



Strategic Planning Research Unit  
*A specialist team within DLP Planning Ltd*

For and on behalf of  
**Coventry City Council**

## **Coventry Office Market Study: An Addendum to the Coventry Employment Land Review**

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**Appendix 1 Office Market Study – Accompanying Plans**

## 0.0 EXECUTIVE SUMMARY

0.1 This Office Market Study serves as an addendum to the Employment Land Review (ELR) for Coventry City Council, providing a focused analysis of the office market dynamics in Coventry. The study aims to assess the implications of current trends on future office floorspace needs up to 2041, particularly in light of post-pandemic working practices and evolving business requirements.

0.2 Key findings and implications include:

1. **Quantitative Needs Assessment:** The Housing and Economic Development Needs Assessment (HEDNA, 2022) identified a need for 8.5 ha of office employment land in Coventry for 2021-2041, including a 4.6 ha flexibility margin. The HEDNA recommends that the Council consider has regard to sensitivity testing assumptions reducing this need figure by 30% to account for long-term permanent increases in homeworking trends but supports planning in response to the totalled modelled need figure. The detailed source and workings of the 30% reduction figure is not provided (for example whether this is due to forecast trends in increased home-working over-time, employment densities or the effect of home-working on existing levels of office-based jobs rather than the effect forecast job creation in sectors requiring new office floorspace)
2. **Market Trends and Demand:** Analysis of recent office market transactions reveals a clear preference for smaller and mid-sized office spaces (201-2,500 sq ft), with limited demand for larger offices over 20,000 sq ft. This trend aligns with the growing demand for flexible workspaces and the evolving needs of small to medium-sized enterprises (SMEs) and start-ups.
3. **Market Performance:** Coventry's office market shows steady leasing activity and higher average costs compared to the wider Warwickshire area, indicating a relatively stable environment with a premium on office space in the city. However, the market for new offices in the city centre faces challenges, particularly due to lack of on-site parking and competition from out-of-centre locations.
4. **Spatial Distribution:** The study identified concentrations of office transactions in the city centre and south-western part of Coventry, correlating with the locations of Coventry University and the University of Warwick. This suggests a link between educational institutions and increased office market activity as was as indicating that the city centre remains an overall focal-point for office-based jobs.
5. **Qualitative Demands:** Stakeholder engagement highlighted growing demand for flexible, high-quality office spaces with good sustainability credentials, particularly in the city centre and near transport hubs. There is an emerging trend towards research and development-focused spaces, especially around the two universities.
6. **Impact of Remote Working:** The persistence of hybrid working practices is influencing office space requirements. While not necessarily reducing overall demand, it is changing how businesses use office space, with a greater emphasis on collaborative areas and flexible arrangements.
7. **Supply and Pipeline:** The current pipeline supply of 11.12 ha appears sufficient to meet identified needs, even with a potential reduction in the 6.52ha identified at Friargate. It is not necessarily the case that a significant buffer or surplus is necessary to provide an effective policy response or sustainable pattern of additional land and floorspace to meet future office needs. The findings of this Report would support circumstances where the forecast contribution to supply from the Friargate scheme are subject to realignment in response to market conditions. The Friargate development, while progressing slower than initially anticipated, remains crucial to meeting future office space requirements in the city centre with

a reasonable prospect of future development.

8. **Employment Densities:** The study suggests reconsidering employment density assumptions, proposing a higher density of 10 sqm per person (compared to the 12 sqm NIA per FTE job used in the HEDNA). A reassessment of need based on a higher density 10 sqm floorspace per person assumption may assist in providing a more realistic projection forecast of future need, which not only takes account of hybrid working practices but also reflects businesses' concern with growing operational and environmental costs. The evidence suggests these considerations, alongside home-working trends, are continuing to influence the decisions of businesses when looking for new premises. While the Report does not specifically provide alternative figures for total modelled need under alternative employment densities it does reinforce the rationale for sensitivity and potentially having regard to a reduced benchmark for monitoring delivery towards forecast totals for additional land and floorspace.
  9. **Market Challenges:** The study identified challenges in refurbishing older, lower EPC-rated office stock, particularly in the city centre. Viability constraints and limited lease terms on some properties are hindering investment in upgrades.
  10. **Policy Implications:** The findings support maintaining a focus on city centre office development, including at the Friargate site, while providing flexibility for development in other sustainable locations. The study recommends policies to support the refurbishment of existing offices and enable more flexible office spaces to meet evolving business needs.
  11. **Future Outlook:** The office market in Coventry is expected to continue evolving, with an increasing emphasis on sustainability, flexibility, and quality. The role of the two universities in driving demand for research and development spaces presents a potential growth area.
  12. **Monitoring and Review:** While the study does not currently recommend introducing an Article 4 direction to restrict office-to-residential conversions, it suggests ongoing monitoring of this trend. Some conversions may be beneficial in repurposing older office stock where refurbishment for continued office use is not viable.
- 0.3 This Office Market Study, in conjunction with the ELR, provides Coventry City Council with a comprehensive evidence base to inform employment land policies in the ongoing Local Plan Review. It supports a nuanced approach to office provision, recognizing the changing nature of work and the specific local dynamics of Coventry's market.
- 0.4 The study's findings suggest that while there may be scope to reduce the overall quantum of office floorspace needed over the plan period, there remains a clear need for high-quality, flexible office space in sustainable locations. The Council should focus on enabling the delivery of office developments that meet these evolving needs, while also supporting the refurbishment and adaptation of existing stock where viable.
- 0.5 In conclusion, this study recommends a flexible yet strategic approach to office development in Coventry, balancing the need to meet quantitative targets with the qualitative demands of modern businesses. By adopting this approach, Coventry can position itself to attract and retain a diverse range of businesses, supporting economic growth and innovation in the city.

## 1.0 INTRODUCTION

- 1.1 DLP Planning were instructed by Coventry City Council to conduct an independent assessment of existing employment land throughout the city. This Employment Land Review (ELR, June 2024) forms part of the evidence base to inform the ongoing Local Plan Review. Acknowledging the impact of the Covid-19 pandemic on labour and property markets specifically in terms of remote working versus on-site workplace locations, and the particular effect of these trends upon traditionally office-based market sectors, an addendum to the main ELR study focusing specifically on these land uses was needed.
- 1.2 The main objective of this Office Market Study is to serve as a more in-depth review of the office market in Coventry as a follow-up to the ELR. While the ELR provides a complete analysis of existing employment land in Coventry, covering both industrial and office sectors, this study solely focuses on the changes and trends in the office market more specifically since the release of the Housing and Economic Development Needs Assessment (HEDNA) in November 2022. This HEDNA recommended consideration of a 30% reduction in the office floorspace need figure. This Study aims to investigate the reasons behind this recommendation and assess whether it remains valid, together with providing finer-grained qualitative and quantitative analysis of factors affecting land use decisions to manage the demand and supply of office floorspace relative to future needs. The outputs of the Study are therefore provided to assist Coventry City Council in making informed decisions in relation to the Local Plan Review.
- 1.3 The purpose of this Office Market Study is to analyse the existing evidence base on office market trends at a regional and national level and to provide Coventry City Council with a comprehensive understanding of challenges and opportunities within the office sector. By analysing current and potential future trends, this study intends to help policymakers make informed decisions about employment-related policies within the Coventry Local Plan review.
- 1.4 The remainder of the report is structured as follows:
- **Local Policy Context and Evidence Base** – This section provides a brief overview of the Local Plan policy context relevant to the office market in Coventry. It outlines key findings from research conducted as part of the Employment Land Review (2024), Housing and Employment Land Availability Assessment (2023), and other pertinent studies such as the Housing and Economic Development Needs Assessment (2022).
  - **National and Regional Trends in Office Markets and Working from Home**—This section presents a literature review of post-Covid trends in office markets at the national and regional levels. It includes an examination of published evidence regarding revised employment densities for office uses and trends in ancillary office floor space provision within other types of developments.
  - **Office Market Needs and Demands in Coventry** - Insights into the demand for office floor space in Coventry are taken from stakeholder engagement activities and recent commercial property transaction data. This section also explores office floor space availability, vacancy rates, and trends in completions and commitments, with a focus on identifying the types and locations of offices in demand in Coventry.
  - **Conclusions on the Office Market in Coventry** - This section synthesises the current and anticipated future prospects for the office market in Coventry based on the findings presented in the preceding sections. It offers insights into the implications for planning policy, including considerations related to the supply/demand balance and commentary on the recommendations outlined in the HEDNA.



## 2.0 LOCAL POLICY CONTEXT AND EVIDENCE BASE

- 2.1 This section aims to provide an overview of the existing evidence concerning the office market in Coventry, with specific attention to insights offered by the HEDNA. The HEDNA, which was published in 2022, serves as a starting point for understanding the dynamics of the office market within the city and forecast future needs for additional office floorspace. However, it is important to note that the landscape of office working trends has undergone significant shifts since the HEDNA was published due to after-effects of the global pandemic.
- 2.2 Since the release of the HEDNA the office market has continued to experience notable changes, influenced by evolving working patterns, the widespread adoption of remote work practices and demand for flexible workspaces. These changes have inevitably impacted the assumptions made about office usage, prompting a reassessment of current and future office floorspace needs in Coventry.

### a) Housing and Economic Development Needs Assessment (HEDNA) (2022)

- 2.3 The HEDNA (2022) offers an analysis of the current and future housing and economic development needs within Coventry and Warwickshire. When focusing into the specifics of the office market trends in Coventry, several noteworthy conclusions emerge from the data and discussions presented.
- 2.4 An assessment of need based on past completions trends has been skewed by recent city centre office developments, such as Friargate. The HEDNA therefore concludes that a model based on future employment growth (a 'labour demand model') is likely to be a more appropriate reflection of future office floorspace needs than a model which projects forwards past completions.
- 2.5 The labour demand model, based on CE employment forecasts, set out in the HEDNA applies a series of assumptions and adjustments to calculate future employment land and floorspace needs. As stated in paragraph 9.14, change in jobs by sector are attributed to use classes using BRES data to estimate the sector-specific relationship between net changes in total employment and that for full-time equivalent (FTE) jobs. A typical home working by sector rate is also applied to discount the need rates by sector, using 2019 data (paragraph 9.14). A further sensitivity analysis considers the impact of using a higher home-working rate (paragraph 9.15).
- 2.6 Employment density assumptions are then applied to estimate the net change in floorspace. For offices this assumes a density of 14 sqm floorspace (Gross Internal Area) per FTE job, or 12 sqm floorspace (Net Internal Area) per FTE job.
- 2.7 The HEDNA (2022) forecasts a net change of 4,200 FTE office-based jobs in Coventry over the period 2021 to 2041. This equates to a net office floorspace need of 58,300 sqm. Net floorspace needs are converted to a land requirement using a plot ratio of 1.5 for Coventry (compared with 0.5 elsewhere in the study area), to reflect a blended plot ratio which includes some higher density city centre sites (e.g. Friargate) and some lower density business parks. This equates to a net land need for offices in Coventry of 3.9 ha over the period 2021 to 2041 (HEDNA, Table 9.4).
- 2.8 A margin of flexibility is then added (equivalent to 2 years' gross office completions) as an additional buffer to allow for the potential for delay in some sites coming forward and if future demand is greater than current forecasts it can be accommodated. The flexibility margin for Coventry is 4.6 ha, which when added to the net land need of 3.9 ha, equates to an overall gross office need in Coventry of **8.5 ha** over the period 2021 to 2041.
- 2.9 The HEDNA does however highlight a level of uncertainty around future levels of occupancy and utilisation of offices post pandemic. The HEDNA (2022) recognises that "*for office-based*

*sectors consideration needs to be given to the impacts of trends in home working (and growth in hybrid working whereby workers spend part of the working week at home)” (paragraph 9.8).*

- 2.10 The HEDNA therefore recommends that the authority plans for modelled needs, but that a lower rate of need which reduces future office needs by around 30% may be appropriate (paragraph 11.4). This recommendation is based on a sensitivity model that assumes a long-term permanent increase in homeworking trends, as shown in Table 9.6 of the HEDNA, and would reduce labour demand net needs (i.e. excluding flexibility margin) for offices in Coventry from 58,300 sqm (3.9 ha) to 40,800 sqm (2.7 ha) for the period 2021 to 2041. A sensitivity analysis set out in the HEDNA suggests a potential 30% decrease in office space requirements compared to pre-pandemic projections.
- 2.11 This is reflected in the conclusion of the HEDNA at paragraph 11.4:
- “There is some uncertainty about future levels of occupancy and utilisation of offices post pandemic and clarity regarding this may not be gained for some time. At the present time it would be reasonable to plan for the modelled needs, but it may be suitable to consider a lower rate of need based on the sensitivity model that assumes that homeworking trends permanently increase to reduce future densities by around 30% (Tables 10.7 / 10.8).”*
- 2.12 The HEDNA lacks an explanation on why this shift in floorspace needs should occur. As a result, this Office Market Study aims to investigate and provide insights into whether the described sensitivity scenario still holds true and to offer a deeper rationale for these potential changes in the demand for floorspace.
- 2.13 The HEDNA also highlights the importance of monitoring wider office market trends, stating: *“In reality there is some expectation that future office demand will be focused on higher quality provision that is more likely to manifest in stronger markets – notably Coventry and Warwick/Leamington – which is reflected to a degree in the labour demand figures”* (paragraph 11.5), and that *“wider office market trends point to lower overall demand in the future in the post pandemic period; with competition from other locations such as Birmingham City Centre and Arden Cross”* (paragraph 11.6). This Study will also provide commentary on these wider market trends.
- 2.14 Drawing together the analysis presented in the HEDNA it is important to state that the 8.5ha total needs figure stated for office use reflects total modelled needs (3.9ha + 4.6ha) for the reasons stated above. Paragraph 11.4<sup>1</sup> of the HEDNA does not enumerate the sensitivity scenario in terms of total needs but these would correspond to an overall figure of 7.3 hectares (2.7ha + 4.6ha).
- 2.15 It is also significant that consistent with the supply/demand balance assumptions reviewed in this Report the HEDNA (paragraph 11.6) notes that the Council’s supply-side assumptions for Friargate would generate a surplus in excess of total forecast needs. It follows that the sensitivity scenario totals would also indicate a surplus for the purposes of supply and demand.
- 2.16 For the purposes of evaluating the HEDNA’s *sensitivity* assumptions for home-working it is reasonable to conclude, consistent with the HEDNA’s own commentary at paragraph 11.7, that these function best as an aid to future *monitoring* rather than a preferred alternative to be planned for. The sensitivity totals could provide a useful benchmark to monitor performance of the Plan if, for example, delivery levels drop below total modelled need but

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<sup>1</sup> The references to the outputs for net additional needs under the sensitivity scenario are stated as found at Tables 10.7 and 10.8 of the HEDNA but this is treated as a *typo* for the purposes of this Report noting that the relevant figures of 2.7ha / 40,800sqm are found at Tables 9.6 and 9.7).



at a rate not significantly below the sensitivity total.

- 2.17 Caution should, however, be expressed at the relatively simplistic nature of the adjustment to apply a 30% reduction to the total net forecast. This is for two main reasons. Firstly, the reduction is applied over-and-above existing allowances for home-working at 2019 that may be more prevalent in some office-based sectors than others. It may thus be more or less appropriate to apply further reductions by sector. Secondly the overall floorspace forecast is a net total, with change across all sectors including existing levels of employment. This means that assumptions should reasonably look to enumerate the numbers of existing jobs also affected by increased trends in home-working and how home-working trends are amended over time for the forecast period.
- 2.18 The overarching effect of these wider variables is that the reduction could have a more profound impact on existing office jobs (justifying the lower net total needs) but may suggest relatively lower impacts of home-working on other growth sectors in the office market generating net increase in demands for land and floorspace and affected to a lesser degree.
- 2.19 Due to this Report not undertaking standalone forecasts of labour demand and the inherent difficulties of more accurately modelling trends in home-working by sector (including upon existing jobs) no alternative total land and floorspace figures for office needs are provided by this analysis. However, the above does reinforce, albeit with some caution, the validity of sensitivity assumptions from the HEDNA.

#### **b) Housing and Economic Land Availability Assessment (HELAA) (2023)**

- 2.20 The Coventry HELAA (2023) provides a technical assessment which seeks to identify land which is suitable, available and achievable for housing and economic development over the plan period.
- 2.21 The HELAA provides an updated position on the Local Plan (2017) employment allocations, which identifies 58.48 ha of allocated employment land without planning permission and 2.08 ha non-allocated employment sites in the supply pipeline (as at 31<sup>st</sup> March 2023). Once losses have been accounted for, the total employment land supply pipeline as of March 2023 was identified as 60.35 ha.
- 2.22 In relation to offices in particular, the HELAA identifies an existing committed supply of 6.61 ha, which it states in Table 6 represents a 2.71 ha oversupply compared to a HEDNA need figure of 3.9 ha. However, it is noted that this claimed 'over supply' of office floorspace is relative to the HEDNA net labour demand needs figures. The recommended employment land needs set out in the HEDNA are in fact those contained in Table 11.2, which reflect labour demand modelling for office needs; gross completions trends for industrial and warehousing; and incorporate a margin for flexibility.
- 2.23 An up-to-date employment land supply position based on the needs set out in the HEDNA (2022) is presented in the Employment Land Review (2024), as summarised below.

#### **c) Employment Land Review (ELR) (2024)**

- 2.24 As set out in the Employment Land Review (ELR, 2024), over the past five years, Coventry has experienced a notable decrease in office floorspace, with a reduction of 6.27% since 2018. Despite a temporary increase in 2020-2021, the overall trend indicates a declining availability of office space. This study follows on from the Employment Land Review (ELR) by further examining these trends and contributing to the understanding of factors like market constraints, demand for alternative uses for existing office floorspace and changes in office working patterns in Coventry.
- 2.25 Office units in Coventry exhibit a higher vacancy rate compared to industrial units, with a vacancy rate of 7.63% for office floorspace. This suggests a more constrained market for

office units in the city compared to industrial properties. Section 4 of this report analyses this data in greater detail, helping to interpret the implications of the high vacancy rates from a property market perspective.

