

Greater Ripon Improvement Partnership

Small Business space research

Final Report

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1 Introduction

1.1 Context

The Greater Ripon Improvement Partnership (GRIP), supported by Harrogate Borough Council has appointed GENECON to assist with its review of the supply of small business accommodation within the City and the need for additional space.

GRIP is a stakeholder partnership within the City, with a constituted Board and Chair, focused on improving the City by 'growing its economy'. Delivering against this overarching objective requires coordinated intervention to address a number of structural challenges, including the vitality and vibrancy of the core City centre; the low levels of self employment and entrepreneurship; and high levels of employment within vulnerable sectors such as the public sector. The City does have a number of key strengths – not least its attractive and historic local environment, the excellent strategic road links, a number of nearby significant visitor attractions and some established and growing business sectors.

Against this background, GRIP has prepared a Business Plan to guide its activities and identify key interventions. 'Small Business' is one of the three sectors that the Plan recognises is in need of support, to address the City's low level of business start-ups, and the Business Plan considers that this could be a result of a lack of available premises.

The purpose of this research study is to assist GRIP with progressing the 'small business' theme, essentially to consider whether there is a need for additional small business accommodation to boost the number of small businesses in the City and the diversification of its economy.

1.2 Key tasks

The work we have undertaken includes the following:

- ❑ a review of current small business space in the City, with a particular focus on small office accommodation, but also taking account of workshop and small manufacturing provision. This is necessary to understand the current supply;
- ❑ discussions with operators/managers of existing small workspace facilities in the City, and local agents, to understand their occupancy, operating challenges and their thoughts on the need for additional accommodation;
- ❑ a discussion with Business Inspired Growth, the Local Enterprise Partnership for York, North Yorkshire and the East Riding, in regard to their proposals for small business support;
- ❑ a review of the enquiries made to Harrogate Borough Council for small business accommodation in the Ripon area, and the availability of accommodation; and
- ❑ consideration of the potential way forward and next steps for GRIP and its partners

2 Current provision

2.1 Introduction

The GRIP Business Plan identifies that a recent investment at Dallamires in small business workshop style accommodation successfully secured occupiers, indicating that there could be demand for such premises in the Ripon area that is unmet. It is therefore an important element of this work that we review the current provision of small business space and establish key characteristics such as the size of the units, quality, occupancy and waiting lists.

There are a number of key facilities in the Ripon area, within reasonable proximity of the City Centre, and these are discussed below.

2.2 Phoenix Business Centre

The Phoenix Business Centre is a former Council depot site in the south eastern side of the City. It comprises 24 units of varying size and with a mix of office and light industrial workspace, in total representing approximately 20,000sqft of lettable space. The facility has no central management service on site – the units front directly onto a central parking/courtyard area and are all 'self sufficient'.

The units range in size from 440sqft upto 2,400sqft and the Centre therefore caters for start-up businesses through to larger well established enterprises. Some tenants occupy more than one unit, demonstrating the flexible nature in the way the site is managed. A number of units are also double storey.

The Centre was fully let at the time of the consultation meeting and this is as a result of a combination of factors.

- The high quality 'feel' to the site – it has a pleasant setting within a good quality residential area, within close proximity to the City Centre and also the southern bypass. The buildings are relatively attractive in their own right and recent conversion works to the Low Mill Units have been sensitively undertaken.
- The proactive management of the facility by the Council. The Low Mill part of the complex originally formed two larger units. These have been converted to five smaller units, ranging in size from 453sqft to 980sqft and this has ensured their full occupancy.
- There is a good level of parking availability on the site which tenants have indicated to the Council is a key element of the sites appeal.
- As owner and manager of the site, the Council can be relatively flexible in terms of tenancy terms and occupation¹. Although many of the tenants have been based on the site for some time and the Council prefer to see three year lease agreements, there is a willingness to not constrain tenants unnecessarily.

There has been an interesting dynamic at Phoenix which was the decision by the Council to sub-divide the Low Mill units to create smaller accommodation. This has provided additional space for small industrial and also office tenants and has improved the occupancy levels at the site, improving the value of the asset as a key economic development facility in the City. Also, despite the lack of a management presence on site (although there is easy access to a caretaker and also the Councils Estates Officer based

¹ The rent quoted for Units 1 and 2 prior to their recent occupation was c£8/sqft for a 885sqft and a 980sqft unit respectively.

in Harrogate) the occupancy levels have remained consistently high, averaging 90%. The fact that most of the units are above 500 sqft means that a majority of the tenants are likely to be established businesses that would not necessarily need the 'serviced' support elements that are typically found in enterprise/innovation centres.

