

**Rotherham Borough Investment &
Property Trends Report
2008/09**

RiDO
Rotherham Investment
& Development Office

a service of

Rotherham
Metropolitan
Borough Council

April 2009



Introduction

RiDO monitors activity across the Rotherham Borough in relation to demand and supply for land & property. This is then provided to help inform developers, investment & property agents and the council as well as helping to improve the service that RiDO provides.

Overview

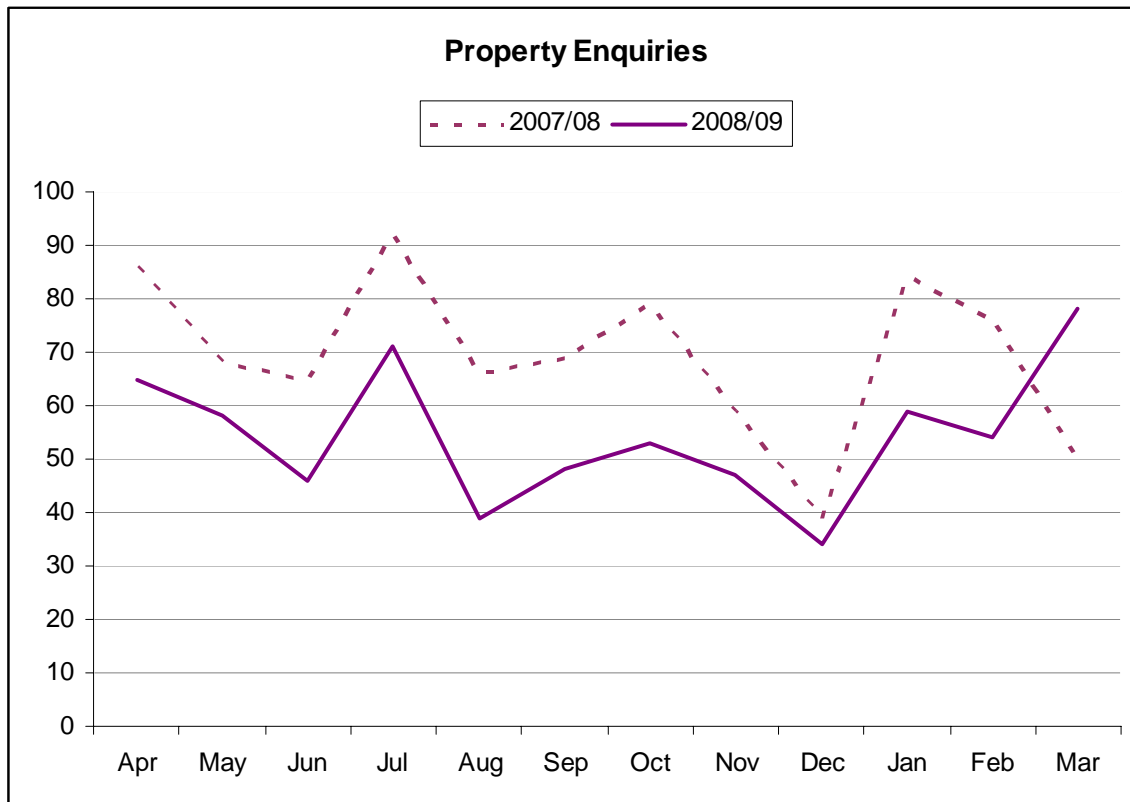
- This year we have seen another significant drop in property enquiries, with 652 taken this year compared with 833 previously, a drop of 22%. This follows on from last year's drop of 20% and we do not anticipate that enquiries will pick up until the economy begins to show signs of growth or stability.
- Start-up property enquiries (excl. Business Centres) remained steady, accounting for 24% of total enquiries, compared to 20% last year.
- Demand for office property was high in the 0-1000 ft.² size range, whilst industrial demand was most prominent in the 2001-5000 ft.² size range.
- The source of enquiries analysis showed that enquiries from local advertising and partner organisations (especially RSY, now that it has wound down) is now extremely low, but website & email enquiries remain popular.
- When questioned, most enquirers stated the reason for contacting RiDO was due to relocation plans, with new start-ups a close second.
- In terms of available floorspace for industrial and office property, the highest level (ft.²) is in the west-central area for industrial and in the north for office.
- Job figures for those companies successfully investing in the borough during 08/09 stand at 1831 new and 3467 safeguarded.
- 97% of enquiries are now sent by email as opposed to standard post.



Enquiry Levels (Demand for RiDO's Services)

Monthly Enquiry Levels

The graph below shows the number of enquiries each month for the period April to March over 2007/08 and 2008/09.



