

Prepared for:



Employment Land Statement

Property: Clegg Street, Liverpool L5 3SP

October 2017

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Appendix One

Site Plan

1. Introduction

- 1.1 Matthews & Goodman (M&G) have been instructed by Caro Developments Clegg Street Ltd to provide an Employment Land Statement to support a full detailed planning application being prepared by Zerum Consult Limited for a residential apartment scheme on land at Clegg Street, Liverpool.
- 1.2 The report is prepared by David Newman, a partner with M&G, who has over 20 years' experience dealing with industrial/distribution property and commercial employment sites throughout the North West of England.
- 1.3 The purpose of the report is to consider the employment land supply within Liverpool and the Application site's suitability for continued employment use.

2. Application Site

2.1 Location

- 2.1.1 The Application site is situated on Clegg Street in Everton, Liverpool, approximately 1 mile north east of the city centre.
- 2.1.2 Access to Clegg Street is via Prince Edwin Street and Fox Street which intersects with Great Homer Street / St Anne Street (B5186) which is becoming a mixed thoroughfare into Liverpool City Centre. It serves the inner urban area of Liverpool, however, the nearest motorway access to the east is the M62 junction which is some 5 miles distant.
- 2.1.3 Clegg Street sits to the north of a traditional industrial area (comprising an area of land to the east of St Anne Street which is now becoming mixed-use in character), but separated by Prince Edwin Street at its junction with Great Homer Street. To the west, it overlooks the A59 entrance to the Kingsway Tunnel. Millstead Primary School is situated to the east off Lliad Street, which runs parallel to Clegg Street, and caters for special educational needs. Directly to the north is a green buffer consisting of parkland with a pocket of traditional housing beyond this with similar pockets of housing punctuating the surrounding outer lying areas.
- 2.1.4 The properties immediately around the Application site no longer consist of employment and have been redeveloped for alternative residential use. On Clegg Street, adjacent to the Application site, is Caro's City Point scheme comprising a modern block of student accommodation with a total of 22 cluster flats providing 176 bedrooms. Opposite is Phoenix Place, a new development by Noble Construction which is currently being built on land between Clegg Street and Lliad Street. It will provide 348 student rooms (274 cluster rooms and 74 studio

studios) over two blocks (6-storey and 7-storey) with associated communal space / facilities and hard and soft landscaping. Once complete, the Application site will be isolated and look completely out of character to the developments surrounding it. Furthermore, with the frontage to Great Homer Street it will not convey a favourable impression in an area that is the gateway to the city centre and on the edge of the Project Jennifer regeneration zone.

- 2.1.5 Clegg street is severed from the employment area referred to in 2.1.2 by Prince Edwin Street and in addition those remaining employment uses in the area are relatively small-scale, consisting a mix of light and heavy uses, favoured by local businesses operating from outdated premises but attracted by the flexible lease terms and cheap rents being offered. Alternative non-employment related uses are being introduced into the existing buildings and the area is now significantly mixed-use in character.
- 2.1.6 New development is also taking place on cleared sites within the locality including Fox Street Village, a scheme of residential / student accommodation being delivered by Fox Street Village Limited. This will comprise 400 self-contained apartments across five blocks and the first phases have been delivered. On St Anne Street, a new apartment block is also proposed where the Litecraft retail unit is presently situated and will provide 313 units over 5-8 storeys.
- 2.1.7 Further to the north of Clegg Street, on land which lies between Scotland Road and Great Homer Street, is an area currently undergoing regeneration as part of the 'Project Jennifer' mixed-use scheme. The project comprises a £150 million mixed-use regeneration programme that will transform this part of North Liverpool providing a new District Centre for the north of the city, with a new supermarket, new shops, improved public spaces and new homes over a site of 18.2 hectares (45 acres). Some of the key highlights of Project Jennifer include:
- 80,000 sq ft of new retail stores
 - Sainsbury's retail food store
 - A new indoor and outdoor market
 - A new district centre
 - 500 new homes
 - New medical and care facilities
 - New schools
 - A petrol filling station
 - Free car parking spaces
- 2.1.8 The extent of this regeneration project has meant further investment has been drawn into the area and the scale of industrial related uses has decreased with new alternative uses becoming prevalent.