2.3 Newby Hall stables

The Newby Hall stable complex comprises high quality business units in an impressive stately home setting. It is remote from the City Centre and requires access by vehicle, but the Estate has invested in the provision of superfast broadband through the NYNET network, which provides a maximum 100MB capacity feed to the site. Similar to Phoenix, there is no central/shared reception or management centre for the tenants, but they do benefit from close proximity of the Newby Hall estate office, which can provide advice and support on a range of issues. The stables also benefit from the facilities available on the wider Newby Hall Estate, including the cafes and restaurants associated with the core visitor attraction at Newby Hall and the opportunities for client hospitality and product showcasing.

There are 19 small business units on the site, some within the core stable area and others in adjoining converted buildings, all with access to sufficient adjacent parking. The units range from 260sqft to 2,124sqft and are all for office uses, with no provision for light industrial. Some units are utilised by businesses for showcasing products to visiting clients, which has strong appeal given the high quality of the site and the buildings themselves.

The facility is fully occupied at present although that has not always been the case. From opening in 2005, occupation reached 100% inside 2 years but then fell away as would be expected during the later part of the last decade as the recession took hold. Full occupation has been achieved through a range of factors:

- in a similar manner to Phoenix, the Estate took the opportunity to create a number of smaller units by refurbishing larger units that they found difficult to let. The Estate will consider further sub-division if their existing larger units become vacant – their view is that market interest favours the smaller units at present.
- Car parking and the environment around the Stables is a clear positive benefit. Some businesses have located there as the 'green/rural' location fits with their corporate image and others because it offers the opportunity to bring clients to an impressive location.
- Flexible management approach – given that the Estate are the owners and landlord of the stables and their long term approach to investment, they have been in a position to support businesses that may have struggled to remain tenants in other facilities during times of distress. The approach is one of developing close and long term relationships with their tenants.
- The investment in superfast broadband has certainly improved the marketability of the units and is a considerable asset given the rural location. The facility has significant underused capacity that can be accessed as required.
- High quality units at affordable rents. The conversion work has been undertaken to a high standard and is an investment for the long term by the Estate. This provides a unique facility for Ripon, which can be accessed at reasonable rent².

Newby Hall does not suit all types of businesses however. It is peripheral from amenities and services, such as those used for lunchtime retail and leisure activity and there is no real access by public transport. Some businesses have and will continue have challenges

² Currently, rents are broadly £14/sqft with a 10% service charge and an additional charge for broadband access.

in attracting and retaining support staff and some potential tenants will see the site as too remote. This reinforces the need for a functioning local economy to have a balance of types of small business property, to ensure that all needs can be catered for.

2.4 Sycamore Business Park

The Sycamore Business Park is located to the east of the City Centre at Copt Hewick in a rural location. The centre comprises 36 units, a mix of office and light industrial, with the smallest being 540sqft. There are only two units vacant at present, comprising one 766sqft office unit and a 540sqft office unit, although the Park owner is in discussion with potential tenants.

The owner stated that there has not been a waiting list for space at Sycamore for the last three years, but that the high level of occupation has been achieved through a flexible management policy – including flexible lease arrangements to reduce occupier risk. In common with comments made by the Newby Hall management, a high level of occupation, in their opinion, does not necessarily mean a buoyant market – it reflects the need for centre owners to be creative and flexible to maintain occupancy and income.

2.5 Other small business accommodation

In common with many places, Ripon has a number of small business facilities located around the City and its adjoining rural areas. They vary in size and quality, some are focused on light industrial and some are mixed use. The brief for this project relates to 'small' business space and in that context, we consider that means units that are less than 1,000sqft and ideally, less than 500 sqft.

Through analysis of the current property schedules provided by Harrogate Borough Council, this has identified units available for occupation at:

- the *HW Baines Industrial Estate*, located at Fishergreen close to the Wolseley facility and the bypass. There is a light industrial unit and also some office units that could be further sub-divided, within this predominantly 'industrial' setting that does not match the environmental and design standards at Phoenix and Newby Hall. Based on a site visit, we have not considered that this site offers real opportunity to cater for the small business start-up sector that GRIP is seeking to promote. It would be appropriate for industrial/manufacturing businesses, requiring van/lorry access.
- In *Old Market Place*, Allinson Court is available consisting of c1,000sqft that could be available for 1 or 2 units. There is likely to be other space available above some of the retail units in the City Centre (and a discussion with the agents Joplins has confirmed they are aware of some availability) but this type of space is notoriously difficult to access for new start up businesses and often comes with inflexible tenancy arrangements and is also often in poor condition.
- Several larger office units (1,500sqft+) are available at the *College Business Park*. Whilst this is a good quality location, with modern buildings, parking and is relatively close to the City Centre, the units are too large for small and start-up businesses and it also lacks the vibrancy at present of a 'business' location (in contrast to that available at Phoenix, Newby Hall or Sycamore). There is a larger vacant modern office building on the site (Athelston Court) which comprises 12,000sqft which may offer refurbishment opportunities for a small business centre.

