



Worcester City Council

Economic Impact Assessment of Worcester City Centre Masterplan

Final Report

November 2018

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City Centre Masterplan**

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This document including appendices contains 57 pages
Ref: K:\CLIENTS\Worcester City Council\Worcester City Centre
Masterplan\Deliverables\Worcester City Centre Masterplan Economic Impact Assessment
141118.docx

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1 Introduction

1.1 Overview

AMION Consulting (AMION) was appointed by the Worcester City Council to assess the potential impact of the Worcester City Centre Masterplan. The Masterplan presents a long-term vision and a framework for the development of the City Centre over the next 20 – 30 years. It aims to enable the City to achieve its ambitious vision for growth and to develop as a national and internationally renowned destination that embraces its unique historic and landscape environment.

The impact assessment, the results of which are presented in this report, has focused upon the range of possible economic and social benefits that may arise from the development proposals set out within the Masterplan, including the new employment opportunities that may be created, the additional economic activity (Gross Value Added (GVA)¹) generated and the resulting wider social value impacts. The focus of the assessment has been on the following four distinct character areas, or quarters which the Masterplan has defined:

- Riverside – which at present includes large areas of open space, leisure assets and some major development opportunities. The vision encompasses a range of uses and the riverside becoming a national and international destination.
- City core – the historic core of the City which has relatively few large scale development opportunities, but many areas where public realm interventions may prove significant in developing its role.
- Canalside – a key area of development opportunity with multiple sites identified and the opportunity to create a cohesive waterside quarter with significant residential use.
- Shrub Hill – based around the hub of Shrub Hill station with significant opportunities for office led mixed use development.

The economic impact of development of each of the above quarters has been assessed along with the combined impact of the Masterplan programme as a whole. To help support the delivery of the planned programme, it is important to understand its overall economic benefits and the impact of its constituent components. The impact assessment therefore seeks to provide the basis to communicate the benefits of the programme to partners and key stakeholders, both within Worcester and the wider Worcestershire LEP area as well as assessing the economic rationale for supporting the delivery of each of the component projects.

1.2 Scope and nature of the assessment

The approach to the impact assessment has been developed in line with best practice guidance, including the HM Treasury's Green Book (*Appraisal and Evaluation in Central Government*) and the Homes England's Additionality Guide.

¹ Gross Value Added is a measure of the economic value of goods and services produced in an area.

The assessment of benefits has incorporated an analysis of the expected quantifiable outputs and outcomes, including:

Economic impact

- temporary jobs and GVA created through the construction phase;
- new permanent employment opportunities and GVA generated through the operational phase of each project;
- attraction of new households and household expenditure;
- broader increase in economic activity in the local economy as a result of the combined masterplan proposals;
- additional public sector fiscal benefits – including business rates income and Council Tax; and
- public sector cost savings from bringing more people into work.

Social value

- jobs for local people, including those currently unemployed;
- construction related training and skills opportunities;
- local supply chain and growth benefits;
- better homes and associated benefits for local people;
- high quality public realm and open space;
- mental and physical health benefits; and
- placemaking and amenity benefits.

In addition to the above impacts, the assessment has also considered the wider, less easily quantifiable benefits that would be expected to be generated by development in each of the four quarters, such as improvements to the City Centre offer and image of the local area.

The assessment has sought to estimate both the gross and net additional impact of the programme, at the Worcester City and Worcestershire LEP levels, in line with appraisal guidance. Consequently, consideration has been given to who is likely to secure the benefits generated, the level of activity that might be displaced by each project and the possible multiplier effects that could be realised. Assumptions have also been formed as to what would be expected to happen should the masterplan proposals not go ahead.

1.3 Structure

This report continues in four sections, as follows:

- Section 2 – establishes the strategic and socio-economic context within Worcester and the Worcester LEP area, highlighting the challenges and opportunities facing the local area;

- Section 3 – provides a description of the City Centre Masterplan and each of the four character areas;
- Section 4 – identifies the economic benefits associated with each of the core aspects of the programme; and
- Section 5 – provides a summary of the impacts of the overall City Centre Masterplan Programme.

2 Context to the Masterplan

2.1 Strategic context

2.1.1 *National strategic context*

The strategic context at the UK level, in terms of economic development policy, remains focused on improving the country’s long-term competitiveness and tackling its underlying weaknesses, in particular the large productivity gap that continues to exist between the UK and leading advanced economies and the disparity in economic performance between different parts of the UK. This policy focus is evident in the Government’s **Productivity Plan, Fixing the Foundations** (July 2015). The plan sets out a framework for raising productivity, built around two pillars: encouraging long-term investment in economic capital, including infrastructure, skills and knowledge; and promoting a dynamic economy that encourages innovation and helps resources flow to their most productive use. The Worcester City Centre Masterplan, and in particular its emphasis on infrastructure, new opportunities and creation of a ‘smart city’, is very much in line with these aspirations.

In November 2017, the Government published its **Industrial Strategy**, which set out its approach to achieving the core aim of improving living standards and economic growth by increasing productivity and driving growth across the whole country. The Strategy is organised around five foundations: Ideas; People; Business Environment; Infrastructure; and Place. It identifies four grand challenges to the UK:

- put the UK at the forefront of the artificial intelligence and data revolution;
- maximise the advantages for UK industry from the global shift to clean growth;
- become a world leader in shaping the future of mobility; and
- harness the power of innovation to help meet the needs of an ageing society.

It aims to boost productivity and earning power across the country by focusing on five foundations of productivity:

- Ideas: the world’s most innovative economy;
- People: good jobs and greater earning power for all;
- Infrastructure: a major upgrade to the UK’s infrastructure;
- Business Environment: the best place to start and grow a business; and
- Places: prosperous communities across the UK.

The Strategy recognises that every region in the UK has a role to play in boosting the national economy and announces an intention to further develop city, growth and devolution deals and continue to work in partnership with local leaders to drive productivity. As well as introducing Local Industrial Strategies, and of particular relevance to the Worcester Masterplan, are the

commitments to create more connected infrastructure, ensure land is available for housing growth, and strengthen cultural assets.

The Government’s White Paper **Fixing our broken housing market (February 2017)** – sets out the Government’s plans to reform the housing market and boost the supply of new homes in England. It includes measures that seek to:

- Plan for the right homes in the right places;
- Build homes faster;
- Diversify the housing market; and
- Help people now.

These objectives are reflected in the Masterplan and particularly in its proposals for new housing development opportunities in accessible locations and for utilising brownfield assets.

2.1.2 *Local strategic context*

The strategic context for the Masterplan is provided by a number of documents. These include:

- South Worcestershire Development Plan 2016
- Worcester City Plan 2016-2021
- Worcestershire LEP Strategic Economic Plan to 2025
- Midlands Connect Strategy (March 2017)
- Worcestershire’s Local Transport Plan (LTP) 2018-2030
- Worcester City Tourism Strategy 2017-2022

The **South Worcestershire Development Plan 2016** identifies Worcester as the key sub-regional centre and as the social, economic and cultural hub of the county. Its objectives are:

- Economic: to promote Worcester as the sub-regional centre with a major leisure, tourism, and university offer, focusing development on improving economic prosperity, delivering new jobs, retaining key employers, and maximising opportunities through the right employment sites.
- Housing: to provide a balanced mix of housing types and tenures, with good access to local services.
- Environment: to protect the landscape and built heritage quality and character of the area and enhance the green infrastructure network.
- Health and well-being: to provide healthcare and ensure new development sets out formal/informal recreational activities.
- Safe communities: to ensure development contributes to the provision of accessible community infrastructure.

The **Worcester City Plan 2016-2021** established the vision of delivering a ‘growing cosmopolitan cathedral and university city’ involving:

- Stronger and connected communities – a place where people feel they belong and are proud of, based on inclusiveness, mutual support, accessibility, and safety.
- A prosperous city – experiencing sustainable growth and attracting employers, supporting business and increasing access to training, skills development, and employment including retaining graduates from the university and increasing high value jobs in the city.
- A healthy and active city – with increased physical and mental well-being and health, celebrating the city's green infrastructure as well as enhancing its role as a developing centre for inclusive sports excellence.
- A heritage city for the 21st century – balancing the need for sustainable development with protecting and enhancing the city’s unique heritage and leisure offer.
- Sustaining and improving assets – increasing recognition of Worcester as a beautiful city based on the natural, historical, and cultural resources that are attractive to business, visitors, residents, and investors.

The **Worcestershire LEP Strategic Economic Plan to 2025** identified the potential role of Worcester as an engine for growth and as a destination for businesses and visitors but highlighted its currently underdeveloped service sector and an inability to meet high-end accommodation requirements.

Of the development priorities identified within the policy documentation a number have specific relevance to the City Centre. They include:

- **Housing** – while there is limited potential for major housing development given the constrained nature of the city centre, several sites have been identified for mixed-use incorporating residential units into broader area-based regeneration schemes (for example, in the Shrub Hill area and at Carden St.
- **Employment** – opportunities identified for commercial uses at key opportunity sites including Shrub Hill with premises for creative industries in areas such as Diglis Basin and Carden St.
- **Transport** – identified priorities include improved passenger facilities at Foregate St and improvements to Shrub Hill and its environs with better links to other transport options. Congestion into the city is a major concern and a particular issue for the two vehicular Bridges over the River Severn. Key connections with and between areas of the city are also identified as priorities. These include between the city centre and the canal and riverside, the Cathedral, the University and key rail gateways, particularly Shrub Hill.
- **Retail** – in addition to the large new scheme at Cathedral Square, potential future improvements include the redevelopment of public areas such as Cornmarket and an open market at Angel Place.
- **Culture and Heritage** – the **Worcester City Tourism Strategy 2017-2022** identifies the built heritage offer as one of the city’s strengths. Potential identified improvements include a

proposed arts and entertainment space at the Old Granary in St Martin’s Quarter. Important assets include the river and canal, which currently lack coherent planned links with the city centre but offer major opportunities for public realm enhancement and development as significant recreational centres.

2.2 Socio-economic context

This section provides a summary overview of socio-economic conditions in Worcester local authority area compared to the wider Worcestershire LEP (WLEP) area, the West Midlands region and nationally. Comparisons have also been made with the Cathedral Cities of Gloucester, Chester (Cheshire West and Chester local authority), York, Lincoln and Bath (Bath and North East Somerset local authority). An extended assessment of the socio-economic context is provided at Appendix A.

When compared to the WLEP area, West Midlands, country as a whole and the Cathedral Cities comparators, the analysis of the local socio-economic context highlights that in recent years Worcester has demonstrated:

- relatively high growth in GVA – for example, over the period 2011-2015, GVA growth in Worcester was around 16% compared to 14% in Cheshire West and Chester, 12% in Bath and North East Somerset, and 9% in York, although Gloucester has experienced GVA growth of 18% over the same period;
- relatively weak recent growth in the total number of employees, with employment remaining the same between 2011 and 2015, while employment in the WLEP area as a whole grew by almost 5%. The other comparator areas also grew over this period with the exception of York;
- continuing relatively low levels of productivity (as measured by GVA per employee), although the productivity gap between Worcester and the WLEP area and Worcester and the West Midlands has narrowed – GVA per employee in Worcester increased by 16% between 2011 and 2015 compared to 11% for the WLEP area and the West Midlands area. Worcester was the best performing of the comparator areas;
- relatively low growth in total population and working age population between 2012 and 2017 of 2.7% and 1.1% respectively (in comparison the West Midlands has seen growth in total population of 3.9% and an increase in the working age population of 2.2% over the same period);
- a relatively high economic activity rate and employment rate, with Worcester’s economic activity rate recorded as being 81.4% in 2017, while the West Midlands average was 76.4%;
- a relatively strong decline in the ILO unemployment rate, with rates consistently below the West Midland and national averages over the 2012-2017 period – as at 2017, the ILO unemployment rate in Worcester was 3.9%, compared to 3.7% in the WLEP area, 5.2% in the West Midlands and 4.4% across Great Britain as a whole;
- in terms of occupations there was:

- a relatively low proportion of resident employment in managerial, senior official, professional or technical occupations (SOC 1-3) in 2017 (43.1% compared to an overall UK average of 45.3%); and
- a relatively high proportion of resident employment in sales, customer service, process / plant or elementary occupations (SOC 7-9) in 2017 (29.9% compared to an overall UK average of 24.4%);
- in terms of industry of employment there was:
 - a relatively high proportion of all workplace employees in 2016 working in Health (19.4%); Arts, entertainment, recreation & other services (5.5%); and Property (3.5%); and
 - a relatively low proportion of all workplace employees in 2016 working in Construction (2.1%); and Accommodation and food services (5.5%);
- in terms of qualifications there was:
 - a relatively high proportion of the resident working age population holding NVQ4+ qualifications in 2017 (40.3% compared to a national average of 38.6%), albeit well below the proportions in York (48.8%) and Bath and North East Somerset (47.9%); and
 - a relatively low proportion of the resident working age population holding NVQ1 qualifications in 2017 (7.4% compared to a national average of 10.7%);
- relatively high resident and workplace earnings. However, resident earnings in Worcester have been consistently higher than workplace earnings over the 2014-2017 period (for example, gross weekly resident earnings in 2016 were £546.7 compared to workplace earnings of £507.7), highlighting the continuing issue of residents commuting out of the area to high paid jobs;
- relatively low growth in the count of active enterprises – for example, between 2010 and 2016 the number of active enterprises in Worcester increased by 5.7% compared to 17.8% in the West Midlands and 20.5% across the UK as a whole. However, over more recent years Worcester has seen a greater increase in the number of business starts than some comparator areas (between 2014 and 2016 the number of business starts in Worcester increased by around 20%, while the rate of growth for the UK was 18%); and
- steady growth in the value of Worcester’s visitor economy between 2013 and 2015, although there was a decline in overnight visitors compared to increases at the national level over the same period.

2.3 Market context

2.3.1 *Overview*

This sub-section provides a brief summary of current and potential future markets in Worcester City Centre. It draws upon work undertaken by CBRE in April 2018². More detail is included at Appendix B.

2.3.2 *Retail market*

PROMIS³ defines Worcester as a Sub Regional Resilient Town based on the size and strength of its retail role. Worcester's shopping population is estimated to spend £676.2 million annually on comparison goods items (source NSLSP).

Worcester had a total of 101,000 sq m (1,080,000 sq ft) of City centre floorspace in 2017, which is on a par with the Sub Regional Resilient Town average. In 2017 there were 93 non-food multiples. Vacancy rates (10.4% for all units and 3.8% for prime units) are below the national average and the trend has been for a reduction in vacancies since the recession but they are still above pre-recession levels.

Prime retail rents in Worcester city centre at mid-2017 were £1,400 per sq m (£130 psf) Zone A. Cathedral Square and Chapel Walk have demonstrated rents of £1,100 (£102 per sq ft) to £1,185 per sq m (£110 per sq ft). Prime yields remained at circa 5% as at mid-2017. In line with national trends, rents have not shown any significant increase (i.e. they have fallen in real terms) since 2012. Inward investment into new retail space is likely to be limited.

CBRE conclude that the masterplan should consider a consolidation of the City Centre retail offer with an emphasis on the quality of the offer and the overall experience rather than an expansion of space.

2.3.3 *Leisure*

The City Centre has a relatively high representation of 'food and beverage' operators – reflecting its role as a tourist, as well as retail. destination. Since 2016 the 'food and beverage' offering in Worcester has experienced above average growth – largely due to the opening of the Cathedral Square development

Leisure provision (such as cinemas, bowling, bingo, health and fitness) in Worcester is below average for a City of its size. The health and fitness sector has however seen good growth in the last 10 years.

2.3.4 *Hotel accommodation*

Worcester's hotel market is dominated by mid-market budget/chains offers. The 10 hotels in Worcester provide a total of 535 rooms. Operators do not perceive Worcester to be a major

² CBRE (2018) A vision for Worcester City centre masterplan: Appendix 4 – Market review, April 2018

³ PROMIS – Property Market Analysis, Retail Report

destination. Contrary to national trends, the number of overnight visitors has declined by -5.7% to 183,000 in 2015 from 194,000 in 2013.

CBRE considers that there is scope to include a good quality hotel (such as a 4* offer with a restaurant facility) within the development proposals for the City Centre.

2.3.5 *Offices*

The employment and service sector in the City is currently underdeveloped given its size, status and position. There is a lack of quality purpose built space. The existing stock is characterised by second-hand lower grade space, converted buildings, small suites in multi-let buildings, and a lack of dedicated parking.