2.2 **Description**

- 2.2.1 The Application site consists of a terrace of 8 small workshop / industrial units comprising a total floor area of 798.4 sq m (8,594 sq ft) or thereabouts, with single units measuring 92.9 sq m (1,000 sq ft). The gross site area of 0.22 hectares (0.56 acres) is larger than the footprint of the accommodation as the development boundary includes for part of Clegg Street and the turning head. A site plan is attached in Appendix One.
- 2.2.2 The external elevations are constructed of two tone brick beneath a flat roof incorporating roof lights with separate access doors and personnel entrance along the frontage. The loading doors open directly onto Clegg Street and so there is no dedicated loading apron or secure service yard with the premises.
- 2.2.3 By way of brief background, the premises were originally acquired in 2007 by St Modwen as part of a larger portfolio purchase of four industrial estates from Space Northwest. They were bought with the intention to support the Great Homer Street scheme known as Project Jennifer, with a view to assisting industrial occupiers affected or displaced by the redevelopment and provide options for occupiers to relocate. Over recent years they have been let out but only on short flexible leases at economic rents. The block is vacant except for some private individual storing cars and Noble Construction who are utilising two units as a site office and welfare facility during the construction phase of the Phoenix Place development.

3. Market

3.1 General Overview

- 3.1.1 The UK industrial market is performing well and is dominated by warehouse and distribution uses. Take-up of modern distribution units over 100,000 sq ft amounted to 28.5 million sq ft during 2016 which was 25% above the five-year average.
- 3.1.2 Retailers continue to be the most active sector making up 62% of all take-up (34% e-commerce and 28% non-internet retail), followed by logistic providers (18%) and manufacturers (18%). Some exceptional deals throughout the year have influenced the figures, particularly Amazon who took over 8 million sq ft which amounted to 29% of all take-up in the UK.
- 3.1.3 The distribution sector is benefiting from retailers' ever-increasing desire to improve efficiency of their supply chains and driven by customers' expectations for same or next day delivery. The manufacturing sector was dominated by car manufacturers including Gestamp Tallent and Jaguar Land Rover who between them occupied over 1 million sq ft.
- 3.1.4 There was a pause in forward funding of speculative development following the EU referendum but recent signs are that it has started to resume but current availability of good quality stock is at the lowest level for at least ten years.
- 3.1.5 The declining supply of prime standing stock has led to an increase in land deals as well as design and build pre-lets so there is pressure for better quality strategic sites to be released and brought forward. That said, the high cost of development and increase in build costs are impacting on the delivery of new schemes and the funding market remains challenging in all but the core locations.

3.2 Liverpool

- 3.2.1 Take-up in Liverpool's industrial market is largely driven by a number of key manufacturers and distributors, primarily from the automotive and retail sectors. Cheaper land and labour than other north-west locations, good motorway connections and the global container port, found within the market, make Liverpool an attractive option to these companies. Whilst the city has witnessed several factory closures, the automotive sector in particular has rebounded. In addition, Liverpool's industrial market has also been supported by a number of retailers with historic links to the North West expanding their distribution services.
- 3.2.2 Liverpool is within easy reach of the M62 and M57 motorways, it is well connected by rail to the rest of the UK and benefits from an international airport south of the city in Speke. The city also boasts one of the largest commercial ports in the UK and the completion of the new container

terminal will more than double capacity and allow some of the largest ships in the world to dock.

