Replacement Local Development Plan 2018-2033

Background Paper

BP19: Commercial Market Analysis

Deposit Plan

January 2025

Mae'r ddogfen hon ar gael yn Gymraeg hefyd.

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This Background Paper has been reviewed in 2025 and the following update has been produced to bring the original Background Paper up to date for the purposes of the RLDP Deposit stage consultation.

Annex 1 to Background Paper 19 Conwy Commercial Market Analysis – January 2025

1. Introduction

The purpose of this Annex is to consider any changes / impacts in the economic environment that have occurred since Background Paper 19 was written and determine if the findings are still appropriate as evidence base going forward with the Replacement Local Development Plan.

Information from the Town Centres First Study (Background Paper 61) has been drawn upon along with a review of the take up of existing allocations and planning applications as a means of understanding demand across Conwy over the past five years.

2. Property Market Review

There have been some significant changes / impacts in the economic environment to consider, namely impacts from Brexit and the Covid-19 pandemic. However whilst these factors are significant in themselves, it should be noted that analysis of trends indicate that the impact of the Covid-19 pandemic (in particular) has accelerated underlying trends that have already been affecting both town centres and employment locations for a number of years. For example the shift towards on-line purchasing and using the internet to access goods and services, plus the concept of home-working which although did exist prior to the pandemic, has significantly increased since. The following section of this annex examines the impact on demand for employment premises across Conwy.

<u>2.1 Employment premises</u>

The office market in the County Borough is a mixed picture. Town Centre office accommodation tends to be poor quality smaller units, often above other uses, with over 95% of properties rated as three out of five-star quality or below, over 50% lower than two-star quality, and over 50% being built before 1950 according to CoStar data. This indicates that there is a lack of higher quality office available for businesses who require smaller spaces in central locations.

Nevertheless, this existing office stock remains an important component of the market supporting smaller indigenous micro businesses by providing cheaper flexible spaces which can inherently meet these needs.

The October 2020 Employment Land Review (ELR) indicated a need for 14-20ha of employment land over the RLDP period, with 35% of this being for office use. However, discussions with consultees indicates that there is currently relatively little active demand for office space within Conwy, and particularly low levels of demand for office space in Town Centres. Whilst there seems to be friction between these points, current levels of demand have inevitably been affected by the Covid-19 pandemic and will pick up as firms start to encourage staff back into the office. In addition, the ELR assesses needs over the whole plan period including both central and out of centre office provision.

The demand that does currently exist within Conwy is primarily from existing firms looking to move to better-quality space, whether expanding or consolidating their workforce due to increased levels of home working.

Overall, the County Borough has a relatively high share of office space and low levels of vacancy, indicating that out of centre provision is playing a key role in supporting indigenous firms looking to upscale or move to more modern premises with parking facilities. The market for larger office accommodation is generally met by non-speculative out of centre developments.

The market for speculative office development is currently not sufficiently strong because of lower returns. Whilst current levels of demand may be low, it is therefore important that sufficient land is protected in the longer term to ensure there is always a supply of available plots to allow for further non-speculative development.

There is a mismatch of supply and demand within the County Borough, with some existing businesses looking to consolidate into smaller but higher quality spaces of which there is a real lack in central locations. This is pushing demand into out-of-centre locations. This presents a challenge for Conwy, in that a large part of its office stock is in converted residential buildings or above retail units due to limitations present in town centres, but current limited demand and viability issues make conversions of central space and building new, purpose-built office in out of-centre locations a hard proposition.

In terms of the Urban/Rural split, demand for employment and industrial premises is still focused towards the urban area, in particular along the A55 corridor. The Employment Land Supply Background Paper (BP17) shows the uptake in terms of commitments up to 2024. No applications (for employment uses) have been submitted on the rural employment allocations since the publication of Background Paper 19, which further adds to evidence that demand for employment locations are still largely situated along the urban coastal areas, and this is where the allocations of land should be focussed rather than in the rural areas.

3. Conclusion

Overall, both market signals and discussions with commercial agents suggest that there is limited demand for office space in Conwy's town centres and no requirement for additional converted central space. Where viable and possible, conversion of lower quality office spaces in town centres to higher quality spaces or other uses may assist with attracting local businesses and reducing levels of town centre vacancy.

Taking a longer term view, it is recommended that the Council's focus should continue to be on stimulating inward investment to take up larger spaces in out of centre locations. This must however be balanced against PPW which places emphasis on a 'town centres first' policy, by recognising the continued importance of the town centres within the wider office market, forming a strategy to assist existing central firms with upgrading their current premises or converting existing vacant properties into modern offices. Whilst the market is currently slow, the County Borough still has buoyant fundamentals, and should continue to plan positively for the future whilst exploring avenues to tackle the challenges with town centre conversions and speculative office space.

Given the evidenced lack of demand for the existing rural employment allocations and continued interest in the coastal settlements, the focus for site allocations (for employment uses) should still be along the A55 corridor, but with the caveat that criteria-based policies are in place to support and facilitate suitable rural employment developments as and when demand occurs in such areas.

Conwy Commercial Property Market Analysis

Conwy County Borough Council

June 2018

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1.0 Introduction

1.1 Conwy County Borough Council [CCBC] commissioned Lichfields to undertake an Employment Land Review [ELR] for the County Borough in September 2016. Following this report, the Council requested further work to be undertaken in the form of a Commercial Property Market Assessment. This study will form part of Lichfields' ongoing work with CCBC to provide the Council with a robust economic evidence base to support its emerging Local Development Plan [LDP].

1.2 It is important to note; the findings and recommendations from this study should be read alongside the ELR Update to provide further context.

Scope

1.3 This Commercial Property Market Assessment focuses on analysing the local commercial property market to understand the epicentres and characteristics of employment land demand in Conwy County.

1.4 This study is informed by published property market data sources and consultation findings from commercial agents and businesses to provide an overview of the commercial property market in Conwy.

1.5 The scope of work for this study included:

1. A desk-top analysis of property market data for Conwy and North Wales from sources including Valuation Office Agency [VOA].
2. Consultation with 6 commercial agents and developers through individual meetings and telephone discussions to understand the characteristics of employment land in Conwy. This was intended to establish market trends from a commercial agents' perspective such as land values and rents for various commercial / industrial sites across the Borough.
3. An electronic business survey issued to companies across Conwy County Borough and wider North Wales to gain a detailed understanding of the demand for employment premises / land in Conwy. This was intended to reveal the business appetite in Conwy and whether businesses wish to remain or relocate to Conwy and future employment land demands.

1.6 It is important to note that this study defines 'commercial' property as consisting of the following B-Class uses:

- Industrial uses (B1(c), B2 and B8); and,
- Office uses (B1(a) and B1(b))

Structure of Report

1.7 The report is structured as follows:

- Overview of Employment Space and the Commercial Property Market (Section 2.0) – analysis of the current stock and trends of employment space in Conwy in terms of mix of B-class uses, development rates, gains and losses, and provision in adjoining local authority areas. This is supplemented by the findings of the consultation with commercial agents to provide a well-rounded view of the commercial property market within Conwy County;

- **Business Survey** (Section 3.0) – findings of the business survey that was issued to companies across Conwy County Borough and wider North Wales, with conclusions drawn concerning the nature of demand for employment space across Conwy County.
- **Overall Conclusions** (Section 5.0) – summarises the findings of the current commercial property market assessment in Conwy County.

2.0 Overview of Employment Space and the Commercial Property Market

Introduction

2.1 This section describes current property market conditions in Conwy and their relationship with surrounding areas (in particular North Wales), including recent trends in the demand and supply of office and industrial premises. The findings are based upon market intelligence from data and information sourced from publicly available datasets and reports.

2.2 It also incorporates the feedback received from local commercial and industrial property agents operating in this part of North Wales, as well as other key economic stakeholders and business representative groups. These sessions, which took the form of face-to-face meetings and structured telephone interviews, were used to explore the opportunities and threats facing the County's economy and any employment space response necessitated by such issues.

Market Geography

2.3 The County Borough's commercial property market is reasonably diverse and is mainly centred upon the narrow coastal urban belt along the A55 (also known as the North Wales Expressway), which houses around 85% of the overall population and the bulk of industrial and business units. The coastal town of Llandudno represents the largest populated area, followed by Conwy and Abergele, Colwyn Bay and Towyn & Kinmel Bay. The remaining areas of the County are predominantly inland rural areas containing a number of villages and hamlets that cater for a largely indigenous industrial market.

2.4 For the purposes of this study, the main focus for commercial property within Conwy is the industrial and office market. A key driver for this is the presence of the A55 and links with the strategic road network (via Junction 12 of the M53) that this provides to Chester, Holyhead, Bangor and beyond. Direct rail services are available to / from Manchester, Chester and Bangor, from local stations at Abergele & Pensarn, Colwyn Bay, Llandudno Junction, Deganwy, Llandudno, Conwy, Penmaenmawr and Llanfairfechan.

2.5 There are four common themes which transcend all B-class activities and which shape their respective property market profiles.

1. Around a third of the Borough's land area to the west of the A470 and south-west of the A5 comprises the Snowdonia National Park, whilst CCBC also benefits from highly attractive and extensive coastline and historic towns, with a number of Historic Landscape areas and five designated nature conservation sites of importance. Llandudno is a traditional Victorian seaside resort which combines its tourism role with a thriving commercial centre and acts as the sub-regional shopping centre for the area. Conwy Town Centre falls within a designated World Heritage Site and is vital in terms of its contribution to the tourist economy. These environmental and heritage assets shape the area's economic profile and will of course continue to do so in the future. The Council has a statutory obligation to conserve and enhance the natural beauty, wildlife and cultural heritage of their area, as well as to foster the social and economic well-being of resident communities. Therefore, all new employment development has to be considered in the context of these obligations.
2. The industrial and commercial property market is focused predominantly in the coastal belt which benefits from ready access to the A55. Manufacturing and research activity is focused predominately along the coast at Colwyn Bay, Kinmel Bay, Llandudno Junction and Mochdre. Colwyn Bay has also benefitted from investment in new office accommodation in

the town centre by the Council. Llandudno Junction is also an important location for office and business-led investment.