Average office rents in Worcester are £90 per sq m (£8.25 per sq ft) up to a maximum of £169 per sq m (£15.70 per sq ft). The top rents are marginal in terms of justifying new office development. Lettings tend to be focused on smaller units/buildings – of 20 buildings let, the average size was 126 sq m (1,360 sq ft) with the largest being 950 sq m (10,225 sq ft).

CBRE do not see new office development as key other than around Shrub Hill Station as a long-term proposition. There may also be scope for some small units of flexible office space as part of a mixed-use scheme, for example around a canal-side location.

2.3.6 *Residential*

Worcester is set for a period of residential growth. The South Worcestershire Development Plan (2006-2030 and due to be updated in 2021) planned targets included 6,800 new homes for Worcester City (4,000 net are now built). There are a number of new apartment schemes in the City Centre but as of yet there are no Private Rental Sector schemes (PRS) - CBRE considers that there is likely to be demand from investors for a PRS product.

Owner occupation has decreased slightly from 75% in 2001 to 71% in 2011 (the PROMIS average is 66%). House prices in Worcester have increased by +3% between 2016 and 2017, which is marginally above the national average at +2.8% for that period. The current average value is £262,643. Values should be sufficient for sites to generate positive land values.

The University of Worcester is growing – from 6,740 students in 2010/11 to 8,160 in 2015/16. CBRE considers that there is potential for new student accommodation in the City Centre.

The Worcester primary catchment population includes a particularly high and increasing number who are retired aged 65 and over. CBRE considers the opportunity for senior living and healthcare to be a key component of the potential for the Worcester property market and as part of the residential mix. Schemes within the City Centre will need to provide supportive social infrastructure alongside accommodation.

2.4 **Tourism and the visitor economy**

The Worcester City Tourism Strategy (2016) provides a framework for tourism growth in the city over the period 2017-22. It aims to raise the value of the visitor economy by:

- inspiring sustainable growth and development in the City’s arts; sport and heritage activities; retail and food and drink offer, as well as encouraging more quality accommodation options to develop in the City;
- raising the profile of Worcester as a visitor destination;
- encouraging social inclusion in tourism activities; and
- ensuring the local environment is appreciated by all.

The Strategy focuses on three objectives – to help cultivate a quality visitor experience; to raise the profile of Worcester as a visitor destination and to increase community engagement.

Research by The Research Solution estimated tourism in 2015/16 to be worth over £160 million to the local economy (including indirect and induced spending) with some 3,350 people employed either directly or indirectly in the city’s tourism sector. There were 3,402 million visitor trips made – the vast majority (94.6%) being day visitors. The total number of overnight visitors actually declined by 5.7% to 183,000 in 2015 (from 194,000 in 2013). This runs counter to national trends where domestic overnight trips reached a new high and were up by 11%. Moreover, while there has been a substantial increase in the number of visitors to the city in recent years – up by 39.8% since 2000 – the City’s growth is still below the national average.

However, despite these recent trends, and as recognised within the Strategy there is clear potential for growth. As the following list of tourist / visitor assets suggests, much of this potential is focused on the City Centre:

- Heritage attractions – Worcester Cathedral, The Commandery, Museum of Royal Worcester, the Guildhall, Worcester City Museum and Art gallery, The Infirmary, The Greyfriars’ House and Garden, Tudor House Museum, The Hive and city heritage trails.
- Arts and entertainment venues – The Swan Theatre, Huntingdon Hall, Worcester Arts Workshop, Marrs Bar, as well as sporting venues being used for concerts.
- Sporting venues – Worcestershire County Cricket Ground, Worcester Warriors Rugby Club, Worcester Racecourse, University of Worcester Arena, Perdiswell Swimming Pool and Leisure Centre and Worcester Rowing Club.
- Parks and green spaces – Riverside Park, Gheluvelt Park, Pump House Environment Centre, Cripplegate Park, Fort Royal Park, Chapter Meadows, and Worcester Woods Country Park.
- River and canal network – River Severn, Birmingham to Worcester Canal and the Mid-Worcestershire Ring.
- Festivals and events – Three Choirs Festival, Worcester Victorian Christmas Fayre, Worcester Music Festival, Love Worcester Heritage Festival, Worcester Foodie Festival, Worcester Motor Festival, Worcestershire Lit and Fringe Festival, Worcester Show, Dragon Boat Festival and Battle HQ Weekend at The Commandery.

3 Worcester City Centre Masterplan

3.1 Overview

The draft Masterplan recognises the existing bold vision for Worcester established in the Worcester City Plan (2016). The City Plan seeks to maintain and enhance Worcester’s attractive quality of life and core qualities of prosperity, accessibility, diversity, and inclusiveness, through promoting growth, heritage conservation, its leisure and retail destination, and environmental sustainability, along with creativity and innovation and sporting excellence, together with addressing community safety, social engagement, and issues of poverty. In addition, the draft Masterplan attaches importance to health, wellbeing and happiness and partnership in relation to the overall vision as a focus for ‘Destination Worcester’.

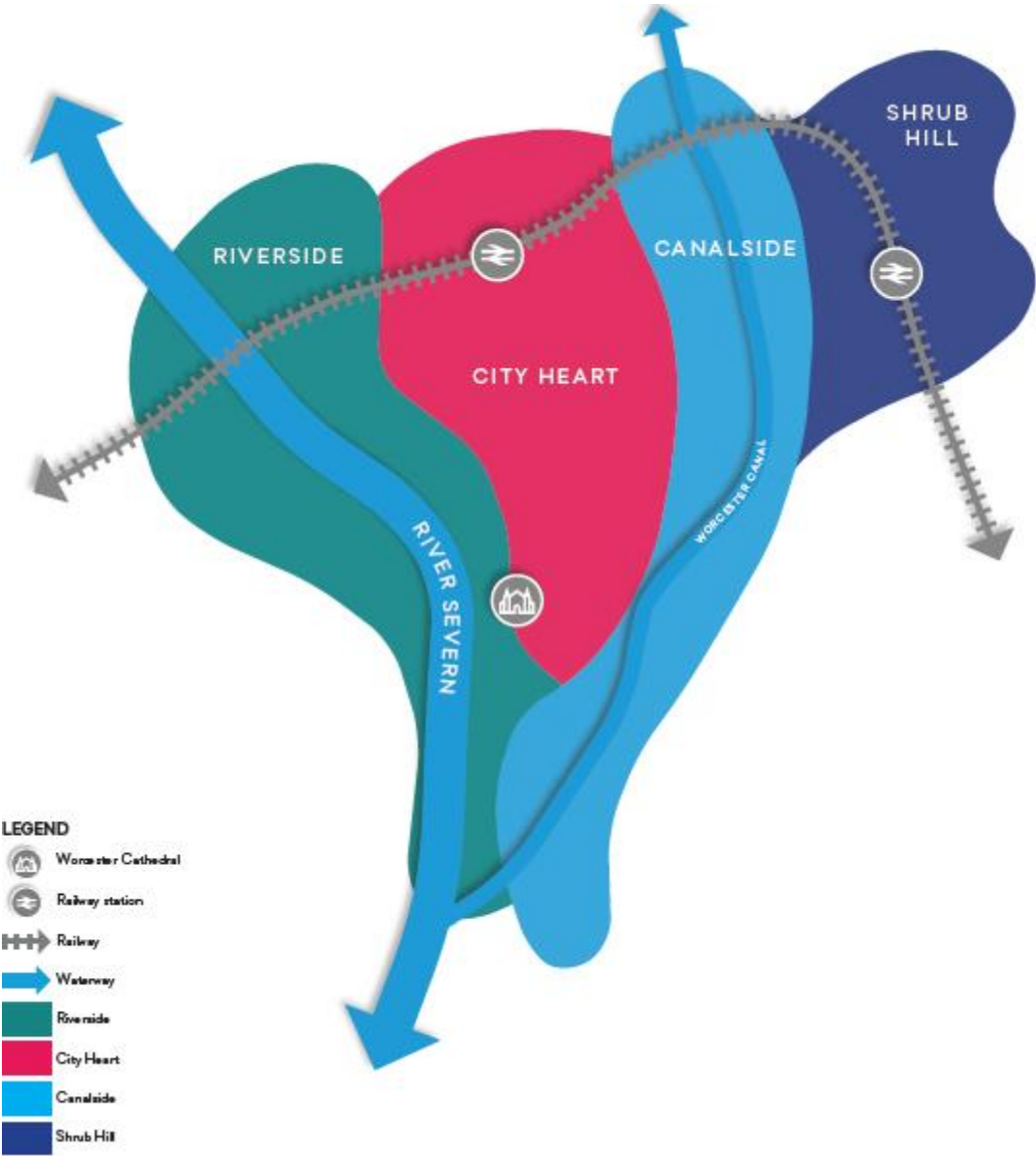
The proposals in the draft Masterplan are based on eight ‘Big Ideas’. Six of these are expressed in terms of design principles and comprise: improved cross-river linkages; better connections and movement; consolidating and rationalising car parking infrastructure; promotion of city centre living; enhancement of the sense of place in terms of destination and arrival (public realm and legibility); and taking advantage of waterside locations opportunities. Two further ideas are identified in relation to the advantages to be gained from embracing technology to create a form of smart city, and the importance of establishing a Worcester brand to provide the basis for marketing and promotion as a destination.

Key design principles are established within the Masterplan, in particular:

- accessibility, walkability and connectivity – creation of a coherent and legible movement strategy;
- a city that celebrates public space – drawing on and enhancing the setting of the built environment in a coordinated and thoughtful manner; and
- a city of ‘postcard views’ – to rival national exemplars of historic urban environments.

Four distinct quarters or character areas are established as a basis for the development of the strategy which are given strong emphasis within the Masterplan.

Figure 3.1: Conceptual character areas



3.2 Riverside

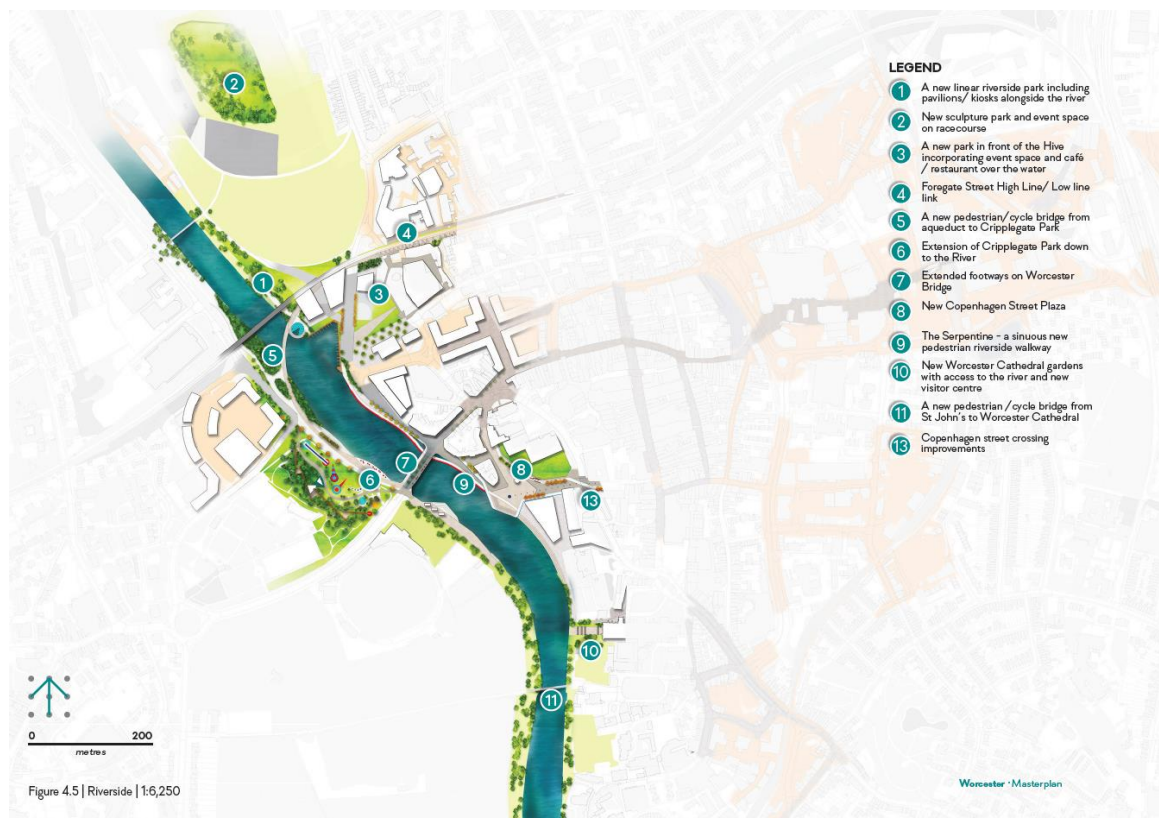
The concept for the Riverside character area is that it becomes one of the key destinations in the city for leisure, recreation, living and activity, with the whole of the riverside to be one linear park with a series of activities, nodes and spaces which encourage people to visit and enjoy one of Worcester’s greatest assets, together with opportunities for a mix of new development.

Key developments are identified as including:

- the Copenhagen Street car park site to provide for a mix of new residential, office, food & drink, and leisure space;
- Hylton Road to provide for new food & drink, leisure, hotel, and some office space, together with new education facilities;
- the North Quay/Newport Street car park site to provide for new leisure space; and
- the Croft Road car park site to create opportunities for new residential uses.

Complementary public realm improvement schemes are identified at Hive Park, Copenhagen Street, and Cripplegate Park.

Figure 3.2: Riverside character area



3.3 City Heart

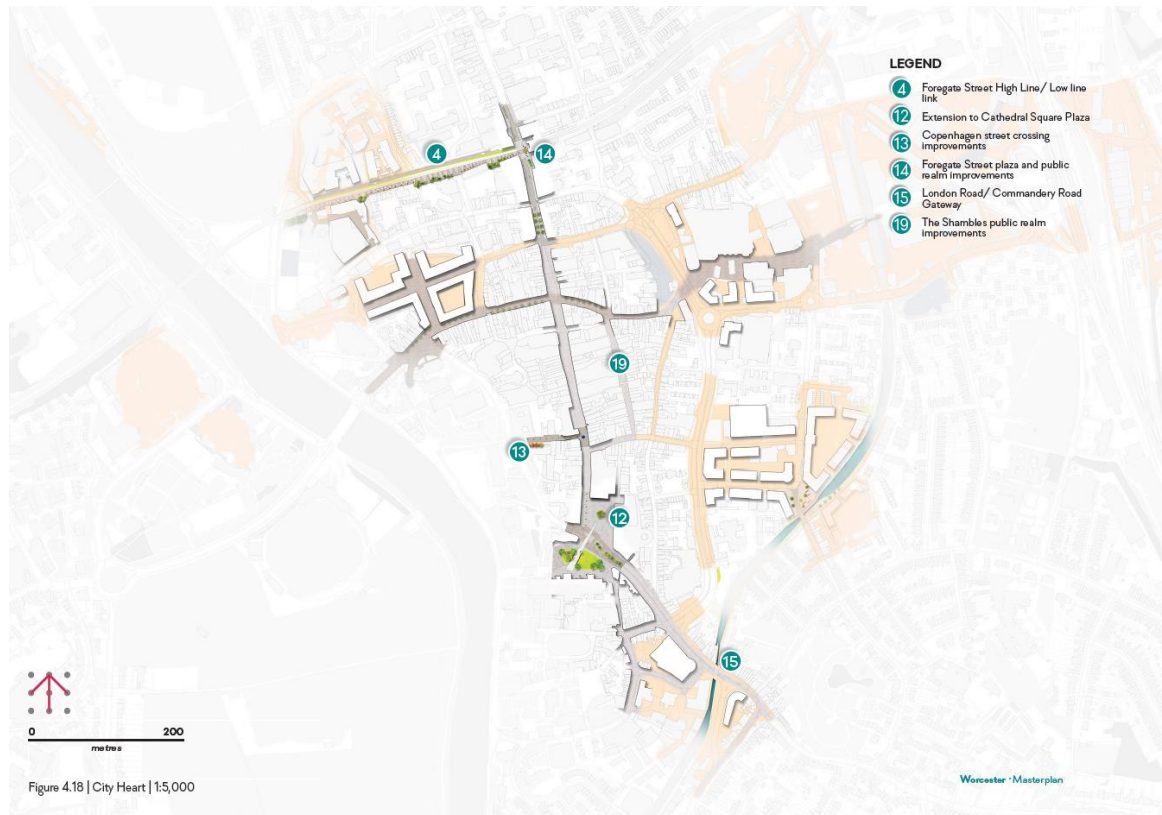
The concept for the City Heart character area is to reinforce Worcester’s historic city core, provide significantly improved pedestrian and cycle links, new public realm spaces, a new transport hub, and new heritage-sensitive, mixed-use, development, linked to rationalised and enhanced parking facilities.

