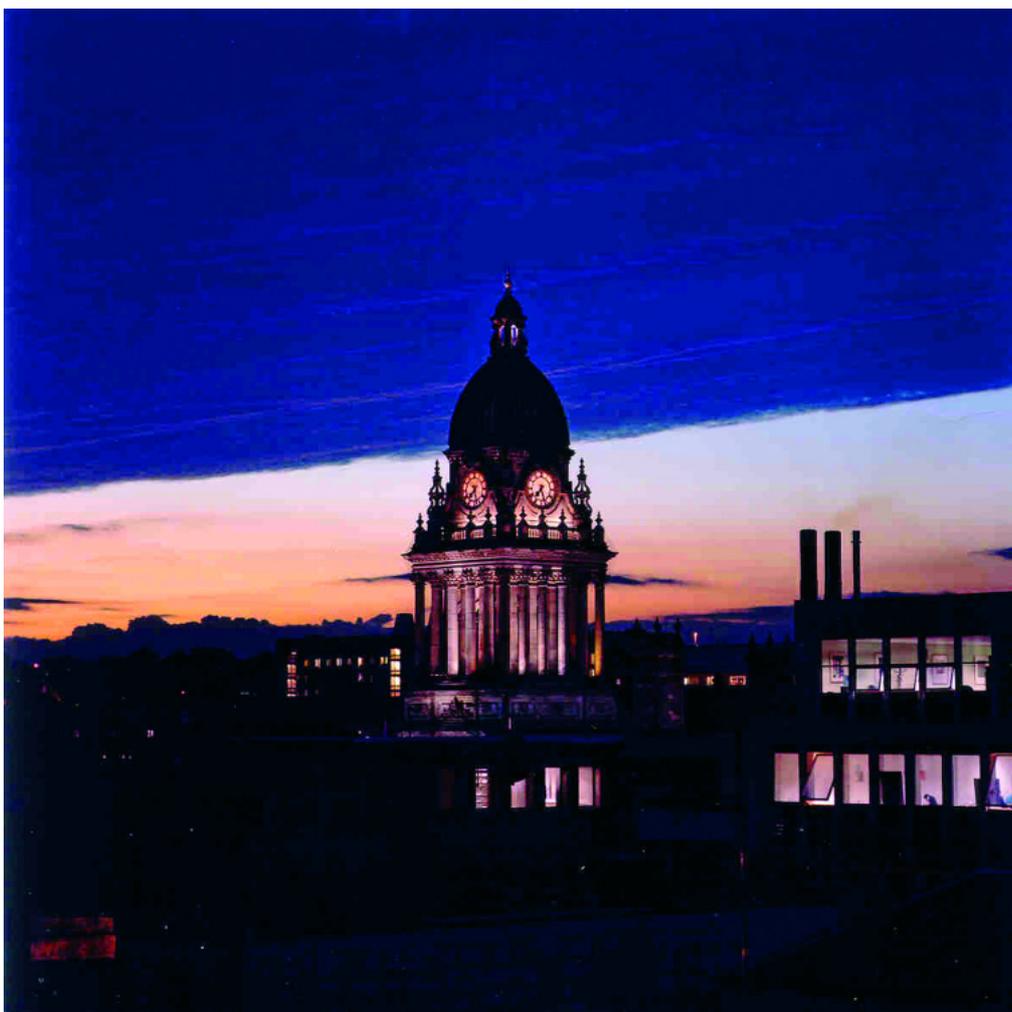


“WHEN YOU HAVE A STRONG DOWNTOWN...



IT WILL RADIATE VITALITY TO AN ENTIRE AREA”

William Hudnut, former mayor of Indianapolis, August 2003

CITY LIVING IN LEEDS: HERE TO STAY?

IS CITY LIVING A NEW PROPERTY AND LIFE-STYLE PHENOMENON WITH PLENTY OF UNTAPPED POTENTIAL, OR IS THE MARKET NEARING MATURITY, WITH LOOMING OVERSUPPLY?

In Leeds, it is considered by developers and agents that current investor confidence is well-placed. Lettings and sales to occupiers continue at robust and unprecedented levels. The appeal of the city centre as a place for young, well-paid people to live, work and relax is rapidly being improved by the range and quality of the residential and other developments taking place. The already buoyant local economy is being further boosted by city living.

Though the pace of residential property inflation is expected to ease during 2003, the medium- and long-term prospects are good.

Respondents to our Spring 2003 occupier survey are positive about the experience of city centre living. They appreciate high quality accommodation within walking distance of their jobs. While they point to some elements of facilities that could be improved, such as food shopping, control of crime, noise nuisance and provision of GP surgeries, there is a relatively high level of commitment to staying in the city centre for more than two years, especially in the case of the owner occupiers.

THE SUPPLY OF APARTMENTS

Leeds, in common with many other cities, has a growing supply of city centre apartment developments (see Map 1, Figures 1, 2 and 3 and Table 1). Economic, demographic and lifestyle changes, as well as changes in government planning and environmental policy, have resulted in rapid evolution of a phenomenon that was a rarity in Britain a decade ago.

When independent consultants recently reviewed progress in economic, social and environmental development in Leeds, they concluded that "Leeds has succeeded in

	Total units	Total schemes	Average size of schemes	New build schemes	New build units
Completed	1,805	60	30	12	752
U/C	2,526	19	126	10	2,095
Permission	1,695	41	41	6	485
Planned	4,635	45	103	15	1,440
TOTAL	10,661	165	64	43	4,772

TABLE 1. CITY LIVING SCHEMES IN LEEDS (FIGURES AS AT END Q1 2003)

changing its image in many quarters from that of a declining northern industrial town to a go-ahead city which is good for business, good for shopping and entertainment, and a good place to live in" (Urbed, 2002).

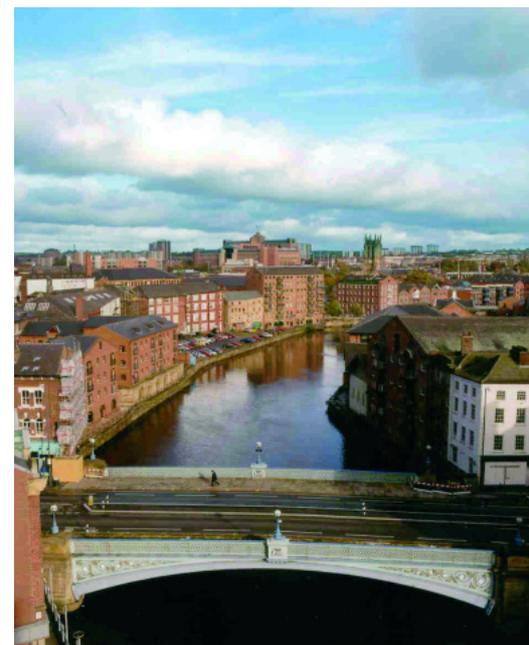
REDEVELOPMENT IN THE CITY CENTRE

It is estimated that £1.8 billion was invested in Leeds city centre between 1992 and 2001, with a further £3.4 billion said to be in the pipeline (Urbed 2002). Residential development has been a significant element of this investment: an estimated £126 million (six per cent of the total for the decade) has been put into the conversion of old warehouses, factories and offices into apartments and the development of purpose-built schemes on sites in and close to the city centre (Leeds Economy Bulletin February 2003). At the end of Q1 2003, 1,805 units in 60 schemes had been completed and 19 schemes totalling 2,526 units were under construction. Forty-one developments comprising 1,695 units had consent and a further 45 proposed schemes would add more than 4,600 units.¹ The total of over 10,600 units would accommodate over 15,000 people.² This represents a substantial increase in the city centre

