with known tenants in the same size category.

industrial space from some sectors such as engineering and some personal services (e.g. car repair facilities).

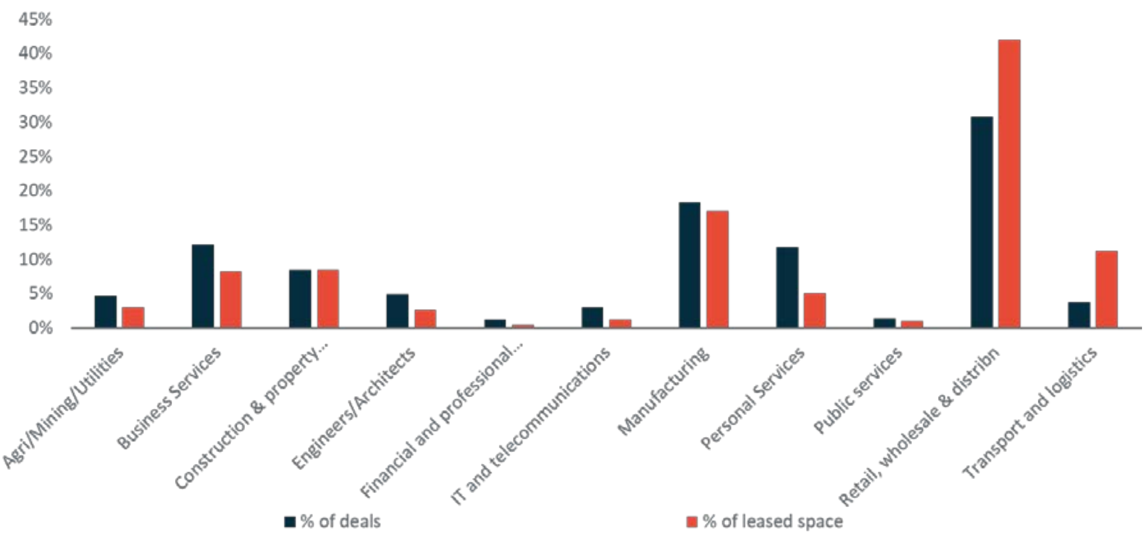
5.11 It should also be noted that deals involving manufacturing companies are not always for manufacturing space. A number of large deals have been for distribution units (e.g. Allied Glass Containers which is a manufacturer but took 189,000 sq ft of warehouse space in Castleford).

5.12 This suggests that demand for manufacturing space is relatively modest in the context of the industrial and warehouse market, accounting for less than a fifth of market activity. Demand for warehouse space is far greater. The largest requirements are driven by the distribution and logistics sectors, but demand for modest storage units is spread across a large number of sectors.

5.13 An important caveat here is that this only relates to lease deals and therefore does not capture demand from the owner occupied market. A number of consultees noted that small manufacturers often have a preference for buying rather than renting premises, so the share of demand from manufacturers might be slightly higher than this suggests. This preference was reported as being driven by a number of reasons including to secure control of the site as pressure mounts for higher value uses; to facilitate building alterations and capital spend; and particularly for family based businesses, as part of a future pension fund. Unfortunately the CoStar data does not provide the names of companies for a large number of these purchases so it has not been possible to carry out this analysis for the owner occupied market.

5.14 It should also be noted that demand from manufacturers is spread across a number of sub-sectors. This includes advanced manufacturing subsectors such as precision engineering in addition to lower skilled sectors including furniture manufacturing and food and drink.

Figure 5.3 Lease deals by industry of tenants, 2017-2019



Source: CoStar.

Note: the identity of the tenant was only known for around 51% of the deals recorded in CoStar between 2017 and 2019 (520 deals in total). The industry was identified by matching names with Companies House records or web searches where a match could not be identified.

Demand from manufacturers is for small units and grow-on space

5.15 Manufacturing as a sector is very broad incorporating everything from heavy traditional factories to high tech laboratories for digital and pharmaceutical processes. As a result, almost all consultees reported that the type and scale of properties required varies significantly and can be quite specialised. The wide variety of requirements and limited number of consultees available from the manufacturing sector has limited the amount of detail it is possible to provide

5.16 Large deals for manufacturing space have been rare over the past few years. Figure 5.4 shows there were only four deals for over 50,000 sq ft involving manufacturers between 2017 and 2019. Two of these have been for warehouse space (Allied Glass Containers in Castleford and Saint Gobain in Elland). The other two were:

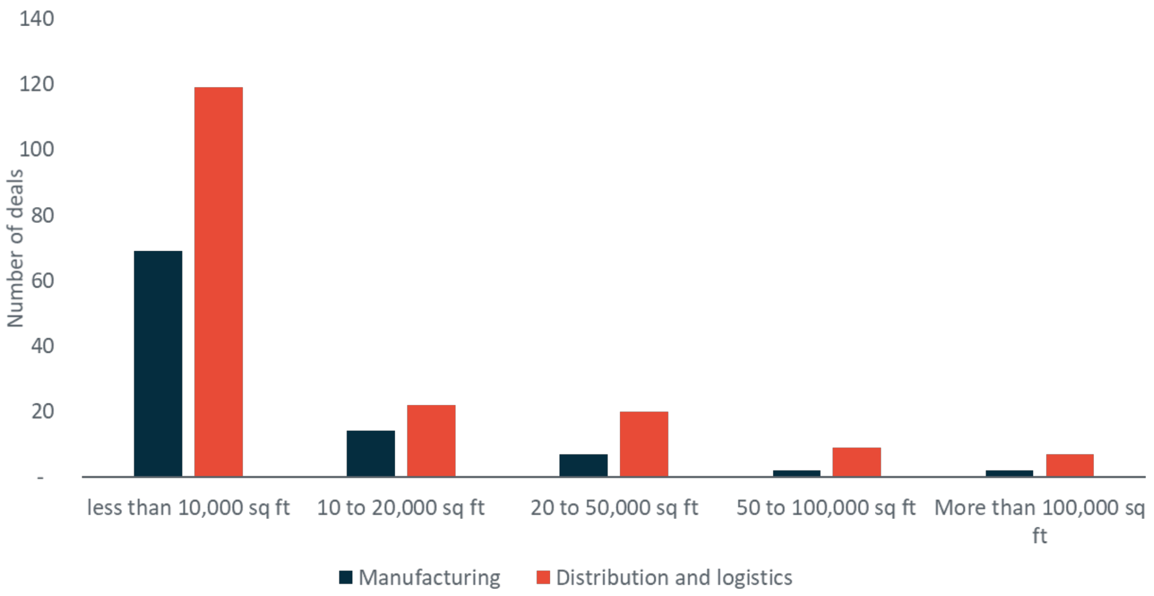
- Ecco Safety Group, a safety equipment manufacturer which established its headquarters in Leeds. This includes laboratory space, manufacturing facilities, warehouses and offices.
- Colchester Machine Tool Solutions, a manufacturer of machine tools, which set up a new facility in Elland combining manufacturing, warehouse space and offices.

5.17 The data shows 73% of deals were for small units below 10,000 sq ft and a further 22% were for units between 10 and 50,000 sq ft. This is consistent with feedback from consultees including property agents and EDOs who reported most demand was for small units or grow-on space. It was also reported that manufacturers prefer premises over sites unless they have very specialised requirements.

5.18 Where manufacturing requirements were or had been known they were almost exclusively driven by a need to modernise and/or enhance the quality of their premises in order to improve operational efficiencies. This included both expansions for businesses requiring more space and those seeking to consolidate their operations onto a single site (e.g. office and distribution functions and multi-site operations).

5.19 The evidence indicates 67% of deals involving the distribution and logistics sector were for small units, but the relatively small number of very large deals over 100,000 sq ft account for nearly half of take-up. There is also a difference in size requirements in each of the main market areas. Take-up on the edge of Leeds, which is driven by last mile logistics, is weighted more towards medium size warehouses for between 20 and 100,000 sq ft, whilst take-up in the M62 corridor is more skewed towards very large deals over 100,000 sq ft.

Figure 5.4 Size of deals involving manufacturing or distribution/logistics tenants, 2017-2020



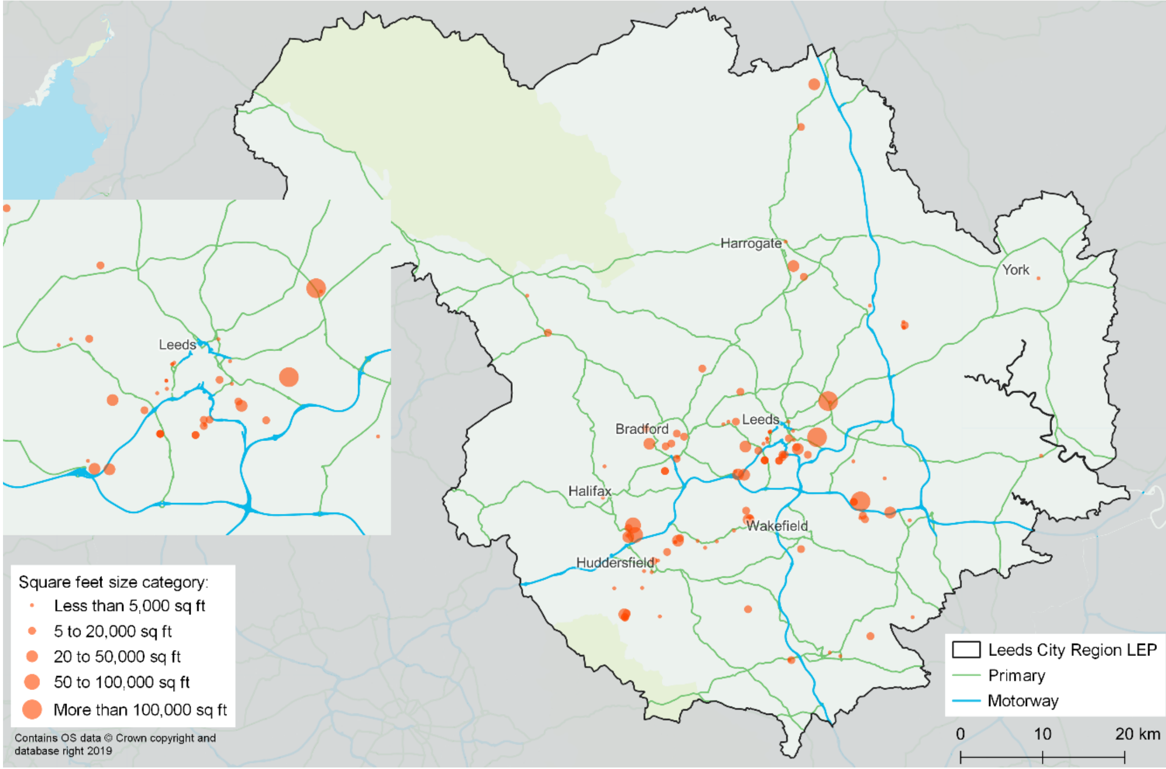
Source: CoStar

Manufacturing demand focused on Leeds and M62 Corridor

5.20 Around a third of lease deals involving manufacturing companies were for premises in Leeds, which were particularly concentrated on sites close to motorways to the south of the city centre. A large proportion of deals were in the other West Yorkshire districts, particularly Bradford, Kirklees and Wakefield which accounted for half of deals. These were split between new industrial estates with good access to the M62 (e.g. Normanton and Lowfields Business Park) and smaller deals in and around traditional manufacturing areas of Bradford, Huddersfield and Dewsbury.

5.21 Almost all of those consulted considered demographics to be particularly important to manufacturing occupiers. Most manufacturers are seeking employment and skills rather than accessibility so locations with proximity to a population of scale and relevant education together with the means of transport to access them will be most attractive. As a result, manufacturing is viewed as quite a 'loyal' sector with most seeking to remain local and retain existing staff, often with specialist skill sets to the business, if and when new premises are required.

Figure 5.5 Locations of deals involving manufacturing tenants, 2017-2019



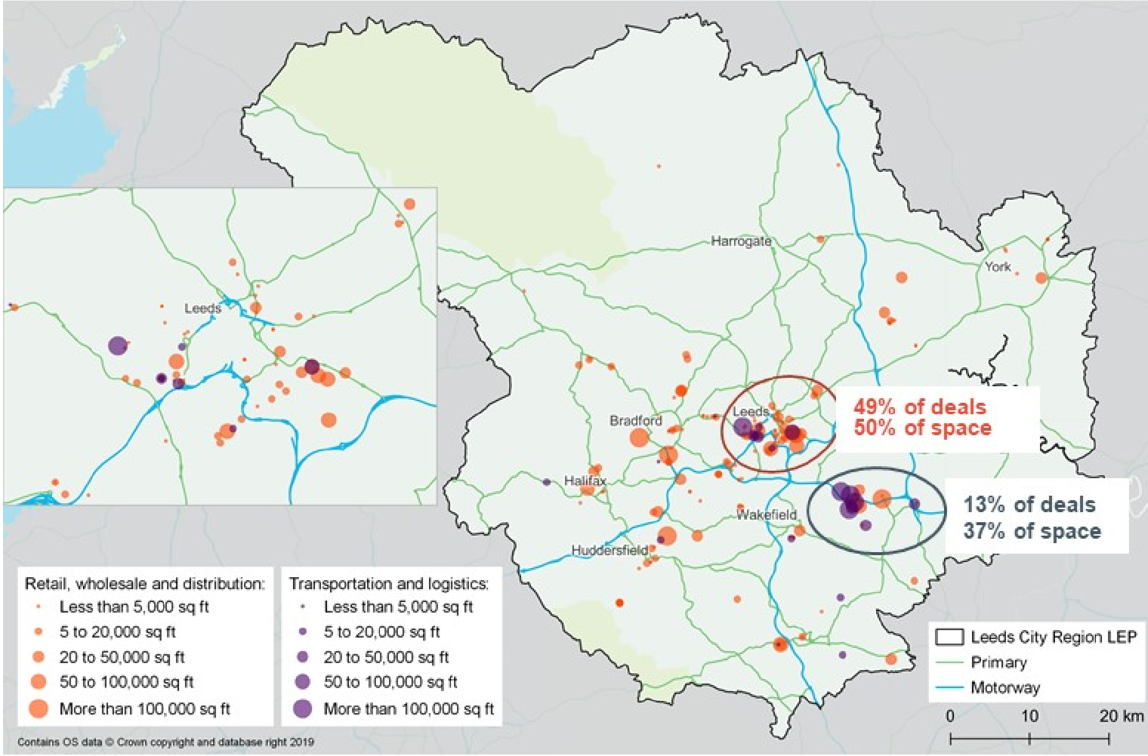
Source CoStar

Distribution and logistics demand focused on Leeds and Wakefield

5.22 Demand from distribution and logistics operators has been heavily concentrated on locations with good access to the motorway network. The two areas which have seen most demand is the south of Leeds (driven by last mile logistics) and sites in Wakefield around Normanton Industrial Estate (driven by big box logistics). These two areas accounted for 62% of deals and 87% of leased space between 2017 and 2019.

5.23 The concentration of activity in Wakefield is also due to supply side factors. Speculative development of new warehouse development has been focused on Wakefield because it has an abundance of large, flat sites which are needed for large scale logistics operations. Consultees stressed that demand would be just as strong for sites further west as far as Brighouse. However there are far fewer sites in this area as the area's topography becomes more challenging.

Figure 5.6 Locations of deals involving distribution and logistics sectors, 2017-2019



Source CoStar

Property issues facing manufacturing

5.24 There was a high level of agreement in response to the main property issues facing manufacturing businesses in LCR:

- Operational inefficiency - many manufacturing occupiers are in poor quality and outdated space (e.g. old mill buildings). Often facilities have been extended numerous times as the business has grown resulting in inefficient layouts and operations.
- Lack of supply - several agents spoke of a limited supply of both industrial land and small to mid size premises.
- Market pricing - rental levels and therefore employment land values in LCR are being pushed higher by the lack of supply and high demand for large distribution uses, particularly around the M62, resulting in manufacturers being priced out of the market.
- Affordability - there is an inherent demand for better quality industrial space, but a mismatch between building specification requirements including fit-out and cost with many manufacturers lacking the profitability or scale to be able to invest. Some reported that manufacturers do not want or are unable to pay top rents, but seek affordable and practical rental levels of £3.50-£4.00 per sq ft, whilst others still expect historical values in the order of £3 per sq ft and need to be educated on the process and costs associated with new build schemes.

5.25 There are concerns that the growth in demand for warehouse space is skewing the market and could cause an undersupply of the types of premises needed by manufacturers. This risk arises because permitted use classes on most industrial sites include B1c, B2 and B8. The market therefore dictates what type of development happens, and often has incentives to deliver warehouses instead of manufacturing space:

- **Higher risks**: the market for industrial space is not as large as that for warehouse space, and demand tends to be for smaller units which are deemed to be higher risk than larger warehouses. Risks can be reduced if the small units form part of a larger industrial estate, however it was reported that developers in the city region tend to be risk averse and are reluctant to borrow to fund development of whole estates. There are exceptions to this, however, such as Newhall Business Park in Bradford.
- **Less profitable**: larger warehouses are often cheaper to build than small manufacturing units. For example they do not require as many dividing walls and have lower power requirements.

5.26 It was noted that the investment market is leading to distortion of land prices which risks pricing out many occupiers. This is being led by overseas investors who are acquiring land as investments in response to large scale investments in the strategic warehouse market, speculating that land values will increase. Once sites are allocated this increases land values and the sites are sold on, but at overinflated prices which are poorly aligned with the occupier market. One example was given of a site which was sold three times, and at a price where development would only be viable with a rental value of £7 per sq ft which prices out most occupiers, particularly cost-sensitive small manufacturers.

5.27 There are therefore a number of risks if the market is left to dictate what type of development happens on mixed-use sites as the economic forces are likely to favour warehouse development. This could undermine the growth of manufacturing. This suggests there is a role for the public sector to ensure the needs of manufacturers are met, which could include:

- **Stricter permitted uses**: where it is clear that local manufacturers property needs are not being met, local authorities may need to be stricter about what type of development is permitted on employment sites. This could set minimum quantities for B1c/B2 space on large sites and ensure this is enforced. This was the approach taken for the highly successful Advanced Manufacturing Park in South Yorkshire, which did not permit B8 uses in its early stages of development, although this was a highly distinctive site and restricting use classes may not be suitable on all employment sites.
- **Providing a range of space requirements**: larger employment sites should include a mix of small, medium and large units with the aim of creating a property cycle. This will provide the small starter units in greatest demand from manufacturers. The medium and larger units may initially be taken by warehouse occupiers but could provide the second-hand grow-on space needed in a few years' time.
- **Delivery and management of industrial schemes**: either local authorities or WYCA might consider the direct delivery of premises which could be made available for manufacturing firms, either on a leasehold or freehold basis. Sapper Jordan Rossi park is a good example of where a public sector landlord based model has helped to attract high value manufacturing companies.

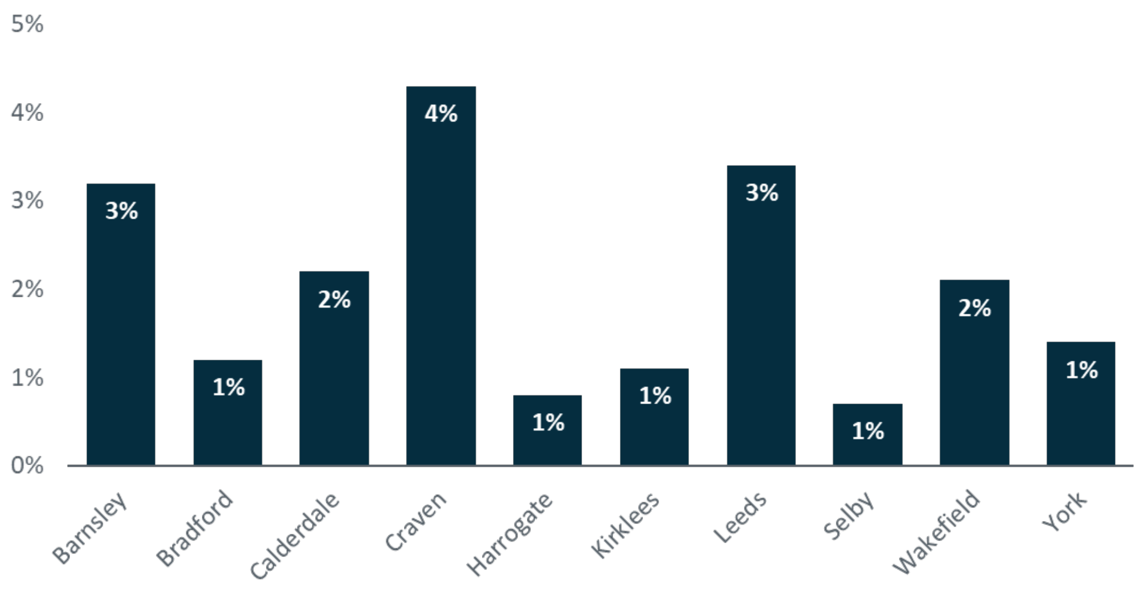
Severe undersupply of industrial/warehouse space across the city region

5.28 The vacancy rate for industrial/warehouse space is below 5% in all districts and is at critically low levels in some areas (2% or below). Consultees reported that this undersupply of space is acting as a barrier to growth and investment in many areas, particularly the districts in the west of the city region.

5.29 In Bradford, the Chamber of Commerce reported there is significant latent demand for space which is not being met, and companies are having to look elsewhere to expand. It is also causing the market to stall, as larger occupiers are unable to move which prevents smaller businesses from taking their premises. Calderdale and Kirklees Borough Councils also provided numerous examples of firms that want to expand but have not been able to due to a lack of sites coming forward, and in some cases have had to leave the area.

5.30 It is a similar picture for vacancy rates in the main strategic market areas. The vacancy rate is only 2% in the M62 corridor and 3% on the edge of Leeds.

Figure 5.7 Vacancy rates for industrial/warehouse in local authority areas, 2020



Source: CoStar

Changes in industrial/warehouse supply

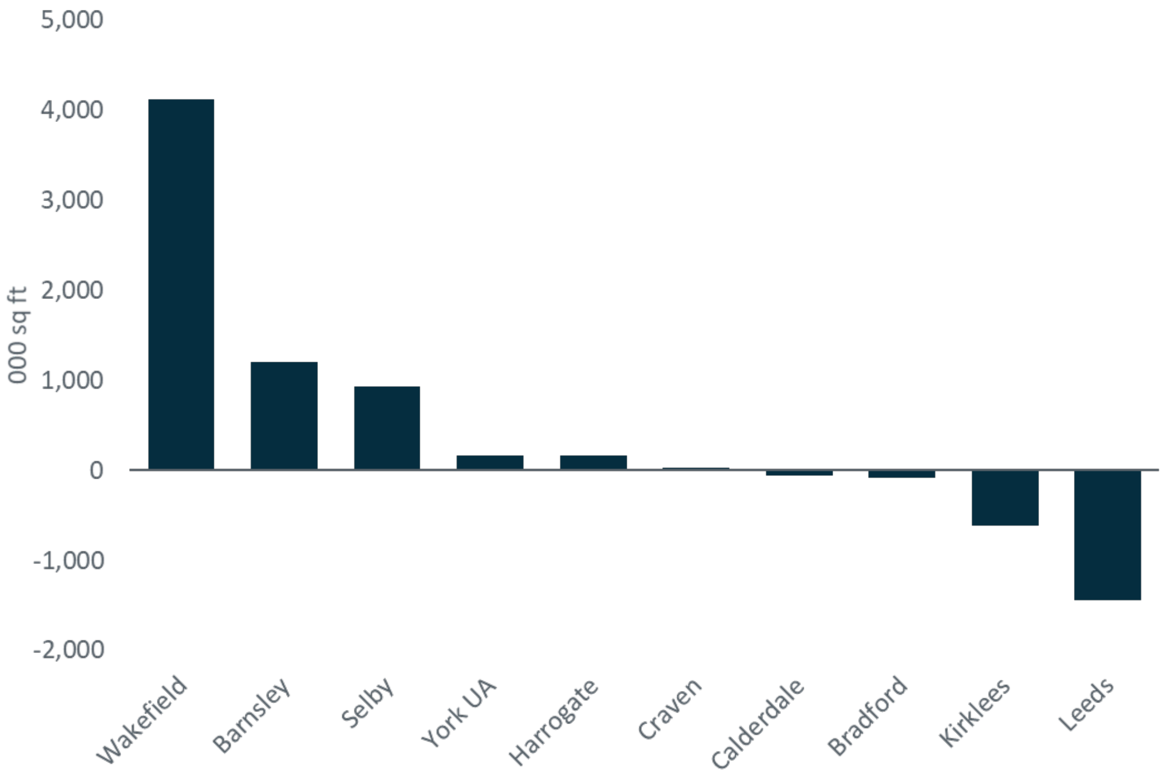
5.31 VOA data shows the total stock of industrial/warehouse space has increased by 4.4m sq ft since 2015 but there has been large variations between areas. The scale of recent development in Wakefield is shown in Figure 5.8. The total supply of industrial and warehouse space increased by over 4 million sq ft in the last five years, significantly more than any other area. Large scale developments over this period have included Wakefield Europort, Super G, Wakefield 515 and Park 32 in Pontefract. All of these have been large warehousing developments rather than manufacturing space. Recent developments in Barnsley, including Maple 125, Gateway 36 and Enterprise 36 have all contributed to an increase of over 1m sq ft in the district.