- 2.26 The distribution of vacant office floorspace across different unit sizes reveals potential oversupply or lack of demand in certain size categories. Approximately 43% of vacant office floorspace falls within the 750-1,500 sqm unit size category, suggesting a potential mismatch between supply and demand in this segment.
- 2.27 Stakeholders recognise challenges in the office market, including limited demand and increased build costs. While there is strong growth in other sectors, such as warehousing and distribution, the office sector faces constraints that need to be addressed to foster growth and development. Further engagement of stakeholders can be seen in Section 4 of this report.
- 2.28 The assessment of office sites in Coventry highlights variations in site quality, with larger sites generally exhibiting better conditions. Constraints related to site size impact future development potential, indicating a need for plan-making to address these limitations and manage the stock of floorspace and identification of supply towards any future needs.
- 2.29 The ELR (2024) concludes by setting out an updated employment land supply pipeline for Coventry, as of 31<sup>st</sup> March 2023, correcting for any minor errors that were included in the HELAA (2023).
- 2.30 Table 6 of the ELR identifies that Coventry's employment land supply predominantly relies on Local Plan allocations without permission, totalling 58.9 ha, plus a further 10.4 ha on sites with extant permission (either under construction or not yet started). 11.12 ha of the committed pipeline supply is on sites within class B1/E(g) (offices). As shown in the table below, 59% of the pipeline supply of office floorspace is on allocations without permission, and the remaining 41% is on sites with extant permission.

**Table 1. Committed (Pipeline) Class B1/E(g) as at 31<sup>st</sup> March 2023**

	B1/E(g)
Sites with permission (under construction / not started)	4.60
Allocations without permission	6.52
<b>Total</b>	<b>11.12</b>

Source: *Employment Land Review (2024)*

- 2.31 Of the proposed allocations without permission, the 6.52 ha of office space is expected to come from the Friargate development (Policy JE2.1), meaning the other six allocations without planning permission allow for no future office provision. The first two phases of the Friargate development have however successfully delivered 24,062 sqm office floorspace to-date, with future capacity continuing to be promoted for delivery through a joint venture partnership between Coventry City Council and a private development and property investment business<sup>2</sup>. Therefore, there are no reasons to suggest the future phases of the Friargate scheme would not be achievable.
- 2.32 The current supply/demand balance for office floorspace in Coventry, as calculated in the ELR, is set out in Table 2 below. This indicates that based on the HEDNA recommended

<sup>2</sup> Friargate JV Project Limited is a UK registered limited company established to deliver the Friargate project. It is owned and managed by Coventry City Council and the Cannon Kirk Group, a Dublin-based development and property investment business that includes US venture capital, Oaktree Capital Management, among its shareholders. The JV Company consolidates a long-standing working arrangement with Coventry City Council to help accelerate project delivery while working closely with West Midlands Combined Authority.

gross need of 8.5ha, a current pipeline supply of 11.12 ha and completions since the plan base date of 0.1ha (as of 31<sup>st</sup> March 2023), there is a potential over-supply of 2.7 ha office floorspace.

**Table 2. Coventry Office Land Supply/Demand Balance**

	Office Employment Land (Ha)
Total Need (2021-2041)	8.5
Completions (21/22 - 22/23)	0.1
Pipeline Supply (sites with permission, incl. allocations)	4.6
Pipeline Supply (allocations without permission)	6.5
<b>Remaining Need (2023-2041)</b>	<b>-2.7</b>

Source: ELR (2024)

2.33 The ability of Coventry to meet its identified future office needs is however dependent on there being a reasonable prospect that the 6.52 ha Friargate allocation is delivered. It is acknowledged that the plans for Friargate are evolving, along with wider demands for office space in Coventry, as discussed later in this Study.

### **3.0 NATIONAL AND REGIONAL TRENDS IN OFFICE MARKETS AND WORKING FROM HOME**

3.1 This section reviews existing literature on trends in working patterns and the office market at both national and regional levels. Each sub-section provides insights into the evolving landscape of office usage and work patterns before, during, and after Covid-19. Key areas covered in this section include:

- Pre-Covid-19 Working Patterns
- National Trends Post-Pandemic
- Regional Trends Post-Pandemic
- Employment Densities in Office Space
- Rise of Co-Working/Shared Office Spaces
- Future Outlook

3.2 Research on office markets post-Covid is notably limited due to the ongoing determination of the pandemic's impacts on work patterns and office demand. The unprecedented nature of the Covid-19 crisis, compounded by simultaneous changes such as the finalising of Brexit and the rise of inflation and interest rates, has created a multifaceted and evolving landscape for office-based work environments. These factors contribute to the complexity of understanding the long-term effects accurately.

#### **a) Pre Covid-Working Patterns**

3.3 The Wales Institute of Social and Economic Research and Data (WISERD<sup>3</sup>) conducted a UK-wide study on the impact of working from home during the pandemic. This provided some valuable insights into the trends before Covid-19. Before the pandemic, there was a noticeable increase in flexible working arrangements, particularly among managers, professionals, and other white-collar workers, facilitated by technological advancements.

3.4 Statistical data from the Office for National Statistics (ONS) indicates a growing trend of working from home prior to the pandemic, with approximately 13.9% of employed individuals in the UK spending at least half of their working time at home in 2014. This figure represented the highest rate recorded since 1998. Research from the Trades Union Congress (TUC<sup>4</sup>) further supports these findings, showing a 19% increase in employees who reported regularly working from home between 2005 and 2015.

3.5 These trends are presumed to have been driven by advancements in technology and changes in work practices. Before the pandemic, homeworking was more prevalent among higher-skilled and professional occupations, older workers, and those with higher qualifications. However, the shift towards remote work varied across different demographic groups, industries (Table 3) and regions (Table 4). The pre-lockdown period saw a gradual but significant increase in homeworking, particularly among certain demographic and occupational groups. The surge in remote work observed during this period laid the foundation for the bigger shift experienced during the lockdown.

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<sup>3</sup> <https://wiserd.ac.uk/publications/homeworking-uk-and-during-2020-lockdown>

<sup>4</sup> <https://www.tuc.org.uk/news/home-working-fifth-over-last-decade-tuc-analysis-reveals>

**Table 3. Working from home percentage by employment sector**

Employment Sector	Jan/Feb 2020	April 2020	May 2020	June 2020
Agriculture, forestry, and fishing (A)	18.0%	30.0%	22.5%	14.7%
Energy and water (B, D, E)	5.7%	64.1%	63.9%	42.8%
Manufacturing (C)	3.9%	35.1%	28.6%	19.4%
Construction (F)	4.1%	36.9%	29.5%	21.6%
Distribution, hotels, and restaurants (G, I)	3.2%	22.2%	19.9%	12.3%
Transport and communication (H, J)	8.5%	51.7%	50.4%	49.0%
Banking and finance (K, L, M, N)	7.9%	62.6%	59.8%	66.6%
Public administration, education, and health (O, P, Q)	4.1%	41.1%	40.7%	32.5%
Other services (R, S, T, U)	14.2%	56.5%	52.5%	44.3%

Source: Table A1, A2a, A2b, A2c (WISERD, 2020)

- 3.6 The impact of remote work varied across regions and sectors during the Covid-19 lockdowns. Sectors such as Manufacturing and Distribution, Hotels, and Restaurants showed less pronounced impacts, with moderate increases in remote working percentages, suggesting challenges in fully embracing remote work culture. Banking and Finance stood out with a substantial impact from remote work, showcasing a steady rise in remote working percentages, reaching the highest peak at 66.6% in June 2020. This sector's effective adaptation highlighted successful transitions and a strong commitment to remote work practices. However, the Manufacturing sector experienced a more moderate impact, with June figures at 19.4%, signalling a partial shift compared to other sectors. Sectors like Distribution, Hotels, and Restaurants demonstrated minimal impact, peaking at 22.2% in April and declining to 12.3% in June, indicating potential challenges in fully integrating remote work practices.
- 3.7 The findings of this analysis are consistent with the data from the Business Impact of Coronavirus Survey (BICS) conducted by the Office for National Statistics (ONS)<sup>5</sup>. The BICS data highlights similar trends, notably a short-term peak in remote working during mid-2020 followed by a gradual return to workplace settings. However, it is important to note that sectors such as Information Technology (IT) have maintained higher levels of remote work compared to pre-2019 levels.
- 3.8 As shown in the table below, from a regional perspective London saw a substantial shift towards remote working, peaking at 57.5% in April 2020. The regions showed a successful adjustment to the new work trend. Similarly, Scotland demonstrated a strong transition to remote work, reaching a high of 47.3% in May 2020, indicating an effective implementation of remote work practices. The West Midlands peak of 36.2% in April 2020 is lower than the peak of most other regions and had reduced significantly to 28.4% by June 2020. This may be reflective of a higher proportion of jobs being in sectors that could not easily accommodate

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<https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults>

home-working, such as manufacturing and distribution.

**Table 4. Working from home percentage by region**

Region	Jan/Feb 2020	April 2020	May 2020	June 2020
North East	5.6%	36.3%	32.9%	28.1%
North West	6.0%	39.6%	42.7%	37.0%
Yorkshire and Humber	4.0%	36.2%	33.6%	27.5%
East Midlands	5.0%	37.3%	31.1%	28.1%
West Midlands	4.6%	36.2%	34.1%	28.4%
East of England	5.4%	42.3%	40.0%	35.6%
London	7.3%	57.5%	53.0%	52.4%
South East	6.5%	48.8%	46.5%	41.1%
South West	7.7%	43.3%	38.7%	33.2%
Wales	3.8%	36.8%	35.8%	32.9%
Scotland	5.0%	47.2%	47.3%	45.5%
Northern Ireland	4.6%	33.4%	28.8%	28.4%

Source: Table A1, A2a, A2b, A2c (WISERD, 2020)

#### **b) National Trends in Office Markets Post-Pandemic**

- 3.9 Recent insights from a CoStar<sup>6</sup> (2024) article shed light on the evolving landscape of the office market in the UK by documenting rising occupancy rates. The data, up to the week ending 8<sup>th</sup> March 2024, reveals the highest occupancy rates since the pandemic's onset, with occupancy at 35.9%, marking a 3.8% increase from the previous week. This occupancy rate reflects the proportion of staff entering office buildings compared to the building's total capacity (usage), rather than indicating a direct vacancy rate. This trend suggests a notable shift in working patterns, likely influenced by factors beyond the immediate effects of Covid-19. The increasing prevalence of remote work, now more established since the pandemic, could mean there is a reduced demand for office space in the UK and more specifically larger office premises.
- 3.10 Additionally, the ONS<sup>7</sup> (2023) has published findings on recent working trends in the UK. Despite a slight decline from the peak of 49% during the first lockdown, home working remains prevalent, with a rate of 40% of all working adults reporting having worked from home at some point in the past seven days on 5<sup>th</sup> February 2023. This indicates a persistent adoption of remote or hybrid work arrangements, suggesting that what was initially viewed as a temporary response has become ingrained in work culture. The report also highlights that individuals with higher income and education levels are more likely to engage in home

<sup>6</sup> <https://www.costar.com/article/1228647056/uk-office-occupancy-hits-highest-level-since-pandemic>

<sup>7</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/characteristicsofhomeworkersgreatbritain/september2022tojanuary2023>



or hybrid working.

- 3.11 Research from UCL<sup>8</sup> offers further insights into the impact of remote work across the UK on the office market sector specifically. Through a detailed analysis of leasing data and an innovative asset pricing model, the study reveals shifting dynamics within the office market. While there has been a noticeable decline in office leasing activity since 2019, particularly evident during the pandemic, higher-quality office buildings have shown greater resilience, indicating a strategic response by employers to attract employees back to physical workplaces.
- 3.12 The UCL Study indicates a national decline in office occupancy, particularly apparent since the onset of Covid-19. Despite efforts to incentivise a return to office spaces, this trend is more successful in higher-quality office environments. The pandemic has solidified a preference for remote or hybrid work arrangements among individuals, further contributing to reduced office attendance.

### **c) Regional Trends in Office Markets Post-Pandemic**

- 3.13 A report by Lambert Smith Hampton<sup>9</sup> on regional office trends released in 2023 provides valuable insights into the Midlands' office market. The period 2022 until Q3 2023 in Birmingham has seen notable trends and developments, especially in the out-of-town sector.

#### **i) *Birmingham***

- 3.14 One significant trend is the increasing popularity of flexible office solutions, exemplified by Orega's lease at Abrdn's Ingenuity House, Birmingham. This office offers high level of flexibility in terms of workspace options and shared workspaces. This shift reflects a growing demand for flexible workspace options across various sectors, including engineering, tech, and financial services. Despite some outward relocations from key occupiers in Birmingham, active demand persists, with expectations of larger deals in take-up in the near future.
- 3.15 However, Birmingham's market has seen a sharp increase in supply, reaching its highest level since 2014. This rise includes both new-build and refurbished options, with larger format availability improving as occupiers reassess their space requirements. Tailoring refurbished supply towards smaller suites may further cater to the bustling SME segment of the market.
- 3.16 The report notes that infrastructure developments, such as the new HS2 Interchange rail station near Solihull, offer promising growth prospects for the Office market, encouraging new development and inward investment. While 2023 saw solid but underwhelming take-up, positive indicators for future growth include strong occupancy across serviced offices and forecasted increases in headline rents.

#### **ii) *Nottingham***

- 3.17 In contrast, Nottingham's office market, while experiencing a solid year for take-up, has seen more activity concentrated in the city centre rather than the out-of-town sector. Notable deals include Cubo's acquisition at Royal Standard Place, indicating a demand for serviced offices.
- 3.18 Grade A office space in Nottingham remains limited, with refurbishments driving development in both the city centre and out-of-town areas. While prime headline rents have remained stable, there is potential for incremental increases, especially with forecasted rises in benchmark rents for refurbished space.

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<sup>8</sup> <https://www.ucl.ac.uk/bartlett/construction/real-estate-breidge/working-home-and-office-real-estate-apocalypse>

<sup>9</sup> <https://www.lsh.co.uk/-/media/files/lsh/research/2023/offices/regional-offices-report-2023-final>

- 3.19 In addition, Innes England's 2023<sup>10</sup> article highlights the West Midlands' office sector's significant growth in 2022, despite an overall decline in commercial property investment. With investments totalling £415.1 million, a 44% increase from the previous year, the region's office market outperformed broader trends. Overseas capital played a key role, particularly in Birmingham, where investments surpassed 2021 volumes, targeting prime, well-let properties and repositioning opportunities.
- 3.20 Overall, the Midlands' office market offers opportunities for growth and adaptation to evolving tenant needs, especially in cities like Birmingham and Nottingham. This indicates that office space is not becoming redundant but rather that the way in which it is used is changing.

#### **d) Employment Densities (Jobs to Floorspace)**

- 3.21 Employment density metrics, indicating the number of jobs accommodated per square metre of office space, are crucial to understanding office space requirements. The HCA (2015) Employment Density Guide is often used to inform this analysis. This guide is the most recently published guidance on employment densities and suggests typical employment densities vary by sector: for instance,<sup>11</sup> general office space usually accommodates a job per 10-13 sqm, whereas call centres might have a job per 8 sqm. For all offices, the HEDNA (2022) assumes a density of 14 sqm floorspace (Gross Internal Area) per FTE job, or 12 sqm floorspace (Net Internal Area) per FTE job.
- 3.22 Research by the British Council for Offices (BCO) found that in 2001, average office density in the UK was approximately 14.8 sqm per desk. By 2018, the density was found to have increased to 9.6 sqm per desk<sup>12</sup>.
- 3.23 Despite increased home-working trends, there is limited post-Covid research indicating a reliable update to these densities. In 2022 the British Council for Offices (BCO) published a position paper<sup>13</sup> proposing an update to design specification criteria taking account of post-Covid changes to working practices, moves to hybrid working, changes in occupational density and regulatory changes (including the drive towards net zero carbon). The BCO research found many organisations are reluctant to mandate the workdays on which employees should use offices as opposed to remote locations, meaning there will be days where occupancy levels exceed the average and there is not a consistent pattern of use across the working week.
- 3.24 The BCO guidance recommends a density measurement of sqm per occupant rather than sqm per desk (as in previous reports). The 2022 BCO paper recommends a 10 sqm per person starting density assuming a peak occupancy of 80% within office areas, meaning the effective density would be 12.5 sqm per person for other areas. This would ensure there is sufficient base-build without over-specification.
- 3.25 Commentary from Savills<sup>14</sup> published in February 2023 also indicates that alongside demands for more flexible arrangements for leases and premises, businesses are expected to look to reduce footprints by around 10% in order to balance rising costs with need for increased quality.
- 3.26 Increased demand flexible work arrangements alone do not necessarily imply that employment densities will increase across the board. Instead, many companies retain office

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<sup>10</sup> <https://www.innes-england.com/blog/office-investments-take-a-lead-in-birmingham-commercial-property-deals>

<sup>11</sup> Housing & Communities Agency, Employment Density Guide: 3<sup>rd</sup> Edition (2015)

<sup>12</sup> <https://www.cibsejournal.com/opinion/how-change-office-densities-could-affect-office-design/>

<sup>13</sup> <https://www.bco.org.uk/bco-member-feedback-bco-guide-to-specification-changes>

<sup>14</sup> <https://www.savills.co.uk/blog/article/340089/commercial-property/what-can-we-expect-from-the-office-market-this-year.aspx>

spaces to allow for hot-desking and hybrid working environments, which may help maintain the pre-pandemic density assumptions.

- 3.27 The BCO recommendation of 10 sqm floorspace per person seems a reasonable reflection of this anticipated reduction in footprints and is slightly below the density assumptions used in the HEDNA to model future needs in Coventry (see paragraph 3.21 above). Some slight downward adjustment to the need recommended in the HEDNA to take account of reduced demands for floorspace and higher employment densities may therefore be justified.

#### e) Rise of Co-Working/Shared Office Spaces

- 3.28 The rise of co-working and shared offices, represented by providers such as Regus, WeWork and The Wheelhouse in Coventry, highlights a significant evolution in the office market landscape. Co-working spaces typically offer fully serviced environments with flexible lease terms, making them attractive to freelancers, small businesses, and even larger corporations seeking flexible workspace solutions.
- 3.29 In Coventry, demand for such spaces is growing. This trend is illustrated by the Friars House development, adjacent to the Friargate project, which has seen a high uptake of spaces following a major refurbishment. The development includes FigFlex, a serviced office provider offering short-term and coworking office solutions<sup>15</sup>.
- 3.30 For clarity, it is also worth highlighting the differences between serviced and non-serviced spaces<sup>16</sup>, which are as follows:
- **Serviced Offices:** Fully managed spaces providing utilities, internet, reception services, and cleaning, with flexible lease terms. Advantages include flexible contracts, reduced downtime, clear budget management, and networking opportunities.
  - **Non-Serviced Offices:** Typically leased on longer terms without inclusive services, requiring tenants to manage utilities and other provisions independently.
- 3.31 Serviced offices, with their adaptable lease terms, can support business growth and rapid changes in space requirements, making them ideal for SMEs and expanding companies.

