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Leeds Bradford International Airport - commercial hub assessment

Prepared on behalf of
Leeds Bradford International Airport
26 November 2014

DTZ, a UGL company

Job No/Ref:

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Contents

Executive Summary

Creating a commercial growth hub at Leeds Bradford International Airport is important to the future development and expansion of the Leeds City Region economy. Specifically, it will:

- Support the growth of the airport as a key piece of strategic infrastructure in the local economy
- Enhance the portfolio of land and premises available to prospective occupiers and investors
- Enable the creation of substantial net additional jobs, investment and tax revenues to Leeds City Region

The growth of Leeds Bradford International Airport is recognised and supported as a key policy objective at the regional level as reflected in the One North proposition, the LEP's Strategic Economic Plan, the City Region Transport Strategy and Leeds Council's recent Executive Board meeting (15th October 2014). The development of a commercial hub is regarded an integral component of the growth strategy.

DTZ has been instructed to examine and develop the case for the commercial growth hub in light of the proposed surface access improvements and provide advice on the land development strategy. The case for the commercial hub is summarised as follows:

The Airport needs space to grow

Leeds is one of the largest city region economies in the UK, but has only the 16th largest airport (in terms of passenger numbers). LBIA is forecast to double its passenger numbers by 2030 and it requires space to grow in order to realise this growth.

The growth of Leeds Bradford International Airport is recognised and supported nationally, regionally and locally, as reflected in the Chancellor's Autumn 2014 statement, the One North proposition, the LEP Strategic Economic Plan, the City Transport Strategy and Leeds Council's recent Executive Board meeting (15th October 2014).

The development of a commercial hub is regarded by LBIA as an integral component of the growth strategy for the Airport. The hub will support the Airport's growth by:

- Providing space for the expansion of core operational and supply chain activities
- Enhancing its profile and 'investability' particularly to flight operating companies for route development
- Strengthening the case for improved connections and accessibility.

The Airport's expansion is a key element of Leeds' economic growth requirement and the Site Allocations DPD is the opportunity to create the right environment for growth over the next 10-15 years.

Leeds needs a compelling airport land and property offer to compete nationally/ internationally for commercial investment

All core regional cities are bringing forward strategic employment sites at their airports marketed as distinct airport business parks. Some have designated EZs at Airports to incentivise and target footloose inward investment (Manchester, Cardiff, Newquay, Sheffield). Leeds needs to enhance the scale and quality of land available at its airport to compete for national and international investment and retain existing growing businesses, responding to the opportunities presented by improving surface access.

Airport	Commercial land development pipeline of over 25 hectares
Leeds Bradford	X
Newcastle	✓
East Midlands	✓
Liverpool	✓
Manchester	✓
Newquay	✓
Birmingham	✓
Inverness	✓
Dusseldorf	✓

The commercial hub will complement, not compete with, Leeds' emerging employment land supply – it is a 'special case' and unique opportunity in the City Region

Leeds is one of the largest regional city economies and is anticipated to grow substantially in the future. Its growth is forecast to focus on a number of key sectors, most of which rely heavily on international connectivity:

- Financial, professional and business services
- Advanced manufacturing
- Health and bio-science
- Creative and digital industries
- Food and drink
- Low carbon industries

The economy's growth will drive demand for a considerable quantity of commercial land and premises, and it will be important that Leeds can offer the right mix of types, locations and segments to meet these requirements.

There is a recognised quantitative need for new sites and premises to meet Leeds' long term requirements. The Council's employment land evidence indicates the need for new allocations of approximately 180 hectares (444 acres) for the next Local Plan period. Evidence of take up in the out of town office market (which has experienced a take up of approximately 400,000 sq ft of floor space per annum over the last 10 years) suggests that Leeds Council needs to plan for the next generation of business parks to complement the city centre offer and provide the 'margin of choice' to match occupiers' and investors' location decisions.

Irrespective of the quantitative need, there is considered to be a 'special case' for the Airport Commercial Hub due to the distinctive, differentiated offer that it will bring to Leeds' commercial property portfolio. The site will target the following overlapping occupier types:

- Airport linked /supply chain occupiers, such as flight operating and travel companies, air freight logistics and freight forwarders, catering and repairs, hotel and leisure;

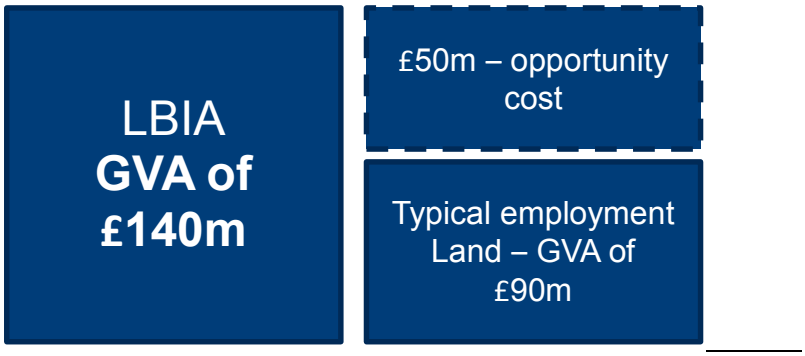
- Occupiers seeking / requiring an airport location, due to the profile and connectivity of such locations and associated accessibility to clients, suppliers, parent companies;
- R&D and general innovation, meeting local demand and addressing the recognised gap in the supply of dedicated business parks for such activities; and
- SMEs based in the inner and outer North Leeds area who require premises close to where their leaders live.

Because of the differentiated focus and attributes of the commercial hub the effect will be to complement, rather than compete with, other strategic sites in Leeds such as the City Centre (financial and professional service focus), Leeds Enterprise Zone (large scale motorway orientated manufacturing and logistics focus) and Kirkstall Forge (general business activities). The site's main competition will be airport business parks in other City Regions such as Manchester (Airport City) and Sheffield Doncaster Robin Hood Airport for those occupiers seeking an airport location.

Employment land at LBIA is worth 1½ times more economic benefit than elsewhere

Because the Commercial Hub will address a gap in the supply of land and premises in Leeds and appeal to a distinct occupier mix, it will attract occupiers and activities that might otherwise not be attracted/retained in Leeds. As a result it can generate a greater level of economic benefit than a typical employment site, where there is likely to be higher displacement of local occupiers from within the administrative area of Leeds.

An assessment has been provided to demonstrate this benefit. The assessment calculates the net additional economic benefit of 1 ha of employment land at Leeds Bradford International Airport versus the 1 ha of employment land at a typical employment site in the Leeds area. It indicates that 1 ha at LBIA generates a potential net Gross Value Added (GVA) benefit of £140m to the Leeds economy, compared to a GVA £90million for a typical employment site. This is a 1½ times greater economic benefit. Put another way, there is an opportunity cost of £50million (i.e. £50m lost) to the Leeds economy of not promoting the Airport Commercial Hub.



NB
- 1 ha of employment land based on 50/50 office/industrial
- GVA (Gross Value Added) is a measure of economic output derived from net additional job estimates over a fixed period of 10 years
- Net additional jobs based on assumptions about displacement, leakage and multiplier effects
- LBIA GVA predicated on a lower level of displacement (40% office, 50% industrial) than elsewhere (60% office, 70% industrial) due to differentiation factor of airport

The development and expansion of the commercial hub at the airport as a whole will generate substantial net additional jobs, investment and tax revenues for Leeds City Region, estimated as follows:

- Net additional job hosting capacity of development 5,500 jobs
- NPV of GVA contribution to the local economy £2.6bn-£3.3bn based on job hosting capacity over 25 year period

There is a risk of the further loss of occupiers from Leeds

Because of gaps in the City's land and property portfolio there have been a number of well publicised losses of businesses to neighbouring districts/city regions. Recent examples include:

- Produmax – an advanced manufacturing firm specialising in the R&D of parts for aircraft (clients include Boeing). The firm has recently committed to move from Otley to a 25,000 sq ft R&D building at Buck Lane in Baildon (Bradford District).
- University of Leeds – the University generates a number of business spin outs each year from its R&D activity which often leak to other areas because of the lack of suitable accommodation for 'move on'. An example is Tissue Regenerix, a bio science engineering firm which grew out of one of the University's on site bio science labs, relocated to York Bio Centre, and have now got their own premises and employ 50-60 people.
- Elbee – the manufacturing firm relocated from Leeds to Ashroyd Business Park in Barnsley due to the lack of suitable premises in Leeds.

Therefore if the City does not provide the right type of land and premises to meet its economic needs there is a very real risk that it will not only miss opportunities for inward investment and growth of firms, but may also lose existing businesses.

Public private collaboration can ensure the delivery of maximum benefits

The commercial potential of the proposed hub is predicated on improvements to surface access and collaboration between public and private sector partners will provide the best prospect of delivering the development vision. The following measures that could aid delivery are proposed for consideration:

- Creation of 'Mini Enterprise Zone' status – many competing cities across the UK have designated Enterprise Zones on land adjacent to airports to enable the EZ incentive package to be used to attract occupiers and facilitate enabling infrastructure investment. There is an opportunity for Leeds City Region to offer the business rate to the de minimus level to occupiers within the Airport Growth Hub, funded by business rate additionality accumulated in Leeds Enterprise Zone. This would help to both brand the Growth Hub in a positive way and attract occupiers.

- 'Land value for infrastructure' funding – where the value of the land is deployed to pay for the infrastructure works required to unlock / enable delivery. This is an approach that has been used to enable the delivery of public sector sites that have significant enabling/infrastructure costs or abnormals and the public sector wishes to help facilitate/enable delivery.

- Tax increment financing (TIF) – under the current arrangements that came into effect from 1st April 2013, local authorities are entitled to retain up to 50% of business rate income generated within their areas, with the potential for additional rates retention under Growth Deals. Therefore, the potential exists to establish a TIF zone around the Growth Hub site that would enable finance to be raised against the anticipated additional business rate receipts that the Council retains.

- Direct public investment – innovation and R&D parks tend to exist because of public sector and HE investment. The possibility of utilising existing and emerging funding streams such as the Local Growth Fund to invest in property projects should be examined in view of the clear alignment of the Growth Hub masterplan and the Strategic Economic Plan for Leeds City Region.

1 Introduction

Purpose

DTZ has been appointed by Leeds Bradford International Airport (LBIA) to assess and develop its proposals for a commercial 'hub' comprising a mix of predominantly office and industrial uses on land to the north of the Airport.

Passenger forecasts indicate that LBIA is projected to grow significantly over the next 15 years and it aims to become a top 10 UK airport in terms of its passenger traffic. Alongside this, a significant opportunity exists for the Airport to develop a complementary commercial hub of economic activity. LBIA have control of approximately 60 ha of land immediately to the north of the Airport under an option agreement with Leeds and Bradford councils which could accommodate the delivery of the hub.

The Airport's current landside offer does not match the potential growth opportunity. Given its growth projections and proposed improvements to surface access, there is a distinct opportunity to capitalise upon the Airport 'asset' and the attractiveness to businesses that an airport location would provide. This could provide a unique employment location within the Leeds City Region that could increase its attractiveness to inward investors and address the current lack of available large strategic commercial development sites across the City Region.

This report has been prepared to examine the potential and develop the case for the commercial 'hub' at Leeds Bradford International Airport to inform discussions with Leeds Council and other prospective partners.

Methodology and structure of report

Our approach to this commission has involved an assessment of the various drivers that influence the potential for a commercial growth hub at LBIA:

- Policy
- Economic
- Aviation
- Commercial

We have then worked alongside WYG and Fiveplus Architects to devise an indicative land development strategy, development schedule and phasing plan.

An evidenced-based approach has been adopted to ensure robust assessment of the potential for the hub, drawing on documented evidence of the market for commercial land and floor space within the Leeds area and also reviewing lessons from other comparable airports across the country. We have also consulted senior representatives from the following organisations in the preparation of this report:

- Leeds Bradford International Airport
- Leeds City Council

- Leeds City Region Local Enterprise Partnership
- University of Leeds
- Leeds Beckett University
- Leeds Trinity University
- Craven College (Aviation Academy)
- Freight providers

This report first outlines the LBIA baseline and growth context before assessing the various growth drivers. It then outlines the development potential and makes recommendations on the quantum and mix of development and means of delivery. It concludes by providing an assessment of the economic benefits of the commercial hub.

2 LBIA Growth Context

History

LBIA is located approximately seven miles to the North West of Leeds City Centre. It opened in 1931 as Yeadon Aerodrome. Domestic schedule flights commenced in 1935 and it served an important role during World War II, with the development of an adjacent military aircraft factory. By the 1950s the airport was running commercial flights to the Isle of Man, Liverpool, Belfast, Jersey, Ostend, Southend, the Isle of Wight and Dusseldorf. In 1953 Yeadon Aviation Ltd was set up to run the flying school and commercial airfield operation but the ownership was transferred to five local councils in 1987 through a limited company with Leeds and Bradford councils each owning 40% and Wakefield, Calderdale and Kirklees sharing the remaining 20%.

Scheduled domestic and European flights re-commenced after the war and these expanded rapidly during the later 1970s/80s as the popularity of package holidays boomed. It was owned jointly by the five neighbouring local authority areas of Leeds, Bradford, Calderdale, Kirklees and Wakefield until 2007, when it was announced that Bridgepoint Capital was the preferred bidder, acquiring the asset for approximately £145million.

Bridgepoint Capital owns the airport outright but the 5 councils hold a 'special share' interest in the airport, to protect the name and continued operation as the major air transport gateway for Yorkshire. The Airport has had a masterplan in place since 2004/05, and Bridgepoint submitted a planning application for a £28m investment programme in late 2008 which was approved in 2009, although the focus of this has principally upon the airside operations to date. The airport had already seen significant improvements made prior to the Bridgepoint acquisition including a significantly enlarged terminal building, a £5m food court refurbishment in 2006 and an £8m development on the south end of the airport with two new hangars, maintenance facilities and executive aviation terminal.

Current flight operators

There are 11 regular scheduled airlines operating from LBIA, as listed below:

- Aer Lingus Regional
- British Airways
- KLM
- Thomson
- Easyjet
- Flybe
- Jet2
- Monarch

- Eastern Airways
- Ryanair
- SAS

Jet2 has the largest presence at the airport, with its national HQ and 13 aircraft on site. The most recent additional airline is Aer Lingus which was announced in September this year with up to two daily flights to Dublin. Passengers flying to Dublin can connect to Aer Lingus' mainline transatlantic services to New York, Boston, Chicago, Orlando, San Francisco and Toronto. Earlier in the year in March, the Airport also secured Scandinavian Airlines (SAS) with a twice weekly service to Copenhagen. Flybe is also about to operate a new 'FlyShuttle' service that enables travel all the way from Jersey to Aberdeen on one flight, with brief stops at Southampton and Leeds. It is a 'hop-on, hop off' service that will operate three times a day both northbound and southbound.

Monarch also recently announced a number of new destinations for this summer following its decision to locate at the Airport in 2013. The Airport is committed to both working with its existing airlines to expand the available routes and also to exploring opportunities to secure new flight operating companies.

Flight routes/destinations

The airport offers direct flights to over 75 destinations across the UK and around the world, with connections on to significantly more through the hub airports of London Heathrow, Amsterdam and also Dublin (for flights to the USA). The direct British Airways flight to Heathrow is key to providing onward flights to the rest of the world, to over 150 destinations. Direct flights are largely European-based, although Jet2 does offer direct flights to New York around Christmas. Current destinations include France, Germany, Italy, Austria, Switzerland and Spain, amongst others. It serves both holiday and business destinations with varying summer and winter timetables.

Ownership and management of LBIA

The Airport is 100% owned by Bridgepoint Capital, an international private equity group, which acquired the Airport for €214m (£145m) in 2007. Bridgepoint invested £27m to acquire a 24% stake in Birmingham Airport in 1997, disposing of its interest four years later for £84m. It therefore has experience in the aviation sector. As stated, the 5 councils hold a 'special share' interest in the airport to ensure that it remains as an operational airport for the Yorkshire region. The Airport is operated by Leeds Bradford International Airport Limited.

Numbers of flights and passengers

In 2013, 3.3m passengers travelled through LBIA, representing 1.4% of all air passenger traffic across the UK. This placed LBIA as the 16th largest airport nationally in terms of passenger numbers, closely behind London City and Aberdeen (see table below). Heathrow, Gatwick and Manchester were the three largest airports in terms of passenger traffic, home to 56% of all passenger traffic nationally. LBIA experienced a 16% increase in passenger numbers between 2008 and 2013, representing the largest increase of all major national and regional airports across the UK, based on Civil Aviation Authority (CAA) data.

There were a total of 45,627 aircraft movements at LBIA in 2013, ranking it 21st across UK airports (see Table 2.1 below). 31,000 of these related to commercial air transport movements and the remainder largely aero club/private/training/testing related uses. Of the 31,000 air transport movements, 20,000 related to UK based operators, 9,000 to other EU based operators and 200 to other overseas operators (balance related to charter flights).

Table 2.1: passenger and aircraft movements

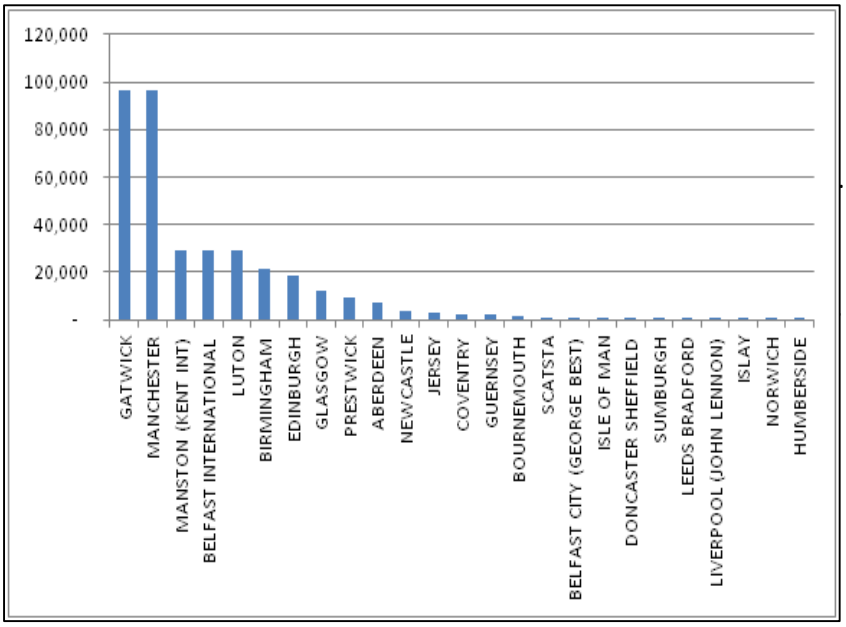
Airport	Total Passengers (CAA, 2013)
HEATHROW	72,367,054
GATWICK	35,444,206
MANCHESTER	20,751,581
STANSTED	17,852,393
EDINBURGH	9,775,443
LUTON	9,697,944
BIRMINGHAM	9,120,201
GLASGOW	7,363,764
BRISTOL	6,131,896
NEWCASTLE	4,420,839
EAST MIDLANDS	4,334,117
LIVERPOOL (JOHN LENNON)	4,187,493
BELFAST INTERNATIONAL	4,023,336
ABERDEEN	3,440,765
LONDON CITY	3,379,753
LEEDS BRADFORD	**3,318,358**
BELFAST CITY (GEORGE BEST)	2,541,759
SOUTHAMPTON	1,722,758
JERSEY	1,453,863
PRESTWICK	1,145,836
CARDIFF WALES	1,072,062
SOUTHEND	969,912
GUERNSEY	886,396
EXETER	741,465
ISLE OF MAN	739,683
DONCASTER SHEFFIELD	690,351
BOURNEMOUTH	660,272
INVERNESS	608,184
NORWICH	463,401
CITY OF DERRY (EGLINTON)	384,973
SCATSTA	298,308
BLACKPOOL	262,630
HUMBERSIDE	236,083
SUMBURGH	212,233
NEWQUAY	174,891
DURHAM TEES VALLEY	161,092
KIRKWALL	159,325
STORNOWAY	122,410
ISLES OF SCILLY (ST.MARYS)	89,170
ALDERNEY	62,855

Airport	Aircraft Movements (CAA, 2013)
HEATHROW	471,936
GATWICK	250,520
MANCHESTER	169,497
STANSTED	146,324
ABERDEEN	118,219
EDINBURGH	111,736
LUTON	95,763
BIRMINGHAM	95,713
GLASGOW	79,520
EAST MIDLANDS	76,563
LONDON CITY	74,006
GLOUCESTERSHIRE	73,857
BRISTOL	65,299
NEWCASTLE	59,962
LIVERPOOL (JOHN LENNON)	55,839
SHOREHAM	55,500
JERSEY	54,878
BELFAST INTERNATIONAL	54,003
GUERNSEY	49,403
BOURNEMOUTH	47,174
LEEDS BRADFORD	**45,627**
COVENTRY	41,629
BIGGIN HILL	41,493
BLACKPOOL	41,406
NORWICH	40,702
SOUTHAMPTON	40,501
DUNDEE	40,427
BELFAST CITY (GEORGE BEST)	38,051
OXFORD (KIDLINGTON)	37,553
EXETER	31,458
ISLE OF MAN	29,857
SOUTHEND	29,443
INVERNESS	28,947
HUMBERSIDE	27,178
CARDIFF WALES	24,879
PRESTWICK	24,305
SWANSEA	20,731
CAMBRIDGE	19,785
DURHAM TEES VALLEY	18,298
MANSTON (KENT INT)	17,504

Quantum of freight

Data from the CAA identifies that in 2013, 324 tonnes of freight moved through LBIA, the vast majority by non-EU based freight operators. This represented a 15% increase on the previous year but a decline on the 2009 position of 359 tonnes, the largest amount in the past 10 years. All of this freight was carried on passenger aircraft rather than cargo aircraft. There has been no mail based freight since 2008 and very little prior to then. LBIA ranks 24th in the UK in terms of the tonnage of cargo it handled in 2013. Heathrow handled by far the most cargo (1.4m tonnes), followed by East Midlands (266,968 tonnes) and Stansted (211,952 tonnes). The chart below highlights where LBIA ranks compared with the next 25 largest cargo handling airports in the UK after these top three. It ranks someway behind comparable airports such as Newcastle which transported an additional 3,400 tonnes of cargo in 2013.

