Chapter 7 Employment Land and Workspaces

The Importance of Employment Land and Workspaces to the Sub-regional Economy

7.1 The Government has stated that having a balanced supply of undeveloped employment land and available workspaces is an important precondition to maximise an area's economic performance. Employment land and workspaces play a vital role in a local economy by accommodating enterprises that create jobs and deliver goods and services to consumers and businesses.

7.2 A balanced supply is seen as having enough available employment land and premises in the right locations and of the right quality and size, at the right time to meet the future needs of existing and new firms and potential inward investors. It will also provide for the renewal of ageing and obsolete stock, respond to the structural changes taking place in the local economy and provide a pipeline of sites to enable the market to function effectively. A balanced supply will also provide a source of economic competitiveness for a local economy.

7.3 Public sector partners and local businesses in the Leicester and Leicestershire sub-region have long held the view that the area has suffered from a long-term, structural shortage of 'fit for purpose' employment land and workspaces. This has been a significant barrier to the sub-region being able to fulfill its economic potential. Achieving a balanced supply of employment land and workspaces cannot be addressed sensibly on a district by district basis. To this end, a joint approach to employment land and workspace planning and delivery has been developed across the sub-region and this must be maintained.

Evidence Base

7.4 The process of assessing whether the sub-region has enough available employment land and workspaces of the right quality and size, at the right time and in the right location, involves consideration of the following evidence:

- Econometric forecasts of future demand for employment land and workspaces in the sub-region, up to and beyond the current plan period of 2026
- The effective supply of employment land and workspaces available within the sub-region
- A demand-supply assessment and gap analysis of employment land and workspaces
- The economic context within the sub-region
- The property market context within the sub-region

- The national and local policy context.

7.5 The main source of forecasts of future demand for employment land and workspaces in the sub-region were presented in the Final Report of the Leicester and Leicestershire HMA Employment Land and Premises Study, produced by consultants PACEC and Warwick Business Management in December 2008. This refresh of the Employment Land and Workspaces Chapter has also been informed by the findings of a recent partial update of the PACEC Study in 2011. A number of local studies concerning the supply and demand for employment land have been commissioned since the publication of the PACEC Study in 2008. These include:

- Sustainable Urban Extensions – Housing & Employment Land Study (Experian, 2010)
- The Employment Sites and Brownfield Study for Oadby & Wigston Borough Council (Roger Tym & Partners, 2010)
- Employment Land and Premises Study – Hinckley & Bosworth (BE Group, 2010)
- Earl Shilton & Barwell Employment Land assessment (King Sturge, 2010)

7.6 In response to a number of concerns raised following the publication of the PACEC Study in 2008, Prospect Leicestershire commissioned the original consultants to undertake a limited update of their Study in 2010. This included revisiting the way in which the original econometric information was analysed and the assumptions used to derive the Study's conclusions and ultimately the final recommendations regarding the future allocations of previously undeveloped employment land. The consultants were not required to update the econometric information used in the original Study, nor revisit their underlying Study Methodology, as this was found to be sound and followed Government guidelines. It was felt that at this stage the cost of updating the econometric data did not represent value for money, particularly given that all forecasting models should be used as an indicator rather than a precise guide and are all subject to margins of error. Nevertheless, all local planning authorities have recognised the need for a full update of the Study to coincide with the first review of Core Strategies.

7.7 In addition to evidence derived from the use of forecasting methodologies, partners engaged in economic development in the sub-region agree that the strategic planning and delivery of employment land should also be influenced by the key policy drivers for the sub-region. In the case of Leicester and Leicestershire, these include the need to:

- Identify a balanced supply of employment sites and safeguard and protect these sites from competition from other uses.
- Ensure employment land is delivered in locations that are viable and sustainable, meet the needs of employers, is of a type of development likely to be attractive to developers, has regard to existing and emerging local planning policy considerations that seek to deliver a low carbon future and can reduce the need to travel by aligning jobs with homes and services and, for necessary journeys, be accessible by sustainable modes of transport.
- Make employment land a locally distinct source of economic and environmental competitive advantage.
- Consider the need to plan beyond the current plan period, as recommended in key Government guidance on employment land reviews (ODPM[1], 2004).
- The need for planning policies that set out a clear framework for local development and encourage growth and a strategic planning framework that addresses economic development and infrastructure issues.

7.8 The following sections outline the broad range of evidence that has been used to determine the scale of previously undeveloped employment land and premises that needs to be allocated. This will help ensure the sub-region has sufficient employment land and workspaces available of the right quality and size, at the right time and in the right locations to meet the future needs of existing and new firms and potential inward investors and maximise the sub-region's economic performance.

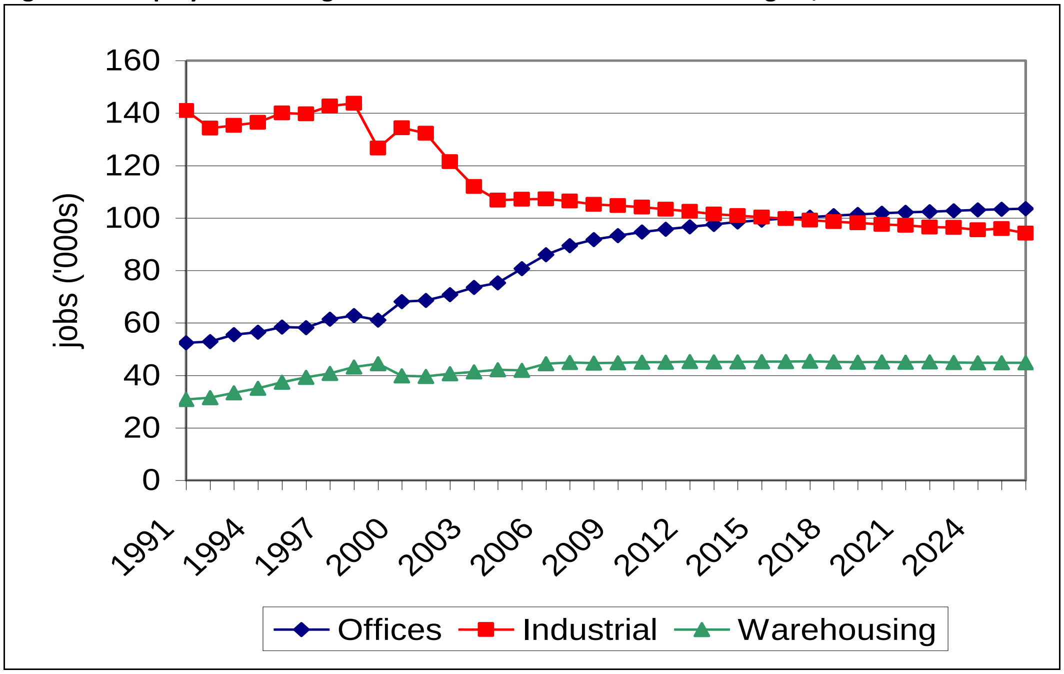
Economic Context

Changes in Office, Industrial and Warehousing Employment

7.9 The changes that have taken place in the sub-region in terms of office, industrial and warehousing employment over time and the forecast trends over the rest of the current plan period to 2026 will have an important impact on the quality, type, location and size of employment land and premises that will be required in the future.

[1] Office for the Deputy Prime Minister

Figure 7.1 Employment Change in Leicester and Leicestershire Sub-region, 1991-2026



Source: Experian; PACEC, 2008

7.10 Figure 7.1 summarises the changes in office, industrial and warehousing employment since 1991 in the Leicester and Leicestershire sub-region and the forecast trends up to 2026. It is important to note that these forecasts were produced before the impact of the recent recession on the economy and the property market in particular. In addition, these forecasts do not take account of any impact on the property market, particularly for office space as a result of significant reductions in the public expenditure. Nevertheless, the forecasts look to the long term and within this perspective it can be noted that:

- Employment in offices has risen within the sub-region since the early 1990s and is forecast to continue to rise up to the end of the current plan period in 2026
- Generally, industrial employment has been in decline since the late 1990s and is forecast to continue to decline through the plan period
- Warehousing employment has increased, though it is forecast to level off towards the end of the plan period
- Employment in offices is forecast to exceed industrial employment from 2020 onwards

7.11 The main implication of this evidence is that there will be a continued increase in demand for office accommodation, a relative decline in the demand for industrial premises and a levelling-off of demand for warehousing. These trends will have a significant impact on the type, size and location of sites and premises required in the future. For example, it is unlikely that future requirements for offices will be met simply by a change of use of existing industrial land to offices as the requirements are likely to be different. This also raises the issue of what to do with surplus industrial land in the future.

7.12 The PACEC Study (2008) provides more detailed evidence on the pattern of employment change in each district since 1991. This revealed marked differences between each district and will have significant local implications on the type, size and location of sites and workspaces required in the future. The main points from this evidence are:

- In Leicester, the decline in industrial employment accelerated in the early years of the current decade but has since slowed and been partially offset by a rise in office employment. Warehousing jobs have remained fairly constant since 1991.
- The trends in Blaby have been more erratic than elsewhere in the sub-region. Office employment decreased in the late 1990s but has since recovered and increased. Warehousing employment showed a sustained increase in the early 1990s, then declined and has held constant since. Industrial employment shows a less steep decline than elsewhere in the sub-region, with a recent recovery.
- Office and warehousing employment in Charnwood has shown mild growth since 1991, while industrial employment has shown the same marked decline as most of the sub-region.
- Office and warehousing employment have grown strongly in Harborough since 1991 and the trend is still upward. Unusually, the increase in office employment is greater than the decrease in industrial employment over the same period.
- Industrial employment in Hinckley and Bosworth peaked sharply in 1998, then declined steeply; but stabilised in recent years. Office employment has expanded modestly, and warehousing has shown a slight increase.
- Melton has shown sustained growth in office and warehousing employment but industrial employment has been more volatile with declines in the 1990s, strong increases in 2000 and 2001, followed by decline and subsequent recovery.
- Despite the rapid decline of the coal industry in North West Leicestershire in the late 1980s and early 1990s and its consequential impact on the local economy, the area was able to diversify its economic base and, overall, has experienced only a small reduction in industrial employment since 1991. Office and warehousing employment has been expanding since the mid 1990s. North West Leicestershire is the only district where there are more warehousing jobs than office jobs.

- Oadby and Wigston has lost office employment since 1991. Warehousing employment has remained largely constant and industrial employment has shown some volatility but, overall, a steep decline.

Commuting Flows

7.13 Commuting flows provide a useful way of identifying the interdependencies of the districts and City on labour supply and demand and, consequently, the space required for business, with flows seen in both directions over administrative boundaries. Unfortunately, the latest available data on commuting flows is derived from the 2001 Census. It is worth noting that in the intervening period there has been significant growth in population and employment in certain parts of the sub-region. Table 7.1 summarises the commuting flows for all the districts in 2001. Appendix A[2] in the PACEC Study also provides a series of maps illustrating the commuting flows between all the districts in the sub-region.

Table 7.1 Commuting Flows in Leicester and Leicestershire, 2001

	Out-commuters	In-commuters	Live & work in district	Net balance	% live & work in district as % of total jobs in district	% live & work in district as % of total working residents
Leicester City	27,600	70,800	83,900	43,200	54%	75%
NW Leicestershire	17,500	20,600	24,400	3,000	54%	58%
Melton	9,100	4,300	15,000	-4,800	78%	62%
Blaby	29,100	23,000	18,000	-6,100	44%	38%
Harborough	20,300	13,100	18,500	-7,200	59%	48%
Oadby & Wigston	17,500	9,900	9,100	-7,600	48%	34%
Hinckley & Bosworth	23,900	15,400	27,400	-8,600	64%	53%
Charnwood	31,700	20,200	41,700	-11,500	67%	57%

Source: Census 2001

7.14 The main points to be drawn from this evidence are that:

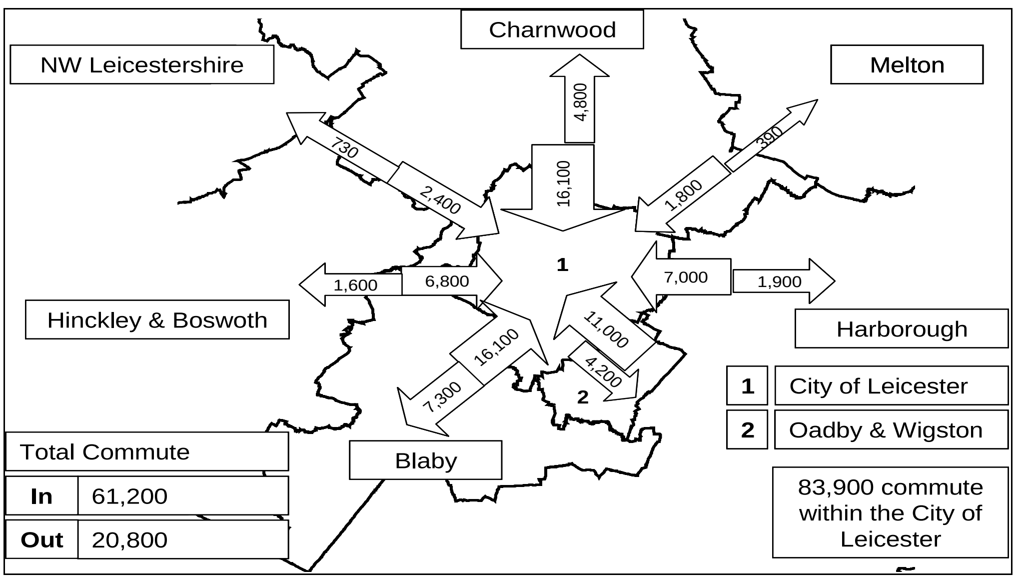
- There is a strong interdependency across all the districts and the City, with flows in both directions over administrative boundaries, indicating that there is a strong correlation between the land and premises needs of businesses in one district and the employment needs of workers in other areas.
- It is not always the case that net out-commuting is the best indicator of sustainable commuting patterns. Some people may travel only a short distance over a district boundary and count as an out-commuter, whilst other people may travel a much longer distance within a district and count as 'live and work in the same district'. For example, Charnwood, where many people live in Birstall and commute a short distance into Leicester, but count as out-commuters.
- Over the sub-region as a whole, there is a strong degree of containment of people who live and work within the sub-region.

[2] Insert weblink to PACEC Study (2008) Appendices

- Leicester City is a strong draw for many residents in the sub-region who commute to the City, particularly from Charnwood, Blaby and Oadby & Wigston. There are 70,800 in-commuters to Leicester City, compared to just 27,600 out-commuters, giving a net balance of 43,200 in-commuters (see table 7.1).
- North West Leicestershire is the only other district to have a positive (3,000) net in-commuting balance (i.e. more in-commuters than out-commuters). In all of the other districts in the sub-region, more people out-commute than in-commute.
- Charnwood has the largest out-commuting net balance, with 11,500 more residents commuting out than workers travelling in. It is also worth noting that only 34% of Oadby and Wigston residents live and work in the district.
- Melton has the highest percentage of people who live and work in the same district (as a percentage of the total jobs in the district).

7.15 The commuting flows in and out of Leicester City are illustrated in figure 7.2.

Figure 7.2 Commuting Flows – City and County Interdependence



Source: Census 2001

Property Market Context

Stock of Office, Industrial and Warehousing Floorspace

7.16 The floorspace stock in Leicester and Leicestershire has followed similar patterns to employment, with increasing stock for offices and warehousing and a declining stock for industrial. Table 7.2 identifies the stock of office, industrial and warehousing floorspace across the sub-region in 2007 and the change since 2000. It shows that, in 2007, there was 1.33 million sq.m. of office floorspace in the Leicester and Leicestershire sub-region, 5.75 million sq.m. of factory floorspace and 4.48 million sq.m. of warehousing floorspace. Of this total, 44% of this was in Leicester. Blaby, Charnwood and North West Leicestershire accounted for a further 38%.