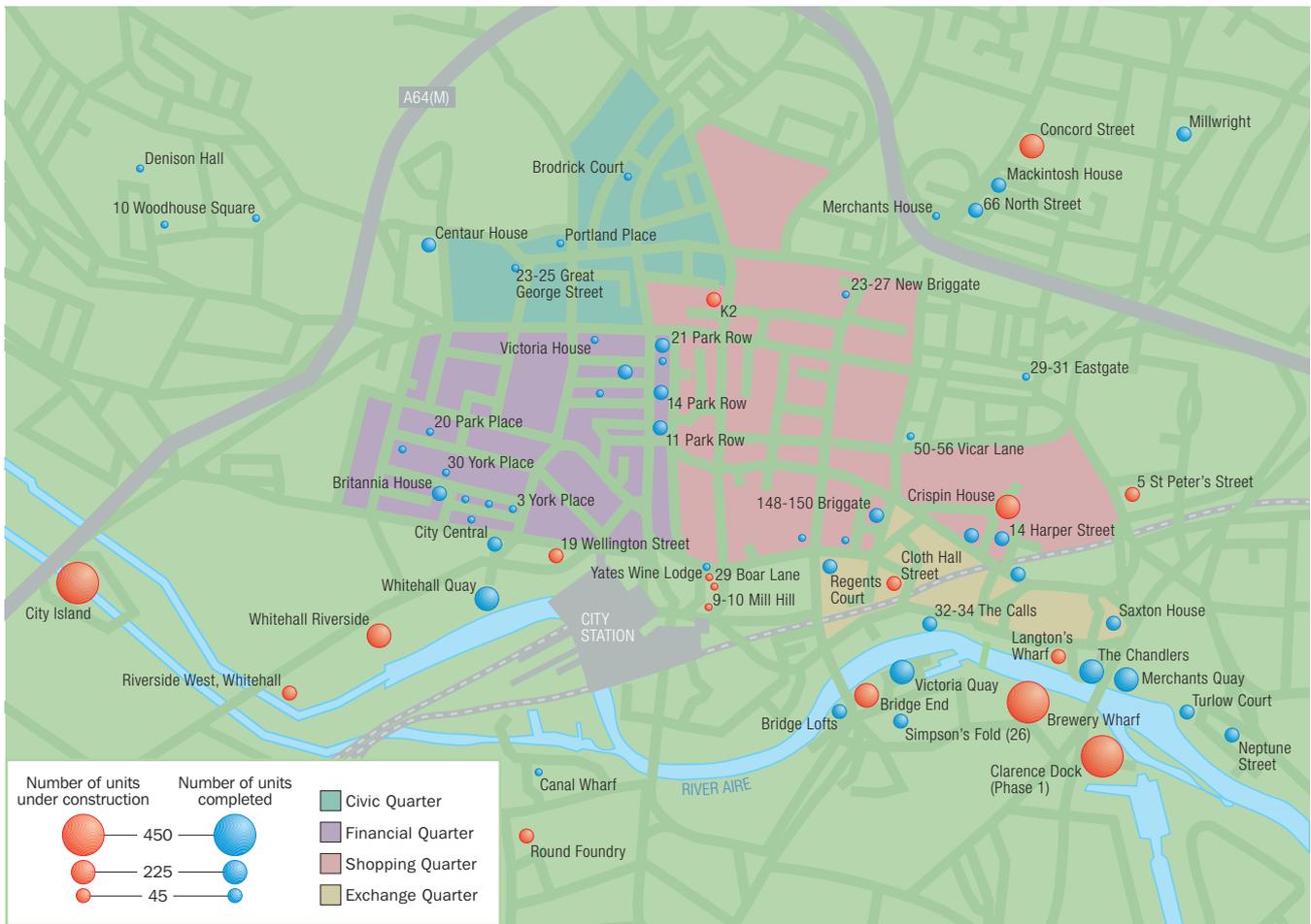
population, which had been in decline for several decades.³ But even if all the schemes were to go ahead and be fully occupied by 2010, the population of the new generation of city centre dwellings would amount to around two per cent of the city's projected total of 740,700 (LCC, 2002).

Planning applications for city centre residential and mixed schemes picked up dramatically in 1998 and peaked in 2000. This has meant a sharp increase in the numbers of units now coming through the development pipeline: just 367 units were under construction in November 2000 compared with more than 1,800 in this category two years later.

The first experiments in providing residential accommodation in Leeds city centre began in the late 1980s. The aim was to revive the derelict riverside areas hitherto considered to be on the 'wrong side of the tracks', south of



CONVERTED WAREHOUSES LINE BOTH SIDES OF THIS STRETCH OF THE RIVER AIRE



MAP 1. LOCATION OF CITY LIVING SCHEMES IN LEEDS: COMPLETED AND UNDER CONSTRUCTION

(FIGURES AS AT END Q1 2003)

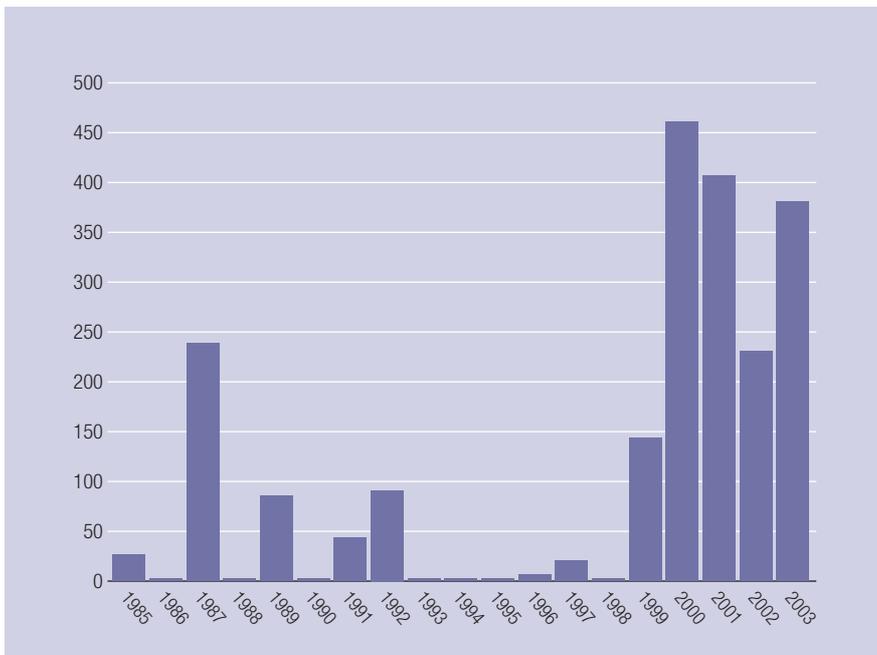


FIGURE 1. CITY LIVING APARTMENTS IN LEEDS: NUMBER OF COMPLETED UNITS, 1985-2003



WHITEHALL WATERFRONT, NEAR COMPLETION (AUGUST 2003)

the railway, yet still only a few minutes' walk from the city centre. Although work began before the advent of the Leeds Development Corporation (1988-95), arguably, this area-

based attempt to attract inward investment into a run-down area of the city did help to speed the process of regeneration (Robson *et al.*, 1998). Once the initial schemes were seen

to appeal to occupiers, more developers were attracted into the market.

The Chandlers, an early social housing scheme subsequently sold to a private sector investor, is now the subject of an application for redevelopment. In the 16 years since it was completed, values in this location have increased so substantially that higher density, higher specification apartments could viably replace the original scheme.



TOP, THE CHANDLERS; MIDDLE, RESIDENTIAL DEVELOPMENT NEAR LEEDS BRIDGE; ABOVE, WHITEHALL QUAY

Developments consisting of conversion of existing buildings – especially riverside warehouses – were a feature of the early stages of the city living phenomenon. There are greater numbers of converted buildings north of the river. Of the total number of units, 45 per cent are in new build schemes, with around two thirds of these in developments located south of the river. Twenty-two new build schemes are completed or under construction and another 21 in the pipeline will more than double the number of purpose-built units (see Tables 1 and 2).