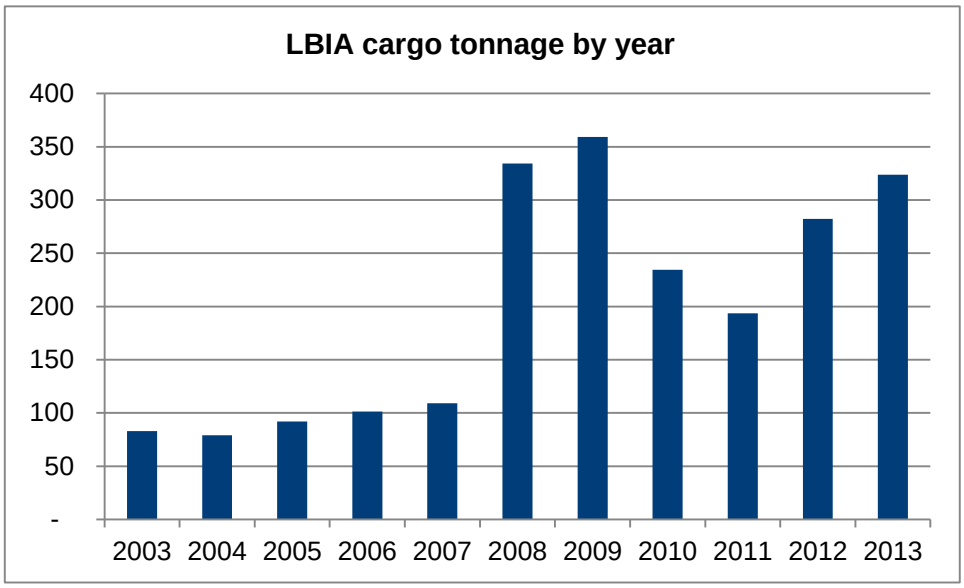
Figure 2.2: Freight movements



Airport	Total Freight (CAA, 2013
HEATHROW	1,422,939
EAST MIDLANDS INTERNATIONA	266,968
STANSTED	211,952
GATWICK	96,724
MANCHESTER	96,373
MANSTON (KENT INT)	29,306
BELFAST INTERNATIONAL	29,288
LUTON	29,074
BIRMINGHAM	21,067
EDINBURGH	18,624
GLASGOW	11,837
PRESTWICK	9,526
ABERDEEN	7,102
NEWCASTLE	3,701
JERSEY	2,823
COVENTRY	2,355
GUERNSEY	2,026
BOURNEMOUTH	1,818
SCATSTA	849
BELFAST CITY (GEORGE BEST)	527
ISLE OF MAN	447
DONCASTER SHEFFIELD	354
SUMBURGH	329
LEEDS BRADFORD	**324**
LIVERPOOL (JOHN LENNON)	278
ISLAY	207
NORWICH	160
HUMBERSIDE	153
SOUTHAMPTON	133
ALDERNEY	128
STORNOWAY	114
ISLES OF SCILLY (ST.MARYS)	69
LANDS END (ST JUST)	61
CARDIFF WALES	48
BENBECULA	42
KIRKWALL	38
BARRA	22
TIREE	21
EXETER	1
SOUTHEND	1

Since 2003, LBIA has increased the amount of cargo it has handled, with the tonnage up 15% in 2013 compared with 2003. Figure 2.3 below identifies the fluctuations in annual cargo handling over this period. Nationally, the picture is mixed in terms of changes in cargo handling by airport between 2003-13. Airports such as Newcastle, Glasgow and Doncaster all experienced approximately 25-28% increases in cargo tonnage being handled and the top 5 largest cargo handling airports all saw little change in tonnage over this period.

Figure 2.3: LBIA cargo tonnage by year



Economic output

The Airport currently contributes in excess of £100m of direct GVA per annum to the Leeds City Region economy and employs over 2,700 people, making it one of the largest employers in the City Region. Over 40 businesses are based within the airport site and it supports local employment with over 80% of its employees residing within a 10 mile radius (based on information provided by LBIA). It is a major economic asset which provides significant direct and indirect economic benefits to the City Region and beyond.

Current commercial accommodation within the airport boundary

There is currently 29,000 sq m (GIA) of operational built floorspace within the Airport boundary (based on 2010 LBIA Rating Schedule). Approximately 22,000 sq m (GIA) of this relates to the main terminal building, which was constructed in 1993 and then extended since. Other key buildings on the site include:

Table 2.1: Accommodation on site

Building	Floorspace (sqm) (GIA)
Fire-station	979
Control Tower/Centres	401
Engineering Offices	752
Catering Centre	1,179
Freight Offices	308
Repair Garages	678
Airedale House	376
Electricians Store	137
Transit Sheds	1,081
Fuel Store Offices/Maintenance	166
Boiler House/Substation	137
Aero House Rooms	90

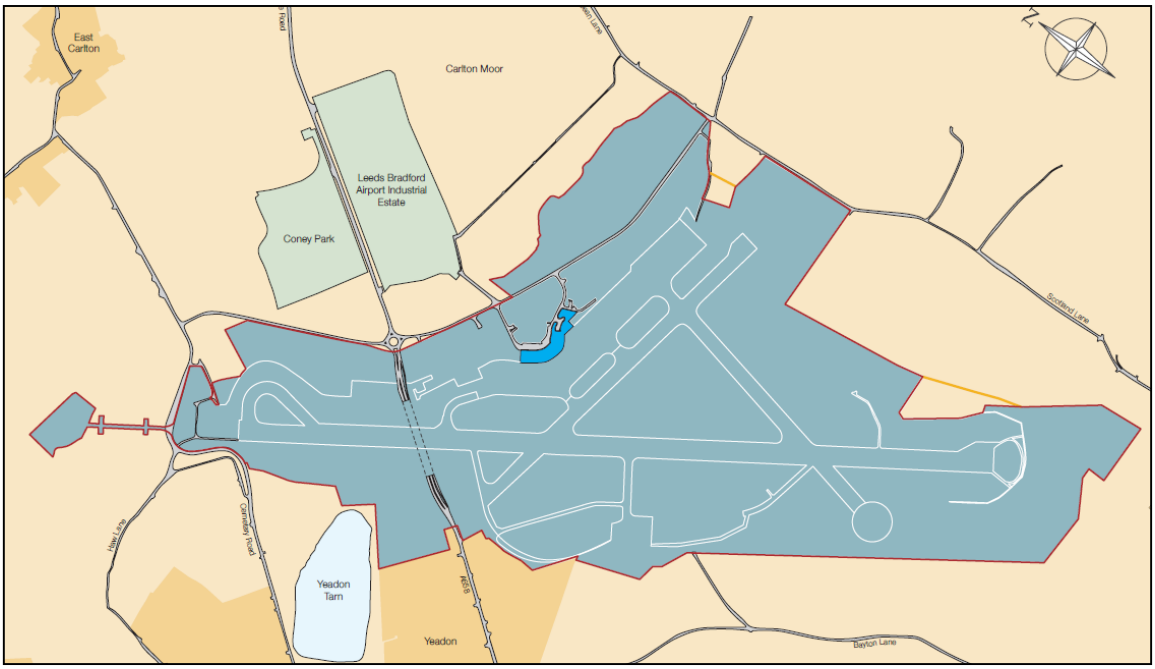
Source: 2010 rating list

A large proportion of the site is occupied, as one would expect, by runways, aprons and taxiways as well as access roads and car parking. The main terminal itself includes the following facilities/uses in addition to standard waiting areas, check-in desks and LBIA's offices:

- World Duty Free
- WH Smith
- Superdrug
- Travelex
- Burger King
- Saltaire Bar/Eatery
- Camden Food Company
- Sports Bar
- Cafe Ritazza
- Car hire desks – Avis, Enterprise, Europcar, Hertz
- Yorkshire Premier Lounge

A plan illustrating the spatial extent of the current airport operational area is presented below (shaded in turquoise):

Figure 2.4: Leeds Bradford International Airport



Growth Plans

The Airport has grown significantly over recent years and this growth scenario is set to continue. By 2030, the DfT is projecting 7.1m passengers per annum, a 115% increase on current (2013) numbers. It has the potential to become the largest airport (in terms of passenger numbers) east of the Pennines from Newcastle in the north to East Midlands in the south and to become a top 10 airport nationally. It is seeking to target route development to support priority economic sectors and to reduce the current levels of passenger movement leakage. Its aim is to *'develop a business environment for growth and delivering international connectivity'.* Its objective is to develop a successful airport that fully serves the business and leisure needs of the Yorkshire region and acts as a catalyst for economic growth by:

- Developing a focused route development programme
- Developing high quality airside and landside facilities
- Developing high quality surface access connectivity

The Airport is seeking to capitalise upon the growth opportunity that it has and to create a sense of place/destination in its own right at the airport. If it is to achieve this and realise its growth ambitions, there is a distinct need for additional operational and non-operational land and premises.

3 LBIA Growth Drivers: Policy

Aviation Policy Framework (2013)

The 2013 Aviation Policy Framework replaced the 2003 Air Transport White Paper as Government's policy on the aviation sector. This acknowledges that the sector contributes around £18 billion per annum of economic output to the UK economy and employs around 220,000 employees directly.

The Government's primary objective as defined within this policy framework is to achieve long-term economic growth. It recognises that airports are in some ways cities in themselves, creating local jobs and generating opportunities for economic rebalancing in their wider are and fully recognises the vital contribution they can make to the growth of regional economies. The document suggests that many airports act as focal points for business development and employment. The focus is on London's airports as the largest carriers of passengers, however it identifies that the number of passengers using non-London airports has increased by over a third since 2000.

The framework identifies that LBIA is a "***vital contributor to the economy of the Yorkshire and Humber region, and in particular the Leeds City region***". It states that the airport supports up to 2,800 direct jobs and generates £102m of direct GVA. In addition, it acts as a catalyst to a further 320 jobs and £10.8 million of GVA. It suggests that the services of the airport and international connectivity will continue to contribute towards improved export activity, performance and business competitiveness. Based on forecast passenger growth at the airport, it is estimated that this will grow to around 8,000 jobs and £290 million GVA by 2030.

The Policy Framework recognises that the scope exists for LEPs to develop local strategies to maximise the catalytic effects of airports to attract business and support growth. It suggests that LEPs, in partnership with local authorities, have a range of tools at their disposal to help support businesses in the vicinity of airports and that the Government encourages airport operators to engage actively with their LEPs to ensure that they are fully integrated into their LEP's overall economic strategy for the area, and to maximise the benefits to local economies.

The Policy Framework also underlines that nationally a number of Enterprise Zones have been designated around regional airports to support their growth. Examples include Manchester's Airport City (£600m, 150-acre development which will transform the airport into an international business destination) and the Newquay 'Aerohub' (55ha, including aviation related space and more generic commercial employment land). The Enterprise Zone in Cardiff has also been expanded to incorporate the airport.

Leeds City Region Strategic Economic Plan

The Leeds City Region Strategic Economic Plan (SEP) was submitted to Government in March 2014 by the Leeds City Region Local Enterprise Partnership (LEP), as part of its Growth Deal negotiations to secure devolved funding and responsibilities. This acknowledges that the Leeds City Region is the largest City Region outside of London and that despite its economic strengths and assets, it is not realising its full potential. Its vision is "*to unlock the potential of the City Region, developing an economic powerhouse that will create jobs and prosperity".* The SEP sets out a vision to *"dramatically accelerate growth, creating a further £5.2bn in economic output and an additional 62,000 jobs so that by 2021, the City Region economy will be almost a quarter bigger with almost 10% more jobs".*

The SEP identifies 4 strategic investment priorities:

1) Supporting growing businesses
2) Developing a skilled and flexible workforce
3) Building a resource smart City Region
4) Delivering the infrastructure for growth.

Over the long term under Priority 1, the LEP's ambition is to "enable vibrant private sector growth, based on innovation and exports". It recognises that SMEs drive economic growth through innovation, competition and job creation and that the City Region offers significant opportunities to support a growing enterprise base that can help to drive productivity gains, including leading global businesses and centres of research, innovation and knowledge creation. Under Priority 4, the LEP recognises that there is a distinct opportunity to "*develop a pipeline of delivery ready employment sites to cater for the growing economy*". This is in response to the identified challenge facing many areas "*to provide the right commercial and residential sites in the right locations supported by appropriate transport, digital and energy connections".*

The SEP identifies a number of key growth sectors where it recognises existing clusters of particular expertise and opportunity:

- Innovative manufacturing
- Financial & professional services
- Health & life sciences
- Low carbon & environmental industries
- Digital & creative industries
- Food & drink.

The SEP recognises that the *"transformation of the City Region's local, national and international transport connectivity is central to its plans for growth".* It acknowledges that good international connectivity plays an increasingly important part in promoting trade and attracting inward

investment. The SEP identifies that "*the City Region benefits from a growing regional airport, which is one of the fastest growing nationally".* It recognises that it has *"the potential to deliver much improved international connectivity, benefitting existing businesses and attracting inward investment in our key priority sectors*". The SEP also makes reference to the fact that improved surface connectivity is a priority and that a better connected airport will help to support the LEP's key sectors and attract more inward investment.

Leeds Local Plan

The Core Strategy Development Plan Document for the Leeds Metropolitan District was formally adopted on 12th November 2014. This document defines the spatial vision for the District to 2028 and sets out a number of objectives and policies to achieve this. The Core Strategy recognises that LBIA is a "***major part of the strategic Infrastructure for the City Region and that it is also an economic resource for employment, business development and tourism***". It acknowledges that the airport's economic benefits stem beyond just the airport site across the wider City Region and that there is potential for growth in terms of passenger numbers and freight. The Core Strategy also acknowledges that there is ongoing work currently being undertaken by the airport to define its longer term aspirations, as part of the Airport's Masterplan.

The Core Strategy recognises that the Airport provide key components of strategic infrastructure, for businesses, residents and visitors and that it provides a 'gateway' to the City Region as a whole. Spatial Policy 12 within the Core Strategy is entitled 'Managing the growth of Leeds Bradford International Airport' and suggests that the continued development of Leeds Bradford International Airport will be supported to enable it to fulfil its role as an important regional airport subject to a number of points, particularly relating to the much needed surface access improvements.

The Leeds City Council Employment Land Review 2010 Update, which represents the most up to date published Council employment land document supporting the emerging Local Plan, provides an assessment of the requirements and availability for land for office use over the period 2010-2028. It concludes that there is a requirement for 880,000 sq m of office floor space, against a committed pipeline (i.e. permissions with planning consent) of 706,250 sq m, leaving a residual need for new land allocations to accommodate 173,750 sq m. It also concludes that there is a need for 536 ha of employment land for industrial purposes over the period 2010-2028, set against a portfolio of 350 ha to be rolled forward (these being comprised of sites which the review considers are suitable for continued employment use), leaving a residual requirement of 186 ha of new allocations. A key part of the Local Plan making process will involve the allocation of new sites for employment use and the Airport represents a key opportunity that can help meet the Local Plan's needs.

One North – A Proposition for an Interconnected North

The 'One North – a proposition for an Interconnected North' is a policy statement produced in July 2014 by the five City Regions of Leeds, Liverpool, Manchester, Newcastle and Sheffield to lobby Government for enhanced investment in transport infrastructure in the north of the country to drive economic growth and competitiveness. It sets out a vision for a well connected northern zone predicated on multi-modal transport networks for logistics and personal travel.

Airports represent a key element of the statement, underlining the importance of airports' growth in helping deliver the multi-modal well connected vision. Specifically, it states that achieving a suitable rail/light rail connection to **Leeds Bradford International Airport "remains an ambition that, under this proposition, needs to be turned into a fully realised project**".

Growth implications for LBIA

LBIA's growth is embedded in national aviation policy which also recognises the importance of growing the mix of commercial operations around airports to reinforce their growth potential. It is important that local policies – through both planning and economic development – respond to accommodate the needs of the airport's expansion.

The Local Enterprise Partnership's vision to accelerate economic growth of the Leeds City Region requires a strong airport with international routes. It also requires a diverse, high quality range of commercial land and property to accommodate its growth needs, including premises and sites for high value operations that are innovation and technology related – an area of property in which Leeds punches well below its weight. LBIA Commercial Hub can play a key role in this regard by offering a unique selling point that will appeal to occupiers seeking high profile and well connected locations.

The additional powers and resources being committed to LEPs provides public and private sector partners with the ability to be innovative in the way that it can support and facilitate the delivery of economic development projects such as the commercial hub. Therefore there is an opportunity for the LBIA to work collaboratively with the LEP and other partners to deliver the vision for a commercial hub.

4 LBIA Growth Drivers: Economic

This section presents an analysis of the current economic position and performance of the Leeds City Region economy. It draws upon a number of published secondary data sources to provide an overview of the local economy as context for the growth ambitions of the Airport, located at the geographic heart of the City Region. Data has been used to show how the Leeds City Region performs against GB benchmarks and also its nearest competitor Manchester City Region.

The Leeds City Region (LCR) comprises ten local authority areas including Leeds, Bradford, York, Kirklees, Barnsley, Wakefield, Selby, Calderdale, Harrogate and Craven. The City Region's economy is worth £54bn per annum (5% of the national Gross Domestic Product), the LCR is widely regarded as the largest financial and legal centre outside of London and the City Region claims to have more company HQ's than any other LEP area in the north of England. The City Region markets itself on the fact that it is home to world leading companies and universities, as well as some of the most beautiful physical landscapes in the country – it comprises a diverse mix of urban and rural land uses.

Population and demographic trends

The most recent Office of National Statistics (ONS) Mid Year Population Estimates indicate that 2.97 million people were resident within the Leeds City Region in 2012. The population of the Leeds City Region represents over half (55.9%) of the Yorkshire and Humber Region's total resident population (5.32 million people).

Between 1995 and 2012, the population of the Leeds City Region increased by 8.7%, a higher rate of growth than the wider regional Yorkshire and Humber rate of 7.2% and also that of the Manchester City Region (6.4%).

Working Age Population and Projected Growth

The 2012 Mid Year Population Estimates indicate that 1.91 million people of working age reside within the Leeds City Region, representing 64.3% of the respective total resident populations. Positively, these figures represent a higher proportion of the population than the wider regional average of Yorkshire and the Humber and Great Britain as a whole (64.2%).

At the national level, working age population growth of 3.7% is anticipated over the decade to 2021. A growth rate of 4.4% is projected at the Leeds City Region level, which exceeds the 2.4% anticipated across the wider Yorkshire and Humber region (2011 based ONS sub-national population projections.)

Economic Activity

It is not just the size of the working age population that determines the scale of the local labour market, but the extent to which the working age population is economically active. Economic activity is defined as those in employment (or self-employment) or those that are unemployed but available for work. The economic activity rate represents the extent to which the working-age population is engaged with the labour market and indicates the absolute scale of the labour force from which organisations can source employment. Limits to the size of the resident labour force result in in-commuting and/or inhibit economic growth.

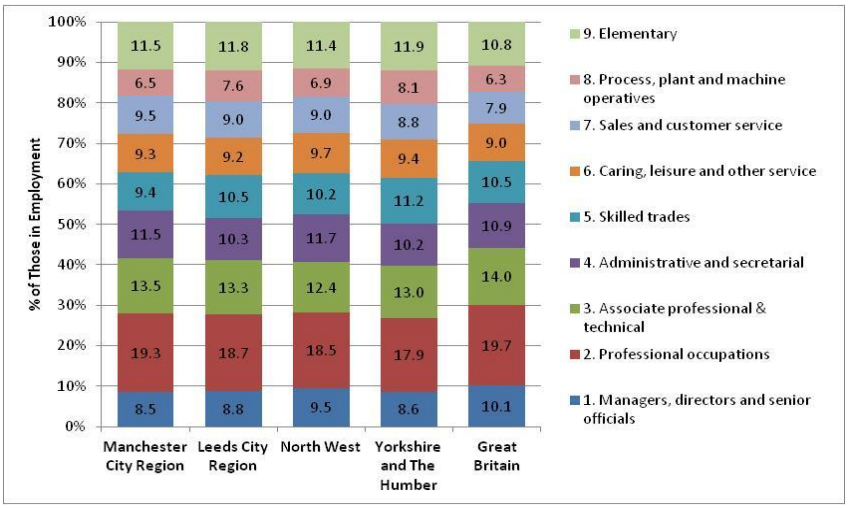
Economic activity rates within the Leeds City Region broadly tracked the national rate at around 76.5% of the working age population and exceeded the wider Yorkshire and Humber rate of 75.7% until the onslaught of the recession in 2008. Economic activity rates then fell dramatically to 74.8% in 2010 and 2011, just below the regional rate of 75% at this time, before tracking the regional rate of recovery back to around 77% in 2013 (Annual Population Survey, 2013).