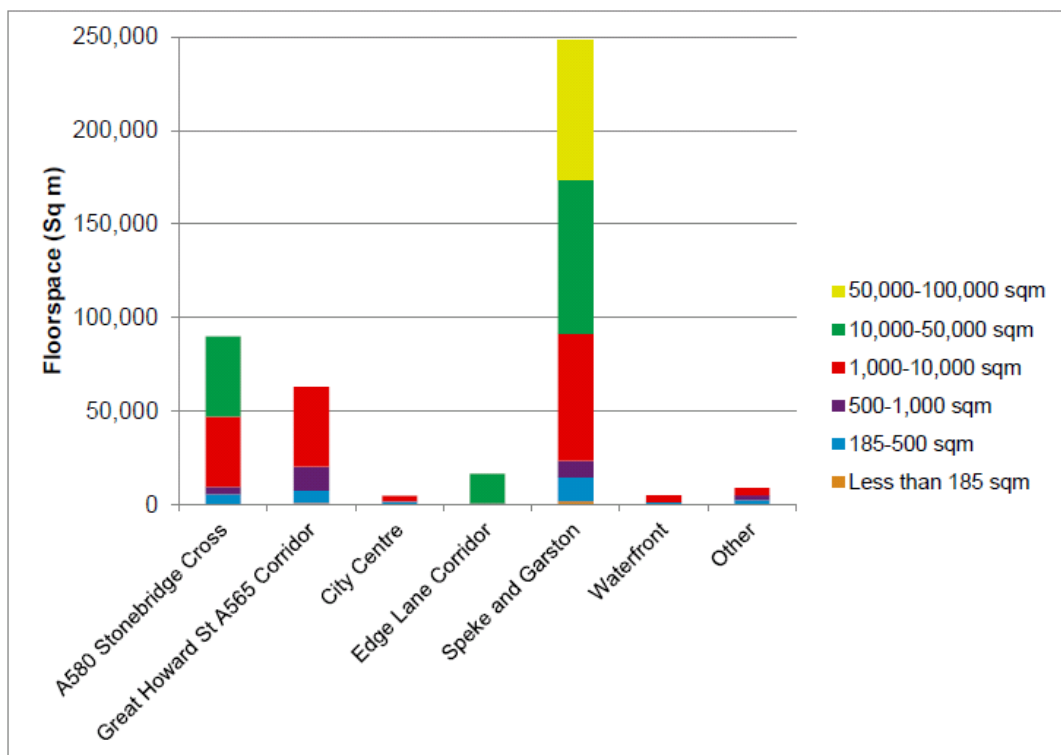
- 3.2.3 Manufacturing in Liverpool suffered in the immediate aftermath of the economic downturn with several factories closing. Despite this, the automotive sector, which experienced growth across much of the UK in recent years, has remained strong. In Liverpool, Jaguar Land Rover (JLR) has been at the forefront of expansion within the sector, seeing its workforce triple over three years to 2012 following an increase in sales and then expanding further in 2014 to meet overseas demand.
- 3.2.4 Liverpool is also home to a number of large pharmaceutical manufacturing companies, although some of the occupants in this sector have struggled. Despite a decline in Liverpool's dockland activity, Cammel Laird, an iconic ship builder founded in 1828, is still a major employer but has contracted from its heyday. More generally, manufacturers are likely to benefit from expansions at the port itself and the Seaforth Docks to the North of the city represent the last remaining major functional docks. Significantly for Liverpool's industrial market, the port is used by JLR to export cars from their Halewood Plant to foreign markets. Additionally, the completion of the new container terminal, Liverpool 2, will more than double capacity at the port and allow some of the largest container ships in the world to dock.
- 3.2.5 Although the transport and distribution sectors account for a relatively low proportion of employment in Liverpool, there are some major occupiers from the sector. The Mersey Docks & Harbour Company, part of Peel Ports, is the largest. Additionally, DHL operate four sites in the Liverpool market, one facility solely servicing Jaguar Land Rover. Other distribution firms include TNT and Tradeteam.
- 3.2.6 There have been some significant expansions from discount and value retailers in recent years, with these companies benefitting from the economic downturn as consumers have tightened their belts. TJ Morris (Home Bargains), B&M Bargains and Matalan have all significantly expanded their warehouse operations since 2010.
- 3.2.7 The industrial / warehouse market in Liverpool can be categorised into the reuse of existing buildings and the development of new modern facilities. A conservative estimate from CoStar suggests there is 435,000 sq m (4.7 million sq ft) of existing industrial floorspace being actively marketed in Liverpool. A high proportion of this supply is made up of second hand premises, like Clegg Street, which are no longer suitable for modern employment uses and are often obsolete in terms of their design, layout, specification, security and location. As a result, many of these buildings tend to remain on the market for some considerable time. The loss of the Application site will not materially affect the overall provision of existing floor space.
- 3.2.8 There is a dearth of good quality existing space coming available except for a few pockets of speculative development, such as at Speke or along A580 Stonebridge Cross Corridor. Demand

for these premises is from occupiers that do not favour fringe city centre locations and require good access to major trunk roads and the motorway network. The preference from occupiers requiring smaller start-up units / workshops is to be located on multi-unit estates with a shared yard, off street parking and some security presence, whether it be securely fenced and gated or patrolled. It is clear the Application site does falls short on these criteria.