2.6 Demand enquiries and availability

In addition to the information available regarding current occupancy of the small business facilities discussed above, we have also analysed information provided to us by Harrogate Borough Council on the number of enquiries for small business space in Ripon, from February 2009 to February 2012. This is summarised in the below:

- In the three year period, there were a total of 361 enquiries for office and clean activity B1 workshop, for the Ripon ward area.
- 29 of these enquires were for office space in the 0-999sqft category, representing a total of 28,373 sq ft.
- 44 of the enquiries were for clean activity B1 workshop space in the 0-999 sqft category, representing a total of 41,959 sqft.
- In total, 20% of the enquiries were for space of less than 1,000sqft, totalling 9-10,000sqft per annum from an average of 24 enquirers per annum.

Further information has been made available from Harrogate Council and a private sector agent in relation to premises availability for the period from quarter 1 2008 until quarter 4 2011. This is summarised in table 2,1 below.

Table 2.1 Premises availability (0-999 sqft) from qtr 1/ 2008 to qtr 2/2011		
Period	Industrial unit availability (0-999sqft units)	Office availability (0-999sqft units)
Q4/11	2	3
Q3/11	5	3
Q2 /11	5	3
Q1 / 11	7	3
Q4 / 10	5	3
Q3 / 10	4	3
Q2 / 10	5	6
Q1 / 10	5	5
Q4 / 09	6	4
Q3 / 09	8	6
Q2 / 09	3	5
Q1 / 09	4	3
Q4 / 08	4	3
Q3 / 08	3	5
Q2 / 08	1	4
Q1 / 08	1	5

The key points from this table are:

- There was an average of four office units available per quarter.

- In the same period, there were between 4 and 5 workspace units available per quarter.

When compared against the enquiry data set out above, this does demonstrate that there is (statistically) space available on the market to meet the demand, if there has been on average 8 small business units available on the market, this would suggest a total of say, 4-5,000 sqft of space, which is broadly 50% of the level of enquiries.

A key point from this analysis is that, whilst it is helpful context to look at the past take-up, we think the key point is does Ripon currently have the property product that can best enhance entrepreneurship in the City? This does not necessarily mean investing in new buildings – there is empty space on the market, but it is probably not best configured to really support the growth of small businesses and the start-up sector. An approach that seeks to address that, alongside wider economic development measures to promote entrepreneurship, may actually enable currently empty space to be used effectively and also provide a supply of growing businesses to occupy larger space in due course at centres such as Phoenix, Sycamore, Newby and Barkers.

2.7 Summary – the key characteristics of the Ripon market

Analysis of the above, including discussions with the operators of Phoenix Business Centre, Newby Hall stables and Sycamore Business Park, has identified a number of characteristics that are emerging in relation to the provision of small business units in the Ripon area. These are summarised below.

- The units that are of good quality, in good 'business vibrant' locations, that are managed on flexible arrangements are either fully occupied or close to full occupation. This is particularly the case for small office units, with Newby Hall, Phoenix and Sycamore exhibiting strong levels of occupation. Phoenix and Sycamore also have light industrial units which are also largely fully occupied. The main areas where there is availability are the larger office units at the College Business Park.
- Occupancy has been achieved in difficult trading conditions by flexible management, creative leasing agreements and through capital investment in reconfiguring space and providing broadband. There is a strong sense that the provision of additional 'similar' space onto the market is not required – for example, there are limited if any waiting lists and it would simply provide competition.
- In terms of small light industrial units, we have not focused specifically on this sector in this study (concentrating our inputs more on the office space) but we are aware that where small light industrial units have been provided recently – such as at Dallamires and the conversions at Phoenix, they have been successfully let. Similar sized smaller light industrial units at Barker Business Park at Melmerby have also been successfully let. As in most towns and cities, there will be lower quality 'workshop/metal bashing' units available in secondary locations, and there is some evidence of this in Ripon at locations such as the HW Baines Industrial Estate.
- The successful conversion of larger units to smaller space has resulted in the units being occupied. This would appear to be a continuing theme, with facility owners keeping a careful watch on the type and nature of enquiries and the option of further downsizing larger units if they become available for let. This would suggest that the 'trend' is for smaller space in the 500sqft and below category, reflecting the increase in small business formation as a result of changing employment patterns.
- Broadband quality is now a key function of locational decision. Newby Hall Estate made a strategic long term investment recently to significantly upgrade its