5.32 A number of districts in West Yorkshire have experienced a fall in industrial/warehouse space. However this gives a misleading view of recent development activity as it is a net figure, and therefore includes both completions and losses of industrial space. A number of industrial areas have seen large losses of floorspace due to factory closures or demolition of older buildings which are no longer fit for purpose, although the same areas have also experienced strong demand for new-build premises. Generally, the warehousing sector across the UK has seen a so-called ‘flight to quality’ in recent years as larger occupiers have sought high quality, modern premises on sites with excellent transport connectivity. Drivers of this demand include the increasing role of technology in modern warehouse operations and the growth of online retail.

5.33 The best example of this is Leeds which experienced a net loss of 1.4m sq ft. According to CoStar nearly 5m sq ft of new space has been completed over this period. Major developments include a number of sites in the Leeds Aire Valley Enterprise Zone (Kinetic 45, Thornes Farm and Logic) and Cross Green Industrial Estate. However these completions have been outweighed by large scale demolitions of old industrial space which was no longer fit for purpose. Examples include the former Vickers tank factory in Cross Gate.

5.34 There is no reliable and consistent data source for measuring the total scale of new development activity in the city region (gross completions). Local authorities do measure development activity in their areas and publish the data in Annual Monitoring Reports (AMRs). However the AMRs for local authorities in the city region use different indicators over different time periods. It has therefore not been possible to analyse this on a consistent basis.

Figure 5.8 Change in industrial and warehouse space, 2015-2020



Source VOA Business Floorspace

Speculative development is viable where abnormal costs are low

5.35 Following the economic downturn, it took a number of years for rental values to recover to a point where speculative development would be viable. This meant a number of the initial developments at the Aire Valley Enterprise Zone required grant funding to overcome the viability gap. Since then, the strong growth in demand and reduction in supply has increased rental values and restored market confidence. In addition, where the Enterprise Zone programme has channeled public sector investment into schemes, this is understood to have included contractual obligations that require developers to bring forward a specified quantity of speculative building. This provides a mechanism for the public sector to influence development where conditions for speculative development might otherwise mitigate against it.

5.36 Prime rental values for large sheds (over 100,000 sq ft) are now around £6.25 per sq ft in Leeds (up from £5 in 2015) and £5.75 in Wakefield (up from £4.25 in 2015). This is above the threshold for speculative development (around £5 according to agents) and has triggered a number of new speculative developments in Leeds and Wakefield (see above), which have been delivered without grant support.

5.37 Commercial agents reported that industrial units between 10,000 and 30,000 sq ft generally require rental values of between £6 and £7 for speculative development to be viable. According to Colliers rent maps, prime rental values for units in this sizeband in H2 2020 were around £7.25 in Leeds, £6.25 in Wakefield and £6 in Bradford. The Colliers maps do not provide values for other industrial areas such as Huddersfield or Halifax, although analysis of CoStar suggests rental values in these areas are generally comparable with Bradford. This suggests speculative development is viable where sites do not have high abnormal costs (see below), which was reinforced by consultations with local authorities. Although it should be noted that these rental values suggest development is only marginally viable and this could prevent some developments coming forward due to access to finance restrictions and risk aversion by developers. This is explored in more detail in Chapter 6.

5.38 There have also been a number of new developments at the smaller end of the market. These include Sapper Jordan Rossi Park (previously Baildon Business Park), Newhall Business Park and Nano Park (all in Bradford). Although the development of Sapper Jordan Rossi Park was led by Bradford Council, it did not receive any public sector grant and was fully occupied within five years. It has also proven highly successful at attracting high value manufacturing companies including aerospace, textiles and med-tech companies.

5.39 Although this suggests development of smaller units is viable, a number of consultees noted that the market does not deliver sufficient small units due to the higher risks involved. Attitudes to risk clearly vary from one firm to another and this was reflected in the market feedback, with some pointing to examples of developers who have undertaken a number of developments which might be perceived as high risk without any public support. For example Frank Marshall Estates has developed several small industrial estates targeted specifically at small businesses. This includes Newhall Business Park in Bradford and new developments underway in Armley and Wakefield.

Table 5.1 Speculative developments in Leeds City Region

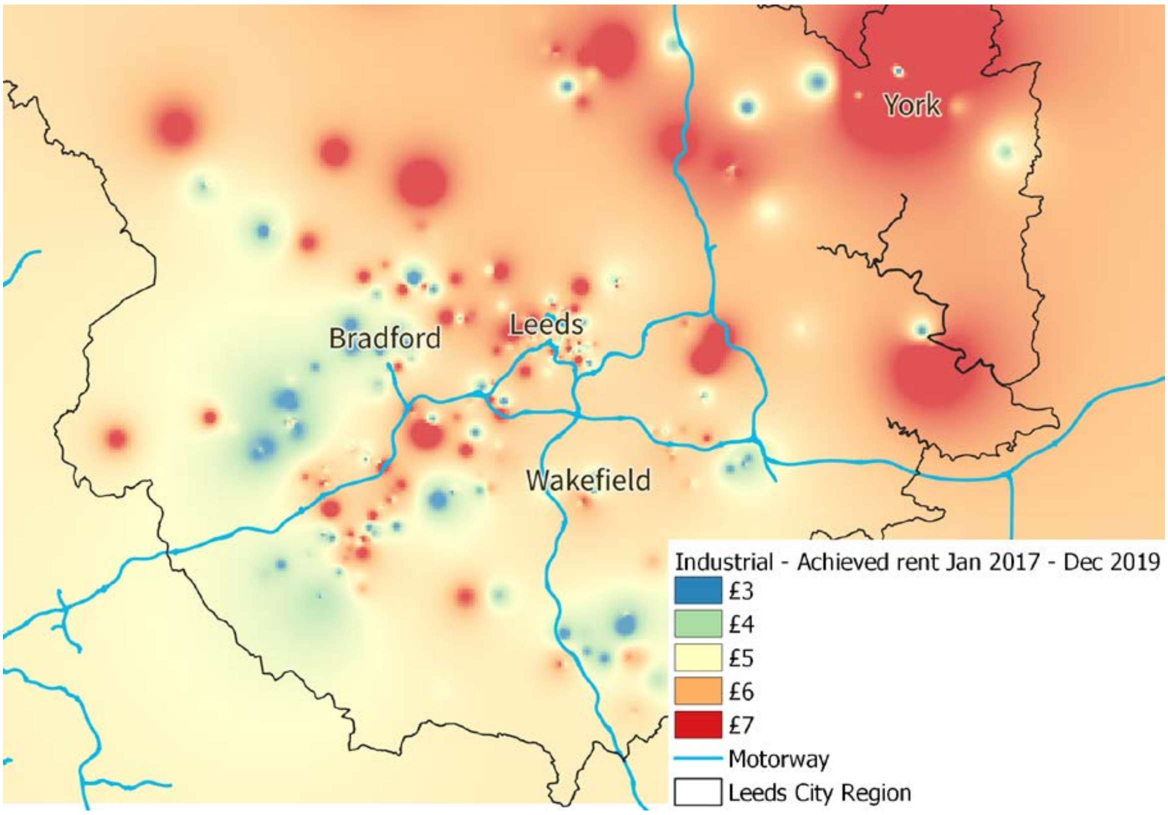
Units below 10,000 sq ft	10 to 50,000 sq ft	Over 50,000 sq ft
• Bridge Business Park, Huddersfield • The Dyeworks, Huddersfield • Sapper Jordan Rossi Park, Bradford • Newhall Business Park, Bradford • Calder Bank Estate, Dewsbury • Nexus, Barnsley • Barrowfield Business Park, Barnsley	• Osset 40, Wakefield • Trilogy @ Logic, Leeds • Park32 Pontefract • Connex 45, Leeds • Gateway 36, Barnsley • Ashroyd Business Park, Barnsley • Gain Lane, Bradford	• Wakefield Europort • Super G, Wakefield • Wakefield 515 • Park 32 Pontefract • Towngate Link, Cross Green, Leeds • Maple 125, Barnsley • Gateway 36, Barnsley • Enterprise 36, Barnsley

Note: several developments in Barnsley have been delivered with public support

5.40 Figure 5.9 shows a heat map of rental values achieved for industrial and warehouse deals between 2017 and 2019 (where it was known). There are a number of limitations of this spatial analysis. It includes new and old and small and large properties, which all affect the rental value that can be achieved. The small number of industrial deals in some areas such as York also exaggerates the area of the heat value compared to areas with large numbers of deals such as West Yorkshire. There is therefore a need for caution when interpreting the data.

5.41 Nevertheless, the map does show that rental values tend to be higher in close proximity to the M62 achieving rental values of £7 or higher. This was consistent with feedback from agents and local authorities.

Figure 5.9 Rental values achieved for industrial and warehouse deals



Source CoStar

Development constraints

5.42 A number of areas in the city region face severe development constraints due to green belt restrictions, topography, flood risk and contamination from previous uses. This restricts the supply of large, high quality employment sites and significantly increases abnormal costs, making development unviable without public sector support.

5.43 This is particularly true in the western districts of Calderdale, Kirklees and Bradford because of their industrial history and location in the Pennines. Consultees from these local authorities all reported they face major challenges identifying suitable large employment sites, and that the costs of delivery are often prohibitive without substantial public sector investment. There is also evidence for this in a number of reports including:

HATCH

- Calderdale's 2018 Employment Land Study[30] which found "*there is a shortage of good quality and unconstrained employment sites. Many of the existing and allocated sites are within Flood Zone 3, or need significant investment to be unlocked*". It found the constraints were greatest in the south-west of the district where market demand is strongest. This study also carried out a business survey which found 36% of respondents did not have enough space to meet their needs, and 26% were looking to relocate. Although a large majority wanted to stay in Calderdale the lack of suitable business premises was found to be the major obstacle preventing them from doing so.
- A report by the Bradford Chamber of Commerce[31] highlighted topography challenges and other physical constraints which apply to a large number of Bradford's allocated employment sites. The report also shows that most of the allocated sites are small and poorly located. It reported that the growth of many Bradford based businesses was being 'stifled and suppressed' by a shortage of large, high quality employment sites.

5.44 Challenging land ownership arrangements were also reported to be a common barrier to the delivery of larger sites. In some cases this is due to a single landowner having unrealistic expectations about the development value of a site. In others there are a number of different landowners who may have different expectations for the site, making the development process complex, time consuming and expensive. Land ownership has been one of the major barriers preventing delivery of a number of the LCR EZ sites, including Clifton Business Park in Calderdale, Staithgate Lane in Bradford and Lindley Moor East in Kirklees.

5.45 A particular concern is that the three local authorities which face the greatest constraints are adjacent to each other. Cumulatively they make up a large portion of the M62 corridor, which is a key location for advanced manufacturing. An undersupply of employment land in one authority would only be of limited concern if this could be addressed by increased supply in neighbouring areas. But there may be limited potential to do this if all three areas face development constraints.

Market failure and need for public intervention

5.46 Based on the research we have identified two instances where public intervention in sites and premises may be justified to encourage development:

- Funding site assembly, preparation and infrastructure
- Funding and coordinating sector focused developments or innovation hubs

Funding site assembly, preparation and infrastructure

5.47 The evidence above shows that development constraints are acting as a barrier to growth in some parts of West Yorkshire, particularly related to physical challenges and site ownership issues. We believe this points to two potential roles for the public sector:

- Funding and co-ordinating site assembly, particularly in areas where the supply of large employment sites is limited and where the development of potential sites would be complex due to multiple landownerships or area wide constraints.

[30] https://www.calderdale.gov.uk/v2/sites/default/files/Employment-Land-Study-2018.pdf

[31] https://www.wnychamber.co.uk/app/uploads/2019/02/PR-Employment-Land-Report-PACKAGE-WEB.pdf

- Funding to address abnormal costs and key infrastructure challenges which are preventing sites from coming forward.

5.48 Public intervention of this nature needs to be justified either in terms of market failure or on grounds of equity (improving the distribution of economic benefits). There may be a number of possible market failure arguments which could justify this form of public intervention, depending on the specific nature and challenges facing the site. The box below provides a number of examples.

Examples of market failure which could apply to site development

- **Co-ordination failures**: these occur where a group of economic actors could achieve a more efficient allocation of resources but fail to do so because they do not co-ordinate their decision making or the costs of doing so are too high. These often apply on sites where there are multiple landowners or where development is complex and requires the co-ordination of many parties. The public sector has a key role to play in initiating and facilitating this co-ordination e.g. through area masterplanning or using Compulsory Purchase Order (CPO) powers.
- **Negative externalities**: these are costs which are suffered by a third party as a consequence of an economic transaction. These often apply on brownfield sites where the cost of remediation was not fully borne by the previous user of the site and are passed on to the current developer. These costs may make development prohibitively expensive and unviable.
- **Positive externalities**: these exist if the production and consumption of a good or service benefits a third party not directly involved in the market transaction. There may be positive externalities from encouraging development on brownfield land e.g. the regeneration and welfare benefits that are generated by more compact development or addressing urban dereliction, which are not factored into the investment decision.

5.49 In other cases the rationale for public intervention is more complex. For instance, a common abnormal cost in the M62 corridor is the cost of site levelling due to the topography of the area which means development is not commercially viable. This does not fall into any of the market failure categories above, so if rental values are not high enough to overcome the costs, it could be argued that this is the market acting rationally. A more efficient outcome, according to market theory, would be for investment to be directed to other sites where costs are lower and development is viable at lower rental values.

5.50 However this could have negative consequences for growth within the city-region. It would severely restrict the amount of development which occurs in those areas where topography is a common challenge (e.g. Calderdale). Businesses in these areas that want to grow would either have to relocate or stay in their current premises and work around the constraints (possibly resulting in operational inefficiencies or lower growth). If businesses were able to relocate to other premises in the LCR there would be no negative impact on growth overall (although there would be some re-distribution of economic benefits). However, if businesses relocated outside the LCR or remained in their premises and did not grow there would be an economic cost to the city region[32].

[32] market failure relates to the whole economy and does not respect the administrative boundaries of the LEP. If a growing business relocated to larger premises outside LCR due to development constraints no market failure would have occurred, but the city region economy would have lost investment.

5.51 This is a concern because

1) businesses in the M62 corridor often have a strong preference to remain in the local area, either because of loyalty to the area or the need to retain access to specialised skills. This is particularly true in the advanced manufacturing sector where businesses have invested heavily in developing their workers' skills[33].

2) all of the western districts along the M62 corridor face development constraints, which means the options for businesses in Calderdale to relocate to Bradford or Kirklees will grow increasingly limited if the supply of employment land continues to be constrained.

5.52 This demonstrates that, although high abnormal costs due to an area's topography are not a direct cause of market failure, they could still result in lower growth and/or a loss of investment in the city region (and potentially trigger other types of market failure), which justifies public intervention.

5.53 There is also a strong strategic and equity case for WYCA to address abnormal costs which are acting as a barrier to development. These challenges are most severe in the western districts of Bradford, Kirklees and Calderdale which make up a large part of the West Yorkshire economy and play an important role in priority sectors such as advanced manufacturing. A failure to intervene would impose barriers to growth on these areas, putting them at a disadvantage to other locations and result in the loss of economic opportunity for local residents.

5.54 In our view this justifies public intervention on sites which are not viable due to high abnormal costs, with the following caveats:

- There should be clear evidence that abnormal costs and physical infrastructure challenges are resulting in an undersupply of floorspace **across a wide area**. If challenges are limited to specific sites but not others nearby the case for intervention is weaker since supply should still be able to respond to demand. There is strong evidence that these challenges are widespread in Bradford, Calderdale and Kirklees (see above) resulting in the undersupply of space.
- **Large sites in attractive locations** should be the priority for public intervention (e.g. sites close to motorway junctions). These sites offer the greatest potential to maximise economic impact because they can attract large scale inward investment but also provide new premises for the city region's large and medium sized businesses to grow. This frees up capacity further down the property chain for smaller, growing businesses. The scope to do this on smaller sites in more peripheral locations is not as great.

Sector focused developments and innovation hubs

5.55 As noted elsewhere in the report, there is a potential role for the public sector in supporting developments which target particular occupiers or sectors with the aim of creating clusters of innovative businesses, which could include advanced manufacturing. This may include distinctive facilities such as R&D, innovation and training centres which link clearly to the sector strengths of the area and can help to attract inward investors as well as University spin outs and start ups.

[33] it could be argued that businesses' unwillingness to relocate is a result of **factor immobility**. This is a type of market failure which often occurs in the labour market when it is difficult for factors of production (eg labour and capital) to move between different areas of the economy.

5.56 A good example of this is the Advanced Manufacturing Park (AMP) in Sheffield. The AMP hosts the Advanced Manufacturing Research Centre (AMRC), a research institution that links researchers and academics with firms in the advanced manufacturing sector. The AMP is widely regarded as a success story and has attracted a large number of advanced manufacturing firms to Sheffield. Part of its success lies in the fact that permitted use classes excluded B8 warehouses which helped to safeguard the site for higher value manufacturing and research activity. This narrowed the market but has ultimately proved to be highly successful.

5.57 The market is highly unlikely to deliver this type of development because of the high costs, higher risks and long time frames needed to provide a return. A number of market failure arguments justify public intervention in these types of development, including **co-ordination failures** (particularly in the early stages) and **positive externalities**, since they have the potential to generate knowledge spillovers and innovation benefits which are not reflected in market values.

5.58 Although the LCR Enterprise Zone programme is notionally targeted at advanced manufacturing, in practice the sector focus is fairly limited, particularly when compared to EZs in other parts of the country which have a clear and distinctive USP for their target sectors. The sites are not restricted to advanced manufacturing businesses and are not integrated with wider types of support such as training and R&D or with key knowledge assets in the city region. The EZ programme is effectively a general sites and premises intervention, aimed at addressing abnormal costs and development constraints. This is important (for the reasons set out above) but is likely to have limited value in supporting the growth of innovative clusters.

5.59 Property interventions have a role to play in encouraging the growth of innovative sectors but only as part of an integrated strategy which includes other types of support such as skills, finance and access to R&D, and which builds on the distinctive assets of the region. An evaluation of the LCR EZ programme by Hatch found that this was a key lesson from past EZ interventions and one that has been embedded in a number of the EZ programmes in other parts of the UK. This includes Sci-tech Daresbury, the Harlow Life Sciences campus and the Dorset Innovation Park, which all provide workspace alongside access to innovation assets such as research laboratories and HEI facilities and other types of support.

5.60 As noted elsewhere in the report, the need for an innovation hub or campus is based on other research in the LCR[34] and lessons from elsewhere. Feedback from consultees was focused far more on addressing current barriers to growth among existing manufacturers, including advanced and less advanced businesses. There would therefore need to be further research to understand the level of demand and the specific requirements of any future innovation hub.

5.61 If WYCA did pursue this type of development it would require careful planning and collaborative work with a number of stakeholders, including HEIs, colleagues in Trade and Investment, local authorities, businesses and other intermediaries. There needs to be a distinctive USP which builds on the LCR's existing strengths and is mindful of long-term changes happening within sectors which could affect the need for premises in future. The absence of any large Tier 1 manufacturers or sea-ports in LCR (which have been a USP for other sector led developments) suggests an important role for universities or other research and innovation assets which could be used to encourage knowledge spillovers and clustering effects.

[34] Particularly the research by RSM which set out to understand the region’s innovation capacity, capability and potential

Impacts of Covid-19 and Brexit

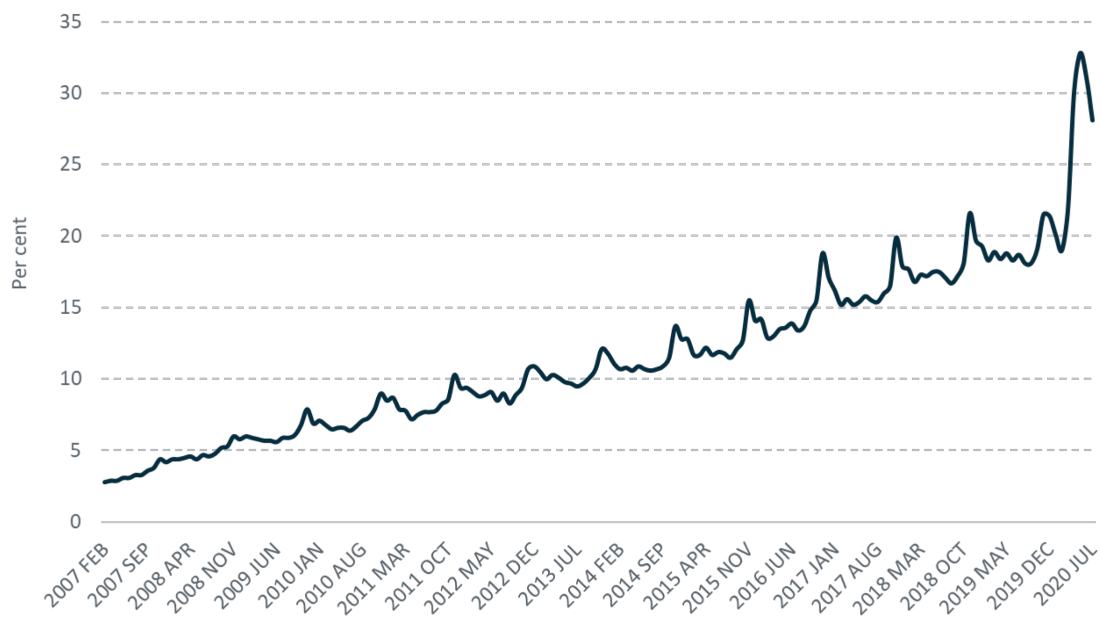
Covid-19 pandemic and Brexit have created unprecedented demand for warehouse space

5.62 Warehouse and logistics operators have experienced a significant increase in demand since the start of the pandemic. CBRE reported in July that the UK logistics market recorded the highest quarterly take-up figures on record in Q2 2020, achieving total take-up of 12.78m sq ft compared to 7.83m sq ft in Q2 2019. CBRE's report also showed record levels of take-up in the Yorkshire and North East region. Take-up in the first half of 2020 was 6.6m sq ft which is more than double that of the whole of 2019 and only 90,000 sq ft less than for the whole of 2018, the region's previous record year.

5.63 This surge in demand has been driven by a large increase in online shopping since the start of the pandemic. This has been growing for many years but has accelerated in 2020, increasing by over 10 percentage points between February and April 2020 (see Figure 1.1). CBRE estimate that 44% of the take-up this year has been from online retail and attribute the increase to national occupiers reshaping their warehouse and supply chain strategies in response to the shift in shopping habits.

5.64 Although the percentage of retail sales online has since fallen from its lockdown high, this is still well above its pre-lockdown level, with agencies such as Colliers expecting it to settle at around 28% of total retail sales[35]. The RetailX attitudes survey also suggests that some of the recent rise is likely to become permanent, with 24% of respondents reporting that they will carry on shopping as they are now after the Covid-19 crisis has subsided.

Figure 1.1 Internet sales as a percentage of total retail sales, 2007-2020



Source Office for National Statistics

[35] https://www.bloomberg.com/news/articles/2020-08-21/skyscrapers-give-way-to-sheds-as-covid-changes-u-k-real-estate

1.2 In addition to the growth in online shopping, the Covid-19 pandemic is also likely to increase the need for storage space across a range of industries as firms seek to manage the risks of supply chain disruption from the global pandemic. This is likely to exacerbate other risks such as Brexit and heightened global trade tensions which also threaten supply chains as a result of increased barriers to trade. According to JLL's research report Covid-19 Global Real Estate Implications "*the outbreak is likely to elevate the issue of supply chain risk mitigation and resilience*" which could lead to:

- increasing numbers of businesses looking to re-shore their supply chains which would increase demand for industrial facilities and associated logistics
- firms deciding to increase their inventory levels to manage uncertainty and disruption, which would increase demand for warehouse space.

Uncertain prospects for manufacturing

5.65 Covid-19 and Brexit could have quite different effects on demand for manufacturing space. There are upsides but also threats to manufacturing and future demand for manufacturing space. Upside factors may include:

- The reshoring of supply chains generating new opportunities for advanced manufacturing and engineering on sites and in locations with strong connections to primes, including potentially co-location.
- Import substitution (either intentional or by default) if the UK's new trade deal with the EU results in rising costs for imported goods and materials through tariffs or non-tariff barriers. This might apply both to the production of goods for sale in the UK market, and to production as part of supply chains.
- New trade deals increasing export markets outside the European Union, a stated objective of the current UK government. As yet, there is no clarity about the potential scale and type of new export markets which might develop.
- The imperative to shift to low/zero carbon which although it is not directly linked to either Covid-19 or Brexit, is already opening up new opportunities for UK manufacturing (for example, wind energy infrastructure, electric vehicles and batteries, smart energy saving technologies).

5.66 Downside factors are likely to include:

- The risk of UK exit or closures by manufacturers trading in the EU market if output becomes uncompetitive as a result of new costs imposed by the final deal with the European Union.
- Related efficiency decisions by companies which may choose to relocate operations outside the UK where there are multiple units across the EU involved in the manufacturing process.
- Restrictions on the movement of workers from the European Union. In a country with an ageing population and a manufacturing and engineering sector where there is already a significant issue replacing skilled workers who exit the labour force, this may be a significant constraint on business expansion or new business formation.
- A failure to offset any loss of trade with the EU through new trade deals with other markets.

