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Workspace Futures

The changing dynamics of office locations

April 2015

Executive Summary

The 21st Century has seen significant shifts in the way business is conducted. New technology and working practices have transformed the way companies communicate and organise themselves so that nowadays the way offices are used has become inherently more complicated.

In recent years much employment growth has been driven by knowledge-intensive business services leading to a race for the most talented workers. The resulting urban resurgence has been shaped by market demand and lifestyle factors of these key workers for workplaces that are in close proximity to a range of services, amenities and entertainment. These denser work environments enable companies to thrive and benefit from agglomeration economies such as sharing ideas, resources, and having access to a large pool of potential labour and customers.

While the race for talent has driven companies to expand more in urban centres, the highly competitive nature of these office markets, due in part to space limitations and high costs, means that companies have had to adapt the way in which they use office space in order to survive in these locations. Over the past decade, the number of office-based jobs has outpaced office space growth resulting in a declining density ratio of sq m per employee as companies strive to make more efficient use of space. Flexible working practices, supported by technological advances and enhanced broadband connectivity, have relinquished some space requirements.

However despite a reduction in overall office space per employee, the office is far from dead. The densification of offices does not always lead to smaller overall floorplates. Smaller workstation space is in some cases offset by growing communal space for leisure, amenities and collaborative workspace to meet the needs of modern office-based occupiers.

Analysis by NLP in this report shows that while the scale, type and location of office stock varies considerably there are three broad location types that shape the office markets in major towns and cities – the urban core, the fringe/ periphery and out-of-centre.

The challenge for workspace providers, developers and local authorities is to plan for what today's office market occupiers are looking for and mould the various locations to suit their needs. The rising costs of offices in urban core locations due to a shrinking pipeline and pressure from new permitted development rights (enabling conversion to residential) provides opportunity for fringe and peripheral locations to capture market spillover.

There are opportunities outside the city that developers and policymakers need to plan for in order to meet space requirements for scale-ups and growing companies. The changing dynamics of office locations presents an opportunity for peripheral and out-of-centre business parks to reinvigorate themselves through repurposing existing stock, improving connectivity to the urban core and adding the types of amenities and better sustainability credentials that modern office occupiers desire.

Location Type:

Urban Core

Description:

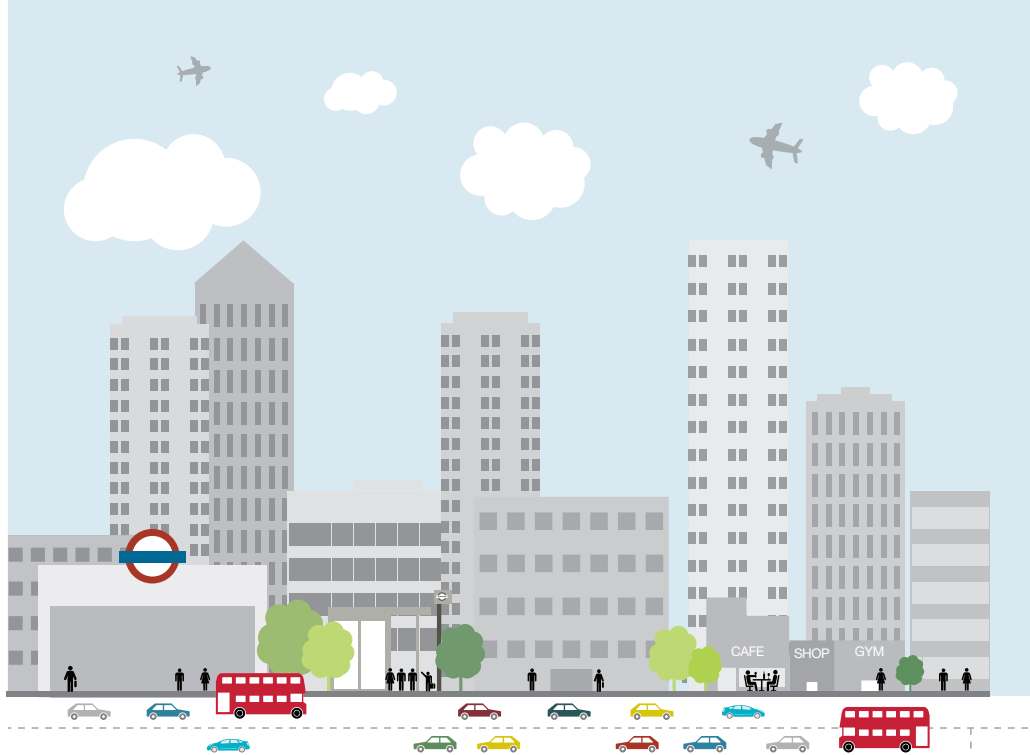
Central office market areas with high levels of employment density

Key Attributes:

Particularly attractive to knowledge intensive business services that benefit from agglomeration and access to public transit and amenities

Offices add to the vibrancy & vitality of the urban core, supporting high streets e.g. shops, restaurants, gyms etc.

Facing potential supply crunch and rising rental levels – which could push tenants to periphery/fringe



Location Type:

Fringe/Peripheral

Description:

Edge of town and suburban employment centres, offices interspersed with residential areas

Key Attributes:

Good access to urban core through metropolitan rail links

Opportunities for 'future proofing' developments, allowing capacity for future space to meet needs of growing companies squeezed out of the core

Facing pressure from new permitted development rights e.g. converting offices to residential



Location Type:

Out-of-town

Description:

Large out-of-town business parks and science parks located on the edge of urban settlements

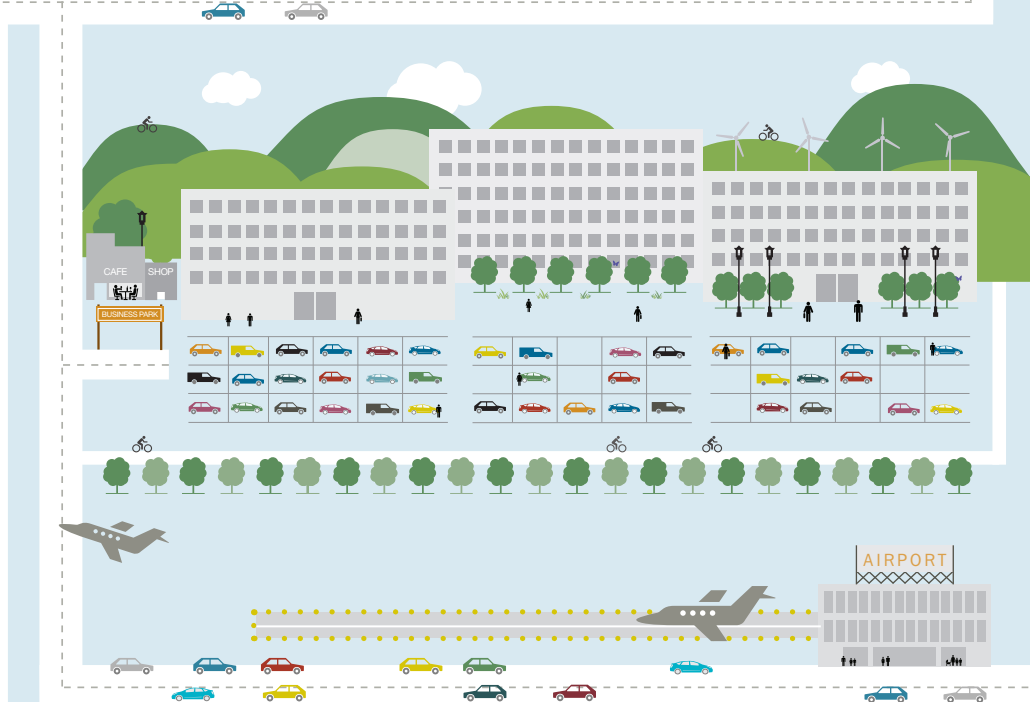
Key Attributes:

On strategic transport corridors providing vital access to key transport links (motorway, airports)

Opportunities to improve connectivity to core through cycle paths and bus links

Potential to capture relocations from centre by matching offer to industry standards e.g. renovating public realm and amenity offer to include leisure & retail

Scope for investment to improve corporate social responsibility and environmental performance credentials through refurbishing and upgrading older stock





Introduction

Just a few years ago some futurologists envisioned that the traditional office would become a relic of the past. New technology, it was claimed, would make work truly mobile, while super-fast broadband and video conferencing would combine to make homeworking a viable option for the majority, leading some to proclaim a coming era of the 'death of distance'¹.

In reality the traditional office remains a staple part of the business world. While the use of office space continues to change to meet evolving working practices the basic corporate workspace is still as much an important component for most companies as it was 50 years ago. Where the office market has changed is in the degree of flexibility and varying types of work spaces that cater for a diverse range of businesses and organisations, many of which are knowledge-based. New ways of working and connecting have had a significant impact on office space requirements.

The purpose of this report is to explore how these trends in office space requirements play out spatially. These trends present a series of challenges and opportunities for developers, workspace providers and local authorities in planning for and meeting new and emerging spatial requirements for employment.

The following sections look at some of the current and emerging trends in work and employment that are affecting office space needs and will continue to influence usage of space by businesses in the years ahead.

The report examines the spatial implications that these work trends are having on office stock and the resulting office market typologies that have evolved in major towns and cities across the UK.

Finally, it looks at what this means for developers, workspace providers and local authorities in planning for and meeting the needs of businesses.

Changing office space requirements

The use of space by businesses is influenced by a range of political, social, economic and technological factors. Changes in these affect usage of space and the perceived benefits of different locations. These are explored in turn below.

Growth sectors and new ways of working

The structure of employment growth in the UK in recent years has primarily been within the knowledge economy, broadly comprising knowledge intensive business services that include professional services sectors and technology and digital media/creative firms. Within these growth sectors there are different office space needs. Media and tech companies, for example, often have different demands/requirements to more conventional professional business occupiers. Creative workers within the Technology, Media and Telecommunications (TMT) sector tend to value having both dedicated desks combined with collaborative workspace. They also have a preference for more 'communal' amenity space than traditional offices.

New ways of work within the knowledge economy are leading to emerging organisational models that have different office space requirements. Table 1 examines some of the new types of organisations and working habits and their spatial implications on office space requirements.

Emerging company types such as innovators, collaborators and coordinators² require more flexible office space that enables their employees to interact and exchange ideas, whereas established companies are more likely to seek traditional, formal workspace often with large floorplates and on a more fixed term basis.

Table 1: Emerging organisational models and office space needs

Organisational model	Key attributes/description	Type of space required	
Innovators	Creative, dynamic companies, at the cutting edge of their industries	Flexible lease length to respond to rapid growth (or decline)	Shorter lease More Flexible/ temporary space
E-lancers	Electronically connected freelancers	Affordable, informal/flexible, pay per use	
Collaborators	Project-based work groups for temporary/ad hoc projects	Flexible, short-term lease	
Coordinators	Establish relationships and coordinate activities so that work gets done	Fixed, long-term lease, multiple offices (regional/international)	Longer lease More fixed space
Cultivators	Draw on the best practices/skillsets offered by their teams/resources to grow their companies	Fixed, long-term lease, multiple offices (regional/international)	
Outsourcers	Company manages and delegates through outsourcing to other firms/contracting out to specialists/individuals	Fixed, long-term lease, smaller floorplate for core staff only, centrally located in large urban centres for ease of access for meetings	

Source: Harvard Business Review, Brookings Institute, NLP analysis

Resurgence of urban locations

The race for talent in high growth sectors has led to a resurgence of the city centre as the preferred location for businesses and workers. The urban-centric growth of employment has been in part driven by market and lifestyle factors such as a growing interest among employees, particularly in high growth knowledge intensive businesses, for working in urban environments in close proximity to a range of services, amenities and entertainment. Denser work environments enable companies to thrive and benefit from agglomeration economies such as sharing ideas, resources, and having access to a large pool of potential labour and customers. Declining car ownership and public transport policy have also had a role to play in influencing the locational decisions of office based firms and encouraging urban centre development.