Occupation

The occupational structure and characteristics of a City Region's resident labour market is central to its overall competitiveness and shapes the economic opportunities that residents are able to access. In turn, the type of skills implied by an area's occupational structure can shape the economy's ability to attract and support higher-value economic activity and attract higher skilled non-resident workers into the economy.

Figure 4.1 illustrates the resident occupational structure of the Leeds City Region, compared with Manchester City Region and wider regional and national benchmarks. 40.8% of employees within the Leeds City Region are employed in the top three occupational groups (those classified 1-3 within the Annual Population Survey). This is higher than the Yorkshire & Humber (39.5%) and North West (40.4%) averages but lower than the 41.3% rate across the Manchester City Region and the Great Britain average of 43.8%.

Figure 4.1: Occupational structure of those in Employment 2013



Source: Annual Population Survey 2013

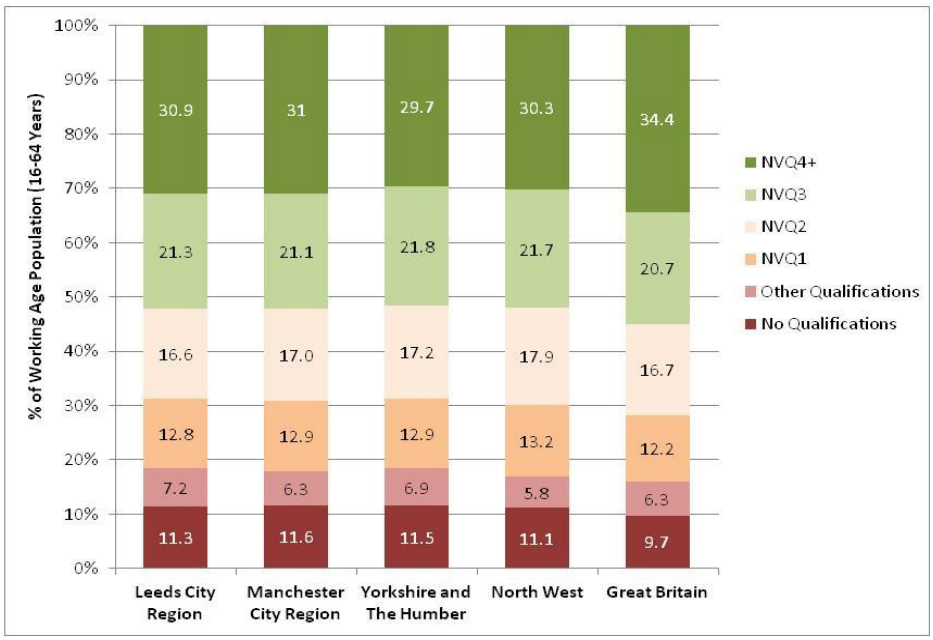
Qualifications

Central to the long-term growth capacity and productivity of any economy and the ability of the City Region to improve its occupational structure are the skill levels and educational attainment of the resident labour market.

The chart below indicates that at 11.3% of the working age population, the Leeds City Region has a higher than average proportion of people with no formal qualifications compared to the national average of 9.7% and is roughly in line with the regional average (11.5%).

At 30.9%, the Leeds City Region has a higher proportion of its working age population qualified to NVQ 4 level or above (degree level or above) than that of the Yorkshire and the Humber (29.7%) and North West (30.3%) regions, but remain below the national average of 34.4%.

Figure 4.2: Skills Profile of the Working Age Population



Source: Annual Population Survey (2012)

Business Births and Survival Rates

The volume of business start-ups (births) and survival rates are commonly used as proxies for levels of entrepreneurship. The Leeds City Region experienced a growth in business stocks (0.9% in 2011 and 0.3% in 2012) above that of the regional Yorkshire and Humber rates (0.4% in 2011 and -0.1% in 2012). This growth was, however, below the national growth rates of 1.4% and 0.7% respectively.

The below table indicates that there were 11,570 new business births within the Leeds City Region in 2007 (this was broadly in line with the Manchester City Region). In terms of business survival rates between 2007-12, the year 1 survival rate of businesses within the Leeds City Region was 95.6% in year 1, which was higher than regional and national averages. At year 5, it was 42.8%, which was higher than the regional average but lower than the national average.

Table 4.1: Five Year Business Survival Rates (2007-2012)

	Business Births (2007)	Survival Rates				
		1 Year	2 Years	3 Years	4 Years	5 Years
Leeds City Region	11,570	95.6	78.8	60.9	50.0	42.8
Yorkshire and Humber	20,385	94.4	78.2	60.1	49.1	41.9
Great Britain	274,770	95.4	81.2	63.0	52.0	44.6

ource: ONS Business Demographics 2012

Employment Sectors

An analysis has been undertaken of the key employment sectors within the Leeds City Region, compared with the national picture. This identifies that there are a higher proportion of the workforce employed in the following sectors in the Leeds City Region compared with England as a whole:

- Manufacturing (10.5% compared with 8.4% nationally)
- Education (10.7% compared with 9.6% nationally)
- Health (13.5% compared with 13.1% nationally)
- Business administration (9% compared with 8.6% nationally)
- Transport/storage (5.2% compared with 4.5% nationally)

A report recently produced for the Leeds City Region Secretariat by Ekosgen (February 2014) has examined the sector strengths of the local economy. It reviewed the level of specialisation and growth across all standard economic sectors to identify recommended priorities for the Leeds City Region to invest in. The report concludes that the following sectors should be prioritised by the Leeds City Region for development and investment:

- Financial, professional and business services
- Advanced manufacturing
- Health and bio-science
- Creative and digital industries
- Food and drink
- Low carbon industries

Table 4.2 below illustrates the various sector strengths which include significant strengths in a number of sectors which have international markets and a research and development focus.

Table 4.2: Leeds City Region Sector Strengths

Leeds City Region Sector Performance		
Employment (numbers)	**Employment (specialism)**	**Gross Value Added**
Education	Manufacture of textiles	Wholesale
Retail	Manufacture of beverages	Retail
Health	Water collection, treatment and supply	Electricity, gas etc
Public administration	Manufacture of furniture	Specialised construction
Food and beverage service	Printing / recorded media	Manufacture of food
Employment Growth (%)	**Productivity**	**GVA Growth**
Professional services	Electricity, gas etc	Finance
Computing and information	Air transport	Real estate
Administrative and support services	Rental and leasing	Retail
Land transport	Telecommunications	Wholesale
Media activities	Manufacture of basic pharmaceuticals	Professional services

Exporting Potential	**Inward investment potential**	**Research Strengths**	**National Innovation Priorities**
Financial services	Financial services intelligence	Agri-science	Bio-science
High-tech goods	Health innovation	Advanced materials	Advanced materials
Communication	Advanced digital technologies	Big Data	ICT
Construction services	Powertrain & precision engineering	Regenerative medicine	Healthcare
Education	De-carbonised energy and renewables	Robotics	Energy
		Satellites	High value manufacturing

Source: Key Sectors Policy for Leeds City Region Draft report by Ekosgen February 2014

Education

The LCR is home to 7 Higher Education institutions (universities) and 14 Further Education Colleges, accommodating a total student population of around 230,000. Universities include the University of Leeds, University of York, Leeds Metropolitan University, University of Huddersfield, Leeds Trinity University, University of Bradford and University of York St John. In total, these produce in the region of 36,000 graduates every year. The Universities of Leeds and York are members of the White Rose University Consortium, which together rank alongside Oxford and Cambridge in terms of research capabilities.

The below table presents the rankings of each of the universities based on 3 recent nationally recognised assessments – there are 120 universities nationally and the lower the ranking the better. The assessments are based upon a wide range of criteria from academic and research and research performance through to student experience. As can be seen from this, both the University of York and the University of Leeds are ranked within the top 25% nationally.

Table 4.3: University rankings

	Times 2014	Guardian 2014	Complete University Guide 2014
University of York	11	16	12
University of Leeds	29	34	32
University of Huddersfield	66	42	63
York St John's University	64	94	99
University of Bradford	84	90	82
Leeds Metropolitan University	103	107	101
Leeds Trinity University	104	111	108

Leeds University has for some years been ranked second nationally in terms of the number of student applications it receives. It was also ranked in the top 10 nationally in the 2008 Research Assessment Exercise in terms of the quality of its research.

It operates 9 faculties including Arts, Biological Sciences, Business, Education, Social Sciences and Law, Engineering, Environment, Mathematics and Physical Sciences, Medicine and Health and Performance, Visual Arts and Communications. Its Biological Science Faculty is home to over 2,400 students and has a £53m research portfolio. In the last government Research Assessment Exercise (RAE) 2008, the University was ranked 4th for biological sciences in the UK. Its Faculty of Medicine and Health also hosts the Biomedical and Health Research Centre (BHRC) - a strategic partnership between the four science Faculties of the University of Leeds and the Leeds Teaching Hospital NHS Trust and Collaborative Research Centres in Epidemiology and Biostats, Cardiovascular Disease, Musculoskeletal Disease and Obesity, Nutrition and Heath.

Leeds Teaching Hospitals NHS Trust is the largest in the UK, treating over a million patients a year with a budget of £789 million and a workforce of over 14,000. St James's University Hospital, part of the Trust, is the largest teaching hospital in Europe. It houses the landmark £220 million Yorkshire Cancer Centre, opened in 2008, the largest of its kind in Europe. The City Region also comprises the York Biocentre, the Bioincubator at Leeds Innovation Centre and Bradford Bioincubator, which together provide 9% of all dedicated bioincubator space in the UK.

The University of York was ranked as the 8th best research institution in the UK (RAE, 2008) and is home to 16,000 students.

We have engaged with all 3 Leeds-based universities as part of this work to understand more about their academic and research strengths. The University of Leeds has strengths in several key sectors which are being targeted in respect of innovation:

- Health / bio science
- Water
- Energy
- Future Cities
- Food
- Culture

The University has expressed the view that there is an inadequate supply of sites and premises in Leeds to accommodate research and development businesses emerging from its campus, and that as a result there has been a leakage of occupiers to other cities/city regions. The University is developing plans for creating a new innovation centre on its campus off Woodhouse Lane in Leeds but has identified the importance of large, multi scale, dedicated R&D parks to accommodate move on and facilitate greater level of interaction with supply chains in these sectors.

Leeds Beckett University has a number of sector strengths in sport, business, law, finance, music and the arts. The Universities are keen to develop their respective innovation capacities and capabilities and are exploring opportunities to do this both on and off campus at present.

Leeds Trinity University is currently growing and has an expressed an interest in occupying space for work based training within an Airport Hub. They regard the proposed hub as an opportunity to show-case the University on the national and international stage.

Growth implications for LBIA

The LCR is one of the highest performing regional economies in terms of labour market performance and growth. Its position as the largest city regional economy outside of London contrasts markedly with the airport's status as 16th largest; the growth of the economy in the future will drive the potential for growth of the airport, and vice versa.

Of particular significance to the Airport commercial hub vision is the fact that the city region has strengths in a number of economic sectors which will drive demand for commercial land and floor space and present opportunities for the hub. Key growth sectors include professional/financial services, advanced manufacturing, health and bio-science, creative and digital industries, food and drink and low carbon industries. Many of these sectors will benefit from high profile well connected locations such as the Airport where being at the 'front door' to the city region assists connections with suppliers, parent companies, and clients. Evidence from UK and abroad demonstrates there to be a healthy appetite from occupiers to locate close to airports.

Our analysis of the R&D sector reveals a particular opportunity for more land and premises to meet demand. The University of Leeds has confirmed the leakage of many of the businesses that emerge from campus as a result of a lack of suitable premises. LBIA can offer a unique location for accommodating this potential demand.

5 LBIA Growth Drivers: Aviation

Demand for commercial land and premises

The DfT is projecting an increase in its passenger numbers from 3.3m passengers per annum at present to 7.1m passengers per annum by 2030. This significant growth in passenger numbers will require the airport to expand its footprint and will drive demand for additional land and premises across three key areas:

- **Core operational requirements** – to meet the growth ambitions, there will be a need to increase the capacity of the passenger terminal and other associated operational facilities such as aprons, taxiways, hangars, baggage handling, fuel stores and maintenance facilities. We have been advised by the Airport that it will require the expanse of land to the west of the existing terminal building currently comprising office and ancillary accommodation. This area is approximately 3.2 ha, and therefore additional land outside the main airport boundary will be required to accommodate the relocation of existing uses on the site.

- **Non-operational ancillary commercial land/floorspace requirements** – there will be a need for additional land and floorspace for additional/expanded flight operating companies (crew facilities/office space/maintenance facilities), catering organisations, ground handling facilities (e.g. Swissport) and others such as flight training/skills development facilities (i.e. the Aviation Academy/Multiflight etc). There is an opportunity for the Airport to develop its freight/cargo operations. It is currently ranked 24th nationally in terms of its cargo tonnage in 2013 (324 tonnes) and the airport considers there to be an opportunity to increase this perhaps ten-fold over the medium term to around 3,000-4,000 tonnes per annum, in line with the current tonnage at Newcastle Airport. This would have implications for the need for additional cargo/freight handling facilities, transit sheds and distribution facilities.

- **Supply chain related requirements (aviation businesses / occupiers) –** as the airport expands there is the potential for it to attract occupiers in the aviation sector which have a preference to be located in close proximity to the airport. These may include for example, aircraft component manufacturing/supply businesses, freight forwarders, which typically seek to locate adjacent to airports.

Benchmarking comparable airports

We have undertaken a review of a number of comparable regional airports elsewhere across the UK to understand more about the extent of their spatial footprint and the extent to which they have either current or planned commercial floorspace either within or in close proximity to the airport boundary. We have undertaken a review of the following as part of this, with a summary below and a more detailed analysis is presented within Appendix I:

- **Newcastle Airport** – accommodates 7,000 sq m Freight Village (with expansion land) and the Airport Industrial Estate is located 3 miles from the Airport, comprising 18,000 sq m of light industrial floorspace (only c.460 sq m is vacant). The Newcastle International Airport Business Park is currently being marketed and comprises 50 hectares owned by the Airport which could accommodate up to 1m sq ft of commercial development (allocated in emerging Local Plan). There are 7 hotels within a 2.5 mile radius of the airport.

- **Liverpool John Lennon Airport -** TNT distribution facility on a 1.6 ha (4 acre) site to the east of terminal. An expanded cargo and maintenance facility is planned adjacent to the airport of around 7 ha. Liverpool International Business Park is a 157 acre (62 hectare) site situated adjacent to Liverpool John Lennon Airport. Planning consent has been granted for B1/B2/B8 uses on the site and buildings ranging from 50,000 sq. ft. (4,645 sq. m.) to 500,000 sq. ft. (46,452 sq. m.) can be accommodated. 14 ha (35 acres) of development land is currently being marketed. Estimated to be circa 340,000 sq m (3.5 million sq ft) of mixed office, industrial, warehousing and commercial leisure accommodation within 2 km (1.2 miles) of JLA when these sites are fully built out (including existing local employment sites). 4 hotels immediately adjacent to airport.

- **Bournemouth Airport -** the Aviation Park is adjacent to the Airport, comprising a mix of technology, industry and freight uses across 80 hectares (200 acres) of land and buildings allocated for employment use. It provides approximately 150,000 sq m of business space being developed by the owners of the airport. There are plans to develop a further 50,000 sq m of employment space on this site (outline consent secured).

- **East Midlands Airport** – home to 17,000 sq m of cargo floorspace and a further 66,000 sq m of commercial floorspace owned by the Airport on site. The Pegasus Business Park is located adjacent to the Airport and comprises 26 ha of land (10 ha remain undeveloped) and a total of 20,000 sq m of B1 floor space. Plans to bring forward the remaining 10ha at Pegasus for office, logistics, general warehousing and hotel uses. Land to the south of the Pegasus Business Park, has been identified as potential employment land. Land has also been reserved for the further development of the DHL Hub building at Cargo West and land will also be safeguarded for a second major integrator hub in Cargo East. Plans are also being developed to deliver a rail freight terminal capable of providing up to 600,000 sq m of B8 floorspace. 4 hotels immediately adjacent to airport

- **Aberdeen Airport -** Existing cargo facilities on the airport site occupy 2,400 sq m of floorspace. Adjacent to the Airport are two well established industrial estates with a number of large oil/gas company occupiers. Also adjacent to the Airport is the 54 acre ABZ Business Park, with outline planning consent for a mix of office, industrial and hotel uses. Also in close proximity to the Airport is the D2 Business Park with outline planning consent for 100,000 sq m of

office/industrial/ancillary employment uses. Adjacent to this is additional land allocated for employment or HE/research use. 6 hotels within close proximity of the airport

In summary, it is evident that all 5 of these comparator airports have either an established or pipeline supply of employment land adjacent to their operational boundaries as well as cargo/freight handling facilities within the airport boundaries. In terms of adjacent commercial employment land, Bournemouth has an 80 ha employment site, Liverpool a 62 ha site, Newcastle a 60 ha site, East Midlands a 26 ha site and Aberdeen a 22 ha site. These are all dedicated business parks that are being developed and marketed on the back of their proximity to the airport assets.

Potential for growth at LBIA

Estimates of the likely future land and premises requirements of the Airport are set out below based upon the assumed passenger and cargo growth projections and using benchmarks from comparator airports elsewhere.

Core operational requirements – as above and advised by LBIA, it is assumed that there is a requirement for an additional 3.2ha of land to accommodate the existing office/ancillary functions to the west of the main terminal building. This would enable the airport to expand its core operational floorspace on this vacated land to meet its growth projections.

Non-operational ancillary commercial land/floorspace requirements – an estimate of the likely non operational floorspace required within the airport boundary has been made through applying the current non operational floorspace at the airport and the current passenger numbers, to the projected increase in passenger numbers, assuming a linear growth trajectory. The results of this are presented below and demonstrate the need for an additional 5,000 sq m of office and industrial floorspace to be located in close proximity to the core operational functions of the airport.

Table 5.1: Linear growth in non operational floor space

	Baseline	Projected
Non operational floor space in airport boundary		
Offices (sq m)	2470	5315
Industrial (sq m)	2179	4687
Total	4649	10002

In addition to the above, if the Airport exploits the opportunity to develop and expand its cargo/freight handling capacity, this would result in the need for further floorspace to be

developed to provide cargo handling/freight forwarding/distribution facilities. If it is assumed that LBIA develops a similar scale cargo handling level as currently at Newcastle Airport (c.3,000 – 4,000 tonnes per annum), it could be assumed that it may require a similar scale of cargo/freight floorspace to support this. This would equate to the need for a minimum of 7,000 sq m of cargo-related floorspace within/immediately adjacent to the airport site to enable this.

If the provision of skills-based facilities increases (i.e growth in the Aviation Academy/Multiflight facilities), this could support the need for further on site floorspace given the need for these facilities to be airside. The Aviation Academy has recently leased additional space from Multiflight as is expanding and so this could be a realistic possibility over the medium term.

In addition to this, there would also be the likely need for a consolidation centre at the airport if it is to realise its growth ambitions and again this would require further land.

Supply chain related requirements – it is difficult to quantify the likely spatial requirements of aviation related businesses that may be attracted to the airport location over the medium term. By way of example, Bournemouth's Aviation Park has just secured a deal with Aim Aviation which manufactures aviation interiors, to develop a 16,000 sq m advanced manufacturing and R&D facility.