#### f) Future Outlook for Office Markets and Remote Working

- 3.32 A Knight Frank report<sup>17</sup> (2023) notes this shift towards hybrid work has sparked growing interest from both employers and employees, necessitating organisations to adapt their workspace strategies accordingly. Flexible office space providers are at the forefront of meeting these evolving demands, transforming into dynamic hubs that foster collaboration, networking, and innovation. By offering specialised workspaces, robust technology infrastructure, and amenities promoting wellness, these spaces are enhancing productivity, creativity, and employee satisfaction.
- 3.33 The report also notes technology plays a crucial role in facilitating seamless remote collaboration, with cloud computing, collaboration tools, and virtual meeting platforms bridging the gap between remote and in-office teams. As businesses continue to invest in innovative technologies to support hybrid work models, the integration of such tools is expected to shape the future of workspaces beyond 2024.
- 3.34 Looking ahead, CBRE's UK Real Estate Market Outlook Report 2024<sup>18</sup> predicts that the UK

<sup>15</sup> <https://www.thebusinessdesk.com/westmidlands/news/2083523-coventry-office-development-near-full-capacity-after-major-refurbishment>

<sup>16</sup> <https://www.beoffices.com/serviced-office-vs-standard-office-whats-the-difference>

<sup>17</sup> [https://www.knightfrank.co.uk/office-space/insights/culture-and-space/predictions-for-office-and-workspace-trends-in-](https://www.knightfrank.co.uk/office-space/insights/culture-and-space/predictions-for-office-and-workspace-trends-in-2024/#:~:text=Research%20by%20CIPD%20in%20the,designed%2C%20utilised%2C%20and%20managed)

[2024/#:~:text=Research%20by%20CIPD%20in%20the,designed%2C%20utilised%2C%20and%20managed](https://www.knightfrank.co.uk/office-space/insights/culture-and-space/predictions-for-office-and-workspace-trends-in-2024/#:~:text=Research%20by%20CIPD%20in%20the,designed%2C%20utilised%2C%20and%20managed)

<sup>18</sup> <https://www.cbre.co.uk/insights/books/uk-real-estate-market-outlook-2024/office>

office market will gradually regain liquidity as interest rates decline, particularly in the latter half of the year. Despite subdued investment volumes initially, stable yields and falling debt costs are likely to stimulate investment activity, albeit at lower levels than historical averages.

- 3.35 The CBRE report also claims while office-based employment growth may stall due to rising interest rates, office take-up is forecasted to improve relative to 2023 levels, reflecting a more stable macroeconomic environment. Demand for high-quality office space is expected to drive rental growth across most UK markets, with prime office yields anticipated to stabilise and compress over time.
- 3.36 CBRE also claim the creative industries sector is expected to return to the office market in 2024, driven by the need for permanent office solutions and the implementation of return-to-office policies by large tech companies. Despite initial hesitation, US-based boards are increasingly open to office leasing transactions in Europe, contributing to the resurgence of demand in the UK office market.
- 3.37 However, despite these advancements, UCL's 2023 study projects a significant 40% decrease in the value of commercial office buildings by 2029 compared to pre-pandemic levels. This finding carries implications for various stakeholders, including market participants, policymakers, and urban governments reliant on commercial property tax revenue. The potential risk of commercial office real estate becoming a "stranded asset" emphasises the need for careful planning and strategic adaptation to navigate these evolving trends effectively.
- 3.38 Therefore, while the future of the office market appears to be evolving towards a more flexible and technology-driven landscape, there are uncertainties regarding its long-term sustainability. While CBRE's forecast indicates potential improvements in liquidity, rental growth, and the return of certain sectors to the office market, UCL's projection of a substantial decrease in the value of commercial office buildings highlights the lasting impact of remote work practices. The overall outlook for the office market is influenced by the significant changes in work patterns, emphasising the need for stakeholders to adapt and innovate in response to these evolving trends.
- 3.39 These uncertainties include the potential oversupply of office spaces, the changing preferences for flexible and hybrid working models, and the financial feasibility of retrofitting older buildings to meet new standards. Specifically, in the context of Coventry, these uncertainties may manifest in fluctuating demand for office space and varying resilience across different segments of the market. Adaptation and innovation are crucial for stakeholders to navigate these evolving trends effectively.

#### **g) Summary**

- 3.40 The research on UK office markets post-Covid is limited due to the ongoing determination of the pandemic's impacts on work patterns and office demand. Before the pandemic, there was a noticeable increase in flexible working arrangements, driven by technological advancements. Remote working had been gradually increasing, particularly among certain demographic and occupational groups, allowing for a more significant shift experienced during the lockdown.
- 3.41 Recent insights indicate rising vacancy rates in the office market, suggesting a notable shift in working patterns influenced by factors beyond the immediate effects of Covid-19. Home working remains prevalent, indicating a persistent adoption of remote or hybrid work arrangements. Despite efforts to incentivise a return to office spaces, this trend is more successful in higher-quality office environments. The situation in Coventry also mirrors these broader trends, with an observed preference for premium office spaces that offer better

amenities and adaptability to new working norms.

- 3.42 Forecasts suggest that the UK office market will gradually regain liquidity as interest rates decline, with improvements expected in office take-up and rental growth. However, despite advancements, projections indicate a significant decrease in the value of commercial office buildings compared to pre-pandemic levels, emphasising the need for careful planning and adaptation to navigate evolving trends effectively. Therefore, while the future of the office market appears to be evolving towards a more flexible and technology-driven landscape, uncertainties remain regarding its long-term sustainability, highlighting the importance of stakeholders adapting to these changes.
- 3.43 The remainder of the report will analyse the specific needs and demands within the Coventry office market, examining how these broader trends and uncertainties appear in Coventry at a local level.



## 4.0 OFFICE MARKET NEEDS AND DEMANDS IN COVENTRY

4.1 This section presents a thorough examination of current and recent trends in office market needs and demands in Coventry. The section commences by exploring recent office enquires received by Coventry City Council, providing a foundational understanding of the local office market in terms of the current level of demand for office accommodation locally by unit type and size. Subsequently, the analysis progresses to historic sales and lease trends in office accommodation within Coventry and compares these findings with Warwickshire. Finally, this chapter concludes with a discussion of stakeholder engagement outcomes, offering valuable qualitative insights into the diverse perspectives concerning the office market and office accommodation needs in Coventry.

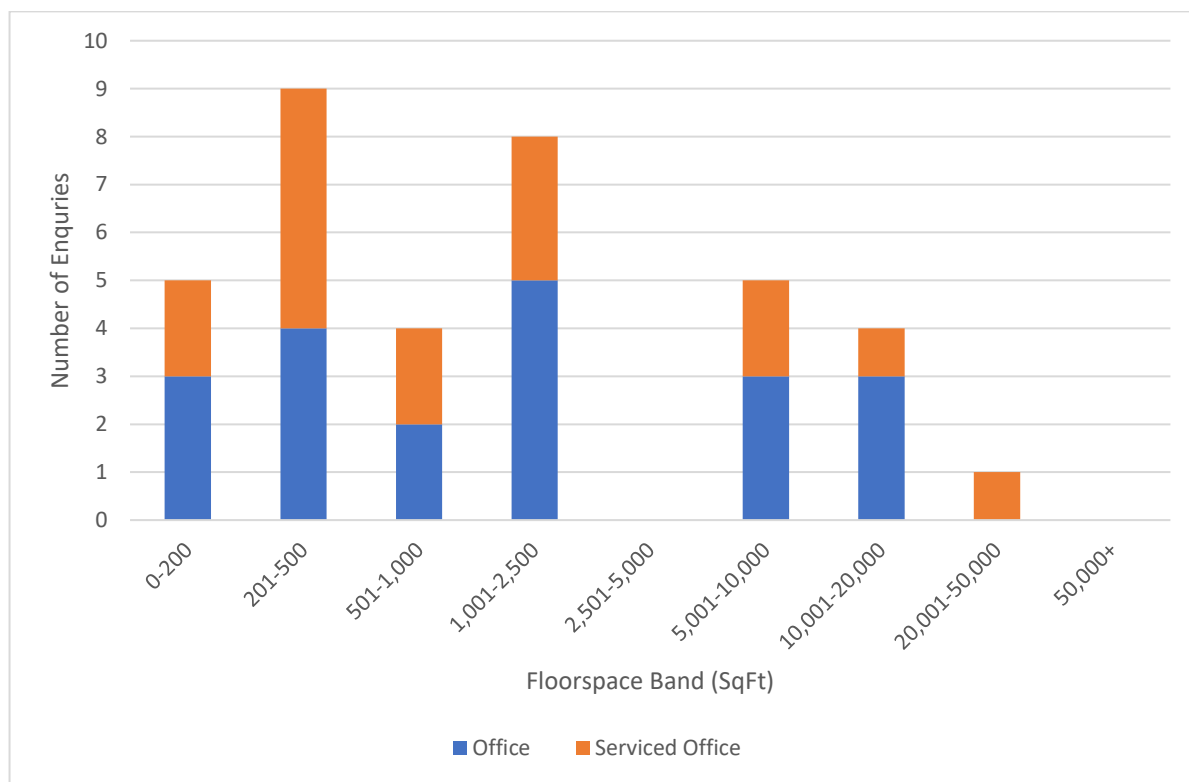
### a) Office Enquiries received by Coventry City Council

4.2 The following data was provided by Coventry City Council and is a reflection of the office enquiries received by the Council between April 2023 and May 2024. The data reflects a total of 36 active enquiries logged during this period and is indicative of the preferences and demand for office spaces within the authority area.

#### i) Number of Enquiries

4.3 Figure 1 shows the distribution of enquiries across different size categories, illustrating distinctive trends in demand. The figures highlight a preference for smaller and mid-sized office spaces among prospective lessees, with limited interest in larger office units.

**Figure 1. Office and Serviced Office Enquiries from April 2023 to May 2024**



Source: Coventry City Council

4.4 The 201-500 square feet category stands out as the most in-demand, receiving a total of 9 enquiries (4 for offices and 5 for serviced offices), indicating a strong preference for smaller office spaces that offer flexibility and potentially lower costs. This category is followed closely by the 1,001-2,500 square feet band, which received a total of 8 enquiries (5 for offices and



3 for serviced offices), showcasing a high level of interest in mid-sized office spaces. Notably however there were no enquiries in the 2,501-5,000 square feet band.

4.5 On the larger end of the spectrum, there were notable but limited enquiries. The 5,001-10,000 square feet band received a total of 5 enquiries (3 for office and 2 for serviced office), while the 10,001-20,000 square feet category garnered 4 enquiries (3 for office and 1 for serviced office). However, larger office spaces, particularly those above 20,000 square feet, witnessed minimal to no demand, with only 1 enquiry in the 20,001-50,000 square feet band and none in the 50,000+ square feet range.

4.6 In total, there were 36 active enquiries logged over the period April 2023 to May 2024, with a slightly higher demand for standard office spaces (20 enquiries) compared to serviced office spaces (16 enquiries). This data collectively underscores a preference for smaller and mid-sized office spaces, with less interest in larger office units within Coventry during the specified period.

ii) **Total floorspace equivalent**

4.7 The following analysis is based on the distribution of total floorspace requirements across various unit size categories based on the enquiries received by Coventry City Council between April 2023 and May 2024. The table below shows there were active enquiries totalling 182,600 sq ft across all size categories over this period.

**Table 5. Total Floorspace Equivalent Based on Enquiries: April 2023 to May 2024**

Office Unit Size (SqFt)	Total Office Enquiries		Total Serviced Office Enquiries		Total Enquiries	
	SqFt	SqM	SqFt	SqM	SqFt	SqM
<b>0-200</b>	400	37	200	19	600	56
<b>201-500</b>	2,000	186	2,500	232	4,500	418
<b>501-1,000</b>	2,000	186	2,000	186	4,000	372
<b>1,001-2,500</b>	9,000	836	5,500	511	14,500	1,347
<b>2,501-5,000</b>	0	0	0	0	0	0
<b>5,001-10,000</b>	20,000	1,858	14,000	1,301	34,000	3,159
<b>10,001-20,000</b>	75,000	6,968	20,000	1,858	95,000	8,826
<b>20,001-50,000</b>	0	0	30,000	2,787	30,000	2,787
<b>50,000+</b>	0	0	0	0	0	0
<b>Total</b>	<b>108,400</b>	<b>10,070</b>	<b>74,200</b>	<b>6,893</b>	<b>182,600</b>	<b>16,964</b>

Source: Coventry City Council

4.8 Table 6 below shows the proportion of total floorspace enquiries within each unit size category which were for offices compared with serviced offices.

**Table 6. Distribution of Demand for Office and Serviced Office Units by Floorspace Category**

Office Unit Size (SqFt)	Office	Serviced Office
0-200	67%	33%
201-500	44%	56%
501-1,000	50%	50%
1,001-2,500	62%	38%
2,501-5,000		
5,001-10,000	59%	41%
10,001-20,000	79%	21%
20,001-50,000	0%	100%
50,000+		
<b>Total</b>	<b>59%</b>	<b>41%</b>

Source: Coventry City Council

- 4.9 In the 0-200 sq. ft. category, 67% of the total floorspace required was for offices, while 33% was for serviced offices. In the 201-500 sq. ft. category, 44% of the total floorspace required was for offices, and 56% was for serviced offices.
- 4.10 Overall, there was a higher proportion of floorspace required in offices compared with serviced offices across all unit size categories, with the exception of the 20,001-50,000 category. However, this only represents one enquiry.
- 4.11 59% of the total floorspace required over the period April 2023 to May 2024 was in standard offices, compared with 41% in serviced offices.

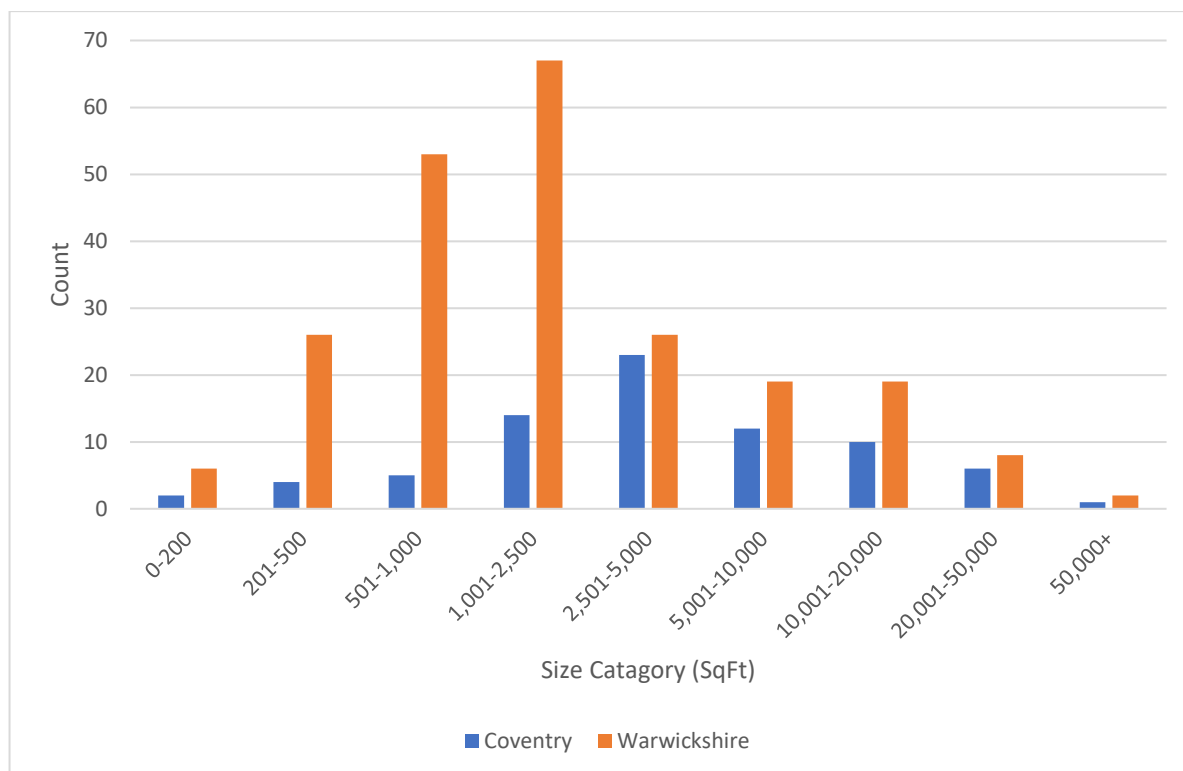
**b) Sales and Lease Transaction Data**

- 4.12 The following is a detailed assessment of sales and lease trends in Coventry and Warwickshire, between January 2021 to April 2024. This provides observations into the office market in these areas, in terms of demand and needs. The commercial property transaction data was sourced from Estates Gazette.
- 4.13 The transactions data was organised based on distinct use classes. Specifically, the focus of this analysis was on those transactions within use classes B1, E(g), and mixed-use properties that integrated office space within the development. Although properties falling within use classes B2 and B8 with small scale offices on-site are captured within transaction data these were excluded from this study. For the purpose of this study the data is split between Warwickshire, including major settlements such as Warwick, Leamington Spa, Stratford-upon-Avon, Rugby, Nuneaton, and Bedworth, reflecting the real estate trends of the wider FEMA; and Coventry.
- 4.14 Coventry's data is kept separate from Warwickshire's to avoid duplication and ensure accurate analysis of sales and lease trends within Coventry itself compared with other areas of the FEMA.
- 4.15 The HEDNA (2022) report highlights that there is a much larger office stock and market presence in Warwickshire compared to Coventry, with 61% of the FEMA's office stock being located in Warwickshire compared to 39% in Coventry. However, at a local authority level the office stock in Coventry represents the highest proportion of all six FEMA authorities, indicating the significance of the office market in Coventry for the FEMA as a whole.

