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Impacts 08 (March 2008) *ECoC and Developer's Market*



# European Capital of Culture and Liverpool's Developer Market

Impacts and Interactions

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Impacts 08 is a joint programme of the University of Liverpool and Liverpool John Moores University  
Commissioned by Liverpool City Council



## 1. Introduction<sup>1</sup>

The aim of this project was to ascertain the impact that the nomination, designation and events of European Capital of Culture (ECoC) 2008 have had upon the developer market<sup>2</sup> in Liverpool, according to commentators from within the sector. These findings will be used in later research to inform disaggregation of the relative impact of the Liverpool ECoC from the ongoing development being carried out in the city and broader economic growth in the city. They also act as a comparator piece of work to the accompanying studies of the wider regional business base and the specific SME tourism business experience (see: [http://www.liv.ac.uk/impacts08/Dissemination/Business\\_Impacts](http://www.liv.ac.uk/impacts08/Dissemination/Business_Impacts)).

Impacts 08 carried out five interviews with senior managers and directors of the larger development companies operating within the city, three interviews with senior managers in support areas, including estate agency, travel infrastructure and financial services companies, and three with informants from the statutory sector. These participants and informants were selected due to their knowledge of the current state of the market in the city and, in the case of the physical developers, because they represent companies making a substantial investment in the city. The majority of these companies are based in Liverpool, or have large operations there. Interviewees were selected, initially, through desk research into the major investors; later interviews with those in support sectors arose from the findings of these primary interviews with developers. Semi- or unstructured interviews were carried out on a one-to-one basis, mainly in the participant's place of work<sup>3</sup>. All interviews took place in October and November 2007, and thus reflect the state of development of plans for the Liverpool ECoC at this point in time.

The interviews aimed to investigate participants' views of Liverpool's economy and property market, the major factors influencing points of change in both areas, and whether the Liverpool ECoC has been an influential factor affecting supply and demand in the development market over the past five years (from the award of the ECoC designation in 2003 onwards) and, if so, how this has happened.

A second stage of this project will take place in 2009, where some of the previous respondents will be asked to reflect back on their experiences of 2008 and the impacts they consider the ECoC event programme to have had during its main year.

## 2. Changes in the developer market in Liverpool

All respondents identified a similar pattern of market growth across building sectors over the previous decade, after years of underperformance in Liverpool in comparison to the rest of the UK. The turning point for this trend was seen as occurring between the mid and late 1990s, but no single event or time was identified as the turning point of change. It was seen, rather, as being due to a number of factors leading to a turnaround in the fortunes of the city. Prior to this period, the market had been characterised by low levels of external investment, lower property values than in comparable areas, and a decline in key industries. A pattern of out-migration of major financial companies was seen as a key indicator of decline.

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<sup>1</sup> This report offers an overview of emerging findings from a series of interviews with relevant representatives from the infrastructure development sector in Liverpool. Further research and analysis is underway, and will contribute to the final Impacts 08 report in March 2010.

<sup>2</sup> By 'developer market' we mean the major physical infrastructure development market, covering commercial, residential and leisure development, based in or making major investments in Liverpool and the Liverpool-city Region.

<sup>3</sup> With one telephone interview, due to participant time restrictions.

The factors identified as key to the turnaround from a period of no/low growth include:

- **Previous local economic performance:** Liverpool's economic performance had been significantly lower than comparator cities and the rest of the economy of the UK for a number of years, and thus land and property were undervalued and levels of investment were comparatively lower than their potential. Thus most respondents saw it as inevitable that there should be a period of swift growth as Liverpool's market experienced what should have been a couple of decades of growth in five years. In terms of the importance of this for the future, the key indicator of sustainability will be the property market's growth matching other comparable markets (e.g. other northern core cities such as Leeds and Manchester).
- **Economic Growth Nationally:** The economy of the country as a whole grew during this period, leading to growing confidence amongst developers and thus a willingness to invest in the relatively cheap property and land in the city centre.
- **Local and National Political Stability:** The new local administration that arrived in 1998 was seen as having a more business-friendly approach and as being under the direction of more 'enterprising' individuals than had previously been the case (mention was made of both Mike Storey and David Henshaw). This administration also oversaw a period of relative political stability, and the combination of a stable local administration and the New Labour national administration, which was to prove as stable and as business-oriented, served to increase investor confidence in the city.
- **City centre focused development models:** Liverpool's relatively cheap city centre property and land prices and derelict or underused spaces were ideal for investment when, after 1997, government policy began to advocate city centre-focussed urban regeneration models rather than large out of town commercial and business development.
- **Confidence arising from initial major investors:** Finally, general investor confidence was also enhanced by the arrival of a few large investors; in particular, the Grosvenor Paradise Project development was seen by various interviewees as a highly important factor in Liverpool's fortunes (see more details below).