6. Access to finance

6.1 This chapter provides a review of the current picture in development finance in the region and more generally across the UK. This is an exceptional period for development, with the Covid-19 crisis and its economic impacts, together with the imminent transition to a new (and as yet unclear) future trade relationship with the EU creating considerable uncertainty about the country's economic prospects through 2021 and beyond. At the same time, many of the well-established drivers of the need for finance continue to apply, including gap funding for sites with marginal viability, the need for grants to underpin less viable sites and the appetite for developers to respond to stronger demand for logistics and other forms of industrial space

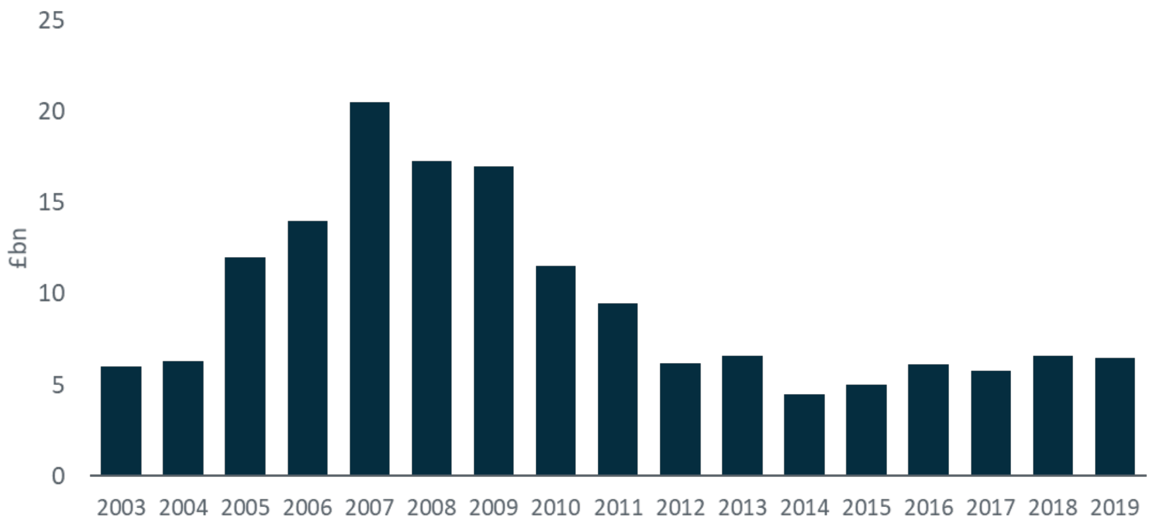
Trends in lending for property development

6.2 Figure 6.1 shows that development finance fell sharply following the recession and financial crisis of 2008/9. UK banks had a high level of exposure to commercial property on their loan books prior to the downturn. In the years after the crisis a large number of banks were focused on disposing of their risky assets and rebuilding their balance sheets.

6.3 Regulatory changes acted as a further disincentive for banks to lend. The Financial Services Authority (FSA) changed how property assets were classified which increased capital charges for banks and made it much more expensive for them to engage in development finance lending activity. As a result of this the appetite for new lending fell sharply from its 2007 peak.

6.4 The chart shows there are few signs of lending for commercial real estate returning to the levels they were at in the mid 2000s. Several commentators have noted that this could represent the 'new normal'. CBRE note that the financial crisis "*fundamentally changed (banks) approach to lending , curtailing leverage to far more conservative levels. This meant there was far more equity being provided by developers and a greater reluctance to finance schemes that had not been de-risked in some way, either through pre-lets or pre-sales*". Although debt funds and other new lenders stepped in to provide capital this was not enough to offset the reduction in debt provided by banks.

Figure 6.1 Value of loan books for commercial development 2003-2009



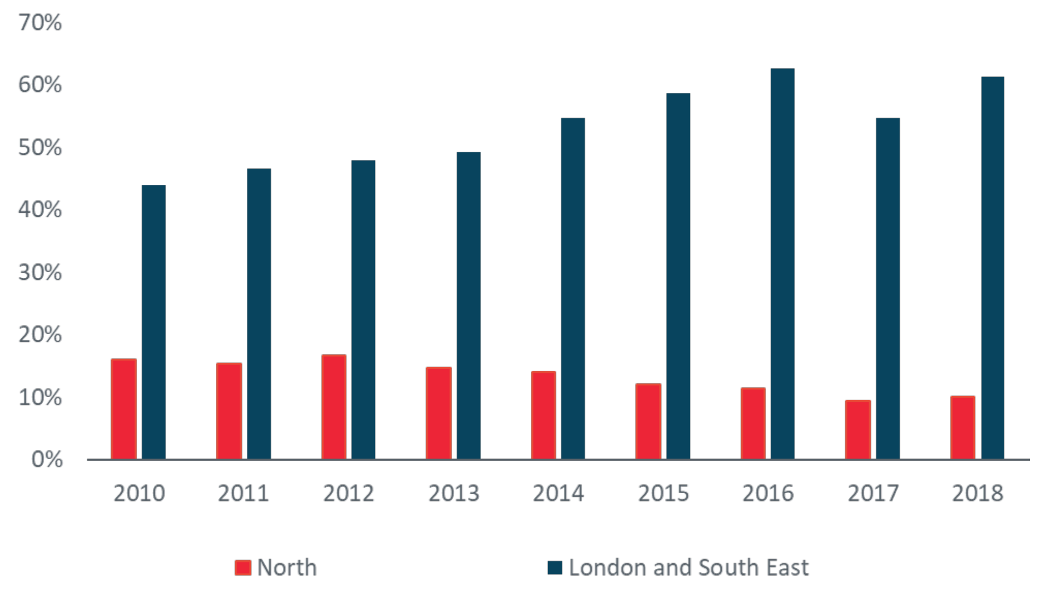
Source Cass Commercial Real Estate Lending Survey 2019

6.5 The Covid 19 pandemic means commercial real estate lending could fall even further. The UK Commercial Real Estate Mid-Year Report by The Business School (formerly Cass) shows that lending volumes fell 34% in the first six months of 2020 compared with the same period last year. Some lenders are only considering business with existing clients, and 22% of lenders have not undertaken any lending at all during the first half of the year. The authors of the report state that the short term effects of the pandemic are only just becoming visible. Although it is highly likely that new lending will fall over the next couple of years, the main uncertainty is over whether that will eventually reverse or become an even lower 'new norm'.

Challenges in Leeds City Region

6.6 There is no data available on levels of lending in the LCR itself. But there is good evidence that access to development finance is a particular challenge in regional commercial property markets outside London. Figure 6.2 shows the share of the value of commercial real estate loans in the north (including Yorkshire and Humber, the North East and North West) decreased from around 17% in 2012 to 10% in 2019. In contrast the share in London and the South East increased from 44% to 61%. This is a reflection of the perceived level of risk in the regions compared to the capital because of lower asset values and more erratic take-up.

Figure 6.2 Share of loan book value in the North compared to London and the South East



Source Cass Commercial Real Estate Lending Survey 2019

6.7 A consultee from the British Business Bank confirmed that access to finance is an issue throughout the north, including the Leeds City Region, and is likely to be holding back development in some cases. Key issues were as follows:

- Banks are unwilling to offer finance for speculative commercial development. It needs to be pre-let, pre-sold or for owner-occupation which reduces the risk of lending.
- There has been a greater appetite to refinance once developments are proven. That is, they have been willing to provide the finance once the buildings are built and let because of the greater certainty about future revenue streams. Although the Covid pandemic may restrict this type of lending depending on the tenant and their covenant strength.
- The gap in the market is greatest for smaller commercial developments (i.e. those with a loan requirement below £7-8m) which are seen as higher risk. This is particularly the case if it is an SME developer without a long track record.
- Where finance or investment is available, consultees reported that the conditions are often prohibitive e.g. high interest rates or low loan to value ratios.

6.8 Although there is evidence that access to finance is a challenge in the LCR, the scale of this challenge is still uncertain. As noted above, consultees reported that this is mainly a challenge for developers at the smaller end of the market. It was reported that larger developers are generally able to access cheaper finance or have access to reserves to fund development. This includes some of the most active developers in the city region such as Caddicks and Marshall Construction who were consulted as part of this study. Local authorities also did not report access to finance as being a major issue, particularly when compared to other challenges such as the very high abnormal costs in some parts of the city region.

6.9 One agent reported that the number of active SME developers active in the region is currently very small and have come under increasing pressure as a result of market conditions, restrictions on access to finance and competition from larger developers. This has resulted in some developers focusing on markets in other regions or switching to residential development.

6.10 Nevertheless there may be potential to attract SME developers back to the commercial market if loan finance was made available. It is worth noting that one public sector loan fund run by the Development Bank of Wales is restricted to SME developers only and an explicit aim of this fund is to rebuild the strength and capacity of local developers.

6.11 Further research would be required to determine the number of small developers who are still active and whether access to finance is an issue.

Is there a rationale for public intervention?

6.12 Access to finance challenges are also an example of risk aversion rather than market failure, except in this case it is banks and other lenders who adopt risk averse strategies as a result of having imperfect information about levels of occupier demand, continuity of income and future asset values.

6.13 The level of risk involved in a lending decision is influenced by a range of factors. These include risks determined by macro-economic factors such as the stage of the economic and property cycles and changes to interest rates (often referred to as systematic risks) and risks associated with the specific development e.g. the track record of the borrower, the nature of the property or its location (specific or unsystematic risks). The level of risk determines the decision of whether to lend/invest and the required return, with higher risk projects generally requiring a higher return. This discourages lending for speculative development except when the market is at the top of the property cycle (when lenders adopt more risk seeking behaviours).

6.14 As described above, the case for public intervention is based on the public sector being willing to accept a higher level of risk than the private sector for a given return. This role can be particularly valuable in periods when there is a shortage of available office or industrial space (which could be acting as a barrier to growth or investment) but a lack of development activity.

6.15 This has provided the justification for a number of public sector loan funds for commercial property development in other parts of the north.

Examples of public sector commercial property investment funds

6.16 Commercial property investment funds in other UK regions tend to be known as Urban Development Funds (UDFs). The primary aim of UDFs is to support investment in private sector development projects that support defined public policy objectives. The crucial difference to more traditional public sector investment (e.g. grants) is that a UDF must also provide a financial return, with capital receipts then recycled into further projects.

6.17 UDFs seek to provide finance to projects on the margins of commercial development which would not otherwise go ahead under fully commercial conditions. While they are not used to provide grant funding for commercially unviable projects, they can be an important part of the funding mix for 'almost viable' projects. By providing sub-commercial rates on development loans or combining loan finance with other incentives, finance costs and/or risks can be reduced. On marginal sites this can tip the balance and bring them into viability.

6.18 The key distinction of a UDF compared to a private sector commercial property fund (besides investing in higher risk projects) is that the objectives of the fund are to support economic growth or achieve other policy goals. Although the commercial focus is crucial, the role of UDFs is not to replace the market but to increase the number of projects which are funded, particularly where these could deliver high value jobs or deliver other social benefits that are not reflected in market values.

6.19 Table 1.2 shows the sub-regions in the north of England and Wales that are covered by a UDF and the initial size of the funds, although it should be noted that these have grown over time from the initial starting position.

Table 1.2 Funding per head in Urban Development Funds (UDFs)

	Population 2019	Initial size of fund (£m)	Funding per head (£)
Cheshire and Warrington	930,800	20	21
Greater Manchester	2,812,600	60	21
Liverpool City Region	1,551,500	30	19
North East	1,983,600	35*	18
Sheffield City Region	1,877,000	22	12
Wales	3,138,600	35	11

Source: Hatch

*proposed

Chrysalis, Liverpool City Region

6.20 Chrysalis is a £35m revolving loan fund which was established in 2015 with an initial pot of £30m. It originally received its funding from the 2007-2013 European Regional Development Fund for the North West under the Joint European Support for Sustainable Investment in City Areas ("JESSICA") programme. The fund finances property, regeneration and sustainability projects throughout the Liverpool City Region. The fund has grown to over £35m and has supported more than £100m of development activity to date.

6.21 Maximum loan sizes are typically capped at £6.5m but the fund has made exceptions to this for strategically important projects such as the Life Sciences Accelerator. The fund manager is able to offer financial incentives alongside loan finance such as rental guarantees, although we understand that very few of the recent deals have involved any financial incentives.

Evergreen, Greater Manchester

6.22 Evergreen 1 and 2 are funds of £60m and £45m respectively for commercial property regeneration. These were also set up under the JESSICA programme. Specific areas of focus include office, industrial, research and innovation. In addition to carbon efficiency projects through remediation and redevelopment of brownfield and the development / refurbishment of commercial floor-space.

6.23 The funds are managed by CBRE who provide debt funding for commercial property and regeneration projects within the North West. The fund's main focus is on projects between £3m and £15m, although there are a number of examples of much larger investments including a £18.5m loan to finance Citylabs 2.0. The fund had a strategy to initially focus on those developments which are lowest risk and closest to viability but has focused on more challenging and higher risk projects in later rounds. This has included the use of financial incentives alongside loan finance.

6.24 The fund website reports that it has made £193m of investments to date, supporting Gross Development Value of £871m. A 2017 report found that Evergreen I had delivered over 130,000 sq m of floorspace, developed 16 Ha of brownfield land and accommodated over 5,700 jobs. These figures are a few years out of date so are likely to be substantially higher now.

Sheffield City Region Jessica

6.25 SCR JESSICA is managed by CBRE and provides development debt funding for commercial property and regeneration projects in the Sheffield City Region. The fund has led to the successful deployment of over £25m of capital and the start-on-site of several strategically important development projects in the region. Its website states that it has enabled the delivery of over 500,000 sq. ft of employment space, which will provide the economic infrastructure for the employment of nearly 2,500 jobs.

6.26 The fund is intervention based and offers first loss loans, rental guarantees and other incentives as well as debt finance. Through its flexible approach, the fund has brought about development of schemes that are not able to attract other funding in the current constrained environment.

6.27 A number of the recent speculative developments in Barnsley have received funding through SCR JESSICA including Ashroyd Business Park, Barrowfield Business Park and Gateway 36. Other examples of investments include 3 St Pauls Place and the Advanced Manufacturing Park in Sheffield, demonstrating the ability of the fund to work in locations that are seen as priorities for economic growth.

Wales Commercial Property Fund

6.28 The Wales Commercial Property Fund is financed by Welsh Government and is managed by the Development Bank of Wales. It provides repayable loan funding for new office and industrial developments in Wales. The fund was launched in 2019 so is younger than a number of other funds but has already made a number of investments.

6.29 The fund is specifically targeted at small developers and offers loans of between £250,000 and £5m. The fund does not offer financial incentives but has a £15m pot for grant funding. The value of the grant is based on an independent appraisal of the viability gap and is clawed back if the property achieves a higher value when it is sold or refinanced.

Advantages of commercial property investment funds

6.30 We have been unable to access any ex-post evaluations of UDFs or commercial property investment funds in other parts of the country. Therefore the evidence of the net additionality of these funds is unclear. A particular concern is over the risk that public finance which is provided on more favourable terms displaces private finance in some cases.

6.31 Nevertheless the experiences of other funds do suggest they are making a valuable contribution to development activity in their region and are helping to support economic growth. UDFs provide a model that addresses the requirement of the public sector to take a more commercially focused approach to investment while encouraging private sector investment. Key advantages include:

- **Recycling of investment returns**: one of the key strengths of UDFs is the potential to secure returns which can be reinvested. Most of the other funds have an average loan term of two to three years and a large number are paid back early with lending terms structured to incentivise early repayment. This has facilitated the growth of a number of the funds.

- **Leverage**: the UDF model involves the fund investing alongside site owners, developers and other funding partners such as banks, specialist property funds and potentially institutional investors. Research by the Centre for Cities found that most UDFs typically invest between 20 and 30 per cent of the total project cost, although in some cases this can be as large as 50-60 per cent.
- **Flexibility**: the flexibility of loan finance available through UDFs is reported to be one of the key advantages, particularly where it can be offered alongside other financial incentives. Although these funds are primarily targeted at smaller developers who are unable to access finance, there are a number of examples of funds in other regions that have issued loans to larger developers because of the flexibility it offers.
- **Stimulating a more active development market**: by unlocking development schemes with marginal viability UDFs can help to stimulate market activity by demonstrating the returns which can be secured, which encourages more market activity. For example, anecdotal evidence from the Evergreen Fund in Greater Manchester suggests the activity of the fund has helped rental values to increase in marginal areas and has helped markets to become self-sustaining.
- **Addressing higher risk and high value projects:** although funds are likely to focus initially on the lowest risk, marginal projects as funds grow over time it provides greater flexibility to address higher risk projects that are of high strategic importance. A good example of this is the Chrysalis fund which funded a Life Sciences Accelerator in Liverpool and the Evergreen fund which funded Citylabs in Manchester, a biomedical centre of excellence.
- **Securing specialist expertise:** UDFs require a great deal of expertise and professionalism in designing and delivering these complex public sector backed instruments. The fund managers who manage UDFs may bring expertise which is not available or is limited locally. The involvement of the private sector investors, where this has occurred, also helps to ensure more rigour in design and delivery.

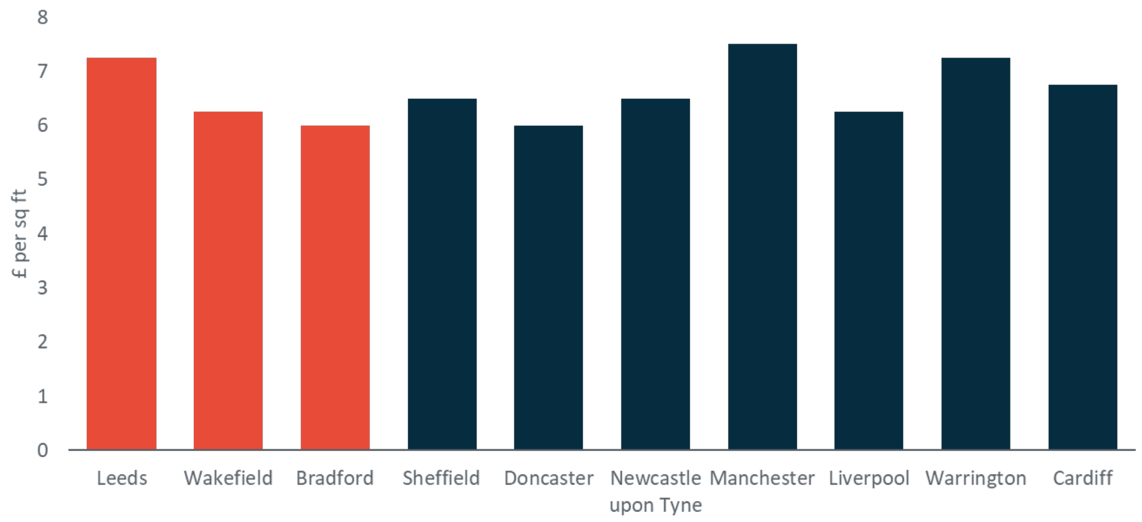
Comparability with the Leeds City Region

6.32 Publicly funded commercial property investment funds such as UDFs are intended to be used in areas where development is at the margins of viability. There is value in establishing whether this is the case in the LCR and whether the market conditions in the city region are comparable with other areas where a UDF has been successfully deployed.

6.33 Commercial agents reported that industrial units between 10,000 and 30,000 sq ft generally require rental values of between £6 and £7 for speculative development to be viable. According to Colliers rent maps, prime rental values for units in this sizeband in H2 2020 were around £7.25 in Leeds, £6.25 in Wakefield and £6 in Bradford. The Colliers maps do not provide values for other industrial areas such as Huddersfield or Halifax, although analysis of CoStar suggests rental values in these areas are generally comparable with Bradford. This suggests most of the industrial markets along the M62 corridor could be considered to be marginal.

6.34 Figure 6.3 shows that these rental values are comparable with all of the other areas in Wales and the north of England that are covered by a fund. This suggests that the conditions exist for a loan fund to be deployed successfully if it could be demonstrated that there is demand.

Figure 6.3 Prime rental values for industrial and warehouse units between 10,000 and 30,000 sq ft, H2 2020



Source Colliers rent maps

6.35 In the office market, the viability of development can be considered to be marginal in a small number of locations such as York, Harrogate and outer Leeds (based on a viability threshold of £25). Prime rental values in Leeds city centre exceed £30 so cannot be considered to be marginal, although we would note that the Evergreen fund has been used to fund a number of office schemes in Manchester city centre which also has high rental values. In these cases it was reported that the private sector debt market was unwilling to fund these schemes.

6.36 Rental values are much lower in other city and town centre locations in the LCR. It may still be possible to use a UDF mechanism to unlock development in these locations but only if it was accompanied by incentives which reduce the risk, such as a local authority taking a head lease.

Conclusions

6.37 There is clear evidence that the availability of development finance is constrained in the LCR, as it is across many other areas, and that this could be exacerbated by the Covid 19 pandemic in the next few years. Given the evidence of undersupply of commercial property in the LCR, particularly in the industrial market, there is potential for a public fund to step in to help fund viable schemes, particularly those which are considered to be a high economic priority.

6.38 However a key lesson from other UDFs is there needs to be evidence of demand and a pipeline of projects that could make use of this finance. Other funds have spent considerable effort building up relationships with local authorities and developers to test the appetite for finance and develop this pipeline. From the limited consultations that we have undertaken with developers we have not identified a strong need for a fund, but this has been focused on larger developers and there may be a much stronger appetite for loan finance among smaller companies.

6.39 We therefore believe there is value in WYCA exploring the potential to establish a commercial property loan fund further. WYCA should carry out further market engagement focusing particularly on smaller developers to understand the issues they face and the implications for the appropriate design of a fund. This should start by looking at the pipeline of projects with planning permission in the LCR and engaging the developers involved.

7. Future Requirements

7.1 This section provides a high level assessment of the potential future need for employment land in the city region. This is used to assess whether the supply of strategic employment sites (presented in Chapter 7) is likely to be sufficient, in quantitative terms, to meet future demand

7.2 We present the results of two scenarios which use different approaches to forecast future land requirements. These are:

- **Employment forecast based approach**: we use the latest economic projections from the Regional Econometric Model (REM) to understand the potential future trajectory of the city region economy, and apply a number of assumptions to derive future floorspace and land requirements.
- **Trends based approach**: this is a simple approach which assumes that occupier demand for floorspace follows the trend from 2009 to 2020 based on CoStar data.

7.3 It should be noted that trends based scenarios are normally based on gross completions of employment floorspace or delivery of employment land. This has not been possible for this study as data was not available on a consistent basis for the whole of the city region. Although all local authorities monitor development through their AMRs, they do so using different indicators and over different time periods, which meant this approach was not feasible.

Employment Forecasts

Summary of method

7.4 This scenario uses the latest employment projections from the Yorkshire and Humber REM, produced by Experian in June 2020. These provide estimates of the change in employment for 38 different industries over the period 2018 to 2036. The jobs forecasts are converted in to floorspace and land requirements through the following steps:

- Jobs are converted into full time equivalent (FTE) jobs based on the split between full time and part time jobs.
- FTEs in each industry are allocated to use class categories (either office, industrial, warehouse or non-B class uses). This is based on analysis of the types of jobs in each sector and assumptions about the type of premises they typically require (e.g. solicitors typically require office space). The assumptions are built up from 4 digit SIC codes[36] and weighted according to the number of jobs in each SIC code in the city region. This allocation to use classes is applied in each year of the employment forecast (i.e. the proportional split of employment in each sector is assumed to remain constant). The assumed allocation of jobs to use classes is shown in Appendix A.
- A further adjustment is made for homeworking to take account of the fact that many jobs do not require business floorspace. This is done using ONS survey data showing the proportion of workers in each industry who work mainly from home in 2019. This data is not available for the city region so we use the national average. This is also held constant

[36] The Standard Industrial Classification is a system for classifying industries by a four-digit code. The 38 industries in the REM are built up from these SIC codes.

in the baseline scenario, however we also show the effect on the model if rates of homeworking increase.

- Having established the number of FTEs requiring different types of floorspace in each sector, we apply employment densities (sq m per FTE) drawn from the Homes and Communities Agency (now Homes England) Employment Density Guide (3rd Edition, 2015) to derive the amount of floorspace required.

Table 7.1 Employment Densities (sq m per FTE)

	Sq M per FTE
B1 (Office)	12
B1c/B2 (Manufacturing)	47
B8 (Warehousing0	70

Based on HCA (2015) Employment Densities (3rd Edition)

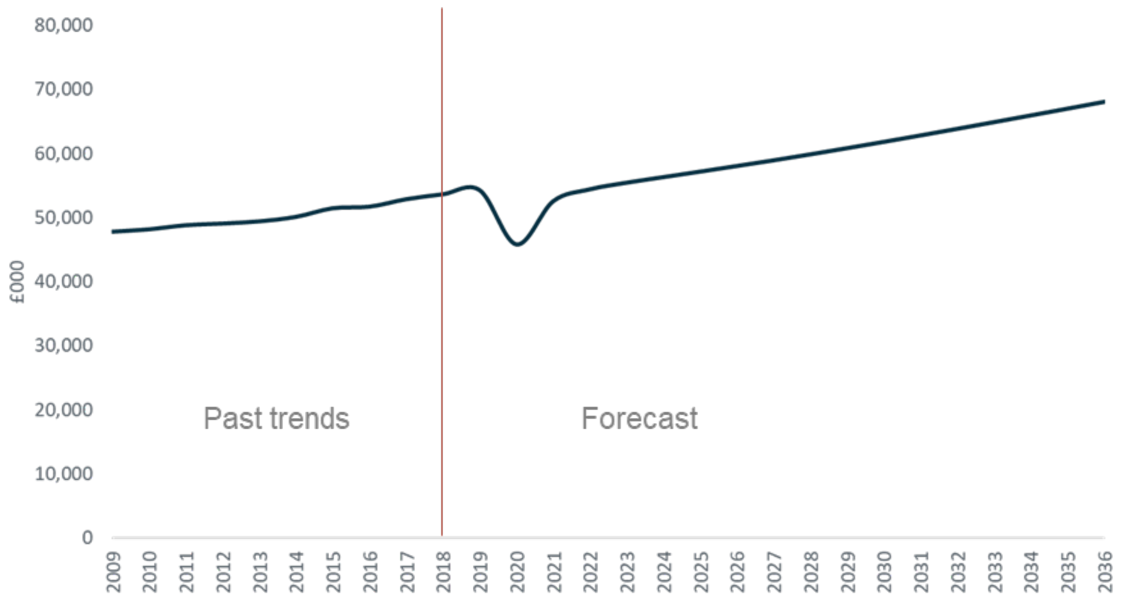
- Floorspace is converted into land requirements by applying plot ratios (the ratio of floorspace to land).

