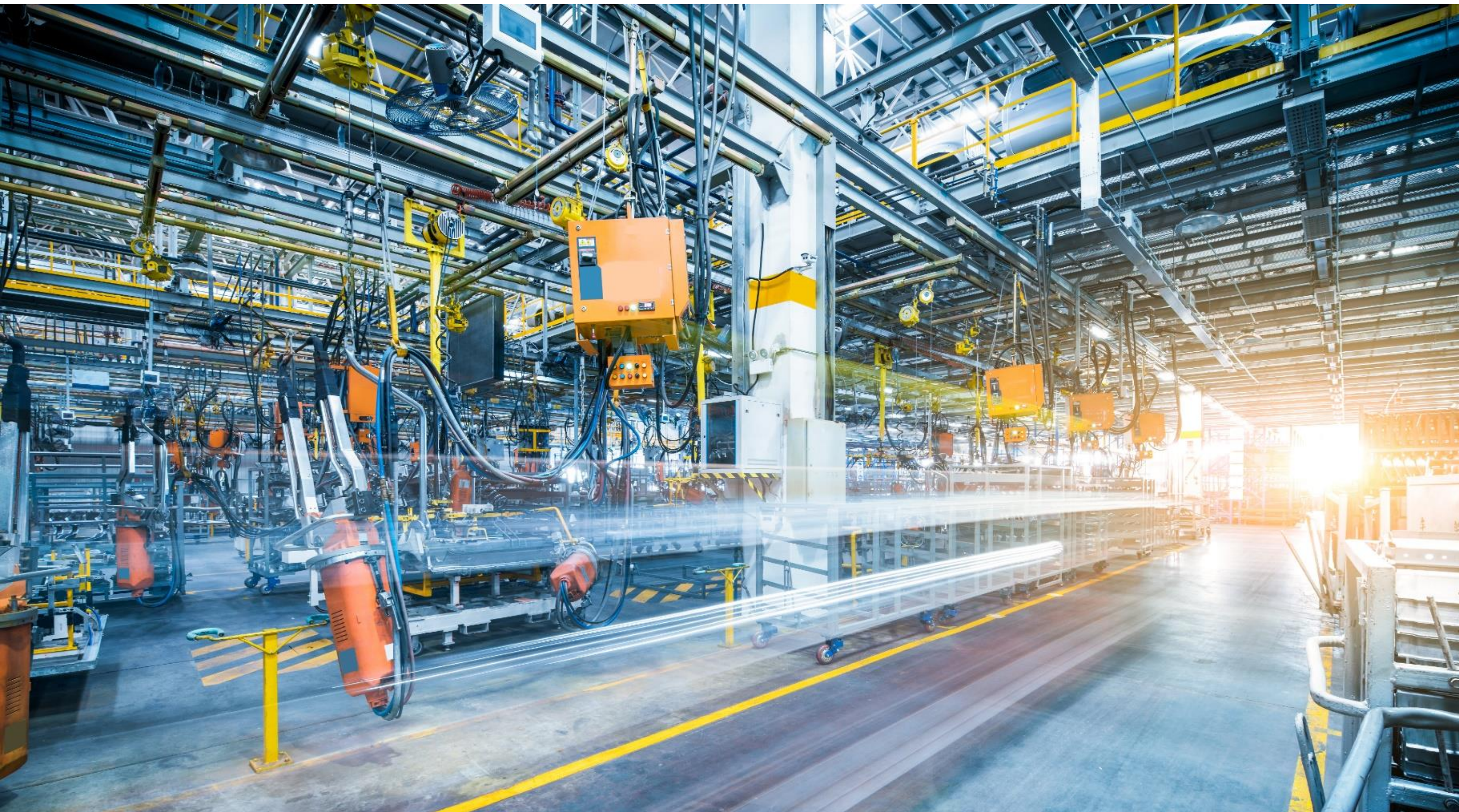
Evaluation of Invest NI's Suite of Property Interventions

Final Report

December 2018



SQW

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Contact:	Chris Wilkinson	Tel:	0161 475 2103	email:	cwilkinson@sqw.co.uk
Approved by:	Richard Hindle Director	Date:	03/02/2018		

1. Introduction

1.1 SQW Ltd (SQW), was commissioned by Invest Northern Ireland (Invest NI) in October 2017 to undertake an evaluation of five of its property interventions, covering the period from October 2009 to March 2017, with a particular focus on April 2012 to March 2017.

Invest NI's Suite of Property Interventions

1.2 Invest NI, an agency of the Northern Ireland Executive's Department for the Economy, operates a suite of commercial property market interventions. This includes the following interventions:

- **The purchase, holding and sale of serviced sites to qualifying businesses**. This intervention is the most substantial of the property interventions delivered by Invest NI, in terms of asset and transactional value. It includes acquiring and assembling land for industrial uses, putting in place essential services and access, and then selling plots to account-managed industrial firms to support their growth and development[1].
- **Property Assistance Scheme**. This intervention supports account-managed industrial firms to invest in the development of their property, including new build projects, extensions, or refurbishment. Support comprises a capital grant to cover a percentage of the eligible construction cost for development.
- **The provision of Property Market Information**. This includes the provision of commercial property market data from Invest NI's own commercial property database, and arranging site visits for firms, to help them to find the space they need. It covers all types of commercial property, not just industrial, and is open to all firms, not just account-managed ones.
- **Rental property solutions.** This intervention comprises 23 buildings, across several sites, that are owned by Invest NI and rented to industrial firms at market rates.
- **Invest NI contribution to the planning system**. Invest NI provides inputs to the development of planning strategy and policy to support Northern Ireland's ongoing commitment to providing sufficient land for industry. Invest NI also comments on planning applications, where there is an impact on the provision of industrial land. This is the only intervention that does not have any direct business beneficiaries.
- **Grade A Office Accommodation Loan/Mezzanine Scheme.** This scheme, introduced in 2016, does not address the industrial sector, but provides finance to develop Grade A office space. At the time of writing, this scheme has yet to fund any developments.

[1] This excludes firms in the logistics/distribution sector. To be an account-managed firm, businesses must have i) turnover of at least £250k ii) exports of more than £250k per annum or 25% of sales, and iii) have growth potential, defined as having potential, over the next three years, for 20% growth in employment/growth of 20 jobs or more, 20% sales' growth/sales' growth of £500k or more, or 20% growth in GVA per employee over the next three years.

1.3 Also relevant to the wider context, is the revolving £100m **CBRE Northern Ireland Investment Fund**. This was launched in early 2018 by the Department of Finance, to provide debt finance for commercial property, regeneration, low carbon and infrastructure projects across Northern Ireland over the next 15 years, focused on delivering employment, regeneration, floorspace and carbon savings.

Purpose of the evaluation

1.4 This evaluation is focused on the first five property interventions listed above:

- The purchase, holding and sale of serviced sites to qualifying businesses
- Property Assistance Scheme
- The provision of Property Market Information
- Rental Property Solutions
- Invest NI contribution to the planning system.

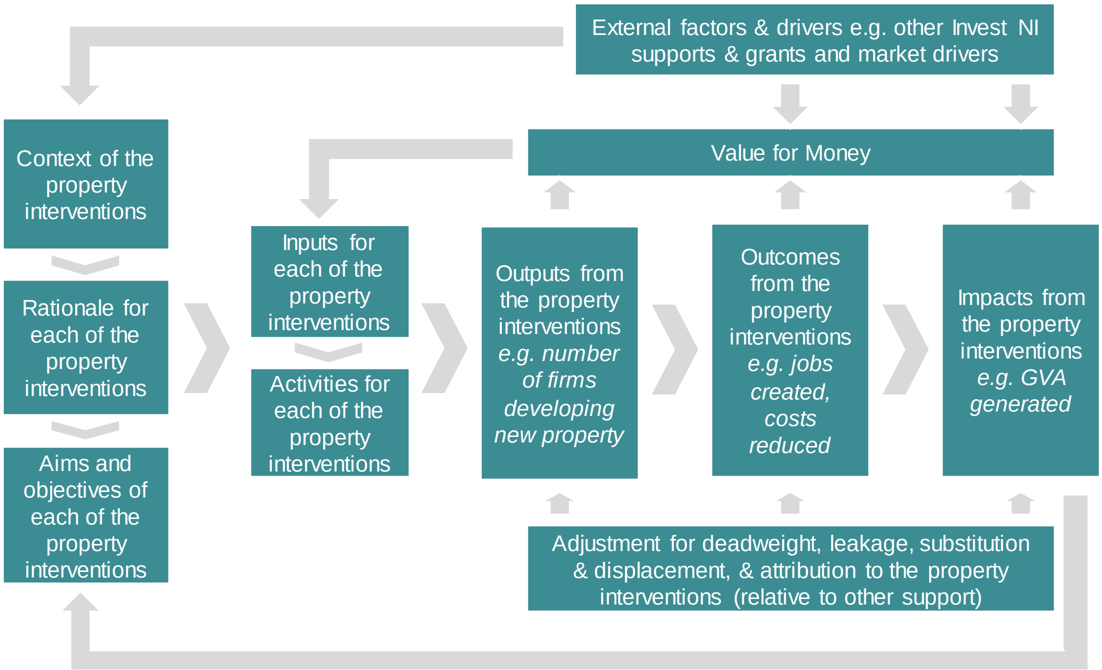
1.5 The purpose of this study, as set out in the original Terms of Reference, was to provide an independent evaluation of these five interventions. The evaluation objectives include:

- a review of i) the strategic context under which the interventions operate and the internal and external factors that may have impacted on their success, ii) the original and ongoing rationale for intervention, iii) the objectives of the interventions and the extent to which they are meeting these, iv) the appropriateness of the delivery models, and v) progress against the previous evaluation's recommendations
- comparison with similar services delivered elsewhere
- an assessment of the inputs, outputs, outcomes and impacts of each intervention, including an assessment of each intervention's Value for Money and Return on Investment
- conclusions and Specific, Measurable, Achievable, Relevant and Time-Bound (SMART) recommendations for the interventions going forward, including any areas for improvement.

Evaluation approach and method

1.6 In order to address these objectives, the evaluators adopted a logic model approach. This depicts each aspect of the intervention, from context and rationale, through to impacts and Value for Money. The key components of this framework, and the relationships between them, are set out in Figure 1-1; there are also some cross-links between the different elements, not just sequential links.

Figure 1-1: A logic model framework for the property interventions



Source: SQW

1.7 The evaluation assessed each component of the framework for each of the interventions, and the overall rationale for property-based intervention. It involved a mix of primary and secondary research, including:

- **Review of key documents and data** relating to the property interventions as well as the wider policy and property market context
- **Consultations with intervention managers** within Invest NI
- **Consultations with stakeholders** from the public and private sector
- **Consultations with businesses that used the interventions**
- **Comparison against interventions in other areas**, through consultations and desk research.

Analysis and constraints

1.8 Four contextual points should be kept in mind in reading this report.

- **Property interventions are typically used by Invest NI as a small part of a wider package of support, and individual businesses might be directed to several of these, as well as to a range of other business support.** With the inevitable limitations of a proportionate study, attributing the subsequent economic gains to particular interventions is therefore particularly challenging. The evaluation has sought to understand and assess these impacts where possible, but the findings and recommendations should be considered in this context.
- **A small number of beneficiaries for some interventions, as well as the small overall scale of the support.** Each of the interventions has relatively few

beneficiaries, meaning that the population of beneficiaries is limited, and the assessment can be based on only a small number of respondents. Also, as the amount of support that each beneficiary receives from the property intervention is often rather small, these firms may be more than usually reluctant to identify the effects, or even to engage with the evaluation. That said, the response rate was reasonable, and the quality of responses received was generally high.

- **The context within which the interventions operate changed drastically over the evaluation period**, with severe economic recession followed by a slow economic recovery, and with other external factors that could affect the property market, such as the UK's impending departure from the European Union (EU). This is set out in more detail in Section 2. It is important to recognise and understand the impact that this changing context may have had on the success or otherwise of the interventions.
- **Invest NI's contribution to the planning system does not have any direct business beneficiaries.** It has not therefore been possible to quantify any effects of this intervention, with the value of this intervention therefore evaluated entirely on a qualitative basis.

Report structure

1.9 The remainder of this report is structured as follows:

- Section 2 sets out the policy, economic and market context for intervention in the commercial property market
- Section 3 considers the purchase, holding and sale of serviced sites to qualifying businesses
- Section 4 focuses on the Property Assistance scheme
- Section 5 comprises an analysis of the Property Market Information intervention
- Section 6 looks at the Rental Property solutions
- Section 7 investigates Invest NI's contribution to the planning system
- Section 8 comprises a review of interventions in comparator regions, to understand how Invest NI's interventions compare to elsewhere
- Section 9 comprises conclusions and recommendations for the interventions going forward.

2. Context

2.1 This Section sets out the economic, property market and policy context to Invest NI's suite of property interventions.

Section Summary

- The evaluation period saw great economic turmoil for Northern Ireland, as elsewhere, with the early years dominated by economic recession and the later years more sustained, if still halting, economic recovery and growth. Systemic economic challenges persist, including a high rate of economic inactivity, low productivity and low business survival, although unemployment is now below the UK average.
- There is evidence of market failure in the provision of commercial space. Low returns for developers mean that little new industrial space is being built. The level of demand for such space varies across Northern Ireland.
- The recession led to increased pressure on Government finance and capital grant funding options have become more restricted under State Aid rules. The property interventions receive few direct mentions in policy documents, but references to target sectors and area priorities, and a continued emphasis on supporting the business stock to grow, innovate, export and become increasingly productive, provide relevant context.

Economic and market context

2.2 Northern Ireland's economy experienced turbulent times throughout the evaluation period from 2009 to 2017. The evaluation period can be characterised by severe economic recession through the early years, with the economy shrinking each year from 2009 to 2012 followed by slow economic recovery from 2013 onwards; having fallen during the recession, the number of jobs in Northern Ireland did not recover to the pre-recession peak of 2008 until 2016. Throughout this period, the economy of Northern Ireland has continued to restructure:

- as elsewhere in the UK, this includes a substantial increase in private sector jobs, at the expense of job losses in the public sector in the wake of austerity.
- Northern Ireland's continued move away from manufacturing and other production industries towards services was recognised by RSM McClure Watters in 2014[2]; the report noted the ongoing transition away from a traditional manufacturing based economy, also recognising positive trends in R&D, enterprise and exports.

2.3 A research paper commissioned by the Committee for the Economy in 2016[3] made the following observations on the Northern Ireland economy, to inform economic strategy:

- although Northern Ireland's economy is growing, its growth rate slowed after the recession, and has not yet returned to its pre-recession peak
- low productivity is a persistent and sector-wide issue in NI – GVA per filled job was £45.3k in 2016, compared to £52.6k for the UK overall

[2] RSM McClure Watters (2014) *Property Research*
[3] Northern Ireland Assembly (2016) *The Executive's Forthcoming Revised Economic Strategy for Northern Ireland: Preliminary Considerations*

- the economy has sub-regional imbalances in total and per capita gross value added
- since 1997 the economy has increasingly become service sector orientated
- exports have grown over the period examined in the Paper; however, there has been a decrease in the net gain to the economy from exports
- Northern Ireland has a lower business survival rate than the rest of the UK – for firms started up in 2013, 56.6% in Northern Ireland survived for three years, compared to 60.9% for the rest of the UK
- Northern Ireland's economic inactivity rate is higher than the UK's – Northern Ireland had an economic inactivity rate of 27.2% in the 12 months to September 2017, compared to 21.9% across the rest of the UK, although the unemployment rate is now lower than the UK average
- Northern Ireland is ranked 11th out of 12 UK regions on an index of innovation, despite recent increases in overall Research & Development (R&D) expenditure.

2.4 Whilst the economy has recovered slowly in the latter years of the evaluation period, the effects of the recession continue to be felt in property markets. This is particularly stark in the housing market where, although house prices have now been rising consistently since early 2013, they are still substantially below pre-recession highs – in 2008 average prices stood at £200k, before falling to under £100k in 2012, and rising to £130k by the end of 2017, according to figures from the Northern Ireland Statistics and Research Agency[4].

2.5 The commercial property market was also shaken by the economic recession. However, in some respects, the period leading into the recession can now be seen as a market 'bubble' in which, as reported by stakeholders, the commercial property market in Northern Ireland was driven by firms keen to buy their own property or land for investment purposes, not to meet their need for business growth. Property prices rose rapidly in the early 2000s up to 2008, and the drastic fall since is seen as a return to more normal levels.

2.6 Market failures across the commercial property market are evident. A study completed in 2014 by RSM McClure Watters[5], identified two key market failures in the industrial market: limited, ad hoc demand from industrial occupiers, and a lack of commercial viability holding back the development of space. The report also identified market failures in the development of Grade A office space, due to a lack of commercial viability, lack of development funding, risk aversion, and an information market failure where developers are unaware of the existing demand from business.

2.7 The lack of commercial viability for industrial space appears to be a continued issue for the sector, with developers preferring to develop land for other uses due to higher financial returns. Stakeholders also noted that a lack of commercial returns means little new industrial space is being developed, with the industrial stock increasingly dated and unattractive to potential occupiers.

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[4] Northern Ireland Statistics and Research Agency (2018) *Northern Ireland House Price Index October – December 2017 (Quarter 4 2017)*
[5] RSM McClure Watters (2014) *Property Research*

2.8 It is important to caveat the finding in relation to the market failure resulting from a lack of demand for industrial space reported by RSM McClure Watters. Demand for land and industrial space was reported by stakeholders interviewed for this study as very high in some areas, although much less so in others. Evidence cited for different markets across Northern Ireland included the high level of (unsatisfied) demand for industrial space in Mid Ulster.

2.9 The market for industrial property has also been affected by other changes.

- There is recognition, both from stakeholders and existing research on the market, that demand for industrial space has changed. Demand increasingly comes from indigenous firms, not inward investors which have been increasingly office and service sector-focused in recent years.
- The UK's impending departure from the EU also weighs on the commercial property market, as recent surveys of Chartered Surveyors by the Royal Institution of Chartered Surveyors show. With no clear agreement as to the UK's future relationship with the EU, nor on how the border with the Republic of Ireland will be managed, there is inevitable uncertainty in the commercial property market. This may continue until these issues are resolved.

Policy context

2.10 The Northern Ireland economic context has directly informed policy. The challenges presented by the recession and austerity have been felt keenly in Northern Ireland. The 2011-2015 Programme for Government noted how the Northern Ireland Executive was faced with significant constraints due to a substantial reduction in the block grant and that *"the constriction of public spending will mean tough choices will have to be made".*

2.11 Nevertheless, Government has remained supportive of initiatives to support business, as part of the drive to improve the competitiveness of Northern Ireland's business base and address the economic challenges set out above. There has been particular emphasis on encouraging innovation and exporting. Property interventions are seen as a small part of a wider suite of interventions focused directly on business performance. Many of these policies set out priorities, and rely on functioning property markets to accommodate business growth, thereby indirectly informing the case for enabling interventions.

Northern Ireland Executive

2.12 There are several key policies and strategies that apply across government in Northern Ireland that are relevant to consider in the context of the property interventions.

- The **2011-2015 Programme for Government** identified five priorities for Northern Ireland, to rebalance and rebuild the local economy in the wake of the severe economic downturn. The first priority was ***"growing a sustainable economy and investing in the future",*** with a commitment to deliver more jobs, improve economic infrastructure, encourage innovation and R&D, and grow the private sector. Targets included; an increase of 20% in the value of manufacturing exports by 2015; support enabling £1bn of investment in the Northern Ireland economy (with £375m from inward investment, £400m from indigenous firms, and £225m as a result of the Jobs Fund); also, support to facilitate £300m investment in R&D by business.