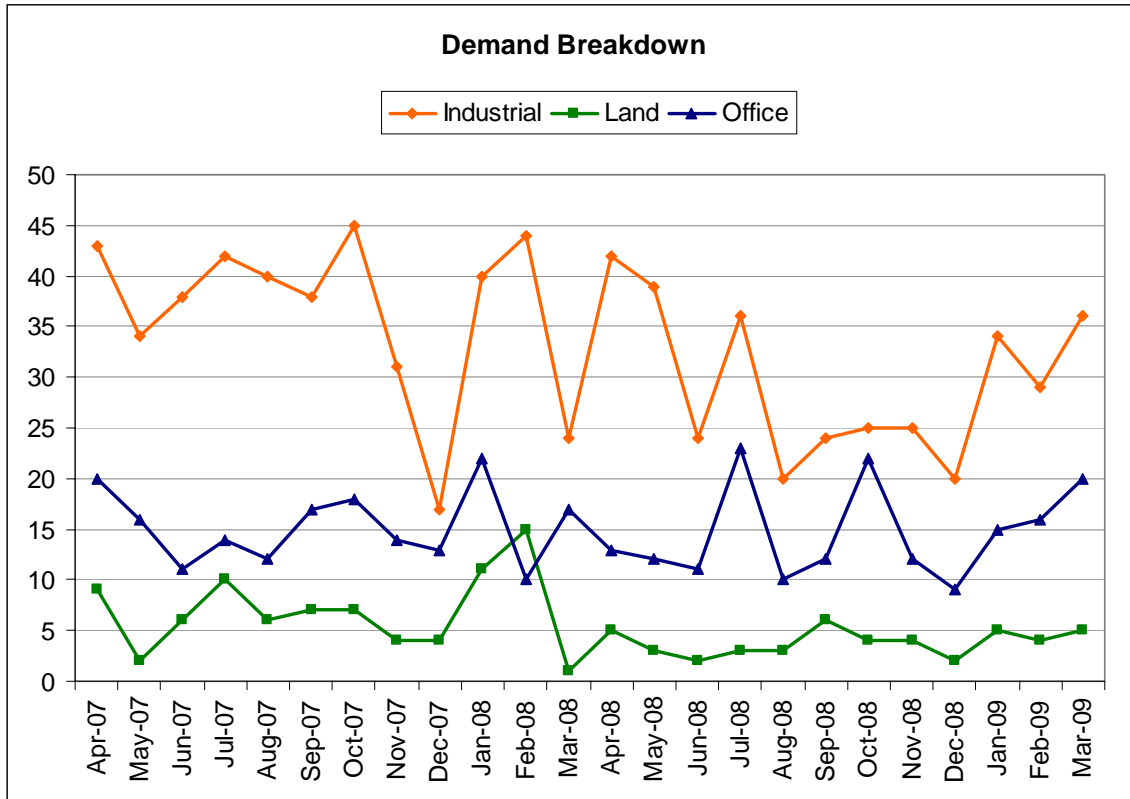
Analysis

As expected, this year's enquiry numbers have underperformed, with property enquiries being 22% lower than the previous year. This fall is due to the recession and the associated lack of credit in the financial markets, however, we are starting to see a fall in property prices and rental rates, so we expect to see a sharp rise in enquiries once the recession shows signs of ending, however, this could be 8-18 months away.



Yearly Enquiry Levels by Type

The graph below shows the number of enquiries each year for the period April 2007 to March 2009.



