Commercial development and the strategic road network

This report was commissioned by Highways England to inform the emerging Strategic Economic Growth Plan (SEGP) and better understand the relationship between economic growth and the strategic road network. This is a draft report and provides further information to complement the SEGP discussion paper. This report does not inform or relate to planning matters or investment decisions.

Queries relating to this report should be sent to growthandplanning@highwaysengland.co.uk

Notice

This report was commissioned by Highways England to inform the emerging Strategic Economic Growth Plan (SEGP) and better understand the relationship between economic growth and the strategic road network. This is a draft report and provides further information to complement the SEGP discussion paper. This report does not inform or relate to planning matters or investment decisions. Queries relating to this report should be sent to growthandplanning@highwaysengland.co.uk

This document has 52 pages including the cover.

Document history

Job number: 5146133			**Document ref:**			
Revision	Purpose description	Originated	Checked	Reviewed	Authorised	Date
Rev 1.0	Final Report	HCS	HS	CB	CB	29/11/16

Client signoff

Client	Highways England
Project	HE Strategic Economic Growth Plan
Document title	Commercial development and the strategic road network
Job no.	5146133
Copy no.	
Document reference	

Contents

Disclaimer

In light of the recent Referendum concerning the UK's membership of the EU, we are now in a period of uncertainty in relation to many factors that impact the property investment and letting markets. At this time organisations involved in the industry are reflecting on the potential implications of the UK leaving the EU. Since the Referendum date it has not been possible to gauge the effect of the impact on rental and capital values, along with other elements affecting property appraisal. Cushman & Wakefield continues to closely monitor market developments and trends in order that we can provide clients with the most up to date advice. This report was commissioned prior to the EU referendum as was the analysis. The report is not a response to the outcome of the referendum. The views contained in this document are provided in the context of this market uncertainty and as such our estimates and opinions are susceptible to change. Development appraisal results are particularly sensitive to changes in key variables such as cost and values. Accordingly we advise that clients have regard to this risk and may need to commission further advice before acting on the opinions expressed.

1.0 Introduction

The Importance of the Strategic Road Network (SRN)

1.1 The SRN comprises approximately 4,400 miles of road (1,865 miles of motorway and 2,571 miles of A-trunk roads) and provides capacity and connectivity to support national and local economic growth by effectively linking communities - business and residential. It is a key enabler of economic prosperity, productivity and social wellbeing. Even though the SRN makes up only 2% of roads in England, these are the arteries of our road network and our national economy. They carry a third of all road traffic and two thirds of freight traffic; an overwhelming majority of long-distance journeys make use of the strategic road network at some point. Local roads account for the vast majority of the road network and two thirds of all traffic. The connectivity of SRN into the local road network is critical.

1.2 Roads are the most heavily used mode of transport in England and a crucial part of the transport network. By volume, they currently account for 90% of passenger journeys and two thirds of freight. Every year passengers travel more than 440 billion vehicle miles by road in the UK. A well-functioning network enables growth by reducing business costs, improving access to markets, enabling competition, improving labour mobility, enabling economies of scale and agglomeration and helping attract inward investment. The road network is also important for the 'rebalancing' of the economy, as a key engine of labour mobility and trade between different regions of the UK. Improving the performance of the existing road network is critical to the performance of the economy and its growth potential.

The Purpose of this Report

1.3 Well-connected road infrastructure with sufficient capacity for our needs is a vital component of economic success. However, our roads must overcome significant challenges if they are to keep supporting our economy and driving growth into the future.

1.4 Highways England has committed to preparing a Strategic Economic Growth Plan (SEGP). Priorities include:

- Better understand the economic development landscape in which the network will operate
- Actively target investment that will create or safeguard jobs or support housing growth
- Forge new and stronger partnerships to unlock future growth
- Work to utilise the Growth and Housing Fund (in the Route Investment Strategy) and develop new ways to pool public and private sector funding streams to deliver work on the network
- Work with the freight and logistics sectors and other frequent and extensive users of the network to better understand their needs and help them achieve their business objectives
- Place greater emphasis on schemes that deliver economic growth in the way we assess investment priorities.

1.5 This Report provides an overview of the property market and its locational drivers. It considers the relationship between the main property sectors and the SRN in order to guide future investment in the network.

1.6 This document forms part of a suite of 6 evidence reports produced to support the production of the SEGP. These are:

- Economic growth and the SRN
- Commercial development and the SRN
- International gateways and the SRN
- Socio-economic analysis, future forecasts and the SRN
- Assessment of growth impacts
- Economic value of the SRN

The Drivers of Development

1.7 At a time when new development continues to be constrained by restrictive lending criteria, developers can struggle to access funding for a development without the security of an occupier as an end user to signify assurance of a return on the capital outlay.

1.8 Speculative development is significant because it indicates the strength of a market. Lenders are confident that the level of local occupier demand is significant to make the development viable. For this reason speculative development is only successful in the stronger sectors and locations where demand is high.

1.9 Generally in a market upturn the industrial/logistics sector is first to witness speculative development as it is cheaper and quicker to construct. This was certainly the case following the financial crisis of 2008. Industrial development was the first sector to see development, driven in part by e-retailing and a requirement for next day delivery. Hence the focus of development along the SRN (see Section 2). In contrast office development was much slower to return as it costs much more to build and takes much longer. Major new office development recommenced a number of years after the industrial sector and only when an anchor occupier was signed up where lenders had some confidence the building would be taken up. In some cases, local authorities keen to see new development in their priority areas were willing to guarantee rents (if occupiers are not forthcoming in the future once the development is built out) to support development on site. Residential development is generally speculative and is driven by the pace of sales of new homes which determines how quickly house builders are willing to build out a development.

The Importance of SRN

1.10 This Report provides an overview of the property sectors and the importance of high quality road access to their success.

1.11 Of all the property sectors, industrial and logistics are most dependent on the SRN. Transport investment can improve the productivity of businesses through reducing costs either in terms of transport costs, employment costs or simply making potential investment sites more accessible. Businesses also benefit through SRN investment by reducing travel time between businesses and creating agglomeration economies. Investment increases output and typically productivity, supporting business growth and thus increasing demand for labour contributing to economic growth. Additionally, quality of transport infrastructure is a key determinant in location choices of local, regional, national and international investment.

1.12 Reducing transport costs on the SRN does not only benefit business users. Costs are reduced for commuters and for non-work related travel, such as travelling to leisure activities or retail sites. This benefits the welfare of people directly and can stimulate demand for the retail and leisure industries, translating into economic growth.

1.13 Finally investment in the SRN can facilitate the development of housing through improved accessibility that unlocks and improves the viability of potential sites. Housing supply and the costs of housing is a major issue for the UK, particularly in areas of London and the South East. A shortage of housing and associated high housing costs can restrict labour mobility, which is important for supplying labour and skills where they are demanded and therefore for economic growth. Expanding housing supply is therefore important for economic growth, both nationally and locally.

1.14 It is worthwhile acknowledging that the SRN does not function in isolation and its integration with local transport connections, public transport (both rail and bus) and air is critical to all of the factors identified above.

The Structure of this Report

1.15 This Report covers the following:

- Industrial and Logistics Market Overview (Section 2)
- Commercial Office Overview (Section 3)
- Retail and Leisure Market Overview (Section 4)
- Residential Market Overview (Section 5)
- Case Studies of Major Development Supported by SRN Improvements (Section 6)
- Implications for the SRN (Section 7).

2.0 Industrial and Logistics Market Overview

Drivers of the Industrial and Logistics Market

2.1 Overall, demand for industrial and warehousing floorspace continues to be driven by a series of multiple generic and business specific factors. The primary generic drivers for almost all occupiers are as follows:

- **Location** - there is a need to be in the broad location that best suits business requirements, in terms of both access to customers (internal and external), supply chain and employees. In a higher value added economy, evidenced through the emergence of advanced manufacturing for example, access to higher skills is an increasingly important driver but workers anticipate greater travel to work distances as a consequence of higher pay levels. However, businesses requiring a low skill base will locate where there is a plentiful supply of cheap labour. Therefore, choice of location will be driven by accessibility which, depending on the nature of the business, could be either excellent strategic highways connections or high level public transport access, or a combination of the two.
- **Availability of space** - ultimately most occupiers are opportunistic and will go where the right space is available at the right time and at an acceptable cost. An occupier's first choice is often within their existing location and then places nearby or with similar attributes which satisfy staff need. Decisions tend to be short term e.g. responding to a new contract, and as such there is a need for a supply of 'oven ready' sites and premises of a variety of types and locations to enable areas to serve the needs of both existing and incoming businesses.
- **Financial incentives and public sector intervention** - in the past, occupiers have been driven to particular locations by the public sector, both through the planning system and, more frequently, through the availability of grants and incentives. However, public sector spending cuts mean that this is very unlikely to be such a significant driver moving forward, and the public sector's role will be more of an enabler, in particular through the planning system.

2.2 In terms of occupier requirements going forward, increasing importance will also be placed upon build standards and environmental performance as companies seek to reduce running costs and meet corporate and social responsibilities. Locations that reduce time and mileage of movements will also improve both cost and environmental efficiencies. Such locations tend to be adjacent or highly accessible to the SRN.

Importance of the SRN to the Industrial and Logistics Sector

Of all the property sectors, the SRN is of greatest importance to the logistics and industrial market as their success is dependent on efficient access to suppliers and customers. The sector is the most likely to generate high frequency, long distance trips, often moving large and heavy volumes, and as such is most reliant on the SRN.

Industrial and Logistic Market Overview

2.3 Global and domestic economic concerns including weak export numbers and the upcoming EU referendum impacted upon the national industrial sector in 2015. As a result, Cushman & Wakefield's market research indicates that enquiries from industrial occupiers plateaued as a result of occupier caution in 2015 (5,806 enquiries across the year) and take up eased to 29.7m sq ft, 15% lower than the 2014 figures. These economic factors will continue to be dampened by the vote to leave the EU.

2.4 The growth of online spending has led to e-commerce becoming the most influential sector on the UK big box industrial and logistics market, with retail accounting for 38% of total take up in 2015, the highest level since 2010. The UK has the most mature online retail market in Europe with 16% of total retail spend anticipated to be spent online by 2019. As online consumers have become increasingly demanding, logistics operators have had to streamline and optimise their supply chains to ensure next day deliveries and 'click and collect' deliveries can be made. This increasing need to move vast volumes of stock at a fast pace has resulted in requirements for progressively larger distribution centres built to high specifications in most suitable locations near to consumers, including increased interest in multi-modal facilities such as DIRFT (Daventry International Rail Freight Terminal) enabling heavier goods to be transported over longer distances.

2.5 These advances have driven a key trend within the large scale industrial and logistics market - a 'flight to quality' for occupiers in terms of both premises and location, resulting in the highest Grade A take-up on record in 2015 (47% of the total). A lack of Grade A logistics space in prime locations had led to the 'big box' occupiers favouring build-to-suit solutions, although the volume of Grade A floorspace taken up via such deals fell to around half in the second half of 2015 (from c. 76% in H1) as more speculative development entered the market. Cushman & Wakefield currently estimate there to be in the order of 10.3m sq ft of speculative industrial floorspace under construction in the UK and a further 3.1m sq ft proposed. To put this in context this compares to 2.4m sq ft recorded in H2 2014 and a total of 15.5m sq ft of industrial speculative development which was under construction in the pre-recession peak (mid 2007)[1].

2.6 Developers are targeting the highly sought after mid-size market, with 100,000 to 250,000 sq ft development accounting for 49% of developments completed, under construction or proposed. Whilst much of this development remains centred on the highly accessible M1/M6/M25 motorway corridors, speculative logistics development is now starting to spread along other strategic roads (for example Omega in Warrington (M62), Andover Business Park (A303/A34) as illustrated below.

2.7 Table 2.1 shows the status of the 20 largest industrial developments since Q1 2014 which range in size from 235,000 sq ft at Central 40, Banbury to 370,000 sq ft at Kingswood Lakeside, Cannock. The majority (60%) of the large developments are located across the Midlands which benefit from a central location and good access to the motorway network (M40, M6, M1). The developer ProLogis has been active in the period since Q1 2014, particularly in the London/South East market where three developments have recently completed or are under construction in Dunstable by the M1 and close to the M25, and at London Gateway which has port facilities and easy access to the M25. In the North West large developments are located at Omega on the M62 in Warrington and at Airport City which benefits from air and road connectivity and at Logistics North on the M61 in Bolton.

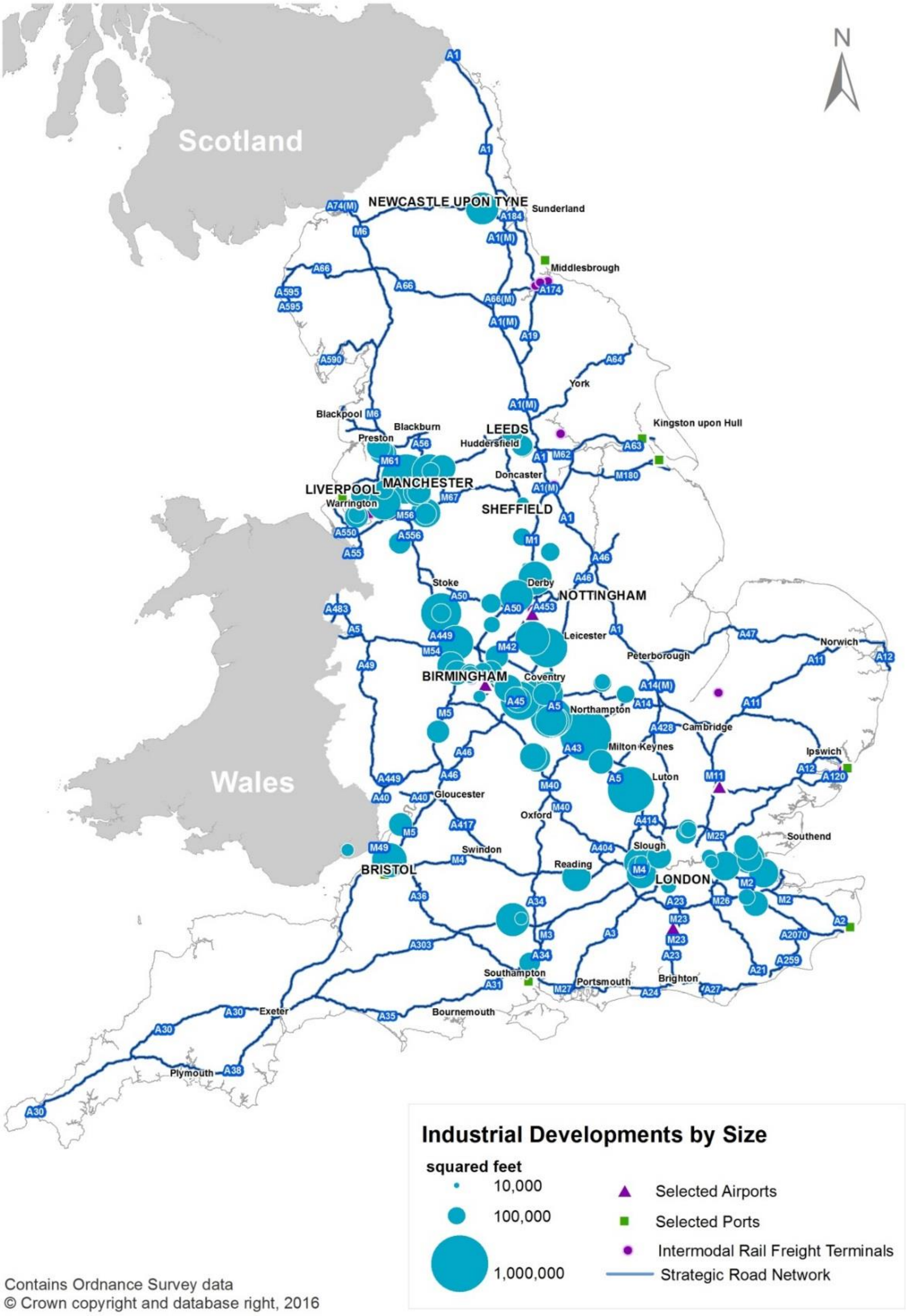
[1] JLL Industrial Research 2013

Table 2.1 Speculative industrial development Q1 2014-Q1 2016- top twenty largest developments

Industrial Park	Location	Region	Status	Size (Sq ft)
Kingswood Lakeside	Cannock	West Midlands	Proposed	370,000
Logistics North	Bolton	North West	Under Construction	360,000
ProLogis Park	Dunstable	London, South East, East	Under Construction	358,058
Omega	Warrington	North West	Proposed	350,000
Grange Park	Northampton	East Midlands	Under Construction	341,025
Andover Business Park	Andover	London, South East, East	Under Construction	336,800
	Ryton	West Midlands	Completed 2014 Q1	330,000
ProLogis Ryton	Coventry	West Midlands	Under Construction	327,700
	Derby	East Midlands	Under Construction	323,895
ProLogis at London Gateway	London Gateway	London, South East, East	Completed 2015 Q4	316,000
ProLogis Park	Dunstable	London, South East, East	Completed 2014 Q4	310,339
Grange Park	Northampton	East Midlands	Under Construction	303,824
	Daventry	East Midlands	Completed 2015 Q3	298,000
G Park	Daventry	East Midlands	Completed 2015 Q3	297,320
Rugby Gateway	Rugby	West Midlands	Under Construction	290,000
Birch Coppice	Tamworth	West Midlands	Under Construction	282,000
Glenfield	Leicester	East Midlands	Under Construction	276,100
Airport City	South Manchester	North West	Completed 2016 Q2	271,000
London Medway Commercial Park	Kingsnorth	London, South East, East	Under Construction	266,570
Central 40	Banbury	West Midlands	Completed 2015 Q3	235,000

Source: Cushman & Wakefield

Figure 2.1 Industrial Speculative Development Q1 2014 to Q1 2016 (Million Sq Ft)



Source: Cushman & Wakefield Research, ERSI

2.8 Much of the speculative development has been almost exclusively limited to large B8 units although there has also been a strong rise in smaller unit demand throughout the UK as mid-range manufacturing SME's who survived the economic downturn are revisiting expansion plans and showing increased corporate activity. In general manufacturing accounted for 28% of take-up in 2015 with a total of 8.1m sq ft. Performance was stronger in the second half of the year with manufacturing deals accounting for 32% of take-up. The growth in manufacturing take up is reflective of the improving advanced manufacturing and automotive sectors, which is countered by reductions in capacity in other sectors such as steel.