The largest developments completed so far are all waterfront schemes: The Quays, Whitehall Quay, Merchants Quay and Victoria Quay. Of the schemes under construction in 2003, four of the five largest are also all on the waterfront. As elsewhere,

	Number of new build schemes	Number of units in new build schemes	Total number of schemes in postcode district	Total number of units in postcode district	Percentage of units that are new build
LS1	13	755	74	2,639	29
LS2	10	959	46	2,562	37
LS3	1	71	4	103	69
LS6	1	147	2	155	95
LS9	3	208	17	1,267	16
LS10	4	648	6	721	90
LS11	5	641	10	1,871	34
LS12	6	1,343	6	1,343	100
TOTAL	43	4,772	165	43	45%

TABLE 2. CITY LIVING SCHEMES IN LEEDS: NEW BUILD SCHEMES

there is always a premium to be gained from the sale or letting of an apartment that overlooks water.

Of the schemes already completed, the majority have been at the smaller end of the spectrum, while those in the other three categories are on average considerably larger. Completed schemes average 30 units, those under construction, including several in LS12, average 126 units and schemes with consent average 41 units. There are still some very large schemes further out along the development pipeline: 17 of these schemes will have more than 100 units. Significant additional supply is still to come in LS1 and, further in the future, in LS2. Future growth will mainly be in LS9, LS11 and LS12.

CONVERSION OF OFFICES

Towards the end of the 1990s, attention turned to the traditional office quarter. A variety of secondary office buildings were not in keeping with the requirements of tenants – their floorplates were too small, their facilities and image out of keeping with the needs of occupiers, and refurbishment for continued office use was not viable. With theoretical rents for these unlet buildings at low levels of £8-10/ft², and small sites making large-scale redevelopment an impossibility, refurbishment or redevelopment as residential units became a more appealing option.

There has been some concern in Leeds that the conversion of redundant office space would be detrimental to the city in the medium-term: there would be a significant

loss of space, diluting the business quarter and reducing opportunities for future site amalgamation to produce larger office schemes. Our figures show that nearly 50 schemes have involved conversion of existing offices, amounting to a loss of around 42,500m², with almost all of this lost from the traditional office core in LS1. In addition, sites with office planning consents amounting to 55,000m² were also taken up by the residential sector. But this is no more than around 5 per cent of the city's total office stock, and since 1999, when city centre residential development picked up, 60,000m² of new Grade A offices have been added to the expanded office core. Instead of the negative impact that 'dilution' implies, the redevelopments have arguably breathed a new and more varied life into the city centre. Removal of low-grade office stock has increased competition for medium-grade accommodation, helped to put upward pressure on rents for this type of space and has therefore provided more incentive for the development of new supply that has provided the larger floor plates and higher specification interiors that occupiers now require. With some large mixed developments still to come (for example West Central, Brewery Wharf, Clarence Dock, Bridgewater Place) vitality and viability can only be further enhanced. In addition, a further proposed development at Whitehall Place, a major mixed use scheme covering 6.1 hectares, will eventually include eight office buildings totalling 106,000m² as well as 800 apartments.

Not all potential conversions can be made to work in practice, either because of structural unsuitability, location, building efficiency or

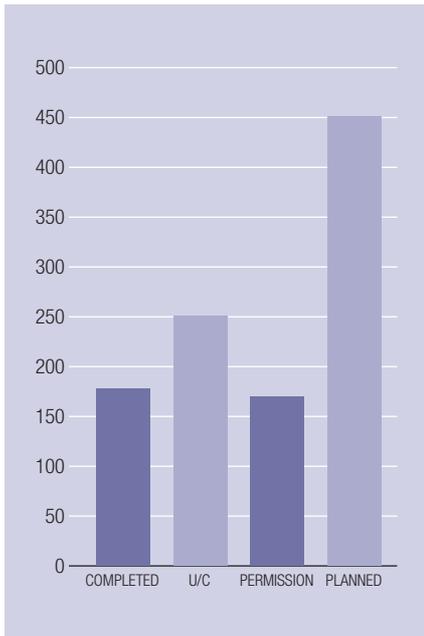


FIGURE 2. CITY LIVING SCHEMES IN LEEDS: NUMBER OF UNITS BY STAGE OF DEVELOPMENT

financing (Gann and Barlow, 1997). A few schemes that have been considered for conversion in Leeds have in the end not worked out, for example 17 Park Row, Circle House in Lady Lane and Marquis House in Eastgate.

AFFORDABLE HOUSING

There is a statutory national requirement that housing schemes exceeding a certain number of units should include an affordable housing element. In Leeds, from 1997, this was set at 25 per cent provision above a

threshold level of schemes with more than 25 units. The local authority's desire was for these affordable elements to be delivered as an "on site" provision. One solution was for the affordable units to be transferred to a registered social landlord, typically a housing association. Methods of calculating value existed but these generally tended to be based on 75 per cent of open market value.



CONVERSION OF OFFICE SPACE: LEFT, 30 YORK PLACE; ABOVE, 21 PARK ROW; BELOW, 14 PARK ROW

the market, the majority of developers proposing larger schemes have elected to pay one-off commuted sums to the City Council in lieu of on site provision. Further-more, two thirds of the schemes already completed, under construction, or with planning consent comprise 24 units or fewer, thus deliberately avoiding the issue. Only at Gotts Road and City Central will there be on site provision and these will be micro apartments (see section on investor demand).

Disappointingly, in Leeds, this policy failed to deliver significant numbers of completed units; indeed under 5 per cent of notionally required units were delivered in the first 3 years. With site values at high levels and plenty of demand from the upper quartile of

A recent study (James, 2002) showed that on the schemes for which information was available, sums paid varied between £625 and £5,511 per unit. These sorts of figures are

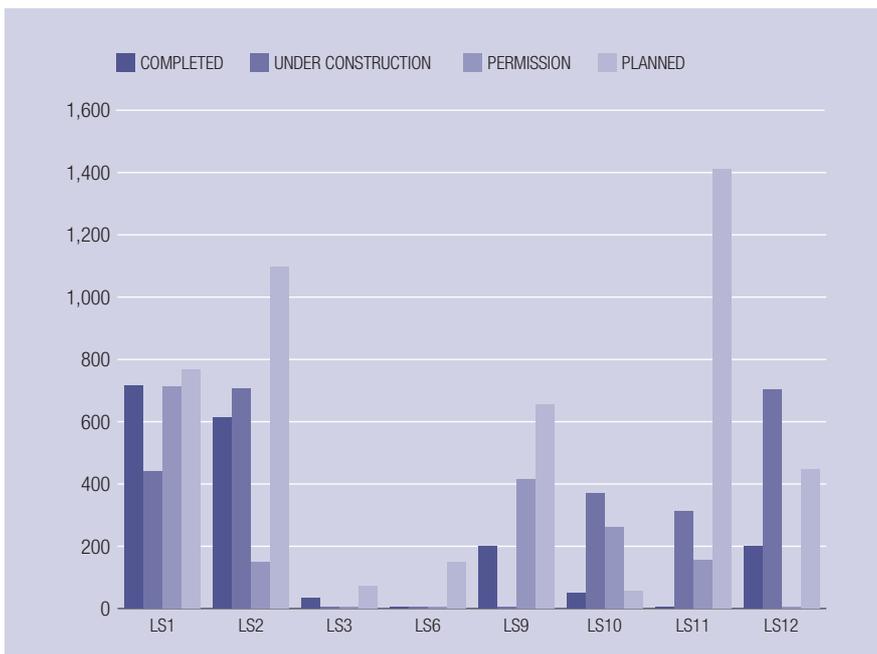


FIGURE 3. CITY LIVING APARTMENTS IN LEEDS: NUMBER OF UNITS BY POSTCODE DISTRICT AND STAGE OF DEVELOPMENT

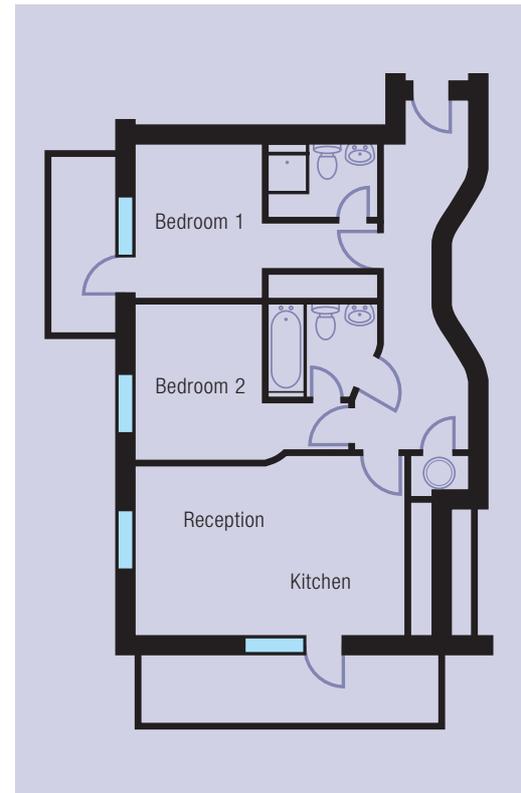


certainly affordable for developers who undoubtedly benefit by maintaining the quality of a scheme and optimise the profits from the greater number of expensive apartments.



