Wrexham Gateway Masterplan - Office Market Demand Review

Prepared on behalf of:

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FINAL REPORT

June 2023

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Appendix A – Wrexham Business Enquiry Data Analysis

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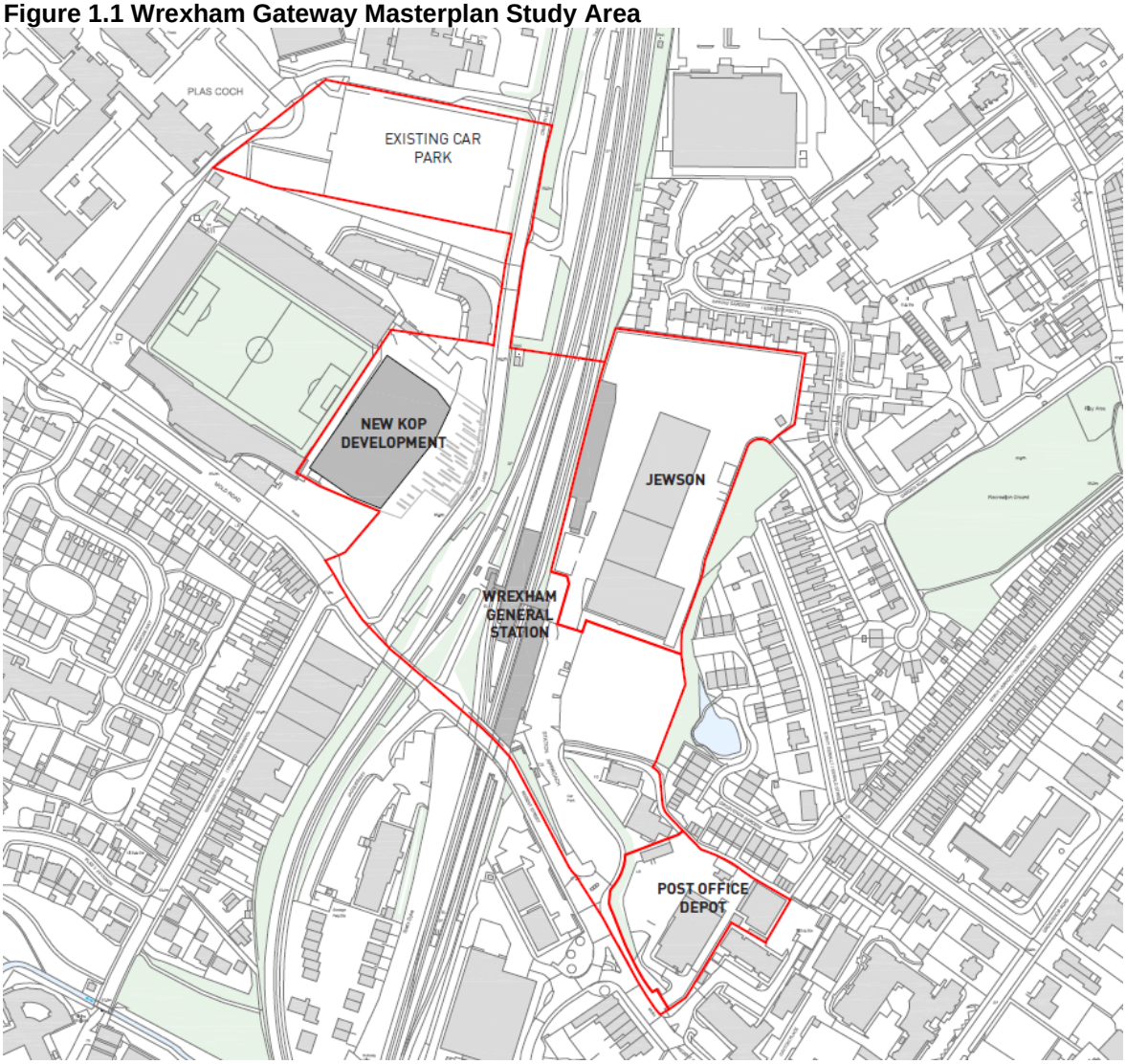
C&W is currently seeing significant variation in tendered build costs across all sectors driven by supply chain shortages affecting the construction industry. As a result, the build cost assumptions that have been applied in this appraisal/assessment are susceptible to short term changes. As a matter of prudence we recommend that where not already provided, sensitivities should be examined to test the effects of such variations and that further advice should be sought to market test such cost assumptions to inform decision making and prior to any investment commitments. It is also recommended that changes in build costs are closely monitored and the impacts on development viability kept under review.

1.0 Introduction

1.1 Wrexham County Borough Council, in partnership with Transport for Wales, Welsh Government and Wrexham Glyndwr University, prepared the Wrexham Gateway Masterplan in December 2022. The study sets out proposals to transform this prominent area which forms the key gateway to the City from the A483 to the west. It seeks to complement the Town Centre Masterplan which was adopted in April 2016.

1.2 The Masterplan site encompasses the area north of Mold Road around Wrexham General Station including the Kop end of Wrexham Football Club's Racecourse Stadium, Wrexham Glyndwr University car park, a vacant former Jewsons trade counter unit, Post Office Depot and a Scout and Guide centre.

Figure 1.1 Wrexham Gateway Masterplan Study Area



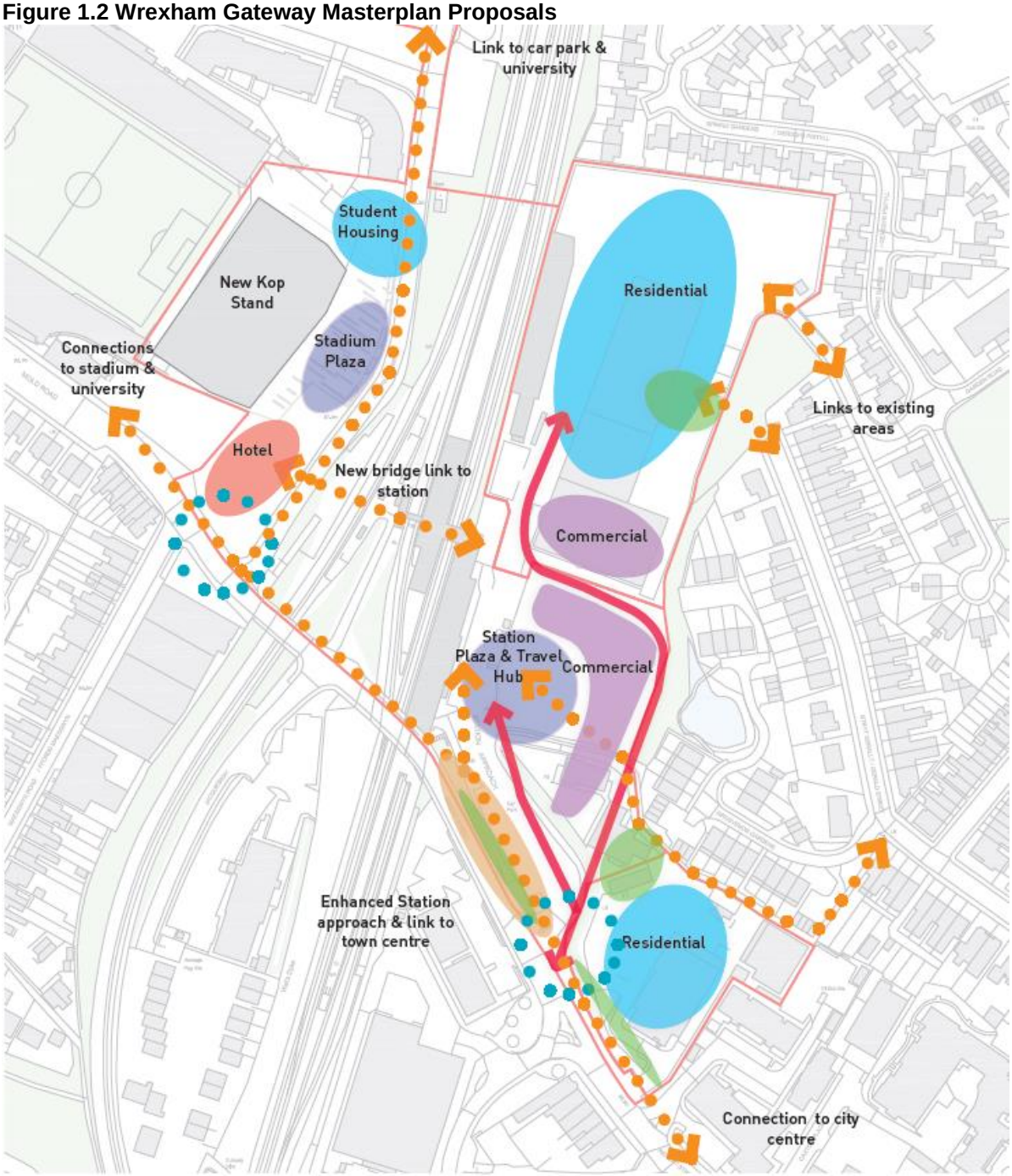
Source: Wrexham Gateway Masterplan (2022)

1.3 The proposals for the masterplan include:

- **New Kop stand** – including multi-purpose concourse/conference facility at the Racecourse Stadium. Granted planning approval in November 2022 and due for completion in 2024 (Phase 1 of Masterplan)
- **Landmark 120 bed hotel** – adjacent to the stadium and forming a prominent gateway building. Internationally branded 3/4 star mid-scale occupier anticipated

- **Re-configured station plaza, approach and transport hub** – enhanced arrival and connections including an active travel hub, bus and taxi drop off
- **Pedestrian bridge** – linking Wrexham General Station to the Racecourse Stadium, University and City Centre
- **Commercial premises** – 10,000 sq m (GEA) across two new buildings to help activate the station plaza and bring employment and footfall. Includes ground floor convenience retail
- **New housing** – c.153 new apartments and town houses to diversity the local offer and provide transition to neighbouring residential areas
- **120 space decked car park** – on existing University car parking site to north of stadium

Figure 1.2 Wrexham Gateway Masterplan Proposals



Source: Wrexham Gateway Masterplan (2022)

1.4 Delivery of the Gateway Masterplan presents a significant opportunity to transform this important area of the City, enhancing arrival by both road and rail, increasing legibility and connections for visitors to the Racecourse Stadium and University, and creating opportunities to deliver new commercial and residential development.

1.5 Towards this aim, the Council has been successful in its first stage bid to the North Wales Economic Ambition Board for £14.4 million North Wales Growth Deal funding to support the implementation of the second phase of the Wrexham Gateway Masterplan including the proposed hotel and first of the two office blocks (totalling 7,000 sqm).