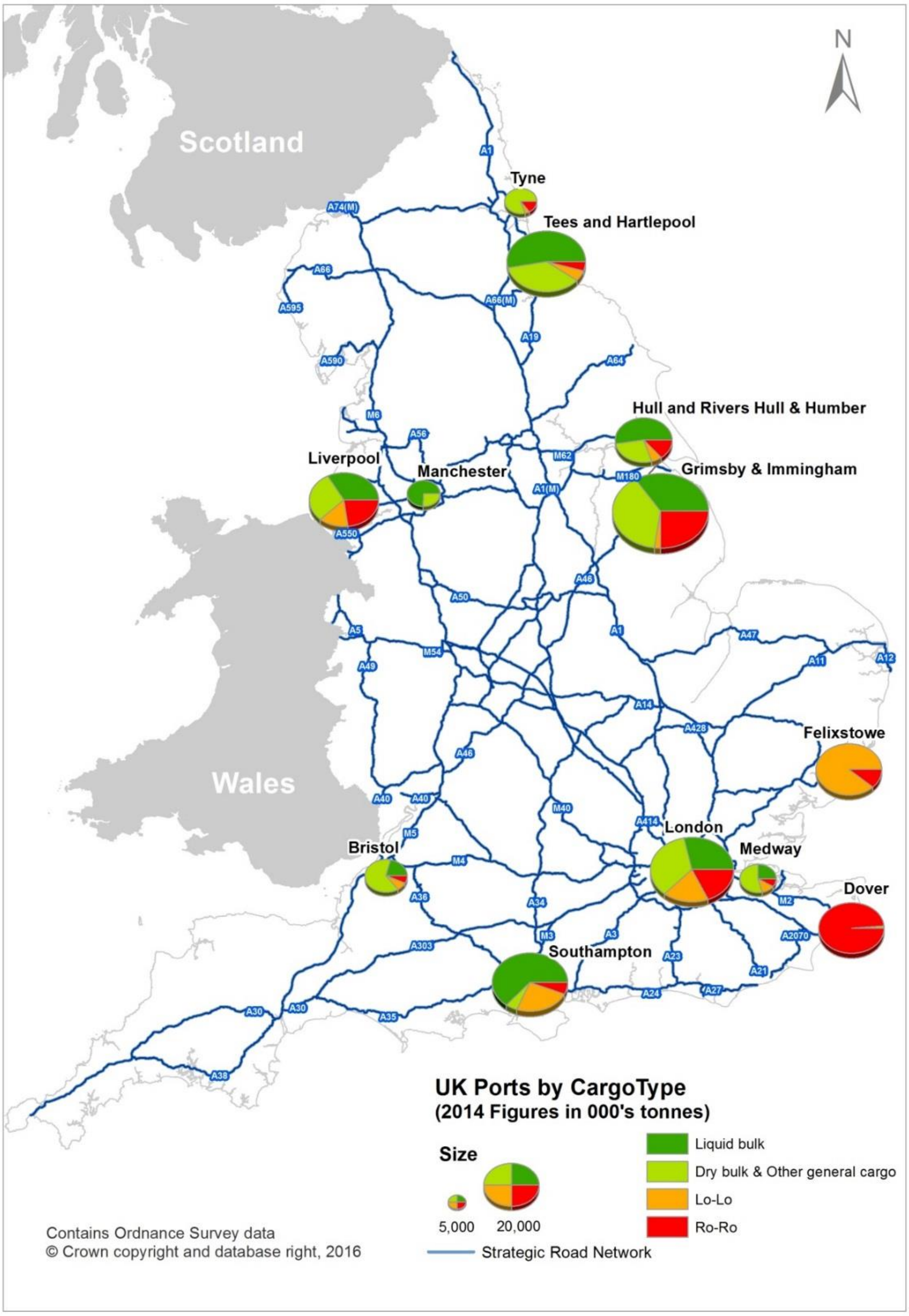
The Importance of Ports to Logistics

2.9 Global shipping numbers are rising, driven by the increasing internationalisation of trade and potential to accrue efficiencies through economies of scale. At the UK level, distribution by sea (and rail) is currently high on the agenda as businesses seek to explore more cost efficient means of transportation than road or even air, particularly for those requiring large scale or volume movements such as the automotive industry. There is also increased awareness and business interest in improving environmental credentials and reducing carbon footprint to support Corporate Social Responsibility.

2.10 This modal shift is anticipated to continue over the coming years, and as such the UK's ports, including Southampton, Felixstowe, Milford Haven, Liverpool and Grimsby & Immingham form important strategic gateways. However, key to the success of these ports, is the ability to easily transport goods onwards across the country, either by rail or the SRN. This trend should continue to drive demand for large warehousing in locations with good accessibility to both ports and the SRN where goods can be split and re-distributed nationally.

2.11 A good example of this trend is the new deep water container port "Liverpool2", which on opening in H2 2016 will be able to accommodate 95% of global container vessels and usurp market share from the UK's south eastern ports which are at capacity, thus reducing the volume of north-south freight movements on the SRN to Birmingham and the North. The impending opening of Liverpool2 port has already led to speculative industrial development at the western end of the M62, with developments in Speke, Ashton-in-Makerfield and Warrington now under construction or proposed. The Liverpool Superport Land and Property Market Analysis Report (2014) estimated a City Region land requirement for an additional 400 hectares (minimum) of large high quality sites suitable for logistics clusters over the next 20 years to maximise the opportunity created by Superport, reduce the cost of freight transport, expand market share and attract private sector inward investment.

Figure 2.2 Ports by Cargo Type



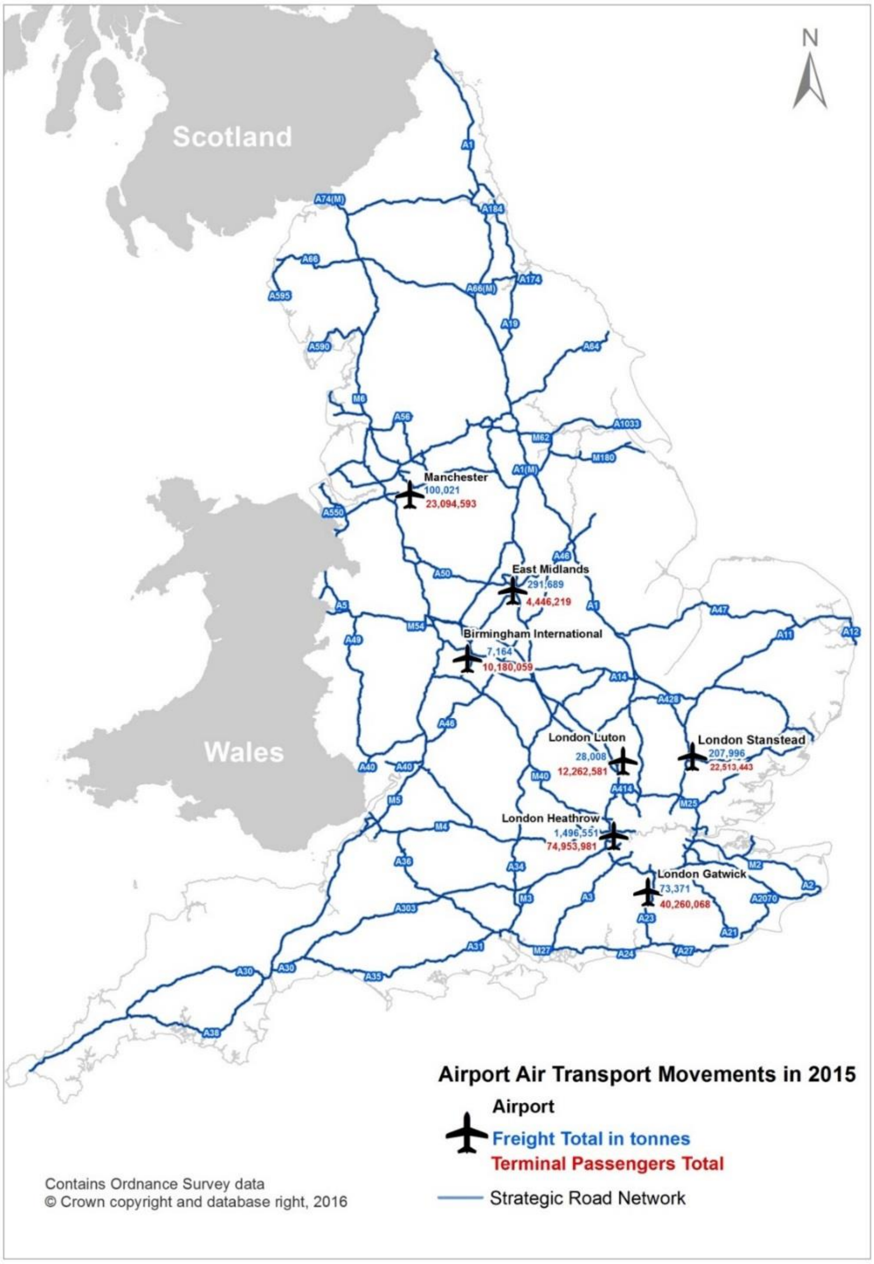
Source: Atkins Analysis, 2016

The Importance of Airports to Logistics

2.12 Similar messages to ports apply to airports, particularly those which are transporting large amounts of freight. All the major airports have excellent access to SRN.[2] Figure 2.3 shows that in 2015 London Heathrow airport had the highest freight air transport movements (1,496,551 tonnes), followed by East Midlands (291,689 tonnes), Stansted (207,996 tonnes) and Manchester Airport (100,031 tonnes) which all transported over 100,000 tonnes.

2.13 Terminal passenger numbers were also highest at London Heathrow at almost 75 million; over 40 million passengers passed through London Gatwick airport whilst London Stansted and Manchester airports had over 20 million passengers each in 2015. In terms of freight and passengers Birmingham airport had the lowest air transport movements.

Figure 2.3 Airport Air Transport Movements 2015



Source: Atkins Analysis, 2016

[2] It should be noted that the quality of access to major airports is impacted by congestion issues.

Industrial and Logistics Pipeline

Northern Powerhouse and Other Regional Growth Areas

2.14 There has been an increasing recognition that London and the South East was overheating due to the very high cost of living which has started to impact on the ability of businesses to attract staff. This has led to the introduction of north shoring where businesses are setting up offices outside of London and the South East. In response to this pressure and the recognition of the underperformance of the northern regions, the concept of the Northern Powerhouse has been developed to try and support the northern regions to become a more credible alternative to investors and occupiers.

2.15 The North of England is home to 16m people and 7.2m jobs and in 2015 the region generated an economic output of around £290bn of Gross Value Added (GVA), about one fifth of the UK's total. The Chancellor set out a commitment in August 2014 to unify the North's economic centres to create the Northern Powerhouse. The aim being to bring together the cities, towns and rural communities of the North of England to become a vibrant and growing economy that builds on existing strengths and future potential attracting and retaining the brightest and best talent and acting as magnet for inward investment and competiveness. The Government has already committed £3bn of road improvements across the North. The recent Northern Powerhouse Independent Economic Review recognised that this is one of the reasons for the sub-optimal performance of the regions.

2.16 Similarly the Midlands Engine initiative (a collaboration of 28 local authorities and Local Enterprise Partnerships) is seeking to enable the Midlands to fulfil its growth potential and help rebalance the UK economy as a whole. A key priority of the initiative is to ensure that the Midlands' road and rail networks are ready for HS2 and therefore able to maximise regional economic gains.

2.17 Highways England has undertaken discussions with LEPs to identify their priority employment areas. This has identified that most are close to the SRN. Most also have good connectivity to major urban centres including London, Bristol, Birmingham, Leeds, Liverpool, Manchester, Newcastle, and Sheffield. These are the locations that are most attractive to modern business occupiers owing to good accessibility to suppliers, market and labour via road (including the SRN) and strategic public transport.

2.18 The LEP priority employment locations that are slightly removed from the SRN tend to be driven by established and large scale international organisations, such as Nissan and Hitachi in the North East, Bulmers and Heineken in the Midlands, or nationally significant infrastructure projects such as the nuclear power station at Moorside, Cumbria.

