



Employment Land and Office Targets Study Birmingham City Council 2013

A Report for



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List of Abbreviations

ASHE – Annual Survey of Hours and Earnings
BDP – Birmingham Development Plan
BRES – Business Register and Employment Survey
CBD – Central Business District
DCLG – Department for Communities and Local Government
EZ – Economic Zone
FIREB – Finance, Insurance, Real Estate and Business services
FTE – Full time Equivalent
GBS – Greater Birmingham and Solihull
GBSLEP – Greater Birmingham and Solihull Local Enterprise Partnership
GDP – Gross Domestic Product
GEA – Gross External Area
GIA – Gross Internal Area
GVA – Gross Value Added
HCA – Homes and Communities Agency
HS – High Speed
IMI – Institute of Microbiology and Infection
ITEC – Information Technology, Electronics and Communication
ITM – Institute of Transitional Medicine
LDO – Local Development Orders
LEFM – Local Economic Forecasting Model
LEP – Local Enterprise Partnership
LQ – Lower Quartile
NA – Not Applicable
NEC – National Exhibition Centre
NIA – Net Internal Area
NPPF – National Planning Policy Framework
NVQ – National Vocational Qualification
ONS – Office for National Statistics
PSF – Pounds per Square Foot
RIS – Regional Investment Site
RLS – Regional Logistics Sites
RSS – Regional Spatial Strategy
SIC – Standard Industrial Classification
SME – Small and Medium Sized Enterprises
UDP – Unitary Development Plan

1. Introduction

- 1.1 In May 2013, Birmingham City Council (BCC) commissioned Warwick Economics and Development (WECD) to undertake a comprehensive employment land review and office targets study that would provide robust evidence in relation to future requirements for industrial land and office space up to the year 2031.
- 1.2 The City Council's approach to employment land to date has sought to ensure that an adequate reservoir of readily available land is maintained to allow the City to accommodate development proposals from inward investors, start-ups and existing companies wishing to expand or move within the City. In order that no desirable investment be lost due to a lack of sites, the approach of the City Council regarding employment land is to maintain a reservoir of land within the sub-markets of Regional Investment Sites (RIS), Best Urban, Good Urban and Other Urban with office floorspace allocated between the City Centre, Sutton Coldfield and the District Centres. The key objectives of the study are therefore to provide:
- A revised minimum reservoir target for the industrial land sub-market; and,
 - Revised targets for office floorspace.
- 1.3 The study will inform the emerging Birmingham Development Plan (BDP), which will provide strategic planning policy for the City up to 2031. Given a number of developments taking place in the wider Greater Birmingham and Solihull LEP (GBSLEP) area and the importance of spatial planning for the delivery of key objectives of the GBSLEP Strategy for Growth, the impact of current and future economic prospects, the potential effect of HS2 and the performance of property markets are also considered in drawing conclusions and making recommendations.

Study Approach and Methodology

- 1.4 In meeting the study objectives, the study is based on:
- Development of a picture of the economy and the trajectory it may follow over the coming years;
 - Translation of this into land requirements; and,
 - Comparison of future requirements with the present available supply of employment land in the City.
- 1.5 To profile the local economy:
- A review of the latest available demographic, socio-economic and spatial data has been undertaken. This is included in Section 3 of the report, with **Annex 1** providing more detailed information.
 - The nature and qualities of the local commercial property market have been reviewed given that this is a factor that would have a large effect upon future developments within Birmingham. Section 4 presents a detailed review of the local property market and key factors impacting upon its performance.
- 1.6 In order to develop a picture of future requirements:
- In line with the approach outlined within the relevant Government guidance in undertaking employment land studies, projections of the future levels of employment (and gross value added) within the local economy have been produced and form the basis of assessing future land needs. These projections are based upon the outputs of the Cambridge Econometrics LEFM model. The model has the advantages of being produced in accordance with regional and

national economic projections and is the one that has been used as the basis of future employment land requirements in other parts of the region.

- Employment projections have then been translated into the employment related planning B use classes. The delineation between the planning use classes and the various sectors within a local economy is not always perfectly clear and some economic activities may use, and be perfectly suitable for, employment space not perfectly falling within a planning use class. Utilisation of WECD's economic expertise and up to date practices in the development of employment land studies have informed this translation. **Annex 2** contains details of the translation between sectors and the planning use classes.
- Projections of future employment in economic sectors are traditionally based upon past data and trends with current (or near future) activities not included in these calculations. This study, however, goes beyond the requirements of the Government guidance and takes on board the known future developments occurring within the City, for example, the developments in the manufacturing sector. It is expected that these known developments may have a multiplier effect throughout the local economy by way of its links through the supply chain. Therefore these effects are taken on board in developing the future requirements for employment land in Birmingham.
- The projections of future employment/gross value added in Birmingham to the year 2031 have been translated into floorspace requirements and then into land using the latest available guidance from the HCA. In addition, the following considerations have been taken into account:
 - Due to uncertainty inherent in projections of future economic activity and to incorporate the need for choice within a local property market, a margin has been added to these figures.
 - The amount of pipeline development and the likely rate of vacancies have also been taken into account in determining the overall land requirements.
 - Past levels of completions have been also reviewed. This enables the production of a range of quantities that future development levels would fall within.

1.7 To review the stock of employment land in Birmingham, the following tasks have been undertaken:

- Review of approximately 750 ha of existing employment land. Potential development land within these locations has been examined to ascertain, in terms of quantity, how much land is available for employment related development and the type of sub-market it may be suitable for. A list of the reviewed sites is provided in **Annex 3**.
- The study has also reviewed the quality of employment land by looking at market attractiveness, sustainable development and strategic planning factors against a total of 24 criteria (these are presented in **Annex 4**).

1.8 To draw conclusions:

- The projected future requirements for employment land are compared to the total developable employment land available in order to provide an assessment of whether any further employment land needs to be allocated.
- For office space, the availability of land and market prospects within the City and other centres has been taken into account.
- Account is also taken of the assessment of the quality of employment land available in order to gain a realistic picture of the gap, if any, between demand and supply of employment land. This then provides the basis for moving towards a portfolio of employment land in Birmingham in the years up to 2031.

Structure of the Report

1.9 The remainder of the report is structured as follows:

- Sections 2, 3 and 4, examine the policy, economic, demographic and property market contexts of Birmingham to provide a complete picture of the current factors that will shape future employment development within the City.
- Section 5 uses the projections of economic activity for Birmingham as the basis for determining the future demand for employment land.
- Section 6 examines the current supply of employment land in the City.
- Section 7 presents issues to be considered in developing a portfolio of employment land through comparison of the demand for and supply of developable employment land within the City and makes suggestions for approaches that may be taken to the allocation of employment land.
- Section 8 presents the key conclusions of the study.

2. The Policy Context

2.1 This section outlines the key economic development policies and planning policy frameworks setting the context for the employment land and office targets study. These include the GBSLEP Strategy for Growth and the Big City Plan that set the overall economic growth and development scene for Birmingham City Centre and the Birmingham Development Plan (BDP, formerly the Core Strategy) that replaces the Unitary Development Plan (UDP) and will be the main underpinning element in the Local Development Framework for Birmingham.

2.2 The vision for Birmingham is that, by 2031, Birmingham will be renowned as an enterprising, innovative and green city that has delivered sustainable growth meeting the needs of its population and strengthened its position on the international stage. The overall objectives for Birmingham's growth can be summarised as follows:

- To re-establish Greater Birmingham's role as the major driver of the UK economy outside London.
- To promote the development of the City Centre as the prime (and priority) location for growth, with 26 sites within it designated as the Birmingham City Centre Enterprise Zone – with businesses moving into the zone enjoying rates relief and simplified planning requirements in parts of it.
- To ensure the continued economic growth and development of the City, with a particular emphasis on the key sectors, which are also to be directed to sites/areas – the five Economic Zones - that are considered most beneficial to their future growth.
- To accommodate future growth within the City in as environmentally sustainable manner as possible. The Birmingham Development Plan anticipates substantial growth in population and households up to the year 2031 and notes a requirement to accommodate a substantial number of dwellings.

GBSLEP Strategy for Growth: Delivering Growth¹

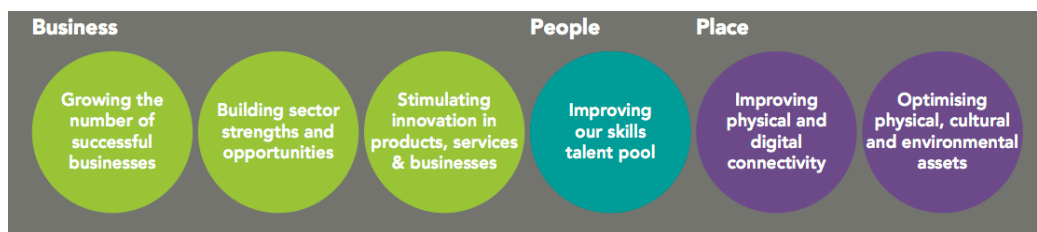
2.3 Launched on May 2 2013, the Strategy's mission is to create jobs and grow the economy – and, in doing so, raise the quality of life for all of the LEP's population. The vision outlined in the Strategy's vision is to re-establish Greater Birmingham's role as the major driver of the UK economy outside London.

2.4 The targets set to deliver the Strategy's mission and vision are as follows:

- A net increase of at least 100,000 private sector jobs by 2020.
- A net increase of at least £8.25 billion GVA by 2020.
- A decrease in unemployment across the LEP to fall in line with at least the national average by 2020.
- An increase in GVA per-head across the LEP to meet the national average by 2020 and exceed the national average by 2025.
- An increase in the percentage of the working-age population with NVQ3+ to be above the Core City LEP average by 2020 and out-perform the national average by 2025.

2.5 The six most fundamental issues that are seen as key in order to deliver these objectives and bring long term prosperity to the Greater Birmingham and Solihull LEP area are summarised in the Strategy as follows:

¹ <http://centrofenterprise.com/strategy-for-growth-delivering-growth/>

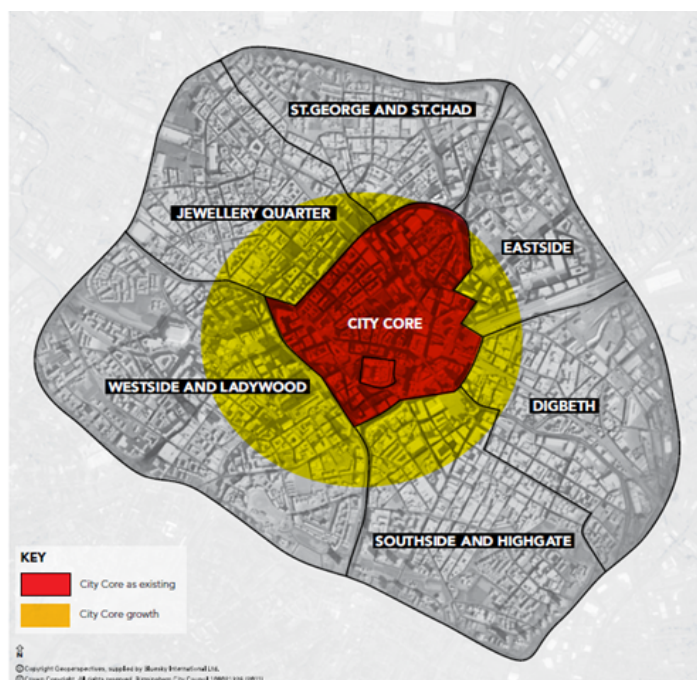


Source: GBSLEP Strategy for Growth – Delivering Growth

The Big City Plan²

- 2.6 The Big City Plan is a masterplan for the City Centre of Birmingham and its key principles will be embedded within the finalised Birmingham Development Plan (BDP). It represents Birmingham’s blueprint for investors and shows how the city will be transformed over the next 20 years.
- 2.7 The overall goal of the Plan is to grow the City Core (the area shown in red on Figure 2.1) by 25%. To achieve this, the Plan prioritises those areas that will grow the City Core to deliver 1.5 million square metres of floorspace and 50,000 new jobs. In enabling the City Core to grow, the plan identifies 7 areas (‘quarters’) each of which has distinct qualities; these quarters are currently seen as underutilised assets. The areas of **Westside**, **Snow Hill district (in the St. George and St. Chad quarter)** and **Eastside** are seen as areas that will accommodate new office development (both in the form of stand-alone and mixed-use developments).

Figure 2.1: Birmingham City Centre Divisions



Source: Big City Plan, Birmingham City Council.

- 2.8 Six broad objectives are identified which consist of:
 - Creating a liveable city – providing places that create a high quality of living.
 - Providing a connected city – a City Centre that is safe for cyclists and pedestrians, an efficient highway network and an attractive public transport system.

² <http://bigcityplan.birmingham.gov.uk/>

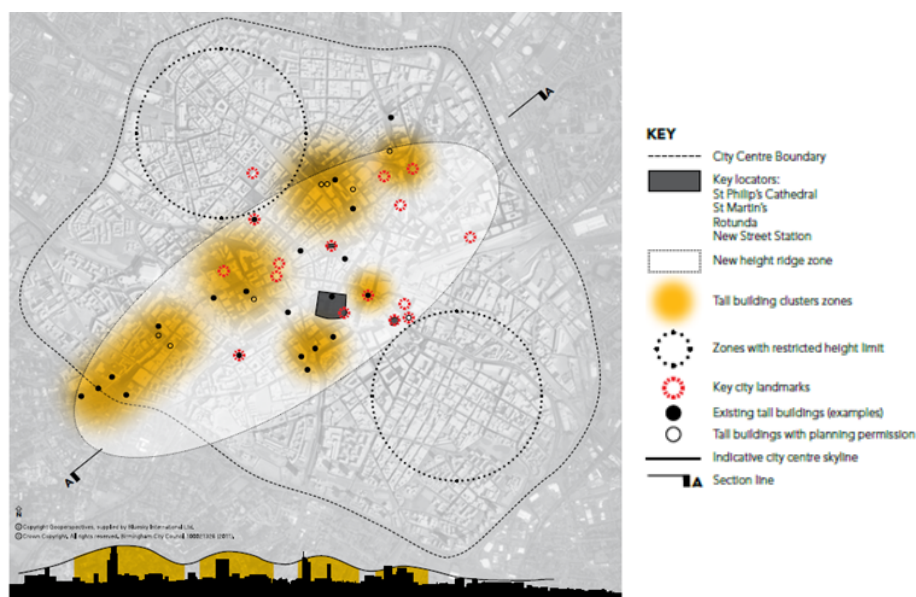
- Delivering an authentic city – providing a diverse experience through its architecture, streets and spaces.
- Building a knowledge city – supporting and utilising its universities, colleges, businesses and people to create a strong and sustainable economy.
- A creative city – develop and value creativity and industry in all its forms.
- A smart city – develop a City able to respond to the challenge of climate change through sustainable growth and pioneering the low carbon future.

2.9 The Plan specifically envisages:

- Growth of the Colmore Row Central Business District of Grade A office space into Westside and east around Snow Hill station.
- Five Ways developing as a focus of major office activity.
- A southern extension of the Central Business District to link the area around Martineau Galleries and on to the High Speed 2 rail station and Eastside.
- The growth of Eastside as a technology and knowledge based area focused at Birmingham Science Park Aston, but at lower densities and more modest rents than the City Core.
- Strengthening of the potential for the Jewellery quarter and Digbeth to provide a range of accommodation for creative industries, professional practices and start-ups.
- The continued provision of low-cost, affordable accommodation in St. George and St. Chad, parts of Digbeth, the Jewellery Quarter and Southside, supporting manufacturing and new growth sectors.

2.10 The Plan also includes some guidance regarding the development of tall buildings whereby these will be acceptable (subject to detailed design) along the central ridge running from the north east of the City Centre to the south west. Some adjacent areas, notably the Jewellery Quarter, Digbeth Southside and Highgate are denoted areas where heights will be restricted.

Figure 2.2: Building Development Guidance



Source: Big City Plan, Birmingham City Council.

2.11 The City Core is also envisaged as providing a prestige office location with a variety of high quality development opportunities to meet a wide range of business requirements. There are also a number of area-based policies (including for example the regeneration framework for Sutton

Coldfield town centre), which include proposals for development. Although some (e.g. the Selly Oak Local Action Plan) have been adopted for a number of years, these policies will have an impact upon the nature of development.

The Unitary Development Plan

- 2.12 The planning policy framework for the City of Birmingham is currently provided by the Unitary Development Plan (UDP), which was adopted in 2005. The UDP is to be replaced by the Birmingham Development Plan (BDP; formerly known as the Core Strategy), which will be the main underpinning element in the Local Development Framework for Birmingham.
- 2.13 The approach set out in the UDP was to address the trends that were evident in the city from the 1950s – 1970s (in terms of the built environment and economic changes). Underlying this broad approach were three main objectives:
- To endeavour to reverse the trend towards social polarisation and improving conditions for the socially excluded.
 - To secure a national/international standing equivalent to that of other major European regional capitals.
 - To continue to foster and promote the central role of Birmingham in providing higher-level services and specialised functions.
- 2.14 The UDP set out some basic principles underlying the provision of industrial land ensuring that potential investment should not be lost due to there being a lack of suitable and readily available sites; the creation of a balanced portfolio of sites, providing a choice of quality, size and location; and, managing and keeping the portfolio up to date.
- 2.15 The UDP also set out the sub-markets of sites (the Major Investment Sites, Best Urban, Good Urban and Other sites).
- 2.16 In terms of office development, the Plan also recognised that office based businesses were one of the core activities within the City Centre and that the future of the prosperity of the Centre was dependent upon the continued growth of office and service sector employment and that in turn, the Centre was the key to the future success of the office sector in Birmingham.
- 2.17 The UDP also saw other (suburban) centres as accommodating some office growth to complement that within the City Centre. These included: Sutton Coldfield, Perry Barr, Erdington, Sheldon, Yardley, Hall Green and Northfield.