Purpose of this Report

1.6 The updated Wrexham Gateway Masterplan (December 2022) built upon two previous iterations and was prepared in response to a new public sector occupier requirement for commercial office space emerging through the Government's Places for Growth programme, which has committed to move 22,000 jobs out of London by 2030.

1.7 The understanding of the office requirement established within the Masterplan was driven by discussions with Central Government through the Places for Growth programme alongside verbal interest in new office space in the City from potential major national tenants, rather than a robust market need assessment of office supply and demand characteristics and the wider strategic and economic context.

1.8 In response, Cushman & Wakefield has been appointed by Wrexham Council to provide a comprehensive assessment of the Wrexham office market. This is to determine the future office market potential of the City and the Gateway site in light of the Masterplan aspirations and the opportunities to support local economic and employment growth. The review will help to inform the potential scale and type of office demand that could be attracted to Wrexham Gateway, particularly if a Central Government occupier cannot be secured, and identify any constraints to the deliverability of new development within the Centre.

Report Structure

1.9 This remainder of this Report is structured as follows:

- **Section 2: Strategic and Economic Context -** provides an overview of the strategic and economic context including the Council's aspirations for Wrexham Gateway and City Centre
- **Section 3: Analysis of Supply and Demand -** analyses key quantitative office supply and demand indicators to provide an indication of 'years' supply position and key trends
- **Section 4: Wrexham Market Messaging** – review of likely type and scale of demand for office space in Wrexham, including anecdotal messaging, to determine the market potential of the Wrexham Gateway site and any key occupier criteria
- **Section 5: Conclusions -** brings together the findings of the report to provide a view on the potential of the Wrexham Gateway site for new office development and the form this should take to maximise attractiveness to market

2.0 Strategic and Economic Context

2.1 Understanding the strategic and economic context impacting the office market and within which Wrexham is operating is important in providing a clear indication of the key strategic priorities at the regional and local level and informs the market positioning in terms of the future role of the Gateway Masterplan site.

Economic and Office Market Context

2.2 The latest Cushman & Wakefield research indicates that economic growth in the UK remained subdued throughout 2022, lagging behind that of Europe and the USA, and is not anticipated to return to pre-pandemic output levels until the second half of 2024. Higher energy prices, labour shortages, increasing interest rates and the impact of Brexit are all considered to have contributed to this positioning. Whilst energy prices look set to improve throughout 2023, further interest rate hikes are expected to constrain economic growth more than inflation, although this too is likely to remain above target.

2.3 Economic uncertainty and reduced market confidence led to significant declines in investment transaction volumes throughout 2022. By way of demonstration, the Central London office market recorded its second slowest quarter on record, with deal volumes even lower than during the depths of the 2008 global financial recession. All property market sectors are likely to experience a continued price correction reflecting increasing financing costs, however investment volumes should remain moderate as interest rates stabilise.

2.4 For office occupiers and investors, the economic conditions and outlook will negatively impact upon the cost of occupation, finance and staffing costs through wage inflation.

2.5 Technological and infrastructure advancements have supported increasingly globalised businesses, and combined with shifting socio-economic trends, have resulted in significant structural change to the UK office market. In the decade following the global financial crisis this manifested itself in a shift in market demand away from out of town business parks and secondary locations and an increasing focus on large town and city locations with opportunities for clustering and collaboration alongside offering employees good access by public transport and a wider amenity offer. The paucity and cost of debt available to both investors and developers during this time also led to a further decline in the delivery of new space to the market without the security of a significant pre-let and/or public sector intervention.

2.6 More recently, over the last 3 years the office market has been clouded by uncertainty as the Covid-19 pandemic led to the mass transition to working from home. Many office occupiers delayed their occupational strategies and were unwilling to take on new and/or longer term space commitments as they awaited the reality of ‘the new normal’ working practices. Today, hybrid working is now embedded within the culture of most organisations and the form and function of the office is now being re-imagined by both occupiers and investors, with an increasing focus on staff experience, collaboration, learning and innovation over ‘productivity’.

2.7 Additionally, as a result of the Pandemic, people are now looking for more in terms of their health & wellbeing and this also relates to their office environment in terms of sustainability. As part of national ESG (Environmental, Social & Governance) requirements, all office developments are looking to set net zero targets and increase their sustainability profile. In new builds this can mean using clean energy sources as alternatives to gas for heating systems and aiming for high BREEAM ratings. In existing buildings, it may mean retrofitting in order to increase energy efficiency and aiming for high operational performance, benchmarked against BREEAM, and simple measures such as the use of smart meters.

2.8 Demand for office space therefore remains but is focused on location, quality and adaptability as occupiers seek to encourage a return to the physical office but on more flexible terms through working hours, use of space and supporting amenities. The sustainability of office buildings will become an increasingly prioritised decision making factor as environmental targets and regulatory constraints start to restrict the market and the cost implications of this begin to feed through to occupiers.

2.9 Regardless, there remains a fundamental shortage of good quality, and in particular, Grade A accommodation available across all office markets that is constraining economic and business growth. The challenge is overcoming the viability and risk of delivering new office development without the security of a pre-let or significant public sector investment.

Market Drivers

2.10 Regardless of economic trends, the demand for commercial office space continues to be driven by a series of multiple generic and business specific factors. The primary generic drivers for almost all occupiers are as follows:

- **Location** - That best suits business requirements, in terms of both access to customers (internal and external), supply chain and employees. In a higher value added economy access to higher skills is an increasingly important driver but workers anticipate greater travel to work distances as a consequence of higher pay levels. However, businesses requiring a low skill base will locate where there is a plentiful supply of cheap labour.

- **Quality of Place** - Linked to location, at a more site specific level the quality and type of site or location is of particular importance to where businesses choose to locate. Increasingly locational decisions for office occupiers are driven by human resource considerations with businesses choosing to locate in vibrant and attractive business locations, which are easily accessible by public and private transport and provide cultural and leisure facilities for staff. For many commercial occupiers, this driver has facilitated a pull back to large town and city centre locations and away from car dominated, poorly serviced out of town business parks.

- **Availability of space** - Ultimately most occupiers are opportunistic and will go where the right space is available at the right time and at an acceptable cost. An occupier's first choice is often within their existing location and then places nearby or with similar attributes which satisfy staff need. Existing space is of even greater importance to small or start-up businesses owing to risk profile, inefficient build costs for small spaces and lack of knowledge of the development process. Decisions tend to be short term e.g. responding to a new contract, and as such there is a need for a supply of 'oven ready' sites and premises of a variety of types and locations to enable areas to serve the needs of both existing and incoming businesses.

- **Financial incentives and public sector intervention** - Historically, occupiers have been driven to particular locations by the public sector, through the planning system and the availability of grants and incentives. Today, public sector spending is a less significant driver, and their role is more of an enabler, in particular through the planning system but with the exception of a number of recognised Enterprise Zone sites where financial incentives remain available to businesses within key growth sectors, or through central funds such as Levelling Up and Towns Fund. Start-up businesses may also be attracted by schemes offering business support services which are often local authority led.

- **Tenure** - A key consequence of the recession, which was driven by excessive borrowing, has been a shift in office requirements from freehold back to leasehold. As a result, developers are now seeking pre-lets as a pre-requisite to starting commercial schemes in all but major city and town centre locations. Outside of such locations public sector support is likely to be required.

- **Viability and risk** - Due to uncertainty of demand at scale and limited availability of finance, speculative development of any kind has been put on hold by developers who are not prepared to take the risk in all but the best employment locations e.g. strategic motorway junctions and prime city centres. Even in city centre locations innovative financing models and public sector support is often required to deliver new space speculatively.

- **Build and Environmental Standards** – Occupiers are placing increasing importance upon build standards and environmental performance as companies seek to reduce running costs, meet corporate and social responsibilities and legislative targets. Minimum Energy Efficiency Standards (MEES) regulations requiring minimum energy performance ratings in order for buildings to be lettable is further driving a flight to higher quality, more sustainable stock, with units unable to meet requirements likely to become obsolete. This has also increased build costs putting increased pressure on development viability in lower value areas.

Wrexham Strategic Context

2.11 Wrexham is located in north east Wales, close to the border with England and just 13 miles south of Chester, to which the A483 provides direct access. Whilst not in close proximity to the motorway network, Wrexham is served by two train stations: Wrexham Central and Wrexham General, offering direct services to Cardiff and Holyhead as well as across the border to Chester and Wirral.

2.12 As Wales's fourth largest conurbation and the largest in North Wales, Wrexham was awarded city status in May 2022. It's city centre forms the administrative centre of the County, spatially situated at its heart, it is the focus for commercial, retail and education activity and the focus for investment and regeneration activity across the County. Given this and its connectivity, the City is able to draw from a large and growing population catchment area from both Wales and nearby towns in England.

2.13 Wrexham is one of five centres recognised across North East Wales, West Cheshire and Wirral that have formed the Mersey Dee Alliance (MDA). This partnership supports strategic economic growth for this area that is recognised as a single economic sub-region. The aim of the alliance is to enhance the profile and identity of these centres through supporting key businesses alongside skills, employment and inclusive growth. Additionally, the alliance aims to bring about improved economic infrastructure for the region.

2.14 North Wales secured £120m funding from the Growth Deal from UK Government in 2020 which has been matched by a further £120m from Welsh Government. The deal will focus on building a sustainable and resilient economy by building on current strengths and tackling long term challenges through focusing on the delivery of 5 programmes (Low carbon energy, Manufacturing, Agri-food/Tourism, Land/Property, Digital). Overall, the funding aims to help deliver 4,200 new jobs and £2.4 billion net additional GVA by 2036.

2.15 To date, c.£30 million of Growth Deal funding has been allocated across five land and property projects across North Wales, of which Wrexham's Western Gateway is one following a successful bid at planning phase. The Council is now preparing the Strategic Outline Case (due for submission June 2023) for £14.4m capital funding to support the second phase of the Wrexham Gateway Masterplan including a new hotel and the first of the two proposed office blocks (c.7,000 sqm).

2.16 Wrexham City Centre itself is focused around Hope Street, Regent Street and Queen Street which contain a number of listed buildings and is the main hub of retail and leisure uses. The centre is well served by a mix of national occupiers such as Primark, HSBC, Lloyds, Waterstones as well as eating establishments like McDonalds and Greggs, as well as local retailers. On the eastern border of the City Centre is the Eagles Meadow Shopping Centre which provides another source of restaurants, shopping and leisure options from national brands such as Nandos, Next and an Odeon Cinema.

2.17 The Town Centre masterplan was originally produced in 2016 (prior to award of city status) and has undergone several reviews. It sets out the strategic vision for making Wrexham 'an attractive, distinctive and accessible 21st Century town where people want to live, learn, work, visit and invest'. The Council and Masterplan are working towards seven core objectives:

1. Improving the identity of the Town Centre
2. Improve the visitor experience
3. Improve accessibility – both into the town and circulation with the town
4. Improve the evening economy
5. Provide opportunities for Town Centre living
6. Accommodate the needs for a growing population
7. Provide opportunities to improve the green infrastructure.