Key developments are shown as including:

- improvements and possible longer-term redevelopment of the Crowngate/Friary Walk shopping centre to provide for new office, retail, and food & drink uses, together with new residential accommodation;
- a new multi-storey car park at King Street to increase existing capacity, together with new office space; and
- redevelopment of the Queen Street/Silver Street car park to create new retail and food & drink space, together with educational facilities and new residential accommodation and incorporating a new transport hub.

Associated key public realm space improvement is identified at Foregate Street/Low Line and Cathedral Square.

Figure 3.3: City Heart character area



3.4 Canalside

The concept for the Canalside character area is for a new canalside quarter, with an improved waterside pedestrian and cycle link along a series of enlivened spaces and nodes providing punctuation marks along the route to encourage activity and vibrancy along the canal network and animate this underutilised asset.

Key developments are described as including:

- redevelopment of the Carden Street site to provide for new office and food & drink space together with new residential accommodation;
- redevelopment of the Lowesmoor Wharf site to create a new residential-led mixed-use development; and
- development at Cromwell Street/Padmore Street to provide new office and food & drink space, together with new residential accommodation.

Key associated public realm improvements are shown at Foundry Square and Canal Plaza.

Figure 3.4: Canalside character area



3.5 Shrub Hill

The concept of the Shrub Hill character area is to create a new high-quality office quarter, with employment-led mixed-use development incorporating new parking, transport interchange, and the provision of an exciting new plaza at Shrub Hill Station to provide a beautiful arrival gateway that reflects the city’s offer and its inherent quality.

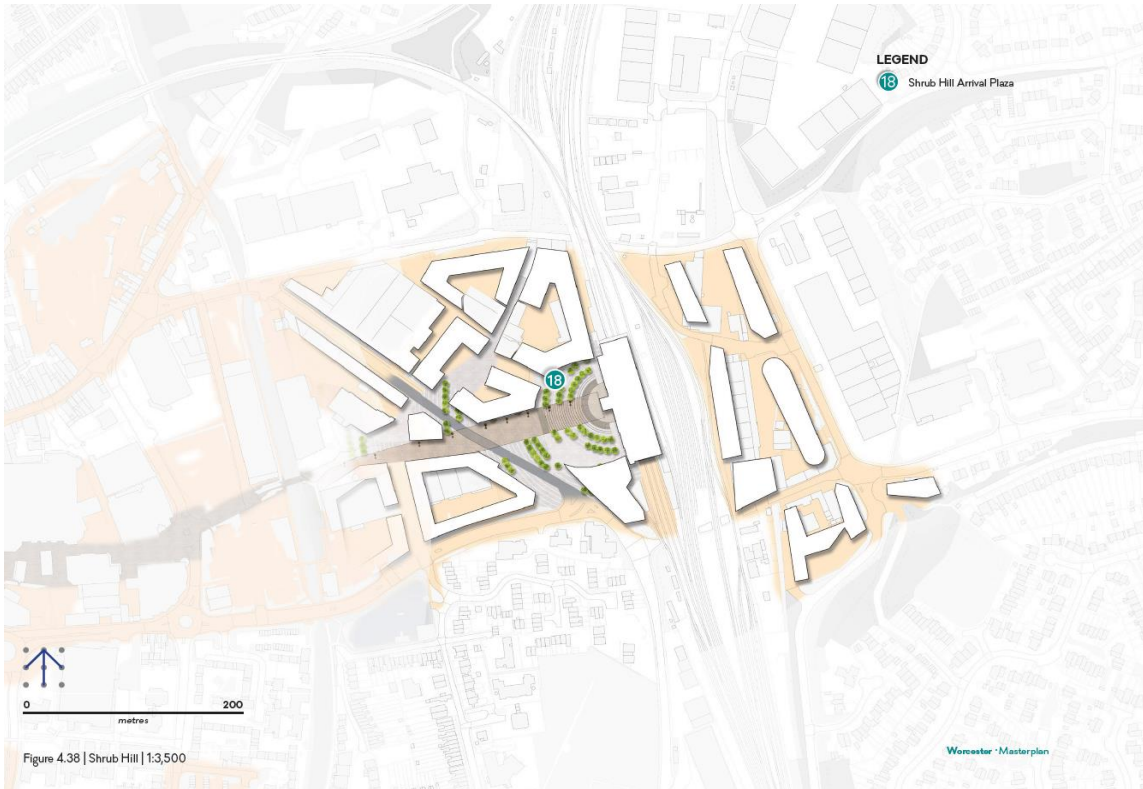
Key developments are put forward in relation to:

- Shrub Hill railway station to provide enhanced transport facilities and ancillary food & drink uses; and

- redevelopment of the Sheriff Street site to provide mixed-use office, retail, leisure and hotel space, along with new residential accommodation.

Associated key public realm improvement works are identified at Shrub Hill station plaza.

Figure 3.5: Shrub Hill character area



3.6 Overall development

In total, some 345,000 sq m of new floorspace is identified in the key developments including 129,000 sq m of new commercial accommodation (86,000 sq m of office space, 23,000 sq m of retail and food and drink facilities, 9,000 sq m of leisure uses, and 11,000 sq m of new hotel space). In addition, 8,000 sq m is identified in new educational facilities and 209,000 sq m of new residential accommodation. A summary of the development proposals is set out in Table 3.1.

Table 3.1: Masterplan development schedule (sq m)

	Riverside	City Heart	Canalside	Shrub Hill	Total
Food & beverage	1,734	1,900	7,852	3,627	15,113
Retail	-	7,256	-	354	7,610
Residential	29,494	29,784	99,204	50,138	208,620
Office/employment	9,472	16,628	27,504	32,813	86,417
Education	8,096	-	-	-	8,096
Leisure	3,462	-	-	5,464	8,926
Hotel	7,520	-	-	3,492	11,012
Total	59,778	55,568	134,560	95,888	345,794

4 Economic impact assessment

4.1 Overview

An economic impact model has been developed for the proposals described in Section 3. This model has been used to provide an assessment of the immediate and longer-term impacts associated with the individual quarters and the overall Masterplan Programme. The project proposals are expected to generate a range of benefits for the local and wider economy. The economic impact assessment has sought to quantify these benefits, both in terms of the gross and net additional impact at the local and Worcestershire LEP levels.

The economic impact assessment has estimated both the gross and net additional impact of each project through consideration of who is likely to secure the benefits generated, the level of activity that might be displaced and potential multiplier effects. The approach to calculating additionality is described further below.

The key benefits of the proposals are expected to include:

- employment and GVA created during both the construction and operational phases of the proposed developments, as well as other key outcomes such as new household spend (primary effects);
- additional economic activity resulting from supply linkage and income multiplier effects (secondary effects);
- broader indirect and induced impacts of the projects in relation to generating additional economic activity and supporting business growth; and
- a range of wider social value impacts such as improving the quality of public and green spaces, accessibility and better access to sustainable modes of transport, and enhancements to the wellbeing of local residents.

The initial focus of the report is on assessing the primary, secondary and broader economic impacts of the development proposals. However, consideration has also been given to the wider social value benefits associated with the Masterplan Programme. These wider benefits are more difficult to quantify but are nevertheless important in understanding the overall economic importance of the Masterplan for the Worcester.

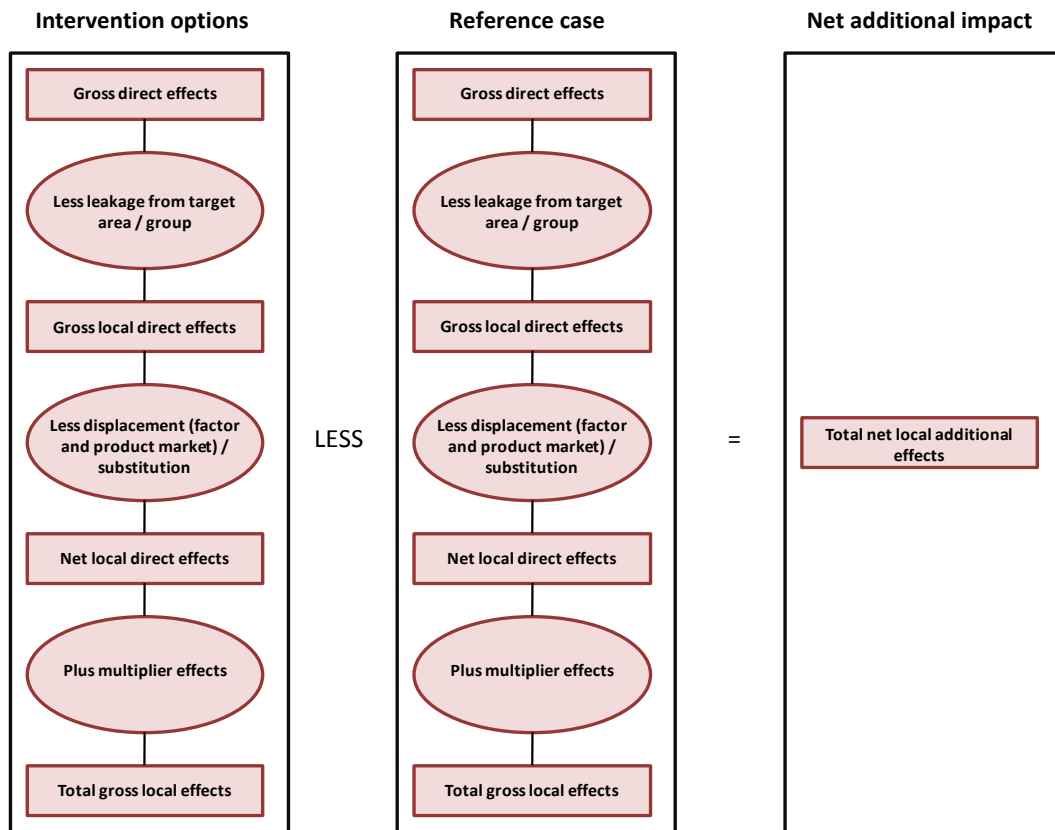
4.2 Assessment of additionality

Of key importance in assessing the impact of the Masterplan proposals on the local and wider economy is the extent to which new activity is truly additional, in other words it does not simply displace existing activity. Furthermore, it is important to understand who is likely to benefit from the impacts generated and the degree to which further demand and investment is stimulated. In order to assess the net additional impact of the proposals and overall anticipated additionality of the Masterplan, the following factors have therefore been considered:

- **leakage** – the proportion of outputs that benefit those outside of the project’s target area or group;
- **displacement** – the proportion of project outputs accounted for by reduced outputs elsewhere in the target area. Displacement may occur in both the factor and product markets; and
- **multiplier effects** – further economic activity associated with additional local income and local supplier purchases.
- **Deadweight (the reference case)** – outputs which would have occurred without the project.

The approach to assessing the net additional impact of a project, taking into account the above adjustments, is shown diagrammatically in Figure 4.1. For the purposes of this assessment, the additionality of the Masterplan proposals has been considered at the Worcester and the Worcester LEP levels, informed by best practice guidance.

Figure 4.1: Net additional impact



It should be noted that not all of the additionality factors will apply to each of the benefits identified below. For example, in line with Homes England’s Additionality Guide, it is not appropriate to apply multiplier effects to the creation of new housing. In terms of jobs created, it might not be necessary to adjust for leakage if the assessment is only concerned with the number of jobs generated and not who is likely to access these new employment opportunities.

Similarly, the adjustments for additionality will depend on whether the assessment is of the impact on the economy or the social value (wellbeing) generated for local residents.

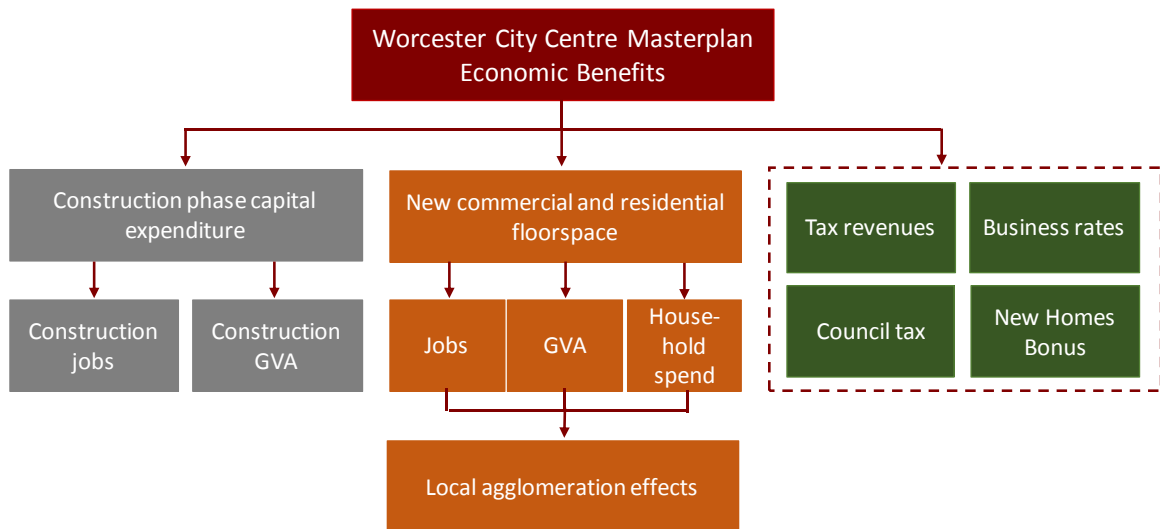
4.3 Economic benefits

4.3.1 Overview

The economic benefits of the Masterplan proposals will principally relate to the development of new commercial and residential floorspace. This will generate new economic activity during both the construction phase and operational phase (in other words, when the commercial and residential floorspace becomes occupied). The key benefits will include additional investment, the creation of new employment opportunities and increased economic activity (as measured through GVA). There will also be a number of fiscal benefits to the public sector in terms of increased revenue – for example, in the form of business rates and Council tax.

Beyond these direct benefits, the proposed transport and public realm improvements are likely to have a beneficial economic impact by creating a more attractive place to invest, work, live and visit. These impacts are harder to quantify, particularly at the masterplanning stage, albeit consideration is given to their social value impact in the following section. There is also a risk of double counting, in that the proposed transport and public realm improvements will be core components of ensuring the success of the new commercial and residential development.

Figure 4.2: Economic benefits



4.3.2 Construction phase impact

The development that will be delivered through the Masterplan has been used as the basis for estimating the possible level of future construction expenditure. This has been calculated using the SPONS Architects and Builders Price Book, with standard professional fees and contingency

figures included within the estimates. Overall, this results in an anticipated construction spend of some £724 million over the development period.

The estimate of spend does not include an allowance for the proposed public realm and infrastructure works and therefore the actual total construction expenditure associated with the Masterplan is likely to be higher. Based on benchmarks and experience from previous projects, public investment in public realm and new pedestrian and cycling routes could amount to approximately £57 million.

The total construction spend, including public investment, has been used as the basis for calculating the number of temporary construction jobs generated through the proposals. Labour coefficients sourced from guidance produced by Homes England⁴ and ONS business population data has been applied to the construction spend figures to derive an estimate of the gross number of person years of employment supported during the construction phase.

Based on average turnover to job benchmarks, the anticipated construction expenditure would support 12,183 person years of construction related employment (the equivalent of 12,183 people being employed on a full-time basis for 12 months). On the basis of the standard convention that each permanent job equates to ten person years of temporary employment, this would be equal to 1,218 full-time equivalent (FTE) jobs.

