

Greater Manchester Spatial Framework Economic Overview

Dr Zoe Appleton and Peter Milway

12th March 2019

Note on the Authors:

Dr Zoe Appleton

Dr Zoe Appleton holds a PhD in economic regeneration from the University of Sheffield and Sheffield Hallam University. She has been a management consultant in economic development for 20+ years, and has considerable experience of economic development policy, strategy, implementation and evaluation. Since 2017 Zoe has run her own consulting business specializing in economic and social policy.

At KPMG Zoe initially led economic development work for the Regional Development Agencies, and subsequently focused on public sector reform and social care transformation. Prior to KPMG Zoe was a senior consultant at DTZ Pinda Consulting (now Cushman Wakefield) specializing in regeneration, housing and economic development, and a research manager at Ecotec (now ECORYS) designing and evaluating economic and social policy. Zoe has worked with several of the main Government Departments and Agencies, including MHCLG, DfE, Home Office, and the NHS. Other clients include CCGs, RDAs, LEPs, metropolitan local authorities, combined authorities and police forces.

Zoe has worked at the heart of public sector reform in Greater Manchester. She has drafted strategies, target operating models, business plans and established outcomes frameworks to ensure demonstrable improvements can be tracked and measured.

Peter Milway

Peter Milway is an economist with 20 years professional experience delivering over 250 economic research projects. Peter's main areas of expertise include economic analysis and modelling, forecasting/scenario development, impact assessment, economic appraisals and project evaluation. Peter has a breadth of experience of assessing the impact of a wide range of investments, projects and programmes across most sectors of the economy. Peter has prepared the demand side analysis for a number of employment land and premises studies across the country including in the North West and West Midlands. Peter has also produced a variety of labour market and economic development related projects such as economic assessments and strategies for public sector clients in the North West. He has also assessed the potential impact of a number of major business parks including Wobaston Road (i54), Kingsway Business Park (Greater Manchester) and Slough Trading Estate (Berkshire). Since 2012, Peter has been a lead economist in the consortium undertaking analysis to support a series of regulatory impact assessments for the MHCLG Building Safety Programme. In addition, Peter has also been involved in a number of research projects considering the future of development, including in town centres and the development of enterprise centres.

Introduction

- 1.1. This short report sets out our economic overview of Greater Manchester's second Spatial Framework (GMSF) consultation document, focusing specifically on questions 36 to 40. This report was commissioned by the Campaign to Protect Rural England (CPRE). It is based on a very high-level analysis of the GMSF, and its supporting documents. As requested by CPRE we have focussed on the economic questions, but highlight some overall comments for consideration.
- 1.2. Our brief was to review the evidence base for the GMSF and inform the quantum of demand for office and industrial land identified. Due to limited resources we have not fully explored the assumptions behind all the figures.
- 1.3. This short report is structured as follows:
 - Section 2 provides some contextual comments and overall comments about the Spatial Framework.
 - Section 3 responds to question 36 on the proposed policy on supporting long-term economic growth.
 - Section 4 provides commentary on question 37 about employment sites and premises.
 - Section 5 comments on Q38: the proposed policy for office development.
 - Section 6 provides commentary on the proposed policy on industry and warehousing development.
 - Section 7 summaries our views and provides further comments on the overall approach to the economic policies set out in the GMSF.