2.18 A Vacant Property Strategy and Economic Appraisal was produced for Wrexham Town Centre in October 2021 which focuses on the vacant and under-utilised property and how best to utilise these buildings through helping make the case for public intervention. This work fed into a Business Case being made by Wrexham Council and Welsh Government to demonstrate the need for investment into empty town centre properties.

2.19 Wrexham is also home to Wrexham University with over 9,000 students. The main campus is located on the western edge of the Centre and contains majority of the student services, facilities and accommodation. Wrexham Football Club, one of the oldest professional football association teams in the world, is located north west of the Centre and has enjoyed a more global profile over recent years following its purchase by Hollywood actors Ryan Reynolds and Rob McElhenney alongside their return promotion to the English Football League in 2023. Both of these important assets are adjacent to the Wrexham Gateway Masterplan area.

2.20 The office market within Wrexham is primarily serving the local neighbourhoods with offices in the Centre primarily found above retail or converted from other uses e.g former retail. There are no new build developments/ schemes within the Centre, the closest modern office accommodation is found at Wrexham Technology Park, just west of the Centre and therefore acts as competition for any occupiers looking for modern space. The Gateway area is strategically located between these two main office market clusters.

3.0 Analysis of Supply and Demand

3.1 Drawing upon external property databases and Cushman & Wakefield's in-house market research and market knowledge, the following section provides a high level analysis of Wrexham's office market supply and demand characteristics from a quantitative perspective to determine the scale and quality of the existing local offer in terms of 'years' supply and its potential to support additional office development.

Analysis of Supply

Existing Stock

3.2 As of June 2021 (latest available) the Valuation Office Agency (VOA) indicated a total of 790 properties within the office sector across the County of Wrexham - the highest figure since records began in 2000. The total built office floorspace of these properties totalled 1.29 million sq ft (120,000 sqm), equating to an average office size of 1,635 sq ft (151 sqm). This is a relatively small office size, suitable for accommodating businesses with in the order of 10-15 staff, and is likely to reflect the local business base.

3.3 Wrexham County's existing office stock accounts for 18.1% of all office properties within North Wales and 20.4% of total floorspace (6.33 million sq ft), reflecting Wrexham's positioning as a key office location within the North Wales region.

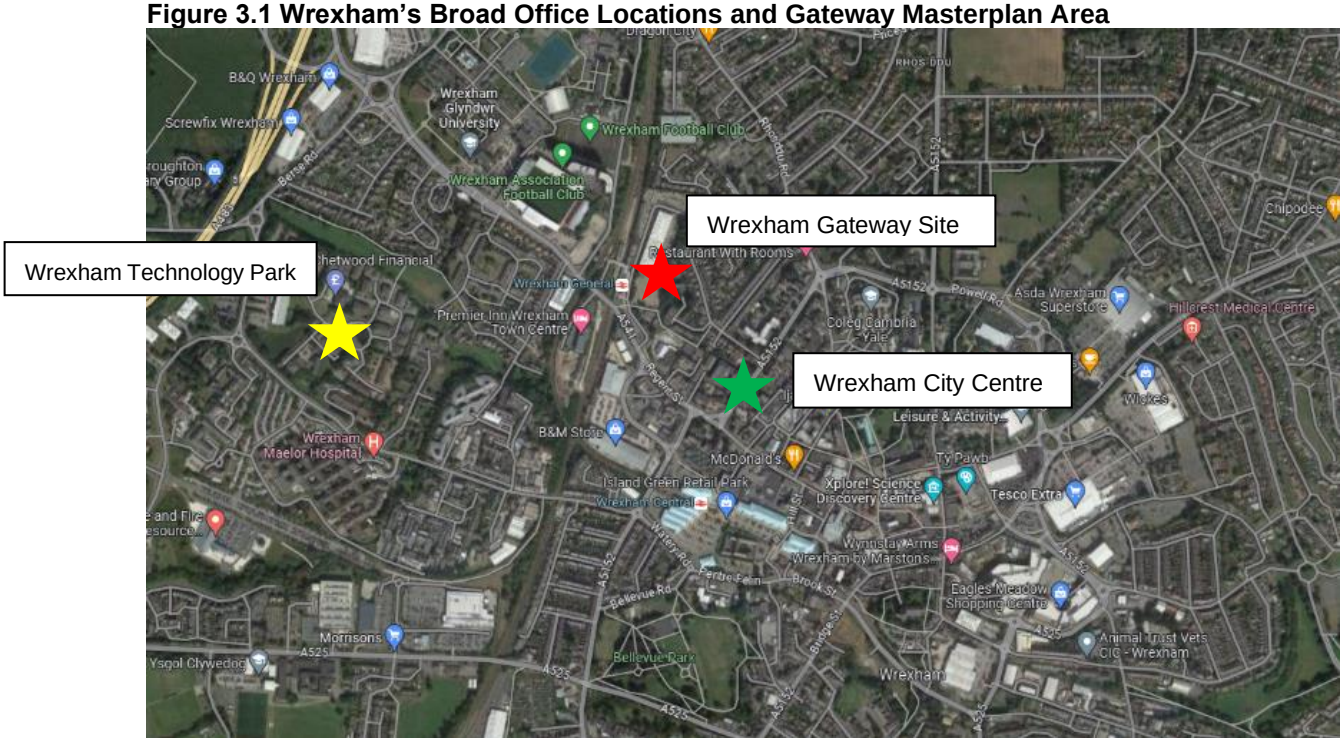
3.4 At the more local level, there are two broad office locations within the built up urban area of Wrexham, between which the Wrexham Gateway site is spatially and strategically situated (See Figure 3.1):

- **City Centre** – The City Centre office market is primarily focused on the northern fringes of the Centre, around Grosvenor Street and Regent Street (See Figure 3.2). Many units are in spaces above retail units or former public sector administrative buildings from the 1970's/1980's.
- **Wrexham Technology Park** – Modern (c.2000s), good quality, predominantly 2 storey pavilion style office park situated out of town in campus environment close to Junction 5 of A483 dual carriageway (0.5 miles). Situated approximately 0.6km south west of Wrexham General Station and the Gateway site, a regular bus service also runs between the park and Wrexham City Centre. The park is home to a wide variety of occupiers within the public and private sectors including Wrexham Probation Services and companies within the Education, Healthcare, Transportation and Financial sectors. There are in the order of 31 office buildings on the Park, totalling c.263,288 sq ft.



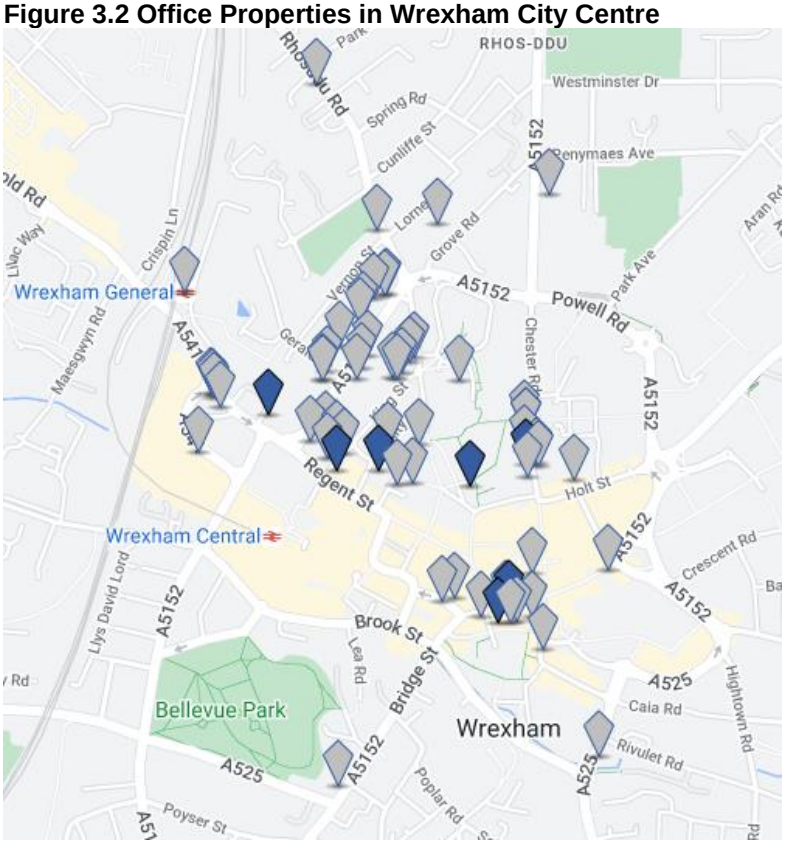
(Left: Regent House, City Centre. Right: Edison Court, Wrexham Technology Park)

Figure 3.1 Wrexham's Broad Office Locations and Gateway Masterplan Area



Source: Google Maps 2023

Figure 3.2 Office Properties in Wrexham City Centre



Source: CoStar, 2023

3.5 Additionally, to the east of the built up area of Wrexham is the out of town Wrexham Industrial Estate. Whilst primarily made up of industrial and workshop units, Wilkinson Business Park in the south west of the site contains 11 two-storey office buildings totalling 67,277 sq ft, providing good quality accommodation with sufficient car parking but limited public transport linkages due to location. The business park contains occupiers within the property, technology and financial sectors. Additional office buildings can also be found spread through the industrial estate including the Redwither Business Centre.

3.6 Together, the central Wrexham office market totals in the order of 95 buildings and 608,103 sq ft of accommodation across two broad locations with the City Centre and Wrexham Technology Park providing the majority of space. This equates to a significantly larger average office size of 6,401 sq ft (594 sqm) relative to that of the County at 1,635 sq ft (151 sqm) and is likely to reflect the appeal to larger occupiers seeking a more central and accessible location.

Table 3.1 Existing Office Stock (2021/23)

Location	No.	Sq Ft	% of Stock	% of Floorspace
Wrexham City Centre	64	344,815	67%	57%
Wrexham Technology Park	31	263,288	33%	43%
Wrexham Central Total	**95**	**608,103**	**100%**	**100%**

Source: CoStar 2023

Available Supply

3.7 As most office occupiers are opportunistic and will select existing and available premises which can meet their needs quickly and cost efficiently, the availability of local built office supply will be a key consideration for occupiers and the market potential of Wrexham Gateway. The availability of local available supply also provides an understanding of the current market in terms of quality, pricing and competition to new stock.

3.8 Table 3.2 summarises the current availability of office premises within the Wrexham urban area together with average asking rents. The figures represent all properties that are currently being marketed as available for sale or lease by local agents. As of March 2023, there were 18 units available within Wrexham totalling 66,481 sq ft (6,175 sqm) and ranging from 1,032 sq ft (120 sqm) to 8,000 sq ft (743 sqm). Average asking rentals are in the order of £10.70/ sq ft.