The Birmingham Development Plan

- 2.18 Consultation on the emerging BDP to replace the UDP has recently concluded and the findings are being assessed.
- 2.19 **Overall, the vision for Birmingham outlined in the BDP is, that by 2031, it will be renowned as an enterprising, innovative and green city that has delivered sustainable growth meeting the needs of its population and strengthened its position on the international stage.**
- 2.20 Amongst others, the objectives that will help attain this vision are:
- To make provision for a significant increase in the City's population;
 - To create a prosperous, successful and enterprising economy with benefits felt by all;
 - To promote Birmingham's national and international role; and,
 - To create a more sustainable city that minimises its carbon footprint and waste while allowing the City to grow.

- 2.21 In meeting the needs of growth, the BDP recognises that revitalisation and modernisation of the City's economy will be central, ensuring jobs and prosperity for its residents. **The Plan, therefore, states that a continuous supply of land and full range of premises will be made available for all forms of employment development. Particular emphasis is to be placed on ensuring that sites are available for the identified key sectors (business & professional services, creative and digital media, life sciences, food and drink, ITEC, logistics and advanced manufacturing); the economic zones are to accommodate the needs of these sectors, with the core employment areas meeting the needs of a wider range of sectors.**
- 2.22 The BDP further states that there are few opportunities for meeting the needs of a growing economy and whilst the City will continue to encourage the re-use and retention of land in employment use the ability to meet future needs is limited and therefore, the release of land from the Green Belt will need to be explored for accommodating a large strategic site for employment use.
- 2.23 Office development, as with the UDP, is proposed to be accommodated primarily within the **City Centre** and other key growth centres, notably, the sub-regional centre of Sutton Coldfield and the district growth centres of Perry Barr, Selly Oak and Meadway.

Specific Growth Development Measures

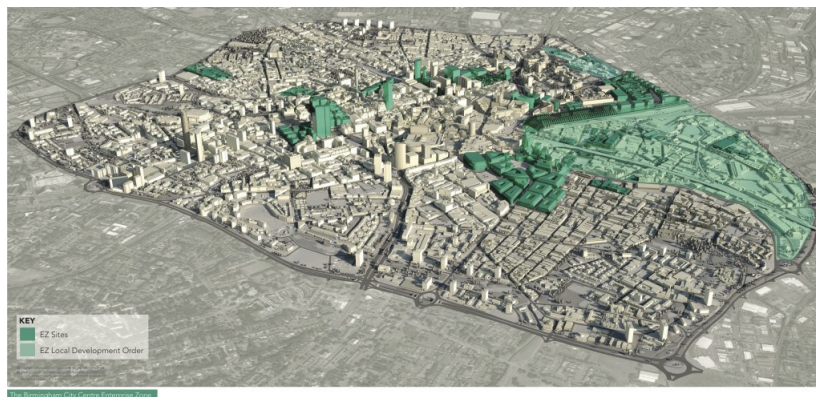
- 2.24 In order to further the economic growth of the City to 2031, some areas have been designated as special zones, notably the City Centre Enterprise Zone and five Economic Zones.

The Birmingham City Centre Enterprise Zone

- 2.25 The Birmingham City Centre Enterprise Zone is one of the major projects for the City Council and the GBSLEP, with the potential to create 40,000 new jobs, add £2 billion a year to the economy and make available 1.3 million sq metres of floorspace over the lifetime of the project.
- 2.26 The zone comprises 26 sites across the City Centre covering 68 hectares in seven clusters at Westside, Snow Hill District, Eastside, Southern Gateway, Digbeth Creative Quarter, Birmingham Science Park Aston and the Jewellery Quarter. These sites are focussed on the business and financial services, Information and Communication Technology, creative industries and digital media sectors that are already clustered in the City Centre and present significant growth opportunities.
- 2.27 Up until 2015, businesses moving into the Enterprise Zone will enjoy rates relief. Over its 25-year lifetime, the retained uplift in business rates will enable the LEP to invest in a range of infrastructure, business support, employment and skills and access to finance projects to support its priorities.
- 2.28 A simplified planning regime is being introduced across the whole of the EZ in addition to Local Development Orders (LDO) being used in Digbeth and Birmingham Science Park Aston, which will, amongst other benefits, remove the need to apply for planning permission for a wide range of changes of use, making it easier for growing small businesses to be mobile; provide greater certainty for parties to the development process and support proposals through the system.
- 2.29 The headline investments within the programme are £61 million for the redevelopment of Paradise Circus, £25 million for the extension of the Midland Metro to Centenary Square and £18 million for the provision of high quality and safe connections to economic opportunities for SME's in Digbeth and the Jewellery Quarter.
- 2.30 In May 2013, Birmingham City Council successfully bid for support from the Local Pinch Point Fund to secure support towards a £10 million package of road improvements around key Enterprise Zone

sites. In June 2013, the Department for Communities and Local Government announced that three bids from developers within the EZ to access support from the Local Infrastructure Fund had received outline approval.

Figure 2.3: The Birmingham City Centre Enterprise Zone



The Economic Zones

2.31 The five designated Economic Zones are:

- a. The Advanced Manufacturing Hub. Based at the Aston Regional Investment Site, this is to provide opportunities for the growing automotive supply chain as well as other advanced manufacturing activity. Public sector investment has been made in order to improve access and enable site assembly.
- b. The Environmental Enterprise District within Tyseley. This zone is to exploit the growth in resource recovery and low carbon technology. The range and quality of property available to businesses is to improve via proposals at Tyseley Wharf and Energy Way.
- c. The Life Sciences Campus near the university and hospital in Selly Oak. This zone is situated near the Queen Elizabeth Hospital, Birmingham and the University of Birmingham and will aid the generation of a life sciences/medical technologies cluster.
- d. The Food Hub on the former IMI site in north Birmingham. This zone will form a cluster of food processing, manufacturing and distribution businesses, aided by its access to the motorway network and the availability of serviced plots for development.
- e. ITEC Park in Longbridge. This zone provides an opportunity for businesses requiring large floorplates within a new high quality town centre, accessible by public transport and with a wide range of local facilities.

2.32 These zones will also benefit from funding over the years to aid their development (if available) and it is a goal to introduce simplified planning rules into these areas also.

Additional Considerations

2.33 In July 2012, the Greater Birmingham City Deal was announced. The City Deal comprises five components:

- **GBS Finance:** The creation of a £1.5 billion fund will enable the LEP to manage, recycle and leverage a number of public and private sector funding streams to deliver LEP priorities.
- **Skills for Growth Accelerator:** Designed to help address the significant skills challenges of the area, this proposal includes the development of a Skills for Growth Compact that will commit employers, colleges and schools to building a best-in-class skills service to link pupils and

learners with real-world work opportunities.

- **Public Assets:** Creation of a rolling asset-based development vehicle to unlock the potential of underused public land for housing and employment and so support growth. The vehicle will include receipts from the disposal of ex-Advantage West Midlands economic assets, now managed by the Homes and Communities Agency (HCA) and a defined set of LEP assets to a 40:60 ratio.
- **Life Sciences:** Development of an Institute of Translational Medicine (ITM) to capitalise on Birmingham's leading position in life sciences and its unique assets as a location for clinical trials is a key part of the City Deal. The Government has committed to contributing £12 million to support this project with £8 million from the Department for Business, Innovation and Skills and £4 million from the Department of Health.
- **Green Deal Accelerator:** This will see an expansion of the city's Birmingham Energy Savers³ programme, which aims to provide energy efficient improvements to 15,000 houses and 40 buildings. £3 million has been secured from the Department for Environment and Climate Change, subject to approved business cases, to pilot new green deal solutions in the hardest to treat properties, including selected 'eco-neighbourhoods' and tower blocks.

- 2.34 It is also worth noting that in addition to the established Birmingham City Centre Enterprise Zone, the GBSLEP has developed a proposal for an Enterprise Belt. The Enterprise Belt covers 580 hectares outside of Birmingham and has the potential to generate £14 billion GVA growth by 2026, create well over 1 million square metres of floorspace and up to 96,000 jobs. It includes the UK Central (UKC, previously known as M42 Economic Gateway), which is a major growth pole with great potential for investment and job creation. A number of major economic assets are located along or close to the motorway including Birmingham Airport, the NEC, Jaguar Land Rover, Solihull Town Centre and major investment sites at Birmingham Business Park and Blythe Valley Business Park⁴.
- 2.35 Another policy factor that will impact upon development within Birmingham in the future will be the development of High Speed Rail 2. In totality, HS2 is to develop a high-speed rail network between London and the West Midlands, East Midlands, South Yorkshire, Leeds and Manchester with connections to the West and East Coast Main Lines. The Government's aim is to provide a transport system that improves the quality of life for communities that is safe and green and is a driver of economic growth and HS2 is a core component of this. It is envisioned that HS2 would increase capacity on the rail network, reduce journey times and enhance connectivity and as such is a key element in the Government's vision for sustainable economic growth.
- 2.36 The Government's stated aim for HS2 is to increase rail capacity and increasingly make rail the mode of choice for inter-urban journeys and to reshape the economic geography of the country through faster connections between major cities and international gateways and to help bridge the north/south divide.
- 2.37 Phase 1 of the project is to connect London and the West Midlands, with phase 2 then going on to link the West Midlands, Manchester and Leeds.
- 2.38 Specifically within Birmingham, the project is to include a new station at Birmingham Interchange with a dedicated connection to Birmingham International station (on the West Coast Main Line), the National Exhibition Centre and Birmingham Airport. There is also proposed to be a new station

³ <http://www.birminghamenergysavers.org.uk/>

⁴ The Belt also includes a number of sites in the E3I belt, a 20-40 km area straddling southern Staffordshire and north Worcestershire. This area combines 'economic', 'entrepreneurial', 'environmental' and 'innovation' factors to create the conditions for business growth and potential for sustainable, knowledge-based economic growth.

at Curzon Street providing an interchange with Moor Street and New Street stations and a rolling stock maintenance depot at Washwood Heath.

- 2.39 Whilst the effect of this development *per se* is outside the scope of this study, there is one effect that needs to be taken into account: the use of land for its development and related uses (notably Washwood Heath).

The National Policy Context

- 2.40 The Government's economic policy for local areas was set out in the 2010 White Paper '*Local Growth: Realising Every Place's Potential*'. The White Paper stated that the Government would shift power to local communities and business, support investment in places and people to tackle barriers to growth and promote efficient and dynamic markets, in particular in the supply of land. Local authorities' key roles included supporting growth and development through ensuring a responsive supply of land that supports business growth.

- 2.41 Furthermore, the National Planning Policy Framework (NPPF) covers all aspects of planning policy for the country. A number of statements in the NPPF are of relevance to this study:

- The document states that the purpose of the planning system is to contribute to the development of sustainable development that includes, as one of three dimensions, an economic role for planning policy. This role is seen as contributing to building a strong, responsive and competitive economy by ensuring that sufficient land of the right type is available in the right places and at the right time to support growth and innovation. The social and environmental roles are to support strong, vibrant and healthy communities and to contributing to protecting and enhancing the natural, built and historic environment (including moving to a low carbon economy). The guidance highlights that these roles should not be undertaken in isolation as they mutually dependent
- Within the NPPF, *inter alia*, the core planning principles require the planning system to proactively drive and support sustainable economic development, take account of the different roles and character of different areas, protect Green Belts and support thriving rural communities within it. Support for the transition to a low carbon future and encouragement of the reuse of existing resources are also espoused. Following on from this, encouragement is also provided for the reuse of brownfield land and for the promotion of mixed-use developments.
- The NPPF goes on to state that the Government is committed to securing economic growth in order to create jobs and prosperity and to ensuring the planning system does everything it can to support sustainable economic growth and therefore significant weight should be placed on the need to support economic growth through the planning system. Amongst other issues, the framework expects the planning system to support existing business sectors (taking account of whether they are expanding or contracting) and, where possible, identify and plan for new or emerging sectors likely to locate in their area. Particular facets of local economies are also taken into account in the framework in that planning policies should also plan positively for the location, promotion and expansion of clusters or networks of knowledge driven, creative or high technology industries; identify priority areas for economic regeneration and facilitate flexible working practices such as the integration of residential and commercial uses within the same unit.
- The NPPF states that planning policies should avoid the long-term protection of sites allocated for employment use where there is no reasonable prospect of a site being used for that purpose and that land allocations should be regularly reviewed.
- In terms of evidence for the production of plans, local planning authorities are required to assess the needs for land or floorspace for economic development, including both the quantitative and

qualitative needs for all foreseeable types of economic activity over the plan period; assess the existing and future supply of land available for economic development and its sufficiency and suitability to meet the identified needs.

- 2.42 On the 9th May this year the Government confirmed that new permitted development rights would allow change of use from Offices (B1a) to residential (C3) to provide new homes in existing buildings. The change is to be made by an update to General Permitted Development Order. 17 local authorities are exempted from this change, however Birmingham is not one of them. There could therefore be some loss of office space to residential use in the City, although this is unlikely to occur in the City centre (especially Grade A and B space) due to land value differentials.

3. The Socio-Economic Context

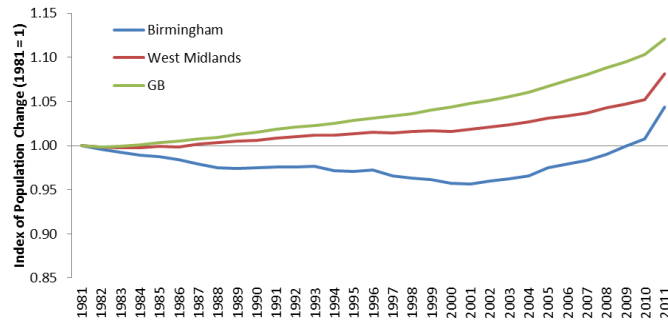
3.1 Local economies operate with a number of factors that inform their future trajectory, especially the population and economic characteristics. This section provides an overview of Birmingham's socio-economic profile and projections of economic growth over future years. Key emerging points from this analysis are summarised below.

- The population growth rate of 9.1% between 2001 and 2011 exceeded the national (7.0%) and regional (6.2%) averages.
- Between 2001 and 2011, the number of households in Birmingham increased by 21,000, with DCLG projections predicting that the number of households will increase by 37,000 between 2011 and 2021 and the Birmingham's Strategic Housing Market Assessment stating that households will increase by around 80,000 between 2011 and 2031. On the other hand, housing completion figures illustrate the slowdown in house building that occurred since 2007/8, with the number of houses being completed in 2011/12 less than half the numbers built in 2008/9.
- In total there are 32,265 local business units in Birmingham. More than a quarter of local business units are either retail or professional services.
- In Birmingham there are typically 3,000-4,000 new business starts per year, with a similar number of business closures.
- In terms of employment sectors, Financial and Professional services are well represented in Birmingham relative to the national average. Public Administration and Other Public Services (Education and Health) are also well represented. Manufacturing was the hardest hit during the recessionary years of 2008-11. On the other hand, Transport and Storage experienced strong employment growth within this period.
- In the future, most of the sectors of Birmingham's economy are projected to see rises in employment with the largest growth rate sector being in Accommodation and Food services. Business/Professional services sectors (FIREB) are also projected to grow overall whilst Public Administration and Education are projected to decline.
- Unlike past projections manufacturing is projected to see an increase in employment of some 7%.
- GVA is projected to increase in nearly all the sectors (even those projected to see a fall in employment), although a small decline is projected for the warehousing sector.
- In relation to employment land therefore, the general demographic and economic context of Birmingham may mean:
 - ✚ Increased growth in the population alongside demographic change will necessitate the development of dwellings and as such will affect the amount of land available for other uses, including employment uses.
 - ✚ In order to reduce the differential between Birmingham and the country as a whole in terms of employment it will be important to ensure that enough land of the right quality is available for employment development.
 - ✚ Manufacturing, in terms of both employment and the number of companies is an important sector (and is likely to be increasingly so) and therefore the needs of this sector should be catered for in terms of land.
 - ✚ Birmingham also has a relatively high presence of medium and large companies and they will likely require land moving into the future.

Demographic Context

- 3.2 There are just over 1 million people living in the Metropolitan Borough of Birmingham, representing almost 20% of residents in the West Midlands region. Since 2001, Birmingham has experienced annual population growth after 20 years of falling population and the number of residents now exceeds the level in 1981.

Figure 3.1: Index of population change comparison 1981-2011



Source: ONS Population Estimates

- 3.3 The population growth rate of 9.1% in the last decade i.e. between 2001 and 2011, has exceeded the national (7.0%) and regional (6.2%) averages, with circa 90,000 additional residents living in the city during that period. The city has a relatively young population, although the proportion of people of working age in Birmingham is broadly similar to the national average. Population growth in Birmingham has been strongest among the working age population.