Overall observations

- 2.1 In short, the objectives outlined in the GMSF broadly align with those of CPREs, in terms of reducing inequalities, improving prosperity, promoting sustainable movement of goods, people and information and moving towards a carbon neutral region.
- 2.2 On the one level the GMSF uses a very simple and clear way of forecasting future demand, essentially using past trends in the amount of floorspace completed each year and adding 50% to allow for flexibility/choice, uncertainty and growth. However, there is no real transparency into the assumptions that arrive at the numbers being used and it is not clear whether the basis of the estimates of past trends in floorspace completions represents net additional floorspace, or if it relates to transaction data, which includes both movement within GM and might also include businesses moving into older premises. In addition, even if the take-up data only represents businesses moving into new build, this methodology of forecasting demand is likely to give a highly inflated figure of demand over 20 years.
- 2.3 Some of the analysis in the SF also presents inaccurate figures – e.g. para 6.13 of the employment chapter refers to a combined effect of margin/uplift and flexibility of choice resulting in a 45% combined effect – this actual figure is 50%.
- 2.4 Greater Manchester Combined Authority acknowledge that the 50% flexibility factor is towards the upper end of that used in other employment land studies – in fact we think it is at the top end– so is quite an extreme figure.
- 2.5 Using past annual take-up figures to guide how much land could be required annually is probably sensible – but summing that over the 19 year period is going to give far too much land – because it does not allow for the space that becomes available as businesses move from one location within GM to another.
- 2.6 The employment forecasts and employment strategy are referenced within the SF, but we have struggled to understand how these figures are used to inform the demand assessment. I think they should at least acknowledge the expected trends and how their demand forecasts will accommodate their economic strategy.
- 2.7 The Accelerated Growth Scenario presented as reflecting the ambitions of the Greater Manchester strategy implies an increase in employment over the policy neutral forecasts of 82 thousand jobs resulting in an additional 56 thousand residents in GM by 2038. Therefore much of the additional growth generated by the strategy is expected to attract more in-migration into the conurbation. There could be a real concern that if the strategy does not generate the extra employment above the expected growth rate, then any housing allocated to support employment that does not materialise, will actually dilute the current employment rate.
- 2.8 We are concerned about the assumptions that have been used to arrive at the target economic growth, and the translation of that into development sites. For example, the ratio of floorspace to land area for office development in Manchester
- 2.9 We support the focus of new development on brownfield sites, but not enough consideration is given to ‘new’ brownfield sites as businesses turnover in the region.

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2.10 We support the targets of 95% of office space and 50% of manufacturing space in urban areas, but think the city centre is possibly prioritised too much over the town centres.

Q36. Long-term economic growth

- 3.1. We agree that the SF is right to focus on the city centre, but needs to ensure there is sustainable development to promote efficient travel-to-work patterns across the region. We recognise there is a balance between maximising the assets in the city centre because of the excellent transport links, but also ensuring development spreads out to the town centres.
- 3.2. The employment land strategy appears to aim to offer developers (and businesses) an extensive range of sites so that there is always a desirable site for developers. Securing growth by offering a wide range of choices to developers may be an okay short-term target if the land is available, but the longer-term strategy should be to try and rebalance the economy within Greater Manchester – and encouraging growth into areas that need it.
- 3.3. Creating the airport as a new economic focus was a strategy that was specifically refuted by the planning inspectors who sat in judgement of the, since revoked, North West Regional Spatial Strategy. The focus at the airport could draw development away from other parts of the conurbation, and also from the nearby towns in Cheshire East, such as Wilmslow and Macclesfield. There is no reference, as far as we could see to growth in East Cheshire within the GMSF (apart from in reference to housing)¹. The SF makes some reference to the wider North West and there is a note in the appendix that the SF has taken into consideration the 2012 East Cheshire employment land study, but there is no reference in the GMSF.
- 3.4. There could be more focus on driving economic growth in the town centres by, for example, bringing-back into use retail units as flexible work space for start-up industries.
- 3.5. We would like to see how the town centres will benefit from the recently announced £1.6bn town centre regeneration fund. Greater Manchester has a fantastic opportunity to deliver more regeneration of sites and build speculative sites for development within the existing town centres. We would like to see more focus on this in the SF.
- 3.6. We think the SF needs to build on the strengths of the conurbation to address the productivity challenge we have in Greater Manchester both between the north and south of the region, and nationally. The internal disparity within the region needs to be addressed, but we question whether there is sufficient plans to address these productivity gaps.

¹ We understand East Cheshire modelled the number of jobs required by the expected increase in population (and increased it following comment from the Inspector). Therefore employment growth should be relatively self-contained.