3.9 The majority of available supply (77.7%) is within the City Centre where there are 14 office spaces available within 6 premises totalling 58,623 sq ft (5,445 sqm). These range from 1,209 sq ft to 8,000 sq ft and an average size of 4,187 sq ft (388 sqm). Typical of a city centre of Wrexham's scale, 50% of the available space is in buildings which house retail on the ground floor and office accommodation above. Around a third of available space (30%) totalling 18,074 sq ft (1,678 sqm) is available across four floors at 16 Lord Street. It is unknown how long these properties have been on the market for.

3.10 All available City Centre units are of second hand quality and there is no availability of new stock, with the most recently built building with availability being completed in 1981. In contrast, all of the units available at Wrexham Technology Park are of more modern quality relative to the City Centre accommodation. There are currently just 4 spaces available within 3 different buildings at Wrexham Technology Park totalling 7,858 sq ft (729 sqm) and averaging 1,964 sq ft (182 sqm). The lower quantum of availability could be a reflection of higher demand for such premises.

3.11 Within the City Centre, only the Imperial Buildings on King Street stated a car parking ratio for the building of 0.4/ 1,000 sq ft. At Wrexham Technology Park, there is a car parking ratio of 3.0/ 1,000 sq ft at Building J; 0.1/ 1,000 sq ft at Edison Court and Kingsway House has a ratio of 3.8/ 1,000 sq ft.

Table 3.2 – Wrexham Office Availability (March 2023)

Property	Size	Price	Description
Wrexham City Centre			
Roxburgh House, Hill Street, LL11 1SN 	2 spaces available: 2nd Floor – 8,000 sq ft 3rd Floor – 8,000 sq ft **Total – 16,000 sq ft**	£8.00/ sq ft	Built in 1960, this property located on Hill Street consists of ground floor retail uses and 3-storeys above of office accommodation
16, Lord Street, LL11 1LG 	4 spaces available: Part Ground – 5,180 sq ft Part 1st – 5,312 sq ft Part 2nd – 6,178 sq ft Part 3rd – 1,404 sq ft **Total – 18,074 sq ft**	£9.95/ sq ft (Also available for sale for £1.8m)	The 4-storey detached office building was built in 1981 and is situated in the heart of the City Centre pedestrianised area.
Regent House, Regent Street, LL11 1PR 	3 spaces available: Part 1st – 3,238 sq ft Part 3rd – 3,330 sq ft Part 3rd – 3,330 sq ft **Total – 9,898 sq ft**	£10.00/ sq ft	Located on the western fringe of the Centre, the 1975 4-storey office building contains retail at ground floor and office accommodation in the 3 floors above.
6, Temple Row, LL13 8LY 	1,209 sq ft	£9.93/ sq ft	This mid-terrace self-contained Georgian office building is located on the southern fringe of the Centre and provides office accommodation over 3 floors. The property is located immediately opposite St Giles Church.
Imperial Buildings, King Street, LL11 1HE 	2 spaces available: 1st floor – 3,246 sq ft 2nd floor – 4,452 sq ft **Total – 7,698 sq ft**	£7.74/ sq ft	Located on the corner of King Street and Regent Street, this corner building contains retail space on the ground floor and 2 floors of office accommodation above. 3 car park spaces available
Old Library, Queens Square, LL13 8AZ 	2 spaces available: Part Ground – 3,226 sq ft Part 1st – 2,518 sq ft **Total – 5,744 sq ft**	£13.95/ sq ft (Also available for sale, price not disclosed)	Located on Queens Square, the library is a Grade II listed building which contains 2-storeys of office accommodation
Sub Total/Average	**58,623 sq ft/ 4,187 sq ft**	**£9.26/ sq ft**	
Wrexham Technology Park			
Building J, Ellice Way, LL13 7YL	4,615 sq ft	£13.97/ sq ft	Detached building built in 2000 which is providing office accommodation on the ground and first floor.

			30 car park spaces available (total for building)
Edison Court, Ellice Way, LL13 7YT 	2 spaces available: Part Ground – 1,106 sq ft Part 1st – 1,105 sq ft **Total – 2,211 sq ft**	£13.00/ sq ft	Edison Court is a series of 14 office units with adjacent 2-storey buildings. 45 car parking spaces available (total for building)
Kingsway House, LL13 7YP 	1,032 sq ft	£13.56/ sq ft	Detached, 2-storey office accommodation built in 2007. 50 car parking spaces available (total for building)
Sub Total/Average	**7,858 sq ft/ 1,964 sq ft**	**£13.38/ sq ft**	
Total/Average	**66,481 sq ft/ 3,693 sq ft**	**£10.70/ sq ft**	

Source: CoStar, 2023

Asking Rental Levels

3.12 Quoting rents for available office space across Wrexham currently range between £7.74/ sq ft and £13.97/ sq ft (£83.32-£150.38/ sqm) and average in the region of £10.70 per sq ft (£115.18/ sqm). The highest asking rent of £13.97/ sq ft is found at Building J, Ellice Way on Wrexham Technology Park.

3.13 Unit size, quality and location will all impact upon rental values. This is clearly reflected between the two key office areas with the older, second hand quality stock in Wrexham City Centre witnessing average asking rents in the order of £9.26/ sq ft (£99.68/ sqm) compared to an average of £13.38/ sq ft (£144.03/ sqm) at Wrexham Technology Park where more modern, higher quality accommodation is available. These rents compare with neighbouring areas of £8.50/ sq ft in Oswestry, £16.00/ sq ft in Chester, £14/ sq ft in Crewe and prime rents of £25/ sq ft in Liverpool City Centre.

3.14 The achievable rental levels and yields, rather than those quoted, will clearly have the greatest impact on the viability of delivering any new office space. However, at current quoting rents, values will be insufficient to cover the cost of new build offices at around £163/ sq ft (£1,762/ sqm) for base build costs (BCIS April 2023), excluding externals, fees, developer profit or abnormals.

3.15 Cushman & Wakefield office agents indicate that rental levels need to be in excess of £22/ sq ft (£237/ sqm) or benefit from the security of a significant (scale and lease length) pre-let from an occupier with a strong covenant in order for new development to be financially viable by the private market. Even taking into account an uplift in rental values to reflect the enhanced quality of new build space, rental levels in Wrexham City Centre are unlikely to reach such levels in the foreseeable future. This represents a market failure and supports the case for intervention by Wrexham Council who are seeking to overcome the viability and risk challenges through some form of public sector subsidy. Under this scenario, the rental level required to enable delivery will be lower than that demanded of the market, but will be dependent upon the Council's appetite for investment and risk alongside the subsidy scale and mechanism utilised.

Pipeline Supply

3.16 Apart from the proposals set out within the Masterplan, Cushman & Wakefield are not currently aware of any new office space under construction in Wrexham, nor of any new build schemes likely to come forward in the near future, including across the North Wales region. This is reflective of the financial challenges of delivering speculatively and the limited number of occupiers who would consider a design and build property solution. As a result, new office development is only being witnessed in major urban centres and/or it is being supported by a significant pre-let or public sector investment – as is the case proposed within Wrexham Gateway.

3.17 For occupiers seeking new or high quality office space in Wrexham, this could imply that their options are limited to the conversion of older stock or being forced to look at other locations beyond the City to meet their requirements.

Analysis of Demand

Occupier Take Up

3.18 Occupier take up rates ('deals' or 'transactions') provide a useful indication of the strength of occupier demand, particularly when considered in the context of existing supply. Table 3.3 summarises office lettings and sales (excluding lease renewals and investment sales) recorded by CoStar in Wrexham since 2018. This timeframe takes in the period pre and post the Covid-19 pandemic and whilst not many transactions have been recorded for the Wrexham Built up Area over the last 5 years, there has been a reduction in take-up since the Covid-19 pandemic.

Table 3.3 Office Occupier Take Up – Sq Ft (2018– 2023)

Year	Wrexham City Centre	Wrexham Technology Park	Wrexham Built Up Area/Total
2018	11,497 (4)	2,481 (2)	13,978 (6)
2019	913 (1)	6,806 (6)	7,719 (7)
2020	3,931 (5)	0 (0)	3,931 (5)
2021	33,605 (1)	1,382 (2)	34,987 (3)
2022	3,859 (2)	2,951 (2)	6,810 (4)
2023	0 (0)	0 (0)	0 (0)
Total	**53,805 (13)**	**13,620 (12)**	**67,425 (25)**
5 Year Average	**10,761 (2.6)**	**2,724 (2.4)**	**13,485 (5)**

Source: CoStar/Cushman & Wakefield April 2022

3.19 Over the last 5 years, a total of 67,425 sq ft (6,263 sqm) of office floorspace has been taken up across Wrexham's built up area in 25 transactions representing a 5 year average of 13,485 sq ft (1,252 sqm) per annum (2018-2022). Overall, there has been a fairly even split of transactions within each year (c.5 per year). The highest number of transactions occurred during 2019 (7) and surprisingly in 2020 during the Covid-19 pandemic when we saw a more general market trend of home working and occupiers refraining from making property commitments due to a lack of uncertainty about the market and their future requirements, take-up had only reduced to 5 transactions during the year. This is a positive sign of the commitment to Wrexham from these office occupiers. However, since then, numbers have continued to fall, and no deals have yet been recorded in 2023.

3.20 The majority of occupier take up (80%), totalling 53,805 sq ft (4,998 sqm), has been within Wrexham City Centre. This equates to a 5 year average take-up of 10,761 sq ft (999 sqm) per annum, and an average sized office transaction of 4,138 sq ft (384 sqm). This small to mid-sized average office (c.30 staff) likely reflects the make-up of the local business base in terms of business size.

3.21 12 of the 13 transactions in Wrexham City Centre were lettings, with the largest during this period being 33,605 sq ft over two floors and basement at 3-9 Hope Street to the Department of Work and Pensions in April 2021, achieving a rental level of £4.65 per sq ft. This significant transaction represented 62% of occupier take up in Wrexham City Centre over the last five years. Without this outlier, the remaining 11 lettings totalled 17,119 sq ft (1,590 sqm), with a notably smaller average size of 1,556 sq ft (144 sqm) equivalent to c.10-12 staff.



3.22 Whilst prior to the period of analysis, it is also worth noting another significant transaction of scale in 2016, when telephone answering service Moneypenny relocated from Wrexham Technology Park to a £15 million new-build office headquarters on a 10 acre site off Western Gateway to the south west of the Technology Park. The standalone custom build facility covers 91,000 sq ft over 3 floors with its own pub, restaurant, gym, sun terrace, treehouse and 7 acres of landscaped gardens with nature trails, a duck pond and orchard. Car parking for 450 vehicles equates to a parking ratio of 5 spaces per 1,000 sq ft. The property previously occupied by Moneypenny on Wrexham Technology Park was acquired by Welsh Government.

