City living

beyond the boom

Leeds survey 2010

A report by **Knight Frank, Morgans City Living, Savills, King Sturge and Allsop with Rachael Unsworth, School of Geography, University of Leeds**

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This report is the result of collaboration between five firms of property agents and the University of Leeds.

Knight Frank and Morgans City Living initiated the study and Savills, King Sturge and Allsop joined the project in autumn 2009.

Leeds City Council City Development Department contributed comments. They also mapped the schemes onto the city centre base map developed in 2009 for use by anybody wishing to present mapped data.

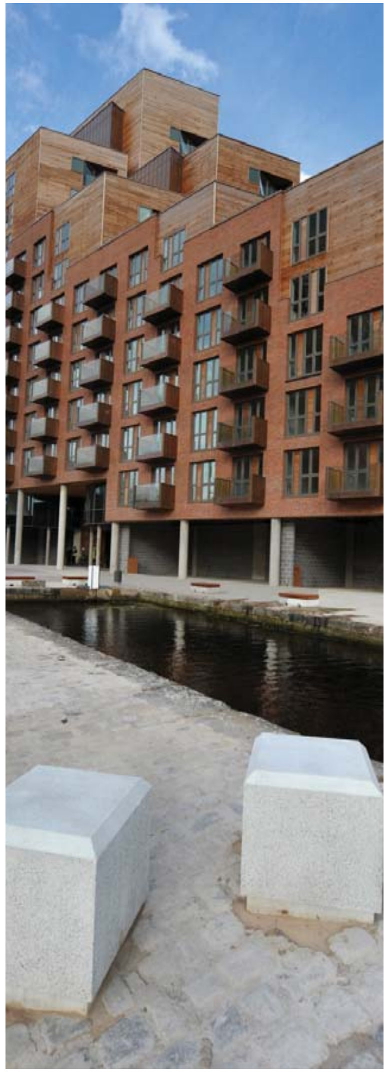
The City Development Department also checked our information about the improvements and attractions in the city centre since the 2007 survey was published.

The partnership approach to producing the document gives the best possible chance of thoroughness, objectivity and frankness.

Rachael Unsworth, School of Geography, University of Leeds, project managed the survey and wrote the text.

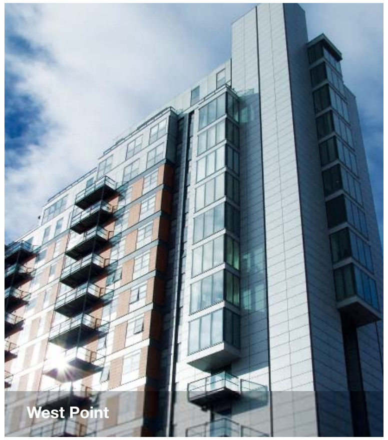
Executive summary

- City centre apartment schemes in Leeds generally have **high levels of occupancy.** The properties managed by six major firms of agents total 3153 apartments and these are more than 92% occupied. Only one scheme is entirely vacant. The rental market has been strong during the recession.
- **Sale values** dipped from the fourth quarter of 2007 but stabilised during 2009.
- **Rents** have stayed at more or less the same level as they were in 2007, with some high quality, well-located schemes showing some rental growth. Some building owners are letting apartments for the medium term with a view to later sale when values recover.
- Only two schemes are **under construction** and only five schemes, totalling around 600-700 flats, seem to have a chance of delivering within the next 5 years.
- **More than 30 schemes with planning permission,** totalling over 9,920 units, **have stalled and seem unlikely to proceed in the originally proposed form.** Many more sites are still at pre-application stage and are even more unlikely to come to fruition in the form originally indicated.
- **Funding** for large-scale apartment blocks is highly unlikely to return within 3 to 5 years. The viability of schemes is no longer underpinned by off-plan sales. Once conditions do improve, we expect to see growing numbers of owner occupiers. Of those buying as investors, most will choose apartments with a tenant already in place.
- **Land values** are now much lower than the prices paid during the boom. This value gap has paralysed the development pipeline.
- The **public and private sectors** need to work together to identify the areas of the city centre/fringes that are most likely to be attractive to occupiers and investors and co-ordinate the phasing of development plus physical, social and retail infrastructure and public realm improvements to maximise the chance of creating confidence and viability. East Bank and the Aire Valley, Holbeck and Beeston are likely starting points.
- Newly worked proposals need to feature **varied home types**, including some family houses, in order to meet demand.
- Leeds remains an attractive option for occupiers, and **investment in retail, leisure and other facilities** continues to improve the appeal.



City living in Leeds – survey 2010

The aim of this report is to give a better evidence base for those involved in making decisions about the future of the city centre: the City Council and other public sector bodies, developers, land owners, agents, advisors and others involved in planning, development and regeneration. It also enables those beyond Leeds to gain a better understanding of recent changes in the city, the present state of the market and prospects for the future.



West Point

The Chandlers

The current supply pipeline is very small compared with the position in 2007 when the last detailed market survey was published.[1] City centre and fringe city centre development schemes were put on hold one after another from the autumn of 2007. Very few of these schemes will go ahead in anything like their original form: the buy-to-let 'engine' has ground to a halt and although there will continue to be a demand for city living, the delivery of new developments needs to be more gradual and better thought through. To encourage investors back into the market a newly scheduled pipeline of schemes should be more staggered, and focused in particular neighbourhoods, instead of there being either endless paralysis or a renewed free-for-all. This would help to give confidence that there will be no repeat of threatened oversupply.

A more considered approach would also help to improve the quality of schemes coming forward. Though some innovative, sensitive and popular city living developments have been built, the boom gave us a less than entirely coherent and admirable set of additions to the built environment. The City Council, in common with many authorities around the country, was overwhelmed by the pace of proposals. Developers were often intent on maximising density and minimising costs, and with flats for the buy-to-let market dominating supply, the city as a whole suffered a mismatch between type of housing supply and type of need.

This is the time to rethink the nature of further development. The city centre needs to be blended into the surrounding 'rim' that has seen less investment than the central area. There are opportunities to provide a more varied range of housing, with additional and enhanced supporting services and amenities to create attractive options for longer term residence.

The report covers the recent and current trends in the market, assesses the shape of the development pipeline and makes some comments about future housing delivery in the context of planning policy. A major difference between the 2010 survey and those published in 2003, 2005 and 2007 is that we have not carried out an occupier survey this time.

The changing market in Leeds city centre

The early 21st century

The calamities of 2001 when a dramatic terrorist act shook the foundations of the world financial system form the backdrop to what was to happen in many UK city centres all the way through to 2007.

With stock markets collapsing, money poured into property and entire schemes were conceived across the country to deliver conveniently-sized, packaged apartments to the tens of thousands of investors who had been attracted to investor clubs promising low entry cost, little risk and appealing capital growth. Most of these bought at distance, without inspecting the property they were buying and often without the security of the finances to be able to complete should they not be able to achieve a 'turn' at completion. Bolstering this already hot market place was demand from Ireland and whilst Leeds was not the principal target, several Irish 'packagers' went on a pan-European rampage, targeting 'emerging markets' everywhere from Liverpool to Bulgaria.

There was a particular focus on the main city centres where the employment levels, amenities and latent demand were most evident and this model quickly rolled out to other towns beyond the main cities. Proximity to nearby major centres of employment and a 20 minute train ride were given as reasons to expect investment returns which were, more often than not, completely out of step with local market evidence. Several banks are particularly exposed to optimistic developments in secondary and tertiary urban areas.