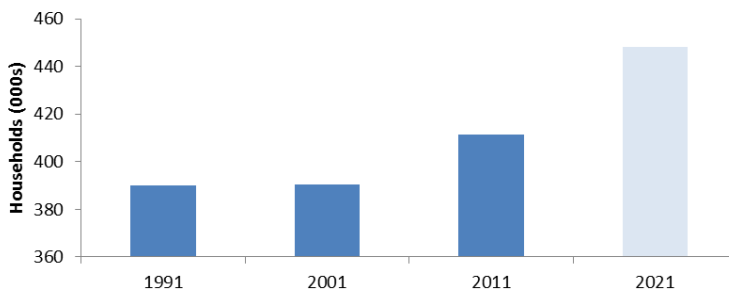
Figure 3.2: Broad Age Profile of Birmingham (2011)

Year	Birmingham	West Midlands	GB
Total Population (2011)	1,074,300	5,608,700	61,425,700
% under 15	21.4%	18.2%	17.5%
% 15-64	65.6%	64.8%	65.9%
% over 65	12.9%	17.0%	16.6%

Source: ONS Population Estimates

- 3.4 Although the population declined between 1991 and 2001, the changing composition of households meant that the total number of households remained relatively constant. Between 2001 and 2011, the number of households in Birmingham has increased by 21,000. DCLG projections predict that the number of households will increase by 37,000 between 2011 and 2021 (it should be noted that Birmingham’s Strategic Housing Market Assessment states that households will increase by around 80,000 between 2011 and 2031).

Figure 3.3: Number of households, projections 1991-2021



Source: DCLG Household Projections Interim 2011 based.

- 3.5 The total number of houses has been increasing, almost exclusively in private sector housing, with the total housing stock at just under 425,000 dwellings.

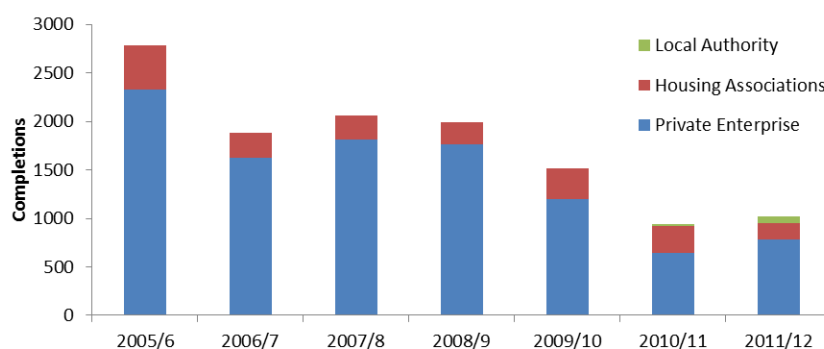
Figure 3.4: Housing in Birmingham by Tenure

Year	Local Authority	Private Registered Provider	Other public sector	Private sector	Total
2009	65,174	39,662	915	315,610	421,360
2010	64,820	40,105	1,096	316,450	422,470
2011	64,635	40,337	1,089	317,570	423,630
2012	64,420	39,780	1,050	319,560	424,820

Source: DCLG.

- 3.6 Figures on housing completions illustrate the slowdown in house-building (Figure 3.5). This has occurred since 2007/8, with the number of houses being completed in 2011/12 less than half the numbers built in 2008/9.

Figure 3.5: Housing completions 2005-2012



Source: DCLG.

Employment

- 3.7 There are currently 482,000 jobs in Birmingham. Financial and professional services are well represented relative to the national average. Public administration and other public services (education and health) are also well represented. There is relatively low employment within the Information and communication services sectors.
- 3.8 Manufacturing and Accommodation/Food service activities have seen the biggest falls in employment in the recessionary years of 2008-11. On the other hand, Transport and Storage has experienced strong employment growth between 2008-11.
- 3.9 Location quotients are a measure of the relative concentration of employment in a sector in a local economy compared to a reference economy (in this case the national economy). A location quotient less than 1 means that there is relatively lower employment in Birmingham in a sector compared to nationally whereas a quotient greater than 1 means that there is relatively greater employment in a sector locally compared to nationally. As shown in Figure 3.6, the highest level of concentration is within public administration; manufacturing has slightly lower level of concentration, but is not far removed from the national average concentration at 0.91.
- 3.10 As shown in Figure 3.7, there are 32,265 local business units in Birmingham. More than a quarter of local business units are either retail or professional services. Unsurprisingly for a city, retail comprises a greater proportion of businesses than the regional or national average.

Figure 3.6: Employment by Sector in Birmingham

	Employment 2011	% of all employment in Birmingham	LQ	% change 2008-11
Human health and social work activities	70,400	14.61%	1.14	7.60%
Wholesale and retail trade	69,200	14.36%	0.89	-7.90%
Education	48,400	10.04%	1.11	-10.70%
Administrative and support service activities	42,700	8.86%	1.11	-1.60%
Public administration and defence	38,200	7.93%	1.59	3.20%
Manufacturing	37,500	7.78%	0.91	-23.80%
Professional, scientific and technical	35,900	7.45%	1	-2.40%
Financial and insurance activities	27,300	5.66%	1.49	-0.40%
Accommodation and food service activities	26,400	5.48%	0.8	-25.80%
Transportation and storage	24,400	5.06%	1.12	17.30%
Construction	19,400	4.02%	0.83	-6.70%
Information and communication	11,000	2.28%	0.6	-16.00%
Other service activities	9,600	1.99%	0.93	-2.00%
Arts, entertainment and recreation	9,400	1.95%	0.79	-6.00%
Real estate activities	8,300	1.72%	1.04	-11.70%
Water supply; sewerage, waste and	2,700	0.56%	0.88	-6.90%
Electricity, gas, steam etc.	1,200	0.25%	0.6	20.00%
TOTAL	482,000			-5.90%

Source: BRES

Figure 3.7: Number of Local Business Units (individual sites) 2012

	Birmingham		West Midlands	Great Britain
	Number	%	%	%
U Agriculture, forestry & fishing	45	0%	6%	5%
K Production	2,455	8%	8%	6%
S Construction	2,630	8%	10%	10%
I Motor trades	1,015	3%	4%	3%
C Wholesale	1,910	6%	6%	5%
R Retail	4,660	14%	12%	11%
2 Transport & storage (including postal)	995	3%	4%	3%
0 Accommodation & food services	1,970	6%	6%	6%
0 Information & communication	1,735	5%	5%	7%
7 Finance & insurance	945	3%	2%	3%
Property	1,295	4%	3%	4%
Professional, scientific & technical	4,330	13%	12%	14%
Business administration and support	2,260	7%	7%	7%
Public administration and defence	230	1%	1%	1%
Education	1,185	4%	3%	3%
Health	2,545	8%	6%	6%
Arts, entertainment, recreation and other	2,060	6%	6%	7%
TOTAL	32,265	100%	100%	100%

Source: ONS, UK Business: Activity, Size and Location 2012.

- 3.11 Although the majority of local business units employ less than 5 people, the proportion in Birmingham is considerably below the national average (62.8% compared with 68.0%). There are 745 businesses in Birmingham employing at least 100 people at an individual site.

Figure 3.8: Employment Size of Local Business Units

		Birmingham		West Midlands	Great Britain
		Number	%	%	%
Employment size	0 - 4	20,255	62.8%	66.9%	68.0%
	5 - 9	5,285	16.4%	15.1%	14.9%
	10 - 19	3,075	9.5%	8.5%	8.4%
	20 - 49	2,010	6.2%	5.8%	5.4%
	50 - 99	895	2.8%	2.1%	1.9%
	100 - 249	505	1.6%	1.1%	1.0%
	250 - 499	155	0.5%	0.3%	0.3%
	500 - 999	55	0.2%	0.1%	0.1%
	1,000 +	30	0.1%	0.0%	0.1%
TOTAL		32,265	100.0%	100.0%	100.0%

Source: ONS, UK Business: Activity, Size and Location 2012.

- 3.12 There are 24,970 enterprises in Birmingham, with two-thirds (67%) having a turnover of less than £250,000. However, 2,110 enterprises in Birmingham have a turnover of greater than £1 million, which represents a greater proportion than the national average.

Figure 3.9: Turnover Size of Businesses, %

		Birmingham (Number)	Birmingham %	West Midlands %	Great Britain %
Turnover size (£ thousand)	0 - 49	3,930	16%	19%	18%
	50 - 99	5,680	23%	23%	24%
	100 - 249	7,185	29%	28%	29%
	250 - 499	3,260	13%	12%	12%
	500 - 999	2,170	9%	8%	7%
	1,000 - 4,999	2,110	8%	7%	7%
	5,000 +	635	3%	2%	2%
	TOTAL		24,970 ⁵	100%	100%

Source: ONS, UK Business: Activity, Size and Location 2012.

- 3.13 Two thirds of enterprises in Birmingham are more than 3 years old. However, the proportion of businesses that are more than 10 years old is below the regional and national average.

Figure 3.10: Age of Businesses

		Birmingham		Vest Midlands	Great Britain
		Number	%	%	%
Age of Business	Less than 2	4,665	19%	15%	16%
	2 - 3 Years	3,600	14%	12%	12%
	4 - 9 Years	6,895	28%	28%	28%
	10 or more	9,810	39%	45%	43%
	TOTAL		24,970	100%	100%

Source: ONS, UK Business: Activity, Size and Location 2012.

- 3.14 In Birmingham there are typically 3,000-4,000 new business starts per annum, with a similar number of business closures. In 2009 and 2010, the number of business deaths exceeded the

⁵ This number refers to companies rather than sites as data on turnover is collected from VAT returns and corresponds to companies rather than individual sites.

number of new business starts, driven by a particularly high level of business closures. However, in 2011, there has been an increase in the number of businesses in Birmingham.

Figure 3.11: Business Demographics

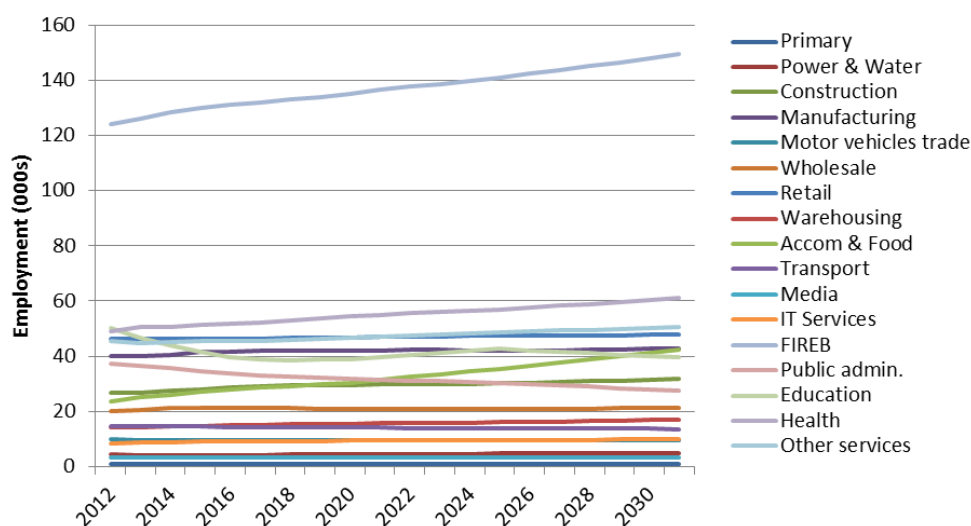
	Number of Enterprises							
	2004	2005	2006	2007	2008	2009	2010	2011
Births of new enterprises	3,735	3,915	3,515	3,945	3,610	3,690	3,315	3,675
Deaths of enterprises	3,540	3,490	3,040	3,475	3,420	4,645	3,935	3,575
Net Change	195	425	475	470	190	-955	-620	100
Total Number of Enterprises	28,970	29,265	29,245	30,125	30,355	30,840	30,675	30,380

Source: ONS Business Demography 2011.

Growth Projections

- 3.15 In order to ascertain the likely future levels of development in a location, it is necessary to undertake projections of economic growth over future years. The latest output of the Local Economy Forecasting Model (LEFM) produced by Cambridge Econometrics available to Birmingham City Council has been used as the basis for these projections⁶.
- 3.16 Figure 3.12 shows the projected employment (in 000's) in different sectors over the period 2012 – 2031. It can be seen that the largest absolute amount of employment increase is going to be in Finance, Insurance, Real Estate and Business Services.

Figure 3.12: Projected Employment by sector 2012-2031

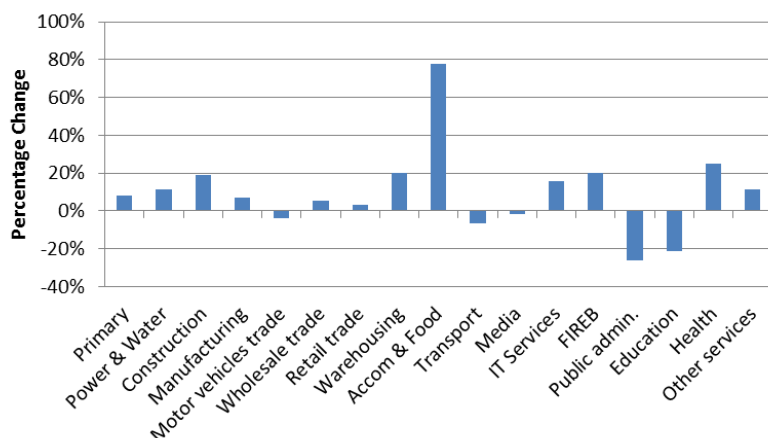


Source: WECD based on LEFM, Cambridge Econometrics. NOTE: most of these sectors are aggregations of the LEFM sectors. FIREB stands for Finance, Insurance, Real Estate and Business services.

- 3.17 The highest rate of growth, however, (as can be seen from Figure 3.13) is projected to be in the Accommodation and Food services sector.

⁶ These provide projections up to 2025; the years 2026 – 2031 have been projected based on the growth rate between 2012 and 2025.

Figure 3.13: Rate of Growth by Sector

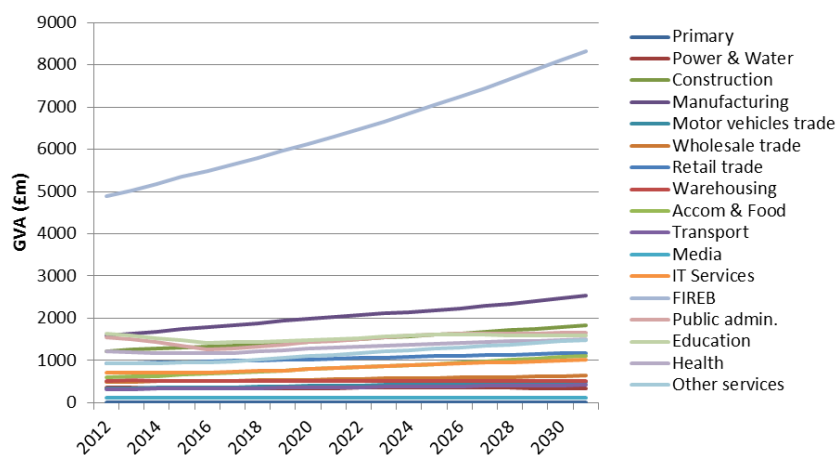


Sector	% Change Employment
Accommodation & Food	77.99%
Health	24.84%
FIREB	20.30%
Warehousing	20.14%
Construction	19.03%
IT Services	15.95%
Power & Water	11.55%
Other services	11.21%
Primary	8.31%
Manufacturing	7.20%
Wholesale trade	5.61%
Retail trade	3.46%
Media	-1.91%
Motor vehicles trade	-3.69%
Transport	-6.84%
Education	-21.33%
Public admin.	-26.44%

Source: WECD based on LEFM, Cambridge Econometrics. NOTE: most of these sectors are aggregations of the LEFM sectors. FIREB = Finance, Insurance, Real Estate and Business services.

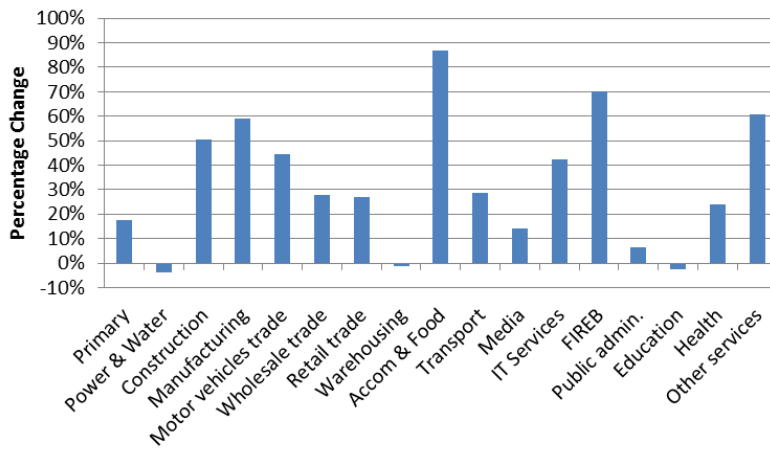
3.18 Review of the projected change in gross value added (GVA) over the same period (this is the value of the output produced by an industry) suggests that output from the different sectors is in general projected to grow (with the exception of Power & Water, Warehousing and Education, which are, however, projected to fall by a relatively small amount), with strong growth in the manufacturing sector.

Figure 3.14: Projected Change in GVA by Sector 2012-2030



Source: WECD based on LEFM, Cambridge Econometrics. NOTE: most of these sectors are aggregations of the LEFM sectors. FIREB = Finance, Insurance, Real Estate and Business services.

Figure 3.15: Rate of Output Growth by Sector



Sector	% Change GVA
Accommodation & Food	86.92%
FIREB	70.29%
Other services	60.58%
Manufacturing	58.94%
Construction	50.62%
Motor vehicles trade	44.28%
IT Services	42.32%
Transport	28.69%
Wholesale trade	27.87%
Retail trade	27.10%
Health	23.74%
Primary	17.72%
Media	14.20%
Public admin.	6.39%
Warehousing	-1.28%
Education	-2.75%
Power & Water	-3.71%

Source: WECD based on LEFM, Cambridge Econometrics. NOTE: most of these sectors are aggregations of the LEFM sectors; FIREB = Finance, Insurance, Real Estate and Business services.