3.23 The remaining City Centre transaction occurred in April 2018 with the sale of 7 Grove Park Road. The property of 3,081 sq ft (286 sqm) was purchased by Foreman Company Services Ltd from a private individual for £208,000 (£67.51/ sq ft), significantly below the original listing price of £345,000 (£111.97/ sq ft).

3.24 Additionally, 6 investment sales occurred in Wrexham City Centre in the last 5 years. As these sales do not involve the new take-up of floorspace by an occupier (either previously vacant or replacement tenant), rather the purchase of a, usually occupied, premises by an investor to benefit from the rental income, they are not counted in the take-up figures, but do provide a useful indication of market confidence for offices in Wrexham. These sales comprised a total of 82,444 sq ft (7,658 sqm). Commercial details of investment sales are not often disclosed.

3.25 During this same time period, 12 deals completed at Wrexham Technology Park totalling 13,620 sq ft (1,265 sqm), equating to an average of 2,724 sq ft (253 sqm) per annum and 20.2% of Wrexham's take up. The largest transaction occurred in January 2022 of 2,211 sq ft of the ground and first floors of a building on Ellice Way. The building was let for £13.00/ sq ft to an unknown tenant. This was the only transaction of an entire building with majority being single floorplates. Additionally, 10 investment sales have also occurred within the last 5 years at the park, totalling 58,200 sq ft (5,402 sqm). The number and scale of investment sales relative to lettings suggest more market confidence in this location and the lettability of the office stock relative to the City Centre market.

Achieved Rental Levels

3.26 All of the transactions within Wrexham City Centre over the last five years have been of second hand quality and therefore reflected in the achieved rental levels which have ranged from £4.53 to £16.14/ sq ft and averaged £10.26/ sq ft. This 'top level' rental of £16.14/ sq ft appears high and was transacted at Roxborough House on Hill Street where current asking rents, according to availability above, are currently in the order of £8/ sq ft. It is therefore likely that this transacted rent was all-inclusive. Excluding this figure, reduces the average achieved office rent in Wrexham over the last 5 years to £9.45/ sq ft, similar to the average asking rental levels on currently available office units (£9.26 per sq ft).

3.27 Transactions at Wrexham Technology Park, where units are generally of a more modern higher quality, were able to command a slightly higher rental level of £10.00-£13.38/ sq ft, averaging £11.18/ sq ft – slightly lower than current asking rents. The difference in rental level could also be a reflection of the smaller unit size of the properties transacted at the Park compared to the City Centre.

3.28 Overall, achieved rents across Wrexham's built up area averaged £10.49/ sq ft over the five years since 2018.

Bringing Supply and Transactions Together

3.29 Bringing together the current office supply and demand analysis can provide an indicative 'year's supply' figure at a single point of time in the market, but does not take into account churn and the potential for additional space to come into the market.

3.30 Based on the annual average office take up rates across Wrexham's built up area over the last five years (2018-2022) of 13,485 sq ft and the scale of office premises currently identified as available and marketed (Table 3.2 – 66,481 sq ft), there is currently in the order of almost 5 (4.92) years supply. This increases to 5.4 years and reduces to 2.8 years within the City Centre and at Wrexham Technology Park respectively.

3.31 In terms of unit size, on average offices leased/sold in the last 5 years in the Wrexham built up area were in the order of 2,697 sq ft (250 sqm) and with current supply showing an average sized office available of 3,693 sq ft (343 sqm), this would indicate current supply is slightly larger than take-up average sizes.

3.32 However, as previously noted, with all of this office space being of second hand quality, none would appeal to occupiers with requirements for more modern or Grade A space. New office space as proposed within the masterplan to be delivered at Wrexham Gateway could therefore attract latent demand from occupiers who are wishing to be located centrally but requiring accommodation of a quality that cannot currently be found in Wrexham despite being the largest conurbation in North Wales.

4.0 Wrexham Market Messaging

4.1 This section provides a more qualitative overview of the market messaging for Wrexham based on business enquiries, key transactions and engagement with local market agents. It informs the recommendations on the likely demand for new office space in the City and the most appropriate type and scale of office accommodation to be provided at the Wrexham Gateway site to maximise its market appear to occupiers.

Economic Make Up

4.2 There are over 1,010[1] businesses in the Wrexham Urban Area, accounting for 24.5% of the 4,120 across Wrexham County, spanning key sectors including construction, wholesale and retail trade and professional, scientific and technical.

4.3 The County is home to a number of well-known and high profile businesses including Kellogg's, JCB, MoneyPenny and Hoya. However, the vast majority (97.5%) of Wrexham Urban Area businesses are micro and small enterprises (under 50 employees) with 87.6% of businesses comprising under 9 members of staff.

4.4 In terms of labour market profile, there are an estimated 24,390 in employment within the Wrexham urban area[2], accounting for 38.8% of the 63,000 across the Wrexham County as a whole. Whilst this figure has reduced slightly since 2015 (-1,905 in employment), the County has overall seen an increase of 6,000 in employment, a growth of 10.5% since 2015. This growth shows the strength of Wrexham's economy when compared to the growth across Wales during the same time period of only 0.9%.

4.5 Within Wrexham's urban area, human health and social work activities dominate the employment profile with 34.9% of those in employment. These employees are likely mostly accounted for within Wrexham Maelor Hospital located west of the City Centre however may include office space for administrative/ HR purposes. Office based sectors of professional, scientific and technical activities; administrative and support services; and public administration and defence collectively account for almost a quarter (22.1%) of all those in employment. This would broadly suggest that almost a quarter of those in employment in Wrexham urban area could be within predominantly office based sectors.

4.6 The strength and scale of Wrexham's growing labour market profile and business make up are positive indicators for the office sector within the City. However, it is also recognised that the majority of businesses are of small scale and therefore unlikely to have significant office space requirements in terms of floorspace, nor strength of covenant to support new build development.

Business Enquiries

4.7 Business enquiry data can provide a useful indicator of the type and location of businesses seeking office space within a locality, their reasoning for their space requirement and scale of space sought. This could help inform the strength and type of demand for any new office space provided at Wrexham Gateway.

4.8 The Business Team at Wrexham County Borough Council have recorded and provided property enquiries data for the last 5 years (April 2018 to April 2023). A full analysis of this data is provided at Appendix A and summarised here.

[1] UK Business Counts 2022

[2] Business Register and Employment Survey 2021

4.9 A total of 447 property search enquiries which specified a demand for office space in Wrexham County were received during the 5 years to April 2023, averaging 89 enquiries per annum. However, the annual number of office enquiries has fallen noticeably in the three years during and following the Covid-19 pandemic. This is likely to reflect the national trend of occupiers consolidating space as they adapt to hybrid ways of working.

4.10 In terms of location of demand, two thirds (66%) of office enquiries during this period were from within Wrexham itself, with a further 13.5% from the wider North Wales area, demonstrating the sub-regional appeal of the City. Wrexham based enquiries were predominantly from in and around the City Centre, but there was also a significant spread throughout the hinterland including Wrexham Industrial Estate and around the northernly village of Gwersyllt suggesting businesses wishing to remain or expand within the City. Interestingly, some enquiries were received from as far away as Glasgow and Southampton, however it is likely that these enquiries have HQs in these locations and are enquiring on behalf of local branches.

4.11 Businesses from 18 different sectors raised office enquiries, with the majority from business and company services (including management services, IT, digital and some public services), property, health and beauty. Of those that stated a reason for their enquiry, almost a quarter (24%) were looking to expand and therefore required additional office space. A further 21% were looking to relocate and 20% were on behalf of a new business start-ups seeking office space.

4.12 Of those that stated an office requirement size, a third (33%) were seeking an office floorspace of 1,000-1,999 sq ft (92-185 sqm) – aligned with average take-up size. Whilst some larger enquiries of 5,000 sq ft (465 sqm) plus were recorded, it is important to note that enquiries are recorded for all requirements with any office element and therefore these larger enquiries are likely to include a significant proportion of alternative commercial space e.g. industrial/ workshop.

4.13 The office enquiry data suggests strong demand for office space from growing and new businesses within Wrexham and the wider North Wales sub-region. It is important to provide a 'ladder of accommodation' in terms of both unit quality and size within Wrexham that facilitates for business attraction, start ups and retention as existing businesses seek sufficient space to expand. Without such, there is a risk that these businesses will be lost to the area along with the jobs and economic benefits that they bring.

4.14 The Wrexham Gateway proposals could meet some of this office demand, in particular for those seeking slightly larger floorplates than that currently available in the City but recognising the size of the majority of the local businesses base.

Market Demand Messages

Discussion with Potential Occupiers

4.15 The preparation of the revised Wrexham Gateway Masterplan was in part driven by Wrexham Council's discussions with a Central Governmental Department with a requirement for new office space within Wrexham capable of accommodating in the order of 600 civil service jobs (up to a maximum of 750 jobs) through the Government's Places for Growth programme.

4.16 Places for Growth has committed to move 22,000 jobs out of London by 2030. To date (Feb 2023), in the order of 11,200 government roles have been relocated. In Wales, Cardiff has already benefitted from the relocation of staff and a further 500 non-operational Ministry of Justice roles are anticipated to be relocated to sites including Cardiff, Swansea and Wrexham. A letter from the Minister of State at the Cabinet Office (dated 26 May 2023) reaffirms the ambition of UK Government to relocate and consolidate civil service staff to Wrexham through the development of a justice, legal and regulatory bodies campus with active discussions underway to explore options and secure a demonstrative commitment.

4.17 Whilst an exact size requirement, timeframe or preferred location has not been given, Government would require the building to meet BREEAM 'Very Good' or 'Excellent' status and would likely require flexible space to incorporate features such as break out spaces, meeting rooms, security rooms and MER/SER rooms which handle the IT network.

4.18 Based on HCA Employment Density Guidance (3rd Edition 2015) of 12 jobs per 1 sqm Net Internal Area (NIA) for public sector offices, this could equate to in the order of 7,000 to 10,000 sq m (75,000 to 100,000 sq ft) – a similar scale to that established within the revised Masterplan across two blocks adjacent to Wrexham General Station with a 7,000 sqm block in Phase 2 and an additional 3,000 sqm block proposed at a later date. By way of comparison, the Government Property Agency (GPA) has just signed a lease for 12,000 sqm (130,000 sq ft) to accommodate 700 civil service roles at First Street in Manchester through the Places for Growth programme. The new office facility is currently under construction.

4.19 Additionally, Transport for Wales (TfW) have also expressed interest in office space in Wrexham in the longer term for c.125 desks, ideally within close proximity to Wrexham General Station. However, in the short term given the lack of available suitable space they are currently negotiating for space on Wrexham Technology Park for the Plastipak/ Disclosure Services building, in partnership with WSP. It is understood that they are seeking a relatively short 5 year lease term with a 2 year extension option. In particular, they would require any future office space to accommodate 90 employees, subject to hybrid working agreements, 3 meetings rooms to accommodate 36 people and car parking with 30 spaces. The proposals for office space within the Gateway Masterplan could accommodate this requirement with the exception of the car parking.