**i) *Leases and Sales by Floorspace***

- 4.16 The following data outlines lease and sales transactions in Coventry and Warwickshire from January 2021 to April 2024. The statistics are based on data obtained from Estates Gazette. The analysis is looking at the trends of lease and sales transactions based on different floorspace categories to provide insights into the preferences and market dynamics in the Coventry and Warwickshire FEMA.
- 4.17 In the analysis of the real estate transactions, Coventry and Warwickshire exhibit varying levels of activity over the specified period. Coventry recorded a total of 106 transactions, consisting of 77 lettings and 29 sales, while Warwickshire saw a higher total of 304 transactions, representing 226 lettings and 78 sales. This indicates a higher volume of real estate transactions in Warwickshire compared to Coventry, which is not surprising given the larger geography and number of settlements contained in the wider Warwickshire area. However, the proportion of transactions in Coventry (26% of all transactions across the six FEMA authorities) is significant.
- 4.18 Delving deeper into the distribution of transactions, approximately 72.64% of total transactions in Coventry were in lettings and the remaining 27.36% in sales. In contrast, Warwickshire had around 74.34% of its transactions in lettings and 25.66% in sales. These percentages highlight a slightly higher proportion of sales transactions in Coventry, while Warwickshire demonstrates a stronger focus on lettings.
- 4.19 When comparing the total number of lease transactions, Warwickshire recorded 226 transactions compared to Coventry's 77 transactions, meaning there were almost three times more lease transactions in Warwickshire than Coventry. As shown in Figure 2 below, in Coventry the highest number of office lease transactions over the last three years was in the 2,501-5,000 square feet category, suggesting a preference for mid-sized office spaces. This also indicates that the market is most active in this size category, meaning a higher turnover of stock. In comparison, in Warwickshire the highest number of leases were in the 1,001-2,500 and 501-1,000 square feet unit categories.
- 4.20 Recent lease transactions in Coventry are primarily focused on mid-sized office spaces (1,001 to 10,000 square feet) with 64% of transactions in Coventry falling within this category. In contrast, Warwickshire has a higher volume of lease transactions in smaller office units (201-2,500 square feet) with 30% of transactions falling within this size bracket.

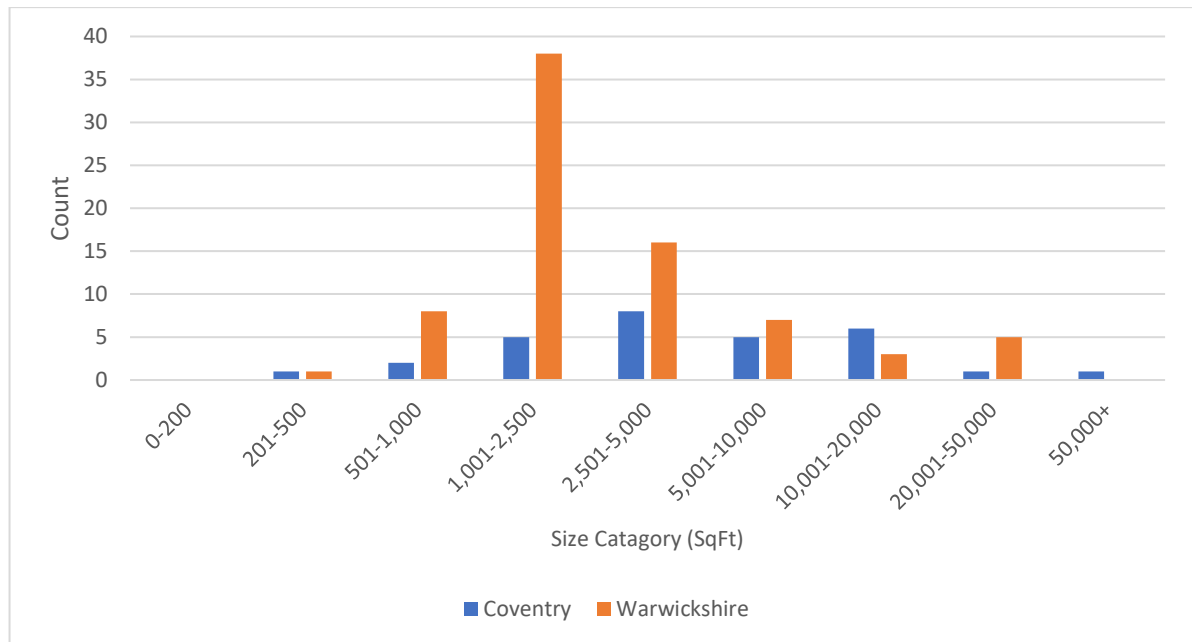
**Figure 2. Lease Transactions: Coventry and Warwickshire**



Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.21 When comparing the total number of sale transactions, Warwickshire recorded 78 transactions compared to Coventry's 29 transactions, meaning there were almost three times more sale transactions in Warwickshire than Coventry. Comparing the market of Coventry and Warwickshire, there is a consistent theme of lower sales activity in both Coventry and Warwickshire in comparison to lease transactions over the past three years.
- 4.22 As shown in Figure 3 below, in Coventry the sales transactions are distributed across different size ranges, with the highest number of sales occurring in the 2,501-5,000 square feet category. Warwickshire, on the other hand, shows a similar pattern with a concentration of sales in the 1,001-2,500 square feet range, with notable sales also in the 2,501-5,000 square feet category. 45% of sales in Coventry fall within the 1,001-5,000 square feet range, while 69% of sales in Warwickshire fall within the same size categories.
- 4.23 For both areas there is a concentration of sales in the mid-sized office units, with the majority of sales taking place between 1,001- 10,000 square feet. 62% of sales in Coventry fall within the 1,001-10,000 square feet range, while 78% of sales in Warwickshire fall within the same size categories.

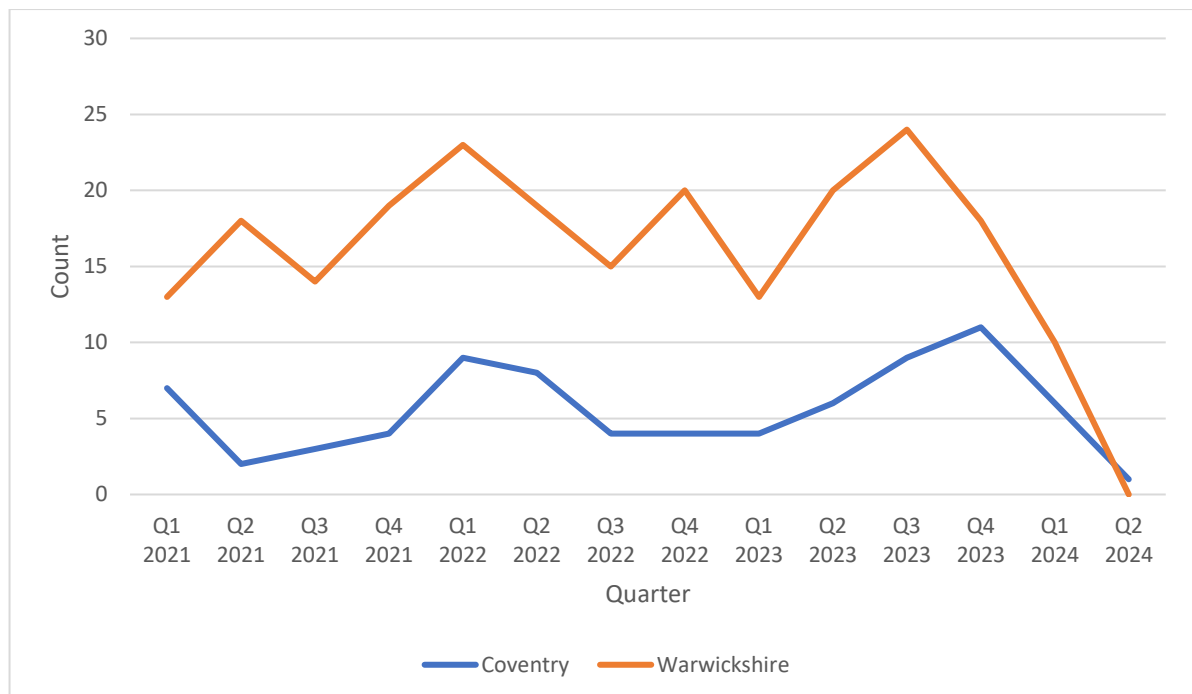
**Figure 3. Sales Transactions: Coventry and Warwickshire**



Source: Estates Gazette Data (January 2021 – April 2024)

**ii) Transactions Per Quarter**

Analysing the data provided for leases in Coventry and Warwickshire, as illustrated in Figure 4. **Lease Transactions per Quarter in Coventry and Warwickshire**

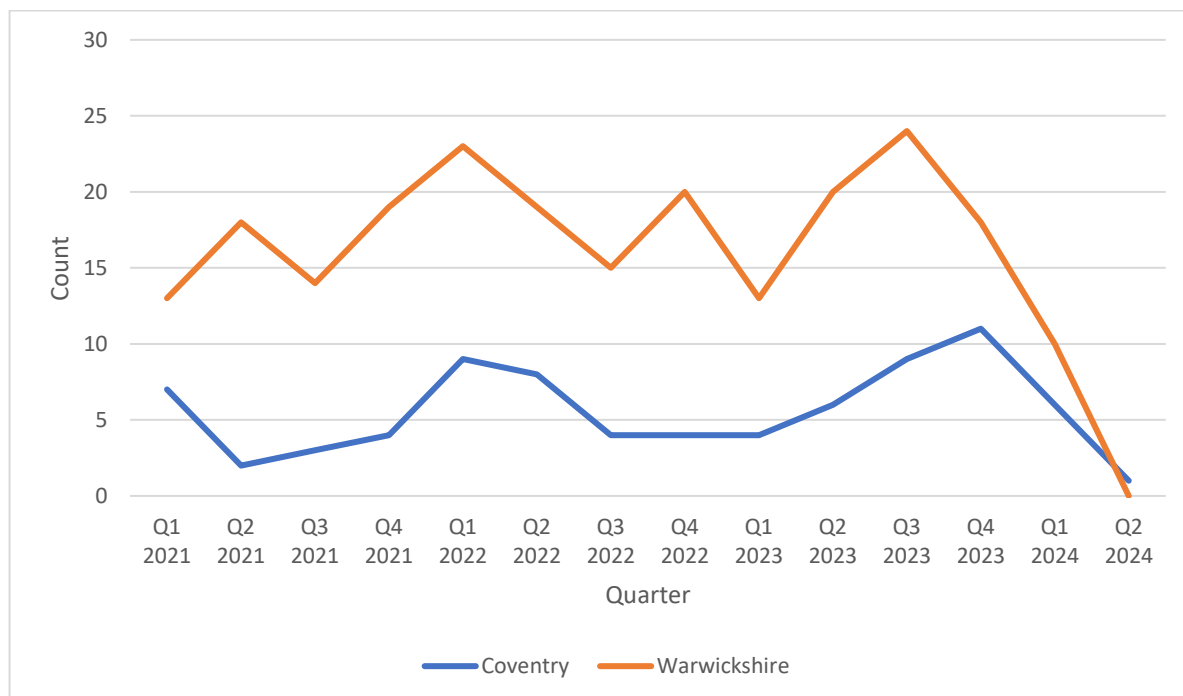


4.24

, it is evident that Warwickshire generally experiences higher market activity compared to Coventry due to the size of the geography involved. Despite this, Coventry's market displays a more consistent trend with fewer fluctuations in the number of leases over time, indicating a slightly more stable market. Warwickshire's office market, on the other hand, shows more variability in lease activity over time, with higher peaks and lower troughs in the number of leases. This suggests potential fluctuations in demand or other market factors influencing

lease transactions in Warwickshire. This may in-part be a function of the higher total ‘count’ of transactions in Warwickshire and greater size of the overall property market but where activity (particularly for leases) is dependent on turnover of a large volume of (on average) smaller office footprints. In Coventry, the average enquiries per quarter was 5.5 compared to 16.1 in Warwickshire.

**Figure 4. Lease Transactions per Quarter in Coventry and Warwickshire**



Source: *Estates Gazette Data (January 2021 – April 2024)*

4.25 The quarter that saw the peak activity for Coventry was Q4 2023 with 11 leases, while for Warwickshire, the highest activity occurred in Q3 2023 with 24 leases. Conversely, the quarter with the least amount of leases for Coventry was Q2 2024, recording only one lease transaction, and for Warwickshire, it was Q2 2024, where there were no recorded leases,



However, this is likely due to the data only running until April, meaning the second quarter only accounts for a month, whereas the other quarters account for three months of data.

- 4.26 The analysis in the HEDNA report, highlighted in paragraph 3.22, reveals that between 2019 and 2021, both Coventry and Warwickshire experienced higher vacancy rates, with Coventry specifically facing a substantial vacancy rate of 6.1% in 2021; an increase of 0.7% from 2019. This increase in vacancy rates is suggestive of the adverse impacts of Covid-19. The correlation between this data and the observed trend in the figure above indicates a potential point of recovery around Q3 of 2021 for both areas as they navigate through the challenges posed by the pandemic.
- 4.27 Analysing the sales data for Coventry and Warwickshire, as shown in Figure 5 below, it is notable that both areas saw significantly fewer transactions compared to leases, indicating a lesser volume of sales activity in the office market.

**Figure 5. Sales Transactions per Quarter in Coventry and Warwickshire**



Source: *Estates Gazette Data (January 2021 – April 2024)*

4.28 In terms of the highest sales transactions, the peak for Coventry occurred in Q2 2021 with 6 sales, while Warwickshire saw its highest activity in Q1 2021 with 11 sales. On the contrary, the lowest point for Coventry was in several quarters with 0 sales, including Q3 2021, Q1 2024, and Q2 2024. Similarly, Warwickshire experienced no sales in Q2 2024, marking the least active period for sales transactions.

4.29 In general, when looking at the sales data for Coventry and Warwickshire, there is a noticeable pattern of more fluctuations in the number of sales transactions over the quarters compared to lease transactions.

**iii) Average Sales and Lease Values**

4.30 When analysing sales and lease values, it should be noted that price data was not available for all transactions. The following analysis is therefore based on the data available. In Coventry, the price data is available for a total of 29 out of 49 lease transactions and 20 out of 31 sales transactions. This translates to 59.2% of lease transactions and 64.5% of sales transactions. Similarly, in Warwickshire, the sale price data is provided for 74 out of 105 lease transactions and 48 out of 66 sales transactions, representing 70.5% of lease transactions and 72.7% of sales transactions with available price information.

**Table 7. Average Value Per Square feet for Lease and Sale Transactions: January 2021 – April 2024 in Warwickshire and Coventry**

	Lease Transactions		Sale Transactions	
	Coventry	Warwickshire	Coventry	Warwickshire
<b>Highest transaction value per sq ft</b>	£49.55	£56.39	£5,839.48	£546.98
<b>Lowest transaction value per sq ft</b>	£1.92	£6.00	£38.10	£68.56
<b>Average transaction value (per sq ft)</b>	£16.13	£15.73	£534.24	£169.34

Source: Estates Gazette Data (January 2021 – April 2024)

4.31 As shown in Table 7, in terms of lease transactions Coventry has the highest average cost per square foot at £16.13, while Warwickshire's average stands slightly lower at £15.73. This indicates that in terms of leasing, Coventry's office spaces are marginally more expensive on average compared to Warwickshire.

4.32 In contrast, looking at sales prices per square foot, Coventry shows a significantly higher average cost of £534.24, while Warwickshire has a lower average of £169.34. However, in Coventry, there is a significant outlier where one individual sale price is £5,839.48 per square foot, which has driven the overall average sale price for Coventry up to £534.24 per square foot. This outlier significantly impacts the overall average sales price reported for Coventry, indicating that there may be some exceptionally high-priced transactions in the market.

4.33 If this outlier value is excluded, the average sales price per square foot decreases to £313.19. This adjustment still indicates that Coventry remains more expensive per square foot for office spaces compared to Warwickshire.

**Table 8. Average Transaction Value per Size Category: in Coventry and Warwickshire**

	Lettings	Sales
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	Coventry	Warwickshire	Coventry	Warwickshire
0-200	£32.92	£28.76		
201-500	£26.66	£19.21	£1,577.21	£332.51
501-1,000	£15.29	£16.21	£145.23	£250.28
1,001-2,500	£12.79	£12.93	£364.42	£166.10
2,501-5,000	£11.96	£14.12	£241.10	£153.42
5,001-10,000	£22.95	£15.33	£724.51	£155.05
10,001-20,000	£19.33	£16.94	£1,209.02	£163.82
20,001-50,000	£12.73	£21.89	£82.83	£99.77
50,000+	£17.39		£160.38	

Source: *Estates Gazette Data (January 2021 – April 2024)*

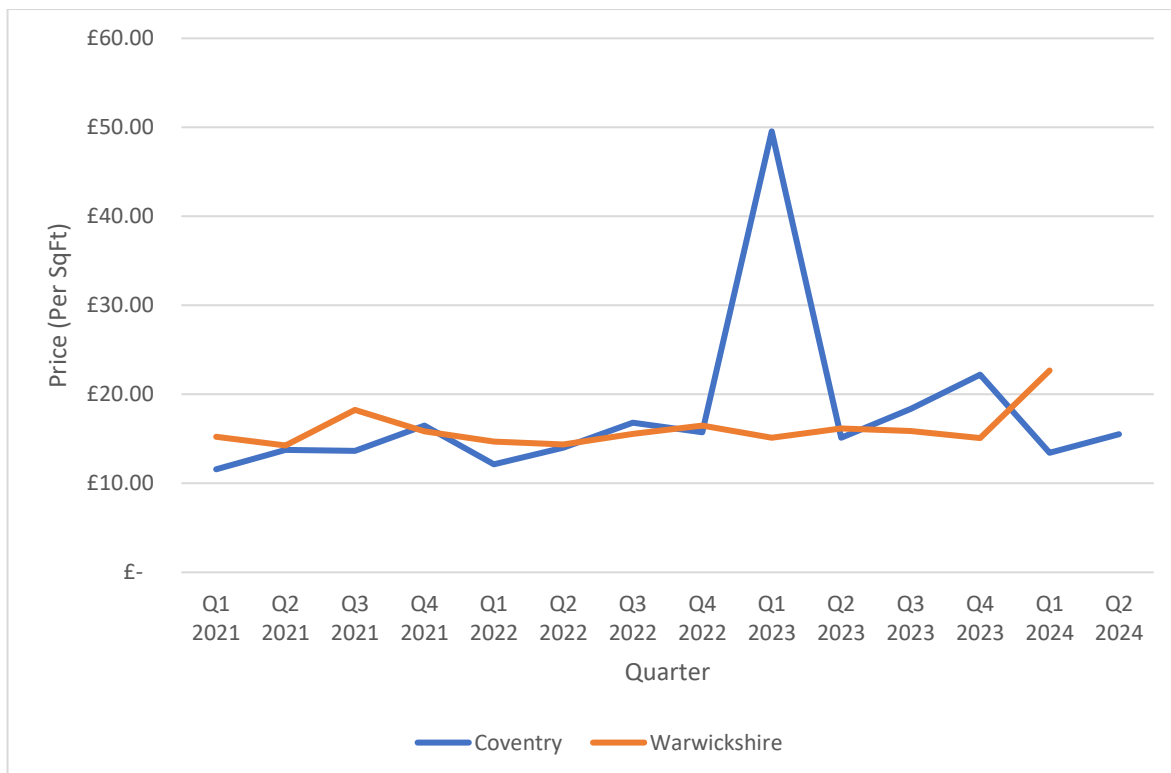
- 4.34 In terms of lease prices, as shown in Table 8 it is observed that Coventry generally exhibits higher average lease prices compared to Warwickshire across various size categories. Coventry's most expensive lease falls within the 0-200 square feet unit category at £32.92 per square foot, while Warwickshire's highest priced lease in the same category is £28.76. In terms of sales, Coventry commands the highest price in the 201-500 square feet category at £1,577.21 per square foot, whereas Warwickshire's peak sales price in the same category is £332.51 per square foot.
- 4.35 Only one sale was observed in the 201-500 square feet category in Coventry, indicating limited availability in this size range. The property in question appears to lack high-quality features and is situated within a residential zone. The building's structure, resembling conjoined former semi-detached houses, hints at potential land scarcity, which could be a contributing factor to the elevated prices witnessed. This scarcity aligns with observations made in the ELR (2024), reflecting a market trend where limited land availability is influencing pricing dynamics.
- 4.36 This data highlights the contrasting pricing trends between Coventry and Warwickshire for office leases and sales, with Coventry generally commanding higher prices per square foot in both lease and sale transactions.
- 4.37 As shown in Table 9 and Figure 6 below, the lease costs in Coventry exhibit notable fluctuations across the observed period. There is a significant spike in the lease cost during Q1 2023, where it dramatically increases to £49.55 from £15.75 in Q4 2022. This sharp rise could indicate a potential anomaly. However, this lease was in Pinley House which is particularly high quality office space in Coventry explaining why the price was higher per square foot than usually seen. Apart from this, lease costs generally range between £11.58 and £18.35, showing a steadier, albeit fluctuating, trend with occasional peaks.
- 4.38 In contrast to Coventry, the lease costs in Warwickshire remain relatively stable over time. Most of the lease costs hover between £14.26 and £16.50, indicating a more consistent market. However, there is an increase to £22.68 in Q1 2024 again this is due to the lease of a particularly high quality unit in Leamington Spa, which was over £56.39 per square foot driving the average for the quarter up. However, despite these anomalies, there does not appear to be a strengthening trend in lease costs as observed in some regional comparisons like Birmingham (as noted in Section 3 of this report).