3 The rural areas to the south of the coastal belt are largely characterised by small-scale development/cottage industries. In many instances growth has come about as a result of indigenous growth but also as a result of new (small-scale) companies locating for wider reasons such as quality of life. This has created a strong entrepreneurial economic profile resulting in increasing numbers of micro-businesses and SMEs requiring smaller business units across the County. At the same time, this has led to a reduction in demand for modern larger B1 employment floorspace (in particular 25,000+ sq. ft. industrial units).

4 Non-B uses such as tourism and agriculture are very important within the Conwy context. These sectors comprise a large proportion of employment within the County Borough and this is anticipated to continue, albeit that challenges associated with Brexit – especially in relation to the agricultural and hospitality sectors - are anticipated for the future.

2.6 Conwy's Economic Strategy (2016) notes that one of the most dominant characteristics of Conwy County's economy is the significant numbers of SMEs and micro businesses within the region, with 74% of enterprises having fewer than 5 employees. Commercial agents confirmed that there is strong demand from SMEs and micro-businesses enquiring about flexible and smaller office and industrial premises.

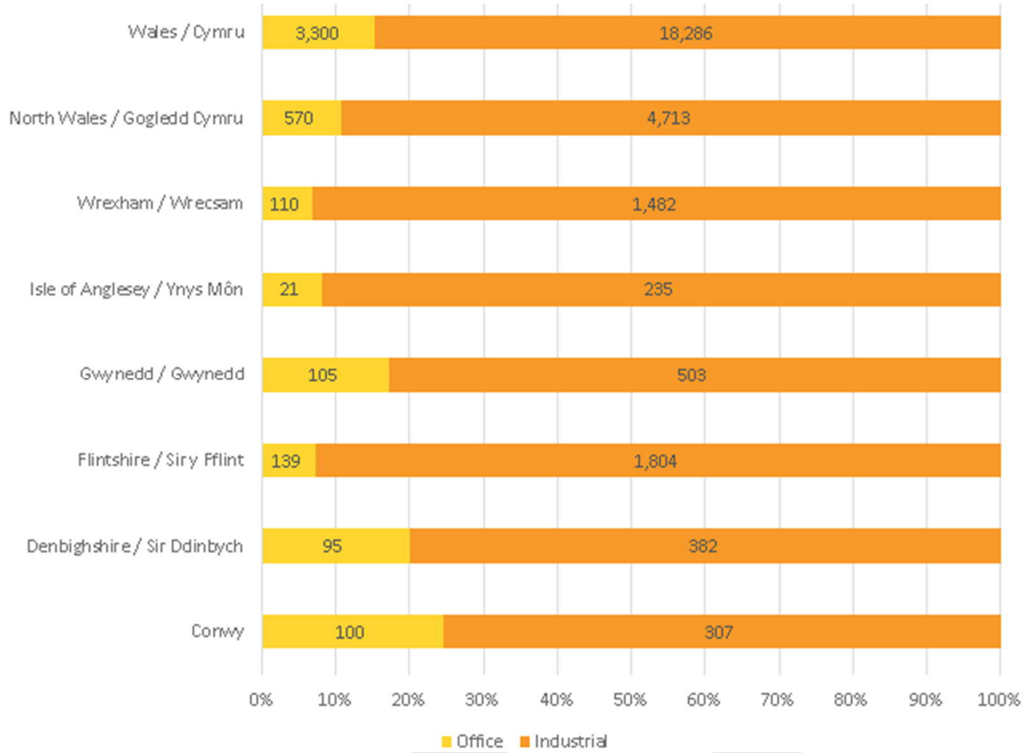
2.7 Inward investment in the office sector has been limited, with the majority of activity driven by CCBC and existing local companies relocating within Conwy and expanding rather than significant inward investments moving into the area. However, the Council and the Welsh Government are encouraging the development of new office premises as part of the Colwyn Bay Masterplan and Colwyn Town Centre Investment Plan. The Colwyn Masterplan is a mixed-use regeneration project that aims to re-invent Colwyn Bay as a 21st century town with a renewed focus on its role as a seaside town and an attractive place to live, visit and invest[1].

Current Stock of Employment Space

2.8 In 2016, Conwy contained some 407,000 sqm of B class floorspace (industrial, distribution and office). A breakdown of this space by main uses is shown in Figure 2.1. This indicates that the supply of employment space in Conwy largely comprises industrial uses (manufacturing and distribution/warehousing), at 307,000 sqm or 75% of all B-Class employment space in Conwy. This is significantly below the level that might be expected when compared to the sub-regional regional (89%) and Welsh national rates (85%).

[1] Conwy County Borough Council (2011): LDP10: Colwyn Bay Masterplan

Figure 2.1 Proportion of Commercial Property Floorspace for Conwy and North Wales Authorities (thousands sqm)

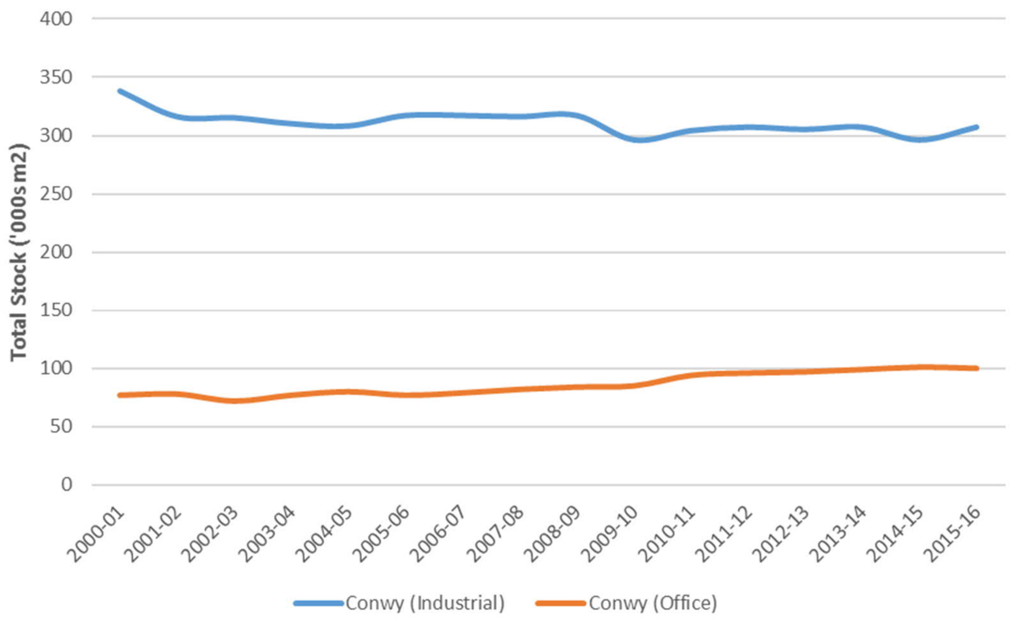


Source: VOA 2016 / Lichfields Analysis

2.9 The relatively low quantum of industrial space was a problem highlighted by all the commercial agents who stressed that the limited inward investment activity within Conwy's industrial market was an indicator of a lack of supply, rather than demand. In particular, there has been strong demand for smaller industrial / warehousing spaces, especially for premises providing ready accessibility to the A55 corridor. It was evident from discussions with commercial agents that the current demand for new and existing industrial premises is outstripping the supply available within the County.

2.10 In contrast, the commercial office stock in Conwy amounts to 25% of all employment space, at 100,000 sqm. Conwy has a much higher proportion of office stock than within North Wales (8%) and also the country as a whole (11%). The quantum of office floorspace in Conwy also increased over the 16-year period 2000-2016 by 30% according to VOA data (Figure 2.2), which is a slightly higher level of growth than the sub-regional and national average rates of 25% and 28% respectively.