There is a range of factors defining the recent trends in city living in Leeds:

- The growth in the number of apartments has been consistently supported by a growing economy, lower than average unemployment, a growing population and a diverse and vibrant work force.
- By 2007, the buying frenzy was over and whilst many apartments were yet to complete, those that were under construction were largely sold and had exchanged contracts.
- A number of badly-conceived schemes were sold off plan, often to people who had little finance and who were to struggle to complete. Their expectations of rental returns were often inflated and did not allow for furnishing costs, voids, service charges and ground rents.

- The pipeline of potential apartments, as identified in the city living report of 2007, had a sobering effect on the ambitions of more than a handful of developers who realised for the first time that they were operating in an extremely competitive market which was already seeing demand fall.
- City living in Leeds has featured in more national media than most of the other core cities and this disproportionate attention has effectively 'informed' the nation about the failures of city living in Leeds. We have tried to trace the origin of this 3 year media frenzy which we think started when one newspaper claimed that 'up to 70%' of city apartments lay empty.

Current demand

Until 2007, the market was driven by the strong buy-to-let phenomenon. Although the delivery of schemes into this market has now virtually dried up (see later section on the supply pipeline), the existing 125 city living schemes, comprising around 9,527 apartments, are mostly well-occupied. There is only one building (Waterside, the second phase of City Island) that remains entirely vacant, though the investors have recently indicated that the building will be let over the next few months. All other schemes have residents and most of the well-established ones have no vacancies or are almost fully occupied. Evidence from six of the main city living agents, relating to 3153 rented apartments, gives us a figure of 92.4% occupancy for this substantial section of the market. Of course, many apartments are owner occupied (more than 40% according to the 2007 occupier survey) or let privately, so total market coverage is impossible.

Sales of new properties are at low levels but a few new properties are on the market (for sale by developers to occupiers or investors): Urban Splash's reworking of local authority flats (Saxton), the Echo developments along East Street (one by Barratt and the other by Rushbond), 2020 House on Skinner Lane and Granary Wharf on the south side of the railway station. There are few re-sales by existing owners, but the obverse of this is that many owners who have been unwilling to sell and thus realise a lower value have been able to rent their property. Demand has been strong enough to keep rental values more or less at the same levels as in 2007.

The Homes and Communities Agency's 'HomeBuy Direct' scheme has enabled some first time buyers to access properties at Saxton, Echo and Granary Wharf. The Agency dealing with applications (My4Walls) reported growing demand nationally during 2009 for first time buyers to secure a 70 per cent stake in properties of participating developers. Nine sales were completed in 2009 in the eligible schemes in Leeds City centre with ten more properties reserved. This still leaves around 90 potential city centre HomeBuy purchases available.

Building owners who are not in financial difficulties with their banks are willing to let apartments for the medium term and are expected to release them gradually for sale as values and activity levels continue to improve. In this category are The Chandlers, Citispace, The Gateway, Quay One, One Brewery Wharf, Skyline, and Manor Mills.

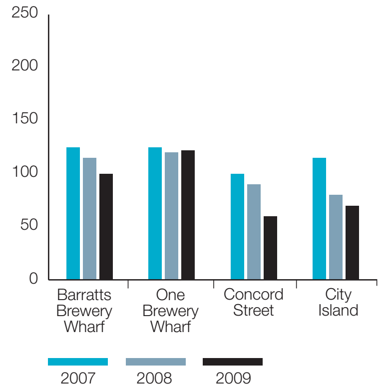
One of the more successful schemes in 2009 was Granary Wharf, developed by ISIS Waterside Regeneration. Having been designed with the owner occupier in mind rather than investors, the apartments are larger than average and have a high level of specification. The location also appeals to this market being on the banks of the River Aire and Leeds-Liverpool Canal, giving that sought-after water view, whilst being just a few minutes' walk from the city centre. A total of 48 sales were agreed in 2009, only four of which were to investors, illustrating that there is still a good demand from owner occupiers in Leeds city centre. The development also offers the Government-backed Homebuy Direct scheme which has proved extremely popular. Prices have averaged £260/ sq ft. *Source: King Sturge*

Values

It is quite clear that values in the city centre fell broadly in line with the wider housing market between 2007 and 2009, but did so less sharply in good quality and/or well-located schemes such as One Brewery Wharf, 1 Dock Street, The Gateway and Langton's Wharf (where some values actually rose) than they did in less stable, less central schemes such as Concord Street, Aspect 14 and City Island, where a disproportionate number of the sales completed in the past two years have been repossessions (see next page for more on this topic). For many reasons, it is extremely difficult to provide substantial evidence which captures market trends across the many different types, sizes and locations of individual apartments, not least of which is the fact that sales transactions have been at such low levels over the past two years. Figures 1 and 2 give some evidence of changing sales values in four city centre schemes.

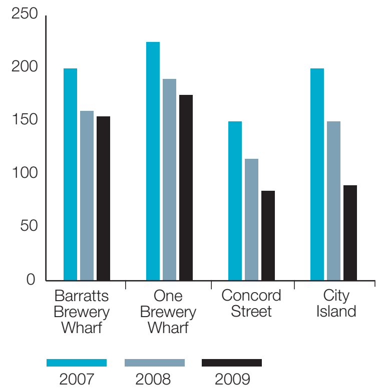
With credit stifled and large numbers of apartments effectively removed from the market by being tenanted, only serious, well-financed owner occupiers have entered the market. They have been focused on the

Figure 1
Sale values for 1 bedroom apartments in four city living schemes 2007, 2008, 2009 (000's)



Source: Allsop research

Figure 2
Sale values for 2 bedroom apartments in four city living schemes 2007, 2008, 2009 (000's)



Source: Allsop research

Table 1

Sales by Morgans CityLiving and King Sturge: comparing 2007 and 2009 values

Scheme	Description of apartment	Sale value 07	Description of apartment	Sale value 09
The Gateway, East Street	2 bed circa 700 sq ft with parking, 8th floor	£183,900	2 bed circa 700 sq ft with parking 9th floor	£177,500
1 Dock Street	2 bed circa 1000 sq ft with parking	£297,500	2 bed circa 1000 sq ft with parking	£325,000
Langton's Wharf, The Calls	2 bed circa 700 sq ft with parking	£150,000	2 bed circa 700 sq ft with parking	£155,000
Whitehall Quay	2 bed river-facing with parking	£194,000	2 bed river-facing without parking	£180,000
Chantrell Court, The Calls	1 bed unallocated parking	£110,000	1 bed unallocated parking	£85,000
Velocity East, Victoria Road	2 bed with parking	£145,000	2 bed with parking	£130,000
Trinity One, East Street	2 bed with parking	£185,000	2 bed with parking	£150,000

Note: values given for 2007 and 2009 relate to 14 different apartments in the 7 schemes, not to the same 7 properties changing hands in both 2007 and 2009. Individual apartment numbers have been withheld.

quality schemes and have sometimes found themselves bidding competitively for certain properties. Morgans experienced this on a number of occasions in 2009 when instructed by institutions to dispose of repossessed property. On two such occasions, they resorted to sealed bids.