Summary of benchmark airports across the UK

Airport	Passenger Numbers (million)		Cargo Movements (tonnes)		Airport Operational Area	Direct number of FTE jobs on Airport site	Existing employment uses within/adjacent to Airport	Planned/pipeline employment uses within/adjacent to Airport
	2013	Projected (2030)	2013	Projected (2030)				
Newcastle	4.42	8.50	3,701 (plus 6,512 tonnes of mail)	Growth planned	374 ha	3,200	• 7 hotels within 2.5 mile radius • Freight Village – 7,000 sqm • Airport Industrial Estate (3 miles from the Airport). 91 light industrial units totalling 202,766 sq ft (18,838 sqm). Only 5,000 sqft vacant.	• Newcastle International Airport Business Park – 50 hectares owned by the Airport – up to 1m sqft of commercial development (allocated in emerging Local Plan). Phase 1 for 175,000 sqft of B1 Grade A floorspace has outline planning consent. Additional land that can accommodate 450,000 sqft of freight/distribution space (planning application being developed). Third plot for major HQ. Sites currently being marketed by agents. UK Land Estates on board as developer. • Freight Village expansion land
East Midlands	4.33	10.0 (2040)	266,968 (plus 30,000 tonnes of mail)	618,000 tonnes (2035) and 700,000	445 ha	6,500	• 17,094sqm (184,000sqft) cargo floorspace including 728sqft freight handling units to 67,918 sqft transit sheds.	• East Midlands Gateway Strategic Rail Freight Interchange - plans are being developed to deliver a rail freight terminal capable of providing up to 6m sqft of B8 floorspace

				tonnes (2040) plus 30,000 tonnes of mail			• Further 66,000 sqm of commercial floorspace owned by airport let on ground leases. Over 100 tenants in total at Airport • Pegasus Business Park - in the south west corner of the airport site. 26 hectares, of which 10 remain undeveloped. Total of c.200,00 sqft of B1 floorspace, including 25,000 sqft Regus building, PWC Office, National Grid • 4 hotels including 3 at Pegasus Business Park including	• Land has been reserved for the further development of the DHL Hub building at Cargo West and land will also be safeguarded for a second major integrator hub in Cargo East. • Pegasus Business Park has an extant planning consent for business park development including hotels and conference centres – 10 hectares to be developed. Commercial development proposals associated with the airport will be brought forward for sites within the Pegasus Business Park. These uses will include offices, logistics, general warehousing and hotels. • Land to the south of the Pegasus Business Park, has been identified as potential employment land in the North West Leicestershire Employment Land Availability Assessment (2013).
Liverpool	4.19	12.3 (2030)	278 (down from 9,000 tonnes in 2004 due to contract	220,000 tonnes (2030)	186 ha	2,150	• TNT invested £6 million in the provision of a new large distribution facility on a 1.6 ha (4 acre) site to the east of terminal. • Hotels - Crown Plaza, Hampton by Hilton (on site), Holiday Inn Express, Premier Inn	• An expanded cargo and maintenance facility is planned adjacent to the airport of around 7 ha to handle forecast growth of cargo to around 40,000 tonnes pa • Liverpool International Business Park is a 157 acre (62 hectare) site situated adjacent to Liverpool John Lennon Airport. Planning consent has been granted for B1/B2/B8 uses on the site and buildings ranging from 50,000 sq. ft. (4,645 sq. m.) to 500,000 sq.

			withdrawals					ft. (46,452 sq. m.) can be accommodated. Current occupiers include B&M and Prinovis. 35 acres of development land is currently being marketed. • Including the above plus the Wings Leisure and Entertainment Park and Blue Lands Business Park, when fully developed out these will provide over 340,000m2 (3.5 million ft2) of mixed office, industrial, warehousing and commercial leisure accommodation within 2 km (1.2 miles) of JLA.
Aberdeen	3.44	5.1 (2040)	7,102 (plus 362 tonnes of mail)	9,200 (2040)	215	c.2,000	• Existing cargo facilities occupy approximately 0.8 hectares of land, including 1,600 sqm of warehousing. • DHL also have an 800 sqm cargo facility to the south of the main terminal. • Existing hotels include a Thistle Hotel, Premier Inn, Courtyard by Marriott and Speedbird Inn, all on the airport site. Adjacent to it is the Menzies Dyce Hotel (209 rooms) and the Aberdeen Air Hotel. • Adjacent to the Airport is the Kirkhill Industrial Estate to the west and Wellheads Industrial Estate to the east. These are both well established industrial estates with a number of major oil/gas company occupiers	• Additional developments at ABZ Business Park as opposite • D2 Business Park – outline planning consent for 1.2m sqft of office/industrial/ancillary employment uses adjacent to the Airport • Additional land allocated for employment or HE/research use from 2024

							• Also adjacent to the Airport is the 54 acre ABZ Business Park. It has outline planning consent for a mix of office, industrial and hotel uses and some speculative office development is already underway, with a number of occupiers having already taken space on the site. Development is also underway to construct a 200 bedroom 4-star Holiday Inn and a 130 bedroom 3-star Holiday Inn Express, expected to open in late 2015. Regus is also due to open a business centre on the site in 2015.	
Bournemouth	0.66	4.5 (2030)	1,818 (plus 7,600 tonnes of mail)	Assumes current level maintained	366 ha	2,700 (2005 data)	• The Aviation Park is adjacent to the Airport, comprising a mix of technology, industry and freight uses across 80 hectares (200 acres) of land and buildings allocated for employment use. It provides c.1.6m sq ft of business space, supports over 200 businesses and around 2,500 jobs. It comprises offices, industrial units, distribution, hangars and workshop sites, with a mix of both aviation and non-aviation related	• In 2012, MAG Developments unveiled a ten-year masterplan vision for the development of 540,000 sqft of new business space – including offices, industrial units, warehousing and distribution facilities, and aviation uses such as hangars.MAG Developments has already secured outline planning permission for the project – granted December 2011 – to deliver a range of quality new business premises and commercial space, split

							occupiers, which are generally attracted by the prestige of being based at the airport It is owned and operated by the Manchester Airport Group, the owners of the Airport. It includes a Basepoint Business Centre	across five separate plots, totalling around 35 acres.

6 LBIA Growth Drivers: Commercial

In this section we examine the commercial potential of the Airport hub through providing an assessment of the mainstream office and industrial commercial markets operating in Leeds. We have examined the market for land and premises across each sector at both the local LBIA (within a 2 mile radius) and wider Leeds levels.

The Leeds office market

Leeds is one of the UK's largest regional office centres with particular strengths in the financial and professional service sector. It is home to a number of major banks and accountancy firms and is becoming one of the most important legal centres outside of London. The size and strength of the labour market drives demand for office floor space from a wide range of sectors and occupier types and the City has healthy Out-of-Town, as well as City Centre, office markets.

Recent market conditions have been characterised by increasing take up and falling supply which has put pressure on rents and yields with many predicting a tipping point on the horizon and a return to more widespread development activity than has so far been observed. A number of development starts are underway and occupier and investor sentiment is now beginning to improve for the out of town market as well as the City Centre.

2013 saw a record-breaking volume of lettings in Leeds with approximately 120,000 sq m (1.3m sq ft) transacted in the City Centre and out of town markets combined, significantly above the long term average of 85,000 sq m (920,000 sq ft). Although this year has so far indicated a return to average levels, there remains strong pent up interest driven by a number of pre let requirements with lease events in 2015/16.

As Figure 6.1 below shows, there has been a gradual increase in take up in the City Centre office market from 2010 onwards with a peak in 2013. The long term 10 year average is 47,500 sq m (500,000 sq ft). Figure 6.2 shows a similar pattern for the out of town market in the last three years with a long term 10 year average of 38,300 sq m (400,000 sq ft).

Availability has been in a period of decline as a result of the lack of development activity with the level of Grade A premises on the market falling to circa 20,000 sq m (215,000 sq ft), less than half a year's supply. Figure 6.3 below illustrates the long term trends in availability showing the dramatic fall in total availability from peak in 2010.

The development pipeline has responded. For example, No. 6 Wellington Place (105,000 sq ft) is under construction and due for delivery in December 2015. Similarly, Wellington Street (220,000 sq ft) is due to be delivered in Q1 2016. Sovereign Square, Sovereign Street (95,000 sq ft) has detailed planning consent and construction is due to start in December 2014 for delivery in Q2 2016.

Figure 6.1: Leeds City Centre Take up

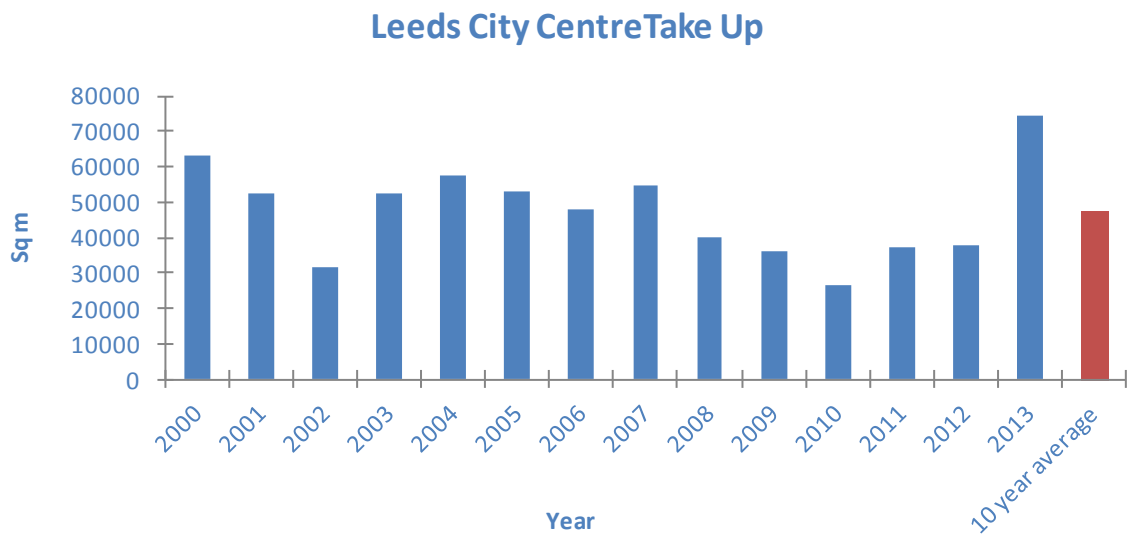


Figure 6.2: Leeds Out of Town Take Up

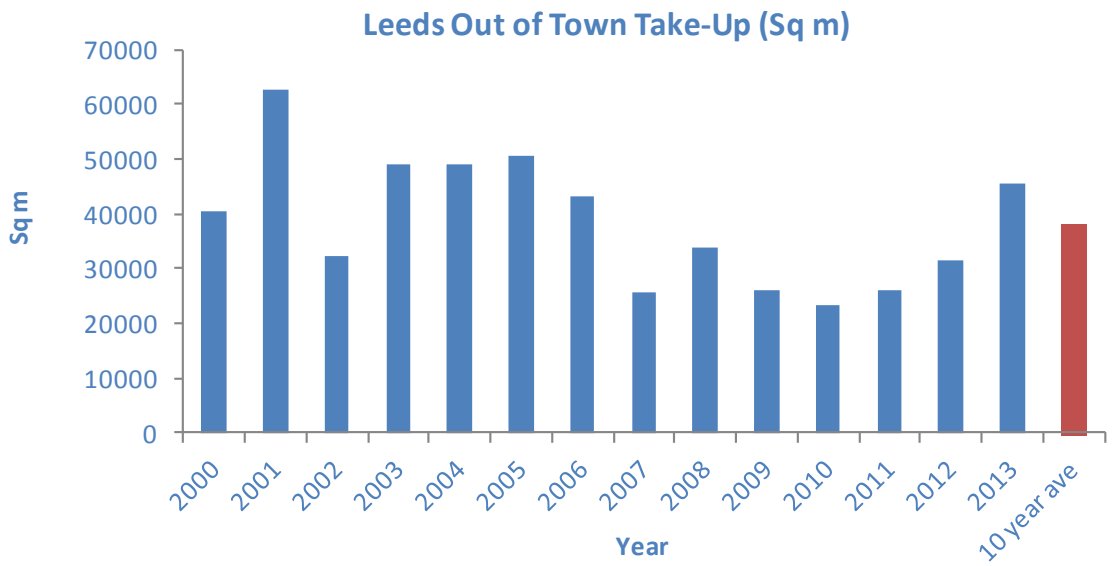
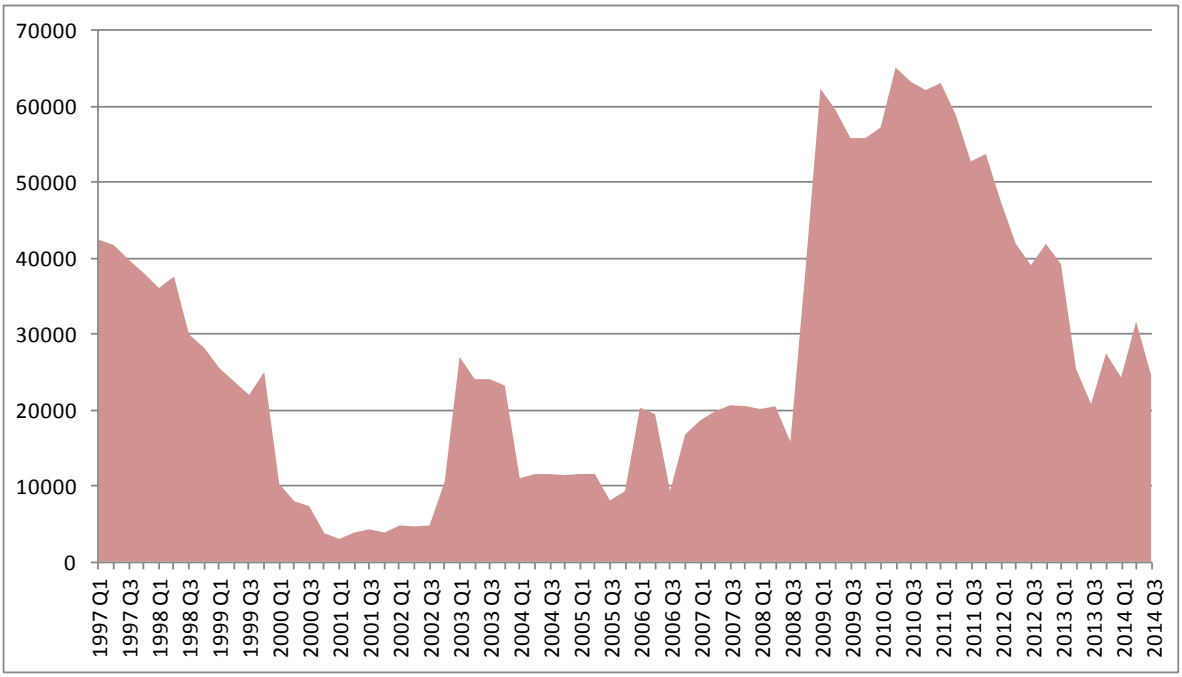


Figure 6.3: Grade A office availability in Leeds 1997 to 2013 (Sq m)



Looking at the future supply of land for office development in the City, there are a number of major office schemes proposed as illustrated in Table 6.1 below. Within the City Centre, the remaining development parcels at Wellington Place represent the most significant scheme in the pipeline with approximately 110,000 sq m still to be built out. In the out of town market, there are **only** two major sites, with Thorpe Park offering land for over 110,000 sq m of office floor space and Leeds Valley Park almost 10ha.

Table 6.1: Proposed office developments

Office sites	Acres	Ha	Sq ft	Sq m
City Centre				
Wellington Place		0.00	1,200,000	111,480
Yorkshire Post Site	5.00	2.02	300,000	27,870
Lattitude	2.00	0.81	375,000	34,838
City Square House			175,000	16,258
Sovereign Square			83,000	7,711
Central Square			225,000	20,903
Whitehall Riverside			500,000	46,450
Out of town				
Thorpe Park			1,200,000	111,480
Leeds Valley Park	24	9.71		

However whilst these schemes may appear on the surface to give Leeds a substantial quantum of years' supply, given the scale of annual take up, they may be exhausted within the next plan period. In strategic planning the future market there is a need to consider the next wave of office schemes to ensure there is enough of the right quantity and quality to meet market requirements.

In summary, office market conditions are improving and as occupier and investor sentiment continue to strengthen there is likely to be a resurgence of demand for developing new schemes. The scale of demand year on year is such that Leeds needs to bring forward new development opportunities in both in and out of town locations to meet long term market requirements, underlining the potential of Leeds Bradford International Airport.

LBIA office market

There is an established local office market operating in close proximity to Leeds Bradford Airport, with a small number of well occupied office buildings/parks:

- Airport West, Lancaster Way – modern purpose built business park located off A658 Harrogate Road opposite the White House Lane entrance to the airport
- Moorfield Business Estate located immediately to the south of the Airport on the west side of A658 Harrogate Road, comprising a mix of office and industrial accommodation
- Aireview Court on the A65, period renovation multi occupancy premises
- Rawdon Park, Green Lane, purpose built offices

Airport West is the most significant of these, a scheme delivered close to the peak of last property cycle. The scheme was developed by Rushbond with the first two phases of the scheme completed in 2006/07 comprising 8,770 sq m (94,000 sq ft) across seven buildings. A further 2,480 sq m is proposed as part of Phase 3 with Phase 4 being promoted for a pub/restaurant.

These office premises cater for a wide range of occupiers including professional services, IT / media, airport related. Occupiers at Airport West include Leeds Bradford International Airport, Nunwood Consulting (a management consultancy), Towergate Risk Solutions (insurance brokers), WLP (digital media company), Westgate Properties (property consultancy).

There has been a regular churn of occupiers and new lettings in recent years resulting from the relocations both within and from outside the local area. The Estates Gazette Interactive database (EGi) recorded a number of building lettings and sales in the last 30 months, as illustrated in Table 6.2 below, indicating a healthy demand for property on a leasehold and freehold basis. Transactions have been predominantly at the smaller end of the size spectrum with lettings typically 500 sq m (5,400 sq ft) and under.

According to EGi, over the period 2008-2013, there has been an average of 2881 sq m (31,000 sq ft) of floor space transacted per annum.

Table 6.2: Office transactions 2012-2014 within a 2 mile radius of LBIA (source EGi)

Transaction type	Address	Deal/Auction date	Total space Size (sq m)	Size(sq ft)	Purchaser/Lessee
Auction	Albion House, Rawdon Park, Yeadon, Leeds, LS19 7XX	27/03/2014			
Lease	Ground Floor, Rawdon Court, 20 Leeds Road, Rawdon, Leeds, LS19	01/03/2014	251	2,700	Claims Management Solutions
Sale	Elmwood House, Ghyll Royd, Guiseley, Leeds, West Yorkshire, LS20	01/03/2014	591	6,366	JM Glendinning (Insurance
Lease	Unit 10, 8-10 New Road Side, Rawdon, Leeds, LS19 6HN	01/12/2013	30	328	Undisclosed letting
Sale	Unit 8, Airport West, Lancaster Way, Yeadon, Leeds, LS19 7ZA	01/10/2013	1,161	12,500	Romero Insurance Brokers
Sale	Airport West, 2 Lancaster Way, Harrogate Road, Yeadon, Leeds, LS19	01/08/2013	571	6,141	Undisclosed Occupier
Lease	Unit 1, Airport West, Lancaster Way, Yeadon, Leeds, LS19 7ZA	01/08/2013	372	4,000	Complete Care Agency Limited
Sale	Unit 2, Airport West, Lancaster Way, Yeadon, Leeds, LS19 7ZA	01/06/2013	557	6,000	One Global
Lease	Unit A (part), Home Farm Industrial Park, The Avenue, Esholt, Shipley,	01/06/2013	122	1,317	
Sale	Unit K, Home Farm Industrial Park, The Avenue, Esholt, Shipley, West	01/04/2013	46	500	Orthodontics
Lease	Unit E, 1st Floor, Home Farm - Esholt Hall, Esholt Hall Estate, Esholt,	15/01/2013	63	675	Summer Boarding Courses
Lease	Airport West - Altitude 4, Lancaster Way, Yeadon, Leeds, LS19 7ZA	15/01/2013	101	1,091	Toriga Energy Limited
Lease	1st and 2nd Floor, Sizer's Court, 1 Henshaw Lane, Yeadon, Leeds,	01/10/2012	252	2,714	Undisclosed Occupier
Lease	Airport West - Altitude 4, Lancaster Way, Yeadon, Leeds, LS19 7ZA	01/09/2012	199	2,145	Customer Metrics Limited
Lease	Unit 3, Airport West, Lancaster Way, Yeadon, Leeds, LS19 7ZA	01/07/2012	825	8,880	Filtronic Plc
Lease	Unit E, Home Farm Industrial Park, The Avenue, Esholt, Shipley, West	01/07/2012	63	675	Circle Controls
Lease	Unit A (part), Home Farm Industrial Park, The Avenue, Esholt, Shipley,	01/04/2012	268	2,886	Brilliant UK Limited
Lease	Unit 5/7, Moorfield Industrial Estate, Moorfield Road Estate, Yeadon,	01/03/2012	133	1,430	Undisclosed Occupier
Lease	Moorfield Industrial Estate, Moorfield Road Estate, Yeadon, Leeds,	01/03/2012	121	1,300	Undisclosed Occupier
Lease	Unit 8, 8-10 New Road Side, Rawdon, Leeds, LS19 6HN	01/03/2012	30	323	Undisclosed Occupier
Sale	12 New Road Side, Rawdon, Leeds, LS19 6HN	01/03/2012	187	2,010	Undisclosed Occupier
Sale	Unit D, Home Farm - Esholt Hall, Esholt Hall Estate, Esholt, Shipley,	15/02/2012	475	5,112	PPS
Lease	Unit D, Home Farm Industrial Park, The Avenue, Esholt, Shipley, West	01/02/2012	475	5,112	PPS
Sale	Rawdon House, Leeds Road, Leeds, West Yorkshire, LS19 7XX	25/01/2012	3,149	33,891	Emis Limited

In respect of availability, according to EGi there is currently approximately 3,195 sq m (34,000 sq ft) of office floor space available on the market in the local area, with a pipeline of a further 2,480 sq m comprising the outstanding phase of development at Airport West (see Table 6.3 below). The existing properties are generally small in size and second hand.