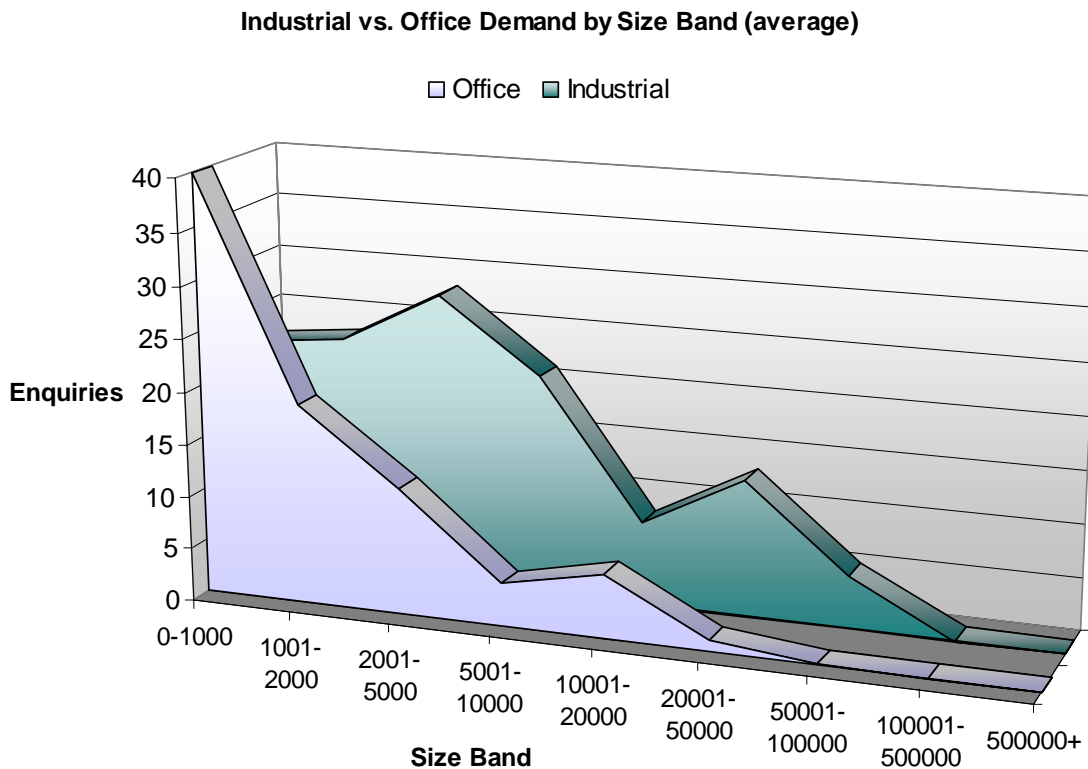
Analysis

There has been a drop in enquiries across the board, with the biggest drop being for land enquiries, which fell by 44% from the previous year. There was a small fall of 5% in office enquiries and a 19% fall in industrial enquiries, these drops are largely due to the 22% drop in enquiries overall from the previous year. The large drop in land enquiries is because speculative development has largely dried up due to the recession, however, land prices and construction costs are falling due to this lack of demand.



Demand – Office vs. Industrial

The graph below highlights the demand (by enquiry number by size band) for Industrial Property vs. Office Property in the Rotherham Borough.



Analysis

Office enquiry demand continues to be largely for the smaller units available, usually for under 1000 ft.², but still showing reasonable demand up to 5000 ft.². This can partially be attributed to the demand from start-ups for small premises.

Industrial enquiries however have the most demand in the 2001 - 5000 ft.² size bracket, with a good level of demand below this and also up to 50,000 ft.². Again, many start-up industrial companies require property in the smaller brackets and so make up a large number of requests highlighted.



Enquiry Demand by Area

In order to give a more specific view of demand across the borough, it was broken down into 4 key areas, shown in Appendix A. These are north, west-central, east and south.

Demand is captured through a question upon first taking a property enquiry, 'Do you have a preferred location within the borough?'. This is then translated into the appropriate 'quadrant'.

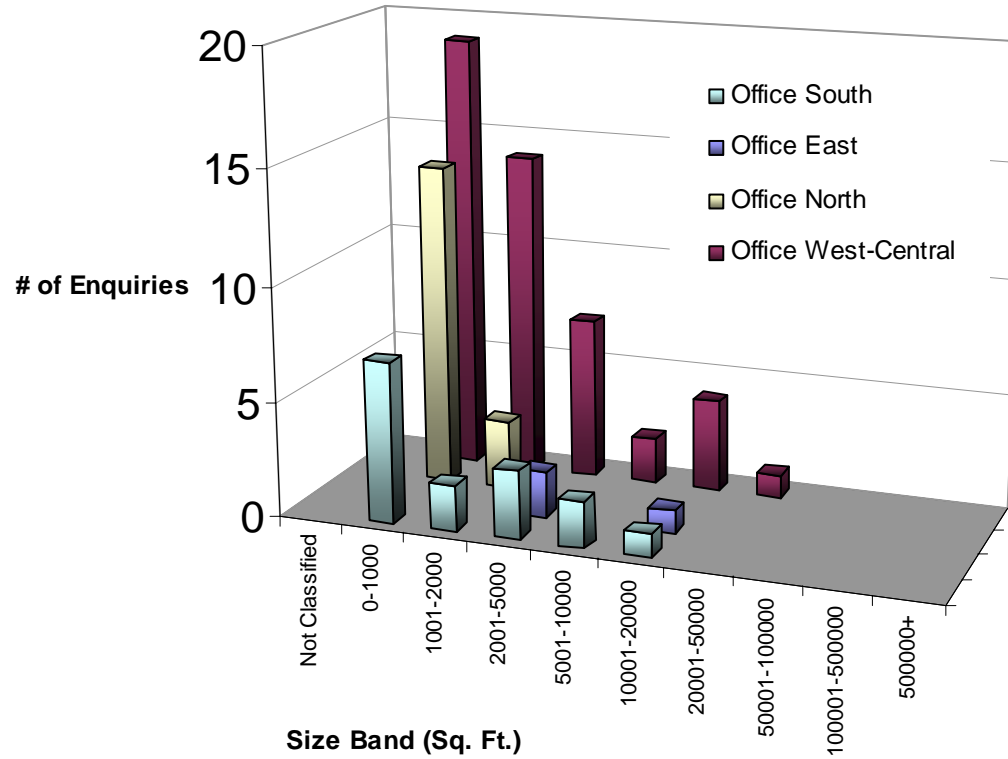
Demand for Office & Industrial property by quadrant is broken down over the next few pages.

