

Humber and Greater Lincolnshire Area Business Premises Study

Final Report

April 2015



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1 Introduction

Over the past three years, Local Enterprise Partnership's (LEPs) have emerged and become established as key economic development agencies responsible for setting economic aspirations and identifying investment priorities in their respective sub-regions.

Having led the development of European Structural Investment Strategies and the negotiations of local Growth Deals, LEPs are now in a period of transition from planning to delivery. This includes the process of identifying specific projects and programmes that relate to and deliver investment priorities and, essentially, economic growth.

The Humber and Greater Lincolnshire LEPs overlap in geographic terms and have both identified a need to support new entrepreneurs and help businesses, particularly SMEs, to survive and flourish. A number of related objectives have been identified to deliver this priority, including creating the right conditions for growth with regards to the business support and business accommodation offer.

Study Overview

ekosgen and BE Group have been commissioned by the LEPs to carry out a study focusing on managed workspace, incubator facilities, innovation centres and enterprise centres. Specifically, the study aims to:

- Explore the inter-relationships between start up/growth activity and the provision of quality business premises;
- Assess the quantum and quality of existing supply of business premises (and associated business support) and the pipeline of proposed supply across Humber and Greater Lincolnshire;
- Identify any current and anticipated gaps or market failures in the scale or quality of provision in each LEP area and prepare a commissioning framework that sets out how these gaps and/or failures could be addressed during the 2014-2020 ESIF period.

Overview of Approach

The objectives of the study require a review of both the demand for and supply of business premises and involve a number of strands of activity. These have been grouped into three phases.

Phase one focused on understanding the demand for business premises. This includes (i) a literature review to test the hypotheses relating to the role which businesses premises play in stimulating and driving economic growth, and (ii) detailed analysis of a range of standard economic datasets and forecasts to generate robust projections of future demand for business premises. In order, to ensure that the projections are robust a number of components have been incorporated into the analysis, including:

- A review of historic trends relating to employment, the business base and sectoral change to identify local drivers of change and assess the areas' track record in delivering growth in pre and post recessionary periods.
- Establishing a baseline position based on the current composition of the two LEP economies and performance on a number of key economic and labour market indicators. This provides an indication of the strengths upon which each area can build and deliver growth and the weaknesses that may affect the areas' ability to capture growth.
- Analysing baseline economic forecasts and developing alternative growth scenarios that take account of the impact of large scale/priority interventions and the findings relating to historic growth trends and the current composition of the local economies.

A summary of the baseline and review of economic trends are included in this Final report. The full versions are contained in a separate Phase One Report.

Phase two recognises that the data can only take you so far in a study of this nature and includes a survey of local businesses to gain an understanding of their growth plans and associated needs in relation to business premises and business support. It also includes a detailed business premises mapping study to gain an understanding of the scale and quality of current and pipeline supply.

Phase three brings together the findings of the first two phases into a comprehensive report (this report) setting out conclusions and recommendations for the provision of high quality premises and also considers the business support which might reinforce.

Structure of this Report

The remainder of this report is structured as follows:

In **Section 2** an introduction to the two LEP areas is provided, the functional economic geographies and the key economic and demographic characteristics of each area.

In **Section 3** the key theoretic links between the provision of high quality business space and economic growth is considered, drawing on key UK examples and identify the main challenges and factors which should underpin a strategic approach to provision.

In **Section 4** a summary of the Phase One report (Economic Assessment) is provided for continuity. In this section the key baseline economic data, and recent trends data, for each LEP area, is summarised covering, labour market, key sectors and the business base.

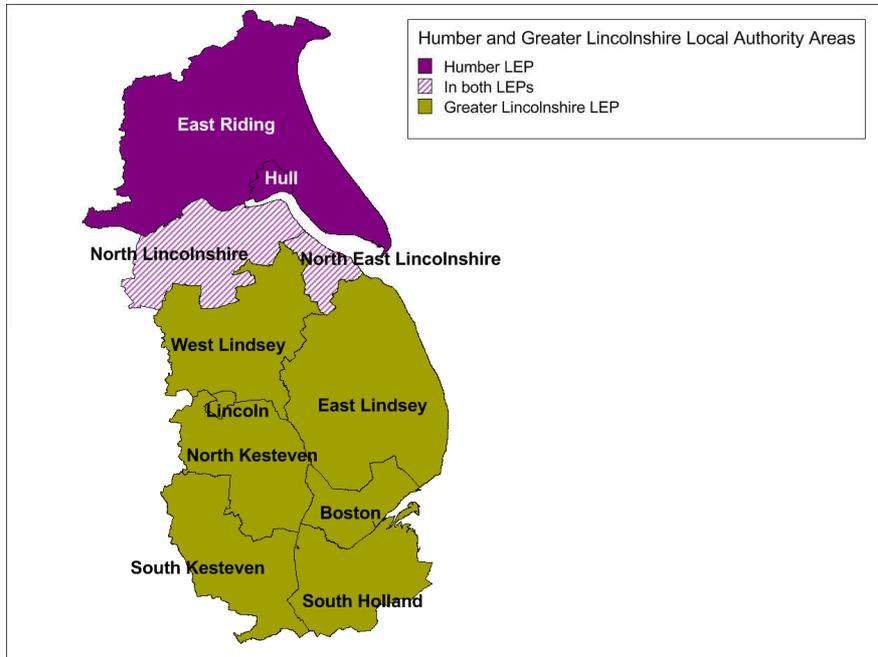
In **Section 5** a baseline economic forecast and an alternative sector growth scenario is presented to highlight which broad sectors across both LEPs will drive demand for high quality space for businesses.

In **Section 6**: a comprehensive overview of the supply of property across every local authority area in both LEPs is presented, along with the findings from a survey of businesses, an overview of property costs, and an assessment of provision by public and private sector in each local authority areas across both LEPs.

In **Section 7**: The demand and supply side analysis is brought together **and recommendations on the provision of high quality premises for each local authority area and each LEP are provided**. The property requirements for priority sectors are also considered alongside the business support programmes that might maximise the impact of high quality premises in practice. The programmes are aligned with ESIF and ERDF themes and objectives.

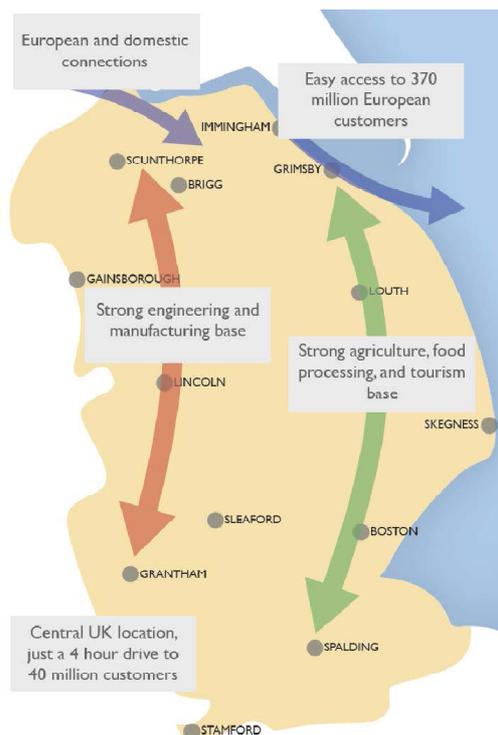
2 The Study Area

The study area covers two Local Enterprise Partnership Areas: Humber (comprised of four Local Authorities) and Greater Lincolnshire (comprised of nine Local Authorities). The two LEP areas overlap with North Lincolnshire and North East Lincolnshire included in both.



Greater Lincolnshire: Overview and Key Sectors

Greater Lincolnshire is a large and diverse area lying between the Humber Bank and The Wash. It is geographically varied including popular coastal resorts to the east; large rural areas of high quality agricultural land; several historical market towns and small rural communities; and larger industrial areas predominantly in the north. Given the rurality of the area, population is sparsely distributed, with major concentrations of population and employment laying within urban areas particularly Scunthorpe, Lincoln, Boston, and the coastal towns of Grimsby, Cleethorpes and Skegness.



The economy is dominated by three priority sectors:

Agri-food: The GLLEP area has a strong farming heritage based on prime agricultural land stretching along the west of Greater Lincolnshire through the Districts of East Lindsey, Boston and South Holland. The agri-food sector incorporates concentrations of food manufacturing and processing activities in North East Lincolnshire, Boston and Spalding in South Holland; with innovation within the sector being driven by activity at the University of Lincoln and the Humber Seafood Institute at Europarc in Grimsby. The ports of Immingham, Grimsby and Boston, as well as Humberside Airport's Perishables Hub in North Lincolnshire, are also important clusters of activity within the sector and drivers of growth within the emerging ports and logistics sector.

Manufacturing and Engineering: focused within the north and along the west of Greater Lincolnshire from Scunthorpe, through the City of Lincoln and down towards Grantham in South Kesteven, are areas of manufacturing and engineering expertise particularly within power engineering; petro-chemicals/chemicals; and steel and motorsport engineering. North and North East Lincolnshire are particularly important locations for heavier industry associated with the port and logistics sectors and the emerging energy sector and its supply chain. Scunthorpe for instance is a major centre for steel manufacturing. North East Lincolnshire is also part of the Humber LEP area.

The visitor economy: Given the quality of landscape and place across Greater Lincolnshire, the visitor economy is of some relevance and importance to the majority of the GLLEP area. The east coast is home to the popular tourist resorts of Skegness, Cleethorpes and Mablethorpe. Whilst historical market towns, such as Lincoln and Boston and the rural Lincolnshire Wolds, also disperse visitors and tourists across the area.

Functional Economic Areas and Key Assets

The Greater Lincolnshire economy is closely integrated with neighbouring areas. The economies of North and North East Lincolnshire are dominated by industry associated with the ports, manufacturing and energy sectors. The A180/M180 Growth Corridor runs east-west through North and North East Lincolnshire, linking the ports and industry in these Districts into South Yorkshire and the Sheffield City Region.

The north-eastern districts of North East Lincolnshire and East Lindsey have the highest levels of unemployment across the GLLEP area, which is characteristic of many traditional coastal areas. Across the north-eastern districts and east coast, the towns of Cleethorpes and Skegness, like many coastal towns, have very distinct economies dominated by seasonal and comparatively low paid employment in the tourist sector, and having many of the characteristics which can hinder economic growth e.g. an ageing population, out-migration of educated younger people, low paid employment. Alongside port and manufacturing growth, the Lincolnshire Holiday Coast and tourism associated with the Lincolnshire Wolds will be important drivers of growth within these districts.

To the south of GLLEP, the rural areas of South Holland and South Kesteven act as a residential / commuter base feeding surrounding areas towards Lincoln and Boston to the north, and Peterborough to the south. The dominance of agriculture in this southern zone has resulted in close links being made into the agricultural areas of Norfolk and Cambridgeshire as well as clusters of food processing and manufacturing along the eastern ports and the Lincolnshire Food Hub. These areas have relatively low levels of unemployment, but high levels of economic inactivity.

The main functional economic areas across the LEP area focus around the network of market towns which provide the focus for employment activity, industry, services and transport networks. The City of Lincoln is an important driver of growth within the Central Lincolnshire area which also includes the Districts of West Lindsey and North Kesteven. This area boasts many of the assets for growth, being earmarked for significant housing growth and also attracting higher value added activities through investments in the Lincoln Science and Innovation Park and the presence of the University of Lincoln, the major HEI in the GLLEP area. This area also has relatively low unemployment rates and low levels of economic inactivity in Lincoln and North Kesteven; and is in the process of considering a number of Sustainable Urban Extensions which will provide additional residential and employment land such as the Western Growth Corridor and the LN6 area located to the south-west of Lincoln. The main urban areas across the west of the GLLEP area (Lincoln, Grantham, Gainsborough and Newark in Nottinghamshire) will be the focus for major growth opportunities, comprising part of a larger investment corridor stretching from West Yorkshire, through Cambridge and into the South East. This area is likely to benefit from the growth of high value added activity in Nottinghamshire to the west and Cambridgeshire to the south.

Humber: Overview and Key Sectors

The HLEP area is dominated by the Humber Port complex which is of national as well as local significance and is at the heart of the local petrochemical/chemical sector, logistics and energy sectors. The city of Hull is the areas major urban settlement and an important driver of local economic growth. The City is very densely populated and has a number of concentrations of high unemployment and economic inactivity.

The Humber is however an area of contrasts, with much of the area beyond Hull (amongst 90% of the Humber area) sparsely populated and predominantly rural, and having higher levels of employment and skills. Beyond Hull, the rural districts of the East Riding and North and North East Lincolnshire are served by several market

towns such as Beverley, Driffield and Brigg as well as the sub-regional centres of Grimsby and Scunthorpe, and the coastal towns of Cleethorpes and Bridlington.

The local economy is dominated by the following sectors:

Ports and Logistics: focused around the Humber Estuary area in the ports of Hull, Immingham, Grimsby, Goole and Killingholme, the ports are centres of economic activity and also support a number of other sectors, most notably renewable energy, oil, construction materials, automotives, steel, chemicals and food.

Chemicals: The South Humber Bank is home to two major oil refineries as well as clusters of companies within numerous sub-sectors (such as petrochemical refining, personal care, pigments and colours, fine chemicals, paint and coatings and surface treatments). The University of Hull has particular expertise within the chemicals sector and the sector is strengthened by a number of CICs and other support organisations such as The Centre for the Assessment of Technical Competence Humber (CATCH).

Engineering and Manufacturing: The estuary has clusters of activity within advanced engineering, steel (Scunthorpe) and glass manufacturing (Goole). The area is also home to specialist engineering institutions including Hull's Engineering Centre and the Team Humber Marine Alliance which supports companies in marine engineering. Hull also has concentrations of activity linked to healthcare technologies.

Creative and Digital: the creative and digital sector is growing in significance across the Humber, particularly in Hull which has recently been awarded City of Culture 2017. The University of Hull also has gaming and creative content expertise.

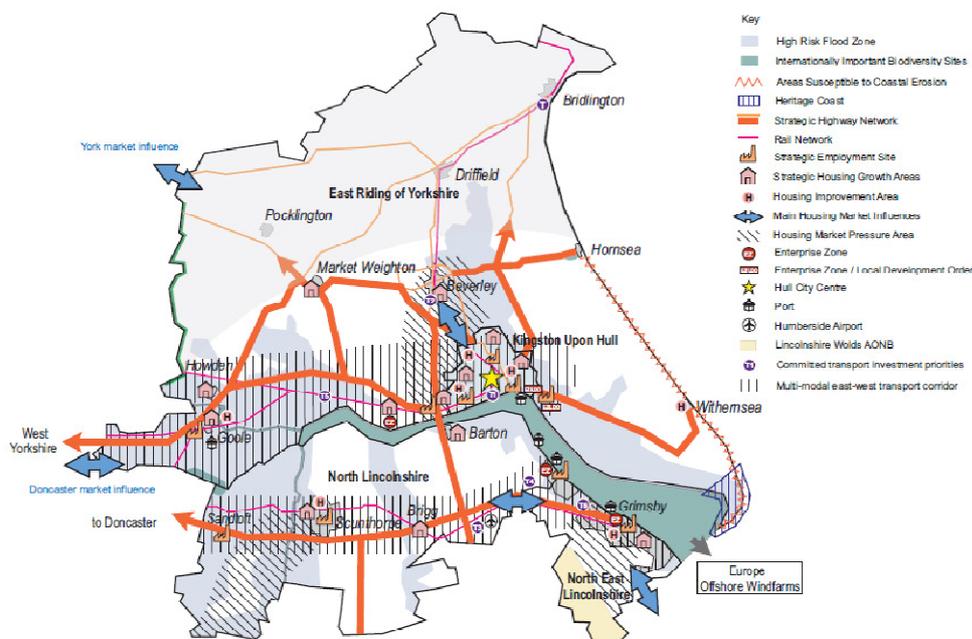
Food: Activity around the Humber Ports supports the seafood sector which includes production and food processing activities. Hull and parts of the South Bank districts are home to major food employers such as Findus and Young's Seafood.

Visitor Economy: The Heritage Coast, Hull's heritage and cultural offer, East Yorkshire and NE Lincolnshire seaside resorts and rural market towns contribute to the areas diverse visitor economy. The coast exhibits a similar pattern of economic deprivation to the Lincolnshire coast.

Functional Economic Areas and Key Assets

The map overleaf illustrates the Humber's main economic growth corridors:

- The A180/M180 South Humber Bank Corridor
- The A63/M62 Corridor
- The River Hull Corridor



As in Greater Lincolnshire, the Humber's economy does not operate in isolation. In addition to international links via the Humber Ports, the area is closely integrated with surrounding LEP areas. With a strong focus for the Humber's growth on support for the "Energy Estuary" it is unsurprising that many of the area's growth corridors encompass major ports and concentrations of port related activity. The A180/M180 running through North and North East Lincolnshire links the South Bank ports and manufacturing, food processing and chemical industries with the M18/M1 motorway network and logistics/distribution activities near Doncaster. A number of strategic

growth sites lie within this corridor including the South Humber Gateway; Lincolnshire Lakes; Humberside Airport; Sandtoft Business Park; Europarc; and the former airfield at North Killingholme. A key area of strategic importance will be the land between Grimsby and Immingham Ports which is earmarked for substantial growth in renewable energy, food and ports related logistics.

The Heritage Coast and NE Lincolnshire seaside resorts share similar economic conditions and challenges with the Greater Lincolnshire coast and the coastal resorts of Mablethorpe and Skegness in East Lindsey. Public realm and regeneration activity along the coast is likely to benefit both GLLEP and HLEP areas. Flood risk and environmental management works will also be important in these areas.

On the North Bank the Hull River Corridor includes a number of sites which present many challenges in terms of infrastructure and bringing forward underused and disused sites. The area has a number of traditional heavy industries but also has significant potential to link into growing renewable and low carbon technologies sectors in the Hull Port area. With the geographical boundaries of Hull City tightly defined, this growth corridor extends north into Beverley and surrounding areas which comprise Hull's TTWA and Housing Market Area.

Extending east along the North Humber Bank, the A63/M62 Corridor links Hull and Goole into West Yorkshire and the North West. This is a major route into and out of the Humber and a major pull for businesses attracted to the area. This corridor encompasses major developments in such as Green Port Hull and the Able Marine Enterprise Zones; as well as further developments along the M62 corridor such as the Brough Enterprise Zone.

To the north, the largely rural East Riding area is an important source of labour for Hull and West Yorkshire via the M62 corridor. To the north west, the City of York also has an influence on the local economy with opportunities to link into the University of York's knowledge base, particularly within the agri-food sector.

The Greater Lincolnshire and Humber Areas

Examining the two LEP areas together it is clear that there are a number of major functional economic zones with similar economic conditions and sector strengths. These areas often cut across LEP and Local Authority boundaries and may be influenced by economies beyond LEP boundaries. These areas can be broadly summarised as:

- 1) **Northern zone:** The northern area of the Humber is a predominantly rural area which has much in common with the neighbouring area of North Yorkshire. This area is a source of labour for Hull and the North Humber Bank, but is also an area for agricultural and tourism developments which will extend into York and North Yorkshire. This equates to the Wolds area in the YNYER SEP.
- 2) **The Humber Estuary zone:** The major industrial area incorporating port and port related developments and major industrial sectors such as chemicals; renewable energy; manufacturing; and food processing. This area is the location for major employment sites and Enterprise Zones within the HLEP and GLLEP economies. This area includes important east-west transport links via the M180 and M62 providing links into South and West Yorkshire. This zone also includes southern parts of the East Riding which are a major source of labour for the area.
- 3) **The coastal zone:** Incorporating major seaside resorts. This area is the focus for visitor economy and leisure developments as well as regeneration activity.
- 4) **The agri-food arc:** bordering the coastal zone in the east of the GLLEP area and running into the southern districts of South Holland and South Kesteven, this area is predominantly agricultural and includes food processing activities around Grimsby and Boston. This area has agricultural/food processing links south into rural Norfolk and Cambridgeshire.
- 5) **Central Lincolnshire and Western Corridor:** the area to the west of GLLEP stretches from Scunthorpe and Gainsborough through to Grantham in the south. This area has a strong manufacturing and engineering base with scope to develop higher value added activities and specialisms through exploitation of expertise in Lincoln University and a skilled local labour force. This area will be able to take advantage of industrial growth along the Humber Estuary as well as the growth of higher value added activities to the west in Nottinghamshire and to the south in Cambridgeshire.

Key Statistics

The economies of both LEP areas are similar in scale, with Greater Lincolnshire approximately 10% bigger than the Humber in GVA and employment terms but 14% in population terms. The two LEP areas also face similar challenges, for example, in terms of productivity.

Table 2.1: Key Statistics		
	Greater Lincolnshire	Humber
Employment		
Employees (2012)	387,400	351,400
Employment (2012)	402,100	361,500
The Business Base		
Businesses (2012)	34,170	27,785
Local Units (2013)	40,985	32,535
GVA (2011)	£16,529m	£15,204m
Gross Value Added (GVA)		
GVA per FTE (2011)	£50,498	£50,985
GVA per FTE as % England (2011)	85%	86%
Population		
Population (2013)	1,053,000	922,200
Source: BRES, Business Demography, Activity Size Location, Regional Accounts, Mid Year Population Estimates		

Within the Humber, Hull and East Riding make the largest contribution to the LEP's employment and business base, accounting for 63% of the area's employees and 65% of businesses. While Hull is the largest employment centre, East Riding has the largest business base – with at least double the number of active businesses of the other Local Authority areas in Humber. The LEP's two smaller economies – North Lincolnshire and North East Lincolnshire are similar in scale.

Table 2.2: Humber LEP Local Authorities				
	Employees	% of LEP	No. of businesses	% of LEP
Hull	113,900	32%	6,025	22%
East Riding	108,300	31%	12,025	43%
North Lincolnshire	65,400	19%	4,930	18%
North East Lincolnshire	63,900	18%	4,805	17%
Humber LEP	351,400	100%	27,785	100%
Source: BRES, Business Demography, Mid Year Population Estimates.				

Greater Lincolnshire comprises a greater number of smaller local authority areas. Within the LEP area, North Lincolnshire and North East Lincolnshire are the largest authorities in employment terms, accounting for 33% of the LEP's employees. Lincoln, South Kesteven and East Lindsey are also large employment centres, each accounting for at least 10% of total employment and over 40,000 employees.

While North Lincolnshire and North East Lincolnshire are also amongst the areas with the largest business bases, South Kesteven has the greatest number of businesses. There are also a significant number of businesses in East Lindsey and North Kesteven, which each account for at least 12% of the business base.

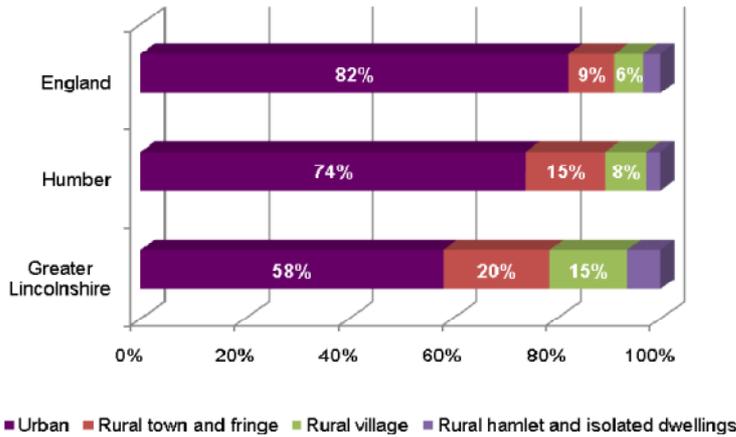
Table 2.3: Greater Lincolnshire LEP Local Authorities				
	Employment	% of LEP	No. of businesses	% of LEP
North Lincolnshire	65,400	17%	4,930	14%
North East Lincolnshire	63,900	16%	4,805	14%
Lincoln	50,800	13%	2,490	7%
South Kesteven	49,800	13%	5,300	16%
East Lindsey	40,500	10%	4,690	14%
North Kesteven	34,500	9%	4,080	12%
South Holland	31,900	8%	2,920	9%
Boston	28,100	7%	1,900	6%
West Lindsey	22,600	6%	3,055	9%
Greater Lincolnshire LEP	387,400	100%	34,170	100%
Source: BRES, Business Demography, Mid Year Population Estimates.				

Rural/Urban Demographics

The level of rurality varies by LEP area. While both areas have a greater proportion of the population living in rural areas when compared to the national average, this is more prevalent in Greater Lincolnshire where 42% of residents live in areas with a rural classification (compared to 18% nationally).

Both areas have higher concentrations of residents in both rural town and fringe areas and rural villages and Greater Lincolnshire also has a higher proportion of residents living in rural hamlets and isolated dwellings, further reflecting the rurality of the area.

Rural / Urban Population

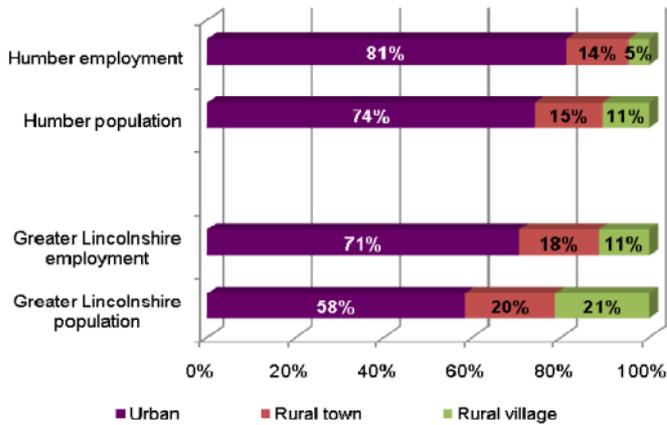


Source: Census 2011

As would be expected, employment is concentrated in urban areas. Both LEPs have a higher proportion of employment in urban areas than the proportion of the population which reside there (81% of employment in Humber compared to 74% of the population and 71% in Greater Lincolnshire compared to 58% of the population).

However, it is important to note, and particularly in the case of Greater Lincolnshire, that rural areas, including both towns and villages, continue to be important employment centres.