Figure 2.2 Change in Business Floorspace in Conwy, 2000-2016

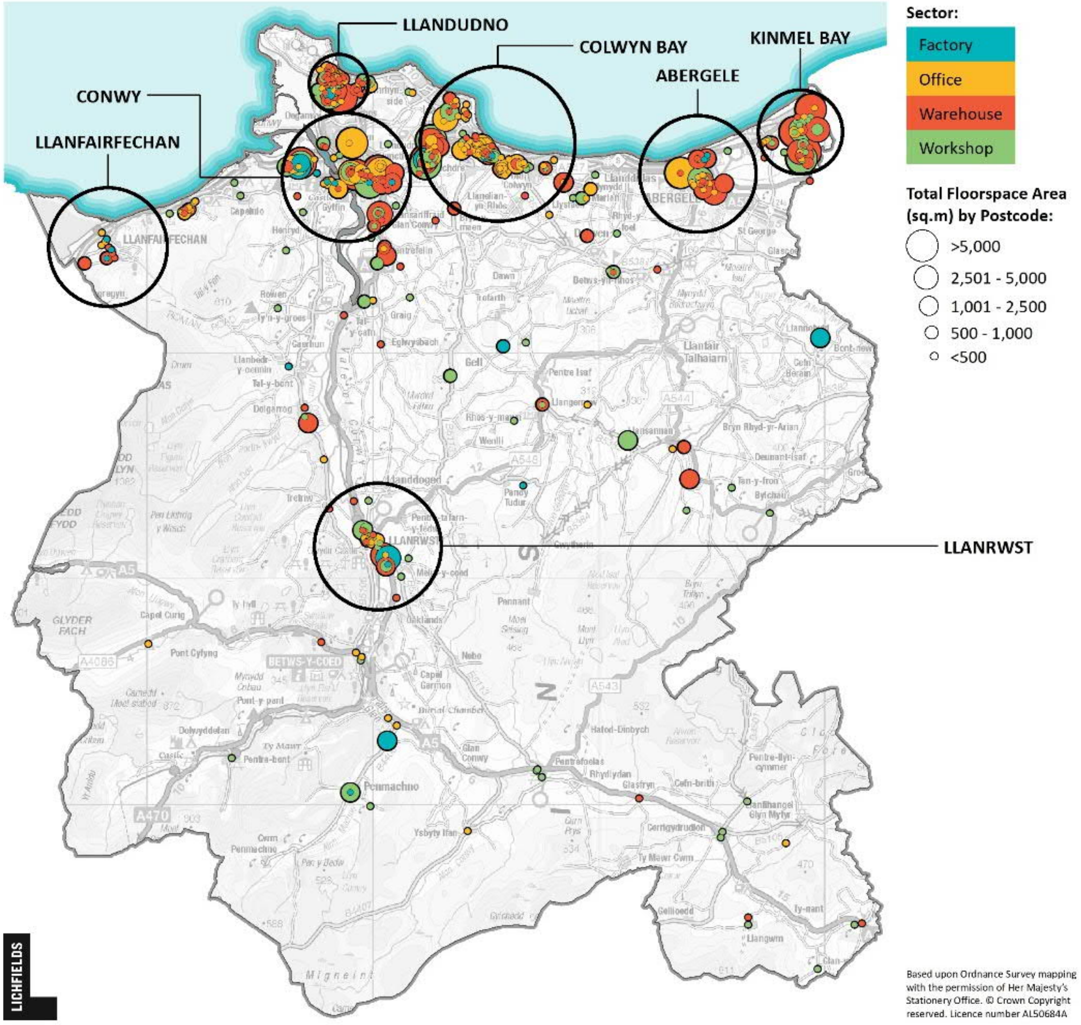


Source: VOA Business Floorspace Statistics (2016) / Lichfields analysis

2.11 However, an analysis of total industrial space presents a different picture. The North Wales sub-regional rate has stagnated (at 0%) whilst Wales as a whole witnessed an overall decline in industrial floorspace of 1.2% over the 16-year period 2000-2016. Over the same time period, Conwy experienced a significant reduction in industrial floorspace, contracting by 9.2%.

2.12 Figure 2.3 presents the spatial distribution of B-Class employment space across Conwy using the latest available VOA data (2016). As might be expected, this clearly indicates that the bulk of employment sites are located along the coast in the north of the County. The biggest concentrations of floorspace are in Llandudno Junction and Colwyn Bay. Most of the existing floorspace in these areas are offices, with some warehousing space. There are a small number of B-class premises spread across the more rural parts of the County, most of which are small workshops or factory units (particularly in Llanwrst).

Figure 2.3 Spatial Distribution of Employment Floorspace in Conwy County Borough



Source: VOA 2016 / Lichfields analysis

Vacancy Rates

2.13 Vacancy levels in industrial stock are generally low across the County, even in older/poorer quality premises and estates, due to the general shortage in new stock coming forward relative to demand. Agents reported that there are a number of good quality and modern estates that are fully occupied in the County, notably Quinton Hazell Business Parc and North Wales Business Park.

2.14 In contrast, discussions with a number of local commercial agents have confirmed that the demand for office space in the County is relatively low compared to industrial floorspace and has a much higher vacancy rate compared to the industrial market. This is interesting bearing in mind the higher than average level of office space as a proportion of all commercial space, and the fact that growth of office space has outstripped comparators.

2.15 Following our consultation with commercial agents, it was generally acknowledged that the vacancy rate for industrial space hovers around 5-10%, compared to around 20-30% for office space across the County Borough.

Completions of employment space

2.16 Data on gross completions for the period 2007/08 to 2017/18 was analysed. The data did not specify annual completions or the use class of most developments over this period, although the draft 2018 Annual Monitoring Report [AMR] did indicate the use class of the most recent completions. The total gross amount of land developed for B-Class employment use between 2007/08 and 2017/18 was recorded as 11.70 ha. This averages to 1.17 ha per year over the ten year period.

2.17 CCBC's latest AMR period has seen some relatively significant completions, which include:

- Former dairy site, Station Road, Mochdre – 0.7 hectares (approx. 3,000 sq. m) of B1 & B8 light industrial/storage & distribution;
- Esgyryn, Narrow Lane, Llandudno Junction – 0.2 hectares (approx. 750 sq. m) of B1 office space; and,
- 0.85 hectares (approx. 1,500 sq. m) of B1 light industrial and office space at Parc Ty Gwyn, Llanrwst.

2.18 Whilst the take-up of employment land has generally been suppressed with the exception of 2017/2018, the overall distribution has been in line with the target LDP Growth Strategy.

Losses and Net Completions

2.19 CCBC also provided details of the extent of losses to B-Class employment land. Between 2007 and 2017, losses of B-Class employment land were identified at four sites. This totalled 9.08 ha, or 0.91 ha a year. The losses are summarised in Table 2.1. The majority of losses were from B1 class employment land, although the largest sites lost were the industrial site at Tre Marl and the former NWWN site.

Table 2.1 Losses of B-Class employment land between 2007 and 2017

Site	Nature of loss	Ha	Former Use class
Abergele Business Park	Partial loss of the allocated site to development of a dementia care centre	0.45	B1
Esgyryn	Partial loss of the allocated site to residential development and a school	2.9	B1
Tre Marl 1	Loss of employment & improvement site to an approved application for a new food superstore and restaurant	4.7	B2 / B8
Former NWWN site	Loss of improvement site for the development of a supermarket	1.3	B2 / B8
Total		9.08	

Source: CCBC Monitoring Data 2017

2.20 Over the period 2007 and 2017, setting gross completions of 11.7 ha against losses of 9.08 ha means that there is a net gain of 2.62 ha of B-Class employment land, or 0.26 ha annually. This is summarised in Table 2.2. It is worth noting that the loss at Abergele South East was as a result of a constraint rather than the loss of the use to an alternative use.

Table 2.2 Summary of gross and net completions (2007 to 2017)

		Ha
Gross completions	Total	11.70
	Annual average	1.17
Losses	Total	9.08
	Annual average	0.91

Net completions	Total	2.62
	Annual average	0.26

Source: CCBC Monitoring Data 2017

Enquiries

2.21 Data provided by CCBC suggests that over the past 12 years, the County has logged a total of 291 enquiries for B-class floorspace, the majority (61.9%) of enquires were for industrial floorspace with 38.1% enquires for offices and managed workspace, serviced or otherwise, of which the vast majority (61%) were for various size premises. This clearly emphasises that the number of enquiries is firmly weighed towards industrial and logistics sites rather than for office uses.

2.22 In terms of when those inquiries have been made, following the economic downturn in 2009 and 2010 the number of enquiries for B-class floorspace increased to around 44 in 2013 and peaked in 2016 with 152 enquires, before a marked decline in 2017 (a 55% decline in enquiries to just 68).

Market Segments

2.23 This section of the report provides an overview of the property market from a national, regional and local perspective. It looks at the key office and industrial employment locations in the County Borough provides a view on prime rents and analyses inquiries and other key developments proposed.

UK Economic Perspective

2.24 At the time of writing the UK commercial market remains confident despite the economic uncertainties of Brexit.

2.25 Following the result of the EU referendum in June 2016, the Bank of England made the unprecedented step of reducing the base rate to 0.25%, a new historic low (which had been at this rate since March 2009). They have since increased to 0.5% and some economists are anticipating further increases to take the cost of borrowing to 1% before the end of 2018.

2.26 Having a relaxed monetary policy and injecting £435 billion of quantitative easing into the economy in the aftermath of the recession, the Bank has stated they will not hesitate to take additional measures as required as the markets adjust and the UK economy moves forward. This includes supporting the functioning of markets by being ready to provide more than £250 billion of additional funds as Britain prepares to leave the European Union.

2.27 In March 2018 the Office for Budget Responsibility [OBR] published its Economic and Fiscal Outlook. Economic growth and employment performed broadly as expected since November 2017 and OBR made only small revisions to our economy forecast. The vote to leave the EU appears to have slowed the economy, but by less than OBR expected immediately after the referendum – thanks in part to the willingness of consumers to maintain spending by reducing their saving.

2.28 OBR stated that the latest data shows real GDP growth slowing down from 1.9% in 2016 to 1.7% in 2017 with an expectation of growth in 2018, slowing a little more in 2019, then picking up modestly over the subsequent three years.

2.29 With the current market uncertainty surrounding the United Kingdom's decision to leave the European Union and activating Article 50; buying, selling and lending has become riskier because the market is more turbulent and less predictable. Immediately following the vote, institutional retail funds froze trading to mitigate losses, although confidence has since returned to the market with trading resuming. However, the lending institutions are braced for a rush of re-finance applications as loans could become cheaper with a potential fall in interest rates. This would likely have an adverse knock on effect on commercial property lending.

2.30 The sentiment behind consumer spending has started to decline, but there is no defined reason why long-term success should be impacted by the referendum outcome.

2.31 The increased uncertainty around how (and when) the UK will leave the EU will inevitably have an effect on both the office and industrial occupational market with occupier behaviour being stifled over the short-term until there is more certainty in the market. Over the medium-term, history has shown business to be highly flexible and adaptable to changing operating environments. Real estate professionals have reported that the initial shock has been overcome and as the economy stabilises, businesses will reconnect with the underlying qualities of the United Kingdom as a business location. Strengths range from low corporate tax rates, a strong and equitable legal system, the large consumer market, and its skilled and educated workforce.

2.32 How Britain negotiates its trade deals and border control will have a significant impact on the industrial market in particular, as the United Kingdom exported over £270 billion to the EU in 2017 alone[2]. If the EU waits until the UK's formal withdrawal, these negotiations may drag on for another five years or more, leaving the potential for prolonged uncertainty over the industrial occupational market.

A Local Perspective

2.33 In North Wales more generally, the occupier market remains strong with users requiring additional modern good quality accommodation, located in more strategic areas in close proximity of the A55.