Table 6.3: Existing Availability of office property within 2 mile radius of LBIA (EGi)

Address	Unit description	Unit size (sq m)	Unit size (sq ft)	Type of tenure	Grade of space
Realtex House, 2 Leeds Road, Leeds, LS19 6AX	1st (part)	54	581	Leasehold	Second-hand Grade
Realtex House, 2 Leeds Road, Leeds, LS19 6AX	1st (part)	84	909	Leasehold	Second-hand Grade
Aire View Court, Low Green, Leeds, LS19 6HB	Ground (part)	67	720	Leasehold	Second-hand Grade
Aire View Court, Low Green, Leeds, LS19 6HB	2nd (part)	121	1300	Leasehold	Second-hand Grade
1a Harrogate Road, Leeds, LS19 6HW	1st	45	479	Leasehold	New - Refurb
Moorfield Road Estate, Leeds, LS19 7BN	Unit 2	268	2880	Leasehold	Second-hand Grade
Kirkfields Business Centre, Kirk Lane, Leeds, LS19 7ET	Entire Building	904	9735	Leasehold	New - Refurb
High Street House, 2 High Street, Leeds, LS19 7PP	Suite 7	17	180	Leasehold	Second-hand Grade
High Street House, 2 High Street, Leeds, LS19 7PP	Suite 4	19	205	Leasehold	Second-hand Grade
High Street House, 2 High Street, Leeds, LS19 7PP	Suite 5	26	285	Leasehold	Second-hand Grade
High Street House, 2 High Street, Leeds, LS19 7PP	Suite 1	28	300	Leasehold	Second-hand Grade
Kmh House, High Street, Leeds, LS19 7PP	Ground (part)	44	473	Leasehold	Second-hand Grade
Britannia Chambers, 67 High Street, Leeds, LS19 7SP	1st and 2nd	93	1003	Leasehold	Second-hand Grade
Tarn House, 77 High Street, Leeds, LS19 7SP	1st	168	1810	Leasehold	Second-hand Grade
Springfield House, White House Lane, Leeds, LS19 7UE	Springfield Cottage Ground Floor	84	902	Leasehold	Second-hand Grade
Fairbank House, 1 Moorfield Close, Leeds, LS19 7YA	Unit 1	74	800	Leasehold	New - Refurb
Fairbank House, 1 Moorfield Close, Leeds, LS19 7YA	Unit 5/7	133	1430	Leasehold	Second-hand Grade
Moorfield Business Park, Moorfield Close, Leeds, LS19 7YA	Unit 15	468	5040	Leasehold or	Second-hand Grade
Moorfield Business Park, Moorfield Close, Leeds, LS19 7YA	Axiom House, Unit 7	0	0	Leasehold	Second-hand Grade
Airport West, Lancaster Way, Leeds, LS19 7ZA	Unit 7	167	1796	Leasehold	Second-hand Grade
Building One, Lancaster Way, Leeds, LS19 7ZA	Ground and 1st	331	3561	Leasehold	Second-hand Grade
Lancaster House, Lancaster Way, Leeds, LS19 7ZA	Entire Building	2480	26700	Leasehold or	New - New Build

The existing office market at Leeds Bradford International Airport therefore shows potential for growth in the future. With an average take up of 2881 sq m per annum (31,000 sq ft), there is a healthy demand for new floor space which, allowing for the take up of outstanding/projected availability (5,675 sq m), could generate demand for new floor space in approximately 2 years' time.

Regional industrial market

Market conditions have been gradually improving in the industrial sector across the UK. Gross Domestic Product grew by 1.9% in 2013, the fastest since 2007 and business surveys have reported an improvement in export demand in the last 12 months together with increasing investment intentions.

Improvement in the general economic environment has transmitted itself unevenly to the industrial sector. Total take up over 2013 actually fell nationally, although the quantity of 'prime' deals increased, driven by an upturn in built-to-suit activity. However, Yorkshire bucked the general trend where a record level of take up was observed and a significant drop in prime space in the market.

Take-up for industrial / warehouse premises in Yorkshire (buildings over 10,000 sq m) reached a record 5 year high of over 400,000 sq m in 2013. For the larger space occupiers, total availability in the region is reported to be approximately 350,000 sq m and includes 3 buildings that returned to the market at Wakefield Europort and Bretton Park in Dewsbury. Average take up of large buildings over the past 5 years has been approximately 325,000 sq m per annum and therefore predictions are that the region will run out of available buildings in the next 18 months.

Whilst development activity remains largely restricted to build to suit deals, there is a generally held view among industrial agents that a return to development is now on the horizon in the short to medium term as a result of rental pressure and growing occupier sentiment. DTZ Research predicts rental growth of an average of 2% per annum over the period 2014-2018 in the Leeds industrial market.

Figure 6.4: Yorkshire Industrial take up (sq m)

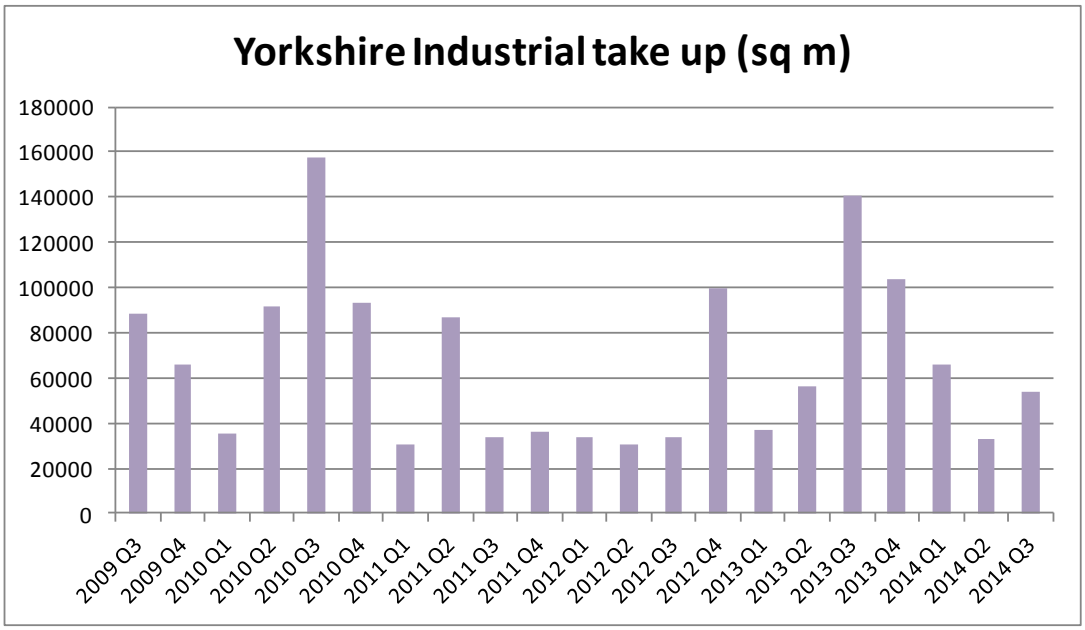
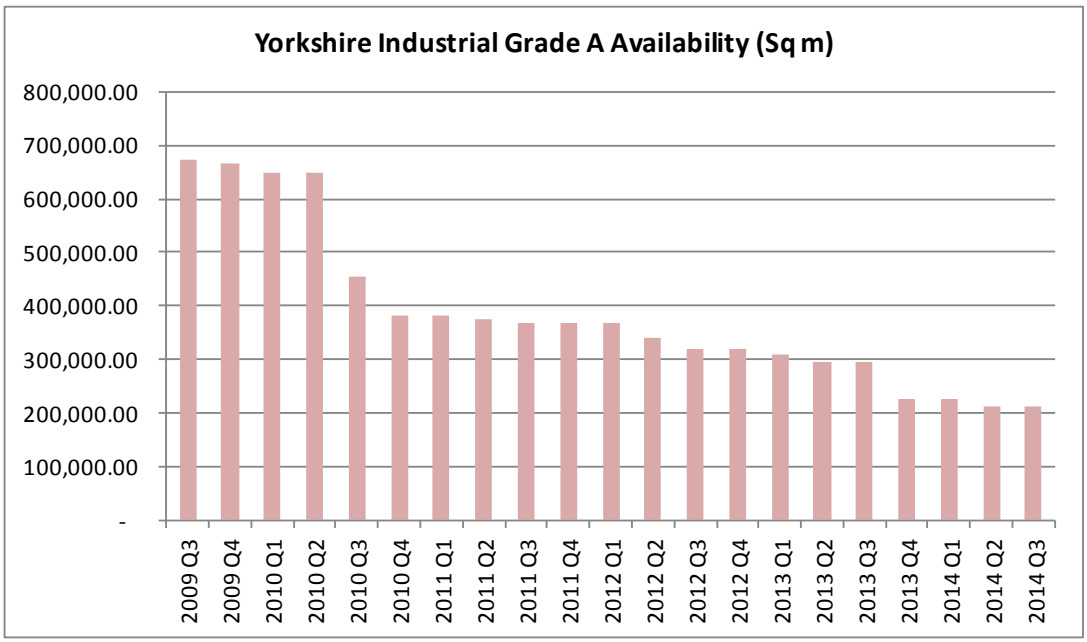


Figure 6.5: Yorkshire Grade A availability (sq m)



Leeds employment land market

The above charts provide details of the take up and availability of land for the region as a whole which disguise the shortage of readily available land and premises in the Leeds area. The lack of readily available sites and premises in Leeds has meant that many occupiers have failed to find suitable accommodation and as a result have sought property in other regions. An example of this

is Elbee, a manufacturing firm who moved their operations from Leeds to Barnsley in 2012. Anecdotal feedback from inward investment agents and economic development specialists active in the Leeds market has also indicated the difficulties in being able to match inward investment opportunities to accommodation, particularly in the R&D sector.

DTZ has mapped all the industrial sites over 4 ha (10 acres) that we are aware are currently on the market in the Leeds area. The plan below also includes office sites. It illustrates that there is an uneven distribution with limitations to the supply of sites to the north of Leeds. It also shows the limited range of property segments catered for with no dedicated innovation facilities or science parks, in sharp contrast to other competing city regions such as Manchester (Airport Medi Park), Sheffield (Advanced Manufacturing Park), Newcastle (Science Central) and Liverpool (Liverpool Innovation Park).

The limitations to Leeds' land and premises portfolio underlines the potential role that a growing LBIA hub employment zone could have in enhancing the city's offer to the investor and occupier markets.

The Council's Employment Land Review 2010 update confirms the quantitative need for new site allocations across the administrative area. The document provides an assessment of the requirements for and supply of employment land in Leeds over the course of the next Local Plan. It concludes that there is a need for 536 ha of employment land for industrial purposes over the period 2010-2028, set against a portfolio of 350 ha to be rolled forward (these being comprised of sites which the review considers are suitable for continued employment use), leaving a residual requirement of 186 ha of new allocations.

The Employment Land Review also provides a sub area analysis of need and supply to inform the process of new allocations. The analysis is based on socio-demographic as opposed to market factors. It shows that there is a marginal requirement for new allocation in the 'Outer North West' zone (the zone in which LBIA is located), but that when aggregated for all north Leeds zones, there is actually a significant shortage and a need for new allocations, as illustrated by Figure 6.8 below. This further demonstrates the role that LBIA can play as an extended employment zone in helping meet the future employment land requirements of Leeds.

Figure 6.6: Supply of employment sites in Leeds (sites over 4 ha/10 acres)

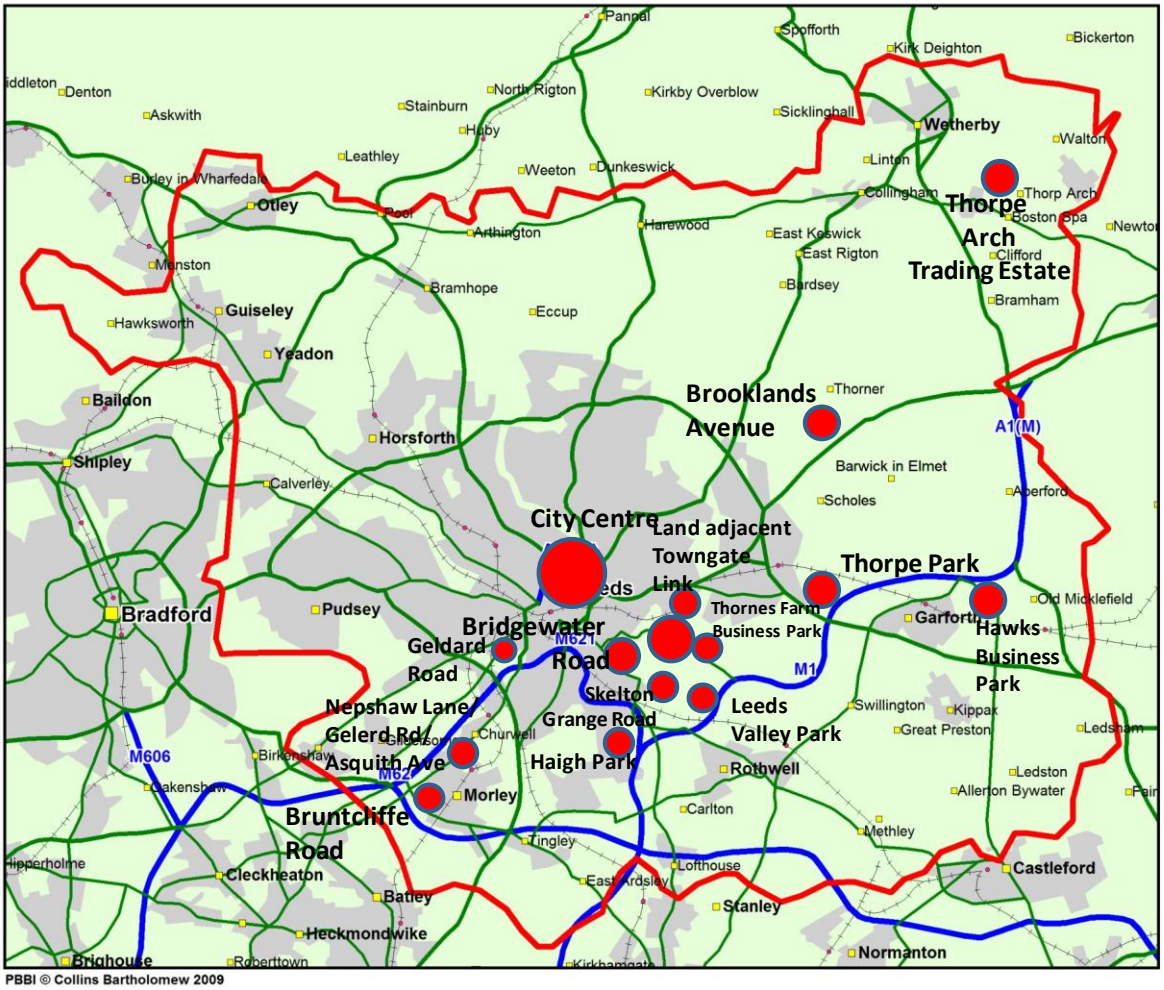


Figure 6.7: Leeds employment land requirements (ha)

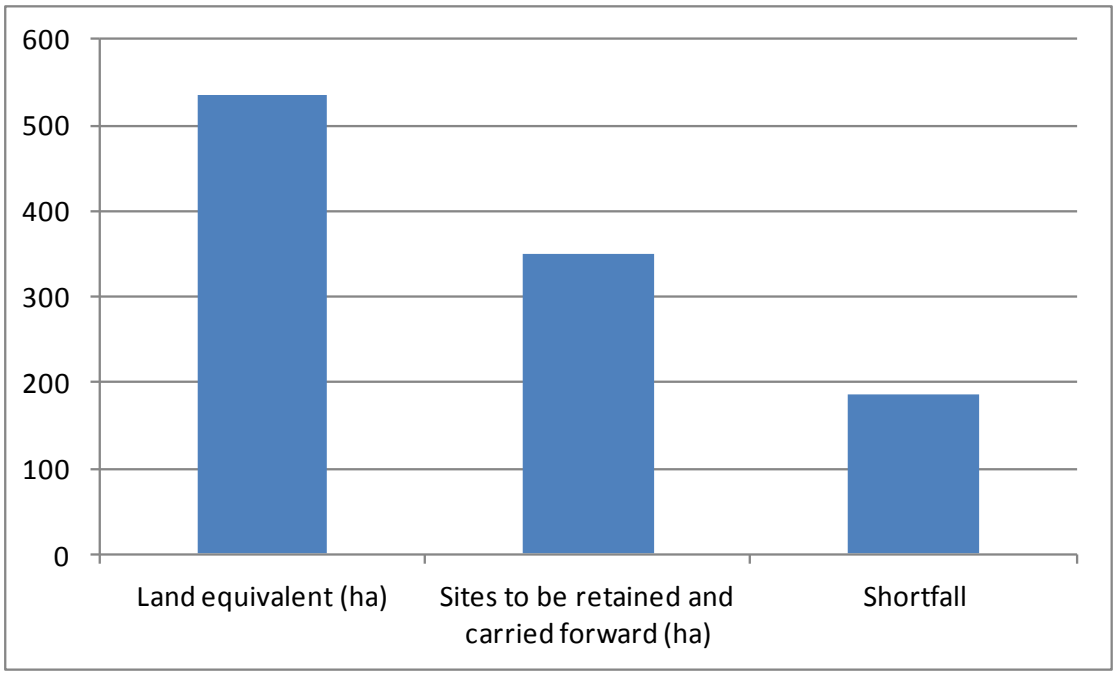
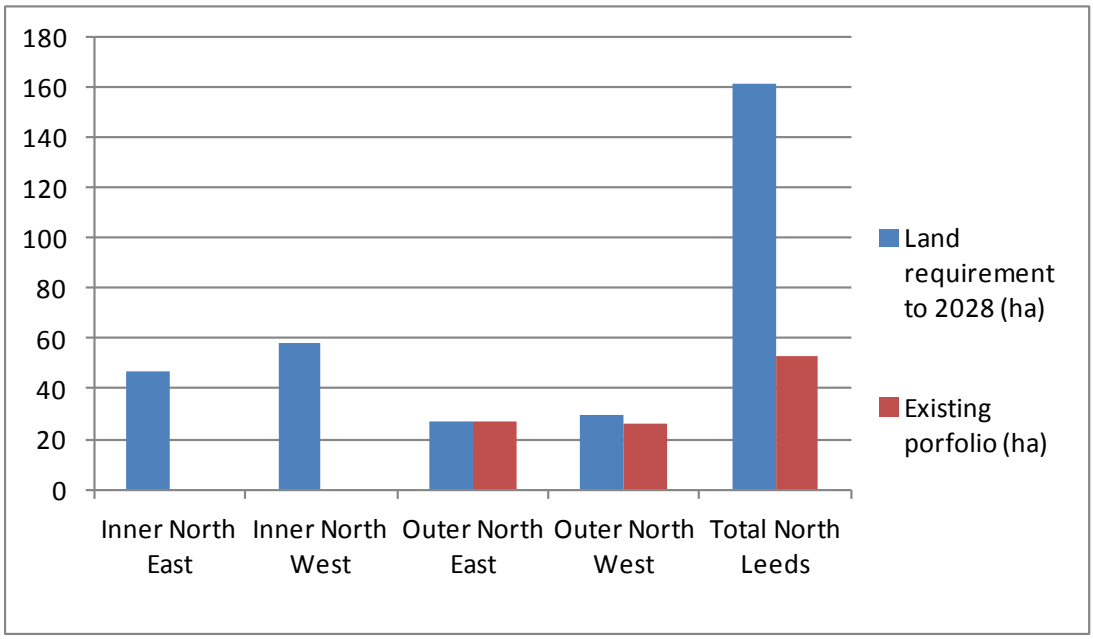


Figure 6.8: North Leeds employment land requirements (ha)



LBIA Industrial market

At the local level there is a significant amount of industrial accommodation in the immediate surroundings of the airport, concentrated on the following estates

- Leeds Bradford International Airport Industrial Building, A658 Harrogate Road
- Moorfield Business Estate, A658 Harrogate Road
- Carlton Industrial Estate, Cemetery Road
- Westfield Industrial Estate, Kirk Lane, Yeadon
- South View Business Park, off A65

These parks are well occupied and accommodate a range of light industrial and manufacturing occupiers.

There has been a regular churn of occupiers and new lettings in recent years resulting from the relocations both within and from outside the local area. The Estates Gazette Interactive database (EGi) recorded a number of building lettings and sales in the last 30 months, as illustrated in Table 6.4 below, indicating a healthy demand for property on a leasehold and freehold basis. Over the last six years (2008-2013) there has been an average of 11,602 sq m per annum (125,000 sqft).