The overall economic growth was felt to be particularly supported by - or made more sustainable through - the following developments:

- **Liverpool Vision**, the UK's first urban regeneration company, was universally seen in a positive light as a successful initiative that has created a supportive environment for business development
- **The Arena and Convention Centre Liverpool** (ACCL, housing the BT convention centre and the Echo Arena) was seen as a vital development, as a large arena and conference centre had been a gap that needed to be filled in the Liverpool city offer. The ACCL is predicted to have a beneficial effect on the local economy (see below).
- In a similar vein, the **Liverpool John Lennon Airport** expansion was seen as bringing additional visitors to the city and making it a more attractive business base.
- The Grosvenor funded **Paradise Project**, due to open in Spring 2008 as **Liverpool One**, was seen as a major commitment from an organisation that is not known for taking risks. Most of the developers interviewed had been investing in the city prior to 1999, when the project was initiated, but saw this as a turning point in terms of encouraging the more opportunistic national companies to invest in Liverpool. In addition, the development itself was seen to vastly improve the retail offer of Liverpool, thus making the city a more attractive prospect to those with more senior occupations (see 2.2.3 below)

- The **European Capital of Culture** designation, although seen as entirely positive, was viewed as only part of a larger trend of which the above elements were the most determinant. The designation was seen as useful but not essential, playing a role in reinforcing pre-existing growth trends rather than creating new ones.

### 3. Impacts of ECoC designation

All developers made the point, without prompting and fairly early on during the interview, that the ECoC designation had made no substantial difference to their decisions to invest in Liverpool. Although this was likely to have arisen from the fact that the interview had been framed in terms of an investigation into the impact of the Liverpool ECoC, this response should not be dismissed. This approach of explicitly stating the small relative consideration given to the ECoC designation often seemed to arise from a slight frustration on the part of interviewees, due to a perceived aggregation of all positive economic impacts (and all physical development) in the city as 'Capital of Culture effects' by the general public. Despite this, all respondents felt that the ECoC was an entirely positive thing for the city, and identified benefits for their businesses that would arise from it. In particular, none foresaw any negative effects from the year itself, or mentioned issues commonly noted as problematic, such as disruption caused by road works.

Due to the low influence that both culture and the ECoC had on business decisions, it is hard to entirely separate the perceived impacts of ECoC from those of a vibrant cultural sector in general, as all interviewees implicitly assumed that ECoC would generally improve the cultural sector. There was a relatively shared sense of the value of 'culture' as an additional enhancement to physical regeneration. The latter arose from three factors: tourism growth, attractiveness of a thriving cultural sector to senior staff, and image change.

#### 3.1. Tourism growth

There was an assumption by many developers that the 2008 event programme, and generally being European Capital of Culture, would bring an increase in tourism to the city from 2008 onwards. This was seen as directly beneficial in terms of the economic impact of increased hotel usage, but also more widely beneficial in terms of acting as a driver to further investment in the city, as the increase in general tourism could also include an increased number of potential investors. These investors would have the chance to witness the positive changes occurring in Liverpool and potential areas for investment. Simply visiting the city and seeing the scale of development and changes occurring was seen as enough to make people realise its potential as a place in which to live or invest.

However, it was pointed out that both the Arena and Convention Centre and the Liverpool One development were much more important factors for tourism growth generally. The impact of ACCL in particular is difficult to disaggregate from the ECoC, as Liverpool had needed a large conference centre and there was thus a reservoir of demand that happened to be serviceable in 2008 with the opening of ACCL. Clearly some of the conferences in ACCL in 2008 (and 2009 due to overspill) can be attributed to the Liverpool ECoC, but it is hard to tell how many would have been secured simply because organisers and delegates had wanted to come to Liverpool for years. Business tourism and the ability to cater for conferences 'plugged the last of the major infrastructure gaps' in the city, and were seen as an investment draw.