Amongst the sales completed by Morgans in 2009 were:

- Loft-style penthouse in Simpson's Fold, completed at £410,000
- 1 Dock Street: loft-style 2 bed with parking, completed at £325,000
- Mackenzie House: 2 bed penthouse with parking, completed at £335,000

Better located properties are in strong demand from professional people either looking for a second home or looking to relocate or downsize from the suburbs and we fully expect this to continue throughout the year.

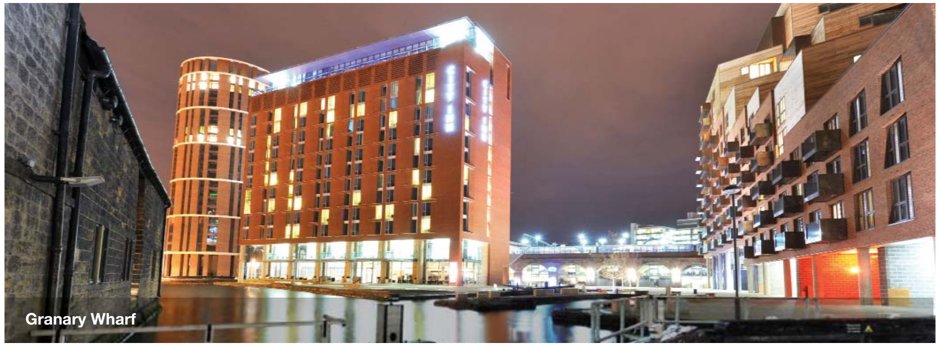
We have looked at a sample of sales which completed in 2007 and 2009 and Table 1 gives some examples which clearly illustrate the trends.

It is worth giving a little more detail on the phenomenon of repossessions: Allsop data show that there was a patch of distressed sales, with a crescendo towards the end of 2008. Schemes which attracted a high proportion of investors from a single source have typically seen higher levels of repossession – this is the case in West Point, City Island and Concord Street, which between them account for around 80% of all the repossessions in Leeds City Centre. However, there were only 53 sales of repossessions through auction in 2009 (source: Allsops) out of a total stock of over 9,000 apartments. Soon the lots were being competed for at auction, holding up values. Some were bought by owner occupiers and others were acquired by cash-rich investors looking to dispose of properties rapidly into the occupier market. Auction values have been held down by the postcode approach of the asset managers who are charged with disposing of distressed property. As a consequence, properties which should have been given to city centre agents have instead been given to agents in outlying areas to sell, purely because of the post code. This has resulted in city centre apartments sitting uncomfortably on agents' lists alongside back-to-back terraced houses and small flats which make up the bread and butter of the inner city agents in question. A number of informed speculators have turned this post code approach to their advantage, buying repossessed apartments cheaply and selling them on immediately to more cautious owner occupiers at a considerably higher price.

With the exception of repossessed sales, values have now stabilised having reached realistic levels and will be likely to rise in future. (See later section on future market).


Langton's Wharf

Better located properties are in strong demand from professional people either looking for a second home or looking to relocate or downsize


Granary Wharf

Current supply

The pipeline of potential city centre units in 2007 totalled nearly 12,000 apartments. Schemes were put on hold from late 2007 and a very different picture has subsequently emerged. Only two city centre schemes are under construction: Indigo Blu and Saxton.

As a result of the severe downturn in demand in 2007 and the credit crisis, and in contrast to most Northern cities, there are no residential buildings in Leeds which are partly built or mothballed. The three schemes which have completed to plan are all now moving forward. Waterside House will, we are told, be let rather than sold. 20:20 House is now largely let and apartments are available for sale. East Street Mills is almost completed and a revaluation was carried out in late 2009 to enable the final tranche of development finance to be forwarded.

Analysis of the outstanding supply pipeline

The partners who have collaborated to produce this survey have examined the database of planned schemes, checked with Leeds City Council regarding their planning status, and assessed how likely each one is to go ahead and within what timescale. The totals in each category are presented in Table 2.

These figures indicate that very little development is likely to come forward in the next few years. Up to 2015, only a handful of schemes are likely to be on site and will add perhaps 600-700 units to the supply. The schemes with planning permission that we consider are unlikely to go ahead in the original form, or may not happen at all, total over 9,920 units in over 30 schemes. There are many more schemes that have not yet got as far as securing planning permission. Several of the sites still at various stages in the pipeline were unsuitable for residential development in the first place; higher values tempted owners into seeking consents. Some will remain in industrial use and are likely to do so for a considerable time to come.

How will this uncertainty and paralysis end? Despite evident continuing demand for housing in general and for city living in particular, no further development will take place until banks are prepared to provide speculative finance. Lenders will need to be convinced of genuine and sustainable risk-return profiles and will require much more vigorous appraisals and market testing than they have perhaps become used to. This is most likely to occur in established locations where well-considered schemes are certain to attract demand from owner occupiers as well as investors.

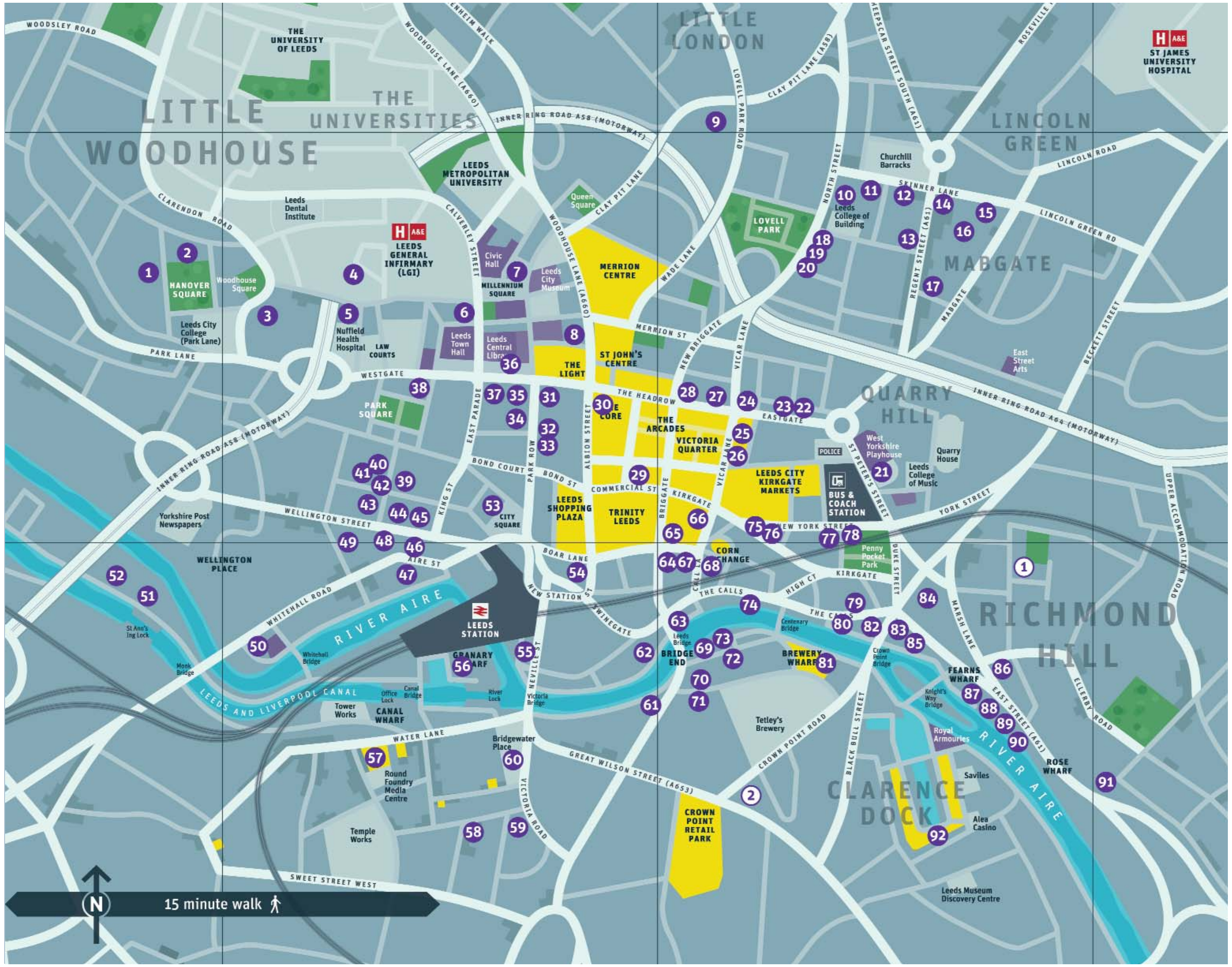
In the context of the wider housing market, large apartment blocks carry with them a particular challenge in that is very difficult to achieve phased delivery. In other words, a developer (and therefore a funder) has to speculate the cost of an entire building before they are able to generate revenue from the sale of any individual apartments within it. This is in stark contrast to the development of houses whereby receipts can be generated as the individual units are built. The risks of this type of development are far lower and therefore of much greater interest to the banks. We expect this to remain the case for some time to come.