Office jobs outpacing space growth

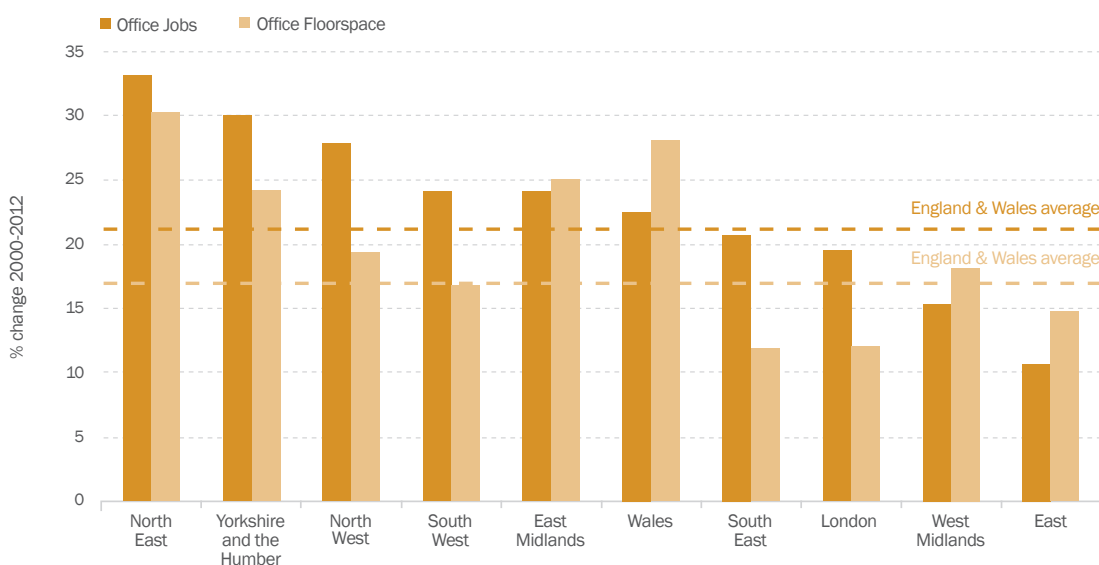
Broad national trends show office job growth over the past decade has outpaced growth in office floorspace. Between 2000 and 2012 the number of office jobs in England and Wales grew by 21%, while over the same period the total national stock

of office space increased by 17%. This implies that occupiers are making increasingly efficient use of office space, both in terms of new additional space as well as existing space.

While this is the overall broad national picture it is important to note that the trends of office space and jobs growth are more intricate and nuanced at a regional and local level. As Figure 1 shows there has been some variance between office jobs and space growth in different regions reflecting local economic factors. However, in six out of ten regions office jobs growth has outpaced floorspace growth since 2000.

This trend has been more pronounced in London and some of the core cities. For example between 2000 and 2012 the growth of office jobs in Manchester was double the increase of office floorspace over the same period. Meanwhile in London, Liverpool and Leeds office jobs growth has been around a third higher than the increase in office floorspace over the past decade. This trend reflects employment growth in city centres and companies increasing employee density in more expensive urban core locations.

Figure 1: Office jobs vs office space growth for English regions & Wales 2000-2012



Source: NLP analysis
N.B. Office jobs refer to total workforce

Flexible working practices

Over the past few decades there has been a significant rise in the number of workers who are self-employed. At the same time, an improvement to broadband connectivity combined with more tolerance of working remotely by employers has led to a rise in the levels of home working in the UK. Efficiency and cost savings measures also provide a key driver behind these flexible ways of working.

Self-employment is at its highest level for 40 years according to data from the ONS. There are now 4.6 million people self-employed in the UK accounting for 15% of the total workforce. While the most common jobs for the self-employed are in construction and skilled trades, over the past five years there has also been significant growth in self-employment among industries such as management consultancy, information technology and chartered accountants – professions that traditionally have some requirement for office space.

For example, between 2009 and 2014 the number of people self-employed in information and communication sectors grew by 47.8% to 211,000. Over the same period self-employed workers in financial and insurance activities increased by 45.7% to 96,000³.

Businesses are increasingly adapting their practices to account for the varying lifestyle of modern workers, many of whom often need to balance flexible working hours with family and other commitments. Improvements to technology (such as increased access to broadband) and more accepting attitudes to remote working have contributed to an increase in flexible working particularly in some sectors that lend themselves to this type of work such as financial and business services, consultancy and accounting.

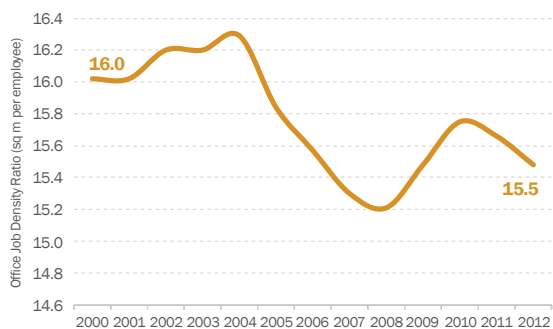
Smaller but denser workplaces

As a result of these various market trends the size of workspace stations have been getting smaller. The density ratio of sq m per employee has declined over the past decade (see Figure 2). Part of this is due to space requirements aligned to each worker falling as technology devices such as computers have reduced in size considerably over the years making it possible for workspaces to become smaller and more compact. Other trends such as hot desking and remote working have become more established and accepted practice across companies and sectors, which have removed some desk requirements.

Despite the reduction in overall office space per employee, most businesses and workers continue to recognise the important role of an office to encourage interaction, networking and collaboration between employees. Indeed smaller offices bring employees closer together creating more opportunities for collaboration and effective team working.

While the headline employee density ratio might be in decline, the densification of offices does not always lead to smaller overall floorplates. Smaller workstation space is in some cases offset by growing space for break-out areas and amenities such as cafés and gyms⁴.

Figure 2: Office job density ratio 2000-2012



Source: VOA, Experian, NLP analysis
N.B. Data for total jobs. Figures include allowance for 10% vacancy as a typical market benchmark

Policy Influences on office market trends

Town centres first

To some extent the growth of urban office markets has been driven by policy initiatives such as the town centre first policy which more recently has made it more difficult to obtain planning consent for out-of-town office schemes. Government initiatives such as the new crop of Enterprise Zones and City Deals have also aimed to drive job and economic growth in cities and city regions.

Pressure from office-to-residential conversions

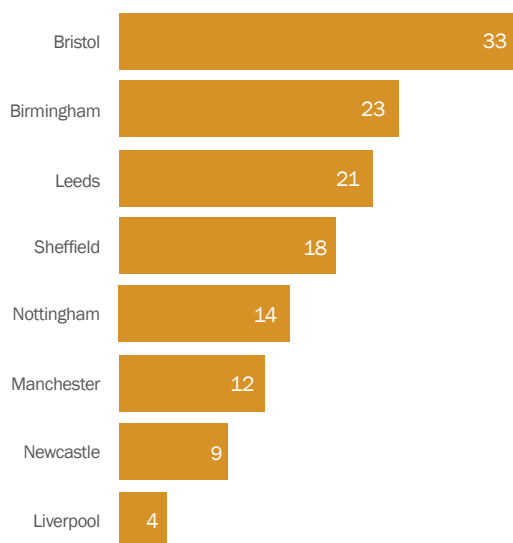
The Government introduced Permitted Development (PD) Rights in 2013 which allow change of use of office space to residential without the need full planning permission. This has led to a growing number of developers converting commercial properties to homes particularly in locations where an acute shortage of housing has driven up the value of creating new housing instead of commercial premises.

Introduction of this policy supersedes VOA stock analysis in this report. The PD rights policy has the potential to lead to a future deficit in office space and increased pressure on office markets. A study by RICS⁵ found that nationally the availability of commercial property has been declining at its fastest pace since 1998, fuelled by the growing conversion of offices into homes since the new PD rights were introduced.

Exclusions apply and it is worth noting that in some locations (particularly those with a surplus of outdated office stock) the policy is having a positive effect by removing poor quality office space and driving up rental values to a point at which new office development starts to become viable.

Data released by CLG⁶ on the number of office to residential applications that were granted or approved without prior consent between April and December 2014 provide a narrow snapshot of the impact of PD rights in major urban centres (Figure 3). Taking into account broader industry metrics (e.g. IPD data shows average UK office rents increased by 7.1% in 2014, compared to just 3.4% in 2013) there are signs that the new PD rights policy is partly behind a race for space in major urban locations.

Figure 3: Number of office-to-residential applications granted or prior approval not required in England's Core Cities (April 2014-December 2014)



Source: CLG, NLP analysis

Market and location typologies

The office market is undergoing fundamental changes in response to various market trends including those summarised in the previous section. The challenge for policy makers and the private sector is how to respond to and accommodate the varying types of market demand and emerging working practices when and where they arise.

Whilst the changing dynamics of office-based work have significant spatial implications on the make-up and shape of local office markets, it is possible to identify three broad office market typologies, namely **centralised**, **polycentric** and **decentralised**, based on the relative distribution of office stock across urban areas. This analysis draws on a categorisation of space into **urban core**, **peripheral/fringe** and **out-of-town** location types.

Eleven case studies have been selected to illustrate the spatial dynamics of different office markets in England. Office stock data from the Valuation Office Agency (VOA) for each location has been mapped, and space classified depending on the scale and geography of each location (see methodology box).

Two Greater London/M25 case studies have been selected to reflect the complexity and diversity of the Capital's office markets.

The key spatial characteristics of office floorspace for each of the eleven case studies are presented in Figure 4. Based on the spatial proportions of office stock it is possible to put each case study into one of the three market typologies.

The core attributes of each market typology are summarised below, alongside an overview of the case study locations. A more detailed description of each case study's office market geography and characteristics is presented in the second half of this report ('Location Profiles').

Whilst usage and density of office space varies significantly by location (and indeed within individual locations), centralised office locations tend to be characterised by the highest densities of office workers per sqm. Polycentric and decentralised office locations typically accommodate lower density office based activity, driven in part by greater land availability and in some cases fewer cost pressures.

In the majority of cases, growth in office based jobs has outpaced floorspace growth in recent years, reflecting an underlying shift in the way that office space is being utilised across the country. In some locations, particularly those characterised by constrained urban centres, office space has been gradually eroded over the last few years in response to structural market changes (such as occupier consolidation), development pressure from higher value uses and as landowners, developers and local planning authorities seek to remove outdated stock from the market.