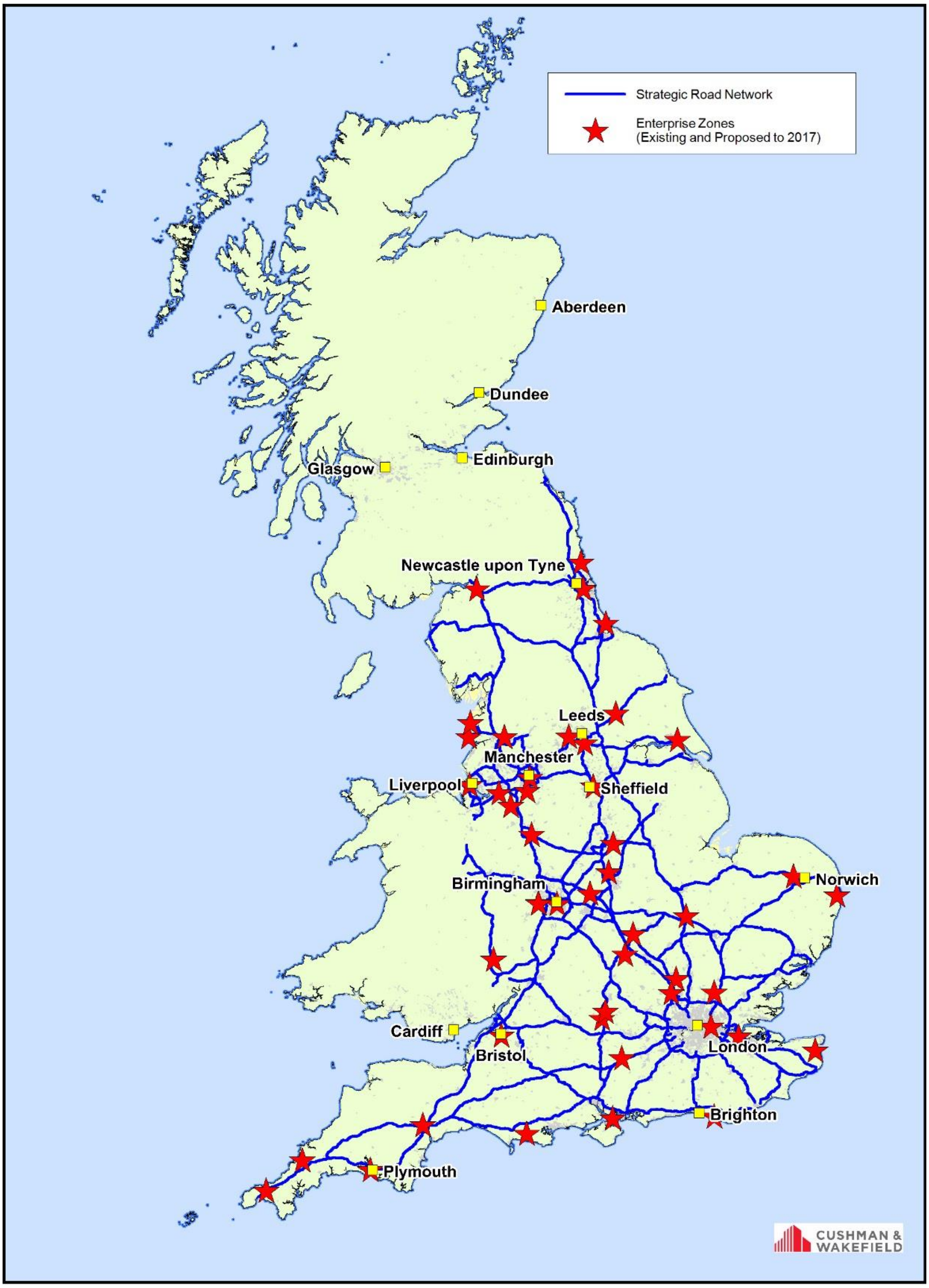
Enterprise Zones

2.19 The modern reincarnation of Enterprise Zones were established in 2012 as a critical component of the Government's long-term sustainable economic plan. A further round of Enterprise Zones were announced in 2015, meaning that a total of 48 zones nationally will be operational by 2017. Zones were selected on their potential to deliver sustainable, significant and market attractive new employment floorspace and job creation in key growth sectors, but struggling to deliver without public sector support.

2.20 Enterprise Zones are a flagship initiative, providing businesses with a unique and attractive set of incentives to support their growth and success, including opportunities for financial savings through business rate discounts or Enhanced Capital Allowances; simplified planning processes; a commitment to enhance broadband infrastructure and a heightened national and international market profile. Enterprise Zone status also provides the managing LEPs the ability to retain and re-invest any new business rates generated to unlock barriers to development and support further economic and job growth. To date, the zones created post 2012 have generated in the order of £2.4 billion in private sector investment and attracted over 600 businesses and nearly 24,000 jobs.

2.21 Figure 2.4 illustrates the location of existing and confirmed Enterprise Zones. Given their focus on sites with potential to drive economic growth and regeneration, it is unsurprising that the pattern of their distribution is closely aligned to the SRN and attractiveness to the market.

Figure 2.4 Enterprise Zones



PBBI © Collins Bartholomew 2009

Table 2.2 Enterprise Zones 2012-2017

Enterprise Zones	LEP	
Aerohub	Cornwall and Isles of Scilly	Existing
Alconbury	Greater Cambridge and Greater Peterborough LEP	Existing
Birmingham	Greater Birmingham and Solihull LEP	Existing
Black Country	Black Country LEP	Existing
Bristol Temple Quarter	West of England LEP	Existing
Discovery Park	South East LEP	Existing
Great Yarmouth and Lowestoft	New Anglia LEP	Existing
Harlow	South East LEP	Existing
Hereford	The Marches	Existing
Humber	Humber LEP	Existing
Lancashire	Lancashire LEP	Existing
Leeds City Region	Leeds City Region LEP	Existing
Manchester Airport	Manchester LEP	Existing
Mersey Waters	Liverpool City Region LEP	Existing
MIRA	Leicester and Leicestershire LEP	Existing
North East	North East LEP	Existing
Northampton Waterside	SEMLEP	Existing
Nottingham and Derby	D2N2	Existing
London Royal Docks	London LEP	Existing
Sci-Tech Daresbury	Liverpool City Region LEP	Existing
Science Vale	Oxfordshire LEP	Existing
Sheffield City Region	Sheffield City Region LEP	Existing
Solent	Solent LEP	Existing
Tees Valley	Tees Valley LEP	Existing
Aylesbury Vale	Buckinghamshire and Thames Valley LEP	Online from 2016
Blackpool	Lancashire LEP	Online from 2016
Cambridge Compass	Greater Cambridge and Greater Peterborough LEP	Online from 2016
Carlisle Kingmoor Park Enterprise Zone	Cumbria LEP	Online from 2016
Ceramic Valley	Stoke and Staffordshire LEP	Online from 2016
Cheshire Science Corridor	Cheshire and Warrington LEP	Online from 2016
Didcot Growth Accelerator	Oxfordshire	Online from 2016
Greater Manchester Life Science	Greater Manchester LEP	Online from 2016
Hillhouse Chemicals and Energy	Lancashire LEP	Online from 2016
Luton Airport	SEMLEP	Online from 2016
New Anglia Enterprise Zone	New Anglia LEP	Online from 2016
Plymouth Southyard	Heart of the South West	Online from 2016
Cornwall MarineHub	Cornwall and Isles of Scilly LEP	Online from 2017
Dorset Green	Dorset LEP	Online from 2017
Enterprise M3	Enterprise M3	Online from 2017
Enviro-Tech	Hertfordshire	Online from 2017
Heart of the South West	Heart of the South West LEP	Online from 2017
M62 Corridor	Leeds City Region	Online from 2017
Newhaven	Coast to Capital	Online from 2017
North East Round 2	North East LEP	Online from 2017
North Kent Innovation Zone	South East LEP	Online from 2017
York Central	York, North Yorkshire and East Riding LEP	Online from 2017
Brierley Hill	Black Country LEP	Potential - Subject to Business Case
Loughborough and Leicester	Leicester & Leicestershire LEP	Potential - Subject to Business Case

Source: HM Government

Key Industrial and Logistics Messages

- E-commerce is the most influential sector on the UK big box industrial and logistics market. The UK has the most mature online retail market in Europe - 16% of total retail spend is anticipated to be spent online by 2019 which has significant importance for the movement of goods and therefore the SRN.
- Logistics operators have had to streamline and optimise their supply chains to ensure next day deliveries and 'click and collect' deliveries can be made to meet the demands of online customers.
- Requirements for progressively larger distribution centres built to high specifications are being seen. These have and will continue to focus on the SRN.
- A 'flight to quality' in terms of quality of space and continuing importance of best locations, in particular SRN intersections/ports/airports - 10.3m sq ft of speculative industrial floorspace under construction in the UK.
- These demand indicators, coupled with a relative shortage of Grade A logistics space, has led to speculative development on key SRN corridors - highly accessible M1/M6/M25 motorway corridors.
- Increasing interest in multi-modal facilities such as international ports and rail, e.g. Liverpool2 and DIRFT (Daventry International Rail Freight Terminal).
- Occupiers with very specific property requirements are pursuing build to suit developments.
- The Government has reenergised Enterprise Zones to drive investment on sites with potential to deliver significant economic and job growth but requiring some support to deliver.
- Weak export numbers & EU referendum impacted the national industrial sector in 2015 and the vote to leave will impact in the short term.

3.0 Commercial Office Overview

Drivers of Commercial Office Market

3.1 Regardless of economic trends, the demand for commercial office space continues to be driven by a series of multiple generic and business specific factors. The primary generic drivers for almost all occupiers are as follows:

- **Location** - there is a need to be in the broad location that best suits business requirements, in terms of both access to customers (internal and external), supply chain and employees. In a higher value added economy access to higher skills is an increasingly important driver but workers anticipate greater travel to work distances as a consequence of higher pay levels. However, businesses requiring a low skill base will locate where there is a plentiful supply of cheap labour.
- **Quality of place/environment** - linked to the above at a more specific level is the quality of the site/location in which businesses choose to locate. Increasingly locational decisions are driven by human resource considerations with businesses choosing to locate in vibrant and attractive office locations, which are easily accessible by public and private transport and provide cultural and leisure facilities for staff. This driver has facilitated a pull back to large town and city centre locations and away from car dominated, poorly serviced out of town business parks.
- **Availability of space -** similar to the industrial and logistics market, most occupiers are opportunistic and will go where the right space is available at the right time and at an acceptable cost. An occupier's first choice is often within their existing location and then places nearby or with similar attributes which satisfy staff need. Decisions tend to be short term e.g. responding to a new contract, and as such there is a need for a supply of 'oven ready' sites and premises of a variety of types and locations to enable areas to serve the needs of both existing and incoming businesses.
- **Tenure** - a key consequence of the recession, which was driven by excessive borrowing, has been a shift in requirements from freehold back to leasehold. As a result developers are now seeking pre-lets as a pre-requisite to starting office developments in all but major city and town centre locations.
- **Financial incentives and public sector intervention** - in the past, occupiers have been driven to particular locations by the public sector, both through the planning system and, more frequently, through the availability of grants and incentives. However, public sector spending cuts mean that this is very unlikely to be such a significant driver moving forward, and the public sector's role will be more of an enabler, in particular through the planning system.

3.2 In terms of occupier requirements going forward, increasing importance will also be placed upon build standards and environmental performance as companies seek to reduce running costs and meet corporate and social responsibilities. It is anticipated that good quality refurbishments in the cores of the big regional cities will mirror the strong performance that has been seen on similar assets in London in recent years.

Importance of the SRN for Commercial Offices

Recent trends, that are anticipated to continue, are for the commercial office sector to focus on urban areas in particular city centres and other major urban conurbations. As such the role of the SRN, in supporting the sector, is to ensure that the connections between these employment hubs allow the efficient movement of people.

Commercial Office Overview

3.3 Emerging from the recession economic conditions were continuing to improve resulting in rising employment and growing business confidence leading to an increased demand for office space. However the vote to leave the EU has introduced uncertainty to the market.

The Importance of City Centres

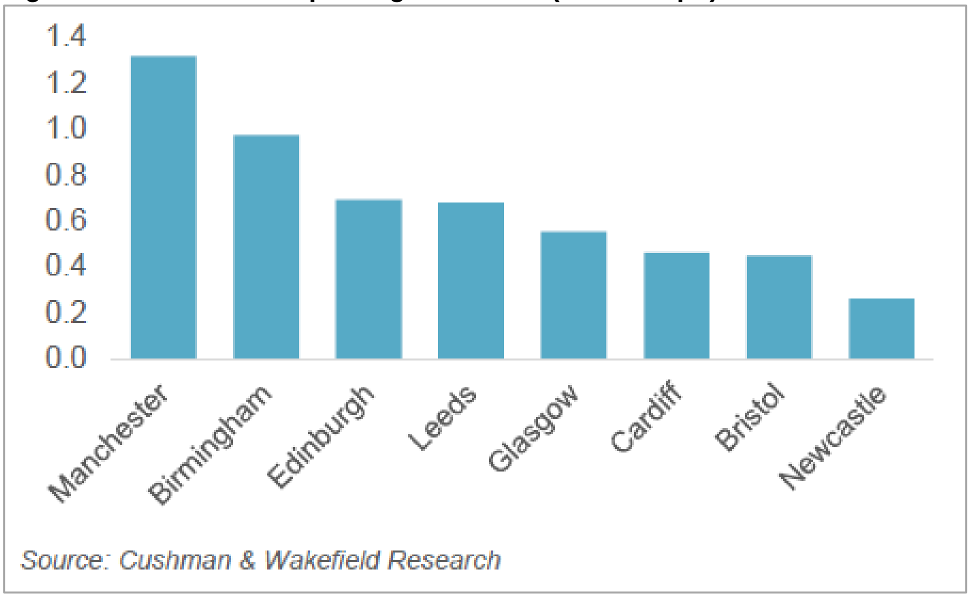
3.4 Technological and infrastructure advancements have supported increasingly globalised businesses, and combined with shifting socio-economic trends, have resulted in significant structural change to the UK office market. Over recent years, fuelled by an increase in knowledge based jobs clustering in central locations, market demand for office space has shifted away from out of town business parks and increasingly focused on large town and city centre locations offering employees good access by public transport and a wider amenity offer.

3.5 Cushman and Wakefield research indicates that the take up of commercial office space in London was over 12 million sq ft. The most space was taken up in Q2 2015 and across the year it was the favoured newly built/refurbished stock that experienced the most take up.

3.6 In regional cities Cushman & Wakefield Research indicates that 2015 was altogether another strong year for the take up of commercial office space with 2.7 million sq ft taken in H2. This brought the annual volume for 2015 to 5.6 million sq ft, the second highest volume on record after 2014.

3.7 In the regions the main contributors were tier one locations Manchester and Birmingham as take up reached 1.3 million sq ft in Manchester and 970,000 sq ft of take-up in Birmingham, a record for the city.

Figure 3.1 Annual take up in regional cities (million sq ft)



3.8 In 2015 2.4 million sq ft of the total take up was Grade A, the largest amount of Grade A taken in a year since 2004. Grade A take-up has increased year on year since 2012. Consequently availability continued to fall in 2015 leaving 7% less stock than year-end 2014. At prevailing take up rates most regions have only approximately one year's supply of Grade A space. Availability in Leeds was particularly low with only six months of supply remaining. Birmingham, Bristol, Cardiff, Edinburgh and Newcastle all had just over a year remaining.

3.9 The decline in availability is despite over one million sq ft of new space completed in 2015. With such high demand for new Grade A developments, almost half of this amount was already let before completion. A key contributing factor to the demand for Grade A space has been the increase in on-shoring, particularly away from London. The largest of such deals in the year being HSBC's relocation to Birmingham. Also, the number of occupiers willing to sign a pre-let for new development space has been another major factor. As a consequence of low availability a significant portion of the development space to be delivered over the next three years has already been let, examples of which being BBC Wales' 150,000 sq ft deal in Cardiff, and NCC Group's 60,000 sq ft at the XYZ building in Manchester that will complete in 2016. Around 40% of 2016 completions are no longer available.

3.10 In terms of forward looking supply development is set to increase by 59% (5.8 million sq ft) over the next three years. This follows the last cycle of development where most of the regional cities were left with an oversupply of office floor space. Combined with tough credit conditions and fragile confidence this meant that developments were largely put on hold. However, as the regional occupier markets have begun to pick up and take-up volumes increased, most regional cities have now been left with critically low levels of availability leading developers to respond.

3.11 It is anticipated that future supply will continue to be focused on city centres. This is likely to include redevelopment of existing offices which have become obsolete because their floorplate and servicing do not meet the needs of current occupiers. This is starting to happen where developers are assembling sites to develop large floorplates such as No1 and No2 St Peter's Square in Manchester and has happened for a number of years in London. It some cases it may also lead to city centres extending out where lower density employment or residential development will be assembled to deliver larger floorplates where demand is particularly strong.