Table 6.4: Industrial transactions 2012-2014 within a 2 mile radius of LBIA (source EGi)

Address	Deal/Auction date	Total space Size (sq m)	Size(sq ft)
Unit 3, Moorfield Industrial Estate, Moorfield Road Estate, Yeadon,	01/08/2014	283	3,042
Unit 3, Leeds Bradford Airport Industrial Estate, Harrogate Road,	31/10/2013	8,331	89,669
Unit 1B, Leeds Bradford Airport Industrial Estate, Harrogate Road,	31/10/2013	8,191	88,162
Unit 10b, Leeds Bradford Airport Industrial Estate, Harrogate Road,	01/07/2013	3,127	33,663
Unit 1, Southview Business Park, Ghyll Royd, Guiseley, Leeds,	01/03/2013	534	5,750
Building 3, Airport West, Lancaster Way, Yeadon, Leeds, LS19	01/08/2012	883	9,500
Unit 1A, Leeds Bradford Airport Industrial Estate, Harrogate Road,	01/07/2012	14,246	153,339
Unit A, Carlton Industrial Estate, Cemetery Road, Yeadon, Leeds,	31/03/2012	465	5,000

Existing availability is limited to three buildings, two of which at Leeds Bradford Airport Industrial Estate, together totalling 12,414 sq m (134,000 sq ft):

Table 6.5: Existing Availability of office property within 2 mile radius of LBIA (EGi)

Address	Unit description	Unit size (sq m)	Unit size (sq ft)	Type of tenure	Grade of space
Carlton Industrial Estate, Cemetery Road, Leeds, LS19 7BD	Unit E	1359	14633	Leasehold	Second-hand Grade
Leeds Bradford Airport Industrial Estate, Harrogate Road, Leeds,	Unit 10b	2787	30000	Leasehold	Second-hand Grade
Leeds Bradford Airport Industrial Estate, Harrogate Road, Leeds,	Unit 3	8268	88999	Leasehold	Second-hand Grade

As with the local office market, the level of occupier activity and transactions on the estates surrounding Leeds Bradford International Airport underlines the potential for further occupancy in the future. On the basis of the prevailing average take up levels (11,602 sq m), the existing supply of 11,602 sq m will be exhausted in little more than one year.

Summary

Commercial market conditions are improving with the office and industrial sectors emerging strongly from the downturn. Increasing take-up and falling supply are evident and a return to more widespread development is anticipated in the near future.

Looking at the long term, there is a projected need for new high quality serviced employment land to meet market requirements. The dynamics of the office market in Leeds are such that there is a strong in and out of town market and a real opportunity for LBIA to help fulfil the future requirements of the out of the town market whilst offering an alternative, differentiated product. There is a shortage of industrial sites – both quantitative and qualitative – to meet the long term market requirements of Leeds. Allied to the potential for surface access enhancements and airport related growth, there is considerable potential for commercial pressures to drive the delivery of major hub and employment zone at the Airport.

7 Airport Land Development Strategy

Demand for a commercial hub at LBIA

There is a major opportunity to enhance Leeds' commercial portfolio of land and premises through the creation of a commercial hub at the airport. The hub will reinforce the growth of the Airport and will help drive forward the economic ambitions set out in the LEP's Strategic Economic Plan, in particular plugging gaps in the city's commercial property offer.

There is an established demand for new commercial land and floor space at Leeds Bradford International Airport that arises from the concentration of occupiers locally and the growth of the Leeds economy and its associated accommodation requirements. The collated evidence set out in Section 6 shows that there is a healthy churn of new lettings year on year in respect of both industrial and office accommodation and, over time, there have been new development schemes such as Airport West and Moorfield Industrial Estate which have been built to respond to these occupier requirements.

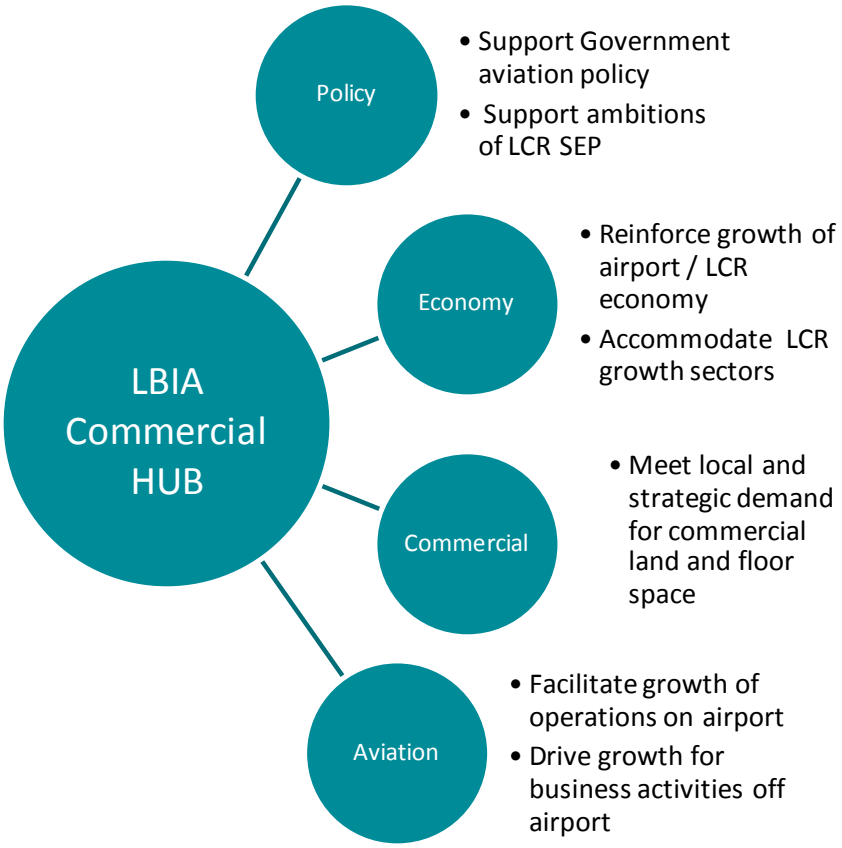
Looking forward, we consider there to be a major opportunity to expand the commercial offer alongside the growth of the airport and surface connections to create a hub that exploits the potential of the aviation sector and the attributes of the location for office and industrial occupiers seeking an international 'front door'. There are a number of sources of demand that can be targeted:

- Occupiers expanding/downsizing or moving from local business estates – as demonstrated by the collated evidence in Section 6
- New occupiers seeking airport or north Leeds location – DTZ is aware of recent requirements from occupiers seeking airport location in respect of both office and industrial accommodation
- Footloose national/international occupiers seeking high quality/differentiated and branded location
- Occupiers linked to the airport – operational and non operational activities linked to the growth of the airport, as dealt with in Section 5 of this report.

The hub can reinforce the economy of Leeds City Region providing a differentiated commercial real estate opportunity to attract new investment and growing firms, particularly focused on knowledge based businesses with international networks.

In respect of the office sector there is potential to attract aviation occupiers including flight operating businesses with requirements for national/regional HQ and call centre activities. For example, Jet2 have potential substantial accommodation requirements in Leeds that could potentially be relocated to LBIA. Other flight operators could be targeted in conjunction with the projected growth of the airport.

Figure 7.1: The case for an LBIA commercial hub



Offices will be a combination of multi occupancy buildings let to SMEs (potential for a Regus type managed workspace), and; larger single occupier firms such as flight operator regional HQs and travel companies.

In terms of the Industrial sector, there are two sub markets: aviation related (e.g. caterers, freight forwarding / general logistics, repair services); light industrial, R&D, hybrid. The potential for growth exists as a result of the anticipated growth of air freight, the capacity of existing airside facilities and supplier chain arrangements. The latter will absorb existing pent up demand and investment from new firms particularly for occupiers with international networks (client/parent companies).

In order to support the strategy for the commercial hub there will need to be a mix of uses to create a place and identity (not just a business park) – sectors to include hotel/leisure, retail as well as office and industrial development. Surface access improvements will also be necessary.

Quantitative assessment

A quantitative assessment has been produced to determine the potential land requirements of a commercial hub at Leeds Bradford International Airport. The assessment is based on a projection of occupier demand, estimated aviation operational requirements and additional growth space for the impact of surface access improvements. The land requirements have also been 'sense-checked' through comparison with commercial hubs being promoted at similar sized UK airports.

A) Projection of local demand

Based on the above market analysis an assessment of the potential quantity of demand has been produced drawing on data of lettings within the local area. The approach taken has involved projecting forward the annual average quantity of floor space lettings (the level of take up of floor space) recorded from the period 2008-2013 over fifteen years to align with the Local Plan period. Existing vacant floor space on the market in the local area has been subtracted from the 15 year figure which has then been iterated into a land area by the application of standard plot ratios (35% for industrial accommodation, 80% for office accommodation).

The data used to derive the annual average take up figures is sourced from Estates Gazette Interactive (EGi), and where necessary DTZ has made adjustments to remove repeat lettings of the same property that have occurred within the 2008-2013 period.

The results indicate that there is potential occupier demand within the local area to accommodate some 52 ha (128 acres) of land over the fifteen year period.

Table 7.1: Local occupier projection

	Industrial	Office
Floor area take up per annum 2008-2013 (Sq m)	11,602	2,881
15 year's demand of floor space take up (sq m)	174,030	43,215
Less existing availability (Sq m)	161,616	37,540
Implied land demand potential ha*	46.2	5.87

*Land based on cover assumptions of 35% (industrial) and 80% (offices)

B) Impact of airport expansion

The growth of the airport will drive demand for commercial land and floor space within and outside the existing airport boundary. There are two components to this growth: operational and non operational.

In respect of the operational requirements, LBIA has identified the need for expansion space of 3.2 ha at the western end of the existing operational area. To facilitate this expansion the existing accommodation (comprised of Jet2 office accommodation and ancillary premises) need to be relocated off airport, thus generating a requirement for 3.2 ha of additional commercial land.

In respect of non operational activities, occupiers and uses directly and intrinsically linked to the airport are included such as flight operating companies, support services, engineers. To determine the growth requirements for this category a simple linear growth projection has been made based on the projected growth in passenger numbers. This results in an additional requirement for 5,000 sq m or 1.1 ha of land.

Table 7.2: Airport related growth

	Baseline	Projected
Oprational		
Expansion space required (ha)		3.20
Non operational floor space in airport boundary		
Offices (sq m)	2470	5315
Industrial (sq m)	2179	4687

C) Step change factor

The final component of the quantitative assessment is to determine the potential for achieving a step change in the delivery of commercial development as a result of the growth of the airport, the delivery of rail related surface access improvements and other investments.

It is very difficult to predict with any certainty what effects the mooted infrastructure investments will have but in planning for the commercial hub it is considered beneficial to allow for the upper potential for such growth.

An assumption has been made that the level of annual office take up could be doubled from 2881 sq m to 5762. This increased level of take up still only represents 15% of the long term average out of town average take up level and is therefore not considered unrealistic given the potential impact of enhanced surface access and its related appeal to office occupiers. Allowing for the likelihood that a new station and rail link would not be installed until approximately 10 years into the programme, only 5 years' of take up at this level has been allowed for, which generates a potential demand for an additional 14,405 sq m and 2.25 ha (net land area).

In respect of industrial demand, an additional 7,000 sq m / 2 ha overall has been allowed which is representative of the potential increase in cargo and consequent freight related activities at the airport based on benchmarking evidence of comparable airports.

Table 7.3: Step Change Factor

	Industrial	Office
Additional floor area (sq m)	7,000	14,405
Implied land requirement (ha)	2	2.25

Aggregate quantitative assessment

Table 7.4 below provides a summary of the total potential based on the above analysis. Taking into account the existing employment site allocations at Coney Park and Whitehouse Lane (representing 21 ha in total), this leaves a residual quantitative potential for 40 ha (119 acres) for the local area. This represents a net land potential for industrial and office uses only, therefore additional land for other commercial uses (hotels, retail etc) will also need to be allowed for. This land requirement is broadly within the range of comparable regional airports that are also promoting the development of commercial hubs, and provides the requisite critical mass to give the hub the best chance of success.

Table 7.4: Aggregate gross and net employment land requirement

	Office (B1a)		Industrial (B1b, B1c, B2, B8)	
	Floor area (sq m)	Land (Ha)	Floor area (sq m)	Land (Ha)
Local demand (projected floor space take up from local business/industrial estates at annual rate over 15 years)	37540	5.87	161616	46.20
Airport growth (linear growth in demand for non operational commercial floor space linked to passenger growth)	2845	0.44	2509	0.72
Non operational area displaced by expansion of operations	3.2 ha			
Step Change (surface access enhancements, growth of air freight)	14405	2.25	7000	2.00
Total potential over 15 years	54790	8.57	171125	48.92

Total gross employment land requirement (ha)	61
Less existing employment land (ha)	21
Coney Park, Harrogate Road	17
White House Lane,	5
Total net employment land requirement (ha)	40

Indicative Masterplan

A conceptual masterplan has been prepared for the area to the north of Leeds Bradford International Airport to illustrate the potential of the growth hub. The masterplan has been produced by Five Plus architects in collaboration with WYG and DTZ. The masterplan incorporates

LBIA's existing land holdings together with the parcel of Greenfield land to the north which is under their control via option agreement with Leeds and Bradford Councils.

The total of the net developable areas is estimated at approximately 37 ha, which is less than the residual total indicated in the above quantitative analysis. However, it is considered broadly to be in accordance with commercial hub land areas at comparable airports.

The masterplan illustrates the route of road and rail surface access improvements together with three principal land use zones for the following development:

Air Innovation Park

A Business Park providing accommodation for occupiers in identified LCR growth sectors. A high quality environment with a focus on innovation and incubation facilities with strong linkages to University based R&D. The Air Innovation Park would incorporate a range of accommodation types to meet the variety of business functions benefiting from the airport location including offices, R&D hybrid units, light industry and logistics. The business park would respond to an identified gap in the supply of quality land and property options for inward investors and high value growth businesses seeking well connected and high profile locations.

Airport Village

A new mixed use commercial centre providing vital services and accommodation to support the growth of the airport. This zone would provide accommodation for activities directly and intrinsically related to the economy of the airport, such as flight operating company (/regional) head quarters and support functions, hospitality and general amenities (comprising new hotels, conference and meeting facilities and restaurants and retail).

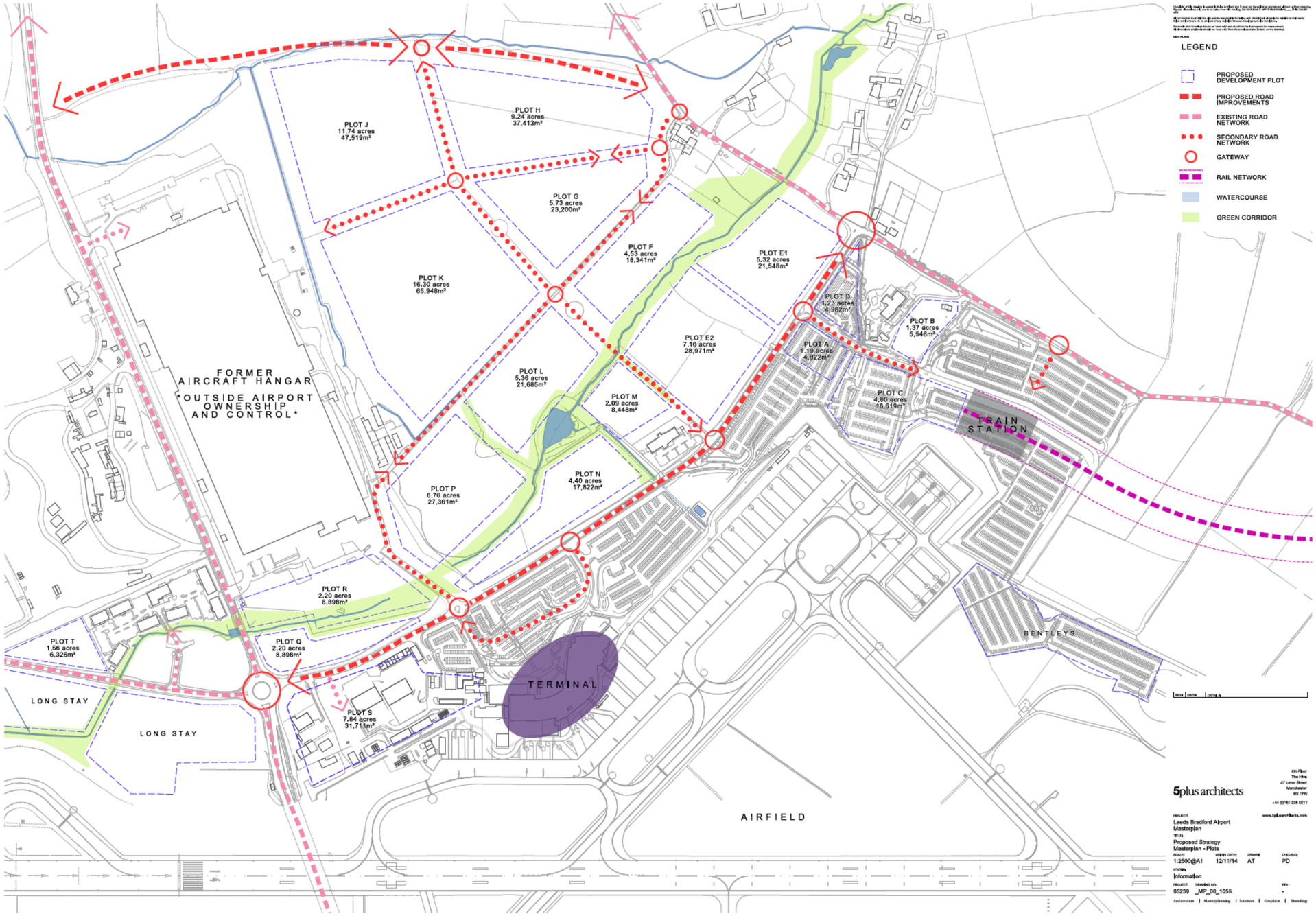
Air Freight Park

New Industrial accommodation to serve the growth in demand anticipated from the increase in air freight cargos. Direct access to the airside boundary required to facilitate the transfer on and off aircraft. Freight transfer, caterers, repair and support functions. Logistics operators.

Figures 7.2 and 7.3 on the following pages illustrate the concept plan and development plots.

Figure 7.2: Indicative Masterplan

Figure 7.3 Indicative Masterplan – developable areas



Based on the above concept plan, an indicative development schedule has been produced corresponding to the plot references on Figure 7.3. The accommodation mix is based broadly on the quantitative analysis outlined earlier in this section, with offices and industrial, and then R&D and logistics representing sub-sectors of these main property classes. Two hotels, restaurant and convenience retail development have also been allowed for consistent with the vision of creating an 'airport village'.

The accommodation listed is indicative only, and it should be noted that in practice we see the delivery of the scheme being highly flexible to the requirements of the market and the investment requirements of public sector partners.

Table 7.5: Indicative development schedule

Plot reference	Proposed use	Zone	Net site area (sq m)	Plot ratio assumed	GIA floor area (sq m)	NIA
A	Hotel (60 bed)	Airport Village	4,822	n/a	n/a	
B	Retail	Airport Village	5,546	35%	1,941	1,553
C	Hotel (100 bed)	Airport Village	18,619	n/a	n/a	
D	Retail	Airport Village	4,982	35%	1,744	1,395
E	Office	Airport Village	52,056	80%	41,645	33,316
F	R&D	Air Innovation Park	18,341	35%	6,419	5,135
G	Industrial	Air Innovation Park	23,200	35%	8,120	
H	Logistics	Air Innovation Park	37,413	35%	13,095	
J	Industrial	Air Innovation Park	47,519	35%	16,632	
K	Industrial	Air Innovation Park	65,948	35%	23,082	
L	R&D	Air Innovation Park	20,685	35%	7,240	5,792
M	Office	Airport Village	8,448	80%	6,758	5,407
N	Office	Airport Village	17,822	80%	14,258	11,406
P	R&D	Air Innovation Park	27,361	35%	9,576	7,661
Q	Logistics	Air Freight	8,898	35%	3,114	
R	Logistics	Air Freight	8,898	35%	3,114	
		Total	370,558		156,738	

Table 7.6 below provides details of a possible phasing plan, with the development divided into three tranches. The phasing plan prioritises development parcels that can be accessed directly from the existing road infrastructure and is slightly back-loaded to reflect the step change impact brought about by surface access improvements in later years.

Table 7.6: Indicative phasing schedule

	Phase 1 (GIA sq m)	Phase 2 (GIA sq m)	Phase 3 (GIA sq m)	Total GIA (sq m)
Office	14,258	20,822	27,581	62,661
Industrial	16,632	8,120	23,082	47,833
R&D	0	9,576	13,659	23,235
Logistics	6,229	13094.55	0	19,323
Retail			3,685	3,685
Hotels		60 bed	100 bed	
Total	37,118	51,613	68,007	156,738

Delivery mechanisms

DTZ understands that the majority of the land that is proposed for the commercial hub is the subject of an option agreement between LBIA and Leeds and Bradford Councils. DTZ has not reviewed the terms of the option agreement nor the title documents and therefore a full review will be required to determine the existence and nature of any encumbrances which could affect the developability of the land. In broad terms, it is understood that the option agreement allows LBIA to draw down and purchase the freehold title of the land.