Urban/Rural Population and Employment



Source: BRES and Census

Key Messages

- There are a number of similarities between the two LEP areas. Their economies are similar in scale, with Greater Lincolnshire approximately 10% bigger than the Humber in GVA and employment terms and 14% in population terms. Both areas also have a number of core employment specialisms, which typically reflect each area's industrial heritage, physical location, facilities and tourism/cultural assets, and each LEP has identified opportunities linked to emerging sectors such as low carbon. The two LEP areas also face similar challenges, for example, in terms of driving up productivity in all sectors.
- While employment is largely concentrated in urban centres, as would be expected, rural areas, continue to be important employment centres, particularly in Greater Lincolnshire. Demand for premises will also extend into rural areas given their importance as employment centres.
- The two LEP areas clearly operate as overlapping functional economic geographies. There is also number of major functional economic zones which cut across LEP and Local Authority boundaries based upon similar economic characteristics and sectors – these zones are helpful for identifying where demand for different types of premises may occur. For the purpose of this work, these have been identified as: the Northern Zone, the Humber Estuary Zone, the Coastal Zone, the Agri-Food Arc and the Central Lincolnshire and Western Corridor.

3 Business Premises and Economic Growth

The inter-relationship between the provision of high quality business premises and economic growth has been the subject of much consideration but no consensus exists. Whilst there are examples of high quality premises acting as a catalyst for growth; the difficulty in being able to replicate this across different sectors, types of businesses, and locations for instance suggests the relationship between the two variables is complex, with a range of other factors also impacting on the success of the delivery of physical premises as a driver for economic growth.

Meeting Local Economic Growth Needs

Businesses have differing support and accommodation needs. This is influenced by a range of factors including their stage of development; the experience of the business owner; sector/activities; and growth trajectory. The broad range of business premises available from generic start-up units through to highly specialised incubation units and from low-cost generic workspace through to high quality innovation facilities cater for different business needs as well as the delivery of different policy objectives.

Across the UK the need to create more businesses; more jobs; and raise productivity and innovation, are common themes within LEP Strategic Economic Plans and ESIF Strategies. The UK economy has a shortfall in private sector employment and despite a strong knowledge base and R&D capabilities, there is an innovation gap resulting from a disconnect between industry and academia. Creating the right environment and support infrastructure are key components of addressing these weaknesses. Interventions however need to be fit for purpose and specifically tailored to local circumstances, needs and objectives. The creation of a highly specialised bioscience incubation facility in a remote rural location with no university links or critical mass is unlikely to make a successful contribution to local economic growth. The development of new business premises needs to give due regard to the local policy and operating context within which it is to be placed in order for it to deliver the desired policy objectives i.e. generic start-up; growth/expansion within the indigenous business base; high growth or sector specific start-up; increased adoption of innovation; commercialisation of R&D etc.

Segmenting the Market

Different types of business premises meet different needs and policy objectives. The majority of **generic office accommodation and workspace** is required to meet basic business needs in terms of space for expansion, relocation or inward investment. The demand for this provision is largely driven by wider economic conditions and growth (or in some instances the establishment of favourable conditions/incentives e.g. Enterprise Zones), rather than supply stimulating growth per se. As businesses grow and expand in an economic upturn it will be important to ensure their continued growth is not constrained by a lack of suitable office and industrial accommodation, and that this does not deter potential inward investors. These economic needs and requirements are, most frequently, met by commercial property developers with minimal involvement required from the public sector unless there are specific market failures.

The rationale for the creation of **incubation and innovation facilities** however is much broader than just the provision of business space to meet the needs of a growing business base. These are far more targeted facilities intended to generate additional and accelerated economic growth by supporting the commercialisation of research/ideas and accelerating innovation and technology adoption. The focus within these facilities is on addressing the innovation gap and supporting a step change in economic growth rather than just meeting the demands of a growing market. Catapult Centres, for instance, seek to achieve a critical mass of activity, usually building on an already established cluster of firms which demonstrate the potential for substantial growth. This type of facility is specifically focused on supporting enterprises and entrepreneurs between concept and commercialisation which may include: bringing the right partners together around a new or embryonic idea; demonstrator projects to stimulate interest and markets; mentoring; and securing investment. Science Parks which are generally linked to Universities may provide a longer term property option for businesses which require close academic and R&D links or benefit from the clustering of similar technology/innovation based businesses.

These types of facilities are aimed at supporting the innovation agenda and delivering high growth enterprises with the ability to compete on a global scale within sectors with considerable growth potential. As such they seek to have a significant impact in terms of wider economic growth and require a range of assets, facilities, linkages and networks (sometimes referred to as the local innovation system of eco-system) to be in place in addition to the physical premises.

Enterprise centres, managed workspace and starter units often provide something of a middle ground between generic office accommodation and specialised innovation centres and science parks. These facilities tend to comprise part of a local area's wider business start-up and business growth strategy by providing flexible, easy in - easy out accommodation to encourage start-ups and access to basic business support services and, in some cases, mentoring to facilitate survival and growth. Often such facilities can be tailored to local economic opportunities and priorities, for example, centres with a specific sectoral focus or targeting young entrepreneurs or start-ups within disadvantaged communities for instance. Such facilities would be expected to contribute to an area's economic growth strategy by stimulating new business growth and new job creation.

The rationale for different types of provision therefore vary, and whilst all are intended to support business growth and job creation their specific policy objectives can be different. In order to deliver economic impact, it is important that any intervention is fit for purpose and sufficiently attuned to local economic circumstances, markets, needs and opportunities. Innovation facilities will benefit from close academic links, whilst starter units and incubation centres require a strong business birth rate and entrepreneurial culture. Provision of business premises alone is unlikely to create growth where it is not part of a wider strategy to raise demand and capacity.

The Relationship between the Provision of Business Premises and Economic Growth

Assuming any intervention is fit for purpose given local economic needs, the relationship between business property and economic growth still remains a relatively complex one. Although the provision of a suitable supply of business premises plays an important role in an area's ability to generate, attract and retain economic activity, it is only one of a number of critical elements which need to be present to stimulate growth and capacity for growth; and the assertion that the provision of new premises alone creates new economic growth is a highly contentious one with very little empirical research available to support it.

It is evident that the lack of high quality businesses premises, in the right location, is frequently cited by businesses as a barrier to growth. Research by Nesta¹ into the barriers to growth of high growth and potential high growth businesses found that the availability, cost and suitability of good premises were important barriers to growth (highlighted by approximately 22% of firms surveyed). However it is important to note that many other issues were ranked more highly. High growth firms and potential high growth firms with the capacity to make a significant contribution to economic growth were found to be disproportionately affected by barriers to accessing finance; finding the right staff; a lack of management skills and regulation and competition. Supporting high growth (and arguably other) businesses therefore requires a range of interventions to provide them with access to skills, finance and advice as well as meeting their accommodation needs. This is supported by research from numerous other studies and articles², as well as the evidence base for many SEPs and ESIF Strategies which identify a range of interventions to create the conditions for growth, of which access to quality premises may be just one strand of activity where there is an identified gap in provision or market failure.

The provision of high quality enterprise, innovation and incubation centres seeks to bring the different elements for business growth together within one physical or virtual location, and it is this combination of quality premises, with quality support and mentoring which can, in some circumstances, add the additional value which will stimulate greater economic growth. Over recent years the US has invested considerably in high technology incubation and innovation centres, particularly within the bio-technology sector. EnterpriseWorks in Chicago and The Helix Centre Biotech Incubator in St Louis are examples new facilities which have been developed to capitalise on academic expertise and knowledge in the bio-tech field. These facilities are focused on testing new ideas and plugging potential entrepreneurs into the existing business community and support infrastructure. It is evident that although they offer flexible lease terms and conditions in order to ensure a supply of accessible accommodation; providing access to office space is not their primary focus, *"EnterpriseWorks is more than just desks and bench space; it also provides entrepreneurs with access to services and mentorship"* (The Scientist Magazine, March 1, 2014).

The 2010 Hauser Report for BIS into the current and future role of technology and innovation centres in the UK also points to the combining of hard and soft infrastructure as the rationale for increased investment in innovation centres,

"By bringing activity together into a single location, TICs can provide a focal point to the research and innovation activities of companies, particularly new ones, and provide access to the facilities and expertise needed to pursue their innovation objectives....Shared access to research equipment and instruments and the exchange of tacit knowledge are significantly facilitated by co-location...TICs provide a direct focus for effective collaborations which are unlikely to take place without the co-location and network opportunities they enable." (Hauser, 2010)

The added value of enterprise and innovation centres therefore lies in the provision of additional services to businesses which accelerate their growth such as business support, mentoring, access to finance, networking opportunities; access to R&D facilities; skills development and training opportunities.

Despite the literature and case studies demonstrating the contribution of incubation facilities and innovation centres in fostering new and expanding businesses however, there remain mixed views as to the wider economic impact of such facilities.

"Whilst many in politics, economic development, and business are convinced that investments in incubators offer handsome returns, there is scant evidence that incubated companies have a greater impact on the economy than those that go it alone" (The Scientist Magazine , March 1, 2014)

¹ Nesta (November 2011) "Barriers to Growth. The views of high growth and potential high growth firms"

² *Barriers encountered during micro and small business start-up in North West England* – Journal of Small Business and Enterprise Development Vol7 issue 4

Understanding the Small Business Sector – Storey, 1994

What holds back high growth firms? Evidence from UK SMEs - Lee, 2014

The debate is very much focused on whether the additional support and nurturing received by businesses whilst they are situated within managed accommodation or incubation facilities delivers added value or whether businesses graduating from these facilities generate the same economic returns and benefits as those located outside such facilities. Other studies have looked more broadly at the potential economic impacts of innovation and incubation facilities with very mixed results. For instance, analysis of businesses graduating from incubators in Michigan, US had an 87% survival rate compared to around half of all businesses dying within the first five years; whilst a broader study of incubator businesses across the US found that they tended to fail sooner than non-incubated businesses, although this could be due to entrepreneurs in incubators realising sooner that their idea was not viable. Nesta's 2011 analysis of UK business incubators suggested that compared to non-incubated businesses incubatees benefit from: the development of credibility; shortening of the entrepreneurial learning curve; findings quicker solutions to problems; and, access to an entrepreneurial support network. The findings however are not conclusive.

Within the UK, enterprise and innovation centres have experienced mixed fortunes. Some such as the Lincoln Think Tank have remained half-occupied a year after opening, whilst others such as Tipton Park and Dunston Innovation Centre in Chesterfield have been experiencing high demand for space. From the anecdotal and small-scale studies which have been undertaken the high cost of serviced accommodation (particularly when this is higher than other provision in the area) and targeted entry criteria have been cited as barriers to take-up. A lack of "suitable" businesses within an area has also been cited i.e. incubators supporting high growth firms for instance need to be located in areas with an entrepreneurial culture and growth ventures.

Further research into the managed workspace format has found that whilst once a prominent tool for local economic development, over time they become little more than basic office accommodation as tenants fail to move onto other accommodation and services become under-used to the extent that the added value of such facilities is negligible. Research by Leeds Metropolitan University for instance in the late 1990s commented that the "protected environment" of managed workspace has little added value for more mature firms and calls for a reappraisal of the role of managed workspace in local economic development policies. Literature broadly supports the view that workspace and other formats of business centre need to be operated and managed as a business if they are to be sustainable and deliver against their wider economic development objectives suggesting the provision of the physical infrastructure alone will be insufficient to stimulate growth, particularly where there are wider market failures.

There has however been little comprehensive analysis of the performance of innovation and enterprise centres across the UK to gauge their overall effectiveness and the reasons affecting demand, and there is no established methodology for doing so. Caution has to be attached to industry reports which tend to over-emphasise the contribution of incubators and other facilities, and other attempts to collate evaluation evidence suggest there are often contradictory findings,

"Given the relatively small number of studies and the lack of comparability between studies any conclusions should be treated as indicative at best." (Nesta, 2011)³.

Nesta's 2011 analysis cited above provides perhaps the most comprehensive attempt to gauge the added value of incubators across the UK. Evidence from UKTI suggests that the UK has approximately 300 business incubators with direct impacts per incubator standing at approximately 25-40 businesses supported and 44-91 jobs created, whilst CSES⁴ analysis across the EU suggests 900 incubators contribute approximately 40,000 net new jobs each year. The wider impacts of incubation could include:

- Incubation outreach: UKBI data (cited in Nesta, 2011) suggests around 60% of incubators operate outreach services which allow companies located outside the incubator to benefit from their services and support;
- Indirect effects: e.g. additional jobs and wealth generated from supplying goods and services to incubators and tenants;
- Entrepreneurial learning: the opportunity to trial new ventures which even if not successful often leads to other opportunities being developed.

What is evident however is that research studies into the added value and success of such facilities have come to very different conclusions which suggests that the success or failure of innovation centres and similar facilities are often closely tied to specific local factors and circumstances.

"Organising incubation to deliver maximum value from tenants is contingent upon the internal situation (including tenants) in the incubator and external business environment" (Nesta, 2011)

Put simply, several different conditions and activities need to come together at the right time and location for optimum results to be achieved. The question for policymakers therefore is what are the critical success factors, and to what extent can these conditions/influences be controlled and recreated within a locality?

³ Nesta 2011 *"Incubation for Growth"*

⁴ CSES 2002 *"Benchmarking of Business Incubators"*

The Challenges of Creating Successful Business Centres

As stated in the opening paragraphs of this paper, the need and demand for different types of facilities and services will vary over time and between businesses, sectors, and geographies. Different areas have different competencies and sector strengths which can provide a hook for new facilities. Many innovation and incubation centres for instance are often located near to HEIs to capitalise on specialist knowledge and areas of expertise and in many studies the presence of a good HEI has been identified as a critical success factor in the sustainability of incubation units.

Sector specific facilities have received mixed reviews, working well where there is sufficient critical mass (and therefore demand) e.g. technology clusters around Cambridge, but less well where there is low churn of new and expanding businesses. Location and wider economic conditions are therefore important considerations.

Whilst slightly dated the findings of the 2002 business incubator benchmarking study by CSES are still relevant today and provide good insights into business incubation practices across the EU. This study highlighted many of the features of successful incubation facilities including the need to ensure they are integrated into wider growth strategies; the optimal configuration of physical space and the importance of supportive business services made available to tenants.

Consultation findings on the TSB's Technology and Innovation Centre prospectus suggested that facilities need strong company demand and support from business leadership and close integration into innovation infrastructure.

Whilst there are several sources of good practice insights and lessons to inform practitioners looking to establish new incubation, innovation or enterprise centres, literature tends to return to the same conclusion that seeking to replicate examples from elsewhere does not guarantee success. It is important to note that the development of new business premises can be a tool to stimulate and support entrepreneurship, innovation and business growth, but it is not the only tool; nor can it be viewed in isolation from wider economic development activity.

"Placing an incubator in a region does not guarantee it will have suitable tenants to incubate nor attract sufficient support or resources from the local business environment...business incubators on their own cannot create an entrepreneurial or innovative ecosystem. To be successful they must work with a wide range of other actors, from research institutions to (serial) entrepreneurs to specialist advisers, grant providers, angel investors and many more". (Nesta, 2011).

Key Messages

- High quality premises alone are insufficient to generate economic growth and higher productivity-there is consensus in the research on this point (NESTA, CSES, Story et al)
- Favourable economic conditions are a pre-requisite to success and these include deep sector specialisms and a critical mass of firms in the locality to generate demand.
- The research shows that soft infrastructure is as important as hard infra-structure in driving economic growth. This includes high quality business support, coaching and mentoring, and less low value generic support.
- Location of premises is as important as quality. The knowledge economy is attracted by proximity to other firms, facilities such as HEIs and transport, and by urban benefits such as high density of labour, skills and talent, attractive places, food, drink and culture.
- For innovative firms the existence of the right innovative environment or 'eco-system' is also important. This will include high quality premises but must also include clusters of other firms in similar or related industries, HEI's, networks, and other business, learning and innovation facilities.
- Unless there is evidence of unmet demand and strong forecast sector growth, being overly sector specific in the specification of business premises will lead to low occupancy levels and an overall lack of viability.
- Managed workspace options without appropriate soft-infrastructure or a strong rationale and policy direction can attract low level businesses with little growth prospects. These generate low levels of churn and can actually weaken the economy.
- Accommodation for start-ups is important as they are always a source of new business growth but they should be part of a continuum of support and follow-up space. The research and anecdotal evidence suggests that most successful managed work-space facilities are currently managed by the private sector.

4 Economic Assessment (Summary)

Detailed economic impact assessment provided in the Phase One Report.

Section Labour Market

As one of the key factors that attracts and retains businesses, ensuring that the full potential of the local labour market is realised and that the supply of labour is able to meet the demand of new and/or growing employers is a priority for both LEP areas. Success in this regard will have a direct impact on the level of growth that is secured in Humber and Greater Lincolnshire in future years.

There is a need to improve skills levels amongst the working age population, particularly with regards to higher level skills, to ensure that both areas are able to capture growth within knowledge based sectors. However, the strong technical and intermediate skills base will be attractive to employers and support growth, particularly in sectors such as manufacturing and construction.

In Greater Lincolnshire, the smaller working age population places an emphasis on retaining young people as well as attracting working age residents through new employment opportunities and the attractiveness of the area as a place to live. This will ensure that the labour market is of sufficient scale to support and maximise economic growth.

In Humber, the higher levels of unemployment place an emphasis on creating employment opportunities and ensuring that those who are unemployed are equipped with the skills required to meet future demand from employers.

Trends in home working over the past ten years do not suggest that this approach to flexible working has significant implications for workspace demand and design (see Phase One Report) . If there were to be a sharper increase in home working levels going forward, this may mean that new employers or those expanding require less space, for example by using hot desk models.

Sectors

The nature of business activities and the sectors which businesses operate within are key factors that influence demand for different types of employment workspace. While it may seem straightforward to assume that each sector is linked to one type of employment floorspace (e.g. the manufacturing sector and industrial floorspace) this is over-simplistic and does not take account of the fact that individual businesses may require mixed workspace (e.g. office and industrial) and that there may be a need for managed and specialist workspace for certain activities within most sectors.

There are clear patterns in the distribution of sectoral employment between rural and urban areas, with sectors such as production, construction and transport concentrated in rural locations, while sectors such as finance and business, real estate and public administration are more typically clustered in urban environments. This needs to be considered when assessing where demand for future workspace may occur.

The historic growth trends and the current sectoral composition of the LEP economies highlight that both areas have sectoral strengths to build upon - primarily linked to manufacturing activity - as well as opportunities to capture and accommodate higher levels of growth in private service sectors.

Both LEP areas have also identified priority sectors which build upon recognised strengths and take account of emerging economic opportunities. The analysis of recent growth trends and local employment specialisms reinforces the importance of these sectors.

Despite significant decline during the last growth period, manufacturing continues to be an important sector in both economies accounting for 15-16% of employment and a disproportionate share of GVA (21% in Greater Lincolnshire and 25% in Humber). Further, in recent years, total employment levels in the sector have been stable in Greater Lincolnshire and growing in Humber. Going forward, both areas have employment specialisms within manufacturing to build upon, especially those which are linked to the LEP's key sectors.

Both LEP areas have a relatively weak private service sector, which is reflected in a number of trends:

- The private service sector lacks scale compared to the national average: In both areas, the location quotient for the majority of professional and business services and information and communication sectors ranges from 0.3-0.5.
- Existing activity focuses of lower value activity: In both areas, the largest and most highly represented business services sector is administration and support, which is typically lower value. The wider business services sector that they sit within has a GVA per FTE of £32-33k compared to an average of £50-£51k for the overall LEP economies.
- The sectors also have low levels of productivity relative to the national average: In Humber, the productivity of most private services sector ranges from 55% - 88% of the national average. The only exception is real

estate (which is 101%). In Greater Lincolnshire, it ranges from 59% - 88%, with two exceptions (other services and real estate which are both 102%).

- There has been employment decline in recent years. Between 2009 and 2012, both Humber and Greater Lincolnshire experienced employment decline, while the number of employees remained relatively stable nationally. In both areas, this was driven by the private services declining and in particular a decline in those linked to local spending power such as retail, real estate, arts and entertainment, accommodation and food.

At the same time, there is an opportunity to build upon the smaller, private service sector base and capture a higher share of growth going forward, particularly in higher value service sectors.

Productivity is a long term challenge for both LEP areas, with the majority of sectors underperforming when compared to the national average. While high quality premises alone are insufficient to generate higher levels of productivity, it is likely that premises with softer infrastructure such as business and/or technical support could help to address this issue.

Business Base

The number of new business starts – on average, 3,800 per annum in Greater Lincolnshire and 3,300 per annum in Humber – will continue to be a source of employment growth and demand for new business accommodation.

The low business density in both areas coupled with previous employment trends, suggests that the expansion of existing businesses will also play an important role in future growth.

The data provides evidence that both LEP areas are affected by low survival rates, particularly during years three to five of trading. Understanding the causes of business failure in Humber and Greater Lincolnshire will help to identify if there is a role for new and/or specialist business premises, particularly premises that are offered alongside softer infrastructure such as business support, to play a role in supporting business survival and further growth.

The size profile of individual business units and the overall business base will influence the size and composition of accommodation required. The current profile suggests that there is higher demand for premises suitable for micro businesses (particularly those employing 5-9 employees), small and larger businesses (with 250-499 employees) in Humber and Greater Lincolnshire.

5 Demand for Business Premises

Economic forecasts are one of the main data sources that provide an indication of both the likely scale and potential source of future growth within local economies. There are, however, a number of points that need to be noted when interpreting and using analysis of economic forecasts:

- **The results are indicative rather than exact:** While econometric modelling is carried out using the best available data and expertise in the field; the results produced are illustrative rather than exact. They provide an indication of what is likely to happen based on the available evidence, but scope for variation and unexpected changes exists and should be factored into interpretation.
- **There can be significant variation between forecast models:** There are a number of companies that specialise in economic forecasts, each of which has its own bespoke forecast model and underpinning assumptions. In most cases, these begin with an assumption with regards to the potential level of growth in the national economy, which is then broken down to local economy forecasts. There is often significant variation between these estimates, for example, the most recent Experian estimates suggest that employment will grow by 8% nationally between 2014 and 2023, while estimates by Oxford Economics are less optimistic and suggest growth of 6%.
- **There is likely to be more variation in longer term forecasts:** The likelihood of variation from the forecast increases for estimates that are projected further into the future.
- **Sectoral data is based on standard industrial sectors, rather than priority sectors:** All sectoral data is based on standard industrial sectors (SICs). These do not match with priority sectors within the LEP area, which are based on tailored definitions or industrial groupings and often cut across a number of the SIC defined sectors and/or just consider parts of particular sectors.

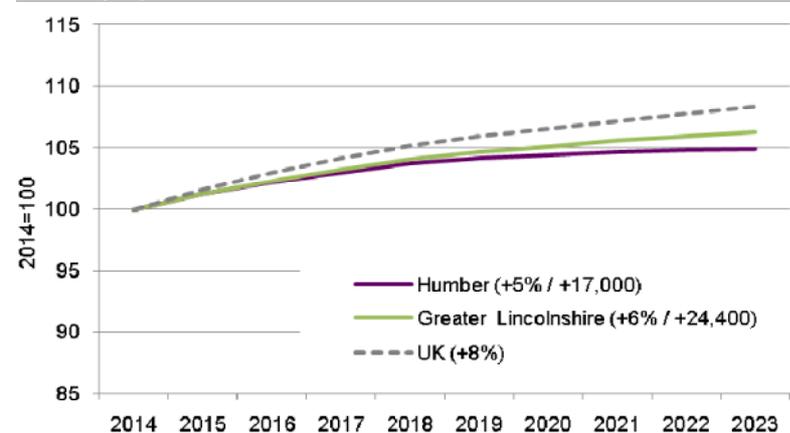
Nevertheless, the forecasts provide an indication of the sectors in which business growth will occur and be captured and are a useful source of data for business premises studies.

The analysis set out in this chapter is based on employment forecasts produced by Experian. These show the baseline position and do not take account of planned policy interventions. As such, alternative growth scenarios have been considered which seek to capture the impact of large scale/priority interventions and take account of the findings relating to historic growth trends and the current composition of the local economies. These scenarios will be refined as stage 2 of the study progresses.

Baseline Economic Forecasts

The baseline forecasts show that both LEP areas are expected to experience growth over the next 10 years. Whilst, this growth will be significant for both LEPs in terms of net FTE job numbers (17,000 in Humber and 24,000 in Greater Lincolnshire), the forecast growth rate falls below the UK average.

FTE Employment Forecast – Baseline

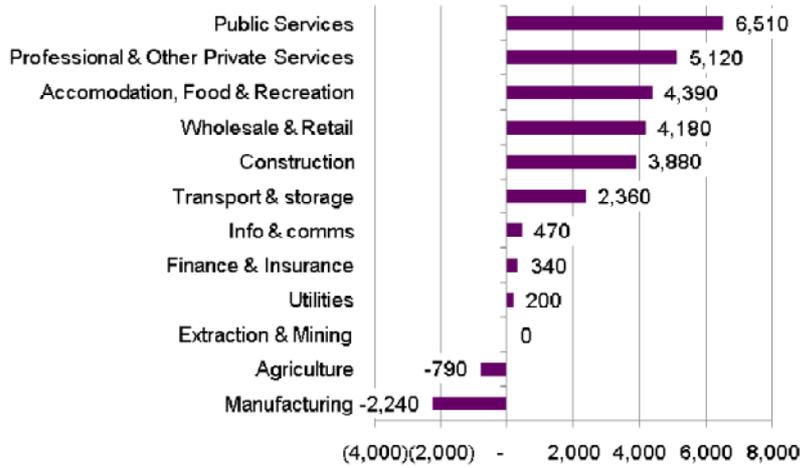


Source: Experian

In terms of sector trends, similar patterns of growth are forecast for the Humber and Greater Lincolnshire, although the magnitude of growth in each sector is expected to vary by area.