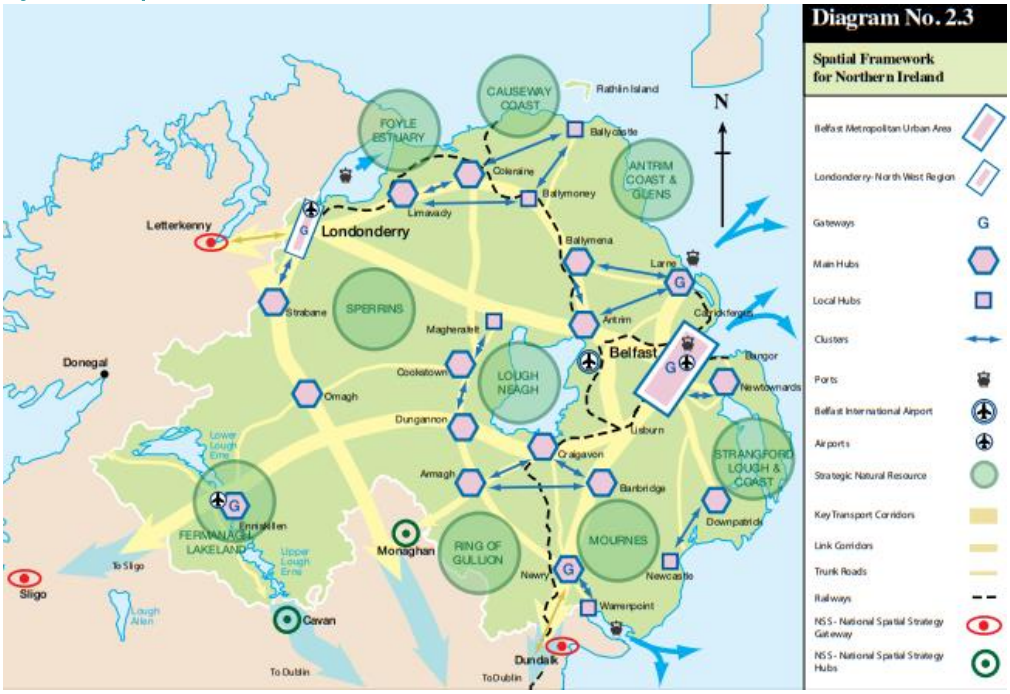
The Programme also committed Northern Ireland to a reorganisation of local government, reducing the number of councils from 26 to 11. This reorganisation, completed in 2015, brought new powers for local councils, notably in planning and economic development which were previously central responsibilities.

- The **2012 Northern Ireland Economic Strategy** also started from the severe downturn. Its overall ambition was to improve the economic competitiveness of Northern Ireland, through rebuilding and rebalancing. The strategy shared many of the same priorities as the Programme for Government, but also cited the following key sectors: telecoms and ICT; life and health sciences; agri-food; advanced materials; advanced engineering; business services; financial services; creative industries; tourism; social economy; and rural economy.

- The **Regional Development Strategy 2035,** a statutory document adopted in 2012, provides the spatial perspective to Government policy, influencing the Programme for Government, as well as departmental policies and strategies. It aligns with other current documents in promoting the ideal of a balanced sub-regional economy, and recognises the important economic roles played by Belfast and Derry.

The Spatial Framework for Northern Ireland, shown in Figure 2-1, highlights the Main Hubs and Clusters that will be the focal points and corridors for regional economic growth. These will benefit from, and add value to, existing concentrations of key activities in specific areas, attracting new investment, and developing the critical mass that will sustain growth.

Figure 2-1: Spatial Framework for Northern Ireland



Source: Regional Development Strategy 2035

'RG1', the first of 12 high level Regional Guidance policies, is to ensure that an adequate supply of land is available to facilitate sustainable economic growth, by safeguarding new and existing employment areas for that purpose. RG1 notes that this land should be accessible and focused on the larger urban centres and regional gateways. It also states that planning authorities should aim to identify robust and defensible portfolios of both strategic and locally important employment sites in their development plans, through a three-stage process: i) assess the fitness of purpose of their existing employment land portfolio, identifying employment sites to retain but also those that should be released for other uses; ii) quantify the need for employment land; and iii) identify new sites.

- The **Strategic Planning Policy Statement for Northern Ireland** (2015) reiterated the call for planning authorities to ensure that land is retained for economic development uses, particularly in good locations suited to such purposes.
- The **Investment Strategy** for 2011-21, developed by the Strategic Investment Board as one of its four key responsibilities, committed Invest NI to continue to support manufacturing and internationally tradeable service sectors, including through Selective Financial Assistance, venture capital support for R&D and innovation; it also cited the provision of publicly owned land in areas where there is demonstrable market failure, focusing on serviced sites for qualifying businesses at major regional hubs defined in the Regional Development Strategy. The Strategic Investment Board has three other key responsibilities, to: help the public sector to develop and deliver major programmes and projects; operate the Asset Management Unit; and champion reform. This role cuts across all sectors of the economy.
- The **Asset Management Strategy** (2013) highlighted the increasing pressure to make sustainable efficiency savings from assets, with retrenchment in public spending. The stated priority was to ensure assets with the greatest demand on public expenditure, and those which are common to all public bodies, have plans and processes in place that are geared towards delivering efficiency savings.
- The **Draft Programme for Government Framework 2016-2021** places new emphasis on working with organisations beyond Government in order to deliver against the main ambition of improving wellbeing for all through tackling disadvantage and driving economic growth. This includes working with local government, private sector, and the community and voluntary sector. The framework sets out 14 outcomes for the Programme for Government, with many business-focused ones centred on innovation and exporting:
  - Outcome 1 focuses on a strong, competitive regionally balanced economy, with actions to stimulate innovation, R&D and creativity, grow the size of the business base and make it easier to do business, attract and embed greater levels of higher quality inward investment, help more businesses compete successfully overseas, and promote a modern and sustainable economic infrastructure to support growth
  - Outcome 2, on living and working sustainability, includes a drive to promote the growth of the knowledge economy

- Outcome 5 centres on having an innovative, creative society, and includes contributions to stimulating innovation, R&D and creativity across all sectors, investing in R&D and innovation infrastructure, and putting in place the technology and infrastructure that will nurture innovation and creativity

- Outcome 6 focuses on having more people working in better jobs, and involves attracting high quality businesses, and encouraging growth of indigenous businesses, to offer good sustainable employment opportunities.

Industrial Strategy

2.13 Two key documents relating specifically to Industrial Strategy are also important to consider in the context of property interventions.

- **Economy 2030**, a consultation on an Industrial Strategy for Northern Ireland, was launched in January 2017, and reiterates many of the priorities set out in the Programmes for Government. Its five priorities are: accelerating innovation and research; driving inclusive; sustainable growth; building the best economic infrastructure; succeeding in global markets; enhancing education, skills and employability. It cites the sectoral strengths in other strategies: financial, business and professional services, digital and creative technologies, advanced manufacturing, materials and engineering, life and health sciences, agri-food and construction and materials handling. It states that, whilst earlier strategies have had to focus on rebuilding Northern Ireland's economy, it is now possible to be more ambitious.

- The UK's **Industrial Strategy** was published in November 2017. It is built on five foundations of productivity: 'Ideas', focused on driving innovation; 'People', i.e. having good jobs and earning power for all; 'Infrastructure' i.e. upgrading the UK's infrastructure; 'Business environment' i.e. being the best place to start and grow a business, and; 'Places', referring to having prosperous communities across the UK. These five foundations reflect much of Northern Ireland's policy environment, with a focus on innovation, jobs, infrastructure, business and a balanced economy. The Industrial Strategy also identified four Grand Challenges in Artificial Intelligence and the Data Economy, Clean Growth, the Future of Mobility, and Ageing Society, with the Industrial Strategy Challenge Fund, a UK-wide funding mechanism, expecting to fund innovation in these areas in particular.

Invest NI

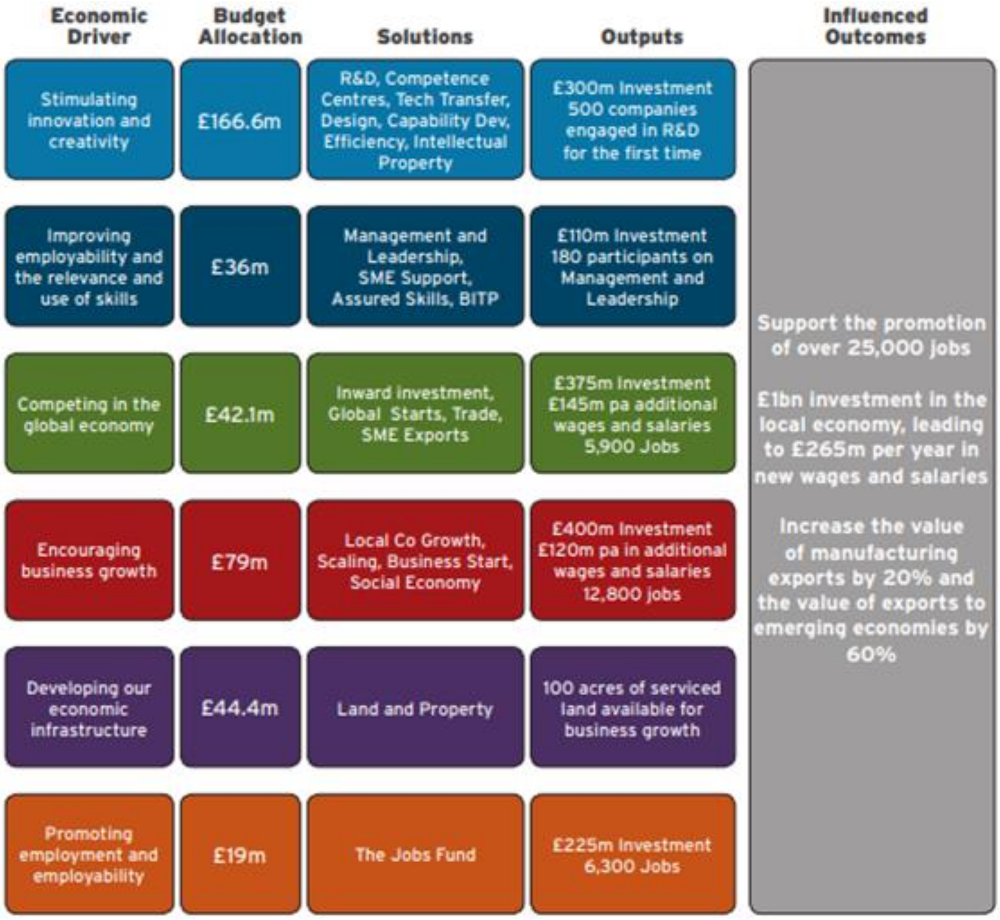
2.14 Invest NI's own policies and strategies are also important to note, in setting the scene for the property interventions.

- The **Invest NI Corporate Plan 2011-2015**, which covers much of the evaluation period, cited Invest NI's primary role in supporting the Executive to address some of the key economic challenges facing Northern Ireland in relation to its business base, by supporting businesses to increase innovation, exporting, productivity and employment.

The Plan recognised key strengths and growth opportunities for Invest NI in telecommunications and ICT, life and health sciences, agri-food, advanced engineering, materials handling, business services and financial services. It also recognised the changes in inward investment, noting that they have become increasingly focused on smaller scale investments in business services, financial services, ICT, software and creative industries, while manufacturing, particularly in the form of large-scale new ventures, was now much less significant.

The budget for delivering the Plan totalled some £387m, of which 11% (£44.4m) was allocated to land and property interventions, including those in scope of this evaluation – see Figure 2-2. One of the targets of the plan was to make 100 acres of newly-serviced land available to qualifying businesses by 2015 (on sites already under Invest NI ownership).

Figure 2-2: 2011-2015 Budget, interventions and outputs against key economic drivers for Northern Ireland



Source: Invest NI Corporate Plan 2011-2015

- The **Invest NI Business Strategy 2017-2021** renews Invest NI's commitment to driving innovation, exports and business growth, and attracting investment. In this most recent Strategy, Invest NI's programmes are re-aligned under the three headings below, recognising the challenges Northern Ireland continues to face despite relative economic recovery, and the constraints on resources.
  - ***Account-managed companies:*** a more consultative and less transactional approach, working through individual Account Development Plans that the

firm and invest NI commit to as a requirement to access tailored support. The c.2,000 account-managed businesses employ over 100,000 people in Northern Ireland; c.900 of these have delivered most of the recent economic growth.

- ***Sectors,*** focusing on those areas where Northern Ireland is, or has the potential to be, world-class, namely: financial, business and professional services; advanced manufacturing, materials and engineering; agri-food; digital and creative technologies; construction and materials handling; life and health sciences; cyber security; legal services technology; precision medicine; and big data/internet of things. Many of these reflect the Grand Challenges set out in the UK's Industrial Strategy.

- ***Markets,*** with an increased emphasis on exporting, through the establishment of new trade, investment and innovation hubs in key geographies, and recognising the challenges presented by the UK's impending departure from the EU.

- The Invest NI **Acquisition and Disposal Strategy**, renewed in 2009, sets out the case for Invest NI to acquire land, but not to dispose of it. The 2009 strategy references the legislation that permits land acquisition, where this is deemed necessary to provide for the needs of industrial firms. The Strategy notes that Mandeville (Portadown), Wattstown (Coleraine), Woodside Road West, Ballymena and Campsie West (Derry) were designated as strategic sites for larger projects. It states that, at each hub in the Regional Development Strategy (the sites highlighted in the 2012 strategy were also identified in the earlier, 2001 strategy), 30-50 acres is required to meet Invest NI client needs: with two such hubs in most districts, this typically equates to between 60 and 100 acres of land for each area.

- Policy regarding disposal is covered more recently in Invest NI's **Asset Management Plans**, which state a requirement to identify 127 acres of land surplus to requirement.

- **State Aid rule changes** have also influenced Invest NI policy and interventions over the evaluation period, with a tightening of the rules limiting the extent to which the public sector can spend give capital grants as business support.

3. Purchase, Holding and Sale of Serviced Sites to Qualifying Businesses

3.1 This Section sets out the rationale, objectives, inputs, outputs, outcomes, impacts and Value for Money of the purchase, holding and sale of serviced sites to qualifying businesses.

Section Summary

- Invest NI's most substantial property intervention consists of acquiring land, investing in enabling infrastructure, and subsequently selling sites to qualifying account-managed industrial firms.
- The intervention is driven by a lack of suitable industrial space for companies to expand/move into, with developers not building industrial premises for owner occupiers due to unattractive returns.
- Invest NI currently own 2,831 acres of land across 42 industrial estates, of which 647 acres is currently available. Between 2009/10 and 2016/17, 133 acres across 57 sites were sold to companies for £8.1m.
- Take-up by businesses consulted for this study was driven by a desire to increase capacity, satisfy demand and fulfil their own growth potential.
- Businesses reported a range of benefits from their purchase of the site, most commonly the growth of their physical footprint and improved reputation and profile; some positive impacts on employment and turnover were also cited.
- There is no case for large scale acquisition. However, some acquisition may be desirable in places with strong demand for industrial land but low supply e.g. Mid Ulster. This should be done by working with partners, and should only be done if this meets a clearly defined set of strategic objectives for the intervention.

Description of the intervention

3.2 The purchase, holding and sale of serviced sites to qualifying businesses is the most substantial property intervention that Invest NI delivers in terms of cost. It has two elements: acquisition of land and enabling works to put in place the infrastructure and utilities for use as industrial/business estates; the sale of plots on these estates to qualifying businesses i.e. account-managed industrial firms. If sites lie empty for a long time, Invest NI may dispose of them, or relax the rules on which firms are eligible to take space.

Rationale

3.3 The rationale for intervention is based on evidence of a market failure, reported by Invest NI: a lack of private sector interest in developing the industrial accommodation which will meet firms' needs, because of perceived risk and relatively low commercial returns. This is seen by stakeholders as an issue across Northern Ireland. With developers not building new industrial space for owner occupiers, there is a lack of options for industrial businesses, notably Invest NI's account-managed firms, looking to grow and requiring expansion space. This could mean that growth opportunities are lost with firms 'making do' in sub-optimal space, potentially harming their productivity, or faced with moving out of Northern Ireland altogether to obtain suitable accommodation, with consequent loss of jobs and the skill base.

3.4 Although the economy of Northern Ireland has become more focused on service sectors in recent decades, manufacturing remains an important source of employment; key strengths were highlighted in the previous section. The rationale for property intervention is to give those firms with growth potential (in particular larger and well-established industrial firms) options if they need to expand/move into new space. Firms are reported by stakeholders as typically not wanting to move far from where they are currently operating. Invest NI seeks to provide sites across Northern Ireland to meet these needs, and potential demand. For these existing Northern Ireland-based businesses, there remains a market failure in the private sector provision of appropriate land.

3.5 Stakeholders also report, however, that there are now few leads from inward investors looking to buy a site on a large industrial estate for a new manufacturing plant: potential inward investors, mainly providing services, typically look for business space to rent. This suggests that there is now no specific market gap to address relating to 'traditional' inward investment for manufacturing: earlier, this provided a rationale for the acquisition of sites in deprived areas to meet the social need for new employment.

3.6 The changed pattern of demand therefore means that this intervention is now focused on creating expansion options to meet the growth requirements of existing businesses, close to their existing operations, or in areas where they have identified a commercial logic.

3.7 Whilst the rationale for intervention therefore remains valid, this is only the case where there is evidence of demand for industrial space – recognised in previous studies by PwC[6] and RSM McClure Watters[7]. While some areas, such as Mid Ulster, remain focused on industrial sectors, others are now much less so.

Objectives

3.8 An objective for the intervention overall is not explicitly set out in documentation, but can be inferred as being to ensure that there is sufficient land available for industrial firms to move into, across Northern Ireland, to support their growth. This aligns with wider strategic objectives of supporting business growth,

3.9 Specific targets are set for each acquisition, as part of the business case. For example, the project objectives for acquiring land in Newry were to: purchase 72.7 acres of land (net developable area of 55 acres), zoned for industrial use under the new Banbridge, Newry and Mourne Area Plan by 31st December 2010; make 49 acres available for industrial development purposes by 31st March 2014; complete infrastructure works by April 2013, to release serviced sites; sell 10 acres by April 2014, 40 acres by April 2018 and 55 acres by April 2022, to facilitate an improvement in the socio-economic profile of the Newry City Council area.

3.10 An up to date and comprehensive set of strategic objectives, covering the conditions under which Invest NI will look to purchase, hold and sell land, does not exist, with the most recent Acquisition and Disposal Strategy being from 2009. Developing an up to date and comprehensive set of strategic objectives for the intervention overall would provide a clearer

[6] PwC (2004) *Strategic and Organisational Review of Invest NI Property Solutions Unit*
[7] RSM McClure Watters (2014) *Property Research*

framework for Invest NI to intervene, and could be linked at site level to targets for selling to potential business occupiers, and triggers for disposal for other purposes.

Inputs

3.11 Substantial costs are involved in this intervention, in acquisition and infrastructure works (offset to some extent, although not fully, by income from sales receipts). These costs are not considered in full here, as some costs where there have been sales in the evaluation period were incurred decades ago, sometimes by predecessor organisations. Comparing costs during the evaluation period against sales over this period would not be comparing like-with-like.

3.12 Direct staff costs over the period from 2012 to 2017 are difficult to disaggregate from the staff costs involved in operating the other interventions, but are broadly estimated, based on figures provided by Invest NI, at c.£1.825m, or c.£365k per annum. Other costs incurred by Invest NI in managing the landholdings and sales in this timeframe are estimated at c.£6m, although this also includes costs relating to managing the rental properties covered in *Section 6*. Both sets of figures should be seen as indicative only. Overall costs relating to the intervention for other parts of Invest NI (Client Executives), the Central Procurement Directorate and Land and Property Service are not included. For example, land was acquired and developed into a Business Park in Strabane during the evaluation period and has cost the public purse £5.71m to date (£190k for the Central Procurement Directorate), including acquisition and site development costs.

3.13 Opportunity costs in relation to the intervention are substantial, given the required commitment of capital and revenue for specific land acquisitions, servicing sites and then selling on some years later. The implications have not been quantified here, given the large number of estates (42), and the long and complex history of many of these. We comment further on this aspect under Value for Money and in our conclusions.

Activities

Acquisition

3.14 The acquisition of land and enabling works to put in place infrastructure and utilities for industrial estates requires substantial investment. Outline planning permission is also secured early, so that firms can move in quickly. Much of the current landholding is the legacy of acquisitions by Invest NI's predecessor organisations, including the Industrial Development Board (IDB) which acquired land, often in deprived areas, in all the then 26 districts.

3.15 New acquisitions are considered where there is demand in an area from account-managed industrial firms. The focus is on the geographical hubs and clusters identified in the Regional Development Strategy *(see Section 2).* An economic appraisal is undertaken on a proposed acquisition, which takes into account local market conditions. If approved, Invest NI acquires estates alone; to date, it has not worked through joint ventures with other public sector bodies or private sector developers, although it does work closely with the Central Procurement Directorate. Three acquisitions have been completed in recent years: a new estate in Strabane (43 acres), and extensions to existing estates in Newry (73 acres, 2009) and Armagh (10 acres, 2009).