#### 3.2. Attractiveness of a Thriving Cultural Sector to Senior Staff

The benefits that a thriving cultural sector could bring in terms of attracting senior management staff to move to the city was seen as the second major positive impact, because it ensured that any companies considering setting up office in the city would be able to secure new staff or attract existing staff to move. Key here is the

definition of 'culture' held by respondents and the areas of potential impact of ECoC, which they identified as follows:

- **Shopping** was mentioned by most as the major attraction, in particular a high quality range of shops, and for this reason the Grosvenor decision to invest in the Liverpool One development was repeatedly referred to as a decisive factor
- **Restaurants and Bars** were also seen as being of high importance. Again, the range and quality of these were the attraction, although this was framed in terms of the idea of a fun city centre with a 'buzz' and sense of safety (no one particularly focussed on the need for a certain range of Michelin starred restaurants, for example). In this context, younger professionals in particular were mentioned, with the respondents (all in their mid-50s or above) discussing what they thought would attract their professional staff.
- **The Arts** were not seen as an attractive factor by all, but those that mentioned them in this context felt strongly that the arts were an essential part of what the city would be offering to attract in-coming firms. Some of the developers used images and messages about the level of cultural offer in Liverpool as part of their sales approach to major investors.

### 3.3. Image change

Image enhancement was seen as an essential factor affecting changing investment patterns, although this was not seen as an outcome of the ECoC as yet. There were divergent points of view on this, but some developers did see it as a likely outcome of the 2008 event programme once the rest of the UK got to hear about what Liverpool had to offer.

Overcoming negative images and stereotypes of Liverpool was identified as key to continuing investment and relocation. However, the decision of leading major investors to come to the city was seen as much more influential, Grosvenor as one of the high profile earlier investors in particular.

## 4. Prospects for the Future

### 4.1. Challenges to sustainability

For continued growth and success in the future, a need to bring in new large companies and offices from outside the sub-region, rather than simply to have local firms moving around, was identified. In terms of physical infrastructure, there was broad agreement that there was still space in the city for more commercial property, as long as this was of a sufficient quality.

The issue of build quality was also raised with respect to the residential property market. Most interviewees spoke against the public perception that the housing market was over-saturated, claiming that there was an excess of housing in the city centre which was not of a sufficiently high quality, and that there was still room for further, high build-quality housing development.

In terms of the hotel infrastructure in the city, it was felt that once all currently planned hotel developments went online there would be sufficient capacity to meet demand.

All firms and informants felt confident about the continued availability of private, external investment and the availability of investment from banks over the next few years. Several interviewees raised concerns about the level of aspiration that Liverpool had, feeling that there was a need to go beyond competition with Manchester.

For some, this was because Liverpool could never rival Manchester, but should seek to complement it; for others, this was because Liverpool had far more potential than Manchester, and should be looking to aspire to something more unique as a brand (Barcelona and Edinburgh were mentioned here).

#### 4.1. Sectors likely to develop

Indications were sought of what were likely to be the growth sectors for Liverpool's economy over the next decade to fifteen years. This was the area where the responses were most varied:

- Most interviewees mentioned the **service sector**, and specifically high end financial services where they saw the potential for expansion of existing offices, or creation of new offices to service a growing local economy – i.e. not stealing business from Manchester, but catering for the 'west of M6' market.
- There was some mention of the possibility for **public sector relocation**, this being seen as potentially a huge catalyst (with reference to MediaCity:UK in Manchester), as government looks to reduce concentration in London. However there was a clear concern regarding a return to reliance on public sector jobs.
- The **knowledge economy**, perceived as universities in general but with an additional specific focus on the bio-technology sector, was seen as a growth area.
- A few developers mentioned **creative industries**, but this was not fully explained and seemed to be around advertising, design and IT design.
- The port was mentioned as a continued driver of the economy not to be forgotten, with potential for growth in **port related services**. The Port of Liverpool is still a major UK freight port;<sup>4</sup> although relatively few people work directly on the docks, it is estimated that over 1000 firms are involved in the wider maritime sector across Merseyside, employing 26,441 (direct and indirect) full time staff.<sup>5</sup>
- **Shopping and tourism** were mentioned as core areas of economic activity and growth by all, with varying degrees of confidence about the economic growth that would result from this.

In general, all interviewees envisaged continued growth for sectors currently doing well in Merseyside.

#### 5. Next steps

This research will feed into the analysis of both qualitative and quantitative findings on the impact of ECoC designation and the lead up to 2008 on the local, sub-regional and regional business base. Further interviews will be carried out with a number of respondents to this work in 2009, to allow feedback on the impacts of 2008 itself and reflection on the changes in their perceptions and aspirations for the city since this first phase of interviews. This will form part of the analysis to be presented in the final Impacts 08 report in March 2010.

<sup>4</sup> In 2006, 6% of UK freight by weight came through Liverpool, making it the 6<sup>th</sup> biggest in the UK (ONS Maritime Statistics 2006).

<sup>5</sup> Mersey Maritime. Economic Impacts Study. Jan 07. [http://www.mersey-maritime.co.uk/dbimsgs/Econ\\_Impact\\_Study.pdf](http://www.mersey-maritime.co.uk/dbimsgs/Econ_Impact_Study.pdf)