broadband provision and Sycamore similarly has a high level of broadband as part of its infrastructure. Interestingly, Barker Business Park has seen a small number of its tenants relocate to Sycamore and one of the reasons given was the higher level of broadband available at that location. This is an issue that Ripon will need to monitor closely – it can be an overriding factor for locational decisions which, in the long term could contribute to the City losing potential businesses to elsewhere.

- ❑ The main centres we have visited (Phoenix and Newby Hall) do not operate on a 'managed workspace' type arrangement, neither has a central reception and shared support service and neither operates any form of links to business support or business networking arrangements. The tenants are largely left to their own devices.
- ❑ Whilst there is nothing wrong with that approach – the facilities work as 'commercial ventures' and deliver returns for the property owners, the Ripon area does not have an 'enterprise' location or virtual enterprise hub that can be particularly supportive to early start-up businesses and those considering starting a new business for the first time. Provision of such a facility, with smaller units (such as 150sqft-500sqft) and creative hot-desking arrangements, with enterprise support available, could address the 'gap' in the Ripon small business space market and provide the pipeline of growing businesses to occupy the larger space provided at locations such as Phoenix, Newby and Sycamore.

In summary, the analysis undertaken as part of this research has highlighted that the supply of good quality, small business space in the Ripon area is largely fully occupied, particularly the supply of small office space in the sub 1,000sqft category. The main centres at Phoenix, Newby Hall and Sycamore also have limited provision of smaller office space (less than 500sqft) which is the main requirement for small/start-up businesses that may have say 1-3 employees.

The demand enquiry data available indicates that there are enquiries on a regular basis to the Council for small office and small industrial space in the City. It should be recognised that in rural areas much of the demand is often latent – that is to say that there will be a small businesses operating at home or in shared facilities, who are fully aware of the local supply position and therefore do not need to 'enquire' about space availability through the Council. Their 'need' for space may therefore not be recorded on a database, but they could become occupiers of new space if it meets their requirements.

The key point emerging in this analysis is that the quality, flexible space that best supports the growth of small businesses is in short supply in the Ripon area, which will be a factor that could constrain local economic growth and restrict the ability of GRIP to address a number of the key objectives in its Business Plan. The key question is how you address that and this is considered in the next section.

3 Summary and way forward

The key objective for this research paper was to assist GRIP to understand whether the supply of small business space in the City was constrained and therefore impacting on the economic competitiveness of the City of Ripon. The conclusions that can be drawn from the analysis set out in this paper is that the supply of good quality, flexibly managed small business accommodation in the City is largely fully occupied and there are limited opportunities for new or small businesses to access suitable space within the City. Does this impact on the economic health of the City? – yes it does, as individuals seeking such space may choose to remain where they are and therefore restrict the growth opportunities for their business; they may choose to relocate elsewhere; or more importantly, those considering setting up a new business do not have the opportunity of accessing 'enterprise' space and support services, which could constrain the entrepreneurial 'spirit'.

If we think in terms of a logic chain as to how you address the challenge of increasing the number of small businesses and enhancing economic diversity, then that is not simply a matter of providing additional physical space within the local area. Physical infrastructure is one component, but others include the development of a vibrant and creative business culture and the networking and co-working that creates the conditions and opportunities for small business growth. A number of factors are important in that, including emerging sector strengths, a vibrant further and higher educational structure that fosters entrepreneurship and also diversification opportunities as a result of changing employment patterns – such as the expected loss of employment within Ripon's high levels of public sector employee stock. Ripon fairs stronger in some of these areas than others.

The lack of what could be termed an 'enterprise centre' is a gap in the Ripon market. There are many different forms of workspace centres and there is no 'one size fits all', however it is evident that Ripon does not have a true 'small/start-up' business facility, that can be the focus for enterprise support, provides small space from a hot-desk through to a 400-500sqft unit and genuinely caters for the early start-up business process. There is provision of space larger than that in the City and, through a process of natural churn, that supply may well be sufficient (at Phoenix, Sycamore and Newby) to cater for businesses growing out of that start-up facility. That type of facility would also not compete with the existing centres discussed above, rather it would provide them with a supply chain of future tenants.