Table 2
Supply of apartments in Leeds city centre

Category	Number of units
Completed between the mid-1980s and 2003	1,640 (53 schemes) average size 31 units
Completed Q1 2003 - Q1 2007	4,169 (45 schemes) average size 93 units
Completed since March 2007	3,718 (27 schemes) average size 137 units
TOTAL COMPLETED UP TO 2009 The *main* schemes are marked on Map 1	**9,527 (125 schemes)**
Under construction 2008-2009 Also marked on Map 1	Saxton Phase II – 50 units Indigo Blu – 46 units
With permission and likely to go ahead within 5 years [a mix of news from developers + judgment by agents of likely starts] The *main* schemes are marked on Map 2	• Tower Works – 65 units • Part of Wellington Place – unlikely to be more than 200 units in first phase • St Mary's Church – 171 units • Echo City 2 – 147 units • Saxton Phase III – 210 units TOTAL= possibly around 600-700 units
With permission – may go ahead in 5+ years but likely to be reworked with lower unit numbers in many cases Also marked on Map 2	Approx 9,920 units (32 schemes)
Potential developments, but no permission/permission expired. This includes some sites where unit numbers are highly speculative.	5,760 units (14 schemes)

Sources: agents' records, developers, Leeds City Council planning data, press reports

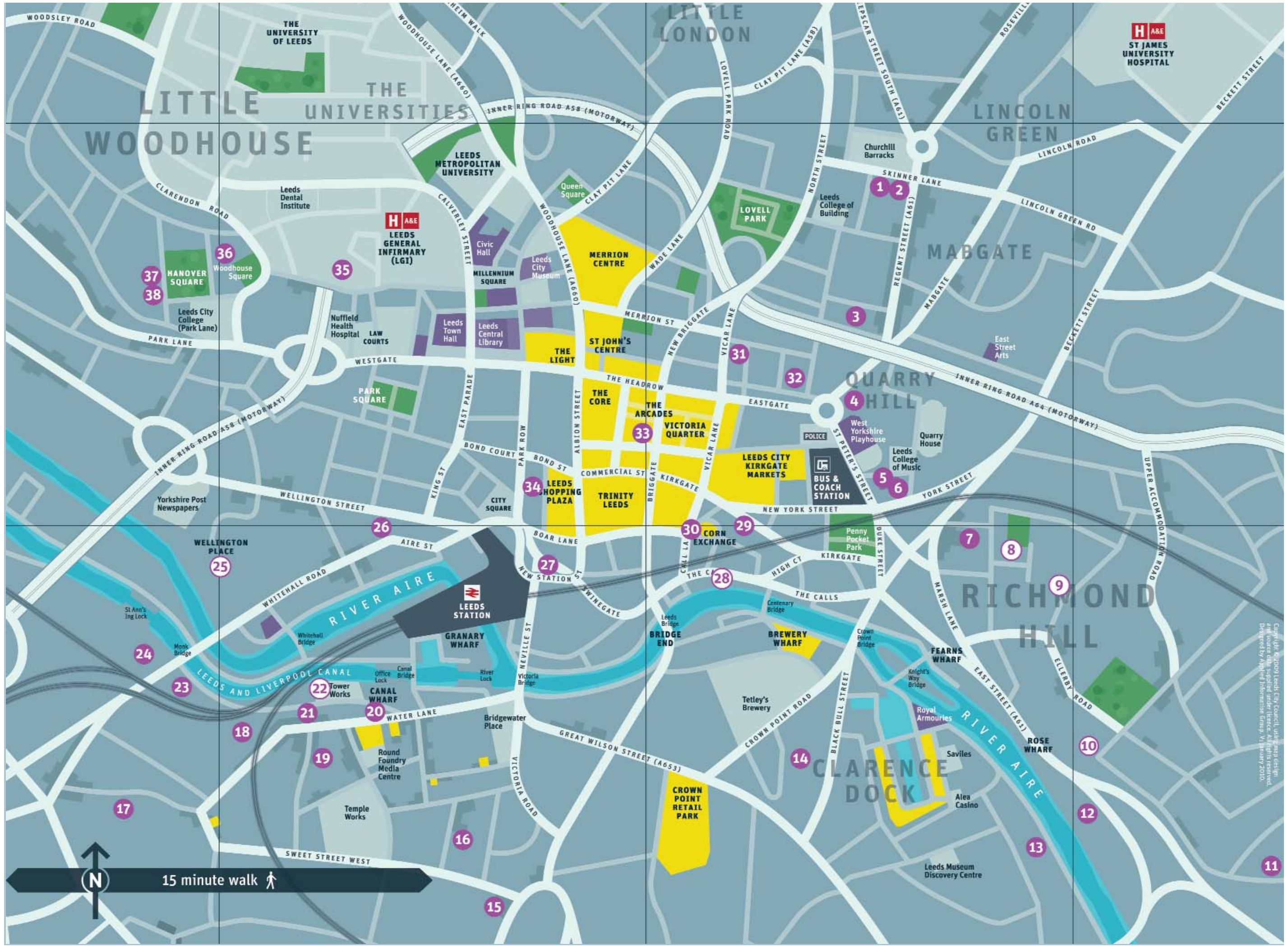
Map 1: City living – main completed schemes and two schemes under construction



