



Wirral Waters

East Float Outline Planning Application

Office Market Report

June 2010

WIRRAL WATERS – EAST FLOAT

Markets & Futures Guiding Principles
Addendum :
Office Market Positioning

March 2010

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1. INTRODUCTION AND KEY POINTS SUMMARY

This document provides further information in relation to the office development proposed within the planning application for Wirral Waters East Float. It builds upon and supplements the information provided within the Guiding Principles: Markets and Futures report (and the appended Market Study) as well as the Wirral Waters Baseline Study, and has also had regard to feedback from consultees on the East Float planning application. It has been prepared following a workshop involving Peel, CB Richard Ellis, Regeneris and Turley Associates which considered packaging the key issues regarding the market positioning and economic impacts of the East Float proposals.

The purpose of this report is to define the market positioning of East Float as an office location in relation to:

- Other locations in the Merseyside office market.
- Experience in other cities in the development of new office locations.
- Commercial considerations affecting the development and marketing of offices at East Float.

The key points arising from this review can be summarised as follow:

- East Float has a very long term development horizon for the creation of a new business district within a major mixed-use regeneration scheme.
- East Float will be complementary to the office offer in Liverpool City Centre.
- East Float will offer a major new office location within Merseyside. This will, to a degree, have a similar target market, in the public and private sectors, to the profile of occupiers within major non-city-centre locations in Merseyside, Chester and Warrington. It will however also compete for national and international investment, whilst at the local level providing opportunities for local demand to be met.
- East Float is not targeted towards occupiers for which a CBD location is important.
- Development of the scale and type proposed at East Float is consistent with trends in the evolution of successful metropolitan office destinations elsewhere in the UK and further afield and the emergence of polycentric structures providing occupiers with a greater range of location choices.
- Salford Quays provides a local clear parallel of a new out-of-town office location developing complementarily to the established CBD in Manchester City Centre. Manchester City Region is stronger as a result. East Float will fill a similar role in relation to Liverpool city centre.
- The long term rate of anticipated office development proposed for East Float is proportionate in relation to recent levels of development in Merseyside and to long term forecasts of office demand growth in Merseyside as a whole.

- Early phases of office development at East Float are likely to involve a moderate rate of completion and limited speculative development. Investment in the environment, green and other infrastructure and other uses at East Float will be critical to successful “place-making” and help with its promotion as an office location.

2. EAST FLOAT OFFICE DEVELOPMENT: KEY FEATURES

Assessment of the market positioning of offices at East Float requires the development to be seen in the context of the scheme proposals:

- Development at East Float will involve the creation of a new business location, providing an additional and distinctive option for office occupiers within Merseyside, and indeed the wider North West region. Ultimately, the aim of creating a new business location is to grow the size of the market.
- Offices at East Float will be developed within a major, mixed-use regeneration scheme with complementary and ancillary uses. Offices will be part of a vibrant mix of uses and will in turn support demand for retail, hotel and leisure services in the city region.
- The environment and ‘sense of place’ to be created at East Float with its strong ‘green and blue’ infrastructure themes will distinguish Wirral Waters as an office location from other ‘out-of-centre’ locations within the Merseyside region and enhance the region’s attraction to occupiers.
- The development as a whole is envisaged as a very long term project extending to 30+ years. The quantum of office development must be viewed in this context and as the scheme is developed and evolves, so will its comparative attractions to occupiers and its position in the market.

These features have important implications for the evolution of East Float as an office location and its market positioning.

The overriding factor in considering the market is that Liverpool city centre, as a principal driver of economic growth in the sub-region, needs to be supported as the ‘regional centre’. However, there is a role for other office locations in the market, including smaller town/city centres and other ‘out of centre’ locations such as the regional sites in Chester, Runcorn and Warrington. East Float is currently defined by planning policy as ‘edge of centre’ but can over time become a business/living centre (not a ‘town centre’) in its own right. For the purposes of this report, ‘non-city-centre’ refers to locations other than Liverpool city centre.

3. EAST FLOAT: MERSEYSIDE OFFICE MARKET CONTEXT

East Float will provide a new office location option within Merseyside with the following key attributes:

- A strong sense of place in a waterfront setting which makes the most of the opportunity;
- Views towards the internationally acclaimed Liverpool waterfront;
- Improved views *from* Liverpool;
- ‘Affordable’ accommodation;

- Good public, local transport access;
- Proximity to new housing and easy accessibility to the Wirral's more stable residential areas;
- 'Campus-style' development in a waterside setting with complementary services and ancillary amenities.

East Float will also benefit from the wider attributes of location within the Liverpool city region, including Liverpool's strong cultural, leisure and retail offers and its good transport connections by road, rail and air. It will also support Liverpool city centre as the primary economic driver of the sub-region, through wider economic growth (and associated 'spin-off' or 'indirect and induced' benefits), increased resident population and enhanced investment profile of the City Region.