7.5 The employment forecasts have only been made available for West Yorkshire, and therefore exclude a number of other LCR districts (Barnsley, Craven, Harrogate, Selby and York). The estimate of employment land requirement for West Yorkshire is therefore adjusted based on the relative supply of floorspace in West Yorkshire and other districts. For example West Yorkshire districts account for 82% of the office space in the region so we divide the WY land requirement by 0.82 to derive the requirement for LCR.

Overview of economic forecasts

7.6 The REM forecasts have been produced since the Covid-19 pandemic and restrictions which were put in place from March 2020 onwards and caused a large drop in economic output. The REM forecast assume a V shaped recovery from this fall in output, with total GVA for West Yorkshire recovering to its 2018 level by 2022 and then following the pre-pandemic trend for the rest of the forecast period (see Figure 7.1).

Figure 7.1 Gross Value Added forecast for West Yorkshire (2016 prices)



Source: Experian

7.7 The forecasts also show a strong recovery in the jobs market with employment returning to its 2018 level by 2022. It forecasts the number of jobs will increase by 119,000 between 2018 and 2036, or 0.5% p.a., but is over 0.8% p.a. from 2022 onwards. This is higher than the long term growth rate between 1997 and 2018 (0.7%).

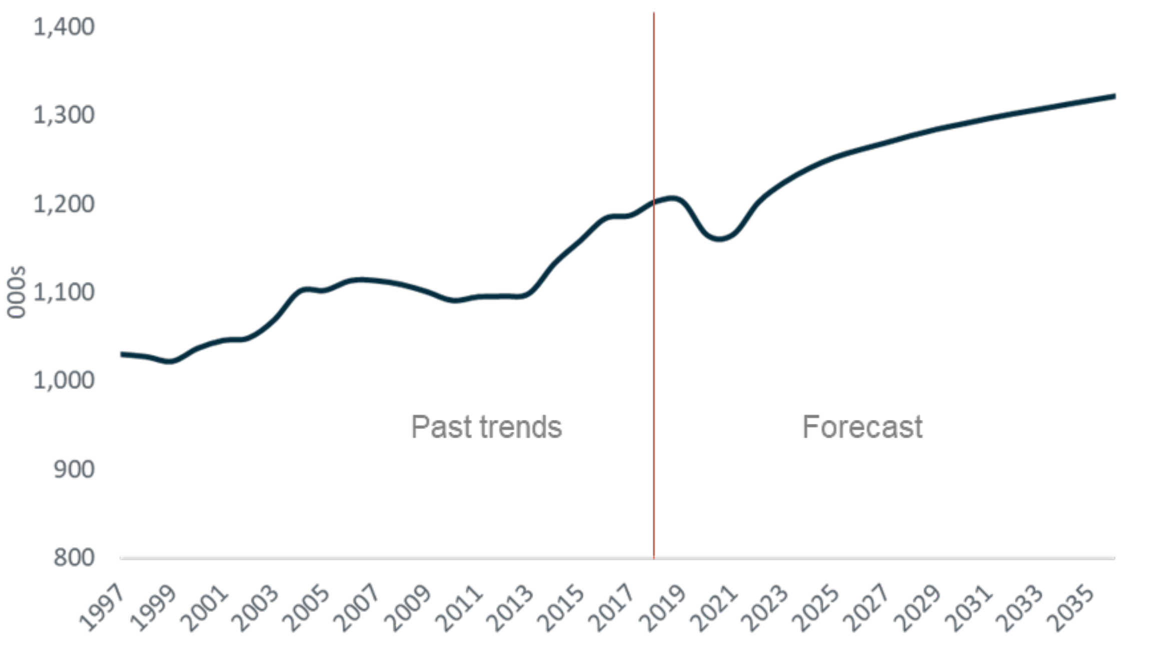
7.8 According to the forecasts, jobs growth will be driven by a small number of sectors, including health and social care (+40,000 jobs), professional and financial services (+20,000 jobs), admin and support services (+19,000 jobs), education (+15,000 jobs) and land transport and storage (+11,000 jobs).

7.9 The main declining industries are all manufacturing sectors, with total jobs loss of over 22,000 jobs. This does not mean there is no job creation in manufacturing industries. Instead, it reflects forecasters expectations of change in manufacturing generally in which the continuing growth of automated processes (e.g. robotics, AI), cost pressures which will continue to see larger volume and lower value processes (and some higher value processes) shift to locations with lower labour costs, and expectations about the challenges that will arise from the UK's exit from the EU are challenging conditions in which to anticipate employment growth.

7.10 However, whilst the forecasts suggest contraction, several factors will continue to generate demand for sites and premises to accommodate manufacturing businesses. These include:

- Demand for higher quality and modern premises reflecting modern manufacturing practices;
- Expansion demand as companies outgrow existing premises;
- Reshoring opportunities as companies respond to changes in trade rules arising from Brexit and rising costs to bring supply chains close to core operations;

Figure 7.2 Employment forecast for West Yorkshire



Source Experian

7.11 Economic forecasting inevitably deals with uncertainty. Longer term forecasts in particular cannot anticipate economic shocks and changes that may occur relatively rapidly and difficult to foresee. A good example is the financial crisis in 2007-08 that led to a prolonged and deep recession. Whilst some public and private sector forecasters had warned that there were risks of a financial (and property market) bubble during the 2000s, few foresaw the timing and scale of impacts that transpired.

7.12 The Covid-19 crisis is an ongoing shock of unprecedented form and magnitude. Key implications for business sectors and development have been described earlier in this report. However, in understanding the likely trajectory of the LCR's future employment growth, it raises some key issues about the interpretation of the jobs forecasts and in turn their policy implications:

- The REM forecasts reflect an impact pattern which is consistent with the OBR's (the government's independent advisory body for fiscal planning) scenarios.[37] The OBR's scenarios assume a short run downturn through 2020 and 2021, with a central scenario suggesting recovery in GDP to pre-Covid-19 levels between 2022 and 2023. The recovery of employment would be slower (2024-5), but this is to be expected as businesses absorb existing capacity to increase output before generating a need for additional labour.
- However, a combination of a return to lockdown conditions, the winding down of UK Government furlough and enterprise support schemes, and weak underlying conditions in some sectors suggests that an initial bounce back in July/August has been limited and may not strengthen or be sustained through the Autumn and Winter. GDP growth in August 2020 was reported at 2.1%, far below forecasters' expectations of c. 4.5%. With unemployment figures already substantially increasing and business failures very likely to rise also, the risk is a more severe and prolonged recession than anticipated.

[37] Office for Budget Responsibility (2020) Fiscal Sustainability Report, July

- Forecasters' modelling of future employment growth is driven in part by past trends, including recent trends, being carried forward. A deeper and longer recession, and larger falls in GDP and employment than forecast, are likely to result in revised expectations about short term recovery with a knock on effect on medium and longer term forecasts. The implication is that forecasts which assume a 'V' shape recovery may well need to be revisited as evidence about the magnitude of the recession and its impacts becomes clearer. This could result in a slower return to growth (and therefore demand for employment land and premises), and at worst long-term growth that is more modest than the recent forecasts suggest.
- The analysis in this report has also pointed to the potential for some permanent changes to result from the Covid-19 crisis (for example, acceleration of the shift to online retail, significant changes in how office-based business is carried out). In any forecasting model, shifts of this type are difficult to predict and model in. It is still too early to understand with any certainty which trends will be part of a short term pattern, and which will be embedded as permanent changes.

7.13 Uncertainty about the impacts of Covid-19 is amplified by the lack of clarity about the terms of the UK's future economic relationship with the European Union, which are not yet settled and in which exit without a deal remains a possibility. The most recent REM model is understood to factor in the potential impacts of Brexit, but there remains a lack of detail about the final deal and therefore its implications for individual business sectors and their employment growth prospects.

7.14 The upshot is that the forecasts referred to in this section should be considered as providing a broad direction of travel for future employment and for specific broad sectors rather than a reliable guide to the growth in each sector that the LCR should plan for. It should certainly be revisited in 2021 as the volume of economic and property market evidence showing the impacts of the pandemic, together with the UK's EU trade deal, become much clearer.

Floorspace requirements

7.15 Table 7.2 shows the estimated floorspace requirements to meet the jobs growth implied by the forecasts. As noted above, the employment forecasts are only available for West Yorkshire, so the floorspace requirements have been adjusted to take account of demand in other parts of the city region.

7.16 It shows the strongest demand is expected to be for office space, which increases by 580,000 sq m. There is also growing demand for warehouse space (400,000 sq m) but declining demand for industrial space (-952,000). This is explained by the industrial distribution of jobs growth in the employment forecasts, with the strongest growth expected in office based sectors such as professional services and declining employment in manufacturing.

Table 7.2 Floorspace requirements based on Employment Forecast scenario (000 sq m), 2018-2036

	2018	2036	Change	LCR weighted
Office	3,322	3,798	476	580
Industrial	4,670	3,918	(752)	(952)
Warehousing	7,812	8,128	316	400

Source: Hatch

Land requirements

7.17 Land requirements have been estimated by applying assumed plot ratios to the floorspace figures in Table 7.2. The plot ratio is highly dependent on the nature and location of development. For industrial and warehouse developments, we have applied a plot ratio of 0.35 (which means 1 hectare is needed to accommodate 3,500 sq m of floorspace). This is based on earlier analysis Roger Tym and Partners for Yorkshire Forward.

7.18 Plot ratios for office development vary a lot more than industrial and warehouse development because they can be built at very high densities in city and town centres or at low densities in business parks. We have assumed 80% of future demand is in town and city centres and has a plot ratio of 1 and 20% of demand is on business parks with a plot ratio of 0.35. These assumptions are consistent with employment and reviews for other areas, although it has been noted that plot ratios could be significantly higher than this (up to 2 in city centres). The figures should therefore be treated as the upper limit of land requirements.

7.19 Applying these plot ratios to the floorspace figures generates the following land requirements:

- Office development: +80 Ha by 2036 or 4.4 Ha p.a.
- Industrial development: -272 Ha by 2036 or a fall of 15 Ha p.a.
- Warehouse development: +114 Ha or 6.4 Ha p.a.

7.20 If these requirements are aggregated it suggests a negative requirement for employment land (-78 Ha), although this assumes that land which is no longer needed for industrial development could be used to accommodate office and warehouse development. In many cases this is unlikely to be feasible or desirable for the market. If industrial uses are excluded it suggests the need for 194 Ha of land for employment development between 2018 and 2036.

Sensitivity test for office development

7.21 The results above are based on a scenario in which rates of homeworking remain at 2019 levels throughout the forecast period. The Covid-19 pandemic has caused a large rise in home working in the short term and there is survey evidence which suggests a significant proportion of office workers will continue to work from home after the pandemic. An even larger proportion of office workers are likely to work more flexibly, dividing their time between the workplace and their home. This could mean that employers opt to have less office space in future but use it more flexibly.

7.22 At the same time it is argued that the amount of office space needed for each person in the workplace could increase. This could occur if the pandemic encourages employers to have lower density offices for health reasons, or because offices will increasingly be used for collaboration, socialising and meetings which require more office space per worker than workstations.

7.23 These two effects have opposite effects on the demand for office space. Table 7.3 presents a sensitivity analysis which shows the change in land requirements when we make different assumptions about how rates of home working or employment densities change over time. In the baseline scenario presented above, the homeworking rate in office based sectors remains at 20%[38] for the whole of the forecast period, while the jobs density remains at 14.4 sq m per FTE (gross external area).

7.24 If the rate of home-working was to increase to 30% by 2030 while employment densities remain at their current level this would cancel out all of the increased demand for office space from jobs growth and mean the net requirement for office land is zero. At the other extreme, if densities were to reduce to 15.8 sq m per FTE while homeworking rates remain unchanged, this would increase demand to 143 Ha by 2036. In our view this is a highly unlikely scenario.

Table 7.3 Sensitivity analysis showing need for office employment land (Ha) using different assumptions about homeworking and employment density

		Jobs density: sq m per FTE by 2036 (gross external area)					
		14.4	14.7	15.0	15.3	15.6	15.8
Homeworking rate by 2036	20%	80	92	105	118	130	143
	21%	72	84	97	109	122	134
	22%	64	76	88	101	113	126
	23%	56	68	80	92	105	117
	24%	48	60	72	84	96	108
	25%	40	52	64	76	87	99
	26%	32	44	55	67	79	91
	27%	24	36	47	59	70	82
	28%	16	27	39	50	62	73
	29%	8	19	31	42	53	64
	30%	0	11	22	33	45	56

Source: Calculations by Hatch

Conclusions

7.25 The REM jobs forecasts arguably present a very positive and optimistic outlook for the city region economy. They suggest there will be a very quick recovery and no lasting effects from the Covid-19 pandemic or the recession. Given recent events, there is a clear risk that the recovery could take longer and the long term growth rate will be slower.

7.26 In our view this REM forecast based scenario gives a misleading view of future floorspace and land requirements and underestimates the amount of industrial and warehouse development needed to support growth. It suggests there will be a large fall in demand for industrial space which is inconsistent with both past trends and the feedback from consultees. Although the demand for warehouse space is positive in this scenario, this is also very low in the context of recent trends and what we know about the key drivers of demand in this sector (e.g. the continued growth of online shopping).

[38] This is the weighted average for sectors requiring office space (based on the assumed allocation of jobs to use classes) using ONS survey data on homeworking by sector.

7.27 The model used to generate this scenario also has a number of limitations and weaknesses which are difficult to overcome. These include:

- **Inability to take account of structural change within sectors**. The model is based on employment forecasts for 38 sectors but provide no detail about changes occurring within sectors and the implications for property requirements. For example, the increase in online shopping is creating new jobs in logistics and distribution but causing a decline in jobs on the high street. This is not captured in the employment forecasts, which show a net decrease of 1,500 jobs in the retail sector over the forecast period. Therefore any growth in demand for warehousing from online retailing is not captured.
- **Inability to estimate gross requirements for floorspace:** because the model is based on net change in employment in each sector, there is an implicit assumption that growing businesses will be able to use the floorspace which is vacated by declining businesses. However this is not always the case. The model also fails to take account of other factors which drive the demand for premises such as the need to replace premises which are no longer fit for purpose with modern and efficient premises or to replace premises which are lost to other uses (this is particularly relevant in York's office market which has lost a significant amount of good quality office space). The demolition of outdated business premises and development of new premises is a persistent feature of the commercial property market which is reflected in a number of the AMRs, which is not captured here.

7.28 For these reasons we do not believe this is a reliable estimate of future need and have not used this scenario when assessing the supply of strategic employment land. There is a strong case for any forecast-based scenario to be revisited during 2021 when the economic impacts of the pandemic and the UK's new trading relationship with the EU have become clearer.

Trends based scenario

Summary of method

7.29 This scenario assumes that take-up of employment space continues in line with past trends. This uses CoStar data on net take-up, measuring the change in occupied office and industrial/warehouse space over the period 2009 to 2020.

7.30 The main advantage of this approach is that it is based on actual market demand for premises, and does not need to be derived from employment forecasts using a large number of assumptions. However it does have limitations:

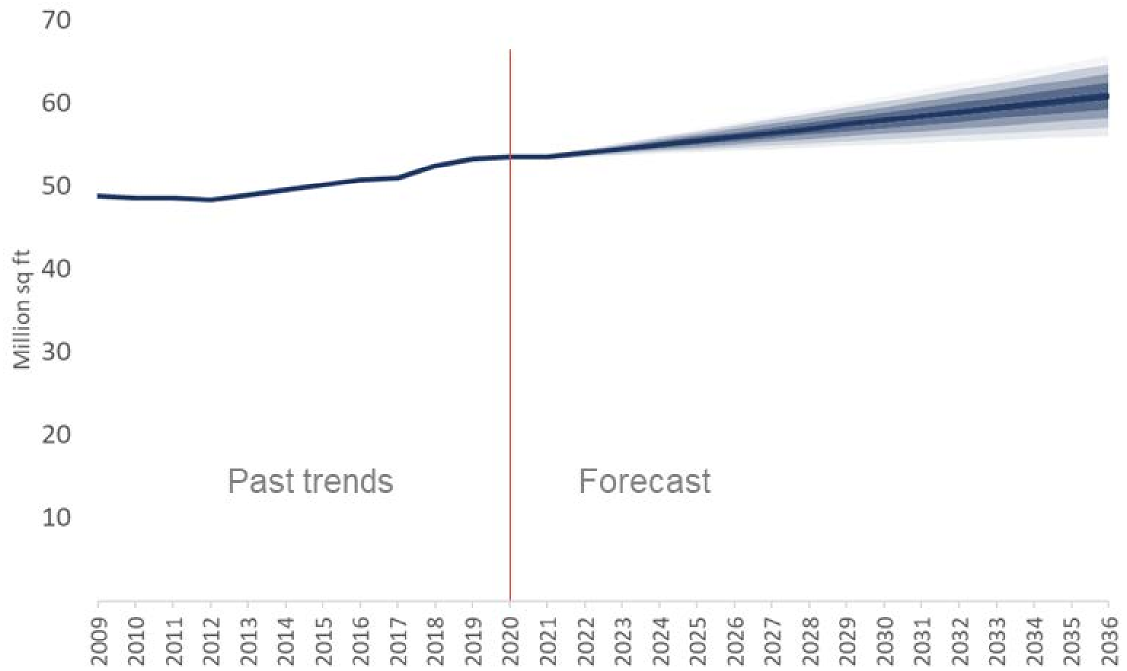
- CoStar does not capture all market activity and may miss some property deals, although in most cases these are likely to be small.
- A trends based scenario may underestimate occupier demand if the supply of new premises has been constrained. This is the case in some parts of the city region e.g. York's office market.
- Past trends are not always an accurate prediction of future requirements, and tell us little about the potential impact of the Covid-19 pandemic on the property market.
- The scenario is also based on net change in occupied floorspace, so it also fails to take account of demand from occupiers who are replacing outdated premises with more modern premises.

7.31 As noted above, CoStar treats industrial and warehouse space as a single category for a large number of deals, making it difficult to distinguish demand for each use class category. Therefore it is necessary to make some assumptions about the split between the two. We assume that 80% of future demand is for warehouse space and 20% of demand is for industrial space. This is based on our analysis of the sectors driving demand in Figure 5.3.

Office space and land requirements

7.32 Figure 7.3 shows the trends based forecast for office space. This suggests that if take-up increased in line with past trends, the city region would need to provide c.8.5m sq ft (788,000 sq m) of office space between 2018 and 2036. This is equivalent to around 470,000 sq ft per annum. Assuming the same plot ratios as above, this generates a land requirement of **108 Ha** between 2018 and 2036.

Figure 7.3 Forecast change in occupier demand for office space in trends based scenario.



Source CoStar. Calculations by Hatch

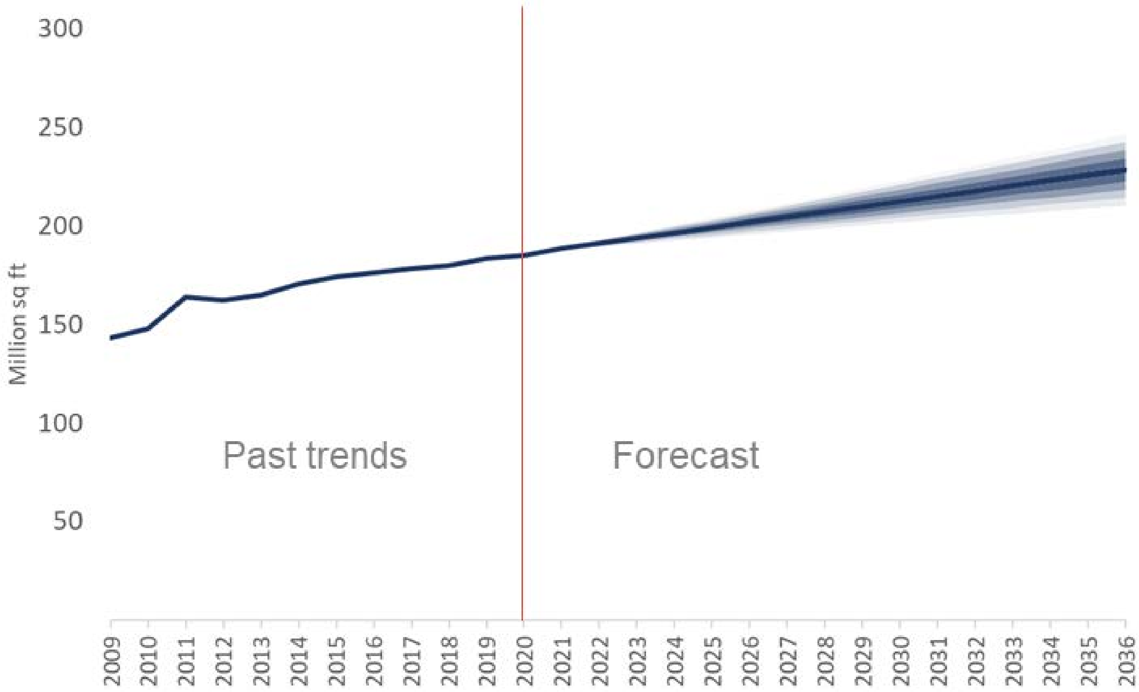
Industrial and warehouse space and land requirements

7.33 Figure 7.4Figure 7.3 shows the trends based forecast for industrial and warehouse space. This suggests the need to provide c.48m sq ft (4.5m sq m) of floor space between 2018 and 2036 (2.7m sq ft p.a.). Assuming a plot ratio of 0.35, this generates a land requirement of **1,285 Ha** between 2018 and 2036.

7.34 Using the rough estimate of the breakdown between industrial and warehouse space above, this suggests the need for:

- 257 Ha for industrial development
- 1,028 Ha for warehouse development

Figure 7.4 Forecast change in occupier demand for industrial and warehouse space in trends based scenario



Source CoStar. Calculations by Hatch

Conclusions

7.35 Aggregating the land requirements for the three categories in this scenario suggests the need for **c. 1,392 Ha** of employment land between 2018 and 2036. We believe this is a more accurate reflection of market demand than the forecast driven scenario, based on feedback from consultees and the factors which are likely to drive growth in future.

7.36 However the results should be treated with a degree of caution. Although we do expect the growth of online shopping to continue to drive demand for warehouse space, there are reasons to believe that the very high levels of take-up of recent years will not continue indefinitely. This is because the economy is currently going through a period of structural change, in which retailers are reshaping their warehouse and supply chain strategies in response to the change in shopping habits. This is creating very strong demand for warehouse space, but there is likely to come a point where the proportion of retail sales online plateaus and the infrastructure needed to serve this market is largely in place. Once this point is reached there may be further demand for warehouse space (driven by population and income growth) but it will not be on the scale experienced in recent years. Determining the point at which this plateau effect occurs is difficult but it could happen within the next 15 years, which would mean the forecast may overestimate warehouse requirements.

7.37 The scenario may also overestimate the need for land for industrial development. This is because the trends cover a period in which the manufacturing sector has been growing which is likely to have driven demand for premises. There is also evidence for this from recent LCR business surveys (see Chapter 3). However there are a number of threats to the sector from the Covid-19 pandemic and Brexit, which means future growth could be lower with knock on effects for the demand for premises.

7.38 Finally, the land required for office development could also be lower than this scenario suggests, particularly if there is a large increase in home working in future.

7.39 Therefore, while we believe that this scenario offers a more reliable basis for assessing future needs than the employment forecast based scenario, it should be treated as a bullish estimate which is at the higher end of the range of potential future requirements. As is the case with the employment forecast based scenario, the next few months are likely to see a growing body of property market evidence that points to the likely short term picture for demand for sites and premises, and which provides greater clarity about the impacts of the pandemic that might become permanent.

8. Supply of Strategic Employment Sites

8.1 This section assesses the supply of strategic employment sites in the city region. This is used to determine whether the city region has a sufficient quantity of land to meet future demand, but also whether sites are in the right locations to meet demand for different use classes.

8.2 The supply of strategic employment sites has been assessed using the following approach:

- Compilation of a long list of potential strategic sites gathered from the employment allocations identified within the individual local authorities' Local Plans. The compilation of this long list used an initial filter of a minimum of 15 ha for sites, or if within a Strategic Priority Area (SPA), a minimum of 0.5 ha.
- Development of a more nuanced definition of strategic sites for LCR, that takes into account function and likely uses.
- Desktop critique of the sites on this long list, looking at the potential markets for the sites, potential obstacles to development and likely uses.
- On-the-ground review of the sites to corroborate desktop analysis, identify any development on the site and assess neighbouring uses.
- Recommendations on which sites in the long list qualify under the more refined definition of strategic employment sites.
- Assessment of the net supply of strategic employment sites for LCR.

Definition of Strategic Employment Site

8.3 The term 'strategic employment site' is widely used to describe important employment sites in an area. They may be seen as important because of size, function, job creation potential, inward investment potential or their appropriateness for meeting the needs of priority sectors. Strategic sites should be appropriate for occupiers that have a regional economic role, with benefits demonstrated more widely than within its local authority area or specific settlements. They should be attractive to businesses that would be important contributors to the city region economy, including job and/or supply chain opportunities.