Please note that only a small dataset is available for the analysis on the next four pages, and the results are indicative only.



Office Demand by Quadrant

47% of total office property requests were made for a preferred location. The graph below demonstrates this.





West-Central

Most of the specific demand for office accommodation within the Borough was made for the West-Central area, especially for the smaller end of the market.

North

Some interest was shown specifically for the northern part of the borough, again within the smaller size brackets.

South

Demand has picked up this year for office space in the south of the borough, this could be due to the new developments around the Dinnington area and the opening of the Matrix@Dinnington incubation centre.

East

As this area is largely rural and residential there isn't usually much demand for office space and this year we received just 3 office enquiries for the East.

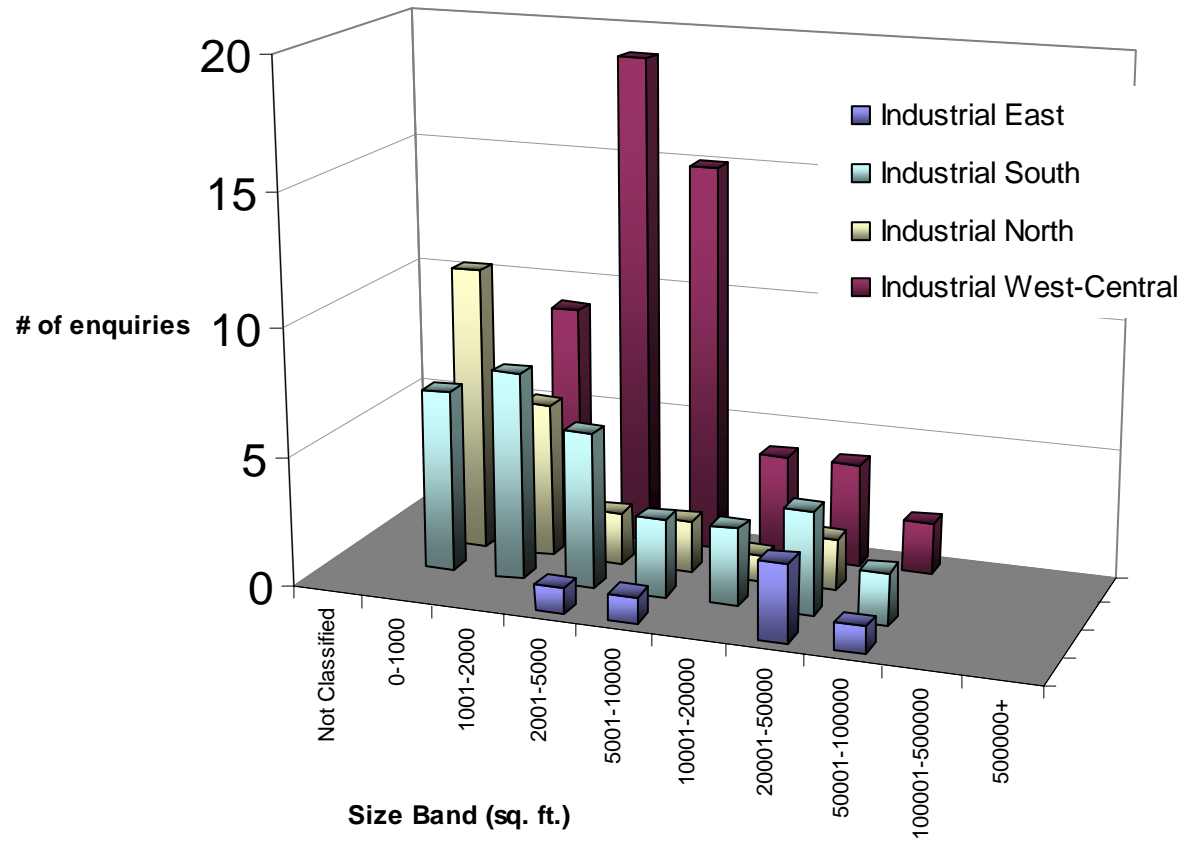
Analysis

As can clearly be seen, office is most in demand around the town centre and western parts of the borough. However, there is also a shown demand for small office in the north and south of the borough, with the larger enquiries being for call centres and data centres.



Industrial Demand by Quadrant

34% of total industrial property requests were made for a preferred location. The graph below demonstrates this.





West-Central

As usual the west-central area has seen most demand in the 2001-10000 ft.² size brackets and there has been good demand up to 100,000 ft.²

North

The northern area of the borough received significant levels of interest, with consistent demand across 0 – 100,000 ft.² size bands, but most demand falling under 2000 ft.²

South

The south of the borough received the second highest levels of demand, with enquiries spread over 0-100,000 ft.².