4. The Property Market

4.1 The behaviour of the market for the various types of commercial property is highly important as it impacts upon the future demand for space and land in the City (in conjunction with wider economic conditions and other investment asset classes). This section highlights the recent characteristics of the commercial office and industrial property market at national and local levels. Key points are summarised below and a more detailed discussion is provided in the next pages.

- In terms of overall national trends in the commercial market:
 - Investors are currently focusing on redevelopment and refurbishment opportunities in an attempt to return quality space to market by 2013/14 when demand is expected to improve markedly. Although the key UK regional centres are active, the anticipated shift in international investor interest to UK regional markets (i.e. outside London/South East) has not yet materialised. An absence of 'secure income' deals in the regions has been greeted with limited interest by foreign investors as well as UK institutions.
 - The financial and business services sector remains the main driver of demand for regional office space.
 - The levels of Prime Grade A office space in terms of overall availability are decreasing, whilst Grade B and Grade C levels are staying high nationally.
 - Logistics suppliers are struggling to find suitable large distribution buildings, so called big sheds, due to a shortage of supply.
 - While the overall property sector economics are turning positive, demand is still patchy as operators, especially retailers with mixed profit expectations, hesitate to commit to expansion despite healthy capital reserves. Any build-up of momentum in 2013 is very much dependent upon a continued strengthening of the overall economic outlook.
- Regionally, although the West Midlands has a relatively high proportion of Grade A industrial space available, at 9.6%, absorption is strengthening.
- In Birmingham, there is a very high level of obsolete office space at 4m sq ft. Around 2.4m sq ft of the 18.45m sq ft of office space also has the potential to be converted for an alternative use, based upon location, value, quality and condition.
- Birmingham also has a large amount of potential sites with planning permission.
- At the top end of the office market, current Grade A availability across Birmingham City Core stands at 0.62 million sq ft.
- Birmingham saw a strong increase in industrial demand in 2012, reaching 2,843,000 sq ft. At this level, take up in Birmingham was 171% above the 5-year average. This ranks Birmingham the largest in terms of floorspace of the Industrial PROMIS centres; the nearest sized centre is Manchester. The automotive and distribution sectors currently drive Birmingham's industrial property market.

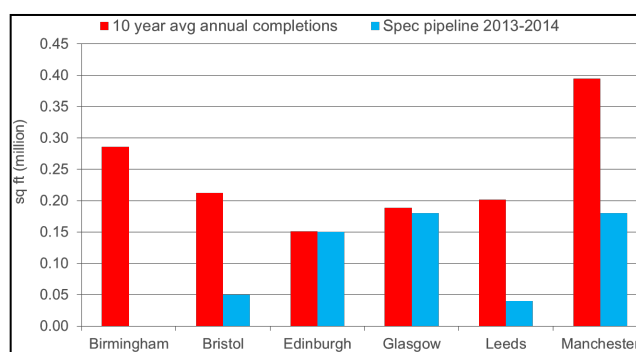
The Office Market

4.2 The UK office market has undergone a period of turbulence in the last decade since the collapse of the internet boom in 2000. London and the South East in particular, have experienced sharp volatility in terms of demand, supply and occupational costs. Although key regional commercial centres across the UK tend to follow the performance of London and the South East closely, they do so with significant lag times. Nevertheless, major commercial centres such as Birmingham,

Bristol, Edinburgh, Glasgow, Leeds and Manchester have exhibited equally volatile conditions driven as they are by major input from the service sector.

- 4.3 Lending conditions remain unsupportive and IPD reports that capital values fell in Q1 12 by 0.7%. Prime values may be holding up, but possibly in a narrowing range of locations. Institutional investors continue to hold with net investment generally flat. Increasingly, investors are focusing on redevelopment and refurbishment opportunities in an attempt to return quality space to market by 2013 when demand is expected to improve markedly (based on property market forecasts).
- 4.4 Nevertheless, in the regions the markets have been active. For example, West Register paid £7m for a Birmingham development site that Ballymore bought for £26.4m in 2006. One Snowhill in Birmingham has also been brought to market with the flagship 264,000 sq ft building having a price tag of £124m at a 6.25% yield. Funds bought business parks in Farnborough (£79m at 6.5% yield) and Bristol (£7m at 7% yield). However, although the key UK regional centres are busy, the anticipated shift in international investor interest to UK regional markets (i.e. outside London) has not yet materialised. An absence of 'secure income' deals in the regions has been greeted with limited interest by foreign investors as well as UK institutions.
- 4.5 Office take-up for the UK in 2012 was 4% down on 2011 and 11% down on the 10-year average. Some markets increased upon their 2011 statistics (Edinburgh by 47% and Glasgow by 15%). In 2012 a lot of transactions in the industry were comparatively small and / or of secondary space⁷. The financial and business services sector has over the past decade been and remains the main driver of demand for regional office space. The service sector was a key component of economic performance in 2006 and 2007 and the downturn in take-up for office space from 2008 onwards was exacerbated by the retrenchment in demand from those business sectors. Urban' business parks, such as Chiswick Park, Brindleyplace in Birmingham, Salford Quays and the emerging King's Cross development in Central London, are prime examples of the movement of occupiers back into the core locations. All have excellent transport links and offer a modern workplace environment that provide a wealth of on-site facilities for the local labour force as well as being close to major city centre retail and cultural offerings. Having said this, secondary regional locations have suffered significantly of late due to the service sector slump.
- 4.6 According to the Birmingham City Council Estate Agents' Assessment of the Property Market, rental values took a hit in 2008 / 2009, and then this began to slow down and has now begun to improve again. Furthermore, according to the same report, the Office sector rental is projected to recover quicker than the other sectors; this is expected to exceed the growth in the rest of the UK, which may be due to the strength and the size of the business and financial sector in Birmingham.
- 4.7 Average ten year completions in each of the big six centres can be seen in Figure 4.1.

Figure 4.1: Average 10-Year Completions

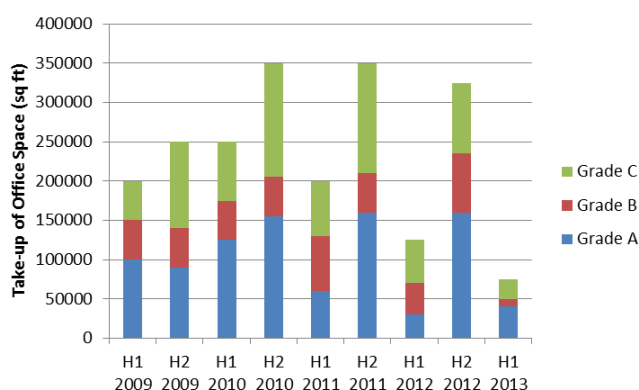


Source: Colliers International

⁷ Birmingham Offices, Market Update Q4 2012, Knight Frank.

- 4.8 As shown in Figure 4.1, in the case of Birmingham, there is now no speculative office space under construction for completion in the next 24 months up to 2015 (although there are developments with planning permissions that could be started as shown in Figure 4.5). This situation, while unique to Birmingham, is mirrored to lesser degrees in other 'big six' centres. All major regional centres will experience below average speculative completions up to the end of 2014 and with expectations of improving economic conditions, it is expected that demand for top quality accommodation in core locations will increase.
- 4.9 Demand for Grade A offices has also experienced higher growth than Grades B and C since the second half of 2012 (H2) as shown in Figure 4.2.

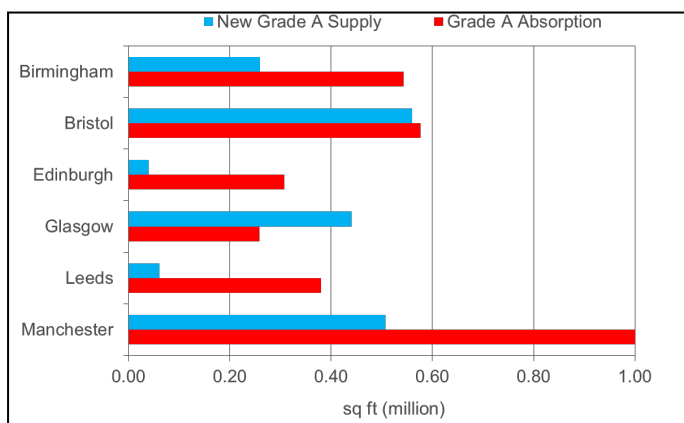
Figure 4.2: Office Space Demand 2009 - 2013



Source: Colliers International

- 4.10 While Birmingham has experienced a greater amount of new Grade A stock coming to market, absorption of Grade A product has been strong. Savills estimate that over the past two years Grade A availability in Birmingham has fallen by circa 25%⁸. Figure 4.3 shows the overall Grade A net stock absorption during 2010-2012 compared to the amount of new (Grade A quality) space coming to market during the same period in the six key UK regional centres.

Figure 4.3: Overall Grade A Net Stock Space Absorption Comparison 2010-2012



Source: Colliers International

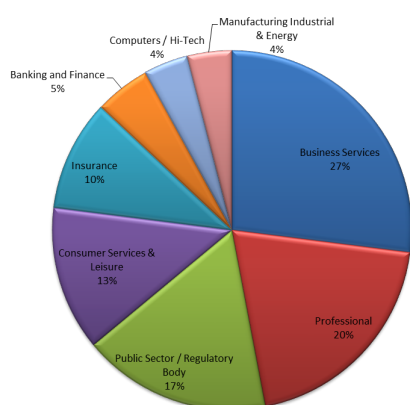
- 4.11 Shortage of quality product has had a significant impact upon absorption within the Birmingham office market. Cost conscious occupiers continue to look at competitively priced Grade B & C product. There remains, however, a shortage of Grade B+ product. Some may opt for shorter-term accommodation with a view to seeking more permanent moves once increased Grade A stock

⁸ Savills World Research, Spotlight: Birmingham Offices May 2013.

becomes available. It is more likely that occupiers will seek refurbished and second-hand space within Grade A accommodation (Brindley Place in Birmingham being a prime example).

- 4.12 At the top end of the market, current Grade A availability across Birmingham City Centre stands at 0.62 million sq ft. Based on current levels of Grade A absorption and demand coupled with the anticipated supply of Grade A space over the next three years, Colliers International estimate the likely timescale for absorption of vacant marketed Grade A product as nearing saturation in 2014.
- 4.13 It is also expected that there will be an increase in modest refurbishment projects seeking to provide good quality Grade B accommodation. However, potential schemes such as the McLaren Building or Auchinleck House are unlikely to attract the same types of occupiers as refurbishments at established Grade A schemes.
- 4.14 With the completion of Two Snow Hill and the agreement in place at Five Brindley Place Birmingham is now completely devoid of speculative office space under construction. While Birmingham does have a number of major projects in train these remain longer-term pipeline opportunities. City Core Grade A availability has continued its downward trend as much due to absence of new supply as to any significant uplift in transactions levels.
- 4.15 As can be seen from Figure 4.4 Business & Professional Services sectors make up the largest part of the demand for office space.

Figure 4.4: Office Space breakdown for Birmingham 2012



Source: CBRE Global Research and Consulting.

- 4.16 The next 12-18 months will see the majority of space absorbed within Grade A developments currently being marketed. This will further limit options for occupiers seeking 50,000 sq ft plus and 20,000 sq ft floorplates.
- 4.17 The only new speculative space set to come to the market between 2013 and 2015 is 120,000 sq ft at Two Snowhill. Kames Capital and Abstract Land's 55 Colmore Row is not expected to be completed before 2016. The options for those currently looking for new space are therefore limited. The limited number of development opportunities set to come to market over the next three years will help accelerate absorption of Grade A space during the second half of 2012 and into 2013. While Birmingham does have a number of major projects on the development pipeline, the majority of these are longer-term pipeline opportunities (Figure 4.5).
- 4.18 It is also worth noting that in Birmingham there is a very high level of obsolete office space. This could be for a number of reasons. For example, the location might make it obsolete, if it is inaccessible or in an area with very low demand. A change in technology might have meant there are better alternatives available, or the buildings may have deteriorated to such a level they are not

a viable rental option. Based upon these factors, it is estimated that Birmingham has 4m sq ft⁹ of obsolete office space. Around 2.4m sq ft of the 18.45m sq ft of office space has the potential to be converted for an alternative use, based upon location, value, quality and condition.¹⁰

Figure 4.5: Birmingham Major Projects

Address	Developer	Submarket	Vacant sq ft	Status	Possible completion
Two Snowhill	Ballymore	Core	120,000	Completed	2013
5 Brindley Place	Hines / Moorfield	Core	0	Under Construction	2013
103 Colmore Row	British Land	Core	285,000	Permission	2016
55 Temple Row	Henderson	Core	102,061	Permission seeking pre-let	2016
55 Colmore Row	Kames Capital / Abstract Land	Core	153,000	Permission	2016
Newhall Square	RO Developments	Core	90,000	Permission	2016
Great Charles Street	Abstract Land	Core	350,000	Pre-app 25,000 feet ground level retail, and a 450 space Multi-Storey Car Park	2017
Arena Central	Arena Developments	Brindleyplace & Wider B ₁	400,000	Permission	2017
Eastside – Curzon Park	Devsec / Grainger	Eastside	700,000	Outline Permission on hold	N/A
Eastside – City Park Gate	Quintain	Eastside	914,000	Outline Permission on hold	N/A
Eastside Locks	Goodman / Birmingham CC	Eastside	552,000	Outline Permission on hold	N/A
Paradise Circus	Birmingham CC / Argent	Core	2,000,000	Pre-app	N/A

Source: Colliers International

- 4.19 It is worth noting that since 2001-02, over three quarters of the office development in Birmingham (80%) has been built within existing centres or in edge-of-centre locations. However, almost all of this has been developed in the City Centre or Edgbaston/Five Ways. Since 1991 the only other centres that have attracted significant office development are Sutton Coldfield and more recently in Erdington. While fluctuations from year to year may be expected, since 2001-02, 20% of office floorspace developments have occurred in out-of-centre locations including Quinton Business Park and Birmingham Great Park (Longbridge).
- 4.20 Office activity has fallen back since 2009-10 and would have been lower if it were not for the 18,000 m² of new Council offices at Woodcock Street (Nechells, City Centre). During 2011-12, nearly all of the 20,700 m² of completed office floorspace occurred within 'In-centre' locations. A significant amount of floorspace was also under construction (43,500 m²), particularly at a number of City Centre development sites including Snow Hill (phase 2), and a mixed-use development at The Birmingham Mint site, Icknield Street in the Jewellery Quarter¹¹.

The Industrial Property Market

- 4.21 For the UK as a whole after Q₄ of 2012 being so active in terms of industrial take up, 2013 began slowly. However, most regions have now reported an increase in demand so this is not predicted to be the trend for long. Of the Q₁ 2013 take up, 44% of this was Grade A¹².
- 4.22 Birmingham is one of the largest UK Industrial Centres, in terms of both employment and the size of its industrial and warehousing stock. It lies at the heart of the West Midlands conurbation – one

⁹ <http://www.lsh.co.uk/commercial-property-news/2013/05/birmingham-office-market-on-brink-of-resurgence>

¹⁰ LSH, Addressing Obsolescence, Office Market Review 2013.

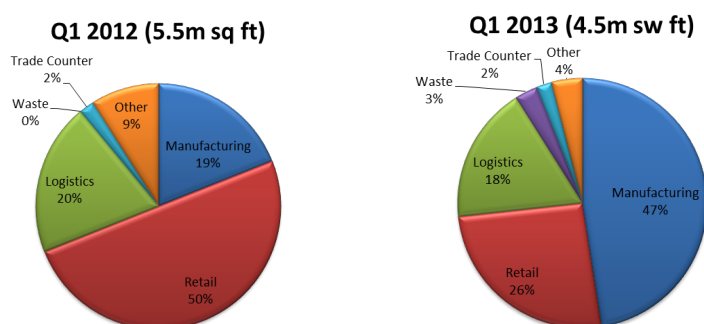
¹¹ Birmingham City Council Draft Annual Monitoring Report 2012.

¹² Comparing this to UK GDP provides an interesting analysis; in Q₄ 2012 UK GDP had dropped 0.3% from Q₃, however in Q₃ there was an increase of 1%. This 1% increase ties in with the Olympics, but may also have a delayed effect on the industrial space take up figures.

of the principal concentrations of population and employment in the country – with good access to the rest of the UK through its network of motorways (M40, M42, M5 and M6), railways and its expanding international airport. Historically important as a centre for manufacturing and engineering, especially automotive, its strategic position adjoining the 'Golden Triangle' (M1, M6 and M42) has seen it equally flourish as a prime centre for distribution and logistics. **It is the automotive and distribution sectors that currently drive Birmingham's industrial property market.**

- 4.23 As shown in Figure 4.6, the take-up in the UK of manufacturing industrial space has dramatically increased as a percentage of the floor space taken up. This was expected though, after a huge number of retail take-ups in Q4 2012. Due to the limited Grade A supply, it is predicted there will be more of a move towards build-to-suit deals, to satisfy the requirements of consumers. Q1 of 2013 had a slow start, however it is predicted to increase, as supply of Grade A becomes increasingly shorter.