8.4 Sites may also be considered to be strategic because they can help meet policy priorities or objectives (e.g. supporting regeneration or accommodating growth in a sustainable way). The Spatial Priority Areas (SPAs) are identified as the largest and/or most strategic opportunities within the city region. These are broad areas rather than site specific and include each of the main towns and cities within the city region, which play a critical role in supporting local economies. The designation of SPAs therefore provide an indicator of these LEP priorities.

8.5 The consultant team has not been constrained by a strict set of criteria about what constitutes a strategic site. It has considered the characteristics of each site and its potential role in growing the LCR economy, and used professional judgment to conclude whether it can be considered to be strategic. This has considered the following:

- The **location** of the site and the geographical area that it serves. Sites located close to key transport infrastructure such as motorway junctions, major rail infrastructure and hubs, or airports can usually be considered to be strategic as they offer access to regional or national markets (as opposed to local).

- **Scale and size**: large sites over 25 Ha are generally regarded as strategic as they offer the scale needed to attract large scale inward investment, however the definition is not limited to sites above this size as smaller sites can still play an important strategic role.
- **Sectors**: sites can be considered to be strategic if they meet the needs of high growth or priority sectors, support the expansion of key clusters, build on the region's existing major strengths or have the ability to provide a range of flexible use classes within a high quality and well-planned environment.

8.6 The known planning permissions or intents for the sites have been considered, which provides an indication of the likely occupiers and functions of each site. On-the-ground reviews of each site have helped to identify potential conflicts with neighbouring uses and constraints in terms of access, sloping, etc. From this assessment, a recommendation as to whether the site should be considered as a strategic employment site has been provided. We have also provided conclusions on what are the most appropriate uses, although in many cases sites might be suitable for a range of uses particularly in the industrial and warehouse market.

8.7 It is also noted that some of the sites within the SPAs, while not individually reaching the threshold of a strategic site within themselves, collectively as part of the SPA would have a strategic role. This has been addressed in the assessments of the sites by assessing the sites' individual potential as a strategic site and noting, where applicable, its position within the SPA. Some of the sites that are within the SPA will not be developed as employment-led schemes, with proposals and permissions or mixed-use and residential-led schemes that, while important development sites and potentially having a component of B-class employment uses, do not represent strategic employment sites in themselves.

8.8 The key findings and recommendations for each of the sites included in the review is provided in Appendix B.

Overview of Strategic Sites

8.9 The assessment considered 98 sites in total, which encompass an area of 2,026 Ha. Of these 76 sites have land remaining for employment development (others have already been developed or are not available for employment uses). It is estimated these 76 sites have around 1,246 Ha of land for employment development.

8.10 Based on the sites assessment, it is considered that **52 sites** can be classed as strategic employment sites, encompassing a total area of **1,136 Ha**. The remaining sites are unlikely to have a strategic employment function. This is due to them being too small or are only considered to have potential to meet local needs. These functions would still be important for the economy and play an important role in providing accommodation for small businesses throughout the city region.

8.11 Table 8.1 shows the distribution of strategic sites and land available by local authority area. Craven is the only local authority area which does not have a strategic employment site. 44% of the total supply of strategic employment land is in Wakefield.

Table 8.1 Strategic sites by local authority area

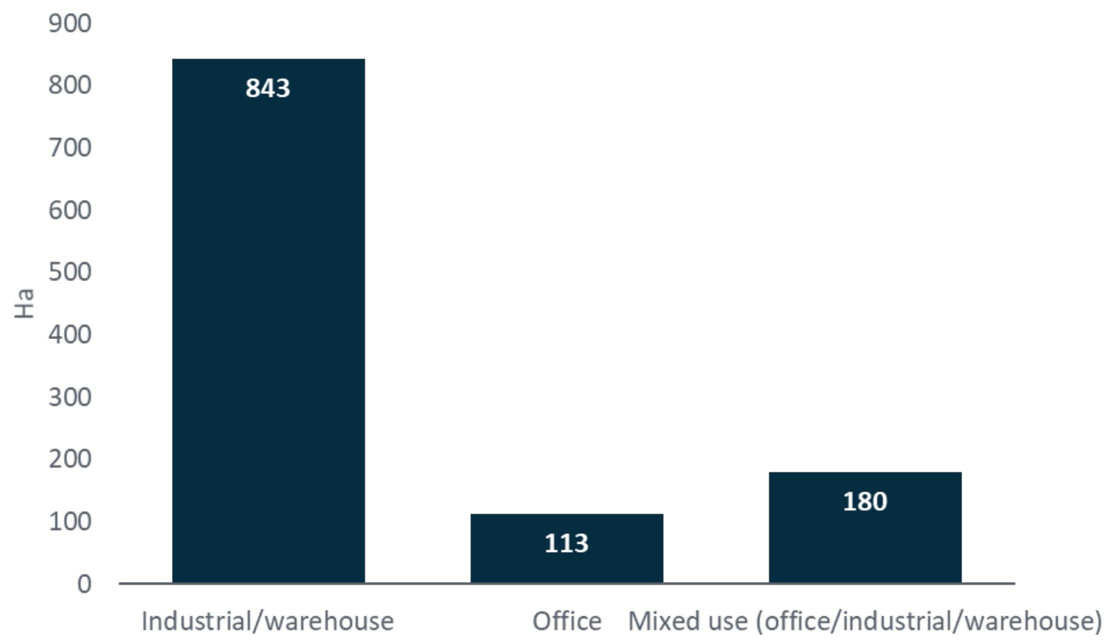
	Number of strategic sites	Available for employment (Ha)
Barnsley	5	211
Bradford*	2	18
Calderdale	1	21

Craven	0	0
Harrogate	2	30
Kirklees	6	65
Leeds	17	188
Selby	1	34
Wakefield	15	497
York	3	72
LCR Total	52	1,136

Source: BE Group
*It was not possible to include all of Bradford's employment sites in the list of sites due to the stage of development of the Bradford Site Allocation Plan. Therefore this is an underestimate of the supply of strategic sites in Bradford.

8.12 Figure 8.1 shows the split of strategic land by use category (based on the assessment of permitted or most appropriate use classes). 843 Ha is suitable for either industrial or warehouse development, 113 Ha is suitable for office development and 180 Ha of land is suitable for mixed use development including office and industrial/warehouse development.

Figure 8.1 Supply of land on strategic employment sites by use class



Source BE Group

Is there a sufficient quantity of strategic employment land to meet future demand?

8.13 The previous chapter presented two scenarios to estimate the total future requirement for employment land. The scenario based on jobs forecasts has been disregarded as it is not considered to be robust or realistic. The trends-based scenario suggests the need for 1,393 Ha of employment land overall over the period 2018 to 2036, including:

- 1,285 Ha for industrial/warehouse development and
- 108 Ha for office development.

8.14 This is likely to be a high estimate of future requirements.

8.15 Based on the figures in Figure 8.1 the city region has sufficient land to meet future demand for office land (113 Ha), but could face a shortfall of industrial/warehouse land. Assuming a high proportion of the land on mixed use sites came forward for industrial/warehouse development (say 90%), this would mean there is a supply of around 1,005 Ha. This would leave a shortfall of c. 280 Ha.

8.16 It should be noted that this only includes employment land on strategic sites. The study has not carried out a comprehensive assessment of all employment land allocations or sites with planning permission that could help to meet this demand, as this was beyond the scope of the study. If these other non-strategic sites were included this may be adequate to address the shortfall, although WYCA may wish to verify this.

8.17 We would also note that a significant proportion of future demand for industrial or warehouse space is likely to come from small businesses operating in local markets which do not require large sites or access to the motorway network. The analysis in Figure 5.3 showed that around 27% of recent demand for industrial/warehouse space has been from sectors other than manufacturing, transport and logistics or retail/wholesale. The vast majority of this demand is made up of small requirements for lower cost space, which is unlikely to be strategic in nature. Some of the demand from the retail and wholesale sector is also likely to be from local businesses and will not be strategic.

8.18 A supply of 1,005 Ha of land for industrial/warehouse development would be sufficient to meet around 78% of future demand based on the trends-based scenario. Therefore, assuming at least 27% of demand is local, there should be sufficient land to meet demand from strategic occupiers.

Is there an adequate supply of sites in key market areas?

8.19 The portfolio of strategic employment sites should provide opportunities for regional level office, industrial and warehousing/logistics operators to locate in the city region. These may be national or international brands looking for a key location within northern England. Therefore the strategic employment sites need to be provided in key market areas where demand is strongest. These have been identified in Chapters 4 and 5.

Office market

8.20 Chapter 4 showed that the office market in the LCR is dominated by Leeds, which is the primary location for larger office transactions and developments. This includes the city centre and out of town market. Other smaller but significant markets include York and Harrogate which attract smaller businesses but often in high value sectors.

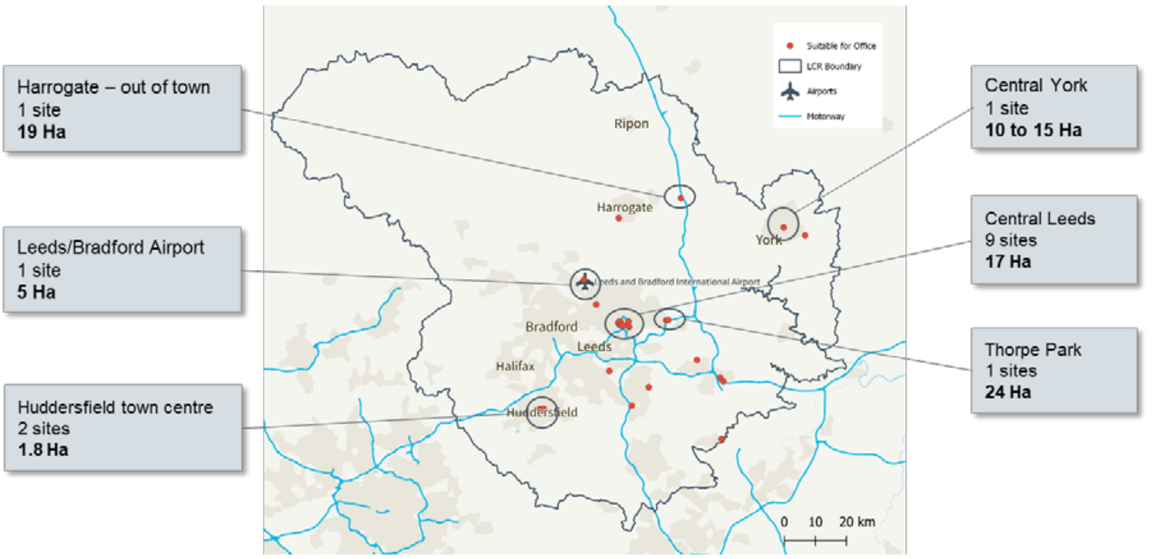
8.21 There are 9 strategic sites for the office market located within or in close proximity to Leeds city centre, cumulatively providing 17 Ha of employment land. These could be developed for a mix of employment uses, including high quality, high density B1 office space that would service the corporate, regional office market. Outside of the city centre, Thorpe Park has further expansion capacity of about 24 Ha. This could provide high quality offices as part of a mixed use development, providing a more campus-style opportunity for office occupiers in a strategic location.

8.22 In York, the York Central scheme represents a strong mixed-use opportunity for strategic office uses within a central location, and the University of York scheme represents a business park opportunity for research based businesses (i.e. B1b research and laboratory uses). There is one site suitable for office development in Harrogate at Flaxby Green Park, which would also provide an out of town campus style environment.

8.23 Based on the above we conclude that there is a good supply of employment land in each of the key office market locations which is likely to be sufficient to meet future demand. However we would add the following caveats:

- The York Central site will provide a welcome supply of office space to the York city centre market, however there are questions over whether this will be sufficient to both support jobs growth and replace the existing stock which has been lost to residential uses through the exercise of Permitted Development Rights (PDR), issues highlighted in York's 2017 Employment Land Review Update to support the Local Plan.[39] There are also questions over how soon this site could be delivered.
- There are few strategic sites in other West Yorkshire towns and cities (Huddersfield being an exception). There are no sites in Bradford or Wakefield city centres or Halifax. Demand from strategic office occupiers is weaker in these locations but they play an important role in supporting local economies and creating a vibrant centre.
- There are no sites in some of the highly skilled affluent suburbs of Leeds which could see an increase in demand as a result of the Covid pandemic. However there is still significant uncertainty about the scale of this market, and if this did become a feature of the office market it is likely that demand in specific suburbs would be for small scale, flexible space.

Figure 8.2 Location of strategic employment sites suitable for office development



Source BE Group/Hatch

[39] City of York Council (2017) City of York Employment Land Review Update. See in particular paras. 3.6-3.10 https://www.york.gov.uk/downloads/file/1578/sd063-city-of-york-employment-land-review-update-september-2017-

Industrial and warehouse market

8.24 Chapter 5 showed there is no dominant market area for the industrial market, which tends to be widely distributed but focused mainly on south Leeds and along the M62 corridor, including the districts of Bradford, Kirklees, Calderdale and Wakefield which all have large manufacturing sectors.

8.25 The main focus of demand for the warehouse market is south Leeds (for last mile logistics) and the M62 corridor between Brighouse and the A1(M). Access to the motorway network is particularly important for strategic warehouse occupiers so demand is highest for sites around motorway junctions.

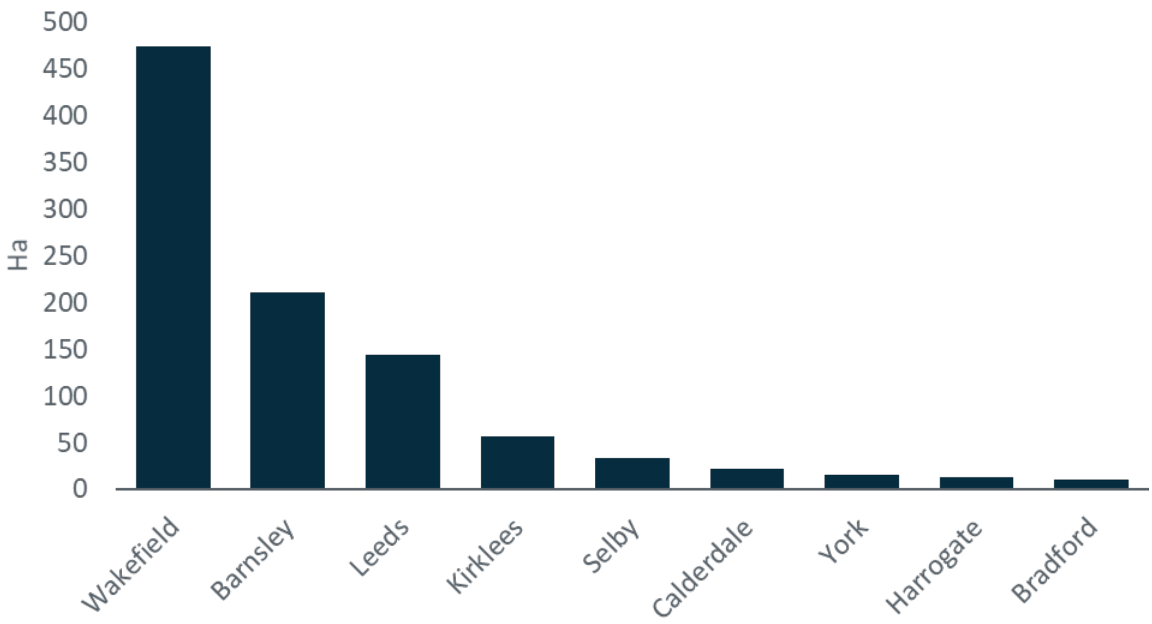
8.26 Figure 8.3 shows that a large proportion of the supply of industrial and warehousing land is in Wakefield, which has a number of large flat sites in close proximity to the motorway network. This area has been the main focus of market demand in recent years and is likely to continue to do so. There is also a large supply of strategic land in other key market areas such as Leeds which has around 118 Ha.

8.27 However, both Bradford and Calderdale have a very limited supply, with only two sites in Bradford and one in Calderdale (an important caveat is that there may be additional sites in Bradford that were not included in the research – see Table 8.1). Construction has already started on Gain Lane (Bradford), with the first units likely to be complete by March 2021. There is still significant uncertainty about the deliverability of Clifton Common (Calderdale) due to the topography of the site, which means development of the site would incur substantial abnormal costs. The fact that both districts are adjacent to each other means there is a very limited pipeline of strategic sites across a large area of the M62 corridor.

8.28 Kirklees may be able to accommodate some of this demand, although it also has a limited supply. Based on past levels of take-up of industrial/warehouse space we estimate the 59 Ha available in Kirklees which is suitable for industrial development is sufficient to meet around five years of demand. This would be much lower if it also accommodated demand from neighbouring districts.

8.29 Some demand could also be accommodated in Leeds or Wakefield which have a much stronger pipeline. This may be appropriate for some businesses that are flexible about location as long as sites have good access to the road network. However, the fact that most of the strategic sites in Leeds and Wakefield are to the east of the city (see below) means many manufacturing businesses that have their roots in Bradford, Calderdale or Kirklees may be reluctant to move this far if it disrupts their workforce. As noted in Chapter 3, one of the key factors driving the location decisions of manufacturing firms in the M62 corridor is access to specialised skills. Workforce retention is therefore key to the success of these businesses and businesses would be reluctant to move long distances if this was undermined.

Figure 8.3 Quantity of land suitable for industrial and warehouse development on strategic employment sites by district

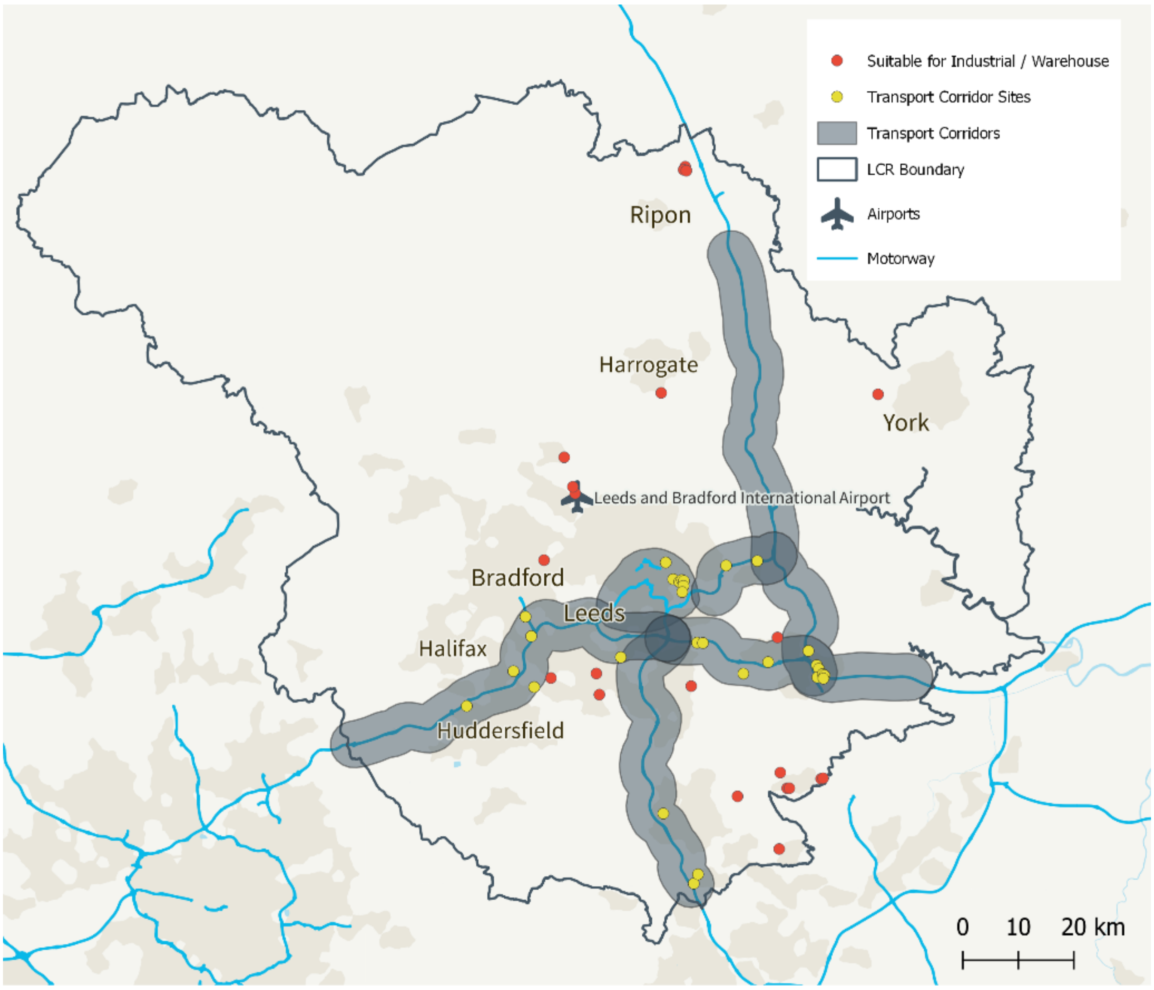


Source BE Group

Note: It was not possible to include all of Bradford's employment sites in the list of sites due to the stage of development of the Bradford Site Allocation Plan. Therefore this is an underestimate of the supply of strategic employment land in Bradford.

8.30 Figure 8.4 shows a large number of the industrial/warehouse sites are in close proximity to the motorway network. In total there are 740 Ha available in the shaded transport corridors in the map. There are also a number of other sites that lie just outside a transport corridor. There are around 150 Ha within the suburban areas of Leeds (including the Temple Green site, sites around the Airport), which would be suitable for last mile logistics occupiers. There is also around 720 Ha of land on large sites over 25 Ha which could accommodate large scale strategic warehouse development. We therefore conclude that there is an ample supply of sites to meet demand from strategic warehouse occupiers.

Figure 8.4 Location of industrial and warehouse sites in relation to transport corridors



Source BE Group/Hatch

Key points

- The study has identified 52 strategic employment sites. These are all sites that could play an important regional role, either as locations for key sectors, large scale employment or attracting inward investment from national and international companies.
- The strategic sites encompass 1,136 Ha of land available for employment development. 843 Ha are suitable for industrial/warehouse development, 113 Ha for office development and 180 Ha for a mix of these uses.
- The pipeline of sites suitable for office development should be sufficient to meet future demand. This provides a large quantity of land which exceeds the estimate of future requirements. There is also a good supply in each of the main office market locations, including Leeds city centre, out of town business parks, York and Harrogate.
- The pipeline of strategic sites would not be sufficient to meet all of the requirement for industrial and warehousing land identified in the trends based scenario. However they could accommodate around over three quarters of it and should be sufficient to meet all of the demand from strategic occupiers. The remaining 24% would need to be accommodated on other non-strategic sites around the city region.

- There is a good supply of land and sites along motorway corridors and in each of the prime areas for strategic warehouse development which should be adequate to meet supply.
- However there is an undersupply of strategic sites in western districts where there is likely to be demand from manufacturing businesses, particularly Calderdale and Bradford but also Kirklees. These are all adjacent districts, covering a large part of the M62 corridor which suggests there may be limited potential for growing businesses to relocate nearby if supply was constrained in future.

9. Conclusions and Recommendations

9.1 This section provides a summary of the key findings and our conclusions. For both the office and industrial/warehouse market, we:

- summarise the key trends, drivers and market challenges which are influencing the dynamics of the commercial property market.
- provide our conclusions in relation to the future pipeline of strategic employment sites and whether this will be adequate to meet future demand, both overall and in key market locations
- offer recommendations on how supply can be better aligned with future demand. This includes identification of additional strategic employment land but also other ways in which WYCA and local authorities can ensure the property needs of priority sectors are met.

Offices

Trends, drivers and challenges

9.2 Leeds is the dominant office market and the main focus of demand. Its large, highly skilled labour market is its key asset, making it attractive for large corporate occupiers and SMEs alike. York and Harrogate are also both attractive office locations, but are much smaller markets than Leeds and tend to attract SMEs, drawn by the quality of life, image and prestige of each area. The office markets in other towns and cities in West Yorkshire struggle to compete with Leeds, and as such demand is much weaker and mainly from local businesses. Although there are some exceptions to this (e.g. in Bradford).

9.3 There has been **strengthening demand** over the last few years, including larger Grade A office space and, at the other end of the spectrum, smaller office space including affordable and flexible workspace. A high proportion of demand in Leeds is for Grade A space, driven by corporate occupiers. Outside Leeds, the balance is weighted more towards smaller, affordable space, particularly in the West Yorkshire towns and cities where demand is more local.

9.4 There is evidence of **very low vacancy rates and a shortage of supply** in many areas including Leeds, York and Harrogate. This could potentially constrain growth and new investment, although this is less of an issue in Leeds where there has been a large amount of new Grade A space brought to the market. Both York and Harrogate have constrained town/city centres which makes it difficult to deliver new offices in the most sought after locations. The low vacancy rates in other towns and cities also means that the needs of local businesses are not being met. In these areas the main issue is low rental values which means new space cannot be delivered without some public sector support to address the viability gap.

9.5 Changes to **permitted development rights are increasing pressure** on the limited supply of office space. To date this has been most evident in York and Bradford but is reported as an issue in a number of areas. Given the very low vacancy rates in each of the office markets, any further loss of office space would risk displacing jobs and create further barriers to growth.