**Table 9. Average Sale and Lease Transaction Values per Quarter: in Coventry and Warwickshire**

	Leases		Sales	
	Coventry	Warwickshire	Coventry	Warwickshire
Q1 2021	£ 11.58	£ 15.25	£ 106.27	£ 156.54
Q2 2021	£ 13.75	£ 14.26	£ 1,148.32	£ 157.43
Q3 2021	£ 13.65	£ 18.27		£ 202.72
Q4 2021	£ 16.50	£ 15.84	£ 542.50	£ 148.84
Q1 2022	£ 12.15	£ 14.71	£ 227.11	£ 247.23
Q2 2022	£ 14.02	£ 14.36	£ 151.64	£ 146.28
Q3 2022	£ 16.82	£ 15.54	£ 54.16	£ 176.88
Q4 2022	£ 15.75	£ 16.50	£ 157.33	£ 219.92
Q1 2023	£ 49.55	£ 15.12	£ 75.09	£ 181.21
Q2 2023	£ 15.12	£ 16.16	£ 2,938.79	£ 155.12
Q3 2023	£ 18.35	£ 15.89	£ 160.38	£ 200.71
Q4 2023	£ 22.20	£ 15.08		£ 107.74
Q1 2024	£ 13.45	£ 22.68		£ 176.07
Q2 2024	£ 15.52		£ 82.83	

Source: *Estates Gazette Data (January 2021 – April 2024)*  
 NB: shaded boxes indicated Quarters without any transactions.

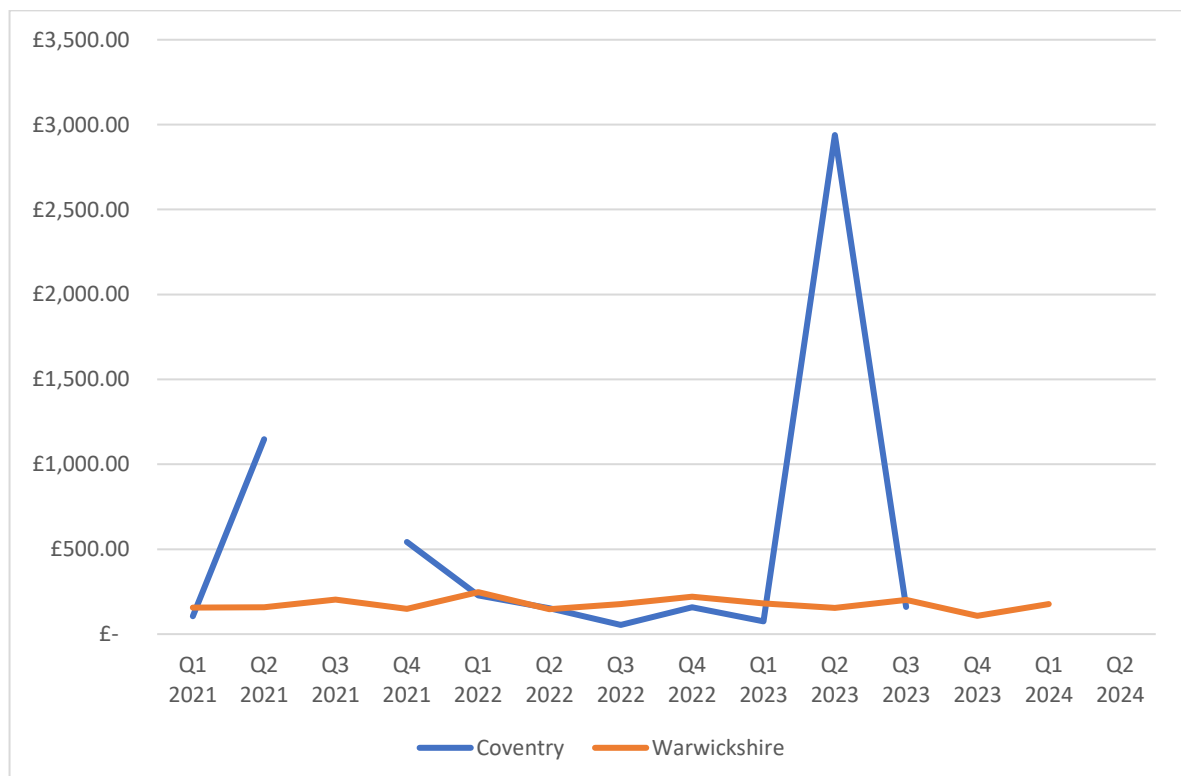
Figure 6. Average Lease Transaction Values per Quarter: in Coventry and Warwickshire



Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.39 The sales data for Coventry shows significant variability, as illustrated in Figure 7. For example, there is a noticeable increase in Q2 2021, where sales peak at £1,148.32, while most other quarters remain below £227.11. The most pronounced spike occurs in Q2 2023 with sales reaching £2,938.79, that was a result of the property that sold for £5,839.48 per square foot. Additionally, several quarters have missing data, specifically Q3 2021, Q4 2023, Q1 2024, and Q2 2024, making it challenging to establish a continuous trend.
- 4.40 The sales data for Warwickshire demonstrates greater consistency compared to Coventry. Sales values generally range between £146.28 and £247.23, although there are notable increases in Q3 2021 and Q1 2022. A marked decrease occurs in Q4 2023, with sales dropping to £107.74, which could be considered an anomaly or indicative of a market downturn.

**Figure 7. Average Sale Transaction Values per Quarter: in Coventry and Warwickshire**



Source: *Estates Gazette Data (January 2021 – April 2024)*

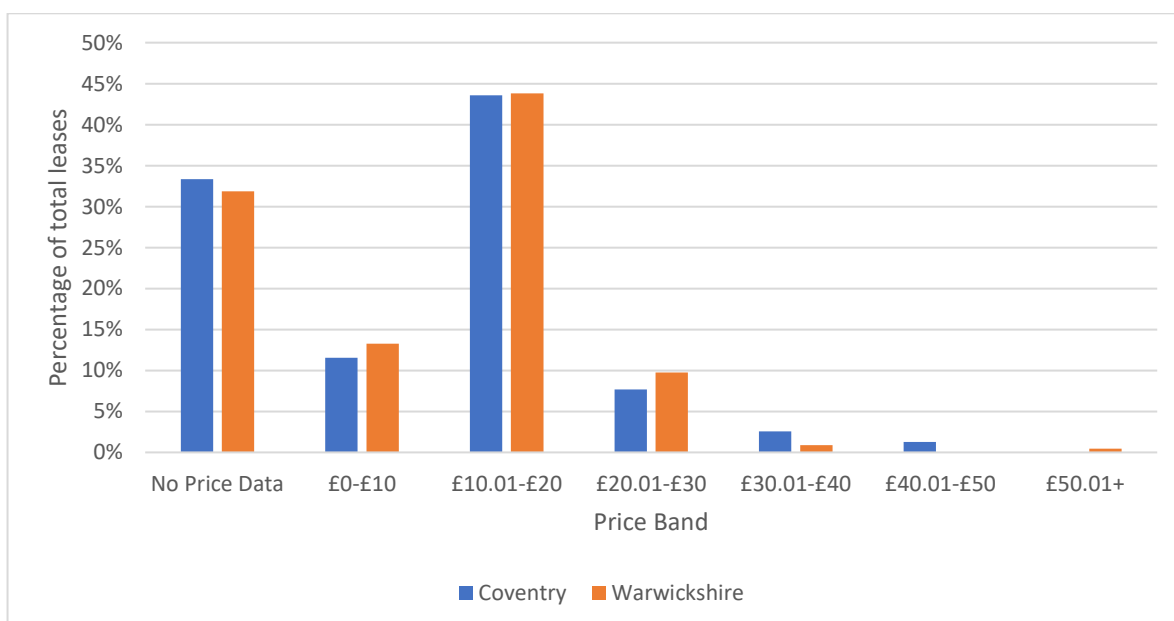
4.41 The data in Table 9, Figure 6 and Figure 7 reflects varying trends in lease and sales pricing between Coventry and Warwickshire across different quarters. Coventry exhibited notable pricing fluctuations in both leases and sales, with a peak in Q1 2023 for leases (£49.55 per square foot) and Q2 2023 for sales (£2,938.79 per square foot). Warwickshire, on the other hand, demonstrated more consistent pricing trends, with stable pricing noted in several quarters. Noteworthy instances include Q3 2021 for Warwickshire (£202.72 per square foot) and Q4 2023 for sales in Warwickshire (£107.74 per square foot).

4.42 For leases, the most affordable pricing in Coventry was noted in Q1 2021 at £11.58 per square foot, whereas Warwickshire reported its lowest lease price in Q2 2021 at £14.26 per square foot. For both areas it is likely these are pandemic-related anomalies. In terms of sales, Coventry witnessed its most economical sales prices in Q3 2022 at £54.16 per square foot. In contrast, Warwickshire's least expensive sales transactions were observed in Q1 2021 at £156.54 per square foot.

**iv) Overall, Price Per Square Foot Trend**

4.43 The most prevalent lease price range in Coventry and Warwickshire is between £10.01 and £20, representing 44% of leases in both areas, as shown in Figure 8 below. This pattern suggests a level of consistency in pricing within this range across Coventry and Warwickshire. In the mid-tier lease price categories, Coventry accounts for 8% of leases in the £20.01-£30 range, slightly lower than Warwickshire's 10%. This indicates a marginally higher inclination towards mid-range lease pricing in Warwickshire compared to Coventry. However, in higher lease price brackets including £30.01-£40 and £40.01-£50, Coventry has a higher proportion of lease transactions (3% and 1% respectively) in these brackets in comparison to Warwickshire, potentially indicating a concentration of higher-end lease options in Coventry.

**Figure 8. Percentage of lease transactions by price band (£ per square feet)**



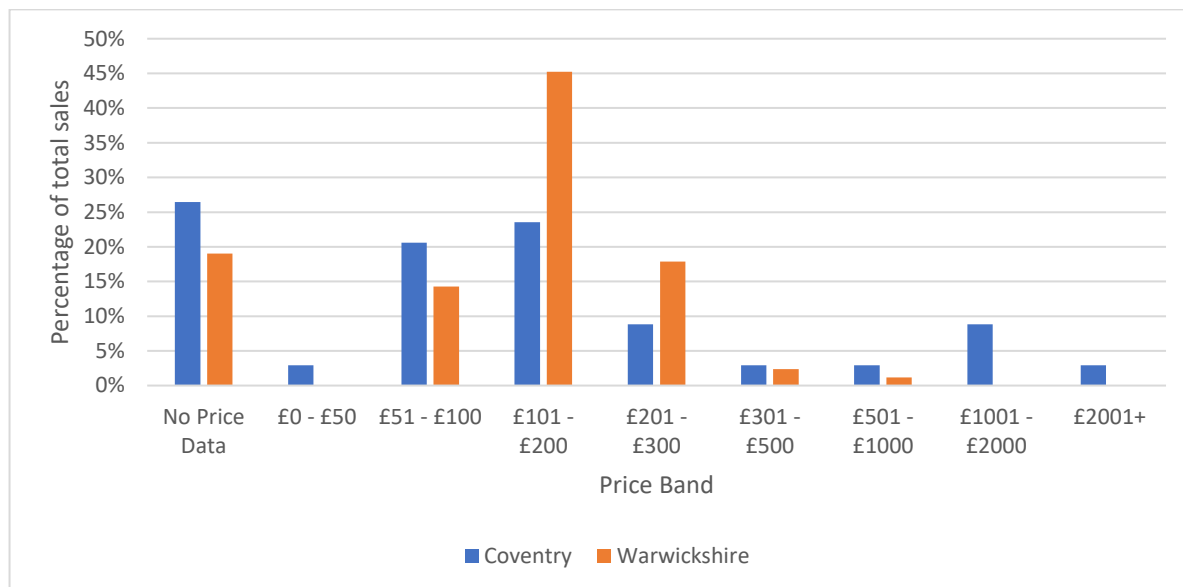
Source: *Estates Gazette Data (January 2021 – April 2024)*

4.44 The sales data in Coventry and Warwickshire is much more varied in how it is distributed across different price ranges than lease data, as shown in Figure 9. While the majority of



sales in Coventry fall within the £101-£200 range at 24%, Warwickshire demonstrates a significantly higher proportion of 45% within this range. This suggests a broader market concentration for mid-range sales in Warwickshire than in Coventry.

**Figure 9. Percentage of sales transactions by price band (£ per square feet)**



Source: *Estates Gazette Data (January 2021 – April 2024)*

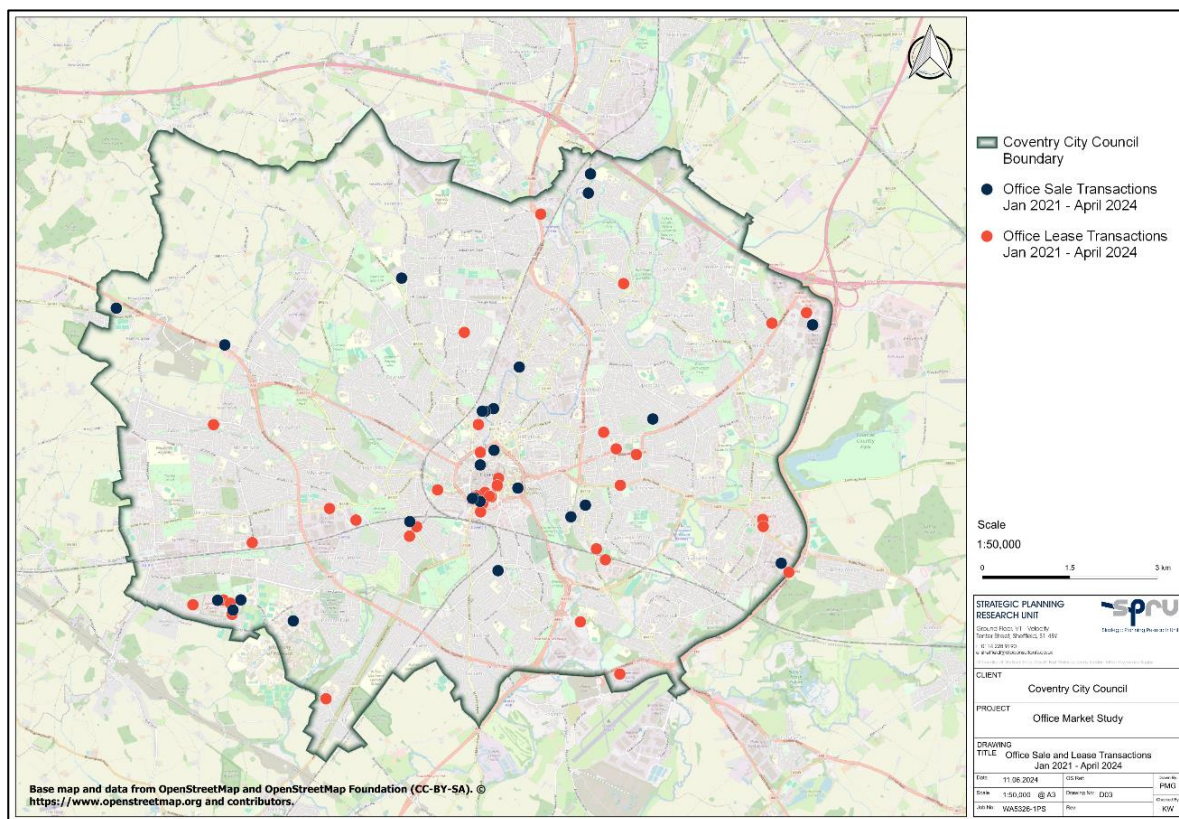
4.45 Coventry showcases a more varied range of sales prices compared to Warwickshire, implying potential variations in demand and supply dynamics between the two regions. Coventry's sales data shows a higher percentage of transactions in the lower (£0-£50) and higher (£1001-£2000) price ranges, indicating that there could be a more polarised market with high demand for both budget and premium properties. In contrast, Warwickshire's concentration in the mid-range prices suggests a stronger, more stable demand for properties within this price bracket. These differences hint at Coventry having a diverse property market with niche segments, whereas Warwickshire may have more uniform demand for mid-priced properties.

**v) Spatial Distribution**

4.46 The following provides an analysis of the spatial distribution of sales, leases and overall transactions data within Coventry. By examining the geographic patterns of these activities, we can identify key trends and potential factors influencing the market. Larger scale versions of the plans shown in this section can be found in **Appendix 1** of this report.