Figure 4.6: Take up of Industrial Floorspace in UK 2012-2013



Source: DTZ, Property Times UK Industrial Q1 2013

- 4.24 In Birmingham, the market has also experienced a significant recovery in demand for units under 100,000 sq ft, which had been incredibly weak in the aftermath of the economic downturn. The recovery in demand within the smaller sizebands has generally been driven by logistics companies and retailers, rather than the manufacturing sector. There has been strong take up of units between 50,000 –100,000 sq ft with Davies Turner, Expeditors, PDQ Distributions, and Pointbid Logistics Systems all taking space within this sizeband in 2012, whilst Arvarto, BES Ltd, and Smiths News opted for such units in 2011.
- 4.25 Availability of prime Grade A space is decreasing, whilst Grade B and Grade C levels are staying incredibly high **nationally**. Regionally the West Midlands have a relatively high proportion of Grade A industrial space (available at 9.6%).
- 4.26 It is expected (Colliers International) that in the future occupiers will move towards more built to design properties, with prime locations along the M6 corridor i.e. Coventry, Birmingham, the Black Country and Wolverhampton. In many cases, a pre-commitment to a future scheme is the only way to guarantee the right product.
- 4.27 It is worth noting that rents remain largely static across the country. However, the Midlands (along with West London) has shown resilience. While the overall property sector economics are turning positive, demand is still patchy as operators, especially retailers with mixed profit expectations, hesitate to commit to expansion despite healthy capital reserves. Any build-up of momentum in 2013 is very much dependent upon a continued strengthening of the overall economic outlook.

Manufacturing Take up

- 4.28 The automotive and engineering sectors, and related supply firms, have played a key role in Birmingham's market. Following Jaguar Land Rover's dramatic improvement in sales since mid-2010, especially from overseas countries such as China and the US, they have significantly increased production at their two local plants in Castle Bromwich and Solihull as well as having created a new engine production capacity at i54 in South Staffordshire. Furthermore, whilst assessing future expansion plans at their Castle Bromwich site, they took 166,000 sq ft at the Fort in Q3 2012. Significantly for Birmingham's industrial market, the increase in production at Jaguar Land Rover has resulted in a growth in demand from companies operating within their supply chain.
- 4.29 Elsewhere in 2012, automotive suppliers Toyota Tsusho took a 115,600 sq ft Unit 4 at Meteor Park in Aston. Earlier examples of such demand saw Plastic Omnium lease a 120,700 sq ft unit at Hams Hall after winning a contract to supply components for the new Land Rover Evoque model. These examples of correlating activity help to highlight the importance of the automotive sector in driving industrial demand in Birmingham.
- 4.30 2012 was also characterised by a growth in demand from aero engineering firms locating within or close to Birmingham's International Airport. In Q2 Aero Engine Controls, a subsidiary of Rolls Royce, and a designer and manufacturer of engine control equipment systems was granted planning permission to build a bespoke 250,000 sq ft facility. The development will be used to both consolidate the company's Birmingham operations, and enable them to expand on their existing presence. In the last quarter of the year, Monarch Aircraft Engineers also agreed to construct a 110,000 sq ft maintenance hangar that will be able to accommodate larger aircraft, including the new Boeing 787 Dreamliners. Although it remains to be seen as to the extent of growth in aero related industries in Birmingham, their commitment to the area highlights a readiness from these types of firms to locate and invest here.

Industrial and Distribution Take up

- 4.31 Demand for industrial space in Birmingham has recovered strongly since 2010, when annual take up fell to one of the lowest levels recorded in the market. This performance has in part been driven by the re-emergence of Big Shed demand, particularly from the distribution and automotive sectors, which accounted for approximately two thirds of total take up in 2012.
- 4.32 With such a performance, annual figures rose to meet and push beyond the recent peak seen in 2006, reaching levels last seen in the early 2000s. For example, Birmingham saw a strong increase in demand in 2012, reaching 2,843,000 sq ft. At this level, take up in Birmingham was 171% above the 5-year average. In the last five years to Q1 2013, the amount of space pre-let/purpose-built in Birmingham averaged 491,000 sq ft per year, or 31% of take up. However, over the last 12 months to Q1 2013 this figure totalled 1,405,000 sq ft, equating to 50% of take up.
- 4.33 In general, Big Sheds are a key part of the Birmingham market. Over the last five years, Big Sheds have accounted for 56% of floorspace take up. Over the last year to Q1 2013, the share of take up from Big Sheds has risen to 75%, accounted for by 10 deals.

Development Pipeline

- 4.34 Main local authority district based completions during 2012 totalled 201,000 sq ft. These figures compare with the recent peak in completions of 1,042,000 sq ft in 2008. Over the last five years - end-2007 to end-2012 - completions in the main local authority district averaged 451,000 sq ft pa. This follows the previous five-year period (end-2002 to end-2007) average of 952,000 sq ft pa.
- 4.35 Availability in Birmingham remains flat. At end-2012, 7,800,000 sq ft was still available, based on data provided by Colliers. **At current levels, the vacancy rate in Birmingham stands at an**

estimated 9.2% (which is similar to the national vacancy rate of 9%¹³). It should be noted that some level of vacancy is required in a property market in order for it to function properly and to avoid large increases in price.

- 4.36 There is currently 1,352,000 sq ft of space under construction in the Birmingham industrial market. This compares with an annual average level of completions in the wider market area over the last five years of 572,000 sq ft. By year end, 716,000 sq ft is expected to complete in 2013 with a further 636,000 sq ft expected after 2013. **Of the space currently underway, all is pre-let or purpose-built, i.e. in common with the country at large, there is no (or very little) speculative development occurring and there is none left available in Birmingham.**

¹³ On point, July 2013, Jones Lang LaSalle.

5. The Demand for Development

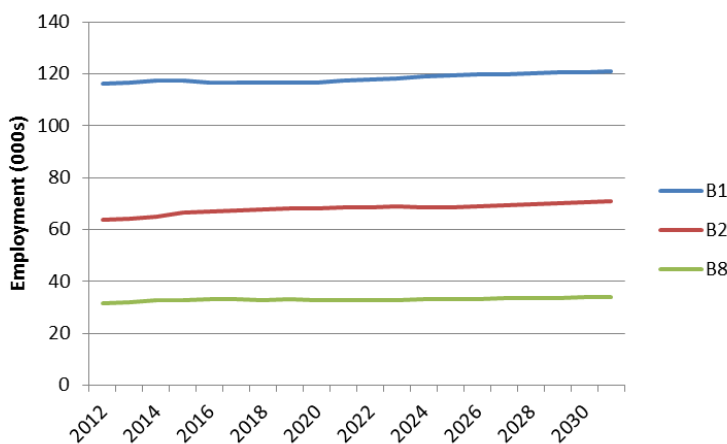
- 5.1 This section examines how much land is likely to be required between 2012 and 2031 (i.e. the relevant planning period) to accommodate economic related activities. Due to the nature of the final use of this information the future requirement for employment land is expressed in terms of the planning use classes: B1, B2 and B8. The office (B1a and B1b) element, unlike the industrial B1c/B2 and B8 uses, is presented as floorspace rather than as land principally due to the need to accommodate such development within the City Centre and other centres. This in turn means that the density of development will affect the final land requirement.
- 5.2 Two methods are used to provide estimates for demand for development based on:
- a. **Growth projections (GVA and employment); and**
 - b. **Average annual completion levels.**
- 5.3 Using projections of employment or GVA explicitly takes into account any projected changes in the economic structure including the potential for growth or decline. The use of average annual take up levels implicitly reflect these changes (as they have occurred to date) and can act as a reality check on the findings based on economic projections. Both estimates are used to assess the final likely levels of future demand.
- 5.4 Economic sectors form the basis of the planning use classes as follows (with a more detailed classification provided in **Annex 2**):

- **B1 relates to activities within the information & communications, financial¹⁴ & business services and government services (i.e. B1 a – b type uses).**
- **B2 relates to manufacturing, electricity, gas & water and a proportion of construction activities (including B1 c type uses).**
- **B8 relates to the distribution and transportation & storage sectors.**

Demand for Planning Use Classes 2012-2031

- 5.5 In terms of employment in the planning use classes, uses within the B2 use class are projected to see the largest proportionate growth at nearly 11%, whereas B8 employment is projected to grow by nearly 8% and B1 employment by 3.9%.

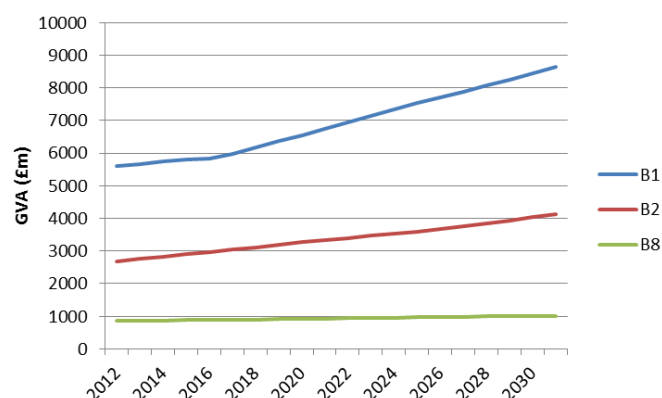
Figure 5.1: Employment Projections of Planning Use Classes



¹⁴ It is worth noting that some of these services will come under use class A2 – e.g. high street banks, accountants etc.

- 5.6 When examining projected GVA, output from the B1 use classes is projected to grow the strongest at 54%, B2 by the same (54%) with B8 uses showing much less growth at circa 18%.

Figure 5.2: Growth Projections by Planning Use Classes



Source: WECD based on LEFM, Cambridge Econometrics.

- 5.7 In the case of the B1 offices use class, consideration needs to be given to employment in the public sector. National projections forecast a decline in public sector employment (due to budgeted cuts in public spending) and although Town Halls, libraries etc. do not fall under B1, a fall in public sector employment could have a major effect on future demand for floorspace. Based on the forecasted drop of 26% in public sector employment between 2012 and 2031, B1 is forecasted to grow at 3.9% only¹⁵. However, it needs to be borne in mind that Birmingham City Council has already rationalised its property requirements and the general economic and public funding situation could also change over the timescale of the study.

Floorspace

- 5.8 Changes in employment (full-time equivalents, FTEs), are translated into floorspace by way of conversion factors provided in the relevant HCA guidance. The conversion factors are:
- B1: 12 sq. m. per FTE
 - B8: 80 sq. m. per FTE
- 5.9 This produces the net internal area (NIA), which is translated into the gross internal area (GIA) via a ratio of 1.25:1 as per the HCA guidance. In the case of B8 however, the floorspace is taken to be the gross external area (GEA) and therefore, this translation is not undertaken.
- 5.10 In the case of B2, the projected change in the output (GVA) of the manufacturing sectors is translated directly into floorspace¹⁶ whilst the non-manufacturing elements are based on employment projections and translated at a ratio of 47 sq. m per FTE. The following rationale has informed using GVA to forecast future demand for manufacturing space:
- The sector is forecast to grow.
 - It is likely that this growth will result in more goods being manufactured and therefore will require additional production capacity and space.
 - At this stage, it is not possible to be precise about how much of the growth will translate directly to space (as well as producing more goods other factors such as producing higher value goods, increasing throughput etc. could also contribute to the growth forecast).

¹⁵ If no change/drop in public sector were to take place, B1 would be expected to grow by 19%.

¹⁶ This is undertaken in the same way as was used in the Birmingham Employment Land Study for the Economic Zones and Key Sectors.

- However, the capacity of the sector to grow should not be constrained. Therefore, it is assumed that all the growth equals additional production and this will mean that the amount of space required will increase at the rate of GVA.
 - There is also evidence that floorspace in the manufacturing sector holds a stronger relationship with output than with employment¹⁷.
- 5.11 It is also worth noting that according to CLG figures, in terms of trends in industrial floor space in the West Midlands between 1998-2008¹⁸, there has been an overall increase in the amount of industrial floor space.
- 5.12 Due to the presence of uncertainty in the projections of employment (and to introduce an element of choice) a margin is also added equating to two years' worth of development¹⁹.
- 5.13 As mentioned in the introduction, a second method has also been used/tested to assess future demand for floorspace. This is based on average annual completion levels (whereby the average annual levels of completions are derived and then projected over future years). By definition, this method should reflect the behaviour of local property markets including vacancy rates. However, it may be potentially self-reinforcing i.e. a low supply of land due to policy or quality reasons would lead to a small annual average take-up.
- 5.14 Overall, there is a potentially large range over which future demand may occur due to the uncertainties inherent in attempting to ascertain future patterns of demand. Because of this, both methods are used which then produce a range of demand within which future demand for development of office and industrial space may fall. The results of the two approaches are presented in Figures 5.3 and 5.4. Figure 5.5 presents a summary of both.

Figure 5.3: Future Demand Based on Economic Projections, 2012-2031

Offices	B2 Industrial	B8 Industrial
Change in FTEs	Change in GVA	Change in FTEs
10,080	£937m	2,470
Floorspace	Floorspace	Floorspace
151,130 m ²	1,567,170	186,320
+Margin	+Margin	+Margin
167,000 m ²	1,732,140	218,770
	Land	Land
	433 ha	55 ha

Use	Projected Floorspace/Land Requirements, 2012-2031
Offices	167,000 (m ²) ²⁰
B2	433ha
B8	55ha

Source: WECD. NOTE: figures have been rounded.

¹⁷ For example, at the national level, employment has fallen over the last 25 years whereas GVA has increased.

¹⁸ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-commercial-and-industrial-floorspace-and-rateable-value-statistics>

¹⁹ There are potentially other factors that could be taken into account (e.g. pipeline and vacancy rates). Information, however, is not comprehensive and it is considered that forecasting future requirements would best be served without taking these factors into account. The margin level is based on the average amount of time taken for development.

²⁰ Due to the particular needs / policy environment of the different sectors, it is useful to keep projected office requirements as floorspace whilst translating the industrial uses into land. This is undertaken by assuming that floorspace for these uses is 40% of total plot area (including access roads, utilities, etc.).

Figure 5.4: Projected Land Requirements Based on Annual Average Completion Figures²¹

Use	Projected Land Requirements, 2012-2031
Offices	735,800 (m ²)
B2	248ha
B8	96ha

Source: WECD. Completions data for 2001 – 2012 provided by Birmingham City Council. Figures have been rounded.

Figure 5.5: Projected Future Requirements of Planning Use Classes, 2012-2031

Use	Economic based	Completions based
Offices	167,000 (m ²) ²²	735,800 m ²
B2	433 ha	248 ha
B8	55 ha	96 ha

Source: WECD. Completions data for 2001 – 2012 provided by Birmingham City Council. Figures have been rounded.

- 5.15 As shown in Figure 5.5, the two methods produce a possible range of results. It is very likely that the 'most likely' estimate would lie between the two approaches/estimates. To establish, therefore, 'most likely' estimates, an integrated approach has been used. This approach uses the information available from past completion levels and adjusts it in the face of forecasted economic changes²³. The integrated method results in the requirements presented in Figure 5.6.

Figure 5.6: Integrated Estimates of Floorspace/Land Requirements, 2012-2031

Use	Floorspace / Land Requirements
Offices	532,400 m ²
B2	304 ha
B8	75 ha

Source: WECD. NOTE: figures have been rounded.

- 5.16 In terms of distribution of industrial land requirements, review of the past property market in Birmingham suggests that, as shown in Figure 5.7, around 42 ha (i.e. 11%)²⁴ could be required on larger sites (assuming one Regional Investment Site). Of the remainder, 208 ha could be required on Best Urban sites, 110 ha on Good Urban sites with a residual (19 ha) being undertaken on other sites.

Figure 5.7: Estimates of Demand for Industrial Sites by Type, 2012-2031

Industrial Site Type (B2 + B8)	Demand	
	Ha	%
RIS	42	11
Best Urban	208	55
Good Urban	110	29
Other Urban	19	5
Total (B2+ B8)	379 ha	100%

Source: WECD. NOTE: figures have been rounded.

²¹ Using completions data to estimate future requirements makes use of the average amount of development that has occurred in the past. It is worth noting, however, that over the last ten years, there has been variability with a minimum of 5,600 m² having been completed and a maximum of 74,000 m². This variability means that there is some uncertainty as to the average level of completions in relation to the future; this uncertainty can be quantified providing a range within which the average requirements would lie (with a 95% confidence interval).

²² As noted in the main text, this figure is primarily due to the projected fall in public sector employment, a situation, which could change over the course of time, particularly given the current economic uncertainty.

²³ The 'most likely' estimate has been derived from simulating between the ranges produced by the two different methods using a triangular distribution and calculating the mean of these distributions (which is not necessarily equal to the midpoint between the methods-based estimates). Each estimate is based on 1,000 simulations. Annex 2 includes a detailed presentation of these calculations.

²⁴ This estimate has also been informed by discussions with Birmingham City Council.

- 5.17 Figure 5.8 presents estimates of the distribution of office demand. Following discussions with agents, due to the Building Regulations requirements, circa 90% of new office construction would likely be of Grade A with the remainder being Grade B (it is worth noting however that Grade A space is believed to form around 25% of the total stock).

Figure 5.8: Estimates of Demand for Offices by Grade, 2012-2031

Grade of Office Space	Demand (m ²)
Grade A	479,160
Grade B	53,240
Total	532,400

Source: WECD. NOTE: figures have been rounded.

Other Considerations

- 5.18 Consideration has been given to three key issues that could affect the overall level of demand for office and industrial space in Birmingham over the coming years. These include: i) HS2; ii) the emphasis of development on the key sectors and the economics zones; and, iii) an accelerated development scenario. All these are discussed below.