Although East Float will represent an additional and distinctive office location option within Merseyside, it will not represent a direct alternative to Liverpool City Centre for occupiers for whom the attributes of a CBD location are of critical importance. Liverpool will always remain the core and the centre of the office offer of the Region. Such CBD attributes typically include easy access and proximity to customers and clients, physical location in a cluster of financial, professional and business services, staff retention, the 'address', better connectivity to wider markets and hubs (including London), adjacent support services / amenities, night-time economy and general economies of agglomeration.

From the outset of the development, East Float will be positioned as a new alternative to other non-CBD office locations within Merseyside and neighbouring areas such as Chester and Warrington. Office development at East Float will be consistent with the evolution of the office market in and around Liverpool over the past decade and over the longer term with patterns and trends towards new office locations in metropolitan areas elsewhere in the UK and in other countries. Lessons from experience elsewhere are discussed in more detail below.

CBD and Out-of-City-Centre Markets in Merseyside

Merseyside recorded a low level of office development throughout the 1980s and 1990s but saw a significant increase from 2000 with completions averaging 53,400 sq m per annum in the 5 years to 2009, more than double the 25 year average. Significantly, around 50% of the office space completed in Merseyside since the end of 2000 has been located outside Liverpool City Centre in a range of locations around the metropolitan area – Bootle, Knowsley, Wavertree, Speke and at the Wirral International Business Park. Overall, non-city-centre office completions have averaged around 17,000 sq m per annum since 2000 (PMA Promis report on Liverpool, February 2010).

Non-city-centre developments have varied in scale and have included both pre-let and speculatively built schemes. Being spread across a number of locations of different characteristics (some in proximity to industrial and distribution uses), the Merseyside office market outside the city centre can be considered relatively fragmented.

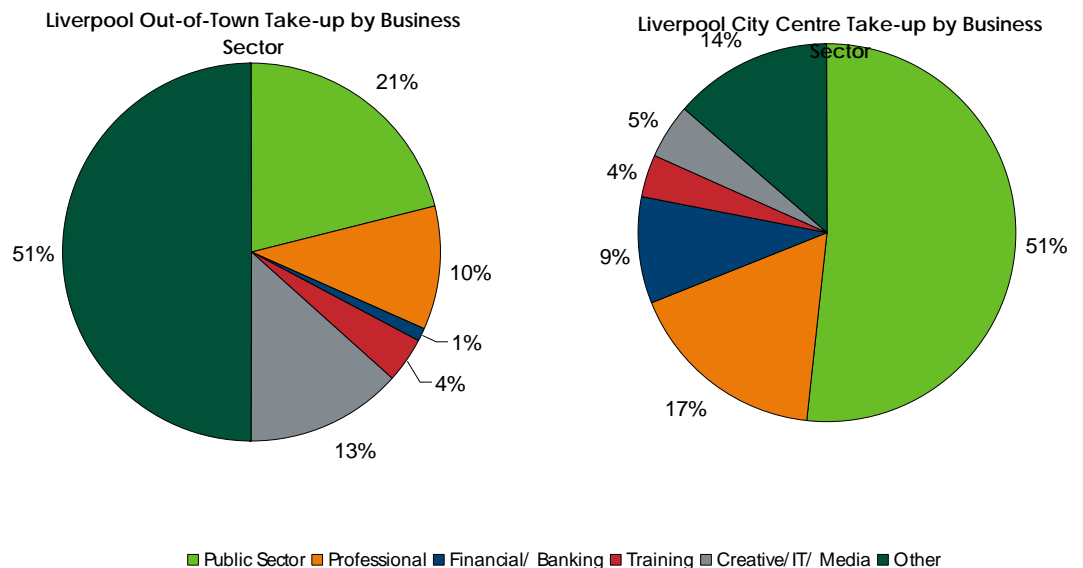
Office demand in non-city-centre locations in Merseyside has come from a varied range of occupier types and sectors. The public sector has been an important source of demand, including offices of central government departments and agencies, the NHS, and local authorities. Private sector occupiers include:

- Call centres
- Credit card administration
- Insurance company offices
- Energy and utility companies
- Construction and housing companies
- Administrative offices of manufacturing and service companies
- Some representation of businesses in creative, media and technology sectors

The profile of demand in Merseyside in non-city-centre locations has been similar to that seen at business parks in Chester and Warrington.

The profile of occupier demand in non-city-centre locations contrasts with that seen in Liverpool City Centre, reflecting the different locational requirements of occupiers seeking a CBD location as opposed to non-city-centre options. Public sector demand has also been important in Liverpool City Centre, but private sector occupiers taking space in the CBD show a strong bias towards banking, financial and professional service businesses – the traditional mainstays of CBD office demand.

The charts below compare the sector breakdown of office take-up during 2008-09 in Liverpool city centre with that of other locations in Merseyside. This highlights the contrasting composition of private sector take-up by sector.