Table 7.2. Floorspace Stock in Leicester and Leicestershire, 2007

	Floorspace Stock					
	Offices		Factories		Warehousing	
	Stock in 2007 ('000 sq.m.)	Change in Stock 2000 to 2007 ('000 sq.m.)	Stock in 2007 ('000 sq.m.)	Change in Stock 2000 to 2007 ('000 sq.m.)	Stock in 2007 ('000 sq.m.)	Change in Stock 2000 to 2007 ('000 sq.m.)
Blaby	217	60	315	-3	422	52
Charnwood	138	18	1,081	-20	404	-2
Harborough	75	18	237	-17	1,077	434
Hinckley & Bosworth	77	14	949	95	329	26
Melton	60	11	312	60	245	99
NW Leicestershire	146	39	588	97	819	329
Oadby & Wigston	37	4	288	-42	155	65
Leicester City	580	7	1,999	-221	1,031	49
Sub-region	**1,330**	**171**	**5,749**	**-58**	**4,482**	**1,052**

Source: PACEC

Stock of Offices

7.17 In terms of the office stock, the key points to identify are:

- Office floorspace grew across the sub-region by around 171,000 sq.m. between 2000 and 2007.
- There has been an imbalance in the growth of office stock between out-of-town and City Centre locations from 2000 to 2007, with increases in office floorspace stock in out-of-town and suburban locations and stagnation in Leicester City.
- Growth in office stock was fastest in Blaby (60,000 sq.m.) and North West Leicestershire (39,000 sq.m.).
- In the districts with smaller stocks of offices, growth was also rapid in Harborough (18,000 sq.m.), Melton (11,000 sq.m.) and Hinckley and Bosworth (14,000 sq.m.).

7.18 The PACEC Study claims that the car parking standards for City Centre offices have deflected demand towards car-dependant out-of-town schemes, notably in Blaby where there is 20 years' supply of land for such development. Comments from local agents corroborate the view expressed by PACEC. However, further evidence is required before any firm conclusions can be made.

Stock of Factories

7.19 In terms of the factory stock, the key points to identify from Table 7.2 are:

- Overall, the factory stock has declined marginally across the sub-region by 0.6%, or 58,000 sq.m. between 2000 and 2007, but there are significant variations within the sub-region.
- Leicester City has experienced the largest decline in factory floorspace, with a reduction of 221,000 sq.m. floorspace.
- There has been growth in North West Leicestershire, Hinckley and Bosworth and Melton (97,000 sq.m., 95,000 sq. m., and 60,000 sq. m. respectively).
- Harborough and Oadby and Wigston experienced declines in their factory stock, whilst Blaby's stock experienced a marginal decline.
- Charnwood experienced a drop in its stock between 2000 and 2004, followed by an increase up to 2007.

Stock of Warehousing

7.20 In terms of the warehousing stock, the key points to identify from Table 7.2 are:

- Warehousing floorspace has increased by over 1.05m sq.m. between 2000 and 2007 across the sub-region.
- Over 40% of the growth has been in Harborough (434,000 sq.m. fuelled by the development of Magna Park).
- 31% of the growth has been in North West Leicestershire (329,000 sq.m. including the development at Bardon and Castle Donington).
- Growth in warehousing in Harborough and North West Leicestershire has been driven by their proximity to motorways.
- Growth has also been strong in Melton (6.6% 2000-2004 and 13.0% 2005-2007), with growth of 99,000 sq.m. and in Oadby & Wigston, with growth of 65,000 sq.m., increasing the amount of floorspace by over 50%.

Age of Floorspace

7.21 The relative age of office, industrial and warehousing property within an area can provide an indication of the capacity to meet the future needs of businesses. The PACEC Study investigated the relative age of office, industrial and warehousing floorspace in the sub-region and within each district and compared these with the averages for the East Midlands and England and Wales.

7.22 In terms of the **age of offices**:

- Average age of the office stock in the sub-region is older than the national average.
- New office building since 1991 is above national average rates in Blaby, Hinckley and Bosworth and North West Leicestershire.
- Blaby, in particular, has a very low level of pre-1940 office space.
- Little office space has been built in Melton and Oadby and Wigston in recent years.

7.23 In terms of the **age of factories**:

- Leicester City and Melton have the highest proportions of old industrial stock.
- The highest rates of recent factory building have been in North West Leicestershire, Melton, Blaby and Charnwood.

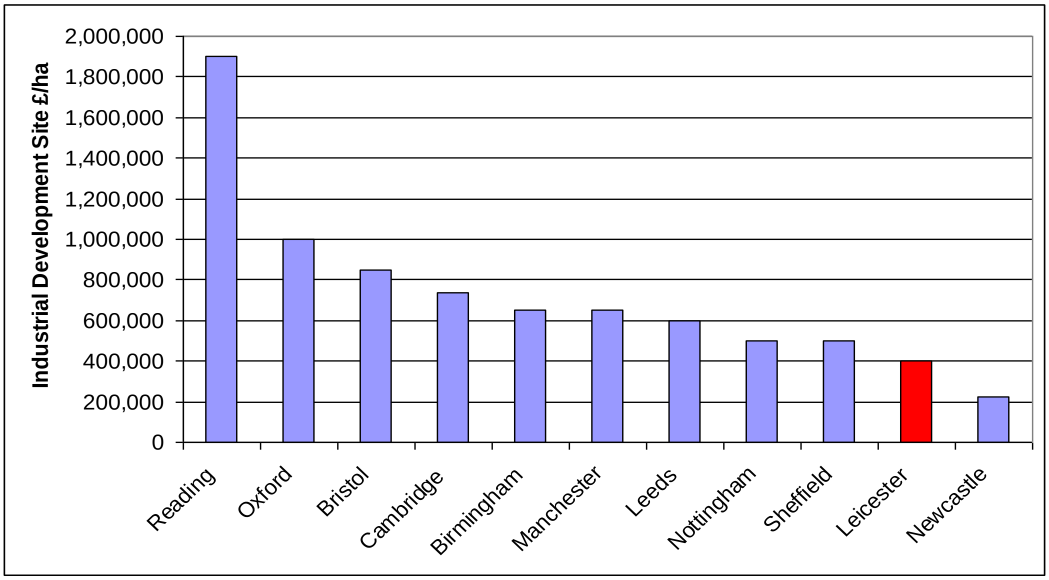
7.24 The evidence around the **age of warehousing** shows:

- Overall, the age of the warehousing stock in the sub-region is newer than the regional and national averages.
- Leicester City contains disproportionately older warehousing compared to regional and national standards, with relatively little new warehousing being built in the City.
- More than half the warehousing in North West Leicestershire and Harborough has been built since 1991.

Value of Industrial Development Land

7.25 A comparison of the typical value of industrial development land in Leicester in January 2010 with a selection of comparator cities across England and Wales is illustrated in Figure 7.3 and Table 7.3.

Figure 7.3 Value of Industrial Development Land in Comparator Cities, 1 Jan 2010



Source: Valuation Office Agency (2010)

7.26 The figures in Table 7.3 show that land values in Leicester are very competitive compared to neighbouring cities such as Birmingham and Nottingham. They are also extremely competitive when compared with other large cities such as Sheffield, Bristol, Manchester and Leeds. This presents the City with an advantage in attracting inward investment into the area.

Table 7.3 Value of Industrial Development Land in Comparator Cities, 1 Jan 2010

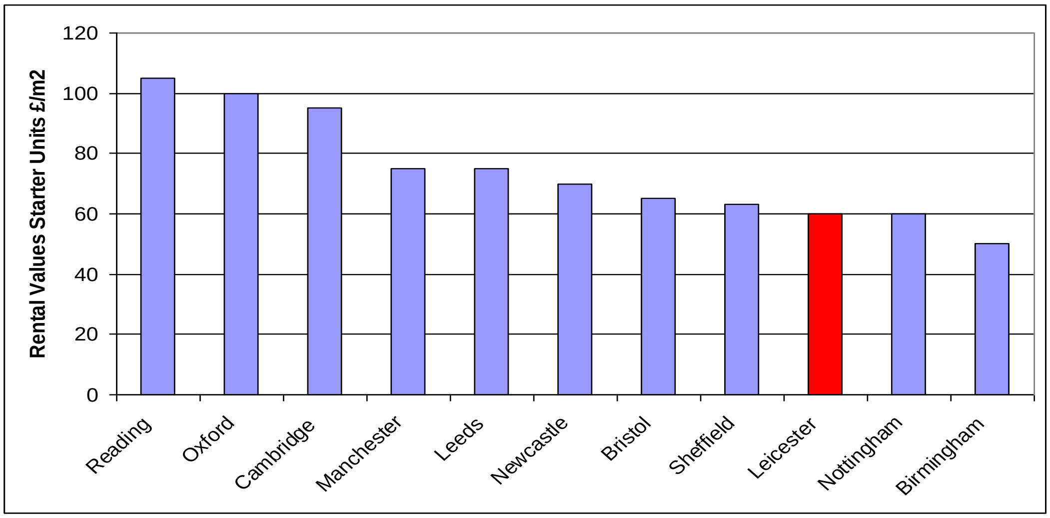
City	Cleared Industrial Development Site (0.5 to 1.0 ha) £'s per Ha
Reading	1,900,000
Oxford	1,000,000
Bristol	850,000
Cambridge	740,000
Birmingham	650,000
Manchester	650,000
Leeds	600,000
Nottingham	500,000
Sheffield	500,000
Leicester	**400,000**
Newcastle	225,000

Source: Valuation Office Agency (2010)

Industrial Rental Values

7.27 Figure 7.4 and Table 7.4 provide an indication of the level of rental values of small starter/nursery units (50-200 m^2) in Leicester and a selection of comparator cities in January 2010.

Figure 7.4 Rental Values of Small Starter/Nursery Units (50-200 m^2) in Comparator Cities, 1 Jan 2010



Source: Valuation Office Agency (2010)

7.28 The figures show that the rental values of small starter/nursery units in Leicester are lower than most of the comparator cities. This is both good news and bad news for Leicester. The comparatively low rental values means that it is cheaper for new businesses to start-up and small businesses to expand in Leicester compared to many other cities. However, at the same time, the relatively low rental values mean there is less incentive for investment by the private sector in the development of these types of units (in terms of investment yields) and a much greater reliance on provision through the public sector. Evidence from the Workspace Study would indicate that these sizes of units have seen significant public sector intervention in the past.

Table 7.4 Rental Values of Small Starter/Nursery Units (50-200 m^2) in Comparator Cities, 1 January 2010

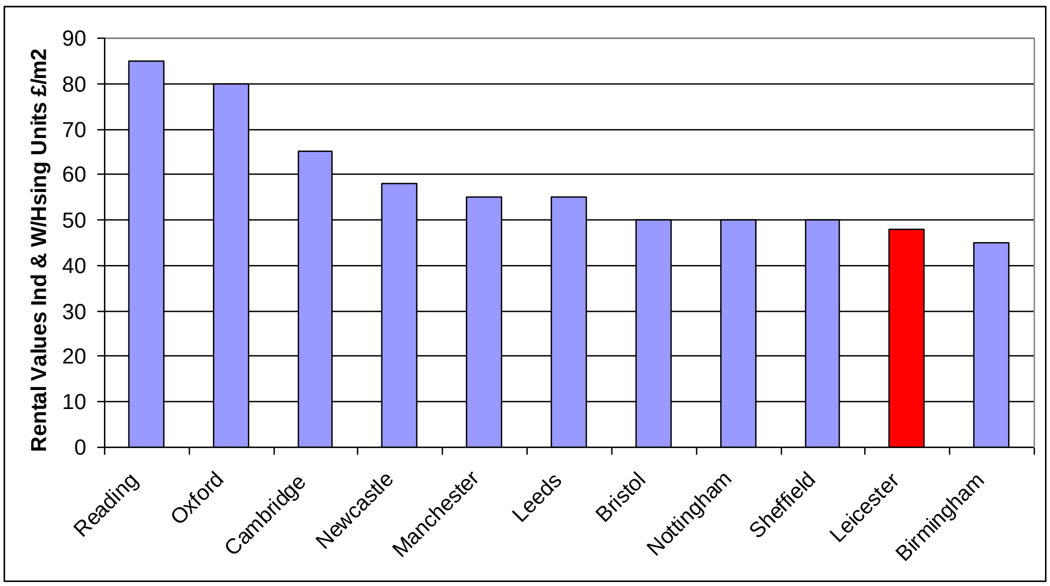
City	Rental Values of Starter/Nursery Units (50-200 m^2) £/m^2 GIA
Reading	105
Oxford	100
Cambridge	95
Manchester	75
Leeds	75
Newcastle	70
Bristol	65
Sheffield	63
Leicester	**60**
Nottingham	60
Birmingham	50

Source: Valuation Office Agency (2010)

7.29 Figure 7.5 and Table 7.5 provide an indication of the level of rental values of industrial and warehousing units in the range 1,000 to 3,000m^2 in Leicester and a selection of comparator cities in January 2010.

7.30 The figures show that the rental values of industrial and warehousing units within this range in Leicester are lower than most of the comparator cities identified, including Nottingham. Again, this is both good news and bad news for Leicester in terms of stimulating the growth of local businesses and attracting inward investment. The comparatively low rental values means that it is cheaper for local businesses to find premises within this size range or for those looking to relocate to Leicester compared with many other cities. However, at the same time, the relatively low rental values mean there is less incentive for investment by the private sector in the development of these types of units (in terms of investment yields) which could have implications on overall supply.

Figure 7.5 Rental Value of Industrial and Warehousing Units (1,000 to 3,000 m^2) in Comparator Cities, 1 January 2010



Source: Valuation Office Agency (2010)

Table 7.5 Rental Value of Industrial and Warehousing Units (1,000 to 3,000 m^2) in Comparator Cities, 1 January 2010

City	Industrial & Warehousing Units (1,000-3,000 m^2) Rental Values £/m^2 GIA
Reading	85
Oxford	80
Cambridge	65
Newcastle	58
Manchester	55
Leeds	55
Bristol	50

Nottingham	50
Sheffield	50
Leicester	**48**
Birmingham	45

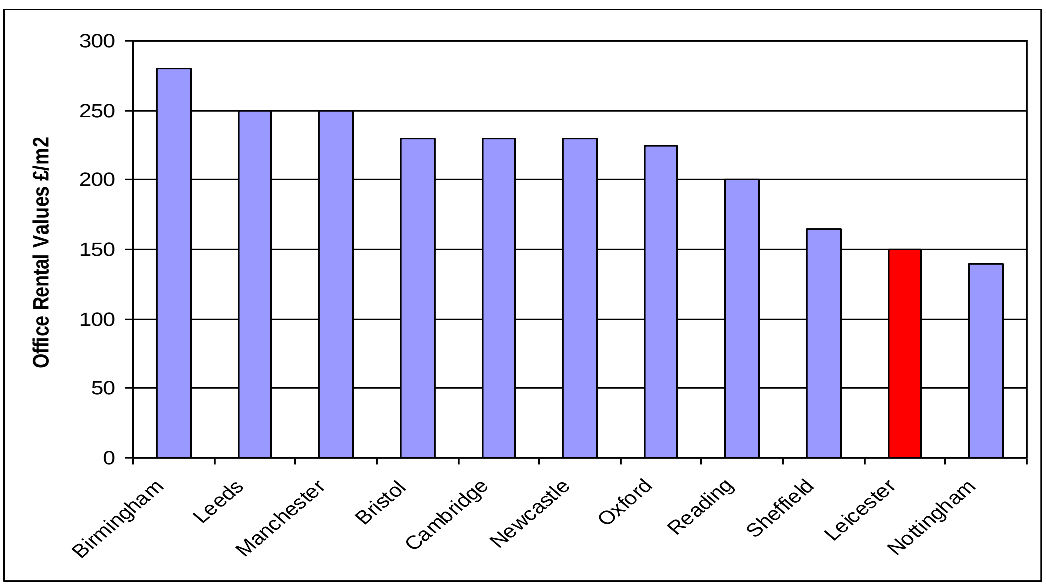
Source: Valuation Office Agency (2010)

Office Rental Values

7.31 Figure 7.6 and Table 7.6 provide an indication of the level of office rental values in Leicester and a selection of comparator cities in January 2010.