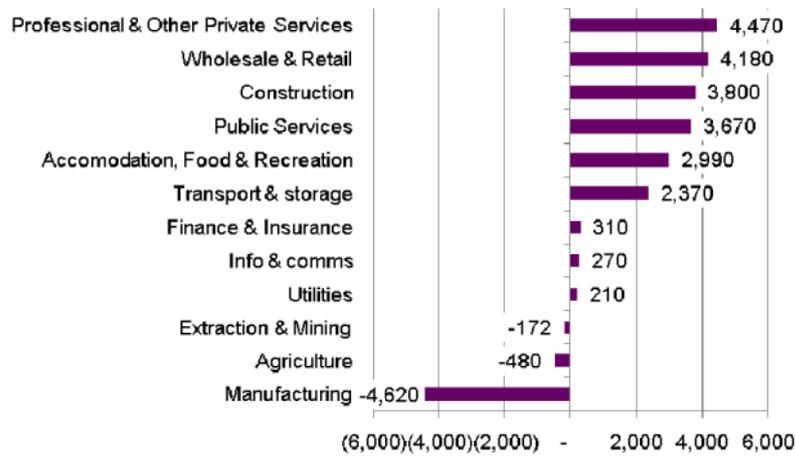
The six key sectors which are driving growth across both LEPs are professional and other private services; public services; wholesale and retail; accommodation, food and recreation; construction; and transport and storage. The Manufacturing sector is forecast to experience the most significant net decline in both areas, in line with the sector's anticipated decline nationally.

Greater Lincolnshire Baseline - Net FTE Change Forecast for 2014-2023



Source: Experian

Humber Baseline - Net FTE Change Forecast for 2014-2023



Source: Experian

As shown in the table below, the projected level of growth in both LEP areas is expected to be lower than national levels of growth in the majority of sectors. However Greater Lincolnshire is forecast to perform slightly more favourably than the Humber in this respect.

A significantly low growth rate is anticipated across both LEPs in the construction sector, whilst transport and storage and public services are predicted to exceed the national growth rate.

Table 5.1: Forecasts Growth Rates 2014-2023

Red shading is used to highlight local growth rates that fall below the national average, while green shading is used to highlight those that exceed national levels

	UK		Greater Lincolnshire	Humber
Construction	341,510	25%	16%	17%
Accommodation, Food & Recreation	379,620	18%	18%	15%
Finance & Insurance	149,510	15%	9%	9%
Professional & Other Private Services	738,420	14%	9%	10%
Info & comms	135,570	13%	11%	5%
Wholesale & Retail	401,090	10%	6%	8%
Utilities	11,800	4%	4%	5%
Transport & storage	31,160	2%	9%	9%
Public Services	117,280	2%	7%	4%
Extraction & Mining	510	1%	0%	-19%
Manufacturing	(124,670)	-5%	-3%	-7%
Agriculture, Forestry & Fishing	(25,290)	-11%	-10%	-9%
Total	2,156,510	8%	6%	5%
Source: Experian				

Manufacturing is also forecast to experience overall decline in both LEP areas and in Humber this is forecast to exceed the anticipated level of national decline. However, this does not resonate with recent growth trends, where employment in manufacturing has remained stable or grown in contrast to further decline nationally. It also does not take account of planned investment and initiatives linked to the LEP area's priority sectors.

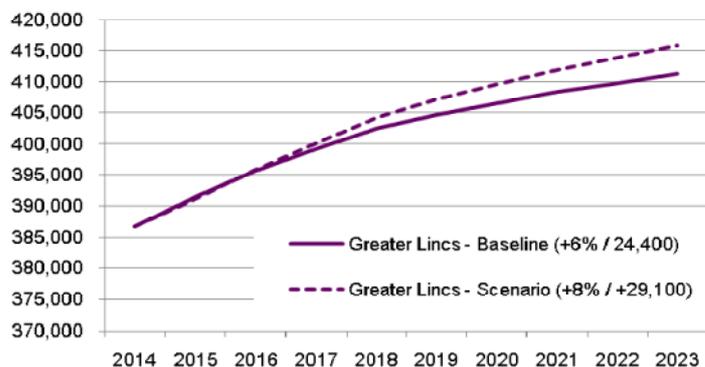
Alternative Growth Scenarios – Total Employment

The alternative growth scenario that has been developed for Greater Lincolnshire is based upon:

- **A lower level of employment decline in the manufacturing sector.** This takes account of recent growth trends which show that total manufacturing employment has remained stable between 2009 and 2012, and that employment levels in specialist sub-sectors, have increased. This includes the manufacture of food and the manufacture of machinery. In particular, the manufacture of food – which is currently the LEP area's fourth largest sub sector within the economy – created over 1,000 additional jobs between 2009 and 2012. The lower level of decline also takes account of growth prospects within the LEP's key sectors and the relevant key sectors for Humber LEP given the overlap with the North Lincolnshire and North East Lincolnshire. In the case of Greater Lincolnshire's, this includes opportunities in key sectors which are manufacturing based (e.g. manufacturing and engineering) or that incorporate manufacturing activity (e.g. agri-food). In the case of the Humber LEP, this includes renewable energy and environmental activities that will create opportunities for manufacturing businesses, such as wind turbine component manufacturing and pre-installation assembly facilities.
- **Growth in professional and other private services and information and communication reaching the national average.** The majority of professional and private services, particularly those which are higher value such as professional, scientific and technical activities information and communication; and finance and insurance are underrepresented in Greater Lincolnshire. As the main driver of growth nationally, the low base in Greater Lincolnshire provides a platform for securing higher growth rates in these sectors with the area able to accommodate a larger share of the national growth in the sector.
- **Growth in accommodation, food services and recreation outperforming the national average (22% compared to 18%).** In line with the ambition of the Greater Lincolnshire LEP, there is significant potential for growth in the visitor economy. This is underpinned by product development (e.g. investment in Lincoln castle), planned events and growth in the wider economy which stimulates demand for local restaurants and leisure facilities. There are also a number of areas within Greater Lincolnshire, such as North Kesteven and West Lindsey that will experience growth in the visitor economy linked to their proximity to key tourist attractions and destinations.

The alternative scenario results in the level of growth projected for Greater Lincolnshire increasing to meet the national average (+8%) and this is equivalent to an additional 4,700 FTEs over the ten year period.

Greater Lincolnshire Alternative FTE Growth Scenario



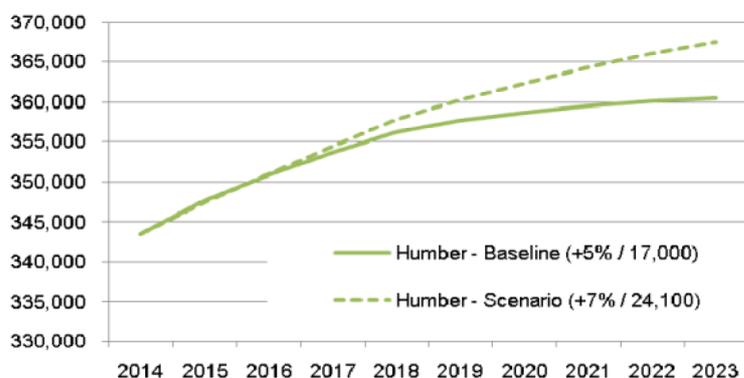
Source: Experian

The alternative growth scenario that has been developed for Humber is based upon:

- **Employment decline in the manufacturing sector stabilising.** As with Greater Lincolnshire, this takes account of recent growth trends which show that total manufacturing employment has grown in Humber between 2009 and 2012 driven by growth in other manufacturing (which has created over 1,000 additional jobs) and the manufacture of chemicals (which has created almost 800 additional jobs). In particular, the manufacture of food – which is currently the LEP areas fourth largest sub sector within the economy – created over 1,000 additional jobs between 2009 and 2012.
- Importantly, the stabilisation of the sector in Humber is driven by Siemens's major investment plans to develop production and installation facilities at Green Port Hull and Paull in East Riding and the related development of the renewable supply chain which, as recognised by Renewable UK, offers significant opportunities for the manufacturing sector (e.g. in component manufacture and the provision of pre-installation activities).
- **Growth in professional and other private services and information and communication reaching the national average.** The majority of professional and private services, particularly those which are higher value such as professional, scientific and technical activities information and communication; and finance and insurance are underrepresented in Humber. As the main driver of growth nationally, the low base in Humber provides a platform for securing higher growth rates in these sectors with the area able to accommodate a larger share of the national growth in the sector. This also includes the creative and digital sector which is a key growth sector identified by the LEP.

The alternative scenario results in the level of growth projected for Humber increasing to almost meet the national average (+7% compared to +8%) and this is equivalent to an additional 7,100 FTEs over the ten year period.

Humber Alternative FTE Growth Scenario



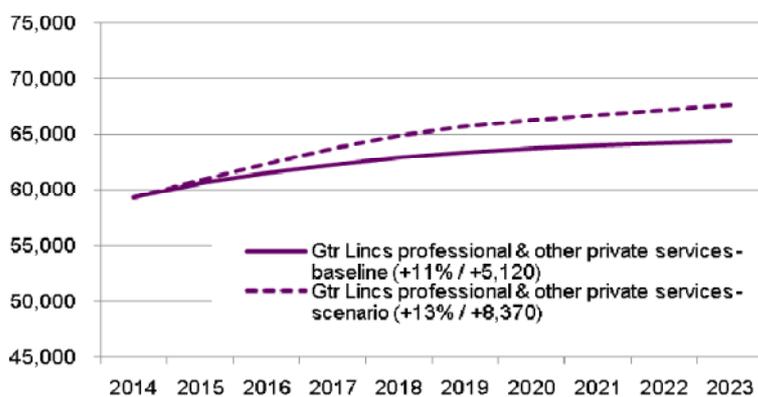
Source: Experian

Alternative Growth Scenarios – Key Sectors

Based on the board sectoral definition used by the forecasters, there are three main sectors where demand for managed and specialist workspace will arise: (i) professional and private services; (ii) manufacturing; and (iii) information and communication. The alternative growth scenarios for these sectors are set out in turn below.

The professional and other private services sector includes real estate; professional, scientific and technical activities that require a high degree of training to make specialised knowledge and skills available to users (e.g. legal, accounting, architectural, head office, scientific research and development, advertising and market research); administrative and support service activities (e.g. renting and leasing, employment agencies, travel agencies, office administration); and arts entertainment and recreation. In Greater Lincolnshire, the projected uplift for the sector ranges from 5,100 FTEs over the ten year period in the baseline scenario to 8,300 in the alternative growth scenario.

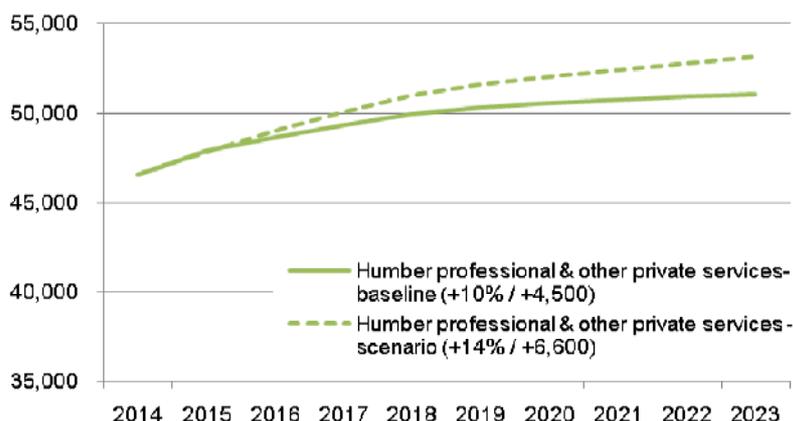
Greater Lincolnshire Professional & Other Private Services Alternative FTE Growth Scenario



Source: Experian

In Humber, the projected uplift for the sector ranges from 4,500 FTEs over the ten year period in the baseline scenario to 6,600 in the alternative growth scenario.

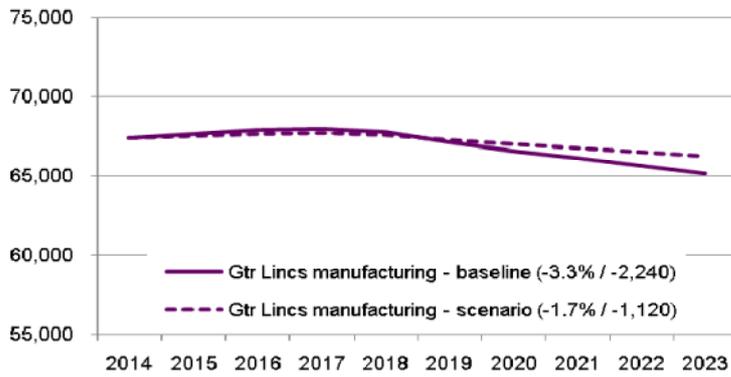
Humber Professional and Other Private Services Alternative FTE Growth Scenario



Source: Experian

In manufacturing, the projected decline for the sector in Greater Lincolnshire ranges from 1,100 FTEs over the ten year period in the alternative growth scenario to 2,200 in the baseline scenario. While at the headline level, this does not suggest that additional premises will be required, the scenario does not show the underlying dynamics of change at the sub-sector level which are likely to result in demand, particularly where businesses require new and/or high quality premises. As shown by trends in recent years, while some manufacturing sub-sectors have declined others have remained stable or experienced growth (e.g. the manufacture of food products). This also applies in private service sectors.

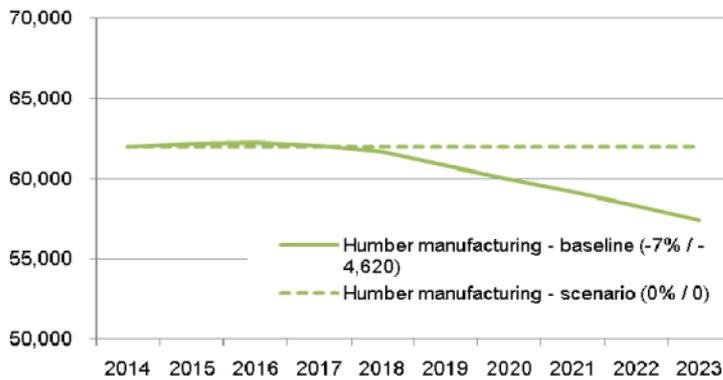
Greater Lincolnshire Manufacturing Alternative FTE Growth Scenario



Source: Experian

These dynamics and demand patterns also apply to Humber, although as set out in the earlier section, the alternative manufacturing scenario assumes that the decline in the sector will stabilise, reflecting recent growth in the sector, the growth prospects of the LEP’s key sectors and Siemen’s major investment plans. While this stabilisation would be less instantaneous that the chart below suggests, the alternative growth scenario shows total employment remaining constant in comparison to a decline of over 4,600 in the baseline scenario.

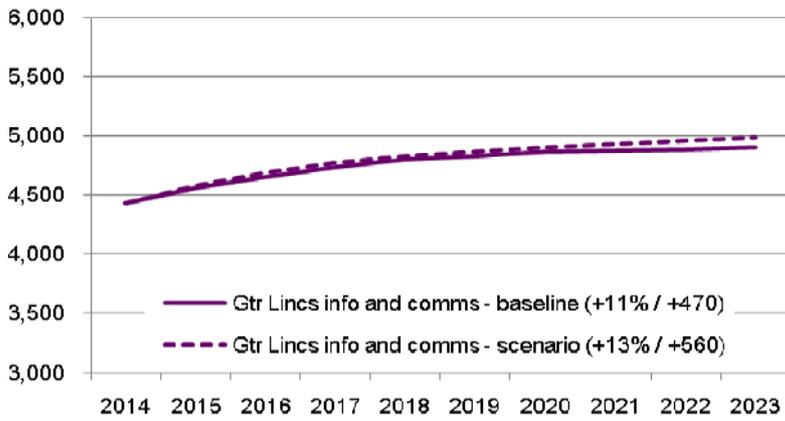
Humber Manufacturing Alternative FTE Growth Scenario



Source: Experian

The information and communication sector includes the production and distribution of information and cultural products, the provision of the means to transmit or distribute these products, as well as data or communication, information technology activities and the processing of data and other information services. The main components are publishing activities, including software publishing, motion picture and sound recording activities, radio and TV broadcasting, telecommunications activities and information technology activities. In Greater Lincolnshire, the projected uplift for the sector ranges from 470 FTEs over the ten year period in the baseline scenario to 560 in the alternative growth scenario.

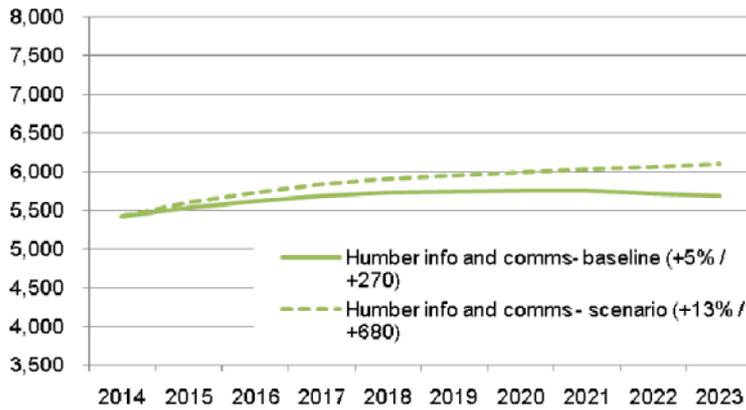
Greater Lincolnshire Information and Communications Alternative FTE Growth Scenario



Source: Experian

In Humber, the projected uplift for the sector ranges from 270 FTEs over the ten year period in the baseline scenario to 680 in the alternative growth scenario.

Humber Information and Communication Alternative FTE Growth Scenario



Source: Experian

Conclusions on demand

The economic forecasts and the alternative scenarios highlight that the demand for high quality business premises will be driven by uplifts in: professional services, sub-sectors within manufacturing and engineering, IT/Digital, Creative Industries and Tourism.

In the next section the supply of high quality business space is considered and this is used to understand where and for what sectors demand is currently unmet.

6 Supply of Business Premises

Introduction

This section assesses the current supply of business space in the Greater Lincolnshire and Humber LEP areas, and the occupancy of the commercial stock. The emphasis of the study is to understand the provision of space within the smaller end of the market, in particular serviced offices and managed workspace. However, it is recognised that not all small and micro businesses will use serviced accommodation, and therefore the wider market has been assessed in order to give a truer picture of the options available to these businesses.

Understanding the total property supply in the study area helps provide an overview of the office and industrial sectors across the two areas. Contextual data such as the most recent Employment Land Reviews (ELR) for each authority in the study is considered. These are the evidence base upon which future land needs are determined through the local plan process. Whilst this study is not necessarily concerned with land, ELRs must understand the wider property needs in order for that provision to be determined, and that involves a review of the current supply of both land and premises.

The current available supply of both offices and industrial space has been assessed with an emphasis on the smaller end of the market. This data is drawn from a number of sources, including published web based data bases, property agents, property owners and local authorities.

From this wider review, the report then focuses specifically on managed workspace of various kinds, both serviced offices, and managed workshop type accommodation. A large proportion of this type of space is owned and managed by local authorities, and has been provided in the past to meet the specific needs of this sector of the market. However, the spread of managed workspace is not even across the study area, and the study seeks to determine whether the local authority provision is meeting the needs of new enterprises today, and, where it appears not be doing so, considers whether private sector provision is able to meet the shortfall.

The analysis of managed workspace is broken down into four categories, which were defined within the original brief. These are

- incubators
- innovation centres
- enterprise centres
- general managed workspace, primarily small workshop premises

Those properties defined as managed workspace rarely have direct, on-site management in the way that office-type developments do. Some local authority controlled schemes offer access to wider facilities off-site. Few private operators, for example, Evans Easyspace which is now owned by serviced office specialist, Regus provides true managed space.

In reality, most companies seeking small workshop space will look to the provision of self contained space, which does not fall within the brief's definition. However, increasingly, there is a move towards a type of managed space within self-storage facilities. Historically, these buildings have been divided up and let on a monthly basis for storage of goods, but a number of operators are permitting small businesses to operate from the premises. These facilities fall outside the study brief, as at the moment the workspace use is secondary to the main business of self storage.

The provision of managed workspace is assessed on an area basis, both on a quantitative and qualitative basis. The property is graded using a system recognised by the property industry, where grade A is modern high quality space with lower quality space graded accordingly to a grade D.

Occupancy costs have been assessed separately, to try and provide a comparison across the study area. This is not a comprehensive review as there are limitations in the availability of information. Also data provided is not always broken down into identifiable revenue streams. In some cases an all in monthly fee is provided, whereas other data provides rent, business rates and other costs separately. Where the data is available, it is made clear which schemes charge additional fees for services and where such services as are on offer are included.

To assess whether the current space on offer to businesses meets their individual needs, a survey has been conducted of a sample of businesses in small properties in the study area. The company data has been provided by the different authorities across the study area, and as a result the quality and number of returns varies.

Conclusions and recommendations as to the need for more managed workspace provision in each of the authority areas are drawn from the analyses in the previous sections.

Total Property Supply

Table 6.1 shows the distribution of office and industrial premises across the whole of the Greater Lincolnshire and Humber LEP area as expressed as Valuation Office hereditaments. Hereditaments are premises liable for business rates. They can be a group of buildings, a single building or a property within a building. It gives a good indication of how many business premises (and floorspace) there are in the area.

The most recent Valuation Office data available is for 2012, which pre-dates the recovery from recession but still gives a good idea of the scale and distribution of B1/B2/B8 space in the study area. Table 6.1 shows that, as at 2012, there was 14,370,000 sqm of B-Class employment floorspace, comprising 21,910 individual properties, in the study area. The vast majority of this floorspace (91 percent) comprised industrial and warehouse accommodation. Only 9 percent (1,326,000 sqm in 7,270 premises) comprised B1(a) offices.

When broken down on an authority basis, The Humber LEP and specifically Hull had the greatest overall supply by floorspace, almost three million square metres in 3,800 properties in 2012. However, the supply of industrial floorspace in Hull (2,467,000 sqm) was only 42,000 sqm greater than the supply in the East Riding of Yorkshire (2,425,000) East Riding was also the second largest office provider in the study area with 207,000 sqm of floorspace in 1,290 properties.

Table 6.1: Distribution of Premises		
Area	Number of Units (Floorspace, sqm)	
	Factories/ Warehouses	Offices
Greater Lincolnshire LEP Area		
Boston	630 (640,000)	209 (45,000)
East Lindsey	1,620 (743,000)	500 (64,000)
Lincoln	680 (517,000)	730(170,000)
North Kesteven	1,020 (616,000)	450 (62,000)
South Holland	800 (888,000)	380 (46,000)
South Kesteven	1,190 (1,085,000)	590 (86,000)
West Lindsey	770 (539,000)	310(56,000)
Sub-Total	6,996 (5,433,000)	3,399 (650,000)
Humber LEP Area		
East Riding of Yorkshire	2,360 (2,425,000)	1,290 (207,000)
Hull	2,450 (2,467,000)	1,350 (347,000)
North East Lincolnshire	1,490 (1,209,000)	780(129,000)
North Lincolnshire	1,630 (1,915,000)	600 (114,000)
Sub-Total	7,930 (8,016,000)	4,020 (797,000)
Total	14,640 (13,044,000)	7,270 (1,326,000)

Source: VOA

N.B. to avoid duplication North Lincolnshire and North East Lincolnshire have only been recorded within the Humber LEP area, but both are also form part of the Greater Lincolnshire area.

Not unexpectedly, Lincoln as the administrative centre of Greater Lincolnshire has the largest office stock – 170,000 sqm in 730 properties. South Kesteven has the greatest industrial stock, 1,085,000 sqm in 1,190 properties, most of which is focused in Grantham and Stamford. Premises supply is inevitably much smaller in the rural parts of Greater Lincolnshire although no area has less than 900 properties overall and only Boston has less than 700,000 sqm of floorspace. Generally, Boston and West Lindsey have the smallest property stocks.

Available Property Supply

An analysis of property currently on the market across the study area identifies where there are potential gaps in the current provision, on an area by area basis. This information is derived from web based data bases such as the Estates Gazette's Property link site, together with information from property agents. These are the commercial web based sources that businesses are likely to access when seeking commercial property. The data is not a comprehensive list, but provides a picture of provision both for offices and industrial space across different size bands. A number of the managed workspace facilities do not feature within these commercial data bases. The subsequent analysis of managed workspace provides a much fuller analysis of space provision for the small end of the market.

Industrial Supply

Tables 6.2a and 6.2b show the available industrial space identified through the analysis of property currently being marketed.

Table 6.2a: Greater Lincolnshire LEP Amount of Marketed Industrial Property									
Local Authority Area		Size Band, sqm							Total
		0-25	26-50	51-100	101-200	201-500	501-1000	1001+	
Boston	Floorspace, sqm	22	172	820	418	1,654	1,263	73,913	78,262
	Number of Properties	1	5	13	3	5	2	14	43
East Lindsey	Floorspace, sqm	-	-	401	526	5,519	5,015	28,468	39,929
	Number of Properties	-	-	5	3	14	8	10	40
Lincoln	Floorspace, sqm	-	245	1,232	4,864	12,517	11,275	164,109	194,242
	Number of Properties	-	6	15	34	42	16	21	134
North Kesteven	Floorspace, sqm	-	108	937	2,259	5,132	5,313	39,495	53,244
	Number of Properties	-	3	11	16	16	7	14	67
North East Lincolnshire	Floorspace, sqm	-	46	757	1,507	10,767	9,054	63,054	85,185
	Number of Properties	-	1	10	10	33	13	24	91
North Lincolnshire	Floorspace, sqm	19	143	608	1,999	7,220	13,226	146,762	169,977
	Number of Properties	1	3	7	14	22	18	33	98
South Holland	Floorspace, sqm	-	-	60	441	2,256	1,913	11,087	15,757
	Number of Properties	-	-	1	3	7	3	4	18
South Kesteven	Floorspace, sqm	-	-	398	1,971	4,740	6,351	172,592	186,052
	Number of Properties	-	-	5	13	13	9	15	55
West Lindsey	Floorspace, sqm	-	47	308	863	1,937	4,499	10,029	17,683
	Number of Properties	-	1	4	6	5	6	7	29
Total	Floorspace, sqm	41	761	5,521	14,848	51,742	57,909	709,509	840,331
	Number of Properties	2	19	71	102	157	82	142	575

Source: BE Group 2014

Table 6.2b: Humber LEP Amount of Marketed Industrial Property									
Local Authority Area		Size Band, sqm							Total
		0-25	26-50	51-100	101-200	201-500	501-1000	1001+	
East Riding of Yorkshire	Floorspace, sqm	-	69	1,401	2,614	11,360	23,518	194,738	233,900
	Number of Properties	-	6	17	18	36	32	48	157
Hull	Floorspace, sqm	-	118	342	4,819	32,221	34,644	233,412	305,556
	Number of Properties	-	3	4	32	91	47	53	230
North East Lincolnshire	Floorspace, sqm	-	46	757	1,507	10,767	9,054	63,054	85,185
	Number of Properties	-	1	10	10	33	13	24	91
North Lincolnshire	Floorspace, sqm	19	143	608	1,999	7,220	13,226	146,762	169,977
	Number of Properties	1	3	7	14	22	18	33	98
Total	Floorspace, sqm	19	576	3,108	10,939	61,568	80,422	637,966	794,598
	Number of Properties	1	13	38	74	182	110	158	576

Source: BE Group 2014

Industrial Property - Greater Lincolnshire LEP Summary

Unsurprisingly, the City of Lincoln has the largest overall supply of industrial space with around a third of the LEP areas' floorspace (194,242 sqm) and units (134). However, the supply in South Kesteven, focused around Grantham and Stamford, is only slightly smaller and comprises 32 per cent of the floorspace (186,052 sqm) and a more modest 14 per cent of the property stock. More rural West Lindsey and South Holland have by far the smallest supplies of available industrial premises, comprising only 2-3 per cent of the total available floorspace and 4-7 per cent of the stock.