Source: Merseyside Property Forum / CB Richard Ellis

CBD and non-city-centre markets also differ in their attraction to firms of different size and stage of development. Liverpool city centre has a developing concentration of firms in digital and creative industries. The great majority of these firms are small. Many are in the early stages of development. A central location is important to such businesses which value face-to-face contacts with other firms, co-workers and agents. With a typically youthful workforce, a city centre location is also attractive for proximity to central residential locations and shopping, bars, restaurants and nightlife. However, the importance of a city centre location can change with the size and development stage of companies in creative and digital industries. Larger firms in these sectors are often less likely to be tied to a city centre location. Availability of suitable premises in suitable locations elsewhere in the Liverpool city region could help retain and attract larger companies in the digital and creative industries.

The differentiation in the profile of occupier demand in CBD and other locations will be an important factor in the market positioning of offices at East Float. It will provide a non-city-centre location but with distinctive attributes in terms of the property offer, environment and accessibility.

Unlike other locations in Merseyside the scale and character of East float, as an office location, will invite 'clustering' and will support infrastructure investment that other locations lack. Existing non-CBD office development in Merseyside has typically been low cost, heavily reliant on access by car and with limited retail or other services. By comparison with the fragmented nature of the out-of-town market elsewhere in Merseyside, the long term goal at East Float is the creation of a new and strategically significant business district with good public transport infrastructure, high quality offices and a diverse mix of uses. Merseyside has to date lacked development of such a new business hub and in this respect has lagged behind in the evolution of the office market compared with trends in various other major cities in the UK and Europe.

4. NEW OFFICE LOCATIONS: EXPERIENCE IN OTHER CITIES

Over the past 25 years the evolution of office markets within a range of successful British and European cities has shown a now well-established trend towards the development of new office locations outside the Central Business District (CBD) offering occupiers a wider range of location and property options. The development of new office locations, taking the form of new urban quarters or business districts in some cases, has typically been both complementary and supplementary to the existing city centre offer. The experience of other cities in this respect provides insights into the market positioning of offices at East Float. Relevant examples are included in an appendix to this report.

Among British cities, London has exhibited the fullest development of a polycentric structure in its office market over the past 25 years. Current proposals for

development schemes in London will strongly reinforce this trend in coming years and add to the range of new business districts.

Canary Wharf in London's Docklands is in a class of its own in terms of scale as a new business district to have emerged in the past 20 years. From the first phase of development in the late 1980s, Canary Wharf has developed a stock of around 1.3 million sq m of office space with increasing provision of housing, retail and leisure uses. Office employment is now 90,000 with an occupier mix dominated by large financial and professional service firms. Canary Wharf's attraction has been the capacity to provide major office buildings with large floorplates of a type and size that have been difficult to develop in the City of London. Canary Wharf has thus provided essential supply capacity for expansion of London's international financial services. The City of London has continued to expand its office stock and employment in financial and business services over the period of Canary Wharf's evolution into a second financial district for London.

On the western side of Central London, Paddington has emerged in the past decade as a significant new location in an area in need of regeneration. Office developments at Paddington have provided a distinctive offer to occupiers who do not necessarily want or need a 'West End' address. The product has also been differentiated in terms of modern large floorplate buildings of a type not available in the core areas of London's West End. Around 220,000 sq metres of offices have been developed over the past 12 years with a further 90,000 sq m of development capacity alongside residential, retail and leisure uses.

Locations near London Bridge and in the More London development represent another new business district on the South Bank of the River Thames providing additional supply capacity for the core Central London markets.

The next phases of London's office market evolution will be marked by the development of major schemes creating new business districts on land to the north of King's Cross and in Stratford Town Centre in the east of London. Additional supply as part of major mixed-use schemes is proposed in a range of other locations including Vauxhall/Nine Elms/Battersea, Earl's Court and White City.

A key lesson from the London experience is that major office development in new locations, increasingly as part of comprehensive mixed-use schemes, has played and is intended to play a leading role in urban regeneration that makes London, overall, more attractive. The new business districts have not developed at the expense of the traditional CBD but as necessary expansion of the property offer and location options for occupiers.

Fundamentally, it is London and the SE's growth and the impact on infrastructure and occupier cost, that major regional regeneration projects such as Wirral Waters are seeking to exploit. As explored in the Guiding Principles: Markets and Futures document, there is demand from back-office out-migration from the SE that form a target market for Merseyside, including East Float. There are district opportunities for Wirral Waters and projects like it, particularly during the recovery period, to attract relocating tenants/occupiers.

In other cities, new office locations have emerged in some cases as physical extensions to the Central Business District. Examples include the Brindleyplace

Estate in Birmingham and Spinningfields in Central Manchester. Glasgow has seen geographical expansion of its central office market through developments in the Broomielaw area. In Cardiff, the development of the Cardiff Bay area has seen the emergence of a new mixed-use area including a significant office component separate from the existing CBD.