3.16 Further acquisition has been considered since the Strabane acquisition in 2011; an economic appraisal was undertaken to build the case for acquisition in Mid Ulster, but the appraisers could not evidence demand – despite local stakeholders insisting there is high demand – and the proposition was not progressed. Invest NI's acquisition policy is now out of date, having not been updated since 2009, and there are no firm commitments to undertake further acquisition.

Estate development

3.17 After industrial land has been acquired, Invest NI then undertakes any preparatory infrastructure works required to create the industrial estate – remediation, levelling, utilities, access etc. These costs, and those of the acquisition itself, are the main cost for the intervention. Much of this activity was completed before the evaluation period, sometimes decades before, and often by predecessor organisations. As such, it is impossible to account for all spend. However, below, we present a case study of Strabane Business Park, the land for which was acquired and developed by Invest NI during the evaluation period (2011). The 2017 project evaluation report for the acquisition and site development provides the following account of activity up to that point.

- The land was acquired by Invest NI in February 2011, at a cost of £3.14m.
- Following acquisition, a procurement exercise managed by the Central Procurement Directorate, in November 2011, resulted in Heron Brothers Limited being awarded the contract to complete the civil engineering works required to deliver the first two phases of the Business Park. The planning approval for the Business Park was conditional upon Invest NI first satisfying the Northern Ireland Environment Agency's stipulation on archaeology. When this condition was satisfied, Heron Brothers was able to undertake the substantial earthwork operations required to create two plateaux for future industrial development, maximising the area for development, whilst taking into account the natural environment within and adjacent to the site. As well as large scale earth moving operations, works also included drainage, site access improvements, internal access routes, drainage systems, utilities, street lighting and landscaping.
- The site development works associated with delivering the first two phases of Strabane Business Park were completed in May 2013, at a cost of £2.2m – including fees relating to site investigation, archaeology, costs for Northern Ireland Electricity and Northern Ireland Water, landscaping and earthworks. Professional fees, including CPD, totalled over £350k. Total costs to date for acquisition, development and fees therefore came to £5.71m. Some minimal costs are still to be incurred in opening up the final phases of the Business Park, but to date approximately £1.8m remains within the approved budget.

Site sales

3.18 Sites are sold at market price, as assessed by Land and Property Services, usually to SMEs and occasionally to larger industrial firms (not logistics/distribution) looking for space to fulfil their growth ambitions. Sales are made only to Invest NI's account-managed firms, with the exception of land sold to other growth potential firms that are not account-managed, as provided for in Invest NI's Set Aside policy to stimulate demand for sites. Provision more generally for other business needs is made in area plans (*see Section 7*), and with local enterprise agencies providing smaller workspaces across Northern Ireland. As an example of the income realised from site sales, between 2012/13 and 2016/17, four sites of varying acreages were sold at the Dungannon estate (acquired by Invest NI's predecessor the IDB, in 2002), at £165k, £300k, £430k and £800k, for around 30 acres in total.

3.19 Although attempts have been made to bring forward sector-specific sites, these are reported by Invest NI as having not been popular, except in the case of the food sector, where businesses have specific requirements and are sensitive to non-food activities nearby.

3.20 The process requires a business plan to substantiate the firm's ambition, and the completion of application forms. Negotiations around price then take place, followed by discussions to arrange the transfer of ownership. Sales negotiations are undertaken on an exclusive basis; once a firm has started the process of buying a site, it cannot be undercut by another potential purchaser. The terms of the purchase are standardised, to ensure fair and equal treatment for all firms buying sites from Invest NI. Invest NI manages the process, but the valuation, lease negotiation, when both buying and selling, are handled by Land and Property Services on its behalf.

3.21 Sites are sold on a 999 year lease with Invest NI retaining the freehold, to help control use and maintain standards.[8] Sales contracts include restrictive clauses, to ensure that the land continues to service industrial uses and that the company does not landbank: the purchaser is expected to develop the site after securing full planning permission, and must have completed build within 18 months of the transaction. Neither the land nor premises can be sold on without the prior approval of Invest NI.

Disposal

3.22 A disposal programme was active during the evaluation period, with a target to identify 127 acres of land surplus to requirement and bring this to market for disposal. Four estates were identified for disposal. This disposal process is ongoing and continues to be reviewed.

Scale of activities

3.23 A total of 2,831 acres of land is currently owned by Invest NI, of which 647 acres, across 42 industrial estates, is available for account-managed industrial firms to purchase. The largest landholdings are in some of the districts with the larger economies: Derry and Strabane (486 acres), Antrim and Newtownabbey (392 acres) and Armagh, Banbridge and Craigavon (377 acres). The smallest landholding is in North Down and Ards (92 acres); this is less than some of the larger individual estates elsewhere.

3.24 With regard to sites now available to meet the needs of growing firms, in Lisburn and Castlereagh only 2% of the landholding is currently available, in Mid Ulster 7%, in Mid and East Antrim 12%, and in Belfast 14% (see Table 3-1, below). If the private sector is not providing space in these areas, there appear to be few options for firms requiring space for expansion.

[8] The freehold can be transferred where estates are sold.

3.25 The latest (albeit outdated) Acquisition and Disposal Strategy (2009) called for an average of 60-100 acres to be available in each district; only four out of 11 meet the lower band figure.

Table 3-1: Landholding and available land for industrial firms, March 2017*

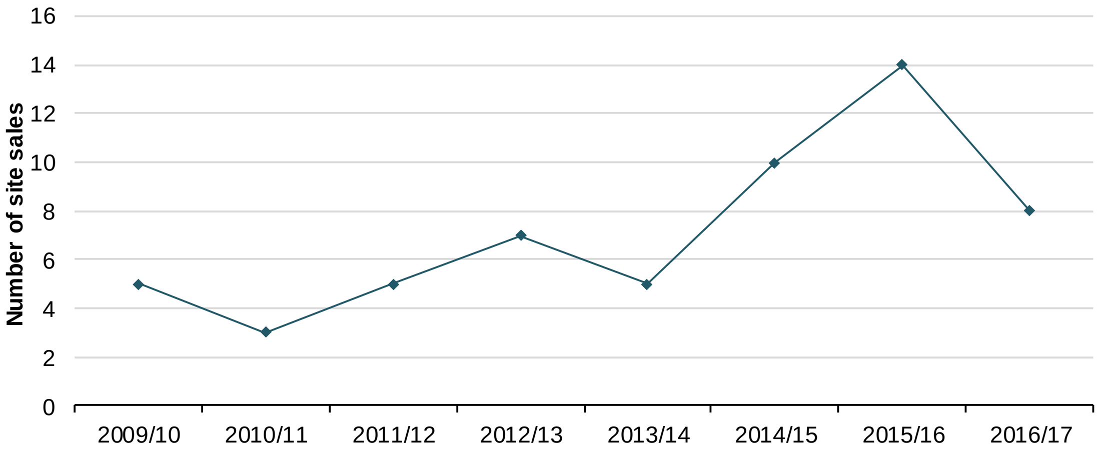
District	Landholding (acres)	Available land (acres)	% of landholding currently available
Antrim and Newtownabbey	392	99	25%
Ards and North Down	92	23	25%
Armagh, Banbridge and Craigavon	377	166	44%
Belfast	213	30	14%
Causeway Coast and Glens	144	66	45%
Derry and Strabane	486	116	24%
Fermanagh and Omagh	170	41	24%
Lisburn and Castlereagh	247	5	2%
Mid and East Antrim	229	28	12%
Mid Ulster	202	15	7%
Newry, Mourne and Down	278	58	21%
Total	**2,831**	**647**	**23%**

*Source: SQW analysis of Invest NI data * 'Available' land is specifically where infrastructure is already in place, with the land therefore immediately available for ownership transfer and development*

Outputs

3.26 Between April 2009 and March 2017, 57 sites totalling 133 acres were sold to companies, with receipts of £8.1m[9]. The number of sites sold rose from a low of three in 2010/11, at the height of the recession, to 14 in 2015/16. Although much higher than during 2010/11, the latter remains well below the annual average number of site sales pre-recession, which was over 20 each year (and a high of 40 in 2007/08). However, as previously stated, stakeholders reported that many firms acquiring in the earlier period did so as an investment, rather than to accommodate their growth. Land is now a less attractive investment proposition, and most firms buying sites do so to accommodate their own growth, as intended under the intervention. Nevertheless, the volume of sales since 2009 has remained below expectations.

Figure 3-1: Site sales by year, 2009/10 to 2016/17 (n=66)



Source: SQW analysis of Invest NI data

[9] This excludes sales to public sector organisations and factory/building sales

3.27 Mid Ulster (13 sites sold) accounts for the largest numbers of sales by district in this period. The area of land sold is also highest in Mid Ulster, with 53 acres, or some 40% of the total. As only 15 acres are now available in Mid Ulster, this may indicate an impending shortfall; certainly, this is the belief of stakeholders in the area. In Lisburn and Castlereagh, six acres were sold in the last eight years, and only five acres of land remain available. By comparison, although Armagh, Banbridge and Craigavon had the second highest acreage sold, a substantial amount of land, 166 acres, remains available.

Table 3-2: Site sales by district, 2009/10 to 2016/17

District	Number of site sales	Sale value (£k)	Number of acres
Antrim and Newtownabbey	3	557	11
Ards and North Down	1	43	1
Armagh, Banbridge and Craigavon	8	2,200	19
Belfast	2	179	3
Causeway Coast and Glens	1	130	1
Derry and Strabane	8	466	7
Fermanagh and Omagh	3	90	4
Lisburn and Castlereagh	4	400	6
Mid and East Antrim	6	335	10
Mid Ulster	13	2,915	53
Newry, Mourne and Down	8	753	18
Total	**57**	**8,068**	**133**

Source: SQW analysis of Invest NI data

Outcomes

3.28 Interviews were carried out with 11 account-managed businesses that had purchased one or more serviced sites from Invest NI[10], to understand their reasons for using the intervention, as well as its effects. The profile of the interviewed firms was as follows:

- in terms of sectors, most are machinery manufacturers or engineering firms, as well as one each in food and drink, horticulture, wholesale and community development
- the most recent turnover figures for firms at their NI bases ranged from approximately £100k to £70m
- four are large employers with 250+ employees in Northern Ireland, three employ 50-100 people, and the other four employ fewer than 50 people
- three firms were based in Mid Ulster, two in Newry, Mourne and Down, and two in Antrim and Newtownabbey
- all firms were over 10 years old
- all but one of the firms exports from Northern Ireland.

3.29 The motivations for pursuing this form of assistance were broadly similar across the companies interviewed. Almost all consultees reported that the primary reason for

[10] This represents just 20% of the site sales over the evaluation period, but a reasonable response rate of around 40% based on the sample of sales for which contact details were provided by Invest NI, and with responses across size, location and sector.

purchasing a serviced site through Invest NI was to allow their business to increase capacity, satisfy demand and fulfil their own growth potential. Other motivations cited included the desire to bring together separate sites in order to improve operational efficiency, and the need to improve access to nearby transport links.

3.30 Eight of the 11 interviewees reported that they had considered alternative options to assist with their property needs. Six reported that limited options elsewhere in Northern Ireland was a key reason for deciding to go ahead with the site purchase. The Invest NI land was also seen as the lowest risk option, as the land was serviced and had outline planning permission.

> *"Some alternatives were considered but it became apparent that it would have been near impossible to find a similar greenfield site with planning permission to the one Invest NI had to offer."*

> *"The business did look elsewhere but finding a site that was fit for purpose and was ready to be built upon proved difficult. Invest NI's site sale process offered this and was deemed the best option to pursue."*

> *"There was a very limited number of suitable sites available in the private sector. The site was serviced, and given it was provided by Invest NI, obtaining planning permission was expected to be a lot simpler."*

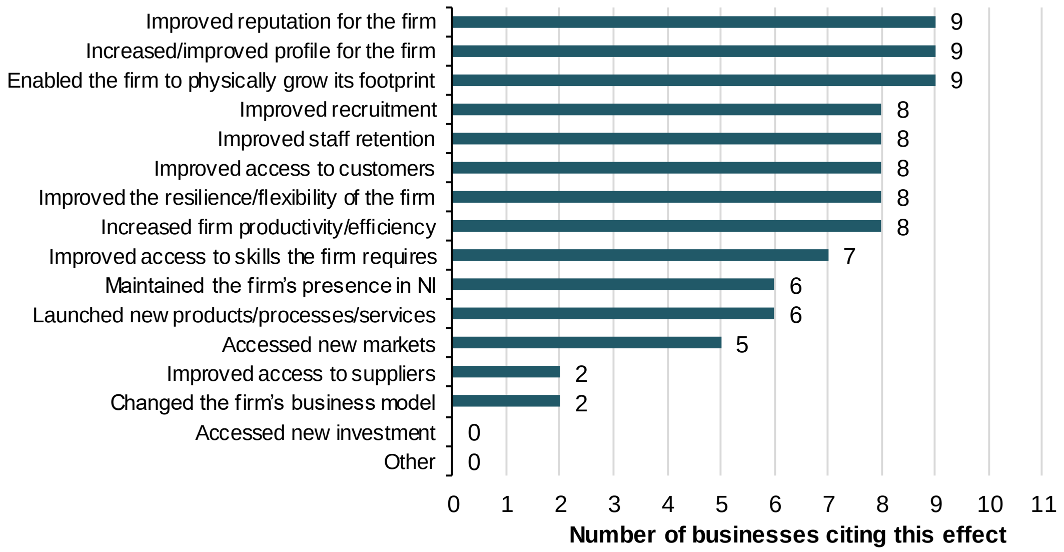
3.31 The process of applying for each account-managed firm consulted was initiated through their Client Executive. In situations where a company has a need for new or additional land the Invest NI Client Executive refers the case to the Property Team which then engages directly with the company and provides assistance through the various stages in the buying a site. Invest NI encourages firms to take on external consultants to support them in the process, as buying land and securing planning permission is complex, and usually outwith the firms' areas of expertise; it was noted by Invest NI consultees that many firms do not do this.

3.32 Overall, the feedback on the site sale process was mixed, particularly with regard to timing, with consultees reporting that it took longer than anticipated.

Qualitative outcomes

3.33 The 11 companies interviewed for this evaluation reported the following effects on business performance to date as a result of Invest NI's site sale service; consultees could identify multiple effects, which many did (see Figure 3-2).

Figure 3-2: Site sale effects (n=11)



Source: SQW interviews

3.34 Unsurprisingly, given the form of assistance, the objectives of the scheme and their motivations, the great majority of the firms (nine) said that it had enabled the physical growth of their business. In as many cases, it also helped to raise the profile and awareness of the business, as well as their reputation. Eight consultees each stated that the increased capacity had increased productivity and efficiency, and improved resilience and the flexibility of the business to respond to challenges.

3.35 Increased access to customers was also identified as a key effect of the intervention by eight businesses. Several noted that they would avoid holding meetings with associates and potential clients at their own offices prior to moving to the new site. With better facilities, they felt able to encourage prospective customers to visit. This was inter-linked with the effects in raising profile and improving reputation.

3.36 Improved facilities have also benefited recruitment, with companies able to showcase a better working environment to potential employees. The location of many of these sites was also viewed as a positive; good transport links widened access to skills, and to the labour pool more generally. A knock-on effect for staff retention was also identified, with eight consultees reporting that this had improved.

> *"The business is able to showcase its ultra-modern facilities, and is strategically placed. This has enabled better access to both customers and suppliers, and greatly improved the business profile/reputation."*

> *"At the new location, the business has access to a much wider pool of labour. This has improved access to the skills the business requires and has subsequently helped recruitment activity. The new development has created a better work environment and helped improve staff retention."*

3.37 Around half of those interviewed also reported that the service had allowed the business to launch new products, processes or services, and had maintained the business's presence in Northern Ireland. None of the company consultees had accessed new investment as a result of this support.

3.38 The great majority of the beneficiary companies consulted would recommended the site sale intervention to other businesses, and felt the intervention should be continued in the future. Several companies suggested that the knowledge and expertise embedded in Invest NI staff was pivotal to the intervention's success. The staff at Invest NI were also viewed as demonstrating a willingness and enthusiasm for engaging with firms and helping them to achieve their growth objectives. Many of the businesses interviewed stated that another key benefit of the support was that the land purchased was already serviced and had outline planning permission attached, reducing the overall level of risk.

> *"The enthusiasm and willingness of Invest NI staff to support the business has been great. The support received has been superior to other organisations dealt with in the past."*
>
> *"Invest NI has a very good support system in place and has been very flexible in helping the business."*

3.39 There were some suggestions for improving specific areas of the service, with six of the companies interviewed noting that the process was overly cumbersome; these consultees felt that there was either too much paperwork involved, or that the process took too long.

3.40 There was also some negative feedback on the lack of negotiation on the price of the site, with some firms feeling that they should get a discounted rate given that they are creating more jobs for Northern Ireland. As previously noted, Invest NI has no role in determining the value of land; that is the responsibility of the Department of Finance, exercised through LPS, which is tasked with ensuring market value is achieved in all property transactions. The intervention is designed to make sites available for industrial firms which would otherwise be unable to obtain new premises; it is not specifically designed to make sites cheaper for firms to buy.

Quantitative outcomes

3.41 The intervention is targeted at growth firms, and it is not therefore surprising that clients that bought sites grew in the evaluation period. The extent to which being able to buy this site contributed to this, or removed a constraint, is less clear. However, the consultations with firms illustrate some quantitative attribution as well as the qualitative effects indicated above.

Employment

3.42 The 11 firms consulted employed in total about 870 people in Northern Ireland before they moved to their new sites[11]; this subsequently increased to around 1,700, an almost doubling in the number of jobs in Northern Ireland within these businesses. Four firms account for 1,500 of the 1,700 current jobs, whilst three firms account for the vast majority of the increase in jobs.

3.43 Seven of the 11 firms attributed some of this growth to this property intervention. Six of the seven quantified this, estimating an uplift in their numbers of about 250 jobs attributable to the intervention, or about 100 minus an outlier. In terms of future impacts, five companies reported that they expected the site purchase to increase employment in the coming years. Consultees found this future impact more difficult to estimate, with three providing a value. These attribution figures should be seen as indicative rather than definitive; these firms have

[11] Note that the years that businesses purchased their site differs for each firm

typically benefited from other support measures, including support from Client Executives and Invest NI's other property interventions, and the interaction between these different forms of support, and their specific contribution to business growth, is problematic for understanding attribution.

Turnover

3.44 Overall turnover in Northern Ireland for the 11 consultee firms totalled £192m in the year before purchasing the site, rising to around £260m in the most recent financial year, with four firms accounting for £228m of the current total. The £68m increase in turnover is a much smaller proportionate rise than the growth in the number of employees; this apparent discrepancy may be, at least in part, as expansion allows for recruitment which has still to enable or drive through increased sales volumes.

3.45 Eight firms attributed at least part of this increase in their turnover to having purchased the site from Invest NI, with six able to put a value on this; they attributed around £26m of turnover uplift to the intervention, or around £6m excluding an outlier. Nine businesses expected their turnover to increase in the future following their engagement with the intervention. However, only three consultees were able to quantify this. Again, attribution should be deemed indicative and not definitive.

3.46 Given the small sample size, the small number able to quantify the effects and the substantial outlier, as well as challenges in disaggregating the benefits from other interventions, more detailed analysis has not been undertaken on the cumulative effects of the intervention. These challenges also prevented a more in-depth assessment in the previous evaluation in 2011.

Impact assessment

3.47 All 11 firms identified at least one effect, either qualitative or quantitative. These positive findings demonstrate that there have been real benefits, in business performance and positioning. These are the *gross* effects attributed to the intervention. To understand net additionality four factors must be taken into account: deadweight[12]; displacement[13]; leakage[14] and substitution[15].

- **Deadweight** for most firms is low, either because they would not have been able to undertake the project without the site being available, or because they may have undertaken the project in another location, outside Northern Ireland, if this site had not been available. There is full deadweight for two firms, one of which reported that it could have found an appropriate site quicker elsewhere in Northern Ireland, given the amount of time that it took to buy the site, with the other being a community organisation, rather than an industrial firm, where the evaluators have assumed that

[12] Deadweight compares the outcomes achieved against what would have been achieved even without intervention (the reference case). This is described in The Additionality Guide as follows: *"The reference case is the estimate of what level of target outputs/outcomes would be produced if the intervention did not go ahead. It is the 'do nothing' or do minimum option and the outputs/outcomes produced under this option are referred to as deadweight."*
[13] Displacement is defined in The Additionality Guide as the deduction to be made for *"…the number or proportion of intervention outputs accounted for by reduced outputs elsewhere in the target area."*
[14] Leakage is defined in The Additionality Guide as *"… the number or proportion of outputs (occurring under the reference case and the intervention options) that benefit those outside of the intervention's target area or group [and] should be deducted from the gross direct effects."*
[15] Substitution is defined by The Additionality Guide as being where *"… a firm substitutes one activity for a similar one (such as recruiting a jobless person while another employee loses a job) to take advantage of public sector assistance."*

their functions could have been discharged elsewhere. Deadweight is relatively high for two other firms, that stated that they would have achieved the effects, but it would have taken much longer to do so.