Table 4.1: Construction phase impacts	
	Gross impacts
Construction phase capital expenditure	£781 million
Average spend per person year of employment	£64,084
Gross employment (person years)	12,183

To estimate the net additional impact during the construction phase, an allowance has been made for displacement and multiplier effects (leakage is considered as part of the assessment of local jobs in Section 4.4). The proposals could lead to some displacement of construction activity, particularly at the LEP level. However, it is not expected that this will be significant in the local area, given that the Masterplan itself encompasses many of the major development opportunities in Worcester. Therefore, a displacement rate of 20% has been applied at the Worcester level, with a higher rate of 30% assumed for the LEP area as a whole.

Alongside directly supporting employment through the design and delivery of construction works, the construction phase will also result in supply side (indirect) benefits, including through, for example, the purchase of construction equipment and supplies. In addition, there will be induced effects through construction employee spend on goods and services locally. To take account of these effects, a multiplier of 1.15 has been assumed for Worcester and 1.3 for the Worcester LEP area, informed by national guidance and benchmarks, including the Homes England's Additionality Guide, and reflecting the structure of the local economy.

⁴ Homes England (2015), *Calculating Cost Per Job, Best Practice Note*

After adjusting for displacement and multiplier effects, it is estimated that the Masterplan would support the creation of 11,209 net additional person years of construction employment in Worcester, generating £419 million of GVA. If additionality is assessed at the Worcester LEP level, the net additional impact would be some 11,087 person years of employment and £415 million of GVA over the construction phase as a whole.

Table 4.2: Construction phase – net additional impact		
	Worcester	WLEP
Gross employment	12,183	12,183
Indirect and induced effect	1,828	3,655
Total direct, indirect and induced employment	14,011	15,838
Displacement effect	2,802	4,752
Net additional employment	11,209	11,087
Net additional GVA	£419 million	£415 million

4.3.3 *Private sector investment value*

Using the development schedule set out in Section 3.6, the total private sector investment value associated with the Masterplan has been calculated. Assumptions have been applied in terms of average rents and yields for commercial floorspace and average sales values have been adopted for residential floorspace, informed by the CBRE market review report produced in support of the Masterplan. In total, it is estimated that the development proposals could generate an overall investment value of approximately £1.0 billion.

Table 4.3: Masterplan investment value	
Private sector investment value	£1.0 billion

4.3.4 *Operational jobs*

The number of gross operational jobs that will be accommodated through the delivery of new commercial floorspace has been calculated based on the Masterplan site development schedule. In estimating the potential impact, assumptions have been made as to the type of floorspace provided and the expected employment densities. Employment density ratios consistent with guidance produced for Homes England have been applied, along with assumptions relating to occupancy rates, as follows:

- B1 offices – employment density of 12 sq m (NIA) per FTE employee and an occupancy rate of 90%;
- A1 retail – employment density of 17.5 sq m (NIA) per FTE employee and an occupancy rate of 90%;
- A3 restaurant and cafes – employment density of 17.5 sq m (NIA) per FTE employee and an occupancy rate of 90%;

- C1 hotels – employment density of 1 FTE employee per 2.5 beds (mix of mid-scale and upscale hotel accommodation);
- D1 community/education – employment density of 100 sq m (GIA) per FTE employee; and
- D2 leisure/entertainment – employment density of 70 sq m (GIA) per FTE employee and an occupancy rate of 90%.

Based on the above employment densities and Masterplan development schedule, it is estimated that the proposals could create 7,956 FTE jobs. However, the number of actual jobs created will be higher once part-time workers are taken into account – for example, one FTE job may actually support, say, two part-time workers. To estimate the number of actual jobs, ratios of workforce jobs to FTE jobs have been applied, derived from Experian local market data for Worcester. This results in an estimated 11,214 jobs being created (full-time and part-time).

Table 4.4: Operational phase gross employment					
	Sq m	Employment density	Occupancy	FTE jobs	FT/PT jobs
Food & beverage	15,113	17.5	90%	777	1,163
Retail	7,610	17.5	90%	391	595
Office/employment	86,417	12	90%	6,481	8,975
Education	8,096	100	100%	81	122
Leisure	8,926	70	90%	115	195
Hotel	11,012	100	100%	110	165
Total	137,174	-	-	7,956	11,214

As with the construction phase, in order to estimate the net additional employment impact, adjustments have again been made for displacement and multiplier effects. An allowance has also been made for deadweight, reflecting the fact that some existing activity on the Masterplan sites could be replaced through the proposed development. It is expected that this effect would be limited, with existing businesses likely to relocate elsewhere in the City Centre. However, to be prudent, a deadweight adjustment of 5% has been applied.

In terms of displacement, the proposals have the potential to displace some activity from other competing developments in Worcester and the wider LEP area. Nevertheless, there is an identified lack of quality purpose built office space in the City Centre, meaning businesses looking to be based in Worcester are pushed to locate elsewhere in the West Midlands. The proposals will help to address this undersupply of employment space in the City Centre. The overall Masterplan will also stimulate growth in the local economy and complement development elsewhere, helping to attract additional investment and businesses. On balance, a relatively low displacement rate of 25% has been applied at the Worcester level, while a rate of 40% has been assumed for the Worcester LEP area in line with benchmarks.

As well as the creation of new jobs on-site, the attraction and retention of new businesses has associated consequences in terms of generating additional employment through the supply chain (indirect effects). The direct and indirect effects of new investment also generates additional

employee spend on local goods and services, supporting further job creation (induced effects). To estimate the scale of the potential multiplier effects, reference has again been made to additionality benchmarks. Based on the uses proposed, composite multipliers of 1.28 and 1.43 have been assumed at the Worcester and Worcester LEP levels respectively.

On the basis of the additionality adjustments outlined above, the Masterplan proposals have the potential to create some 7,256 net additional FTE jobs within Worcester (or 6,485 net additional FTE jobs if additionality is assessed at the Worcester LEP level). This could equate to 10,227 actual jobs once part-time working is taken into account (or 9,141 at the Worcester LEP level). The results of the analysis are summarised in Table 4.5.

Table 4.5: Operational phase – net additional employment		
	Worcester	WLEP
Gross FTE jobs	7,956	7,956
Deadweight	398	398
Gross additional FTE jobs	7,558	7,558
Indirect and induced effect	2,116	3,250
Total direct, indirect and induced FTE jobs	9,674	10,808
Displacement effect	2,419	4,323
Net additional FTE jobs	7,256	6,485
Net additional FT/PT jobs	10,227	9,141

4.3.5 Operational phase GVA

An assessment has been undertaken of the net additional GVA generated as a result of the operational jobs expected to be created through the Masterplan development proposals. This has been based on the FTE job estimates and average GVA per FTE job figures for the relevant sectors. The GVA per FTE job figures have been sourced from Experian local market forecasts for Worcester. Overall, it is estimated that the proposed development, once fully occupied, could generate £333 million of net additional GVA per annum in Worcester. The net additional GVA impact at the Worcester LEP level would be approximately £298 million per annum.

Table 4.6: Operational phase – net additional GVA per annum		
	Worcester	WLEP
Net additional FTE jobs	7,256	6,485
Average GVA per FTE jobs	£45,909	£45,909
Net additional GVA per annum	£333 million	£298 million

4.3.6 *Household expenditure*

In relation to the provision of new residential accommodation, the attraction of new households will generate additional local expenditure within Worcester and the wider LEP area. In order to estimate the level of expenditure that might be stimulated as a result of the development proposals, reference has been made to the ONS Living Costs and Food Survey (LCF). This suggests that the average household in the West Midlands spends approximately £21,642 per year. While this includes purchases that might not be made in Worcester, such as package holidays, a large proportion is on goods and services likely to be bought locally (for example, £6,552 per year is on food and drink, clothing and household goods and services).

There would also be further one-off spending on furnishing and decorating when people first moved into the new properties. According to a report by the Home Builders Federation and Nathaniel Lichfield on the economic footprint of UK house building, first occupation spend can amount to an average of £5,000 per dwelling.⁵

The additional expenditure that is retained in Worcester would be expected to support local services and potentially attract new businesses to the area. As identified in CBRE’s market review report produced in support of the Masterplan, the rural nature of the surrounding area and distance to competing centres means Worcester retains a large proportion of spending within its catchment. Taking account of the likely level of leakage to competing trading locations, non-local expenditure such as on utilities and online shopping, it is estimated that the local spend per household each year could be around £9,250.

To calculate the overall level of expenditure generated, it is necessary to also estimate the number of additional new homes created. Based on an average size per residential unit of 65 sq m, the Masterplan proposals could result in around 3,210 new homes. Applying additionality guidance produced by the Ministry for Housing, Communities and Local Government (MHCLG), which takes account of the level of affordable homes provided, market demand and supply, it is assumed that around 30% of the houses created could be accounted for by displaced activity elsewhere in the local area. This would suggest that 2,247 of the new homes could be additional.

As shown in Table 4.7, if an average expenditure of £21,642 was assumed for each additional home, this would result in new household expenditure of £48.6 million per year, of which £20.8 million might be retained in the local area. There would also be first occupation expenditure of around £11.2 million, with £6.7 million of this potentially being spent on local goods and services.

⁵ Nathaniel Lichfield & Partners (2015), The Economic Footprint of UK House Building

Table 4.7: Household expenditure	
Gross new homes provided	3,210
Net additional homes	2,247
Average spend per household per annum	£21,642
First occupation expenditure per home	£5,000
Total household expenditure per annum	£48.6 million
Household expenditure retained locally	£20.8 million
One-off first occupation expenditure	£11.2 million
First occupation expenditure retained locally	£6.7 million

4.3.7 *Local agglomeration effects*

The estimates of economic impact set out above are based on individual analyses of the development proposals. While these analyses can be summed to provide an indication of the overall combined impact, this does not take into consideration the additional benefits that are likely to be generated by bringing forward the scale of investment proposed as part of a comprehensive programme of regeneration. The combined effect of the Masterplan proposals will be to create an environment in the City Centre where businesses can thrive, enabling high value businesses, along with highly qualified people, to cluster together, collaborate with each other as well as with academia, innovate and commercialise activity.

The creation of such an environment will help businesses to develop greater efficiencies and specialisms, become more competitive and strengthen their market positions. By encouraging and facilitating a clustering of activity, the proposals will maximise local agglomeration effects. Localisation economies result from the geographic concentration of businesses in the same industry. Firms cluster together for a number of reasons all of which improve efficiency and productivity. Clustering allows for specialisation; facilitates more proximate supplier linkage; supports R&D, information and technology transfer and spillovers; and reduces risk for both employers and employees by developing specialist labour pools.

A consistent feature of modern economies is the concentration of economic activity in certain locations, most often cities or urban areas. Urban economists explain such phenomena by reference to features known as 'localisation' and 'urbanisation' economies, both of which relate to the underlying proximity of economic activity. Together, these economies are often labelled agglomeration economies and measured in terms of a productivity 'gain' to firms in the urban area in the form of agglomeration elasticities.

The combination of new development proposed as part of the overall Worcester City Centre Masterplan proposals is likely to lead to additional productivity gains as a result of agglomeration impacts. The potential scale of this impact has been estimated based on the baseline Experian forecasts for Worcester, amended forecasts reflecting both the direct and indirect/induced employment impacts of the Masterplan proposals and the application of agglomeration elasticities from previous DfT research. Overall, it is estimated that the proposals could result in a productivity gain to the Worcester economy of £266 million over the period until 2038.

Table 4.8: Local agglomeration effects	
Benefit per annum once schemes fully developed	£21 million
Cumulative impact up to 2038	£266 million

4.3.8 Fiscal impacts

In addition to the economic impacts outlined above, it is anticipated that the delivery of new commercial accommodation will result in an increase in business rates within Worcester. The analysis of business rates has been informed by benchmarks for rateable values, derived from the Valuation Office Agency website. For standard commercial uses (including retail, food and drink, office and hotel floorspace), comparable evidence has been used for existing hereditaments within Worcester. Appropriate adjustments have been applied to allow for the chargeable area (on a gross or net basis) and risk associated with reliefs and non-payments. The business rates income has been calculated through applying the Uniform Business Rate for 2018/19 of 0.48.

An analysis has also been carried out of the potential additional Council tax that might be generated by those schemes which will deliver new residential accommodation. The potential Council tax income has been estimated based on an assumed profile of new housing and using the 2018/19 Council tax charge for Worcester. This has informed an assessment of the level of New Homes Bonus funding that could be created through the development of the residential sites. The assessment assumes that Council tax income is matched by New Homes Bonus funding for a period of four years following completion.

Further fiscal value will be generated through currently unemployed or inactive people taking up some of the new employment opportunities provided. An estimate of the likely extent of this impact has been informed by an analysis of the skills profile of the jobs created, compared to those unemployed in Worcester, as well as ONS labour market flows data. The fiscal value that will be generated by workless claimants entering work has been based off the Unit Cost Database developed by New Economy, HMT and the Public Sector Transformation Network in 2015. The fiscal value principally relates to reduced DWP benefit payments and health care cost savings.

Table 4.9 sets out the results of the fiscal impact analyses. Based on current arrangements 40% of the business rates generated (some £2.88 million) would be retained locally, although the business rates system is subject to resets and review.

Table 4.9: Fiscal impacts		
	Worcester	WLEP
Business rates per annum	£7.2 million	£7.2 million
Council tax per annum	£3.3 million	£3.3 million
New Homes Bonus	£18.2 million	£18.2 million
Fiscal savings per annum	£11.2 million	£15.7 million

4.3.9 Summary of impacts by Masterplan sub-area

A summary of some of the key economic impacts attributable to each of the four Masterplan sub-areas is presented within Table 4.10 (the figures shown in the table represent the net additional impact at the Worcester local authority level).

Table 4.10: Sub-area impacts (net additional impact, Worcester)				
	Riverside	City Heart	Canalside	Shrub Hill
Construction employment (person years)	1,792	1,713	4,702	3,002
Operational employment (FTE jobs)	912	1,567	2,250	2,527
GVA per annum	£40 million	£73 million	£102 million	£119 million
Local household expenditure per annum	£2.9 million	£3.0 million	£9.9 million	£5.0 million
Business rates and Council tax per annum	£1.4 million	£2.3 million	£4.0 million	£2.9 million

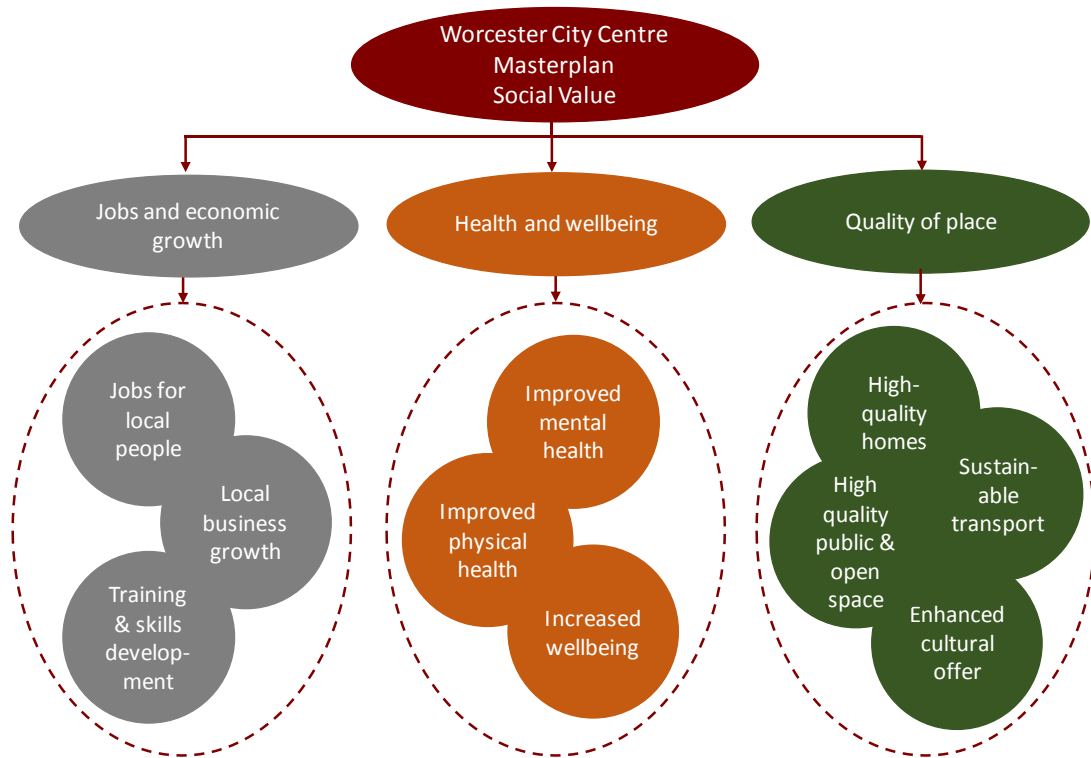
4.4 Social value impacts

4.4.1 Overview

The preceding section encompassed an analysis of the standard economic and fiscal benefits associated with new development. These benefits are important in understanding the overall impact on the local economy. However, it has become widely recognised at both a policy and delivery level that in order to obtain a complete picture of the benefits of a project or programme the wider social value impacts also need to be considered. There are a number of alternative definitions of social value, but typically such impacts are of a more intangible nature and linked to concepts such as wellbeing and quality of place.