9.6 The **role of offices is changing**. Even before the pandemic there was evidence of a move away from long term leases towards more flexible use of space, including managed space, serviced offices and co-working. The look and feel of many modern offices is also radically different to the offices of the past. This is partly due to the changing nature of office work, which is less desk based and more collaborative. But also reflects the fact that offices are increasingly a means of attracting workers based on the 'experience' they can offer e.g. an inspiring and sociable environment.

9.7 The pandemic is likely to accelerate this trend because it has underlined that people can work from wherever they choose. Therefore, if offices have a role in the future it will increasingly be as social and collaborative spaces. This has implications for the way office quarters should be designed.

9.8 Although there is still considerable uncertainty, these trends are also likely to mean there is less demand for office space in future and particularly for large offices with rows of desks. There is also likely to be growing demand for small, flexible workspace in those places which attract professional workers including affluent suburbs, York and Harrogate.

Future pipeline

9.9 The trends based scenario suggests the need for around 108 Ha of land for office development between 2018 and 2036. However this is likely to overstate future requirements for the reasons above.

9.10 Nevertheless, even based on this high estimate, the pipeline of strategic sites is likely to provide sufficient land to meet future demand. At least 128 Ha area is available for office development, but this could be higher if sites suitable for a mix of B class uses are included.

9.11 There is also a good supply of land in each of the main office market locations, including Leeds city centre, out of town business parks, York and Harrogate. This is likely to be sufficient to meet future demand overall, although there is a risk that the future supply in York will not be adequate if there was further losses of office space to other uses in the city.

Recommendations

9.12 We do not believe there is a need to identify additional strategic sites for office development as the current pipeline is likely to be adequate to meet future demand. However there is a role for the public sector to ensure that the right type of development comes forward, particularly given the way that the role of offices could change. There needs to be a specific focus on placemaking, public space and ensuring that new office developments that do come forward offer small units and are integrated with other uses, including residential and leisure uses. This will help to create the vibrant locations needed to attract workers.

9.13 WYCA and local authorities should also be prepared for a change in the pattern of demand for office space, particularly growing demand in professional suburbs. If this does become an established trend, local authorities should identify opportunities to provide small amounts of floorspace as part of mixed use developments, particularly around transport hubs and close to existing amenities.

9.14 Finally, there may be a role for the public sector to help support the delivery of new office space in the other town and city centres outside Leeds, particularly those with low rental values where new development is not commercially viable. These are not strategic office market locations in the context of the city region, but play an important role in meeting local demand and supporting the vibrancy and regeneration of town centres.

9.15 The focus of this study has been on strategic demand and supply in the office market. It has not been possible to look in detail at the specific issues facing local centres and the appropriate policy response. Therefore the following recommendations are at a high level and would require further investigation:

- **Understanding the nature of local demand**: there needs to be a clear understanding of requirements for office space in town and city centres so the planning authority can plan for what is needed. Specifically this needs to understand the types of occupiers that need space, and what they are looking for in terms of quality, affordability and flexibility. This may sound obvious, but there is often too much emphasis put on the need for Grade A space when most demand is from local businesses looking for affordable space of a reasonable quality.
- **Use of public sector land and built assets**: there may be underused public assets which can be refurbished at reasonably low cost to provide good quality space, either managed by the public or private sector. This has happened in Harrogate, where the release of former council buildings are being refurbished and let as office space for SMEs.
- **Working with developers through town centre regeneration plans**: a large number of councils are drawing up regeneration plans for town centres, drawing upon funding from the Towns Fund or the Future High Street fund. As part of this process, local authorities should work with developers to explore how small quantities of office space could be delivered as part of a mixed use development, alongside more viable uses.
- **Reducing risk or helping developers access grant funding**: the main challenge to delivering office space in these areas is viability, linked to the high risks involved for the private sector to deliver new space. Local authorities should consider the use of various development incentives which can reduce this risk, including rental guarantees, put options and wrap leases.

Industrial/warehouse

Trends, drivers and challenges

9.16 There is no dominant location for the industrial market. This tends to be widely distributed but focused mainly on south Leeds and along the M62 corridor, including the districts of Bradford, Kirklees, Calderdale and Wakefield. These all have large and well-established manufacturing sectors which drive demand for industrial space. These areas also provide manufacturers with access to the specialised engineering skills that are critical to their success. This is the key driver of location decisions for hi-tech manufacturing businesses who are often reluctant to relocate too far if its risks undermining workforce retention or attraction, even if that means working from outdated premises.

9.17 In contrast, the strategic warehouse market is driven by the need for connectivity and demand is concentrated in transport corridors, particularly along the M62 and to the south of Leeds where the focus is on last mile logistics.

9.18 The growth of online shopping has created **record levels of demand for strategic warehouse space**, which skews the data on take-up. Just a small number of very large deals over 100,000 sq ft account for nearly half of take-up. There is therefore strong demand for large, flat sites close to the motorway. The vast majority of requirements are for much smaller quantities of space, particularly in the manufacturing sector where large requirements are rare and most demand is either for small units below 10,000 sq ft or grow-on space.

9.19 All parts of the city region have **low vacancy rates**, which is constraining the growth of local businesses. The evidence for this is clearest in West Yorkshire districts of Bradford and Calderdale where there are very limited options for businesses that want to relocate. Challenges are compounded by the lack of deliverable, good quality employment sites due to topography and contamination from previous uses.

9.20 The **strong demand for warehousing space could also result in an undersupply of industrial space** in the M62 corridor. The market currently has strong incentives to deliver warehouses on sites allocated for B2/B8 development which are cheaper and lower risk than smaller manufacturing units. In those areas with a limited supply of sites there is a risk that this could act as a barrier to growth of manufacturing. There is therefore a need for either safeguarding of land for industrial development or public sector intervention to make sure these units are delivered.

9.21 Both the **Covid-19 pandemic and the UK's departure from the EU could have very different effects on the industrial and warehouse markets**. The significant increase in online shopping has led to a spike in demand for warehouse space, and the need to safeguard against supply chain disruption could drive further increases in demand for storage space in future. In contrast the manufacturing sector faces significant threats from the prospect of increased trade barriers after Brexit and weaker growth in the global economy as it recovers from the pandemic. Although there are potential opportunities for manufacturing (e.g. from reshoring of supply chains), these are uncertain and could take time to materialise.

9.22 Finally, there are a number of longer term trends which could fundamentally change the way that we manufacture goods, and have important implications for the location and property requirements of manufacturers. In particular, advances in digital technology and environmental pressures could both result in manufacturing taking place much closer to customers, suppliers and R&D hubs and will increasingly locate in urban areas rather than traditional manufacturing areas. Production could increasingly be reshored, but the space requirements will shrink and will take on many of the characteristics of modern creative studios and workspaces i.e. open, collaborative and interactive. These trends have yet to emerge as major influences on demand in LCR but could bring about a major shift from recent trends.

Future pipeline

9.23 The trends based scenario suggests the need for 1,285 Ha of land for industrial and warehouse development between 2018 and 2036. Again, this could be an overestimate as past trends have been driven by the growth of online shopping. This will continue in future but is likely to reach a point at which it plateaus, and the growth in demand for warehouse space will be more modest.

9.24 The study has identified a potential supply of around 981 Ha on strategic employment sites. Although this implies a shortfall overall, this pipeline is likely to be sufficient to meet demand from strategic occupiers, with local demand accommodated on other non-strategic sites.

9.25 There is a large supply of large flat sites in close proximity to the motorway network (particularly in Wakefield) and to the south of Leeds. We therefore conclude that there is an ample supply of sites to meet demand from strategic warehouse occupiers.

9.26 However, the analysis suggests an undersupply of strategic sites in western districts, particularly Calderdale and Bradford[40] but also Kirklees where there is demand from manufacturers. Some of the strategic sites in this area also have deliverability challenges. These are all adjacent districts, covering a large part of the M62 corridor which suggests there may be limited potential for growing businesses to relocate nearby if supply was constrained in future. Businesses may need to look further afield in Wakefield or Leeds, which may not be feasible for those businesses dependent on a specialised skills from the local workforce.

Recommendations

9.27 The findings point to an undersupply of strategic land across a large area of the M62 Corridor, and to the need for a strategy to address this undersupply. There is good evidence to suggest that businesses in these areas already face barriers to growth due to a lack of grow-on space and suitable employment sites. The M62 area is a key location for manufacturing, which is a priority sector for the LEP. Therefore we conclude there is a strong strategic case for ensuring the delivery of the sites that have already been identified and working with local authorities to identify additional strategic sites.

9.28 We recognise that this brings about a number of challenges. Western districts, particularly Calderdale and Kirklees, face some significant development constraints due to both topography and previous industrial uses. This points to the need for a substantial grant contribution to address abnormal costs and ensure development is viable. The decision of whether to provide substantial grant assistance to support delivery of sites in this area is clearly a decision which needs to be made by WYCA, based on a careful assessment of the potential economic benefits and the costs associated with individual sites.

9.29 This assessment would need to take in to account the strategic importance of this area for manufacturing and the fact that demand is often very localised and cannot be met in other parts of the city region. It should also consider the importance of the manufacturing sector to these areas as a source of high quality jobs and local wealth creation, which could be undermined if sites were not brought forward.

9.30 We recommend that, as a minimum**, an additional 80 Ha of land is identified across Bradford, Calderdale and Kirklees[41]**. This would be sufficient to accommodate an additional five years of demand, based on past levels of take-up of floor space. This should prioritise:

- Large sites close to the motorway network
- Expansion of existing industrial estates to provide grow on space for existing businesses

9.31 To support this we recommend that **WYCA establishes a dedicated fund for site assembly, preparation and infrastructure**. The report has identified a clear justification for public intervention where it is evidenced that the supply of employment land is constrained due to physical challenges and complex land ownership which acts as a barrier to growth. WYCA needs to ensure that it has capital grant funding available through its evolving Mayoral Combined Authority process (e.g. through the Single Pot proposals) dedicated to support site delivery.

9.32 Going further than this, WYCA should explore the **direct delivery and management of industrial schemes** that can be made available wholly for manufacturing firms either on a leasehold or freehold basis. Developer-held sites are often retained for large scale leasehold

[40] Subject to the caveat that it was not possible to include all Bradford employment sites in the research

[41] This could include land on strategic employment sites in Bradford that it was not possible to include in this study.

transactions which can invariably result in a logistics/distribution focus. Evidence of the success that Bradford Council has had at Sapper Jordan Rossi Park (formerly Baildon Business Park) shows that a public sector landlord based model can offer particular benefits in terms of attracting high value manufacturing occupiers with their specific freehold requirements. This is a model which should be explored further and could look at some of the EZ sites which have yet to be developed.

9.33 Other actions which should be considered by local authorities include:

- **Being stricter about permitted uses**: where it is clear that local manufacturers property needs are not being met, local authorities may need to be stricter about what type of development is permitted on employment sites. This could set minimum quantities for B1c/B2 space on large sites and ensure this is enforced, although we recognize that this is not always practical.
- **Providing a range of space requirements**: larger employment sites should include a mix of small, medium and large units with the aim of creating a property cycle. This will provide the small starter units in greatest demand from manufacturers. The medium and larger units may initially be taken by warehouse occupiers but could provide the second-hand grow-on space needed in a few years' time.

Areas for further research

Innovation Hubs

9.34 The recommendations above relate to addressing current barriers to growth which were widely reported by consultees. From a market perspective, this is the short-term priority for public intervention. However the study has also identified a potential role for WYCA to support the long term growth of innovative, high value sectors through place based interventions and the creation of innovation hubs.

9.35 The report has shown that advances in digital technology are likely to have major impacts on sectors such as advanced manufacturing by fundamentally changing the way we design and produce goods. In order to maximise the future benefits for the LCR, the public sector needs to ensure there is an environment for businesses from these sectors to interact and collaborate with each other and to harness the knowledge generated by the region's academic institutions.

9.36 An innovation hub based on a strategic site could provide one means of achieving this, and recent research in the city region has indicated that there is an appetite for such a facility among stakeholders in the city region. There are also numerous examples from elsewhere of where this approach has been successful.

9.37 However this is an area that would require further research. The study has not demonstrated strong market demand for such a facility, but this reflects the fact that these are emerging sectors and that the main focus of the research has been on current market priorities. In particular there is a need for wider engagement with HEIs and the businesses in innovative sectors to assess the need for a hub and to understand the appropriate location and design of the facility.

Demand for a commercial property loan fund

9.38 There is clear evidence that the availability of development finance is constrained in the LCR, and that this could be exacerbated by the Covid 19 pandemic in the next few years. Given the evidence of undersupply of commercial property in the LCR, particularly in the industrial market, there is potential for a public fund to step in to help fund viable schemes, particularly those which are considered to be a high economic priority. This is an approach which has been taken in a number of other areas with similar market conditions, including Greater Manchester, the Liverpool City Region and the Sheffield City Region.

9.39 The research has not identified a strong need for a fund in the LCR, although this is likely to reflect the fact that we have not engaged with the small developers who would benefit most. We therefore believe there is value in WYCA exploring the potential to establish a commercial property loan fund further. WYCA should carry out further market engagement focusing particularly on smaller developers to understand the issues they face and the implications for the appropriate design of a fund. This should start by looking at the pipeline of projects with planning permission in the LCR and engaging the developers involved.

Appendix A - Sector to use class allocations

Table A.1 Assumed percentage of employment requiring B class employment space

	Office	Industrial	Warehouse
Agriculture, Forestry & Fishing	1%	1%	0%
Extraction & Mining	5%	0%	0%
Food, Drink & Tobacco	5%	85%	10%
Machinery & Equipment	5%	85%	10%
Metal Products	5%	85%	10%
Chemicals	5%	85%	10%
Pharmaceuticals	5%	85%	10%
Computer & Electronic Products	5%	85%	10%
Rubber, Plastic and Other Non-Metallic Mineral Products	5%	85%	10%
Transport Equipment	5%	85%	10%
Textiles & Clothing	5%	85%	10%
Wood & Paper	5%	85%	10%
Printing and Reproduction of Recorded Media	5%	85%	10%
Other Manufacturing	5%	85%	10%
Utilities	5%	7%	1%
Fuel Refining	5%	85%	10%
Construction of Buildings	5%	0%	3%
Civil Engineering	5%	0%	3%
Specialised Construction Activities	5%	1%	3%
Wholesale	5%	0%	91%
Retail	5%	8%	7%
Land Transport, Storage & Post	5%	0%	58%
Air & Water Transport	5%	0%	9%
Accommodation & Food Services	5%	0%	0%
Media Activities	81%	0%	0%
Telecoms	100%	0%	0%
Computing & Information Services	100%	0%	0%
Finance	100%	0%	0%
Insurance & Pensions	100%	0%	0%
Real Estate	22%	0%	0%
Professional Services	95%	2%	0%
Administrative & Supportive Service Activities	68%	1%	10%
Education	2%	0%	0%
Health	5%	0%	0%
Residential Care & Social Work	5%	0%	0%
Public Administration & Defence	61%	0%	0%
Recreation	5%	0%	0%
Other Private Services	5%	2%	0%

Appendix B - Sites Assessment

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
BARNSLEY									
MU1	Land South of Barugh Green Road	Very large greenfield site on western fringe of Barnsley town. Existing employment uses are located to the north and site is close to M1 corridor. Site is currently vacant with some agricultural uses. Urban development is located on three sides and therefore the site appears appropriate as site for further growth of Barnsley. Moderate sloping on site. Employment Growth Area SPA	• Sloping • Multiple ownerships • Issues with residents	Local Plan states that site is Mixed Use, with 43ha for employment	Full masterplan adopted by the council in December. Still a funding gap. Northern areas would provide proximity to existing employment, but southern areas are closer to M1 junction. Suitable for B1/B2/B8, though predominantly B2 and B8, including small to very large units. Collaboration between site owners through consortium, joint venture or contract arrangement is recommended.	123.3	43	Yes, appropriate as a strategic site for mix of employment uses	Barnsley MBC Multiple private ownerships (18)
MU3	Land between Shaw Lane & West Green Link Road	Very large, greenfield and brownfield site near Cudworth in north east of Barnsley town. A former colliery is on part of the site. Industrial uses are to the south of the site, with potential for southern parts of site to be an extension of this estate (subject to planning).	• Sloping • Former Carlton Colliery on part of site • Multiple ownerships	Local Plan states that site is Mixed Use for housing and green space, with no comment on employment uses	Requires full masterplan, which may identify some ancillary employment uses, but unlikely to be strategic employment uses. Any employment uses are likely to be in the south of the site and would require a change in planning policy. Embarking on the masterplan September 2020. Possible funding gap with highway requirements.	117.3	0	No, housing and green space site	Barnsley Metropolitan Borough Council EBS Self-Administered personal pension plan trustees limited Network Space developments limited Shaw Lane developments limited Yorkshire Water services limited 9 other private owners

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
ES10	Land South of Dearne Valley Parkway	Large greenfield site to the west of Goldthorpe Industrial Estate, Goldthorpe, which has logistics and manufacturing occupiers. Moderately flat site. Potential for expansion of industrial estate, though may require different access point.	• Multiple ownerships • Flood risk		Masterplan was adopted in December 2019. Development will start sometimes in the next three months. Utilising funding to complete the first phase. Appropriate for a mix of uses, through predominantly B2 and B8, similar in market position to neighbouring industrial estate.	72.9	72.9	Yes, appropriate as a strategic site for mix of employment uses	Wentworth trustee company limited 5 other private landholders
ES13	Land West of Sheffield Road	Large greenfield site between Sheffield Rd and M1, close to J36. Moderately flat, site is used as pasture land. Abuts residential uses in the north.	• Multiple ownerships • Potential impacts on neighbouring residential areas		Proximity to M1 junction is a key asset for the site and shows potential for strategic employment uses. Requires full masterplan which should consider range of employment uses, as well as connectivity to M1, impacts on surrounding uses and HS57 housing growth area. Appropriate for a logistics led scheme, assuming transport impacts are managed on surrounding areas 360,000sqft distribution centre and B8 units. Masterplan should be adopted in the next month (sept 2020) – utilising Sheffield city region funding. Subject to the planning application	49.4	49.4	Yes, appropriate as a strategic site for mix of employment uses	D H Armitage Transport Limited Green lane farm south Yorkshire limited National grid gas distribution limited Wentworth trustee company limited 1 other private landholder

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
					being granted – should be on site October 2021.				
MU5	Land at Lee Lane	Large site with housing and convenience centre intention in the Local Plan, partially developed for housing.	•	Approval for 166 dwellings, Local Plan intends for an additional 828 dwellings	Development in line with Local Plan and existing approval Purely residential, first phase currently on site.	35.2	0.0	No, housing site	Barnsley Metropolitan Borough Council BDW Trading Limited Harlaxton Energy Networks Limited The Wakefield diocesan church organised society Yorkshire Housing Ltd
ES17	Land South of Dearne Valley Parkway	Large site in single ownership (BMBC). Land to the north of Dearne Valley Parkway has been developed for an industrial estate. This site would share a roundabout access point with the existing estate. Moderate flat site. Parkway is dual carriageway and important link to M1 J36 approx. 1.7km from roundabout.	• Partially treed	Current hybrid application for mix B1, B2, B8 uses up to 102,193 sqm.	Potential for mix of employment uses, predominantly B2 and B8. Requires full masterplan. Planning application has been granted – Sheffield city region funding.	28.2	28.2	Yes, appropriate as a strategic site for mix of employment uses	Barnsley Metropolitan Borough Council
ES8	Land off Ferrymoor Way	Significant site in single ownership, part of an industrial area, Site has been partially developed for serviced lots.	• Flood risk on part of site	Outline approval for B1, B2, B8 on full site	Site is appropriate for mix of employment uses, with potential to come forward in near term. Sites are serviced and ready for development.	17.0	17.0	Yes, though debatable whether a strategic designation in necessary to bring sites forward.	Wilson Infrastructure Ltd

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
BARNSLEY TOTAL – ALL SITES						443.3	210.5		
BARNSLEY TOTAL – STRATEGIC SITES ONLY						290.8	210.5		
BRADFORD									
ELR/0044	Woodhall Road/ Gain Lane	Gain Lane EZ, now Thornbury Industrial Park. Construction has started for mid to large logistics and industrial floorspace, including speculatively built units.	• Sloped	Construction works started on here in Oct 2019 The new access road is complete as well as all ground works First 2 spec units due for completion in March 2021 with the whole site to deliver 361,500sqft of commercial floorspace	Proceed as approved	9.9	9.9	Yes, appropriate as a strategic site for mix of employment uses	Single private ownership
ELR/0055	Staithgate Lane	LCR EZ greenfield site near to J2 of M606. A significant range of other industrial uses are located on both sides of the M606 near this junction (Euroway Industrial Estate). This site presents opportunity for an expansion of this node. There is regular communication with the EZ team as the site will require public sector intervention to make the site viable for development.	• Significant gradient changes both north to south and east to west so challenging from a size of floor plate delivery • High levels of contamination on parts of the site which leave construction options limited	Initial assessments indicate the site could deliver approximately 150,000-175,000 sqft commercial space	Potential for last mile logistics of significant single occupier manufacturing Live private sector interest on the site and they have secured an option from the freeholder to protect their position whilst they carry out further surveys and viability appraisals	8.5	8.5	Yes, appropriate as a strategic site for mix of employment uses	Single private ownership
ELR/0087	Valley Road	Narrow infill site within northern urban area of Bradford. Surrounded by commercial and employment uses	• Narrow		Infill site for smaller scale B1, B2 uses or trade counter	0.7	0.0	Too small in scale and lacking prominence for a strategic site	Single private ownership

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		Site is within Housing Growth Area SPA							
BRADFORD TOTAL – ALL SITES						19.1	18.4		
BRADFORD TOTAL – STRATEGIC SITES ONLY						19.1	18.4		
CALDERDALE									
LP1232	Land at, Wakefield Road/Clifton Common, Clifton, Brighouse, HD7	EZ Greenfield site with some moderate to significant sloping. Partially treed, particularly providing a screen from Wakefield Rd. South of Wakefield Rd is an existing industrial estate. Close to M62, J35.	• Sloping • Trees	Outline approval for mix B1, B2, B8 scheme. Indicative plan has some 45,800 sqm of floorspace	Develop in line with outline plan. The council are undertaking further surveys, detailed designs to secure the site ownership, likely to be through CPO – considering future funding possibilities for the site	21.4	21.4	Yes, appropriate as a strategic site for mix of employment uses	Gordon Sudworth (properties) Ltd Wharfedale Ltd Willow properties (Yorkshire) Ltd 9 private landowners
LP1170	Mulcture Hall Road, Halifax	Mostly flat, partially treed site at the edge of the Halifax town centre. Potential regeneration site for the town centre, former Transco site. Neighbouring uses include car park, offices and commercial uses. Site is within Urban Growth Centres SPA	• Flood risk • Trees • Potential contamination	Mixed Use development including residential and hybrid units. Identified in Mixed Use Site Capacity Assessment as having potential for 2,630 sqm of hybrid employment units (two storeys)	Employment uses could comprise part of mix, most likely B1, including serviced offices, research facilities or workshops.	3.2	0.4 (approx. based on floorspace estimate)	No. Important regeneration site but not for strategic employment, though key site within Urban Growth Centres SPA	Birch Sites Ltd
LP1632	Land at, Horton Street/New Road, Halifax	Pennine Retail Park and car park. Some potential for increased intensity of uses on car park, though more likely for town centre uses. Site is within Urban Growth Centres SPA		Outline approval for broadening of uses, including A3, A4. Identified in Mixed Use Site Capacity Assessment as having potential for 2,945 sqm of employment floorspace	Potential for small B1 units including offices and workshops. Likely to be reuse of existing units.	1.6	0.7 (approx. based on floorspace estimate)	No, not envisaged for strategic employment, though key site within Urban Growth Centres SPA	B&M Edward Hutley Investment limited Halifax Snooker club limited

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
									HDT Services limited James Hay pension trustees limited RBA Investment limited Revista property limited Sky D.I.Y supercentre limited 5 unknown freehold
LP0749	Stoney Royd Mill Albion Mills, Bailey Hall Road, Halifax	Former mill buildings in ownership of Nestle UK in a key factory location. Important employment location in Halifax. Some vacant buildings. Potential to reuse underutilised buildings. Site is within Urban Growth Centres SPA		Underutilised buildings identified in the Mixed Use Site Capacity Assessment as having potential for residential and offices, with floorspace recommendation of 1,699 sqm of offices.	B1 offices in underutilised space as part of mixed use redevelopment.	1.5	0.0 (will be reuse of existing floorspace)	Not strategic site, though key site within Urban Growth Centres SPA	Nestle UK ltd Network Rail Infrastructure limited Calderdale Council
LP1287	Northgate House / Central Library, Northgate, Halifax	Building in central Halifax, comprising office space and library. Site is within Urban Growth Centres SPA			Any regeneration of site would likely to be for B1 offices with supporting town centre uses.	0.9	0.0	Not available for strategic employment, though key site within Urban Growth Centres SPA	Calderdale Council
CALDERDALE TOTAL – ALL SITES						28.6	22.5		
CALDERDALE TOTAL – STRATEGIC SITES ONLY						21.4	21.4		