From this analysis, there are comparatively few 'starter' units of 0-50 sqm on the market. Such workshops, which could support a new micro business, are only readily available in Lincoln (Whisby Way/Monks Way) and Boston (Marsh Lane Industrial Estate, Boston) and even in these locations only 12 units (six in each area) are being marketed at present.

Units of 51-200 sqm comprise 47 per cent of the total supply by premises numbers. Units of this size range are available in all local authority areas although Lincoln has by far the largest supply (17,381 sqm of floorspace in 49 units); more than double that available in any other local authority area. Again South Holland has the smallest stock with only four available units, all in Spalding.

There is a reasonable supply of mid-sized units of 201-1,000 sqm across the LEP area, with the largest supply (23,992 sqm in 58 units) focussed in Lincoln. By premises numbers, Lincoln has the largest supply of larger units of more than 1,000 sqm. These include several properties of more than 5,000 sqm at Network 46, Camp Road. By floorspace, the largest supply is in South Kesteven and includes two units of more than 20,000 sqm at Spittlegate Level, Grantham.

Industrial Property - Humber LEP Area Summary

In the Humber LEP area, Hull has by far the largest overall supply with 38 per cent of the LEP area's floorspace (305,556 sqm) and 40 per cent of the units (230), the largest local authority area supply of the whole study area. The East Riding of Yorkshire also has a substantial overall supply comprising 29 per cent of the floorspace (233,900 sqm) and 27 per cent of the property stock (157). North East Lincolnshire has the smallest supply of available industrial premises, comprising 11 per cent of the total available floorspace and 15 per cent of the stock, although this is still a reasonable offer when compared to many other parts of Lincolnshire.

Again, when considering the supply of small (i.e. sub-200 sqm) premises there are comparatively few units of 0-50 sqm on the market. The East Riding of Yorkshire has the largest offer (six), mostly at Southgate Court, Old Bridge Road, Hornsea.

Units of 51-200 sqm comprise a modest 19 per cent of the total supply by premises numbers, a far smaller proportion than in Greater Lincolnshire. Units of this size range are available in all local authority areas although Hull has by far the largest supply (37,040 sqm of floorspace in 36 units); more than double that available in any other local authority area. Both North East and North Lincolnshire have comparatively small stocks of available units – 20 and 21 respectively.

In all four local authority areas, mid-sized units of 201-1,000 sqm, dominate the supply. The largest supply of such space (66,865 sqm in 138 units) is in Hull. Hull also has a substantial stock of units of more than 1,000 sqm - 233,412 sqm of space in 53 units. This includes five units of more than 10,000 sqm on Hedon Road and Oslo Road. The East Riding of Yorkshire also has a substantial supply of larger space (194,738 sqm in 48 units). This includes four units of more than 10,000 sqm, all at Humber Enterprise Park, Saltsground Road, Brough.

Table 6.3 provides a tenure split of the marketed property. Almost two thirds of the premises are available on leasehold. However, there are at least some units available for sale, or for sale/to let, in all areas. Hull has the largest freehold stock followed by East Riding of Yorkshire and Lincoln.

Table 6.3: Tenure of Marketed Industrial Property			
Area	Tenure		
	Leasehold	Freehold	Either
Greater Lincolnshire LEP Area			
Boston	35	4	4
East Lindsey	26	12	2
Lincoln	96	12	26
North Kesteven	53	2	12
North East Lincolnshire	56	18	17
North Lincolnshire	72	9	17
South Holland	11	3	4
South Kesteven	39	6	10
West Lindsey	19	7	3
Sub-Total	407	73	95
Humber LEP Area			
East Riding of Yorkshire	108	16	33
Hull	141	35	54
North East Lincolnshire	56	18	17
North Lincolnshire	72	9	17
Sub-Total	377	78	121
Total	621	120	178
Source: BE Group 2014			

Office Supply

Table 6.4a and 6.4b shows that there is 216,235 sqm of marketed office floorspace, made up of 705 properties, in the combined study area (both LEPs). This comprises 83,875 sqm in 314 properties in the Greater Lincolnshire LEP Area and 132,360 sqm in 391 properties in the Humber LEP area.

Table 6.4a: Greater Lincolnshire LEP Amount of Marketed Office Property									
Local Authority Area		Size Band, sqm						Total	
		0-25	26-50	51-100	101-200	201-500	501-1000		1001+
Boston	Floorspace, sqm	86	194	218	496	1,600	-	-	2,594
	Number of Properties	5	6	3	4	5	-	-	23
East Lindsey	Floorspace, sqm	54	26	206	408	703	1,621	3,682	6,700
	Number of Properties	3	1	3	3	2	2	3	17
Lincoln	Floorspace, sqm	216	477	1,102	4,934	16,659	9,955	6,706	40,049
	Number of Properties	16	14	15	32	38	15	4	134
North Kesteven	Floorspace, sqm	64	149	528	610	14,12	-	-	1,351
	Number of Properties	4	4	7	4	4	-	-	23
North East Lincolnshire	Floorspace, sqm	42	254	1,197	3,991	7,016	5,630	16,187	34,317
	Number of Properties	2	8	17	29	24	8	7	95
North Lincolnshire	Floorspace, sqm	18	234	328	1,019	2,297	790	11,203	15,889
	Number of Properties	1	6	4	8	8	1	5	33
South Holland	Floorspace, sqm	114	61	74	489	2,852	1,127	11,194	15,911
	Number of Properties	5	2	1	3	11	2	3	27
South Kesteven	Floorspace, sqm	34	68	769	1,373	2,965	1,045	1,214	7,468
	Number of Properties	2	2	9	10	9	2	1	35
West Lindsey	Floorspace, sqm	218	167	888	1,100	2,835	3,284	1,310	9,802
	Number of Properties	17	4	11	7	10	5	1	55
Total	Floorspace, sqm	846	1,630	5,310	14,420	36,927	23,452	514,96	134,081
	Number of Properties	55	47	70	100	111	35	24	442

Source: BE Group 2014

Table 6.4b – Humber LEP Amount of Marketed Office Property									
Local Authority Area		Size Band, sqm						Total	
		0-25	26-50	51-100	101-200	201-500	501-1000		1001+
East Riding of Yorkshire	Floorspace, sqm	119	504	1,014	955	6,415	2,983	6,018	18,008
	Number of Properties	7	15	15	6	14	4	3	64
Hull	Floorspace, sqm	236	817	1,961	7,411	19,304	9,661	24,756	64,146
	Number of Properties	13	23	26	51	59	14	13	199
North East Lincolnshire	Floorspace, sqm	42	254	1,197	3,991	7,016	5,630	16,187	34,317
	Number of Properties	2	8	17	29	24	8	7	95
North Lincolnshire	Floorspace, sqm	18	234	328	1,019	2,297	790	11,203	15,889
	Number of Properties	1	6	4	8	8	1	5	33
Total	Floorspace, sqm	415	1,809	4,500	13,376	35,032	19,064	58,164	132,360
	Number of Properties	23	52	62	94	105	27	28	391

Source: BE Group 2014

Office Property - Greater Lincolnshire LEP Summary

Within Greater Lincolnshire, the available office stock is strongly focused in Lincoln. The City has almost half the available floorspace 40,049 sqm and 43 per cent of the units (134) and has the largest supply in all size categories. In comparison there is only 1,351 sqm of floorspace in North Kesteven and 2,594 sqm of floorspace in Boston, in 23 units each.

There is a reasonable supply of starter office suites of 0-50 sqm in all areas. Apart from Lincoln, West Lindsey also has a stock of some 21 small suites, 10 of which are at The Plough Business Hub, Church Street, Gainsborough. The smallest supply (4 units) is in South Kesteven, all of which are in Stamford.

Units of 51-200 sqm comprise just over a quarter of the total supply by premises numbers. Units of this size range are available in all local authority areas although, after Lincoln, West Lindsey has the largest supply – 1,988 sqm in 18 units. Again much of this supply is in Gainsborough (Stirlin Court, Skellingthorpe Road or Marshalls Yard) or on the edge of Lincoln.

While there are 79, 201-500 sqm properties available across Greater Lincolnshire, almost half of these (38) are in Lincoln. Elsewhere, only South Holland, South Kesteven and West Lindsey have sizable supplies of offices in this size band. Outside of Lincoln there are comparatively few units greater than 501 sqm in size and none of more than 501 sqm in Boston and North Kesteven

Office Property - Humber LEP Summary

In the Humber LEP area, Hull dominates with almost half the total floorspace (64,146 sqm) and half the suites (199). Again this is the largest single supply in the study area. Whilst availability appears to be good in the Hull area, the reality according to both the local authority and local agents, is that the quality of the stock is generally very poor with much of the city centre accommodation not fit to meet the needs of today's businesses.

North East Lincolnshire also has a substantial overall supply comprising over a quarter of the floorspace (34,317 sqm) and 24 per cent of the property stock (95) although it is questionable as to whether this is of the right sort and quality. North Lincolnshire has the smallest supply of available office premises, comprising 12 per cent of the total available floorspace and 15 per cent of the stock.

Hull is the focus for small, 0-50 sqm units with 36 such properties available compared to 7-10 in North/North East Lincolnshire and 22 in the East Riding of Yorkshire. Units of 51-200 sqm comprise 29 per cent of the total supply by premises numbers. There appears to be a reasonable availability of offices in these size bands in all locations apart from North Lincolnshire

Mid-sized units of 201-500 sqm are strongly focused in Hull and North East Lincolnshire. Larger office properties are similarly focused in Hull although there is at least some availability in all four local authority areas. The largest available office property on the market at present is the 4,600 sqm The Beacon, Brighton Street, Hull.

Table 6.5: Tenure of Marketed Office Property			
Area	Tenure		
	Leasehold	Freehold	Either
Greater Lincolnshire LEP Area			
Boston	21	1	1
East Lindsey	13	3	1
Lincoln	66	18	50
North Kesteven	19	2	2
North East Lincolnshire	63	9	23
North Lincolnshire	23	7	3
South Holland	18	3	6
South Kesteven	33	2	-
West Lindsey	44	10	1
Sub-Total	300	55	87
Humber LEP Area			
East Riding of Yorkshire	46	3	15
Hull	152	13	34
North East Lincolnshire	63	9	23
North Lincolnshire	23	7	3
Sub-Total	284	32	75
Total	498	71	136
Source: BE Group 2014			

As Table 6.5 shows, the majority of the office properties available in the study area (71 per cent) are available to rent. In terms of freehold options or properties available for sale or to let, there is good availability in all the local authority areas of the Humber LEP. In Greater Lincolnshire there are a good range of freehold and freehold/leasehold options in Lincoln and, to a lesser degree, in West Lindsey. Options elsewhere are more limited, particularly in Boston, East Lindsey and South Kesteven.

Provision of Workspace for Small Business

This section provides a more detailed analysis of accommodation that is currently available to meet the needs of small business. The primary focus is on managed workspace, as defined by the brief, and this is further split between local authority and the private sector. However, the choice of space available to small businesses extends beyond the serviced and managed facilities. This only comprises a percentage of the overall supply. The research for this study identified 151 different properties across the study area that can provide space for businesses seeking small space. This is largely defined as accommodation on suites or units of up to 200 sqm.

The quality of this space varies considerably, and Table 6.6 grades this floorspace by quality, which is defined as follows:

Offices (including serviced offices)

- Grade A – High quality modern offices that incorporate raised floors, suspended ceiling, Cat 5 lighting or better, mechanical cooling or air conditioning, lift. High quality finishes
- Grade B – Modern offices, built within last 20 years, solid floors or better, heating, possibly cooling, good quality floor and ceiling finishes
- Grade C – Reasonable quality space, over 20 years old, which may be purpose built offices or conversions. Finishes that will allow immediate occupation
- Grade D – Poor quality space, in need of refurbishment or very basic finish.

Industrial (including small workshop and craft spaces)

The analysis of industrial premises in the table is only of small units so as would be suitable for micro- and start-up businesses. Larger industrial premises are excluded from the study.

- Grade A – modern high quality industrial unit, built in the last 10 years, with loading doors, offices internally, good external loading and parking, in modern business park location
- Grade B – modern industrial space, c. post 1980, single storey, loading doors good external access, business park or good quality employment area environment
- Grade C – poor quality workshop, or conversion within a larger industrial complex, isolated away from general employment areas, or in a poor inaccessible location.

Table 6.6: Premises Quality by Usage Type and Area									
		A	A/B	B	B/C	C	C/D	D	Total
East Riding	Office	1		7		6			30
	Mixed Use	1		3		1			
	Workshop	2		2	1	5		1	
Hull	Office	1	2	2	2	4			25
	Mixed Use	1				2			
	Workshop	1		10					
North Kesteven	Office	3		5	1	2	1		26
	Mixed Use			1					
	Workshop	6		4	1	2			
West Lindsey	Office	2		2		2			7
	Mixed Use			1					
	Workshop								
South Kesteven	Office	1		4	3	1	1		12
	Mixed Use								
	Workshop	1		1					
Lincoln	Office	3	1	2		2		1	21
	Mixed Use	2		1					
	Workshop	2		2	1	4			
Boston	Office			4					6
	Mixed Use			1					
	Workshop					1			
East Lindsey	Office	2		1					5
	Mixed Use	1	1						
	Workshop								
North East Lincolnshire	Office	3	1	2		3			19
	Mixed Use		1	1	1	1			
	Workshop	1	1	3		1			
North Lincolnshire	Office	1		5					10
	Mixed Use								
	Workshop			1	3				
South Holland	Office	1		2	1	1			12
	Mixed Use								
	Workshop	1	4	2					
Total		37	11	68	14	38	2	2	151

Source: BE Group 2014

This suggests that overall, the space currently available is of a reasonable quality with only 38 of the premises classed as grade C or below. It is reasonable to conclude that the rest of the space would be considered acceptable for the vast majority of businesses seeking space of this size. At the higher quality end of the range, only 36 properties are considered to be high quality grade A premises. This has implications for certain business sectors that may expect to locate in high quality space. In the industrial sector, advanced engineering, and food processing businesses are examples, whilst technology and customer facing businesses will often seek good quality offices.

Managed Workspace (serviced and managed facilities)

The above analysis does include those properties considered to be serviced or managed, and the following section provides a more detailed review of the provision of that space.

In looking at managed workspace across the Humber and Lincolnshire LEP areas, the following definitions have been employed to determine the nature of the space:

- 'incubator' facilities which, according to the definition adopted by NESTA, provide "a shared office-space facility that seeks to provide its incubatees with a strategic, value-adding intervention system of monitoring and business assistance";
- Innovation Centres for both new and more mature businesses focusing on innovative technologies with on-site business support;

- Enterprise Centres providing a diverse range of support for both new start and mature businesses;
- 'managed' workspace which includes provision of basic/low level administrative or related support services.

Table 6.7 identifies premises that fit with these definitions across the study area. There are a total of 67 managed and serviced offices premises in both public and private sector ownership. Of these, two thirds fall within the Humber LEP area. A number of schemes are not clearly defined and fit the description of both an incubator and an innovation or enterprise centre. These have been included in the incubator category and omitted from the other.

Table 6.7: Types of Managed Workspaces in the Study Area					
	Incubators	Innovation Centres	Enterprise Centres	Managed Workspace	Total
East Riding	2			16	18
Kingston upon Hull	3		1	8	12
North East Lincolnshire	6			6	12
North Lincolnshire	1			3	4
North Kesteven				4	4
South Kesteven	1			1	2
City of Lincoln	2	1	1	2	6
East Lindsey				4	4
West Lindsey	1			1	2
Boston			2	1	3
South Holland				2	2
Total	16	1	4	48	69

Source: BE Group 2014

Looking specifically at the space that is council run, table 6.8 identifies 37 facilities or 55 percent of the total in council control. North East Lincolnshire has the highest number of managed premises, including four defined as incubators. Of the 37 buildings only eight in total are designated as either incubators or enterprise centres. No innovation centres exist, and the remainder fall into the category of managed workspace.

Table 6.8: Managed Workspace Owned or Run by Local Authorities					
	Incubators	Innovation Centres	Enterprise Centres	Managed Workspace	Total
East Riding				7	7
Kingston upon Hull				5	5
North East Lincolnshire	4			6	10
North Lincolnshire				1	1
North Kesteven				3	3
South Kesteven					0
City of Lincoln				2	2
East Lindsey				2	2
West Lindsey				1	1
Boston			1		1
South Holland					0
Lincolnshire County Council	2		1	2	5
Total	6	0	2	29	37

Source: BE Group 2014

The different public and private sector provision is described as follows:

Incubators

Aimed at providing a level of business support for new businesses starting out, there are 14 incubators across the study area with 43 percent of these in the North East Lincolnshire area. Outside of the Humber LEP area, only the City of Lincoln, West Lindsey and South Kesteven local authority areas have any incubator spaces.

Premises range in size from 2050 square metres of usable floorspace, namely, the Europarc Innovation Centre in North East Lincolnshire down to the smallest facility 300 square metres which is the Sparkhouse Studios at the University of Lincoln. Two centres operate 'hot desking' facilities, rather than fixed office rental arrangements. Most of the centres are well occupied, with occupancy levels typically being above 85 percent. The exceptions to this occupancy level are Mercury House in Gainsborough, which is only 51 percent occupied. The owners report that

occupancy levels are now increasing; and in the Humber Seafood Institute, a specialist facility aimed at supporting business research in the food industry. Four of the centres (29 percent) are fully occupied.

Innovation Centres

Only one scheme was identified as being exclusively an innovation centre. This is 'Think Tank' at the University of Lincoln. This provides a mix of creative workshops and office spaces totalling 2065 square metres of space, all of which is currently occupied. Think Tank requires its tenants to be engaged in innovative technology or knowledge-based businesses and to have substantial growth potential. Tenants are expected to have grown on from the centre within three to five years.

It should be noted that both Mercury House in Gainsborough and Normanby Gateway in North Lincolnshire operate as innovation centres as well as being business incubators.

Enterprise Centres

Four enterprise centres are identified across the region, one each in Hull and Lincoln and two in the Boston area. Of these centres, two (Venture House in Boston and Oak House in Lincoln) have council backing. Both these centres have high levels of occupancy.

The largest of the enterprise centres is the new Kingston Parklands development on Hedon Road in Hull. This centre is due to be complete in the summer of 2015 and will provide high quality office accommodation for businesses of various sizes. It is expected to be a popular scheme meeting the demand for high quality space against the current backdrop of a shortage of high quality premises.

Other Managed Workspace

This is by far the largest category and by definition, comprises both serviced offices and a small number of workshop premises and mixed use schemes. These vary widely in quality and type of accommodation. Some occupy modern office blocks on business parks or similar, others are in older, converted premises.

Tokenspire Business Park in Beverley is the largest of the developments. The whole site covers 30,000 square metres of space of which an element is serviced units of varying sizes. Where occupancy levels are available, managed workspaces are generally well let: 19 percent of owners report being fully occupied and nearly 40 percent are habitually over 80 percent full. A noticeable exception to this pattern appears to be in Hull, where the managed offices range from 42 to 72 percent occupied possibly reflecting the less attractive lower quality office premises.

Of the 48 managed workspace premises identified, 69 percent fall within the Humber LEP area and 33 percent (16 out of 48) are in the East Riding of Yorkshire area, by far the biggest concentration of premises of any category in any area. 29 of the managed workspace premises (60 percent) are council owned or operated.

Area Analysis

An area by area analysis has been made which combines the primary research data on the small business space with the contextual secondary information, specifically the Employment Land Reviews (ELRs) and associated documents of each local authority area, to provide a more localised understanding of the supply of property. The background data across the study areas, both in the quality and level of detail within the ELRs and in the date the evidence was produced (the most historic is South Kesteven, produced in 2005). Thus the ELR provides an overview of the supply and needs of each authority only. For each area the facilities are split by those owned by the local authorities, and those privately owned.

Humber LEP Area

Table 6.9: East Riding of Yorkshire	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses 2,360 (2,425,000)	Offices 1,290 (207,000)
Employment Land Review (2013) Comments	
<ul style="list-style-type: none"> • While Hull is generally seen as the main commercial centre for East Yorkshire, the M62/A63 transport corridor in the East Riding is also identified as a critical market area, important to the economic functioning of the LEP area. • The most prominent towns in terms of business premises are Beverley, particularly given the presence here of East Riding of Yorkshire Council, and Hessle. Melton was noted as an area of increasing prominence, favoured by occupiers who are unable to find accommodation in nearby market towns. Driffield was also noted as a location with increasing momentum in terms of occupier interest. By comparison schemes in Bridlington generally meet local needs only. • There was felt to be a limited office sector across the East Riding area. There are however several good quality schemes including Saxon Court, Beverley and Priory Park West/Waterside Park in Hessle. Elsewhere a large portion of the local office accommodation comprises suites above ground floor retail units aimed at meeting local needs. • Office development in the wider East Yorkshire area has traditionally been constrained due to low rental values and soft yields, which present significant viability challenges. There is a very limited market for speculative office development and developers are unwilling to speculate on potential occupier requirements, rather requiring pre-lets before commencing development. • The Hull/East Riding office market is generally accepted to be relatively independent, with few linkages to the Leeds/Sheffield markets given the geographical distance and limited train and transport links beyond the M62 / A63 corridor. As a result, the majority of office demand, outside of that related to the port activities, is considered to be predominantly indigenous or smaller scale in nature. • There is a significant amount of industrial stock in the East Riding area, with varying types and quality of stock. The industrial units range in type from small workshops on multi-let industrial estates such as Acorn Industrial Estate in Beverley, to big single-let industrial units such as those at Melton West Business Park. • Goole has the largest supply of industrial floorspace while Melton is identified as a likely focus for new industrial development in the future. Beverley and Hornsea are the main secondary industrial locations. 	
Key Towns/Employment Areas	
Goole and Selby Functional Economic Area (FEA)	<ul style="list-style-type: none"> • The commercial market within the Goole FEA is heavily influenced by its strategic connectivity, notably the port complex and Gateway 3G (formerly Capitol Park). The Port specifically provides Goole with a range of opportunities and international business activities. • The M62/A63 corridor and multi-modal links are particularly important for this FEA, with most demand identified to be for large B2/B8 operators/inward investors linked to these wider drivers. Gateway 3G is an important site in this regard.
Hull FEA	<ul style="list-style-type: none"> • This area has the second largest concentration of industrial supply and is recognised to be the commercial 'centre' of East Riding. • Humber Bridgehead, Willerby Hill Business Park, Beverley and Flemingate are the main existing/proposed future employment areas and a focus for new office development.
York FEA	<ul style="list-style-type: none"> • The commercial market is driven by rural economy growth and overspill from the traditionally constrained York market. Market activity is focused in Pocklington and Market Weighton and generally local and small scale in nature. • The connectivity of this area is heavily linked to York and to its market, with many roads forming arterial routes to the York ring road, but providing very little strategic connectivity beyond this.
Yorkshire Coastal FEA	<ul style="list-style-type: none"> • Generally local property markets in the coastal towns - with the exception of Driffield, which has an important employment offer at Kellythorpe Industrial Estate. Carnaby Industrial Estate is also an important employment location in this FEA.

Managed Space

In the East Riding area, there are 16 premises which fit the definitions for managed workspace, seven of which are owned or managed by East Riding Council. With the exception of the East Riding Centre in Beverley, all these centres are of reasonable quality – grade B which meet the needs of a variety of businesses. The centres which provide space in a number of the district's towns, are well occupied and Bridlington Business Centre and Market Weighton Business Centre are currently full. The council owned space provide a good range of services, both in terms of on site facilities and also through administrative support.

Occupancy rates are harder to find for privately managed schemes as this information is considered commercially sensitive by proprietors but there appears to be considerable provision of managed workspace in the area from this source, albeit of lower quality than the general standard of schemes run by the council: only the DBH Serviced Business Centre in North Ferriby and Pocklington Business Centre are considered to be B grade properties.

Most of the managed workspace in the area is office based. Driffield Business Centre, Bridlington Business Centre and Tokenspire Business Park are all mixed schemes, incorporating workshop space as well as offices whilst the Junction in Goole, is a dedicated arts centre providing studio space to artists. From an assessment of the area's provision over all, which takes account of research data from other sections of the report, particularly overall provision and property currently being marketed, there appears to be a shortage of small, managed workshop space for start-up businesses in specific locations and a gap at the top end of the market for both industrial and office space.