The delivery structure for building out the masterplan has not yet been determined. LBIA may either seek to work in collaboration with a third party developer/investor in a joint venture capacity or look to sell on plots of land on the basis of an agreed masterplan.

The funding and installation of surface access infrastructure improvements are a key consideration in the delivery programme. It is anticipated that public sector funding will be confirmed for the new link road shortly that will enable the road to be constructed in 2018/19. In respect of the rail line and station, it is understood that options for both public and private sector funding are being explored.

Collaboration between public and private sector partners will provide the best prospect of delivering the vision for a commercial growth hub at Leeds Bradford Airport. The following measures are proposed for consideration:

- **Creation of 'Mini Enterprise Zone' status** – many competing cities across the UK have designated Enterprise Zones on land adjacent to airports to enable the EZ incentive package to be used to attract occupiers and facilitate enabling infrastructure investment. There is an opportunity for Leeds City Region to offer the business rate discounts at the de-minimus level to occupiers within the Airport Growth Hub, funded by business rate additionality accumulated in Leeds Enterprise Zone. This would help to both brand the Growth Hub in a positive way and attract occupiers.

- **Land value for infrastructure funding** – where the value of the land is deployed to pay for the infrastructure works required to unlock / enable delivery. This is an approach that has been used to enable the delivery of public sector sites that have significant enabling/infrastructure costs or abnormals and the public sector wishes to help facilitate/enable delivery.

- **Tax increment financing (TIF) –** under the current arrangements that came into effect from 1st April 2013, local authorities are entitled to retain 50% of business rate income generated within their areas. There may be potential given the ongoing devolution of powers for an Accelerated Development Zone in which 100% of business rate additionality could be retained. Therefore, the potential exists to establish a TIF zone around the Growth Hub site that would enable finance to be raised against the anticipated additional business rate receipts that the Council retains.

- **Direct public investment –** innovation and R&D parks tend to exist because of public sector and HE investment. The possibility of utilising existing and emerging funding streams such as the Local Growth Fund to invest in property projects should be examined in view of the clear alignment of the Growth Hub masterplan and the Strategic Economic Plan for Leeds City Region.

8 Economic Impact Assessment

Development programme assumptions

The timing of delivery of the proposed development will depend on a range of factors including:

- Occupier demand
- Planning process, specifically the timescales for adoption of the Council's allocations document
- Timing of expansion in operational land and property requirements of the Airport
- Strength of the development market and the timing and length of the development cycle
- Timing of infrastructure installation
- Appetite of partners to invest and nature of investments
- Broader macro economic conditions.

An indicative development programme has been devised in accordance with the phasing strategy set out in Section 7 based on the following broad assumptions:

- Office development is delivered at an average rate of 2900 sq m (31,000 sq ft) per annum, stepping up to 4,900 sq m (53,000 sq ft) from year 10 onwards reflecting the potential impact of rail/road access improvements and the growth of the Airport.

- Industrial and logistics is assumed to be delivered at an average level of 4,500 sq m per annum (48,000 sq ft) throughout the period

- R&D is the most difficult of the uses to predict and it depends on the willingness of partners such as Leeds Council, the LEP and the HE sectors to invest. For the purposes of the assessment, R&D is assumed to be split 50/50 in terms of office and manufacturing and delivered at an average rate of 1240 sq m (13,000 sq ft) per annum

- Retail and leisure – one hotel is assumed in the mid part of the programme and the other hotel alongside the retail uses are assumed towards the back end of the programme reflecting the impact of the growth of the airport.

Table 8.1: Potential Development Programme (sq m)

		Years 1-5		Years 6-10		Years 11-15	
	Total all years	Total	Per annum	Total	Per annum	Total	Per annum
Office	50,129	11,524	2,305	14,405	2,881	24,405	4,881
Industrial	47,833	16,500	3,300	8,120	1,624	23,080	4,616
R&D	18,588		0	7,660	1,532	10,925	2,185
Logistics	19,323	6,228	1,246	13,095	2,619	0	0

A further scenario has been developed to illustrate the impact of a less optimistic, longer programme of delivery. The development programme has been extended from 15 to 25 years, with office delivery averaging 2,000 sq m (21,500 sq ft), industrial and logistics 2,500 sq m (27,000 sq ft), and R&D, 900 sq m (10,000 sq ft).

The following sections examine the economic benefits of both scenarios. It has been assumed for the purposes of this analysis that the area of impact is at the Leeds City Region level. All economic benefits have been modelled over a 25 year timeframe.

Job hosting capacity (gross and net additional)

Employment benefits have been estimated through the application of standard worker floor area ratios which are presented as gross and net. Gross jobs are estimates of the job hosting capacity of the development based on the scale of development anticipated. Net jobs take account of factors such as displacement, leakage and multiplier effects. **The figures quoted are based on the full job hosting capacity of the scheme and make no allowance for voids and therefore should be interpreted as the maximum job hosting capacity of the scheme**.

The quantum of gross and net employment capacity is the same under both scenarios as the same level of floorspace is delivered under both (only the timescale for delivery is different).

Table 8.2: Job hosting capacity

	15 year delivery	25 year delivery
Gross Jobs	**8,040**	**8,040**
Net Additional Jobs	**5,547**	**5,547**

A breakdown of the gross/net additional jobs by use type is set out below:

Table 8.3: Gross and net jobs by land use

Use Type	Gross Jobs	Net Additional Jobs
Office	5,013	3,503
Industrial	1,329	846
R&D	1,188	968
Logistics	276	141
Hotel	80	33
Retail	155	56

Assumptions

Gross jobs have been estimated through applying the following employment densities to the floorspace in accordance with the 2010 HCA Employment Density Guide (2nd Edition):

Table 8.4: Job density assumptions

Use Type	Sqm per FTE (GIA/GEA unless specified)
Office	10 (NIA)
Industrial	36
R&D	Assumed 50% office, 50% industrial as above
Logistics	70
Hotel	1 employee per 2 bedrooms
Retail	19

To estimate the net additional employment capacity, consideration has been given to factors of additionality by use type as below:

Table 8.5: Additionality assumptions

	Leakage	Displacement	Multiplier	Deadweight
Office	15%	40%	1.37	Nil
Industrial	7%	50%	1.37	Nil
R&D	15%	30%	1.37	Nil
Logistics	7%	60%	1.37	Nil
Hotel	7%	70%	1.47	Nil
Retail	7%	70%	1.30	Nil

Further explanation is provided below and all assumptions have been 'sense checked' against the 2014 HCA Additionality Guide.

Leakage – analysis of the 2001 Census travel to work data identifies that at the LCR level, there is a leakage rate of 7% and this has therefore been used for all of the use types apart from office and R&D. A higher rate of 15% has been prudently applied to these higher value uses to reflect the increased likelihood of these attracting employees residing outside of the LCR.

Displacement – assumptions range from 30% for R&D uses through to 70% for leisure/retail. This reflects the fact that higher value R&D and office activity is likely to result in a lower level of displacement of existing economic activity within the City Region. A proportion of the R&D space may also be occupied by new businesses and spin-outs from HE establishments which would further reduce the propensity for displacement. Lower value logistics/leisure/retail uses by their very nature have a propensity for high rates of displacement. The HCA guidance refers to 25% as being low and 75% as being high and these therefore correlate with this.

Multiplier – as per the HCA Additionality Guidance Paper. An average of the local and regional multiplier was applied to reflect the City Region scale of assumed impact for this assessment.

Deadweight – a nil deadweight position has been assumed throughout (i.e. in the absence of the LBIA proposals, no other economic outputs would be delivered on this site).

Gross Value Added (GVA)

GVA is used as an indicator of economic output and measures the contribution to the economy of individual producers, industries or sectors. It is estimated through the application of typical annual GVA per worker data to the net job capacity estimates outlined above.

Impacts

Cumulative undiscounted and discounted GVA impacts over a 25 year timeframe are presented below under each of the scenarios:

Table 8.6: GVA

	15 year delivery	25 year delivery
Cumulative Undiscounted GVA	**£5.6bn**	**£4.6bn**
Cumulative NPV GVA	**£3.3bn**	**£2.6bn**

Assumptions

Average GVA per worker figures by sector at the Leeds Local Authority level have been estimated based upon the total annual GVA output for a number of relevant sectors (ONS, NUTS 3 data, 2010) divided by the total number of workers in the sector (Business Register and Employment Survey, ONS, 2010). This has then been multiplied by the net additional job outputs associated with each of the commercial components of the scheme. In some instances, informed SIC related assumptions were made to align the GVA data with the employment data. R&D based GVA has been based upon the office use type average with an assumed GVA uplift of 10% to reflect the higher value nature of R&D activity. The following GVA per worker figures were applied based upon this:

Table 8.7: Assumptions

Use Type	Annual GVA per Worker (£)
Office	63,560
Industrial	53,066
R&D	69,916
Logistics	30,798
Hotel	30,798
Retail	30,798

GVA data is not published at a detailed SIC level at the LA scale which explains why a generic GVA per worker of £30,798 has been applied to logistics/hotel/retail uses based upon the GVA and employment data for the 'distribution, transport accommodation and food' classification. The HM Treasury discount rate of 3.5% was applied to calculate the Net Present Value of the cumulative GVA impacts over the 25 year period.

Business rate income

Under the arrangements that came into effect from the 1st April 2013, local authorities can retain up to 50% of business rate income generated locally. Commercial development sites such as the Airport Hub that attract new occupiers into the area therefore offer the potential for generating additional business rate receipts for the local authority.

Wider benefits

The proposals will deliver a number of additional economic impacts which have not been quantified at this stage, as below:

- **Supporting additional Airport operational growth –** the proposals will enable existing non-operational airport uses to relocate to free up land for core airport operational growth. This would enable the airport to enhance the scale and quality of its offer and operations, both in terms of passenger and freight numbers, resulting in significant economic benefits to the City Region.

- **Creating construction jobs** – the delivery of the proposed new commercial floor space will support a significant number of construction jobs over a 15-25 year period, a large proportion of which could be sourced locally. The supply chain expenditure relating to this construction activity could also be significant.

- **Leveraging private sector investment –** the delivery of the scheme will be private sector led and will therefore leverage a significant level of private sector investment to the City Region given the scale of the proposals.

- **Providing skills development and training opportunities –** the proposals will attract high value uses and occupiers which will provide high quality and accredited skills and training development opportunities. There is the potential for the existing FE presence at the Airport to expand and for it to attract additional FE/HE activity, particularly though the proposals for innovation-based activity on part of the site. There is also the opportunity for additional aviation related skills and learning providers to be based at the Airport as it expands.

- **Providing local employment opportunities –** the proposals will create a significant number of and range of employment opportunities to meet the demographic needs of the LCR economy. It is envisaged that a high proportion of the jobs will be taken by local people given the low rates of leakage across the City Region as a whole.

- **Driving City Region competitiveness –** the proposals have the potential to attract significant inward investment and to enhance the overall offer of the City Region economy as a business destination to ensure that it can compete with locations such as Manchester and Birmingham on an international level.

Summary

A summary of the core quantitative economic impacts modelled over a 25 year period is presented below:

	15 year delivery	25 year delivery
Total New Floorspace (GIA, excl 160 hotel beds)	**156,738 sq m**	**156,738 sq m**
Gross Jobs hosting capacity	**8,040**	**8,040**
Net Additional Job hosting capacity	**5,547**	**5,547**
Gross cumulative GVA	**£5.6bn**	**£4.6bn**
NPV cumulative GVA	**£3.3bn**	**£2.6bn**

Appendix 1: benchmarking other regional airports

Newcastle Airport

Newcastle International Airport is run as a Public Private Partnership between seven local authorities in the North East region and AMP Capital which each have a 51% and 49% shareholding respectively of the company. It is located 6 miles to the North West of Newcastle City Centre and the land surrounding it is largely within the Green Belt. It currently has c.4.4m passengers per annum, making it the 11th busiest airport in the UK. It expects this to increase to 8.5m passengers by 2030 according to its latest masterplan. It also expects aircraft movements to increase from c.60,000 to 87,500 by 2030.

The Airport currently serves 75 destinations, providing over 3,200 direct jobs on site and catering for a catchment area with over 3.7m people. The Airport Masterplan suggests that its overall contribution to the regional economy is £646m annually, projected to increase to £1.3bn by 2030.

The Airport is set within 374 hectares of land and as well as the main runway are aircraft taxiways, apron and stands, a terminal building and pier (44,000 sqm), approximately 7,500 parking spaces, bus and metro stations, 3 hotels, a petrol filling station, car hire facilities and a private jet facility. There is also a £3.3m Newcastle College aviation training academy to the south of the terminal building.

A summary of the Airport terminal building retail/leisure offer is set out below:

Retail	Food and drink
Boots	Burger King
WH Smith	Greggs
Aerospa	Starbucks
Dixons	Upper Crust
Accessorize	The Beer House
Biza Duty Free	Cafe Ritazza
JD Sports	Flying Hippo
Traveller	Eagle Bar & Diner
Whistlestop	The Wine & Deli Bar
	Condeco Bar

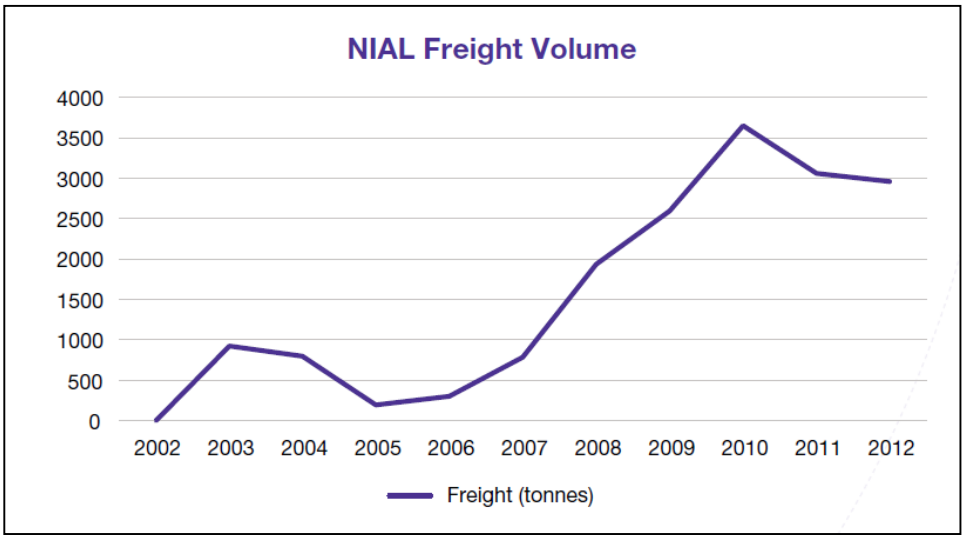
Newcastle International Airport is served by a number of hotels within a radius of 2.5 miles from the terminal:

- Newcastle Airport Hotel (NE13 8BZ) - 0.45 miles from Newcastle Airport
- Premier Inn (NE13 8DF) - 0.74 miles from Newcastle Airport
- DoubleTree by Hilton Hotel (NE13 8BZ) - 0.81 miles from Newcastle Airport
- Premier Inn (NE20 9DB) - 0.86 miles from Newcastle Airport
- Britannia Hotel (NE13 8DJ) - 0.89 miles from Newcastle Airport
- Novotel (NE3 3HZ) - 2.26 miles from Newcastle Airport
- Metro Inns (NE3 3TY) - 2.32 miles from Newcastle Airport

With the anticipated increase in passenger numbers, there is projected to be demand for additional hotel provision.

Freight/Cargo Operations

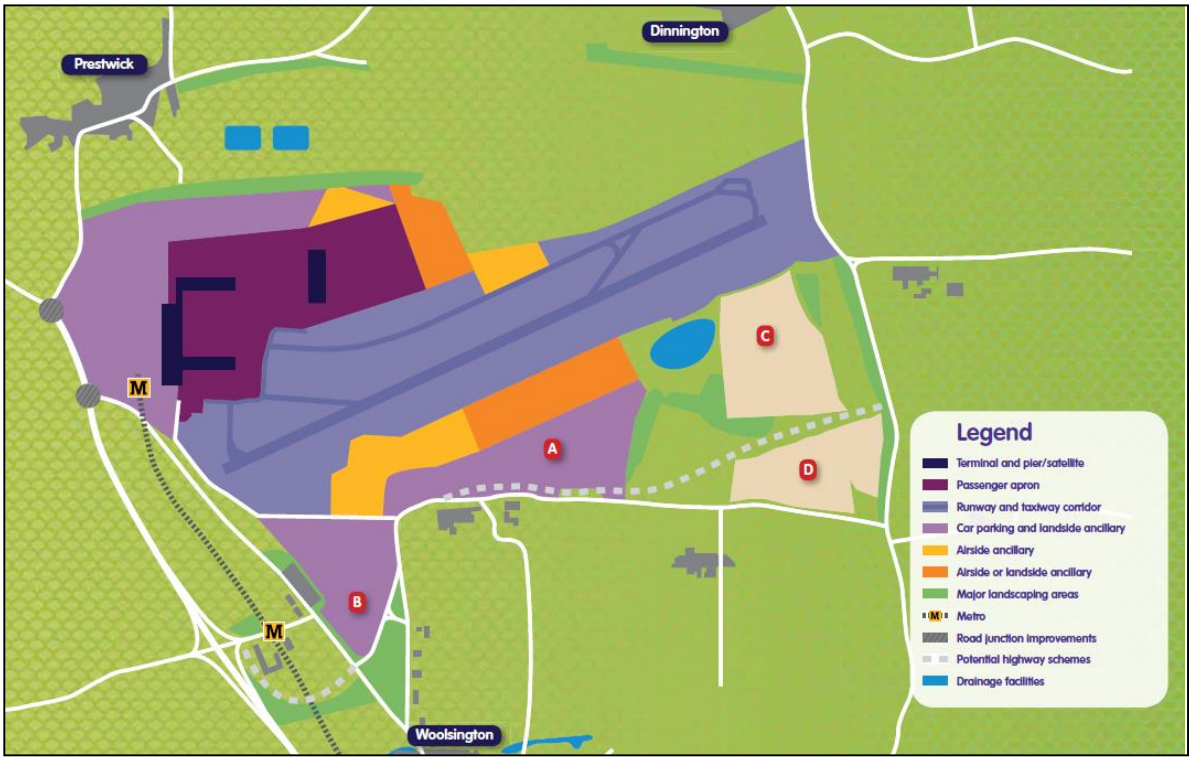
In 2013, the Airport handled 3,700 tonnes of freight, ranking it as the 14th largest nationally in terms of tonnage handled. A chart illustrating its freight handled between 2002 and 2012 is presented below. In 2007, it secured a deal with Emirates which opened up new long haul markets and freight opportunities, hence the growth from 2007. The Airport is seeking to continue to grow its freight operations to 2030. The Masterplan suggests that the Southside Development will provide bespoke transit and storage facilities, ensuring that the Airport is well placed to attract potential new freight operators. It has not made any specific forecasts given the market dependent nature of freight services.