In the UK, the new non city-centre location providing perhaps the strongest parallel, and one instigated by Peel, for Wirral Waters is Salford Quays in Greater Manchester. Like Canary Wharf, the area was designated an Enterprise Zone in the 1980s. Initial developments comprised a mix of housing (now considered lacking quality, scale and density), leisure and office uses. Subsequent development was boosted by the extension of the Metrolink service and the opening of the Lowry Centre as a major visitor attraction, followed by the Imperial War Museum North. The Salford Quays area covers 90 hectares and currently accommodates 160,000 sq m of office space with nearly 12,000 office workers, together with 23,200 sq m of retail floorspace. The next phase of development will see a major expansion with the creation of MediaCity UK, which has been selected by the BBC for the relocation of 2,500 jobs from London. This media and cultural hub will attract a range of related technology and media production companies alongside the BBC. This provides a strong message to organisations considering relocation out of London and the SE.

Among European cities, Rotterdam is a good example of a port city where new office development, including tall buildings in the docks area, has created a new business district and identity, that complements the city centre and which makes a major contribution to regeneration.

The development of Hafen City in Hamburg involves a 155 hectare site with a proposed capacity of nearly 2 million sq m of floorspace and 5,000 apartments to be developed over 25 years. Following the masterplan in 1998, the first quarter was completed in 2005 with five residential and three office buildings. The second quarter completed in 2009 comprised 110,000 sq m of mixed-use space. Further phases and quarters are proceeding under the plan including offices, cultural and leisure uses, hotels and housing. Major corporate occupiers include Unilever, Spiegel Group and Germanischer Lloyd.

Lessons from the Development of New Office Locations

Evidence from the experience of the development of new office locations in a range of different metropolitan areas offers a number of important lessons for considering the likely impact, market positioning and prospects for office development at East Float.

- **Long timescales** - new office locations typically take a long time to establish themselves and to evolve into recognised business districts. The pace of development and take-up of new office space is often protracted. Paddington has taken over a decade to reach 220,000 sq m. Although Salford Quays saw an early high level of development, it took well over 20

years for the area to reach 160,000 sq m, which is only about two-thirds of its overall capacity.

- **Infrastructure** – many projects benefit from underutilised infrastructure or early investment in infrastructure, whether public transport, energy, public realm, ‘green infrastructure’ or site preparation.
- **Branding and identity** – successful new office locations and regeneration projects have typically benefited from significant long terms strategies to create and project a clear and positive image and place identity. This has been achieved in part by well-directed marketing and promotion strategies and ‘events’ that re-define the location and create a new and distinctive ‘brand’ offer. This is needed to change often long-ingrained negative perceptions of the immediate surrounds of the subject area. The creation of the ‘Paddington Central’ brand concept (in place of the previous Bishopsbridge development tag) was important to re-shaping market perceptions and stimulating interest and awareness of the location’s new offer. Likewise, Canary Wharf, More London, Brindleyplace and Spinningfields are other examples of new locations acquiring positive identity in the market in part through successful branding strategies. With East Float this will involve a positioning that benefits from Liverpool’s global status but in a complementary manner.
- **Speculative development** - in new untried and tested office locations carries risks, particularly in the initial stages. Both Canary Wharf and Salford Quays, for example, endured extended vacancy rates in the early stages of development as the location becomes accepted. Major moves forward in take-up rates in new office locations often come through developments via the securing of pre-letting commitments from ‘pioneering’ occupiers.
- **Scale and Quantum** – Scale is important to create the critical mass needed to sustain the success of new locations. There is a process of cumulative causation in the development of new office locations in that as they grow in size so attractiveness increases and they become self-sustaining in their own right.
- **Mixture of Uses** - The creation of critical mass is important, in order to create economies of agglomeration, to support the retail and other service activity and to enable a new location to develop its own public realm and, most importantly, a sense of place. The supporting amenities assist in creating a successful place which, in turn, makes the destination more attractive to occupiers.
- **Planning and deliverability** – experience from the development of new locations shows that certainty in these areas is of critical significance in competing for (against other City Regions) and attracting office employers. Occupiers considering a new location must have complete confidence in the deliverability of the office space they require. This means complete certainty as to the planning status of the development scheme and in the developer’s capacity to provide the right accommodation to the required specification on time.

5. EAST FLOAT: DEVELOPING A NEW OFFICE LOCATION

Rate of Development

The East Float development scheme has proposed capacity of 432,000 sq m of office space to be developed progressively over the life of the scheme. Assuming a 40 year programme, this indicates an average office completion rate of around 11,000 sq m per annum. Completion rates will vary from year to year and could be higher in the event that a major occupier chooses to locate at East Float in a particular year.

By way of comparison with the proposed long term average completion rate at East Float, office development completions in Merseyside as a whole averaged 35,000 sq m per annum in the 10 years to 2009, rising to 53,000 sq m per annum over the period 2005-09. About 40% of the space completed over the 5 years to 2009 was in non-city-centre locations, producing over 20,000 sq m of office space per annum. The long term average development rate for offices at East Float is therefore substantially less than the level of office completions that has recently been sustained in non-CBD locations in Merseyside.

Looking ahead, long term employment forecasts for the Merseyside area prepared for the Merseyside Partnership indicate future job growth generating additional demand for office space of between 30,000 and 40,000 sq m per annum over the period 2015-2030. This projected increase in office demand is based on estimates of the office-based proportion of employment growth in different sectors. The forecast is also based on the existing structure of employment and does not take account of additional office demand growth that could result from an increase in the region's attractiveness to employers from elsewhere. The estimate of increased office demand also only relates to that resulting from job growth, with no allowance for the need for new office development to replace older office stock over the long term.