- **Displacement** was low or very low for all firms, given improving market conditions. As most of the firms operate in international markets, with few competitors in Northern Ireland, there is a low likelihood that they would take market share from other firms in Northern Ireland as a result of this project.
- **Leakage** is 0%, as the data above are for Northern Ireland only.
- **Substitution** was also 0% for all consultees, with no firms reporting that they undertook this project in place of others; this is not surprising as the firms didn't receive any funding or support, and were committing substantial resource to buying and then developing the site; they were highly unlikely to buy the site unless they had definite plans.

Value for Money

3.48 The calculation of overall net impact or GVA impact, and a detailed Value for Money assessment have not been undertaken for the intervention, given the reasons stated above. However, it is possible to assess Value for Money *qualitatively*, in terms of the Economy, Efficiency and Effectiveness of the intervention.

- **Economy** assesses the extent to which project activity has been delivered at the minimum cost to the public purse. Detailed cost information specific to this intervention is difficult to identify, as much of the cost for sites sold in the evaluation period will have been incurred before the evaluation period (much of this by predecessor organisations). From the Strabane example given above – an estate which was acquired during the evaluation period – it is clear that the cost of development was lower than initially anticipated. However, this single example may not be representative of all sites. It is important to recognise that sites are sold at market rate, ensuring that Invest NI gets a financial return, albeit in most cases with an overall loss once investment in enabling infrastructure is taken into account. The use of external consultants and specialists at the Central Procurement Directorate is also designed to ensure the best possible deal for Invest NI.
- **Efficiency** represents the cost at which net outputs and outcomes are achieved through an intervention. In this instance, the most appropriate measure is the net jobs created/safeguarded, against total costs. In the absence of sensible cost estimates or robust impact figures, this cannot be quantified. Nevertheless, it is clear that the intervention has enabled substantial growth in some businesses buying space, and safeguarded existing jobs in Northern Ireland.
- **Effectiveness** represents the extent to which the stated objectives of an intervention are being achieved through the outputs and outcomes generated. This is difficult to assess at intervention level, given that objectives are generally stated for the individual estates, with each estate acquired on the basis of different assumptions, and for different reasons e.g. some were acquired by predecessor organisations to

meet social objectives. The intervention is helping to retain and enable the growth of account-managed industrial businesses in Northern Ireland, which might be considered the overall objective of the intervention. It is possible to look at how the programme has performed against targets in the Property Solutions Unit's annual Operational Plans. Each operational plan from 2012/13 to 2015/16 included targets for making additional serviced land available for companies to buy and for bringing surplus land to market, which are mostly reported as having been met, although it is unclear why targets were set at these levels. Holding land over time has implications in terms of opportunity costs i.e. where this land could have been used by other, non-qualifying businesses, that should be fully reflected in disposal considerations.

3.49 Finally, in terms of Value for Money, is the consideration of Return on Investment. This compares costs against net impacts. Given the lack of robust cost data and complete impact data, this has not been quantified here. The attribution of growth to the intervention varies across businesses, but the creation and utilisation of these estates has in some cases generated business outcomes with real economic value, and there is an economic return for Invest NI and Northern Ireland from enabling this growth, and the associated jobs We also note the relatively high level of risk involved, given the inflexibility and uncertainty of outcome attached to property investment decisions.

Conclusions on the serviced sites function

Stakeholder perspectives

3.50 Stakeholder perspectives on the intervention varied, and in part reflected the different market forces in different parts of Northern Ireland, as well as economic priorities. In some areas, stakeholders felt Invest NI should be doing more to bring forward land for new estates, due to a lack of available space, recognising the market failures set out above, and feeling that this is holding back their area. Mid Ulster is a good example of this, which is also backed up by data suggesting high take-up in the evaluation period and a low current availability of Invest NI land. Although a recent economic appraisal suggested a lack of demand here, local stakeholders are adamant that demand is strong and unmet.

3.51 More widely, stakeholders felt that Invest NI should be proactive in trying to attract businesses onto the existing estates that have available space i.e. marketing the estates in a similar way to the private sector. Given the limited pool of businesses eligible to take space, a low profile is perhaps understandable. But some stakeholders felt that, rather than holding onto sites indefinitely, Invest NI could and should open up to other businesses those sites that have not attracted interest from account managed firms, or from growth potential businesses eligible for some sites through the Set Aside policy. Disposal of land forms part of the intervention, and is recognised in Operational Plans and Asset Management Plans, but for some stakeholders, Invest NI has not moved as quickly as it should in disposing of assets that do not look to be achieving the anticipated outcomes.

3.52 Stakeholders recognise the political challenges inherent in disposing of estates – it is seen as Government abandoning areas – and in many cases, significant investment has already been undertaken by Invest NI in enabling infrastructure for the sites. Also, under current rules, disposing of estates does not generate receipts for reinvestment. But this intervention is not, at present, explicitly and consistently aligned with the headline economic policy on rebalancing the Northern Ireland economy.

3.53 If space has not been taken up on estates after many years of Invest NI ownership, there are clear opportunity costs in not allowing their use for other purposes, in particular where economic activity could be generated. Invest NI recognises this, and allows in some circumstances for parts of estates to be re-allocated and used for other purposes. But some stakeholders were clear that more could be done, and decisions taken more quickly, for example, in helping to address local authority priorities that are not fully aligned with the purpose for which the Invest NI land has been retained.

Summary of findings

3.54 Substantial positive effects were attributed to the intervention by firms that purchased sites, although the number of beneficiary firms overall is small and much smaller than in previous decades, whilst few wanted to engage in this evaluation and even fewer quantified these effects in terms of business growth and performance. Nevertheless, for a small number of firms, the intervention has clearly been important in enabling and supporting business growth.

3.55 Stakeholder feedback on the intervention varied, with some stakeholders recognising Invest NI's role in ensuring that industry has the space it needs to grow. It is important to appreciate the varying spatial dimension, with different market forces in play across the constituent parts of Northern Ireland. Mid Ulster is an example of an area where there appears to be rationale for Invest NI to work to address a potential shortage of space, given low availability, and strong backing from local stakeholders.

3.56 In other areas, it is now important to state explicitly why sites should be retained in public ownership when very little is being achieved; it will often take over 15 years to complete an industrial estate development (including all land sales), but some are likely to take substantially longer than this, and it is important to recognise the opportunity cost of retaining this land, when it could be used for other economic purposes, and where Invest NI could be investing its resources elsewhere. As noted above, disposal activity is ongoing, in that sites have been identified for disposal, although these processes have still to complete.

Implications and possible ways forward

3.57 A succinct set of overarching strategic objectives for the intervention would be helpful in understanding where it is delivering against these, identifying where there may be a shortage of space, but also for pointing to where estates are not well aligned with these objectives. New land should not be acquired before these overarching objectives are clearly formulated, and should only be undertaken at the same time as, or following, an asset review. This should be done promptly, given the recognised long timescales needed to undertake acquisition.

3.58 In line with the previous evaluation of the property interventions, from 2011, there does not appear to be a strong case for large scale acquisition activity, given availability of land, low take-up, and continued restructuring of the economy away from manufacturing. However, this should not preclude some local cases for acquisition, such as in Mid Ulster, from consideration.

3.59 The reorganisation of local government has given Invest NI the opportunity to work differently. These authorities, with additional responsibilities around economic development, are looking to Invest NI for a strategic lead, for technical support and as a working partner. This may include undertaking a joint venture arrangement to acquire land, with Invest NI perhaps retaining part of an estate for account-managed firms, and the local authority taking on the rest of the estate. Similar arrangements should also be explored with the private sector.

3.60 It is difficult to build the case for acquisition, given uncertainties around future demand; acquisition can take several years, in which time the market context can change drastically, with this even more the case when looking at a small sub-set of the economy as is the case with Invest NI's acquisitions for account-managed firms. But waiting for demand to be evidenced is too late to start thinking about acquisition if there is no available space, given the long lead in times involved. This is a challenge that is unlikely to go away. However, by working with other organisations, and particularly the private sector, it might be possible to get a good sense of demand early, given their local intelligence and their own perspective on the market, alongside intelligence from Client Executives. Acquisition under a joint venture arrangement may be led by these other organisations, with Invest NI bringing its expertise in the industrial sectors and ensuring that some space is set aside for account-managed firms.

3.61 This would also allow for better marketing of the sites, as at least part of the sites would be open to all firms, not just account-managed ones, and would help to activate the sites, pump priming their development, something that Invest NI has investigated previously on the estates that it owns e.g. in its Set Aside Lands Discussion Paper from 2015.

3.62 Any Invest NI involvement in such approaches will need to be formulated in a way which will achieve the strategic objectives of Invest NI relating to the Northern Ireland economy as a whole, not only local economic development objectives.

4. Property Assistance Scheme

4.1 This Section reviews the Property Assistance scheme, which provides gap funding to account-managed firms, enabling them to undertake capital works to support their growth.

Section Summary

- Industrial premises are not developed to the specifications required by business as commercial returns are too low, and a lack of finance for businesses to undertake direct development means that companies risk missing out on growth opportunities.
- This intervention supports account-managed industrial firms to expand, build or refurbish property to meet their growth needs.
- Between 2009/10 and 2016/17, £4.5m in grant funding was awarded to 15 projects, with grants varying between £80k and £948k. These grants represented roughly 10% of total project costs, where these were known.
- Businesses reported a range of benefits from the intervention, including improved recruitment, retention, access to customers, enhanced reputation and profile, productivity/efficiency gains, and the growth of their physical footprint. Some also reported positive impacts on employment and turnover.
- There are evident misconceptions, based on previous iterations of the scheme, about how complicated and restrictive the scheme is to access. An important part of driving increased take-up will be to increase awareness and understanding of the scheme amongst Client Executives. Take-up in recent years has been very low. It will be important to continue to monitor the numbers expressing interest and awarded grants, to assess whether this scheme is still relevant and show the scale and type of on-going need.

Description of the intervention

4.2 The Property Assistance scheme was launched in 2005, following on from previous schemes delivered by Invest NI's legacy agencies, the IDB and Local Enterprise Development Unit (LEDU). These previous schemes – the Property Development Agreement (PDA) and Property Development Scheme (PDS) – helped firms to build industrial premises, and were open to developers as well as occupiers. Their replacement, the Property Assistance scheme, is available to account-managed firms only, not developers.

Rationale

4.3 The rationale behind this intervention, as reported by Invest NI, is that developers are not building industrial premises to specification for owner occupiers, as the commercial returns from such developments are too low. A lack of available funding for businesses – evidenced in the 2011 evaluation[16] – constrains them from undertaking their own development, although loan funding could be an option through the Growth Loan Fund.

4.4 The scheme provides gap funding to account-managed firms, in the form of a grant, enabling qualifying businesses to develop the space they need to grow and develop, where they may not otherwise have been able to do so. It is also intended to encourage companies to bring forward their expansion or relocation plans, rather than stay in sub-optimal premises, by reducing the cost, which accessing the Growth Loan Fund would not achieve. Nevertheless,

[16] Grant Thornton (2011) *Evaluation of Invest NI's Suite of Property Interventions*

and in line with Invest NI's principles for business support, the scheme only offers funding where a business plan has identified a shortfall in funding.

4.5 The underlying rationale appears to remain. Private sector developers appear to remain uninterested in building industrial premises to specification for owner occupiers and banks remain reluctant to provide funding for property development. Also, in part, the rationale for the scheme is to encourage firms to undertake development that they may have 'put off' otherwise. There is little reason to believe that this reasoning would have changed since the evaluation period.

Objectives

4.6 Based on this rationale, the overall objective of the Property Assistance scheme is to support account-managed industrial firms in developing property to meet their growth needs.

4.7 To receive funding, firms must identify the effect that the project will have on their business. While the intervention is designed to help businesses to grow, there is no specific objective to create jobs. The aim is to support businesses in making the most of growth opportunities, which may, for example, be in maximising export potential, with no immediate effect on employment. Where a business is looking specifically to create more jobs, other Invest NI funding may offer more timely support than Property Assistance, which is provided only after the project has been completed.

Inputs

4.8 Over the period from 2009/10 to 2016/17, grant finance of £4.5m was awarded to Property Assistance projects. The size of the grant given varied substantially: the smallest grant was for £80k, the largest for £948k; the average grant was about £300k. Staff costs are broadly estimated, based on figures provided by Invest NI, at c.£0.125m, or c.£25k per annum. Other costs associated with the intervention include the administrative costs of operating the scheme and costs charged by public sector bodies, including the Central Procurement Directorate, which cost Invest NI £141k between 2012/13 and 2016/17.

Activities

4.9 Firms are often referred to the Property Assistance scheme by their Client Executive. To avail themselves of the scheme, companies need to evidence the value of the overall project, and the shortfall in their funding; they are also required to set out what they will achieve by its completion. The companies often employ external consultants to assist in developing the business case, given the technical nature of the requirement.

4.10 An assessment of the application is then undertaken by the Central Procurement Directorate. Eligible costs include build costs, and support towards statutory fees and utility connection costs. The scheme typically covers around 10-20% of eligible project costs, to develop expansion space, new build or, in some specific circumstances, refurbishment.

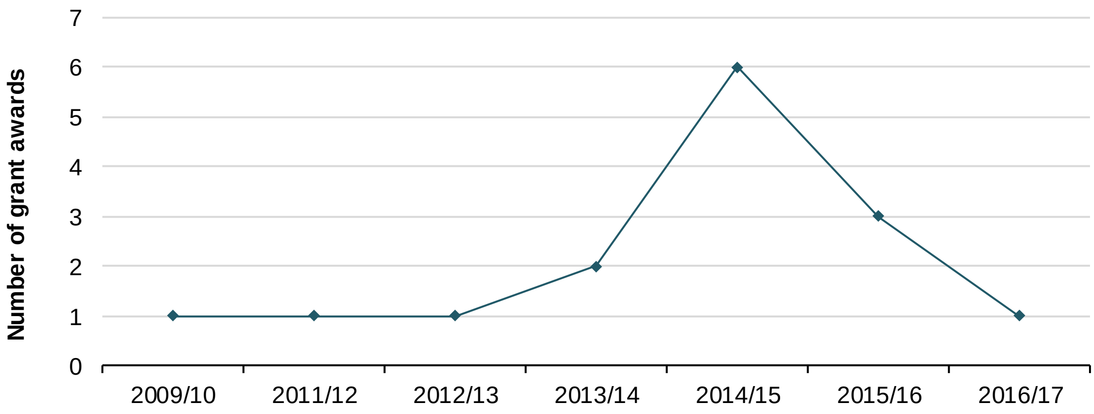
4.11 Perceptions that the process of securing these grants is complicated, is reported to put businesses off applying for the scheme, and to put Client Executives off recommending it to businesses. As a result, some changes have been made, including some before the period covered by the evaluation:

- **The rules on how the finance can be used were relaxed**, to make the scheme more appealing to prospective applicants. The specification for the works will now be entirely determined by the applicant. It was decided that previous restrictions were unduly prescriptive, when Property Assistance comprises just 10-20% of project costs.
- **The restrictions on eligible costs were relaxed slightly**, to make it easier for firms to obtain the funding. Some bespoke items are now allowed as eligible costs, including some sector-specific requirements that would not have been accepted previously, e.g. anti-static floors, paint-rooms etc. However, professional fees are no longer eligible.

Outputs

4.12 Between 2009/10 and 2016/17, 12 firms were awarded funding from the Property Assistance scheme, for a total of 15 projects. In the first three of these years, there was very low activity, with just one grant awarded per year. The level of activity then increased, to six projects in 2014/15, but it has since fallen back again, with only one project in 2016/17. This suggests very low demand for, or low awareness of, the intervention. These figures were, however, above the targets set in Invest NI's operational plans through much of this period: in some years, these were zero.

Figure 4-1: Property Assistance grants awarded per year, 2009/10 to 2016/17



Source: SQW analysis of Invest NI data

4.13 The complicated process for securing finance from the project has meant that the firms that submitted successful applications for grant-funding were disproportionately from sectors familiar with the development and construction industry: most of the beneficiary firms were in machinery manufacturing and engineering. Of the 12 firms receiving a grant award, three were based in Antrim and Newtownabbey, two in Mid Ulster, and two in Armagh, Banbridge and Craigavon, with no other district having more than one firm receiving a grant.

4.14 As highlighted above, the grant finance comprises only a small percentage of project costs. For the 13 projects where overall project costs are known, the £3.2m of Property Assistance finance comprises around 10% of total project costs, which total £31.4m. As might be expected from the range of grant sizes, the overall project costs also vary substantially, with the smallest project being around £0.5m and the largest around £8.1m, and the average project cost at over £2.4m.

Outcomes

4.15 It is not clear from the data provided by Invest NI how many of the firms that received grants achieved positive outcomes for their business. However, consultations with firms that did use the intervention illustrate the types of qualitative and quantitative effects that have arisen.

4.16 Interviews were conducted with five of the 12 account-managed businesses which had been awarded grant finance from the scheme, during the evaluation period. The profile of the interviewed firms was as follows:

- two businesses operate in the materials' handling sector, with one each from food and drink, engineering, and warehousing and storage
- three have turnover in Northern Ireland of over £20m, the other two £5-10m
- three employ over 250 staff in Northern Ireland, the other two employ fewer than 60
- two firms are based in Mid Ulster, with one each in Newry, Mourne and Down, Antrim and Newtownabbey, and Lisburn and Castlereagh
- two businesses were founded in the early 1990s and three in the 2000s
- all companies export from Northern Ireland
- four of the firms interviewed also bought the site they were undertaking the project on from Invest NI, under the site sales intervention.

4.17 All the consulted companies reported that the main reason for accessing the support was financial, providing part-funding for their capital project. As mentioned, four of the five firms interviewed also bought the site they were undertaking the project on from Invest NI. This meant that the other motivations cited closely mirrored those mentioned for site purchases, including the need to increase capacity, satisfy demand and fulfil growth potential.

> *"The reason the business took advantage of the property assistance scheme was purely financial – we needed to expand in order to keep up with demand and weren't really in a position to finance the full capital works ourselves."*

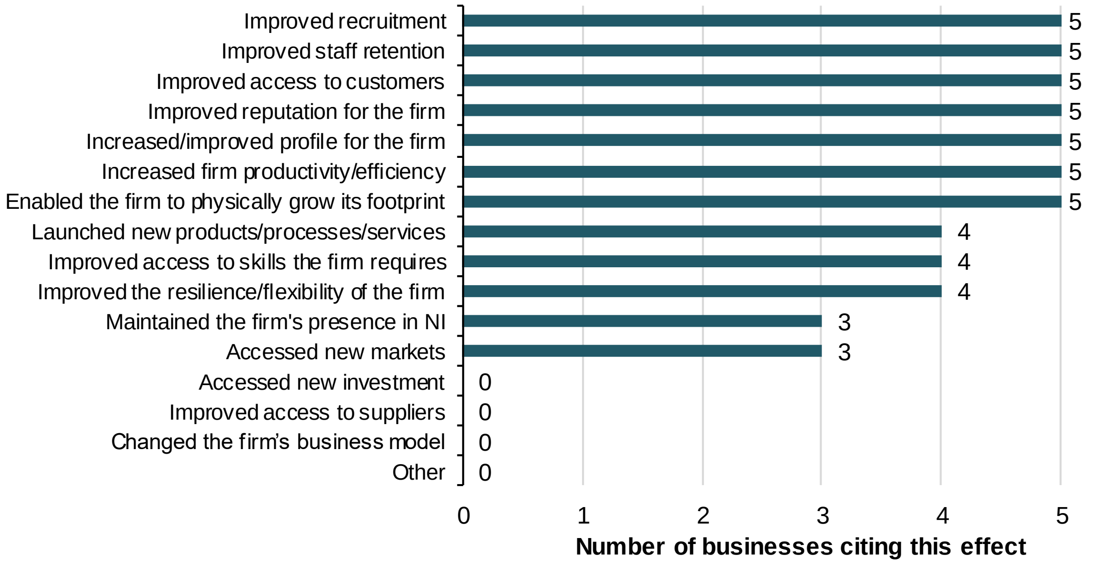
> *"In order to keep up with growth, the businesses needed to increase capacity. Looking for the most cost-effective means of carrying out this work, the business entered discussions with Invest NI. In the end, Invest NI were able to provide a considerable amount of financial support."*

4.18 Some consultees perceived restrictions on how the grant could be used as onerous, with two of five businesses consulted for the evaluation noting that this delayed the development and increased costs for the business. One stated that *"having to adhere to this criterion wasted six months and cost the business financially, just to end up with the same outcome".* The other three businesses interviewed felt that the overall process proceeded as expected.