East

The east, as with office has seen the least specific demand of all the locations, with just a few enquiries, the only point of note is that we had 3 enquiries for the 20,001-50,000 ft.² in this area.

Analysis

Again, the west-central part of the borough has seen the most specific demand, although the south and the north have attracted specific interest from enquirers.

The north has seen good levels of interest, and there is plenty of supply to meet this demand, with further developments due to come online later in the year, such as the Waterfront development.

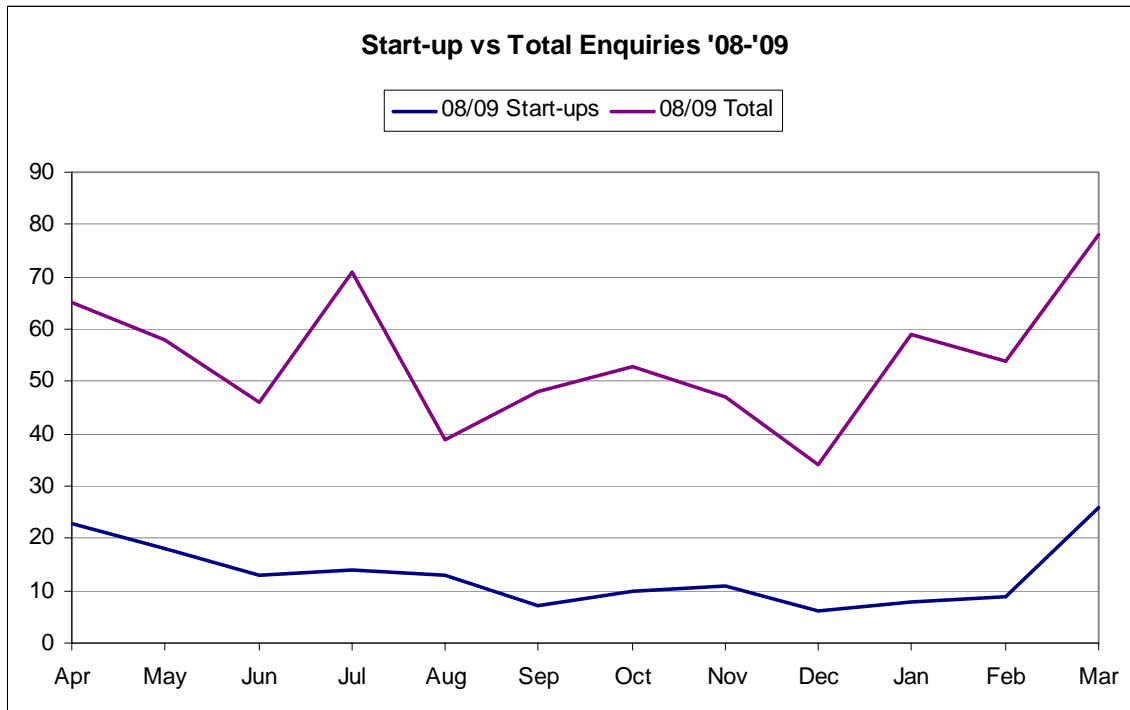
In the south demand this year has been spread over varying sizes. There are still a number of developments underway in this area and there is good potential for design & build on Dinnington Phase 1 or 2.

Demand in the east was sporadic, this low demand will be due to a lack of high quality units and a lack of units in general. However, some larger units have become available along with some development land and with good access to the M18 demand may pick up.



Start-up Property Enquiries¹

This year we had 158 start-up enquiries from a total of 652 enquiries, making the start-up enquiry rate 24% of overall enquiries, which is up from 20% last year. However, it should be noted that although general enquiries fell by 22% from last year, start-up enquiries only fell by 4%, meaning that demand for start-up properties remains buoyant.