Taking the mid point of the estimated growth in office space demand, the long term average office completion rate at East Float would represent only around one third of the increased demand expected from employment growth over 2015-2030.

The long term average development rate for East Float offices does not therefore appear to be out of proportion in relation to either recent levels of non-city-centre office development in Merseyside or expected office demand growth in the Merseyside area resulting from long term employment trends.

In practice, however, the actual pace of development of offices at East Float will be determined by commercial considerations in relation to market conditions and office demand. The rate of development will also vary during the life of the scheme. In the early stages of East Float's development, the average annual build-out rate for offices may be substantially less than 11,000 sq m per annum. The indicative trajectory for office development at East Float shows only 64,000 sq m completed by 2020.

The expected lower rate of development in the early phases of East Float's development reflects a realistic assessment of the challenges to be faced in

creating a new office location at East Float. Commercial considerations will make it unlikely that the scheme will be initiated with a large amount of office space developed on a speculative basis. Marketing efforts will be concentrated on seeking to secure significant pre-letting commitments to early phases of office development and ancillary uses, plus education and residential development to start creating 'a place'. Successful pre-letting will allow some speculative space to be developed in tandem.

Marketing Approach

Upon receipt of an outline planning permission, the project will move into its 'Branding and Marketing' Phase. This is of crucial importance in changing local, regional and national perceptions. Strategies will be long-term and evolutionary as the scheme emerges.

It is recognised that the successful marketing of East Float to office occupiers will face challenges in the early stages. For inward investors, it will be of crucial importance to establish confidence and credibility in Merseyside first and secondly in East Float, as an attractive office location. Analysis has been undertaken in understanding the key relocation drivers.

Success in promoting East Float to office occupiers may be contingent to some degree on the impact of early investment to improve infrastructure and in what is currently a poor immediate environment. Also important will be early development of public realm and other uses and facilities to help change perceptions and create a more positive sense of place. The attraction to office occupiers will increase as other elements of the scheme are developed and the new character of East Float can be seen as it begins to take shape.

Complimentary 'events programme' will be developed to reconnect people to the waters edge and what is currently a derelict dock area.

Development of the "place offer" will thus be important to the successful promotion of East Float as an office location. To compete effectively for mobile occupiers East Float will also need to provide a strong "property offer" in terms of building quality and design, sustainability, value for money and giving occupiers full confidence in deliverability within required timescales. To enhance the ability to secure pre-letting commitments, it would be helpful to offer a choice of buildings within the scheme that could be developed to meet specific occupier needs.

Certainty of planning status is crucial to the commencement of the Marketing & Branding phase, which will then lead into deliverability. Flexibility in the size and type of office space that can be provided will add significantly to the ability to compete for 'footloose' occupiers.

Outline planning permission combined with a clear, coherent Vision for East Float, confidence in deliverability, and a good product, will provide the essential platform for effective promotion and marketing of the offices. The proactive marketing and promotion strategy will require careful planning, ongoing monitoring, adaptation and significant investment with aim of generating

maximum profile and interest – locally, regionally, nationally and internationally. This involves a variety of bodies including the NWDA, The Mersey Partnership, the local authorities and Liverpool Vision, to help bolster 'Merseyside' as a strong business location and a second option in the North West.

The precise marketing strategy will be determined in due course but is likely to include several complementary strands:

- Designing and defining a clear 'brand' for the place and property offer. This is a critically important exercise which must establish a distinctive and holistic view of the offer that has both rational and emotional appeal, hitting the two dimensions of decision-making that determine location choices. The way the brand is presented may need to differ between target audiences, e.g. occupiers based in the North West as opposed to international companies moving into the UK.
- Engagement of support and sponsorship from the local authority and all relevant public sector bodies and agencies involved with local and regional economic development and inward investment.
- Promotion of the brand and offer using the full spectrum of PR, marketing and communication channels – press and broadcast media, business journals advertising, events (MIPIM, MAPIC, Expo etc). This will be an ongoing programme, using developments and arrivals at East Float to maintain news flow with fresh publicity and PR material.
- Preparation of a fact pack with a full economic and socio demographic profile and information on physical and social infrastructure for Merseyside/Wirral with details of incentive packages.
- Production of high quality, innovative marketing material for mail distribution and electronic circulation; links to a 'virtual' web-based marketing suite.
- Staging of promotional events – on site (e.g. hosting leisure or entertainment events), receptions and presentations in key business centres.
- Representation at trade exhibitions, business conventions and conferences, etc
- Participation in trade delegations and visits to potential sources of inward investment.
- Participation in events and promotional initiatives aimed at attracting inward investment to the North West or the UK. Close liaison with relevant agencies.
- Build relationships with relocation consultants, e.g. major accountancy firms.
- Proactive 'targeting' of catalytic occupiers and sectors.
- Establishment of a 'task force' that responds quickly to opportunities to 'sell' Merseyside.