Qualitative outcomes

4.19 The qualitative outcomes experienced by the five companies that received Property Assistance and were interviewed for this evaluation, are set out in Figure 4-2. These outcomes are similar to those for the site sales intervention: they (unsurprisingly) enabled the business to physically grow its footprint; increased business productivity/efficiency; increased promotion and recognition; improved access to customers; and improved staff retention and recruitment. All five companies identified all of these effects.

Figure 4-2: Property Assistance scheme effects (n=5)



Source: SQW interviews

4.20 The potential effects which were not reported by any interviewee were essentially about internal business processes: 'improved access to suppliers', 'accessing new investment' and 'changed the firm's business model'; given that two of the firms were founded in the early 1990s and three in the 2000s, it is likely that they have well-established business processes and supply chains.

4.21 All five account-managed firms stated that they would recommend Invest NI's Property Assistance scheme to other businesses, and felt that the intervention should be continued in the future. The support provided by Invest NI staff, in particular the Client Executives, was viewed as a major positive for the intervention.

> *"Invest NI has a very good support system in place and has been very flexible in helping the business."*

> *"The Client Executive at Invest NI played a critical role in ensuring the application form was complete and provided good guidance on what type of documents were required to drawdown the grant funding."*

4.22 This points to the importance of different parts of Invest NI working together to support firms, with Client Executives often highlighting the option of Property Assistance to the firms they account-manage, and helping them to navigate through the support.

4.23 In terms of suggested improvements, three consultees felt the process was too slow and involved too much paperwork. The restriction of having to tender for any work undertaken was deemed particularly time-consuming, and meant that firms incurred additional costs. In the view of one consultee, not enough support was provided to the business through the development and delivery stages. Once the firm had received the funding, it was left to undertake the work with little guidance – it was argued this type of assistance, on an opt-in basis, could be a useful part of Invest NI's support package moving forward, although it could also be argued that firms could – or should – appoint external consultants to support them.

> *"As part of the criteria set out ... we had to tender work on the open market. Having to adhere to this criterion wasted six months and cost the business financially, just to end up with the same outcome. A number of other companies have turned down assistance because of this associated cost."*

> *"Under the property assistance scheme, the business accessed the funding and received no support on how to actually manage the building process. It would be good if Invest NI could offer this service as part of their package."*

Quantified effects

Employment

4.24 The five consultee firms employed just over 400 people in Northern Ireland when they used Property Assistance, and now employ almost 1,150 in Northern Ireland, an increase of over 270%. Most of this increase was in one firm.

4.25 Of the total increase of 750, about 220 was attributed to the Property Assistance scheme, with 150 of these in one firm and around 70 in another. For those that had bought the site from Invest NI on which they were using a Property Assistance grant, where increases in employment were attributed to an Invest NI property intervention, more was often attributed to site purchase than the development part-funded by the Property Assistance scheme. Four firms expected a future attributable effect on jobs, but only two could quantify this. Attribution should not be taken as definitive, given the range of other support measures that many account-managed firms have received over a considerable period, including support from Client Executives and Invest NI's other property interventions, and therefore the challenge at arriving at a robust attribution estimate.

Turnover

4.26 An increase in turnover was also cited, with total turnover pre-Property Assistance at £113m, rising to almost £170m now, with two firms accounting for £130m of the total. This is a much smaller proportionate rise than the rise in the number of employees; this difference may, at least in part, result from new/improved premises enabling additional recruitment, which has not yet resulted in increased turnover.

4.27 Of this increase, around £24m is attributed to Property Assistance; around £20m of this was related to one firm, and £4m to another. All five firms attributed future turnover growth to the intervention, but only two could quantify this. As above, much of the increase attributed to an Invest NI property intervention, is allocated to the site sale on which the Property Assistance then part-funded development. This does not take account of attributable annual turnover increases in the years between the intervention and now, but represents the overall uplift, and attribution should be deemed indicative not definitive.

4.28 Given the small number of beneficiaries attributing benefits to the intervention, and challenges in disaggregating the benefits from other support, more detailed analysis has not been undertaken on the cumulative effects of the intervention.

Impact assessment

4.29 Consultees were asked a series of questions to establish the additionality of the effects they identified. The additionality for two beneficiaries that attributed substantial effects to Property Assistance was high, while the other three firms attributed the great majority of benefits to the site sales intervention.

- **Deadweight** is very low for both high attribution firms: each said that they might have moved out of Northern Ireland without the support (in one case this effect was in combination with buying a site from Invest NI), although the evaluators would question this assertion, given that the funding from Invest NI comprises only around 10-20% of the total project cost.
- **Displacement** is very low for both firms, as they report having few to no competitors based in Northern Ireland.
- **Leakage** of 0%, as effects detailed above are already based on Northern Ireland only.
- **Substitution** is put at 0% for both firms, as neither reported that they undertook this project in place of others. This is unsurprising, as the projects required substantial investment from the firms, with a relatively small amount of funding from Invest NI.

Value for Money

4.30 A detailed Value for Money assessment has not been undertaken for the intervention, given the small number of data points for the analysis. However, we have considered Value for Money *qualitatively*.

- The **Economy** of the scheme can be inferred from the extensive assessment process that ensures that the scheme only provides funding where firms have proven the existence of a funding gap for their project, with the scheme also only funding a very small proportion of the overall project costs. Moreover, the funding is only given to the firms after the project has completed, minimising the risk of the funding not being used for the agreed purpose. The Central Procurement Directorate plays an important role in ensuring that the cost to the public purse is minimised. The potential for using loan finance instead of grants was explored by Invest NI, in line with recommendations from Grant Thornton's 2011 evaluation. It was recognised that a loan fund could reduce the cost to the public purse, and potentially allow for a higher proportion of the cost of projects to be covered by the intervention. Invest NI concluded, however, that assistance in the form of a grant was important in encouraging firms to redevelop – it does not just fill a funding gap, but encourages development that might not have happened otherwise, even with a loan. Also, this would complicate the business support landscape: Invest NI no longer provides loans through its business support intervention. Moreover, loan funding is available through the Growth Loan Fund delivered by WhiteRock Capital Partners,

- **Efficiency** is difficult to ascertain for this scheme, as the objectives for funding individual projects may vary – the business plans may focus on accommodating growth in numbers of employees, but they may also be about maximising the business's export potential or profile, with no immediate or likely discernible effect on jobs. The business case is required to demonstrate that the funding will enable the business to deliver against its growth needs/aspiration.
- The **Effectiveness** of the scheme can be assessed in terms of the extent to which it has enabled firms to meet their growth needs. All 12 firms that used the Property Assistance scheme in 2009-2017 are reported as continuing to trade in Northern Ireland, and all five that were consulted stated that their firm has grown since the project, although as might be expected, much of this is attributed to other reasons. The Property Solutions Unit's annual Operational Plans show that for the most part the intervention achieved the targets set for the number of businesses supported.

4.31 A quantified Return on Investment figure has not been developed, given the small number of firms for which impact data are available. Nevertheless, it is clear, from the consultation evidence, that there are some positive benefits from the scheme. The economic return on the investment in two of the projects is that the firms have remained in Northern Ireland, existing jobs and turnover have been safeguarded, and successful expansions of these businesses facilitated, leading to new jobs and turnover in Northern Ireland.

Conclusions on the Property Assistance Scheme

Stakeholder perspectives

4.32 Few external stakeholders were familiar with the Property Assistance scheme, despite it having been available since 2005. Given the high proportion of these stakeholders that work within the property market or with businesses, and that this scheme is one of few options for business seeking capital grants, the low level of awareness is surprising and may point to low awareness of the scheme generally. This may be due to the very low level of take-up.

4.33 Three possible reasons were given for low take-up: i) although the programme is one of few options for business to secure capital grants, other forms of support from Invest NI are easier and quicker to access; ii) there is a lack of familiarity with the scheme amongst Client Executives; iii) the requirements on build quality are perceived to have added cost and time to projects, discouraging businesses from using it. As above, changes have already been made to address these issues.

Summary of findings

4.34 Where Property Assistance is deployed, it has evidently been useful in bridging the funding gap for firms, and enabling them to achieve their growth potential; the beneficiaries that were consulted were positive about the scheme's value for their firm. State Aid rules have limited the range and scale of grants to business, and the Property Assistance Scheme has provided an option valued by some businesses seeking capital support.

4.35 However, the scale of the grant in proportion to the project size is relatively low, and demand for Property Assistance has also been low through the evaluation period. Changes in the rules for application and approval may increase demand to some degree, but they seem unlikely to result in a large upsurge in interest.

4.36 Client Executives are in effect the gatekeepers to the scheme, with awareness low, and the scheme only open to account-managed firms. If the scheme is to be continued, it is particularly important that they are comfortable with referring to it, understanding what it can and cannot be used for, and when this would be the best option for the firms that they interact with. Client Executives should be encouraged to consider where and when the scheme is appropriate, and direct firms accordingly; we understand that activity to this end is now underway. The extent of potential interest, effective demand and take-up should all be monitored closely.

5. Provision of Property Market Information

5.1 This Section reviews Invest NI's Property Market Information service.

Section Summary

- There is a lack of comprehensive and objective commercial property market information available to businesses, which potentially limits their ability to find the optimal property to suit their needs.
- The intervention provides a comprehensive online database of commercial land and property that is on the market, and arranges visits to sites that may meet a business's property needs based on the search undertaken for the business. The delivery of this intervention also requires maintaining relationships with agents and developers to ensure the database is accurate and up-to-date.
- Between 2013/14 and 2016/17, just under 800 searches were completed by Invest NI, and just under 300 site visits were made. The split between searches for inward investment enquiries and indigenous businesses was roughly equal, but site visits were taken up far more extensively by inward investment enquirers.
- Searches were most commonly for office space, followed by industrial space and sites, with a wide variation in the amount of space sought – from 200 sq ft to 350,000 sq ft.
- The most commonly cited benefit by businesses was being enabled to physically grow their footprint, and some reported improved employment and turnover, although attribution is difficult to evidence.
- The service is a low cost intervention and fulfils an important enabling role in providing commercial property market information. However, other options for delivering the intervention have not to date been considered e.g. outsourcing the online portal to experienced external consultants.

Description of the intervention

5.2 The Property Market Information service comprises three key elements:

- the provision of a database, containing information on commercial land and property – office and industrial – available for companies to rent or buy, which any company can access directly through an online portal
- bespoke searches of the database and contact with agents, provided by Invest NI and offered to its customers and potential customers e.g. FDI.
- visits arranged by Invest NI to a selection of the sites/properties highlighted to customers through the aforementioned searches, as potential solutions to the property needs of the business.

Rationale

5.3 The rationale for the Property Market Information service centres on the opportunity to meet a demand for sifted information on the commercial property market, based on a comprehensive database and provided quickly and efficiently. Previous studies by PwC

(2004)[17], Grant Thornton (2011)[18] and RSM McClure (2014)[19] established that there was a market failure in this area, as commercial agents did not present a full picture of the options available to businesses looking for space. Agents' commercial imperative is to complete deals for those spaces where they are contracted, which may not be the best option for the business.

5.4 A full picture of possible business locations is particularly important for those looking to invest from outside Northern Ireland; if agents only showed their own availability to prospective inward investors, and the investor did not like any of the options available, a good opportunity might well be lost. The Invest NI service therefore aims to draw on up-to-date information from across the market, in order to provide information promptly and comprehensively to the company enquiring for space.

5.5 It is also valuable for indigenous businesses looking to move. The imperative to find the right site might be less obvious here, given that the company is already in Northern Ireland, more likely to know the local market, and probably looking to maintain a presence in their current area. However, a property move is an occasional event, companies may not have a watching brief on possible opportunities, and having a full picture is important in making the optimum choice for their business.

5.6 Feedback from stakeholders during this evaluation suggests that the rationale for intervention, supported in the earlier studies cited above, remains valid.

Objectives

5.7 The objective of the Property Market Information service is therefore to provide comprehensive information on the property market to firms looking for new space, whether indigenous or potential in-movers, helping them to choose the best option. Operationally, this relies on creating and maintaining an up to date and comprehensive database of commercial property across Northern Ireland.

5.8 The service provides important intelligence to Invest NI on the state of the property market and is credited for speeding up the process and efficiency of Invest NI's work with inward investment enquiries. Maintaining relationships with a wide network of commercial property agents across Northern Ireland is also important to Invest NI, as part of its wider understanding of local economies, businesses and markets.

Inputs

5.9 The cost of providing this revenue-based service is relatively low. Between 2012 and 2017, the fully loaded staff costs are estimated at £0.95m (around £190k per annum), based on approximate costs provided by Invest NI; as with the other interventions, this is a rough estimate, given challenges in disaggregating the costs for each intervention. This does not include ancillary costs such as maintenance and updates to the online portal, and costs for site visits (notably travel); although an underestimate, the figure gives a reasonable indication of the scale of resource required to maintain the operation.

[17] PwC (2004) *Strategic and Organisational Review of Invest NI Property Solutions Unit*
[18] Grant Thornton (2011) *Evaluation of Invest NI's Suite of Property Interventions*
[19] RSM McClure Watters (2014) *Property Research*

Activities

5.10 There are three key strands of activity in this intervention.

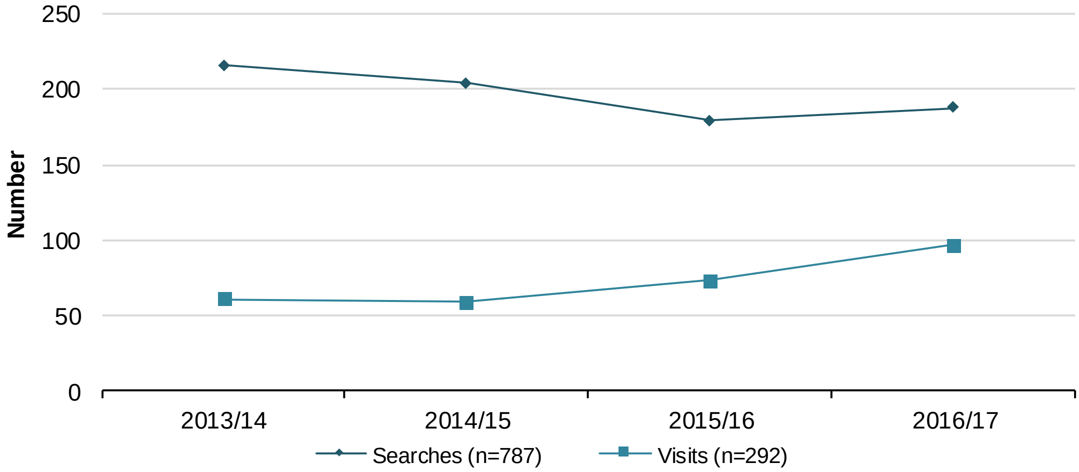
- **Maintaining a database of up to date information on availability of space in the commercial property market**. This task is undertaken by Invest NI personnel, through liaison with those operating in the commercial property market across Northern Ireland, including regular meetings with agents and developers. It seeks to list all commercial land and property available to buy or rent, including office, industrial and other commercial uses, held by the private or public sectors. The database is reviewed on a regular basis to ensure that it remains accurate as space is taken up and as new space becomes available, and is available online.
- **Undertaking searches on behalf of customers and potential FDI.** As noted above, the database is available online for businesses to search directly, but Invest NI also undertakes searches on behalf of its customers and potential FDI when requested, against the criteria set by the firms requesting the information. These searches include some space that is not advertised on the public-facing database e.g. where a company is looking to downsize and so has informed Invest NI that space is available, but where they do not wish to publicise this. It is also informed by direct contact with agents.
- **Arranging site visits for firms**. The site visits are intended to give the business enquiring about space a full picture of what sites have to offer. This is particularly relevant where firms do not know the area or sites in question e.g. inward investors.

5.11 The role of the intervention does not go beyond these activities. Invest NI does not actively push the take-up of space, by either indigenous firm or inward investment opportunities; it is for the business to make the final decision on location and suitability of the property.

Outputs

5.12 According to Invest NI's monitoring data, just under 800 searches were completed by Invest NI between 2013/14 and 2016/17 (the complete financial years for which data have been provided by Invest NI), with just under 300 visits. The number of searches was lower in the later years of this period, averaging over 200 in 2013/14 and 2014/15, but falling below 200 in each of the last two years. The pattern for visits is the reverse, with lower numbers in the first two years of this period, averaging just above 50, but almost doubling in the latest years, to almost 100 visits in 2016/17.

Figure 5-1: Number of searches and visits completed, 2013/14 to 2016/17



Source: SQW analysis of Invest NI data

5.13 Looking at outputs by district, it is important to note that use of the Property Market Information services is demand-led, with the geography of interest determined by indigenous companies, potential new FDI and foreign-owned expansions. As such, it is not surprising, given its scale and importance for Northern Ireland as a business hub, that between 2013/14 and 2016/17, over half of the almost 800 searches included Belfast (often alongside other areas as part of the same search). The numbers of searches for other districts over the same period ranges from between 131 searches (Armagh, Banbridge and Craigavon) and 36 searches (Ards and North Down). Of 292 visits, some 244 (84%) include site(s) in Belfast, whilst Derry City and Strabane, the second most common district for visits, was included in visits on 12% of occasions. Again, this reflects the demand-led nature of the services. As noted earlier, Invest NI-owned property is proactively marketed to potential investors, both indigenous and foreign direct, with the final decision on investment location resting solely with the investor.

5.14 Some 455 new potential inward investment enquiries used the service between 2013/14 and 2016/17, compared to 511 businesses already based in Northern Ireland, showing the relevance of the service for both groups. The visits are much more commonly undertaken for potential inward investors; of 292 visits, some 236 are reported in the data as being with inward investment enquiries, with just 53 with indigenous companies. This is not surprising, as indigenous companies are likely to find it easier to arrange visits directly, while potential inward investors might not know who to speak to once they have received the search information. It is clear that the focus of demand is on Belfast for many of the inward investment enquiries that are progressed to the visit stage.

5.15 Firms were most commonly using the service to search for office space, with some 547 searches/visits between 2013/14 and 2016/17 focused on this type of space. Factories were the subject of 384 searches/visits over this period, and sites were a focus for 173 searches/visits. These categories are not exclusive, and site searches/visits were often conducted alongside those for factory space.

5.16 The amount of space that firms were looking for when they used the service varied considerably, ranging between 200 sq ft and 350,000 sq ft, showing the wide range of businesses that use the service.

Outcomes

5.17 It is not clear from the data provided by Invest NI how many of the firms that used the service found the space they needed and ultimately moved there. However, an e-survey of firms undertaken for this study, which included only those currently located in Northern Ireland and included some inward investment enquiries which resulted in a move, highlights the positive results for a small sample of service users.

5.18 The beneficiary e-survey was completed with businesses that used the service and that are based in Northern Ireland at present. This focused on those firms that had completed at least one site visit, as this is the most substantial form of support for the service. A total of 13 firms responded to the survey, from a list of 50 firms for which contact details were given, and of more than 800 firms for which searches were completed by Invest NI or visits arranged since 2013. The profile of respondents was as follows:

- nine businesses were operating in the digital sector, three were in financial services, and one from aerospace
- five of the six firms for which data are available had turnover under £1.5m, with the other having turnover of over £25m
- nine of the 11 firms for which data are available employed fewer than 50 staff, with one employing 100-149 and another employing 250+ staff
- 11 firms were located in Belfast, one in Antrim and Newtownabbey, and one in Derry and Strabane
- eight of the respondents were founded before 2009, including three that have been in existence for more than 20 years
- five of the 12 businesses for which data are available export from Northern Ireland
- most have received other Invest NI support, including from Client Executives – most respondents found out about the service through their Client Executive
- eight were independent companies, with the remaining five being part of a group.