7.32 The figures show that the office rental values in Leicester are lower than all the comparator cities except Nottingham. These figures represent both good news and bad news for Leicester. The comparatively low office rental values is more likely to be seen as an attractive factor for "back office" users rather than those classed as "front door" users. This is because for the majority of "front door" users, image is important and this includes the quality of their accommodation and the surrounding environment. Cities that are able to sustain relatively high office rental values are often perceived as more prestigious locations offering high-quality, well-located office accommodation than those where average office rental values are comparatively low.

Figure 7.6 Office Rental Values in Comparator Cities, 1 January 2010



Source: Valuation Office Agency (2010)

Table 7.6 Office Rental Values in Comparator Cities, 1 January 2010

City	Office Rental Values £/m^2
Birmingham	280
Leeds	250
Manchester	250
Bristol	230
Cambridge	230
Newcastle	230
Oxford	225
Reading	200
Sheffield	165
Leicester	**150**
Nottingham	140

Source: Valuation Office Agency (2010)

7.33 Much of the current supply of office stock in Leicester is low grade, sub-standard 1960/70s property which does not meet occupier requirements. Such accommodation continues to undermine the market headlining high availability of space and keeping rents artificially low (as confirmed in these figures). This is a major disincentive to developers and investors and creates a negative perception in the eyes of many businesses looking for a new location. This creates a vicious circle, whereby confidence remains low amongst investors and developers to not only work in the City but also to grow their commitments. Similarly, the low rents do not give existing investors and owners of property any incentive to redevelop as investment yields are low, making development economically unviable in many cases. In turn, this makes it difficult for the City to attract new business to the area.

7.34 The provision of new high quality Grade A offices at Colton Square as the first phase of the New Business Quarter has established a new quality for space and record rents for the City. This development is now almost fully let; however, it alone does not have the critical mass to create the step change in the City and most importantly the perception of the City. A key priority for the City must be the completion of the next phases of the New Business Quarter and the attraction of new business into the City Centre. This would lift the property market and start to deliver the investment yields needed to make development economically viable again.

Future Demand for Employment Land

7.35 Government guidance recommends that the best approach for the quantitative assessment of the future demand for employment land is to consider evidence derived from three broad methodologies:

- Labour demand forecasts
- Labour supply forecasts
- Analyses based on the past take-up of employment land and property and/or future property market requirements

7.36 The Leicester and Leicestershire HMA Employment Land Study (2008) followed government guidance in the way in which it considered the future demand for employment land, using evidence derived from the three broad methodologies outlined above. In addition, the Study supplemented this evidence with consideration of the following:

- An estimate of the demand for previously undeveloped employment land arising from the need for the renewal of existing stock
- The need to plan for a pipeline of land towards the end of the plan period and beyond to provide a degree of flexibility or “margin of choice” to enable the land market to function effectively, given the long lead-in times for development
- Evidence from stakeholder consultation
- Studies of key and emerging business sectors
- Monitoring and analysis of published business, employment and economic statistics

7.37 Table 7.7 summarises the demand forecasts in the PACEC Update (2011) for employment land in Leicester and Leicestershire between 2007 and 2026. While the Update did not involve a review the base evidence in the original study, the consultants did review a number of the assumptions used in assessing this evidence, including the rate of renewal for warehousing land and the future demand for offices.

Table 7.7 Forecast Demand for Employment Land in Leicester and Leicestershire, 2007-2026

Location	Offices, sq.m.	Industrial, ha	Warehousing, ha
Leicester	184,700	63.9	19.6
Blaby	44,015	17.8[a]	12.0
Charnwood	29,310	18.3	11.5
Oadby & Wigston	8,915	4.5	4.4
Harborough	39,525	4.0	18.6*
Hinckley & Bosworth	32,515	16.1	9.8
Melton	12,900	5.3	7.0
NW Leicestershire	28,270	10.0	45.3
Total Forecast Demand	**380,150**[b]	**139.9**	**128.2**

Source: PACEC (2011)

[a] This demand needs to be treated with caution (see Section 6.3.12 above) as it assumes the continuation of forecast growth in the construction sector during 2013 – 16 over the period to 2026.

[b] This demand is based on the forecast growth in private sector office jobs as it cannot be assumed the forecast decline in public administration jobs will result in the release and take up of public sector offices by the private sector.

7.38 The PACEC Update (2011) indicates that for the period to 2026:

- There is a forecast demand for an additional 380,150 sq.m. of office floorspace, 139.9 hectares of industrial land, 128.2 hectares of warehousing land in the sub-region.
- The greatest demand for office floorspace will be in Leicester (184,700 sq.m.), representing nearly half of all the forecast demand for offices in the sub-region.
- Significant demand for office space is also forecast for Blaby, Harborough, Hinckley and Bosworth, Charnwood and North West Leicestershire.
- The highest demand for industrial land will be in Leicester (63.9 ha), representing nearly half of all future demand in the sub-region (although the consultants note with concern that the City is unable to identify sufficient land meet this demand and will require land to be allocated outside the City boundary if growth is not to be constrained).
- There is also a fairly high demand forecast for industrial land in Charnwood, Blaby and Hinckley and Bosworth.
- The highest demand for warehousing is forecast in North West Leicestershire, representing nearly half of the demand in the sub-region. Demand is also forecast to be reasonably high in Leicester and Harborough, largely through the need for renewal.
- There is a market aspiration for open market B1(b) R&D floorspace in/around Loughborough to meet demand from users and potential inward investors that do not meet Loughborough University's Gateway Policy for its Science and Enterprise Park.

7.39 The most significant changes in these forecasts compared to the original PACEC Study (2008) are:

- Increased demand for offices in Charnwood, Leicester and Oadby and Wigston, arising from a need to plan for a higher level of growth compared to the assumption in the 2008 Study, as the consultants have concluded that it cannot be assumed that in light of the forecast decline in public sector administration that public sector offices will be either released or, if so, they will be made available to or required by the market, which forecasts a growth in private sector office employment.
- The need to treat with greater caution the original forecast of a 1,700 growth in industrial employment in Blaby in the period to 2026 (in contrast to most other districts that were forecast to experience a decline or no change in industrial employment) as this was based on an assumed continuation of

forecast growth in the construction sector during 2013-16 over the period to 2026. The impact of the recent recession has resulted in a significant and sharp downturn in the construction sector, which is only just now recovering. In principle, the impact on this for Blaby would be a slight reduction in the amount of new industrial floorspace identified in the original PACEC Study to meet its own local needs. However, in the PACEC update, the consultants recommend no change in the amount of additional land required in the district. The consultants identified that the Blaby area cannot be looked at in isolation from the Leicester market, and as a result, the proposed allocation would contribute towards not only accommodating future demand in Blaby but also part of the demand arising from Leicester that cannot be met from within the City's own boundaries.

- A reduction in the forecast demand for land required to address warehousing renewal factors in both Harborough and North West Leicestershire, to reflect the predominance of recently developed stock meaning the need for renewal is likely to be less than in other parts of the sub-region with older stock and that a greater proportion of renewal will take place on previously developed land, given the large scale of warehousing sites in both districts.
- A reduction in the recommended allocation of previously undeveloped land required in Leicester for warehousing, to reflect the probability in the longer term for the market to redevelop vacant and protected previously developed employment land with new warehousing stock.

Effective Supply of Available Employment Land

7.40 To assess whether the sub-region is able to meet the forecast demand for employment land up to 2026, there has to be an understanding of how much employment land is really available and attractive to the market. An assessment of supply cannot be determined simply by adding up all the outstanding employment land allocations and planning permissions across the sub-region. This is because not all sites that have either planning permission or outstanding allocations can be defined as truly available for development. Government guidance states that employment land reviews should take into consideration a range of factors to assess each site's true "availability" in order to identify the 'best' employment sites to be protected and those sites that should be released or subject to further appraisal.

7.41 In line with government guidance, the PACEC Study (2008) applied five sets of criteria in its assessment of each district's outstanding employment land allocations and planning permissions at March 2007 (the latest year for which monitoring data were available) to determine the true effective supply of land. This included an assessment of each site in relation to market attractiveness, sustainable development, accessibility, policy and strategic planning issues. A number of sites were excluded from the effective supply as they were identified as unlikely to be brought forward for development, either because of poor location or subject to barriers such as prohibitively high costs of development.

7.42 Table 7.8 summarises the effective supply of employment land identified in the PACEC Update (2011). While this update did not re-assess the supply of employment land available in the sub-region, it did, however, consider whether the effective supply attributed to each local authority area in the PACEC Study (2008) did accurately reflected the market served by each available site. For example, some sites in South Charnwood cater more for the Leicester market than Charnwood's and therefore it would be more accurate to count these as part of the effective supply for Leicester rather than Charnwood.

Table 7.8 Effective Supply of Available Employment Land in Leicester and Leicestershire, 2007-2026

Location	Offices, sq.m.	Industrial, ha	Warehousing, ha
Leicester	87,245[a]	41.7[b]	0.0
Blaby	44,015[c]	6.0	0.0
Charnwood	3,700[d]	13.1	0.0
Oadby & Wigston	0	1.3	0.0
Harborough	54,290[e]	11.7	1.1
Hinckley & Bosworth	0	12.1	1.2[f]
Melton	8,920	1.4	0.0
NW Leicestershire	41,202[g]	51.4	56.5
Total Effective Supply	**239,372**	**138.4**	**58.8**

Source: PACEC (2011)

[a] This excludes Abbey Meadows Science and Technology Park (44,000 sq.m.) but includes 21,600 sq.m. at Watermead Business Park in South Charnwood and 17,685 sq.m. in Blaby as these predominantly serve the Leicester market (and have been excluded from the Charnwood and Blaby figures).
[b] This includes 16.7 ha at Rothley Lodge, East Goscote and Hallam Fields in South Charnwood as these sites primarily serve the North Leicester market and have been excluded from the Charnwood figures.
[c] This excludes 17,685 sq.m. identified as serving the Leicester market.
[d] This excludes the Loughborough Science and Technology Park (43,000 sq.m.)
[e] This excludes Leaders Farm
[f] This excludes the 20 ha site at Nailstone Colliery which is not seen as meeting the general warehousing needs of the area.
[g] This excludes Pegasus Business Park, East Midlands Airport

7.43 The detailed picture for the effective supply of employment land in each local authority area is summarised below:

Blaby

- There is a supply of available land to accommodate 61,700 sq.m. of high quality office development in Blaby, including Grove Park (capacity for 16,700 sq.m. of offices), Carlton Park (35,480 sq.m.) and Ratby Lane (Kirby Park Farm) (9,520 sq.m.).

- Given past take-up of around 2,800 sq.m. per annum[3], the three office development sites have the potential to provide a further 22 years of supply. However, it should be noted that it is believed that the land available at Carlton Park may be subject to ownership constraints, which may not allow free access to the site. This situation will need to be monitored in the future to identify any impact on the overall effective supply of land for offices in the open market.
- In view of the fact that a significant proportion of the office development land in Blaby serves a wider Leicester market, the PACEC Update (2011) recommends that the effective supply for Blaby should be 44,015 sq.m. (based on the future demand forecast for Blaby District)) and that the residual supply of 17,685 sq.m. available in Blaby should be added to the effective supply for Leicester (though the consultants were not specific as to the precise split in supply to meet local and Leicester demand within each office site).

Charnwood

- While the proposal for 43,000 sq.m. under Phase 2 of the Science Park would provide one of the main sources of supply of B1b development in the sub-region, the PACEC consultants continue to recommend that this be discounted from the effective supply for the Borough as the University's current estate management criteria limits potential occupiers to those who have research and business links to the University.
- The effective supply of industrial land in the Borough is restricted to 13.1 hectares, due to:
  - Flooding risks at Dishley Grange site has restricted supply to 8 hectares (down from 20 hectares).
  - The 16.7 ha of industrial land at Rothley Lodge, East Goscote and Hallam Fields in South Charnwood primarily serve the North Leicester market and have been excluded from the Charnwood supply figures and added to the effective supply for Leicester.
- The 20,000 sq.m. of office space available at Watermead Business Park primarily serves the Leicester market and has been excluded from the effective supply for the Borough and added to the effective supply for Leicester.
- There is little office land available around Loughborough town itself.

[3] Source: Mather Jamie, property consultants, that worked in partnership with PACEC on the employment land study.

Harborough

- Market Harborough has seen significant development in recent years with The Point providing 9,300 sq.m. of offices over the last 5 years, with an additional 55,700 sq.m. of office space available, which could provide up to 20 years of supply.
- Airfields Farm will provide around 27,900 sq.m. of commercial space. This may provide around 10 years' supply, assuming take-up of 2,800 sq.m. per annum.

Hinckley & Bosworth

- There is no effective supply of land available at the present time to provide more offices in Hinckley (also confirmed in the Employment Land and Premises Study – Hinckley & Bosworth by the BE Group in 2010.
- The PACEC consultants welcome the proposals for the development of the MIRA Technology Park, which will see the release of up to 60 hectares of new land for transport R&D uses.
- Further investigation should take place to establish the continued suitability of Barwell Business Park for employment use.
- There is no effective supply of warehousing land in the Borough. The 21.1ha at Nailstone Colliery has planning permission for warehousing but PACEC continues to recommend that this be excluded from the effective supply as it is not rail connected, has poor access to the motorway network and does not meet the general warehousing needs of the area.

Melton

- The Borough has a limited supply of employment land currently available.
- Holwell Works is contaminated to such an extent that development would be costly.
- Both Holwell Works and Asfordby Business Park are isolated and therefore any development is likely to be slow. Both also represent less sustainable development options than sites in and around Leicester Road Industrial Estate.

North West Leicestershire

- North West Leicestershire has a significant supply of employment space available. This includes 18,000 sq.m. for offices and over 11 hectares for industrial and warehousing schemes at Ashby Park and Ivanhoe Business Park in Ashby, 27 hectares of office, industrial and warehousing development at Bardon/Coalville and additional allocations at Willow Farm and East

Midlands Distribution Centre in Castle Donington, and Measham 42 and Westminster 42 in Measham.

Oadby and Wigston

- The Borough has only 1.3 hectares of industrial land available and no supply of land for offices or warehousing. Local employers may need to use second-hand space locally or seek property elsewhere in the City and surrounding districts.
- The development of the 3.1 hectare Wigston Railway Triangle site requires the construction of a road bridge over the railway, which is likely to make the development unviable.
- The remaining development site opportunities available are small infill sites.
- The Employment Sites and Brownfield Study for Oadby & Wigston Borough Council by Roger Tym & Partners in 2010 also confirms the constrained land supply situation in the Borough and the allocation of “undeliverable” land.

Leicester City

- 10,000 sq.m. of office space has been completed at Colton Square and the development is now almost 100% occupied. A further phase of 30,000 sq.m. is being proposed for the New Business Quarter. Overall, there is a current supply of land that could accommodate up to 87,245 sq.m. of offices in the City.
- An additional 17,685 sq.m. office space in Blaby District and 20,000 sq.m. of office space available at Watermead Business Park in South Charnwood has been added to the effective supply for Leicester as a result of the consultant’s conclusions that a proportion of the office space in Blaby and South Charnwood primarily serves the Leicester market.
- 44,000 sq.m. of B1b development at Leicester Science Park has been excluded from the effective supply for the City as it is allocated for specific research, development and technology based business uses, associated educational uses and associated research institutes.
- 16.7 ha of industrial land at Rothley Lodge, East Goscote and Hallam Fields in South Charnwood has been added to the effective supply for Leicester as the consultants concluded that these sites primarily serve the North Leicester market.
- A potential supply of 25 hectares of previously undeveloped employment land is currently in the development pipeline.
- There is currently no supply of land available for warehousing.