An effective awareness campaign must be combined with tactical delivery of information to match the distinctive place and property offer at East Float to the specific requirements of individual prospective occupiers. The location decisions

of mobile occupiers are not solely or even principally determined by the availability of property. The capacity of a location to meet an occupier's operational needs efficiently and cost-effectively is key. It is therefore essential to have marketing materials and the delivery capacity to communicate individually tailored messages to potential occupiers detailing how East Float will meet their particular requirements with respect to such factors as accessibility and communications links, labour costs, supply and skill levels, educational facilities, and residential and social amenities.

Target Markets and Scheme Evolution

In terms of the target market for East Float offices, over and above 'out-migrators', as a new office location it will be most likely to attract occupiers of similar types and sectors to those located in other parts of the non-CBD market in Merseyside or in business park locations in Chester and Warrington. As noted earlier, outside the public sector, the profile of occupiers in these locations differs markedly from that of businesses taking office space in Liverpool's City Centre. The extent of competition for occupiers with Liverpool City Centre from office development at East Float is therefore likely to be comparatively limited, especially in the initial phases of development.

East Float will be marketed actively to potential mobile / 'foot-loose' office occupiers originating outside the North West region. The continued programme of government relocations represents a clear target market for East Float, with Merseyside having been identified in work for the Lyons Review as a suitable destination for public sector relocations. East Float will add to the location options for government offices within Merseyside. The ability of the city-region to offer a number of location and property options would be beneficial to the prospects of securing government office relocation to Merseyside.

East Float will likewise add to the location opportunities for inward investment by private sector companies and will offer a distinct alternative to other non-city-centre locations. By increasing the choice on offer to mobile office employers the chances of securing inward investment to the city-region will be enhanced.

Looking to the longer term, the market positioning of East Float will evolve as the amount of office space and employment increases and it achieves greater visibility and status as a new business district with mixed uses. As East Float gains critical mass the capacity to attract a broader range of types and sizes of office occupiers is likely to expand.

This expectation for the long term future evolution of East Float's market position needs to be seen in the context of likely parallel developments in Liverpool city centre and at the proposed Liverpool Waters scheme. Future development capacity in Liverpool city centre shows a concentration of potential supply on the Pall Mall site. Beyond this, the city centre has comparatively restricted availability of significant sites likely to be available for major office development other than into Liverpool Waters. Expansion capacity for the city centre will therefore be needed in the long term. Liverpool Waters will have a key role to play in this respect but East Float/Wirral Waters can provide a third component of expansion

capacity for the development of the office offer in the Liverpool city region over the long term.

APPENDIX

New Office Locations : Selected Examples

INTRODUCTION

The Wirral Waters team has analysed (and visited) many of the successful (and unsuccessful), job-led, water-side regeneration projects around the world; to ‘learn lessons’, meet delivery partners and understand catalysts. These have included: Vancouver, Amsterdam, Dusseldorf, Cape Town, Belfast, Hammerby, Dublin, Leith Docks and Rotterdam.

A selection of these are reviewed below. Other Wirral Waters documents also draw out key findings and lessons.

CANARY WHARF

Canary Wharf is approximately 5 kilometres from the City of London, built on land which was formerly used for docks and related activity. It is now a main central London office market in its own right with a stock of office space of around 1.3m sq m.

Canary Wharf has evolved over a series of phases since 1987. The first phase occurred between 1988 and 1992. This saw the completion of 25 office buildings with 0.6m sq m of space together with a modest number of shops and other amenity uses. Development was loosely clustered around the central transport node and the iconic 1 Canada Square. The project, which initially targeted American financial institutions – and hence its design themes - was masterplanned by architects Skidmore Owings Merrill (SOM). SOM are still involved with the project as lead masterplanners. They are also involved with one of the Wirral Waters 'quarter' areas, SkyCity.

The years from 1992 – 1999 saw very little further development at Canary Wharf. This was to allow the speculatively built office supply to be absorbed by the market. Greater transport provision (JLE extension), which was inadequate at the start, and improving market conditions saw the working population rise to 27,000 (1999) from just 7,000 (1993) and the number of shops rise to 90 (again, inadequate initial provision of ancillary facilities).

The second phase of development at Canary Wharf began in 2000 and brought an improved balance of uses. Firstly the Canada Place retail mall opened in 2000. By 2004, 15 new office buildings completed, adding 0.7m sq m of new office space. The retail offer also increased with the addition of a new retail centre and a modest residential offer (900 units).

Since 2004, commercial development in Canary Wharf has been reduced (0.13m sq m in 2009) although this still represents significant investment. The major change over recent years has been the increase in residential space, with more than 3,000 units being delivered. In response to the significant working population and growing residential presence, a number of hotels have also opened since 2004.

Canary Wharf now supports a working population of around 90,000; there is over 1.3m sq m of offices, 200 retail units, 1,000 hotel rooms and over 5,000 residential units.