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
CRAVEN									
HARROGATE									
H51	Land East of Lady Lane	Large, moderately sloped site at the south-west edge of the town of Harrogate. North of the site is a range of good quality office buildings and commercial uses. Lady Ln is narrow and would require investment. Site is used for agriculture.	• Narrow access • Some sloping	Outline application for 500 dwellings and up to 1.92ha of employment land (B1, B2, B8)	Employment uses are likely to be linked to the existing uses to the north. Overall scheme will be led by residential development.	47.2	1.9	It is important to encourage an element of employment uses on site, but unlikely to be strategic level employment.	Hallmark Aviation limited Mulgrave Homes limited Duchy of Lancaster 12 private landholders
FX4	Strategic Employment site to the south of the A59, Flaxby Green Park	Designated as a strategic employment site in the Harrogate District Local Plan, this site is close to the A1(M). Significant part of site has trees, reducing overall yield of useable employment land	• Flood risk • Trees	Outline approval for green business park	Develop in line with approval.	40.5	17.4	Yes, strategic employment site	Forward Investment LLP Harworth Estates Investments Limited
PN18	Employment site south of Almsford Bridge, Pannal	Mostly flat agricultural fields in single ownership (Harrogate Borough Council). Site is to the east of A61, a key arterial south of Harrogate.			Potential for a range of small to mid-sized employment uses. May be longer term option given lack of urban population in close proximity.	13.0	13.0	Yes, strategic employment site	Harrogate Borough Council
MB8	Land west of Barker Business Park, (larger site), Melmerby	Greenfield site to the west of an existing business park. Access likely to be through business park and site represents logical expansion site, if required. Barker Business Park is in a rural location with little surrounding population, but is close to the A1(M).	• Access		Potential expansion site for existing business park, providing B2, B8 uses. Likely to be long term proposition	12.1	12.1	While an employment site, not considered a strategic employment site.	No registered titles

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
MB6	Land to the north of Barker Business Park, Melmerby	Flat site to the north of the existing business park. Similar to MB8 represents an expansion site opportunity for Barker Business Park. Access would be via narrow Witherick Ln, which reduces opportunities for the site.	• Access		Potential expansion site for existing business park, providing B2, B8 uses. Likely to be long term proposition. Likely to require improvements to Witherick Ln.	5.2	5.2	While an employment site, not considered a strategic employment site.	1 private landholder
MB3	Land to the south of Barker Business Park, Melmerby	Triangular site south of Barker Business Park. Some development of industrial buildings has occurred on this site. Potential for further, similar buildings.			Next phase expansion site for Barker Business Park	3.2	1.6	While an employment site, not considered a strategic employment site.	Barker business park limited Hemingways (furnishers) limited I.P.M personal pension trustees limited Knox pharmaceuticals limited Life source supplements limited SRM Joinery & Construction limited Sturdy properties limited Vulcan group limited Yorkshire vehicle buyers limited
HARROGATE TOTAL – ALL SITES						121.1	51.2		

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
HARROGATE TOTAL – STRATEGIC SITES ONLY						53.5	30.4		
KIRKLEES									
MXS7	Land east of, Leeds Road, Chidswell	Very large greenfield site to the east of the A653, currently used for agricultural uses. In single ownership. Allocation provides the largest employment opportunity in Kirklees and is well placed taking advantage of the M62 and M1. Site is within Housing Growth Area SPA.	• Biodiversity opportunity zone • Mineral safeguarding	Intent in Local Plan is for a residential led mixed use development, with approx. 1535 dwellings. Local Plan designated 35ha for employment. An outline planning application has been received for this site including both housing and employment – 35 ha of B1 (part a and b), B2, B8 uses (2020/92331)	Full masterplan required to determine types and location of employment uses within the site. Could support a mix of B-class employment in a business park layout. Significant interest from businesses in this site particularly from B2 and B8 operations.	120.8	35.0	Yes, strategic employment site	CC Projects Sycamore Vale Ltd
MXS6	Land at, Slipper Lane, Leeds Road (moorpark25)	Land south of Leeds Rd in control of developers and within EZ. Moderately sloped. Slipper Ln is narrow and would require investment if used as access point. Healthy interest in the site and discussions are ongoing despite 2 deals falling through prior to lockdown.		Approval for 16,723 sqm of employment land Phase 1 near completion, occupied by Q4 2020 Phase 2, reserved matters now secured and infrastructure works close to completion	Develop in accordance with approval. Development will commence once 2 of the 5 units have been let or sold Small – medium sized units with good access to M62 Phase 1 – occupied phase 2 under construction	12.3	6.0	Employment site is coming forward, though is a borderline strategic site, included as strategic site as within EZ.	Caddick Developments (North) Limited Park Crescent Limited Taylor Wimpey UK Limited
ES7	Former North Bierley Waste Water Treatment Works, Cliff	Brownfield site, former waste water treatment works. Cliff Hollins Lane is narrow, limiting potential access to site. Near to Junction of M62 and M606,	• Potential contamination • Narrow access	Outline approval for re-development of former waste water treatments works following demolition of existing structures to provide	Development in line with outline approval.	14.03	7.61	Yes, potential for strategic employment site	Interchange 26 LLP Keyland Developments Ltd

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
	Hollins Lane, Cleckheaton	though access would need to be established.		employment uses (use classes B1 (c), B2 and B8) (Phase 1) – Approved Reserved matters (Phase 2) – pending Demolition works complete. Engineering works to create development plateaus to commence in Jan 2021. Construction of phase 1 to commence Q2/3 2021.					Yorkshire Water Services Ltd
ES9	Former Cooper Bridge Waste Water Treatment Works, Leeds Road, Mirfield	Brownfield site, former waste water treatment works in proximity to Junction 25 of M62. Railway line backs onto the south side of the site. Owner of the site is the manufacturer John Cotton Group, which has existing premises on adjacent site. Site is within Employment Growth Area SPA.	• Potential contamination • Part of this site lies within a UK BAP priority habitat • Flood Zone	Potential expansion area for John Cotton Group	Assessment of opportunities for employment uses on site and masterplan, including assessment of constraints.	8.49	4.26	Yes, potential for strategic employment site	John Cotton Group limited Kirklees Council Yorkshire Water Services limited 1 private landholder
MXS2	Land east of, Southgate, Huddersfield	Brownfield site, now cleared with hardstand areas. Huddersfield town centre site with potential for regeneration opportunities. Flat site Council owned and subject to significant interest for various of employment uses.	• Potential contamination	Mixed use site within Local Plan for 46 dwellings capacity.	Assessment of opportunities required. Potential B-class opportunities would be B1 offices as park of mix of uses.	2.7	1.33	Yes, potential for strategic employment site as town centre regeneration scheme.	Yorkshire Electricity Distribution PLC Kirklees Council

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		Site is within Urban Growth Centres SPA.							
MXS4	Land north of, Trinity Street, Huddersfield	Brownfield site on the western edge of Huddersfield town centre. High profile site at the intersection of A460 and A62. Former Kirklees College site comprising some 1960's era buildings and some heritage buildings. Site is within Urban Growth Centres SPA.	• Built form • Heritage buildings • Access/traffic • Not cleared	Local Plan envisages mix use development with capacity for 45 dwellings. Pending application (from 2018) by site owner for higher density development – 239 dwellings, office, retail, including offices in heritage premises Expired permission for demolition and construction of food retail unit	Work with applicant to encourage a strong proportion of the development to be B1 offices of a high quality to improve the range of modern facilities in the town centre. Private ownership but development potential medium	2.4	0.5	The site is important as a regeneration site in Huddersfield, but unlikely to be a strategic employment site, though is within the Urban Growth Centres SPA	Trinity One LLP
MXS5	Lees House Farm, Leeds Road, Dewsbury	Site adjoining MX1905 – Land East of Leeds Rd Chidswell. Site should be considered with adjoining site. Site is within Housing Growth Area SPA.	• Farm buildings • Moderate sloping	Local Plan envisages mixed use scheme with capacity for 38 dwellings.	Include in masterplan of adjoining site	2.2	0.0 (part of allocation of adjoining site)	Only as part of broader assessment of adjoining site	3 private landholders
ES4	Land south of, Tilcon Coal Yard, Bretton Street, Dewsbury	Small, triangular site surrounded by industrial uses. Site is within Housing Growth Area SPA.	• Minerals safeguarding • Flood risk	Employment Allocation in Local Plan	Continue to designate as employment site. Likely to be B2 or B8, including potential outdoor storage, serving a local function.	0.8	0.8	No, not a strategic level employment site	Kirklees Council 1 private landholder
ES3	Land to the north and east of, 1-3, Greaves Road, Dewsbury	Partially treed site with moderate sloping. A storage garage on part of the site and surrounded by residential and small scale industrial. Site is within Housing Growth Area SPA.	• Sloping • Minerals safeguarding • Needs significant tree clearance	Employment Allocation in Local Plan	Continue to designate as employment site. potential for small scale, mix of employment uses.	0.7	0.7	No, not a strategic level employment site	Kirklees Council 3 private landholders

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
MXS3	Land south of, Lindley Moor Road, Lindley	Mixed use site already partially developed for residential, industrial and car dealerships. Lindley Moor East and West EZ sites	East of the site is significantly constrained Powerline above east side	Mixed use designation in Local Plan, including 8ha for employment. Outline approval including 14,864 sqm of employment, as well as residential. Part of residential has been constructed. West side – delivered. East side is more complicated – currently no planning apps on site. East side will take longer to be delivered but is still an allocation	Continue to develop in line with approval.	32.2	8.0	No, not a strategic level employment site	Scotfield Group
ES6	Land to the north and west of, The Royds, Whitechapel Road, Cleckheaton	Site close to the intersection of the M62 and M602 (J26). The site is greenfield with some sloping.	• Some sloping	Employment allocation in Local Plan Significant interest in the site with discussions ongoing Expectation is for the site to be fully built out in the next 2-3 years	Strong potential for mid to larger scale employment uses, predominantly B8 and B2. Work with landholder to understand development plans, prepare masterplan and bring forward	23.5	10.68	Yes, strategic employment site	2 private landholders
KIRKLEES TOTAL – ALL SITES						220.12	74.88		
KIRKLEES TOTAL – STRATEGIC SITES ONLY						181.82	64.88		
LEEDS									
AV64	Temple Green	Logistics and manufacturing site within the LCR Enterprise Zone (Gateway 45). Flat site, with phase 1, comprising, car showrooms, services and some internal roads completed. There is a park and ride that is not	• Flood risk	Planning consent for 245,000sqm of manufacturing and logistics space – this only relates to B8 uses	Some of the planning consent can still be implemented. Occupiers likely to be attracted to site would include national and regional	69.2	42.0	Yes, strategic employment site	C.J Stern (Oils) Limited Gateway Leeds Trustee 1Llimited Gateway Leeds Trustee 2 Limited Leeds City Council

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		within the allocation but part of wider land area			manufacturers and logistics firms. Some land lies within HS2 safeguarding area and is proposed for the Leeds East Rolling Stock Depot. Site also includes Leeds University's High Speed Rail Institute in addition to the wider B8 consent.				Northern Powergrid (Yorkshire) PLC
AV63	Logic Leeds (Skelton Moor Farm)	Established logistics and industrial estate within the EZ including key occupiers such as Amazon and John Lewis. Some sites under construction and last remaining sites on the market, totally approx. 2.4ha.	• Amazon take up most of the site	Planning consent for B1, B2, B8 uses, most of which has been developed. Last two lots on the market.	Site will continue to be rolled out by developer with completion likely in the near term	20.0	2.4	No, most of the last plots have been consumed	Amazon John Lewis PLC Leeds City Council Muse Developments Limited Northern Rail Infrastructure Northern Gas Networks Limited Northern Powergrid (Yorkshire) PLC Premier Farnell UK limited Standard Life Assurance Limited
AV94	South Bank Central Area	Key central Leeds regeneration site, which has already seen successful outcomes, including for employment uses, such as a creative and digital cluster of businesses. This is a mixed use allocation so employment uses are expected to come forward alongside residential uses and a new city park.		South Bank Leeds Regeneration Framework SPD guides the development. Planning consent for 85,000 sqm of office as part of mixed-use scheme	This area is an existing and active regeneration site and will continue to develop in accordance with the Framework. 85,000sqm of office development approved and potential for more offices within the rest of the site.	19.5	5.8	Yes, strategic employment site	Multiple ownerships

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		The main focus of development is the Tetley Brewery site. Site is within Urban Growth Centres SPA.							
AV67	Skelton Grange (North)	Site adjacent to AV64 at the LCR EZ. Potential for latter stage phase of development of the EZ	• Access (Skelton Grange Bridge proposal requires public funding)	Landowners are masterplanning for commercial uses	Latter stage development of the EZ, should respond to market demands and dynamics established in the earlier stages	12.0	12.0	Yes, strategic employment site	Harworth Estates Investments Ltd
MX2-35	Temple Works	Potential regeneration site on the western edge of the Leeds South Bank. Temple Works is a Grade 1 listed mill and has been vacant for many years with a significant conservation deficit associated with bringing it back into use. Other areas on this site include cleared plots in the west of the site and older underutilised and derelict buildings. The SAP has identified this site for a mixed-use scheme, and the Holbeck South Bank SPD provides additional planning guidance. Site is within Urban Growth Centres SPA.	• Heritage buildings (Grade 1) • Ownerships • Conservation deficit	Temple Works building has been earmarked as site for British Library North but would require significant investment to be reusable.	Full masterplan required to identify use types and layout of site. Securing central government funding in 2020 for viability assessment of British Library North is a key milestone though ultimate use of this part of the site is reliant on outcome of that assessment. B-class uses will be a small proportion of the site	11.4	3.8	Yes, strategic employment site, though unlikely that all of site would be used for B-class employment, though still significant in terms of city centre supply	Affiniti Integrated Solution Ltd CEG Temple Mill Limited Citylife 4 Limited Grainger Residential Limited Grandlane Limited Leeds City Council Network Rail Infrastructure Limited Oakwell Securities Limited ST Vincent de-Paul Society Torch Communications Limited Yorkshire Electricity Distribution PLC 3 private landholders
EG1-3	White House Lane Yeadon	Site to the north of Leeds Bradford Airport and south of existing warehousing units. Site is at main entry point for the airport and is moderately sloped. Site is within the Employment Growth Area SPA	• Moderately sloped • Waterway through site		Opportunity to attract business that would benefit from a location alongside the airport, including offices and warehousing uses. Opportunity for high profile occupiers.	4.6	4.6	Yes, strategic employment site	Site is owned by the 5 West Yorkshire authorities: Leeds Council Bradford Council Calderdale Council Wakefield Council Kirklees Council

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
									Learmonth Property Investment Company
MX1-8	Wellington Place	Major city centre office development, with some buildings completed and some under construction. Site is within Urban Growth Centres SPA.		Planning consent for B1 offices of about 150,000 sqm, as well as retail, residential and leisure – quite a lot of this is already developed 90,000 sqm left to be developed	This area is an active development site	3.9	1.7	While a critical site, not needed to be identified as strategic employment site as currently under construction, though part of Urban Growth Centres SPA	MEPC
AV18	Marsh Lane	Cleared site in central Leeds, formerly a warehouse use, but likely to be mixed use scheme. Site is within Urban Growth Centres SPA.	• Pedestrian access (pedestrian bridge is the ideal solution) • Wind	Planning application for residential apartment led scheme (C3) with A1, A2, A3, A4, A5, B1, D1, D2. This application only related to half of the land within the allocation. – could potential be offices on the other half – this half is still in active use as rail open storage – but likely to be residential	Likely to be a residential led scheme. While having a component of B1 offices, not likely to be strategically important.	3.7	0.0	Not a strategic employment site, though part of Urban Growth Centres SPA and an important mixed-use scheme.	Br1dge Estates Limited City East Limited Leeds City Council Tarmac Trading Limited
MX2-15	Great George Street – Leeds General Infirmary	Surplus estate created through the development of two new hospitals on the LGI site. This area of the scheme is not required for LTHT operational purposes and presents a development opportunity. Site is within Urban Growth Centres SPA.	• Grade 1 listed Gilbert Scott building • Within/adjacent to operational estate of hospital	Early masterplans have been produced showing a mixed use scheme including residential, hotel and commercial business space.	Potential for B1 office development as part of redevelopment, which could be positioned for allied health and other complementary uses to the hospital. 12,000sqm for office space	3.6	2.2	Yes, strategic employment site	Boots UK Limited Leeds City Council Leeds Teaching Hospitals National Health Service Trust Crown Estates

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
			• Ownership – Crown Estates						
MX1-11	Whitehall Road - Doncasters	Cleared site at the edge of central Leeds, north of rail line. Site is within Urban Growth Centres SPA.	• Funding	Planning approval for residential apartment buildings with 463 units. (18/02481FU). Planning approval for 10 storey office building (2015, lapsed). Planning approval for 7 storey office building (2010, lapsed).	Residential led scheme. May be opportunities for B1 offices, but not to strategic employment level	3.5	0.0	No, not strategic employment site, though within the Urban Growth Centres SPA. Important mixed-use scheme, though residential led.	26 Whitehall Leeds (Luxembourg) Holding Art PRS Leeds GP Ltd Bam Monk Bridge Limited GDF Suez Marketing Limited Gratterpalm Limited 12 Office Limited Johnston Publishing Limited
MX1-20	Jack Lane / Sweet Street	Site within Holbeck Neighbourhood Plan currently used for car parking. Intended for City One development, a residential and office scheme. Site is within Urban Growth Centres SPA.	• Sub-station, estimated £5m to relocate	Area within H5 Policy area of Holbeck NP. Caddick Developments planning 296 apartment scheme	Some B1 offices may be part of scheme, but not to strategic level. Plan was to include offices. Likely residential led scheme	2.9	0.0	No, not strategic employment site, though within the Urban Growth Centres SPA. Important mixed-use scheme, though residential led.	Caddick (City One) Limited Nationwide Autocentres Limited Yorkshire Electricity Distribution PLC
MX2-23	Quarry Hill/York Street Leeds	Mostly cleared brownfield site at edge of city centre. Currently used for at-grade car parking.	• Pedestrian access over the A61	Outline approval for retail, office, hotel, residential, medical centre, college, student	Outline approval granted in 2017, with reserve matters approvals since. There are no office uses	2.8	0.5	Not a strategic employment site, though within the Urban	Leeds City Council Leeds College of Music

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		Site is within Urban Growth Centres SPA.		accommodation and car parking	included within the latest proposals			Growth Centres SPA. Focus of likely scheme not B-class employment led.	Northern Ballet Theatre Limited Phoenix Dance Theatre Quarry Hill Developments Limited Rainlodge Limited Unite Integrated Solutions PLC Yorkshire Electricity Distribution PLC
MX2-32	Water Lane - Westbank	Site with existing commercial uses, car parking on it. Potential for longer term redevelopment opportunities though not immediate development site. Site is within Urban Growth Centres SPA.	• Existing economic uses		Some intensification of uses could be envisaged, including for B1 offices, but likely to be longer term opportunity.	2.2	0.0	Not strategic employment site, though part of Urban Growth Centres SPA. Given existing uses on site, growth potential for employment is not strategic level.	Asda Stores Limited ATC Properties Limited Bank of Scotland PLC This is My Limited Triton Global Limited W Denis (Holdings) PLC
MX1-28	Kirkstall Road - Yorkshire Chemicals Plc	Cleared brownfield site between River Aire and A65 at a key entry point to the city centre. Flat site with hardstand areas. In single ownership Site is within Urban Growth Centres SPA.	• Flood risk • Potential contamination	Outline approval for residential and student accommodation, with supporting B1, A1-A5, D1 uses	B1 uses likely to be supporting core residential uses. Scheme is City Reach	2.1	0.0	Not strategic employment site, given outline approval, though within Urban Growth Centres SPA.	Clyde Limited (pending change of ownership to Clarion)

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
MX1-12	Globe Road - Doncasters	Central Leeds site between River Aire and rail line. Flat site with hardstand areas. In single ownership. Site is within Urban Growth Centres SPA.	• Flood risk • New pedestrian bridge provision over the canal	Current hybrid application comprising full application for residential development with ancillary commercial uses and outline application for flexible commercial hub building	Support a scheme that encourages a significant proportion of B1 office uses within the mix. 3,000sqm for office	2.0	1.0	Commercial hub will be important B1 employment site, but not strategic employment site, given focus of full application, though site is within Urban Growth Centres SPA.	Get Living Group (Leeds) Co Limited
MX1-24	Wellington Street - YEP LS1 1RF	Former Yorkshire Post site currently under construction for mixed use, residential led scheme. Site is within Urban Growth Centres SPA.		Approval for residential, student accommodation, A1-A5, B1, D1, D2	Development is currently under construction Potential for a large office site in terms of planning terms – this would be recommended	1.9	0.0	Not strategic employment site, given current approvals, though site is within Urban Growth Centres SPA.	YP Real Estate Limited
NRW201	S/o Wholesale Markets Newmarket Approach Leeds	Flat brownfield site with hardstand areas, within the EZ. In-fill site within Cross Green Light Industrial Park. Site to the south has been recently redeveloped for Veolia Recycling and Energy Recovery Facility. Single ownership.		Current application for further waste processing facilities as expansion of Veolia uses.	Appropriate for further waste processing facilities. Alternatively, develop site for industrial and warehousing uses. Appropriate for B-class uses, but not regionally significant.	1.9	1.9	Not strategic employment site, given scale and current application, though noted it is within the EZ	Leeds City Council
MX1-13	Globe Road / Water Lane	Cleared flat brownfield site on north and south sides of Globe Rd. North site is used for at-grade car parking. Southern side unused. Site is within Urban Growth Centres SPA.	• New pedestrian bridge provision over the canal • Flood risk	Hybrid approval including detailed approval for 2 office buildings on the southern part of the site and outline approval for residential apartment	Encourage development of B1 offices in near term.	1.8	0.8	Yes, strategic employment site	ASE II Holbeck Limited Yorkshire Electricity Distribution PLC

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
				buildings and ancillary other uses. Start on site anticipated in 2020					
EO1-31	Whitehall Riverside Whitehall Road LS1	Flat site currently used for at-grade car parking, Approved for three office buildings. Site is within Urban Growth Centres SPA.	• Flood risk	Outline approval for three office buildings	Encourage implementation of approval.	1.7	1.7	Yes, strategic employment site	Premier Inn Hotels Limited Town Centre Securities plc
AV12	Armouries Drive, Carlisle Road	Older style warehouse on site, partially occupied. To the north of the site is the Leeds Dock regeneration scheme, with a significant difference between the quality of built form between the subject site and Leeds Dock. Site is within Urban Growth Centres SPA.			Redevelopment opportunity to be the next front of development beyond Leeds Dock. Potential for B1 office scheme, though would also be appropriate for a range of other city centre uses. Opportunity assessment should be undertaken. This is a mixed use allocation and there is likely to be a significant element of residential use within any scheme that comes forward.	1.5	0.7	Not strategic employment site, though a key mixed-use development site within the Urban Growth Centres SPA	Darn IT Limited Hang Won Hong (Leeds) Limited Leeds City Council Pickups Paper Recovery Service Limited Yorkshire Electricity Distribution plc 1 private landholder
MX2-19	Westgate - Leeds International Swimming Pool	Site currently used for car parking in ownership of Leeds City Council. High profile site on Leeds Inner Ring Rd. Site is within Urban Growth Centres SPA.		Marrico and Helios selected as preferred bidder and intend to submit a planning application by the end of the year to deliver a mixed-used development of 500 student apartments, 400 residential apartments, a 300-bed	Short term mixed use development opportunity site. Council's control over the site means it can drive the direction and timing of the scheme. Appropriate for a range of city centre uses, and B1 offices should be a key consideration. Opportunity assessment	1.3	1.3	Yes, strategic employment site	Leeds City Council

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
				hotel, and 150,000 square-feet of office space.	required. Some residential uses to be expected				
MX1-14	Globe Road - Tower Works	Site on the south bank of River Aire near to Leeds Station. Therefore, a very high profile and important site. Site includes heritage buildings including 3 towers. Current uses include flexible office space providing small units and creative space. Site is within Urban Growth Centres SPA.		Current application for residential uses on remainder of site as part of two phase development which will include B1 commercial office development in second phase	Existing commercial uses should be supported, with further development not impeding on these uses. However, further intensification of site is likely to be residential	1.1	0.0	Not a strategic employment site, as focus of remaining development likely to be residential, though site is within Urban Growth Centres SPA.	Homes England Cedar (Maple Oak) Ask Real Estate Richardson Capital LLP Carillion (Maple Oak) Limited Cetza Trustees V3 Limited Homes and Communities Agency Leeds City Council Yorkshire Electricity Distribution PLC
AV62	South site, Thornes Farm Way	Remaining site within industrial estate. Flat and serviced site. Site within the EZ		Approval for open storage of motor vehicles	Readily developable for B2 or B8 uses, but not strategically important.	1.0	1.0	Employment site, but not a strategic employment site, due to scale of remaining site	British Car Auctions Limited
MX1-5	Portland Crescent	Leeds Beckett University site. Partially developed for modern university building, partially car park. Flat site. Site is within Urban Growth Centres SPA.			Some potential for intensification of development on site on the car park land. Uses would be for university related purposes. Commercial potential	0.9	0.0	Not strategic employment site, as focus of development would be for university-related activities,	Leeds City Council Leeds Metropolitan University