Table 6.10: Premises owned or managed by East Riding Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Mixed use managed workspace	Driffield Business Centre	448	94% occupied	Secure office and workshop space; accessible loading bay; conference facilities; on-site car parking	Administrative support; business support; shared, managed resources for example reception, kitchens, toilets;
Mixed use managed workspace	Bridlington Business Centre	555		Secure office and workshop space; accessible loading bay; conference facilities; on-site car parking	Administrative support; business support; shared, managed resources for example reception, kitchens, toilets;
Office managed workspace (grow on units)	Bridlington Business Centre		100%	secure offices with mezzanine storage floor, toilet, kitchen, shower facilities, on-site parking	Administrative support; business support; shared, managed resources for example reception, kitchens, toilets; (available from Brid Business Centre)
Office managed workspace	Brough Business Centre	1004.5	Currently 90% but dipped over the summer	Luxury office accommodation suitable to new and medium enterprises with an emphasis on the advanced engineering and high growth sectors. The centre has several meeting areas complete with WiFi and Video conferencing; purpose built conference suite	Access to a business support network; manned reception with incoming mail facilities Photocopying, Fax Services, General Administration Support, Outgoing mail, Binding, Laminating
Office managed workspace	East Riding Business Centre (Beverley)	483	94% up slightly from 88% over most of the year	Located on Grovehill Industrial Estate. Secure office and workshop space; administrative support; accessible loading bay; conference facilities; on-site car parking.	Access to a business support network
Office managed workspace	Market Weighton Business Centre	498.5	Fully occupied currently, 92% steady	Secure office and workshop space; administrative support; accessible loading bay; conference facilities; on-site car parking.	access to a business support network
Office managed workspace	Goole Business Centre	295	91% up 10% since April	Administrative support; conference facilities; limited on-site car parking.	Access to a business support network

Source: BE Group 2014

Table 6.11: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace	Railway Street Beverley	790.50 sqm		Serviced offices, grade one listed property, landscaped gardens, car parking	
Office managed workspace	Hesslewood Hall Business Centre	not available	80%	Grade II Listed period property, car parking, country park. Central reception, conference room	Virtual office service
Office managed workspace	McMillan House Analby			Serviced offices, shared ground floor reception, conference facilities; all inclusive rental car parking.	
Arts centre and studios managed workspace	Junction			Studio space for use by locally based artists. Part of arts centre with auditorium, workshop and community spaces	
Office managed workspace	Manor House Farm Driffield			Generous areas are provided for parking and circulation areas.	
Office managed workspace	Pocklington Business Centre	120		Option to use boardroom facilities. Parking facilities are available at the rear of the premises.	Full reception services
Mixed use managed workspace	Tokenspire Business Park	30,000		During working hours the site is controlled by a site manager or security guard and CCTV provides 24/7 coverage.	
Office managed workspace	DBH Serviced Business Centre North Ferriby	300 workstations across flexible office space of different sizes		Accessible for those with disabilities, lifts to all floors; 150 car parking spaces; High speed broadband access; State of the art telephony; Voicemail; 24 hour access and security monitoring; Lift access all floors; Catering available; Meeting rooms	Call answering and reception services; Mail forwarding; Postal services
Office managed workspace	Beverley Conference Centre, Waltham House,			Conference and meeting centre with desk spaces	

Source: BE Group 2014

Table 6.12: Hull	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses	Offices
2,450 (2,467,000)	1,350 (347,000)
Employment Land Review (2014) Comments	
<ul style="list-style-type: none"> • The Hull Employment Land Review was completed in 2014, thus providing an up to date picture. • In 2012 Hull had 2.8 million sqm of B class floorspace, comprising 347,000 sqm of office space and 2,467,000 of industrial space. This is less than the 2008 figures, and as the review is based on the VOA data, this suggests some loss of space over the past four years. • 88 per cent of the stock is industrial. The office stock is higher than other surrounding areas and reflects Hull's position as an administrative centre. • In May 2013 it was estimated that Hull had 297,000 sqm of vacant industrial space, which represented 12.2 per cent of the stock. This is higher than some of the surrounding authorities and is higher than the norm of 7-10 per cent, the level generally accepted as being a reasonable amount to provide choice and turnover. • The office space available at the time was 87,400 sqm and represented 25.2 per cent of all the stock, a significant over-supply for Hull. The majority of Hull's office stock lies within the City Centre or at Priory Park four miles to the west of the City Centre. • The report suggested that much of the office stock was in large outdated 1970s blocks in the city centre. These buildings tend to provide relatively inflexible floorplates, basic fit-outs and limited parking provision. Low office values have prevented new development renewing the office stock in Hull and there are only a few of modern Grade A schemes in the City, notably One and Two Humber Quays. • Development from 1999 to 2013 was primarily B2 and B8. During that time just 5.95 ha was developed for offices compared with 83.6 ha for industrial. The development programme suggests that the demand is very much industrial focussed. With an average of 0.39 ha per annum, it appears that less than 1,500 sqm per year of offices has been developed. • The industrial market in Hull is more self-contained than in many of the cities in West and South Yorkshire. This is a reflection of Hull's geographic location (at the end of the M62 motorway), which gives rise to limited competition from other nearby towns and cities. 	

Managed Space

The City of Hull owns or manages five managed workspace facilities (as well as a number of small industrial units which don't meet the definitions above). The quality of the space is varied, with only the Louis Pearlman Centre being considered to be of reasonable quality. All the office accommodation is housed in refurbished or converted properties and this poor quality is reflected in low occupancy levels; ranging from just 42 per cent occupancy at 161 High Street to 71% occupation at the Louis Pearlman Centre. The only scheme managed by Hull Council, which includes any workshop provision is the Hull Microfirms Centre, a mixed use scheme with 72% occupancy.

There are three recognised incubator schemes in the city: the Enterprise Centre, run by the University of Hull; the Centre 4 Digital Innovation in Hull, which has been developed specifically as accommodation for digital start-ups; and zWest 1, a mixed use office and storage facility on Dock Street. These last two, along with the Kingston Parklands Enterprise Centre on Hedon Road, offer high quality accommodation for small businesses. Both C4DI and the Enterprise Centre are well occupied, with levels above 80%, and higher than the council run property, this indicates a desire for high quality premises in the city. With the success of CADi, consideration should be given to further space to serve the IT and digital sector.

The University link to these centres also ensures a provision of business support, for example, the Enterprise Centre provides mentoring services, whilst West 1 has trained staff on site to assist companies there.

All these schemes are primarily office-based. Malmo Food Park is the only top quality industrial space recognised in Hull. This does provide specialist food grade accommodation for manufacturing companies, but with space typically providing 1800 sq ft units which are effectively self contained, the facility does not qualify as managed space. There is a potential need to deliver dedicated food grade space for start-up businesses. The centre is limited to food related businesses only and as the only high quality industrial facility for the smaller end of the market it can be concluded that the city has a shortage of top-end, managed industrial premises.

Table 6.13: Premises Owned or Managed by Hull City Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace	161 High Street	469	42%	24-hour access, monitored intruder alarm, heating and lighting inclusive, meeting rooms.	
Office managed workspace	Danish Buildings	488	65%	Heating and lighting inclusive, 24 hour access, monitored intruder alarm, meeting room.	
Mixed use managed workspace	Hull Microfirms Centre	2,473	72%	Offices and Workshops. Large loading bay area, ample and free car parking, 24hour access, onsite café open from 7am till 2pm, Meeting room, CCTV	
Office managed workspace	Louis Pearlman Centre	2,533	71%	High quality office and workspace. Store rooms also available daily to monthly basis. 78 car parking spaces, 24 hour access, onsite café, CCTV, meeting and conference rooms. Access to the centres 8.30am - 5pm Mon-Thur, 8.3am to 4.30pm Fri.	Fully managed reception with range of services. Also offer 'Virtual Space'. Post handling - distributed to a lockable pigeon hole. Use of meeting rooms, up to 2 hours free of charge per week, low rates thereafter. Use of facilities i.e. photocopier and fax.
Office managed workspace	Lowgates Centre	833	68%	24-hour access, monitored intruder alarm, heating/lighting business rates inclusive, meeting room Access to the centres 8.30am - 5pm Mon-Thur, 8.3am to 4.30pm Fri.	Also offer 'Virtual Space'. Post handling - distributed to a lockable pigeon hole. Use of meeting rooms, up to 2 hours free of charge per week, low rates thereafter. Use of facilities i.e. photocopier and fax.

Source: BE Group 2014

Table 6.14: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace (specialist)	Craven Park Training and Enterprise Centre	75		Fast broadband, 24 hour access, hot desking and pod facilities	Networks and enterprises
Mixed use managed workspace	Chamberlain Business centre			serviced offices and light industrial	
Office incubator	C4DI - Centre for Digital Innovation	35 desks	90% typically		Providing the opportunity for tech companies to scale is key, particularly because of the speed at which they do scale - that is why we are partnered with a property developer to provide room to grow with plans to redevelop the former Central Dry Dock as a public open space complete with wi-fi connectivity.
Office managed workspace	The Deep Business Centre			Disability access provisions, passenger lift to the first floor, meeting room facilities, 24 hour security, substantial car park. Broadband instant access, hot spots for visitors within the meeting rooms	Central reception provides facility and range of administrative support services,
Office enterprise centre	Kingston Parklands (phase 1)	3,813		High quality business park in a fully landscaped setting incorporating cycle paths, footpaths and vehicular access.	falls within the Humber Estuary Enterprise Zone. Benefits include discounted business rates, simplified planning regime and additional grant availability.
Office and storage incubator	West 1			Plug'n'Play Internet and state of the art telephone system, 24 Hour Access with monitored CCTV, Rates and Utilities Included, on-site secure parking	Highly trained, support personnel, Voicemail Services & Mail Handling, meeting facilities and virtual offices available
Office incubator	Enterprise Centre	1,191	82% occupied. Fluctuates because of incubator status	Comprises of individual start-up offices, and desk rental, reception, meeting/training and video conference rooms; Wi-Fi and broadband; PCs are provided for each workspace, offices come furnished. On site parking £50 per car per annum. Free visitor parking. Out of hours access.	In-house advice business advice and client mentoring provided. Links to other business support and academic specialists. Reception for greeting guests and basic postal service. Chargeable printer and photocopying facility on site. On site One to One advice clinics from specialists e.g. For IP, Legal, and accountancy advice. Other business mentoring services e.g. For Entrepreneurs Only based at the Centre.

Source: BE Group 2014

Table 6.15: North East Lincolnshire	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses	Offices
1,490 (1,209,000)	780(129,000)
Employment Land Review (2007) Comments	
<ul style="list-style-type: none"> The study outlined that much of the local employment space is located in the greater Grimsby area on a number of established industrial estates dating back to the 1960s, and providing a diverse premises supply. The largest estate, South Humberside supports a range of major occupiers, whilst a mix of space can be found in locations such as Wilton Road Industrial Estate and Europarc. This is the location for the Innovation Centre, which, at the time of the report housed 17 businesses (this has since expanded), and which were a mix of start-up companies and inward investors. Europarc was also the location for a new 3500 sqm building for the seafood industry providing research and development via Humber Seafood Institute. The ports of Grimsby and Immingham have a significant role in the area, and within the port areas are port-related industrial areas, mainly transit warehouses, to deal with bulk goods arriving. At present, the office market in North East Lincolnshire is small and local. Office occupiers are of three main kinds: <ul style="list-style-type: none"> Activities serving the port, mostly located on and around the port estate; Professional and financial services that serve the local market, mostly located in Grimsby Town Centre; For occupiers seeking out-of-town offices, there are limited opportunities, especially if they are looking for large spaces. In Grimsby town centre, the office market is tight. There is little space available, either for small or large occupiers, and even less quality space. The mainstream property market in North East Lincolnshire provides very little space in units less than 190 sqm. Such small units are typically provided in business centres owned and managed by the Council, some of which are located on the major industrial estates. These centres are specifically designed for small users and are particularly attractive to small start-up companies because of their 'easy in' and 'easy out' one month notice terms. The centres offer a range of different size and styles of unit from very small high quality offices of 6 sqm, through small office/industrial units to larger industrial units of 90-140 sqm The centres offer reception and clerical services, photocopiers, meeting rooms and (in three cases) cafés, but no other shared facilities or services. Part of the reason for this is the wide variety of tenants. They charge market rents, without subsidy, which vary widely according to the type and quality of space. At the Europarc Innovation Centre and Alexandra Dock Business Centre, modern high-quality offices let at around ££100/sqm. For light industrial/business units, rents are around £7/sqm at older centres such as Cleethorpes and Grimsby and £5/sqm at some of the more remote centres. The report noted that "there is also scope to provide additional accommodation, on similar terms to the existing business centres, but catering specifically for office occupiers. Significant space in the existing business centres is used as offices, although the location of most centres is better suited to industrial/warehouse uses than offices. We believe that, because of a shortage of office space in and around the town centre, occupiers will take office space in the business centres as a second-best option. The Alexandra Dock business centre is the only business centre providing edge-of-centre office accommodation (with parking) and this has proved very successful. The council should look at providing similar schemes (public or private) providing offices in and around the town centre, to accommodate office occupiers. It is likely that many such occupiers would relocate from the existing business centres, making more room for small-scale light industrial and warehousing operations." 	
Economic Assessment (2011) Comments	
<p>This assessment reported high occupancy in the industrial offer and a high level of satisfaction. However, no detail exists on the occupancy levels, either in 2007 or 2011. The findings from the employment land study suggested that, with the exception of the Europarc, condition and quality is an issue within the aging stock.</p> <p>Factory space comprises the largest proportion of rateable floor space in NEL, reflecting the area's strong manufacturing and industrial base, though this bias is not as marked as in North Lincolnshire.</p> <p>The identified growth sectors of chemicals; environmental technologies; transport and logistics, including ports; food and leisure, retail and tourism, have specific, and very different, needs with respect to business space.</p> <p>Industrial estates in NEL have high overall levels of occupancy and relatively high levels of satisfaction. Areas for improvement raised by the industrial business community include:</p> <ul style="list-style-type: none"> poor public transport links to industrial estates a lack of parking in some cases (notably Wilton Road) issues of quality – signage, parking, fly tipping and HGV access. <p>The Ports</p> <p>The economy of north East Lincolnshire is dominated by the ports of Grimsby and Immingham and these are wholly owned and managed by Associated British Ports (ABP). Property in the port area is never made available for freehold acquisition. Until recently, the port of Grimsby had suffered a long term decline as the fishing industry, upon which it used to depend, disappeared from the North Sea. (Although there is still an active seafood processing industry in and around Grimsby, there is no significant fishing activity remaining.) The area has succeeded in attracting food manufacturing business beyond the seafood industry and it seems feasible that increased provision of food-grade</p>	

accommodation would push this yet further.

In contrast to some of the neighbouring authorities, the area did not benefit from Enterprise Zone investment in the 1980s and has suffered from a legacy of poor quality premises, especially in and around the Grimsby port area..

Over the past five years, however, the port has experienced a renaissance, mostly as the base for companies servicing the offshore wind farms, which have been built in the North Sea. In order to provide these businesses with the sort of accommodation they require, much of the older building stock has been demolished and will be replaced with modern office and storage facilities.

Council Ownerships

North East Lincolnshire owns a number of business and industrial centres. These include: Immingham Business Units, Humber Seafood Institute, Europarc Innovation Centre, Nunsthorpe Business Units, Alexandra Dock Business Centre, Grimsby Business Centre, South Quay Business Units, Poplar Road Business Units and Office Suites, Cleethorpes Business Centre and meridian Point Craft Centre. These developments are well occupied and the Council believes that it will run out of suitable space for further growth on these sites (there are only 30 acres left unoccupied on Europarc).

Managed Space

North East Lincolnshire has a number of good and reasonable quality managed premises with 75 per cent of those assessed meeting at least a B-grade standard and 33% being judged to be grade A quality.

North East Lincolnshire Council owns or manages most of the managed workspace in the area (see table 6.16), including the incubator schemes at Alexandra Dock Business Centre, the Europarc Innovation Centre, Cleethorpes Business Centre and the Humber Seafood Institute. The quality of these premises is generally good and this is borne out by the occupancy levels, with several schemes fully occupied. The Humber Seafood Institute, is the exception and is only 25% full at present.

A high proportion of the space managed by the Council is either mixed use or workshop type space, and that accommodation has let particularly well.

The specialist innovation and seafood centres offer high quality accommodation but not all the accommodation in these schemes is suitable for start-up businesses or meets the criteria for managed space. With little available space currently available under 50 sqm there may be a need to provide more small start-up space for both the workshop and office sectors. The shortage could see a particular lack of supply serving the growing environmental technology sector. The wider food industry also may seek space and face a lack of quality space.

The only private provider of managed workspace in the area is the E factor Enterprise (Nel) Ltd, which owns both the Business Hive and the Enterprise Village in Grimsby. Both are high quality incubator schemes and currently fully occupied. The Business Hive caters exclusively for start up businesses, and whilst there is a steady turn over of tenants reflecting both successful businesses moving on, and companies that are not successful, the demand remains strong from new entrants.

Table 6.16: Premises Owned or Managed by North East Lincolnshire Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office incubator	Alexandra Dock Business Centre	565.6	96%	24/7 access, broadband with free internet access, reception and postal services, free use of meeting room and facilities, car and cycle parking, CCTV and security alarms	admin/secretarial services; virtual offices available
Workshop managed workspace	Nunthorpe Business Units	329.7	100%	24/7 access, broadband with free internet access, car parking, building insurance	use of meeting room in serviced centre, photocopying
Workshop managed workspace	Meridian Point Craft Units	385.1	100%		
Workshop managed workspace	South Quay Business Units	266.6	100%	24/7 access, broadband with free internet access, car parking, building insurance, shared kitchen	use of meeting room in serviced centre, photocopying
Workshop managed workspace	Immingham Business Units	224.6	100%	24/7 access, car parking, building insurance, security alarm	chargeable support services in managed centres
Mixed use managed workspace	Poplar Road Business Units & Office suites	385.1 = 2368.4	100%	24/7 access, broadband with free internet access, car parking, building insurance, shared kitchen	use of meeting room in serviced centre, photocopying
Office incubator	Europarc Innovation Centre	266.6	81%		
Mixed use incubator	Humber Seafood Institute	224.6	25%	Car parking, CCTV security, 24/7 access and meeting rooms, product development kitchens, refrigeration research facilities, chemical and environmental laboratory, equipment, process hall and microbiological laboratories.	Serviced reception
Mixed use managed workspace	Grimsby Business Centre	1329	96%	24/7 access, free broadband, CCTV and security, reception and postal service, car parking, free use of meeting rooms,	Admin/secretarial services
Mixed use incubator	Cleethorpes Business Centre		86%	24/7 access, free broadband, CCTV and security, reception and postal service, car parking, free use of meeting rooms,	Admin/secretarial services

Source: BE Group 2014

Table 6.17: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Mixed use incubator	The Enterprise Village	372	Ind = 100%; offices = 94% occupied. Steady growth since 2010	Broadband, admin facilities, meeting rooms to hire	Managed reception and on-site business support
Office incubator	Business Hive	93 + hot desking space	100% occupied - lots of churn because exclusively start-ups	Managed reception, inclusive broadband, meeting rooms to hire	Manages a very active business club (250 members) with monthly meetings, business advice, legal support, marketing events, etc.

Source: BE Group

Table 6.18: North Lincolnshire	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses	Offices
1,630 (1,915,000)	600 (114,000)
Employment Land Review (2014) Comments	
<ul style="list-style-type: none"> While the ELR does not go into detail about the current property supply picture it generally identifies the South Humber Gateway, North Killingholme and Scunthorpe as foci for economic activity. Take up over the last ten years shows that the demand has been largely for industrial and distribution space, with little office development. As the floorspace figures suggest, the area is largely industrial. The Local Plan states that 43 per cent of employees are in industrial or construction sectors, with 36 per cent, in service sectors and 17 per cent public administration. The office market is primarily focused around public sector occupiers and local services within Scunthorpe and the larger service centres such as Brigg. This is borne out by the level of property enquiries that have been received over the past 10 years. Just 16 per cent of enquiries were for office space, whilst 43 per cent were for industrial, 22 per cent for land, and the remainder a mix of retail and other uses. Offices also showed highest demand for small space with over 53 per cent wanting space under 100sqm, and the vast majority for space below 500 sqm. According to the ELR research, an analysis of the source of enquiries showed that almost twice as many came from Lincoln compared with enquiries from within the District. However, this should be treated with some caution. If the research is based on post code source, there may be an element showing as Lincoln based but are actually from north Lincolnshire. <p>Council owned premises</p> <p>North Lincolnshire Council owns a number of industrial estates, although a number of these are made up of larger premises, outside the scope of this report. Sawcliffe Industrial Estate is fully occupied and there is limited space available in South Park Industrial Estate, Elsham Wolds Industrial Estate, Humber Bridge Industrial Estate or New Holland Industrial Estate. Where there are vacant units on these sites, they tend to be the smaller premises, where there is more churn amongst tenants. The offices at Queensway Business Centre are fully occupied. There is an identified need for additional commercial space but this is chiefly larger industrial property.</p> <p>The market for small business premises in North Lincolnshire is described as dynamic, with such spaces being snapped up quickly but not always retained for long.</p> <p>Although it has been slow to take off, there are currently plans to develop new office premises in the town centre of Scunthorpe..</p>	

Managed Space

There are just four managed workspace centres in North Lincolnshire and the only A-graded property is the newly built Waters Edge centre, managed by North Lincolnshire Council. The three other schemes are all privately owned or managed and all considered to be of reasonable quality providing a mix of services and facilities. Of these Normanby Gateway is an incubation and innovation centre, providing up to 2,470 sqm of space, with incubation space aimed at the IT and digital sector. Occupancy levels for these schemes are quite high and appear to be rising, which is unsurprising given that both Waters Edge and Sovereign House are relatively newly developed. Sovereign House commands the highest occupancy fee level across the whole of the study area, and despite only opening in May 2014, is at 60 per cent occupancy, with the owners reporting that this is set to rise.

This suggests that demand is strong in the area for good quality office accommodation. As the managed workspace in North Lincolnshire is all office-based, a conclusion that could be drawn is a lack of supply in the workshop sector, and as reported above, there is a supply of traditional workshop space for larger businesses, but a possible shortage of suitable small workshop-type premises in the area.

Geographically, there is also a very strong focus on Scunthorpe, with only Waters Edge being situated outside the town.

Managed Workspaces in the North Lincolnshire Area

Table 6.19: Premises Owned or Managed by North Lincolnshire Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace	Waters Edge	523	76%	Manned reception, meeting rooms, set in country park, DDA compliant, BREEAM cert	
Source: BE Group					

Table 6.20: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace	Queensway Business Centre			Car parking, landscaped grounds, 24/7 access, CCTV security	
Office managed workspace	Sovereign House	200	60% occupied - newly opened (May 14) and growing steadily	Desk and Office Rental, Meeting Rooms, Reception Desk, Car Parking	Reception, postal and admin services, book-keeping and payroll services. Hot desking facilities available
Office incubator & innovation centre	Normanby Gateway	2470	85% occupied	Includes five incubator suites suitable for one to three people. Intended as the location of choice for IT, communications, media and other knowledge intensive companies. Serviced reception, car parking, meeting rooms to hire, landscaped grounds. Hot desking available. DDA compliant	
Source: BE Group					

Greater Lincolnshire

Table 6.21: Boston and South Holland	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses	Offices
Boston 630 (640,000)	209 (45,000)380 (46,000)
South Holland 800 (888,000)	
Employment Land Review (2012) Comments – Joint South Lincolnshire ELR	
<ul style="list-style-type: none"> • Office space is spread thinly across both local authority areas, with no particular concentrations. By contrast, factory uses within both authorities are concentrated along the eastern part of the area, spreading west along key transport corridors towards the A1. • During the period 2000-08, the total stock of employment space rose by 8 per cent; this included a slight decline in warehousing space (4 per cent) and increases in factory (12 per cent) and office space (27 per cent). • Annual development rates of new employment space over the 2006-2012 period were reasonably high, producing 13,850 sqm of new accommodation. • South East Lincolnshire is a relatively self-contained commercial property market, largely industrial and particularly associated with the food processing/distribution industries. There are limited links with other regional markets such as Peterborough, the A1(M) corridor and North Norfolk. • There is a limited supply of available industrial premises, mainly medium sized units, while much of the industrial stock is ageing and speculative new development is constrained by low rents. • Much of the supply is also concentrated in just a few locations. • There is reasonable provision for start-up businesses across the area. The Boston Enterprise Centre on Endeavour Park in Boston provides small office units. South Holland has a limited number of serviced office centres e.g. Welland House and Welland Workspace. There are also a number of small industrial units across the area e.g. Marsh Lane in Boston. Managed workspace units of between 10 -100 sqm, both office and light industrial, are provided at the Holbeach Technology Park, on the A17. 	
Key Towns/Employment Areas	
Spalding	<ul style="list-style-type: none"> • Focus for large scale mixed employment areas including Wardentree Lane, Clay Lake Industrial Estate and Cradge Bank Industrial Estate • Reasonable town centre office supply • A new Rail Freight Interchange proposed to the south of Spalding
Boston	<ul style="list-style-type: none"> • Focus for mixed employment areas around Boston including Riverside Industrial Estate, Nelson Way Industrial Estate, Norfolk Street Estate; Redstone Industrial Estate; Broadfield Lane and Endeavour Park • Centre for port-related uses (The Port Estate) alongside Sutton Bridge (warehousing space in Boston is heavily concentrated along the river estuary running north from the Wash) • Reasonable town centre office supply

Managed Space – Boston

The sample size in Boston is small, with only three premises meeting the criteria of managed space, all run by the local authority. Of these, two are considered to be grade B and a reasonable quality, namely, Venture House on the Boston Enterprise Centre (jointly managed by Boston Council and Nurture Enterprises Ltd) and Boston Business Centre. Occupancy at Venture House is high at 93 per cent..

The only industrial/workshop scheme at North End Business Park provides tenants with basic accommodation in a rural workshop development.

Managed Space – South Holland

There are just two schemes in South Holland which fall into the designation of managed workspace: the Red Lion Quarter and Welland House, both in Spalding. The Red Lion Quarter is a high quality development and aims to provide supported space combined with educational facilities. Welland House is a reasonably refurbished older building. Both are privately owned

South Holland District Council manages a number of small workshop/industrial schemes (its 'mini factory units') and these are well occupied, reasonable quality workspaces but do not have the element of on-site management support to qualify as managed workspaces under the definition. However, demand is good for workshop space and overall there appears to be a shortage of supply of this type of space in the area.

Spalding has no managed premises. It has been identified as an area with a strong agri-food industry and food processing companies will be limited by choice for new high quality accommodation.

