



Research
report

Invest in the
North West

**Focus on
Cheshire
and
Warrington**

November 2012



Introduction

The North West is the UK's third largest regional economy after London and the South East, accounting for 10% of its national output with a population of 7 million inhabitants. It benefits from a broad economic base and an extensive transport network, including one of the UK's busiest international airports.

A number of high profile infrastructure projects will provide the catalyst to further development and economic growth in the North West. These include the six-lane Mersey Gateway bridge, the development of the ports at Liverpool and the Port Salford project and in the longer term the expansion of Manchester airport and extension of HS2 from Birmingham to Manchester.

The region has harnessed a number of regeneration and growth initiatives. In particular major employers have been allocated grants from the regional growth fund; the enterprise zones will provide a catalyst for growth with mixed use schemes across the 'Atlantic Gateway' at Manchester airport, the ports at Liverpool and Wirral Waters and the science research facility at Daresbury.

Cheshire and Warrington lies at the heart of the Atlantic Gateway, a significant driver of economic growth in the North West. Cheshire and Warrington has a strong economy: with an eighth of the North West population, but contributing a sixth of the economic output, it outperforms the North West and UK on a number of economic indicators. The diversity of its economy provides strength in high tech manufacturing, advanced engineering, chemicals, pharmaceuticals, financial and business services and distribution and logistics. Major employers include Bank of America, AstraZeneca and Bentley.

There are key development schemes that will benefit from its infrastructure and skills base. These include: business parks at Omega and Birchwood Park in Warrington; office development in central Chester; employment and residential employment sites in Ellesmere Port and Basford in Crewe; and the mixed use town centre scheme at Warrington Bridge Street.

North West Economy

Demographics and employment

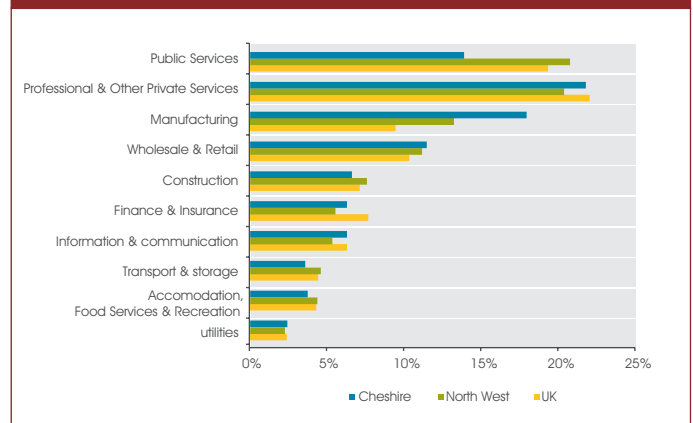
The population of the North West is 7 million, making it the third largest region in the UK after London and the South East. Although the region experienced half the population growth over the last ten years (3%) compared to that of the UK as a whole, the population is forecast to grow by 6% over the next ten years, which is similar to the UK.

According to ONS, the unemployment rate in the North West is 8.4%, slightly above that of the UK average (7.9%) but broadly in line with neighbouring regions. Looking ahead, forecasts from Experian show employment growing in the North West by 0.7% pa over the next five years, which compares to 0.8% pa nationally.

Industrial structure

The industrial structure of the North West economy is illustrated in the chart below. The main sectors are public services and professional and other private services (45% in total). Manufacturing provides the highest proportion of output in the region compared to the UK as a whole, along with wholesale and retail and public services. Finance and insurance output and information and communication are the most underrepresented.

Economic output by broad sector



Output trends and outlook

Over the next five years, the sectors forecast to show significant growth in the North West are finance and business services, information and communication, accommodation and food services and wholesale and retail, with the latter two outperforming the UK. All are forecast to grow between 10 and 15% over the next five years thereby helping to rebalance the economy away from the public sector, which is forecast to grow by only 2% over the same period.