3.2.9 The main employment areas considered within Liverpool are:

- City Centre and Waterfront
- Great Howard Street A565 Corridor
- Edge Lane Corridor
- Speke and Garston
- A580 Stonebridge Cross Corridor

The table below shows the industrial take-up figures for the above employment areas. Of these areas Speke has witnessed the greatest amount of floor space take-up over the last decade and comprising more than half the City's total take-up for the period. The second most active area has been the A580 Stonebridge Cross Corridor amounting to 16% of floor space. These two specific locations are where the new development activity has been focused with the construction of modern buildings to suit occupiers' requirements.



Source: CoStar & EGi

3.2.10 More tellingly, the city centre take-up for the same period was only 3% of the overall total. The Application site is located on the edge of the city and this clearly demonstrates that occupier demand is focused on more favourable locations.

4. Employment Land Supply

4.1 Supply

4.1.1 Liverpool City Council is in the process of developing a new Local Plan to set out policies for future development over the plan period to 2033. Policy EC1 Employment Land Supply of The Draft document, September 2016, states the following:

1. The City Council has a requirement for 120 hectares of land for industrial and business uses (Use Classes B1/2/8), over the period of the Local Plan (next 15-20 years) to meet the needs of the City. Sites to meet this requirement will be identified in a Schedule and on a Policies Map once the evidence base is finalised.
2. The take-up of existing employment land will be monitored, and its ongoing supply managed, via regular review of site allocation, to meet changing market conditions in land for employment and other uses.

4.1.1 As part of the Council's process of preparing the new Local Plan, GL Hearn were commissioned to provide an Employment Land Study and the final report was completed in February 2017. The labour demand forecasts within the Study outlined a need for between 105 hectares and 140 hectares of employment land for the 2013-2033 period to meet the needs of the city. This is not dissimilar to the Council's own figures above and taking a mid-point of the forecasts, this gives a figure of around 122 hectares.

4.1.2 The study also examined in detail the pipeline of committed land on identified sites; committed employment pipeline on non-identified sites and compared this with losses of employment land to alternative uses to calculate a residual demand versus an identified supply. The exercise identified a supply of nearly 63 hectares which exceeds the residual demand calculated of 56 hectares.

4.1.3 Part of the demand evidence relates to B1a/b office use which the Application site is not suitable for as it is not a recognised office location and would struggle to attract B1a/b occupiers to the site. Modern day occupiers tend to cluster together in traditional office locations, such as Liverpool City Centre, out of town business parks, and the Waterfront areas of Liverpool. Approximately 25-30- hectares has been identified for such use in the above areas.

Occupiers are now placing more importance on the location of their office for a variety of reasons:

- Working practices have changed, there has been a rise of flexible working, mobile and cloud computing. The flexible working style is gradually becoming the norm for many employees and they mix and match work time between desk, break out space, home and public shared space, such as cafes and bars. Employers are now conscious about the wellbeing of their staff and the amenities and services that need to be provided to their employees. City centre and business park locations will provide better facilities for a company's staff.
- Workplace culture has changed, there are a greater number of people working non-standard hours. City centre locations offer better amenities, attractions, late night transport networks and improved security.
- The attraction and retention of high quality labour and skills has a major impact on the location of the modern-day office. Many occupiers are now moving to city centre locations for the attractiveness of recruiting staff.
- Young, affluent and educated workers are increasingly congregating back towards city centre locations due to the amenities that are on offer. Hence the decision for many office occupiers to favour these areas to locate their office, high quality and large labour pool.

For the reasons noted above, we believe the Application site would be unsuitable for office use and struggle to secure an office occupier for the site. This is supported by the adjacent City Point scheme. The development originally secured planning permission for the erection of a part four/part five/part six-storey block for office/business use (within class B1 of the use classes order) and car parking, with associated ground level car parking and ancillary works. Due to the lack of demand from office occupiers, the accommodation was subsequently converted to form student accommodation comprising 22 cluster flats providing 176 student bedrooms.