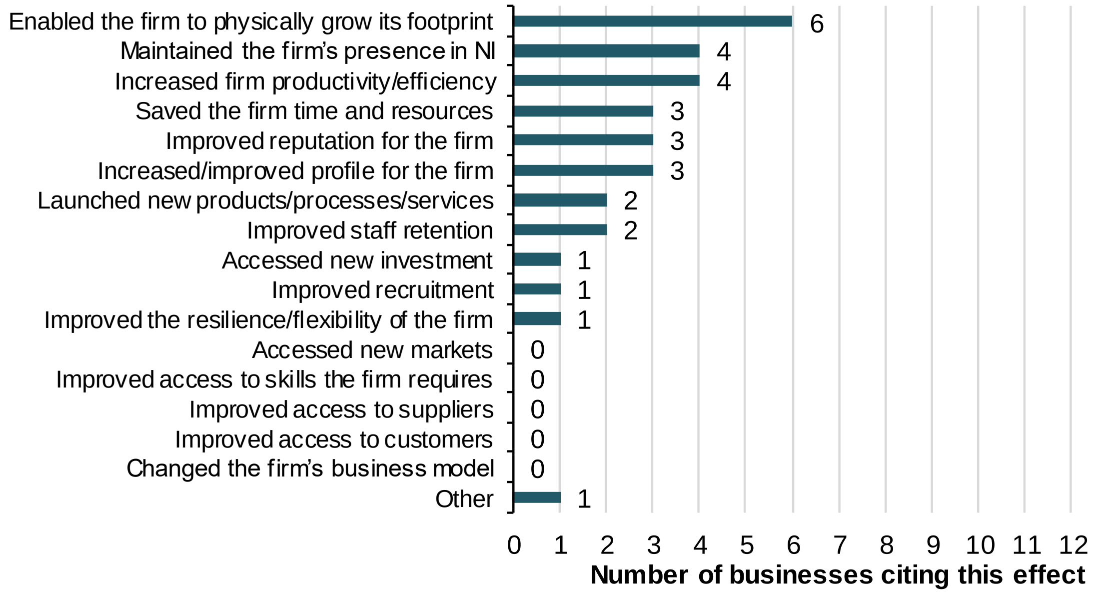
5.19 The objectivity of Invest NI was the joint most common reason cited for using the service by e-survey respondents, reinforcing the rationale as set out above. Nine businesses gave this reason; the same number had accessed the service as part of an overall support package from Invest NI, indicating that, as with other property interventions, this service links closely into wider business support.

Qualitative effects

5.20 Figure 5-2 shows the various qualitative effects experienced by the e-survey respondents. These are proportionately lower than for the interventions already reviewed, which might be expected given the advisory nature of the intervention. Eight firms (of 12 that answered the relevant questions) identified qualitative effects from using the service. Half of respondents stated that the service enabled them to physically grow their footprint, with four companies stating that the service has helped increase business productivity, and the same number citing the role of the service in maintaining the business's presence in Northern Ireland, by helping them to find the space they needed.

5.21 As part of the beneficiary e-survey, each respondent was asked whether they would recommend the Property Market Information service to other businesses. All ten of the respondents to this question stated that they would recommend the service and were unable to suggest any improvements.

Figure 5-2: Property Market Information effects (n=12)



Source: SQW e-survey of Property Market Information users

Quantitative effects

Employment

5.22 Businesses were asked to identify their number of jobs, in a series of ranges, with the mid-points of these ranges then used to estimate jobs at the point that firms used the service and now. Of the 13 respondents, 11 set out the number of jobs at their business when they engaged with the service and now; the other two firms did not answer this question. The number of jobs at these 11 firms is estimated to have almost doubled, from over 330 when they first used the service to over 560 jobs now. It is important to caveat that these data are based on the mid-points of ranges, and not actual numbers. The growth appears largely to have been in four companies which stated they had no jobs in Northern Ireland when they first used the service, and employed almost 200 in total in Northern Ireland at the time of the e-survey.

5.23 Seven firms attributed some employment growth to the service, stating that without using the service they may not have found the space they needed, and so may not have been able to grow or indeed come to Northern Ireland in the first place. Six of the firms could quantify the increase, which totals around 200. This includes over 50 for one of the two firms that did not provide data on their total employment, and over 100 for another firm. Five firms also expected the service to have an effect on their number of jobs in the future, although only two firms could quantify this (an aggregate increase of 30 jobs over the next three years). This attribution should not be taken as definitive, given the large number of support measures that many firms have availed of, including support from Client Executives and Invest NI's inward investment team, over what, for many, is a long company history.

Turnover

5.24 Firms were also asked to identify their turnover, in a series of ranges, with the mid-points of these ranges used to estimate turnover at the point that firms used the service and now. Six of the firms stated their turnover both when they used the service and now; the other seven did not answer both of these questions. The six firms that did answer both questions are estimated to have had a total turnover in Northern Ireland of around £39m when they used the service, rising to £41m now. This more static picture cannot be directly compared to the growth in the number of jobs, as fewer firms answered this question. On a like-for-like basis, for the subset of businesses which answered both questions jobs' growth and turnover growth were fairly similar i.e. limited.

5.25 Five of the 13 firms stated that their turnover had increased as a result of the service, although only one could quantify this effect – a turnover uplift of £75k between the year when the service was used and the latest year. The same five firms expected an increase in the next three years; again, only one firm could quantify this effect (the same firm as above, identifying an uplift of £300k). Note that the increases attributable to the service are for the latest year compared to when they first used the service, and not a cumulative uplift for each year since using the service. Again, attribution should be deemed indicative and not definitive.

5.26 Given the small number of respondent firms, the very low quantification of effects, and the difficulty in disaggregating effects from other support, it is not feasible to undertake any more detailed analysis of these data.

Impact assessment

5.27 Consultees were asked a series of questions to establish the additionality of the effects they identified. Overall, 10 of the 13 firms consulted identified either qualitative or quantitative effects from using the service, with two identifying no effects and one not answering these questions in the survey.

- **Deadweight** is higher for Property Market Information than for the previous two interventions reviewed in this report. Six firms reported some additionality in bringing forward the effects, with five reporting that the service brought benefits forward by up to six months and the other saying it brought benefits forward by two to three years, presumably by making it easier to find the space they needed. Two firms reported that the effects would only have been partially realised without the service, presumably as they may have moved into suboptimal space or not at all if they had not found space through this service. Just one firm stated that they would have achieved the same effects in the same amount of time without the service.

- **Displacement** is low, with most firms reporting that they have few if any competitors in Northern Ireland, and with most firms reported to be operating in markets that are steady or improving, meaning that benefits to them are not at the expense of others.

- **Leakage** at 0% for all firms, as the analysis already asks for effects specifically in Northern Ireland; it is unlikely that effects would be realised elsewhere as the service only provides information on the Northern Ireland commercial property market.

- **Substitution** at 0% for all firms. This is not surprising, as firms approach the service to find out information about space; it is improbable that the service would lead to firms undertaking this activity at the expense of other actions.

Value for Money

5.28 As with the other interventions, a comprehensive Value for Money assessment is not possible, in this case due to the very low response rate for the survey, the small number identifying quantified effects, and the challenges in disaggregating the support from other interventions. Qualitative assessment points to the following tentative findings.

- A full assessment of **Economy**, would require full costs data for the service, such as the cost of running the portal or site visits, and comparative quotes from potential third party suppliers. The onus of ensuring the portal is up to date falls on Invest NI, and there are cost implications from checking this, as agents have a commercial interest in not removing properties or sites from the portal which are no longer available, if they believe this will help drive more enquiries to them. In addition, alternative options for delivering the service do not appear to have been considered, such as commissioning the private sector to fulfil this role on Invest NI's behalf, which may (or may not) be a lower cost option.

- It is not feasible to establish the **Efficiency** of the service due not only to the limited cost data available, but also a lack of understanding on the outcomes achieved from the intervention, given a very small sample of firms for which data are available, and given the challenges in attributing outcomes to the service. It is clear that additionality is low and that the effects are small, but the intervention's costs are also limited.

- The intervention's **Effectiveness** can be seen in the ability of the service to meet its overall objective of providing a full, objective picture of the commercial property market to firms that use the service. From beneficiary feedback, this does appear to be amongst the most common reasons for firms to use the service. By providing this information, the intervention appears to have played an enabling role in supporting some businesses to expand their footprint and their productivity/efficiency, and helped maintain their presence in Northern Ireland by finding the right space for their operations. The Property Solutions Unit's Operational Plans show that they have facilitated regular meetings with estate agents and developers, and maintained relationships, to ensure the database was up-to-date and accurate.

5.29 Return on Investment cannot be assessed for this service, given the issues highlighted: scale, interlinkage with other support and data limitations. Nevertheless, feedback from stakeholders and businesses that have used the service suggests that it has generated economic return, even if quantified effects cannot be attributed directly to the service very easily. Given the modest costs of the service (c.£0.95m from 2012-2017), and based on feedback from stakeholders, there appears to be a reasonable economic return. For Invest NI, the intelligence provided by the service also gives insight into the commercial property market, including key properties and actors.

Conclusions on the Property Market Information service

Stakeholder perspectives

5.30 In addition to the rationale for intervention set out above, the anonymity for businesses was also seen as a benefit by stakeholders within Government, as it allows for inward investment enquiries to come forward and consider moving to Northern Ireland, without their enquiry being publicised widely, until they are ready to make a commitment to Northern Ireland or a particular area. It also allows property owners to flag to Invest NI that they have property coming available, without publicising this more widely e.g. where firms are downsizing.

5.31 Good quality property information is important to Invest NI in attracting inward investment. If the service did not exist, enquiries would need to be undertaken on an ad hoc basis, and this would not provide the systematic intelligence currently available.

5.32 Those stakeholders closer to the market tended to undertake searches using their own contact networks, and some feedback suggested that the intelligence from the web portal is not always as up-to-date as it should be. In practice, the quality of the data relies on third parties submitting their information. This shortcoming is already recognised by Invest NI, and a review of the data on the database has been undertaken since the end of the evaluation period, with a view to ensuring that it is as accurate and up to date as possible. Efforts have recently been made to ensure that the agents and property owners provide more accurate and up to date data, through increased exchange and discussions between Invest NI and agents and property owners.

Summary of findings

5.33 The Property Market Information service fulfils an important enabling role in providing commercial property market information to firms, and helping them to make optimum property decisions for their business. It addresses a market failure in the provision of comprehensive information on the commercial property market, which was the rationale for the service at the outset, and remains valid.

5.34 Based on the small number of e-survey respondents, the service appears to be well regarded by users. It is also appreciated within Invest NI, for its supporting role in helping to secure inward investment opportunities in Northern Ireland, and for giving Invest NI useful contacts in the property market as well as valuable intelligence on the market.

5.35 In light of this, and its relatively low cost, there appears to be a good case to continue the intervention. However, we propose that options should be explored to out-source the search element of the service, in order to provide a benchmark for cost and quality, and potentially save internal staff resource. A key aspect of quality will be the need to ensure that agents and property owners provide accurate up-to-date information, building on existing efforts.

5.36 Companies providing this type of information elsewhere include CoStar and EGi, which operate across the UK, offering a detailed picture of the commercial property market, as a paid-for service, and which already have a presence in Northern Ireland. Even if no formalised arrangement is made with another provider, it may be valuable to initiate contact, perhaps first with those areas that have adopted a similar model, with a view to understanding their experience and learning lessons on delivering this type of service effectively. As an example, EGi recently launched a new product – Radius Data Exchange – on which agents are scored for the accuracy of their entries, to encourage them to maintain an up-to-date list of sites and properties; the practicalities of this may be worth exploring to inform Invest NI's approach.

6. Rental Property Solutions

6.1 This Section considers the Rental Property Solutions intervention.

Section Summary

- Invest NI owns sites and properties mainly for industrial users to rent, at a handful of locations mainly in the vicinity of Belfast. In the past this was a much more substantial intervention, as Invest NI inherited a large portfolio from the IDB, a predecessor organisation.
- Firms consulted for this study valued being able to rent their property or site from Invest NI, but additionality is low compared to other property interventions.
- There is little evidence of recent market failure in the rental property market, and therefore no strong rationale for the intervention, which has been reduced considerably in the last two decades.

Description of the intervention

6.2 Invest NI owns a small portfolio of commercial (mainly industrial) properties, across Northern Ireland. Rental Property Solutions is an intervention for businesses to rent these spaces from Invest NI, at commercial rates.

Rationale

6.3 In 2004, PwC identified a market failure in the commercial property market not always making business property available in disadvantaged areas. The rationale for this intervention was based on social objectives, aligned with policy priorities in Targeting Social Need, and rebalancing.

6.4 By 2011, when the most recent evaluation was undertaken, the rationale for intervention was more uncertain. Invest NI acknowledged that there was no need to intervene in the rental property market, except in relation to its then existing portfolio. The evaluation found that there was no general market failure being addressed by the intervention, and therefore no strong rationale for activity in this space.

6.5 The rationale for the site sales intervention and Property Assistance are based on market failures in the owner occupier market for industrial space; market failure in the rental market is not recognised by many stakeholders, with the market providing affordable space to rent in many locations.

Objectives

6.6 According to the earlier studies cited above, the objectives of the intervention before the evaluation period can be inferred as to provide (mainly) industrial space in deprived areas, thus potentially increasing economic activity and job opportunities in these areas. However, objectives of the intervention during the evaluation period have not been clearly articulated.

Inputs

6.7 Based on estimated staff costs only, Rental Property Solutions is a modest intervention, with costs of around £0.675m between 2012 and 2017 (averaging at £135k per annum), based on rough estimates of the costs. This does not include any costs related to other elements of delivery, e.g. fees for consultants, or costs to Land and Property Services (LPS), which cannot be disaggregated from the overall property management costs set out in *Section 3*. Even if these were included, this is a modest intervention, undertaken on a small scale.

Activities

6.8 There are three main strands of activity to this intervention during the evaluation period.

- **Negotiation of leases and rent reviews with tenant firms**. Negotiations are undertaken with LPS, along with input from each firm's designated Client Executive. In the view of one tenant firm consulted for the evaluation, this process was *"very straightforward"* and *"LPS were flexible in building in any additions to the lease contract that the business requested".* External consultants are also used in this process.
- **Management of the buildings**. As the landlord for the properties, Invest NI collects rent from tenant firms. The tenants in stand-alone buildings are responsible for the day-to-day maintenance of the property. If they wish to undertake any construction work or on-site development, they must first seek approval from Invest NI.
- **Disposal of property**. The intervention has reduced in scale substantially in recent decades. In the past, Invest NI's predecessors owned millions of square feet of space. This portfolio was largely sold on to commercial property management companies in the 1990s. Most of the remaining buildings are old, mainly dating from the late 1980s and early 1990s. The large-scale portfolio sales were sometimes unpopular with tenants, with reports of new owners seeking costly lease variations. Invest NI has, since 2014, offered the properties which remain on its books annually to its tenants to buy. No new construction has been undertaken directly by Invest NI in recent years to add to this small remaining portfolio, nor is any currently planned.

Outputs

6.9 Invest NI currently owns a mix of 23 buildings across Northern Ireland, clustered mainly at a small number of sites around Belfast and Antrim. Of these buildings:

- 19 are currently occupied, a decrease from 22 occupied sites/buildings in 2010; one firm rents 10 units and one site
- three of the other four buildings are partially vacant, including one that has been in this condition since 2010 or before; the other, a former call centre, is wholly vacant.

6.10 In total, the 11 firms renting space from Invest NI provide a rental income to Invest NI of £1.5m per annum, a reduction from £1.9m in 2010, when there was a larger number of buildings in the property portfolio.

Outcomes

6.11 It is not clear from the data provided by Invest NI how many of these firms achieved positive outcomes for their business through the intervention, nor in what form. However, consultations with firms that did use the intervention illustrate the types of qualitative and quantitative effects that have arisen for beneficiary firms.

6.12 Three account-managed businesses (from a list of eight firms) currently renting industrial property from Invest NI, were consulted for this evaluation. Of these three companies:

- one manufactures sensors, one develops software, and the other operates in outsourced business processes
- one currently has a turnover of £1m, another has a turnover of £4m; the third firm did not state their turnover
- one currently employs 25 people in Northern Ireland, another employs 100; the third firm did not state their number of employees
- two were US-headquartered and set up in the 1980s, one was a local firm founded in the early 2000s
- two have been renting space from Invest NI since the 2000s, one from the early 1990s
- all companies exported from Northern Ireland
- none had been involved with any of Invest NI's other property interventions.

6.13 The motivations for renting property from Invest NI were different for each of the three companies. One reported that following a decision to relocate to Northern Ireland based on the availability and cost of labour, they began exploring ways in which Invest NI could support their development. The business was looking to rent property rather than buy and it seemed sensible to do this through Invest NI given the contacts and additional assistance on offer. The location of available sites and Value for Money were also cited as key reasons for pursuing this form of assistance. Invest NI's properties are rented out to firms at market rates, so there is no financial incentive for businesses to locate at the properties.

Qualitative effects

6.14 The companies interviewed reported the following effects of renting property from Invest NI.

- **Improved recruitment and staff retention:** all three companies interviewed stated that the quality of building and its location had improved their recruitment. Two also reported that the service had helped improve staff retention, with one stating that *"the rented property is nice and quiet with plenty of space available which helps create a good working environment and has helped improve staff retention".*
- **Enabled the business to grow and increase productivity:** two of the firms stated that the service has helped them to physically grow their footprint, increasing capacity and in-house capabilities. The additional space meant the firms were able to develop their processes, increasing business productivity and efficiency.

6.15 All three account-managed firms stated that they would recommend Invest NI's Rental Property Solutions to other businesses and felt that the intervention should be continued in the future. The support provided by Invest NI and their staff, including designated Client Executives, was cited as a key benefit of the intervention by each company consultee. In addition, the location of the rental premises on offer was viewed as a positive element.

> *"The location of premises has been extremely important in achieving the effects described. Having a landlord that is interested in the company's development and is prepared to provide the flexibility for the business to do what they want with the space has also been very important."*

> *"Invest NI's commitment to supporting local businesses is clear to see and this attentive approach is key to delivering benefits for supported firms. At the heart of this is Invest NI staff who have always been able to provide useful and impartial advice."*

6.16 Only one consultee suggested a potential improvement to the service. It was suggested that having solicitors finalise the rental agreement added unnecessary time to the process, with requests being made for information that had already been provided. To improve this in the future, it was recommended that Client Executives be made privy to any final discussions.

6.17 Awareness of Rental Property Solutions was very low amongst stakeholders. This is not surprising given the very small scale of the intervention at present.

Quantified effects

6.18 In quantitative terms, the evidence on performance measures such as business costs, employment and turnover was limited. One company identified cost, turnover and job impacts as a result of being able to rent more space, with most of this expected to be realised in the future, rather than evident now. Another reported that there had been no impact on its turnover and employment from engagement with the intervention.

Impact assessment

6.19 Consultees were asked a series of questions to establish the additionality of the effects they identified. Additionality is low, with higher deadweight than the other interventions considered in this report, as firms would have found appropriate space elsewhere. One of the firms believed that it would have achieved all outputs regardless of the intervention, that is, zero additionality. The other two would have achieved at least some of the effects anyway, but over a longer timeframe, as they felt it would have taken longer to find the right space:

> *"The support has been hugely valuable and has really helped accelerate growth – it is unlikely we would have grown as quickly or at the same scale without this assistance."*

6.20 Displacement was very low for all three firms, whilst leakage and substitution are assumed to be 0%, with effects focused within Northern Ireland.

Value for Money

6.21 Given the lack of more comprehensive information on the effects of the intervention – having spoken to three out of 11 current tenants – and the lack of full cost data, it is not feasible to quantify Value for Money. Our qualitative reflections are as follows.

- In terms of **Economy**, the Rental Property Solutions intervention is a relatively low-cost intervention, with staff costs estimated at well under £1m over the course of the evaluation period. Although overall costs, including professional fees, are unknown, it is reasonable to assume that these are not high, mainly relating to the occasional negotiation of leases. Moreover, businesses rent properties at market rate, thereby maximising potential income, and day-to-day maintenance is the responsibility of the tenants, minimising the related out-goings.
- The **Efficiency** of the intervention is difficult to ascertain, as it is uncertain what benefits this intervention is seeking to attain. Assuming that the focus is on social objectives and bringing jobs to deprived areas (the rationale set out in PwC's 2004 study), then a cost per job created in a deprived location may be a sensible indicator of the efficiency of the intervention. However, there is insufficient data available on jobs created in deprived locations as well as a lack of robust cost data, to make a robust assessment of efficiency on this basis, whilst many of the units are not currently in deprived locations.
- **Effectiveness** is again difficult to assess, given uncertainty over the current objectives for this intervention. The Property Solutions Unit's Operational Plans for the evaluation period do not contain any quantified targets for the intervention, only operational targets such as offering tenants the option of buying the property. If the objective is still to bring jobs to deprived areas, then the intervention seems to be at least partially effective, with high occupancy of the properties and sites that Invest NI still owns, and an apparently high level of tenant satisfaction. But as noted above, not all these premises are in areas currently classified as deprived.