Q37 Employment sites and premises

- 4.1. The overall quantum of employment sites required appears overly high. The total demand is high and may result in an over-allocation of sites, which could impact on the viability of the less favourable sites to come to the market.
- 4.2. On a twenty year view it appears that there are too many sites and premises allocated, and the allocations do not pay enough attention to recognising new brownfield sites (in favourable locations) that will come forward as businesses turnover within Greater Manchester.
- 4.3. There is a balance to be struck between giving industry a choice of location to ensure the economy continues to grow, but also restricting sites so industry does not alone dictate the pattern of development – particularly in the medium to long term.
- 4.4. We believe few industries look further than 5 years ahead in their location decisions, and therefore propose that a more appropriate approach in the SF is for sites to be phased in to use. Likewise, a phased approach also allows for new brownfield sites to come forward as businesses vacate them – therefore adding to the supply of sites and reducing the need to use greenfield sites.
- 4.5. We think it would be prudent that greenbelt sites are safeguarded until a threshold in take-up of other sites has been met.
- 4.6. There does not seem to be much alignment between the Greater Manchester economic strategy and the location of employment sites.
- 4.7. The justification for the greenbelt release does not seem to fit with the wider objectives of the GMSF.
- 4.8. Need more detail on the complementary locations to the strategic sites. There is reference to the “selective removal of land from the greenbelt”, we put forward the view that the SF should minimise the need for greenbelt release, especially that around the Airport Enterprise Zone.

Q38 Office development

- 5.1. We agree that Manchester city centre is likely to be the prime location for office market development. Current office development in the city centre is at a high density. The proposed densities outlined in the SF are less than half of current development and we think could under-estimate the potential of the sites proposed, and over-estimate the demand for them. We think the SF should increase density levels to match current development to ensure sites remain viable for developers.
- 5.2. The concern about a shortage of "Grade A" office space is probably misplaced. The low vacancy levels within the Grade A office space reflects the incentives that new buildings offer tenants to move into these premises. Therefore you would expect most Grade A space to be occupied, as landlords and developers seek to recoup their investment.
- 5.3. We also agree with the numbers proposed, but do not think they are allocated in the right places. We think there is an over-allocation in the city centre.
- 5.4. There is an obvious need to accommodate market demands, but there is also an incentive to ensure existing space in the city and town centres is regenerated and used optimally.
- 5.5. It is not likely that the proposed office development in Rochdale, Oldham and Wigan will be needed at the levels outlined in the SF due to the economic trends of these areas.
- 5.6. The SF does not appear to incentivise developers to go out of Manchester, we think more could be done to promote office development in the town centres.
- 5.7. The SF does not address how much office space is currently being converted into alternative uses both within Manchester City Centre and the town centres. There is no analysis of what is expected to happen.

Q39 Industry and warehousing development

- 6.1. New industrial space is currently proposed as being in high demand in the SF, yet the SF fails to acknowledge that the overall requirement for industrial space has declined across Greater Manchester over the last 15 years, and is likely to continue to do so. The SF needs to respond to the challenge of ensuring businesses are able to find appropriate premises while managing the likely overall reduction in amount of occupied industrial space. Current analysis in the SF appears to only include gross demand for new space and does not consider business turnover rates in the region, which reflects how the development market works.
- 6.2. In the industrial sector, there has been an annual decline in the amount of floorspace occupied in GM each year for the 15 years between 2000/1 to 2015/16 (using Valuation Office Rateable Floorspace statistics)¹ and this is expected to continue (the employment forecasts expect a further 30% decline in manufacturing employment by 2038) – so there should be a lot of vacant space becoming available over the period which could be added in – typically known as ‘windfall sites’.
- 6.3. Over the 15 years there has been a net reduction in the amount of rateable industrial space of 4.6 million sqm. We expect that a significant proportion of this former industrial space now makes up the portfolio of brownfield sites proposed for redevelopment. Given the employment forecasts, we expect that this trend will most likely continue. Without an appropriate strategy to manage existing industrial areas there is a risk of a continued expansion onto new sites while leaving older sites vacant and derelict.
- 6.4. There is concern that the estimate of need for more industrial floorspace is over inflated to build-in too many upward adjustment factors (adjustments to account for the recession, allow for margin and allow for flexibility). We suggest that the 25% uncertainty in the market could be managed in different ways, whilst allowing flexibility in the marketplace.
- 6.5. The quantum of industry and warehousing sites is inflated over a 20 year period. The total amount of space required is likely to be less, and potential windfall sites need to be factored into the analysis. The result of the current strategy to provide a large number of new industrial sites could result in an increasing volume of vacant or derelict brownfield sites.
- 6.6. We would like to see phasing of any new sites to ensure prime sites are prioritised. There needs to be more focus on short to medium term needs, rather than the longer-term needs to ensure sites are sustainably phased into use.
- 6.7. Growth is focussed on logistics, which is not typically high skilled, and high value, despite the SF focussing on addressing the productivity gap.