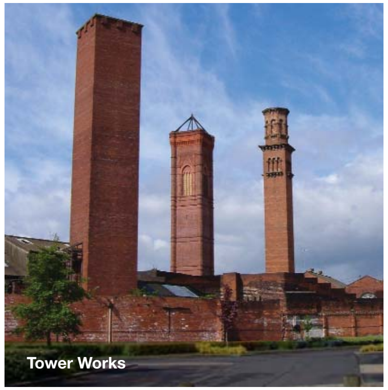
No:	Address
1	Anstey House, 34 Hanover Square
2	Denison Hall, Hanover Square
3	Woodhouse Plaza, 10 Woodhouse Square
4	The St George Building, Great George Street
5	Centaur House, 91 Great George Street
6	Portland Place, 5 Calverley Street
7	Brodrick Court, 97 Portland Crescent
8	K2, 125 Albion Street
9	Aspect 14, Elmwood Lane
10	North Point
11	Concord Street
12	Lovell House, North Street/Skinner Lane
13	Citispace, 11 Regent Street
14	Cypress Point, Concord Street/Skinner Lane
15	20/20 House, Skinner Lane
16	Ahlux Court, Millwright
17	Millwright, 22 Regent Street
18	Mackintosh House, 80 North Street
19	Merchants House, 66 North Street
20	54 North Street
21	Skyline, West Yorkshire Playhouse
22	29-31 Eastgate
23	27 Eastgate
24	10 to 12 The Headrow
25	Vicar Lane Apartments, 50-56 Vicar Lane
26	County House, Vicar Lane
27	3 The Headrow
28	Thornton's Chambers, 57 The Headrow
29	12a Albion Place
30	Basilica, Albion Street
31	21 Park Row
32	14 Park Row
33	11 Park Row
34	28-30 Park Row
35	26-27 Park Row
36	Victoria House, 143-5 The Headrow
37	15 South Parade
38	40-41 Park Square North
39	Landmark House, 32 Park Place
40	The Chambers, 30 Park Place
41	30 York Place
42	17-19 York Place
43	Britannia House, 16 York Place
44	Atlantic Apartments, 72 Wellington Street
45	Wellington Street
46	City Central, Wellington Street
47	Whitehall Quays
48	West Point, Wellington Street
49	Northern Street Apartments
50	Whitehall Waterfront, Whitehall Road
51	City Island – Phase 1, Gotts Road
52	City Island – Phase 2, Gotts Road
53	Residence 6, Old Post Office, City Square
54	2 to 6 New Station Street
55	Blue, Little Neville Street
56	Granary Wharf
57	Round Foundry, Water Lane
58	Manor Mills, 20-22 Manor Road
59	Velocity, Sweet Street
60	Bridgewater Place, Victoria Road
61	Bridge Lofts, Bridge End
62	The Quays, Concordia Street
63	Riverside Court, The Calls
64	Regents' Court, 160 Briggate
65	Hepworth Chambers, 148-150 Briggate
66	Vassalli House, Central Road
67	The Call Box, 44-46 Call Lane
68	Crown Street Buildings, Cloth Hall Street
69	1 Dock Street
70	The Bridge, Hunslet Lane
71	Waterloo Apartments
72	Simpson's Fold, 26 Dock Street
73	Victoria Quays, Navigation Walk
74	32-34 The Calls
75	30-31 Kirkgate
76	Dewhurst Buildings, 32-33 Kirkgate
77	Iceworks, Cross York Street
78	New York Apartments, 44 New York Street
79	Chantrell Court, The Calls
80	Langton's Wharf, The Calls
81	Brewery Wharf, Bowman Lane
82	The Chandlers, The Calls
83	Merchant's Quay, East Street
84	Gateway
85	Turlow Court, Neptune Street
86	East Street Mills, East Street
87	Trinity One, Neptune Street
88	Quay One, Neptune Street
89	Fearns Wharf, Neptune Street
90	Robert's Wharf, East Street
91	Echo, East Street
92	Clarence Dock
	Under construction
1	Saxton
2	Indigo Blu, Crown Point Road

Map 2: City living – main schemes with planning permission

No:	Address
1	Jayco House, Skinner Lane
2	19 Regent Street
3	Bridge St/New York Rd/Regent St/Gower St
4	Quarry Hill
5	4 St Peter's Place
6	York St/St Peter's Place
7	Saxton Lane
8	Saxton Phase III
9	St Mary's Church, Church Road, Richmond Hill
10	Echo City 2
11	Knowsthorpe Crescent/Cross Green Lane
12	Low Fold, East Street
13	Hydro Works, Clarence Road
14	The Works, Black Bull Street
15	City One, Meadow Lane
16	Manor Road
17	Sweet Street/Marshall Street
18	67 Water Lane
19	Marshall's Mill, Water Lane
20	Globe Road/Water Lane
21	23-31 Globe Road
22	Tower Works, Globe Road
23	Green Bank, Globe Road
24	Globe Road/Whitehall Road
25	Wellington Place
26	Lumière, Wellington Street
27	18-14 New Station Street
28	36 and 38 The Calls
29	22-24 New Market Street
30	52 Call Lane
31	98-104 Vicar Lane
32	Eastgate Quarter
33	153 Briggate
34	8 Park Row
35	77-79 Great George Street
36	St Anne's School, Woodhouse Square
37	Park Lane/Hanover Square
38	34 Hanover Square




Saxton


Tower Works


Echo

Round up of comments from developers

Below are summary points about thirteen sites about which developers were able to give comments. It includes the five sites which we consider stand a chance of coming forward before 2015.

Saxton: Urban Splash has successfully bid for funding approved through the Homes and Communities Agency's 'Kickstart' scheme to enable work on the second phase of the 410 apartment scheme to continue. If the funding comes through, as expected, it is significant that it is conditional upon the scheme being totally completed by April 2011.
Simon Gawthorpe, Urban Splash

Tower Works: Yorkshire Forward has stepped in to help restart this scheme in Holbeck Urban Village. This mixed use scheme could catalyse further activity in the locality: the triangular site where Globe Road and Water Land converge makes a logical next step, consolidating the regeneration between the Round Foundry and Granary Wharf. A hotel on the car park site to the east of Tower Works may also go ahead relatively soon. Other Holbeck Urban Village sites may come into play by about 2015.

Wellington Place: This large-scale, multi-phase scheme in the West End of the city centre, should be amongst the first sites to get under way. The company aims 'to create a place of meaning and quality which will sustain employers, service providers and householders alike. Through close collaboration with our architects, we have achieved planning permission for 2.6m sq ft of new development and whilst the recent turmoil in the property and finance markets has delayed our plans and forced us to re-think and downscale the development, it is our firm intention to time our return to construction at the earliest possible opportunity. We are busy working up detailed designs on a number of buildings in order that we can make sure we are first to market for the next generation of grade 'A' BREEAM excellent office space as well as urban housing at a new level. The design process will take us through 2010 and we hope to be ready to break ground in 2011.'
Rick de Blaby, Chief Executive Officer, MEPC

Mount St Mary's: Rushbond's redevelopment of the Grade II* listed, derelict, church building with new building on the adjacent site posed a challenging project. However, an improving market place combined with continued investment, both public & private, in the surrounding Richmond Hill area and an "affordable" product are encouraging indicators of a project that will become viable and deliverable.
Richard Baker, Rushbond

Echo City 2, East Street: Barratt completed Echo Central 1 in 2009 and has sold or let over two thirds of the 163 apartments. A further block, Echo City 2, already with detailed planning permission, will comprise 147 apartments (1 bed and 2 bed). Construction is not expected to start before mid-2011.
Chris Burton, Managing Director,
Barratt Homes Yorkshire

Monk Bridge: Whilst Crosby Lend Lease is still committed to city centre apartments, the company has no intention of developing Monk Bridge in the foreseeable future.
Martina Collins, Sales and Marketing Director,
Crosby Lend Lease