The success of this type of facility will be dependant on more than simply a capital investment in a building; it will require a robust operating model and management structure that supports a wider enterprise and growth agenda in the town. What do we mean by that? Essentially, the success of a new centre will be judged not by its occupancy rates and commercial viability, but by the extent to which it fosters a wider entrepreneurial and vibrant small business culture in the town. That will be important in securing tenants and income, but also for the wider role of the centre as a key 'economic development' investment in the City.

The important issues for such a proposition and its operating approach therefore include:

- *Ensuring an active management policy and approach* – the facility would need to become the focus for small (and larger) business activity in the City. Its use for business network meetings, as a location for business support 'surgeries' and for regular Chamber of Trade meetings, will embed the centre as part of the wider enterprise network in the City. The 'Centre Manager' would be a key appointment, not just an administrator but someone that can liaise with the business and education community and have their respect.

- *Design and function* – this will be key. The facility will need to foster networking, collaboration and be a stimulating environment that attracts enterprising tenants and those considering establishing a business – such as young people. Many workspace centres can have the feel of a Travel Inn, whereas successful enterprise facilities have a much more inspiring and open plan type arrangement.
- *A flexible and practical lettings approach* – small business centres in rural areas have to be flexible and not business sector focused. Whilst there needs to be some control over this, a rigid sector policy is likely to leading to voids and operating losses. The benefits of the 'hot desk rented by the day approach' can help drive demand, income and create a vibrant facility with genuine business activity.
- *Engagement with wider enterprise activity* – the York and North Yorkshire LEPs unsuccessful Rural Growth Network bid was based on an approach to improving networking and business to business activity across the LEP area, recognising that in most areas, the key issues related to improving vibrancy and activity, not necessarily the need for new physical accommodation. We are not aware from our work that Ripon has a vibrant network and a key role of such a new facility would be to foster that approach. Its location in a central area of the City would therefore be advantageous, linking closely with other enterprise activity within the area such as Business Coaching for Growth and curriculum initiatives run by the local schools and colleges. The centre will also need to work closely with the larger business in the area to support those employees considering self employment, as part of local economic diversification. The local sector strengths in food and drink would be an obvious connection, together with the creative and professional services sector.

Next steps

The 'way forward' does not advocate the provision of an additional quantum of small business space onto the Ripon market, rather that the 'type and nature' of space available merits further examination to better support a policy of increasing entrepreneurship in the City (and the District). For example, the operators of the centres mentioned above would have concerns if there were proposals to provide additional space onto the market that provided competition to their facilities – and we agree that would not make sense in the current climate. If a business wants space of 1000-1,500sqft + in Ripon then they stand a good chance of finding somewhere. However, if a new/small business needs space of say 200-700sqft in a flexible, supportive, networked environment (which is crucial to increase small business growth), then that has a much more limited supply (if any) in the City.

It is that particular 'product' that we found no evidence of in Ripon – namely the supported, flexible, networked, small business space, which we have seen elsewhere does provide a helpful layer of accommodation provision for business starting out and can start to influence business growth and therefore levels of entrepreneurship if linked into wider business and higher education. Our discussion with the LEP reinforced our thoughts that an approach based on capital investment just to create more small business space was not the right way forward, but investment that creates a genuine enterprise hub with all the associated benefits could be worthwhile if other activity was generating demand.

In terms of next steps, we would suggest that there is merit in developing the concept of an 'enterprise' facility further, as opposed to considering a proposition that provides something akin to the existing supply. There maybe the need in due course for additional space in the 500sqft+, but at the moment that would provide competition in difficult market conditions for the existing facilities. Whilst the existing supply is largely full, that is predominantly space more appropriate for a business that may have 3-4 employees+, as

opposed to the start-up/micro business sector. It is the latter group that GRIP is seeking to support to address the economic policy objectives in its Business Plan and that is likely to be constrained by a lack of appropriate accommodation and advisory support. The following are our thoughts on the next steps:

- ❑ Develop the concept further – what is the type, nature and size of facility that would best serve the Ripon market? This should review wider innovation activity – not just a physical building, and consider alternative options for an Innovation/Enterprise centre, alongside the need support/advice/networking activity.
- ❑ Consider the potential capital investment options – there is a building available for sale at present at College Green Business Park which maybe appropriate for refurbishment and there could be other opportunities around the core City Centre. Discussions with land and property owners would be beneficial to establish opportunities.
- ❑ Continue to work closely with the York and North Yorkshire LEP – its key objectives align strongly with the need to foster and enhance the small business sector as the driver of growth and their ideas as set out in the Rural Growth Network proposal have strong resonance to the comments above.