Figure 4.3 sets out some of the social value impacts that could be generated through the City Centre Masterplan proposals, which are then expanded on further below.

Figure 4.3: Social value impacts



4.4.2 Jobs and economic growth

The development proposals delivered through the Masterplan will create a significant number of new jobs within the City. Many of these jobs will be taken up by local residents, helping to generate increased economic activity, retain skilled people within the area and bring more people into employment. Despite the overall relative strength of the economy, there are still communities within Worcester suffering from severe levels of income and employment deprivation. The Masterplan proposals will help to support the regeneration of these neighbourhoods, providing a range of accessible and high-value jobs.

To calculate the possible level of employment opportunities generated for local people, reference has been made to Census origin destination data. This has been analysed at both a sector level and for the Worcester economy as a whole. In total, it is estimated that of the 11,209 net additional person years of employment supported through construction activity, some 6,053 would go to residents of Worcester. **Moreover, of the 10,227 net additional operational jobs created, approximately 5,500 would be expected to be taken-up by local people.**

The jobs generated through the provision of new commercial space will be across a range of sectors, including professional and business support services, food and accommodation, and retail. Reference has been made to ONS labour market flows data to calculate how many of these jobs could be filled by people currently unemployed. Overall, during the lifetime of the development, **it is estimated that around 1,105 jobs might go to residents in Worcester who were previously out of work** (representing 10% of the gross employment opportunities created).

The increase in economic activity and investment will have knock-on effects in terms of the local supply chain, as well as supporting the growth of local services and facilities through the attraction of additional expenditure. It is estimated that the construction associated with the Masterplan proposals could generate around £94 million of indirect and induced expenditure in the City. A further **£214 million of supply chain and employee spend could be produced per annum as a result of businesses occupying the new commercial floorspace provided**. Based on ONS business population data, **this would be enough to sustain around 339 local businesses**.

The construction activity from the implementation of the Masterplan proposals also provides a real opportunity to increase skills in the area. Based on the anticipated construction spend and assumptions relating to labour costs, average wages and new entrants, **it is estimated that 29,133 person weeks of training could be provided (the equivalent of a year of training for 560 people)**. In terms of apprenticeships, the typical benchmark is at least one additional apprenticeship for every £1 million of construction expenditure. This would result in **a total of 781 apprenticeships of the course of the construction phase**.

4.4.3 *Health and wellbeing*

There are a number of ways through which the City Centre Masterplan proposals will have a positive impact on the health and wellbeing of local residents. For example, the extension of the existing core pedestrian routes and improvements to the cycle network will encourage more people to become active. It is well recognised that increased activity through walking and cycling can play an important role in enhancing a person’s psychological and physical health. As well improving physical fitness, participation in such activities can help to generate a sense of pride, engender a feel good factor and increase self-esteem.⁶

In a similar sense, the public realm opportunities identified in the Masterplan, such as the creation of a new linear riverside park, will also result in health and wellbeing benefits. This again will be through helping people to become more active, providing spaces in which people can engage in physical activity, as well by creating a more pleasant environment in which to live. A report by Fields in Trust on revaluing park and greenspaces found that wellbeing is significantly higher on average for parks and greenspace users compared to non-users.⁷

The Outdoor Recreation Valuation Tool, produced by Exeter University, has been reviewed to estimate the number of additional users that might be supported through the proposed public realm improvements.⁸ Average health and wellbeing values have been applied to these user numbers, building on research AMION has undertaken for the Land Trust and the Fields in Trust research. Overall, on the basis of these assumptions, it is estimated that usage of the new and improved public realm would equate to 400,000 visits per annum. This could **generate a wellbeing value to local residents of around £1.6 million per annum and health care cost savings of £0.6 million per annum**.

There will also be health and wellbeing benefits associated with the new employment and training opportunities provided as a result of the Masterplan proposals. The sub-section above identified

⁶ Sport England (2013), Economic value of sport in England

⁷ Fields in Trust (2018), Revaluing Parks and Greenspaces: Measuring their economic and wellbeing value to individuals

⁸ Day, B. H., and G. Smith (2018), Outdoor Recreation Valuation (ORVal) User Guide: Version 2.0, Land, Environment, Economics and Policy (LEEP) Institute, Business School, University of Exeter

the additional jobs that could be taken-up by local people who are currently unemployed, along with the apprenticeships that could be generated through the construction phase. **It is estimated that the wellbeing benefits associated with these employment and training impacts is equivalent to £9.8 million per annum.** This has been based on research from the HACT Social Value Bank and New Economy Unit Cost Database.

Finally, the residential component of the City Centre Masterplan will provide health benefits through the provision of affordable housing. The MHCLG Appraisal Guide argues that there are a number of benefits associated with additional affordable housing units. These include potential health impacts and the fiscal savings from reduced health care costs. A 30-year (discounted) value of £2,400 per affordable dwelling is identified in the Appraisal Guide. On this basis, and assuming policy compliant affordable housing provision, **the health impact of affordable housing provided as result of the Masterplan would equate to £2.3 million.**

4.4.4 *Quality of place*

The social value of the natural and built environment relates primarily to its impact on people’s quality of life. Good quality places offer multiple social benefits for individuals and communities, many of which are interrelated. For example, research highlights the positive impact the natural and built environment can have on community engagement, individual wellbeing, feelings of safety, educational performance and the vitality of an area. These benefits are difficult to quantify directly but are often reflected in higher local property prices.

The quality of a place is dependent on a range of factors, one of which is the availability of decent homes for local people. As identified above, the Masterplan proposals could potentially provide 2,350 new homes. Appraisal guidance suggests that the benefits of these new homes to the occupiers is best reflected through land value uplift, as measured through the difference between the residential land value and existing use value.⁹ For the Worcester City Centre Masterplan, VOA land value benchmarks have been used, with the existing use assumed to be commercial. **The resultant housing benefit equates to total value of £96 million.**

Good accessibility and sustainable transportation are also important components of quality of place. The social value from increased walking and cycling has been considered above. However, **the proposed investment in public transport and improvements to the vehicular movement network will generate additional social value by creating a more accessible, cleaner and safer environment.** The improvements to accessibility will make the area more attractive to inward investment, providing a further stimulus to regeneration.

Along with better housing and improved accessibility, the Masterplan proposals also include the provision of high-quality public and open space. Parks and green spaces are cultural landscapes and an integral part of the built form of urban settlements. Landscapes help to define a sense of place, local character and identity. As such, in addition to the health and wellbeing value to users of public and open space, there is also a wider amenity value reflected in higher property prices for houses in close proximity to parks.

⁹ MHCLG (2016), The DCLG Appraisal Guide

Research prepared for Greater London Authority, National Trust and Heritage Lottery Fund relating to greenspace in London identified a 3.4% uplift to total property prices associated with the provision of parks.¹⁰ In comparison, research into the amenity value of English nature suggested that proximity to natural amenities can add as much as a third to the price of a house.¹¹ Taking into account the range of figures available, **it estimated that the Masterplan proposals could generate an amenity value equivalent to £21 million.** This is based specifically on the amount of new and improved public and open space expected to be provided.

More generally, the Masterplan proposals have the potential to transform the image of Worcester City Centre as a whole. The quality of the development proposed in terms of employment and residential accommodation, as well as public realm, will be influential in improving perceptions of the local area, both as a business location and place to live. However, just as important will be the enhancements to the built heritage offer, which is already one of Worcester's strengths, and the City's arts and leisure facilities.

The improvements to the heritage and recreational offer will generate further social value for local residents and visitors. By way of example, a study into the wellbeing impacts of culture was carried out in 2014 on behalf of the Department for Digital, Culture, Media and Sport (DCMS). This found that the **wellbeing value associated with attending cultural events was between £47 and £62 per visit** – this is in addition to any price paid to participate such as entrance fees.¹²

¹⁰ Greater London Authority (2017), Natural capital accounts for public green space in London

¹¹ Gibbons et al. (2014), The amenity value of English nature: a hedonic price approach, *Environmental Resource Economics*, 57: pp. 175-196

¹² DCMS (2014), *Quantifying and Valuing the Wellbeing Impacts of Culture and Sport*

5 Conclusions

The Worcester City Centre Masterplan sets out a framework to achieve the City’s long-term vision to become a national and internationally renowned destination that embraces its unique historic and landscape environment. Four distinct quarters are established as part of the Masterplan, providing a basis for the development of the strategy – Riverside, City Heart, Canalside and Shrub Hill. Across these four quarters the Masterplan identifies the potential to bring forward 129,000 sq m of commercial accommodation, 8,000 sq m of educational facilities and 209,000 sq m of new residential accommodation.

This report presents an assessment of the key economic and social benefits that are expected to arise as a result of the development proposals outlined within the Masterplan. The assessment includes an analysis of the additional economic activity that will be generated in the local economy as well as the wider social value impacts. The approach to the impact assessment has been developed in line with best practice guidance, including the HM Treasury’s Green Book (*Appraisal and Evaluation in Central Government*) and Homes England’s Additionality Guide.

The principal economic benefits generated in Worcester are expected to include:

- the anticipated construction expenditure associated with the developments identified in the Masterplan is forecast to be some £724 million, with potentially a further £57 million associated with public realm and infrastructure works;
- the total construction expenditure is estimated to support almost 12,200 gross person years of employment. On the basis of the standard convention that each permanent job equates to ten person years of temporary employment, this would be equal to 1,200 FTE gross jobs. After allowing for displacement and multiplier effects, the construction phase impacts are estimated to be some 11,200 net additional person years of employment and total net additional GVA of nearly £420 million;
- the private sector investment value of the developments identified in the Masterplan is estimated to be approximately £1 billion;
- almost 8,000 FTE gross jobs or 11,200 total gross jobs after allowing for part-time employment, are forecast to be accommodated in the Masterplan developments. After adjusting for deadweight, displacement and multiplier effects, the Masterplan proposals are estimated to create almost 7,300 net additional FTE jobs (10,200 total) at the Worcester level;
- overall, it is estimated that the proposed developments, once fully occupied, could generate £333 million of net additional GVA per annum in Worcester;
- the Masterplan proposals could result in some 3,210 new homes. After allowing for displacement, some 2,250 of these could be additional;
- based on the number of additional new homes, it is estimated that new household expenditure totalling £48.6 million per year could be generated, of which £20.8 million might be retained locally;

- the productivity gains to the Worcester economy due to the agglomeration effects of the Masterplan proposals could result in further benefits of £21 million per annum; and
- the Masterplan developments once complete are forecast to result in business rates income of £7.2 million per annum, of which currently 40% would be retained by Worcester City Council, and Council Tax income of £3.3 million.

The social benefits of the Masterplan proposals are assessed to include:

- of the 11,200 net additional person years of construction employment, it is estimated that some 6,100 could go to residents of Worcester;
- of the 10,200 net additional total jobs, approximately 5,500 could be expected to be taken-up by local people;
- based on ONS labour market flows data, over 1,100 jobs might go to residents in Worcester who were previously out of work;
- a further £214 million of supply chain and employee spend could be produced per annum as a result of businesses occupying the new commercial floorspace provided. Based on ONS business population data, this would be enough to sustain around 339 local businesses;
- over 29,100 person weeks of construction-related training are forecast to be provided (the equivalent of a year of training for 560 people) as a result of the Masterplan proposals, together with some 780 apprenticeships during the course of the construction phase;
- it is estimated that usage of the new and improved public realm would equate to 400,000 visits per annum. This could generate a wellbeing value of around £1.6 million per annum and health care cost savings of £0.6 million per annum;
- the wellbeing benefits associated with the employment and training impacts of the Masterplan proposals are estimated to be equivalent to £9.8 million per annum;
- the residential component of the City Centre Masterplan will provide health benefits through the provision of affordable housing, which are estimated to equate to £2.3 million.
- the Worcester City Masterplan is estimated to result in housing benefits, based on an analysis of land value uplift, of £96 million;
- the proposed investment in public transport and improvements to the vehicular movement network will generate additional social value by creating a more accessible, cleaner and safer environment;
- based specifically on the amount of new and improved public and open space proposed, it is estimated that the Masterplan proposals could generate an amenity value equivalent to £21 million; and
- more generally, the Masterplan proposals have the potential to transform the image of Worcester City Centre as a whole.

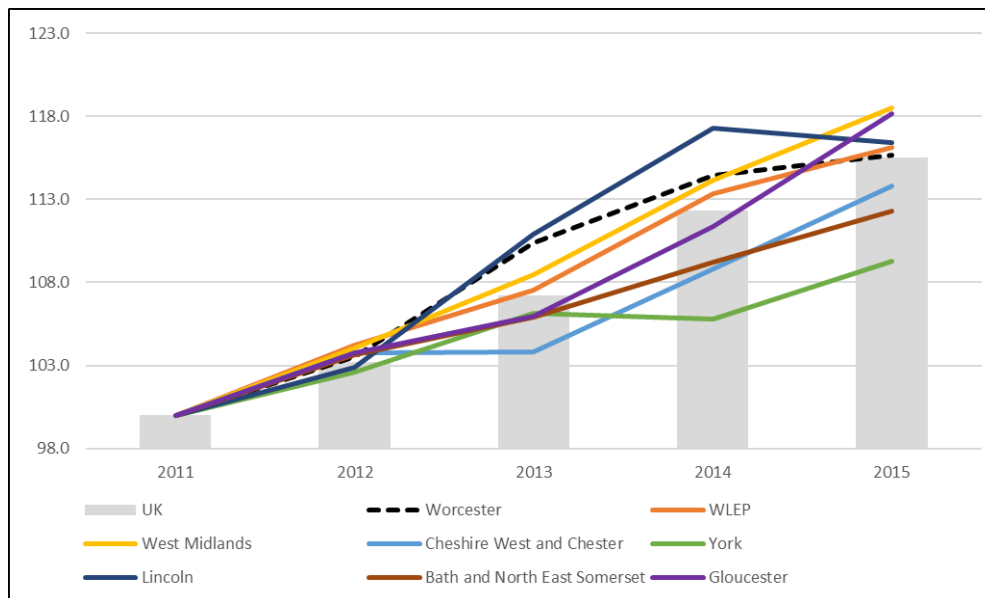


Appendix A: Socio-economic context

The Proposed Development is located within the Worcester City local authority area. This section provides an assessment of the performance of key socio-economic indicators in Worcester, compared to the wider Worcestershire Local Enterprise Partnership (WLEP) area, the West Midlands region and the UK/GB. A comparison has also been made with the Cathedral Cities of Chester (Cheshire West and Chester local authority), York, Lincoln, Gloucester and Bath (Bath and North East Somerset local authority).

Figure A1 shows the indexed change in Gross Value Added (GVA¹³) in Worcester between 2011 and 2015.