Marshall's Mill: Developers Igloo lobbied for Kickstart funding but failed to secure it. Without that funding the viability of the scheme remains a problem so there will be no progress in the short term. The site will be retained and the proposal will be revised to provide larger two and three bedroom units.
Paul Simmons, Development Director
Igloo Urban Regeneration

Manor Road: This important site in Holbeck Urban Village has huge potential and Dandara is currently evaluating the options.
Seamus Nugent, Director, Dandara

Centrica site (Bridge Street, New York Road, Regent Street and Gower Street): West Properties has delayed development because of difficulty securing funding. It was always the intention to develop a mixed use scheme and it is likely that the mix will be adjusted to make it viable.
Francis Hilton, West Properties

The Works, Black Bull Street: We understand that the land owner is re-appraising options and that the site may come back to the market.
Savills

Eastgate: The original proposal by Hammerson and Town Centre Securities included 450 apartments. It is likely that when the scheme is reworked, it will include less than half that number. It is unlikely that work on site will begin before 2012. Delivery will be in 2015 at the earliest, as the residential will be over retail.
Richard Lewis, Property Director,
Town Centres Securities

City One: A revised outline planning application is to be submitted in Spring 2010 for this 10-acre site on the southern edge of the city centre, seven minutes' walk from Leeds railway station. Montpellier's vision for the redevelopment of this site is for 'an exciting, prestigious, high quality, sustainable, mixed-use development comprising residential units, grade A office space, restaurants, retail units, a hotel and a large casino. Majoring on 'livability' instead of efficiency, the scheme will create space and places where people want to live and spend time. It will enclose high quality public open green spaces and the new design will 'repair' the urban fabric in this part of the city with a series of interconnecting urban public spaces linking the communities of Holbeck and Beeston back into Holbeck Urban Village and the city centre.
David Williams, Projects Director, Montpellier Estates

Lumière: KW Linfoot plc applied for planning permission in March 2006 for a very tall mixed use development on a site between Wellington Street and Whitehall Road. Detailed permission was granted in April 2007 for a development comprising two towers of 32 storeys and 54 storeys, with connecting covered public winter garden, 838 flats, offices, health centre, ground floor retail uses and basement car parking. Very strong off-plan sales were reported and work on foundations and car parking levels was started, but the development was halted in July 2008 when market conditions deteriorated. The developers, now working with Frasers, still intend to proceed with the scheme when the market improves.

Future housing delivery

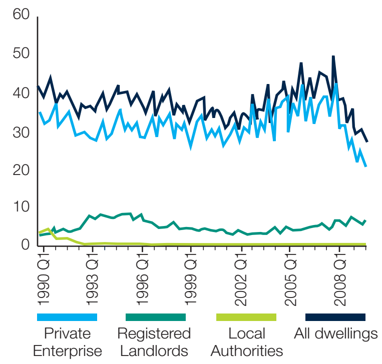
Following the Barker Review,[2] the Government stipulated that housing supply should be greatly increased. Via the Regional Spatial Strategy, Leeds is required to add 4,300 dwellings a year to the whole district – a total of 73,900 between 2008 and 2026. This seems particularly daunting in the light of the recession and the steep fall in housing delivery (see Figure 3). It is likely that future expectations for housing delivery numbers will be revised,[3] but the Core Strategy of the forthcoming Local Development Framework (LDF)[4] has to make provision for a high addition to the housing stock over the next two decades.

The Regional Spatial Strategy and the existing Leeds Unitary Development Plan policies give priority to redeveloping brownfield land both in order to regenerate the post-industrial landscape and to avoid encroaching any more than necessary onto greenfield sites. The forthcoming LDF places emphasis on developing on accessible brownfield sites in the early part of the plan period, including the sites within and close to the city centre. Both the high delivery expectations and the early site preferences suggest a continuing welcome of high levels of development of small flats. But across the country, the balance of housing delivery had already swung very strongly towards flats and away from houses since the late 1990s (see Figure 4). Leeds, like many other cities, had been able to make positive returns to central government on the number of units completed and the proportion on brownfield sites,[5] but latterly accommodation for families was in relatively short supply.[6] The Council recognises the need for a better balance of dwelling types going forward.[7]

In terms of the location and timing of housing delivery, the Council has carried out a Strategic Housing Land Availability Assessment, which adds up all the possible housing land availability across the district. This will be used to make allocations over the plan period 2009-2026. The city centre, though less than 3% of the district's land area, is expected to account for 21% of housing supply in the plan period – a total of 15,520 units – with around 2,950 expected to come forward in the period up to 2015.[8] Looking back at the figures in Table 2 of this report, there is a clear discrepancy between the number of units thought by the authors of this report to be deliverable within this first five years (600-700 at best) and the number which planners have calculated, even though it is claimed that in the SHLAA the slower delivery rate caused by the recession has been taken into account when apportioning dwelling numbers to year of delivery.

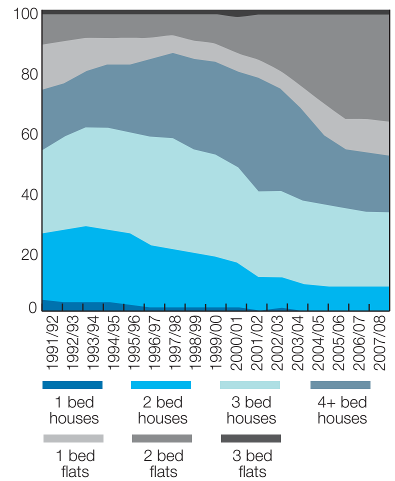
Some of the schemes in the pipeline before the credit crunch were of very high density and as such are unlikely to go ahead in the original form. Already, some SHLAA estimates are lower than the figures originally proposed by developers. Further revisions are likely on other sites. Some of the operators of the boom years are in no position to re-enter the market in the near future, if at all. House builders coming back into action are not looking at activating high-volume sites, nor are funders prepared to consider them; instead developers are searching for opportunities that give them reasonable margins and are identifying

Figure 3
Housing completions, England 1990-2009
(000's)



Source: http://www.communities.gov.uk/housing/housingresearch/housingstatistics/

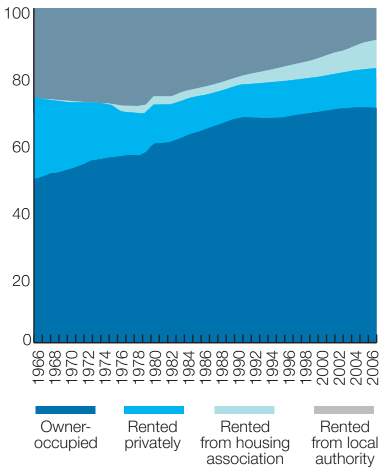
Figure 4
Housing completions by size and type
(%)



Source: Communities and Local Government (CLG)

Figure 5

Tenure type (England)
(%)



Source: Communities and Local Government (CLG)

viable sites that will be attractive to households who are best able to enter the market.[9] So there is a gap between the plan requirement and the practical, market realities.

Beyond the city centre itself, the LDF indicates that the 'main urban area' is expected to take an additional 20,000 dwellings and this includes sites just beyond the city centre. More than 8,000 are scheduled to come forward in the 2009-2015 period. Clearly some work is needed to ensure that development can be eased into life both within the city centre itself and on sites in 'the rim' just beyond the centre[10] if such ambitious targets are to be met.