hence demand is for areas outside the city centre, as there is as yet no suitable product being delivered in the city centre and there is a lack of the kinds of facilities that would be needed by families. Accordingly, delivery of a smaller number of completed units in truly mixed schemes is perceived as the way forward at the present time.

On the fringes of the city centre there are prospects for affordable units for students and key workers⁴: both at Cavendish Street where Unite are planning a development of 493 flats and at Claypit Lane where refurbished and new buildings will add 571 flats. Citywall Corporation is also said to be interested in providing accommodation at this end of the market and is considering a range of sites where up to 1,000 units could be brought to the market at the £80,000 level. The Portland Gate development next to the Civic Hall is also likely to include an element of low-cost housing. Five of the 52 flats in the Odeon scheme on the Headrow and a quarter of the 60 flats on the former bus station site, Vicar Lane will be affordable.



Developers do however express scepticism over the Council's failure to use the commuted sums collected from developers in recent years. The cumulative amounts are substantial and the general feeling is that these funds should have been used to pump prime a number of schemes aimed at the lower end of the market.

In February 2003, Leeds City Council introduced new guidelines, now being implemented as policy, to improve performance and optimise delivery of dwellings on the ground whilst ensuring that this housing is generally affordable. These new guidelines will reduce developers' ability to offset affordable housing costs by way of commuted sums; indeed in the last 12 months, it is difficult to recall a single scheme gaining a consent that has been allowed to deal by commuted sum. There is a much greater onus on developers to deliver on site within integrated schemes and new methods of delivery have been introduced such as shared equity schemes or private rented schemes at discounted levels. The new proposals have reduced the percentage of units from 25 per cent to 15 per cent and this is now based on the total number of units in a scheme. In addition, a fixed price to deliver £1300/m² (£121/ft²) has also been set as an affordable level.

There does appear to be an increasing realism that most demand for affordable housing is for families with children, and



TYPICAL APARTMENT DESIGN

Space maximisation is very much the main objective in modern apartment development and developers are increasingly streamlining layouts to maximise natural light, balcony space, service provision and a host of other factors to try and minimise costs.

The absence of families from the city centre market means that the majority of units delivered to date have tended to be two-bedroom apartments, typically between 650 and 740ft². Letting potential is maximised by providing two bathrooms as well as two bedrooms.

The developer's base specification usually comprises a small but functional kitchen area, built-in wardrobes in the master bedroom, all lighting, sanitary-ware, floor and wall finishes. Designer names on fittings are increasingly being used for marketing purposes.

One-bedroom units are, to date, in shorter supply in the city centre. Thirty per cent of flats range between 450 and 530ft² and these units will typically have only one bathroom.



NEW OFFICES: TOP LEFT, THE QUAYS APARTMENTS; MIDDLE LEFT, WHITEHALL PHASE II; BOTTOM LEFT, BREWERY WHARF
 TYPICAL APARTMENT: TOP RIGHT, APARTMENT FLOORPLAN; MIDDLE RIGHT, DESIGNER KITCHEN/DINING AREA AT 14 PARK ROW; BOTTOM RIGHT, CHIC LIVING AREA AT 21 PARK ROW

Type of developer	Examples
Leeds- and Yorkshire-based companies	KW Linfoot Town Centre Securities St James Securities Rushbond Oakgate Nixon Homes Evans of Leeds Emco Landmark Developments Micklegate Projects
National housebuilders	Crosby/Berkeley Redrow/Tay Barratt Cala Persimmon Taylor Woodrow/Bryant City Loft Developments Urban Edge
Individuals	Peter Rossington Jan Fletcher Brian Rabinovitz
Companies that own site/building	Musgrave & Sagar British Composite Tiles British Waterways Holmes family
Housing associations	Yorkshire Housing Association Northern Counties Ridings Leeds Federated

TABLE 3. CITY LIVING: MAIN CATEGORIES OF DEVELOPERS IN LEEDS

DEVELOPERS: A TYPOLOGY

There are five main types of developer (*see table above*) undertaking city living schemes.

Development in Leeds has followed a similar pattern to that in London (Heath, 2001): more development companies have entered the market, the range of locations considered for development has widened and the scale of individual schemes has increased.

OCCUPIER SURVEY, 2003

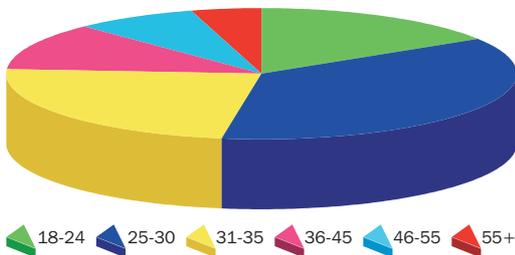
To complement our detailed information on the supply of city centre apartments, it was vital to undertake research about the people who live in the apartments – the demand side of the equation.

Support from *KW Linfoot plc*, practical assistance from *Allsop & Co.* and the efforts of *Tom Wong*, a third-year under-

graduate, made it possible to carry out a large scale survey of people living in the largest new developments. Questionnaires, containing pre-paid envelopes for reply, were distributed by hand to 1,000 individual mailboxes in 32 of the larger apartment buildings around the city centre. 152 responses were received from residents of 20 different apartment buildings.

There is no way of being sure that the sample is truly representative of the complete range of occupiers in the city centre, though charts of responses suggest that the sample is not skewed in ways that make it risky to draw wider conclusions from the data gathered.

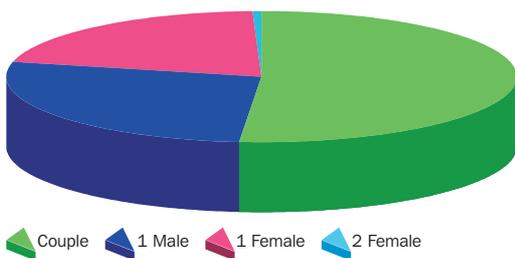
AGE, SEX AND JOBS



AGE OF RESPONDENTS

Young adults form a major element of the demand for city centre apartments. Over half of the respondents – 53 per cent – were under 30 and only 12 per cent were 46 or older.

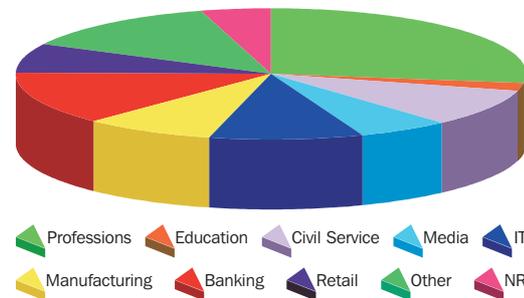
Census: In Leeds as a whole, 20-29 year-olds make up 15 per cent of the population and those of 46 years and above account for 37 per cent.