In the initial stages, tenants were major often US based, financial occupiers requiring large amounts of grade A office space, in large floorplates at cost effective rental levels such as Morgan Stanley, State Street Bank and the Telegraph Group.

Subsequently, financial and business services occupiers were the largest drivers of demand with a number of the largest financial firms in the world choosing to occupy bespoke buildings due to the lack of appropriate accommodation in the City. Canary Wharf is now home to some very large occupiers including: Clifford Chance, Barclays and Bar Cap, HSBC, Citi and Credit Suisse. In recent years, the tenant base has diversified but is still largely dominated by financials and business services.

Canary Wharf has emerged to complement Central London's core markets, particularly the City of London, due to its ability to accommodate large occupiers, in buildings with large floorplates and in a different environment to that found in other office destinations in London.

Although Canary Wharf is located in a world city and therefore has a very different economic context to Wirral Waters, there are some parallels. The key lesson from Canary Wharf is that it demonstrates the importance of a mixed use approach and the scale of development needed to create a substantial change in perception/profile, create an investment destination in its own right and provide for the supporting infrastructure for that scale of change.

Of particular note in Canary Wharf is the blend of uses, with retail and leisure facilities having been developed to support the working and resident population.

Canary Wharf also shows how major scale development can be appropriately located in large scale dockland settings through the use of tall buildings and the impact this can have in acting as a beacon of regeneration and investment.

Some of the regeneration lessons from Canary Wharf are identified by Regeneris Consulting in the Guiding Principles: Skills and Employability.

PADDINGTON

Paddington is approximately 3 kilometres from the West End core, built on land north of Paddington station. It has traditionally benefitted from a well established residential offer but lacked a complementary employment offer or any office stock.

The employment led regeneration of the area surrounding Paddington Station began in 1998 with the creation of a partnership between a number of the major stakeholders in the area.

The market adapted relatively quickly owing to the long term and coordinated approach taken by the developers. It is now considered to be an expanding mixed-use regeneration area which trades on its ability to provide large scale office buildings that complement the more prestigious West End office offer to occupiers at rents lower than in the West End core.

During the first phase, c33,000 sq m of office space was delivered at Paddington Central in 2002. The following year saw a similar amount of new space delivered to the market. During this period there was also one major residential scheme delivered together with a hotel and some ancillary retail amenity.

The second phase of commercial development occurred between 2006 and 2010 when a further 75,000 sq m was delivered. Two major residential schemes, with 600 units, completed as did another hotel and more retail.

Paddington has delivered around 0.22m sq m of office space along with more than 900 residential units and 200 hotel rooms. These support nearly 8,000 jobs.

Paddington offers a scale and quality of floorspace that the core West End is unable to provide in a different type of environment. As a result, it has been able to attract occupiers who do not necessarily want or need to be in the City / West End core. These come from a range of sectors and include occupiers such as Kingfisher, Marks & Spencer, Orange, Visa, Statoil, Misys, Vodafone, Prudential and Rio Tinto.

CBRE have an ongoing involvement with Paddington as commercial advisors to the developer.

Paddington is relevant in that it is a sustainable location close to a principal economic centre which provides a key supporting and complementary role without competing with the main centre. As with Canary Wharf, it is also relevant in that it provides for a range of uses to create a place in its own right.

SALFORD QUAYS

Salford Quays is approximately 5 kilometres from Manchester city centre. The land was formerly used as docks and related activity. The docks were closed in 1982.

The development of Salford Quays has taken 25 years so far and is ongoing. The current phase includes MediaCityUK which is due to compete in 2011 and will add a further 65,000 sq m of office space.

The first phase saw an infrastructure programme to improve the water quality of the waterway network and to upgrade road links, provide green infrastructure and public realm. It soon culminated in the development of Cophorne Hotel, a multiplex cinema, some small scale private houses, offices and leisure uses. This was quickly followed by Waterfront 2000, an office development and more residential development. Salford Quays supported 255 jobs by 1987, rising to 1,030 jobs by 1990. By the end of 1991, there were 450 residential units and around 93,000 sq m of office space as well as some retail and leisure offer.

This was followed by the opening of the Lowry building in 2000 with two auditoriums: the 1,730 seat Lyric theatre and 466 seat Quays theatre. Digital World Centre, 6,500 sq m of specialist business accommodation, was completed in 2004. By 2002, Salford Quays supported 10,000 jobs.

Salford Quays now supports a working population of 13,000 and 153 businesses. Key occupiers include BUPA, HSBC, Experian, TUI Travel and GMG Radio. There is 0.16m sq m of office accommodation, 2,250 residential units and 23,000 sq m of retail, primarily the Lowry Outlet Mall (10,000 sq m of shops, a multiplex cinema, restaurants, cafes and a food court of 5,100 sq m). In addition, it incorporates a number of visitor attractions including the Lowry Centre, a flagship attraction, and the Imperial War Museum North, as well as a watersports centre.

Salford Quays provides a complementary office offer to Manchester city centre. This has allowed the Region to attract occupiers who would not have considered the city centre. There has been a significant benefit to the Manchester economy in terms of the additional jobs generated through its increased commercial offer and the expansion of its cultural assets.