Supply-Demand Assessment and Gap Analysis on Employment Land

7.44 There are two further steps to be taken to assess the need for additional allocations of undeveloped employment land to produce a balanced supply in the sub-region. This section summarises the first step, namely the assessment of the balance between the forecast demand outlined in Table 7.7 and the effective supply outlined in Table 7.8. This will identify any indicative "under-supply" or "over-supply" issues within the sub-region.

Table 7.9 Supply and Demand Gap: Medium Rate of Renewal - Leicester and Leicestershire, 2007-2026

	Effective Gap		
Location	**Offices (sq.m.)**	**Industrial (ha)**	**Warehousing (ha)**
Leicester	-97,455	-22.5	-19.6
Blaby	0	-11.8	-12.0
Charnwood	-25,610	-5.2	-11.5
Oadby & Wigston	-8,915	-3.2	-4.4
Harborough	14,765	7.7	-17.5
Hinckley & Bosworth	-32,515	-4.0	-8.6
Melton	-3,980	-3.9	-7.0
NW Leicestershire	12,932	41.4	11.2
Total Effective Gap	**-140,778**	**-1.5**	**-69.4**

Source: PACEC (2011)

7.45 Table 7.9 summarises the supply-demand assessment and gap analysis for the sub-region, based on the PACEC Update (2011) demand forecasts and effective supply for each local authority area and the sub-region as a whole. The overarching conclusion in the PACEC Update (2011) is that:

- There is an under supply of land for offices of approximately 140,000 sq.m. in the sub-region,
- There is a small under-supply of industrial land of around 1.5 hectares and
- There is a shortfall of 69.4 hectares of warehousing land.

7.46 Compared to the original PACEC analysis in 2008, the Update in 2011 identified a larger gap in supply of land for offices, a decrease in the gap for warehousing land, while the supply of industrial land still remains largely in balance with demand.

7.47 The key findings from the PACEC Update (2011) concerning the demand-supply assessment and gap analysis are:

- There is a significant under-supply of offices in Leicester (97,455 sq.m.) and a large under-supply in Hinckley and Bosworth (32,515 sq.m.) and Charnwood (25,610 sq.m.).

- There is a significant under-supply of industrial and warehousing land in Leicester (42.1 ha) and Charnwood (16.7 ha).
- The undersupply of 23.8 ha of industrial and warehousing land in Blaby represents the balance between the effective supply in the District and the forecast local demand in Blaby and also a proportion of the un-met demand in Leicester.
- Charnwood needs to provide land promptly to avoid running out of supply in the next 5-10 years, in all sub-areas.
- There is an under-supply of land for offices as well as a shortfall of land for the renewal of existing industrial and warehousing sites in Oadby and Wigston.
- There is an under-supply of land to meet forecast demand for offices, industrial and warehousing uses in Melton.
- There is a significant over-supply of industrial land in North West Leicestershire.
- There is an over-supply of land for offices in Harborough but a fairly balanced supply of industrial land
- There is an identified shortfall in land for warehousing in Harborough, however, this largely arises from the renewal calculation and in the PACEC Update (2011), the consultants identify that this is likely to be over-estimate given the relatively modern stock in the District and future policy changes to road/rail warehousing.

7.48 The conclusions from the demand-supply assessment and gap analysis highlight the fact that there are significant imbalances in supply and demand across the sub-region and employment land planning cannot satisfactorily be tackled at a local level. A strategic approach is required to ensure that the employment land and property needs of the sub-region as a whole are met, as well as for individual districts.

7.49 The PACEC Study (2008) argues that evidence derived from a supply-demand assessment and gap analysis is not sufficiently robust on its own to inform future policy decisions on employment land allocations. According to PACEC, consideration must also be given to a number of additional market-led and policy-led factors.

Consideration of Additional Market-related and Policy-related Factors

7.50 In addition to the evidence derived from the supply-demand assessment and gap analysis, the PACEC Study (2008) took into consideration a number of market and policy-related factors in determining the recommendations on the additional allocations of previously undeveloped land within the sub-region.

Market-related Factors

7.51 The PACEC Study (2008) took into consideration the following market-related factors:

- The need to plan for a pipeline of land at the end of the plan period and beyond to provide a degree of flexibility or "margin of choice". This is to enable the land market to function effectively, given the long lead-in times for development, particularly low carbon development that will be required after 2019. The PACEC Study identified the need to factor in, on top of the demand-supply gap, an additional requirement in the sub-region for an end of plan period pipeline of:
    - 97,000 sq.m. of offices
    - 48 hectares of industrial
    - 61 hectares for warehousing
- The need to plan for specific property sub-markets, including: the New Business Quarter in Leicester; the Science Parks at Loughborough and Leicester; and the potential need for a strategic road-rail distribution centre within the sub-region.
- The need to address local incidences of market shortages and over-supply requiring the need for a strategic response. For example, the shortage of available land in Leicester and Oadby and Wigston means that unmet demand must be addressed by bringing forward employment land allocations in adjacent local authority areas.

7.52 The PACEC Update (2011) also took into consideration additional market-related factors and representations that arose following the publication of the original Study in 2008.

Policy-related Factors

7.53 The PACEC Study (2008) also took into consideration a number of key sub-regional policy-drivers that reflect local need and will shape employment land planning in the sub-region, including the need to:

- Identify a balanced supply of employment sites and safeguard and protect these sites from competition from other uses.
- Ensure employment land is delivered in locations that are viable and sustainable, meet the needs of employers, is of a type of development likely to be attractive to developers, has regard to existing and emerging local planning policy considerations, including those that seek to deliver a low

carbon future and can reduce the need to travel by aligning jobs with homes and services and, for necessary journeys, be accessible by sustainable modes of transport.

- Make employment land a locally distinct source of economic and environmental competitive advantage.
- Plan beyond the current plan period, as recommended in key Government guidance on employment land reviews (ODPM[4], 2004).
- Recognise that there are different needs within districts and not just between districts (Charnwood Borough being a case in point, with differing employment land needs around Loughborough compared to that in South Charnwood and along the Soar Valley).

5.54 In the PACEC Update (2011), the consultants also took into consideration policy priorities of the Coalition Government, in particular those highlighted in the White Paper: “Local Growth: Realising Every Place’s Potential” (October 2010). This includes the need for planning policies that set out a clear framework for local development and encourage growth and a strategic planning framework that addresses economic development and infrastructure issues. Indeed the recent policy announcements from the Coalition Government serve to strengthen the policy lens developed by PACEC.

Strategic Employment Sites

7.55 In response to the policy drivers outlined above, the PACEC Study (2008) recommended that the majority of new B-class employment land required in the HMA should be allocated in strategic employment sites associated with the development to the proposed SUEs, rather than in a larger number of smaller sites. These recommendations were upheld in the PACEC Update (2011).

7.56 A number of key considerations are identified by PACEC for developers and the local planning authorities when taking forward strategic employment sites, including the need for:

- Long lead-in times and investment-in-advance infrastructure (for on-site and off-site renewable energy generation and high quality public transport services).
- Employment schemes to be front-loaded in the development of the SUEs to create demand for homes and help establish patterns of short distance commuting.
- A clear public sector policy framework and structures to plan and co–ordinate investment in infrastructure for housing, employment and transport.

[4] Office for the Deputy Prime Minister

- Allocations to be of a strategic scale of at least 20 hectares, in order to:
  - Provide economies of scale by spreading the advance infrastructure costs over a large site
  - Provide opportunities for developers to be able to meet the demand from appropriate market segments
  - Provide the opportunity for businesses to move within the same area
  - Enable institutional property investors to identify comparable rents and capital values

7.57 Following the publication of the PACEC Study in 2008, a number of concerns were raised about the justification for the scale of development recommended by PACEC for each of the strategic employment sites within the proposed SUEs. These included concerns that there was insufficient evidence to substantiate the likely demand for employment land to meet the employment needs of future residents of each SUE as well as the level of demand for employment land in each SUE likely to arise from the wider market surrounding each SUE. There was also concern that by focusing new allocations in strategic employment sites within the SUEs, this may not provide sufficient choice in sites and locations that employers and the market require.

7.58 In response to the concern about insufficient evidence to substantiate the scale of employment land required in each of the proposed SUEs, Prospect Leicestershire commissioned Experian in 2010 to undertake a study that would look into the specific question of the scale of B-class employment land required in each SUE to meet the employment needs of its future residents. It should be noted that this study did not look at the demand for employment land in each SUE that could arise from the wider area, in addition to that required to meet the needs of future SUE residents.

7.59 The Experian Study (2010) estimated the amount of employment land needed in each SUE to meet the B-class employment needs of the future residents of each SUE, in terms of land for small scale offices, industrial and warehousing uses. The Study produced estimates for a range of scenarios including the impact of policy-on measures that sought to reduce out-commuting from the SUE. Table 7.10 identifies Experian's estimates of the maximum scale of employment land required in each SUE to meet the needs of future residents of each SUE, based on a scenario of reducing commuting by 20%. Again, it is important to emphasise that the Experian Study did not seek to provide an estimate for the overall scale of employment land required in each SUE. Additional research is still required to provide evidence of the total market demand for employment land in each SUE Furthermore, it is important to clarify that the requirements identified in Table 10 are not in addition to those specified in Tables 7.7 and 7.9.

Table 7.10 Total Employment Land Requirements for SUE Residents to Achieve 20% Reduction in Commuting Scenario

Proposed SUE	Scale of Proposed Housing[a]	Employment Land to Meet Needs of SUE Residents (20% Reduction in Commuting Scenario)		
		Office (Floorspace m^2)	Industrial (ha)	Warehousing (ha)
Blaby	4,500	5,919	3.7	4.5
Charnwood – East Thurmaston	5,000	7,674	6.2	6.0
Charnwood – Loughborough Option 1	3,500	5,450	4.2	4.0
Charnwood – Loughborough Option 2	4,200	6,552	5.0	4.8
Charnwood – Loughborough Option 3	3,000	4,677	3.6	3.4
Hinckley & Bosworth (Earl Shilton & Barwell)	4,500	6,735	5.0	5.4
Leicester (Ashton Green)	3,000	6,578	4.3	3.8
Melton	1,000	1,656	1.2	1.2
NW Leicestershire (Coalville)	6,000	8,556	7.3	7.2

Source: Experian (2010)

[a] Proposed housing figures based on those outlined in the respective Core Strategies/emerging Core Strategies and may be subject to further revision

7.60 The proposed changes announced by the Coalition Government to national planning and housing policy could have an impact on housing and employment land policies of local planning authorities. While the full details of these changes are still emerging, these could have implications for the scale, spatial pattern and delivery timescale of housing and employment land growth within the HMA. In some cases, this has already resulted in a review of the policy of concentrating a significant proportion of housing growth within sustainable urban extensions, which also has potential consequences for the delivery of employment land in the sub-region.

Recommended Additional Allocations of Previously Undeveloped Employment Land

7.61 The PACEC Update (2011) provides revised recommendations on the scale of additional allocations of previously undeveloped employment land for each district in the HMA. Table 7.11 summaries these revised recommendations for each district, as well as a figure for the PUA, the area outside the PUA and for the HMA as a whole. These updated figures are based on an assessment of the revised demand-supply assessment and gap analysis, the need to plan for a pipeline of land towards the end of the plan period and beyond to enable the land market to function effectively and consideration market-related and policy-related factors previously discussed.

Table 7.11 Recommended Additional Allocations of Previously Undeveloped Employment Land to 2026 by PACEC (2011)

	Offices (sq.m.)	Light Ind/Small Warehousing (ha)	Strategic Warehousing (ha)
Leicester PUA:			
Leicester NBQ Phase 3 onwards	80,399[a]	0	0
Leicester City SUE	6,578[b]	10[c] (SES)	0
Charnwood North SUE	25,610 (SES)	17[c] (SES)	0
Charnwood South SUE	7,674[b]	20[c] (SES)	0
Blaby SUE	5,919[b]	24[c] (SES)	0
Oadby & Wigston	5,800	3.5	0
To be allocated at the first review of Core Strategies within the PUA		*15.7*[d]	*0*
PUA Total Additional Allocations	**131,980**	**90.2**	**0**
Rest of Leicestershire:			
North West Leicestershire	0	0	50
Coalville SUE	8,556[b]	25[c] (SES)	0
Hinckley	32,515	14	0
Barwell SUE	4,041[b]	15[c] (SES)	0
Earl Shilton SUE	2,694[b]	10[c] (SES)	0
Harborough	0	5	0
Melton	0	11	0
Rest of Leicestershire Total	**47,806**	**80**	**50**
HMA Total	**179,786**	**170.2**	**50**

Source: Experian/PACEC (2008/2011)

[a] Estimated figure based on residual balance for PUA taking into account the recommended allocations in other locations across the PUA. The case for further allocations within the NBQ beyond Phases 1 and 2 will be considered when the Leicester Core Strategy is reviewed.

[b] Maximum office space requirement identified in the Experian report (March, 2010) to meet employment needs within the proposed SUE

[c] Indicative recommendations only, subject to requirement for further work to confirm the appropriate scale, type, location and phasing of a strategic employment site allocation for each SUE

[d] Residual amount of land required to meet the needs of the City of Leicester that cannot be accommodated within the City nor is accounted for in PACEC's recommended allocations in the PUA outside the City. To be allocated at the first review of the Core Strategies within the PUA.

7.62 Overall, the PACEC Update (2011) recommends the need for the following allocations of additional previously undeveloped employment land for the HMA as a whole:

- 179,786 sq. m. of offices across the sub-region as a whole, including:
  - An initial 31,410 sq.m. of offices in Charnwood North and Oadby and Wigston together with a potential further allocation in Phase 3 of the NBQ in Leicester (to help meet a total PUA requirements of 131,980 sq.m.).
  - 32,515 sq.m. of offices in Hinckley.

- 170.2 hectares of land for light industrial and small-scale warehousing, including:
  - Up to 90.2 ha for light industrial and warehousing in the PUA (PACEC has recommended general locations for an additional 75.5 ha of industrial/warehousing land, but the general location for a further 14.7 ha remains to be identified in the PUA).
  - Up to 80 ha for light industrial and warehousing outside the PUA.
- 50 hectares for a potential strategic road rail strategic distribution centre.

7.63 The principle changes in the Update compared to the recommended allocations in the original 2008 Study are:

- An increase in the allocation of land for offices across the sub-region, together with
- A small reduction in the allocation of land for light industrial and small warehousing uses.

7.64 These changes reflect the revised assumptions made by PACEC in calculating office demand on the basis of private sector office growth and revised assumptions on the rate of renewal and the proportion of renewal that will take place on previously developed land.

7.65 The PACEC Update (2011) recommends the following additional allocations of previously undeveloped employment land for each district:

Leicester

- An additional 97,455 sq.m. of office space is required in the City (the 44,000 sq.m. supply at the Leicester Science Park is excluded as this will be restricted to high technology businesses).
- The City's additional office requirement could be met in part through a third phase of the NBQ, however, the case for further allocations within the NBQ will not be considered until the Core Strategy is reviewed.
- An additional 22.5 ha of industrial land and 19.6 ha for warehousing is required in the City but can only be partially addressed by the proposed allocation of up to 10 hectares at Ashton Green.
- A residual requirement for 32.1 ha of land for industrial and small warehousing uses cannot be met within the City and will need to be identified elsewhere within the PUA.
- At the present time, 16.4 ha of Leicester's additional requirement for industrial and warehousing land is included within PACEC's recommended

allocations within identified locations in the PUA that are outside the City's boundary.

- A residual of 15.7 ha of Leicester's additional requirement for industrial and warehousing land is not currently accounted for in any of PACEC's updated recommended allocations within the PUA, and will need to be allocated at the first review of the Core Strategies within the PUA. This residual amount is based on the assumption that all of the other recommended allocations within the PUA are delivered to the market within the period to 2026 (and also reflects PACEC's revised recommended allocation for an SES in South Charnwood down from 50 ha to 20 ha). Careful monitoring will be required to determine the actual residual amount in practice.