Managed Workspaces in the Boston Area

Table 6.22: Premises owned or managed by Boston Borough Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office enterprise centre	Venture House, Boston Enterprise Centre	1,505	93% occupancy	Managed offices and conference facilities. Car parking	
Source: BE Group					

Table 6.23: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Workshop managed workspace	North End Business Park			Serviced space with car parking. Rural location. Shared kitchen and cloaks	Flexible terms; light, heating and water costs in rent
Office enterprise centre	Boston Business Centre	667		Communal reception, serviced offices, meeting rooms, ample car parking	
Source: BE Group					

Managed Workspaces in the South Holland area

Table 6.24: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspaces	Red Lion Quarter	388		Serviced offices in a state of the art Business, Education and Enterprise Centre combining education facilities with easy rental office and retail space. Tenants will have 24 hour, 7 day a week access to the secure floor. conference facilities.	
Office managed workspaces	Welland House			Car parking, reception services	
Source: BE Group					

Table 6.25: East Lindsey	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses	Offices
1,620 (743,000)	500 (64,000)
Employment Land Review (2013) and Economic Baseline (2010) Comments	
<ul style="list-style-type: none"> • The East Lindsey's economy is typical of a more rural economy with a history of agriculture and coastal-related employment. • Past research has divided the local authority area into three distinct locations, the Wolds, Coastal and Central: <ul style="list-style-type: none"> ○ Demand was generally seen to be good in the Wolds, particularly in Louth which has attracted large employers. The main employment site in Louth is the Fairfield Industrial Estate; ○ In the Coastal area, Mablethorpe had a very weak and declining market while premises supply in Skegness was limited, with some waiting lists for serviced plots; ○ The Central market is sparsely populated and includes numerous small market towns such as Alford, Spilsby, Horncastle, Wragby and Coningsby. The most significant employment area is the Boston Road Estate at Horncastle where there has been good rate of take-up in recent years, largely from local firms. 	

Managed Space

East Lindsey has a spread of business centres across the district in its four main towns. Two out of four of the premises assessed were considered to be grade A (Aura Skegness Business Centre and Fairfield Enterprise Centre) and the other two (Horncastle and Mablethorpe Business Centres) were of B-grade quality. All four centres are office-based schemes (although there are eight workshop spaces available in the Mablethorpe Centre) and are owned or managed by or in conjunction with, either East Lindsey District Council or Lincolnshire County Council. The local authority provides a range of facilities and business support services at all of its centres

Occupancy levels are generally high for these centres, with one centre full, and the others between 60 and 90 per cent occupied. The drop in occupation at both Mablethorpe and Louth where both have seen a single business leave, does demonstrate how centres can become over reliant on individual businesses, rather than fulfilling the role of incubator and innovation space where a churn of new businesses should be encouraged. Mablethorpe also has a number of workshop units which at the present time are full, although these can fluctuate.

Anecdotally, it appears that the provision of smaller workshop space is restricted to older poorer quality space. Apart from Mablethorpe, no managed workspace, or modern nursery space is available for start-up businesses and whilst demand may be limited, it is felt that without such space new and expanding business will be restricted.

Managed Workspaces in the East Lindsey Area

Table 6.26: Premises Owned or Managed by East Lindsey Council or Lincolnshire County Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace	Horncastle Business Centre	n/k	100%	Ample parking on site, catering and reception facilities, landscaped grounds. Learning and conference centre. DDA compliant. WiFi across site and computer suite	Support services, fully manned reception, technical support
Office managed workspace	Aura Skegness Business Centre		90% occupied. Increased over last year - noticeably more demand for offices in last 6 months	Broadband and A/C, fully staffed reception facility, controlled door access, intruder alarm and CCTV, free parking, DDA compliant, professional conference / meeting room	secretarial support, photocopying, fax and email; virtual office facilities available, training and promotional events
Mixed use managed workspace	Mablethorpe Business Centre	662 (both)	offices = 60%, ind = 100% (fluctuates but around 60% is normal)	Broadband connectivity, meeting and conference rooms, hot desk facility, central reception, secretarial and admin support, controlled door access, free car and cycle parking, landscaped grounds with exterior seating	virtual office facilities available
Office managed workspace	Fairfield Enterprise Centre (Louth Business Centre)	1,146	79% (down from 88% recently owing to retirement and moving to larger premises)	Controlled door access, intruder alarm and digital CCTV surveillance, 24 hour access. Broadband connectivity, DDA compliant, meeting and conference facilities, car and cycle parking, landscaped grounds.	Dedicated reception and hosting service, admin services, virtual office facilities available
Source: BE Group					

Table 6.27: City of Lincoln	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses 680 (517,000)	Offices 730(170,000)
Employment Land Review (2009) Comments	
<ul style="list-style-type: none"> Industrial supply is focused in the Outer Circle Road, Allenby Road and Long Leys Road employment areas in the north of the City. Offices are focused in the City Centre, Great Northern Terrace, Tritton Road, Dixon Street and Beevor Street employment areas in the central areas of the City. In 2009 available industrial premises was focused Allenby Road/Outer Circle Road area of the City. New industrial premises were available at Witham Point on Allenby Industrial Estate and at Great Northern Terrace. Budget premises were available on Beevor Street. There were few workshops of 0-100 sqm available. In 2009 44 per cent of Lincoln's marketed office property was in the City Centre, including the Doddington Road/Sadler Road area, and over a quarter was in the Allenby Road/Outer Circle Road area. Checkpoint Court and offices on Allenby Industrial Estate (Allenby Business Village and Global House) provide good quality space. Lincoln saw a lot of development activity over 2004-2009, however most of this has been for offices at out-of-town locations, including over the border in North Hykeham (in North Kesteven District). This has led to a shift of businesses out of the City Centre and a lack of good quality office development there. The expansion of the University has led to a number of City Centre office blocks being converted to residential. However this stock has not been replaced by modern space. The study highlighted that Lincoln has a good selection of start-up space, but that demand generally outstripped supply and therefore more should be provided. Generally, Lincoln needs to catch up in relation to enterprise development, and the provision of more small schemes could only act to improve the situation. The lack of grow-on space is identified as a problem. Although there are plenty of start-up units (e.g. Greetwell Place, The Terrace, Peregrine Mews, etc), there is a lack of 200-500 sqm units for established businesses – both industrial and office There also a lack of freehold premises in Lincoln. 	
Key Towns/Employment Areas	
Western Growth Corridor	<ul style="list-style-type: none"> This is a mixed-use development that covers a 404 ha site, 65 per cent of which is in the City of Lincoln and the rest in North Kesteven. It was estimated to provide 43,400 sqm of mixed B1(a)/(b) in the City of Lincoln.
Eastern Growth Corridor	<ul style="list-style-type: none"> This scheme is split into 2 parts – the North East Quadrant (NEQ) and the South East Quadrant (SEQ) both of which are mixed-use strategic urban extension areas. New employment options are proposed in both locations.
City Centre	<ul style="list-style-type: none"> 23 sites were identified for strategic intervention in the City Centre Masterplan. Nine of these sites have some form of office element in their development briefs, while Michaelgate Street incorporates workshops.

Managed Space

The quality of managed office space is considered to be very good with a choice of schemes built to a high standard and good quality privately managed secondary space. Lincoln has four business centres including the incubators at BG Futures and Sparkhouse Studios, the Think Tank Innovation Centre and The Terrace, creative hub which fall into the A grade quality category. The presence in the city of two universities has a positive impact on the provision of managed space, with both Bishop Grosseteste University and the University of Lincoln offering high quality innovation and incubator spaces.

Most of the provision for managed space in the city is for offices but Lindum Business Park in North Hykeham offers reasonable mixed workshop and office accommodation and The Terrace has a mix of offices, workshops and studio spaces, all newly built to a high standard. There may be an unmet demand in the area for managed start-up workshop space, as this appears to be lacking.

All the managed schemes in the city are well occupied. Three centres are currently full whilst the remainder are at least 85 per cent occupied. Demand for serviced space is high, but with a supply of larger self contained office and industrial space available in the city, it is unlikely that further public sector provision is needed, as long as the serviced space continues to perform as designed and there is a healthy turnover of space.

Table 6.28: Premises Owned or Managed by City of Lincoln Council or Lincolnshire County Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace	Greetwell Place Business Park	2,973	91% occupied, down from 97% this financial year (building needs refurb to compete with new builds)	There are four meeting rooms within the complex available to hire by both internal and external companies.	
Office enterprise centre	Oak House	670	89% occupied - generally fairly full with long-term clients and steady demand	Meeting room facilities, free car parking facilities, café with onsite catering facilities. Conference suite supported by a fully serviced reception, CCTV and contract security staff.	Virtual tenancy – out of hours access for the building.
Mixed use managed workspace	The Terrace	1,720	87% occupied - fairly steady	Central reception and managed office, Cafe for occupiers and visitors. Facilities for meetings and conferences are available.	Reception service offers a range of administrative services for tenants, including typing, photocopying, faxing and telephone answering services.
Source: BE Group					

Table 6.29: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office innovation centre	Think Tank	1,218.4	Fully occupied	fully managed business accommodation, conference and meeting facilities, 24/7 and 365 accessibility, enhanced security, communal facilities	secretarial and administrative support, including photocopying, faxing, laminating, binding and postal services. In addition, a re-routed telephone answering service may also be available via reception.
Office incubator	BG Futures	345	100% occupied typically but with churn because only start-ups allowed (never advertise)	Conference rooms, virtual offices, hot desks and pods available. Superfast broadband	Events, advice and other business support initiatives, support from from the Business Development Manager. Graduate internship programme for Lincoln-based graduates, funded by ERDF for city of Lincoln.
Office incubator	Sparkhouse Studios, Ropewalk	300	Fully occupied fluctuates between 85% and 100%	Meeting rooms are available to Sparkhouse tenants free of charge. In-house café and shared kitchens.	Professional reception service, Stepped rent, Business planning advice, An assigned mentor, Access to specialist support, Signposting to external business support, Seminars and workshops, Networking events. Managed reception with postal and telephone answering. Virtual tenancies available
Mixed use managed workspace	Lindum Business Park				
Source: BE Group					

Table 6.30: North Kesteven	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses 1,020 (616,000)	Offices 450 (62,000)
Employment Land Review (2010) Comments	
<ul style="list-style-type: none"> • The bulk of North Kesteven's businesses and employers are in North Hykeham (and the rest of the outskirts of Lincoln) and Sleaford, which is the focus for the office supply. • However, in 2010 the largest amount of vacant industrial property was in the District's rural villages such as Swinderby, Billingham, Aubourn and Heckington. 27 properties are available in North Hykeham, as well as ten in Sleaford. • The available supply at that time included new units at Paving Way, Gallagher Enterprise Park and Newlin Business Park (all in North Hykeham); at Lincoln Enterprise Park in Aubourn, and at the Reedspire development in Sleaford. • In 2010 most of the District's vacant office property was in North/South Hykeham and Sleaford. The Local office locations are Metheringham, Ruskington, Heckington, Washingborough, Roxholm and Ewerby. • Good quality offices are available in North Hykeham and Sleaford. • There is a reasonable supply of small offices and workshops of 0-100 sqm. However, North Kesteven seems to lack serviced premises – serviced offices, managed workspace, innovation centres, etc. 	
Key Towns/Employment Areas	
North Hykeham	<ul style="list-style-type: none"> • North Hykeham has a good range of industrial premises, although freehold availability is constrained. Close to full development, South Hykeham is seen as the natural extension to this area. • North Hykeham is also the main office location in North Kesteven. It has benefited from the drift of Lincoln city centre occupiers to out-of-town locations.
Sleaford	<ul style="list-style-type: none"> • Sleaford is predominately an industrial location, part of its success is judged to be down to offering slightly cheaper land and property than North Hykeham. • There is a good range of land and premises, except for freeholds. • Sleaford has a local office market.
Other Settlements	<ul style="list-style-type: none"> • Bassingham, Metheringham and Washingborough are seen as key rural locations, with potential for further development in Branston, Bracebridge Heath, Leadenham and Waddington. • There is only a limited office market in the rural area.

Managed Space

Just four centres provide serviced or managed space in the district, two council run and two in private ownership.

The managed space in North Kesteven is generally of reasonable quality, although only the Reedspire Industrial Units on Sleaford Enterprise Park are considered to be of A-grade quality. The council-run schemes at Reedspire and Aubourn are both well occupied, the latter being currently full and Reedspire 90 per cent occupied. Occupancy levels alongside other details are not available for the privately run premises.

Whilst Lincoln provides an alternative location for businesses, choice within the district is limited and to retain businesses will require an improvement to the stock both in North Hykeham and Sleaford.

Table 6.31: Premises Owned or Managed by North Kesteven or Lincolnshire County Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Workshop managed workspace	Reedspire Industrial Units	1,951	90%		
Office managed workspace	Aubourn Enterprise Centre	9 + 107	fully occupied	old school with associated car parking and playing field, main hall is used as a community facility and is rented out to members of the public.	
Source: BE Group					

Table 6.32: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Workshop managed workspace	Pride Park, Sleaford			Modern steel framed small workshop space, car parking, minimal car parking	
Managed workspace	Jubilee Place (Part of Lindum Business Park) north hykeham			A mix of industrial space within a larger park. Units are self contained with on site management, car parking.	

Source: BE Group

Table 6.33: South Kesteven	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses	Offices
1,190 (1,085,000)	590 (86,000)
Employment Land Review (2005) Comments	
<ul style="list-style-type: none"> This study focused on the main settlements and area specific commentary is provided below. 	
Key Towns/Employment Areas	
Grantham	<ul style="list-style-type: none"> The principal urban area of the district and recognised as a sub-regional centre. The town was seen as having two major gaps in its supply, an edge-of-town office park, and land provision for B2/B8 uses along the A1. The markets were seen to be as follows: <ul style="list-style-type: none"> Office - Town centre space was largely older space above shops or secondary 1960s stock. There was some newer office development around the edge of the town, on industrial estates, but no dedicated office park. The need was identified in a report by SQW and the ELR reported a low level of vacant space with 13 units on the market, of which 7 were under 200sqm and the rest between 200 and 500 sqm, totalling 1994 sqm. Industrial – Much of the stock reported was old manufacturing space around the town, with some trading estates, and one warehouse location adjacent to the A1 to the north west of Grantham. This area has seen rapid development and at the time of the study a strong demand for buildings over 10,000sqm along the A1 could not be satisfied. At the smaller end of the size range, supply was better with 23 of the 31 units under 500 sqm. In total 10,244 sqm was on the market.
Stamford	<ul style="list-style-type: none"> Offices - Seen as a local market serving the local professional and service sector, with much of the space in period buildings in the town centre. A speculative office development was seen as successful at Southview Farm and brought 2,000 sqm of space to the market for sale in small self contained units up to 250 sqm. The supply of vacant space amounted to 21 units totalling 2,646 sqm, all below 300 sqm Industrial - Limited to older manufacturing space, Stamford lacks any modern or new stock, and at the time, no land to meet needs. Demand was seen as good for A1-related locations but with no provision to meet the need. No space was reported to be on the market.
Bourne	<ul style="list-style-type: none"> Offices – Not seen as a regional location, with a limited stock in the town centre but also with two out of centre locations at Manor Crown Business Park and the former Bourne Hospital, which was still at development stage. 16 units all under 100 sqm were available, totalling 418sqm. Industrial – Bourne has one main area at Cherry Holt Road, where a mix of space has been built. There were 22 units totalling 8,644 sqm, with 15 of the units under 100 sqm.
The Deepings	<ul style="list-style-type: none"> Offices – Mainly town centre, but there have been two new offices developed at Northfields Industrial Estate. No offices were on the market. The SQW report considered that there is demand for an office park in the vicinity of the town is to meet latent demand. Industrial – Northfields is the main industrial area. The location benefits from proximity to Peterborough and the A15/ A16 roads. Chater Court, a terrace of small industrial units, has been developed to meet the needs of small businesses. Demand for small space was reported as good, and is representative of the market there. 13 units were available, with 11 of them under 500 sqm.

Managed Space

There are just two managed workspace facilities in South Kesteven The Eventus Business and Innovation Centre is a B-graded incubator run by Lincolnshire County Council and Mayden House, a serviced office converted from industrial units in Newark, which is considered to offer borderline quality accommodation. Eventus is fully occupied and has a waiting list of businesses wanting space in the scheme.

Other schemes that do not fall within the definition of serviced or managed space are also very well let, and the towns of Grantham and Stamford currently rely on a small stock of secondary office space to meet local needs. The council recognise this shortage and have attempted to meet demand through development initiatives. In Grantham a proposal for a new serviced office at Station Approach in the town centre failed to materialise, and other locations have not been able to deliver the much needed provision.

Stamford also is considered to have a demand for high quality office space. A private sector initiative, known as HAATCH is proposed and aimed at digital technology companies.

Presence in the Area

The provision of industrial type space is limited to a small level of traditional workshop with no managed provision whatsoever.

Table 6.34: Premises Owned or Managed by Lincolnshire County Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office incubator & managed workspace	Eventus Business and Innovation Centre	1,667	100 occupied with waiting list (been full for 12 months)	24 hour access, Free on site parking with two electric car charging points, Individual patch panels for routing internet and telephony, Access to meeting and conference rooms at preferential rates, Showers, All weather secure cycle park, Communal out door area. Oasis Cafe.	Centre includes 6 incubator suites for businesses established within 1 year but it is at the manager's discretion whether to let these to more established businesses if no start-up demand. Start-ups in these offices get rent reductions for 1st 6 months. Full reception service, including postal service and telephone answering, Access to fax and photocopying services. 'Virtual Office' facilities can also be provided.
Source: BE Group					

Table 6.35: Privately Owned or Managed Premises					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office managed workspace	Mayden House	185		Serviced offices with full-time receptionist and intercom entry; car parking; conference facilities and meeting rooms; CCTV and gated access	Admin services also available
Source: BE Group					

Table 6.36: West Lindsey	
Premises Supply (2008) - Number of Units (Floorspace, sqm)	
Factories/Warehouses 770 (539,000)	Offices 310(56,000)
Employment Land Review (2010) Comments	
<ul style="list-style-type: none"> • In 2010 the available industrial property supply was focused in Gainsborough, Saxilby and Market Rasen. • A high proportion of that availability comprised budget quality premises. • The available supply at the time also included new units at Stirlin Court, Saxilby and Sandars Road Industrial Estate in Gainsborough. • Available offices were focused in Gainsborough, Hemswell Cliff and Market Rasen. • Mercury House in Gainsborough was identified as a prominent County Council managed workspace and incubation scheme, which opened in 2009. 	
Key Towns/Employment Areas	
Gainsborough	<ul style="list-style-type: none"> • The local focus of the office market with identified demand for units of 0-100 sqm. • At the time Mercury House and Marshall's Yard were meeting local needs although there may be scope for a scheme of 100-200 sqm grow-on offices available freehold/leasehold in the future. • Industrial demand is also strongest in Gainsborough. There is scope for further workshop accommodation here.
Caistor, Market Rasen and Saxilby	<ul style="list-style-type: none"> • All are secondary markets. • There is scope for more small workshops in all three settlements. • Of the three, Saxilby has the most scope to expand and attract inward investment because of its proximity to Lincoln. The report suggests that it needs a new scheme of 100-200 sqm industrial units, available freehold.

Managed Space

Both managed workspaces in West Lindsey are run either by West Lindsey District Council or Lincolnshire County Council. Mercury House, an incubator and innovation centre run by the County Council provides high quality office premises. It is currently under-occupied at just 51 per cent (although the situation is changing as the economy picks up). The Plough Business Hub, run by West Lindsey, is slightly better with a 61 per cent occupation, in spite of being considered to be of lesser (grade C) quality. The findings of the ELR (undertaken pre recession) was that the current provision met the office demand at that time, and the inference from that and the current take up is the local demand for serviced offices is being met.

There is no managed workshop space in the area. The feedback from the ELR and more recent commentary from local agents is that there is demand for small scale industrial space and scope for workshop schemes both in Gainsborough and Saxilby.

Table 6.37: Premises owned or managed by West Lindsey District Council or Lincolnshire County Council					
Designation	Scheme Name	Total Floorspace	Occupancy Rate	Facilities, i.e. car parking, service centres, meeting rooms, IT equipment, Labs	Services, i.e. Business Support, Manned Reception, Wider Support from external sources
Office incubator & innovation centre	Mercury House	1,515	51% occupied steady increase since opening 6 years ago	Wireless broadband, an attractive seating area, managed workspace office suites and conference rooms, free parking	Mentoring Support, On-site Business Support. Fully managed reception, virtual offices, access to fax and photocopying services.
Office managed workspace	The Plough Business Hub		64% occupied	Meeting/conference rooms, wi-fi connection and refreshments available. Car parking available, hot desking and rent-a-desk	
Source: BE Group					

Occupancy Costs

Occupancy costs can vary considerably, depending on a number of factors, which include location, type and quality of space, and also what costs and services are included within an occupancy fee. The main fixed annual costs are rent and business rates. In addition most centres will add annual running costs such as maintenance, utilities costs, cleaning, reception services and additional staff provision.

In some cases it is possible to identify the rental element only, although a large number provide an monthly or annual all – inclusive fee for the suite. In addition, some business centres will charge by work station whereas other will provide a cost per sqm.

To provide a meaningful analysis of the data provided, the study has looked at trends rather than a full break down of cost, as this is not possible.

Managed Industrial Space

The vast majority of space in this category is in reality small self-contained industrial space which is charged out on a rental only basis. Rental values charged generally fall within a range from £40.00 per sqm - £90.00 per sqm. The lower level reflects poorer secondary space, typically categorised as grade B or grade C in terms of quality.

The Upper end of the rental range at £90.00 per sqm reflects high quality space, and often for very small workshop units. Examples are Fusion business park in Goole, or Swann Street in Hull, where units as small as 29 sqm can be taken. For a business, this would represent a weekly cost of £50.00 to rent the space.

More typically, the workshop space averages out at between £50.00-£70.00 per sqm to rent.

Companies will pay business rates separately, and in most cases an service charge, which will cover the cost of maintaining common areas externally. It is not uncommon for the external maintenance of this type of space to be either covered by rent, or possibly a service charge, with tenants responsible for internal repair and maintenance. A typical charge for estate maintenance will be £5-£10.00 per sqm.

Managed Office Space

Self contained small office space is typically let on a rental basis only, with the tenant responsible for business rates and depending on the nature of the building, a service charge to cover maintenance of common areas, heating and where there is a managed reception, those services.

The rental element for the small office space identified in the study ranges from £57.00 per sq m at the lower end, to £160.00 per sqm. There is a significant number of premises where the rent falls below £100 per sqm, and this can be found across all local authority areas. This reflects both the quality of the space, and also the market level that landlords consider is achievable.

At the upper level, good quality office space, grade A and B, can command rental levels of between £140- £160.00 per sqm. East Riding appears to have achieved the best rent with a number of schemes at this higher level. Elsewhere, the typical levels are £100.00-£110.00 per sqm for good quality space.

Occupation costs for managed and serviced office space are typically represented through an all-in fee. The rental element comprises the largest proportion of that figure, and whilst there is no firm split provided, the rental element would normally reflect market levels achieved for self contained office space, possibly with a premium to reflect that suites can be small, and let on flexible terms, rather than longer fixed terms.

All-inclusive occupation costs range across the study area from £135.00 per sqm to the highest recorded fee of £323.00 per sqm at the recently opened Sovereign House in Scunthorpe, North Lincolnshire. More typically, modern high quality space is being charged out at between £220.00 - £280.00 per sqm, and these levels have been achieved in centres in East Riding, South Kesteven, Lincoln, North Lincolnshire and South Holland. A number of centres charge fees out at between £100.00- £160.00 per sqm, which again represent older more secondary accommodation.

There is a difference between the fees charged by the private sector, and those charged by the public sector. The privately run centres, where profit is the main driver charge the highest levels of rent and all-in fees. The difference can be as high as 40-50 per cent. For example, in East Riding, the three highest levels are at Hesslewood Hall (£246.00/sqm), The Hall, Beverley (£280.00/sqm) and 2 Cowgate, Brough (£200.00/sqm), all privately owned. The business centres at Bridlington, Brough, Beverley and Goole range from 145.00-£161.00 per sqm, all run by the council. This is not surprising, as the councils are looking at outputs other than financial gain. However, the implication is that when looking at new facilities, the market could support higher levels, which in turn assist in the delivery of new space.

Business Survey

A business survey was carried out to establish evidence of demand for small office and workshop accommodation across the study area. It also sought to gain views on the range of facilities and services that businesses might require of a managed workspace scheme.

Methodology

A questionnaire (included in Appendix One), with explanatory covering letter was sent to identified businesses in small premises and managed workspaces in the study area. Following poor response rates to initial postal communication, it was determined that centre managers of local authority schemes would provide details of tenants who might be willing to take part in such a survey. Any contact details received were sent email questionnaires and, if no response was received within a week, these were followed up by telephone. In addition, businesses which had previously been sent postal questionnaires were also followed up for telephone interviews. In some cases, centre managers administered the questionnaire directly to their tenants and fed the results back to BE Group for analysis. This resulted in a total of 53 responses from businesses in six local authority areas. This corresponded with the previously agreed level of response in order to establish a reliable evidence base. Those areas for which no responses are included failed to supply the agreed contact details. These gaps, in conjunction with the variable

response rates across the authorities from businesses whose details were supplied, limits the extent to which this information can be taken to be representative of the whole region.

Table 6.38: Response Numbers by Authority

Local Authority	Number of survey responses
East Riding	19
North Lincolnshire	14
Boston	10
North East Lincolnshire	4
East Lindsey	4
Hull	2

Results

The 53 businesses which responded to the survey employ 487 full-time and 76 part-time employees between them. All the businesses surveyed fall within the employment definition of a small to medium sized enterprise (SME) in having fewer than 250 employees. The largest employed a total of 75 people, 60 of them full-time; the smallest was a self-employed architect, working alone. Table xx breaks down the employment figures by numbers of employees and area.