- 4.1.4 The key locations identified for B2 industrial and B8 warehouse/ distribution uses are at Speke, Stonebridge Cross Corridor and Great Howard Street A565 North Corridor. The Great Howard Street Corridor is subdivided into four sub areas, North, South, East and West and Clegg Street is within the East corridor which comprises a mix of uses, particularly evident by the Project Jennifer regeneration scheme being delivered. The GL Hearn Study identifies an existing site which is likely to prove more attractive to the market for any demand for employment generating uses rather than the Application site. This site is known as Tunnel Trumpet, Kingsway Tunnel, which is potentially available and is substantially larger than the Application site comprising 2.12 hectares (5.2 acres). It is situated on the eastern side of Scotland Road (A59) to the west of Clegg Street within the loop of the access into the Kingsway Tunnel. The site is

previously developed land which is now clear and sits adjacent to the Bestway cash and carry and although there is no direct access to the A59 it is accessible to commercial vehicles. It does therefore offer alternative employment land within the immediate locality to the Application site should there be genuine demand and enquiries for such use.

- 4.1.5 The study's recommendation is that, given the existing nature of the sub-area, employment space within the Great Howard Street A565 Corridor East should not be specifically protected. Furthermore, it recommends that the Council should take a more flexible approach to considering development proposals in the area.
- 4.1.6 The Application site has become isolated as an employment site as the surrounding land on Clegg Street has or is being redeveloped for residential uses. This highlights that employment sites within the immediate area are becoming redundant and in our opinion, other uses such as residential development are becoming more appropriate and sustainable for the location.

4.2 Demand

- 4.2.1 The table below shows the amount of completions in Liverpool in hectares since 2013, based on the Council's own monitoring data.

	2013/14	2014/15	2015/16	2013-2016
B1a (Offices)	0.40	0.21	1.24	1.86
B1b (R&D)	0.07	0.04	0.13	0.25
B1c (Light Industrial)	0.00	0.04	0.85	0.88
B2 (General Industrial)	0.44	0.00	3.36	3.80
B8 (Storage & Distribution)	0.18	13.06	40.95	54.19
Mixed	0.83	0.92	0.00	3.62
Total	1.9	14.3	46.5	64.6

Source: Liverpool City Council

It is clear the main sector of activity was B8 storage and distribution and 2015/2016 was an exceptional year with several large transactions completed by retailers, logistics providers or automotive suppliers. These completions were centred in the strategic employment sites either around Liverpool Port; Liverpool International Business Park in Speke or around the JLR Plant in Halewood. They were not located around the city centre or fringe of city centre.

- 4.2.2 Examining this trend in more detail, the table below shows that the large shed market consisting of buildings over 9,290 sq m (100,000 sq ft) is the most active size band and accounted for 52% of

the industrial transactions on average over a 5-year period to Q2 2017.

Take Up Profile average over 5 years	Percentage of Transactions
0-10,000 sq ft	9
10-25,000 sq ft	13
25-50,000 sq ft	10
50-100,000 sq ft	16
Over 100,000 sq ft	52

Source: PMA Deals Database

This is followed by the 4,645 – 9,290 sq m (50,000 sq ft – 100,000 sq ft) size band which made up 16% of the take-up. So, the greatest demand was in the largest two size ranges and accounted for two thirds or 68% of all transactions completed over the period. By comparison, the 0 sq m – 929 sq m (0 sq ft – 10,000 sq ft) bracket only made up 9% of the take-up. The market presently in Liverpool is for large warehouse distribution units that can only be accommodated on strategic sites away from the city area with weak demand for small units that fall within the size range of the accommodation found on the Application site.

5. Site Suitability

- 5.1 Prospective occupiers are attracted to a specific location for a variety of reasons which are generally common to all, albeit there are different priorities and preferences. The main factors affecting these decisions are Location, Building Specification, Labour Force and Physical Environment.
- 5.2 The application site does not score highly on most of these characteristics:
- The location is some distance from a main dual carriageway or motorway and coupled with the fringe city centre position is unfavoured by modern occupiers
 - The current design, layout and configuration of the buildings does not meet current requirements for a small unit estate. The main access doors are on the front elevation opening directly onto Clegg Street with no off-street loading or secure yard which is preferred. The unit sizes are within the size range with least demand in Liverpool based on the take-up figures previously reviewed.
 - The physical environment is not favourable for growth industry sectors and it is now evident that in conjunction with new residential schemes that have planning approval in

place or are under construction, other buildings and sites in the locality are being redeveloped for non-industrial uses.