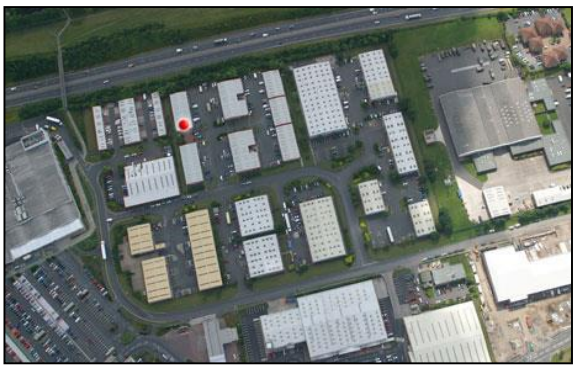
The Airport has a dedicated 'Freight Village' located to the south of the runway. Following a 2,200 sqm extension in 1999, the total freight floorspace is now estimated to be c.7,000 sqm (75,000 sqft), with additional expansion land available. Freight Village offers specialist freight facilities, including transit sheds, warehousing, office and loading facilities. Given that there is a projected growth in the freight market across the masterplan period, it states that provision for additional freight warehousing facilities will be made within the Southside Development Area and that the market will dictate the scale of facilities required. The 'Freight Village' accommodates the below:

Cargo Handling Agents	Freight Forwarding Agents
Emirates Sky Cargo	Camair
FedEx (daily flight Mon-Thurs to Paris hub)	DHL
Worldwide Flight Services	Kintetsu World Express
Servisair Cargo	Kuehne & Nagel
	Nippon Express
	Universal Forwarding
	Davis Tuner Air Cargo
	Pentagon Freight Services

The masterplan recognises that as the airport grows, there will be a need to provide increased commercial space both for airlines and handling agents (likely to require space close to the terminal) as well as more generic occupiers attracted by the airport location. The Southside Development to the south of the runway has been earmarked for the latter. It has provisionally identified Southside A for aircraft engineering, maintenance and freight and Southside B for airport related and more generic office and light industrial development. It also refers to sites C and D for longer term employment uses, not necessarily related to aviation uses, as illustrated below:



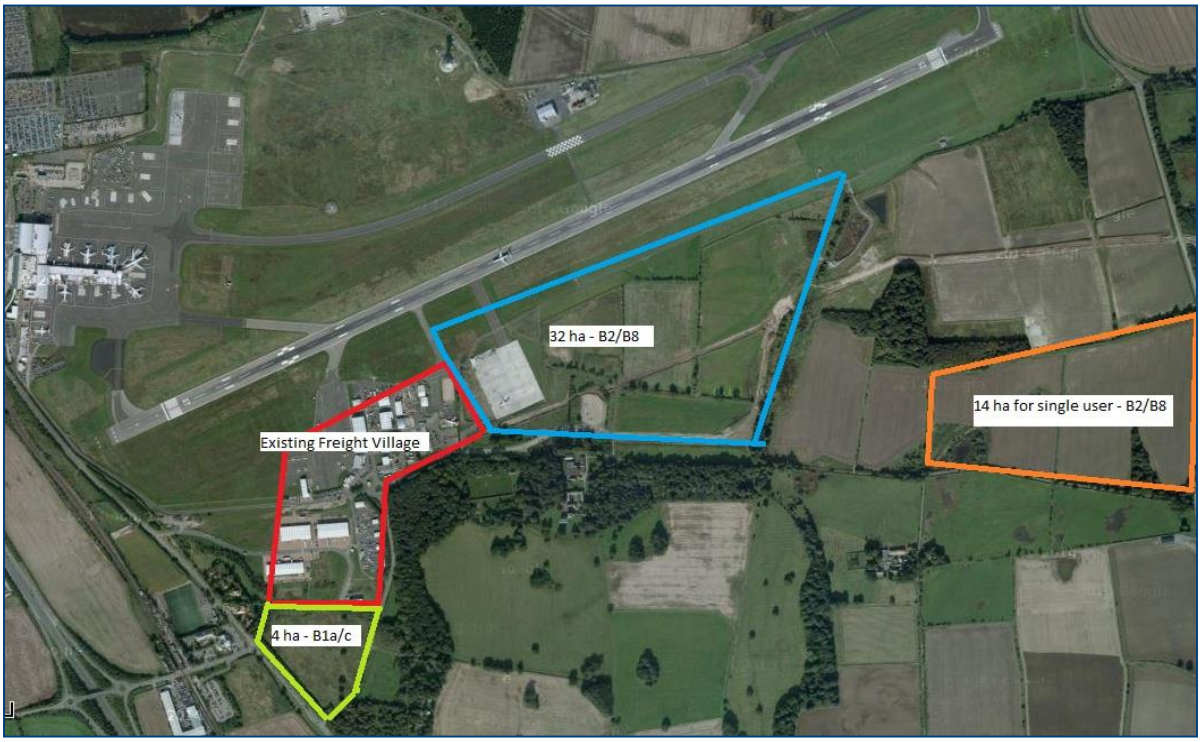
Off Airport Commercial Floorspace



Airport Industrial Estate is a well established industrial estate, located 3 miles from the Airport. It comprises 91 units totalling 202,766 sq ft (18,838 sqm) ranging in size from 527 sq ft (49 sq m) to 18,834 sq ft (1,749 sq m). Small workshops are available on 'easy in, easy out' tenancy agreements and larger warehouses / factory units on flexible leases. Premises are suitable for B1/B2 or B8 use although this largely comprises light industrial units with occupiers that are non-aviation related and without requirements to access the airport facilities. There are currently 6 units available totalling c.5,000 sqft and so it is largely let.

Newcastle International Airport Business Park is being marketed as one of the North East's premier business locations. In total it could accommodate up to 1m sqft of employment floorspace, including existing freight accommodation at the 'Freight Village'. The Business Park is located directly to the south of the airport and is currently being marketed for a range of B1/B2/B8 uses. It is envisaged that it will incorporate a range of high quality industrial/warehouse, office and hanger accommodation, with the potential for a phase 1 development of 175,000 sqft of Grade A office space (already has outline planning consent), over 450,000 sqft of air freight, hanger and warehouse/ distribution space (planning application being developed) and a third 14 ha plot for a major single occupier. The latest version of the Newcastle Core Strategy Local Plan document (Examination Version, Feb 2014) identifies supports the development of these sites and a further site to the east as below

i. 4 hectares (net) of land for small business units/industrial
ii. 32 hectares (net) of land for predominately air freight and warehousing
iii. 14 hectares (net) of land to be promoted for a single user



East Midlands Airport

East Midlands Airport is located in the heart of England and is easily accessible to the M1/M42, resulting in it having a significant catchment area. It is estimated that there are over 11 million people that live within a 90 minute drive of East Midlands Airport. It is the UK's leading express freight airport, with three of the major global integrated freight airlines based at the airport. In 2013, East Midlands Airport connected over 4.2m passengers with more than 90 destinations, making it the 11th busiest passenger airport in the UK. It is owned by Manchester Airport Group (MAG) and the existing operational area of the airport extends to some 445 hectares of land, directly employing c.6,500 people on site. As the UK's number one provider of 'pure' freight, it transported 267,000 tonnes of freight in 2013. A review of the airport's traffic forecasts show that East Midlands could achieve a passenger throughput of 10 million passengers a year in the period 2030 – 2040.

Details of the airport's terminal-based commercial offer are set out below:

Retail	Food and drink
Dixons	Leon Fast Food
WH Smith	Burger King
Boots	Castle Rock Tap Room
Superdrug	Flat White Coffee Club
World Duty Free	Frankie & Bennys
Aviation Gift Centre	Grab & Fly
	Pork & Pickle

There are six main functional zones on the airport site:

1. **Airfield** - the airport's runway and taxiways take up almost half of the total area of the airport site.

2. **Central Passenger Zone -** the passenger terminal, an aircraft apron, car parking, petrol-filling station, flight catering, two fuelfarms, and vehicle maintenance. The Thistle Hotel is also within the Central Passenger Zone at the airport's main entrance.

3. **Cargo West** - the DHL hub facility and its associated aircraft parking apron is the principal activity in the Cargo West zone. At the western end of the DHL facility are two of the airport's long-stay car parks. There is land available for a major extension to the DHL hub.

4. **Cargo East** - UPS, TNT and Royal Mail have their operations at Cargo East and share the existing aircraft parking apron area. Also at Cargo East there are landside facilities that include the Air Cargo Village and a range of cargo office and warehouse units. There is land available for significant cargo development within Cargo East.

5. **Aircraft Maintenance Zone** - this is a large area of land between the Central Passenger Zone and Cargo West. It contains a number of aircraft maintenance hangars that are of various sizes, along with aircraft apron. There is also some operational office accommodation and a flying school in this area.

6. **Pegasus Business Park** - this area is located in the south-east corner of the airport site and it contains a number of modern office buildings and three hotels (Radisson Blu, Premier Travel Inn and Holiday Inn Express). There is land available for the further development of the Business Park.

Freight/Cargo Operations

The Airport comprises a 17,094sqm (184,000sqft) cargo portfolio, in addition to the 66,424sqm let on ground lease arrangements. The units are diverse ranging from 76.6sqm (728sqft) freight handling units to 6,310sqm (67,918sqft) transit sheds. It is home to leading air freight operators, such as DHL, TNT and UPS, as well as being a major national air-hub for the Royal Mail.

All the following airlines operate regular scheduled services through the Airport

It is also home to the following Freight Forwarding Agents

In 2013, it transported 267,000 tonnes of cargo freight and 30,000 tonnes of mail. The forecast for future cargo tonnage is for some 618,000 tonnes in 2035 and some 700,000 tonnes in 2040. The airport's forecasts assume that the mail flight network and overall mail volumes will remain relatively unchanged from the current 35,000 tonnes as a result of structural changes to the mail market. This is as a result of the shift from letters to parcels. Air cargo movements are expected to grow. In 2013 the airport handled 23,805 cargo movements (freight and mail), and by 2040 the number of movements could grow to around 42,600. This reflects the growth of the integrated carriers and that the average freight load per cargo aircraft movement is predicted to increase from 14.4 tonnes in 2012 to 17.9 tonnes at 2040. The area to the north east of the airport, between Castle Donington and the M1 has been identified as the East Midlands Gateway Strategic Rail Freight Interchange. Plans are being developed to deliver a rail freight terminal that is capable of providing up to 6million square feet of large-scale warehousing. Land has been reserved for the further development of the DHL Hub building at Cargo West and land will also be safeguarded for a second major integrator hub in Cargo East. Land is also reserved for the development of an integrator hub at Cargo East

Off Airport Commercial Floorspace

The airport site itself is home to around 100 commercial tenants involved in aviation related activity. In addition to this is the Pegasus Business Park, in the south west corner of the airport site. Owned by MAG, the Pegasus site covers some 26 hectares with around 10 hectares still available for development. In accordance with the emerging Core Strategy policy the further development of the Business Park should provide for activities and uses that derive a greater benefit from an airport location. Commercial development proposals associated with the airport will be brought forward for sites within the Pegasus Business Park. These uses will include offices, logistics, general warehousing and hotels. PWC are located at the Business Park and there is also a Regus Business Centre.

Land to the west of the Moto Service Area has been identified as potential employment land in the North West Leicestershire Employment Land Availability Assessment (2013).

There are 4 airports within proximity of the Airport, 3 of which are located within the Pegasus Business Park including the Holiday Inn Express (90 rooms), Premier Travel Inn (80 rooms) and the Radisson Blu (218 rooms). There is also a Thistle Hotel at the airport's main entrance.

Bournemouth Airport

Bournemouth Airport was incorporated under the Airports Act in 1986 and was owned by Bournemouth Borough Council (BBC) and Dorset County Council (DCC). It passed into private ownership in April 1995 and in 2001 was acquired by the Manchester Airports Group. Bournemouth Airport is a key national and international

gateway to Southern England, serving around 36 destinations across Europe. The airport's passenger throughput increased from 271,000 in 2000 to 495,000 in 2004 to 660,000 in 2013. Locations including Southampton, Portsmouth, Winchester, Salisbury, Dorchester and Weymouth are all within an hour's drive of the airport. Its passenger throughflow is expected to increase to 4.5m by 2030 according to its masterplan. The total area of the airport site (i.e. north & south sectors) is approximately 366 hectares. Sixty seven hectares are designated as areas of nature conservation interest.

Details of the airport's terminal-based commercial offer are set out below:

Retail	Food and drink
WH Smith	Est Presso
World Duty Free	Joes Kitchen & Coffee House
	Olive Tree Cafe

Freight/Cargo Operations

Bournemouth Airport is a fast-developing cargo hub. It is the UK gateway for cargo to and from the Channel Islands and a major spoke for UK Royal Mail and newspaper operations. It has expansion space and is able to offer the following benefits from a cargo perspective:

- 2271m / 7451ft runway
- Excellent good weather record
- Congestion free, with no slot restrictions
- Experienced in handling many cargo aircraft including the AN-124 Ruslan
- 'Freighter friendly' airport management

Cargo operations are located in the southern sector and handled 11,600 tonnes of cargo in 2005, principally mail, newspapers and magazines. This reduced to 9,418 tonnes in 2013 and the Airport Masterplan does not contain any specific proposals for the growth of cargo traffic, although it is anticipated that the current levels will be maintained.

Off Airport Commercial Floorspace

Adjacent to Bournemouth Airport, is the Aviation Park. This is a key strategic employment site within Dorset for technology, industry and freight related activity. As the largest brownfield employment site in Dorset, it has 80 hectares (200 acres) of land and buildings allocated for employment uses, it is home to in excess of 180 businesses across a mix of offices and workshops. It is owned and managed by Manchester Airport Group, the owners of the Airport. A number of the business occupiers are directly linked to the aviation/aerospace sector and it home to a Basepoint Business Centre. Current occupancy levels are around 96%. It offers serviced sites as well as existing buildings and is marketing opportunities for a wide range of aviation-related and other non-aviation businesses. Outline planning consent has been granted for c.540,000 sqft of additional space comprising B1 offices, B1c light industrial, B2 industrial, B8 storage, as well as distribution and aviation uses in accordance with the masterplan. It has recently been announced that the site has secured an £11m investment from a specialist aerospace interiors company to develop a 160,000 sq ft unit.

Aberdeen Airport

Aberdeen airport is located approximately seven miles north west of Aberdeen city centre. It is bounded to the north and south by open farmland, to the west by Kirkhill Industrial Estate and to the east by the village of Dyce. Aberdeen airport is an important gateway to the north of Scotland with 20 airlines providing links to over 40 destinations. Passenger numbers were 3.44m in 2013 and are forecast to grow to 4 million in 2020 and to 5.09 million in 2040. Based on current levels of
employment and the predicted passenger growth forecasts, an additional 1,110 jobs are expected to be created by2030, generating an additional £42 million GVA for the Scottish economy.

There is a Thistle Hotel, Premier Inn, Courtyard by Marriott and Speedbird Inn on the airport site. Development is also underway to construct a 200 bedroom 4-star Holiday Inn and a 130 bedroom 3-star Holiday Inn Express, expected to open in late 2015. Aircraft maintenance facilities occupy approximately 17 hectares across 12 aircraft hangers providing 27,000m2 of floor space.

Freight/Cargo Operations

Cargo facilities occupy approximately 0.8 hectares of land at the airport. Facilities here include 1,600m2 of warehousing served by a dedicated cargo apron. DHL also have an 800m2 cargo facility to the south of the main terminal. Aberdeen's cargo business includes cargo flown on passenger services (belly hold), dedicated cargo flights and cargo transported by road to other major freight airports such as Heathrow. In the 12 months to the end of 2011, 6,191 tonnes of cargo were handled through Aberdeen airport and this represents an increase of 20% over the previous year. In 2013, this increased to 7,100 tonnes and this is expected to increase to 9,200 tonnes by 2040.

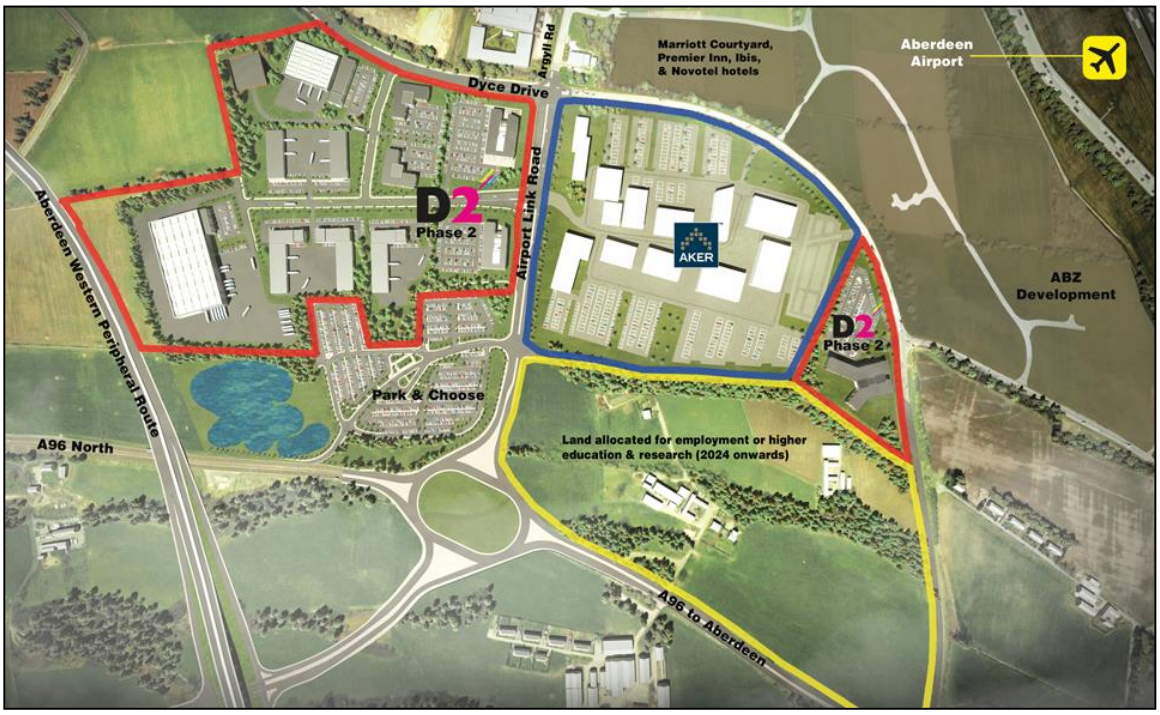
The Masterplan states that new cargo developments will be undertaken only as a result of specific requests from cargo operators and that detailed plans would be prepared and brought forward should demand arise. As a general development principle, the airport is seeking to consolidate cargo and maintenance facilities away from the existing terminal area.

Off Airport Commercial Floorspace

There are a number of established industrial estates surrounding the airport including Kirkhill Industrial Estate, Raiths Industrial Estate and Pitmedden Industrial Estate.

Also adjacent to the Airport is the 54 acre ABZ Business Park. It has outline planning consent for a mix of office, industrial and hotel uses and some speculative office development is already underway, with a number of occupiers having already taken space on the site. Development is also underway to construct a 200 bedroom 4-star Holiday Inn and a 130 bedroom 3-star Holiday Inn Express, expected to open in late 2015. Regus is also due to open a business centre on the site in 2015.

Adjacent to this is the D2 Business Park, being marketed and developed by Miller Developments. This has planning permission granted for 1.4m sq ft of office, industrial and ancillary accommodation and an initial 300,000 sq ft Office HQ has already been committed for Aker A.S.A. The new Aberdeen Western Peripheral Route (AWPR), due for completion in 2015, will provide a direct link between this site and the Airport. Adjacent to the D2 Business Park is a large plot of land allocated for employment or education/research uses from 2024 in planning policy.



Liverpool John Lennon Airport

The Airport was officially opened on 1st July 1933 and is located 7 miles South East of Liverpool City Centre, adjacent to the River Mersey. After various ownership structures, it is now 100% owned by the Peel Group and has been since April 2014. LJLA is one of the UK's busiest airports and handled 4.2 million passengers in 2013. Passenger numbers have increased almost ten-fold since the mid-1990's, with the Airport moving from 20th to the 12th busiest airport in the UK with flights to approximately 60 destinations in the UK and across Europe. Passengers are projected to increase to 12.3m by 2030 according to the Airport Masterplan. Airlines at JLA include two of Europe's largest low cost airlines, EasyJet and Ryanair, both of whom have large bases at JLA. Other airlines include Blue Air, Wizz Air and Flybe. Significant investments in recent years include £130 million in a range of infrastructure works including a new and subsequently expanded terminal building, air traffic control centre, hangars, apron extensions, runway refurbishing and upgrading, multi-storey car park and on site hotel.

Freight/Cargo Operations

The Airport transported 278 tonnes of cargo in 2013, down from 9,000 tonnes in 2004. This was due to a number of contract withdrawals during this period. However, the Airport has undertaken an analysis of the potential to expand and diversify the current UK and European cargo activities which include facilities for TNT and a number of smaller operators. TNT has recently invested £6m in the provision of a new large distribution facility on a 1.6 ha (4 acre) site to the east of terminal. TNT has a well established operation at JLA having been based there since 1988. TNT offers key parcel delivery services between business customers in the UK and global markets, including a nightly service linking into its European hub at Liege in Belgium. There are two bonded transit sheds at JLA; i.e. buildings with both land-side and air-side access, which are approved by HM Customs and Excise for the control and distribution of import and export cargo. TNT manages its own shed, but the main shed is managed by Servisair.

Business and general aviation facilities are situated to the east of the terminal complex. Ravenair operates two purpose built hangars having a combined footprint of 4,750sqm with a third facility planned. Ravenair offers maintenance and storage of aircraft, flight training, and business charter services. Keenair operates a CAA approved maintenance facility from a 1,670 sqm (18,000ft2) hangar.

Total office floor space at the airport is in the region of 3,500 sqm and much of this relates to administration and airline offices housed in accommodation to the east of the terminal. The Airport Masterplan recognises that these modest facilities do not meet airline and other user expectations and restrict the ability of the Airport to attract further airport related business activity to JLA.

Off Airport Commercial Floorspace

An expanded cargo and maintenance facility is planned adjacent to the airport of around 7 ha to handle forecast growth in cargo tonnage. In addition to this there are plans for further development at the Peel Holdings owned Liverpool International Business Park is a 157 acre (62 hectare) site situated adjacent to

Liverpool John Lennon Airport. Planning consent has been granted for B1/B2/B8 uses on the site and buildings ranging from 50,000 sq. ft. (4,645 sq. m.) to 500,000 sq. ft. (46,452 sq. m.) can be accommodated. Current occupiers include B&M and Prinovis and 35 acres of development land is currently being marketed. The Hampton by Hilton hotel and Holiday Inn Express at Liverpool John Lennon Airport are both in close proximity to the Business Park, as is the New Mersey Shopping Park and David Lloyd Fitness Club. Including the above business park and other adjacent employment sites, when fully developed out these will provide over 340,000 sqm (3.5 million ft2) of mixed office, industrial, warehousing and commercial leisure accommodation within 2 km (1.2 miles) of the Airport.