Figure A1: Indexed change in GVA, 2011-2015 (2011 = 100)



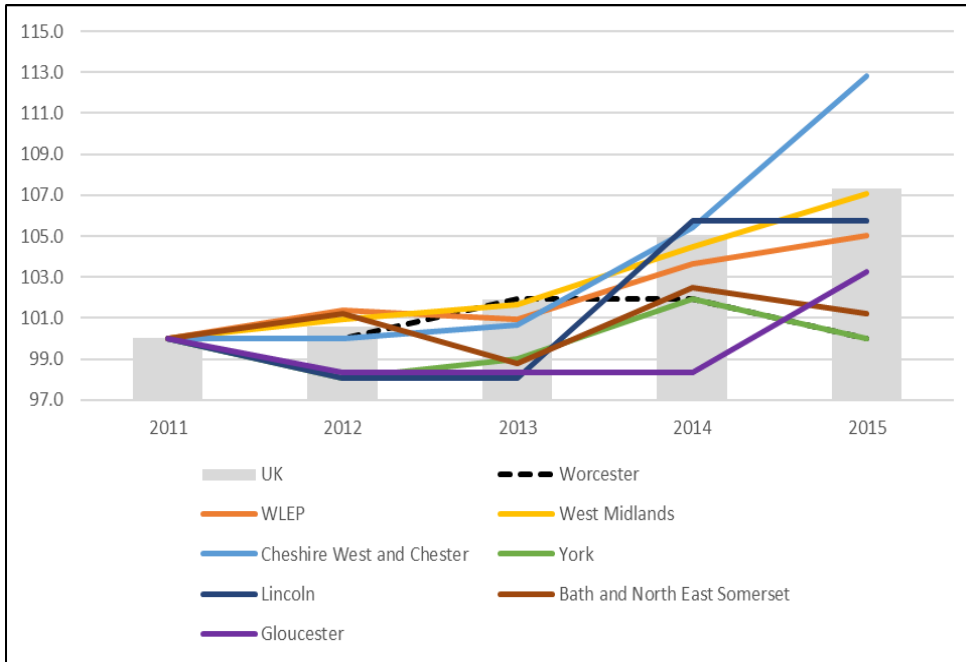
Sources: ONS Regional Gross Value Added (Income Approach) NUTS3, ONS Gross Value Added for Local Enterprise Partnerships, ONS Regional Gross Value Added (Income Approach) by Local Authority in the UK

Over the 2011-2015 period, GVA growth in Worcester (+15.7%) was higher than that observed for the UK (+15.5%), Cheshire West and Chester (+13.8%), York (+9.3%) and Bath and North East Somerset (+12.3%). Figure A1 shows that between 2014 and 2015, GVA growth in Worcester has leveled off (+1.1%), compared to higher levels of growth observed in the WLEP area (+2.4%) and the West Midlands (+3.8%) over this period.

Figure A2 shows that between 2011 and 2013, Worcester demonstrated higher levels of employment growth (+2.0%) than the UK as a whole (+1.9%). However, between 2014 and 2015, employment growth in Worcester (-2%) has lagged behind the UK (+2%), the WLEP area (+1%), the West Midlands (+3%), Cheshire West and Chester (+7.1%) and Gloucester (5%).

¹³ GVA is a measure of the economic value of goods and services produced in an area. It is defined by the Office for National Statistics (ONS) as “...the difference between the value of goods and services produced and the cost of raw materials and other inputs which are used up in production.” As such, GVA is an important economic indicator of the level of economic activity and productivity within an area/sector.

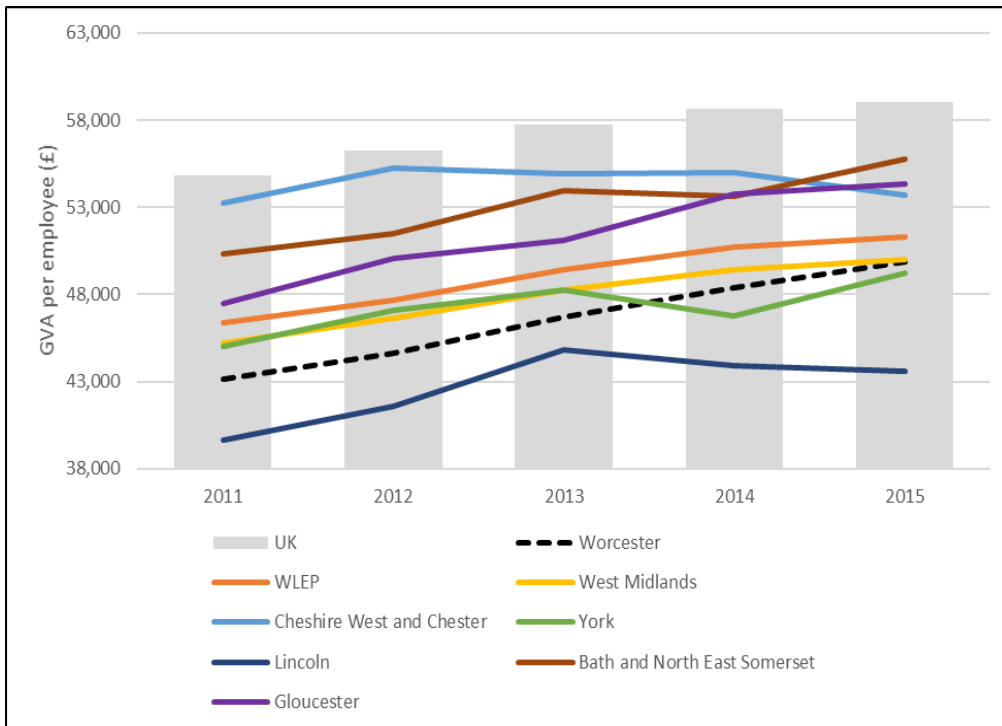
Figure A2: Indexed change in the total number of employees, 2011-2015 (2011 = 100)



Source: ONS Business Register and Employment Survey (BRES)

Figure A3 shows the change in levels of productivity (as measured by GVA per employee) in Worcester over the 2011-2015 period.

Figure A3: GVA per employee, 2011-2015 (£)

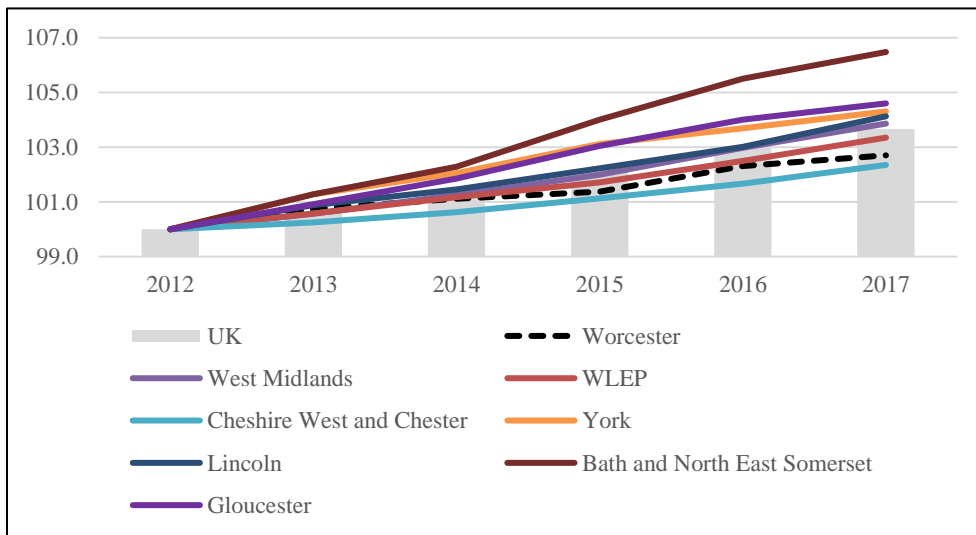


Source: BRES

Figure A3 indicates that between 2011 and 2013, productivity levels in Worcester were consistently lower than all comparator areas, except for Lincoln. However, the gap in productivity between Worcester and the WLEP area, and Worcester and the West Midlands has narrowed steadily between 2011 and 2015. Furthermore, over the 2011-2015 period, GVA per employee levels in Worcester have increased by +13.4%, a higher rate of growth than all comparator areas over this period.

Figure A4 shows that between 2012 and 2017, the total population of Worcester increased by +2.7%. This is a lower rate of growth than all comparator areas, with the exception of Cheshire West and Chester (+2.4%) over the same period.

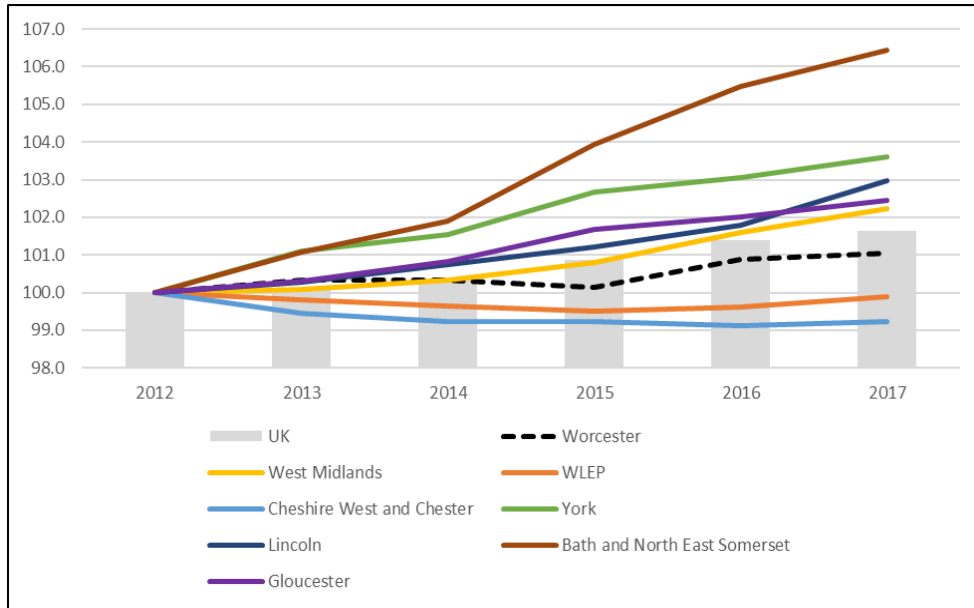
Figure A4: Indexed change in total population, 2012-2017 (2012 = 100)



Source: ONS mid-year population estimates

Figure A5 shows that Worcester’s working age population increased by +1.1% between 2012 and 2017. This is a lower rate of growth than all comparator areas, with the exception of WLEP (-0.1%) and Cheshire West and Chester (-0.8%) over the same period.

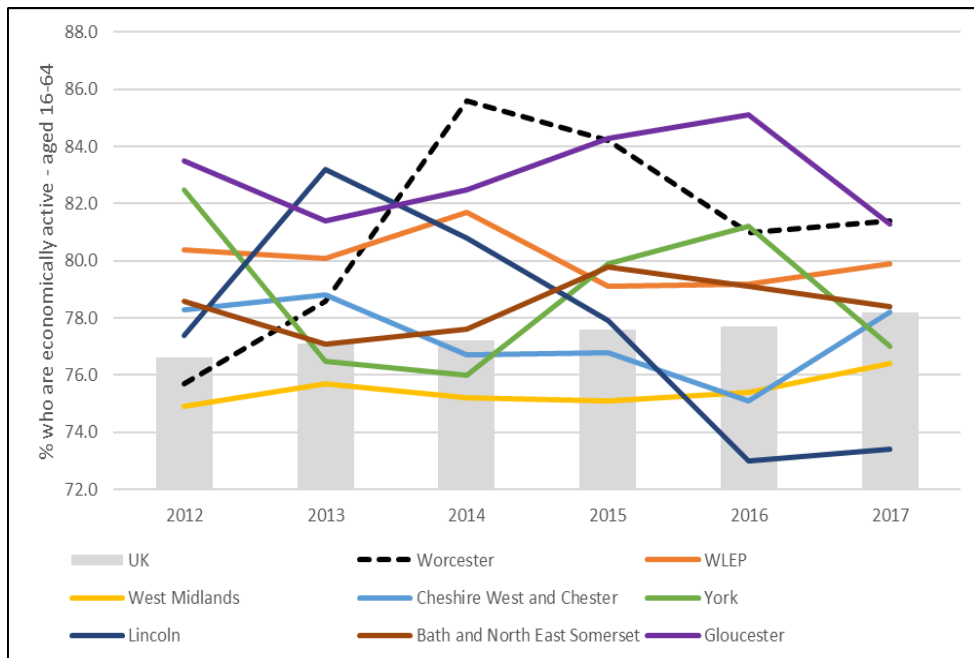
Figure A5: Indexed change in working age population (16-64), 2012-2017 (2012 = 100)



Source: ONS mid-year population estimates

Figure A6 shows that since 2014 the economic activity rate in Worcester has been relatively high. Despite a decline in economic activity rate of -5.4% between 2014 and 2016, Worcester had the highest economic activity rate of all comparator areas at 81.4% in 2017.

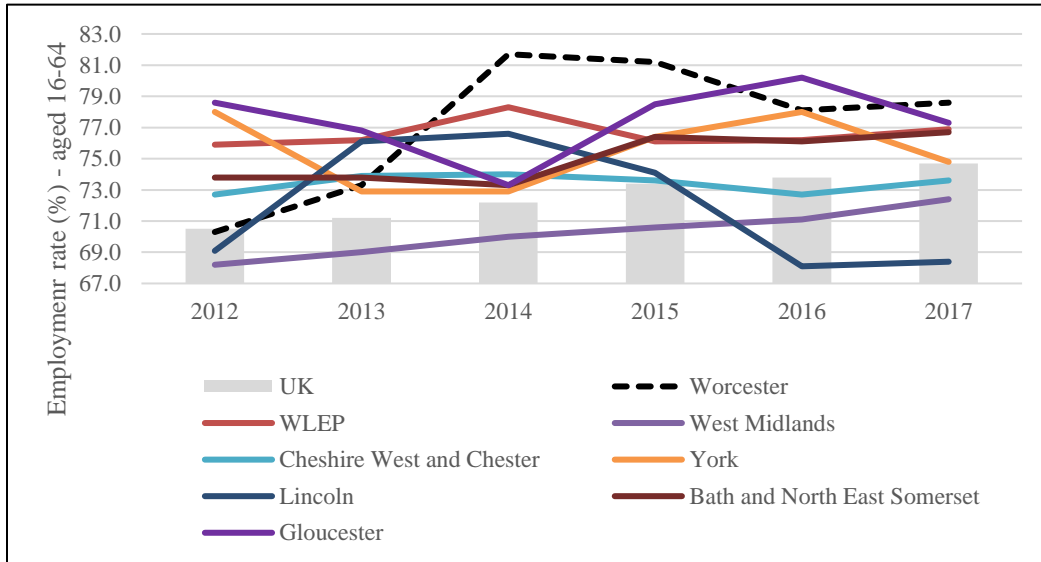
Figure A6: Economic activity (2012-2017)



Source: ONS annual population survey

Figure A7 shows that the employment rate in Worcester follows a similar trend to the economic activity rate shown in Figure A6. As at 2017, Worcester had the highest employment rate of all comparator areas at 78.6%.

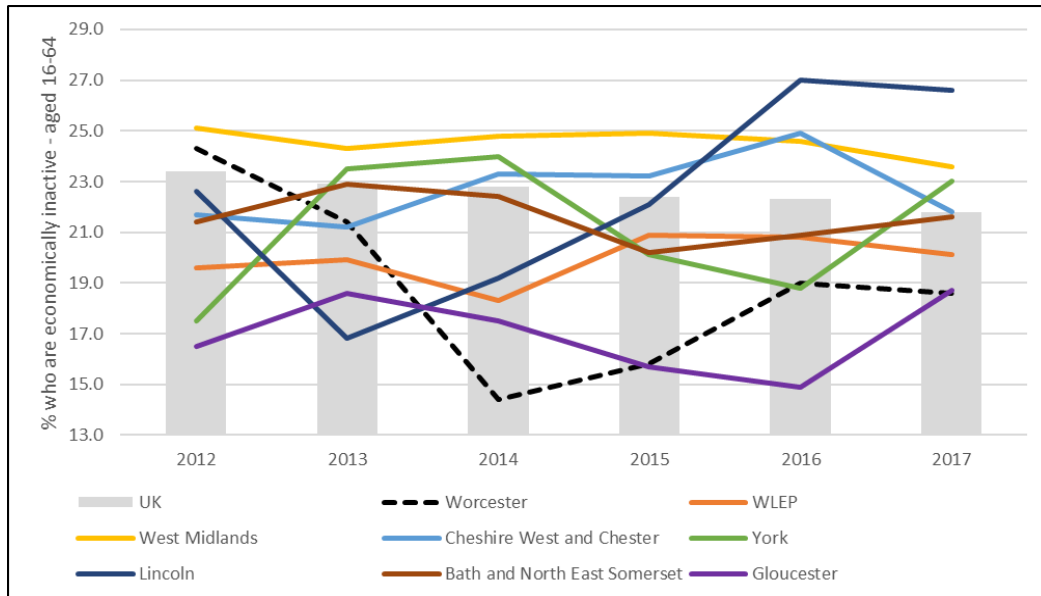
Figure A7: Employment rate (2012-2017)



Source: ONS annual population survey

With regard to economic inactivity, Figure A8 shows that the economic inactivity rate in Worcester has declined significantly between 2012 and 2014. As at 2017, Worcester had the lowest economic inactivity rate of all comparator areas at 18.6%.