4.47 As shown in Figure 10, when considering all transactions (both sales and lettings), there appears to be no clear pattern in their geographical distribution as they are fairly evenly spread across the Coventry local authority area. However, a noticeable gap in transactions exists in the north-western parts of the built-up areas of the city, suggesting lower transactional activity or potentially less developed commercial areas in that quadrant.

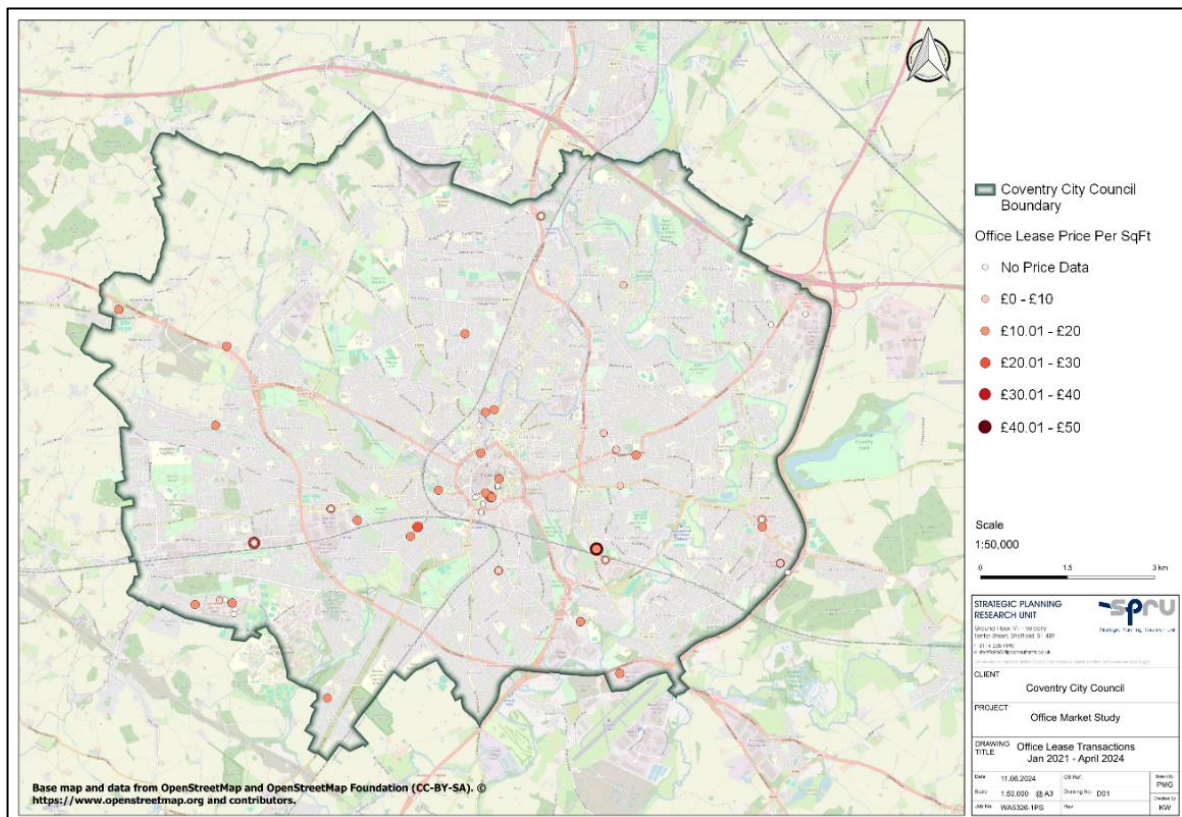
**Figure 10. Total Office Transactions in Coventry January 2021 – April 2024**



Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.48 Interestingly, there are distinct concentrations of transactions in two particular areas: the city centre and the south-western part of Coventry. Notably, these areas correspond to the locations of prominent universities: Coventry University in the city centre and the University of Warwick in the south west. This correlation indicates that areas around universities may attract increased transactional activity, potentially influenced by factors such as recent development or refurbishment of premises.
- 4.49 In terms of office lease transactions, **Error! Not a valid bookmark self-reference.** shows a balanced distribution of transactions across the city. While transactions are spread out evenly overall, it is evident that the north-western built-up area of Coventry shows a notable lack of lease transactions, indicating potentially lower demand or less active office leasing in that area.

**Figure 11. Office Lease Transactions in Coventry by Price January 2021 – April 2024**

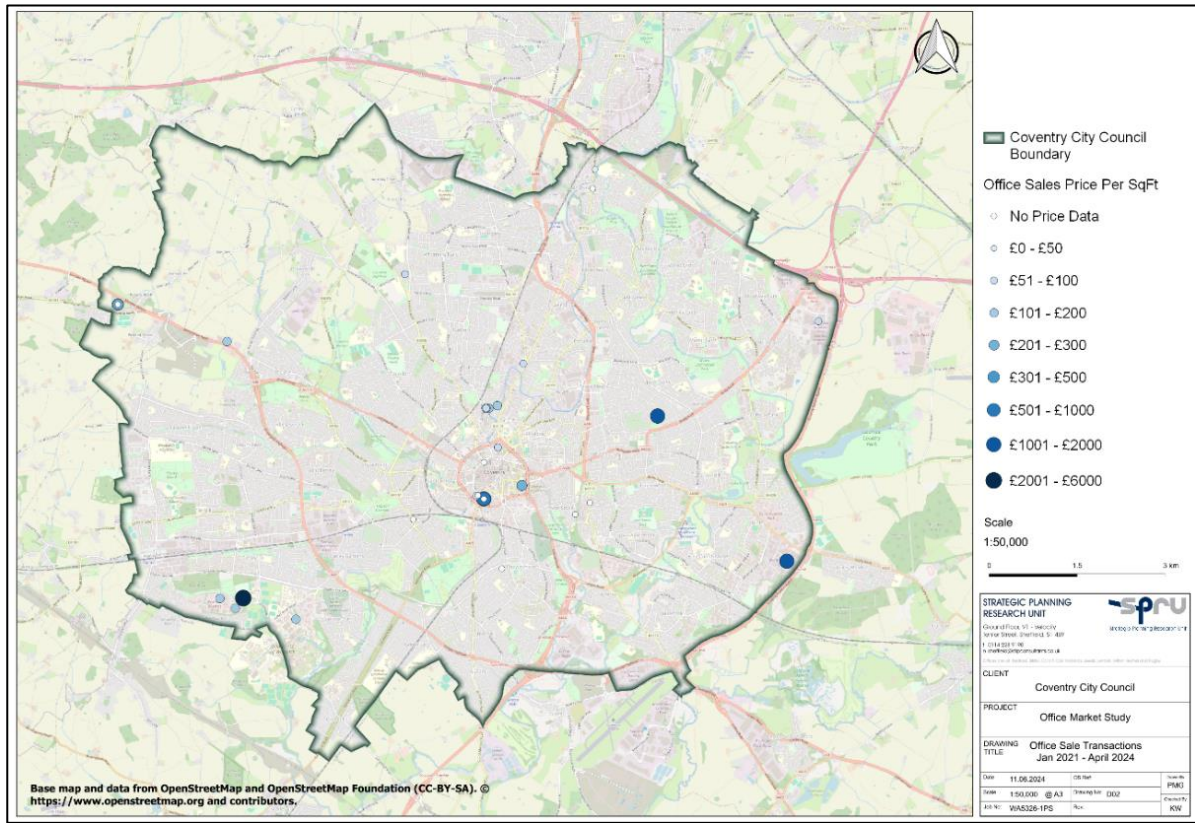


Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.50 There is a concentration of lease transactions in the centre and south-western parts of the city, suggesting higher activity and demand for office spaces in these areas. Interestingly, price data is missing for several sites in these concentrated regions; however, based on available transaction details, lease prices in these areas tended to fall within the £10.01-£20 per square feet range, aligning with similar patterns observed in the central Coventry region.
- 4.51 The most expensive office lease prices were notably located approximately 2.5 kilometres southeast of the city centre and about 4.5 kilometres west from the central business district. There does not appear to be one specific high value area for lease transactions within Coventry.
- 4.52 In terms of sales data, the distribution of transactions is notably less dense compared to lease prices within Coventry, as shown in Figure 12 below. A concentration of sales is observed in the city centre, indicating a higher level of sales activity and demand in this central area.

**Figure 12. Office Sale Transactions in Coventry January 2021 – April 2024**

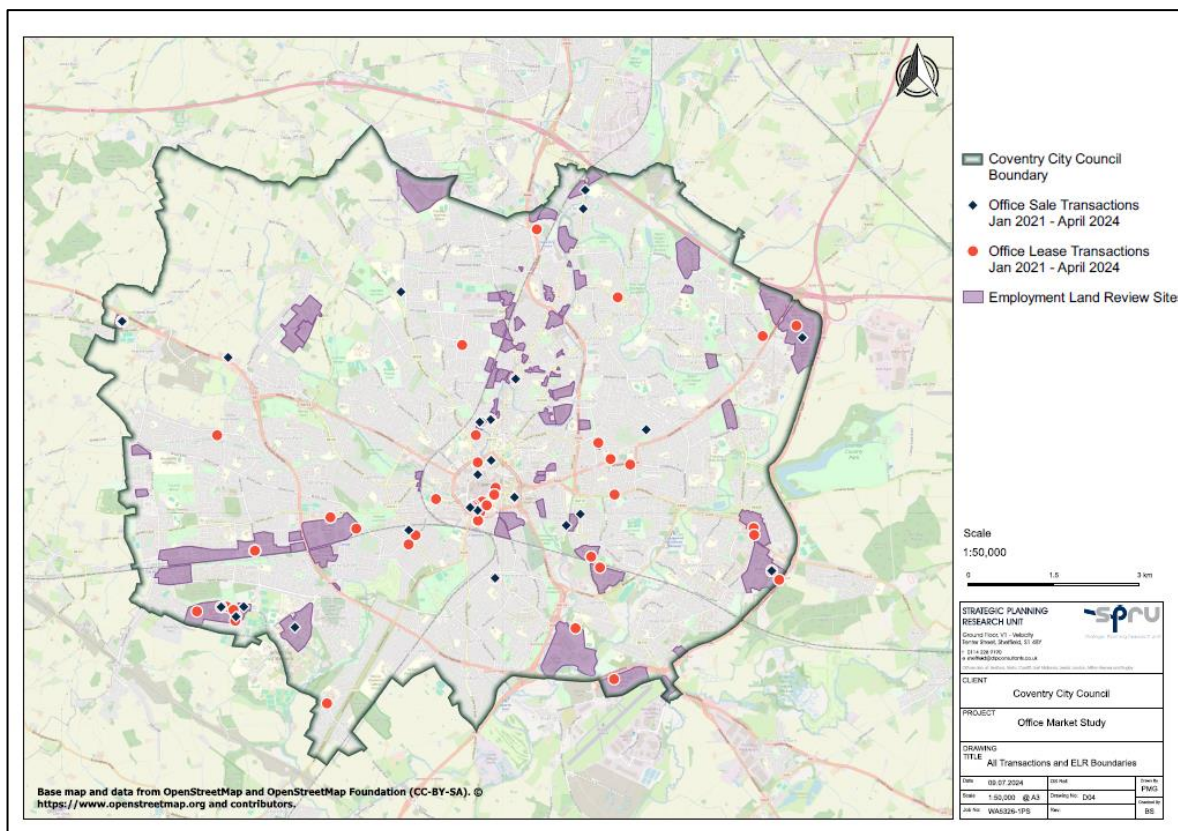




Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.53 Unlike the lease prices, there are fewer transactions with available price data for sales. Interestingly, a number of the more expensive sales prices per square foot occurred outside the city centre. This suggests that some premium sales values are found in areas further from the city centre, potentially reflecting better quality properties in some non-city centre locations.
- 4.54 Once again, a concentration of sales is noted specifically in the south-western region of Coventry. This area seems to attract significant sales activity, highlighting it as a desirable location for property transactions in the city and potentially reflecting proximity to neighbouring Warwickshire in terms of patterns of labour demand and economic activity.

**Figure 13. All Transactions and Employment sites assessed in the Employment Land Review**

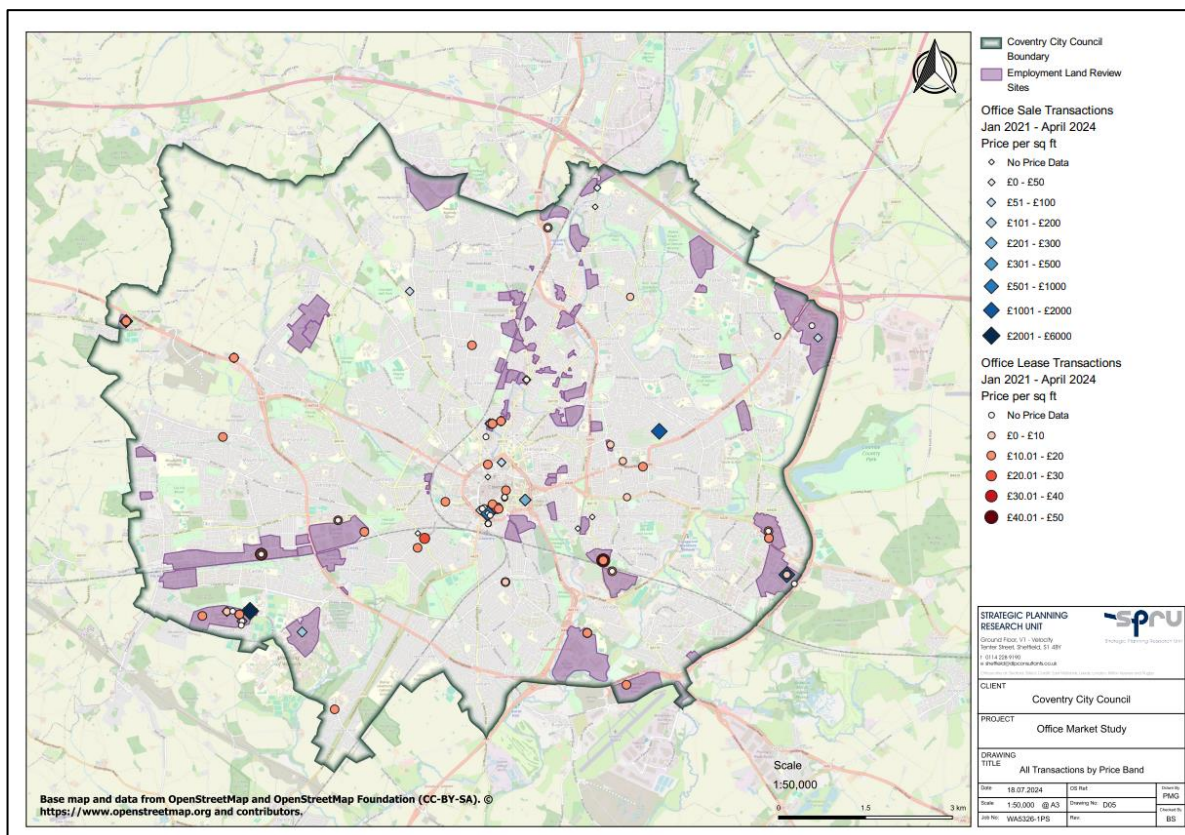


Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.55 Figure 13 shows office lease and sale transactions in Coventry from January 2021 to April 2024, alongside sites assessed in the Employment Land Review (purple shaded areas).
- 4.56 Office leases (red dots) outnumber sales (blue dots) and show a wider distribution across the city. Leases are particularly concentrated in the city centre and southern areas, with notable activity also in western and northeastern parts. Office sales, though fewer, also cluster primarily in the city centre, with some transactions in southern areas and sporadic occurrences elsewhere.
- 4.57 The purple shaded areas, representing sites assessed in the Employment Land Review, are distributed across the city, with larger zones in the north, southwest, and southeast. Interestingly, many office transactions occur outside these assessed areas, especially in the city centre. This suggests that current office market activity is not confined to these areas.
- 4.58 The distribution indicates a strong preference for central locations in both leases and sales, likely due to established business infrastructure. The higher number of leases compared to sales might reflect market trends favouring flexible occupancy over ownership during this period.



**Figure 14. All Transactions by Price Band**

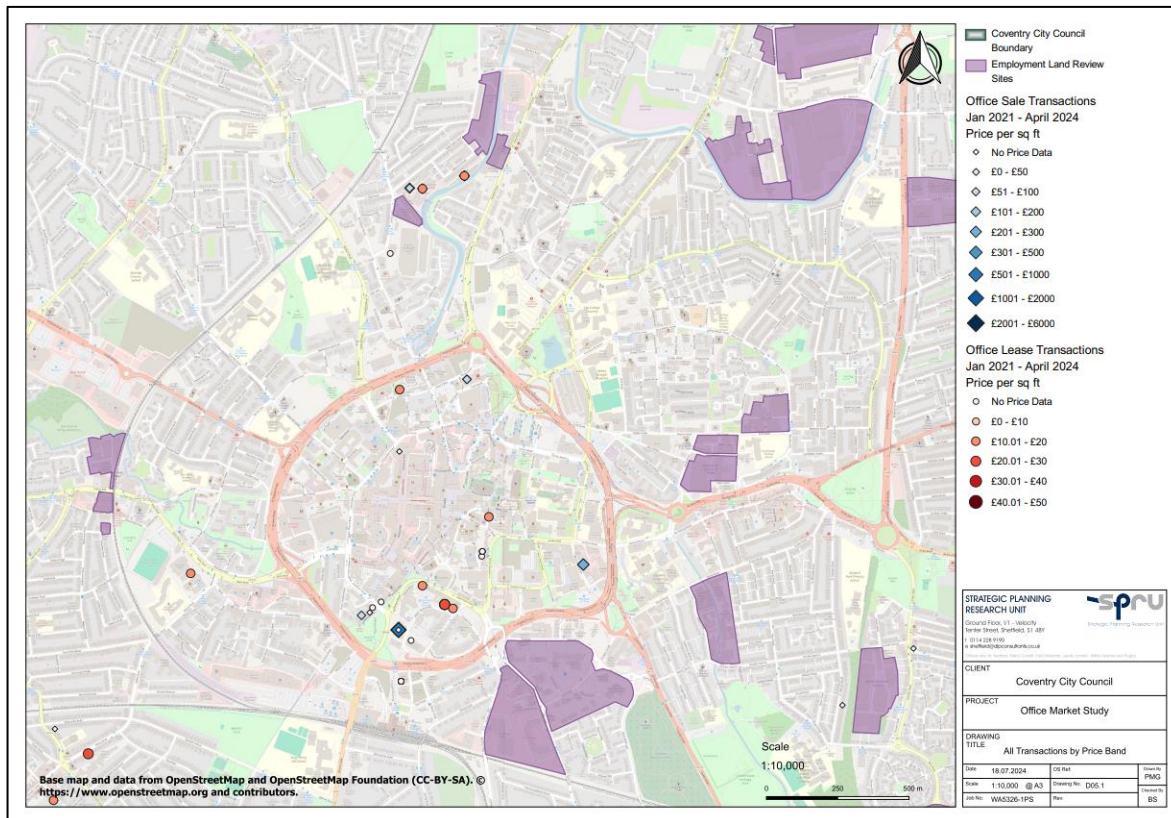


Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.59 Figure 14 illustrates Coventry's office market sales and leases by price per square foot. Sales (diamond shapes) show a concentration in the £0-£500 range, with sporadic high-value sales in the city centre and south.
- 4.60 On the other hand, lease transactions (circles) typically range from £0 to £50 per sqft, with a notable density in the city centre and lower prices in outer areas. The city centre exhibits high diversity in both sales and leases across various price ranges.
- 4.61 Transactions in central locations tend to be higher in value, while suburban areas generally lower-priced.
- 4.62 The transactions in the sites assessed in the Employment Land Review show high-value transactions, particularly in the south, with notable activity outside these designated areas in the city centre.