HOUSEHOLD COMPOSITION

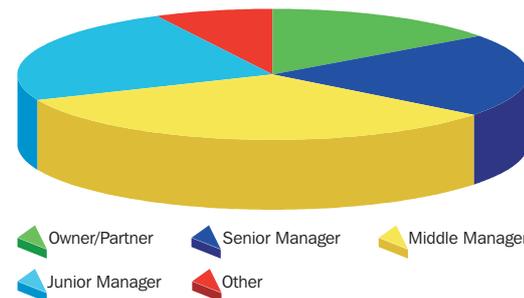
Just under half (48 per cent) of the sample live on their own. Apart from a single example of a three person household, all the other apartments were home to two people. Not a single household in this sample includes children.

Census: 29 per cent of households in Leeds include dependent children.
Average household size. Census: 2.34 people Leeds; UK 2.36 people



OCCUPATION OF RESPONDENTS

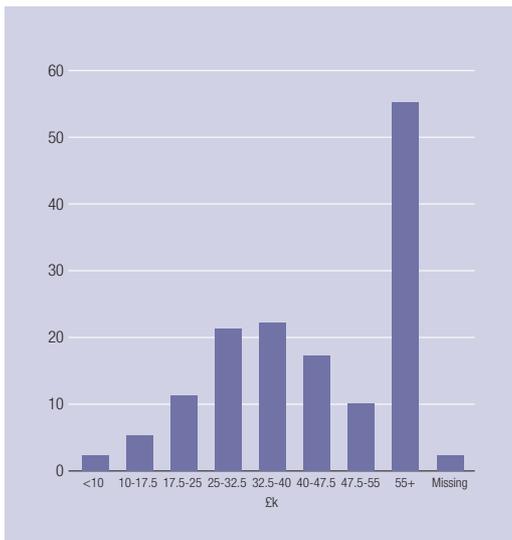
Almost all respondents were in paid employment and the small number of exceptions were mainly students. Twenty-seven per cent of respondents described themselves as 'professional' and a further 12 per cent were in banking/finance. Media and IT accounted for another 16 per cent.



JOB LEVEL OF RESPONDENTS

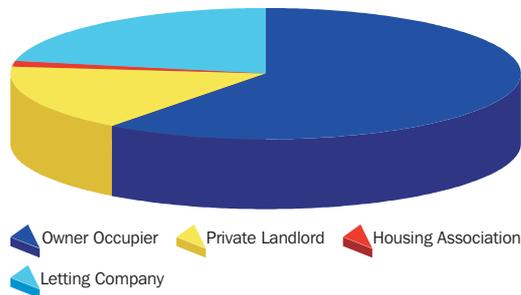
Twenty-one per cent of the sample were senior managers or partners in a business, and a further 15 per cent owned a business. Another 30 per cent considered themselves to be in middle management.

Census: 25 per cent professional and managerial



HOUSEHOLD INCOME

Eighty-six per cent had a total income of more than £25,000 and over a third of the households had a total income of over £55,000.



TENURE OF PROPERTY

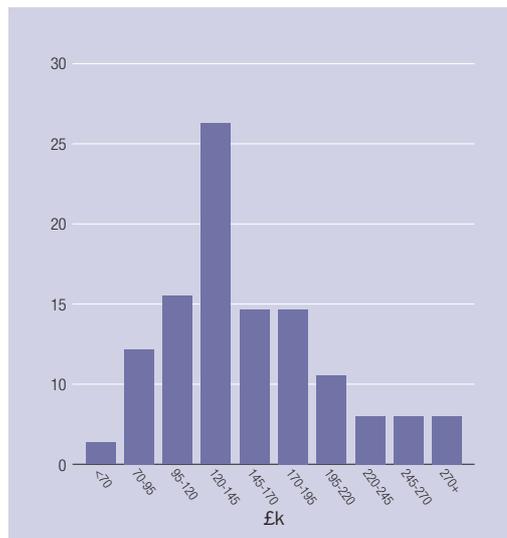
Sixty-one percent of the respondents were owner occupiers with the remainder almost evenly split between tenants of private landlords and tenants of letting companies.

Census: 62.2 per cent of Leeds households in owner occupation; UK 68.9 per cent. 37.8 per cent rented compared with 31.1 per cent in UK; in Leeds as a whole 8.4 per cent rent from a private landlord – UK 8.7 per cent.

One-person households and households with-out children – the main type of occupiers of city apartments – are no longer unusual: they comprise respectively 28 per cent and 37 per cent of total households (Housing Statistics Summary, 2001-2).

The 2001 Census shows that 34.1 per cent of the Leeds population is single (never married). Across the city 31.6 per cent of households consist of one person living alone.

In the case of the city centre, young singles without dependants are attracted to “the city core’s cultural resources, architectural sense of place, and to the concentration of single, non-attached people” (Kotkin, 1999, p2-3). Young professionals recruited into the knowledge-intensive service sector are having children later and have been delaying house purchase – private renting increased during the 1990s. Once in city centres, they are staying there for longer.



PURCHASE PRICE OF PROPERTY

Purchase prices and rental levels are higher in the city centre than elsewhere in the city (Allsop, 2003). The majority of flats in owner occupation were bought at values between £95,000 and £195,000. A quarter of all purchases fell into the £120,001-£145,000 category.

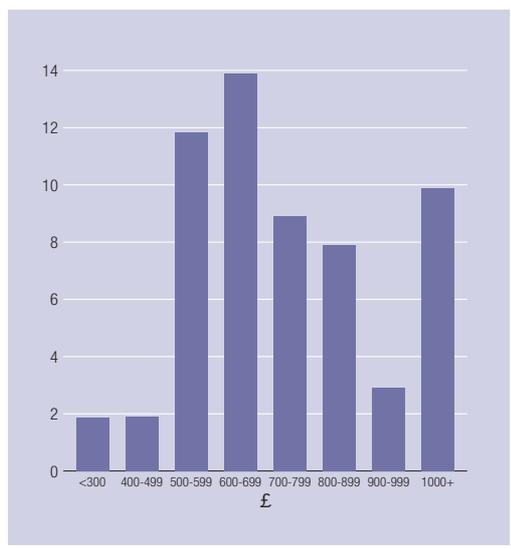
TENURE, TYPE OF APARTMENT, OCCUPANCY LEVELS AND PRICES

Sixty percent of apartments in this sample have two bedrooms and of those in owner occupation, 69 per cent are in two-bedroom accommodation. Almost all the rest of the apartments have one bedroom and of these, 63 per cent are home to one person. But 45 per cent of the two-bedroom apartments were also occupied by only one person. Only one property in the survey had three residents.

At a national level, 70 per cent of the 20.6 million households are in owner occupation. More than two million households are in the private rented sector and more than a third of these households live in flats. Thirty-six percent of households in this tenure are one-person households. This is a dynamic sector: households in private rented accommodation move relatively frequently (Survey of English Housing, 2001-02).

The House Builders' Federation reports that for the first time in England there are more flats than detached houses being built (Estates Gazette, 14 June 2003).

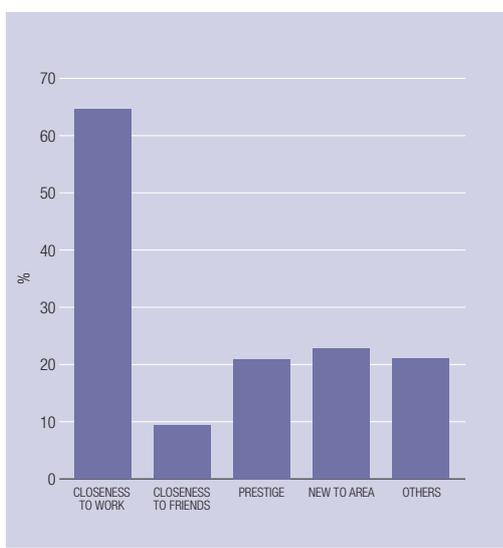
A recent press report claimed that "the rental market is awash with people in their 20s and 30s who are delaying their first home purchase" (Yorkshire Post, 17 June 2003).