Methodology

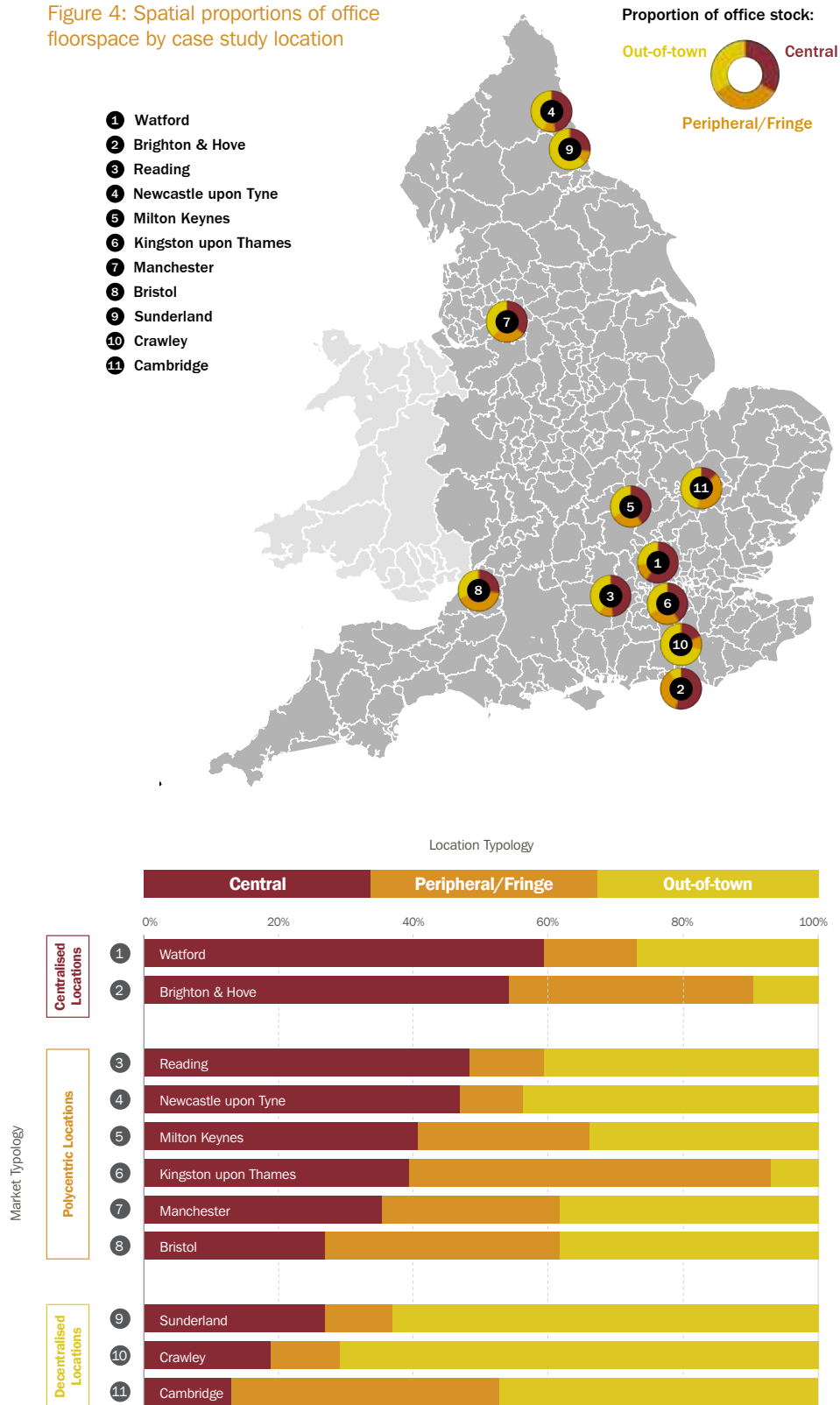
For each case study the amount of office floorspace (in sq m) has been plotted using the latest available Valuation Office Agency (VOA) data. The definition of offices used is the office bulk class category of rateable floorspace according to the VOA. Circles on the maps are scaled to show relative size of office stock based on postcode.

The urban core for each location has been identified based on an assessment of where the bulk of central commercial/business activity occurs combined with areas of high retail and leisure density as well as good access to public transit, typically within 1-1.5km.

The boundaries for periphery and fringe have been assigned based on local market dynamics and the overall size of settlements. The parameters for the distance rings vary for each location depending on the amount of sustained density levels of commercial activity and transport connectivity from the urban core.

The proportion of office space within each sphere has then been calculated to identify the broad spatial distribution of office stock for each location.

Figure 4: Spatial proportions of office floorspace by case study location



Source: Valuation Office Agency, NLP analysis

	Description	Key attributes/characteristics	Profile location examples
Centralised	<ul style="list-style-type: none"> Locations where the majority of office stock is concentrated within the urban core. Tend to be larger towns and cities with a vibrant central area that is supported by a strong retail and leisure offer and good public transport links 	<p>Occupiers in office market locations with a strong central core tend to benefit from clustering effects of being close to their competitors and customers. Over the past decade the growth of knowledge intensive business services has seen an increasing concentration of companies basing themselves in central locations primarily to benefit from agglomeration economies and the knowledge spillovers that result from workforce density.</p> <p>Centralised markets tend to consist of high density office accommodation with a mix of floorplate sizes and occupiers often sharing the building with other firms.</p>	Watford, Brighton & Hove
Polycentric	<ul style="list-style-type: none"> Locations where there is a more equal distribution of office space between central, peripheral and out-of-centre locations. This could be areas where there is roughly the same amount of office stock in the core as there is out-of-town. Tend to have one or more significant secondary office market clusters in the fringe or out-of-town areas. 	The split in major office market locations often reflects particular transport corridors in an area. It can also be driven by policy such as a Local Authority or Central Government promoting certain fringe/peripheral areas for particular sectors for example through Enterprise Zones or directing government grants towards supporting development in particular areas as part of regeneration programmes. It might also reflect the historical development of a particular location, with town centre office development first followed by more recent out of town provision.	Reading, Newcastle, Milton Keynes, Kingston Upon Thames, Manchester, Bristol
Decentralised	<ul style="list-style-type: none"> Locations that have a comparatively small proportion of their total office space within the central urban core (often less than a quarter). Business and major employment activity is likely to be primarily located in fringe areas or on the periphery as well as out-of-town business parks. 	<p>One of the drivers behind decentralised office markets is a highly constrained urban centre, meaning there is little alternative than for office space to be taken-up in the fringe/out-of-centre where development opportunities are more freely available and or where large strategic employment developments exist on the edge of the urban area.</p> <p>While some decentralised office markets develop in response to policy/planning restraints (e.g. to preserve the historic character of locations), there are also cases where market demand drives out-of-centre office market development. The draw of out-of-town locations for example can be driven by proximity to infrastructure and transport (e.g. motorways, airports), as well as the opportunity to be located close to other businesses to save on transaction costs (e.g. access to key suppliers). Access to talent can also be a draw for occupiers as many science parks have strong connections with universities and research centres making them a key destination to tap into a highly skilled workforce.</p>	Sunderland, Crawley, Cambridge



Implications

The state of the office market is in flux. How office space is used is arguably undergoing its biggest shift in a generation and since the UK's first modern business parks were established in the 1950/60s.

However the death of the conventional office has been largely overstated. Employers and employees still value office environments. Indeed in some instances there is growing demand for office space in strategically significant locations for certain sectors and industries.

This report has identified three broad location types that reflect shape the office markets in major towns and cities – the urban core, the fringe/periphery and out-of-centre. Examining a number of case studies shows that there is a clear distinction between the role and structure of office markets based on where they are located and reflecting the intrinsic economic characteristics of different places.

The challenge for both local authorities and the development industry as a whole is to understand the spatial planning needs for occupiers in each office market location typology. Some issues are overarching and applicable to both the private and public sector across each location typology such as:

- understanding the make-up of the local office market in order to capitalise on the future growth potential of existing and emerging clusters and segments
- keeping up-to-date with policy developments which may have an impact on locational choices (e.g. changes to permitted development rights)
- considering scope for 'future proofing' developments, allowing capacity and flexibility for add-on space and additional floor plates to support enterprise growth.

There are a range of practical measures that are more specific to each location typology for both local authorities and the development industry to consider in order to effectively respond to and cater for the changing dynamics of work (see table to the right).

Office markets are constantly evolving and do not adhere strictly to designated authority boundaries. There is inevitable spillover in office markets particularly in underbounded authorities making it necessary for developers and local authorities to collaborate and work together in planning to meet the space requirements across functional economic market areas.

Location Type	Implications for public policy	Implications for private sector (developers, investors)
Central/ Core	<ul style="list-style-type: none"> • Monitor the impact of PDR on central office market locations (type and quantity of space) and identify intervention measures if necessary • Opportunity to capitalise on offices as part of a strategy to support the growth and vitality of the core area • Identify constraints to accommodating high growth and expanding businesses and explore potential intervention options (such as identifying/making provision for a 'ladder of premises') 	<ul style="list-style-type: none"> • Analyse and monitor where transport investment is likely to create potential uplift or new market opportunities (e.g. Crossrail's potential to revitalise suburban London office market locations) • Opportunities to incorporate high quality office space in mix-used and public realm developments • Understanding the right balance between traditional office space and informal, flexible working space
Peripheral/ Fringe	<ul style="list-style-type: none"> • Monitor the impact of PDR on peripheral office market locations and identify intervention measures if necessary • Incorporate fringe office market into strategies that aim to support vitality and vibrancy of District centres • Using fringe to accommodate spill over from core 	<ul style="list-style-type: none"> • Understanding the relative balance between pre-let and speculative space requirement to inform viability • Target scale-ups and high growth companies that require larger floorplates as they expand. Promote cost advantages of fringe as an effective 'halfway house' between core and out-of-town locations • Analyse and monitor where transport investment is likely to create potential uplift or new market opportunities in the peripheral and fringe areas of urban locations
Out-of-town	<ul style="list-style-type: none"> • Look at potential to encourage diversification of uses and sustainable supportive facilities e.g. retail, leisure • Support diversification of travel choices e.g. providing bus connections to the core and urban cycle routes (e.g. Bristol & Bath Science Park) • Respond positively to proposals that seek to reconfigure/use space more effectively to respond to shifting market demand • Requires effective collaboration and duty to cooperate between neighbouring authorities as well as undertaking a thorough review of functional economic market areas 	<ul style="list-style-type: none"> • Investment opportunities to repurpose existing assets and older stock. Opportunities for building upgrades and retrofitting to add new broadband connectivity • Aim to meet CSR and environmental needs. Opportunity to build BREEAM certificated offices with high environmental performance that are becoming important for some occupiers • Capture firms displaced from more central locations by matching offer to industry standards (e.g. by incorporating enhanced retail and leisure amenities and public transport facilities)