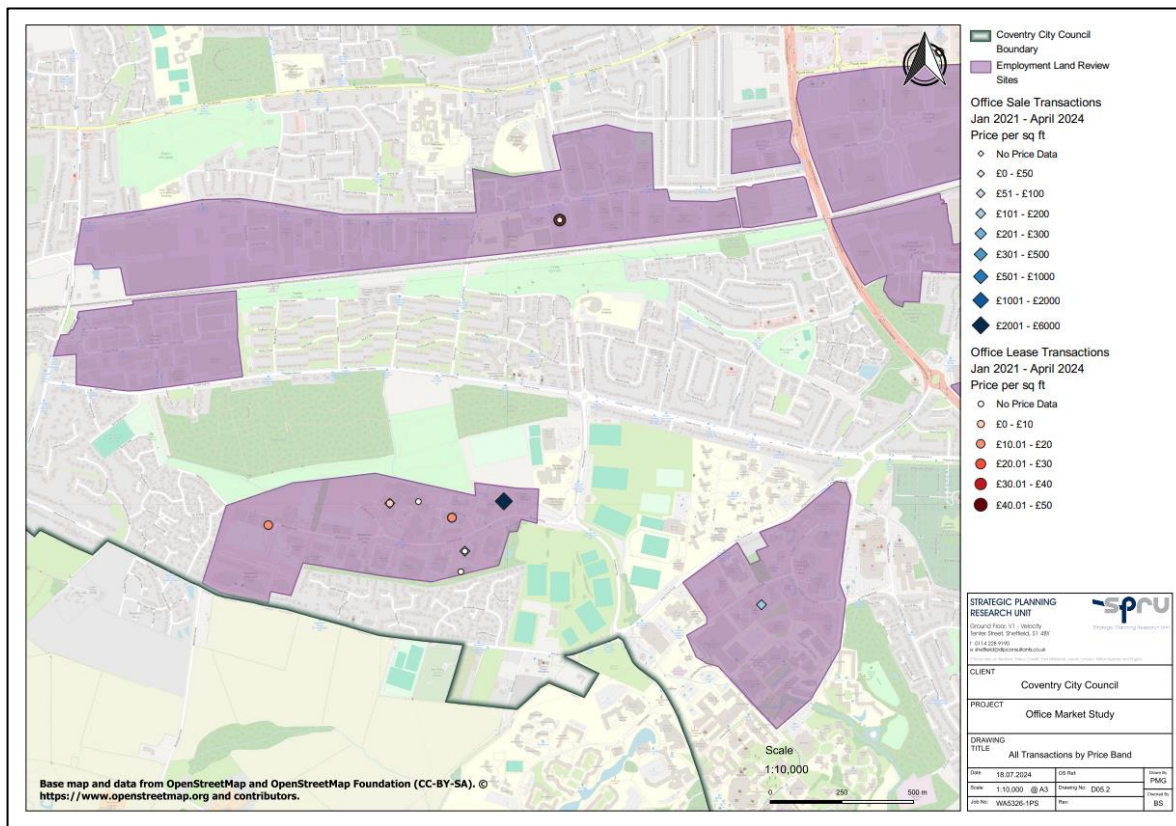
**Figure 15. All Transactions by Price Band – City Centre**



Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.63 Figure 15 shows there is a notable concentration surrounding of assessed sites in Coventry City Centre with no transactions recorded within these.
- 4.64 The distribution of office sale transactions (diamonds) varies, with prices ranging from below £50 to over £2000 per square foot. Higher-priced transactions are scattered across the centre, suggesting a mixed market with both high and low-value properties.
- 4.65 Lease transactions (circles) exhibit a similar distribution, though with a greater concentration towards the lower end of the price spectrum (£0-£10 and £10.01-£20). This indicates a higher volume of leasing activity at more affordable rates, which may appeal to smaller businesses or start-ups.

**Figure 16. All Transactions by Price Band – South West Coventry**

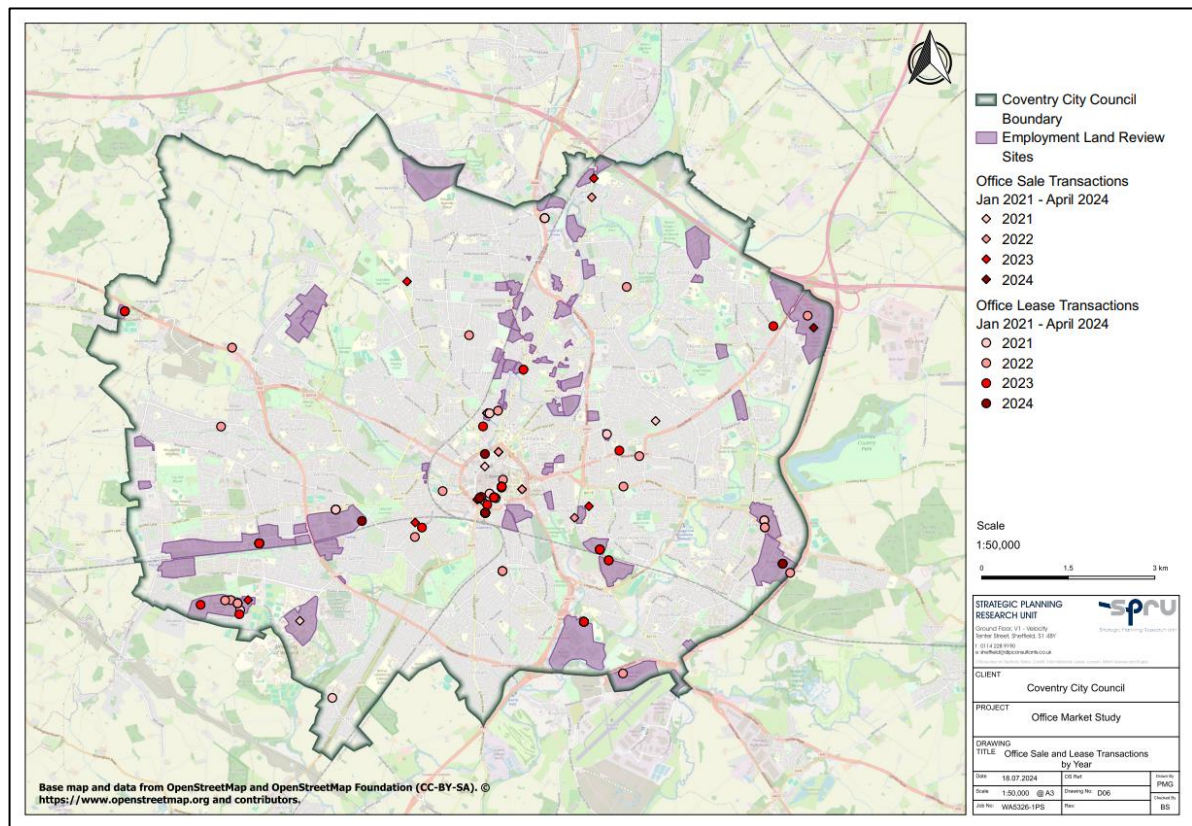


Source: *Estates Gazette Data (January 2021 – April 2024)*

- 4.66 Figure 16 shows a more dispersed pattern of assessed sites, with notable clusters in certain areas but generally less density compared to the city centre. This suggests that employment land in the south-west may be more fragmented or spread out. Office sale transactions in this area are fewer and primarily fall within the lower price bands, typically below £100 per square foot. This could imply a lower demand or less premium market compared to the city centre.
- 4.67 Lease transactions in the south-west also show a tendency towards lower price bands, with a few exceptions reaching up to £50 per square foot. The overall distribution suggests that while there is some office market activity, it is not as intense or high-valued as in the city centre.
- 4.68 Comparing Figure 15 and Figure 16, it is evident that the city centre has a higher concentration of assessed sites and a broader range of transaction values for both sales and leases. The higher transaction values in the city centre reflect its status as a commercial hub with greater demand for office space. In contrast, the south-west area, while active, appears to serve a more modest market with lower transaction values and fewer high-value properties.
- 4.69 Overall, these maps illustrate the differing dynamics of Coventry's office market, with the city centre showing a robust and varied market, while the south-west presents a more subdued but still significant area for office transactions.

**Figure 17. All Transactions by Year**





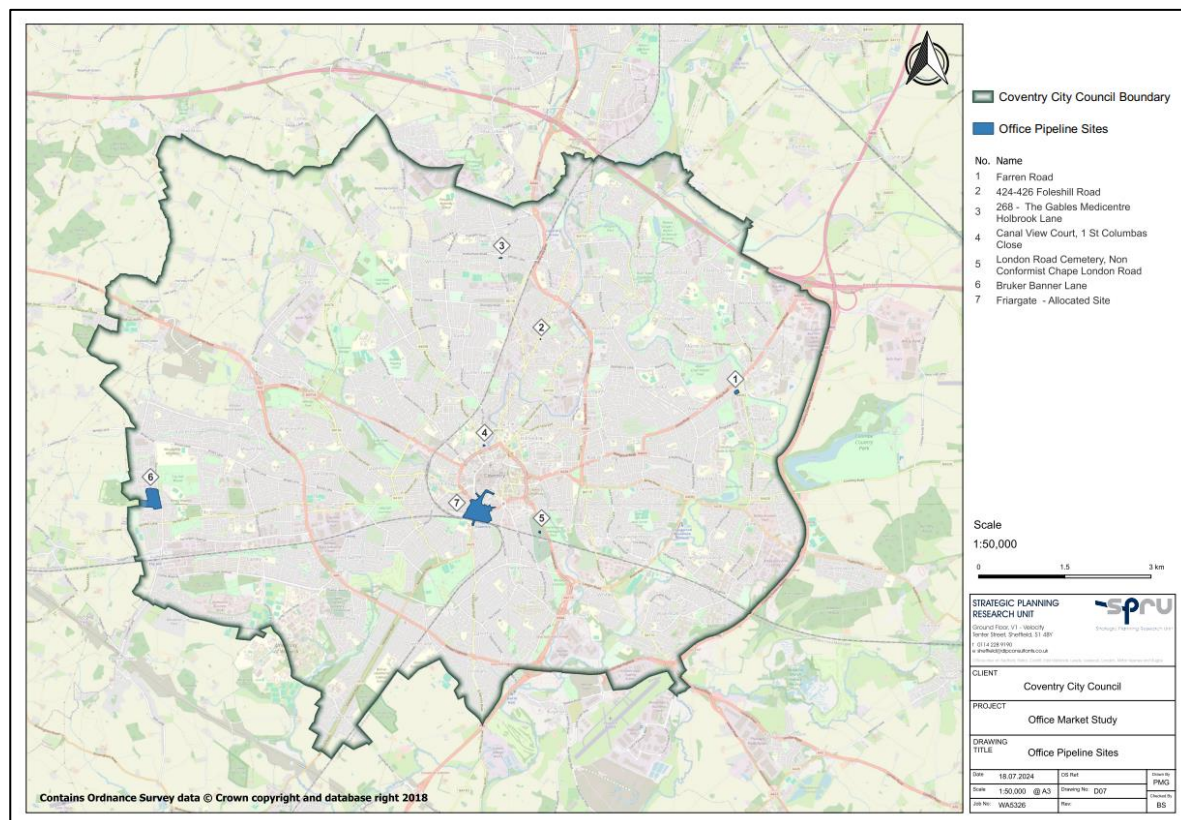
Source: Estates Gazette Data (January 2021 – April 2024)

- 4.70 Figure 17 shows the spatial distribution of office sale and lease transactions in Coventry from January 2021 to April 2024. The transactions are colour-coded by year, allowing for analysis of trends over time.
- 4.71 The most apparent trend is the concentration of transactions in the city centre. This area shows a mix of both sales and leases across all years, indicating sustained interest in central office locations throughout the period. Aligning with the Policy JE4 of the Adopted local plan and Policy CC1 and Policy CC12 of the City Centre Action Plan (2017). The density of transactions in this area suggests that the city centre remains the primary hub for office activity in Coventry.
- 4.72 There is a noticeable cluster of transactions in the southwestern part of the city, with a particularly high concentration of 2023 and 2024 transactions. This could indicate an emerging demand for office district in this area, possibly driven by recent developments or changing business preferences.
- 4.73 The eastern and northern parts of the city show fewer transactions overall, with those present being more dispersed. This pattern might suggest these areas are less established for office use or are experiencing slower growth in the office market.
- 4.74 Regarding temporal trends, there appears to be an increase in transaction activity in later years, particularly 2023 and 2024. This is evident from the higher number of darker coloured dots (representing more recent years) across the map. This could indicate a recovery or growth in the office market following the Coronavirus pandemic.
- 4.75 The Employment Land Review Sites, shown in purple, do not always align with the areas of highest transaction activity. While some sites, particularly in the southwest, coincide with clusters of transactions others, especially in the north and east, show little office market activity. This disparity might suggest a need to reassess the alignment between designated

employment land and actual market demand particularly in terms of accommodating demand for office floorspace.

- 4.76 Lease transactions appear to outnumber sale transactions across all years, which could reflect a preference for flexibility in the Coventry office market. This trend is consistent across different areas of the city and throughout 2021 – 2024.

**Figure 18. Office Pipeline Sites (Extant Permissions and Allocations)**



Source: Estates Gazette Data (January 2021 – April 2024)

- 4.77 Figure 17 shows the spatial distribution of office sale and lease transactions in Coventry from January 2021 to April 2024. The transactions are colour-coded by year, allowing for analysis of trends over time.
- 4.78 The most apparent trend is the concentration of transactions in the city centre. This area shows a mix of both sales and leases across all years, indicating sustained interest in central office locations throughout the period. Aligning with the Policy JE4 of the Adopted local plan and Policy CC1 and Policy CC12 of the City Centre Action Plan (2017). The density of transactions in this area suggests that the city centre remains the primary hub for office activity in Coventry.
- 4.79 There is a noticeable cluster of transactions in the southwestern part of the city, with a particularly high concentration of 2023 and 2024 transactions. This could indicate an emerging demand for office district in this area, possibly driven by recent developments or changing business preferences.
- 4.80 The eastern and northern parts of the city show fewer transactions overall, with those present being more dispersed. This pattern might suggest these areas are less established for office use or are experiencing slower growth in the office market.
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- 4.82 The Employment Land Review Sites, shown in purple, do not always align with the areas of highest transaction activity. While some sites, particularly in the southwest, coincide with clusters of transactions others, especially in the north and east, show little office market activity. This disparity might suggest a need to reassess the alignment between designated employment land and actual market demand particularly in terms of accommodating demand for office floorspace.
- 4.83 Lease transactions appear to outnumber sale transactions across all years, which could reflect a preference for flexibility in the Coventry office market. This trend is consistent across different areas of the city and throughout 2021 – 2024.
- 4.84 Figure 18 illustrates the distribution of pipeline sites within Coventry, marked in blue, against the city's boundary. The numbered markers correspond to specific pipeline sites listed on the right side of the map, indicating areas earmarked for future development. An analysis of the spatial distribution reveals both deliberate patterns (particularly in terms of the role of the City Centre and its focus on these uses) and some areas with less concentration of potential future development.
- 4.85 One notable pattern is the significant focus on site 7, Friargate, near the city centre. This site is much larger than the other sites, which aligns with Policy JE4 of the Adopted local plan and Policy CC1 and Policy CC12 of the City Centre Action Plan (2017). This policy emphasises concentrating office development in the city centre to support economic activity and leverage existing infrastructure. Friargate's central location and substantial size underscore its importance in meeting the city's office space needs and stimulating central urban growth.
- 4.86 In contrast, the other pipeline sites are more evenly distributed across the city, without a clear concentration in any specific area. Sites 1 and 3 are positioned in the northern part of Coventry, while sites 4 and 5 are located in the eastern and southern parts of the city. This spread indicates the combined effects of the operation of the property market and role of policy to foster balanced development across different parts of the city, enhancing connectivity and economic prospects in various parts of Coventry.
- 4.87 However, there is less emphasis on development in the western part of the city, with only site 2 situated in this area. This could suggest a more focused approach through policy and the property market to areas perceived as having greater immediate development needs or potential. The presence of site 6 towards the south-west but centrally located further supports a diversified approach, targeting areas that could benefit from revitalisation.
- 4.88 The spatial distribution of pipeline sites, excluding the significant emphasis on Friargate, appears to lack a highly concentrated pattern. Instead, it reflects a strategic intent to distribute growth and development more evenly across Coventry. By doing so, the city council aims to reduce dependency on the city centre, despite the large Friargate project, and suggests that there is scope under existing policy and land use patterns to promote economic activity in suburban regions. This approach can help in creating a more resilient and inclusive urban environment, ensuring that development benefits are distributed throughout the city.
- 4.89 In summary, the distribution of pipeline sites shows a balanced approach, with a significant focus on Friargate in the city centre, in line with the City Centre Action Plan, and a more dispersed pattern of supply of other sites across various parts of Coventry. This strategy supports the goal of fostering sustainable urban growth and revitalising underutilised areas, while still concentrating major office developments in the central area.