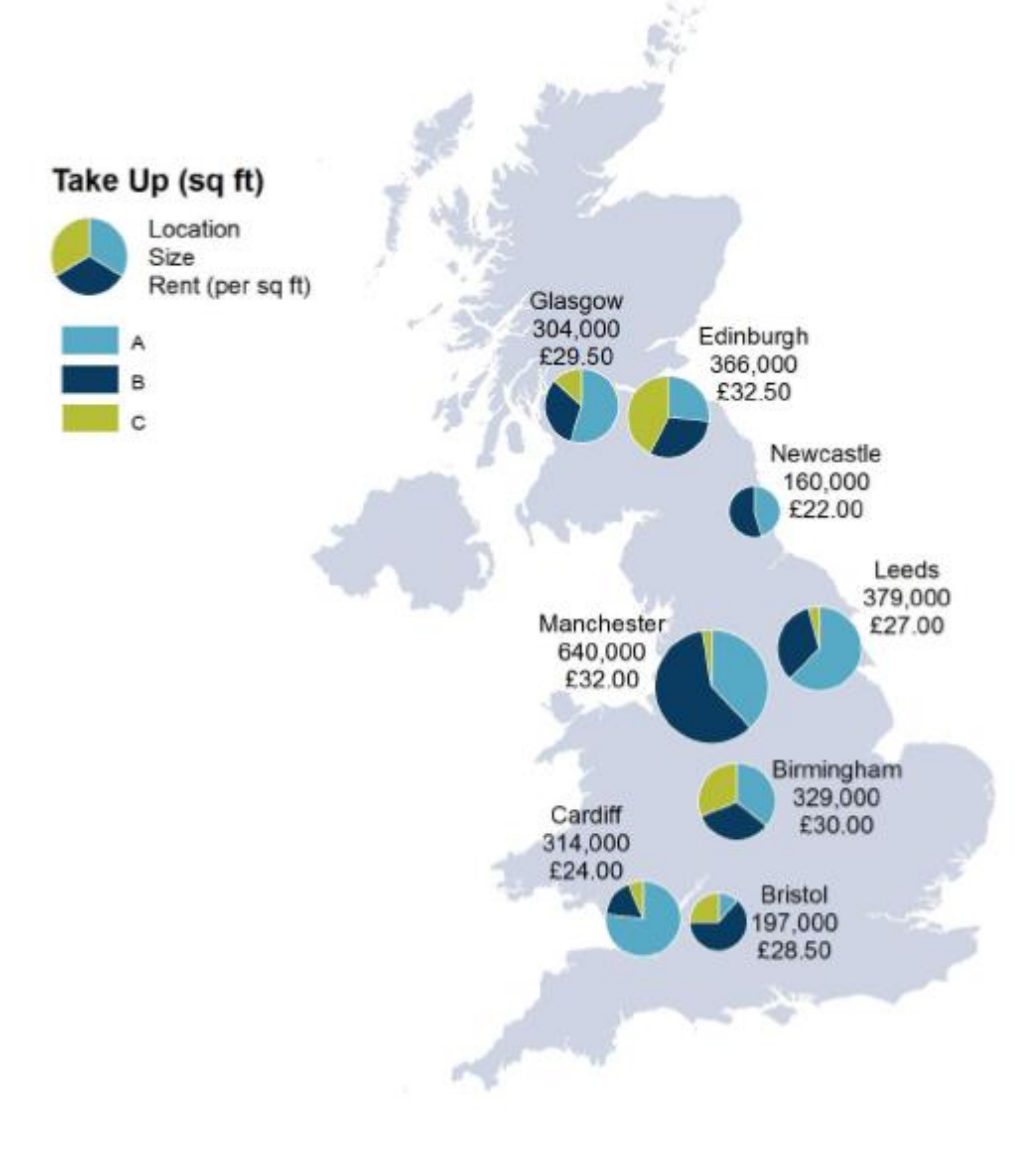
3.12 Competition over suitable available space and the introduction of higher quality projects has led to upward pressure on rents and incentives are being gradually tightened. Whilst supply catches up with demand prime office rents were anticipated to rise by 11% by 2019 although this estimate was in advance of June 2016. Rents in Bristol were forecast to rise the most significantly, by 19% to £34 per sq ft by 2019. Manchester and Birmingham rents were also expected to see large increases to £36.50 per sq ft and £34 per sq ft, respectively.

Table 3.1 Annual commercial office take up in Central London (sq ft)

		Quality			
		Newly Built/Refurbished (Sq ft)	Good Second Hand (Sq ft)	Poor Second Hand (Sq ft)	Total
2015	Q1	1,218,651	1,097,503	129,853	2,446,007
2015	Q2	2,159,713	1,240,563	259,059	3,659,335
2015	Q3	2,038,733	1,015,223	114,863	3,168,819
2015	Q4	1,691,831	1,251,081	91,471	3,034,383
2015	**Total**	**7,108,928**	**4,604,370**	**595,246**	**12,308,544**

Source: Cushman & Wakefield

Figure 3.2 UK regional offices take-up and prime headline rents H2 2015



Source: Cushman & Wakefield Research

Role of Business Parks

3.13 Traditionally office led business parks grew from the UK economy's gradual shift away from manufacturing and light industrial towards service sector jobs. The trend started in the 1980s in Thames Valley with Stockley Park, Heathrow being one of the first business parks to emerge. This 400 acre site accommodated a 2 million sq ft business park. Others followed suit and the concept of low rise, pavilion style buildings set within landscaped grounds was gradually rolled out across the UK.

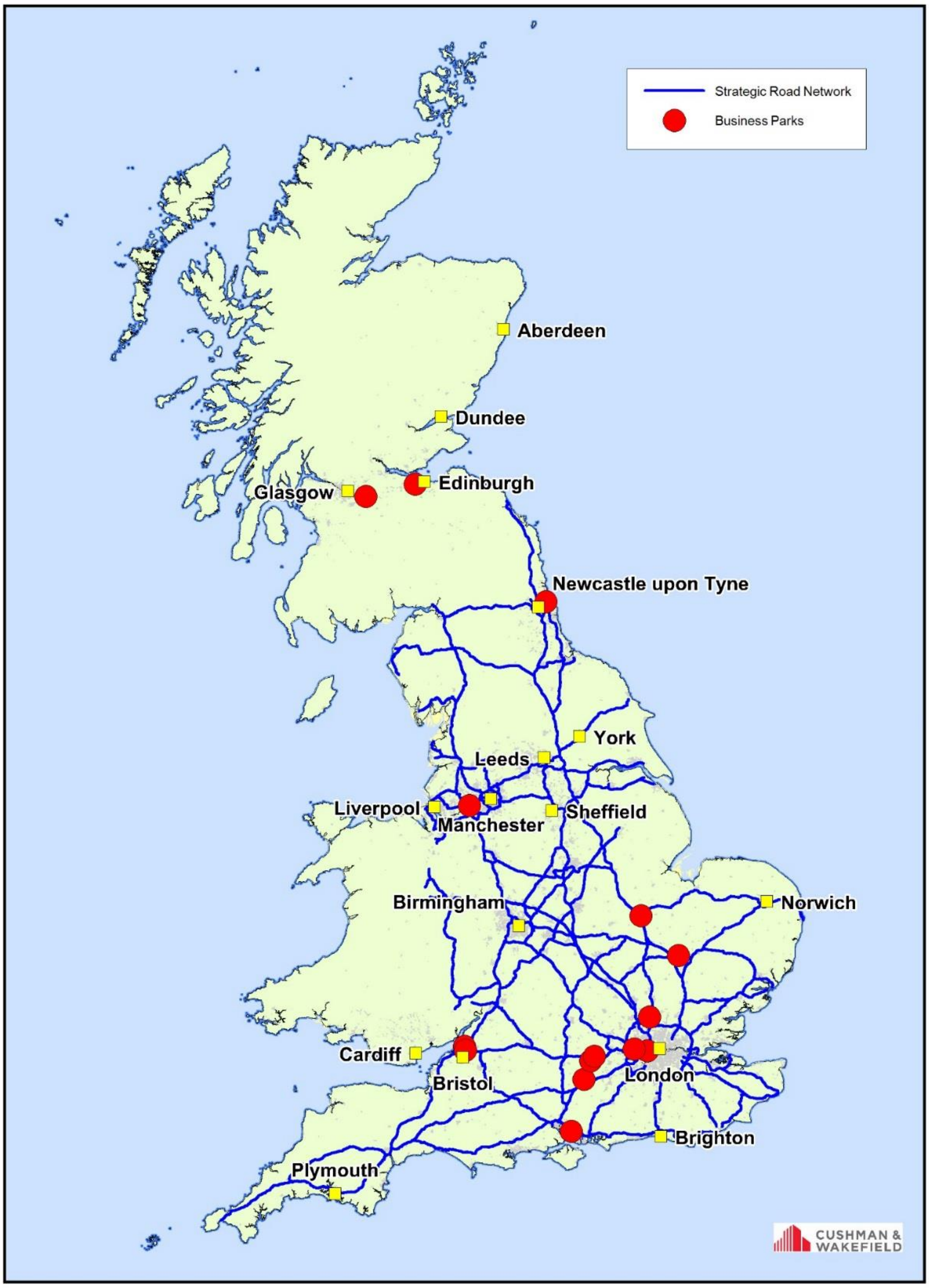
3.14 In the 1990s the dot-com boom led to a spike in demand for business parks. In the South East occupiers in the converging Technology, Media & Telecoms sectors (TMT) were attracted by the large floor plates for open plan working and car parking for their predominantly sales and marketing based functions. The North of England became established as a hub for call centres where base costs were lower. The dot-com bubble burst in the early 2000s which saw vacancy levels spike in many of the business parks and brought changes in the demands placed on the working environment. The ability to recruit and retain key staff became the driver behind most real estate decisions, and town centres began to win the ‘war for talent’ as a younger, more dynamic workforce appreciated the amenities on offer in central locations more.

3.15 To compete, business parks had to adapt and appeal to a broader occupier base by offering the best of both worlds; large floor plates in a landscaped environment with more staff amenities and better public transport links. Chiswick Park in West London was the first to achieve this combination by providing retail and leisure facilities. Critical mass and overall control are vital ingredients for the success of these mixed use parks. Now the occupier base of the new generation of business parks is far broader than it was in the 1990s and 2000s with pharmaceutical, oil & gas, utilities and media companies working alongside the tech and telecoms sectors. Serviced/managed offices have also increased in popularity on business parks as have incubator and accelerator units. Such occupiers are demanding more from their office buildings with newer, more flexible ways of working becoming the norm. Public transport and cycling have become a more important part of the offer. Whilst accessibility to airports and motorways remains important, rail links, bus services, cycle hubs and shower facilities have moved up the relocation criteria.

3.16 Some existing business parks have shown that they can adapt and refresh their offer, and what we will see more of is the re-development and recycling of buildings within first generation business parks. We are also seeing parks take on a more urban look and feel with taller, with a higher density of occupation and multi-letting from the outset, moving away from the low rise campus style buildings of old. We do not however expect to see the creation of any new ‘green-field’ developments in the foreseeable future, due to the high upfront infrastructure costs and tightening car parking standards, meaning that significant new office development is unlikely to be located in business parks.

3.17 Figure 3.3 and the tables below identify key business parks outside of city centre locations. They identify a clear trend of the top business parks being located to benefit from the South East market. It is anticipated that their size will have increased since the data was recorded.

Figure 3.3 Major Business Parks



PBBI © Collins Bartholomew 2009

Source: Cushman & Wakefield

Table 3.2 Top business parks by size (2014)

Park/Area	Known Completions (million sq ft)
Chiswick Park	1.7
Stockley Park, Heathrow	1.7
Cobalt Business Park, Newcastle	1.4
Green Park, Reading	1.3
Solent Business Park, Southampton	1.2
Aztec West, Bristol	1.1
Birchwood Park, Warrington	1
Edinburgh Park, Edinburgh	1
Bristol Parkway	0.9
Eurocentral, Scotland	0.9
Thames Valley Park, Reading	0.9
Cambridge Science Park	0.8
Chineham Park, Hampshire	0.8
Hatfield Business Park	0.8
Peterborough Business Park	0.8

Source: Cushman & Wakefield

Office Pipeline

3.19 The office development pipeline to 2018 in London shows a lack of immediately available office space, however there is at least a supply of over 7.5 million sq ft of space to be delivered in the next 3 years and a further 7 million sq ft considered definite/probable to come forward. This demonstrates that the ongoing dominance of the capital to the national office market.

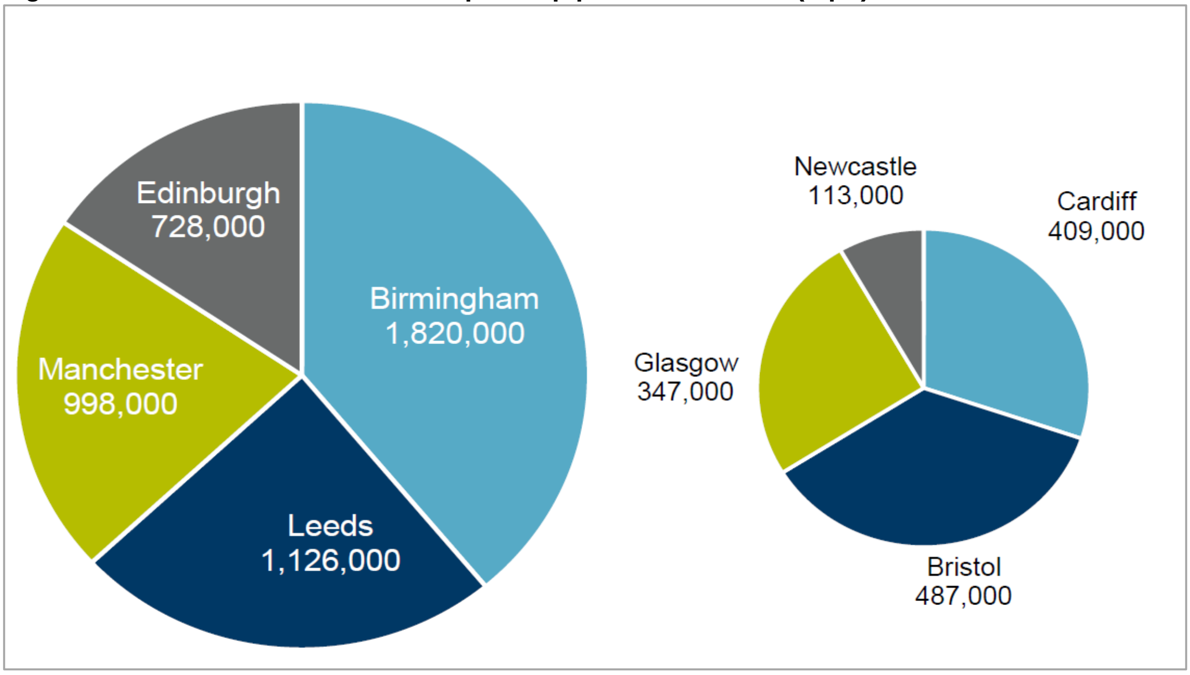
Table 3.3 Central London commercial office development pipeline (sq ft)

	Pre-let or under offer	Immediately available	Under construction	Pipeline definite	Pipeline probable
2016	1,907,494	341,035	3,991,203	289,912	153,041
2017	3,374,233	0	2,343,952	1,862,207	606,725
2018	1,386,274	0	1,395,383	1,918,935	2,319,071
TOTAL	**6,668,001**	**341,035**	**7,730,538**	**4,071,054**	**3,078,837**

Source: Cushman & Wakefield

3.20 This is emphasised further when we look at the future pipeline in the other regional cities which Figure 3.4 illustrates that across the regional cities the most office space is expected to be delivered in Birmingham in 2016-2018 (1,820,000 sq ft), in other major cities of Manchester, Leeds and Edinburgh over 500,000 sq ft is expected to delivered. This equates to 6m sq ft compared to 7.5m sq ft in Central London.

Figure 3.4 Commercial office development pipeline 2016-2018 (sq ft)



Source: Cushman & Wakefield

Key Commercial Office Messages

- Economic conditions were improving prior to the outcome of the EU referendum resulting in rising employment and growing business confidence leading to an increased demand for office space.
- Technological and infrastructure advancements support increasingly globalised businesses.
- Market demand for office space is increasingly focused on large town and city centre locations, fuelled by knowledge based jobs clustering in central locations - offers employees better access by public transport and a wider amenity offer.
- High demand for new Grade A developments; influenced by increase in on-shoring/north-shoring.
- Most successful business parks are highly accessible and established with a strong sector specialism and of a scale and critical mass to support a wider amenity offer.
- The major cities of London, Birmingham, Leeds, Manchester, and Edinburgh remain the focus of future office development.

4.0 Retail and Leisure Market Overview

Drivers of the Retail and Leisure Market

4.1 The key drivers of the retail/leisure market are:

- **E-commerce** - the growth of online shopping has transformed the retail landscape with the focus for major players being on distribution centres to allow next day delivery rather than shops.
- **Location** - access to major catchments, particularly wealthy ones, are attractive to retailers. So too are destinations able to offer a supporting food and/or leisure offer. Leisure and Tourist Attractions such as cinemas and gyms, are also very location driven and will focus on sites with good accessibility, significant catchment populations and in clusters with a critical mass of attractive retail, leisure or tourism destinations. So proximity to the major urban conurbations or locations at key junctions of the SRN that link them are most attractive.
- **Availability and quality of space** - although planning policy continues to support high streets increasingly multiple occupiers are demanding modern large floorplates served by accessible car parks - such space is often hard to come by in traditional high streets. Those centres that are able to offer a unique experience due to the attractiveness of the town, its character and its buildings to accommodate a mix of multiples and independents served by a range of leisure facilities have the potential to perform well.
- **Consumer confidence -** when confidence is high consumers spend money on products and retailers are more likely to require additional floorspace.