¹ <https://www.gov.uk/government/statistics/non-domestic-rating-business-floorspace>

- 6.8. We think the SF could prioritise building on the region's strengths in high value and advanced manufacturing to increase the productivity challenges we have in Greater Manchester.
- 6.9. The SF needs to consider the risk factors of development including low skilled jobs, sustainable travel to work patterns, HGV movements across the region, and the proposed large floorplates of industrial and warehousing premises. The focus on logistics in the North of the region could lead to increased congestion on the region's already congested motorway network.
- 6.10. There needs to be a focus on allocating sites that are close to where people live to ensure sustainable transport patterns. And prioritise smaller sites in the town centres to be made more attractive to host some of the proposed development to meet the 'diverse' supply required.

Summary

The Greater Manchester Spatial Framework has a tricky balancing act between short-term meeting market pressures and longer-term shaping the future of Greater Manchester's market. There is a fine balance between ensuring that growth is attracted to Greater Manchester, without constraining developers, and simultaneously maintaining the attractive environment.

On the one level the GMSF uses a very simple and clear way of forecasting future demand, essentially using past trends in the amount of floorspace completed each year and adding 50% to allow for flexibility/choice, uncertainty and growth. However, there is no real transparency into the assumptions that arrive at the numbers being used and it is not clear whether the basis of the estimates of past trends in floorspace completions represents net additional floorspace, or if it relates to transaction data, which includes both movement within GM and might also include businesses moving into older premises. In addition, even if the take-up data only represents businesses moving into new build, this methodology of forecasting demand is likely to give a highly inflated figure of demand over 20 years.

We agree that the SF is right to focus on the city centre, but needs to ensure there is sustainable development to promote efficient travel-to-work patterns across the region. We recognise there is a balance between maximising the assets in the city centre because of the excellent transport links, but also ensuring development spreads out to the town centres and that the town centres remain attractive to developers and offer the diverse range of sites necessary.

The overall quantum of employment sites required appears overly high. The total demand is high and may result in an over-allocation of sites, which could impact on the viability of the less favourable sites to come to the market. On a twenty year view it appears that there are too many sites and premises allocated, and the allocations do not pay enough attention to recognising new brownfield sites (in favourable locations) that will come forward as businesses turnover within Greater Manchester.

We agree that Manchester city centre is likely to be the prime location for office market development. Current office development in the city centre is at a high density. The proposed densities outlined in the SF are less than half of current development and we think could under-estimate the potential of the sites proposed, and over-estimate the demand for them. We think the SF should increase density levels to match current development to ensure sites remain viable for developers.

New industrial space is currently proposed as being in high demand in the SF, yet the SF fails to acknowledge that the overall requirement for industrial space has declined across Greater Manchester over the last 15 years, and is likely to continue to do so. The SF needs to respond to the challenge of ensuring businesses are able to find appropriate premises while managing the likely overall reduction in amount of occupied industrial space. Current analysis in the SF appears to only include gross demand for new space and does not consider business turnover rates in the region, which reflects how the development market works.

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