**c) Stakeholder Engagement**

- 4.90 In May 2024, two virtual workshops were conducted, providing a platform for key stakeholders to express their perspectives on the Coventry office market. The sessions included a total of nine participants from diverse backgrounds, including commercial developers, council representatives, commercial property agents, and flexible office providers. These stakeholders shared valuable insights on the dynamics of the office market in Coventry, addressing key topics such as demand trends, property development challenges, and evolving workplace requirements.
- 4.91 This engagement built on the findings of the main ELR, enhancing our understanding by incorporating the specific viewpoints of various office market representatives. We aimed to speak to both new stakeholders and some of those who had contributed to the ELR, but with a more focused discussion around the office market in particular. This approach ensured that we covered a comprehensive range of insights and targeted the evolving needs and trends within the office sector specifically.
- 4.92 The structure of the workshop was more of a focus group rather than structured Q&A sessions. The discussions were allowed to flow more freely, enabling participants to share their insights and opinions on various themes including overall office market performance, office space demand and characteristics, location preferences and impact, and future outlook and challenges. This structure encouraged a more dynamic exchange of ideas and facilitated deeper exploration of the key issues affecting the Coventry office market.
- 4.93 The workshops provided valuable perspectives on the current market challenges and outlook for office spaces in Coventry. Below is a summary of the discussions from the workshops:

**Table 10. Summary of Stakeholder Engagement Responses**

Theme	Stakeholder Comments
Overall Office Market Performance	<p>Stakeholders noted the current challenges in demand for office spaces in Coventry, with some offices being repurposed. The council's portfolio struggles to achieve high occupancy rates due to lower rent prices compared to other cities, highlighting a less strong market in Coventry.</p> <p>The maximum rent within the council-owned stock is around £13 per square foot for 1980s style buildings. Demand for office space is settling post-Covid, but there has been slow progress in filling high-quality spaces, like those in Friargate (£25-£28 per sq ft), which is experiencing a gradual fill.</p> <p>The conversion of office stock to student accommodation continues to impact availability in the city centre.</p> <p>There is an identified need for appropriately priced, middle-tier quality office spaces.</p> <p>Anecdotally there is a higher demand seen in the Central Business District compared to out-of-town locations (although notably this is not supported by the recent Estates Gazette transactions data analysed above). The completion progress of key developments like Friargate is crucial for the future focus on the city centre.</p>
Factors Driving Demand for Office Space	<p>The need for affordable and flexible office spaces was highlighted, with the Council receiving inquiries for high street locations for flexible workspaces.</p> <p>The need for modern facilities and higher sustainability standards is increasing, especially among larger companies. along with potential challenges regarding redevelopment due to long leaseholds and the demand for Grade A office spaces in the market.</p>



Theme	Stakeholder Comments
	<p>Stakeholders noted a gap in the provision of intermediate 'grow-on' spaces, suitable for companies evolving beyond small-scale operations. These factors are essential in addressing the demand effectively.</p>
<p>Trends in Tenant Preferences</p>	<p>Emerging trends include the demand for research and development-focused spaces, increased parking requirements, a focus on CBD locations, and an inclination towards city centre locations over out-of-town developments. Stakeholders also discussed a rising need for higher-grade office premises.</p> <p>These changing preferences reflect the evolving dynamics in the office market as a way to encourage people back into the office after Covid. Notably, flexible workspaces like the Wheelhouse, located in Coventry City Centre serve as incubators for small businesses and there is a push for hybrid spaces that can adapt to varying user needs, enhancing flexibility in tenure, desk allocation, and room arrangements.</p>
<p>Key Aspects Affecting Office Demand Post-Covid</p>	<p>Post-Covid, there is a gradual return to office spaces with some inclination towards continued remote working. Stakeholders emphasised the importance of enticing employees back to the office through quality amenities, flexible space requirements, and a social environment in the workspace.</p> <p>Based on the stakeholders' explanations flexible workspace includes shared coworking areas, hot-desking options, private office suites, and meeting rooms designed for flexible use.</p> <p>There is a significant ongoing shift in workplace dynamics, influencing desk allocations and meeting space configurations.</p> <p>Some stakeholders emphasized the importance of creating a compelling office environment that offers something beyond what employees can get from remote working.</p>
<p>Grade A Office Space Availability</p>	<p>The availability of Grade A office spaces in Coventry was described as steady but not strong, with considerations on the future viability of such spaces. The Council's efforts include offering rent-free periods and flexible service charge caps to attract tenants.</p> <p>The Friargate development is a focal point, with stakeholders expressing concern over the viability of attracting significant unmet demand once the space is completed. Amenities were noted as key aspects with a shift towards reducing dependency on car parking spaces gradually over time.</p>
<p>Emerging Innovative Office Provision</p>	<p>Stakeholders highlighted the importance of active ground floors incorporating retail and leisure offerings, serviced offices with flexible arrangements, and the scope for mixed-use developments in integrating office spaces within broader urban settings.</p> <p>The concept of hybrid and flexible spaces, which maximize occupancy through shared and dynamic use, was also underscored.</p>
<p>Location Preferences and Impact</p>	<p>Factors influencing businesses' decisions include the proximity to the CBD, particularly due to the convenience of transport links such as the railway station, potential oversupply in specific areas, the significance of infrastructure and accessibility, and considerations for maintaining active ground floors and encouraging a shift from car-dependent setups. In-demand locations in Coventry often include areas near the CBD, such as those clustered around the railway station and major transport hubs, which offer excellent connectivity and accessibility. These central zones tend to attract businesses</p>

Theme	Stakeholder Comments
	<p>seeking prime visibility and easy commutability. On the other hand, certain out-of-town locations and remote business parks may experience lower demand due to limited infrastructure and accessibility constraints.</p> <p>Regarding car parking, while it remains a significant factor for many businesses, there is a gradual shift towards reducing car dependency. Greater emphasis is placed on public transport accessibility and creating active ground floor spaces that enhance the overall attractiveness of office locations to potential occupants.</p> <p>By catering to evolving trends in sustainable commuting and promoting vibrant street-level activities, locations within Coventry can better attract and retain business occupiers seeking a dynamic and well-connected environment.</p>
Future Outlook and Challenges	<p>The main challenges identified for the office market in Coventry include the increasing emphasis on ESG credentials, which are likely to shape future developments. Businesses are increasingly seeking spaces that meet high environmental standards. Growth projections are contingent on various factors like cultural vibrancy, major events, and the overall economic climate.</p> <p>Stakeholders also emphasized 'grassroots growth' opportunities, suggesting the need for supportive spaces for start-ups and incubator facilities which could drive business expansion in Coventry.</p>

4.94 The workshops revealed key insights into Coventry’s office market dynamics. Participants highlighted challenges in office space demand, with focus shifting towards the Central Business District. There was also a notable emphasis on the need for affordable and flexible office spaces to address market demand effectively. Emerging trends in tenant preferences included a call for higher-grade office premises and research and development-focused spaces. Discussions around the ongoing impacts of the Covid-19 pandemic on demand for office floorspace centred around the gradual return to office spaces and strategies to entice employees back through high quality on-site amenities and flexible workspace arrangements.

**d) Summary**

4.95 The analysis of the office market needs and demands in Coventry from January 2021 to April 2024 and stakeholder engagement reveal several overarching themes and common trends across different aspects of the market, as summarised below.

- Preference for Smaller and Mid-Sized Office Spaces:** Across the board, there is a notable preference for smaller and mid-sized office spaces. Both the enquiry data and floorspace distribution show significant interest in office spaces ranging from 201 square feet to 2,500 square feet. Larger office spaces, particularly those over 20,000 square feet, saw minimal demand, underscoring a market inclination towards more manageable and versatile office sizes.
- Higher Average Costs in Coventry:** The comparative pricing analysis indicates that Coventry commands higher prices per square foot for both leases and sales compared to Warwickshire. Analysing the data over January 2021 to April 2024, there are noticeable recent trends indicating a consistent pattern of higher average costs in Coventry compared to Warwickshire. This trend suggests a premium is placed on office space in Coventry, likely driven by its location and perceived market value. However, this is more apparent in terms of sales, where as the pricing for leasing is more

comparative per square foot with Warwickshire.

- **Steady Leasing Activity:** Coventry's office market shows consistent leasing activity with fewer fluctuations compared to Warwickshire, which experienced more variable lease transactions over the quarters between January 2021 and April 2024,. This steady demand highlights a relatively stable office leasing environment in Coventry.
- **Market Focus on Quality and Flexibility:** Insights from stakeholder engagement emphasize the importance of quality and flexibility in office spaces. There is a growing demand for higher-grade office premises and flexible workspace arrangements, driven by evolving tenant preferences and post-Covid work trends. Stakeholders also highlighted the need for affordable office spaces and the significance of amenities to attract employees back to physical office environments.
- **Impact of Key Developments:** Major developments like Friargate are seen as crucial to shaping the future focus of Coventry's office market. The progress and completion of such developments are pivotal in driving demand and setting the direction for the market's evolution, especially in the Central Business District.
- **Emergence of Research and Development Spaces:** There is an emerging trend towards research and development-focused office spaces, largely in the surrounding the two Universities – Coventry University and the University of Warwick. This aligns with broader economic shifts and the growing importance of innovation-driven sectors. This trend indicates a potential niche market within Coventry's office landscape that could cater to the needs of high-tech and research-oriented businesses.
- **Emphasis on Sustainability and ESG:** Increasing emphasis on ESG (Environmental, Social, and Governance) credentials is shaping future office developments. This focus reflects a broader trend towards sustainable and responsible business practices, which are becoming increasingly important in the office market. This shift is also influencing the needs and demands of businesses, as companies prioritise environmentally friendly and socially responsible properties. As a result, there is a growing demand for office spaces that meet these new standards. Older stock that fails to meet ESG criteria may struggle to attract tenants and could face decreased values, requiring significant investment in retrofitting to remain competitive in the market.

4.96 The following concluding section considers the implications of these findings in the context of planning for future office needs, including the HEDNA recommendation to consider reducing the overall level of need to reflect trends in home-working.

## **5.0 CONCLUSIONS ON THE OFFICE MARKET IN COVENTRY**

### **a) Coventry's Qualitative Office Needs**

- 5.1 The findings presented in this Study build on the outputs from the ELR (2024) and the HEDNA (2022) in considering the implications of current office market dynamics on the future needs and demands for office floorspace in Coventry over the period to 2041 (the Local Plan Review period). The findings of this Study are consistent with the conclusions of both the ELR and HEDNA, especially in terms of the stakeholder engagement responses and the persistence of hybrid working practices and the growing need for flexible workspaces, particularly to meet the needs of new startup businesses and SMEs.
- 5.2 In terms of needs and demand for office floorspace, whilst in terms of average sales/lease values the office market in Coventry does not perform as strongly as other areas (including having lower average values than the Warwickshire parts of the FEMA), there is evidence of demand particularly for higher quality Grade A offices, such as those which have been delivered at Friargate, which attract higher values. However, there is anecdotal evidence that the market for new offices in the city centre, may be struggling to attract tenants particularly due to lack of on-site parking (although it is noted that the Friargate development is immediately adjacent to Coventry railway station). This is reflected in some of the feedback received from stakeholders and the rate of development of the Friargate scheme, which is slower than expected. This may be one of the reasons why new, high quality 'out of centre' offices on the fringes of the city may be performing slightly better in terms of values, based on the data analysed as part of this Study.
- 5.3 This is not to say, however, that there is a poor market for offices in Coventry city centre. The evidence suggests another reason for the relatively lower absolute number and value of transactions in the city centre may be due to the limited availability of developable sites for new build, Grade A offices particularly in the context that Coventry remains a focal point for these uses with a high concentration of stock within the property market relative to the FEMA as a whole. This means that developers are having to look at sites outside the city centre. The evidence analysed as part of this study also identified viability constraints on ability to refurbish older, lower EPC rated city centre office stock, particularly Council-owned sites which are leasehold but have limited terms left to run. Businesses are less willing to invest in sites which require a significant amount of investment and have limited term leases.
- 5.4 In terms of the floorspace needs of office-based organisations the evidence also indicates that many businesses (both public and private sector) are still operating flexible or hybrid working arrangements for staff, where a requirement to be physically present in the office is reduced to 2 or 3 days per week. The precise impact of this trend on future floorspace demands in terms of employment densities in Coventry is not entirely clear. However, the 2022 BCO guidelines (discussed in Section 3(d)) indicate that a higher standard density assumption of 10 sqm floorspace per person may be a more realistic assumption going forwards.

### **b) Coventry's Quantitative Office Needs**

- 5.5 For all offices, the HEDNA (2022) assumes a density of 12 sqm floorspace (Net Internal Area) per FTE job and ultimately identifies a need for 8.5 ha employment land for offices over the twenty year period 2021 to 2041. This figure incorporates a flexibility margin of 4.6 ha. The HEDNA recommends that the Council has regard to sensitivity testing assumptions reducing this need figure by 30% to account for long-term permanent increases in homeworking trends. The source of the 30% reduction figure is unclear (for example due to forecast trends in increased home-working over-time, employment densities and the effect on existing levels of office-based jobs rather than the effect forecast job creation in sectors requiring new office floorspace). A reassessment of need based on a higher density 10 sqm

floorspace per person assumption may assist in providing a more realistic forecast of future need, which not only takes account of hybrid working practices but also reflects businesses' concern with growing operational and environmental costs. The evidence suggests these considerations, alongside home-working trends, are continuing to influence the decisions of businesses when looking for new premises. While this Report does not provide the evidence to generate an overall figure for total modelled office needs below the 8.5ha contained within the 2022 HEDNA it does reinforce the rationale for sensitivity and potentially having regard to a reduced benchmark for monitoring delivery towards forecast totals for additional land and floorspace.

- 5.6 The current supply/demand balance presented in the ELR (2024), and discussed in Section 2(c) of this report, indicates there is sufficient office land in the current supply pipeline to meet the **8.5 ha need** currently identified in the HEDNA. Were this need figure reduced (to take account of employment density adjustments) this would increase the potential 'over supply'. However, as highlighted in the ELR, there is also a need to consider the suitability and deliverability of existing allocations without permission, which include the **6.52 ha** of land at the Friargate site, against any need figure.
- 5.7 Although the rate of delivery of the first two phases of the Friargate scheme has been relatively slow, it has still successfully delivered 24,062 sqm to-date, including 11,613 sqm in One Friargate and 12,449 sqm in Two Friargate. Friargate is also being delivered through a joint venture partnership between Coventry City Council and a private development and property investment business<sup>19</sup>. Therefore, there are no reasons to suggest the future phases of the Friargate scheme, which constitutes the entirety of the Council's pipeline supply of office floorspace, would not be achievable.
- 5.8 It is not necessarily the case that a significant buffer or surplus is necessary to provide an effective policy response or sustainable pattern of additional land and floorspace to meet future office needs. This is consistent with paragraph 11.6 of the HEDNA noting the potential inward investment benefits of Friargate, which are not necessarily predicated on the precise quantum of floorspace delivery.
- 5.9 Given there is currently an identified 'oversupply' of office employment land (see Table 2 above), there may be potential for adapting some of the current pipeline supply (including the Friargate allocation) in response to changing market conditions. As long as the remaining pipeline supply is considered to be deliverable, there is no reason why a large 'buffer' within the supply should necessarily be retained.
- 5.10 Equally, having regard to the wider property market it does not automatically follow that any adjustment to the supply-side assumptions for Friargate means that total modelled needs should be reduced below the HEDNA figure of 8.5 hectares although regard may be had to some of the sensitivity factors covered in this Report. Accounting for future home-working trends would not, for example, necessarily change the characteristics sought by occupiers seeking to meet need through additional land and floorspace or demand for locations such as Friargate (although specific assumptions such as jobs density and layout may be affected).
- 5.11 For the purposes of monitoring the overall net impact on quantitative needs it may be the secondary market, or use of existing stock, which is more impacted by changes in home-working. While the effect on existing stock remains uncertain it may not be the case the

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<sup>19</sup> Friargate JV Project Limited is a UK registered limited company established to deliver the Friargate project. It is owned and managed by Coventry City Council and the Cannon Kirk Group, a Dublin-based development and property investment business that includes US venture capital, Oaktree Capital Management, among its shareholders. The JV Company consolidates a long-standing working arrangement with Coventry City Council to help accelerate project delivery while working closely with West Midlands Combined Authority.



increased availability could meet demand in the same way as upon new land and floorspace that is provided.

- 5.12 In these circumstances planning for total modelled needs would remain appropriate. This is especially true if the market appears relatively stable in terms of the quantum and value of sale and lease transactions when compared to surrounding areas, as is the case in Coventry (indicated lesser impacts on existing stock). To support this view there is some evidence that activity within the property market is becoming increasingly concentrated within Coventry including for the purposes of mid-scale footprints (over 1,000sqft) and with some increased concentrations of transactions within the city centre.

**c) Policy Recommendations**

- 5.13 Alongside considering the overall future need figure and how this might be met, it is recommended that policies within the emerging Local Plan Review also provide adequate support to enable the refurbishment of existing offices which are in appropriate, accessible locations, in order to encourage enhanced levels of quality and energy efficiencies. Policies should also allow for the delivery of more flexible office spaces, including those with adaptable internal arrangements and shared facilities, which are increasingly in demand and would assist with meeting the needs of smaller start-up businesses and SMEs, including those in research and development associated with the Universities.
- 5.14 In respect of emerging Policy JE4 (Location of Office Developments), the findings of this study support the continued focus of office development within the city centre (or other defined centres) including at the Friargate site. Although as noted above some reduction in the floorspace delivered as part of the future phases of this scheme may be acceptable to provide flexibility and best respond to market demand, whilst also ensuring that identified future needs are still being met.
- 5.15 It is also recommended that Policy JE4 continues to provide sufficient flexibility in the policy wording to enable office floorspace development to come forward in other sustainable locations outside the Friargate allocation site, if necessary.
- 5.16 There are clear indications that the committed supply at Friargate, while potentially subject to revision in terms of the quantitative and qualitative characteristics of additional floorspace to be provided, would remain an appropriate focus for office-based activities with a reasonable prospect of securing sufficient supply to balance overall demand for office floorspace. However, future potential sources of sustainable 'windfall' supply should nonetheless be encouraged. This would provide an appropriate and flexible response at a time of increased uncertainty in the property market particularly for office floorspace. The importance of flexibility and support for the re-use of existing stock will be enhanced if the spatial concentration of office-related activities is enhanced in Coventry relative to the FEMA as a whole.
- 5.17 Whilst it is not considered necessary to identify a specific office floorspace/land need figure within Policy JE4, it is recommended that an overall 'employment land' need figure, as derived from the HEDNA, is included in Policy JE2 so that monitoring against this target can be undertaken.
- 5.18 Based on pipeline commitments and historic completions, it is not considered that there is sufficient justification at the present time for introducing an Article 4 direction in the city to restrict the conversion of offices to residential developments under permitted development rights. However, this is something that should continue to be monitored. It is possible that such conversions could be beneficial for enabling the repurposing of older office stock, the regeneration of which for continued office use may not be financially viable.







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