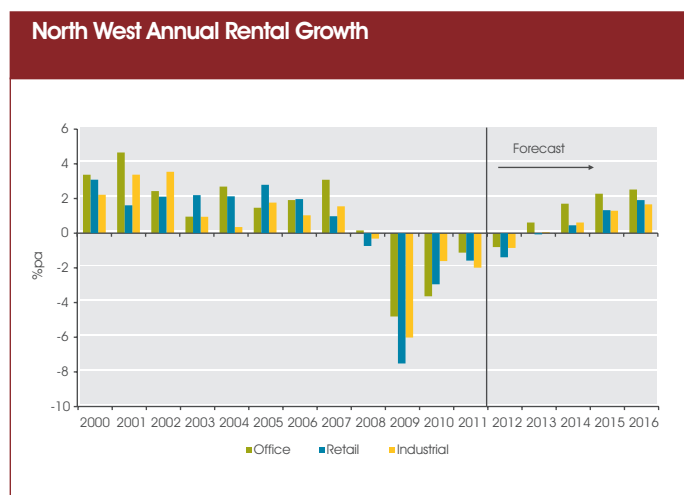
In the short term, output in the North West is expected to contract by 0.5% in 2012, grow by 1% in 2013, followed by a gradual improvement to just over 2% pa by 2016, which compares to the average of 1.9% pa over the past fifteen years.

Commercial property market

Occupier market

The North West occupier market is emerging from an extremely challenging period. After stalling in 2008, average rental values across all sectors fell sharply in 2009. Rental declines continued in the subsequent two years although the rate of decline slowed.

A fall of between 1% and 2% across the three main sectors is estimated this year, to be followed by little movement next year and a steady but slow return to trend rates of growth in subsequent years. The offices sector will lead the recovery in rental values over our five year forecast period.



Investment market

The commercial property investment market in the North West has experienced a similar trend to the rest of the UK in recent years. Overall deal volumes are down considerably compared to the period 2002 and 2007, although overall the current performance represents a more 'normal' level of activity.

Following a downward shift in yields in 2009 and 2010, yields remained stable until half way through 2011. They have since shifted upwards although this has been relatively modest and the extent of the upward shift should be limited unlike the major upward yield shift seen in 2007 and 2008.

We expect North West capital values to decline this year by around -9% on average for offices, -6.6% for retail and -4% for industrial. For 2013 our view is for a continued but modest decline in capital values in all sectors but positive growth in 2014. Investor demand for prime assets will continue to be strong. However much of the supply will be at the more secondary / tertiary end of the market as banks work their way through their distressed asset portfolios.

Development opportunities

While construction activity in the commercial property market is currently at a historically low level, there are some significant schemes in the pipeline for the medium to long term in the North West.

Much of this development will be centred on the 'Atlantic Gateway' belt from the ports of Liverpool and Ellesmere Port and across the M56, M62 and Manchester ship canal corridor,

including the enterprise zones of 'Manchester Airport City', 'Mersey Waters', and 'Sci-tech Daresbury'.

The aspiration for **Airport City** is to capitalise on the existing critical mass of the airport to deliver an internationally significant, comprehensive regeneration which extends beyond the airport. Over the next 15 years the aim is to deliver 1.5 million sq ft of offices, 1.4m sq ft of logistics and warehousing, 650,000 sq ft of advanced manufacturing facilities, 100,000 sq ft of retail and leisure and 2,500 hotel beds. The total development cost is estimated at £650m with an infrastructure cost of circa £70m.

The procurement of a strategic partner for Airport City is just beginning, a process which is being driven by Manchester Airports Group (MAG), along with Manchester City Council and HCA.

The enterprise zone **Mersey Waters** includes long term projects by Peel Holdings for Liverpool Waters and Wirral Waters. Liverpool Waters is a £5.5bn development of disused dockland. Once government approval is granted, the aims of the project are to deliver 9,000 new homes, office space and a new cruise terminal. Wirral Waters is a £4.5 billion scheme to transform 500 acres of Birkenhead docklands.

Sci-Tech Daresbury is a science and technology hub, recognised in areas such as high-performance computing, modelling and simulation. There are more than 100 hi-tech companies already located on its campus.

Work is expected to start next year on a new £450m **hospital in Liverpool** which will be delivered through PFI funding. **Vauxhall's Ellesmere Port factory** will see an investment of £125m with construction planned to start at the beginning of 2013, to accommodate production of the new Astra in 2015.