The Aire Valley Leeds Urban Eco-Settlement being promoted by the City Council offers a major opportunity for an early start on resuming development in an area that is in need of regeneration. According to Phil Crabtree, the Chief Planning Officer, 'a new chance emerged for a potentially ground-breaking approach to place making after the failure of the government's initial attempt to designate 'eco towns' in the Yorkshire and Humberside Region. The proposed free-standing settlements were widely criticised and led to a counter-proposal to develop eco-settlements as part of existing urban areas. The 1000-hectare Aire Valley Leeds area starts in the city centre and includes the south-east portion of 'the rim'[11] with the main extent located in the river valley further downstream. It is planned that this area will, over a period of 15-20 years, deliver 12,000 new homes as well as retrofitting 8000 existing homes to meet energy efficiency standards. In this huge new area of recreation and enterprise, new employment opportunities will be set within an improved physical environment provided with low carbon energy generation and sustainable transport infrastructure.[12] The mechanism of Tax Increment Financing[13] will be used to initiate development work'.

The short-term market outlook

There are varying views on how long it will take Britain to move thoroughly out of recession. A 0.1% growth rate in the final quarter of 2009 is not a definitive turn-around. The pace of job losses has slowed and UK unemployment hovers around 7.8%.[14] However, the region's firms are not expecting to take on more staff early in 2010.[15] Industrial production picked up in September, and retail sales have been more buoyant though retail property vacancies are at relatively high levels.[16] Sterling has weakened and the UK is therefore likely to benefit from an improved outlook for global trade. Accordingly, the Bank of England's GDP projections have strengthened.[17] Several other factors will tend to keep housing market activity at low levels: public spending cuts (affecting jobs, pay levels and procurement), higher taxes, continuing mortgage rationing, further unemployment, possible stock market correction, inflation or future interest rate rises.[18] Spending power has been reduced by the resumption of normal VAT rates from 31 December.

Savills conclude that 'we are still a long way from a fully functioning market, in which the availability of mortgages has recovered (meaning mortgage approvals at around 75,000 to 80,000 per month) and levels of realisable demand are sufficient to absorb normal levels of supply. These conditions are unlikely to return before 2011/2012'.[19]

Once conditions do improve, we expect to see growing numbers of owner occupiers. Of those buying as investors, most will choose apartments with a tenant already in place – ready rented.

Medium to long-term outlook – a geographer's perspective

The scenario for wealth creation and housing markets: implications for future city centre residential planning and development

Energy prices are still high by historic standards, even in a recession, adding credibility to the suggestion that we are past the era of cheap energy and heading for a time when energy costs are going to constrain wealth creation and consumption. What has this got to do with housing? Even when unemployment stops rising, job creation and pay levels will be held in check: energy prices will increase the cost of running a business and will constrain profits and thus the wages that it will be possible to pay. For households, higher travel costs and household fuel bills are the obvious effects but higher energy costs will also be folded into the prices of food and all materials and goods. The additional burden of carbon taxes will further squeeze available income and other taxes are likely to increase too. At the same time, mortgage finance will be less readily available than was the case during the early 21st century boom and lenders will continue to require higher deposits, so first time buyers are likely to find it much tougher to get into and maintain owner occupation or will have to settle for smaller, cheaper dwellings than might have been the case a few years ago. The sub-prime crisis has in any case given pause for thought about further expansion of owner occupation.[20]

Even if the early 21st century forecast of the increase in household numbers turns out to have been somewhat on the high side, household numbers are likely to continue to rise. Thus there will be competition for housing space in all but the least appealing areas.

This scenario suggests that there will be increased demand for renting, and for a longer proportion of the lifecycle.[21] It also suggests that living in an energy-efficient dwelling as close as possible to the work place would make sense, even to those households who think that they would ultimately prefer to live beyond the city centre. This is good news for those with well-located flats to let.

As far as future development is concerned, this scenario suggests that a selection of dwelling types should be supplied close to the city centre to enable more mature households to continue to take advantage of walking to work and to other amenities. But those amenities will need to be significantly upgraded and/or gaps filled in: nurseries, schools, community centres, surgeries, convenience shopping. Securing funding for these vital elements of infrastructure may well prove to be a major sticking point holding up future regeneration and housing provision. There will need to be co-ordination between the local authority and a range of developers to ensure that a critical mass of new and refurbished housing can be lined up to support the up-front provision of infrastructure. This will ensure that redeveloped areas appeal to a range of households and are thoroughly regenerated rather than merely supplied with flats for a narrow band of occupiers.

The term ‘place making’ has come increasingly into use during the early 21st century and it is to be hoped that quality of life factors will be integral to all future development. Green infrastructure is given high priority in the Leeds LDF and the desire of urban residents to have better access to green space is already well established. It is a factor that can both increase the marketability of places and induce households to stay put for longer. It is an essential ingredient of sustainable communities.

Leeds – still an improving city

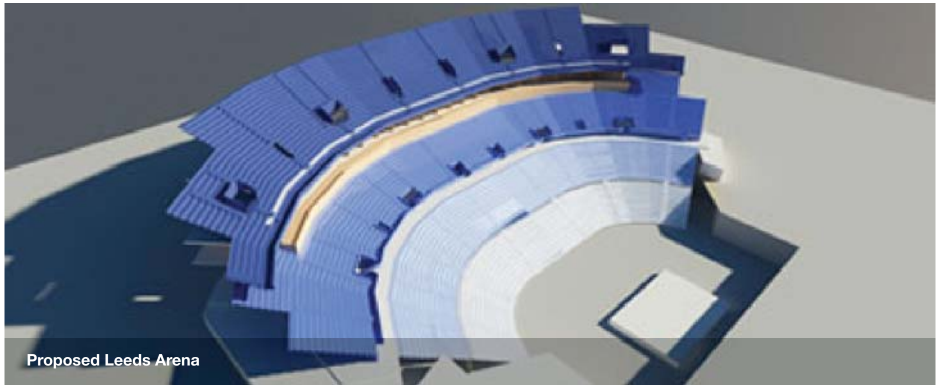
City living is still attractive as a residential and life style option and the city centre continues to improve.

Despite the recession and many stalled developments, progress is still being made in improving the attractions and amenities in the city centre.

New attractions, developments and better spaces

The **City Museum** in Millennium Square opened its doors in September 2008. It has attracted even more visitors than was forecast and has won many compliments and several awards.

The City Council decided to press ahead with the proposal for a 12,500 seat **Leeds Arena** to the north side of the city centre[22] and is acting as the developer for operator SMG Europe (who also operate Manchester’s


Proposed Leeds Arena

arena). In December 2009, Yorkshire Forward received confirmation from the government that almost £10m of funding it pledged has been given the go ahead. Detailed design of the building and its surroundings can now move on so that construction can start in late 2010 with the first event being held by late 2012.[23]

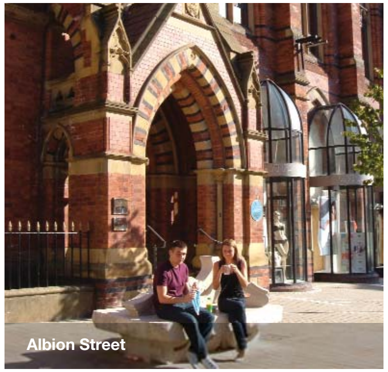
The £650m **Trinity Leeds** shopping complex is scheduled to open by Christmas 2012. Work is planned to start again in 2010. Boutique cinema chain Everyman has taken 25,000 sq ft in the development. It will house four screens and will be Everyman’s first venue outside London and the South East.