Table 6.39: Number of employees by LA

Local Authority	Number of Employees	Number of Responses
East Riding	1 - 5	9
	6 - 10	7
	11 - 20	2
	21+	1
North Lincolnshire	1 - 5	5
	6 - 10	2
	11 - 20	1
	21+	6
Boston	1 - 5	4
	6 - 10	4
	11 - 20	2
North East Lincolnshire	1 - 5	2
	6 - 10	1
	11 - 20	1
East Lindsey	1 - 5	2
	6 - 10	1
Hull	11 - 20	1
	21+	1

Source: BE Group

The majority of respondents were office based, with 64 percent occupying either offices or serviced offices. A further 37 percent were based in industrial or warehouse premises and one respondent was working from a barn conversion or farm location. None of the survey respondents were in high tech laboratory or incubator facilities. Table 6.40 shows the pattern of occupation by LA.

Table 6.40: Type of Accommodation Currently Occupied

Local authority	Office	Serviced Office	Industrial	Warehouse	Barn conversion/ farm location
East Riding	12	5	3		
North Lincolnshire	5	5	3	4	1
Boston	3	4	5	2	
North East Lincolnshire	2	2			
East Lindsey	1*	3	1*	1*	
Hull	2*		1*		

Source: BE Group
*Respondents who indicated that they occupied more than one type of property.

Respondents to the survey who were able to say how big their units were indicated that they occupied a range of sizes of premises, the majority of which (approximately 60 percent) are classed as smaller properties (up to 200

square metres). A significant minority of respondents (36 percent), however, are currently based in larger premises and a couple of these businesses occupy very large sites. These businesses are involved in construction, warehousing, plant hire and larger scale manufacturing, where there is a greater requirement for large spaces. Table 6.41 breaks down the accommodation sizes by LA.

Local Authority	0 – 25 sqm	26 – 50 sqm	51 – 75 sqm	76 – 100 sqm	101 – 200 sqm	201 – 500 sqm	500+ sqm
East Riding		2	3	3	4	5	
North Lincolnshire	1	3	3			2	5
Boston		3	1	1	1	4	
North East Lincolnshire		1	2			1	
East Lindsey		1		1	2		
Hull						2	
Totals	1	10	9	5	7	14	5

Source: BE Group

Those businesses which are based in business centres or serviced accommodation were asked in the survey to list the facilities available to them on site. The most common facilities on offer in these centres were shared reception and meeting/conference facilities, which were available at virtually all the properties identified as belonging to this category. Shared admin and access to broadband were also the norm in these types of accommodation. One respondent further noted that the centre they were in offered training and support; another mentioned administrative support. These were the only business services recognised by survey respondents. Table 6.42 sets out the facilities available to respondents in business centres by LA.

Local Authority	Hot desks	Shared reception	Shared admin	Meeting/conference	Studio space	Broadband access	Shared IT facilities	Other facilities
East Riding		8	5	9	1	4	1	
North Lincolnshire	1	6	5	6		4	1	1
Boston		4	4	4		4	4	3
North East Lincolnshire		3	3	4		4	2	
East Lindsey	1	4	4	4		4	2	
Hull								
Totals	2	25	21	27	1	20	12	4

Source: BE Group

The business survey also sought to determine levels of satisfaction amongst respondents. The majority of respondents were either satisfied or very satisfied with their current accommodation, with only three respondents (just over half a percent) expressing dissatisfaction. When asked about the reasons for not feeling satisfied, one respondent suggested that they had been misled about the level of services they would receive as tenants in the building; another complained about the scruffy state of the facilities. The very unsatisfied respondent in North Lincolnshire declined to give reasons for their disgruntlement. Table 6.43 sets out satisfaction levels by LA.

Local Authority	Very Satisfied	Satisfied	Unsatisfied	Very Unsatisfied
East Riding	3	16		
North Lincolnshire	4	9		1
Boston		10		
North East Lincolnshire		2	2	
East Lindsey	1	3		
Hull		2		
Totals	8	42	2	1

Source: BE Group

There is a high correlation between lack of satisfaction and an intention to move from the premises within the next 12 months, with two of the three unhappy tenants indicating that they are seeking to relocate within the year. Most businesses surveyed expressed no intention to move in the next five years but five thought they would be likely to move inside the year and a further two expecting to relocate within three years.

Interestingly, when asked about the circumstances under which they might consider relocating, dissatisfaction with premises were not listed as a major reason for deciding to move. The single biggest reason given for businesses being likely to move premises is expansion or business growth, closely followed by decisions taken by head offices to move operations to a different location. None of the respondents mentioned down-sizing as a likely reason to move, indicating a level of business confidence in local businesses.

As so few businesses were thinking of relocating at the time of the survey, the data on the types of accommodation they might look for is limited. Nine respondents would look for office accommodation, of these three are based in North Lincolnshire, one is in North East Lincolnshire, four are in East Riding and one is in East Lindsey. All of these would look for self-contained offices but three would alternatively consider moving to a business centre with support services. Only five businesses would be looking for industrial/workshop space if they were to move and of these, four are also listed as looking for office accommodation. The one additional respondent would look for self-contained industrial or warehouse space.

Generally, respondents didn't appear to have a preference for either freehold or leasehold accommodation, with 73% of the 11 businesses who completed this section expressing no preference. Only one respondent had a preference for leased premises and two preferred freehold. In response to a question about the quality of premises they would look to move into, opinion was again evenly split: 23 percent would look for prestigious, new-build accommodation; 38 percent would look for moderate quality accommodation and the same number again expressed no preference on the matter. No respondent indicated that they would look for basic or budget accommodation.

In thinking about where they might choose to move to, most respondents who expressed a preference would want to stay in the area where they are currently based. Only one respondent in the East Riding suggested that they might look to relocate to either Leeds or Manchester. Most respondents didn't anticipate that they would have any problem finding suitable premises if they chose to move, although a couple did suggest that there wasn't suitable accommodation (with adequate car parking!) in the area they would be considering. One of these businesses is based in East Lindsey and another is in Driffield. Table 6.44 sets out the preferred location types for businesses who might be considering a move. Several respondents ticked more than one box for this question, indicating that preference for type of location is generally not strong.

Table 6.44: Preferred Location Types

Local Authority	Town Centre	Industrial Estate	Business Park
East Riding	1	2	3
North Lincolnshire	1	1	2
Boston		1	1
North East Lincolnshire	1		
East Lindsey		1	1
Hull			
Source: BE Group			

7 Conclusions and Recommendations

This report draws together the findings of the demand analysis, based on the economic modelling and research and also the analysis of the current supply of commercial floorspace across the study area. Whilst the findings of both demand and supply cover the whole of the commercial sector, the focus is on the smaller end of the market and the conclusions and recommendations of the report will concentrate on micro-businesses and smaller SMEs. The needs of these businesses, which form the vast majority of companies, are primarily a mix of start-up space, incubators, innovation centres, managed workspace and small, self-contained office and workshop space.

It is important, though, to understand the availability and quality of the property portfolio for larger space as this will provide the grow-on accommodation as businesses become established, expand and then relocate. Without an adequate supply of grow-on space, the turnover of smaller space will not occur, creating pressure on the existing stock, and preventing the availability and choice for new market entrants.

Demand Analysis

The demand analysis suggests that there is a good level of business demand across the two LEP areas and across numerous business sectors. There are a number of key sectors that are seen as growth sectors- including, professional, technical, scientific and other business services, accommodation and food, and Creative and Digital Industries. The forecast for manufacturing is that there will be a continuing overall decline in the sector, but with some areas of strength (see section 5).

This picture is reflected in the findings of the supply and review of premises. There are clusters of particular industries that remain strong and are growing, leading to a demand for new and additional space. Food and agricultural services are present in most of the more rural and market town locations, and food processing is also notable in port-related areas such as Grimsby, where sea food processing plays an important part in the local economy. Specialist manufacturing can be seen in locations such as South Kesteven, where there is a traditional manufacturing base, and skills have been retained and transferred to new areas of business. This produces a need for good quality industrial space. And also in areas such as South Kesteven and Lincoln, knowledge based sectors are resulting in a need for high quality office space to meet the needs of small but growing clusters.

Supply Analysis

To meet these needs, there is a wide portfolio of property across the two LEP areas, which comprises some 90 per cent of the stock as industrial, and 10 per cent as offices. This is a typical split to meet the needs of the business community, but the quality and the size range varies from authority to authority, and there are identified gaps that will restrict growth of some of the emerging sectors. . The largest provision of both office and industrial space is in the cities and larger urban locations, but provision is reasonable in most local authority areas. The nature of the office function is that in all areas there is some latent demand for office space to serve to local needs of the service sector. This is often met by conversions, the use of local town centre space over shops and some dedicated provision. What is not catered for is the potential demand for new space, as rents and values do not warrant speculative office development and, certainly today, the funding institutions see such development as high risk and low return.

The evidence suggests that where there has been office development, and this is often through public sector intervention, there is a good take-up of space. The provision of serviced and managed space, both office and workshop, through the public sector can meet latent demand that otherwise would not be met in those smaller centres. A good example of this is East Lindsey where business centres have been built at Louth, Mablethorpe and Skegness. Whilst Mablethorpe has seen intermittent demand and levels of occupation, the other centres have attracted a wide range of businesses. Louth in particular, has a high occupancy rate and demonstrates that if business can be catered for where previously there was a lack of supply in the traditional town centre, then the demand can be identified.

Similar activity has been seen in West Lindsey with new development at Gainsborough, and also the larger centres such as Hull, Lincoln and Grimsby where more high quality specialist accommodation has provided space for the fish processing, food and creative industries. However, there is not a total reliance on the public sector to deliver the serviced and managed space. Whilst councils can help address market failure, some centres clearly are able to support fully commercial initiatives, and across the study area there are good examples of private sector run centres that have a high level of occupancy, and also command rental levels significantly higher than public sector run centres.

The Universities in both Hull and Lincoln provide a range of space and appear well placed to deliver and manage workspace in the future, and which also provides the vital link between the development of new business ideas and commercial realisation.

Gaps in Supply

The analysis of vacant floorspace in both office and industrial does reveal a number of gaps in the supply. To provide a full picture both traditional, self contained space has been reviewed along with the provision of serviced and managed workspace, as defined by the brief.

For general office and industrial space, a vacancy level of between 8 and 10 per cent by floorspace is generally accepted as the level that provides a reasonable supply, but not an over-supply of space. Below seven per cent is seen as under-supply and will restrict provision and choice. However, this figure can be skewed by the presence of large unoccupied facilities, and thus the number and type of premises need to be assessed to give a more balanced view. When provision is considered by LEP area, a picture has emerged across both areas of a lack of good quality industrial space to serve the smaller end of the market, whilst generally the office sector is better served - but this is a general comment and within these sectors, there are gaps.

When considering serviced and managed space, vacancy rates can be higher. This is because owners expect a certain degree of turnover of space from start up and growing companies as they evolve and move on. An occupancy level of 80 per cent is considered to be reasonable. Below this will be viewed with some concern, if the level persists.

Greater Lincolnshire LEP Area

The Greater Lincolnshire LEP area has very few starter units of up to 200 sqm (with some exceptions) and businesses looking to occupy such space will struggle with availability and choice. The mid range of between 201-1000 sqm is well served. Lincoln and Boston have a very limited supply and just 12 units in total. This lack of supply will affect the ability of small businesses to expand into their own self-contained space or see them locate elsewhere.

The office supply at the smaller end is generally reasonable, but South Kesteven in particular has little space in the 0-50 sqm range, and what is available is of poor quality. There is a lack of high quality office provision in Grantham and Stamford. The Council has tried to meet demand through the failed Station Approach scheme, and still needs to find a solution whilst in Stamford the HAATCH proposal for the digital sector could see new serviced office space developed in the next 12 months.

Some areas such as Lincoln have an over-supply, but some of the rural communities have significant under-supply. Again figures are skewed by premises, not fit for purpose. North Kesteven, for example, has just 1.6 per cent of its stock available for rent or purchase. The industrial market can be compared in the same way, with locations where provision as a percentage is good, Lincoln has again around 20 per cent of its stock vacant, whilst South Holland, just 1.8 per cent.

The Humber LEP Area

The Humber LEP area also has a very limited supply of small good quality workshop space to meet needs of start-up companies. Even in the 50-200sqm range the provision of available space is restricted. The office supply is also limited at the lower end of the scale. When vacancy levels are reviewed against the overall stock the gaps become clear. The larger centres have an over-supply of office stock - in Hull, for example, around 16 per cent is vacant.

Managed Workspace

Building on the statistical evidence of the wider property market, there is a need to understand how this supply meets the needs of business through a qualitative analysis of the business centres, and managed workspace. Whilst there maybe a reasonable supply of floorspace overall, the lack of quality space could restrict business growth within that specific market of start up and growing small enterprises

The type of space that is defined as incubator, innovation, enterprise or managed workspace is aimed at very specific sectors of the market, with particular needs. The centres meeting these definitions have a degree of business support, and on site services that a company would not necessarily find in a traditional self contained facility. The aim is to support new and growing companies, and in some cases engender the creation of clusters of like minded businesses. However, they also will address market failure, and deliver space for the wider business community where the private sector is unable to.

Hull for example, does have an over-supply in terms of floorspace, but the quality of much of the stock is poor with little prospect of much of that commercial property stock meeting current needs. With an over- supply of poor quality space, and low rental and capital values, new development on a commercial scale is very unlikely. But where new space has been provided, particularly those delivered by the University to meet the needs of the small business community, take up has been strong.

Across the two LEP areas just 67 business centres of varying type and quality have been identified, of which 37 are council controlled. The provision is mixed, with some authorities providing facilities in a number of their towns, including, East Riding and East Lindsey, whereas other have a very limited provision in just one or two centres, South Kesteven for example has no provision in the principle towns of Stamford and Grantham. The city centres of Lincoln and Hull do have a number of facilities of differing types and quality, but the contrast is that the strong market of Lincoln can rely on a further range of market led space, whilst Hull is reliant on the council and universities to provide space of any quality. In Spalding which will house a Food Enterprise Zone, there is no provision for fledgling food businesses.

For the most part, the centres cater for a variety of businesses. Managed Workspace as defined by the brief, includes both workshop and serviced office space, having a variety of service and production uses, and offices. Few have sought to restrict uses to single targeted sectors, and where restrictions were originally put on uses, in the smaller towns especially these have tended to be relaxed as demand has not been strong enough to meet the supply.

In the case of specialist centres, particularly in the larger urban areas demand has been relatively strong. In some cases, the definition of a business sector is relaxed to allow wider uses in. However, there is clear demand in a number of locations for dedicated space, some of which have been outlined in the study. Digital, creative, manufacturing, and food production and processing are all business sectors that have benefitted from specialist accommodation. These facilities not only provide space and a level of service, but also create a business environment where like-minded businesses can feed off each other and in some cases will develop trade links. But for these centres to succeed, demand does need to be established, and the accommodation should be appropriate to meet that need.

The digital hub in Hull, C4DI, understands its market and is providing space geared to those needs. There the operator, the University of Hull partnered with a property developer to provide the grow-on space for expanding businesses. In Grimsby, the Humber Seafood Institute remains only a quarter full despite a full range of research facilities have been provided. However, demand for the food grade space is good, and this demand should be analysed further to ensure the right space is provided for the food sector.

Drawing together the findings from the demand assessment, review of overall supply and the provision of dedicated serviced and managed workspace, a series of recommendations have been made for each local authority area, and these are split between the two LEP areas.

Humber Recommendations

The picture in the Humber LEP local authorities (table 7.1) shows a relatively balanced position when the overall supply is assessed, although, based on the vacancy rates there is a slight under-supply in industrial premises, but an over-supply of offices. However, the overall supply figures provide only one strand of evidence, and local factors, in particular, the nature of the local demand, and the quality and performance of the space available to meet small business needs provides further evidence of whether demand and future need is being satisfied.

Table 7.1: Humber Gap Analysis						
LA Area	Forecast employment growth (%)	Supply		Business Centres & Parks	Vacancy rates (%)	
East Riding	4.2	Industrial floorspace	233,900	16	9.2	
		Industrial Properties	157		6.5	slight under-supply
		Office floorspace	18,008	24	7.0	
		Office Properties	64		5.1	slight under-supply
Hull	5.8	Industrial floorspace	305,556		11.9	slight over-supply
		Industrial Properties	230		9.6	
		Office floorspace	64,146	14	15.7	serious over-supply
		Office Properties	199		15.2	serious over-supply
North East Lincs	3.2	Industrial floorspace	85,185	7	6.1	slight under-supply
		Industrial Properties	91		6.0	slight under-supply
		Office floorspace	34,317	16	20.8	serious over-supply
		Office Properties	95		12.9	slight over-supply
North Lincs	2	Industrial floorspace	169,977	1	5.8	slight under-supply
		Industrial Properties	98		6.0	slight under-supply
		Office floorspace	15,889	11	12.4	slight over-supply
		Office Properties	33		4.9	under-supply

Source: BE Group 2014, employment growth figures from ekosgen, 2014

As outlined earlier in this section, it should be noted that the vacancy rates shown in table 7.1 is a quantitative analysis only, and does not differentiate between space that is fit for purpose and premises that do not meet criteria that present day businesses may be seeking. Hull in particular, is shown as having an over-supply of both office and industrial space. In reality much of that space is considered obsolete and not fit for purpose, and the recommendations reflect this position.

East Riding

The East Riding area is set to grow by 4.2% up to 2023, according to our forecasts and the present slight under-supply of both industrial and office premises might be further intensified over the coming decade as a result. Across

the district, there is a good supply of available properties and a strong business centre/industrial park offering, particularly above 50 sqm.

Below this size availability is limited and there may be scope for a scheme of small workshops, or, given the availability of larger space, conversion to meet these needs. Office space below 250 sqm appears to be in short supply with just 119 sqm across 7 units available.

However, the geography of East Riding is that it is split across a number of functional economic areas, and these serve different markets. The towns of Bridlington, Driffield, Brough, Market Weighton and Beverley are all served by council run business centres, providing serviced office in each town with workshop space in Bridlington and Driffield. All are well let, suggesting strong demand. This is backed up by the performance of the private sector schemes which also perform well, and command rental levels higher than the public sector – which, of course could contribute to the success of the public sector facilities.

Whilst East Riding appears to have a good level of provision, with some high quality facilities, the overall quality of the office and industrial stock does reflect a lack of recent development with much of the office and industrial stock being old. Beyond the serviced space, the office space comprises mainly conversions and refurbished properties. Whilst there are a number of business centres, across the different towns, choice for companies wishing to expand or occupy very modern office space appears very limited. Just one scheme meets a Grade A standard. This also may be a contributory factor to the success of the business centres as companies are reluctant or unable to move to high quality grow on space.

The development of further serviced space may well meet a local demand, but the shortfall in supply appears to be in the provision of high quality grow on space. Due to the dispersed nature of the district, there are identified local shortfalls for small business, which would be met with new serviced space in some of the centres

Similarly, industrial provision is reasonable but high quality modern space is lacking. Therefore consideration should be given to new modern start-up workshop space to meet this gap.

Recommendation:

1. Explore the feasibility of providing new serviced offices to provide space of up to 25 sqm. Given the dispersed nature of the area, a single building may not meet wider market needs and centres for Driffield, Beverley Bridlington and Hessle should be assessed further. This needs to be undertaken in light of the lack of grow-on space, and the emphasis should be on larger business units above 25sqm to meet this need.
2. Monitor the provision of larger space in all locations and encourage the private sector to plan for new development in business park locations
3. Explore the feasibility of providing workshop space of up to 50 sqm.

Hull

Employment growth in Hull is forecast to reach 5.8% by 2023 but the current over-supply of offices and industrial space, taken with the large number of premises on the market, suggests that new development without public sector intervention is unlikely to occur in the short to medium term.

The existing supply of office space in Hull does not meet the needs of the business community that requires modern fit for purpose space. The over-supply reflects the very poor nature of the stock which is large and unrefurbished. In other cities, developers have met need by complete refurbishment of this type of space, but Hull is unlikely to deliver the level of demand or values to make this economically viable. Values remain low, and developers and investors are unlikely to want to compete in such a difficult market.

High quality serviced office space has satisfied a local demand, and the University has provided a number of facilities, both generic and specialised for growing businesses. The scale of development has been relatively small for a city the size of Hull, but these schemes are evidence of demand for high quality space. The City council run schemes have not been so successful in recent years, but in the past have achieved an average occupancy of around 90 per cent. Today, due to a lack of investment and maintenance the quality of these schemes have suffered, and they do not provide the level of space of the University incubators.

There is a need to provide high quality office space either through a limited refurbishment in the city centre, or through the provision of a modern serviced facility, in an edge of centre location, for businesses seeking a business park position rather than town centre. The University of Hull has a track record of providing incubator space and a strategic partnership to expand the offer should be explored with consideration for grow-on space as a next step to the incubator facilities.

Hull has seen dedicated development for the food sector at Malmo Food Park, The typical size is 1800 sq ft, and whilst this meets the needs of existing business, there is a demand for smaller more dedicated start-up space. However, for the wider industrial sector the offer is poor with no other schemes providing Grade A or Grade B space. The Council provides a range of managed workspace but these lack investment, and quality is considered not be high. Investment is required to improve the industrial stock for small businesses. One area that has been highlighted is a need for hybrid space with a greater degree of office space. This type of space is attractive to engineering type businesses which have an office or design element to their business.

Recommendation:

1. Encourage the provision of new office development in strategic business park locations with good highway accessibility.
2. Explore the potential for an office based managed workspace, possibly in partnership with the University of Hull to compliment the current incubator space and provide serviced grow-on space for established businesses
3. Undertake a detailed city centre review of the office provision and work with building owners to either improve the building quality, or consider alternative uses to reduce the over provision of poor quality space
4. The council should undertake investment in its portfolio to improve the quality of both office and workshop space to meet the needs of starter businesses. This could include food grade space and hybrid space for the engineering sectors

North East Lincolnshire

North East Lincolnshire is set to see a 3.2% increase in employment to 2023 and, given a slight under-supply of industrial space presently, this could imply a need for some development of this type of premises, although the fact that there is currently a reasonable number of premises on the market suggests that these would need to be of appropriate size and quality to attract users. The small end of the size range current has very limited provision with one available unit under 50 sqm.

There is significant supply of office premises in the district with a good level of availability on the market at present. Some of the stock however is ageing and there maybe a need to review the provision of strategically located office space within the district.

There are 12 identified business centres in North East Lincolnshire, including the innovation centre at Europarc, which should cater adequately for demand growth in the area. Quality of the space is high with a third of the space classed as grade A. A number of the centres provide small workshop space and the majority of these are fully let at the present time. These are spread across the different business locations.

Choice for developing businesses is provided through a mix of industrial space, but for the smaller end of the market to cater for the move from the managed work space there appears to be a need to provide small self contained space of up to 50 sqm.

The seafood sector is well catered for though the new Grimsby Seafood Village which provides high quality food grade production units, and the Humber Seafood Institute, providing smaller specialist space with laboratory support, but this remains just 25 per cent occupied. Both facilities needs to be carefully monitored. With strong growth in the food sector being forecast in the Phase One Growth Scenarios of this study and anticipated in the Greater Lincolnshire resurgence of the port area, the food sector could grow further.

The office provision at the high quality end is good with business centres and modern offices providing for these companies seeking quality space. Occupation of the incubator and serviced office space is high, above 90 per cent in most centres. The businesses should be encouraged to move on to grow on space, and it is considered that the current and emerging supply with new schemes coming forward such as Hewitts Business Park, should satisfy this need.

Recommendation:

1. Explore the feasibility of developing workshop space of up to 50 sqm for small and growing businesses.
2. Monitor the growth and development of the seafood and food processing sector, in the short term. Look to meet specific needs of the growing food sector with further food grade premises.
3. Monitor office grow on space and provide strategically located offices with the district

North Lincolnshire

At just 2%, the forecast for employment growth in North Lincolnshire is lower than for any other area in the study. There is a slight under-supply of premises (both office and industrial) but not of industrial floorspace overall, indicating a possible unmet demand for smaller workshop or industrial units.

Provision of available small workshop space up to 100 sqm is limited with just 11 units totalling 770sqm, and this points to a need for small and start up companies. Furthermore, there is only one industrial park in the area catering to this need despite the substantial amount of floorspace on the market in the area. This suggests that existing provision is not properly matched to local business needs and this may need to be addressed.

With a range of office centres in North Lincolnshire, there appears to be little requirement for more office development in the area. This is also evidenced by the low level of enquiries for office space in North Lincolnshire. However, across the area, the level of provision of available stock is very limited for the small business sector.

Just four serviced and managed workspace centres meeting the brief's definition are provided in the area. One, Water's Edge, is local authority run, developed recently, and is currently three quarters full. Of the remaining three, despite the low level of enquiries reported for offices, demand appears good, with good levels of occupation and in the case of sovereign house, a healthy level of rent being achieved.

This suggests that there is scope to provide further serviced office space for the area, and also grow on space for companies to expand from the managed centres. Normanby Gateway is aimed at the digital and IT sectors, thus restricting other users, and more generic space should be explored.

The current industrial stock is limited in both quantity and quality, with only two schemes considered Grade B, these business are limited severely on choice.

Recommendation:

1. Explore the feasibility of providing workshop space of up to 100sqm
2. Monitor the performance of Waters Edge and other private sector serviced space to determine the need and location for a further facility
3. Explore the feasibility to improve the stock of grow-on space through conversions and refurbishment of existing office buildings. Encourage the private sector to provide this space.

Greater Lincolnshire Recommendations

The overall supply picture is mixed across the Greater Lincolnshire area, with over supply in some areas, and others suffering from an under-supply.