The Effect of HS2

- 5.19 High Speed rail 2 (HS2) is a nationally developed rail infrastructure scheme that aims to stimulate national economic growth through the provision of greater rail capacity and faster rail links between Birmingham and London (and eventually from Birmingham to Manchester and Leeds forming a Y shaped route). The project's potential benefits are seen to include transportation advantages (benefits/costs accruing to users of the transport network), other economic and social impacts arising from changes in land use (in essence, some areas becoming more attractive due to the location of stations, etc.) and wider economic impacts.
- 5.20 For the purposes of this study, it is the estimated effects of these wider economic impacts that are of prime interest. These impacts are taken to revolve around agglomeration impacts, imperfect competition effects and labour market impacts:
- Agglomeration impacts are measured as a result of increased density of business activity resulting from transportation projects, which in turn leads to productivity improvements.
 - The imperfect competition effects arise from those cost savings to firms that are above any simple reduction in transport costs.
 - The labour market impacts result from travel time and cost reductions that effectively lead to an increase in people's wages (in terms of people's willingness to work), thus increasing labour force participation.
- 5.21 In the case of the West Midlands, there is projected to be an increase of £1.5bn in economic output (GVA), an additional 22,000 jobs in the metropolitan area (that is Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton) and annual average wage increase of £300 per annum per worker²⁵. Birmingham and Solihull could, therefore, realise 13,000 jobs and around £1.2bn increase in GVA. The bulk of these increases are modelled to fall within Birmingham with 10,000 additional jobs and £880m in additional GVA.
- 5.22 The sectoral breakdown of the additional jobs has not been provided. However, the proportion of total jobs that could potentially fall within the B use classes as projected via the LEFM model is

²⁵ These benefits are set to be accrued with the inclusion of improvements and enhancements to local and regional rail services. These figures are taken from *How HS2 will transform the West Midlands: Birmingham and Solihull*, Centro which in turn has used the outputs of analysis undertaken by KPMG and reported in *High Speed Rail and supporting investments in the West Midlands Consequences for employment and economic growth*, Final Report, 24 June 2010, Centro.

around 40% of all jobs to be created²⁶. Figure 5.11 presents estimates of the resultant floorspace/land requirements.

Figure 5.9: Projected Floorspace/Land resulting from HS2

Use Class	Floorspace/Land resulting from HS2
Offices	26,160 m ²
B2	15 ha
B8	12 ha

Source: WECD based on data from Cambridge Econometrics LEFM and Centro.

- 5.23 A further factor arising from HS2 are the impacts of the safeguarded area along the proposed route. Most significantly, this includes approximately 55 hectares of land in Washwood Heath that was previously part of the City's readily available Best Urban land supply. As this can no longer be considered part of the City's employment land supply, this has had an immediate impact upon the City²⁷. Furthermore, approximately 37 hectares of land within the safeguarded area is currently occupied by businesses including Cemex, UK Mail and occupiers of Sattley Business Park, Network Park and Castle Bromwich Business Park. It is anticipated that many, although not all, of these businesses will relocate either as a result of the safeguarding or construction of HS2 and as such there is a potential requirement of up to 37 hectares of employment land to accommodate these relocations.

Key Sectors and Economic Zones

- 5.24 The key sectors are areas of economic activity that have been identified as key to the future growth of Birmingham and as such they are to be supported in terms of economic development and planning, including the identification of the economic zones as locations that would best meet their needs. Previous work²⁸ examined the future of these key sectors in Birmingham (advanced manufacturing, financial services, business and professional, food and drink, computer services, digital media and life sciences) and the economic zones that could accommodate them.
- 5.25 For the most part, these key sectors are subsumed within the wider B use classes (with advanced manufacturing, an element of life sciences and food & drink being in the B1c/B2 use classes and an element in the B8 use class; financial services, business & professional, and elements of digital media and the life sciences being in the office based B1 use class). **The exception is the computer services sector, estimated at 14,830 m², which needs to be added to the overall demand for office.**

Accelerated Development Scenario

- 5.26 The estimates shown in Figure 5.5 represent average requirements between 2012 and 2031. However, if completions in the future follow a high level trend, the potential office floorspace could be some 78% higher than the most likely level. In the same scenario, B2 floorspace would be 9% higher and in the case of B8, the higher potential level could be some 84% higher than the most likely level. It is important to bear this potential higher level in mind, perhaps particularly in the case of office development given recent constraints on supply.

²⁶ Calculations based on the projections provided by the LEFM model suggest that the overall proportions of total employment in the B use classes and the individual use classes of B1 (offices), B2 and B8 for Birmingham are not projected to change a great deal between 2012 and 2031.

²⁷ It should be noted that it is anticipated that between 15 and 18 hectares of employment land will become available at Washwood Heath towards the end of the plan period following construction of phase 1 of HS2. This is anticipated to be in 2026, but given the long term and large-scale nature of HS2, it is possible that this land will not become available until later. Due to this uncertainty, this potential addition to Birmingham's supply of employment land is not further considered in this report.

²⁸ Employment Land Study for the Economic Zones and Key Sectors in Birmingham, 2012, WECD.

Figure 5.10: Estimated Floorspace/Land Requirements – Accelerated Development Scenario

Use	Floorspace / Land Requirements
Offices	950,000 m ²
B2	330 ha
B8	138 ha

Source: WECD, completions data from BCC. NOTE: figures have been rounded.

5.27 Taking the effects of HS2 and the potential for the key sectors (not subsumed into the wider use classes) into account, the minimum that should be provided for would be²⁹:

- **573,390 m² of office floorspace:** 532,400 m² (as per Figure 5.8) + 26,160 m² of HS2 impact + 14,830 m² from the Computer Service sector
- **Rounded to 320 ha of B2 land:** based on 304 ha B2 + 15 ha from HS2
- **87 ha of B8 industrial land:** based on 75 ha (Figure 5.8) + 12 ha from HS2
- **The potential for up to a further 37 ha of industrial land to cater for relocation requirements arising from HS2.** However, the total quantum arising from this requirement is far from certain therefore, this quantity is not further considered in this report.

5.28 It may also however be prudent to cater for the possibility of higher levels of demand, taking this possibility into account would therefore lead to demand falling between:

Figure 5.11: Projected Demand for Floorspace/Land

Use	Most Likely Requirements	Potential Maximum Requirements
Offices	573,390 m ²	950,000 m ²
B2	320 ha	330 ha
B8	87 ha	138 ha
Total B2 + B8	407	468

Source: WECD. Note: figures have been rounded.

5.29 It can be seen that there is not a large difference between the most likely and potential maximum requirements for B1c/B2 industrial uses. There is a relatively large gap (of circa 50%) between the most likely and potential maximum requirement in the case of B8 industrial uses. Given that the most likely requirement is close to the figure derived using the annual average completion levels (Figure 5.4), it may be prudent to use the most likely requirement (i.e. 87 ha) and monitor the situation in terms of completion levels moving forward.

5.30 There is also a relatively large gap between the most likely requirements for offices and the potential maximum. However, there are signs that the office property market is beginning to pick up with a general tightening of the supply of quality space. It will also be important to be able to provide enough land to accommodate the targets for future growth as set out in policy to date (including those of the GBSLEP). Given the cyclical nature of the office property market, it may be prudent to cater for development levels nearer the maximum potential level. Figures 5.12 and 5.13 summarise the industrial and office demand.

²⁹ These figures have been rounded.

Figure 5.12: Industry Site Type Demand, 2012-2031

Industrial Site Type	Most Likely Requirements	Potential Maximum Requirements
RIS	45	52
Best Urban	224	257
Good Urban	118	136
Other Urban	20	23
Total	407	468

Source: WECD. NOTE: Figures may not sum due to rounding.

Figure 5.13: Grade of Office Space Demand (m²), 2012-2031

Grade of Office Space	Most Likely Requirements	Potential Maximum Requirements
Grade A	516,050	855,000
Grade B	57,340	95,000
Total	573,390	950,000

Source: WECD. Note: figures have been rounded.

6. The Supply of Land

Employment Land Assessed

- 6.1 Approximately 675 ha of land in the form of sites that are currently known to the City Council have been examined to assess the availability of employment land in the City. The complete list of sites is in **Annex 3**.
- 6.2 The vast majority of this land is presently in industrial use (circa 90%) with the exception of those within the Enterprise Zones in the City Centre, which are predominantly in a mix of uses including offices.
- 6.3 All assessed sites are currently in some form of designation in terms of their quality. In the case of industrial land, these are the Regional Investment Sites, Best Urban, Good Urban and Other Urban. Those sites considered most suitable for office uses either fall within the Enterprise Zone status or Growth Point Centres. The existing designation appears to work well in general. Therefore, the assessment of quality has concentrated on the relative position of the sites / areas within their own category rather than the more common approach of identifying those sites that should or should not be retained for employment related development. Other locations have also been examined, particularly wider industrial areas.
- 6.4 In assessing these sites, their quality has been taken on board under the broad headings of **market attractiveness, sustainable development factors and strategic planning factors**. This assessment then provides a basis for assessing the relative quality of the sites/areas.
- 6.5 Birmingham City Council has provided relevant figures for land that is readily available for development. In the case of offices, the potential floorspace is used to represent the potential for development.

Industrial Land

- 6.6 The total quantity of industrial land in Birmingham is 717 ha (as per August 2013). Of this land: 114 ha (16%) is readily available; and, 605 ha of industrial land that is suitable for B1c, B2 and B8 uses), was examined. These sites fall within the Best Urban or Good Urban categories.

Figure 6.1: Total Industrial Land Available in Birmingham, 2013

	Total Land (ha)	Readily Available Land (ha)
Regional Investment Site (RIS)	42	16
Best Urban	77	58
Good Urban	41	17
Industrial Areas	557	23
Total	717 ha	114 ha
% of total industrial land		15.9%

Source: WECD and BCC. NOTE: Figures are rounded. Best Urban excludes sites within the Washwood Heath area.

- 6.7 Perhaps not surprisingly, it is the industrial areas that contain both the majority of the total quantum of industrial land and the majority of land that is available for development. These are generally vacant plots in the industrial areas that are not included in the economic zones (there is a small degree of overlap between the enterprise zones and these areas, notably in Digbeth).
- 6.8 Figure 6.2 presents the Best Urban, Good Urban and wider areas.

Figure 6.2: Quality of Available Sites

Best Urban	Good Urban	Other Areas
Advanced Manufacturing Hub (RIS)	47 Devon Street	Bromford/Tyburn Road Industrial Area
Birmingham Battery (adjacent railway)	Adjacent Aston Goods Station (Rupert Street)	Digbeth
Environmental Enterprise District	Ardath Road ³⁰	Former Hovis Factory
Former Pebble Mill Studios	Cole Hall Lane & Lea Ford Road (land between)	Golden Triangle and Industrial Middle
Life Sciences Campus	Erdington Industrial Park, Units 1-4, Chester Road	Gunsmith's Quarter
Longbridge ITEC Park (RIS)	Gravelly Industrial Park	Saltley Business Park
Park Lane	Opus Aspect (former GKN plant)	Small Heath and Sapcote Business Parks
Signal Point	Rupert Street	Southside
Tameside Park	Tower Road	Tuckers Fastenings
The Food Hub	Western Business Park	Washwood Heath
Unit 101, Birmingham Great Park	Windsor Street Gas Works	Wheels Site, Bordersley Park
Woodgate Business Park	Yardley Brook industrial estate	
	Yardley Brook Industrial Estate (Lea Ford Road); Phase 3	

Source: WECD and Colliers. NOTE: All the Economic Zones are included here (including the two RIS sites) as they form part of the supply of land available within Birmingham, however there are not listed in any particular order.

Offices

- 6.9 Sites considered suitable for office development / allocated for such, are split amongst the Enterprise Zone and the District Centres. **The Enterprise Zone totals approximately 70 ha of land and contains around 42 ha of potentially developable land (60%). There is an additional 12 ha of developable land amongst the Growth Point and District Centres.**
- 6.10 In terms of floorspace, the Enterprise zone could accommodate around 889,200m². 144,500 m² of these could be affected by HS2; because of this, this figure has been removed from the Enterprise Zone supply figures used in the rest of this report. According to the Draft Core Strategy, the district centres could potentially accommodate 146,000 m². This figure is based on estimates of 5,000 m² in each centre except for the Growth Centres of Sutton Coldfield, Perry Barr and Selly Oak; these are noted as being capable of accommodating varying amounts of floorspace. However, it should be noted that in the District Centres, there is not actually any readily available land that is likely to attract office development and as such, the potential floorspace currently noted in the Draft Core Strategy is not taken as contributing to supply in this study, as per Figure 6.3.

³⁰ It is worth noting that the sites at Ardath Road, Western Business Park and Gravelly Industrial Park are unlikely to be deliverable for employment uses due to their marginal nature. It should be noted that Gravelly Industrial Park does have a number of significant locational advantages but its deliverability in the current market is severely constrained due to the scale of investment required to bring the site forward. If market conditions were to improve this site would have the potential to make an important contribution to Good Urban supply.

Figure 6.3: Total Estimated Supply of Floorspace

	Total Floorspace (m ²)
Enterprise Zone	744,660
Growth Centres	60,000
District Centres	-
Total	804,660

Source: BCC. NOTE: figures have been rounded. 'Supply' within the district centres has not been included due to actual readily available land in these centres being marginal (both in terms of quantity and quality); floorspace that could be affected by HS2 has also been removed.

- 6.11 Therefore, it is currently envisaged that there exists capacity for 804,660 m² of office floorspace in Birmingham, with the vast majority (93%) being within central Birmingham. Figure 6.4 shows the Enterprise Zones and Growth Points/District Centres. Because of their importance for policy delivery, each of the Growth Point Centres is discussed in further detail below.

Figure 6.4: Currently Envisaged Sites

Enterprise Zone	Town/District Centres
103 Colmore Row	Acocks Green
Arena Central	Alum Rock Road
Beorma Phase 1 and Future Phases	Coventry Road
<i>City Park Gate</i>	Edgbaston
Connaught Square	Erdington
<i>Curzon Street (inc. Curzon Street and Fox Street)</i>	Fox and Goose
Custard Factory Extension	Harbourne
Digital Plaza	Kings Heath
Eastside – Goodmans	Meadway
Great Barr Street (Future Phases)	Mere Green
Ludgate Hill	New Oscott
Martineau Galleries	Northfield
Masshouse (phase 2)	Perry Barr
Newhall Square (Future Phases)	Selly Oak
Paradise Circus	Sheldon
Post and Mail Phase 1	Soho Road
Post and Mail Phase 2	Stirchley
Smithfield Court phase 1	Sutton Coldfield
Snowhill Building 3	Swan
Southern Gateway	
St. George's Urban Village Assay Office and South (aka Kettleworks)	
The Strip	
Typhoo Wharf (future phases)	
Venture Way	
Warwick Bar	

Note: those centres highlighted in bold are growth centres. District centres are shown for illustrative purposes, they do not contain significant amounts of non-marginal readily available land. **The Enterprise Zone sites in italics are included in this table for comparative purposes, however their potential office floorspace is discounted from the total as they could be affected by HS2.**

The Growth Point Centres

Sutton Coldfield

- 6.12 Sutton Coldfield is an affluent town to the north of Birmingham town centre. It has not performed the role of a strategic office location, but there is an established market in the town. This is mainly made up of local businesses and professional services and typical floor plates are about 4,000 – 5,000 sq ft. A notable recent letting was to Dignity Funerals, who took about 18,000sq.ft of space.
- 6.13 There are two major shopping centres in the town centre.
- 6.14 An outline planning application was registered at Birmingham City Council's Planning Department to transform a strip of land between Brassington Avenue and the cross-city railway line into a 'medium-sized' supermarket with a café and 166 parking spaces (including seven disabled and nine for families).
- 6.15 The land is owned by City Lofts (Brassington) Limited and had remained unused for ten years, but the development proposals are being handled by fixed charge receivers, Allsop. In the Design and Access statement prepared by GL Hearn and DLA Architecture, which accompanies the application, it is proposed that a 2,880 sq m foodstore will be built on the 2.35 acre site.
- 6.16 There are two retail parks in the far north of the catchment at Sutton Coldfield - Princess Alice Park and New Hall Walk. Princess Alice Park, off Chester Road (A452) in New Oscott, was built in 1999 in a predominantly residential area. This small scheme includes a large Next, 99p Stores, Boots, Currys, Holiday Hypermarket, Kutchenhaus, as well as a Marks & Spencer Simply Food. The site is located next to a large Tesco Extra and also includes a Bannatynes Health club, Pizza Hut and Costa Coffee.
- 6.17 With less than 40,000 sq ft of non-food retail floorspace, New Hall Walk at Sutton Coldfield is a small development anchored by an Aldi foodstore alongside Halfords and TK Maxx; the park has a direct pedestrian link with the town centre.
- 6.18 There is a local market for industrial space, but it is generally not considered a strategic location in the Birmingham market.

Perry Barr

- 6.19 In the past there has not been a high demand for office accommodation in Perry Barr. Discussions with local agents suggests that apart from the public sector, the main demand in the future will likely be from local small and medium sized enterprises. These will often desire either converted shop premises or edge of town self-contained buildings.
- 6.20 It is very likely that the demand for business space in this location will be driven by organisations with a local community or indeed some specific Perry Barr business driver or alternatively public sector functions. This is exemplified by the 12,000sq.ft letting to UK Athletics at the Alexander Stadium.
- 6.21 It is a similar situation regarding the industrial sector. Perry Barr is not a strategic logistics location and is not widely considered as a major location by agents. However, there are general employment areas such as Walsall Road, Aldridge Road, and the former container base that provide industrial space for local businesses.
- 6.22 North of the city centre along the industrial belt at Perry Bar, is One Stop Perry Barr, prominently located along the A34, a dual carriageway link between Birmingham city centre and Walsall. Opened in 1990, this development comprises a small shopping mall (largely occupied by value retailers), a large Asda store, as well as a retail park that has open A1 consent.