Analysis

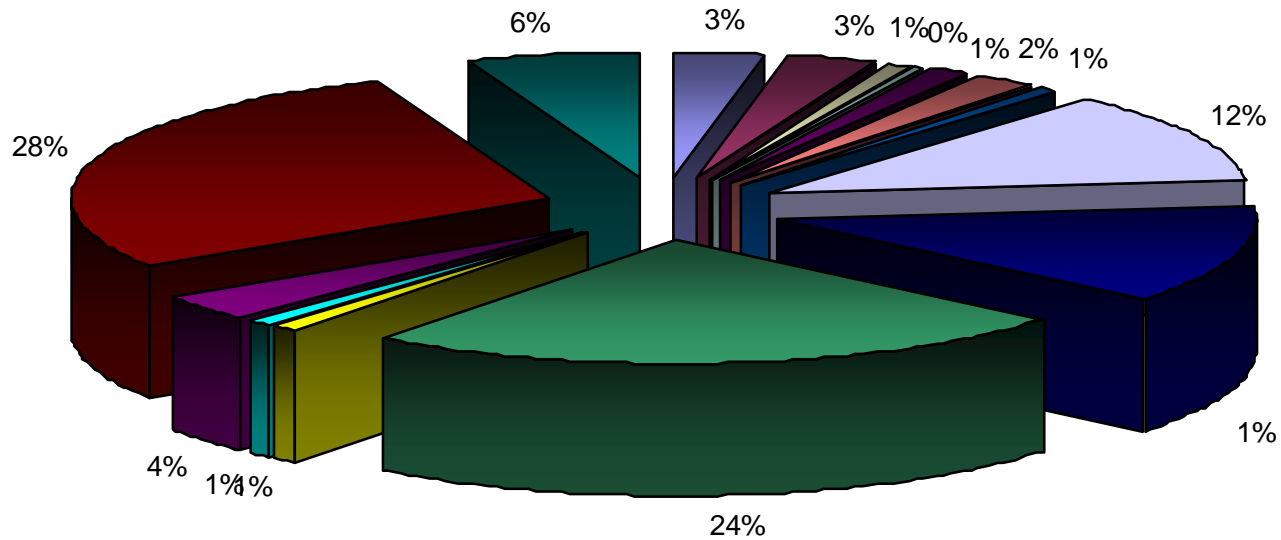
Demand from start-up companies continues in line with total enquiry figures. As with total enquiries, demand has evened out month on month, compared to previous years. We have seen a significant increase in start-up enquiries after the Christmas period, this could be due to lack of job security in the current recession.

We continue to find a lot of start-ups are choosing to locate within the borough, and our two new incubation centres, Fusion@Magna and Matrix@Dinnington are attracting significant interest.

¹ Start-up enquiries relate solely to enquiries taken by the RiDO Business Development Team at Reresby House, and do not include the council's start-up business centres.



Enquiry Source



- | | | | |
|----------------------|-----------------|-----------------------------|-------------------------|
| ■ Agent/Developer | ■ Business Link | ■ Directories/Listings | ■ Doncaster Dev. Agency |
| ■ Exhibitions/Events | ■ Hoardings | ■ International Advertising | ■ Not Known |
| ■ Previous Contact | ■ RMBC | ■ Renaissance SY | ■ Rotherham Chamber |
| ■ Creative Sheffield | ■ Website | ■ Yorkshire Forward | |



Analysis

We have seen a large drop in enquiries from Business Link Yorkshire (BLY) and Renaissance South Yorkshire (RSY), falling by 36% and 90% respectively from the previous year, this is due to changes in staff and processes at BLY and RSY winding down pending closure on March 31st 2009.

The majority of our enquiries (28%) arise through our website, which we re-designed this year specifically to attract more visitors from search engines. Other major sources of enquiries are RMBC (24%) and companies who have had previous contact (13%) with us.

Property Agents, Yorkshire Forward, Barnsley & Rotherham Chamber and our partner organisations in Sheffield, Barnsley and Doncaster provide a large amount of enquiries and we will continue to work closely with these partners to strengthen these links.

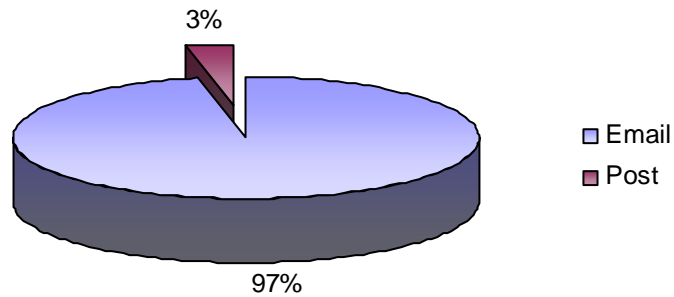
Electronic contact and delivery, as seen on the following page are continuing to rapidly replace telephone and postal interactions. We have cut our spending on local and national advertising and instead we ran a successful online advertising campaign, while this trial run was a success, we currently do not have the budget to maintain it.



Enquiry Delivery

Delivery of Enquiries (Electronic vs. Physical)