Key infrastructure developments

Mersey Gateway Bridge – a new six-lane toll bridge over the River Mersey, to the South of Liverpool, connecting Runcorn and Widnes. The preferred bidder for the construction of the £600m project will be announced in spring 2013, with construction due to start at the end of 2013.

Expansion of Manchester Airport - £400m redevelopment with potential for up to 7,000 new jobs; currently at masterplan stage.

Ports – Peel Ports is planning to build a £300m deep-water Post-Panamax container terminal at the Port of Liverpool, Liverpool 2. Planning permission has also been granted for the Port Salford project, the first tri-modal inland port facility and a 1,600,000 sq ft distribution park. The site is adjacent to the Manchester ship canal and will cost £138m.

The Northern Hub – Proposed programme of improvements to rail capacity and infrastructure around Greater Manchester including Piccadilly and Victoria stations. This will provide faster train links between Liverpool, Manchester and Leeds.

West Duddon Wind Farm – One of the largest offshore wind farms in the world is due to be built 15km off the Cumbrian coast. The project is worth £1.6bn and work will commence in summer 2013.

HS2 – The first phase will run from London to Birmingham by 2026. There are plans for Y-shaped extensions to Manchester and Leeds by 2033.

Growth initiatives

There are a number of growth initiatives provided by the UK and European governments that are designed to provide incentives for local authorities and Local Enterprise Partnerships (LEPs) to promote business growth in the regions.

The **Regional Growth Fund (RGF)** is a key source of finance that has allocated over £2bn and is aimed at harnessing private sector projects and programmes with significant potential for economic growth.

Of the 25 **Enterprise Zones** in England, three run along the M62/M56 corridor in Liverpool, Daresbury and Manchester Airport, with a fourth near Preston. They offer business rate relief and enhanced capital allowances, clustering opportunities and simplified planning procedures.

There are a number of European growth initiatives: **JEREMIE** venture capital funds will be providing up to £400m debt and equity financing for SMEs. **JESSICA** will provide around £200m of loans and guarantees to finance urban development projects, of which £35m has been directed to support employment generating projects on Merseyside through the **Chrysalis** fund, with a similar amount through the **Evergreen** fund across the North West.

In addition, **Tax Increment Financing (TIF)** and **Business Improvement Districts (BIDs)** should provide a more strategic approach to financing infrastructure.

Cheshire and Warrington

Key statistics

	Cheshire	North West	UK
GVA per capita (ONS 2010)	£20,991	£16,884	£20,341
Employment Rate (ONS 2012)	72%*	69.8%	71.3%
Unemployment Rate (ONS 2012)	7%*	8.4%	7.9%
Claimant count (ONS 2012)	3.1%**	4.4%	3.8%
Average gross weekly pay (ASHE 2011)	£460	£457	£498
Businesses per working age ratio	17.6	22.8	19.6
Average house price (Land Registry 2012)	£145,679**	£110,235	£162,561(E&W)

*Estimate based on NOMIS data. **Average of Cheshire East; Cheshire West and Chester; Warrington

Cheshire and Warrington is made up of three authorities - Warrington Borough Council, Cheshire West and Chester Council and Cheshire East Council.

Cheshire and Warrington has a population of 887,000 and economic output of £22 billion. The region has an eighth of the population of the North West and contributes a sixth of the economic output.

Cheshire and Warrington outperforms the North West and UK economies on a number of economic indicators. There is a higher GVA per capita, a higher number of businesses per capita and more favourable employment and unemployment rates than both the North West and UK. However, there are significant differences in wealth across the districts of the region.

Industrial structure

Cheshire has a broad business base. The most significant difference in output of the Cheshire and Warrington economies when compared to the UK and North West is the proportion derived from manufacturing, particularly high tech products such as chemicals, pharmaceuticals and engineering. Manufacturing makes up 19% of GVA output in Cheshire compared to 14% in the North West. Conversely there is significantly less public service output in Cheshire and Warrington (15%) than in the North West (22%), so it is less vulnerable to public sector cutbacks.