Industrial

2.34 Conwy County has seen limited industrial development over the last 15 years – the current available stock generally comprises small warehousing / general workshop units, generally between 2,000 and 5,000 sq. ft., which cater for a wide range of local SMEs. A key driver of demand in this sector is close proximity to the A55 North Wales Expressway, and in these locations in particular there is a lack of available sites able to accommodate smaller warehouses or workshops (e.g. 2,000 – 5,000 sq. ft.).

2.35 There is very limited modern B8 logistics stock currently available in Conwy County. This has important ramifications because as technology in the logistics sector becomes more sophisticated (such as automated racking systems), its requirement for space has changed. Developers are highlighting that these technologies are becoming so important to the efficient operation of modern logistics companies that buildings need to be designed around them, rather than retrofitting the technology to a building. With the logistics market still being occupier-led rather than speculative (in all but the top prime locations situated outside the County) there needs to be a degree of planning flexibility to help bring forwards large B8 developments that are occupier-led, and currently unavailable in this part of North Wales.

2.36 Across Conwy County, the industrial stock generally comprises smaller warehousing and workshop premises in urban areas such as Mochdre and Llandudno Junction. The age of these buildings tends to range from modern to older (generally built before 2000) workshop / warehousing units which provide small space for SMEs (Mochdre Business Park being a good example). In contrast, Mochdre Commerce Parc has a number of high quality units between

[2] House of Commons Library (2018): Statistics on UK-EU trade May 2018

17,000.sqft to 113,630 sq. ft. for let and sits between the A55 and A547 Conway Road. It has a number of modern high quality units available for larger businesses that wish to expand.

2.37 There are a number of other industrial estates that are popular in Conwy County, including:

1. **Quinton Hazell Business Parc** – contains industrial space between smaller workshop-type units of around 1,000 sq. ft. all the way up to 100,000 sq. ft. large scale manufacturing buildings. There are generally low vacancy rates across all of these premises.
2. **Mochdre Commerce Park** - Situated between the A547 Conway Road and the A55, Mochdre Commerce Park provides modern high-specification B1, B2 and B8 units. Three 19,896 sq. ft. units are currently available to let. A number of units have been advertised for £4.50 per sq. ft.
3. **Conwy Morfa Enterprise Park, Parc Caer Seion** – this Enterprise Park is located immediately alongside the A55. This is a small modern business park with a mixture of predominately light industrial and warehousing units. Major occupiers on the business park include AL Control Laboratories and Pharma Group. A number of units are available to let for between £5 and £5.50/per sq. ft.
4. **Tir Llwyd Industrial Estate, Kinmel Bay** - The Tir Llwyd Estate was constructed from the early 1980s onwards. It is located in an established trade and industrial area. Kinmel Bay itself comprises a small coastal village on the A548 close to Colwyn Bay and the A55.

2.38 As noted above, Conwy County has experienced limited levels of activity in terms of new industrial and/or warehousing development in recent years. The effects of this are now evident in the shortage of good quality spaces across the County Borough. This was a pressing issue that was raised by all of the commercial agents who contributed to this study. New investment proposals include CCBC submitting plans to expand Parc Caer Seion at Conwy Morfa which is allocated in the LDP for industrial development (Penmaen Road). The site is located to the east of the existing industrial park on a former landfill tip and is expected to accommodate industrial buildings of up to 108,000 sq. ft.

2.39 According to local agents, there is an acute shortage of modern, purpose-built premises. This has led to an increase in demand for good quality, well-located, second-hand industrial accommodation within Conwy County. As a consequence, there is shortage of suitable second-hand premises. As a result of this, agents are seeing a growing preference for many larger businesses to become owner-occupiers in Conwy County, with companies looking to purchase the freehold interest in industrial buildings. In common with our experience elsewhere, and reflecting their more precarious position, local start-ups and SMEs are more likely to prefer leasehold properties.

2.40 The shortage of industrial space is supported by data from the VOA which shows that there has been a reduction in the amount of industrial floorspace in Conwy by 9.2% between 2000 and 2016 (as set out in Figure 2.2). Interestingly, the number of industrial properties which have a rateable value has actually increased from 870 to 920 properties over the same time period, suggesting that larger industrial buildings have been lost from the portfolio, and replaced by smaller stock.

2.41 Agents stressed that there remains an established demand for industrial units ranging between 2,000 and 4,000 sq. ft. suitable for B1c, B2 and B8 uses. Again, demand is focused principally on sites within close proximity to the A55 and A548 roads.

2.42 Typical industrial rental levels in the County Borough are around £5 to £6 per sq. ft. for basic second hand industrial accommodation, increasing to £6.50 to £7.50 per sq. ft. for more modern high-spec industrial premises, which reflects the relatively strong demand for such premises in Conwy and the lack of comparable supply.

2.43 Agents confirmed that vacancy rates on modern industrial estates in Conwy County are now at a very low level having recovered from much higher void rates during (and in the immediate aftermath of) the recession. An improvement in the UK economy and the ensuing boost to investor and occupier confidence has been coupled with very limited levels of new development since 2008, enabling most landlords in the area to reduce void levels across a range of sizes and ages of stock.

2.44 The relatively high demand and current shortage for industrial premises in Conwy has led to a number of businesses seeking premises elsewhere in North Wales that are similarly well positioned along the A55 (this includes Flintshire, Denbighshire and Gwynedd). This competition has forced property owners in Conwy to suppress rents. Larger occupiers have more of a regional presence, and are not restricted to Conwy, being relatively footloose and open to different locations across the A55 corridor.

2.45 It is understood that there is a particularly strong demand for workshop units, which are typically let on leases over 3 / 4 years with breaks halfway.

Office

2.46 Conwy has never been perceived by the market as a major office location, with only a small number of major office occupiers, despite having a larger proportion (25%) of office space compared to neighbouring North Wales authorities (8%). This is primarily due to Conwy's economy being dominated by local SMEs and micro-businesses that tend to have modest requirements. Attractive though its environment and heritage assets are, Conwy remains isolated from the major conurbations and centres of population and is consequently less attractive a destination for nationwide companies or multi-nationals looking for larger labour pools.

2.47 Agents consider that Conwy's office market is primarily driven by existing local occupiers expanding, resulting in their relocation elsewhere within the County Borough. Office space that has proven to be successful generally benefits from close proximity to A55 junctions, and is thus out-of-town where congestion is limited and free car parking plentiful. Historically, the principal office locations were Llandudno, Llandudno Junction and Colwyn Bay, with the surrounding areas providing additional (and secondary) office space.

2.48 New office developments over the past 30 years have therefore tended to be situated along the A55 corridor, with notable examples including the North Wales Business Park and Conwy Business Centre. Despite this there are examples of significant office developments constructed at other locations within the County such as Mochdre Commerce Park and Heritage Gate in Colwyn Bay. iVendi recently moved its head office to Heritage Gate, and has taken up four-times the space of its previous office building in Abergele. In another example, Work Panel Ltd offers four managed office spaces in Colwyn Bay (Plas Eirias Business Centre is also a serviced office facility).

2.49 Insight from commercial agents suggests that a wide range of local occupiers have moved away from traditional town centre locations onto business parks due to the lack of modern, open plan, office accommodation in the towns. As noted above, there is a clear preference for local businesses to move to out-of-town offices due to accessibility to the A55 and car parking. As a result a variety of business sectors that would have been keen to be based in the town centres in the recent past, have now established themselves on out-of-town business parks. Demand for town centre spaces remains weaker as a consequence and tends to be occupied by non-B class units such as leisure and retail.

2.50 Despite commercial agents favouring out-of-town business parks – this is largely in contrast to trends felt elsewhere across the country where companies are favouring town centre locations. This trend has been driven by businesses preferring to be nearer to a larger pool of labour and close proximity to clients, public transport and amenities. The recent town centre office investments demonstrate the growing potential for CCBC to encourage businesses to relocate to office premises within town centres such as Colwyn Bay, Llandudno Junction, Conwy and Abergele.

2.51 A number of commercial agents noted that new office investment in town centre locations has been driven by the public sector. A prime example of public sector office investment is demonstrated by the Welsh Government opening a new North Wales office in 2010 on the site of the former Hotpoint factory (Hotpoint was a major local employer prior to 1994). Similarly, CCBC has invested in new office buildings as part of the Colwyn Bay Masterplan and will be relocating to the site once construction has been completed. This relocation will lead to a number of council owned/occupied premises becoming available over the course of 2018/2019.

2.52 Currently, the Council's move to the new Coed Pella offices in Colwyn Bay is part of the Council's Office Accommodation Strategy in 2013[3]. The Strategy has involved the Council streamlining its property portfolio, which has had the (ongoing) effect of bringing more office space onto the market.

2.53 North Wales Police relocated to the Council's former Social Services offices on Argyll Road, Llandudno. This enabled them to demolish the former Police Station and develop their new facility along Argyll Road. The Council's former Housing and Policy offices on Castle Street in Conwy were sold and have subsequently been converted into a Costa Coffee facility and offices, which has helped add vibrancy to that part of Conwy Town Centre.

2.54 Moving away from the public sector, Conwy County's local office market is generally driven by smaller occupiers seeking offices of 500 to 1,000 sq. ft. Any office requirements of 2,000 sq. ft. and above are seen as being significant requirements in the local market. Agents' experience is that office spaces above 2,000 sq. ft. generally take longer to occupy than smaller units. Within the County the demand for serviced office premises is generally more limited and there is currently not a significant demand for this market.

2.55 Subsequently, occupier demand is weaker for office market compared to industrial premises. Agents highlighted that generally, good quality serviced office spaces such as Mochdre Commerce Park / Penrhos Manor and Plas Eirias Business Centre would cost around £9-12 sq. ft. However, reasonably maintained and generally lower grade office have rental levels of £7-9 sq. ft., in town centre located premises within Colwyn Bay and Abergele.