Table 7.2: Greater Lincolnshire Gap Analysis						
LA Area	Forecast employment growth (%)	Supply		Business Centres & Parks	Vacancy rates (%)	
Boston	5.3	Industrial floorspace	78,262	1	12	slight over-supply
		Industrial Properties	43		6	slight under-supply
		Office floorspace	2,594	8	4.6	under-supply
		Office Properties	23		8.0	
East Lindsey	2.2	Industrial floorspace	39,929	2	6	slight under-supply
		Industrial Properties	40		3	serious under-supply
		Office floorspace	6,700	4	7.3	
		Office Properties	17		2.9	serious under-supply
Lincoln	7.5	Industrial floorspace	194,242	10	21	serious over-supply
		Industrial Properties	134		18	over-supply
		Office floorspace	40,049	16	20.9	serious over-supply
		Office Properties	134		17.1	over-supply
North East Lincs	3.2	Industrial floorspace	85,185	7	6.1	slight under-supply
		Industrial Properties	91		6.0	slight under-supply
		Office floorspace	34,317	16	20.8	serious over-supply
		Office Properties	95		12.9	slight over-supply
North Lincs	2	Industrial floorspace	169,977	1	5.8	slight under-supply
		Industrial Properties	98		6.0	slight under-supply
		Office floorspace	15,889	11	12.4	slight over-supply
		Office Properties	33		4.9	under-supply
North Kesteven	11.1	Industrial floorspace	53,244	18	8	
		Industrial Properties	67		6	slight under-supply
		Office floorspace	15,889	9	12.4	slight over-supply
		Office Properties	33		4.9	under-supply
South Holland	4.7	Industrial floorspace	15,757	4	2	serious under-supply
		Industrial Properties	18		2	serious under-supply
		Office floorspace	15,911	7	30.0	serious over-supply
		Office Properties	27		8.3	
South Kesteven	3.3	Industrial floorspace	186,052	2	16	over-supply
		Industrial Properties	55		4	under-supply
		Office floorspace	7,468	13	7.0	
		Office Properties	35		5.4	slight under-supply
West Lindsey	7.1	Industrial floorspace	17,683	2	3	serious under-supply
		Industrial Properties	29		4	under-supply
		Office floorspace	9,802	7	14.6	over-supply
		Office Properties	55		17.9	over-supply

Boston

It is anticipated that employment will grow 5.3% in Boston by 2023 and whilst the supply of industrial space currently looks appropriate, the number of units falls below the 10 per cent threshold, suggesting choice is limited. Taking account of the growth forecasts, there may be a need to provide more to meet that growth in demand. There are eight identified office buildings that can provide space in small suites in the area, although the supply is limited

The offices are older refurbished space and companies seeking modern efficient space may consider that they cannot be accommodated. However, this limited supply needs to be considered against low demand and it is likely that the lack of provision may be met by further conversion of buildings rather than new build.

For those companies seeking serviced office space the provision is also limited. The area has two serviced office centres, and a managed workspace centre providing workshop space all run by the council. The Enterprise Centre is almost fully let, although Boston were unable to provide details on the Business Centre. Ongoing provision for new businesses is therefore likely to be very limited forward supply.

The workshop provision is limited to North End which is in a rural location, and there is no managed provision in Boston.

Recommendation:

1. The Council should work with the private sector to explore the potential for a private led development or conversion of office premises to meet the needs of SME's, with a size range of 50 -500sqm.
2. Business centre provision should be monitored establish future demand against current provision
3. The Council should investigate the potential of delivering managed workshop units of 20 -50 sqm. This could be through the conversion of larger space that is currently vacant, or a new build scheme.

East Lindsey

Although employment growth in East Lindsey is only forecast to reach 2.2% by 2023 the area appears to have an under-supply of space across all sectors, based on the current vacancies within both industrial and office premises.

The office supply appears particularly limited, with little traditional space available across the district. Much of the supply is conversion type space, e.g. at former RAF Manby, or town centre space above shops.

The council has addressed the needs of start up business through the development of managed workspace for the office sector in each of its four main towns, and these are performing reasonably well. However, the lack of provision elsewhere has seen a spread of existing tenants within these centres, rather than a healthy through put of new businesses. It is questionable whether there is a need for further start up space, rather the existing space needs to be supplemented with appropriate grow – on space to ensure businesses can move out and expand.

There appears to be a limited supply of industrial space also evidenced by the low vacancy rates. Whilst Mablethorpe provides some managed workshop space, elsewhere the choice is very limited. The lack of good quality space in more traditional estates reinforces a need to provide new workshop accommodation.

Recommendation:

1. The Council should work with the private sector to explore the potential for delivering private led office development to safeguard the current business centres for ongoing provision of start up space. The focus should be around Louth. One option is the further development of redundant space at the former RAF Manby site. The size range should be 50-500 sqm.
2. Consideration should be given to the provision of workshop spaces for new, start-up business and 'grow-on' industrial accommodation for next stage developments. The lack of any space of up to 50sqm could be addressed through the delivery of small workshop schemes in Horncastle and Skegness.

Lincoln

Lincoln is expected to grow quite strongly (7.5%) in the decade to 2023, and although the city currently has an over-supply of industrial premises and an even greater over-supply of space, sustained growth will maintain the demand for commercial premises in the medium term.

The over-supply is more pronounced at the larger end of the size range for the office sector, although there is also a good level of smaller self contained space.

Serviced and managed workspace provision across the city is good, with a mix of public sector and private schemes delivering both specialist and more generic office space for start up businesses. The occupancy levels of around 90 per cent point to strong levels of demand, and further provision is likely to be welcomed. However, further public sector intervention is not necessarily required. The private sector can provide the grow-on space, and the current supply should meet this need. It is expected that turnover within the managed facilities will create ongoing choice at that level.

Equally, the industrial sector has a good provision of space across different size ranges, although this is very limited at the lower end of the scale, up to 100 sqm, with little provision of managed workspace. Only the Terrace provides

some craft space for the arts sector within the public sector provision, and Lindum Business Park has an element of workshop space.

As a consequence, there is a potential need to provide good quality workshop space of up to 100 sqm. As a focus for the County, Lincoln could attract private sector operators such as Evans Easyspace (part of Regus) who may provide new or converted space to meet the smaller end of the market.

Recommendation:

1. No additional office development is recommended at the present time, but the Council should work with serviced office providers, including the University to monitor the performance of the current provision, and ensure there is a healthy turnover of space with businesses encouraged to move to larger space
2. Whilst there is a provision of larger industrial space, the Council should closely monitor the provision of small workshop space up to 100 sqm. Consideration should be given to the development of new workshop space.
3. Consultation with managed workspace providers such as Evans Easyspace and self storage operators could lead to the delivery of micro-space of up to 50 sqm.

North Kesteven

At 11.1%, North Kesteven is forecast to experience a higher level of employment growth than any other authority in the study area and as a consequence may experience pressure on business premises over the coming decade.

North Hykeham has seen a migration of larger out of centre office occupiers from Lincoln, and the area should continue to attract businesses seeking accessible modern office space. The council needs to ensure that sites are deliverable to provide a longer term office provision. Whilst in terms of floorspace the area has a good level of available space, the percentage of office space by unit number is low, suggesting that a proportion of space is tied up in larger premises. There is a need to provide for both the out migrating businesses, and the growth of new business that may come with the economic growth predicted. Only four facilities are delivering managed workspace, and none are dedicated serviced office centres.

The serviced office market for North Hykeham may be satisfied through existing space in Lincoln but local provision is needed. This need is also evidenced when the traditional stock is considered, where availability below 50 sqm is very limited.

Development of serviced office space will retain business in North Kesteven. Both North Wykeham and Sleaford as a separate functional economic market will benefit from additional office space, although the latter market is small, currently need is unlikely to be satisfied through existing choice.

Current availability of small to mid sized industrial space in both North Hykeham and Sleaford – particularly up to 100 sqm is low.

The two private sector managed workspace schemes provide industrial space, web searches suggest the schemes have little vacant space. There is a potential need to strengthen this offer with new managed workspace.

Recommendation:

1. Work with developers to ensure the supply of high quality office space is maintained in the North Wykeham area, ensuring sufficient land is available for new development. The council should continue to monitor its land supply and work with developers to bring forward serviced development sites
2. Consideration should be given to the provision of serviced offices in both North Hykeham and Sleaford.
3. There is a current need for workshop premises of 50 -100 sqm, suitable for new and early stage businesses
4. The council should monitor the performance of mid range space of up to 1000 sqm, and plan the delivery of new space to meet needs as they arise.

South Holland

Employment in South Holland is forecast to grow by a healthy 4.7% to 2023 and there appears to be a notable under-supply of industrial stock across all size ranges, whilst office provision at 30 per cent vacant appears to be high.

No industrial space is currently vacant and on the market below 50sqm with only 4 units available up to 200 sqm. With no managed workspace for the industrial sector, start up companies have little property to look to. There is a clear need to provide space at this level. The speciality food sector currently has no choice of space despite the area being identified as a Food Enterprise Zone.

Office space is provided for with a number small properties delivering a range of space. However, much of the space available is within three buildings of over 1,000 sqm, which give the impression of a substantial over supply. Two centres provide managed office space, both run by the private sector. The Red Lion Quarter is a high quality centre and meets the needs of start up business seeking serviced space.

Recommendation:

1. The council should explore the delivery of new high quality workshop and industrial space up to 200 sqm, suitable for both new and growing businesses.
2. Office provision should be monitored. There is limited evidence of demand, and the council should explore further need through business engagement and further needs assessment.
3. Identify specialised food grade need and work with the FEZ to meet this need.

South Kesteven

South Kesteven is expected to grow modestly, by 3.3% to 2023. The area is poorly supplied with office space, which does not match the growth aspirations of the council, and the cluster of technology businesses both around Grantham and Stamford. The industrial sector too is not set to support growth of business in the short term with shortages at the smaller end of the size range. The opportunity exists to provide space for both the digital and advanced engineering clusters in the area.

South Kesteven need to address this lack of good quality office space, with a supply that currently cannot deliver high quality space to new and growing businesses. Currently, the provision of managed workspace is limited to two schemes, one, Eventus in Market Deeping is fully let with a waiting list, the other is in Long Bennington in a rural location. No provision exists in the towns of Grantham and Stamford

The failure to deliver the Station Approach development needs to be addressed to provide Grantham with a modern serviced office. Whilst the private sector is considering a new facility for the digital industry in Stamford, there is a need to provide high quality space for the wider business community.

The industrial sector, whilst showing a reasonable supply in terms of space, does not have the mix of small space to provide a good choice. Only 4 premises are currently available up to 50sqm and no managed facility exists. The geographic location close to the A1 with the technology cluster suggests a clear need to serve this sector of the market.

Recommendation:

1. Consideration should be given to the development small workshop space as a priority. In view of the supply of larger space, the council should investigate the potential for conversion of existing buildings to provide smaller workshop space. In view of its proximity to the A1, private sector providers may be encouraged to invest in such redevelopment proposals.
2. The feasibility of providing new serviced office centre in both Grantham and Stamford should be undertaken .

West Lindsey

With a forecast employment growth of 7.2% by 2023 it is expected that there will be a continuing demand for business space going forward. Currently the industrial sector has a very limited provision of space with a vacancy rate at 4 per cent, whilst overall office provision appears good, with an over supply at present.

Only one workshop unit is currently available below 50 sqm, and above that level supply and choice is poor. With no managed workspace covering the industrial sector, there is a need to improve the stock. With a number of centres, the need extends across the area, and consideration should be given to new facilities in the different towns.

The two managed office centres, both council run are running at between 50 and 61 per cent occupancy, suggesting a limited demand. Mercury house is six years old, and occupation is improving only slowly. With other more traditional space available, no further need is envisaged.

Recommendation:

1. Explore the feasibility of developing a range of high quality industrial units. There is an immediate need for space up to 100sqm in Gainsborough, Market Rasen and Saxilby. Larger space in these locations up to 1000sqm should also be considered.
2. There is sufficient provision currently of offices, and the council should monitor the performance of the office stock.

Targeted Business Support Priorities

In this section we consider the type of business support offer that would help to tackle the economic issues identified both in the demand analysis and economic assessment and which when delivered in conjunction with higher quality premises and facilities could drive up higher value employment and GVA.

What is driving growth for high quality business space?

Building on the Phase 1 Demand assessment, which is summarised in Section 4 of (see Phase One) this report, a number of growth sectors were identified which correspond to each LEP and these findings are reinforced by independent economic forecasts used in the study. The following key sector trends were observed.

The Greater Lincolnshire LEP area

Resilience in the Manufacturing and strong growth in the food manufacture and processing sector: Our analysis shows that total manufacturing employment has remained stable and that employment levels in specialist sub-sectors, have increased. Particularly relevant is the manufacture and processing of food which is a major priority for the LEP and created 1,000 additional jobs between 2009 and 2012 and is the subject of an ambitious sector plan to maximise the economic potential of the many sector assets in the areas. Of particular importance here is supporting two identified clusters namely the Grimsby Seafood Cluster and the South Lincolnshire Fresh Produce and Food Cluster.

Growth in manufacturing supported by growth in the renewables and investment in the Humber. The manufacturing base in GLLEP will also benefit from the growth of off-shore wind and renewables in the Humber. Given the strong manufacturing base, the LEP overlap (with North Lincs and North East Lincs being in both areas) and the general proximity to the Humber our economic forecasts also assume that some manufacturing businesses in the GLLEP area will benefit from supply chain activities in this growing sector and the significant infrastructure opportunities which exist- (see relevant para for Humber LEP below).

Business and Professional Services and IT Private business services, particularly those which are higher value such as professional, scientific and technical activities information and communication; and finance and insurance are currently underrepresented in Greater Lincolnshire. These types of business are central to the national economic recovery and key to 're-balancing' the economy and moving away from over reliance on public sector employment. Given the low base in Greater Lincolnshire achieving growth in these businesses needs to be a priority economic goal and one which will inevitably be dependent on being able to deliver adequate high quality accommodation.

Accommodation, food services and recreation. This sector is a clear priority for the Greater Lincolnshire LEP and there is significant potential for growth in the visitor economy. The recent growth reported in the Stage 1 of this work (GLLEP visitor economy outperforming the national average 22% compared to 18%). has been underpinned by product development for example the on-going investment in Lincoln castle, planned events and growth in the wider economy which stimulates demand for local restaurants and leisure facilities. In the economic forecasts areas such as North Kesteven and West Lindsey are set to experience growth in the visitor economy linked to their proximity to key tourist attractions and destinations.

The Humber LEP Area

Growth in high value manufacturing, chemicals and a strong future in renewables and the off-shore wind supply chain. Total manufacturing employment has grown in Humber between 2009 and 2012 driven by growth in general manufacturing and chemicals (which has created over 1,800 additional jobs in total. The strong prospects of the sector are in part driven by Siemens major investment plans to develop production and installation facilities at Green Port Hull and Paull in East Riding, the Able Marine Energy Park and the related development of the off shore wind supply chain which offers significant opportunities for the manufacturing sector. As well as offshore wind there are also major opportunities for companies across the Humber in bio fuels, carbon capture and storage, waste to energy, solar, wave and tidal power generation.

High growth in professional and other private services and IT. Professional and private services, particularly those which are higher value such as professional, scientific and technical activities information and communication; and finance and insurance are underrepresented in the Humber LEP area. There is obviously a case to capture more growth in these sectors from a very low base this should be possible- especially given the expansion in other areas such as renewables etc which require business and professional services and technical consultancy in order to operate.

Pockets of growth are already evident in high value technical services. The Stage One economic analysis identified some pockets of high growth in scientific and technical services including environmental consultancy and creative & digital which is a positive indication that further growth can be captured..

A summary of the sectors driving demand for high quality business space are shown in the table below.

Sectors driving demand for high quality premises by LEP	
Humber LEP	Greater Lincolnshire LEP
<ul style="list-style-type: none"> - Advanced Manufacturing - Off-shore wind and Renewables - Professional and Technical (IT, Telecoms, Creative and Digital, Health Tech) 	<ul style="list-style-type: none"> - Manufacture and processing and food - Advanced manufacturing and engineering - Renewables supply chain – environmental tech - Professional and Business Services - Visitor Economy

Priority 1: Driving up quality space for new start business across both LEPs

Having established that demand for high quality accommodation will be driven across a range of sectors it is important to consider the main conclusions from the supply side analysis on gaps in provision. For **both LEPS there is a shortage of high quality start-up space**. This covers space for high value business services, consultancy and technical activities including ICT and creative industries referred to above but also high value manufacturing covering food processing, the renewables supply chain, environmental tech, other high value and precision engineering, including medtech.

Not all enterprise centres, managed workspace or incubators however will have on-site business support and it is important to ensure that there is a strong growth-oriented business support offer accessible to all start-ups and SME's across both LEP areas. We are cognisant of the plans set out in both ESIFs to address this issue and we have set out the business support programme recommendations which address the needs of the demand and supply elements of our research later on in this section.

Priority 2: Providing adequate quality space for expansion across both LEPs

There is a shortage of high quality expansions pace across both LEP areas. Follow-on space for start-ups is essential not just to support expansion it also enables start-up facilities to operate more efficiently by enabling 'churn' and ensuring that companies do not stay too long in managed workspace type properties which are intended to support new businesses. This issue was identified in two locations: in the East Riding towns of Drifffield, Bridlington and Beverly where the priority is providing grow-on space for companies in the existing facilities. The issue is also a priority in the East Lindsay towns of Mapplethorpe, Skegness and Louth where existing occupiers tend to stay in start-up accommodation on a permanent basis due to the lack of appropriate follow-on space.

In addition, there is clearly a need for high quality food grade industrial units and white wall space for expansion in food manufacture and processing particularly around the existing food clusters in Grimsby and South Lincs.

Priority 3: Sector Specific Interventions for start-ups and growth business.

To maximise the economic impact and growth potential in those sectors showing considerable promise a combination of bespoke high quality premises and high quality on-site business warrants further consideration. Three opportunities which offer most potential are set out below:

1. **Off-Shore Renewables and Supply Chain Centre of Excellence (Humber LEP area).** Such a facility would be aligned with the existing Green Port Hull investments but targeted at SMEs and start-ups in engineering and environmental technology but will also include tech and professional services companies which now form part of the growing renewable supply chain supported by the significant location advantage of facilities such as Able Marine Energy Park

The aim of the facility would be to provide a range of small to medium size workshops units in UK's most competitive renewables cluster and derive further value to the indigenous business base from on-going investment such as the RGF funded Business Investment Grants, The Green Port Growth R&D Support Funding led by CASS, and the Enterprise Zone.

The concept is about bring elements of the existing business support effort together on-site to drive up, innovation, investment, business to business mentoring and access to University depts. Other support may include: access to VC, prototyping, accelerator type support, supply chain, procurement, export and design.

2. **Food Innovation Hub (GLLEP area).** The purpose of this facility would be to meet a need articulated in the GLLEP SEP and the Greater Lincolnshire Agri-food Sector Plan to drive productivity, and employment, R&D and innovation in the agri-food and food manufacturing sectors.

Our analysis suggests that there is a gap in the provision of the essential development space to enable new food entrepreneurs to move 'out of the kitchen' and to expand their operations in higher quality 'fit for purpose' food quality start-up space. In the food sector many potential entrepreneurs and start-up businesses are trapped by the inability to move to the next level of production required to satisfy the strict requirements of supermarkets which require food grade standard space as a minimum. There are also existing small companies in the food production sector in standard industrial units which are not appropriate for food production who need to move into better accommodation. The obvious location is around the South Lincolnshire food cluster and this would strengthen the GLLEP areas existing offer which includes the National Centre for Food Manufacturing in Holbeach. There is also potential to align with the proposed food Enterprise Zones in South Holland, West Lindsey and North East Lincolnshire.

3. **Technology Business Hubs(Humber & GLLEP areas)** High quality space targeted at new and 'high growth potential' technology based firms would help to stimulate job and productivity growth but also help to retain key knowledge sectors in the local economy. Potential sectors with growth potential include, ICT, Creative & Digital and Medtech and facilities would include flexible, high quality office space, meeting and networking facilities. High growth start-up support whilst not delivered on site would be targeted at these companies. Potential locations include Grantham and Stamford in GLLEP area where an emerging digital cluster is developing but where space is constrained. Hull in the Humber LEP area also demonstrates strong demand for high quality tech space which could be developed as an extension to the C4DI led by the University. In Lincoln strong demand exists from these sectors but provision is currently good. Research suggests that urban locations are important to the knowledge economy and professional services start-ups and SME's because proximity to similar service firms and a town centre amenity offer is important.

Business Support Programmes

Priority Area [1] High Quality New Starts Programme. Across both Humber LEP and GLLEP there is a shortage of high quality start-up space. This includes space for all the high value sectors identified above and general high quality office and workshop space for start-ups.

The business support offer is very different in each the LEPs. Across GLLEP there is a perception amongst businesses that the business support offer is confusing and difficult to navigate. In Humber the Growth Hub offer is clearer but across both LEPs the generic support available to start-ups is generally felt to be fairly low level and unlikely to bring about any meaningful uplift in the poor rates of new firm formation rates across both LEP areas. A comprehensive programme geared to driving up new starts targeted at high growth business would address a well-evidenced underlying weakness in both LEP economies and furthermore help create the basis for future employment and productivity growth.

Priority Area [1]	High Quality New Starts Programme	
Objective	To stimulate new business creation addressing the low business birth rate	
Overview	<ul style="list-style-type: none"> - Generic pre-start support – including pre-start seminars, coaching sessions and basic advice on access to finance. - Specialised pre-start support (similar to Growth Hub type service) - Specialised Pre-start support – specialised support from individuals and teams offering high growth potential – potentially a paid service. - High growth start-up fund offering loans to innovation intensive or high growth potential start-ups. - Start-up space. Generic but high quality start-up and follow-on space. 	
Rationale	Both LEP areas suffer from low new business formation rates, there is an under supply of quality start –up space and high quality targeted start-up support.	
Geography	GLLEP and Humber LEP (supports ESIF TO1, 2,3 and 4)	
ERDF/ESIF Thematic Alignment	GLLEP Supports GLLEP Areas of Focus: <ul style="list-style-type: none"> - Improved access to support - Access to finance and investment readiness - University R&D 	Humber LEP Supports the SME Growth and Competitiveness Programme
Most recent ERDF Call Template Objective	Priority Axis Investment priority 3a -Promoting entrepreneurship, in particular by facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators. Specific objective: Increase entrepreneurship, particularly in areas with low levels of enterprise activity and amongst under-represented groups	
Impacts	<ul style="list-style-type: none"> - New business is an important source of new employment and GVA and contributes towards rebalancing the economy. - New business formation can help strengthen and sustain both LEP areas economic position in key priority sectors. 	

Priority Area 2 Business Growth Support. Supporting businesses to move onto the next level of growth is an extremely important source of dynamism in any economy. Larger companies are able to invest in their workforces, innovation and R&D and are an important source of demand in the economy. Helping businesses expand, on the back of new product development, design, procurement or through becoming part of supply chains in growth sectors are all elements which are required by the businesses base in both LEP areas and most of this activity is identified as important the ESIF documents. We recognise there is some existing support available for SME's wishing to expand but the programme components below reflect national best practice in driving business growth and rapid job creation.

Priority Area [2]	Business growth Programme	
Objective	Focused growth support to existing SME's	
Overview	<ul style="list-style-type: none"> - Strategy development- high quality advisors working with senior management team to develop bespoke growth strategy – with on-going implementation support. - Leadership development and training- leadership team training on key themes as provided by Growth Accelerator - Growth through design- specialist advice on design and design approaches into business operation. This includes product and service design and design in marketing. 	
Rationale	It is important in order to maximise the economic impact of business support to be able to help mid-sized companies who have the potential to invest and expand driving up employment, GVA, and create additional demand elsewhere in the economy. Current business support often focuses on start-up and large companies whereas this mid-sized band has the potential to drive rapid growth.	
Geography	GLLEP and Humber LEP (supports ESIF TO1, 2,3 and 4.)	
ERDF/ESIF Thematic Alignment	GLLEP Supports GLLEP Areas of Focus: <ul style="list-style-type: none"> - Improved access to support - Access to finance and investment readiness - University R&D 	Humber LEP Supports the SME Growth and Competitiveness Programme
Most recent ERDF Call Template Objective	Priority Axis: Priority Axis 3, Enhancing the Competitiveness of SMEs The support provided through this investment priority will help SMEs to develop their capacity. This will look at productivity drivers, including the technological and business infrastructure and finance that will be required to ensure that those SMEs with the potential to grow can do so. This will include strengthening supply chains to take better advantage of globalisation by attracting high growth and innovative SMEs where they can introduce new high value added products or services. The objective is to improve their productivity and help them grow and create jobs.	
Impacts	Employment and productivity growth in priority sectors.	

Priority Area 3: Innovation Support. Raising the demand for knowledge amongst SME's is a pre-requisite to getting the most out of any investment in Incubator or R&D facilities in any sector. Unless SME's are enabled to develop links with the Higher Education sector and become aware of the benefits this can bring they are less likely to develop a culture of innovation. Nearly a third of UK productivity growth is directly attributable to innovation (BIS 2014). Programmes such as academic placements and innovation grants are an important to develop relationships between SME's and academia equivalent to those which exist among larger companies.

Priority Area [3]	Innovation Support
Objective	Support to enhance innovation across GLLEP & Humber LEP
Overview	<ul style="list-style-type: none"> - Academic and graduate placements in SMEs. Placing academics and recent research graduates with in relevant SME's fro 6 months to a year with salary all or party covered by grant funding . This will help increase the demand for knowledge and embed the relationships into the business base. - Specialised advice on access to TSB and other innovation grants - Innovation Grant Fund. LEP administered pot for investment in R&D and new product development. This could be supported by contributions from large technology firms with expert panels to receive applications/pitches.
Rationale	Innovation is one of the most important sources of productivity gains in any economy and both Humber and GLLEP economies lag behind the UK average in productivity across all sectors. Raising the demand for knowledge and creating links between Universities and the business base are a key component of this effort in parallel to supporting SME's with their new product development projects.
Geography/Sector Focus	GLLEP and Humber LEP (supports ESIF TO1, 2,3 and 4.)
ERDF/ESIF Thematic Alignment	Supports TO1: Strengthening research, technological development and innovation
Most recent ERDF Draft Call Template Objective	<p>Under Priority Axis 1 of the Operational Programme these will be achieved by strengthening research, technological development and innovation through</p> <ul style="list-style-type: none"> - promoting business investment in R&I; - developing links and synergies between enterprises, research and development centres and the Higher Education sector, in particular promoting investment in product and service development, technology transfer, social innovation, eco-innovation, public service applications, demand stimulation, networking, clusters and open innovation through smart specialisation; - supporting technological and applied research, pilot lines, early product validation actions, advance manufacturing capabilities and first production, in particular in key enabling technologies and diffusion of general purpose technologies.
Impacts	Employment and productivity growth in priority sectors, increased collaboration between HIE and business base.