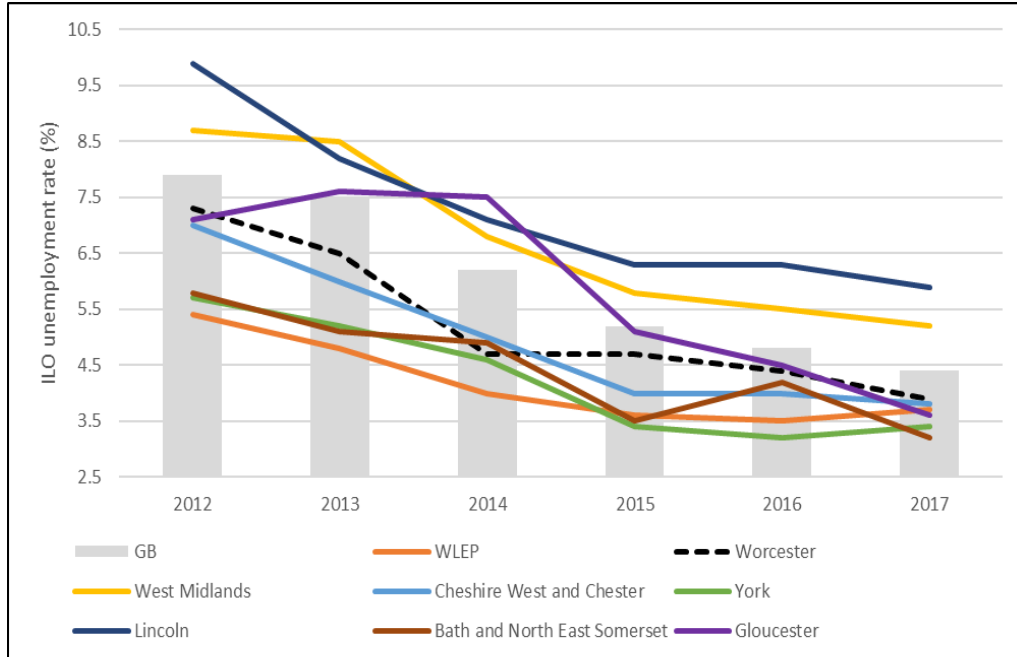
Figure A8: Economic inactivity (2012-2017)



Source: ONS annual population survey

Figure A9 shows that between 2012 and 2017, the ILO unemployment rate declined by -46.6%, a higher decline than all comparator areas. However, over the same period, the ILO unemployment rate in Worcester has been consistently higher than that observed in the WLEP area, although the gap has narrowed since 2015. As at 2017, the ILO unemployment rate in Worcester was 3.9%, compared to 3.7% in the WLEP area, 5.2% in the West Midlands and 4.4% across Great Britain as a whole.

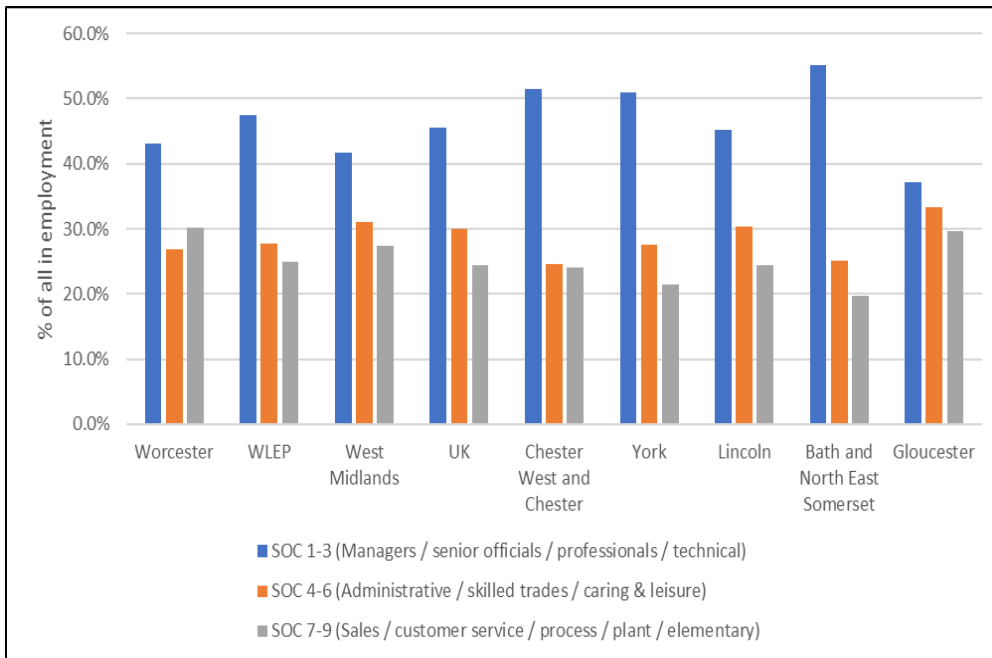
Figure A9: ILO unemployment rate (2012-2017)



Source: ONS model-based estimates of unemployment

Figure A10 shows the resident occupational profile of all in employment in 2017 by broad occupational group. This indicates that in 2017 there was a relatively low proportion (43.1%) of people employed in managerial, senior official, professional or technical occupations (SOC 1-3) in Worcester. In contrast, in 2017 Worcester had the highest proportion (30.1%) of people employed in sales, customer service, process / plant or elementary occupations (SOC 7-9) of all comparator areas.

Figure A10: Resident occupational profile, % of all in employment (2017)



Source: ONS annual population survey

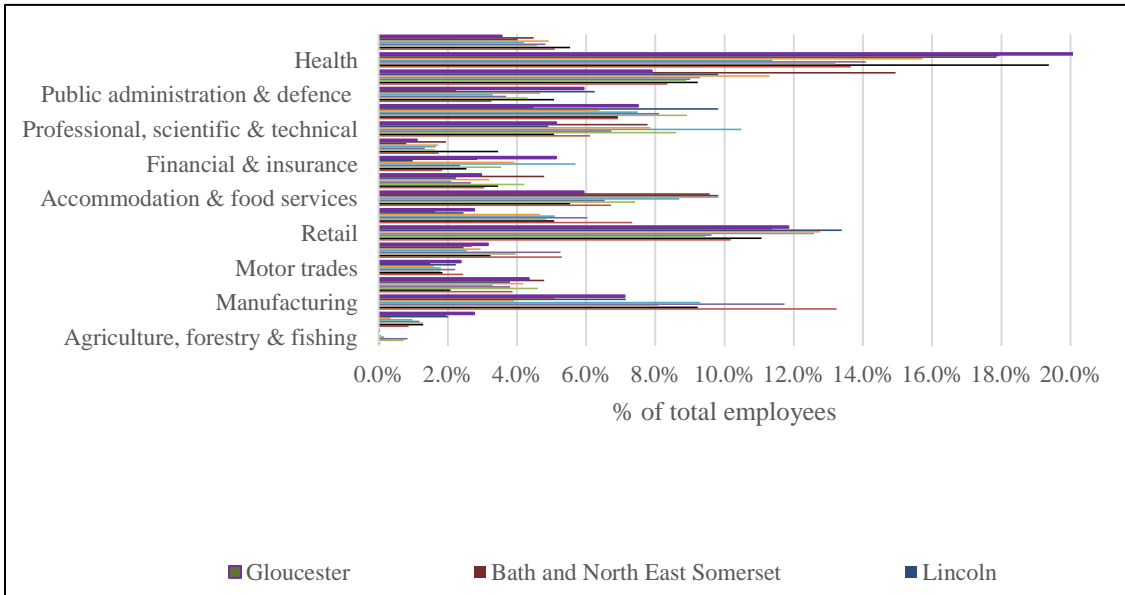
Figure A11 shows that there are relatively high proportions of employees in the following industries within Worcester:

- Health (19.4%);
- Arts, entertainment, recreation & other services (5.5%); and
- Property (3.5%).

In contrast, there are relatively low proportions of employees in the following industries within Worcester:

- Construction (2.1%); and
- Accommodation & food services (5.5%).

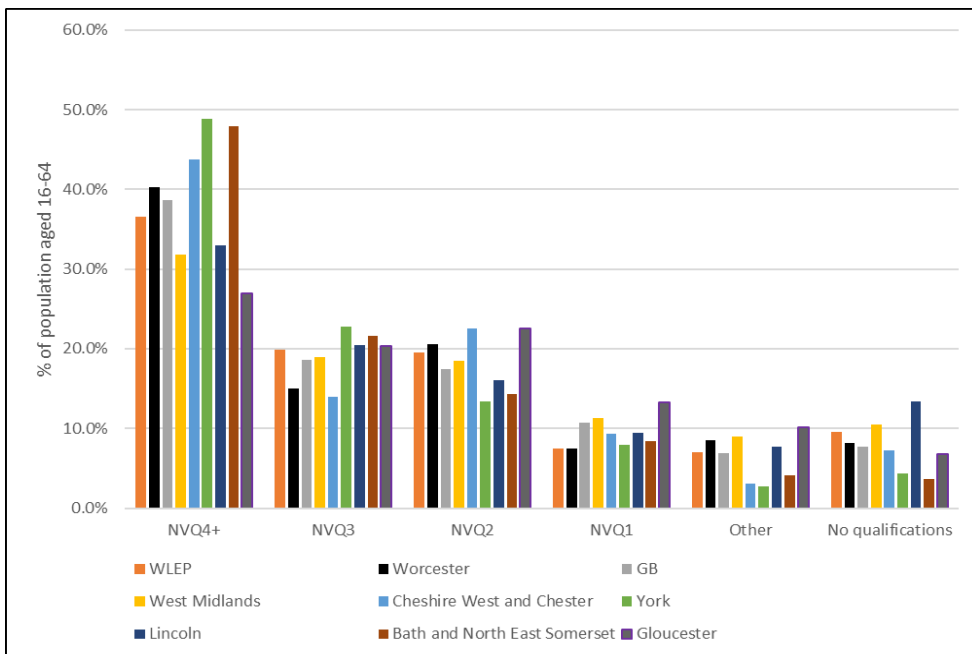
Figure A11: Industrial structure, % of all employees (2016)



Source: BRES

Figure A12 shows that in 2017, 40.3% of the population of Worcester aged 16-64 held NVQ4+ qualifications, higher than in the WLEP area (36.6%), the West Midlands (31.8%) and across Great Britain (38.6%). However, this is significantly lower than the proportion observed in York (48.8%) and Bath and North East Somerset (47.9%) in the same year. In contrast, in 2017 7.4% of the population of Worcester aged 16-64 held NVQ1 qualifications, lower than all comparator areas.

Figure A12: Resident qualifications (2017)

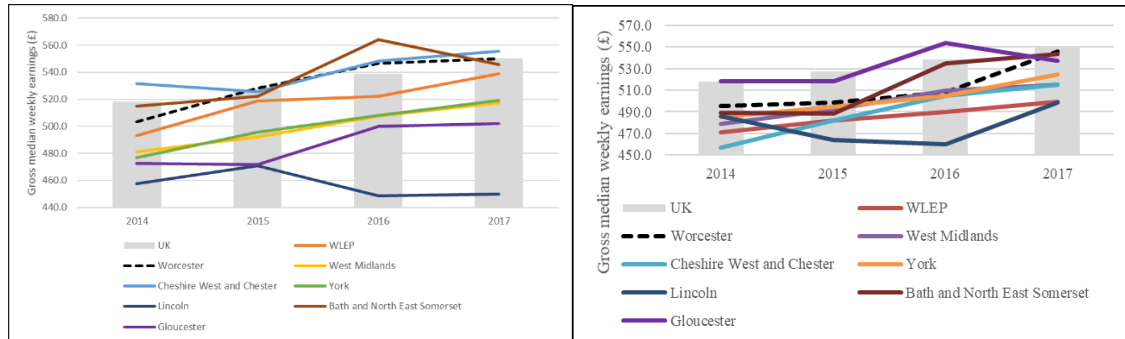


Source: ONS annual population survey

Figures A13 and A14 show the trends in resident earnings and workplace earnings in Worcester respectively over the 2014-2017 period.

Figure A13: Earnings (Resident)

Figure A14: Earnings (Workplace)



Source: ONS annual survey of hours and earnings

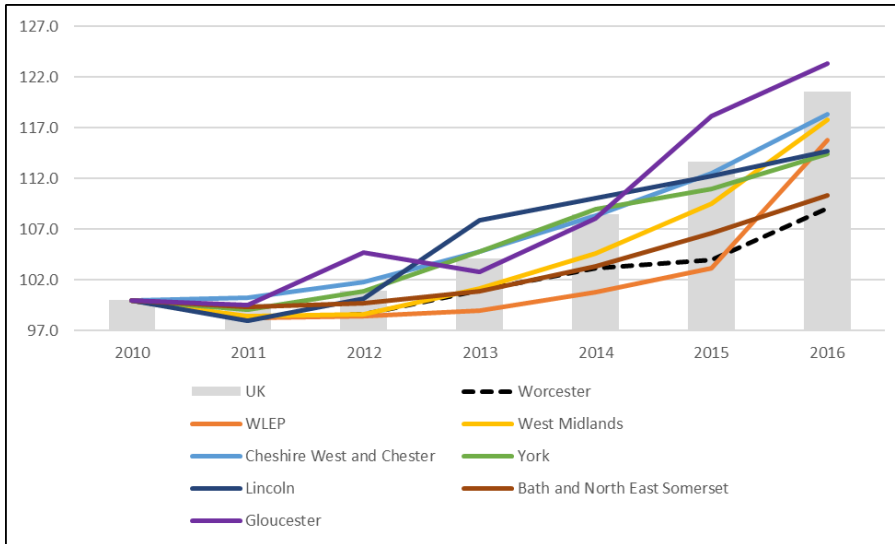
Figure A13 indicates that between 2014 and 2017, Worcester demonstrated a relatively high level of resident earnings. As at 2017, gross median weekly resident earnings in Worcester were £549.80, representing an increase of +9.2% since 2014. However, between 2016 and 2017, resident earnings growth in Worcester has flattened to a similar level of resident earnings as the UK (£550.40) in 2017.

Between 2014 and 2017, the level of workplace earnings in Worcester has been consistently below that for the UK but generally above that for all other comparators, except for Bath and North East Somerset, as shown in Figure A14. As at 2017, gross median weekly workplace earnings in Worcester were £545.90 (the highest of all comparators except for the UK), representing an increase of +10.1% since 2014.

Resident earnings in Worcester have been consistently higher than workplace earnings over the 2014-2017 period, highlighting the continuing issue of residents commuting out of the area to high paid jobs.

With regard to business demography, Figure A15 shows the trends in the count of active enterprises between 2010 and 2016. Over this period, Worcester has demonstrated relatively low growth (+5.7%) in the count of active enterprises, compared to Gloucester (+23.3%), the West Midlands (+17.8%), the UK (+20.5%) and the other comparators.

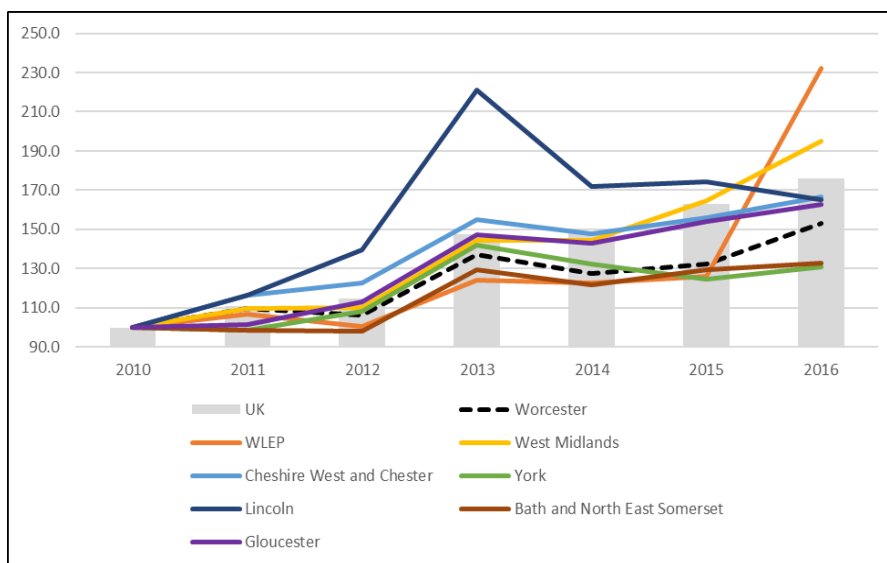
Figure A15: Count of active enterprises (2010-2016)



Source: ONS Business Demography 2016

Figure A16 shows the trends in the count of births of new enterprises between 2010 and 2016. Between 2010 and 2016, the count of births of new enterprises in Worcester increased by +53.2%, compared to +132.0% in the WLEP area, +94.9% in the West Midlands and +76.2% across the UK as a whole over the same period. The 2012-2013 period saw the count of births of new enterprises in Worcester and all comparators increase significantly. Between 2014 and 2016, the count of births of new enterprises declined in Lincoln (-4.1%) and York (-1.1%). However, significant increases in the count of births of new enterprises were observed in the WLEP area (+89.3%) and the West Midlands (+34.8%) compared to +20.3% in Worcester over the same period.