6.23 The retail park at One Stop Perry Barr is largely occupied by high street retailers including Peacocks, Poundstretcher and Arcadia fascias, Burton, Dorothy Perkins and Evans. In 2004, the park was extended by 22,000 sq ft; this created the opportunity for Sports Direct, Clarks Factory Shop, Footlocker and Superdrug to locate here. Game, Boots, Everything Everywhere and Shoe Zone are amongst the retailers who trade from the adjacent shopping mall.

Selly Oak

6.24 Selly Oak is strategically close to both leading academic and research institutions together with the flagship Queen Elizabeth Hospital. For this reason, its reputation in the commercial property market is for uses within Class D1, particularly Medical and Health Services and non-Residential Education and Training Centres.

6.25 It is very likely that demand for business space accommodation in this location will be driven by businesses with an association or need to be close to the hospital and/or the university and such factors are one of the unique selling points of the location. Other interested parties could well be organisations with a local community or indeed some specific Selly Oak business driver or alternatively public sector footloose/decentralised functions, albeit such sectors are not currently active and if anything are currently downsizing.

6.26 The Selly Oak business space market has been and continues to be limited in its business space stock and the level of activity is not currently seen as a business space location in the local market. The only relatively recent new business space development that has occurred in recent years is the Department for Work and Pensions Job Centre Plus building located at the top end of Harborne Lane, near to the existing Sainsbury's store.

6.27 The Selly Oak area sits outside of the traditional central Birmingham business space market and is considered as a peripheral location. The current economic climate continues to have a significant impact on the Birmingham business space market. Whilst the whole market has experienced significant change, the peripheral areas have perhaps seen the greatest adjustment. For example, the Edgbaston market nearby, which performed relatively well during the peak markets of 2006 to 2008, delivered headline rental tones as high as £210/m² but such levels have now fallen by circa 50% over the last four years.

6.28 In recent years, there has been limited specific demand for business space accommodation in the Selly Oak area. This is likely to be due partly to the lack of available good quality business space stock but also due to general business space occupier demand characteristics of preferring to be in one of three recognised business space locations in the Birmingham area that comprise of: the traditional City Centre; peripheral city locations such as Edgbaston or Aston; and, business parks that tend to be situated along the motorway corridors.

6.29 Battery Retail Park at Selly Oak is located to the south of the Birmingham catchment area, around 4 miles south west of the City Centre. The park is well located at the junction of the A38 (Bristol Road) and the A4040 outer ring road; whilst highly visible, this junction is very busy and access is only from the A4040. The park was previously anchored by a large B&Q until the retailer vacated in 2012 to allow for the planned redevelopment of the site into four additional retail warehouses. Homebase is now the sole anchor alongside retailers including Next, Currys and PC World. Sainsbury's occupies a large store adjacent to the park.

Meadway

6.30 Meadway, in the Yardley area, is five miles to the east of Birmingham city centre and has not in the past acted as a commercial office location. Meadway is a main artery road connecting Birmingham city centre to both the M6 & M42. There are also good public transport links to the city centre and North Solihull.

- 6.31 Poolway is a neighbourhood shopping centre at the Meadway with few national operators. It includes a post office and small branch library.
- 6.32 The Meadway is not currently considered an office location. However, it does have locational advantages and it may be attractive to local owner-occupiers. Nevertheless, it is unlikely that institutional investment would be made in office development here at the current time.
- 6.33 There is an industrial area approximately half a mile to the east. The occupiers are mainly local business and it is assumed that many of these are owner-occupiers.

7. Towards a Portfolio of Employment Land

- 7.1 This section brings together the findings from the assessment of both the supply and demand for employment land in Birmingham and highlights issues for consideration should the need arise in the future.

Industrial

- 7.1 As shown in Figure 7.1, in total, there is 173 ha of land for development including readily available land and the economic zones but excluding Ardath Road, Western Business Park and Gravelly Industrial Park³¹.

Figure 7.1: Supply of Land for Development and Demand, 2012-2031

Site Type	Total Supply of Land for Development (ha)	Most Likely Demand (ha)
RIS	42	
Best Urban (including economic zones)	77	
Good Urban	31	
Industrial Areas	23	
TOTAL	173	407
DIFFERENCE		-234

Source: WECD and BCC. NOTE: figures have been rounded

- 7.2 Over the past 10 years (2003 – 2013), a large proportion of completions have been on land that has been redeveloped (also termed recycled). The rates of this recycling have averaged around 11 ha per year. However, many of the better sites available for this recycling have now been redeveloped and there is very limited opportunity to identify large sites in the urban area. Assuming a continuation of this level of recycling, it is anticipated that a further 35 ha of currently unidentified recycling opportunities will come forward in the period up to 2031.

Figure 7.2: Supply of Land and Demand including Potential Redevelopment, 2012-2031

Site Type	Total Supply of Land for Development (ha)	Most Likely Demand (ha)
RIS	42	
Best Urban (including economic zones)	77	
Good Urban	31	
Industrial Areas	23	
Potential Redevelopment	35	
TOTAL	208	407
DIFFERENCE		-199

Source: WECD and BCC. NOTE: figures have been rounded.

- 7.3 As noted in Section 5, there is inherent uncertainty present in determining the potential future level of demand. Therefore, additional calculations have been undertaken to show the level of demand, ranging from the lowest to the potential highest levels (as presented in Figure 5.13).
- 7.4 Examining demand for industrial land in this context in terms of 5 yearly intervals, it would mean that **circa 107 ha of land would be required in total for every 5-year period** over the next 19 years (2012-2031). Figure 7.3 presents minimum reservoirs of industrial land for the different types of sites in any 5-year period. For this purpose, the proportions of land in the Best, Good and Other classes

³¹ These sites add to approximately 10ha. Therefore, there is circa 31ha of Good Urban instead of 41 ha as in Figure 6.1.

presented in Figure 5.7 of this report are used³². There is no need to make specific provision for RIS in a 5-year period allocation as the supply of RIS sites equates to demand.

Figure 7.3: Minimum Reservoir of Industrial Land in any 5-year Period

Site Type	Quantity (ha)	Annual Requirement (ha)
Best Urban	60	12
Good Urban	31	6
Other Urban	5	1

Source: WECD. NOTE: Figures are rounded.

- 7.5 Nevertheless, in the face of the most likely level of demand, the balance between supply and demand **would need to be monitored carefully in order for the amount of land that is actually available at any one time for development not to become constrained**. This is particularly the case with the Best Urban land due to the large gap between anticipated demand (224 ha) and the supply (77 ha).

Offices

- 7.6 The projected quantity of floorspace that is likely to be demanded is circa 574,000 m². However, as noted in Sections 4 and 5, due to the increasing tightness of availability for quality space and the concerted economic development efforts of the GBSLEP, the City Council and other stakeholders, it may be more prudent to cater for a point between the most likely level of demand and the potential maximum level of demand (this would equate to circa 750,000 m² of floorspace)³³.
- 7.7 In their entirety, therefore, there is enough land to cater for circa 805,000 m² of office floorspace, with the vast majority being available within the City Centre as currently defined (at availability for nearly 745,000 m², 93% of the total). The Growth Point Centres are also envisaged as being able to accommodate some 60,000 m².
- 7.8 As noted in section 6, whilst policy to date has included the objective of accommodating 5,000 m² in the District Centres, there is in actuality very little readily available land in these centres and the land that is available is marginal for office development. It would be prudent therefore to discount the district centres as providing supply. It is also considered that Medway may be marginal for office development at the current time; however, it is recognised that there may be potential to accommodate local smaller offices in the future.
- 7.9 As shown in Figure 7.4, there will be enough space to accommodate the most likely level of demand, but in the face of demand actually approaching the potential maximum, supply would be constrained. It will be key therefore to monitor developments to ensure that supply does not tighten.

Figure 7.4: Demand and Supply Comparison

Site Type	Available/Allocated (m ²)	Most Likely Demand (m ²)	Midpoint Demand (m ²)	Higher Level Demand (m ²)
Enterprise Zone	744,660			
Growth Point Centres	60,000			
Total	804,660	573,390	761,700	950,000
Difference		+226,270	+37,960	-150,340

Source: WECD and BCC. NOTE: figures may not sum due to rounding. The available/allocated land for the Growth Point Centres is 55,000 m² rather than 71,000 m² due to the exclusion of Meadway, which is considered marginal for office development.

³² The rates are as follows: 55% for Best Urban, 29% for Good Urban and 5% for Other Areas.

³³ As noted in Section 5, extrapolating out past completion levels leads to a figure of circa 734,000 m² and the West Midlands Regional Spatial Strategy – Regional Centres Strategy (March 2006), albeit covering a different time period and based upon modelling undertaken prior to the recession, forecasted a total requirement of between 710,000 and 820,000 m² for Birmingham in total.

8. Conclusions

- 8.1 After experiencing 20 years of declining population, Birmingham is seeing growth that has exceeded that seen nationally and in the region as a whole, including an increase in the working age population. In the future, most of the sectors of the Birmingham's economy are projected to see rises in employment and GVA is projected to increase in nearly all the sectors (even those projected to see a fall in employment).
- 8.2 Business/Professional services sectors (FIREB) are projected to grow, albeit at lower levels than seen in the past. There is also projected to be growth in Manufacturing (both in terms of employment and output), a situation that reflects the past (and projected) growth in the automotive manufacturing sector and its suppliers.
- 8.3 In relation to employment land therefore, the general demographic and economic context of Birmingham may mean:
- Increased growth in the population will necessitate the development of dwellings and as such will affect the amount of land available for other uses, including employment uses.
 - In order to reduce the differential between Birmingham and the country as a whole in terms of employment it will be important to ensure that enough land of the right quality is available for employment development.
 - Manufacturing, in terms of both employment and the number of companies is an important sector (and is likely to be increasingly so) and therefore the needs of this sector should be catered for in terms of land.
 - Birmingham also has a relatively high presence of medium and large companies and they will likely require land moving into the future.
- 8.4 In terms of the local property market, the automotive and distribution sectors currently drive Birmingham's industrial property market. In terms of office space, Birmingham has experienced a greater amount of new Grade A stock coming to the market (in comparison with other major regional centres). Absorption of Grade A product has also been strong. Shortage of quality product has had a significant impact upon absorption within the Birmingham office market. Cost conscious occupiers continue to look at competitively priced Grade B & C product. There remains however, a shortage of Grade B+ product. Some may opt for shorter-term accommodation with a view to seeking more permanent moves once increased Grade A stock becomes available. Based on current levels of Grade A absorption and demand coupled with the anticipated supply of Grade A space over the next three years, Colliers International estimate the likely timescale for absorption of vacant marketed Grade A product as nearing saturation in 2014.
- 8.5 It is also worth noting that Birmingham has a relatively high level of obsolete office space. This could be for a number of reasons. For example, the location might make it obsolete, if it is inaccessible or in an area with very low demand. A change in technology might have meant there are better alternatives available, or the buildings may have deteriorated to such a level they are not a viable rental option. On the other hand, discussions with property agents suggest that the designated District Centres do not contain any readily available land that is likely to attract office development in the future.
- 8.6 In assessing the industrial and office markets and establishing minimum and maximum targets to accommodate the potential growth of Birmingham to 2031, a number of economic and spatial factors have been taken into account including property impact of HS2, redevelopment/recycling of land and uncertainties that could arise in the next 20 years. The conclusions are summarised below.

- The level of demand for Regional Investment Sites (45 ha) approximately equates to the supply – therefore, there is no need to identify further land for this use at this stage.
- The most likely level of demand for Best Urban sites (224 ha in total) is far in excess of supply (at 77 ha); there is therefore an urgent need to identify Best Urban sites, particularly in the face of growth in the automotive and aerospace sectors³⁴.
- In the case of Good Urban sites, there is also a significant shortfall (31 ha supply against most likely demand of 118 ha) – therefore, existing supply will need to be retained and other opportunities taken as they emerge.
- The most likely level of demand for Other Quality sites is relatively small (20 ha in total) and a small quantum of land should be retained, but these sites could also be considered for other uses.
- The opportunities for large sites in single ownership within the urban area of Birmingham have now virtually reduced to zero and this would pose an issue for allocating Best Urban sites. It will, therefore, be very important to undertake a planned, monitored and managed approach so that severe constraints on supply do not surface should economic activity tend towards the middle – high end.
- In the case of office development, there is likely to be demand for around 574,000 m², although there is the distinct possibility of this rising towards the higher end and it would be prudent therefore to anticipate demand being around 761,700 m². This demand, however, could be as high as 950,000 m² if completions in the future follow a high level trend (which was observed in the past). This compares to availability of circa 744,660 m² within the City Centre alone. Given that the District Centres are unlikely to attract office development at the current time (and they do not contain significant levels of non-marginal development land), the City Centre and the Growth Centres together could provide for 804,660 m². Therefore, it would be prudent to monitor the situation of land for office development, especially in relation to the development of the Enterprise Zone.
- It should be considered that some of the Growth Centres are more suitable than others and as such, priority is to be given to those centres where demand is already buoyant, transport links (especially public transport) are good and where there is scope for offices to be encouraged by other major proposals.

8.7 It is acknowledged that these assessments are based on reasonable assumptions and do not account for any spectacular shifts in policy and investment markets. These for example include:

- Relocation of public sector jobs to the regions – such a move could have a significant (positive) impact on the Birmingham office market but it is currently a highly unlikely scenario. Increasing occupational costs in the London office market throughout the past decade in real and nominal terms, have helped to raise questions amongst occupiers as to whether non-core functions can be efficiently and economically relocated to areas where overheads might be relatively lower. From the Government's point of view the Lyons review, which conducted an independent study into the scope for relocating a substantial number of public sector activities from London and the South East of England to other parts of the United Kingdom, was a prime example of such thinking. In reality, however, there have been only a few significant relocations as a result of the Lyons and Gershon reviews and notable examples such as the National Lottery moving to Birmingham were isolated occurrences.
- Changes in the behaviour of institutional investors, who continue to hold back from investing in real estate and net investment remain generally flat. However, Government commitment to

³⁴ As described in the Employment Land Study for the Economic Zones and Key Sectors in Birmingham, 2012.

£100bn infrastructure projects (June 2013) could signal that there is a massive opportunity for investment in office development.

ANNEXES



1. Additional Background Information and Data

1a. Regional Policy – RSS

Although changes in the national planning policy and regulatory landscape have essentially erased the weight to be accorded to the former Regional Spatial Strategy (RSS), its overall goals and approach is worthy of note due to its impact on the evolution and derivation of current policy within the region. The overall vision of the RSS was of a region that is economically successful, outward looking and adaptable which is rich in culture and environment, where all people, working together, are able to meet their aspirations and needs without prejudicing the quality of life of future generations. The main challenges facing the region were seen as including:

- The movement of people and jobs away from the major urban areas.
- Lower economic growth than other regions in the UK and Europe and a heavy reliance on manufacturing industry.

The overall response of the RSS therefore included to:

- Adopt positive measures to address the relative decline in the regional economy in both urban and rural areas.
- Reversing the movement of people and jobs away from the major urban areas and ensuring there is a greater equality of opportunity for all.
- Achieving more balanced and sustainable patterns of development across the region.

Policy PA 1 stated that growth should, wherever possible, be focused on the major urban areas with an emphasis on creating greater opportunities for development and support for existing economic activities within agreed regeneration areas.

Furthermore, the policy also stated that any development proposed on the edge of the major urban areas should also meet the criteria:

- There are no suitable alternatives available on previously developed land and buildings within built up areas.
- The development should be capable of being served by rail or high quality public transport within easy access of centres and facilities, and;
- The development respects the natural environment, built environment and historic heritage.

Policy PA5 requires relevant bodies to work together at a local level to significantly improve and maintain the physical and business environment of the Region's established employment areas.

Policy PA6A set out the approach to be taken to the provision of employment land in the region and stated that local authorities, Advantage West Midlands (which is no longer in existence), LEPs and other agencies should aim to provide and maintain a range and choice of readily available employment sites to meet the needs of the regional economy. The sites to be provided are set out as regionally important sites (Regional Investment Sites, Major Investment Sites and Regional Logistics Sites) as well as sites that are of local significance (sub-regional employment sites, good quality urban sites and other employment sites). The policy also states that planning authorities should identify, inter alia, the potential for the maximum use of recycled land for employment purposes to meet needs but to recognise that the use of some greenfield land will be required, albeit as a last resort.

Policy PA7 set out the requirements for regional investment sites (RIS), the purpose of which will be to support the diversification and modernisation of the region's economy, in particular the development of

the region's cluster priorities (as set out in Advantage West Midlands's economic strategy). RIS sites were, *inter alia*, to be in the order of 25 – 50 ha, high quality and possess good quality public transport links.

Policy PA9 related to regional logistics sites (RLSs) the purpose of which was stated as being to provide opportunities for the concentrated development of warehousing and distribution uses. It further stated that RLSs with existing or potential for dedicated access to the regional rail and highway networks would be identified within development plans. RLSs were to be:

- In the order of 50 ha or more.
- Possess good quality public transport links or be capable of having such links provided.
- Be served or proposed to be served by multi-modal transport facilities and broadband IT infrastructure.
- Have easy access to an appropriate labour supply and education and training opportunities.
- Aim to minimise environmental impact.

1b. Additional Socio-economic Data

Figure A1: Employment Change

	2008	2009	2010	2011	Change	
Full Time	345,900	311,800	315,400	325,300	- 20,600	-6%
Part Time	146,300	139,800	141,800	144,500	-1,800	-1%
Sole Proprietors	19,800	21,400	10,800	12,200	-7,600	-38%
Total	512,000	473,000	468,000	482,000	- 30,000	-6%

Source: BRES (Business Register and Employment Survey).