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
					would be linked to university (e.g. incubator, enterprise centre)			though site is within Urban Growth Centres SPA.	
MX2-17	North Street - Leeds College of Building	Developed site comprising Leeds College of Building premises, a 1960s/70s building. Site is within Urban Growth Centres SPA.		Site allocated for mixed use – housing and offices	Dated looking building could be redeveloped for LCB's purposes or as commercial enterprise, though likely to be a medium to longer term proposition.	0.9	0.0	Not strategic employment site, though wite is within Urban Growth Centres SPA. Scale of potential employment within a redevelopment of the site not of strategic scale.	Leeds College of Building
EO1-35	10 - 11 Sweet Street Holbeck LS11 9DB	Site within Holbeck Neighbourhood Plan currently used for car parking. Alongside MX1-20 Site is within Urban Growth Centres SPA.		Area within H5 Policy area of Holbeck NP.	Potential for either residential apartment or B1 office scheme. Within H5 housing policy area of NP therefore likely to be housing led. 8,000sqm – for office – planning is identified for offices – based on previous permission applied earlier in the plan	0.9	0.0	Not a strategic employment site, given policy direction, though within Urban Growth Centres SPA.	Ace Investment Limited Inc Sweet Street Investments Ltd
AV60	Plot 6, Thornes Farm Business Park	Remaining site within Thornes Farm Business Park. Serviced site. Site is within Urban Growth Centres SPA.		ACS are holding the site for potential future expansion of their operations	Readily developable for B2 or B8 uses, but not strategically important.	0.9	0.9	Employment site within existing employment area, but remaining plots not a strategic employment site	ACS Stainless Steel Limited

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
AV11	Former Alea Casino, The Boulevard, Leeds Dock	Key Site within the Leeds Dock node. Attractive, modern building. Current application for a change of use from the casino use to B1 offices. Site is within Urban Growth Centres SPA.		Current application for a change of use from the casino use to B1 offices.	Appropriate for an office use	0.7	0.0 (land not available, building should be considered a windfall site)	Important opportunity for further office premises, but not a strategically significant employment change of use.	Allied London One Limited Clarence Casino Limited London Clubs Leeds Limited Ropergate Trustees Limited Tesco Stores Limited
EO2-6	Kirkstall Road Car Park	High profile site, but isolated as it is completely surrounded by roadways. Currently an at-grade car park. Site is in area of considerable renewal with several current and planned developments. Site is within Urban Growth Centres SPA.	• Pedestrian access		Assessment of potential uses would need to consider its position within a very busy road network. B-class options would be for high rise office building.	0.7	0.7	Yes, a strategic employment site	Leeds City Council
EO1-42	Ex-Metroholst Site Quarry Hill Leeds 9	Adjacent to the Quarry Hill site but separate landholding which is identified for offices in the Local Plan. Site is within Urban Growth Centres SPA.			A residential proposal has come forward on the site so not expected to deliver significant level of employment	0.5	0	Not a strategic site, given current proposal and scale of site, though within Urban Growth Centres SPA.	
EO2-2	Office Scheme Wellington Road & Gotts Road Leeds 12	Older (1960's style) office and depot building on flat site. Fronts Wellington Rd. neighbouring site has been developed for attractive high-rise residential building. Site is within Urban Growth Centres SPA.			Opportunities assessment required to determine preferred outcome for the site. Good potential for B1 office site – probably more a mid-market city centre scheme, rather than a premium scheme that	0.5	0.5	Yes, a strategic employment site, given focus of scheme would be office-led and site is within	Hampshire County Council

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
					would be located at prime sites (e.g. Wellington Place)			Urban Growth Centres SPA.	
EG1-35 / EG1-36 / EO1-13	Hawks Park, North Newhold, Aberford Road, Garforth	Large site near junction 47 of the M1. Moderately flat, greenfield site. South of this site is a mix of industrial, warehousing and retail park uses. HS2 will run through the southern half of the scheme		Outline approval in 2014 for employment park. Indicative masterplan as part of application included 93,822sqm of B8 and B2 floorspace across 5 units from 1,858sqm to 71,488sqm.	Potential to be an extension of existing industrial estate, but also to attract higher profile industrial and logistics operations, using proximity to the M1 as an attractor. Requires full masterplan. Noted that 2014 has yet to come forward, with potential for a public sector role to stimulate development. 31 ha won't be available but est. around 10/15 ha should be available for office space – still enough for strategic	31.0	15.3 (HS2 line runs through the site so realistically available land has been reduced substantially)	Yes, strategic employment site	Water Lane Limited Whitkirk Produce Co Limited 1 private landholder
MX1-26	Otley (east of)	Large site at the eastern edge of the Otley settlement. Mix of farmland and treed areas.	• Narrow roadways through site • Removed from strategic road network • Some sloping • Farm buildings • Multiple ownerships • New road structure would be needed		Potential for small to mid B2 and B8 units, serving a local and district level market. Recognised shortage of land and units in this corridor. Likely that full development of this site would be for a mix of uses, including expanding housing in Otley.	30.0	5.0	Important, but not strategic employment site.	Church Commissioners for England Craftsman Tools Limited Leeds City Council Persimmon Homes Limited Sir Robert Ogden Estates Ltd

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
									William Sinclair & Sons (Stationers) Limited 12 private landholders
MX1-25	Thorpe Park	Thorpe Park is an established business park incorporating high quality office premises. It is proximate to the M1. Future stages will include further office space, leisure, retail and residential dwellings.			Continue to roll out in accordance with masterplan and approvals.	24.4	24.4	Yes, strategic employment site	Thorpe Park Developments Limited Leeds City Council (station adjacent car park site)
MX2-38	Barrowby Lane, Manston LS15	Site to the east of Thorpe Park. Currently a greenfield site, this also has excellent prominence to the M1. Potential medium to longer term expansion opportunity to Thorpe Park. Slightly sloped site used as pastoral land.		The site has been remitted for consideration by the Secretary of State following a legal challenge on the Leeds Site Allocation Plan. As such the site has been returned to the Green Belt and should be excluded from the schedule at this time.	If developed, could be a further stage of Thorpe Park, though may also be positioned differently, such as providing a logistics area or hybrid office/manufacturing uses. However, at this stage should be considered as staying in the Green Belt.	21.2	0.0	No, Green Belt site	Scarborough Group Limited
MX2-37	Hudson Road, Hudson Mill (Arcadia), Burmantofts	Large sprawling collection of older style warehousing and manufacturing units. Surrounded by a mix of uses including residential, cemetery, commercial and open space. Appears that the site is coming to the end of its economic life in current condition and is in need of renewal.	• Residential issues		Initial masterplanning of site has been undertaken but no planning application has been submitted to date. Likely to involve a reduced footprint of employment uses, with residential and other commercial uses also potential end uses. B-class uses would be small to mid-sized premises servicing a localised market.	20.2	4.3	Not strategic site as serving a local market	Arcadia Group Fashion Holdings Limited Blue Sapphire Properties Limited Redcastle (Freeholds) Limited Thorpe Property Development Limited 15 private landholders

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
MX1-3	Abbey Road - Kirkstall Forge	Site around the Kirkstall Forge rail station and car park. Site is split by the River Aire. Opportunity for a scheme taking advantage of rail station location and amenity of area. Construction of early stages of scheme has commenced.	• Flood risk • Restrictions due to the River Aire	Outline approval for 135 apartments, 2,400 sqm of commercial space	Continue roll out of approval.	17.5	3.9	Likely to have some employment role, but not a strategic employment role.	Bupa Care Homes (CFH Care) Limited Commercial Estates Group Limited GMV Twelve Limited Kirkstall forge Investment Property Limited Northern Powergrid (Yorkshire) PLC The Electricity Network Company Limited Zenith Vehicle Contracts Limited
EG1-1	Coney Park Harrogate Rd Yeadon Ls19	Existing uses on site include long term car park facility connected Leeds Bradford Airport and outdoor storage. Large and relatively flat site close to warehousing uses and airport.	•		Potential for B2 and B8 units – small to mid-sized units. Markets for sites would be local enterprises or connected with the airport.	16.5	8.1 (rest of site is used for airport parking and unlikely to come forward for development)	Yes, strategic employment site	Dart Group PLC Meldrew Limited The Reserve Forces and Cadets Association for Yorkshire and the Humber
EG2-19	Land at Topcliffe Lane and North of Capitol Park	Large site in prime location with access to Strategic Road Network (M62, Junction 28). Adjacent to Capitol Park, an existing office and logistics park.		Allocated for general employment uses No planning applications	Potential to be an extension of existing estate, but also to attract higher profile industrial and logistics operations, using proximity to the M62	26.8	26.8	Yes, strategic employment site	1 private landholder

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		Logical site for extension of this node.			as an attractor. Requires full masterplan.				
EO1-39	Phase 3 Capitol Park Tingley Common Wf3	Large vacant plot within Capitol Park, would be expected to be developed as further phase of this node.		Allocated for office use	Appropriate for office use, with likely uses to be similar to office buildings already within Capitol Park (i.e. campus style business park buildings)	2.4	2.4	Yes, strategic employment site	Sterling Capitol plc
EG2-24	Land at Carlton Moor, Leeds Bradford Airport LS19	Large site north of Leeds Bradford Airport and east of existing warehousing units. Site is sloped and vacant. South of the site is main access road to Airport.	• Sloping land	Allocated for general employment uses No planning applications	Masterplan required. Opportunity for a wide range of uses. Potential range of unit sizes including B1, B2 and B8 units, serving a local and district level market and supporting large occupiers as well as smaller users. Recognised shortage of land and units in the local area. Likely that full development of this site would be for a mix of uses, Opportunity to attract businesses that would benefit from a location alongside the airport, including offices and warehousing uses. Opportunity for high profile occupiers.	36.2	36.2	Yes, strategic employment site	Site is owned by the 5 West Yorkshire authorities: Leeds Council Bradford Council Calderdale Council Wakefield Council Kirklees Council
LEEDS TOTAL – ALL SITES						407.8	211.0		
LEEDS TOTAL – STRATEGIC SITES ONLY						263.6	188.6		
SELBY									

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
	Olympia Park	Very large site on the River Ouse, which is mostly vacant flat land, but some buildings on parts of site. site surrounds a warehouse/logistics enterprise and includes a rail spur through the site	• Flood risk • Potential contamination	Local Plan envisages a mixed use scheme, comprising 1,000 dwellings, 23ha of employment by 2027 and a further 10.6ha in longer term	Continue to work with landholders to realise a masterplan for the site in like with Local Plan. Employment uses could be larger scale uses that do not require a large urban population nearby or that requires rail haulage.	91.5	33.6	Yes, strategic employment site	Forfarmers UK Selby Farms Ltd Potter Group
SELBY TOTAL – ALL SITES						91.5	33.6		
SELBY TOTAL – STRATEGIC SITES ONLY						91.5	33.6		
WAKEFIELD									
LP228	Former Newmarket Colliery, Stanley	Large site in close proximity to M62 (J30). Site mostly vacant through one large industrial building has been developed on site (Newcold UK). Potential for logistics and large scale manufacturing premises on high profile site. Site allocated in both the draft and adopted Local Plan. Site is within Employment Growth Area SPA.	• Potential contamination • Multiple ownerships • Surface coal safeguarding area • HS2 corridor (SE corner of site)		Full masterplan for the site required that brings together different landholders. Negotiations will be required between the landowners to enable comprehensive development of the site.	52.4	52.4	Yes, strategic employment site	Alkane Energy UK limited Methley Trustees limited Newcold limited Newcold UK BV Newmarket Lane limited Northern Powergrid (Yorkshire) PLC Yorkshire Electricity Distribution PLC 7 private landholders

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
LP1329	Land South of J30 M62 Castlegate Wakefield	Site near M62 (J30) and west of LP228. Similar overall attributes to above in that is has a high profile location with potential for large scale employment uses. Site allocated in draft Local Plan. Site is within Employment Growth Area SPA.	• Heritage listed building • Multiple ownerships • Surface coal safeguarding area		Potential to incorporate heritage buildings into development of site (e.g. B1b&c, B2 and B8). The heritage assets are required to be retained and brought back into reuse as part of a masterplan to be approved through an application. Uses including mid to larger units. Masterplan required.	47.9	47.9	Yes, strategic employment site	9 private landholders
LP553	Former Glasshoughton Colliery Glasshoughton	Partly developed industrial estate, surrounded by other industrial and commercial uses. Plots are subdivided. Close to J32 of M62. Puma UK have a modern 240,000 sqm unit in centre of site. Further units currently under construction Site allocated in both the draft and adopted Local Plan. Site is within Employment Growth Area SPA			Remainder of sites to be developed out for B2 and B8 uses, attracting those uses requiring motorway proximity.	24.1	19.0	Yes, strategic employment site	Barnett Waddingham Trustees Limited Costa Limited Equites UK SPV 11 Limited ESP Electricity Limited G3 Remarketing Limited Puma United Kingdom ltd
LP208	Castleford Riverside, Castleford	Full site is a very large regeneration site south of River Aire in Castleford. Intended as a mixed use development, with 17.2ha as employment component. Site allocated in both the draft and adopted Local	• Flood risk • Distance from strategic road network	Outline planning for major scheme, including residential, retail, community and employment uses.	Employment opportunities are for B2 and B8 uses.	17.2 (emp. only)	17.2	No, not a strategic site, as likely to be residential led mixed-use scheme.	Wakefield Council Multiple other landholders

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		Plan. Site is within Housing Growth Area SPA.							
LP230	Former South Kirkby Colliery/ Ferrymoor Ridings, South Kirkby	Remaining area of existing industrial estate on former colliery site. Existing uses include modern industrial units (mid to large) and anaerobic digester for energy production. Marshalls CDP are developing north of site for 1000 sqm, 1500 sqm. Flat area, with some serviced plots and some unserviced areas. Woodland on part of site may reduce yield. Site allocated in both the draft and adopted Local Plan and within EZ.	• Flood risk • Woodland • Local Wildlife site • Mineral safeguarding area	Hybrid planning approval including full permission for northern part of site to be Phase 2 of the Business Park, including B1b, B1c, B2, B8 and outline consent for B1, B2, B8	Potential for a range of B1, B2 and B8 uses, including outdoor stage and hard to locate uses. Phase 2 to proceed in accordance with consents.	15.6	15.6	Yes, strategic employment site	Burt Boulton holdings Limited Commercial Development Projects Data Solutions 2016 limited Dearneside Fabrications limited Northern Powergrid (Yorkshire) PLC Personnel Hygiene Services limited The Council of the City of Wakefield VFS (Southampton) Limited Wakefield South East Training and Enterprise Centre West Yorkshire Fire and Rescue Authority Yorkshire Electricity Distribution PLC

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
LP551	Wakefield East, Wakefield	Part of Special Policy Area, major urban extension to Wakefield with substantial residential development, local and district centres and employment site and green infrastructure. Site allocated in both the draft and adopted Local Plan. Site is within Housing Growth Area SPA.		Planning applications and approvals in northern parts of SPA for residential schemes. The site benefits from an approved masterplan	Employment opportunities would be in south of SPA (e.g. near water treatment facilities). Facilities would serve Wakefield community primarily with potential for wider function.	14.9 (emp only)	14.9	Yes, strategic employment site	Multiple ownerships
LP764	Land North of Broad Lane South Kirkby	Special Policy Area for expansion of South Kirkby settlement (45ha). South of existing residential areas and west of existing employment areas, Access would need to be opened up. Greenfield site. Site allocated in draft Local Plan and within EZ.	• Access • Slightly sloped		Full masterplan required to determine mix of uses on site, including allocation for employment. Opportunity for expansion of existing industrial uses. Masterplan to incorporate LP226	10.0 (emp only)	10.0	Yes, strategic employment site	Dewdown Limited G B Turnball Limited Wakefield and District Housing Limited 1 private landholder
LP226	Langthwaite Grange Extension, South Kirkby	This site is an enterprise zone. Site immediately to the east of LP764 above. This site is close to the industrial estate and would appear to be suitable primarily for employment uses. Funding has been awarded to construct the access and create development platforms on the site. Site allocated in both the draft and adopted Local Plan. Site is within Employment Growth Area SPA.			Full masterplan with LP764	9.7	9.7	Yes, strategic employment site	No registered owners

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
LP537	Land South of Knottingley	Very large, flat greenfield site proximate to the M62 and A1(M) junction. Very attractive employment site given its scale and high profile. Greenfield site. Grove Hall is heritage listed site, which is not in allocation but surrounded by it. Quarry operation is near site. Site allocated in draft Local Plan			Opportunities for a wide range of uses, including large and very large logistics and manufacturing enterprises. Potential for hard to locate uses. Requires masterplan to determine extent of site to be employment within planning horizon	156.4	156.4 (potentially phased within planning horizon)	Yes, strategic employment site	Harworth Estates Mines Property Limited Azzure Properties Limited Birdsall Farms Limited Darrington Quarries Limited Reuben Wilson and Son 5 private landholders
LP78	Land at Field Lane, South Elmsall	Large site, flat in the north and somewhat sloped in the south. To the north of site is a logistics and industrial estate which has seen good market interest. Leeds/Doncaster rail line forms the southern boundary. Good access to A1 via A638. Likely to require upgrade to Field Ln to fully access site. Site allocated in draft Local Plan	• Access		Opportunities for logistics and industrial uses, as well as smaller business park uses. Requires full masterplan (with LP766)	50.9	50.9	Yes, strategic employment site	2 private landholders
LP75	Land at Ferrybridge C Power Station, Stranglands Lane, Ferrybridge	This site is the northern part of the power station site. Formerly used for coal storage. Site is alongside A1(M) and near M62. Site has rail spur. Site allocated in both the draft and adopted Local Plan	• Convoluted road access, infrastructure required • Potential contamination		Opportunities for a wide range of uses, including large and very large logistics and manufacturing enterprises. Potential for uses that require rail	45.0	45.0	Yes, strategic employment site	SSE Generation Ltd

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
					haulage. Requires masterplan.				
LP775	Land South and East of Knottingley	Special Policy Area for housing and employment. Full site is approx. 170ha, with employment component approx. 29ha. Site is in several ownerships and is located to the south of the Knottingley settlement and to the north of the M62, and near the A1(M). the site has a very long frontage on to the M62. Part of the site is a quarry. Site allocated in draft Local Plan	• Multiple ownerships • Quarry use		Masterplan is required that would consider use types, site amalgamations, quarry rehabilitation. Potential employment uses could be wide ranging, taking advantage of high profile site. Being closer to the settlement of Knottingley than other nearby sites (e.g. LP537) employment on this site could be positioned as more of a business park use including office and hybrid office/manufacturing spaces, with other sites in this corridor likely to house large-scale, strategic logistic uses.	29.1 (emp. only)	29.1	Likely to be more or a local market, not strategic.	AP Wireless (UK) Limited Darrington Quarries Limited Harworth Estates Mines Property Limited Highways England Company Limited KMR Waste Management Limited Mark H Poskitt Limited Methley Trustees Limited Plasmor Limited Secretary of State for Transport Wakefield Council 23 private landholders
LP227	Land at Shilling Hill, Knottingley	Flat, greenfield site at intersection of A1(M) and M62, adjacent to junction. High profile site with few obvious obstacles to development. Landholder in pre-application discussions			Masterplan required to consider types of uses, with logistics and manufacturing key opportunities. Could support large occupiers.	21.7	21.7	Yes, strategic employment site	Caddick Developments Limited Highways England Company Limited

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		with WBC regarding development. Site allocated in both the draft and adopted Local Plan							Methley Trustees Limited 3 private landholdings
LP200	Calder Park, Wakefield	Single ownership site at Wakefield. Existing business park attracting key office occupiers. On broad campus site that includes green space and adjacent to nature reserve. Full site is approx. 51ha. Site allocated in both the draft and adopted Local Plan		Detailed planning consent for about 140,000 sqm of office space.	Continue to develop in accordance with consent. Peel Holdings would continue to roll this site without intervention from council.	18.5	11.7 (remaining plots)	Yes, strategic employment site already well established.	Peel L&P Holdings UK Limited
LP41	Land at Havertop Lane, Normanton	Rectangular site to the south of the large Normanton Industrial Estate. Flat, greenfield site with A-road connectivity to the M62. Logical expansion site for the industrial estate. Site allocated in draft Local Plan			This site is an important extension to the existing Normanton Industrial Park with good access to the Strategic Road Network.	15.9	15.9	Yes, strategic employment sites	Commercial Development Projects Ltd 3 private landholders
LP766	Land at Field Lane and Hacking Lane South Elmsall	Special Policy Area to be a mix of employment and housing. Alongside LP78 to the east could provide range of employment uses. To the west of site is residential uses. requires upgrades to Field Ln. Site allocated in draft Local Plan	• Access	Special Policy Area envisaged mix of housing and employment.	Masterplan with LP78. Likely that larger employment units will be located on LP78, with this site providing small units, potentially business park and intermediate uses that low impact alongside residential sites.	14.6 (emp. only)	14.6	Yes, strategic employment site	ACE Motors Ltd 3 private landholders

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
LP229	Trinity Farm, Knottingley	Site at Knottingley to the south of the M62 J33. Phase 1 of the development on adjacent site was for TK Maxx logistics centre. Site allocated in both the draft and adopted Local Plan		Recent full approval for 48,381sqm logistics warehouse	Site under construction	12.3	0.0 (site under construction)	Strategic site, partly developed with extant planning consent for remainder of site.	Caddick Developments Ltd UK Logistics Propco
LP1411	Land at Junction 39 (M1) Durkar	Pastoral agricultural land to the south of the River Calder and the west of Jct 39 M1, including Broadcut Farm complex. High profile site with few obvious obstacles to development. Site allocated in draft Local Plan	• Flood risk • Ecology • Impact on LRN & SRN	Mixed use Special Policy Area including an advanced manufacturing park (B1 (b), B1 (c), B2 and B8) to attract high value industries and create good quality jobs. There shall be range of employment units within the site, each of which will be less than 100,000sqft in order to meet the market requirements for small and medium sized units. Free standing offices, quasi-retail or 'big box logistics' will not be permitted on this site.	Masterplan required in line with proposed uses for the allocation	14.13	11.45	Yes, strategic employment site	2 private landowners Legal agreements are in the process of being signed with the developer
LP223	Land to North-East Of former A1-M62 Interchange (North Side), Knottingley	Flat greenfield site near to A1(M) and M62. Adjacent uses include residential and motorway services. High profile location and no obvious obstacles to development. Single ownership			Potential for smaller to mid units, office space and hybrid manufacturing/office units. Alternatively, could be taken by large single occupier logistics firm. Either option would need	4.4	4.4	No, not strategic site (though part of strategic corridor of Knottingley and Ferrybridge)	Warmfield (Ferrybridge) Two Ltd

HATCH

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
		Site allocated in both the draft and adopted Local Plan			to account for impacts on neighbouring uses.				
LP225	Land to North-East Of former A1-M62 Interchange (South Side), Knottingley	Flat greenfield site near to A1(M) and M62. South of motorway services. High profile location and no obvious obstacles to development. Single ownership Site allocated in both the draft and adopted Local Plan			Potential for single occupier use or expansion of motorway services (e.g. hotel).	2.8	2.8	No, not strategic site (though part of strategic corridor of Knottingley and Ferrybridge)	1 private ownership
LP224	Land at Shilling Hill Extension, Knottingley	Overgrown site, but flat. North of other employment sites at Knottingley, also with proximity to M62 and A1(M). Near to existing employment uses (industrial and warehousing), hotel and pub/restaurant. Site allocated in both the draft and adopted Local Plan			Mid-size industrial and warehousing units	2.2	2.2	No, not strategic site (though part of strategic corridor of Knottingley and Ferrybridge)	Caddick Developments Limited Secretary of State for Transport 5 private landholders
WAKEFIELD TOTAL – ALL SITES						579.73	552.9		
WAKEFIELD TOTAL – STRATEGIC SITES ONLY						524.03	497.15		
YORK									
ST5	York Central	Major brownfield regeneration site in central York. Site is within Housing Growth Area SPA		The site is allocated in City of York Local Plan (Publication Draft, February 2018) as an exemplar mixed-use development, including a world class urban quarter, forming part of	Development in accordance with approvals. B1 office opportunities would include high profile, corporate and institutional occupiers,	78.0	35 (overall net developable area)	Yes, office component will be strategic	Multiple landholdings

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
				the new city centre. This will include a new central business district, expanded and new cultural and visitor facilities, residential uses and a new vibrant residential community. Land within York Central is allocated for 1,700-2,500 dwellings (minimum 1,500 dwellings to be delivered in the plan period) and 100,000sqm of B1(a) office space. Outline approval has already been granted for a range of different uses, including housing, retail, leisure and up to 87,700sqm of B1 offices.	including full building and multiple storey occupiers				
ST27	University of York – Expansion	Significant site on the A64 at the south-east edge of the settlement of York. Site is close to the University of York campus and represents a key site for university and business co-location. Currently greenfield site.		B1b knowledge based activities including research-led science park	Masterplan required to determine access arrangements (e.g. through University or direct from A64), mix of uses.	21.5	21.5	Yes, strategic employment site	3 private landholders
ST19	Land at Northminster Business Park	Site to the north of the existing Northminster Business Park, which has a localised function serving the York market. Site is flat and vacant. Site is located to the south of the Poppleton Bar park and ride connecting to central York.		Envisaged for B1c, B2, B8 with potential for B1a	Masterplan required. Potential opportunities for larger scale facilities than existing Northminster Business Park occupiers, including higher profile industrial occupiers and office space.	15.0	15.0	Yes, strategic employment site	No registered titles

Site Ref.	Site Name	Site Description	Constraints	Intended Development (If Any)	Recommendations	Site Size, ha – Total	Site Size, ha – Realistically Available for Employment	Should the site be considered Strategic for WYCA	Ownerships
YORK TOTAL – ALL SITES						114.5	71.5		
YORK TOTAL – STRATEGIC SITES ONLY						114.5	71.5		

The sites listed in this Annex for the City of York are those sites which are allocated in the City of York Local Plan (Publication Draft, February 2018). The Local Plan is currently within the Examination in Public process, having commenced Phase 1 of the Examination in December 2019 (which covered strategic issues including Objectively Assessed Housing Need, Green Belt Methodology and Duty to co-operate). Individual allocations and sites will be under consideration at Phase 2 of the Examination, in due course.

www.hatch.co.uk
London: 0207 336 6188   Manchester: 0161 234 9910