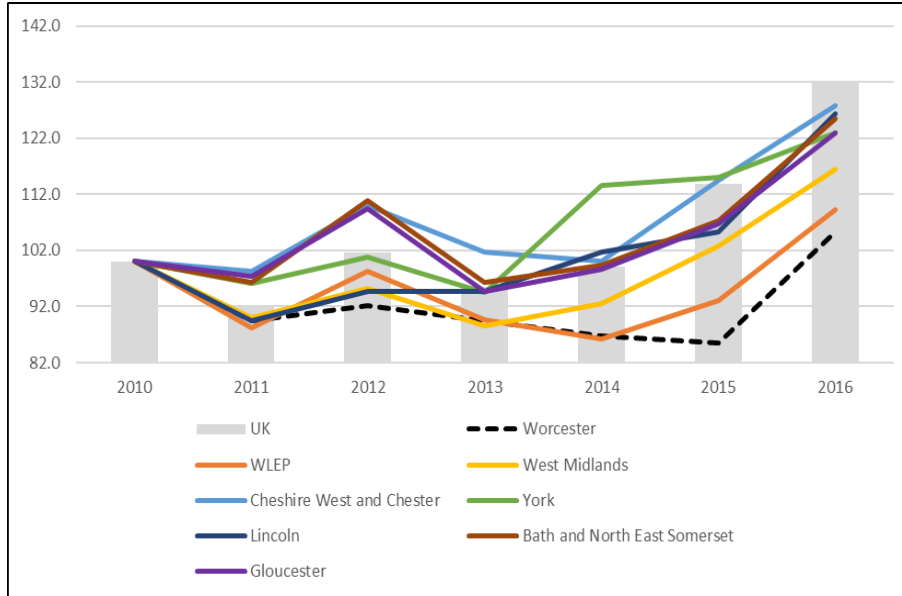
Figure A16: Count of births of new enterprises (2010-2016)



Source: ONS Business Demography 2016

Figure A17 shows the trends in the count of deaths of enterprises between 2010 and 2016. There has been a relatively low increase in the count of deaths of enterprises in Worcester between 2010 and 2016 (+5.3%), compared to the WLEP area (+9.2%), the West Midlands (+16.5%) and the UK as a whole (+31.9%). The cathedral city comparator areas have demonstrated a significantly higher level of growth in the count of deaths of enterprises over the 2010-2016 period compared to Worcester.

Figure A17: Count of deaths of enterprises (2010-2016)



Source: ONS Business Demography 2016

Table A1 shows that between 2013 and 2015 there has been steady growth in the value of Worcester’s visitor economy, with visitor spend reaching £130 million in 2015, representing an increase of +6.3% since 2013 (£122 million). Over the same period, visitor numbers (leisure and business) increased from 3.2 million in 2013 to 3.4 million in 2015 (+6.5%). In addition, the number of jobs supported by tourism in Worcester increased from 3,131 in 2013 to 3,351 in 2015 (+7.0%).

Table A1: Worcester tourism performance (2013-2015)			
	2013	2015	Change (2013-2015)
Total Visitors	3,194 million	3,402 million	6.5%
Day Visitors	3 million	3,219 million	7.3%
Overnight Visitors	194,000	183,000	-5.7%
Total Visitor Spend	£122,732 million	£130,486 million	6.3%
Total Tourism Value	£156,378 million	£165,844 million	6.1%
Jobs	3,131	3,351	7.0%

Source: Worcester City Tourism Strategy 2017-2022



However, the total number of overnight visitors has declined by -5.7% to 183,000 in 2015 (from 194,000 in 2013). This contrasts with the national trend for overnight visitors, where domestic overnight trips increased by 11% over the same period (source: VisitBritain).

Appendix B: Market context

Introduction

This section provides a summary of a high-level assessment of the current and potential future markets in Worcester City Centre undertaken by CBRE in April 2018¹⁴.

The commentary sets the context of the current performance of the City centre and focuses on the various property sectors with a view to identifying the sectors where the City has potential and can achieve an improved offer. The key sectors under consideration are retail; leisure (including food and beverage); hotel accommodation; employment; residential and student housing; and healthcare.

Retail

The traditional high street in both town and city centres faces several challenges - from increasing competition posed by the internet and multichannel retailing; out of centre developments; the tightening of retail spending and changing consumer behaviour; and greater discounting by shops to compete with the internet.

PROMIS¹⁵ defines Worcester as a Sub Regional Resilient Town based on the size and strength of its retail role.

Worcester's shopping population is estimated to spend £676.2m annually on comparison goods items (source NSLSP).

Worcester had a total of 101,000 sq m (1,080,000 sq ft) of City centre floorspace in 2017, which is on a par with the Sub Regional Resilient Town average. In 2017 there were 93 non-food multiples.

Vacancy rates are below the national average and the trend has been for a reduction in vacancies since the recession but vacancy rates still remain well above pre-recession levels. The current vacancy rate is 10.4% for all units and 3.8% for prime units. The latest retail requirements list (Source: CBRE) only shows one fashion operator which is Oasis. Other retailers looking for space include Fone World, Poundworld, Cards Direct, Calendar Club and various charity outlets.

Worcester was named in the Top 5 in the Great British High Street Awards in 2016 and Top 2 in 2015 (source: Worcester City Tourism Strategy 2017-2022).

Worcester's retail offer is currently located in three principal areas comprising the north of the city centre around Friary Walk where the CrownGate shopping centre is located; High Street which is considered prime pitch with CrownGate shopping centre to its west and Reindeer Court to the east; and Cathedral Square to the south which has a strong leisure focus.

The most recent development in the City Centre is Cathedral Square which was recently redeveloped and extended (by Salmon Harvester) and the works were completed in mid-2017.

¹⁴ CBRE (2018) A vision for Worcester City centre masterplan: Appendix 4 – Market review, April 2018

¹⁵ PROMIS – Property Market Analysis, Retail Report

This involved significant inward investment where the project comprised the addition of restaurants overlooking a new public square, remodelled shop and restaurant units, a Travelodge Hotel, a gym and a multi-storey car park.

Prime retail rents in Worcester city centre at mid-2017 were £1,400 per sq m (£130 psf) Zone A. Cathedral Square and Chapel Walk have demonstrated rents of £1,100 (£102 per sq ft) to £1,185 per sq m (£110 per sq ft). Prime yields remained at circa 5% as at mid-2017. Data analysis shows that rents, in line with national trends, have not shown any significant increase (i.e. they have fallen in real terms) since 2012. Rents fell in the period 2008 to 2012 during the recession.

CBRE conclude that the masterplan should consider a consolidation of the City Centre retail offer rather than an expansion. This could be, for example, by improvements to the public realm and providing a high-quality shopping 'experience' with a strong food and beverage offer with the purpose of increasing the length of stay and spend. This would also benefit tourism in the City.

There has been a decline in the 'middle' fashion offer over the last 10 years and CBRE suggest that this is probably Worcester's target market with its 'moderately affluent' catchment population. The upper middle quality offer is considered to have strengthened in the last 10 years.

Recent rental trends demonstrate that rental changes in Worcester City Centre are on a par with national trends, albeit recent growth has been subdued. Capital values are likely to fall as a result and inward investment into new retail space is therefore likely to be more limited.

Leisure

Food and beverage

From 2016 the food and beverage offering in Worcester has increased above the PROMIS average per town centre and in 2017 has increased substantially above the Sub Regional Resilient Town average. This is attributed to the opening of the Cathedral Square development.

The City Centre has a varied range of food and beverage operators with many national multiples represented. It has a comparatively high representation compared to average centres but this reflects the City being a tourist destination as well as a retail destination.

The City is lacking a 'high end' restaurant offer which could, for example, sit alongside a boutique hotel. This offer would appeal to tourists and residents.

CBRE considers that the masterplan could feature a 'market/food hall' concept to serve as a tourist and shopper focal point, promote local produce and start-up businesses and be a unique selling point for the City in the region.

Cinemas

Leisure provision in Worcester is below the average for a City of its size. It has a total of 3,530 sq m (38,000 sq ft) of leisure floorspace, which is considerably lower than the Sub Regional Resilient Town average of 8,360 sq m (90,000 sq ft) (source: PROMIS). This floorspace includes all leisure operators such as cinemas, bowling, bingo, health and fitness. Cinema screens per capita comprise 88 per capita in Worcester compared to 95 per capita for an average Sub Regional Resilient Town (source: PROMIS).

CBRE considers that an independent cinema could form part of a mixed use scheme to include restaurants and a hotel.

Health and Fitness

The health and fitness sector has seen good growth in the last 10 years. The low-cost gym market, with its large membership numbers, online joining, 24/7 opening hours and low price point have continued to expand rapidly.

Typical rents for Health and Fitness centres range from £86.11 per sq m (£8.00 per sq ft) - £129.117 per sq m (£12.00 per sq ft) with yields in the region of 6.5% to 7.5%.

The health & fitness centre, PureGym, is located at St Martin's Quarter, a hybrid park in Worcester. There is also a Fitness4Less gym located within the new Cathedral Square development.

Further afield on the outskirts of the City, a Nuffield Health Fitness & Wellbeing Gym is located to the north and a David Lloyd Club to the north-east towards Junction 6 of the M5 motorway.

Hotel accommodation

Worcester's hotel market is dominated by mid-market budget/chains offers. The 10 hotels in Worcester provide a total of 535 rooms. There is a proposed extension of 17 rooms to the Premier Inn at Wainwright Way, WR4, by J6 of the M5.

CBRE Hotels report that Worcester does not currently seem high on operators' lists as a key location. CBRE considers that the operators' perception of Worcester needs to be challenged so that there is a clear understanding of visitor and business demand for hotel rooms in particular. This would include a need to demonstrate that occupancy rates of existing hotels are high.

The total number of overnight visitors has declined by -5.7% to 183,000 in 2015 from 194,000 in 2013 (Source: City Council's Tourism Strategy 2017-2022). This is not in line with national trends and needs to be reversed. Inward investment into a new hotel would be welcomed and could help improve visitor numbers. The Tourism Strategy states that there is a desire to attract a quality branded hotel chain or independent boutique hotel.

CBRE considers that there is scope to include a good quality hotel offer within the development proposals for the City Centre. This could include a 4* offer with a restaurant facility for hotel residents and the wider public.

Employment

CBRE considers that the employment and service sector in the City is currently underdeveloped given its size and status and position as the principal centre for the County. The Worcester office market is secondary to more established locations in Birmingham City Centre and around the M42 Junctions 4 to 6.

The City Centre office stock is characterised by:

- second-hand lower grade space;

- converted buildings that are not purpose-built;
- often small suites in multi-let buildings; and
- lack of dedicated parking.

The Employment Land Review (ELR) Study in 2011 noted the lack of City Centre offices, meaning businesses looking to be based in the West Midlands were pushed to locate in Birmingham, Gloucester or Cheltenham. The ELR study also highlighted that what is a common perception of Worcester's lack of 'popularity' is actually a result of lack of office space in the City Centre.

Average office rents in Worcester are £90 per sq m (£8.25 per sq ft) to a maximum of £169 per sq m (£15.70 per sq ft). The top rents are marginal in terms of justifying new office development as the development cost is likely to exceed the end value, unless there is 'long income' created to justify a lower yield/higher capitalisation rate.

According to CoStar, of the 20 office units/buildings rented in the previous year, all but one is below 900 sq m (10,000 sq ft) with the largest being 950 sq m (10,225 sq ft). The average size is 126 sq m (1,360 sq ft).

The Office Agents Society (OAS) is an online marketplace to state requirements and disposals of office space for the interest of office agents. Recent requirements on OAS include office space for a minimum 4,000 sq ft up to 10,000 sq ft in Worcester City Centre.

CBRE do not see new office development as a key driver to bring forward any of the Development Opportunity Sites other than around Shrub Hill Station as a long-term project and potentially for public sector occupation where the stronger covenant can help value creation.

There may be scope for some small units of flexible office space for start-up businesses, creative industries as part of a mixed use scheme, for example around a canal-side location.

Residential and student housing

Residential

Worcester is set for a period of residential growth. The South Worcestershire Development Plan (2006-2030 and due to be updated in 2021) planned for 28,400 new homes of which 6,800 are allocated to Worcester City (4,000 net are now built) and an additional 5,350 dwellings are to be accommodated on the edge of the City including on strategic urban extension sites.

The City offers a variety of housing stock to meet all housing needs from apartments to large country properties. There are a number of new apartment schemes in the City Centre but as of yet there are no Private Rental Sector schemes (PRS) to provide modern urban living. There are however proposals for PRS at Lowesmoor. CBRE considers that there is likely to be demand from investors for a PRS product.

Worcester has seen the level of owner occupation decrease slightly from 75% in 2001 to 71% in 2011 (the PROMIS average is 66%). This downward trend is due to the increase in private renting and CBRE expect the downward trend to continue.

As there is a variety of house types in Worcester, there is also a range of pricing with the price bracket of £150k to £200k being the most frequent.

House prices in Worcester have shown recent consistent growth, having increased by +3% between 2016 and 2017, which is marginally above the national average at +2.8% for that period. The average price paid for a residential property in the past 12 months was £247,750, an increase in value of 2.39%. The current average value is £262,643.

Worcester remains cheaper than nearby Fernhill Heath with an average price paid of £324,813, Kempsey at £298,013 and Crowle at £325,567.

CBRE considers new residential development as a vital component of various Development Opportunity sites, including canal-side.

The value of the end product should be sufficient for sites to generate positive land values.

There is an opportunity to bring forward new PRS development in the form of bespoke new build apartments and houses for City Centre living to meet contemporary needs.

Student housing

CBRE note that The University of Worcester is growing. The total number of students has risen from 6,740 in 2010/11 to 8,160 in 2015/16. In 2015/16 the number of undergraduates was 7,590 with 570 post graduates.

CBRE research shows that many more students are living at home or in their own residence than would be expected in other locations. This may be a reason why there is limited purpose-built student accommodation in the City. Figures reported in the academic year 2015/16 demonstrated that 13.97% (32.98% UK average) of students were in rented accommodation; 18.75% were in provider maintained property (20.90% UK average); 26.96% in parental/guardian home (20.44%); and 35.29% in own residence (16.76% UK average). Own residence is defined as a permanent residence which could be either owned or rented by them.

CBRE considers that there is potential for new student accommodation in the City Centre brought forward by third parties/the private sector. This would be purpose built new space and could form part of a wider mixed-use scheme including alongside other residential uses. This could be in walking and cycling distance from the existing main campus and also with the purpose of reducing car usage.

Healthcare

CBRE considers the opportunity for senior living and healthcare to be a key component of the potential for the Worcester property market and as part of the residential mix. The age profile of the Worcester primary catchment population includes a particularly high proportion of the retired aged 65 and over (source: PROMIS) and this cohort saw a significant increase during the period 2001 to 2011. Many of these will be considering downsizing and moving into modern City Centre dwellings or healthcare facilities as a next step.

The developer/operator market will be pro-active in looking to bring forward sites in the City Centre. For example, planning consent has recently been granted for a new-build retirement living complex in City Walls Road.



CBRE considers that schemes within the City Centre will need to provide supportive social infrastructure alongside accommodation. In order to deliver placemaking in the City Centre and a sense of community it will be important to include elements of healthcare such as medical centres, supported living, retirement living and care home facilities.