Conclusions on Rental Property Solutions

6.22 There appears to be no continuing rationale for this intervention, and no market failure that it is now seeking to address. It is therefore not surprising that the intervention has reduced in scale in recent years, with very few sites and properties remaining in Invest NI's ownership.

6.23 Holding onto the properties may present Invest NI with a useful revenue stream, at minimal cost. However, many of the buildings are old, and may require investment from Invest NI in the future. It seems sensible to continue to 'wind down' the intervention, on an opportunistic basis, with Invest NI aiming to move out of this space, unless a specific new market failure is identified. Complete withdrawal may take time, as Invest NI will not sell occupied premises to a new landlord without ensuring that the tenant's position is protected through the lease in place.

7. Contribution to the Planning System

7.1 This Section reviews the fifth property intervention in scope of this evaluation: Invest NI's contributions to the planning system.

Section Summary

- Invest NI contributes to the planning system through being consulted on planning applications, planning policy, and the local development plan process, with a focus on industrial sectors. Formal responsibilities lie with the planning authorities; Invest NI's contribution is to inform the process in these areas.
- Planning authorities are charged under the Regional Development Strategy (RDS) to "ensure adequate supply of land to facilitate sustainable economic growth". The RDS also requires planning authorities to "assess the quality and viability of sites zoned for economic development in the area plans." Invest NI's role is to advise within this context.
- The intervention also seeks to protect existing zoned land and speak up for the needs of businesses where, for example, changes of use or the introduction of potentially incompatible uses are proposed.
- The role in contributing to the planning system remained unchanged in scope over the evaluation period, but the reorganisation of local government in Northern Ireland, and greater power for the new councils, means that Invest NI is increasingly advising local authorities directly.
- Invest NI's role is well regarded by local authority planners, with Invest NI bringing helpful insights on industry trends, business needs, and strategic economic development priorities.

Description of the intervention

7.2 Invest NI's contribution to the planning system is four-fold, each relating to the strategic priority of ensuring sufficient land and premises for industrial uses:

- providing inputs to the local development plan process
- informing the development of planning policy
- acting when required as a consultee on planning applications
- providing advice and guidance to Invest NI colleagues in their dealings with their customers with planning issues.

Rationale

7.3 As highlighted earlier in this report, there is a market failure in the provision of industrial space for owner occupiers in Northern Ireland, arising in part from the higher financial returns obtainable from other uses, notably housing. This means that there is a risk of industrial firms not being able to find suitable accommodation to meet their needs, potentially harming their business and contribution to Northern Ireland's economy, or potentially even meaning that they consider moving outside Northern Ireland to meet their property needs.

7.4 Invest NI's contribution through the planning system is to remind each Planning Authority of its obligation, under the RDS, to ensure that there is an adequate supply of industrial land across Northern Ireland to facilitate sustainable economic growth. Invest NI's primary concern is for those businesses it supports, but it encourages the planners to consider the needs of all industrial sectors. The rationale for Invest NI's activity in this space is that it has good knowledge of the industrial sector and its needs across Northern Ireland. It does this under the auspices of its enabling legislation.

7.5 This rationale appears to remain valid. Indeed, it may be stronger, since planning powers were delegated to the new local authorities in 2015. Prior to 2015, Invest NI was consulted by the Department of the Environment, the part of Government that held the powers for plan development, granting planning permission and enforcement. Whilst the majority of Planning powers have been delegated to the local Councils, the Department (now renamed as Department for Infrastructure (DfI)) is responsible for processing planning applications deemed to be of regional significance or those which may be 'called in' from the local councils. In addition, it carries out a plan scrutiny role as part of the two-tier planning system. Invest NI's strategic knowledge of the industrial sector across Northern Ireland may be useful for these local authorities, bringing a broader knowledge of the sector and its strategic importance than might be available from within the local areas.

Objectives

7.6 The broad objective for this intervention reflects the rationale as stated above, that is to ensure that there is adequate industrial land and premises for Northern Ireland's industrial firms. More specific objectives can also be inferred from the activities that Invest NI undertakes, including to ensure that:

- area plans allocate adequate high quality land for industrial uses
- change of use planning applications do not erode the provision of high quality land and property for industrial uses
- planning policy is conducive to the adequate provision of land and property for industry.

Inputs

7.7 Staff costs are the key element in this intervention. Based on the number of people involved in delivering this intervention, it is estimated that the fully loaded staff costs for this intervention were in the order of £0.475m between 2012 and 2017 (an average of around £95k per annum); these are rough estimates, as it is difficult to disaggregate costs for this intervention from the costs for others. In addition to staff costs, Invest NI incurred costs of £14k for professional planning advice, as part of a Planning Advisory contract, between 2012 and 2017. Other costs have not been included in these estimates, e.g. travel expenses, but it is assumed that these would be relatively small, given the overall scale of the intervention.

Activities

7.8 There are three main activities involved in this intervention, linked to the objectives:

- **Inputs to the area plan development process**, in particular to provide advice to help ensure that there is adequate industrial land zoned in plans for the whole plan period – typically around 20 years – and that planning policy and strategy meets long term economic development needs. This involves planning authorities consulting with Invest NI in the development of their plans and policies, and Invest NI providing contextual information on its client base in the local economy. Invest NI does not have a statutory role in the development of Spatial Plans, but does advise on the needs of its client base, if consulted. Its statutory role in the development of Community Plans falls to the Regional Business Group, not Property Solutions.
- **Commenting on planning applications**, when planning authorities decide that it would be helpful to consult Invest NI in determining an application. This is a non-statutory role, with planning authorities consulting with Invest NI if they wish to. To discharge this responsibility, Invest NI builds and maintains relationships with the planning teams in each of the local authorities and facilitates dialogue with them and with DfI. We found that Invest NI is recognised as an important stakeholder that provides a useful and distinctive role on relevant applications.
- **Provide support to the development of regional planning policy**, based on Invest NI's knowledge of economic development issues, policies and priorities, working alongside the Department for the Economy, contributing to the Department's response.

7.9 Invest NI client executives also **liaise with Property Solutions Unit colleagues** when their businesses are seeking planning approval and is experiencing planning-related issues. This is specifically to support colleagues to understand the situation, either by reference to Invest NI's own knowledge of legislation/the process, or through conversation with planning officers in the appropriate planning authority: it does not involve providing planning advice to the client firm. If the firm requires independent planning advice, it must procure that itself.

Outputs, outcomes, impacts and Value for Money

7.10 No output data has been provided for this intervention. The Property Solutions Unit's Operational Plans contain some targets relating to the intervention: to respond to 95% of routine planning applications within agreed timescales; and to facilitate annual meetings with area planning and other key planning officials to develop and maintain relationships. Whilst no data have been provided against these, it is clear from consultations with a sample of the local authority planning leads that good relationships are maintained by Invest NI.

7.11 The intervention is not aimed at businesses directly, and therefore it is not possible to attribute any business outcomes directly to this intervention. In addition, the effects of Invest NI's contribution to the plan development process for the new local authorities is yet to be seen, with all 11 being developed at the same time, as the reorganisation of local government only took place in 2015 (albeit Invest NI was involved in many of the extant plans). Nevertheless, feedback from stakeholders suggests that the intervention is having a positive effect on the availability of high quality industrial land, through the activities described above, helping to ensure that land is available for businesses growth.

7.12 Additionality for the intervention is assumed to be high. No other organisation is addressing the challenge of a lack of industrial space in the same way, from a position of extensive knowledge of the needs of industrial businesses (albeit mainly focused on account-managed firms). The market failure identified above, and generally recognised by stakeholders, means that without the intervention, insufficient high quality industrial land and property may be available for industrial firms. The intervention does not prevent businesses from building industrial premises elsewhere if they wish to, and so it does not displace activity.

7.13 A detailed and quantified Value for Money or Return on Investment assessment is not appropriate, given the nature of the intervention, the early point in its delivery (engagement with new local authority roles and responsibilities), and the challenges in attributing business benefits to it. However, on a qualitative high-level basis, it is considered to represent good Value for Money, given the important role that the intervention plays in helping ensure an appropriate supply of industrial land and property, and the low delivery cost associated with the activity.

Process perspectives

7.14 Stakeholders, in particular local authority planners, valued the role of Invest NI in relation to this intervention, given its knowledge of economic development and business needs, especially of the industrial sector. Each local authority planner consulted for the study also felt that there were good working relationships with Invest NI. However, it was also argued by stakeholders that Invest NI needed to be more proactive in preventing change of use away from employment uses, rather than responding when invited. It is recognised that this would have substantial cost and staffing implications for Invest NI, and could be seen as being at odds with Invest NI’s role as a non-statutory consultee.

Conclusions on Invest NI’s Contribution to Planning System

7.15 We found a strong rationale for continuing this intervention going forward. In terms of process, it has become more important, following the reorganisation of local government in Northern Ireland in 2015, the transfer of planning powers to local authorities, and the current preparation of new local plans. Until 2015, much of this intervention would have been focused on working with specialists in other government departments, but the role is now increasingly focused on the local authorities. As these new entities take on economic development and planning powers, some at least may lack strategic knowledge of the local business base and wider economy. It is unlikely that these authorities could gain this insight from other organisations, and it is imperative that these working relationships are fostered and maintained.

7.16 The new local plans are all being developed over approximately the same timescale, with implications for Invest NI’s resourcing. There will be pinch points in this new process, pointing to the need for forward planning to address this challenge, as well as for monitoring the process and seeking to transfer emerging learning.

7.17 The consultations with the new local authorities undertaken for this study pointed to a range of ideas on economic development priorities and how these should be progressed in their areas. There is an important opportunity for Invest NI to collaborate with these authorities in identifying key local economic opportunities, and their potential strategic contribution to aspects of the Industrial Strategy and Regional Development Strategy; then in planning for and helping bring forward development, either on sites that Invest NI owns, or by working with them to bring forward new sites. This points towards a ‘direction of travel’ which would need to be explored and agreed with relevant stakeholders.

8. Comparator Review

8.1 This Section considers similar interventions elsewhere, to compare them against Invest NI's property interventions.

Section Summary

- Six comparator areas were selected: Scotland, Wales, North East England, Sheffield City Region, South West England and Stoke-on-Trent and Staffordshire.
- All these comparator areas have intervened in the commercial property market, typically, in more recent years, through working in partnership with different public and private sector organisations, recognising the potential contribution of place-based perspectives and priorities in balanced economic development.
- An equivalent of Property Assistance is available in three of the areas, but in two of them the focus is predominantly on debt finance, not grants; in Scotland, there is very low take-up, but their Property Assistance equivalent has been retained as it is one of few capital grant options now available for business.
- In Wales, a similar service to Northern Ireland's Property Market Information intervention has been outsourced to an external company; although still hosted on the Business Wales website, outsourcing this site has reduced the resource requirements for Welsh Government.

Overview

8.2 Six comparator geographies were selected: Scotland and Wales, as small national/devolved entities; and North East England, Sheffield City Region, South West England and Stoke-on-Trent and Staffordshire, as four other areas in England that are peripheral to London and the South East and that share many of the economic challenges facing Northern Ireland.

Table 8-1: Key features of comparator areas

Comparator	Details
Scotland	Whilst somewhat bigger than Northern Ireland in population and economic terms, Scotland is similarly remote from the economic powerhouse of South East England, and retains regional economic development agencies – Scottish Enterprise and Highlands and Islands Enterprise.
Wales	Wales shares many characteristics with Northern Ireland, with relatively weak economic productivity, a small and relatively dispersed population with few large towns and cities and issues of peripherality and perceived remoteness. Wales's intervention in the commercial property market is led by the Welsh Government.
North East England	A long way from the economic powerhouse of South East England, the North East has a strong export-focused manufacturing base, and a long industrial history, centred on the economic core around the towns and cities of the Tyne and Wear area. It has faced major economic restructuring in urban areas, and has struggled to attract new investment to its more remote rural areas.
Sheffield City Region	South Yorkshire has a long history as a centre for steel, engineering and mining. Its major urban centre, Sheffield, is smaller than Leeds and Manchester and apparently overshadowed in developing a large-scale modern service economy, but the city and sub-region have retained an important role in industry, including key professional and technical services.
South West England	Peripheral from the South East and other economic hubs, the South West is relatively isolated and predominantly rural in nature. The most westerly and

Comparator	Details
	isolated parts of the region include Devon, Somerset and Cornwall. Plymouth, the largest city in this smaller sub-region, has a long history of shipbuilding and repair, but this has declined in recent decades.
Stoke-on-Trent and Staffordshire	This sub-region is centrally located in the Midlands/North of England, and has good transport connections, but tends to be overshadowed by the larger city regions of Birmingham and Manchester. Coalmining, steelmaking and manufacturing have traditionally been important, and the region is known as the UK's centre for ceramics; manufacturing remains important.

Source: SQW analysis

8.3 All these areas have used property-focused interventions. But perhaps surprisingly, limited information and data is available on the effects of comparable property interventions elsewhere, and the data from these sources, and from this evaluation, is not sufficiently robust to allow formal benchmarking. We therefore focused on a qualitative assessment, showing how property interventions have been delivered elsewhere, why they were shaped in those ways, and what they achieved, comparing the findings with the delivery of property interventions in Northern Ireland.

8.4 The review focused on interventions that are comparable to the Purchase, Holding and Sale of Serviced Sites, Property Assistance Scheme, and Property Market Information.

Purchase, Holding and Sale of Serviced Sites to Qualifying Businesses

Approach elsewhere

8.5 All six of the comparator areas have undertaken interventions to deliver new industrial space; the scope of these, and some possible learning points, are set out below.

Scotland

There is a longstanding market failure in the private sector developing new industrial space in Scotland, due to low returns. In previous decades, the public sector facilitated the development of industrial space and small business units, but this ended in the 1980s, as public expenditure came under more pressure, and State Aid rules became increasingly restrictive. The industrial stock has therefore become increasingly dated. In the last decade, Scottish Enterprise has adopted a different strategy, identifying opportunities in specialist emerging areas in the economy, and working in partnership with other agencies, to create the environment to encourage investment, e.g.: at Aberdeen Harbour; with the University of Edinburgh and Royal Infirmary of Edinburgh at the Edinburgh BioQuarter; and with the University of Strathclyde and the High value Manufacturing Catapult (HVMC) in relation to high value manufacturing.

The approach is to 'oil the wheels' of development, where demand is emerging, and to work alongside the UK's innovation agenda and industry, focusing on innovation and key sectors 4.0, e.g. by working with the HVMC, by focusing on biopharmaceuticals and sensor systems, and through the development of open access centres of excellence.

Scottish Enterprise also has substantial legacy estates, including buildings and land, for sale or rent. There has been little if any reinvestment in recent years, as few companies are looking for industrial space, although there is little vacant stock of factory premises, and the lead time to build is recognised as a disincentive for footloose FDI. While these issues are becoming more evident, as the current stock reaches end of life, few manufacturing firms are looking for large space, and most recent investment by the private sector in building new industrial space is focused on logistics.

The strong long-term economic logic towards industrial specialism and offshoring is not expected to change: Scottish Enterprise is not likely to start acquiring large areas of land for development. Increasingly, strategy is being built around place: rather than having one approach across the whole of Scotland, the emphasis is on the economic roles, potential and scope for niche developments in different areas.

The agency is expected to continue to bring forward and test innovative mechanisms to address market failure in the provision of new space, such as the recently announced Building Scotland Fund, devised to encourage the private sector to develop and renew an increasingly ageing industrial stock. The details of the new Fund are still to be confirmed, but it will not be grant finance, and may be similar to the CRBE Investment Fund in Northern Ireland.

Wales

For most of the last 10 years, Wales has eschewed a pro-active role in industrial property, because of challenging funding circumstances in the wake of the recession and a focus on direct job creation and support since the Welsh Development Agency (WDA) was subsumed into Welsh Government.

This move away from proactively developing sites also stemmed from sensitivity over earlier large-scale building programmes by the WDA in the 1980s and 1990s that were found to be in the wrong place or were unoccupied long term. The emphasis shifted away from a 'build it and they will come' attitude, to being more reactive to emerging opportunities. In previous recessions, the public sector tended to step in where the private sector had stopped developing space; after the most recent recession, both the private sector and public sector withdrew, and local authorities stopped building new small business space.

In the context of an improving economy, and the lead--in time required to develop new space, a purely reactive stance is now seen as potentially disadvantaging Wales. The Welsh Government's recent economic action plan looks beyond job numbers to what will make for a successful economy in the medium-to-long term. This will depend on appropriate infrastructure, including sites and premises for business. Although some interventions do exist, in recent years these have been used infrequently.

The evidence base supporting the shift to a more pro-active policy includes a 2013 study, commissioned by Welsh Government, which examined the shortfall of sites and premises and the nature of the market failure. Across Wales, there was – and is – a lack of access to finance for delivering speculative development, whilst outside the M4 and A55 corridors there is a funding gap for developers more generally, with returns for developing speculative property lower than costs. This underpins the rationale for intervention across different business sectors and uses, not just industrial.

The focus in recent years has been on Wales's nine priority sectors, although the economic action plan from 2017 moves the emphasis to a place-based regional focus, and towards a 'Grand Challenge' approach, reflecting the emphasis of the Industrial Strategy. The increased focus on a place-based focus comes alongside the signing of city deals for Swansea and South East Wales, and emerging local growth deals for mid-Wales and North Wales, which give the sub-regions new funding sources to address challenges in their area. There is also a rationalisation of councils on the horizon; as in Northern Ireland, this is set to reduce the number of local authorities in Wales.

The Welsh Government is now working with the regions of Wales, to build up a picture of what each region needs, and what is already happening, including existing joint ventures with the private sector, direct intervention by Welsh Government, or grants to the private sector. Current interventions operate on Welsh Government land, local authority land (potentially where Welsh Government undertakes a joint venture with the local authority) or on private sector land, and includes supporting developers and local authorities to put in place access to open up sites to development where there is a funding gap. Some projects have been funded through the European Regional Development Fund, to improve access, land remediation etc. Welsh Government has also undertaken bespoke projects to secure premises for end users, as part of a wider package of support, e.g. in skills and R&D, to bring companies to Wales.

The reduction in funding for property interventions in Wales, means that there is now a shortage of skills and knowledge within the public sector regarding the commercial property market. To deliver effective interventions, a collaborative approach will be adopted, pooling skills and resources, and working with the sub-regions to identify emerging opportunities. A good evidence base will be an essential element, informing this more proactive role and specific interventions. Through identifying emerging needs, and planning to meet them, it is hoped that fewer bespoke projects will be needed.

North East

Property intervention to enable industrial growth and restructuring also has a long history in the North East, with North Eastern Trading Estates Ltd set up in 1936 to alleviate the problems caused by the decline of shipbuilding and coalmining. This led to the development of Team Valley Trading Estate and other estates across the North East. Under English Estates, and then English Partnerships, the service diversified into developing offices, high tech units, workshops and bespoke factories, as well as managing industrial estates. These assets were ultimately taken on by the Regional Development Agency (RDA) ONE North East, then by the Homes and Communities Agency (recently changed to Homes England) when the RDAs were abolished in 2011.

Other public and quasi-public bodies including the Tyne and Wear Development Corporation, County Durham Development Company, and South East Northumberland North Tyneside regeneration initiative (SENNTri), have also owned and managed industrial property in the North East. More recently, the local authorities or local authority-backed trading companies/joint ventures have brought forward development, including on Homes England land.