4.20 Wrexham Enterprise Hub is a Business Wales hub located in the former Iceland building, located on the corner of Lord Street and Argyle Street. The space is fully funded and therefore offers freelancers, founders and business owners a space to grow their businesses without the financially burden of finding office space. The hub provides coworking desk space, meeting areas, internet and mail handling services as well as running events throughout the year targeted at business growth, 6 days a week. According to the 2021 Vacant Property Strategy, the hub is very successful and therefore looking for further grow-on space of c.500 sqm (5,000 sq ft) either in vacant office space or integrating serviced accommodation in an existing property close to the existing hub. Whilst this scale of demand will be insufficient as a pre-let to support development on its own, it could provide an important contributor to the wider mix of office space, subject to operational and management arrangements as an enterprise hub.

4.21 Moneypenny are also looking to develop more office accommodation alongside their existing 91,000 sq ft purpose built facility off Western Gateway to the south west of Wrexham Technology Park. However, this is dependent upon the Welsh Roads Review permitting improvements to nearby junction 4 of the A483 - which Welsh Government has indicated is not acceptable. The A483 Wrexham By-pass J3-6 scheme has now been replaced by the A483 multi-modal project within the Roads Review. In contrast, the Wrexham Gateway site is served by junction 5 of the A483, for which Welsh Government consider the only improvements required to support future development relate to active travel measures for walking and cycling. As such, Moneypenny's aspiration of additional development adjacent to their existing property is at risk which could present an opportunity for the proposed Wrexham Gateway offices if the civil service relocation fails to materialise or is of a smaller scale.

4.22 Each of the above identified occupier requirements for new high quality office space provides a positive market message for the strength of demand for the Wrexham Gateway proposals. However, the challenge will be securing these occupiers as pre-lets as the market is unlikely to support speculative development without mitigating against the risk of voids.

Local Agent Discussion

4.23 Discussions with Cushman & Wakefield office agents and local agents active in Wrexham have confirmed that the office market is spatially divided into two broad areas – the City Centre and Wrexham Technology Park. Both areas are considered to have a relatively limited supply of available office stock. The bulk of demand is reported to be for Wrexham Technology Park owing to the higher quality of space, good parking ratios and access to local facilities and amenities. As a result, prime rents are in the order of £15 per sq ft, but averaging £13 per sq ft compared to c.£10 per sq ft in the City Centre.

There is also some demand for office space at Wilkinson's Business Park within Wrexham Industrial Estate, although this is a little way out of the City. Whilst less commercial in nature, the Industrial Estate is home to some of Wrexham's largest occupiers including tractor manufacturer JCB Transmissions; Kellogg's employing 500 staff at their largest Special K manufacturing plant globally; and Net Sports World who have recently completed (December 2022) their new £25 million 411,000 sq ft headquarters facility providing office and warehousing space across four floors together with a restaurant/ bar, yoga studio, gym, running track, tennis courts and football pitch for their 230+ staff. Each of these occupiers serve to raise the profile of Wrexham as a business destination.

4.24 The main locations competing with Wrexham for office occupiers are considered to be:

- **Chester Business Park** – Established out of town office location with similarities to Wrexham Technology Park being just 1 mile south of Chester City Centre and with good road accessibility to the A55/A583 intersection. Situated 10 miles north of Wrexham, Chester Business Park is considered to be the main competitor, offering an established office location with high quality modern stock and substantial parking ratios of around 4 spaces per 1,000 sq ft. The Park benefits from a number of international occupiers including Bank of America, M&S Bank, Lloyds Group and Bristol Myers Squibb Pharmaceuticals but struggles with traffic flow at peak times.

  In the order of 150,000 sq ft of office space is currently being marketed at the Park, the vast majority of which (135,000 sq ft) is within a single building at One Lakeside, with the remaining spaces being smaller units of c.3,000 sq ft. Top rents are in the order of £20 per sq ft. A single development plot also remains with outline planning consent for up to 110,000 sq ft in one build or several builds of 25,000 sq ft+. However, this will not be speculatively delivered.

- **St David's Business Park, Ewloe** – Situated 12 miles north of Wrexham at the intersection of the A494 and A55 North Wales Expressway in Ewole, St David's Business Park provides a range of self-contained buildings of good/high quality with car parking alongside a range of amenities such as a day nursery, Co-op, pub and Village hotel with meeting rooms. Current occupiers include Flintshire County Council, MoneySupermarket as well as the headquarters for national housebuilders Redrow and Anwyl Group. Two units are currently being advertised on the park with 9,651 sq ft available in one building (Vista) for a rental value of £17 per sq ft and a parking ratio of 5 spaces per 1,000 sq ft.

4.25 Anecdotally, Wrexham is gaining some profile with office occupiers as the "Capital of North Wales" following award of City status in May 2022, with some who would not previously have considered the location now looking at it as an option. However, the majority of demand is still largely local and despite the international press around Wrexham Football Club, there was not considered to have been increased interest from abroad as a result.

4.26 Local agents were supportive of the proposals for new office development at Wrexham Gateway, noting the current lack of Grade A stock particularly for larger businesses looking to expand. Although they expressed caution over the scale of development at over 100,000 sq ft given take up in Wrexham is estimated to be in the order of 50,000 sq ft per annum. Demand would likely be for units in the 5,000 to 10,000 sq ft range and pre-lets would be required for any floorplates larger than this. Rental levels were anticipated to be in the region of £18-19 per sq ft for any such scheme.

Comparative Station Schemes

4.27 We have briefly considered other recent office developments at regional rail station hubs to provide an indication of likely scale of demand and the most appropriate quantum of office development for Wrexham Gateway:

Table 4.1 Station Office Developments

Scheme	Scale of Development	Market Messaging
Chester City Place 	**500,000+ sq ft of Grade A office** Phase 1 (2017): 6,503 sqm (70,000 sq ft) 6 storeys speculative – 90% let within 12 months at c. £20 psf Phase 2: 168 bed Courtyard Marriott hotel	Considered a superior office location to Wrexham. The first block is of a similar scale proposed at the Gateway and let well. However, latter blocks have not been delivered owing to market uncertainty.
Stockport Exchange 	**375,000 sq ft of Grade A office** Phase 1: 1,000 space MSCP (2014) Phase 2: 4,552 sqm (49,000 sq ft) 5 storeys (2016) – fully let within 6 months at £18.50 psf 372sqm/4,000 sq ft Sainsbury's Local on GF 115 bed Holiday Inn Express Phase 3: 5,714 sqm (61,502 sq ft), 6 storeys (2020) – fully let at £20 psf	Superior office location to Wrexham. Office blocks of a smaller scale to that proposed at Wrexham but fully let. Car parking ration of 1:1,000 sq ft.
Wakefield Westgate 	**123,000 sq ft of Grade A office** Emerald House – let to HM Court Service Wakefield One – built for City Council 1 and 2 Burgage Square – let to private occupiers	Similar market profile to Wrexham and demonstrates requirement for public sector occupier to kick start development.

4.28 The above schemes demonstrate the market potential of office development around railway stations in regional locations and suggest that there is an opportunity for high quality office development at Wrexham Gateway adjacent to Wrexham General station. However, the office blocks delivered in these, arguably better, station locations have not been to the scale proposed for Phase 1 at Wrexham Gateway (7,000 sqm), which could raise some concerns. However, overall, at 10,000 sq m (107,000 sq ft), the total office quantum proposed is considered reasonable in comparison.

5.0 Conclusions and Recommendations

5.1 This Office Market Study has sought to determine the type and scale of demand potential, if any, for new build office space at Wrexham Gateway as proposed within the Masterplan and in the context of supply and demand characteristics, recent and proposed investments and Wrexham's strategic and economic aspirations. The key market messages from this Office Market Review can be summarised as follows:

Strategic and Economic Context

5.2 Challenging economic conditions and outlook continue to negatively impact upon the cost of occupation for office occupiers through increased energy costs; higher finance costs as a result of interest rate rises and staffing costs through wage inflation. Sustainability measures will further restrict the market and have cost implications for occupiers as environmental regulatory constraints start to take effect over coming years.

5.3 Despite this, demand for office space remains but is focused on the best locations, quality and adaptability to meet modern occupier needs and provide the best opportunity to attract and retain staff through good accessibility, more flexible working hours and use of space plus supporting amenities.

5.4 The main challenge of meeting this demand profile is the fundamental shortage of good quality, and in particular, Grade A accommodation available across all office markets that is constraining economic and business growth. The lack of financial viability and risk of delivering new office development without the security of a pre-let of sufficient scale and covenant or significant public sector investment is the key reasoning for this shortfall in supply.

The office market in Wrexham typifies national trends, with the Wrexham Gateway Masterplan setting out the aspiration to deliver new Grade A office space to meet latent demand and fill the gap in modern built supply; but the Council recognising that this will not be deliverable without either successfully securing the Central Government occupier discussed through the Places for Growth Programme, an alternative public or private sector occupier of appropriate scale and covenant, or providing some form of public subsidy.

Analysis of Supply and Demand

5.5 The analysis of supply demonstrates Wrexham's positioning as the key office location within the North Wales sub-region accounting for around a fifth of total floorspace, but also reflects the relatively small scale of the local business base by the relatively small size of existing stock averaging just 1,635 sq ft (151 sqm), equating to 10-15 staff at the county level, but increasing to c.6,401 sq ft (594 sqm) at the Wrexham build up area level, which could accommodate in the order of 40-50 employees, and is likely to reflect the appeal to larger occupiers seeking a more central and accessible location.

5.6 Current office supply is limited to second hand stock in two broad locations – older buildings, conversions and above retail units in Wrexham City Centre; and in more modern pavilion style accommodation with larger floorplates at Wrexham Technology Park to the west of the City Centre. The Wrexham Gateway site is spatially and strategically located between these two broad office locations.

5.7 In terms of marketed supply, availability is much lower at Wrexham Technology Park where stock is more modern, road access is easier and there is greater availability of parking, which could reflect higher market demand relative to the town centre. Asking rental levels reflect the quality of available space in the order of £8-10 per sq ft in the town centre and £13-14 per sq ft at Wrexham Technology Park. Such rental values are likely to be constraining the financial viability of delivering new office space through either development or refurbishment.

5.8 The supply of available office space is likely to increase further over the next couple of years as landlords struggle to let inefficient units as MEEES regulations come into force and occupier demand changes to accommodate more hybrid working. This trend is already being witnessed in Wrexham through a reduction in business enquiries for office space.