MONTHLY RENTAL

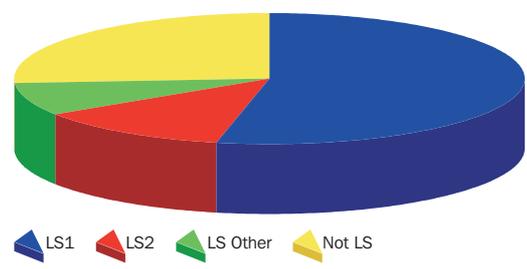
The majority of rents fall within the broad band £500-899 per calendar month but 10 per cent of apartments cost their tenants over £1,000 a month. The commonest rental level is £600-699 per month and a single person would have to earn around £22,000 to afford this outlay on accommodation.

WORK AND TRAVEL



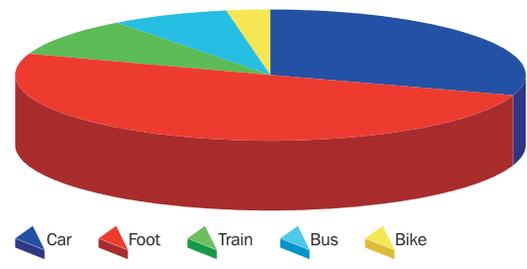
REASONS FOR MOVING INTO LEEDS CITY CENTRE

Most people who responded to the survey work in Leeds, and proximity to work is the main reason for living in the city centre.



POSTCODE PLACE OF WORK

The majority work in the central postcode districts of LS1/2.



TRANSPORT TO WORK

Just over half the respondents report that they walk to work – a figure more than five times the national average. Of those who work in LS1, 90 per cent walk to work and 78 per cent of those working in LS2 also walk.

A quarter of respondents work outside Leeds altogether and of these, 74 per cent drive to work.



PRINCES EXCHANGE

A third of respondents go to work by car, but car ownership is well below national levels: only 43 per cent own at least one car, compared with 73 per cent across Britain as a whole and 65 per cent for Leeds as a whole (ONS figure for the year 2000). Almost two thirds of the respondents to a 2000/2001 survey were in car-owning households (Norbury, 2001), so it seems possible that it is particularly the recent incomers who are living without a car. Certainly there were many respondents who had moved in during 2002.

Census: 60.3 per cent drive to work

Older, more senior professionals are the most likely to drive to work. No doubt this is associated with the ability to afford an apartment with a car parking space and the availability of a car parking space at their place of work.

A car parking space adds between £15,000 and £20,000 to the purchase price of an apartment. Although the majority of respondents considered a car parking space as an influencing factor on their location decision, the fact is that 46 per cent of them – especially the younger residents – live in apartments that do not have their own car parking space. Tenants are less likely to have car parking space than owner occupiers. Those in the Commercial Quarter were least inclined to consider parking provision as a factor in their accommodation decision.

Most of the apartments are occupied as principal residences. Only 12 per cent of respondents stated that their principal address was elsewhere – mostly well beyond Leeds. Most of these people were amongst the highest earners.

JOB GROWTH FUELS DEMAND

Growth in the financial and business services sector and the associated growth in skilled, white-collar employment has created demand for executive-style accommodation in Leeds. Jobs in the sector stood at around 30,000 in 1991. By 2001, 92,000 were employed (23 per cent of those in employment) (Leeds Economy Handbook, 2002). Around 1,600 media businesses in the city employ approximately 12,000 people (Urbed, 2002). At the same time, closure of industrial enterprises has released land and buildings in and near the city centre for redevelopment.

LIVEABLE CITIES – POLICIES SUPPORTING CITY LIVING

An aspect of policy reorientation that has contributed to enabling and spurring on city living is the now widely-adopted aim of working towards sustainable development. As a result there have been greater efforts to re-use redundant land and buildings, to discourage use of private cars and to improve urban quality of life (Urban Task Force 1999; Urban White Paper 2000; Vision for Leeds 1999). Several Planning Policy Guidance Notes have been revised⁷ and planning departments have had to take these new considerations into account in granting planning permission. City centre apartments have been welcomed as an essential element of improving urban vitality and viability – in producing ‘compact urban development’ consisting of mixed uses so that many elements of day-to-day life are within walking distance and formerly run-down areas become regenerated. As more people live in these regenerated central areas, working within walking distance, reduction in demand for travel should have a positive impact on congestion and air pollution.

In the USA as a whole, about 3 per cent of all workers commute by walking (Census, 2000), though more workers are walking to work in a few particularly densely populated down-town areas. In the central tracts of Philadelphia, 50 per cent of people walk to work.

A proportion of apartments are owned by companies who see this as a better option than putting up staff in hotels. As a result, the market is starting to provide new kinds of product aimed at the corporate sector in the form of ‘crash pads’ or ‘smart pads’: hybrid spaces that combine the services of a hotel with the independence of an apartment. Some international serviced apartment providers are also interested in regional UK cities, including Leeds (Showhouse, June 2003).

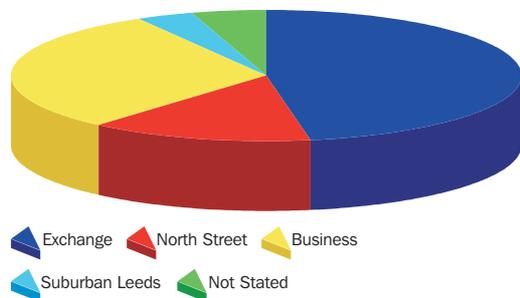
SOCIALISING AND SERVICES

Type of outlet	Number 1991	Number 2003
Restaurants	50	80
Bars and public houses	55	110
Cafés	61	110
Hotels	11	17
Night clubs and casinos	13	21

TABLE 4. THE LEISURE SECTOR IN LEEDS (LEEDS CITY COUNCIL, ENVIRONMENTAL HEALTH, 2002)

Over the last fifteen years, much investment has been poured into cultural and leisure facilities in Leeds. The Yorkshire Playhouse and the Royal Armouries have been built and many existing attractions have been upgraded. Much more is to come (LCC Economic Development Strategy Review, 2002), including a new city museum, a new theatre and arts centre, the Northern Ballet Theatre and refurbishment of the Grand Theatre. There is a recognised need for a conference/concert venue, which is likely to be met through private sector investment, possibly as an element of one of the major mixed use schemes.

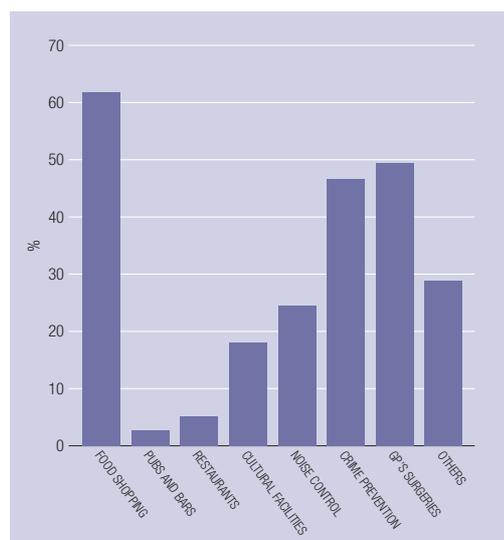
The great range of bars, restaurants and clubs in the city centre have proved to be an important part of the attraction.



WHERE RESPONDENTS SOCIALIZE

Younger residents find the Exchange Quarter especially appealing. For respondents of 31 or more, the business quarter was the most likely location for socialising. North Street is also a significant destination for socialising. See map on page 3 for Quarters of the city.

For those not dining out, there is as yet a restricted choice of places to shop for staples and convenience goods, and this lack of choice is noted as the main element of the city centre that needs attention. There are only three supermarkets in the city centre: the refurbished Safeway on Bond Street, Marks & Spencer on Briggate and Morrisons in the Merrion Centre.