Charnwood

- An additional 25,610 sq.m. of offices; 5.2 ha of industrial land and 11.5 ha of warehousing land is required, primarily to address the needs of the North Charnwood sub – markets including a market aspiration for open market B1(b) R&D floorspace in/around Loughborough to meet demand from users and potential inward investors that do not meet Loughborough University's Gateway Policy for its Science and Enterprise Park, which could be met through the allocation of a strategic employment site in the vicinity of Loughborough.
- A 20 ha strategic employment site in the South Charnwood area, possibly within a mixed use scheme, to align homes with jobs in a proposed SUE, would help to meet local demand, address part of the under supply in Leicester, provide continuity of supply towards the end and beyond the plan period and provide choice in an otherwise tightly held employment land development market (note: this is a change from the recommendation in the PACEC 2008 Study for a 50 ha allocation, following further consideration of local market factors including a re-appraisal of the effective supply available for Leicester).
- Further work is required to confirm the appropriate scale, type, location and phasing for strategic employment site allocations potentially within a mixed use SUE development in the vicinity of Loughborough and to the south of the Borough.

Blaby

- An additional 11.8 ha of industrial land and 12 ha of warehousing land is required to address local and wider Leicester requirements.
- An allocation of a 25 ha strategic employment site within a mixed use scheme in Blaby will help address Blaby's additional requirement for industrial and warehousing land, as well as part of the identified under

supply in Leicester, and provide continuity of supply towards the end and beyond the plan period and provide choice in an otherwise tightly held employment land development market.

- Further work is required to confirm the appropriate scale, type, location and phasing of a strategic employment site allocation within a mixed use SUE development.

Oadby and Wigston

- An additional 8,915 sq.m. of offices and 7.6 hectares of industrial and warehousing land is required to address local needs.
- The Masterplans for Oadby Town Centre and Wigston Town Centre identify the potential for the development of 1,125 sq.m. and 4,674 sq.m. of offices respectively.
- A proposed 'Directions for Growth in Wigston,' of 2.5 – 3.5 ha of employment land will help replace existing poor quality sites.
- The recent Employment Sites and Brownfield Study for Oadby & Wigston Borough Council by Roger Tym & Partners (2010) identified the need for focused regeneration frameworks to fully articulate the development potential of a number of sites in the Borough.
- The remaining shortfall in land for offices, light industrial and small warehousing uses could be met through allocations for NBQ and the Blaby and South Charnwood SUEs.

North West Leicestershire

- There is an oversupply of 12,932 sq.m. of offices and 41.5 ha of industrial land, while the demand for warehousing land appears to be in balance with supply.
- A strategic allocation of up to 25 hectares of employment land is recommended as part of a mixed-use development in Coalville, though further work is required to confirm the appropriate scale, type, location and phasing.
- The implications of the current over-supply of industrial land in the district need to be addressed.

Hinckley and Bosworth

- An additional allocation of up to 6 ha for offices is required, subject to the capacity of Hinckley town centre and the edge of Hinckley town centre to accommodate an additional 32,515sq.m. of offices and attract investment in office development.

- An additional allocation of up to 14 hectares of land is required for warehousing and industry, potentially in one or two allocations, to meet the employment land needs of the Borough and provide choice in the warehousing and industrial land markets.
- [The Employment Land and Premises Study for Hinckley & Bosworth by the BE Group in 2010 identified the need to provide a larger supply of land than PACEC, namely 39 hectares, to meet future economic and business needs].
- A strategic allocation of up to 25 hectares of employment land as part of the proposed SUEs at Earl Shilton and Barwell is required to ensure there are local employment opportunities for new residents, to minimise commuting from the SUEs, to replenish the development pipeline and provide for zero carbon development after 2019 and beyond the plan period.
- However, PACEC also acknowledged in the Update Study (2011) that further work had been undertaken by both Experian and King Sturge in 2010 to confirm the appropriate scale, type, location and phasing of a strategic employment site allocation within a mixed use SUE development at Barwell and Earl Shilton (6.2 hectares and 4.55 hectares respectively).

Harborough

- There is an oversupply of 14,765 sq.m. of offices and 7.7 ha industrial land.
- There is a notional requirement for an additional 17.5 ha of warehousing land based on renewal needs, however the revised recommendation from PACEC is not to make any further allocations within the current plan period as it believes demand for renewal may be diverted to strategic road – rail distribution centres or met through redevelopment within the Magna Park.
- A requirement for an additional 5 hectares of employment land may be required, possibly as part of a mixed – use employment site in conjunction with housing growth in Market Harborough, to address potential future losses due to changes of use to higher value uses and the need to accommodate requirements for other employment generating occupiers, such as leisure.

Melton

- An additional requirement for 3,980 sq.m. of offices, 3.9 ha of industrial land and 7 ha of warehousing land is required.
- However, PACEC recommends that no further allocations for offices are made pending take up of existing allocations and hence evidence of a viable office market in Melton Mowbray.

Local Development Framework Timetable

7.66 The local planning authorities in the HMA are at various stages along the LDF developmental process. Table 7.12 identifies the current timetable for approval of core strategies.

Table 7.12 Core Strategy and Site Allocation Time Lines

	Core Strategy				Site Allocations
	Issues & Options	Preferred Options	Submission	Adopted	
Blaby	Mar-Apr 2008	Nov 2008 Revise Draft Core Strategy (Summer – winter 2011) Public consultation on revised plan (Spring 2012)	Summer 2012 Public examination (Autumn 2012) Inspector's report (Winter 2012)	Spring 2013	Following Core Strategy
Charnwood	Oct 2004-Feb 2005	Feb 2006 Oct 2008	TBC	-	TBC
Harborough	Apr-Aug 2005	Jun 2006 Autumn 2008	Oct 2010	-	TBC
H&B	Jun-Sep 2005	Sep-Oct 2007	Sep-Oct 2008	December 2009	PO Dec 2008-Feb 2009 Pre-Submission Aug 2012 – Sept 2012
Melton	Apr 2006	Jan 2008	TBC	-	TBC
NW Leics	Nov 2005 Jun 2007	Nov-Dec 2008 (further consultation)	TBC	-	TBC
O&W	Jul-Aug 2005	Oct-Nov 2008	Jan 2010	Sept 2010	Regulation 25 Stage Jan/Feb 2013
Leicester City	Sept 2007	Aug 2008	Dec 2009	Nov 2010	I&O Autumn 2011

Source: PACEC (2011)

7.67 A number of local planning authorities in the sub-region have broadly accepted the findings in the PACEC Study (2008) with regard to the future requirements for employment land. These have been reflected in the employment land policies contained within respective Core Strategy documents. As each local planning authority moves towards the site allocation stage, it is clear there is a need for further evidence to identify specific site locations where businesses wish to locate and the type of development required.

Future Demand for Workspaces

7.68 In addition to ensuring the sub-region has a balanced supply of previously undeveloped employment land available, there is also a need to ensure that the right balance of workspaces are also available in the sub-region.

Leicester and Leicestershire HMA Workspace Study

7.69 The Leicester and Leicestershire HMA Workspace Study was commissioned in 2009 to follow on from the PACEC Employment Land Study. The Workspace Study presents the most substantial available evidence base and strategic context for the formulation of spatial planning and economic development policies for the provision of workspaces across the sub region both:

- *Sectorally*: with the knowledge based growth sectors: high technology manufacturing, food and drink, technology and environment, professional and business services, creative and cultural industries, consumer based services and construction; and
- *Spatially:* with the new pattern of development to align homes with jobs and sustainable modes of transport as well as requirements for employment development in smaller towns, larger villages and rural areas.

7.70 The Workspace Study provides a range of evidence relating to the workspace market in Leicester and Leicestershire, including:

- An overview of the sub-regional workspace market in terms of the location, size and quality of workspaces including specialist facilities for the germination, incubation and growth of knowledge based businesses.
- Identified key market failures (gaps in the provision of workspace).
- An analysis of the development economics of workspace provision, including the viability of workspace scheme and public sector interventions.
- The provision and delivery of business support services linked to workspace provision to support business germination, incubation and growth.
- A framework on which to develop a public sector investment programme taking into account a new pattern of spatial development (which is being brought forward through Core Strategies to align homes with jobs and make the fullest possible use of sustainable modes of transport) and potential sources of funding and other support mechanisms necessary to assist public sector intervention.
- A series of recommendations presented to the Leicester and Leicestershire Leadership Board including an agenda for the reform and improvement of public sector approaches to the planning, funding and delivery of workspaces in Leicester and Leicestershire and an action plan framework with strategic priorities for future workspace provision.

Property Enquiry Database

7.71 Prospect Leicestershire is able to manage and track the enquiries it receives for information on sites and premises from potential inward investors and local businesses through its customer relationship management (CRM) system, known as Evolutive. This also contains a property database with details of the supply of sites and premises currently available and on the market in the sub-region. The evidence produced through Evolutive clearly cannot provide a comprehensive picture of demand and supply across the sub-region. Not all businesses will use the property research database to solve their property needs, some enquiries are based on multi-area searches or are broad sub-region-wide enquiries and not all properties currently available will necessarily be included in the property database. However, it is able to provide a significantly robust database of information to provide a reasonable indication of business needs and trends over time.

Workspace Demand in Leicester and Leicestershire

7.72 The Workspace Study included a market assessment of future demand for workspaces across the sub-region. This involved the collection and analysis of quantitative and qualitative evidence on market trends and issues. The key findings from the evidence gathered as part of this market assessment were that:

- Take-up of workspace remains strong from different sub-markets across the sub-region.
- For basic workspaces and serviced offices, demand is arising from start-up and micro-businesses, notably amongst those serving local businesses and consumers.
- For the innovation centres at De Montfort University, Loughborough University and the LCB Depot in Leicester, demand is arising from technology and creative based firms seeking support services for business germination, incubation and growth as well as opportunities to network with other firms. These facilities and services will be key to securing inward investment from technical and knowledge-based industries, thus driving up productivity and achieving sustainable economic growth.
- For freehold premises and plots, demand is arising – on a more limited scale - from company directors who wish to either develop or acquire freehold premises for investment purposes.
- There is unmet demand for small office schemes in Waterside and St George’s South in Leicester.
- Future demand for workspaces, in terms of uses and mix of uses, unit sizes, ICT connectivity, energy performance and area, will be shaped by continued structural changes in the sub-region’s economy.

Demand for Industrial Units

7.73 Evidence from Prospect Leicestershire's Evolutive CRM system provides a reasonable indication of the demand for industrial units in the sub-region. Table 7.13 illustrates the number of searches made by businesses on Evolutive for different sizes of industrial units across the sub-region from April 2005 to December 2010. Figure 7.7 provides a graphical representation of these figures.

Table 7.13 Demand for Industrial Units in Leicester and Leicestershire by Size and Location, April 2005 to December 2010

	Number of Enquiries for Industrial Units by Size of Unit				
	<1,000 sq.ft.	**1,000 to 5,000 sq.ft.**	**5,000 to 10,000 sq.ft.**	**10,000+ sq.ft.**	**Total Number**
Blaby	169	515	196	254	1,134
Charnwood	179	513	209	267	1,168
Harborough	109	338	128	179	754
Hinckley & Bosworth	140	517	175	220	1,052
Leicester	254	784	285	357	1,680
Melton	93	272	123	159	647
NW Leicestershire	127	444	175	218	964
Oadby & Wigston	154	484	166	220	1,024
Leicester & Leicestershire	**1,225**	**3,867**	**1,457**	**1,874**	**8,423**

Source: Prospect Leicestershire/Evolutive CRM (2011)

Figure 7.7 Demand for Industrial Units (April 2005 to Dec 2010)

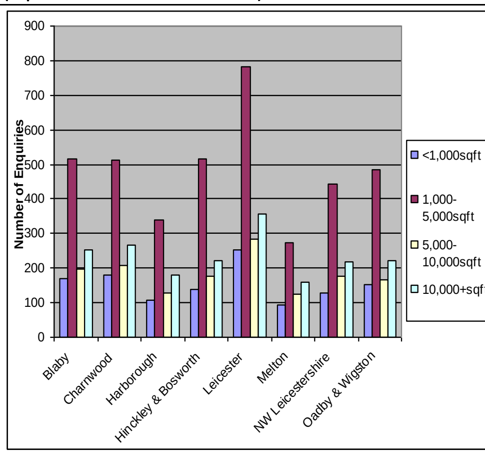
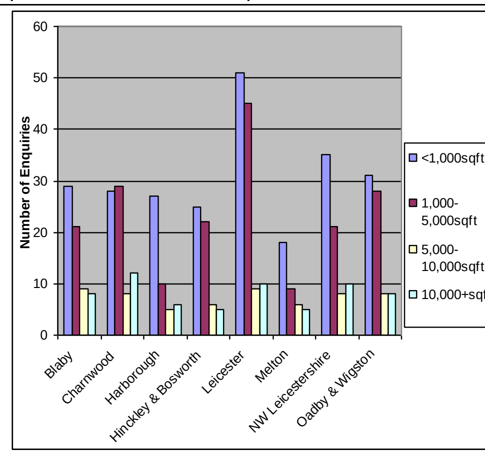


Figure 7.8 Demand for Industrial Units (Jan 2010 to Dec 2010)



7.74 A key conclusion that can be drawn from this evidence is that the majority of searches by businesses were for premises of between 1,000 to 5,000sq.ft. in size. There is strong demand for these premises in the City and most districts, though this type of enquiry was lower in Harborough and Melton. In all locations, there was a greater demand for units over 10,000sq.ft. than for industrial units below 1,000 sq.ft.

7.75 The recent recession appears to have had an impact on the property needs of businesses. Figure 7.8 provides evidence of enquiries for industrial units over the period between January 2010 and December 2010. While enquiry numbers overall have dropped, the proportion of enquiries for premises of between 1,000 to 5,000 sq.ft. remain relatively high. However, there has been an increasing proportion of enquiries for premises below 1,000 sq.ft. In some cases, businesses have either shelved expansion or relocation plans or scaled down their requirements. These trends are also illustrated in Figures 7.9 and 7.10 respectively, which identify the relative share of each property size category over the periods concerned.

Figure 7.9 Share of Enquiries for Industrial Units by Size (April 2005 to Dec 2010)

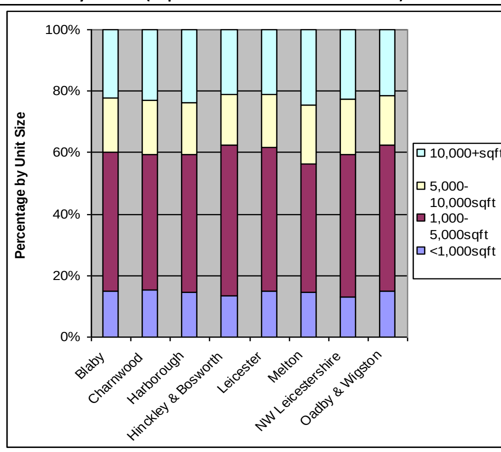
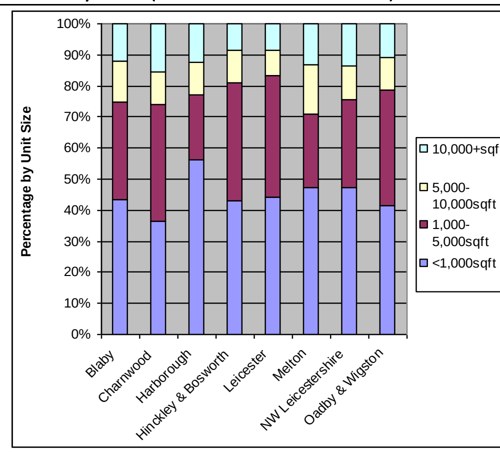


Figure 7.10 Share of Enquiries by Industrial Units by Size (Jan 2010 to Dec 2010)



Demand for Offices

Table 7.14 Demand for Offices in Leicester and Leicestershire, April 2005 to December 2010

Location	Number of Enquiries for Offices by Size of Unit Requested						
	<500 sq.ft.	**500 to 1,000 sq.ft.**	**1,000 to 2,500 sq.ft.**	**2,500 to 5,000 sq.ft.**	**5,000 to 10,000 sq.ft.**	**10,000+ sq.ft.**	**Total Number**
Blaby	99	69	118	102	40	62	490
Charnwood	117	74	109	125	43	62	530
Harborough	101	48	82	75	30	57	393
Hinckley & Bosworth	92	59	87	86	27	57	408
Leicester	152	99	173	166	64	84	738
Melton	92	32	58	68	24	48	322
NW Leicestershire	95	61	94	105	38	61	454
Oadby & Wigston	107	49	100	84	36	52	428
Leicester & Leicestershire	**855**	**491**	**821**	**811**	**302**	**483**	**3,763**

Source: Prospect Leicestershire/Evolutive CRM (2011)

7.76 Table 7.14 illustrates the number of searches made by businesses on Evolutive for different sizes of office units across the sub-region from April 2005 to December 2010. Figure 7.11 provides a graphical representation of these figures. A key conclusion that can be drawn from this evidence is a strong preference by businesses searching for office premises under 500 sq.ft. and between 1,000 to 5,000sq.ft. The strongest demand was for premises in the City, but also relatively strong demand in Charnwood, Blaby, NW Leicestershire and Oadby & Wigston.