The contribution in output across other sectors is much more in line with the national average, although there is a greater proportion of wholesale and retail output in Cheshire than the UK. There is a similar proportion of output in the largest sector in both economies, professional and other private services, based predominantly around Chester and Warrington.

The Cheshire and Warrington economies are strong in advanced engineering. Thirty thousand people are employed in a range of advanced engineering activities including automotive production, consulting engineering, machinery manufacture, specialist engineering products and scientific research & development.

The automotive sector is strongly represented in Cheshire and Warrington and is expanding with significant commitment and investment from both the public and private sectors. Bentley

Motors in Crewe has recently been awarded £5m from the Regional Growth Fund. General Motors has confirmed that the new Astra will be produced in Ellesmere Port from 2015, with £125m investment in its factory and Jaguar Land Rover has confirmed £1bn investment in UK suppliers. There are also a number of automotive suppliers in the region who will benefit from the increased investment.

The region has extensive warehousing, distribution and logistics operations. There is an extensive motorway network of the M6, M62 and M56 as well as proximity to Manchester airport and the port of Liverpool. These, along with strategic rail links at Crewe, Chester and Warrington support the logistics sector as well as providing strong infrastructure for businesses in general.

Cheshire and Warrington will benefit from the growth in the nuclear sector with new power stations and decommissioning of the old. There is a nuclear and consulting engineering 'cluster' around Warrington and in particular Birchwood Park. The area also benefits from its close proximity to Sci-Tech Daresbury, one of only two national science and innovation campuses in the UK.

Cheshire employment sites and development opportunities

Chester, Warrington and Crewe are the main employment locations. Chester and Warrington are the main office locations, Warrington and Crewe the main distribution locations and Chester an important retail centre. Consequently overall, Cheshire and Warrington's main towns provide a net inflow of labour.

Cheshire and Warrington sits at the heart of the Atlantic Gateway, the most significant driver of economic growth in the North West. It provides a significant investment opportunity and is central to the delivery of a number of key developments.

Ellesmere Port is a key industrial development area, which has already benefitted from £500m of growth, linking the significant manufacturing corridor of Deeside and Ellesmere Port to Merseyside. New Bridge Road is a 150 acre site suitable for a range of industrial and commercial uses and there are opportunities for an auto supply park at Hooton. Ellesmere Port Waterfront is a major scheme to create hundreds of new homes alongside leisure and tourism-related development.

Warrington Bridge Street Quarter is a major mixed use scheme in Warrington town centre on a site of circa 15 acres. It is being brought forward by Muse Developments, working with Warrington Borough Council and programmed to start on site at the end of 2013. Major occupiers include a cinema, family restaurants, council offices and a foodstore.

Warrington Omega is a 575 acre former airbase and one of the area's largest development sites. It is a joint venture between Miller Developments and Royal Bank of Scotland. Almost all of Omega North is under offer to deliver 985,000 sq ft of B2 and B8 use, all to be completed by Q1 2014. 400 acre Omega South has consent for 1.5 million sq ft for B1 use, although this is likely to be reconsidered to reflect the current economic conditions.

Lingley Mere Business Park is a 100 acre park that already provides 370,000 sq ft of developed business space. Outline consent is in place to provide up to 1 million sq ft of office and distribution space.

Birchwood Park. 120 acre site that is home to 150 companies. There are plans to accelerate the growth of this nationally important science and nuclear cluster. There is also an opportunity for a 300,000 sq ft distribution park.

Chester Central Business Quarter. £115-million scheme to create more than 500,000 sq ft of new Grade A office space over the next ten years.

Basford West and East. Major employment and residential sites to the south of Crewe on either side of the west coast mainline. Strategic employment focused on office and innovative businesses including advanced engineering and distribution with close proximity to the M6.

Midpoint 18. An established location for logistics and manufacturing in Middlewich. 75 acres of employment land for storage, distribution and offices linked to Junction 18 of M6.

SEMMS is a major road scheme improving accessibility of the motorway network from eastern Cheshire, completing a link across south east Manchester. Funding has now been confirmed and it is currently undergoing public consultation as to layout options.



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