ASPECTS OF LEEDS CITY CENTRE THAT NEED IMPROVING

No more than 61 per cent of respondents do their main food shopping within the city centre, suggesting that there is still further potential to satisfy local demand within the city centre itself. For convenience shopping, 55 per cent use Safeway and 29 per cent go to Marks and Spencer. Unsurprisingly, residents tend to use the store that is closest to their residence. As new developments spread across LS9, LS10, LS11 and LS12, there will be substantial demand for high quality convenience and main shopping outlets close to hand.



ONE OF THE VICTORIA QUARTER'S MANY BARS, CAFÉS AND RETAIL UNITS

There are no GP practices in the city centre – the nearest ones are in Hunslet, Hyde Park and Cross Green. In other cities such as Manchester, Liverpool, Nottingham, Birmingham and Wakefield, there are NHS primary care surgeries. Nearly half the respondents pointed to the need to provide basic healthcare in the city centre but perceived need is more strongly expressed by those with a GP in the suburbs or beyond Leeds than from the 25 per cent of respondents who are not registered at all.

Only a third of respondents are registered with a dentist in the city centre. No centrally located dentists will now accept new NHS patients apart from children and those qualifying for free treatment, so access to conveniently-located dental care is an issue for the majority of city centre residents who work full-time.

THE REALITY OF CITY CENTRE LIVING

'City living' is meant to be about reaping the benefits of all that is on offer in the city centre: a short distance from home to work, from work to leisure time activities and from the variety of cultural venues, bars, restaurants and nightclubs back home. Residents can also benefit from the slowly increasing number of shops that stay open in the evenings and trade on Sundays.

The 2000/2001 survey (Norbury, 2001) showed clearly that the most important benefits of city living are proximity to work and the chance to experience the lifestyle associated with a central location. Our recent survey confirms that this is still the case (see Chart 10).

On the other side of the coin, even young people have had some dissatisfaction with the reality of living in the city centre: people trying to sleep in their conveniently located apartment do not appreciate noise pollution from 24 hour city activities such as bars, night clubs and rubbish clearing. Respondents from all parts of the city centre perceive their location to be more noisy than tranquil but those in the commercial quarter rated



SAFEWAYS SUPERMARKET IN THE CITY CENTRE

their locality as particularly noisy and were especially keen to have the problem addressed.

"We have seen many cases of massive attitude swings from people who want initially to buy into the concept of living in a vibrant, 24 hour city with leisure facilities on their doorstep", comments one of the major city living developers. "Initially the purchaser is filled with excitement and understanding but very rapidly – often within days – the "NIMBY" in them comes to the fore. It seems that vitality and vibrancy are great when you are participating, but are less welcome at other times."



ST. PAULS HOUSE, PARK SQUARE - ONCE A TEXTILE WAREHOUSE AND FACTORY, NOW OFFICES

Noise and smell pollution from bar and restaurant uses is an increasing concern to developers and many incur extraordinary costs in an effort to design out and insulate against such issues as sound transfer and extraction of fumes. But, contrary to occupiers' expectations, they have no power to deal with street noise beyond the development itself.

Leeds City Council Environmental Health Department is becoming increasingly stringent with respect to controls applied over noise from live/A3 uses within the city centre. A new "inaudibility" requirement is being applied to upper floor flats with zero tolerance of infringements. While this is a laudable intention, sometimes the design/fit out implications just cannot be met viably.

Developers are increasingly looking for more compatible and less intrusive ground and lower ground floor uses that are more sympathetic to residents. A number of the larger national leisure operators simply refuse to look at opportunities within residential schemes, regardless of pitch. In addition, leisure market demand has recently thinned out considerably, and this is perhaps no longer the obvious choice for a complementary use.

It seems the concept of "the 24 hour city that never sleeps" may not be operationally practical and in the future there will have to be a more co-ordinated and careful approach to the juxtaposition of different uses. It is predicted that people will want to be where there is the highest density of activity (Marsh 1999; Glaeser 2000), but there is clearly a conflict between what people will want as

consumers and what they prefer once they revert to being residents.

However, our survey does not suggest strong support for strict segregation of different types of land use through zoning: only 20 per cent of respondents were in agreement with this suggestion. Thus there seems to be a discrepancy between developers' perceptions of tenants' intolerance of noise pollution and the level of dissatisfaction picked up in the occupier survey. Problems of noise may well be very localised and complaints may be concentrated amongst those who live close to sources of disturbance and are persistent in their attempts to achieve a more peaceful environment.

Another element of city centre living that is a cause for concern is crime and safety. More women than men pointed to crime and safety as issues that require attention.

MOVING ON?

A majority of residents (58 per cent) were planning to stay in their property for over a year and of these, two thirds expressed an intention of staying for more than two years. Fifteen per cent of residents, especially letting agency tenants, are transient, expecting to stay where they are for less than six months and a further 27 per cent envisage staying between 6 and 12 months. Owner occupiers were five times more likely than tenants to state an intention of staying for more than two years. Buying a flat indicates a greater commitment to city living.

Amongst the principal reasons given by respondents for a potential move away from



AERIAL VIEW SHOWING ACTUAL AND PROJECTED WATERFRONT BUILDINGS SOUTHWEST OF THE CITY CENTRE

the city centre is the arrival of children. Forty per cent of (mainly younger) respondents would consider moving when they reach this phase of the life cycle. Twenty per cent also mentioned marriage as a possible trigger for a move. Younger residents are aware that a change of job might well trigger a move and older respondents consider that they might move when they retire. The rising cost of accommodation would be a factor considered by those renting apartments, and women were more likely than men to consider moving if their rent rose above an affordable level.

The advent of Supertram, due to start operating in 2007, might influence some city centre dwellers to consider living further out. It is possible that the effect of the three tram lines will be to reduce the differential between values of city centre property and values of property well located in relation to tram stops.

DEMAND – INVESTORS

Concern continues to be expressed about the nature of demand for apartments in Leeds. Is the apparent demand fuelled by continuing strong purchases by private and institutional investors is vastly in excess of actual occupier demand? Are there residents in most of the units that have been sold, or are they lying empty? Of those that are empty, do cases exist where investors are prepared to forego rental income in preference for retaining a “clean” investment on which capital value uplift alone is seen as an adequate return?

Many sales of city centre apartments have been to investors, and the trend continues. Indeed in some cases, up to 75 per cent of a scheme has been sold “off plan” to investors. Developers report that more typically 50–60 per cent of sales are to investors and of these, 20–30 per cent will sell on, while 70–80 per cent of investors will retain apartments with the view to a medium/long term return. Many buyers have taken two apartments off plan with a view to selling on one of them on completion and retaining the other for the longer term.

Increasingly, the trend today is for investment consortia to be put together, purchasing blocks in a number of schemes in return for notable discounts. These can take the form of either private consortia, or foreign money, notably Irish, or indeed the larger mortgage lending institutions which have significant numbers of clients seeking buy-to-let mortgage opportunities. Whatever the form, investors continue to underpin both the growth in the market and future market confidence.

As interest rates continue at low levels, and the stock market offers little attraction, sales off plan to investors continue with key demand being for two-bed apartments in the £140,000- £170,000 range. Beyond this level the yield makes it less attractive to investors. Increasingly the more expensive product is targeted at occupiers. Inevitably, sale prices must adjust to reflect the reality of likely rental income (The Economist, 31 May 2003).

Of the larger schemes under construction in the city, namely Clarence Dock, West Point and City Island, all are reporting sales of more than 80 per cent of units released to the

market⁶, despite the fact that the earliest completion will be at the end of 2003 and some will not be delivered until mid 2005.

It is not uncommon today to see institutional investors snap up entire blocks of units off plan, as was the case with Pemberstone's purchase of Turlow Court in 1998 and Paramount's (Home Group) purchase of a block of 28 at the recently completed Riverside West. This trend looks likely to continue, particularly with cheaper product in fringe locations, where there is an expectation of greater capital value growth. Generally, though, the major institutions have considered that yields look unattractive due to the high level of smaller investor activity which has been fuelling values and limiting likely future overall returns.