Source: NLP analysis

Endnotes

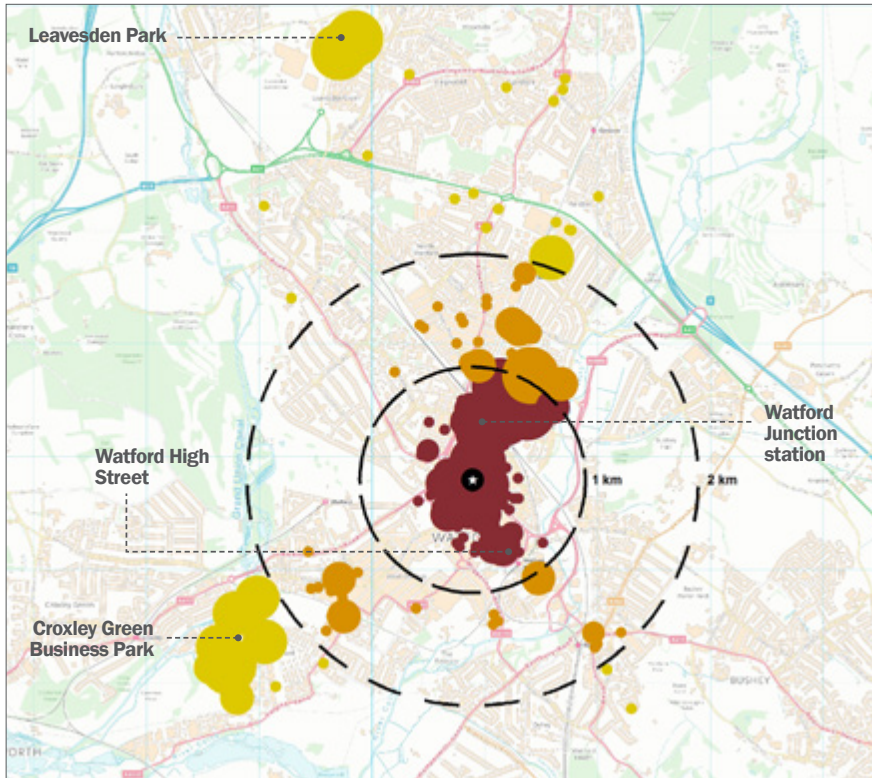
- 1 The Death of Distance: How the Communications Revolution Is Changing Our Lives, Francis Cairncross, 2001, Harvard Business School Press; The Economist, A connected world, Sept 1997
- 2 Emerging company types have been drawn from an extensive range of literature on the topic see for example: The Rise of Innovation Districts: A New Geography of Innovation in America, Brookings Institute, 2014; The New Science of Building Great Teams, Harvard Business Review, April 2012; Make Time for the Work That Matters, Harvard Business Review, September 2013; The Shallows: How the internet is changing the way we think, read and remember, Nicholas Carr, 2010, Atlantic Books
- 3 ONS, Self-employed workers in the UK, 20 August 2014
- 4 For further reading about emerging uses of workspace see 'Future Workspaces: Building for Collaboration' in Cities as a Lab: Designing the Innovation Economy, The American Institute of Architects
- 5 RICS UK Commercial Market Survey, Q2 2014
- 6 CLG - Table E1: 'district matters' decisions on applications for prior approvals for permitted developments, by local planning authority, April – December 2014

Location Profiles



1 Watford

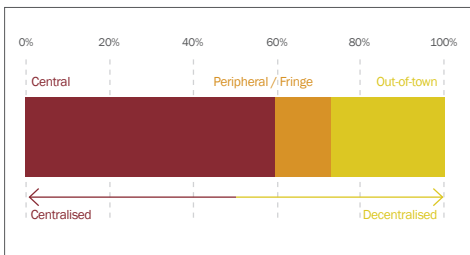
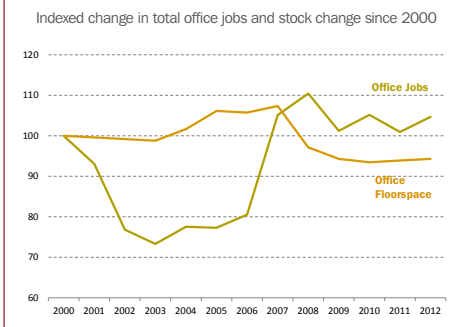
Typology: Centralised



-5.7%
Change in total office floor space 2000-2012

+4.7%
Change in total office jobs 2000-2012

13.2
Office Job Density Ratio (2012)



Source: VOA, NLP analysis

Watford is one of the fastest growing centres around London and is a popular location for office occupiers, particularly those seeking an accessible, North West M25 location. Around 60% of the town's office stock is located within the centre of Watford making its office market highly centralised. Its prime office location, Clarendon Road, sits between Watford Junction mainline station (with excellent links to Central London and the Midlands) and the bustling town centre which offers a broad range of retail and leisure amenities.

Remaining office space is largely dispersed across Watford's out-of-town office parks including Watford Business Park, Croxley Green Business Park and Leavesden Park which tend to comprise modern campus style premises occupied by a mix of firms.

Going forward, the Borough's Local Plan aims to capitalise on Watford's office market strengths by protecting its central office core from other uses and continuing to encourage office development in and around the town centre, capitalising upon a major programme of investment and development around Watford Junction station and the town centre.

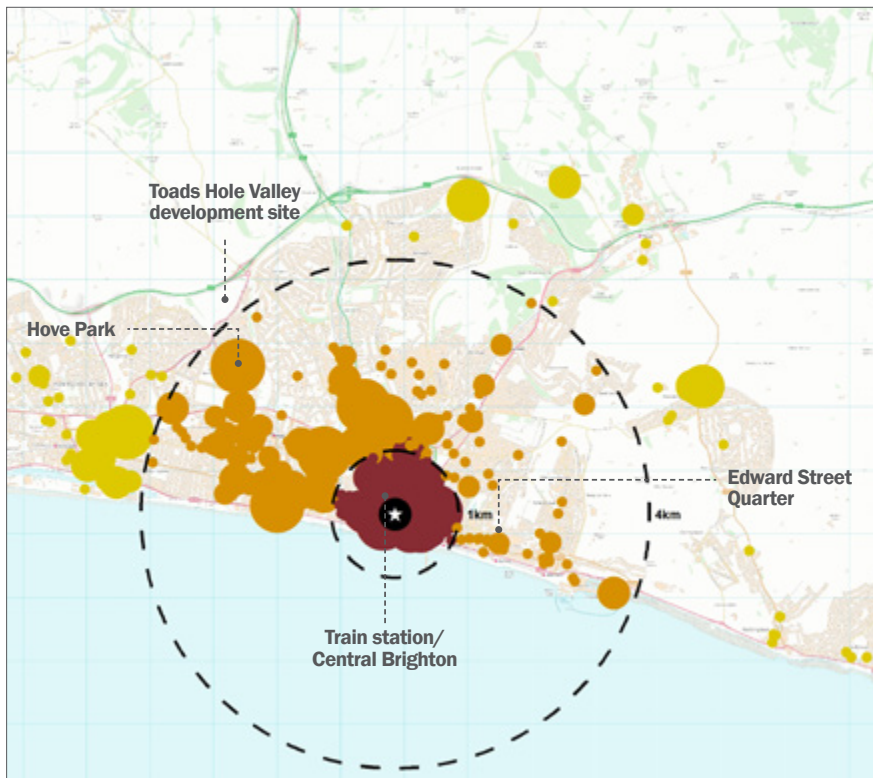
Watford's office stock has gradually been eroded in recent years partly in response to development pressure from higher value uses. At the same time, the number of office jobs in the Borough has increased slightly, resulting in a relatively high job density ratio of 13.2sqm, particularly when compared with other UK office centres.

Map note: Mapped office floorspace covers Watford Borough administrative area and selected business parks which fall within adjoining Three Rivers District.

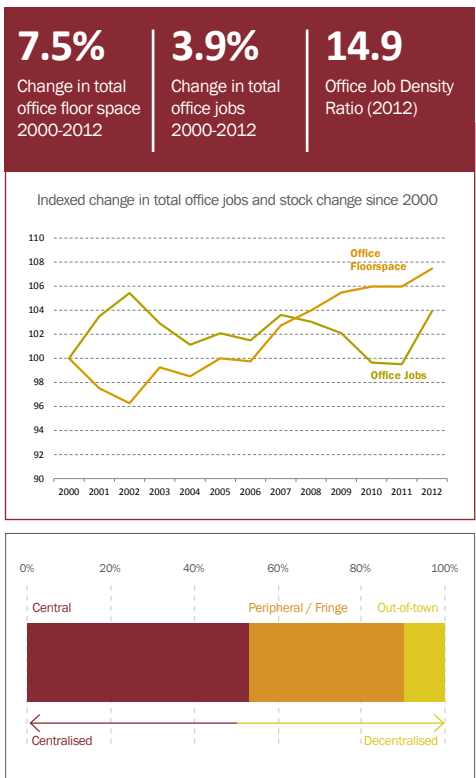
Key stats note: Office floorspace and jobs data relates to Watford Borough administrative area only.

2 Brighton & Hove

Typology: Centralised



Source: VOA, NLP analysis



More than half of Brighton Hove's office space is concentrated within the City Centre, in and around Central Brighton and the station/Queen's Road area. Key attractions for occupiers include excellent transport links (to Gatwick Airport, the Capital and beyond), a unique and diverse urban character, quality of life factors and the presence of a skilled local workforce.

The City Centre's high density cluster of amenities and premises are a particular draw for smaller creative businesses who value proximity to other like-minded firms and the opportunity to be part of a thriving business community. This growing trend for relatively small scale, flexible office units contrasts somewhat with Brighton's role in the 1970's and 80's as a key centre for large financial and insurance companies occupying big floorplates in relatively central locations.

Brighton & Hove has recorded relatively modest increases in office floorspace and jobs in recent years, equivalent to 7.5% and 3.9% respectively between 2000 and 2012. The average ratio between office jobs and floorspace in the City stands at 14.9sqm, which is slightly lower than the national average of 15.5sqm.

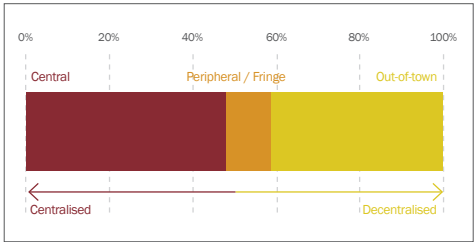
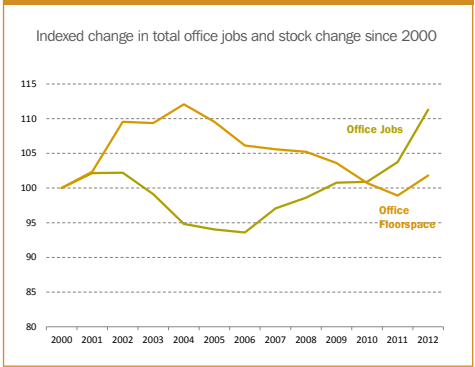
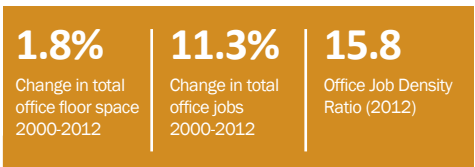
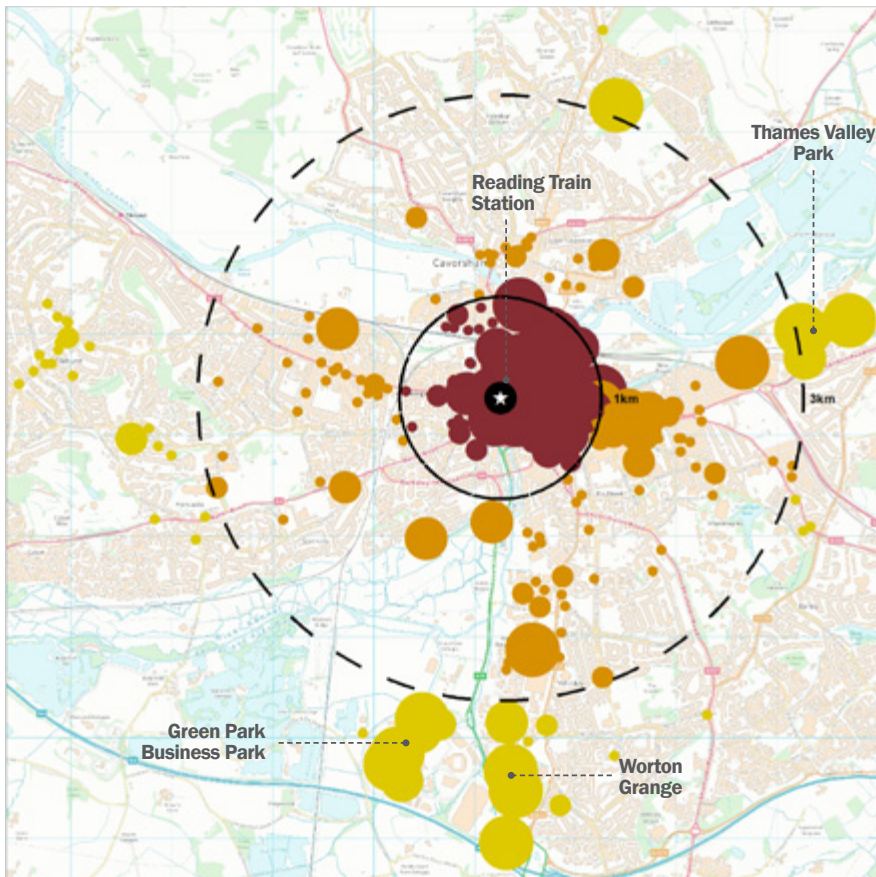
A key challenge for the City is how to plan for and accommodate new office space in future, given the limited availability of sites within central Brighton to deliver new space. Planning policy directs future office development to a number of strategic Development Areas on the city fringe (such as Edward Street and New England Quarter) and edge-of-town locations (Toads Hole Valley). There may therefore be scope to rebalance the City's office stock beyond the confines of the City Centre over the medium to long term, although some of these more peripheral areas remain untested in market terms, with out-of-town business parks currently accounting for just 10% of the City's overall office market.