Figure 7.11 Demand for Offices (April 2005 to Dec 2010)

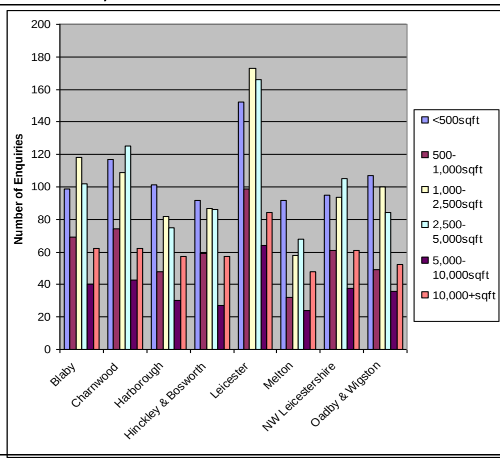


Figure 7.12 Demand for Offices (Jan 2010 to Dec 2010)

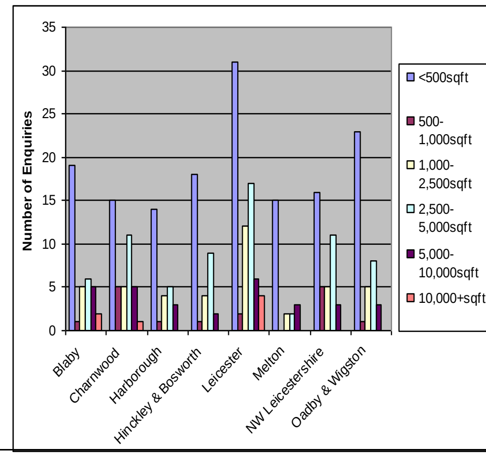


Figure 7.13 Share of Enquiries for Offices by Size (April 2005 to Dec 2010)

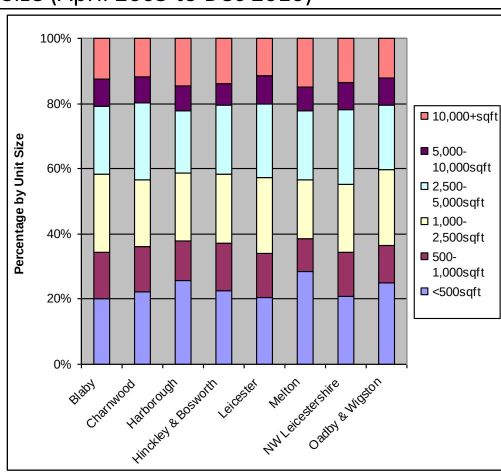
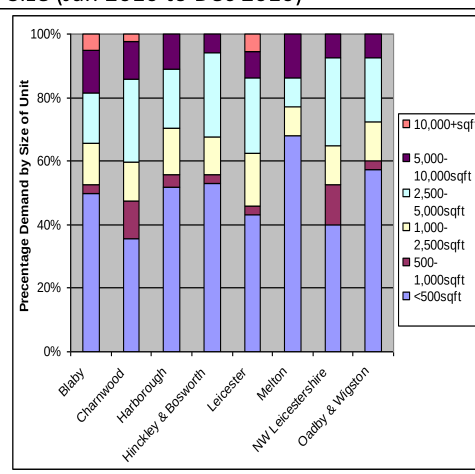


Figure 7.14 Share of Enquiries for Offices by Size (Jan 2010 to Dec 2010)



7.77 In contrast, Figure 7.12 shows that during 2010 there was a significant reduction in overall enquiries and also that the number of searches for office premises under 500sq.ft. held up reasonably well, particularly in the City, Oadby & Wigston, Blaby and Hinckley & Bosworth. However, there was a significant reduction in the proportion of searches for larger office premises, particularly in the range 500-2,500sq.ft and over 10,000 sq.ft. in size. This trend is visible quite clearly when comparing Figures 7.13 and 7.14.

Demand for Serviced Offices/Managed Workspace

7.78 Table 7.15 illustrates the number of searches made by businesses for different sizes of services offices/managed workspaces across the sub-region from April 2005 to December 2010.

Table 7.15 Demand for Serviced Offices/Managed Workspace in Leicester and Leicestershire by Size and Location, April 2005 to December 2010

Location	Number of Enquiries for Serviced Offices/Managed Workspace by Size of Unit Requested						
	<500 sq.ft.	500 to 1,000 sq.ft.	1,000 to 2,500 sq.ft.	2,500 to 5,000 sq.ft.	5,000 to 10,000 sq.ft.	10,000+ sq.ft.	Total Number
Blaby	53	27	61	44	23	31	239
Charnwood	54	35	57	54	25	32	257
Harborough	45	16	47	38	23	31	200
Hinckley & Bosworth	43	25	56	39	25	31	219
Leicester	66	37	74	68	31	35	311
Melton	46	14	38	38	22	29	187
NW Leicestershire	44	21	44	43	27	31	210
Oadby & Wigston	55	25	63	37	25	32	237
Leicester & Leicestershire	**406**	**200**	**440**	**361**	**201**	**252**	**1,860**

Source: Prospect Leicestershire/Evolutive CRM (2011)

Figure 7.15 Demand for Serviced offices/Managed Workspace (April 2005 to Dec 2010)

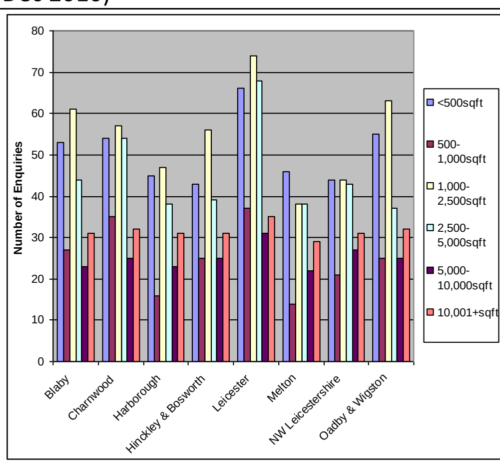
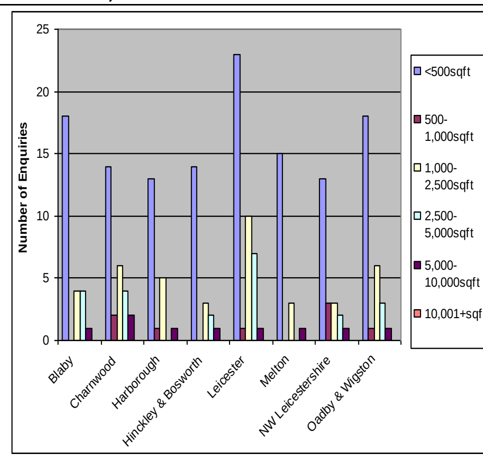


Figure 7.16 Demand for Serviced offices/Managed Workspace (Jan 2010 to Dec 2010)



7.79 Figure 7.15 provides a graphical representation of these figures. A key conclusion from this evidence is there has been relatively strong demand for all size categories for serviced offices/managed workspace but the strongest preference has been for serviced offices/managed workspace under 500 sq.ft. and between 1,000 to 5,000sq.ft. The strongest demand was in the City, but also strong demand in Oadby & Wigston, Charnwood, Blaby and Hinckley & Bosworth.

Figure 7.17 Share of Enquiries for Serviced Offices/Managed Workspace (April 2005 to Dec 2010)

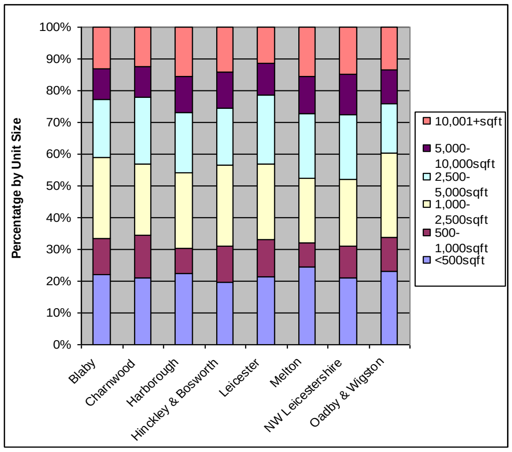
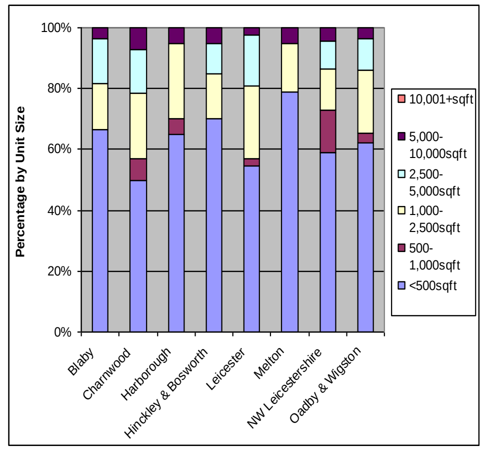


Figure 7.18 Share of Enquiries for Serviced Offices/Managed Workspace (Jan 2010 to Dec 2010)



7.80 In contrast, Figure 7.16 shows that during 2010 the number of searches for serviced offices/managed workspaces under 500sq.ft. held up reasonably well in all locations, but particularly in the City, Oadby & Wigston and Blaby. However, there was a significant reduction in the proportion of searches for larger serviced offices/managed workspaces, particularly in the range 500-2,500sq.ft and over 10,000 sq.ft. in size. This trend is illustrated quite clearly in Figures 7.15 and 7.16.

Total Demand for Workspace

Table 7.16 Demand for Workspace in Leicester & Leicestershire, Apr 05 to Dec 10

	Total Number of Enquiries for Workspace			
	Industrial Units	**Offices**	**Serviced Office/ Managed Workspace**	**Total Number**
Blaby	1,728	490	239	2,457
Charnwood	1,767	530	257	2,554
Harborough	1,128	393	200	1,721
Hinckley & Bosworth	1,623	408	219	2,250
Leicester	2,581	738	311	3,630
Melton	951	322	187	1,460
NW Leicestershire	1,458	454	210	2.122
Oadby & Wigston	1,579	428	237	2,244
Leicester & Leicestershire	**12,815**	**3,763**	**1,860**	**18,438**

Source: Prospect Leicestershire/Evolutive CRM (2011)

7.81 Table 7.16 illustrates the total number of searches made by businesses on Evolutive for industrial units, offices and serviced offices/managed workspace across the sub-region from April 2005 to December 2010. Figure 7.19 provides a graphical representation of these figures. The majority of enquiries were for industrial units, with the strongest demand in the City, but also high demand in

Charnwood, Blaby, Hinckley & Bosworth, Oadby & Wigston and NW Leicestershire. Demand for offices and serviced offices/managed workspace was more or less evenly distributed across the sub-region, though slightly higher for both uses in the City.

Figure 7.19 Demand for Workspace (April 05 to Dec 10)

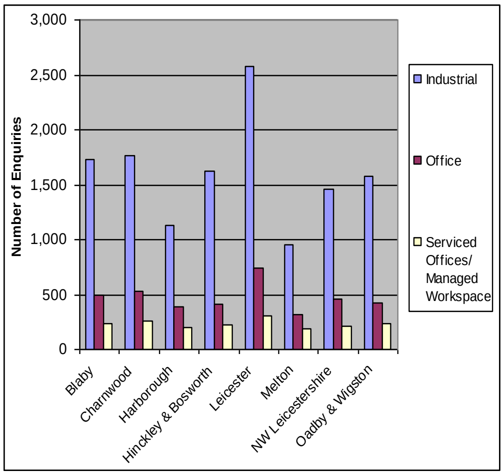


Figure 7.20 Demand for Workspace (Jan to Dec 2010)

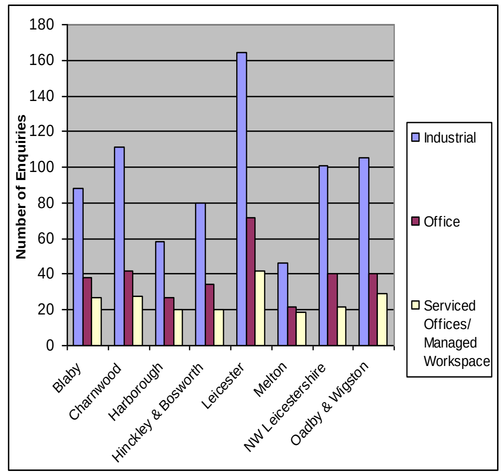


Figure 7.21 Share of Enquiries for Workspace by Use (April 2005 to Dec 2010)

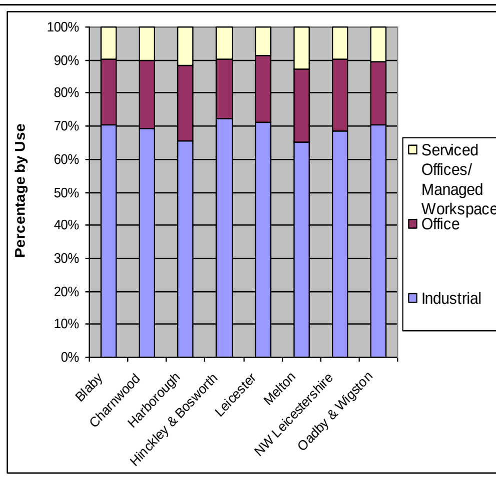
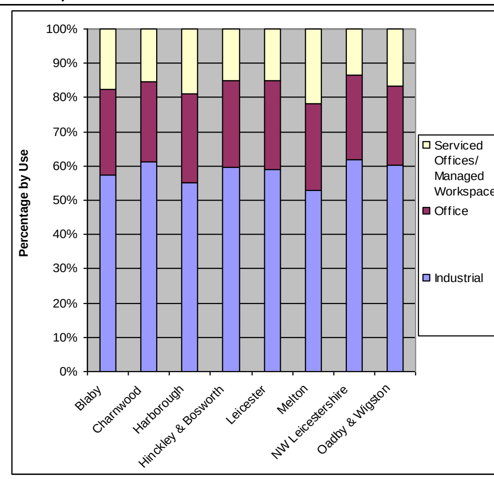


Figure 7.22 Share of Enquiries for Serviced Office/Managed Workspace (Jan 2010 to Dec 2010)



7.82 Figure 7.20 illustrates the trend of enquiries by businesses for industrial units, offices and serviced offices/managed workspace across the sub-region between January and December 2010. Overall, these trends reflect those for the period April 2005 to December 2010. However, interestingly Figure 7.22 reveals an increased proportion of enquiries were for offices and serviced offices/managed workspace, compared to those highlighted in Figure 7.21.