A feature of Salford Quays is that it provides a balance of uses – with its retail, visitor and leisure offers as much of a feature as the office element. The mixed-use nature of the development and ‘sense of place’ with a focus on the water has broadened its appeal and helped to create additional momentum in a complementary manner to Manchester City Centre.

The next major phase of expansion is MediaCity UK which will accommodate the relocation of the BBC and is expected to be the driver for a developing hub of media-related activities which will be to a benefit to Manchester, the City Region and the North West.

Salford Quays is the most directly comparable example with Liverpool/Wirral. The relation between Salford Quays and the traditional city centre on Manchester is fairly similar to that between Liverpool city centre and Wirral Waters. Both the Quays and the city centre have grown in a complementary manner over the past

20+ years. Regeneris Consulting have also considered Salford Quays are a case study.

CARDIFF BAY

Cardiff Bay is located around 2km from the city centre. The land was formerly used as docks to export coal across the world. As the coal industry declined, related work at the docks diminished and eventually stopped, resulting in the land becoming derelict.

In 1987, the Cardiff Bay Development Corporation was established to bring about the regeneration of the area which covered 1,100 hectares. The emphasis of the regeneration programme was to *"put Cardiff on the international map as a superlative maritime city"*

Cardiff Bay is a mixed use regeneration project that includes new office space as well as providing a new residential and a leisure destination that works with the city core. Cardiff Bay has helped the positive perceptions of the city of Cardiff and enhanced its reputation as a vibrant, forward thinking city both at a national and international level.

Cardiff Bay now contains approximately 5,000 homes, a five-star hotel, open-air events arena and a 200 hectare freshwater lake as well as a sizeable amount of office space. In total, there is 1.4m sq m of commercial space which supports some 17,000 jobs at Cardiff Bay.

It houses a broad base of office occupiers including, the Welsh Assembly offices, Atradius, a credit insurance agency, Arup, Regus and HBoS, the Arts Council for Wales, Capital Law, M&A Solicitors, NFU Mutual, Balfour Beatty and Executive Communications Centres.

Cardiff Bay is more comparable with Merseyside due to the regional/local economic context. The Welsh Assembly (WA) as a landmark tenant has acted as a significant catalyst to the project. Evidently the WA had a specific locational requirement, however Wirral Waters provides the opportunities to 'land' a major tenant in the public or private sector, either location specific to Wirral/Merseyside or footloose. Such a tenant could provide a major catalyst to the scheme.

HAFEN CITY, HAMBURG

Hafen City is a 155 hectare site close to the centre of Hamburg, adjacent to the south of the city centre and on the site of the old docks. It formed part of the Wirral Waters 'study tour' of 2008 which included a number of successful dockland regeneration projects.

Over a 25 year timescale, it is expected that the regeneration scheme of Hafen City will add approximately 1.85m sq m of floorspace and circa 5,000 apartments to Hamburg in a variety of phases.

Following the unveiling of the Vision in 1997, a masterplan was drawn up in 1998. Am Sandtorkai in the north west of the site was the first quarter to be completed with 5 residential and 3 office buildings.

Situated to the south of Am Sandtorkai, Dalmannkai was the second quarter to be commenced with 0.1m sq m (gross) of mixed-use floorspace including offices and residential.

There are a number of buildings currently under construction in Hafen City. These are:

- Strandkai - Approx 0.2m sq m (gross) floor space is planned for service-sector companies, hospitality outlets, leisure and residential housing. The scheme has been designed to provide improved density overall, with buildings circa 6 to 7 storeys with some towers rising as high as 55m. First building open, second building coming through in 2010.
- Überseequartier - At the heart of Hafen City: 0.26m sq m of gross floor space, culture, leisure, cruise ship terminal, retail, hospitality, hotels, services, residential housing, Science Center with Aquarium and Science Theatre. Construction began in the middle of 2007 and is scheduled for completion in 2011
- Brooktorkai – Offices and Hotels: 46,500 sq m of space started in 2007 and expected to complete in 2010.
- Elbtorkartier – Mixed-uses including offices, residential, a university and the International Maritime Museum of Hamburg (opened 2008). 27,900 sq m of space to come through in 2011.

Future schemes are as follows:

- Am Lohsepark – open space (covering 11,100 sq m), residential (circa 37,000 sq m) plus 2 office buildings to start in 2010.
- Oberhafen – 74,300 sq m of offices proposed. Building works to commence in 2020.
- Baakenhafen – 0.17 sq m of residential development, parks and promenades. Urban planning started in 2007. Railway embankment started in 2008 and construction expected to commence in 2010.
- Elbbrückenzenrum - Space for service-sector businesses, residential development.

Key Occupiers:

- Unilever – 23,200 sq m
- Spiegel Group
- Germanischer Lloyd

Hafen City demonstrates the scale and quality of what can be achieved in redundant waterfront areas through joined up working and private/public investment in a 'provincial city'. The mix and scale of uses are similar to the East Float proposals.