Enquiry Delivery Email vs. Post



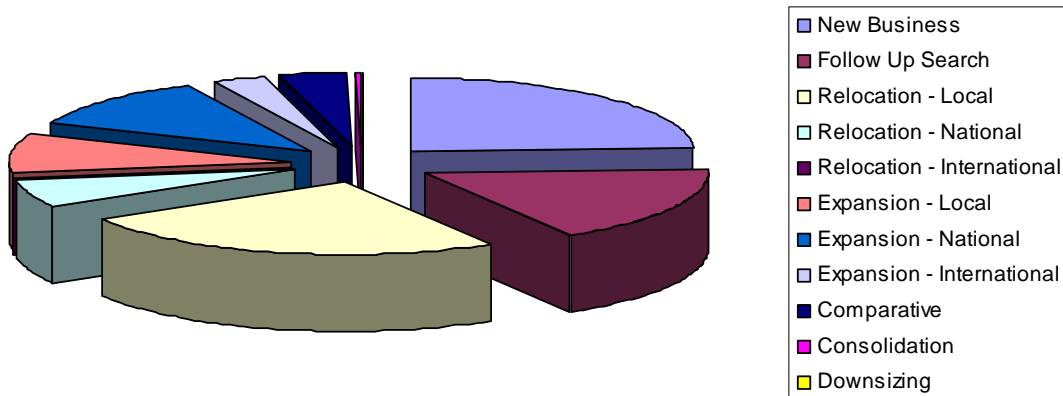
Analysis

RiDO monitor delivery of enquiries, based on the clients preferred method. Monitoring indicated that in 2007/08, approximately 17% of enquiries were sent by physical mail, this has dropped to just 3% in 2008/09. A couple of clients requested to receive their search by fax and a few were delivered in face to face meetings.



Reason for Enquiries

The graph below shows the reason for property enquiries taken by the Business Development Team.



Analysis

This year, relocations accounted for the largest amount of enquiries, we imagine that this is due to people looking to downsize or take advantage of more competitive leases.

The next highest level of enquiries originated from start-up enquiries, we run a number highly successful incubation centres for start-ups with 2 more of these centres opening during the year.

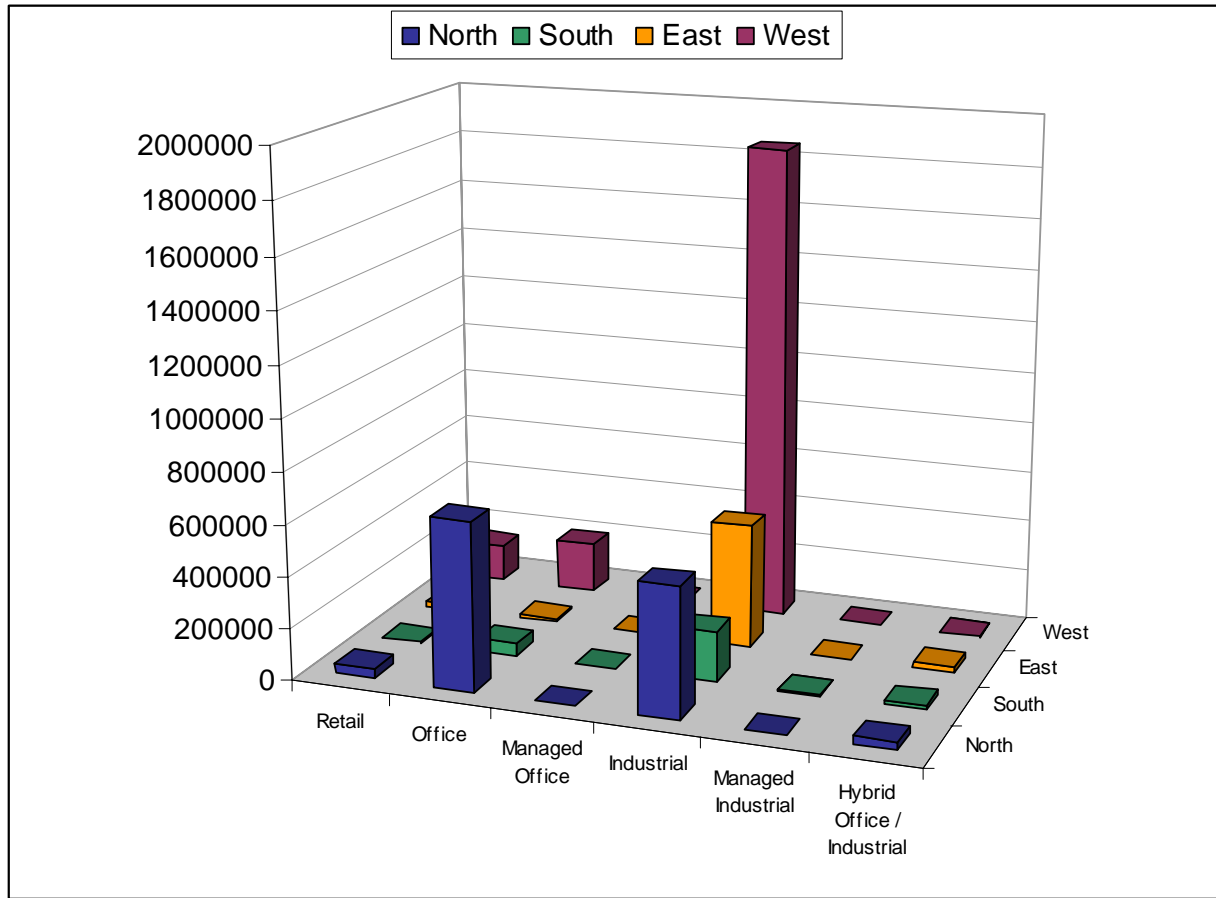
Usually we receive many enquiries from companies looking to expand, however, this year these enquiries have dropped off due to lack of business confidence and the difficulty in establishing credit.