7.83 The key issues from this source of evidence are:

- The highest number of enquiries for industrial properties was in Charnwood (195), over twice the number for Leicester City (84) which had the second largest number of enquiries.
- The overwhelming number of enquiries for Office property was in Leicester City (227), followed by Charnwood (88), NW Leicestershire (50) and Blaby (45).
- Enquiries for serviced offices/managed workspace was highest in Leicester City (144), followed by Charnwood (50) and North West Leicestershire (47).
- Enquiries for warehousing property was highest in Charnwood (77), followed by Blaby (26).
- Overall, the highest number of enquiries for all types of property was for locations in Leicester (461), followed by Charnwood (410), Blaby (146) and North West Leicestershire (117).
- The most common request for offices and serviced offices/managed workspace was for units of between up to 500 sq.ft.
- There was roughly an even spread in terms of the size of industrial units required.

7.84 Requests for warehousing tended to be in two size bands, namely 500 sq.ft. to 2,500 sq.ft. and over 5,000 sq.ft.

Future Demand for Small Offices in the Leicester Principal Urban Area Sub-markets

7.85 One of the early recommendations within the Workspace Study was that a more detailed analysis should be undertaken of the small office market in Leicester (i.e. offices of less that 8,000 sq.ft.). In 2009, Prospect Leicestershire commissioned the Small Office Study for the Leicester Principal Urban Area (PUA).

7.86 The key findings from an assessment of future demand for small offices included:

- Overall demand for small office floorspace in the Leicester PUA held up during the period between January 2008 and June 2009, with take-up roughly evenly shared between the combined city centre sub-markets (46% of deals within the PUA) and the out-of-town sub-market (54% of deals).
- There is market demand for up to 20,000 sq.ft. per annum in the Leicester PUA of new speculative Grade A and high quality small offices up to 4,000 sq.ft. for mostly freehold tenure.
- Demand is likely to be higher, initially, in the City Centre than out-of-town due to pent-up demand following a shortage of Grade A and high-quality

small offices over a number of years, increasing interest in individual and collective SIPP schemes and increasing demand in the City Centre from firms seeking design and build schemes up to 10,000 sq.ft.

- Evidence from interviews with the main developers active in this market indicates that the key source of demand is from local owner occupiers across a range of sectors including accountants and solicitors. Three of the four developers interviewed identified car parking as occupiers' most important requirement.

Current Supply of Workspaces

7.87 The Evolutive CRM system managed by Prospect Leicestershire also contains information on the supply of industrial units, offices and serviced offices/managed workspaces currently available and on the market across the sub-region.

Supply of Industrial Units

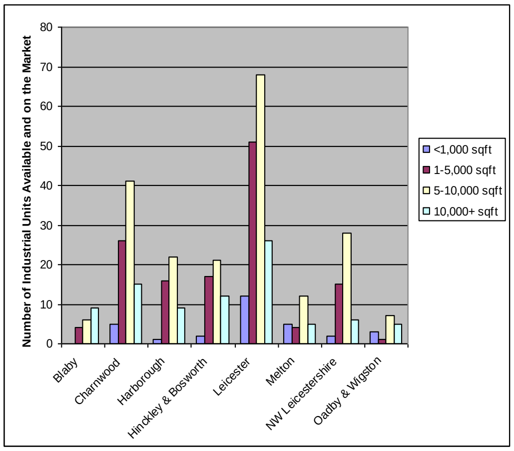
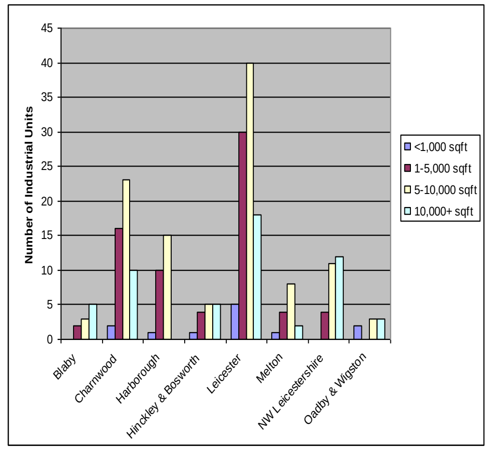
7.88 Table 7.17 highlights the number of industrial units registered on Evolutive that were available and on the market as of 26 January 2011. Figure 7.23 provides a graphical representation of these figures. This evidence indicates that the largest proportion of industrial units available were between 5,000 to 10,000sq.ft. followed by those between 1,000 to 5,000 sq.ft. This was the case in all locations across the sub-region with the exception of Oadby & Wigston, Blaby and Melton. In these three districts, the figures from Evolutive indicate limited availability of industrial units in all four size ranges. The largest supply of industrial units were in the City and Charnwood. These figures also reveal a surprisingly low level of availability of industrial units below 500sq.ft. across all locations.

Table 7.17 Supply of Industrial Units Registered on Evolutive CRM, 26 Jan 2011

	Number of Industrial Units Available and on the Market (26 January 2011)				
	<1,000 sq.ft.	**1,000 to 5,000 sq.ft.**	**5,000 to 10,000 sq.ft.**	**10,000+ sq.ft.**	**Total Number**
Blaby	0	4	6	9	19
Charnwood	5	26	41	15	87
Harborough	1	16	22	9	48
Hinckley & Bosworth	2	17	21	12	52
Leicester	12	51	68	26	157
Melton	5	4	12	5	26
NW Leicestershire	2	15	28	6	51
Oadby & Wigston	3	1	7	5	16
Leicester & Leicestershire	**30**	**134**	**205**	**87**	**456**

Source: Prospect Leicestershire/Evolutive CRM (2011)

7.89 Figure 7.24 provides details of the number of industrial units that were newly registered on Evolutive during 2010. This provides an indication of the flow of premises coming on to the market during 2010. In most cases this flow of newly registered properties reflects similar trends to those available on 26 January 2011 as illustrated in Figure 7.23. However, Figure 7.24 indicates that there were fewer newly registered properties in Hinckley & Bosworth compared to the stock available on 26 January 2011.

Figure 7.23 Number of Industrial Units Registered on Evolutive (26 January 2011)	Figure 7.24 Number of Industrial Units Newly Registered on Evolutive in 2010
	

Supply of Offices

7.90 Table 7.18 highlights the number of offices registered on Evolutive that were available and on the market on 26 January 2011. Figure 7.25 provides a graphical representation of these figures. This evidence indicates that the largest number of offices available were in the City. There is a significant supply of offices of between 1,000 to 2,500sq.ft. in Harborough, which reflects the development at Kibworth Business Park. The figures also reveal there is a very limited supply of office space in Melton, Oadby & Wigston and Hinckley & Bosworth in all size categories.

Table 7.18 Supply of Offices Registered on Evolutive CRM, 26 January 2011

Location	Number of Offices Available and on the Market (26 January 2011)						
	<500 sq.ft.	500 to 1,000 sq.ft.	1,000 to 2,500 sq.ft.	2,500 to 5,000 sq.ft.	5,000 to 10,000 sq.ft.	10,000+ sq.ft.	Total Number
Blaby	1	2	8	7	0	4	22
Charnwood	6	3	8	11	4	6	38
Harborough	3	8	37	4	2	3	57
Hinckley & Bosworth	0	3	3	5	0	4	15
Leicester	7	17	32	22	15	17	110
Melton	0	2	2	0	0	1	5
NW Leicestershire	3	10	9	7	3	0	32
Oadby & Wigston	0	3	4	1	0	1	9
Leicester & Leicestershire	20	48	103	57	24	36	288

Source: Prospect Leicestershire/Evolutive CRM (2011)

Figure 7.25 Number of Offices Registered on Evolutive (26 January 2011)

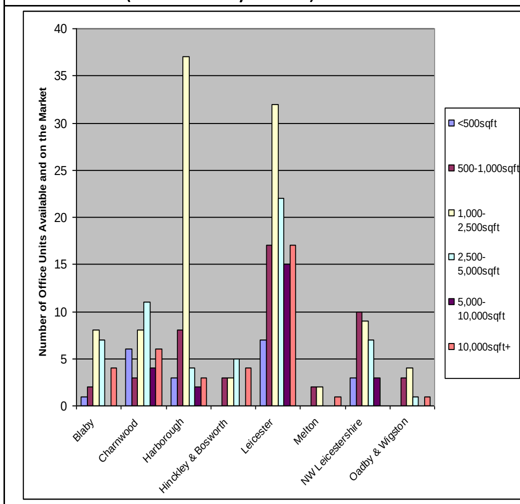
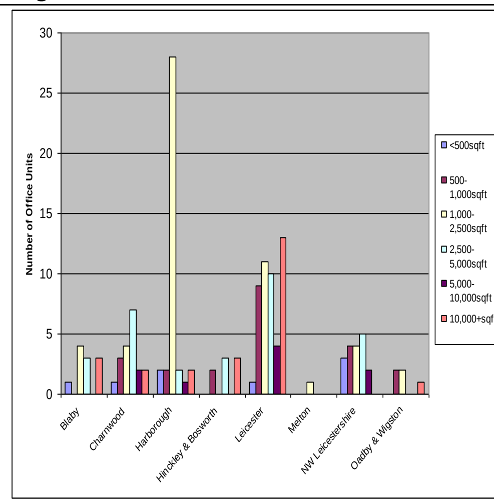


Figure 7.26 Number of Offices Newly Registered on Evolutive in 2010



7.91 Figure 7.26 provides details of the number of offices that were newly registered on Evolutive during 2010. This provides an indication of the flow of office premises coming on to the market during 2010. In most cases this flow of newly registered properties reflects similar trends to those available on 26 January 2011 as illustrated in Figure 7.25. However, Figure 7.26 indicates that there were only a limited number of newly registered offices in Melton, Oadby & Wigston and Hinckley & Bosworth compared to the stock available on 26 January 2011.

Supply of Serviced Offices/Managed Workspaces

7.92 Table 7.19 highlights the number of serviced office/managed workspace registered on Evolutive available and on the market as of 26 January 2011. Figure 7.27 provides a graphical representation of these figures. Overall, this evidence indicates that there was an extremely limited supply of serviced offices/managed workspace available and on the market in the sub-region as at 26 January 2011. The largest supply was in the City followed by NW Leicestershire, Charnwood and Blaby. There were no serviced offices/managed workspace available in Oadby & Wigston and Melton and only one unit each in Harborough and Hinckley & Bosworth.

7.93 Figure 7.28 provides details of the number of serviced offices/managed workspace that were newly registered on Evolutive during 2010. This provides an indication of the flow of premises coming on to the market during 2010. These figures reveal that only 10 serviced offices/managed workspace units were newly registered on Evolutive during 2010.

Table 7.19 Supply of Serviced Office/Managed Workspace Units Registered on Evolutive CRM, 26 January 2011

Location	**Number of Serviced Office/Managed Workspace Units Available and on the Market (26 January 2011)**						
	<500 sq.ft.	**500 to 1,000 sq.ft.**	**1,000 to 2,500 sq.ft.**	**2,500 to 5,000 sq.ft.**	**5,000 to 10,000 sq.ft.**	**10,000+ sq.ft.**	**Total Number**
Blaby	0	2	0	0	0	1	3
Charnwood	3	0	2	0	0	1	6
Harborough	0	0	0	0	0	1	1
Hinckley & Bosworth	0	1	0	0	0	0	1
Leicester	2	6	5	0	0	0	13
Melton	0	0	0	0	0	0	0
NW Leicestershire	3	2	2	0	0	0	7
Oadby & Wigston	0	0	0	0	0	0	0
Leicester & Leicestershire	8	11	9	0	0	3	31

Source: Prospect Leicestershire/Evolutive CRM (2011)

Figure 7.27 Number of Serviced Offices/ Managed Workspace Registered on Evolutive (26 January 2011)

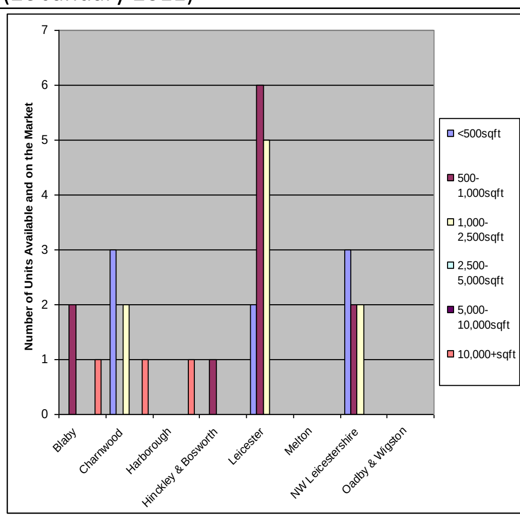
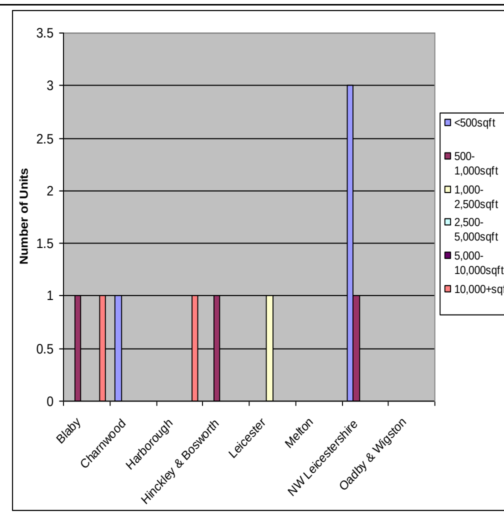


Figure 7.28 Number of Serviced Offices/ Managed Workspace Newly Registered on Evolutive in 2010



Total Supply of Workspace

7.94 Table 7.20 illustrates the total supply of workspace registered on Evolutive that were available and on the market as of 26 January 2011. Figure 7.29 provides a graphical representation of these figures. Overall, this evidence indicates there was a greater supply of industrial units available than offices or serviced offices/managed workspace across the sub-region. The greatest supply of workspace was to be found in the City – for all three uses. In addition to the City, the largest supply of industrial units were available in Charnwood, NW Leicestershire, Hinckley & Bosworth and Harborough. There was only a limited supply of industrial units available in Oadby & Wigston, Blaby and Melton. The largest supply of offices was in the City, followed by Harborough, Charnwood and NW Leicestershire. In Harborough, there were more office units available than industrial units. There was a limited supply of offices available in Melton, Oadby & Wigston and Hinckley & Bosworth. There was a limited supply of serviced offices/managed workspace available across the sub-region as a whole, with none available in Oadby & Wigston and Melton.

Table 7.20 Total Supply of Workspace Registered on Evolutive CRM, 26 Jan 2011

	Number of Workspace Units Available and on the Market			
	Industrial	**Office**	**Serviced Office/Managed Workspace**	**Total Number of Units**
Blaby	19	22	3	44
Charnwood	87	38	6	131
Harborough	48	57	1	106
Hinckley & Bosworth	52	15	1	68
Leicester	157	110	13	280
Melton	26	5	0	31
NW Leicestershire	61	32	7	100
Oadby & Wigston	16	9	0	25
Leicester & Leicestershire	**466**	**288**	**31**	**785**

Source: Prospect Leicestershire/Evolutive CRM (2011)

7.95 Figure 7.30 provides details of the number of industrial units, offices and serviced offices/managed workspace that were newly registered on Evolutive during 2010. This provides an indication of the flow of premises coming on to the market during 2010. Overall, this flow of newly registered properties broadly reflects similar trends to those illustrated in Figure 7.29.