The working age population in Birmingham is relatively less well skilled than the GB average, with almost a fifth (19.9%) of the workforce holding no qualifications.

Figure A2: Qualification Level of those Aged 16 – 64

	Birmingham	West Midlands	Great Britain
% with degree or equivalent and above	19.5	17.6	22.6
% with higher education below degree level	6.2	8.8	9.0
% with GCE A level or equivalent	20.5	21.8	22.5
% with GCSE Grades A-C or equivalent	20.9	24.3	22.3
% with other qualifications	13.0	12.1	12.2
% with no qualifications	19.9	15.4	11.5

Source: Annual Population Survey Jan, 2012-Dec 2012

Figure A3: Average Pay 2012

Full Time Gross Weekly Pay			
	Birmingham	West Midlands	Great Britain
Residents	464.6	469.3	508.0
Workplace	507.9	469.2	507.6
Part Time Gross Weekly Pay			
	Birmingham	West Midlands	Great Britain
Residents	144.3	153.4	155.4
Workplace	158.0	152.1	155.2

Source: ASHE (Annual Survey of Hours and Earnings)

Almost four fifths (79%) of residents in Birmingham also work in the city. Of the 83,500 that commute out of the city, around half work in Solihull, Sandwell or Coventry. In terms of people working in Birmingham, only 61.5% also live in the city, with almost 200,000 people commuting into the city daily. The largest number of commuters into Birmingham travel from:

- Sandwell (40,252)
- Solihull ((33,121)
- Dudley (20,345)
- Walsall (18,727)

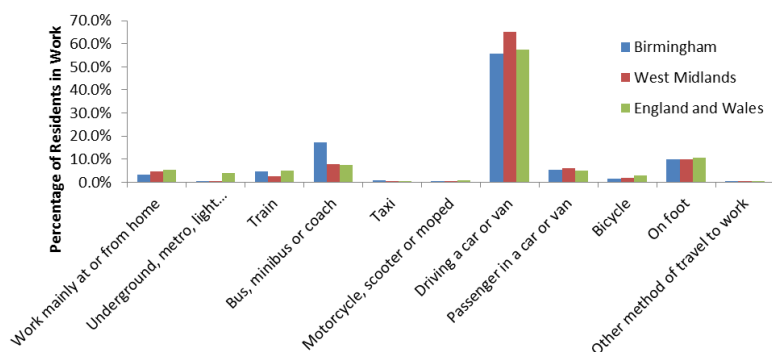
Figure A4: Commuting into and out of Birmingham

	Number of persons
Live & work in Birmingham	313,250
Commute into Birmingham	196,089
Commute out of Birmingham	83,495

Source: Annual Passenger Survey

Residents in Birmingham are more likely to travel by bus to work than in the region or the country, although the majority drive.

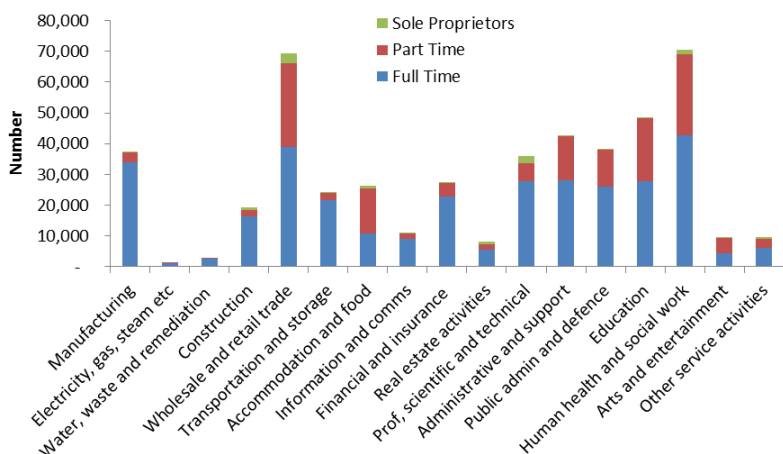
Figure A.5: Workforce mode of travel



Source: 2011 Census

Part-time employment is particularly concentrated in wholesale/retail and education/health. The sectors with the highest number of full-time jobs are manufacturing, wholesale and retail and health.

Figure A.6: Employment by Sector



Source: BRES

Birmingham has a relatively low level of economic activity of 66.7% of working age people, compared with the regional (74.9%) and national (76.9%) rates. There is a commensurately higher level of economic inactivity in Birmingham compared with the other areas.

Figure A.7: Economic Activity Rates

	Birmingham	West Midlands	Great Britain
% who are economically inactive - aged 16-64	66.7	74.9	76.9

Source: Annual Population Survey Jan, 2012-Dec 2012

In addition to having a lower proportion of economically active people, the unemployment rate is much higher in the city at 13.3% compared with the average national of 7.8%.

Figure A.8: Unemployment Rate

	Birmingham	West Midlands	Great Britain
Unemployment rate - aged 16-64	13.3	9.0	7.8

Source: Annual Population Survey Jan, 2012-Dec 2012

The proportion of working age people in employment is considerably below the GB average, with both self-employment and the number of employees below average.

Figure A.9: Employment Levels

	Birmingham	West Midlands	Great Britain
Employment rate - aged 16-64	59.3	67.5	70.3
% aged 16-64 who are employees	52.9	58.9	60.7
% aged 16-64 who are self employed	6.0	8.2	9.1

Source: NOMIS

For those who are in employment, the occupation profile of Birmingham is similar to the West Midlands as a whole, although with a smaller proportion of managers and a larger proportion of professionals.

Figure A.10: Occupation of those in Employment

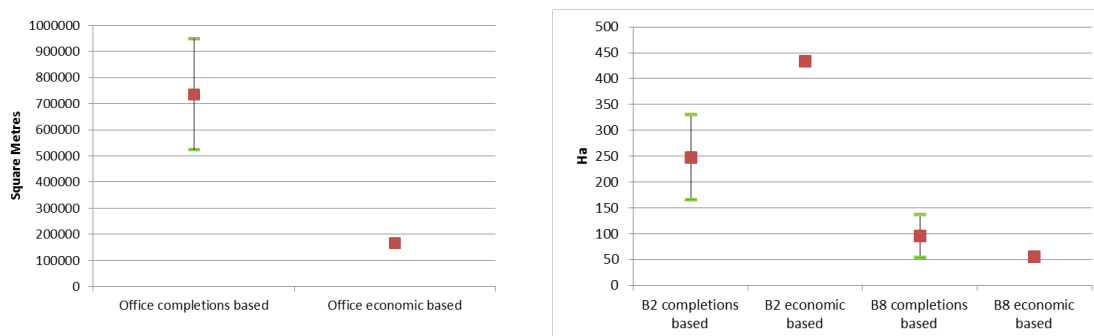
	Birmingham	West Midlands	Great Britain
Managers, directors and senior officials	8.5	10.4	10.1
Professional occupations	18.5	16.5	18.8
Associate prof & tech occupations	10.5	11.9	13.7
Administrative and secretarial occupations	11.4	11.0	11.3
Skilled trades occupations	11.2	12.0	10.8
Caring, leisure and other service occupations	12.1	10.1	9.2
Sales and customer service occupations	8.4	8.2	8.2
Process, plant and machine operatives	7.1	7.5	6.6
Elementary occupations	11.5	11.7	10.8

Source: Annual Population Survey Jan, 2012-Dec 2012

1c. Integrated Estimates of Demand for Land/Floorspace

The first figure shows both the requirements for offices based on past completions (and the confidence limits) and the requirements based on the economic projections. The second figure shows the same in terms of land for B2 and B8.

Figure A.11: Requirements based on Economic Projects



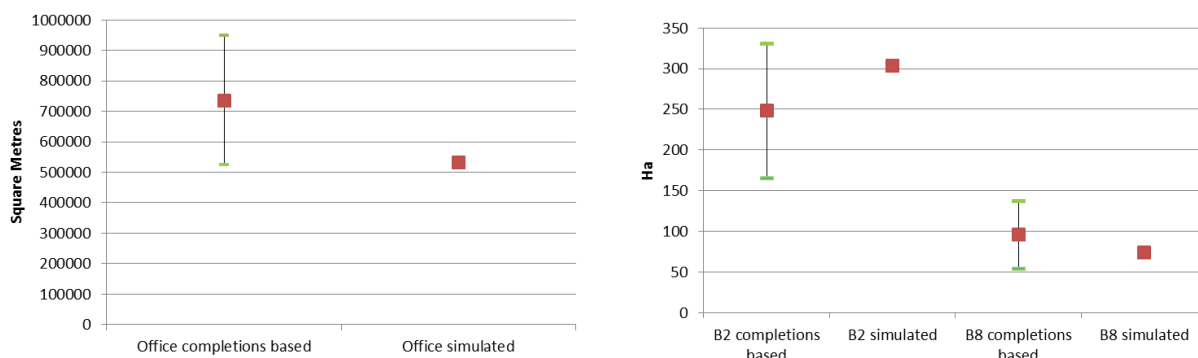
Source: WECD based on LEFM, Cambridge Econometrics and Completions data from BCC. NOTE: the lines and green marker above and below the completions based estimates are the 95% confidence interval (the lines) and limits (the green markers).

It can be seen that the economic based projection for office floorspace falls considerably below even the lowest potential level of completions based requirements. For B2 uses, the economic projections based requirement falls well above the uppermost level of what could be expected given past completion levels. In the case of B8 land, the economic projections based estimate just falls within the range derived using past completion levels.

Given the completion levels over the past 11 years (including periods of boom and recession), it would therefore seem that the initial economic projections based estimate of office floorspace and B2 land requirements are unlikely and the B8 economic projections based land requirement is towards the low side.

In coming to 'most likely' estimates of future requirements therefore, somewhere between the estimates produced by the two different methods may be the most appropriate, in essence, this approach uses the information available from past completions levels and adjusts it in the face of forecasted economic changes³⁵:

Figure A.12: Future Requirement Estimates



Source: WECD based on LEFM, Cambridge Econometrics and Completions data from BCC. NOTE: the lines and green marker above and below the completions based estimates are the 95% confidence interval (the lines) and limits (the green markers).

From the charts above it can be seen that the most likely requirements fall within the range of completions based projections. Furthermore, in the case of office floorspace, this falls towards the lower

³⁵ The 'most likely' estimate has been derived from simulating between the ranges produced by the two different methods using a triangular distribution and calculating the mean of these distributions (which is not necessarily equal to the midpoint between the methods-based estimates). Each estimate is based on 1,000 simulations.

end of the range which will reflect the reduced growth anticipated in some sectors; in the case of B2, it falls towards the upper limit which could reflect the projected increased activity in the manufacturing sector; in the case of B8, the 'most likely' estimate is close to the figure produced by the average annual completion level.



2. Translation of SIC 2007 codes into use classes

The translation from SIC 2007 codes to the planning B use classes used in this study has been:

Use Class	SIC 2007	
B1	64 : Financial service activities, except insurance and pension funding	
	65 : Insurance, reinsurance and pension funding, except compulsory social security	
	66 : Activities auxiliary to financial services and insurance activities	
	69 : Legal and accounting activities	
	70 : Activities of head offices; management consultancy activities	
	71 : Architectural and engineering activities; technical testing and analysis	
	73 : Advertising and market research	
	82 : Office administrative, office support and other business support activities	
	72 : Scientific research and development	
	68 : Real estate activities	
	84 : Public administration and defence; compulsory social security	
	58 : Publishing activities	
	B2	C : Manufacturing
		42 : Civil engineering
43 : Specialised construction activities		
452: Maintenance and repair of motor vehicles		
37: Sewerage		
38: Waste collection, treatment and disposal activities; materials recovery		
39: Remediation activities and other waste management services.		
B8	492: Freight rail transport	
	494: Freight transport by road and removal services	
	521: Warehousing and storage	
	522: Support activities for transportation	
	46: Wholesale trade, except of motor vehicles and motorcycles	

3. List of Sites

INDUSTRIAL

BEST URBAN

Economic Zones - in addition to the two RIS sites (Longbridge ITEC Park and Advanced Manufacturing Hub), the Economic Zones include the Environmental Enterprise District, the Life Science Campus and the Food Hub)

Birmingham Battery adjacent to railway (plot 6)
Former Pebble Mill Studios
Signal Point
Park Lane (Minworth Sewerage Works)
Tameside Park
Unit 101, Birmingham Great Park
Woodgate Business Park (Remainder plot K)

GOOD URBAN

47 Devon Street
Adjacent Aston Goods Station (Rupert Street)
Ardath Road (land off)
Cole Hall Lane & Lea Ford Road (land between)
Erdington Inds Park, Units 1-4, Chester Road
Gravelly Industrial Park (Jarvis Way)
Opus Aspect (former GKN plant)
Rupert Street; Land at
Tower Road
Western Business Park
Windsor Street Gas Works
Yardley Brook Inds Estate (Lea Ford Road); Phase 3
Yardley Brook industrial estate

OTHER LOCATIONS

Bromford/Tyburn Road Industrial Area
Digbeth
Former Hovis Factory (Garratt's Green; Granby Ave./Bannerley Road)
Former Wheels Site, Bordesley Park
GKN Hampstead
Golden Triangle and Industrial Middle
Gunsmith's Quarter
Saltley Business Park
Small Heath and Sapcote Business Parks (off Small Heath Highway)
Southside
Tuckers Fastenings
Washwood Heath

OFFICES

ENTERPRISE ZONES

103 Colmore Row
Paradise Circus
Arena Central
Beorma Phase 1 and Future Phases
City Park Gate
Curzon Street (inc. Curzon Street and Fox Street)
Custard Factory Extension
Digital Plaza
Eastside – Goodmans
Ludgate Hill
Martineau Galleries
Newhall Square (Future Phases)
Great Barr Street (Future Phases)
Post and Mail Phase 1
Post and Mail Phase 2
Smithfield Court phase 1
Snowhill Building 3
Southern Gateway
St. George's Urban Village Assay Office and South (aka Kettleworks)
The Strip
Masshouse (phase 2)
Typhoo Wharf (future phases)
Venture Way
Warwick Bar
Connaught Square

CENTRES

Acocks Green
Alum Rock Road
Coventry Road
Edgbaston
Erdington
Fox and Goose
Harbourne
Kings Heath
Meadway
Mere Green
New Oscott
Northfield
Perry Barr
Selly Oak
Sheldon
Soho Road
Stirchley
Sutton Coldfield
Swan

4. Site Assessment Criteria

Factor	Potential Score
General Information	
Site reference number	NA
Site/premises name	NA
Last known use	NA
Geographical reference	NA
Size of site/premises	NA
Marketing position	NA
Description	NA
Vacant/available land	NA
Market Attractiveness Factors	
Ownership	Public – 5 Private – 3 Unknown – 1
Availability	Within 5 years – 5 Within 10 years – 3 More than 10 years – 1
Market activity/developer interest	Recent high levels of interest – 5 Moderate / somewhat historic interest – 3 Minimal or historic interest – 1
Suitability for growth sectors	Very suitable for several growth sectors – 5 Very suitable for one sector or moderately suitable for several sectors – 3 Limited suitability for any growth sector – 1
Development constraints	No significant constraints – 5 1 or 2 moderate constraints – 3 A number of significant constraints – 1
Need for investment	No public investment required – 5 Some investment required/source identified – 4 Some investment required/source unidentified – 3 Major investment required/source identified – 2 Major investment required/source unidentified – 1
Viability	Highly viable – 5 Moderately viable – 3 Marginally viable – 1 Unviable – 0
Accessibility	Good – 5 Moderate – 3 Poor – 1
Site/premises condition	Good – 5 Moderate – 3 Poor – 1
Level of vacancies	0-10% - 5 11-20% - 4 21 - 30% - 3 31 - 40% - 2 41 - 50%+ - 1
Quality of surrounding environment	Good – 5 Moderate – 3 Poor – 1

Factor	Potential Score
Sustainable development factors	
Location	Main Village Centre – 5 Edge of Centre – 4 Local Service Village – 3 Smaller settlement – 2 Rural – 1
Previously developed/greenfield	Entirely previously developed – 5 Partly previously developed – 3 Entirely Greenfield – 0
Public transport accessibility	Highly accessible – 5 Moderately accessible – 3 Limited accessibility – 1
Accessibility on foot and bicycle	Accessible to large population – 5 Accessible to moderate population – 3 Accessible to minimal population – 1
Impact on environment/biodiversity	Negligible impact – 5 Moderate impact – 3 High impact – 0
Suitability for employment development	Very suitable – 5 Moderately suitable – 3 Unsuitable – 0
Suitability & benefits of other uses	Unsuitable or no benefits – 5 Moderately suitable / some benefits – 3 Very suitable / significant potential benefits – 1
Strategic Planning Factors	
Planning context	Extant planning permission for employment development – 5 Employment allocation without planning permission – 4 Unallocated site within EZ plan – 3 Unallocated site in Mixed use area – 2 Unallocated site – 1
Importance to planning delivery	Highly relevant to several RSS/RES objectives – 5 Moderate relevance RSS/RES objectives – 3 Limited relevance RSS/RES objectives – 1
Specific user / use	Specific user/use identified & committed – 5 Specific user/use identified & not committed – 3 No specific user/use identified – 1
Regeneration/development proposals	Site part of key regeneration proposal & required for employment development – 5 Peripheral element of regeneration proposal – 3 Site not part of any regeneration proposal – 1
Importance to economic development activities	Highly important – 5 Moderately important – 3 Of little importance – 1
Neighbouring uses	Highly compatible – 5 Moderately compatible – 3 Incompatible – 1