Map note: Mapped office floorspace covers Brighton & Hove administrative area only.

Key stats note: Office floorspace and jobs data relates to Brighton & Hove administrative area only.

3 Reading

Typology: Polycentric



Source: VOA, NLP analysis

Reading is an example of a polycentric office market with an almost even split of office space in central and out-of-town locations. The central office stock is located in good proximity to around the centre and main train station. The out-of-town office stock is located around key road links to London and the rest of Thames Valley such as the M4 and A33 corridors.

Reading's market has a number of out-of-town clusters of office stock with large business parks such as the Thames Valley Park to the east of the centre and Green Park and Worton Grange to the south of the centre. Most of the stock on the business parks caters for large occupier needs and is made up of modern high specification buildings.

The town's centre offers a more diverse range of office space in terms of size specification and type to suit smaller office demand through more serviced and flexible office providers.

Reading has a prime position in the Western Corridor extending from the capital. It is set to benefit from new infrastructure such as Crossrail when it begins operating in 2018/19 – which will significantly shorten journey times to key employment centres in

central London. Looking ahead there is potential for Reading to capture overspill of office market needs from an expected supply crunch in London. Reading's office market is also likely to continue to benefit from the renaissance of urban centres. Increased residential development in the town and younger skilled workers opting to live closer to the vibrant centre will drive this trend and office take-up by businesses in the central area is likely to increase.

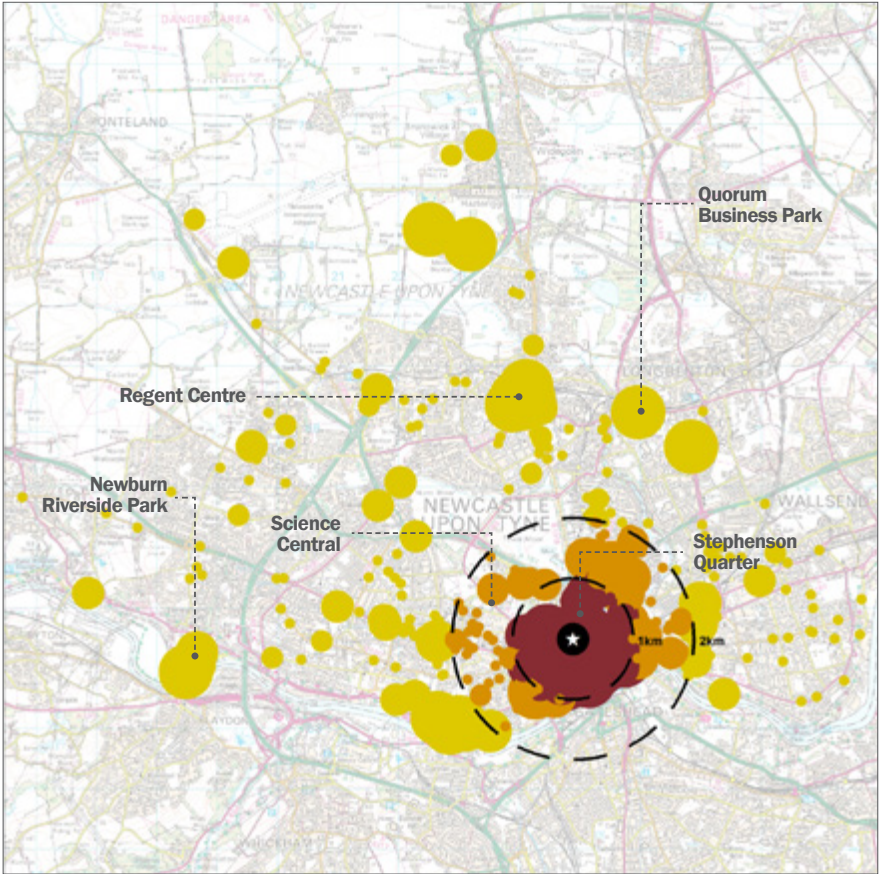
Growth in office jobs has significantly outpaced office floorspace growth in Reading in recent years, suggesting that the Borough's office based firms are making increasingly efficient use of both new and existing space. The ratio of office jobs to floorspace in Reading – at 15.8sqm – is about the same as the national average.

Map note: Mapped office floorspace covers Reading Borough administrative area and selected business parks which fall within adjoining Wokingham Borough.

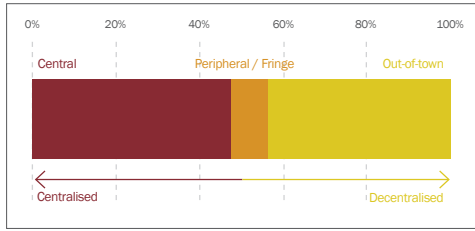
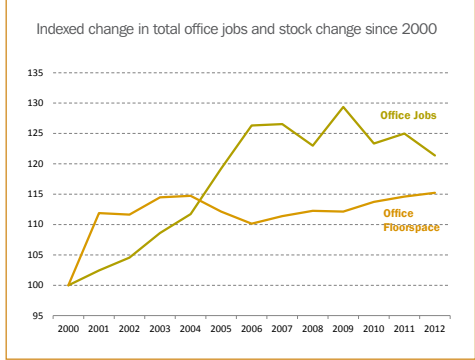
Key stats note: Office floorspace and jobs data relates to Reading Borough administrative area only.

4 Newcastle upon Tyne

Typology: Polycentric



15.2% Change in total office floor space 2000-2012	21.4% Change in total office jobs 2000-2012	23.4 Office Job Density Ratio (2012)
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Source: VOA, NLP analysis

Newcastle has a similar proportion of office stock located in the centre as out-of-town. The city has around 14 business parks which collectively account for 44% of the overall office stock. The city centre office market is dominated by the Grey Street/Quayside axis, which is characterised by occupiers from the professional services sectors.

Government policy and in particular Enterprise Zones has played a key role in shaping the Newcastle office market. The business parks at Quorum and Cobalt – which are viewed as part of the Newcastle market despite being located in adjoining North Tyneside – were designated as Enterprise Zones in the late 1990's. The financial benefits on offer, coupled with Cobalt's proximity to the strategic road network underpinned the attractiveness of these locations to office occupiers.

The accessibility afforded by the Tyne & Wear Metro – a light rail system with c.60 stations – has also contributed to the polycentric distribution of office space in the area. This is evidenced by the concentrations of office stock to the north of the city at Regent Centre and Longbenton, which have proved popular due to their proximity to Metro stations.

Over the past few years, office job growth in Newcastle (equivalent to 21.4%) has outpaced the increase in floorspace (15.2%) although the average office job density ratio of 23.4sqm remains much higher than the national average, perhaps reflecting the lower density nature of the City's out-of-town office accommodation.

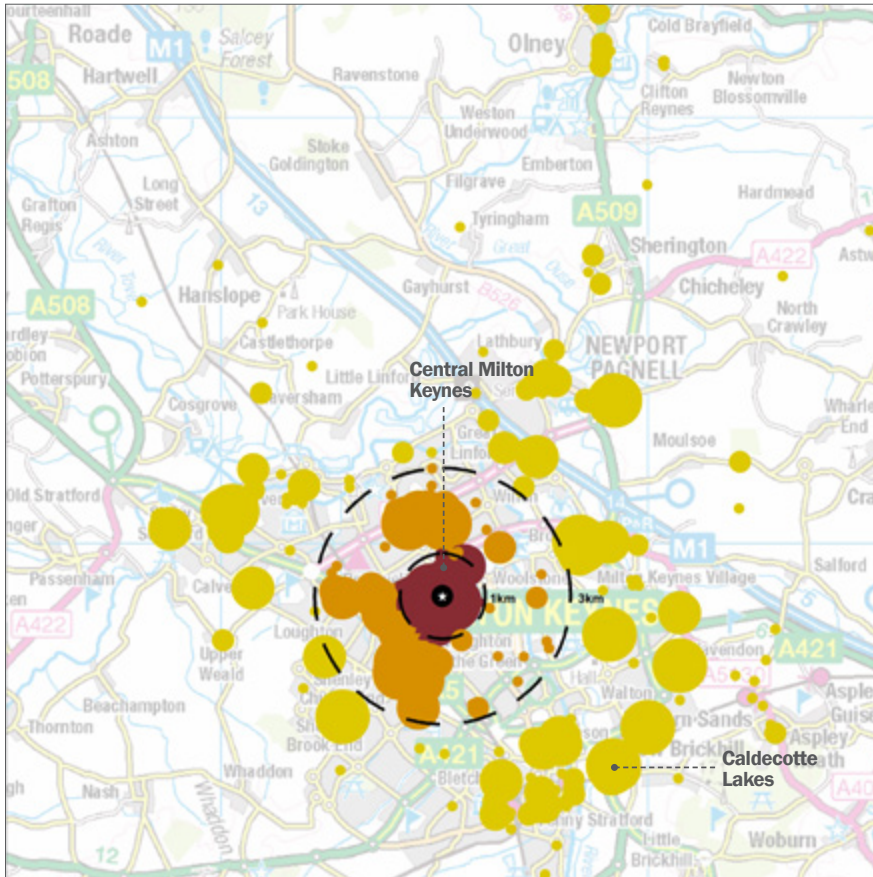
Newcastle City Council's adopted Local Plan places a renewed emphasis on delivery in the urban core. Employment allocations at Newburn Riverside and Newcastle Great Park have been reduced (in part due to slow demand and delivery) in favour of additional residential development, with the Council aiming to support office provision in the city centre at Science Central and the Stephenson Quarter.