2.56 Agents underlined the significance that office occupiers attach to the availability of on-site car parking. Although contract spaces are available in town centres within Conwy County, the firmly entrenched culture is that office occupiers do not want to pay an additional amount for parking spaces and want easy, convenient parking with their office – hence the popularity of out-of-town business parks. However, big investments by the public sector and the potential of former Council office premises being released to the market could regenerate towns across the coast with business tempted to move to town centre locations. The renewed focus on the regeneration of towns (such as the Colwyn Bay Masterplan) could help drive growth in the office premises in town centres.

[3] http://www.conwy.gov.uk/en/Business/Regeneration/Colwyn-Bay-Regeneration/New-Council-Offices-in-Colwyn-Bay/Assets/documents/Newsletter-November-2017.pdf

Provision for Start Ups

2.57 Due to the current available stock and the nature of demand across the County, there are a number of attractive industrial units which are typically geared towards SMEs and microbusinesses. This has allowed start up/ small companies to locate in modern premises and older industrial premises in the County Borough. However, with the lack of new industrial development activity in Conwy, the vacancy rates on these modern estates are very low and there are very limited options for these smaller companies when they are seeking to expand to move-on accommodation elsewhere.

2.58 In the office sector, there remain opportunities for start-up businesses to take small offices on flexible terms in older buildings where landlords are prepared to be flexible. However, most of these buildings do not offer the services generally found in more modern fully-serviced office buildings.

2.59 To take one example, affordable accommodation for small businesses is available at the Conwy Business Centre at Llandudno Junction. Due to the flexible nature of the terms offered and the wider business support services often provided, this provision has been fairly resilient to the impact of the recent economic uncertainty and occupancy levels have risen in the last 12 months. Nevertheless, agents were generally of the view that supply and demand for this type of office accommodation (for start-ups / micro-businesses) is currently well-matched but future demand could increase.

2.60 Stakeholders therefore identified that the study area lacks 'follow-on' space, which tend to be designed for small firms to expand into once they outgrow these incubator spaces. This lack of supply not only prevents these SMEs from expanding (creating further employment as they do), but it also prevents potential firms wishing to move into these incubator/start-up facilities from doing so due to the 'blockage' caused by established businesses. This is a key problem for Conwy and has resulted in them losing businesses to neighbouring districts in North Wales.

Rural Employment Space

2.61 There are a number of sites in Conwy's very sizeable rural areas serving the local business population. The size and quality of these sites varies, although in general they tend to comprise older and poorer quality stock, such as converted former general industrial or agricultural buildings. Many are in more peripheral or less accessible locations where occupancy levels are generally high. This is predominantly due to the shortage in the supply of sites and the popularity of such premises from local microbusinesses / SMEs.

2.62 Consultations with agents confirmed that whilst these sites receive interest and are attractive to local SMEs, demand is still very much focused on sites in larger settlements and particularly where there is good access to the A55. Agents were generally of the view that whilst the maintenance of smaller sites in the rural areas was important, demand was very localised and future supply should be focused around the prime areas of Llandudno, Colwyn Bay and Conwy above more peripheral locations.

Future Growth Potential

2.63 Local property agents considered that despite improved market conditions, speculative industrial development was very unlikely to occur in the area for the foreseeable future. This is partly due to the previous economic/development cycle. Following 2008/09 recession, developers required rents to increase to justify the risk of speculatively developing additional B-class premises especially when set against the increase in land values (which currently stand at around £250,000 per acre for B-class use in the County Borough). Agents state that the recent increase in land values is largely due to the shortage of available and suitable land for sale.

2.64 Much of this of course relates to the fact that speculative development in Conwy County is difficult without a degree of state intervention/assistance. The viability of development is dependent on a range of factors including:

- availability and cost of finance;
- high costs of site preparation;
- high infrastructure costs;
- void periods;
- construction costs;
- rental levels;
- yields;
- ability to secure pre-lets or forward sales; and
- availability of gap funding.

2.65 Going forward, agents considered that further employment land supply is required within Conwy County. There is a particularly strong need for new industrial development of varying sizes and to a lesser extent small-scale move on office development (subject to the office occupier market showing further signs of improvement). The A55 Corridor has long been the focus of development and this is expected to continue for the foreseeable future, with ongoing occupier demand for more employment space along the Corridor that benefits from good access to other key centres within North Wales and beyond. In the longer term there was a general view that one or more significant employment sites would be required with good access to the strategic road network.

2.66 Agents considered that future take up is likely to follow similar historic trends, much of which is likely to be developed for warehousing and industrial uses, with the remaining land being taken up by out-of-town office developments. In contrast, there is likely to be a number of former office premises owned by CCBC made available for the market. This could lead to more companies deciding to relocate to town centre locations within the County.

B Class-Use Property Market Summary

2.67 As advocated within the Welsh Government Practice Guidance, we present a summary of the property market focussing on the individual B uses (both industrial and office property markets) below. This overview aims to help understand the demand and supply interplay for each market area.

Office Uses

Property Market Profile: Business (Class B1) including Offices, research and development	
The wider context	Wider Regional Market: The CCBC's B1 market is dominated by small, local businesses with a few larger companies operating in various out-of-town and urban locations. New B1 development has been largely from small-scale growth of existing companies and public sector-led, particularly out-of-town where free car parking is plentiful.
Business land and property	Existing B1 Floorspace Stock: mix of town centre based units with plenty of out of centre stock.

	Existing B1 provision is predominantly focussed within the urbanised areas town centres and business parks at the Primary urban development strategy areas (Colwyn Bay, Llandudno Junction and Mochdre) and other Key Settlements (Abergele, Kinmel Bay and Llanrwst). There are a number of popular office spaces that are situated in out-of-town locations such as North Wales Business Park See Figure 2.3 for information on the current spatial distribution. Major occupiers & main types of occupiers: include public sector employers e.g. CCBC, Welsh Government and the North Wales Police. Other private sector occupiers include iVendi, Work Panel Ltd, Worldspan PLC, National Farmers Union Insurance Drivers of Change: largely small-scale indigenous growth.	
Demand	Low / Medium	Qualitative Profile: existing space has largely been taken up by small-scale growth from existing local businesses rather than new inward investors.
Supply and Market balance	Adequate	Adequate supply for current B1 use demand – some adjustment may be necessary due to the amount of local authority space that has become available recently due to the Council's Office Accommodation Strategy.
Conclusions	Future need is expected to continue to be for small-scale growth, centred around town centres and existing industrial estates in key settlements. With increasing public-sector investment and regeneration interventions, there is a likelihood there will be future demand for town centre office premises. However, it may be necessary to accept alternative uses for older vacant office spaces in out-of-town locations such as industrial or residential uses.	

Industrial Uses

Property Market Profile: Light and General Industry (Class B1c/B2) and Storage and Distribution (Class B8)		
The wider context	Wider Regional Market: Conwy caters for a range of industrial businesses. The majority of the B2 / B8 floorspace is occupied by small to medium sized businesses. There has been a loss of employment in B2 sectors experienced over past 15 years.	
Business land and property	Existing industrial Floorspace Stock: accounts for 75% of all B-Class floorspace. Existing B2 provision is predominantly focussed in locations with accessibility to the A55 such as Mochdre Business Park, Quinton Hazell Enterprise Parc and Conwy Morfa Enterprise Park within existing industrial estates on the within or on edges of the Colwyn Bay, Llandudno Junction and Mochdre) and other Key Settlements (Abergele, Kinmel Bay and Llanrwst). See Figure 2.3 for information. Major occupiers & main types of occupiers: private sector businesses include A2B Plastics Ltd, Bluerock Automation & Energy, Breton International. Drivers of Change: largely from organic growth from existing companies within Conwy and the surrounding counties.	
Demand	High	Qualitative Profile: existing space has largely been taken up by small-scale growth from existing local

		businesses rather than new inward investors.
Supply and Market balance	Inadequate	Inadequate supply for current B1c/B2 use demand.
Conclusions	Future need is expected to continue to be for small-scale growth, centred around existing and new industrial estates due to the lack of new stock coming to the market.	

3.0 Business Survey

3.1 Local businesses were consulted in early 2018 with an online survey distributed by CCBC. 22 businesses from a variety of sectors and sizes engaged with the survey. The survey was used to gain a better understanding of the needs of local businesses in B-Class sectors, particularly the type and size of premises required and their growth ambitions in Conwy.

Profile of Businesses

3.2 Table 3.1 compares the size of businesses, based on the number of Full Time Equivalent employees [FTEs] working for the survey responses and wider business population. The majority of respondents (77%) were micro businesses employing fewer than 10 FTEs. No respondents employed more than 50 FTEs.

3.3 As demonstrated in Table 3.1, this indicates that there is an under-representation of micro sized businesses with 0 to 9 FTEs in the survey compared to Conwy's wider business population. Whilst, the Business Survey failed to get respondents from medium and larger businesses, this reflects the very limited number of medium to large businesses based in Conwy.