Importance of the SRN for Retail and Leisure Markets

In terms of recent and future investment there is an increasing trend of retail and leisure occupiers wanting to cluster in sub-regional destinations that are highly accessible from a range of transport modes - major urban centres or motorway junctions. As such the role of Highways England is to support investment in the SRN to allow efficient movement of people and products to and from these destinations.

Retail and Leisure Market Overview

4.2 The retail sector was a key casualty of the economic downturn and shifting socio-demographic and market trends, including the growth of car based out of town shopping and online retailing. As a result, the retail landscape has fundamentally changed over the last decade.

4.3 Consumer confidence was at its highest level for 13 years, before the vote to leave the EU, according to the GfK Consumer Confidence Index with low inflation, high employment and recovering household finances driving retail spending and sales. Signs of this trend can be witnessed with the Office of National Statistics (ONS) reporting the volume of retail sales in February 2016 rising 3.8% on the previous year, representing the 34th month of consecutive year-on-year retail growth - the longest period of sustained growth since the peak of the market in May 2008. Sales have been fuelled by the recovering housing market, with a 7.8% annual growth in the purchase of household goods.

4.4 The out of town sector continues to outperform the other retail sectors. This was in part due to the improved economic activity but also due to a response of the UK market to changing consumer trends and store formats. As the UK market evolves interest in the convenience of transport hubs and retail destinations has grown, as shown by Grand Central in Birmingham, the integration of the train station with a major retail destination. Out of town retail parks often provide the space requirements that retailers struggle to find within town centres (i.e. larger accessible well serviced space). This has impacted most significantly on secondary town centres, although interest in attractively priced assets in some secondary locations is beginning to improve.

4.5 Similarly in the high street, although prime locations are still favoured, investor interest in second tier locations was also improving, driven by discount stores in particular. There is continued healthy demand in some major high streets from large store retailers such as H&M and there also remains significant demand from retailers looking at 800-1,200 sq ft spaces. The regeneration of town centre high streets supported by significant government funding since 2012 has contributed to stronger demand and improving vacancy rates across the country.

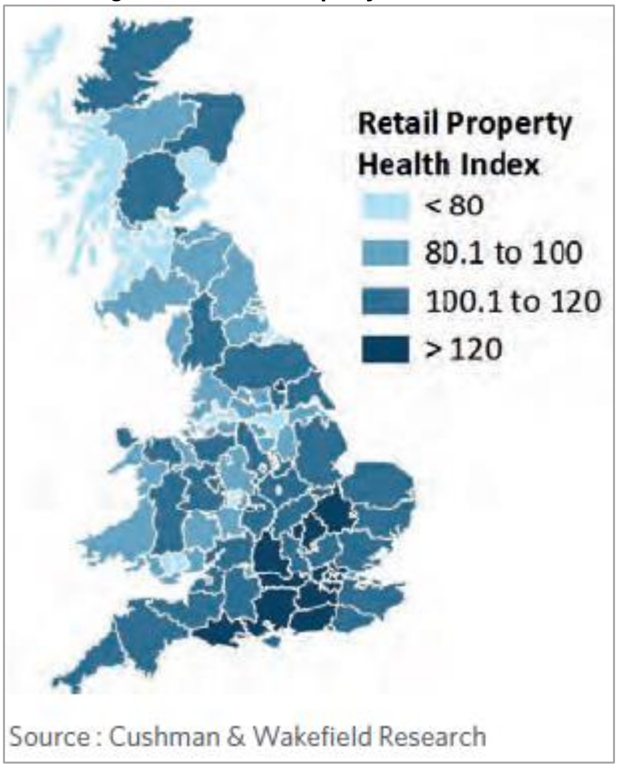
4.6 For investors shopping centres remain the most sought-after sub-sector with transactions totalling £591m (12 shopping centres) in Q1 2016 in the UK, focused on prime shopping centres in the South East and prime regional locations. However, investment activity in secondary/community shopping centres is also increasing with new owners investing in the improvement of the public realm around these locations.

4.7 The result of the EU Referendum has created uncertainty. Prior to the vote many investors were being attracted away from the safe haven of London and focus was expected to increasingly spread from prime (major city centres and retail destinations) to good secondary centres. The occupational market was positive and retailers were again beginning to expand after 5 years of being sat in the occupational doldrums, resulting in a return of rental growth, not just in the South East, but further afield as well.

Retail

4.8 Looking more closely at the retail performance of individual centres the Cushman & Wakefield Retail Property Health Index (RPHI) utilises economic data, socio-demographic characteristics and retail property information to assess the health of retail centres across the UK. Using this tool in 2015 it was identified that regionally London was the strongest location, and the North East and Scotland were identified as the weakest caused by less affluent shoppers, lower economic growth over the past five years and higher than average vacancy rates. Figure 4.1 shows the RPHI results, with darker shaded areas performing better than lighter shaded areas.

Figure 4.1 Retail Property Health Index



Source: Cushman & Wakefield

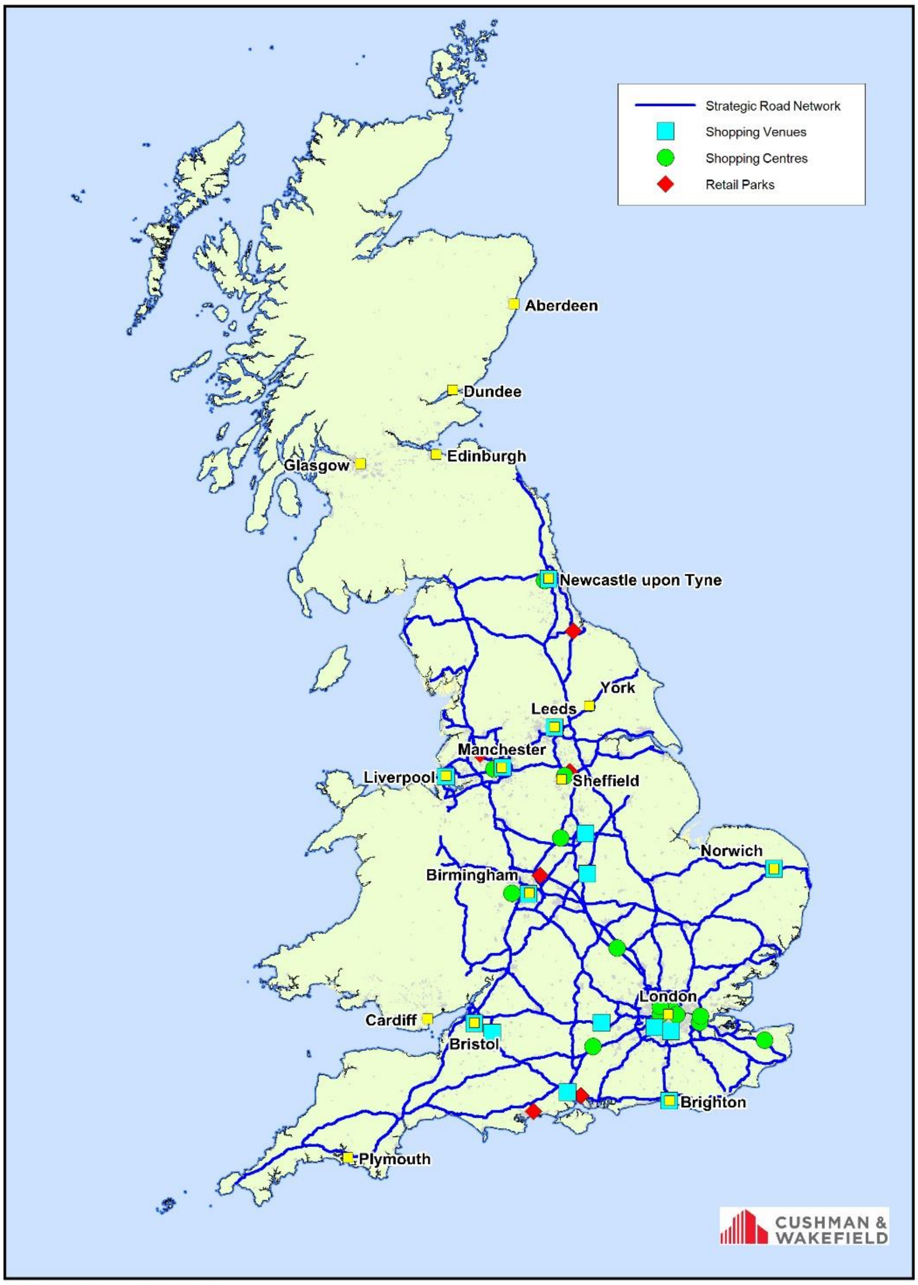
4.9 At a more local level, the healthiest top five areas were identified as York, Outer West London, Oxfordshire, West Sussex and Milton Keynes. Of retail centres with over 100 units classed as comparison retail, the top rated centres were Witney, Whitstable, London - Canary Wharf, St Ives - Cornwall and Hove.

4.10 In terms of future performances Cushman & Wakefield expect the East Midlands to experience the greatest growth. This region has a relatively favourable demographic mix along with a faster anticipated improvement in its economic fundamentals than corresponding regions.

4.11 Whilst planning policy remains focused on local centres, ultimately all retailers from the large multiple to the local independent operator will determine their preferred location based on the size, profile and spending power of the local catchment and the visibility, prominence and accessibility of sites. The impact of these trends has undermined the viability and demand for new or existing retail space within many local centres, and landlords have had to offer large capital or other inducements to secure/retain tenants.

4.12 Figure 4.2 and Table 4.1 identifies the location of the top retail parks and shopping centres in the country and the top shopping venues in the country outside of London. The plan shows that the top shopping venues are various major cities throughout the UK. Shopping Centres and Retail Parks are not necessarily located close to major city centres, however they are all located on or close to the SRN.

Figure 4.2 Major retail locations in England



PBBI © Collins Bartholomew 2009

Source: Cushman & Wakefield

Table 4.1 Major retail locations in England

	Retail Parks *	Shopping Centres *	Shopping Venues (Outside London)*
1	Teesside, Thornaby	Westfield, London	Manchester
2	Middlebrook, Horwich	Bluewater, Kent	Birmingham
3	Parc Trostre, Llanelli	Westfield, Stratford	Leeds
4	Parkgate, Rotherham	Trafford Centre, Manchester	Liverpool
5	Castlepoint, Bournemouth	Meadowhall, Sheffield	Nottingham
6	Whiteley, Fareham	Lakeside, Grays	Brighton
7	Ventura, Tamworth	Metrocentre, Gateshead	Newcastle upon Tyne
8	-	Merry Hill, Brierley Hill	Bristol
9	-	Arndale Centre, Manchester	Norwich
10	-	Bullring, Birmingham	Reading
11	-	Liverpool One, Liverpool	Leicester
12	-	intu Derby, Derby	Kington upon Thames
13	-	Canary Wharf, London	Bath
14	-	The Centre: MK, Milton Keynes	Southampton
15	-	Brent Cross, London	Croydon
16	-	intu Eldon Square, Newcastle upon Tyne	-
17	-	Festival Place, Basingstoke	-
18	-	Highcross, Leicester	-
19	-	Whitefriars, Canterbury	-

Source: VENUESCORE - Javelin Group, Accenture

* VENUESCORE evaluates each retail location in terms of their provision of multiple retailers – including anchor stores, fashion operators, non-fashion multiples and food services. A weighted score is attached to each operator to reflect their overall impact, i.e. John Lewis receive a higher score than unit stores. The resulting aggregate score is given for each destination to determine rankings of locations.

Note: Lists above only include locations in England taken from a top 20 GB list, top 10 for retail parks are identified in the Venuescore.

Leisure and Tourism

4.13 Turning to leisure and tourism uses, the following summarises the current market context:

Food and Drink

4.14 Increasingly the food and beverage sector is playing an important role in reducing vacancy rates in UK shopping centres and high streets and improving dwell times as customers look beyond just a shopping experience. Food courts have moved on from burgers and jacket potatoes as eating habits have changed with an increasing awareness of food quality and health. As a result, new food and beverage occupiers to the market have taken advantage of the growth of the casual dining sector including Limeyard, Jackson & Rye, Thaikhun, Big Easy, Sticks N Sushi and Ivy. London 'brands' are now expanding into the key regional cities. Family restaurant chains and branded coffee shops which are attracted to a critical mass of population or significant leisure destinations continued to perform well generally at the start of 2016 and are opening in increasing numbers in out of town retail parks. However, some well-established brands have reported weak starts to the year, blaming the EU referendum, the National Living Wage and global economic uncertainty.

Leisure and Tourist Attractions

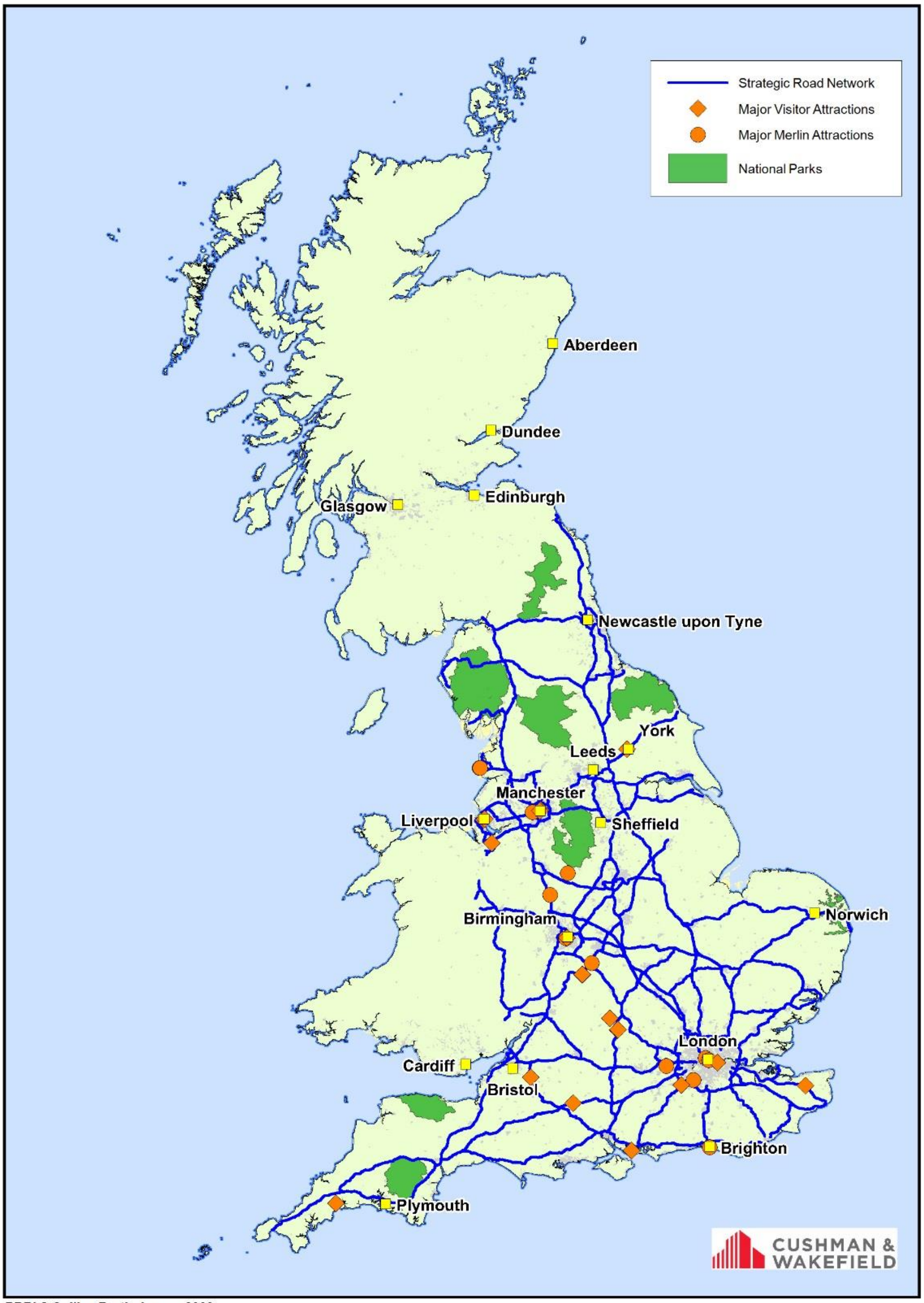
4.15 Leisure and tourist attractions are also very locational driven and will focus on sites with good accessibility, significant catchment populations and in clusters with a critical mass of attractive retail, leisure or tourism destinations. Leisure activities and holidays have benefitted from strong economic and employment indicators and have taken a greater share of the increase in disposable income over retail spending[3]. In shopping centres the percentage of the gross leasable area taken by leisure activities is increasing, and leisure spend on the high street has been estimated at c.30%. Across the sector new leisure concepts are entering the market (such as Kidzania at Westfield and trampoline parks) and low cost gyms continue to grow significantly with Sweat!, Pure Gym and The Gym Group leading the way.