Map note: Mapped office floorspace covers Newcastle upon Tyne administrative area and selected large business parks in North Tyneside.

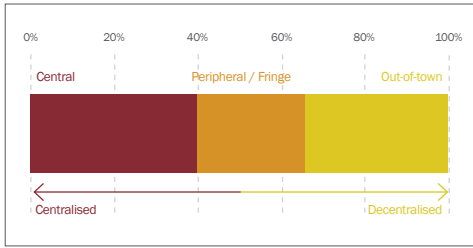
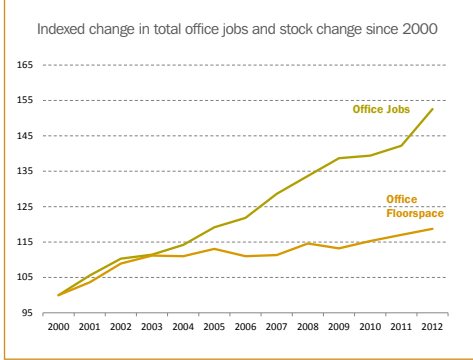
Key stats note: Office floorspace and jobs data relates to Newcastle upon Tyne administrative area only.

5 Milton Keynes

Typology: Polycentric



18.7% Change in total office floor space 2000-2012	52.5% Change in total office jobs 2000-2012	15.5 Office Job Density Ratio (2012)
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Source: VOA, NLP analysis

Milton Keynes is a medium sized office centre, with occupiers concentrated in the financial and business services, computing, R&D and telecommunications sectors. It has historically been successful in attracting inward investment and back office relocations from London and the wider South East because of its good rail/road links and almost unrivalled offer of large scale land and development opportunities stemming from its New Town status.

The city's office market is broadly split between the city centre ('Central Milton Keynes' which accommodates 41% of office stock) and self-contained business parks in out of town locations such as Caldecotte Lakes (comprising 34% of the city's office space). City centre fringe locations also account for around a quarter of all office stock in the city.

Milton Keynes office occupiers tend to prefer either 'in town' or 'out of town' locations with factors such as difference in car parking, access to motorway, access to rail and rent continuing to segment the in and out of town market offer. However, increasing preference for high quality 'Grade A' space is starting to force larger occupiers to out-of-town locations which offer

more flexibility and where more sizeable requirements are more likely to be accommodated.

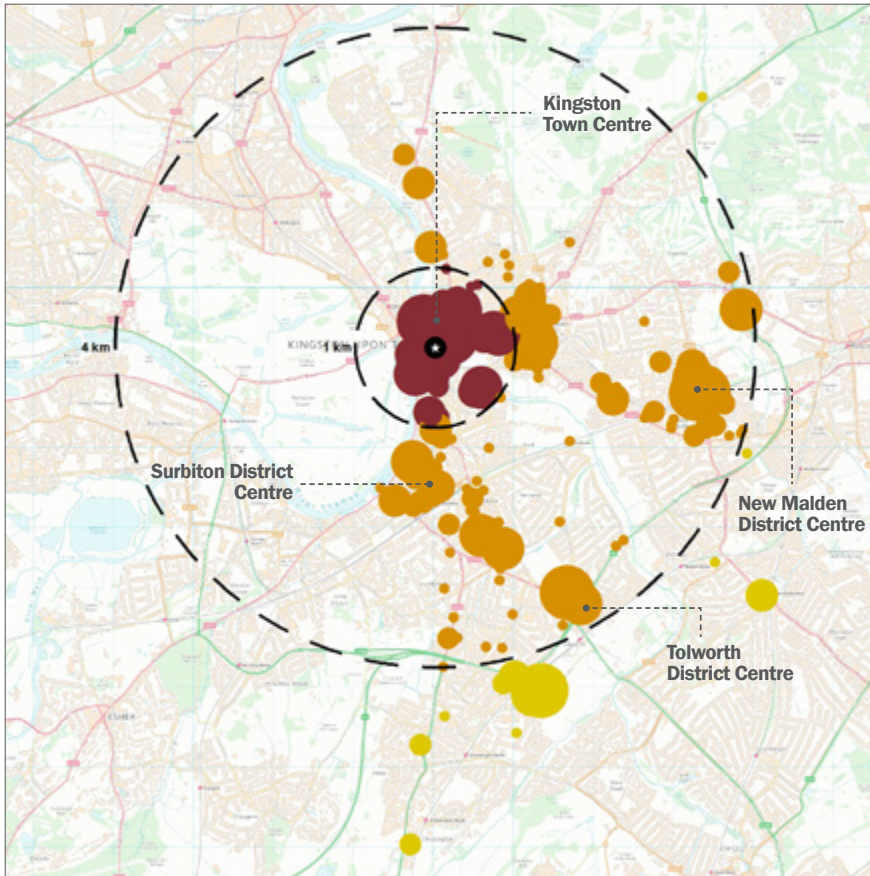
Strong economic performance in Milton Keynes in recent years is reflected in the high levels of office job growth recorded in the City between 2000 and 2012 (52.5%), outpacing office floorspace growth (18.7%) by a significant margin. At 15.5sqm per worker, the City's overall office job density ratio matches the UK average.

Map note: Mapped office floorspace covers Milton Keynes administrative area only.

Key stats note: Office floorspace and jobs data relates to Milton Keynes administrative area only.

6 Kingston upon Thames

Typology: Polycentric

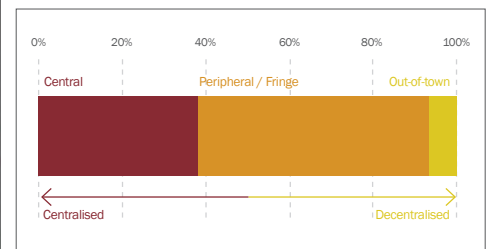
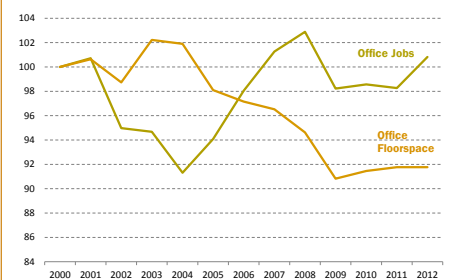


-8.2%
Change in total office floor space 2000-2012

0.8%
Change in total office jobs 2000-2012

15.9
Office Job Density Ratio (2012)

Indexed change in total office jobs and stock change since 2000



Source: VOA, NLP analysis

Kingston upon Thames represents a significant outer London commercial centre with a critical mass of SMEs who tend to generate the majority of demand for office space. Kingston Town Centre is the Borough's strongest market location for office uses and accommodates nearly 40% of all stock. It benefits from good transport links, a strong retail and services offer and an appealing and historic business environment.

The majority (54%) of office space is distributed across the Borough's District Centres of New Malden, Surbiton and Tolworth and also around the fringes of Kingston Town Centre, where larger floorplates and single occupiers can be found. By contrast, just 7% of Kingston's office stock is located in out-of-town locations, reflecting the limited number of lower density business parks in and around the Borough and occupier preference for M25 locations.

In recent years, Kingston's office market has been influenced by the wider trend of office space consolidation towards more central parts of London, and away from outer Boroughs that may have traditionally attracted this activity in the past (for example in the 1980s/90s when Kingston attracted sizeable firms seeking large office floorplates and an outer London location).

In response to these trends and also within the context of development pressure from higher value uses, office space in the Borough has gradually been eroded in recent years, while the number of office based jobs has remained broadly the same. The Borough's office market has had to adapt to changing occupier requirements and a shifting focus upon smaller scale, flexible and well connected accommodation.

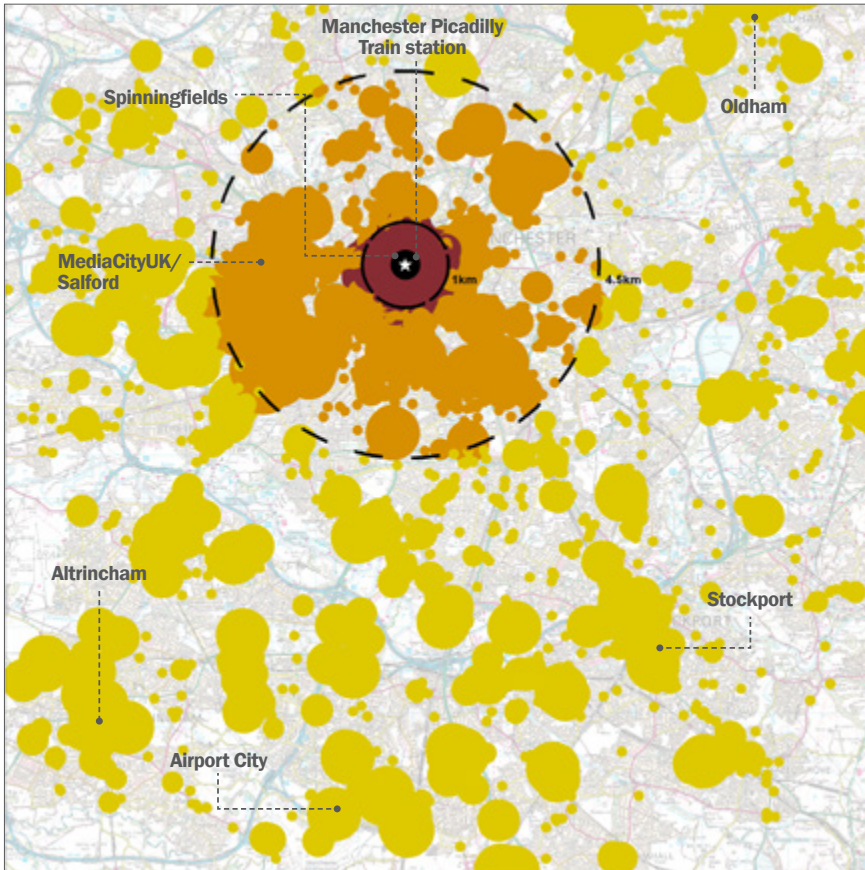
Within this context, the Town Centre represents the obvious focus for new office development going forward, particularly as investment is targeted upon improving its retail, leisure and tourism offer as part of a large scale regeneration programme which will help improve its attractiveness to office occupiers.

Map note: Mapped office floorspace covers the Royal Borough of Kingston upon Thames administrative area only.

Key stats note: Office floorspace and jobs data relates to the Royal Borough of Kingston upon Thames administrative area only.

7 Manchester

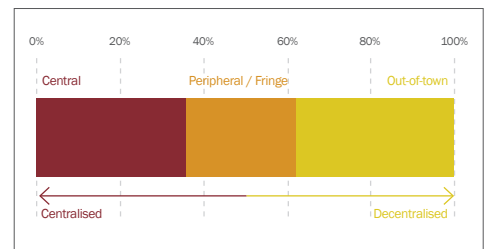
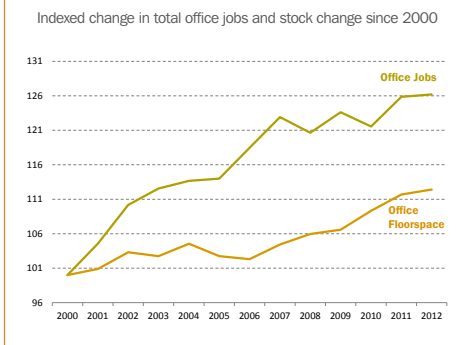
Typology: Polycentric



12.4% Change in total office floor space 2000-2012

26.2% Change in total office jobs 2000-2012

21.1 Office Job Density Ratio (2012)



Source: VOA, NLP analysis

Manchester has the largest commercial property market outside of London and represents a growing business location.