Figure 7.29 Number of Workspace Registered on Evolutive (26 January 2011)

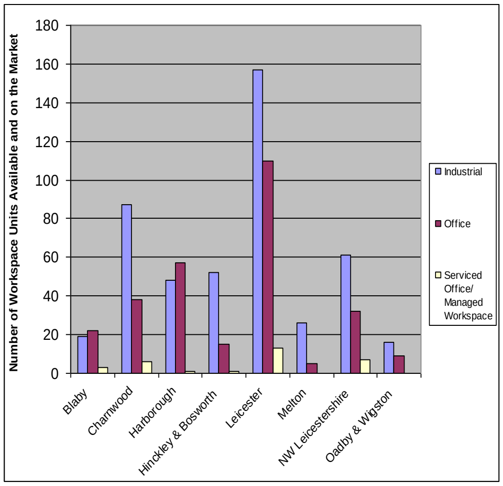
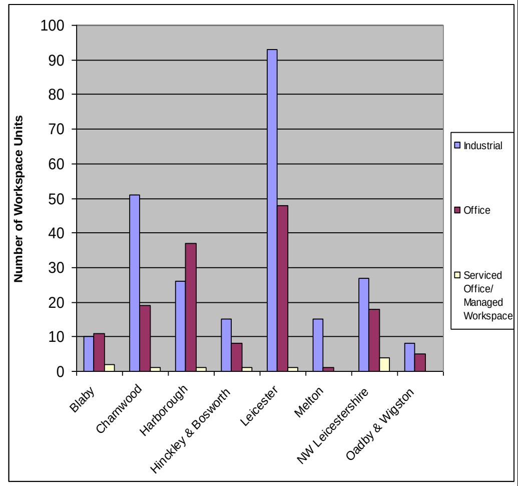


Figure 7.30 Number of Workspace Newly Registered on Evolutive in 2010



Supply of Small Offices in the Leicester Principal Urban Area Sub-markets

7.96 As part of the Small Office Study for the Leicester Principal Urban Area, Lambert Smith Hampton (LSH) also undertook an analysis of the availability of small offices across four sub-markets in the PUA. Table 7.21 shows the availability within the small office market across the Leicester PUA in January 2008 and in June 2009.

Table 7.21 Availability of Small Office Units (up to 8,000 sq.ft.) in the Leicester Principal Urban Area in January 2008 and June 2009

Sub-markets	January 2008		June 2009	
	Number of Units Available	Total Floorspace Available	Number of Units Available	Total Floorspace Available
Out-of-Town	48	132,638 sq.ft.	72	187,511 sq.ft.
City Centre	49	99,902 sq.ft.	58	109,734 sq.ft.
Professional Quarter	26	89,827 sq.ft.	45	93,478 sq.ft.
Cultural Quarter	5	14,557 sq.ft.	41	91,651 sq.ft.
Total	**128**	**336,924 sq.ft.**	**216**	**482,374 sq.ft.**

Source: Small Office Study for the Leicester Principal Urban Area, 2009

7.97 The main findings from this analysis were:

- There was a 69% increase in the number of available small offices and a 43% increase in available floorspace during this period across the PUA.
- The growth in available floorspace was reasonably balanced between the out-of-town and City locations, although much of the increase in the City was due to the Phoenix Square development in the Cultural Quarter.
- The largest increase in the available stock of small offices was in the up to 1,000 sq.ft. and 3,000 to 4,000 sq.ft. size ranges.

- In terms of quality, three quarters of the available stock of small offices is considered to be of poor quality.
- In 2008, the majority of available stock was being offered for lease, but by 2009 landlords had widened the tenure choice in response to rising stock levels and falling take-up.
- The pipeline of new small office schemes is focussed on out-of-town locations offering good communication links, high levels of car parking, high build specification, flexible layouts, efficient design, and support services.
- There are no proposed pipeline schemes for small office developments in the City Centre or edge of City Centre.

Supply-Demand Assessment and Gap Analysis of Workspaces

7.98 The Workspace Study undertook an assessment of the supply-demand balance and gap analysis of workspaces in the sub-region. The key findings were:

- There continues to be market failure in the provision of certain types of workspaces and the need for public sector intervention.
- There continue to be gaps in the supply of a quality property offer across the sub-region, particularly in Leicester and Loughborough, for the germination, incubation and growth of businesses in the science, technology and creative sectors.
- There is a lack of co-ordination between the provision of a quality property offer and support services across the sub-region, particularly for creative industries and science and technology firms.
- In the face of reducing public sector resources and the impact of the recession on private sector investment, there is a need for a new approach within the public sector to the planning, funding, development and management of workspaces.

Identifying the Future Small Offices Needs in the Leicester Principal Urban Area Sub-market

7.99 The Small Office Study for the Leicester Principal Urban Area identified the following demand/supply issues:

- The available stock of small offices within the PUA provides just less than two year's supply of small offices available on the market.
- There is a very limited amount of speculative development of small offices in the pipeline and none currently planned in Leicester City Centre.
- There is a significant oversupply of poorer quality accommodation in the City and professional quarter sub-markets, particularly of units of 3,000 to 5,000 sq.ft.

- There is an unmet demand for Grade A and high-quality small office accommodation of up to 4,000 sq.ft. in the City sub-markets for general occupiers on both freehold and very flexible terms with adequate levels of car parking in accessible and safe environments.

Additional Workspace Provision

7.100 The Workspace Study identified a number of key investment opportunities in the sub-region for the provision of additional workspace to address areas of market failure, in terms of public sector intervention. These include:

- Leicester, Loughborough and Market Harborough for innovation and incubation space,
- The Cultural Quarter in Leicester for the provision of space for the creative industries, including the conversion of existing buildings, new build three – four storey flatted offices, new build two storey offices / studios in courtyards.
- Waterside in Leicester for small offices schemes with appropriate car parking, in the form of two storey terraces of self-contained new build offices and freestanding new build offices up to 1,000 sq. m.
- Leicester and Melton Mowbray for innovation in food and drink manufacturing.

7.101 The Workspace Study also recommended that Employment Improvement Areas be designated in parts of the City and County to bring forward comprehensive environmental and premises improvement measures for a number of old, declining industrial estates to make them 'fit for purpose'. A similar recommendation was made in the recent Employment Sites and Brownfield Study for Oadby & Wigston Borough Council by Roger Tym & Partners (2010) for specific sites in the Borough, including the site on Kenilworth Drive in Oadby, which is currently underperforming, with the consultants identifying the need for a focused regeneration framework to fully articulate the development potential of this site.

7.102 The Workspace Study identified that in a period of diminishing public resources, there were a number of key roles the public sector could play in stimulating investment in workspace, including:

- Improving the general environment for business growth through greater co-ordination and prioritisation in key areas of public policy.
- Helping to broker land sale agreements and addressing site constraints.
- Taking a more pro-active role in stimulating private sector workspace development activity by identifying development opportunities, preparing

feasibility studies, encouraging the adoption of positive planning approaches by the local planning authorities and matching these opportunities with potential local and national workspace providers.
- Working more closely with the private sector to explore opportunities to establish innovative funding, legal and delivery mechanisms to secure public and private sector investment for the release of employment land and development of workspace.
- Taking a more strategic and commercial approach to development.

Summary

7.103 A balanced supply of employment land and premises is a necessary pre-requisite for an area to be able to maximise its economic performance. Sub-regional partners are in agreement that the Leicester and Leicestershire sub-region has suffered from a structural shortage of employment land for many years and that this has been a barrier to maximising growth within the sub-region.

7.104 In terms of the forecast demand for employment land in the sub-region, the key facts are:

- Across the sub-region as a whole, there will be an increasing demand for offices and a decline in demand for industrial space.
- The greatest demand for office floorspace will be in Leicester, representing nearly half of all the forecast demand for offices in the sub-region.
- Significant demand for office space is also forecast for Blaby, Harborough, Hinckley and Bosworth, Charnwood and North West Leicestershire.
- The highest demand for industrial land will be in Leicester, again representing nearly half of all future demand in the sub-region, with also further demand in Charnwood, Blaby and Hinckley and Bosworth.
- The highest demand for warehousing is forecast in North West Leicestershire, representing nearly half of the demand in the sub-region.
- There is a market aspiration for open market B1(b) R&D floorspace in/around Loughborough to meet demand from users and potential inward investors that do not meet Loughborough University’s Gateway Policy for its Science and Enterprise Park.

7.105 In terms of the ability of the sub-region to meet this demand with the current supply of employment land in the sub-region, the key facts are:

- There has been an imbalance in the growth in supply of the office stock in Leicester with significant increases in offices in out-of-town locations leading to a significant under-supply of offices in Leicester (despite the greatest demand for offices being in Leicester).

- There is also a large under-supply of offices in Hinckley and Bosworth and Charnwood.
- Leicester has seen the largest decline in industrial stock and also has the oldest industrial stock in the sub-region.
- There is insufficient supply of industrial and warehousing land available in Leicester to meet future demand.
- There is also a significant under-supply of industrial and warehousing land in Charnwood, particularly in and around Loughborough, resulting in Charnwood being in danger of running out of supply in the next 5-10 years, in all sub-areas.
- There is an under-supply of land for offices as well as a shortfall of land for the renewal of existing industrial and warehousing sites in Oadby and Wigston and Melton.
- There is an under-supply of land to meet forecast demand for industrial and warehousing uses in Blaby.
- There is a significant over-supply of industrial land in North West Leicestershire.
- There is an over-supply of land for offices in Harborough but a fairly balanced supply of industrial land.

7.106 The demand-supply assessment and gap analysis undertaken by PACEC in the original 2008 Study and the 2011 Update highlights the fact that there is a significant imbalance in supply and demand across the sub-region and that employment land planning cannot satisfactorily be tackled at a local level. A strategic approach is required to ensure that the employment land and property needs of the sub-region as a whole are met, as well as for individual districts.

7.107 A key priority must be to address the shortage of employment land in the City of Leicester. The fact that it is not possible for sufficient additional employment land to be found within the City to meet future demand means that additional allocations must be made in the wider Leicester Principal Urban Area if economic growth in the City and wider sub-region is not to be constrained. The unmet demand in Leicester needs to be demonstrated by a thorough and robust study.

7.108 In terms of addressing the imbalance between supply and demand across the sub-region, the PACEC Update (2011) recommends the following allocations of additional previously undeveloped employment land for the HMA are required in the period to 2026 to provide a balanced supply of employment land:

- 179,786 sq. m. of offices across the sub-region as a whole, including:
  - An initial 31,410 sq.m. of offices in Charnwood North and Oadby and Wigston together with a potential further allocation in Phase 3 of the

NBQ in Leicester (to help meet a total PUA requirements of 131,980 sq.m.).
    - 32,515 sq.m. of offices in Hinckley.
- 170.2 hectares of land for light industrial and small-scale warehousing, including:
    - Up to 90.2 ha for light industrial and warehousing in the PUA.
    - Up to 80 ha for light industrial and warehousing outside the PUA.
- 50 hectares for a potential strategic road rail strategic distribution centre.

7.109 An assessment of future demand for workspaces across the sub-region undertaken as part of the Workspace Study (2009) identified the following key conclusions:

- Take-up of workspace remains strong from different sub-markets across the sub-region.
- For basic workspaces and serviced offices, demand is arising from start-up and micro-businesses, notably amongst those serving local businesses and consumers.
- Public sector intervention is still required
- For the innovation centres at De Montfort University, Loughborough University and the LCB Depot and Phoenix Square in Leicester, demand is arising from technology and creative based firms seeking support services for business germination, incubation and growth as well as opportunities to network with other firms. These facilities and services will be key to securing inward investment from technical and knowledge-based industries, thus driving up productivity and achieving sustainable economic growth.
- For freehold premises and plots, demand is arising – on a more limited scale - from company directors who wish to either develop or acquire freehold premises for investment purposes.
- There is unmet demand for small office schemes in Waterside and St George’s South in Leicester.
- Future demand for workspaces, in terms of uses and mix of uses, unit sizes, ICT connectivity, energy performance and area, will be shaped by continued structural changes in the sub-region’s economy.

7.102 In terms of future public sector intervention, the Workspace Study identified that in spite of diminishing public resources, there were still a number of key roles the public sector could play in stimulating investment in workspace, including:

- Improving the general environment for business growth through greater co-ordination and prioritisation in key areas of public policy.
- Helping to broker land sale agreements and addressing site constraints.

- Taking a more pro-active role in stimulating private sector workspace development activity by identifying development opportunities, preparing feasibility studies, encouraging the adoption of positive planning approaches by the local planning authorities and matching these opportunities with potential local and national workspace providers.
- Working more closely with the private sector to explore opportunities to establish innovative funding, legal and delivery mechanisms to secure public and private sector investment for the release of employment land and development of workspace.
- Taking a more strategic and commercial approach to any development it proposes to undertake.

7.110 Industrial development land values in Leicester are very competitive compared to neighbouring cities such as Birmingham, Coventry and Nottingham. Moreover, they are extremely competitive compared with other large cities such as Bristol, Sheffield, Manchester and Leeds.

7.111 Office rental values in Leicester are relatively low compared to many other cities. In terms of business occupiers, this can be seen by some as a strength (particularly by those for whom "image" is less important), in that it will help a business to lower its costs by locating in Leicester. However, rental values are closely linked to the quality and range of accommodation on offer. Cities with lower average rental values are often perceived as less attractive for businesses where image is important. Much of the current office stock in Leicester is low grade and, as such, Leicester lags behind other urban centres in terms of its offer and image. Furthermore, the low rental values do not give investors, developers and existing property owners any incentive to invest or redevelop as investment yields are low.

7.112 The key issues have been summarised within a SWOT framework.

7 SWOT EMPLOYMENT LAND AND WORKSPACES

Strengths	**Weaknesses**
• Strong growth of industrial stock in North West Leicestershire, Hinckley & Bosworth, Melton • Strong demand for offices in Leicester, Blaby, Harborough, Hinckley & Bosworth, Charnwood and NW Leicestershire • Overall demand for small office floorspace in the Leicester PUA has held up in recent years • Good supplies of undeveloped employment space in North West Leicestershire and Harborough • Prospect Leicestershire providing a focus for the delivery of economic development in the sub-region • Strong retail offer, Highcross, Fosse Park, Leicester market, market towns - area retains high proportion of retail expenditure • Industrial development land is competitively priced in Leicester compared to many other cities	• Market failure causing long-term structural shortages of 'fit for purpose' employment land and workspaces across the sub-region • Continued stagnation in the development of new offices in Leicester City Centre at the expense of out-of-town office development • Large stock of old, outdated industrial and commercial premises of little interest to business, particularly within the City • Current shortage of undeveloped employment land in Leicester, Charnwood, Blaby, Hinckley and Bosworth, Oadby and Wigston and Melton • Gaps in the supply of workspace for germination, incubation and growth of businesses, particularly in science, technology and creative sectors • Lack of overall co-ordination between the provision of workspaces and business support across the sub-region, however, some local exceptions
Opportunities	**Threats**
• Planning policies that set out a clear framework for local development and encourage growth • Develop a strategic planning framework that addresses economic development and infrastructure issues • Joined-up approach to employment land planning and delivery - a source of economic competitiveness for sub-regional economy • Promote sustainable development by aligning homes with jobs & reducing the need to travel • Joined-up public sector approaches to the planning, funding, delivery & management of employment land & workspaces • Loughborough Science and Enterprise Park provides one of the most attractive sites for high technology-based industry in the East Midlands • Open market B1(b) R&D floorspace in/around Loughborough • Leicester Science Park to promote innovation employment in the City • Unmet demand for small office schemes in Waterside and St George's South in Leicester • Strong demand for basic workspaces and serviced offices from start-up and micro-businesses • Strong demand for germination, incubation and grow-on space from businesses in science, technology & creative sectors	• Abolition of the Regional Spatial Strategy. • Abandonment of the strategic coordinated approach to the planning and delivery of employment land and workspaces, particularly for strategic employment sites in the Sustainable Urban Extensions • Inability to allocate additional undeveloped employment land outside the City boundary to meet unmet demand from within the City • Significant reductions in public sector resources and diminishing external funding programmes limiting the scope for future public sector interventions in employment land and workspaces • The need for advance investment and public sector intervention to bring forward strategic employment sites within the proposed Sustainable Urban Extensions • Car parking standards for City Centre offices deflecting demand for offices towards car-dependant out-of-town schemes • Urgent need to provide land in Charnwood to avoid it running out of land supply in the next 5-10 years, in all sub-areas • Identified additional allocations of undeveloped employment land not being brought to the market • Continued pressure for residential development on employment sites (especially in the City)