Many Homes England industrial property assets were transferred to local authorities under stewardship arrangements with claw back provisions. Partnership working includes the North East Local Enterprise

Partnership (prioritising Growth Deal Investment, recycling Enterprise Zone income, administering the North East Investment Fund), Local Economic Development Companies, Local Authorities, and private developers to bring forward sites for development. The Local Authorities and the Local Enterprise Partnership are taking risks to achieve this and there are a range of examples of industrial sites coming forward sponsored by private and Local Authority developers utilising Growth Deal finance, Public Works Loan Board borrowing, Local Authority land (some subject to clawback to Homes England) and Local Authorities guaranteeing wrap leases and using projected returns from business rates and investment income to generate repayment. Examples include:

- Durham County Council/Business Durham and Hawthorne Enterprise Zone site. Durham County Council/Business Durham formed an agreement with Highbridge Developments to bring forward development on the site. Durham County Council/Business Durham have invested cash alongside NELEP Growth Deal to improve site servicing, and the Private Developer brings forward a commercial scheme.
- Ashwood Business Park North Seaton Ashington, an Enterprise Zone since 2017 (with business rates relief to firms based in the Enterprise Zone). The site was the first RDA site to get green field approval for development; it has been nearly 20 years in gestation, most recently promoted by Arch Northumberland, a company owned by Northumberland County Council. It is now the site of a major International Paint factory.
- International Advanced Manufacturing Park Sunderland. Partnership between Sunderland City Council, South Tyneside Council (bringing together Land Debt and powers) with NELEP Growth Deal investment.

Sheffield City Region

The Advanced Manufacturing Park (AMP) is a leading property initiative in Sheffield City Region instigated by the public sector. It was conceived in 2000, to provide a focus for, and a means to build on, South Yorkshire's successes in, metal-based technologies, materials, and related process industries. The AMP occupies a 40 hectare site close to the M1 between Sheffield and Rotherham.

It accommodates major industrial businesses, including Rolls Royce and Boeing, and hosts two components of the UK Government's HVMC (the University of Sheffield's Advanced Manufacturing Research Centre with Boeing, and the Nuclear Advanced Manufacturing Research Centre); also, TWI's Yorkshire Technology Centre (delivering training courses and giving access to TWI's technologies and technology transfer programmes), the Innovation Technology Centre, and other research and innovation assets.

The key factor in delivery was a distinct niche based on technology know-how and strong leadership sustained over two decades. Development has followed the clear strategic direction identified at the outset (maintaining the initial focus on advanced manufacturing, and using this position to widen into related areas as new opportunities emerged), the development of innovation facilities, and partnership working between the RDA, university and other organisations, with private sector developers looking to the longer term, including Harworth Estates and Strategic Sites.

South West England

In South West England, a key recent development has been the transfer of South Yard, part of the Royal Navy's Naval Base at Devonport, from the Ministry of Defence to Plymouth City Council.

Now known as Oceansgate, this 35 hectare Enterprise Zone site is a key project for the Plymouth and South West Peninsula City Deal. It is being taken forward in three phases, by the City Council and Heart of the South West Local Enterprise Partnership, with a mix of funding including from the European Regional Development Fund, to deliver a mixed use office and industrial development, with a particular focus on marine industries. This includes sites in the area that are available for firms to buy and develop, on the basis that they will deliver positive economic effects for the area.

Stoke-on-Trent and Staffordshire

In Stoke-on-Trent and Staffordshire, intervention has historically included the creation of serviced employment land for design and build development, particularly in and around former mining areas; also, the development of flexibly-let enterprise centres in areas where the private sector has not provided such space.

Recent examples include the successful creation of serviced employment land at Redhill Business Park and i54; both are close to motorways, the latter is an Enterprise Zone. Prudential borrowing[20] was used to improve access at both locations, including a new motorway junction for i54. Intervention has also

[20] Government provides guidelines – the Prudential Code – whereby local authority borrowing should be affordable and prudential, but without setting an upper ceiling for borrowing

included investment directly in development, such as the IC5 innovation centre development at Keele University, for which Staffordshire County Council used prudential borrowing.

Working in partnership has been important for delivering on the overall ambitions of the area, given the mix of public authorities in Staffordshire, with a two-tier local government structure operating across most of the county (county council and district councils), apart from the unitary City of Stoke-on-Trent.

Implications for the Purchase, Holding and Sale of Serviced Sites to Qualifying Businesses

8.6 The national examples above, Wales and Scotland, point to the re-emergence of more proactive property interventions, albeit on a selective basis with continued funding constraints. This does not signify a return to ways of intervening in the past. The new wave of interventions draw their rationale from, and are strategically aligned with, innovation and industry 4.0, Grand Challenge areas, and local strengths; increasingly, this is a place-based approach. Across all six comparators, the importance of partnership working is clear, bringing in enabling infrastructure and different sources of funding (including from the private sector), identifying innovation assets that help to attract businesses and animate sites, providing for strategic leadership and drive, and bringing local buy-in to property-based interventions. This means that the interventions are not typically undertaken by one organisation acting in isolation, but rely on partnership, shared market intelligence and collaboration at all stages.

Property Assistance Scheme

Approach elsewhere

8.7 Three of the six comparator areas have similar schemes to Property Assistance that are worth considering: Scotland, Sheffield City Region and Wales.

Scotland

Scottish Enterprise operates a similar scheme to the Property Assistance Scheme, giving a 10% grant contribution towards eligible costs for capital investment, with the grant element typically between £50k and £200k. This funding is usually for firms that Scottish Enterprise is already supporting, and is particularly for firms looking to grow, with the projects being to build new sites or expand their existing site. The scheme tends to be used by indigenous SMEs, often those based outside the large cities. As in Northern Ireland, the scheme operates on a very limited scale, with just three or four projects per year. Despite this, it has been retained because it is one of the only options for businesses to secure capital funding in Scotland, with State Aid rules restricting this type of direct support for business.

Sheffield City Region

The Sheffield City Region JESSICA Urban Development Fund, launched in 2013, provides development debt funding for commercial property and regeneration projects at commercial rates. This is supplemented by additional capital from the Sheffield City Region Combined Authority, which can be invested more flexibly, as commercial loans, or in the form of grants, repayable advances or loan with sub-commercial interest rates. This is justified by lack of alternatives and an economic purpose. The Fund is managed by CBRE and overseen by an advisory Investment Board comprising representatives from the nine Local Authorities in the Sheffield City Region and the Local Enterprise Partnership. It acts as a gap funding tool for the private sector, based on evidence for market failure in the provision of debt finance for commercial development. It is reported that for every £1 of JESSICA funding, more than £1.50 of private capital is leveraged.

Wales

In Wales, the Development Bank for Wales addresses the access-to-finance funding gap for the development of new space, through a specialist property fund that lends to businesses/developers on a commercial basis, to bring forward development.

Implications for the Property Assistance Scheme

8.8 As with the Property Assistance Scheme, demand for Scottish Enterprise's similar scheme are very low. However, the scheme has been retained, as it has a distinctive role, as a means of providing capital subvention for businesses seeking grant finance; it is valued as offering flexibility, even if very few businesses take it up. This should be taken into account in deciding the future of the Property Assistance Scheme in Northern Ireland.

8.9 Other examples in Wales and the Sheffield City Region focus on providing debt finance to support the development of space, addressing the access to finance market failure in bringing space forward, rather than focusing on grant finance; however, the JESSICA Fund in Sheffield City Region does include the potential for some grant funding.

Property Market Information

Approach elsewhere

8.10 One of the six comparator areas, Wales, has a similar service to the Property Market Information Service.

Wales

Welsh Government operates a similar online portal to the Invest NI's Property Market Information service. The Business Wales Property Database provides details on commercial land and property available for sale or rent across Wales, including office accommodation, industrial/warehouse premises, commercial land for development, and properties within Enterprise Zones. It does not include the site visit service provided by Invest NI. The first database of commercial property in Wales was developed by the Welsh Development Agency (WDA). When WDA was abolished in 2006, this function was transferred to Welsh Government.

WDA had provided the service in-house, with a team collecting information from local authorities and the private sector, to use as a central resource when enquiries came through to the Agency. This required constant internal updating, as commercial agents would not necessarily update WDA when properties were taken off the market; this parallels a current concern in Northern Ireland. Since transferring to Welsh Government, and in the context of pressures on public spending and the rise of internet search functions, the service has been outsourced to a third party, Alcium Software, which specialises in providing this type of data, and has done so for a large number of clients, including Leeds City Region Enterprise Partnership, St Helens Chamber of Commerce and Locate in Kent (Kent's inward investment agency). The service is still hosted on the Business Wales website, but responsibility for keeping the database up to date has been transferred to Alcium Software.

Implications for the Property Market Information service

8.11 Outsourcing the property database to a third party has reduced Welsh Government's resourcing requirement for maintaining the database. This is now the responsibility of a company that specialises in this; Alcium Software. Other companies also provide this type of database e.g. EGi and CoStar.

9. Conclusions and Recommendations

9.1 This section comprises conclusions and recommendations relating to the suite of property interventions overall, and for each individual intervention.

Purchase, Holding and Sale of Serviced Sites to Qualifying Businesses

9.2 The value of this intervention is in the extent to which it addresses the reported market failure in the provision of industrial space for owner occupiers; developing such space is unattractive to developers with low commercial returns and the availability of more attractive/lower risk options, notably residential development. There was a clear message from stakeholders in Government, senior executives in Invest NI and key interlocutors in local authorities and the private sector that it was timely to review Invest NI's strategy regarding the purchase, holding and sales of serviced sites, and the exclusive focus on account-managed firms.

9.3 In part, this reflected their view of the commercial property market in Northern Ireland as a series of separate markets. In some areas, high demand and a lack of space is reported, with local stakeholders wanting Invest NI to invest in more land, whilst elsewhere there is little demand from account-managed firms but Invest NI owns substantial landholdings, some of which, according to local stakeholders, could be brought forward for other employment uses. There is therefore an important role for Invest NI in ensuring that the estates it owns are where there is demand for sites, and that estates are not held elsewhere unnecessarily, in order that the maximum economic value is achieved from this intervention. This may come in part from thinking of new ways to manage existing estates, or new ways to bring forward estates or development on them, and also through disposal where this is deemed the best option.

9.4 Among the small set of firms that had both bought sites from Invest NI and engaged with the evaluation, this intervention is held in high regard. The option to buy provided an opportunity for the business to stay and grow in Northern Ireland that otherwise not have existed; most of these firms were indigenous businesses looking to expand, rather than inward investors.

9.5 The publication of the Industrial Strategy by the UK Government, in November 2017, sets out a plan for boosting productivity and the earning power of people and businesses throughout the UK. It includes initial Sector Deals, noting that automotive, construction, Life Sciences and Artificial Intelligence are particularly important in a Northern Ireland context. 'Economy 2030', Northern Ireland's earlier draft Industrial Strategy, highlighted the following key areas going forward: financial, business and professional services, digital and creative technologies, advanced manufacturing, materials and engineering, life and health sciences, agri-food and construction and materials handling.

9.6 The Sector Deals include strategic and long-term partnerships with Government, backed by private sector co-investment. The Industrial Strategy Challenge Fund focuses funding on key innovation areas, including four Grand Challenge areas (growing the Artificial Intelligence and data driven economy, clean growth, future of mobility, and ageing society). The Industrial Strategy also calls for place-based Local Industrial Strategies, and sets out the potential for a

Belfast City Deal and other city deals for Northern Ireland, stressing the increasing importance of sub-regional areas in developing industrial strategy for their areas.

9.7 This changing context, with an increasing focus on innovation in particular areas, and place-based strategy, should inform the ongoing delivery of commercial property intervention.

- **Recommendation 1**: Invest NI should continue to operate in the purchase, holding and sale of serviced sites to qualifying businesses, on condition that the remaining recommendations relating to this intervention are fulfilled.
- **Recommendation 2**: Invest NI should explore ways of working with local authorities, enterprise agencies, or private sector developers to bring forward development; this should include considering the option of joint ventures or other mechanisms, where Invest NI would ensure that there is sufficient provision for their account-managed firms, but with the potential that other parts of these estates could be brought forward by/for non-account-managed firms.
- **Recommendation 3**: Invest NI should undertake an asset review and update the Acquisition and Disposal Strategy, to promote a closer link between land in Invest NI ownership and the headline objective of economic development. The review will help to highlight where Invest NI has landholdings that are surplus to requirement, with low likelihood that these will contribute to achieving this objective. It should also show gaps, where evident demand is not currently being met by the private sector. This will point to where other actions, including selective additional acquisition, might be justified to meet shortfalls in particular areas and/or specific sectoral requirements, in particular where this would support growth in relation to Industrial Strategy 'Grand Challenge' areas. The review will include inputs from the local authorities on what they think is the best use of existing sites, and where they think there is a shortage (e.g. in Mid Ulster) or oversupply of land, and draw also on feedback from Client Executives and local actors including agents, private sector developers and enterprise agencies; it should also clearly state the opportunity cost of retaining sites that are not delivering against the objectives of the intervention. Such a review has already been suggested in the 2017-2021 Business Strategy.
- **Recommendation 4**: For existing sites, Invest NI should allocate parts of each estate to non-account-managed firms, as a catalyst for growth, and importantly to allow more concerted marketing efforts for the estates, in a similar fashion to a private landowner/developer. This would help to raise their profile whilst retaining parts of the estates for account managed firms. This approach has already been implemented to some extent through the Set Aside policy, but the plots that have been set aside have not been pro-actively marketed, and to date the opportunity to build the profile of the estates and generate additional activity has been largely unrealised. Where non-account-managed firms are allowed onto existing Invest NI estates, the focus should be on innovative sectors, with high value and high growth potential, and businesses which are well-aligned with Industrial Strategy 'Grand Challenge'

areas. Demand and confidence might help create a supply 'ladder' in some locations, enabling businesses to move on from incubators and managed spaces to larger units within the same estate or locality.

- **Recommendation 5**: If the annual asset review finds that any sites are unlikely to fulfil the objectives of the intervention, and where allocating part of the estates to other uses is unlikely to make a difference to this conclusion, Invest NI should dispose of estates, in order to focus its efforts on the estates with the greatest potential to succeed and have high additionality.

- **Recommendation 6**: Invest NI should explore with the Northern Ireland Executive how monies received from site sales or estate disposals could be retained for investment in new property interventions, including those which might be undertaken with or through partners. This could encourage site disposal where this is identified as the best way forward, while enabling appropriate reinvestment, subject to business case approvals. 'Ring-fencing' may run counter to the overall requirement on Northern Ireland Government to use the resources available each year as effectively as possible across all Departments and activities, and there may be practical difficulties unless monies can be carried over year-ends. Nevertheless, the potential for this should be explored further.

Property Assistance Scheme

9.8 The Property Assistance Scheme is well regarded by those companies using it, based on feedback from the (small) sample of beneficiaries consulted for the evaluation. Take-up of the scheme has been very limited in recent years. This may suggest little demand or need for the intervention. However, it has been suggested by Invest NI and stakeholders that the low take-up has in part been due to perceived limitations on what the scheme could fund e.g. eligibility of costs and stipulation that projects must meet the highest design standards. It is recognised that the intervention is valued as providing capital grant support to business, which is otherwise difficult because of State Aid rules.

- **Recommendation 7**: Invest NI should continue to offer Property Assistance in the short term, but should monitor take-up over the next three years, to see whether take-up increases; depending on the take-up, Invest NI should then consider the longer term rationale for continuing the intervention.

- **Recommendation 8**: Invest NI should work with Client Executives to address misperceptions as to the Property Assistance Scheme's format and scope for use, and in particular those misconceptions relating to the scheme being hard to access, as the Client Executives are key in driving take-up of the scheme.

Property Market Information

9.9 The Property Market Information service is well-regarded, by beneficiaries and stakeholders, as an objective source of information on the commercial property market; it brings together information in one place, on an objective basis, and makes it easier for stakeholders to use, notably, the inward investment team at Invest NI. There were earlier issues with the accuracy of the information held, although this is reported to have improved in recent years. The visits to shortlisted sites have become increasingly common in recent years, especially for inward investment enquiries, as a way of introducing potential investors to particular areas, properties and their agents.

- **Recommendation 9**: Invest NI should explore options for outsourcing this service to external companies that are experienced in providing online portals for the commercial property market. This would build internal understanding of the potential advantages and disadvantages, and inform any subsequent decision; this is not necessarily to say that outsourcing would be the best option, but that it should be explored, and that lessons can be learnt from understanding how other providers operate similar tools.

- **Recommendation 10:** Invest NI should consider how the accuracy of the database can be maintained, with the onus on agents and property owners to provide and update the relevant information; it is recognised that this is reported as having improved in more recent years, but a regular review of how to improve accuracy ought to be undertaken.

- **Recommendation 11**: Invest NI should maintain its important role in setting up visits for companies to locations and sites.

Rental Property Solutions

9.10 This intervention has been reduced to a small number of remaining units in Invest NI ownership, most of which are occupied, many by one firm. Although well regarded by the (small) sample of tenant firms that were consulted for this study, there is no obvious rationale for this intervention to continue: stakeholders did not identify a clear market failure in the provision of rental accommodation for businesses, and the market failure identified in the provision of industrial space was focused more on the owner occupier market.

- **Recommendation 12**: Invest NI should look to exit from this intervention over the medium term (3-5 years). Tenants should be given notice of this intent and the offer to them to buy the units they occupy should continue to be made annually.

Contribution to the Planning System

9.11 Invest NI's contribution to the planning system is well-regarded by many stakeholders, including by local authority planners. Invest NI could have an increasingly important role in the next few years, as local authorities produce their development plans and policies, having taken on powers over planning in 2015. With the local authority planners having taken on these roles, it means that Invest NI now has a larger number of planning authorities to develop relationships with (11 instead of one): it appears to have done so effectively to date, but there could be resource issues as the new development plans are finalised over the next two years if, as anticipated, Invest NI is consulted in their development process. It is imperative that these relationships remain strong; for the local authorities, Invest NI can provide valuable insight through its intelligence on their client base and its needs.

9.12 Although generally positive, some feedback from stakeholders pointed to the scope for Invest NI to be more pro-active in contributing to the planning system. Within and contributing to the responsibility of the Department for the Economy for Northern Ireland's planning system, and the roles the Department undertakes, there is both need and opportunity for Invest NI to shape a redefined, more strategic, role, beyond that which it fulfils at present. The Industrial Strategy can be used to inform the strategic direction for planning policy and strategy, and to help guide the zoning land for industrial uses. On this basis, Invest NI could, and we believe should, make a wider contribution on spatial planning for economic development.

- **Recommendation 13**: Invest NI should continue to play an important enabling role for the planning system, including for local authority planners and through informing planning strategy and policy when consulted; again, recognising the role of the Department in the planning system, Invest NI should be more proactive in informing planning strategy and policy, ensuring alignment with Industrial Strategy priorities.
- **Recommendation 14**: Invest NI should continue to be involved in quarterly meetings with local authority planners, in addition to more informal contact, to maintain the important relationships between them.
- **Recommendation 15**: Invest NI should undertake a resource planning exercise, recognising the need and opportunity for a more strategic role, and anticipating – and seeking to mitigate – likely emerging pinch points in the plan development process.

Overall conclusions

9.13 Having set out conclusions and recommendations set out above in relation to the five individual property interventions in scope of this evaluation, we turn to headline conclusions and recommendations in relation to the concept of Invest NI intervening in the commercial property market. ***The broad conclusion from this evaluation is that selective intervention in the commercial property market can and should be used to support those businesses with potential to develop and grow, and improve Northern Ireland's overall economic performance and positioning.*** In order to realise this effectively, it will be essential to build and maintain strong relationships with actors in the property market (in the public and private sector), and for Invest NI to update its direction as market conditions and business needs change, and opportunities emerge. The Northern Ireland Executive will need to work closely with Invest NI, to ensure that Invest NI and partners across the Executive, collectively have the authority to undertake this role, and that the means and skills required are in place.

- **Recommendation 16**: Invest NI should establish a close working relationship, at the level of intervention management, with actors in the commercial property market, including agent, property owners and developers, and CBRE, to ensure that the CBRE Investment Fund and Invest NI's suite or property interventions are well aligned and complementary. This and other market intelligence should be used where appropriate in working with local authorities and other parts of Government to propose, develop and help deliver new NI-wide and local initiatives.

- **Recommendation 17**: Invest NI should undertake annual reviews (in a similar format to the current Operational Plans, but with more detail on progress, achievements, and issues/challenges), and another external evaluation of the suite of property interventions in three-to-five years' time, to reflect on how the interventions have performed, and to understand how the commercial property market has evolved. As part of the wider context for Invest NI's property operations, the annual reviews and the evaluation should reference the Grade A Office Accommodation Loan/Mezzanine Scheme and the CBRE Investment Fund, as well as any new initiatives by Invest NI and partners in this space, in so far as to note where these are operating to address the same market failures, to avoid duplication of efforts.