The Headrow shopping centre has undergone a £30m redevelopment, and has been renamed **The Core.** The centre now offers an additional 40,000 sq ft of retail space.

The former Allders department store on the Headrow has been transformed. The **Broadgate** development includes restoration to the external facades, the creation of two floors of retail and a further four floors of office space.

City living is still attractive as a residential and life style option and the city centre continues to improve


Leeds City Museum


Albion Street


Wellington Place


Wonderwood

The **Howard Assembly Rooms** opened in Autumn 2008, providing a stylish concert venue next to the refurbished Grand Theatre.

The **City Varieties Music Hall** is being upgraded, partly paid for by the Heritage Lottery Fund.

The new **Northern Ballet Theatre and Phoenix Dance** building is under construction on Quarry Hill and due for completion in summer 2010. A six-storey building will include seven dance studios and a 200-seat theatre.

The 1,700 capacity **Alea Leeds casino** at Clarence Dock opened in 2008. It features seven different bars around a gaming floor, complemented by a boutique cinema and a 500-capacity private event space.

Stylish and individual new seating has been installed in **Lands Lane and Albion Place** – the latest phase of the re-surfacing of pedestrianised streets. Next will come a major upgrade of neglected Kirkgate.

Greening of the city centre

A pocket park has been created next to the Latitude office block at Monk Bridge in the west end of the city.

MEPC, owners of 22 acre **Wellington Place**, decided to cheer up part of the site after clearing it of retail warehouses: a huge lawn and a grove of saplings were planted in 2009 and specially installed vegetable beds were cultivated by firms involved with MEPC's scheme. A five-a-side football pitch is now available for hire.

'Wonderwood', **a temporary garden** area at the Round Foundry, Holbeck Urban Village, has enjoyed such acclaim that it is to stay in place for the foreseeable future.

A significant new planning framework called "**Leeds South Bank Planning Statement**" will be issued for consultation by April 2010. This covers the sites from Victoria Bridge across to Crown Point Bridge on the south side of the river as far south as Hunslet Road. This could be a mix of green open space, preserved historic buildings and new buildings. The brief is not a masterplan; it sets out the phased delivery of a major urban park and connections to adjacent sites. 'Development plates' are indicated, each with a suggested maximum number of storeys and each of which might comprise several buildings. Detail will gradually be worked up within the agreed version of this framework. It is envisaged that opening up a new kind of development mix in conjunction with fulfilling the aspiration for additional park facilities, will help to act as a catalyst for further development south of the river.

A **tree survey** of the city centre has been carried out – the first step towards a strategy for increasing tree planting.

A more welcoming, accessible city centre

A new paper 'walk it' **map of the city centre** was produced by City Centre Management in 2009. (The map in this survey uses the same base map). Next will come improved on-street 'wayfinding' installations: maps and signposts.

A cycling 'hub' is being added to the existing public transport interchange at the front of Leeds City Station. Based on a successful Dutch model, the **Leeds Cyclepoint** will be the first of its kind in the UK. It will offer secure storage space for hundreds of bikes as well as cycle maintenance, repair and rental services.

As part of the now completed **Granary Wharf** development, a new bridge over River Aire has opened, giving access from beside the Hilton Hotel to the canal basin residential blocks and to City Inn with its popular Sky Lounge on the 13th floor.

Shopping, eating and drinking

There used to be great annoyance that it was so hard to buy groceries in the city centre. Now there is much **better food shopping provision**: Co-op at West Point and at New York Street, Marks and Spencers at the railway station, Sainsbury's in the Merrion Centre and on the Headrow, Tesco in Bond Street and Morrisons in the Merrion Centre. There are also some small convenience shops such as those on Swinegate, in Brewery Wharf, in the Round Foundry and on Dock Street.

Anthony Flinn's most ambitious venture – the 'Piazza by Anthony' at Leeds **Corn Exchange** – has opened its doors to the public. The Piazza occupies the entire 13,200 sq ft ground floor level of the recently restored and refurbished building. The space now incorporates a 116-seat brasserie, a cafe, lounge bar, Hennessey Champagne Suite and five retail units – a bakery, patisserie, chocolate shop, deli cheese shop and an ingredients shop.

Golf Cafe Bar Leeds features three PGA endorsed golf simulators, allowing users to play more than 35 courses from around the world. The new venture is expected to create at least 12 new jobs and is located at Blue Granary Wharf in Leeds city centre.

Endnotes

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[2] Barker, K. (2004) Review of housing supply: delivering stability: securing our future housing needs, Final report and recommendations, London: TSO/HM Treasury.

[3] Cole, I.D. and Haigh, A. (2009) Enquiry into the impact of the economic downturn on housing delivery in the Yorkshire and Humber region, Local Government of Yorkshire and the Humber, June 2009. http://www.lgyh.gov.uk/Our%20Work/Regional%20Planning/Regional%20Spatial%20Strategy%20Partial%20Review/Evidence/Scale%20and%20type%20of%20growth/Housing%20Delivery/

[4] Leeds City Council (2009) Core Strategy of the Local Development Framework – Preferred Approach. http://www.leeds.gov.uk/Business/Planning/Planning_policy.aspx

[5] See LDF Core Strategy, paragraph 5.3.14, p.44.

[6] Leeds City Council (2007) Strategic Housing Market Assessment 2007, Report by Outside Research & Development for Leeds City Council. http://www.leeds.gov.uk/Environment_and_planning/Planning/Planning_policy/page.aspx

[7] See LDF Core Strategy, Policy H4.

[8] See LDF Core Strategy, Table H2, p.48; Executive Board 12 Feb 2010, Agenda Item 21, summary note, Para 3.6.

[9] See reference in footnote 3 of this report and also Savills' report.

[10] The Renaissance Project, led by the City Council, envisages a blending of the city centre and the inner city rim.

[11] So it includes Saxton and East Street, which are counted in our city centre figures, and also Yarn Street and Hunslet Mills, which are in the rim.

[12] Leeds City Council (2009) Aire Valley Leeds: an Urban Eco-Settlement.

[13] With Tax Increment Financing, borrowing can be secured against future gains in taxes so that improvements can be made, thus creating the conditions for those future gains.

[14] Office for National Statistics http://www.statistics.gov.uk

[15] Manpower Employment Outlook Survey questioned more than 2,100 employers in the UK.

[16] Local Data Company research published February 2010

[17] The Economist, Britain's economic outlook: still overcast, but brightening, 14 November 2009, p.42.

[18] Savills, November 2009, Residential property focus, p.3.

[19] Savills, November 2009, Residential property focus, p.11.

[20] The Economist (2009) Shelter or burden? 18 April 2009, p.76-78.

[20] The likelihood of higher proportions of households renting is covered in Knight Frank (2009) The future of residential development, London.

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[23] http://www.yorkshire-forward.com/news-events/press-releases/LEEDS-ARENA-GETS-GO-AHEAD-WITH-FUNDING-DECISION and http://www.yorkshireeveningpost.co.uk/news/Leeds-Arena-Delight-as-funds.5905407.jp

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