Developers and agents continue to report that the rental market remains strong and that there remains untapped demand. Tales of large numbers of completed vacant units are said to be fabrications. Data from Leeds City Council on collection of council tax in 2002 suggests that at the time there were 122 units that were definitely "void" (i.e. unoccupied) and a further 237 that had a liability for council tax but may either have been void or tenanted, with the owner liable rather than the tenant.

Rental values at the top end of the market have slipped back a little from the high point of £1,000 pcm achieved in 2001 to more typical levels of £850 pcm for a 2-bed apartment and £650 pcm for a 1-bed unit. Sale prices at this top end are typically £250/ft², around 10 per cent up on mid-2001 figures. Delivery of new types of units such as the lower priced ones in Holbeck Urban Village (sale prices at around £180/ft²) and the "micro apartments" or "crash pads" for sale at circa £80,000 at Gotts Road and West Point will help extend and diversify the occupier base.

Agents and developers agree that it is crucial for the future health of the market that schemes appeal to owner occupiers, who are yet to be tempted into the market in large numbers.

This essentially means tempting more young professionals into the owner occupation sector. The future strength of the market will depend not only on sales of new apartments but also take-up of those being re-sold to create a sustainable community. Again, it is the younger occupiers who will help to underpin the strength of this market in the future. As the demand survey indicates, there is likely to be a considerable turnover of

occupiers, especially at the lower end of the age range. It is imperative that the market creates an affordable "entry level" for these first time buyers.

They are likely to remain within the city centre for several years, trading up to a higher specification, larger, better located apartment as they move up the career ladder.

In the UK as a whole, the first time buyer market is slowing (ODPM Housing Market Report, May 2003), but this is no doubt a temporary phenomenon, linked to expectations of prices becoming more affordable in the next few months.

MARKET OUTLOOK

Demand for apartments in central Leeds may well go through a dip in the near future, as both tenants and owner occupiers react to changing market circumstances (Economist 24.5.03). This will mean a more difficult phase for investors. But the sector will prove a medium- to long-term success. The presence of a critical mass of residents will encourage further investments in other elements of the city centre environment and facilities, some of which are in any case in the pipeline as part of developments that will come on stream in the next few years.

Careful attention will be needed to ensure that activities which are adding to overall vitality are not also alienating people who live close by.

Developers are likely to continue to look for suitable sites for further city living schemes, with some opportunities looking more feasible as redevelopment and refurbishment alter the nature of various parts of the city centre and city fringes and raise the appeal of previously less desirable locations. On the other hand, some sites that might at one stage have been more attractive as residential schemes may well end up becoming office developments as office rents move upwards and the investor market for residential units eventually slackens, thus weakening sale prices and making a crucial difference to development appraisals.

We are already seeing a strong move towards delivery of major mixed-use schemes, which maximise the value and vitality of each site's location. We are confident that this trend will continue as a way of fusing together the uses that people want, particularly on prime urban sites. Developers and funders are beginning to understand and deal with the issues raised by such mixed uses and tenures

(Coupland 1997).⁷ It is the perfect solution to ensure that the various land uses do not compete against each other; instead the consumer and the city as a whole gain from the integration of uses within urban settings that have high enough density to ensure viability. Flexibility of design and construction will be paramount in these schemes, particularly in the future when, in line with demand, the various uses may need to be substituted. Fortunately, design is of an increasingly high standard and will help to maintain the integrity of the urban mixed-use scheme.

However, there is much uncertainty about the scale and nature of future demand for city centre living space. In the USA there is a realisation in some quarters that a more precise identification of potential city dwellers could help cities understand and develop their comparative advantages. Cities need to know which people want to live in them and how their vision of urban life may be accommodated by public policy. Future research might encompass exploration of the potential market amongst demographic groups currently under-represented in the city centre – for instance, older people and families with children. Research currently being piloted by Leeds City Council in areas of the city with different socio-economic characteristics will help to identify and quantify residential aspirations, including potential demand for city centre apartments.

In the longer term, there may well be a market for family accommodation in the city centre, emulating the situation in many mainland European cities. The trend is yet to begin in Britain, and in Leeds, one large development company with several completed schemes reports that no units have been sold to families with children. If demand from families is to pick up, or people who start a family are to be retained within the city centre, different kinds of accommodation will be needed: flats or maisonettes with three bedrooms, two living rooms and more storage space and with access to outdoor play facilities. Perhaps some of the locations currently seen as 'fringe' may in time be brought into play to accommodate this type of household.

The lack of city centre nurseries and schools may act as a brake on opening up the city centre market to families, but it is unlikely that new child care and educational capacity will be considered until there is a critical mass of families and a demonstrable demand. It may be that the trend will be led by families with teenagers, as is happening in some cities in the USA.

Manchester and Birmingham have a higher level of supply than Leeds, yet the Leeds economy is every bit as strong as the economies of these other regional cities and job growth in the financial and business services sector is forecast to continue at a healthy level over the first decade of the 21st century. This suggests that there is still some way to go before the market in Leeds is saturated. There is a need to move away from a sense that 'there can't possibly be enough demand for all these apartments' to an understanding that there has been a complex set of shifts in the nature of the economy, in the approach to city regeneration and in lifestyle preferences. Demand will be reinforced by the emerging reality of a wide range of options for living in city centres that are being fundamentally transformed. And the nature of demand itself will widen and mature as city living comes to be seen as a mainstream option.

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DEFINITION OF THE CITY CENTRE

No hard and fast definition has been adopted. The phenomenon of city living is continually changing the nature of the environment beyond the obviously definable city centre, drawing more peripheral areas into the category of desirable places to live. The City Council's definition of the city centre can be found on page six of the latest City Centre Audit (2003): http://www.leeds.gov.uk/downloads/2003522_71441287.pdf

The City Council Planning Department is currently redefining the boundary of the city centre to include Little London, Ebor Gardens, Saxton Gardens and part of Holbeck.

The inner ring road is the boundary to the north west, but to the north east, there are some significant developments that stray beyond the ring road. To the south, developments in postal districts LS9-12 are perpetually pushing outwards and effectively widening the boundaries of the extended city centre.

"Quarters" referred to in reporting survey results: definition from *Absolute Leeds* magazine.

END NOTES

- 1 It is impossible to give exact figures for the schemes that are at proposal stage as the details may well change during planning negotiations and even during construction.

- 2 Our 2003 survey gave a figure of 1.5 people per apartment. This was also the figure derived from Leeds City Council/Leeds University research in 2000 and 2001 (Norbury, 2001). However, this is a high estimate for the market as a whole given that there are bound to be some voids.
- 3 Official population figures are given for the wards of City and Holbeck. It is impossible to disaggregate the figures to give a total just for the city centre itself. However, between 1971 and 1981, the City and Holbeck population declined by more than 25 per cent and from 1981-91, the decline was a further 8.4 per cent. Detailed figures from the 2001 census were not available at time of going to press.
- 4 Key workers: those employed in healthcare, education, emergency services, government and the voluntary sector. These are people who need to be located in areas where house prices are generally higher than is affordable.
- 5 PPG13: reducing the need to travel through land use and transport planning; PPG3 – 60 per cent of development to be on brown-field sites; Urban White Paper 2000 based on Urban Task Force recommendations 1999.
- 6 Most large schemes are marketed in phases.
- 7 The British Council for Offices, in collaboration with Jones Lang Lasalle, is currently sponsoring research on ways to ensure the success of mixed use development.

We are grateful to Nigel Tapp of Allsop for assistance in compiling the supply database, to Tom Wong, School of Geography, University of Leeds for his work on the occupier survey, and to Huw Jones and David Haigh of Leeds City Council Housing Department for information and comments.

Panoramic photograph of Leeds used on the front and back covers was kindly supplied by Tony Quinn's VR Leeds and produced by Red Door VR Limited.

This report was written by Paul Fox BSc (Hons) MRICS of KW Linfoot plc and Rachael Unsworth MA PhD, School of Geography, University of Leeds.