4.16 According to the Association of Leading Visitor Attractions the top 10 most visited attractions in 2015 in England are all located in London and include institutions such as the British Museum and The National Gallery. These attractions are centrally located in London and well serviced by tube or bus and as such they are not an issue for the SRN.

4.17 Table 4.2 shows the top 20 major attractions outside London across England. These attractions are mapped in Figure 4.3 relative to the SRN alongside England's National Parks which attract between 1.4 million and 16.4 million visitors a year as shown in Table 4.3. It demonstrates that although the major tourist attractions are well served by the SRN, leisure destinations such as the national parks, by their very nature as rural getaways, are not as well served.

[3] BDO Retail Forecasts 2016

Figure 4.3 Major visitor attractions and National Parks in England



PBBI © Collins Bartholomew 2009

Source: Cushman & Wakefield

Table 4.2 Major attractions in England (outside London) by visitor numbers in 2015

Rank	Location	Total visits
1	Chester Zoo	1,694,185
2	Old Royal Naval College, Greenwich	1,676,055
3	Stonehenge	1,366,758
4	Roman Baths & Pump Room, Bath	1,176,527
5	RHS Garden Wisley	1,087,927
6	National Museum of the Royal Navy	1,015,415
7	The Royal Shakespeare Theatre & Swan Theatre	1,002,040
8	Eden Project	960,029
9	Canterbury Cathedral	957,355
10	Birmingham Museum & Art Gallery	936,839
11	Ashmolean Museum	847,716
12	National Football Museum	776,000
13	Shakespeare Birthplace Trust	771,700
14	Blenheim Palace, Oxfordshire	763,045
15	Museum of Liverpool	747,263
16	National Railway Museum	733,618
17	Museum of Science and Industry	697,290
18	Merseyside Maritime Museum	662,494
19	World Museum	658,898
20	Oxford University Museum of Natural History	640,092

Source: Association of Leading Visitor Attractions

Table 4.3 National Parks (in England) visitor numbers in 2014

	National Parks	Total visitors (millions)
1	Lake District	16.4
2	Yorkshire Dales	9.5
3	Peak District	8.75
4	Norfolk Broads	8
5	North Yorks Moors	7
6	Dartmoor*	2.4
7	Northumberland	1.5
8	Exmoor*	1.4
9	New Forest	Not available
10	South Downs	Not available

Source: Nationalparks.gov

* These visitor numbers have been taken from STEAM 2009 reports. Figures for all other national parks were updated in October 2014.

4.18 Additional attractions which do not provide figures for the Association of Leading Visitor Attractions annual survey but are known to be popular visitor destinations are the Merlin Group attractions such as Warwick Castle, Alton Towers, Thorpe Park, Chessington World of Adventure, LEGOLAND and Sea Life. Alton Towers is one of the examples of a major tourist attraction that thrives despite its poor local access which appears to be compensated for by its established critical mass and its central location in terms of the whole country's catchment area.

Hospitality

4.19 The hospitality industry is showing signs of recovery and development interest. However, international brands are 'cherry picking' the most accessible city and large town locations, whilst the budget hotel sector will also consider highly accessible sites, along major arterial routes, which offer the best financial viability for development. In the UK the budget hotel segment is prevalent and is expected to remain as customers remain highly price conscious and seek good value for money deals. Though new trends are emerging with the rise of the likes of Airbnb and other such alternative forms of accommodation.

4.20 Clearly, each of these key retail and leisure sectors are increasingly focused on destinations with an existing critical mass of activity or on major transportation corridors such a motorway junctions.

Key Retail and Leisure Messages

Retail

- Prior to June 2016 there was high consumer confidence underpinning the retail sector.
- Increasing importance of convenient in-store shopping experiences and relationships with online shopping.
- Shopping centres were the most sought-after sub-sector for investors and UK remained the most dominant country in terms of shopping centre acquisitions, with transactions totalling £591m (12 shopping centres) in Q1 2016.
- Out of town sector continued to outperform the other retail sectors – as they are less constrained by availability of space with growing interest in the convenience of transport hubs and retail destinations, e.g. Grand Central in Birmingham.
- High street - prime locations are still favoured although investor interest in second tier locations was starting to improve. When confidence returns there should be a continued spread from prime (major city centres and retail destinations) to good secondary centres.
- Increasing importance of supporting food and leisure offer within retail centres.

Leisure

- Food and Drink - Increase in family restaurant chains and branded coffee shops - attracted to a critical mass of population or significant leisure destinations.
- Hospitality - was showing signs of recovery in best accessible cities/large towns ‘cherry picked’ by international brands. Budget sector: Prevalent and growing and attracted to highly accessible sites along major arterial routes.
- Leisure and tourist attractions - focused where there is good accessibility, significant catchment populations and in clusters with a critical mass of attractive retail, leisure or tourism destinations.

5.0 Residential Market Overview

Drivers of the Residential Market

5.1 In summary, the key housing market drivers are:

- **Location** - location is critical to decision making in respect of the residential market both for the house builder and the potential purchaser/occupier. Sites in good locations, for example in close proximity to the national motorway network, and of sufficient size to allow flexibility to build out desired house types, plot sizes and densities, are attractive.
- **Confidence** - very much tied to location, is confidence. Are prospective purchasers, occupiers and developers confident that the house is in an established or up and coming area where sales can be achieved and values will rise?
- **Access to finance** - the availability of finance for house builders has become more limited and lending terms less favourable, thus increasing the cost of financing a residential development. Further, developments in the short term at least, will take longer to sell due to stricter mortgage lender criteria for occupiers resulting in longer build out rates and higher preliminary costs and sales overheads for the developer. However, as the mortgage supply returns, there is a need to ensure that an appropriate supply of homes are able to come on stream to respond to demand.

Importance of the SRN for Residential Markets

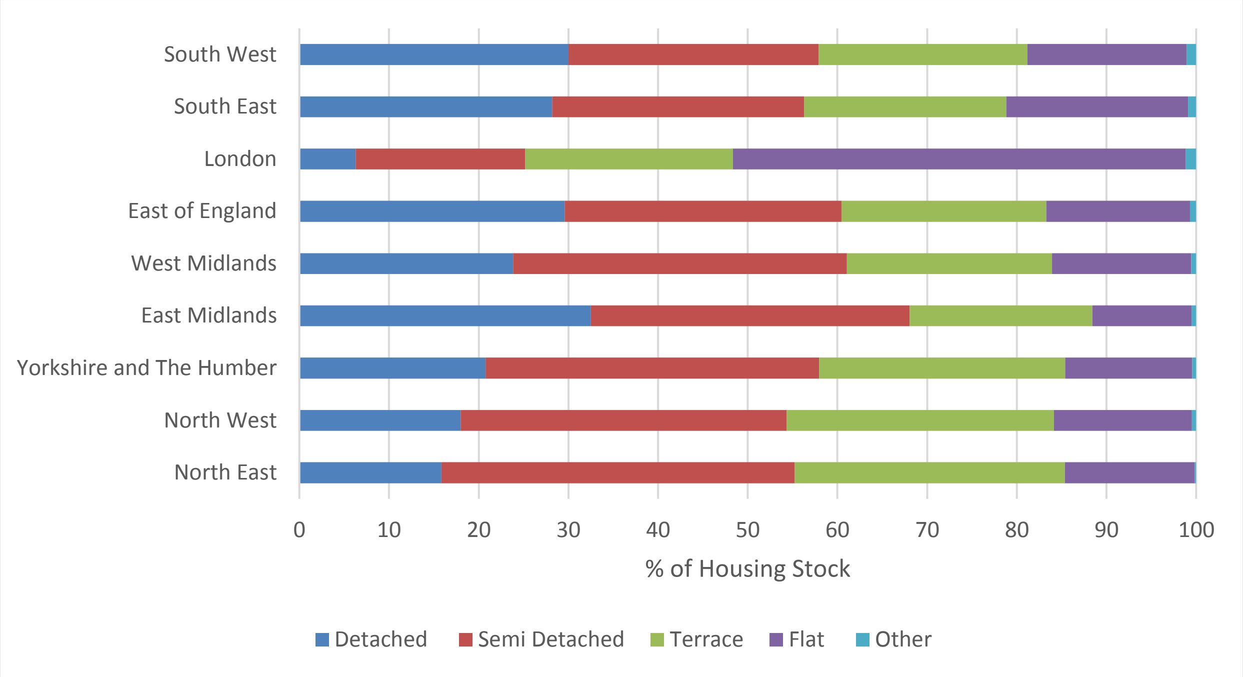
Most residential developments will be predominantly served by local roads but the SRN plays an important role in ensuring that residential developments are connected to other key destinations in particular employment locations, public transport hubs and retail and leisure facilities.

Residential Market Overview

5.2 The existing stock profile in England at the time of the most recent Census (2011) gives an insight into the housing market that operates in a location, and can give an indication of the geography of an area i.e. - rural/semi-rural/cities.

5.3 As expected for a built up area London has the lowest proportion of detached properties (6.3%) and the highest proportion of flats (50.5%) out of the regions. The high proportion of detached properties in the East Midlands (32.5%), South East (28.2%), South West (30%) and East of England (29.6%) indicates a more rural geography, whilst high proportions of terrace properties in the North East (30.1%) and North West (29.8%) suggests an urban geography.

Figure 5.1 Housing Stock by Type, 2011



Source: ONS Census 2011

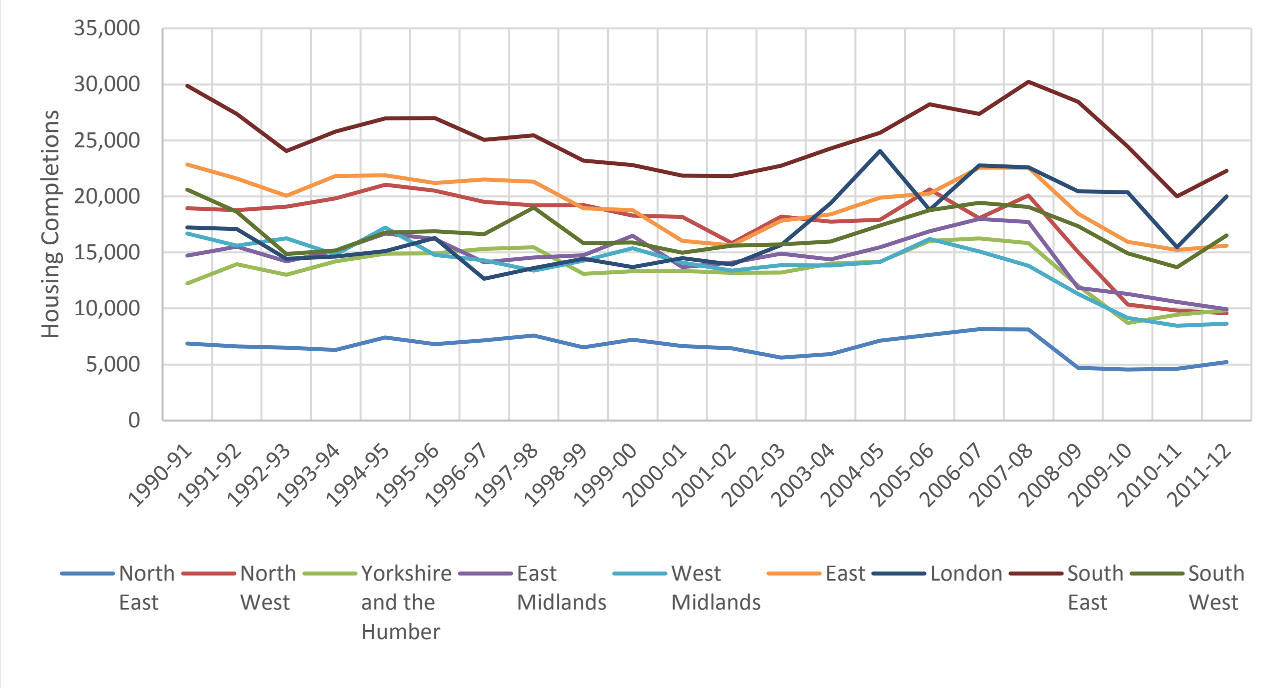
5.4 At the time of the most recent Census (2011) Table 5.1 shows that the region with the highest number of households was the South East - 3.56 million units, equating to 16.1% of the overall stock in England. When compared with London these two areas equate to almost one third of existing households. This correlates with Figure 5.2 which shows that the number of housing completions over time have been highest in the South East. Similarly the region with the lowest proportion of national stock (5.1%) is the North East where housing completions have been significantly lower than other regions since 1990.

Table 5.1 Households in England by region (2011)

Region	Total No. of Households	% of National Housing Stock
England	22,063,368	100%
North East	1,129,935	5.1%
North West	3,009,549	13.6%
Yorkshire and The Humber	2,224,059	10.1%
East Midlands	1,895,604	8.6%
West Midlands	2,294,909	10.4%
East of England	2,423,035	11%
London	3,266,173	14.8%
South East	3,555,463	16.1%
South West	2,264,641	10.3%

Source: ONS Census 2011

Figure 5.2 Housing Completions by region 1990 - 2012



Source: Cushman & Wakefield

5.5 There is consensus that a target of 250,000 new homes are required each year nationally. DCLG records show that the target has been consistently missed in recent decades. The closest England has recently come was in 2007 where a peak of 177,650 units were completed. Completions then fell gradually through 2008 - 2010, though they have started increasing again gradually since 2013-14. Recent recordings in England show that 139,690 homes were completed in the year ending March 2016 (which is 12% higher compared with 2014-2015) against a general consensus that around 250,000 per annum are required.

5.6 In the decades following World War II up to the 1970s annual completions regularly reached over 300,000 new homes with a peak of 352,540 completed in 1968. This was largely due to proactive building programmes from local authorities delivering large quantities of units in the likes of New Towns for example. Development by Local Authorities has decreased considerably since changes in the 1980s saw local authorities becoming housing ‘enablers’ working with housing associations rather than direct ‘providers’. Completions delivered by the private sector picked up in 1950s and soon started dominating the market through to current day. Housing associations have delivered broadly steady numbers of completions over the years.