Table 3.1 Comparison of Business Size

Size of Business	Business Survey	Conwy Business Population
0 to 9 FTEs	77.3%	89.2%
10 to 49 FTEs	22.7%	9.2%
50 to 249 FTEs	0.0%	1.3%
250+ FTEs	0.0%	0.3%

Source: Conwy County Borough Council Survey (Q1-Q2 2018), Lichfields' analysis, and ONS (March 2017) Inter-Departmental Business Register

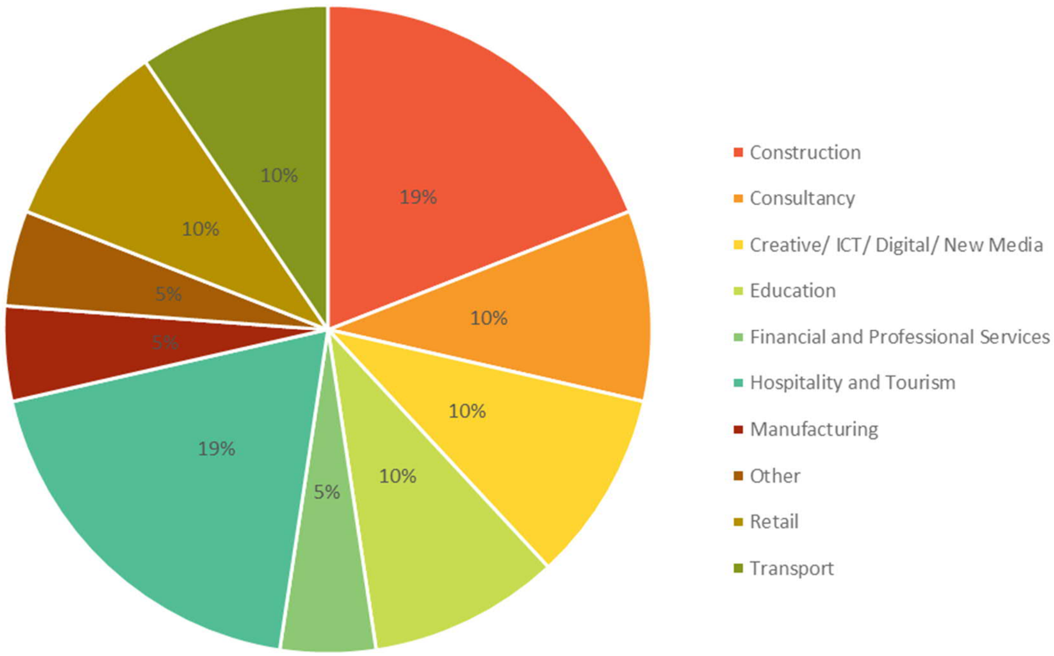
3.4 Four businesses reported that they had apprentices on their staff. Of these businesses, the proportion of the workforce that were apprentices ranged from 2% to 17%. Six businesses reported that some of their staff worked from home, all were micro-sized businesses with fewer than 10 employees.

3.5 Perhaps, reflecting the high proportion of hospitality and tourism businesses responding to the survey, 60% of businesses stated that they served international markets whilst 80% served the UK market.

3.6 Business respondents covered a broad range of sectors, although B-Class industries such as manufacturing and logistics / distribution were strongly represented. There were also a number of responses from growth sectors, such as hospitality and tourism and construction.

3.7 Figure 3.1 illustrates the sector distribution of respondent businesses.

Figure 3.1 Distribution of Business Sectors



Source: Conwy County Borough Council Survey (Q1-Q2 2018), Lichfields' analysis

3.8 The survey respondents included both new and long-standing businesses to Conwy. 62% of businesses had been at their premises for 10 years or more compared to 19% of respondents that had reported they had been at their current premises for 5 years or less.

3.9 Of the businesses for whom their current premises were not their first, the vast majority (83%) had moved from elsewhere in Conwy. The other businesses had moved from other Counties such as Denbighshire and Flintshire.

Current and Required Premises

3.10 As part of the survey, businesses were asked to describe the merits of their current premises. Half of respondents are planning to relocate within the next five years, and described their requirements. This generated both quantitative and qualitative insights into the types of premises their business needs.

3.11 The majority of businesses stated that one of the reason for their decision to relocate was due to the need for bigger premises and more space to operate. Another major reason for a few businesses plans to relocate was also due to the need for more parking space, for both clients and employees.

3.12 Other reasons for planned relocation included:

1 The need for modern, well-maintained, premises;

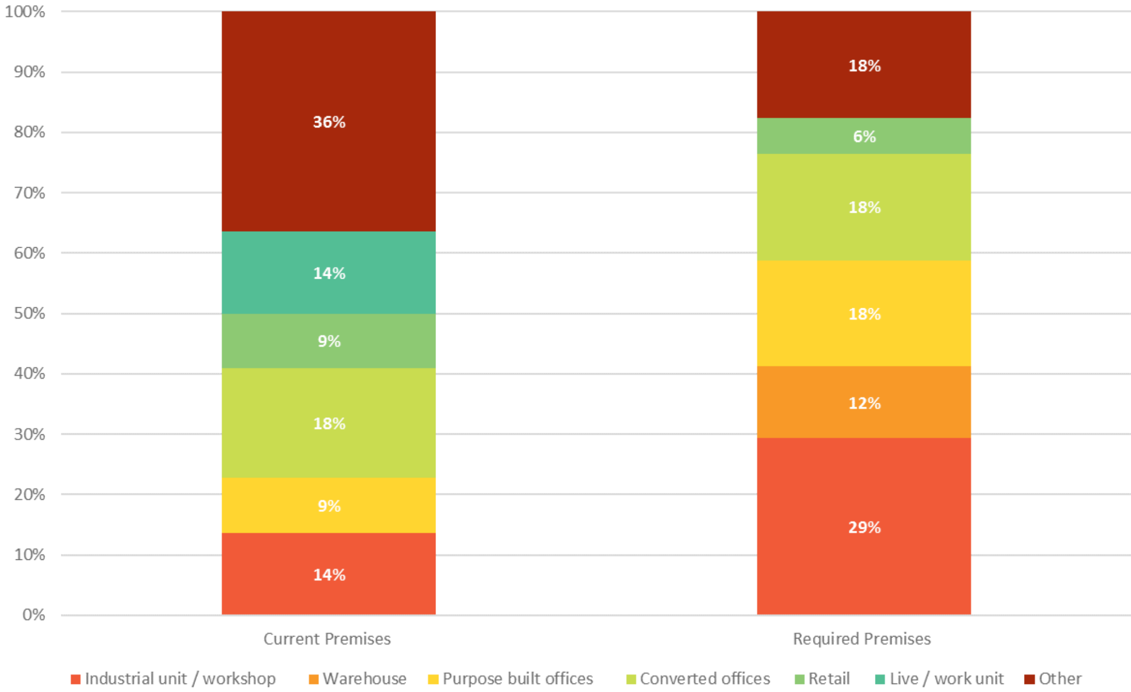
2 Better located premises with improved accessibility;

3 Business struggling to afford rent and business rate increases; and,

4 Merger with another company.

3.13 Figure 3.2 shows the type of premises occupied by business respondents and the premises required by businesses planning to relocate.

Figure 3.2 Type of Business Premises



Source: Conwy County Borough Business Survey (Q1-Q2 2018), Lichfields' analysis

3.14 In terms of current premises, the respondents occupy a wide range of business premises types. 27% of respondents' current premises were converted or purpose-built offices. In comparison, 35% were planning to relocate to converted or purpose-built offices to fulfil their businesses' requirements.

3.15 In contrast, 14% of respondents currently occupy industrial units or workshops. 29% of respondents stating that they require different premises, and wanted to move to an industrial unit or workshop.

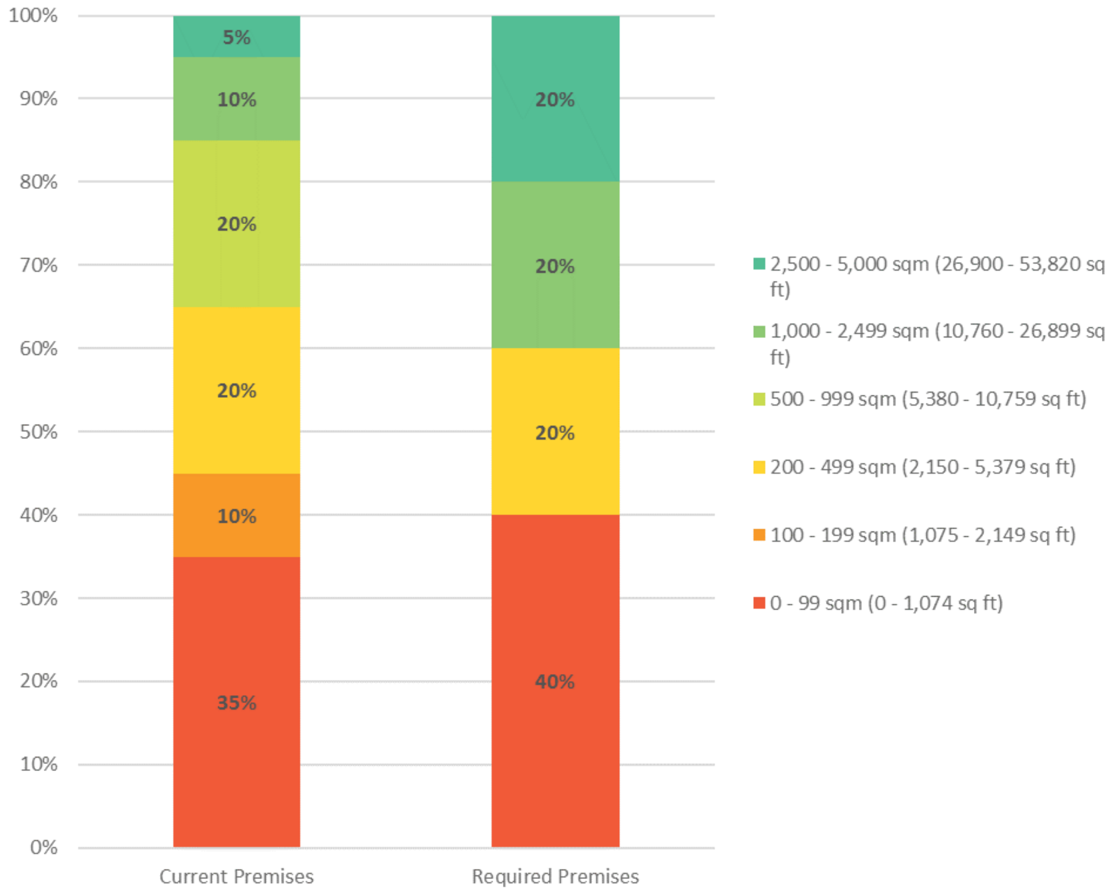
3.16 Figure 3.3 shows the size of premises occupied and required by businesses that are planning to relocate. This shows ambitions for growth. Promisingly, businesses require larger premises. The majority (75%) of respondents occupy premises of 1,000 sqm or less.