- Site access for vans and larger commercial vehicles is restricted as Clegg Street is a cul-de-sac and the commercial vehicle movements will not compliment the residential traffic from City Point and Phoenix Place.
- The site on Clegg Street is not appropriate for redevelopment for industrial uses due to the changing character of the area to mixed-use.

5.6.2 The Great Howard Street A565 East Corridor is evolving and undergoing a transformation which is evident from the changing skyline. Project Jennifer to the north of the Application site is a catalyst to regeneration in the area and the area to the south of Clegg Street is also witnessing new development. A number of poor quality former industrial sites have or are being redeveloped for residential use, including the following:

Scheme	Planning Status	Scale
Great Homer Street	Approved	8-9 storeys
Phoenix Place	Under construction	6-7 storeys
St Anne Street	Approved	5-8 storeys
Fox Street	Under construction	5-7 storeys

5.6.3 It is evident from the above that the character of the wider area around Clegg Street is changing and is no longer one of employment uses. There is a distinct shift away from high density, tertiary industrial sites towards modern attractive residential accommodation or alternative uses.

5.6.4 The fact that these sites have changed from industrial uses into residential is a clear sign that the existing space is no longer fit for purpose and that other uses are required to breathe new life into the location and ensure a sustainable future.

5.6.5 Given the changing nature of the surrounding area coupled with the existing City Point scheme adjacent and the Phoenix Place development under construction opposite, the Application site is considered suitable for residential development.

6. Conclusion

- 6.1 This Statement has shown that the Application site is no longer suitable or desirable for employment uses.
- 6.2 It will be isolated once the new Phoenix Place development is completed and will be the minority land use which will look totally out of character overlooking a gateway thoroughfare into the city centre.
- 6.3 The loss of the application site of 0.22 ha (0.56 acres) will have a negligible impact upon the overall supply figures. In fact, the GL Hearn Employment Study demonstrates that current identified supply exceeds projected demand.
- 6.3 According to the GL Hearn report the council has identified that just under 2 hectares of employment land has been lost since 2013 to residential and other non-employment uses. We have ignored other sites with extant planning permissions for change of use to alternative non-employment uses because until development takes place the potential loss is not actually crystallised. The identified current employment land supply for the city has earmarked 29 sites across the city to support employment uses which cumulatively provide potential for 62.8 ha of developed land across the city for purely B-class purposes. (This figure of 62.8 hectare does not include the 314,500 sq m (338,536 sq ft) of B1 development at the Liverpool Waters development). The 2 hectares of employment land which has unequivocally been lost equates to 3.2% of the overall employment land supply
- 6.4 There is a good supply of existing buildings within Liverpool comprising some 435,000 sq m (4.7 million sq ft) and therefore the loss of the Application site accommodation amounting to just 798.4 sq m (8,594 sq ft) will not register on this total.
- 6.6 The existing accommodation provided within the Application site does not conform to prospective occupiers' requirements and expectations for a small multi-unit estate. Site restraints and accessibility for commercial vehicles along Clegg Street with no off-street parking or loading areas / service yard and no secure gated and fenced environment are all factors which detract from the space. Occupiers' preferences are to be located on modern estates on main arterial routes around Liverpool or close to the city's excellent motorway network with good access to junctions which the Application site cannot deliver.
- 6.7 Recent B2 / B8 activity has focused around sites in Speke, Halewood and Stonecross and away from city or fringe of city centre locations which are no longer deemed desirable. Much of demand is for larger modern warehouse facilities with limited take-up for units below 929 sq m (10,000 sq ft) therefore the loss of the units within the Application site is considered negligible.

- 6.8 The Application site sits within the Great Howard Street A565 Corridor East. The GL Hearn Study states that the Council does not need to specifically protect employment space and recommends taking a more flexible approach to development proposals for the area.
- 6.9 This Statement has demonstrated that the site at Clegg Street is not suitable for continued B2 / B8 employment use nor suited to B1 office development but is suitable for residential redevelopment given its sustainable location and proximity to surrounding schemes which are coming forward.