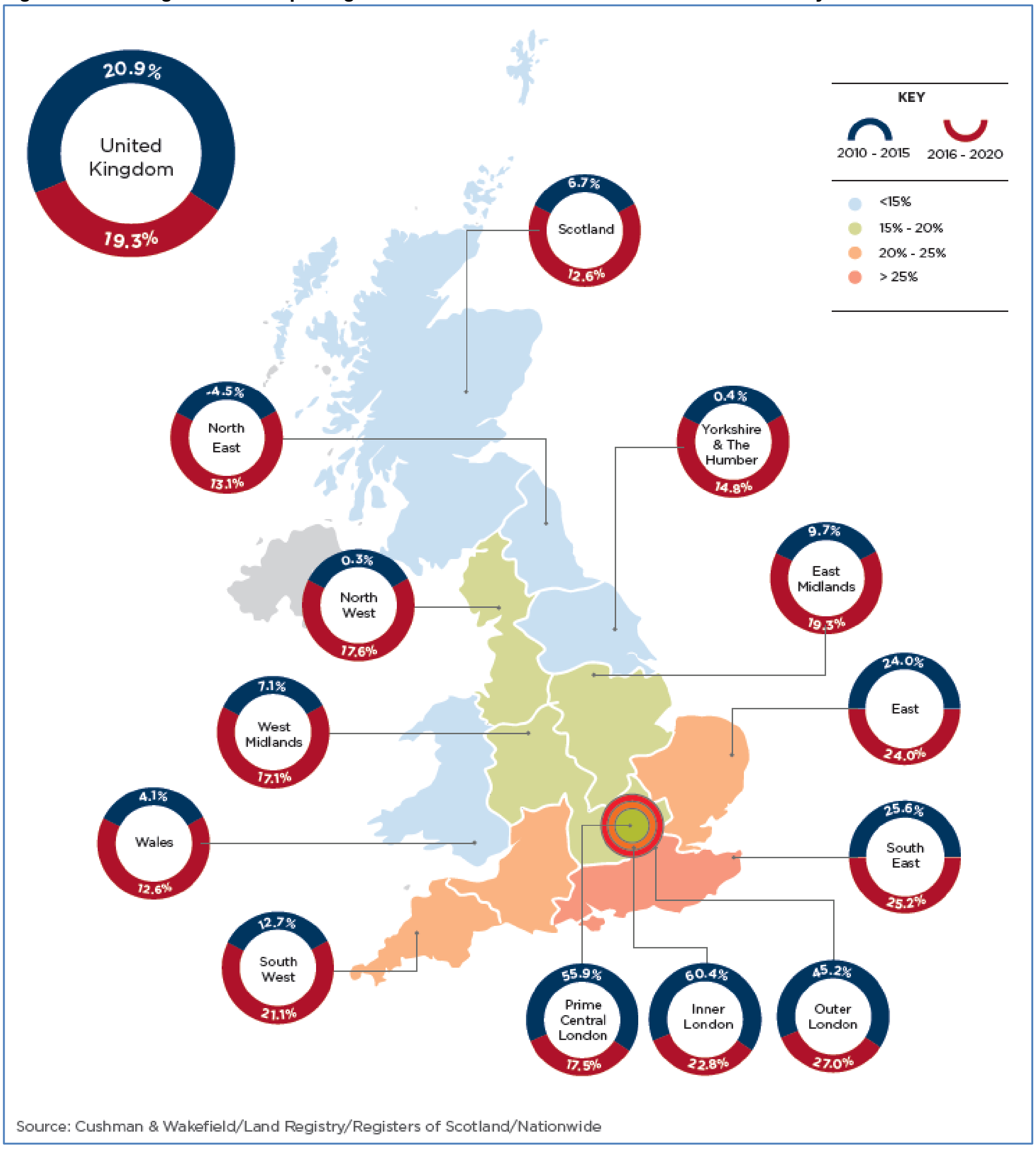
5.7 Activity in the housing market has gradually been picking up in recent years driven by London and the South East with robust demand aided by a long period of low interest rates, mortgage affordability, increasing earnings growth and below target inflation. Across the UK an average annual growth of 6.7% in March brought the average house price in England and Wales to £189,901. The volumes of sales between October 2015 and January 2016 averaged 74,374 per month, an increase of 0.8% in the same period in the previous year.

5.8 The market is currently underpinned by issues with affordability and supply, and prospects for the residential property market depend very much upon geographical location, with the UK market becoming increasingly fragmented. In London and the South East a shortage of new homes supply has contributed to apparent overpricing. As a result of the lack of affordability in London the South East and eastern regions of England are expected to outperform London over the next five years, building on an impressive 2015. Further transactional and occupational taxation, a strong pound[4], global economic uncertainty and unrealistic pricing have all taken their toll on the capital. Greater numbers of London workers are leaving the capital and we foresee this trend gathering pace during the second half of the decade.

5.9 In the north of the country the development of the Northern Powerhouse, namely infrastructure upgrades and job creation, will partly determine the rate of house price growth over the next five years. While we are now seeing real momentum in Manchester and Liverpool, there are very few factors driving markets elsewhere and outside of prime locations a lack of demand will result in minimal uplift in prices over the next 12 months.

5.10 As Figure 5.3 below shows, across the UK we forecast house price growth of 19.3% to the end of 2020, ranging from 12.6% in Scotland to 25.2% in the South East.

Figure 5.3 UK regional house price growth 2010-2015 and Cushman & Wakefield five-year forecast 2016-2020



Source: Cushman & Wakefield

4 Prior to the EU referendum

5.11 As supply conditions continue to be tight there is increasing recognition that the low number of residential units being delivered over the last 10 years is becoming a crisis and identifying new ways of increasing housing numbers is becoming a political priority.

5.12 New build development is occurring where house builders are able to focus on profit rather than volume. As such local achievable values, considered on a £ per sq ft basis, are now a key decision making factor in the acquisition of sites for development. Consequently, sites with sufficient scale in more attractive residential areas capable of achieving required sales values and robust occupier demand are seeing land values on par with the market peak. Such areas are generally characterised by a significant catchment population and proximity to the region's economic drivers. Further, there is some evidence that pace of sales and therefore build rates are increasing.

5.13 For Registered Providers (RPs), traditional mechanisms of residential development funding have shifted, with key partners such as the Homes and Communities Agency (HCA) having significantly less funds available to support housing delivery. As such, some RPs are looking to diversify their offer and are considering new methods of delivery such as direct delivery and bond raising to fund sales and management of private sector stock.

Pipeline

5.14 Government initiatives are seeking to stimulate the development of new homes. Figure 5.4 identifies anticipated residential growth areas responding to the following initiatives including New Towns and Housing Zones.

New Towns

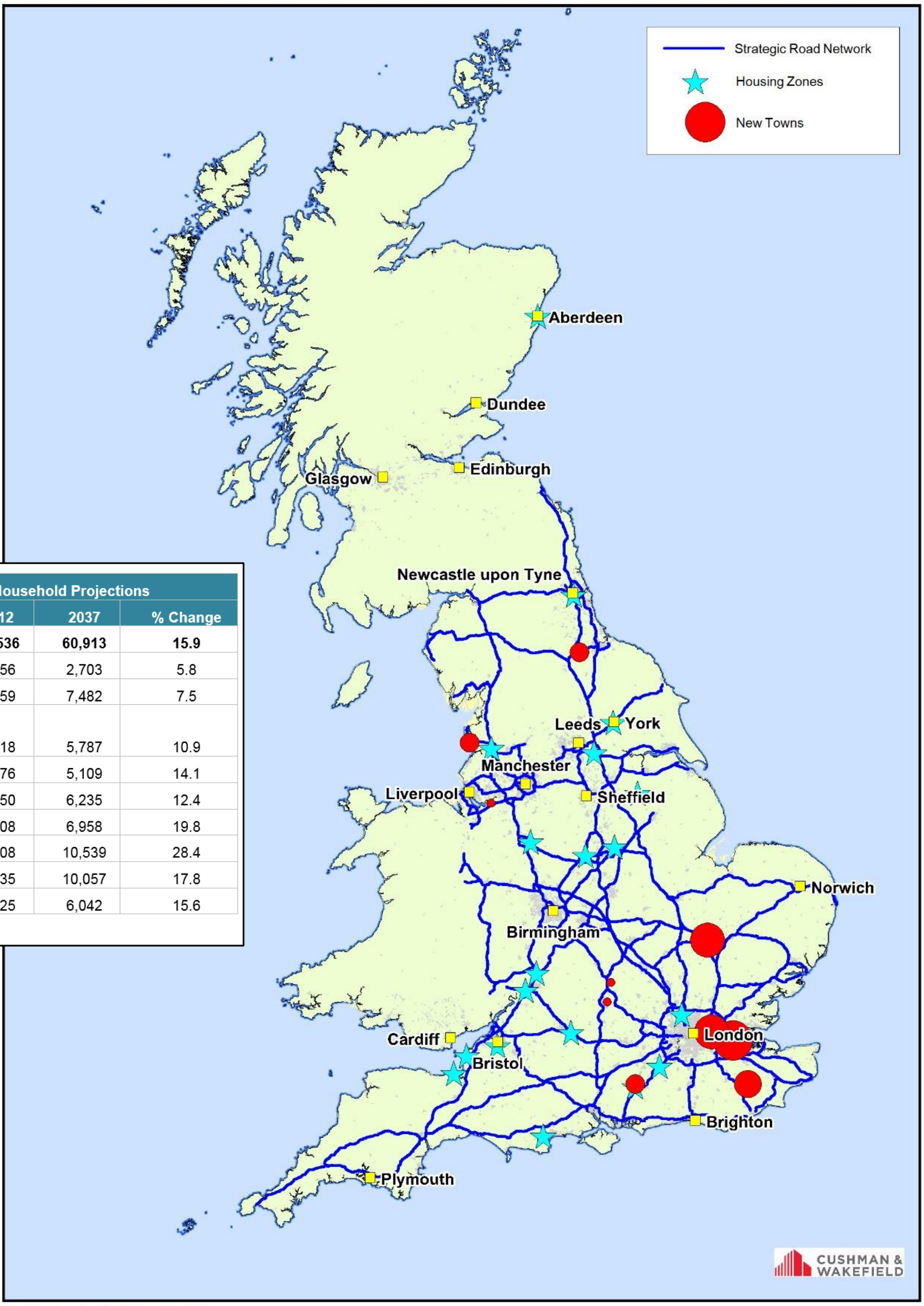
5.15 Ten new housing developments in England are to be built with healthy living in mind, under an NHS scheme. The money to build the developments will come from council budgets and private partners rather than the NHS. 10 demonstrator sites were selected in March 2016 as the first locations for the New Towns. The 10 towns selected, stretching from Darlington to Devon, will comprise more than 50,000 homes and 110,000 residents.

Table 5.2 Ten healthy new towns - location and size

New Towns	No. of units proposed
Ebbsfleet Garden City, Kent	15,000
Barking Riverside, London	10,800
Northstowe, Cambridgeshire	10,000
Whitehill and Bordon, Hampshire	3,350
Cranbrook, Devon	8,000
Darlington, Tyneside	2,500
Whyndyke Farm in Fylde, Lancashire	1,400
Halton Lea, Runcorn	800
Bicester, Oxon	393 (part of 13,000 planned homes)
Barton Park, Oxford	885
TOTAL	**53,128**

Source: England.nhs.uk

Figure 5.4 Anticipated residential growth areas



2012 Based Household Projections			
	2012	2037	% Change
ENGLAND	**52,536**	**60,913**	**15.9**
North East	2,556	2,703	5.8
North West	6,959	7,482	7.5
Yorkshire & The Humber	5,218	5,787	10.9
East Midlands	4,476	5,109	14.1
West Midlands	5,550	6,235	12.4
East	5,808	6,958	19.8
London	8,208	10,539	28.4
South East	8,535	10,057	17.8
South West	5,225	6,042	15.6

Source: DCLG

PBBI © Collins Bartholomew 2009

Source: Cushman & Wakefield

Note : As national housing targets are not distributed we have provided the DCLG 2012 based household projections to give an indication of projected residential hot spots.

Housing Zones

5.16 As part of the government's ambition to deliver a million homes by 2020 the 19 Housing Zones received funding to kick-start work to build tens of thousands of new homes. The Housing Zones will see councils working in partnership with private developers, more than £6 million will be used to deliver over 30,000 homes with each Housing Zone aiming to build between 750 and 2,000 new homes.

Table 5.3 Housing zones

Housing Zone	Local Authority
Slyfield Area Regeneration	Guildford Borough Council
Elstree Way Corridor	Hertsmere Borough Council
Thurrock	Thurrock Council
Gedling Colliery	Gedling Borough Council
Greater Gainsborough	West Lindsey District Council
Stoke City Centre	Stoke-on-Trent City Council
Derby City	Derby City Council
Gateshead Exemplar Neighbourhood	Gateshead Council
York Central	City of York Council
Aire River	Wakefield Council
Preston	Preston City Council
Weston-Super-Mare	North Somerset Council
Whitehill & Bordon	East Hampshire District Council
Gloucester City	Gloucester City Council
Foxhill	Bath & North East Somerset Council
Hinkley	Sedgemoor District Council
South Bristol	Bristol City Council
Ashchurch	Tewkesbury Borough Council
Poole Powerstation	Poole Borough Council

Source: DCLG

Key Residential Messages

- Delivering new housing is a political priority. Low housing delivery over the last 10 years is becoming a crisis. New Towns, Housing Zones and the LEPs are key Government led initiatives to deliver increased housing numbers.

- Prior to June 2016 activity in the housing market has gradually been picking up with robust demand in London and South East. This was driven by a sustained period of low interest rates, increased mortgage affordability, increasing earnings growth and below target inflation. However there are major issues with affordability and supply resulting in a deepening divide between North/South. London and the South East saw a shortage of supply and increasingly overpriced and unaffordable offer resulting in London workers leaving the capital.

- Outside of London and the South East many areas have not seen house prices or volumes of new homes return to pre-recession levels. This is because housebuilders primarily focus on profit rather than volume and therefore mainly target areas where values are high. As such there has been an increasing divide between the North and South.

- Areas of developer focus and therefore new build delivery are generally characterised by a significant catchment population and proximity to the UK's main economic centres.

- Pace of sales and therefore build rates are increasing but remain well below what is required. The pace of sales impacts upon development costs and therefore profits and attractiveness of a development to developers.
- Registered Providers are witnessing major changes within the social rented sector as traditional mechanisms of funding have shifted. They are now considering alternative tenures and delivery methods in order to serve their requirements.
- North-shoring should support further residential growth and the Government is supporting initiatives to try to stimulate new homes outside of the South East including in the Northern Powerhouse where infrastructure upgrades and job creation should support house price growth over the next 5 years.

6.0 Case Studies of Major Developments Supported by Improvements to the SRN

6.1 Set out below are a number of cases studies where improvements to the SRN have facilitated significant new development.

M60 completion of the orbital route

6.2 Completion of the M60 has been widely recognised as a key driver for growth in the increasingly strong Manchester market from the early 2000s. At the time of completion the route was set to bring 3,000 immediate jobs to the area, this figure was expected to at least treble within the first few years of the road opening.

6.3 The ring road provided much improved access into East Manchester and take up of employment land and leisure developments increased especially at Ashton Moss, a major employment site allocated to respond to the opportunity provided by the M60 and the Ashton Northern Bypass.

6.4 Ashton Moss was allocated as a Strategic Employment Development Site in the Tameside UDP and was a Regional Investment Site in the North West Development Agency's Regional Economic Strategy published in 2000. Allocation of the site aimed to take advantage of the economic regeneration potential of the M60 motorway, along with trans-Pennine and other major routes, and the short travelling time to/from Manchester Airport.

6.5 The 200 acre mixed use development site now comprises a 115,000 sq ft retail park, 1 million sq ft of development space for office, commercial/industrial uses and distribution parks and a 175,000 sq ft leisure park featuring leisure options such as a 14 screen Cineworld Cinema, Hollywood Bowl and restaurants including Five Guys, Bella Italia and Prezzo. The site is now accessible by the Metrolink East Manchester Line at the Ashton Moss stop that opened in 2013.

Ebbsfleet

6.6 Ebbsfleet in Gravesham, Kent is 4.7 miles east of the M25 and is the location for the new 15,000 home Garden City. Connectivity at Ebbsfleet is key to its sustainability. The area is already well served by the Strategic Road Network. Key to unlocking some of the key sites and increasing the area's transport capacity has been investment in road infrastructure. Numerous infrastructure improvements have already been delivered or are under construction including the new Sheppey Crossing and improvements to the A249, a major programme of M2 and A2 improvements and improvements on the M25. Alongside road improvements, as part of the Thames Gateway Regeneration Project the Ebbsfleet international railway station was delivered. This is a major catalyst for growth bringing Paris and Brussels within around 2 hours journey time. Domestically trains run on the High Speed 1 (HS1) rail network bringing Ebbsfleet just 18 minutes from St. Pancras and 10 minutes from Stratford.