The dynamics of Manchester's office market are complex with the city of Manchester itself representing a highly centralised office market. However on a wider scale incorporating the broader conurbations around the centre, Manchester can be considered a polycentric office market with notable office clusters in the periphery/fringe in Salford including MediaCity UK as well as out-of-centre. There are significant office markets in outer city centre locations in the surrounding unitary authorities that make up the Greater Manchester Combined Authority (GMCA) such as Oldham and Stockport.

When looking at just the office stock located within the administrative boundaries of the city of Manchester, it is possible to identify highly centralised office market with almost two thirds (64%) of office space located in the urban core. Manchester's core central area has recently seen record highs for take up rates of office space as it continues to attract businesses in sectors related to the growing knowledge economy such as IT, media and consultancy.

Echoing trends seen across many other UK centres, the scale of office based job growth in Manchester City has outpaced office floorspace growth in recent years, although the average ratio of office space per worker – at 21.1sqm – still falls above the national equivalent.

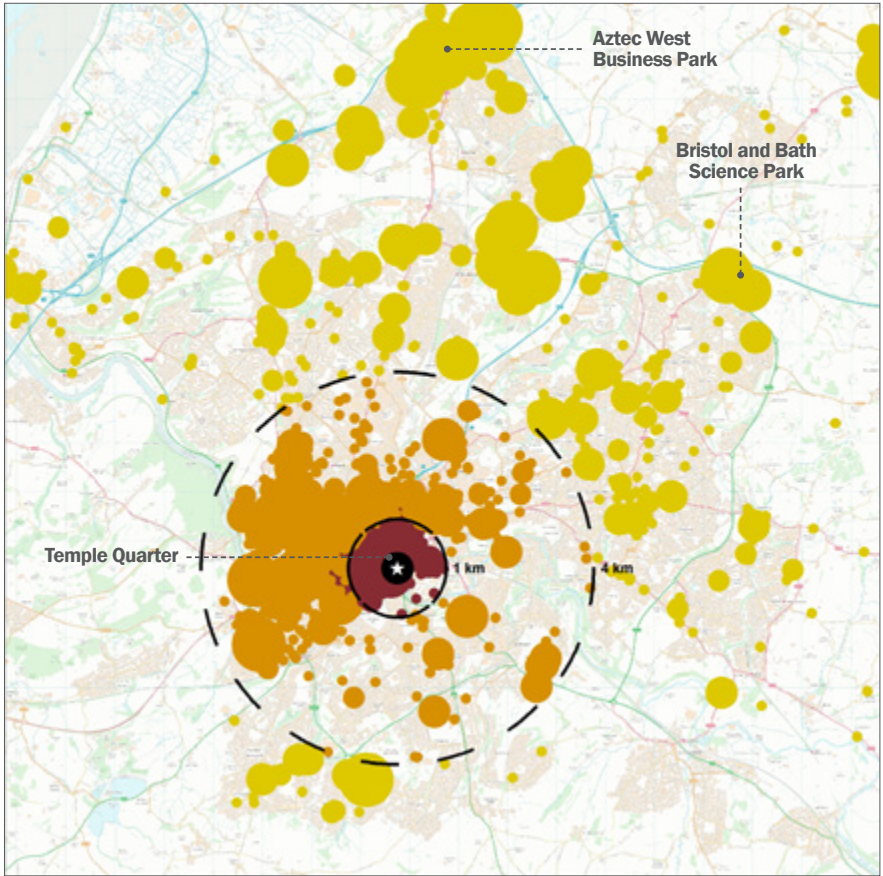
South of the city centre there is a notable growing out-of-centre cluster around the Airport City development adjacent to the Manchester Airport. Good transport links to the centre and air links to other UK and European cities and the site's Enterprise Zone status has made this an attractive location for international companies such as logistics company DHL which recently took up nearly 40,000 sq ft of office space.

Map note: Mapped office floorspace covers Manchester City administrative area and selected business parks which fall within adjoining Bury, Stockport, Oldham and Trafford Boroughs.

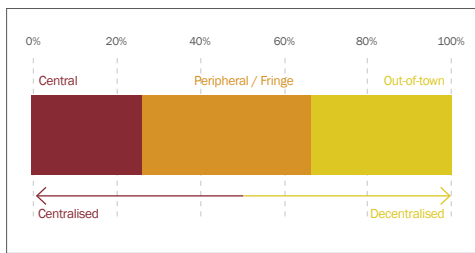
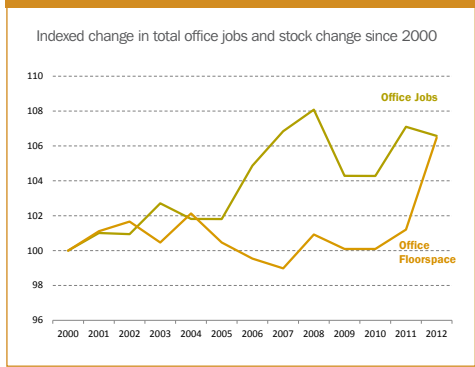
Key stats note: Office floorspace and jobs data relates to Manchester City administrative area only.

8 Bristol

Typology: Polycentric



6.5% Change in total office floor space 2000-2012	6.6% Change in total office jobs 2000-2012	16.1 Office Job Density Ratio (2012)
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Source: VOA, NLP analysis

Bristol is recognised as a key driver of the West of England economy and is a burgeoning city for digital, technology and sustainability enterprises. According to data from Tech Nation report 2015 the Bristol and Bath region has the highest amount of digital related employment outside of London. The reasons behind Bristol's success as a significant tech cluster have been its access to talent, collaboration between sectors and good quality of life factors. The centre has seen a lot of activity around the Temple Quarter Enterprise Zone with the university supported business incubator SETsquared providing resources to help companies grow.

On the edge of city area there are two notable out-of-centre business parks. The Aztec West Business Park is a more traditional business park which opened in the 1980s and is located in the northern outer area of Greater Bristol, at the interchange of the M4 and M5 motorways. The Bristol & Bath Science Park is a relatively new business park (opened in 2011), located to the north east of Bristol with good road links to the M4 and Bristol core. The Science Park promotes its high quality BREEAM certification and flexible 'Grade A' office space to attract innovative tech and research led companies. It has also been

designed to offer good amenities and sustainable transport links for employees including bus and cycle links.

Bristol is likely to remain a fairly polycentric office market in future with increased take-up of office space in the core (driven by Temple Quarter) and also companies moving to new high quality space out-of-centre to meet their needs and capitalise on affiliation with the Universities of Bath, Bristol and West of England.

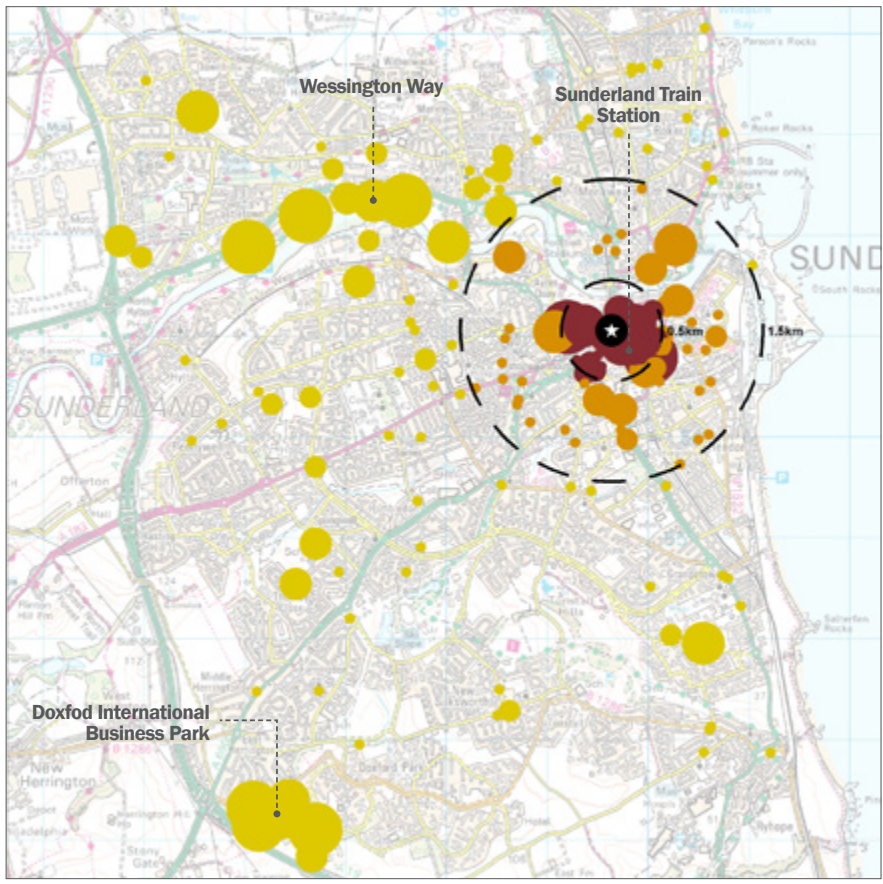
Over the past few years, office space growth in Bristol has been keeping pace with the growth in office based jobs, suggesting that the way in which firms are using office space has not fundamentally changed or followed trends seen elsewhere across the UK. At 16.1sqm per worker, the City's overall office job density ratio falls just above the UK average.

Map note: Mapped office floorspace covers Bristol City administrative area and selected business parks which fall within adjoining South Gloucestershire District.

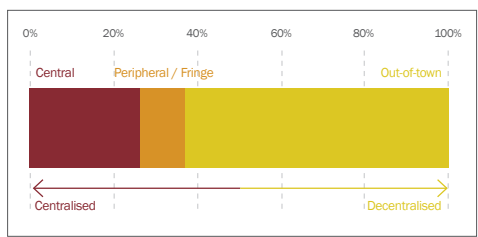
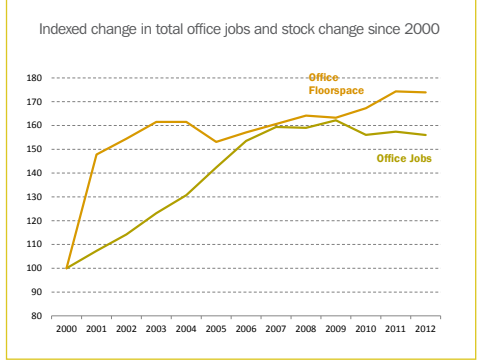
Key stats note: Office floorspace and jobs data relates to Bristol City administrative area only.

9 Sunderland

Typology: Decentralised



73.9% Change in total office floor space 2000-2012	56.0% Change in total office jobs 2000-2012	22.7 Office Job Density Ratio (2012)
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Source: VOA, NLP analysis

Around a quarter of Sunderland’s office stock is located within the city centre. The benefits for occupiers of this area include its close proximity to the mainline train station and also the main urban centre and university campus.