Local relocations remained high, proving the continued attractiveness of the borough to existing companies, whilst there was still a good level of enquiries from UK as a whole, with many companies assuming that rents in "the North" are cheaper.

This year we received 20 international enquiries, which were mostly referrals from Yorkshire Forward.



Property Availability by Quadrant by Size²



² The level in parts of the borough for both Industrial and Office is artificially inflated due to various developments, please see next page for explanation.



Analysis

The level of property in the four quadrants of the borough can be determined by two methods, number of units and unit floor space, however, we now track just the size range available at specific developments rather than individual unit sizes, so we have only graphed the units by floor space and not number of units.

In terms of floorspace for industrial property, the highest level is in the west-central area (much of this around Templeborough), although the northern area has a lot of availability in the way of design and build options and the east has a few very large vacant units accounting for much of the space.

The north is where the most office space availability is, this is due to a number of large call centre developments in the area and potential for design and build on the Waterfront site.

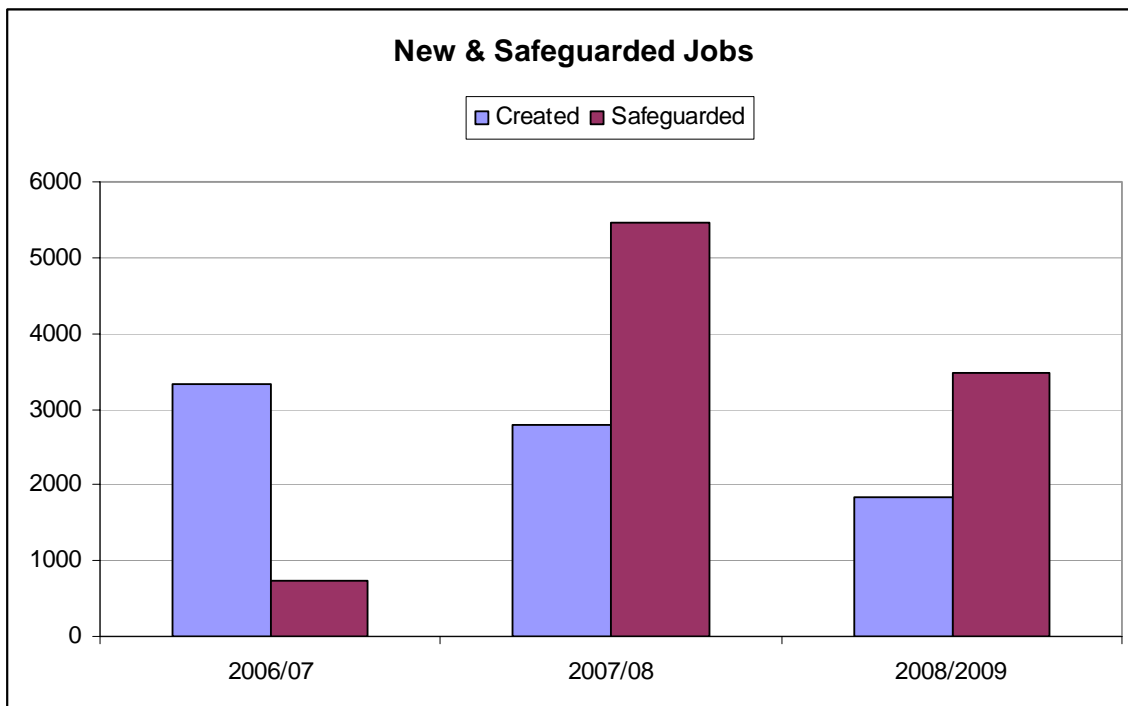
The south has significant industrial availability; much of this is on the Dinnington Business Park development, with a number of smaller units making up the floorspace.

The east of the borough lags behind the rest of the borough in terms of available floorspace and unit numbers although the area is largely rural/residential. The availability is from new developments on 'Aven Industrial Estate' in Maltby and vacancies on Hellaby Industrial Estate.



Successes & Job Gain

There were 500 companies captured as locating to, starting up in or expanding within the Rotherham Borough during 2008/09, compared to 563 for 2006/07. The graph below shows the job gain/jobs safeguarded for these successes over the last three years.



Analysis

As expected the recession has impacted on the number of jobs being created and safeguarded, with many companies announcing redundancies during recent months. Over the last year jobs created has fallen by 34% and safeguarded by 36%; we are expecting similar poor performance through 09/10 due to the on-going recession.



Appendix A - Approximate Geographic Boundaries by Quadrant