6.7 Further local infrastructure improvements are planned as part of the £310 million Garden City proposals which will be led by the Ebbsfleet Development Corporation (EDC) including 15,000 new residential units. EDC is also working with the consortium of landowners EIGP (Land Securities/Tarmac) and HS1 to develop a new city centre for Ebbsfleet around the International Station. This should create up to 32,000 jobs across the Garden City as it sees the creation of a major new work and leisure destination to sit alongside the residential offer. Included within the boundary of Ebbsfleet Garden City is the Swanscombe Peninsula which is earmarked for development of the London Paramount Entertainment Resort which has potential to be a nationally significant infrastructure project expected to create up to 27,000 jobs and attract an average 40,000 visitors per day.

Omega, J8 of M62

6.8 Infrastructure improvements to the Junction 8 of the M62 have been catalytic to investment around Omega Warrington. The junction improvements initially facilitated investment in food and drink to support the existing retail offer (including M&S and IKEA), then significant investment in warehouses and the next phase will see residential development. The development has been delivered by Miller Developments; KUC Properties; and the HCA with support from Warrington Council. When complete, it is estimated that in the order of 18,000 jobs will have been created.

6.9 The 575 acre former USAF/RAF Burtonwood Airbase straddles with prominence the M62 at Junction 8, close to the intersection with the M6. Omega North has already welcomed a series of high profile occupiers including Brakes (200,000 sq ft distribution centre); Hermes (153,500 sq ft state of the art parcel handling depot); and Travis Perkins (700,000 sq ft regional logistics centre).

6.10 At Omega South, ASDA occupy their £100 million 618,000 sq ft regional distribution centre which is the most technologically advanced logistics unit in Europe. The Hut Group have also recently completed their 836,000 sq ft HQ, manufacturing and distribution centre on a 41 acre plot that will generate in the order of 2,000 jobs over a three year period. Also, Plastic Omnium, who form part of the Jaguar Land Rover supply chain, are bringing forward a 265,000 sq ft state-of-the-art manufacturing facility which is due to be operational in 2016.

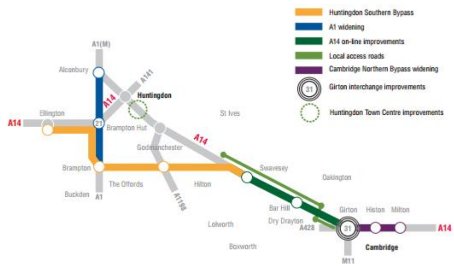
6.11 Also at Omega South the next stage of development has recently been given the green light which includes 1,100 new homes along with local shops, restaurants and cafes, public house/bar, care home and a hotel. 20% of the housing provision will be affordable ‘Starter Homes’.

Cambridge - A14 Improvement Scheme

6.12 A multi-million pound scheme to improve a vital route which will relieve congestion, unlock growth and help to connect communities in the East of England was given the go ahead for construction in May 2016. The 21 mile A14 Cambridge to Huntingdon Improvement Scheme will include a major new bypass between Swavesey and Brampton, widening of the A1 between Brampton and Alconbury, widening the existing A14 between Swavesey and Milton and improving the junctions at Bar Hill, Swavesey, Girton, Histon and Milton. The scheme will also see a new third lane run from the Histon interchange westbound and join directly onto the M11 slip-road. Eastbound a new lane will run directly from the A14/ M11 interchange and link to the Histon interchange. There will also be improvements in Huntingdon Town Centre to include the demolition of the A14 viaduct and a new local access road.

6.13 The improvement scheme is now on target for main construction work to start in late 2016 with the new bypass and parts of a widened A14 expected to open to traffic in 2020.

6.14 The works are seen as vital to the local, regional and wider UK economy. Improvements to the highway will support the first phase of the development of the 10,000 home New Town at Northstowe, which will deliver in the region of 11,000 jobs. Phase one development at Northstowe is said to have the potential to create 582 jobs and 1,480 new homes by 2020. Development of the gateways of Felixstowe Port and Harwich Port will also be supported by the improvement scheme as will the major developments of the Alconbury Enterprise Zone - part of Alconbury Weald, a 1,420 acre site which will create 8,000 jobs and accommodate 5,000 homes. Expansion on the northern and eastern fringes of Cambridge also depends on an improved A14.



Markham Vale

6.15 The Markham Vale Development is a major business development centred on the former Markham Colliery. This major regeneration and development project, involving Derbyshire County Council and developers Henry Boot, will address problems of industrial dereliction and contamination while bringing much needed new employment development to this area of north east Derbyshire.

6.16 The development is located on the UK's primary north/south arterial route, the M1 and has a dedicated access to the motorway network at Junction 29a. Connecting roads to Hall Lane at Staveley and the A632 at Duckmanton have also already been built to improve access to the site.

6.17 The project will deliver over 127 ha of new employment development (85 ha of which will be in Chesterfield Borough, the rest in Bolsover and North East Derbyshire Districts). Markham Vale also forms part of the Sheffield City Region Enterprise Zone, and benefits from tax allowances to encourage businesses to locate on the site.

6.18 The site is split into three areas;

- Markham Vale East comprises 61 acres of development land with 7.21 acres remaining. Occupiers who have recently been attracted to Markham Vale East include Andrew Page, Inspirepac, Gould Alloys, Squadron Medical, Industrial Ancillaries, Ready Egg, Holdsworth Foods and Great Bear.
- Markham Vale West is a 15 acre site comprising high-value leisure, hotel, retail and restaurant opportunities. Outline planning consent has been granted for B1, B2 and B8 uses in units up to 50,000 sq ft and Built to Suit options are currently available.
- Markham Vale North is a 70 acre site with Outline Planning Permission granted for B2 General Industrial and B8 Storage and Distribution units. Prime accommodation of up to 750,000 sq ft will be available for occupation from 2016. A new link road is being constructed to open up the site.

7.0 Implications for the SRN

7.1 The analysis of the property market has identified the following key messages:

- There has been a flight to quality by a number of property sectors in particular commercial office, retail, leisure and hospitality - with a focus on city centres and major towns where there is a significant cluster and critical mass of other occupiers attracted by a pool of talent and easy access to a range of amenities.
- E-commerce is the most influential sector for industrial and logistics markets and an efficient SRN is absolutely critical. Logistics operators have had to streamline and optimise their supply chains to ensure next day deliveries and ‘click and collect’ deliveries can be made to meet the demands of online customers. Requirements for progressively larger distribution centres built to high specifications will continue to focus on the SRN.
- Although new commercial office development was finally starting to happen again in major city centres in advance of June 2016, much was already pre-let and there was a recognition of the need for more new Grade A space. There is some evidence of on/north-shoring where businesses were relocating all or part of their offer away from London and the South East in order to achieve cost savings.
- Technological and infrastructure advancement has supported increasingly globalised businesses and a heightened awareness of costs and corporate social responsibility has driven an increasing interest in water and rail freight from businesses requiring frequent or bulky good movements. This has resulted in increasing interest/importance of multi-modal locations at key national gateways including ports, air ports and rail hubs.
- Out of town retailing continues to outperform town centres and is able to offer large affordable floorplates and ample free parking resulting in an increasing focus on transport hub locations.
- Prior to June 2016 activity in the housing market was gradually picking up with robust demand in London and the South East. Outside of London and the South East many areas have not seen house prices or volumes of new homes return to pre-recession levels as housebuilders are focusing on profit rather than volume and therefore primarily target areas where values are high. As such there has been an increasing divide between the North and South although ‘north-shoring’ could support some rebalancing.

7.2 These locational drivers of the sectors are summarised below:

Table 7.1 Locational Priorities for Property Sectors

	Commercial Offices	Industrial /logistics	Residential	Retail	Leisure
City Centre	✓	X	✓	✓	✓
Destination	X	X	X	✓	✓
International Gateways	✓	✓	X	X	X
New Towns	X	✓	✓	X	X
Sub regional shopping centres	X	X	X	✓	✓
Major employment sites	✓	✓	X	X	X
SRN corridors/interchanges	✓	✓	✓	✓	✓

Growth Hubs

7.3 Figure 7.1 combines all the identified areas of the each of property market overviews. It illustrates the following drivers for growth:

- **London and South East** - is the principal geographical hot spot for all property sectors. This is where investors and developers are attracted as generally the area experiences the greatest growth in terms of value and returns.
- **City Centres and Urban Hubs** - going forward the greatest potential for growth is likely to be focused on areas where the greatest populations already exist, attracting further investment into the most thriving areas.
- **SRN Corridors -** there are a number of SRN corridors which have, and will continue to attract growth, particularly where they connect major urban areas such as Bristol/London, Bristol/Birmingham, Birmingham/Manchester, Manchester North along M6, Birmingham/ Leeds and Leeds/Newcastle.
- **Transport Interchanges -** growth will be driven around multimodal locations including ports and airports. This evident around Medway, Southampton, Tyne, Teesside, Liverpool and Manchester Ship Canal.

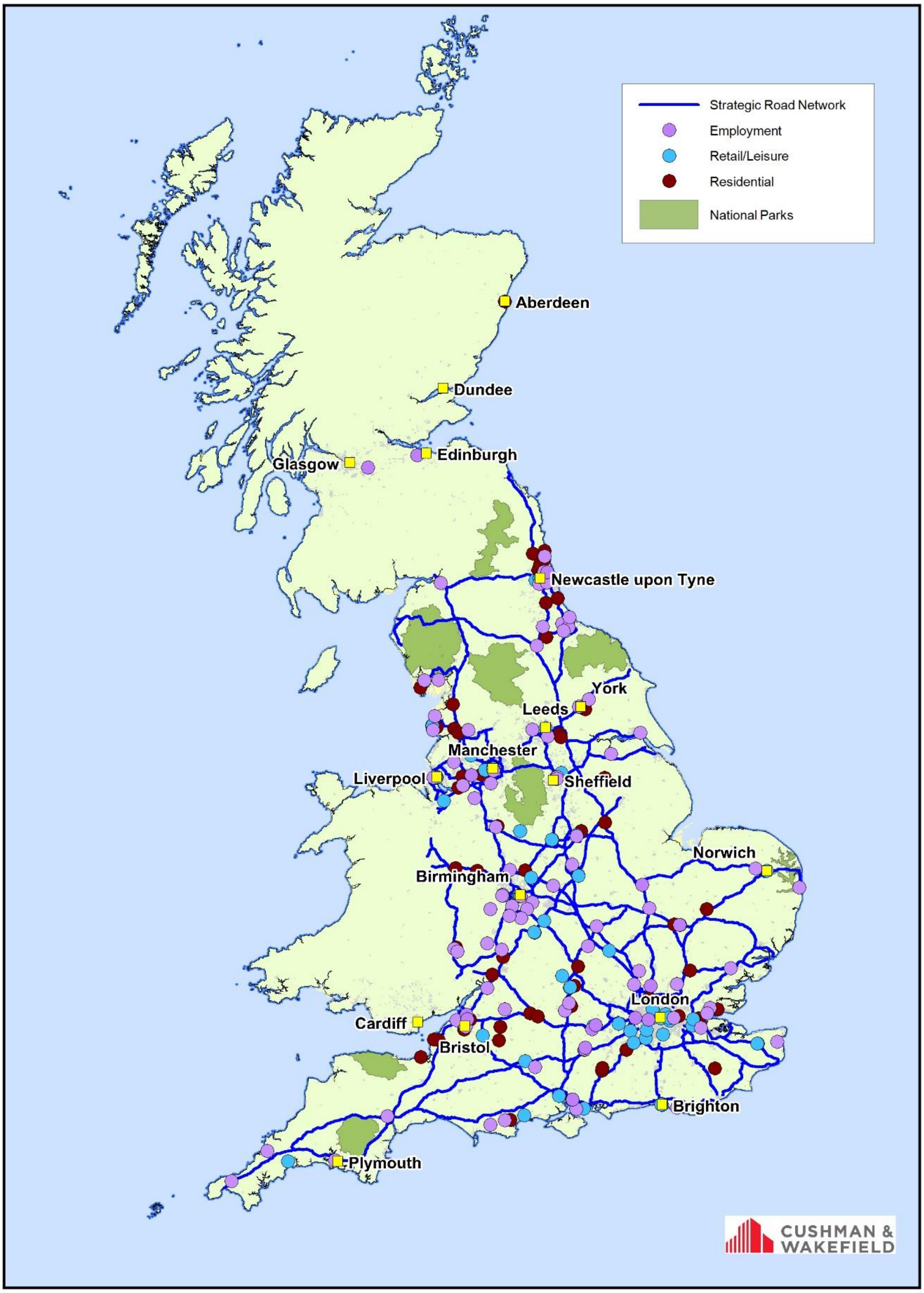
7.4 Locations where numerous drivers interact will generate the highest land values with greatest demand from most sectors i.e. central London, South East and regional cities.

Options for SRN to respond to growth opportunities

7.5 The implications for the SRN are summarised below:

- **Focus on areas with established critical mass** - although it might seem sensible from a transport perspective not to encourage development in areas of existing high demand, many occupiers want to be located in areas of high demand with access to workers, customers and suppliers. It is therefore important to acknowledge this requirement and where possible to try to overcome issues of congestion by creating more capacity rather than trying to force development towards less congested areas. If the latter approach is taken the risk is that investment could either fail or more likely sites allocated in a Local Plan could remain undeveloped.
- **Focus on improving linkages between the major growth areas and along key corridors** - Figure 7.1 and consultations with the LEPs have identified a range of growth priorities. Their success will be dependent in part on the SRN functioning efficiently, allowing excellent connections between growth hubs and along growth corridors. Highway England's investment should support these areas to thrive.
- **Creating more capacity -** identifying locations with critical mass that are attractive to the market and end occupiers or where additional growth could be sustained. In such locations, new/increased capacity at key junctions of the SRN or opening up land/sites with realistic and viable potential or land allocations suitable for development could support investment. Omega, Warrington at Junction 8 of the M62 is a good example of such investment. The use of the hard shoulder on motorways and smart motorways can create additional capacity and additional initiatives should be considered along the busiest corridors connecting growth hubs. The use of new technologies holds the potential to play an exciting role in this.

Figure 7.1 Growth hubs by sector



PBBI © Collins Bartholomew 2009

Source: Cushman & Wakefield

- **Supporting modal shift** - an alternative option to creating new capacity is to determine whether current users of the SRN could move to other modes of transport. For example HS2 will enhance the movement of people from north to south by rail rather than road. Removing the need for longer distance movement of freight from an area could allow improved local access e.g. as is currently being targeted by Liverpool2. Working with public transport operators to create better networks which allow workers to access employment by rail rather than road could free up capacity on the SRN, particularly at peak times.
- **Work with other partners to stimulate growth -** this analysis has identified a number of partners who are working to stimulate growth. Highways England should work with them to ensure that where growth aspirations have been identified, following appropriate feasibility which demonstrates their deliverability, they can be supported through the SRN.

Glossary

Accelerator units - Typically for businesses with the potential for fast growth. Common characteristics are that dedicated support is provided for a defined short period by the space management and/or investors who work closely with the business to guide their growth in return for an equity stake

Anchor occupier - The first/leading tenant of a property, often providing stability or confidence in a development to attract other businesses and/or customers and often allows the developer to be able to access funding to commence development

Critical mass - The minimum size or amount of resources required to start or maintain a venture or to start to bring confidence into an area

Incubator units - Typically smaller units designed to actively support the growth of start-ups or a business in its early stage of development. Business support is often provided in return for a share in profit or minor equity stake in the business

Pipeline - Used to refer to the amount of development anticipated in each sector typically based on developments under construction, planning activity and known initiatives

North shoring - A situation in which a southern company relocates from London to a more peripheral regional economy. Such a decision is typically made to reduce costs

Speculative development - Land development or construction with no formal commitment from the end users of the finished product. Developers often struggle to access development finance unless they have occupiers identified and are therefore unlikely to be able to start a development until occupation of the building looks certain

Take up - A measurement of gross leasing activity for a given period of time

If you need help accessing this or any other Highways England information, please call **0300 123 5000** and we will help you.

Atkins contact:

Richard Coburn
Atkins
Euston Tower
286 Euston Road
London
NW1 3AT

Email: richard.coburn@atkinsacuity.com
Tel: +44 (0)20 7121 2374
Tel: +44 (0)7803 609059

Cushman & Wakefield contact:

Caroline Baker
Cushman & Wakefield
No 1 Marsden Street
Manchester
M2 1HW

Email: caroline.baker@cushwake.com
Direct: +44 (0)161 235 7654
Mobile: +44 (0)7788 928113