There is a significant cluster of office stock in the Doxford International Business Park on the outskirts of Sunderland covering 51 hectares and is strategically located at the A19 / A690 interchange. Doxford Park is occupied by a number of local and regional headquarters buildings, as well as several major contact centres, with the latter focussed primarily on activities related to financial services and utilities. The growth of the location as a significant office market was facilitated by it being awarded Enterprise Zone status in the 1990s.

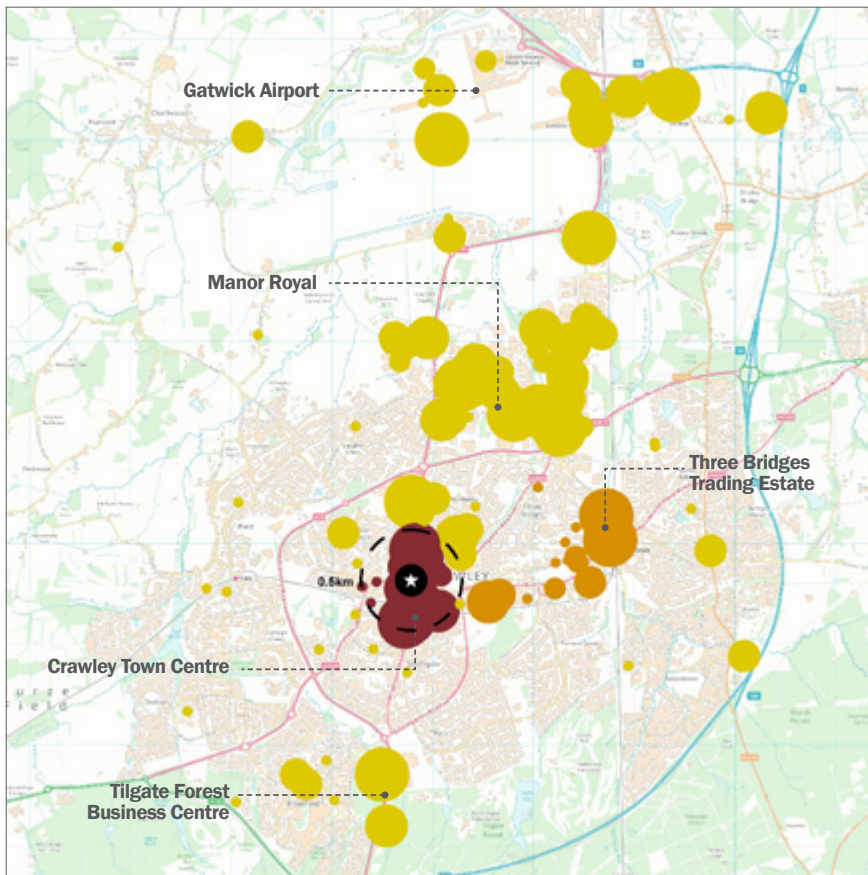
Another significant cluster of offices are located along Wessington Way, on the north bank of the River Wear to the north west of the city centre. Well located to both the A19 and the urban core, a number of public sector organisations are based in the area, with notable private sector occupiers including the UK headquarters of Berghaus.

Much of this office provision represents a relatively new addition to Sunderland’s office market, and has in part driven the significant increase in office floorspace in recent years, equivalent to 73.9% between 2000 and 2012. Office based jobs in Sunderland have also recorded strong growth in recent years albeit from a relatively low starting point. The decentralised nature of the City’s office market is likely to explain the comparatively low office job density ratio of 22.7sqm per worker, which is fairly typical of out-of-town accommodation and occupiers.

Map note: Mapped office floorspace covers the Sunderland City administrative area only.

Key stats note: Office floorspace and jobs data relates to the Sunderland City administrative area only.

Typology: Decentralised

**3.7%**

Change in total office floor space 2000-2012

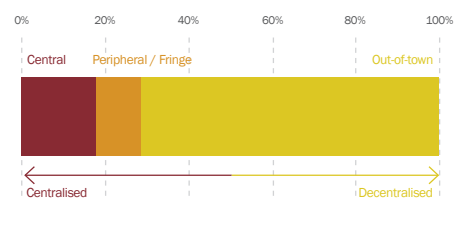
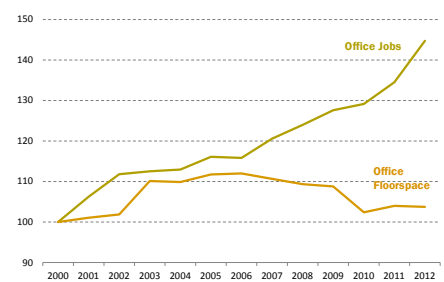
44.7%

Change in total office jobs 2000-2012

22.8

Office Job Density Ratio (2012)

Indexed change in total office jobs and stock change since 2000



Source: VOA, NLP analysis

Crawley is one of the largest commercial centres in the South East and home multiple multinational headquarters including Nestlé and Virgin Atlantic. Its locational strengths, including proximity to Gatwick international airport, the M23/motorway network and fast rail links to London and the South Coast combine to make the town an attractive business location to a wide range of office occupiers and uses.

Manor Royal is the main business location in Crawley, covering an area of 240 hectares on the northern edge of the town, adjacent to Gatwick Airport. It along with a number of other smaller out-of-town office locations accounts for nearly three quarters (71%) of total office stock. Many of the plots at Manor Royal accommodate large office buildings including high quality, modern campus style premises as well as more flexible provision such as serviced office suites.

Crawley town centre also represents a key focus for office based activity, concentrated around the station area, and to the north and south of the High Street. Office stock here is of mixed quality, and demand from office occupiers remains relatively modest until town centre regeneration proposals get underway and enhance

the quality of the public realm and townscape and consequently appeal to office occupiers.

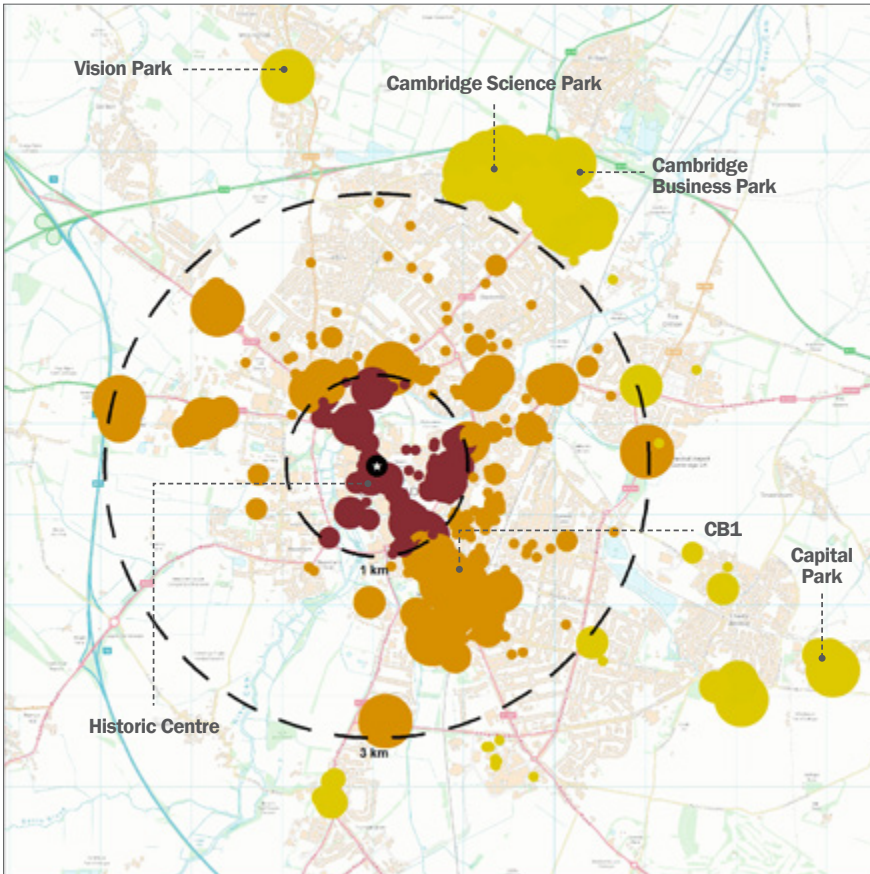
Beyond Manor Royal and the town centre, a number of secondary employment locations accommodate Crawley's remaining office based activity in more peripheral/fringe locations including the Three Bridges Corridor, Broadfield Park and Tilgate Forest Business Centre.

The Borough has recorded strong levels of office based job growth in recent years (equivalent to 44.7% between 2000 and 2012), although the scale of floorspace growth has not kept pace, with very limited amounts of new office development recorded in Crawley over the last few years. This suggests that the Borough's office based firms are making increasingly efficient use of both new and existing space, although the average ratio of office space per worker – at 22.8sqm – still falls above the national equivalent.

Map note: Mapped office floorspace covers the Crawley Borough administrative area only.

Key stats note: Office floorspace and jobs data relates to the Crawley Borough administrative area only.

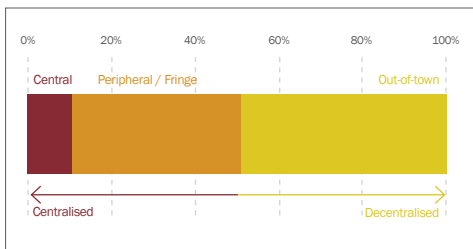
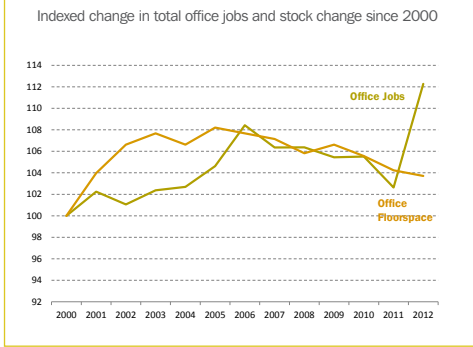
Typology: Decentralised



3.7%
Change in total office floor space 2000-2012

12.3%
Change in total office jobs 2000-2012

15.3
Office Job Density Ratio (2012)



Source: VOA, NLP analysis

Cambridge, with its plethora of business parks in the peripheral/ fringe zone and in the outer limits of the city, has a highly decentralised office market.

Just 13% of office stock is located within the city's urban core (within 1km of the centre). Almost half of Cambridge's office space (47.3%) is in the out-of-town area, defined as outside a 3km boundary from the city centre. A large part of this office stock is attributable to key business parks such as the Cambridge Science Park located on the north eastern edge of the city and on the axis of both the A10 and A14 corridors.

One reason for the abundance of peripheral and out of town office space in Cambridge is likely due to the stringent planning restrictions on development within the historic city centre. Cambridge's constrained centre means that the city has little alternative to fringe/out-of-town business parks for the bulk of its modern office stock (e.g. CB1). Furthermore the established links with the university and its research centres makes the science parks in Cambridge an attractive location for many businesses.

Like many other centres around the UK, Cambridge has been performing well in recent years in terms of office job creation, although growth in office floorspace in the City has been lagging behind with limited levels of new provision coming onto the market in recent years. Despite its decentralised nature, office space in Cambridge tends to be used relatively efficiently with the overall office job density ratio (of 15.3sqm per worker) about the same as the national average.

Map note: Mapped office floorspace covers Cambridge City administrative area and selected business parks which fall within adjoining South Cambridgeshire District.

Key stats note: Office floorspace and jobs data relates to Cambridge City administrative area only.



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