3.17 Furthermore, 40% of the respondents that stated they required more space planned to relocate to premises over 1,000 sqm and one of the respondent required premises greater than 2,500 sqm.

3.18 As noted above, the reasons why businesses plan to relocate in Conwy generally reflects a requirement for larger premises, due to business growth and a lack of space to expand on their current premises. Additionally, some businesses planning to relocate reported that their current premises had limitations. For example, one respondent required more modern and affordable premises. Another respondent highlighted that they need more car parking spaces and additional storage space.

3.19 Of all respondents (regardless of their plans to relocate or not), 52% reported they did not have enough space and only one respondent reported that they had spare capacity.

Figure 3.3 Size of Premises



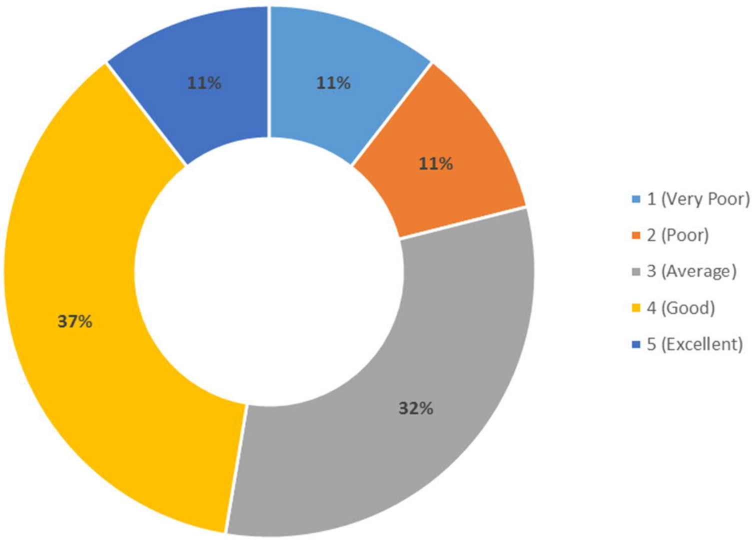
Source: Conwy County Borough Business Survey (Q1-Q2 2018), Lichfields' analysis

3.20 Whilst 38% of respondents reported that their premises completely met their operational needs, 43% reported they only partially met their needs whilst 19% stated that their premises do not meet their operational needs.

3.21 When asked why their current premises did not or only partially met their operational needs, businesses gave a variety of reasons. One common theme was that their current premises prevented them from expanding, or that they required a new dedicated office or warehouse. Additionally, a number of businesses mentioned that the lack of adequate parking facilities was an issue for employees and clients. A few businesses reported that the age, quality and characteristics of their current premises did not meet their operational needs.

3.22 When asked to rate the quality of their current premises (where 1 is poor and 5 is excellent), 43% reported an above average score of 4 or 5. Nearly 30% rated it as average quality, whilst 20% rated it as being below average (average score of 1 or 2).

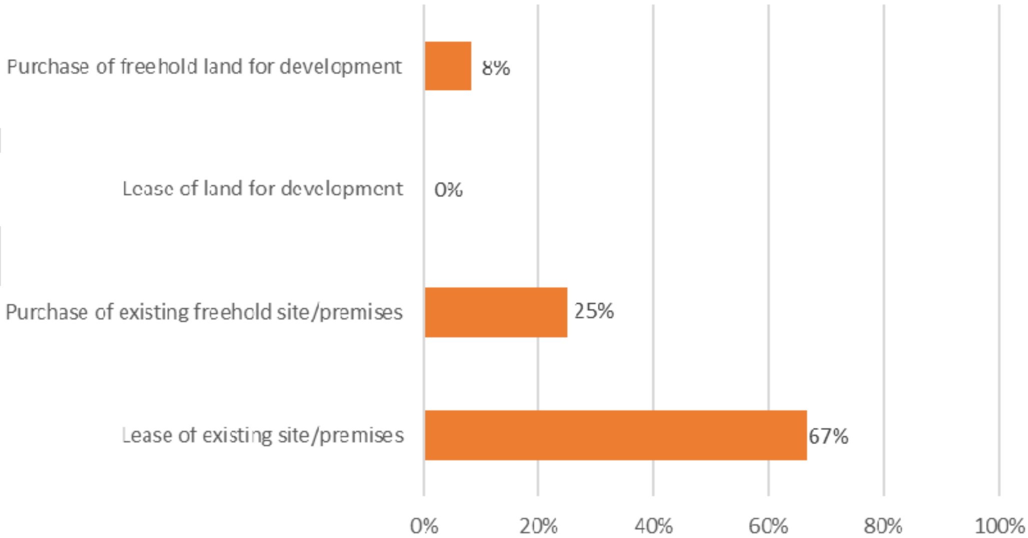
Figure 3.4 How would you rate the quality of your current premises?



Source: Conwy County Borough Business Survey (Q1-Q2 2018), Lichfields' analysis

3.23 In terms of tenure, half of respondents reported that they owned the freehold tenures on their existing premises whilst the remainder were all leasehold. Figure 3.5 shows the types of tenure required by relocating businesses. More than two thirds wish to lease existing sites and premises, whilst a quarter wish to purchase existing freehold sites and premises. Only 8% are considering purchasing freehold land for development.

Figure 3.5 Tenure Required by Relocating Businesses



Source: Conwy County Borough Business Survey (Q1-Q2 2018), Lichfields' analysis - more than one tenure response permitted

3.24 Of the businesses planning to relocate, almost all are seeking to relocate within Conwy, with the exception of one business which plans to relocate elsewhere outside of the County in order to access better business support and incentives.

3.25 Over a quarter of 22 respondents stated that they plan to expand their current site or premises in the next five years or so. Of these, two thirds of the businesses are also planning to relocate within five years. Of the businesses that were not planning to expand their current premises, 44% had no plans to relocate either. Businesses planning to expand their current sites and premises required larger spaces compared to the current occupied premises. With only one respondent specifying a space requirement of 2,000 sqm.

Location Insights

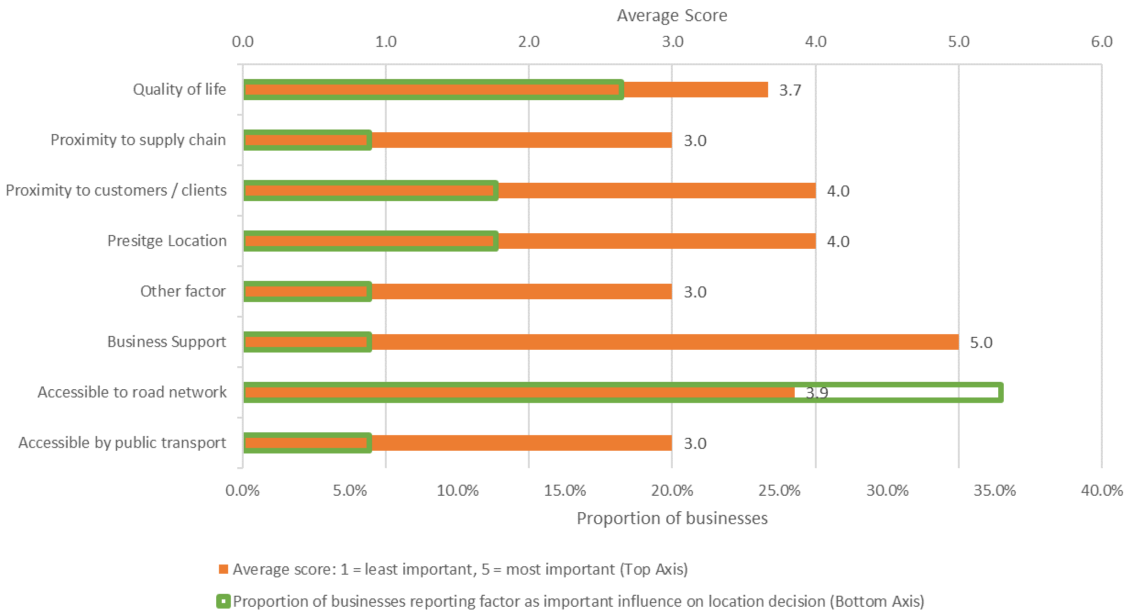
3.26 The business survey highlighted a number of factors that businesses consider to be important when relocating, and the advantages and disadvantages of the County more generally.

3.27 Businesses were asked to score how important different factors were in their decision to locate in Conwy, with 1 being the least important and 5 being the most important. This is summarised in Figure 3.6. The top axis relates to the average score, whilst the bottom axis relates to the proportion of businesses that rated each factor.

3.28 Business support, proximity to customers and clients and prestige locations were reported as being the the most important factors influencing the decisions of businesses to locate in Conwy. A few businesses mentioned that proximity to supply chain and quality of life were rated as important factors for whether local businesses were satisfied by their local area.

3.29 When asked how satisfied they were with the local area as a place to do business, 48% of respondents scored Conwy County a four or five (where five is very satisfied and one is very dissatisfied); 43% scored it a three and the remaining respondents scored it a two out of five.