5.9 Analysis of quantitative office demand in terms of historical annual office occupier take up rates in Wrexham are illustrated to have been in the region of 13,500 sq ft (1,250 sqm) across c.5 transactions per annum over the last 5 years. Although the Covid-19 pandemic will have negatively impacted upon these figures, there have been no recorded transactions in 2023 to date. The largest transaction, accounting for around half of total take up during this period, was by the Department of Work and Pensions in 2021 (33,600 sq ft/3,100 sqm) demonstrating the contribution public sector occupiers can have on local office demand. When this deal is excluded, the average size of unit taken up reduces to the relatively small c.1,500 sq ft/144 sqm reflecting the scale of local businesses.

Bringing supply and demand together, there is currently in the order of 5 years supply of office space available and marketed across Wrexham's built up area as a whole - 5.4 years in the City Centre but just 2.8 years at Wrexham Technology Park suggesting greater market appeal in this location and for more modern office stock. None of Wrexham's existing supply is of Grade A quality. Delivery of new office space at Wrexham Gateway could therefore fill this gap in supply, support a greater choice of accommodation and attract latent demand from occupiers and expanding businesses seeking Grade A space in a central and accessible location who may currently be forced to look outside of the City to fulfil their office requirements.

Wrexham Market Messaging

5.10 The economic profile of Wrexham demonstrates the City's strength as the main employment centre within the County and wider sub-region, including within key office based sectors such as health, professional services and public administration. Whilst there are a number of global organisations present, the vast majority of Wrexham businesses (88%) are SMEs with 9 or fewer staff which will have implications for the scale of space demanded by most and the strength of covenant for any pre-let to support development.

5.11 Business enquiry data illustrates the predominantly sub-regional appeal of Wrexham as an office location, particularly for businesses seeking to expand or relocate to larger premises. Aligned with the economic profile and scale of much of the current local supply, around a third were seeking relatively small office units of 1,000 to 2,000 sq ft, although some larger enquiries of 5,000 sq ft have also been received.

5.12 The Council has already been in discussion with some significant larger scale office occupiers with an interest in new space at Wrexham Gateway, and there are likely to be others who are not yet aware of the opportunity for space in this location. It will be critical to secure some or all of these potential occupiers and/or secure Growth Deal or other public sector funding support to enable delivery of new space to meet this demand.

5.13 Anecdotal messaging from market agents reveals a similar view point – latent demand for modern high quality premises reflected by the attractiveness of Wrexham Technology Park and competitor locations such as Chester Business Park and St David's in Ewole.

5.14 Where new office development has been delivered in other similar locations adjacent to stations, often with the help of the public sector to overcome viability constraints, uptake in terms of letting has been very positive and delivered a step change in achievable headline rents reflecting the quality of stock to the market. However, these schemes, together with the messaging from the market suggest that the scale of building proposed at Phase 1 of Wrexham Gateway (7,000 sqm / 75,350 sq ft) could be too large for the market unless a significant end occupier is secured as a pre-let.

The market demand messaging suggests robust demand for office space within Wrexham, particularly from sub-regional businesses seeking modern facilities to support expansion. Whilst much of the demand is currently for smaller units, there is scope to attract larger occupiers if the right ladder of accommodation can be provided at Wrexham Gateway, reducing the risk of losing such occupiers without the capacity to self-build (such as Moneypenny) to competitor locations such as Chester Business Park.

Wrexham Gateway Office Potential

5.15 The lack of modern new build or Grade A office accommodation is currently limiting the potential to attract (or retain) larger, higher profile occupiers to the City. The Wrexham Gateway site sits strategically between the city's two broad existing office locations, and is well served by both road and public transport accessibility, meaning that the current Masterplan proposals for new office space with appropriate scale floorplates could fill this gap in local supply. Further, there are no known proposals for significant new build office space likely to come forward across the North Wales region in the short to medium term pipeline. The Gateway site proposals could therefore have lower competition and wider market appeal.

5.16 The proposals for significant mixed use redevelopment established within the Wrexham Gateway Masterplan provides a real opportunity to deliver a step-change in the future prospects of the City and diversify the local office stock to include higher quality accommodation attractive to modern and higher value business occupiers. New leisure, hotel, residential and enhanced public realm, together with the development at the Football Stadium and the global profile the team is creating, will create a more vibrant arrival in Wrexham, generating footfall and spend, alongside a more attractive amenity offer for staff of office occupiers.

5.17 However, the key challenge of delivering new office space in this location will be financial viability. Even with an uplift in values to account for higher quality space, office rental levels in Wrexham will be insufficient to support the cost of new build development as proposed within the Masterplan. As such, new high quality office space is unlikely to come forward in Wrexham for the foreseeable future without either the security of a significant (scale and lease length) pre-let from an occupier with a strong covenant, such as a Central Government Department as is currently being discussed, or the support and lead of the public sector and/or an alternative funding contribution.

5.18 Wrexham Council acknowledge this position and the need for public sector subsidy, and in response are currently preparing the second stage bid (Strategic Outline Case) for £14.4 million North Wales Growth Fund to support delivery of the second phase of development at Wrexham Gateway – a new hotel and 7,000 sqm office block. Should the funding bid not be successful, the Council could consider other methods of delivery including direct development; grant funding; partnership delivery; wrapper lease or put options.

5.19 Whilst negotiations to secure the Central Government Department and/or other interested parties identified to date should continue, this market demand review has identified the potential for office space at Wrexham Gateway to appeal to other occupiers. However, in order to best appeal to the wider market and maximise the opportunity for lettings, the following should be considered:

- **Location** – Promotion of the scheme as a gateway development strategically positioned between the City Centre and Wrexham Technology Park with good accessibility by public transport, road and active networks. As a key component of a wider Masterplan, the transformation of the area as a whole, including the increased profile of Wrexham Football Club, should be maximised to position the office scheme to the market as a great location to attract and retain staff with fabulous supporting amenities.

- **Quality** – Grade A facilities that meet modern occupier requirements, fill the gap in current supply and meet emerging environmental and sustainability criteria such as MEEES. This will be a key differentiator and drive market appeal.

- **Scale** – The currently proposed 10,000 sqm of office space across the whole of the Wrexham Gateway equates to c.8 years supply based on Wrexham's take up rates over the last 5 years. However, it's phasing across two buildings could allow the market to be tested on the first block and the ability to consider other uses such as residential on the second plot should demand be weaker than anticipated.

  Aligned to this, at 7,000 sqm (75,350 sq ft) for the first block there is some concern that the scale of office block proposed in the first phase of Wrexham Gateway could be too large for the market. This presents a risk in terms of long term voids, empty business rates and the message this presents to the market. Similar station first phase office developments in Stockport and Chester, arguably stronger locations, have been in the order of 50,000 and 70,000 sq ft respectively, but have let well as speculative schemes. Whilst a block of 50,000 sq ft might be preferable for Wrexham, particularly if a substantial pre-let cannot be secured, so long as the risk in terms of time to let is accounted for, it is recognised that the proposed scheme may need to be of this scale owing to other factors such as site capacity and/or physical constraints.

- **Floorplates** – Much of Wrexham's current supply, demand and recent transactions reflect the fact that the majority of sub-regional businesses are SME's with 9 or fewer staff at c.2,000 sq ft (c.15 staff scale). However, there have been a couple of larger office transactions (e.g. Moneypenny at 91,000 sq ft and Department of Work and Pensions at 33,000 sq ft) and other such enquiries with an interest in Wrexham would currently be lost to competitor locations such as Chester Business Park. Therefore, floorplates at Wrexham Gateway should be in the region of 10,000 sq ft but designed with capability of being sub-divided into units of c.5,000 sq ft, aligned with the supply and demand anaysis. Larger occupiers can take multiple floors if required.

- **Car Parking** – Unfortunately car parking continues to be a requirement for many office occupiers, largely reflecting the challenging accessibility to many office locations and the need for staff to be regularly mobile to meet clients, attend meetings elsewhere etc. In out-of-town locations parking ratios are often in the order of 3 to 5 spaces per 1,000 sq ft, but for schemes with good accessibility to public transport such as those similar to Wrexham adjacent to stations a minimum of 1 space per 1,000 sq ft would usually be achieved. This could equate to up to 75 car parking spaces for the first proposed block at Wrexham Gateway. It is understood that it will not be possible to provide dedicated car parking at the site which could be detrimental to attracting tenants, or slow occupier take up rate, even despite its accessibility credentials. Options for parking in the wider area should therefore be considered and promoted to potential occupiers alongside options for additional dedicated parking. For example, could additional spaces be provided over the rail line adjacent to the stadium? Or a multi-storey on the plot currently proposed for the second office block?

- **Rental levels** – A new office scheme presents an opportunity to drive a notable uplift in headline rental levels in Wrexham through the provision of a higher quality offer and if available today could support rents in the order of £18-19 per sq ft, potentially increasing as the transformation of the area progresses. Whilst this is not sufficient to support development relative to build costs in its own right, it does provide confidence to the market.

5.20 Overall, the potential for new office development at Wrexham Gateway is positive and there is considered to be robust latent demand for modern Grade A space in this strategic location which is also maximised as a result of being part of a wider transformational regeneration area. A proactive and ambitious Council is already leading negotiations with significant potential end occupiers and is willing to support delivery should they not be secured. Effective promotion will be key to maximising the market appeal of the office space, building upon the City's raising profile, its good accessibility and lack of competing offer. However, consideration should be given to the quantum and/or phasing of development, floorplate configuration and scale and the potential to provide dedicated parking if at all possible.

Appendix A: Business Enquiry Analysis

Wrexham Business Enquiry Analysis

The Business Team at Wrexham County Borough Council have recorded and provided property enquiries data for the last 5 years (April 2018 to April 2023). Enquiries were recorded by the reason for requirement, size of space needed, requirement tenure and company sector.

A total of 447 property search enquiries including office space were received during this period, averaging 89 enquiries per annum. The summary per year has been recorded in Table A1. To date, the number of enquiries received each year has been on the decline, with a particular drop off in the years following the Covid-19 pandemic. This has been a national trend as occupiers are consolidating space following many businesses adopting a hybrid way of working which includes home working and therefore requiring less office space.