Signing-Off Sheet

Client: Caro Developments

Project: Clegg Street, Liverpool

Document: Employment Land Statement

Date: October 2017

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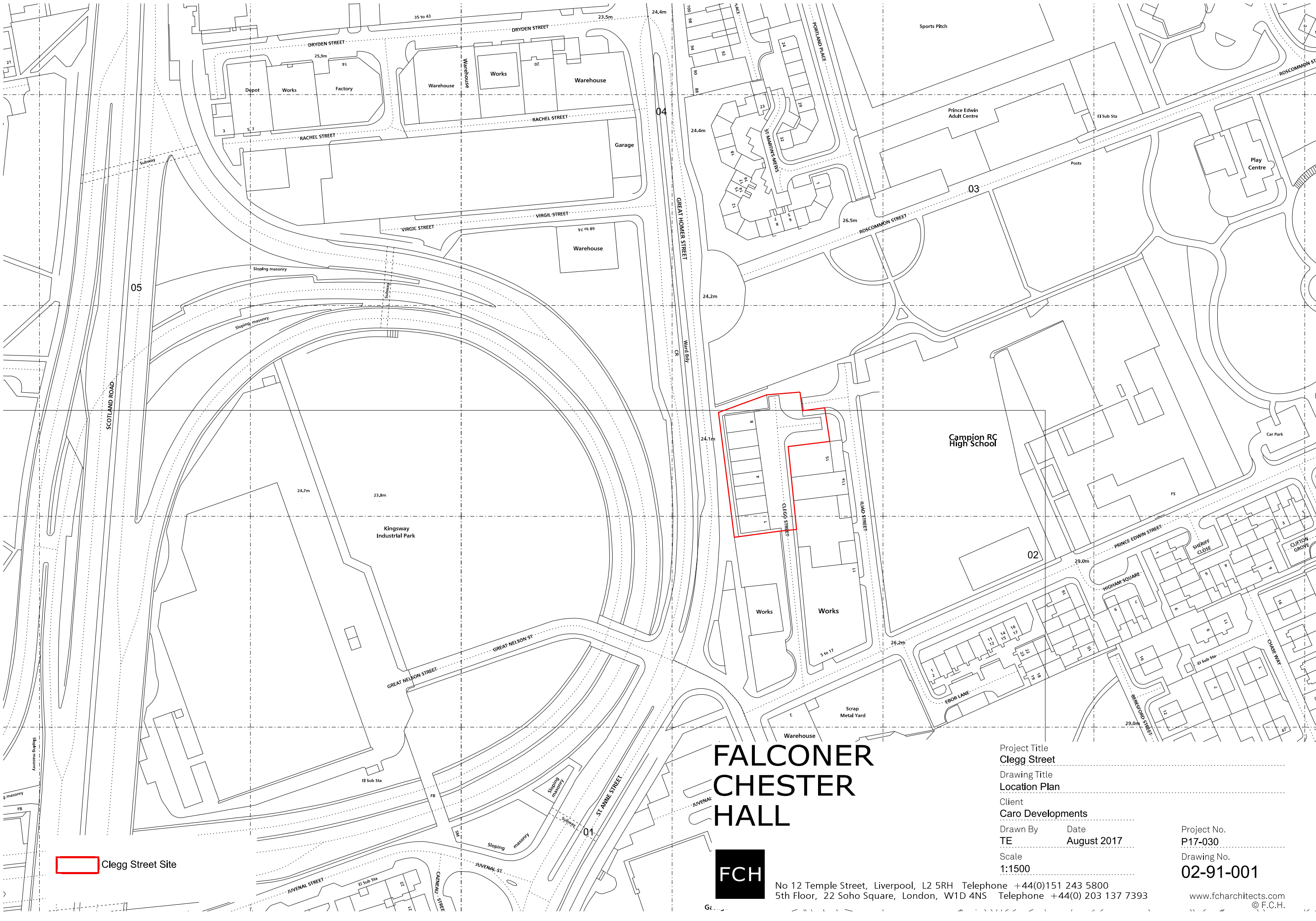
Stage	Prepared By	Checked By	Date	Signed
DRAFT	DN	SB	10/10/2017	
DRAFT	DN	SB	17/10/2017	
FINAL	DN	SB	20/10/2017	

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Appendix One

Site Plan



 Clegg Street Site

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Project Title
Clegg Street

Drawing Title
Location Plan

Client
Caro Developments

Drawn By Date
TE August 2017

Scale
1:1500

Project No.
P17-030

Drawing No.
02-91-001

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