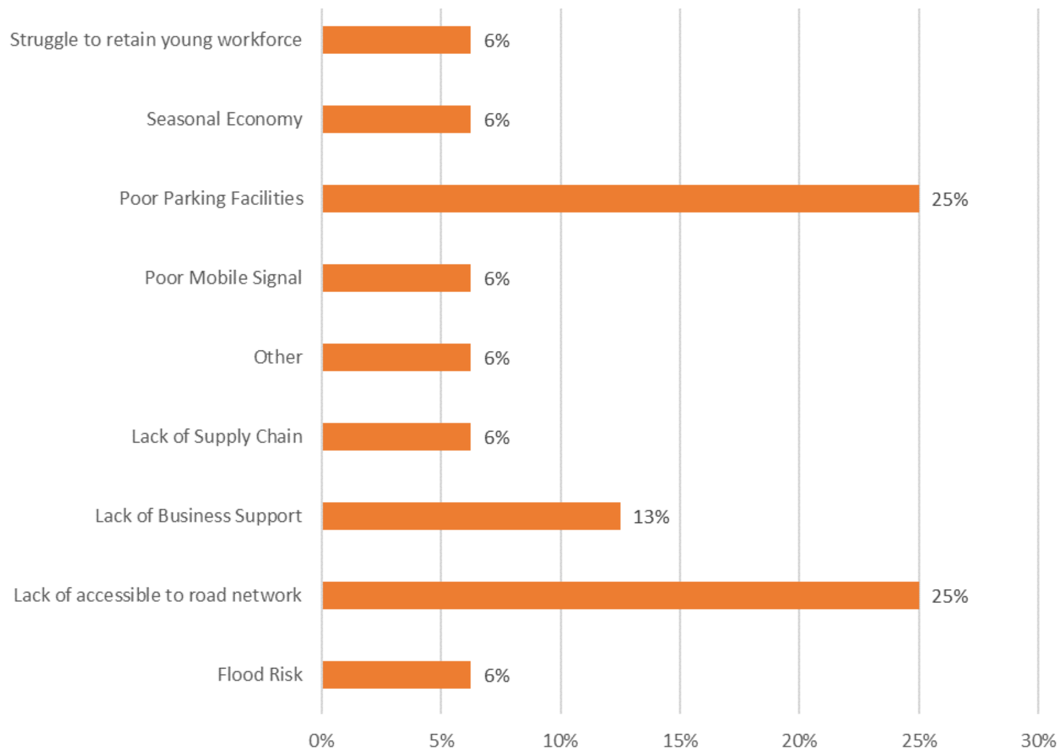
Figure 3.6 Factors Important to Businesses' Decision to Locate in Conwy



Source: Conwy County Borough Business Survey (Q1-Q2 2018), Lichfields' analysis

3.30 When asked what advantages Conwy has as a place to do business, many businesses cited the transport connectivity, especially the proximity to the A55. Several businesses also highlighted the quality of life and proximity to customers and clients.

Figure 3.7 Current disadvantages of your local area as a business location



Source: Conwy County Borough Business Survey (Q1-Q2 2018), Lichfields' analysis

3.31 In contrast, several businesses reported that being located too far away from the A55 and other main road networks was a major disadvantage for their business. Other businesses considered that the lack of parking facilities and suitable premises made Conwy less desirable as a business location.

3.32 Figure 3.7 shows that there a are number of other localised issues that hinder Conwy as a business location, such as:

- Poor mobile signals;
- Struggle to retain younger workforce;
- Poor local transport links and a lack of local services such as post offices and shops; and,
- a lack of passing trade at certain times of the year due to seasonal sectors (such as tourism and hospitality).

4.0 Conclusions

4.1 Conwy County Borough Council commissioned this Commercial Property Market Assessment to understand the market demand and dynamics in Conwy County and the wider North Wales market. This required Lichfields to engage with key commercial agents /developers to establish market trends from the commercial agents' perspective on various indicators such as rental prices, vacancy rates and enquires for various B-class (industrial / office) sites and premises across Conwy.

4.2 Lichfields' scope of work included undertaking an electronic business survey to gain a detailed understanding of the demand for employment spaces in Conwy. This required an assessment of the appetite for businesses to remain or leave the County.

Context

4.3 The analysis of Conwy's employment space shows that the County is dominated by industrial (factory and warehousing) uses, although over time this has decreased whilst the level of office stock has increased (as shown in Figure 2.1 and Figure 2.2). A large proportion of the County's B-class properties are situated in the urbanised areas along the coast and the A55 corridor with 75% of B-class properties accommodating industrial / warehousing units compared to 25% consisting of office premises.

4.4 Over the last 10 years between 2007/08 and 2017/18, Conwy witnessed a relatively low rate of employment land development (with an average of 1.17 ha developed annually). Following this, the employment land losses within the County (9.08 ha between 2007/08 and 2017/18, at an average of 0.91 ha a year) have been large enough to ensure net development rates have been slightly positive over the period examined (0.26 ha per annum).

Key Findings - Stakeholders

4.5 According to commercial agents and businesses, at the market area level demand is understood to be strongest in the A55 Corridor and in urbanised areas such as Llandudno Junction, Mochdre, Kinmel Bay and Colwyn Bay. A number of key locations were set out as industrial hotspots which include:

- Mochdre Commerce Parc;
- Mochdre Business Park;
- Conwy Morfa Enterprise Park, Parc Caer Seion; and,
- Quinton Hazell Business Parc.

4.6 Discussions with key agents cited that rental levels within these and other industrial sites across the County are :

- £5 to £6 per sq. ft. for basic second hand industrial accommodation; and,
- £6.50 to £7.50 per sq. ft. for more modern high-spec industrial premises

4.7 In terms of the office market, discussions with agents stated that there is stable rental growth with office sites and across the A55 corridor. Agents highlighted that typical office rental levels in the County Borough for:

- Good quality serviced office spaces - £9-12 per sq. ft.; and,
- Lower grade office has rental levels of £7-9 sq. ft. in town centre locations.

4.8 Agents have seen more enquires coming from businesses wanting to be in out-of-town business parks due to accessibility to the A55, good car parking facilities and better-quality premises. Furthermore, commercial agents clarified that only a few businesses are keen on town centre locations unless they are near public transport services and car parking facilities which are not always guaranteed with town centre office premises. However, this contrasts with the office market investments centred around town centres such as Colwyn Bay that are likely to attract more businesses into town centres.

Key Findings – Business Survey

4.9 In terms of the survey results, significant proportions of the respondents had the following opinions about Conwy, citing that the County has:

- good access to the strategic road network (A55);
- excellent quality of life experienced in the County;
- close proximity to clients , customers and the supply chain;
- the lack of suitable premises is limiting business expansion; and,
- poor quality public transport and congestion throughout the County.

4.10 The feedback collated during the one-to-one interviews is summarised in the bullet points presented below:

- 48% of respondents were very satisfied / satisfied with Conwy as a place to do business.
- 38% of respondents reported that their premises completely met their operational needs, 43% reported they only partially met their needs.
- A quarter of respondents stated that they plan to expand their current site or premises in the next five years or so. Of these, two thirds of the businesses are also planning to relocate within five years.

Key Growth Opportunities

4.11 Stakeholders were of the view that strengthening the role and function of Conwy County is critically important to supporting stronger economic growth across the County as a whole. It is anticipated that this could provide a 'springboard' for positive change by raising the County's profile (nationally and internationally) as a business location, place to live and generating spin-off opportunities within the wider North Wales economy.

Need for additional modern industrial stock

4.12 Conwy County represents a reasonably strong industrial location, with a mix of firms serving both indigenous needs in addition to a strong number of firms serving national and international markets.

4.13 Vacancy rates on modern industrial estates are now at a relatively low level (5-10%). An improvement in the general economy and occupier confidence coupled with very limited new development prior to and during the recession has caused vacancy levels to remain low across a range of floorspace sizes and age of stock.

4.14 Agents report a gap in supply for modern industrial units, particularly in the 2,000 sqm to 5,000 sq. ft. size bracket suitable for B1c, B2 and B8 uses although there is a continued demand from occupiers across a much broader range of sizes. Demand is spread across the various settlements within the County but supply is currently focused on urbanised sites along Conwy's A55 corridors.

4.15 There is a need for CCBC to provide the County with new industrial development opportunities of the size and scale necessary to accommodate indigenous firms' expansion (of which the majority of development within Conwy takes the form of, as opposed to external inward investment).

Smarter use of existing office floorspace

4.16 The office market in Conwy is relatively small and indigenous, lacking the critical mass to attract larger office occupiers, particularly in light of strong competition from nearby established centres such as Chester and Wrexham. The vast majority of office stock (in addition to office demand), is along the A55. Whilst there are sites which house good quality office accommodation, much of the town centre / urbanised stock tends to be old and often of a poor quality or configuration. As a result, the demand that does exist for these units tends to be indigenous in nature. However, this trend seems to be changing with the increased public-sector investments in office premises in the towns such as Colwyn Bay and Llandudno.

4.17 Despite agents citing the growing demand for out-of-office premises in the County, there is a need for the Council and agents to acknowledge the changing patterns of office space across the country. The general nationwide trend is for businesses to locate in city and town centres to benefit from close proximity to public transport, workforce, customers and supply chain. This trend coincides with the Council's Economic Strategy to encourage regeneration interventions to:

"ensure that these town centres become vibrant once again, providing a balance of retail, leisure and service delivery, and a quality place in which to live, work and visit"[4] [paragraph 3.3.3]

4.18 In terms of the vacant office spaces, there may be scope for some office buildings to be used for alternative uses. This should be used to facilitate the provision of office space that better reflects market demands. In addition, CCBC should also consider, encouraging small, lower cost office units (e.g. a small business centre) which can provide a more cost-effective option than provision of new bespoke space; if the market did not bring this forward, such a scheme could be instigated by the Council with a development partner or consortium.

Accommodating additional floorspace for expanding local companies

4.19 Given that demand for employment stock in the County, indigenous businesses in Conwy are intrinsically linked to proximity of the population and meeting the needs of local inhabitant. Therefore, care will need to be taken to ensure that expanding local businesses and communities have adequate provisions of employment uses, so that any increases in future floorspace demand (especially industrial floorspace) can be matched by increases in stock levels. This is the case in particular, for businesses in the industrial sector.

4.20 Commercial agents reported that the shortage of flexible industrial premises was constraining business growth. Evidence suggests this is because of a lack of supply of land and premises for this purpose. There is a potential role for the public sector to play in de-risking developments to encourage new modern industrial premises to be provided to meet the high levels of demand from local businesses that wish to expand.

[4] Conwy County Borough Council (2017) Economic Strategy

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