Table A1 – Wrexham Property Enquiries (2018-2023)

Year	Count
2018 (from April)	96
2019	113
2020	101
2021	79
2022	39
2023 (Up to April)	19
Total	**447**

Source: Wrexham County Borough Council, 2023

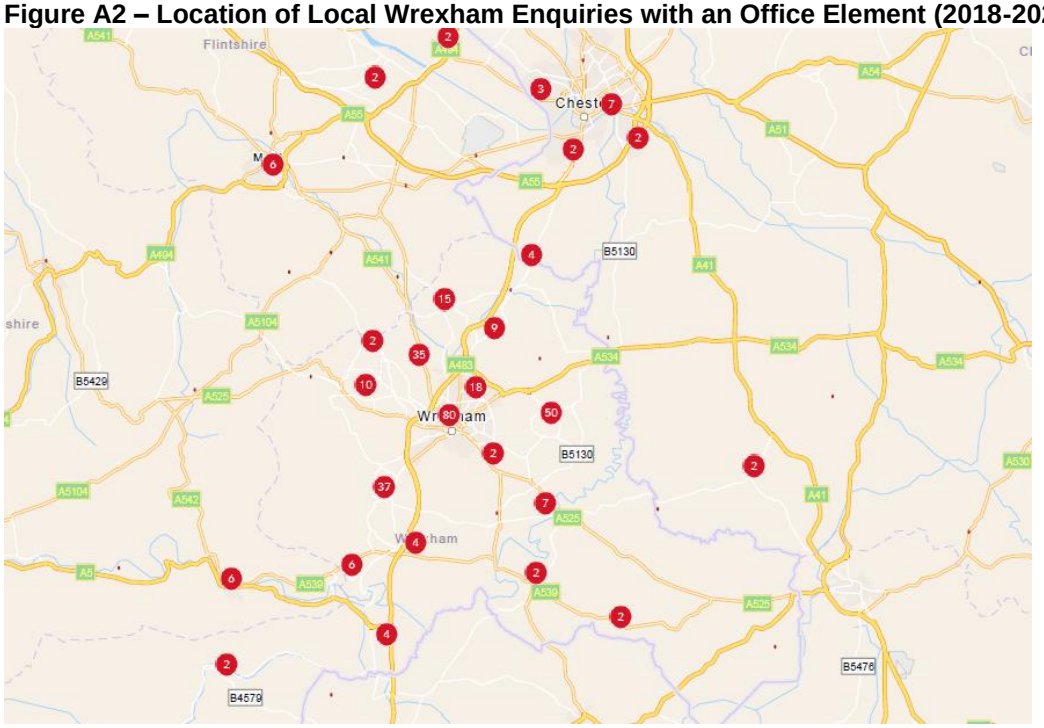
Business enquiries stated their locations (either of the current business or home location if start-ups) which identifies if enquiries are from companies within Wrexham or from elsewhere in the country. Figure A1 provides a national view of where the enquiries for office space in Wrexham have originated. Of the 436 enquiries mapped (11 enquiries did not provide an origin postcode), the majority (65.8%/287 enquiries) were from within Wrexham (postcodes LL11, LL12, LL13, LL14), and a further 13.5% (59 enquiries) from the wider North Wales area demonstrating the sub-regional appeal of the City. Some enquiries were received from as far away as Glasgow and Southampton, however it is likely that these enquiries have HQs in these locations and are enquiring on behalf of local branches.

Looking more closely at the local enquiries (Figure A2), Wrexham's enquiries are mainly from in and around the City Centre (80) where the majority of current businesses can be found. However, there is significant spread throughout the hinterland including to the east from Wrexham Industrial Estate (50) and around the northernly village of Gwersyllt (35). It is positive that a high number of enquiries are from within Wrexham and the local area as shows a strong demand for office accommodation from local businesses.

Figure A1 – Location of Wrexham Enquiries with an Office Element (2018-2023)



Figure A2 – Location of Local Wrexham Enquiries with an Office Element (2018-2023)

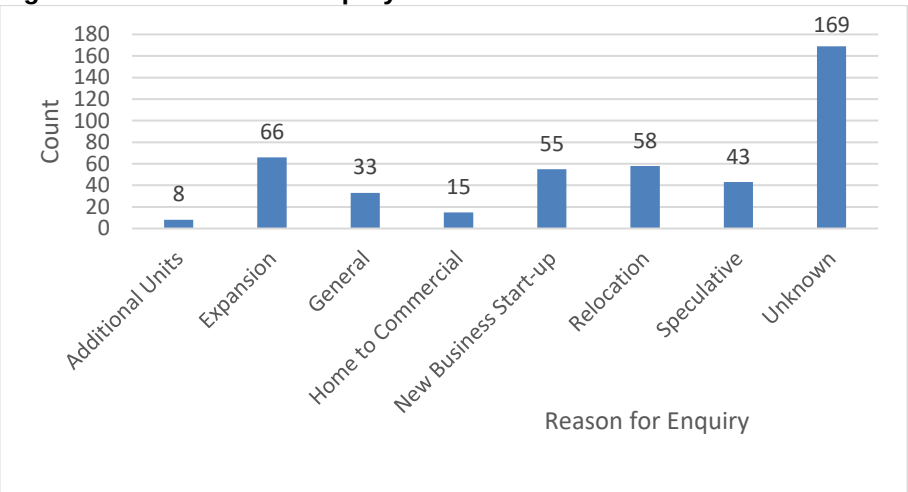


Source: Wrexham County Borough Council, Business Analyst, 2023

Out of the enquiries received, 278 (62.1%) stated a reason for their enquiry and the need for office space. Positively, almost a quarter of these enquiries (23.7%) stated that they were looking to expand and therefore required additional office space. This is showing positive business growth within Wrexham and an importance to retain these businesses in the area by providing expansion space. Additionally, almost a fifth (19.7%) of enquiries were on behalf of a new business start-up looking for office space within Wrexham, again showing the strength of the office market as new businesses are choosing Wrexham as their start-up location.

It is important to provide a 'ladder of accommodation' in terms of both unit quality and size within Wrexham that facilitates for business attraction and retention as existing businesses seek sufficient space to expand and business attraction and start-ups.

Figure A3 – Reason for Enquiry

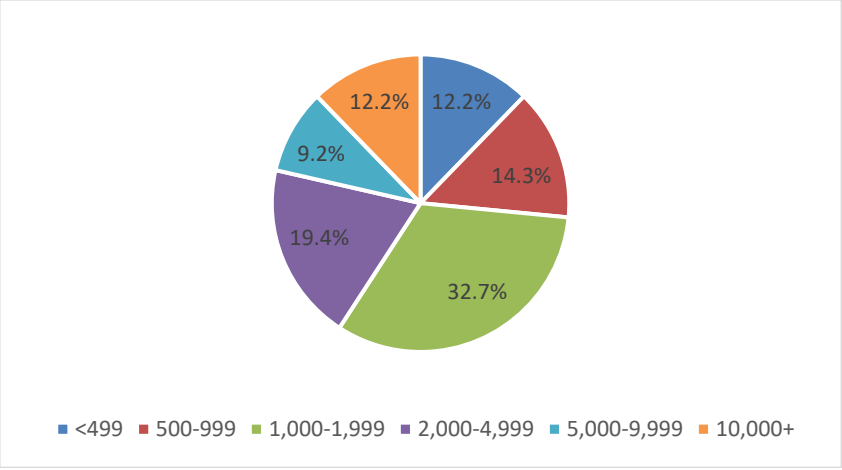


Source: Wrexham County Borough Council, 2023

196 (43.8%) of enquiries stated a maximum office floorspace requirement which gives an indication as to what size offices are in demand and can be analysed against current floorspace availability. Almost a third of enquiries (32.7%) stated a requirement for office floorspace of 1,000-1,999 sq ft (92-185 sqm). However, as stated above, available offices on the market in Wrexham are averaging a floorspace size of 3,693 sq ft (343 sqm) which is notably larger but could potentially be sub-divided.

Note that enquiries recorded are for requirements with some office floorspace and therefore may also include other elements of commercial space e.g. industrial/ workshop. It is likely that requirements in the higher size brackets (10,000+ sq ft) are for hybrid office/ industrial space.

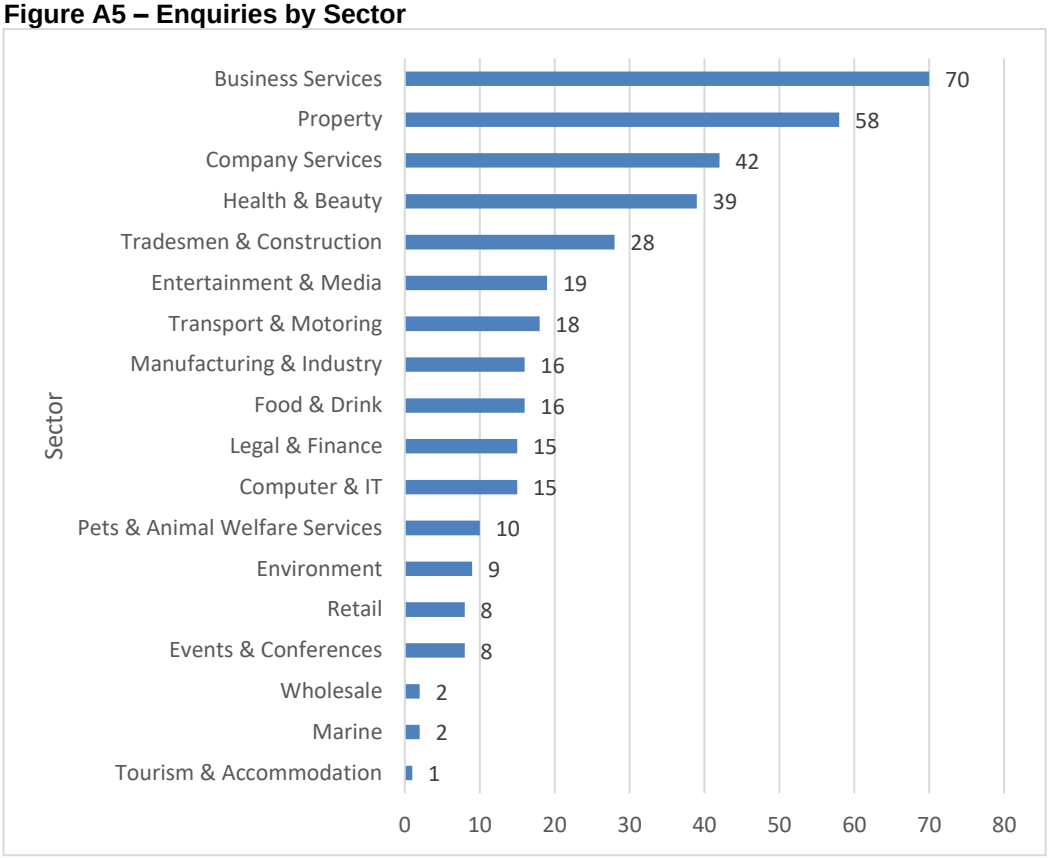
Figure A4 – Enquiries by Size



Source: Wrexham County Borough Council, 2023

Enquiries were also asked to state their business sector, of which 376 enquiries responded (84.1% of total). Business from 18 sectors have shown interest in office space within Wrexham which is a sign of the strength of the market. The highest number of enquiries were received from the 'Business Services' sector, accounting for 18.6% and which includes management services, IT, digital and some public services.

Figure A5 – Enquiries by Sector



Source: Wrexham County Borough Council, 2023